

Introduction to Agribusiness Management(AGE 4211)

LECTURE ONE

BY

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PRESENTATION OVERVIEW

- Agribusiness concept defined.
- Key agribusiness sectors: structure, composition & trends/dynamics.
- Size, scope & importance of agribusiness sector in Zambia.
- Unique dimensions of food & agribusiness markets.
- Major challenges facing the Agribusiness sector in Zambia.

Meaning of Agribusiness

- Agriculture
 - Science & practice of crop and livestock production
- Business
 - Various key players along agricultural value chain
 - Satisfying customer needs through:
 - Addition of value or utility; and
 - Generating profit/wealth

Meaning of Agribusiness Cont'd

- Concept born in Harvard University
- David & Gold Berg (1957) *A concept of Agribusiness*
- *Agribusiness is the sum total of all operations involved in the manufacture and distribution of farm supplies, production activities on the farm, storage, processing and distribution of farm commodities and items made from them.*

Meaning of Agribusiness Cont'd

- The business and management activities performed by firms that provide inputs to the farm sector, produce farm products and /or process, transport, finance, handle or market farm products (Akridge et al., 2002) .

Meaning of Agribusiness Cont'd

- Agribusiness encompasses many aspects of the economy:
 - agricultural producers (crops and livestock producers),
 - businesses that provide supplies and services to the producers (including cooperatives),
 - businesses that add value to agricultural products, and
 - businesses that facilitate the marketing of agricultural products to an ever-growing marketplace.

KEY COMPONENTS OF THE AGRIBUSINESS SECTOR

INPUT SECTOR

Provides farmers with goods and services for production of crops and livestock.

- Feed
- Seed,
- Fertilizer, Lime, Chemicals
- Farm machinery and equipment
- Energy (Fuel and electricity),
- Transport,
- Research and extension services,
- Financial services
- Insurance etc

FARM PRODUCTION SECTOR

Has direct impact on the financial well being of the input and output sectors of agribusiness

Products produced: horticultural, floricultural, cash (cotton, tobacco, coffee etc) and food crops, fish, forestry, bee farming, oilseed production, livestock (poultry and animals).

OUTPUT SECTOR

Transforms the raw farm output into final consumer product at the retail level.

It's the largest of the three sectors in the food system.

Food processors

Food & fiber distributors

Wholesalers

Retailers

Examples of Agribusinesses in Zambia

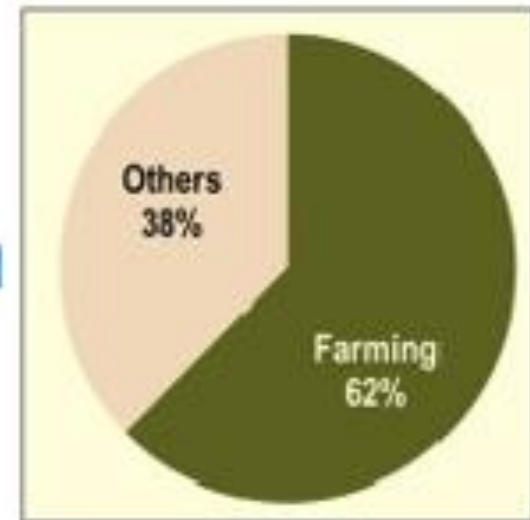
- Omnia Fertilizer
- Zambeef
- Irritech
- Verino
- Hybrid Poultry
- Panner Seed
- Pick and Pay
- Spar
- Shoprite
- Munali Coffee
- Its Wild
- Parmalat
- Cargill
- Sylva
- Zambia Sugar
- Nitrogen Chemicals

Comparison of share of agribusiness in agriculture value chain

Global:
Agribusiness accounts for 78% of value added in the value chain



Most of Africa:
Agribusiness accounts for 38%



VALUE AND VALUE ADDITION

Meaning of Value

- Amount of money that consumers are willing to pay for a product.
- Utility marketing model: usefulness or benefit, that a customer gets in return for exchanging his/ her money for a firm's goods or services

How do we add value to our products?

i. Form

- Transforming customers' needs into product or services that deliver added value.

VALUE ADDITION TO COTTON (FORM UTILITY)



VALUE & VALUE ADDITION

Types of Value Cont'd

ii) Place utility

Availability of a good/
service in a location
that is convenient to
your customer



Value & Value Addition: Types Of Value Cont'd

(iii) Possession utility

- Gives your customers ownership of a product or service, enabling them to derive benefits in their own right.

(iv) Time utility

- Ensures that products and services are available when customers need them.
- Logistics plays an important role in improving the time utility.
- Late delivery could impact your customers' own productivity and efficiency if your company is part of their supply chain
- By developing an efficient supply chain, you can ensure that products are delivered on time.

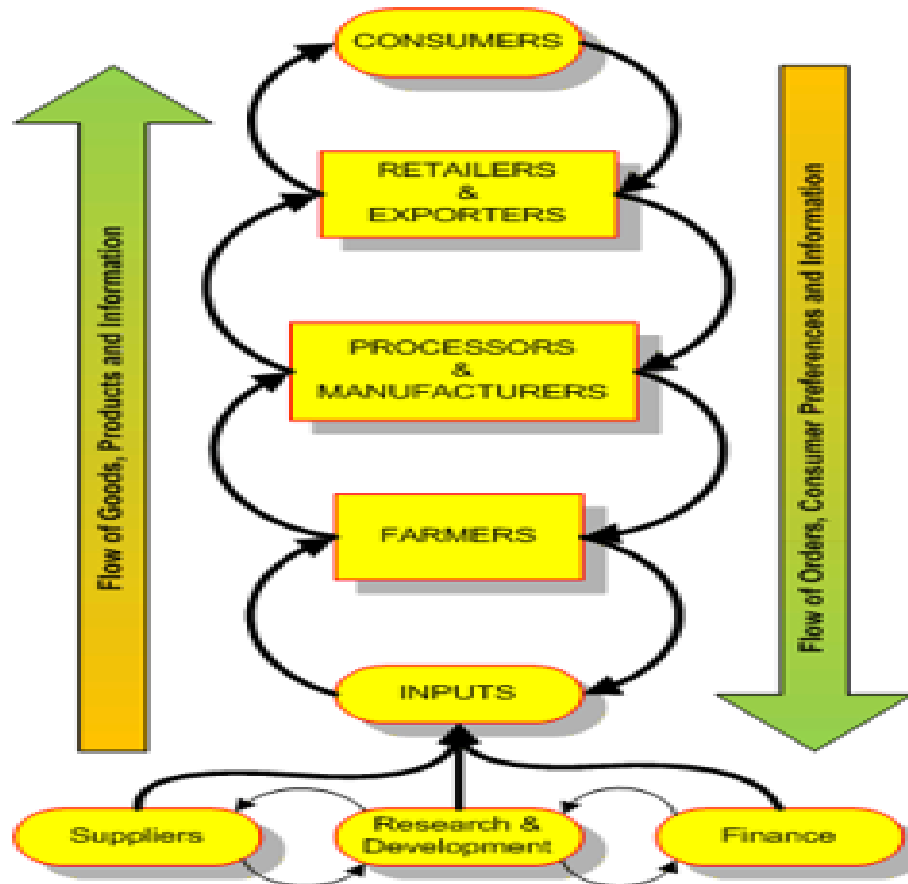
Value chain explained

- A *chain* usually depicts interrelated activities that are typically organized as sequences of stages.
- The goal is to deliver maximum value to the end user at the lowest cost possible

Definition of value chain

- A full range of activities which are required to bring a product/service from conception, through intermediary phases of production, delivery to final consumer and final disposal after use (Kaplinsky & Morris, 2000).

Illustration of an Agricultural value chain



The Soy Bean Value Chain in Zambia: (Example of structure of Agribusiness from a value chain perspective)

Business Enabling Environment & Support services



	Input supply	Production	Brokering & Trading	Storage	Processing	Wholesaling & Retailing	Consumption
Key Activities	<ul style="list-style-type: none"> Sourcing, Distribution & Selling of inputs: <ul style="list-style-type: none"> Seed Fertilizers Agri-chemicals Inoculant Equipment 	<ul style="list-style-type: none"> Land preparation Input purchase Planting Crop husbandry Harvest Post-harvest 	<ul style="list-style-type: none"> Bulking Grading Sorting Bagging Establishment of market linkages Supply management 	<ul style="list-style-type: none"> Storage of grain in warehouses and silos Market linkages Supply management 	<ul style="list-style-type: none"> Processing of oil, cake, stock feed & other soy products Milling 	<ul style="list-style-type: none"> Sourcing, Distribution & Selling of soy products 	<ul style="list-style-type: none"> Consumption
Players	<ul style="list-style-type: none"> Government Input companies Agro-dealers Input agents 	<ul style="list-style-type: none"> Smallholder farmers Emergent farmers Commercial farmers 	<ul style="list-style-type: none"> Aggregators Small & Large Scale traders 	<ul style="list-style-type: none"> FRA Ware house & Silo owners 	<ul style="list-style-type: none"> Primary processors <ul style="list-style-type: none"> - Oil expressers - Grain Millers Secondary processors 	<ul style="list-style-type: none"> Wholesalers Retailers 	<ul style="list-style-type: none"> Local consumers Export market

Dimensions of Agribusiness

Agribusiness deals with :

- Different components of both agricultural and industrial sector (Interdependence)
- Making decisions at micro, meso and macro levels
- Strengths & weaknesses of a project and thereby their viability in competing enterprises.
- Market oriented.

Significance of the Agribusiness sector

Discuss the role of Agribusiness in the social economic development of Zambia.

Scope/Significance of the Agribusiness sector

- Distribution of food & fiber
- Value addition
- Creates backward and forward linkages,
- Job & wealth creation
- Community development which in turn leads to alleviating hunger, poverty, disease, unemployment and income disparities
- Source of foreign exchange
- Graduating SHF from subsistence farming to commercial agriculture by promoting market-linked production

DISTINCTIVE FEATURES OF AGRIBUSINESSES

- Highly seasonal in nature
- Bulky
- Variability in quantity and quality caused by genetic variation, seasonal changes, climatologically differences
- Tremendous variety in the kinds of business in the agribusiness sector
- Perishable
- Affected by risks of nature

DISTINCTIVE FEATURES OF AGRIBUSINESSES

- Complementary agricultural raw materials which fix output ratio of different products
- Highly Competitive
- Location of farmers
- Variations in production rates in production processes between processors and producers
- Variation in scale efficiencies in the different stages of the production–marketing process

**Highlight the Constraints facing
the Agribusiness sector in Zambia**

Constraints facing the Agribusiness sector in Zambia

- Inappropriate financing
- Local markets are small and suffer from low purchasing power
- Low productivity
- Inadequate capacity of the local industry to satisfy demand
- Lack of market information and a marketing approach to production

Constraints facing the Agribusiness sector in Zambia

- Poor quality
- Poor packaging
- Insufficient research
- Lack of business and managerial skills especially by small scale farmers
- Inadequate extension workers
- The fragmented patterns of smaller holder production, and the inadequate institutional arrangements for servicing small producers

Constraints facing the Agribusiness sector in Zambia

- Poor and labor-intensive production and processing technologies, lack of irrigation technologies and low utilization base resulting in very low product quality and thus very low family incomes
- High post harvest losses
- Poor infrastructure
- Affected by natural calamities

Constraints facing the Agribusiness sector in Zambia

- Poor policy and implementation of the same
- Failure to abide by contractual obligations e.g. by farmers/farmer groups
- Political interference e.g. in the market and formation of cooperatives etc
- External competition.

THE END

