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ASSIGNMENT ON

AEC 813 (AGRIBUSINESS MANAGEMENT)

TOPIC:

AGRIBUSINESS COMPLEX

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SUBMITTED TO

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INTRODUCTION

Definition of Agribusiness

Agribusiness is just the combination of agriculture and business. That is the activities involved in the production of agrichemicals, livestock and crop, its processing and sales. Agribusiness is the business of agricultural production. The term was coined in 1957 by Goldberg and Davis which simply refers to the range of activities and disciplines encompassed by modern food production (Wikipedia, 2013).

Agribusiness include not only that productive piece of land but also the people and firms that provide the inputs, process the output, manufacture the food products and transport and sell the food products to consumers. Farmers found it increasingly profitable to concentrate on production and began to purchase inputs they formerly made themselves. This trend enabled others to build business that focused on meeting the need for inputs used in production agriculture such as seed, fencing, machinery and so on. These farms evolved into the industries that make up the “agricultural inputs sector”. Input farms are major part of agribusiness and produce variety of technologically based products that account for approximately 75 per cent of all the inputs used in production agriculture.

At the same time the agriculture input sector was evolving, a similar evaluation was taking place as commodity processing and food manufacturing moved off the farm. The form of most commodities (wheat, rice, milk, livestock and so on) must be changed to make them more useful and convenient for consumers. For example consumers would rather buy flour than grind the wheat themselves before baking a cake. They are willing to pay extra for the convenience of buying the processed commodity (i.e flour) instead of the raw agriculture commodity (wheat).

The main objective of agribusiness enterprise is to maximize profit.

AGRIBUSINESS COMPLEX

This is the combination of the three components of agribusiness. These components are:-

- (1) The input sector
- (2) The processing-production sector
- (3) The supply sector.

This capture the full meaning of the term “agribusiness” it is important to visualize these three sectors as interrelated parts of a system in which the success of each part depends heavily on the proper functioning of the other two. It was already indicated that agribusiness is a complex system of input sector, production sector, processing manufacturing sector and transport and marketing sector. Therefore, it is directly related to industry, commerce and trade, Industry is concerned with the production of commodities and materials while commerce and trade are concerned with their distribution.

Industry:

Industry refers to the processes of extraction and production of goods meant for final consumption or used by an individual or by another industry for its production. Thus goods used by the final or ultimate consumers are called “consumer goods” such as edible oils, fruit jams etc

Types of industries:

According to nature, the industries are broadly classified into following types.

1) Extractive industries:

These industries are concerned with the extraction and utilization of natural resources. Example – fishing, fruit gathering, agro-based industries, forestation.

2) Genetic Industries:

These industries include breeding of plants, seeds, cattle breeding farm, fish hatcheries, poultry farms etc. Of course, factors like nature, climate and environment play a dominant role in these industries, yet, human skill involved in their production cannot be ignored. For example intensive agriculture is possible with greater amount of capital and larger number of workers.

3) Manufacturing Industries

These industries are engaged in the conversion of raw material or semi finished goods produced in the extractive industries. Some prominent examples are – cotton textile industry, spinning and weaving mills etc.

Commerce:

Commerce is another major component of agribusiness. It includes all those activities which are necessary to bring goods and services from the place of their production to the place of their consumption. Thus, it includes the buying and selling of goods and service and all those activities which facilitate trade such as storing, grading, packaging, financing, insurance and transportation. In simple words, commerce includes trade and aid to trade. The principal function of trade

(commerce) is to remove the hindrance of person, place, time exchange, knowledge etc. and ensure a free and smooth flow of goods from the producers to the consumers.

Trade in fact is a branch of commerce itself. In a way, it is the final state of business activity involving sale and purchase of commodities or goods. It does not include and to trade like transportation, insurance, banking, finance etc. On the basis of its coverage and volume, trade is normally classified into the following types

- i. Wholesale trade
- ii. Retail trade

Today the business has become very competitive and complex. This is mainly due to changing taste and fashion of the consumers on the one hand, and introduction of substitute and cheaper and better competitive goods, on the other. The old dictum “produce and sells has changed overtime into “produce only what customers want”. In fact, knowing what customers want in never simple.

THE INPUT SECTOR

It is apparent that the definition of agriculture had to be expanded to include more than production. Farmers rely on the input industries to provide the products and service they need to produce agricultural commodities.

The agricultural input sector is the supplies and services needed by the farmer. This is seemingly the first step towards agribusiness. Some examples of inputs include the feed (for livestock), seed (for planting), fertilizer, chemical (pesticides etc), and farm machinery.

Farm machinery may include tractors, combine harvesters, shovels, hoes, tillers, Generator sets, pumps and pipes etc.

The machinery is used to clear bushes, plough the land and seeds planted. Finance can also be referred to as an input.

THE PROCESSING-PRODUCTION SECTOR

During the same evolving period, technological advance were being made in food preservation method. Up until this time the perishable nature of most agriculture commodities meant that they were available only at harvest. Advance in food processing have made it possible to get those commodities all throughout the year. Today even most farm families' use purchased food and fiber products rather than doing the processing themselves. The farms that meet the consumers demand for greater processing and convenience also constitute a major part of agribusiness and are referred to as the processing manufacturing sector.

THE SUPPLY SECTOR

This involves marketing and sales.

Agricultural Marketing is “The sum total of all business activities that direct the flow of goods and services from the farm producers on to the consumers so as to get these at the time, place and in the form they want them and at the price they are prepared to pay for them” (Baruah, 2002). Agricultural Marketing includes the activities of transportation, processing, storage, standardization and grading, wholesaling and retailing. Generally agricultural market is a place where agriculture goods are bought and sold. But in economics, it consists of all that area where the buyers and sellers are linked with each other in such as way that the

price of goods are determined and exchange could be made possible. This means that market determines the price on the basis of demand and supply. Agriculture marketing includes all the processes, channels and services involved in moving a agricultural produce from the producer to ultimate consumer. And in this system comes some problems at different levels of production and selling.

Some Problems in agricultural marketing/sales are

- 40% of agricultural produce is wasted in marketing due to damages during picking, harvesting and poor practices.
- No constant power for storage
- No storage facilities
- Poor transport and communication facilities
- No grading, packing standards.
- Lack of knowledge of quality parameters and standards.
- Very high difference in price between the farmers' realization and consumer even for the fresh produce. In processed food the high price of raw materials, excessive spoilage, inefficient and costly transportation, high cost of finance due to high taxes and duties leads to low demand of processed foods.

Suggestions to improve agricultural marketing:

- Training and capacity building are key. Developing the marketing and entrepreneurial skills of farmers to enable them adapt to changing markets.
- The key issues concerning marketing interventions based on the development or introduction of agro-processing technologies are that the technologies must be

appropriate (in terms of cost, level of skill required and cultural factors, such as their acceptability to women), and there must be market demand for the end product.

- Accurate and timely marketing information is needed by all stakeholders in the marketing chain (including input suppliers, producers, transporters, credit providers and traders).
- Broader ‘marketing’ information, as opposed to simple market price information, is most useful.
- Facilitating linkages between individuals or groups of farmers and private sector stakeholders is very important, yet often neglected.
- Building on existing private sector marketing channels is important
- Most importantly, it contributes significantly to the potential sustainability of marketing activities.
- Isolated marketing interventions are unlikely to succeed. A holistic approach to marketing and enterprise development, looking at the whole range of marketing constraints and solutions, has been shown to be more successful in enabling farmers to participate in the market.

AGRICULTURAL MARKET REFORMS:

Below are the certain measures that can be affected to bring out the reforms in agricultural marketing so as to ensure just and fair price for the farming community.

- Provide loans to the farmer at low rate of interest so that they will be freed from the clutches of local moneylenders who squeeze them. It is said that farmer in born into debt, lives in debt and dies in debt. Right from the beginning of the life, the poor farmers approach money lenders for investing into cultivation who

levies very high rate of interest and who takes away the maximum amount of the share from the produce. In case if the crop fails due to natural calamities then the situation would be worse as the farmer is not in a position to pay his loans. And ultimately he is forced to sell the land at a giveaway price to the lender.

- It is essential to provide subsidized power supply to the farmers as the expenses towards power consumption takes considerable amount of investments.
- Generate a new distribution network that connects the farmers directly to the consumers to get maximum returns as the present channel of distribution involves multiple mediatory who take away the major portion of profits which otherwise the farmers is supposed to get..
- There should be stringent action against black marketers and hoarders who buy the stocks from farmers at cheap prices and create artificial demand and then sell the stocks at higher prices.
- Creating local outlets at each village where the farmers sell their stocks directly to the consumers or the authorized buyers at fixed prices would help to a great extent.
- At the village level there should be counseling centers for farmers about the worth of their stocks so that they can get fair price. The crucial role of Non-Governmental Organizations (NGOs) is needed in this context.
- The retail revolution has brought several changes in the retail sector where the retail giants buy in bulk directly from the suppliers and sell to the consumers directly and in this process they pass the benefits to the consumers as well. In the past the consumers were paying more for less as there were many channels of distribution system and now the consumers pay less for more.

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