

# Agribusiness management

Lecture 1

# Introduction

- It is exciting and diverse. It is changing quickly. It relies on the weather, uses an incredible array of technology, is tied in every way to our natural resources, and embraces the world.
  - If you eat, you are involved in it as a consumer of its final products.
  - If you farm, you are involved in it as a producer of the raw materials that ultimately make their way to the end consumer.
- It is the extremely efficient, very complex, global, food and fiber production and marketing system. This system is vast : the next time you walk through your local grocery store, think about the number and type of diverse activities involved in growing, harvesting, transporting, processing, and distributing food throughout Egypt, and, more broadly, our world.

# Key functions of management in agribusiness

- To better understand the form and process by which managers perform the tasks that are required to create and sustain a viable business, the practice of management can be broken down into four key functions:
  - Marketing management
  - Financial management
  - Supply chain management
  - Human resource management
- Ultimately, no matter how large or small the firm, managers have responsibilities in each of these areas. It is important to have a basic understanding of each area as we develop our understanding of agribusiness management.

# Marketing management

- **Marketing** , in a broad sense, is focused on the process by which products flow through the U.S. food system from producer to final consumer. It involves the physical and economic activities performed in moving products from the initial producer through intermediaries to the final consumer.
- **Marketing management** involves understanding customer needs and effectively positioning and selling products and services in the marketplace. In agribusiness, marketing management is a key function within each of the sectors of agribusiness: the food sector, the production agriculture sector, and the input supply sector

# Marketing management

- Marketing management represents an integration of several different activities: selling, advertising, web page design, promotions, marketing research, new-product development, customer service, and pricing — all focused on customer needs, wants, and, ultimately, the quest for customer satisfaction.
- Marketing management is focused on careful and planned execution of how, why, where, when and who sells a product or service and to whom it is sold. Decisions here include what products to produce, what services to offer, what information to provide, what price to charge, how to promote the product, and how to distribute the product.

# Financial management

- **Profit** is the driver for agribusinesses as they work to generate the greatest possible returns from their resources. Successful achievement of this objective means making good decisions, and it means carefully managing the financial resources of the firm.
- **Financial management** is involved in these areas and includes generating the data needed to make good decisions, using the tools of finance to make effective decisions, and managing the assets, liabilities, and owner's investment in the firm. Financial information allows managers to understand the current "health" of the firm as well as to determine what actions the business might take to improve or grow. **Balance sheets** and **income statements** can provide a wealth of information useful in making decisions.

# Supply chain management

- New technologies and concepts are rapidly hitting the workplace. This, in turn, changes the way agribusinesses do what they do. The push for quality, the drive for lower costs, changes in the supply chain, and general pressures to be more efficient in meeting consumer demands are swiftly altering the production and distribution activities of agribusiness.
- **Supply chain management** focuses on these areas and provides the tools managers need to meet these operations and logistical challenges. As a result, supply chain management has come to the forefront as a key management function for the agribusiness manager.

# Supply chain management

- **Operations management** focuses on the direction and the control of the processes used to produce the goods and services that we buy and use each day. It involves several interrelated, interacting systems. Operations management involves the strategic use and movement of resources.
- **Logistics management** involves the set of activities around storing and transporting goods and services. Shipping and inventory costs are huge costs of doing business for many food and agribusiness firms. The logistics management function is focused on new ways to lower these costs, by finding better ways to ship and store product.



# Human resources management

- In the end, management is about people. Without the ability to manage the human element — the resources each business has in its employees — businesses do not succeed. When combining efficient management of the marketing/finance/supply chain functions of the business, with the thoughtful management of the human side of the business, managers are on the road to successful implementation of their strategy.
- **Human resources management** encompasses managing two areas: the mechanics of the personnel administration, and the finer points of motivating people to offer and contribute their maximum potential. Decisions here include how to organize the firm, where to find people, how to hire them, how to compensate them and how to evaluate them.

# Unique dimensions of the food and agribusiness markets

- It may be easy to argue that management theory and principles are the same for any type of business enterprise. The largest businesses in the country such as Wal-Mart and the smallest one-person agribusiness are guided by many of the same general principles. Yet key differences between large and small businesses or between agribusinesses and other types of firms arise in the specific business environment facing the organization.
- Food and agribusiness markets differ from other markets in at least eight key ways, influencing the business situation that food and agribusiness managers must practice.

# Unique dimensions of the food and agribusiness markets

- Food as a product.
- Biological nature of production agriculture.
- Seasonal nature of business.
- Uncertainty of the weather.
- Types of firms.
- Variety of market conditions.
- Rural ties.
- Government involvement.