The perspectives of Southern Great Plain in agribusiness networking and cross-sectoral linkages

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Value chain and agribusiness

"agribusiness is the linking connected sectors of agrofood value chains. It provides inputs to the agrarian sector, and it links the farm sector to consumers through the handling, processing, transportation, marketing, and distribution of food and other agricultural products.

Supplier and producer for agrarian production – complete agrarian sector – food industry – retail and marketing channels (functional connected economic sectors, they produce goods for consumption)

- Technology
- Economys of scale
- Capiatal and investment
- Global business activity
- Quality and management

The gross competitiveness of agribusiness depends on individual competitiveness of connecting sectors
The importance of agribusiness in economic structure

Germany (2010)
Agriculture in itself gives not more than 1% of gross production value, 0.7% of gross value added (GVA), and 2% of employment on the level of national economy.

Gross contribution of agribusiness the sectors accounts for more than 8.7% of gross production value, 6.6% of GVA, and 12.4% of employment on the national level of economy.

Netherlands
Agribusiness sector produce 11% of GDP inside the national borders, the export of food- and agrarian products accounts for 12% of GDP.

The performance of agribusiness adds up to 23% of economy’s GDP.

USA
Agribusiness produce 15% of GDP
The importance of agribusiness in economic structure

Figure 1. The contribution of agriculture and agribusiness to GDP in relation with the GDP per capita


synergies between agribusiness and the performance of agriculture for development
Network - mechanism and rethinking the structure

**Power in relation of agribusiness network**

The phenomenon of power is a multifaceted construct in network relation, emerging from different sources, and position is only one of them.

Power is asymmetrically distributed in agrifood industry, but not uniformly and not fully in favor of large retailers (Hanf et al. 2013)

<table>
<thead>
<tr>
<th>Type of Power</th>
<th>Retailers</th>
<th>Food Processors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legitimate or Position</td>
<td>Favors large retailers due to relatively larger number of food processors</td>
<td>Favors large processors that have popular brands</td>
</tr>
<tr>
<td>Coercive</td>
<td>Dominant firms can force concessions from processors, especially small and medium-sized ones</td>
<td>Large processors with branded products can threaten to withhold supply</td>
</tr>
<tr>
<td>Reward</td>
<td>Rarely evident or used by retailers</td>
<td>Processors use rewards to influence retailer behavior</td>
</tr>
<tr>
<td>Expert</td>
<td>Point-of-sale scanner data can give retailers an advantage</td>
<td>Potential for bribery</td>
</tr>
<tr>
<td>Referent</td>
<td>Private label brands gives retailers access to production and development information and greater control over some vertical supply chains</td>
<td>Popular brands as sale leaders, as well as production knowledge, gives an advantage to processors</td>
</tr>
</tbody>
</table>

Note: Summary of examination of participant comments from July 2010 public meeting of the committee on food, agriculture and consumer protection of the German parliament.

Source: Hanf et al. (2013, 222.)
Network - mechanism and rethinking the structure

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Our analysis of the transcripts showed that the position power of retailers, derived primarily from their market share, is of key importance. However, large processors and processors with popular brands or who produce private label products for retailers also possessed some countervailing position power. The transcripts also showed that retailers would use coercive power to discipline their suppliers, but the threat of withholding supply of popular products could give processors coercive power, but less frequently. Reward power is rarely used by retailers, but it is often used by producers. With respect to expert power, popular, strongly branded processors dominate in consumer knowledge, but retailer access to scanner data and customer buying behavior helped shift some power from processors to retailers. Referent power is generally possessed by producers, who use it, although the marketing of private labels provides some power benefit to retailers.
Network - mechanism and rethinking the structure

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Network - mechanism and rethinking the structure

**Alternative network model in structure of agribusiness**

*(alternative agrofood networks - AAFNs)*

<table>
<thead>
<tr>
<th>Table 3 Classification of AAFN model forms</th>
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</thead>
<tbody>
<tr>
<td><strong>Dimension</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Relationship among Producers</td>
</tr>
<tr>
<td>Relationship among Consumers</td>
</tr>
<tr>
<td>Relationship between Producers and Consumers</td>
</tr>
</tbody>
</table>

Source: Ammirato et al. (2013, 298)
Network - mechanism and rethinking the structure

Alternative network model in structure of agribusiness (alternative agrofood networks - AAFNs)

Relationship among Producers: in cooperation and collaboration based network models need strong relationships among producers, to reach their common goal. This means more common goal-oriented risk taking, commitment, and added resources that producers have to invest into joint endeavor. In other AAFN’ forms the close relationship between producers is not required.

Relationship among Consumers: Similar to the previous dimension the AAFN’ forms with more cooperative bahaviour require a more complex relationship management because of the resource investment, commitment, and risk sharing taken by groups of consumers. Opposite to these, in networking and coordination organization forms where consumers only concentrate on commination and information sharing, which sometime concludes other activities, but the values and goals remain individual.

Relationship between Producers and Consumers: Some forms of AAFN requires both the producers and the consumers strong relationship. Both actor makes commitment, shares the risks and provides resources for joint endeavor. As a result of co-working there is a common plan to achieve compatible or joint goals. This implies mutual trust and therefore it takes time, effort, and dedication. The networking and coordination forms indicates a lower complexity of relationship management.
Agribusiness in Region Southern Great Plain

**Agribusiness in Hungary**
sector faced divergent proceedings in the past 20 years
economic transaction, the failing of Comecon market system, the privatisation in food industry in parallel the disintegration of concentrated agrarian organisations has disaggregate the previous value chain, and food product channels in production of economy

**Structural problems**
- Low standard of processing in agrarian sector
- Desintegration of home based food industry (Role of MNCs)
- Retail sector is absolutely driven by Supermarkets
- The shrinking of home markets

**Adequate policy**
for an competitive hungarian agribusiness sector it is absolutely essential the creation of an progressive and financial sustainable business model, that is based on concentration (assets and capital), economys of scale, and cooperation. The agribusiness policy plays an important role in rural territorial development and improving of socio-economic lifeconditions, because it is the most important and adequate basis of rural economy.
Agribusiness in Region Southern Great Plain

Regions features and traditions in food production capacities and the potential of linking sectors the agribusiness – mostly the food-industry

**network-based agribusiness model**

On the side of production

- widening the resource and action limitation of an individual actors on the level of network through cooperation.
- Functional connection of competitive agrarian sector and the food industry

On the side of marketing

- qualified and strong branded food products

Cluster based agribusiness model

- Agriculture and Food Industry
- Knowledge potential and R&D capacities, in biotechnology, production of seeds, and development of GM industrial plants
158. ábra
IPARI TERMELÉS ÉS EXPORT (2009)

Szerző: Kiss É.
Szerkesztette: Kaiser L.
© Magyar Tudományos Akadémia
Földrajztudományi Kutatóintézeti
Budapest, 2011

Forrás: Megyei statisztikai
evőnyvek, 2009
Területi Statisztikai Évkönyv, 2009

A termelési érték több mint 10 %-át
adó ágazatok részesedése (%)

Az export aránya
az értékesítésből (%)
Agribusiness in Region Southern Great Plain

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Conclusion

**Agribusiness**
integration of valuechain
importance in the economic structure

**Networks in agribusiness**
Power in network – concentration
Alternative network solutions in agrarium – rural development

**Agribusiness in Region Southern Great Plain**
existing capacities, good conditions
networkbased strategies and cluster based development
Thanks for your attention!

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