UNIVERSITY OF SZEGED

UNIVERSITAS SCIENTIARUM SZEGEDIENSIS

ÚJ SZÉCHENYI TERV

The perspectives of Southern Great Plain in agribusiness

networking and cross-sectoral linkages

Savanya Péter

PhD hallgató

University of Szeged

Faculty of Economics and Business Adminstration

Doctoral School

Nemzeti Fejlesztési Ügynökség
www.ujszechenyiterv.gov.hu
06 40 638 638

MAGYARORSZÁG MEGÚJUL

A projekt az Európai Unió támogatásával, az Európai Szociális Alap társfinanszírozásával valósul meg.

Food-economy and agribusiness

Jelen előadást

Value chain and agribusiness

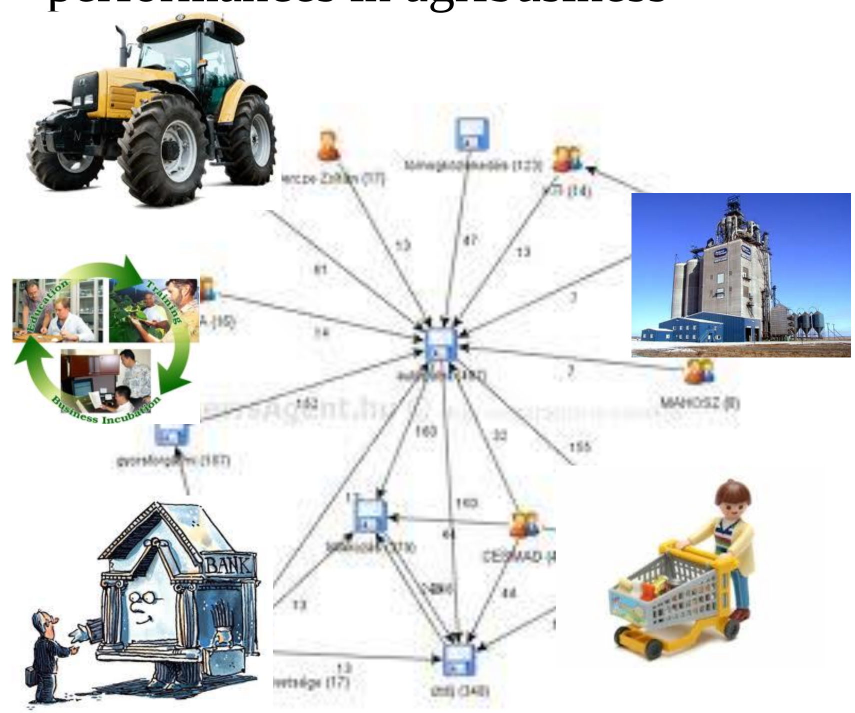
„agribusiness is the linking connected soctors of agrofood value chains. It provides inputs to the agrarian sector, and it links the farm sector to consumers through the handling, processing, transportation, marketing, and distribution of food and other agricultural products.

Supplyer and producer for agrarian production – complete agrarian sector – food industry – retail and marketing chanels (funcitional connected economic sectors, they produce goods for consumption)

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

The gross competitiveness of agribusiness depends on individual competitiveness of connecting sectors

Connecting sectors and economic performances in agribusiness



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

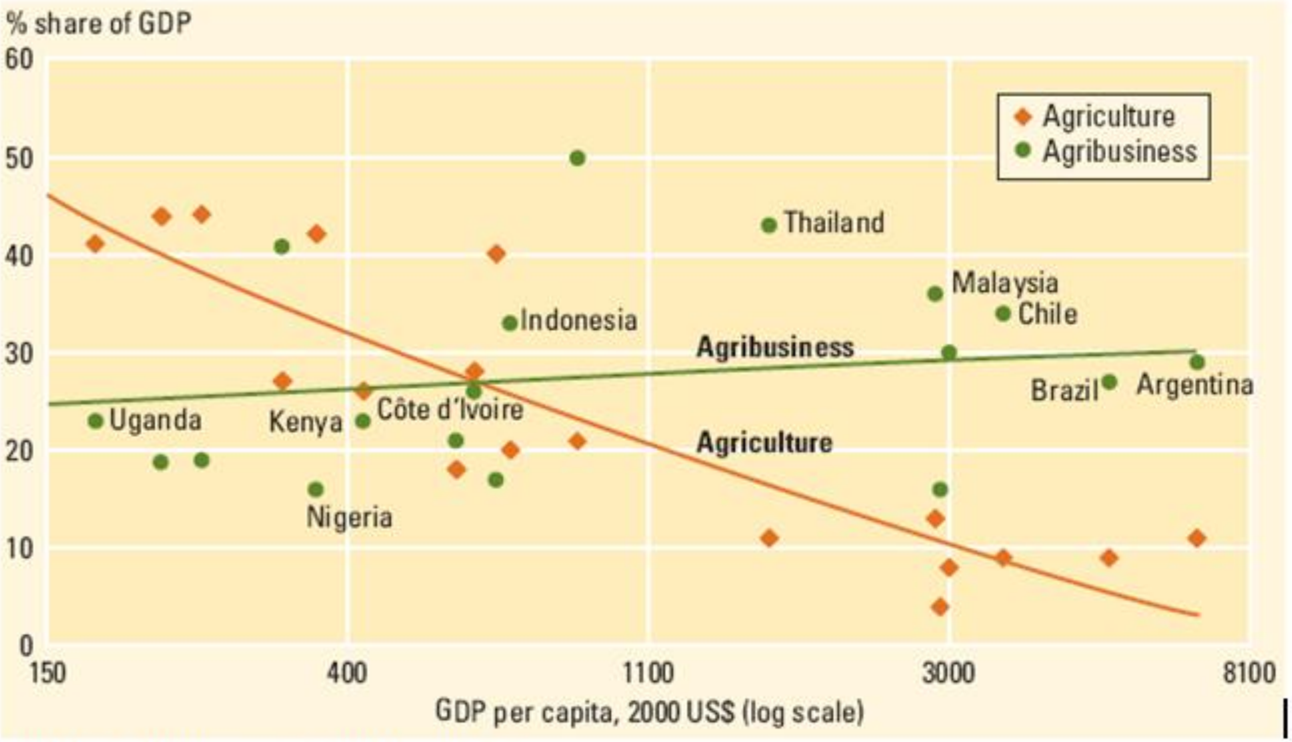
The performance of agribusiness adds up to 23 % of economy's GDP

USA

Agribusiness produce 15% of GDP

The importance of agribusiness in economic structure

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



Source: World Bank Report (2008, 135.)

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)

Type of power	Retailers	Food processors
Legitimate or position	Favors large retailers due to relatively larger number of food processors	Favors large processors that have popular brands Favors medium-sized processors that produce private label brands for retailers
Coercive	Dominant firms can force concessions from processors, especially small and medium-sized ones	Large processors with branded products can threaten to withhold supply
Reward	Rarely evident or used by retailers	Processors use rewards to influence retailer behavior Potential for bribery
Expert	Point-of-sale scanner data can give retailers an advantage	Marketing knowledge of branded products, though marketing studies by third parties can weaken processor advantages
Referent	Private label brands gives retailers access to production and development information and greater control over some vertical supply chains	Popular brands as sale leaders, as well as production knowledge, gives an advantage to processors

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.

Soruce: Hanf et. Al (2013, 222.)

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)

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

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)

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

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

Table 3 Classification of AAFN model forms

Dimension	Networking	Coordination	Cooperation	Collaboration
Relationship among Producers	Direct on Farm sale; Pick up your own your pick, Collective buying groups	Farmer's markets; Collective buying groups	Box schemes; Community-supported agriculture	Box schemes Collective farmer shops
Relationship among Consumers	Direct on farm sale; Pick your own or you pick; Farmer's markets; Collective farmer shops		Box schemes	Community-supported agriculture; Collective buying groups
Relationship between Producers and Consumers	Direct on farm sale; Farmer's markets; Collective farmer shops	Direct on farm sale, Farmer's markets Collective farmer shops; Collective buying groups	Pick your own or you pick	Box schemes Community-supported agriculture

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 drived bySupermarkets
- 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 impooving of socio-economic lifeconditions, becose 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

networkbased agribusiness model

On the side of production

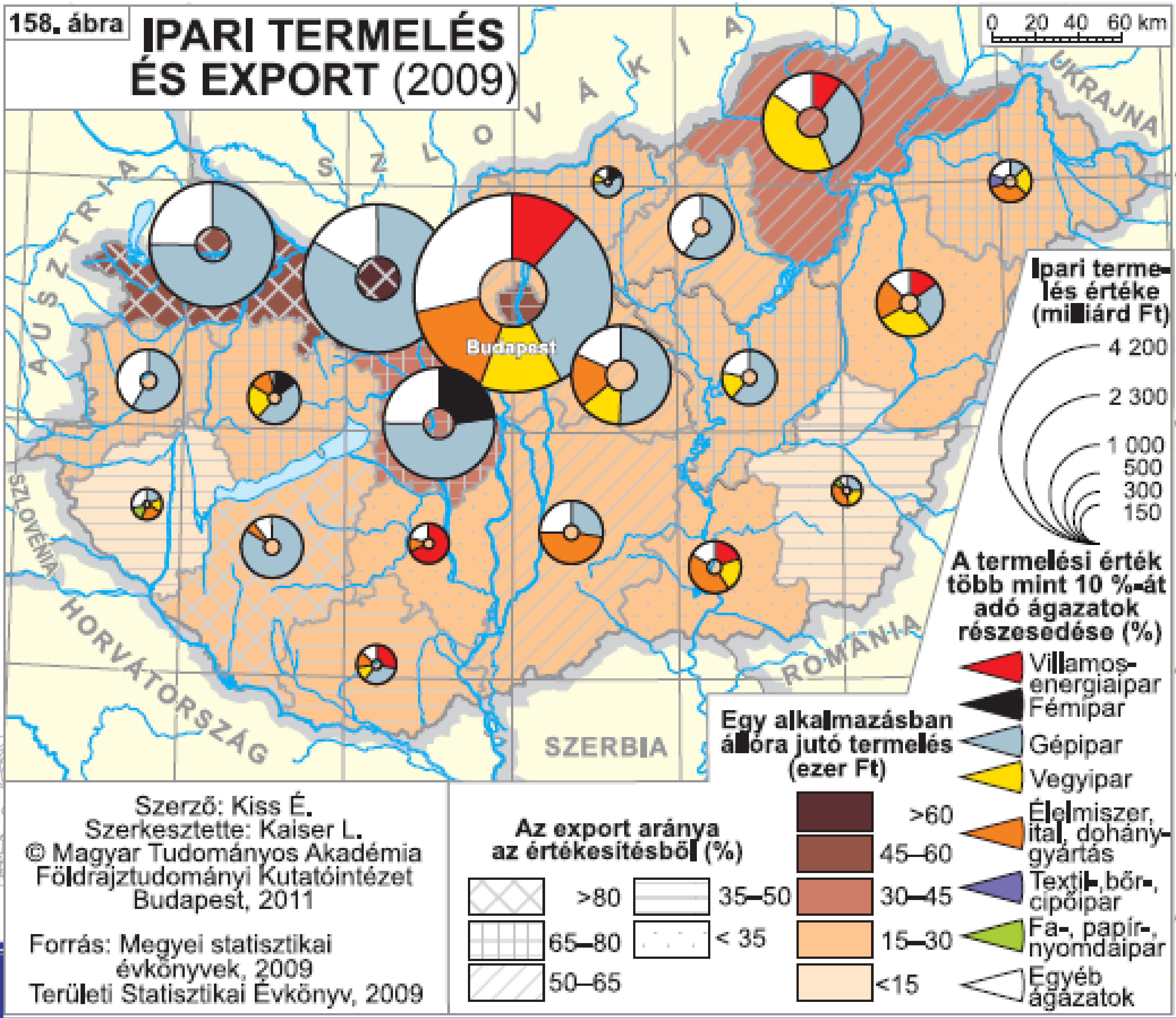
- widening the resource and action limitation of an individual actors on the level of network through cooperation.
- Funcitonal connection of competitve agrarian sector and the food industry

On the side of marketing

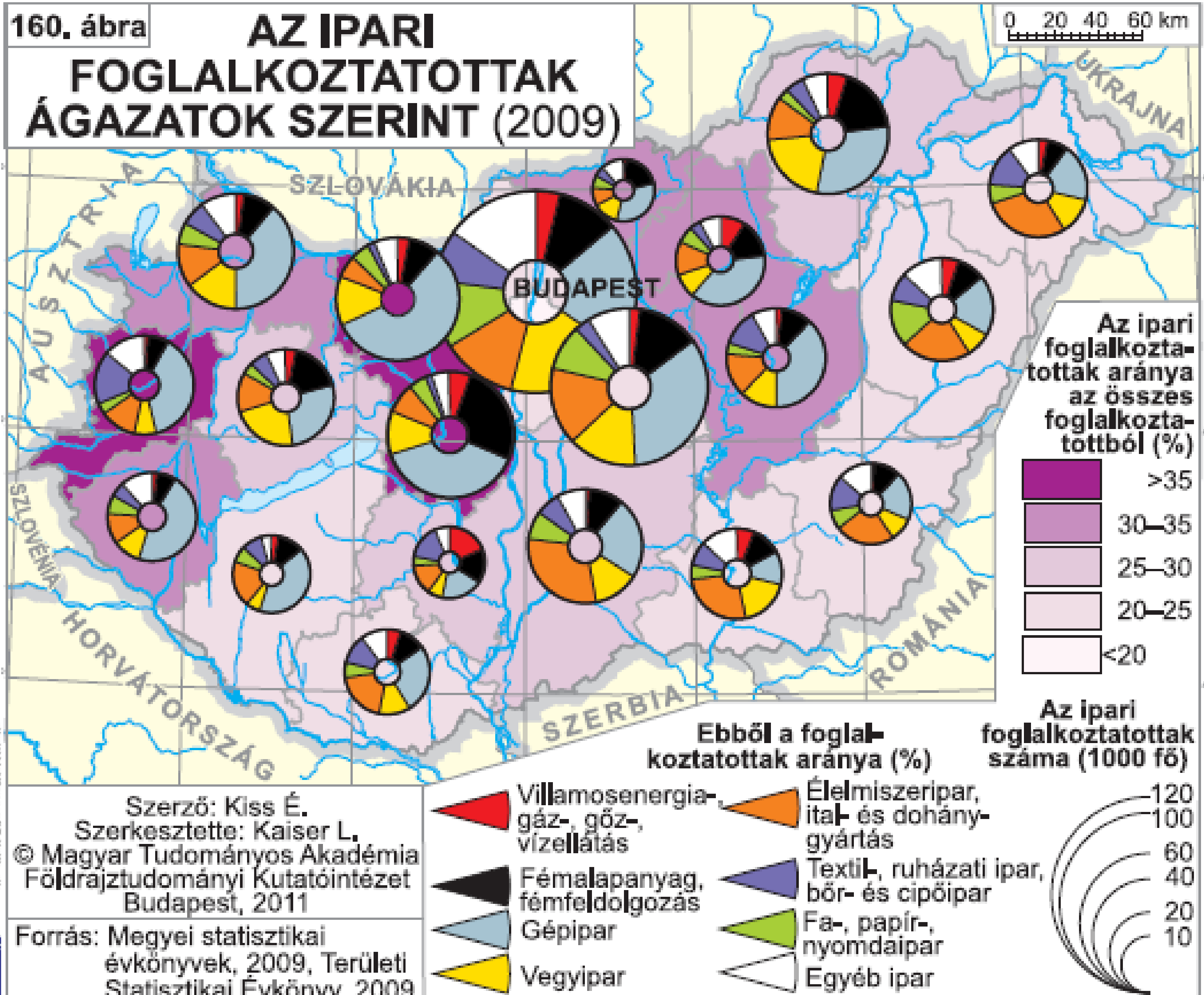
- qualified and strong branded food porducts

Cluster based agribusiness model

- Agriculture and Food Industry
- Knowledge potential and R&D capacitys, in biotechnology, production of seeds, and development of GM industrial plants



158. ábra
IPARI TERMELÉS ÉS EXPORT (2009)
0 20 40 60 km
SZLOVÁKIA
UKRAJNA
AUSZTRIA
SZLOVÉNIA
HORVÁTORSZÁG
SZERBIA
ROMÁNIA
Budapest
Ipari termelés értéke (milliárd Ft)
4 200
2 300
1 000
500
300
150
A termelési érték több mint 10 %-át adó ágazatok részesedése (%)
Villamosenergiaipar
Fémipar
Gépipar
Vegyipar
Élelmiszer, ital, dohánygyártás
Textil-, bőr-, cipőipar
Fa-, papír-, nyomdaipar
Egyéb ágazatok
Egy alkalmazásban állóra jutó termelés (ezer Ft)
>60
45–60
30–45
15–30
<15
Az export aránya az értékesítésből (%)
>80
65–80
50–65
35–50
< 35
Szerző: Kiss É.
Szerkesztette: Kaiser L.
© Magyar Tudományos Akadémia Földrajztudományi Kutatóintézet Budapest, 2011
Forrás: Megyei statisztikai évkönyvek, 2009
Területi Statisztikai Évkönyv, 2009


160. ábra
AZ IPARI FOGLALKOZTATOTTAK ÁGAZATOK SZERINT (2009)
0 20 40 60 km
UKRAJNA
SZLOVÁKIA
AUSZTRIA
BUDAPEST
SZLOVÉNIA
HORVÁTORSZÁG
SZERBIA
ROMÁNIA
Az ipari foglalkoztatottak aránya az összes foglalkoztatottból (%)
>35
30–35
25–30
20–25
<20
Az ipari foglalkoztatottak száma (1000 fő)
120
100
60
40
20
10
Ebből a foglalkoztatottak aránya (%)
Villamosenergia-, gáz-, gőz-, vízellátás
Fémalapanyag, fémfeldolgozás
Gépipar
Vegyipar
Élelmiszeripar, ital- és dohánygyártás
Textil-, ruházati ipar, bőr- és cipőipar
Fa-, papír-, nyomdaipar
Egyéb ipar
Szerző: Kiss É.
Szerkesztette: Kaiser L.
© Magyar Tudományos Akadémia Földrajztudományi Kutatóintézet Budapest, 2011
Forrás: Megyei statisztikai évkönyvek, 2009, Területi Statisztikai Évkönyv, 2009

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

networkbased agribusiness model

On the side of production

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

On the side of marketing

- qualified and strong branded food porducts

Cluster based agribusiness model

- Agriculture and Food Industry
- Knowledge potential and R&D capacitys, in biotechnology, production of seeds, and development of GM industrial plants

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 !

E-mail: savanyapeter@eco.u-szeged.hu

Jelen előadást „Az SZTE Kutatóegyetemi Kiválósági Központ tudásbázisának kiszélesítése és hosszú távú szakmai fenntarthatóságának megalapozása a kiváló tudományos utánpótlás biztosításával” című, TÁMOP-4.2.2/B-10/1-2010-0012 azonosítószámú projekt támogatja. A projekt az Európai Unió támogatásával, az Európai Szociális Alap társfinanszírozásával valósul meg.