



International Food and Agribusiness Management Review
Volume 13, Issue 1, 2010

Executive Summaries

RESEARCH

Inclusion of Low Income Sectors in Latin American Agribusiness *Michael D. Metzger, John Ickis, Francisco Leguizamón and Juliano Flores*

In this paper we examine three case studies on agribusiness ventures that have included low income sectors (LIS) into value creation activities and offer new knowledge in the struggle against poverty in Latin America. While the goal for each commercial enterprise is economic profit, the cases suggest that the pursuit of this goal and of wealth creation among LIS is not mutually exclusive.

We use the agribusiness chain analytical framework (Austin, 1981) to identify the roles played by LIS in the ventures studied. We examine how LIS inclusion has influenced business models and evaluate whether it has contributed to their competitiveness. While there are many barriers to successful LIS inclusion, ranging from logistical to social and cultural, we conclude that market-based initiatives enhance the potential to create economic and social value for both the firm and the LIS in the following ways.

First, the companies studied have developed business models that are consistent with the roles performed by LIS in the agribusiness chain, offering opportunities for further integration through the performance of value-adding activities. Second, in the cases studied the LIS were transformed from day laborers into entrepreneurs. Third, while logistical barriers may be difficult or impossible to overcome, they may be mitigated with modest technological investments and by organizing producers to facilitate transportation and communications.

The cultural divide between business managers and LIS may be bridged by dialogue aimed at changing distorted perceptions. Distrust may be addressed by modifying pricing policies to encourage quality. Integration of the LIS comes with changes in what Prahalad and Hammond (2002) refer to as an ecosystem that may be defined as a network of extended business value chains and their supporting actors, and the relationships among those actors found in the informal markets of the developing world. Relationships built on these ecosystems are hard to replicate by competitors, creating competitive advantages for the firm and social value for the LIS.

Assessing the Comparative Advantage of Albanian Olive Oil Production

Ana Mane-Kapaj, Ilir Kapaj, Chan-Halbrendt, and Orkida Totojani

The Albanian economy's transition from a centrally planned to a market economy is associated with a considerable number of structural and institutional reforms that change production and

consumption of agricultural products. Like many other agricultural products, most oil (vegetable and olive) in Albania is imported. The imports occur and has been growing is because of the inconsistent and unreliable supply of local raw materials needed by the oil processing industry to produce sufficient quantity to satisfy demand. In addition, the distribution infrastructure linking to markets is also poor. The purpose of this study is to evaluate the profitability and comparative advantage of Albanian olive oil production in relation to major producing countries.

For the fulfillment of the research objectives, the Private Cost Ratio (PCR) and Domestic Resource Costs (DRC) ratio for olive oil production within the framework of the Policy Analysis Matrix (PAM) were used. The central and southwestern parts of the country were selected for the study area as most olive trees are located there. Primary and secondary data such as olive and olive oil production and domestic prices, other input prices (water, fertilizer), import and export taxes, world prices for olives and olive oil, were used for achieving the objectives. The result indicates that olive oil production in Albania is profitable because the ratio is between the intervals {0-1}, meaning that olive oil production is profitable from the private point of view. However, the DRC ratio is 2.2 indicating Albania currently has no comparative advantage in olive oil production. A sensitivity analysis was conducted to illustrate how the PCR and DRC ratios for olive oil production change with changes in various parameter coefficients. The most sensitive parameters that affect the competitiveness of olive oil production are productivity and prices of olive and olive oil. These are the parameters that were on used to conduct the sensitivity analysis. According to the results, if the Government of Albania wishes to make Albania olive and olive oil industries more competitive with world markets more technical and marketing assistance to producers and processors is recommended.

Implementation of a Traceability and Certification System for Non-genetically Modified Soybeans: The Experience of Imcopa Co. in Brazil

Victor Pelaez, Dayani Aquino, Ruth Hofmann, and Marcelo Melo

This paper analyses the productive opportunity taken by a family-owned Brazilian soybean crusher (Imcopa) in adapting its production system for selling soy and its derivatives with non-GM certification. Four fundamental elements of reasoning were taken into account to guide the analysis of the company experience in the non-GM chain: benefit-cost ratio; information asymmetry; rationality of actors; and growth of the firm. Access to information about company was initiated through a workshop organized in November 2005 with the support of the Agricultural Secretariat of Parana State. Subsequent interviews, carried out in 2006 and 2008, were based on semi-structured questionnaires aimed at obtaining a background of the company's growth trajectory, its structure of production, investment and operational costs of the traceability and certification system, and the productive opportunities identified by company's managers which led to the decision of setting up the non-GM segregation system. Such a decision procured for Imcopa an increase in annual sales by 18 times in 18 years, from \$70 million USD in 1998 to nearly \$ 1.3 billionUSD in 2008. Furthermore, the possibilities of commercialization of non-GM soy and its derivatives in the international market have provided Imcopa a wider insertion into a commercial network of feed and food products. This allowed the company better rationale to diversify its activities by identifying and exploring new market niches. The reason for the creation and maintenance of a non-GM soy chain, in which Imcopa participates, was to respond to the demand created by international food companies which were not willing to risk associating their labels with GMOs. This research was sponsored by the Co-Extra (GM and non-

GM supply chains: their Co-Existence and Traceability) European FP6 Research Program (contract 007158).

Competitiveness of Zacatecas (Mexico) Protected Agriculture: The Fresh Tomato Industry *Luz E. Padilla Bernal, Agustin Rumayor-Rodriguez, Oscar Perez-Veyna and Elivier Reyes-Rivas*

The protected fresh tomato production-industry in Zacatecas has undergone accelerated growth in recent years. Free trade, market globalization, new trends in the agro-food sector, as well as the food and financial crises, are impacting its competitiveness. In this study competitiveness of the industry of fresh tomato production under protective structures in Zacatecas was evaluated to provide elements that contribute to the design of policies aimed toward development of sustainable competitiveness. Two research questions were answered by this study: Are the export-oriented production units more competitive than those that sell their produce only on the domestic market? Do the production units with a higher level of technology have more developed competitive capital?

A systemic competitiveness model was applied considering six economic levels (microeconomic, mesoeconomic, macroeconomic, international, institutional, and political-social), and the way in which each of these levels is contributing to the formation of the industry's systemic capital was determined. Moreover, a SWOT analysis for the development of systemic competitiveness was performed. The information was obtained through interviews with technicians and/or owners of the production units and complemented with interviews with researchers and government authorities. It was shown that a high level of technology is a necessary, but not sufficient, condition for achieving sustainable competitiveness.

Measuring Demand Factors Influencing Market Penetration and Buying Frequency for Flowers in the U.S. *Marco A. Palma and Ronald W. Ward.*

The demand for flowers is driven in part by demographics, seasonal occasions, purpose (i.e., gift versus self), price, and geographical differences based on regions in the U.S. Furthermore, the demand response was decomposed to market penetration and frequency of buying with penetration being the major component in the demand equation. Important differences in the demand drivers were seen across the four types of flowers (i.e., cut-flowers, flowering plants and greens, dry/artificial flowers, and outdoor flowers). Also, the drivers influenced both market penetration and frequency of buying with the level of importance quite different across the drivers within each flower type.

Demand for flowers in all forms is a direct reflection of consumer preferences and differences across the population. Measuring this demand and its two components is essential for understanding and influencing longer-term growth and opportunities for marketing flowers in the U.S. For example, for cut-flowers age and seasonality are the two demand drivers having the greatest potential negative impact on demand, followed by purpose, regional differences, and gender, which produce smaller relative effects on the number of total transactions. Furthermore, for each of these variables most of the increase in demand is attributed to market penetration. The results were used in a simulation model to calculate the potential positive and negative effects of different variables in the total number of transactions. The results point to promotion and advertising programs that target the negative effects of demographic variables to try an

increase the number of transactions. For example, in the case of cut-flowers, the age effect and seasonality negative effects probably have the most potential to gain from the big negative range; while the regions, purpose and gender have slightly lower negative impacts. The regional differences shown in the models should give guidance to better demographic regional targeting to the extent that there is flexibility in the regional selection. Finally, targeting income groups appears to have considerably less potential relative to the other demand drivers for fresh cut-flowers.

INDUSTRY SPEAKS

Defining a Strategic Agribusiness Agenda for 2010-2020 *Marcos Fava Neves and Roberto Fava Scare.*

This article addresses the importance of having a research agenda that is useful to industries, government and organizations in the future. The authors propose and share 10 topics with the research community. It builds upon the sustainability of business operations critical in the next era, 2010-2020, and the importance of considering the company as a network of relationships and contracts. These topics include: empowerment, simplicity, technology, emerging consumers and markets, integration of economy, climate and environment, risk management and network value reengineering. A research agenda is outlined for each topic.

EXECUTIVE INTERVIEW

Rabobank's Success in Uncertain Times: An Executive Interview with Frans van Bijsterveld *Richard Hooper*

The end of 2008 ushered in a severe and sweeping economic change throughout the global economy. In an Executive Interview conducted during IAMA's 2009 World Forum and Symposium in Budapest, Hungary, Frans van Bijsterveld, Global Head of Food & Agribusiness Research at Rabobank explains why Rabobank is one of the few financial institutions that has not been heavily affected. Rabobank continues to remain successful in these uncertain times because of its careful selection of customers and sole focus on Food and Agribusiness (F&A) outside of the Netherlands, as F&A is typically far more resilient than other sectors.