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What is Agribusiness? A Visual Description

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Abstract

The study and the practice of agribusiness have changed, resulting in differing definitions. Seemingly innocuous when introduced in the 1950s, today it is anathema to some and vitally important to others. To achieve a “common ground” among regulators, scholars, practitioners, and consumers, a clearer understanding of what constitutes agribusiness is needed. The agribusiness sector involves businesses of all sizes and multiple supply chains from production to distribution, marketing, and consumption, plus other components. This note examines definitions of agribusiness and presents a visual description along with a new definition as a step towards achieving that clarification.

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What is Agribusiness? : A Visual Description

There seems to be considerable confusion about the meaning of “agribusiness.” A seemingly innocuous term when introduced in the 1950s, today the word agribusiness is anathema to some (Ahsan ,2014; Morris, 2011; Dutzik et al., 2010; Blobaum, 1973) and vitally important to others (Connolly & Phillips-Connolly, 2012; Green 2010). In order to have a “common ground” among regulators, scholars, practitioners, and consumers, a clearer understanding of the term is needed. The purpose of this note is to briefly examine various definitions of agribusiness and then to present a visual description as a step towards achieving that clarification.

Earliest Definitions

“On 17 October 1955 the word “agribusiness” was born in a speech John H. Davis gave before the Boston Conference on Distribution entitled ‘Business Responsibility and the Market for Farm Products’” (Fusonie, 1995). In that speech Davis indicated that agribusiness referred to “the sum of all farming operations, plus the manufacture and distribution of farm commodities. In brief, agribusiness refers to the sum-total of all operations involved in the production and distribution of food and fiber” (Davis, 1955). Later a more elaborate definition was proffered: “the sum total

of all operations involved in the manufacture and distribution of farm supplies; production operations on the farm; and the storage, processing, and distribution of farm commodities and items made from them" (Davis & Goldberg, 1957; Davis, 1956). Goldberg (1974) later expanded this to include "all firms and institutions" and labeled it an Agribusiness Commodity System.

So these early definitions were based on farm production and distribution. This is no surprise since Davis headed the National Council of Farmer Cooperatives 1944-1952 before joining Goldberg (who grew up on a farm) at the Harvard School of Business Administration to teach business concepts applied to farm operations (Fusonie, 1995).

More Recent Definitions

As changes in agriculture and related businesses occurred (Schmitz et al., 2010; Pisani 1984), the definition gradually was expanded to include inputs to farms as well as activities to move farm products to markets. For example, agribusiness was defined to include "all those business and management activities performed by firms that provide inputs to the farm sector, produce farm products, and/or process, transport, finance, handle or market farm products" (Downey & Erickson, 1987). Later, that definition was further broadened to include the manufacture and distribution of farm supplies to the production agriculturist and the storage, processing, marketing, transporting, and distributing of agricultural materials and consumer products that were produced by production agriculturalists" (Ricketts & Ricketts, 2009).

More recently the definition was expanded to move beyond the farm. More than food and fiber would be encompassed (Ng & Siebert, 2009; Detre et al., 2011). Agribusiness came to refer to agriculturally related businesses including warehouses, wholesalers, processors, retailers and more (Chait, 2014). This led to another definition with a broader set of activities that focused on markets and included natural resources: "Agribusiness is a dynamic and systemic endeavor that serves consumers globally and locally through innovation and management of multiple value chains that deliver valued goods and services derived from the sustainable orchestration of food, fiber, and natural resources." (Edwards & Schultz, 2005).

But along the way, definitions began to focus on size, excluding small businesses such as family farms (Chait, 2014). This was a period when mergers and acquisitions as agricultural organizations strove to achieve economies of scale. The Online business dictionary states: "A business that earns most or all of its revenues from agriculture. An agribusiness tends to be a large-scale business operation and may dabble in farming, processing and manufacturing and/or the packaging and distribution of products." (Online business dictionary n.d.). Answers.com (answers.com, n.d.) cites definitions by several sources as follows:

- American Heritage Dictionary: Farming engaged in as a large-scale business operation embracing the production, processing, and distribution of agricultural products and the manufacture of farm machinery, equipment, and supplies.
- Britannica Concise Encyclopedia: Agriculture operated by business; specifically, that part of a modern national economy devoted to the production, processing, and distribution of food and fibre products and byproducts. Commercial farming has largely supplanted the family farm in production of cash crops. Some food-processing firms that operate farms have begun to market fresh produce under their brand names. In recent years, conglomerates involved in nonagricultural businesses have entered agribusiness by buying and operating large farms.

- Barron's Business Dictionary: Large-scale production, processing, and marketing of food and nonfood farm commodities and products. Agribusiness is a major commercial business. California has the largest concentration of agribusiness in the United States.
- Oxford Dictionary of Geography: Large agricultural operations which are run like an industry. A single business can be concerned with the whole of agricultural output: the ownership of land, the agricultural process, the manufacture of agricultural machinery, the processing of the product, and its shipment. This is typical of agribusinesses in the USA; European equivalents are not generally as all-embracing. An agribusiness is characterized by very large production units, and considerable vertical and horizontal integration. For example, a firm producing frozen vegetables sets up contracts with farmers and also owns the company which provides their contract labour and sells them fertilizer. Management tends to be by administrators and accountants rather than farmers because the farms may be only a minor part of the business.
- Dictionary of Cultural Literacy Economics: The part of the economy devoted to the production, processing, and distribution of food, including the financial institutions that fund these activities. Agribusiness emphasizes agriculture as a big business rather than as the work of small family farms.

This exclusive identification with large scale commercial agricultural operations has resulted in the term agribusiness being used pejoratively by critics. This limited definition, of course, ignores the fact that agribusiness really includes small farms, organic, and, indeed, all agriculturally related operations. Indeed, it has been suggested that to solve some of the problems associated with large commercial agriculture, recognition of unique forms of niche farming is needed (Hamilton, 2009). Others suggest that development policies be changed to support local, rural agribusinesses (Stanton, 2000). Other variants of the definition have also emerged. These include net chains (Lazzarini et al., 2001), agro-industrialization (Boehlje, 1999; Cook & Chaddad, 2000), and agriceuticals (Goldberg, 1999).

It is apparent then that both the study and the practice of agribusiness have changed over time. Increasingly, agribusiness is perceived as important in terms of its economic role but also in terms of its social and biological roles. So a clear understanding by everyone using the term is needed.

Common Characteristics

All of these definitions in one form or another focus on interrelationships among the supply or value chains of food and fiber organizations (Van Fleet, Van Fleet, & Seperich, 2014; Conforte, 2010; Jose, 2009; Boehlje, 1999; Cook & Chaddad, 2000). They also focus on the food system from input supply through production, processing, and distribution to retail outlets and the consumer (King et al., 2010; Wilk & Fensterseifer, 2003). It seems, therefore, that an acceptable definition must recognize the supply/value chain nature of agribusiness.

A Visual Version

Clearly agribusiness involves multiple supply or value chains from production to distribution, marketing, and consumption. More specifically it involves four "F's" -- food, fiber, forest (products), and (bio) fuel. As shown in Figure 1, food is the central component including meat, poultry, fruit, vegetables, grains, dairy, and fish. A set of peripheral components includes the fiber industry, forestry, and biofuels. However, there are two other important components -- water and waste. Water and waste are universal components of agribusiness. Water is essential for virtually all agribusiness activities, and waste refers to the collection and disposal of material left over or discarded throughout agribusiness processes.

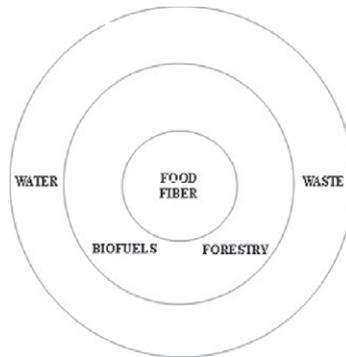


Figure 1. Agribusiness Components

The agribusiness sector, then, is extremely complex in its detailed functioning; but when the major components are identified, a somewhat clearer picture emerges (Figure 2).

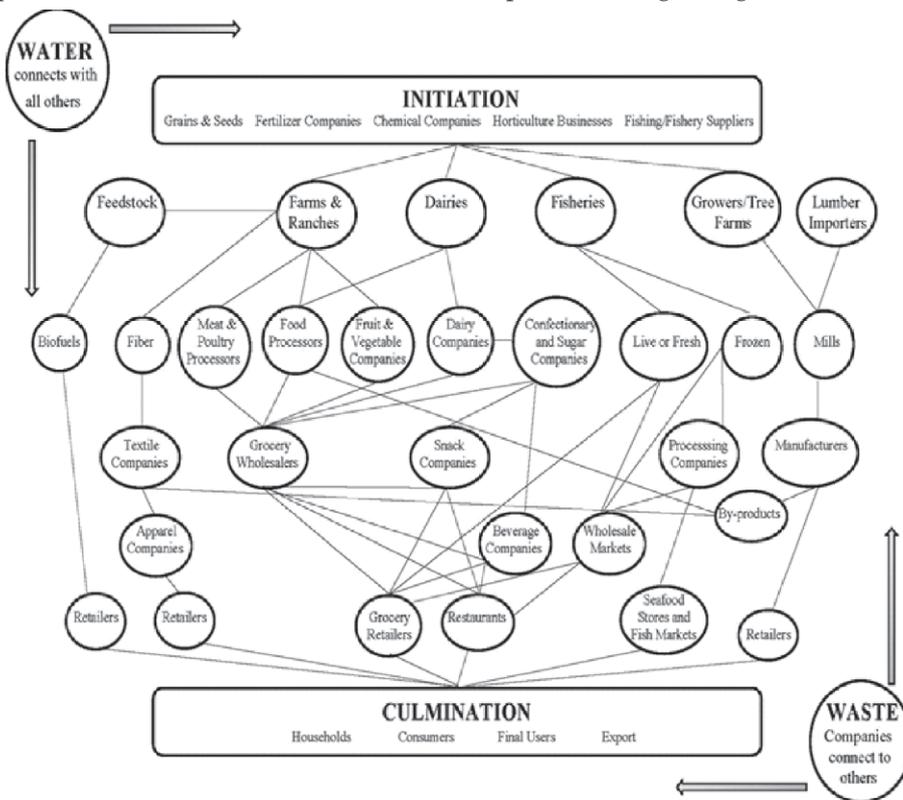


Figure 2. A Visual Description of Agribusiness

Conclusion

The agribusiness sector of the economy is comprised of all organizations, large and small, profit-seeking and *eleemosynary*, that engage in the production, distribution, marketing, or utilization of food, fiber, forest products, or biofuel, including those that supply water to and collect waste from those

organizations. In its straightforward form, then, agribusiness simply refers to the application of theories and practices of business administration to organizations engaged in agriculture and agriculturally related products and services.

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