

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF MARKETING

AGRI- BUSINESS MARKETING – CBU 4206

SUPPLEMENTARY EXAMINATION – JULY 2014

TIME ALLOWED: 3 HOURS, 15 MINUTES.

INSTRUCTIONS TO CANDIDATES

- i. Answer section A and any three questions in section B.

INFORMATION TO CANDIDATES

- i. Question one carries 40 marks, all other questions carry 20 marks each.
- ii. Questions may be answered in any order.
- iii. Credit will be given for the use of appropriate examples.
- iv. This paper contains **seven** questions

SECTION A

QUESTION 1

Case title; Is agri-business the catalyst to Zimbabwe's economic recovery?

Economic recovery in Zimbabwe is important not only for the country's own stability but for the stability of the SADC region. The Medium Term Plan is Zimbabwe's economic blue print, which aims for substantial transformation of the economy by 2015. Anesu Machaba, the executive chairperson of Elah Capital, writes that agriculture may be the key to reviving Zimbabwe's economy.

The objective of the "Invest in Zimbabwe Conference", which was held in South Africa in March 2012, was to attract much-needed Foreign Direct Investment (FDI) that would boost the

country's economy. The move seemed appropriate considering South Africa is Zimbabwe's main trading partner, however, whether or not (new), significant investment would flow from the South African business community will only be apparent over time.

One of the recurring topics at the conference was the Medium Term Plan (MTP), which spans the period from, 2011-2015, and targets an average growth rate of 7.1% over the same period. The goals of the MTP include economic transformation, poverty reduction, job creation and the maintenance of a stable macroeconomic environment. It is a strategic plan aimed at stimulating the manufacturing and services sectors in order to be competitive internationally. Akin to this is the creation of balanced participation in all sectors of the economy by women, the youth and those with disabilities. Further, the MTP addresses development in key sectors, which include agriculture, manufacturing, mining, tourism, and finance, which will be largely private sector-led.

With approximately US\$9.2-billion required for the complete and successful implementation of the MTP the country's natural resources and growth dividend will be leveraged with FDI, private sector credit lines and Public Private Partnerships (PPPs) being a supplement. All this being hinged on a need for good governance and a robust infrastructure, with precedence being placed on energy, water and sanitation, transport, housing and construction, information communication and technology (ICTs), science, technology and innovation and SME infrastructure.

Agribusiness – the growth catalyst

Zimbabwe implemented similar five-year plans in the past namely the Economic Structural Adjustment Program (ESAP) in 1991 and the Zimbabwe Program for Economic and Social Transformation (ZIMPREST) in 1998. Both the aforementioned programs did not realize the success which the planners had intended so the question in business circles is 'what makes the MTP different?'

Since 1980, the manufacturing sector led economic growth in Zimbabwe with a 20% contribution to GDP on average. The decline of manufacturing in 2006 left agriculture as the leading sector with a 17% contribution to GDP compared to manufacturing at 15% GDP contribution in the same period. Given the past success and future promise of agribusiness in

Zimbabwe, a concerted focus on this single sector by the people of Zimbabwe presents the best opportunity for realizing the economic growth and social transformation envisioned by the MTP.

While it can be said that the eventual development of all the economic sectors is crucial to a balanced and vibrant economy, the short period designated to the MTP does not fully allow for the achievement of all the forecasted growth targets in the chosen sectors. Another major concern is the funding, which is required to implement the MTP successfully . While Zimbabwe is undoubtedly one of the wealthiest countries in Africa in terms of mineral resources, the reality is that you need to be able to extract these minerals to realize this wealth – a capital-intensive process by itself. It is in light of this fact that FDI should have been presented as the major source of capital for the MTP, as opposed to a mere "bonus".

The current gold price would ordinarily present a great opportunity for Zimbabwe to fully utilize its resource strength. However, given the lack of capital, it is doubtful whether there will be increased participation in this area. The skills shortage in Zimbabwe also represents a notable threat to the development of the financial and manufacturing sectors. While Zimbabwe has an educated and dedicated workforce, the slow growth in the economy has not allowed for the acquisition and development of the necessary skills needed to make the country competitive in the ever-evolving global economy. Development of skills will need to be addressed sufficiently.

Historically agriculture has formed the backbone of leading economies and as these economies have grown, development of other sectors has followed. A country's true wealth should be measured by its ability to feed its people – in Zimbabwe; this has proven to be a challenge. Opponents of focusing on agriculture as a solution for realizing the growth envisioned by the MTP dismiss it as an archaic strategy that falls short of the fast-paced technological advances most leading economies are making. However, we have to be practical. To turn an entire country's economy around in five years, and on the backdrop of a global recession, requires a return to the basics and the ability to manage and leverage resources in a way that is sustainable. The debt crisis in Zimbabwe cannot be ignored, and is being addressed. Given this fact, the country has to learn to do more with less in order to reap big rewards for good intentions.

Zimbabwe is blessed with good soils and a climate very well suited to crop production, which means very little capital must be injected into the areas of soil preparation and seed adaptation. However, irrigation may require innovative methods to ensure that water is better managed and agricultural implements will have to be sourced. Infrastructure development presents the greatest cost and is addressed in the MTP. Much of the skilled labour needed to farm the land is still in the country, most in the informal sector. Such a skills base can be reorganized into SMEs with women, the youth and those with disabilities given an opportunity to participate. It is already common cause that much of the farming done in Africa is attributed to women and SMEs are often the biggest job creators. It can thus be argued that the combination of these factors provides the recipe for success. Agro processing represents the second phase of development in this proposed strategy; where primary agricultural products are transformed in the manufacturing process, thus adding further value to the product, which results in a higher profit margin upon export.

In reaching its agricultural and agro processing targets Zimbabwe could learn a great deal from Israel which has managed to thrive in these sectors despite its harsh climate and less fertile soils. One assurance that agriculture and agro processing can give is that the demand for food is always constant. Given the current and future requirements for food across the African continent, Zimbabwe's success in agriculture and agro processing can also become a solution for the entire continent. Further, it can be mentioned that where investment is directed towards basic human needs it's easier to motivate.

Source: *African Business magazine, 12 April 2012.*

Required:

- a. What is your view on agriculture and agro-processing being the growth catalyst for the Zimbabwean economy?

[10marks]

- b. Assess the challenges that could serve as a hindrance to the development of the Zimbabwean agri-business sector and hence the economy as a whole.

[15 marks]

- c. Suggest what can be done by the government and different stakeholders to ensure sustainable development of the Zimbabwean agri-business sector.

[15 marks]

SECTION B

QUESTION 2

Assume that you are a small processor in the agro sector, assess two ways you can use to protect yourself from unfavorable commodity price movements in order to ensure constant production throughout the year.

[20 marks]

QUESTION 3

Analyze the dynamics of agribusiness consolidation and their effects on the small players in the agribusiness marketing system.

[20 marks]

QUESTION 4

‘No rule of law states that producers must sell in the farmers market or sell plain commodities’. In agreement to the above statement, appraise any **four** upgrading strategies available for use by agricultural producers in order to gain access to high value markets.

[20 marks]

QUESTION 5

Review any regional trade agreement of which Zimbabwe is a member, clearly indicating how it affects the marketing of Zimbabwean agricultural products.

[20 marks]

QUESTION 6

Evaluate the effectiveness of any **four** agricultural policy tools used by governments in their bid to protect the local producers and ensure production continuity. **[20 marks]**

QUESTION 7

Using any food product of your choice, discuss how market prices for that product serve as signals that direct production and consumption decisions. **[20 marks]**

END OF EXAMINATION