



**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE**

**DEPARTMENT OF MARKETING**

**AGRIBUSINESS MARKETING**

**CBU 4206**

**Second semester examination paper**

**April 2015**

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This examination paper consists of 6 pages

**Time allowed: 3 hours 15 minutes**

**Total Marks: 100**

**INSTRUCTIONS TO CANDIDATES**

Answer question **one** and any other **three** questions from section B.

**INFORMATION TO CANDIDATES**

- (i) Question **one** carries **40** marks and all other questions in section B carry **20** marks.
- (ii) Questions may be answered in any order.
- (iii) As much as possible, use relevant examples.
- (iv) This paper contains **seven** questions.

**MARK ALLOCATION**

<b>Question</b>	<b>Mark Allocation</b>
<b>1</b>	<b>40</b>
<b>2</b>	<b>20</b>
<b>3</b>	<b>20</b>
<b>4</b>	<b>20</b>
<b>5</b>	<b>20</b>
<b>6</b>	<b>20</b>
<b>7</b>	<b>20</b>
<b>Total (for four questions)</b>	<b>100</b>

## **SECTION A**

### **Question 1 -Compulsory**

#### **Case title: Making the connection and turning smallholding into big business**

There is no single solution to the challenges of Africa's agricultural revolution. But it is clear that it is partnership...which holds the key to accelerating the progress we all want to see."

And Africa is, of course, at the centre of the global challenge of food security. First because one in three of the world's hungry live on the continent. Second, because Africa has the potential not only to feed its own people but also to become a more significant food exporter. Around 60 per cent of the world's uncultivated arable land is found in Africa. But even bringing grain yields up to half the world average on land already under crops would produce a sizeable surplus to export.

This is Africa's challenge and potential. Neither can be met without Africa's smallholder farmers. They not only make up 65 per cent of the continent's population but grow the majority of its food. Indeed, they hold the key to Africa's wider economic development. The World Bank found that growth driven by the agricultural sector is four times more effective in tackling poverty than any other economic activity.

So it is a matter of real concern that yields on the continent's 30 million small-holdings are far below those in the rest of the world. This is, of course, not because of lack of effort by those who work the land. Those of us who spend time travelling across the continent know that farming is hard, round-the-clock work. Nor is it due to a refusal to change. I've found a tremendous thirst for knowledge from many farmers to help boost yields and income for their families.

The problem is that smallholders find themselves cut off, by remoteness or lack of funding, from the new seeds, crop types, fertilisers and techniques which are driving increased production across the world. They can be hampered, too, by poor transport in getting their crops to market and lack the information and voice to get the best price when they do, taking away incentives to boost production.

These are all challenges which co-operatives can, and are, helping overcome across Africa. By bringing small-holder farmers together, they are improving access to markets and to the seeds and fertilisers they need to increase yields and harvests. And this, of course, is why co-ops are so important - and why SABMiller, among other major corporations, are keen to support them.

There is no contradiction in a large corporation being keen to help small farmers. As a company, we have a long history of working with smallholder farmers and using locally grown raw materials for our beers when we can. We have pioneered successfully the use of sorghum and cassava for brewing. But we have now set ourselves a challenging target of sourcing half of our raw materials from local markets by 2014.

There are, of course, sound commercial reasons for this decision. Buying crops locally helps us reduce transport costs and guarantee both supplies and their quality. For us, however, it goes beyond just the immediate bottom line. While we are now a successful global company, our roots remain in Africa. The continent's wider development matters to us. In the long-term, too, increasing farmers' yields boosts incomes and, in turn, wider prosperity so consumers have spare cash to spend which is in everyone's interests.

Our experience has shown that supporting and helping set up cooperatives - which, for example, we are doing for farmers growing cassava in Southern Sudan and Mozambique - is critical to delivering this goal. We are helping provide on-the-ground training but also looking at the barriers which cut harvest and incomes.

Wherever we work with smallholders and cooperatives, we don't want to be the farmers' only customer. In the case of cassava, we are working to create a formal, commercial market and new income streams for farmers and small-scale enterprises. These could include food snacks, animal feed or growing material and we are supporting research with Hanoi University in Vietnam to do just this.

This is a long-term project which will have a far-reaching impact. It helps us by ensuring we have the crops we need to produce our beers. It helps farmers by increasing their incomes. And it will help improve supplies of this important staple food source by ensuring less wastage and increasing incentives for farmers to boost production further.

There is no single solution to the challenges of Africa's agricultural revolution. But it is clear that it is partnership, between smallholder farmers themselves, the private sector, commercial farmers and, of course, the public sector which holds the key to accelerating the progress we all want to see. It is why there should be no surprise that big companies like ours are determined to help small farmers succeed.

**Adapted from Mark Bowman African business magazine. August/September 2013.**

**Required:**

- (a) According to the article, Africa has the potential to feed itself and the rest of the world. Nevertheless, there are factors working against the fulfilment of these potentials. Analyse the factors that pose as major challenges faced by most African countries in developing their agri-business sector. **(15 marks)**
- (b) Do you agree that partnerships like the one highlighted in the case is the solution to these challenges. Give reasons for your answer. **(15 marks)**
- (c) What other solutions could be implemented by private enterprises to maximize Africa's agricultural potential? **(10 marks)**

## **SECTION B**

### **Question 2**

Rationalize the need for government interventions in agricultural markets through the use of subsidies and tariffs. **(20 marks)**

### **Question 3**

Why is standardization and certification of agricultural products increasingly being considered important by producers despite the costs this entails? **(20 marks)**

### **Question 4**

Using any firm in the processing sector, explore how a well developed agribusiness marketing system could overcome the barriers in the system. **(20 marks)**

### **Question 5**

Using any **five** contract specifications, enlighten a farmer wishing to enter into a contract farming venture why proper clarifications of each of them is important and how their construction can affect the viability of the venture. **(20 marks)**

### **Question 6**

(a) On May 12, the local cash price for winter wheat is \$3.50 per bushel and the March future at Bulawayo city is \$3.70 per bushel. On July 18 you deliver your winter wheat to your local elevator and the cash price is \$3.45. The July future on July 18 is \$3.80. What price would you obtain for your wheat if you hedged your wheat on the May basis as of May 12? **(10 marks)**

(b) Why would you consider an options contract less risky than a futures contract? **(10 marks)**

**Question 7**

- (a) With the aid of a diagram, discuss the different sectors that make up the agribusiness system with emphasis on their interdependency. **(10 marks)**
- (b) Using any food products of your choice, investigate the path it follows from the farmer's gate to the consumer's table with emphasis on the functions of the channel members involved. **(10 marks)**

**END OF EXAMINATION**