

REVIEW OF AGRIBUSINESS COORDINATION: A SYSTEMS
APPROACH TO THE WHEAT, SOYBEAN, AND FLORIDA
ORANGE ECONOMIES, BY RAY A. GOLDBERG*

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Perhaps one of the most important works that Prof. Goldberg has completed is the *Agribusiness Coordination* study. This study may be considered as an extension of the original purpose of the Agriculture and Business Program of the Harvard Business School. The original concept of the program was to analyze the complex interrelationships that exist between the farmer and those who processed and marketed items that had their origin on the farm, so that the private decision-maker could take on more responsibility for the effective performance of United States agribusiness. Davis and Goldberg (1957), in their book, *A Concept of agribusiness*, described these interrelationships and developed a conceptual scheme for portraying and analyzing alternative and public policies for the United States agribusiness economy. The *Agribusiness Coordination* study moves from the description of the total agribusiness economy to a schematic analysis of the ever changing structure and performance of a widely divergent group of commodity systems. It develops a systematic approach for: (a) identifying the commodity system in which a firm operates, (b) locating the critical trends and/or paths that will be facing the primary decision-makers, and (c) examining the kinds of coordinating machinery that are used by the businessmen, as they mesh their firm's activities into their changing industry structure.

The central concept behind this study is that if both public and private policy-makers are to develop strategies and/or courses of action, they must be fully aware of the total commodity system in which they participate, and they must understand the interaction of its parts. Hence, the study attempts to illustrate and develop this concept; and to present, analyze, and evaluate a commodity system approach to agribusiness industries.

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**Issue Editor; also, refer to p. 27.

An agribusiness commodity system, as used in this study, encompasses all the participants involved in the production, processing, and marketing of a single farm product. The system, therefore, includes farm suppliers, farmers, storage operators, processors, wholesalers and retailers involved in a commodity flow from initial inputs to the final consumers. Furthermore, it includes institutions that affect and coordinate the successive stages of a commodity flow, such as the government, future markets and trade associations. It may be stated that these coordinating devices help to:

- (1) Improve the manner by which business and government managers fit together the necessary physical and human resources needed to supply the changing food requirements of domestic (United States) and foreign consumers;
- (2) Even out the imbalances between consumption and production in every commodity system at price levels which provide for viable business operations throughout every system and provides for easing the exit of inefficient operations; and
- (3) Develop a formal and informal communication network to enable management to systematize its industry intelligence system.

In order to analyze the critical, structural, and behavioral aspects of agribusiness commodity systems, the author selected three systems that represented an important cross-section of agribusiness; namely, wheat, soybean and the Florida orange industries.

Each of the three commodity systems has had a distinct pattern of development. Wheat is by far the oldest and most complex commodity system. It is representative of the interrelated dynamic changes which are occurring in domestic (United States) and international agribusiness. The soybean industry is one of the most rapidly expanding in the United States. The Florida orange industry, on the other hand, through the development of the frozen concentrate product only two decades ago, has caused drastic changes in the industry system.

The study is divided into five sections. The introductory section describes the objective and scope of the study, and examines the changes in the dimensions of agribusiness in the postwar period and the specific factors that have affected each of the three commodity systems. Sections II, III and IV cover the wheat, soybean and the Florida orange commodity system, respectively. They deal with the structure of the commodity system, including the channels of dis-

tribution, number of firms and entities, ownership patterns and marketing systems and arrangements. The behavior and performance of every commodity system is then examined and analyzed. Among the measures and/or criteria used are profitability, price stability, competitive behavior and adaptability of every system. It is interesting to note that despite the unique structural and performance patterns of each of the commodity systems, the analysis of the three systems, taken together, provides general application for policy-makers in all agribusiness commodity systems.

Section V identifies a number of critical trends which will affect agribusiness systems in the future. These can also point the way to present and future research priorities. These key trends and developments are as follows:

- (1) The growth of private labels and new types of market orientation.
- (2) The growth of cooperatives and their new uses by both corporate and cooperative leaders.
- (3) The new uses of government programs by business managers.
- (4) The better utilization of trade associations in both action planning and strategic long-range planning by the private and public manager.
- (5) The increasing emphasis on the world dimensions of the food economy.
- (6) The further development of vertical and contractual integration.
- (7) New uses of futures markets as market extenders.

The final chapter summarizes the study and discusses the major conclusions in terms of challenges and opportunities for both the private and public managers involved in these and other agribusiness commodity systems.

The recognition of the importance of the concept of agribusiness is relatively new in the Philippines. Government officials, businessmen, academicians and students (of agribusiness) will find *Agribusiness Coordination* a valuable study in helping them understand the systems approach, which provides several ways in examining and analyzing the importance of interrelationship and the probable effect of different kinds of change — whether economic, political, social, technological or managerial — prevailing within the entire system.