Strategic business management principles for the agricultural production sector in a changing global food system

Agricultural industries, producers, and producer organizations are often counseled to develop strategies or strategic alliances to address changing market and political environments. Over the next twenty years, production agriculture will experience fundamental changes, which, because of its rapidity and permanence, could surpass the tremendous changes that have occurred over the past fifty years. As the structure of agricultural production changes, so will the role and scope of agricultural producer organizations. Surviving organizations will be forced to fundamentally restructure their mission, goals, and purpose. Consequently, the application of strategic business management concepts will be increasingly more important for these groups over the next decade than at any previous time. The purpose of strategic business management is to build a strategic (or competitive) advantage over rival firms (or organizations) which can lead to long-term above-average returns for a firm in an industry. In general, successful companies employ one of three strategies: (1) a low-cost strategy, (2) a differentiation strategy, or (3) a focus strategy. Each of these strategies provides direction for firm-level decision-making and implicitly develops entry barriers to protect the developed competitive position. In addition, it is essential for a firm to consider strategies to defend its competitive position, lest it be overtaken by other firms who adopt similar market strategies. The best strategy is ultimately a function of consumer demand and the product/service attributes, core competencies, and managerial skills of each company. However, the worst strategy is being “stuck-in-the-middle,” that is, being unable to compete with others on the basis of cost, value, or market specificity. In any case, rivals may undercut prices, maintain market share, or become the supplier of choice whenever change occurs in an industry. In addition, strategies must be refined as market conditions change. Over the next twenty years, farms and ranches will gravitate toward one of two production structures. The first type of production structure will be similar to many current farms and ranches in that undifferentiated commodity products will continue to be produced. Only low-cost producers will survive in this sector. A second category of producer will also evolve. Farms in this category will produce differentiated, identity-preserved products that focus on certain product attributes and consumer demands. Strategic business management abilities will be especially critical for farms that gravitate toward identity-preserved production. Agricultural producer organizations have historically performed the role of providing a unified voice in relation to commodity programs and other agricultural policies and as a conduit for information among producers. Trade liberalization, an increasingly global food system, the decoupling of commodity program benefits from production, and advances in biotechnology and information technology will alter the focus of agricultural producer organizations. Surviving organizations will be those who change their primary objective from lobbying for traditional commodity programs to providing resources and services needed by producers to cope with change and to expand profit opportunities. Such organizations will continue to provide valuable lobbying efforts with respect to a new range of issues, such as intellectual patent rights, trade
The global food system should morph into a true global partnership that widely shares information, experiences and new technology, following open access principles and practices that honor intellectual property but enable wide access and use. The agricultural community has had tremendous success in increasing food production over the past five decades and making food more affordable for the majority of the world's population, despite a doubling in population. Global production of main grains such as rice, wheat and maize has roughly tripled since 1960, resulting in corresponding decreases in food prices. As the structure of agricultural production changes, so will the role and scope of agricultural producer organizations. Surviving organizations will be forced to fundamentally restructure their mission, goals, and purpose. Consequently, the application of strategic business management concepts will be increasingly more important for these groups over the next decade than at any previous time.