JOURNAL OF FARM MANAGEMENT VOL.14. No. 1. PAGES 87 - 91

SEMINAR REPORT

FIFTY YEARS OF AGRIBUSINESS TEACHING AT HARVARD BUSINESS SCHOOL[1]

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January 2010 was a historic moment for the Harvard Business School (HBS), in Boston, Massachusetts. The "Agribusiness Seminar", one of HBS's longest standing leadership and management development programmes, celebrated its fiftieth anniversary. Although the term "agribusiness" has only come into common parlance in Europe over the last ten or fifteen years, the concept of looking at agriculture and food in a whole value chain way was first pioneered by HBS in the 1950s by Ray A Goldberg and John H Davis and discussed in their book *A Concept of Agribusiness* (published 1957). That seminal work traced the complex value-added chain "beginning with the farmer's purchase of seed and livestock and ending with a product fit for the consumer's table". Little more than a decade later, Goldberg followed up with Agribusiness Coordination, another influential volume that applied this method of analysis to the wheat, soybean, and Florida orange industries.

Since initiating the Agribusiness Seminar in the late 1950s, every year around 200 executives from the food industry, agribusiness and farming from all continents meet in Boston to discuss a dozen cases of companies covering all sectors and all levels of the supply chain. Each case is written along the year by a team of Harvard professors and researchers, now led by Professor David Bell (the George M Moffett Professor of Agriculture and Business since 1997) and Mary Shelman (Director of the Agribusiness Programme). Goldberg, the founder of the programme and the first Professor of Agriculture at Harvard Business School (now Professor Emeritus) is still leading sessions and actively contributing to the course, aged some 84 years old. He also teaches food policy and agribusiness at the Kennedy School of Government at Harvard, and remains a very active researcher and thought leader in the agribusiness field.

A traditional Harvard Business School case (a teaching model since copied at many other leading business schools around the world) has around 20 pages; ten pages of text and other ten of annexes (financial and market data). The case reports the historical facts of each company, the current situation, and the major challenges and decisions in the future, in terms of strategic development. In a case discussion event, like the Harvard Seminar, each participant has access to the HBS web, downloads the cases, materials and instructions, and has to read the case in advance. At the Seminar, each case is then previously discussed with a smaller group of 8 participants, to create a more interactive opinion building process. Then the case is finally discussed in a plenary session, and at the end, the CEO of company comes and answers questions interacting with the audience. It is a four-day event full of searching

The author gratefully acknowledges the financial support of The Chadacre Agricultural Trust and Landskills East in contributing towards the cost of the seminar.

questions on both industry issues and specific business strategies and responses.

The cases cover all levels of the value chain and a range of geographies. The cases this year included:

- **GTC Biotherapeutics**: Developing Medicines in the Milk of Goats – an interesting case looking at the changing relationship between traditional agriculture and other industries;
- **Pure Circle** – A large producer of Stevia sweeteners based in Malaysia with an interesting dilemma – how should it compete with sugar and other sweeteners in a complex market?
- **Cosan** – one of the largest producers of sugar and ethanol in Brazil facing a number of challenges as world sugar prices peaked yet the US shows no sign of reducing its tariffs on imported ethanol;
- **Diamond Foods** – a large producer of snack foods in the USA which evolved from a simple farmers co-operative;
- **DaChan** – a large poultry business in China with incredibly sophisticated traceability systems;
- **Ebro Puleva** – the world's largest rice company based in Spain with a strategic dilemma – whether to abandon its historical roots in the dairy sector;
- **Rabobank** – the global food and agribusiness bank based in the Netherlands, with a unique co-operative structure (both a strength and a weakness) and an ambition to become the global specialist in this field;
- **Woolf Farming and Processing** – a large horticultural production and processing business in California facing major challenges of restrictions on water rights and irrigation;
- **Red Tomato** – a local food business in Massachusetts;
- **Hungerit** – a large integrated poultry producer in Hungary;
- **Codevasf** – a public company in Brazil that is promoting 8000 ha of irrigated land to the private sector in a very interesting bid considering sustainable integration;
- **Monsanto** – one of the world's largest biotechnology companies.

Strong common themes were running through most of the cases, which is directly relevant to the long term issues facing UK Agribusiness plc:

1. The agribusiness industry is *increasingly global*. When the course started, 90% of the delegates were from the US. Today the figure is circa 50%. In fifty years time Ray Goldberg predicted it would be less than 5%. Global food systems are increasingly complex and interdependent.

   Local food will remain an important niche, but local is not necessarily more sustainable (and our understanding of what sustainable is will change over time). The local food business and sustainability indicators are clearly less well developed in North America than in Western Europe

2. Agribusiness is *'back in vogue'* as a sector – there was a strong consensus that the outlook for the industry was more positive than at any point over the past decade.

3. The industry environment is *more dynamic* than ever, and this requires the businesses to be much quicker in adapting their strategies. "The companies in the sector that have been successful have changed themselves before someone else changes them" (Ray Goldberg). Often businesses don't have time to think about change, because they are too busy embroiled in the detail of their operations – "in order to have time to think about and manage change you need not to be engrossed in micro management" (David Bell).

   There was a discussion about risk and its management. Professor Bell commented that in the future the world might become *more risky* versus less risky. The reasons for this include information transparency and correlated demand, which causes people across the world to act in concert. An example: with the rapid spread of the low-carbohydrate Atkins diet, the world stopped eating bread. The agribusiness sector needs to understand and manage risk better.

4, Agribusiness is, to some extent, a *quasi-utility* with significant political as well as economic implications. Accordingly, governments affect companies' bottom lines. However, government has finally woken up to the fact it *cannot plan agricultural supply and demand long term by policy* alone – it must work more closely with the market and try to regulate and interfere less.

5. Agribusiness will increasingly *not just be about the production of food*, or indeed the production of energy, but will be about industrial products, chemicals, medicines – there will be a fusion of all of these sectors. To quote Ray Goldberg: "As distinctions between food and medicine fade,

we will see a proliferation of crop-based drugs or 'agriceuticals.' Nor is the blurring of agriculture and pharmaceuticals limited to seeds and plants. Animals are being turned into drug-manufacturing facilities as well."

One particular step in the agribusiness evolutionary process is a transformation that occurred in the past decade. Some industry players have gone from being low-margin commodity producers to higher-margin providers of such "solutions."

"We're much more than a commodity industry; we're a nutrition industry, we're a health industry, we're an energy industry, we're an economic development industry. . . . Our ultimate customer is society as well." - Ray Goldberg

6. Creating shared value in the *supply chain* is critical – how can you work together to make the pie bigger for everyone rather than trying to work against each other. Creating 'win-win' not 'win-lose' is essential to have world class food supply chains of the future.

   Unless you make your customers' customers' customers satisfied, you really aren't going to win very much in this game." - Ray Goldberg

7. *Water* will be a major opportunity and constraint for the industry over the decades ahead. The global governance of water will become <u>the</u> major issue over the coming decades.

8. Public trust in *science and technology* is a key issue to solving the long term food supply challenges. Monsanto have succeeded in shedding a lot of their 'negative press' by transforming themselves into a seed solutions company.

9. There is significant *untapped production potential* in the former transition economies of the Eastern Block and in Latin America. There are infrastructure and logistics challenges, but these will be overcome with time. These offer exciting investment opportunities for American and European companies with sector specific expertise.

I left the seminar very upbeat about the prospects for the agribusiness sector, and in particular for the UK industry, both as a globally competitive producer of many products but more importantly as an intellectual thought leader and provider of solutions to many of these common global challenges.

About the author

Carl Atkin is Partner and Head of Research at Bidwells Agribusiness. He has a first class Honours degree in Agriculture and Farm Business Management and a Masters degree in Business Administration (MBA). He has overall

responsibility for Research for Bidwells Agribusiness, analysing and interpreting the implications of Global, EU and UK agricultural, environmental, food and rural policy on the food and farming industries.
He is a member of the Editorial Committee of this Journal, and Chairman of the Agricultural and Rural Policy Committee of the Institute of Agricultural Management. His business consultancy interests extend across agricultural supply chains and farming and food businesses and he has extensive experience working overseas, especially in Eastern Europe, Former Soviet Union and Africa including studies on agribusiness investment opportunities and working on implementation strategies with local overseas partners. He has recently spoken at conferences in the EU, MENA Region and North America on Food Security and Agri-Investment trends.

Further information on the Harvard Agribusiness Seminar is available at http://www.exed.hbs.edu/programs/agb/

Photograph of Discussion Group

Back Left to Right: Schichi Sato, CEO, Interflour Vietnam Limited, Ho Chi Minh City, Vietnam; Bungaran Saragihm Corporate Advisor, Japfa Cornfeed Indonesia (and Former Minister of Agriculture of Indonesia); myself; David Lenzmeier, Milk Specialties, Minnesota, USA; Luciano Thome e Castro, Lecturer in Agribusiness Marketing, University of Sao Paulo, Brazil

Front Left to Right: Kristin Snapp, Kershaw Companies (Fruit Producers), Seattle, Washington, USA;