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VALUE CHAIN MANAGEMENT IN AGRIBUSINESS

Abstract:

Work offers discussion of the issues of value chain management and development in agribusiness. In particular, based on the study of business entities in Georgia it analyzes and assesses the process of value chain formation and role of the involved stakeholders that increase the product value for the consumers through organized cooperation.

Value chain connects the raw material producers, middlemen, processing enterprises, sales markets, service providers and different parties, whose activities promote competitiveness of one another at marketplace and its maintenance through introduction of innovations in the processes of value chain. Value chain management is the instrument of strategic business analysis and planning that is used for coordination of the value chain components and resources. Effective management of value chain directly affects profitability of the involved stakeholders and satisfaction of consumers. The work demonstrates the main challenges hindering development and effectiveness of agribusiness management in Georgia, including land fragmentation, low availability of advanced technologies, lack of business management awareness and skills, poor organization of logistics and supply process, low opportunities of negotiating and performing agrarian marketing etc.

Within the scopes of the research various cases of the agricultural cooperatives involved in the sector were studied and business cycles of priority sectors of Georgian agriculture were surveyed. Work was prepared on the basis of in-depth interviews with the industry experts, agribusiness managers and parties involved in the value chain. Secondary data (desk research) were collected through studying of the publications related to the issue and value chain reports.

Seasonality of raw materials production and their insufficiency was found to be one of the main causes of instability of value chain and supply chain in agriculture sector. Participants of value chain do not perceive one another as partners and do not care properly about the quality stability thus reducing competitiveness of their businesses.

In the process of research the emphasis was made on the problems of value chain management. In agribusiness, necessity of formation and setup of the full production chain allowing significant reduction of production costs was identified as one of the significant directions for production growth and development.

Recommendations offered by the work would contribute to improvement of value chain management in agribusiness, in Georgia.

Keywords:

value chain, management, agribusiness, agricultural cooperative, production costs, supply chain, coordination.