FARM INPUTS DISTRIBUTION DRIVERS IN BRAZIL – CHALLENGES AND OPPORTUNITIES FOR AGDEALERS AND MANUFACTURES

Problem Statement

As the Brazilian agribusiness stronger it positioning as a global platform for production and distribution of food, biomass, fiber and biofuels, several changes have influencing channel members in such developing and complex business, economic and technical environment. Consolidation and concentration of companies and agents on the farm input sector, farm level, trading and financial services have arisen many new challenges for agdealers or farm input distributors.

When we analyze the whole chain, from inputs to food processors and retailers, most of these sectors transactions are hold by global companies. Focusing on the farm input distribution sector, crop protection, fertilizers, seed animal health and nutrition products' manufacturers are mainly global companies operating in Brazil. On farm level, the consolidation and the expansion of huge farming structures up to 250,000 ha have attracting professional companies, investment funds and international investors to produce in Brazil. In this way, "farmers" are becoming more and more global. How about agdealers? They are predominantly small and medium sized local companies, held almost exclusively for Brazilian entrepreneurs focused on commercial and technical issues of the business.

In this way the research objectives involve the identification and analyze the farm input distribution drivers for the next 3-8 years that will define and reshape the structure of the future of the farm input distribution sector in Brazil. Secondary objectives include the evaluation and perspectives for manufactures, agdealers and producers in a developing country environment.

Procedures

This is an exploratory research by nature. The main procedures involved the data collection process during events were agdealers were concentrated. We used two events to collect data: one was a crop protection manufacturer's sales convention with 60 dealers; the second one was a training program sponsored by the Brazilian AgDealers Association with 42 dealers.

In both events, researchers had 2 hours to present some agribusiness trends to participants, in a workshop were they worked in groups to fill some templates.

The first template requested participants to list and prioritize issues related with how manufacturers can create value to the relationship with agdealers and farmers. The second template requested them to do the same, but about how agdealres can create value to the relationship with manufacturers and farmers. Finally, the requested was regarding about how farmers can create value to the relationship with agdealers and manufacturers.

After de events, we consolidated and grouped similar statements, taking the main issues and the most cited as the farm input distribution drivers for manufacturers, agdealers and farmers.

Results

As main results, we could understand better the current and expected factors that will drive future relationships and structure on de farm input marketing channels. Figure 1 resumes how the current scenario on Brazilian agribusiness has created challenges for agdealers position themselves in their relationships with manufacturers and farmers (Agdealers are majority retailers. Wholesale level is insipient yet in the country). High pressure for better services, lower costs and higher competitiveness has happening at same time.

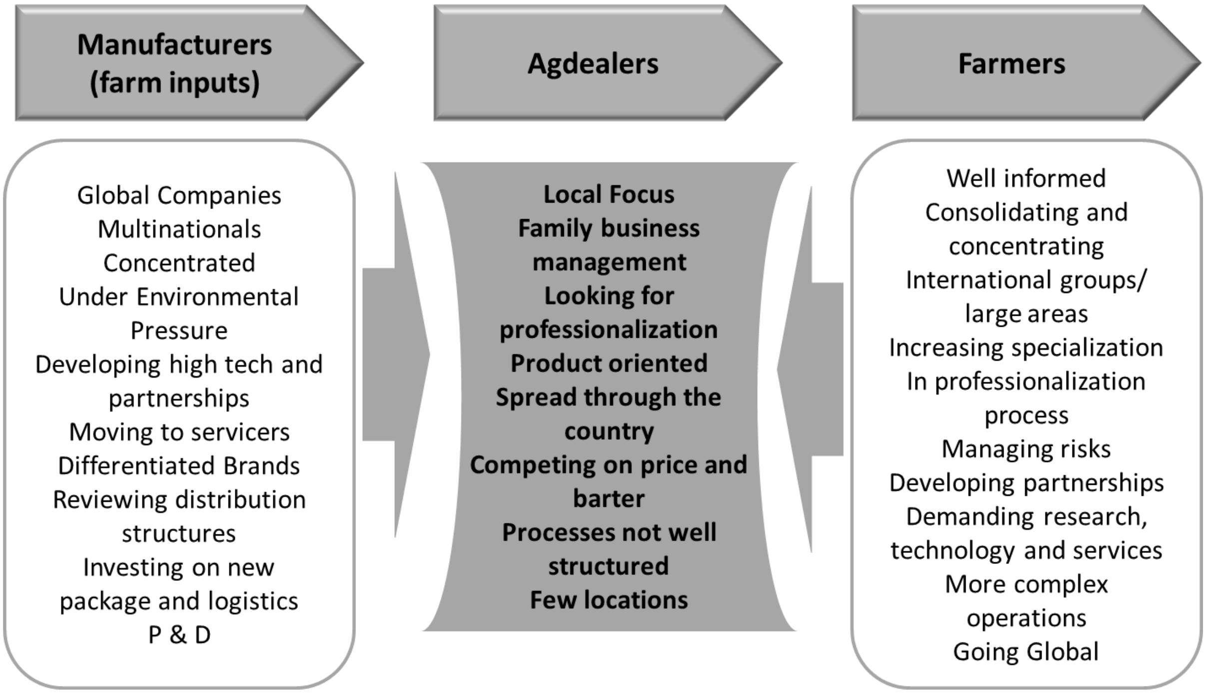

Figure 1: Main Characteristics of Farm Inputs Distribution Channel Ties.

Moreover, the focus was the understanding of the farm input distribution drivers for the future of this specific channel in Brazil. We could see that, on the agdealer point of view, the manufacturer's focus is on technology and brand development, were manufacturers can create value to farmers providing high quality products with higher efficiencies, credit, relationship marketing initiatives among others. At same time, they can create value to dealers with better product portfolio, rebates, managerial support and exclusivity for example. Dealers, on the other hand, should focus their strategies on services, support and relationship development. They can create value to farmers differentiating their services and invest on own brand names and credibility. However, having competitive commercial, credit and barter policies is essential for the business success. Additionally, dealers also create values to manufacturers when operate strategically aligned with them. They also must provide managerial and physical structures, sales and technical teams to fill manufacturers' needs and positioning. Moreover, being loyal is almost mandatory in the Brazilian farm input distribution channel (different from US and other countries for example).

Finally, as end users are also part of the marketing channels, farmers are more valuable for manufacturers and agdealers not only on volume basis. Upstream members look for those farmers that are loyal and with brand preferences. That provide warranties (for barter mainly) and on time payment, adopt new techs and follow supplier recommendations.

Figure 2 presents a summary of the main farm inputs distribution drivers for the next 3-8 years identified during this research.

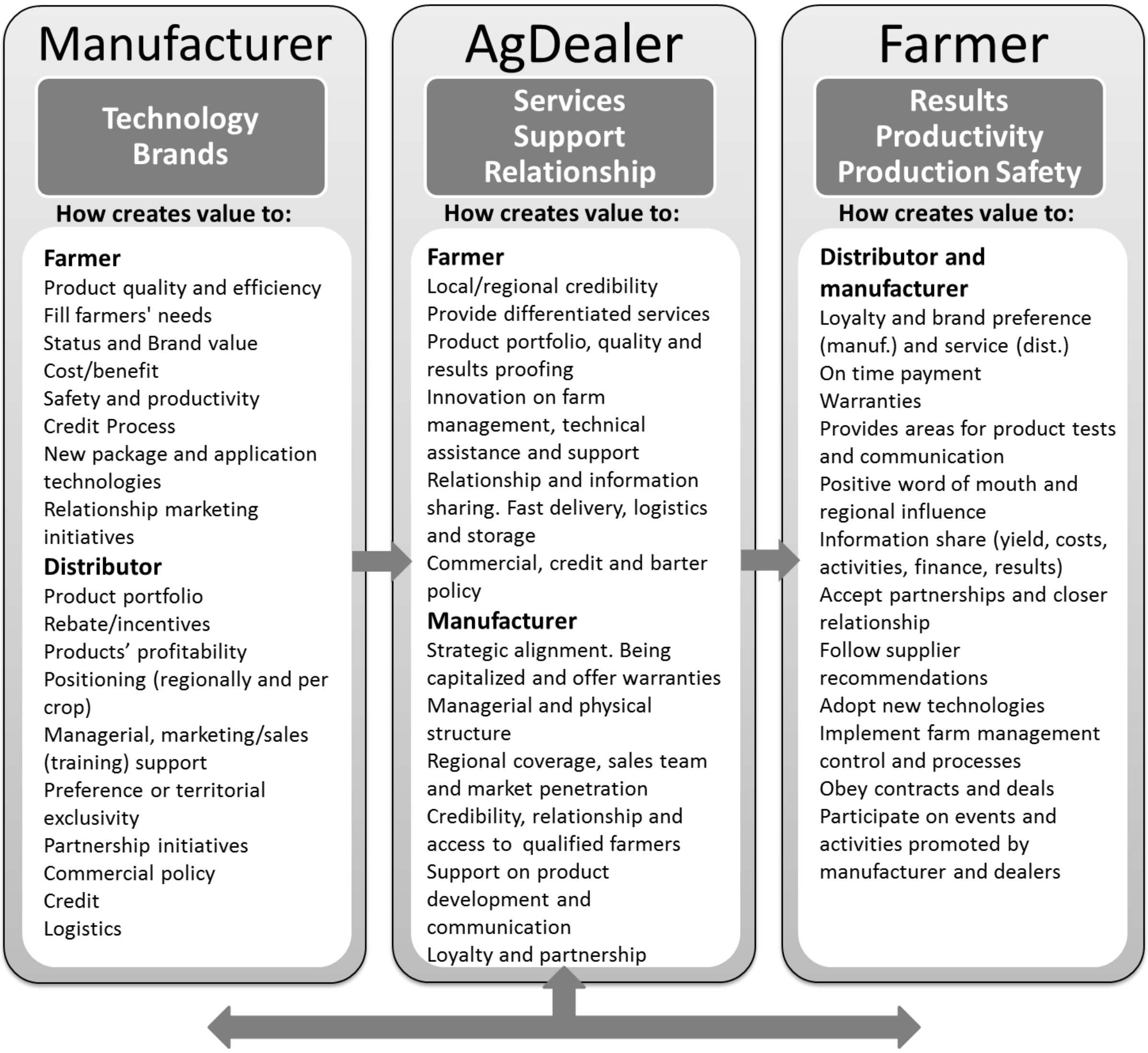

Figure 2: Farm Input Distribution Drivers.

Conclusions

Agdealers are facing important challenges as well opportunities in Brazil. The agribusiness development and the consolidation process upstream and downstream from this channel member his huge. Our research and previous involvement in this sector shows that being very differentiated and competitive in the main drivers for dealers is mandatory. Some discussions during the workshops we conducted with these companies indicated that the consolidation on this channel level will star soon. Those companies that are not properly structured, non-professionalized managed and that keep business based on price, but are not competent to turn their structure in a cost leadership structure will no longer exist. Others are looking for more differentiated approach to farmers. Both strategies seem to be feasible in this sector, since companies implement the right structure to perform their strategies. Develop activities and implement structures related to the farm input distribution drivers can be the success factors for the future of this changing distribution channel in Brazil.