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EASTERN UNIVERSITY, SRI LANKA
FACULTY OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS
Fourth Year First Semester Examination in agriculture Science
AEC 4112 AGRICULTURAL BUSINESS MANAGEMENT

Answer All questions

Time: 2 hours

(1) Read the following case and answer the questions below.

World Food Crisis turns Rice into 'Gold'

A few years ago Kathamuthu Podiyar rented his 35 acres of paddy land to a mill owner for a mere 100 Kg of paddy per acre. (1Kg of paddy was sold at Rs 12.50 at that time) This year all that has changed and the Podiyar is now fully engaged in farming activities.

All over Sri Lanka, people are returning to the cultivation of paddy like prospectors chasing gold. After a global surge in the price of grain, farming has become highly lucrative. The economic opportunities have also brought risks as poor farmers get deeper into debt, fight over scarce water resources and are forced to defend their fields from a new breed of 'rice mudalalis' who are owners of rice mills as well as input suppliers.

Sri Lankan farmers find themselves at the centre of an unprecedented surge in global prices – a "silent tsunami" that is threatening starvation for millions. Rice that could be fed for a year to about 225 million people is lost to rats annually according to a survey finding. Also 1/3 of food shortage experienced globally could be alleviated by better connecting small farmers to markets.

Its causes are multiple.

To keep rice affordable in local markets, big producers like Vietnam and India have – restricted exports – further driving up the international prices. A year ago a kg of paddy sold for Rs 12/50, recently the price is more than Rs 30/00 per kg and is still on the rise. Paddy cultivation has become three times lucrative and the farmers are expected to become richer and richer.

If rice is now more expensive, so are the fertiliser and insecticides used and fuel for tractors and harvesting machines. In any case, the grain passes through the hands of several middlemen – traders, millers and input suppliers who all take their share before it is sold in the market to consumers.

- i) Identify the major sectors which functions in Agribusiness and describe the role of each sector for the functioning of an "efficient agribusiness" system.
- ii) The economic opportunities have also brought risk, as poor farmers get deeper into debt, and are forced to defend their fields from a new brand of rice mudalalis who are owners of rice mills as wells as in put supplies.
 - a) Explain the cyclical process by which farmers are drawn into the "vicious cycle" of indebtedness in the rural areas.
 - b) Explain how the concept of Agribusiness would help in drawing the farmers out of the cycle of indebtedness?

- iii) Suggest an agribusiness system through which the benefit of high prices for paddy could be reaped by poor rural farmers of Sri Lanka.
- iv) 1/3 of food shortages experienced could be alleviated by better connecting small farmers to the market. Explain this statement making use of the different marketing strategies.

(40 Marks)

- (2) Identify 10 features of the current Agribusiness system in Sri Lanka.

Select 5 of them and explain how the managerial functions you have learned will be applied to overcome the challenges faced by rural farmers in the basic areas of Agribusiness.

(20 Marks)

- (3) An intensive research conducted in selected countries worldwide by the management systems International (MSI)/ McBer team identified ten key personal entrepreneurial competencies that separate successful from unsuccessful ones.

List out and briefly explain five important competencies giving practical examples related to the Agribusiness sector of Sri Lanka.

(20 Marks)

- (4) Before you start a business, you need to collect certain information and make plans to be able to see if the new business will be profitable and if you should take the risk to start. Lack of planning and preparation is one major cause for the high rate of failure among new businesses.

- i. What are the other causes for the high rate of failure among new small businesses?
- ii. What is a business plan?
- iii. What are the components of a business plan?
- iv. Why do you prepare a business plan?
- v. Describe the different situations that demand a business plan?
- vi. Calculating the cost of production is a major component in the financial plan. Calculate the cost production for preparing a kg of puffed rice ('aval'). List out all the assumptions you have made in your calculation.

(20 Marks)