The Emergence of E-markets in Agribusiness:

How Will They Work and Who Will Win?

Jeffrey H. Dorfman
The University of Georgia
Emerging Agribusiness Sites

- “Neutral” Farmer-sites
  - Rooster.com
  - Cybercrop.com
  - XSAg.com
  - Eharvest.com
  - 1stag.com
  - Breednet.com
  - Directag.com
  - Farmbid.com

- B2B E-Marketplace
  - Rooster.com
  - Transora
  - Novopoint
  - AgHorizons
  - Globalfoodexchange.com
Transora

- A Global B2B eMarketplace
- 49 companies including Procter and Gamble, Coca Cola, Unilever, Sara Lee, Kraft, Kellogg…
- $238 million investment
- Limited 5% share for each investor
- Multiple types of transactions
- Broad offering of products, services, and content
- Targeted to: suppliers, manufacturers, retailers, industry participants, and consumers
Farmers’ Internet Usage

- 1997 – 13% of farmers had internet access
- 1999 – 29%
- 2001 – 52%

- For farmers with sales > $250,000 – 75%+
Future E-commerce Usage by Georgia Farmers

- **Buying inputs**
- **Selling output**
Future Intensity of E-Commerce Usage by Georgia Farmers

- 2002: Buying: 2%, Selling: 1%
- 2003: Buying: 4%, Selling: 4%
- 2005: Buying: 6%, Selling: 7%
- 2011: Buying: 10%, Selling: 12%
E-commerce as an Ideal

- Farmers receive a higher price
- Buyers pay higher price to farmers because
  - Lower transaction costs
  - More balance in market power
  - More complete information
- Buyers still save money
- Validated in car auction cases
What Markets Will Emerge?

- Weak sellers
- Strong buyers
- Strong sellers
- Weak buyers

- Reverse auction
- Dutch auction
- Negotiation
- Auction
Where Do Ag Sectors Fit?

Weak sellers

Strong buyers

Strong sellers

Weak buyers

- cotton
- livestock
- grains
- produce
- peaches
- nuts
- dairy
- grains
- livestock
- cotton
- produce
- peaches
- nuts
- dairy
What E-Markets Will Emerge?

- From the two figures, we should probably expect to see Dutch and reverse auctions as the most common e-market types.
- Most likely first commodity to transition heavily is cattle which is already used to tele-auctions and in-person auction formats.
- May see regular auctions in specialty crops.
Who Will Win?

- Likely winners will be buyers, not farmers on the output side.
- Farmers’ hopes can be pinned on the car e-market evidence (win-win).
- Farmers may also benefit on the input side.