Reaping the Cyber Harvest

E-commerce and trade in food and agriculture

May 29, 2001
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The potential benefits of e-commerce are overwhelming ...

- Trade expanding
- Cost reducing
- Choice enhancing
- Competition intensifying
- Information revealing

BUT ...
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... e-commerce is not a one-sided story.
“Making sure you’re not going to get cheated in a face-to-face deal is difficult enough. But how do you trust a trading partner you’ve never met, someone who is on the other side of the ocean and who operates under a completely different set of laws?”

-David Alpher, ebizQ.net

- Authentication of the buyer and seller
- Restitution if a deal goes sour
- Payment systems that have not adapted
- Preferred provider systems
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TECHNOLOGY

Not all regions are created equal. Some very important agricultural regions lack the basic technology to make e-commerce a viable alternative to current business methods.

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Internet lines (per 10,000 people)</th>
<th>Personal computers (per 1,000 people)</th>
<th>Telephone mainlines (per 1,000 people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>2</td>
<td>17</td>
<td>82</td>
</tr>
<tr>
<td>East Europe &amp; Central Asia</td>
<td>15</td>
<td>39</td>
<td>213</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>15</td>
<td>38</td>
<td>130</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>0</td>
<td>25</td>
<td>87</td>
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<tr>
<td>South Asia</td>
<td>0</td>
<td>3</td>
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<td>Sub-Saharan Africa</td>
<td>2</td>
<td>8</td>
<td>14*</td>
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<td>235</td>
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<td>United States</td>
<td>1480</td>
<td>511</td>
<td>664</td>
</tr>
</tbody>
</table>

*1998 data

Source: World Bank
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**COST**

- Buyers and sellers might need to maintain current systems while implementing new e-commerce systems, which could increase costs in the short-term.
- Companies that invested significant time and money in implementing EDI and related systems can be wary of scrapping such systems for e-commerce.
- The biggest benefits from e-commerce will only be reaped when all parties are on the same platform, and such integration can be very costly and time-consuming.
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REGULATION

“Legalities will impede some parts of the progress. For example, in the commodities trade, documents of title such as bills of lading, tax and title become incredibly important. They’re governed by a number of international conventions dealing with title on goods, and that can be complex in some countries. In trade between Japan and Korea, for example, a lot of the standard payments and contract terms that we would see in the West don’t even operate. So in some markets we can move much faster in terms of cross-border potential.”

-Len Cordiner, CEO, MeetChina.com
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TRAITS OF THE GOODS

“In our industry, there’s a lot that simply has to be done in person. You’re relying on taste, touch, smell. This isn’t like a computer chip. As long as that works, who cares what it looks like, and you may never need to know where it came from.”

-Amy Gellert, Atalanta Corp. on ebizQ.net

- Better for some industries than others
- The Internet can facilitate transactions, but might not replace personal contact
- Preferred provider model has come to dominate the food industry
- Food safety and other identity preservation issues make anonymous, e-commerce transactions difficult
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The impact of e-business will not be uniform across all industries and countries.
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Is e-commerce more promising for buyers than sellers?

**Buyers**
- New sellers
- More competition
- Lower costs

**Sellers**
- New buyers
- More competition
- Lower prices
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If you have any questions, please don’t hesitate to contact me at ...

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