



MACHAKOS UNIVERSITY

University Examinations for 2021/2022 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR
BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT)

AGB 404: AGRICULTURAL SUPPLY CHAIN MANAGEMENT

DATE: 7/12/2021

TIME: 2.00-4.00 PM

INSTRUCTIONS

This paper consists of FIVE questions

Answer question one and other two questions in this paper

Duration is 3 hours

QUESTION ONE (COMPULSORY) (30 MARKS)

Read the Engro Foods Ltd case study below and Answer Questions a, b, and c.

ENGRO FOODS LTD

Engro Foods Ltd Launched in 2005, Engro Foods Ltd. (EFL) manufactures, processes, and sells dairy products, juice, ice cream, and frozen desserts in Pakistan. It is the second largest producer of processed milk in the country. EFL has state-of-the-art processing plants and an ice cream factory in the province of Punjab, as well as its own dairy farm in the province of Sindh. The company employs more than 1,700 people, including 200 staff in rural areas. EFL is a majority-owned (87%) subsidiary of Engro Corporation Limited (ECL), one of Pakistan's largest conglomerates with seven businesses in a wide range of industries. Other shareholders include individuals, employees, and institutional investors. EFL is listed on two stock exchanges in Pakistan. Over 92% of milk is produced by small farmers in Pakistan. These farmers rear two to five cows that produce between 3-5 liters per day as against the world benchmark of 25-30 liters per day. Small farmers are dispersed over hundreds of thousands of kilometers in rural areas with poor or limited access to markets, transportation, and other infrastructure. This results in a high rate of milk spoilage or loss of 15%. Further, farmers rely on middlemen to sell milk and receive unfair prices and high interest rates for credit. Companies pay transaction fees to middlemen and receive milk of inconsistent quality. A primary business driver, therefore, for EFL's inclusive business model is the need to engage small farmers directly for raw milk supply. Second, EFL recognizes that procuring milk through middlemen will not help the company improve quality. Instead, it needs to invest in farmer training to procure quality milk to deliver high quality products. Third, growing demand for EFL's products requires the company to ramp-up its milk supply. To

ensure stability and security of milk supply in the medium- to long-term EFL requires a strong system to expand domestic procurement.

- a) As a primary business driver, EFL has identified the need to engage small farmers directly for raw milk supply in their business model. Discuss FIVE potential gains of this intended move. (10 marks)
- b) In effort to improve quality along the milk supply chain, explain FIVE measures that EFL may put in place. (10 marks)
- c) It may be a wise decision to Automate EFL's milk supply chain processes. Explain five areas that the organization may automate. (10 marks)

QUESTION TWO (20 MARKS)

- a) Describe five areas that are potential for negotiations when entering into a contract for farming. (10 marks)
- b) Agricultural supply chains are faced with a diversity of risks. Explain five external risks to an agribusiness in Kenya. (10 marks)

QUESTION THREE (20 MARKS)

- a) It is expected of businesses to measure their supply chain performance for effective management. Explain FIVE challenges that agribusinesses may encounter in such a process. (10 marks)
- b) Describe the process that you may follow to purchase farm inputs for an agribusiness venture. (10 marks)

QUESTION FOUR (20 MARKS)

- a) Unethical practices are common in all business sectors. Explain five supply chain related fraud in the agricultural sector in Kenya. (10 marks)
- b) You have been appointed to chair a committee that is charged with the responsibility of developing a supply chain strategy for an agro-processing company. Describe a five step process that you can follow for the exercise. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Unlike other sectors, agricultural industry may find it challenging to operate on stockless basis where there is no provision for storage of materials. In five points justify this statement. (10 marks)
- b) As a horticultural farmer, explain the significance of direct distribution channel for your farm produce. (10 marks)