

**THE CONCEPT OF AGRIBUSINESS, ITS FUNCTIONS AND SYSTEM  
CHARACTERISTICS**

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**Abstract**

This article analyzes the theoretical foundations of the concept of agribusiness, its economic content, and its role in the modern agrarian economic system. The formation of the agribusiness system, its structural components, main functions, and characteristics as an economic system are examined based on scientific sources. In addition, the production, social, investment, and innovation functions of agribusiness, as well as the integration processes between agriculture and industry, are analyzed. The research findings indicate that the agribusiness system represents a complex economic structure that includes agricultural production, processing, logistics, marketing, and trade activities. The article also highlights the importance of agribusiness in ensuring regional economic development, food security, and employment in rural areas.

**Keywords**

agribusiness, agricultural economics, agriculture, economic system, integration, food security, investment, innovation, logistics, value chain.

**1. Introduction**

Today, the agricultural sector is an important component of the economy of many countries. Particularly in developing countries, agriculture plays a significant role in economic growth, employment, and ensuring food security. Therefore, improving the efficiency of agricultural management, modernizing the sector, and developing the agribusiness system are among the most pressing scientific and practical issues.

In modern economic literature, agribusiness is interpreted as a comprehensive system covering all economic processes related to agricultural production. Agribusiness includes not only the production of agricultural products but also their processing, storage, transportation, and delivery to consumers [1].

The concept of agribusiness was first introduced into scientific circulation by American economists J. Davis and R. Goldberg, who defined agribusiness as the aggregate of all economic activities related to agricultural production [1].

Today, the agribusiness system plays a key role in the development of agricultural economics by integrating agricultural production, the food industry, logistics, and trade into a unified economic chain.

**2. Methods**

This study is based on a qualitative research methodology that includes a review and analysis of scientific literature related to agribusiness systems and agricultural economics. The research relies on comparative, analytical, and systematic approaches.

Several scientific methods were applied during the study. First, the literature review method was used to analyze the theoretical foundations of agribusiness. Second, the comparative analysis method was used to evaluate international experiences in agribusiness development. Third, a system approach was used to examine agribusiness as an integrated economic structure consisting of interconnected sectors such as production, processing, logistics, and marketing.

Scientific publications, reports from international organizations such as the FAO and World Bank, and academic research in agricultural economics were used as the primary sources of information.

### **3. Results**

The concept of agribusiness emerged in economic theory due to the need to interpret agricultural sector activities more broadly. Since the second half of the twentieth century, agricultural production has become closely linked with industrial production, services, and trade.

Davis and Goldberg define agribusiness as follows: “Agribusiness is the sum of all operations involved in the manufacture and distribution of farm supplies, production operations on the farm, and the storage, processing, and distribution of agricultural commodities and items made from them” [1].

According to this definition, the agribusiness system consists of three main components:

1. agricultural production;
2. industries providing services and resources to agriculture;
3. processing and marketing of agricultural products.

M. Porter emphasizes that cluster development plays an important role in strengthening the competitiveness of agricultural sectors. According to his theory of competitive advantage, agribusiness clusters serve as an important driver of regional economic development [2].

The agribusiness system consists of several interconnected sectors operating within a single value chain. In modern economic theory, this process is described as the agro-food value chain [3].

The main structural components of the agribusiness system include:

1. Resource Supply Sector. This sector provides agricultural producers with necessary inputs such as machinery, fertilizers, seeds, animal feed, and other resources.
2. Agricultural Production. This is the central element of the agribusiness system, including crop production and livestock farming.
3. Processing Industry. Agricultural products are processed industrially to create additional value and increase their market competitiveness.
4. Transport and Logistics. This component includes storage, transportation, and distribution of agricultural products.
5. Marketing and Trade. This sector organizes the marketing and sale of agricultural products in domestic and international markets.

Agribusiness performs several important functions within the economy.

**Production Function.** Agribusiness ensures the production of agricultural goods and contributes to the supply of food products.

**Social Function.** Agribusiness plays an important role in ensuring employment and increasing income levels in rural areas. According to FAO experts, agribusiness development is one of the key factors in reducing rural poverty in developing countries [3].

**Investment Function.** Investment in agribusiness contributes to increasing productivity and efficiency in agricultural production.

**Innovation Function.** The introduction of new agricultural technologies significantly improves production efficiency and competitiveness.

Agribusiness represents a complex economic system characterized by several distinctive features:

**Complexity** – Agribusiness integrates multiple economic sectors including agriculture, industry, logistics, and services.

**Integration** – Strong economic linkages exist between agricultural production, industrial processing, and service sectors.

**Stability** – Agribusiness contributes to ensuring national and global food security.

**Innovative Development** – The sector allows rapid adoption of technological innovations and modern management practices.

In recent years, the development of agribusiness has been influenced by several modern economic concepts such as value chains, agricultural clusters, digital agriculture, and sustainable agricultural development.

The value chain concept explains agricultural production as a sequence of interconnected stages, including production, processing, logistics, marketing, and distribution [3]. This approach increases economic efficiency by adding value to products.

Cluster development also plays an important role in agribusiness growth. According to Porter's cluster theory, cooperation between firms, research institutions, and service organizations within a specific region increases economic productivity and innovation capacity [2].

#### **4. Discussion**

Agribusiness is a key factor in economic development, particularly in countries where agriculture forms the basis of the national economy.

According to the World Bank, the agricultural sector accounts for approximately 20–30% of GDP in many developing countries [5]. Moreover, the main source of income for rural populations is closely linked to agricultural activities.

Agribusiness also plays a crucial role in ensuring food security, which refers to the stable availability of sufficient, safe, and nutritious food for the population.

FAO experts emphasize that modernization of agriculture and the development of agribusiness systems are among the most important factors for ensuring food security [3].

In developed countries, the agribusiness system is highly developed and based on modern technologies, scientific research, and effective management systems.

For example, in the United States agribusiness represents a major sector of the national economy. Agricultural production in the country is characterized by advanced technologies and high productivity.

The Netherlands is another successful example of agribusiness development. Despite its small territory, the country is one of the world's leading exporters of agricultural products. This success is largely attributed to advanced agricultural technologies, innovative research, and efficient logistics systems.

Similarly, countries such as Turkey and South Korea prioritize agribusiness development within their national economic strategies. These countries focus on integrating agricultural production with processing industries to produce high value-added agricultural products.

#### **Conclusion**

Agribusiness represents an important strategic system in the modern economy. It encompasses all stages from agricultural production to processing, distribution, and delivery of products to consumers.

The effective development of agribusiness contributes to:

- ensuring food security;
- increasing employment in rural areas;
- stimulating regional economic development;
- expanding export potential.

Therefore, the development of agribusiness remains one of the priority directions of modern agricultural policy.

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