Exchanges vie for agribusiness market

THOUGH AGRICULTURE OFTEN is perceived as being dominated by late adopters, the opposite is true when it comes to e-commerce. E-marketplaces have rushed into agribusiness in part because of the industry’s pre-existing reliance on Internet services. In fact, the field has become so crowded that agribusiness may be among the earliest sectors to experience a B2B shakeout. Agriculture’s rapid move to the Web can be explained in part through farmers’ long-established need for highly specialized information about commodities pricing, as well as weather conditions and forecasts. The Web quickly became a good source of both.

Agribusiness also comes with a tidy purse. About $185 billion each year gets spent on everything from pesticides and equipment to fertilizers and bank loans. Because of its eager audience, the agriculture industry is busy with e-marketplace startups. “Agriculture is overcrowded with online exchanges,” says Warren Clark, vice president of marketing for Farms.com in Memphis, Texas. “There’s no question that there will be a consolidation of e-marketplaces in agriculture.” Farms.com joined this trend in March when it purchased eHarvest. “When Farms.com bought eHarvest, it was more than just putting two good sites together,” says Clark. “We were one of the oldest and largest in the U.S., and eHarvest was one of the oldest and largest in Canada.

Rooster.com brings convenience

In May, a group of major agriculture companies launched an e-marketplace, Rooster.com, based in Bloomington, Minn. With big backers such as Genex Harvest States Cooperatives, Cargill and DuPont, Rooster.com hopes to move to the center of the agriculture industry. Other players already providing e-commerce to farmers are skeptical, asserting that a site owned by industry players will compromise the anonymity provided by a neutral site. Anonymity allows suppliers to unload excess inventory without destroying their ability to hold their standard pricing with regular customers.

The backers of Rooster, though, believe they bring convenience and credibility to the market. “Doing business over the Internet has not always been practical, in part because farmers haven’t had the option of working through their local retailer or cooperative” online, says Joe Stone, Rooster spokesperson. “Rooster.com is a convenient place for farmers to shop online with connections to local businesses that provide the services and facilities farmers rely on.”

Rooster backers also intend to add connections to state and federal government agencies and commodity organizations to the site.

PlanetAg beeps farmers

Another recent player to enter the agriculture scene is J.R. Simplot Co., which launched Boise, Idaho-based PlanetAg.com this spring. J.R. Simplot is a major firm in both the wholesale and retail farm business, with 85 retail stores around the country.

The company believes there is room in the market for a well-known company that is already doing business with a large number of farmers. The site launched as an information-based offering, with streaming news on weather, crop prices

As a group, farmers also have welcomed online auctions. Agricultural producers are familiar with the auction process because it’s the primary way they sell crops and livestock. “Together we grew geometrically, adding new content, community and commerce. This increase showed up in traffic, business and investors. When we merged, it opened a ton of new doors.”
and livestock prices. Later in 2000, the site will expand to a full e-marketplace.
L.J. Simplot believes it will capture market share through its standing among farms and through innovative services. One service it has introduced allows farms to ask the site to inform them when prices reach a certain level.

“A farmer can ask the site to contact him when wheat prices hit a particular high,” says Kim Anderson, Internet marketing director for PlanetAg.com. The site can contact him by e-mail, fax and even beeper. “The beeper is popular because farmers are rarely at their desks during the day,” says Anderson.

Slicing up the industry
E-marketplaces in agriculture cut the industry into dozens of slices. Some are designed to help farmers sell their crops and livestock, and others are designed for procurement only. Others take niche markets within agriculture, such as meat products or almonds. Most of them offer some form of specialized information such as weather and crop prices.

One niche site, XSag.com, in Research Triangle Park, N.C., concentrates entirely on unloading excess inventory of products such as chemicals, seeds and fertilizers. The site offers fixed prices, auctions and reverse auctions. One of the neutral site’s important features is the anonymity of the seller, says Fulton Breen, CEO of XSag.com.