

Firm strategy structure rivalry economics essay

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Today's active markets and technological advancements have brought into question the sustainability of competition on a global basis. Under the pressure to work upon productivity, efficiency, and effectiveness, managers have entwined in using tools such as TQM and benchmarking. Dramatic operational improvements have caused gains. But rarely can these be translated into sustainable profitability. And subsequently, the tools have taken over the usage of strategies. As managers struggle to improve on all lines, they tend to deviate from viable competitive positions. Michael Porter states that operational effectiveness, although necessary, is not sufficient for an industry. This is because the techniques involved are easily imitable. In comparison, the basic focus of strategy is choosing an exclusive and valuable post rooted in systems of activities that are more tedious to resemble. The economy of Pakistan is the 107th largest economy in the world, in context to purchasing power, and the 85th largest in dollar terms. Pakistan has a semi-industrialized economy which mainly encompasses textiles, chemicals, food processing, agriculture and other industries. Growth poles of Pakistan's economy are situated along the Indus River diversified economies of Karachi and Punjab's urban centers, coexist with lesser developed areas in other parts of the country. Agriculture accounted for about 53% of GDP in 1947. While per-capita agricultural output has grown since then, it has been outpaced by the growth of the non-agricultural sectors, and the share of agriculture has dropped to roughly one-fifth of Pakistan's economy. In recent years, the country has seen rapid growth in industries (such as apparel, textiles, and cement) and services (such as telecommunications, transportation, advertising, and finance). Pakistan ranks forty-first in the world and fifty-fifth worldwide in factory output.

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Pakistan's industrial sector accounts for about 24% of GDP. Cotton textile production and apparel manufacturing are Pakistan's largest industries, accounting for about 66% of the merchandise exports and almost 40% of the employed labour force. Other major industries include cement, fertilizer, edible oil, sugar, steel, tobacco, chemicals, machinery, and food processing. In the last 50 years, Pakistan achieved phenomenal increase in rice production. In 1947, the area under rice in Pakistan was around 8,56,000 hectares which in 1998 reached or 2.4 million hectares. The rice production during this period increased from 737,000 to 4.6 million tonne. Thus area increased by 3 times, but the production increased by 6 times. Although, increased area contributed to increased production but significant increase in per acre yield was brought about by the development of high yielding varieties, improved agronomic practices supported with fertilizers and plant protection measures. Punjab is the leading producer of rice in the country. It accounts for 59.5 percent of the total production. The next leading province is Sindh. It accounts 29.5 percent. The remaining provinces NWFP and Baluchistan contribute 11 percent of the total production. Many of the rice processing units are traditional huller type and are inefficient. Therefore, there is dire need to establish modern rice mills through which entrepreneurs of rice mills can be able to produce the high capacity production. To improve the quality and sale at high price per unit, the Government has made some structural and administrative changes in monitoring the purity of exportable rice. These changes involve analysis of rice of different varieties by the Rice Exporters Association of Pakistan (REAP) and fixing the minimum export price. The REAP has proved its performance by checking the quality of brown rice exported to Europe in 1996-97. The confidence of rice importers in <https://assignbuster.com/firm-strategy-structure-rivalry-economics-essay/>

quality of Pakistani rice is gradually building up and exports are steadily increasing. Rice milling is the oldest and the largest agro processing industry in Sindh province of Pakistan. In Pakistan, rice industries contribute 21.75 percent in the economy and production up to 29.5 percent. Rice crop in Sindh has been growing since centuries dates back even before the civilization of Moen-Jo-Daro. Sindh Province produces about 1.461 million tons from an area of 0.544 million hectares with an average yield of 2.686 tons rice per hectare. The quality of seed was not certified on the international standard. The growers and millers were crying about the availability of quality seed. If this position of seed would be continued in the Sindh, it will not only affect on marketing of rice in Sindh but per acre yield will be declined. It has also found that the most of rice industries in Sindh are using out-dated technology such as steel hullers or old rubber shellers for de-husking around 54 percent amongst 850 rice mills of Larkana district. The most of the owners of these rice industries became defaulters of various commercial banks.

COMPETITORS:

Price differentials can also be on the actual or perceived differences in quality, which can be reinforced by brands, transportation differentials and commercial risks. Based on good production technology and better post-harvest operations, the price of US No. 2 long grain rice was comparatively higher (US\$24 per tonne) than Thai 100 per cent grade B during 1994-95. This difference in price increased to US\$149 per tonne in 1997-98. The qualities of both of them are comparable. Likewise, the price of Vietnamese 5 per cent broken rice, good quality rice was about US\$56 per tonne, which is lower than Thai 100 per cent grade B. Therefore, there is a lot of scope to

increase our exports of rice in monetary terms by making improvements in the production technology including better drying, transportation, milling, grading and packing etc. Given the high demand in the days to come, improved production technology and appropriate post-harvest operations like threshing, drying, milling, grading, packing, transportation and storage need to be encouraged. There is also a need to improve nutritive value of rice grain. Iron and zinc fortified and vitamin A-enriched rice grains will prove very useful to millions of poor especially women and children in Asia and Africa. Maintaining rice exports at the same level seems difficult since it involves lot of awareness and marketing skills. But the increasing value of rice trade will make the effort worthwhile. It is imperative to do in-depth short, medium and long term analyses on rice production and marketing at the global level and then develop a strategy not only to maintain the present level of exports but enhance rice export from Pakistan. Rice, an important food and cash crop, is the third largest crop of Pakistan after wheat and cotton. It is planted on an area of over 2.5 million ha (11% of the total cropped area) and accounts for 17% of the total cereals produced annually. The annual production of milled rice is about 5.5 million tonnes sharing 5.5% in agriculture sector and 1.1% in GDP. Pakistan is famous for growing and exporting long grain aromatic Basmati rice. Rice exports hovering around three million tonnes per annum have accounted for 5% of the foreign exchange from merchandize exports. The rice export increased manifold during the recent years and a record export of 3.69 million tonnes of worth about Rs. 70 billion was made during 2005-06 (Figure 1). The country ranks 14th in terms of rice production and 6th in rice export in the world. India is the second biggest grower of paddy rice in the world. In 2003 it produced

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over 132 million tonnes. Bangladesh is also one of the top producers, growing over 38 million tonnes. Pakistan produces over 6 million tonnes. Together, India, Pakistan and Bangladesh grow about 30 % of the global total of paddy rice. Indian states of the south and the east are very strong rice cultivation areas. These include the highly populated states of West Bengal and Tamil Nadu and midsized states with distinctive cultural traditions such as Kerala and Orissa. Rice is also grown to an extent across much of the rest of India. Rice fields can even be found up to moderate elevations in India's Himalayan states. About 92% of Pakistan's rice production is concentrated in the Punjab and Sindh provinces and nearly all the rice is grown on irrigated land. Punjab is the leading rice growing province with about 61% rice area and concentrates on Basmati-rice for export, while Sindh produces high yielding varieties and traditional varieties mostly for domestic consumption covering about 31% of total rice area. Of the remaining 8% area under rice, 5% lies in the North-West Frontier and 3% in the Balochistan provinces, respectively. On the whole, Basmati-rice accounts for about 52% of the total rice area under cultivation. Punjab is the largest rice-producing province and the " Kalar" tract -the bowl of the world famous Basmati rice is located between the Ravi and Chenab rivers. B. Natha Singh Karam Singh (Pvt.)Ltd., incepted in the year 1895, laid the first rice mill at kamoki (Karachi), now in Pakistan. They are the Pioneers in creating the brand. There are a total of 373 rice mills listed in Pakistan. Government protects at farmer level by setting a minimum price. However, the final price of rice is not fixed by the government. Cost of oil amounts to 25% or less of the cost of rice cultivation. Machinery is not imported, it is locally produced. Pakistan imports mainly to China, Switzerland and Thailand. No licenses are required for importing, you <https://assignbuster.com/firm-strategy-structure-rivalry-economics-essay/>

need to be a member of REAP(Rice Exporters' Association of Pakistan). REAP operates in Karachi and Lahore. In 1988-89, the Rice Exporters Association of Pakistan (REAP) came into existence and started interacting with the Ministry of Commerce and Ministry of Food, Agriculture and Livestock and also the Planning Division of the Government of Pakistan. In 1992 realising the absence on any national rice standards, REAP played a pivotal role in establishing the Pakistan Rice Standards with the Pakistan Standards Institution for the first time in the history of Pakistan. REAP also played host to the Arabian Gulf Co-operative Council government buyers from Kuwait, Oman, UAE, Bahrain, Qatar and Saudi Arabia in 1992 and for the first time since private sector was once again allowed rice exports, made sale of over 36, 000 tons from private sector. In 1996-97, REAP once again performed its responsibility by negotiating with the Europe Commission along side our Ambassador at Belgium and obtaining an abatement in import duties of 250 ECU/ton our Super and/or Kernel Basmati Brown rice. In 1998-99, REAP became a registered body with the Director Trade Organisation, Ministry of Commerce. Also in 1998-99, membership of REAP became compulsory for all rice exporters. Now the membership of REAP is in the region of around 800 members spread all over Pakistan. Members of Managing Committee of REAP are constantly working for improvement in Pakistan's quality of rice and introduction of new varieties both in Sindh and Punjab. Pakistan has an edge over India in that India's local demand does not permit it to export non-Basmati rice. However, as far as other varieties are concerned, Pakistan's major competitors are Burma, India and Vietnam. As of February, 2010, prices of rice in Pakistan witnessed 3 to 6 per cent drop due to decrease in international demand and presence of plentiful stock of rice in Africa.

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According to rice exporters, the international price of Irri-6 rice has come down from 360 dollars per ton to 350 dollars while the rate of Irri Silky Polish 5% slipped from 350 dollars per ton to 325 dollars. Almost 70 per cent produce of Irri-6 rice is exported but due to the drop in international demand the size of local stocks of rice has also grown leading to the decrease