

## BREEDING SUCCESSFUL AGRICULTURAL ENTREPRENEUR: THE PREREQUISITE STEPS

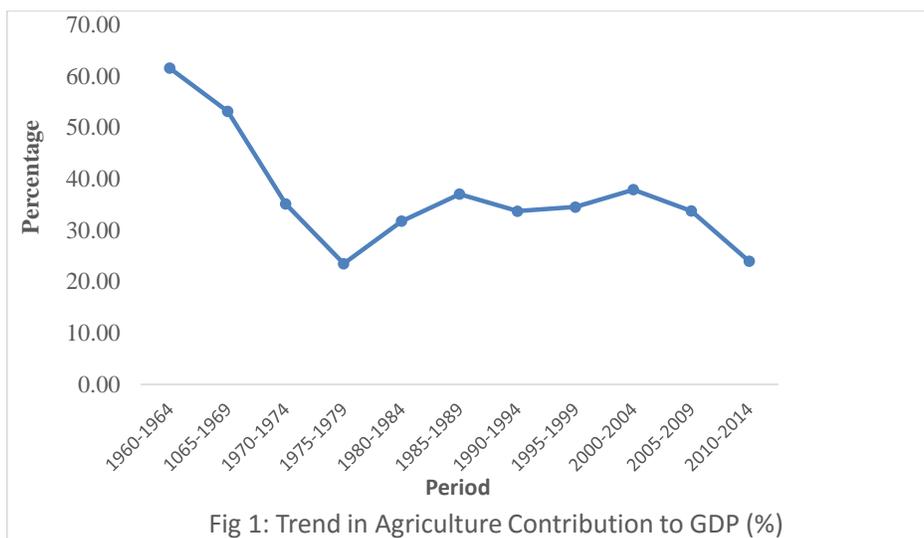
### 1.0 BACKGROUND

#### Agriculture and the Challenges of the Nigerian Economy

In Nigeria, most discourse on agricultural development have never failed to remind us of the significant contribution of agriculture to national economy in terms of domestic production, employment and income generation. Such discourse have always highlighted the contribution of the sector to the country's Gross Domestic Product (GDP) as major foreign income earner especially in the 1960s and even in the later 2 or 3 decades following the oil-boom. However, the importance eventually decreased following the advent of oil. The irony of our national development as far as agriculture is concerned is well known to all.

NBS account on the contribution of agriculture to our economy shows a decline its role as a principal foreign exchange earner with the entrance of crude oil into our country's export list. The agricultural sector remained stagnant during the 1970s with the advent of crude oil and consequently there was a decline in its share of contribution to the GDP from 60% in the early 1960s to 48.8% in the 1970s and 22.2% in the 1980s (NBS 2015).

The periods afterwards witnessed a worsened dependence of the economy on a single commodity (oil) to the detriment of the agricultural sector. It was not too long before the country had to battle with the challenges of enormous dependence of food import (both in quantity and value) with the worrisome 'taste for imported goods' becoming part of our national life.



As a result, the country has been battling with increasing rate of unemployment especially among our youths while the associated risk of social crisis stares us on the face daily. This has also grown gradually to become a major threat to our national security and affront on our territorial integrity in recent times. The controversies surrounding Nigeria's unemployment rate has however been aggravated recently by the outcry that follows the NBS estimate of 7.5% unemployment rate reported for the first quarter of 2015. Even at this, the 7.5% simply implies that about 5.5million of the labour force are unemployed.

In addition to this, the population has continued to be more vulnerable to poverty with poverty incidence increasing steadily from 27.3% in 1980 to 69.0% in 2010 according to NBS (2010) report (Table 1). The report also pointed to the prevalent of poverty more among rural households (66.1%) compared to urban households (52%). Also in rural areas, poverty manifests itself more in the agricultural sector. The disaggregation of incidence of poverty by zone shows that the North East (69.0%) and North-west (70%) as the most impoverished. It is also obvious that the situation in the North-East would have worsened following the security challenges that the country is still battling with in the zone. Although the report had South-West as the least impoverished, the zone still had about 50% of its population below the poverty line.

**Table 1: Poverty Incidence in Nigeria (1980 – 2010)**

<b>Year</b>	<b>Poverty Incidence (%)</b>	<b>Estimated Population (Million)</b>	<b>Population in Poverty (Million)</b>
1980	27.3	65	17.1
1985	46.3	75	34.7
1992	42.7	91.5	39.2
1996	65.6	102.3	67.1
2004	54.4	126.3	68.7
2010	69.0	163	112.47

Source: National Bureau of Statistics, 2010

**Table 2: Poverty Profile by Sector and Zones**

<b>Sector</b>	<b>Poverty Rate</b>
Rural	66.1
Urban	52.0
National	60.9
Zone	
North Central	59.5
North East	69.0
North West	70.0
South East	58.7
South-South	55.9
South-West	49.8

Source: National Bureau of Statistics, 2010

Although, recent reports (following the rebasing of the national account) shows the country to be experiencing strong economic growth averaging 7% annually between, especially in pro-poor areas of agriculture and trade, the national per capita poverty profiles still remains high (above 60% of the population) thereby showing little impact of the growth on poverty reduction.

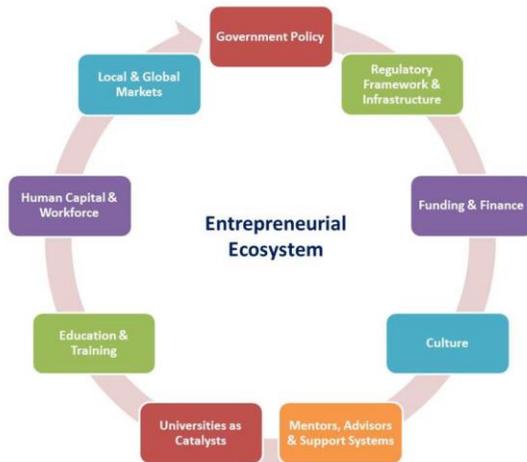
One of the major feature of the rebasing of the national account is more diversification of the accounting base with the inclusion of more data from the service sector (notably telecommunication and entertainment) that were underestimated in the past.

In much recent times, the macroeconomic climate has been more challenging for the country. Between 2013 and 2014, oil output decreased in addition to drastic fall in oil prices. Consequently, oil revenues declined by 24.4%. The situation grossly put federal and state governments under enormous pressures in meeting their financial obligations while crisis erupted in the payment of workers' salaries across many states. The shocks at the oil market exposed the level of vulnerability of our economy's dependent on a single commodity. The effect of this shock still remains unresolved up till today despite the 'bail out'.

It should however be noted that well before this shock, development planners have never failed to point out the enormity of the danger in our country's dependence on oil. Different development policy frameworks especially those following the return of the country to civil rule in 1999 have emphasized the need for the diversification of the revenue base of the country. It could be remembered that one of the emphasis in the economic blue print of the immediate past regime was the pursuant of a private-sector led economic growth. In this regard, some school of thought considered the agricultural sector as the 'largest' private sector (in terms of number of players), hence the development of the sector is considered crucial to sustainable growth and poverty alleviation especially in the rural sector of the economy. The fact that the agriculture sector is a major contributor to employment attests to its potential if fostering inclusive growth. Then the pertinent question is how do we explore this potential.

## **2.0: Stakeholders in Breeding Agricultural Entrepreneurs**

Developing a strong and sustainable agricultural entrepreneurship towards addressing most of the problems mentioned earlier places on the nation is faced with a multi-dimensional constraints that unavoidably requires a multi-stakeholder attention. By stakeholders, I have in mind 'any group or individuals who can affect or is affected by the activity of entrepreneurs. This is in line with the concept of Entrepreneur Ecosystem Mazzarol (2014)



For the purpose of this lecture, I have streamlined the listing of the stakeholders and their roles to the following:

- (i) **Government**
- (ii) **Educational Institutions & Research Centres**
- (iii) **Financial Institutions**
- (iv) **Non-Governmental Organizations**
- (v) **Private Organizations**
- (vi) **Customers**

**(i) Government:** The government role is that of creating of 'enabling environment' for the emergence and sustenance of a strong entrepreneurship. This entails formulating appropriate policies and providing the needed institutional support to implementing the policies, monitoring and evaluating progress for necessary adjustment as and when due. This role actually extend to creating enabling environment and support for other stakeholders to play their own role.

**(ii) Educational Institutions and Research Centres:** The category of stakeholders have been the most criticized in recent times. The popular allegation has being the inability of the institutions to turnout products that entrepreneurial skills. In addition, our agricultural research centres to substantially upgrade our production system with appropriate technologies and innovations that would not only increase productivity, but create new products through value addition. These are truly the necessities of our quest for sustainable growth. In response to this challenge however, our educational system have been undertaking curriculum review towards incorporating entrepreneurial training while Product Development Department of various recent centres are focusing on value addition to our agricultural products. Capacity building is also the responsibility of specialized centres such as the Centre for Entrepreneurship Development (CED)

(iii) **Financial Institutions:** This category of stakeholders is directly responsible for operationalizing the development financing policy direction of the federal government. The target is creation of 'enabling (funding) environment' for the growth of small and medium scale enterprises. In addition to the traditional players starting from the Central Bank, commercial banks, the establishment of Bank of Industry (BOI), Bank of Agriculture (BOA), Small and Medium Enterprise Development Association of Nigeria (SMEDAN), SMEEIS and other funding agencies represents new approach to financing micro, small and medium scale enterprises in terms of their low interest rate charges, minimal collateral requirements and diversified products offered to entrepreneurs.

(iv) **Non-Governmental Organizations:** The stakeholders promotes participation of previously disadvantaged group and communities including women and youth. They are also involved in providing high quality research and information-based training and mentorship for emerging entrepreneurs. Other roles entrench group formation, market promotion, linkage and information dissemination (e.g. JDPC, Poultry Associations of Nigeria etc.).

(v) **Private Organizations:** These include Industries and bigger farms engaging in training and mentorship programmes for emerging entrepreneurs. Some bigger farms are known to organize willing youths into out-growers or contract farming schemes

(vi) **Customers:** This category represent the larger society whose consumption decisions holds the sway in determining the success of entrepreneurs. For instance, the 'taste for imported goods" that the populace has developed over time is considered to be undermining entrepreneurship development in the country. Typical example is development in the Nigerian rice industry.

### **3.0. Existing Policy Direction (The Nigerian Agricultural Policy in addressing the Challenges)**

The preceding section highlighted the contemporary challenges in the Nigerian economy. Mention was also made of the resolve of the Nigerian government to diversify the revenue base of the economy. The current agricultural policy launched in 2001. Among the broad objectives of the policy document are to achieve self-sufficiency in basic food supply for food security and promote increased application of modern technology to agricultural production for improved productivity.

Towards attaining these and other objectives, the agricultural sector, seen as a large player in the economy was extensively focused in the last 'Transformation Agenda' of the last regime through the Agricultural Transformation Agenda (ATA). The policy directives targeted creating more conducive macro-environment to stimulate greater private sector investment in agriculture with specific role assigned to different tiers of government and private sector. The strategies targeted liberalizing the input policy to allow private sector participation in input distribution. Another strategy targets creating incentives to engage young commercial farmers in 'farming as a business' through the development of entrepreneurial skills. Such incentives include the development of Agribusiness Entrepreneurship Centers, Farm skill acquisitions Centres and improving access to land and finance among willing youths.

#### 4.0 ENTREPRENEURSHIP IN PERSPECTIVE

Unemployment has been highlighted as one of the prominent contemporary socio-economic challenges faced by the country. Also highlighted is the 'historical' potential of the Nigerian agriculture in solving unemployment problem as the largest private sector.

One of the major challenges being widely criticized in the Nigerian educational system is the inability of our educational system to inculcate entrepreneurial skill in our graduates. The educational system has been accused of generating '**unrepentant job seekers**' rather than "**employment creators**". In the words of Onifade (2010), "*there is increasing unemployment due to too much emphasis on liberal education devoid of vocational and entrepreneurship education and increasing population*". This observation, like so many others identifies the deficiency of our educational curriculum in equipping young graduates with the required skills for identifying, analyzing and exploring available potentials to keep them employed and subsequently broaden the investment horizon for employment generation. This basically points to the deficiency of our curriculum in inculcating entrepreneurial skills.

However, the creation of a country's wealth and dynamism depend upon the competitiveness of its firms and this, in turn, relies fundamentally on the capabilities of its entrepreneurs and managers ((Cuervo *et al* 2010) At this point, it should interest us to know what is meant by "Entrepreneurship". I so much believe that this august gathering has better definition of the subject, and I am also aware that there is a plethora of definitions in literature, but, let me just share with us a few of the definitions I have considered.

##### **Entrepreneurship**

----*The process of bearing the risk of buying at certain prices and selling at uncertain prices. (One of the earliest definitions dating back to the 18<sup>th</sup> century).*

----*The capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. (Business Dictionary.com)*

--- *The process of creating something new of value by devoting the necessary time and efforts, accepting and acknowledging the necessary financial, psychological, and social risk, and finally receiving the resulting rewards (Hisrich R. D., M. Peters and Shepherd D. A.)*

##### **Hence,**

Entrepreneurship can simply be defined as the capacity and process of identifying, analyzing, organizing, managing and exploring opportunities to make profit.

##### **Who is then an Entrepreneur?**

- *A person who creates and manages change by the recognition of opportunities (needs, wants, opportunities, problems and challenges), develops and manage resources*

(human and material) to take advantage of opportunities and creates a profitable business.

#### **Possible Outcomes of Entrepreneurship**

- Organizing resources (human, material, knowledge and information)
- Face and Take associated risk and uncertainties
- Innovation and newness (turns out new products or services)
- Generates Wealth
- Generate Employment
- Increase the wealth base of the nation

#### **Qualities of a Successful Entrepreneur**

- Initiative
- Visionary with Good Analytical Mind (Sees and Act on Opportunities)
- Persistence (Not easily Frustrated)
- Explorative (Knowledge and Information Seeking and problem solving)
- Concern for Quality work and Output (Concerns with efficiency and Productivity).
- Systematic and Organize Planning
- Self Confidence
- Persuasive and Assertive (In negotiation with peers, customers and stakeholders.
- Inspirational and Effective Communication skills (with Employees and external organizations).

## **5.0 Agribusiness in Perspective**

### **Definition of Agribusiness**

Agribusiness can be described as the sum total of the operations involved in the manufacturing and distribution of farm supplies, production and the storage, processing and distribution of farm commodities and the items made from them. It describes the process by which corporate firms supply agricultural inputs or purchase farm inputs and process them for eventual distribution as one fully integrated business concern. Management of agricultural business or agribusiness management consist of three structural components of the production process which can be administratively integrated namely

- Input Supply
- Farm Production
- Marketing

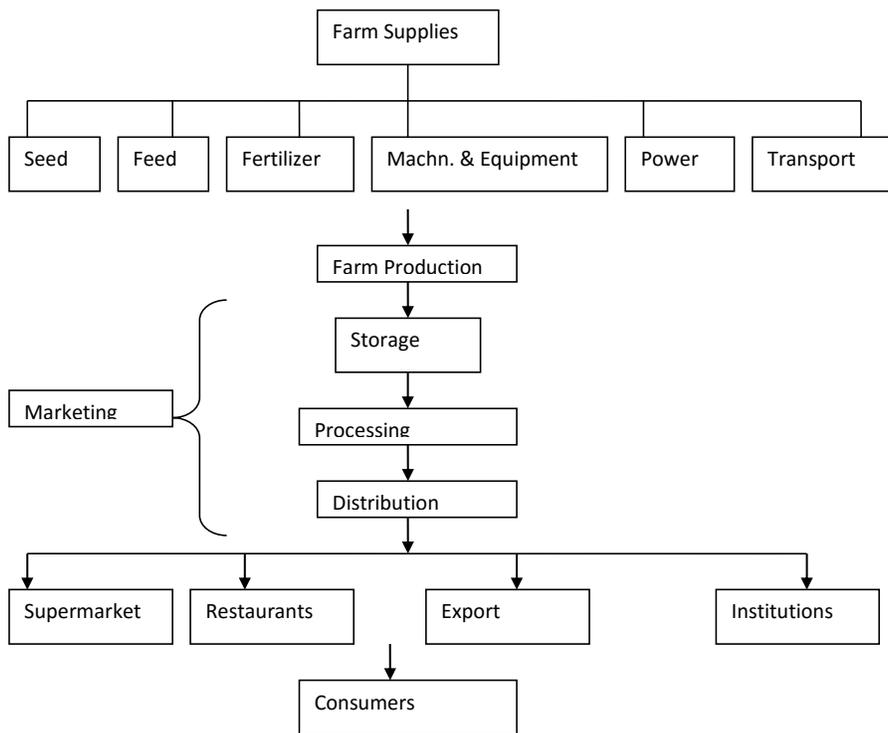
In short, the food production business or system begins with many varieties of activities from which the supply (input) sector which provides various production inputs and service

to the farm and continues through marketing, processing and distribution activities necessary to satisfy the need of the consumer

• **Farm Supplies Component:** An efficient farm supplies component is a necessary

• **Farm Production Component:** This is the hub of agribusiness. The growth of the

- **Processing Component:** In order to provide basic diets of the people, a large portion of farm products are transformed into a large number of staples. The component is the nerve centre of value addition for enhanced income from production. It imparts significant influence on production and commodity marketing patterns as establishment of processing facilities stimulates both consumer demands for the processed product and raw materials from the farm.
- **Marketing Component:** This include activities such as buying, assembling, storing, packaging, warehousing, advertising, transporting, standardizing, etc. Efficiency of the sector helps in changing organizational structure of agribusiness in favour of cooperative, corporate and large scale enterprises.



### Basic Management functions in Agribusiness.

Management generally entails problem solving and decision making activities garnered towards the smooth running of any establishment for the achievement of stated goals. Regardless of the size or type of any venture, management strategies are imbedded in basic functions. Hence management is basically viewed as a series of such functions including; planning, organizing, directing, coordinating, and controlling. Added to this are motivation and communication.

### Planning

Forward thinking about courses of action based on full understanding of all factors involved and directed towards specific objectives. Planning process starts with stating of objectives which is the responsibility of top management or the owner of the business and such usually include profitability, service to customers, productivity, growth, innovation etc. Planning process involves:

- Gathering facts and information on the business situation.
- Analyzing what the situations are and problems involved.
- Forecasting future development.
- Setting goals and results, developing alternative courses of action and selecting those that are more suitable.
- Evaluating progress and readjusting ones vision as the planning goes on.

### **Organizing**

This involves:

- setting up the structure and determining the job to be done.
- selecting and training of personnel.
- Defining line of activities and time frame for execution.
- Establishing relationship within the enterprise and staffing them.

### **Directing**

Basically involves leading, supervising, motivating, delegating and evaluating operations of an enterprise. Other specific tasks include

- Assigning duties and responsibilities
- Delegating necessary authorities
- Creating the desire for success and seeing that jobs are done properly

### **Coordinating**

This entails synchronizing and unifying actions of group of functionaries in an enterprise. It is a function that relates to:

- Working together by interpreting programmes, plans, policies and procedures and practices.
- Providing for growth and development of employee.
- Keeping a sense of perspective
- Providing climate for success.
- Providing for the free flow of information.

### **Controlling**

This is an information system that monitors plans and processes to ensure that they are meeting the desired goals and sounds a warning when necessary so that remedial actions may be taken. Proper control offers the enterprise the necessary information in time to redirect programme and plans that have gone astray. It corrects deficiencies and helps to evaluate progress been made to organizational goals.

## **Decision Making Process in Agribusiness**

**Identification and definition of problem:** This requires constant alertness on the part of the manager as regards identifying problems as quickly as possible alongside the ability to determine the nature and magnitude of the problem for remedy. Good problem definition often limits the time required for decision making.

**Collection of Information:** Data is raw information collected about a particular concern and when such are collated and analyzed in one way or the other, information about the concern is obtained. A concise definition of the problem helps in identifying the type of data needed and sources. However, adequate attention should be paid to accuracy and reliability regardless of the sources. Possible sources of data on agricultural enterprise include ADPs, Research Institutes, Existing farms or past records of individual business, Dealers in agricultural outputs etc.-

**Identifying and Analysing alternatives:** Each possible alternative should be organized and in an analyzable and logical manner to ensure accuracy

**Making a decision:** This is a very important and difficult process as choosing the best solution may not always be easy though may be obvious. This is usually the case with agricultural enterprises that are characterized by various forms of risk and uncertainties e.g. weather, disease/pest, prices etc.

**Implementing the decision:** Selecting the best alternative hardly gives the desired results unless the decision is correctly and promptly implemented. Resources may need to be acquired and organized and often requires promptness in some physical actions. Observing and Bearing responsibility: Accepting responsibilities though may be taken as trivial in decision making process but has been found to be responsible for inability of some managers to take decision especially under risky situations

### **Attributes of Agriculture that Affects Management Decision**

It has been observed over the ages that management of a farm is much more difficult generally than the management of industrial enterprises. This is basically due to the special attributes of agricultural enterprises which introduces a lot of complexities, these include:

**(i) Production uncertainties:** This manifest from the dependence on vagaries of nature especially for developing agriculture like Nigeria's. Such include seasonality which arises from dependence on rainfall, menace of diseases and pest which can result in enterprise failure and vagaries of weather which affects processing e.g. drying operations.

**(ii) Price fluctuations:** Instability in both the input and output market have been a problem difficult to deal with in farm planning. Evident is the influence of this in cassava production in recent past.

**(iii) Government Actions and Policies:** Various government actions do affect farming as farmers may be unaware of what government actions would be before a production season.

**(iv) Actions of other people:** The presence of so many operators in agricultural production often makes it difficult for a few to influence market and often make introduction of innovations difficult. A typical example is the soymilk industry and the problem of standardization.

## **6.0 Agricultural Entrepreneurship: A bit of the Steps**

Small-scale enterprise development is not for everyone as just like the big enterprises it needs a high level of discipline, dedication, persistence and creativity as well as a lot of work. Before setting up a small-scale enterprise, it is necessary to acquire the much needed experience as the most salient requirement for farming is experience. Practical experience is particularly important for a new enterprise, especially if the enterprise is not related to what the entrepreneur has been doing before. This can be acquired through training from people who are already in the business or from institutions developed for such training or through direct paid or unpaid apprenticeship. This could be gathered while under the aforementioned training, but this can also be obtained from ADPs, Research Institutes, NGOs etc. that could also help to render further supportive services even when the business could have taken off.

### **A. Getting Started**

The basic strategies for running any enterprise and running any small scale enterprise thus include:

#### **I. Identifying and Dealing with specific challenges**

In any business venture, specific challenges need to be addressed. These include:

- Startup capital (seed money)
- Physical location of the business venture
- Construction or other physically demanding work
- Skill Requirement (management, accounting, marketing)
- Acquisition, maintenance of equipment, machinery and premises.

#### **II. Choose the right business**

The right business certainly varies from one person to another. Personal preferences, along with physical and mental capabilities are some of the determining factors. The focus should be on market demand and its limitations. Considerations should be given to those with:

- Low initial start-up cost relative to the ability to generate income
- High gross profit margin
- relatively low maintenance requirements
- High cash flow relative to expenses
- History of high success rates among new enterprises
- High demand, low supply in the current marketplace
- High product distinctiveness
- Relatively size-neutral profit potential

### III. Review market demand and the competition

There are two important reasons for doing market assessment before commencing any enterprise. These are:

- You need to understand your market, your competition (both direct and indirect), and consumer trends.
- You need to be able to project potential sales volume and prices. Visit to farmers or other entrepreneurs could give information about prices).
- *Identifying the customers* (The demographics of people you want to sell to (age, gender, family status, income level, class, occupation, children, marital status, location, ethnic group, education)).
- Consider marketing options: (Either selling directly to consumers from the farm; farmers' markets; selling directly to restaurants; cooperative marketing; selling wholesale to a distributor, or processor; etc. Identify your most promising options. Also consider transportation needs and distances to market.
- Market Entry: How will you introduce the product to the market? Will it be marketed under the producer's or processor's name? What will get the buyer's attention (advertising and promotion)?
- **Consider Consumer Education.** The producer has to tell the consumers why his farm products are different from those bought in the grocery stores.
- Check seasonality in availability of raw materials and product. Can there be off-season productions?
- Decide on Mode of Presentation and packaging: Packaging may or may not be required depending on the product. Consider neatness, cleanliness and organization to make the product attractive and appealing. Different method can be tested (market test) at the initial stage.

### IV. Decide on Business Size

Deciding the size of the business requires utmost care

- If too small, the business may not be feasible or may not bring commensurate return.

- If too big, the business becomes difficult to manage effectively and additional cost may be incurred on hiring help. The market may also not be able to absorb the quantity produced.

- It is better to start small and expand the business slowly. Ability to manage the business oneself is the best indicator of the right size of the enterprise.

#### **V. Identify the location**

Location plays a crucial role in starting a small-scale enterprise. While a farming or farm-related enterprise need not be accessible to the buyers, the micro-entrepreneur will have to travel to the market to sell the produce. When the business involves fresh produce, timely sale is crucial. In the case of services, enterprise location should be easily accessible to clients, and be somewhat attractive. Low-cost decorations can be used to attract clients while good service will ensure their return.

#### **VI. Check availability of raw material**

Raw material for making the produce should be readily available. Import of the material should be avoided because this will make it difficult to ensure a steady supply. Identify many suppliers to avoid exploitation (monopoly) and disappointment. Give attention to quality in choice of suppliers

#### **VII. Identify funding**

A person wanting to start a micro-enterprise may obtain a loan for this from family or community members. However, the start-up funds often have to be sought externally. It must be kept in mind that loans have to be repaid and, therefore, one must borrow the minimum amount needed for start-up and running expenses until the venture starts generating income. The current micro credit scheme of the Federal government could be of immense assistance in this regard.

#### **VIII. Check feasibility before starting the enterprise**

Too many people start a new small-scale business, blinded by the attractiveness of the product or by what seems to be an attractive market. However, many enterprises close down after a few months or years of operation, shattering the entrepreneur's dreams of what appeared to be the perfect way of making a decent living. In order to avoid this, a pre-feasibility study should be conducted. Although this may be based on estimates, it helps to prepare for the future and, in some cases, shows that another activity may be better.

Start-up expenses generally include:

- Legal professional fees.
- Licenses / permits
- Rent and/or construction
- Equipment and tools

- Assistive devices (when required)
- Raw material
- Salaries / wages
- Utilities

## IX. Avoid common mistakes

Numerous factors may jeopardize the success of an enterprise.

The following are some common mistakes:

Insufficient know-how	The micro-entrepreneur does not sufficiently understand the process and therefore cannot easily find alternatives or solutions to problems encountered (e.g. Pest control, disease, mechanical problems...)
Lack of marketing strategies	Competition may be healthy but too much competition may destroy the market unless creative marketing strategies are developed.
Insufficient cash flow	Cash flow is often what destroys most companies. Careful forecasting of start-up and running expenses is necessary.
Too large start-up	It is always better to start small with a minimum investment and to grow slowly with the market.
Poor record-keeping	Income, profits and losses need to be closely monitored. This helps decide whether the market is good, whether the new small-scale enterprise should be expanded, reduced or halted because of losses.
Giving samples and presents	Generosity needs to be controlled. A certain amount of gratuities should be established but it is always dangerous in a personal business to give small amounts of the product or free service to members of the family and neighbours. This could equal or surpass the profit margin.
Management	Management of the business is, and will always be the key to success. Not all people are good managers and therefore management skills may need to be developed or acquired through training.
Maintenance	Maintaining the equipment and the keeping the business premises clean and in good running condition certainly contributes to reducing operating expenses.

## B. Managing the Enterprise

### 1. Secure funding

Various sources of funding may be considered when starting an enterprise for a person with disabilities. The major source, obviously, is the family. However, entrepreneurs can also take advantage of the small scale enterprise credit schemes or obtain loan from cooperative societies. Some international organizations and NGOs (e.g. JPDC) also

provide financing facilities for different projects and target groups. Documents to confirm the loan or grant must be processed at this stage.

## **2. Open bank account**

Once funding has been identified and confirmed, the money must be deposited in a bank account. To ensure clear accounting, a special bank account should be opened for the business. The loan money can then be deposited in that bank account and withdrawn for the purchase of equipment and raw material. The income from sales is also deposited in this bank account. All transactions should be done through the bank and not directly in cash. This ensures clear understanding and follow-up of money movement for both income and expenses.

## **3. Identify precise location for the enterprise**

It is then time to choose the precise location for the construction of the facilities. If using an existing building, renovation or modification may be necessary. It may also be necessary to arrange for landfill, excavation, irrigation or other modification. This can often be done manually with the help of family and friends.

## **4. Build or renovate the needed structure or building**

Renovation and building may require substantial investments. Nevertheless, these can be greatly reduced by using readily available forest produce, grass, tree leaves and rice straw or used construction material. For example, tree branches can be used as poles; roofing can be made of corrugated steel, rice straw or grass; and walls can be made of dried leaves. The weather is also decisive for the type of material to be used. Decoration should be kept to a minimum, at least in the beginning. However, if the structure is also to serve as a retail outlet, it may be necessary to be creative and use simple yet attractive decorations.

## **5. Arrange necessary infrastructure**

A steady supply of water is vital for an agriculture-based enterprise and a well may be dug or water may have to be transported or channeled to the site. In some cases, electricity may also be needed. Roads must be accessible for smooth delivery of raw material and transport of the produce to the market.

It is very important to confirm if a permit is needed to operate the business. It is costly to set up a business and then learn that it will take a few months to get the required operating permit. Verification should be done at the very beginning so that permits can be processed during preparation for starting the enterprise.

## **7. Purchase and adapt necessary tools, equipment and assistive devices**

Purchase of equipment should be kept to the absolute minimum. Instruments that are not needed regularly may be borrowed or rented. Any equipment or machinery should be purchased after careful consideration.

#### **8. Identify and Contact suppliers of raw material and consumables**

The quality of raw material and reliability of suppliers are crucial, especially in the case of consumer products. Delivery must be punctual to ensure continuous production. Suppliers should be carefully selected by requesting quotations and terms of delivery from several parties. It is better to select a supplier situated close to the enterprise even if the price is slightly higher because it is easier to keep check on a nearby supplier. Prices should always be negotiated and in case of regular purchase, better prices, terms and conditions should be sought.

#### **9. Start production**

It is time to verify the actual costs of production. Some things may have been forgotten or put aside under the impression that these are not important. However, some problems may need to be solved such as pests, diseases, breakdown of machinery and shortage of clients. A resource person should be available to support and guide the new micro-entrepreneur in solving these problems. The total amount of production must be closely monitored. Provincial and district offices sometimes have specialists in various agricultural sectors who can be useful as resource persons. Cooperatives also offer advice to their members.

#### **10. Control quality**

Quality and reliability of supply are crucial for ensuring steady sales and a good price. Raw material quality must be controlled for good product quality and must be done on a continuous basis to reduce loss and damage. The new micro-entrepreneur's clients will find him or her reliable if the quality is maintained constantly.

#### **11. Devise marketing and sales strategies**

Although competition may make market penetration more difficult, it also proves that there is a market. A new micro-entrepreneur needs creativity and sales strategies to establish his or her product or service in the market. Politeness, friendliness and a neat personal appearance help in selling a product. Developing a relationship with the buyers by providing a regular supply of quality products will convert clients into regular customers. This will also establish a good reputation for his or her product or service and bring more customers

A successful micro-entrepreneur must also be flexible and capable of reducing or increasing prices according to demand and shortages. For products or services sold from his or her home, an accessible location will encourage villagers to go to the micro-entrepreneur. In the case of agricultural produce, the micro-entrepreneur can sell from home or may send someone to the market with the produce.

The entrepreneur must always check and review the market for the following:

- a. Who are the buyers?
- b. What quantity of production can the market absorb?
- c. Where are the selling points?
- d. What is the distance that needs to be travelled to sell the product?
- e. What means of transportation are available?
- f. How much time is needed to sell the product, including travel?

Packaging may be needed for some products. This adds to the cost and must be carefully selected since it may increase the price of the product to a level that is no longer competitive. Same or similar products must be carefully reviewed for how and whether they should be packaged. Innovative packaging or presentation, however, may allow a new micro-entrepreneur to corner part of a market.

#### **12. Keep clear records**

Small-scale entrepreneurs should always keep clear records of their purchase and sales. The records must be simple. Considering the orientation of this august gathering, this shouldn't pose any challenge

#### **14. Verify profit and loss**

Finding out whether the enterprise is making money or not is crucial for the venture. Sometimes it seems that there is a lot of money coming in but when compared to the costs, there is little profit left. This is called feasibility. It is necessary to review the feasibility by asking the following questions:

- a. Am I making money?
- b. Is it worth continuing?
- c. What can be changed to increase profit?

It is especially important to verify the profit margin. More production does not necessarily generate more income. It depends on the profit margin.

Cash flow is the money moving **in** and **out** of the enterprise. If all the money received is put in the bank and all expenses are paid from the money in the bank, the cash flow is the total amount of money moving in the bankbook. However, care must be taken not to spend what appears to be profit before reviewing future investment needs. These needs can include:

- Purchase of raw material
- Payment for utilities (electricity, water, etc.)
- Repair of broken equipment
- Payment for extra labour

- Repayment of the loan
- Replacement of tools and material.

*Note: An emergency fund should be set up for the replacement of broken equipment and tools and for purchasing other necessary inputs.*

## **16. Maintain tools, equipment and buildings**

### Tools and equipment

The life of tools and equipment can be extended by proper maintenance. Metal tools should be protected from rust while wooden tools have to be protected from termites and decay. Mechanical tools must be lubricated regularly.

### Building(s), structure, environment

The type of structure used for the business determines the maintenance required. Structures must be checked for pests, especially in cases where production is food-related or stored inside this structure. The building or premises must be kept clean and tidy at all times, whether used as a sales outlet or not. Cleanliness not only makes the place more attractive, it also reduces the threat from rodents and other pests. It further makes the place more enjoyable to work in and thus encourages the micro-entrepreneur to spend more time on the premises.

## **17. Review the market regularly**

A micro-entrepreneur must always review developments in the market if he or she is to remain successful.

- Am I selling more or less than before?
- Do I have regular customers?
- Did I lose customers lately?
- Are there new competitors?
- What is the quality of the product on the market?
- What is the cost?
- How does my product compare with the competition in terms of quality? Price?
- How is the competition presenting its product?
- Should I improve my packaging? My presentation? My production?

These and other questions need to be addressed regularly since a market is constantly changing with new people, new products, new technologies and new competition.

## **18. Expand the business wisely**

The business must be expanded at the right time

Expansion is always a sign that the business is doing well. However, this should be based not only on current sales but also on future sales.

When expansion is considered, decisions need to be made on the type of expansion:

- a. Produce more of the same product in the same location?
- b. Produce more of the same product in another location?
- c. Join with others to open outlets or branches?
- d. Produce a similar product that would be complementary and help me corner the market?
- e. What are the costs involved?
- f. Do I have enough money or do I need to ask for a loan?

It is recommended that expansion should only be done when the micro-entrepreneur has accumulated enough money to pay for the expansion. *Borrowing money to expand a business is always dangerous and often results in failure.*

## **19. Expansion**

Plans for expansion of a micro-enterprise should be made in the same way as for its start-up.

### C. Potential Areas of Investment in Agriculture

Enterprise	Commodity	Driving Factors.
Crop	Rice (Production and Processing)	-Prime focus for import substitution - Tremendous support from Government
	Soybean	- Expanding market due to increasing importance in vegetable oil, baby food and livestock feed industries. -Importation becoming unattractive due to fall in Naira Value -Wide gap between domestic supply and demand
	Oil palm, cocoa, cotton,	Increase industrial demand
	Fruits (Mango, oranges, pineapple)	Increasing demand by fruit juice industry
Livestock	Poultry Production	Ban on importation of frozen food and intensified enforcement. Importation becoming unprofitable due to fall in value of Naira.
	Piggery	Very prolific animal
	<u>Cattle, Goat and Sheep Fattening</u>	<u>Increased Demand during Festive periods</u>
Fishery	Capture fishery	Increasing domestic market and export potential due to improved processing techniques
Supplies	Agricultural inputs supplies and machinery, water resources development especially for irrigation. Livestock drugs and medication. Veterinary and consultancy services	Increasing support initiatives across sub-sectors.
Agricultural Machineries	Development and fabrication of appropriate small-scale mechanized technologies for on-farm	Support service for expanded rice production; palm oil and oil and fruit processing at the cottage and industrial level.

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	processing and secondary processing of agricultural produce	Small-scale feed mill in the livestock sector
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(i) Funding

- Bank of Agriculture (BOA)
- Commercial Banks
- Microfinance Banks
- Cooperative Societies
- NGOs
- Agro-Industries (Under Contract Farming and other arrangements)

(ii) Technical Advisory Services

- Research Institutes
- Universities
- ADPs
- Farmers Associations
- Agro-Input Dealers
- Other Service Providers
- Chambers of Commerce and Industry
- Ministry of Agriculture
- Nigerian Export Promotion Council