COURSE GUIDE

AEM509
PRINCIPLES OF AGRICULTURAL BUSINESS MANAGEMENT

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Overview of Course

At the end of the lectures on Agribusiness Management, the students should be able to understand and explain the Scope and concepts of Agricultural Business Management, Various types of Agribusiness organizations, Enterprise selection, Various techniques involved in production planning and control, agribusiness decision making process, government policies as they affect agricultural business farm growth, and marketing management, legal organization and tax strategies, and economics of agricultural business.

Study Unit

MAIN COURSE

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MODULE 1 MEANING AND SCOPE OF AGRIBUSINESS MANAGEMENT

Unit 1 Definition of Agribusiness
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UNIT 1 DEFINITION OF AGRIBUSINESS

Unit Structure

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1.7 Possible Answers to Self -Assessment Exercises

1.1 Introduction

Dear students I welcome you to Unit 1 of Module 1 of this Course AEM509 Principles of Agricultural Business Management. This a five hundred level course and as such you must be familiar that agribusiness is a large and growing segment of any particular rural economy. In Nigeria, agribusiness operations need adequate planning, production management, and marketing beyond those of conventional farming systems. To be able to properly manage an agribusiness, it is imperative that one is acquainted with what constitutes an agribusiness.

1.2 Learning Outcomes

By the end of this unit, you should be able to:

- Define agribusiness
- And identify the various types of agribusinesses.

1.3 Main Content

1.3.1 Perspectives on the concept Agribusiness

Many authors provide different perspectives on the definition of agribusiness. Some of these perspectives are restricted. For instance, Ezike *et al* (2009) defined agribusiness as the process by which corporate business organizations supply inputs or purchase farm outputs and process them for eventual distribution. Other definitions are however more far-reaching. David and Goldberg (1987) for example, in their definition, perceived agribusiness as the sum total of all operations involved in the production of enterprises on the farm, the manufacturing, and distribution of farm supplies and the equalization as well as dispersion services (such as storage, processing, standardization, grading, pricking, transportation and distribution) of farm products.

This last definition covers all the aspects of agriculture in which a business idea may subsists and is more accommodating than other definitions. It however does not touch on the output transformation aspect.

1.3.2 An encompassing definition of Agribusiness

Agribusiness describes all economic activities that involve the distribution and or transformation of the raw materials that are from agricultural sector and non-agricultural sector; whose final products could be used for agricultural purposes and agro-allied enterprises. Agricultural business refers to a set of farm business and management activities that involve the production of food, provision of agricultural products within and outside a country. Agricultural business also embodies wood and plant production all other forestry activities including fisheries.

Agribusiness can be operated at formal and non-formal levels depending on the desired goals of its originator. The characteristic of this economic sector in Nigeria is fast-changing, especially with the current move towards more certification of some of the component fields of agriculture.

Self -Assessment Exercise

1. Give the encompassing definitions of agribusiness.
2.Outline the dispersion services in agribusiness.

1.4 Conclusion

We have seen in this unit that the various definitions provided by individual authors do not address all the possible types off agribusinesses, and noted a more encompassing definition.

1.5 Summary

In this unit, we have learnt the following:

- the shortcomings of some definitions of agribusiness.
- a more accommodating definition of agribusiness involving all aspect of agricultural enterprises.
- an agribusiness may be formal or informal

1.6 References/Further Readings/Web Resources

David , J. H. and R.A. Goldberg (1987). Agribusiness Management (2ed). New York: McGraw Hill International Edition.

Ezike, K.N.N, Nwibo, S.U. and Odoh, N.E (2009). Agribusiness and finance. Enugu, John Jacobz classic. Pp 238

1.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise 1: Give the encompassing definitions of agribusiness.

Answer:

i. Agribusiness describes all economic activities that involve the distribution and or transformation of the raw materials that are from agricultural sector and non-agricultural sector; whose final products could be used for agricultural purposes and agro-allied enterprises.

ii. Agricultural business refers to a set of farm business and management activities that involve the production of food, provision of agricultural products within and outside a country.

iii. Agricultural business also embodies wood and plant production all other forestry activities including fisheries.

iv. Agribusiness can be operated at formal and non-formal levels depending on the desired goals.

2. **Dispersion services** include storage, processing, standardization, grading, pricking, transportation and distribution) of farm products.

UNIT 2 SCOPE OF AGRIBUSINESS

Unit Structure

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 2.3.2 Agribusiness Employment opportunities
2.4 Conclusion
2.5 Summary
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2.7 Possible Answers to Self -Assessment Exercises

2.1 **INTRODUCTION**

Dear students I welcome you to Unit 2 of Module 1 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt that the various definitions provided by individual authors do not address all the possible types off agribusinesses, and noted a more encompassing definition. Also that agribusiness is a large and diverse sector that encompasses economic activities including culturing, processing, extracting and distribution.

In this unit you will be exposed to the Scope of Agribusiness.

2.2 Learning Outcomes

By the end of this unit, you should be able to:

- Identify the components of agribusiness
- Identify the diverse opportunities under each of these components
- Note strategic roles played by each segment.

2.3 Main Content

2.3. 1 Sectors of Agribusiness

Ebong (2007) in his review of the scope of the agribusiness, perceived agricultural business as having three independent sectors, which are the Input sector, the Farm Production, and the Output (product) sector. These sectors are discussed as follows.

a. Input Sector: this sector deals with the conceptualization, design, production and distribution of all resources that serve as building units that are required to service a transformation process in order to achieve one or more products. The farm firm business covers such areas as Agrochemical input supplies e.g fuel, fertilizer, pesticides, herbicides and veterinary, feed machinery and equipment supplies e.g tractor wheel barrow, spade, matches, tyres, etc., agricultural Financing from formal and non-formal sources and labour supplies both skilled and unskilled. The input sector supplies agribusiness production with the needed inputs in the production process.

The cost of acquisition of inputs has an influence on the financial health of the input sector which directly impacts on the wellbeing of the production sector in general. As inputs prices increase and farm income remains relatively stable, producers will reduce their utilization of the more expensive inputs and substitute other resources inputs for them. This is termed the production substitution effect, for instance, if the more expensive inputs are machinery, farm firms will use less of it and substitute manual labour for it. This explains the downward-sloping nature of the demand curve for tractors of agricultural production.

b. Farm Production Sector: the farm production sector of agribusiness covers such areas as the aquaculture, forestry, crop production and livestock where the physical transformation of farm inputs to outputs takes place. As this sector grows in size, level of out and efficiency, the other sector of agribusiness are affected. The success of this sector has a vital and direct impact on the financial stand of the input supply and the product sectors of the agribusiness.

The increase in the scale of production leads to more of the output being made available to the product sector for onward processing and distribution. As farm prices remain fairly stable, expenses increase, pressure is exerted on farm, firms and ranchers to improve efficiency. Today the cost-price squeeze is so serious that products are unable to cut costs or improve production efficiency to the extent necessary to deal with the problem. This explains why small farms continue to cut down production while larger farms become larger.

c. Output Sector: accepts diverse economic activities that could be directly identified within the agriculture domain or from related fields which is otherwise called agro-allied sector. The output sector is also referred to as the product sector and is the final sector in the agribusiness production and distribution system. The output sector is the largest of the agribusiness sectors as its functions range from product processing to marketing and distribution of these products to various consumers either as raw materials for further production or final consumption.

Notable examples of the product processing include: Food processing of *garri*, bread, cornflakes, tomato, foo-foo, beef, custard, semovita, cerelac etc.; beverage manufacturing: cocoa drinks, soft drinks, beer and Nescafe; Confectioneries such as sugar, chocolate, cake, biscuits, sweets, etc. Food packaging and canning such as tomato can beef, canned beans and other quality foods. Tobacco processing into snuff and treated leafs, cigarettes etc., wood processing and furniture making, Cotton processing into textiles, hide and skin processing example smoked, canned and frozen fish.

Another important function of the product sector is the marketing and distribution of the outputs from the production sector and the processed products to final consumers. This function is performed by the middlemen who include wholesalers, the producers/processors/manufacturers themselves, retailers and commodity board and co- operatives agents. The importance of this sector can be further highlighted by showing that even when food is abundant, faulty handling and distribution can make it unavailable to the consumers and therefore result in food and nutritional insecurity.

2.3.2 Agribusiness Employment opportunities

The different sectors of agribusiness present an array of opportunities for the generation of employment. USDA specifically outlined the types of agribusiness employment (skills and knowledge utilized by those employed in agribusiness) as follows:

i. Agricultural production and propagation of animals, animal products, plant products, forests, and forest products.
ii. The provision of services associated with agricultural production and the manufacture and distribution of supplies used in agricultural production.
iii. The design, installation, repair, operation, and servicing of machinery, equipment, and power sources, and the construction of structures used in agricultural production.
iv. Any activities related to the inspection, processing, and marketing of agricultural products and primary by-products.
v. Any aspects of greenhouse, nursery, landscaping, and other ornamental horticultural operations.
vi. The conservation, propagation, improvement, and utilization of renewable natural resources.
vii. The multiple uses of forests lands and resources.

Self -Assessment Exercise

1. What do you understand by farm production sector of agribusiness?
2. State the agribusiness employment opportunities.

2.4 Conclusion

In this unit, we have leant that agribusiness encompasses a whole lot of business activities related to agriculture which spans three sectors and offers numerous business opportunities.

2.5 Summary

In this unit we learnt that the scope of agribusiness is wide. Specifically, we noted that:

- businesses engaged in the production and supply of agricultural inputs are forms of agribusiness,
- the farm production units are also agribusiness,
- the service providers (marketing, processing, financing, servicing etc.) are also agribusiness firms, and
- agribusinesses offer a whole lot of business opportunities for self-employment.

2.6 References/Further Readings/Web Resources

Ebong, V. O. (2007) Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers. Pp 1 – 6.

Kay, R. D. (1986). Farm management planning, Control and implementation (2ed). McGraw-Hill Book Company. Pp 43 – 106.

2.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1. What do you understand by farm production sector of agribusiness?

Answer:
Farm Production Sector: the farm production sector of agribusiness covers such areas as the aquaculture, forestry, crop production and livestock where the physical transformation of farm inputs to outputs takes place. As this sector grows in size, level of out and efficiency, the other sector of agribusiness are affected. The success of this sector has a vital and direct impact on the financial stand of the input supply and the product sectors of the agribusiness.

2. Types of agribusiness employment:

i. Agricultural production and propagation of animals, animal products, plant products, forests, and forest products.
ii. The provision of services associated with agricultural production and the manufacture and distribution of supplies used in agricultural production.
iii. The design, installation, repair, operation, and servicing of machinery, equipment, and power sources, and the construction of structures used in agricultural production.
iv. Any activities related to the inspection, processing, and marketing of agricultural products and primary by-products.
v. Any aspects of greenhouse, nursery, landscaping, and other ornamental horticultural operations.
vi. The conservation, propagation, improvement, and utilization of renewable natural resources.
vii. The multiple uses of forests lands and resources.

UNIT 3 THE ESSENCE OF MANAGING AGRICULTURE AS BUSINESS.

Unit Structure

3.1 Introduction
3.2 Learning Outcomes
3.3 Main Content
  3.3.1 The need to manage agribusinesses
3.4 Conclusion
3.5 Summary
3.6 References and other source
3.7 Possible Answers to Self -Assessment Exercises

3.1 Introduction

Dear noble students, I welcome you to Unit 3 of Module 1 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt that agribusiness encompasses a whole lot of business activities related to agriculture which spans three sectors and offers numerous business opportunities. And for any business to be successful, there is need to be an efficient and efficient management. The business of agriculture, in same vein, requires good planning, and organization to be successful. In this unit, we shall learn the why it is necessary to manage agribusinesses.

2.2 Learning Outcomes

The objective of this unit includes:

- To understand the need for agribusiness management.

3.3 Main Content

3.3.1 The need to manage Agribusinesses

Agriculture in many parts of the world does not only concern itself with the provision of food and raw materials anymore. The idea that it can be a job like many of the other regular or defined employments has sunk in many places and is still growing in many other places. The conscious progressive transition of agriculture from subsistence level to a more profit- oriented venture, which can play more significant roles in personal and national progress, has led to the development of the concept of agribusiness. This encompasses the notion that the business of agriculture needed to be handled like any other modern-day business in order to maximize the potentialities of agriculture.

This idea of agribusiness is that agriculture needs to be treated as a serious business from the planning stage of production to the final place of the final commodity. That is to say, from the planning stage, through the production stage, marketing, and processing domains to the point of final use, agricultural businesses must be managed with the principles of regular business (while keeping in mind, its peculiar characteristics). Doing this implies an improvement in the management of an agricultural business and will lead to improved outcomes. Figure 1 presents traditional agriculture and business-minded agriculture at a glance.

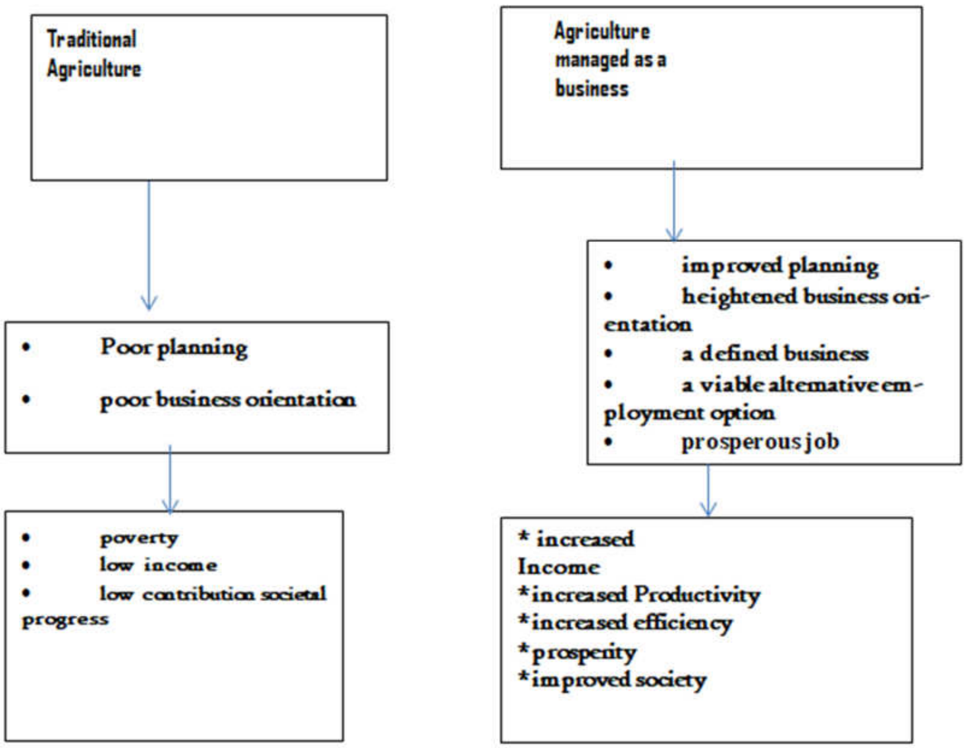

Fig 1: Traditional agriculture and modern agribusiness compared.

Traditional agriculture is characterized by poor planning, poor business orientation, etc., leading to entrenched poverty, and poor contribution to societal progress. On the other hand, agriculture, when managed as a modern-day business brings about efficiency and prosperity.

Self -Assessment Exercise

1. State the characteristics of traditional agriculture. 2.What is the need for managing agribusiness?

3.4 Conclusion

We have noted that for agriculture to yield personal and societal prosperity, it must be managed like a regular business. Doing otherwise will lead to poor efficiency and poor planning, which will eventually lead to the continuation of the vicious cycle of poverty.

3.5 Summary

In this unit, we have learnt that:

- agriculture needs to be managed like other modern-day businesses,
- managing agriculture as a business will lead to increased efficiency and prosperity,
- traditional agriculture is fast becoming business-oriented, hence the need to manage it using modern management techniques.

3.6 References/Further Readings/Web Resources

Ezike, K.N.N, Nwibo, S.U. and Odoh, N.E (2009). Agribusiness and finance. Enugu, John Jacobz classic. Pp 238

Kay, R. D. (1986). Farm management planning, Control and implementation (2ed). McGraw-Hill Book Company. Pp 43 – 106.

3.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: State the characteristics of traditional agriculture.
Answer:
Traditional agriculture is characterized by poor planning, poor business orientation, etc., leading to entrenched poverty, and poor contribution to societal progress

2. The need to manage Agribusiness:
Agriculture in many parts of the world does not only concern itself with the provision of food and raw materials anymore. The idea that it can be a job like many of the other regular or defined employments has sunk in many places and is still growing in many other places. The conscious progressive transition of agriculture from subsistence level to a more profit- oriented venture, which can play more significant roles in personal and national progress, has led to the development of the concept of agribusiness. This encompasses the notion that the business of agriculture needed to be handled like any other modern-day business in order to maximize the potentialities of agriculture.

UNIT 4 AGRIBUSINESS MANAGEMENT AND SOCIETAL PROGRESS

Unit Structure

4.1 Introduction

Dear noble students, I welcome you to Unit 3 of Module 1 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt that for agriculture to yield personal and societal prosperity, it must be managed like a regular business. Doing otherwise will lead to poor efficiency and poor planning, which will eventually lead to the continuation of the vicious cycle of poverty.

Agriculture remains the bedrock of the development of many nations. Nigerian has great potentials in agriculture and could leverage it for societal development. Bearing this in mind, the need to leverage agriculture in the developmental goals of our nations, through agribusiness management will be addressed in this unit.

4.2 Learning Outcomes

The learning objectives of this unit include:

- To understand the strategic position of Nigerian agriculture
- To understand the linkage between agriculture and other sectors of the economy
- To understand the numerous opportunities that can be created through good agribusiness management
- To understand the transformational potentials of agribusiness.

4.3 Main Content

4.3.1 Agriculture, Agribusiness and Societal Progress

Many developed nations of the world have had to leverage agriculture at one point in time to energize their drive towards societal advance in the form of industrialization and poverty reduction. Agriculture remains the bedrock of the Nigerian economy and its developing agribusiness nature has continued to play huge role in the economy. The linkages among agriculture, agribusiness, and societal progress are discussed below.

i. **Funding and mutual reinforcement**: at the take off-stage of the industrial age, the agricultural sector relies on proceeds from the extractive sector like the agricultural sector. In Nigeria for example, the funds from the agricultural sector had played roles in the growth of other sectors like manufacturing and the oil industries. At some point too, funds from the benefiting industries are used in the development of agriculture and agribusiness through their use in the acquisition of equipment, tools, and the funding of research and training.

ii. **Provision of energy**: both workers in the industrial and agricultural sectors as well as the masses that patronize both sectors need the energy to work and survive. The energy is provided by both sectors in primary and processed forms, and facilitated by the agribusiness sector.

iii. **Raw materials and value addition**: the animal, crops, fisheries, forestry sectors of the agriculture supply the materials necessary for the agro-allied and non-agro allied industries. The agribusiness component serves as a link and facilitator. While the primary units are concerned with the production of the raw materials, the agribusiness chain ensures the link between the producers and the end-users of the raw materials. For instance, the cotton producer, with profit motive, produces cotton which is made available to the textile factories through the agribusiness chain. The primary sector (farm firm) benefits from this value addition through increased demand and enhanced prices. This, in addition to the conversion of the cotton to clothes leads to an increase in incomes, and eventual societal advancement.

iv. **Provision of labour**: as industries expand they get to need more hands in the form of labour. The agricultural population liberates some of her excess labour to the industry and the agricultural value chain. The excess labour so liberated contributes to the expansion of the industrialized economy, leading to the advancement of society. It turns out too that at any moment of distress in the industrialized economy, the agriculture sector is always ready to accommodate labour liberated for the industrial sector. A good number of folks who had lost their jobs at some point in time, as well as some retirees, have had to fall back to agriculture.

v. **Poverty reduction**: the agriculture sector, by law, remains open to serving workers of all classes and levels. Retired personnel also find it easy to engage in many agribusiness ventures along the agriculture value chain. This helps to increase personal income, reduce the incidence of poverty and contribute to GDP growth.

4.3.2 The need to Understand Agribusiness Management

As agriculture in Nigeria progressively transits from the subsistence level to higher levels of the business consciousness, it is important for one to have a good grasp of the principles behind the effective management of agricultural businesses. Below are some of the reasons we need to study agribusiness.

i. Agribusiness provides poverty reduction and income enhancing opportunities that could be explored for the advancement of personal and societal goals. World over, poverty reduction is anchored in that sector that employs the majority of the population (World Bank). This sector, in most countries like Nigeria happens to be the agriculture sector which has provided huge opportunities for the enhancement of the welfare of people. The utilization of these opportunities can be enhanced through a thorough understanding of tested principles of managing agribusinesses. If we know that agriculture is a business and handle it well with the knowledge of agribusiness management, individuals and society will be better for it.

ii. A good understanding of agribusiness management will further expose the employments opportunities available in the agricultural value chain. This will also assist in making the most rational investment decisions For instance, if we study value chain of a commodity, say cassava, diligently, we may find the most profitable components of the chain and invest in it. By so doing, we are able to tell the best segment of the value chain to invest in. The study of agribusiness management also helps in developing strategies that will aid in the capture of good market shares. The understanding of agribusiness marketing management strategies analysis will be of great in the understanding of the marketing environment and guide the agribusiness enterprise to in the best way to capture key segments of the market.

iii. A good understanding of agribusiness and its management helps to better appreciate the business environment and the interplay of many forces- natural, political and economic. The understating of the influence of these forces will guide us to better prepare, project and plan in order to minimize losses and maximize gains arising from the interplay of these forces. A good grasp of the agribusiness management, for instance, will guide us in making decisions on inflation, prices of certain commodities like fuel, as well as political changes, among others, so as to either take of the advantage for better gains, or avoid their negative impacts.

Self -Assessment Exercise

1. Explain the need to understand agribusiness management.
2. Write short notes on raw materials and value addition.

4.4 Conclusion

This unit exposes the fact that agriculture can be leveraged for societal progress through effective agribusiness management.

4.5 Summary

In this unit, you have learnt that:

- agriculture occupies a strategic position in national development,
- agriculture has a link with other sectors of the economy,
- numerous opportunities can be created through good agribusiness management,
- agribusiness management has potential for societal transformation.

4.6 References/Further Readings/Web Resources

Ebong, V. O. (2007). Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers. Pp 1 – 6.

Kay, R. D. (1986). Farm management planning, Control and implementation (2ed). McGraw-Hill Book Company. Pp 43 – 106.

4.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1. Explain the need to understand agribusiness management.

Answer:

i. Agribusiness provides poverty reduction and income enhancing opportunities that could be explored for the advancement of personal and societal goals. World over, poverty reduction is anchored in that sector that employs the majority of the population (World Bank

ii. A good understanding of agribusiness management will further expose the employments opportunities available in the agricultural value chain. This will also assist in making the most rational investment decisions.

iii. A good understanding of agribusiness and its management helps to better appreciate the business environment and the interplay of many forces- natural, political and economic. The understating of the influence of these forces will guide us to better prepare, project and plan in order to minimize losses and maximize gains arising from the interplay of these forces.

2. **Raw materials and value addition**: the animal, crops, fisheries, forestry sectors of the agriculture supply the materials necessary for the agro-allied and non-agro allied industries. The agribusiness component serves as a link and facilitator. While the primary units are concerned with the production of the raw materials, the agribusiness chain ensures the link between the producers and the end-users of the raw materials. For instance, the cotton producer, with profit motive, produces cotton which is made available to the textile factories through the agribusiness chain. The primary sector (farm firm) benefits from this value addition through increased demand and enhanced prices. This, in addition to the conversion of the cotton to clothes leads to an increase in incomes, and eventual societal advancement.

MODULE 2 THE CONCEPT OF AGRIBUSINESS MANAGEMENT

Unit 1 The Meaning of Agribusiness Management
Unit 2 Functions of Agribusiness Management
Unit 3 The Agribusiness Manager and the Management Environment
Unit 4 The principles of agribusiness management

UNIT 1 MEANING OF AGRIBUSINESS MANAGEMENT

Unit Structure

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  1.3.2 The Meaning of Agribusiness Management
1.4 Conclusion
1.5 Summary
1.6 References/Further Readings/Web Resources
1.7 Possible Answers to Self -Assessment Exercises .

1.1 Introduction

Dear noble students, I welcome you to Unit 1 of Module 2 of this Course AEM509 Principles of Agricultural Business Management. In the last unit of Module 1, we learnt that agriculture can be leveraged for societal progress through effective agribusiness management. As earlier noted, for agriculture to yield prosperity, it has to be managed with modern-day business ideology. In this unit we shall intimate ourselves with the meaning of agribusiness management.

It is, therefore, necessary to understand the concept of management as an art and science, in the light of modern-day agribusiness organizations.

1.2 Learning Outcomes

In this unit, we shall learn:

- Explain the need for agribusiness management
- Explore the meaning of agribusiness management.

1.3 Main Content

1.3.1 Background to Agribusiness Management

The success of any human endeavour depends greatly on the quality of decision making associated with the nature of complex processes surrounding related activities. Thus, individuals are always confronted with sensitive and non-sensitive decisions making on human and material resources towards achieving their overall interests or goals. The most important goal of every agribusiness is profit maximization.

The human resources needed to achieve the goals of an agribusiness include labour (energy and ideas), while the materials include the inputs needed by the organization. A crop enterprise will need seed, land agrochemicals, labour and equipment. Also, a livestock farmer needs the animals, the feed, and the pens, and so on, as well as labour. in the same way, the aquaculture producer needs the fingerlings, pond, feed, water source as well as labour. Similarly, a processing firm will need the raw materials, labour, power/fuel and equipment. The material and human inputs need to be effectively harnessed for the success of the organization.
The functions of planning, monitoring, supervision, coordination and others are required for this harnessing to take place. Without these functions, the inputs, if employed at all, will be haphazardly employed, leading to the non-actualization of organizational goals. Consider a cook (manager) who has all the ingredients (inputs) needed to prepare a pot of soup. Such a cook will need to plan well and coordinate the ingredients effectively to prepare a good pot of soup. The possible difference between the tastes of many pots of soup made by different cooks with the same access to all the needed ingredients is due to the differences in the cooking (or managerial) abilities of the cooks. Thus, for an agribusiness to be successful, the management has to be effective and efficient. We now proceed to define management and note its position in the success of agribusiness enterprises and by implication, national development.

1.3.2 The Meaning of Agribusiness Management

In agribusiness, the decisions on agribusiness resources are made on what we want to achieve, how we want to achieve it and a review of the outcome. The efforts of ensuring that instructional objectives are set up, executed and evaluated describe what is called the management process. Different definitions and explanations of management abound; Kay (1986), Adegeye and Ditto (1981) and Dessler (2008) but Ebong (2007) asserted that agribusiness management could be defined as the active process of decision making to ensure planned and controlled use of available human and material resources to achieve the profit motive of the practitioners. For instance the decision on how to produce, what commodity to produce, where to produce them, the quantity of input to employ in their production, whether these inputs should be owned or rented, and the level of the output to produce, are important decisions that determine the success or otherwise of any agribusiness organization.

In responding to these questions, the strategies of the agribusiness manager entail the use of material and human resources. This presents management as an art and science of using people and materials to achieve organizational goals and suggests that the success or otherwise of an agribusiness is determined by the quality of its management. A key to the successful management of agribusiness is accepting responsibility for leadership and making business decisions through the skillful application of management principles. The peculiarities of agricultural commodities make its management a bit different from those of other businesses. Klonsky (2011) and Ebong (2007) submitted that management of agribusiness is extremely seasonal and its products are perishable commodities.

Self -Assessment Exercise

1. What are the strategies of the agribusiness manager?
2. For agribusiness to be successful, management must be….?

1.4 Conclusion

In this unit, you have learnt that because of the need to elicit prosperity from agribusinesses, management of agribusiness must be approached as a systematic component of agribusinesses.

1.5 Summary

In this unit, we have learnt that:

- agribusiness must be properly managed as regards the combination of resources,
- the answers to the firms questions has to be approached systematically.

1.6 References/Further Readings/Web Resources

Adegeye, A.J and Dittoh, J.S (1985). Essentials of Agricultural Economics. Ibadan, Impact Publishers. 251pp.

Dessler, G. (2008). Human Resource Managament. (11th Ed). Eastern Economy Edition, Prentice- Hall, Inc. Pp 1 – 30.

Ebong, V. O. (2007). Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers. Pp 1 – 6.

Kay, R. D. (1986). Farm management planning, Control and implementation (2ed). McGraw-Hill Book Company. Pp 43 – 106.

Klonsky, K. (2011). Family Farm Series Publications: Farm Management. http://sfp.ucdavis.edu/Pubs/Family_Farm_Series/Farmmanage/considerations.html#topRetrieved 7th August 2011.

Maqbool, A and Adeel, A (2017). Principles of Agribusiness Management. University of Faisalabadfile:///C:/Users/HP/Downloads/Principles_of_Agribusiness_Management.pdfhttps://ag.purdue.edu/agecon/fambiz/Documents/principles_for_structuring_smal l_businesses.pdf.

1.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1. What are the strategies of the agribusiness manager?

Answer:
The strategies of the agribusiness manager entail the use of material and human resources. This presents management as an art and science of using people and materials to achieve organizational goals and suggests that the success or otherwise of an agribusiness is determined by the quality of its management. A key to the successful management of agribusiness is accepting responsibility for leadership and making business decisions through the skillful application of management principles.

2. **For an agribusiness to be successful,** the management has to be effective and efficient. We now proceed to define management and note its position in the success of agribusiness enterprises and by implication, national development.

UNIT 2 FUNCTIONS OF AGRIBUSINESS MANAGEMENT

Unit Structure

2.1 Introduction

Dear noble students, I welcome you to Unit 1 of Module 2 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt that because of the need to elicit prosperity from agribusinesses, management of agribusiness must be approached as a systematic component of agribusinesses. For an agribusiness organization to meet its goal of profit maximization, a number of roles have to be played by the management.

In this unit, we shall learn the functions of agribusiness management.

2.2Learning Outcomes

By the end of this unit, you should be able to:

- identify the functions of agribusiness management, and
- explain the strategic importance of each of the functions.

2.3 Main Content

2.3.1: Functions of Agribusiness Management

Dessler (2008) and Ebong (2007) view the management of agribusiness as having a series of functions to perform. These functions include planning, organizing, directing, coordination and control.

i. Planning Function

This involves the establishment of the organizational goals and the strategies for accomplishing them. It entails an outline of the objectives of the organization, the resources available for meeting them, and the steps that need to be taken to achieve them. The planning function in agribusiness contains a number of steps. These steps include identifying and defining a problem, acquiring initial information, identifying alternative courses of action, analyzing each alternative, and selecting one. It is the most basic management function as it means deciding on a course of action, procedure and policy. Nothing can happen in any agribusiness setup until a course of action is selected.

ii. **Organizing Function**

Organizing is an operational function of agribusiness management that depends heavily on the coordination of the entire business system. Organizing function involves arranging people and other resources together in a coherent manner. Doing this entails:

(i) setting up the structure.
(ii) determining the job to be done.
(iii) selecting, allocating and training of personnel.
(iv) establishing relationships with the business set-up and staffing them.

Organizing remains an action step in agribusiness management. Until the employees understand themselves and the agribusiness, cooperation and coordinated action will impossible to achieve.

iii. Directing Function

It is the responsibility of the agribusiness management to direct resources and personnel. Directing implies routing resources to where they are mostly needed to ensure proper implementation of the plan. It involves such actions as assigning duties and responsibilities, establishing the result to be achieved, delegating authorities where necessary, creating a conducive working environment, and carrying out the assigned duties effectively. For a maximum result to be achieved, the agribusiness managers must take the interest of his staff into consideration and the need to re-evaluate every step in the directing function in order to achieve the desired goals.

iv. Coordinating Function: The coordinating function of agribusiness management involves the pulling together of the actions of different groups of people in such a way that the action of one group provides and aids the working of the other. The coordinating function can be effective only if a conducive working environment is provided for success. It provides for the free flow of information and the growth and development of the workers.

i. **Controlling Function**: Controlling in management describes an information system that monitors plans and processes to ensure that they are meeting the established goals. Men and materials do not all the time work as perfectly as they should, hence the need for a form of control. Controlling entails taking appropriate actions to cause men and materials to stay on course towards meeting organizational goals. Changes may occur after the plan had been implemented that can cause the result to deviate from the expected. A warning note may be necessary to effect any remedial action in the event of a deviation from assigned duties. The controlling function therefore monitors and makes necessary adjustments to keep organization resources and goals on course.

Self -Assessment Exercise

1: What does organizing function entail?
2. Explain the controlling function of management.

2.4 Conclusion

For the effective realization of organizational objectives, it is imperative for the management to undertake a number of interdependent functions. Undertaking these functions helps to give the firm a sense of responsibility and focus.

2.5 Summary

In this unit, we have learnt that:

- managing an agribusiness entails preparing a plan, organizing men and materials, directing people, coordinating the affairs of a firms and providing an effective control mechanism.

2.6 References/Further Readings/Web Resources

Dessler, G. (2008). Human Resource Managament. (11th Ed). Eastern Economy Edition, Prentice- Hall, Inc. Pp 1 – 30.

Ebong, V. O. (2007). Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers. Pp 1 – 6.

2.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1. What does organizing function entail?

Answer:
This entails:
(i) setting up the structure.
(ii) determining the job to be done.
(iii) selecting, allocating and training of personnel.
(iv) establishing relationships with the business set-up and staffing them.

2. **Controlling Function**:

Controlling in management describes an information system that monitors plans and processes to ensure that they are meeting the established goals. Men and materials do not all the time work as perfectly as they should, hence the need for a form of control. Controlling entails taking appropriate actions to cause men and materials to stay on course towards meeting organizational goals. Changes may occur after the plan had been implemented that can cause the result to deviate from the expected. A warning note may be necessary to effect any remedial action in the event of a deviation from assigned duties. The controlling function therefore monitors and makes necessary adjustments to keep organization resources and goals on course.

UNIT 3 THE AGRIBUSINESS MANAGER AND THE MANAGEMENT ENVIRONMENT

Unit Structure

3.1 Introduction
3.2 Learning Outcomes
3.3 Main Content
 3.3.1 The agribusiness manager and his desired qualities.
 3.3.2 The agribusiness management environment
3.4 Conclusion
3.5 Summary
3.6 References/Further Readings/Web Resources
3.7 Possible Answers to Self -Assessment Exercises

3.1 Introduction

Dear students, I welcome you to Unit 3 of Module 2 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt that for the effective realization of organizational objectives, it is imperative for the management to undertake a number of interdependent functions. Undertaking these functions helps to give the firm a sense of responsibility and focus. The management of an agribusiness firm is undertaken by a manager. For effective discharge of this duty, there are certain qualities that the manager is expected to possess. Again, the manager and his firm exist in an environment that influences their duties. It is important for the manager to have these qualities and understand the elements of these environments.

3.2 Learning Outcomes

By the end of this unit, you should be able to:

- The qualities of a good manager
- The environment in which he operates
- The likely influence of the environment on the performance of his duties.

3.3 Main Content

3.3.1 The agribusiness manager and his desired qualities

The agribusiness manager is that person who carries out the duty of using men and materials to achieve the objective of an agribusiness organization. The manager provides the agribusiness with leadership and who must be a good change agent. Because their position is pivotal to the success or otherwise of the organization, a good agribusiness manager should:

a. **be a goal-oriented individual**: a good manager must be one that is able to conceptualize, and objective and focus on achieving it. Having such an orientation reflects in goal setting and strategic planning toward the actualization of set goals.,

b. **accept responsibilities**: managers carry on their shoulders the dreams of an organization. A manager is eager to be celebrated if things go well. a good manager will however also accept blames for whatever goes wrong.,

c. **have a good analytical ability**: it takes a good analytical ability to effectively plan. The same set of skills is required to make adjustments to plans. A manager with good analytical skills will be more efficient in the combination of resources. Such a manager will be positioned to better analyze market situations, demand and supply scenarios, macroeconomic indices like inflation, foreign exchange rate, as well as weather elements. Analysis of such components of the agribusiness environment is necessary for the survival and success of agribusinesses.,

d. not be afraid of taking risk : agricultural businesses come with great risks. Such risks include weather vagaries, macroeconomic instability, pests and diseases, and insecurity, among others. However, good management abilities require that risks be understood and taken, rather than abandoning a business initiative. Since investments risks correlate passively with returns, it behooves the manager to be astute. This implies that he takes calculated risks.

e. have a good initiative: the ability for innovativeness is one that a manager must have. The manager should be good at "starting" something good. The manager must be able to think outside the box, and develop rational alternatives to solving problems. for instance, while it is normal to keep feeding broilers with chaff after they had reached maturity (for economic reasons, a good manager may think of using them for barbecue, or dressing them and refrigerating them.,

f. be highly intelligent: in order to plan well, coordinate well, organize well and monitor effectively, the manager must have a good intelligent quotient. Intelligence is useful in the analysis of issues and in making rational decisions.,

g. possess the ability to coordinate and motivate others for greater productivity. It is important for a manager to be able to effectively use men to deliver organizational goals. A manager with good initiative can tinker with a new way of motivating his staff.

h. be technically competent: because he is a professional, a good manager must know his job. It is not enough to be smart, intelligent, and innovative; it is important for an agribusiness manager to be technically sound in agriculture and agricultural business.,

i. **be able to understand trends and make forecasts**: with sound analytical skills, the manager should be able to "peep" into the future. This will help him organize his resources accordingly to take either advantage of a good outlook or avoid an impending disaster.

j. **be able to develop workable plans**: aa good manager has to be able to develop SMART (Specific, Measurable, Achievable, Realistic, and Time-bound) goals. This helps the business stay focused and organized.

k. be flexible- that is, know that today's decision may be wrong tomorrow. The manager must be adaptive to changing business environments. For instance, the use of the internet is highly employed today in marketing research, and it will be unprogressive to continue to insist on an old method of interviewing consumers-like the use of paper questionnaires.

l. be ready to learn even from his subordinates: an open-minded manager is able to learn from the experiences and ideas of his subordinates. he should be open to all ideas and ponder on them. Information from junior staff working at the main production, processing or marketing units, as well as other sections, may prove useful in achieving organization goals as well as setting new ones. For instance, a salesman or even a "motor boy" may drop a hint about the perception of a production firm's output. Such information which can lead to the setting of a new goal, and may sometimes elude marketing agents/researchers, may come from street gossip.

m. be abreast with the development in the value chain and related environments. The manager needs an inquisitive mind alongside an analytical one, in order to be abreast with details of happenings in his business environments. This will help him to be astute and creative – and know what to do per time.

3.3.2 Environmental Factors Affecting Managerial Functions

The management process of agribusiness is seriously affected by a number of environmental factors which, according to Ebong (2007) include (i) Formal Education (ii)Socio-cultural factors (iii) Lego-political aspects (iv) Economic variables.

i. **Formal Education**

Formal education of the manager is an essential aid to effective management in any agribusiness enterprise. The more educated the manager is, the better his managerial ability. Such a manager becomes more open perceptive, thinks faster and more is able to perform through a tailor-made education or with a high formal educational attainment.

ii. **Socio-Cultural Factors**

Socio-cultural factors play a significant role in shaping the effectiveness of the managerial process. They represent the most powerful factors and one that the manager has the least control over. For instance, a manager has to mix freely with different groups of people with diverse cultural backgrounds. The knowledge, belief, art, morals, customs, and habits acquired by the employees as members of a given society affect their productivity.

iii. **Lego-Political Factors**

This reflects various salient variables and usually they include such factors as government regulations on duties, labour, laws, salary increases through collective bargaining, fringe benefits, bye-laws and statutes that affect the operation of an organization. Inconsistency in public policies on agribusiness development and political instability in a given economy have important bearings on the functioning of the management process of agribusiness organizations.

iv. Economic Variables

The effect of this on management depends on the economic system of the country operates. For instance, in a socialist system, the effectiveness of a manager will be hampered by unrealistic demands by the central authority. In a free-market economy or capitalist economy where prices are not stable, the supply and acquisition of agribusiness inputs will be greatly affected adversely. Under such a system, other factors like political instability, foreign exchange problems, rapid economic expansion, industrial unrest, and entrenched government bureaucracies are likely to set in.

Self –Assessment Exercise

1. Explain how formal education and socio-cultural factors affect managerial functions.
2. Explain the effect of economic variables.

3.4 Conclusion

For the manager to effectively discharge his duties, he needs to possess some personal qualities and understand the various elements of his operational environments. The absence of any of these will negatively affect his job performance.

3.5 Summary

In this unit, we have learnt that:

- the agribusiness manager needs to be astute and resourceful.
- the agribusiness manager operates an environment that needs to be understood for the effective discharge of his duties.
- each element in the operational domain of a manager has serious implications for the performance of managerial functions

3.6 References/Further Readings/Web Resources

Barnard, F., J. Akridge, F. Dooley and Foltz, J. (2012). Agribusiness Management. 4th Edition. Routledge Publishers, USA.

Ebong, V. O. (2007). Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers. Pp 1 – 6.

3.7 Possible Answers to Self -Assessment Exercises

Answers to Self –Assessment

1. Explain how formal education and socio-cultural factors affect managerial functions.

Answer:

Formal Education: Formal education of the manager is an essential aid to effective management in any agribusiness enterprise. The more educated the manager is, the better his managerial ability. Such a manager becomes more open perceptive, thinks faster and more is able to perform through a tailor-made education or with a high formal educational attainment.

Socio-Cultural Factors: Socio-cultural factors play a significant role in shaping the effectiveness of the managerial process. They represent the most powerful factors and one that the manager has the least control over. For instance, a manager has to mix freely with different groups of people with diverse cultural backgrounds. The knowledge, belief, art, morals, customs, and habits acquired by the employees as members of a given society affect their productivity.

2. Economic Variables:

The effect of this on management depends on the economic system of the country operates. For instance, in a socialist system, the effectiveness of a manager will be hampered by unrealistic demands by the central authority. In a free-market economy or capitalist economy where prices are not stable, the supply and acquisition of agribusiness inputs will be greatly affected adversely. Under such a system, other factors like political instability, foreign exchange problems, rapid economic expansion, industrial unrest, and entrenched government bureaucracies are likely to set in.

UNIT 4 PRINCIPLES OF MANAGEMENT

Unit Structure

4.1 Introduction
4.2 Learning Outcomes
4.3 Main Content
 4.3.1 Frederick W. Taylor's principles of management
 4.3.2 Henri Fayol's principles of management
4.4 Conclusion
4.5 Summary
4.6 References/Further Readings/Web Resources
4.7 Possible Answers to Self -Assessment Exercises

4.1 Introduction

Dear students, I welcome you to Unit 4 of Module 2 of this Course AEM 509 Principles of Agricultural Business Management. In the last unit we learnt that for the manager to effectively discharge his duties, he needs to possess some personal qualities and understand the various elements of his operational environments. The absence of any of these will negatively affect his job performance.

The principles of management refer to a set of guidelines applied in an organization in the management of men and materials for effective job performance.

Two principles will be discussed in this unit:
i. that of Frederick W. Taylor, and
ii. that of Henri Fayol

4.2 Learning Outcomes

By the end of this unit, you should be able to::

- The principles proposed by Frederick W. Taylor and Henri Fayol
- The short comings of Taylor's principles of management
- The reason for the adoption of Fayol's principles of management.

4.3 Main Content

4.3. 1 Frederick W. Taylor's Principles of Management

Frederick W. Taylor viewed management as pure science that is based on principles and theories. To him, the failure of firms can be blamed on inefficiency that occurs due to poor management. He advanced the principle of:

- Cooperation among management and workers in order to meet organizational objectives,
- scientific training of workers,
- careful and scientific selection of work-force,
- Clear - cut/unambiguous determination of each worker's responsibilities and areas of operation.
- Equitability of distribution of responsibilities among workers and managers, such that the manager takes responsibility for organization, planning and supervision.

Shortcomings Taylor's principles of management

While Taylor's principles lead to efficiency at the firm level, it has been criticized for

- being too limited to restricted domains, and
- for its failure to see management as both art and science.

4.3.2 Henri Fayol principles of management (Fayol's overview of management)

Fayol was a French nationalist and industrialist whose book "General and industrial management" was first published in 1916. In that book, Fayol distinguished between elements of management and principles of management and stipulated the attributes of a good manager which include:

- good physical fitness,
- Integrity and good attitude to business,
- mental stability and vigour,
- sound education, and
- high level of experience

The book also identified roles performed in a business enterprise to include:

- Managerial activities,
- Technical or production activity,
- Commercial activity,
- Accounting and statistics

- Financial activity
- Security operations and protection

  Fayol is now recognized as the Father of modern management due to the general adaptability of his principles. The principles of management proposed by Henri Fayol have been adopted across all spheres/sectors as the basic guidelines for the effective management of human resources. The 14 principles of management identified by Fayol in his 1916 book "Industrial and General Administration" include.

1. Division of Work.

This principle stipulates that workers should be assigned specific roles which will eventually fit into the whole bit of the organization's aspiration. This principle, when adopted will lead to

- a deep sense of responsibility by the worker, and
- efficiency of job performance

2. Matching Authority and Responsibility.

Under this principle assigned responsibilities must be balanced by corresponding authority. Without corresponding authority (power) it will be difficult for a worker to carry out assigned responsibilities.

3. Discipline.

This principle concerns what is acceptable and what is not, and spells out sanctions for violating anyone of the set rules and regulations. Agribusiness managers must make this rules and regulations clear and apply them, in order to instill discipline in the workers. The approach applied to this end may be formal or informal.

4. Unity of Command.

From the lower level up to the last but one level, every worker should answer to a particular boss alone and there should be no confusion as to who this boss is. That is to say that a worker should be answerable to only one supervisor who should be clearly known.

5. Unity of Direction.

This principle stipulates that the whole organization should be headed by only one person, from whom the direction of the activities, goals, and policy should flow.

6. Subordination of personal (to the General Interest)

The interests of individual workers need to be suppressed and overridden by the interest and aspirations of the organization. The worker is by this principle required to sacrifice his interest for the organization.

7. Remuneration.

Remuneration for workers has to be fair. It has to be known and should be based on the level of efforts as well as the marginal productivity of workers. The agribusiness manager in order to elicit and sustain high organizational efficiency must be fair in remunerating his staff

8. Centralization.

This requires all activities and ideas to be in tandem with central a command of the organization. Activities of workers may not be in opposition to centrally determined goals.

9. Scalar Chain.

This principle refers to the chain of management and provides for a clear command chain of communicating and executing decisions.

10. Order.

This principle encourages clearly spelt out positions of people, idea, and materials. Every one of these must have their place per time.

11. Equity.

The principle of equity stipulates equality of sanctions. It encourages the notion that what applies to anyone in a situation must apply to another in the same circumstance.

12. Stability of Tenure

This principle concerns the need for a career structure for personnel and the certainty of the duration of time of each staff's stay on the job. It is usual to state this in the employee's engagement letter and the conditions of service. Such an ideal avails the worker the assurances needed to commit themselves to the organization's aspirations.

13. **Initiative.**

The worker must be encouraged to, as much as it is possible, and as much as it is within the organization's domain of aspiration, have the freedom and zeal to tinker with new ideas.

14. **Esprit De Corps (comradeship)**.

This principle deals with the need to have the spirit of friendship, mutual respect, and comradeship, as well as that of working in harmony and unity to enhance teamwork, and achieve collective goals.

Answers to Self –Assessment

1: State Frederick W. Taylor's principles of management.
2. What is spirit de corps?

4.4 Conclusions

The principles of management entail the guidelines applied by managers for effective delivery of business objectives because of its general adaptability; the Fayol's 14 principles of management have come to stay as the most dependable guidelines across all sectors.

4.5 Summary

In this unit we have been exposed to:

- Taylor's principles of management,
- the shortcomings of Taylor's principles of management,
- Fayol's principles of management,
- why Fayol's principles of management are considered the most acceptable.

4.6 References/Further Readings/Web Resources

Barnard, F., J. Akridge, F. Dooley and Foltz, J. (2012). Agribusiness Management. 4th Edition. Routledge Publishers, USA.

Maqbool, A and Adeel, A (2017). Principles of Agribusiness Management. University of Faisalabad file:///C:/Users/HP/Downloads/Principles_of_Agribusiness_Management.pdf
https://www.iedunote.com/14-management-principles- henri-fayol

3.7 Possible Answers to Self -Assessment Exercises

Self –Assessment Exercise

1: State Frederick W. Taylor's principles of management.
Answer:
Frederick W. Taylor viewed management as pure science that is based on principles and theories. To him, the failure of firms can be blamed on inefficiency that occurs due to poor management. He advanced the principle of:

- Cooperation among management and workers in order to meet organizational objectives,
- scientific training of workers,
- careful and scientific selection of work-force,
- Clear - cut/unambiguous determination of each worker's responsibilities and areas of operation.
- Equitability of distribution of responsibilities among workers and managers, such that the manager takes responsibility for organization, planning and supervision.

2. **Economic Variables:**
The effect of this on management depends on the economic system of the country operates. For instance, in a socialist system, the effectiveness of a manager will be hampered by unrealistic demands by the central authority. In a free-market economy or capitalist economy where prices are not stable, the supply and acquisition of agribusiness inputs will be greatly affected adversely. Under such a system, other factors like political instability, foreign exchange problems, rapid economic expansion, industrial unrest, and entrenched government bureaucracies are likely to set in.

MODULE 3 AGRIBUSINESS ORGANIZATIONS

Unit 1 Peculiarities of Agricultural Business Organizations
Unit 2 The Nature of Agricultural Business Organizations
Unit 3 Factors that inform the choice Agricultural Business Organization
Unit 4 Types of Agricultural Business Organization

UNIT 1 PECULIARITIES OF AGRICULTURAL BUSINESS ORGANIZATIONS

Unit Structure

1.1 Introduction
1.2 Learning Outcomes
1.3 Features of Agricultural business organizations in Nigeria
1.4 Conclusion
1.3 Summary
1.4 References/Further Readings/Web Resources
1.7 Possible Answers to Self -Assessment Exercises

1.1 Introduction

Dear students, I welcome you to Unit 1 of Module 3 of this Course AEM 509 Principles of Agricultural Business Management. In the last unit we learnt that the principles of management entail the guidelines applied by managers for effective delivery of business objectives because of its general adaptability; the Fayol's 14 principles of management have come to stay as the most dependable guidelines across all sectors. Agriculture as a business in Nigeria exists with its peculiarities. By the end of this unit, you should be able to: those features that are peculiar to Nigerian agribusiness, and how agriculture as a business differs from other businesses. The peculiarities of agriculture in Nigeria need to be understood for the effective management of agribusinesses.

1.2 Learning Outcomes

By the end of this unit, you should be able to::

- The features that make agricultural business in Nigeria peculiar
- How these peculiarities may influence management activities.

1.3 Main Content

1.3.1 Features of Agricultural business organizations in Nigeria

Some of the features of the most common of agribusinesses in Nigeria are discussed below. These factors have great influences on the understanding and management of agribusiness organizations.

i. The agribusinesses in the country comprise numerous operators of varying sizes, ranging from small-scale sole proprietorship to large corporations. In spite of the difference in sizes, however, these are all liked together. This linkage requires astuteness in organizational management. For instance, the cocoa farmer and his firm are linked to the producers of beverages.

ii. Most primary agribusiness products are perishable and require quick uptakes for marketing or processing.

iii. In Nigeria, like in many other places, the level of family ownership of many agribusiness organizations is high. In such cases, decision-making is limited to family experience and may be void of the ideas of modern-day agribusiness. Sometimes most of these businesses are inherited and may not make much effort to expand.

iv. There is a substantial degree of complexity and interconnectedness among the various players in the agribusiness sector. Each of these players engages in sometimes small but useful roles in these complex relationships. From the consultants responsible for designing, the managers responsible for planning, the input manufacturers and suppliers, farm operations personnel, processors and manufacturers and those who play facilitating roles like packaging, financing, retailing, transportation, the various food chains operators, etc., we find numerous players in the sector, all contributing their bits.

v. These millions of businesses are all built (directly or indirectly) around the millions of small- scale farmers who engage in the production of numerous kinds of farm outputs. While these farmers rely on policies, markets and inputs to producers, their outputs are the raw materials needed by the value-adding firms. It is practically impossible for the other agribusiness participants to exist and function without the farmers.

vi. Thus, in many cases, the seasonality of the primary production influences the operations of the other participants. It is easy to observe that the input producers are more active during the pre-cropping sand cropping season than at other periods while the value-adding firms are busier at the post-harvest period.

vii. Natural disasters like drought, diseases outbreaks, floods; as well pest infestations pose great risks to agribusinesses. these can, and have led to lots of losses among Nigerian agribusiness operators

viii. Agribusinesses may be easily affected by government policies and programmes. For instance, shortly after the 2015 elections there was poor cash circulation that led to decreased demand for some commodities like aquaculture outputs. The economic situation eventually led to high input prices, which have in turn affected the prices of agricultural outputs. Favourable of policies like fertilizer subsidy and a ban on agricultural produce can be helpful on the development of agribusinesses. The Nigerian agribusiness operator has developed some thick skin against disappoints and policy summersault.

ix. There is a minimal influence of the vagaries international forces on Nigerian agribusiness, especially the cop sector. The influence is however higher on the livestock and aquaculture firms relying more on foreign inputs. Generally, however, the ingenuity of Nigerians has continued to minimize the influence of external shocks on agribusinesses.

x. The agribusiness sector operates in a unique markets structure where the homogeneity of the various products makes differentiation difficult. In many cases, are small agribusinesses competing in a relatively free market with are many sellers and fewer buyers.

Self -Assessment Exercise

1: Mention at least 3 natural disasters of agribusiness.
2. What agribusiness linkage?

1.4 Conclusion

The peculiarities of agricultural enterprises in Nigeria and their dissimilarities with other sectors call for a more adaptive approach to their management. The managers must therefore understand these peculiarities for effective agribusiness management.

1.5 Summary

In this section, we have learnt that Nigerian agribusinesses require special management skills as they:

- are mostly on small-scale level, and are scattered across numerous areas,
- are interconnect with some complexities
- are affected by the vagaries of weather and government policy

- are characterizes family ownership
- are not easily affected by foreign interferences

1.6 References/Further Readings/Web Resources

Akinysoye, V. (2005). Agriculture and administration in Nigeria: analysis of policies, pro-grammes and administration. Lagos. Macmillan. 598Pp

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Snodgrass, M.M and Wallace, E.T. (1977). Agricultural economics and resource use. New Delhi. Prentice Hall. p.17

1.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: Mention at least 3 natural disasters of agribusiness.

Answer:
Natural disasters include drought, diseases outbreaks, floods; pest infestation.

2. The agribusinesses in the country comprise numerous operators of varying sizes, ranging from small-scale sole proprietorship to large corporations. In spite of the difference in sizes, however, these are all liked together. This linkage requires astuteness in organizational management. For instance, the cocoa farmer and his firm are linked to the producers of beverages.

UNIT 2 ECONOMIC ENVIRONMENTS AND NATURE OF AGRIBUSINESS OWNERSHIP

Unit Structure

2.1 Introduction
2.2 Learning Outcomes
2.3 Main Content
 2.3.1 The Laissez-faire economic environment
 2.3.2 Nature of Agribusiness Ownership in Nigeria
2.4 Conclusion
2.5 Summary
2.6 References/Further Readings/Web Resources
2.7 Possible Answers to Self -Assessment Exercises

2.1 Introduction

Dear students, I welcome you to Unit 2 of Module 3 of this Course AEM 509 Principles of Agricultural Business Management. In the last unit we learnt that the peculiarities of agricultural enterprises in Nigeria and their dissimilarities with other sectors call for a more adaptive approach to their management. The managers must therefore understand these peculiarities for effective agribusiness management.

Agribusinesses exist in an economic environment. The Nigerian economic environment allows anyone to own and operate an agribusiness. This macroeconomic policy environment determines the nature of the agribusinesses and needs to be understood for proper management.

2.2 Learning Outcomes

By the end of this unit, you should be able to::

- The lasses-faire economic environment
- The ownership nature of agribusinesses in Nigeria

2.3 Main Content

2.3.1 The Laissez-faire Economic Environment

Laissez-faire is an economic policy of minimum governmental interference in the business and economic affairs of individuals and society. The term laissez-faire means, in French, “allow to do”. Thus the government allows individuals and even her, to undertake business activities without intervening beyond the provision of guidelines that are meant to ensure compliance with laws and order. The guidelines relate to the procedure for registration, the competitive framework, and taxation issues, among others. Agribusiness organizations in Nigeria, therefore, sprang up in this environment. Klonsky (2011) observed that the development of agribusiness from a laissez-faire operation calls for its organization for efficient operation in a growing economy such as Nigeria.

2.3.2 Nature of Agribusiness Ownership in Nigeria

An agribusiness venture could be privately or publicly owned. Private ownership exists when individuals exercise the right and responsibilities of ownership. Private ownership of agribusinesses in Nigeria is the most common. These include single ownership of farm, input supply, and, marketing and processing firms, and the ownership of similar businesses by more than an individual. These include the numerous small-scale agricultural ventures scattered across the country.

Public ownership also exists when the government (Federal, State, or Local) creates exercises and enjoys ownership rights. There are a number of production and processing agribusiness firms across the country either at the local, state, or federal government level. Instances may also exist where both the government and private individuals jointly own agribusiness enterprises.

Self -Assessment Exercise

1: What is The Laissez-faire Economic Environment? 2. Explain the nature of agribusiness ownership in Nigeria.

2.4 Conclusion

It has been noted that the lass's faire economic environments provided by the government permits anyone to legally own and operate an agribusiness.

2.5 Summary

In this unit, we have:

- noted the "free to do" economic environment in which agribusinesses exist in Nigeria.
- noted that the government plays the role of providing the framework for the establishment and operations of agribusinesses in the country.

- seen that individuals, groups, governments are free to own agribusiness in this free to do environment

2.6 References/Further Readings/Web Resources

https://www.ksre.k state.edu/kams/succession/financial/Agricultural_Business_Structures.pdf https://www.britannica.com/topic/laissez-faire. Retrieved 23rd January, 2022

2.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: What is The Laissez-faire Economic Environment?

Answer:
Laissez-faire is an economic policy of minimum governmental interference in the business and economic affairs of individuals and society. The term laissez-faire means, in French, “allow to do”. Thus the government allows individuals and even her, to undertake business activities without intervening beyond the provision of guidelines that are meant to ensure compliance with laws and order.

2. An agribusiness venture could be privately or publicly owned. Private ownership exists when individuals exercise the right and responsibilities of ownership. Private ownership of agribusinesses in Nigeria is the most common. These include single ownership of farm, input supply, and, marketing and processing firms, and the ownership of similar businesses by more than an individual. These include the numerous small-scale agricultural ventures scattered across the country.
Public ownership also exists when the government (Federal, State, or Local) creates exercises and enjoys ownership rights. There are a number of production and processing agribusiness firms across the country either at the local, state, or federal government level. Instances may also exist where both the government and private individuals jointly own agribusiness enterprises.

UNIT 3 FACTORS THAT INFORM THE CHOICE AGRICULTURAL BUSINESS ORGANIZATION

Unit Structure

3.1 Introduction

Dear students, I welcome you to Unit 3 of Module 3 of this Course AEM 509 Principles of Agricultural Business Management. In the last unit we learnt and noted that noted that the lass's faire economic environments provided by the government permits anyone to legally own and operate an agribusiness, depending on one's goal, skills, the operating environment or the amount of capital available to him, the demand for his products or services, one may select from a number of agribusiness organizations.

3.2 Learning Outcomes

By the end of this unit, you should be able to:

- What factors one need to consider in selecting the form of agribusiness organization to establish and operate

3.3 Main Content

3.3.1 Factors affecting the choice of an Agribusiness Organization

In deciding whether to organize an individual proprietorship, a partnership, or a corporation, the following basic factors should be taken into consideration:

1. The owner(s) objectives and philosophies of the agribusiness: the goals of the owner(s) of a business as well as the guiding ideology are important factors to consider in the determination of

the form of business organization to float. In a situation where a business-man is more interested in having the total control over the business, the best bet will have to be a sole proprietorship. There are also instances where a fellow is interested only in being a co-owner of a business, and may not be interested in the day-to-day running of the business. In such a case, the partnership option may be considered. Another consideration may be to invest in a corporation.

2. The size of the agribusiness being started. The decision on what type of agribusiness organization to establish is also determined by the desired size of the business. This may be influenced by the amount of capital available as well as how much time the owner has to put into the business, among others. A sole proprietorship may be considered in the event where one has little start-up capital or where he has little time for the business.
3. The organizing cost and the nature of work associated with the task of organizing it. The cost of an organization, as well as the related nature of work associated with an organization of the resources are factors to also be considered in selecting the form of agribusiness to establish. A civil servant who has less time for organizing an agribusiness may consider options that are time friendly and that do not demand so much time.
4. The initial capital outlay available for the business. This is the most critical of all determinants of agribusiness organizations. No matter the ideology, the time one has and the ability to organize resources, the ability to raise the amount of capital needed for the commencement of the business is an important consideration in the selection of what agribusiness organization to establish.
5. The amount of capital required for operations. Aside from the initial capital outlay, the capital required for the operations of the organization is another very important factor to consider. A business requiring a high volume of capital to run may not be the best for a man with poor access to running costs. For example, a catfish production business that requires hundreds of thousands Naira for its daily operations may be better established as a corporation or partnership, while that which requires a few hundred Naira to run every day may best be established as a sole proprietorship.
6. Other factors to consider in the establishment of an agribusiness organization are:
7. The ease of obtaining additional capital.
8. The tax liabilities and options available
9. The involvement of the owner(s) in the management and control of the agribusiness.
10. The desired method of distributing earnings and risk

11. The factors of stability or continuation and transfer of ownership available.
12. ease of function
13. size of the target market

Self-Assessment Exercise

1. How does the amount of capital required for operations affect the choice of an agribusiness organization?
2. State the factors to consider in the establishment of an agribusiness organization.

3.4 Conclusion

The establishment and operation of an agribusiness in Nigerian are activities that have to be carefully thought out, with consideration for some personal and environmental factors.

3.5 Summary

In this unit, we have learnt that:

- the operating environment, the tax liabilities, the size of the market, the required capital, the ease of accessing capital and additional capital, the risk, the stability and continuity of business, etc., all influence the choice of the agribusiness organization to establish and operate.

3.6 References/Further Readings/Web Resources

Ebong, V. O. (2007). Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers. Pp 1 – 6.

https://www.ksre.k state.edu/kams/succession/financial/Agricultural_Business_Stru ctures.pdf

3.7 Possible Answers to Self -Assessment Exercises

Self-Assessment Exercise

1: How does the amount of capital required for operations affect the choice of an agribusiness organization?

Answer:
The amount of capital required for operations. Aside from the initial capital outlay, the capital required for the operations of the organization is another very important factor to consider. A business requiring a high volume of capital to run may not be the best for a man with poor access to running costs. For example, a catfish production business that requires hundreds of thousands Naira for its daily operations may be better established as a corporation or partnership, while that which requires a few hundred Naira to run every day may best be established as a sole proprietorship.

2. Other factors to consider in the establishment of an agribusiness organization are:

- The ease of obtaining additional capital.
- The tax liabilities and options available
- The involvement of the owner(s) in the management and control of the agribusiness.
- The desired method of distributing earnings and risk
- The factors of stability or continuation and transfer of ownership available.
- ease of function
- size of the target market

UNIT 4 TYPES OF AGRICULTURAL BUSINESS ORGANIZATION

Unit Structure

4.1 Introduction

Dear students, I welcome you to Unit 3 of Module 3 of this Course AEM 509 Principles of Agricultural Business Management. In the last unit we learnt and noted that the establishment and operation of an agribusiness in Nigerian are activities that have to be carefully thought out, with consideration for some personal and environmental factors.

It is therefore the careful evaluation of the above factors decisions that can help in the selection of most appropriate form of agribusiness organization. The different types of agribusiness from which a selection can be made include sole proprietorship, partnership, agribusiness limited company, agribusiness cooperative and state farming.

4.2 Learning Outcomes

By the end of this unit, you should be able to:

- The different forms of agribusiness organizations
- The characteristics of these organizations
- The strengths and weaknesses of these organizations.

4.3 Main Content

4.3.1 The Sole Proprietorship

Sole proprietorship relates to businesses owned and managed by an individual. This is considered the oldest simplest and the most popular form of agribusiness organization. In most developed nations of the world, the agribusiness sole proprietorship is a very popular form of organization but the organization structure of the business tends to be affected seriously by inadequate finance. Agricultural sole proprietorship has only one owner, who takes all the risks, enjoys all the profit and makes all the managerial decisions. This individual therefore takes the responsibilities (risks) of all that results from these decisions. In Nigeria, about 80% of the people are engaged as sole proprietors in agribusiness enterprise with more than 50% engaging in the production field of agriculture, forestry and fishery. These are usually supported by immediate family members.

It should be noted that this form of agribusiness does not usually need any formal application to be approved by the government before starting operation. Because they are not registered legally, they do not pay taxes except they are recognize by tax collectors.

4.3.1.1 Advantages of sole proprietorship

The advantages enjoyed by the sole proprietorship majorly dwell on the flexibility of the business. These advantages are discussed as below.

i. The owner exerts complete control over plans, programmes, capital, policies and other management decisions.
ii. The owners of such businesses are usually free to try out a number of new ideas
iii. In most of the cases, legal formalities are not necessary and license fees are low.
iv. There are little or no tax liabilities.
v. Termination or modification of the agribusiness is easy.
vi. This form of organization requires minimal amount of initial capital.
vii. Under good financial standing of the proprietor, lenders would be most wiling to extend lending (funds) to the proprietorship.

4.3.1.2 Disadvantages of sole proprietorship

Despite the above advantages, the sole proprietorship faces a number of hurdles as shown discussed as below.

i. Possession of limited amount of capital for the funding process thereby limited the size of the agribusiness and thus reducing the production scale.
ii. Risk is great since the owner is personally and unlimitedly liable for all debts to creditors. Lenders are always reluctant to lend money to private owners of agribusiness except where collaterals are provided as security for such loans.
iii. Sole proprietorship lacks stability and continuity as it depends solely on person. The death of that person in effect ends the business.
iv. The burden of overall direction and coordination may be beyond the proprietor's capacity when the business becomes large.

4.3.2 Partnership

Partnership is a business that is owned by an association of two or more people ***(usually not exceeding 50)*** who share in both risk and profit. It constitutes about 10% agribusiness enterprises operating in Nigeria. Partnership Act of 1990 defines partnership as the relationship that subsists between two or more people carrying out lawful business with a view to making profit. Due to limited and insufficient funds available to the sole proprietor, it is often necessary for individual to pull their resources (capital, labour, management, expertise, etc.) together in order to reap income of scale.

In partnership, an agreement is required. Partnership agreement can either be written or oral or on contract between parties involved. Nevertheless, it is strongly advisable that partnership agreement be written to avoid any misunderstanding among member and for ease or reference. This agreement may set forth respective rights and obligations, determine the share of ownership for each partner and state how profits or losses will be appropriated.

4.3.2.1 Types of Partnership

Partnership in agribusiness can be divided into 2 categories:
1. General partnership
2. Limited partnership

General partnership: In this form of partnership, all the partners possess the right and power to act as agents on behalf of the partnership. They are also eligible to participate in the daily management and operations of the agribusiness. The partners also share all the liabilities of the business equally. One may find for example, a rice production enterprise in which some individuals put their funds together and still participate in the day to day running of the enterprises.

Limited partnership: in this form of partnership, the business is required to have at least one general partner who is responsible for the daily management and operations of the business. The participation of the other members of the partnership in the daily running of the business is usually on a limited basis. for example, in many instances, it is possible for find a partnership in which a fellow contributes the fund for a business and the other contributes the technical expertise as seen in some aquaculture production enterprises. In this arrangement, some partners may not bear the full legal liability of a general partner, even though they contribute the capital needed for the running of the business. Such partners are called limited partners. Technically speaking, the liabilities of a limited partner are liability is “limited” to the volume of funds he contributed to the business.

Advantages of Partnership

i. Partnership brings together more resources (human, capital etc.) than the sole proprietorship.
ii. Partnerships are less formal than companies. Relatively less administrative efforts and simpler accounting methods are required.
iii. Partnerships also require less legal rigor and compared to companies. The operations and registration of partnerships do not come with the high level of legal processes as in companies.
iv. Except in the case of written agreements, agribusiness partnerships can easily be review in the light of new developments
v. It benefits from the enormous talents of the individuals partners that are involved in the agribusiness.
vi. There is also greater access contacts, experience and knowledge. Each of the partners comes to the table with their different arrays of experience, knowledge and business contact, giving the business higher chances of success.
vii. They are very much motivated in nature than proprietorship in terms of good welfare scheme for the workers.
viii. Credit is more easily available, because all partners are personally liable for the debts of the partnership.
ix. Partnerships enjoy higher levels of privacy. Unlike companies which are required to make certain information about them public, partnerships enjoy a good degree of privacy.
x. In Partnership the partners only pay tax on the allocated shares, and no tax is paid in the business as a whole.
xi. Partnerships, owing to the number of partners and their experiences, knowledge and skills, have the advantage of making better decisions.
xii. Unlike the sole proprietor who will find it difficult to attract a partner, the general partnerships find it easy to admit new

partners. it is also possible for partnerships to to attract good staff to the business with the promise that they could become a partners

Disadvantages of Partnership

i. In a general partnership each partner is personally and unlimitedly liable for all the debts of the agribusiness firm.

ii. A limited partnership suffers the lack of both ready funds for business and talented people as compared to a corporation.

iii. There is a high likelihood of lack of instability and discontinuity of the partnership in a limited partnership. Factors like disagreements, lack of trust, and sometimes death can work against the stability and continuity of an agribusiness partnership arrangement.

iv. The size of the agribusiness firm is limited to the partners' resources, since the scale of securities in the markets is not possible as it would be with a corporate ownership.

v. There is the issue of unlimited liability. Since the partnership itself has no legal status, the partners are personally liable to any risk linked to the partnership. Any debts owed by the partnership are settled from the personal pockets of the individual partners. if the business runs into a serious debt, the properties of the partners may be at risk of being confiscated and sold to clear the debts. This risk is further exacerbated by the fact that one partner can commits other partners. For instance, a partner who undertakes a risky activity on behalf of the firm will eventually lead others into problems should the activity leads the firm into debts.

vi. Unlike the sole proprietorship who commands some prestige, a partnership lacks any sense of serious recognition.

vii. Because of its legal status, and its likelihood of instability, clients may prefer to deal with companies instead. Clients often want to minimize risk; hence, instead of dealing with organizations that have low stability status, they would rather prefer to deal with companies.

viii. While partnerships are more likely to raise more funds than sole proprietorship, their access to is constrained by their legal status. Banks and other lenders prefer to see more transparent accounting systems and a defined legal personality for firms, which partnerships lack because they are not legally required to have them.

ix. There are potentials for conflicts in partnerships. Sometimes, conflicts arise from how the reward of a particular activity should be distributed especially where some partners had put in considerably more efforts than others. There is also the possible of some partners desiring to have the final say on all matters.

There is also a position of conflict in the aspect of what direction partners would want the partnership to take.

x. As opposed to a sole proprietorship, the partners in any partnership arrangement suffer from the loss of autonomy, and may find ideas which the feel are the best for the firm jettisoned by other partners.

xi. Unlike sole proprietorship in which the owner can unilaterally decide to retain some of its profits, partnerships will have to share their profits if one of them is against it.

xii. The process of decision making in a partnership is usually slower than that of sole proprietorship because of the need to have every member make their inputs. This can lead to time lose. In agribusinesses, where a lot of activities are time sensitive, a delay in taking decisions can have damaging consequences.

xiii. The developments of partnerships are constrained by a plethora of issues, some of which have been outlined. For Example, the limitation place on its access to funds, can limits its desire for expansion. Individual differences and the consequential conflicts can also hinder the progress of partnerships. The lack of personal legal status by the partnership also constrains it from making progress. For instance, it is impossible for it to acquire asset, and it suffers from the loss of those clients who would want to do business with organizations that have legal personalities.

4.3.3 Limited Company (Company Farming)

Most Nigerian farmers are either operating as soil proprietorships or in partnership. Company status has not been used to a large extent in farming as in other business due to a natural reluctance of farmers and other agribusiness operators to load themselves with extra administrative burden. However, company farming is growing in popularity for large farms. Here a few or many individuals may group themselves to carry out farming with the same rights and duties as an individual person. These individuals follow legal procedures to incorporate their companies and raise resources. The resources are in form of stocks and shares. While the stocks and shares belong to the individuals, the assets belong to the company.

The form of organization that embodies these attributes is the corporation which is limited by shares that individual contribute and hence the name Limited Liability Company. According to Hayes (2020) "a limited company (LC) is a general form of incorporation that limits the amount of liability undertaken by the company's shareholders. It refers to a legal structure that ensures that the liability of company members or subscribers is limited to their stake in the company by way of investments or commitments. In a legal sense, a limited company is a person".

A limited company (corporation) is therefore a "body authorized by law as a private person and legally endowed with various rights and duties", among them to receiving, own and transfer property to make contracts, and to sue and be sued. (Webster Dictionary, 1970).

A limited company can raise large amount of capital outlay for the faming business by selling stocks or shares of ownership to investors. The accumulation of these capital resources provides opportunities for the shareholders who are essentially the owners of the company to make profit (dividends) if it succeeds.

4.3.3.1 Types of Limited Liability Companies

There are two types of limited liability companies. These are:

- private companies
- public companies

Their differences are as follows:

1. In Nigeria, the maximum number of members in a private company is 50, whereas there is no limit to the number of members in a public company, although the minimum is 50 members.
2. A public company is listed on a stock exchange and while a private company is held privately by members.
3. While a public company is required to have up to 5 directors, a private company can have 1 director.
4. While a public company can invite the general public to subscribe to her shares private limited liability company cannot.

Legal Processes for Registering a Company

The establishment of a corporation is undertaken by following certain legal processes and meeting requirements that are more cumbersome than those of sole proprietorship and partnerships. Some of the requirements for the establishment of a corporation are

1. Articles of incorporation.
2. By-laws
3. Stock certificates

Articles of incorporation: These are a set of official documents that need to be submitted to the government (in agency responsible for the registration of a company in order to legally documents the creation of a corporation. these usually contain essential information such as the name of the company, its physical address, the amount and type of stock to be issued, among others (Kenton, 2020). in Nigeria, anyone who intends to register a company will have to approach the Cooperate Affairs Commission the government agencies registration of companies in Nigeria.

Bye-Laws: these are set of rules made by a company to regulate and control the activities of its members. These rules are set by shareholders within the limited permitted by higher authorities or regulations. Hence, while the owners of company in Nigeria can see their rules, the rules must not violate the constitution or the regulations guiding the establishment of companies or any legal guidelines.

Stock certificates: these are documents that indicate (as evidence) the number of shares owned by individuals in a company.

As earlier stated, shares/stock are raised to start and run a company. it is important to mention the meaning of these terms in passing.

Stocks/Shares: the two terms are used interchangeably to mean financial equities or securities that denote the ownership of a company. If you own a stock or shares in a company, you are one of the owners of that company. More technically however, stock(s) refers to part ownership of one (or more) company(ies) while shares ownership refers to ownership of a company. So, one who owns a stock in a company has shares in that company. If he has stocks, it means he has shares in some companies. So, one who has 3 stocks, has shares in 3 companies.

Following this logic, the ownership of companies is via the buying of shares from that company. Doing this gives you a stock in that company. Shares of stock are sold to members of public who are interested in becoming parts of the ownership of the corporation.

Types of shares

The types of shares include

1. Common shares
2. Preferred shares

Common shares: owners of common shares are the ones that have the voting rights, and so, determine the future on a company. The common shares are the most common to hold and the holders are usually in the majority. These shares have the biggest potentials for long term investments. The profits are not fixed: they vary with the performance of the company, and are also not guaranteed.

Preferred shares: the owners of preferred shares have no voting right and so cannot decide on the future of the company. Their dividends are fixed and guaranteed in perpetuity. These shareholders are the first in line in dividend sharing and in the sharing of company assets in the event of liquidation of the company.

Advantages of Limited Liability Companies

i. The main advantage of a limited liability company (e.g. corporate farm) is its limited liability. This feature guarantees that shareholders are liable for damages only on the extent of their shareholders.
ii. Limited liability company have unlimited lifespan. This allows farm firms to make long -range plans and thus can recruit, train and motivate the best talent.
iii. An investment in a publicly held company is liquid that is, can easily be converted to cash, be being bought and sold on stock exchange. This liquidity ensures them to raise far larger sums than other form of agribusiness organization.
iv. Shares are easily transferable. Owners of shares can easily transfer them to others by trading them on the stock market, while interested members of the public can easily acquire them on the same platform.
v. For a private limited liability company, the risk of takeover is low, since it is restricted to 50 persons.
vi. A limited liability company has a legal personality. This gives it an edge over sole proprietorship and partnership as regards ability to raise funds, and patronage.
vii. In Nigeria, the Company and Allied Matters Act (CAMA) requires at just 1 director for any private limited liability company. This implies a great deal of powers for the director, and the attendant freedom as against issues earlier noted for partnerships.

Disadvantages of Limited Liability Companies

i The most serious disadvantages lie on the regulation requiring limited company to publicly disclosed its finances and certain corporate operations. Disclosing the company’s profits margin increase its vulnerability to an unpleasant competition.
ii There is a plethora of legality and complies formalities that an incorporated company must meet. These, according to Fred-young and Evans (2019) include holding of board meetings, general meetings, getting the accounts audited, maintenance of statutory register and filing of annual return with the Companies Registry each year. There is also the need to comply with tax and labor laws.
iii The restriction placed on the trading of her shares make it difficult for a private limited liability company to raise funds for expansion or for engagement in other promising endeavors.

Self -Assessment Exercise

1: Outline the disadvantages of Limited Liability Companies.

4.3.4 Agribusiness Cooperatives

Cooperatives associations are non-profit organizations formed to provide goods and services to members. A cooperative society is a business organization in which members pool their resources together to achieve common economic goal. Agribusiness cooperatives seek to make profits for her members. Such cooperatives arise due to number of issues. The Nigeria small-scale farmers (agribusiness men) like their counter parts in other developing countries of the world, face a number of problems. These range from the use of crude and outdated tools and techniques of production to lack of access to markets. Others include the issue of fragmented and small size of holdings, low income, low yielding crop varieties and livestock, breeds, lack of production and consumption credit as well as fund mobilization. Another problem is the low level of access to viable extension services which is supposed to provide education, new ideas and new methods of agricultural production, processing, marketing and management.

These problems put together have constrained the optimization of Nigerian agriculture leading to low production, inefficiency of resources use (low productivity and resource wastage). The final results is a poor agricultural sector, low contribution to total Gross Domestic Product (GDP), low contribution to foreign exchange earnings, among others.

To escape poverty and optimal use of agricultural resources, agricultural value chain participants engage in cooperatives as a form of business organization. Cooperation developed as a useful instrument for promoting the interest of those who voluntarily come together to solve most of the problems outlined above and enhance their own individual welfare.

Nature of Agricultural cooperatives

Depending on the type of agribusiness venture being carried out, co-operatives can be classified as “Producer”, “Consumer” or “Credit Cooperation”.

a. Producer Cooperatives

These include those formed by participants engaged with the primary production. Examples may include livestock cooperatives, crops production cooperatives spread all over the country, and fisheries cooperatives which are spread in the riverine areas of Cross River, Akwa Ibom, Delta, Rivers, Bayelsa and Lagos states.

b. Consumer cooperatives

Consumer cooperatives take care of the processing, marketing and distribution of agricultural products produced by member. They also grant loans to member to facilitate their processing. Such cooperatives vary among the states of the Federation including those for Cocoa in the Western states, palm produce and rubber in the Eastern and southern states and grains in the Northern states of Nigeria.

c. Agricultural credit cooperatives

These are associations that are formed for the purposes of thrift and credits. They borrow funds from other financial institutions for onward-lending to member and also provide saving facilities.

d. Farmers multipurpose cooperatives

As the name implies they offer two or more services to those involved in it. Most multipurpose cooperatives assist farmers to obtain improved inputs and serve also as village banks, while others combine production with marketing and processing of agricultural produce. The growth of cooperatives in Nigerian agriculture has been encouraged by favourable government policies designed to help individual farmers help themselves. Therefore government rarely interferes in their activities. What government does however is provide the new ones with subsidies, tax exemption and matching grants for infrastructural development as well as enact legislation that gives them their legal status.

Importance of agricultural cooperatives

The following are some of the importance of agricultural cooperatives to members.

i. The educational programmes of cooperative societies can be used as means of extending and introducing improved technologies to member. Cooperatives in agriculture have the objective of educating members. This helps members to access useful information. Cooperatives can also easily approach extension agencies to help organize trainings in production, management and marketing, etc., for her members.

ii. Cooperatives can also serve as important channels for marketing the products of members (Osuntogan, 1980). Cooperatives are able pool their resources together to create a link with viable markets so her members can sell their products. This has been demonstrated for many commodities like Soya beans, and Cassava, where cooperative members are able to harness their outputs to meet up the industrial demands by certain agro-processing companies.

iii. Cooperatives can also assist members acquire of inputs like seeds, fertilizers and farming equipment at reduced cost.
iv. Agricultural value chain participants have the opportunities to receive credits at lower cost through their cooperative societies as well as drive other benefit of large scale operation in production, marketing, credit and input purchases.
v. Agricultural cooperatives also have the opportunities of being considered for grants. Many grants offering organizations like the governments and international aid agencies prefer to deal with agricultural participants as a group, and cooperatives offers a way of grouping agricultural participants with the same goal. This thus makes it easier for agricultural participants to access the much needed grants for the expansion of their agribusiness.

Advantages of agribusiness cooperatives

1. The cooperative offers opportunities to resource poor members to excel. A member of a cooperative is able to achieve through the cooperative, what he would not have been able achieves alone. The cooperative is thus an avenue to achieve our objectives by using collective resources.
2. The cooperative offers an opportunity for the cross fertilization of ideas. Members of a cooperative have an opportunity of learning from one another through the sharing of ideas.
3. Beyond the business goal, members of cooperatives enjoy the collective and individual good will of the cooperative and the members at needy moments. The cooperative as a group and her members usually rally round their members during moments of joy, griefs and ceremonies.

Cooperatives do not require long legal procedures to be formed, hence are easy to establish.

Disadvantages of cooperatives

1. Cooperatives are likely to suffer from lack of trust for certain members. Since trust is a key ingredient in the formation of cooperatives, the absence of it poses serious threat to the continued existence of the organization.
2. There also the issue loss of autonomy. A single member cannot decide on the course of action for the cooperative. This is unlike the case of the sole proprietorship where the owner makes all the decisions and determines the course of events and progress for the organization. The lack of autonomy in a cooperative may lead to the non-adoption of a workable idea proposed by a single member.

3. There are bound to be delays in the decision making process since members need to be consulted on matters for decisions to be reached.
4. Quarrels, disagreements are highly likely in cooperatives, especially when and where selfish interests and ambitions take begin to take the center stage.

Self -Assessment Exercise

2: Differentiate between articles of incorporation and bye-laws.

4.4 Conclusion

There exist a number of options to consider in the choice of an agribusiness organization. These options have their respective characteristics, merits and demerits, which need to be carefully considered.

4.5 Summary

In this unit, we have learnt about characteristics, merits and demerits of

- sole-Proprietorship,
- partnership
- limited liability companies
- agribusiness cooperatives

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4.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: Disadvantages of Limited Liability Companies are:

i. The most serious disadvantages lies on the regulation requiring limited company to publicly disclosed its finances and certain corporate operations. Disclosing the company's profits margin increase its vulnerability to an unpleasant competition.
ii. There is a plethora of legality and complies formalities that an incorporated company must meet. These, according to Fred-young and Evans (2019) include holding of board meetings, general meetings, getting the accounts audited, maintenance of statutory register and filing of annual return with the Companies Registry each year. There is also the need to comply with tax and labor laws.
iii. The restriction placed on the trading of her shares make it difficult for a private limited liability company to raise funds for expansion or for engagement in other promising endeavors.

Self -Assessment Exercise

2: Differentiate between articles of incorporation and bye-laws.

Answer:

Articles of incorporation: These are a set of official documents that need to be submitted to the government (in agency responsible for the registration of a company in order to legally documents the creation of a corporation. these usually contain essential information such as the name of the company, its physical address, the amount and type of stock to be issued, among others (Kenton, 2020). in Nigeria, anyone who intends to register a company will have to approach the Cooperate Affairs Commission the government agencies registration of companies in Nigeria.

Bye-Laws: these are set of rules made by a company to regulate and control the activities of its members. These rules are set by shareholders within the limited permitted by higher authorities or regulations. Hence, while the owners of company in Nigeria can se their rules, the rules must not violate the constitution or the regulations guiding the establishment of companies or any legal guidelines.

MODULE 4 ENTERPRISE SELECTION

Unit 1 The Meaning of an Agribusiness Enterprise
Unit 2 Agribusiness Enterprises in Nigeria
Unit 3 Agribusiness Enterprise Selection Steps
Unit 4 Factors to Consider in the Selection of an Agribusiness (e.g. a Crop) Enterprise

UNIT 1 THE MEANING OF AN AGRIBUSINESS ENTERPRISE

Unit Structure

1.1 Introduction
1.2 Learning Outcomes
1.3 Main Content
 1.3. 1: The Meaning of an Agribusiness Enterprise
1.4 Conclusion
1.5 Summary
1.6 References/Further Readings/Web Resources
1.7 Possible Answers to Self -Assessment Exercises

1.1 Introduction

Dear students, I welcome you to Unit 1 of Module 4 of this Course AEM 509 Principles of Agricultural Business Management. In the last unit we learnt and noted that there exist a number of options to consider in the choice of an agribusiness organization. These options have their respective characteristics, merits and demerits, which need to be carefully considered.

What makes an enterprise an agribusiness enterprise? And what range may agribusiness enterprises cover? These are the issues addresses in this unit.

1.2 Learning Outcomes

By the end of this unit, you should be able to:

- The meaning of an agribusiness enterprise
- The domains of agribusiness enterprises.

1.3 Main Content

1.3. 1 Meaning of an Agribusiness Enterprise

An enterprise in agricultural sector is any agribusiness unit that combines resources to achieve its objective(s). An agribusiness enterprise can be defined as a firm, owned and operated by a single person (sole-proprietorship) or group of people (partnership), engaged in agric-related business (Abass, 2013). It may also be at the level of corporation and cooperatives.

In Nigeria, Agribusiness is being viewed as a vital segment of the economic. This follows from the role of agriculture as the dominant sector of the economy and a significant contributor to rural economy and prosperity. Agribusiness remains important in terms of provision of employment, poverty alleviation, and export earnings.

An agribusiness enterprise could be a unit engaged in the production of inputs/machinery, a particular crop, livestock and processing any raw resources to consumable goods. At this point, a rationale individual will face the question of what to produce as any business operates in a changing and dynamic society, which opportunities as well as goals change over time making periodic reassessment and adjustments in the business necessary Ebong (2007) and Kay (1986).

However, Klonsky (2011) in his farm management series maintained that the selection of enterprises is critical in determining whether or not the goals will be met through farming or agro-related activity.

Self -Assessment Exercise

1. Agribusiness is a vital segment of the economy in Nigeria. Discuss.
2. What is an agribusiness enterprise?

1.4 Conclusion

An agribusiness enterprise may be seen as any agriculture-related venture. It may be owned by an individual or a group of persons, and exist with a wide domain of agriculture-related businesses; and is recognized as an important sector of the Nigerian economy.

1.5 Summary

In this section, we have learnt:

- that an agribusiness enterprise may be any business interest related to agriculture- with in the production segment or the services/support and value addition segments
- the position of agribusiness enterprises to the Nigerian economy

1.6 References/Further Readings/Web Resources

Abbas, S (2013). What is an Agribusiness Enterprise?. https://www.agribusiness.com.pk/what-is-an-agribusiness-enterprise/ accessed January 12, 2022

Oliver, R (2003). Development of Agribusiness Enterprises ISBN: 92-833-7018-X. https://www.apo-tokyo.org/00e-books/AG-09_DevAgriBusiness/AG-09_DevAgriBusiness.pdf. Retrieved 12th January 2022.

https://www.ksre.k state.edu/kams/succession/financial/Agricultural_Business_Structures.pdf

1.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: Agribusiness is a vital segment of the economy in Nigeria. Discuss.

Answer:

This follows from the role of agriculture as the dominant sector of the economy and a significant contributor to rural economy and prosperity. Agribusiness remains important in terms of provision of employment, poverty alleviation, and export earnings.

2. **An enterprise in agricultural** sector is any agribusiness unit that combines resources to achieve its objective(s). An agribusiness enterprise can be defined as a firm, owned and operated by a single person (sole-proprietorship) or group of people (partnership), engaged in agric-related business (Abass, 2013). It may also be at the level of corporation and cooperatives.

UNIT 2 AGRIBUSINESS ENTERPRISES IN NIGERIA

Unit Structure

2.1 Introduction
2.2 Learning Outcomes
2.3 Main Content
 2.3.1 Categories of Agribusiness Enterprises in Nigeria
 2.3.2 Some Agribusiness Enterprises in Nigeria
2.4 Conclusion
2.5 Summary
2.6 References/Further Readings/Web Resources
2.7 Possible Answers to Self -Assessment Exercises

2.1 Introduction

Dear students, I welcome you to Unit 2 of Module 4 of this Course AEM 509 Principles of Agricultural Business Management. In the last unit we learnt and noted that an agribusiness enterprise may be seen as any agriculture-related venture. It may be owned by an individual or a group of persons, and exist with a wide domain of agriculture-related businesses; and is recognized as an important sector of the Nigerian economy.

From the inputs sector, through the production sector to the post production sectors exist a plethora of conceivable agribusiness enterprises from which selection can be made. These enterprises will be identified in this section.

2.2 Learning Outcomes

By the end of this unit, you should be able to::

- The categories of agribusiness enterprises, and
- Some agribusiness enterprises in Nigeria.

2.3 Main Content

2.3.1 Categories of Agribusiness Enterprises in Nigeria

Agribusiness enterprises may also be viewed broadly from two perspectives namely

- **those that own and operate farm:**These are those involved in the production of crops, animals and fish for human consumption
- **those that provide essential goods and services to these farms and on their output**. These are those involved with farm inputs and services as well as those involved with the valued addition to the products from the farms. In the former category, we have suppliers of inputs like machinery, equipment, seed, chemicals, feed, etc., as well as financiers and consultants. In the latter categories are processors, financiers, marketers, transporters, etc.

Each enterprise in any of the above categories agribusiness may be small or large scale.

2.3.2 Some Agribusiness Enterprises in Nigeria

Available agribusiness enterprise options in Nigeria may include that are involved with the following from the inputs sector, through the production sector to the post production sectors exists a plethora of conceivable agribusiness enterprises from which selection can be made.

The following are some agribusiness enterprises opportunities in Nigeria

i. Agric input production, and supply (eg supply of seeds, agrochemicals etc.),
ii. Agri-equipment/machinery manufacturing, supply and maintenance ,
iii. Arable crop production (eg production of cassava, yam, soybeans, corn, wheat, groundnut, melon, etc.),
iv. Permanent crop production (production of cocoa, rubber, oil palm, etc),
v. Fruits and vegetable production (eg. production of leafy vegetables, water melon, etc),
vi. Agric produce processors, (e.g. processing of pap, smoking of fish, production of garri etc.),
vii. Agric-produce exportation,
viii. Extraction (eg. of pulp, gum Arabic, rubber sap etc.),
ix. Production/extraction of juice (mango juice, orange juice etc.),
x. Retailing of agric-produce,
xi. wholesales of agricultural produce,
xii. Livestock production,
xiii. Operation of butcheries, slaughter houses,
xiv. Processing of milk,
xv. Tractor hiring,
xvi. Agricultural consultancy,
xvii. Extension services,
xviii. Veterinary services, and
xix. Financial services, among others

Self -Assessment Exercise

1: List any five agribusiness supplies. 2.Mention any 4 examples of arable crops.

2.4 Conclusion

We have noted the various conceivable units of agribusiness units available from the inputs sector, through the production sector to the post production sectors and their broad categories

2.5 Summary

In this section, we have learnt:

- the different categories agribusiness enterprises in the Nigerian economy, and
- the various conceivable agribusiness enterprises in Nigeria

2.6 References/Further Readings/Web Resources

Abbas, S. (2013). What is an Agribusiness Enterprise?. https://www.agribusiness.com.pk/what-is-an-agribusiness-enterprise/. Retrieved 12th January 2022

Oliver, R (2003). Development of Agribusiness Enterprises ISBN: 92-833-7018-X. https://www.apo-tokyo.org/00e-books/AG-09_DevAgriBusiness/AG-09_DevAgriBusiness.pdf. Retrieved 12th January 2022.

Strasser, K *(2022)*. What are the Different Types of Agribusiness Companies?

https://www.infobloom.com/what-are-the-different-types-of-agribusiness-companies.htm

2.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: List any five agribusiness supplies.

Answer:

- Agribusiness supplies include inputs like machinery, equipment, seed, chemicals, feed, etc., as well as financiers and consultants. In the latter categories are processors, financiers, marketers, transporters, etc.

2. Arable crops include: cassava, yam, soybeans, corn, wheat, groundnut, melon.

UNIT 3 AGRIBUSINESS ENTERPRISE SELECTION STEPS

Unit Structure

3.1 Introduction

Dear students, I welcome you to Unit 3 of Module 4 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt and noted the various conceivable units of agribusiness units available from the inputs sector, through the production sector to the post production sectors and their broad categories.

Before committing one's resources (funds, time and energy) into a venture, it is important that an individual or a group of individuals carefully follows some steps. These steps will be treated in this unit.

3.2 Learning Outcomes

By the end of this unit, you should be able to:

- various steps that one needs to follow to select an agribusiness enterprise.

3.3 Agribusiness Enterprise Selection Steps

When the question of what enterprise to select occurs, is necessary for the individual to be guided by steps required to engage in enterprise selection process. The steps include the following:

3.3. 1 Setting of Goals: Every individual has his or her own view of goals. These goals need to be more specific and action-oriented. Furthermore, these goals should be measurable in some way and have a time frame associated with them. When writing down your goals, also write down the time frame and ways you can measure their achievement. This will help in evaluating the success of your business and in developing an implementation plan. The following is a list of questions that can be used to help develop your list of goals:

- Is your primary reason for farming to maximize income, to have a rural lifestyle, to provide income for family members, or other?
- What other activities are you involved in, and what are the priorities of these activities relative to the farm business?
- Do you want to devote full-time effort to the agribusiness enterprise or you would prefer to run the enterprise on the basis of part-time?
- How much are you willing to be restricted by time and capital demands of your farm business?
- Do you want to eventually transfer the ownership of the farm to a partner or family member?
- Is income from the farm and/or sale of the farm an important part of your retirement plan? What is the desired period between initial investment and cash returns? Do you want to learn new skills through self-study or formal training?

3.3. 2 Establish an Inventory of your Resources: The availability of resources will ultimately limit your choice of enterprises simply because the resource requirements among enterprises vary. A list of resources typically includes

- land,
- labor
- capital
- management

3.3. 3 Consider access to markets. This is the most commonly overlooked factor in the enterprise selection process. But in fact, it can be your most limiting constraint. Simply because you can produce/grow/process something does not mean you can sell it. And just because you can sell a product does not mean that it will be profitable. A third possibility is that you will be able to sell a product at a money making price but that you will only be able to sell a limited amount of the product; that is, less than the total amount that you are able to produce. Consider your market potential carefully. If it is a product that has never been tried before in your area plan to take several years to get established.

3.3. 4 Cash flow/resources issues. Be realistic about your cash flow situation and plan accordingly. For each of the areas in which you might need to expend resources, create a list of the resources available. This will be compared later to the resources required by the enterprise you are considering. A written list will enable you to easily check off the requirements on the enterprise resource requirement list later on.

3.3. 5 Develop a List of Possible Enterprises. After identifying your goals and resources, markets and markets, develop a list of possible enterprises. The following set of questions should help.

- Which enterprises are predominant in your area?
- Are there enterprises which interest you that have been successful in other areas in similar soil and climate conditions (i.e., enterprises that have potential in your area but have not yet been established)?
- What crops or livestock have been raised on your land in the past?
- Which are the enterprise types with which you feel more personally compatible: livestock, field crops, orchard crops, small fruits, vegetables, ornamentals, growing transplants, raising seed?

3.3.6 Determine Which Enterprises Are Compatible With Your Resources. Carefully evaluate the potential for each of the enterprises on your list. This can be done by systematically comparing the resource needs for each enterprise to the resources available. Determining the resource requirements for each enterprise will probably require a good deal of homework. A good place to start is by talking to other growers in your area or elsewhere about their experience with the enterprise you are considering. Your state agricultural extension agent in your area is also a good place to start.

To the extent possible, answer the above raised questions for each enterprise, and check for compatibility to your resources as you go along. Also make note if the resources are not available but are obtainable should the enterprise be selected. To the extent possible, answer the above raised questions for each enterprise, and check for compatibility to your resources as you go along. Also make note if the resources are not available but are obtainable should the enterprise be selected.

Self -Assessment Exercise

1: Explain the importance of market access in enterprise selection.
2.How do you develop your setting of goals?

3.4 Conclusion

In order to select an enterprise to invest in one mush carefully follow some steps. These steps are meant to guide the investor into an enterprise compatible with reality of his goals, and resources.

3.5 Summary

In this section, we have noted that in order to select an enterprise, one must have to:

- set goals
- establish an inventory of resources
- note availability of resources
- note cash flow issues
- draw a list of possible enterprises and
- select that one that is compatible with his resources/

3.6 References/Further Readings/Web Resources

Ebong, V. O. (2007). Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers.

Kay, R. D. (1986). Farm management planning, Control and implementation. Second Edition. McGRAW-HILL Book Company. Pp 43 – 106.

Klonsky, K. (2011). Family Farm Series Publications: Farm Management. http://sfp.ucdavis.edu/Pubs/Family_Farm_Series/Farmmanage/considerations.html#topRetrieved 7th August 2011.

3.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: Explain the importance of market access in enterprise selection.

Answer:

Access to markets. This is the most commonly overlooked factor in the enterprise selection process. But in fact, it can be your most limiting constraint. Simply because you can produce/grow/process something does not mean you can sell it. And just because you can sell a product does not mean that it will be profitable. A third possibility is that you will be able to sell a product at a money making price but that you will only be able to sell a limited amount of the product; that is, less than the total amount that you are able to produce. Consider your market potential carefully. If it is a product that has never been tried before in your area plan to take several years to get established.

2.The following is a list of questions that can be used to help develop your list of goals:

- Is your primary reason for farming to maximize income, to have a rural lifestyle, to provide income for family members, or other?
- What other activities are you involved in, and what are the priorities of these activities relative to the farm business?
- Do you want to devote full-time effort to the agribusiness enterprise or you would prefer to run the enterprise on the basis of part-time?
- How much are you willing to be restricted by time and capital demands of your farm business?
- Do you want to eventually transfer the ownership of the farm to a partner or family member?
- Is income from the farm and/or sale of the farm an important part of your retirement plan? What is the desired period between initial investment and cash returns? Do you want to learn new skills through self-study or formal training?

UNIT 4 FACTORS TO CONSIDER IN THE SELECTION OF AN AGRIBUSINESS ENTERPRISE (E.G., A CROP)

Unit Structure

4.1 Introduction

Dear students, I welcome you to Unit 3 of Module 4 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt and noted that in order to select an enterprise to invest in one mush carefully follow some steps. These steps are meant to guide the investor into an enterprise compatible with reality of his goals, and resources.

Agriculture may be influenced by natural elements such as geographical location and climatic conditions as well as socio-economic and institutional factors (Oliver, 2003). This is true of the Nigerian agriculture. In addition, there are the influences of demand and supply as well as the international trade factors.

The plethora of factors influencing agribusiness in Nigeria makes it important for anyone contemplating an enterprise to carefully consider the options available and be well guided in establishing any. When the enterprise concerns crop production, attention must be given to other factors such as land, climate, access to information, management skills, and markets, and labour.

4.2 Learning Outcomes

By the end of this unit, you should be able to:

- State environmental factors affecting a crop enterprise
- List the technical factors affecting a crop enterprise
- Identify the organizational factors affecting a crop enterprise
- Classify the economic factors affecting a crop enterprise.

4.3 Main Content

4.3.1 Environmental factors affecting a Crop Enterprise

The environmental factors and questions that need to be answered about them before selecting a crop enterprise are discuses below:

4.3.1.1 Land. Consideration must be given to the type of land required for the crop enterprise. The following questions need to be asked and answered:

- How much land do you have available?
- What is the physical profile and topography of the land?
- What is the soil texture, drainage capability and nutrient levels?
- Which types of weeds are growing on the soil?
- Which other crops have been grown on the land
- What is known about variety adaptability in your area?
- What are the effects of spacing on yield and quality?
- What is your personal experience with the crop?
- What is the research base for the crop under consideration? Where else is the crop grown?
- Is acreage increasing or decreasing?

4.3.1.2 Climate: On the climatic condition, one will have to ask the following questions

- What is the average rainfall in your area and when are the rainy periods?
- When are the first and last frost dates and how much have the actual dates varied historically?
- What are the high and low temperatures for your area and when do they occur?
- What is the average daily temperature?
- What is the day/night temperature variation?
- What is the direction and strength of winds?

4.3.1.3 Irrigation Water. The following questions might be expedients on irrigation water.

- Where does your water come from and what is its cost?
- What is the water quality?
- Do you have water rights?
- Are you within an irrigation district?
- When is irrigation water available to you and in what amount?
- What type of irrigation system do you have?
- What are the differences in cost and efficiencies for alternative systems?

4.3.2 Technical Factors Affecting a Crop Enterprise

The following technical factors and related questions that need to be answered about them before selecting a crop enterprise:

4.3.2.1 Farm Structures: The questions to ask with respect to farm structures include:

- What type of buildings do you have on the property and what is their condition?
- Do you have structurally sound fences?
- If you feel you need additional buildings or fences, have you checked the cost of constructing them?

4.3.2.2 Machinery and Equipment: there is the need to have the following question answered as far as machinery and equipment are concerned.

- What type of farm power machinery do you have?
- What farm implements do you have?
- What is your transportation equipment: truck, pick-up, or trailer?
- What is the capacity and efficiency of the equipment?
- Have you considered leasing/renting some equipment?
- What are the possibilities of contracting equipment operators in your area?

4.3.2.3 Labor Factors: necessary questions to be answered concerning labour include.

- what level of skilled and unskilled labour do you need?
- What are your labor needs on a monthly basis?
- Are you planning to use mostly family or mostly hired labor?
- Have you checked out the regulations of the Labor Law?
- Have you considered the opportunity cost of using your own labor?
-

4.3.3 Organizational factors affecting a Crop Enterprise

Below are some organizational factors that can affect agribusiness enterprises and what to consider about them.

4.3.3.1 Management. Concerning management, we should want to answer the following questions:

- Management skills: record keeping, personnel management, budgeting, familiarity with tax and other relevant laws - do you consider these to be adequate?
- What are your mechanical skills?
- Which are your knowledge strong points: plant physiology, animal health, pest management, greenhouse production, etc.?
- Would you prefer handling a diversified farm or would you prefer one or two major enterprises?

4.3.3.2 Information Access: in this regard, the following questions need to be raised.

- Are you familiar with the agricultural information delivery systems?
- Are you able to access the resources of these systems?
- Is sufficient information available for the enterprises in which you are interested? Are you willing to learn new skills if they are required?

4.3.4 Economic factors affecting a Crop Enterprise

The following economic factors need to be considered in view of the questions raised.

4.3.4.1 Finance: on financial considerations, the following questions are pertinent.

- How much capital are you willing/able to invest?
- Are you able or willing to borrow capital?
- What are the credit options?
- What is your cash flow situation?
- Is a high rate of return on your investment important to you?
- Are you willing to consider risky enterprises?

4.3.4.2 Marketing Factors: questions in this regards include:

- Do you have a preferred marketing method, say; Broker, retailer, direct (roadside stand, farmers market, U-pick), cooperative, contract with processor?
- What is your proximity to various potential markets?

- Have you contacted potential markets for their advice on crop selection?
- How much time are you willing to spend marketing your products?
- Do you have cooling facilities for perishable products? Are you familiar with marketing regulations for the enterprises you are considering?

Self -Assessment Exercise

1. Mention any 4 management skills in agribusiness.
2.Give 5 examples of management skills.

4.4 Conclusions

In order not to fail in a crop venture; an agribusiness enterprise owner interested in crop production must give heeds to certain questions concerning the climatic environmental factors, as well as technical, organizational and economic factors.

4.5 Summary

In this section, relevant questions on the compatibility of environmental, technical, organizational, and economic factors with an agribusiness enterprise were treated. Specifically, we learnt that important issues to consider if an agribusiness enterprise is to succeed include.

- the suitability of land, and climatic condition
- the type of machinery, housing, and labour required,
- the management requirement, as well as the information need, and
- the financial and market considerations.

4.6 References/Further Readings/Web Resources

Abbas, S. (2013). What is an Agribusiness Enterprise?. https://www.agribusiness.com.pk/what-is-an-agribusiness-enterprise/. Retrieved January 5th 2022

Ebong, V. O. (2007). Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers.

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4.6Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: Mention any 4 management skills in agribusiness.

Answer:
Management skills: record keeping, personnel management, budgeting, familiarity with tax and other relevant laws.

2. Management skills: record keeping, personnel management, budgeting, familiarity with tax and other relevant laws - do you consider these to be adequate?

MODULE 5 AGRIBUSINESS MANAGEMENT INFORMATION AND DECISION MAKING

Unit 1	Agribusiness Management Information
Unit 2	Farm Management Decision:
Unit 3	The Agribusiness Management Decision Making Procedure
Unit 4	Tools for Agribusiness Decision Making

UNIT 1 AGRIBUSINESS MANAGEMENT INFORMATION

Unit Structure

1.1 Introduction
1.2 Learning Outcomes
1.3 Main Content
    1.3. 1 Link between Information and Agribusiness Decision
    1.3.2 Importance of Information in Agribusiness Management
    1.3.3 Qualities of Useful Agribusiness Information
    1.3.4 Sources of Agribusiness Information
1.4 Conclusion
1.5 Summary
2.7 References/Further Readings/Web Resources
2.8 Possible Answers to Self -Assessment Exercises

1.1 INTRODUCTION

Dear students, I welcome you to Unit 1 of Module 5 of this Course AEM509 Principles of Agricultural Business Management. In the last unit of Module 4, we learnt and noted that in order not to fail in a crop venture; an agribusiness enterprise owner interested in crop production must give heeds to certain questions concerning the climatic environmental factors, as well as technical, organizational and economic factors.

Management is essentially a decision-making business. But the ingredient for decision making is correct and reliable information. This unit deals with how decision making in agribusiness management needs to be based on germane information.

1.2 Learning Outcomes

By the end of this unit, you should be able to:

- Relationship between information and agribusiness decision,
- Importance of information in agribusiness management,
- Qualities of useful agribusiness information. And
- Sources of agribusiness information.

1.3 Main Content

1.3.1 Link between Information and Agribusiness Decision

Business Management is essentially about decision-making, and relies on useful information. Information/data are facts which alongside their implications that are likely to help producers, traders, and consumers in decision making (Broadway and Broadway, 2002). Information is an important variable in the day-to-day management of any agribusiness organization. Information/data are thus important because they are the key variables in decision-making. The decision-making process is a mental exercise that relies on facts.

Decisions relevant to the agribusiness including those related to the internal affair of the business and those of the business environment need to be made, and sometimes, made quickly, especially in an ever dynamic world, if an agribusiness is to succeed. Information is needed for decisions on the following.

i. Planning: in order to plan for production, procurements, processing, and marketing, it is important to be up to date on key variables. Some of these variables include those of prices, market situation. Such information is helpful in making projections and adopting relevant strategies.
ii. Procurement: information on prices across different markets is useful in making procurement decisions. The goal here is to identify the firms from which one can obtain certain inputs at the cheapest price. The timing of the procurement is also a relevant decision information variable.
iii. Production: the input combination needed for a production process, what to product, how to produce them, and for whom to produce, are key decisions for which information is needed. Information is also needed for decisions on the time to produce. This may be related to the weather or the market. For instance, a crop farmer will have to rely on relevant information on rainfall

from the weather agency to plant his crop. In another way, the broiler producer may target a particular occasion.

iv. Marketing: the market to target, what volume of produce to take to the market, price information, the strategy to deploy, feedback from consumers, among others, are some decisions that need to be taken based on reliable information.

v. Expansion: decisions on expansion need to be made at a point. Such decisions are dependent on a number of factors for which information must be sought. Some of the information will be demand for the commodity in other locations, competition, available resources, available sources/volume of inputs and, many others, are key variables in the expansion decisions for which information must be sought.

1.3.2 The Importance of Information in Agribusiness Management

1. Price information is useful in the optimization of objectives (profit maximization through cost minimization or output maximization).
2. Market information, as well as feedbacks, is useful in sales management and customer relations.
3. Pieces of information on macroeconomic variables and developments are needed by agribusinesses to stay viable.
4. Information on completion are also useful in developing market retention and expansion strategies
5. Financial information is useful in determining credit options

1.3.3 Qualities of Useful Agribusiness Information

i. Accuracy: Information needed for a reliable decision need to be reliable as well. Accuracy of information is therefore important in agribusiness decision-making.

ii. Clarity: shady/clumsy information can be misleading in the decision-making processes. It is important for one to be sure that there is no ambiguity in a piece of given information before using it. Data estimates on prices for instance need to be clearly specified within a range.

iii. Completeness/Comprehensiveness: there is every need for information needed for agribusiness decisions needs to be complete.

iv. Timeliness: it is important for information needed for decision-making to be timely. The use of stale or obsolete information for decision-making can be misleading. In forecasting, for example, the goal is to obtain the most updated estimates.

v. Reliability: the level of confidence in information determines the level of confidence in the decision emanating from it. Care should be taken to access information from reliable sources.

1.3.4 Sources of agribusiness information

Agribusiness information is basically required on market intelligence, news, prices, production, and the business environments and can be sourced from the following.

1. Journals/ newspapers/radio/TV/social media
2. private information agencies
3. research departments of agribusiness
4. production and procurement records
5. consumers/customers

Self -Assessment Exercise

1: State the difference between accuracy and clarity. 2.State the sources of agribusiness information.

1.4 Conclusion

Decisions determine the success or otherwise of an agribusiness enterprise. it is therefore important for the basic ingredients of decision making (information) to be of good quality. It is also important for this information to be obtained from reliable sources.

1.5 Summary

In this unit, you learn that:

- information is needed to make a number of agribusiness decisions,
- information have to be current, accurate, and factual to be useful for agribusiness decision making, and
- sources of agribusiness information include private agencies, journal, farm records etc.

1.6 References/Further Readings/Web Resources

Adegeye, A.J and Dittoh, J.S. (1985). Essentials of Agricultural Economics. Ibadan, Impact Publishers. 251pp

Broadway A.C, and Broadway, A.A. (2004). A Textbook Of Agri-Business Management. Kalyani Publishers. 634 pp

https://www.ag.ndsu.edu/aglawandmanagement/agmgmt/coursematerials/decisionprocess

1.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: State the difference between accuracy and clarity

Answer:

Accuracy: Information needed for a reliable decision need to be reliable as well. Accuracy of information is therefore important in agribusiness decision-making.

Clarity: shady/clumsy information can be misleading in the decision-making processes. It is important for one to be sure that there is no ambiguity in a piece of given information before using it. Data estimates on prices for instance need to be clearly specified within a range.

2.Sources of agribusiness information:
Agribusiness information is basically required on market intelligence, news, prices, production, and the business environments and can be sourced from the following.

1. Journals/ newspapers/radio/TV/social media
2. private information agencies
3. research departments of agribusiness
4. production and procurement records
5. consumers/customers

UNIT 2 FARM MANAGEMENT DECISION

Unit Structure

2.1 Introduction

Dear students, I welcome you to Unit 2 of Module 5 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt and noted that decisions determine the success or otherwise of an agribusiness enterprise. it is therefore important for the basic ingredients of decision making (information) to be of good quality. It is also important for this information to be obtained from reliable sources.
The goal of any agribusiness enterprise is profit maximization. In order to realize this goal, it is pertinent to make careful decisions. These decisions are characterized by some factors that need to be carefully considered in the decision-making processes. in this unit, the goal of agribusiness decisions and the factors influencing them will be learnt.

2.2 Learning Outcomes

By the end of this unit, you should be able to:

- The need to make sound agribusiness decisions
- The agribusiness decisions that need to be made
- The factors that need to be considered when making agribusiness decisions

2.3 Main Content

2.3.1 The Goal of Farm Management Decisions

The quality of decisions taken on the various farm enterprises determine to a large extent the outcome and productivity of the agricultural economy or the agribusiness sector. Efficiency in management can lead to an increase in agricultural outputs, which will directly affect the national income self-sufficiency in food production, saving of foreign exchange earnings, and eventually meeting the demands of our agro-allied industries. Since the goal of the firm management is that of profit maximization, appropriate and sound management decisions must be made towards allocating limited resources to a number of production alternatives to organize and operate the business in a way to attend its objective. There are many decisions that affect the profitability of any farming business. For instance, the decision on what to produce, how to produce it, when to produce it, whom to produce for, the quantity of output to produce, the combination of inputs to employ, and how to distribute the output are the key decisions a farm firm must make. The farm manager decides on what to produce from a list of possible alternatives within his reach.

The choice of what to produce depends on the demand of the consumers and the manpower. The farmer or manager must, as a matter of choice, produce what is in great demands by the consumers if he must dispose of his output for profit. But if the manager’s objective is to produce for home consumption (subsistence), then he will produce to meet his family taste and preference. It is important to note that the objective for which the farmer produces a product affects the quality of the product. The agribusiness manager must also consider how to produce his particular products. This involves the technology to employ such as mechanization in case of facing high demand; the input to use and in what proportion, over which enterprise are they to be allocated. The type of production method selected determines the total cost of production since there are different methods and techniques available for producing a particular crop. The farm manager usually uses the method of production that has the least cost. It is the responsibility of the manager to also decide on the level of output to produce.

There are many possible levels of output for any particular commodity given the available inputs. It is always advisable for managers to produce us much as he can sell. The manager must always choose the most profitable level of output to produce his given limitations.

2.3.2 Factors that influence Agribusiness Management Decisions

Decisions taken on our farms have attendant implications. Certain factors likely to influence each decision must therefore be observed, and used as guides to taking these decisions. According to Kay (1986) and Ebong (2008), some of these factors are discussed below.

1. **Importance**: Generally, decisions vary according to their importance which is measured by the potential gains or losses associated with such decisions. If the size of the potential loss is

greater than the potential gain, it is better to wait until more relevant information (data) is obtained before making such decisions. For instance, the decision to crop more farmland may be more important than decision to fence a farm area.

2. **Frequency**: There are some decisions that vary with respect to the frequency with which they are made. For example, the decision on feeding a set of broilers is done frequently. This kind of decisions are routinely made¸ which means that a feeding regime or schedule can be developed at the beginning of the feeding period and maintained until condition of the birds demands for a change.
3. **Imminence**: Imminence by word means the penalty of waiting in order to make decision. Virtually all decisions a farm have expiring time (useful life). After the life of a decision, a penalty will surely be paid if time is wasted in implementing such decision. If the penalty is low, it is better to wait for more information whereas in a high penalty, it is better to take a decision quickly.
4. **Availability of Alternatives**: Some situations present a multiple of possible alternatives for decision making while others present only two alternatives. For those that present multiple choices, the farm manager must be careful to discard a number of alternatives based on certain criteria, and make decisions only on those alternatives that are relevant to impending circumstance.
5. **Revocability**: Decision made and revoked have attendance cost. If the cost of changing the decision will be enormous the farmer may not change the decision. For instance, if you decide to go into cocoa production, the cost of destroying the trees is far higher than the decision to grow yam.

Self -Assessment Exercise

1. How does availability of alternatives affect farm management decisions.
2. Describe the Goal of Farm Management Decisions.

2.4 Conclusion

Due to the fact that decisions make or mar an agribusiness enterprise the factors that shape them have to be put into careful considerations. This will guide the manager making the most rational of decisions.

2.5 Summary

In this unit, you have learnt that:

- sound decisions need to be taken to further the profit maximization goal of an agribusiness firms,
- these decision are those on what to produce, for whom to produce, how to produce it, etc.,
- the level of importance, the frequency, the imminence , the available alternatives, and the consequences of revoking agribusiness decisions, are factors to carefully consider in making agribusiness decisions.

2.6 References/Further Readings/Web Resources

Broadway A.C, and Broadway, A.A (2004**).** A Textbook Of Agri-Business Management. Kalyani Publishers. 634 pp.

Olukosi, J.O. and P.O. Erhabor (1988). Introduction to Farm Management Economics Principles and Application. Agitab Publishers Ltd. Samaru-Zaria.

2.7 Possible Answers to Self -Assessment Exercises .

Self -Assessment Exercise

1: How does availability of alternatives affect farm management decisions.

Answer:

Availability of Alternatives: Some situations present a multiple of possible alternatives for decision making while others present only two alternatives. For those that present multiple choices, the farm manager must be careful to discard a number of alternatives based on certain criteria, and make decisions only on those alternatives that are relevant to impending circumstance.

2.**The quality of decisions** taken on the various farm enterprises determine to a large extent the outcome and productivity of the agricultural economy or the agribusiness sector. Efficiency in management can lead to an increase in agricultural outputs, which will directly affect the national income self-sufficiency in food production, saving of foreign exchange earnings, and eventually meeting the demands of our agro-allied industries. Since the goal of the firm management is that of profit maximization, appropriate and sound management decisions must be made towards allocating limited resources to a number of production alternatives to organize and operate the business in a way to attend its objective. There are many decisions that affect the profitability of any farming business. For instance, the decision on what to produce, how to produce it, when to produce it, whom to produce for, the quantity of output to produce, the combination of inputs to employ, and how to distribute the output are the key decisions a farm firm must make. The farm manager decides on what to produce from a list of possible alternatives within his reach.

UNIT 3 THE AGRIBUSINESS MANAGEMENT DECISION MAKING PROCEDURE

Unit Structure

3.1 Introduction
3.2 Learning Outcomes
3.3 Steps in Agribusiness Decision Making
3.4 Conclusion
3.5 Summary
3.6 References/Further Readings/Web Resources
3.7 Possible Answers to Self -Assessment Exercises .

3.1 Introduction

Dear students, I welcome you to Unit 3 of Module 5 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt and noted that due to the fact that decisions make or mar an agribusiness enterprise the factors that shape them have to be put into careful considerations. This will guide the manager making the most rational of decisions. Agribusiness decisions, like those of any modern-day business have to be taken systematically. That is to say they must follow certain laid down procedure in order to make quality decisions. In this unit we shall learn the agribusiness management Decision making procedure.

3.2 Learning Outcomes

By the end of this unit, you should be able to:

- The need to be systematic in taking decisions, and
- The steps to follow in making an agribusiness decision

3.3 Steps in Agribusiness Decision Making

The procedure for making agribusiness decisions should follow the steps outlined below.
i. Identify and define the matter on which a decision is to be made. This matter may be a problem or an opportunity. The initial stage of decision-making requires that an agribusiness manager clearly defines the problem or opportunity upon which a decision is to be made. It might take some time to get a matter clearly defined but this should be done. A murky matter makes decision-making difficult. It is important for the matter to be specific. For instance, if consumers have rejected a product, it is expedient to know the specific reason(s) for the rejection.

ii. Identify alternative solutions; having identified the problem, the manager must, with his team think through an array of possible alternative solutions. In the case of an opportunity, the team must also look out for possible alternatives to benefiting from it. It might be necessary for the manager to research further on the matter or interact with any network he might have a stake in.
iii. Collect relevant data and information; painstaking effort must bring deployed to gather reliable data/information that could be useful in making the decision.
iv. Analyze the alternatives and make a decision; the data/ information gathered in the preceding step needs to be analyzed using reliable analytical techniques.
v. make the decision and Implement it; based on the results of the analysis, the best option is adopted and implemented
vi. Monitor and evaluate the results: in implementing the decision, it is important to monitor it step by step. It is also necessary to assess the result of the decision and learn whatever lessons are to be learnt for the sake of the future.
vii. Accept responsibility: the manager must thereafter accept responsibility for the outcome of the decision.

Self -Assessment Exercise

1. How can you identify and define the matter on which a decision is to be made.
2. The procedure for making agribusiness decisions should follow certain steps. Discuss.

3.4 Conclusion

Agribusiness decisions, like those of any modern-day business have to be taken systematically. That is to say they must follow certain laid down procedure in order to make quality decisions.

3.5 Summary

In this unit, you we have learnt that there is need to be systematic in taking decisions, and the steps to follow in making an agribusiness decisions.

3.6 References/Further Readings/Web Resources

Broadway A.C, and Broadway, A.A (2004). A Textbook of Agri-Business Management. Kalyani Publishers. 634 pp

https://www.ag.ndsu.edu/aglawandmanagement/agmgmt/coursematerials/decisionprocess

Olukosi, J.O. and P.O. Erhabor (1988). Introduction to Farm Management Economics Principles and Application. Agitab Publishers Ltd. Samaru-Zaria.

3.7 Possible Answers to Self -Assessment Exercises .

Self -Assessment Exercise

1: How can you identify and define the matter on which a decision is to be made.

Answer:

This matter may be a problem or an opportunity. The initial stage of decision-making requires that an agribusiness manager clearly defines the problem or opportunity upon which a decision is to be made. It might take some time to get a matter clearly defined but this should be done. A murky matter makes decision-making difficult. It is important for the matter to be specific. For instance, if consumers have rejected a product, it is expedient to know the specific reason(s) for the rejection.

2.Steps in Agribusiness Decision Making

The procedure for making agribusiness decisions should follow the steps outlined below.

i. Identify and define the matter on which a decision is to be made. This matter may be a problem or an opportunity. The initial stage of decision-making requires that an agribusiness manager clearly defines the problem or opportunity upon which a decision is to be made.
ii. Identify alternative solutions; having identified the problem, the manager must, with his team think through an array of possible alternative solutions.
iii. Collect relevant data and information; painstaking effort must bring deployed to gather reliable data/information that could be useful in making the decision.
iv. Analyze the alternatives and make a decision; the data/ information gathered in the preceding step needs to be analyzed using reliable analytical techniques.
v. make the decision and Implement it; based on the results of the analysis, the best option is adopted and implemented
vi. Monitor and evaluate the results: in implementing the decision, it is important to monitor it step by step. It is also necessary to assess the result of the decision and learn whatever lessons are to be learnt for the sake of the future.
vii. Accept responsibility: the manager must thereafter accept responsibility for the outcome of the decision.

UNIT 4 TOOLS FOR AGRIBUSINESS DECISION MAKING

Unit Structure

4.1 Introduction
4.2 Learning Outcomes
4.3 Main Content
 4.3. 1 Gross Margin Analysis
 4.3.2 Net Farm Income (NFI)
 4.3.3 Orthodox partial budgeting
 4.3.2 Simple Forecasting Techniques
4.4 Conclusion
4.5 Summary
4.6 References/Further Readings/Web Resources
4.7 Possible Answers to Self -Assessment Exercises

4.1 Introduction

My good students, I welcome you to Unit 4 of Module 5 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt and noted that agribusiness decisions, like those of any modern-day business have to be taken systematically. That is to say they must follow certain laid down procedure in order to make quality decisions.

In a number of cases, making reliable decisions requires that we subject some data to empirical processes. This unit will be based on some of the empirical tools that can be used to make some agribusiness management decisions.

4.2 Learning Outcomes

By the end of this unit, you should be able to:

- Gross margin analysis
- Net Farm Income analysis
- Partial farm budgeting analysis
- Forecasting.

4.3 Main Content

4.3. 1 Gross Margin Analysis

Gross margin (GM) analysis is used to evaluate the profitability of an enterprise, especially where the fixed cost component is negligible. GM is simply the difference between the Total Output in monetary terms i.e, Total Revenue (TR), and the Total Variable Cost (TVC).

GM= TR-TVC

For instance, if in a catfish production enterprise which yielded 4500kg, the Average Variable Cost (AVC) per Kg of catfish is ₦800 and the revenue per kg is ₦1200 naira, calculate the enterprise's gross margin.

Solution:

We first estimate the Total Revenue:

TR =Output * Price

=4500*1200

= ₦ 5,400,000

Then we estimate the TVC

TVC=Output*AVC

=4500*800

=3,600,000

Hence,

GM= 5,400,000-3,600,000

=1,800,000

For business decisions, it might better to first present the GM in terms of unit of output. This will involve the cost of producing a unit of the commodity and the price of a unit of that output. In the above example, we will simply have it as:

1200-800

=₦ 400

This is the same as dividing the GM by the total output:

=1,800000/4500 =₦400

Interpretation: in this example, we find that the catfish farmers invested ₦800 to produce a kilogram of catfish which he sells at ₦1,200, thereby making a Margin of ₦400.

4.3.1.1 Advantages of gross margin

1. GM is easy to compute
2. It is useful in comparing two enterprises with similar structures.
3. It is useful in in ascertaining the contribution of enterprises to the offsetting of total fixed cost (TFC).
4. It is helpful in enterprise selection, and could be employed in making a choice among competing enterprises.

5. It is useful in the critical examination of the variable cost component of an enterprise. There are times where a manager may need to critically think through the variable cost component of a business with a view to reducing it and increasing profit. At this point, the GM analysis offers a simple way of reviewing the variable cost component.

4.3.1.2 Limitations of Gross margin limitation

1. It lacks the capacity to incorporate and consider the variation in output over time.
2. Another shortcoming of GM is that it does not consider economies of scale.
3. Since the fixed cost component is an important part of the profitability of an enterprise, GM analysis falls short of independently exposing the profitability of an enterprise.

4.3.2 Net Farm Income (NFI)

The NFI is a further step over GM, and overcomes the inability of the GM to tell the real profit. The NFI is the total income available to a firm after subtracting the total cost from the gross revenue/ or Gross Farm Income GFI. Simply, NFI is GM less Fixed Cost (FC)
GFI can be seen as TR,
NFI= GFI-TC
But
TC= TVC+TFC
NFI=GFI-TVC-TFC
Note GM=TR-TVC or GFI-TVC
So
NFI= GM-TFC

The GFI is the addition of all the revenues from the different enterprises of an agribusiness. For instance, a poultry farm may have an egg enterprise, a broiler enterprise, and a feed enterprise. Each of these enterprises provides some TR, the sum of which is the GFI. The Gross Farm Income is regarded as the total value product. It is the total sum revenue per unit (Ha, Kg, etc) of an enterprise in an agribusiness.

We demonstrate this as follows: if on an integrated farm, the feed mill operator bagged 3000kg of feed which he sells at 450 per kg maize section harvested 900kg of maize worth ₦600 per Kg, the broiler section produced 1500 kg of chicken which sold at ₦1800 per kg and the aquaculture section cropped 540 kg of fish worth ₦1,200 per kg and the

Honey bee section where 2000 liters of honey was harvested at ₦2500 per liter. Calculate the GFI.

Solution
We see here that there are 5 enterprises

i. feed production enterprise (3000kg of feed and sells at ₦450 per kg)
ii. maize enterprise (900kg of maize worth ₦600 per Kg)
iii. broiler enterprise (1500 kg of chicken worth ₦1800 per kg)
iv. catfish enterprise (540 kg of fish worth ₦1,200 per kg)
v. honey bee farm (2000 liters of honey was harvested at ₦2500 per liter).

Next, we calculate the TR for each enterprise:
TR for the feed production enterprise
=3000*450
= ₦ 1,350,000
TR for the maize enterprise
= 900 * 600
=₦540,000
TR for the broiler enterprise
=1500 *1800
=₦ 2,700,000
TR for the catfish enterprise
=540 * 1,200
=₦648,000
TR for the honey bee enterprise
= 2000 *2500
=₦500,000

We now compute the GFI by adding up the incomes of all the enterprises on the farm.

GFI = income from feed mill enterprise+ income from maize enterprise + income from broiler enterprises+ income from catfish enterprise + income from the honey enterprise.
=1,350,000+540,000 +2,700,000+ 648,000 + 500,000
=5,738,000
The gross income on this farm is ₦5,738,000.

To calculate the NFI, we must work with cost. Let us bear in mind that each of the enterprises incurred some costs as well these are specified in Table in terms of the unit alongside already known information. Let us assume a fixed cost of ₦780,000 for the entire farm.

Table 1: Data on output, value, and Variable Cost Per unit

	Enterprise	Quantity	TR	Variable

		of utput	(Naira)	cost/unit (Naira)
A	Feed mill	3000 kg	1,350,00	200
B	Maize	900 kg	540,000	320
C	Broiler	1500kg	2,700,000	1545
D	Catfish	540kg	648,000	900
E	Honey	2000 L	500,000	178
Total			**5,738,000.00**	

With the additional information on the variable cost, we compute the various TVC per enterprise as follows:

TVC for the feed production enterprise

=3000*200

= ₦ 6000

TVC for the maize enterprise

= 900 * 320

=₦288,000

TVC for the broiler enterprise

=1500 *1545

=₦ 2,317,500

TVC for the catfish enterprise

=540 * 900

=₦ 486,000

TVC for the honey bee enterprise

= 2000 *178

=₦356,000.

Table 2 presents the summary of all required data for the calculation of NFI.

Table 2: Data on output, value, and TVC Per enterprise

	Enterprise	Quantity of utput	TR (Naira)	Variable cost/unit (Naira)	Enterprises TVC (Naira)
A	Feed mill	3000 kg	1,350,00	200	600,000
B	Maize	900 kg	540,000	320	288,000
C	Broiler	1500kg	2,700,000	1545	2,317,500
D	Catfish	540kg	648,000	900	486,000
E	Honey	2000 L	500,000	178	356,000
Total			**5,738,000**		**4,047,500**

We can now proceed to compute the gross margin for each enterprise.

Table 3: Gross Margin calculation for the 5-enterprise-farm

	Enterprise	Quantity of output	TR (Naira)	Variable cost/unit (Naira)	Enterprises TVC (Naira)	GM (TR-TVC
A	Feed mill	3000 kg	1,350,00	200	600,000	750,000
B	Maize	900 kg	540,000	320	288,000	252,000
C	Broiler	1500kg	2,700,000	1545	2,317,500	382,500
D	Catfish	540kg	648,000	900	486,000	162,000
E	Honey	2000 L	500,000	178	356,000	144,000
Total			**5,738,000**		**4,047,500**	**1,690,500**

We note that the Total GM (TGM) which is a summation of the 5 GMs =₦1,690,500

Following the earlier derivations, and our known fixed cost of ₦780,000, we can now deploy the GM to calculate the NFI

TGM-TFC= NFI

NFI= ₦1,690,500- =₦780,000

=₦910,500

4.3.2.1 Derivation of cost and returns on per unit basis

Profitability estimations are better undertaken on the basis of a unit of the output. The advantage of undertaking profitability analysis based on a unit of output is the fact that the impact of each input on the margin of a kilogram can easily be noted. Plus, it is easy to tinker with variable costs in order to improve on the profit margin.

The calculations in the section on gross margin were based on unit variable and fixed costs. The method used in arriving at these figures was not shown. The fact is that, the cost for each input was calculated by dividing the total sum of spent on the input by the total quantity of output. We demonstrate the calculation of an input per unit of output as below.

A broiler firm bought 2000 chicks at 460 Naira each. After losing some the firm raised only 1878 broilers to maturity. The average weight of a broiler was 2.9kg; hence the firm's total quantity available for sale was:
1878*2.9 =5446.2kg.

This figure is what will be used to calculate the needed data for our gross margin analysis. Note also, that on a per kilogram basis, he sold his birds at 1285.0Naira. This is the price per kg or average revenue per kg.

The total costs incurred on each element of inputs are as presented in the table below. Since our calculation is on per kg basis we need to compute the cost of each item, and the value of each ratio on the basis of a kg.

Calculation of the per kg cost of inputs: at the beginning, the farmers bought 2000 day-old chicks at 460 naira per piece, so the total cost of day-old chicks is 920,000 Naira. He also spent a total of 3,921,264 Naira on feed. The rest of the variable costs as well as fixed cost, in addition to some other pieces information are presented in the table below.

Table 4: Some data needed to compute the profitability for a broiler enterprise

Items	Value
Chicks	2000
Number broiler produced	1878
Average weight of one broiler	2.9
Total quantity (kg)	5446.2
Price (₦/Kg)	1,285
Revenue	6,998,367
Variable Cost/kg (₦)	
Cost of chick	920000
Cost of Feed	3921264
Cost of Labour	160000
Cost of water	27000
Cost of Medications	34000
Miscellaneous Cost	17000
Total Variable Cost	**5079264**
Total Fixed Cost	37,000
Depreciation of assets	37,000
Average Total Fixed Cost	**37,000**
Total Cost	**5,116,264**

But since our calculation has to be based on the unit of output (1kg of broiler), we estimate the cost of day-old chicks in relation to the output thus:

Hence, the cost of day old chick per kg of broiler is given by;
total cost of day-old chicks/total quantity broiler produced
=920,000/5446.2

=168.925
Thus, the amount of money spent on day old chick as per the production of 1 kg of broiler was 168.925 Naira.
Similarly,
by spending the sum of 3,921,264 naira on feed**,** the cost of feed per kg of broiler would be

3921264/5446.2
= 720.
Thus, the sum of 720 Naira was spent on feed to produce 1kg of broiler.

Using this method, all the input cost per kg and the resulting profitability estimates (as undertaken before) can be can be arrived at as presented in the table below.

Table 5: Computing profitability estimates for a broiler enterprise

Items	Values	Value per kg of broiler
a. Production output and price		
broiler harvested (kg)	1878	
Average weight of one fish	2.9	
Total quantity (kg)	5446.2	
Price (₦/Kg)	1,285	
Revenue	6,998,367	1,285
b. Variable Costs		
Cost of chick	920000	168.93
Cost of Feed	3921264	720
Cost of Labour	160000	29.38
Cost of water	27000	4.96
Cost of Medications	34000	6.24
Miscellaneous Cost	17000	3.12
Total Variable Cost	**5079264**	932.63
c. Fixed Cost		
Depreciation of assets	37,000	6.79
Total Fixed Cost	**37,000**	6.79
Total Cost	**5,116,264**	939.42
d. Profitability indices		
Gross Margin	1,919,103	352

Net Return	1,882,103	346
Return on Investment	1.37	1.37

Other profitability indices/ratios may easily be deduced from this table.

4.3.3 Orthodox partial budgeting

Sometimes, the manager is prompted either by market information, poor enterprise performance, or higher authority to tinker with changing an enterprise. The farm budgeting technique is a simple tool in the evaluation of such plans. This proceeds under the assumption that the intended plan has already taken place and the profits known. The steps include.

1. a careful consideration of all debits including
    - all Extra Cost incurred (EC), and
    - all Foregone Revenue (FR), arising from the decision
2. a careful consideration of all credit including
    - Forgone Costs (CF) and
    - Accruing Revenue (AR), arising from the decision.

The solution to partial budgeting is given by examining the following sets of financial information:

- EC+FR, and
- CF+AR.

In doing this, three scenarios are possible:

- (CF+AR)-(EC+FR) >0

In this case, the change is a profitable one. This is because the total benefit arising from the change is more than the overall cost.

- (CF+AR)-(EC+FR)<0

In this case, it makes no sense to accept the change since the total benefit arising from the change is less than the accompanying cost.

For example, a fish processor wishes to switch to groundnut oil extraction owing to market information. She will incur an extra cost of ₦350,000 in the process and forego a cost of ₦ 270,000. The revenue she used to get as a fish processor was ₦500,000 while the anticipated revenue from groundnut is extraction is ₦856,000. The manager of the firm is required to help her make this decision of whether or not to switch.

Solution

This information can be presented on a table as below

EC= ₦ 350,000	FR= ₦500,000
CF=₦ 250,000	AR=₦856,000

We consider EC+FR and CF+AR thus:
(250,000+856,000) - (350,000+500,000)
=1,106,000-850,000
₦ 256,000,
and conclude that since the result of the arithmetic is positive, the is a greater benefit in new enterprise, Therefore the change should be accepted.

4.3.4 Simple Forecasting Techniques

Forecasting is time series based. It entails the systematic study of past data, events, and information. Such studies and analyses aid in decision making as it helps in the understanding of trends, and macroeconomics variables that are likely to affect businesses.

The agribusiness manager must be able to forecast certain data in order to have a guide on his business activities. The aim includes the understanding of trends, effects of policies on macroeconomic indices, supply response, and comparisons of different segments of the past.
Forecasting techniques are numerous- ranging from simple to highly complex. In this course, however, we will look at a simple technique: moving average.

4.3.4.1 Forecasting based on moving average.

Under this technique, we rely on past data at some determined point in the past to make forecasts for subsequent periods. It could be daily, weekly monthly, or yearly.

Example: the table below bears the yearly volume of eggs sold by a farm from 2016-2021. Use a 3- year moving average to forecast the sales for 2019, 2020, and 2021, and predict the sales for 2022 and make a statement based on the forecast.

Trucks of eggs sold by an egg enterprise from 2016-2021

Year	Trucks of eggs sold
2016	340
2017	359
2018	400
2019	420

2020	400
2021	423

Solution

Using a 3-Months Moving Average technique we average the data for the first 3 years -2016-2018, in order to get the forecast for 2019
This will give us:
(340+359+400)/3
=366 (to the nearest whole number)
To forecast for 2020, we average data from 2017-2019:
(359+400+420)/3 =393
To forecast for 2021, we average data from 2018-2020:
(400+420+400)/3 =407 (to the nearest whole number)
To forecast for 2022, we average data from 2019-2021:
(420+400+423)/3 =414 (to the nearest whole number)
The manager may not need to make any serious adjustment to his production plans, based on the past volume of sales.

Other methods of forecasting will provide us with more reliable estimates by incorporating other variables aside time.

Self -Assessment Exercise

1. Outline the limitations of gross margin analysis.
2. Describe the Simple Forecasting Techniques.

4.4 CONCLUSION

Subjecting data to empirical processes lead to reliable decision making.

4.5 SUMMARY

By the end of this unit, you should be able to calculate and use the following to decisions:

- Gross margin analysis,
- Net Farm Income analysis,
- partial farm budgeting analysis, and
- forecasting.

4.6 References/Further Readings/Web Resources

Adegeye, A.J. and Dittoh, J.S. (1985). Essentials of Agricultural Economics. Ibadan, Impact Publishers. 251pp

Onuche, U., Tor, I.E and Ologidi, P.O (2020). An Examination Of The Forecasting Capabilities Of Linear, Grafted and Exponential Functions For Aquaculture Output In Nigeria. *Agricultural Economics and Extension Research Studies*, 8(2):1-10.

Onuche, U.,Ogbe, F.G and Idoko, C.U. (2015). Comparison of the forecasting capabilities of linear and grafted polynomial models for capture fish supply in Nigeria. Proceedings of the 30th Annual conference of Fisheries Society of Nigeria, held in Asaba, Nigeria from 23rd-27th, November 2015. 457-459.

4.7 Possible Answers to Self -Assessment Exercises .

Self -Assessment Exercise

1: Outline the limitations of gross margin analysis.
Answer:

1. It lacks the capacity to incorporate and consider the variation in output over time.
2. Another shortcoming of GM is that it does not consider economies of scale.
3. Since the fixed cost component is an important part of the profitability of an enterprise, GM analysis falls short of independently exposing the profitability of an enterprise.

2. Describe the Simple Forecasting Techniques

Forecasting is time series based. It entails the systematic study of past data, events, and information. Such studies and analyses aid in decision making as it helps in the understanding of trends, and macroeconomics variables that are likely to affect businesses. The agribusiness manager must be able to forecast certain data in order to have a guide on his business activities. The aim includes the understanding of trends, effects of policies on macroeconomic indices, supply response, and comparisons of different segments of the past. Forecasting techniques are numerous- ranging from simple to highly complex. In this course, however, we will look at a simple technique: moving average.

MODULE 6 AGRIBUSINESS GROWTH AND EXPANSION

UNIT 1 STRATEGIES FOR INCREASED PRODUCTION AND SALES

Unit Structure

1.1 Introduction

My good students, I welcome you to Unit 1 of Module 6 of this Course AEM509 Principles of Agricultural Business Management. In the last unit of Module 5 we learnt and noted that subjecting data to empirical processes lead to reliable decision making.

It is the goal of every agribusiness enterprise to grow. Growth could be through increase production and sales. In this unit, we are going to learn strategies for increased sales and production.

1.2 Learning Outcomes

By the end of this unit, you should be able to:

- Strategies for increased sales and production.

1.3 Main Content

1.3. 1 Strategies for Increased Production and Sales

Agribusinesses desire to grow and expand. This growth may result from increased production and sales. To increase production and sales of goods and services, the agribusiness manager can engage in a number of strategies to increase sales and production. Some of these are:

i. Sales promotion: this involves showing off your product, how it will help the consumers, and, sometimes, how it can be used, so as to influence their decision to buy it.
ii. Branding: branding entails giving your business, and invariably, its products a special identity. Although agricultural products are not differentiable in most cases, if branded, a firm can improve it sales.
iii. Display/placements: strategic placement of agricultural commodities aids in getting possible buyers to notice it. For instance, fish smokers who are aware of the fact that aging and educated folks mostly prefer fish to meat may be able to make greater sales if they place their commodities at strategic points, like professors' car park or hospitals.
iv. Presentation/packaging: neat/hygienic and attractive packaging can be useful in eliciting greater sales. A smoked fish trader who packages his product in neat and transparent packages is more likely to be patronized in a high rise area of a metropolis than those who expose their smoked fish. The packaging of "Kilishi" may have probably increased the sales of "Suya" producers.
v. Production of efficient and healthier commodities: modern-day consumers of agricultural products are becoming increasingly aware of the advantages of consuming healthier food like organically grown foods. The production of such foodstuff may therefore attract more sales than those of others. Also, efficient commodities like those that are easy and quick to prepare may attract more buyers. Some commodities are not efficient in that their preparation requires more resources. For instance, there are varieties of cowpeas that take so much time to prepare. These varieties apart from time wastage are also costly in terms of the volume of fuel (gas, kerosene, firewood, coal) needed to get them prepared. Similarly, some varieties of agricultural produce require more quantity of condiments to make them palatable.
vi. Online presence: the presence of a firm on the internet increases its potentials for sales. Agricultural good display on the social media has a wide coverage than others. This strategy needs to be complemented by delivery logistics.

Other strategies that could increase sales include:

- handing out samples
- partnership with related firms

In order to expand in size, an agribusiness organization may adopt three strategies these are treated in the units below.

Self -Assessment Exercise

1: What is branding?
2.Explain the concept of sales promotion.

1.4 Conclusion

An agribusiness enterprise may grow by adopting some consumer and production related strategies.

1.5 Summary

In this unit, you have learnt that some of the strategies for increased sales and production include:

- promotion
- branding
- establishment of linkages
- online presences,

1.6 References/Further Readings/Web Resources

Broadway A.C, and Broadway, A.A (2004). A Textbook of Agri-Business Management. Kalyani Publishers. 634 pp

https://mygreenvalue.com/agribusiness-marketing-promotion-strategies/. Retrieved January 16th, 2022.

1.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise 1: What is branding?

Answer:

Branding: Branding entails giving your business, and invariably, its products a special identity. Although agricultural products are not differentiable in most cases, if branded, a firm can improve it sales.

2. Sales promotion: this involves showing off your product, how it will help the consumers, and, sometimes, how it can be used, so as to influence their decision to buy it.

UNIT 2 VERTICAL INTEGRATION

Unit Structure

2.1 Introduction

My good students, I welcome you to Unit 2 of Module 6 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt and noted that an agribusiness enterprise may grow by adopting some consumer and production related strategies.

Businesses may also grow through vertical integration where they take over the value chain of their business domain. By the end of this unit, you should be able to: the meaning and type of vertical integration.

2.2 Learning Outcomes

By the end of this unit, you should be able to:

- Meaning of vertical integration
- Types of vertical integration
- The reasons for vertical integration.

2.3 Main Content

2.3.1 Meaning and Types of Vertical Integration

Vertical integration: this occurs where related sequence complementary agribusiness functions are integrated by a firm. It is the complete takeover of the different stages of the production or distribution chain of a product. It is the take-over of the supply chain of a product. An example is where a cattle fattener decides to take over breeding stage of the cattle value chain. In this case, instead of buying the cattle from the breeder, he takes over the breeding component. In this case, the complementing activities of cattle breeding and fattening have been unified. The same cattle fattener could decide to involve himself in a business activity that is next to fattening-butchering.

Vertical integration could be:

- backward

as we see in the first case where the cattle fattener decided to also breed his cattle. In this case, he went *backwards* in the cattle value chain. A case of a rice trader, who decides to take over the production segment of the rice chain, is another case of backward integration. or

- forward

as in the case where the cattle fattener went *forward* to also become a butcher of the cattle he fattens. Another case of forward integration could also be seen in the case where a fish farmer decides to also smoke his fish for sale.

2.3. 2 Reasons for Vertical Integration

i. Taking over the control of the sources of raw materials, leading to a decrease in their prices
ii. Sustainability of production owing to the assurances of raw materials.
iii. Through vertical integration wastages of some resources are avoided, and efficiency is increased.
iv. Managerial efficiency is enhanced.
v. There are also economies of scale for inputs like management labour and some fixed resources.

Self -Assessment Exercise

1: What are the reasons for vertical integration? 2.Make an illustration of is vertical integration.

2.4 Conclusion

Vertical integration occurs when firms take over the components of their value chain of their enterprises. Firms do this to take over the raw materials sources, eliminate wastage or sustain their businesses. This also leads to economies of scale and efficiency of management.

2.5 Summary

In this unit, you have learnt:

- that firms can integrate vertically in forward, and backward manners
- that integration brings about efficiency of management, sustainability of production, reduction in resources wastage, among others.

2.6 References/Further Readings/Web Resources

Ezike, K.N.N, Nwibo, S.U, Odoh, N.E (2009). Argibusiness and finance. Enugu, John Jacobz classic. Pp 238.

Downey, W.D and Erickson, S.P (1987). Agribusiness management. (2ed). McGrawhill. pp477

2.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: What are the reasons for vertical integration?

Answer:

i. Taking over the control of the sources of raw materials, leading to a decrease in their prices
ii. Sustainability of production owing to the assurances of raw materials.
iii. Through vertical integration wastages of some resources are avoided, and efficiency is increased.
iv. Managerial efficiency is enhanced.
v. There are also economies of scale for inputs like management labour and some fixed resources.

2. An example is where a cattle fattener decides to take over breeding stage of the cattle value chain. In this case, instead of buying the cattle from the breeder, he takes over the breeding component. In this case, the complementing activities of cattle breeding and fattening have been unified. The same cattle fattener could decide to involve himself in a business activity that is next to fattening-butchering.

UNIT 3 HORIZONTAL INTEGRATION

Unit Structure

3.1 Introduction

My dear good students, I welcome you to Unit 3 of Module 6 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt and noted that vertical integration occurs when firms take over the components of their value chain of their enterprises. Firms do this to take over the raw materials sources, eliminate wastage or sustain their businesses. This also leads to economies of scale and efficiency of management.

Agribusiness enterprises can also expand by merging with or acquiring firms operating at the same level. This type of introduction is the focus of this unit.

3.2 Learning Outcomes

By the end of this unit, you should be able to:

- The meaning of horizontal integration, and
- The benefits of horizontal integration.

3.3 Main Content

3.3.1 Horizontal Integration

Horizontal integration occurs when a firm acquires or merges with other firms operating at the same level in industry. An aquaculture firms can decide to “buy” or merge with more aquaculture farms to become a bigger aquaculture farm. This form of expansion confers the following benefits:

- Increased volume of sales.
- increased revenue
- increased size
- new market
- Economies of scale.

The offside of this type of integration is that it leads to monopoly.

Self -Assessment Exercise

1: Define horizontal integration.
2.Mention the benefits of horizontal integration.

3.4 Conclusion

Firms can take over other firms operating at the same level in the industry in order to expand but it leads to monopoly.

3.5 Summary

In this unit, you learn:

- the meaning of horizontal integration,
- the advantages (economies of scale, efficiency etc.) of horizontal integration,
- and the disadvantage of horizontal integration.

3.6 References/Further Readings/Web Resources

Downey, W.D and Erickson, S.P (1987). Agribusiness management. (2ed). McGrawhill. pp477

"Definition of Horizontal Integration in a Supply Chain". *smallbusiness.chron.com*. Retrieved 15 January 2022.

"Horizontal Integration Definition". *economicshelp.org*. Retrieved 15 January 2022.

3.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: Define horizontal integration

Answer:

Horizontal integration occurs when a firm acquires or merges with other firms operating at the same level in industry. An aquaculture firms can decide to “buy” or merge with more aquaculture farms to become a bigger aquaculture farm.

2.This form of expansion confers the following benefits:

- Increased volume of sales.
- increased revenue
- increased size
- new market
- Economies of scale.

UNIT 4 DIVERSIFICATION

Unit Structure

4.1 Introduction

My dear good students, I welcome you to Unit 4 of Module 6 of this Course AEM509 Principles of Agricultural Business Management. In the last unit we learnt and noted that firms can take over other firms operating at the same level in the industry in order to expand but it leads to monopoly.

Sometimes, firms just develop new products or enter new markets as their expansion strategies. These strategies are the focus of this unit.

4.2 Learning Outcomes

By the end of this unit, you should be able to:

- The meaning and types of diversification
- The advantages of diversification
- Challenges with diversification.

4.3 Main Content

4.3.1 Meaning of Diversification

This is a method of agribusiness growth in which a firm:

i. develops new products and services or
ii. enters new market(s).

Examples of diversification by developing new products and services:

a. If, for instance, a crops farmer decides to engage in poultry production, he has diversified.

b. A catfish farmer who decides to engage in the sales of poultry feed has also diversified.

c. Should a poultry farmer venture into cassava production, his business would have undergone diversification.

Example of diversification entering new markets:

a. A smoked fish producer who decides to take his fish to a new market location has diversified.

b. A smoked fish producer who decides to take his fish Trade to his Facebook page has also diversified.

That is to say, the new market does not have to be a physical location. Many agricultural firms have found new markets on the internet.

The following are the benefits of diversification:

i. Diversification guarantees the stability of income. Diversification leads to many channels of income flow, such that even if one of them does not record any income flow for a time, the operator can have something to fall back to. Hence, an agribusiness firm is guaranteed stability of income flow.

ii. It leads to efficiency, and economies of scale in the use of some resources.

iii. "Sleeping" resources are "awakened" and engaged. A poultry farmer who diversifies into cassava production may put some of the redundant land around his poultry pens to use.

iv. The possibility of total collapse of the agribusiness is minimal since risks are spread among the different enterprises. Other enterprises can be leveraged on the aid an ailing one.

v. Diversification can open up new markets for the various enterprises in an agribusiness. For example, a poultry farmer who has diversified into cassava production may find that some of the customers to whom he sells his poultry output also need cassava. In the same way, some of the people to whom he sells the cassava may also be interested in chicken.

4.3.2 Challenges of Diversification

i. requires more attention, planning supervision, monitoring, and coordination,

ii. requires more funds,

iii. it may also require some more expertise and labour to meet the need of the new product.

iv. it may also require some legal and bureaucratic processes, especially for large companies.

Self -Assessment Exercise

1: Mention the challenges of diversification.
2. State two examples of diversification entering new markets.

4.4 Conclusion

Firm diversify through two main strategies in order to expand. These diversification strategies yield larger markets and confidence in business survival. There are however a few challenges to these strategies.

4.5 Summary

- diversification occurs when firms develop new products or enter new markets with their usual products
- the advantages of diversification include acquisition of new markets and the elimination of the fear of total business collapse.
- such strategies however require more managerial inputs, funds, risks, and some bureaucratic/legal procedures.
- challenges with diversification

4.6 References/Further Readings/Web Resources

Unoki, K: (2013). Mergers,. Acquisitions and Global Empires: Tolerance, Diversity and the Success of M&A. New York. Routledge. pp. 34–64.

4.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: Mention the challenges of diversification.

Answer:

i. requires more attention, planning supervision, monitoring, and coordination,
ii. requires more funds,
iii. it may also require some more expertise and labour to meet the need of the new product.
iv. it may also require some legal and bureaucratic processes, especially for large companies.

2. State two examples of diversification entering new markets:

a. A smoked fish producer who decides to take his fish to a new market location has diversified.
b. A smoked fish producer who decides to take his fish Trade to his Facebook page has also diversified.

That is to say, the new market does not have to be a physical location. Many agricultural firms have found new markets on the internet

MODULE 7 PUBLIC POLICIES AFFECTING AGRICULTURAL BUSINESS DEVELOPMENT

Unit 1 Agricultural Policies and Agribusiness growth
Unit 2 Agricultural Research Policy
Unit 3 Unit Agricultural Finance and marketing Policies
Unit 4 Agricultural Extension Services and Manpower Developments Policies
Unit 5 Rural Development Policy and Water resources policy

UNIT 1 AGRICULTURAL POLICIES AND AGRIBUSINESS GROWTH

Unit Structure

1.1 Introduction
1.2 Learning Outcomes
1.3 Main Content
 1.3.1 Meaning of Agricultural Policies
 1.3.2 Government Policies and Agribusiness Growth
1.4 Conclusion
1.5 Summary
1.6 References/Further Readings/Web Resources
1.7 Possible Answers to Self -Assessment Exercises

1.1 Introduction

My dear good students, I welcome you to Unit 1 of Module 7 of this Course AEM509 Principles of Agricultural Business Management. In the last unit of Module 6, we learnt and noted that firm diversify through two main strategies in order to expand. These diversification strategies yield larger markets and confidence in business survival. There are however a few challenges to these strategies.

Governments world over institute a set of guidelines and ideologies that aids to bring about improvement in all the spheres of her people's lives. Nigeria is not an exception and her agricultural sector is not left out. these sets of guidelines and ideologies are called policies.

1.2 Learning Outcomes

By the end of this unit, you should be able to:

- The meaning of policy and agricultural policy
- The policy thrusts of the nigerian agricultural policy as they concern agribusiness development
- How nigerian government have been using policies in different sectors to transform the agricultural sector
- How government policies affect agricultural growth.

1.3 Main Content

1. 3.1 Meaning of Agricultural Policies

In Nigeria, there are several programmes backed up by policies and laws that are aimed at promoting agricultural and rural development. The development of the sector and the rural areas go hand in hand because agriculture, especially the primary subsector (e.g. cropping) is essentially rurally based. Government world over have also noted that since poverty is a rural (and invariably, a rural) phenomenon, the development of the two be a useful tool in poverty reduction. Thus a lot of resources are engaged in rural and agricultural transformation. This concept forms the policy thrusts of many governments and, and births the cutting edge of agricultural programmes and projects. Some of these come in the form of intervention projects and programmes, either directly from the agricultural sector or from non-agricultural sector like from the financial institutions, works sector, among others.

A policy is a set of purposeful governmental instructions meant to achieve certain objectives. A policy could be viewed at as a complex set of decisions to:

Comment [HP1]:

- to determine the allocation of resources,
- to distribute income,
- to promote growth,
- or to bring about development through the use of fiscal and monetary instruments.

Agricultural policy refers to a collection of rules or laws or guidelines that point to the mindset of the government, and her desires or goals for the agricultural sector. These may concern credit, import, export, input supply and subsidy, land use, etc. Policy relates with the primary, secondary and tertiary segments of the agricultural values chain (Akarowhe 2018).

An agricultural policy conveys the decision to pursue a specified course of action aimed at improving agricultural production practices, ensuring output growth and the overall development of the agricultural sector (Eyo, 2005). More explicitly, the outcomes of agricultural policy may include self-sufficiency in food and raw materials production, rural poverty reduction, rural infrastructural transformation, enhanced security, guaranteed supply of food and raw materials, efficiency in land use, and employment generation, among others.

A typical agricultural policy indicates:

- policy objective,
- strategies¸
- time phases for implementation,
- financial implications and,
- addresses the interest of the identified stakeholders.

Agricultural policies in Nigeria specify the framework and action plans of government for the achievement of increased food, raw materials and export crop production as well as reduction in unemployment, modernization of agricultural production and attainment of better living standard, among other things. The objectives of agricultural policy, as contained in the four National Development Plans implemented during the period 1960-1985 and subsequent rolling plans could be broadly stated as follows:

1. To promote self-sufficiency in the production of food, and raw materials for industry.
2. To improve the socio-economic welfare of (especially) rural people engaged agriculture and ,
3. To diversify the sources of foreign exchange earnings through increased agricultural export arising from adoption of appropriate technologies in food production and distribution.

Agricultural policy changes, determine the direction of institutional changes, economic growth and development. The review of the Nigerian agricultural development policies and programmes review by Eyo (2005) and Ebong (2007) indicate that public policies as it affects agricultural business growth centres on capacity building and technical efficiency enhancement, research and granting of financial and technical support services.

1.3.2 Government Policies and Agribusiness Growth

The Nigerian agricultural policy affects agribusiness in the areas of technical supports and financial supports. Government policies on other sector like those of education, health and infrastructure, etc. can also influence agribusiness development. Below are some the policy areas and how they can affect the growth and development of agribusinesses:

a. The Nigerian agricultural research policy envisages the development of better breeds and varieties than are in existence. This strategy is helpful in greater production volumes and the attendant economic benefits. The development of short-duration varieties and breeds, for instance, enhances the volume of output available for sales as processing. This also implies the need for more inputs. Thus the growth of the different segments of the agribusiness chain (input supply, production and processing) can be affected by agricultural policies.

b. Agricultural policies determine the ease of export and the volume of commodities available for exports. For example, a policy that facilitates the exportation and production of cassava will lead to the expansion of cassava farms or the establishment of new ones. Similarly, Policies on importation can also influence the growth of agribusiness in the country. Policies that discourage the importation of certain commodities (inputs and outputs) can positively influence the agribusinesses involved in the production of such commodities. These agribusinesses will expand their production to meet up the local demand for the commodities. New firms will also be established to produce these commodities. For example, should the Nigerian government effectively ban the importation of fish and fish feed, a positive response will be elicited among operators of artisanal fisheries firms, who have to expand their operations. In the same way, aquaculture producers and fish feed producers will work to expand their businesses. Thus, agricultural international trade policy can affect the growth of agribusiness.

c. Government financial policies can also influence agribusiness. Policies that affect the interest rate and duration of loans have great influences on the ability of agribusiness to access credit. A low-interest rate and a long repayment period as well as some form of a guarantee are helpful policies for agribusinesses. A mandate to commercial banks to grant loans to agribusiness even without collateral has been helpful in the development of the agribusiness subsector. The policy on small-scale businesses has also been helpful to agribusinesses.

d. Infrastructural policies leading to the development of infrastructure related to agribusiness also influence the viability of agribusiness. Good road networks, complemented by sound ICT policy can facilitate a lot of linkages among related agricultural participants in a value chain. In recent times, the use of ICT as a marketplace for consultancy and input/output sales has facilitated the establishment and expansion of many agribusiness firms. Complemented by a good road network, this can enhance the ease of transacting agricultural businesses. For example, an order placed (through the phone) for day–old chicks by a fellow residing in Abuja can be delivered from Ibadan the same day if the road network is good enough. The reliability of electricity supply can also affect agribusinesses. So, policies that can lead to a reliable supply of electricity can be beneficial to some agribusinesses that are involved in the processing and storage of some agricultural input and output. For instance, a poultry farmer needs electricity to store/preserve his vaccines as well as process and preserve his dressed chicken. The cost of doing business for firms that rely on electricity is drastically reduced if the public power supply is steady. Generally, the provision of adequate rural amenities will also increase participation in agricultural activities by rural dwellers instead of migrating to cities.

e. Generally, macroeconomic policies are usually put in place to stabilize the economy, encourage economic activities to ensure national economic growth, minimize the vagaries of prices and manage international trade policies, etc, and may be beneficial to the growth of agribusinesses (Akinyosoye, 2005). For instance, stable prices are good for agribusiness because it is useful in planning. Also, exported-oriented policies can benefit agribusinesses through business expansion to meet demand and the opening up of opportunities to establish firms that deal in the exportation of agricultural output. The overall macroeconomic policy can be such that motivates agribusinesses to take advantage of market forces, and ensure completion which leads to reasonable pricing and quality.

f. Health policies: a health policy (like health insurance or free rural Medicare) that reduces the level of out- of-the-pocket health expenses have the potential to liberate more funds for the expansion of agribusinesses.

g. Educational and training policies: policies on education and training are geared towards capacity building. Thus, certain educational policies that emphasize practical agricultural training are helpful in the growth of agribusiness. Such trainings may be in formal school certain or workshops. Administrations, have overtime established many collages and specialized universities of agriculture, in addition to the departments, schools and faculties of agriculture in conventional universities. Informal trainings may be embarked upon through workshops.

h. Security issues and related policies: Policies on security can also affect the growth of agribusinesses especially in the aspect of production and trading. A more encompassing border policing agency coupled with hi-tech surveillance can curtail the security menace ravaging the country and make farmers and traders feel secure to go about their businesses

Government policies sure do have influences on the growth of agribusinesses. Policies need to have action points in order to make impacts, thus they have to be implemented somehow. In order to ensure the realization and implementation of policies, some of the essential supporting services required by the agricultural sector need to be provided through established institutions. Presented and discussed below are these policies and supervising institutions established to administer them.

Self -Assessment Exercise

1: State the main objectives of agricultural policy.
2. A typical agricultural policy indicates…?

1.4 Conclusion

We have noted that government can use both agricultural and multi-sectoral polices as and strategies develop the agricultural sector.

1.5 Summary

In this unit, we have learnt that:

- agricultural policies are sets of guidelines and rule instituted by government to develop the agricultural sector.
- multi-sectoral policy strategies can also be deployed to develop agriculture.

1.6 References/Further Readings/Web Resources

Akarowhe, D. (2018). Retooling Agricultural Policies and Programmes for Sustainable Development in Nigeria *Current Investigations in Agriculture and Current Research* 2(1):165-168 doi: 10.32474/CIACR.2018.02.000129 https://lupinepublishers.com/agriculture- journal/pdf/CIACR.MS.ID.000129.pdf

Ebong, V. O. (2007). Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers. Pp 1 – 6.

Eyo, E. O. (2005). Agricultural Development in Nigeria: Plans, Polices and Programmes. Uyo: Best Print Business Press. Pp.42 – 62.

1.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: State the main objectives of agricultural policy.

Answer:

i. To promote self-sufficiency in the production of food, and raw materials for industry.
ii. To improve the socio-economic welfare of (especially) rural people engaged agriculture and ,
iii. To diversify the sources of foreign exchange earnings through increased agricultural export arising from adoption of appropriate technologies in food production and distribution.

2. A typical agricultural policy indicates:

i. policy objective,
ii. strategies¸
iii. time phases for implementation,
iv. financial implications and,
v. addresses the interest of the identified stakeholders.

UNIT 2 AGRICULTURAL RESEARCH POLICY

Unit Structure

2.1 Introduction
2.2 Learning Outcomes
2.3 Main Content
  2.3.1 Overview of Nigerian Agricultural Research Policy
  2.3.**2** Nigerian Agricultural Research Institutes and their Mandates
2.4 Conclusion
2.5 Summary
2.6 References
2.7 Possible Answers to Self -Assessment Exercises

2.1 Introduction

My dear good students, I welcome you to Unit 2 of Module 7 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that in order to actualize policy objectives on agricultural research, research institutes have been set up to address the needs of specific mandate agricultural produce. These institutes have their specific mandates. This unit will dwell on these institutes, their mandates, their success, and limitations.

2.2 Learning Outcomes

By the end of this unit, you should be able to:

- The general conceptualization of the Nigerian agricultural research policy
- The objectives of the Nigerian research policy
- Research institutes and their respective mandates
- The prospects of some of these institutes
- The factors militating against the actualization of their full potentials.

2.3 Main Content

2.3. 1 Overview of Nigerian Agricultural Research Policy

Agricultural research policy of the Federal government is designed to provide support relevant to the practical needs of Nigerian agriculture.

This is based on the fact that research institutions will work hard to investigate the properties of agricultural commodities and socioeconomics and come up with ideas on their improvements. Instance, research into poultry could bring (and has brought) about higher egg qualities, higher carcass weight, faster growth and strains of birds that can easily be raised resource poor individuals to enhance their incomes. For example, "Noiler" a strain of bird developed by a Nigerian researcher can achieve the dual purpose of egg and meat (chicken) production in a few months, with low feeding and housing and medical cost implications. In aquaculture, higher yield species of fish can also be developed. The development of cattle with higher milk producing capacity is also a goal of agricultural research policy. This is also true of higher yielding and shorter-span crops as well as crops compatible with the social and economic aspiration of concerned agricultural participants. The development of disease resistant plants and animals also form the mandate of these institutions. Some institutes also had the mandate to design and construct adaptable machineries. In the socioeconomic domain, research institutes had the mandate of packaging innovations and passing them unto agricultural producers, as well as guiding producers in the aspect the right amount of resources to apply in order to be efficient in production. In sum, research institutes were established to:

- Develop high yielding breeds/strains and varieties for enhanced production and productivity.
- Develop short-duration breeds/strains and varieties,
- Develop disease and stress resistant breeds/strains and varieties,
- Develop cost effective production techniques, machineries and equipment.
- Develop breeds/strains and varieties compatible with the socioeconomic aspiration of agricultural participants.
- Develop efficient resource combination and cost minimization strategies.
- Develop methods of passing innovations to agricultural participants in simplified, convincing and adoptable manner.

With this focus of generating innovations (new ideas, methods and varieties/breeds/strains) in mind, the general objective of Nigerian agricultural research policy is to facilitate the development of appropriate technology and high yielding animal and improved crop varieties to ensure increased production. Specifically, adoption of appropriate technologies for land preparation, planting, harvesting, processing and storage of farm produce as well as development of fast-growing species of trees to enhance forestry production, propagation of agriculture and break-through for effective control of animal and plant diseases. The strategies adopted to achieve successful implementation of these specific objectives of the agricultural research are:

i. Establishment of research institutes in specific areas of crops, livestock, fisheries and forestry,
ii. Funding of agricultural researches in colleges of agriculture and universities,
iii. Establishment of quarantine service centres,
iv. Establishment of the National science and technology development Ministries,
v. Establishment of agricultural extension and research liaison service.

2.3.2 Nigerian Agricultural Research Institutes and their Mandates

The Nigerian agricultural research institute and their respective mandates and summarized as below.

1. Cocoa Research Institute of Nigeria (CRIN), Ibadan.
The CRIN is mandated to research into the genetic improvement and production of cocoa, cashew, kola, tea and coffee.

2. **Institutes for Agricultural Research (AIR), Zaria.** This institute has the mandate to research into the genetic improvement of sorghum, groundnut, cowpea, cotton, sunflower, maize, and the improvements of the total-farming systems for the ecological zones covered by Kano, Sokoto, Katsina, Kaduna, Kebbi and Zamfara States.

3. Institute of Agricultural Research and Training (IAR&T), Ibadan. Research into kenaf, jute, soil and water management as well as the total-farming systems for the ecological zones covered by Lagos, Ogun, Oyo, Osun, Ondo, Ekiti, Edo and Delta States.

4. **Lake Chad Research Institute (LCR), Maiduguri.** The research mandate for this institute concerns the genetic improvement of millet Wheat and barley as well as the total-farming systems for the ecological zones covered by Borno, Jigawa, Yobe, Gombe, Bauchi and Adamawa States.

5. National Agricultural Extension and Research Liaison Services (NAERLS), Zaria. Development, collation and dissemination of appropriate agricultural technologies: monitoring technology and its dissemination: and collation and evaluation of agricultural information.

6. National Animal Production Research Institute (NAPRI) Zaria. This institute has the mandate to research into animal production and animal products.

7. National Cereals Research Institute (NCRI), Badeggi. This institute researches into the genetic improvement of rice, Soyabean, benniseed and the farming systems for the ecological Zones covered by Kwara, Kogi, Niger., Plateau, Nassarawa, Taraba and Benue States and the Federal Capital Territory.

8. National Institute for Freshwater Fisheries Research (NIFFR), New Bussa. This institute researches into the genetic improvement of freshwater fish species and their production in Nigeria as well as the long-term effects of man-made lakes on the environment.

9. National Root Crops Research Institute (NRCRI), Umudike. This institute is mandated to research into the genetic improvement of cassava, yam, cocoyam, irish potato, ginger and sweet potatoes, as well as the total farming systems for the ecological zones covered by Akwa-Ibom.

10. National Veterinary Research Institute (NVRI), Vom. The NVRI, has the mandate to research into all aspects of animal diseases, their treatment and control, as well as the development and production of animal vaccines and sera etc.

11. Nigerian Institute for Oceanography and Marine Research (NIOMR) Lagos. This was established to research into the resources and physical characteristics of the Nigerian territorial waters, and the high sea beyond, and research into genetic improvement of marine and brackish water fish species, and aquatic resources. The mandate of this institute also entails research into the production and processing of these species and aquatic resources.

12. Nigerian Institute for Oil Palm Research (NIFOR), Benin City. The research mandate of NIFOR includes the improvement, production of oil palm.

13. **Rubber Research Institute of Nigeria (RRIN), Benin City.** This institute is mandated to research into the genetic improvement, production and processing of rubber and other latex producing plants.

14. Nigerian Stored Products Research Institute (NSPRI) Ilorin. Research into the improvement of storage of major food and industrial crops, and conduct studies on stored product pests, pesticide formulation and residue analysis.

2.3.2.1 Constraints to the implementation of research policies

The success of the implementation strategies have however been hampered by numerous problems. According to Eyo (2005) and Ebong (2007), these include

i. shortage of funds, especially owing to poor budgetary allocations.
ii. patronage for reduction in the scale of functional activities,
iii. lack of resources, and
iv. frequent changes in supervising Ministers, especially between the Ministry of agriculture and natural resources and Ministry of Science and technology.

Self -Assessment Exercise

1: What are strategies adopted to achieve successful implementation the objectives of agricultural research? 2. What are the constraints to the implementation of research policies.

2.4 Conclusion

To provide for the innovation needs of the farm sector as envisaged in the agricultural research policy, government over the years established research institutes. These institutes are charged with the development of high yielding varieties; disease resistant varieties, short duration varieties, as well as innovations for improve production and effective resource combinations. Despites some success, some factors constrain these institutes from reaching their full potentials.

2.5 Summary

In this unit, you have learnt that:

i. research policies are necessary in increase productivity and elicit prosperity in agriculture through innovations,
ii. specific research institutes were established for certain agricultural concerns. For example, there are specific research institutes for some crops, livestock and fisheries,
iii. a number of constraints frustrates these institutes from reaching their full potentials. Some of these include incessant, poor resource base and bureaucratic interferences.

2.6 References/Further Readings/Web Resources

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2.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: What are strategies adopted to achieve successful implementation the objectives of agricultural research?

Answer:

i. Establishment of research institutes in specific areas of crops, livestock, fisheries and forestry,
ii. Funding of agricultural researches in colleges of agriculture and universities,
iii. Establishment of quarantine service centres,
iv. Establishment of the National science and technology development Ministries,
v. Establishment of agricultural extension and research liaison service.

2. Constraints to the implementation of research policies are:

i. shortage of funds, especially owing to poor budgetary allocations.
ii. patronage for reduction in the scale of functional activities,
iii. lack of resources, and
iv. frequent changes in supervising Ministers, especially between the Ministry of agriculture and natural resources and Ministry of Science and technology.

UNIT 3 AGRICULTURAL FINANCE AND MARKETING POLICIES

Unit Structure

3.1 Introduction

My dear good students, I welcome you to Unit 3 of Module 7 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that to provide for the innovation needs of the farm sector as envisaged in the agricultural research policy, government over the years established research institutes. These institutes are charged with the development of high yielding varieties; disease resistant varieties, short duration varieties, as well as innovations for improve production and effective resource combinations. Despites some success, some factors constrain these institutes from reaching their full potentials.

The financing of agribusiness though loans, grants, and subsidies have been the cutting edges of the finance and credit policy of the Nigerian administrations over the years. To this end, agro and rural financial institution were established or transformed. In order to ensure sustainable and remunerative incomes for farmers the administrations also tinkered with some policy strategies and institutions. This unit dwells on the credit and marketing policies of the Nigerian government.

3.2 Learning Outcomes

By the end of this unit, you should be able to:

- The agricultural financing strategies of successive Nigerian administrations
- The transformational history of the Nigerian bank established for the agricultural sector

- The different financing products of the Bank of Agriculture
- The thrust of the Nigerian marketing and pricing policy
- About the establishment, activities and effects of the marketing boards.

3.3 Main Content

3.3.1 Agricultural Finance/credit Policy

The importance of financial and credit in sustainable development is not debatable and has been the strategy of both international agencies and the national governments to ensure the general success of development programmes. In Nigeria, successive governments have continued to hinge their strategies for transforming the economy via financing in forms of credit, grants and subsidies. Such strategies have been applied to the agricultural sector as well.

The main objective of the agricultural credit policies over the years has been to make adequate credit available to the farmers in the rural areas at the right time and affordable cost (concessionary low interest rate) for increased farm output. Consequently, efforts have been made to guarantee proper funding and promotion of agribusiness via public polices in Nigeria. In recent time other agricultural participants like input suppliers and processors have also been able to benefits from these strategies, and have leveraged on them to expand their agribusiness firms.

Over time, successive government have established institutions and strategies to implements their agricultural finance and credit policies. These include:

1. Bank of Agriculture (BOA) Limited was established in 1972 and later became Nigerian Agricultural and Co-operative Bank (NACB) Limited to “reflect a broader mandate”. In 2001, the NACB, People’s Bank of Nigeria (PBN), and the risk assets of the Family Economic Advancement Programme (FEAP) were merged to form Nigerian Agricultural, Co-operative Rural Development Bank (NACRDB) Limited. However, in 2010, the Bank was rebranded and it adopted the new name Bank of Agriculture (BOA) Limited. Further information available on the BOA website (https://www.boanig.com) include its mandate and products which are discussed below

3.3.1.1 The mandates of the BOA include

---- provision of credit to support all agricultural businesses,

---- provision of microcredit to no agricultural ventures
---- mobilization of saving,
---- capacity development through the encouragement of cooperatives, agricultural information systems,
---- provision of technical support and extension services, and
---- provision of opportunities for self-employment in the rural areas in order to reduce rural-urban migration.

3.3.1.2 The implementation strategies of the BOA

The BOA implements her mandate through cutting-edge items called "products". These products include:
---- Grow and Earn More (GEM): this is a strategy to encourage women to take up agriculture as a business
---- Youth in Agricultural Revolution (YARN): the YARN was designed to encourage youth to take up agriculture as an investment or business
---- Direct Credit Product: this was designed to encourage fund small and medium agribusiness. This product grants credit ranging from 250,000 naira.
---- Large Credit Product: this was designed to encourage large- scale production and agro-allied. This product advances credits from 50 million Naira to 1 billion Naira.
---- Agro-processing facility: this facility was designed to encourage agro-processing firms, reduce post-harvest losses and improve food security.
---- On-lending Credit: the BOA in this case partners with states and local governments and financing agencies to support NGOs and community-based organizations

2. The Nigeria Agricultural Insurance Company was established in 1987 to insure agricultural crops so that farmers would be protected against losses arising from natural or man-made hazards beyond their control. By 1990s, the scope of this insurance outfit was extended to cover livestock and fisheries. The strategies for achieving this objective were streamlined as follows:
---- Making insurance a pre-requisite for obtaining agricultural loans
---- Farmers were to insure their farms to the tune of 21/2 percent of their loan volume only.
---- Establishing and funding agricultural insurance company by the governments. (iv) Encouraging private sector participation in mobilizing funds for investment in agriculture, that is, the involvement of private insurance companies.

3 Rural Banks. Establishment and strengthening of rural banking institutions to provide loans to the agricultural sector. Initially government introduced specialized banks such as:

---- Nigeria Agricultural and Cooperative Bank (NACB),
---- People's Bank and
---- Community Banks.

These were established in order to ensure availability of credits to all categories of farmers at concessionary interest rate to facilitate growth and development of the agricultural and agro-allied sectors of the national economy. It was evident that the overall effectiveness and financial viability of NACB was constrained by over-dependence on government subvention, its inability to attract deposits and access loans, poor loan recovery performance, high administrative costs and eventual financial distress. The Peoples bank also suffered similar problems that lead to the bank's inability to perform its statutory functions.

4 Nigeria Agricultural, Cooperative and Rural Development Bank (NACRDB). The problems that constrained the earlier banks resulted in the birth of the Nigeria Agricultural, Cooperative and Rural Development Bank (NACRDB) limited as the single largest development finance institution in Nigeria following the successful merger of the former NACB, peoples bank and the Family Economic Advancement Programme (FEAP) in October 2000. The banks broad mandate encompasses savings mobilization and the timely delivery of affordable credit to meet the funding requirements of the teaming Nigeria population in the agricultural and non- agricultural sector of the national economy. Specifically, the mandate of NACRDB includes:

---- Providing all classes of agricultural loans for crops, livestock, poultry and fisheries production, etc.
---- Developing the economic base of the low income groups through provision of loans to small scale enterprise.
---- Encouraging the formation of cooperatives.
---- Accepting savings from individuals and cooperative societies and to make repayment of such savings together with appropriate interest.

4.4.1.1 Engendering good banking habits among Nigerian, especially the target group, Encouraging capacity building through the training of beneficiaries on proper loan utilization, repayment, savings and the formulation of strategies for the profitable marketing of products.

4. **Micro Finance banks**. The Micro-finance Banks were established to further address savings and credit issues. In a bid to repositioning the remaining community banks after the increase in their capital base from initial modest sum of N250,000 to

N5,000,000 and the reduction in the banks number to 753 nationwide as well as poor management coupled with the rural people's preference for traditional informal thrift and saving organizations (Osusu), the Central Bank of Nigeria (CBN) directed that the licensed community banks be converted to micro- finance banks. This was to make them more effective vehicles for credit and savings mobilization in the rural informal sector. The Micro-finance banks as provided for, in the National Micro-finance Policy Regulatory and Supervisory Framework was launched on 15th December, 2005 with the goal of providing financial services to over 65 percent of the Nigerian economically active population who are not served by the formal financial system. The establishment of micro-finance banks therefore is to, among others.

---- Provide diversified, affordable and dependable financial services to the poor in a timely and competitive manner.

---- Mobilize savings for intermediation.

---- Create employment opportunities and increase the productivity of the active poor; and . Render payment services such as salary gratuity and pensions.

Micro-finance banks that are licensed to operates as unit banks are to be community based and have a minimum paid-up capital of N20 million for each branch. Those licensed to operate in a state or federal capital territory (FCT) are to have a minimum paid-up capital of N1 billion.
Aside these credit institutions, key strategies adopted for the implementation of the Nigerian agricultural finance and credit policy include:

1. The Agricultural Credit Guarantee Scheme fund of the Central Bank was established in 1977 with the CBN as the managing agent to provide credit guarantee on commercial banks' loans for agricultural purposes with the aim of increasing the level of commercial bank credits to the agricultural sector. The scheme is aimed at stimulation of the total agricultural production for both domestic consumption and export and the encouragement of commercial and other banks to participate in increasing the productive capacity of agriculture via increased capital investment lending. The scheme which was to guarantee 75 percent of any default in bank loans granted to agricultural sector, had it capital based increased from the initial N100 million in 1977 to N1 billion and N 4 billion in 2001 and 2006 respectively. This was followed by an upward review of credit limits. For instance the limits for guaranteed non-collateralized loan to individuals increased from N5,000 to N20,000 while collateralize loans in individual rose from N 100,000 in 1997 to N1 million in 2001. The limit of loan to operations and corporate

bodies were similarly increased to N10 million from N1 and N5 million in 1977 and 1999 respectively. Guarantees issued by the fund for 2003 had been substantively huge and has induced the commercial banks to grant to the agricultural sub-sector a loan of N1.164 billion which shows an increase rate of 10.2 percent.

2. Granting of grace period (moratorium) on agricultural loans. This was also employed give agricultural producers enough time to repay loans. Initially the grace period was 2 years for seasonal crops, poultry and pig enterprises, and 5 years for the crops, cattle breeding and ranching. These grace periods were however reviewed from time to time. For instance, between 1992 and 1993, the grace periods for agricultural loans were as follows:

---- One year for seasonal crops like grains, food crops or vegetable.

---- Four years for tree crops e.g. Oil palm, cocoa, rubber, oranges etc.

---- Five years for tree medium and large scale mechanized farm with large capital outlays.

---- Seven years for ranching.

3.3.2 Agricultural Marketing and Pricing Policy

Government policy on agricultural marketing and pricing policies has been to ensure stable and remunerative income for farmers through efficient distribution of agricultural produce. This is aimed at ensuring that seasonal and ecological zone variations have little or no effect on all the year round availability of the farm produce, and also to shield the farmers from the adverse effects of price fluctuation in the international market. In order to ensure the effectiveness of the agricultural marketing and pricing policy objectives, a four pronged approach was envisaged (in the 1970s and 80s) to:

---- set up appropriate enlightenment and monitoring mechanics,

---- input subsidization,

---- infrastructural development, and

---- institution of commodity marketing boards.

Government enlightenment and monitoring machineries was set up to regulate the activities of those involved in agricultural produce marketing in order to curtail unwholesome practices, maintain acceptable quality standards in the state and federal, produce inspection services for grading and certification of commodities and to encourages individuals, cooperatives and limited liabilities and companies to export agricultural commodities.

Farm inputs were subsidized to stimulate wide spread utilization of modern farm inputs so as to increase agricultural production. Inputs whose prices were subsidized included fertilizers, plant protection chemicals such as pesticides and agricultural equipment. This generally had the effect of sharp increase in utilization of these inputs. However, subsidies on the inputs reduced with time and finally removed by the end of 1997 but that of fertilizer was re- introduced in 1999.

Government at various levels also provided infrastructures for rapid development of agricultural marketing. These include the construction of silos for grain storage at strategic locations in the country, cool rooms for fish storage and marketing in fishing communities and well-constructed marketing outlets and structures for the disposal of agricultural produce of the farmers.

Zonal marketing boards, which later metamorphosed into the establishment of countrywide boards, were established in 1977. The actions of the commodity boards in the period between 1979 and 1985 had a depressive effect on farm output and income as they were noted to pay farmers, prices that were below the world prices which were sometimes below production costs. It was observed that prices paid to the farmers during the said period were less than 70 percent of world market prices (CBN 2000). With the introduction of SAP in 1986, the commodity boards system was abolished and commodity pricing was liberalized. The abolition of commodity boards eliminated the implicit taxation of farm incomes inherent in their operations. In spite of the virtue of the new policy, there were some attendant problems. First, exchange rate depreciation affected the prices of imported inputs, which rose substantially while the removal of subsidizes implies high input prices and hence reduced profit margin. Second, there were reported cases of produce quality deterioration under the commodity board system. Third, there was sharp fluctuation in the world commodity prices that exposed the farmers to a greater risk. These problems resulted in the initiative to set up the commodity exchange market which was accepted to be implemented in 1996 by the government of Nigeria but yet to become fully operational, Eyo (2005) and Ebong (2007).

Self –Assessment Exercise

1: Enumerate the mandate of the Bank Of Agriculture.
2.Mention the reasons for the establishment of micro-finance banks

3.4 Conclusion

The nation continues in its policy of credits, grants and loans to the agricultural sector and the diverse tinkering with agricultural financing in Nigeria has birthed an inclusive Bank of Agriculture. The marketing and pricing strategies also saw the need for market liberalization.

3.5 Summary

In this unit, we have learnt:

- the agricultural financing strategies of successive Nigerian administrations included loans, grants and subsidies
- that the Nigerian bank established for the agricultural sector has undergone numerous transformation, and is now the Bank of Agriculture with numerous financing options
- that the thrust of the Nigerian marketing and pricing policy is to ensure adequate and sustainable remunerations for agricultural participants.
- about the negative effects of the activities and effects of the marketing boards.

3.6 References/Further Readings/Web Resources

Ebong, V. O. (2007). Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers. Pp 1 – 6.

Eyo, E. O. (2005). Agricultural Development in Nigeria: Plans, Polices and Programmes. Uyo: Best Print Business Press. Pp.42 – 62.

https://www.boanig.com/ Accessed 14 January, 2022

3.7 Possible Answers to Self -Assessment Exercises

Self –Assessment Exercise

1: Enumerate the mandate of the Bank of Agriculture.

Answer:

The mandates of the BOA include:
---- provision of credit to support all agricultural businesses,
---- provision of microcredit to no agricultural ventures
---- mobilization of saving,
---- capacity development through the encouragement of cooperatives, agricultural information systems,
---- provision of technical support and extension services, and
---- provision of opportunities for self-employment in the rural areas in order to reduce rural-urban migration.

2.The establishment of micro-finance banks therefore is to, among others:
---- Provide diversified, affordable and dependable financial services to the poor in a timely and competitive manner.
---- Mobilize savings for intermediation.
---- Create employment opportunities and increase the productivity of the active poor; and . Render payment services such as salary gratuity and pensions.

UNIT 4 AGRICULTURAL EXTENSION SERVICES AND MANPOWER DEVELOPMENTS POLICIES

Unit Structure

4.1 Introduction

My dear good students, I welcome you to Unit 4 of Module 7 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that the nation continues in its policy of credits, grants and loans to the agricultural sector and the diverse tinkering with agricultural financing in Nigeria has birthed an inclusive Bank of Agriculture. The marketing and pricing strategies also saw the need for market liberalization.

In order to enhance agricultural development improved, materials, better methods and ideas from the research institutes have to be effectively communicated to the farmers. This effective communication lies within the purview of the extension delivery system. The policy on extension delivery in Nigeria covers this object. Also, the complimentary strategies of man power developments need to be articulated.

4.2 Learning Outcomes

By the end of this unit, you should be able to:

- The extension delivery strategies of government: FADAMA, ADP
- The ADP, it mandates and constraints
- The training and manpower development policy of the government.

4.3 Main Content

4.3.1 Agricultural Extension Services Policy

According to Udoma, Inyang and Ekaiko (2009), Agricultural extension has been out-of- school education aimed at communicating useful information to people through educational process. It is mainly centered on technology transfer to the clientele, but of recent community driven approach has been introduced through the FADAMA intervention programme.

Despite the changes in approach, the overall objective of is the same- and is promoting agribusiness to drastically reduce the level of poverty by giving assistance to farmers to help them become aware of the opportunities for self-empowerment and improvement. It is therefore the policy of government to provide agricultural extension services to enterprising farmers for increased productivity.

The general objective of the agricultural extension policy has remained basically the same since 1960, is to disseminate proven agricultural technologies to farmers, to increase output and raise their standard of living. A number of strategies were adopted to facilitate realization of the stated objective. One of this is the establishment of the Agricultural Development Programme (ADP).

4.3.1.1 Agricultural Development Programme (ADP)

The key institution of agricultural extension services is the network of **Agricultural Development Programme (ADPs)** spread in each of the States of the Federation and Abuja. The ADPs, as the extension services arms of the Ministry of Agricultural and Natural Resources was vested with the following responsibilities;

i. Recruiting, training and developing extension personnel for effective extension delivery,
ii. providing training facilities and infrastructures that can strengthen the link between researchers, extension agents and farmers,
iii. establishing demonstration farm centers and rural livestock, fisheries in their areas of jurisdiction for crops and,
iv. encouraging private sector to invest in agricultural information dissemination.

4.3.1.2 Constraints to agricultural extension delivery in Nigeria

Although agricultural extension service in Nigeria has successfully transmitted many innovations to farmers, and assisted farmers and rural women to improve their welfare, it is constrained by a number of problems. Haruna and Abdullahi (2013), Auta and Dafwang (2010), and Onuche et al (2020) have reported a few constraints to agricultural extension delivery in Nigeria. These constraints include:

---- Agricultural extension services in Nigerian suffer from inadequate and untimely funding. It has been noted that 75% of ADP centres in Nigeria are inadequately funded.

---- The efficiency of extension system in Nigeria is constrained by its density. The Nigerian national average of the number of extension agents per farmer is noted to be around 1:3011.

This is far below the FAO has recommended a density of 1 extension agent to a maximum of 1000 farmers.

---- The level of deployment of ICT in Nigerian agricultural extension service delivery is poor. While some African countries have employed for instance the use of drones to map and monitor croplands by extension workers, the Nigerian extension delivery system remains restricted to the analog system with a low level of ICT usage. It has been noted that the Nigerian extension delivery system is “in dire need of computerization”, and estimated that, up to 35% of the extension workers in Nigeria need basic computer training.

---- The Training needs of extension person are not limited to ICT. There is a serious need for training in crop improvement and pest management. Unfortunately, the training is inadequate and limited to a few staff.

---- There is also the problem of effective monitoring and supervision of the activities of the extension personnel. Ineffective monitoring and supervision of the activities of extension workers can hamper the growth of agribusinesses.

4.3.2 Training and Manpower Development Policy

Training and Manpower development is a necessary factor for increased agricultural productivity and it is offered to improve the skills of those involved in agricultural activities. The government has embarked on the policy of training and developing manpower to support researches and other duties for agricultural development in Nigeria. The objective of this policy has been to catch up with the country’s manpower needs in crops, livestock, forestry and wildlife, fisheries and aquaculture sub-sectors as well as agricultural extension, home economics, food science and technology and water resources management training and manpower development. Strategies deployed to implement thsu policy are as follows:

i. Establishment of training and research Institute such as the Agricultural Research and Manpower training Institute (ARMITI) in Ilorin, Kwara State.
ii. Sponsoring Nigerians to participate in agricultural, and agricultural related workshops, conferences, seminars and short courses within and outside the country.
iii. In the continuing effort to build capacity needed to boost agricultural production, the federal government has established three Universities of agriculture in Abeokuta, Umudike and Makurdi, to offer degree programmes in all disciplines of agriculture. Other Federal Universities, and States owned Universities as well as some privately owned Universities also offer training opportunities in agriculture related.
iv. Provision of scholarships and bursary awards to encourage students studying courses in agriculture and related disciplines within and outside Nigeria.
v. Establishment of colleges of agriculture and introduction of faculties and department of agriculture in polytechnics and colleges of technology and education for the training of middle manpower for the sector.

For instance, there are also some Federal Agricultural Colleges not directly under the supervision of the FDAs; many State Colleges of Agriculture as well as many Polytechnics and Colleges of Technology, offering agriculture-related courses.

This initiative is government's holistic approach to solving the perennial problem of inadequate skilled manpower at all levels of the agricultural sector.

Self -Assessment Exercise

1: State the responsibilities of ADP.
2.What are the constraints to agric. extension services in Nigeria?

4.4 Conclusion

We have noted how Government has developed strategies for the communication of improved, materials, better methods and ideas from the research institutes through extension delivery system which is basically the ADP. In addition, we have noted also, the complimentary strategies of training and mana power needs through the establishment of training institutions.

4.5 Summary

We have in this unit learnt:

- that the strategy for the implementation of the extension policy program is the ADP
- that mandate of the ADP works to train farmers, link them with research institutes, run demonstration farms, and encourage private investments.
- that the ADP is constrained by poor training, inadequate finances, low man power, and poor monitoring and supervision, among others
- that government has established institutions to take care of the manpower and training needs of agriculture.
- that government also provides scholarships and sponsorships for the training of agricultural personnel.

4.6 References/Further Readings/Web Resources

Auta, S. J., and I. I. Dafwang (2010). "Agricultural Development Projects (ADPs) in Nigeria: Status and Policy Implications." Research Journal of Agriculture and Biological Sciences 6 (2): 138–143.

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4.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: State the responsibilities of ADP.

Answer:

i). Recruiting, training and developing extension personnel for effective extension delivery,

ii). providing training facilities and infrastructures that can strengthen the link between researchers, extension agents and farmers,

iii). establishing demonstration farm centers and rural livestock, fisheries in their areas of jurisdiction for crops and,

iv). encouraging private sector to invest in agricultural information dissemination.

2. These constraints include:

---- Agricultural extension services in Nigerian suffer from inadequate and untimely funding.

---- The efficiency of extension system in Nigeria is constrained by its density. The Nigerian national average of the number of extension agents per farmer is noted to be around 1:3011.

---- The level of deployment of ICT in Nigerian agricultural extension service delivery is poor.

---- The Training needs of extension person are not limited to ICT. There is a serious need for training in crop improvement and pest management. Unfortunately, the training is inadequate and limited to a few staff.

---- There is also the problem of effective monitoring and supervision of the activities of the extension personnel. Ineffective monitoring and supervision of the activities of extension workers can hamper the growth of agribusinesses.

UNIT 5 RURAL AND WATER DEVELOPMENT POLICIES

Unit Structure

5.1 Introduction

Hello students, I welcome you to Unit 5 of Module 7 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted how Government has developed strategies for the communication of improved, materials, better methods and ideas from the research institutes through extension delivery system which is basically the ADP. In addition, we have noted also, the complimentary strategies of training and mana power needs through the establishment of training institutions.

As part of the multi-sectoral policy towards agricultural transformation, there exist the rural development and the water resources development policies. These policies have their bearings on agribusiness development and have recorded their successes and borne challenges.

5.2 Learning Outcomes

By the end of this unit, you should be able to:

- The goals of the Nigerian rural development policies,
- About institutions and strategies deployed to actualize the Nigerian rural development policy over time,
- About the mandates of the River Basin Development Authorities (RBDAs), and
- The constraints to the actualization of the mandates of the RBDAs

5.3 Main Content

5.3.1 Rural Development Policy

It has been estimated that over 60 percent of Nigerian's population live in the rural areas, with the majority of them involved in agricultural activities. In an attempt to improve the quality of life of the rural people and thereby stem the tide of rapid rural-urban migration as well as facilitate the promotion of sustained and orderly development of rural Nigeria, successive government adopted rural development policies and strategies and several established agencies and programmes. Although the rural development goal of government, does not depend primarily on small farmers' agricultural progress, it implies much more. It comprises such policy objectives as:

i). Improvement in the quality of life the rural people including income, employment, education, health and nutrition, housing and variety of related social services.
ii). A decreasing inequality in the distribution of rural incomes and in urban rural imbalances in income and economic opportunities.
iii). The promotion of a sustained and orderly development of the vast resources available in the rural areas for the benefit of the rural population.
iv). The creation of an infrastructural base, which is conducive to profitable investment.

The capacity of the rural sector to sustain and accelerate the pace of these improvements over time.

Rural development policy instruments deployed include the provision of basic infrastructure like roads to facilitate input supply and agricultural product evacuation, pipe borne water, electrification, education and health care facilitate as well as improved access to financial assistance. The major agencies and programmes used were:

i. Directorate of Food, Roads and Rural Infrastructure (DFRRI)
ii. National Directorate of Employment (NDE)
iii. Better Life/Family Support Programme,
iv. Life Enhancement Programme and
v. National Poverty Alleviation Programme.

However, the objectives of the rural development were not sufficiently met as the infrastructure provided was not sufficient to check rural-urban migration in search of better opportunities. The rural areas continue to suffer from poor power supply, poor road network, inadequate potable water supply and other infrastructure-related problems.

5.3.2 Water Resources Development Policy

The board objective of the water resource development was to adopt a comprehensive original approach towards integrated water development. The Federal Ministry of Water Resources and the River Basin Development Authorities (RBDAs) were established and empowered as agencies to implement this policy.

The major functions of the RBDAs included

i. the development of underground water resources,
ii. control of floods and erosion, and
iii. construction and maintenance of dams, dykes, polders, wells, boreholes, irrigation and drainage systems.

Unfortunately, this integrated approach to development and utilization of water resources was not sustained due largely to the policy inconsistencies regarding the number of operational RBDAs and their functions.

For instance, the number of RBDAs which was 11 in 1977, was increased to 18 in 1984 but later reduced to 9 in 1986 with their activities limited to water resource management. By 1987, the identifiable functions of the RBDAs were extended to cover operation and maintenance of roads and bridges linking project sites, and keeping up to date records of water resources, water use as well as environment and socio-economic data on the functional RBDAs.

In 1992, government adopted the partial commercialization policy. This was an attempt to partially commercialize the River Basin Development Authorities as a means of increasing the revenue base of the authority outside the government subventions. However, government still supports the authorities to carry out their statutory functions in the development of the agricultural sector of the economy.

Conflict of sectoral interests and the absence and lack of coordination among stakeholders have constrained effective water resources management, resulting in the non-optimization of water resources. There is also the problem of policy inconsistency as seen in the various alterations to the number and mandates of the RBDAs (Ngene et al., 2021)

Self -Assessment Exercise

1: Mention the major functions of the River Basin Development Authorities (RBDAs).
2.Enumerate the major agencies of rural development.

5.4 Conclusion

The rural development strategies and institutions have recorded some success in the development of rural areas. However, there is a need to have them repositioned. Also, the water resources development strategies need coordination and policy stability to achieves their objectives.

5.5 Summary

In this unit, you have learnt:

i) that the goals of the Nigerian rural development policies include to stem rural urban migration, improve the quality of life in the rural area, decrease inequality, promote sustainable development etc.,

ii) that the Directorate of Food, Roads and Rural Infrastructure (DFRRI), National Directorate of Employment (NDE) Better Life/Family Support Programme, etc were strategic institution/programmes designed to meet these goals over time

iii) that the River Basin Development Authorities (RBDAs) were mandated to control floods, build dams, provide for irrigation etc.

iv) that the lack of multi sectoral coordination and policy inconsistency were issues confronting the RBDAs.

5.6 References/Further Readings/Web Resources

Akinysoye, V. (2005). Agriculture and administration in Nigeria: analysi s of policies, pro- grammes and administration. Lagos. Macmillan. 598Pp

Ebong, V. O. (2007**)**. Agribusiness Management in a Developing Economy. The Nigerian Perspective, Robertminder International Publishers. Pp 1 – 6.

Ngene, B U. Christiana O.Nwafor, Gideon O.Bamigboye Adebanji S.OgbiyeJacob O.Ogundare Victor E.Akpan (2021). Assessment of water resources development and exploitation in Nigeria: A review of integrated water resources management approach. Heliyon7(1):1033https://www.sciencedirect.com/science/article/pii/ S2405844021000608

5.7 Possible Answers to Self -Assessment Exercises .

Self -Assessment Exercise

1: Mention the major functions of the River Basin Development Authorities (RBDAs).

Answer:

i. the development of underground water resources,

ii. control of floods and erosion, and

iii. construction and maintenance of dams, dykes, polders, wells, boreholes, irrigation and drainage systems.

2. The major agencies and programmes used were:

i. Directorate of Food, Roads and Rural Infrastructure (DFRRI)

i. National Directorate of Employment (NDE)

ii. Better Life/Family Support Programme,

iii. Life Enhancement Programme and

iv. National Poverty Alleviation Programme.

MODULE 8 LEGAL ORGANIZATION AND TAX STRATEGIES RELATED TO AGRIBUSINESS MANAGEMENT

Unit 1 Understanding the Legal Environment of Business Organizations in Nigeria
Unit 2 Legal Matters in the Operation of Foreign Companies in Nigeria
Unit 3 Taxation in Nigeria
Unit 4 Tax Administration in Nigeria

UNIT 1 UNDERSTANDING THE LEGAL ENVIRONMENT OF BUSINESS ORGANIZATIONS IN NIGERIA

Unit Structure

1.1 Introduction
1.2 Learning Outcomes
1.3 Main Content
 1.3.1 The Legal Environment of Businesses in Nigeria
 1.3.2 Types of Businesses Recognized by CAMA
1.4 Conclusion
1.5 Summary
1.6 References
1.7 Possible Answers to Self -Assessment Exercises

1.1Introduction

Hello students, I welcome you to Unit1 of Module 8 of this Course AEM509 Principles of Agricultural Business Management. In the last unit of Module 7, we learnt and noted that the rural development strategies and institutions have recorded some success in the development of rural areas. However, there is a need to have them repositioned. Also, the water resources development strategies need coordination and policy stability to achieves their objectives. Every country has its procedure towards recognizing an organization as being legal. Thus, every business in Nigeria; be it agricultural or non-agricultural is required by law to be legally recognized. Businesses are required to be registered with the Corporate Affairs Commission, and to comply with the relevant provisions of the Companies and Allied Matters Act of 2020.

1.2 Learning Outcomes

By the end of this unit, you should be able to:

- About the CAMA Act
- The Cooperate Affairs Commission
- The types of companies recognized by Nigerian laws.

1.3 Main Content

1.3.1 The Legal Environment of Businesses in Nigeria

The Companies and Allied Matters Act of 1990 (CAMA 1990) was repealed and replaced by the CAMA 2020. The CAMA 2020 was signed into law with a commencement date of 7 August 2020. The new Act contains a lot of changes bordering on the registration and operation of businesses in Nigeria. Following this, the Corporate Affairs Commission which is the implementation agency of the Act issued the Companies Regulations 2021 to serve as the implementation framework for the new Act.

The functions of the CAC are

i). the regulation and supervision of the formation, incorporation, registration, management and winding up of companies,

ii). the establishment and upkeep of a suitable and well-equipped Companies Registry, and the conduct of investigation into the affairs of any company where the interests of shareholders and the public so demand; etc.

iii). Once an enterprise is fully documented by CAC, it can take any of the forms as provided under the Companies and Allied Matters CAMA. CAMA is the principal statute governing the registration of business in Nigeria. The administration of CAMA is the responsibility of the Corporate Affairs Commission (CAC), with headquarters in Abuja, and zonal offices all over the country, Kenna & Associates (2011).

1.3.2 Types of Businesses Recognized by CAMA

The types of Business Organizations under the Companies and Allied Matters Commission Act:

Facts available from section 21 of the CAMA as noted by the Corporate Affairs Commission in Nigeria reveals that legalized business organizations can be grouped into three broad groups.

1. **Company limited by shares**

Under this types a company have the liability of its members limited to the amount (if any), unpaid on the shares respectively held by them. Thus the financial liability of its members is limited by the shares that they hold and nothing more. So, if the company winds up or becomes insolvent, they (shareholders) will not lose anything other than the shares they individually hold.

2. **Company limited by guarantee**: This is a company without a share capital. It is a not-for-profit company where the liability of its members is limited to such amount as the members respectively undertook to contribute to the assets of the company in the event of its being wound-up. These companies use do not distribute their profits to their members but use it to promote society by investing in the promotion of science, art, commerce, religion, and charity. Such companies are exempted from taxes. Due to the tax exemption and other benefits granted this type of company, the Consent of the Attorney General of the Federation is required for the registration.
3.
4. **Unlimited Company:** This is a company where the members' liability is not limited to any particular amount. If the company winds up, the debt it owes must be settled even it means reaching into the pockets of the members. This implies that the liability is not limited to the shares they hold.
5.

Each of these primary types of companies may be a private or a public company. A private company is one, which places restriction on transfer of shares by members, and limits its membership to 50 persons. It is also prohibited from inviting the public for subscription to its shares or debentures. A public company has no such restrictions as its shares can be freely traded on. It can be listed or unlisted. It is usually listed when it is quoted on the Stock Exchange.

Ownership and registration of companies or businesses is not limited to Nigerians. Foreigners or foreign businesses can also do business in Nigeria.

Self -Assessment Exercise

1: What are the functions of the CAC?
2.Write short notes on unlimited companies.

1.4 Conclusion

In order to embark on the establishment of any agribusiness corporation in Nigeria it is important to understand the dictates of CAMA and the regulations as well as guidelines of the CAC.

1.5 Summary

In this unit, you have been introduced to:

- the law guiding the incorporation, registration, operation and winding up of business in Nigeria- that is the CAMA 2020,
- the agency (CAC) saddled with the responsibility of enforcing the CAMA 2020,
- the duties of the CAC, and
- the types of companies recognized by the Nigerian legal system; companies limited by shares, companies limited by guaranteed, and unlimited liability companies.

1.6 References/Further Readings/Web Resources

Jegede, J.O (2020). Nigeria: Types of Companies and Company Registration in Nigeria. https://www.mondaq.com/nigeria/shareholders/989060/types-of-companies-and- company-registration-in-nigeria.

Key compliance obligations under CAMA 2020 and Companies Regulations 2021. https://pwcnigeria.typepad.com/tax_matters_nigeria/2021/05/key-compliance- obligations-under-cama-2020-and-companies-regulations-2021.html.

1.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: What are the functions **of the CAC?**

Answer:

The regulation and supervision of the formation, incorporation, registration, management and winding up of companies.
The establishment and upkeep of a suitable and well equipped Companies Registry.
The conduct of investigation into the affairs of any company where the interests of shareholders and the public so demand; etc.

2. **Unlimited Company:** This is a company where the members' liability is not limited to any particular amount. If the company winds up, the debt it owes must be settled even it means reaching into the pockets of the members. This implies that the liability is not limited to the shares they hold. Each of these primary types of companies may be a private or a public company. A private company is one, which places restriction on transfer of shares by members, and limits its membership to 50 persons. It is also prohibited from inviting the public for subscription to its shares or debentures. A public company has no such restrictions as its shares can be freely traded on. It can be listed or unlisted. It is usually listed when it is quoted on the Stock Exchange.

UNIT 2 LEGAL MATTERS IN THE OPERATION OF FOREIGN COMPANIES IN NIGERIA

Unit Structure

2.1 Introduction

Hello students, I welcome you to Unit 2 of Module 8 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that in order to embark on the establishment of any agribusiness corporation in Nigeria it is important to understand the dictates of CAMA and the regulations as well as guidelines of the CAC. For a business concern to partake in any business activity, either as regards ownership of a business, or transacting businesses with establishments in another country, there has to be a procedure. This the guidelines for foreign participation in the Nigerian business domain are treated in this unit.

2.2 Learning Outcomes

By the end of this unit, you should be able to:

- The procedure for registering a foreign company
- Who can act on behalf of a foreign business
- The documents that need to be completed by a representative of a foreign concern in Nigeria.

2.3 Main Content

2.3.1 Operation of Foreign Companies in Nigeria: The legal Procedure

Apart from Nigerian cultured business organizations, the Nigerian business environment also allow foreign companies to operate. Non-Nigerians are encouraged to invest and participate in the operation of any enterprise in Nigeria. However, the promoters or investors would have to register a company in Nigeria. This company will be a separate and distinct entity from its parent company. Until so incorporated, a foreign company may not carry on business in Nigeria or exercise any of the powers of a registered company but does not excludes the company from enjoying

legal and legitimate rights (i.e.) sue or being sued A foreign investor may incorporate a Nigerian branch or subsidiary of the parent company by giving a Power of Attorney to a qualified solicitor in Nigeria for this purpose. The incorporation documents in this instance would, disclose that the Solicitor is merely acting as an "agent" of a "principal" whose name(s) should also appear in the document.
The Power of Attorney should be designed to lapse, thus indicating that the appointed Solicitor shall be cease to function upon the conclusion of all registration formalities. When this is accomplished, the locally incorporated branch or subsidiary company must then apply to the Nigerian Investment Promotion Commission ("NIPC") for a Business Permit, Expatriate Quota, and other requisite approvals and licenses.

The incorporation policies of CAMA is without exceptions to the General Rule, where exemption from local incorporation is avoidable, a foreign company may apply in accordance with Section 56 of the Companies Act, to the National Council of Ministers for exemption from incorporating a local subsidiary if such a foreign company belongs to one of the following categories:-

i. foreign companies invited to Nigeria by or with the approval of the Federal Government of Nigeria to execute any specified individual project;
ii. foreign companies which are in Nigeria for the execution of a specific individual loan project on behalf of a donor country or international organization;
iii. foreign government-owned companies engaged solely in export promotion activities, and;
iv. engineering consultants and technical experts engaged on any individual specialist project under contract with any of the Governments in the
v. Federation or any of their agencies or with any other body or person, where such contract has been approved by the Federal Government.

Also worth noting is the fact that foreign registered company can set up a representative office in Nigeria for the only purpose of serving as a promotional point, which of course must be registered with the CAC.

In a review of requirements for legalization of a company in Nigeria, Kenna & Associates (2011) observed that the following should be delivered to the Corporate Affairs Commission: Availability/Reservation of Name Form Memorandum & Articles of Association duly stamped by the Commissioner for Stamp Duties, and duly subscribed to by at least two Nigerians or persons of foreign nationalities who have been granted Business Permit.

However, in the absence of a Business Permit, a foreign investor could authorize a Nigerian citizen or organization by means of a Power of Attorney to subscribe on its behalf pending the grant of a Business Permit;
Copy of Business Permit if the subscribers are of foreign nationalities;

Duly completed form, showing the address of the company.

Duly completed form (showing the first directors as well as consent Letters to act as a director, duly signed by each individual director.

A Statement of the Authorised Share Capital, on the prescribed Form, and duly stamped by the Commissioner for Stamp Duties;
Duly completed form showing the Share Allotments;
A Statutory Declaration of Compliance by a Nigerian legal practitioner engaged in the formation of the company;
Bank drafts for the amounts for CAC Filing fees, and stamp duties.

The CAC shall register the Memorandum and Articles of Association, unless in the opinion:

i. they do not comply with the provisions of the Companies Act; or
ii. the business which the company is to carry on, or the objects for which it is formed, or any of them, are illegal; or any of the subscribers to the Memorandum and Articles is incompetent or disqualified; or there is a non-compliance with the requirements of any other law relating to the registration and incorporation of companies; or
iii. the proposed name conflicts with or is likely to conflict with an existing trade mark or business name registered in Nigeria.

Usually, this process could take between 2 weeks to 4 weeks from filing all the requisite documents to obtaining the certificate of incorporation.

Self -Assessment Exercise

1: In a review of requirements for legalization of a company in Nigeria, what should be delivered to the Corporate Affairs Commission?
2.Write NIPC in full.

2.4 Conclusion

A foreign business interest will have to follow some steps in order to be permitted to do business in Nigeria. Thus, there are procedures for registering a foreign company and there are people who can act on behalf of a foreign business in Nigeria. Also there are documents that need to be completed by a representative of a foreign concern in Nigeria

2.5 Summary

In this unit, you have learnt that:

i. a foreign body may own a business in Nigeria,
ii. there are procedures that foreign bodies have to follow to own business in Nigeria,
iii. foreign interest need to grant power of attorney to a solicitor in Nigeria for the purpose of registering a business,
iv. a foreign company may have a representative office in Nigeria, and
v. there are several forms that need to be filled alongside some documents in order for a foreign interest to conduct legal business in Nigeria.
vi. some companies may be exempted from the CAMA procedure.

2.6 References/Further Readings/Web Resources

Kenna & Associates (2011). Establishing an Enterprise in Nigeria: Legal Framework. Retrieved from http://nigeria.smetoolkit.org/nigeria/en/content/en/934/Establishing- an-Enterprise-in-Nigeria-Legal-Framework on 09-08-2011.

Key compliance obligations under CAMA 2020 and Companies Regulations 2021. https://pwcnigeria.typepad.com/tax_matters_nigeria/2021/05/key-compliance- obligations-under-cama-2020-and-companies-regulations-2021.html

UhJ (2008). Doing Business in Nigeria. Urbach Hacker Young International Ltd. Pp 38 -40.

2.7 Possible Answers to Self -Assessment Exercises .

Self -Assessment Exercise

1: In a review of requirements for legalization of a company in Nigeria, what should be delivered to the Corporate Affairs Commission?

Answer:

1. Availability/Reservation of Name Form
2. Memorandum & Articles of Association duly stamped by the Commissioner for Stamp Duties, and duly subscribed to by at least two Nigerians or persons of foreign nationalities who have been granted Business Permit.

2. Nigerian Investment Promotion Commission ("NIPC")

UNIT 3 TAXATION IN NIGERIA

Unit Structure

3.1 Introduction

Hello students, I welcome you to Unit 3 of Module 8 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that a foreign business interest will have to follow some steps in order to be permitted to do business in Nigeria. Thus, there are procedures for registering a foreign company and there are people who can act on behalf of a foreign business in Nigeria. Also there are documents that need to be completed by a representative of a foreign concern in Nigeria.

All persons and businesses that derive some income from Nigeria are required to pay taxes. There are different types of taxes that are to be paid to certain level of government.

3.2 Learning Outcomes

By the end of this unit, you should be able to:

- About who should pay taxes
- The various types of taxes
- What level of government collect what specific taxes
- What organization administers taxes for the levels of government.

3.3 Taxation in Nigeria: Who pays and who receives what?

In Nigeria all persons in employment, individuals in business, non-residents who derive income from Nigeria as well as companies that operate in Nigeria are liable to pay tax. In a review by UhJ (2008), some taxes are payable to the Federal Government (and administered by

Federal Inland Revenue Service), some are payable to the state Government and some to the Local Government.

3.3.1 Taxes Payable to the Federal Government

i. Companies income tax
ii. Withholding tax on Companies
iii. Petroleum profit tax
iv. Value Added Tax
v. Education tax
vi. Capital Gain tax on residents of FCT
vii. Stamp duties on bodies, corporate & residents of FCT
viii. Personal Income tax (e.g. Army, Police etc)

3.3.2 Taxes Payable to the State Government

i. Personal income tax (i.e. Pay as you earn)
ii. Capital gains tax
iii. Stamp duties on instruments executed by individuals
iv. Withholding tax on individuals
v. Business premises registration

3.3.3 Taxes Payable to the Local Government:

i. Shops & lock rates
ii. Tenement rates
iii. Marriage, birth & death fee
iv. Market taxes
v. Wrong parking charges

Some clarifications

1. Income Taxes: Individual income tax an annual tax on the income of individuals, partnerships, trusts etc.
2. Company tax: an annual tax on the income of companies
3. Capital Taxes (a tax levied on a corporation that is based on its assets rather than its income):
4. Estate duty – an inheritance tax payable by the estate on the value of property.
5. Capital gains tax – disposal of any asset
6. Value added tax: An invoice based value added tax which is levied on supplies of goods and services.

7. Excise and Customs duties: Charges on imports. Exports and local ex-factory shipments
8. Stamp duties: Charges levied on certain documentary

Self -Assessment Exercise

1: List the taxes payable to state government.
2.Give some clarifications on tax payment in Nigeria.

3.4 Conclusion

All persons and businesses that draw some income from Nigeria are required to pay taxes to the concerned level of government. It is therefore important that agribusiness manager knows what taxes are to be paid, and, to whom.

3.5 Summary

In this unit you learnt that:

- anyone drawing income from Nigeria is required to pay tax
- taxes like company income tax, VAT, stamp duty, etc., are collected by the federal government through the Federal Inland Revenue Service,
- taxes like personal income tax, capita; gain tax, business premises fees, etc are collected by the state governments through their Boards of Internal Revenue Service
- shop rates, markets taxes, wrong parking charges are collected by the local governments through the Local Government Revenue Committee.

3.6 References/Further Readings/Web Resources

UhJ. (2008). Doing Business in Nigeria. Urbach Hacker Young International Ltd. Pp 38 -40.

3.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: List the taxes payable to state government.

Answer:

i. Personal income tax (i.e. Pay as you earn)
ii. Capital gains tax
iii. Stamp duties on instruments executed by individuals
iv. Withholding tax on individuals
v. Business premises registration

2. Some clarifications

1. Income Taxes: Individual income tax an annual tax on the income of individuals, partnerships, trusts etc.
2. Company tax: an annual tax on the income of companies
3. Capital Taxes (a tax levied on a corporation that is based on its assets rather than its income):
4. Estate duty – an inheritance tax payable by the estate on the value of property.
5. Capital gains tax – disposal of any asset
6. Value added tax: An invoice based value added tax which is levied on supplies of goods and services.

7. Excise and Customs duties: Charges on imports. Exports and local ex-factory shipments
8. Stamp duties: Charges levied on certain documentary

UNIT 4 TAX ADMINISTRATION IN NIGERIA

Unit Structure

4.1 Introduction

Hello students, I welcome you to Unit 4 of Module 8 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that all persons and businesses that draw some income from Nigeria are required to pay taxes to the concerned level of government. It is therefore important that agribusiness manager knows what taxes are to be paid, and, to whom.

Specific boards are saddle with the administrators of taxes across the levels of government. These boards appoint banks to collect appropriate taxes, which are at fixed rates. The administrators of taxes and some tax rates are treated hereunder.

4.2 Learning Outcomes

By the end of this unit, you should be able to:

- How taxes administered across the different level of government
- What the specific rates of some taxes in the country are.

4.3 Main Content

4.3. 1 Administration of taxes in Nigeria

Responsibility for the administration of taxes is entrusted to the Federal Inland Revenue Service, and the 36 State Internal Revenue Services. At the local government level, taxes are administered by the Revenue Committee. The respective Boards, where appropriate, appoints inspectors who carry out the work of assessment for all taxes and Banks who collect these taxes. Employers are required to deduct employee's tax from their employee's remuneration and to pay such amounts to the authorities on a monthly basis. Employees' tax thus deducted is allowed as a credit against the total amount of an employee's liability for tax as finally assessed on the basis of his or her annual return.

4.3.2 Specified Tax Rates in Nigeria

Certain types of taxes and their rates are discussed as below:

i. Personal Income tax

This ranges between 7% and 24% for PAYE in Nigerian. The taxable income band ranges from 300, 000 Naira to 3.2 million Naira per annum. Where an individual earns less than 300,000, the minimum tax, which is only 1% of gross is, taken as tax.

ii. Corporate Tax

This refers to tax levied on the profits made by Companies or associations. Companies are taxed on income at the rate of 30%, while Education tax is 2% on assessable profit.

iii. Capital Gains Tax

The scope of the Capital gains tax covers the disposal of moveable and immoveable assets. The rate of tax is 10% of Capital gain, with effect from 1996, and as amended in 2004.

iv. Petroleum Profits Tax

This came in being through the Petroleum Profit tax Act of 1959. The rates are on exports 85%, on domestic sales of oil and gas 65.75%, while 2% goes for education tax.

Self -Assessment Exercise

1: What is PAYE?
2.Define corporate tax.

4.4 Conclusion

It is important for the agribusiness manager to know the tax rates that apply to his organization and employs and where to pay them to.

4.5 Summary

In this unit, you have learnt:

- the different revenue administrators: FIRS, IRS, RC
- the rates fixed for some taxes.

4.6 References/Further Readings/Web Resources

Kenna & Associates (2011). Establishing an Enterprise in Nigeria: Legal Framework. Retrieved from http://nigeria.smetoolkit.org/nigeria/en/content/en/934/Establishing-an-Enterprise-in-Nigeria-Legal-Framework on 09-08-2011

UhJ (2008). Doing Business in Nigeria. Urbach Hacker Young International Ltd. Pp 38 -40

4.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: What is PAYE?

Answer:

Pay As You Earn (PAYE) is an example of Personal Income tax.
This ranges between 7% and 24% for PAYE in Nigerian. The taxable income band ranges from 300, 000 Naira to 3.2 million Naira per annum. Where an individual earns less than 300,000, the minimum tax, which is only 1% of gross is, taken as tax.

2. Corporate Tax
This refers to tax levied on the profits made by Companies or associations. Companies are taxed on income at the rate of 30%, while Education tax is 2% on assessable profit.

MODULE 9 ECONOMIC PRINCIPLES RELATED TO AGRIBUSINESS MANAGEMENT

Unit 1 Principle of Cost
Unit 2 Principles of Diminishing Returns
Unit 3 Principles of Substitution in Choice of Practices
Unit 4 Principles of Firm Assets Valuation and Depreciation

UNIT 1 THE PRINCIPLE OF COST

1.1 Introduction
1.2 Learning Outcomes
1.3 Main Content
  1.3.1 Overview of the principles of cost
  1.3.2 The Total Cost Concepts
  1.3.3 The Set of Unit Cost Concepts
  1.3.4 Marginal Cost Principle
  1.3.5 The Opportunity Cost Principle
1.4 Conclusion
1.5 Summary
1.6 References/Further Readings/Web Sources
1.7 Possible Answers to Self -Assessment Exercises

1.1 Introduction

Hello students, I welcome you to Unit 1 of Module 9 of this Course AEM509 Principles of Agricultural Business Management. In the last unit of Module 8, we learnt and noted that it is important for the agribusiness manager to know the tax rates that apply to his organization and employs and where to pay them to.

Farm management principles comprise a set of rules and economic theories, which ensure that choice of decision made will result in profit maximization motive of the farm manager. Consequently, the manager is required to be acquainted with this set of principles, theories and rules for decision making, since they are useful in drawing up plans to organize and operate a farm. They also help in identifying which data are relevant for solving specific problems. They provide guidelines for processing data into useful information and for analyzing the potential alternatives. In our study of agribusiness or farm management, we shall examine some economic principles, beginning with the principle of cost.

1.2 Learning Outcomes

By the end of this unit, you should be able to:

- the concept of cost as it applies to agribusiness operations
- types of total cost
- unit costs
- marginal cost
- the principle of opportunity cost

1.3 Main Content

1.3.1 Overview of the Principles of Cost

The cost principle examines the action of cost and income in the production process for a given farm enterprise. That is, the cost of input simple referred to as the factor price in relation to the price of output accruing from the production process (ie release or income). Farm cost could be classified into fixed and variable cost. Fixed cost here represents the farm expenses that do not change with the changes observed in the level of outputs. They are cost which could be paid for even when no production takes place. In a farm firm, some notably examples of fixed cost include, farm buildings, land payment made for interest in loans and principal, machinery, depreciation on capital assets, breeding stocks, payment made to permanent staff and family labour and permanent farm improvement (e.g. fencing).

The variable cost on the other hand are cost incurred by the agribusiness manager as his level of output changes. These costs do not occur if there is no production. Examples of variable cost include expenses on such farm inputs as fertilizer, fuel for machine, livestock feeds, veterinary costs, seeds, casual labour. The concepts of fixed and variable costs are very important in making farm management decisions. As long as the farm manager can cover his variable cost, he can afford to remain in business at least in the short run but in the long run he will be expected to cover both the fixed and variable cost as all cost are variable.

The cost principle carefully examines the relationship that exist between the fixed and variable cost with that of the total returns here, the total returns is expected to be greater than the total cost (fixed and variable cost). For instance, if the returns are more than that of the variable and fixed cost, it is also expected that the production has gone in line with the law of the cost principle. A cost function shows the various costs that will be incurred at various output levels, i.e.,
Cost =f (output)

Further, the rate of output is, in turn, a function of the usage of the resource inputs:

Output =f(inputs)

Since the production function displays the relationships between input and output flows, once the prices of the inputs are known, the costs of a specific quantity of output can be determined. As a result, the level and behavior of costs as a firm`s rate of output changes relies heavily on two factors:

1. the characteristic of the underlying production function and
2. the prices paid for the inputs.

The first determines the shape of the firm`s cost functions, while the second decides the level of costs. In the short run, at least one input is fixed, so that a firm may not be able to achieve the best combination of inputs for its desired level of output. Because of the presence of both fixed and variable costs in the short run, we can identify seven different types of short-run cost curves:

- total fixed cost,
- total variable cost,
- total cost,
- average fixed cost,
- average variable costs,
- average total cost, and
- marginal cost.

Note: In the long run, no resource costs are fixed. A firm can therefore vary the amount of any of its inputs. In the short run, one or more inputs are fixed.

1.3.2 The Total Cost Concepts

Three concepts of total cost are important for analysis of a firm`s cost structure in the short run: total fixed cost (TFC), total variable cost (TVC), and total cost (TC).

Total fixed cost (TFC) is simply the sum of the quantities of the fixed inputs multiplied by their associated prices. In the short run the level of total fixed costs is a constant. Similarly, total variable cost (TVC) is the sum of the amounts a firm spends for each of the variable inputs employed in the production process. Total variable cost is zero when output is zero, because no variable inputs need be employed to produce nothing. However, as output expands, the greater becomes the usage of variable inputs and the greater is total variable cost. The total cost (TC) of a given level of output in the short run is the sum of total variable cost and total fixed cost:

TC = TVC + TFC

TVC are costs that vary in total in direct proportion to changes in activity. Examples are direct materials and gasoline expense based on mileage driven. TFCs are costs that remain constant in total regardless of changes in activity. Examples are rent, insurance, and taxes.

1.3.3 The Set of Unit Cost Concepts

There are four major unit cost concepts: average fixed cost (AFC), average variable cost (AVC), average total cost (ATC), and marginal cost (MC). All of these may be derived from the total cost concepts discussed above.

Average variable cost (AVC) is total variable cost divided by the corresponding number of units of output, or

AVC = TVC/Q

Average fixed cost (AFC) is defined as total fixed cost divided by the units of output, or

AFC = TFC/Q

Since total fixed cost is a constant amount, average fixed cost declines continuously as the rate of production increases. The reduction of AFC by producing more units of output is what business people commonly call spreading the overhead.

Average total cost (ATC) is defined as total cost divided by the corresponding units of output, or ATC = TC/Q

However, since TC = TFC + TVC,

ATC = TC/Q

= (TVC + TFC)/Q

=TVC/Q + TFC/Q

= AVC + AFC

Graphically, ATC is U-shaped because the AVC is an increasing function, while the AFC is a continuously decreasing function of output.

1.3.4 The Marginal Cost Principle

Marginal cost (MC) is the cost of producing an additional unit of output. For example, the marginal cost of the 500th unit of output can be calculated by finding the difference in total cost at 499 units of output and total cost at 500 units of output. MC is thus the additional cost of

one more unit of output. MC is also the change in total variable cost associated with a unit change in output. This is because total cost changes, whereas total fixed cost remains unchanged. MC may also be thought of as the rate of change in total cost as the quantity (Q) of output changes and is simply the first derivative of the total cost (TC) function. Thus,
MC = .TC/.Q = dTC/dQ

Economists normally assume firms to be producing at a point at which marginal costs are positive and rising. In managerial applications of this concept, MC is viewed as being equivalent to incremental cost which is the increment in cost between the two alternatives or two discrete volumes of output.

NOTE:
AFC is inversely related to the average product (AP) of the fixed inputs.
AVC is inversely related to the average product (AP) of the variable inputs.

MC is inversely related to the marginal product (MP) of added units of variable inputs.
If L is variable input and w = its wage, then
AVC = w/APL;
MC = w/MPL

1.3.5 The Opportunity Cost Principle

Opportunity cost principle which is known as marginal return principle or real cost principle is applied in economics to express "Cost" in terms of forgone or sacrificial alternative. The principle underlines the basic economic problems of scarcity and choice and is relevant to the behavior of the agribusiness manager, the individual consumers and the government. The agribusiness manager is faced with the scarcity of resources and therefore is involved also in making choice so the concept guides the manager in deciding how best to use the available productive resources in his farm production business.

To him, the principle of opportunity cost states that profit will be greater if each unit of labour capital and land is used where it will add the most value to the returns. It does not say that resources should always be used where they will bring in the greater marginal returns. This therefore means that the clever the choice of enterprise goes towards profitability with added returns when capital and other resources are limited.

The individual consumers are also faced with the problem of choice from the available scarce resources to satisfy their needs. The concept helps them to decide how to spend their scarce money resource in buying one bundle of commodities while forgoing the other bundles which is now regarded as his real cost.

The concept of opportunity cost is also relevant to the government: this is because government is faced with the problem of limited budget at her disposal to carry out all the proposed agricultural projects and programmes. The principle therefore helps the government in deciding how best to use her revenue. If government emphasis and effort are directed towards food crop production rather than livestock and rural infrastructural development, then the real cost of facilitating food crop production are the livestock production and improvement in rural infrastructures, which are not provide.

Self -Assessment Exercise

1: State the opportunity cost principle.
2.What is marginal cost?

1.4 Conclusion

Cost minimization and profit maximization decisions can only be reached with the understanding of the theory of costs.

1.5 Summary

In this unit, you have been introduced to:

- different types of total cost – total fixed cost, total variable cost, total cost,
- unit costs of inputs and outputs
- the marginal cost, which is the cost of producing an additional unit of a commodity.
- and alternative forgone (opportunity cost).

1.6 References/Further Readings/Web Resources

Olayemi, J. K. (2004). Principles of Microeconomics for applied analysis. Ibadan. Sisco publishers. 383pp

Olukosi, J.O. and P.O. Erhabor (1988). Introduction to Farm Management Economics Principles and Application. Agitab Publishers Ltd. Samaru-Zaria.

1.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: State the opportunity cost principle.

Answer:

The principle of opportunity cost states that profit will be greater if each unit of labour capital and land is used where it will add the most value to the returns. It does not say that resources should always be used where they will bring in the greater marginal returns. This therefore means that the clever the choice of enterprise goes towards profitability with added returns when capital and other resources are limited.

2. Marginal cost (MC) is the cost of producing an additional unit of output. For example, the marginal cost of the 500th unit of output can be calculated by finding the difference in total cost at 499 units of output and total cost at 500 units of output. MC is thus the additional cost of one more unit of output. MC is also the change in total variable cost associated with a unit change in output. This is because total cost changes, whereas total fixed cost remains unchanged.

UNIT 2 PRINCIPLE OF DIMINISHING RETURNS

2.1 Introduction

Hello students, I welcome you to Unit 2 of Module 9 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that cost minimization and profit maximization decisions can only be reached with the understanding of the theory of costs.

As more and more units of a variable input are added to a production process, a point is reached where the resulting is no longer considered economically sensible. The principle of diminishing returns depicts the various points on the total product curve where increasing input units lead to corresponding total product. This principle guide in the decision making process on the optimal level of a variable input to utilize in the production process.

2.1 Learning Outcomes

By the end of this unit, you should be able to:

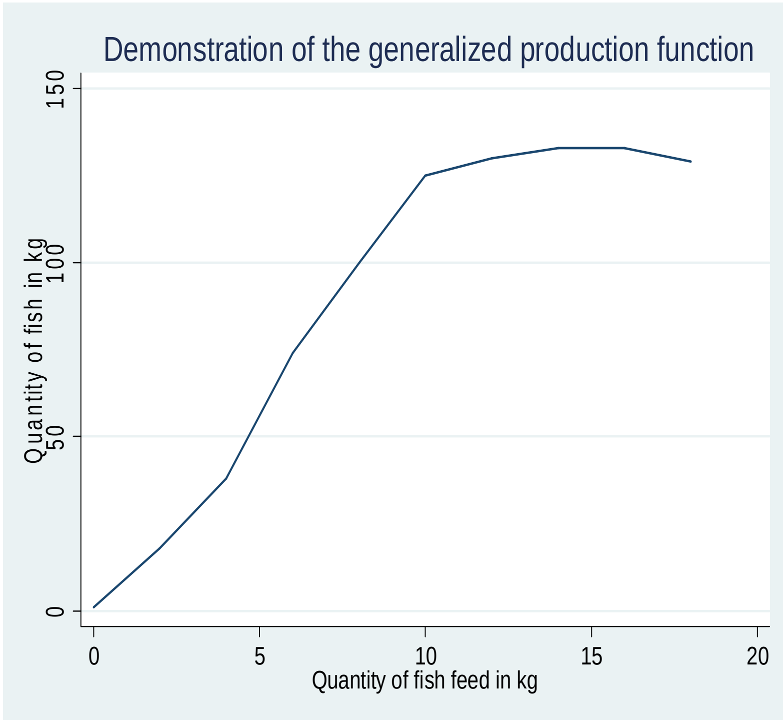
- Explain the principle of diminishing returns
- The principle guide in the decision making process on the optimal level of a variable input to utilize in the production process.

2.3 Main Content

2.3.1 The Principle of Diminishing Returns

The principle of diminishing returns has a special application in the science of farm management. That is, when we consider the level of output or yield from a fixed area of land such as one lecture or product form a single livestock or crop. The law of diminishing returns which was originally propounded by David Ricardo (1771-1823), in relation to the ability of an agrarian economy with a growing population, fixed agricultural land and variable inputs to expand her output of food, states that if you continue to add more of variable inputs to a fixed factor (e.g. land), the total product will first of all increase at an increasing rate, then at a decreasing rate and thereafter starts to decline as it reaches it's maximum.

The figure below depicts the total output curve for aquaculture production.



It could be noticed that as successive kg of fish feed were applied in the process, the total product curve responded favorably, albeit, with varying levels of marginal additions, until the point at which the feed quantity got to 9 kg. Thereafter, the Total product curve sluggishly (indicating fast decreasing marginal returns), moves to the maximum level- at

feed level 15 kg (where the marginal returns equals zero), begins to face downwards (where the marginal returns progressively becomes more negative). Beyond feed level 15 kg, it does not make any economic sense for the fish farmer to continue to increase the quantity of feed.

This principle guides the efficient allocation of resources in that as more resources are added, more yields are expected to a certain level in the production process. Again if resources are constantly added, it reaches a point where the output begins to decrease. This decreasing stage makes us to realize the proper ways of utilizing limited resources. The principles guides in decision making on the optimal level of a variable input to utilize in the production process.

Self -Assessment Exercise

1: What is the significance of the principle of diminishing returns?
2. State this principle.

2.4 Conclusion

Rational allocation of resources requires that one carefully considers the principle of diminishing returns so as to know the optimal level of resources to apply.

2.5 Summary

In this unit, you have been introduced to:

- the fact that beyond a particular level of application, additional units of a variable input will begin to yield decreasing levels of additional outputs causing the total cost curve to fall.
- the fact that there is therefore an optimal level of input application in the production process.

2.6 References/Further Readings/Web Resources

Olayemi, J. K. (2004). Principles of Microeconomics for applied analysis. Ibadan. Sisco publishers. 383pp

Olukosi, J.O. and P.O. Erhabor (1988). Introduction to Farm Management Economics Principles and Application. Agitab Publishers Ltd. Samaru-Zaria.

2.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: What is the significance of the principle of diminishing returns?

Answer:

This principle guides the efficient allocation of resources in that as more resources are added, more yields are expected to a certain level in the production process.

2.The Principle of Diminishing Returns

The principle of diminishing returns has a special application in the science of farm management. That is, when we consider the level of output or yield from a fixed area of land such as one lecture or product form a single livestock or crop. The law of diminishing returns which was originally propounded by David Ricardo (1771-1823), in relation to the ability of an agrarian economy with a growing population, fixed agricultural land and variable inputs to expand her output of food, states that if you continue to add more of variable inputs to a fixed factor (e.g. land), the total product will first of all increase at an increasing rate, then at a decreasing rate and thereafter starts to decline as it reaches it's maximum.

UNIT 3 PRINCIPLES OF SUBSTITUTION IN CHOICE OF PRACTICES

Unit Structure

3.1 Introduction

Hello students, I welcome you to Unit 3 of Module 9 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that rational allocation of resources requires that one carefully considers the principle of diminishing returns so as to know the optimal level of resources to apply.

Agribusiness enterprises find ways to minimize cost by adopting the least cost approach in their enterprises- one of which is the principle of substitution in choice of practice.

3.2 Learning Outcomes

By the end of this unit, you should be able to:

- the meaning of the principle of substitution of practice, and
- The motive behind it.

3.3 The Principle of Substitution of Practice

In this principle of substitution in choice of practice, we consider the better competing variance in our agribusiness practices. Hence, we consider two types of resources which can be used in producing a given output. In consideration of this, we decide which is more profitable and which has equally a minimal cost of production. For instance, weeding with hand tools and applying herbicides or buying tractor for land preparation and hiring if for the same purpose. A farm manager who is always aiming at making the highest possible profit must try as much possible to minimize production cost. To achieve this, he should be able to adopt a better competing variance or practice that affect this least cost while making appropriate returns on investment. Such consideration may arise in any field of agriculture. For instance, in livestock production, we may consider formulating the feed on the farm as against acquiring commercial feed.

Self -Assessment Exercise

1: In the principle of substitution we consider two types of resources. Explain. 2.What is the rationale behind this principle?

3.4 Conclusion

Based on profit minimization goal, a manager has to make the choice of which of two or more method/competing inputs that will cost the least.

3.4 Summary

In this unit, we have learnt that:

- Agribusiness operators usually find a way of adopting the least cost approach in their enterprises in order to maximize profit.

3.5 References/Further Readings/Web Resources

Olayemi, J. K. (2004). Principles of Microeconomics for applied analysis. Ibadan. Sisco publishers. 383pp

Olukosi, J.O. and P.O. Erhabor (1988). Introduction to Farm Management Economics Principles and Application. Agitab Publishers Ltd. Samaru-Zaria.

Jehli, GA and Reny, PJ (2000). Advanced microeconomic theory (2ed). Pearson Publishers. 281pp

3.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: In the principle of substitution we consider two types of resources.
Explain.

Answer:

In consideration of this, we decide which is more profitable and which has equally a minimal cost of production.

2. A farm manager who is always aiming at making the highest possible profit must try as much possible to minimize production cost.

UNIT 4 PRINCIPLES OF FIRM ASSETS VALUATION AND DEPRECIATION

4.1 Introduction

Hello students, I welcome you to Unit 4 of Module 9 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that based on profit minimization goal, a manager has to make the choice of which of two or more method/competing inputs that will cost the least.

Valuation is the process of deciding the value of an item. It is also a way of rating or estimating the worth of a property or an asset. Depreciation on the other hand is a way of estimating the loss on the value of assets over time. These are important concepts in farm or agribusiness management.

4.2 Learning Outcomes

By the end of this unit, you should be able to:

- Explain the meaning and methods of valuation of agribusiness assets
- Know the meaning and methods of computing depreciation agribusiness assets.

4.3 Main Content

4.3.1 Agribusiness Assets valuation

Agribusiness assets valuation is a process of attaching values (prices) of given assets such as building, machines, vehicles, working tools, crops and livestock, stored products and other valuable properties within a given farm firm. To set the true estimate of farm profit, changes in the value of the farm assets and liabilities should be included. The firm should therefore be valued at the beginning and end of the accounting period (usually within one year).

The valuation at the beginning is known as opening 195aluationn, while one at the end is known as closing valuation for one period is therefore the same as the opening valuation for the next period. The method of valuation affects the profit or loss on a given farm and therefore the need to follow the same method of valuation each year. Some of the common methods mostly used in assessing the worth of farm assists are listed below:

1. Valuation at market price
2. Valuation at cost
3. Valuation by reproductive value
4. Valuation at net selling price
5. Valuation at cost less depreciation.

4.3.2 Depreciation of Agribusiness Assets

This refers to the loss of value of asset overtime. It is usually due to obsolesce, (time), wear and tear as well as use. Since assets lose value with time, it is usually advisable to keep an amount of money in the course of the lifespan of assets. This sum is used to replace the asset at the end of its lifespan. This is called prorating the original cost of the asset over its useful life. For instance, with depreciation, we are able to estimate the amount of money to keep yearly, so that at the end of the life span of a tractor, we can get it replaced.

Methods of depreciation include:

- Annual revaluation
- Straight line
- Declining balance
- Sum of year digit

Let us in this unit treat jus the first two methods

Annual revaluation:
This method is based on the resale value of the asset. It is given by:
Depreciation= original price-resale price
Example: if the original price of an asset is bought in 1991 is 3000 Naira and the resale price in 2000 is 1,500 naira, the depreciation is
3000-1500=1,500.

Straight line method: this method is based on the assumption that an asset loses value uniformly in a constant manner over its life span. It is represented by

$D=\frac{Pp-S}{n}$ where D is depreciation, Pp is purchase price, S is salvage value and n is the number of years.

Example: an asset of value 24,000 naira is expected to last for 20 years at the end of which the salvage value will be equal to 4000. Calculate the depreciation using the straight line method.

$$\text{Dep} = \frac{24000-4000}{20} = 2{,}000.$$

This amount is discounted constantly from the 1st to the 10th year of the asset.

Self -Assessment Exercise

1: What is depreciation of Agribusiness Assets?
2.State the assumption of the straight line method of calculating depreciation.

4.4 Conclusion

Farm assets need to be evaluated: that is, their values deduced, and their depreciation calculated. This is in order to be able to know their financial position per time so as to be guided in the assessment of the assets and financial position of the firm. The evaluation techniques may also be useful when we want to dispose of assets or acquire new ones.

4.5 Summary

In this unit, you have learnt:

- agribusiness assets need to be valued in order to know the asset position of the firm or to be guided in some other decision regarding the firm and assets,
- valuation methods include: valuation at market price, valuation at cost, valuation by reproductive value.,
- depreciation as a means of taking note of loss of value of agribusiness assets,
- some depreciation methods of like annual revaluation, Straight line, and Declining balance.

4.6 References/Further Readings/Web Resources

Olukosi, J.O. and P.O. Erhabor (1988). Introduction to Farm Management Economics Principles and Application. Agitab Publishers Ltd. Samaru-Zaria.

4.7 Possible Answers to Self -Assessment Exercises .

Self -Assessment Exercise

1: What is **depreciation of Agribusiness Assets?**

Answer:
This refers to the loss of value of asset overtime. It is usually due to obsolesce, (time), wear and tear as well as use. Since assets lose value with time, it is usually advisable to keep an amount of money in the course of the lifespan of assets. This sum is used to replace the asset at the end of its lifespan.

2. **Straight line method**: this method is based on the assumption that an asset loses value uniformly in a constant manner over its life span. It is represented by

$D=\frac{Pp-S}{n}$ where D is depreciation, Pp is purchase price, S is salvage value and n is the number of years.

MODULE 10 AGRIBUSINESSES MARKETING MANAGEMENT

UNIT 1 THE AGRIBUSINESS MARKETING SYSTEM

Unit Structure

1.1 Introduction

Hello students, I welcome you to Unit 1 of Module 10 of this Course AEM509 Principles of Agricultural Business Management. In the last unit of Module 9, we learnt and noted that farm assets need to be evaluated: that is, their values deduced, and their depreciation calculated. This is in order to be able to know their financial position per time so as to be guided in the assessment of the assets and financial position of the firm. The evaluation techniques may also be useful when we want to dispose of assets or acquire new ones.

In any environment, marketing links two main functions; production and consumption. It involves activities such as assembling, transporting, sorting, cleaning, grading, storing, packing, processing, locating the supplier and consumers, searching for outlets, financing, risk bearing, grading and standardization, etc. It is established that, anytime, anywhere bargain is in process concerning goods and services, marketing is taking place. Marketing is therefore, the process by which buyers and sellers, producers and consumers of goods and services come in contact with each other for business transaction. Such contact can take different forms; face-to-face, mail, e-mail, phone, telex, or fax.

1.2 Learning Outcomes

By the end of this unit, you should be able to:

- What agribusiness marketing entails
- The 4 sub-systems in agribusiness marketing
- Various marketing activities
- Distribution channels for; basic, industrial and agricultural goods

1.3 MAIN CONTENT

1.3.1 Overview of Agribusiness Marketing

Key facts to be considered in agribusiness marketing are: **what, when, where, how and whom.** 'What' is noted in terms of the product or produce. 'When' considered time utility, 'Where' is place utility; agricultural produce have to be taken from surplus region to scarce region. Processing and product transformations are other activities rendered when the form of the produce is considered i.e. 'how'. In order to take personality into consideration, 'whom' should be seriously considered. It is unarguable that consumers always desire to buy goods and services at the lowest possible price whereas farmers and sellers want to sell at highest possible cost, the various firms that are engaged in doing the various marketing tasks are also interested in the profitability of their particular business operation but the overall ruler and coordinator of agribusiness marketing activities in a society is the **consumer.**

The path that goods take from producer to final consumer is called the *marketing channel*. The type and complexity of the agribusiness marketing channel varies with different commodities. The direct marketing channel is very simple, from producer directly to consumer. However, most agribusiness products undergo further processing at different levels of the marketing channel and pass through many firms before they reach the ultimate consumer. In the farm supply industry, the farmer is the consumer and the basic manufacturer of farm supplies is the producer. Farm supplies flow from the manufacturer to the farmer in much the same way and with the same marketing functions performed as in the marketing of agricultural products to consumers.

Self -Assessment Exercise

1: What is marketing channel?

1.3.2 Sub-systems in Agribusiness Marketing

Following Rosson (1974), agribusiness marketing systems consist of 4 main sub-systems; production, distribution, consumption, and regulatory. The key players in the chain of activities that connect food and agriculture are the farmer, (or other ‘producers’ such as fishermen), intermediaries, the food processors, and the consumer. In practice they each see the agricultural/food marketing system from a perspective of self-interest and these interests are sometimes in conflict.

The farmer's interest is focused on getting the best return from his produce, which usually equates to maximum price for unlimited quantities. Manufacturers want least cost, best quality produce from the farmer so that he can sell it at competitive, but profitable, prices. Traders and retailers want high quality and reliable supplies from the manufacturer or farmer, at the most competitive prices. Consumers are interested in obtaining high quality products at low prices.

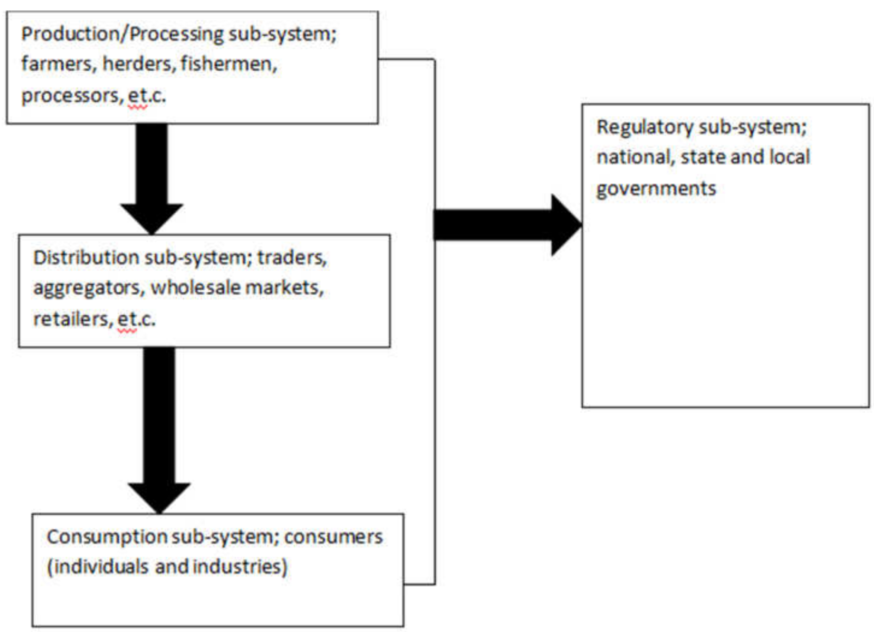


Figure 1: Agribusiness Marketing System

1.3.3 Agribusiness Marketing Functions

Agribusiness marketing functions are the activities performed by marketing system in relation to the features of agricultural produce or products enumerated above. It can also be defined as any activity that is performed within or during the entire marketing operation. These functions include assembling the products from various production centres, processing the commodities in the form that will be suitable for consumption, and then making every arrangement to get the commodities distributed to the consumers. These functions are necessary for getting farm products to the consumers when they want them and in the form in which they are desired.

1.3.4 Agribusiness Marketing Approaches

Agribusiness marketing can be studied through three common categories: functional, institutional, and market structure approaches.

Functional Approach/Marketing Services: in carrying out marketing functions, a number of subsidiary or auxiliary supporting services are required. These include: the exchange functions of buying and selling - buyers and sellers co-ordination; the physical functions of transportation, storage, processing, and packaging; and the facilitating functions of grading and standardization, financing, risk bearing, marketing research and the provision of market information. Buying and selling mark the point at which prices are set and transfer of title to goods take place. Buying as a marketing function involves seeking out the source of supply, assembling of products and other activities related to purchase, while selling involves all activities that are sale related. Selling comprises of decision on proper unit of sale, proper channel of marketing, suitable packaging material, advertisement and sales promotion.

Institutional approach takes into consideration, different agencies involved in carrying out various marketing functions. These agencies or market intermediaries can be categorized into five; merchant middlemen (wholesalers and retailers), agent middlemen (commission agents and brokers), speculative middlemen, facilitative organizations, and processors.

Market structure approach has to do with setting up of market in terms of the degree of concentration, degree of product differentiation, integration and conduct. It refers to certain features of the market which are believed to influence its nature of competition and the process of price formation. These characteristics include: size and number of buyers and sellers ensuring an adequate intensity of price and quality competition; freedom of entry and exit; and adequate size of sellers so as to encourage increased investment.

In analyzing market structure, three common market models are used; perfectly competitive market, oligopolistic market, and the monopolistic market.

1.3.5 Agribusiness Marketing Channels and Channels of Distribution

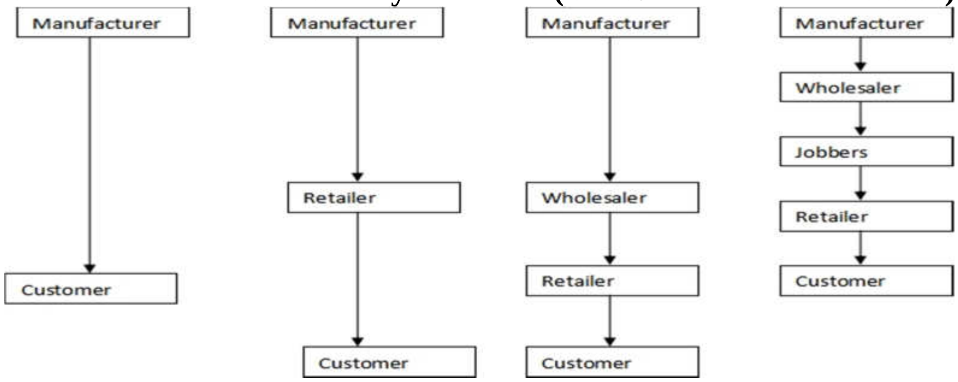
The sequence of intermediaries or middlemen, and markets through which goods pass enroute from producers to consumers is known as market channel. Channel of distribution can be defined as any series of firms or individual who participate in the flow of goods and services from producer to final consumer. The role of distribution in agricultural marketing cannot be over emphasized; for without goods being distributed it has no meaning to the consumers, whatever is produced has to be consumed if the farm or firm wants to continue in operation. Marketing channel may be simple or complex and they are usually commodity specific and region or country determined.

a. Basic Channels Geometry

Distribution channels can have a number of levels. According to Kotler (1991), the simplest level is that of direct contact with the end users (consumers/customers) without any intermediaries (zero level channel). This can simply be regarded as the direct channel of distribution while the other levels which feature intermediaries can be regarded as indirect channels of distribution. The next level, ‘one level’ channel, features just one intermediary (e.g. in consumer goods, a retailer and in industrial goods, a distributor), members of the channel are manufacturers, intermediaries and customers or consumers. Specifically, the channels of distribution used for consumer goods are often different from those used for industrial goods. For instance, the selling of industrial goods usually involves manufacturers’ agents (regional rep. of manufacturers who sell from samples or catalogues).

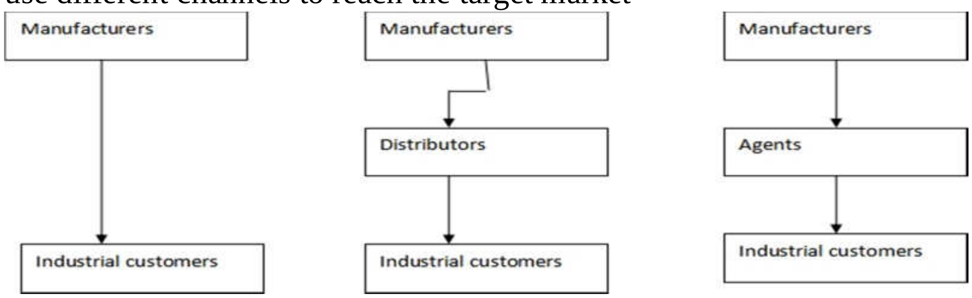
The number of intermediaries determines the channel levels and channels describe a forward movement of product, backward channels can also happen, for instance, the cases of recycling of solid wastes.

Channel Geometry (Consumer Goods)

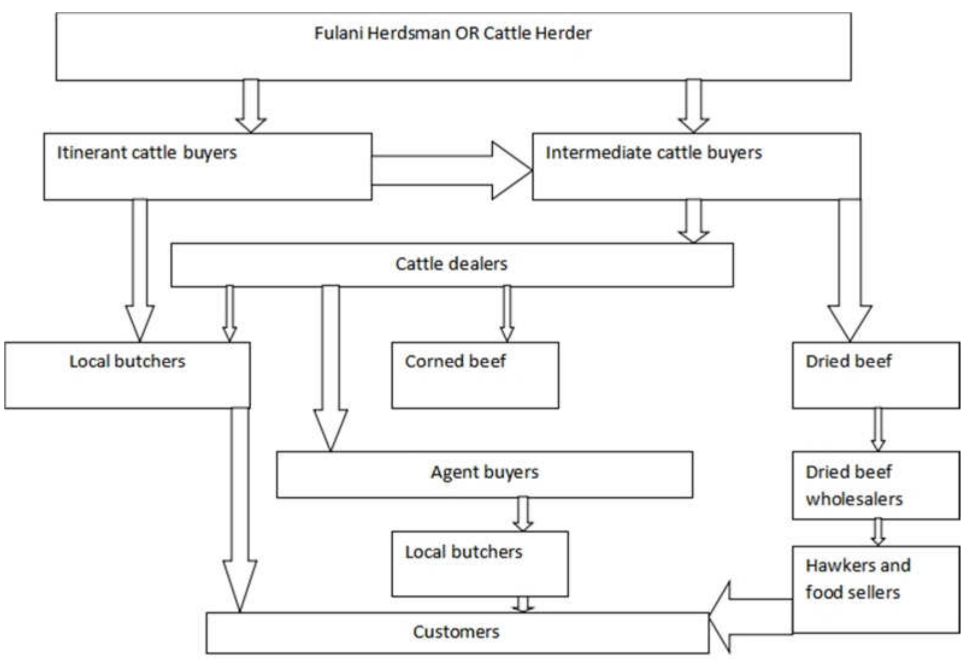


a. Industrial Goods

In the same manner, the producers of industrial goods can also decide to use different channels to reach the target market



b. Channel Geometry for Industrial Goods



Marketing Channels for Beef in Nigeria; Source: Adegeye and Dittoh (2015)

In Nigeria, six classes of middlemen have been identified in the agricultural sector, some of them with overlapping function. They are: farm-gate middlemen, commissioned agent, non-commission agent, cooperative marketing agency, the wholesaler, and the retailer. The farm gate middlemen or country buyers include itinerant farmers going on foot from one farm to the other, and wholesale merchants, who buy from two or three markets and then assemble the produce which they now transport to urban areas. Wholesalers have three sub-groups: the wholesaler agent, the wholesaler transporter, and the wholesaler retailer. Together, they perform various marketing functions as outlined earlier. They rarely sell to consumers except where consumers are industrial users.

The retailers also have three sub-groups: the sedentary or stall retailer, the itinerant retailer (hawker) and the farmer-retailer.

The commissioned agent, though an independent operator, does not normally take title from the commodities he handles, he provides contact between the farm-gate middleman and wholesaler and plays an important role in the process of price formation. The non-commissioned agent, however, takes title to the commodity he handles and provides significant transportation and storage facilities. He may sell to a wholesaler, retailer or even a consumer.

Self -Assessment Exercise

2: What is market structure approach?

1.4 Conclusion

Production cycle is not complete without marketing. Agribusiness marketing activities basically brings both sellers and buyers/consumers of agricultural produce and products together for ease of transaction. In carrying out these activities, the place of sub-systems and distribution channels cannot be overemphasized.

1.5 Summary

In this unit, you have learn:

- the meaning of agribusiness marketing
- the 4-sub systems in agribusiness marketing
- basic agribusiness marketing functions and approaches
- and distribution channels of products and services

1.6 References/Further Readings/Web Resources

Rosson, P. (1974). "Changing Traditional Distribution Systems: Fish Marketing In Tanzania", *Journal of Physical Distribution*, (4), pp.305–316

Thomas, D. (2000). Riddles of Market Research; Management Today; Included in Modern Marketing Management.

1.7 Possible Answers to Self -Assessment Exercises

Answers:

Self -Assessment Exercise 1.

The path that goods take from producer to final consumer is called the *marketing channel*. The type and complexity of the agribusiness marketing channel varies with different commodities. The direct marketing channel is very simple, from producer directly to consumer. However, most agribusiness products undergo further processing at different levels of the marketing channel and pass through many firms before they reach the ultimate consumer. In the farm supply industry, the farmer is the consumer and the basic manufacturer of farm supplies is the producer. Farm supplies flow from the manufacturer to the farmer in much the same way and with the same marketing functions performed as in the marketing of agricultural products to consumers.

Self -Assessment Exercise 2: What is market structure approach?

Answer:
Market structure approach has to do with setting up of market in terms of the degree of concentration, degree of product differentiation, integration and conduct. It refers to certain features of the market which are believed to influence its nature of competition and the process of price formation.

UNIT 2 AGRIBUSINESS MARKETING STRUCTURE, CONDUCT AND PERFORMANCE

Unit Structure

2.1 Introduction

Hello students, I welcome you to Unit 2 of Module 10 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that production cycle is not complete without marketing. Agribusiness marketing activities basically brings both sellers and buyers/consumers of agricultural produce and products together for ease of transaction. In carrying out these activities, the place of sub-systems and distribution channels cannot be overemphasized.

In the Structure-Conduct-Performance (SCP), market conduct is a function of market structure and conduct determines market performance. Specific actions by agribusiness firms (e.g. price taking, product differentiation, amongst others) involves market conduct. Market structure has to do with the number of competitors in the agribusiness market/industry, similarity or otherwise of produce/products, and the basis for entry and exit; while the performance aspect of agribusiness marketing can be assessed using efficiency indicators and profitability. Understanding of SCP is critical in assessing the behaviour of agribusiness markets and the roles of various actors or stakeholders in the industry.

2.2 Learning Outcomes

In this unit, you will understand:

- Agribusiness marketing activities and the associated costs
- Marketing margin
- Calculation of marketing margin

- Relevance of marketing margin in agribusiness marketing management

2.3 Main Content

2.3.1 Market Structure

Market structure refers to those organizational characteristics of a market that exercise strategic control on the nature of competition and behavior within the markets. Market structure also refers to certain features of the market which are believed to influence its nature of competition and the process of price formation. It is important because the structure determine the quality of the firm or farm's performance.

The main elements that make up market structure are as follows:

1. Product differentiation i.e. characterized by substitutes product
2. Buyer and seller concentration per given geographical area or industry
3. Barrier to entry of new firms (complimentary products)
4. Growth rate of market demand
5. Price elasticity of market demand
6. Ratio of fixed to variable costs in the short-run
7. Market channel

In analyzing market structure, the following theoretical market models are often used:

a. Perfect Competition

A state of perfect competition exists when the market price of a commodity is established by forces beyond the control of the individual economic agents in the market. That is, the market agents (sellers and buyers) of the commodity are price takers. The features of a perfect competitive market include; many sellers and buyers, homogenous commodity, absence of artificial restraints, free mobility of resources, and perfect knowledge.

b. Monopoly

This is a market structure in which there is a single firm or producer selling a product for which there is no close substitute. It may take the form of a sole supplier, a unified business organization or separately controlled firm (e.g. former Nigerian marketing board) which combine to market their product.

A monopolistic has the power to determine either (a) the price at which he sells his product, (b) the quantity he wishes to sell. He cannot determine both the price and quantity simultaneously because he cannot control demand. For instance, if he takes the output decision, the price decision is left to be settled by the demand for the product.

c. Monopolistic Competition

This is market structure characterized by numerous firms selling similar but differentiated products, with much effort devoted to non-price competition such as product quality. It is very similar to pure competition except that the product is not homogenous but differentiated.

d. Oligopoly

This is a market with a few firms producing differentiated products and where the action of one firm has a perceptible influence upon his rival. Two types are common; perfect oligopoly (sellers produce homogenous products), and imperfect oligopoly (sellers/firms produce similar but differentiated products).

e. Measures of Market Structure

The main elements that make up market structure include concentration ratio/product differentiation, barrier to entry and market channel.

i. Concentration is one variable of market structure, which affects the behavior of firm participating in the market. Concentration ratio is used to take account of both the number and size distribution of firms in the market: it measures the extent to which the larger sellers control the bulk of the industry's sale. To compute a concentration ratio, firms are ranked in order of size, starting from the largest in the industry. Size is usually measured in terms of sales.

$CR = n_1 + n_2 + n_3 + \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots n_i/N$; n = sales for each firm and N = total sales of the firms in the industry.

Herfindachi Index (HI) is usually used to measure concentration. It is computed as:

$HI = S_1^2 + S_2^2 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots + S_n^2$ i.e. the index is calculated by squaring the % market share of each firm in the market and summing these numbers.

Where S_i (market share of firm i) is denoted by: $S_i = q_i/q$.

Rem, q_i is the output (sales) of firm i. The total output of the firms (q) is given as:

$q = q_1 + q_2 + q_3 + q_4 + \ldots\ldots\ldots\ldots\ldots\ldots\ldots q_n$

The Herrfindahl index (HHI) tells us how concentrated the firm or industry is. When the firm is not concentrated, that is uneven distribution of market shares, there is situation of structurally perfect completion. We therefore have:

1. Extremely high concentration – when the largest four firms accounted for 75% or more of the market share.
2. Highly concentrated, 50 – 74%
3. Moderately concentrated, 25 – 49%
4. Relatively low concentrated, less than 25%

ii. Product differentiation

Product differentiation is intended to distinguish the product of one producer from other producers in the industry. This can be real, when the inherent characteristics of the products are different, or fancied, when the products are essentially the same, yet the consumer is persuaded, via advertising or other selling activities, that the products are different. Real differentiation exists when there are differences in the specification of the products of differences in the factor inputs, or the location of the firm. Fancied differentiation is established by advertising difference in packaging, design or simply by brand name. Whatever the case, the prime aim of product differentiation is to make the products unique in the mind of the consumer.

The effects of product differentiation are that; producer has discretion in the determination of the price, the producer is not a price-taker with little element of monopolistic power, and keen competition of closed substitutes offered by other firms. Product differentiation also provides the rationale of selling expenses. The main means of product differentiation are: product changes, advertising, and salesmanship.

Branding

Product is anything which meets the needs of consumers. When several firms are offering different rival products, they will want to identify and distinguish their particular offering. This is called **Branding.** A positive or successful brand has name, symbol, design, or some combination which identifies the products of a particular organization as having a sustainable differential advantage. Sustainable means an advantage that is not easily copied by competitors, i.e. the business barriers to entry. E.g. of successful brand names- Dangote, Lever Brothers, etc.

f. How to sustain branding:

- facilitating and making more effective, the consumer's choice process
- quality is number one:- perceived quality is the most important determinant of brand strength. Quality generate high margins in two (a) quality boost market shares (b) it creates differential advantage
- build superior service

- get there first:-pioneering brands earned more than one-third higher returns on investment than late entrants. Five ways of getting there first are: new technology exploitation, new positioning concept, new distribution channels, new market segments, and exploiting gaps created by sudden environmental changes.
- Look for differentiation

iii. Barriers to Entry

Bain (1956) introduced the concept of condition of entry, which he defined as the margin by which established firs can raise their price above the competitive price level persistently without attracting entry.

Symbolically we have

$$E = \frac{P_L - P_C}{P_C}$$

Where E = 'condition of entry'; P_L = Limit Price; P_c = Competitive price i.e. price under pure competition in the long-run

The condition of entry 'E' is the premium accruing to the established firms in an industry from charging a price, P_L, higher than the pure competitive price, P_c, without attracting entry. An important determinant of the barriers to entry is the lag of entry – the time required for a new firm to be established. The longer the lag, the less the threat of entry and hence the greater the gap between the P_L and P_C. The lag of entry depends on: product – differentiation barrier, absolute cost advantage, economies of scale, and large initial capital requirement.

2.3.2 Marketing Conduct

Marketing conduct involves certain behaviour of the firm in changing prices, output, product characteristics, selling expenses and research expenditures. Conduct links an industry's structure to the quality of its performance, in fact; market performance is our evaluation of the results of firms' behavior. Market conduct consists of a firm's policies toward its product market and toward the moves made by its rivals in that market.

A market basically functions to determine the price of a product and the quantity which people choose to buy. It also sets the quality of the product, its style or the range of styles offered, and the type and amount of advertising and other such lures, which the firm use to attract customers. These action and reaction constitute market conduct.

a. Conduct Under Pure Competition

Because of the structural characteristics of the market, the firm cannot easily change their behavior either on price or product or even rivals in the market. The absence of product differentiation means that the firms have no choice to make about the design or style of its product.

b. Conduct Under Pure Monopoly

One particular combination of price and output makes the seller have maximum profit and any little adjustment either in sizes or colours in which the product comes is an added advantage. The monopolist responds only to general economic currents, not to the challenge of some particular business rivals. He can decide by himself whether or not to be a profit maximize. He may settle for lesser profit or turn to other goals e.g. increasing size of the firm or his own prestige in the community. He can simply take it easy and not put in the hard work necessary to stay optimally efficient.

c. Conduct Under Oligopoly

The essence of oligopoly is that firms are few enough to recognize the impact of their action on their rivals and thus on the market as a whole. When one firm cuts its price, it considers the possibility that sales snatched from its rivals may cause them to cut their prices too.

In another view, oligopoly may recognize their inter dependence in the market and decide to cooperate with one another but there may be little fault such as: no agreement on principle; no agreement on details; and no adherence to agreement.

Market conduct also involves (1). Pricing practices which encourage grading and standardization of agricultural commodities (2). Uniformity of market charges (3). Pricing practices free of collusion and unfair or exclusionary tactics as well as **black marketing**. (4). Pricing policies which encourage product quality improvement and greater consumer satisfaction.

d. **Market Segmentation**

Market segmentation is the identification of portions of the market that are different from one another. Segmentation allows the firm to better the needs of its potential customers. The purpose for segmenting a market is to allow your marketing/sales program to focus on the subset of prospects that are "most likely" to purchase your offering. If done properly, this will help to ensure the highest return for your marketing/sales expenditures.

Mass marketing refers to treatment of a market as a homogenous group and offering the same marketing mix to all customers. Target marketing on the other hand recognizes the diversity of customers and does not try to please all of them with the same offering. The first step in target marketing is to identify market segment and their needs.

e. Requirement of Market Segment

In addition to having different needs, for segments to be practical they should be evaluated against the following criteria:

- Identifiable: the differentiating attributes of the segments must be measurable so that they can be identified.
- Accessible: the segments must be reachable through communication and distribution channels.
- Substantial: the segments should be sufficiently large to justify the resources required to target them.
- Unique needs: to justify separate offerings, the segments must respond differently to the different marketing mixes.
- Durable: the segments should be relatively stable to minimize the cost of frequent changes.

A good market segmentation will result in segment members that are internally homogenous and extremely heterogeneous; that is, as similar as possible within the segment, and as different as possible between the segments.

f. Bases for Market Segmentation

1. In Consumer Market

i. Geographic Segmentation: e.g. of geographic variables often used in segmentation include;

- **Region**: by continent, country, state or even neighborhood
- **Size of the metropolitan area**: segmented according to population size
- **Population density**: often classified as urban or rural
- **Climate**: according to weather patterns common to certain geographic regions

ii. Demographic Segmentation: some demographic segmentation variables include: age, gender, family size, family lifecycles, household income, occupation, education, ethnicity, nationality, region, social class etc. many of these variables have standard categories of their values.

iii. Psychographic Segmentation: PS group customers according to their lifestyle. Activities, interests, and opinions (AIO) survey are methods for measuring lifestyle. Some psychographic variables include: activities, interest, opinions, attitudes and values

iv. Behavioralistic Segmentation: this is based on actual customer behavior toward products. Some of the behavioralistic variables include: benefit sought, usage rate, brand loyalty, users status (potential, first-time, regular etc), readiness to buy, occasions (holidays and events that stimulate purchases). Behavioralistic segmentation has the advantage of using variables that are closely related to the product itself. It is a fairly direct starting point for market segmentation.

In Industrial Market

i. **Location:** in industrial markets, consumers' location is important in some cases. Shipping cost may be a purchase factor for vendor selection for products having a high bulk to value ratio; so distance from the vendor may be critical. In some industries, firms tend to cluster together geographically and therefore may have similar needs within a region.

ii. **Company type:** business customers can be classified according to type as follows: company size, industry, decision making unit, and purchase criteria.

iii. **Behavioural characteristics:** in industrial markets, patterns of purchase behavior can be a basis for segmentation. Such behavior characteristics may include: usage rate, buying status (potential, first-time, regular etc), purchase procedure (sealed bids, negotiations etc).

Self -Assessment Exercise

1:What is marketing conduct?

2.3.3 Market Performance

Marketing performance is the composite end result or the assessment of how well, process of marketing is carried out and how successful its aims are accomplished. Put differently, it is the economic result that flows from operation of an industry as an aggregate of firms. Marketing performance is concerned with technological progressiveness, growth orientation of agricultural firms' efficiency of resources use, product improvement and maximum market service at the least possible cost.

Self -Assessment Exercise

2: List the main elements that make up market structure.

2.4 Conclusion

SCP describes how agribusiness markets behaves and the differences between them. The environment of agribusiness markets has influence on the market structure which in turn propels performance and this performance can be assessed through margin analysis.

2.5 Summary

In this unit, you have been introduced to:

- the paradigm in SCP
- meaning and application of market structure
- implication of market conduct
- and market performance

2.6 References/Further Readings/Web Sources

Adegeye, S.J. and Dittoh, J.S. Essentials of Agricultural Economics. Revised Edition. Published by New Era Oluji Nig. Ltd., 2015

Bailey, N. and Vayson, L.L (2008). Agricultural Marketing and Price Analysis. Oklahoma State University. Pearson Prentice Hall, Upper Saddle River, New Jersey, Columbus, Ohio.

Mohammed, I.A (2017). Fundamentals of Agricultural Marketing and Price Analysis. Kaduna. Euneeks and Associates.

Rosson, P. (1974). “Changing Traditional Distribution Systems: Fish Marketing In Tanzania”, *Journal of Physical Distribution*, (4), pp.305–316

2.7 Possible Answers to Self -Assessment Exercises .

Answers:

Self -Assessment Exercise 1:
Marketing conduct involves certain behaviour of the firm in changing prices, output, product characteristics, selling expenses and research expenditures. Conduct links an industry’s structure to the quality of its performance, in fact; market performance is our evaluation of the results of firms’ behavior. Market conduct consists of a firm’s policies toward its product market and toward the moves made by its rivals in that market.

Self -Assessment Exercise

2: **List the main elements that make up market structure.**

Answer:

1. Product differentiation i.e. characterized by substitutes product
2. Buyer and seller concentration per given geographical area or industry
3. Barrier to entry of new firms (complimentary products)
4. Growth rate of market demand
5. Price elasticity of market demand
6. Ratio of fixed to variable costs in the short-run
7. Market channel

UNIT 3 AGRIBUSINESS MARKETING MARGIN ANALYSIS

Unit Structure

3.1 Introduction
3.2 Learning Outcomes
3.3 Main Content
    3.3.1 Marketing Costs
    3.3.2 Margin Analysis
3.4 Conclusion
3.5 Summary
3.6 References/Further Readings/Web Sources
3.7 Possible Answers to Self -Assessment Exercises

3.1 Introduction

Hello students, I welcome you to Unit 3 of Module 10 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that structure, conduct and performance (SCP) describes how agribusiness markets behaves and the differences between them. The environment of agribusiness markets has influence on the market structure which in turn propels performance and this performance can be assessed through margin analysis.

Agribusiness activities involves costs to be incurred and expected revenue. Costs are crucial in determining the profitability of an agribusiness firm and the margin. Each agribusiness activity is associated with a cost; for instance, advertising cost, labour cost, rental cost, among others.

3.2 Learning Outcomes

By the end of this unit, you should be able to:

- Agribusiness marketing activities and the associated costs
- Marketing margin analysis and examples.

3.3 Main Content

3.3.1 Marketing Costs

Marketing costs are incurred when commodities move from the farm to the final market, whether they are moved by farmers, intermediaries, cooperatives, marketing boards, wholesalers, retailers or exporters. With increased urbanization and industrialization, marketing costs tend to increase relatively to the farm gate price received by the farmer, i.e. the product moves greater distances, through more intermediaries and is more sophisticated in its packaging. Marketing costs can also reflect the state of a country's development in that as standards of living increase, smaller proportions of income are expended on raw products of the farm and greater proportions are spent on additional and improved marketing services. Increasing the value added means, among other things, that more people in developed countries are involved in marketing agricultural products than in producing them.

Marketing costs include labour, handling, transport, product losses, storage costs, processing costs, capital costs, packaging, containers, rent, utilities (water and energy), advertising, selling expenses, depreciation allowances and interest charges. Marketing costs vary from commodity to commodity and product to product. There are several factors that individually or collectively account for these differences. These include:

- the more waste the greater the proportion of customers' expenditure which goes on marketing costs
- the more perishable the product the greater the marketing costs
- the more processing of the commodity the greater the marketing costs
- the greater the amount of produce handling and transportation the greater the marketing costs.

3.3.2 Margin Analysis

Marketing margin can be defined as a price of collection of marketing services demanded by consumers and supplied by the middlemen. It is also the cost of marketing activities involved in provision of marketing services. Marketing margin is the difference between the price received by the producers and the price paid by the consumers. The services of the various agents in a marketing channel are rewarded out of the margin. If the analysis indicates the exploitation by market intermediaries in terms of excessive margins, it helps policy makers to bring in some changes in the marketing system. Be that as it may, high margins can often be fully justified by the costs involved; this is perhaps, an indication that high margin do not necessarily imply exploitation in some cases. The size of marketing margin on the various agricultural products is influenced by the following:

- amount of processing involved
- the unit value of the product
- the quantity of the product
- the perishability of the product

There are two presentation of marketing margin. They are:
Percentage margin
This relates cost of marketing and production at a particular time.

$$\frac{Mm}{\text{Retail price}} \text{ X } 100$$

Nominal Margin (Cash Margin)

$C_p – P_p = Mm$

Where C_p = consumer price or retail price
P_p = producers price of farm gate price
Mm = Marketing margins

Self -Assessment Exercise

1: What is marketing margin?
2.Describe the components of the marketing costs.

3.4 Conclusion

Estimation of the marketing margin helps us to know the degree of efficiency of the marketing system. The value of marketing margin (in %) can be high or low; if the former, it can be used to argue that farmers or consumers are being exploited.

3.5 Summary

In this unit, you have learnt the following:

- examples of agribusiness marketing activities
- meaning of marketing margin
- steps in calculating marketing margin
- relevance of marketing margin in agribusiness

3.6 References/Further Readings/Web Sources

Adegeye, S.J. and Dittoh, J.S (2015). Essentials of Agricultural Economics. Revised Edition. New Era Oluji Nig. Ltd.

Kohls, R.L. and Uhl, J.N. (1990). *Marketing Of Agricultural Products, 6th edition, New York,* Macmillan Publishing Company pp. 18–21.

Mohammed, I.A (2017). Fundamentals of Agricultural Marketing and Price Analysis. Kaduna. Euneeks and Associates.

Waite, W.C. and Harry, C.T (1951**)**. Agricultural Market Prices. 2nd ed. New York; John Wiley and Sons.

3.7 Possible Answers to Self -Assessment Exercises

Self -Assessment Exercise

1: What is marketing margin?

Answer:
Marketing margin can be defined as a price of collection of marketing services demanded by consumers and supplied by the middlemen. It is also the cost of marketing activities involved in provision of marketing services. Marketing margin is the difference between the price received by the producers and the price paid by the consumers.

2. Marketing costs include labour, handling, transport, product losses, storage costs, processing costs, capital costs, packaging, containers, rent, utilities (water and energy), advertising, selling expenses, depreciation allowances and interest charges. Marketing costs vary from commodity to commodity and product to product.

UNIT 4 PRICE DETERMINATION IN AGRIBUSINESS MARKETING

Unit Structure

4.1Introduction

Hello students, I welcome you to Unit 4 of Module 10 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that estimation of the marketing margin helps us to know the degree of efficiency of the marketing system. The value of marketing margin (in %) can be high or low; if the former, it can be used to argue that farmers or consumers are being exploited.

Price is the regulator of the economic system because it influences the prices paid for all factors of production and the allocation of these factors.
It influences the wages paid to workers, the rent a firm pays and the profit a firm makes. The market demand of an item is dependent on the price of the product. The price of a product also affects the marketing program of a firm.

4.2 Learning Outcomes

By the end of this unit, you should be able to:

- Meaning of price
- How to make decision on agribusiness price
- Price determination in agribusiness
- Meaning of price instability and steps to calculating price instability in agribusiness

4.3 Main Content

4.3.1 Price Decisions and Determination

According to Stanton (1981) price can be defined as the amount of money (plus possibly some goods) which is needed to acquire in exchange for some combined assortment of a product and its accompanying services. Succinctly, price is the exchange value of a product.

Agribusiness price is made possible in two ways:
Price impacts revenue as component of the revenue (R) equation (R = price X quantity sold)

The price level affects the quantity sold, through its effect of demand relationships for the product or service.

These two situation can give rise to some complications; lower prices produce less income per unit sold, but usually generate an increase in quantity sold (sales volume). Consequently, increased sales mean that fixed costs are spread over more units; therefore, per unit costs may be reduced, at least to a point. The net result is that pricing decisions become a real challenge to agribusiness managers.

A firm may determine the price of its product in several ways: cost pricing, return on investment (ROI) pricing, competitive pricing, contribution-to-overhead (CTO) pricing, penetration pricing, skimming the market, discount pricing, loss-leader pricing, psychological pricing, and prestige pricing.

Cost pricing: cost-based pricing, or cost plus pricing, is a simple way of determining price by adding a constant margin to the basic cost of the product or service. This margin is intended to cover overhead and marketing or handling costs, and leave a profit. This method of price determination is common, especially for the retailing of large numbers of products.

ROI pricing: ROI pricing is similar to the cost-plus pricing, as it also begin with the product price, but rather than adding fixed or overhead costs, this method adds an amount sufficient to earn a specified ROI. For example, an agribusiness firm calculates how much profit will be needed to earn 10 percent ROI. Then, assuming a reasonable sales volume, it estimates costs and calculates the total revenue that must be generated. Finally, the total revenue is divided by the estimated sales to suggest the necessary percentage that the product must be marked up.

Competitive pricing: competitive pricing method base price on competitors' prices. This method simply sets price at the "going rate", according to some general or common average, or follow the lead of a competitor. In this method, the price must not always be the same as competitors' price; a price may be strategically held above or below that of competitors.

CTO pricing: this is a method that encourages extra sales by selling additional product above and beyond sales projection, at some price slightly greater than the additional out-of-pocket costs of handling the product. This method of pricing is also called marginal-cost pricing; it ignores the fair share of the overhead cost that could be borne by the additional product.

Penetration pricing: this pricing strategies consist of offering a product at a low price in order to get a great deal of exposure to gain wide acceptance speedily. These strategies are mostly used to introduce new products into a market, particularly price-responsive products that must sell in large volume to reduce costs. After the necessary acceptance by consumers, the price of such product may be gradually raised to a more profitable level.

Skimming the market: skimming the market is almost the opposite of penetration pricing. Skimming involves introducing a product at a high price for more affluent customers. Then, as this relatively limited market becomes saturated, the price is gradually lowered, bringing the product into range for less affluent customers.

Discount pricing: Discount pricing offers customers a reduction from the published or list price for some specified reason(s). The volume discount are common among agribusinesses. Their purpose is to encourage larger purchases, which reduce per unit costs and promote more sales.

Price Flexibility: price flexibility implies the willingness of the seller to cut price to hold a market share. Under this policy, a seller may decide whether to adopt a one-price policy or a variable price in the market.

A one price policy is when the firm charges the same price to all customers or allowing the same discount. This system is commonly used in the chain stores, Department shops. Put differently, a one-price policy consists of offering like goods for sale at a given time at one price to all similar buyers who purchase in similar comparable quantities.

The advantages of this policy are: it builds customer confidence in a seller; weak bargainers need not feel that they are a competitive disadvantage; and it saves the time of the salesman and reduces haggling.

A variable price policy is used when a company sells similar quantities to similar buyers at different prices. Under this policy the price is usually set as a result of bargaining. In terms of merit, the seller may want to give a buyer a better deal because the customer shows promise of becoming a large-scale buyer in the future. However, the policy generates ill-will when the word gets around that some buyers acquired the product at lower prices.

Cash and Quantity Discounts Policies: cash discount is a deduction granted to buyers for paying their bills within a specified period of time. A typical example would be "2/10,net 30", which means that the payment is due within thirty days but the buyer can deduct 2% from the cost by paying the bill within ten days. Three elements are present in cash discounts; percentage deduction, time period of payment to be eligible for the discount, and the number of days after which the bill is overdue.

A quantity discount is an offer of a price reduction to buyers who buy larger volumes. In quantity discount, the price will vary according to the quantity bought on the basis that transport cost, administration and so on will be proportionally higher and smaller deliveries that on large ones.
Advantages of quantity discounts are: tie customers very closely to a seller; help the seller to encourage a customer to buy fresh supplies frequently so that merchandise will not grow stale; and help manufacturer effect real economies in production and selling. This is because large orders can result in the cover cost of production.

4.3.2 Price Instability

Literally, price instability implies unstable price. Mohammed (2015) defined price instability as the state in which the prices continue to change over time and space. Fluctuations in prices are associated with varying length of time as a result of various factors. The length of fluctuation could be cyclical variations (long-term price variations), seasonal variations (short-term price variations), and random variations (irregular variations).

Variations in agricultural prices can be measured using graphical and quantitative approach. Quantitatively, statistical tools such as range, standard deviation and coefficient of variation are usually applicable.

$$\text{Coefficient of Variation (CV)} = \frac{SD}{\textit{Mean of Price variable}} * 100$$

Where SD = Standard Deviation → $\sqrt{variance}$

$$\text{Variance} = \sum_{i=1}^{n} (p_i - \bar{p})^2 / n-1$$

Decision: the greater the coefficient of variation (CV), the greater is the price instability. The CV of price above 5% implies great instability and calls for price stabilization measures.

The formula above is applicable under static condition. Price instability in the situation of rising trend (long-term price instability index) is computed as:

$$I = (1 - R^2) \times 100$$

Where; I = the dynamic price instability index, R^2 = coefficient of multiple determination.

The calculated price index is usually called dynamic price instability index because it is estimated over time.

Some salient causes of high level of price instability among agricultural produce/products are:

i. Divergence in planned output and actual yield
ii. Speculative activities of middlemen
iii. Changes in demand and supply
iv. Seasonality in production and marketing

Self -Assessment Exercise

1: Differentiate between penetration pricing and discount pricing.
2.State the tools for measuring market instability.

4.4 Conclusion

Pricing is critical marketing decision because of its influence on revenue obtained. Agribusiness firms' price differs from individual to individual and the decision to adopt certain pricing principle is influenced by certain factors.

4.5 Summary

In this unit, you have been introduced to:

- Agribusiness price
- Ways of determining agribusiness price
- How to calculate price instability

4.6 References/Further Readings/Web Sources

Bailey, N. and Vayson, L.L.(2008). Agricultural Marketing and Price Analysis. Oklahoma State University. Pearson Prentice Hall, Upper Saddle River, New Jersey, Columbus, Ohio.

Kohls, R.L. and Uhl, J.N. (1990). *Marketing Of Agricultural Products, 6th edition, New York,* Macmillan Publishing Company pp. 18–21.

Kotler, P. (1988). *Marketing Management: Analysis, Planning, Implementation And Control*, Prentice-Hall, New Jersey, p.16.

4.7 Possible Answers to Self -Assessment Exercises .

Self -Assessment Exercise

1: Differentiate between penetration pricing and discount pricing.

Answer:

Penetration pricing: this pricing strategies consist of offering a product at a low price in order to get a great deal of exposure to gain wide acceptance speedily. These strategies are mostly used to introduce new products into a market, particularly price-responsive products that must sell in large volume to reduce costs. After the necessary acceptance by consumers, the price of such product may be gradually raised to a more profitable level.

Discount pricing: Discount pricing offers customers a reduction from the published or list price for some specified reason(s). The volume discount are common among agribusinesses. Their purpose is to encourage larger purchases, which reduce per unit costs and promote more sales.

2. Variations in agricultural prices can be measured using graphical and quantitative approach. Quantitatively, statistical tools such as range, standard deviation and coefficient of variation are usually applicable.

UNIT 5 MARKETING MIX IN AGRIBUSINESS

Unit Structure

5.1 Introduction

Hello students, I welcome you to Unit 5 of Module 10 of this Course AEM509 Principles of Agricultural Business Management. In the last unit, we learnt and noted that pricing is critical marketing decision because of its influence on revenue obtained. Agribusiness firms' price differs from individual to individual and the decision to adopt certain pricing principle is influenced by certain factors.

Understanding the marketing mix is important in agribusiness marketing management. It treats the major agribusiness marketing factors which include; Product, Place, Promotion, and Price. Conceptually, marketing mix is defined as the set of controllable, tactical marketing variables that the firm pulls together to produce the response it wants in the target market. It consist of everything the firm can do to influence the demand for its product.

5.2 Learning Outcomes

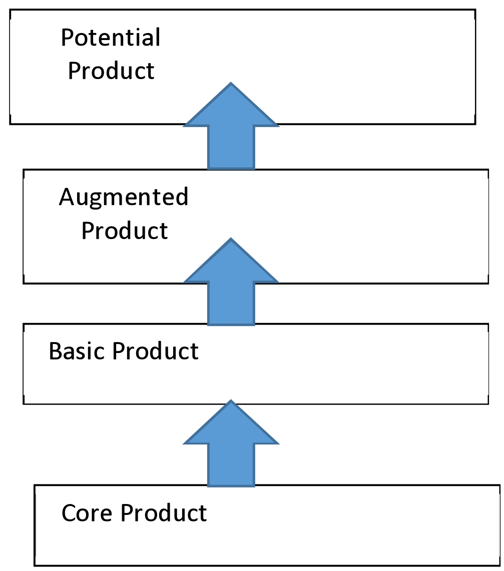
By the end of this unit, you should be able to:

- The 4 Ps of agribusiness marketing
- Agribusiness product type
- Four stages of agribusiness product.

5.3 Main Content

5.3.1 The Product

Products are goods, services, ideas, people, places, and organisations with acceptable value that are offered for exchange. A product can also be defined as the bundle of benefits or satisfaction offered to a customer for mutual benefit. The key components of a product are; the product itself, the product name (brand), the packaging, and brand properties (colours, composition, et.c).
The main product has three levels as shown below:



The core product is the benefit of the product that makes it valuable to a consumer. It is not the tangible, physical product. The basic or actual product is the tangible, physical product and you can get some use out of it. The augmented product is the non-physical part of the product which usually consists of lots of added value, for which you may or may not pay a premium. Finally, the potential product consists of all the possible augmentation and transformation the product might undergo in the future.

a. Product Types
There are several types of products; but in agribusiness marketing, the focus is on three key categories: consumer products, industrial goods, and services.

Consumer products are goods means for direct consumption by the buyer. This category can further be divided into; convenience products, shopping goods, specialty goods, and unsought goods. Convenience products are goods and services that consumers want to purchase frequently, immediately, and with minimal efforts. The sales of this type of products depends on brand names and prices. Convenience products can be; staples, impulse, and emergency items. Examples of convenience products in agribusiness include snacks, bread, milk, et.c. Shopping goods on the other hand costs more than convenience products and consumers usually buy them only after comparing competing stores on such characteristics as price, quality, style, and colour. Examples of shopping goods in agribusiness are forestry products such as furniture; animal products such as clothing and shoes. Specialty products offer unique characteristics that cause buyers to prize those particular brands. These products typically carry high prices, and many represent well-known brands. A product that is unknown to the buyer or a known product that is not actively sought for is an unsought product. Consumers do not seek out for these products until they are made aware of or need the products.

Industrial goods are goods meant for the production of other goods either by repackaging or reprocessing. Some of these goods in agribusiness include; raw materials, semi-processed goods, and consumables. Raw materials are farm products such as beef, cotton, eggs, milk, poultry, and soya beans, among others. They also include natural resources such as coal, copper, iron ore, and lumber.

Services are intangible services offered to the customer and public. They are usually made tangible with physical goods and items.

5.3.2 Agribusiness Product Life Cycle

An agribusiness product life cycle is based upon the biological life cycle. For instance, a seed is planted (introduction); it begins to sprout (growth); it shoots out leaves and puts down roots as it becomes an adult (maturity); after a long period as an adult the plant begins to shrink and die out (decline). After a period of development, a new product is introduced or launched into the market; it gains more and more customers as it grows, eventually the market stabilizes and the product becomes mature; then after a period of time the product is overtaken by development and the introduction of superior competitors, it goes into decline and is eventually withdrawn.

The **introduction** stage generally covers the stages of product development till the product is introduced into the market. The initial stages are long but once the product picks up it tends to grow quickly. At this stage, the product is promoted to create awareness.

If the product has no or few competitors, a skimming price strategy is employed.
At the **growth** stage, the product is getting known and it tends to grow rapidly. Competitors are attracted into the market with very similar offerings. At this stage, products become more profitable and firms form alliances, joint ventures and take over each other.

At the **maturity** stage the product has defined pattern and discernible presence with loyal customers and defined channels of distribution. At this stage, competition tends to be keen and Managers' action and inaction may determine the future of the product. During this stage, it is expected that sales grow a decreasing rate and then stabilizes. At this point, the market reaches saturation and producers may begin to leave the market due to poor margins.

During the **decline** stage, there is a downturn in the market; more innovative products are introduced or consumer tastes have changed. At this stage, there is intense price-cutting and many more products are withdrawn from the market.

Self -Assessment Exercise

1: What do you understand by consumer products?
2.What happens at the maturity stage?

5.4 Conclusion

Agribusiness firms adopts strategies or actions to promote their brands or products. This strategic move is intended to finding out the right mix or combination of product, price, promotion, and place for efficiency and improved profitability.

5.5 Summary

In this unit, you have been able to learn:

- what marketing mix entails
- the role of marketing mix in agribusiness marketing management
- product types and product lifecycle
- stages to product development

5.6 References/Further Readings/Web Sources

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5.7 Possible Answers to Self -Assessment Exercises .

Self -Assessment Exercise

1: What do you understand by consumer products?

Answer:

Consumer products are goods means for direct consumption by the buyer. This category can further be divided into; convenience products, shopping goods, specialty goods, and unsought goods. Convenience products are goods and services that consumers want to purchase frequently, immediately, and with minimal efforts. The sales of this type of products depends on brand names and prices. Convenience products can be; staples, impulse, and emergency items. Examples of convenience products in agribusiness include snacks, bread, milk, et.c.

2. **At the maturity stage** the product has defined pattern and discernible presence with loyal customers and defined channels of distribution. At this stage, competition tends to be keen and Managers' action and inaction may determine the future of the product. During this stage, it is expected that sales grow a decreasing rate and then stabilizes. At this point, the market reaches saturation and producers may begin to leave the market due to poor margins.