NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF SCIENCE AND TECHNOLOGY

COURSE CODE: AEM 509

COURSE TITLE: AGRICULTURAL BUSINESS MANAGEMENT

NATIONAL OPEN UNIVERSITY

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COURSE TITLE: AGRICULTURAL BUSINESS MANAGEMENT (3UNITS)

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COURSE TITLE: 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, Government policies as it affect agricultural business farm growth, organization of large farms; legal organization and tax strategies, economics of agricultural processing and marketing management.

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Module 1:

Definition of Agribusiness

Agribusiness is a large and growing segment of any particular rural economy. In Nigeria, the agribusiness operations need adequate planning, production management, and marketing beyond those of conventional farming systems. 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. David and Goldberg(1987) in his definition perceived agribusiness to mean 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. Agribusiness can therefore operate as formal and non-formal levels depending on the desired goals of its originator. The characteristics 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.

Scope of Agribusiness

Agribusiness is a large and diverse sector that witness economics activities that ranges from culturing, processing, extracting and distribution. Ebong (2007) in his review of the scope of the agribusiness, perceived agricultural business in three independent sectors, which are the Input sector, the Farm Production, and the Output (product) sector

(i) Input Sector: this includes all resources that serve as building units that are required to service a transformation process in order to achieve one or more products. The input sector supplies agribusiness production with the needed inputs in the production process. The cost of acquisition of inputs has influence on the financial health of the input sector which directly impact 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 production substitution effect, for instance, if the more expensive inputs is machinery, farm form 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. 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

(ii) Farm Production Sector: the farm production sector of agribusiness covers such areas as the aquaculture, forestry, crop production and livestock. 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 cost 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.

(iii) Output Sector: accepts diverse economics activities that could be directly identified within the agriculture domain or from a related fields which otherwise called agro-allied sector. The output sector is also referred to as the product sector and is the final sector in 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 into garri, bread, cornflakes, tomato, foofoo, beef, custard, semovita, cerelac etc Beverage manufacturing: cocoa drinks, softdrinks, beer and Nescafe. Confectional processing such as sugar, chocolate, cake, biscuits, sweets, etc. Food packaging and canning such as tomato can beef, can 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.

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Module 2: Agribusiness Management and Organizations

What is Agribusiness Management?

The success of any human endeavour depends greatly on the quality of decision making associated with the nature of complex process surrounding the activity. Thus, individuals are always confronted with sensitive and non-sensitive decisions making on human and material resources towards achieving its overall interests or goals. Therefore, the efforts of ensuring that instructional objectives are set up, executed and evaluated describe what is called management process. Different definitions and explanations of management abound, Kay(1986), Adegeye and Dito(1981), Reddy, Ram, Sastry and Devi(2006) and Dessler(2008) but Ebong (2007) asserted that management of agribusiness 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 to produce, where to produce, quantity of input to employ in production, whether these inputs should be owned or rented and the level of output to produce are decisions that affect the agribusiness profit. A key to successful management of agribusiness is accepting responsibility for leadership and making business decisions through the skillful application of management principles. Klonsky (2011) and Ebong (2007) admitted that management of agribusiness is extremely seasonal, it is products are perishable commodities and it goals in local commodities where long term interpersonal relationships coexist. The art of management has several elements, which include:

. Stating the goals or objectives

. Deciding on how to achieve the objective and the general procedure included planning and testing of plan.

. Evaluation of the plan: organizing, supervising and control. Evaluation of the whole process: in evaluating the entire process we try to spot out the mistake. The result or the performance must be compared with the set standard and reasons for failure or differences must be identified.

To ensure harmony and effective managements of any agribusiness, top managers should be able to meet to review their achievement against the set objectives. This will in away minimize chances of failure. A manager can be defined as that person who provides the agribusiness with leadership and who must be a change agent. A good manager must therefore possess the following characteristics:

. Should be a goal oriented individual

. Should have analytical ability

. Should not be afraid of taking risk

. Must have a good initiative

. Must be highly intelligent and with enough to turn joke into naira and kobo

. Have ability to coordinate and motivate others for a greater productivity.

. Should be technically competent.

. Be one with an enquiring mind.

. Should be flexible, that is, know that today’s decision may be wrong tomorrow.

. Should be ready to learn even from his subordinates.

Functions of Agribusiness Management

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

Planning Function: this involves the establishment of the organizational goals and the strategies for accomplishing them. The planning function in agribusiness contains a number of steps. These steps include the identification and definition of a problem, acquiring initial information, identifying alternative courses of action and analyzing each alternative. 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 set-up until a course of action is selected.

Organizing Function: Organizing is an operational function of the agribusiness management, which depends heavily on the co-ordination of the entire system. Organizing function involves arranging people and other resources together in the most effective way. This include:

. Setting up the structure

. Determining the job to be done.

. Selecting, allocating and training of personnel

. Establishing relationship 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 co-ordinated action become impossible to achieve.

Directing Function: It is the responsibility of the agribusiness management to direct resources. 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 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.

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

Controlling Function: Controlling in management describes an information system that monitors plans and process to ensure that they are meeting the established goals. A warning note is necessary to effect any remedial action. Prices and other changes, which occur after the plan had been implemented, can cause the result to deviate from the expected. Controlling function therefore monitors and makes adjustment for the managers to stay on business.

Environmental Factors Affecting Managerial Functions

The management process of agribusiness is seriously affected by number of environmental factors according to Ebong (2007), which include:

. Formal Education

. Socio-cultural factors

. Lego-political aspects

. Economic variables

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. The person becomes more perceptive, thinks faster and more able to perform through a tailor made education or with a high formal educational attainment.

Socio-Cultural Factors: Socio-cultural factor 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 on. For instance, a manager has to mix freely with different groups of people with diverse cultural background. The knowledge, belief, art, morals, customs and habits acquired by the employees as members of a given society affect their productivity.

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 bearing on the functioning of management process of agribusiness organization.

Economic Variable: The effect of this on management depends on the economics system the country operates. For instance, in a socialist system, the effectiveness of a manager is definitely going to 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 system other factors as political instability, foreign exchange problems rapid economic expansion, industrial unrest and entrenched government bureaucracies are likely to set in.

Farm Management Decision

The quality of decisions taken on our various farms determines to a large extent the outcome and productivity of our agricultural economy or the agribusiness sector. Efficiency in management can lead to an increase in our agricultural output, which will directly affect our national income self-sufficiency in food production, saving of our foreign exchange earnings and eventually meeting the demands of our agro-allied industries. Since the goal of the farm management is that of profit making, 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 this noble objective. There are many decisions that affect the profitability of any farming business. For instance, the decision on what to produce, how to produce, when to produce, whom to produce for, quantity of output to produce, combination of input to employ and how to distribute the output.

The farm manager decides what to produce a list of possible alternatives within his reach.

The choice of what to produce depends on the demand of the consumers and the manpower objective. 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. Decisions taken on our various farms have attendance implications. Certain characteristics must therefore be observed before taking these decisions, kay (1986) and Ebong (2008), some of which are discussed below:

Importance: Generally, decisions vary according to their importance which is measured by the potential gains or loses associated with taking such decision. 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 importance than decision to fence a farm area.

Frequency: There are some decisions that vary with respect to the frequency with which they are made. For example, the decision on feeding a broiler is done frequently. This kind of decisions are routine kind¸ which means that a feeding regime or schedule can be developed at the beginning of the feeding period and continues with it until condition of the bird demands for a change.

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 fast.

Availability of Alternate: Some situation 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 delete a number of alternatives based on certain criteria and make decisions only on those alternatives that are relevant to impending circumstance.

Revocability: Decision made and revolved 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.

Types of Agricultural Business Organization

Klonsky (2011) observed that the development of agribusiness from a laissez faire operation calls for its organization for efficient operation in a growing economy like ours. An agribusiness venture could be privately or publicly owned. Private ownership exists when individuals exercise the right and responsibilities of ownership. Public ownership also exists when government (Federal, State or Local) creates exercises and enjoys the ownership rights. Instance also exists where both the government and private individuals jointly own agribusiness enterprise. In deciding whether to organize an individual proprietorship, a partnership, or a corporation, the following basic factors should be taken into consideration:

. The owner(s) objectives and philosophies of the agribusiness.

. The size of the agribusiness being started.

. The organizing cost and the nature of work associated with the task of organizing it.

. The amount of capital required.

. The initial capital outlay available for the business.

. 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.

It is therefore the careful evaluation of these factors decisions that can help in the selection of most appropriate form of agribusiness organization namely: The sole proprietorship, partnership, agribusiness limited company, agribusiness cooperative and state farming.

The Sole Proprietorship

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. He 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.

It should be noted that this form of agribusiness does not 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.

Advantages

The owner exerts complete control over plans, programmes, capital, policies and other management decisions.

Legal formalities are not necessary and license fees are low.

Termination or modification of the agribusiness is easy.

Under good financial standing of the proprietor, leaders would be most wiling to extend lending (funds) to the proprietorship.

Disadvantages

Possession of limited amount of capital for the funding process thereby limited the size of the agribusiness and thus reducing the production scale.

Risk is great sine the owner is personally and unlimitedly liable for all debts to creditors.

Lender are always reluctant to lend money to private owners of agribusiness except where collaterals are provided as security for such loans.

Sole proprietorship lacks stability and continuity as it depends solely on person. The dead of that person in effect ends the business.

The burden of overall direction and coordination may be beyond the proprietor's capacity when the business becomes large.

Partnership in Agribusiness

This is a business that is owned by an association of two or more people (usually not exceeding) 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 full their resources (capital, labour, management, expertise, etc.) together in order to reap income of scale. 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 opartner and state how profits or losses will be appropriated.

Advantages of Partnership

(1) Partnership brings together more resources (human, capital etc.) than the sole proprietorship.

(2) It benefits from the enormous talented individuals involved in the business.

(3) They are very much motivated in nature than proprietorship in terms of good welfare scheme for the workers.

(4) Credit is more easily available, because all partners are personally liable for the debts of the partnership.

(5) Partnership he partnership only pay tax on the allocated shares and no tax is paid in the business as a whole.

Disadvantages of Partnership

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

(2) A limited partnership suffers the lack of both ready funds for business and talented people as compared tot eh corporation.

(3) There is lack of stability and continuity of the partnership in a limited partnership.

(4) The size of the agribusiness firm is limited to the patters resources, since the scale of securities in the markets is not possible as it would be with a corporate ownership.

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.

The form of organization that embodies these attributes is the corporation which is limited by shares that individuals contribute and hence the name limited liability company.

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 bys selling stocks or shares of ownership to public livestock.

The accumulation of these capital resources provides opportunities for the shareholders (owners of the company) to make profit (dividends) if it succeeds.

Advantages of Corporate Farming

(1) The main advantage of a corporate farm is its limited liability. This feature guarantees that shareholders are liable for damages only on the extent of their shareholders.

(2) Limited liability company have unlimited lifespan. This allows farm firms to make long range plans and thus can recruit, trait and motivate the best talent.

(3) 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.

Disadvantages

The most serious disadvantages lies on the tangle permit 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.

Agribusiness Cooperatives

Cooperatives associations are non-profit organizations formed to provide goods and services to members at cost (Shubin, 1957) . 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 form the use of crude and outdated tools and techniques of production top lack of access to markets. Others include problems of fragmented and small size of holdings, low income, low yielding crop varieties and livestock, breeds, lack of production and consumption credit and fund mobilization.

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. The societies educational programmes be used as means of extending and introducing improved technologies to member. Cooperatives can also serve as important channels for marketing the produce of member and for such input seeds, fertilizers and farming equipment at reduced cost (Osuntogan, 1980). Farmers may receive lower credit cost through their cooperative societies as well as drive other benefit of large scale operation in production, marketing, credit and input purchases.

Depending on the type of agribusiness venture being carried out, co-operatives can be classified as “Producer”, “Consumer” or “Credit Cooperation”. Producer Cooperatives are organized by fishers, e.g. gain cooperatives, livestock cooperatives and fisheries cooperatives spread in the riverrine areas of Cross River, Akwa Ibom, Delta, Rivers, Bayelsa and Lagos states. 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 and co-operative vary among the states of the Federation-Cocoa in the Western states, palm produced and rubber in the Eastern states and grains in the Northern states of Nigeria. Agricultural credit cooperatives are associations that are made up of thrift and credit societies. They borrow funds from other financial institutions for on-lending to member and also provide saving facilities. Farmer multipurpose cooperatives also exist. As the name implies they offer two or more services to those involved in it. Most multipurpose cooperatives 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 have been encourage by favourable government policies that are designed to help individual farmers help themselves. Therefore government rarely interferes in their activities but rather provide the new ones with subsidies, tax exemption and matching grants for infrastructural development as well as for legislation that gives them their legal status.

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Module 3: Enterprise Selection

Agribusiness Enterprise Selection Guide

An enterprise in agricultural sector is any producing unit that combines resources to achieve its strategic objective(s). An enterprise could be a unit producing 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 (1981). 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. When this question occurs it becomes necessary for the individual to be guided by steps required to engage in enterprise selection process. The steps include the following:

A. Setting of Goals

Every individual has his or her own view of goals. These goals need to be more specific and action oriented. Further more, 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 reasons? 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 farm or would you prefer farming to be a part-time activity? 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?

B. Establish an Inventory 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 and capital. But there are other factors to consider such as climate, access to information, management skills, and markets.

Access to markets 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 grow 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. Be realistic about your cash flow situation and plan accordingly. For each of the areas listed below create a list of the resources available. This will be compared later to the resources required by each enterprise you are considering. A written list will enable you to easily check off the requirements on the enterprise resource requirement list later on.

Physical Factors

Land

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? About 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?

Climate

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?

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?

Farm Structures

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 into the cost of their construction?

Machinery and Equipment

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? Consider capacity and efficiency. Have you considered leasing/renting some equipment? What are the possibilities of contracting with custom operators in your area?

Financial Factors

How much capital are you willing/ able to invest? Are you able or willing to borrow capital? 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?

Management Factors

Personal Skills

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?

Information Access

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?

Labor Factors

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 California Labor Law? Have you considered the opportunity cost of using your own labor?

Marketing Factors

Do you have a preferred marketing method? 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?

C. Develop a List of Possible Enterprises

After identifying your goals and resources, develop a list of possible enterprises. The following set of questions and the list at the end of this publication 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?

D. 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. Of course, there is nothing like a nearby library at a local college campus.

To the extent possible, answer the following 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. An example would be specialized harvest equipment.

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Module 4: Public Policies Affecting Agricultural Business Farm Growth

Overview of Nigerian Agricultural Development Policies and Programmes

In Nigeria, there are several programmes backed up by policies and laws that are aimed at promoting the agricultural and rural development. Some of them comes in the form of intervention projects and programmes, either directly from agricultural sector or from non-agricultural sector like from the financial institution. Policy is a set of purposeful instructions meant to achieve certain objectives. It could be looked at as a complex decision to determine the allocation of resources, to distribute income, to promote growth or to bring in development through the use of fiscal and monetary instruments. Nigerian agricultural development policies and programmes review by Eyo(2005) and Ebong (2007) it could be observed 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.

An agricultural policy is therefore defined as a public that 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). A typical agricultural policy indicates policy objective, strategies¸ time phases for implementation, financial implications and usually addresses the interest of the identified stakeholders. Agricultural policy specifies 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:

. To promote self-sufficiency in food and raw materials for industry.

. To improve the socio-economic welfare of rural people engaged agriculture; and

. To diversify the sources of foreign exchange earnings through increased agricultural export arising form adoption of appropriate technologies in food production and distribution.

Agricultural policy changes, determine the direction of institutional changes, economic growth and development. In order to ensure the realization and implementation of the supporting services required by the established to provide some of the essential supporting services required by the agricultural sector presented and discussed below are these policies and supervising institutions established to administer them.

Agricultural Research Policy

Agricultural research policy of the Federal government is designed to provide support in relevant and practical needs of Nigerian agriculture. With this focus in mind, the general objective was 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 he 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.

The success of the implementation strategies was however hampered by numerous problems. These include shortage of funds, patronage for reduction in the scale of functional activities, lack of resources and frequent changes in supervising Ministers, especially between the Ministry of agriculture and natural resources and Ministry of Science and technology., Eyo (2005) and Ebong (2007)

Summary of the National Agricultural Research Institutes and their Mandates

1. Cocoa Research Institute of Nigeria (CRIN) Ibadan

. Research into the genetic improvement and production of cocoa, Cashew, kola, tea and coffee

2. Institutes for Agricultural Research (AIR) Zaria

. Research into genetic improvement of sorghum. Groundnut, cowpea, cotton, sunflower, maize, and total-farming systems for 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 &water management: and 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

. Research into genetic improvement of millet. Wheat and barley: and 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) Zaira

. 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

. Research into animal production and animal animal product.

7. National Cereals Research Institute (NCRI) Badeggi

. Research into the genetic improvement of rice. Soyabean, benniseed and 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

. Research into genetic improvement of freshwater fish species and their production in Nigeria: and Research into long-term effects of man-made lakes on ecology environment

9. National Institute for Horticultural Research (NIHORT) Ibadan.

. Research into genetic improvement and production of fruits and vegetables as well as ornamental plants.

10. National Root Crops Research Institute (NRCRI) Umudike, Abia State.

. Research into the genetic improvement of cassava yam, cocoyam, irish potato. Ginger and sweet otato. Total farming systems for the ecological zones covered by a Ibom, Anambra, Enugu, Cross River, Imo, Abia and River States.

11. National Veterinary Research Institute (NVRI) Vom. Plateau State.

. Research into all aspects of animal diseases, their treatment and control. Development and production of animal vaccines and sera etc.

12. Nigerian Institute for Oceanography and Marine Research (NIOMR) Lagos.

. Research into the resource 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, their production and processing.

13. Nigerian Institute for Oil Palm Research (NIFOR). Benin City.

. Research into the improvement, production

14. Rubber Research Institute of Nigeria (RRIN) Benin City.

. Research into the genetic improvement, production and processing of rubber and other latex producing plants

15. Nigerian Stored Products Research Institute (NSPRI) Ilorin.

. Research intot he improvement of storage of major food and industrial crops: and studies on stored product pests, pesticide formulation and residue analysis.

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 variation 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 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 equipments. 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 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. Inspite of the virtue of the new policy, there were some attendant problem. 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 recent 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)

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 to it clientele but of recent community driven approach has been introduce through the FADAMA intervention programme. Despite the changes in approach, both programme has same overall objective of 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. 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; Recruiting, training and developing extension personnel, providing training facilities and infrastructures that can strengthen the link between researchers, extension agents and farmers, establishing demonstration farm centers and rural livestock, fisheries in their areas if jurisdiction for crops adopt the innovations and encouraging private sector to invest in agricultural information dissemination.

Agricultural Finance/Credit Policies

The importance of financial and credit in sustainable development is not debatable and has been the strategy of both international agency 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. The main objective of the agricultural credit policies over the years has been to make adequate credit available to the farmers in the rural area 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.

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. The Nigeria agricultural insurance company was established in 1987 to insure agricultural crops so that farmers would be protected against loses 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:

(i) Making insurance a pre-liquisite for obtaining agricultural loans

(ii) Farmers were to insure their farms to the tune of 21/2 percent of their loan volume only.

(iii) 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. Establishment and strengthening of rural banking institution to provide loans to the

agricultural sector. Initially government introduced specialized banks such as Nigeria Agricultural and Cooperative Bank (NACB), the People's Bank and the Community Banks 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. These problem 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 saving 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.

. 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. Granting of grace period (moratorium) on agricultural 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 (grains, food crops or vegetable).

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

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

. Seven years for ranching.

5. Establishment of Micro-finance Banks. 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 prefernce 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.

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 being 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.

Rural development, although does not dependent primarily on small farmers' agricultural progress, implies much more. It comprises such policy objectives as:

. Improvement in the quality of life the rural people including income, employment, education, health and nutrition, housing and variety of related social services.

. A decreasing inequality in the distribution of rural incomes and in urban rural imbalances in income and economic opportunities.

. The promotion of a sustained and orderly development of the vast resources available in the rural areas for the benefit of the rural population.

. The creation of an infrastructural base, which is conducive to profitable investment.

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

Rural development policy instruments used were the provision of basic infrastructures 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 Directorate of Food, Roads and Rural Infrastructure (DFRRI), National Directorate of Employment (NDE), Better Life/Family Support Programme, Life Enhancement Programme and National Poverty Alleviation Programme.

However, the objectives of the rural development did not achieve much success, as the infrastructures provided were not sufficient to restrict rural- urban migration in search of better opportunities.

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 policy 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 agriculture and agricultural related workshops, conferences, seminars and short courses within and outside the country.

(iii) In the continuing effort to build capacity to boost agricultural production, the Federal Government has established three Universities of agriculture in Abeokuta, Umudike and

Makurdi respectively, to offer degree programmes in all discipline in agriculture. About 21 other Federal Universities, 17 States owned Universities and 4 private owned Universities are also offering agriculture related courses.

(iv) Provision of scholarships and bursary awards to encourage students reading 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 4 other Federal Agricultural Colleges not directly under the supervision of the FDAs; 14 State Colleges of Agriculture and many Polytechnics and Colleges of Technology, offering agriculture-related courses.

This initiative is governments holistic approach to solving the perennial problem of in adequate resources at all levels of the agricultural sector.

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 Miistry 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 the development of underground water resources, control of floods and erosion, 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 and the activities are 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.

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Module5: Legal Organization and Tax Strategies

Understanding the Environment of a Legalized Organization in Nigeria

Every country has its procedure towards recognizing an organization as being legal and every business in Nigeria be it agricultural or non-agricultural is required by law to be registered with the Corporate Affairs Commission, and to comply with the relevant provisions of the Companies and Allied Matters Act, Chapter 59, Laws of the Federation of Nigeria 1990. The functions of the CAC are 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. Once an enterprise is fully documented by CAC it can take any of the following forms as provided under the Companies and Allied Matters Act, 1990 [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).

Types of Business Organizations under the Companies and Allied Matters Commission Act:

Facts available from Corporate Affairs Commission in Nigeria reveals that legalized business organizations can be grouped into three broad groups.

(a) 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.

(b) 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 would up. 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.

(c) Unlimited Company: This is a company where the members’ liability is not limited to any particular amount.

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.

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:-

. "foreign companies invited to Nigeria by or with the approval of the Federal Government of Nigeria to execute any specified individual project;

. foreign companies which are in Nigeria for the execution of a specific individual loan project on behalf of a donor country or international organization;

. foreign government-owned companies engaged solely in export promotion activities, and;

. engineering consultants and technical experts engaged on any individual specialist project under contract with any of the Governments in the 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 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 CAC 2.2/C.O.6 (showing the address of the company)

. Duly completed Form CAC 2.3/C.O.7 (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 CAC 2.4 and duly stamped by the Commissioner for Stamp Duties;

. Duly completed Form CAC 2.5/C.O.2 (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:

. they do not comply with the provisions of the Companies Act; or

. 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

. 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.

Taxation in Nigeria

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.

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)

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

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

Income Taxes

• Individual income tax an annual tax on the income of individuals, partnerships,

trusts etc.

• Company tax – an annual tax on the income of companies

Capital Taxes

• Estate duty – an inheritance tax payable by the estate on the value of property.

• Capital gains tax – disposal of any asset

Value added tax

An invoiced based value added tax which is levied on supplies of goods and services.

• Excise and Customs duties.

- Charges on imports. Exports and local ex-factory shipments
- Stamp duties
- Charges levied on certain documentary instruments.

Administration

Responsibility for the administration of taxes is entrusted to the Federal Inland Revenue Service and the 36 State Internal Revenue Services. The Board 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.

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.

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.

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.

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Module 6: Economics of Agricultural Processing

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, these principles of manager with the set of principles, theories and rules for decision making which are useful when making plans to organize and operate a farm. They also helps 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 a agribusiness or farm management, we shall examine the following economic principles.

Economic Principles associated with Agricultural Processing

The Cost Principle

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 cost 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, vertinary 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.

The Set of 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.

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.

MARGINAL COST

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

Principles of Diminishing Returns

The principles of diminishing returns have 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.

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 decreased. This action or decreasing stage makes us to realize the proper ways of utilizing limited resources.

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 labuor 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.

Principles of Substitution in Choice of Practices

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. This 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.

Principles of Farm Valuation and Depreciation

These are important concepts in farm or agribusiness management. Valuation by word means the process of deciding the value of something. It is also a way of rating or estimating the worth of a property or an asset. Farm valuation therefore means a process of attaching 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 farm 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 valuation and 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:

Valuation at market price

Valuation at cost

Valuation by reproductive value

Valuation at next selling price

Valuation at cost less depreciation.

Module 7: Marketing management

Marketing is the process used to determine what products or services may be of interest to customers, and the strategy to use in sales, communications and business development. Joshi, (2005). It generates the strategy that underlies sales techniques, business communication, and business developments. Joshi,(2005). It is an integrated process through which companies build strong customer relationships and create value for their customers and for themselves. Joshi, (2005). Marketing Management is a business discipline which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities. Rapidly emerging forces of globalization have compelled firms to market beyond the borders of their home country making International marketing highly significant and an integral part of a firm's marketing strategy Joshi, (2005). Marketing managers are often responsible for influencing the level, timing, and composition of customer demand accepted definition of the term. In part, this is because the role of a marketing manager can vary significantly based on a business' size, corporate culture, and industry context. For example, in a large consumer products company, the marketing manager may act as the overall general manager of his or her assigned product Keller (2006) To create an effective, cost-efficient Marketing management strategy, firms must possess a detailed, objective understanding of their own business and the market in which they operate Clancy and Kriegafsd (2000). In analyzing these issues, the discipline of marketing management often overlaps with the related discipline of strategic planning.

Marketing Structural Analysis

Traditionally, marketing analysis was structured into three areas: Customer analysis, Company analysis, and Competitor analysis (so-called "3Cs" analysis). More recently, it has become fashionable in some marketing circles to divide these further into certain five "Cs": Customer analysis, Company analysis, Collaborator analysis, Competitor analysis, and analysis of the industry Context.

Customer analysis is to develop a schematic diagram for market segmentation, breaking down the market into various constituent groups of customers, which are called customer segments or market segmentation's. Marketing managers work to develop detailed profiles of each segment, focusing on any number of variables that may differ among the segments: demographic, psycho graphic, geographic, behavioral, needs-benefit, and other factors may all be examined. Marketers also attempt to track these segments' perceptions of the various products in the market using tools such as perceptual mapping.

In Company analysis, marketers focus on understanding the company's cost structure and cost position relative to competitors, as well as working to identify a firm's core competencies and other competitively distinct company resources. Marketing managers may also work with the accounting department to analyze the profits the firm is generating from various product lines and customer accounts. The company may also conduct periodicbrand audits to assess the strength of its brands and sources of brand equity Keller, (2002).

The firm's collaborators may also be profiled, which may include various suppliers, distributors and other channel partners, joint venture partners, and others. An analysis of complementary products may also be performed if such products exist.

Marketing management employs various tools from economics and competitive strategy to analyze the industry context in which the firm operates. These include Porter's five forces, analysis of strategic groups of competitors, value chain analysis and others Porter, (1998). Depending on the industry, the regulatory context may also be important to examine in detail.

In Competitor analysis, marketers build detailed profiles of each competitor in the market, focusing especially on their relative competitive strengths and weaknesses using SWOT analysis. Marketing managers will examine each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, degree of vertical integration, historical responses to industry developments, and other factors.

Marketing management often finds it necessary to invest in research to collect the data required to perform accurate marketing analysis. As such, they often conduct market research (alternately marketing research) to obtain this information. Marketers employ a variety of techniques to conduct market research, but some of the more common include:

. Qualitative marketing research, such as focus groups and various types of interviews

. Quantitative marketing research, such as statistical surveys

. Experimental techniques such as test markets

. Observational techniques such as ethnographic (on-site) observation

Marketing managers may also design and oversee various environmental scanning and competitive intelligence processes to help identify trends and inform the company's marketing analysis.

Marketing strategy

If the company has obtained an adequate understanding of the customer base and its own competitive position in the industry, marketing managers are able to make their own key strategic decisions and develop a marketing strategy designed to maximize the revenues and profits of the firm. The selected strategy may aim for any of a variety of specific objectives, including optimizing short-term unit margins, revenue growth, market share, long-term profitability, or other goals.

To achieve the desired objectives, marketers typically identify one or more target customer segments which they intend to pursue. Customer segments are often selected as targets because they score highly on two dimensions: 1) The segment is attractive to serve because it is large, growing, makes frequent purchases, is not price sensitive (i.e. is willing to pay high prices), or other factors; and 2) The company has the resources and capabilities to compete for the segment's business, can meet their needs better than the competition, and can do so profitably Clancy and Kriegafsd (2000). In fact, a commonly cited definition of marketing is simply "meeting needs profitably."

The implication of selecting target segments is that the business will subsequently allocate more resources to acquire and retain customers in the target segment(s) than it will for other, non-targeted customers. In some cases, the firm may go so far as to turn away customers who are not in its target segment.The doorman at a swanky nightclub, for example, may deny entry to unfashionably dressed individuals because the business has made a strategic decision to target the "high fashion" segment of nightclub patrons.

Ideally, a firm's positioning can be maintained over a long period of time because the company possesses, or can develop, some form of sustainable competitive advantage Porter, (1998). The positioning should also be sufficiently relevant to the target segment such that it will drive the purchasing behavior of target customers Ries and Trout (2000).

Implementation planning

The Marketing Metrics Continuum provides a framework for how to categorize metrics from the tactical to strategic.

After the firm's strategic objectives have been identified, the target market selected, and the desired positioning for the company, product or brand has been determined, marketing managers focus on how to best implement the chosen strategy. Traditionally, this has involved implementation planning across the "4Ps" of marketing: Product management, Pricing (at what price slot do you position your product, for e-g low, medium or high price), Place (the place/area where you are going to be selling your products, it could be local, regional, country wide or International) (i.e. sales and distribution channels), and People. Now a new P has been added making it a total of 5P's. The 5th P is Politics which affects marketing in a significant way.

Taken together, the company's implementation choices across the 4(5)Ps are often described as the marketing mix, meaning the mix of elements the business will employ to "go to market" and execute the marketing strategy. The overall goal for the marketing mix is to consistently deliver a compelling value proposition that reinforces the firm's chosen positioning, builds customer loyalty and brand equity among target customers, and achieves the firm's marketing and financial objectives.

In many cases, marketing management will develop a marketing plan to specify how the company will execute the chosen strategy and achieve the business' objectives. The content of marketing plans varies from firm to firm, but commonly includes:

. An executive summary

. Situation analysis to summarize facts and insights gained from market research and marketing analysis

. The company's mission statement or long-term strategic vision

. A statement of the company's key objectives, often subdivided into marketing objectives and financial objectives

. The marketing strategy the business has chosen, specifying the target segments to be pursued and the competitive positioning to be achieved

. Implementation choices for each element of the marketing mix (the 4(5)Ps)

Organizational management and leadership

Marketing management may spend a fair amount of time building or maintaining a marketing orientation for the business. Achieving a market orientation, also known as "customer focus" or the "marketing concept", requires building consensus at the senior management level and then driving customer focus down into the organization. Cultural barriers may exist in a given business unit or functional area that the marketing manager must address in order to achieve this goal. Additionally, marketing executives often act as a "brand champion" and work to enforce corporate identity standards across the enterprise.

In larger organizations, especially those with multiple business units, top marketing managers may need to coordinate across several marketing departments and also resources from finance, research and development, engineering, operations, manufacturing, or other functional areas to implement the marketing plan. In order to effectively manage these resources, marketing executives may need to spend much of their time focused on political issues and inte-departmental negotiations.

The effectiveness of a marketing manager may therefore depend on his or her ability to make the internal "sale" of various marketing programs equally as much as the external customer's reaction to such programs.

Marketing Techniques

Leduc,(2002) made observation on 5 successful marketing techniques you can use to increase your sales. All of them are simple to use. And they're effective for building any businesses.

1. Increase public awareness about your product and keep adding Something New

Every time you add something new to your business you create an opportunity to get more sales. Adding a new product or service to the list of those you already offer usually produces a big increase in sales. The added product increases your sales in 3 different ways:

It attracts new customers who were not interested in your current products and services.

It generates repeat sales from existing customers who also want to have your new product.

It enables you to get bigger sales by combining 2 or more items into special package offers.

2. Become a Valuable Resource

Look for ways you can be a resource for your prospects and customers. Supply them with free information. Help them do things faster, easier, less expensively. You get another opportunity to sell something every time they come back to you for help.

3. Separate Yourself from Your Competition

Find or create a reason for customers to do business with you instead of with someone else offering the same or similar products. For example, do you provide faster results, easier procedures, personal attention or a better guarantee?

Determine the unique advantage you offer to customers that your competitors do not offer. Promote that advantage in all of your advertising. Give your prospects a reason to do business with you instead of with your competition and you'll automatically get more sales.

4. Promote the End Result

Your customers don't really want your product or service. They want the benefit produced by using it. Make sure your publicity, sales letters and other sales messages are promoting the end result your customers want.

5. Anticipate Change

Change is the biggest challenge to your business success. The days are gone when a business could constantly grow by simply repeating what it did successfully in the past ...or even recently. Aggressive, innovative competitors and rapidly changing technology make it impossible.

Expect change and prepare for it. Don't wait until your income declines to take action. Develop the habit of looking for early signs that something is changing. Then confront it before you start to lose business.

Insulate yourself against the impact of change by increasing the number of products and services you offer and by using a variety of different marketing methods. Only a small portion of your total business will be affected if the sales of one product decline or the response to one marketing method drops.

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