

Survival strategies for small-scale agro-processors

by David Bernard

A burning sense of optimism at the start of a new business venture can quickly turn to ashes of disappointment when things go wrong. The best policy is to limit the potential for disaster by careful initial planning, to make provision for the inevitable setbacks and to strive at all times to keep ahead of the competition. Nowhere is this more likely to be essential than in the crowded and competitive field of small-scale agro-processing. If successful, such enterprises can help to add value to local agricultural produce, stimulate off-farm business activity in rural areas and kick-start a thriving rural-based economy.

In the Koumassi district of Douala, Cameroon, the price of a cooked cob of maize may vary by as much as 50% within 300 yards. Intense competition drives down the price to a level at which it may no longer make economic sense to go on trying to sell it. If there is little investment in buildings, equipment or packaging, the loss of profit may be bearable, and at least one can eat the merchandise, but for a small business struggling to meet loan repayments on capital investment, competition of this sort will be disastrous. In any new agro-processing venture, choice of product is of paramount importance but it is by no means the only consideration. Budding entrepreneurs will need to turn their thoughts to finance, personnel, training, sourcing raw materials, location, packaging, marketing, management and many other larger or smaller worries that beset any new enterprise and threaten its survival.

The first consideration must be the consumer of the end product. It is important to know what is already available to consumers, whether there are indications of their preferences and whether demand is being met. Any competition within an established product range will have to be based on price or quality or both. Many businesses grow from very small-scale, even domestic, production of a popular food, with production expanded to meet growing demand locally, regionally or even nationally. A study supported by CTA (Technical Centre for Agricultural and Rural Cooperation) and CIRAD (the French Centre de Cooperation

Internationale en Recherche Agronomique pour le Developpement) suggests that products that are successful in one region of a country may stand a good chance of being introduced successfully elsewhere.

In Cameroon, for example, some types of pre-cooked food products can be found throughout the country, whereas others are limited to either the North or the South. Whilst the first person on the scene with a new product may have the advantage of facing no immediate competition, the challenge will be to overcome customers' established preferences. Preferences within regional rural areas tend to remain conservative, but the big new markets are in the rapidly expanding towns and cities where regional differences become diluted.

Developments outside the control of individuals may open up market opportunities. For example, devaluation of the CFA franc pushed up the price of imported bottled drinks in francophone West Africa, giving local producers an unexpected advantage. It may be a good idea to start local manufacture of a popular imported foodstuff, but the technology or process may not be entirely straightforward. Popcorn, for example, can only be made from certain varieties of maize and these may not be available locally and would therefore have to be specially introduced and grown for the purpose.

Money matters

Business developments invariably cost money and obtaining credit for buying equipment, hiring labour, purchasing raw materials, packaging etc., is likely to be a major challenge. Banks do not lend money unless they are confident that the business will be successful. Since a new business cannot provide previous years' accounts to demonstrate profitability, a business plan will be required and most people will need professional help in compiling such a plan. If it meets the bank's requirements, collateral will, of course, also be required to secure any loan.

For this reason, many people turn to relatives, friends or to informal loan arrangements such as, for example, tontines (a form of friendly society in francophone Africa) if they are unable to finance their

business developments from their own personal resources. It may be necessary to consider whether a processing business should be located near to the supply of raw materials or near to the market. Location may also depend on where suitable premises can be found and, perhaps, on the reliability of the electricity supply. A high proportion of those interviewed for the CTA/ CIRAD study stated that electricity cuts were their biggest problem. Perishability of goods, either raw or processed, will be another consideration. A processing unit may have to limit its production not for lack of customers, but because the goods are perishable and cannot reach more distant markets with sufficient shelf-life remaining. This is more likely to happen as businesses become larger, and those hoping to expand from a local to a national market often find their plans thwarted by an inadequate distribution system.

Owners of successful businesses will be fully conscious of the pressure to employ relatives, and friends of relatives, but to remain successful, the advantages and disadvantages of employing family members will have to be very carefully weighed. Training and supervision of personnel will be necessary to ensure that product quality is consistent. This relates not only to taste and appearance but also to size and weight of packs and availability. Repeat business is the easiest to gain but the easiest to lose if products fail to meet expectations. Satisfied customers make the best marketing team a business can have.

Packaging requirements will depend upon the product on the market being targeted but may be a decisive factor in a product's success or failure. Legislation will have to be complied with, not only to ensure product safety but also to provide consumers with information to which they may be entitled relating to ingredients and weight.

Careful planning, and reliable information on which to base that planning, are essential for any business, but if an agro-processing venture is well planned there is no reason why it should not succeed. There will always be a market for food products that match consumers' need for quality and convenience at an affordable price. ©