Mismanagement and its Consequences to Farm Business Prospect and Sustainability: Evidences from Commercial Farms in North Western Nigeria

Extended Abstract

Introduction

There is no generally accepted definition of a small business because the classification of businesses into large-scale or small-scale is a subjective and qualitative judgment. In most countries, small-scale business is defined in terms of annual turnover and the number of paid employees. In Nigeria, there is no clear-cut definition that distinguishes a small-scale enterprise from a medium-scale enterprise. The National Economic Reconstruction Fund (NERFUND) put the ceiling for small-scale enterprises at 10 million naira and above for medium to large scale enterprises (Akamiokhor, 1983)

The objective of any business enterprise is to make profit, not necessarily maximum profit or supernormal profit but a certain level of profit is necessary if the business is to continue. The business therefore has to be effectively managed in order to achieve this objective. The fundamental cause of failure and ultimate collapse of many businesses be it in the agricultural or non-agricultural sector is traceable to mismanagement. Mismanagement can manifest itself in high labor turn-over especially among management staff, high inventories, lack of working capital, incoherent business philosophy, and high trade debtors. Under-utilization of installed capacity or low asset utilization also clearly shows that the farm business is sick. Lacks of insurance coverage coupled with high dependence on loans for day–to-day operations are clear manifestations of mismanagement. Technical mismanagement can show itself in various forms depending on the nature of the farm business. It can show up in the form of low crop yields, high livestock mortality rates, poor health and low growth rate, lack of record keeping and continued

cumulative net loss which invariably leads the farm business to insolvency and failure (FAMAN, 1990).

The unique nature and magnitude of farm businesses and thus the disastrous consequences of mismanagement, poses additional challenge to their managers. The main objective of the study was to identify and discussed the consequences of mismanagement and suggest means by which it can be mitigated among commercial farms.

Methodology

The study area is north-western Nigeria, encompassing the states of Jigawa, Kano, Katsina, Zamfara, Sokoto, Kebbi and Kaduna. The area has a total population of over 60 million people. The north-western states covers a large area of land and shares borders with various states in the central parts of the country, with Niger Republic in the north and Benin Republic in the west (NPC, 2006). The area is endowed with abundant natural resources and lots of agricultural activities. The agricultural activities include; farm production, farm supply, processing and distribution/marketing of processed products. There are a number of registered agric-businesses located across the states especially in the commercial states of Kaduna and Kano but a comprehensive list of such business could not be obtained. Information gathered from the relevant agencies such as the Ministries of Agriculture (MoA) and the Agricultural Development Projects (ADPs) indicated that most of these businesses are in the areas of agricultural production and processing especially livestock. The study therefore focused on such commercial farms. About 60 registered commercial farms were identified in the three selected states of Kano, Kaduna and Katsina out of which 32 farms were purposively selected for data collection and five for detailed case study. The study used qualitative and quantitative methods

to interview the proprietors and managers of the selected commercial farms. The data collection including case studies was conducted within January 2010 to December, 2011.

Results and Discussions

Socio-economic Profile of the Commercial Farms studied

The farms studied were of small to medium scale in sizes and the project costs were between ten to hundred millions of naira. Some of the farm proprietors have the money to invest in the business but do not have the time to manage it. Most of the farms (65 percent) were debt financed and as such failure could have more disastrous consequences. The farms were mostly established as companies limited by shares and such legal status could facilitate access to formal credit and high level manpower for operations. All the proprietors of the farm studied have tertiary level of education but only 38 percent were trained in the areas of agriculture. However, the managers of the farms studied were mostly trained at mid-level in agriculture and livestock sciences with years of experiences in farm production and or extension in the range of 8-20 years. The study established the level of experience of the proprietors of the enterprises prior to commencing the current business and found that most (75 percent) had little or no previous experience in agric business before embarking on their current business activity. The results of the study shows that all the farm interviewed were not formally insured and most of the entrepreneurs do not have access to information on insurance and other market services. The results also indicated that most of the farms (60 percent) started without proper feasibility plans. Other common problems identified include; poor personnel management, financial recklessness, poor record keeping, absenteeism, high livestock mortality rates, poor health and low growth rate. These problems leads most of the farms (85 percent) to insolvency and ultimate collapse.

Presentation of Sampled Case Studies

Case Study One

This is an integrated poultry farm. The products of the farm are poultry feed and eggs. The farm was registered as a limited liability company with four directors. The equity capital was partly obtained from a short-term commercial loan. The owner of the farm is a retired senior government worker who is the sole signatory and his co-directors are the other members of his family. The farm structures were built not in accordance with the recommended technical specifications but to reflect a project commensurate with the status of the project owner. The first farm manager is a graduate of agriculture with specialization in animal science and worked for two years and resigns as a result of disagreement with the owner and the co-directors on financial management. Subsequently, within a span of three years two different managers were employed indicating high level of managerial turnover. The farm suffered from other set-backs especially raw materials shortage for feed, heavy under-utilization of installed capacity and reckless spending of the farm proceeds by the proprietor which led to inability to pay workers and other financial obligations. The farm is now insolvent and the proprietor is planning to apply for refinancing and sought for technical partnership agreement as a way of bailing out the farm

Case Study Two

This is a 100 hectare fruit trees plantation. The farm was registered as a sole proprietorship company. The plantation started with about 1000 stands of improved mango varieties and about 200 stands of improved guava. The plantation is equipped with a three ton per hour fruit juice processing mill which was never put to use. The proprietor is engaged in another profession and recruited managers to manage for him. The first two managers recruited in a span of four years could not adequately manage the farm and were changed. The third one recruited was a retired agricultural extension worker who later resigned after two years because

he was not given a free hand in managing the plantation. Today only about 600 of the mango trees and less 100 of the guava fruits survived. Absenteeism and poor personnel management apart from technical problems leads to stagnation of the plantation and about half of the plantation potential is not established. The business is now insolvent and cannot pay it workers. The proprietor is now considering the option of selling or leasing out the plantation.

Case study three

This is a large scale poultry farm with a capacity of about 30,000 layers, 10,000 broilers and brooding units. The farm was registered as a limited liability company with two co-directors (family members). The investor is a retired government workers who invested his fortune on real estate and trading. Funds were obtained through commercial loan to establish the farm but which were diverted into unplanned expansion into feed mill and energy (electric generator). The result is that the fixed assets were in place but no working capital for day-to-day running of the farm. As such, the feed mill and the electric generator have never been used. After a year, the flocks were almost wiped out by disease outbreak and restocking had been impossible for lack of funds. The farm is now insolvent and the project already abandoned.

Conclusion and recommendations

Problems of mismanagement such as poor business planning, poor personnel management, poor supervision, financial mismanagement and insolvency were rampant across the farm businesses studied and they lead to collapse of most of the businesses. There is the need to strengthen the technical and managerial capacities of the owners (proprietors) and managers of farm businesses across the northern states through provision of appropriate Business Development Services (BDS) and also to facilitate access to market and technical information

among the entrepreneurs so as to reduce the peril of mismanagement and improve business performance and sustainability.

References

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