



SUCCESS

for the
AGRICULTURAL
BUSINESS



BOOK FOURTEEN

Success for the AGRICULTURAL BUSINESS

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BOOK FOURTEEN

Outcomes

1

After you have studied this book, you will have a better understanding of:

- ✓ How to satisfy the needs of the community
- ✓ How to diversify all services rendered
- ✓ How to purchase stock
- ✓ The advantage of well-trained staff
- ✓ The advantages of a simple and effective bookkeeping system
- ✓ A well balanced pricing structure
- ✓ Communication in the business
- ✓ Controls in the business

Situation

Bongani has a business in the agricultural sector. He realises that business can be difficult and that he will have to work and plan in such a way so as to counter adversities.

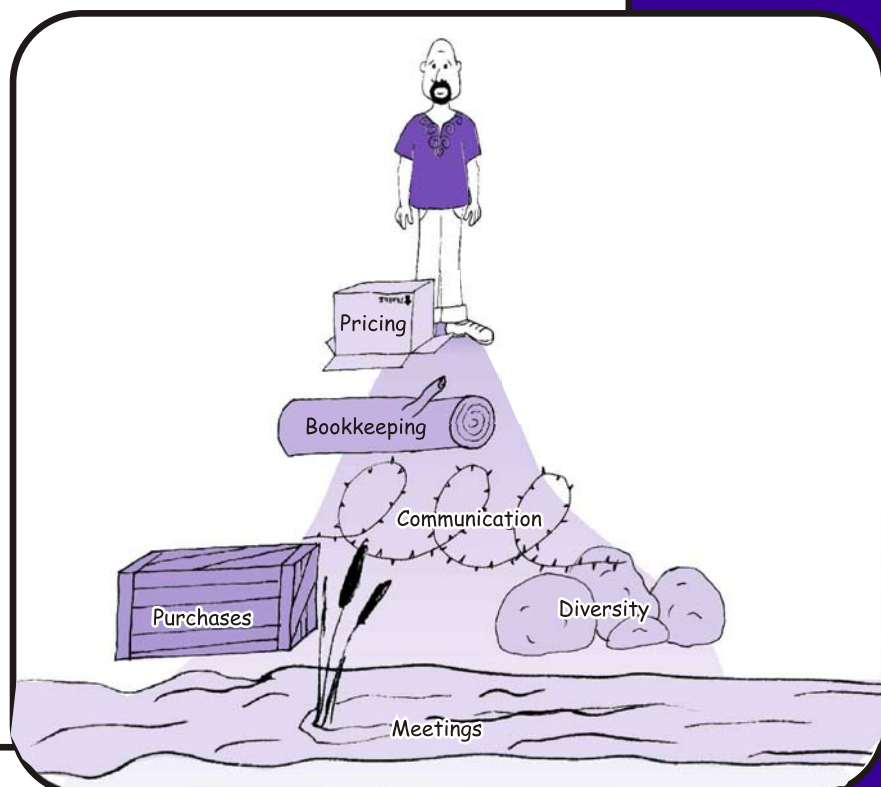


Introduction

3

For Bongani to manage a successful business in a rural agricultural area, he will have to overcome many obstacles. There are many ways and means to overcome these obstacles:

- Aim to satisfy the needs of the community
- Diversify the services to be rendered
- Plan purchases very carefully
- Have a constant two-way communication between management and customers
- Control all aspects of the business
- Employ well-trained staff
- Use a simple but effective bookkeeping system
- Use a well balanced pricing structure
- The management must have regular, well structured and purposeful meetings
- Meaningful reporting to members is important



Satisfy the needs of the community

In order to satisfy the needs of the community, Bongani must be in continuous contact and communication with the people of the community.

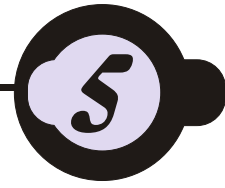
He must know:

- With which local economic activities the households keep themselves busy
- Which quantities of various stock items can be used
- Which volumes can be afforded
- Which stock items are sold locally and what prices are charged by other storekeepers and suppliers

It won't do Bongani any good to have stock available at the best possible price, if there is no demand for such products.

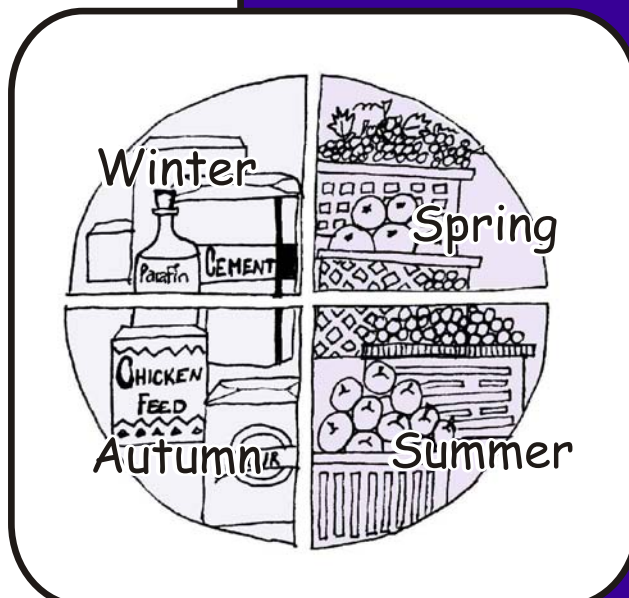


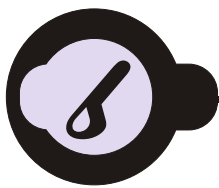
Diversify all services rendered



In an agricultural environment, business tends to concentrate in seasons. Sales of agricultural input peak in spring and early summer. In some areas they might also be high at harvest time. Bongani must employ staff whether they sell R100.00 or R1000.00 worth per day, the expenses will be the same for the business. Bongani must look at other products to fill the gap between the planting and harvest seasons so that he is still able to pay his expenses. He should consider products such as mealie meal, chicken feed, cement, paraffin and other similar items that will always be in demand. He should rather avoid products that carry a low profit and are linked to personal preferences, such as cigarettes and tobacco.

Another good reason for Bongani to diversify is the climatic conditions. If there is a drought during a specific year, the demand for inputs will be low. This will influence staff and other expenses.





Careful purchasing

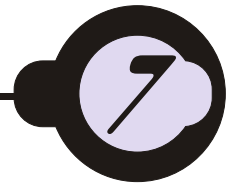
Because funds are scarce, it is important that Bongani only buys stock that can be sold within a month of purchasing. Stock kept on the shelves run the risk of being damaged, getting spoiled or old. It also costs the business money because it is tying up funds that can otherwise be used profitably.

There must be a balance between what can be sold, what the customer wants and the money available to buy stocks.

Bongani must never be tempted to buy "bargain" stock in large quantities that cannot be sold within two weeks or at least a month. If an opportunity arises for items to be purchased at very good prices in larger quantities than are normally sold in a month, Bongani must try to convince other shops in the area to share the bargain. If he cannot convince them to share the "bargain", it could be an indication that the buy is after all not such a good bargain. Never buy "bargains" of a lesser quality than what is normally sold.

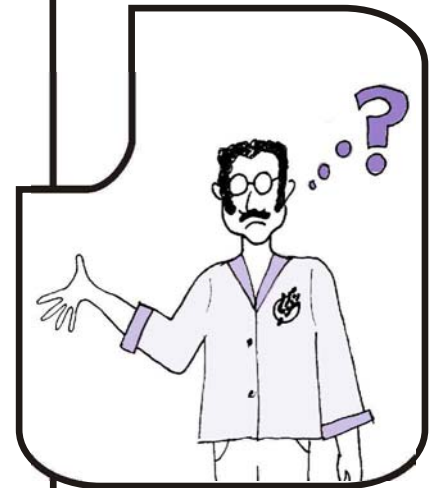


well-trained staff

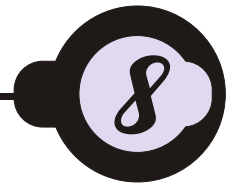


Bongani must realise the importance of training his staff. All employees must always know exactly what they are expected to do. Nothing is more demotivating to staff than being expected to do something they do not know how to do. Responsibilities for tasks must be tied to specific employees. Instructions to staff must be clear and to the point.

Bongani must discuss non-performance with the staff members concerned. The reason for non-performance must be found and corrected. Correcting performance could either be by giving more precise instructions or by retraining staff members.



A simple and effective bookkeeping system

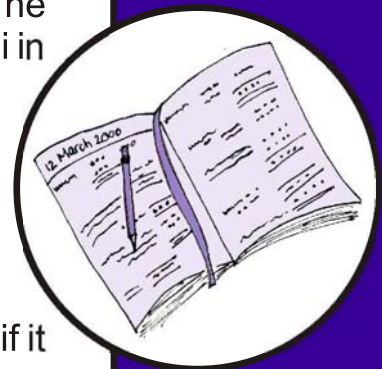


The bookkeeping system must be such that the person responsible for the books understands the system. The information made available must be of use to Bongani in his task to make decisions. Bookkeeping must be:

- Updated daily
- Done neatly
- Done correctly

Information taken from bookkeeping loses its value if it is not done in time. Bookkeepers tend to make mistakes if they have to do large volumes of work at one time.

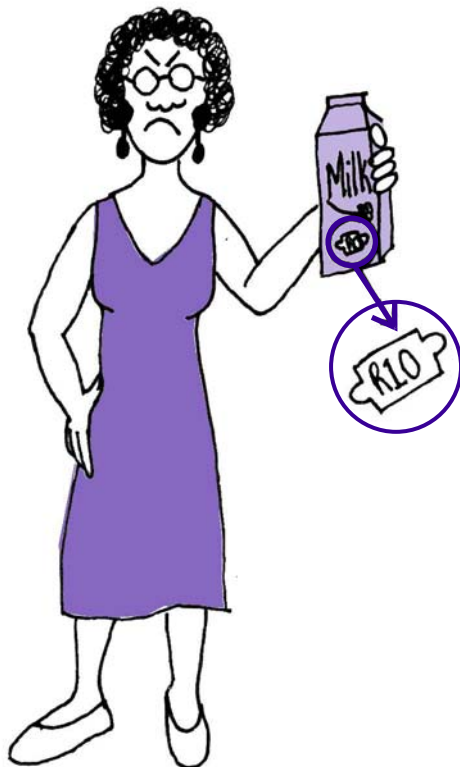
The caution to work neatly enhances the correctness of bookkeeping. The correctness of bookkeeping can and must be checked by taking out trial balances monthly.





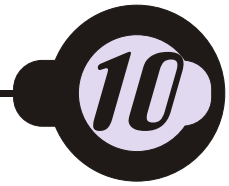
well-balanced pricing structure

The difference between the cost and selling price of an item is known as the gross profit. This is used to pay for the expenses of the business. Bongani must structure the pricing system in such a way that the total of gross profits will be sufficient to pay for all reasonable expenses in his business. In determining the pricing structure of the business, Bongani must keep in mind that there must be a balance between the expenses and what the customers are willing to pay. The "live and let live" principle is important. If the cost is too high, it will tend to increase prices. This in turn will bring about a resistance from buyers, which will lower sales.



All the items do not have to carry the same profit margin. However, Bongani must keep in mind that items with a low profit margin must move fast, otherwise the cost of keeping the stock could be a disadvantage to his business.

Communication in the business



There are quite a number of lines of communication in Bongani's business:

- Between the business and customer
- Between Bongani as manager and his staff
- Between the controlling body and the manager
- Between the controlling body and the owner

Communication should always run in two directions. One-way traffic communication is incomplete communication:

- If a business does not know what the customer wants and the customers do not know what the business can offer, the business will not be a success.
- Manager and staff working as a team make the work easier and more pleasant. A happy staff member is a good staff member. Staff must be able to convey their problems to management and similarly management must ensure that the staff know exactly what they should do.
- Managers should know exactly what the managing body expects of them. Managers must report progress and performance to the controlling body.
- Communication between owners and the controlling body must also be clear and successful.

Communication must be to the point, honest and meaningful, otherwise it will be useless.

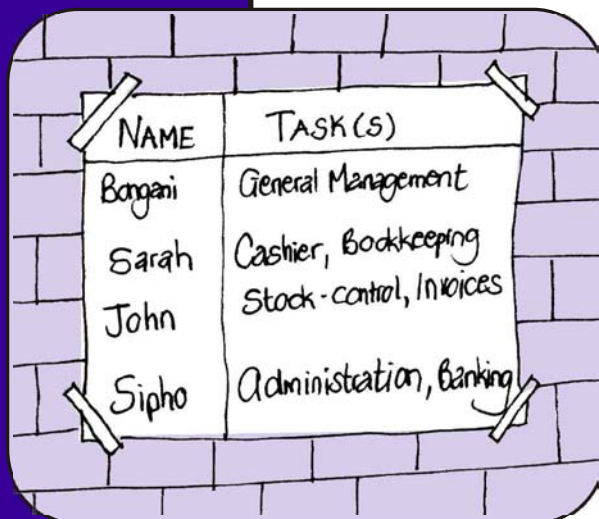
Controls in the business

Bongani must use systems of control in all activities of his business, such as:

- Cash control
- Stock control
- Stationery control
- Expenses control

In order to exercise control, Bongani will have to pinpoint responsibility. Everybody in the business must understand and perform their duties. If one staff member does not comply with the control, Bongani must not tolerate this. If Bongani does not implement and use a good control system, his business will suffer.

The control of expenses is vital to any business. A balance between income and expenses is important. A budget for expenses must be completed annually and controlled monthly. If this is not done, Bongani will never know how much money the business has or does not have.



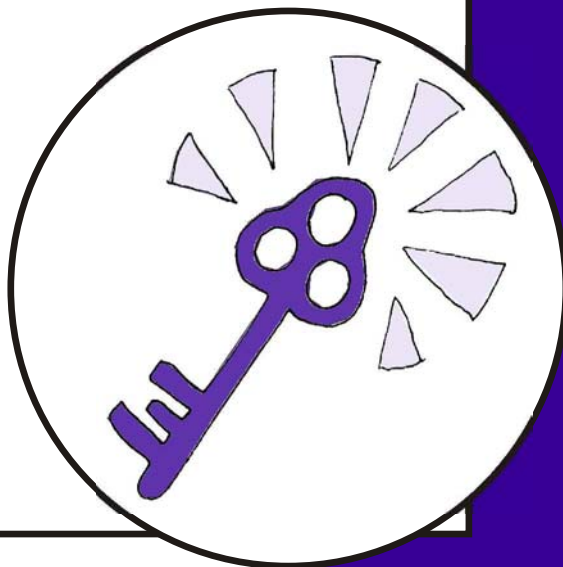
NAME	TASK(S)
Bongani	General Management
Sarah	Cashier, Bookkeeping
John	Stock-control, Invoices
Sipho	Administration, Banking

Conclusion

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- A business plan and budget must be completed every year.
- All resources available must be organised in such a way that the goals of the business can be reached.
- Employees must be led and motivated in such a way that their actions are directed towards achieving the goals of the business.
- Controls must be exercised in order to be able to know whether the business is properly on course to obtain its goals.

If Bongani applies all these actions in his business, he will have the key to a successful business.



1. Bongani's business is not running smoothly enough because of some difficulties he is experiencing with the buying and selling of his goods. How can he overcome these difficulties so that he can make a profit?
2. Bongani bought new stock to sell to his clients but nobody wants to buy it. It seems as if clients will never buy his stock. What steps should he take to ensure that clients will buy his stock in future?
3. Bongani bought corn seed but forgot that it is not the planting season. What can Bongani do to ensure that this situation never happens again?
4. Bongani wants to establish a well - balanced pricing structure in his business. What factors should he take into account when pricing his stock?
5. 'One-way traffic communication is complete communication'. Why is this phrase incorrect? Describe how correct communication can be established in your business.
6. Why should Bongani complete a budget for his store and how often should he do it?

