

“ NIGERIAN POTATOES – A ONE-STOP SHOP FROM FARM TO FORK ”

Managing Director Steve Bawa explains how he operates and what challenges, opportunities and limitations he is facing with his company Fruits & Veggies Global Limited located in Jos, Nigeria.



Photo: Author

» Dear Mr Bawa, please describe how you became an entrepreneur.

I studied economics in Nigeria and did my MBA in the UK. I have always had interest in the agribusiness and worked during school and studies in the agricultural sector. In 2002, I quit my job as an investment banker based in Lagos to partner with an investor to acquire a dairy business in Jos. We were producing fresh milk, yoghurts, butter and cheese. I managed the business for eight years and left in 2010 to set up Fruits & Veggies Global Limited. I currently deal with potato farmers' co-operatives with a membership of over 10,000 people, comprising both men and women. This relationship gives me tremendous opportunity to impact a greater number of people both directly and indirectly.

» Where is your company located, and how do you operate?

Fruits & Veggies Global Limited was founded in 2010 in Jos, Plateau State, where 95 per cent of the potatoes are grown in Nigeria. The region has an altitude of about 1,300 metres above sea level and to a large extent climatic conditions suitable for vegetable production especially potatoes. We produce potatoes or aggregate from other farmers, process them into diced frozen potatoes, peeled whole potatoes, diced fresh potatoes and fresh French fries. Our main focus has been value-added, ready-to-use products for food services oper-

ators such as hotels, restaurants, caterers, fast food (quick service restaurants) and large supermarkets. We operate our own logistics with a total of eight refrigerated vehicles comprising three refrigerated trucks for long haul deliveries in Abuja, Kaduna, Ibadan and Lagos, while five refrigerated vans do city redistribution in Abuja and Lagos.

» Do you only supply cities, or do you also deliver potatoes to rural areas?

Most of our processed products are sold in semi-urban and urban areas because electricity is required even for short-term storage, and thus it is not easy for food service firms to set up operations in rural areas.

» Where does the processing take place?

Our processing factory is located in a semi-urban area because our staff and their families need access to schools, medical services and other social facilities. Some of the potato fields are located between one kilometre and as far as forty kilometres away.

» Looking at the lower end of the value chain, where do you get the potatoes from?

While running a farm of our own, we nowadays also receive a significant proportion of our potatoes from contract farmers. These contract farmers are organised in co-operatives, includ-

ing women co-operatives located in the nine local government areas on the Plateau. Our agronomist works as Contract Farming Coordinator with farmers and the co-operatives to implement Good Agricultural Practices – from land selection and preparation, seeds and other input applications to harvest, which ensures quality.

» What does the contract farming look like in terms of quality, quantities and prices?

The price of potatoes varies with the season. Generally, farmers receive between 200 Naira (0.55 US dollars) per kg when there is a surplus of products in the market and 350 Naira per kg when there is scarcity of products on the market. Twenty to 25 per cent of the raw material is process losses. Since we started contract farming, supported by our co-ordinator, potato quality has improved and post-harvest losses have been reduced.

To some extent, quantities are complied with. However, the general scenario is that when the price of potatoes is low, there is no incentive for side-selling, but when prices are high, side-selling takes place in some cases, and agreed quantities will not be complied with. We reward farmers with a guaranteed market and prompt payment of their invoices. We are also working on an incentive structure that is tied to the market price plus a ten per cent premium at the time of delivery. This will endear us to farmers and encourages trust between farmers and our company.

» Where do you get qualified staff from? Do you train your own employees?

We only employ local staff on a permanent basis. A total of 50 employees are involved in processing, handling supply chain and marketing; 60 per cent are women. Additionally, we engage indirect labour during the seed and ware potatoes production. Our staff are mostly trained in-house, and also on the job. At inception, a Dutch process engineer, who incidentally was the supplier of our equipment, trained our staff on the handling of the equipment. For one year, we also hired an Indian technician for maintenance training.

» **Would you say you are a farmer or “telephone farmer” in your role of employing potato farmers?**

I am a farmer. I own a farm and produce from the farm. However, we support other farmers with inputs, especially potato seeds in an out-growers scheme, do contract farming with co-operative groups as well as off-taking products from these out-growers and co-operative groups.

» **What are the advantages of having the complete value chain in your hands?**

One advantage of being involved in the complete value chain is that you will be in control of your business and determine your service level delivery to customers. We also had to do a backward integration into the provision of quality potato seeds to farmers. This has ensured quality raw materials input for our factory. Most of what we did in setting up the business was deliberate, to ensure that we would minimise risks of failure. Some steps, such as setting up the cold chain logistics, cold storage and marketing, were deliberate and considered upfront in our business plan, but others, such as seed importation and multiplication, were done later out of necessity.

» **Isn't it easier, then, to link up with other service operators?**

In our operating environment, there are low linkages in businesses, and in a number of cases, such linkages are completely non-existent. Therefore, relying on another person or business to provide you a service or a critical input for your business can be a very frustrating experience. For instance, in the course of developing our business plan in 2010, we realised that without an effective cold chain logistics in place, we would not be able to deliver our products consistently and in the required quality to our prospective customers. There was no-one to see to this, and to date, there is no reliable cold chain service provider. This became the weakest link in the business. We are not a logistics business, but we had to invest in refrigerated cold vans and trucks. Otherwise, one of our valuable selling points, that of being a consistent and reliable partner to food service operators, would be a mirage.

» **Are there any other agribusiness companies in Nigeria that have a similar concept or does your company represent a unique selling point?**

I think we represent a unique value proposition to our customers. Our business model

has been and is still focused on consistently providing value-added ready-to-use products to food service operators. This takes off some of their back-end processes, which are usually time consuming, inconsistent, unreliable and, in most cases, expensive. There may be others doing similar things, but I am not aware of anyone rigorously executing this model. I am, however, aware that some people have tried setting up something similar even on the Plateau, but no one is in production yet.

» **Are you planning to continue to grow? Where do you see bottlenecks?**

It has been quite challenging in the last eight years, with positive results emerging only in the last one and half years. Our revenues are growing, and we intend to continue improving our processes to enable us to serve our current customers better, as well as getting more customers especially in the biggest commercial cities in Nigeria. Production is increasingly becoming challenging due to the security situation on the Plateau.

In addition, investments in infrastructure that will reduce post-harvest losses are an issue that impedes farmers' income and also hampers our business. Others will be consistent and sustained improvements in farmers' capacity to manage their crops profitably. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) are doing a lot in terms of capacity building with their various training in Good Agricultural Practises and Farmer Business Schools.

» **What are the main challenges you have been facing?**

If I were to list the challenges we face in doing business in terms of the biggest to the smallest ones, I would say that without doubt, the biggest challenge confronting us is security. Without adequate security, every other challenge looks like a non-issue because you need a secured environment to do any meaningful human endeavour.

Second on the list is, getting people with the right skills set for our business. This aspect of business is usually underestimated because there are so many people looking for jobs. Small business operators usually do not have the capacity for large Human Resources departments who can organise recruitment, selection, hiring and training of staff for specific skills required before deploying them to work. We need time and money to invest in the kind of manpower that is suited for our

operations. Access finance or credits for agribusiness generally is a huge challenge, too. This is in addition to the high cost of finance and the unsuitable tenors for such credits where they are available. Of course subsidies are virtually non-existent, at least in the potato and other vegetable sectors that we are involved in.

Others worthy of mentioning are import bottlenecks and, in some instances, restrictions, multiplicity of taxes and our almost legendary complete lack of infrastructure such as power, water and roads.

» **What needs to be done to overcome these problems?**

Improvements in security will help business tremendously. Education, especially the right type of education, will provide the manpower needed not only for our type of business but for all kinds of small businesses. They are actually the engine of growth. There must be a deliberate and sustained effort to ease access to finance/credits to agribusiness. It should also be the right type of funding at the right cost.

» **What does an entrepreneur need? What is key to success from your perspective?**

Passion, discipline and perseverance. If you don't have passion for whatever business you are thinking of doing, it will be difficult to have sustained success in that business. Entrepreneurship is certainly not an easy way to make a lot of money; it requires lots of blood, sweat and tears on your part. It is a labour of love, and if you don't have that love, you will not likely make it far.

The second thing is discipline. If you are your own boss, you must acquire the discipline to remain focused in the face of many distractions around and the challenges you must overcome. You must keep your eyes on the big picture, knowing fully well that cutting corners will hurt you later.

Perseverance is the third thing. In addition to passion and discipline, you must have the staying power to persevere to the end otherwise your effort becomes an abandoned project. You need these three things in abundance in a very daunting environment like ours. I will say that we do business in spite of the existence of so many challenges, and with virtually no concrete support to ensure success.