

CRITICAL Components for Successful Agro Processing

Cost Recovery

Agro processing imply certain managerial, infrastructure, financial and human inputs. The cost of agro processing must be offset by the value of the end product or the value of what it was used for. There must be a feasible cost recovery in the act of processing the product.

Business Plan

Agro processing should be the result of a sound business plan and its viability. Markets for the new products must be secured as high input costs could be involved.

Contingency Plans

Agro processing must have contingency plans in place. It must be flexible to react to changes in market forces and even been planned in such a way to allow alternate usages.

Risks Associated with each Component

Any business venture operates within the economy of scale principle. A primary production process might come under financial pressure but with the adding of value hereto, the secondary production process will/might free the economy of scale principle by amongst others using shared fixed costs.

Economy of scale does not imply cross subsidization because this is artificial and not sustainable.

Because agriculture operates within the variance inherent to all-natural resources, it is a risky business. However, risk is discounted by sound business principle, strategies, vision, contingency plans, guts, personal energy, knowledge and passion.