



Investment Opportunities in Agricultural Inputs

- **Locate your business nearest the majority of your clients**

The choice of location is crucial and can often define success or failure of your enterprise. Most input traders are located in the town's center of commerce, usually the main public market. Such location is usually critical, but not always. As a general rule, it is more important to set up your business nearest the majority of your clients for greater accessibility. It is also advisable to choose a site nearest the terminal of the main means of transportation (e.g., tricycles or jeepneys) in your locality.

- **Aim for greater sales volume than high mark-up per product**

One common fault in input trading is the tendency of traders to charge high prices to maximize profit. Actually, this practice leads to lower total profit because total volume of sales decreases over time. It is always a better strategy to keep the mark-up per product as low as possible to encourage clients to patronize your products and achieve high sales volume.

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Why invest in agricultural inputs?

Production or trade of agricultural inputs can be a rewarding investment provided that some basic requirements are observed. Agricultural inputs refer to goods and services used for the production of agricultural products. Examples of these in crop production are seeds/planting materials, fertilizer (either inorganic or organic), and pesticides. In livestock, examples of inputs are feeds and veterinary products. Labor is an integral input in any agricultural enterprise so that provision of labor can be viable enterprise in itself. For instance in mango production, there are businesses which train and maintain fruit baggers and offer fruit bagging service to mango producers. Provision of service with farm machines such as tractors and threshers has also become a good source of income.



This investment brief serves as a guide in starting up an enterprise which would supply the needs of farmers for certain agricultural inputs. It provides general tips to consider before embarking on the business.

General tips

● Identify the investment opportunities in the area

Agricultural inputs support the production of certain agricultural outputs. It is then important to first identify what are the major agricultural outputs in the locality. This information can easily be obtained from the Municipal Agricultural Office (MAO). In general, an agricultural input enterprise is more profitable and sustainable if it supplies to the input needs of the major agricultural products in the area.

● Determine the current gaps in supply and demand

Potential demand for inputs in your locality can easily be estimated for certain agricultural products. For instance, if you want to estimate the total fertilizer requirement (e.g., 14-14-14) for palay in your municipality, you simply get the information on total palay hectareage in your municipality and the average number of bags of complete fertilizer applied per cropping. This information can easily be obtained from the MAO. If total hectareage is 5,000 and the average application of complete fertilizer is 4 bags/ha,



then your municipality needs at least 20,000 bags of complete fertilizer per cropping or 40,000 bags per year assuming two croppings per year. The same estimation can be done for other commodities which need complete fertilizer.

Supply can easily be estimated by discretely interviewing the current suppliers of agricultural inputs in your municipality. Agricultural input traders (e.g., stores selling fertilizer, chemicals, feeds, veterinary supplies, etc.) are normally located in the main municipal market or town capital. Absence of input traders in your municipality clearly indicates that farmers are buying their inputs from other towns. This means that putting up one in your municipality could be a lucrative venture. However, when there are existing input traders, you have to determine how much they are supplying and compare this to the estimated demand. If the supply is less than the demand, there is a supply-demand gap. This means that the existing market can still accommodate a new entrant.

● Diversify your product lines

Have as many product lines as possible so that your business can serve as a sort of a one-stop-shop for agricultural inputs. Farmers normally need several types of inputs and they would prefer to purchase from a store where all their needs can be met, both for convenience and to minimize their transportation cost. Deciding on the proper mix of products can be guided by your estimates of supply and demand gaps for each input. For instance, if certain chemical insecticides that are commonly used in your municipality are in deficit then you can have more of these products in your product lines.

● Aim for consignment basis with your suppliers

It is common for input suppliers (i.e., companies and distributors) to agree on consignment basis provided you are able to maintain good credit standing. Consignment is highly advantageous since this will allow you to minimize risk of losses associated with unwanted stocks. It may also enable you to have many different products with minimum capital requirement.