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# **Bonto Agricultural Farm (Gambia) Limited**

**BANJUL, THE GAMBIA**

## **Case Description**

The managing director of Bonto Agricultural Farm assesses the appropriate means to sell his produce in local and European markets. Recent farm expansion necessitates new market outlets, but limited transportation capabilities currently exist, so the manager now debates reserving air cargo space to ship his goods to wholesalers overseas. The manager is also concerned about receiving market prices that reflect the quality of Bonto Farm produce sold.

While formal institutionalized procedures are outlined, in reality Bonto Farm's corporate structure is controlled by its owner-manager, Mr. Sayed Moukhtara. This inhibits growth opportunities. Limited managerial labor exists in The Gambia, and Mr. Moukhtara finds difficulty in delegating responsibility through a corporate structure. This is particularly true in marketing Bonto Farm produce through numerous distribution channels. Mr. Moukhtara has also placed a glass ceiling on Gambian labor. Managers who perform well in the field are not promoted to senior management positions.

## **Position in the Course**

While this is written as a marketing course, it may also be used in strategic planning or organizational design courses. It is also recommended for courses on economic development and agribusiness.

## **Teaching Purpose and Objective**

The purpose is to illustrate how constraints in infrastructure can inhibit growth in the private sector of a developing country. The other objective is to show that marketing must precede production if production is to be sustained. These two concepts are not separate. The final purpose is to illustrate the importance of integrating concepts related to specialized areas of business: e.g., marketing, finance, economics, accounting, and macroeconomic environment. Management in developing countries is dependent upon this type of conceptual integration.

### **MARKET DEVELOPMENT**

In a developed economy many options are available for linking production to the market. In a developing economy those links may not exist. Private or public sector programs that only focus on production without regard for the market will fail. Mr. Moukhtara did not fully comprehend the complexity of the various transport constraints he faced. He was also distant from the buyer's market. These two factors lead to overcapacity. While Mr. Moukhtara made mistakes, his mistakes were a reflection of a national problem. Small and medium producers did not have the resources to develop marketing networks in Europe or reserve charter planes.

## **Assignment Questions**

**1. Detail five major constraints that prohibit Bonto Farm from successfully marketing its pro-**

**duce to Europe. Rank them in order of importance.**

- No direct northbound sea cargo. This places Bonto Farm at a competitive disadvantage against South American produce.
- Erratic northbound charter air cargo transport due to insufficient southbound cargo from the U.K. through Lagos, Nigeria. Sales to grocery chains in Europe require contractual agreements for timely shipment of goods. Without consistent transport, the retail market cannot be developed.
- Limited passenger cargo space due to smaller, more fuel-efficient passenger planes with less cargo capacity.
- Airport facilities are lacking. This discourages cargo-carrying flights and new air service from entering the market.
- Marketing functions are controlled by one person, Mr. Mouktara, the manager, and he is not located in the buyer's import market.

**2. How could government and international donor agency programs aid private sector development in horticulture?**

Government and donor agencies must be more market focused. Bottlenecks must be addressed before production programs are implemented. Government and donor agencies should invest in public goods like airport security and infrastructure.

**3. What competitive advantage does Bonto Farm have in selling its produce in Europe, and can it sustain these advantages?**

Bonto Farm's only competitive advantage is to sell its produce in the winter season when other countries are not in the market. This competitive advantage may not be sustained in the future as developed countries experiment with new methods of genetic engineering leading to fruits with longer shelf lives. These new derivatives are grown in harsher climates. A prime example is the new successful Israeli tomato.

**4. Discuss the impact of regulation, e.g., subsidies and laws.**

- New rulings can become serious barriers. New pesticide and packaging requirements for food imports

can be used to protect European farmers from foreign food producers, even those producers who enjoy preferential tariff treatment under the Lome 2 Convention.

- Subsidies usually lead to trade wars. For example, Israel subsidizes its transport costs to compete with African produce prices.

**5. Discuss the actual organizational design of Bonto Farm in contrast to the diagram in Exhibit 3. How do actual operations within Bonto Farm inhibit the implementation of a strategy for expansion?**

While Mr. Moukhtara's primary responsibility should be marketing, a formidable task in itself, he attempts to oversee all areas of production, transport, and quality control. While Mr. Moukhtara attributes his central authority to a lack of qualified labor, he makes no attempt to recruit, develop, or retain qualified Gambian labor. Field managers quickly reach a glass ceiling. A thought would be to integrate top field managers with product knowledge into marketing support.

**6. In the beginning of the case, there is mention of the British pound's 10% overnight devaluation. Explain how this impacts Bonto Farm's marketing efforts. Is this a marketing, finance, accounting, etc. problem?**

- A 10% drop in the British Pound (£) will cause U.K. wholesalers to import less of Bonto Farm produce. Bonto Farm produce will be more expensive in the U.K. because U.K. purchasing power has been reduced. Wholesalers in the U.K. will attempt to drop prices on Bonto Farm produce to stimulate demand. This will lead to an erosion of Bonto Farm produce margins (economics, marketing, accounting).
- A 10% drop in the Pound will also cause airlines to request dollar payments for shipping because fuel prices in £s will rise. This will cause a problem because the majority of Bonto Farm's revenues are in £s, while its expenses are in U.S. dollars. Bonto Farm hedged this risk through the forward markets (finance).

**7. (Optional) Is it morally correct for an Indian and Arab to control and own the two largest profit-producing farms in The Gambia?**

- This is a provocative question for discussion. Students might consider the problems and benefits of having

foreign residents and new citizens play key entrepreneurial roles in society. One could argue, on the one hand, that if both farms are producing within the confines of Gambian laws, they should be permitted to operate in The Gambia. Their farms pay a wage of \$1.50 per day, \$.50 above the minimum wage, and thus they make a very attractive and welcome contribution to the local economy.

- However, students may reject this purely economic argument. With linkages to family in Lebanon, India, Kenya, U.K., U.S., and elsewhere, with frequent travel to Europe for business purposes, and with their lives in The Gambia closely tied to self-contained ethnic communities, some locals and observers may wonder how long these families will remain living in this country. If they plan to give their children a higher education, they will have to send them abroad to attend a university out of the country.

- An interesting fact from the case is that 70% of Bonto Farm's labor force comes from the Jola tribe. Many of the Jolas are migrant workers from the Casamance region. In some sense, then, they are "visitors" or new arrivals, also. Compare this with current use of Mexican migrant workers in California.

### **Conclusion**

While many traditional case studies focus on specific business functions, encouraging specialized perspectives rather than the integration of concepts, the case on Bonto Farm integrates marketing, organizational design, and strategy implementation. That integration was embodied within an external environment that placed severe and volatile constraints on management's decisions, e.g., labor, transport, communications, etc.