We estimate the effect of weather driven negative income shocks on the likelihood of starting non-farm enterprise in rural Ethiopia. We find that farm households that are exposed to random negative rainfall shocks are more likely to start a non-farm enterprise. Contrary to a model of credit constraints with initial capital requirement, we find that entrepreneurial activities are guided by necessity or ex-post income smoothing rather than business opportunity or ex ante risk management strategies. Moreover, we find that business initiated for necessity tend to perform poorly and yet persist overtime, i.e. new entrepreneurs do not revert back to full farming when hit by a positive productivity shock.