

# Module 2: UNDERSTANDING THE FARM SETTING

Session 2.1 The farm and its enterprises

Session 2.2 The farm and its resources-  
natural, human, physical, financial

Session 2.3 Understanding social capital

Session 2.4 Input and markets; where profits are made

# Introduction

Farm management can be seen from two perspectives;

- (i) the farm, the farmer and the input-output relationships of farming,
- (ii) the resources used by the farmer; natural, human, physical, financial and social.

Resources affect the decisions made and by studying them we will begin to define the complex decision-making boundaries of the farm.

# *Introduction*

Most of you are trained in technical (production) decision-making, here the overall system will be covered.

This includes many complex elements both within and outside the farm boundaries and we will also learn that even small farms are highly complex.

You will develop virtual farms to visually plot enterprises, the decision-making boundaries and the factors that impact them.

# Session 2.1

## The farm and its enterprises

### Learning outcomes:

Understand the farm and its physical boundaries

Understand farm enterprises

Understand the connection between cash and food, farm and household

Understand the whole system in which the farm operates

# The farm and its enterprises

In this session you will learn the basic concepts needed for the study of market-oriented farm management ;the farm as a production unit with various enterprises.

The farm will also be seen in terms of its function as the source of household food and income.

# *The farm and its enterprises*

The essential features of a farm are;

- (i) the productive resource base (usually land),
- (ii) farm inputs and outputs,
- (iii) the farmer as decision-maker and manager.

To apply farm management principles and tools the farmer must establish the boundaries of the farm.

The first type of boundary is the physical boundary.

## *The farm and its enterprises*

A farm can be defined as essentially a portion of land on which a particular household undertakes agricultural activities as part of its livelihood.

The land or any part of the land may be privately owned, hired from another owner, or used as part of a common property arrangement.

## *The farm and its enterprises*

The agricultural activities on land may include cultivating crops, tending livestock, managing fruit trees, exploiting forestry resources or a combination of these.

In terms of farm management each activity is called an enterprise.

A farm often consists of more than one enterprise, although there may be one main enterprise.

# *The farm and its enterprises*

Farms vary in size from smallholdings of less than a hectare involved in subsistence production to large plantations covering thousands of hectares.

In this training programme the focus is on small- to medium-size family farms that are partially or fully integrated into the market.

## *The farm and its enterprises*

In Africa, farms are generally interwoven within the (extended) family structures of which the farms are a part.

Within the same household different farms can be found, constituting more or less independent production units.

The common feature of the farm is its 'unity of management'.

## *The farm and its enterprises*

Farming may also involve social/community factors.

A farm, apart from land, may also include structures erected on the land.

## *The farm and its enterprises*

Generally a farm is made up of several enterprises.

Each enterprise requires inputs and produces a specific output. This is called an input-output relationship.

Inputs are things put into the production process such as land, labour, implements, seed, mechanization (tractors) fertilizer, pesticides.

Outputs are the things that are produced like harvested crops, milk, meat, eggs.

## *The farm and its enterprises*

In many cases, the enterprises on a farm are interlinked; some of the output of one enterprise is used as an input on another.

Farm management is the effective and efficient organization of the input-output relationship and process, with an objective of earning profits from farming.

## *Cash and food crops*

Many farmers use their farms to provide food for their households.

Some farmers use their farms to generate cash income for their household.

In some cases, farmers will use their farms to provide food for their homes and for cash.

## *Cash and food crops*

Over the last 30-40 years, there have been many changes in the way local, regional, national and international economies work.

More and more farming families find they need cash; growing farm products specially for markets (maybe in addition to growing food crops).

## *Cash and food crops*

The changes in these economies have created new opportunities to market current and new enterprises.

Consequently, a larger number of farmers have entered markets offering more food products for sale.

## *Cash and food crops*

A notable outcome of increased demand for food is the increasing numbers of farms that specialize in market gardening around towns.

In such cases, farmers produce bulk food crops, like maize or cassava in specific areas and livestock products such as milk, eggs, beef, chicken, pork and mutton.

## *Cash and food crops*

Deciding whether to farm for food or cash or for both is a difficult decision to make.

The principles and tools of farm management help farmers decide how to use their farms to meet their food and cash needs.

## *Market-oriented production and the need for improved management*

Life is very difficult for many farmers. There are often shortages of cash and food in the household.

Decisions about the household and about the farm often conflict with each other.

## *Market-oriented production and the need for improved management*

There is more and more need for cash to buy the things the household needs, so many farmers need to farm for cash.

Most food farmers do not have the knowledge and skills of farm management and so they find it difficult to farm profitably.

# *Market-oriented production and the need for improved management*

Farmers must make decisions about running their farms. Essentially they must decide:

What to produce?

How to produce?

How much to produce?

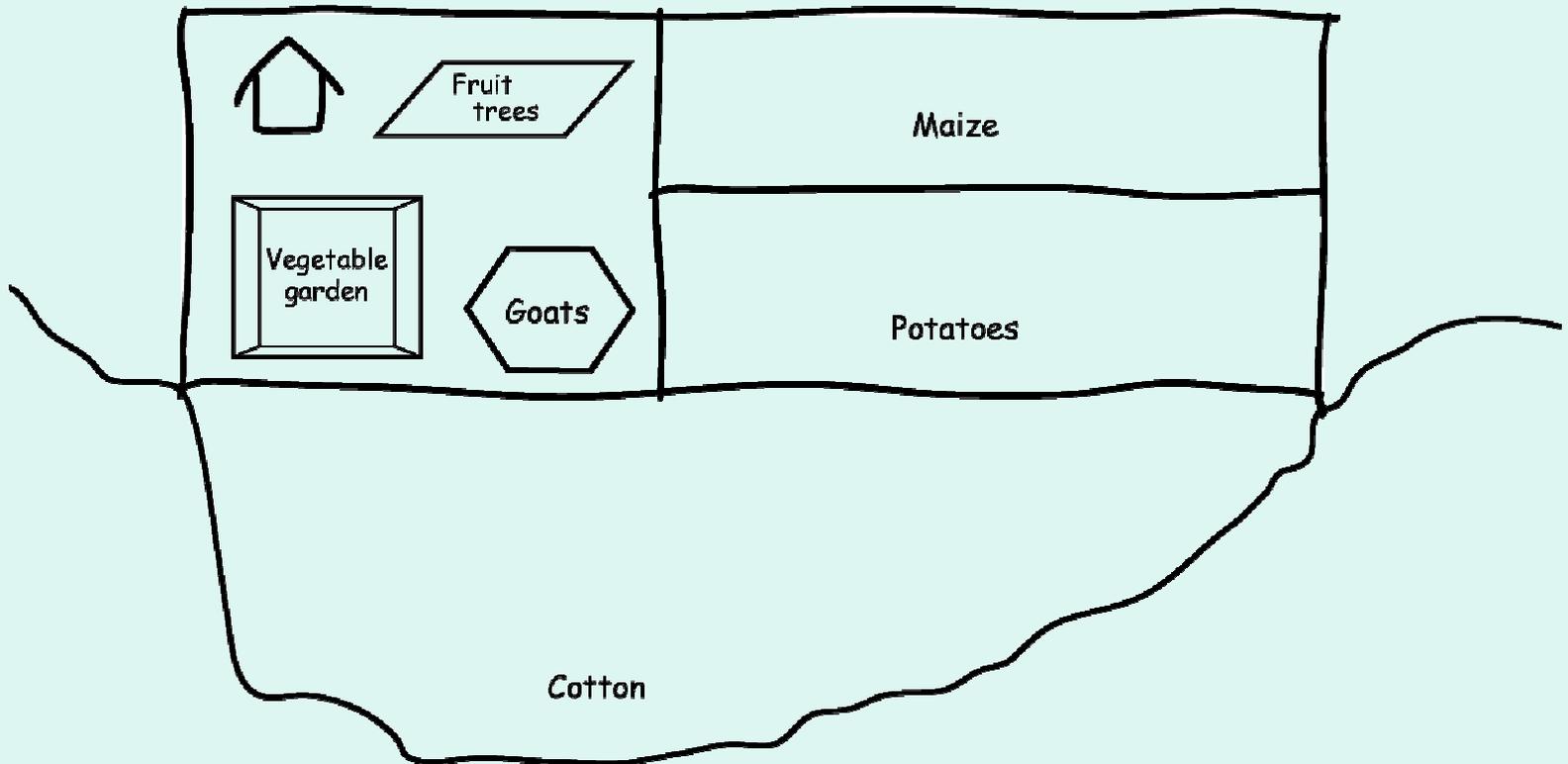
Each of these three decision areas involves decisions about inputs, decisions about production and decisions about marketing.

# *Market-oriented production and the need for improved management*

Deciding what to produce, how to produce and how much to produce is influenced by many factors including food requirements, income requirements and a range of technical factors.

Basic training in the principles and tools of farm management can help farmers organize their farms and to make the necessary decisions to make them more profitable and to meet the objectives of their families.

## Diagram — Physical boundaries of farm and household



## Session 2.2

# The farm and its resources- natural, human, physical, financial

### Learning outcomes :

Understand the different kinds of capital used on farm.

The relationship of farm management and its resources.

# The farm and its resources

In this session you will explore and understand the range of resources used by farmers on their farms. The resources, also referred to as capitals, will be covered in a livelihoods framework of natural, human, physical and financial capital. (Social capital will be discussed in the next session).

The importance of maintaining and enhancing resources to ensure sustainable profits from the farm enterprise will be emphasized.

## *The farm and its resources*

The working base of the farm is composed of a number of resources. Resources can be divided into five categories called 'capital': natural, human, physical, financial and social capital.

In general these resources are either owned and/or controlled by the farmer, owned by someone else and hired by the farmer, or are common property to which the farmer has access.

# *Natural capital*

Natural capital (natural resources) is classified into three broad categories;

- (i) 'biological, renewable resources' which includes such natural resources as rangeland (grazing-land), forests, fish and wildlife,
- (ii) 'non-renewable resources' which is land and its productive powers,
- (iii) water.

Sustaining the productive capability of natural capital is a very important part of farm management because natural capital is the primary resource used for both food production and profits.

## *Natural capital*

Biological, renewable resources are often common property such as grazing land and forestland (except legally protected forest or game reserves and national parks).

In many societies access to cultivated land for grazing is free after harvest. In many regions of Africa registered land ownership is still uncommon. In such cases, land tenure rights are exercised through unwritten customary law.

Land and water area are often also regarded as common property; where resources are accessed through customary practice or through more modern laws.

## *Human capital*

Human capital refers to people; the skills, knowledge, ability, good health and human power available to farmers to carry out their farming activities.

An important human resource to the farmer is labour. Labour may be provided from the farm family, it may be hired, or it may be obtained through a customary social contract or practice.

## *Human capital*

In many parts of Africa, customary social contracts exist. Such contracts generally make mutual aid possible under an unwritten reciprocal agreement.

Human capital is among the most complex resource used by a farmer. Many of the most difficult decisions made by a farmer involve human capital.

## *Physical and financial capital*

Physical and financial capital are the things and funds available to farmers to carry out farming activities.

Physical capital includes producer goods like seed, fertilizer, equipment, planted trees and livestock.

Financial capital includes cash, savings and access to credit.

# *Farm capital and financial management*

Each of these types of capital represent decisions a farmer must make:

What is the condition of the crop lands? Grazing land?

What crops can be grown?

How much land should be allocated to which enterprises?

How much labour is needed? What source of labour is best? Family? Hired?

What equipment, seed, tools and infrastructure is needed for each enterprise?

How should the farm be financed? With cash? With loans? A combination?

# *Farm capital and financial management*

A farmer faces these and many other decisions about resources every year and sometimes every day.

The more farmers understand the role of farm capital and how it relates to farm management, the better their positions will be to make decisions to increase the sustainability and profitability of their farms over the years.

# Natural capital

Natural resources form part of the 'assets' of a farmer. As such it is capital employed to create profits. So we refer to natural resources as natural capital.

A farm management issue for natural capital is;

How can farmers use natural resources both sustainably and profitably?

Because market-oriented farm management works largely in economic terms, it is useful to think of natural resources as part of the capital base of a farm.

# *Natural capital*

Land

Vegetation

Water

Fish

Wildlife

# Human capital

Farming uses several forms of human capital including labour and management, which it draws from various sources.

Human power is a critical element of farm productivity.

Five types of labour are commonly called upon in small-scale farming.

# *Types of labour*

Family labour

Communal labour

Social work contract

Sharecropping

Hired labour

## *Functions within the household in relation to labour availability*

Labour is not a single homogenous input. It consists of variations in terms of age and gender groups.

Division of labour is important to improve efficiency and productivity.

Division of labour by gender is being increasingly questioned as societies adopt new social standards based on the principle of equality of women and men.

Different roles and responsibilities of men and women have implications on labour availability and productivity.

# *Impact of social factors on labour availability and productivity*

Various factors affect labour productivity and availability including:

Cultural practices

Religious rites

Climate

Ill health

Death

Migration in search of employment

Nutritional status of family members

# Physical and financial capital

Physical capital consists of the producer goods and the basic infrastructure needed to support the farm and livelihoods.

Producer goods are those things which farmers need to produce their products, like seed, fertilizer, etc.

Infrastructure consists of changes to the physical environment that help farmers to meet their basic needs and to be more productive, like roads, access to a clean water supply etc..

## *Physical and financial capital*

Financial capital includes cash, credit, loans or income that farmers and their households use to achieve their farm management and livelihoods objectives.

# *Sources of financing and credit*

Self-financing

Credit Financing

# *Assessing financial capital/credit*

Viability of the proposed plan or previous  
success

The character and ability of the farmer

Security

The cost of the loan

Advantages of credit/loans

Limitations of credit /loans for farmers

# *Farmer, market-orientation and resources*

Three challenges faced by farmers :

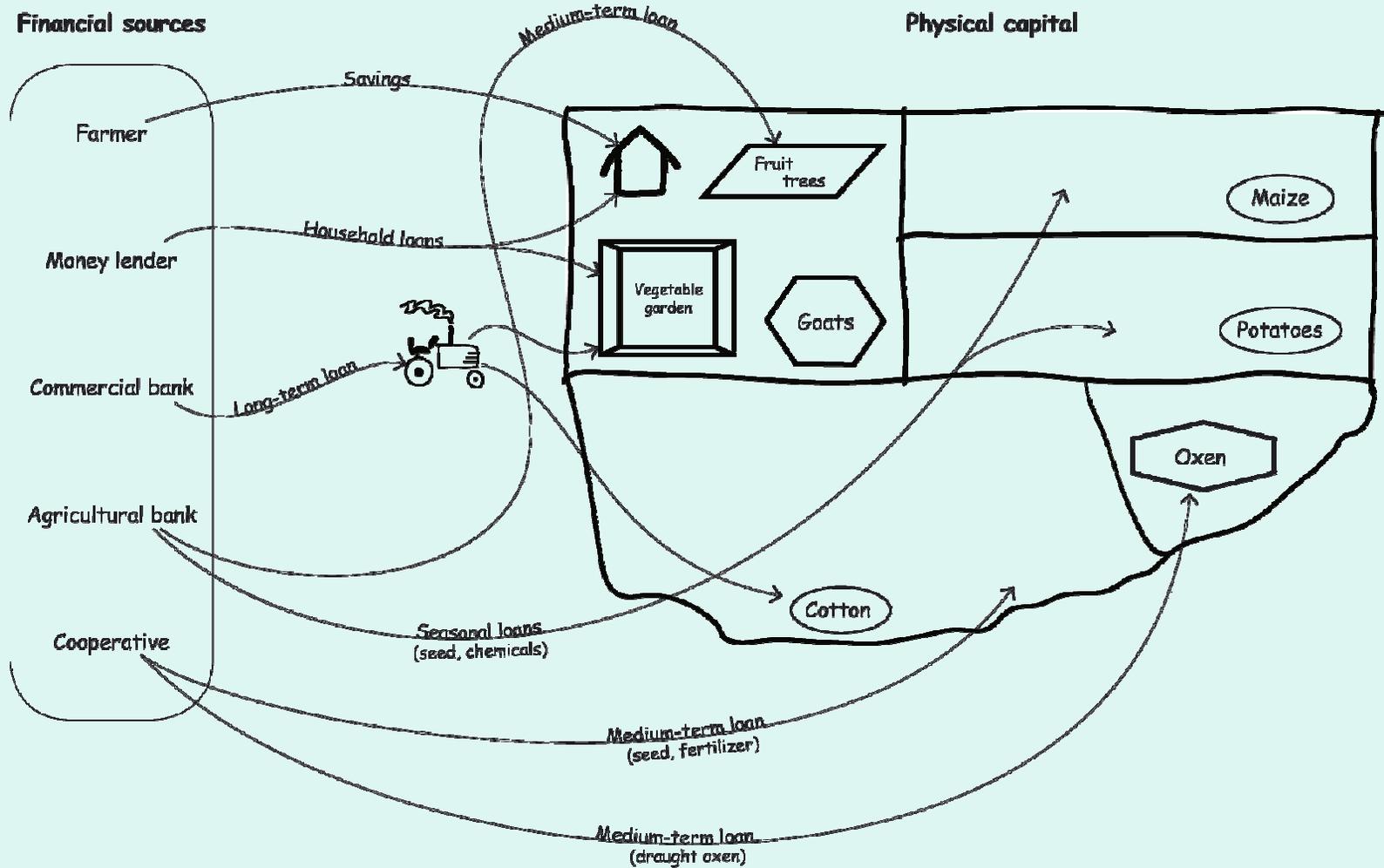
1. Farmers are attracted by strong market demand and good prices for their products,
2. Farmers are under strong pressure from their dependents for a better life,
3. Farmers need to preserve the productive powers of their farm.

## *Farmer, market-orientation and resources*

Hence a farmer needs to be :

1. A good farm business manager,
2. A capable decision-maker in the household,
3. A wise user of resources.

# Diagram – Physical and financial capital on the farm



## Session 2.3

# Understanding Social Capital

### Learning outcomes:

Understand the different ways of sharing natural, human, physical and financial resources

Understand the advantages and disadvantages of sharing

# Understanding social capital

In this session you will explore the concept of social capital and the role it plays particularly in smallholder farming.

Social capital can be defined as the institutions, relationships and norms that shape the quality and quantity of a society's social interactions.

## *Understanding social capital*

Social cohesion is critical for rural communities to prosper economically and for development to be sustainable.

Social resources consist of informal social networks and formal organizations used by farmers, the farm-household and communities to exchange resources and information.

The strength of social capital depends upon shared interests, common or mutual agreements on norms/rules, mutual trust and reciprocity within the rural community.

## *Understanding social capital*

Social capital involves interaction between individuals and groups. These interactions can be informally or deliberately arranged.

The interactions increase confidence among the farming community to act for the overall benefit of members. Interactions help farmers to get to know each other and develop networks.

Social capital is dynamic and is both used and built through interactions where people share resources, knowledge, skills and values.

# *Understanding social capital*

A useful way of looking at social capital is to ask the questions:

- (i) Who owns it?
- (ii) Who has access to it?
- (iii) What are the relationships between people like?
- (iv) What rules, norms and sanctions exist?
- (v) How is social capital used?
- (vi) How strong are the connections and networks?
- (vii) What types of social arrangements exist?
- (viii) How effective are local groups?
- (ix) What are their weaknesses and how can they be addressed?

## *Understanding social capital*

If the resource is collectively owned or held and there is access to it by the collective, then it is a social asset.

Conversely, a bicycle may belong to a single person; it is privately owned and it can become a shared resource if the owner decides to make it available. But in reality the owner has the power to withdraw the asset ( bicycle).

In the case of human assets, one cannot own a person, so a shared human resource would be defined more by the right of access.

## *Five categories of social capital*

### **Shared natural capital**

Where communities have shared access; rivers, lakes, common grazing lands, shared crop lands, wildlife and fish.

### **Shared human capital**

Includes social work contracts that can be called upon by members of the community.

### **Shared physical capital**

Includes items like equipment, buildings, fences which are owned collectively to which the collective has access. It also includes privately held items which may be made available under a cooperative arrangement within a group of people.

# *Five categories of social capital*

## **Shared financial capital**

This is where financial assets are held collectively by the group; group savings, group loans, group investments.

## **Institutional social capital**

Formal and informal social organizations that provide services, support and safety nets to the community. Some of the institutions may be structures that govern access to natural, human, physical and financial capital.

A cooperative is an example of institutional social capital which provides access to physical and financial capital to its members. A village bank is another example of institutional social capital providing access to finance.

# *Social capital characteristics*

## **The intangibles**

Beyond the more tangible forms mentioned, social capital can be also characterized by four elements:

Relations of trust

Reciprocity and exchanges

Common rules, norms and sanctions

Connectedness, networks and groups

# *Social capital characteristics*

## **Relations and trust**

Trust is the common thread in all forms of social capacity; 'trust lubricates cooperation'. Social obligation and trust can replace time, money and energy when carrying out an activity.

## **Reciprocity and exchanges**

Social capital often works on two levels; (i) where reciprocity or exchange is specific and timed, (ii) where reciprocal exchange is less defined.

# *Social capital characteristics*

## **Common rules, norms and sanctions**

It is rare that these are openly negotiated, they are known and understood, as they are traditional and have been passed from generation to generation.

## **Connectedness, networks and groups**

Can be formal to informal groups to looser development networks. Connectedness consists of five groupings; (i) local connections, (ii) local-local connections, (iii) local- external connections, (iv) external-external connections, (v) external connections.

## *How is social capital used?*

In many parts of Africa, social capital is an important means of survival and forms the foundation for society and for economic activity.

Social capital is used for many economic activities on farms such as buying of inputs, marketing of produce, exchange of information, mutual help, and accumulation of savings and provision of loans.

## *How is social capital used?*

Social capital arrangements are used to manage more effectively labour, common property, infrastructure, finance, credit, organization, access to inputs and marketing, and knowledge (both acquired and indigenous).

Social capital also fulfills a welfare purpose within the village community, collecting funds for funerals or weddings and health.

## *How is social capital used?*

Social capital is usually formed when people in the rural community come together either formally or informally to use their resources, such as labour, savings, land and water etc.

## *How is social capital used?*

Social capital implies group action or joint action involving more than a single farmer.

Group action brings benefits;

More effective

More efficient

Higher level of information

Discipline

Support

Psychological stimulation

## *Functions of social capital*

Providing mutual help at key times of the year when labour demands are great.

Sharing resources in periods of personal tragedy and celebration.

Providing food assistance at times of austerity and drought.

Reciprocity in breaking bottlenecks through the provision of scarce resources.

## *Functions of social capital*

Construction/development of community projects.

The pooling of assets in order to expand the production potential.

Creating a safety net in times of hardship.

# *Types of social capital arrangements*

The means of providing additional labour or other resources by farmers can be classified as;

Informal

Commercial

Cooperative

Sharecropping

Communal Labour

# *Types of social capital arrangements*

## **Informal arrangements**

These imply that help is given on a friendly basis without involving financial transactions and legal bindings. Relatives, friends and neighbours are most commonly used.

## **Commercial arrangements**

Services made in expectation of payment and profit. Such arrangements do not carry any social obligation, but social ties may reinforce the contractual agreement.

# *Types of social capital arrangements*

## **Cooperative arrangements**

Grouping of farmers are established for mutual benefit of users; initiated by farmers, with prior discussion, formal commitment and legally binding for a period of time.

## **Sharecropping**

The farmer makes another person ( called a sharecropper) responsible for a particular crop, which the latter cultivates and harvests. The sharecropper is not paid a wage, but is allowed to keep a share of the crop yield.

# *Types of social capital arrangements*

## **Communal labour**

A common practice in which villagers work together. There are many societies where communal labour groups are the only means of supplementing family labour. Groups may be formed by kinship, neighbours and age, and organized on the basis of reciprocity, with incentives offered in kind.

# *Weaknesses of social capital arrangements*

## **Breakdown of informal arrangements**

Commercial and market trends are undermining the traditional basis of neighbour help and mutual aid;

Farm enterprise specialization

Increase in enterprise output

Awareness by more commercially minded farmers of the value of time

Need for more formal labour arrangements

Need for more skilled labour

Hiv/aids.

# *Weaknesses of social capital arrangements*

## **Breakdown of more formal arrangements**

In group work conflicts often arise. This may be caused by group size, heterogeneity of members, ineffective leadership etc. Conflict may lead to;

Inadequate provision to its members

Lack of member commitment

Low cohesion

Performance and sustainability

## *Weaknesses of social capital arrangements*

Conflict can occur within all social capital arrangements mentioned. The causes of conflict are complex.

## *Common sources of social conflict:*

1. Failure of communications
2. Formation of splinter groups
3. Difficulty in reaching consensus
4. Commitment of group members

## *Common sources of social conflict:*

5. Interpersonal conflict
6. Group cohesion
7. Lack of trust and corruption
8. Lack of understanding

# *Addressing weaknesses*

Groups size and composition

Effective leadership

Management training programmes

Organizational arrangements

Management procedures

## Session 2.4

# Input and markets: where profits are made

### Learning outcomes:

Understand how money is made on the farm

Understand the role of inputs in  
profitability

Understand the concept of the market

Understand the role of markets in  
profitability

Understand the market for products

# Inputs and markets-where profits are made

In this session you will be introduced to the off-farm management activities of input supply and marketing.

The farm is more than a place of production, it is a business that requires management activities beyond production activities; inputs, equipment and markets are where profits are made.

## *Inputs and markets - where profits are made*

Farm management decisions do not only involve production related decisions.

Farm management also requires that decisions be made about off-farm opportunities.

Two key aspects of farm management are inputs and markets.

## *How money is made on the farm*

Money is made when raw materials (called inputs) are combined with labour (another input) and processed (called production) into goods that are sold to consumers.

If the cost of the inputs and production are less than the income generated by sales, then the business (farm) makes money.

If the cost of inputs and production are greater than the income generated by sales, then the business (farm) loses money.

## *How money is made on the farm*

Good production managers can be good business managers only when they understand clearly that money is made through the management of this process:

INPUTS → PRODCUTION → MARKETS

# *Inputs*

Inputs can come from the farm, such as compost or manure, or can come from outside the farm, like specialized tools.

Farmers need to know which inputs to use and where to get them and determine whether the additional cost of using inputs will generate sufficient additional income to cover these costs.

# *Input categories*

Labour

Equipment

Production requisites

Genetic material

Finance

# *Input categories*

## **Labour**

People who work on the farm. In some countries labour is the most limiting factor to growth and profitability, caused by shortage of labour (especially skilled labour) and / or the cost of actual labour.

## **Equipment**

Tools, handling equipment, implements and means of traction (tractors/ draught animals). Technology choice is important for it has to do the job that the farmer requires and fit in the farmer's livelihood and household system. Farmer's will often make the choice between labour and equipment.

# *Input categories*

## **Production requisites**

For crop production, requisites are seed, fertilizer etc. For livestock production requisites are feed, medicines etc. As with equipment, production requisites need to be appropriate to the farmer's situation.

## **Genetic material**

Trees for orchards, point-of-lay hen, day-old chicks, breeding stock, dairy stock, etc. These are critical inputs into the farm; quality and suitability for the climate and other factors are key issues to consider when choosing genetic material.

# *Input categories*

## **Finance**

Includes cash, loans, trading agreements and credit arrangements. How farmers finance their enterprise can make the difference between profit and loss.

# *Sources of inputs*

The farmer's own farm

Other farms

Private suppliers

Local general dealers

Farmers' cooperatives

Product distributors

Importantly farmers must consider the price, quality and availability of various sources of inputs.

## *The market*

Once the appropriate input and equipment has been selected the farmer can start producing.

However, farm products gain value only once they leave the farm and are exchanged for money.

## *What is the market?*

The market is the place where the exchange of products for money takes place.

The market is made up of sellers, buyers, products and prices.

The relationship among these elements influences the amount of money received in exchange for products.

## *What is marketing?*

Marketing is the process of exchange between the producer (farmer) who sells and the consumer who buys.

The exchange takes place when the two sides agree on an exchange rate (price).

If they do not agree on a price, no exchange will take place.

# *Price*

Price is the exchange value of a product measured by money.

The price of a product is determined by two concepts: supply and demand.

Supply refers to how much of that product is available and on sale. Demand refers to how much consumers (people who buy it) want the product.

The balance between supply and demand sets the price of the product.

# *Price*

High prices are a result of supply being lower than demand. Low prices occur when the supply of a product is greater than the demand for the product.

Understanding the relationship between supply and demand will help farmers to decide on product price.

When farmers plan they need to know what prices to expect. When they sell they need to know what prices to charge.

# *Why is it important to market agricultural products in Africa?*

Two factors make it important to market agricultural products in Africa.

First, populations in towns and cities in Africa are increasing. This is increasing the demand for agricultural products.

## *Why is it important to market agricultural products in Africa?*

Second, the economies in Africa have changed, people need and want things that require cash; school fees, uniforms, radios, televisions, soaps, cooking utensils and linens.

Rural farm families must rely on their farms to generate cash income. They do this by selling (marketing) agricultural products.

'Market-oriented farming' means thinking about and making decisions about selling agricultural products in the market.

# *Why is it important to market agricultural products in Africa?*

Farmers can plan to take advantage of marketing opportunities; growing enterprises for the market.

Understanding the market reduces the farmer's risk in generating a cash income.

Good farm management requires a good understanding of the market; the decision-making boundary of the farm must extend to include the market.

# *Marketing is finding out what the customer wants and supplying it*

Marketing is a process where a farmer finds out what the customer wants, supplies it at the quality and price at which the customer is prepared to buy and at which the farmer makes a profit.

Agricultural marketing involves a number of tasks including harvesting, grading, sorting, packing, transporting, storing, processing, distributing and selling of produce.

## *Price taker*

Farmers who produce and sell in a competitive market with many buyers and sellers are called price takers.

Price takers have very little influence on the price. They can sell as much as they want at the market price.

Their marketing challenge is to cope with fluctuations in supply and demand during the year.

In such an environment, successful marketing implies selling as much as possible at higher prices.

## *Price maker*

In situations where the market may not yet exist or may be very small, the farmers may be a price maker.

This is true for specialized products produced for 'niche' markets.

Their marketing challenge is to get a higher price by making their products different from other similar products.

This could be done by growing a new variety or producing a product of higher quality to be sold in specialized markets (e.g. mushrooms, flowers, etc.).

## *The marketing chain*

The different steps involved in moving produce from the farm to the consumer is called the marketing chain.

At the simplest level, the steps involved may just be the time taken by farmers to walk to a nearby market and stay there until all of their produce is sold.

At the most complex level, a product may be stored for long periods, transported long distances and processed several times before reaching the form in which it is finally sold.

## *The marketing chain*

The cost of marketing makes the price of a product in a shop or retail market higher than the price paid to the farmer.

Each person or agent who handles the product changes the product in some way and charges a fee.

This fee is added to the cost of the final product sold.

## *The marketing chain*

If the farmer sells directly to the end customer, the farmer will receive the full market price, but will be responsible for all the marketing costs.

If the farmer sells to someone else, for example a processor, the farmer will receive only the price paid by the processor. The processor is then responsible for the marketing costs.

# *Costs involved in the marketing chain*

## **Product preparation and packaging costs**

Products must be prepared and packaged for marketing.

## **Handling costs**

At all stages in the marketing chain, produce will have to be packed, unpacked, loaded and unloaded.

## **Transport costs**

Transport by foot, bicycle, car, truck or other means are all costs which are added to the final price of the product.

# *Types of Markets*

There are many different types of markets; some close to the farmer others far away.

In some markets, farmers can sell their products with very little packaging, handling and transporting.

Other markets may require substantial packaging, handling and transporting.

## *Types of Markets*

Each type of market requires different information, different skills, and different decisions.

Most smallholder farmers sell at farm or local markets; you can help farmers improve their ability in using local markets to increase profits.

This will help farmers acquire skills, resources and yields necessary to access other markets.

# *Types of Markets*

Local Markets

Distant markets

Export/International markets

Specialized markets

# *Marketing channels*

A number of marketing channels exist for farmers;

Market directly from the farm

Supply processing units

Directly supply retail outlets

Market through farm and / or market stalls

Sell through contracts to commercial farmers or processors

# *Options for marketing produce*

## **Farm-gate marketing**

Consumers come to the farm to buy produce; the sale of vegetables from a farmer's garden, the sale of eggs from an egg production unit and the sale of pigs directly from the farm.

This type of marketing is common in traditional small farming.

# *Options for marketing produce*

## **Village marketing with farm stalls**

Farmers may sell as individuals or they may group together to sell collectively. Selling at a farm stall located in the village or along a main road.

Unlike farm gate marketing, the farmers take their products closer to the customer.

# *Options for marketing produce*

## **Produce markets**

Produce markets are set up in larger villages and towns. They usually cater for larger-scale commercial producers and, in turn, supply the larger urban centres.

These markets usually seek larger quantities of specific grades of produce. Farmers can use agents at the market to sell their produce.

# *Options for marketing produce*

## **Stock sales**

Stock sales (auction system) where the sellers offer animals for sale and buyers offer a price for the animals. The seller may decide whether or not to accept the price offered by the buyer.

The prices are not fixed. Generally, prices reflect the supply and demand position both locally and within the entire market. Pigs, cattle, goats and other animals are commonly marketed this way.

# *Options for marketing produce*

## **Collective marketing**

Farmers' associations may get together and jointly market their crop. This form of marketing is one of the basic functions of a cooperative.

# *Options for marketing produce*

## **Contract marketing**

With contract marketing the farmer sells directly to the retailer at prices, quantities and qualities agreed to in advance.

# *Options for marketing produce*

## **Community-supported marketing**

A farmer or group of farmers supported by a neighbourhood or community agree to provide produce at a set price or a proportion of yield based on the degree to which the community have supported them (i.e. supported their costs of production).

## *Common marketing problems*

Lack of market information is the most important problem in marketing.

Farmers need current price information to plan properly.

Lack of information leads to frequent surpluses on the market which decrease prices.

## *Common marketing problems*

Lack of expertise and information; including a shortage of extension officers to convey information.

Low volumes and quality problems with their produce leading to poor returns.

Government support is minimal.

Market flooding (over-supply).

## *Common marketing problems*

Lack of local marketing outlet infrastructure (e.g. a lack of road-side stalls).

Lack of technical know-how on packaging and grading.

Inconsistent supply of farm products.

Little contact between producers and buyers.

## *Common marketing problems*

Transport, availability, costs, financing to pay costs.

Lack of (or access to) storage facilities and pack-houses.

Prices of equivalent imported products are low.

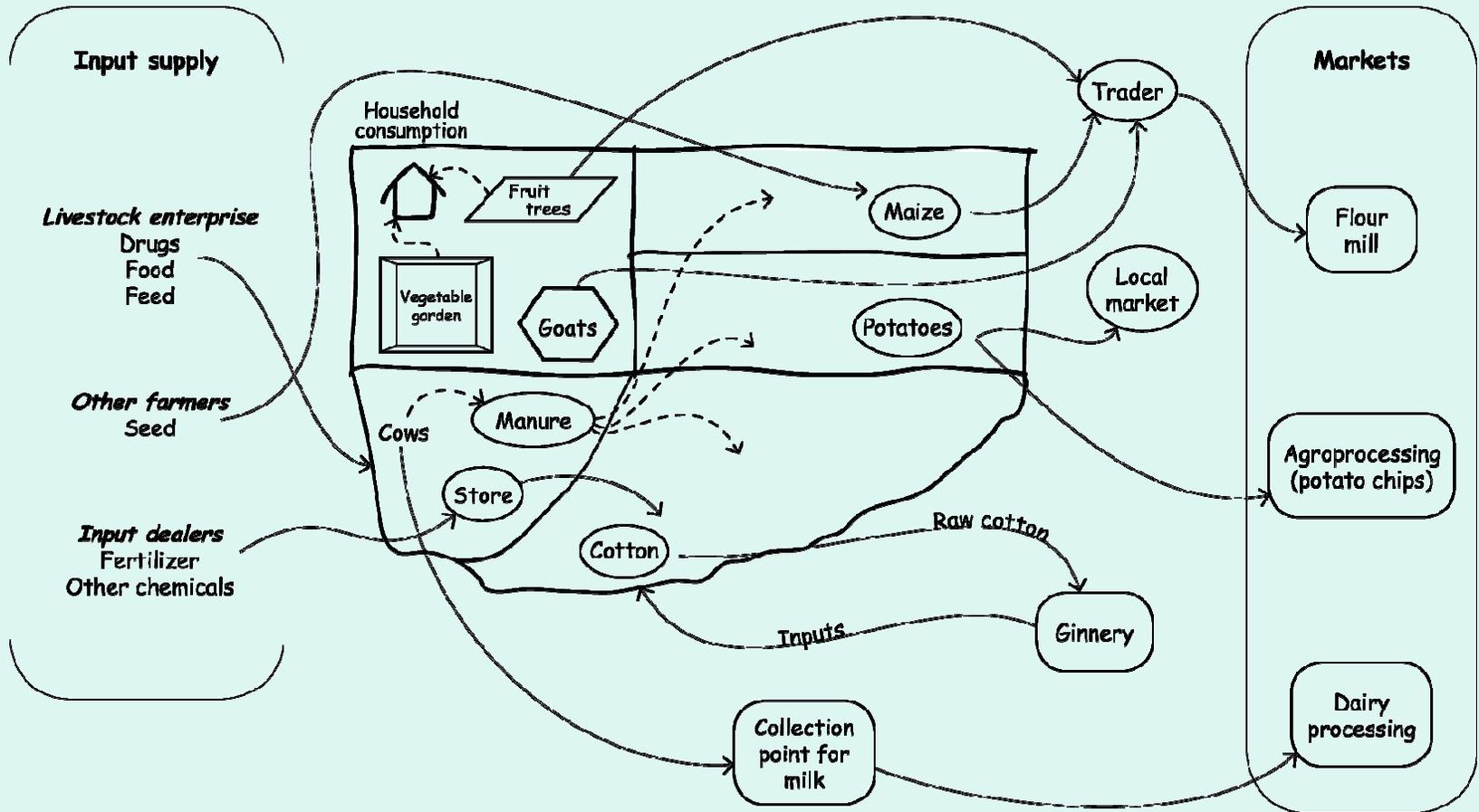
## *The decision-making boundary*

The decision-making boundary (the farm management boundary) extends well beyond the production unit and the household.

It extends beyond the natural resource base of the farm.

It includes all the factors that affect the profitability of the farm: inputs, production and markets.

## Diagram — Input supply and markets



## Module 2:Review

- Do you believe that the overall purpose of the module has been achieved ?
- You should have a good practical understanding of the farm setting in which market-oriented farm management decisions are made.
- You will have learned about small-to medium-size family farms and their enterprises, the farm and its resources including social capital, and the input/production/marketing process.