

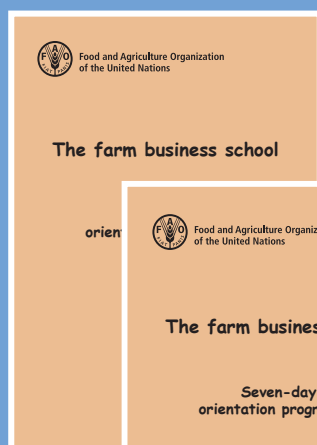


Food and Agriculture Organization  
of the United Nations

# Introducing the farm business school

## A training package

This collection of materials contains the following ...



One-day orientation programme  
... presents the training concept to  
policy-makers and programme managers

Seven-day orientation programme  
... prepares facilitators to set up  
and run farm business schools

The orientation programmes are  
supported by PowerPoint slides

Handbook  
... outlines the scope of the farm  
business school programme

Training exercises manual  
... provides the working exercises  
for the training programme



The Farm Business School (FBS) operates at field level. The aim is to build farmer capacity in entrepreneurial and management skills. It does this through a 'learning-by-doing' approach. It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills toward improved farm commercialization – while working on their own farms. Extension officers and lead farmers are trained as facilitators. They organize seasonal training programmes, where farmers work in small groups at their own agreed time and duration. The materials for the FBS are specially designed to work with limited resources. Participants need to be basically literate and numerate, but they do not have to have had any significant formal education. The manuals provide step-by-step guidelines that take the facilitator and the farmers through the basics of farm business management – following the production patterns of their own particular farms.



Food and Agriculture Organization  
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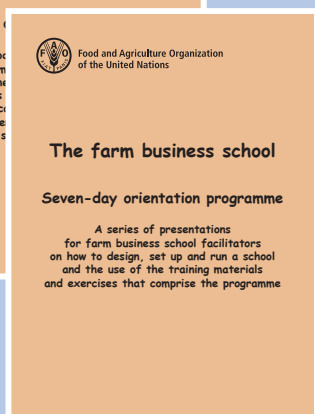
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**Dramatic changes are taking place in farming worldwide as a result of globalization, liberalization and rapid urbanization. Farmers are intensifying existing patterns of production and diversifying their farm enterprises in an attempt to improve their livelihoods. Technical know-how is not enough. In order to be competitive and take advantage of the new opportunities that are arising farmers increasingly have to adapt their farm business to changes in the market and to improve efficiency, profitability and income.**

The desire to increase income by taking advantage of market opportunities requires farmers to become better decision-makers and better at competing in this new environment. The emphasis on the market and the need of farmers to be competitive, calls for better farm management skills. Marketing and farm management have rapidly gained predominance globally over the last two decades. Farm business management skills and knowledge is recognized as important for farmers to effectively respond to present day farming challenges.

Farm management advice helps farmers to make the right choice between crop enterprises according to individual levels of financial, labour and land endowments and at their level of risk adversity.

One of the best ways to build the skills and capacities of farmers is through a process of practice and learning. The Food and Agriculture Organization of the United Nations (FAO) developed the Farm Business School (FBS) to help farmers learn how to make their farming enterprises and overall farm operations profitable and able to respond to market demands. The school enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills needed for farm commercialization - while working on their own farms. A unique characteristic of the farm business school

is that learning takes place at farm level through schools set up in the individual communities. Learning about business occurs in the farmers' own local environment where they work in small groups at their own pace. The FBS programme takes the school to the farmers.

The farm business school uses a learning-by- doing approach which provides the farmers with a structured experience in which they can learn the theory and practice of farming as a business, implement that learning and then evaluate the progress of their farms and of their own farm business management skills. The iterative process is intended to reinforce learning so that by the end of one cycle of the FBS, the farmers are on a clear pathway to commanding the progress of their farm businesses.

The farm business school was inspired by the FAO experience with Farmer Field Schools (FFS) and uses an experiential learning framework. It focuses on content by providing practical exercises to facilitate learning of specific knowledge and skills - exercises can be organized into unique learning programmes. It involves facilitated farmer learning led by a trained facilitator. It is designed around a selected farm enterprise that can be produced locally. It covers the production cycle from planning to marketing. And learning is linked to real farm settings to reinforce learning and to deliver more immediate impact.

The FBS is organized in seasonal training programmes where farmers work in small groups at their own agreed time and duration. The materials for the school are specially designed to work with limited resources. Participants need to be basically literate and numerate, but they do not have to have had any significant formal education. The manuals provide step-by-step guidelines that take the facilitator and the farmers through the basics of farm business management - following the production patterns of their own particular farms.

Extension workers - especially those with farm business management experience - make excellent FBS facilitators. An intensive orientation programme prepares facilitators for setting up and independently running an FBS programme as a part of their regular extension work.

### **What an FBS is not ...**

**It is not intended to teach farmers how to produce crops or manage livestock.** It is assumed that they will already have this knowledge.

**It is not a set of lectures.** Exchanges of information and knowledge are facilitated through the meetings/sessions, with observations, dialogues, and discussions.

### **In brief, an FBS is ...**

**A programme of learning** designed to help smallholder farmers produce for the market and to make their farms work profitably.

**A venue that brings farmers together** to carry out collective and collaborative action to address business and marketing problems and opportunities.

**A forum for sharing knowledge** between farmers through discussion, practical exercises and self-study.

## The approach to learning

The FBS learning process closely adheres to what is called the Participatory Mutual Training and Learning Approach (PMTLA). The PMTLA is a group process that facilitates training and learning among adults. The participants learn by doing and through sharing their knowledge and experiences.

The process involves the participation of people with common interest and purpose. There are no instructors or teachers, but only facilitators. The participants mainly learn from each other. The learning moves from the known to the unknown, from the easy to the difficult and from the simple to complex. It is guided by a curriculum that facilitates learning.

The training and learning is organized and structured. The FBS requires a facilitator and structured modules to guide and support the group training and learning process. Through the process, the participants generate new practical knowledge and ideas. They learn what to do, how to do it, the cost involved, the potential problems to be confronted and the benefits it will bring.

The PMTLA approach enables the participants to learn from each other. The approach is based on three principles:

### **Reflection and sharing**

The participants in the training reflect on the topic, share experience, knowledge and understanding on the subject. It begins with what the participants know.

### **Generating new knowledge**

Here new knowledge is created based on existing capacity and exchanges plus new concepts derived from the FBS.

### **Motivating innovation and creativity**

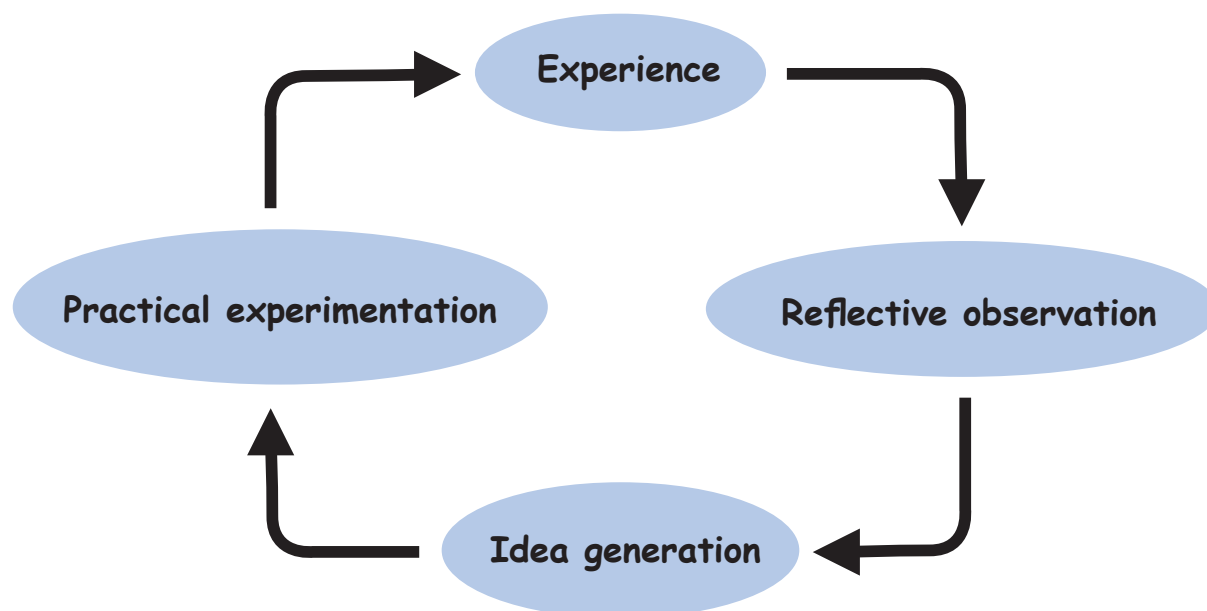
The new knowledge and insights help the participants to innovate, to develop new ideas from old ones and to create completely new ideas.

The farm business school differs from conventional farm management approaches, which are tool-based methods and dependent on the availability of data. The FBS approach is 'entrepreneurial', and relies on simpler decision support tools, checklists and strategic questions. It is based on the real experiences of the participants on their own farms.

Discussion, practical exercises and self-study enable farmer participants to share ideas, offer advice, experiment and formulate opinions on whether a practice will work on their farm and for their farm.

## It is all about building capacity among the farmers

The learning generated is consolidated and reinforced through action - that is, through implementing what they have learned on their own farms. The essence and the dynamics of this approach to learning are captured in the experiential learning model set out below.

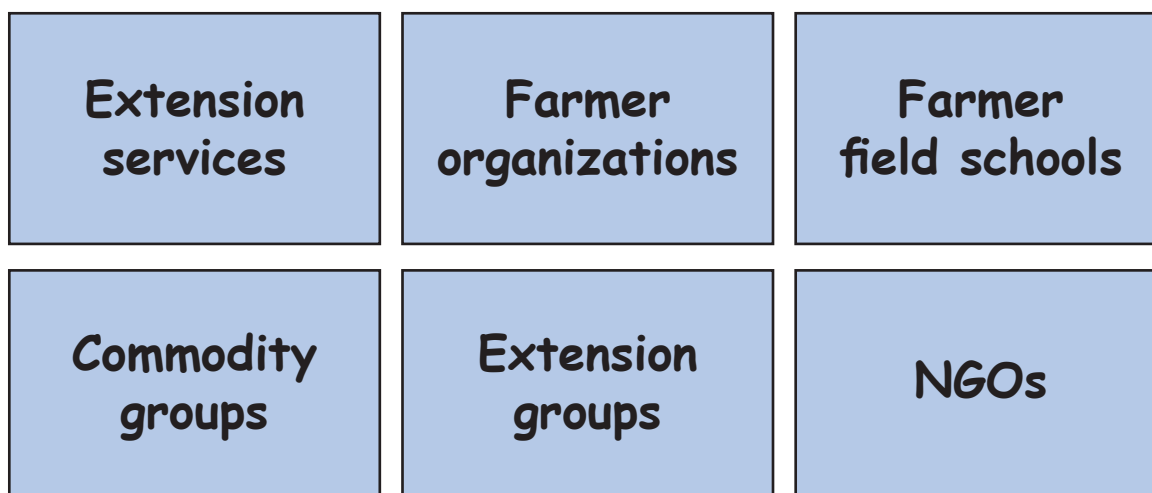


### The experiential learning model

Source: Adapted from Kolb, 1984

## Who should establish a farm business school?

While the handbook is geared toward extension workers at the facilities of the FBS curricula, there are no restrictions on or requirements governing who should establish an FBS. A farm business school can be started by any number of people or agencies including public sector extension services, NGOs, commodity groups with advisory services, farmers associations and cooperatives, and colleges and universities.



Whoever establishes a farm business school will need to be able to provide the necessary back-up teams of specialists to coach and mentor the trainers. The FBS is not a once-off training event; it should be part of an extended strategy to build farm business capacity among farmers.

Whoever establishes a farm business school will need to have the capacity to meet the standards set by the approach to learning covered in the next section. They will also need to be able to carry out the following tasks:

- Create awareness and identify and select potential FBS participants.
- Design and organize a number of farm level training programmes among interested farmers. The training programmes will each be held at a specific location and will run for a whole season.
- Recruit and train farmers as FBS facilitators to help you with subsequent rounds of farmer training.



- Mentor farmer groups and give them back-up support as and when needed.
- Keep in touch with other FBS facilitators to collectively identify opportunities for further training as well as reflect on lessons learned and areas of improvement for the next farm business school rollout.

## The training materials

The farm business school training materials are divided into four parts. The two main parts of the FBS programme are 'The handbook' and the accompanying 'Training exercises' manual. The handbook provides an outline of the entire programme from beginning to end. The manual of exercises provides working outlines for the various school training sessions and the list of topics following the exercise contents provides a quick-reference guide to assist users in the design of individualized learning programmes. The 'Seven-day orientation', to train FBS facilitators, and the 'One-day orientation', for policy makers and programme managers, completes the package of FBS training materials.

The materials have been designed to offer maximum flexibility in offering FBS programmes. While the exercises themselves do provide step-by-step guidelines, they also offer an abbreviated overview of the process which the facilitator can use to design his or her own approach to the exercise. Similarly, there is no fixed programme or sequence of exercises. While there are some exercises that build on one another and should be done in a particular sequence, the facilitator is encouraged to select and order the exercises based on the training needs of the each group of participants.

While it creates flexibility, designing the materials in this way places a greater obligation on the facilitator to prepare carefully. The facilitator will need to be methodical and systematic; first in determining the training needs of the potential participants, and then in selecting and sequencing the exercises to match those needs. Each school programme will need to be uniquely designed in response to the unique training needs of each group of participants. Ad hoc and last-minute arrangements should be avoided.

The general objective of these materials is to provide extension workers with materials to support training farmers in farm business management within a learning framework similar to that of the 'Farmer Field Schools'. The FBS concept and materials have been developed to assist farmers who are faced with the realities of rapid changes in agricultural production and marketing that is occurring around the world. The farm business school process will increase the capacity of farmers to cope with and take advantage of these changes. While the exercises may appear simple, and indeed, some are meant to be, they are all designed to provide the necessary foundations for building farm business capacity among farmers.

The materials are only one aspect of the farm business school. They form the foundation for learning in a more formal setting involving structured classes with specific exercises. But it is not intended that the FBS training begins and ends with the exercises provided. Rather, after the training has been completed, facilitators will need to follow-up and accompany the farmers in applying what they have learned to their individual farm businesses.

'The handbook' and the 'Training exercises', are generally self-explanatory and the material provides sufficient information for skilled facilitators to set up and run a successful farm business school. Initially facilitators may still feel the need for help and welcome additional guidance about running and supporting their school programmes. However, once awareness meetings and initial planning meetings have been conducted, the farm business school will start.

## The handbook

This is the core material of the farm business school programme. It is not a textbook for university or college students. It does not cover the theory behind farm business management, but rather focuses on practical knowledge and skills. It has been designed as a guide for extension workers to adapt and apply the FBS in the field as they assist participating farmers to acquire the basic skills they need to efficiently run their farms as businesses. The handbook is organized in following four sections.



### Section 1

#### **THE FARM BUSINESS SCHOOL**

Provides the background and rationale for the FBS and guidance for establishing and running a school

### Section 2

#### **ESTABLISHING A FARM BUSINESS SCHOOL SYSTEM**

Provides step-by-step guidance for setting up a FBS system so that it is tailored to a specific country or region

### Section 3

#### **BUILDING BUSINESS MANAGEMENT SKILLS**

This is the central theme of the farm business school and outlines the range of topics covered in the exercises that drive learning in the FBS

This section includes guidelines for 'Reflection and evaluation' of the school system. It also includes 'Tools and resources' offering additional information on some of the more technical aspects covered in the FBS exercises. These can also be used by facilitators for their own learning or to augment the learning of the farmers in the programme.

### Section 4

#### **PREPARING FOR THE FIELD**

Provides guidance for the practical arrangements for setting up and running a FBS including graduation and post-graduation accompaniment

The handbook is generally self-explanatory and the material provides sufficient information for a skilled facilitator with training in farm business management to set up and run a successful farm business school. Facilitators will need to read through the entire manual before embarking on setting up a school. They will need to conduct 'surveys' among potential participants to determine the specific farm business training needs in order to select the appropriate exercises and determine their sequence.

## Training exercises

This manual provides a working format for the various exercises grouped according to the subject themes and core topics. They are listed in both the handbook contents and the training exercises manual. Step-by-step guidance is provided on how to conduct exercises in a group setting and to ensure that quality training is given. The structure of the exercises, how to prepare for them and how they are to be conducted is explained in detail at the beginning of the training exercises manual.

### One-day orientation programme

This presentation is aimed at managers and policy makers in the organization taking responsibility for setting up and overseeing an FBS system. It has four sessions:

- Introduction to the farm business school;
- The training programme and curriculum;
- Establishing, implementing, monitoring, evaluating;
- Closing the one-day programme.

During these sessions participants will:

- Explore the changes facing extension;
- Be introduced to the farm business school;
- Discuss who should establish a school;
- Understand the FBS approach to learning;
- Be exposed to the training programme;
- Discuss establishing and monitoring an FBS.

### Seven-day orientation programme

This is a series of presentations for farm business school facilitators. The three areas covered in the orientation are:

1. Understanding the background and philosophy of a farm business school including the rationale for the FBS and the methodology.

## 2. Setting up and running a farm business school including:

- Facilitators' roles, responsibilities, code of conduct and ethics;
- Organizing and managing an FBS;
- Collaborating with government, NGOs and other partners;
- Ensuring ownership of the FBS by participants;
- Working with resource people.

## 3. Farm business school curriculum and methods including:

- Curriculum for the FBS;
- Using creative techniques of learning;
- The links between the farm business, the market and other external linkages;
- Participatory and gender-sensitive facilitation skills;
- Identifying common enterprises.

The seven-day programme is comprised of 27 sessions drawing primarily on the training exercises. They are designed to capture the essential points of the FBS programme and create a detailed framework for orienting facilitators. No attempt has been made to contextualize the content. Therefore, it is important for those responsible for preparing this programme of orientation to review all materials carefully and to adapt them to the context of the country, region and/or particular setting relevant to the trainee facilitators.

In addition to preparing FBS facilitators for deployment, the orientation also creates a greater sense of purpose, cohesion and unity of thought. It provides a foundation for later reflection after several FBS programmes have been run.

Those responsible for organizing and running the seven-day facilitator orientation will need to review the programme in its entirety and study both the handbook and the training exercises before beginning. Ideally the facilitator will do each of the required exercises to become familiar with them in preparation for the current orientation session.

Orientations are self-explanatory, offer step-by-step guidance for the facilitator and include a number of PowerPoint presentations

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**Food and Agriculture Organization  
of the United Nations**

# **The farm business school**

## **One-day orientation programme**

**An introduction for policy-makers  
and programme managers to the concept  
of the farm business school  
and its application as part of a  
broad-based capacity development programme  
aimed at enhancing the business skills  
of advisory service providers and farmers**

**by  
David Kahan  
and  
Steve Worth**

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## Preface

Before embarking on the Farm Business School (FBS) programme it is important for policy makers and programme managers responsible for the delivery of extension and rural advisory services to be sensitized on the concept and made aware of the length, duration and resources that will be required to implement the programme successfully.

Given the time constraints on senior management, a short one-day or half-day session should suffice. The orientation outlines the concept of the farm business school, the approach to learning and the way the training programme can be designed, organized, implemented and conducted.

The programme addresses: What is an FBS? What is the FBS approach? How a FBS is organized and more specifically covers the following topics:

- Introduction to the business school.
- What is a farm business school?
- Who should establish a school?
- The approach to learning.
- Preparation for a school.
- The implementation of a farm business school.

This orientation is a vital stage in a process. It enables the decision-makers to determine the best way to design the FBS first as a pilot project and then scaled-up and institutionalized as part of a national extension programme. The orientation sets the scope, pace and focus of the programme - all critical aspects needing to be clarified at the start of the FBS to ensure it is well-planned and resourced to achieve its key objective of strengthening the capacity of small-scale farmers by helping them acquire the knowledge and skills needed to engage in profitable farming.





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**One-day orientation programme**

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Session 1  
**INTRODUCTION  
TO THE FARM BUSINESS SCHOOL**



## 1. Background

Welcome the participants to the orientation and, using the information set out below, give a brief introduction to the farm business school.

### PowerPoint Series 1



Farm business school (FBS)

A unique opportunity to engage farmers in  
developing capacity for running profitable  
market-oriented farm businesses

A brief orientation

0

### (Initiate the introduction with Slide 0)

The Food and Agriculture Organization of the United Nations (FAO) has been working in various parts of the world to develop programmes to help farmers cope with and, preferably, benefit from the changes taking place internationally in farming. Many farmers want to increase income by taking advantage of market opportunities, but often do not have the knowledge needed to compete in this new environment. Farm business management skills and knowledge are needed to effectively respond to present day farming challenges. Farm management advice helps farmers to make the right choice between crop enterprises according to individual levels of financial, labour and land endowments and at their level of risk adversity.

In response to these changes FAO has developed a number of specialized training manuals in market-oriented farm business management. One of them is a set of training programmes for extension workers to help increase their farm management skills so they, in turn, can assist farmers. Training is built around the concept of a Farm Business School (FBS) where farmers work together to learn about, and try out, business management ideas that will improve the way their farm businesses work.

### Key points to cover

1. Changes in the world of farming.
2. What is a farm business school?
3. The FBS approach to learning.
4. The FBS curriculum.
5. Who should establish an FBS?
6. How is a FBS system set up and maintained?

1

### (Slide 1)

The training programme has been crafted as a manual that extension workers can use to engage farmers in learning about farm business management. The aim is to build farmer capacity in entrepreneurial and management skills using a 'learning-by-doing' approach.

The FBS concept operates at village level. It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills toward improved farm profitability - while working on their own farms. Extension officers and selected farmers are trained as facilitators. They organize seasonal training programmes, where farmers work in small groups at their own agreed time and duration.

The materials for the farm business school are specially designed to work with limited resources. Participants need to be basically literate and numerate, but they need not have had any significant formal education. The manuals provide step-by-step guidelines that take the facilitator and the farmers through the basics of farm business management - following the production patterns of their own particular farms.

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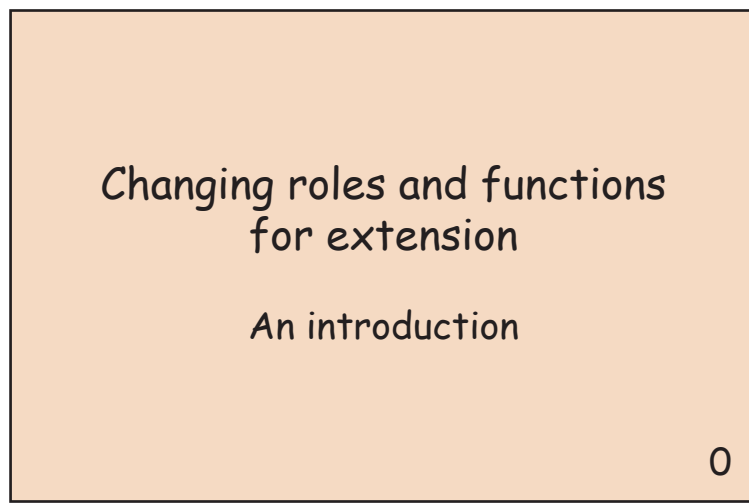
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## 2. Exploring the changes facing extension

For this segment it is suggested that you refer to the diagram showing 'The range of work of a farm business management extension worker' (Slide 17). You may want to print a copy to distribute to the participants.

### PowerPoint Series 2



**(Initiate this segment with Slide 0)**

The narratives following have been prepared to accompany the slide presentation.

#### **(Slide 1)**

In response to the increasing globalization of national and international agricultural systems, extension services in many countries will need to be adapted to ensure that the farmers in their respective countries are able to cope with and hopefully benefit from the forces of globalization. This is particularly important in developing countries because small- and medium-scale agriculture are negatively affected by globalization as it advances. In many countries we are seeing extension services shrinking due to budgetary constraints and to lack of clarity about their role.

#### **(Slide 2)**

Part of globalization has been that international corporations have begun to be major players in developing and disseminating agricultural technologies into developing countries - a role that was traditionally played by Public Sector (Government) Extension Services.

**(Slide 3)**

Another part of globalization is that food production is no longer exclusively a national priority - food production and food security are international issues. So it is vital that the small-scale farmers in developing countries are not swept aside by this reality, but become positioned to participate in it and benefit from it.

**(Slide 4)**

There is increasing volatility in the supply of basic foods; sometimes there is a surplus and sometimes a shortfall. Farmers in so-called developed countries have orientated themselves towards profit-making whether their crops go to food or are converted to other products such as ethanol. In the face of all this, farmers in many countries have moved away from their traditional production structures. Some have opted for higher value crops and products; some have supplemented their production with off-farm work or even abandoned farming entirely.

**(Slide 5)**

In effect, farmers have begun to see the value of market-orientated farming, but often lack the skills and networks needed to engage effectively.

**(Slide 6)**

Similarly, extension services, with their traditional approaches and national food security framework, are also often ill equipped to support farmers in meeting these challenges.

**(Slide 7)**

Extension services have to evolve and adapt along a number of lines if they are to help farmers to keep pace with the worldwide changes and to benefit from them. These include the following:

**(Slide 8)**

Helping farmers to organize or reorganize at the individual farm level and collectively to capitalize on efficiencies for input supply, production and marketing and value adding.



**(Slide 9)**

Shift focus from production extension to farm management extension focused on profitability.

**(Slide 10)**

Shift extension services to actively support market-orientated farming including appropriate training/retraining, structuring, and extension delivery policy.

**(Slide 11)**

Shift focus from increasing staple foods to higher value products.

**(Slide 12)**

Adopt a learning framework for extension that builds the capacity of the farmer to manage increasingly complex farm management opportunities and challenges.

**(Slide 13)**

The farm business school process, with the 'FBS Handbook' and the 'Training exercises' manual can contribute to this evolution of extension services by providing a practical guide to facilitate the positioning of extension workers and extension services to where they can provide support to farmers who are entering or expanding into market-orientated farming.

**(Slide 14)**

We will now review the role of the extension worker in farm business management. Explain the following:

In order for smaller-scale farmers to participate in and benefit from the demands and opportunities presented by the globalization processes, they will need relevant farm management information and advice. They will need information on what to produce and sell, how to sell it, where to sell it and to whom, and what inputs to buy and from whom. In short, they will need advice on production and market opportunities.

**(Slide 15)**

Explain that they will also need assistance in building farm management knowledge and skills. They need to be competitive. All this calls for better farm management skills. They need to become better decision-makers. They need to be better at competing in this new environment.

(Slide 16)

Explain that a farm business management extension worker is well suited to meet this growing need among farmers. The range of work of a farm business management extension worker is far broader than that of a traditional extension worker. The diagram on the following slide outlines this range. If you have taken our earlier suggestion to print a copy for participants this will help to personalize your presentation.

**(Slide 17)**

Speak to the points in the diagram 'The range of work of a farm business management extension worker'.

**(Slide 18)**

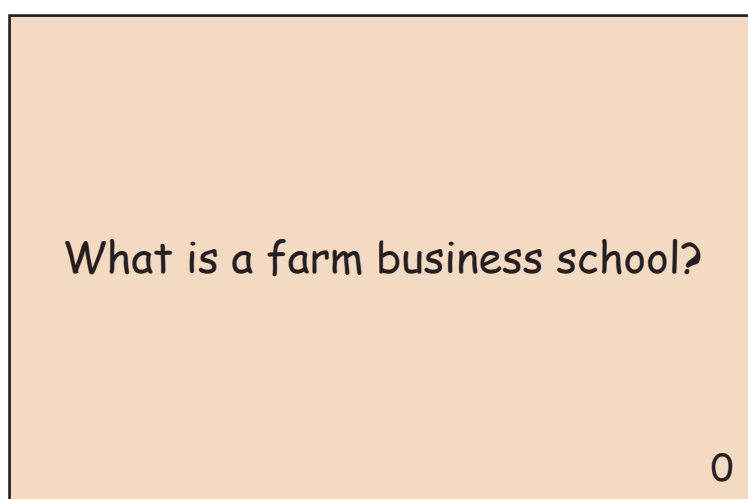
State again that a farm business management extension worker is well suited to meet this growing need among farmers.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

### 3. Introduction to the farm business school

Continue with the narrative and slide presentation.

#### PowerPoint Series 3



**(Initiate this segment with Slide 0)**

#### **(Slide 1)**

The Farm Business School (FBS) is a new idea. The purpose is to work with farmers to help them build knowledge and skills to make their farms more profitable. They will do this by learning about business. And they will do this where they live. This programme takes the school to the farmers.

#### **(Slide 2)**

The aim of the FBS is to develop capacity and skills in farm business management among smallholder farmers and support the transition towards market-oriented farming. The concept of the farm business school was inspired by Farmer Field Schools (FFS) a concept developed by FAO and which is now being used effectively in Asia, Africa and Latin America.

#### **(Slide 3)**

The FBS is a 'curriculum-based' approach to extension that aims at developing the entrepreneurial skills and competencies of farmers. As an extension approach, the FBS aims at strengthening farmers' knowledge and skills through 'learning-by-doing'.

**(Slide 4)**

The objective of the FBS is to help farmers learn how to make their farming enterprises and overall farm operations profitable and able to respond to market demands.

**(Slide 5)**

It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills needed for farm commercialization - while working on their own farms.

**(Slide 6)**

The FBS is based on four fundamental principles:

i) Facilitation and 'not' teaching. Farmers learn by working together in meetings. They are largely responsible for their own learning. The farm business management extension worker is the facilitator and is there to ensure the smooth running of the FBS and ensure that all materials and activities are covered.

ii) Learning-by-doing. Learning is conducted through discussion, practice and reflection with an emphasis given to practical aspects of instruction that can be applied on farmers' own farms.

iii) Interactive and responsive. The course consists of a series of structured exercises prepared largely as reference materials. However, it is expected to be used flexibly and in response to the demand of the participants.

iv) Season-long approach. The programme is designed so that it can extend over an entire season so that learning is synchronized with different stages in the production cycle, with the length differing according to the farm enterprises selected. It can also be taught in other formats such as short courses and concentrated training courses.

**(Slide 7)**

The FBS process is guided by a set of training materials prepared for facilitators and farmers. There is also an organizational component where farmers are formed into small groups to build collectively their

capacity to produce for the market and respond to market demands with the aim of generating profits.

**(Slide 8)**

Extension workers serving as facilitators are supported by back-up teams of specialists to coach and mentor them in assisting farmers to manage their farms as a business.

**(Slide 9)**

The farm business school takes participants through a series of practical applications in which they learn about farm business management concepts, tools and practices, based on their local knowledge and skills. The focus of the approach is to build on what farmers and extension workers know and to add value to this knowledge.

**(Slide 10)**

When the programme is offered on a seasonal basis, participants apply what they have learned in the FBS meetings to their farming businesses and bring what they have learned back to the school to share and compare results.

**(Slide 11)**

The FBS aims at setting up schools at community level, where farmers can work in small groups at their own pace and at an agreed time and duration. The process is facilitated by an extension worker. The approach has the flexibility to fit into current farming operations and follows local necessities and needs.

**(Slide 12)**

The farm business school has six main characteristics:

- It focuses on content by providing practical exercises to facilitate learning of specific knowledge and skills - exercises can be organized into unique learning programmes;
- It is based on experiential learning;
- It involves facilitated farmer learning - led by a trained extension worker.

**(Slide 13)**

The farm business school has six main characteristics:

- It is designed around selected farm enterprise that can be produced locally;
- It covers the production cycle - from planning to marketing;
- Learning is linked to real farm settings to reinforce learning and to deliver more immediate impact.

**(Slide 14)**

The FBS is a:

- Programme of learning designed to help small holder farmers in producing for the market making their farms work profitably.

**(Slide 15)**

The FBS is a:

- Venue that brings farmers together to carry out collective and collaborative action to address business and marketing problems and opportunities.
- Forum for sharing knowledge between farmers through discussion, practical exercises and self-study.

**(Slide 16)**

The FBS is not:

- Not intended to teach farmers how to produce certain crops or manage livestock. It is assumed that they will already have this knowledge or can acquire it through other sources.
- Not a set of lectures. Exchanges of information and knowledge are facilitated through the meetings/sessions, with observations, dialogues, and discussions.

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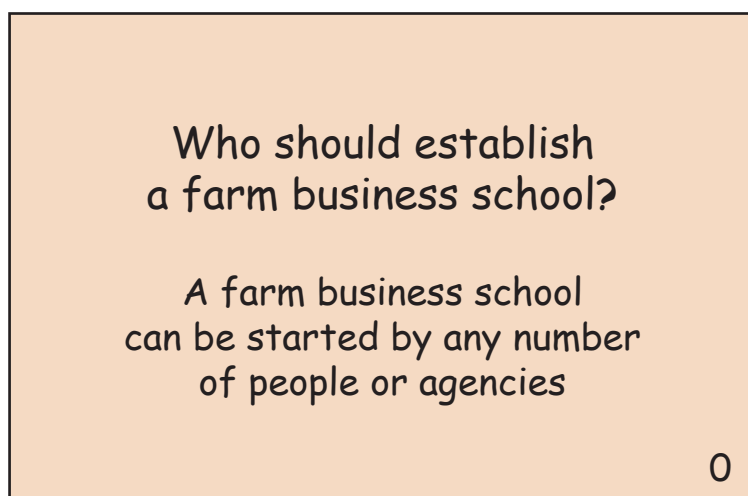
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#### 4. Who should establish a farm business school?

Continue with the narrative and slide presentation.

##### PowerPoint Series 4



**(Initiate this segment with Slide 0)**

##### **(Slide 1)**

There are no restrictions on or requirements governing who should establish a farm business school.

##### **(Slide 2)**

A farm business school can be started by any number of people or agencies including public sector extension services, NGOs, commodity groups with advisory services, farmers associations and cooperatives, and colleges and universities.

##### **(Slide 3)**

Whoever establishes an FBS will need to be able to provide the necessary back-up teams of specialists to coach and mentor the trainers.

##### **(Slide 4)**

A farm business school is not a once-off training event; it should be part of an extended strategy to build farm business capacity among farmers.

**(Slide 5)**

Whoever establishes an FBS will need to have the capacity to meet the standards set by the approach to learning used by the process.

**(Slide 6)**

They will also need to be able to carry out the following tasks:

- Create awareness and identify and select potential participants.
- Design and organize a number of farm level training programmes among interested farmers. (Training programmes will each be held at a specific location and will run for a whole season.)
- Recruit and train farmers as FBS facilitators to help you with subsequent rounds of farmer training.

**(Slide 7)**

They will also need to be able to carry out the following tasks:

- Mentor farmer groups and give them back-up support as and when needed.
- Keep in touch with other FBS facilitators to collectively identify opportunities for further training as well as reflect on lessons learned and areas of improvement for the next FBS rollout.

**Turn off or cover the projector**

**In closing Session 1 explain that it will be important for the host organization to make an objective assessment of its capacity to set up and maintain an FBS system.**

**Ask if there are any questions. Discuss.**

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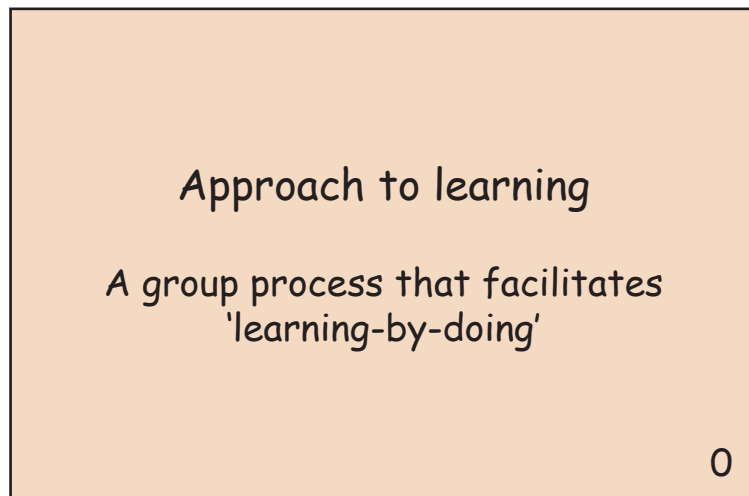
Session 2

**THE TRAINING PROGRAMME  
AND CURRICULAE**

## 5. The approach to learning

Continue the narrative and the slide presentation.

### PowerPoint Series 5



**(Initiate this segment with Slide 0)**

#### **(Slide 1)**

The learning process of the farm business school follows the Participatory Mutual Training and Learning Approach (PMTLA).

#### **(Slide 2)**

The PMTLA is a group process that facilitates training and learning among adults. The participants 'learn-by-doing' and through sharing their knowledge and experiences.

#### **(Slide 3)**

The process involves the participation of people with common interest and purpose. There are no instructors or teachers; only facilitators. The participants mainly learn from each other.

#### **(Slide 4)**

Learning moves from the known to the unknown, from the easy to the difficult and from the simple to complex. It is guided by a curriculum that facilitates learning.

**(Slide 5)**

The training and learning is organized and structured. The FBS requires a facilitator and structured exercises to guide and support the group training and learning process.

**(Slide 6)**

Through the process, the participants generate new practical knowledge and ideas. They learn what to do, how to do it, the cost involved, the potential problems to be confronted and the benefits it will bring.

**(Slide 7)**

The PMTLA approach enables the participants to learn from each other.

**(Slide 8)**

The approach is based on three principles:

- Reflection and sharing;
- Generating new knowledge;
- Motivating innovation and creativity.

**(Slide 9)**

Reflection and sharing. The participants in the training reflect on the topic, share experience, knowledge and understanding on the subject. It begins with what the participants know.

**(Slide 10)**

Generating new knowledge. Here new knowledge is created based on existing capacity plus new concepts derived from the FBS

**(Slide 11)**

Motivating innovation and creativity. The new knowledge and insights helps the participants to innovate, to develop new ideas from old ones and to create completely new ideas from the insights gained.

**(Slide 12)**

The FBS is different from conventional farm management approaches, which are methods/tool based and dependent on the availability of data.

**(Slide 13)**

The approach of the farm business school is 'entrepreneurial'. It relies on simpler decision support tools, checklists and strategic questions. It is based on the real experiences of the participants on their own farms.

**(Slide 14)**

Discussion, practical exercises and self-study enable farmer participants to share ideas, offer advice, experiment and formulate opinions on whether a practice will work on their farm and for their farm.

**(Slide 15)**

The learning generated is consolidated and reinforced through action that is, through implementing what they have learned on their own farms.

**(Slide 16)**

Discuss the learning cycle.

**(Slide 17)**

This brings-up the following considerations:

- Rather than solving business problems for farmers, farmers develop the knowledge and skills necessary to dig into the problems they face - to understand them and their causes.

**(Slide 18)**

This brings-up the following considerations:

- The programme actively works to reduce the tendency to create dependency on external sources of expertise and where such resources are needed, to be able to engage with them wisely and confidently.

**(Slide 19)**

This brings-up the following considerations:

- To strengthen learning, the programme and the way it is facilitated includes simple exploratory exercises that are relevant to the participants' own farms and with which the group can readily engage in an action orientated way.

**(Slide 20)**

This brings-up the following considerations:

- Knowledge and skills are not learned in an abstract way. The programme fosters the use of knowledge and skills gained to make farm-specific business management decisions instead of adopting generic answers and recommendations developed remotely by 'specialists' not directly affected by the outcomes of the decisions made.

**(Slide 21)**

This brings-up the following considerations:

- The programme recognizes that decision-making processes in a farm business - even a small-scale farm business - are complex and require an iterative approach to make.

**(Slide 22)**

This brings-up the following considerations:

- Sharing learning with other farmers after completing the programme is encouraged as a means of developing, extending and adapting the acquired knowledge and skills among neighbouring farmers and farming communities

**(Slide 23)**

This brings-up the following considerations:

- To foster continuous learning, the programme will initiate the establishment of networks that the farmers will maintain and extend to facilitate reflexive learning about particular farm business

problems and opportunities and ways to address them, through personal observation, meaningful conversation and participation in real-world 'learning-by-doing' exercises.

**(Slide 24)**

This brings-up the following considerations:

- Participating farmers will be expected and encouraged to draw on their own experience and observations, to learn, to assist learning by other farmers and to make real decisions relevant to their own businesses.

**(Slide 25)**

The approach facilitates the following learning outcomes among the participants:

- Heightened awareness, knowledge and skills on various aspects of farm business management;
- Sharpened inter-personal and communication skills;
- Critical thinking about the knowledge and skills acquired and their application in a farm business.

**(Slide 26)**

The approach facilitates the following learning outcomes among the participants:

- A change in attitude and behaviour supporting positive action and continuous reflection-driven learning;
- Better performance and increased productivity;
- A stronger team focus and improved capacity for group cooperation and collaboration among colleagues and stakeholders in the value chain.

**(Slide 27)**

It also helps to strengthen generic skills, especially:

- Observation skills;
- Social and behavioural skills;
- Communication skills;
- Analytical skills;
- Decision-making skills.

**(Slide 28)**

To be fully successful:

- The approach must be adapted and linked to the actual farming activities of the participants. Any theoretical learning is immediately reinforced by application and practice.

**(Slide 29)**

To be fully successful:

- The participants must be committed to walking the path of transformation and change leading to profit- and market-orientated farming.

**(Slide 30)**

The FBS has three critical outcomes:

- Farmers will make decisions about their farm businesses that are based on their own experiences, observations and analyses to increasingly improve the sustainability of their farms; and will be able to continue making such decisions post-training.

**(Slide 31)**

The FBS has three critical outcomes:

- It is expected that farmers will pass on the knowledge and skills they have learned to others.

**(Slide 32)**

The FBS has three critical outcomes:

- Some of the participating farmers may become facilitators themselves. The more promising farmers graduating from the FBS can be trained to serve as trainers for other farmer groups.

**Turn off or cover the projector.**

**Ask if there are any questions. Encourage discussion.**

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## 6. The training programme

Before holding this segment, the facilitator should make a summary of each of the five main parts of the training programme (See Section 1, Item 1.6 in the FBS Handbook).

(Note to the facilitator: There are no slides for this segment. PowerPoint Series 6 is to be used only in the Seven-day programme.)

This segment is based on a review of the entire farm business school training programme. Each participant should have a copy of the 'FBS Handbook' and the 'Training exercises' manual. Walk the participants through the 'Contents' of the handbook to familiarize them with the scope of the programme and with the FBS process. When you reach the five main parts in Section 1, Item 1.6, be sure to emphasize that the entire programme is based on this structure.

1. Ask the participants to turn to the handbook and read through the 'Contents'. Discuss the headings with them section-by-section so they become familiar with the general outline of the programme. Answer any questions they may have.

Present the 5-part summary that you prepared earlier

2. Again direct the attention of the participants to Item 1.6 of the handbook where it is recommended that the farm business school training programme be divided into the following five parts:

Part 1 - Preparing the FBS;

Part 2 - Preparing to farm as a business;

Part 3 - Planning the farm business,

Part 4 - Implementing a farm business plan;

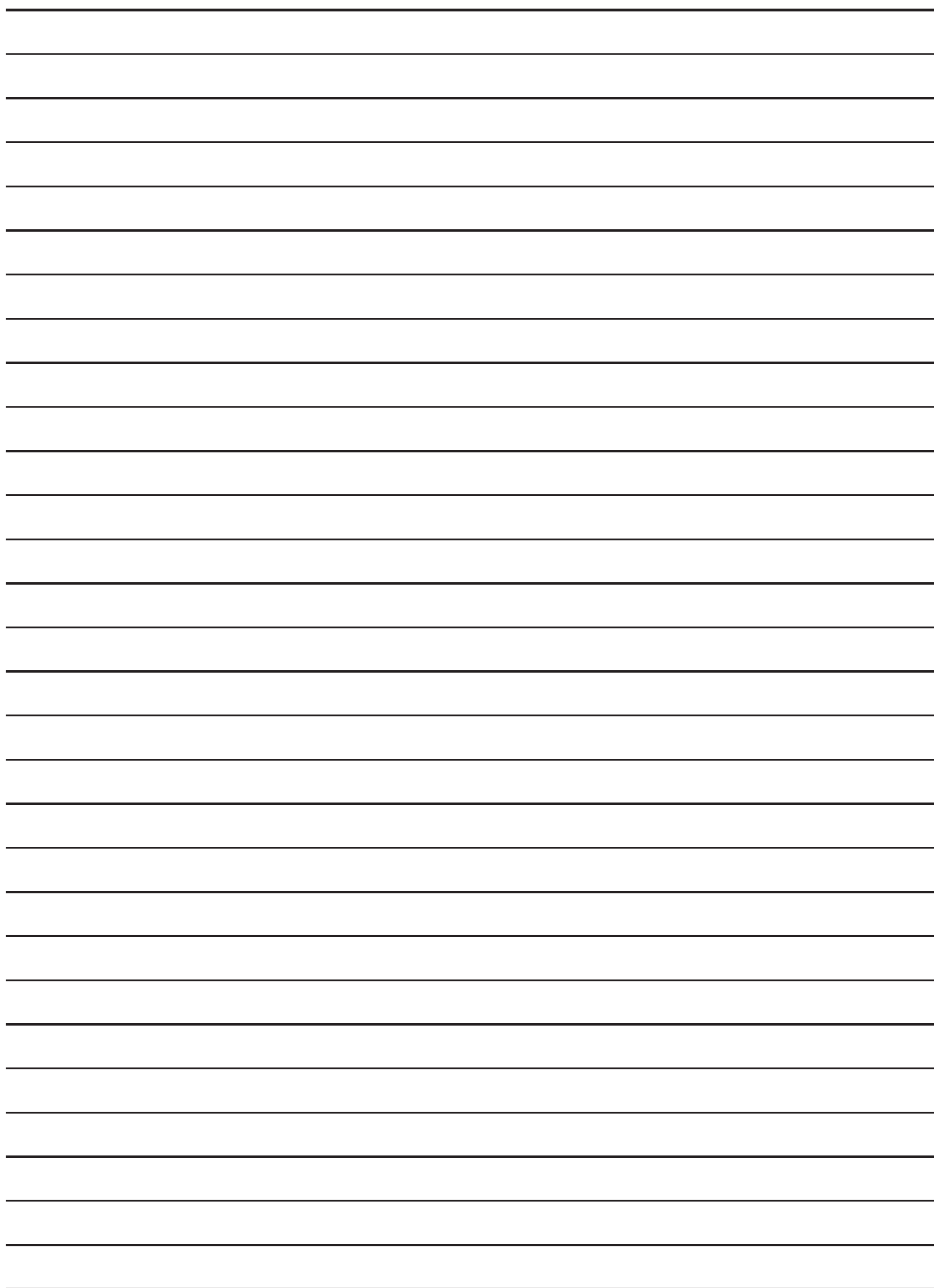
Part 5 - Reflection and evaluation.

3. Begin by discussing the first part. Answer any questions.
4. Continue part-by-part until finished.



5. Ask the participants to turn to Part 5, 'Reflection and evaluation'. Discuss the two assessments that are suggested: One on the business plan and the other on the school and its lessons.
6. Now take the participants through the 28 themes listed in the 'Training exercises' manual. This is to give them an idea of the scope of the topics covered exercise-by-exercise. Discuss briefly some of the representative individual exercises.
7. Have the participants open their handbooks to 'Additional materials: Tools and resources' in Section 3 which covers 'Enterprise budgets' in detail and also 'More about markets and farm management records'. Note that the 'Training exercises' manual provides four (4) exercises on 'Enterprise budgets' including 'Profitability, Break-even price, Break-even yield, and Partial budgeting'.
8. Briefly go through the these topics to give the participants an idea of the range of issues covered.

**Ask if there are any questions.  
Encourage discussion.**



Session 3  
**ESTABLISHING, IMPLEMENTING,  
MONITORING, EVALUATING**

## 7. Establishing a farm business school

Resume the narrative and the slide presentation.

### PowerPoint Series 7



**(Initiate this segment with Slide 0)**

#### **(Slide 1)**

Farm business school models:

- There are four contexts in which an FBS is likely to be set up. The host agency needs to determine which is the most relevant model and then uniquely plan the FBS.

#### **(Slide 2)**

Scenario 1. Participating farmers have not previously been set up as a group and have no knowledge of which enterprise(s) to work on.

#### **(Slide 3)**

Scenario 2. Participating farmers have not been set up as a group but members know which enterprise(s) to focus attention on.

#### **(Slide 4)**

Scenario 3. Participating farmers have already been set up as a group but have no knowledge of which enterprise (s) to work on.

**(Slide 5)**

Scenario 4. Participating farmers have previously been set up as a group and have already chosen an enterprise(s).

**(Slide 6)**

In all four cases there are two situations:

- The participating farmers have basic farm business management skills;
- The participating farmers have no previous business/farm business management exposure.

**(Slide 7)**

Developing a farm business school process:

- After orientation and training, the FBS facilitator will want to get started as quickly as possible.

**(Slide 8)**

There are four basic stages in the FBS process:

- Creating interest and receptivity. Where potential participants are identified.
- Preparations. Where the details of the specific (e.g. venue, materials, logistics) FBS are settled.
- Implementing. Where the FBS is run with a specific group of farmers.
- Post-Implementation. Where the facilitator follows up with the farmers and assists them in applying what they have learned.

**(Slide 9)**

Resource requirements for running the FBS are few.

- White board and markers or chalk board and chalk;
- Large sheets of paper;
- Masking tape;
- Marking pens;
- Pencils;
- Loose lined and unlined paper.

**(Slide 10)**

## Resource requirements:

- Each participant will need copies of parts of 'The handbook' or the 'Training exercises' manual. Each facilitator will need to decide which parts of the each will be needed to be copied.

**(Slide 11)**

## Resource requirements:

- It is best if the farmers themselves are involved and contribute to organizing their farm business school and in covering some of the meeting costs, such as food.

**(Slide 12)**

## Establishing an FBS

- Facilitators will need adequate back up, support and easy access to resources.

**(Slide 13)**

## Establishing an FBS

- Organizing agencies should consider a formal process of accompaniment that in effect 'walks with facilitators' as they build their capacity to run FBS programmes.

**(Slide 14)**

## Establishing an FBS

- Refresher courses and reflection meetings should be held at regular intervals (e.g. every 3-6 months) where experience from the field can be shared and the facilitators and organisers can learn together how to improve the FBS.

**Ask if there are any questions.  
Encourage discussion.**

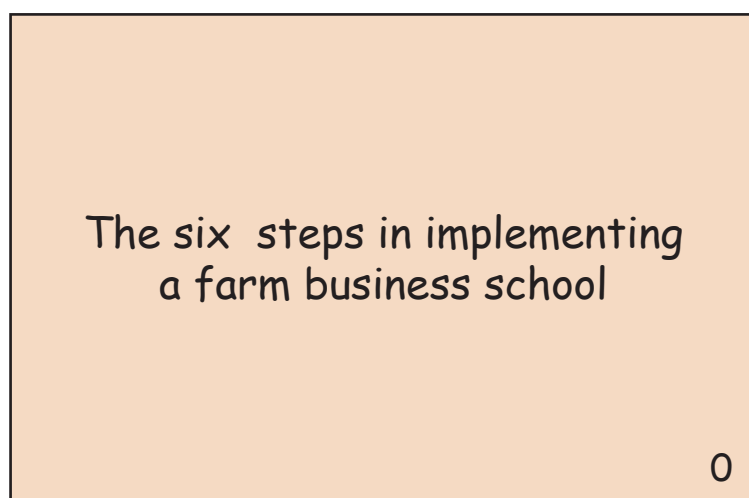
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## 8. Implementing a farm business school

Continue with the narrative and the slide presentation.

### PowerPoint Series 8



**(Initiate this segment with Slide 0)**

This session will briefly outline the process of implementing an FBS once it has been agreed to establish the programme in a country or region.

#### **(Slide 1)**

#### Implementing a FBS

Implementing a FBS involves 6 steps:

1. Establish a Core Team of Trainers.
2. Adapt the training materials.
3. Identify, select and train facilitator.

#### **(Slide 2)**

#### Implementing an FBS

4. Design and organize the first round of farm-level training.
5. Train farmers who have participated in the FBS as facilitators.
6. Design and organize the second round of farm-level training.

**(Slide 3)****Implementing an FBS**

This is a diagram outlining the process for implementing an FBS. We will go through these briefly, one-by-one.

**(Slide 4)****1. Establish a Core Team of Trainers (CTT)**

The first step in implementing an FBS is to establish a core team of trainers. To do this it is necessary to identify appropriate people to serve in this capacity. They can come from government, NGOs and the private sector. They should have previous experience in farm business management and experiential methods of farmer-to-farmer learning. And, they should 'not need to be trained as trainers'.

**(Slide 5)****2. Adapt the training materials**

The CTT will need to review the training materials and adapt them to the local context. They will need to consider levels of literacy and language requirements of the participating farmers. The materials will need to be adapted according to farmers' literacy levels. Even if English is used, the materials should be reviewed. If necessary, they will need to translate materials into the local language or dialect. They will also need to decide on whether they should use number or symbol-based calculations in the various exercises.

**(Slide 6)****3. Identify, select and train facilitators**

Once the CTT have been familiarized with the FBS materials and the materials have been adapted to local conditions, the next step is to identify, select and train FBS facilitators. To do this the organizers must first determine the method and process to be used to identify and select FBS facilitators to be trained by the core team.

FBS facilitators could be drawn from the public sector extension service vice, NGOs, the private sector and lead farmers. Consideration should also be given to whether male or female



facilitators are needed. Beyond this, the FBS materials provide a list of qualities to look for in people to appoint as facilitator's - key among these is the ability to work comfortably with farmers, to listen and to be able to adapt to circumstances on the ground.

**(Slide 7)**

**3. Identify, select and train facilitators**

After selecting potential facilitators, the next step is to train them in the FBS materials. Training is conducted using the actual materials of the programme itself (the same materials that will be used with the farmers). The training covers:

- The FBS concept;
- School organization;
- The content of the modules and sessions;
- Designing a training programme.

**(Slide 8)**

**4. Design and organize the first round of farm-level training**

After completing their training, FBS Facilitators will design and organize a number of farm level training programmes among interested farmers as their first round of FBS training. To do this they will have to give careful consideration when selecting farmers so that they start with a group that is keen and able.

**(Slide 9)**

**4. Design and organize the first round of farm-level training**

The primary outcome of the first round of FBS programmes is to train an initial cadre of farmers who are able to successfully implement the concepts and skills learned in the FBS on their own farms. And from these to identify farmers who can be trained as FBS facilitators. This is a key function to build training capacity for farmer-to-farmer training.

**(Slide 10)**

**5. Train farmers who have participated in the FBS as facilitators**

Once suitable farmers have been identified, they need to be trained as FBS facilitators. Training follows the FBS curriculum again, but

with an emphasis on facilitating learning among other farmers. Having been through the process, the material will be familiar to them.

**(Slide 11)**

## 6. Design and organize the second round of farm-level training

The last step in implementing the farm business school is to help the newly-trained FBS Facilitators set up school programmes in their areas. It is suggested that schools are started with 'two facilitators' working together until they gain experience and build confidence. The CTT should mentor and accompany facilitators until they are fully competent and confident. The FBS system will need to provide back-stopping support for technical and facilitation related issues that are likely to come up during the offering of FBS courses to farmers. It is recommended that refresher courses and reflection reviews are held at regular intervals so that 'the facilitators' can share experiences and problems and learn from one another.

**Ask if there are any questions.  
Encourage discussion.**

[illegible]

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

LEVEL OF COMPETENCE IN MARKET-ORIENTED FARMING					
Level of market orientation	Produces for home consumption	Produces primarily for home consumption with some sales at markets	Produces for the market and home consumption	Farms exclusively for market, but still very inexperienced	Experienced farming exclusively for the market
Indicator					
Level of Commercialisation (farming system, area cultivated, market orientation)	<ul style="list-style-type: none"> <li>Traditional land use</li> <li>No understanding of marketing and its implications</li> </ul>	<ul style="list-style-type: none"> <li>Aware of cash crop opportunities</li> <li>Understanding of how the market works</li> <li>Aware that it is possible to sell, but market is not priority</li> <li>Farm is not a business</li> </ul>	<ul style="list-style-type: none"> <li>Changing farming system towards market</li> <li>Considers market first, but still balances decisions with home consumption needs</li> <li>Beginning to see farm as a business</li> </ul>	<ul style="list-style-type: none"> <li>Farm dominated by cash crops and livestock for the market</li> <li>Specific market identified before planting.</li> <li>Takes advantage of seasonal price variations</li> <li>Farm is a business</li> </ul>	<ul style="list-style-type: none"> <li>Optimal cropping pattern</li> <li>Forward selling contracts</li> <li>All decisions made exclusively on the basis of the farm as a business</li> </ul>
Production technology	<ul style="list-style-type: none"> <li>Traditional practices</li> <li>No working knowledge of alternative production systems</li> </ul>	<ul style="list-style-type: none"> <li>Basic understanding of the economics of different production technologies and farm enterprises but not applied</li> </ul>	<ul style="list-style-type: none"> <li>Applies on a small scale or on an experimental basis, some production technologies based on economic advantages</li> </ul>	<ul style="list-style-type: none"> <li>Applies on a larger scale production technologies chosen based on known economic advantages</li> </ul>	<ul style="list-style-type: none"> <li>Applies on whole farm production technologies chosen exclusively on known economic advantages.</li> </ul>

LEVEL OF COMPETENCE IN MARKET-ORIENTED FARMING						
Level of market orientation	Produces for home consumption	Produces primarily for home consumption with some sales at markets	Produces for the market and home consumption	Farms exclusively for market, but still very inexperienced	Experienced farming exclusively for the market	
Indicator						
Value addition/ level of processing	<ul style="list-style-type: none"> <li>Traditional processing aimed at preservation</li> </ul>	<ul style="list-style-type: none"> <li>Aware of value adding opportunities from processing but continues to focus on preservation</li> </ul>	<ul style="list-style-type: none"> <li>Utilising processing opportunities provided by third parties</li> </ul>	<ul style="list-style-type: none"> <li>Owns small-scale processing equipment</li> </ul>	<ul style="list-style-type: none"> <li>Owns large scale processing equipment</li> <li>Has buying contracts with processors</li> </ul>	
Business practices (record keeping, gross margin, physical & financial planning etc.)	<ul style="list-style-type: none"> <li>No business practices conducted</li> </ul>	<ul style="list-style-type: none"> <li>Understanding that farming can be conducted as a business</li> <li>Keeps some records of stored products</li> </ul>	<ul style="list-style-type: none"> <li>Understands the importance of keeping records</li> <li>Keeps some income and expenditure records, but the practice is weak</li> </ul>	<ul style="list-style-type: none"> <li>Prepares comprehensive records (including physical and financial planning) but with assistance</li> </ul>	<ul style="list-style-type: none"> <li>Prepares comprehensive records without assistance</li> </ul>	
Capitalisation	<ul style="list-style-type: none"> <li>Low, using informal lending sources</li> </ul>	<ul style="list-style-type: none"> <li>Aware of the need for capital to become more commercially viable, but continues to use informal sources</li> </ul>	<ul style="list-style-type: none"> <li>Started to invest in the farm business for commercial benefits but on a small scale</li> </ul>	<ul style="list-style-type: none"> <li>Larger commercial investments have been made for productive purposes – resulting in increased wealth</li> </ul>	<ul style="list-style-type: none"> <li>Working to a longer term investment plan aimed at increasing farm profitability and generating wealth</li> </ul>	

LEVEL OF COMPETENCE IN MARKET-ORIENTED FARMING						
Level of market orientation	Indicator	Produces for home consumption	Produces primarily for home consumption with some sales at markets	Produces for the market and home consumption	Farms exclusively for market, but still very inexperienced	Experienced farming exclusively for the market
Participation in farm/rural enterprise groups		<ul style="list-style-type: none"><li>Minimal participation in enterprise specific groups to learn about economic opportunities</li></ul>	<ul style="list-style-type: none"><li>Member of an interest group and beginning to experiment with new ideas</li></ul>	<ul style="list-style-type: none"><li>Sustained membership for at least one year</li><li>Regularly experiments with new ideas on a small scale</li></ul>	<ul style="list-style-type: none"><li>Adopting the lessons that came out of group membership, but still seeks support and guidance</li></ul>	<ul style="list-style-type: none"><li>Key member/ leader in enterprise group</li><li>Develops and adapts the business enterprise to market changes</li></ul>
Input-output linkages		<ul style="list-style-type: none"><li>No understanding of input-output linkages and support services</li></ul>	<ul style="list-style-type: none"><li>Understands the importance of linkages</li><li>Begins exploring possibilities mostly with external encouragement</li></ul>	<ul style="list-style-type: none"><li>Member of group(s) taking advantage of linkages</li><li>Has established a few important linkages (with support)</li></ul>	<ul style="list-style-type: none"><li>Pro-active member of a group(s) taking advantage of linkages</li></ul>	<ul style="list-style-type: none"><li>Capacity to forge linkages without external support</li><li>Advises other farmers on potential linkages</li></ul>
Use of support services						

Session 4  
**CLOSING THE ONE-DAY  
ORIENTATION PROGRAMME**

[illegible]



## **10. The final session**

Bring the orientation to a close using the diagram  
'Farm business school programme implementation'.

### **Show Slide 3 PowerPoint Series 8**

1. Thank the participants for the interest they have shown in the farm business school and for their attention during the 'One-day orientation programme'.
2. Now that the orientation is about to be concluded it is likely that you as the facilitator would like to make a few closing comments. Perhaps you have found a table or diagram outside the programme that you would like to share with the participants.
3. Often the best way to get things started and to involve those present in a dialogue is to initiate a brief discussion on the programme.
4. Depending on the individual interest(s) of those who have taken part in the presentation you may ask if there are any matters that require clarification.
5. Ask what are their impressions of the farm business school and the FBS process now that they have been fully briefed.
6. And most importantly how do they think they could implement the farm business school and process in the field to the benefit of those involved.

**At the very end of the session  
open the floor to the participants  
to voice their opinions or make a final comment  
if only to say goodbye to their fellow participants.**









**Food and Agriculture Organization  
of the United Nations**

# **The farm business school**

**Seven-day  
orientation programme**



**Food and Agriculture Organization  
of the United Nations**

# **The farm business school**

## **Seven-day orientation programme**

**A series of presentations  
for farm business school facilitators  
on how to design, set up and run a school  
and the use of the training materials  
and exercises that comprise the programme**

**by  
David Kahan  
and  
Steve Worth**

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## Preface

Prior to setting up a Farm Business School (FBS), facilitators must be orientated in terms of setting up and running a school and in terms of the programme materials set out in 'The handbook' and the 'Training exercises' manual. It is envisaged, that for experienced facilitators/trainers, such an orientation could be completed in 5-7 days. For extension workers who are less experienced facilitators/trainers and/or who are not very familiar with farm business management concepts, terminology and tools, the orientation programme may take longer.

Whether a short or longer orientation programme is used, the following issues should be covered during a training programme for facilitators.

Understanding the background and philosophy of an FBS including:

- The rationale for the school;
- The farm business school methodology.

Setting up and running a farm business school including:

- Facilitators' roles, responsibilities, code of conduct and ethics;
- Organizing and managing a school;
- Collaborating with government, NGOs, and other partners;
- Ensuring ownership of the school by participants;
- Working with resource people.

FBS curriculum and methods including:

- Developing a curriculum for the school;
- Using creative techniques of learning;
- Links between the farm business, the market and other external linkages;
- Participatory and gender-sensitive facilitation skills;
- Identifying common enterprises.



Note: The materials that follow are generic in nature. They are designed to capture the essential points of the FBS programme and create a detailed framework for orienting facilitators. No attempt has been made to contextualize the content. Therefore, it is important for those responsible for preparing the orientation programme to review these materials carefully and to adapt them to the context of the country, region and/or particular setting relevant to the trainee facilitators.

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**Seven-day orientation programme**

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Day 1  
**INTRODUCTION  
TO THE FARM BUSINESS SCHOOL**

## Session 1 Background

During this session, hand out copies of the 'Overview'.  
Make enough for each participant to have a copy.

### PowerPoint Series 1



**Farm business school (FBS)**

A unique opportunity to engage farmers in  
developing capacity for running profitable  
market-oriented farm businesses

A brief orientation

0

### (Initiate the introduction with Slide 0)

Welcome the participants to the orientation. Using the information set out below, give a brief introduction to the farm business school.

The Food and Agriculture Organization of the United Nations (FAO) has been working in various parts of the world to develop programmes to help farmers cope with and, preferably, benefit from the changes taking place internationally in farming. Many farmers want to increase income by taking advantage of market opportunities, but often do not have the knowledge needed to compete in this new environment. Farm business management skills and knowledge are needed to effectively respond to present day farming challenges. Farm management advice helps farmers to make the right choice between crop enterprises according to individual levels of financial, labour and land endowments and at their level of risk adversity.

In response to these changes FAO has developed a number of specialized training manuals in market-oriented farm business management. One of them is a set of training programmes for extension workers to

help increase their farm management skills so they, in turn can assist farmers. Training is built around the concept of a Farm Business School (FBS) where farmers work together to learn about and try out business management ideas that will improve the way their farm businesses work.

### Key points to cover

1. Changes in the world of farming.
2. What is a farm business school?
3. The FBS approach to learning.
4. The FBS curriculum.
5. Who should establish an FBS?
6. How is a FBS system set up and maintained?

1

### (Slide 1)

The training programme has been crafted as a manual that extension workers can use to engage farmers in learning about farm business management. The aim is to build farmer capacity in entrepreneurial and management skills. It does this through a 'learning-by-doing' approach.

The FBS concept operates at village level. It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills toward improved farm profitability - while working on their own farms. Extension officers and selected farmers are trained as facilitators. They organize seasonal training programmes, where farmers work in small groups at their own agreed time and duration.

The materials for the farm business school are specially designed to work with limited resources. Participants need to be basically literate and numerate, but they do not have to have had any significant formal education. The manuals provide step-by-step guidelines that take the facilitator and the farmers through the basics of farm business management - following the production patterns of their own particular farms.

Distribute copies of the 'Overview' of this orientation programme. Go through the programme. Encourage questions and discussion. Lead the discussion to ensure that the participants understand the purpose of this orientation is to achieve three things:

- To familiarize them with the concept of the farm business school;
- Build their knowledge and skills in farm business management;
- Take them through the training material.

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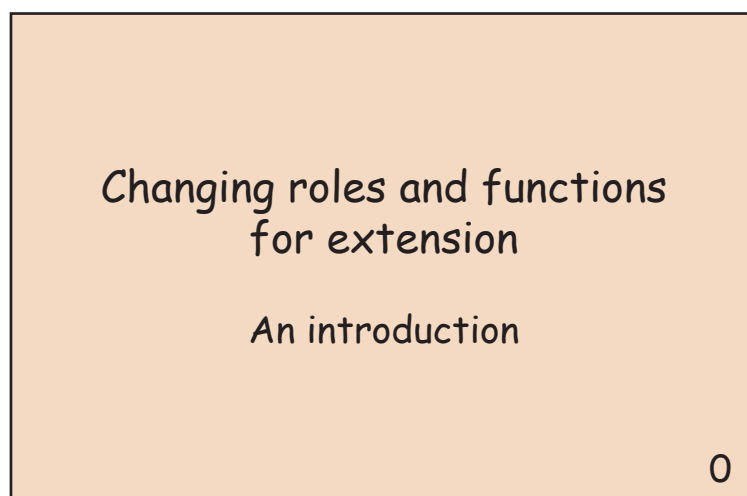
## Session 2

### Exploring the changes facing extension

Part of this segment involves building a diagram on the wall or on the floor. You will need to prepare the pieces of the diagram before starting this exercise. See the example diagram (Slide 17 in PowerPoint Series 2) for an idea of what needs to be done. Construct three (3) two-way arrows, four (4) one-way arrows and 11 cards. Label each card as shown in the diagram and also number the cards.. If you are building this display on the wall, you will need something to attach the cards and arrows (e.g. masking tape, sticking putty or similar adhesive).

Distribute the cards and arrows to the participants so that each person has at least one card or arrow. Explain that these will be used later on in the session.

### PowerPoint Series 2



**(Initiate this segment with Slide 0)**

The narratives following have been prepared to accompany the slide presentation.

### **(Slide 1)**

In response to the increasing globalization of national and international agricultural systems, extension services in many countries will need to be adapted to ensure that the farmers in their respective countries are able to cope with and hopefully benefit from these globalization



forces. This is particularly important in developing countries because small- and medium-scale agriculture are negatively affected by globalization as it advances. In many countries we are seeing extension services shrinking due to budgetary constraints and to lack of clarity about their role.

**(Slide 2)**

Part of globalization has been that international corporations have begun to be major players in developing and disseminating agricultural technologies into developing countries - a role that was traditionally played by Public Sector (Government) Extension Services.

**(Slide 3)**

Another part of globalization is that food production is no longer exclusively a national priority - food production and food security are international issues. And it is vital that the small-scale farmers in developing countries are not swept aside by this reality, but are positioned to participate in it and benefit from it.

**(Slide 4)**

There is increasing volatility in the supply of basic foods; sometimes there is a surplus and sometimes a shortfall. Farmers in so-called developed countries have orientated themselves towards profit-making whether their crops go to food or are converted to other products such as ethanol. In the face of all this, farmers in many countries have moved away from their traditional production structures. Some have opted for higher value crops and products; some have supplemented their production with off-farm work or even abandoned farming entirely.

**(Slide 5)**

In effect, farmers have begun to see the value of market-orientated farming, but often lack the skills and networks needed to engage effectively.

**(Slide 6)**

Similarly, extension services, with their traditional approaches and national food security framework, are also often ill equipped to support farmers in meeting these challenges.

**(Slide 7)**

Extension services have to evolve and adapt along a number of lines if they are to help farmers to keep pace with the worldwide changes and to benefit from them. These include:

**(Slide 8)**

Helping farmers to organize or reorganize at the individual farm level and collectively to capitalize on efficiencies for input supply, production and marketing and value adding.

**(Slide 9)**

Shift focus from production extension to farm management extension focused on profitability.

**(Slide 10)**

Shift extension services to actively support market-orientated farming including appropriate training/retraining, structuring, and extension delivery policy.

**(Slide 11)**

Shift focus from increasing staple foods to higher value products.

**(Slide 12)**

Adopt a learning framework for extension that builds the capacity of the farmer to manage increasingly complex farm management opportunities and challenges.

**(Slide 13)**

The farm business school process, with the 'FBS handbook' and the 'Training exercises' manual can contribute to this evolution of extension services by providing a practical guide to facilitate the positioning of extension workers and extension services to where they can provide support to farmers who are entering or expanding into market-orientated farming.

**We will now review  
the role of the extension worker  
in farm business management**

**(Slide 14)**

In order for smaller-scale farmers to participate in and benefit from the demands and opportunities presented by the globalization processes, they will need relevant farm management information and advice. They will need information on what to produce and sell, how to sell it, where to sell it and to whom, and what inputs to buy and from whom. In short, they will need advice on production and market opportunities.

**(Slide 15)**

They will also need assistance in building farm management knowledge and skills, and they need to be competitive. All this calls for better farm management skills.

- They need to become better decision makers.
- They need to be better at competing in this new environment.

**(Slide 16)**

A farm business management extension worker is well suited to meet this growing need among farmers. The range of work of a farm business management extension worker is far broader than that of a traditional extension worker.

**(Slide 17)**

Now let us explore 'The range of work of a farm business management extension worker' using the materials you have already prepared. Pass out a card or an arrow to each participant. If there are not enough in the class for each item (there are a total of 18 cards and arrows) some of the participants will have to be given two or more items. Have each participant come forth sequentially beginning with the numbered cards.

1. Ask the participant with Card 1 to put the card on the wall fairly high up. Explain that, as the card says, a 'Farm business management extension worker' is a 'Facilitator of learning' and a 'Broker of information'.
2. Continue constructing the diagram by asking the participants with the various cards to put their cards on the wall in sequential order according to the diagram. After a card is put in place, give a brief explanation. (The content should cover the points made in Section 1, Item 1.2 of the FBS Handbook.)

3. When all the cards are on the wall, ask the participants with the arrows to place their arrows on the wall according to the diagram. After an arrow is put up, give a brief explanation focusing particularly on the direction the arrow is moving. (Two-way arrows are meant to indicate an area of two-way learning.)
4. When the diagram has been completed, encourage the participants to discuss it. What is significant about this? How is the range of work different from the work they currently do? Lead the discussion to explain that this orientation programme and the FBS system and manual are designed to help extension workers take on this range of work so they can effectively help farmers gain the needed farm business management knowledge and skills.

Be sure that the role of 'Facilitator of learning' and that of 'Information broker' is clearly understood.

Ask if there are any questions.

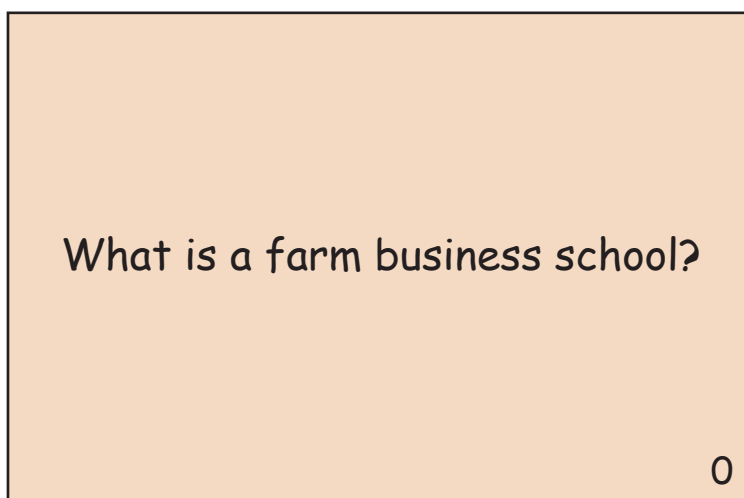
**Encourage discussion.**

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Session 3  
**Introduction to the farm business school**

Continue with the narrative and slide presentation

**PowerPoint Series 3**



**(Initiate this segment with Slide 0)**

**(Slide 1)**

The Farm Business School (FBS) is a new idea. The purpose is to work with farmers to help them build knowledge and skills to make their farms more profitable. They will do this by learning about business. And they will do this where they live. The programme takes the school to the farmers.

**(Slide 2)**

The aim of the FBS is to develop capacity and skills in farm business management among smallholder farmers and support the transition towards market-oriented farming. The concept of the farm business school was inspired by Farmer Field Schools (FFS) a concept developed by FAO and which is now being used in Asia, Africa and Latin America.

**(Slide 3)**

The farm business school is a 'curriculum-based' approach to extension that aims at developing the entrepreneurial skills and competencies of farmers. As an extension approach, the FBS aims at strengthening farmers' knowledge and skills through learning-by-doing.

**(Slide 4)**

The objective of the school is to help farmers learn how to make their farming enterprises and overall farm operations profitable and able to respond to market demands.

**(Slide 5)**

It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills needed for farm commercialization - while working on their own farms.

**(Slide 6)**

The farm business school is based on four fundamental principles:

i) Facilitation and 'not' teaching: Farmers learn by working together in meetings. They are largely responsible for their own learning. The farm business management extension worker is the facilitator and is there to ensure the smooth running of the FBS and ensure that all materials and activities are covered.

ii) Learning-by-doing: Learning is conducted through discussion, practice and reflection with an emphasis given to practical aspects of instruction that can be applied on farmers' own farms.

iii) Interactive and responsive: The course consists of a series of structured exercises prepared largely as reference materials. However, it is expected to be used flexibly and in response to the demand of the participants.

iv) Season-long: The programme is designed so that it can extend over an entire season so that learning is synchronized with different stages in the production cycle, with the length differing according to the farm enterprises selected. It can also be taught in other formats such as short courses and concentrated training courses.

**(Slide 7)**

The FBS process is guided by a set of training materials prepared for facilitators and farmers. There is also an organizational component where farmers are formed into small groups to build collectively their capacity to produce for the market and respond to market demands with the aim of generating profits.

**(Slide 8)**

Extension workers serving as facilitators are supported by back-up teams of specialists to coach and mentor them in assisting farmers to manage their farms as a business.

**(Slide 9)**

The farm business school takes participants through a series of practical applications in which they learn about farm business management concepts, tools and practices, based on their local knowledge and skills. The focus of the approach is to build on what farmers and extension workers know and to add value to this knowledge.

**(Slide 10)**

When the programme is offered on a seasonal basis, participants apply what they have learned in the FBS meetings to their farming businesses and bring what they have learned back to the school to share and compare results.

**(Slide 11)**

The FBS aims at setting up schools at community level, where farmers can work in small groups at their own pace and at an agreed time and duration. The process is facilitated by an extension worker. The approach has the flexibility to fit into current farming operations and follows local necessities and needs.

**(Slide 12)**

The farm business school has six main characteristics:

- It focuses on content by providing practical exercises to facilitate learning of specific knowledge and skills - exercises can be organized into unique learning programmes;
- It is based on experiential learning;
- It involves facilitated farmer learning - led by a trained extension worker;

**(Slide 13)**

The farm business school has six main characteristics:

- It is designed around selected farm enterprise that can be produced locally;



- It covers the production cycle - from planning to marketing;
- Learning is linked to real farm settings to reinforce learning and to deliver more immediate impact.

**(Slide 14)**

The FBS is a:

- Programme of learning designed to help small holder farmers in producing for the market making their farms work profitably.

**(Slide 15)**

The FBS is a:

- Venue that brings farmers together to carry out collective and collaborative action to address business and marketing problems and opportunities.
- Forum for sharing knowledge between farmers through discussion, practical exercises and self-study.

**(Slide 16)**

The FBS is not:

- It is not intended to teach farmers how to produce certain crops or manage livestock. It is assumed that they will already have this knowledge or can acquire it through other sources.
- It is not a set of lectures. Exchanges of information and knowledge are facilitated through the meetings/sessions, with observations, dialogues, and discussions.

**Turn off or cover the projector.**

Give a brief summary of the FBS. Highlight those parts that are particularly relevant to the context of the participants. Encourage questions and discussion. What is their general impression of the FBS? What stood out as different or unique? If this promotes a spirited discussion take as much time as you can.

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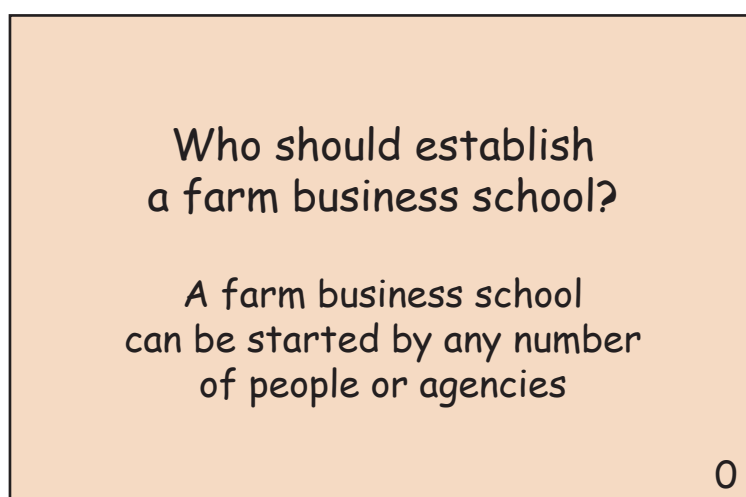
### Session 4

#### **Who should establish a farm business school?**

At the end of this segment, each participant will need 10 strips of paper or cards (roughly an A4 page cut in four strips of equal size) and two marking pens of different colours (e.g. one red and one black; each facilitator must have the same two colours). Prepare three (3) headings to put on the board: 1) The name of the 'Agency sponsoring/organizing' the FBS; 2) The word 'Strengths' (black); and 3) The word 'Weaknesses' (Red).

Continue with the narrative and slide presentation

#### **PowerPoint Series 4**



**(Initiate this segment with Slide 0)**

#### **(Slide 1)**

There are no restrictions on or requirements governing who should establish a farm business school.

#### **(Slide 2)**

A farm business school can be started by any number of people or agencies including public sector extension services, NGOs, commodity groups with advisory services, farmers associations and cooperatives, and colleges and universities.

**(Slide 3)**

Whoever establishes an FBS will need to be able to provide the necessary back-up teams of specialists to coach and mentor the trainers.

**(Slide 4)**

The farm business school is not a once-off training event; it should be part of an extended strategy to build farm business capacity among farmers.

**(Slide 5)**

Whoever establishes an FBS will need to have the capacity to meet the standards set by the approach to learning used by the process.

**(Slide 6)**

They will also need to be able to carry out the following tasks:

- Create awareness and identify and select potential participants.
- Design and organize a number of farm level training programmes among interested farmers. The training programmes will each be held at a specific location and will run for a whole season.
- Recruit and train farmers as FBS facilitators to help you with subsequent rounds of farmer training.

**(Slide 7)**

They will also need to be able to carry out the following tasks:

- Mentor farmer groups and give them support as and when needed.
- Keep in touch with other FBS facilitators to collectively identify opportunities for further training as well as reflect on lessons learned and areas of improvement for the next FBS rollout.

**Turn off or cover the projector**

1. Give each participant 10 strips of card or paper and two different colour pens.
2. Use one strip to put the name of the 'Agency organizing the FBS' on the wall. Just below that put up the 'Strengths' and 'Weaknesses' cards or papers. Leave enough space for the participants to add more strips under each of these headings.

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- This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

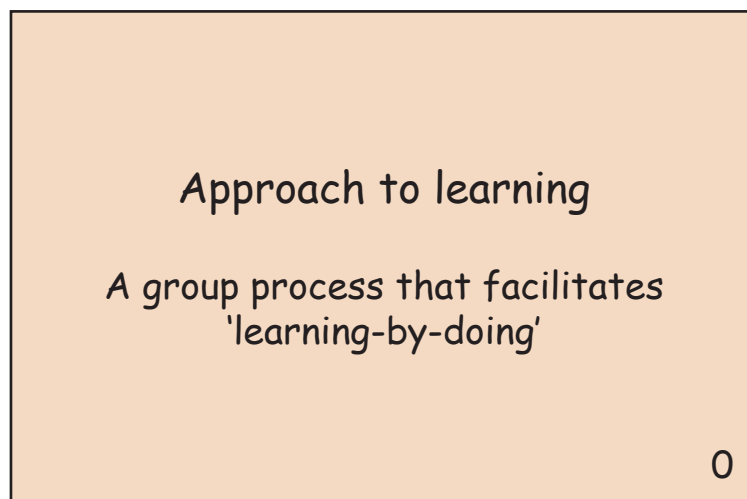
Day 2  
**THE FBS TRAINING PROGRAMME  
AND CURRICULAE**

Session 5  
**The approach to learning**

Prepare cards and arrows as shown in the diagram featured in this segment (see Slide 16). Hand out the cards and arrows to selected participants.

Continue with the narrative and slide presentation

**PowerPoint Series 5**



**(Initiate this segment with Slide 0)**

**(Slide 1)**

The learning process of the farm business school follows the Participatory Mutual Training and Learning Approach (PMTLA).

**(Slide 2)**

The PMTLA is a group process that facilitates training and learning among adults. The participants learn by doing and through sharing their knowledge and experiences.

**(Slide 3)**

The process involves the participation of people with common interest and purpose. There are no instructors or teachers; only facilitators. The participants mainly learn from each other.

**(Slide 4)**

Learning moves from the known to the unknown, from the easy to the difficult and from the simple to complex. It is guided by a curriculum that facilitates learning.

**(Slide 5)**

The training and learning is organized and structured. The FBS requires a facilitator and structured modules to guide and support the group training and learning process.

**(Slide 6)**

Through the process, the participants generate new practical knowledge and ideas. They learn what to do, how to do it, the cost involved, the potential problems to be confronted and the benefits it will bring.

**(Slide 7)**

The PMTLA approach enables the participants to learn from each other.

**(Slide 8)**

The approach is based on three principles:

- Reflection and sharing;
- Generating new knowledge;
- Motivating innovation and creativity.

**(Slide 9)**

Reflection and sharing. The participants in the training reflect on the topic, share experience, knowledge and understanding on the subject. It begins with what the participants know.

**(Slide 10)**

Generating new knowledge. Here new knowledge is created based on existing capacity plus new concepts derived from the FBS.

**(Slide 11)**

Motivating innovation and creativity. The new knowledge and insights helps the participants to innovate, to develop new ideas from old ones and to create completely new ideas from the insights gained.

**(Slide 12)**

The FBS is different from conventional farm management approaches, which are methods/tool based and dependent on the availability of data.

**(Slide 13)**

The approach of the farm business school is 'entrepreneurial'. It relies on simpler decision support tools, checklists and strategic questions. It is based on the real experiences of the participants on their own farms.

**(Slide 14)**

Discussion, practical exercises and self-study enable farmer/ participants to share ideas, offer advice, experiment and formulate opinions on whether a practice will work on their farm and for their farm.

**(Slide 15)**

The learning generated is consolidated and reinforced through action - that is, through implementing what they have learned on their own farms.

1. Now hand out the cards and arrows to the participants.
2. Ask them to put their cards and arrows on the wall to construct the learning cycle as shown in the diagram.
3. Explain that the FBS learning approach is all about building capacity among the farmers. The underlying aim of a FBS is to build capacity among farmers in farm business management.

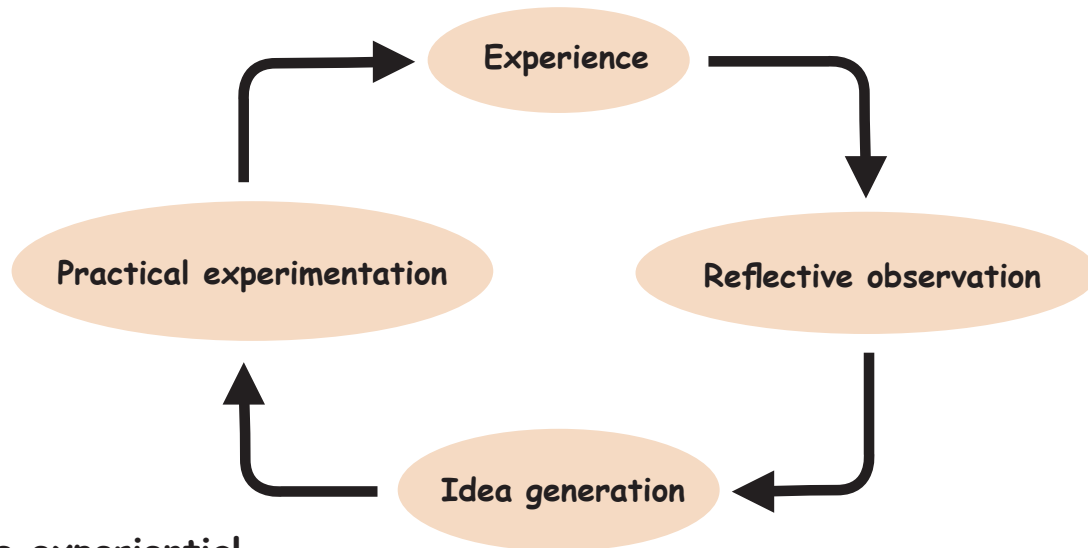
**(Slide 16)**

Explain the learning cycle shown in the diagram.

**(Slide 17)**

This carries with it the following considerations:

- Rather than solving business problems for farmers, farmers develop the knowledge and skills necessary to dig into the problems they face - to understand them and their causes.



**The experiential learning model**

Source: Adapted from Kolb, 1984

**(Slide 18)**

This carries with it the following considerations:

- The programme actively works to reduce the tendency to create dependency on external sources of expertise and where such resources are needed, to be able to engage with them wisely and confidently.

**(Slide 19)**

This carries with it the following considerations:

- To strengthen learning, the programme and the way it is facilitated includes simple exploratory exercises that are relevant to the participants' own farms and with which the group can readily engage in an action orientated way.

**(Slide 20)**

This carries with it the following considerations:

- Knowledge and skills are not learned in an abstract way. The programme fosters the use of knowledge and skills gained to make farm-specific business management decisions instead of adopting generic answers and recommendations developed remotely by 'specialists' not directly affected by the outcomes of the decisions made.



**(Slide 21)**

This carries with it the following considerations:

- The programme recognizes that decision-making processes in a farm business - even a small-scale farm business - are complex and require an iterative approach to make.

**(Slide 22)**

This carries with it the following considerations:

- Sharing learning with other farmers after completing the programme is encouraged as a means of developing, extending and adapting the acquired knowledge and skills among neighbouring farmers and farming communities.

**(Slide 23)**

This carries with it the following considerations:

- To foster continuous learning the programme will initiate the establishment of networks that the farmers will maintain and extend to facilitate reflexive learning about particular farm business problems and opportunities and ways to address them, through personal observation, meaningful conversation and participation in real-world 'learning-by-doing' exercises.

**(Slide 24)**

This carries with it the following considerations:

- Participating farmers will be expected and encouraged to draw on their own experience and observations, to learn, to assist learning by other farmers and to make real decisions relevant to their own farm businesses.

**(Slide 25)**

The approach facilitates the following learning outcomes among the participants:

- Heightened awareness, knowledge and skills on various aspects of farm business management;

- Sharpened inter-personal and communication skills;
- Critical thinking about the knowledge and skills acquired and their application in a farm business.

**(Slide 26)**

The approach facilitates the following learning outcomes among the participants:

- A change in attitude and behaviour supporting positive action and continuous reflection-driven learning;
- Better performance and increased productivity;
- A stronger team focus and improved capacity for group cooperation and collaboration among colleagues and stakeholders in the value chain.

**(Slide 27)**

The training also helps to strengthen generic skills, especially:

- Observation skills;
- Social and behavioural skills;
- Communication skills;
- Analytical skills;
- Decision-making skills.

**(Slide 28)**

To be fully successful:

- The approach must be adapted and linked to the actual farming activities of the participants. Any theoretical learning is immediately reinforced by application and practice.

**(Slide 29)**

To be fully successful:

- The participants must be committed to walking the path of transformation and change leading to profit- and market-orientated farming.

The FBS has three critical outcomes:

- (Slide 31)**

The FBS has three critical outcomes:

- (Slide 32)**

The FBS has three critical outcomes:

- Some of the participating farmers may become facilitators themselves. The more promising farmers graduating from the FBS can be trained to serve as trainers for other farmer groups.

## Turn off or cover the projector

[illegible]

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## Session 6

### The training programme

Before holding this segment, the facilitator should make a summary of each of the five main parts of the training programme outlined in the FBS Handbook, Section 1, 'The farm business school' in Item 1.6.

This segment is based on a review of the entire farm business school training programme. Each participant should have a copy of the 'FBS Handbook' and the 'Training exercises' manual. Walk the participants through the 'Contents' of the handbook to familiarize them with the scope of the programme and with the FBS process. When you reach the five main parts in Section 1, Item 1.6, be sure to emphasize that the programme is based on this structure.

1. Ask the participants to turn to the handbook and read through the 'Contents'. Discuss the headings with them section-by-section so they become familiar with the general outline of the programme. Answer any questions they may have.

**Present the 5-part summary that you prepared earlier.**

2. Again direct the attention of the participants to Item 1.6 of the handbook where it is recommended that the farm business school training programme be divided into the following five parts:

- Part 1) Preparing the farm business school;
- Part 2) Preparing to farm as a business;
- Part 3) Planning the farm business,
- Part 4) Implementing a farm business plan;
- Part 5) Reflection and evaluation.

3. Begin by discussing the first part. Answer any questions.
4. Continue part-by-part until finished.
5. Ask the participants to turn to Part 5, 'Reflection and evaluation'. Discuss the two assessments that are suggested: One on the business plan and the other on the school and its lessons.

6. Now take the participants through the 28 themes listed in the main 'Contents' of the 'Training exercises' manual. This is to give them an idea of the scope of the topics covered exercise-by-exercise. Discuss briefly some of the representative individual exercises.
7. Have the participants open their handbooks to 'Additional materials: Tools and resources' in Section 3 which covers 'Enterprise budgets' in detail and also 'More about markets and farm management records'. Note that the 'Training exercises' manual provides four (4) exercises on 'Enterprise budgets' including 'Profitability, Break-even price and yield, and Partial budgeting'. Briefly go through these topics.

Continue with the narrative and slide presentation

### **PowerPoint Series 6**



**(Initiate this segment with Slide 0)**

#### **(Slide 1)**

Farm business school models:

There are four contexts in which an FBS is likely to be set up. The host agency needs to determine which is the most relevant model and then uniquely plan the FBS.

#### **(Slide 2)**

Scenario 1. Participating farmers have not previously been set up as a group and have no knowledge of which enterprise(s) to work on.

**(Slide 3)**

Scenario 2. Participating farmers have not been set up as a group but members know which enterprise(s) to focus attention on.

**(Slide 4)**

Scenario 3. Participating farmers have already been set up as a group but have no knowledge of which enterprise (s) to work on.

**(Slide 5)**

Scenario 4. Participating farmers have previously been set up as a group and have already chosen an enterprise(s).

**(Slide 6)**

In all four cases there are two situations:

- The participating farmers have basic farm business management skills; or
- The participating farmers have no previous business/farm business management exposure.

**(Slide 7)**

Developing a farm business school process:

After orientation and training, the FBS facilitator will want to get started as quickly as possible.

**(Slide 8)**

Developing a farm business school process:

- Creating interest and receptivity;
- Preparations;
- Implementing (during the FBS);
- Post-Implementation.

**(Slide 9)**

Developing a farm business school process:

- Identify and visit communities where an FBS can be set up.
- Promote the FBS with all community members.
- Arrange a first meeting with all community members/farmers.
- Verify who may be interested in participating in an FBS.
- From among these, find farmers who are interested, motivated and willing to participate in and help set up an FBS.

**(Slide 10)**

Developing a farm business school process:

Preparations:

- Arrange follow-up meetings with interested farmers to plan the FBS including deciding on the number and timing of meeting and the modules to cover. (This can be changed as the FBS progresses and the participants develop new interests or concerns).
- Organize meeting venue(s).
- Once an FBS is ready to start set the FBS around local needs in terms of the programme to be covered and other required adaptations.
- Tailor the exercises for the selected audience (e.g. literate; semi-literate; non-literate).
- Ensure that the 'Handbook and Training exercises' are adapted accordingly (e.g. translating the manuals into local language or dialect).
- Initiate the farm business school.

**(Slide 11)**

Developing a farm business school process:

Throughout these first two stages, be patient and determined; it may take a long time to start an FBS formally.

**(Slide 12)**

Developing a farm business school process:

Implementing (during the FBS):

- Stay attuned to the progress of the participants and make adjustments along the way (record these adjustments for future reference).
- Observe and make evaluations of participants who could possibly become a facilitator once the FBS has been completed.

**(Slide 13)**

Developing a farm business school process:

Post-Implementation:

- Visit participants in their homes (or make arrangements for other extension workers to visit them) to follow up on their efforts to apply the knowledge and skills gained at the school to their farm.



Offer support where needed. Determine if refresher training is needed and what additional training might be needed.

- Select the potential facilitators and train them using the facilitator orientation programme (adapted to the needs of each group of trainees).
- Once the trainee farmer facilitators have graduated from the course, mentor and coach them in setting up farm business schools.

#### **(Slide 14)**

Developing a farm business school process:

The FBS group will go through various stages in the course of the programme. Knowing about these will give the FBS facilitator a better idea of how to intervene at each phase of the process. The facilitator needs to help the group move through the various stages. He needs to support the group in identifying the steps and maintaining motivation.

#### **(Slide 15)**

Developing a farm business school process:

During group establishment the facilitator needs to create an environment in which farmers individually and the group as a whole feel free to learn, experience, reflect and possibly change. Dialogue, discussions, doing exercises and experiencing will all be important in achieving real learning.

#### **(Slide 16)**

To be successful five major issues that must be taken into consideration:

- Leadership;
- Contributions;
- FBS group contract;
- Record-keeping;
- Group accountability and self-responsibility.

#### **(Slide 17)**

Five major issues:

Leadership. All farmers participating in the FBS are leaders; no single farmer or a small group of farmers takes the lead alone. All farmers have a leadership role to play and must have equal opportunities to participate. The skills and abilities of each farmer should be used as much as possible to strengthen the group.



**(Slide 18)**

Five major issues

Contributions. Contributions come in three important ways: by each farmer regularly attending the scheduled FBS sessions; by actively participating during the sessions; and by contributing materially to the work of their FBS group.

**(Slide 19)**

Five major issues

FBS group contract. Each FBS group needs a group contract or a set of ground rules; sometimes this is called a constitution. The contract should cover the following issues:

- Expectations in terms of attending meetings.
- Behaviour between the members of the FBS group, particularly during meetings.
- Expectations in terms of farmers' contributions to the cost of running the school.
- Rules for running meetings; for example, how decisions are made, what records to keep and who will keep them.
- Other matters that the group feels are needed to make sure that unity is maintained and that the FBS runs smoothly.

**(Slide 20)**

Five major issues:

Keeping records. The group needs a collective memory about what it has done. The kinds of records to consider keeping are:

- Notes of what has been discussed and agreed.
- Keeping track of what has been contributed to the FBS enterprises by members or others.
- Keeping track of any materials or equipment owned or being held by the FBS.
- The records can be very simple.

**(Slide 21)**

Five major issues:

Group accountability and self-responsibility. The group needs to reach a stage where it is guided and kept alive by the member farmers without the intervention or help of the FBS facilitator.

In the initial phases of group establishment the facilitator will have to take greater initiative and encourage the other participants. As the group moves forward over time, they should start taking initiatives themselves; if they do not they need to be encouraged and assisted to do so.

**(Slide 22)**

Five major issues

Group accountability and self-responsibility. As farmers become more self-responsible, the facilitator will need to monitor them and provide feedback on their progress. Simple monitoring factors for self-responsibility include:

- Regularity of group meetings;
- How many farmers come to meetings;
- How many actively participate;
- Sharing of responsibilities;
- Joint decision making;
- Handling of disagreements and conflict;
- Group problem solving.

**(Slide 23)**

There are 5 stages in the life cycle of a FBS group:

- Forming
  - Storming
    - Norming
      - Performing
        - Graduating

**(Slide 24)**

The 5 stages in the life cycle of a FBS group:

Stage 1: Forming

When first establishing a group, relationships are characterized by dependence. Farmers may or may not know each other well. They will ask a lot of questions about the purpose and task of the FBS, look for guidance and leadership and are uncertain about how to behave and are often impatient for action.

**(Slide 25)**

The 5 stages in the life cycle of a FBS group (Forming):

During the forming stage the main tasks of the facilitator are:

- Introduce participants;
- Create a relaxed and fun environment;
- Explain purpose of the FBS;
- Encourage participants to talk to each other;
- Encourage participants to work with each other, using exercises;
- Get all participants to agree on when to meet, where, and how long;
- Get participants to start developing rules/group contract;
- Get participants to develop objectives;
- Explain the participatory leadership approach.

**(Slide 26)**

The 5 stages in the life cycle of a FBS group:

Stage 2: Storming

In the storming stage the members of the group is characterized by conflict. Different ideas about what they should do and how to do it will emerge. There may also be competition and conflict in personal relations.

At this stage some participants may withdraw from the FBS, but this must not stop the 'work in progress' of the group or the school itself. There may be changes in participants' behaviour based on emerging issues of competition and hostilities. Because of the discomfort generated during this stage, some participants may remain completely silent, while others attempt to dominate.

At this stage you need to intervene and implement participatory leadership. In order to progress to the next stage, participants must move from a 'testing and proving' mentality to a 'problem-solving' mentality. The most important factor at this point for you in helping participants to move on to the next stage is the ability to listen.

**(Slide 27)**

The 5 stages in the life cycle of an FBS group (Storming):

At this stage your main tasks are:

- Listen actively;
- Clarify purpose and goals;

- Celebrate achievements made by the participants, however small;
- Do not let conflict block group working and development;
- Develop further ground rules for dealing with conflict and other issues that may be needed;
- Encourage progress;
- Implement participatory leadership.

**(Slide 28)**

The 5 stages in the life cycle of an FBS group:

Stage 3: Norming

This stage is characterized by unity. Participants start to feel more united. They have a shared vision about the FBS and more generally about their farming businesses. They have a common goal.

Typically each participant will actively acknowledge the contributions of all the other participants. They will also engage in team building and maintenance, and solving team issues. Instead of defending themselves, participants are willing to change their ideas and opinions on the basis of facts presented by other participants in discussion and dialogue. They actively ask questions of one another.

**(Slide 29)**

The 5 stages in the life cycle of an FBS group: (Norming):

At this stage the main tasks of the facilitator are:

- Support communication and animated dialogue among participants;
- Help participants to learn from their mistakes and successes;
- Celebrate achievements;
- Give greater opportunities for participants to self-manage FBS meetings;
- Make and take progress checks to evaluate the progress of the FBS, and if necessary intervene;
- Support growing independence.

**(Slide 30)**

The 5 stages in the life cycle of a FBS group:

Stage 4: Performing

At this stage, the group starts making real and visible progress towards its vision and goals. Participants will have good personal relationships.

They will be relying on each other. Participants will work independently as a group. There is strong unity - Group identity is complete, group morale is high, and group loyalty is intense.

**(Slide 31)**

The 5 stages in the life cycle of a FBS group (Performing):

The role of the facilitator will diminish considerably; the main tasks are:

- Reduce the role as facilitator, since participants are performing on their own;
- Monitor and evaluate progress;
- Help the group undertake evaluation of its progress and outcomes and learn from their experience and plan the next set of actions;
- Maintain a supportive environment for the group;
- Start to identify possible candidates who may have the characteristics, skills and willingness to become a FBS facilitator.

**(Slide 32)**

The 5 stages in the life cycle of a FBS group:

Stage 5: Graduating

While the FBS group may and should continue after completing the FBS programme, it is important to mark this with a formal graduation. It is a planned event that includes recognition for participation and achievement. It is important that the participants evaluate their experience and how new skills and abilities puts them in a better position to manage farming as a business. Graduation should be held in a way that encourages the participants to continue collaborating after the FBS is over.

**(Slide 33)**

The 5 stages in the life cycle of a FBS group (Graduating):

At this stage the main tasks of the facilitator are make sure that the following things happen:

The participants discuss, evaluate and reflect on what they have accomplished individually and as a group.

- The participants discuss, evaluate and reflect on the FBS; what they thought was good about the FBS and what needs to be improved.
- That recognition is given to participants for having participated and

- All participants and other stakeholders and other people who helped you set up and run the school are invited to a ceremony (Consider inviting family). The role played by each should be acknowledged.

- All participants and other stakeholders and other people who helped you set up and run the school are invited to a ceremony (Consider inviting family). The role played by each should be acknowledged.

[illegible]

### Session 7

#### Monitoring and evaluating the FBS

Now let us look at Section 1, Item 1.12 in 'The handbook' which deals with monitoring and evaluating the FBS programme. Before conducting this session, prepare a summary to present to the participants. Also be sure you understand the table 'Level of competence in market-oriented farming' at the end of Item 1.12 as this table covers the main part of this segment and serves as a guide for the instructions below.

Prepare cards with the following criteria:

- Level of commercialization;
- Production technology;
- Value addition/level of processing;
- Business practices;
- Capitalization;
- Participation in farm/rural enterprise groups;
- Input-output linkages/Use of support services.

Also prepare cards with the following:

- Produces for home consumption;
- Produces primarily for home consumption; some sales at markets;
- Produces for the market and home consumption;
- Farms exclusively for market, but still very inexperienced;
- Experienced farming exclusively for the market.

Finally, prepare 35 blank cards.

1. Explain to the participants that this session will look briefly at how the FBS is monitored and evaluated. Distribute the cards.
2. Ask them to turn to Item 1.12 and share with them your summary.
3. Explain that one effective way to monitor and evaluate the FBS is by measuring how the farmers and their farm businesses have changed as a result of participating in the school. This can be measured as 'before' and 'after' changes using seven criteria listed in the 'Level of competence' table.



[illegible]



Session 8  
**Resource requirements**

1. Explain that this segment will be about the resources they will need to establish and run an FBS. The actual costs and payments will be organized according to the agency/organization that is sponsoring the school system.
2. Explain that the physical requirements for running an FBS are very simple. It is best if the farmers themselves are involved and contribute to organizing their own school and in covering some of the meeting costs, such as food.
3. Explain that the training materials needed to set up and run an FBS are:
  - White board and markers or chalk board and chalk;
  - Large sheets of paper;
  - Masking tape;
  - Marking pens;
  - Pencils;
  - Loose lined and unlined paper.
4. For this exercise participants may need to refer to certain parts of the 'Handbook' or the 'Training exercises' manual. To do this they may need assistance from the facilitator as to the relevant parts.
5. Ask if there are any questions or concerns. Deal with them as much as possible by referring back to the handbook.

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## Session 9

### Understanding the FBS lessons

1. Ask the participants to open their 'Handbooks' to Section 3, 'Building business management skills'. Read through the items to become familiar with the contents. These should be self-explanatory.
2. Next look at Section 1, in the 'Training exercises' manual. Here the elements that make up this part of the programme are listed under 'Layout of exercises'. These are:
  - Objectives;
  - Key questions;
  - Key points to cover;
  - Process;
  - Guidelines;
  - Side-track.
3. Now review 'About conducting exercises', also in the 'Training exercises' manual. This explains the themes under which the exercises are conducted. They are:
  - Interactive processes and visual representations;
  - Experiential learning;
  - Guest presenters/ Panel;
  - Groups and teams;
  - Study materials;
  - Recording lessons and other information;
  - Embedded learning;
  - Choosing exercises;
  - Sequencing exercises.
4. Take time to work through this material so the participants have a clear picture of the main elements of the programme. Encourage questions and discussion.
5. Explain that over the next few sessions you will take them through a number of the exercises. One reason is to get them familiar with the way exercises are done. Another is to sharpen their knowledge and skills in farm business management.

[illegible]

Day 3  
**UNDERSTANDING FARMING  
AS A BUSINESS**

Session 10  
**Preparing to farm as a business**

1. Explain the following. The aim of this section of the FBS is to help farmers understand the changing farming environment and what they need to do not only to cope with these changes, but to benefit from them. Facilitators need to understand these changes as well. The key lesson is that farmers need to see farming as a business. Farming for home consumption alone, is no longer sufficient to sustain the family. Just like any other business, a farm business needs to be profitable.
2. Ask one of the participants to read the following to the rest of the group. The commercial farming environment is rapidly changing. New marketing opportunities, new production and processing technologies, and increasing competition create challenges for small-scale farmers. They are faced with hard choices about how to run their farm businesses. For most, producing primarily for home food consumption and selling surpluses is no longer viable. Some farmers are only generally aware of these changes and the impact they have on their farm businesses.
3. Ask the participants to share their experience with these changes. Do they see the changes? How are they affecting the farmers they work with? How aware are the farmers about these changes? How aware are they of the impact these changes are having on their farms? What is the current understanding or perception of the farmers they work with about their farms? What do the farmers say about what is going on around them?
4. Explain the following. A first step to assisting farmers move toward more profitable market-oriented farming is helping understand these changes and how they affect their farm businesses.
5. In Exercise 1 farmers will explore the environment in which market-oriented farming is changing. They will discuss why they farm and how this has changed over the years.
6. Briefly take the participants through Exercise 1 (Topic - Commercial farming environment). Use it as an example of the way the FBS course supports learning.

7. Explain the ideas presented in Exercise 2 (Topic - Farming as a business). Stress that the aim of the FBS is to help the farmers see their farms as businesses.
8. Briefly review Exercise 3 (Topic - The farm business cycle). Make sure they understand that it is a cycle that is meant to be repeated throughout the life of the farm business. Explain that through Sam's story farmers are helped to learn how the business cycle applies to any farm of any size. This will cover Exercises 4-8 (Topic - Applying the farm business cycle). This series is concluded with Exercise 9 which covers the most important aspects of a farm business in preparation for writing a farm business plan.



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### Session 12

#### Cash flow

1. Explain that cash flow is often one of the issues that cause a farm business to fail. A farm business may be profitable, but is not able to generate the flow of cash through the business (Topic - Cash flow, cash availability).
2. Now run through Exercise 15 - The flow of cash through the farm business.

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### Session 13

#### Risk and entrepreneurship

1. Explain that this segment will discuss risk and entrepreneurship.
2. Explain the following. Risk refers to things that could happen that can harm the farm business. One of the biggest factors that contribute to the failure of farm business is not identifying and planning for risk. Increases in input prices, decreases in market prices and drought are all risks that farmers face. In each case the farmer needs to examine the risk and estimate the impact it will have on his farm profits. For example: What will happen if the price of inputs increases by 10%? What will happen if the market price for his product decreases by 5%? What if there is a labour shortage or the cost of hiring labour increases?



3. Explain that Exercise 16 (Topic - Planning for risk) helps the farmers identify possible risks and steps that could be taken to lessen the impact of these risks on their farm businesses. Briefly read through the exercise, but it should not be necessary to do the whole exercise.
4. Explain that another part of the FBS programme is to develop the entrepreneurial capacity of the farmers. This is covered by Exercises 17-21 (Topic - Entrepreneurship) Ask the participants what they think an entrepreneur is. Encourage discussion.
5. Ask the participants to share their views of the farmers they work with. Are any of them entrepreneurs? What makes them think they are entrepreneurs? What characteristics do they have? Encourage discussion.
6. Explain that two of the exercises on entrepreneurship are for the farmers to visit entrepreneurs and for entrepreneurs to participate in a panel discussion.
7. Ask the participants if they know of any non-farmer entrepreneurs, such as input suppliers or processors that they might be able to ask to help with this part of the programme. Ask them to discuss why they think they would be a good choice to help the FBS. Encourage them to write down the names of these entrepreneurs for future use.

[illegible]

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## Session 14

### Negotiation

1. Run through Exercises 22-26 (Topic - Negotiating skills). This is one of the sets of exercises designed to help farmers get used to the idea of self-evaluation and reflection.
2. Ask the participants to discuss the role of negotiating in running a farm business. Do they think it is important? Why? Why not? What are the biggest challenges they see in helping farmers acquire negotiation skills? Encourage discussion.
3. Summarize the discussion using the following or a shortened summary. Negotiating is an important skill needed by all successful entrepreneurs. It is used when purchasing inputs, hiring labour, engaging transport, and pricing products at the market. Negotiating is the process by which two or more parties discuss and agree on the arrangements for a particular activity or business arrangement. A good negotiator knows the value of things, how different jobs get done and how long they should take. He knows when the input price is too high or the market price is too low. He knows what his alternatives are and how each decision will affect the profitability of his farm business.

In addition to having certain knowledge, a good negotiator also has particular skills such as the ability to say 'no', the ability to listen, the ability to stay calm and focused, the ability to make quick calculations, and the ability to see a way for both parties to 'win'.

The better a farmer is at negotiating, the better his chances are to improve the profitability of his farm business.

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Day 4  
**THE CURRENT FARM BUSINESS**

### Session 15

#### **Analysing the farm business**

1. Run through Exercises 27-31. For this segment the participants will need a blank sheet of paper (at least A4) and a pencil.
2. Explain that the next few sessions focus on helping the farmers evaluate current performance of their farm businesses and the environment in which they operate.
3. In this first part the participants will learn the following approaches:
  - Mapping the farm;
  - Analysing the enterprises;
  - Identifying strengths and weaknesses of a farm;
  - Translating strengths and weaknesses into action.
4. Ask the facilitator trainees to draw a sketch map of a farm that is typical of the farmers that they work with. They should show the enterprises on the farm, the inputs and technology used, infrastructure and other information that helps show how the farm operates.
5. When they have completed their maps ask them to put them on the wall and to use the maps to talk about the farms they have drawn. As a variation on this, you can ask them to read another participant's sketch map. This will help them learn about how to help farmers to draw maps that can be easily interpreted.
6. Now discuss the last three of the approaches listed above. These are intended to reinforce the practice of acting on evaluations. Farmers often get stuck when they are trying to figure out how to improve their farms. Walking them through the process of identifying strengths and weaknesses and then making plans on how to build on their strengths or to correct their weaknesses helps the gain more command over their farm businesses.

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- This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on its right side, suggesting it's resting on a surface.

### Session 17 Benchmarking

1. Explain to the participants that the next aspect of understanding the current farm business is learning about benchmarking. Explain that benchmarking is used to help reinforce the idea that the farmers should always be on the look out for ways to improve their farm businesses. One way to do this is to compare their farm businesses with farm businesses they know are successful.
2. Ask the participants to share what they know about benchmarking. Have any of them ever done or been involved in a benchmarking exercise? If yes, ask them to explain what they did. Encourage discussion.
3. Work through Exercise 37 - The basics of benchmarking.
4. Look at the 'Questions for benchmarking' following Exercise 37. What would they need to do to help the farmers be able to answer questions like these about their own farms businesses and about a benchmark farm.
5. Ask the participants if they know of any farms in their areas that could be benchmark farms. If yes, why do they think they could be benchmark farms? What qualities or characteristics do they have?
6. Summarize the discussion by reinforcing the role of benchmarking in analysing a farm business.
7. Then summarize the whole section on understanding the current farm business. Reinforce the idea that this is a critical learning area that sets the pace for the rest of the learning. It teaches the ability to objectively evaluate one's business and to make realistic plans for improving the profitability of the business.
8. Review briefly Exercises 38-41 to complete this segment on benchmarking.

Day 5  
**PLANNING THE FARM BUSINESS**



Session 18  
**Essential concepts in planning the farm business**

1. Explain that the next two sessions address the exercises that deal with planning for the future of the farm business. This part of the FBS takes the farmers through a step-by-step process of setting out a plan for the coming production season. It covers the following:
  - Visions and goals for the farm business;
  - Strategic planning;
  - Choosing and testing the feasibility of enterprises;
  - Developing a business plan.
2. Explain that this first session will look at the key concepts in planning. The second session will look specifically at developing a farm business plan.
3. Explain that the key theme in this first session is helping farmers create a vision of the future for their farm businesses and then to put together a plan that will take them towards that vision. Ideas need to be given structure.
4. Take the participants briefly through the contents of Exercises 42 and 43 (Topic - Vision and goals for the farm business) which are about creating visions and setting goals. These are fairly straightforward. Encourage discussion. What kinds of goals have farmers they work with set? How realistic are they?
5. Take the participants briefly through Exercises 44-46 (Topic - Strategic planning) on understanding this level of planning. Encourage discussion. How good are the farmers they work with at strategic planning? What are their strengths and weaknesses in strategic planning?
6. Take the participants through an abbreviated version of Exercise 45 - Understanding strategic planning options. It is important that they are comfortable with the concepts of strategic options available to farmers. Encourage discussion. What options do they think are probably most likely to work for the farmers they work with? Why? What are the limitations to the options the farmers have?

7. Wrap up the session by re-emphasizing the importance of helping farmers get comfortable with thinking about the future of their farms and making deliberate plans for achieving that future.

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### Session 19

#### Developing farm business plans

In this segment the participants will be working on developing actual farm business plans. They will need copies of the format and notebooks to work in.

1. Explain that one of the central issues in good farm planning is planning based on individual enterprises. As discussed earlier, a whole farm is made up of two or more individual enterprises that should be complementary or supplementary. It is important to know how each enterprise contributes to the profitability of the whole farm. Farmers need to know that each enterprise is profitable and that no one enterprise is subsidizing another enterprise.
2. Take the participants briefly through Exercises 47-49 (Topic - Farm enterprises). Focus on the purpose of each exercise. Stress the logic of the approach. The selection of enterprises (as in Exercises 47 and 48) is fairly straightforward. Emphasize Exercise 49 - Choosing enterprises based on profitability.

3. Next look briefly at Exercises 50 and 51 - Assessing the input requirements and labour for enterprises. The point here is that even if an enterprise is technically feasible and potentially profitable, the farmer needs to make sure that he can get the inputs and labour needed to produce the enterprise.
4. Explain that they will now spend time actually working through developing a farm business plan. Organize the participants into teams of two. Ask the participants if they have ever developed a farm business plan before. Have they ever helped a farmer develop a farm business plan? Ask them to share their experiences. What did they do? How did it work? What did the farmers say about the process? How do they feel about formal planning?
5. Distribute copies of the business plan at the end of Exercise 52 (Topic - Preparing and using a business plan) and take the participants through the various formats shown.
6. Ask each team to choose one enterprise that they know is technically feasible. Confirm with the teams about their choices. Make sure there are at least 3 or 4 different enterprises being worked on.
7. Take the participants through Exercises 53-58 under the same topic heading. Each exercise has opportunities to consult, share learning and change plans as they move through the planning process.
8. Briefly run through the entire Exercise 59 - Developing an action plan for the farm business plan.
9. When all the exercises have been completed, ask the participants to reflect on the process. How did this process compare with planning they have done in the past? What was the hardest part of these exercises? How would they facilitate these with the farmers?

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Day 6  
**UNDERSTANDING THE BALANCE  
OF THE FBS EXERCISES**

## Session 20

**Guiding farmers to implement their farm business plans**

This session and those following focus on exercises that help the farmers put their farm business plans into action. These are the topics to be covered:

- Record-keeping;
  - Purchasing inputs and materials;
  - Mobilizing finance;
  - Linking to markets;
  - Contract farming;
  - Producing safe farm products.
1. Explain that Exercises 60-76 (topics listed above) are designed to help farmers make sure that they have covered all the important factors when setting out to implement their farm business plans. Although there are numerous exercises, they are mostly straightforward and easy to use.

In this session, we will look at the first three

2. Briefly take the participants through Exercises 60-62 (Topic - Record-keeping). Be sure they are familiar with the different types of records. Encourage discussion. What is the current practice among farmers now? Do they tend to keep records? What kinds of records do they keep? What are the main challenges to recordkeeping? How can these be addressed?
3. The next set of exercises is particularly important because they help the farmers make good decisions about suppliers. It encourages objectivity of choices and to approach them methodically.
4. Take the participants through Exercises 63-65 (Topic - Purchasing inputs and materials). Ask them to draw on their knowledge of the areas where the farmers are. What do they know about the suppliers there? Are they trustworthy? Reliable? How would they help farmers make these determinations?

5. Explain that the next set of exercises is similar to the last in that it encourages farmers to be careful and objective when deciding on finance. Ask them what the farmers they work with do about finance. Do many of them use credit? Where do they get credit? What other ways do farmers use to finance their farm businesses?
6. Briefly take the participants through Exercise 66 (Topic - Mobilizing finance). This should be fairly similar to the exercise on input suppliers.
7. Take a close look at Exercises 67 and 68 - Understanding the role of credit and of savings. Explain that the key issues here are for the farmers to appreciate the advantages and disadvantages of using credit and in particular the importance of savings. Saving is the foundation of investing. When farmers develop the habit of saving, they will more likely invest at least some of their profits back into their farm businesses. Note that for many farmers, savings is best done by working in groups.
8. Ask the participants if any of the farmers they work with save or are involved in group savings schemes? Ask them to describe how it works. Are farmers open to saving? Why? Why not? What are the main challenges to saving?

Session 21  
**More about marketing**

1. Explain that next you will look at marketing (Topic - Linking to markets). This covers three exercises

Exercise 69 - Understanding and using market information.

Exercise 70 - Understanding post-harvest management.

Exercise 71 - Exploring post-harvest processing options.

2. Explain the following (or make a summary). A solid market plan is important to a successful farm business. Linking farmers to the market is more than just knowing where the different markets are, it is also about understanding and using market information to reduce risk, deciding on products and timing of production, checking prices, determining how best to handle the product after harvest - including post-harvest processing.

Part of preparing a market plan is gathering, understanding and using market information. A market plan must be based on real and reliable information, not on feelings, assumptions or unconfirmed information. It is sometimes hard for farmers living in remote areas to obtain free and unbiased information that has not been analysed. But farmers can usually get market information from government run market information services, traders, other farmers, extension workers, marketing boards and agri-processors. However, farmers must take care to make sure that the market information from traders is not biased to force lower prices. Similarly, other farmers may not have accurate information or may exaggerate prices.

3. Run through Exercise 69 - Understanding and using market information.
4. Ask the participants what the farmers they work with know about market information. What market information is available to them? Do they use it? How? How effectively?
5. Explain the following (or make a summary). A great deal of the profitability in agricultural products is determined by how the product is handled after harvest. There are three basic principles



to bear in mind when handling products after harvest: maintaining quality, maximizing shelf-life and managing the supply of the product to the market. These are all affected by the methods of harvesting, post-harvest handling, packaging, storage and methods of transport.

If a farmer wants to sell products at a market, he or she will need to harvest, handle, package, store and transport the products in a way that meets the requirements of the market so that they can fetch the best possible price. How the product is handled after harvest affects the quality of the product, which, in turn, affects the price of the product.

6. Briefly take the participants through Exercise 70 under the same topic heading. Encourage discussion. How do the farmers they work with currently handle their products after harvest? What systems do they use? What kind of storage do they have? What about transport?
7. Explain the following. In addition to the handling, packaging, storing and transporting of products after harvest, farmers should also give consideration to processing the product after harvest. Products sold in their raw state fetch lower prices than the same product which has been processed. Primary processing includes things like shelling and drying. Secondary processing includes hulling, splitting, grinding and milling. Tertiary processing includes converting uncooked foods into products for human consumption.
8. Take the participants briefly through Exercise 71, again the same topic heading. Encourage discussion. Do any of the farmers they work with currently do any post-harvest processing or other value-adding? What do they do? What other processing/value-adding options are generally available to farmers? What are the main barriers to farmers getting involved in this?

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## Session 22

### Contract farming

1. Explain the following (or make a summary). One way farmers can secure their market is through contract marketing where the farmer enters into an agreement with a buyer to produce a particular product to specific requirements of quantity, quality and timing. Before entering into a farming contract, farmers need to understand how they work and their advantages and disadvantages. They also need to know what should be included in the contract to make sure they are protected and are getting a fair deal.

Contract farming can help smaller-scale farmers diversify, as they provide a guaranteed market for the product. With a contract the selling price is known from the start, which reduces risk. Contracts allow farmers to access markets they might not otherwise be able to access. They also usually have quality requirements and therefore the contracted buyer will often provide extension and advice. In this way farmers can learn new enterprises and new technologies that they might not otherwise risk learning or experimenting with.

Contract farming also has limitations. Farmers are not free to run their farms as they want; they must produce according to the contract. This may require the farmer to borrow money to buy equipment to produce the product according to the contract. The farmer is also obliged to sell the quantity agreed in the contract to the contract buyer. This means if a better opportunity comes along, he or she cannot take it up.

Contract farming also provides opportunities for farmers to work together. Collective contract farming helps spread risk, improves their chances at obtaining financing, increases the possibility of meeting the volume requirements and facilitates better input and market prices. Through group contract farming, weaker or struggling farmers can get help from stronger farmers.

2. Explain that this section of the school programme helps the farmers understand and take steps towards contract farming. There are two theoretical exercises followed by a visit to a buyer.

3. Take the participants briefly through Exercise 72 (Understanding contract farming). Encourage discussion. Do any of the farmers they work with use contract farming? How does it work? What has been their experience? Do they know of any other opportunities for contract farming? Would they recommend it? Why/Why not? What are the challenges they face?
4. If the participants have never been involved in writing a farming contract, go over Exercise 73 (Preparing a farm contract) in detail. If the participants are familiar with contract writing briefly discuss the exercise as a refresher. The main issue is that all the participants are reasonably familiar with preparing a farming contract and the contents of a contract. Encourage discussion.
5. Once a farmer understands the concept of contract farming and the elements of a farm contract, it is helpful to actually visit a buyer to explore first-hand the possibility of this marketing option. Exercise 74 and 75 both deal with a visit to a buyer for a farming contract.
6. It is important to make sure that the products produced by the farm business are safe for human consumption. There are standards for 'safe food' which the farmer must meet. Close this session by briefly reviewing Exercise 76 - Producing safe farm products profitably.

## Session 23

**Collective and collaborative action:  
Partnerships among farmers**

1. Explain the following. Changes in local, national and international marketing create pressure on farmers and challenge them to find ways to reduce risk and reduce costs. One of the ways farmers can meet this challenge is through collective action - through group business management. Farmers can work collectively on two levels: partnerships among producers; and partnerships along the value chain.

We will start with partnerships among producers by looking at Exercises 77 and 78 (Topic - Partnerships among producers).

2. Explain the following (or a summary). Sometimes a single small-scale farmer cannot compete with other producers and players in the agricultural value chain. In such cases, he may want to consider joining forces with other farmers to improve their ability to compete and succeed. One of the most viable ways to work together is through group marketing. This has many advantages such as increasing bargaining power, getting better prices and sharing risk. It also has some disadvantages including loss of flexibility and having to accept agreed prices even if higher prices can be found. As with all good farm business practices, farmers should approach group business management carefully and systematically. They need to decide on the criteria for membership, what each member should contribute to the scheme, what services should the scheme provide to members, how the group should be managed, and how the scheme should be financed
3. Take the participants through Exercise 77 - Group marketing.
4. Then briefly run through Exercise 78 - Organizing for collective marketing.
5. Encourage discussion. Are any of the farmers they work with doing any group marketing? How does it work? What are the arrangements? What opportunities are there for farmers to market as a group? What are the challenges?

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Session 24  
**Group business management:  
Partnerships along the value chain**

1. This session requires some preparation. Read through Exercise 79 and make the necessary preparations based on the diagram 'My value chain' and 'My place in the value chain'.
2. Explain the following. In the changing farming environment farmers need to increasingly recognize that they are part of a chain and that the competitiveness of the chain is often more relevant than the competitiveness of any individual actor - farmer. In today's world competition more often takes place between chains and than between individual actors. Helping farmers build capacity to participate in, contribute to and benefit from a value chain. Key factors in realising this are fostering collaboration and building trust between stakeholders within a value chain.
3. Explain that in this section of the programme farmers are helped to explore the idea of getting involved with their value chain and looking for opportunities to benefit from it.
4. Take the participants through Exercise 79 (Topic - Partnerships along the value chain). To do this they will need to play the part of the farmer.
5. Take the participants briefly through Exercises 80 to 85 under the same topic heading. Encourage discussion. What companies might make good partners for the farmers they work with? What criteria do they use? What are the pitfalls?
6. Explain that this concludes the review of the main exercises of the FBS programme. Encourage discussion.

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Day 7  
**REFLECTING ON PERFORMANCE,  
ESTABLISHING AN FBS  
AND PREPARING FOR THE FIELD**

This is the last day of the orientation. It is advisable that a senior officer in the organization sponsoring the FBS is present at the end of the day to close the orientation and to give any final instructions or advice. You may also want to close the orientation with a special celebration at the end of Session 27.

### Session 25

#### **Reviewing the assessment processes**

1. Explain that the purpose of this session is to briefly review the farm business school as a process. We are primarily concerned with assessing how the business plan improved the profitability of the farmers' farms. The topics are;
  - Review farming operations at the end of the production year;
  - Practice using farm records as a means of assessing performance;
  - Benchmark and evaluate farm performance.
2. Exercises 86-94 (Topic - Assessing the performance of a farm business plan) give the farmers the opportunity to reflect on the outcomes of their plans and to assess them section-by-section. The purpose for doing this is to a) reinforce the practice of objective evaluation, assessment and reflection; b) help them prepare for the next season. Ideally they would apply what they have learned from the past season to the next season.
3. Briefly read through Exercises 86-93. Encourage discussion. Make sure the participants are comfortable with these exercises.
4. Explain that Exercise 94 (Reviewing the evaluation process and the role of record-keeping) will help reinforce keeping records. When the farmers have worked through the assessment exercises they should have a greater appreciation for keeping records. Assessment is very difficult without accurate records.
5. Close this session with a brief review of Exercise 95 and 96 (Topic - Assessing the farm business school and its lessons). In both of these exercises the purpose is to improve the content, the process, and the management of the farm business school programme.

**Special note:** In addition to topics already outlined, direct the participants attention to Exercises 97 to 100 (Topic - Enterprise budgets) to complete this overview of exercises. These include 'Calculating enterprise profitability, Break-even price and yield' and 'Understanding partial budgeting (see Handbook, Item 1.7).

## Session 26

### Establishing a farm business school and preparing for the field

It is assumed that the fact that this orientation is being held indicates that there is general approval of the programme, that it has been provided with funding and that a plan for rolling out the FBS system has been developed and is now being implemented. The following issues will have been addressed by the main organizers of the FBS in your country:

- Farm business school models;
- Developing a farm business school process;
- The farm business school cycle;
- Monitoring and evaluating the FBS;
- Resource requirements;
- Setting goals for the FBS.

It is also assumed that materials have been translated or otherwise prepared for facilitators to use.

Therefore, the final part of the orientation of facilitators will focus on preparing facilitators to start with their first set of farm business schools.



1. Ask the participants to open their handbooks and manuals to Section 4, Preparing for the field.
2. Explain the following. After completing the orientation programme and being deployed the work of the FBS begins in earnest. The work of facilitating a FBS has five distinct activities:
  - Recruiting and inviting participants;
  - Planning the FBS programme and timetable;
  - Facilitating the FBS sessions;
  - Graduation;
  - Mentoring and accompaniment.
3. Organize the participants into teams of 3-5. If any of them work in the same area, they should be in the same group.
4. Ask each team working together as a group study Section 1, Item 4.1, Recruiting and inviting participants. Then each member of that team should carry out the following tasks:
  - a) Decide on an area where they will launch their first FBS.
  - b) Make a brief plan of which farmers they will contact and how they will contact them (e.g. meet them in their homes, address a community/farmers' meeting).
  - c) Plan the introductory meeting with interested farmers (when, where, who will attend).
5. When they have finished, ask the participants to briefly share their plans. Encourage discussion.
6. Ask the teams to use the example training needs and wants form to discuss what they think the farmers they work with know about farm business management and what they think they might need to learn in term of what the FBS has to offer.
7. Ask the teams to share the results of their discussions. Encourage discussion.
8. Again ask the teams to consult on their assessments. They can change them if they need to.

9. When they are done, ask the teams to work out a curriculum or programme that matches the needs they have identified with relevant FBS exercises. They should put them into a logical sequence.
10. After the teams have made some progress, it may be useful to have them present what they have done so far. This will allow the teams to see how others are approaching the curriculum.
11. After a few presentations and discussion ask the teams to complete their programmes. This may take more than an hour or two.
12. Ask each of the teams to put their programmes on the wall for all the others to see. Briefly go through the different programmes. Why did they choose the exercises? Why the sequence? Encourage discussion.
13. Explain that this is the end of the orientation. Thank everyone for participating. Assure them they will be accompanied in carrying out their assignments. Refresher courses will be organized, and in between they can call in to ask for help.

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**Session 27**  
**Final arrangements**

**The agency organizing presents final comment  
and explains the next step.**







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and for information on FAO's activities  
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The materials presented in this orientation are generic in nature. They are designed to capture the essential points of the farm business school programme and create a detailed framework for orienting facilitators. No attempt has been made to contextualize the content. Therefore, it is important for those responsible for preparing the orientation programme to review these materials carefully and to adapt them to the context of the country, region and/or particular setting relevant to the trainee facilitators.



Food and Agriculture Organization  
of the United Nations

# The farm business school

## Handbook



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Food and Agriculture Organization  
of the United Nations

# The farm business school

A handbook for extension workers providing  
guidance and information on the concept of  
farming as a business and a course of action  
to design and manage the farm business school  
programme in the field

by  
David Kahan  
and  
Steve Worth

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS  
Rome 2015

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## Foreword

Dramatic changes are taking place in farming worldwide as a result of globalization, liberalization and rapid urbanization. Farmers are intensifying existing patterns of production and diversifying their farm enterprises in an attempt to improve their livelihoods. Technical know-how is not enough. In order to be competitive and take advantage of the new opportunities that are arising farmers increasingly have to adapt their farm business to market changes and improve efficiency, profitability and income.

The desire to increase income by taking advantage of market opportunities requires farmers to become better decision makers and better at competing in this new environment. The emphasis on the market and the need of farmers to be competitive calls for better farm management skills. Marketing and farm management have rapidly gained predominance globally over the last two decades. Farm business management skills and knowledge is recognized as important for farmers to effectively respond to present day farming challenges. Farm management advice helps farmers to make the right choice between crop enterprises according to individual levels of financial, labour and land endowments and at their level of risk adversity.

In response to these changes, the Food and Agriculture Organization of the United Nations (FAO) has developed a series of specialized training manuals and handbooks addressing market-oriented farm business management. The Farm Business School (FBS) is another in this series aimed at strengthening the capacity of small-scale farmers by helping them acquire the knowledge and skills needed to engage in profitable farming.

The farm business school concept operates at field level. The aim is to build farmer capacity in entrepreneurial and management skills. It does this through a 'learning-by-doing' approach. It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills toward improved farm commercialization - while working on their own farms. Extension officers and lead farmers are trained

as facilitators. They organize seasonal training programmes, where farmers work in small groups at their own agreed time and duration. The materials for the FBS are specially designed to work with limited resources. Participants need to be basically literate and numerate, but they do not have to have had any significant formal education. The manuals provide step-by-step guidelines that take the facilitator and the farmers through the basics of farm business management - following the production patterns of their own particular farms.

The Authors



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Section 1

**THE FARM BUSINESS SCHOOL**



## **1.1 Changing extension: Evolving for advancing the capacity of farmers to engage**

In response to the increasing globalization of national and international agricultural systems, 'Extension Services' in many countries will need to be adapted to ensure that the farmers in their respective countries are able to cope with and hopefully benefit from these globalization forces. This is particularly important in developing countries because small- and medium-scale agriculture (where these are still a major part of the agricultural sector) are negatively affected by globalization as it advances. In many countries we are seeing extension services shrinking due to budgetary constraints and to lack of clarity about their role.

Part of globalization has been that international corporations have begun to be major players in developing and disseminating agricultural technologies into developing countries - a role that was traditionally played by 'Public Sector (Government) Extension Services'. Another part of globalization is that food production is no longer exclusively a national priority - food production and food security are international issues. And it is vital that the small-scale farmers in developing countries are not only not swept aside by this reality, but are positioned to participate in it and benefit from it.

There is increasing volatility in the supply of basic foods; sometimes there is a surplus and sometimes a shortfall. Farmers in developed countries have orientated themselves towards profit-making whether their crops go to food or are converted to other products such as ethanol.

In the face of all this, farmers in many countries have moved away from their traditional production structures. They have opted for higher value crops and products; some have supplemented their production with off-farm work or even abandoned farming entirely. In effect, farmers have begun to see the value of market-orientated farming, but often lack the skills and networks needed to engage effectively. Similarly, extension services, with their traditional approaches and national food security framework, are also ill equipped to support farmers in meeting these challenges.

Extension services have to evolve and adapt along a number of lines if they are to help farmers to keep pace with the worldwide changes and to benefit from them. These include:

1. Helping farmers to organize or reorganize at the individual farm level and collectively to capitalize on efficiencies for input supply, production and marketing and value adding.
2. Shift focus from production extension to farm management extension focused on profitability\*.
3. Specifically shifting extension services to actively support market-orientated farming including appropriate training/retraining, structuring, and extension delivery policy.
4. Shift focus from increasing staple foods to higher value products.
5. Adopt a learning framework for extension that builds the capacity of the farmer to manage increasingly complex farm management opportunities and challenges.

The 'FBS Handbook' and the accompanying 'Training exercises' manual contributes to this evolution of extension services by providing a practical guide which - together with the parallel orientation/training programme - will facilitate the positioning of extension workers and extension services to where they can provide support to farmers who are entering or expanding into market-orientated farming.

\*Farm Management Extension (FME) is different from Farm Business Management Extension (FBME). FBME focuses primarily on the economic aspects of the farm business, where as FME deals with production, economics and other business elements of the whole farm business. This handbook addresses farm business management.

## **1.2 The role of the extension worker in farm business management**

In order for smaller-scale farmers to participate in and benefit from the demands and opportunities presented by the globalization processes, they will need relevant farm management information and advice. They will need information on what to produce and sell, how to sell it, where to sell it and to whom, and what inputs to buy and from whom. In short, they will need advice on production and market opportunities.

In addition to information and advice, farmers will also need assistance in building farm management knowledge and skills. The desire to increase income by taking advantage of market opportunities requires farmers to become better decision makers and better at competing in this new environment. The emphasis on the market and the need of farmers to be competitive, calls for better farm management skills. Marketing and farm management have rapidly gained predominance globally over the last two decades. Farm business management skills and knowledge is recognized as important for farmers to effectively respond to present day farming challenges. Farm management advice helps farmers to make the right choice between crop enterprises according to individual levels of financial, labour and land endowments and at their level of risk adversity.

A farm business management extension worker is well suited to meet this growing need among farmers. The range of work of a farm business management extension worker is far broader than that of a traditional extension worker. This range is captured in Figure 1a. In order to be able to develop the farm business management capacity of smaller-scale farmers implies that extension workers must also have this knowledge and skills. Further, they will also need the capacity and skills to train farmers and will need a workable training programme tailored to smaller-scale farmers making the transition into market-orientated farming. This is the aim of the Farm Business School (FBS).

Therefore, extension workers will be among the best candidates to be trained as FBS facilitators. Whether or not an extension worker is trained to serve as a facilitator, the extension worker will also be a key player in setting up and maintaining the farm business school system.

Key among the responsibilities are:

- Promoting farm business schools;
- Organizing farmers;
- Assessing farmer needs and wants;
- Assessing opportunities for farm business schools;
- Linking with agencies, suppliers, entrepreneurs and other individuals who can contribute to the success of the school programme.

An extension worker has many tasks to perform and it is unlikely that he would dedicate all of his time to promoting, running or following-up on FBS programmes. However, promoting and supporting good decision-making by farmers is part of the daily work of any extension worker. In this way, even if they are not working directly on an FBS, extension workers can promote and otherwise help farmers learn about and apply farm business principles and practices. To do this, extension workers will need to be fairly comfortable with farm business management concepts, principles and tools and with how they are applied to any farm business situation. They will also need to understand how these fit into varying production systems.

The aim is always to build capacity among farmers. The key way to do this outside of the FBS is by asking farmers questions about the way they run their farm businesses. They can then help them explore the reasons behind the decisions they make and the basis on which they are made. Through such question-based conversations between extension workers and farmers, farmers can discover better farm business practices in direct relation to their farms.

One of the long-term objectives of such a conversation-based relationship is fostering discovery thinking among farmers where they reflexively diagnose, plan, act and reflect on their farm businesses and their farm business decisions. This will assist farmers in continually improving the productivity and profitability of their farm businesses.

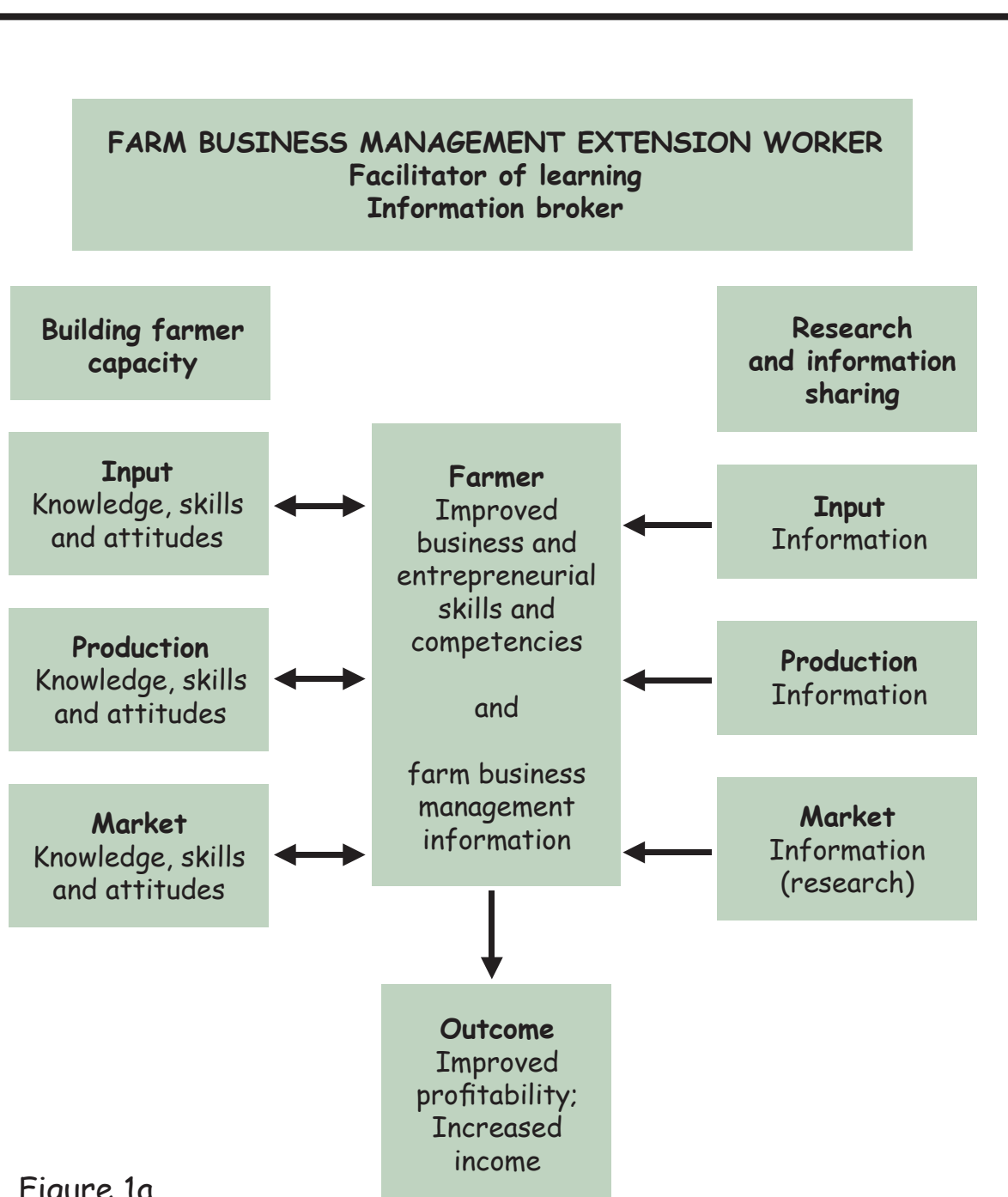


Figure 1a

**The range of work  
of a farm business management extension worker**



### 1.3 What is a farm business school?

The farm business school is a new idea. The purpose is to work with farmers to help them build knowledge and skills to make their farms more profitable. They will do this by learning about business. And they will do this where they live. This programme takes the school to the farmers.

The FBS has been developed by the Rural Infrastructure and Agro-Industries Division (AGS) of the Food and Agriculture Organization of the United Nations (FAO). It is intended to develop capacity and skills in farm business management among smallholder farmers and support the transition towards market-oriented farming. The concept of the school was inspired largely by the experience of Farmer Field Schools (FFS)\*.

The farm business school is a 'curriculum-based' approach to extension that aims at developing the entrepreneurial skills and competencies of farmers. As an extension approach, the school aims at strengthening farmers' knowledge and skills through learning-by-doing. The objective of the FBS is to help farmers learn how to make their farming enterprises and overall farm operations profitable and able to respond to market demands. It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills needed for farm commercialization - while working on their own farms.

The FBS is based on four fundamental principles:

1. **Facilitation and not teaching.** Farmers learn by working together in meetings. They are largely responsible for their own learning. The farm business management extension worker is the facilitator and is there to ensure the smooth running of the school and ensure that all materials and activities are covered.

\*<http://www.fao.org/docrep/006/ad487e/ad487e00.htm>

2. **Learning-by-doing.** Learning is conducted through discussion, practice and reflection with an emphasis given to practical aspects of instruction that can be applied on farmers' own farms.
3. **Interactive and responsive.** The course consists of a series of structured exercises prepared largely as reference materials. However, it is expected to be used flexibly and in response to the demand of the participants
4. **Season-long.** The programme is designed so that it can extend over an entire season so that learning is synchronized with different stages in the production cycle, with the length differing according to the farm enterprises selected. It can also be taught in other formats such as short courses and concentrated training courses.

The FBS process is guided by a set of training materials prepared for facilitators and farmers. There is also an organizational component where farmers are formed into small groups to build collectively their capacity to produce for the market and respond to market demands with the aim of generating profits. Extension workers serving as facilitators are supported by back-up teams of specialists to coach and mentor them in assisting farmers to manage their farms as a business.

The farm business school takes participants through a series of practical applications in which they learn about farm business management concepts, tools and practices, based on their local knowledge and skills. The focus of the approach is to build on what farmers and extension workers know and to add value to this knowledge. When the programme is offered on a seasonal basis, participants apply what they have learned in school meetings to their farming businesses and bring what they have learned back to the FBS to share and compare results.

The FBS aims at setting up schools at community level, where farmers can work in small groups at their own pace and at an agreed time and duration. The process is facilitated by an extension worker. The approach has the flexibility to fit into current farming operations and follows local necessities and needs.

The FBS has six main characteristics:

1. It focuses on content by providing practical exercises to facilitate learning of specific knowledge and skills - exercises can be organized into unique learning programmes.
2. It is based on experiential learning.
3. It involves facilitated farmer learning - led by a trained extension worker.
4. It is designed around selected farm enterprise(s) that can be produced locally.
5. It covers the production cycle - from planning to marketing.
6. Learning is linked to real farm settings to reinforce learning and to deliver more immediate impact

### **What is a farm business school?**

**It is a programme of learning**  
designed to help smallholder farmers in producing  
for the market making their farms work profitability.

**It is a venue that brings farmers together**  
to carry out collective and collaborative action to address  
business and marketing problems and opportunities.

**It is a forum for sharing knowledge**  
between farmers through discussion,  
practical exercises and self-study.

### **What a farm business school is not!**

**It is not intended to teach farmers how**  
to produce certain crops or manage livestock  
It is assumed that they will already have this knowledge  
or can acquire it through other sources.

**It is not a set of lectures**  
There are no lectures as such.  
Exchanges of information and knowledge  
are facilitated through meetings and sessions,  
with observations, dialogues and discussions.

## 1.4 Who should establish a farm business school?

While the school is geared toward extension workers using the FBS curricula, there are no restrictions on or requirements governing who should establish an FBS. A farm business school can be started by any number of people or agencies including public sector extension services, NGOs, commodity groups with advisory services, farmers associations and cooperatives, and colleges and universities.

Whoever establishes a farm business school will need to be able to provide the necessary back-up teams of specialists to coach and mentor the trainers. The FBS is not a once-off training event; it should be part of an extended strategy to build farm business capacity among farmers.

Whoever establishes a farm business school will need to have the capacity to meet the standards set by the approach to learning covered in the pages following. They will also need to be able to carry out the following tasks:

- Create awareness and identify and select potential FBS participants.
- Design and organize a number of farm level training programmes among interested farmers. The training programmes will each be held at a specific location and will run for a whole season.
- Recruit and train farmers as FBS facilitators to help you with subsequent rounds of farmer training.
- Mentor farmer groups and give them back-up support as and when needed.
- Keep in touch with other FBS facilitators to collectively identify opportunities for further training as well as reflect on lessons learned and areas of improvement for the next farm business school rollout.

## 1.5 The approach to learning

The FBS learning process closely adheres to what is called the Participatory Mutual Training and Learning Approach (PMTLA). The PMTLA is a group process that facilitates training and learning among adults. The participants learn by doing and through sharing their knowledge and experiences.

The process involves the participation of people with common interest and purpose. There are no instructors or teachers, but only facilitators. The participants mainly learn from each other. The learning moves from the known to the unknown, from the easy to the difficult and from the simple to complex. It is guided by a curriculum that facilitates learning.

The training and learning is organized and structured. The FBS requires a facilitator and structured modules to guide and support the group training and learning process. Through the process, the participants generate new practical knowledge and ideas. They learn what to do, how to do it, the cost involved, the potential problems to be confronted and the benefits it will bring.

The PMTLA approach enables the participants to learn from each other. The approach is based on three principles:

- **Reflection and sharing.** The participants in the training reflect on the topic, share experience, knowledge and understanding on the subject. It begins with what the participants know.
- **Generating new knowledge.** Here new knowledge is created based on existing capacity and exchanges plus new concepts derived from the FBS.
- **Motivating innovation and creativity.** The new knowledge and insights help the participants to innovate, to develop new ideas from old ones and to create completely new ideas from the insights gained.

The farm business school differs from conventional farm management approaches, which are tool-based methods and dependent on the availability of data. The FBS approach is 'entrepreneurial', and relies on simpler decision support tools, checklists and strategic questions. It is based on the real experiences of the participants on their own farms.

Discussion, practical exercises and self-study enable farmer participants to share ideas, offer advice, experiment and formulate opinions on whether a practice will work on their farm and for their farm.

The learning generated is consolidated and reinforced through action - that is, through implementing what they have learned on their own farms. The essence and the dynamics of this approach to learning are captured in the experiential learning model set out in Figure 1b.

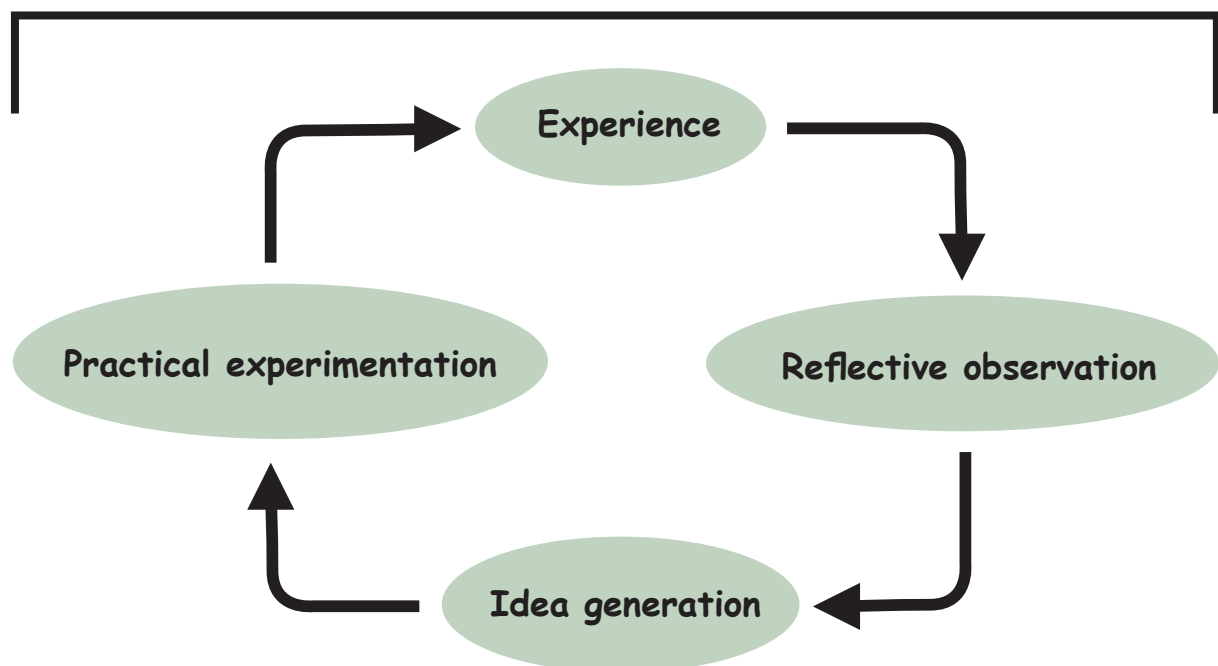


Figure 1b  
**The experiential learning model**

Source: Adapted from Kolb, 1984



**A farm business school  
is all about building capacity  
among the farmers**

The underlying aim of an FBS is to build capacity among farmers in the area of farm business management. This carries with it the following considerations:

- Rather than solving business problems for farmers, farmers develop the knowledge and skill necessary to dig into the problems they face - to understand them and their causes.
- The programme actively works to reduce the tendency to create dependency on external sources of expertise and where such resources are needed, to be able to engage with them wisely and confidently.
- To strengthen learning, the programme and the way it is facilitated includes simple exploratory exercises that are relevant to the participants' own farm and with which the group can readily engage in an action orientated way.
- Knowledge and skills are not learned in an abstract way. The programme fosters the use of knowledge and skills gained to make farm-specific business management decisions instead of adopting generic answers and recommendations developed remotely by 'specialists' not directly affected by the outcomes of the decisions made.
- The programme recognizes that decision-making processes in a farm business - even a small-scale farm business - are complex and require an iterative approach to make.
- Sharing learning with other farmers after completing the programme is encouraged as a means of developing, extending and adapting the acquired knowledge and skills among neighbouring farmers and farming communities.
- Within the overall framework of fostering a continuous learning environment, the programme will initiate the establishment of networks that the farmers will maintain and extend to facilitate reflexive learning about particular farm business problems and

opportunities and ways to address them. This can be done through personal observation, meaningful conversation and participation in real-world 'learning-by-doing' exercises.

- Participating farmers will be expected and encouraged to draw on their own experience and observations, to learn, to assist learning by other farmers and to make decisions relevant to their own farm businesses.

The approach facilitates the following learning outcomes among the participants:

- **Highlighted awareness, knowledge and skills** on various aspects of farm business management.
- **Sharpened inter-personal and communication skills.**
- **Critical thinking** about the knowledge and skills acquired and their application in a farm business.
- **A change in attitude and behaviour** supporting positive action and continuous reflection-driven learning.
- **Better performances and increased productivity.**
- **A stronger team focus** and improved capacity for group cooperation and collaboration among colleagues and stakeholders in the value chain.

The training also helps to strengthen generic skills, especially:

**Observation skills**

**Social and behavioural skills**

**Communication skills**

**Analytical skills**

**Decision-making skills**

To be fully successful

- The approach must be adapted and linked to the actual farming activities of participants. Any theoretical learning is immediately reinforced by application and practice.
- The participants must be committed to walking the path of change leading to profit- and market-orientated farming.



### Three critical outcomes

1. Farmers will make decisions about their farm businesses that are based on their own experiences, observations and analyses to increasingly improve the sustainability of their farms; and they will be able to continue making such decisions post-training.
2. It is expected that farmers will pass on the knowledge and skills they have learned to others.
3. Some of the participating farmers may become facilitators themselves. The more promising farmers graduating from the FBS can be trained to serve as trainers for other farmer groups.

## 1.6 The training programme

The training materials are designed around the concept of the farm business cycle. This is described using Figure 1c.

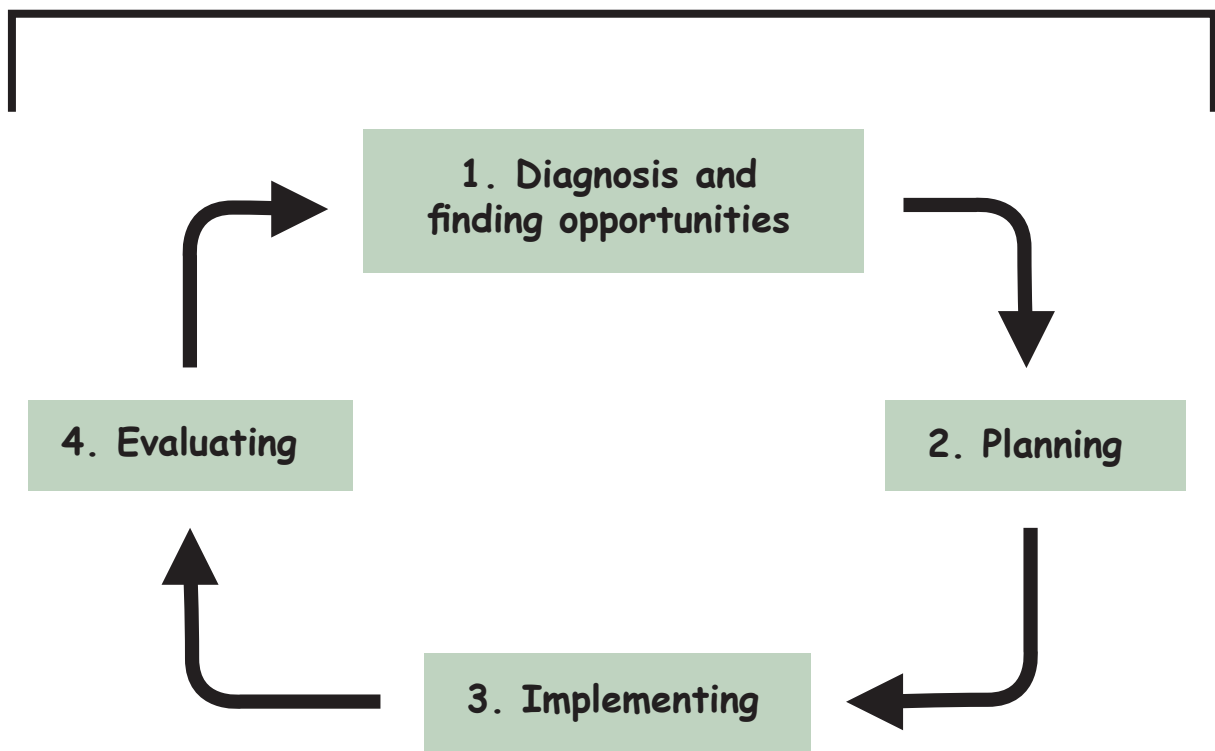


Figure 1c  
The farm business cycle

The farm business school training programme covers all four of these aspects of farm business management. It is recommended that an FBS programme is divided into five parts:

1. **Preparing the farm business school**
2. **Preparing to farm as a business**
3. **Planning the farm business**
4. **Implementing a farm business plan**
5. **Reflection and evaluation**

## PART 1

### **Preparing for the farm business school** (preferably conducted prior to the beginning of the production season)

It is recommended that the FBS facilitator organize a session to consult with the participating farmers about how to organize their school. This part of the programme should:

- Help the participating farmers get to know one another.
- Establish the ground rules for running the school.
- Confirm the training needs and wants of the participating farmers.
- Set out the curriculum the school will follow and when meetings will be held.
- The FBS programme should be based on a careful assessment of the current business management knowledge and skills of the participating farmers. It should cover the three main aspects of farm business management presented later in this handbook (i.e. preparing to farm as a business, planning the farm business and implementing a farm business plan).
- Meetings should be held regularly, in an easily remembered pattern (e.g. once a week).
- The final programme should be written and a copy given to each of the participating farmers.

**No exercises are provide for this part of the programme.**

**The facilitator is encouraged to be creative  
in designing his or her own exercises that will ensure  
the genuine participation of the farmers.**

## PART 2

### **Preparing to farm as a business**

(preferably conducted prior to the beginning of the production season)

Some basic business management concepts, knowledge and skills are essential to farm profitably as a business. Some of the concepts included here are costs of production, profits and profitability, cash flow, marketing, record keeping and benchmarking.

The 'Training exercises' manual provides 41 exercises on key business concepts among which are farming as a business and the farm business cycle: diagnosis, planning, implementing, marketing and evaluating.

## PART 3

### **Planning the farm business**

(preferably conducted prior to the beginning of the production season)

In this part of the programme, the participating farmers set goals for their farms and develop business plans to achieve those goals. Then they work through a series of exercises to learn how to examine their farms and to plan for the coming season. They will develop an initial farm business plan that will be implemented in the next season. For those farmers who have never done a formal farm business plan, it is recommended that they develop a plan for just one enterprise on their farm - and not for all the enterprises on the farm. There will be ample opportunity to develop more comprehensive farm business plans after they have learned from their first attempt.

The 'Training exercises' manual provides 18 exercises covering goal setting, creating a vision, strategic planning, selecting a farm enterprise and preparing and using a business plan.

## PART 4

### **Implementing the farm business plan**

(preferably conducted during the production season)

This part will assist participants to learn how to arrange all their farming operations over the production period and to enable them to make best

use of the resources they have available to implement their business plans. It covers topics that include preparing an implementation plan, selecting input suppliers, mobilising finance, marketing, record-keeping producing safe and quality products and group business management.

The 'Training exercises' manual provides a collection of 26 exercises on each of these topics to support learning over this part of the programme.

## PART 5

### **Reflection and evaluation**

(preferably conducted during the production season)

When the season is over, the participating farmers start the fifth and last part of the programme. It is divided into two sections: reflecting and evaluating the implementation and results of their farm business plans; and reflecting and evaluating the FBS programme and lessons learnt.

Reflecting and evaluating their farm business plans entails discussing how well the plans worked. They identify what worked and what did not work so well. They discuss challenges they encountered in implementing the plan and how they handled them. They identify the things they did that they want to repeat, and thing they did that they want to change.

It is strongly encouraged that, after reflecting and evaluating the progress they made with their farm businesses, the participating farmers should develop a new farm business plan for the next season. It is further encouraged that this second plan be developed for all the enterprises on the farm.

Reflecting and evaluating the FBS programme and lessons learnt entails discussing the value and relevance of the lessons provided in the FBS. Were they helpful? Were they relevant? How can they be improved? This section also evaluates how well the particular FBS was run. What was most effective? What needs to be improved and how? These reflections and evaluations help the FBS organizers and facilitators continually improve the lessons, exercises and processes used by the FBS system.

The 'Training exercises' manual provides eleven (11) exercises to guide the participants in reflecting and evaluating the farm business plans. The exercises aim to assess how the business plan improves farm

profitability. The exercises are designed to review farming operations at the end of the production year and provide opportunity for the participants to practice using farm records as a means of assessing performance and benchmarking against other more successful farms.

## **1.7 Additional materials: Tools and resources**

Three additional topics 'Enterprise budgets' (Item 3.8); 'More about markets and farm management records' (Items 3.9 and 3.10) are covered in Section 3 of this handbook. Here the materials on 'Enterprise budgets' are at a somewhat higher level and are explained in detail. These can be used to augment the FBS programme and to expand the facilitator's knowledge and skills. Depending on the capacity and numeracy of the farmers, facilitators may choose to include some of these in their curriculum. Facilitators are also encouraged to augment their programmes and their own personal knowledge and skills by making use of materials from other relevant sources. The 'Training exercises' manual provides four (4) exercises on 'Enterprise budgets'.

## **1.8 Orientation of facilitators**

Prior to setting up a farm business school, facilitators must be orientated in terms of setting up and running an FBS and in terms of the programme materials set out in the 'Handbook' and the 'Training exercises'. It is envisaged, that for experienced facilitators/trainers, such an orientation could be completed in 5 days. For extension workers who are less experienced facilitators/trainers and/or who are not very familiar with farm business management concepts, terminology and tools, the orientation programme may take longer. Although a 'Seven-day orientation' is included in this packet, orientation may be extended if more time is required.

Whether a short or longer orientation programme is used, the following issues should be covered when training facilitators to conduct farm business schools:

- The farm business school methodology;
- Links between the farm business, the market and other external linkages;
- Facilitators' roles, responsibilities, code of conduct and ethics;

- Developing an FBS curriculum;
- Participatory and gender-sensitive facilitation skills;
- Using creative techniques of learning;
- Identifying common enterprises;
- Working with resource people;
- Organizing and managing a school;
- Collaborating with government, NGOs, and other partners;
- Ensuring ownership of the FBS by participants.

## 1.9 Farm business school models

There are four contexts in which an FBS is likely to be set up. It is important that the host agency determines the most relevant context for each school to be set up. This will make it possible to plan according to the individual needs of each. This will also help make each programme more relevant and interesting, and create and sustain the interest of the group.

### **Scenario 1**

Participating farmers have not previously been set up as a group and have no knowledge of which enterprise(s) to work on.

### **Scenario 2**

Participating farmers have not been set up as a group but members know which enterprise(s) to focus attention on.

### **Scenario 3**

Participating farmers have already been set up as a group but have no knowledge of which enterprise (s) to work on.

### **Scenario 4**

Participating farmers have previously been set up as a group and have already chosen an enterprise(s).

**In all four cases there are two variations:**

The participating farmers have  
basic farm business management skills;  
or

The participating farmers have no previous  
business/farm business management exposure.



## 1.10 Developing a farm business school process

After orientation the newly trained FBS facilitator will want to get started as quickly as possible. Presumably, the training has been approved and taken place with the intention of starting a school or a series of farm business schools. Item 1.11, the 'Farm business school cycle', the topic covered next, provides details about the five stages of an FBS. The work of the facilitator after training is summarized below.

### **Creating interest and receptivity**

- Identify and visit communities where a farm business school can be set up.
- Promote the FBS with all community members.
- Arrange a first meeting with all community members/farmers.
- Verify who may be interested in participating in an FBS.
- From among these, find farmers who are interested, motivated and willing to participate in and help with the set up.

### **Preparations**

- Arrange follow-up meetings with interested farmers to plan a farm business school including deciding on the number and timing of meetings and the modules to cover. (This can be changed as the school progresses and the participants develop new interests or concerns).
- Organize a meeting venue(s).
- Once a school is ready to start organize it around local needs in terms of the programme to be covered and other required adaptations.
- Tailor the exercises provided for the selected audience (e.g. literate, semi-literate, non-literate).
- Ensure that the 'Handbook and Training exercises' manuals are suitably adapted, for example translating the manual into local language or dialect.
- Initiate the FBS.

**Throughout the two stages above  
be patient and determined.  
It often takes some time to formally start  
a farm business school.**

### **Implementing (during the FBS)**

- Stay attuned to the progress of the participants and make adjustments along the way (record these adjustments for future reference).
- Observe and make evaluations of participants who could possibly become a facilitator once the school has been completed.

### **Post-implementation**

- Visit participants in their homes (or make arrangements for other extension workers to visit them) to follow up on their efforts to apply the knowledge and skills gained at the school to their farms. Offer support where needed. Determine the need for refresher training or any additional training required.
- Select potential facilitators and train them using the 'Seven-day orientation programme' for facilitators (adapted to the needs of each group of trainees).
- Once the trainee farmer-facilitators have graduated from the course, mentor and coach them in setting up farm business schools.

## **1.11 Farm business school cycle**

An FBS group will go through various stages in the course of a school programme. Knowing about these will give the facilitator(s) a better idea of how to intervene at each phase of the process. Facilitators need to help the group move through the various stages. They need to support the group in identifying the steps while maintaining motivation.

During group establishment the facilitator needs to create an environment in which farmers individually and the group as a whole feel free to learn, experience, reflect and possibly change. Dialogue, discussions, doing exercises and experiencing will all be important in achieving the following:

- Establish a learning environment;
- Rejuvenate the learning experience over time;
- Help farmers experience what can be accomplished by working together;



- Develop group bonds and group relationships;
- Stimulate the flow of communications between farmers;
- Encourage everyone to participate and learn;
- Develop new skills;
- Expose farmers to new ways of judging their own actions, particularly in relation to group work;
- Enable farmers to analyse and reflect, before taking action.

For the successful formation of a group within the context of the FBS, there are five major issues that must be taken into consideration:

- Leadership;
- Contributions;
- FBS group contract;
- Record-keeping;
- Group accountability, self-responsibility.

### **Leadership**

All farmers participating in the FBS are leaders; no single farmer or a small group of farmers takes the lead alone. In groups, farmers, who are the most out-going and the most decisive, usually become 'informal' leaders of the group. This should be averted. The FBS requires participatory leadership. This means that all farmers have a leadership role to play and must have equal opportunities to participate. The skills and abilities of each farmer should be used as much as possible to strengthen the group; this can be achieved if all farmers are participatory leaders.

### **Contributions**

Contributions come in three important ways. First, by each farmer regularly attending the scheduled FBS sessions. Second, by actively participating during the sessions. Third, by contributing materially to the work of the FBS group.

**Regular attendance.** The strength of a farm business school is in the collective work of the whole group. Learning increases when all the group members regularly attend the meetings. Farmers who do not attend regularly will fall behind and may eventually feel left out. The rest of the farmers who attend regularly will begin to feel it is not fair that they must carry all the work. Regular attendance will help build group unity - and unity will improve group and individual farmer learning.

**Active participation.** Each farmer has a unique story to tell and insight to offer. Each farmer is like a mine rich in gems; through the FBS programme these gems can be discovered, polished and used to benefit the farmer and others. Asking questions, sharing ideas, participating in the exercises are all important contributions to the learning of the whole group. Universal participation should be the standard.

**Material contributions.** A farm business school operates with minimal external inputs. Learning materials are provided by the organizers of the school, but the practical exercises rely on the contributions of the participating farmers. For example, the group may decide to set up a small crop unit to use as a collective learning space. This might require seed, fertilizer, fencing materials, equipment. It will be up to the participating farmers to provide these materials. They will also need to provide labour to work this production unit. It would not be fair if only a few of the farmers contributed. The group will need to consult about such contributions and agree on a fair plan. Similarly, if the group decides to travel, for example to visit a market or to hold a special event, the group will need to agree how to cover the costs.

### **FBS group contract**

Each farm business school needs a group contract or a set of ground rules; sometimes this is called a constitution. Whatever term is used, the group contract is very important to building an FBS group and for the smooth running of the school. The contract should cover the following issues:

- Expectations in terms of attending meetings.
- Behaviour between the members of the FBS group, particularly during meetings.
- Expectations of farmer contributions to costs for running the school.
- Rules for running meetings, for example how decisions are made, what records to keep and who will keep them.
- Other matters that the group feels are needed to make sure that unity is maintained and that the school runs smoothly.

### **Keeping records**

The group needs a collective memory about what it has done. If such a memory is not in place it will lead to misunderstandings, confusion and possibly arguments. Farmers will have to take turns being responsible

for taking notes about what has been said, discussed and agreed upon in meetings. Record-keeping should be part of the group contract. The kinds of records to consider keeping are:

- Notes of what has been discussed and agreed.
- Keeping track of what has been contributed to the farm business school enterprises by members or others.
- Keeping track of materials or equipment owned or being held by the school.

The records can be very simple. The important thing is that the records are done in such a way that all farmers understand them; all agree to them and all in turn take the job of filling in the records. Record-keeping must be done on a regular basis: every meeting and activity carried out by the school. Records need to be kept in a safe place where they can be easily located and retrieved if the group needs to refer to them.

### **Group accountability, self-responsibility**

The group needs to reach a stage where it is guided and kept alive by the member farmers without the intervention or help of the facilitator. Farmers, as the meetings continue over time, should develop their skills in leadership and working together, in making rules and keeping records and in generally managing the running of the school.

In the initial phases of group establishment the facilitator will have to take greater initiative and encourage the other participants. As the group moves forward over time, they should start taking initiatives themselves - if they do not they need to be encouraged and assisted to do so. Farmers need to build their confidence and self-esteem. One way they can do this by recognizing their knowledge and skills and the positive aspects of group working. Another is by practising leadership roles, taking turns chairing sessions, and other organizational responsibilities.

As farmers become more self-responsible, the facilitator will need to monitor them and provide feedback on their progress. Simple monitoring factors for self-responsibility include:

- Regularity of group meetings;
- How many farmers come to meetings;
- How many actively participate;
- Sharing of responsibilities;
- Joint decision making;
- Handling of disagreements and conflict;
- Group problem solving.

**There are 5 stages in the life cycle of an FBS group ...  
Forming, Storming, Norming, Performing, Graduating**

### **STAGE 1 Forming**

When first establishing a group, relationships are characterized by dependence. Farmers may or may not know each other well. They will ask a lot of questions about the purpose and task of an FBS, look for guidance and leadership and are uncertain about how to behave and are often impatient for action.

In this stage farmers have a desire for acceptance by the group and a need to know that the group is 'safe'. They set about to learn the similarities and differences among them and to form preferences. Rules of behaviour help to keep things simple and to avoid controversy. Serious topics and feelings are usually avoided at this stage. To grow from this stage to the next, each member must give up the comfort of non-threatening topics and risk the possibility of conflict.

During the forming stage the main tasks of the facilitator are:

- Introduce the participants;
- Create a relaxed and fun environment;
- Explain purpose of the farm business school;
- Encourage participants to talk to each other;
- Encourage participants to work with each other, using exercises;
- Get all participants to agree on when to meet, where and for how long;
- Get participants to start developing rules/group contract;
- Get participants to develop objectives;
- Explain the participatory leadership approach.

## STAGE 2 Storming

In the storming stage the members of the group are characterized by conflict. Different ideas about what they should do and how to do it will emerge. There may also be competition and conflict in personal relations.

As participants attempt to organize, such conflict will inevitably occur. Participants have to try and understand other participants. This will require them to 'bend' their feelings, ideas, attitudes and beliefs to suit the group. Because of 'fear of exposure' or 'fear of failure' there will be an increased focus on how the group works and its rules. While this is useful, it should not become the dominant issue of discussion, as excessive attention to rules and smaller details can be used as a means of avoiding harder and more important issues.

Although conflicts may or may not surface as group issues, they do exist. Questions will arise about various matters. For example, Who is going to be responsible for what and how should this be decided? These reflect conflicts over leadership, structure, power and authority.

At this stage some participants may withdraw from the farm business school, but this must not stop the 'work in progress' of the group or of the school itself. There may be changes in participants' behaviour based on emerging issues of competition and hostilities. Because of the discomfort generated during this stage, some participants may remain completely silent, while others attempt to dominate.

At this stage you need to intervene and implement participatory leadership. In order to progress to the next stage, participants must move from a 'testing and proving' mentality to a 'problem-solving' mentality. The most important factor at this point for you in helping participants to move on to the next stage is the ability to listen.

At this stage your main tasks are:

- Listen actively;
- Clarify purpose and goals;
- Celebrate achievements made by the participants, however small;
- Do not let conflict block group working and development;



- Develop further ground rules for dealing with conflict and other issues that may be needed;
- Encourage progress;
- Implement participatory leadership.

Note that in group development, it may well be that groups get to this point and then stop working. You have to take this into consideration. You also have to consider that it can happen at any of the stages of the group life-cycle.

### STAGE 3 Norming

This stage is characterized by unity. Participants start to feel more united. They have a shared vision about the school and more generally about their farming businesses. They have a common goal.

Typically each participant will actively acknowledge the contributions of all the other participants. They will also engage in team building and maintenance, and solving team issues. Instead of defending themselves, participants are willing to change their ideas and opinions on the basis of facts presented by other participants in discussion and dialogue. They actively ask questions of one another.

When participants begin to know and identify with one another, the level of trust increases and this contributes to the development of group unity. It is during this stage of development that participants begin to experience a sense of group belonging and a feeling of relief as a result of resolving conflicts.

Communication between participants is a key function of this stage; sharing feelings and ideas, soliciting and giving feedback to one another, and exploring actions related to the matter being discussed. Creativity is high. Interactions are characterized by openness and sharing of information on both a personal and task level. Participants feel good about being part of a group that is working. At this stage the main tasks of the facilitator are:

- Support communication and animated dialogue among participants;
- Help participants to learn from their mistakes and successes;
- Celebrate achievements;

- Give greater opportunities for participants to self-manage school meetings;
- Make and take progress checks to evaluate the progress of the school, and if necessary intervene;
- Support growing independence.

At this stage the team is starting to become fully independent and starting to become effective; it is ready to start performing. The facilitator's role will change somewhat because dependency on him should be reducing. The facilitators should support this development and take great care not to keep the group dependent them. This is often a challenge for the facilitator, but it is very important to work at it. Bear in mind the factors that make a team 'perform' are ...

**Context.** This means the overall environment in which participants work together in, for example the location, how discussions are carried out, the prevailing concerns.

**Group size.** If the group is too small there will not be enough energy to carry the group. If it is too big it can be hard to manage.

**Unity in diversity.** Similarities and differences among group members and their behaviours. Diversity is good; a unified group celebrates its diversity. A unified group can accomplish much; a disunified group achieves very little.

**Shared vision and understanding.** This will bring the diverse thoughts, temperaments and ideas together and will strengthen the unity of the group.

**Goals.** Clear goals for the team that do not conflict with each other. They keep the consultation and the work focused and provide the basis for evaluating progress.

**Ground Rules.** Ground rules create a known and safe working space for the participants. They set the limits of behaviour and interaction - thus contribute to the unity of the group. Ground rules should be as simple and clear as possible

**Participatory leadership.** All groups need leadership. Participatory leadership will make the group stronger for longer.

#### STAGE 4 **Performing**

At this stage the group starts making real and visible progress towards its vision and goals. Participants will have good personal relationships. They will be relying on each other. Participants will work independently as a group.

In this stage participants will be good at problem solving, analysing and taking action and will be productive. Each participant will be self-responsible and confident and assured of the acceptance and support of the rest of the participants. There is strong unity: Group identity is complete, group morale is high, group loyalty is intense.

At this stage the group will be moving along on its own, it will be nearly self-responsible. Participants will see the group as being effective, performing important and valuable functions, and being independent in carrying out exercises. Participants will experience a sense of importance, significance and impact on what they want to achieve. The role of the facilitator will diminish considerably; the main tasks are:

- Reduce the role as facilitator, since participants are performing on their own.
- Monitor and evaluate progress.
- Help the group undertake evaluation of its progress and outcomes and learn from their experience and plan the next set of actions.
- Maintain a supportive environment for the group.
- Start to identify possible candidates who may have the characteristics, skills and willingness to become an FBS facilitator.

#### STAGE 5 **Graduating**

While the group may and should continue after completing the FBS programme, it is important to mark this with a formal graduation. It is a planned event that includes recognition for participation and achievement. It is important that the participants evaluate their



experience and how new skills and abilities puts them in a better position to manage farming as a business. Graduation should be held in a way that encourages the participants to continue collaborating after their school programme is over.

At this stage the main tasks of the facilitator are to make sure that the following things happen:

- The participants discuss, evaluate and reflect on what they have accomplished individually and as a group.
- The participants discuss, evaluate and reflect on the farm business school; what they thought was good about the FBS and what needs to be improved.
- That recognition is given to participants for having participated and graduated and that all participants get a fair acknowledgement of their achievements. (Consider issuing formal certificates; if they are to be performance certificates, then the FBS organizers will have to develop a performance measurement system.)
- All participants, other stakeholders and all other people who helped you set up and run the FBS are invited to a ceremony (Consider inviting families). The role played by each should be acknowledged.

## **1.12 Monitoring and evaluating the farm business school**

Although each FBS is run according to the principles outlined in this handbook and uses the training exercises manual provided, each FBS is unique. It is organized to meet the particular training needs and wants of those farmers participating. This being the case, great care must be taken during the running of the school to make periodic checks that the programme is indeed addressing the needs and wants of the participating farmers. Monitoring in this way will enable the facilitator to make adjustments to the programme while it is being run.

In its simplest form monitoring can be done by drawing on the training needs and wants assessment conducted before setting up the FBS. Each exercise chosen should be linked (directly or indirectly) to the assessment. In this way it then becomes possible to simply check at the end of any given session or exercise how well that session/exercise addressed the identified training need/want. If it has met it, then the objective is achieved. If it has not met it, then the facilitator knows

immediately and can follow this up directly with the participating farmers to decide what is required to meet the identified need/want. This approach is captured in the following example of an 'Evaluation table'.

Evaluation table			
Need/Want	Exercise to address need/want	Need/want fulfilled?	Action
How to know if the farm is making a profit	Exercises 10, 12 and 13	Exercises were understood, but farmers feel they still don't know how to calculate profits	Make copies from Handout on Enterprise budgets and do Exercise 90.

Conducting regular monitoring in this way will keep the FBS programme alive and relevant to the participating farmers. It will also enable the facilitator to gauge his approach and effectiveness as well as the effectiveness of the individual exercises.

Evaluation of the programme is catered for in Exercises 86-94. These exercises assess the performance of the participating farmers in terms of the effectiveness of their farm business plans. Exercises 95 and 96, respectively, assess the FBS lessons and the FBS itself - how the farm business school was run. This evaluation is a vital part of the programme and should not be left out, as it is the way in which the FBS programme can assess its effectiveness and make adjustments to ensure it remains useful and relevant.

In addition to the assessment exercises, it is recommended that 'before' and 'after' assessments are made of the changes in participants' level of competence. The following table, 'Level of competence in market-oriented farming', provides a detailed guide to this assessment. The aim is to measure the progress farmers are making toward advancing their level of competence along the following range:

- Produces for home consumption;
- Produces primarily for home consumption with some sales at markets;
- Produces for the market and home consumption;
- Farms exclusively for market, but still very inexperienced;
- Experienced farming exclusively for the market.

LEVEL OF COMPETENCE IN MARKET-ORIENTED FARMING					
Level of market orientation	Produces for home consumption	Produces primarily for home consumption with some sales at markets	Produces for the market and home consumption	Farms exclusively for market, but still very inexperienced	Experienced farming exclusively for the market
Indicator					
Level of Commercialisation (farming system, area cultivated, market orientation)	<ul style="list-style-type: none"> <li>Traditional land use</li> <li>No understanding of marketing and its implications</li> </ul>	<ul style="list-style-type: none"> <li>Aware of cash crop opportunities</li> <li>Understanding of how the market works</li> <li>Aware that it is possible to sell, but market is not priority</li> <li>Farm is not a business</li> </ul>	<ul style="list-style-type: none"> <li>Changing farming system towards market</li> <li>Considers market first, but still balances decisions with home consumption needs</li> <li>Beginning to see farm as a business</li> </ul>	<ul style="list-style-type: none"> <li>Farm dominated by cash crops and livestock for the market</li> <li>Specific market identified before planting.</li> <li>Takes advantage of seasonal price variations</li> <li>Farm is a business</li> </ul>	<ul style="list-style-type: none"> <li>Optimal cropping pattern</li> <li>Forward selling contracts</li> <li>All decisions made exclusively on the basis of the farm as a business</li> </ul>
Production technology	<ul style="list-style-type: none"> <li>Traditional practices</li> <li>No working knowledge of alternative production systems</li> </ul>	<ul style="list-style-type: none"> <li>Basic understanding of the economics of different production technologies and farm enterprises but not applied</li> </ul>	<ul style="list-style-type: none"> <li>Applies on a small scale or on an experimental basis, some production technologies based on economic advantages</li> </ul>	<ul style="list-style-type: none"> <li>Applies on a larger scale production technologies chosen based on known economic advantages</li> </ul>	<ul style="list-style-type: none"> <li>Applies on whole farm production technologies chosen exclusively on known economic advantages.</li> </ul>

LEVEL OF COMPETENCE IN MARKET-ORIENTED FARMING						
Level of market orientation	Produces for home consumption	Produces primarily for home consumption with some sales at markets	Produces for the market and home consumption	Farms exclusively for market, but still very inexperienced	Experienced farming exclusively for the market	
Indicator						
Value addition/ level of processing	<ul style="list-style-type: none"> <li>Traditional processing aimed at preservation</li> </ul>	<ul style="list-style-type: none"> <li>Aware of value adding opportunities from processing but continues to focus on preservation</li> </ul>	<ul style="list-style-type: none"> <li>Utilising processing opportunities provided by third parties</li> </ul>	<ul style="list-style-type: none"> <li>Owns small-scale processing equipment</li> </ul>	<ul style="list-style-type: none"> <li>Owns large scale processing equipment</li> <li>Has buying contracts with processors</li> </ul>	
Business practices (record keeping, gross margin, physical & financial planning etc.)	<ul style="list-style-type: none"> <li>No business practices conducted</li> </ul>	<ul style="list-style-type: none"> <li>Understanding that farming can be conducted as a business</li> <li>Keeps some records of stored products</li> </ul>	<ul style="list-style-type: none"> <li>Understands the importance of keeping records</li> <li>Keeps some income and expenditure records, but the practice is weak</li> </ul>	<ul style="list-style-type: none"> <li>Prepares comprehensive records (including physical and financial planning) but with assistance</li> </ul>	<ul style="list-style-type: none"> <li>Prepares comprehensive records without assistance</li> </ul>	
Capitalisation	<ul style="list-style-type: none"> <li>Low, using informal lending sources</li> </ul>	<ul style="list-style-type: none"> <li>Aware of the need for capital to become more commercially viable, but continues to use informal sources</li> </ul>	<ul style="list-style-type: none"> <li>Started to invest in the farm business for commercial benefits but on a small scale</li> </ul>	<ul style="list-style-type: none"> <li>Larger commercial investments have been made for productive purposes – resulting in increased wealth</li> </ul>	<ul style="list-style-type: none"> <li>Working to a longer term investment plan aimed at increasing farm profitability and generating wealth</li> </ul>	

LEVEL OF COMPETENCE IN MARKET-ORIENTED FARMING						
Level of market orientation	Indicator	Produces for home consumption	Produces primarily for home consumption with some sales at markets	Produces for the market and home consumption	Farms exclusively for market, but still very inexperienced	Experienced farming exclusively for the market
Participation in farm/rural enterprise groups		<ul style="list-style-type: none"><li>Minimal participation in enterprise specific groups to learn about economic opportunities</li></ul>	<ul style="list-style-type: none"><li>Member of an interest group and beginning to experiment with new ideas</li></ul>	<ul style="list-style-type: none"><li>Sustained membership for at least one year</li><li>Regularly experiments with new ideas on a small scale</li></ul>	<ul style="list-style-type: none"><li>Adopting the lessons that came out of group membership, but still seeks support and guidance</li></ul>	<ul style="list-style-type: none"><li>Key member/ leader in enterprise group</li><li>Develops and adapts the business enterprise to market changes</li></ul>
Input-output linkages	<ul style="list-style-type: none"><li>No understanding of input-output linkages and support services</li></ul>	<ul style="list-style-type: none"><li>Understands the importance of linkages</li><li>Begins exploring possibilities mostly with external encouragement</li></ul>	<ul style="list-style-type: none"><li>Member of group(s) taking advantage of linkages</li><li>Has established a few important linkages (with support)</li></ul>	<ul style="list-style-type: none"><li>Pro-active member of a group(s) taking advantage of linkages</li></ul>	<ul style="list-style-type: none"><li>Capacity to forge linkages without external support</li><li>Advises other farmers on potential linkages</li></ul>	
Use of support services						



Assessments are made through simple interviews with farmers who are asked about their farming operations using the eight following criteria:

1. Level of commercialization (farming system, area cultivated, market orientation).
2. Production technology.
3. Value addition/level of processing.
4. Business practices (record-keeping, gross margin, physical and financial planning).
5. Capitalization.
6. Participation in farm/rural enterprise groups.
7. Input-output linkages.
8. Use of support services.

Interviews can be conducted again at the end of the FBS programme and again several months later to see how the farmers have developed their competence in market-oriented farming.

## **1.13 Resource requirements**

There are essentially two levels of operation of the farm business school: The orientation of FBS facilitators and the organization of the farmer-level FBS. Each facilitator and farmer training programme has its own expenses. It is important to calculate the cost of activities and inputs to ensure proper school budgeting. The costs to be considered include personnel (e.g. coordinators, facilitators, resource people), transport, accommodation for facilitators in the field, training (and materials), monitoring, and other items and resources that support sustainability and scaling up the programme.

### **Orientation of facilitators**

The organizing agency will need to identify a corps of extension workers who are experienced facilitator/trainers, preferably with some background in farm business management.

The facilitator orientation programmes are classroom based and thus are more expensive than the farmer-level FBS. In addition to the training materials, they will need to cover accommodation and food costs of the participants in addition to the training resources and materials.

The training materials required are: white board and markers or chalk board and chalk; large sheets of paper; masking tape; marking pens; pencils; loose lined and unlined paper; data projector and computer.

**Give the facilitator a 'Handbook' and a 'Training exercises' manual**

### **Organization of farmer-level schools**

The farmer business school is meant to be conducted in venues near the homes of the participating farmers. There should be no accommodation and minimal food expenses for the participating farmers. In many cases, the farmers will organize among themselves to provide meals and teas for each of the school meetings. This is a very healthy approach and should be encouraged as it fosters greater ownership of the FBS - which, of course, is the intention. The greater the ownership of the FBS by the participating farmers, the greater will be the effectiveness of the school programme.

### **The handbook**

This book is what you are currently reading and is the core of the farm business school programme. As you can see, it is not intended to be a textbook for university or college students. It does not cover the theory behind farm business management, but rather focuses on the practical knowledge and skills that you will need to set up farm business school programmes. It has been designed as a guide for extension workers to adapt and apply the FBS in the field. It is essential that extension workers (facilitators) who participated in the 'Seven-day orientation' are provided with a copy of this book. Extension workers would be expected to use it to design and implement field-level training programmes for farmers. The handbook has been designed to provide guidance when setting up farm business schools and providing reference material on farm business concepts, and provides some of the core tools and resources required.

### **Training exercises**

Accompanying the handbook is a separate manual of training exercises grouped according to subject themes around core topics. The manual provides step-by-step guidance for the extension worker (facilitator) on how to conduct the exercises provided in a group setting and to ensure that quality training is given. The structure of the exercises, how to prepare for them and how they are to be conducted is explained in detail at the beginning of the training exercises manual. A list of topics following the exercise contents provides a quick-reference guide to assist users in the design of individualized learning programmes.

Section 2

**ESTABLISHING A FARM  
BUSINESS SCHOOL SYSTEM**



This section of the FBS Handbook provides guidance to organizers for designing training programmes. By intention, this is set out as a structured set of guidelines rather than step-by-step instructions. Farm business school organizers and their appointed facilitators are encouraged to take care to ensure that the school systems and programmes they initiate are not simply a mechanical application of the processes and exercises set out in the handbook. FBS systems and their training programmes must be tailored to the particular range of potential participants and their production systems and marketing options. The overall vision of developing a farm business school programme is shown in the Figure 2a.



Figure 2a  
Developing a farm business school programme

## 2.1 Localizing and adapting the training materials

The FBS organizers in any country would be expected to review the training materials and adapt them to the local context. Ideally this would be done collectively and together with the trained facilitators and, if need be, other training and curriculum development specialists.

Two important aspects of adapting the training materials need to be considered and these are the levels of literacy and the language requirements of the farmers who will participate in the programme. Organizers and facilitators will need to agree on the language(s) of instruction. It may be necessary to translate the materials into the local language(s) or dialects. If this is the case, then the necessary arrangements should be made at the earliest possible date.

While every effort has been made to keep the level of language accessible, whether using English or a local language, the materials may need to be adapted according to the levels of literacy of the intended participants. Similarly, some of the exercises require writing (or at least reading things using numbers and calculations) on a board for markers or chalk. The FBS organizers and facilitators will need to consider this when setting up their system and finalizing the training materials.

Those involved in this process should agree to some basic principles so that there is consistency throughout the training materials eventually used. In addition to language issues these might include the use of relevant localized examples and stories in order to make the exercises effective for particular participating farmers. As many of the exercises and materials are linked, care must be taken to ensure that changes effected in one part of the materials are effected in all other parts of the materials that are connected to it.

Even if the course is held in English, it will probably be necessary to make changes to the names, crops, currencies and other aspects of the examples and exercises. The best examples are those that come from the participants' and the facilitators' own experience. Thus, the examples given in the training materials can be replaced with more locally relevant material that gives the same information and message.

## 2.2 Planning facilitator training

The FBS programme has been designed to minimize the start-up training costs and processes. Depending on the circumstances in each country, it is envisaged that training of facilitators will run along any of three scenarios.

### Scenario 1

**The country has access to a significant number of extension workers with substantial training skills and experience and a working knowledge of farm business management.**

In this situation, the selected extension workers would be taken through a five-day orientation on the FBS materials to familiarize them with the philosophy, training approach and specific exercises used by the school.

In the process of the orientation, their level of knowledge and comfort with farm business management concepts and tools will emerge. Where gaps are found, additional orientation/training in technical areas can be organized. Once trained and orientated, extension workers would be deployed by the FBS organizers to set up and run the programme.

### Scenario 2

**The country has few suitably skilled and experienced extension workers, but has access to other personnel with the relevant training skills and experience and a working knowledge of business management.**

In this situation, external training personnel would be taken through the seven-day orientation on the FBS materials. These personnel would then take selected extension workers through a condensed version of the farm business school programme. The actual length and choice of exercises from the FBS collection would be determined by an assessment of the extension workers' capacity for training and their level of knowledge and comfort with farm business management concepts and tools. Once trained and orientated, the extension workers would be deployed by the FBS organizers to set up and run the programme.

### **Scenario 3**

**The country has few resources with training skill and resources and/or knowledge of business management.**

In this situation, special arrangements can be made between the host country and FAO to identify, train and complete the orientation of cadre personnel – preferably from among existing extension workers – who would then be used both to set up and run the FBS system and to train and orientate additional extension workers.

## **2.3 Preparing for the training**

Each country will have to decide on the method and process to identify and select facilitators. This cannot be prescribed by the FBS. However, the FBS can provide guidance to support whatever process is implemented.

### **Where to look for potential facilitators**

Farm business school facilitators could be drawn from the public sector extension service, NGOs, the private sector and from lead farmers in a geographic area of interest within a country. They should be good communicators and preferably have previous training experience in farm business management. Consideration should be given to the national and sub-national context and a balance of male and female facilitators must be found.

### **Qualities and criteria for selecting facilitators**

A good FBS facilitator must be motivated to work with farmers. Motivation is a fundamental aspect and its importance cannot be overemphasized. Whoever is chosen must be motivated to take on this type of work and be supported in their role. They should be able to 'make a difference' and run the school programme so that:

- Participants feel it is adding value to their knowledge and opportunities as farmers.
- All the resources available to the farm business school are focused on achieving the goals set.
- The school is run with a minimum level of conflict and a maximum level of participation.

A key characteristic of a good facilitator is the ability to communicate clearly. The ability and enthusiasm to listen is also valuable. A facilitator who does not listen will have problems facilitating. A good facilitator should also recognize that group dynamics and management are critical to the success of the school; if the participants do not work well together, the whole process becomes difficult.

A good facilitator is also a good problem solver. Facilitators may have to deal with problems among participants, between participants and family or community members, or between the farm business school and the community. Although one facilitator may not be able to solve all problems, he or she should be able to identify individuals or community, government or private organizations that can help. A good problem solver needs good observation and communication skills, as well as the ability to deal with conflict, as conflict is an inevitable part of working with people.

In addition to having a basic working knowledge of (farm) business management, a good facilitator will have other qualities. While it is unlikely that any one facilitator will have all the desired qualities, the qualities below should be taken into consideration when choosing facilitators.

### **Knowledge**

A practical understanding of ...

- Facilitation (and how it differs from teaching);
- Group dynamics and team building;
- The importance of interpersonal communication and conflict resolution;
- Methods of encouraging participation.

### **Skills**

A sound ability to ...

- Organize a learning space (i.e. classroom or other);
- Organize the learning materials;
- Be flexible in following learning processes while staying on course;
- Clarify or make sense of abstract concepts;
- Summarize discussions;
- Be reflective;
- Be creative.

### **Attitudes**

Must demonstrate ...

- Confidence in farmers;
- Respect for all participants;
- Respect for diversity of experience and viewpoints;
- A positive outlook;
- Sensitivity towards others.

### **Initial orientation**

After identifying a team of facilitators, it is important to meet them all directly – preferably as a group – to discuss the farm business school, its aims and objectives and what is expected of facilitators. The facilitators' commitment to the school process should also be assessed at this meeting; although it may be difficult to judge their level of commitment so early in the programme. The meeting is an opportunity to emphasize the group nature of the FBS approach and the need for facilitators to contribute their imagination, time and effort to reach school objectives. This first meeting is also a good time to start establishing team spirit among the facilitators and between the facilitators and the organizers of the farm business school.

Facilitators should be given plenty of time and opportunity to contribute to the meeting and ask questions. It is crucial to emphasize that the FBS is not a conventional school and that facilitators need different skills from those required in conventional teaching. It should be clear to facilitators that the learning approach is based on facilitation and learning-by-doing rather than on conventional instruction-based learning. The individual and group training needs of facilitators can also be established.

Following the initial orientation, the selected facilitators would then be taken through the formal seven-day farm business school orientation programme.



## 2.4 Conducting a training needs and wants assessment

As mentioned earlier, the FBS programme is not a set programme. It follows a basic outline and broad sequence of learning, but does not specify which and how the 100 exercises provided in the collection must be used. One of the key elements of the farm business school is that the actual programme followed should be based on a sound assessment of the farm business management knowledge and skills in the area of (farm) business management.

Thus it is strongly recommended that a training needs and wants assessment be conducted among interested prospective participants. The farm business school process does not prescribe a particular form of assessment as each country and/or extension service will know best how to conduct such an assessment. Indeed, such an assessment may have already been conducted.

In addition to assessing training needs, it is important also to assess training wants. Very often farmers have very clear and specific interests regarding what they want to learn regarding improving the profitability of their farms. If the school can address these wants, it will build greater confidence among the farmers and improve their level of participation. Of course, assessing their wants would have to exclude technical/production issues and be limited to those related to the business aspects of farming.

It is recommended that the training assessment be done as a part of the recruitment and invitation process, rather than as a stand-alone operation. This connects the assessment directly to the establishment of an FBS in a particular community and associates the assessment with the immediate planning for the farm business school. See Section 4, Item 4.1, 'Assessing training needs and wants' for more details.

## 2.5 Setting goals for a farm business school

Farm business school organizers must have a clear vision about what they want to achieve using the FBS. In most cases this will be linked to national/regional goals for agricultural development. In general two sets of goals are relevant.

**First is a goal regarding establishing the FBS system in the country.** This would include setting targets for establishing the policies, processes and infrastructure for training and for supporting field operations. It would include targets for distribution of similar schools throughout sub-regions or districts. It would also include setting targets for the number of facilitators to be trained - this number would be, in part, determined by the target for throughput.

**Second is a goal regarding throughput.** Once there is a clear picture about how the overall FBS system will operate and how it will be rolled-out, it is then in order to set goals for the number of farmers who will be invited to participate in the programme over a given period of time. This number will, in part, be limited by the number of FBS facilitators that can be trained. Assuming that the facilitators will be selected from among existing extension workers, it is further assumed that these workers will have a variety of responsibilities and will not be involved exclusively in running farm business school courses.

A basic common sense rule is that any one farm business school could effectively handle 15-20 participants. It is suggested that one facilitator could handle two groups at the same time. Therefore, a minimum of 1 facilitator is required for every 40 farmers to be taken through the programme. Using this basic 'formula' the farm business school organizers can set targets for training facilitators and farmers.





Section 3  
**BUILDING BUSINESS  
MANAGEMENT SKILLS**

A significant portion of the FBS experience centres on acquiring knowledge and skills that will enable the farmers to develop and implement a farm business plan. They should be able to evaluate the performance of their farm businesses as well as evaluate their own performance as farm businessmen. To facilitate this the programme provides a booklet of training exercises with numerous examples to be used when planning and conducting a farm business school. The exercises are organized around key areas of learning that fall within the following five themes:

Themes	Key learning area
1. Preparing to farm as a business	1. Key business concepts 2. Entrepreneurship
2. The current farm business	3. Analysing the farm business
3. Planning the farm business	4. Developing a farm business plan
4. Implementing a farm business plan	5. Farm business management 6. Purchasing inputs and materials 7. Mobilizing finance 8. Linking to markets 9. Producing safe and quality products 10. Group business management
5. Reflection and evaluation	11. Assessing the performance of the farm business plan 12. Reflecting on experiences and lessons learned

Themes 3, 4 and 5 have a progressive nature to them; they take the farmers on a journey from where they are, to planning for a future, to evaluating progress toward realizing that future. The 'learning-by-doing' approach provides the farmers with a structured learning experience in which they can learn the theory and practice of farming as a business, implement that learning and then evaluate the progress of their farms and of their own farm business management skills. This iterative process is intended to reinforce learning so that by the end of one cycle of the FBS, the farmers are on a clear pathway to commanding the progress of their farm businesses.

### 3.1 Preparing to farm as a business

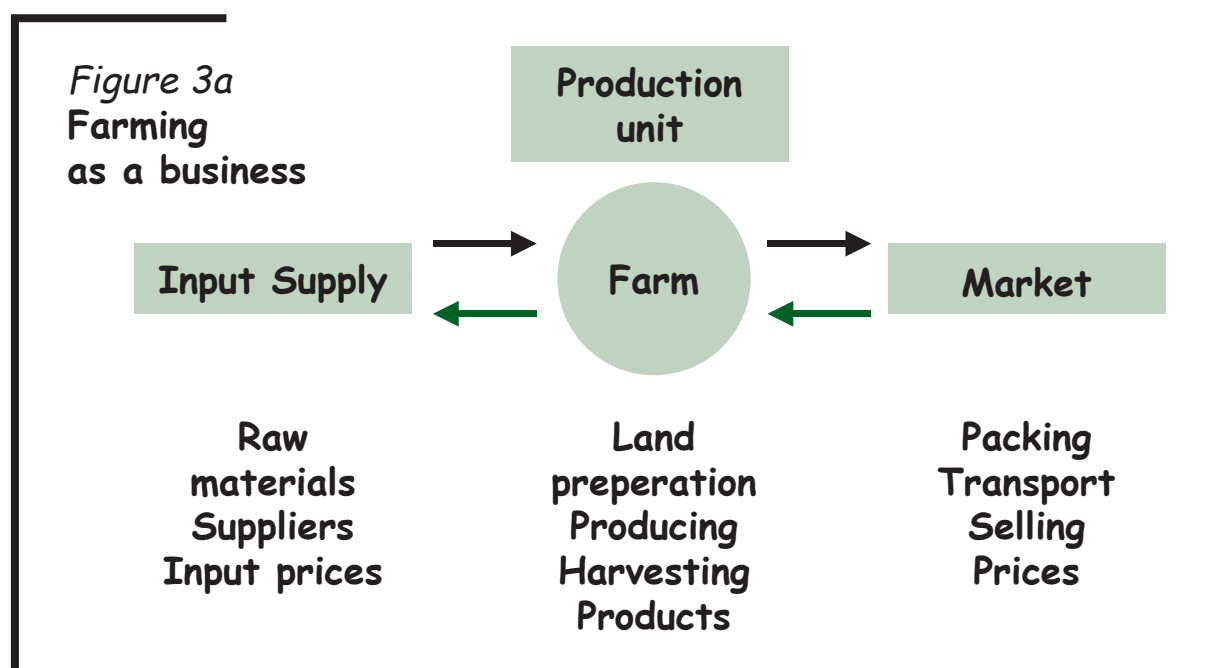
#### Key business concepts

##### Commercial farming environment

The commercial farming environment is rapidly changing. New marketing opportunities, new production and processing technologies, and increasing competition create challenges for small-scale farmers. They are faced with hard choices about how to run their farm businesses. For most, producing primarily for home food consumption and selling surpluses is no longer viable. Some farmers are only generally aware of these changes and the impact they have on their farm businesses. A first step to assisting farmers move toward more profitable market-oriented farming is helping to understand these changes and how they affect their farm businesses.

##### Farming as a business

For many small-scale farmers, their farms are production units. They focus on the land and the production activities, not on the business aspect of their farms. But in reality, their farms are businesses; they are businesses that produce agricultural products. And in order to keep pace with the changing environment, farmers need to see their farms as a business. Specifically they will look at the three key elements of any market-oriented farm: input supply, the production unit, and the market.



### The farm business cycle

Planning and implementing a business follows a specific cycle. It starts with diagnosing the situation and identifying opportunities. Plans are made to exploit these opportunities. Plans are implemented - which includes organizing, producing, monitoring and marketing. After implementation, the results are evaluated. Then the cycle starts again. In this way the farm business is continually improving using a systematic and methodical approach. This is essentially a learning cycle marked by three distinct phases: planning, acting and reflecting. Using this cycle helps farmers make better decisions and reduces the chance of making impulsive, unplanned decisions. Building capacity to plan, act and reflect is key to successful farm business management. With practice this becomes a reflexive way of thinking, enabling farmers to be in a constant state of learning and advancing based on the results of their decisions and actions.

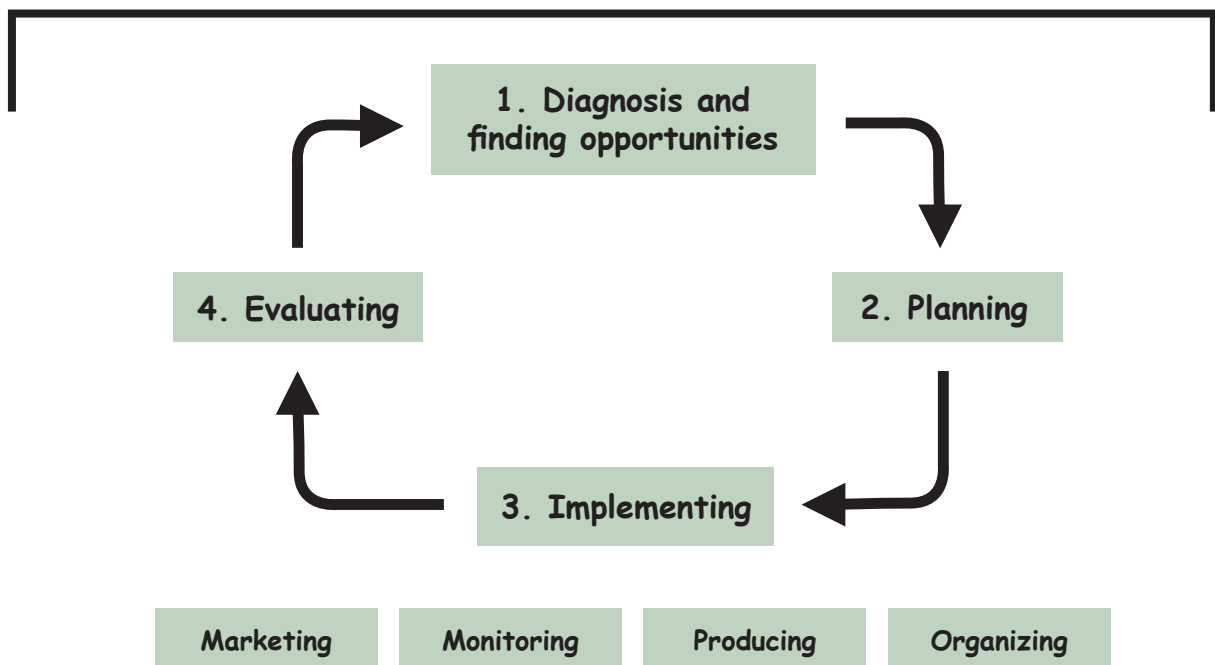


Figure 3b  
The farm business cycle

### Applying the farm business cycle

In terms of a farm business, diagnosis is the process of investigating or exploring the farm business to see where improvements can be made. It can identify problems or opportunities that the farmer can investigate further and then act upon.

Once a diagnosis has been done, ideas about possible changes will emerge. Planning addresses the questions such as what and how much to produce and how to produce it. Planning ensures that the farmer has carefully thought through ideas for change before he implements them. Planning ensures that changes and new ideas are carefully thought through before being implemented. The impact proposed changes or new technologies or systems will have on the farm business are estimated so the farmer can make an informed choice on whether to implement the change or use the new technology or system. If he decides to go ahead, it will be with an objective understanding of the likely outcome.

Once a plan has been made, it needs to be implemented. Like diagnosing and planning, implementation requires careful thought. Farmers need identify the steps to follow to implement the plan and the order in which those steps should be done. However, things may not go exactly as planned and the farmer needs to be able to adjust his implementation programme based on what actually happens on the ground.

Marketing is an important element of the implementation stage in the farm business cycle. It is one of the most critical aspects of farming for profit. As with the other stages in the cycle, marketing needs to be planned carefully. The farmer needs to consider how to prepare the product for the market, how to package it and how to transport it to the market. And, of course, he must sell the product which includes deciding on a final price. Therefore, marketing is discussed in detail by exploring the main elements of marketing: preparing, packaging, transporting and selling.

Every good farm plan is carefully evaluated to assess what worked and what did not work, what was effective and what was not effective. The farmer needs to know if he achieved his objectives or not. Did he meet his production targets? His marketing targets? His profit targets? If he didn't, he must find out why. If he did, then he can look for additional ways to improve his farm.

If a farmer wants to develop a plan to improve his farm business, he needs to clearly understand what the key aspects of a farm business are. This will help him stay focused on the most important

things that affect his farm business and not be distracted by interesting, but less important issues.

**Farm profit, income, costs**

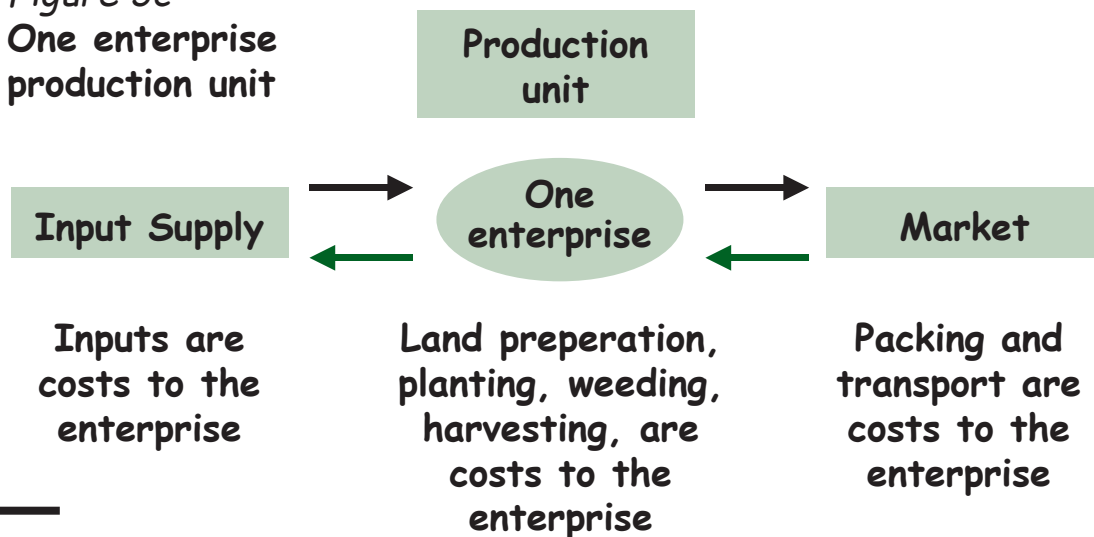
Profit is not the same as income. Profit is the money left over from income after the costs have been deducted. This is one of the most important concepts in farm business management. Many businesses fail because they treat income as profit. If inputs and other resources have been purchased on credit, those debts need to be paid off first. If inputs and other resources have been purchased for cash, then the farmer needs to set aside some of the income from the current season to purchase input and resources for the next season. In either situation, profit is the amount of money left over after the costs have been covered.

A farm is usually a collection of two or more enterprises, for example, maize and cattle, or eggs, groundnuts and wheat. It helps farmers manage their whole farm business when they can clearly identify the different enterprises and how they individually affect the profitability of the farm. While farmers need to be able to make decisions about the whole farm, they also need to make decisions about the individual enterprises.

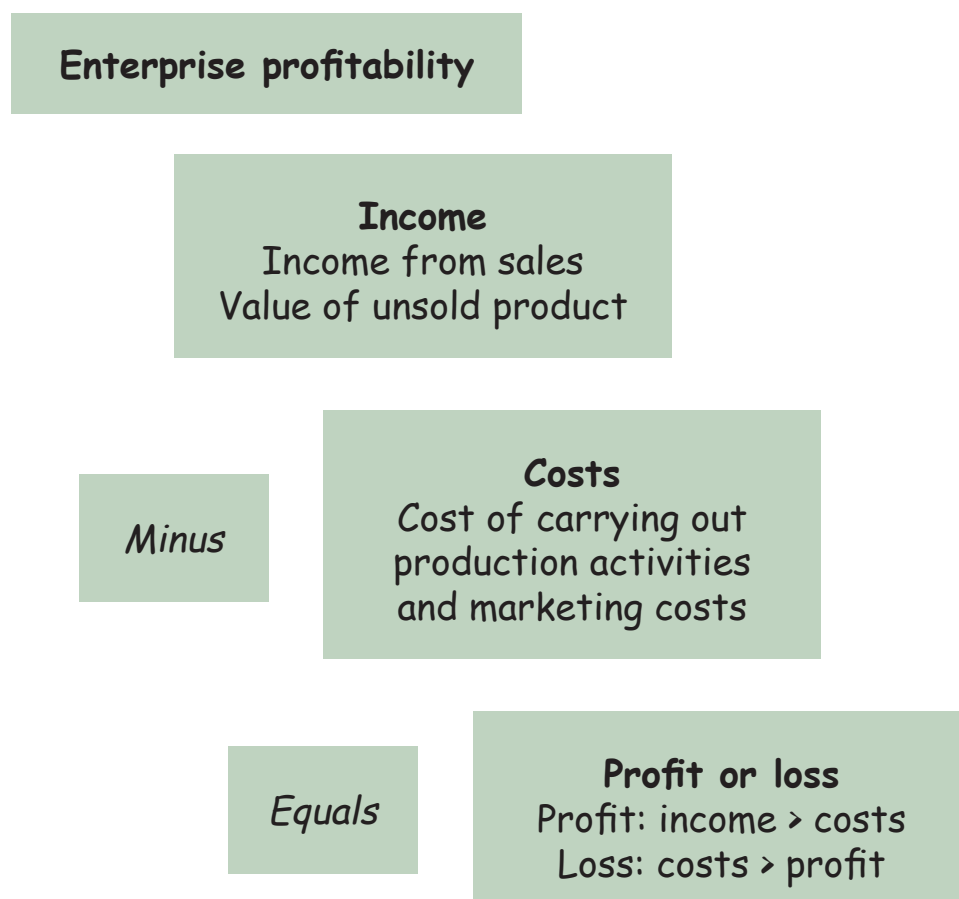
Each enterprise on a farm makes a unique contribution to the profitability of the whole farm. A farm can make a profit while at the same time one of its enterprises is making a loss. If the farmer only looks at the whole farm, he will not see that he is making less money than he could. When the farmer looks at the profitability of each individual enterprise, he will be able to identify which enterprises are profitable and which are not. Then he will be able to decide what to do about the unprofitable enterprise; he can take steps to make it profitable, or he can stop producing that enterprise.

To maximize profit, the farmer needs to know exactly how each enterprise is performing. Therefore, he must study them individually by looking at the costs associated with inputs and production of each enterprise and with the income generated by marketing that enterprise.

*Figure 3c*  
One enterprise  
production unit



*Figure 3d*  
Income, costs, profit or loss





Farm businesses have two basic types of costs: variable costs and fixed costs. Variable costs are those costs which change (vary) with production. They are usually things like seed, fertilizer, hired labour costs and other inputs. If more is produced, variable costs increase. If less is produced, variable costs decrease. Fixed costs do not change with production. These include things like land rental, maintaining infrastructure and permanent labour. No matter how much is produced, the fixed costs remain the same.

There are many factors that affect the profitability of a farm. They are usually factors that affect the cost of producing and marketing the enterprise and factors that affect the price of the product sold. The factors are usually related to things such as input suppliers and the cost of inputs, technology, the amount of home consumption, market demand and prices, credit and competitors. When a farmer knows how these factors affect profitability, he is able to take action to improve his farm's profitability.

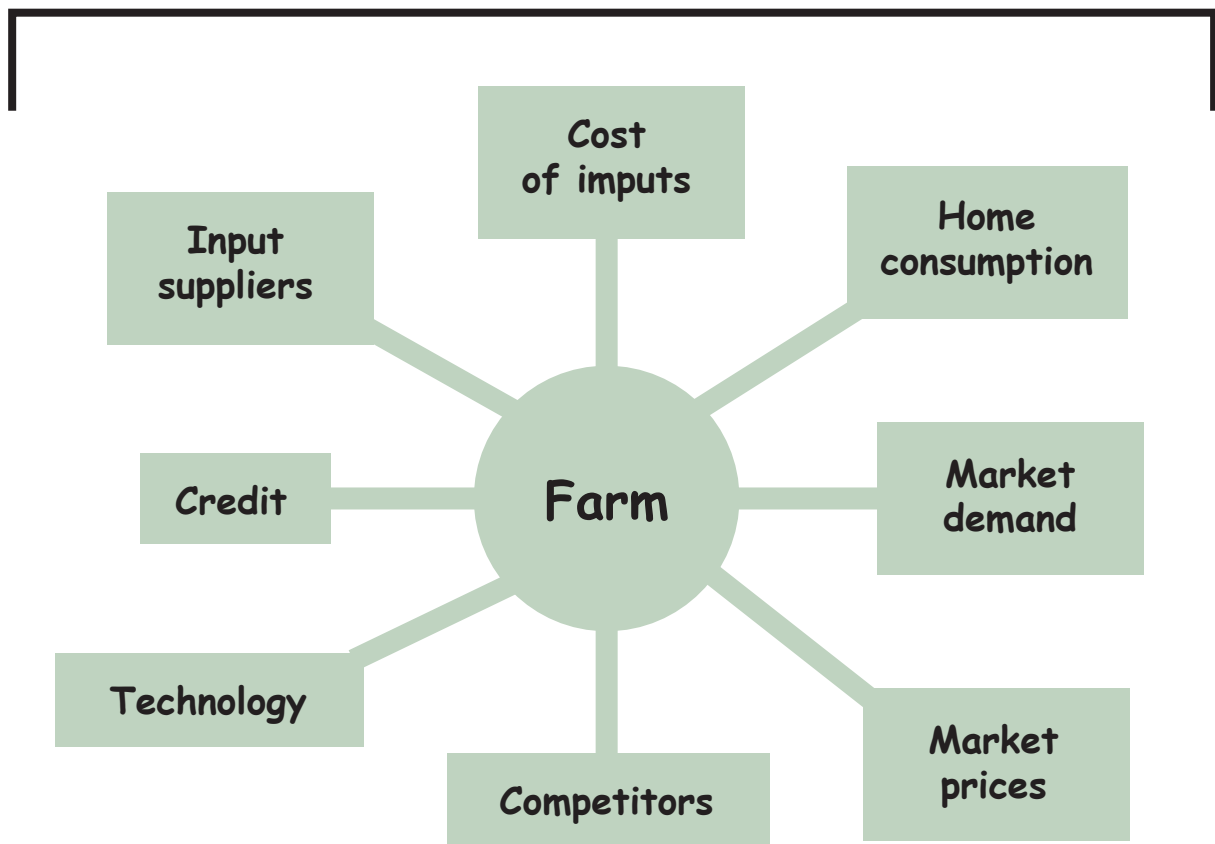


Figure 3e  
Things that effect profitability

**Cash flow, cash availability**

Cash is the life-blood of a farm business. Unless a farmer has enough cash to pay for the inputs, labour and other costs, he will not be able to run his business. A wise farmer always works out ahead of time his cash outflow: how much cash he will need and when he will need it. He will compare that to his cash inflow: how much cash he can access and when he can access it. Together these make up his cash flow. Determining his cash flow enables him to identify the times in the production season when he may run short of cash and, based on that, make a plan to raise the cash needed in time.

**Planning for risk**

One of the biggest factors that contribute to the failure of farm business is not identifying and planning for risk. Drought, increases in input prices, decreases in market prices are all risks that farmers face. In each case the farmer needs to examine the risk and estimate the impact it will have on his farm profits. For example, What will happen if the price of inputs increases by 10%? What will happen if the market price for his product decreases by 5%? What if there is a labour shortage or the cost of hiring labour increases?

**Entrepreneurship**

Entrepreneurship is not easily defined. What is evident is that successful entrepreneurs have certain characteristics in common. They usually enjoy what they are doing, they plan everything, they are careful with money, they project confidence in themselves and in their businesses, they are willing to change and try new ways of doing things, they look for a competitive edge, something that makes their product stand out, they are trustworthy and reliable, they are good negotiators, and they are always aware of what is happening around them and are always on the lookout for new opportunities. One of the best ways to identify those characteristics and to make them real in the minds of farmers is by meeting and talking with successful entrepreneurs.

To help farmers think more deeply about entrepreneurship, it is useful to get them to reflect on the degree to which they have the characteristics of an entrepreneur. Making such an assessment will enable them to make decisions about how to strengthen their

entrepreneurial capacity. This is part of the reflexive learning discussed earlier. The more they do it, the better they will become at objective self-assessment, which is critical to having a successful and profitable farm business.

## **Negotiating skills**

Negotiating is an important skill needed by all successful entrepreneurs. It is used when purchasing inputs, hiring labour, engaging transport and pricing products at the market. Negotiating is the process by which two or more parties discuss and agree on the arrangements for a particular activity or business arrangement. A good negotiator knows the value of things, how different jobs get done and how long they should take. He knows when the input price is too high or the market price is too low. He knows what his alternatives are and how each decision will affect the profitability of his farm business.

In addition to having certain knowledge, a good negotiator also has particular skills such as the ability to say 'no', the ability to listen, the ability to stay calm and focused, the ability to make quick calculations, and the ability to see a way for both parties to 'win'. The better a farmer is at negotiating, the better his chances are to improve the profitability of his farm business.

## **3.2 The current farm business**

### **Analysing the farm business**

The first step in analysing a farm is to create a reliable sketch map that shows how the land is used, what products are produced, and the inputs and technology used. Many small-scale farmers do not make maps of their farms, but would greatly benefit if they did because it is a useful tool when planning the future of the farm. Farm sketch maps do not have to be precise, but they should be reasonably accurate. Their measurements do not have to be exactly to scale, but they should give a reasonable idea of the relative size of different plots. The drawings of the infrastructure do not have to be exact, but it should be easy to identify the different structures and buildings, road locations, water points and other important elements.

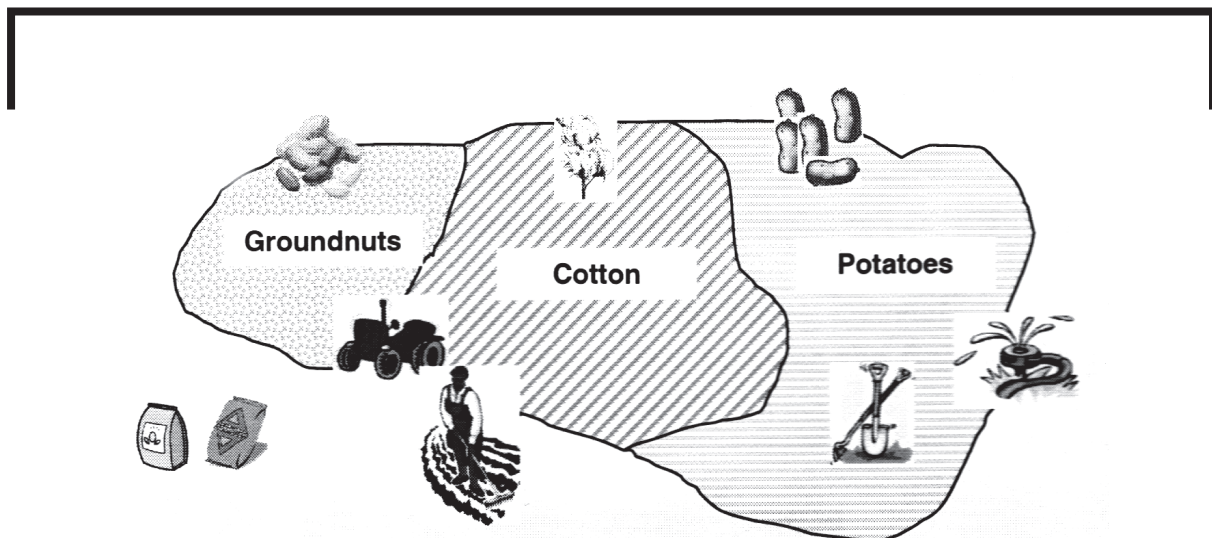


Figure 3f  
Example of a sketch map

Most farms produce more than one enterprise. Often the relationship between these enterprises is not known. And yet, it is important to know if the enterprises on the farm compete with each other or if they supplement or complement each other. When enterprises compete with each other, it often leads to lower profits. When they supplement or complement each other, it can help increase profits. Knowing this helps the farmer decide on the use and allocation of resources when planning the farm to ensure that it is as profitable as it can be.

Part of diagnosing a farm business includes understanding the strengths and weaknesses of the business. Strengths being the positive aspects of the farm that contribute to profitability; weaknesses being the aspects of the farm that are hampering profitability. Strengths and weaknesses can be found in every aspect of the farm: for example the land, the production system, the marketing system, management, labour.

## Appraising the market

Marketing is a core function of any profit-making farm business. Farmers need to understand how the different markets work and the relative value of using local, regional, national and international markets. They need to understand how the product moves from the farm to the market, how it is handled and processed and by whom. This will help farmers choose the market that will bring the greatest profits.

Figure 3g

**Marketing is the exchange of goods and services for money**



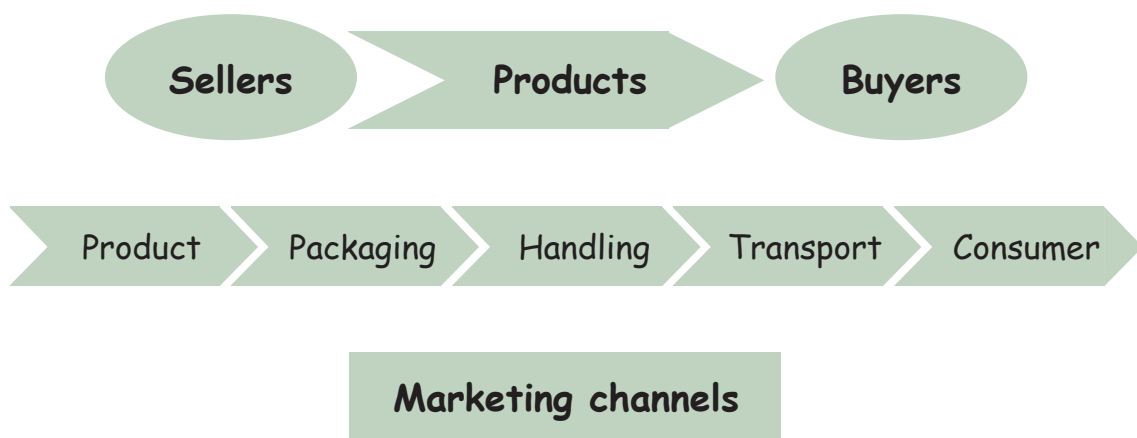
Value-adding is the process of increasing the value of a raw farm enterprise or agricultural product by improving the product through any of a number of activities such as cleaning, packaging and processing.

Adding value gives the farmer more bargaining power, as he is marketing a product that is closer to the form in which it will be used by the end-consumer. For example, a wheat farmer who mills his wheat and sells flour. Another example is a sheep farmer who sells butchered sheep instead of live sheep. Adding value also helps the farmer spread his risk as he has an additional source of income and does not rely only on selling his raw, unprocessed agricultural product.

Products that have added value generally obtain higher prices in the market. This makes them potentially more profitable. However, adding value also adds to the costs, so farmers need to make sure that the value added is greater than the cost of adding value.

Figure 3h

**Marketing channels: At each stage a cost is added**





Among the marketing decisions to be made one is where to sell products. This requires investigating the options for each enterprise on the farm. Farmers need to determine where their products can be sold, what quantities can be sold and when is the best time for each market. Choosing a market depends on many factors such as how the product gets to market, the quantity the market can handle, the market's requirements about quality, packaging and other conditions and how the money is handled.

## **Benchmarking**

Benchmarking is a very powerful way to explore how to improve farm performance. Essentially it involves comparing one's own farm to different aspects of farms that are known to be successful. The process helps pinpoint areas to be improved in terms of land, labour, capital, input supply, production, post-harvest marketing, infrastructure and management. Benchmarking involves careful preparation and includes visits to farms that have been selected as example or benchmark farms.

## **3.3 Planning the farm business**

The second stage in the farm business cycle is planning. This is when the farmer uses all the information he has gathered during the diagnosis stage to develop a plan to improve the performance of his farm. The aim is to make the farm more productive and more profitable.

### **Visions and goals for the farm business**

The first step in planning is to create a vision and goal for the farm business. A vision is essentially a statement about how the farm business will look after some period of time - at least five or ten years. It is a description of the future of the farm business. In order to achieve the vision, the farmer identifies goals for the farm business that will push the farm business, step-by-step, towards its vision.

### **Strategic Planning**

Once farmers have created a vision and set goals for their farm businesses, they need to develop a strategic plan that identifies the actions that need to be taken to achieve the goals that will lead the

farm business to fulfil its vision. Strategic plans should be realistic and based on facts. They should not be a statement of high hopes that are not supported by sound information about the farm and about other aspects of the value chain. Strategic plans should be clear, structured and able to stand up to questions as hard as might be raised by a bank or other funding agency.

Part of strategic planning is to identify and understand what strategic planning options exist for the farm business. The options generally include one or more of the following:

- Diversify. Increase the number of enterprises produced.
- Lower costs. Produce the enterprise at the lowest possible cost.
- Expand the size of the business. Increase the value of sales and/or assets.
- Add value to the enterprise. Process or package the product before it is sold.
- Specialize: Reduce the number of enterprises, and to concentrate on producing and marketing these profitably.
- Differentiate the product. Make the product different and better than those of their competitors.
- Integrate. Link the farm business with other farm businesses or other businesses in the value chain.

After exploring the options, farmers need to develop a strategic plan that is specific to their own farm businesses.

## **Farm enterprises**

A part of developing a farm business plan includes choosing enterprises. During the diagnosis and early planning stages, the farmer will have examined how his current enterprises impact on one another, what the market wants, how his farm business needs to change to be more like successful farm businesses, and what strategic options are most suitable to his own farm business. Eventually, the farm needs to decide what enterprises to produce. Each enterprise option needs to be tested for viability. Is it technically possible? Is it profitable? What labour would be required?

Once a farmer has an idea of what he would like to produce, he needs to make sure that it is actually technically possible to produce the enterprise on his farm. Is the soil appropriate for the enterprise? What about the climate and the topography of the land? Does he or she have access to the water needed by the enterprise? All of these things need to be checked before the farmer can commit funds to producing the enterprise.

If it is technically feasible to produce an enterprise, then it is necessary to find out if the enterprise can be profitable. To do this the farmer needs to develop an enterprise budget for the enterprise. This will show him if the potential income from the enterprise will cover at least the variable costs of producing the enterprise. If it is not profitable, then the farmer should not produce the enterprise. Similarly, he or she should compare the profitability of the chosen enterprise with the profitability of other enterprises to see which are the most profitable. When the farmer has done this, he or she will be in a better position to choose which enterprises he will produce.

Another factor in determining if a farmer should produce an enterprise is to assess the input requirements for the enterprise. This means he or she needs to identify all the inputs such as implements and tools as well as seed, fertilizer and pesticides for crops and feed, drugs and vaccines for livestock. These inputs should be the same as those identified in the enterprise budget. In addition, the farmer needs to know how much is needed, what its application rate is, the amount needed for 1 hectare, when it is needed and who can supply it. If there is no (reliable) supplier, then it will not be possible to produce the enterprise.

Still another factor to consider is the labour requirements for the enterprise. How much labour is needed to produce the enterprise? When is it needed? How much labour does the farmer have from within his or her family when it is needed? How many workers will he or she have to hire, and when? Is labour available when it is needed? What is the cost? All of these factors need to be considered before committing any money to producing the enterprise.



## **Preparing and using a business plan**

When this point in the training programme has been reached, the farmers should have already established a vision and set goals for their farm businesses. They should have selected their enterprises for the coming season and tested them for technical feasibility and profitability. They should have already established the input requirements and have developed a labour plan. Therefore, these do not need to be repeated when preparing the actual business plan.

## **Developing an action plan**

A plan is only effective if it is implemented. To implement a business plan requires an action. An action plan is essentially a list of tasks and activities organized in the order in which they should be done, when they will start, how long they will take and who is responsible for doing them. Developing and using an action plan reinforces a steady, systematic approach to running the farm business and reduces impulsive decision-making.

## **3.4 Implementing a farm business plan**

### **Record-keeping**

Records are a critical part of successful and profitable farming. Without records, the farmer cannot evaluate, diagnose or properly plan his farm business. Records do not have to be sophisticated or complex, but they do have to record the information needed by the farmer in a way that is easy to use and understand. (See also Page 98 in Item 3.8 for 'More about farm management records'.)

Many farmers are reluctant to keep records. They may understand the importance, but still they do not keep records. Sometimes this is because they do not have a clear picture of what records are needed or how to keep them. Most farm records can be kept in a simple way. They do not have to be complicated. The main point is that they must be written, clear and easy to find and understand when needed.

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The following are seven basic farm business records:

- Production records;
- Labour records;
- Cash inflow records;
- Cash outflow records;
- Home consumption records;
- Profit and loss records;
- Fixed asset records.

## **Purchasing inputs and materials**

Much of the profits of a farm business are tied up in the inputs and other materials needed to produce the farm business enterprises. Therefore, what inputs and materials are purchased, where they are purchased and the prices paid all have a direct impact on the profitability of the farm business. An important aspect of this is finding the best supplier for each input. Farmers need to think about what makes a good supplier. What qualities should they look for? Reliability? Trustworthiness? Regularity of supply? Quality of products? Level of service? And they need to investigate which suppliers have these qualities.

Identifying suppliers, visiting them and then reflecting on the information gained helps farmers make sure they are working with the best suppliers for their farm businesses.

## **Mobilizing finance**

Without the funds to purchase inputs, pay labour, hire equipment and cover marketing costs, the farm business cannot operate. Most small-scale farmers do not have access to the cash needed to run their farms as a market-oriented farm business. They will need to borrow money either to purchase specific equipment or to cover running costs. Preparing a cash flow tells them when they will need borrow cash. But where will they get the cash? They need to carefully assess possible sources of finance. They also need to understand the role of credit and the risks and responsibilities it entails. Before borrowing money, they should also look at the possibility of saving as a means of raising cash. They should also explore the possibility of group saving schemes.

Part of choosing a source of finance is assessing them and deciding which offers the best option. There are many options including one's own savings, borrowing from relatives or friends, borrowing from traders, borrowing from buyers, bank credit, credit against produce sold, and grants from donors or government. Farmers need to think about the sources of finance available. Which of these is the best for their farm business? What are the advantages of each of these? What are the disadvantages?

Most of these options involve credit, borrowing money and repaying it later. Which source of credit is the most appropriate? What qualities should the farmer look for in a creditor? Trustworthiness? Interest rates? Terms of credit? Repayment requirements?

**These are all important questions to consider  
when choosing a source of finance.**

Credit has a particular role to play in managing a farm business. It can help get a new enterprise started when the farmer does not have his own cash to get started. But credit comes with risk. Whatever money is borrowed, has to be repaid with interest. The money borrowed must be used wisely and in ways that make it possible to make more money in return. Money should be borrowed only if the enterprise is profitable and there is reasonable certainty that enough money will be generated to repay the loan. Money should never be borrowed to pay off another loan.

An important source of funds is savings. While it takes discipline to save, saving improves the farmer's ability to cope with emergencies without having to borrow money or selling assets to raise funds. One does not need to be wealthy to save; everyone can save, even if it is a small amount. Many farmers have formed group saving schemes where they can pool their resources and help one another when needs arise. If they are well organized and the participating members are united, group saving schemes are a very effective way to mobilize funds.

## **Linking to markets**

A solid market plan is important to a successful farm business. Linking farmers to the market is more than just knowing where the different markets are, it is also about understanding and using market information

to reduce risk, deciding on products and timing of production, checking prices, determining how to best handle the product after harvest - including post-harvest processing.

Part of preparing a market plan is gathering, understanding and using market information. A market plan must be based on real and reliable information, not on feelings, assumptions or unconfirmed information. It is sometimes hard for farmers living in remote areas to obtain free and unbiased information. But farmers can usually get market information from government run market information services, traders, other farmers, extension workers, marketing boards and agri-processors. However, farmers must take care to make sure that the market information from traders is not biased to force lower prices. Similarly, other farmers may not have accurate information or may exaggerate prices.

A great deal of the profitability in agricultural products is determined by how the product is handled after harvest. There are three basic principles to bear in mind when handling products after harvest: maintaining quality, maximizing shelf-life and managing the supply of the product to the market. These are all affected by the methods of harvesting, post-harvest handling, packaging, storage and methods of transport.

If a farmer wants sell his products at a market, he will need to harvest, handle, package, store and transport the products in a way that meets the requirements of the market so that they can fetch the best possible price. How the product is handled after harvest affects the quality of the product, which in turn, affects the price of the product.

In addition to the handling, packaging, storing and transporting of products after harvest, farmers should also give consideration to processing the product after harvest. Products sold in their raw state fetch lower prices than the same product which has been processed. Primary processing includes things like shelling and drying. Secondary processing includes hulling, splitting, grinding and milling. Tertiary processing includes converting uncooked foods into products for human consumption.

## Contract farming

One way farmers can secure their market is through contract marketing where the farmer enters into an agreement with a buyer to produce a particular product to specific requirements of quantity, quality and timing. Before entering into a farming contract, farmers need to understand how they work and their advantages and disadvantages. They also need to know what should be included in the contract to make sure they are protected and are getting a fair deal.

Contract farming can help smaller-scale farmers diversify, as they provide a guaranteed market for the product. With a contract the selling price is known from the start, which reduces risk. Contracts allow farmers to access markets they might not otherwise be able to access. They also usually have quality requirements and therefore the contracted buyer will often provide extension and advice. In this way farmers can learn new enterprises and new technologies that they might not otherwise risk learning or experimenting with.

Contract farming also has limitations. Farmers are not free to run their farms as they want; they must produce according to the contract. This may require the farmer to borrow money to buy equipment to produce the product according to the contract. The farmer is also obliged to sell the quantity agreed in the contract to the contract buyer. This means if a better opportunity comes along, he cannot take it up.

Contract farming also provides opportunities for farmers to work together. Collective contract farming helps spread risk, improves their chances at obtaining financing, increases the possibility of meeting the volume requirements and facilitates better input and market prices. Through group contract farming, weaker or struggling farmers can get help from stronger farmers.

Before entering into a farming contract, farmers will need to be clear about what is normally included in the contract. The main elements are: the duration of the contract, quality standards, production limit, cultivation practices, product delivery arrangements, pricing arrangements, payment procedures, arbitration terms and insurance arrangements.



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## **Producing safe farm products**

While making profits is important, it is also important to make sure that the products produced by the farm business are safe for human consumption. There are standards for 'safe food' which the farmer must meet. The World Health Organization of the United Nations (WHO) has set some international standards for food safety. The basic principle is that farmers should ensure that the food they produce will not cause harm to the consumer when it is prepared and/or eaten according to its intended use.

The farmer also needs to be aware that harmful things can be introduced to the product at any stage along the value chain. Farmers need to consider the kinds of seeds, rootstock and animal stock they will use, what chemicals they will use, how they will harvest, and how they will handle and store harvested products. Farmers will need to balance safety standards with profits.

## **3.5 Group business management**

Changes in local, national and international marketing create pressure on farmers and challenge them to find ways to reduce risk and reduce costs. One of the ways farmers can meet this challenge is through collective action - through group business management. Farmers can work collectively on two levels: partnerships among producers, partnerships along the value chain.

### **Partnerships among producers**

Sometimes a single small-scale farmer cannot compete with other producers and players in the agricultural value chain. In such cases, he may want to consider joining forces with other farmers to improve their ability to compete and succeed. One of the most viable ways to work together is through group marketing. This has many advantages such as increasing bargaining power, getting better prices and sharing risk. It also has some disadvantages including loss of flexibility and having to accept agreed prices even if higher prices can be found. As with all good farm business practices, farmers should approach group business management carefully and systematically. They need

to decide on the criteria for membership, what each member should contribute, what services should the scheme provide to members, how the group should be managed and how the scheme should be financed.

Collective marketing will not happen unless it is well planned and organized. The farmers who want to work together need to consider a number of important questions that will ensure that the group functions well and that all the members benefit fairly from the collective action.

Some of the more important questions are:

- What are the criteria to become a member of the scheme?
- What should each member contribute to the scheme?
- What services should the scheme provide to the members?
- How should the group be managed?
- How should the scheme be financed?

The success of a group marketing initiative often depends on how clearly and fairly these questions are answered.

## **Partnerships along the value chain**

In the changing farming environment farmers need to increasingly recognize that they are part of a chain and that the competitiveness of the chain is often more relevant than the competitiveness of any individual actor-farmer. In today's world competition more often takes place between chains rather than between individual actors. Farmers need assistance to build their capacity and skills to participate in, contribute to and benefit from a value chain. Key factors in realizing this are fostering collaboration and building trust between stakeholders within a chain.

This topic is covered by seven (7) exercises that are interlinked. The exercises begin by helping farmers identify and describe the value chain to which they belong. Next the farmers name the various actors in their value chain and establish criteria for evaluating partners. After an initial evaluation is conducted and potential partners have been selected, they are invited to the farm business school for a

panel discussion. This is followed by choosing certain value chain partners to begin negotiating with and finally a brief plan is developed to select a potential partner.

## REFLECTION AND EVALUATION

### **3.6 Assessing the performance of the farm business plan**

Here we are concerned with assessing the performance of the farm business plan and testing whether or not the plan improved the profitability of the farm. The process involves the following;

- Reviewing farming operations at the end of the production year.
- Practice using farm records as a means of assessing performance.
- Benchmarking and evaluating farm performance.

A successful evaluation relies on the records that farmers have been keeping on the performance of the enterprises for which they developed their business plan.

As a result the exercises provided for this topic are meant to be carried out after the farmers have completed a whole production cycle with at least one enterprise.

### **3.7 Reflecting on experiences learned: assessing the FBS and its lessons**

Farmers who have been through the farm business school programme will benefit from reflecting on their experiences and lessons learned. This will help both the farmers and the extension workers to determine the farmers' need for further assistance.

Such a reflection will also help improve the farm business school in the future. The exercises provided pose a series of questions to help access both the lessons learned and the effectiveness of the FBS itself.



## ADDITIONAL MATERIALS: TOOLS AND RESOURCES

### 3.8 Enterprise budgets: Information and practice

The following material outlines a number of farm business management concepts and includes exercises relating to some of the concepts. The aim is to help FBS facilitators learn or refresh their understanding of these concepts. Depending on the capacity of the farmers, particularly their numeracy, the facilitator may choose to include some of this material in the school curriculum in addition to that provided in the 'Training exercises' manual.

#### Enterprise budgets

An enterprise budget is a fairly detailed estimate of the output, cost, and profitability of individual crop and livestock enterprises. An enterprise budget can be used for at least the following purposes:

- To compare the performance of a single enterprise using different farming practices and technologies.
- To calculate the potential profitability of producing an enterprise.
- To compare the profitability of two or more enterprises.

The enterprise budget is also called a gross margin budget because profitability is based on the gross margin of the enterprise. The enterprise budget includes all costs involved in producing the enterprise. It is not profit because it does not include all costs. (It excludes fixed costs which the enterprise shares with other enterprises.) The term gross margin generally refers to the remaining income from an enterprise after the variable costs are deducted (Gross income less variable costs). But it is an indication of the profitability of an enterprise. If an enterprise does not have a positive gross margin, then that enterprise is not profitable.

A gross margin is usually calculated on a unit basis. It can be calculated on a per hectare basis, or as a return to labour, based on the number of days worked by the farmer and her family. These would be expressed as \$/ha, \$/worker, \$/person day, respectively.

Every farmer who markets some of his farm products should know his costs of production and should be able to calculate the gross margin. This will allow him to analyse the current performance of an enterprise using current prices and input-output information. Using the gross margin he can project information into the future; this will help him plan and make decisions. This is called budgeting.

### Calculating a gross margin

The basic formula for calculating a gross margin is as follows:

$$\boxed{\text{Gross margin}} = \boxed{\text{Gross income}} - \boxed{\text{Variable costs}}$$

**Gross income (value of production) for crop enterprises.** Calculating gross income is different for annual crop enterprises and livestock and perennial crop enterprises. We will start with crop enterprises. The gross income or value of production is the money received from the sales of produce plus the value of unsold produce.

The gross income is obtained by multiplying the physical output by the market price of the product and valuing home consumption.

$$\boxed{\text{Gross income}} = \boxed{\text{Yield}} \times \boxed{\text{Price}}$$

It is generally incorrect to calculate gross income for the enterprise by using the price at which the farmer sold the produce in the marketplace or elsewhere off the farm. If the market price is not known, then it can be calculated by deducting the costs of transportation and other marketing expenses from the market price.

For example, let us say that a farmer had harvested 3 tons of cassava. He sold most of it for \$200/ton. The outcome of this is as follows:

The market price was:       \$200/ton  
The gross income was:       \$200/ton x 3 tons = \$600

When a farmer is planning, he will not yet have information about sales, consumption and storage of the enterprise that has not yet been produced. In this case he will want to estimate the gross income.

To do this, he needs information about yield and price. If he knows that his farm produced 3 tons/ha last year and he knows the average market price was \$200 per ton, then by using the following formula, he can estimate the gross income per ha.

No matter how much he sells, consumes or stores, the value of the crop (gross income) can be determined by multiplying yield by price.

In most cases, this simple calculation is adequate for basic comparisons and decision-making. However, a more detailed understanding of gross income highlights that the gross income from an enterprise comprises a number of sources of income:

- Produce sold;
- Produce consumed by the farmer's family/workers;
- The produce put into storage;
- By-products.

**Produce sold.** The money received from the amount of the product of the farm sold on the market is part of the gross income of the enterprise. Gross income from sales is calculated as follows:

$$\boxed{\text{Income from sales}} = \boxed{\text{Quantity of produce sold}} \times \boxed{\text{Market price}}$$

**Produce consumed by the farmer's family/workers.** Not all of the product produced on a farm will be sold. Some will be consumed (eaten) by the farm family or the workers. Even though this does not bring in cash to the farm, the product has a value and therefore is included in the gross income. The contribution to gross income from produce consumed is equal to the value of the produce consumed. This value is calculated as follows:

$$\boxed{\text{Value of produce consumed}} = \boxed{\text{Quantity of produce consumed}} \times \boxed{\text{Market price}}$$

**The produce put into storage.** Again, in some cases, some of the harvest will be stored. This may later be sold or consumed. But either way, it has a value and therefore contributes to the gross income for the enterprise. The contribution to gross income from produce stored is equal to the value of the produce stored. This value is calculated as follows:

$$\boxed{\text{Value of produce stored}} = \boxed{\text{Quantity of produce stored}} \times \boxed{\text{Market price}}$$

Therefore, the gross income of an enterprise is calculated as follows:

$$\begin{array}{rcl} & \boxed{\text{Income from sales}} & \\ + & \boxed{\text{Value of produce consumed}} & \\ + & \boxed{\text{Value of produce stored}} & \\ \hline = & \boxed{\text{Gross income from sales}} & \end{array}$$

The figure below gives an example of a gross income using some of the income sources discussed above.

<b>Gross income of 1 hectare of maize</b>		
Maize grain sold:	11 bags of 90Kg at \$13/bag	= \$143.00
Grain consumed at home:	2 bags of 90Kg at \$ 13/bag	= 26.00
Gross income		= \$169.00

### Gross income for livestock enterprises

Farming activities for livestock enterprises extend over more than a single year. In these cases, gross income is defined as the difference between the closing valuation of produce stored, plus sales (including marketable produce and by-products consumed on the farm) and the opening valuation of produced stored plus purchases.

A gross income calculation for a livestock enterprise could be set up as shown in the example format that follows:

Gross income for livestock enterprise		
	ITEM	\$
	Closing valuation (at end of the year)	
LESS:	Opening valuation (at beginning of the year)	
EQUALS:	Increase/Decrease in value of stock (Inventory change)	(A)
	Income from sales (livestock)	
PLUS:	Income from sales (by-products)	
	Value of products used for home consumption	
EQUALS:	Value of sales and consumption	
LESS:	Purchases of animals (during the year)	
EQUALS:	Net sales	(B)
A + B	GROSS INCOME	

### Variable and Fixed Costs

Remember, gross margin is gross income less the variable costs.

$$\boxed{\text{Gross margin}} = \boxed{\text{Gross income}} - \boxed{\text{Variable costs}}$$

Costs associated with a farm can be divided into two kinds of costs: variable costs and fixed costs.

**Variable costs.** Variable costs are the costs of actual production. They apply to specific enterprises on the farm. These costs vary as output changes. These costs occur only if something is produced. They do not occur if nothing is produced. For example, labour is required in

crop production. If a farmer has to hire labour, then as production is increased the need for hired labour also increases. If no yield is produced there is no need for hired labour.

Typical variable costs include the cost of seeds, fertilizers, sprays, fuel for machines, hired labour, livestock feed, and veterinary costs, among others. Variable costs can be allocated to specific enterprises.

An example of variable costs for maize is shown below in the figure below.

Variable costs					
Item	Unit	Quantity	Unit price (\$)	Amount (Unit)	Total (\$)
Seed	Kg.	10	0.90		9.00
Fertiliser	50 kg bag	1	13.00		13.00
Manure	Tons	4	13.00		52.00
Pesticide	Kg	4	2.00		8.00
Labour: Land preparation	Person days	20	0.70	14.00	
Planting/manuring	Person days	10	0.60	6.00	
Weeding	Person days	15	0.60	9.00	
Harvesting/threshing	Person days	10	0.60	6.00	
Total labour	Person days	54			35.00
Total variable cost					117.00

**Fixed costs.** Fixed costs apply to the farm as a whole. Fixed costs are costs that do not vary with changes in production output of a specific type of crop or livestock production. Fixed costs remain the same regardless of the output. Even if there is no output, there will still be fixed costs.

Fixed costs include, for example, the cost of purchasing a tractor or a piece of equipment that is used on the whole farm, and the cost of a head of livestock. Most of the costs of keeping a tractor, equipment

and draft cattle remain the same if the item is or is not fully used. Fixed costs are also known as overheads.

Fixed costs also include permanent labour, management, and depreciation, among others. (Depreciation is the cost of the declining value of things like tractors, machinery and buildings. Depreciation is usually calculated as an annual payment. An example of the way depreciation is calculated is given at the end of this section.)

## Calculating Gross margins

**Basic calculation.** As stated earlier, the gross margin for a crop or livestock enterprise is obtained by subtracting the variable costs from its gross income.

$$\boxed{\text{Gross margin}} = \boxed{\text{Gross income}} - \boxed{\text{Variable costs}}$$

Costs and income analysis are usually done after the harvesting of the crop at the end of the cropping season or year. In the case of perennial harvest, yields and prices vary during the year. Therefore, the time of analysing costs and income should be done for a given crop year. In such cases, it is important that inputs and outputs refer to the same year being considered for analysis.

The figure below presents a calculation of a gross margin for 1 ha of maize.

Calculation of a gross margin for 1 ha of maize	
	\$
Gross income (from above)	169.00
Less: variable costs (from above)	-117.00
Gross Margin	52.00



**Scaling to units for comparison.** To be able to make comparisons, the gross margin calculations must be made on the same unit basis, such as hectare, labour, water. If the information available to the farmer is for more or less than one unit, then she needs to convert it to one unit. See the two following examples.

**Example one: Farmer 1 with 0.75 ha of millet.**

At the end of a season, a farmer checks her records and finds the following:

Source of income	Quantity (ton)	Market price (\$)	Value(\$)
Sales at market	1.0	200	200
Consumed	0.5	200	100
Stored	0.5	200	100
By product	0.2	50	10
Total yield: Millet	2.0		
By-product	0.2		
Gross income:			410

Her gross income for her millet enterprise is \$410. Let us say that her variable costs are \$300. Using our formula, we find:

$$\begin{array}{rcl}
 \text{Gross income:} & \$ & 410 \\
 \text{Variable costs:} & & - 300 \\
 \hline
 \text{Gross margin =} & & \$110
 \end{array}$$

The gross margin from her 0.75 ha is \$110. But to make a comparison she needs to convert this to a unit basis, in this case, one hectare. To this she simply divides her actual gross margin by her actual hectares.

$$\$110/0.75 \text{ ha} = \$147/1 \text{ ha}$$

This farmer has a gross margin of \$147/ha.



### Example two: Farmer 2 with 1.5 ha of beans

At the end of a season, a farmer checks her records and finds the following:

Source of income	Quantity (ton)	Market price (\$)	Value(\$)
Sales at market	2.0	200	400
Consumed	0.5	200	100
Stored	1.5	200	300
By product	0.5	50	25
Total yield: Millet	5.0		
By-product	0.5		
Gross income:			825

The gross income of \$825 for 1.5 ha of beans converts to:

$$\$825/1.5 \text{ Ha} = \$550/1 \text{ ha}$$

This farmer has a gross margin of \$550/ha.

Let us say that this farmer has a total variable cost of \$625. This would give us the following:

Gross income:	\$825
Variable costs:	-625
Gross margin	=\$200

This gross margin of \$200 is for 1.5 ha. Therefore, if we want to compare Farmer 1 with Farmer 2, we need to convert it to a gross margin for 1 ha:

$$\$200/1.5 \text{ ha} = \$133/1 \text{ ha}$$

This farmer has a gross margin of \$133/ha

The total gross margin for Farmer 1 is less than the total gross margin for Farmer 2. However, when converted to a unit basis, we find that although her enterprise is smaller, Farmer 1 has a higher gross margin

per hectare than Farmer 2. Farmer 1 has a gross margin of \$147/ha, while Farmer 2 has a gross margin of \$133/ha. Although Farmer 2 has a larger final income, Farmer 1 has a more profitable farm. It is likely that if Farmer 1 had more land, she would earn more income than Farmer 2.

**Converting from units to determine actual income.** In many cases, the farmer will obtain gross margin information about a crop where the information is presented on a unit basis. If she wants to know what her actual gross margin would really be, then she needs to convert from a unit to her actual size. To do this, she needs to multiply the per-hectare gross income by her actual number of hectares. See examples below.

**Example one: Farmer 1 with 0.8 ha**

The gross margin for maize in her area is \$200 per ha.  
 $0.8 \text{ ha} \times \$200/1 \text{ ha} = \$160 \text{ for } 0.8 \text{ ha}$

**Example two: Farmer 2 with 1.6 ha**

The gross margin for margin for maize in his area is \$200 per ha.  
 $1.6 \text{ ha} \times \$200/1 \text{ ha} = \$320 \text{ for } 1.6 \text{ ha}$

Farmer 1 can expect to have a total gross margin of \$160, while Farmer 2 will have a total gross margin of \$320.

**Steps for Calculating Gross Margins**

Note: a gross margin is calculated separately for each enterprise.

1. Determine an average yield per hectare for the enterprise.
2. Determine the average market price for the enterprise.
3. Calculate the gross income per hectare  
 (i.e. the average yield per hectare multiplied by the market price).
4. Calculate the non-labour variable cash costs of inputs and materials per hectare for the enterprise. These should include the costs of seeds, fertiliser, pesticides, machinery services.

5. Estimate the labour costs per hectare per activity for each enterprise (e.g. land preparation, sowing, weeding, harvesting).

First: Determine the number of hired person-days required per activity per hectare.

Second: Determine the rate of pay for hired labour

Third: Calculate the cost of hired labour by multiplying the number of hired person days per activity by the current wage rate for each activity.

6. Calculate the cost of family labour by multiplying the number of family labour person days per activity by the opportunity cost of family labour (i.e. the current wage rate, as in step 5).
7. Calculate the total variable costs by summing the cost of inputs and materials, hired labour and family labour.
8. Calculate the gross margin per hectare by subtracting variable costs from the gross income.
9. Repeat this calculation for each enterprise on the farm.
10. Compare the gross margins among enterprises and determine which is more

Enterprise budget template: One hectare/one unit			
Enterprise:			
Income			
Product	Quantity	Price per unit (\$)	Total value (\$)
Total expected income			
Variable costs			
Inputs/materials/labour	Quantity needed	Cost per unit (\$)	Total costs (\$)
Enterprise profitability			

## More about markets

### Planning for the market

Marketing is the key to successful farm profit making. Farmers can improve their skills in marketing by understanding how the market functions, collecting market information, formulating marketing strategy and preparing a market plan.

Marketing can be quite complex for the individual farmer and it is often more useful if farmers market their produce as a group. Likewise, it is often more useful for farmers to prepare a market plan as a group. The extension worker can be useful in assisting farmers in formulating strategies and preparing a marketing plan and in facilitating group and individual farmer marketing.

### The essential principles of marketing

Farmers producing for the market should be in the position to answer six questions that marketing specialists pose that all begin with the letter 'P'. What are these? These are: 'People, Plan, Product, Place, Price, Promotion'. The answers to these questions are all important for successful marketing.

**People.** Who are the people we market to? Who buys the product? What are their wants and needs? Who are the people marketing the product? People need the farmer to be friendly, efficient and knowledgeable about the product.

**Plan.** What is the plan for marketing? What are the steps that need to be taken to market the product? In what way will the farmer market the product to the customers?

**Product.** What is the nature of the product that will be sold in the market? This includes the taste of the product and other characteristics that consumers prefer. Is the product what the customer wants? Are the quantity, packaging and size what the consumer wants? Is the appearance of the product appealing? Are the products labelled? Are the labels clear? Can they be seen? Are they attractive? Does the product have a brand name?

**Place.** Where is the marketplace? How far is it from the farm? How should the produce be sold? What form of transport is proposed? What are the benefits of working with different types of distributors? How can distributors be supplied? What are the requirements of the different distributors in terms of quantity, delivery and price? What are the costs involved in the different distribution options?

**Price.** What price or how much is the farmer going to charge for her products? Is the farmer a 'price taker' or can she be a price maker? Who are the main competitors? What are the prices that they sell for? How are competitors likely to respond with respect to price if they market a new product? What are the price variations that exist between consumers in different locations? How can I take advantage of these differences?

**Promotion.** How can I promote my product? How can I inform people about my product? Do I need to advertise? Can I afford to do so by myself? What other ways can I promote the product? How much will it cost me if I promote them? How should I set my price?

### What do most customers really want?

- Quality
- Low price
- Uniformity of produce
- Sufficient quantity
- Consistency
- Freshness
- Nutritious food
- Health promoting food
- Attractive products
- Good taste
- No pest damage
- Good packaging
- A wide selection
- Good labelling
- Knowledge of who produced it
- Receiving the produce on time
- Clean produce
- Accessible produce
- A list of ingredients
- Instructions on how to prepare it

## **The marketing plan**

The purpose of the marketing plan is to identify customers and competitors and outline a strategy for attracting and keeping customers. This takes careful planning and a good understanding of the market in order to develop a strategy that ensures success.

A marketing plan for a product or group of similar products should answer the following questions:

- Who is the customer?
- What does the customer want?
- Is this product in demand?
- How many competitors are providing the same product?
- How can demand for the product be created?
- Can the farmer effectively compete in price, quality and delivery?

The marketing plan should address these questions. A good marketing plan begins with thorough knowledge of the products to be produced and of potential customers. Knowing who buys and why, are the first steps in understanding how best to sell. A marketing plan should cover the following:

**The current market situation.** The overall background on the market in which the product will be sold. It begins with a general idea of who the buyers are and what they want, followed by anything else that describes the market in which the products would be sold (e.g. existing supplies, packaging preferences).

**Opportunities and constraints analysis.** Based on an assessment of the market opportunities, the farmer identifies the opportunities and constraints that the farm faces and realistically evaluates the farm's internal strengths and weaknesses in dealing with its market situation.

**The marketing strategy.** Based on the analysis carried out above, the farmer draws up a plan to address the marketing objectives of the farm. The strategy should include a clear definition of consumers, customer needs and the prices attained for produce sold.



Below is a matrix showing constraints, solutions, opportunities and actions. It is one way of assisting the farmer in analysing what possible strategies to formulate. The matrix enables the farmer, with the help of an extension worker, to appraise rapidly whether it is worthwhile producing a farm enterprise, provide possible solutions to problems, and identify opportunities to enter a market and make profits.

<b>Constraints</b>	<b>Opportunities</b>
<ul style="list-style-type: none"> <li>• No local market</li> <li>• Poor transport services</li> </ul>	<ul style="list-style-type: none"> <li>• Potential exists for early crop production when supplies are short</li> </ul>
<b>Solutions</b>	<b>Actions</b>
<ul style="list-style-type: none"> <li>• Organize a local farmers market</li> <li>• Encourage buyers to use their own transport</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage growing early crops and develop appropriate production techniques</li> </ul>

### Analysis of constraints and opportunities

Solutions to marketing problems are often relatively simple and should not require major changes to be made in production or new technologies to be introduced. When the marketing plans become complex they are more likely to fail. In the marketing plan, the farmer looks for the right combination of factors that will satisfy the needs of the consumers and increase farm profits. The plan, once prepared, should be assessed, to see whether it is realistic and likely to improve the overall competitiveness of the farm.

### Usefulness of the marketing plan

The marketing plan directs the farmer towards trying to understand what the consumer wants. Why are consumers so important? The answer is simple. They are, ultimately the source of income for the farm to cover the cost of daily operations, to repay debts and to make a profit. A marketing plan is necessary for any successful farming activity. Marketing offers the farmer the information that, if applied correctly, will allow her to better generate profit. A good marketing plan may boost sales and increase profit margins. The farmer must be

able to convince customers that she has the best product for them at the lowest possible price. If the farmer cannot convince potential customers of this, then they will be wasting time and money. This is where the marketing plan helps and why it is useful.

The marketing plan should help the farmer:

- Know how much produce can be sold;
- Plan production and have enough to sell;
- Do what is needed to make a profit;
- Identify competitors and what they are good at by comparison to other farmers;
- Identify new crops to grow;
- Identify new and/or potential consumers;
- Identify weaknesses in the farmer's management skills;
- Identify weaknesses in the overall business plan.

### **What should a marketing plan contain?**

A marketing plan could be prepared with information gathered from the following checklists. The products and its benefits should be described from the point of view of the consumer. Farmers should know or at least have an idea of what the consumers want and what is available.

#### **Product information**

- What are the main crops grown and livestock reared (including varieties/breeds)?
- When are the crops harvested? What are the yields per unit, the prices attained and the volume produced?
- What are the advantages of these crops and/or livestock over others in terms of yield, quality, price, and seasonality?
- Is the produce graded? If so, into what grades?
- Has the produce been packed? If so, what type, size and cost of packing material?
- What is the break-even price for each enterprise?
- What are the costs of growing, harvesting and transporting the crop/livestock?
- Are any new technologies or practices being tried on this crop/livestock? Have they been successful?
- What are the main production problems?



### Local marketing system

- How is the crop/livestock product marketed at present?
- Who buys the product and when?
- Who are the most important intermediaries or buyers?
- Which buyers have the best reputation?
- What prices are paid?
- What competition is there between buyers?
- What is the variation between the prices received by farmers for similar products in the same area? What causes this variation?
- Do buyers provide credit to farmers and on what conditions?
- How are products transported to the market?
- What are the main markets where the product is sold?
- Who provides transportation?
- What is the unit price of transport to the different markets?
- How long do the journeys take? How frequently does the transport leave the area?
- How efficient are the transport links?
- What form of transport should be used to get the product to the market?
- Should the transport of product be pooled or sent individually?
- What is the frequency of shipment and the best day for arrival in the market?
- How much contact do farmers have with the market? What is their source of information and how quickly do they obtain market information on prices, volumes and quality requirements?
- What complaints do farmers have about the intermediaries?
- What complaints do intermediaries have about farmers?

### Market requirements for the product

#### External factors

- What external factors are likely to affect sales of the produce? (For example: country growth, inflation, rising input prices, family income)
- Which are most critical?
- What legal factors are likely to affect the market?

**Buyers/consumers**

- What are the characteristics of buyers/consumers?
- How is the product to be used?

**Market potential**

- How large is the market?
- How much can the market absorb?
- What percentage of produce should farmers be interested in producing?

**Storage**

- Is the crop/livestock produce stored?
- If so, where and by whom?
- How much of the product should be stored?
- What storage arrangements are required?

**Quality standards, packaging, prices**

- What are the grades and quality standards of the produce?
- What market prices are obtained?  
(Average, maximum, minimum, effect of different quality standards on price.)
- What type of packaging is required? What is the cost of packaging?

**Marketing costs and margin**

- What are the overall costs of marketing?
- What is the marketing margin?

**Sales**

- What factors are likely to affect sales?  
(Weather, special festivals, day of arrival in market.)
- What are the potential and techniques for developing sales?

### **Pricing**

- Is the product a 'price taker' or a 'price maker'?
- What way can premium prices be attained?
- If a price maker, what price strategy should be followed?
- And what is the percentage mark up?
- Does the set price leave a margin for profit?

### **Promotion**

- What is the current trend in popularity?
- How can the product be more effectively promoted?

### **Problems and opportunities**

- What are the main problems facing producers?
- What are the main problems regarding consumption?

### **Under-utilized local resources**

- What local resources/facilities (if any) are not being fully utilized? (This includes food processing facilities, empty returning transport, cool room facilities, box manufacture, local radio, central telephone links to the market.)

### **The farming community**

- The nature of the farming community:
- Who are the leaders of the farming community?
- Who is being especially successful and why?
- Do farmers think they need help in marketing and if so what type of help?

Using this kind of information, a farmer can take steps to ensure that farm production matches what consumers want to buy. The first question the farmer must ask is not 'What can I grow?' but 'What do my potential customers want?' This is a shift in emphasis and extension workers need to guide farmers to understand the importance of this change.

## **Marketing margins**

Why is the price of a product in a shop or retail market often so much higher than the price paid to the farmer?

Getting a product from the farm to the consumer is part of the marketing process. The different steps involved in moving produce from the farm to the consumer, is called the marketing chain. Each of these steps involves costs.

The costs of marketing are not always fully understood by farmers or consumers. We can understand that traders spend money on transport or packaging but there are many other less obvious costs. Because these costs are not always visible, those doing the marketing are often accused of making unreasonable profits. Farmers look at the prices paid to them by traders and compare them with the prices consumers pay for the same product. They often assume that farmers and consumers are being exploited. Likewise, consumers often feel prices are too high. To understand the difference between farmgate price and the final price of a product, we will look at marketing margins.

**What are marketing margins?** A marketing margin is the difference between the value of a product at one stage in the marketing process and the value of the same product at another stage. Measuring this margin shows how much has been paid for the marketing services for the product at that stage of the marketing process. It is the added cost of marketing.

**When are marketing margins used?** Farmers producing for the market should be aware of the choices that are open to them with respect to marketing. For example, it may be possible for a farmer to sell her horticultural produce in the local fresh market. Alternatively, she could sell to agro-processing plants for canning or producing juices. Some farmers may consider selling to exporters. Farmers may also choose to work together as a group to market their produce jointly. In some cases they may decide to market through traders and wholesalers. In other cases they may decide to market directly to the retailer.

Calculating marketing costs and margins can help the farmer and/or extension worker decide which marketing procedure will give her the best benefit. Added or marginal costs must result in at least an equal marginal return; otherwise, the market is not profitable.

**What are marketing costs and how are they calculated?**

Marketing costs are the costs incurred when moving produce from the farm to the market. There are several stages involved. In each stage there are costs incurred. The stages are:

- |                        |              |
|------------------------|--------------|
| 1. Produce preparation | 4. Transport |
| 2. Packaging           | 5. Storage   |
| 3. Handling            | 6. Losses    |

**Produce preparation.** The first marketing cost incurred is produce preparation. This involves cleaning, sorting and grading. This may be done on or off the farm. Either way, the cost associated with preparation, is a marketing cost.

**Packaging.** The next cost that is normally faced is packaging. Types of packaging used may range from simple jute bags to plastic packaging for the direct transport of fruits to consumers in supermarkets. This too may be done on or off the farm.

**Handling.** Handling costs are incurred at all stages of the marketing chain. They include loading and unloading. Each time a product is handled the cost per kilogram is small. But a product may be handled many times before it reaches the market. The total of all of these small handling costs can end up being quite substantial.

**Examples of handling processes**

- Farmer or labourer loads produce onto transport.
- Labourer unloads produce at assembly market and it is weighed.
- A wholesaler or his employee repackages the produce in the wholesaler's containers.
- Produce is carried to and loaded onto the wholesaler's truck.
- Produce is unloaded at wholesale market and taken to premises occupied by the wholesaler or his/her agent and weighed.
- Produce is unpacked and sorted and graded.
- Produce is repacked into retailer's containers.
- Produce is carried to retailer's transport.
- Produce is unloaded at retailer's store.
- Produce is repackaged into packaging used at the retailer's store.

**Transport.** Once packed, produce is transported. Transport costs are incurred by farmers when they take their produce to the market. Sometimes transport costs are very clear because they involve the direct payment by a farmer to the transport owner each time a delivery is made. In other cases these costs are less direct, for example when the farmer owns and operates her own vehicle. In the latter case, the farmer needs to determine the running costs of her transport per kilometre. When she knows this and she knows the quantity of products she can carry per trip, she will be able to calculate the cost of transport per kilogram or ton of product.

To calculate transport costs from her own vehicle, the farmer needs to know:

- Vehicle running cost/km (\$/km);
- Quantity that can be carried per trip (kg or ton/trip);
- Distance to the market (km).

Example: Let us say that the farmer has a vehicle that can carry 200kg of produce per trip. The running cost of the vehicle is \$0.50/km. It is 10km to the market.

Detail	Amount	Unit
A) Running cost for transport	\$0.50	Per km
B) Distance to market	10	Km
C) Cost per trip ( $A \times B$ )	\$5.00	Per trip
D) Mass/weight per trip	200	Kg
E) Cost per kg ( $C / D$ )	\$0.025	Per kg
F) Cost per ton ( $E \times 1\,000$ )	\$25.00	Per ton

This is the cost per kg or ton if she transports 200kg. If she transports less than 200kg, then the costs will be higher. Thus, one way to reduce marketing costs is to use transport optimally.

**Storage.** Storage is an important cost for many products. The main purpose of storage is to extend the availability of produce over a longer period than if it were sold immediately after harvest. The assumption behind storing produce for the market is that the price



will rise sufficiently while the product is in store to cover the costs of storage. The costs of storage will vary, but they are usually very clear because they are paid for directly.

**Losses.** Losses are common when marketing agricultural produce. Even if nothing is actually thrown away products may lose weight in storage and transit. Post-harvest losses of produce (particularly fresh produce) can be substantial, both in terms of quantity and quality. This will affect both the amount of product for sale and the selling prices. The following are common causes of post-harvest (marketing) losses

### **Quantity-related losses**

- Large quantities of the product on the market or 'gluts' (as often happens during the main season) often means that much will be thrown away unsold.
- Moisture loss (reduces weight of the product, e.g. grains, fruit and vegetables).

### **Quality-related losses**

- Produce damaged while being handled or transported.
- Produce deteriorates (including over-ripening) over the period it waiting to be sold.
- Moisture loss (particularly with fruit and vegetables).

The cost of loss can be quite substantial. See example on the following page.

In this example, if the trader had prevented the loss, his margin would have been \$4.00 (\$2.20 + \$1.80). This may seem insignificant, but if (as shown in the right-hand column) the trader had purchased 20kg instead of 2kg, his value of the loss would have been \$18.00 and his margin \$22.00 instead of \$40.00. This is a substantial cost.

### The financial impact of loss: Green peppers

A trader purchased 2 kg of peppers from a farmer at \$5.00/kg. When he gets to market only 1.8 kg are still available for sale (e.g. a loss of 10%). Marketing costs are \$2.00/kg for the 2kg of green peppers purchased. The selling price of peppers is \$9.00/kg. Then the calculations are:

Value of produce lost:

Quantity lost	Market price of product	Value of loss
0.2 kg	\$9.00/kg	\$1.80

Impact of this loss on the margin to the trader:

Activity	Quantity	Price		Total	20kg purchase
A) Income from sales	1.8 kg	\$9.00/kg		\$16.20	162.00
B) Costs					
B1) Purchases	2 kg	\$5.00/kg	\$10.00		100.00
B2) Packing and transport	2 kg	\$2.00/kg	\$4.00		40.00
C) Total Costs (B1 + B2)				\$14.00	140.00
D) Margin to the trader (A - C)				\$2.20	22.00

### Other marketing costs

There are many other relatively small costs incurred when marketing agricultural produce. These costs include fees, commissions, and unofficial payments. While they may be low in one country they may make up a sizable proportion of costs in another. Some examples follow:

- People using markets may have to pay market fees.
- People using markets may have to pay to have the produce weighed.
- Traders normally have to be licensed and pay license fees.



- In some markets, wholesalers charge commissions.
- Taxes may have to be paid.
- Sometimes, bribes are needed to get produce through roadblocks or to get permission to operate a business.

All of these costs need to be included in the calculations.

### More on marketing costs

There are two types of marketing costs: variable marketing costs and fixed marketing costs. Variable costs are costs that are incurred if marketing activities are carried out. Examples include transport costs from the farm to the market, handling costs, packaging materials, parking fees, commissions based on weight. Fixed costs are costs that will be paid by the farmer whether or not marketing activities are carried out. Fixed marketing costs include taxes, insurance, fixed rent for the stalls, fixed salary of the workers involved in marketing, depreciation of the trucks, weighing scale and other equipment.

**Calculations.** Once all the marketing costs have been calculated it is then necessary to put them together to work out the total marketing costs for the farmer.

Marketing margins are related to the prices received for produce. Costs have to be related to these prices. Farmers selling their produce directly to the market are likely to get different prices at different times of the year, and even at different times of the day. Farmers need to understand how the markets they use operate, because this will affect the market margins.

The marketing margin is the difference between the prices the farmer receives for his produce and the costs incurred in marketing. In the example given below, the farmer sells tomatoes in the nearest rural market. The circumstances of the situation are as follows:

A) 100 kg	Tomatoes harvested		
B) 10% (10kg)	Loss due to damage, etc.		
C) 90kg	Tomatoes offered for sale	Price	Income from sales
C1) 50 kg	Tomatoes sold at:	\$1.10/kg	\$55.00
C2) 20 kg	Tomatoes sold at:	\$1.00/kg	\$20.00
C3) 15 kg	Tomatoes sold at:	\$0.80/kg	\$12.00
C4) 5 kg	Tomatoes sold at:	\$0.60/kg	\$ 3.00
D) 85kg	Total		\$90.00
E) 5 kg	Tomatoes not sold		\$ 0.00
F) 90 kg	Total		\$90.00
Average price (D/A) [\$90.00/100kg]:			\$0.90/kg

Other marketing costs charged over the season included the following:

Marketing cost	Amount
Market fees	\$1.00
Handling labour	\$2.00
Roadblocks	\$1.00
Transport	\$0.50/10kg box (\$0.05/kg)
Packaging	\$0.50/10kg box (\$0.05/kg)

With this information, calculating the marketing margin is now possible:

Activity	Value
A) Value of quantity sold: (0.9 kg x weighted average selling price of \$0.90 per kg)	\$0.81/kg
Marketing costs	
Market fees	\$0.01/kg
Labour employed by farmer to pack, load, unload	\$0.02/kg
Cost on route such as road blocks	\$0.01/kg
Transport to wholesale market	\$0.05/kg
Packaging	\$0.05/kg
B) Total marketing costs	\$0.14/kg
C) Marketing margin (A-B)	\$0.67/kg
Note: The market margin calculation should be conducted on a unit weight basis. Take care to convert all of the items to the same base. In this example the calculation is carried on a per kilogram basis.	

**How is the marketing margin used?**

A farmer has a choice about marketing. He can sell directly to wholesale or local markets. He can also sell to traders who come to her farm. To decide which is the better option, she should be able to compare the marketing margins of the options.

She will need to do some calculations in order to decide what is more worthwhile. She needs to know two things:

- The price that their produce is likely to sell for in the market.
- The marketing costs incurred to sell it in the market.

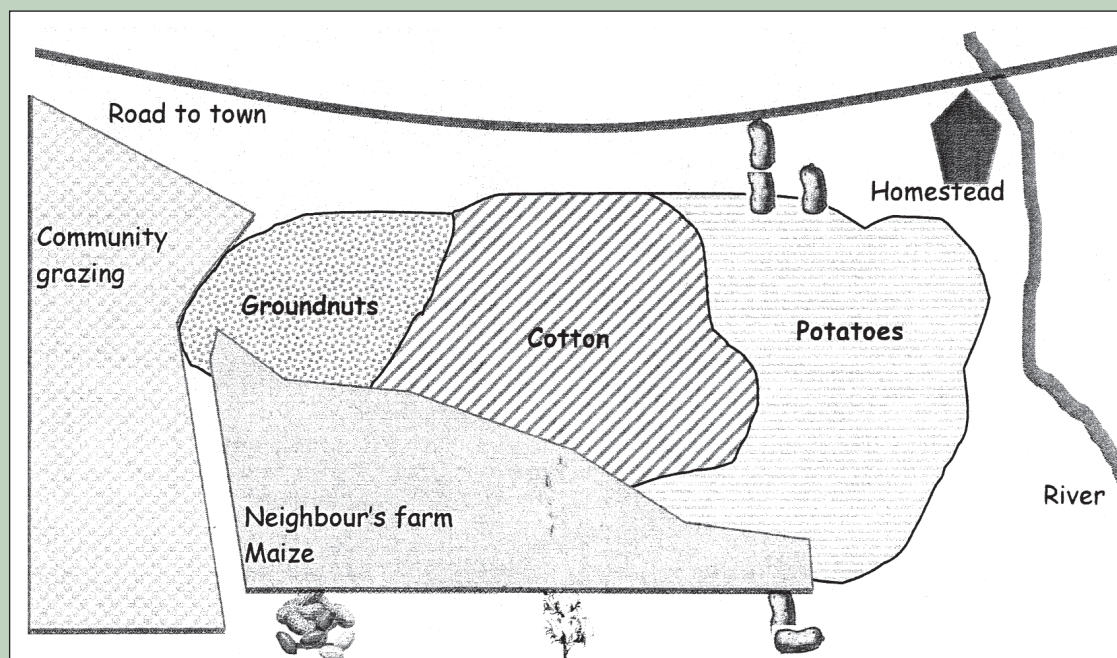
The farmer must calculate the impact of the marketing costs on the profitability of her farm. If the additional costs of marketing do not bring her at least an equal return in income (from a better price at a better market), then she should consider another marketing strategy, or perhaps another product.

**More about farm management records****Farm map**

A farm map is a very useful record. It shows where the different enterprises are located on the farm. It can also show farm buildings, roads, and information about the area immediately around the farm, including other farms, rivers, forests, water sources. A farm map is a quick reference for planning and can be used for recording the production activities each season. It can also be used to record information about the weather, such as rainfall and temperature. And it can be used to record soil types and soil condition.

The map does not have to be perfect. A sketch map will do. It is best if the farmer draws a new map each production season. The collection of maps will become a record of land use over the years of the farm. An example of a farm map can be seen on the following page.

Figure 3i  
Example of a sketch map



### Production records

Entries in production records provide information on production output. Production records help the farmer to understand how well his production programme is performing. It can be used to compare performance of one farm with another. A production record is necessary for assessing our farm business plans. It is useful to keep separate records for crops and livestock. Examples of these are shown below.

Production record: Crop			
Enterprise	Land size	Expected yield/ ha or unit	Total yield (tons/kgs/bags)

Production record: Livestock			
Enterprise	Number of Animals	Yield expected.	Total yield

### Labour records

The labour record as set out below provides information on the number of people required for each activity on the farm and the number of hours they will take to complete each activity. Such information will assist the farmer to understand the labour requirements for each activity.

Labour record				
Date	Activity	Number of people working	Number of hours taken	Total number of hours taken

Under the heading 'Number of people working' is recorded the actual number of people who worked on that particular activity for a particular day.

Under the next heading 'Number of hours taken' is recorded the actual hours spent doing the particular activity. The total number of hours is calculated by multiplying the number of people and the number of hours spent per each activity.

It is important to record the information as soon as the activity is done. The information should be recorded each day that the activity takes place. If it is not recorded it will be difficult to remember the number of hours taken to complete the activity.

It is also important to measure the amount of time the activity takes in order to get the actual hours worked. This is done by recording the time the activity was started and the time the activity stopped. This is done each day that the activity takes place.

Using this record the farmer is able to know exactly how many workers are needed to carry out a task, and to know how much time it will take. Let the participants know that it is important to keep labour records.

### Cash inflow records

Cash inflow records provide information on the activities that result in the farmer receiving money - particularly from the sales of the products of the enterprise. An example cash inflow record is shown below.

Cash inflow record					
Date	Sales/output	Quantity	Unit price (\$)	Total income (\$)	Comments
12/04/12	Sold eggs	20 trays	\$4	80	Sold to hospital
15/04/12	Sold eggs	10 trays	\$3	30	Sold at town market
20/04/12	Sold eggs	15 trays	\$3	45	Sold at town market
22/04/12	Sold eggs	12 trays	\$3	36	Sold at town market
25/04/12	Sold eggs	18 trays	\$2	36	Sold at farm gate
Total				247	

The first heading (Date) gives the date of the produce sold.

The type of product is given under the second heading (Sales/output).

Under 'Quantity' the amount of produce sold is recorded. The entry must include the unit for example: number, kg, litre, bag.

The unit price (the price the buyer paid for one unit of produce) is recorded in the fourth heading (Unit price).

The fifth heading is for 'Total income'. We learned in earlier sessions that the total income is calculated by multiplying the market price by the quantity sold. Because money from sales is coming into the farm



business, it is called 'Cash inflow'. The amount of money coming in will depend on the level of productivity, the amount sold at market and the market prices.

The last heading is given to enter comments about things that were observed when marketing the produce that could affect the performance of the enterprise. For example, it could include a note that prices were better in the morning than in the afternoon. It could be a note that the bigger buyers were at the market very early.

The cash inflow record should be updated regularly. It is a good idea to record the information at the end of every day after getting back from the market. At the end of the production cycle the farmer should total all the cash inflows.

The example shown above is eggs for an egg enterprise. Each time the farmer sells eggs and is paid for them, he records the date, the amount sold, the price and the total value. At the end of a season, it will be easy for him to know exactly how much income was earned from the sale of eggs. He can also easily see when and where he got his highest and lowest prices. This will help him when planning his market strategy.

A farmer should keep a cash inflow record for each enterprise. This will help the farmer when he needs to set up enterprise budgets in the next round of planning. This record will also help the farmer when he needs to work out the cash flow for his whole farm.

### **Cash outflow records**

The cash outflow record provides information on all the important activities that require the farmer to spend money either to buy inputs or pay for services and operations. It is usually very detailed. An example cash outflow record is shown below.

The date the activity is done or the input purchased is recorded under the first heading (Date).

The operation (Activity) or input used is recorded under the second heading.

Under the 'Quantity' heading is recorded the amount of work done (Operation) or the amount of the input purchased. Again, the facilitator will need to include the unit of measurement such as kg, number, ha, litre, bag.

The cost of the unit of input, or services or operation is recorded under the fourth heading (Unit cost).

Under the fifth heading is recorded the total cost for the activity or input. In an earlier session we learned that the total cost is calculated by multiplying quantity used by the unit price 'Total cost' column. Because money is always going out or being spent it is regarded as cash outflow. The last column is provided for any comments the farmer observed that might affect the performance of the enterprise. All of the columns need to be completed every time an activity is carried out on the enterprise. At the end of the production cycle, the farmer should total all the money spent and regarded as cash outflow.

Cash outflow record					Enterprise: Eggs
Date	Operation/ input	Quantity	Unit cost (\$)	Total cost (\$)	Comments
1/1/12	Constructed chicken housing	2 rooms	35	70	Did some of the work myself
1/1/12	Purchase point of lay hens	200 hens	5	1000	Bought from Monare's
1/2/12	Feed for laying hens	1x 50kg sack	70	70	Bought from Shiluli's
18/2/12	Vaccines for laying hens	1 injection per hen; 200 hens	1	70	Bought from Monare's
5/03/12	Transport costs to take eggs to market	1	5	5	Hired from Nakuru
5/03/12	Packaging/ Cartons	100	10/100	10	Bought at Agricor
6/03/12	Paid workers	2 x 10 days	3/ worker/ day	60	Hired from field programme
Total				1285	



In this example cash is paid out for the farmer's egg enterprise. Each time he spent cash, he recorded the expenditure. Like with the cash inflow record, at the end of the season, the cash outflow record will make it easy to know exactly how much cash was spent to produce and market his eggs. He can also easily see when and where he spent his cash. This will help him when planning his production and marketing strategy.

A farmer should keep a cash outflow record for each enterprise. This will help the farmer when he needs to set up enterprise budgets in the next round of planning. This record will also help the farmer when he needs to work out the cash flow for his whole farm.

### Home consumption records

The home consumption record is used when some of the crop is used for home consumption or given away. If the product is a cash crop or is produced only for the market, then this record is not needed.

The entries in the home consumption record records produce that has been stored, consumed, or given as gifts to relatives, friends and family members. It can also record produce that is lost or spoiled after harvest. This main purpose of the record is to provide information on the amount and the value of what the family has consumed from the farm or has given away.

An example of a home consumption record is shown below.

Home consumption record				Enterprise: Eggs	
Date	Items consumed	Quantity (eggs)	Unit price (\$)	Total value (\$)	Comments
1/2/12	Eggs	10	.25/egg	2.50	Family
18/2/12	Eggs	15	.25/egg	3.75	Mrs Ndlovu
25/2/12	Eggs	5	.25/egg	1.25	Spoilt
5/03/12	Eggs	20	.25/egg	5.00	Family
5/04/12	Eggs	12	.25/egg	3.00	Family
Total		62		15.50	

The first heading includes the date that produce is consumed or stored for consuming later. Remember if produce is not sold, it does not attract income. But unsold products still cost money to produce.

The second heading shows the type of produce.

Under the third heading is recorded the amount consumed, given away or stored for consuming later. It must include the unit of measurement such as number, litres or kg.

Under the 'Unit price' heading is recorded the price of the produce the farmer would have received if he had sold it on the market.

The next heading is 'Total value'. Total value is calculated by multiplying the unit price times the amount recorded under 'Quantity'.

The last heading is provided for comments on the amount of produce consumed or given as gifts. For example, it may record that produce was used at a wedding or given to a neighbour who needed help.

The home consumption record should be updated regularly. It is best to record it on the day that the produce is stored, consumed, given away or lost.

At the end of the production cycle, a farmer should calculate the total value of this produce as part of the income from the enterprise.

In the example shown above, the farmer has recorded the number of eggs his family has consumed or given away. He has also recorded the loss of 5 eggs due to spoiling. The total value of these eggs that were consumed instead of sold is \$15.50. The amount is part of the enterprises profitability. But it is not part of the enterprises cash inflow.

The home consumptions record lets the farmer know where some of his profits are going. It helps him make the business decision of selling all of his products to generate more cash or to give up the cash to have the food instead. When he knows the value of the product his family is consuming or he is giving away, he knows the impact that is having on the profitability of his enterprise. Then he can decide if he still wants to do this or not.

### Profit and loss records

A profit and loss record is very similar to an enterprise budget, but it is always based on expenditures for an enterprise, and on the number of hectares or animals.

Each profit and loss record covers a specific period of time. For crops, it is usually a cropping season. For vegetables the season may be a few months. For grain crops the season may be a year. For tree crops this could be many years. For livestock the period will be from the point of purchase to the point of sale.

The cash inflow record and the cash outflow record (and the home consumption record, if used) can be used to make a profit and loss statement for each enterprise.

An example of a profit and loss record is shown below.

Profit/loss record for my egg enterprise			
Period: January 2012 - October 2012			
Area/size of the enterprise: 200 layers (point of lay hens)			
Income and expenses	Quantity	Unit price or cost (\$/unit)	Total (\$)
Sale	42 200 eggs	0.25	10 550
Home consumption	1 000 eggs	0.25	250
Other: Sale of culls	200 culls	1.00	200
Total income (a)			11 000
Expenses			
Inputs and materials:			
Feed			
Medicine			
Packing materials			
Production operations:			
Feeding	303 x half-days x 2 workers	4.00/day	1212
Cleaning	43 x half-days x 2 workers	4.00/day	172
Collecting eggs	303 x half-days x 2 workers	4.00/day	1212
Packing	43 x half-days x 2 workers	4.00/day	172
Transport	43 trips	5/trip	215
Total costs (b)			
Profit (a-b)			

Under the 'Income and expenses' heading, the profit and loss record arranges the information about the enterprise into different categories:

- Income includes sales, consumption and other.
- Expenses includes inputs and materials and production operations. In this example, production operations are those related to egg production. For crops they will include activities like land preparation, planting, weeding, spraying, irrigating, harvesting.

The items recorded in the cash outflow and cash inflow formats should fit into the two categories.

The unit of measurement and the quantity used are provided under 'Quantity'.

The unit cost or price of each item is recorded under the heading 'Unit price'. Income price information comes from the cash inflow record and home consumption record. It is a cost if it is from the cash outflow record.

The total income is calculated by multiplying the quantity of the produce sold/consumed times the unit price. The amount is recorded under 'Total'. All the income entries under total are added up to get the total income.

The total cost is calculated by multiplying the quantity of inputs or operation by the unit cost. The amount is recorded under 'Total'. All the expense entries under total are added up to get the total expenses. The profit or loss is calculated by subtracting the total expenses from the total income.

### **Fixed asset records**

The fixed asset record provides information on the important items of fixed costs related to the enterprises on the whole farm - not just a single enterprise. The fixed asset record helps the farmer remember when and for what price he bought equipment. It helps him remember when to repair or replace an item. And it helps him calculate the fixed costs for his farm when he calculates the profit for the whole farm.

An example of a fixed asset record is shown below.

Fixed asset record				
Date of purchase	Item	Purchase price (\$)	Life (years)	Comments
1/2/10	Hand tools	800	10	To be replaced during 2011
3/4/10	Sprayer	1000	10	Bought from Monare's
4/4/10	Irrigation pipes	2000	10	Bought from Agricor
12/12/11	Houses for laying hens	1500	40	Built it myself

Each item recorded in the record includes the date of purchase, the purchase price (cost) and the life of the item. The life of each item varies. The life of housing and buildings can be taken as 40 years. The life of a tractor and other machinery is 5 years. The life of tools is also 5 years. These are estimates. The years may vary.

This example shows four items put into the fixed asset record. Hand tools, a sprayer, irrigation pipes and housing for the laying hens. This farmer does not have a tractor. If he did, he would list it in this record.

Section 4  
**PREPARING FOR THE FIELD**

After completing the orientation programme the work of the FBS facilitator begins in earnest. The work of facilitating a farm business school has six distinct activities.

1. Recruiting and inviting participants.
2. Establishing an FBS group.
3. Planning the programme and timetable.
4. Facilitating the farm business school meetings.
5. Graduation.
6. Mentoring and accompaniment.

## **4.1 Recruiting and inviting participants**

The first task of an FBS facilitator is to recruit and invite farmers to participate in the programme.

It is important to talk to farmers about the farm business school in a manner that will interest them. The aim should be to get between 10-20 farmers to start the first school. It is suggested that farmers are visited personally in their homes to discuss with them the idea of an FBS and to invite them to the first meeting with farmers. Sometimes it is possible to arrange some time to talk to all the farmers about the school at a community meeting or farmers meeting that it already scheduled.

When talking about the farm business school, start by letting the farmers ask questions. Try to get them involved in the discussion. Not all of the farmers will be interested; some may even be opposed to the idea of an FBS. Patience will be required. And as the visits and meetings take place, the facilitator must determine which farmers are most interested, which will give the most support to the programme and will actively participate in the farm business school.

### **The first introductory meeting**

Once the facilitator has had a chance to speak informally to potential participants, it will be necessary to introduce the farm business school in a formal manner. A special meeting called for this purpose would be ideal.



The main purpose of the introductory meeting is to openly share the purpose of the farm business school and the opportunity it creates - and, of course, to invite farmers to participate in the programme. By the end of the first meeting, the facilitator should have the names of some potential participants.

The next step to take now is to identify more precisely the farmers and their interest in the FBS. Usually, but not always, there will be six broad categories of farmers who have shown interest.

1. Farmers with large farms that are fully commercialized.
2. Farmers with medium-sized farms that are commercialized.
3. Farmers with small-sized farms that have been commercialized for some time.
4. Farmers with small-sized farms that have been more recently commercialized.
5. Farmers with small-sized farms that are producing in part for the market and partially for home consumption.
6. Farmers who farm primarily for home consumption (subsistence).

From among these farmers there will be some who are particularly interested in participating in the a farm business school. These farmers should be encouraged as they can be the 'engine' to start the school.

Once potential participants have been identified, they need to be contacted and consulted more thoroughly about the farm business school, to participate in the needs and wants assessment and to confirm whether or not they will actually take part in the school. Preferably this can be done at a single meeting, but it can also be done in small groups, or even one-by-one in the farmers' homes. Eventually the first meeting of the school must be held to begin the process of planning the specific FBS. While there is no absolute minimum number of participants required to start a school, but it is suggested that there should be at least 10 participants in an FBS group. It is also suggested that a school group be limited to a maximum of 20 participants - otherwise the group will be too large to manage effectively.



**The formation meeting**

After holding the first meeting to create awareness of the FBS, the facilitator will need to meet with all the potential participants. It is best if they can be met at the same meeting so they can start the process of getting to know one another, building group unity and getting a common understanding about the programme and how they can benefit from it.

The main aim of the second meeting is to confirm the interest of farmers in the school and obtain a commitment to participate in an FBS group. Another important aim is to get a clearer understanding of the issues they are facing and how they can be helped by participating in the farm business school process. The following questions will assist with this process:

- What are your current farming problems?
- What problems do you have with selling?
- How do you think you can solve them?
- How do you think meeting together to discuss can help all of you?
- What issues would you like to discuss?

As these questions are discussed, the facilitator can relate the FBS process to the farmers' issues and begin to get an idea of the exercises that would be needed. This discussion can be used as an informal assessment of needs and wants. It is also possible to conduct a formal assessment during the meeting.

An important issue to be covered is the importance of farmer participation and regular attendance. The FBS uses a learning-by-doing approach. It involves working together as a group for a common purpose with as much involvement as possible of all farmers. It is not just enough to come to a meeting/session of a FBS. Each participant needs to actively participate in determining their 'needs and wants'.

**Assessing training needs and wants**

Whether it is done at the formation meeting, in small groups or on a home visit, it will be important to assess the farm business management training needs and wants of the participating farmers. The assessment must be completed before the first meeting of the new FBS group. In fact, it may help in deciding how to group the farmers. The important point is that the assessment is meant to be

directly and immediately linked to the establishment of a school in a community. It is not meant to be a broad assessment campaign.

The following framework will be useful in designing a needs and wants assessment. It is set out against the outline of key FBS learning areas.

<b>FBS Learning</b>	<b>Level of knowledge &amp;/or skills in:</b>
1. Key business concepts	<ul style="list-style-type: none"> <li>• The farm as a business</li> <li>• The concept of a business cycle</li> <li>• Enterprises on a farm</li> <li>• Concepts and factors affecting profitability</li> <li>• Variable and fixed costs</li> <li>• Cash flow</li> <li>• Risk</li> </ul>
2. Entrepreneurship	<ul style="list-style-type: none"> <li>• The characteristics of an entrepreneur</li> <li>• Negotiating farming contracts</li> </ul>
3. Analysing the farm business	<ul style="list-style-type: none"> <li>• How the enterprises on the farm relate to one another</li> <li>• Markets and marketing</li> <li>• Benchmarking</li> <li>• Assessing profitability</li> <li>• Enterprise budgets</li> </ul>
4. Developing a farm business plan	<ul style="list-style-type: none"> <li>• Setting visions and goals for farm business</li> <li>• Strategic planning and planning options</li> <li>• Determining technical feasibility of enterprises</li> <li>• Planning for inputs</li> <li>• Planning for labour</li> <li>• Planning for cash</li> <li>• Planning for the market</li> <li>• Risk management</li> </ul>
5. Farm business management	<ul style="list-style-type: none"> <li>• Keeping records</li> <li>• Production records</li> <li>• Labour records</li> <li>• Cash inflow records</li> <li>• Cash outflow records</li> <li>• Home consumption records</li> <li>• Profit and loss records</li> <li>• Fixed asset records</li> </ul>

<b>FBS Learning</b>	<b>Level of knowledge &amp;/or skills in:</b>
6. Purchasing inputs and materials	• Identifying and assessing input suppliers
7. Mobilizing finance	• Savings and credit • Identifying and assessing money lenders
8. Linking to markets	• Market contracts
9. Producing safe and quality products	• What affects product safety and quality
10. Group business management	• Collective marketing

Below is an example assessment form which can be used to record relevant information about each farmer. It will help in planning the FBS programme, monitoring the programme while it is running and with evaluating the programme upon completion.

<b>Farm business management needs and wants assessment</b> (Individual farmer training form)				
<b>Section 1</b>				
Community				
FBS facilitator				
Name of farmer	Age		Gender	
Education level				
Land size				
Main enterprises	Crops			
	Livestock			
Main reason for farming	Crops			
	Livestock			
Relevant training received				
<b>Section 2</b>				
Farm business management Knowledge/Skill	Assessment	Relevant FBS exercise		

## 4.2 Establishing a farm business school group

Once there is clarity on who will participate in the FBS, it is time to establish the group that will work together throughout the programme. There are five basic principles that need to be considered when establishing a group.

1. **Group size.** Less than 10 participating farmers will not provide an appropriate learning environment and more than 20 will be difficult to manage. Working with 10 to 20 participants will give each participant a chance to speak and to contribute their ideas. But it will also create enough diversity to support learning. Groups of this size are less likely to have misunderstandings in communication. Groups of this size are less likely to be divided by arguments or dominated by a sub-group of participants within the FBS.
2. **Similarity of conditions.** Participating farmers need to have more or less similar conditions (i.e. economic, social). Having more similarities than diversity, reduces conflict and increases trust.
3. **Common activities.** Activities that participants will carry out need to be shared by all and agreed by all and in the interests of the participants.
4. **Similarity of training needs and wants.** The facilitator will need to review the results of the training needs and wants analysis and identify those farmers for groups of 10-20 farmers with similar training needs and interests.
5. **Voluntary and democratic group.** Participants can decide who can join the group, what rules the group should have, what activities will be undertaken and that all decisions be taken by everybody agreeing to them. The group must also be committed to carrying out the agreed decisions.

After considering these factors, it should be clear who will participate in the farm business school and how they should be grouped. If there are enough willing participants, the meeting may result in setting up more than one FBS group.

The facilitator will then need to organize, invite the relevant farmers and hold the first FBS group meeting to plan the school programme.

### 4.3 Planning the programme and timetable

Before holding the first meeting of the new FBS group, the facilitator will need to analyse the results of the needs and wants assessment so he is able to make suggestions about which exercises to include in the programme. This will also require reviewing the 'Training exercises' manual which contains the core exercises of the farm business school programme.

**The first meeting  
of the farm business school  
has three main functions**

The first function is to start the process of building group unity and cohesion. The facilitator will need to plan activities to help the farmers get to know one another (if they do not already) and to get basically organized.

The second function is to explain in greater detail what the farm business school is, how it works and how the farmers will benefit from it if they complete the programme.

The third function is to plan the school meetings. The facilitator will need to outline the entire programme and make suggestions based on his analysis of the needs and wants assessment. By the end of the first meeting the following decisions need to have been made.

- Which exercises will be included in the programme and the order in which they will be done.
- The dates, times and venues for school meetings for the whole programme.
- Agreement on the logistics for the sessions - including setting up the venue and cleaning up after sessions.
- Agreement about handling the costs of the programme - especially for issues such as refreshments during sessions.

At the end of the first meeting, or shortly after, the facilitator should develop a school timetable along the lines set out above.

FARM BUSINESS SCHOOL TIMETABLE			
Meeting	Date & Venue	Exercises to be conducted	Preparations (e.g. materials, preparations)
	Date		
	Venue		
	Date		
	Venue		

## 4.4 Facilitating the farm business school meetings

Once the timetable has been decided, it is now over to the FBS facilitator to begin the learning process according to the selected exercises. This will require that the facilitator review each exercise carefully and prepare accordingly. A number of them require a substantial amount of preparation and some exercises require visits to markets, suppliers and entrepreneurs. In each case, the facilitator will need to decide on what materials will be given to the participating farmers. These will need to be prepared in advance for each meeting.

It is then a matter of following the agreed timetable. It is again suggested that at the end of each exercise (or at least each meeting) a simple evaluation is done as a means of monitoring the short-term effectiveness of the exercises and to make adjustments to the programme. Such adjustments can include repeating exercises, adding exercises or other activities and inviting 'specialist' help.

It is important that good records are kept of each meeting - both in terms of attendance and participation, and in terms of issues that arise about the exercises. These will be very useful during reviews of the FBS by the host country and by FAO.



## 4.5 Graduation

Graduation is the final formal stage of a farm business school. It should take place after the last exercise has been conducted and the evaluation of the business plan and of the FBS training and organization have been completed. Graduation should be a planned event that includes recognition for participation and achievement. In addition to the participants of the school, other stakeholders and other people who supported the FBS should also be invited to the graduation ceremony.

The evaluation should be informed by the training needs and wants assessment done when preparing for the FBS. This could also form part of a formal assessment if the school organizers want to issue competency or performance certificates for farmers who have completed the programme. The evaluation also provides the facilitator (and the farmer) with insight into what still needs to be learned and new interests that have been awakened. It will also guide the facilitator when mentoring and accompanying the farmers after graduation from the FBS.

## 4.6 Mentoring and accompaniment

Graduation is not the end of the FBS learning process. It is essential that after graduation, the facilitator needs to stay in touch with the graduating farmers. They will need mentorship and accompaniment to become more accomplished at applying the knowledge and skills they gained through participating in the school.

The primary focus of mentoring and accompaniment should be on supporting the farmer in applying farm business management skills and knowledge acquired through the FBS to his farm business. The ultimate aim is for good farm business management practice to become the normal way a farmer runs his farm business. This means that the knowledge, skills and attitudes of profitable farm business management become internalized. They become the way the farmer naturally thinks and acts about his farm.

Another important outcome of mentoring and accompaniment of graduated farmers is to build the farmers' capacity for self-discovery to identify and solve problems and to identify and act on opportunities. Mentoring and accompaniment provide an excellent opportunity to reinforce the practice of reflection as a means to learning - and ultimately making decisions about their farm businesses. As a part of this process, the facilitator can help farmers in the following ways:

- Identify and help address new problems and opportunity;
- Identify success cases;
- Source information;
- Link farmers to buyers;
- Link farmers to finance;
- Refer farmers to specialized service providers;
- Conduct new training needs and wants assessments.

Mentoring and accompaniment may also result in starting new FBS groups or re-gathering the original FBS group for refresher courses or to cover new or more advanced subjects.

## RESOURCES FOR ORGANIZING THE FARM BUSINESS SCHOOL

### **4.7 General guidance for FBS facilitators**

The FBS manuals, 'The handbook' and the 'Training exercises', are generally self-explanatory. Initially facilitators may still feel the need and welcome additional guidance about running and supporting farm business school training programmes. However, once awareness meetings and initial planning meetings have been conducted, the farm business school will start.

The initial focus of the farm business school training centre is on team building and vision building. Objectives are already set within the FBS curriculum, but they are flexible. The aim is to work with



the participants to bring the objectives of the school and those of the farmers together. FBS objectives are usually in line with common farmer objectives, but maybe farmers may not see it in the same way.

As a facilitator you could set out the FBS objectives directly without asking the participants, but it is wiser to ask first what their objectives are. You could begin by asking them to discuss their objectives for the school and during the discussion introduce the objectives of the school. An objective may be how can farmers be aware of cash flow during the farming cycle; when they will have a lot of cash and when they will not have much cash. This is a valid objective; make sure that such objectives are clear to all and that all agree on them.

Setting objectives and being part of the organization of such a process will not only make the participants feel more in control of their future, it will also raise their interest further and will create more of a bond among them.

Initially you will play a lead role in the FBS, but as it moves on across the various seasons, the group will gain experience and confidence and you will start reducing your role and involvement. In the beginning you need to encourage all the participants to become actively involved in discussions and decision-making. You also need to help farmers acquire skills in becoming self-responsible, not only for themselves, but for the group and the group's work.

Facilitating good communication among the participants is a critical part of your work as a facilitator. Misunderstanding each other can be cause for disagreement and lead to disputes. If participants learn how to communicate with each other in a two-way communication, talking clearly, being patient and being willing to listen, this will enable better understanding, strengthen relations among the participants and create a more harmonious process. More learning will take place.

### **Creating an environment for learning**

As a facilitator you need to create an environment in which the participants individually and collectively feel free to learn, experience, reflect and possibly change. Dialogue, discussions, doing exercises and experiencing will all contribute. They will help:

- Establish a learning environment;
- Rejuvenate the learning experience over time;
- Help farmers experience what can be accomplished by working together;
- Develop group bonds;
- Develop group relationships;
- Make participants alert;
- Stimulate the flow of communications between participants;
- Encourage everybody to participate and learn;
- Develop new skills;
- Expose participants to new ways of judging their own actions, particularly in relation to group work;
- Enable participants to analyse and reflect, before taking action.

Within this process of group establishment, there are five major issues that you have to take into consideration for the successful formation of a group within the context of the FBS. These aspects are leadership, contributions, the ground rules or constitution and keeping records.

1. **Leadership.** Leadership has already been discussed in some detail. The key point is that all the participants are leaders in the group and that no single participant or a small group of participants takes the lead. In groups, participants who are the most outgoing and the most decisive, usually become 'informal' leaders within the group. This needs to be averted. What is required within the farm business school is participatory leadership. This means that all farmers have equal opportunities to participate and all farmers are leaders. Remember the desirable qualities of good leadership make sure that participants are guided in

that direction. The skills and abilities of each participant should be used as much as possible to strengthen the group. This can be achieved if all the participants see themselves as participatory leaders.

2. **Contributions.** This really means that participants participate and all are active in the group in every respect. It means that they have to give up more than just their time and resources to make the FBS work. Contributing in this manner encourages unity when all participants do something visible for the school and for the common good of the group. Material contributions have to be agreed upon by all. They do not have to be equal, but they must be agreed and they must be equitable.

Attending all meetings and participating fully is an important form of contribution. This is something all the participants can and must do. Here it is important that the participants contribute equally. Learning depends on attendance and participation. If some of the participants do not attend or participate irregularly, they not only reduce their own learning, but they reduce the learning of the others as well.

It is important that all contribution matters be dealt with by group members in full accordance and agreement with each other and put into the ground rules.

3. **Ground rules.** The importance of ground rules is addressed in Section 1 under 'FBS group contract'. But sometimes they are ignored. In some cases facilitators will even skip the session on ground rules. You must not do this. The ground rules create the foundation and framework for unity. They make possible the smooth running of the FBS.
4. **Keeping records.** The group needs a collective memory about what it has done. If such a memory is not in place it will lead to misunderstandings, confusion and possibly arguments. Farmers will have to take responsibility in turn for taking notes about

what has been said, discussed, done and agreed upon in meetings. This will be of particular importance throughout the programme, for the smooth running of the school. When discussing about ground rules, it will be good that you introduce the fact of keeping records. Records can be simply taking notes of what has been discussed, or taking stock of what has been contributed to the FBS enterprises. The important thing about records is that all farmers understand them; all agree to them and all in turn take the job of filling in the records. Record-keeping needs to be done on a regular basis, of every meeting and activity carried out by the school.

**5. Self-responsibility of the group.** The group needs to become guided and kept alive by the member farmers without your intervention and facilitation. Participants, as the meetings continue over time, will develop their skills in leadership and working together, as well as rule-making and record-keeping. In the initial phases of group establishment you will have to take initiatives and encourage them, but as the group moves forward over time, they will start taking initiatives themselves. Participants need to build their confidence, self-esteem and they can do this by recognizing their own knowledge and skills and the positive aspects of group working.

In the stage of the farm business school where participants start to become partly self-responsible you will need to monitor them. Simple monitoring factors for self-responsibility as such aspects as:

- Regularity of group meetings;
- How many farmers come to meetings;
- How many actively participate;
- Sharing of responsibilities;
- Joint decision making;
- Group problem solving.

## 4.8 Tips for localizing and adapting the farm business school training materials

Organizers of farm business schools, together with the facilitators will be expected to review the FBS training programme and materials and adapt them to the local context. Ideally this should be done collectively in a workshop environment led by a trained curriculum specialist. When reviewing the material, the following will be considered:

<b>Levels of literacy and language requirements</b>	Every effort should be made to keep the level of language accessible. Whether using English or a local language, the materials may need to be adapted according to the levels of literacy of the intended participants.
<b>Use of numbers and calculations</b>	Many of the exercises require writing and the use of numbers and calculations. The CTTs will need to assess whether number-based calculations can be used or it will be necessary to use symbol-based calculations.
<b>Previous experience of training (particularly with FBS)</b>	If the facilitators have had experience of leading Farmer Field Schools (FFS), they can be expected to manage the FBS material much better.
<b>Cultural norms</b>	Assess the exercises, examples and case studies in the training materials to ensure that these are appropriate and culturally acceptable to grassroots communities.
<b>Agricultural realities</b>	Change the names of crops, sums of money and other items in the exercises, examples and case studies that are not appropriate locally. In any event, the best examples are those that come from the participants' and the trainers' experience. Whenever possible, replace examples with more locally relevant material that gives the same information and message.











The Farm Business School (FBS) operates at field level. The aim is to build farmer capacity in entrepreneurial and management skills. It does this through a 'learning-by-doing' approach. It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills toward improved farm commercialization – while working on their own farms. Extension officers and lead farmers are trained as facilitators. They organize seasonal training programmes, where farmers work in small groups at their own agreed time and duration. The materials for the FBS are specially designed to work with limited resources. Participants need to be basically literate and numerate, but they do not have to have had any significant formal education. The manuals provide step-by-step guidelines that take the facilitator and the farmers through the basics of farm business management – following the production patterns of their own particular farms.

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**Food and Agriculture Organization  
of the United Nations**

# **The farm business school**

## **Training exercises**

**A collection of training materials  
and exercises covering the major topics  
related to farming as a business that can  
be adapted for use by extension workers  
working together with groups of farmers**

**by  
David Kahan  
and  
Steve Worth**

**FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS  
Rome 2015**

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## Foreword

Farm business management is a broad field of learning which can be undertaken at many levels. The Farm Business School (FBS) curriculum has been designed to build farmers' capacity to engage in profitable farming. It is a very practical curriculum based on the principle of learning by doing.

This manual, the Training exercises of the FBS curriculum, provides the material which forms the working basis for the course of instruction. There are 100 exercises organized around 28 themes or topics. The exercises help the farmers explore and acquire knowledge and skills in farm business management ranging from basic business concepts and entrepreneurship to analysing, setting goals and planning for improvements in the farm business. Farmers will also be guided through a systematic process of implementing their farm business plans and evaluating the results they achieve.

Farmers will learn specific tools such as benchmarking, mapping and other means to measure the effectiveness of their farms. They will learn about analysing and comparing enterprises to determine which are the most profitable and what affects profitability. They will understand the cyclical nature of a farm business and the risks that their farm business might face and how to plan for them.

In the process of developing a farm business plan for their own farm business, they will learn how to plan marketing, and labour, to assess cash requirement and funding sources and to mobilize finance, and to purchase inputs and materials. They will consider how and with whom to form partnerships - both with other producers as well as with various actors in the value chain.

The theme of entrepreneurship runs throughout the whole FBS curriculum. The aim is to inspire the participants and build their capacity and passion to organize and manage their farms as profit-making businesses and taking full responsibility for all the risks.

The programme is led by a trained, experienced facilitator who has personally been through the FBS curriculum. Rather than teaching, the facilitator assists and guides the participating farmers through the exercises as they work to acquire specific learning objectives.

All of the exercises are accompanied by practical activities. Most of these activities are carried out in the FBS venue. Some include 'field trips' to visit successful farmers, to explore farm businesses and investigate markets they might use. They will work individually and in teams. They will hear from experts and question successful entrepreneurs to learn first-hand from those with mature experience in various aspects of farm business management.

At the end of the full course, farmers will have the opportunity to test their knowledge and skills on their farm businesses when they implement their unique farm business plans. And they will have the opportunity to reflect on the outcome of their farm business plan, and to improve it for the next season.

The Authors



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Section 1  
**INTRODUCTION  
TO THE EXERCISES**



Before beginning with the exercises, the following provides general information about use, structure and how they are to be conducted.

## Layout of exercises

To make planning easier exercises are presented in the same format as set out below.

Element	For each exercise ...
Objectives	There is a clearly stated objective.
Key questions	There is at least one key question to explore.
Key points to cover	Key points are presented in bullet form.
Process	A brief description of the process to be followed is presented.
Guidelines	Steps for processes are suggested (if required).
Side-track	Additional guidance is given or clarifications are made (if required).

## The exercise framework

Element	Take this into consideration
Objectives	Each exercise is designed to achieve discrete and specific outcomes that will generally be either knowledge or a skill. Most exercises have a single objective; some will have two.
Key questions	Each exercise examines at least one question that is worded to help focus the thinking of the farmers around the objective of the exercise.

## The exercise framework (continued)

Exercise	Take this into consideration
Key points to cover	Each exercise is designed to cover a number of points that will help answer the question and fulfil the objective of the exercise. In most cases these point`s are presented in bullet form; in a few cases they are presented as a brief narrative explanation. They are not meant to be exhaustive, but are meant to present the essential learning that is needed. Facilitators may need to adjust the key points to suit their particular circumstances or the circumstances of the participating farmers.
Process	<p>The exercises are designed to help participants gain some knowledge or skill. For each exercise a brief description of the way the exercise is to be carried out is given. The details and the specific methods of the process (such as group sizes, use of materials, whiteboards) are left to the discretion of the facilitator based on his or her knowledge of the farmers and their farming circumstances. Where possible, the process is meant to be interactive and/or experiential - giving the farmers an opportunity to 'do something' and to contribute to the learning.</p> <p>The general procedure is to explain the purpose/objective of the exercise, provide the farmers with information, explain the steps of the exercise, have the farmers complete the exercise, and then to discuss the outcomes in a plenary discussion as a means of consolidating learning. Some of the exercises include suggested guidelines that provide a sequence of steps to follow.</p> <p>When group work is indicated, it is suggested that this be handled in two stages. The 'first</p>

## The exercise framework (continued)

Exercise	Take this into consideration
	<p>stage' would be work to be done by the designated groups (e.g. discussion, planning); the 'second stage' would be presentations by the group followed by discussion by the plenary of the farmers. The intention is to maximize input and participation (through the groups) and to reinforce learning (through collective reflection and dialogue).</p> <p>Some of the exercises refer to enterprise groups or teams. These are groups or teams of participants working on the same enterprise. Organizing such teams will make the relevant exercises easier to conduct and for the farmers to assist one another in the exercise.</p>

## About conducting exercises

The following briefly discusses certain aspects of conducting the exercises. In each case, the facilitator will have to decide what to include; such decisions will need to be made well in advance of conducting an exercise.

Aspect	For each exercise ...
Interactive processes and visual representations	The facilitator will need to decide on how to best facilitate interactive learning and participation including the use of white/chalk boards, cards, flipcharts, role-play and activities.
Experiential learning	The facilitator will need to determine the most effective 'experience' to facilitate learning including the use of games, simulations, field trips and demonstrations.

## About conducting excersizes (continued)

Aspect	For each excercise
Guest presenters/ Panel	Decide if there is value in including input from a guest presenter and/or setting up a panel with which the farmers can interact. It will also be important to brief these guests well in terms of the objectives of the FBS in general and of the exercise in particular and in terms of the learning-by-doing philosophy of the FBS system.
Groups and teams	The facilitator will need to set up an appropriate team or group. Depending on the nature of the exercise, the framework suggests a team that is meant to be 2-3 participants; where the activity warrants it, a group is suggested. A group would generally be 3-5 participants, but others may need to be larger. In each case, the facilitator will need to decide what the best arrangement is.
Study materials	The facilitator will need to decide what and how much printed information to give to the farmers. Handouts for participants have not been included in this collection of materials.
Recording lessons and other information	The facilitator will need to suggest (possibly provide for) ways to record information and lessons learned. These might include exercise books, pre-printed worksheets, notebooks.
Embedded learning	<p>The facilitator will need to identify the embedded learning. Except where the exercises are specifically linked, this means that the knowledge or skill needed to complete the exercise has been covered.</p> <p>For example, the benchmarking exercises include enterprise budgets as one of the measures of performance. The benchmarking exercises do not provide any information or instruction on enterprise budgets, but 'assume' the farmers already know about the concept</p>

### About conducting excersizes (continued)

Aspect	For each excercise ...
	and how to use them. It is up to the facilitator to check what knowledge is embedded in each exercise and decide whether or not that knowledge or skill needs to be learned before proceeding with the intended exercise.
Choosing exercises	Many of the exercises are 'stand-alone' and can be conducted without having to conduct a previous exercise and without having to be followed up by another exercise. However, several of the exercises are linked and it is better if these linked exercises were conducted together and in sequence.
Sequencing exercises	Exercises are numbered sequentially. Except where exercises are linked, the numbering is not intended to indicate any sequence in application. The facilitator will want to consider carefully the sequence of exercises when designing the FBS curriculum for each school.

### NOTE

It is important that facilitators review the material well in advance of each session to make sure that all is in order and that they are familiar with the related subject area.

The exercises may be shortened or made longer, according to the needs of the particular farm business school. It then becomes the job of the facilitator to adjust the materials required to match the changes made. Facilitators may also decide to add other exercises, which they are free (and encouraged) to do. Any exercises added would need to be considered in terms of the budgets they require.

It is recommended that facilitators understand the importance of energizers to gain the attention of the participants and have at hand a list of possible energizers that could be used when necessary. This has not been included as part of the FBS package.





Section 2

**OUTLINE OF THE EXERCISES**

## **Commercial farming environment**

A first step to assisting farmers move toward more profitable market-oriented farming is by helping them to understand the changes taking place in commercial farming and how these affect their farm businesses. In the initial exercise of this collection farmers will begin to explore this changing environment and the challenges they face. They will discuss why they farm the way they do and how this has changed over the years.

### **Exercise 1 - The changing farming environment**

## Exercise 1

### The changing farming environment

Objective	<ul style="list-style-type: none"> <li>To develop participants' knowledge of the environment in which farm commercialization is taking place.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What changes are occurring to impact on my farming systems?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>In the past people farmed for food.</li> <li>Now, more and more people are farming for cash to pay for things they cannot produce.</li> <li>This change requires farmers to look carefully at the profitability of their farms.</li> </ul>
Process	<ul style="list-style-type: none"> <li>Interactive exercise using diagrams to explore the change in purpose of farming by comparing the relative importance of farming for food with farming for cash.</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>1. Team of 3-5 discuss why they farm. Is it to produce food to eat? Is it to generate cash? Is it for both food production and for cash? Rather than using words, they will use two circles; one representing farming for food, and one representing farming for cash. If they are farming more for food than for cash, then make the 'food' circle larger than the 'cash' circle. If they think they are farming equally for 'food and cash', the circles should be of equal size (see the following example).</li> <li>2. The teams discuss how this ratio has changed over the last 10 years and to use circles to demonstrate the ratio ten years ago and five years ago.</li> <li>3. The teams share their diagrams. Discuss the changes shown. What does it mean? Are farmers farming more for food or for cash? Why has this changed?</li> <li>4. The teams discuss what is likely to happen in the next 5-10 years. They use circles again.</li> </ol>

## Exercise 1 (continued)

## Guidelines

5. The teams share their diagrams. Discuss what this implies for how they run their farms. Is farming for cash different than farming for food? If yes, how? If not, why not?

Example  
Diagram of the changing commercial environments

10 years  
ago



5 years  
ago



Now




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**The commercial farm environment  
is rapidly changing and presenting new  
production and marketing opportunities**

## **Farming as a business**

For farmers to keep pace with the changing environment, they need to see their farms as businesses. This exercise will help farmers understand the difference between farming for food and farming for profit. They will look at the three key elements of any market-oriented farm: input supply, the production unit and the market.

### **Exercise 2 - Seeing the farm as a business**

## Exercise 2

### Seeing the farm as a business

Objective	<ul style="list-style-type: none"> <li>• To create awareness and introduce the concept of farming as a business and build consensus about the meaning of business.</li> <li>• To understand important aspects of the farm businesses that the farmers are managing.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is farming as a business?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• The farm business is made up of three main parts: input supply, the production unit and the farm.</li> <li>• Inputs go to the production unit where products are made and products go to the market to be sold. This is the physical flow of a farm business.</li> <li>• Money is spent on inputs. Inputs are used to produce a product. The product is sold on the market for money. The money returns to the farm. Some of it is used to buy more inputs. This is the financial flow of a farm business.</li> </ul>
Process	<ul style="list-style-type: none"> <li>• Engage the farmers in a discussion around the three key elements of a farm business - the production unit, the input supply and the market - and main activities associated with each element of the farm. It should include the flow of resources and cash through the farm. The discussion should be linked to Exercise 1 examining the increasing need to farm for cash and how running the farm as a business achieves this. (See 'Farming as a business', Section 3, Figure 3a in the FBS Handbook.)</li> </ul>



## **The farm business cycle**

Farm businesses follow a specific cycle based on diagnosing, planning, implementing and marketing and, finally, evaluating. The cycle then begins again. In this way the farm business is subject to continual improvement using this systematic and methodological approach. The exercises listed under the next topic are intended to take the participant through all stages of the farm business cycle.

### **Exercise 3 - The farm business cycle**

### Exercise 3

#### The farm business cycle

Objective	<ul style="list-style-type: none"> <li>To understand the element of the farm business cycle.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What is farming as a business?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>What are the elements of the farm business cycle?</li> </ul>
Process	<ul style="list-style-type: none"> <li>Diagnosing. Work done to study a business and to identify problems that are limiting performance (finding out what is wrong) and opportunities to improve performance (finding out what more can be done).</li> <li>Planning. Making decisions about the steps to follow to achieve an objective or goal. It is about looking into the future.</li> <li>Implementing. Ensuring that the plan can be realized. This involves organizing, producing, monitoring and marketing. Organizing involves arranging the resources and people needed to carry out the plan. Monitoring. Involves keeping track of progress being made on tasks and activities of the plan; checking to see if things are going as planned.</li> <li>Evaluating. Deciding whether or not the plan worked and whether or not the goals were achieved. It involves taking a longer look at what has been done and measure it against the original expectations.</li> </ul>
Process	Engage the farmers in a discussion around the basic farm business cycle. (See 'The farm business cycle', Section 3, Figure 3b in the FBS Handbook.)

## **Applying the farm business cycle**

This topic provides five additional exercises which will allow farmers to apply the business cycle to a farm business. It involves reading Sam's story which demonstrates the key parts of the business cycle: diagnosis, planning, implementing and marketing, and evaluating. The story line follows the key parts - one for each exercise. These can be read or told prior to the relevant exercise.

### **Diagnosis**

The first exercise provides insight to the diagnosis stage of the farm business cycle. It shows that while diagnosis is done carefully, it can also be done very simply. The exercise reinforces the understanding that diagnosis is the first step in making a farm business more profitable.

### **Planning**

The next exercise explores planning. Once a diagnosis has been done, ideas about possible changes will emerge. Planning addresses the questions such as what and how much to produce and how to produce it. Planning ensures that changes and new ideas are carefully thought through before being implemented.

### **Implementation**

The next stage of the farm business cycle is implementation. The exercise provided outlines three of the main elements of implementation: organizing, producing and monitoring. It shows that, while it is important to stay as close to the plan as possible, it may be necessary to make some small changes along the way.

**Marketing**

Marketing is the final element of implementation in the farm business cycle. It is one of the most critical aspects of farming for profit and as such has been treated separately. As with the other stages in the cycle, marketing needs to be planned carefully. The farmer needs to consider how to prepare the product for the market, how to package it and how to transport it to the market. And, of course, he must sell the product which includes deciding on a final price. Marketing is discussed in detail by exploring the main elements of marketing: preparing, packaging, transporting and selling.

**Evaluation**

The next exercise takes the farmer through the steps of evaluating the farm business plan. These should help the farmer identify the key indicators of farm performance and compare them to the plan (targets).

**Key aspects of a farm system**

In order to improve their farm businesses, farmers need to understand the key aspects of a farm business. This allows them to focus on the most important things that affect its performance. The last exercise under this topic should assist a farmer in identifying these key aspects in relation to input supply, production and marketing.

Exercise 4 - Farm business cycle: Diagnosis

Exercise 5 - Farm business cycle: Planning

Exercise 6 - Farm business cycle: Implementing

Exercise 7 - Farm business cycle: Marketing

Exercise 8 - Farm business cycle: Evaluating

Exercise 9 - Key aspects of a farm business

## Sam's story

### Part 1

#### Diagnosis (finding opportunities)

Sam had returned to his village after 4 years. He had gone to the city to look for work. His primary education had got him several different jobs. Life in the city had been exciting, but very hard work. Now his family wanted him to return to the village to take over the family's 1.5-hectare farm that his father was now too old to manage. Sam was happy to return, but he needed to make sure he could earn enough money to support his family now and in the future.

Sam talked to a number of farmers in his village to find out what the current farming practices were. He realized that most farmers were growing the same crops - beans, onions and maize. When he asked them why, they said because everyone else did; it was what they had always grown. He also learned that these farmers were selling their produce to the first buyer who came to the farm.

Sam decided to find out what were the most viable products to produce. He went to the nearest town and talked to shopkeepers and traders. He found out that there was a high demand for garlic. He also found three shopkeepers who said they would buy garlic from him, provided the garlic was of good quality. They said they normally paid \$0.50 per kg.

Sam knew that growing garlic was like growing onions, so he should be able to grow it.

Next, Sam decided to find out if he could make a profit growing and selling garlic. He visited some farmers in neighbouring village and learned from them that garlic was a profitable crop.

Finally, Sam spoke to the extension worker. She advised him to start with a  $\frac{1}{4}$  hectare of garlic. She also told him he should be able to harvest about 750kg to 1 000 kg per hectare. So on  $\frac{1}{4}$  ha, he should be able to produce between 190 and 250kg of garlic.

After making all of his investigations, Sam decided to grow garlic on  $\frac{1}{4}$  ha of his farm. On the rest of the farm he would plant beans, onions and maize.

## Part 2 Planning

Sam had decided to grow  $\frac{1}{4}$  ha of garlic. Based on what he learned from the market, from the other farmers and from the extension worker, Sam set himself a goal of marketing 1 000 kg of garlic to the three shopkeepers in the nearest town.

He figured out that if he sold 1 000 kg to the shopkeepers he would receive \$500.

Now Sam had to make a plan. First he found out what inputs he would need (including seed, fertilizer, pesticides, labour).

Next he found out how to package the garlic so that it would be acceptable to the three shopkeepers. In this case it was small net bags.

Next he found out the best way to transport the garlic from his farm to the shops.

And finally, he found out how much it would cost for all these inputs. It would cost him \$100. This meant he would make a profit of \$400.

After making his plan, the next thing Sam had to do was implement his plan. He had to buy his inputs, organize his labour, prepare his land and plant his crops. He also had to get organized to package his garlic and transport it to the three shopkeepers.

## Part 3 Implementation (producing, monitoring, controlling)

When Sam had all the right inputs, he prepared his land and planted his crop. But within a month Sam realized that the germination

was poor and the growth of the garlic was not as expected. He went to the extension worker who advised Sam to replant part of the garlic using a different variety of seed. Even though it cost him extra to get new seeds for planting, he knew he had made a promise to several buyers in the market to supply good quality garlic. He did his sums, and knew that he would still make a profit.

This time the germination was much better. A few weeks later, Sam's garlic was almost ready, and it was looking good.

He knew the crop would come in later than the original plan, so he made new arrangements for transport. This did not cost him anything extra.

When it got close to harvest time, Sam purchased the packaging he needed to market his garlic in the three shops.

Shortly thereafter, Sam harvested his garlic. He was a month later than expected, but the crop looked good.

#### Part 4

#### **Implementation (marketing)**

As the garlic was harvested from the field, it was checked and cleaned. The bad cloves were thrown away. The rest was packed into the net bags and put into boxes.

When everything was weighed, Sam discovered that he had 900 kg. It is a little less than his goal. But Sam did his sums and knew that he would still make a profit.

The transport arrived just as organized. The boxes were packed and Sam took his garlic to the three shopkeepers. So far everything was going as planned.

At first, the first shop refused to take his garlic because Sam was one month late. But Sam showed the shopkeeper the quality of his produce and convinced him to buy it.



The second shop agreed to take the product, but he wanted to pay Sam after sixty days. Sam explained that this was his first crop and wanted to keep selling to this shopkeeper but couldn't if they couldn't make a better deal on payment. In this way Sam persuaded the shopkeeper to pay 50% now and 50% in sixty days.

The third shopkeeper refused to pay the agreed price. He said that he was able to get cheaper garlic from another farmer. Sam showed the shopkeeper the quality of the garlic. He also told him that his competitors had bought the garlic at the agreed price. In this way Sam convinced the shopkeeper to pay the agreed price. And he paid cash.

### Part 5 Evaluation

Sam came back home a very happy man! But he realized that his task was not done. He had to evaluate his garlic business.

He needed to compare what he planned with what actually happened. He must also calculate how much profit he has made.

He noted that he had to replant the garlic. He had used the wrong seed. Next time he would check with the extension worker before buying inputs.

He did not expect the one shopkeeper to be worried that he was late with his crop. Next time he would be sure to keep his buyers informed.

He also did not expect to be asked to be paid in 60 days. Next time he would check on that when setting up his market.

Did he make a profit? Sam knows that the income from sales is not equal to profit. He has to subtract all costs from the sales. He sold all 900 kg of garlic. He got \$0.50 per kg. Thus his total income was \$450. His costs were \$120 including the \$20 for the additional seed. So his profit was \$330.



So Sam was very happy. This was the first time he had been responsible for the family farm. It made more money this year than last year. His parents were also very happy. They asked him what he was going to do with the farm next year. He said he would investigate more opportunities. He would look again at the market. He would speak to the extension worker and other farmers. When he had enough information, he would decide what to do.

But today, Sam wanted to celebrate. So he invited his family and friends to a party. All of them wanted to know how Sam had made so much money from his farm. He told them the whole story.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

### Exercise 4

#### Farm business cycle: Diagnosis

Objective	<ul style="list-style-type: none"><li>• To learn to diagnose a farm business.</li></ul>
Key question	<ul style="list-style-type: none"><li>• What does it mean to diagnose a farm business?</li></ul>
Key points to cover	<ul style="list-style-type: none"><li>• Diagnosing is the first step toward making a farm business more profitable.</li><li>• Diagnosis is the process of examining the farm business in terms of how well it is functioning and what is affecting its profitability.</li><li>• Part of diagnosing includes looking for new opportunities.</li></ul>
Process	<p>Read Part 1 of Sam's story. Discuss the following questions:</p> <ul style="list-style-type: none"><li>• What did Sam realize about the farmers in his village?</li><li>• What did Sam decide to do? How did he do it? Why is this important?</li><li>• What did Sam learn from his visit to the market (shopkeepers and traders)?</li><li>• What did Sam decide to do? Why could he be confident about this?</li></ul> <p>Lead a discussion to cover the 'Key points' above.</p>

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## Exercise 6

### Farm business cycle: Implementing

Objective	<ul style="list-style-type: none"> <li>To understand the steps taken to implement a farm business plan.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What are the main elements of implementing a farm business plan?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Implementing a farm business plan includes:</li> <li>Organizing. Getting materials and other resources in place.</li> <li>Producing. Carrying out all the technical operations needed to produce the crop or product.</li> <li>Monitoring. Checking that everything is going according to plan and making small changes to the plan where needed.</li> </ul>
Process	Read Part 3 of Sam's story and discuss how Sam implemented his farm business plan in terms of organizing, producing and monitoring, as explained above.
Guidelines	<ol style="list-style-type: none"> <li>Part 3 of Sam's story. Ask the farmers the following questions: <ul style="list-style-type: none"> <li>After making his plan, what did Sam do next?</li> <li>What happened after Sam planted his garlic? What did he do about it? Why?</li> <li>When it got close to harvesting time, what did Sam do?</li> </ul> </li> <li>Lead the discussion to cover the points in 'Key points to cover'. Explain that the whole purpose of making a plan is to implement it. It is important that the plan be carried out just as it was planned.</li> </ol>

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Exercise 7  
Farm business cycle: Marketing

Objective	<ul style="list-style-type: none"> <li>To understand the steps involved in marketing an agricultural product.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What are the main elements of marketing an agricultural product?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Marketing an agricultural product includes:               <ul style="list-style-type: none"> <li>Preparing the product for the market (e.g. cleaning, slaughtering);</li> <li>Packaging the product according to the market demand;</li> <li>Transporting the product to the market;</li> <li>Selling the product to a buyer (this includes pricing the product).</li> </ul> </li> </ul>
Process	Read Part 4 of Sam's story and discuss how Sam marketed his product in terms of the four points listed above.
Guidelines	<ol style="list-style-type: none"> <li>Part 4 of Sam's story. Mention that the harvesting and packaging went well.</li> <li>Ask the following questions. What happened when Sam took the garlic to the three shopkeepers? What did he do about it? Why?</li> <li>Explain how marketing is a very important part of the farm business. It includes preparing the product, packaging, transport, and selling.</li> </ol>

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## Exercise 8

### Farm business cycle: Evaluating

Objective	<ul style="list-style-type: none"> <li>To understand the steps involved in evaluating a farm business plan.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What are the main elements in evaluating a farm business plan?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Evaluating a farm business plan includes assessing performance of the farm business in terms of:               <ul style="list-style-type: none"> <li>Meeting production targets;</li> <li>Meeting marketing targets;</li> <li>Meeting profit targets;</li> <li>Identifying what went according to plan and did not go according to plan and why;</li> <li>Identifying changes to make in the farm business plan for the following production season.</li> </ul> </li> </ul>
Process	<p>Read Part 5 of Sam's story and discuss how Sam evaluated his farm business plan, the results of the evaluation and how this changed his plan for the next season. Lead the discussion using 'Key points to cover'.</p>
Guidelines	<ol style="list-style-type: none"> <li>Part 5 of Sam's story. Ask the following questions:           <ul style="list-style-type: none"> <li>After Sam sold all his garlic and went home, what did he do? Why?</li> <li>What are some of the things Sam learned from his evaluation? What did he do about it?</li> <li>Did Sam make a profit? How did he know? What did he plan to do about it?</li> </ul> </li> <li>Lead the discussion again using 'Key points'. Explain how evaluating is also an important part of a farm business. It helps the farmer to know what went well and what went wrong. It helps the farmer know how to improve his farming business to make it more profitable.</li> </ol>

Exercise 9  
Key aspects of a farm business

Objective	<ul style="list-style-type: none"> <li>To understand some of the most important aspects of a farm business in preparation for writing farm business plans.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What are the key aspects of a farm business?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>A business is meant to be viable and successful.</li> <li>Aspects that affect the business viability are linked to the inputs, production, markets and the general commercial environment.</li> <li>These aspects or key success factors should be favourable and the farmer should always be able to cope with issues of risk in the farm business.</li> <li>The aspects include: <ul style="list-style-type: none"> <li>What can I produce?</li> <li>How do I produce it?</li> <li>Is it possible to produce it on my land?</li> <li>What resources and inputs are needed and where to get them?</li> <li>What labour do I need?</li> <li>What is the best market for the product?</li> <li>What price can the product get in the market?</li> <li>Is it profitable?</li> <li>Do I have enough cash?</li> <li>What are the risks and what to do about them?</li> </ul> </li> </ul> <p>See the following box for questions to be asked when evaluating a farm.</p>
Process	Plenary discussion around the 'Key question' and the 'Key points' above.

## Exercise 9 (continued)

Guidelines	<ol style="list-style-type: none"> <li>1. Ask the farmers to describe the most important aspects of a farm business.</li> <li>2. Brainstorm the most important things they think they need to know and be able to do to make their farm businesses successful.</li> <li>3. Use the list under 'Key points' as a check to make sure all points are covered.</li> </ol>
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### Key questions for evaluating important aspects of a farm business

Ask the working groups to work through and answer the following questions.

**Resource base.** How possible is it for the farmer to develop commercial farming operations? Are there opportunities to expand the resource base?

**Resource degradation.** Could the resource base be damaged by more intensive use of external inputs, such as soil erosion, deterioration of the soil structure or pollution?

**Technical efficiency of production.** How successful is the farmer in turning inputs into outputs for given production methods? Are there opportunities to expand commercial farming operations? Are there improvements in quality that could be made to the output from existing production activities?



Key questions for evaluating (continued)

**Modern production methods.** How good is the farmer's knowledge of modern production methods that are available for use? Are there opportunities to adopt improved methods in existing production activities?

**Production threats.** Are there dangers such as increased incidence of pests and diseases, or insufficient knowledge of new production processes?

**Financial structure.** How sound is the financial position of their farm business?

**Product markets.** How well does the farmer understand the markets for outputs that are produced on the farm? Does the farmer understand the product requirements for new outputs to be sold in commercial market outlets? Are there new marketing opportunities for outputs from existing production activities? Is the new market outlet reliable and/or sustainable?

**Market security.** How strong are the market linkages for commercial farm activities?

**Risk management.** How capable is the farmer of identifying and managing the risks facing the farm business?

**Community-based demands on the farm family.** Are there specific community-based demands on the farm family that restrict their ability to develop a more commercial farm business?

**Financial structure.** Is access to funds for development likely to be a problem?

**Goal conflicts.** Are additional demands on time for the farm family associated with the development of more commercial farm business likely to conflict with other non-farm goals?

## Farm profit, income, cost

The five exercises of this topic are linked. They begin with the concept of farm profit and how to calculate it. Then the farm business is discussed in terms of the individual enterprises (which forms the basis for calculating enterprise budgets) followed by an exercise dealing with the difference between enterprise profitability and farm profitability. The next exercise helps the farmer understand the difference between variable and fixed costs and how they affect the profitability of the individual enterprises of the whole farm.

There are many factors that affect the profitability of a farm. These can include the cost of producing and marketing the enterprise, the price of the product sold and the level of production. The final exercise of this topic is intended to provide the guidance necessary on the factors that affect the profitability of a farm and individual enterprises. Once a farmer knows how these factors affect profitability, he or she will be able to take action to improve the overall profitability of the farm.

- Exercise 10 - Understanding farm profitability
- Exercise 11 - Farm business and farm enterprises
- Exercise 12 - Understanding enterprise profitability
- Exercise 13 - Variable and fixed costs
- Exercise 14 - Things that affect the profitability  
of a farm business

### Exercise 10 Understanding Farm Profitability

Objective	<ul style="list-style-type: none"> <li>• To understand and appreciate the concept of profit as related to a farm businesses.</li> <li>• Calculate farm profit.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is profit?</li> <li>• Where does profit come from?</li> <li>• What is income?</li> <li>• What are costs?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• It is important to separate farm income and profit from household income; the farm business is separate from the household.</li> <li>• Farm income. Money received from selling products and the value of produce consumed and given away (this includes the value of all the products produced on the farm). Income is calculated by multiplying the quantity of the product sold, eaten, used or given away with the price of the produce in the market. Quantity is specified in terms of a unit of measure, e.g. kg, bags, bottles. Price is specified in terms of a unit of measure, i.e. \$/kg, or \$/bottle. Hence it is referred to as the unit price.</li> <li>• Farm costs. Money spent to produce and market products; the value of all the things used to produce products on the farm.</li> <li>• Farm profit. Money left over from income after the costs are deducted. If the total income less the total variable costs gives a negative number (that is, it is less than zero), then the enterprise is making a loss. This means that the costs are greater than the income or the income is less than the costs. If the total income is greater than total variable costs the calculation gives a positive number (that is greater than zero), then the enterprise is making a profit. The larger the resulting total, the greater the profit.</li> </ul>

## Exercise 10 (continued)

Process	Brainstorm the concepts of income, costs and profit and guide a discussion around them. Discuss the issue of separating the farm income/profit from the income sources of the household.
Guidelines	<ol style="list-style-type: none"> <li>1. Ask what is profit and why it is important. Lead the discussion to the idea that profit is the money left over from income after the costs are deducted.</li> <li>2. Brainstorm the following questions: <ul style="list-style-type: none"> <li>• Where does profit come from?</li> <li>• How do you know that you have made a profit?</li> </ul> </li> <li>3. Ask participants to define 'income, costs' and 'profit'. Lead the discussion to definitions given above.</li> </ol>
Side-track	<p>The idea behind the discussion on 'Farm income, Farm profit' and 'Farm costs' is to introduce the idea that the farm business is separate from the household. While the household relies on the income from the farm and other sources, the profitability of the farm is based on the income and costs related to the farm and not the household. This will help reinforce idea of farming as a business.</p> <p>Discussing farm costs also opens the way to discussing variable and fixed costs that is needed to be able to discuss enterprise profitability as separate from whole farm profitability later in the programme.</p> <p>Examples of household expenses include food, schooling, clothing, health.</p>

Exercise 11  
Farm business and farm enterprises

Objective	<ul style="list-style-type: none"> <li>To understand the difference between the farm business and farm enterprises.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What is the difference between a farm business and a farm enterprise?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Farm business refers to the whole farm as a business.</li> <li>The farm is made up of individual enterprises (e.g. maize, groundnuts, pigs).</li> <li>Each crop or kind of livestock produced is an enterprise. A farmer may produce maize, beans and eggs. Each of these products is an enterprise. Maize is an enterprise; beans is an enterprise; eggs is an enterprise. Together they make up the farm business as a whole.</li> </ul>
Process	Brainstorm the concepts of farm business and farm enterprises and guide a discussion around them.
Guidelines	<ol style="list-style-type: none"> <li>Ask the farmers to describe their own farms. Do they produce only one product? How many produce both crops and animals? How many produce more than one crop? How many raise more than one type of animal?</li> <li>Lead the discussion to the idea that a farm business is made up of different enterprises as described in 'Key points to cover'.</li> <li>Explain that sometimes farmers make decisions about the whole farm business and other times they make decisions about a specific enterprise. Therefore it is important to understand the difference.</li> </ol>

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Exercise 12  
**Understanding enterprise profitability**

Objective	<ul style="list-style-type: none"><li>• To understand the concept of enterprise profitability in relation to the whole farm.</li></ul>
Key question	<ul style="list-style-type: none"><li>• What is enterprise profitability?</li><li>• How is enterprise profitability different from farm profitability?</li><li>• What are the key factors of profitability?</li></ul>
Key points to cover	<ul style="list-style-type: none"><li>• An enterprise refers to one single crop or product. A farm may have more than one enterprise. Many farmers like to study their whole farm. This is important to do, but studying the whole can sometimes hide problems or opportunities within an individual enterprise. Therefore, it is also important to study each enterprise individually.</li><li>• Enterprise profitability is similar to farm profitability. In order to make a profit, the enterprise's income must be greater than the enterprise's costs.</li><li>• As a business, each enterprise has three key elements: inputs, the production unit and markets. (See 'One enterprise production unit', Section 3, Figure 3c in the FBS Handbook.) Each of these elements affects profitability. Inputs and production activities create costs for the enterprise. Marketing creates costs, but is the source of income for the enterprise.</li><li>• If income is greater than costs, then the enterprise will make a profit. If the income is less than the costs, then the enterprise will make a loss.</li></ul>

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## Exercise 12 (continued)

	<ul style="list-style-type: none"> <li>It sometimes happens that a farm is profitable even if one of its enterprises is not profitable. Therefore, it is important to determine the profitability of each enterprise to make sure that an unprofitable enterprise is not being carried by the profitable enterprises. A farm business should not have any unprofitable enterprises as these will reduce the profits of the whole farm.</li> </ul>
Process	<p>Plenary discussion around the profitability of the individual enterprises of a farm. Lead the discussion to the understanding that each enterprise has unique income and costs. If the income is greater than the costs, then it makes a profit. If the income is less than the costs, then it makes a loss. An enterprise that makes a loss reduces the profits of the whole farm. (See 'Income, costs, profit or loss', Section 3, Figure 3d in the FBS Handbook.)</p>
Guidelines	<ol style="list-style-type: none"> <li>Ask the farmers to discuss the difference between a farm and an individual enterprise. Lead the discussion to the understanding that an enterprise is a single crop or animal type and that a farm may have more than one enterprise.</li> <li>Ask the farmers to explain their understanding of profit. Lead the discussion to the understanding that profitability is determined by income and costs.</li> <li>Ask the farmers to identify the three key elements of an enterprise and what happens in each element. How do these contribute to the costs or income of the enterprise?</li> </ol>



This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, typical of notebook paper. There are no margins, text, or other markings on the page.



### Exercise 13

#### Variable and fixed costs

Objective	<ul style="list-style-type: none"> <li>To understand the difference between variable and fixed costs and their application to farm profitability.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What are variable costs?</li> <li>What are fixed costs?</li> <li>How do these affect farm profitability?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Variable costs. The costs of actual production. They apply to specific enterprises on the farm. They vary as output changes and occur only if something is produced. They do not occur if nothing is produced. Variable costs can be allocated to specific enterprises. Examples of variable costs include: <ul style="list-style-type: none"> <li>The cost of seeds;</li> <li>The cost of fertilizers;</li> <li>The cost of fuel for machines;</li> <li>The cost of hired labour;</li> <li>The cost of livestock feed;</li> <li>Veterinary costs.</li> </ul> </li> </ul> <p>Each individual category of variable costs is calculated by multiplying the quantity of the input used with the unit price for that item. Quantities and costs are specified in term of the unit of measure which can be kg, bags, tons, bottles.</p> <ul style="list-style-type: none"> <li>Fixed costs. Fixed costs are costs that apply to the farm as a whole. They do not vary with changes in production output of a specific product; they remain the same (fixed) regardless of the output. Even if there is no output, there will still be fixed costs.</li> </ul>

## Exercise 13 (continued)

	<ul style="list-style-type: none"> <li>Examples of fixed costs include: <ul style="list-style-type: none"> <li>The cost of purchasing a tractor or a piece of equipment which is used on the whole farm;</li> <li>The cost of implements and tools;</li> <li>The cost of a head of livestock for draft power;</li> <li>The cost of a packing shed;</li> <li>The cost of farm infrastructure (e.g. fencing).</li> </ul> </li> </ul>
Process	Brainstorm on the concepts of variable and fixed costs and guide a discussion around them including identifying examples of each. Lead the discussion to include the examples of variable and fixed costs given above.
Guidelines	<ol style="list-style-type: none"> <li>Ask the farmers to brainstorm what they know about variable and fixed costs. Write their ideas on the board under the appropriate headings. Lead the discussion to the definitions given in 'Key points to cover'.</li> <li>Ask participants to list examples of variable costs and write them on the board. Again lead the discussion to cover the variable costs listed in 'Key points'. Highlight that these costs vary with production and can be allocated to a single enterprise.</li> <li>Ask participants to list examples of fixed costs and write them on the board. Lead the discussion to cover the fixed costs listed in the points to cover. Highlight that these costs do not vary with production and cannot easily be allocated to a single enterprise.</li> </ol>

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## Exercise 14

**Things that affect the profitability of a farm business**

Objective	<ul style="list-style-type: none"> <li>To understand the factors that affect the profitability of a farm business.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What are the main things that affect farm profitability?</li> </ul>
Key points to cover	<p>Farming for profit is different and more complex than farming for home consumption. Farm profits are affected by:</p> <ul style="list-style-type: none"> <li>Inputs, input costs and suppliers (the right ones, being available when needed)</li> <li>Market (location, distance, accessibility);</li> <li>Market demand (what, when and how much);</li> <li>Market prices;</li> <li>Credit (accessibility, affordability);</li> <li>Competitors;</li> <li>Technology (for production and marketing).</li> <li>(See Figure 3e, 'Things that affect profitability', in Section 3 of the FBS Handbook.)</li> </ul>
Process	Brainstorm and guide a discussion around the key factors that affect profitability of a farm business paying close attention to how they affect profitability (positively and negatively).
Guidelines	<ol style="list-style-type: none"> <li>Ask the farmers to think of things that can affect the profitability of a farm business. Lead the discussion to covering the points given above (Consider capturing their ideas in a diagram).</li> <li>Explain the following and encourage discussion: When we only produced food for our families, farming was much simpler. It was not always easy, but it was not so complex. Now, when we need to generate cash to buy things we cannot grow on our farms, farming becomes more like a business. We have to be aware of many things. We have to make sure that we grow and sell enough products to cover the cost of production and to give us a profit.</li> </ol>

## **Cash flow, cash availability**

Cash is the life-blood of a farm business. Unless a farmer has enough cash to pay for the inputs, labour and other costs, he or she will not be able to run the business. The following exercise is intended to show how the cash inflow and outflow can be measured and compared; how to prepare a cash flow. Determining the cash flow should enable a farmer to identify the times in the production season when he or she may run short of cash. Based on this knowledge the farmer could prepare a plan to raise the cash needed.

Exercise 15 - The flow of cash through the farm business

Exercise 15  
The flow of cash through the farm business

Objective	<ul style="list-style-type: none"> <li>To understand the concept of cash flow and its impact on managing the farm business.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What is cash flow?</li> <li>What is cash inflow?</li> <li>What is cash outflow?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>A cash flow shows the farmer how much cash flows into the farm business each month and how much flows out of the farm business each month or over a certain period of time.</li> <li>If in any month the cash flow out is more than the cash flow in, then the farmer knows he has to find extra cash for that month.</li> </ul>
Process	<p>Develop a realistic practical exercise to help the farmers calculate a cash flow for a farm business based on an enterprise they are familiar with (an example is provided below).</p> <p>The key questions to answer are:</p> <ul style="list-style-type: none"> <li>Will I have enough cash available to implement the farm enterprise(s)?</li> <li>Will I need to borrow cash, and if so how much and when will I need it?</li> </ul>
Side-track	<p>This exercise can be done two or three times in conjunction with a number of exercises. Cash flow is included in the business plan exercises. The first time it is done can be more conceptual and less based on calculations. As the farmers gain more confidence and experience, the difficulty of the exercise can be increased.</p>

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### Example Cash flow exercise

The season for this farmer starts in September until August of the following year.

In September he has no expenses.

In October he will pay \$90 for labour for land preparation.

In November he will pay \$50 for seed, \$50 for fertilizer and \$90 for labour for planting.

In December he will pay \$20 for pesticide.

In January he will pay \$54 for labour for weeding.

In February, March and April he has no expenses.

In May he will pay \$90 for labour for harvesting.

In June the farmer sells his produce and receives an income of \$590.

Write the above information into a cash flow table as shown.

1. Add up the costs for each month.

- In September the farmer needs no cash.
- In October he needs \$90.
- In November he needs \$190.
- In December he needs \$20.
- In January he needs \$54.
- In February, March and April he needs no cash.
- In May he needs \$90.

He will spend a total of \$444 over the whole production season.

2. Ask for each month. Does the farmer have enough cash in that month, or will he have to borrow the money?

3. Write 'Cash needed' under the last activity. Add up the amounts in each month and put the total at the bottom on the same line as 'Cash needed'

4. Identify how much cash will flow into the farm. (The farmer has an income of \$590 from tomatoes in June.)

(Refer to the cash flow table on the following page)



## **Planning for risk**

One of the biggest factors that contribute to the failure of farm business is not identifying and planning for risk. The following exercise helps the farmer understand risk and how to plan for it so that if the potential risk does happen, a plan is in place to minimize its effect.

### **Exercise 16 - Risks in farming**



### Exercise 16 Risks in farming

Objective	<ul style="list-style-type: none"> <li>To understand risk, how it affects a farm business and how it can be managed.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What is risk?</li> <li>How does risk affect a farm business?</li> <li>How is risk managed?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Risk refers to things that could happen that can harm the farm business.</li> <li>Farmers need to think about potential risks ahead of time and be prepared for them.</li> <li>Potential risks include: <ul style="list-style-type: none"> <li>Changes in market prices;</li> <li>The possibility of low yields;</li> <li>Increases in costs of production;</li> <li>Loss of labour;</li> <li>Pests and diseases.</li> </ul> </li> </ul>
Process	<p>Plenary brainstorming around the following questions:</p> <ol style="list-style-type: none"> <li>What can happen to the production part of the business?</li> <li>You know that your enterprise is technically feasible, but what could go wrong with production? What action do you need to put in place?</li> <li>What can happen to the marketing part?</li> <li>What can happen to the financial part?</li> <li>What can happen to the human part of the business?</li> </ol> <p>Follow-up questions:</p> <ol style="list-style-type: none"> <li>What is the effect of a drop in the market price of a product?</li> <li>What is the effect of a pest infestation?</li> <li>What is the effect of a delay in the delivery of fertilizer from your supplier?</li> </ol> <p>Discussion should lead to identifying risks and how to handle them.</p>

## Exercise 16 (continued)

Guidelines	<ol style="list-style-type: none"> <li>1. Have the participants prepare a blank table similar to the one in the example below.</li> <li>2. Ask the farmers to think about their farms. Ask enterprise groups to discuss the specific risks. Have the participants list the risks in their blank tables.</li> <li>3. For each risk they should identify what harm it can do, and how to handle it as shown in the example below.</li> <li>4. Encourage discussion. Have they covered all the risks? Will their plans to address the risks work?</li> </ol>
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Example  
Risk identification and management

Risk and what harm it can do	How to handle the risk
Produce can be damaged on the way to the market. This can result in a lower market price.	Make sure the produce is properly packaged.
Market price can drop. This would result in lower profits.	Study the market and decide whether to sell early or late; or to sell all at once or a little at a time.

## Entrepreneurship

This section on entrepreneurship covers three aspects: entrepreneurial competencies, strategic planning and negotiating skills. Entrepreneurial competencies are covered in five exercises:

- A panel discussion with local entrepreneurs;
- Brainstorming on the characteristics of an entrepreneur based on the panel discussion;
- A self-reflection of the entrepreneurial characteristics;
- A visit to a local entrepreneur;
- Learning from the visit.

These exercises are linked and will require advance preparation. The facilitator will need to arrange several well-spoken and successful entrepreneurs (at least 2 or 3) to participate as panel members. Preferably they should be people with whom the farmers can identify. They should be working in something related to agriculture such as processing or marketing. Each panel member will need to be briefed as to the purpose of the panel discussion. They should each be asked to present a 5 to 10 minute story about themselves and the business they are managing. Thereafter they should be prepared to answer questions. The visit to a local entrepreneur also requires preparation.

Exercise 17 - Competencies: Panel discussion with entrepreneurs

Exercise 18 - Characteristics of an entrepreneur

Exercise 19 - Self-reflection on entrepreneurial characteristics

Exercise 20 - Visiting a local entrepreneur

Exercise 21 - Learning from the visit to the local entrepreneur

Exercise 17  
Competencies: Panel discussion with entrepreneurs

Objective	<ul style="list-style-type: none"> <li>• To understand what is an entrepreneur.</li> <li>• To identify the characteristics of an entrepreneur.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is an entrepreneur?</li> <li>• What are the characteristics of an entrepreneur?</li> <li>• How do I rate myself as an entrepreneur?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Possible questions to ask the panel:             <ul style="list-style-type: none"> <li>• Why did they start the business?</li> <li>• How long have they been in their business?</li> <li>• How long did it take to start making profits?</li> <li>• How did they know they could make a profit?</li> <li>• What is the most important thing to do as an entrepreneur?</li> <li>• What do you need to be careful about as an entrepreneur?</li> <li>• What are the most important characteristics of an entrepreneur?</li> <li>• What about risk? Are they risk-takers?</li> </ul> </li> </ul>
Process	Plenary discussion and preparation before the entrepreneurs arrive. Review of questions to ask and agreement on who will ask which question. Panel discussion with local entrepreneurs.
Guidelines	<ol style="list-style-type: none"> <li>1. Before the panel discussion, brainstorm questions the farmers can ask the panel. Lead the discussion to cover the questions listed above.</li> <li>2. Start the panel discussion by introducing the panel members.</li> <li>3. Ask each panel member to tell his story.</li> <li>4. Encourage the farmers to ask their questions and record the answers.</li> </ol>

Exercise 18  
**Characteristics of an entrepreneur**

Objective	To explore the characteristics of an entrepreneur.
Key question	<ul style="list-style-type: none"> <li>• What are the characteristics of an entrepreneur?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Some key characteristics of an entrepreneur are:               <ul style="list-style-type: none"> <li>• Like being your own boss (they like to control themselves instead of being controlled by others);</li> <li>• Self-confidence;</li> <li>• Sense of urgency;</li> <li>• High energy;</li> <li>• A willingness to risk money and security;</li> <li>• Ability to inspire and energize others;</li> <li>• Strong willed;</li> <li>• Ability to learn from failures;</li> <li>• May devote a disproportionate amount of time to their business;</li> <li>• Very competitive;</li> <li>• May lack some business skills;</li> <li>• A 'never, never, never quit' attitude;</li> <li>• Honest and trustworthy.</li> </ul> </li> </ul>
Process	Groups brainstorm to list characteristics of entrepreneurs. Groups report results to plenary to develop a comprehensive list of entrepreneurial characteristics.
Guidelines	<ol style="list-style-type: none"> <li>1. Organize teams to discuss and agree on five (5) key characteristics of an entrepreneur.</li> <li>2. Ask each team to share and explain the characteristics they agreed on.</li> <li>3. Discuss which of these are the most important</li> </ol>
Side-track	It may be valuable to capture the discussion in a diagram. (See example diagram in Exercise 19, under 'Process'.)

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Exercise 20  
Visiting a local entrepreneur

Objective	<ul style="list-style-type: none"> <li>To learn first-hand from an entrepreneur in his or her business.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What is it really like to be an entrepreneur?</li> <li>What makes this business successful?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>See an entrepreneur in action.</li> <li>Experience entrepreneurship first hand.</li> <li>The key things to look for and ask about are:               <ul style="list-style-type: none"> <li>How the business is managed in terms of input.</li> <li>Production and marketing.</li> <li>What makes this business successful?</li> </ul> </li> </ul>
Process	<p>Prior to the visit, teams brainstorm questions to ask the entrepreneur. Teams report to plenary discussion to agree on questions to ask the entrepreneur. During the visit, the farmers ask and record answers to their questions.</p>
Guidelines	<ol style="list-style-type: none"> <li>Small groups discuss what they would like to learn from the business and the entrepreneur they are going to visit.</li> <li>Ask each team to list key questions that they wish to ask (see list above).</li> <li>Visit to the entrepreneur. Encourage them to ask their questions and to record the answers.</li> </ol>
Side-track	<p>The facilitator will need to arrange the visit with an honest, well-spoken, and successful entrepreneur - preferably someone with whom the farmers can identify who is working in something related to agriculture such as processing or marketing. One of the entrepreneurs who participated in the panel discussion may be suitable.</p> <p>The entrepreneur will need to be informed about the purpose of the visit. It will be helpful if a programme or agenda is prepared with the entrepreneur.</p>

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



## Negotiating skills

Negotiating is an important skill needed by all successful entrepreneurs. It is used when purchasing inputs, hiring labour, engaging transport and pricing products at the market. The better a farmer is at negotiating, the better his chances are to improve the profitability of his farm business. The next five exercises help farmers explore the concept of negotiation and to access and develop their negotiating knowledge and skills.

Exercise 22 - What do I know about negotiating?

Exercise 23 - Things I need to know to negotiate  
in the market

Exercise 24: - Assessing my negotiating knowledge

Exercise 25: - Assessing my negotiating skills

Exercise 26: - Assessing my negotiating skills,  
continued

Exercise 22  
**What do I know about negotiating?**

Objective	<ul style="list-style-type: none"><li>• To understand what negotiation is.</li></ul>
Key question	<ul style="list-style-type: none"><li>• What is negotiation?</li><li>• What is involved in negotiation?</li></ul>
Key points to cover	<ul style="list-style-type: none"><li>• Negotiation is a process whereby two parties discuss an issue and arrive at an agreement.</li><li>• Negotiation usually requires both parties to compromise, where each will give up something and hold on to something in order to come to an agreement.</li></ul>
Process	Plenary brainstorming about the concept of negotiating starting with whatever experience they have had, focusing on what the negotiations entailed and what was involved in the process. Lead the discussion to negotiating in relation to marketing farm business products.
Guidelines	Most people have had some experience negotiating. Ask: Have they had any experience negotiating anything? They may have negotiated marketing a product, or the price of clothes they want to buy. Some will have negotiated a marriage. All of these are valid forms of negotiating that can be used to leverage learning in this exercise.

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## Exercise 23

**Things I need to know to negotiate in the market**

Objective	<ul style="list-style-type: none"> <li>To identify the knowledge needed in a market negotiation.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What type of information is needed to negotiate effectively?</li> <li>What negotiation skills are needed in marketing?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Farmers should know the following things to strengthen their position in a negotiation:               <ul style="list-style-type: none"> <li>The range of buyers available;</li> <li>Which crops have a strong demand (and a low supply);</li> <li>Current and past market prices and conditions;</li> <li>The break-even cost of production;</li> <li>The marketing costs involved to take the produce from the farmgate to the final market;</li> <li>How different marketing processes get done and how long they take to complete;</li> <li>The very lowest price that they can accept;</li> <li>A fair price for the product even if they want a higher price.</li> </ul> </li> </ul>
Process	Plenary brainstorming and discussion leading to identifying at least all the factors listed above. Lead the discussion with the question: What is needed to improve their position in a negotiation?

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Exercise 24  
**Assessing my negotiating knowledge**

Objective	<ul style="list-style-type: none"> <li>To self-reflect on the strength of my negotiation knowledge.</li> </ul>						
Key question	<ul style="list-style-type: none"> <li>How do I rate my negotiation knowledge?</li> </ul>						
Key points to cover	<ul style="list-style-type: none"> <li>Negotiation knowledge as developed by the FBS group.</li> </ul>						
Process	<p>Teams of two interview one another one skill at a time, assessing for themselves the extent to which they have the knowledge (strong or weak) and what they need to develop. Suggest that they use the following format to record their assessment:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <th colspan="2">Negotiation knowledge</th> </tr> <tr> <td style="text-align: center;">           How much of this do I have?         </td> <td style="text-align: center;">           What do I need to develop?         </td> </tr> <tr> <td style="text-align: center;"> <hr/>           Strong      Weak         </td> <td style="text-align: center;"> <hr/>           (?)         </td> </tr> </table> <p>Teams report results to plenary for discussion and think about possible actions to take to strengthen their negotiation knowledge.</p>	Negotiation knowledge		How much of this do I have?	What do I need to develop?	<hr/> Strong      Weak	<hr/> (?)
Negotiation knowledge							
How much of this do I have?	What do I need to develop?						
<hr/> Strong      Weak	<hr/> (?)						

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Exercise 25  
Assessing my negotiating skills

Objective	<ul style="list-style-type: none"> <li>To identify the skills needed to be successful in a negotiation.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What are the skills of a successful negotiator?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Farmers should know the following things to strengthen their position in a negotiation:               <ul style="list-style-type: none"> <li>Able to say 'No';</li> <li>Listening actively (without responding);</li> <li>Staying focused on the goal;</li> <li>Self-control; not getting emotional, but being conscious of one's own emotions;</li> <li>Being conscious of the emotions of the other party;</li> <li>Able to see the situation from the other party's point of view and what the other party wants (without necessarily agreeing with them);</li> <li>Able to see ways that both parties 'win';</li> <li>Able to concede unimportant or less important details;</li> <li>Able to make basic calculations quickly (e.g. the impact of a quantity or price change).</li> </ul> </li> </ul>
Process	Plenary brainstorming on the skills needed to be successful in a negotiation with a view to generating the above list of skills.

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## **Analysing the farm business**

The initial step in analysing a farm is to create a reliable sketch map that shows how the land is used, what products are produced and the inputs and technology used. The first exercise of this topic then is to prepare a map of the farm following the example diagram shown. The drawing does not have to be exact, but it should be easy to identify the structures, the location of enterprises and the water points. Such a map assists the farmers to analyse the actual strengths and weaknesses of their farm businesses in terms of the use of land, choice of enterprises, technology and inputs, labour, harvesting, marketing and other important aspects. After determining the strengths and weaknesses, the farmers are assisted to make plans to translate these into actions and to build on the strengths or overcome weaknesses. The five exercises provided are designed to encourage a way of thinking about the farm business so that the farmer is ever conscious of its strengths and weaknesses and routinely and methodically acts in response to them.

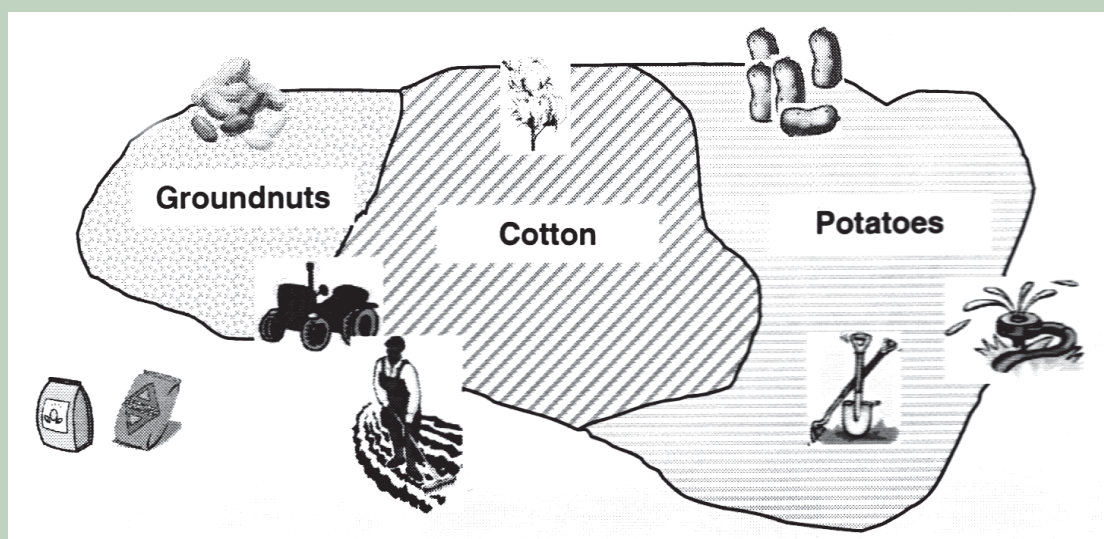
- Exercise 27 - Mapping the farm
- Exercise 28 - Analysing the enterprises of a farm
- Exercise 29 - Assessing the strengths  
and weaknesses of a farm
- Exercise 30 - Understanding the strengths  
and weaknesses of a farm
- Exercise 31 - Translating strengths  
and weaknesses into action

## Exercise 27

### Mapping the farm

Objective	<ul style="list-style-type: none"> <li>To produce a sketch map of each participants farm.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What enterprises do I have on my farm and what products do I produce?</li> <li>What technology and inputs do I use?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>How the land is used;</li> <li>What technology is used;</li> <li>What products are produced;</li> <li>What inputs are used.</li> </ul> <p>See the example of a sketch map below.</p>
Process	<p>The farmers work together to draw sketch maps of their farms.</p> <p>When the maps are done, ask the farmers to compare farms. How are they similar? How are they different? Why? Look for common points.</p>
Side-track	<p>Participants should not worry about accuracy or drawing to scale. Use whatever writing materials are available. Simple pencil drawings will be sufficient.</p>

### Example sketch map





Exercise 28  
Analysing the enterprises on my farm

Objective	<ul style="list-style-type: none"> <li>To understand the relationship between the different enterprises on the farmers' farms.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>Do the enterprises on my farm compete with each other?</li> <li>Do the enterprises on my farm supplement each other?</li> <li>Do the enterprises on my farm complement each other?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>A farm may have more than one enterprise.</li> <li>Competitive enterprises compete with each other for the same resources.</li> <li>Supplementary enterprises do not affect each other.</li> <li>Complementary enterprises are those that contribute to the production of another. (See following box for additional information.)</li> </ul>
Process	Plenary discussion led by the facilitator covering the points listed above.
Guidelines	<ol style="list-style-type: none"> <li>Ask the farmers to think about what they produce on their farms and what they do with their produce. How do these enterprises relate to each other? Do they compete for the same resources? Does one enterprise support the production of another enterprise? Does one enterprise use resources that would otherwise not be used?</li> <li>Explain the meaning of competitive, supplementary and complementary enterprises.</li> </ol>

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### **Additional information about enterprises**

#### **Competitive enterprises**

Enterprises 'compete' when they use the same resources. For example, if a farmer does not have enough labour to harvest two different crops at the same time, one crop can only be increased if the other is reduced.

#### **Supplementary enterprises**

Enterprises 'supplement' one another when they use resources that might otherwise not be used. For example, a farmer has fish and duck enterprises. The duck droppings are utilized by the fish in the fish pond, which could otherwise have been wasted. In such a case, the two enterprises are supplementary; the ducks supplement the feed for the fish. Another example is if a farm is located in an area that has early and late rains it may be possible to grow one crop to make use of the early rains and a second crop that makes use of the late rains. The resource, water, is not left unused. The two crops do not compete for water because they require the resource at different times of the year. These two enterprises are supplementary.

#### **Complementary enterprises**

Enterprises 'compliment' one another when they interact in a supportive two-way process. For example, poultry produces manure. The manure can be applied as a fertilizer to crop enterprises. The maize grain can be fed to the poultry. This relationship between the livestock and crop enterprises shows that the two are complementary.

## Exercise 29

**Assessing the strengths and weaknesses of a farm**

Objective	<ul style="list-style-type: none"> <li>Identify the most important aspects influencing the farm business.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What are the most important aspects that influence a farm business?</li> <li>What are strengths?</li> <li>What are weaknesses?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Strengths are generally positive things about the farm that contribute to profitability.</li> <li>Weaknesses are generally negative things about the farm that hamper profitability.</li> <li>Some of the important influencing factors are:               <ul style="list-style-type: none"> <li>Use of farm land;</li> <li>Choice of crops, livestock and poultry;</li> <li>Farming technology and input use;</li> <li>Labour supply and use;</li> <li>Harvesting, post-harvest, storage and packaging;</li> <li>Marketing, transport and delivery arrangements;</li> <li>Savings, capital formation and use;</li> <li>Records and record-keeping;</li> <li>Linkage to input suppliers;</li> <li>Linkages to markets;</li> <li>Linkages to financial institutions;</li> <li>Networking with other farmers or farmer groups.</li> </ul> </li> </ul>
Process	Use facilitated brainstorming to help the farmers arrive at a credible list of factors that influence the farm business. Discuss each of the factors and help the farmers prioritize them in order of importance and/or significance of the impact on the farm business.

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Exercise 30  
Understanding the strengths and weaknesses of a farm

Objective	<ul style="list-style-type: none"> <li>Understand the strengths and weaknesses of their farm businesses.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>How well is my farm performing?</li> <li>What are my farm's strengths?</li> <li>What are my farm's weaknesses?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>The farmers consider the strengths and weaknesses of their farms based on the influencing factors identified in Exercise 29 under 'Key points to cover' (and developed in the following example).</li> </ul>
Process	Small group discussion to identify their farms' strengths and weaknesses for the influencing factors followed by group presentations, plenary discussion and reflection.
Guidelines	<ol style="list-style-type: none"> <li>1. Ask the farmers to reflect on the strengths and weaknesses of their farm operations. Write answers on a white/black board.</li> <li>2. Ask the farmers how they measure the performance of their farm. What indicators do they use? How do they know that a particular enterprise is weak? Write their answers on the board.</li> <li>3. Organize the farmers into enterprise groups.</li> <li>4. Ask the groups to brainstorm on what might be the key issues to be evaluated on their farms.</li> <li>5. Groups report results to the plenary. Write the answers on the board.</li> <li>6. Check the list made by the farmers against the list of influencing factors. If any of these are missing from the board, add them to the list on the board.</li> <li>7. Encourage discussion around each of the 12 aspects. Which are most important? Why? What needs to be evaluated more carefully?</li> </ol>



## Example Strengths and weaknesses inventory

### Use of farm land

#### Strengths

- My farm produces enough food for my family with some surplus to sell
- My farm is good for many crops

#### Weaknesses

- I don't know which of my crops is most profitable
- I am not sure which is the best land for each enterprise and for my cattle

### Choice of crops, livestock and poultry

#### Strengths

- My crop and livestock enterprises are complementary
- My yields are better than average

#### Weaknesses

- I get a very low price for my poultry
- The quality of my cattle is poor

### Farming technology and input use

#### Strengths

- I have all the tools I need to produce my crops
- I am able to borrow a tractor from my brother-in-law
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#### Weaknesses

- I do not have any place to store inputs, so I must buy small quantities at high prices
- Inputs are not always available when I need them

### Labour supply and use

#### Strengths

- I have a lot of sons to help me on the farm
- There are many farm workers in the area

### Weaknesses

- The younger farm workers are not very reliable
- Many workers have AIDS

### Harvest, post-harvest, storage and packaging

#### Strengths

- I have a good supplier of bags for my grain
- Other farmers and I work together to speed up the harvest

### Weaknesses

- I do not have any good place to store my harvest so I must sell it as soon as it is harvested
- I sometimes have to wait for harvesting equipment

### Marketing, transport and delivery arrangements

#### Strengths

- Transport is usually easy to obtain
- The market is not far from my farm

### Weaknesses

- Transport is very expensive
- The market place is often crowded

### Savings, capital formation and use

#### Strengths

- There are honest money lenders in the village
- Some of the suppliers allow us to buy on credit

### Weaknesses

- Interest rates are very high
- I often do not have cash when I need it

### Records and record keeping

#### Strengths

- I know that records are important
- I am able to read and calculate

### Weaknesses

- I do not know what records to keep

- Suppliers do not always give receipts

#### Linkage to input suppliers

##### Strengths

- Input suppliers are not far from my farm
- The quality of inputs are generally good

##### Weaknesses

- Bigger farmers get first choice on the inputs
- We do not have a cooperative for inputs

#### Linkages to markets

##### Strengths

- The cost of a stand at the market is very affordable
- The market is open to all farmers, not just the big farmers

##### Weaknesses

- I never know the price of my products until I get to market
- Many of us produce the same crop so there is often too much of the same product and we can't sell it all

#### Linkages to financial institutions

##### Strengths

- Banks advertise on the radio, so we know what is available
- There is a savings scheme in the village

##### Weaknesses

- There are no banks in our village
- Banks require security that I do not have

#### Networking with other farmers or farmer groups

##### Strengths

- We work together during harvest
- I can sometimes store grain at a neighbour's farm

##### Weaknesses

- We do not have a cooperative for inputs
- The bigger farmers do not want to help us



Exercise 31  
**Translating strengths and weaknesses into action**

Objective	<ul style="list-style-type: none"> <li>• To identify the most important strengths and weaknesses affecting the farmers' farms and to decide what action to take.</li> <li>• Create the mind-set and capacity to reflexively identify strengths and weaknesses and to act on them methodically and systematically to improve farm profitability.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What are the strengths and weaknesses of my farm?</li> <li>• How can I use my farm's strengths to improve the profitability of my farm?</li> <li>• How can I correct my farm's weaknesses?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Strengths and weaknesses are clues to what needs to be done to improve farm profitability. Identifying them should be used as a basis for taking action with a focus on improving farm profitability.</li> <li>• As a farmer goes through the season he will find many strengths and weaknesses. It is important that the farmer first identifies how the strength or weakness affects the farm business or a specific enterprise and then makes and implements a plan to do something about it.</li> <li>• The process of identifying strengths and weaknesses and then determining possible lines of action should become an ingrained behaviour that is done reflexively - as a matter of course.</li> </ul>
Process	<ul style="list-style-type: none"> <li>• Plenary explanation of the concept of strengths and weaknesses in relation to a farm business.</li> <li>• Group work to analyse the strengths and weaknesses of the farmers' farms.</li> </ul>

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## Example

### Translation to action

## Strength

- My farm produces enough food for my family with some surplus to sell

## Possible action

Plant only the amount of land required to produce the food crops my family consumes and plant the rest to a higher value, more marketable crop

## Weakness

- I am not sure which is the best land for each enterprise and for my cattle

### Possible action

Invite an extension worker to my farm to look at my land and advise me on what parts of my land to use for crops and what parts to use for my cattle

## Appraising the market

Marketing is a core function of any profit-making farm business. Farmers need to understand how the different markets work and the relative value of using local, regional, national and international markets. Value-adding is the process of increasing the value of a raw farm enterprise or agricultural product by improving the product. Adding value gives the farmer more bargaining power, as he is marketing a product that is closer to the form in which it will be used by the end-consumer.

The final two exercises of this topic are related to a visit to a nearby market that is relevant to the farmers' farming circumstances. This will give the farmers first-hand insight into the workings of the market. They will be able to see how produce gets to market, what quantities are demanded, who the buyers are, how the money is handled and what happens to the produce that is not sold. Then they have the opportunity to reflect on what they observed and how they might apply this to their own farming businesses. The following preparations are suggested:

1. Identify a suitable market.
2. Make sure that there is enough going on for the farmers to learn (there needs to be a good variety of products sold at the market).
3. Make sure that there are enough marketing outlets the farmers can explore.
4. Find out the best day and time to visit the market.
5. Identify some people that the farmers could talk to about the market.
6. Organize transport (if required).
7. Gather published information and talk to people who are knowledgeable about the market to find out about conditions and opportunities relevant to the farming circumstances.

Exercise 32 - Understanding the basics of the market

Exercise 33 - Value adding through marketing

Exercise 34 - Where can we market our products?

Exercise 35 - Visiting the market: Preparation and visit

Exercise 36 - Visiting the market to examine potential:  
Report back

Exercise 32  
Understanding the basics of the market

Objective	<ul style="list-style-type: none"> <li>• To understand the marketing process.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is marketing?</li> <li>• What are the main steps in marketing?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Definition of a market. A market is a place where the exchange of goods and services takes place. A market is made up of sellers, buyers, products and prices. Marketing is the process of exchange between the producer (farmer) who sells, and the consumer who buys.</li> <li>• Marketing channel. Products may pass through a number of hands to get from the farmer to the final consumer or user. All the stages together from farmer to the final consumer are called the marketing channel. At each stage value is added to the product, and at each stage a cost is added to the product. The costs include things like transport, storage, packaging and handling fees.</li> <li>• If farmers sell in the local market their profit margin might be high, but they can only sell small amounts.</li> <li>• If the product reaches the city market or the international market, then farmers can sell larger amounts. But such sales would need the support of traders and others along the way. Each of them would add value and cost to the product. Because the costs are higher, the profit margin will be lower.</li> <li>• A product exists only if someone is willing to pay for it (someone who buys it).</li> <li>• A product can be sold only if it has a customer.</li> <li>• Marketing is therefore critical to the success of the farm business.</li> </ul> <p>(See Figure 3g, 'Marketing is the exchange of goods and services for money' in Section 3 of the FBS Handbook.)</p>

## Exercise 32 (continued)

Process	Engage participants in a discussion around what they know about marketing based on the 'Key points to cover'.
Guidelines	<ol style="list-style-type: none"> <li>1. Ask the farmers what they understand by marketing. Write key words of their replies on the board.</li> <li>2. Lead the discussion to the following definition given in 'Key points'.</li> <li>3. Ask the farmers to discuss their experiences in marketing. Use the following questions to guide the discussion: <ul style="list-style-type: none"> <li>• Who has sold products at the market?</li> <li>• What products did they sell?</li> <li>• What quantity did they sell?</li> <li>• How did they take the product to the market?</li> <li>• How well did this work?</li> <li>• What was the market like?</li> <li>• What difficulties did you have?</li> <li>• What would you do differently?</li> </ul> </li> <li>4. Teams of 3-5 select a product that they are familiar with and answer the following questions: <ul style="list-style-type: none"> <li>• Who is the final consumer?</li> <li>• What are the different ways to market their product?</li> <li>• What are some of the constraints or problems you might experience when selling their product? <ul style="list-style-type: none"> <li>• Explain about the marketing channel.</li> <li>• Lead the discussion to cover the final points given in 'Key points'.</li> </ul> </li> </ul> </li> </ol>

Exercise 33  
Value adding through marketing

Objective	<ul style="list-style-type: none"> <li>To understand the concept of value adding.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What happens to products as they move through the market?</li> <li>How does movement through the market processes affect costs and values?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Products may pass through a number of hands to get from the farmer to the final consumer or user. All the stages together from farmer to the final consumer are called the marketing channel.</li> <li>At each stage value is added to the product.</li> <li>At each stage a cost is added to the product. The costs include things like transport, storage, packaging, and handling fees.</li> <li>If farmers sell in the local market their profit margin might be high, but they can only sell small amounts.</li> <li>If the product reaches the city market or the international market, then farmers can sell larger amounts. But such sales would need the support of traders and others along the way. Each of them would add value and cost to the product. Because the costs are higher, the profit margin will be lower.</li> </ul> <p>(See Figure 3h, 'Marketing channels: At each stage a cost is added', in Section 3 of the FBS Handbook.)</p>
Process	Engage participants in a discussion around what they know about value-adding in the market aimed at an understanding of the diagram shown in Figure 3h.

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Exercise 34  
Where can we market our products?

Objective	<ul style="list-style-type: none"> <li>• To understand the importance of knowing what market outlets are available for the farmers' products.</li> <li>• Develop capacity to make informed decisions about which market to use.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What are the different market outlets available for the product?</li> <li>• What quantities do they want?</li> <li>• When is the best time to use these markets?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• How does the product get to market?</li> <li>• How much of the product can the market handle?</li> <li>• When does the market want the product? All year long? Only in certain seasons?</li> <li>• What kind of packaging is used, if any?</li> <li>• How is the product handled and who handles it?</li> <li>• What is the physical condition of the product? Does this change? How? Why?</li> <li>• Who owns the product being sold? The producer? Someone else? How does this work?</li> <li>• Who buys the product?</li> <li>• How are products paid for?</li> <li>• How is the money handled?</li> <li>• What happens to products that are not sold?</li> </ul>
Process	Engage participants in a discussion around the current and potential marketing of one or two of their products with the aim of reinforcing their understanding of what market outlets are available for their products, their knowledge about those markets and develop capacity to make decisions about which market to use.
Side-track	Some of the farmers may have very little knowledge of alternative markets for their products. It may help to do some research before conducting the exercise.



Exercise 35  
Visiting the market: Preparation and visit

Objective	<ul style="list-style-type: none"> <li>• To set up teams to visit a nearby market.</li> <li>• To prepare questions for the visit.</li> <li>• To visit a relevant market.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What questions do I need to ask in order to assess the market we will visit?</li> </ul>
Key points to cover	<p>Questions to ask to assess a market:</p> <ul style="list-style-type: none"> <li>• How does the product get to market?</li> <li>• How much of the product can the market handle?</li> <li>• When does the market want the product? All year long? Only in certain seasons?</li> <li>• What kind of packaging is used, if any?</li> <li>• How is the product handled and who handles it?</li> <li>• What is the physical condition of the product? Does this change? How? Why?</li> <li>• Who owns the product being sold? The producer? Someone else? How does this work?</li> <li>• Who buys the product?</li> <li>• How are products paid for?</li> <li>• How is the money handled?</li> <li>• What happens to unsold products?</li> </ul>
Process	<p>Form investigation teams. Each teams needs to:</p> <ul style="list-style-type: none"> <li>• Choose two products to investigate at the market.</li> <li>• Be familiar with the questions they will need to ask when visiting the market.</li> <li>• Agree on a way to record and report back on the information gathered from the market.</li> <li>• Understand that their mission is to answer all of the questions for both of their chosen products.</li> <li>• Understand that they will gather information by talking to different people in the market place.</li> <li>• After preparing, visit the chosen market.</li> </ul>

[illegible]

## Exercise 36

## Visiting the market to examine potential: Report back

Objective	<ul style="list-style-type: none"> <li>To reflect on the information gathered from the market.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What did we learn from the visit to the market?</li> <li>How will this change our production and marketing strategy?</li> </ul>
Key points to cover	See Exercise 35 for questions to ask to assess a market.
Process	Investigating teams report back for each of the chosen products covering the questions above (or the questions developed during exercise 34). Include in this a discussion about how the farmers might now change their production or marketing decisions.
Side-track	<ul style="list-style-type: none"> <li>Do not spend too much time on little details. The aim is to get a picture of how marketing works.</li> <li>This can be a lengthy process, so it may be useful to take a break about halfway through the list of products.</li> </ul>

[illegible]

## Benchmarking

In order to do the benchmarking exercises, the farmers will need to visit some farmers in the area that are performing above average. The farmers who are performing well can be used to set the benchmark for performance by other farmers. Before running this session the facilitator will need to identify which farmers to visit and inform them in time to prepare for the FBS participants.

There are five exercises for this area of learning. The first three exercises can easily be done at the same FBS meeting. The fourth exercise is the visit to the farmers whose farms have been identified as benchmark farms. This may need a whole day on its own. The fifth exercise is a report-back session. Depending on how long the farm visits take, it may be advisable to hold the report-back exercise on a separate day as well.

Exercise 37 - The basics of benchmarking

Exercise 38 - Benchmarking: Measuring  
the performance of my farm

Exercise 39 - Benchmarking: Measuring  
the performance of my farm using an  
enterprise budget

Exercise 40 - Benchmarking: Visiting benchmark farms

Exercise 41 - Benchmarking: Report back from farm visits

Exercise 37  
The basics of benchmarking

Objective	<ul style="list-style-type: none"> <li>• To understand what benchmarking is.</li> <li>• To demonstrate to farmers how particular benchmarks can be used.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is benchmarking?</li> <li>• What should be compared when benchmarking?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Benchmarking is a comparison of the performance of one farm against a farm that is performing well.</li> <li>• It involves gathering information from farmers who have used good practices on their farms. The information is used to compare performance with another farm.</li> <li>• Benchmarking is a good practice. It helps the farmer stay focused on ways to make the most of their farm resources.</li> <li>• Assessment factors to be compared include: <ul style="list-style-type: none"> <li>• Land</li> <li>• Labour</li> <li>• Capital</li> <li>• Input supply</li> <li>• Production</li> <li>• Post-harvest marketing</li> <li>• Infrastructure</li> <li>• Management</li> </ul> </li> </ul>
Process	Plenary discussion around the concept of benchmarking. Brainstorm with the farmers and lead the discussion to developing questions to be asked for each of the elements listed in 'Key points'.
Guidelines	1. Start with one of the benchmarking assessment factors (e.g. land) and ask the farmers to think about what they would need to know about their farms and a benchmark farm in terms of land.

## Exercise 37 (continued)

	2. Lead the discussion to questions similar to those shown in the example below. 3. Repeat the process until all the benchmarking assessment factors have been covered.
Side-track	Benchmarking requires accurate records from the benchmark farm and from the farm that is being compared to it.

Example  
Questions for benchmarking

Benchmarking factor

Questions

Land

- What is the total farm area?
- What are the individual plot sizes?
- How far are the plots from home?
- Who owns the land?
- How much land is planted to the different enterprises?
- Is there any intercropping? How much?
- What is the condition of the land? Fertility? Erosion?

Labour

- How many family members can work on the farm?
- What are the total hours needed per enterprise?
- How much labour is hired? From where? What are they paid?

Capital

- What are the available stocks and reserves of food, cash, other?
- How much livestock is available?
- What machinery, tools and equipment are available?  
What condition is it in?

Example  
**Questions for benchmarking (continued)**

**Input supply**

- What purchased inputs are used? From what suppliers? Are the inputs of good quality, reliable supply. What prices are being paid?

**Production**

- Are the performances of any enterprises outstanding?
- What is produced? What yields are achieved? What is the quality?
- What inputs are used? What levels are applied? When are they applied?
- How much of the crop is consumed by the household? How much is sold at market?

**Post-harvest marketing**

- Where is produce marketed?
- How is it marketed?
- How attractive is the market? What is the demand for the product?
- What prices are achieved? Are these the best prices?
- Are there ways that marketing can be improved?

**Infrastructure**

- What buildings are on the farm?
- How are the roads to the markets?
- How are the farm roads?
- What is the source of energy for the farm (e.g. electricity)?

**Management**

- How is the farm managed?
  - Does the farmer keep records?
  - Does the farmer plan for the future?
  - What suggestions can I pick up?
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## Exercise 38

**Benchmarking: Measuring the performance of my farm**

Objective	<ul style="list-style-type: none"> <li>• To establish the performance of the farm of each participant.</li> <li>• To establish a basis for comparing the farmers' farms with a benchmark farm.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• How is the benchmark farm performing?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Each farm needs to be assessed in terms each of the following benchmarking factors:               <ul style="list-style-type: none"> <li>• Land</li> <li>• Labour</li> <li>• Capital</li> <li>• Input supply</li> <li>• Production</li> <li>• Post-harvest marketing</li> <li>• Infrastructure</li> <li>• Management</li> </ul> </li> <li>• Key measures of performance include the following:               <ul style="list-style-type: none"> <li>• Yields and selling prices;</li> <li>• Variable costs;</li> <li>• Enterprise budgets for each enterprise;</li> <li>• Total fixed costs;</li> <li>• Overall profitability of the farm.</li> </ul> </li> </ul>
Process	<p>Enterprise teams work through the assessment factors answering all the questions developed during Exercise 37. Teams report to plenary discussion to confirm the information to be used in benchmarking in preparation for the visit to the benchmark farm(s).</p> <p>Make final preparation for the visit to the benchmark farm.</p>



### Exercise 38 (continued)

Guidelines	<ol style="list-style-type: none"> <li>1. Organize enterprise teams.</li> <li>2. Starting with one benchmarking assessment factor (e.g. land) ask each team to answer the questions developed in Exercise 37.</li> <li>3. Teams report answers for the assessment factor for plenary discussion and confirming the information for use in benchmarking.</li> <li>4. Repeat the process for the rest of the benchmarking assessment factors.</li> </ol>
Side-track	<p>This exercise has many sub-exercises; one for each of the factors listed above (or agreed to in an earlier exercise).</p> <p>To complete this exercise, the farmers will need recent records about their farms in order to complete this exercise.</p>

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Exercise 39  
**Benchmarking: Measuring the performance  
 of my farm using an enterprise budget**

Objective	<ul style="list-style-type: none"><li>To establish the current enterprise budget of the farm of each participant in preparation for benchmarking.</li></ul>																																																
Key question	<ul style="list-style-type: none"><li>How is my farm performing in terms an enterprise budget?</li></ul>																																																
Key points to cover	<ul style="list-style-type: none"><li>An enterprise budget needs to be calculated for each farm.</li></ul> <p>Enterprise budget for _____ (enterprise)</p> <table><tr><th>Income</th><th>Quantity</th><th>Price</th><th>Value</th></tr><tr><td>Product sold</td><td></td><td></td><td></td></tr><tr><td>Product consumed</td><td></td><td></td><td></td></tr><tr><td>Total income</td><td></td><td></td><td></td></tr></table> <table><tr><th colspan="4">Variable costs</th></tr><tr><td>Seed</td><td></td><td></td><td></td></tr><tr><td>Fertilizer</td><td></td><td></td><td></td></tr><tr><td>Chemicals</td><td></td><td></td><td></td></tr><tr><td>Labour</td><td></td><td></td><td></td></tr><tr><td>Harvesting</td><td></td><td></td><td></td></tr><tr><td>Total variable costs</td><td></td><td></td><td></td></tr></table> <table><tr><td>Enterprise budget</td><td></td><td></td><td></td></tr></table>	Income	Quantity	Price	Value	Product sold				Product consumed				Total income				Variable costs				Seed				Fertilizer				Chemicals				Labour				Harvesting				Total variable costs				Enterprise budget			
Income	Quantity	Price	Value																																														
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Chemicals																																																	
Labour																																																	
Harvesting																																																	
Total variable costs																																																	
Enterprise budget																																																	
Process	Enterprise teams work together to prepare an enterprise budget for their selected enterprise. Teams report results to a plenary discussion.																																																
Side-track	Refer to Exercise 97 for guidance on calculating an enterprise budget profitability. Using enterprise budgets for benchmarking should be used only if the participating farmers are very comfortable with the tools. If this exercise is used, in order to complete it, the farmers will need up-to-date information about their farms. It may be necessary to assist the farmers in preparing their records. It may also be advisable to conduct the exercises on farm records before conducting this exercise																																																



Exercise 41  
**Benchmarking: Report-back from farm visits**

Objective	<ul style="list-style-type: none"> <li>To compare the performance of the farmers' farms to the benchmark farm(s).</li> </ul>
Key question	<ul style="list-style-type: none"> <li>How does my farm compare to the benchmark farm?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Enterprise budget calculations.</li> <li>Assessment using the same factors used to assess the farmers' farms.</li> <li>Participants should:               <ul style="list-style-type: none"> <li>Look for areas where their farms are performing well compared to the benchmark.</li> <li>Look for areas where they are weak that require attention.</li> <li>Identify the cause and effects of the difference in performance.</li> <li>Think about what they can learn from the best farm visited.</li> </ul> </li> </ul>
Process	<p>The assigned teams organize the information they gathered on the benchmark farm(s) according to the assessment factors, calculate enterprise budgets for the benchmark farms (if used), and compare their own farms to the benchmark farm(s). The teams report and discuss their findings. They should identify one or two of the most important they need to improve to get closer to the benchmark and develop a plan to implement the changes.</p>

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## **Visions and goals for the farm business**

The first step in planning is to create a vision and goal for the farm business. A vision is essentially a statement about how the farm business will look after some period of time - at least five or ten years. It is a description of the future of the farm business. In order to achieve the vision, the farmer identifies goals for the farm business that will push the farm business, step-by-step, towards its vision.

Exercise 42 - Creating a vision for the farm business

Exercise 43 - Setting goals for the farm business

Exercise 42  
**Creating a vision for the farm business**

Objective	<ul style="list-style-type: none"> <li>To develop a vision for the farmers' farm businesses.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>How do I want my farm business to develop in the next five years?</li> <li>How can I improve my farm?</li> <li>What is my vision for a better farm?</li> <li>What will my farm be like in five years' time?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>A vision is a statement about what the future will look like.</li> <li>A vision should be something to be achieved over five years.</li> <li>Visions are meant to be real; 'not just a learning exercise for the school'. They are meant to be used as a reference guide to improve individual farms.</li> </ul>
Process	Plenary discussion of the concept of visions followed by group brainstorming to develop individual vision statements. Groups report results to plenary discussion.
Guidelines	<ol style="list-style-type: none"> <li>Ask the farmers what they understand by a vision. Lead the discussion to the definition that a vision is a statement about what the future will look like.</li> <li>Ask those participants who have one to share their vision for their farm.</li> <li>Explain that the purpose of this exercise is for each of them to describe what their farm looks like 'five years from now'.</li> <li>Organize small groups to discuss and answer at least the following questions for each participant's farm: <ul style="list-style-type: none"> <li>How can I improve my farm?</li> <li>What is my vision for a better farm?</li> <li>What will my farm be like in five years' time?</li> </ul> </li> </ol>

## Exercise 42 (continued)

Guidelines	<p>5. Groups share their farm visions with the plenary to confirm or change their visions.</p> <p>6. Reaffirm that visions are meant to be real. They are not empty words. They should guide the development of the farm business.</p>
Side-track	<p>Some of the farmers may struggle with this exercise because it works more with ideas and thoughts than with practical things. To help them the facilitator may want to give individual attention to certain farmers using an example. (See the following example 'Vision of an individual farm'.) However, avoid participants copying the example vision.</p> <p>Some participants may consider their visions very personal and may not want to share them with others.</p> <p>The farmers may feel that they should have the same or similar visions. They should be encouraged to set visions that reflect their individual hopes and dreams.</p> <p>The farmers may set visions that are more relevant to the family than to the farm business - or they mix visions for both. One of the purposes of the FBS is to help farmers see their farms as businesses, thus encouragement in adopting this approach in creating visions.</p>

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### Example Vision for an individual farm

At the end of 5 years I will operate my farm as a business enterprise in a cost effective way to make farming enterprise economically viable way. To do this I will do the following:

#### Production

- Make careful farm production plans to enable me to take advantage of the market demands.
- Use farm resources optimally and without waste in the production process.

#### Marketing products

- Always gather market information and identify market opportunities for farm products.
- Properly manage harvesting, post-harvest losses and storage.
- Ensure product quality, convenient packaging and timely delivery of the products.

#### Profits

- Ensure farm expenditure does not exceed income.
- Save a minimum of 10% from the annual income as a contingency insurance fund.

#### Managing my farm as a business

- Keep careful records of all farm operations, inputs and production outputs.
- Record and monitor all income and expenses.



Exercise 43  
**Setting goals for the farm business**

Objective	<ul style="list-style-type: none"> <li>• To understand the importance of having a farm business goal.</li> <li>• To recognize that farm businesses usually address more than a single goal.</li> <li>• To understand the balance between family and business goals.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What goals need to be put in place to realize the vision of the farm business?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Goal setting is a necessary first step in managing the farm business.</li> <li>• A goal should be linked to the farm business vision.</li> <li>• A goal is something specific to be achieved by a specific time.</li> <li>• A goal should be measurable.</li> </ul>
Process	Plenary discussion of the concept and importance of goal setting. Teams work on setting goals for individual farms. They work around the question: What do you need to achieve and by when to realize your vision? Teams report results for plenary discussion.
Guidelines	<ol style="list-style-type: none"> <li>1. Plenary discussion about setting goals. Lead discussion to the following understandings: <ul style="list-style-type: none"> <li>• Setting goals is a necessary first step in managing the farm business.</li> <li>• Goals are linked to their visions.</li> <li>• A goal is something specific you want to achieve by a specific time.</li> <li>• A goal should be measurable.</li> </ul> </li> <li>2. Explain that the purpose of this exercise is for the farmers to decide what goals they need to put in place to realize their visions.</li> <li>3. Small groups assist each other to set goals by asking each other: What do you hope to achieve for your farm? And by when?</li> <li>4. Groups report results to plenary to confirm or amend their goals.</li> </ol>

[illegible]

## Example Business goals

- Increase profit by 100%
- Increase income by 100%
- Find and use a market that brings a more competitive price
- Increase yield by 50%
- Making money to achieve a certain living standard
- Producing enough food from the farm to feed the family and to market produce for profit
- Ensuring that family members have enough leisure time
- Fulfilling social obligations and helping the extended family
- Ensuring the financial and physical security of family members

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## Strategic planning

Once farmers have created a vision and set goals for their farm businesses, they need to develop a strategic plan that identifies the actions that need to be taken to achieve the goals that will lead the farm business to fulfill its vision. Strategic plans should be realistic and based on facts. They should not be a statement of high hopes that are not supported by sound information about the farm and about other aspects of the value chain. Strategic plans should be clear, structured and able to stand up to hard questions as might be raised by a bank or other funding agency. Part of strategic planning is to identify and understand what strategic planning options exist for the farm business. After exploring options, farmers need to develop a strategic plan that is specific to their own farm businesses.

Exercise 44 - Understanding strategic planning

Exercise 45 - Understanding strategic planning options

Exercise 46 - Developing a strategic plan

Exercise 44  
**Understanding strategic planning**

Objective	<ul style="list-style-type: none"> <li>To understand strategic planning in the context of a farm business.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What is strategic planning?</li> <li>How does planning apply to a farm business?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Being strategic means to focus on the key ways or main activities of the farmer to achieve his or her objective.</li> <li>Strategic planning involves selecting the vision, mission, values and objectives of the farm business; analysing the external and internal environments; and crafting the best strategy for the farm business in its current environment.</li> <li>A strategy is the overall long-term plan for the farm business. It sets out the goals that the farmer wants to achieve and the ideas to achieve those goals.</li> <li>Strategic management is the process of planning the strategy, implementing it, monitoring the outcomes and adjusting the strategy over time as conditions change.</li> <li>Strategic management is also a state of mind and an attitude. Strategic farmers are forward thinking, proactive, and focused on where they are going and how they intend to get there in the long-term.</li> <li>Business strategies are practical and realistic actions that lay out the plan showing how the business's goals will be reached.</li> <li>Strategies should be made up of planned actions and quick but measured reactions to changing circumstances.</li> <li>A simple common sense rule to follow when developing strategies is to take advantage of the internal strengths of the farm business. A farm business strategy should focus on what farmer/farm is good at doing.</li> </ul>

## Exercise 44 (continued)

	<ul style="list-style-type: none"> <li>• Other aspects of strategic planning are:             <ul style="list-style-type: none"> <li>• Strategic implementation. This is concerned with organizing the farm in a way that ensures that the strategy can be effectively implemented. It involves designing structures and procedures and obtaining and directing the resources needed to put the strategy into action.</li> <li>• Strategic control. This involves designing ways to monitor and control the implementation process, comparing actual results to the goals and objectives set, monitoring the business environment and making changes to the farm structure, implementation plan or even the strategy to meet the goals and objectives.</li> </ul> </li> </ul>
Process	Brainstorm the concept of strategic planning. Lead the discussion to cover the points listed above.
Guidelines	<ol style="list-style-type: none"> <li>1. Discuss the concept of planning. What is a plan?</li> <li>2. Discuss the concept of being strategic. How can one be strategic? Lead the discussion to the idea that being strategic means to focus on the key ways or main activities that will lead the farmer to his objective.</li> </ol>

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Exercise 45  
Understanding strategic planning options

Objective	<ul style="list-style-type: none"> <li>• To understand strategic planning options.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What strategies can help improve the profitability of a farm business?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Successful farmer-entrepreneurs can increase their profits and create value through pursuing different strategies, the most common of which are to:             <ul style="list-style-type: none"> <li>• Diversify. Increasing the number of products being produced and sold.</li> <li>• Lower costs. Producing the product at the lowest possible cost.</li> <li>• Expand the size of the business. Increase the size of the farm business by increasing the area or volume of production.</li> <li>• Add value to the enterprise. Adding value to the existing products by processing or changing it according to buyers' wants.</li> <li>• Specialize. Reducing the number of enterprises to just a few highly marketable and profitable enterprises and focus on them.</li> <li>• Differentiate the product. Make the product different and better than those of their competitors.</li> <li>• Integrate. Linking the farm business with other farm businesses or other businesses in the value chain.</li> </ul> </li> </ul>
Process	Present and discuss the options listed in 'Key points'. (See 'Explanations of strategies to improve farm business profitability' in the following box.)
Guidelines	1. Prepare cards with the options given in the points to cover. (see the following box 'Strategy options'.)

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Example  
**Strategy options**

DIVERSIFY  
LOWER COSTS  
EXPAND  
ADD VALUE  
SPECIALIZE  
DIFFERENTIATE  
INTEGRATE

**Explanations of strategies to improve farm business profitability**

**Diversifying.** Diversifying means increasing the number of products being produced and sold. Successful diversification strategies look at under-utilized resources on the farm, unfilled local demand and the knowledge and skills of the farmer. Diversification increases the sources of income, which spreads the risk of loss. Diversification also often brings new knowledge and skills to the farm.

**Lowering costs.** A low cost strategy focuses on producing the product at the lowest possible cost. It is the most commonly used strategy in farming. It involves finding less expensive resources and inputs and using more efficient production systems. It can also involve increasing volume to reduce the per-unit cost. When products cost less to produce, they can be sold at lower, more competitive prices and still make profits.

**Expanding the size of the business.** For many farmers, one way of creating value is to increase the size of the farm business. This works only if the farm is already profitable and competitive. Expansion of the business can take different forms: increasing sales and profits as well as the physical and financial assets of the farm. This is a growth strategy. But growth can take different forms and directions. Typical growth strategies include capacity expansion, replication and modernization.

**Adding value to the enterprise.** Another option is to increase income by adding value to existing or diversified enterprises. Adding value

### Example Strategy options (continued)

to a product depends on buyer needs. Farmers have to identify what different buyers look for as value.

Value-addition requires careful analysis seeking ways to improve the existing produce. By adding value, farmers can target different buyers with different products of different value to meet changing market demands.

**Specializing.** This strategy involves reducing the number of enterprises in the farm business to just a few that receive the full attention of the farmer. When farmers specialize, they develop the product specially to meet market demands. They will also expand the volume of the product through capacity expansion, replication and modernization.

**Differentiating the product.** This strategy is where farmers make their product different and better than those of their competitors. A farmer following this strategy strives to create unique perceptions about the product among buyers and consumers. It usually implies that the production and marketing processes are different from those of competitors in a way that is preferred by buyers and this enables the farmer to charge a higher price. An example is the development of high-value products with a small but well-defined market niche, such as organic vegetables.

Differentiation comes from the nature of the product, from the information that farmers have about their buyers, the way the product is presented and the way it is distributed. Often a brand name can be established by selling directly to consumers or selling to consumers through retailers or exporters.

**Integrating.** There are two kinds of integration, horizontal and vertical.

Vertical integration is where one organization (in this case a farm) controls or is involved in one or more 'links' in the value chain. The farm may integrate forward into the processing of products or

### Example

#### Strategy options (continued)

commodities, or it may integrate backwards into the input/supply segment of the value chain.

Horizontal integration is where one organization (again, in this case a farm) joins with other farms at the same place in the value chain and produces the same product.

[illegible]

### Exercise 46

#### Developing a strategic plan

Objective	<ul style="list-style-type: none"> <li>To develop a strategic plan for the farmers' farms.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What strategy/strategies should I use to achieve my vision?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Review of strategic options from Exercise 45.</li> </ul>
Process	<p>Enterprise teams review the strategic options with a view to choosing which option or options they will follow as key strategies for improving the profitability of their farm businesses. Enterprise teams report decisions to plenary to confirm/amend their choices. Enterprise teams then consider lines of action that need to be taken to implement their chosen strategy or strategies. Enterprise teams report results to plenary to confirm/amend action plan.</p>
Guidelines	<ol style="list-style-type: none"> <li>Ask enterprise teams to review (for each of the farmers' farm businesses) the strategic options as outlined in Exercise 45, asking the following questions:             <ul style="list-style-type: none"> <li>What is the key problem(s) limiting my farm business? Which strategy(ies) addresses that problem(s)?</li> <li>What is the key opportunity(ies) available to my farm business that I have not yet taken up? Which strategy(ies) addresses that opportunity(ies)?</li> <li>If I cannot implement more than two of the strategic options, which two would I choose? Why?</li> <li>Of these two, which seems to be the best choice? Why?</li> </ul> </li> </ol>

## Exercise 45 (continued)

	<ol style="list-style-type: none"><li>2. Enterprise teams report their decisions to the plenary for discussion to confirm or amend their choices. The discussion should focus on:<ul style="list-style-type: none"><li>• Does the chosen strategy address the problem/ opportunity?</li><li>• Does the chosen strategy fit in with the participant's vision for his farm business?</li><li>• Enterprise teams assist each other to develop lines of action (action plan) for the chosen strategy(ies). They should consider the following:<ul style="list-style-type: none"><li>• What is the sequence of steps needed to implement the strategy?</li><li>• What resources would be needed and where and how will they be obtained?</li><li>• Who will be responsible for each step?</li><li>• How will the farmer monitor and measure his progress?</li></ul></li></ul></li><li>3. Enterprise teams report results to the plenary for discussion to confirm or amend their plans.<ul style="list-style-type: none"><li>• Is the action plan practical?</li><li>• Will the action plan lead to implementing the chosen strategy?</li><li>• Has the farmer identified the correct resources? Has he identified them all?</li><li>• Is his plan for monitoring and measuring progress practical?</li></ul></li><li>4. Wrap up the discussion by emphasizing the importance of actually implementing these plans.</li></ol>
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## Farm enterprises

A part of developing a farm business plan includes choosing enterprises. This requires an analysis of current enterprises and possible choices for the future. Each enterprise option needs to be tested for viability. Is it technically possible? Is it profitable? What labour would be required? If it is technically feasible to produce an enterprise, then it is necessary to find out if the enterprise can be profitable. To do this the farmer needs to develop an enterprise budget. Another factor in determining if a farmer should produce an enterprise is to assess the input requirements for the enterprise and still another factor to consider is the labour requirements for the enterprise.

Exercise 47 - Choosing enterprises

Exercise 48 - Assessing the technical feasibility  
of the enterprise

Exercise 49 - Choosing enterprises for my farm  
based on profitability

Exercise 50 - Assessing the input requirements  
for the enterprises

Exercise 51 - Labour requirements  
for the enterprises



Exercise 48  
Assessing the technical feasibility of the enterprises

Objective	<ul style="list-style-type: none"> <li>To check if it is possible to produce the selected enterprise(s).</li> </ul>
Key question	<ul style="list-style-type: none"> <li>Is it technically possible to produce the product?</li> <li>What factors determine technical feasibility?</li> </ul>
Key points to cover	<p>Key technical factors:</p> <ul style="list-style-type: none"> <li>Crops <ul style="list-style-type: none"> <li>Soil (type, depth, drainage, fertility). Ensuring that the soil is suitable for the chosen crop(s).</li> <li>Climate (rainfall, temperature). Ensuring that the climate, rainfall and temperature are suitable for the chosen crop(s).</li> <li>Topography (slope of the land). Ensuring that the topography is suitable for the chosen crop(s).</li> <li>Water availability. Ensuring that there is access to sufficient suitable water to produce the chosen crop(s).</li> </ul> </li> <li>Livestock <ul style="list-style-type: none"> <li>Vegetation/Grazing. Ensuring that there is access to sufficient suitable grazing (or alternatives) to raise the chosen livestock.</li> <li>Climate (rainfall, temperature). Ensuring that the climate, rainfall and temperature are suitable for raising the chosen livestock.</li> <li>Topography. Ensuring that the topography is suitable for raising the chosen livestock.</li> <li>Water availability. Ensuring that there is access to sufficient, suitable and clean water to sustain the chosen livestock.</li> </ul> </li> </ul>



## Exercise 48 (continued)

Process	Plenary discussion/brainstorming on technical factors that affect feasibility. Enterprise-based teams review selected enterprises using the agreed factors. Teams report results for plenary discussion. Teams may want to update their enterprise budgets after the plenary discussion.																				
Guidelines	<div>1. Enterprise teams start with one of the technical factors (e.g. soil) relevant to their chosen enterprise and assess the extent to which that factor is suitable for producing that enterprise. Assessment is done by first establishing what the enterprise requires (e.g. soil type, depth, drainage) and then by establishing what is the actual situation on their farms.</div> <div>2. Each participant sets up a table to record the information and comparison as follows.</div> <table><tr><th colspan="4">Factor: soil</th></tr><tr><th>What the crop requires</th><th>What my farm has</th><th>Is it suitable? (Yes/No)</th><th>If no, can it be made suitable; How?</th></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr></table> <div><ul style="list-style-type: none"><li>For any factor that is not suitable, the participant needs to determine if it can be made suitable; and if so, How?</li><li>If it is not suitable and cannot be made suitable, then the enterprise is not technically feasible and therefore cannot be produced.</li></ul></div> <div>3. Repeat the process for each of the factors. [Note: As long as a technical factor is found to be suitable, the enterprise team continues the assessment. As soon as one factor is found to be unsuitable, they stop the assessment.]</div>	Factor: soil				What the crop requires	What my farm has	Is it suitable? (Yes/No)	If no, can it be made suitable; How?												
Factor: soil																					
What the crop requires	What my farm has	Is it suitable? (Yes/No)	If no, can it be made suitable; How?																		

Side-track	<p>The discussion should ultimately lead to a review of the selection of enterprises to either confirm or change the selection.</p> <p>This exercise should be done before assessing the profitability of an enterprise. There is no point to selecting an enterprise that is profitable in theory, but is not actually technically feasible for the farmers.</p> <p>To complete this exercise, participants will need to know technical information about the type and condition of the soils on their farms, the climate (how much rain falls and when), the slope of their lands, the type and condition of the vegetation on their land and the availability and access to water for crops and/or livestock. It may be necessary to assist the farmers in finding this information before starting the exercise.</p>
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[illegible]

Exercise 49  
**Choosing enterprises for my farm based on profitability**

Objective	<ul style="list-style-type: none"> <li>• To understand what is needed to choose enterprises.</li> <li>• To select enterprises for the farm business plan.</li> <li>• To provide an opportunity for farmers to learn how to assess profitability and select enterprises.</li> <li>• To show the farmers the usefulness and application of the data collected over the season.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• Which enterprises should I have on my farm?</li> <li>• Which enterprise is most profitable?</li> <li>• What resources are needed for each enterprise?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Which enterprises were the most profitable last season?</li> <li>• What new market opportunities did they learn about last season?</li> <li>• What enterprises are technically feasible to produce on their farms?</li> <li>• What are the enterprise budgets for each of the enterprises being considered?</li> </ul>
Process	<p>Create teams and assign them 2-3 enterprises from those produced in the previous season. Teams calculate enterprise budgets for one of their assigned enterprises; one hectare for crops and one unit for livestock. Discuss the results to determine which are the most profitable enterprises and select enterprises for the next season.</p>
Side-track	<ul style="list-style-type: none"> <li>• This exercise should be done only if an enterprise is technically feasible.</li> <li>• The aim is that the enterprise budgets will be used to choose enterprises for the next season.</li> </ul>

- Some of the enterprises may not be profitable. The farmers should not produce unprofitable enterprises unless there is a clear social reason to do so (e.g. preferred food).
- Some enterprises will be more profitable than others. The farmers should think carefully about whether or not they want to produce less profitable enterprises. They should also think in terms of linking issues like handling, labour and financial requirements.

[illegible]



## Exercise 50 (continued)

Guidelines		1. Participants set up two tables as follows.			
Crop					
Input	Details	Application rate/ha	Amount required for 1 ha	When needed	Potential supplier
Livestock					
Input	Details	Application rate/unit	Amount required for 1 unit	When needed	Potential supplier
		<p>2. Enterprise teams discuss the input requirements (they may want to refer to the information provided by the facilitator). In each case they should provide details about the input (e.g. 3:2:1 fertilizer, backpack sprayer; grower mash), the application rate, the total required for one unit (e.g. ha) of production and when it is needed and possible suppliers.</p> <p>3. Enterprise teams report results to plenary discussion to confirm/amend assessment of input requirements.</p> <p>4. Take care to review the reports, particularly if there is known supplier. If there is no supplier, then it may not be possible to produce the enterprise. (See also the blank form 'Input requirements for 1 hectare of crop enterprise' in the box following.)</p>			



### Input requirements for 1 hectare of crop enterprise

Crop: \_\_\_\_\_

Input	Details	Application rate/ha	Amount required for 1 ha	When needed	Potential supplier
Seed					
Fertilizer					
Pesticide					
Herbicide					
Tools					
Equipment					

### Input requirement for 1 unit of livestock

Livestock: \_\_\_\_\_

1 unit = \_\_\_\_\_ animals

Input	Details	Application rate/unit	Amount required for 1 unit	When needed	Potential supplier
Feed					
Drugs					
Vaccines					
Tools					
Equipment					



Exercise 51  
Labour requirements for the enterprises

Objective	<ul style="list-style-type: none"> <li>To determine the labour requirements and availability for each of the selected enterprises.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>How much labour is needed?</li> <li>Is the required labour available?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>For each enterprise the following must be decided:               <ul style="list-style-type: none"> <li>How much labour is needed?</li> <li>How much family labour is available?</li> <li>How much labour must be hired?</li> <li>When will hired labour be needed (months and number of hours/days)?</li> <li>Where will hired labour be obtained?</li> </ul> </li> <li>For crop enterprises labour will be needed for production activities like land preparation, planting, weeding, pest control and harvesting.</li> <li>For livestock enterprises labour will be needed for production activities such as feeding, watering, cleaning and handling.</li> </ul>
Process	<p>Plenary discussion around the following questions:</p> <ul style="list-style-type: none"> <li>Do any of them use family labour only?</li> <li>Do any of them hire labour?</li> <li>Do any of them use communal labour or traditional work parties?</li> <li>How do they decide whether or not to hire labour?</li> <li>How do they decide when they need labour?</li> <li>Where do they get hired labour?</li> </ul> <p>Enterprise teams to work on a labour plan for each of the selected enterprises. (See the following example 'Labour plan'.)</p> <p>Plenary review of results.</p>

## Exercise 51 (continued)

Guidelines	<ol style="list-style-type: none"> <li>1. Each participant prepares a table to record their labour plans similar to one in the example following this exercise.</li> <li>2. Enterprise groups think about all of the activities needed to produce the products and record these under 'activity' in the table.</li> <li>3. Crop enterprise teams should think about activities like land preparation, planting, weeding, pest control and harvesting.</li> <li>4. Livestock enterprise teams should think about production activities such as feeding, watering, cleaning and handling.</li> <li>5. For each activity enterprise teams estimate how much labour the activity needs. How many workers will they need? For how many days will they be needed? Record this in the table.</li> <li>6. For each activity, enterprise teams determine for each participant how much family labour is available. Each farmer records this in his or her table.</li> <li>7. For each activity, enterprise teams determine how much labour needs to be hired. Each farmer records this in his or her table.</li> <li>8. Enterprise teams discuss and determine for each participant where he will find labour to hire.</li> <li>9. One participant from each team presents his labour plan for plenary discussion around the following questions: <ul style="list-style-type: none"> <li>• Does the plan make sense?</li> <li>• Is it missing anything?</li> <li>• Have we overlooked anything?</li> </ul> </li> </ol>
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## Exercise 51 (continued)

	<p>10. After confirming the labour plans, discuss the results around the following questions:</p> <ul style="list-style-type: none"> <li>• Did any group think they would need to hire labour?</li> <li>• What did they decide to do? How did they decide to do it?</li> </ul> <p>11. Wrap up the exercise with a discussion leading to the importance of developing a labour plan before the season starts.</p>
Side-track	<p>This exercise should be done only if the enterprise is technically feasible and profitable.</p> <p>Note: If any enterprise group finds that it will not be able to get the labour needed, then they will have to choose another enterprise and start the planning over from the beginning.</p>

### Example Labour plan

I need \_\_\_\_ (5) \_\_\_\_ workers for a total of \_\_\_\_ (105) \_\_\_\_ days.  
 I need \_\_\_\_ (3) \_\_\_\_ workers from my family.  
 I need to hire \_\_\_\_ (2) \_\_\_\_ workers according to the following plan.

Activity	When	Labour needed			Family labour available			Labour to be hired		
		No	Days each	Total days	No	Days each	Total days	No	Days each	Total days
Land preparation	Oct	5	6	30	3	6	18	2	6	12
Planting	Dec	5	4	20	3	4	12	2	4	8
Weeding	Jan	5	6	30	3	6	18	3	6	18
Harvesting	Mar	5	5	25	3	5	15	2	5	10
Total				105			63			42

I will hire labour from: \_\_\_\_\_

## Preparing and using a business plan

The first round of learning focuses on planning for the next season and it is suggested that the farmers develop a business plan for a single enterprise. This plan would then be implemented and progress monitored as part of the continuing programme. (This would include the facilitator accompanying the farmers in implementing their business plans by visiting the farmers on their farms and offering on-site advice and encouragement.) After the completion of that production season, the farmers would analyse their results and see how they can improve their business plans for the next production season. The second round of planning should then be for all of the enterprises of each of the farmers' farms. The following seven exercises to be used over two production seasons will guide this process.

Exercise 52 - Business plan: The overall concept and format

Exercise 53 - Business plan: Recording the background and establishing the production plan

Exercise 54 - Business plan: Labour requirements

Exercise 55 - Business plan: Market plan

Exercise 56 - Business plan: Profitability

Exercise 57 - Business plan: Cash availability

Exercise 58 - Business plan: Risk management

## Exercise 52

**Business plan: The overall concept and format**

Objective	<ul style="list-style-type: none"> <li>• To understand the concept of a farm business plan.</li> <li>• To set out the format for a farm business plan.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is a farm business plan?</li> <li>• What does a farm business plan look like?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• A farm business plan is a plan that records the most important decisions and actions affecting the operation of the farm business.</li> <li>• It is a way to make sure that all the things that need to be done are done.</li> <li>• It is a way to make sure that they are done in a way that makes the farm more profitable.</li> <li>• A farm business plan can be very simple or very complex.</li> </ul>
Process	Plenary discussion led by a presentation of the concept of a business plan, its function and its importance; followed by the presentation of a blank format. (See the following example 'Farm business plan format'.)
Guidelines	<p>The facilitator may want to:</p> <ul style="list-style-type: none"> <li>• Consider giving the farmers a printed copy of the example business plan format.</li> <li>• Consider asking the farmers to bring an exercise book in which to record their business plan.</li> </ul>

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## Example Farm business plan format

### Background

Name	Village/District	Period of the plan

#### My vision


#### My goal


### Farm production plan

#### Crops/horticulture procedure

Crop type	Area (ha)	Output (Kg/ha)	Total output (Kg)

#### Livestock production

Type of animal	Number of animals	Yield per animal	Total yield

#### Input requirements

Crop: \_\_\_\_\_ Ha to be planted: \_\_\_\_\_

Input	Details	Application rate/ha	Amount required for ha to be planted	When needed	Potential supplier
Seed					
Fertilizer					
Pesticide					
Herbicide					
Tools					
Equipment					

### Farm business plan format (continued)

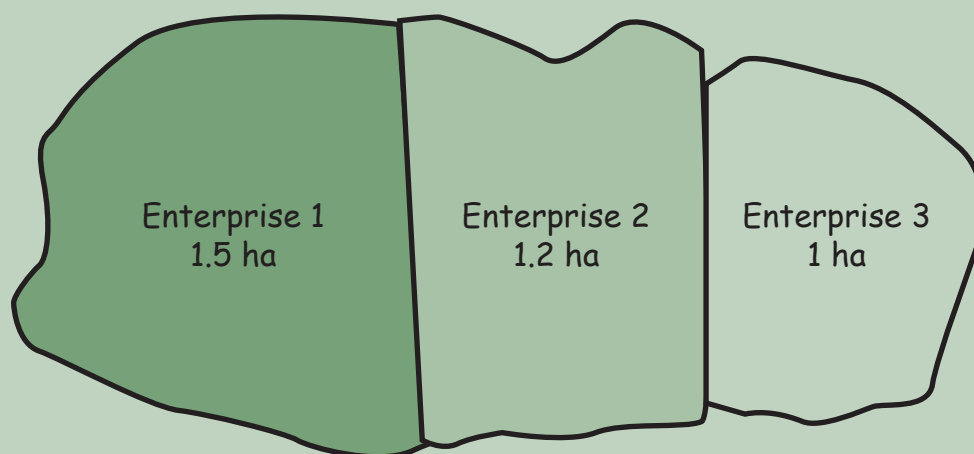
#### Input requirements

Livestock: \_\_\_\_\_

Number of units: \_\_\_\_\_ Number of animals: \_\_\_\_\_

Input	Details	Application rate/unit	Amount required for units to be produced	When needed	Potential supplier
Feed					
Drugs					
Vaccines					
Herbicide					
Tools					
Equipment					

Sketch map showing the allocation of enterprises on a 3.7-ha farm



#### Market plan

Enterprise:	Expected quantity to sell		
Marketing factor	Buyer 1	Buyer 2	Buyer 3
Expected quantity to sell (units)			
Location			
Amount buyer will take			
Market price \$/unit			

### Market plan (continued)

Enterprise:	Expected quantity to sell		
Marketing factor	Buyer 1	Buyer 2	Buyer 3
Preparation requirements and cost			
Packaging requirements and cost			
Transport option and cost			
Marketing cost/unit (\$)			
Who takes it to market			
Other			

### Labour plan

I need \_\_\_\_ (5) \_\_\_\_ workers for a total of \_\_\_\_ (105) \_\_\_\_ days.

I need \_\_\_\_ (3) \_\_\_\_ workers from my family.

I need to hire \_\_\_\_ (2) \_\_\_\_ workers according to the following plan.

Activity	When	Labour needed			Family labour available			Labour to be hired		
		No	Days each	Total days	No	Days each	Total days	No	Days each	Total days
Land preparation	Oct	5	6	30	3	6	18	2	6	12
Planting	Dec	5	4	20	3	4	12	2	4	8
Weeding	Jan	5	6	30	3	6	18	3	6	18
Harvesting	Mar	5	5	25	3	5	15	2	5	10
Total				105			63			42

I will hire labour from: \_\_\_\_\_



[illegible]

### Cash availability

Do I have enough cash available to implement the farm enterprise?

(a) I have the following cash available to use for my enterprises: \_\_\_\_\_

(b) I need the following amount of cash for my enterprises:

Enterprise 1 \_\_\_\_\_

Enterprise 2 \_\_\_\_\_

Enterprise 3 \_\_\_\_\_

Total cash needed \_\_\_\_\_

( ) Yes, I have enough cash

( ) No, I do not have enough cash

(c) The amount of extra cash I need is \_\_\_\_\_

(d) I need the extra cash in the following months \_\_\_\_\_

(e) I can get the money from the following sources \_\_\_\_\_

Source	Amount

### Risk

Risk	Mitigating strategies

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## Exercise 53

**Business plan: Recording the background  
and establishing the production plan**

Objective	<ul style="list-style-type: none"> <li>• To record the background to the business plan.</li> <li>• To establish the production plan for the selected enterprise.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What are my visions and goals?</li> <li>• What is the production plan for my chosen enterprise(s)?</li> <li>• How will the enterprises be allocated on my farm?</li> </ul>
Key points to cover	Applied learning from Exercises 42, 43, 47 and 50.
Process	<p>Plenary review of Exercises 42, 43, 47 and 50, and the decisions made about choosing an enterprise. Enterprise teams revisit their visions, goals, and their enterprise selection for each participant in the team.</p> <p>Decide on the actual production plan and use the production plan to determine actual input requirements for the selected enterprise(s).</p> <p>Teams report results to plenary discussion leading to confirming or amending enterprise selection.</p>
Guidelines	<ol style="list-style-type: none"> <li>1. Lead a discussion to review the processes and results from Exercises 42, 43, 47 and 50.</li> <li>2. Enterprise teams review and confirm/ amend visions and goals for each participant in the team. Record the final visions and goals in the business plan.</li> <li>3. Enterprise teams discuss the production plan for their chosen enterprises using these questions.</li> </ol>

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## Exercise 54

**Business plan: Labour requirements**

Objective	<ul style="list-style-type: none"> <li>To confirm the labour requirements for the selected enterprise(s).</li> </ul>
Key question	<p>Based on the production plan for next season:</p> <ul style="list-style-type: none"> <li>How much labour do I need and when do I need it?</li> <li>How much labour do I have at home and when is it available?</li> <li>How much labour do I need to hire and when do I need to hire it?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Applied learning from Exercise 51.</li> </ul>
Process	<p>Plenary reminder of the process, followed by teams revisiting their labour plans in the light of their new production plan(s) and record revised labour plans in their business plans. Teams report results to plenary discussion leading to confirming or amending labour requirements.</p>
Guidelines	<ol style="list-style-type: none"> <li>Facilitator reminds participants of the process followed in Exercise 51 to develop a labour plan.</li> <li>Using the following questions, enterprise teams work together to review the labour plans in the light of their new production plans (Exercise 50): <ul style="list-style-type: none"> <li>Do the number of hectares or animals affect the amount of labour or amount of time required for any activity?</li> <li>If there is a change, does it change the availability of labour from the household?</li> <li>Does any of this affect the amount of labour to be hired?</li> </ul> </li> <li>Participants record their revised labour plans in their business plans.</li> <li>Teams report to plenary discussion to confirm and/or amend their labour plans.</li> </ol>

Exercise 55  
**Business plan: Market plan**

Objective	<ul style="list-style-type: none"> <li>To develop a market plan for the enterprise(s) I have selected.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What markets are available to me?</li> <li>Which market is most profitable?</li> <li>What arrangements do I need to make?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Applied learning from Exercises 32-36.</li> <li>The market plan is linked directly to the production plan developed for the selected enterprise(s).</li> <li>Many things influence the price obtained for a product. One of those things is where the product is sold. Options include: a buyer who comes to the farmgate; the market closest to the farm; a more distant market. Each market will pay a different price for the product.</li> <li>The price obtained when the product is sold at the farm is called the farmgate price. It is usually the lowest price to get for the product. But selling at the farmgate does not involve transport costs; while the price is lower, the costs are lower too.</li> <li>The market price is the price obtained when the product is sold to a market away from the farm. To sell at this market will have additional costs at least for packaging and transport.</li> <li>The extra money that must be paid to prepare the product and transport it to the market is called the marketing cost. This cost is added to the farm gate price and is the lowest price that should be accepted in the market. (See the following example 'Market plan'.)</li> </ul>

## Exercise 55 (continued)

Process	<p>Brainstorm the idea of different markets and the related prices. Base the discussion on what the farmers learned from analysing and visiting the market. Enterprise teams work on developing a market plan for their chosen enterprises taking into account the new production plan (especially the total output) expected.</p>
Guidelines	<ol style="list-style-type: none"> <li>1. Ask the farmers to recount what they learned previously about marketing and the market they visited. Lead the discussion to cover the key points of farmgate price, marketing costs, market price and the minimum price they should accept if they sell their product at a market away from their farms. (The minimum price is the sum of the farmgate price plus the cost of transport and packaging)</li> <li>2. Brainstorm with them the possible markets for their products. Guide the discussion with the following questions: <ul style="list-style-type: none"> <li>• What do they know about them?</li> <li>• What quantities do they want?</li> <li>• When is the best time to use these markets?</li> <li>• What else do they know about these markets?</li> <li>• What else do they think they need to learn about these markets?</li> </ul> </li> <li>3. Taking these markets into consideration, ask the farmers to consider the following questions: <ul style="list-style-type: none"> <li>• What price will you get for your product if you sold it at your farm gate?</li> <li>• What price will you get for your product if you sold it at the market?</li> <li>• What costs will you have to take your product to the market?</li> </ul> </li> </ol>

## Exercise 55 (continued)

4. Enterprise teams confirm the total quantity of the chosen enterprise each team member expects to produce in the next season.
5. Each participant sets up a table along the following lines:

Enterprise:	Expected quantity to sell:		
Marketing factor	Buyer 1	Buyer 2	Buyer 3
Expected quantity to sell (units)			
Location			
Amount buyer will take			
Market price \$/unit			
Preparation requirements & cost			
Packaging requirements & cost			
Transport option & cost			
Marketing cost/unit (\$)			
Who takes it to market			
Other			

6. Teams make a list of the possible markets, the quantities they sell to/through that outlet, the possible price they would get, and any requirements affecting access to or using that market (e.g. quality, packaging). They should record the information in their tables.
7. The teams should next consider:
  - How much of the product can the market handle?



## Exercise 55 (continued)

	<ul style="list-style-type: none"> <li>• When does the market want the product? All year long? Only in certain seasons?</li> <li>• What kind of preparation is needed (e.g. cleaning, slaughtering)? What will this cost?</li> <li>• What kind of packaging is needed? What will this cost?</li> <li>• How will the product be transported to the market? What will this cost?</li> <li>• Who will take the product to the market?</li> </ul> <p>8. After considering these points, they should record the essential information in their tables.</p> <p>9. Ask a few of the farmers to share their market plans. Discuss the plans with a view to confirming and/or changing the market plans. Are they realistic? Are they challenging? Are there better options?</p>
Side-track	<p>If the farmers have done Exercises 32-36, they will have both a theoretical and experiential understanding of marketing products that are familiar to them, but they will not have previously developed a specific market plan. Therefore, this exercise may require more time and more direct input from the facilitator.</p> <p>They may also require additional information about the market in terms of demand, prices, packaging, costs and fees, transport.</p>

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### Example Market plan

The farmer has 1 000 kg of beans for sale. There are two buyers. One near the farm and one in a nearby town. Buyer 1 (in town) offers \$0.65/kg and will take a maximum of 800 kg. Buyer 2 offers \$0.55/kg and can take all 1 000 kg. Both markets require some preparation of the product (cost \$0.02/kg). There are no transport costs to Buyer 2, but to get the beans to buyer 1 will cost \$0.03/kg. Buyer 2 also requires that the beans be packed in bags; this will cost \$0.02/kg.

Based on this information, the farmer made the following market plan.

Enterprise:	Beans	Expected quantity to sell:	1 000kg
Marketing aspect	Buyer 1	Buyer 2	
Expected quantity to sell (units)	Nakuru General Market	Monare's Fruit & Vegetables	
Location	Nakuru	Local	
Amount buyer will take	800kg	1 000kg	
Market price \$/unit	\$0.65/kg	\$0.55/kg	
Preparation requirements & cost	Must be free of stems and stones \$0.02/kg	Must be free of stems and stones \$0.02/kg	
Packaging requirements & cost	Must be bagged \$0.02/kg	Can be loose No cost	
Transport option & cost	Sam's Transport \$0.03/kg	Hand cart No cost	
Marketing cost/unit (\$)	\$0.07/kg	\$0.02/kg	
Who takes it to market	Son	Me	
Other	Must get there early	Closes at 4pm	

Exercise 56  
**Business plan: Profitability**

Objective	<ul style="list-style-type: none"> <li>To establish the profitability of the enterprise(s) I have selected.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What profit can I expect from the enterprise(s) I have selected?</li> <li>What is the enterprise budget for the enterprise(s) I have selected?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Applied learning from Exercise 12.</li> </ul>
Process	<p>Plenary reminder of the process, followed by teams with the same enterprises working on calculating enterprise budgets for their selected enterprises. Teams report results to plenary discussion leading to confirming or amending their enterprise selection and/or their production plans.</p>
Side-track	<p>Calculating enterprise budgets for the first time for a real-life situation can be a daunting experience. The facilitator may need to provide more guidance and support to ensure the farmers feel confident about their calculations and the potential profitability of their selected enterprise(s).</p> <p>As an alternative to the enterprise budget, the facilitator may want to have the farmers assess the profitability without calculations. This would require the farmers getting a general sense of the income they can obtain from selling their product(s). What price could they get? And of the cost of production. What has been their experience in the past? Has the enterprise been profitable? If not, what was the issue? Can it be corrected?</p> <p>It should not occur that a selected enterprise is not profitable, as earlier in the FBS programme a range of profitable and non-profitable enterprises should have</p>

## Exercise 56 (continued)

	emerged. However, if it does happen that the selected enterprise is not profitable, then the affected participants will have to select another enterprise and restart their farm business plans.
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Exercise 57  
**Business plan: Cash availability**

Objective	<ul style="list-style-type: none"> <li>To establish how much cash I need and when I need it to be able to produce my selected enterprise(s).</li> </ul>
Key question	<ul style="list-style-type: none"> <li>How much cash do I need and when do I need it?</li> <li>How much cash do I have and when is it available?</li> <li>How much cash do I need to borrow and when?</li> <li>Where will I find the cash I need to borrow?</li> <li>When will I be able to pay back the cash that I borrow?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Applied learning from Exercise 15.</li> </ul>
Process	Plenary reminder of the process, followed by teams with the same enterprises working on calculating cash flows for their selected enterprises. Teams report results to plenary discussion leading to confirming or amending their production plans.

### Exercise 57 (continued)

Activity	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Total
Cash inflow													
Crop sales													
Cash available													
Cash outflow													
Cash needed													
Net cash flow													

	<ul style="list-style-type: none"> <li>Review the production plan and the marketing plan. Calculate the expected income from sales from the chosen markets and determine in which month the cash will be received. Write this amount in the appropriate month.</li> <li>Review the production plan. For each activity decide when it will be carried out (e.g. buy seeds) and how much cash will be needed. Do not forget marketing costs, which may not be in the production plan. Write these amounts in the appropriate boxes.</li> <li>Add up the income for each month and record it in the appropriate boxes. Add up the costs for each month and record them in the appropriate boxes.</li> </ul>
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## Exercise 57 (continued)

	<ul style="list-style-type: none"> <li>• For each month calculate the difference between cash in and cash out to show the cash requirements for each month and identify the months with a cash shortfall.</li> <li>• For each month where there is a cash shortfall, each participant needs to decide if he will use his or her own cash or borrow money.</li> </ul> <ol style="list-style-type: none"> <li>3. Each participant needs to decide where to borrow the needed cash and record this in the business plan.</li> <li>4. Ask some of the farmers to share their cash flows and credit plans for discussion. Are the cash flows accurate? Have plans been made to find credit for the months in which there is a cash shortfall?</li> </ol>
Side-track	<p>Calculating cash flow for the first time for a real-life situation can be daunting. The facilitator may need to provide more guidance and support to ensure the farmers feel confident about their calculations and scheduling of loans. Particular attention should be given to the source of any loans needed and the attending interests rates and repayment requirements.</p> <p>It is recommended that this be linked to the exercises on developing negotiating skills which can be applied when negotiating with credit givers.</p>

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Exercise 58  
**Business plan: Risk management**

Objective	<ul style="list-style-type: none"> <li>To determine the risks associated with my selected enterprise(s).</li> <li>To develop a risk management strategy for my farm business.</li> </ul>						
Key question	<ul style="list-style-type: none"> <li>What are the risks associated with producing my selected enterprise(s)?</li> <li>What actions should I take to limit these risks or to limit the impact of these risks?</li> </ul>						
Key points to cover	<ul style="list-style-type: none"> <li>Applied learning from Exercise 16.</li> </ul>						
Process	Plenary reminder of the process, followed by teams with the same enterprises identifying risks and developing a risk management strategy for their selected enterprises. Teams report results to plenary discussion leading to confirming or amending their risk management plans and/or their production plans.						
Guidelines	<ol style="list-style-type: none"> <li>Review the exercise on risk management.</li> <li>Participants to set up the table shown below. <table border="1" data-bbox="604 1279 1378 1458"> <tr> <th>Risk and what harm it can do</th><th>How to handle the risk</th></tr> <tr> <td> </td><td> </td></tr> <tr> <td> </td><td> </td></tr> </table> </li> <li>Enterprise teams discuss the risks to their new production plans. Consider broad areas such as production risks, marketing risks, financial risks and labour risks. For each area they should identify the potential risk and how it can be handled.</li> <li>Ask some of the farmers to share their risk management strategies. Discuss them: Have they identified all the major risks? Are the management plans adequate?</li> </ol>	Risk and what harm it can do	How to handle the risk				
Risk and what harm it can do	How to handle the risk						

[illegible]



## **Developing an action plan**

An action plan is essentially a list of actions, tasks and activities organized in the order in which they should be done, when they will start, how long they will take and who is responsible for doing them. Developing and using an action plan reinforces a steady, systematic approach to running the farm business and reduces impulsive decision-making.

Exercise 59 - Developing an action plan  
for the farm business plan

### Exercise 59

#### Developing an action plan for the farm business plan

Objective	<ul style="list-style-type: none"><li>To develop an action plan to implement the farm business plan.</li></ul>																
Key question	<ul style="list-style-type: none"><li>What specific actions must I take to implement each of the elements of my farm business plan?</li></ul>																
Key points to cover	<ul style="list-style-type: none"><li>Example of an action plan. (See example 'Action plan for my farm business' following).</li><li>Review plans for input requirements, labour, marketing, cash flow and risk management with a view of identifying specific actions to be taken.</li></ul>																
Process	Plenary explanation of an action plan followed by teams with the same enterprises working on developing action plans to implement each of their business plans. Teams report results to plenary discussion for confirmation and/or amendment of their action plans.																
Guidelines	<div><div><div>1. Explain the concept of an action plan. Refer to the example provided.</div><div>2. Participants to set up the table shown below.</div></div><table><tr><th>Action</th><th>Start date</th><th>Duration</th><th>Responsibility</th></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr></table><div><div>3. Enterprise teams work together to develop action plans for each participant. Use the following steps:</div><ul style="list-style-type: none"><li>Review the production plan;</li><li>Identify all the work that needs to be done to implement the plan (e.g. buy seed, buy fertilizer, hire labour, confirm market, arrange transport);</li><li>For each task, identify when it must start. How long will it take to complete? Who will be responsible for doing the required work?</li></ul></div></div>	Action	Start date	Duration	Responsibility												
Action	Start date	Duration	Responsibility														

### Exercise 59 (continued)

	<ol style="list-style-type: none"> <li>4. Each participant records the relevant information in his or her table.</li> <li>5. Ask some of the farmers to share their action plans. Discuss them: Do they cover everything they should? Is anything missing? Is the timing of work appropriate?</li> </ol>
Side-track	Consider having the farmers consolidate the action plan into a chart set out by date. (See both the example 'Action plan' and the 'Annualized action plan' following.)

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

### Example Action plan

#### Action plan for my farm business plan

Action	Start date	Duration	Responsibility
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#### Input requirements

Arrange finance for buying inputs	1 Jan	2 weeks	Sam
Confirm supplier and sale price for each input item	10 Jan	5 days	Sam
Arrange transport to collect/deliver inputs.	15 Jan	1 day	Joseph
Place order/Collect inputs from supplier.	15 Jan	1 day	Joseph

#### Labour

Hire 2 workers	15 Jan	2 weeks	Sam
Hire 2 workers	1 March	4 weeks	Sam
Hire 2 workers	1 May	2 weeks	Sam

#### Cash management

Borrow cash	1 Feb	1 week	Joseph
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#### Market plan

Negotiate contract	1 May	1 week	Joseph
Organize transport	1 May	1 week	Sam

## Example Annualized action plan

[illegible]

## Record-keeping

The following three exercises explore the wisdom of keeping records and the nature of farm business records and discuss the following seven types of records:

- Production records;
- Labour records;
- Cash inflow records;
- Cash outflow records;
- Home consumption records;
- Profit and loss records;
- Fixed asset records.

While there can be many more records than these, if a farm business keeps at least these seven types of records, then the farmer will be in a very strong position to evaluate the performance of his farm business and to plan to make it more profitable.

Exercise 60 - Role play:

The wisdom of keeping records

Exercise 61 - Keeping records

Exercise 62 - Types of farm records

## Exercise 60

**Role-play: The wisdom of keeping records**

Objective	<ul style="list-style-type: none"> <li>To understand and appreciate the importance of keeping farm records.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>Why are farm records important?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Being a good producer is no longer enough in today's changing economy. Farmers must also be good managers; and this requires accurate information that is easy to find when needed.</li> <li>When farmers keep and use records, they will:             <ul style="list-style-type: none"> <li>Know how much money they received, how much money they spent and how it was spent.</li> <li>Know how much the amount of inputs and materials are used to grow the enterprise.</li> <li>Know the price of produce sold and cost of inputs.</li> <li>Be able to calculate whether they are making a profit or a loss.</li> <li>Be able to make better decisions on what to buy and sell.</li> <li>Be able to remember easily who owes them money and who they owe money to, so that they cannot be cheated.</li> </ul> </li> <li>Farmers often do not keep records because:             <ul style="list-style-type: none"> <li>They do not understand the importance of records.</li> <li>They do not know what records to keep or how to prepare them.</li> <li>They feel it is too complicated.</li> <li>They feel they do not have time.</li> </ul> </li> </ul>
Process	<ol style="list-style-type: none"> <li>Two volunteers perform the role-play outlined below followed by a discussion around what happened in the play. Lead the discussion to the understanding that records would have removed the confusion.</li> </ol>

## Exercise 60 (continued)

Process	<ol style="list-style-type: none"> <li>2. Farmers share their experience with keeping and using farm records and discuss the importance of farm records and what can go wrong if they are not kept. Lead the discussion to the relevant points in 'Key points to cover'.</li> <li>3. Discuss why farms do not keep records. Lead the discussion to the relevant points in 'Key points'.</li> </ol>
Guidelines	<ol style="list-style-type: none"> <li>1. The two volunteers perform the role-play.</li> <li>2. When the play is done, discuss it; ask the following lead questions: <ul style="list-style-type: none"> <li>• What happened in the role-play?</li> <li>• Answer: Jessica and Paul got into a fight over money because she did not believe Paul about how he used the \$1 100 from the sale of their maize.</li> <li>• Why did Jessica not believe her husband used all the money properly?</li> <li>• Answer: To her mind there was a lot of money. It could not have been used up so quickly.</li> <li>• What could have been done to avoid the confusion on how the money was spent?</li> <li>• Answer: Keep records.</li> </ul> </li> <li>3. Ask the farmers which of them use records (of any kind). What kind of records do they use? Why do they use these records?</li> <li>4. Discuss with the farmers why it is important to keep records. What is the purpose of records? How can records help farmers? What can happen if records are not kept? Write their answers on the board.</li> <li>5. Ask why some farmers do not keep records. Lead the discussion to cover the points given in 'Key points'. Discuss ways to address these reasons.</li> </ol>



## Exercise 60 (continued)

## Side-track

This exercise is based on a role-play. Before doing the exercise, prepare two of the farmers to perform the brief skit presented in the box below.

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Role play about recordkeeping  
**Argument between Paul and his wife Jessica**

Jessica: I need some money to buy a dress for Easter.  
 Paul: I have no money.  
 Jessica: What? We sold 50 bags of maize for \$1 100. How did it get finished?  
 Paul: We spent the money on household needs and some was invested in the poultry business.  
 Jessica: You are lying. You must have eaten all the money. It was too much to get finished just like that.  
 Paul: You woman, you call me a liar?  
 Jessica: No, but just show me the records that prove it.  
 Paul: I can't  
 Jessica: Why?  
 Paul: I didn't keep records.

### Exercise 61

#### Keeping records

Objective	<ul style="list-style-type: none"> <li>• To know which records to keep and how to keep them.</li> <li>• To understand the use of records.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is a record?</li> <li>• What types of records are needed for a farm business?</li> <li>• How are they used?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• A record is written proof of what happened or what is happening or expected to happen. A record can also be a written proof of what was said and who said it.</li> <li>• The kind of information needed by a farm business that can be recorded in records includes:             <ul style="list-style-type: none"> <li>• Quantity and price of inputs purchased;</li> <li>• Quantities and prices of products sold;</li> <li>• Money paid to labour;</li> <li>• Cash borrowed from a money-lender;</li> <li>• Hectares, yields, irrigation rates, kinds and quantities of inputs used and when they were used.</li> </ul> </li> <li>• In a farm business it is important that records are written.             <ul style="list-style-type: none"> <li>• If records are kept, then the farmer knows at all times how his business is doing. He has a clear indication if he is making a profit. And he will be in a stronger position to negotiate.</li> <li>• If records are not kept, then the farmer is never certain about the current situation of the farm business. This will put him in a weaker position to negotiate.</li> </ul> </li> <li>• Useful/Important farm business records include:             <ul style="list-style-type: none"> <li>• Production records;</li> <li>• Labour records;</li> <li>• Cash inflow records;</li> </ul> </li> </ul>

## Exercise 61 (continued)

	<ul style="list-style-type: none"> <li>• Cash outflow records;</li> <li>• Home consumption records;</li> <li>• Profit and loss records;</li> <li>• Fixed asset records.</li> </ul>
Process	<p>Plenary discussion on four themes:</p> <ul style="list-style-type: none"> <li>• Defining a record;</li> <li>• Identifying the kinds of recorded information needed by a farm;</li> <li>• The value of keeping records and the dangers of not keeping records;</li> <li>• Types of records that should be kept by a farm business.</li> </ul> <p>Lead the discussion to cover the information given in 'Key points'.</p>
Guidelines	<ol style="list-style-type: none"> <li>1. Ask farmers to define what a record is. Write their ideas on the board. Lead the discussion to the explanation given in 'Key points'.</li> <li>2. Ask the farmers what kind of information they need to manage their farm business that can be recorded in records. Write their ideas on the board. Again lead the discussion to the list of information in 'Key points'.</li> <li>3. Discuss the value of writing information down versus trying to remember it. What are some of the advantages of written records? What are some of the problems with relying on memory? Lead the discussion to cover 'Key points'.</li> <li>4. Brainstorm with the farmers about the types of records that should be kept by a farm business. Write their answers down. Lead the discussion to cover at least the types of records listed in 'Key points'.</li> </ol>

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Exercise 62  
Types of Farm Records

Objective	<ul style="list-style-type: none"> <li>To become familiar with seven farm records that are particularly important to a farm business.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What are production records?</li> <li>What are labour records?</li> <li>What are cash inflow records?</li> <li>What are cash outflow records?</li> <li>What are home consumption records?</li> <li>What are profit and loss records?</li> <li>What are fixed asset records?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li><b>Production records.</b> Provide information on production output. This record helps the farmer to understand how well his production programme is performing. It can be used to compare performance of one farm with another. A production record is necessary for assessing our farm business plans.</li> <li><b>Labour records.</b> Provide information on the number of people required for each activity and the number of hours they will take each day. Such information will assist the farmer to understand the labour requirements for each activity.</li> <li><b>Cash inflow records.</b> Provide information on the activities that require the farmer to receive money particularly from the sales of the products of the enterprise.</li> <li><b>Cash outflow records.</b> Provide information on the all the important activities that require the farmer to spend money either to buy inputs or pay for services and operations.</li> <li><b>Home consumption records.</b> Records produce that has been stored, consumed, or given as gifts to relatives, friends and family members. It can also record produce</li> </ul>

## Exercise 62 (continued)

	<p>that is lost or spoiled after harvest. The main purpose of the record is to provide information on the amount and the value of what the family has consumed from the farm or has given away.</p> <ul style="list-style-type: none"> <li>• <b>Profit and loss records.</b> Helps keep track of profits and losses. The record needs to clearly identify which enterprise is being measured.</li> </ul> <p>Each profit and loss record covers a specific period of time. For crops, it is usually a cropping season. For vegetables the period may be a few months. For grain crops the period may be a year. For tree crops this could be many years. For livestock the period will be from the point of purchase to the point of sale</p> <ul style="list-style-type: none"> <li>• <b>Fixed asset records.</b> Provide information on the important items of fixed costs related to the enterprises on the farm. Each item includes the date of purchase, the purchase price (cost) and the life of the item.</li> </ul> <p>(See following examples of completed record forms.)</p>
Process	Plenary discussion about each of the seven farm business records.
Guidelines	<ol style="list-style-type: none"> <li>1. Start with production records. Explain the purpose of the record as outlined in 'Key points to cover'. Ask the farmers what kind of information they think would be needed in a production record. Write their ideas on the board with the idea of constructing the example record. Lead the discussion to cover the example of the record provided and (if advisable) the additional information about the record.</li> <li>2. Repeat the process until all seven types of records have been covered.</li> </ol>

## Exercise 62 (continued)

## Side-track

The facilitator may want to give each farmer a copy of each of the example records as well as of the additional information about these records.

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Example  
Production record: Crop

Enterprise	Land size (Ha)	Expected yield/ha	Total yield (tons/ kgs/bags)
Maize	2 ha	3 000kg/ha	6 000kgs
Groundnuts	1 ha	2 000kg/ha	2 000kg/ha

Example  
Production record: Livestock

Enterprise	Number of animals	Expected Yield	Cycle	Total yield
Layers	200	216/layer/ cycle	10 months	43 200 eggs
Dairy cows	5	20 litres/ cow/day	1 year	36 500 litres

**Example  
Labour record**

Date	Activity	Number of people working	Number of hours taken	Total number of hours taken
10 Oct 2012	Land preparation	2 people	2 hours	4 hours
20 Nov 2012	Planting	1 person	6 hours	6 hours
21 Nov 2012	Planting	2 people	5 hours	10 hours

**Example  
Cash inflow record**

Enterprise: Eggs

Date	Sales/ Output	Quantity	Unit Price (\$)	Total Income (\$)	Comments
12/04/08	Sold eggs	20 trays	\$4	80	Sold to hospital
15/04/08	Sold eggs	10 trays	\$3	30	Sold at town market
20/04/08	Sold eggs	15 trays	\$3	45	Sold at town market
22/04/08	Sold eggs	12 trays	\$3	36	Sold at town market
25/04/08	Sold eggs	18 trays	\$2	36	Sold at farm gate
Total				227	

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### Example Cash outflow record

Enterprise: Eggs

Date	Operation/ Input	Quantity	Unit Cost (\$)	Total Cost (\$)	Comments
25/1/08	Purchase point of lay hens	20 hens	15	300	Bought from Monare's
1/2/08	Feed for laying hens	1x 50kg sack	70	70	Bought from Shiluli's
18/2/08	Vaccines for laying hens	1 injection per hen; 70 hens	1	70	Bought from Monare's
25/2/08	Constructed chicken housing	2 rooms	35	70	Did some of the work myself
5/03/08	Purchased layers	10 hens	16	160	Bought from Monare's
5/03/08	Transport costs to take eggs to market	1	5	5	Hired from Nakuru
5/03/08	Packaging/ Cartons	100	10/100	10	Bought at Agricor
6/03/08	Paid workers	2 x 10 days	3/worker/ day	60	Hired from village programme
Total				745	



**Example  
Home consumption record**

Enterprise: Eggs

Date	Consumed items	Quantity	Unit price (\$)	Total Value (\$)	Comments
1/2/08	Eggs	10	\$.25/egg	2.50	Family
18/2/08	Eggs	15	\$.25/egg	3.75	Mrs Ndlovu
25/2/08	Eggs	5	\$.25/egg	1.25	Spoilt
5/03/08	Eggs	20	\$.25/egg	5.00	Family
5/04/08	Eggs	12	\$.25/egg	3.00	Family
Total		62		15.50	

**Example  
Profit and loss record**

Enterprise: Maize/ 5 ha      For the period: March - May 2012

	Quantity	Unit Price or Cost (\$/unit)	Total (\$)
<b>Income</b>			
Sales			
Home consumption			
Other			
Total Income (a)			
<b>Expenses</b>			
Inputs and materials:			
Seed			
Fertilizer			
Pesticide			
Field operations:			
Land preparation			
Ploughing			
Planting			
Weeding			
Harvesting			
Total Costs (b)			
Profit/Loss (a-b)			

Example  
Fixed asset record

Date of purchase	Item	Purchase price (\$)	Life (years)	Comments
1/2/08	Hand tools	800	10	To be replaced during 2011
3/4/08	Sprayer	1 000	10	Bought from Monare's
4/4/08	Irrigation pipes	2 000	10	Bought from Agricor
6/7/08	Houses for laying hens	1 500	40	Built it myself

## **Purchasing inputs and materials**

Much of the profits of a farm business are tied up in the inputs and other materials needed to produce the farm business' enterprises. An important aspect of this is finding the best supplier for each input. Farmers need to think about what makes a good supplier. Identifying suppliers, visiting them and then reflecting on the information gained helps farmers make sure they are working with the best suppliers for their farm businesses.

Exercise 63 - Matching inputs and suppliers

Exercise 64 - Visiting input suppliers

Exercise 65 - Visiting input suppliers: Report back

Exercise 63  
**Matching inputs with suppliers**

Objective	<ul style="list-style-type: none"> <li>To understand how to obtain inputs and materials for use in the farm business.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What suppliers supply which inputs?</li> <li>What qualities do I look for when choosing a supplier?</li> <li>What are the best suppliers for my farm businesses?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Whatever plan is implemented, inputs and equipment need to be purchased before production starts.</li> <li>The quality, availability and price of inputs, materials and equipment affect the productivity and profitability of the farm business.</li> <li>Each of the inputs comes from a supplier. Therefore, the supplier has a lot of influence over the profitability of the farm business.</li> <li>Some suppliers provide good service. They sell good quality inputs at good prices. Other suppliers may have good prices, but are far away from the farm. Others may try to sell old stock. Some are reliable. Some are not.</li> <li>It is important to investigate and decide which is the best supplier for each input.</li> </ul>
Process	<p>Plenary explanation of the importance of investigating and deciding which is the best supplier for each input needed by the farmer. Enterprise teams set up a ranking system with relevant criteria, identify potential suppliers and rank them using the criteria. Individual participants decide which supplier to use for each input required. Enterprise team report results to plenary discussion to compare ratings and choice of suppliers. Discussion should lead to confirming and/or amending decisions.</p>

## Exercise 63 (continued)

## Guidelines

1. Lead a discussion on the importance of investigating and deciding which is the best supplier for each input needed by the farmer. What influence does a supplier have on a farm business? What makes a good supplier? What qualities would it have? What suppliers do they currently use? Why? Are they satisfied? Why? Why not? Do they provide the quality needed? What about the price? Is there another supplier that offers the same input at a better price? What about reliability? Does the supplier usually have enough of the input in stock? What other factors can be considered? Service? Technical advice? Transport? Location? Credit or payment arrangements?
2. Agree on 5-10 key qualities that one would look for in a good supplier (e.g. price, product quality, availability, reliability, technical support). Write these on the board.
3. Enterprise groups/teams set up the table shown.

Suppliers				
Inputs				

4. Teams identify 5-10 inputs common to their enterprise (e.g. seed, fertilizer, ploughs) and write these in the table above.
5. Teams identify 4-5 suppliers of agricultural inputs and write these also in the table above.
6. We can see which input is supplied by which supplier.
7. Now the teams set up a second table which can be found on the following page.

Guidelines	Suppliers				
	Qualities				

- Teams write the agreed quantities and suppliers and in the second table.
- Teams discuss each of the suppliers in terms of the agreed qualities. (See the following examples, 'Identifying suppliers' and 'Rating suppliers by quality', to illustrate these exercises.) As shown, if a supplier rates high on a quality then put 5 marks in the appropriate space. If the supplier rates low on that quality, put 1 mark in the appropriate space. Repeat this for each quality and each supplier.
- Teams report results to plenary discussion for confirmation and/or amendment.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on the right side, suggesting it's resting on a surface.

### Example Rating of suppliers

#### Identifying suppliers

##### SUPPLIERS

INPUTS	Nakuru Farm Supplies	Rift Valley Agriculture	Shiluli's Farm Dealer	Agricor
Seed	X	X	X	
Fertilizer	X	X	X	
Pesticide	X	X	X	
Ploughs				X
Implements	X	X	X	X
Tools	X	X	X	X

#### Raking suppliers by quality

##### SUPPLIERS

INPUTS	Nakuru Farm Supplies	Rift Valley Agriculture	Shiluli's Farm Dealer	Agricor
Price	///	////	//	/
Quality	///	///	//	////
Availability	///	///	////	//
Reliability	////	//	///	/////
Technical support	/	///	/	////

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### Exercise 64

#### Visiting input suppliers

Objective	<ul style="list-style-type: none"> <li>To do a first-hand ranking of suppliers.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>Which is the best supplier for the inputs in need?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Asking the suppliers the following questions:               <ul style="list-style-type: none"> <li>What services do you provide?</li> <li>What are the terms of payment? Is credit available? What are the terms? Is collateral required? If so, what form?</li> <li>What are the requirements, prerequisites or other conditions for farmers to access the inputs?</li> <li>Is the input linked to contract farming? If so what are the terms? How is the cost of inputs deducted?</li> <li>Is group lending of inputs preferred compared to individual lending?</li> <li>What minimum and maximum quantities can be purchased?</li> <li>What are the transport options and at what cost?</li> </ul> </li> </ul>
Process	Facilitator assigns enterprise teams to specific suppliers. Enterprise groups decide on inputs to investigate and prepare for the visit to their assigned suppliers. During the visits, the supplier is asked the questions listed above and their answers recorded.
Guidelines	<ol style="list-style-type: none"> <li>Organize the farmers into enterprise groups. Tell each group which supplier they are going to visit.</li> <li>Explain that the purpose of the visit is to assess the suppliers and look for ones that best meet the needs of the farmers.</li> <li>Ask each group to agree on the inputs they want to investigate and what attributes they are looking for.</li> </ol>



### Exercise 64 (continued)

Guidelines	<ol style="list-style-type: none"> <li>4. Ask the groups to discuss what information they want to get from the supplier. Lead the discussion to agreement on at least the questions listed in 'Key points to cover'.</li> <li>5. Ensure each group has a way to record answers during the visit.</li> </ol>
Side-track	<p>Prior to the visits, the facilitator will need to decide how many suppliers to be visited. If there are a lot of participants, it would not be a good idea to have them all visit the same supplier at the same time. After deciding on the number, the facilitator will need to identify, select and visit the suppliers (to prepare them) before the visit by the farm business school.</p>

[illegible]

Exercise 65  
**Visiting input suppliers: Report back**

Objective	<ul style="list-style-type: none"> <li>To discuss and learn from the visit to input suppliers.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>Which supplier is best for my farm business?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Answers to questions raised during the visit to the input suppliers</li> </ul>
Process	<p>The enterprise groups assigned to suppliers organize their information and then present it to the plenary. The aim of the discussion is to identify which suppliers should be used for different inputs.</p>
Guidelines	<ol style="list-style-type: none"> <li>1. Ask each group to consult and finalize the assessment of each supplier they visited.</li> <li>2. Ask each group to tell about their experiences and findings from the visit to suppliers. Which supplier did they visit? What inputs did they investigate? What attributes did they investigate? How well did they measure up to the criteria? Ask them to present their findings.</li> <li>3. When each group has finished, discuss how this affects their individual 'farm business plans'.</li> </ol>
Side-track	<ul style="list-style-type: none"> <li>The facilitator will need to decide if this exercise will be done before or after farm business plans have been developed. If it is done before, then the results can be used when planning the input requirements. If it is done after, then the farmers may want to review their plan for inputs and make some changes.</li> <li>Depending on how long the visits take, it may be advisable to schedule the report back for the following week.</li> </ul>

## **Mobilizing finance**

Most small-scale farmers do not have access to the cash needed to run their farms as a market-oriented farm business. They need to carefully assess possible sources of finance. Part of choosing a source of finance is assessing them and deciding which offers the best option. They also need to understand the role of credit and the risks and responsibilities it entails. Before borrowing money, they should also look at the possibility of saving as a means of raising cash

Exercise 66 - Assessing sources of finance

Exercise 67 - Understanding the role of credit

Exercise 68 - Understanding the role of savings

Exercise 66  
Assessing sources of finance

Objective	<ul style="list-style-type: none"> <li>To know the possible sources of financing, including their advantages and disadvantages.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>Where should I get my cash for my farm business?</li> <li>Which is the best source of cash and how do I know?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Preparing a cash flow tells the farmer how much cash he will need to borrow and when he will need to borrow it.</li> <li>There are many possible sources of cash:             <ul style="list-style-type: none"> <li>One's own savings;</li> <li>Borrowing from relatives or friends;</li> <li>Borrowing from traders;</li> <li>Borrowing from buyers;</li> <li>Bank credit;</li> <li>Credit against produce sold;</li> <li>Grants (from donors/government).</li> </ul> </li> <li>Each source has advantages and disadvantages. Some of these include interest rates, availability, capacity, potential for misunderstanding, formal versus informal, terms of repayment, conditions of the loan.</li> <li>Farmers need to take great care in deciding where to source loans.</li> </ul>
Process	<p>Plenary discussion about the link between the cash flow and the decision to get a loan. Lead the discussion to the point of importance of taking care when deciding on where to source the loan. Plenary brainstorming to identify potential sources of loans. Groups consider the advantages and disadvantages of each. Based on the discussions each participant makes a decision about where to source the loan needed.</p>

## Exercise 66 (continued)

## Guidelines

1. Lead a discussion about the link between the cash flow and the decision to get a loan. Lead the discussion to the point of importance of taking care when deciding on where to source the loan.
2. Brainstorm to identify sources of finance. From whom have they borrowed money before? What other sources are there? Lead the discussion to cover at least the list of sources shown in 'Key points'. Write all the sources on the board.
3. Choosing 1 or 2 sources, brainstorm the advantages and disadvantages of these sources. Lead the discussion to cover at least the advantages and disadvantages included in the points to cover.
4. Groups to set out the table below.

Source of finance	Advantage	Disadvantage

5. Groups discuss the list of sources of income and agree on 4-5 sources to evaluate and write these in the table.
6. Starting with the first source in the table, the group discusses the advantages and disadvantages of using this source of finance and write these in the table.
7. Groups discuss the results of the evaluation and each participant decides which source(s) of finance he will use.
8. Groups report results to plenary discussion. Who has chosen which source? Why? Discuss the advantages and disadvantages. Are they reasonable?

## Exercise 66 (continued)

## Side-track

1. The farmers may have very limited knowledge about sources of finance outside their village. The facilitator may want to prepare a list of potential sources of finance and some background information about them.

Exercise 67  
Understanding the role of credit

Objective	<ul style="list-style-type: none"> <li>To discuss things to consider when accessing credit.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What are the things the farmer needs to consider before accessing credit?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Credit or a loan is money borrowed from finance institutions (e.g. banks), money lenders, family and friends.</li> <li>Borrowed money must be repaid over a certain predefined period with interest.</li> <li>Repayment on credit needs to be included as a cost to the business.</li> <li>Some of the benefits of credit include:             <ul style="list-style-type: none"> <li>Allows the start up of a current enterprise with a good market.</li> <li>Allows for expansion of an enterprise.</li> </ul> </li> <li>Risks associated with credit include:             <ul style="list-style-type: none"> <li>If credit is not well utilized credit can lead to further impoverishment.</li> <li>A farmer's reputation may be at stake for failure to pay back.</li> <li>Interests rates may be too high and off-set positive gains for the farmer.</li> </ul> </li> <li>Credit should only be accessed under the following circumstances:             <ul style="list-style-type: none"> <li>There is a cash flow problem but enough funds are guaranteed to be generated (e.g. by the end of the season).</li> <li>There is a farm business opportunity or potential but the farmer lacks funds to invest.</li> </ul> </li> <li>It is inappropriate for a farmer to use credit when:             <ul style="list-style-type: none"> <li>The farmer foresees the possibility of not being able to pay back the loan.</li> <li>If the terms and conditions are not favourable. For example, the payment period is not favourable it is 'no'.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• When there is no plan to use the credit.</li> <li>• When borrowing to pay another loan - never repay a loan with another loan.</li> </ul>
Process	<p>Plenary discussion around:</p> <ul style="list-style-type: none"> <li>• What credit is and why and when it should be used.</li> <li>• How credit affects the farm business.</li> <li>• The benefits of using credit.</li> <li>• The risk of using credit.</li> <li>• Circumstances under which credit should be used.</li> <li>• When it is inappropriate for a farmer to use credit.</li> </ul> <p>The facilitator leads the discussion to cover the information in 'Key points to cover'</p>

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



Exercise 68  
**Understanding the role of savings**

Objective	<ul style="list-style-type: none"> <li>To understand the role of savings in managing a farm business.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>Why is saving important?</li> <li>What are the benefits of saving and of group saving?</li> <li>What is involved in setting up a group savings scheme?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Benefits of saving:             <ul style="list-style-type: none"> <li>Being able to cope with emergencies (particularly sickness and funerals). Without savings people have to borrow money or sell some of their assets to pay for these expenses.</li> <li>A good way to buy assets to develop a small enterprise.</li> <li>Even poor people can save, if they have an incentive and somewhere safe to keep the money.</li> </ul> </li> <li>Benefits of group saving:             <ul style="list-style-type: none"> <li>Saving together soon accumulates into a larger sum and makes it possible to help each other with loans.</li> </ul> </li> <li>Principles of savings and credit groups:             <ul style="list-style-type: none"> <li>A group of people.</li> <li>Having a common interest or bond.</li> <li>Who agree to save their money together, and</li> <li>Lend their money to each other when needed for good purposes and to improve their living standards.</li> </ul> </li> <li>Steps a group may need to take to set up a savings and credit group:             <ul style="list-style-type: none"> <li>Arranging a founding meeting to decide on the name for the savings group or 'village bank', the rules that will be adopted and the equipment that will be needed (e.g. cash box, calculator, books).</li> </ul> </li> </ul>

## Exercise 68 (continued)

	<ul style="list-style-type: none"> <li>• Arranging a series of training meetings for bank group members.</li> <li>• Applying for a grant to cover the cost of equipment, if it is needed.</li> <li>• Electing officers and buying equipment.</li> <li>• Deciding how money will be kept and managed safely.</li> <li>• Commencing savings activities and learning to complete savings passbooks and group financial records.</li> <li>• Learning how to manage giving loans from group savings.</li> <li>• Encouraging members to learn how to plan and make budgets for their enterprise ideas.</li> <li>• Commencing lending activities after a minimum of 6 months savings activity.</li> <li>• Establishing system of health checks for the 'bank' or savings and credit group.</li> <li>• Consider the kind of rules they may adopt. For example who is allowed to join, how often they would meet, where they would meet, how much saving must be brought to each meeting, what they will do if someone misses a meeting or cannot manage any savings.</li> </ul>
Process	<p>Refer to 'Key points to cover'. Plenary discussion about why saving is important. Encourage participants to share stories they know about community savings schemes. Brainstorm the principles of savings groups and the steps they need to take to set up a savings group.</p>
Guidelines	<p>1. Discuss why savings are important. (See following diagram.) Lead the discussion to cover the relevant points in 'Key points'</p>

## Exercise 68 (continued)

	<ol style="list-style-type: none"> <li>2. Ask the participant to give examples of poor people managing to save together and developing institutions such as credit unions or village banks. (See also the stories in the examples on 'Group savings' below.)</li> <li>3. Brainstorm with the farmers the general principles of savings and credit groups. Lead the discussion to cover the relevant points in 'Key points'.</li> <li>4. Brainstorm with the farmers the steps a group needs to take to set up a savings and credit group. Lead the discussion to cover the relevant point in 'Key points'.</li> <li>5. Ask the farmers about the possibility of starting group savings.</li> </ol>
Side-track	<ul style="list-style-type: none"> <li>• Group savings require careful consideration. If the group decides to explore this option, then a separate session or meeting just to work on this will be needed. It may also be advisable to ask someone with specialist expertise and experience to help.</li> <li>• If savings schemes exist in the area, it may be helpful to arrange for the farmers to visit one or two of the schemes to learn from them. They will need to prepare for such a visit.</li> </ul>

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## Examples of group savings

### **West Africa:**

In the centre of the village is a building made of concrete blocks with a door and a window, which can all close safely. There are one or two rooms inside with a table, some chairs, a filing cabinet and a safe. This is the village bank. Pinned up on the wall inside are some big charts with all the rules and regulations of the village bank. These include loan policies, interest rates, membership rules. There is also a notice board with the minutes from the latest meeting of the management committee.

Important features of this village bank are:

- The villagers decided for themselves how their village bank would function and they are entirely responsible for it.
- The people running the bank have been trained and have all the technical skills needed.
- The village bank is financially independent and is properly managed to ensure that income earned from loan interest covers the costs.

The experience in West Africa has shown that village banks can work successfully even in remote areas, where there are few economic opportunities and where many people are illiterate. It may even work best in such areas because although people are poor, they identify closely with their villages and are prepared to work together.

### **East Africa**

Groups of 5 to 15 women have been joining together to save money. They choose who they want to be with in the group and decide on their rules about membership. For example, only one member per family; members in the group must all trust each other. The women hold regular weekly meetings, which last about 15 to 45 minutes. All members must bring a minimum of 5 Rupees to each meeting to add to their savings.

The only equipment each group has is a small steel cash box with a key, pens, pencils, ruler and file, passbooks for members and 3 ledgers. They always record members' savings in the ledger and the passbooks at each meeting.

## Examples of group savings (continued)

They use their accumulated savings as a loan fund to help members when they are facing an emergency. These loans never exceed 100 Rupees and are usually used for medical emergencies. The group sets the rules for the loans - usually they have to be repaid quite quickly.

[illegible]

## Linking to markets

A solid market plan is important to a successful farm business. Linking farmers to the market is more than just knowing where the different markets are, it is also about understanding and using market information to reduce risk, deciding on products and timing of production, checking prices, determining how to best handle the product after harvest. A great deal of the profitability in agricultural products is determined by how the product is handled after harvest. In addition, farmers should also give consideration to post-harvest processing. Products sold in their raw state fetch lower prices than the same product which has been processed.

Exercise 69 - Understanding and using market information

Exercise 70 - Understanding post-harvest management

Exercise 71 - Exploring post-harvest processing options

Exercise 69  
Understanding and using market information

Objective	<p>To understand:</p> <ul style="list-style-type: none"> <li>• Why farmers need information and how they can use it.</li> <li>• What the available sources of information are.</li> <li>• How to calculate marketing costs between the farmer and the market.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What does a farmer use market information for?</li> <li>• What are some sources of market information?</li> <li>• What support can a farmer expect from an extension worker?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Farmers can use market information to: <ul style="list-style-type: none"> <li>• Reduce risks associated with marketing (the price tells them if it is worth sending the product to market).</li> <li>• Decide where to sell.</li> <li>• Check on the prices they are getting (and check this against quality, packaging and how well they are negotiating prices).</li> <li>• Decide whether or not to store their product (it may be more profitable to store the product if they think the price will increase).</li> <li>• Decide whether to grow out of season.</li> <li>• Decide whether to grow different crops (market information helps determine if different crops are profitable).</li> </ul> </li> <li>• Possible sources of market information include: <ul style="list-style-type: none"> <li>• Government run market information services (free, unbiased, not analysed, sometimes hard for more remote farmers to obtain).</li> <li>• Traders (may be biased to pay lower prices).</li> </ul> </li> </ul>

## Exercise 69 (continued)

Key points to cover	<ul style="list-style-type: none"> <li>• Other farmers (may not have accurate information, may exaggerate prices).</li> <li>• Extension workers.</li> <li>• Marketing boards.</li> <li>• Agri-processors.</li> <li>• What farmers can expect from extension workers regarding market information:             <ul style="list-style-type: none"> <li>• Knowledge about the way the marketing systems work for different crops and advice on the best ways of marketing.</li> <li>• Knowledge of the times of radio or TV broadcasts of market information.</li> <li>• Information about possible sources of market information.</li> <li>• Information about local buyers for crops, the prices they are paying and their terms and conditions</li> <li>• Information about markets further away (e.g. in cities).</li> <li>• Help with understanding the meaning of price broadcasts.</li> <li>• Organizing visits for farmers to urban markets and for marketers to meet farmers.</li> <li>• Information on local prices not covered by the regular market information systems.</li> <li>• Help with understanding marketing costs and trader margins.</li> <li>• Help with understanding why prices change.</li> <li>• Advice on how to apply market information on crop choices, production technologies and production costs in relation to market information.</li> <li>• Information about traders for new crops.</li> <li>• Assistance with establishing local market information services.</li> </ul> </li> </ul>
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## Exercise 69 (continued)

	<ul style="list-style-type: none"> <li>• Assistance with information and demonstrations about packaging, grading and other aspects of preparing products for market.</li> </ul>
Process	<p>Plenary brainstorming on the three areas:</p> <ul style="list-style-type: none"> <li>• What farmers can use market information for.</li> <li>• What farmers can expect from extension workers regarding market information.</li> <li>• Possible sources of market information.</li> <li>• In each case lead the discussion to cover the relevant points in 'Key points'. On the last issue, ask the farmers to evaluate the extension service in providing this kind of help and (if needed) make a plan to improve it.</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>1. Ask the farmers what they think can use market information for. Lead the discussion to the points listed in 'Key points'.</li> <li>2. Ask the farmers to identify possible sources of information. What kind of information can one obtain from each? How reliable it is? How relevant is it to them? Again lead the discussion based on 'Key points to cover'.</li> <li>3. Ask the farmers to think about what kind of help they could/should get from their extension worker. Lead the discussion on 'Key points'. For each point, ask the farmers to evaluate the extension service they use. Can it be improved? In what way? Work with the farmers to make a plan to raise these issues with their extension worker.</li> </ol>
Sidetrack	<p>It may be useful to invite one or two extension workers to participate in this exercise. They would need to be fully informed about the content and the process of the exercise and should be asked to bring whatever information they can about market information services.</p>

Exercise 70  
Understanding post-harvest management

Objective	<ul style="list-style-type: none"> <li>• To learn appropriate methods of harvesting and handling of harvested produce intended for sale at the market.</li> <li>• To understand the difference between handling practices for produce destined for market and consumption.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• Why is produce intended for the market harvested and handled differently from produce intended for home consumption?</li> <li>• Why is it post-harvest management of produce important?</li> <li>• What is the appropriate way to harvest and handle produce to be sold at the market?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Farmers need to ensure that produce they send to the market can fetch the best possible price. How the produce is harvested, handled, packaged and transported all affect the condition of the produce, which affects the price a buyer is willing to pay.</li> <li>• There are three principles the farmer must keep in mind at all times when harvesting and preparing produce for the market:             <ul style="list-style-type: none"> <li>• Maintain quality. Good quality results in better prices; poor quality results in lower prices and sometimes no sale at all.</li> <li>• Maximize shelf-life. There is often a delay between harvest and sale. The longer the product can stay fresh after harvest, the better the chance the farmer has to sell the product.</li> <li>• Manage the supply of produce to the market. The price of a product is affected by quantity of that product that is available. The greater the quantity, the lower the price. Managing how much gets to the market helps fetch higher prices.</li> </ul> </li> </ul>

## Exercise 70 (continued)

- There are five activities that affect quality, shelf-life and supply of produce:
  - Harvesting;
  - Handling;
  - Storage;
  - Packaging;
  - Transport.
- To maintain quality and maximize shelf-life the following should be considered:
  - Harvesting. For each enterprise farmers must:
    - Determine the best method of harvesting. The aim is to ensure that the produce is not damaged during harvest. Choice of tools, equipment and harvest containers and the cleanliness of each can affect quality.
    - Determine the best 'ripeness' for harvesting. Some products need to be harvested 'under ripe' so they do not rot between harvest and the market. Other products have to be sufficiently ripe to produce the right taste which is an aspect of quality.
  - Handling. After harvesting, the produce must be handled in such a way that as little damage as possible is done. Most produce needs to be washed to remove unwanted matter like dirt and insects. Damaged produce (e.g. bruised fruit, anything damaged in appearance, all foreign matter such as leaves) must be removed.
  - Storage. After harvesting, produce must be kept safe and protected from contamination and damage by dirt, heat, water, insects and animals.

## Exercise 70 (continued)

	<ul style="list-style-type: none"> <li>• Packaging. The market will determine the kind of packaging required for each enterprise. Some produce can be packed in bulk bags or containers; other produce may require more individualized packaging.</li> <li>• Transport. Whatever the distance to the market, the produce must be transported in a way that does not damage the produce or expose it to anything that might contaminate it.</li> <li>• To manage supply of produce to the market, farmers should evaluate the supply situation in the market and the demand for their product before harvesting. If the produce can be 'stored-on-the-tree', only the quantity of produce that can be sold immediately in the market should be harvested. If it must all be harvested, then the harvest should be stored and quantities taken to the market depending on demand.</li> </ul>
Process	<ul style="list-style-type: none"> <li>• Plenary discussion around how harvesting and post-harvest management might differ depending on whether the produce is for home consumption or for the market. Encourage those participants who have experience with marketing to share their knowledge about how producing for the market affects harvesting and post-harvest management. Lead the discussion to cover the relevant points listed in 'Key points to cover'.</li> <li>• Explain the three things that farmers selling at the market need to keep in mind. Also explain the five activities that affect quality and shelf-life. For each activity, ask the farmers to think about how the activity affects quality and shelf-life. Lead the discussion to cover the points listed in 'Key points'.</li> </ul>

## Exercise 70 (continued)

Process	<ul style="list-style-type: none"> <li>Lead a discussion to cover the points concerning managing the supply of produce to the market.</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>1. Explain that when a farmer decides to sell his products on the market, this affects the way the enterprise is harvested and managed after harvest.</li> <li>2. Ask the farmers why this is the case. Encourage any of the farmers who have sold on the market to share their experiences particularly as they relate to harvesting and post-harvest activities. Lead the discussion to cover the first point in 'Key points'.</li> <li>3. Explain the three principles the farmer must always bear in mind when planning to sell his produce on the market. Ask the farmers what they understand by these principles and why they are important. Lead the discussion to the understanding that all three of these principles affect the price of the product.</li> <li>4. Explain the five activities that affect the quality and shelf-life of produce. Working through one activity at a time, ask the farmers to think about how each of these activities affects quality and shelf-life. How should these activities be carried out in order to ensure the best possible quality and the longest possible shelf-life? Lead the discussion to the points given for each activity.</li> <li>5. Discuss the issue of managing the supply to the market. How does the supply affect the market? What can farmers do to manage the supply of produce to the market? Lead the discussion to the points given.</li> </ol>

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Exercise 71  
Exploring post-harvest processing options

Objective	<ul style="list-style-type: none"> <li>To obtain a basic understanding of post-harvest processing options.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What is post-harvest processing?</li> <li>What options does a farmer have for processing his produce after harvest?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>While produce produced on a farm can be sold in its raw form, all produce must at some time be processed in some way after being harvested. Foods are processed to improve their digestibility and to enhance their appeal to the consumer. Processing also serves to extend the availability of foods beyond the area and season of production. Processing produce also provides for value addition and generating additional income.</li> <li>There are three stages of post-harvest processing.</li> <li><b>Primary processing.</b> This refers to the immediate post-harvest handling activities. For grains this includes drying, threshing and shelling. Such operations reduce the fibre content and may extend the shelf-life of the product.</li> <li><b>Secondary processing.</b> Usually involves some form of alteration of the produce from its natural state to facilitate its subsequent use. Grains may be cleaned, graded, tempered or parboiled, de-hulled and polished or split into halves. Many grains are also ground, pounded or milled and sieved to give various grades of meal or flour. Tubers may be peeled, sliced and dried.</li> <li><b>Tertiary processing.</b> This involves the conversion of uncooked materials into products and food combinations for human consumption.</li> </ul>



## Exercise 71 (continued)

Process	<ul style="list-style-type: none"> <li>• Plenary discussion to introduce the idea of post-harvest processing. Lead the discussion to the purpose of post-harvest processing as outlined in 'Key points to cover'.</li> <li>• Brainstorm with the farmers about different kinds of processing. Lead the discussion to the three stages of processing and record their ideas accordingly on the board.</li> <li>• Discuss their current involvement in processing and their interest in future involvement.</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>1. Introduce the idea of post-harvest processing. Ask the farmers who have been involved in post-harvest processing to share their experiences. Encourage the others to contribute ideas. Lead the discussion to the purpose of post-harvest processing as outlined in 'Key points to cover'.</li> <li>2. Prepare the three headings 'Primary processing, Secondary processing, Tertiary processing' for the board, but 'do not' put them on the board yet.</li> <li>3. Brainstorm with the farmers about different kinds of processing. Ask them to write their ideas on cards and put them on the board. Lead the discussion to the three stages of processing and the points included in 'Key points to cover'.</li> <li>4. Now put the three headings on the board and reorganize the cards placed by the farmers under the three headings.</li> <li>5. Ask the farmers which level of processing they are involved in now. Ask for specific examples (e.g. threshing, milling, drying, canning).</li> <li>6. Ask the farmers which level of processing they would like to be involved in. Ask for specific examples.</li> </ol>
Side-track	The facilitator may want to arrange a visit to a nearby processor such as a miller or drier.

## **Contract farming**

Once a farmer understands the concept of contract farming and the elements of a farm contract, it is helpful to actually visit a buyer to explore first-hand the possibility of this marketing option. During such a visit, farmers can learn what kind of market it is, where it is located, what products can be sold, the amount demanded, the quality required, the marketing costs and the prices that they can get. After a farm visit, farmers can then consider whether or not they want to use contract farming for one or more of their enterprises. .

Exercise 72 - Understanding contract farming

Exercise 73 - Preparing a farming contract

Exercise 74 - Preparing to visit a buyer  
for a farming contract

Exercise 75 - Report back on a visit to a buyer  
for a farming contract



Exercise 72  
**Understanding contract farming**

Objective	<ul style="list-style-type: none"> <li>• To understand contract farming.</li> <li>• To understand contract farming contracts.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is contract farming?</li> <li>• What are the advantages of contract farming?</li> <li>• What are the challenges of contract farming?</li> <li>• What can be done to overcome challenges in contract farming and how can they be overcome?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Contract farming is when individuals or a group of farmers come into formal (written) or informal (verbal) arrangements for marketing their products with buyers.</li> <li>• Some of the advantages of contract farming include:             <ul style="list-style-type: none"> <li>• It can encourage small-scale producers to diversify into new enterprises.</li> <li>• It can lead to improved production inputs that are provided by the contractors.</li> <li>• It may help farmers get credit.</li> <li>• Potential buyers can provide extension.</li> <li>• The agreed price assures farmers of what to expect when they deliver produce to the buyer.</li> <li>• It offers opportunities to reach markets that are very far away, including export markets.</li> <li>• It can help farmers learn new production methods and technical skills. This will improve productivity and profitability.</li> </ul> </li> <li>• Some of the challenges of contract farming include:             <ul style="list-style-type: none"> <li>• Changes in the weather, pests and diseases might make it difficult for farmers to supply the amount and quality of output agreed in the contract</li> </ul> </li> </ul>

## Exercise 72 (continued)

- If the contract requires more capital-intensive production, the farmer may be required to borrow money to buy equipment and implements.
- An individual farmer may find it difficult to supply the quantity required by the buyers on his or her own and may not find other farmers to join him.
- Producing under a contract means that farmers are not free to run their farms as they want. They must farm according to the terms of the contract. They lose some control over what they do on their farms.
- The farmers might not be able to sell all their produce if it does not meet the quality standards set in the contract.
- Farmers might find it difficult to bargain for the reasonable price.
- Farmers can overcome the obstacles of contract farming by working together:
  - Small-scale farmers can work together in order to increase their power to negotiate the terms of the contract.
  - Farmers can work together to supply larger quantities of produce. This is likely to attract the interest of a buyer.
  - Groups of farmers are likely to find it easier to share the machinery for production, reducing the need to borrow.
  - Farmer groups are more likely to get grants and loans than individual farmers.
  - Farmer groups can help farmers in the group if they are struggling to keep up with the terms of the contract. They can also put pressure on one another in the group to deliver according to the contract.

## Exercise 72 (continued)

Process	<p>Refer to 'Key points to cover'. Plenary discussion around the following aspects of contract farming:</p> <ul style="list-style-type: none"> <li>• What is contract farming?</li> <li>• The advantages of contract farming.</li> <li>• The challenges of contract farming.</li> <li>• Overcoming the obstacles of contract farming by working in groups.</li> <li>• Things to look for in contract farming.</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>1. Ask participants what they understand by contract farming.</li> <li>2. Ask if any of the participants have ever engaged in contract farming. What has been their experience? What type of product was on contract? What were the benefits? What difficulties were faced?</li> <li>3. Ask participants to identify the advantages of contract farming. Lead the discussion to cover the advantages of contract farming listed in 'Key points'.</li> <li>4. Ask participants to identify disadvantages of contract farming. Lead the discussion to cover the disadvantages of contract farming listed in 'Key points'.</li> <li>5. Ask the farmers what they can do to overcome challenges faced in contract farming. Lead the discussion to cover the points for overcoming challenges listed in 'Key points'.</li> <li>6. Ask participants if they are interested in contract farming. Why? Encourage discussion.</li> <li>7. Ask participants if there are possibilities of contract farming for their enterprises. Encourage discussion.</li> </ol>

Exercise 73  
Preparing a farming contract

Objective	<ul style="list-style-type: none"> <li>• To understand the elements of a contract.</li> <li>• To learn how to examine a contract carefully.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What are the main elements of a farming contract?</li> <li>• What are the strengths and weaknesses of a farming contract?</li> <li>• What makes a farming contract good for a farmer?</li> <li>• How do I know if I should sign a contract?</li> <li>• What type of information is needed to negotiate effectively?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Basic elements (see also following box):             <ul style="list-style-type: none"> <li>• Contract duration;</li> <li>• Quality standards;</li> <li>• Production limits;</li> <li>• Cultivation practices;</li> <li>• Product delivery arrangements;</li> <li>• Pricing arrangements;</li> <li>• Payment procedures;</li> <li>• Insurance arrangements;</li> <li>• Arbitration terms.</li> </ul>             (See the following box for details.)           </li> <li>• Differences between contracts for grain and contracts for fresh produce:             <ul style="list-style-type: none"> <li>• Grain can be stored and transported easily. It is not easily damaged. It is easy to handle and package.</li> <li>• Fresh produce can be easily damaged or spoiled due to rotting. Fresh produce needs special packaging and handling. A contract for fresh produce includes                 <ul style="list-style-type: none"> <li>• Packaging requirements;</li> <li>• Quality requirements;</li> <li>• Transport requirement;</li> <li>• Storage requirements.</li> </ul> </li> </ul> </li> </ul>
Process	Plenary discussion on what to look for in a contract. Lead the discussion to include at least the points given in 'Key points to cover'..

## Exercise 73 (continued)

Process	<p>Teams review the example contract to identify its strengths and weaknesses. Teams share findings with the plenary to determine if the contract is good for the farmer. Would they be willing to sign such a contract? Lead the discussion to the point that the contract is not good for the farmer. See the evaluation of the contract. Discuss how a contract for fresh produce might differ from a contract for a grain crop. Lead the discussion to the relevant points in 'Key points to cover'.</p>
Guidelines	<ol style="list-style-type: none"> <li>1. Ask participants what things they should look for when negotiating a contract. What should be in the contract? Lead the discussion to include the points given in 'Key points to cover'. Be sure they are written on the board.</li> <li>2. Go through 'The elements of a farming contract' with the farmers.</li> <li>3. Now organize the farmers into teams of 2-3. Give each participant a copy of the contract provided. (See example 'Agreement for contract farming of maize'.)</li> <li>4. Ask the teams to read and study the example contract and to identify the strengths and weaknesses in the contract to both parties.</li> <li>5. When the teams have finished, ask each team to share their evaluations. Write them on the board. Compare and discuss their answers.</li> <li>6. Ask the farmers if they feel this contract is good for the farmer. Would they be happy to sign the contract? If yes, why? If not, how would they make it better for the farmers? Lead the discussion to the point that the farmers understand that the farmers do not have enough protection under this contract. The weaknesses show all the areas that need to be changed to protect the farmers. (See the box 'Some of the strengths and weaknesses of the example contract' below.)</li> </ol>

## Exercise 73 (continued)

Guidelines	7. Ask the farmers how a contract for fresh produce like tomato or banana would be different from the example contract for maize. What will be the main differences? Lead the discussion to cover the relevant points in 'Key points'.
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### The elements of a farming contract

Components	Description
Contract duration	How long the contract will last. It is usually from the date of signing the contract to date of delivery of the products and payment
Quality standards	What are the quality requirements; for example size, colour, moisture content, grade
Production limits	How much must be produced and delivered by the farmer to the buyer; for example 5 ha per farmer or 5 tonnes per farmer
Cultivation practices	How the product will be produced, for example use of manure only, organic farming, not using certain pesticides, hand harvested
Product delivery arrangements	Where, when and how the product should be delivered; for example specific locations, time, mode of transport, packaging
Pricing arrangements	What price will be paid and under what conditions; for example price based on quality and price based on quantity
Payment procedures	How and when the farmer will be paid by the buyer; for example cash on delivery, payment after some days or months, paid by cheque
Insurance arrangements	How the product is insured against things like fire, hailstorms, damage in transport
Arbitration terms	Rules for settling disagreements between farmers and buyers. This usually includes where to report the issue



Example  
**Agreement for contract farming of maize**

Company A offers to buy grain maize from farmer group FG. The conditions under which the crop will be grown and sold are outlined below.

Farmer group FG will plant no more than a total of 100 hectares for maize. All crop production activities must be followed in accordance with Company A recommendations and instructions.

Company A guarantees to buy all grain maize produced from the allocated limit. Buying will be at designated locations and buying slips will be issued immediately after.

1. Buying will be at designated locations and buying slips will be issued immediately after purchase.
2. All maize fields must be effectively fenced against animals.
3. All necessary seed, chemicals and fertilizer will be supplied and charged to the farmers. Payment for pre-sowing cultivation charges may be advanced.
4. The pricing formula for grain purchase at 14.5 per cent moisture level will be as follows:

(a) Production up to 3 500 kg/ha = 20 Ksh/kg

(b) Production from 3 501 to 4 000 kg/ha = 21 Ksh/kg

(c) Production from 4 001 kg/ha and over = 22 Ksh/kg

5. Farmers are not allowed to sell maize covered under this agreement, either on the cob or in grain form, to any other buyer without the written consent of Company A. Any breach of this agreement will result in farmers giving up their contract.
6. Bags will be supplied by Company A, and will retain ownership of the bags. Any loss of bags will be debited to the farmers' account.
7. Farmers will be paid when their crops have been harvested and sold to Company A and all outstanding crop advances have been deducted.

**Example**  
**Agreement for contract farming of maize (continued)**

If you wish to grow maize on the above terms and conditions, please complete this form and return it to Company A's office before .....  
 ..... so that we may reserve your quota of ..... hectares.

Signed on ..... / ..... /20 ....  
 (Day) (Month) (Year)

\_\_\_\_\_  
 Company  
 Manager Representative

\_\_\_\_\_  
 Farmer  
 (Farm No \_\_\_\_\_ )

**Some of the strengths and weaknesses of the example contract**

**Strengths**

- The farmer and the buyer both know how much land will be planted to maize.
- The price is clear.
- The farmers will be given production advice.
- The supply of inputs is clear.
- There is finance for the supply of inputs and other activities.
- Product quality is clear.

**Weaknesses**

- The contract does not say what will happen if there is hail, drought, flooding or other 'Acts of God' that reduce yield or quality.
- The contract does not say what will happen if the buyer or farmer does not meet part of the contract.
- The contract does not say what the terms of payment are. Is it cash on delivery? Is it payment after some days or months?
- The contract is not clear about the duration of the contact.
- The price of inputs is not clear.
- The contract is not clear about who is responsible for transporting maize to the designated locations.



Exercise 74  
Preparing to visit a buyer for a farming contract

Objective	<ul style="list-style-type: none"> <li>• To prepare for a visit to a buyer to discuss a farming contract.</li> <li>• To learn directly from buyers about contract marketing.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What do I need to ask a buyer in preparation for agreeing to a contract?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• The following questions will be helpful when visiting a potential market:             <ul style="list-style-type: none"> <li>• What kind of market is it?</li> <li>• Where is the market located?</li> <li>• What products can I sell?</li> <li>• How much of my product can I sell (quantity)?</li> <li>• When must I deliver the product?</li> <li>• What quality standards are required?</li> <li>• What are the packaging requirements?</li> <li>• What other requirements are there?</li> <li>• What are the marketing costs involved?</li> <li>• What prices can I expect to get for my products?</li> <li>• How is payment made?</li> <li>• What other information do I need to know?</li> <li>• Is it a written or verbal contract?</li> </ul> </li> </ul>
Process	<p>Explain to teams of 3-5 they will each be visiting two buyers to discuss with them about possible marketing contracts. Review the questions listed in 'Key points to cover'. The teams prepare for the interviews by reviewing the questions and assigning them to the team members. Thereafter they go to the market to interview their assigned buyers.</p>
Guidelines	<ol style="list-style-type: none"> <li>1. Organize the farmers into teams of 3-5.</li> <li>2. Explain that the purpose of this exercise is to help them prepare for a visit to buyers to learn directly from them about contract marketing.</li> </ol>

## Exercise 74 (continued)

Guidelines	<ol style="list-style-type: none"><li>3. Explain that each team will interview two buyers to get information about the market. Each buyer will be for a different product.</li><li>4. Assign the teams to buyers.</li><li>5. Review the questions listed in 'Key points to cover.'</li><li>6. Ask them to go over the questions listed in 'Key points' and decide who is going to ask the questions. Is there any additional information they want to get?</li><li>7. When the teams are ready, send them to the market to do their investigations.</li><li>8. Set a date and time for their report back</li></ol>
Side-track	<p>Before doing this exercise, the facilitator will need to identify a number of buyers who can talk to the FBS participants about market contracts. To do this the facilitator will need to visit different markets to meet buyers. During these visits the facilitator will need to learn enough about the buyers so he can decide which ones to send the participants to visit. The facilitator will also need to decide what products to investigate.</p>

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## Exercise 75

## Report back on visit to a buyer for a farming contract

Objective	<ul style="list-style-type: none"> <li>To share learning from the interviews held with buyers about farming contracts.</li> </ul>			
Key question	<ul style="list-style-type: none"> <li>Which of the buyers offer a fair deal to farmers?</li> <li>Which buyer should I make a contract with?</li> </ul>			
Key points to cover	<ul style="list-style-type: none"> <li>Questions listed in Exercise 74.</li> </ul>			
Process	<p>Plenary discussion around the concept of Teams assigned in Exercise 74 report the results of their interviews. The teams compare the different buyers based on the responses to each of the questions in 'Key points to cover'. Lead the discussions to identifying which of the buyers offer a fair (or the best) contract.</p>			
Guidelines	<ol style="list-style-type: none"> <li>When the teams have returned from the market, give them time to go over their information and to prepare for a presentation to the rest of the FBS.</li> <li>While the team are preparing, list the names of the buyers you have identified on your white/black board using a table similar to the one below.</li> </ol>			
Market contracts	Buyer1	Buyer2	Buyer3	Buyer4
Market				
Location				
Quantity needed				
Timing requirements				
Quality standards, packaging				
Other requirements				
Marketing costs				
Market prices				
How payment is made				
Other information				
Contract type (written/verbal)				

<h3>Guidelines</h3>	<ol style="list-style-type: none"> <li>3. When the teams are ready, ask each team to report to the rest of the farmers. Encourage discussion and questions.</li> <li>4. Ask the farmers to compare the different buyers. Encourage discussion. Which offers the best marketing option? Why? The farmers should also look at the type of linkages the market requires. Some marketing outlets may want supply of the product throughout the year (yearly). Some may want seasonal supply. Some may want a once off supply.</li> <li>5. After finishing the assessment, ask the farmers which of the buyers they would like to invite to the FBS. Encourage discussion. Agree on a list. Explain that it may not be possible to get them all to come and that it may be necessary to invite other buyers as well. Also explain that because buyers are often competitors, they may not want to come to the FBS at the same time. It may take a few meetings to get through all of the buyers.</li> </ol>
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[illegible]

## **Producing safe farm products**

It is important to make sure that the products produced by the farm business are safe for human consumption. There are standards for 'safe food' which the farmer must meet. The World Health Organization of the United Nations (WHO) has set some international standards for food safety. The basic principle is that farmers should ensure that the food they produce will not cause harm to the consumer when it is prepared and/or eaten according to its intended use. Farmers need to consider the kinds of seeds, rootstock and animal stock they will use, what chemicals they will use, how they will harvest, and how they will handle and store harvested products. Farmers will need to balance safety standards with profits.

Exercise 76 - Producing safe farm products profitably

Exercise 76  
**Producing safe farm products profitably**

Objective	<ul style="list-style-type: none"> <li>To understand how to profitably produce farm products that are safe for human consumption.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What is meant by 'safe farm products'?</li> <li>What is required to produce safe farm products?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Safe farm products refer to agricultural products (food and fibre) that are free from additives, contaminants, toxins or disease-causing organisms.</li> <li>Food is a main product of most farms. Food safety is defined by the World Health Organization (WHO) as the assurance that the food will not cause harm to the consumer when it is prepared and/or eaten according to its intended use.</li> <li>Harmful things can be introduced to the product anywhere along the value chain - during production, harvest, post-harvest operations and marketing. Therefore it is necessary steps be taken at every stage to ensure that the products produced on a farm and sold or used by humans is safe for them to eat or use.</li> <li>Farmers make many decisions that affect the safety of the products they produce. They choose:             <ul style="list-style-type: none"> <li>The kinds of seeds, rootstock and animal stock they will use;</li> <li>What chemicals they will use;</li> <li>How they will harvest;</li> <li>How they will handle and store harvested products.</li> <li>Each of these affects the safety of the product.</li> </ul> </li> </ul>

## Exercise 76 (continued)

## Key points to cover

- Good farming practices can contribute a great deal to producing safe agricultural products. There are five areas to manage; in each case the issue is to reduce the presence of harmful chemicals and organisms.
  - Soil. What is in the soil? What is being put in the soil? How is the soil affected by nearby land use (e.g. run-off from a cattle enclosure)?
  - Water. What is in the water? What is being put in the water? What is the source of water being used? What feeds into the water source (e.g. run-off from polluted soil)?
  - Pest and weed control. What control measures are being used (e.g. natural/biological, chemical)? What effect do these have on the safety of the product?
  - Harvesting. How clean are the tools and equipment used for harvesting? How clean are the workers who handle the harvest?
  - Post-harvest. How is the product cleaned? How clean are the tools and equipment used? How clean are the workers who handle the product? What environmental controls are in place to limit the growth of harmful organisms?

In each case farmers need to examine their current situation and their options. But in each case, the options must also be weighed up against the costs and potential impact on profits.

## Exercise 76 (continued)

Process	<p>Plenary discussion on the concept of safe farm products. Lead the discussion to cover the definition of safe food and the factors that affect it. Discuss using good farming practice as a means to producing safe farm products. Lead the discussion to cover farming practices related to soil, water, pest and weed control, harvesting and post-harvest. Participants to examine their current practices and the possible options to increase the safety of their products. How will these options affect their profits? Where is the balance?</p>
Guidelines	<ol style="list-style-type: none"> <li>1. Explain the concept of 'safe farm products' and why it is important.</li> <li>2. Ask the farmers to identify the kinds of decisions they make that might affect the safety of their farm products. Write their ideas on the board. Lead the discussion to cover the four main decision areas outlined in 'Key points to cover'.</li> <li>3. Ask the farmers to think about when harmful chemicals and organisms can be introduced into the farm product in the 'farm-to-market' process. Write their ideas on the board. Lead the discussion to cover the five areas to manage (soil, water, weed and pest control, harvesting, post-harvest) as outlined in 'Key points'.</li> <li>4. Organize the farmers into groups of 2-3. Ask each group to examine their current situation and practices for each of the five areas to manage. They should start by drawing a map of their farms and identifying land use around them. (See the example 'Map of land use on and near the farm' provided below.) For each of the</li> </ol>

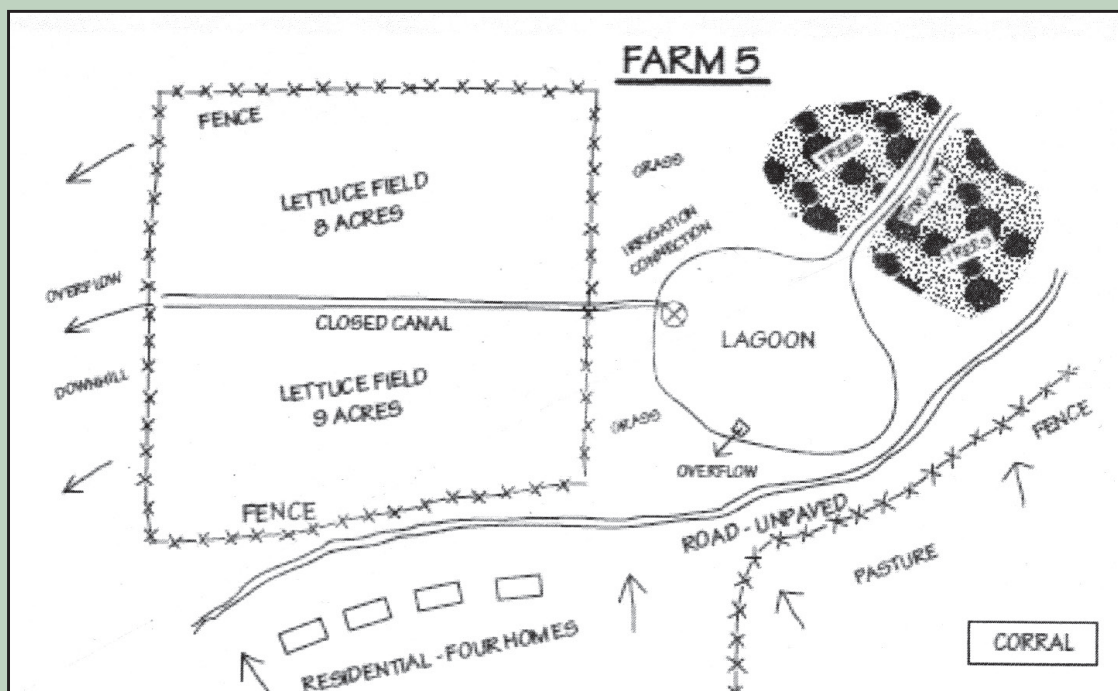


## Exercise 76 (continued)

areas of management, they should answer the questions shown in 'Key points'. Answers should be based on their actual situation. As much as possible, they should record their answers on the map. Each group presents their results and maps.

5. Encourage discussion. What are the most common ways that harmful chemicals or organisms can be introduced into their farm products? What can be done to improve this? How will this improvement affect profits? Where is the balance between profits and less risk for safe farm products?

Example map of land use on and near the farm



## **Partnerships among producers**

Sometimes small-scale farmers cannot compete with other producers and players in the agricultural value chain. In such cases, they may want to consider joining forces with other farmers to improve their ability to compete and succeed. One of the most viable ways to work together is through group or collective marketing.

Exercise 77 - Group marketing

Exercise 78 - Organizing for collective marketing

Exercise 77  
**Group Marketing**

Objective	<ul style="list-style-type: none"> <li>• To understand the concept of group marketing.</li> <li>• To understand the advantages and disadvantages of group marketing.</li> <li>• To develop guidelines on how best to do group marketing.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is group marketing?</li> <li>• What are the advantages and disadvantages of group marketing?</li> <li>• How can farmers arrange for group marketing?</li> </ul>
Key points to cover	<ol style="list-style-type: none"> <li>1. The points to cover are based on the story of Sarah, Sam, Mary, Victor and David. See 'Story for group (collective) marketing' in the box following this exercise. Some of the main points are:               <ol style="list-style-type: none"> <li>a) Sarah actually visited the buyer in the city and negotiated directly with him.</li> <li>b) The four farmers had a written contract among themselves.</li> <li>c) The four farmers had a written contract between themselves and the buyer.</li> <li>d) Sarah had a verbal contract between herself and the transport.</li> </ol> </li> <li>2. Some of the things that could have gone wrong:               <ol style="list-style-type: none"> <li>a) Without a contract with the buyer, specially written contracts, the buyer would have been able to lower the price when they delivered.</li> <li>b) Without a contract among them, they might have disagreed on something and they would have no way to solve it.</li> <li>c) They were lucky with the transport contract. It should have been in writing. He could have suddenly increased the price.</li> </ol> </li> </ol>

## Exercise 77 (continued)

Key points to cover	<p>3. One disadvantage is that once the contract is signed, the price is fixed. If they found a better price later, they would not be able to take it.</p> <p>4. Advantages and disadvantages of collective marketing.</p> <table border="0"> <thead> <tr> <th data-bbox="671 591 954 629">Advantages</th><th data-bbox="995 591 1209 629">Disadvantages</th></tr> </thead> <tbody> <tr> <td data-bbox="671 667 954 745">• Increases bargaining power</td><td data-bbox="995 667 1209 745">• Possibility of over-centralisation</td></tr> <tr> <td data-bbox="671 745 954 824">• Improves economies of scale</td><td data-bbox="995 745 1209 824">• Levies and fees for the group</td></tr> <tr> <td data-bbox="671 824 954 902">• Lowers transaction costs</td><td data-bbox="995 824 1209 902">• Loss of individual flexibility</td></tr> <tr> <td data-bbox="671 902 954 981">• Better prices</td><td data-bbox="995 902 1209 981">• Exploitation of weaker members</td></tr> <tr> <td data-bbox="671 981 954 1059">• Combined small surplus can access transport to the market</td><td data-bbox="995 981 1209 1059">• Forced to accept prices of the group</td></tr> <tr> <td data-bbox="671 1059 954 1137">• The smallest producer can sell at the same price as international marketing networks</td><td></td></tr> <tr> <td data-bbox="671 1137 954 1216">• Sharing risk</td><td></td></tr> <tr> <td data-bbox="671 1216 954 1294">• Encourages innovation</td><td></td></tr> </tbody> </table>	Advantages	Disadvantages	• Increases bargaining power	• Possibility of over-centralisation	• Improves economies of scale	• Levies and fees for the group	• Lowers transaction costs	• Loss of individual flexibility	• Better prices	• Exploitation of weaker members	• Combined small surplus can access transport to the market	• Forced to accept prices of the group	• The smallest producer can sell at the same price as international marketing networks		• Sharing risk		• Encourages innovation	
Advantages	Disadvantages																		
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• Combined small surplus can access transport to the market	• Forced to accept prices of the group																		
• The smallest producer can sell at the same price as international marketing networks																			
• Sharing risk																			
• Encourages innovation																			
Process	<p>Ask participants who have participated in group marketing to share their experience. Read/Tell the story presented in the box below to the farmers and discuss the answers to the following questions:</p> <ol style="list-style-type: none"> <li>1. What did the Extension Worker suggest to Sarah?</li> <li>2. What opportunities did Sarah and Mary discover in the city?</li> </ol>																		

## Exercise 77 (continued)

Process	<ol style="list-style-type: none"> <li>3. Which opportunity did they choose?</li> <li>4. What price could Sarah get for her maize at the local market? What price could Sarah get for her maize at the market in the city? What were the conditions for getting the price in the city? What costs would she have if she sold her maize in the city?</li> <li>5. What did she have to do to meet the conditions?</li> <li>6. What contracts did Sarah write out?</li> <li>7. How did things work out?</li> <li>8. What was the difference in profit that Sarah and her partners got by selling in the city?</li> <li>9. What decision did the four farmers make about collective farming in the future?</li> <li>10. Teams of 3-5 to review the story to identify the main points.</li> </ol>
Guidelines	<ol style="list-style-type: none"> <li>1. Ask the farmers if they have been a part of a collective marketing scheme or if they know of one. What was the experience? What were the benefits? What were the pitfalls? Read the story.</li> <li>2. Ask: What did the Extension Worker suggest to Sarah? Answer: The Extension Worker suggested collective marketing</li> <li>3. Ask: What opportunities did Sarah and Mary discover in the city? Answer: They could get a better price for their rice in the city than in the local market. They could get a better price for their maize if they brought enough maize to one location, the buyer would be willing to send a truck. They could get a better price if they all grew the same variety of beans and weighed and packaged them uniformly.</li> </ol>

## Exercise 77 (continued)

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|  | <p>5. Ask: Which opportunity did they choose?<br/>Answer: They decided to start with maize.</p> <p>6. Ask: What price could Sarah get for her maize at the local market?<br/>Answer: USh250 per kg</p> <p>7. Ask: What price could Sarah get for her maize at the market in the city?<br/>Answer: USh310 per kg</p> <p>8. Ask: What were the conditions for getting the price in the city?<br/>Answer: She would have to deliver at least 1 200 kg of maize</p> <p>9. Ask: What costs would she have if she sold her maize in the city?<br/>Answer: She would have the additional cost of R30 per kg for transport</p> <p>10. Ask: What did she have to do to meet the conditions?<br/>Answer: She had to organize with other farmers to make up the 1 200 kg needed. She also had to arrange for transport.</p> <p>11. Ask: What contracts did Sarah write out?<br/>Answer: Four other farmers joined her. They each put in 300 kg. Sarah wrote out a contract between herself and the other farmers. They all signed it. She also wrote out a contract between the group and the buyer. This was also signed.</p> <p>12. Ask: How did things work out?<br/>Answer: It worked out well. All of the farmers delivered 300 kg to Sarah. The transport delivered</p> |
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## Exercise 77 (continued)

	<p>the maize. Sarah was paid for the whole amount. Each of the farmers was paid according to the contract. And each of Sarah's partners paid her USh1 000 for her transport and effort.</p> <p>13. Ask: What was the difference in profit that Sarah and her partners got by selling in the city?</p> <p>Answer: They were paid USh310 per kg for their maize. They had to pay USh30 per kg for transport. That means they received USh280 per kg. That was USh30 more per kg than if they sold it on the local market.</p> <p>Sarah's partners paid an extra USh3.33 per kg to Sarah. So they each ended up with USh83 000 instead of USh75 000. Sarah ended up with USh87 000 instead of USh75 000.</p> <p>14. Ask: What decision did the four farmers make about collective farming in the future?</p> <p>Answer: They agreed to talk about collective marketing for their rice and beans.</p> <p>15. Again organize teams of 3-5 and ask each team to review the story. Ask them to identify the important parts of the story that made the collective marketing work.</p>
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## Exercise 77 (continued)

	<p>16. Ask each one to share what they identified. For each point, encourage discussion. Why is this important? What would happen if they did not do this? What disadvantages were there in this collective marketing arrangement?</p> <p>17. When all the ideas have been shared, ask the teams to brainstorm the advantages and disadvantage of collective marketing.</p> <p>18. When the teams are done, ask each team in turn to present their results. Write them on the board. Encourage discussion. Is this really an advantage? Is this really a disadvantage?</p> <p>19. Lead the discussion to cover the relevant points in "Key points to cover".</p>
Side-track	<p>This session is based on the story presented in the box below. Read it carefully so that it can be told almost from memory. The facilitator may want to ask one or two participants to read the story to the farmers. If so, they should to practice it before the exercise.</p>

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### Story for group (collective) marketing

Sarah, Sam, Mary, Victor and David are farmers who live near each other. They each have a small farm of about 5 ha. They use their farms to feed their families and to generate income.

Sarah's husband recently died and she has taken over the family farm. She has always worried that the farm did not bring in enough income. This forced her to do piece work in the nearby town. Now that her husband had passed, it was harder for her to be away from her children. She needed to find a way to make more money from her farm.

The first thing Sarah did was to contact the 'Extension worker in her area'. He helped her improve her production programme. This did bring her more income, but she wondered if there was some way to improve income again.

She talked to the extension worker again. This time he suggested that she talk to some of the other farmers about collective marketing. Sarah asked: What is collective marketing? He said it is when a group of farmers market and sell their crops together to the same buyer. When they have more to sell, they have more power in the market. It can help to access new markets.

Sarah was not convinced. But she visited her friend Mary and talked with her about it. Mary had heard of collective marketing before. She heard that you could make more money with collective marketing, but she had never tried it. They decided to go to ask the extension worker to go with them to the city to see what they could learn.

Sarah, Mary and the extension worker travelled to the city. They went to the market. They spoke to several buyers. They found out that they could get a better price for their rice in the city than they could in the local market. They also found out that they could get a better price for their maize if they brought enough maize to one location, the buyer would be willing to send a truck.

### Story for group (collective) marketing (continued)

He was not willing to go from farm to farm. And they learned that they would get a better price if they all grew the same variety of beans and weighed and packaged them uniformly.

They returned home and decided to call a meeting. Sarah and Mary were there. Sam, Victor and David also attended. Mary explained to the group that if they sold their maize on the local market, they could get USh250 per kg. But if they sold their maize in the city they could USh310 per kg. The cost of transport to get the product to the city was USh30 per kg if they sent 1.2 tons in one truck.

David said he could not send 1.2 tons. He did not have that much to sell. Victor said the same thing. Mary explained that that was the whole point. She asked each farmer how much he or she could send. They each said they could send between 200 and 300kg each. That meant that they had between 1 000 and 1 250 kg to send. Sarah said this was very good. She asked if they would all like to join in the collective marketing.

Everyone but David was willing to join the collective marketing plan. Sarah said that meant that Sarah, Mary, Victor and Sam would have to market 300 kg each. They all agreed. David made his apologies and left. Sarah, Mary, Victor and Sam agreed that Sarah should go back to the buyer in the city and organize the contract on their behalf. They got an exercise book and wrote out a short agreement that said they would each deliver 300 kg of maize to Sarah's farm with the first harvest. Sarah would arrange for the transport. They would each pay USh9 000 to pay for the transport. They all signed the agreement.

Sarah made all the arrangements. She got a contract for 1 200 kg of maize at USh310 per kg. She organized the transport as agreed. When the harvest started, each Sarah, Mary, Victor and Sam each delivered 300 kg and paid USh9 000. The transport arrived and Mary went with the crop to the buyer. It was delivered and

## Story for group (collective) marketing (continued)

she was paid US\$372 000 in a cheque. She immediately took the cheque to the bank and deposited it into her account.

When she got home, she told the others that everything had worked out well. She showed them the receipts and the bank deposit slips. She said as soon as the cheque cleared the bank, they would all get their money.

Two weeks later, the cheque cleared the bank. They went to the bank to get their cash. Each one was to receive USh93 000. But before they took their money, Mary, Sam and Victor told Sarah that they did not think the final payment was fair to Sarah. She did all the work and had to pay for trips to the city. So they each agreed to pay her USh1 000. Sarah was very happy with that and thanked them. Then they withdrew their money and went home to tell their families the good news. They agreed to meet the following week to discuss collective marketing for their rice and beans.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Exercise 78  
Organizing for collective marketing

Objective	<ul style="list-style-type: none"> <li>To develop guidelines on how best to do group marketing.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>How can farmers arrange for group marketing?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Collective marketing is more than a group of farmers just getting together to sell their products together. It requires some planning and organization.</li> <li>Some key questions and possible answers to consider when organizing group marketing:             <ul style="list-style-type: none"> <li>What are the criteria to become a member of the scheme?                 <ul style="list-style-type: none"> <li>Live within (some distance) of each other.</li> <li>Must have the authority to sign on behalf of the farm.</li> <li>Must be certified organic farmers.</li> <li>Must not farm more than (some number) of hectares.</li> <li>Must not be a member of another collective marketing scheme.</li> <li>Women only? Youth only?</li> </ul> </li> <li>What should each member contribute to the scheme?                 <ul style="list-style-type: none"> <li>An amount of money (fee) each year.</li> <li>At least (some number) hours a week helping with the work of the scheme</li> </ul> </li> <li>What services should the scheme provide to the members?                 <ul style="list-style-type: none"> <li>Marketing of products.</li> <li>Value-adding.</li> <li>Collective input buying.</li> </ul> </li> <li>How should the group be managed?                 <ul style="list-style-type: none"> <li>Elected management committee.</li> <li>Appointed manager.</li> <li>Voluntary management.</li> </ul> </li> </ul> </li> </ul>

## Exercise 78 (continued)

Key points to cover	<ul style="list-style-type: none"> <li>• How should the scheme be financed? <ul style="list-style-type: none"> <li>• Membership fees.</li> <li>• Percentage of the profits on higher market price.</li> <li>• Percentage of the profits on the lower input prices.</li> </ul> </li> </ul>
Process	<p>Plenary explanation that the purpose of this exercise is to explore organizing for collective marketing. Groups of 3-5 discuss and answer the 5 questions listed in 'Key points to cover'. Groups report their results to the plenary. Lead the discussion to agreement on the answers to each question explaining that these will be guidelines for the farmers if and when they form collective marketing groups. Ask them if they are interested in organizing for collective marketing.</p>
Guidelines	<ol style="list-style-type: none"> <li>1. Explain that the aim of the exercise is to organize for collective marketing. Collective marketing is more than just getting together to sell their products. It involves a good deal of organization and planning.</li> <li>2. Teams of 3-5 discuss and agree on answers to the following questions from 'Key points'. <ul style="list-style-type: none"> <li>• What are the criteria to become a member of the scheme?</li> <li>• What should each member contribute to the scheme?</li> <li>• What services should the scheme provide to the members?</li> <li>• How should the group be managed?</li> <li>• How should the scheme be financed?</li> </ul> </li> <li>3. Teams share their answers. Work on one question at a time. Encourage discussion. Are these ideas acceptable? Lead the discussion to agreement on the answers to each question. Use the 'answers' given in 'Key points' as a guide.</li> </ol>

This image shows a full page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, providing a template for handwriting practice or general writing. There are no margins, text, or other markings on the page.

## Partnerships along the value chain

This topic is covered by seven exercises that are interlinked. The exercises begin by helping farmers identify and describe the value chain to which they belong. Next the farmers name the various actors in their value chain and establish criteria for evaluating partners. After an initial evaluation is conducted and potential partners have been selected, they are invited to the farm business school for a panel discussion. This is followed by choosing certain value chain partners to begin negotiating with and finally a brief plan is developed to select a potential partner.

To prepare for the visit exercise, the facilitator will need to contact the actors (businesses) in the value chain that the farmers identified as good potential partners (Exercise 81) and make arrangements for the visit. The actors will need to know the purpose of the visit and agree on a date and time for the visit. They should be informed that the FBS farmers are looking for potential business partners in the value chain. If they are not interested, then they should probably not be visited or invited to the panel discussion. It will be helpful if the actor helps prepare the programme for the visit.

Similarly, to prepare for the panel discussion, the facilitator will need to visit the identified actors and arrange a date and time for them to visit the school and participate in the panel discussion. Each panel member will need to be briefed as to the purpose of the panel discussion. They should each be asked to present a 5-10 minute story about themselves and the business they are managing and how it fits into the value chain, what value they add, and where the product goes after it has come through their business. Thereafter they should be prepared to answer questions. They should also be advised that the FBS farmers are looking for partners in the value chain.

Exercise 79 - My value chain

Exercise 80 - Identifying partners in the value chain

Exercise 81 - Evaluating actors in the value chain  
as potential partners

Exercise 82 - Visiting potential partners  
in the value chain

Exercise 83 - Panel discussion with partners  
in the value chain

Exercise 84 - Choosing partners in the value chain

Exercise 85 - Developing partnerships  
in the value chain



Exercise 79  
**My value chain**

Objective	<ul style="list-style-type: none"> <li>• To understand what is a value chain.</li> <li>• To understand where I fit in my value chain.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is a value chain?</li> <li>• What are the functions of a value chain?</li> <li>• Who are the actors in a value chain?</li> <li>• Where do I fit in the value chain?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• The farmer is one part of a system of products, organizations, processes and transactions involved in transforming raw materials into products that are sold and consumed.</li> <li>• This system is called a value chain. It consists of all the actors involved in linking production to final consumption including input suppliers, processors, service providers and buyers to name a few.</li> <li>• The functions of value chain actors include: <ul style="list-style-type: none"> <li>• Primary production</li> <li>• Collection</li> <li>• Processing</li> <li>• Wholesaling</li> <li>• Retailing</li> <li>• Input supply</li> <li>• Financial services</li> <li>• Transport</li> <li>• Packaging</li> <li>• Promoting</li> <li>• Advisory services</li> </ul> </li> </ul>
Process	<p>Plenary brainstorming about value chains. Ask the farmers to share what they know about what happens to their products after harvest and after they are sold at the market. Using cards for 'Actors' and 'Functions', develop a picture (on the wall or on the ground) that shows the value chain. Lead the discussion to identify the different actors in a value chain, what each one</p>

## Exercise 79 (continued)

Process	does and how that adds value to the product. Where is the farmer in the chain? Where is the consumer? How many actors and functions are in between the farmer and the consumer? How much value is added along the chain between the farmer and the consumer? Who gets this money? Open the door to discussion in another exercise about how the farmer can share in some of the value added along the chain.												
Guidelines	<div>1. Set up the table shown below.</div> <table><tr><th colspan="3">VALUE CHAIN</th></tr><tr><th>Actor</th><th>Function</th><th>How it adds value</th></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></table> <div>2. Distribute marking pens and cards to one (or more) of the farmers to help record the results of this exercise. Ask the farmers to explain what happens to their products after they leave the farm and after they are sold at the market (e.g. milling). As they explain what happens, ask the farmer(s) with the cards and pens to write the answers on their cards/papers while you write these down under the heading 'function'. It does not matter what order they are in. Lead the discussion so all of the functions in 'Key points to cover' are listed.</div> <div>3. Go over the list one by one. Ask the farmers how each function adds value (e.g. easier to cook). As they explain how each function adds value, write a summary under 'How it adds value'. Encourage discussion. Why is it important? What does it do to the price of the product? What does it do the cost of the product?</div>	VALUE CHAIN			Actor	Function	How it adds value						
VALUE CHAIN													
Actor	Function	How it adds value											

## Exercise 79 (continued)

Guidelines	<ol style="list-style-type: none"> <li>4. Go over the list again. Ask the farmers to identify who is the actor who provides that function (e.g. Miller). As they identify actors, ask the farmer(s) with the cards and pens to write them on their cards with a marking pen while you write them under 'Actors'.</li> <li>5. Working on the wall or on the floor, ask the farmers to place the 'Functions' cards in the order in which they occur. For example, input supply, production, collection, transport, packaging. See the following diagram. Encourage discussion about the order.</li> <li>6. When they have agreed on the order, ask them to match the 'Actors' with their 'Functions' by placing the function cards near the actor cards.</li> <li>7. At the end of the 'chain' add one more card: 'Consumer'. Explain that this string of cards is the value chain. Ask where is the farmer in the chain? Where is the consumer? How many actors and functions are in between the farmer and the consumer? How much value is added along the chain between the farmer and the consumer? Who gets this money? Encourage discussion.</li> <li>8. Ask the farmers if they would like to get some of the value that is added to their products. Encourage discussion</li> </ol>
Side-track	<ul style="list-style-type: none"> <li>• If cards are not available, paper cut to size will be adequate.</li> <li>• For this exercise, only the 'Actors' and 'Functions' need to be recorded on the cards/papers.</li> <li>• To make this exercise easier to do, it would help if the Actors and Functions were recorded either with different coloured marking pens or on different coloured paper. For example, 'Actors' in red and 'Function' in black.</li> </ul>

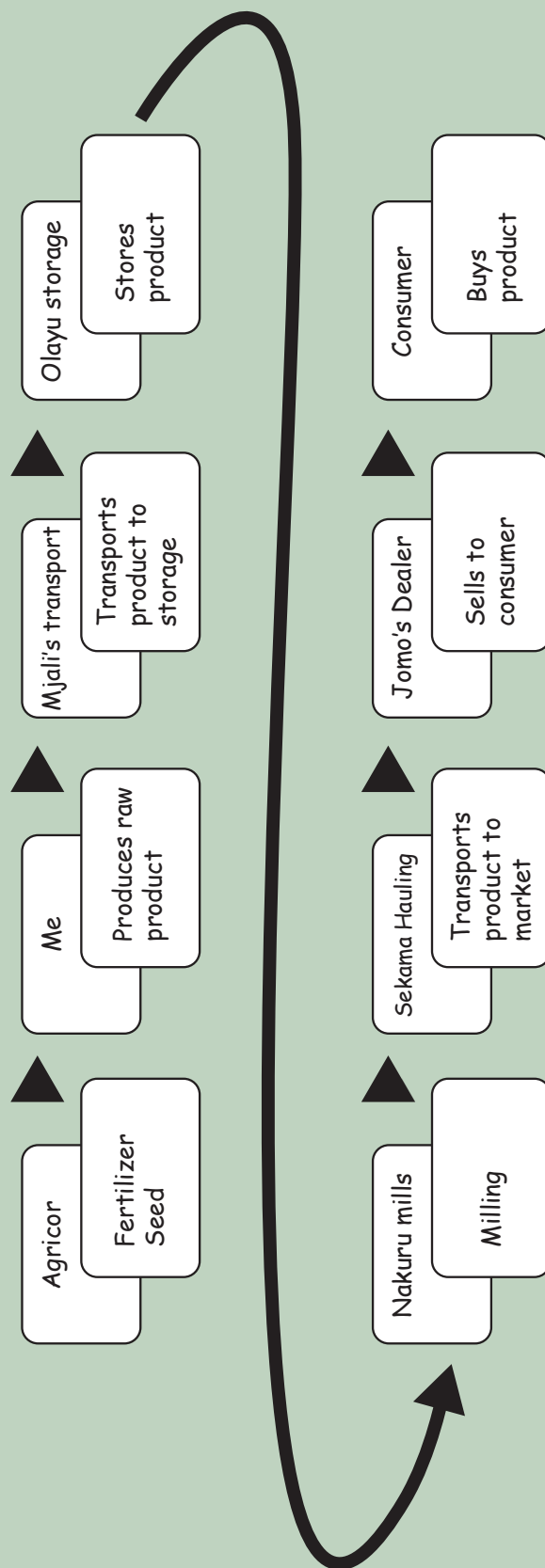


## Exercise 80

**Identifying partners in the value chain**

Objective	<ul style="list-style-type: none"> <li>To identify potential partners in the value chain.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>Who are the actors in the value chain my products move through?</li> <li>Which actors represent real opportunities for cooperation and partnership?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Every farmer is part of a value chain. He is usually an early actor in the chain. That is, his function (as a producer) comes early in the chain.</li> <li>Being early in the value chain also means that they received the lowest price for their product as little or no value has been added to it.</li> <li>It is important for farmers to know the actual players in their value chain because they represent the best possibility for capturing some of the value being added in the chain.</li> <li>Farmers should be able to name the actors, know what function they perform and how they link together.</li> </ul>
Process	<p>Plenary brainstorming to identify specific actors in the value chain preferably using the value chain constructed in the 'My place in the value chain' exercise. Ask the farmers to identify at least one business or service provider for each actor card on the value chain. Add names until all the 'Actor' cards are covered. Ask which of these actors do they think might make a good partner. They will evaluate these service providers in the next exercise.</p>

## My place in the value chain



## Exercise 80 (continued)

Guidelines	<ol style="list-style-type: none"> <li>1. Distribute marking pens and cards to one (or more) of the farmers to help record the results of this exercise.</li> <li>2. Set up the value chain that was developed by the farmers.</li> <li>3. Ask the farmers to look at the value chain and identify specific actors. Who are the actual actors? Ask them to identify specific businesses and service providers (e.g. if one of the actors is a miller, give the name of the milling business). As they give their answers, ask the farmer(s) with cards and pens to write down the names of the businesses on their cards.</li> <li>4. One by one, place the 'Name' cards on top of the appropriate 'Actor' card. See example. (It is good if there is more than one name per actor; this shows that they have more choices for partners.)</li> <li>5. Encourage further discussion. What do they know about what these actors do? Do they buy the product or are they paid to process it? How are they linked to each other?</li> <li>6. When all the names have been put on the value chain introduce a discussion about how this particular value chain works? What product is produced? What happens to the product as it moves along the chain? How does the price change as the product moves through the chain?</li> <li>7. Ask which of these actors would they like to be partners with. Why? Mark the names on their respective cards, or write them down separately (they will be needed for the next exercise).</li> <li>8. Explain that in the next exercise they will evaluate some of the value chain actors they have identified.</li> </ol>
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### Exercise 81

#### Evaluating actors in the value chain as potential partners

Objective	<ul style="list-style-type: none"> <li>To evaluate which actors in the value chain would be good potential business partners for farmers.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What qualities should I look for in a potential value chain partner?</li> <li>Which of the actors in my value chain have these qualities?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Qualities to look for in a value chain partner:</li> <li>Trustworthy, honest and truthful;</li> <li>Reliable;</li> <li>Fair;</li> <li>Flexible;</li> <li>Open and ready to share information;</li> <li>Stays in communication with others in the value chain;</li> <li>Works in cooperation with others;</li> <li>Stays focused on the shared vision;</li> <li>Values the role of others in the value chain.</li> </ul>
Process	<p>Plenary discussion to agree on the qualities the farmers would look for in potential partners in the value chain. After the qualities have been identified, review the value chain with the names developed in the previous diagram 'My place in the value chain'. Discuss the qualities of the identified actors. Lead the discussion to identifying a few actors to visit and to be invited to the school.</p>
Guidelines	<ol style="list-style-type: none"> <li>Set up the value chain with named actors or use the list of actors developed in the previous exercise.</li> <li>Briefly discuss which of the identified actors they see as potential partners in the value chain. Why?</li> <li>Ask the farmers what qualities they would look for in a value chain partner. Write them down on the board. Lead the discussion to cover at least the qualities.</li> </ol>



### Exercise 81 (continued)

4. Ask the farmers to discuss the qualities of the actors they have identified. Guide the discussion with the list of qualities the farmers have developed. What kind of people are they? Are they trustworthy? Do these businesses know the farmers individually or by name only? Have they met them personally? Why do they use these actors and not others? Are there other actors who do the same work? Do they work with them? If not, why not?
5. Ask the farmers: Which of these actors do they think would make good partners? Why? Which ones would not make good partners? Why? Lead the discussion to a list of a few actors that the farmers can visit and invite to the school.

[illegible]

Exercise 82  
Visiting potential partners in the value chain

Objective	<ul style="list-style-type: none"> <li>To learn first-hand about potential partners in the value chain.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>How does this actor fit into the value chain?</li> <li>What qualities does the owner have?</li> <li>Would this actor be a good partner to work with?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Experience first-hand the work of an actor in my value chain.</li> <li>The key things to look for and ask about are:             <ul style="list-style-type: none"> <li>How the business is connected/linked to my farm business?</li> <li>What value does the business add?</li> <li>How is value added?</li> <li>What happens to the product after being through this business?</li> <li>What qualities does this actor have compared to what I am looking for?</li> <li>Would this actor be a good partner for me?</li> </ul> </li> </ul>
Process	<p>Prior to the visit, teams brainstorm questions to ask the value chain actor. Teams report to plenary discussion to agree on questions to ask. During the visit, the farmers ask and record answers to their questions.</p>
Guidelines	<ol style="list-style-type: none"> <li>Small groups discuss what they would like to learn from the business and value chain actor they are going to visit.</li> <li>Ask each team to list questions that they wish to ask (see 'Key points' above).</li> <li>Visit the value chain actor. Encourage them to ask their questions and to record the answers.</li> </ol>

## Exercise 83

**Panel discussion with partners in the value chain**

Objective	<ul style="list-style-type: none"> <li>• To learn more about potential partners in the value chain.</li> <li>• To start the process of discussing potential partnership.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• Which of these actors is the best potential value chain partner for me?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Possible questions to ask the panel:             <ul style="list-style-type: none"> <li>• How do they fit into the value chain?</li> <li>• How long have they been in their business?</li> <li>• Do they have any partners in the value chain?</li> <li>• What do they know about the idea of partnerships with farmers?</li> <li>• What would they look for in a partner?</li> <li>• What advice would they give to farmers who are looking for partners?</li> <li>• What are the main risks in partnerships in the value chain?</li> </ul> </li> </ul>
Process	Plenary discussion and preparation before the entrepreneurs arrive. Review of questions to ask and agreement on who will ask which question. Panel discussion with local entrepreneurs.
Guidelines	<ol style="list-style-type: none"> <li>1. Before the panel discussion, brainstorm questions the farmers can ask the panel. Lead the discussion to cover the questions listed above.</li> <li>2. Start the panel discussion by introducing the panel members.</li> <li>3. Ask each panel member to tell his story.</li> <li>4. Encourage the farmers to ask their questions and record their answers.</li> </ol>

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### Exercise 84

#### Choosing partners in the value chain

Objective	<ul style="list-style-type: none"> <li>To choose at least one value chain actor to work with toward a partnership.</li> </ul>												
Key question	<ul style="list-style-type: none"> <li>Which of the actors in my value chain do I want as a partner?</li> </ul>												
Key points to cover	<ul style="list-style-type: none"> <li>Sum up all the information gathered about the value chain and the actors in the chain and identifying which actors to approach for considering a partnership. What are the strengths and weaknesses?</li> <li>What are the advantages and risks?</li> <li>Identifying what the partnership might look like.</li> <li>Develop a basic strategy to negotiate with the selected actor about starting a partnership.</li> </ul>												
Guidelines	<ol style="list-style-type: none"> <li>Ask the farmers to choose one of the actors they have visited and who was a part of the panel discussion.</li> <li>Draw a table on the wall along the following lines. <table border="1" data-bbox="603 1272 1375 1792"> <tr> <td>Actor</td><td></td></tr> <tr> <td>Role in value chain</td><td></td></tr> <tr> <td>Strengths</td><td></td></tr> <tr> <td>Weaknesses</td><td></td></tr> <tr> <td>Advantages</td><td></td></tr> <tr> <td>Risks</td><td></td></tr> </table> </li> <li>Work through the items in the table. Write in the name of the actor and the role the business plays in the value chain.</li> </ol>	Actor		Role in value chain		Strengths		Weaknesses		Advantages		Risks	
Actor													
Role in value chain													
Strengths													
Weaknesses													
Advantages													
Risks													

## Exercise 84 (continued)

	<ol style="list-style-type: none"><li>4. Under 'strengths', ask the farmers to list the qualities the actor has that make the business a potentially good partner.</li><li>5. Under 'weaknesses', ask the farmers to list the qualities the actor has that make the business less potentially a good partner.</li><li>6. Under 'advantages', ask the farmers to list the positive reasons to choose this actor as a value chain partner.</li><li>7. Under 'risks', ask the farmers to list the risks associated with choosing this actors as a value chain partner.</li><li>8. Repeat the process for as many actors as the farmers want.</li><li>9. When all the potential partners have been discussed, ask the farmers to identify which of these do they feel most confident to approach to explore the possibility of forming a partnership. Encourage discussion. Take time to consider this very carefully.</li><li>10. Keep a list of the value chain actors chosen.</li></ol>
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Exercise 85  
Developing partnerships in the value chain

Objective	<ul style="list-style-type: none"> <li>To develop a basic strategy for negotiating with a potential partner in the value chain.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What do I want to get from the partnership?</li> <li>What do I bring to the partnership?</li> <li>How do I see the partnership working?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Farmers who want to establish partnerships with other actors in their value chain need to establish a strategy for engagement.</li> <li>An engagement strategy includes the following things: <ul style="list-style-type: none"> <li>What the farmer hopes to achieve with the partnership.</li> <li>What the farmer can bring to the partnership.</li> <li>What the farmer expects the other partner to bring to the partnership.</li> <li>What the farmers will not accept in the partnership.</li> </ul> </li> <li>Farmers need to investigate how they can participate in the value chain with their chosen value chain actor. Some of the things they can investigate include: <ul style="list-style-type: none"> <li>What do I have to do to comply with market standards and how can I benefit from this?</li> <li>What management capacities do I need to participate effectively in the actor's part of the value chain?</li> <li>What investments do I need to make in my farm business in order to participate in the actor's part of the value chain?</li> <li>Can I become a partner alone, or should I cooperate with other farmers?</li> </ul> </li> </ul>
Process	Plenary discussion aimed at developing a strategy to meet with and begin negotiations with the actor(s) in the value chain they

## Exercise 85 (continued)

	<p>would like to form a partnership with. Lead the discussion to cover the points for the engagement strategy in the 'Key points to cover'. This is followed by a discussion about what the farmers need to do in order to be able to participate effectively in the part of the value chain they have chosen. Lead the discussion to cover the relevant points in the 'Key points to cover'. When these are done, guide the farmers to develop a specific plan to meet with the chosen actor(s) and arrange a follow-up meeting(s) until they are ready to meet with the chosen actor.</p>
Guidelines	<ol style="list-style-type: none"> <li>1. Ask the farmers to think about preparing to meet with the chosen value chain actor(s). What strategy would they use? The following questions will help them define the strategy: <ul style="list-style-type: none"> <li>• What do they hope to achieve with the partnership?</li> <li>• What can/do they bring to the partnership?</li> <li>• What do they expect the other partner (actor) to bring to the partnership?</li> <li>• What will they will not accept in the partnership?</li> </ul> </li> <li>2. Ask the farmers to think about what they should investigate in order to participate in the value chain. Use the following points to guide the discussion: <ul style="list-style-type: none"> <li>• What do they have to do to comply with market standards and how can they benefit from this?</li> <li>• What management capacities do they need to participate effectively in the actor's part of the value chain?</li> <li>• What investments do they need to make in their farm businesses in order to participate in the actor's part of the value chain?</li> </ul> </li> </ol>

## Exercise 85 (continued)

	<ul style="list-style-type: none"> <li>• Can they become partners individually, or should they cooperate and work together?</li> </ul> <p>3. When they have completed these two steps, ask them to work out a brief plan to meet with the chosen value chain actor(s). The following format may assist them.</p> <ul style="list-style-type: none"> <li>• Date and venue of meeting.</li> <li>• Who should arrange the meeting.</li> <li>• Who should attend the meeting.</li> <li>• The main points to be covered at the meeting.</li> <li>• The work that needs to be done before the meeting and who will do it.</li> </ul> <p>4. When they have completed their plan(s), organize a time to meet again to review the work to be done and to make the final arrangements for the meeting(s).</p>
Side-track	<p>The intention of this exercise is to get the farmers started on a pathway of establishing partnerships with other actors in the value chain. In most instances, this will be a new experience and therefore the farmers will need guidance, support and accompaniment through the process. The exercise will help the farmers establish an initial plan of action. To actually establish the partnerships will require more sustained effort and support from the extension service.</p>

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## **Assessing the performance of a farm business plan**

The purpose of the following set of exercises is to assess how the business plan improved the profitability of the farmers' farms. The exercises will:

- Review farming operations at the end of the production year.
- Practice using farm records as a means of assessing performance.
- Benchmark and evaluate farm performance.
- This set of exercises assessing the performance of the farms using the business plan is meant to be carried out after the farmers have completed a whole production cycle with at least one enterprise.

Realistically, the exercises can only be used if the farmers have compiled a farm business plan along the lines of the exercises provided earlier. Further, successful completion of the exercises relies on the records the farmers have been keeping about the enterprise for which they developed their business plan. Therefore, during the production season the facilitator will need to have followed-up with the farmers to support them with keeping records and helping to make sure that it is up-to-date.

Encourage the farmers to also keep notes. The learning points will be important when the farmers develop their next farm business plan.

It is suggested that all of the review exercises be done and that the teams set up in the first exercises be used for each of the review exercises.

The points to cover for these exercises will come from the answers to the questions that are embedded in the guidelines. Therefore, to reduce repetition, the 'Key points to cover' and 'Process' elements of the exercise framework have been omitted. Similarly, the 'Side-track' element has also been excluded in favour of this introduction. Therefore, the exercise format is simply: 'Objective, Key questions' and 'Guidelines'.

As the key learning points will come from the discussions, in order to make a good summary at the end of each exercise, be sure to keep notes of what the farmers say.

Exercise 86 - Did I achieve my goal?

Exercise 87 - How well did my farm production plan work?

Exercise 88 - Reviewing my plan for inputs

Exercise 89 - Reviewing my plan for labour

Exercise 90 - Reviewing my market plan

Exercise 91 - Reviewing profitability

Exercise 92 - Reviewing cash availability and sources of finance

Exercise 93 - Reviewing the risks I experienced in my risk management plan

Exercise 94 - Reviewing the evaluation process and the role of record-keeping

Exercise 86  
**Did I achieve my goal?**

Objective	<ul style="list-style-type: none"><li>• To determine if my goal was achieved.</li><li>• To identify what contributed to my goal being achieved or not achieved.</li></ul>
Key question	<ul style="list-style-type: none"><li>• What was my goal?</li><li>• Did I achieve it?</li></ul>
Guidelines	<ol style="list-style-type: none"><li>1. Enterprise teams of 3-5 review the goal(s) they set for themselves for the previous season. They should discuss how well each team member has done in achieving the goals they set. What progress did they make? Did they achieve their goals? Did they do better than they planned? Did they fall short of achieving their goals? For those who achieved their goals, they should discuss what key things contributed to their success. For those who did not achieve their goals, they should identify the things that prevented them from achieving their goals.</li><li>2. Teams to present what they have discussed. Encourage discussion and lead it to identifying key elements that contributed to achieving or not achieving results.</li><li>3. Ask the farmers how this will affect their plans for the next production cycle.</li></ol>

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Exercise 87  
How well did my farm production plan work?

Objective	<ul style="list-style-type: none"> <li>• To assess how well my production plan worked.</li> <li>• To identify the factors that affected my production plan.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What was my production plan?</li> <li>• Did I follow it? Did I have to change it? Why?</li> <li>• What worked? What did not work? Why?</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>1. Enterprise teams of 3-5 review their production plans and to discuss how well their production plan worked. Did it give the results they wanted or expected? What problems did they have? What worked? What did not work? What should be done differently next time? They should look at every aspect of the plan. Is there anything that indicates that it is not technically feasible to produce this product? Soil? Climate? Slope of land? Elevation?</li> <li>2. Ask each team to present what they have discussed. Lead a discussion to identify key things that they should do again and things they should do differently.</li> </ol>

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## 244 Assessing the performance of a farm business plan

## Exercise 88

### Reviewing my plan for inputs

Objective	<ul style="list-style-type: none"> <li>To determine how effective was my plan for inputs.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What was my plan to obtain inputs?</li> <li>Did I follow the plan? Why? Why not?</li> <li>Did the plan work? Why? Why not?</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>Enterprise teams of 3-5 review their plans for inputs and discuss the success they had getting the inputs they had planned for. Were the inputs available when they needed them? How were the prices? How would they rate the suppliers in terms of reliability, price, quality of product? Would they change suppliers? Would they change products? Why?</li> <li>Teams present what they have discussed. Lead a discussion to identify key things that they should do again and things they should do differently.</li> </ol>

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### Exercise 89

#### Reviewing my plan for labour

Objective	<ul style="list-style-type: none"> <li>To determine how effective my plan for labour was.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What was my plan for labour?</li> <li>Did I follow the plan? Why? Why not?</li> <li>Did the plan work? Why? Why not?</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>Enterprise teams of 3-5 review their plans for labour and discuss the success they had getting the labour they had planned for. Was the family labour available as planned? If not, why not? Did they hire all the labour they needed? Was the timing right? Was the cost as they had planned? How efficient was the labour? Did they have enough labour? Too much? Too little?</li> <li>Ask each team to present what they have discussed. Lead a discussion to identify key things that they should do again and things they should do differently.</li> </ol>

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## Exercise 90

### Reviewing my market plan

Objective	<ul style="list-style-type: none"> <li>To determine how effective my market plan was.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What was my market plan?</li> <li>Did I follow the plan? Why? Why not?</li> <li>Did the plan work? Why? Why not?</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>Enterprise teams of 3-5 review their market plans for labour and discuss the success they had with the plans. Did they meet their targets? If not, why not? Did they get the prices they expected? If not, why not? Did they get the marketing costs they expected? If not, why not? How were the markets? Many buyers and sellers? Did it work out as you planned? Did you use the transport you planned? If not, why not? What was the quality of your produce? What will you do differently next time?</li> <li>Teams present what they have discussed. Lead a discussion to identify key things that they should do again and things they should do differently.</li> </ol>

[illegible]

### Exercise 91

#### Reviewing profitability

Objective	<ul style="list-style-type: none"> <li>To determine how effective my profitability plan was.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What was my profitability plan?</li> <li>Did I follow the plan? Why? Why not?</li> <li>Did the plan work? Why? Why not?</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>Enterprise teams of 3-5 review their plans for profitability and discuss the success they had with the plans. What success did they have with their enterprise profitability? Were the planned costs same as the actual costs? If not, what was different? Did they manage to save costs? If so, how? Was the profit as planned? If not, why?</li> <li>Teams present what they have discussed. Lead a discussion to identify key things that they should do again and things they should do differently.</li> </ol>

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### Exercise 92

#### Reviewing cash availability and sources of finance

Objective	<ul style="list-style-type: none"><li>• To determine how effective my plan for managing cash flow and sourcing finance was.</li></ul>
Key question	<ul style="list-style-type: none"><li>• What was my plan for managing cash flow and sourcing finance?</li><li>• Did I follow the plan? Why? Why not?</li><li>• Did the plan work? Why? Why not?</li></ul>
Guidelines	<ol style="list-style-type: none"><li>1. Enterprise teams of 3-5 review their plans for managing cash flow and discuss the success they had with the plans. Did they have enough cash for the enterprise? If not, in which months did they have shortfalls? What did they do about it? How close was their cash flow plan to what really happened? What was the difference? Why?</li><li>2. Teams review their plans for sourcing finance and discuss the success they had with the plans. What sources of finance did they finally use? They should rate those sources in terms of the advantages and disadvantages they discussed when assessing sources of finance. How accurate was their assessment? What more have they learned? Which is the best source? What attributes helped you decide?</li><li>3. Teams present what they have discussed. Lead a discussion to identify key things that they should do again and things they should do differently.</li></ol>

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## Exercise 93

**Reviewing the risks I experienced and my risk management plan**

Objective	<ul style="list-style-type: none"> <li>• To determine how effective my risk management plan was.</li> <li>• To help the farmers deepen their awareness of potential risks and the need for risk management plans.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What was my risk management plan?</li> <li>• What risks did I plan for?</li> <li>• What risks did I experience?</li> <li>• What actions did I take and how effective were they?</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>1. Enterprise teams of 3-5 review their risk management plans and discuss the success they had with the plans. What risks did they think they would face last season? What plan did they put in place to handle the risk? Which of those risks did they actually face? What happened and how did they handle it? What risks did they face that they did not expect or plan for? What happened and how did they handle it?</li> <li>2. Teams present what they discussed. Lead a discussion to identify key things that they should do again and things they should do differently.</li> </ol>

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## Exercise 94

**Reviewing the evaluation process and the role of record-keeping**

Objective	<ul style="list-style-type: none"> <li>• To assess the evaluation process.</li> <li>• To understand the importance of keeping records.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• How does the evaluation help me improve my farm business?</li> <li>• What is the value of keeping records in relation to evaluating my farm business/ farm business plan?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• Records are important.</li> <li>• They provide most of the information needed to do an evaluation.</li> <li>• If good records are kept, then a farmer does not have to rely so much on his memory.</li> <li>• An evaluation will be more accurate which means his next farm business plan will be better.</li> </ul>
Guidelines	<ol style="list-style-type: none"> <li>1. Plenary discussion in which the farmers share their thoughts on the overall process of evaluating their farm business plans. What did this evaluation tell them about farm business plans? What was the most valuable lesson they learned from this first evaluation? Encourage discussion.</li> <li>2. Lead the discussion to the idea that a farm business plan needs to be clear and then it needs to be implemented. Plans, however, are not fixed. They have to be adjusted as they are implemented. Things change and new things develop. So farmers have to adapt their plans. But, they should stick to the overall goal.</li> <li>3. Ask the farmers to share their thoughts on the role of records in evaluating their farm business plans and their enterprises. Who kept their records up to date? What help did</li> </ol>

4. Lead the discussion to the idea that evaluating the enterprise or the farm requires that accurate records be kept.
5. After the discussion reinforced the points outlined in 'Key points to cover'.

## **Assessing the FBS and its lessons**

Farmers who have been through the FBS programme will benefit from reflecting on their experiences and lessons learned. This will help them, the facilitators and the extension workers determine the farmers' need for further assistance. Such a reflection will also help improve the farm business school programme.

Exercise 95 - Assessing FBS lessons

Exercise 96 - Assessing the FBS

Exercise 95  
Assessing FBS lessons

Objective	<ul style="list-style-type: none"> <li>• To assess the progress made by participants in applying FBS lessons on their farms.</li> <li>• To reflect on experiences and results from applying the FBS lessons.</li> <li>• To reflect on the need for follow-up assistance. .</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• How have I applied the FBS lessons?</li> <li>• What results did I achieve?</li> <li>• Which lessons were helpful? Which were not? Why?</li> </ul>
Key points to cover	<p>Questions assessing application of the FBS lessons</p> <ul style="list-style-type: none"> <li>• What were the farm business methods they learned about?</li> <li>• Which farm business methods do they now use, and what effect do they think they have had on their farm profits?</li> <li>• What difficulties have they experienced in applying methods learned in the training programme?</li> <li>• To what extent have they engaged in more commercial farming operations since the training programme?</li> <li>• How has the training influenced the crops they now grow and livestock they raise?</li> <li>• Did they may make any changes to the production methods that they use? Why?</li> <li>• How do they think they performed compared with other farmers in their district who did not participate in the FBS training?</li> <li>• If they were to continue with the training, what farm business method would they most like to have included in this training?</li> <li>• Has the farm business training changed their attitude to their work as farmers? If yes, by how much and how?</li> </ul>

## Exercise 95 (continued)

	<ul style="list-style-type: none"> <li>• What has been the overall effect of the training on their farm profit?</li> <li>• What have other farmers said to them about the training programme?</li> </ul>
Process	Teams of 3-5 participants with the same main enterprise discuss and answer the questions listed in 'Key points to cover'. Teams report their answers and discuss the strengths and weaknesses of FBS lessons and where and how they could be improved.
Guidelines	<ol style="list-style-type: none"> <li>1. Enterprise teams of 3-5 discuss how effective and how helpful the FBS lessons were when applied to their farms. The aim is to ensure that the FBS lessons are relevant and to improve them where necessary. Their discussion should be led by the questions in 'Key points to cover'.</li> <li>2. Teams report their answers question by question. Encourage discussion. What was helpful? What was not helpful? Why?</li> <li>3. Based on the points raised by the farmers, lead a discussion to identify suggestions from the farmers to improve the FBS lessons and to make them more relevant.</li> </ol>
Side-track	<p>Keep a copy of the key points and the suggestions.</p> <p>Organize the feedback and suggestions made and, where useful, followed up with further interviews with farmers out of FBS sessions. They should be shared at a meeting of FBS facilitators to improve FBS lessons.</p>

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### Exercise 96 Assessing the FBS

Objective	<ul style="list-style-type: none"> <li>• To assess the FBS.</li> <li>• To reflect on the need for changes in the FBS Programme.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>• What is my assessment of the FBS?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>• How would they rank the farm business methods they were taught in terms of their importance to their farming operations?</li> <li>• Which methods were hardest to understand or apply? Why?</li> <li>• What is their opinion of the balance between learning ideas and concepts learning practical skills?</li> <li>• How much support have they received from their extension agent or other farmers to help apply the methods learned?</li> <li>• Has any follow-up training been provided to them from outside the FBS? If so, what kind of training?</li> <li>• What is their opinion about the approach used to develop the Farm Business Plan?</li> <li>• What is their opinion about the way the implementation part of programme was run? Did it cover problems and topics when they needed them to be covered?</li> <li>• What suggestions do they have to improve the FBS programme?</li> </ul>
Process	Teams of 3-5 participants with same main enterprise discuss and answer the questions listed in 'Key points to cover'. Teams report their answers and discuss the strengths and weaknesses the FBS and where and how it can be improved.
Guidelines	1. Enterprise teams of 3-5 assess the FBS as a whole in order to improve it by discussing and answering the questions in 'Key points to cover'.



### Exercise 96 (continued)

Guidelines	<ol style="list-style-type: none"> <li>2. The teams to report their answers question by question. Encourage discussion. What was helpful? What was not helpful? Why?</li> <li>3. Based on the points raised by the farmers, lead a discussion to identify suggestions from the farmers to improve the way the FBS runs.</li> </ol>
Side-track	<p>Keep a copy of the 'Key points' and the suggestions.</p> <p>Organize the feedback and suggestions made and, where useful, followed up with further interviews with farmers out of school sessions. They should be shared at a meeting of FBS facilitators to improve the farm business school.</p>

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## **Enterprise budgets: Information and practice**

### **Enterprise budgets**

An enterprise budget is a fairly detailed estimate of the output, cost, and profitability of individual crop and livestock enterprises. The enterprise budget is also called a gross margin budget because profitability is based on the gross margin of the enterprise. The enterprise budget includes all costs involved in producing the enterprise.

### **Break-even**

Once the enterprise profitability or gross margin has been calculated it is very easy to determine the break-even price or yield for the enterprise. This is the minimum acceptable price or yield that covers the cost of production. At this level the income received will be equal to the cost of production and the profits will be zero. The break-even point is useful to determine the minimum price that farmers can charge or yield that farmers must reach to ensure that they don't make a loss.

### **Partial budgeting**

Farmers often have to make small changes to their existing farm enterprises to increase profitability. These small changes may be sufficient to reduce costs or increase income and generate more profit. This involves what is called 'changes at the margin'. Partial budgeting is a technique used to assess the impact of small changes on the profitability of the enterprise or farm.

The first three exercises of this topic provide detailed step-by-step procedures to calculate the enterprise profit as well as the break-even price and yield. The last exercise provides a detailed calculation of the impact of these changes on farm profitability using partial budgeting

Exercise 97 - Calculating enterprise profitability:  
Enterprise budget

Exercise 98 - Understanding break-even price

Exercise 99 - Understanding break-even yield

Exercise 100 - Understanding partial budgeting

## Exercise 97

**Calculating enterprise profitability: Enterprise budget**

Objective	<ul style="list-style-type: none"> <li>To learn how to develop a budget for a farm enterprise as a key measure of profitability.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What is an enterprise budget?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>The term 'enterprise budget' refers to the contribution an enterprise makes to the profit of the whole farm.</li> <li>An enterprise budget is a list of income earned and costs incurred in producing a product.</li> <li>It is a tool that can be used to calculate expected profit from an individual enterprise.</li> <li>It helps to identify areas where the farmer may be losing money or where he may be able to improve profitability.</li> <li>The performance of an enterprise can be evaluated by preparing an enterprise budget, which is a list of the income earned and costs of producing a product.</li> <li>It is used to find out the expected profit from a farm enterprise.</li> <li>It is calculated on a per unit basis, such as a hectare of land or head of livestock, for one year or one production period.</li> <li>The key elements of enterprise profit are: <ul style="list-style-type: none"> <li>Income. Value of the product sold, consumed, and given away.</li> <li>Variable costs. Cost of all the inputs, tools and labour used to produce the product.</li> <li>Enterprise profit. Income minus variable costs. Profits can be increased in the following ways: <ul style="list-style-type: none"> <li>Increasing the yield;</li> <li>Reducing variable costs through alternative inputs, cheaper technologies, or labour saving mechanisms;</li> </ul> </li> </ul> </li> </ul>

## Exercise 97 (continued)

	<ul style="list-style-type: none"> <li>• Getting a higher price for the commodity. (See example 'Template for an enterprise budget for maize' following.)</li> </ul>
Process	Plenary discussion and group work on the actual enterprise budget. The aim is to understand the concept and be comfortable with the budgeting process.
Guidelines	<ol style="list-style-type: none"> <li>1. Ask the farmers what they understand by a budget. Lead the discussion to the understanding that an enterprise budget is a list of income earned and costs incurred in producing a product and that it is a tool that can be used to calculate expected profit from an individual enterprise.</li> <li>2. Introduce and explain the example template emphasizing that the key elements of any budget are income, costs, and profit.</li> <li>3. Brainstorm and discuss the concept of income (see Exercise 10).</li> <li>4. Brainstorm and discuss the concept of variable costs (see Exercise 13).</li> <li>5. Enterprise teams work on completing an enterprise budget for one enterprise (with assistance from the facilitator).</li> <li>6. Teams report results to a plenary discussion to determine which of the enterprises are profitable, which are not profitable (makes a loss). Which is the most profitable?</li> <li>7. Discuss the idea of sufficient profit leading the discussion to the understanding that each farmer would have to decide for himself if the amount of profit is enough or not.</li> </ol>

## Exercise 97 (continued)

	<p>8. Discuss how to increase the profit in the preparing budget exercise. Lead the discussion to cover the points given above.</p> <p>9. Brainstorm small changes that could be introduced to make their enterprises more profitable. Some examples include: using compost or manure instead of buying fertilizers, growing feed for cattle instead of buying concentrates.</p> <p>10. Discuss the following questions:</p> <ul style="list-style-type: none"> <li>• Is the change likely to bring in more profit?</li> <li>• If it brings in more money, what are the reasons?</li> <li>• What is likely to change? Will it result in an increase in yield?</li> <li>• Will it lead to more income? Or will the change reduce the amount of labour used?</li> <li>• Will this result in lower labour costs?</li> <li>• Will this change ultimately produce benefits and more income?</li> </ul>
Side-track	<p>This is a lengthy exercise and could be broken into 2-3 separate sessions.</p> <p>This exercise can be done two or three times in conjunction with a number of exercises. Enterprise budgets are included in the benchmarking exercises as well as in the business plan exercises. The first time it is done can be more conceptual and less based on calculations. As the farmers gain more confidence and experience, the difficulty of the exercise can be increased.</p>

Example  
**Template for an enterprise budget for maize**

Enterprise budget for \_\_\_\_\_ enterprise

Income	Quantity	Price	Value
Product sold			
Product consumed			
Product given away			
Total income			
Variable costs			
Seed			
Fertilizer			
Chemicals			
Labour			
Harvesting			
Total variable costs			
Enterprise profit			

## Exercise 98

## Understanding break-even price

Objective	<ul style="list-style-type: none"> <li>To calculate the minimum price that makes an enterprise profitable.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>What is the minimum price that I can charge for my produce without making a loss?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>A break-even price is the minimum acceptable price that covers the cost of production. At this price the income received will be equal to the cost of production and the profits will be zero. Thus there is no profit.</li> <li>The break-even price is calculated by dividing the total variable costs with the per unit level of production that the farmer thinks he or she can get. The required information can be obtained from the enterprise budget.</li> </ul> <div style="text-align: center; margin: 20px 0;"> <div style="display: inline-block; border: 1px solid black; padding: 5px; margin-right: 10px;">Break-even price</div> <div style="display: inline-block; vertical-align: middle; font-size: 2em; margin: 0 10px;">=</div> <div style="display: inline-block; vertical-align: middle;"> <div style="border: 1px solid black; padding: 5px; text-align: center; margin-bottom: 5px;">Variable costs/ha</div> <hr style="border: 1px solid black; width: 100%;"/> <div style="border: 1px solid black; padding: 5px; text-align: center;">Yield/ha</div> </div> </div> <p>(See example 'Break-even price calculation' following.)</p>
Process	<p>Explain what a break-even price is and how it is calculated. Use the example provided. The variable costs per ha are \$920. Expected yield 2 tons/ha. So break-even price = \$920/2 tons = \$460/ton.</p>

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### Example Break-even price calculation

The enterprise budget provides the information  
needed to calculate the break-even price

Enterprise budget for maize (1 ha)			
Income			
Item	Quantity	Unit price (\$)	Value (\$)
Maize	2 tons	800/ton	1 600
Total income			1 600
Variable costs			
Item	Quantity	Unit cost (\$)	Amount (\$)
Seed	20 kg	5/kg	100
Fertilizer	2/50 kg bags	60/bag	120
Labour	1 ha	300/ha	300
Harvest	1 ha	400/ha	400
Total variable costs			920
Enterprise profit			680

$$\text{Break-even price} = \frac{\text{Variable costs/ha}}{\text{Yield/ha}}$$

$$\text{Break-even price} = \frac{\$920}{2 \text{ tons}}$$

$$\text{Break-even price} = \$460 / \text{ton}$$



## Understanding break-even yield

[illegible]

### Example Break-even yield calculation

The enterprise budget provides the information  
needed to calculate the break-even yield

Enterprise budget for maize (1 ha)			
Income			
Item	Quantity	Unit price (\$)	Value (\$)
Maize	2 tons	800/ton	1 600
Total income			1 600
Variable costs			
Item	Quantity	Unit cost (\$)	Amount (\$)
Seed	20 kg	5/kg	100
Fertilizer	2/50 kg bags	60/bag	120
Labour	1 ha	300/ha	300
Harvest	1 ha	400/ha	400
Total variable costs			920
Enterprise profit			680

$$\text{Break-even yield} = \frac{\text{Variable costs/ha}}{\text{Price/ton}}$$

$$\text{Break-even yield} = \frac{\$920/\text{ha}}{\$800/\text{ton}}$$

$$\text{Break-even yield} = 1.15 \text{ Tons/ha}$$

## Exercise 100

**Understanding partial budgeting**

Objective	<ul style="list-style-type: none"> <li>To understand how small changes affect enterprise profitability.</li> </ul>
Key question	<ul style="list-style-type: none"> <li>How do I know what impact a small change in my production programme might have on profitability?</li> </ul>
Key points to cover	<ul style="list-style-type: none"> <li>Farmers often have to make small changes to their existing farm enterprises to increase its profitability. These small changes may be sufficient to reduce costs or increase income; and in this way to generate more profit. This involves what is called 'changes at the margin'.</li> <li>Before making small changes of the farming system it is advisable to see how the change will affect the profitability of the farm business.</li> <li>Partial budgeting is a technical calculation that can measure the specific impact of the change on profitability.</li> <li>It is also possible to estimate the impact on profitability.</li> <li>Small changes might include: <ul style="list-style-type: none"> <li>Using compost or manure instead of purchased fertilizer.</li> <li>Growing feed for cattle instead of buying concentrates.</li> </ul> </li> </ul>
Process	<p>Explain the concept of partial budgeting covering the points in 'Key points'. Enterprise teams discuss potential small changes they could introduce to improve profitability and share their ideas with the plenary. Choose one change and lead a discussion about the impact of the change on profitability. Will it increase production without increasing costs? How? Will it reduce costs without reducing yields too much? How? Teams choose one more example and discuss its potential impact and present the results to the plenary. Lead the discussion to</p>

## Exercise 100 (continued)

	reinforce the importance of checking on the impact small changes might have on profitability. It is a good idea to do a whole enterprise budget.
Guidelines	<ol style="list-style-type: none"> <li>1. Organize the participants into enterprise groups and explain the idea of introducing small production changes to improve profitability, and the need to check the actual impact of any proposed change.</li> <li>2. Team brainstorm examples of small changes they could introduce. Teams share their ideas with the plenary. Write their ideas on the board.</li> <li>3. Choose one example. Then ask the participants if the change is likely to bring in more money to the enterprise, or not. If it brings in more money, what are the reasons? What is likely to change? Will it result in an increase in yield? Will it lead to more income? Or will the change reduce the amount of labour used? If so, will this result in lower labour costs? And will this ultimately produce benefits and more income?</li> <li>4. Teams choose a second example and consider the effect of the small changes on the profitability of their common enterprise. They share their results with the plenary, giving reasons for their answers.</li> <li>5. Summarize the discussions and reinforce the importance of assessing the impact of small change before they are implemented. It is advisable to do the enterprise profitability budget before implementing the change to identify in detail the cost and benefits implications.</li> </ol>

### Exercise 100 (continued)

Side-track	This exercise describes the concept of partial budgeting without using any calculations. It tries to give a basic understanding of the concept. If the facilitator feels the participants can handle the calculations, he may wish to give them some practical exercises that the facilitator either knows or can invite someone to present.
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