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TRAINING MANUAL
Enterprise Development Training
for Farmer Enterprise Groups



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The Agribusiness Project - Agribusiness Support Fund

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TRAINING MANUAL

Enterprise Development Training for Farmer Enterprise Groups

Enterprise Development Training Manual for FEGs - The Agribusiness Project

Enterprise Development Training for Farmer Enterprise Groups (EDT- FEGs) Published by The Agribusiness Project, with the funding support of United States Agency for International Development, under Agribusiness Support Fund, Pakistan.

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Islamabad, Pakistan

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This manual is a live document which can be changed as the project progresses any suggestions for further improvement are most welcome. Project staff is particularly encouraged to identify areas for further improvement.

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Acknowledgement

I would like to acknowledge the technical guidance and support of Mr. Shad Muhammad, Chief of Party to accomplish this task successfully. I would also like to acknowledge the assistance of colleagues and friends; thanks to Ayesha Gulzar, Mian Jamshad Waheed, Rustam Khan, Muhammad Javed, Abdul Majid Khan, Shahjahan Hashmani, Saeed Iqbal, Masood Mir, Suleman Abro, Muhammad Tahir Waqar, Naveed Buzdar, Sharafat Hussain, Muhammad Imran Alvi, Muhammad Aamir Miraj, Mansoor Abid, Nazma Siraj and Dr. Nighat Sultana for their valuable comments, suggestions and guidance till the completion of the manual. During the manual development phase, I got an opportunity to consult with farmers having small landholdings and members of Farmer Enterprise Groups, I want to acknowledge their valuable input, comments and suggestions that helped me to finalize this manual.

Sohail Manzoor
Consultant



List of Acronyms

ASF	Agribusiness Support Fund
TAP	The Agribusiness Project
FEGs	Farmer Enterprise Groups
EDT	Enterprise Development Training
USAID	United States Agency for International Development
COP	Chief of Party
VC	Value Chain
VCA	Value Chain Approach
IPs	Implementation Partners
MINFAL	Ministry of Food, Agriculture and Livestock
ADB	Asian Development Bank
BoD	Board of Directors
FATA	Federally Administrated Tribal Areas
FANA	Federally Administrated Northern Areas
AJK	Azad Jammu and Kashmir
HV	High value
OV	Off-Season Vegetables
TOT	Training of Trainers
BTV	Bunchy Top Virus
HACCP	Hazard Analysis and Critical Control Point
GB	Gilgit Baltistan
KPK	Khyber Pakhtunkhwa
STTA	Short Term Technical Assistance

Foreword

The Enterprise Development Training manual has been prepared for The Agribusiness Project (TAP) to facilitate training of the farmers in enterprise development, thereby enabling them to make the requisite transformation from 'subsistence farming' to 'farming as a business enterprise'. TAP is funded by USAID|Pakistan, with the overall goal of supporting improved conditions for broad-based economic growth, enhance profitability and employment opportunities and contributing to poverty alleviation through product and process transformation of selected value chains in horticulture and livestock sub-sectors. The strategy of TAP focuses on:

1. strengthening capacities in horticultural and livestock value chains to increase sales to domestic and foreign markets;
2. strengthening the capacity of smallholders (through farmer enterprise groups-FEGs), individual farmers and agribusinesses to operate effectively and efficiently; and,
3. increasing productivity and profitability through adoption of new techniques and technological innovations (among farmers, agribusinesses and business development services providers).

Under TAP, the farmers have been organized as Farmer Enterprise Groups (FEGs) for cultivating the benefits of scale, through optimized production and marketing, and serving as a vehicle for transferring of the benefits of TAP interventions to its members, - the farmers. TAP is providing active support to the FEGs for improving small producers' positioning in a value chain through support in incorporating producers and their product into stable, profitable market channels, and provision of necessary services and assistance in business development, planning, marketing through interlinking them. This requires intensive capacity building of the stakeholders, placing capacity building at the heart of all interventions.

The Agribusiness Project has developed this manual, the Trainee's Handbook on EDT in Urdu, Trainers' Manual with a corresponding handbook in Urdu. This training manual can be used by anyone involved with enterprise development training of farmer business groups; it is not intended to be a guide for farmers themselves. A facilitator or master trainers of implementation partners will carry out the trainings with the help of this manual. The manual is organized into six modules, and each module is covering different sub contents. The contents have been finalized with the consultation of stakeholders engaged with the value chains. All sessions are formal and structured with defined objectives, contents, material required, process to conduct session along with handouts and support material.

Through Training of Trainers, a cadre of Master Trainers will be developed and the Master Trainers will further plan, organize and conduct EDT Training at the local level for FEG members. While the Manual is project specific, it can also be used for the capacity building of government and non-government agencies, who are involved in implementing enterprise development and value chain programs, through the communities.

Finally, I want to thank USAID|Pakistan for funding The Agribusiness Project under which this Manual has been prepared.

Shad Muhammad
Chief of Party
The Agribusiness Project
Islamabad, Pakistan



Introduction to the training manual

This training manual on Enterprise Development is especially designed and developed for the capacity building of farmer enterprise groups formed by TAP. The key objective of the Enterprise Development training is to facilitate transformation of traditional farming approach into business farming approach. The project is providing active support to the small producers positioning in a value chain through support in incorporating producers and their product into stable, profitable market channels, and provision of necessary services and assistance in business development, planning, marketing and linkages development. This manual will be used to train the master trainers for subsequent training of Farmer Enterprise Groups.



EDT training manual consists of six training modules covering project orientation, components and methodology, value chain approach, stages of supply chain, organizational management at FEG level, business development and planning in agribusiness, marketing, supply chain management and financial

management. The training duration of the Farmers' Enterprise Groups (FEGs) is two days, and this includes six key modules, each module having four to five sessions covering almost all key areas, which require sensitizing and transforming farmers into business farming.

Contents Outline

Module 1 Introduction

- Objectives of Enterprise Development Training
- Orientation to the Project

Module 2 Value Chain Approach

Introduction to Value Chain approach

- What is a Value Chain Approach?
- Why Have a Value Chain Approach?
 - » Improve Quality
 - » Increase Efficiency
 - » Differentiate Products
 - » Holistic Approach
- Rewards of a Value Chain Approach
- Success Factors
- Important Roles
- Assessing your readiness to adopt Value Chain Approach



Enterprise Development Training

Stages in Building a Value Chain

- Stage 1: Identifying the Opportunity
- Stage 2: Developing and implementation of Project Plan
- Stage 3: Monitoring and Evaluating the Project

Value Addition

- Value addition - Difference between value chain and value addition
- Value addition in agribusiness

Module 3 Organization, Leadership and Management

- Farmer Enterprise Groups - history, importance, purpose, organization, structure, role and responsibilities
- Governance & Group Dynamics
- Portfolio of agriculture based products/ services
- Benefits of FEG - collaborative group against each commodity or value chain, joint procurement/ sourcing of product/services and marketing, benefits of scale and better market access
- Leadership Development at FEGs
 - » Leadership
 - » Communication and presentation skills
 - » Conflict resolution and team building
 - » Negotiations
- Farm Management
- Record Maintenance
 - » Book keeping and record keeping
 - » Its importance
 - » Managing records
- FEGs and Enterprise Development- identification of products, market assessment, demand creation establishment,

quality, quantity, market access, linkages, negotiations, grading, packing, packaging, financial management

Module 4 Business Development in Agribusiness

- Types of Business - trading, production/ product development, services
- Steps for development of business - Business Cycle
 - » Business model; identification, selection, what, why and how, feasibility, finance, business plan, resource mobilization and management etc.
 - » Market awareness (trends, position, competition)
 - » Competitive advantages
 - » Strategy screen
 - » Big question (opportunity and challenges)
 - » Starting of Enterprise /Implementation
- Business Categories - income saving, Income generation, self-employment, entrepreneurs
- Identification of Business/Entrepreneurs Skills and its importance
- Business Planning
- Marketing
- Agribusiness
 - » Portfolio of agribusiness
 - » Benefits of value chain to small scale farmers/FEGs in Agribusiness
- Characteristics of Strong Business Relationships
 - » Trust
 - » Decision-Making Process
 - » Interdependence
 - » Commitment
- Characteristics of an effective entrepreneur
- How FEG/Farmer can calculate Cost Benefits of Enterprise

Module 5 Marketing and Supply Chain Management

Marketing

- Understanding marketing and markets
- Identification of market opportunity
- Linkages development with market
- Marketing the produce
- Preparing for a market survey
- Presenting the market survey report
- Collective/ Group Marketing
- Group buying and Savings

Supply Chain Management

- Supply Chain Management in Farming and Horticulture Business
- Supply Chain Management in Livestock Business

Module 6 Business concepts Planning and Financial Management

Business Planning

- Create a Vision- Farming as a Business
- What Needs to Change? – Farmer as an entrepreneur
- What's Most Important? Farm Business Profitability
- How Will We Get There? – Where are we now? Assessing the current farm situation
- How to translate analysis into action
- Understanding enterprise profitability
- Assessing and managing business risks

Development of Business Plan

- Choosing enterprises for the next season
- Developing a business plan
 - » Individual Business Plan
 - » FEG business Plan

- Choosing an enterprise
- Components of a farm business plan
- Preparing a farm business plan
- Preparing an action plan
- Financial Plan /Budgeting

Financial Management

- What , why and how Financial Management
- Financial Management at FEGs
- Transparency

EDT Training Manual

EDT Training manual is developed for the training of master trainers in English in addition to a handbook for the Farmer Enterprise Development Groups in Urdu. This material includes basic concepts as well as experiential exercises to help and facilitate farmers' learning.

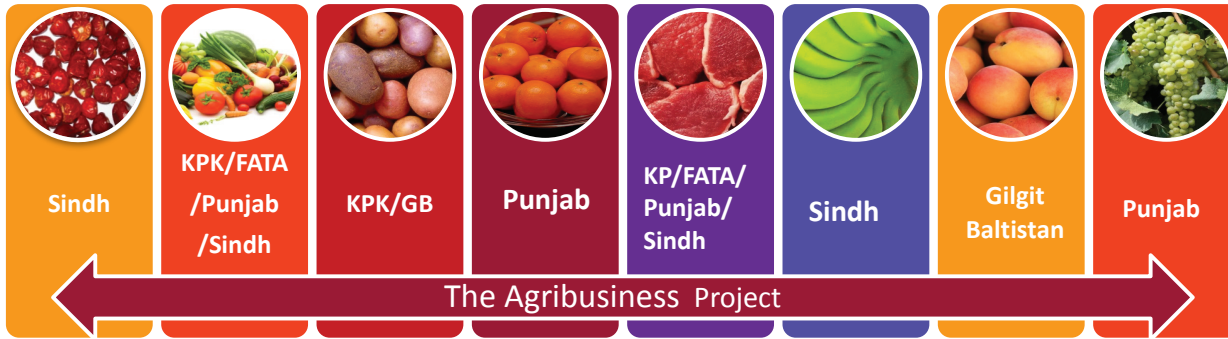
EDT Trainers Manual

EDT trainer manual is a trainer's guidebook for facilitation in planning, organization, conduction and management of training programme for the FEG members.

This document is "EDT Training Manual" and the following sections provide detailed contents of the EDT Training Manual. A separate Trainers Guidelines document has also been prepared which would further help Master Trainers in imparting training.

How to use this manual

The Enterprise Development Training (EDT) manual is specifically designed to prepare the Master Trainers for sensitizing, educating and motivating small farmers / Farmer Enterprise Groups on the importance of agribusiness, enterprise and business development including value chain, marketing, business planning



and development, financial management and leadership development.

General instruction for the trainers

- Read the entire Training Manual thoroughly before conducting the training.
- Arrange all required stationery/supplies for practice sessions.
- Format of training:
 - » Impart knowledge
 - » Demonstrate the application of knowledge
 - » Supervise application by trainees
 - » Monitor trainees
- Involve each participant through group work.
- Give enough time for practice.
- Review and evaluate each session at the start of next session.

Training Approach

The materials for the FEGs EDT Training are specially designed to work with available resources. Participants do not need to have had any significant formal education but need to have basic literacy and numeracy skills. The entire training course would follow principles of adult / experiential learning approaches which includes;

- Group discovery learning
- A learning , rather than a technology/ messages

- Facilitation
- Empowerment of farmers
- Structured /Systematic Approach
- Self-learning

Title of the training course

The title of the training course is “Enterprise Development Training for Farmer Enterprise Groups”.

Training Methodology

Training methodology used in this manual includes the following:

- Presentations - activities conducted by the facilitator or a resource specialist to convey information, theories, or principles;
- Case Study Scenarios - written descriptions of real-life situations used for analysis and discussion;
- Role-Plays - two or more individuals enacting parts in scenarios as related to a training topic;
- Simulations - enactments of real-life situations; and
- Small Group Discussions - participants sharing experiences and ideas or solving a problem together
- Ice Breakers
- Brainstorming;

Target Users

The scope of the training manual is not limited to the agribusiness project only; development professionals, members of Farmer Enterprise Groups across the country can use this material for learning, education and training. The potential users of this training manual are;

- Master Trainers of different Implementing Partners (IPs)
- The Agribusiness project staff
- Farmer Enterprise Groups
- Institutions engaged with communities for development of EDT

The total participants in each training batch would be 25-30.

Introduction



Objectives

The objectives of this session are to;

- Register and introduce the participants
- Orient them about the training facility, logistics, resources, resource person, schedule and training methodology
- Know about participants expectation from this training
- Share training objectives and project description with the participants

Contents

- Registration
- Introduction of the participants
- Introduction of training (facility, logistics, resources, resource person, schedule, Methodology)
- Participants expectation from Training
- Ground rules setting
- Formation of peer groups
- Training objectives
- Project Introduction

Training Methodology

Brainstorming, small group discussion, interactive discussion, Presentations, and role play.

Procedure

- Registration of the participants by using registration format (Annex 1)
- Introduce the session and learning objectives of this session.
- Introduce himself/ herself to the participants and the name to be used during the course of the workshop.



- Introduce organization where he/ she is coming from and experience in enterprise development training
- Facilitator will request each participant to introduce himself/ herself and the organization they represent as well as their expectations from the workshop; ask them to draw a picture by using marker and chart of their respective value chain product and display on the board while introducing him/ her along with following information:
 - » Name
 - » FEG/IP Name and association with Value Chain
 - » Position in FEG/IP
 - » Expectation from the training
- During the introduction, list of participants' expectation/s on the white sheet and place it on the wall. The purpose of this exercise is to identify EDT related expectations and try to address them during the training.
- Introduce the training facility, logistics, resources, resource person/s, schedule, and training methodology
- Share importance of ground rules with the participants and set ground rules for this training with participatory manner but make sure following points in the list
 - » Participation
 - » Listening each other
 - » Switch off cell phone
 - » Time management
 - » No discussion on politics
- Read the participants expectation as listed on the sheet and share training objectives with them, match each objective with the participant's expectation list.
- Ask participants to share their understanding about the project, make sure all participants actively participate in this brainstorming exercise, note key points and participants understanding level and share project details with the participants and clarify the points which require further clarification.

HANDOUTS

Training and Training Objectives

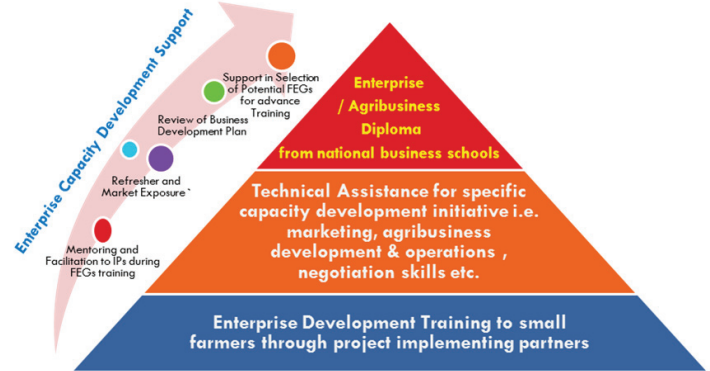
Empowering Farmers through Information, Skills, Attitude and Linkages; The enterprise development training manual aims at strengthening the understanding of small farmers and FEG members in the areas of value chain and business development in agribusiness, marketing, supply chain management, financial management, and management of farmers' organization. As we know that dramatic changes are taking place in farming worldwide as a result of globalization, liberalization, and rapid urbanization therefore farmers are intensifying their existing patterns of production and diversifying their farm enterprises in an attempt to improve their livelihoods. However, only technical know-how is not enough. In order to be competitive and be able to take advantage of the new opportunities that are arising, farmers increasingly have to adapt their farm business to changing market requirements. Under the project, eight targeted value chains have been identified on the basis of an evaluation of the characteristic of each, with respect to its potential for achieving quantitative impact on income and employment, as well as distribution of benefit to small producers and enterprises.

Training Objectives



The overall training objective is to support transformation of traditional farming approach into business farming approach. To achieve this objective the farmers need to be oriented on:

- Agribusiness project, components, methodology

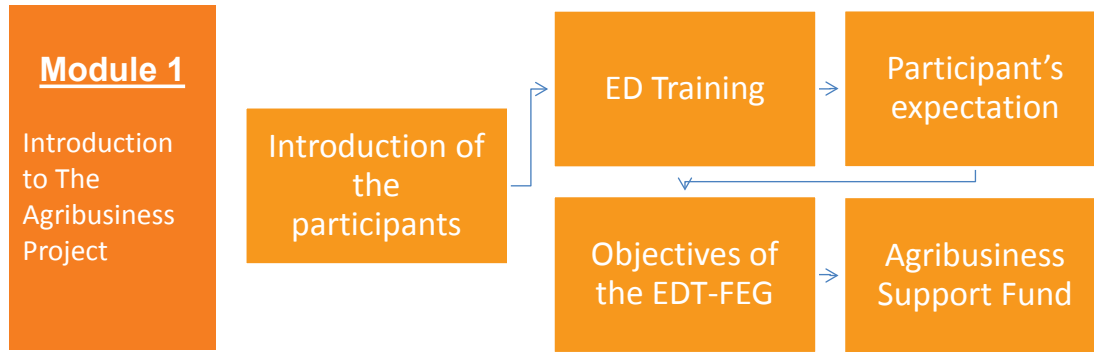


- Value Chain Approach – stages, value addition
- Organization, Leadership and Management
- Business Development in Agribusiness
- Marketing and Supply Chain Management
- Business Planning and
- Financial Management

Orientation to the Project

Introduction to ASF

Agribusiness Support Fund (ASF) is a 'not-for-profit' company registered under section 42 of the Companies Ordinance 1984. It was established by Ministry of Food, Agriculture and Livestock (MINFAL) with the support of the Asian Development Bank (ADB). ASF is governed by a private sector led independent Board of Directors. The company is based at Lahore and extends its support to all the four provinces of Pakistan, as well as FATA, FANA and the AJK. ASF provides funds on matching grant basis (non-returnable) for Business Development Services, to individuals & firms engaged in agri-related businesses, enabling them to employ modern techniques & practices and build within themselves the different skills, know-how, expertise and market understanding required by a fast-changing economic environment and to improve their productivity, profitability, competitiveness and creditworthiness. ASF aims to support employment generation and



economic growth by developing a competitive and sustainable agribusiness sector in Pakistan.

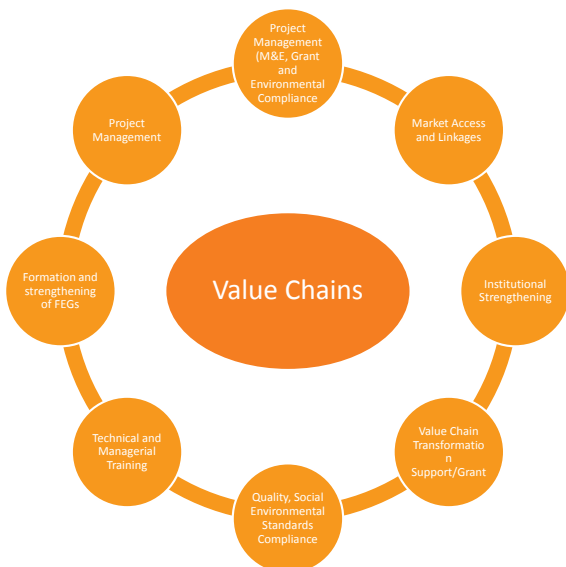
Introduction to the project

The Agribusiness Project funded by USAID|Pakistan is working in selected agricultural and livestock value chains which had been identified through a process of opportunity assessment. The reduction in project resources and the need for redesigning necessitated the decision not to include all of the value chains that were initially considered under the project; including those with which the project had already begun work at various levels and at several locations. However, it is believed that the majority of actions initiated under the project that now have to be abandoned can either continue on their own, or were not

developed to an extent that abandoning them would cause hardship or losses to the beneficiaries involved. The new project design will maintain the project components as a support framework, and draw heavily on the market opportunities to define interventions in each value chain. The goal of the project is: "To support improved conditions for broad-based economic growth, enhanced profitability and employment opportunities and will contribute to poverty alleviation through product and process transformation of selected value chains in horticulture and livestock sub-sectors."

The three specific objectives of the project are:

- To strengthen capacities in horticultural and livestock value chains to increase sales to domestic and foreign markets;
- To strengthen the capacity of smallholders (through farmer enterprise groups-FEGs), individual farmers and agribusinesses to operate effectively and efficiently; and,
- To increase productivity and profitability through adoption of new techniques and technological innovations (among farmers, agribusinesses and business development services providers).



The project is working with 08 value chains, The targeted value chains has been identified on the basis of an evaluation of the characteristic of each with respect to its potential for achieving quantitative



impact on income and employment, as well as with respect to the distribution of benefit with respect to impacting small producers and enterprises.

The list of identified value chains are listed below

- Apricot Value Chain
- Banana Value Chain
- Chili Value Chain
- Citrus (Kinnow) Value Chain
- High Value / Off Season Vegetables (HV/OV) Value Chain
- Seed Potatoes Value Chain
- Livestock (Meat) Value Chain
- Grapes Value Chain

Project Components

There are two major components of the agribusiness project, these two project components are driving force of the project. The sub-component became the directions in itself thus overshadowing the value

chain and geographical clustering as an approach to project implementation.

Component 1: Technical Assistance

This component of the project provides the basis for the transformation support and includes a number of sub-components. The sub-components under the technical assistance include

- Technical and Managerial Training
- Market Access and Linkages; Farmer Enterprise Groups/Women Enterprise Groups Formation & Strengthening;
- Institutional Strengthening (VC Facilitators and Service Providers FSC, VCPs, Associations & Cooperatives) ; and,
- Standard Compliance.

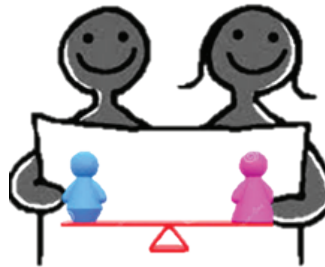
Component 2: Value Chain Transformation Support

Transformation support/grant component will support eligible agribusinesses and farmer enterprise

groups for undertaking capital and capacity investments to strengthen and expand agriculture value chains. Details of the indicative technical assistance and transformation support to be provided by the Agribusiness Project.

Gender equity




The project will work to incorporate women beneficiaries as leaders and as active participants in the technical assistance components. The realigned design of the project will ensure that at least 30% of the total project beneficiaries are women in total thereby increasing opportunities for women in income-generating activities, learning, and employment.



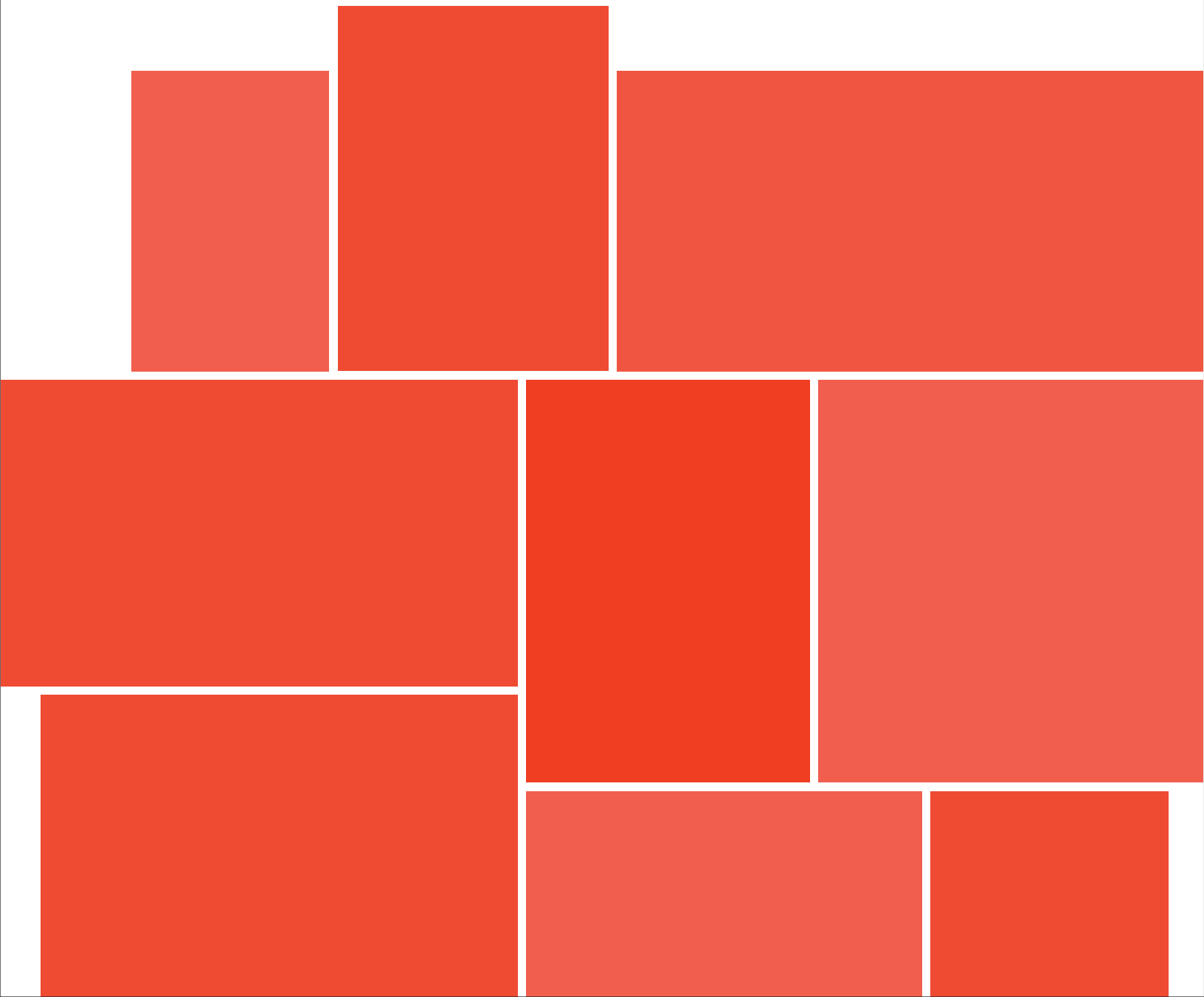
Assessment

Get participants feedback at the end of session against key contents of the session and put frequency against each indicator. If something required further clarification use tea time or lunch time to clarify things and also discuss in the review session of next day.



Indicators			
Training Objectives			
Agribusiness Support Fund			
The Agribusiness Project			
Project Components			
Gender Integration in the Project			

Value Chain Approach





Objectives

At the end of session the participants will be able to;

- Explain Value Chains, its importance and role , value chain cycle
- Understand Rewards of a Value Chain Approach including Success Factors
- Assess the readiness of FEGs for a Value Chain



Contents

- What is a Value Chain Approach?
- Why Have a Value Chain Approach?
 - » System efficiency
 - » Product Quality
 - » Differentiate Products
 - » Enabling agribusiness environment
- Value chain project cycle
- Rewards of a Value Chain Approach
- Success Factors of value chain
- Assessing your readiness to adopt Value Chain Approach
- Stages in Building a Value Chain
 - » Stage 1: Identifying the Opportunity
 - » Stage 2: Developing and implementation of Project Plan
 - » Stage 3: Monitoring and Evaluating the Project
- Value Chain and Supply Chain
- Value Addition in agribusiness



Training Methodology

Brainstorming, small group discussion, interactive discussion, Presentations, and role play.



Procedure

- Welcome the participants, and establish link with the previous session “Agribusiness project, objectives, and activities” and share the objectives of the session with the participants.
- Participants brainstorm and define term value chains. Using participants contributions and trainer’s own knowledge, agree on a working definition of a value chain.
- Introduce different value chain concepts: chain actors, chain supporters
- Present the respective value chain and request participants to break into groups and design a value chain
- Participants break into groups to design the agribusiness value chain, Individual groups presents designs of the agribusiness value chain
- Participants asked to describe the main activities of each of the actors in the agribusiness value chain. The trainer will liaise with agribusiness value chain and prepare a sample value chain map for cross reference
- In plenary, participants identify the main agribusiness value chain enterprises/businesses that are run by individuals and groups in their localities (e.g. individual production, group marketing, trading, processing /enterprise etc.)
- In plenary still, participants identify the key resources required to run an enterprise (such as land, labor, cash and managerial skills etc.)
- Participants are divided into two groups to discuss individual and group agribusiness value chains production, marketing, trading and enterprises
- Ask selected potential participant to share his/ her practical experience in his/her respective agribusiness value chain.
- Conclude the session, summarizing the discussion.

HANDOUTS

What is value chain approach?

A value chain “describes the full range of activities that are required to bring a product or service from initial stage, through the intermediary phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use.” This includes activities such as preparation, identification, design, production, marketing, distribution and support services up to the final consumer (and often beyond, when recycling processes are taken into account). The activities constituting a value chain can be contained within a single FEG or divided among different FEGs, as well as within a single geographical location or spread over wider areas. The term ‘value chain’ refers to the fact that value is added to preliminary products through combination with other resources (for example tools, manpower, knowledge and skills, other raw materials or preliminary products). As the product passes through several stages of the value chain, the value of the product increases. Following is an example;

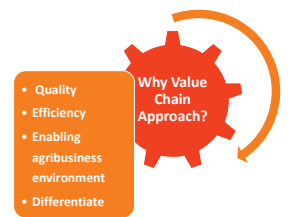
Price	Rs 25.-/l	Rs 40.-/l	Rs 45.-/l	Rs 75.-/l	Rs 80.-/l	Rs 95.-/l
INPUT SUPPLY	FARM	COLLECT CHILLING	TRANSPORT	FACTORY	RETAIL	CONSUMER
Costs	Labour Land Feed Equipment Cowshed Animal care	Testing Chilling tank Building Electricity Labour	Vehicle Fuel Repair Driver	Machines Building Electricity Packaging Marketing Admin.	Shop rent Storage Labour Advertising Admin. VAT	Consumer pays for all costs added

of change that trigger and promote value chain development in agribusiness.

- System efficiency
- Product Quality
- Differentiate products
- Enabling agribusiness environment

I. System efficiency

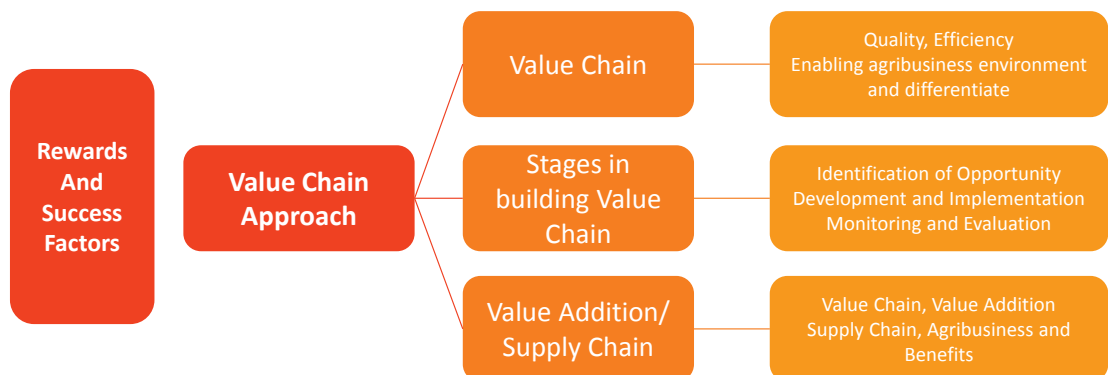
There are opportunities for reducing costs and increasing efficiencies on the market if the value chain stakeholders (small producers /FEGs) work together. Buyers



want to buy products of the highest possible quality at the lowest possible price; they want quick and flexible responses to their orders and short delivery times. In order to achieve these market requirements all opportunities for increasing system efficiency need to be explored and this requires cooperation and coordination of activities amongst value chain stakeholders.

Why have a value chain Approach

There are many reasons for using a value chain approach. Following are the four major drivers



2. Product quality

Markets today are changing fast and competition is becoming increasingly fierce. If enterprises want to stay in the market, they need to make sure that their products and services meet continuously changing market requirements and demand conditions. What counts, is the end product that the consumer receives, and the level of satisfaction that it creates. Value chains can compete against each other in terms of produce cost and/or product quality.

Why Work with Value Chain

Inclusion in agribusiness value chain means that small holders can produce and sell more products with enhanced quality with increased profit margins. This results in increased incomes and long-term sustainable economic benefits in the agribusiness clusters.

3. Product differentiation

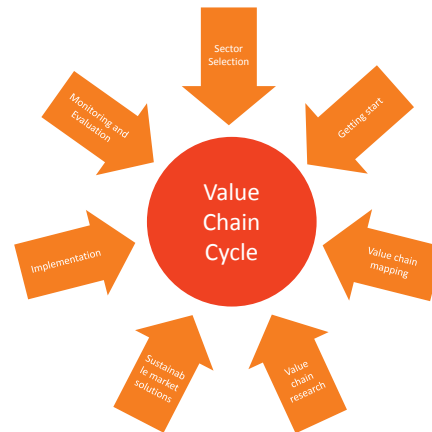
Innovation and learning has to take place throughout the entire value chain if Farmers /FEGs want to remain competitive on local, regional and international markets; consumers are demanding new products that require supply chain partners to share information and systems or provide unique specialized inputs (e.g., special variety, trademarked process, unique, genetics). These products often require consistently high quality, proof of adherence to protocols and legislated standards throughout the production, processing and marketing channels. Just as each business is unique, so are the reasons why you might choose to implement a value chain. Your business might benefit from improved quality, better efficiency or developing specialized products, or there may be other ways your business can become more competitive by using a value chain approach.

4. Enabling business environment

Value chains do not exist in isolation but they are embedded into a highly complex social, economic, political and cultural environment, which determines

the nature and success of business transactions within the chain products and services. The market in turn is influenced by regulations, institutions and interventions that immediately affect a particular sector.

The value chain cycle consists of seven main steps for organizing a value chain initiative. These steps can be seen as constituting a project cycle



Rewards of a Value Chain approach

Value chain approach has significant rewards and benefits. The rewards of implementing a value chain approach are:

- Competitive edge when the value chain's products and processes are difficult to duplicate
- A unique way to manage risk; buyers are assured of product quality, supply and safety through integrated systems from production to retail. Suppliers are more assured of a market and the benefits of economies of scale.
- Improved access to markets
- Reduced time to respond to changing customer demand, as a result of better communication with chain partners
- More rewarding business relationships—collaborative versus adversarial.





Success Factors of Value Chain

There are several factors that contribute to the success of a value chain. We can increase chances of success if we can ensure following factors;

- Commitment from the all FEG members
- The vision of FEGs Leadership
- Careful selection of partners which include input suppliers (for nutrients, seed, pesticides etc.), buyers or processors. In some cases this may also include partnerships with other FEGs
- Compelling value chain goals
- Cohesion/interdependence
- Collaborative planning of FEG members
- Small scale project
- Neutral facilitator/linkages
- Dedicated chain manager/activists.
- Listening to and addressing concerns of leaders
- Developing relationships with value chain partners

Assessing your readiness to adopt Value Chain approach

Before committing for the Agribusiness value chain, we need to examine our business strategy and determine whether the value chain approach is right for us and more importantly whether we (farmers / FEGs) are ready for it or not. Our business strategy is the way we attempt to separate or differentiate ourselves from our competitors. We may aim to be the lowest-cost supplier or make a product that is unique and relatively expensive. A business strategy also addresses our approach to research and development, our competitors and our existing business relationships.

Exercises

To assess the readiness of participants / FEGs for a value chain approach and review the current business strategy use “Business Strategy” and “Assessing Readiness.” (Annex 5 and 6.) It is important to inform the participants that they may use this checklist in their respective FEGs to assess their readiness. These can also be adapted for different type of Value Chains by adding other important indicators in the checklist, but this must be done in consultation with the Value Chain experts working with the Implementing Partners or the project.

Stage 1: Identifying the Opportunity

- FEG will identify some opportunities for a value chain by first mapping and evaluating existing supply chain.

Stage 2: Developing a Project Plan

- FEG will look at developing a project plan with clear goals, plans and measures. At beginning a small scale project, trial size version of a commercial scale value chain. small scale project will Minimize risk, help in identifying suitable partners and selection of manager

Stage 3: Monitoring and Evaluating the Project

- This is the stage where you will implement and monitor your project. You will adapt and build in order to determine whether a full-scale value chain is a possibility

Stages of Building a Value Chain

Three stages in building a value chain have been identified.

Stage I: Identifying the Opportunity

Supply Chain Mapping

Mapping of existing supply chain is the first step to identify opportunities. By mapping the major companies who are your suppliers and customers, you will better understand how the product moves through the market channel and identify who you need to involve in the value chain project.

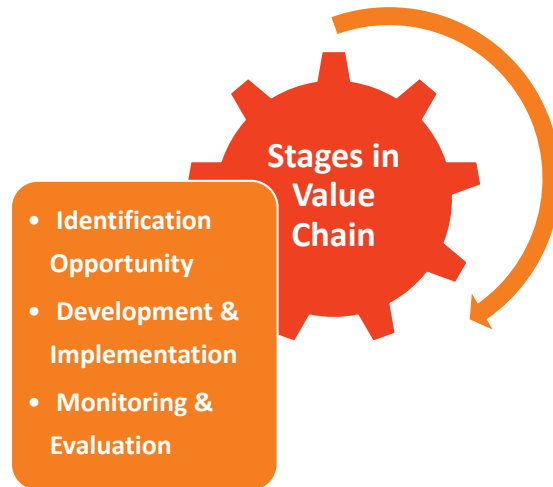
Mapping a Livestock Supply Chain

Process	Stakeholder/Company
Livestock Breeding	Small Farmers
Livestock Production	FEGs
Transportation and handling	Transport Company ABC
Sale	Local Mundi /Market
Resale	Regional /District Market
Slaughtering	Slaughter House
Cutting	ABC
Packing	XYZ
Customer	Meat Market in Main cities
Meat	End Product

Ask participants to map their current supply chain and identify duplications, bottlenecks or gaps., it is also important to understanding of consumer needs and wants , this enable us to establish a competitive advantage by delivering exactly what the consumer and customer want. (Annex-7)

Supply Chain Evaluation

After mapping our supply chain the next step is to evaluate our current supply chain. This will give us information about the what are you doing well? What would you like to improve? This process will be helpful in determining where the greatest



opportunities are for value chain development such as product quality, systems efficiencies or differentiated or specialized products. We can use tool for evaluation of our supply chain. (Annex 8)

Focus on Supplier, Customer and Consumer

Most of the time, we are focusing on our product only. But need to expand our focus from product to customer, consumer and supplier. It is important to identify and define your suppliers and your customers. Each business in the supply chain has suppliers and customers as well as consumers at the end of the chain.

Differentiate Product

Businesses are looking for ways to differentiate themselves from their competitors by developing new or improved products. Working together with your suppliers and customers to deliver a superior product may allow you to achieve things you otherwise would be unable to deliver.

Contribute Resources

Each business in the value chain has a unique collection of resources that collectively contribute to the capacity of the new value chain. Taking an

objective, and looking at your resources will be a useful step in the initial stages. You'll then have an accurate description of all the resources available for the new venture. For example, one business may have a very skilled workforce while another business may contribute a newer equipment line, and yet another business in the chain may have excellent value chain contacts.

Build Relationships

Successful value chain managers' report that relationships are the most important element of a successful value chain. Successful value chains are built on relationship strength which includes the following elements

Relationship Strength

- Common vision
- Cooperation
- Trust
- Commitment
- Interdependence
- Communication and adaptability

Often little or no time is spent developing the required business relationships when groups embark on projects. In fact, most businesses want to have a trusting relationship with their customer, but think it is acceptable to be tough on their suppliers. Yet everyone in the chain is both a supplier and a customer.

Pay Attention to Logistics and Distribution

The speed and efficiency of taking a product to market are critical areas in value chain management; with perishables it is even more important. Poor logistics and distribution increase costs and detract from product quality, a key to satisfying consumers.



Identifying the opportunity

Share Information

Objective decisions are based on reliable information. Sharing information is needed to successfully solve problems and explore opportunities such as reducing costs, minimizing market risk or identifying new market opportunities. A distinguishing factor in value chains is more transparent communication. It involves value chain partners sharing information, problem solving and exploring new opportunities together. Communication is the start of a healthy relationship; withholding information invites distrust. By sharing information about the risks and rewards, FEGs members can do more together than acting independently."

Value Addition

Value should be added to the product at each link of the chain. Value does not necessarily include rupees value only. There could be value in information exchange, in building networks and in learning new processes. Examine what value you and your potential value chain partners add to the product. Identify any businesses in the chain that are not adding value and question if they need to be part of the value chain.

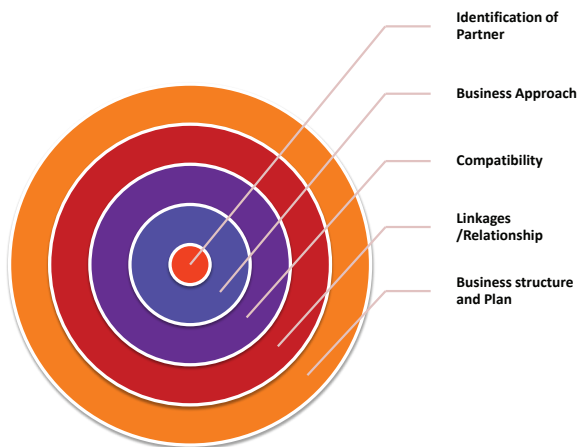
Outline the Opportunity

After completion of evaluation stage, determine the most important opportunity or problem to be addressed using a value chain approach. Be creative by considering all the possibilities and opportunities at hand.

We can understand our resource and capabilities by using "Resources and Capabilities," (Annex 10)

So, before moving towards Stage 2, "Developing a Project Plan," we should make sure that we have completed the following:

- Mapped and evaluated your existing supply chain
- Defined a clear project focus
- Evaluated your market
- Assessed resources and group's capabilities
- Named a value chain champion
- Secured support of one or two members of your supply chain
- Ensured the group has the commitment, resources and time required to develop a value chain.



Development of Project Plan

Stage 2: Development of project plan

Following are the major aspects of project plan;

- Identify your value chain partners and achieved commitment from these partners
- Set clear goals, plans and measures for a project
- Select a manager for the project
- Obtain some type of written agreement from all value chain partners.

Identify Value Chain Partners

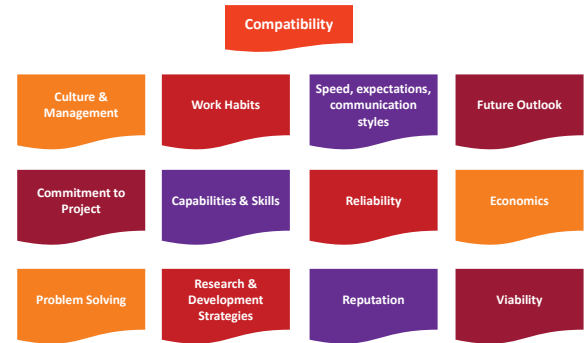
List the resources you will need to achieve your objectives. These resources will become your list of criteria as you search for and select additional value chain partners. You may already have existing partners and resources that you want to include in this venture. Some resources, such as contract work or rental equipment may be more cost-effective if obtained outside the chain. Carefully selecting the right partners is the most important factor in establishing a successful value chain. The best alliance strategy or market opportunity may still not be successful without the right partners. It is important to determine what characteristics, skills, resources and attitudes to look for in potential partners, to meet specific value chain needs. Ask participants to Complete, "Choosing Potential Value Chain Partners," (Annex 11)

Compatible Business Approaches

How do you find the right partner? Knowing what you're looking for is the key. This underlies the importance of identifying your needs and what you have to offer to a value chain. The best fit between FEG members involves interdependence; partners can achieve their goals, which in turn help you achieve yours.

Compatibility

- Work Habits
- Speed, expectations, communication styles
- Future Outlook
- Commitment to Project
- Capabilities & Skills
- Reliability
- Economic
- Problem Solving
- Research & Development Strategies
- Reputation
- Viability
- Culture & Management



outside of the day-to-day business schedule.

Characteristics of a Strong Business Relationship

- Trust is developed as we get to know and understand our business partners and their actions become predictable. Trust is built through reputation, past experience, behavior and keeping commitments.
- The decision-making process must be perceived as fair by all and provide clear direction on who's responsible for making which decisions.
- Interdependence is achieved by identifying what each partner needs from the value chain to remain committed.
- A balanced power structure ensures no dominant members.
- Shared or complementary goals must be identified for all members of the chain.
- Equitable returns do not mean equal; it means a return from the chain relative to the investment in the value chain.
- A problem solving and conflict resolution process is essential.
- Commitments of time, effort and money must come from each partner

Initial Contact

It is essential to have short listed contact details of all concerned value chain actors. If you are already involved in a successful alliance with other farmers, you can probably proceed with greater confidence to forge a stronger value chain. You will likely have a better understanding of the prospective partners' true capabilities and can build on the existing relationship.

Build Relationships

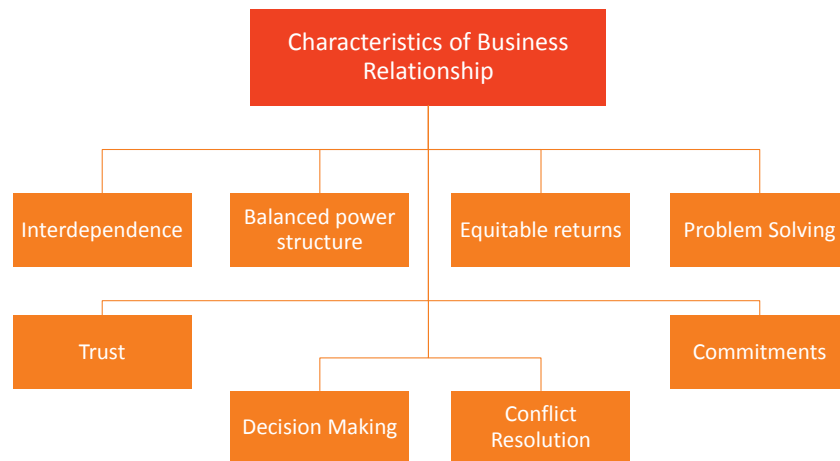
Building a collaborative business relationship is also very important. When relationships have traditionally been competitive it takes effort and attention to develop relationship. While the business case may drive a value chain, personal relationships can make or break its long-term success. Even the most "bullet-proof" business case will not survive long-term interpersonal problems. Value chains need a foundation of cooperation, trust and mutual respect to thrive. As in other relationships, value chain relationships are built by both working together and getting to know each other in an informal setting. The most successful value chains allow opportunities for partners to interact and get to know each other better through recreational and social activities

Types of Business Structures

- Single Proprietor—Cultivates independence and simplicity of ownership.
- Corporation (Ltd., Inc.)—Most flexible in raising capital and offers best liability

protection to non-managing shareholders.

- General Partnership– Often created when a sense of family or trust exists beyond the business and makes a good interim structure as parties work out the business venture.
- Joint Venture
- Co-operatives–Based on one member, one vote, unlike a corporation where one share equals one vote.
- New Generation Co-ops¹
- Association



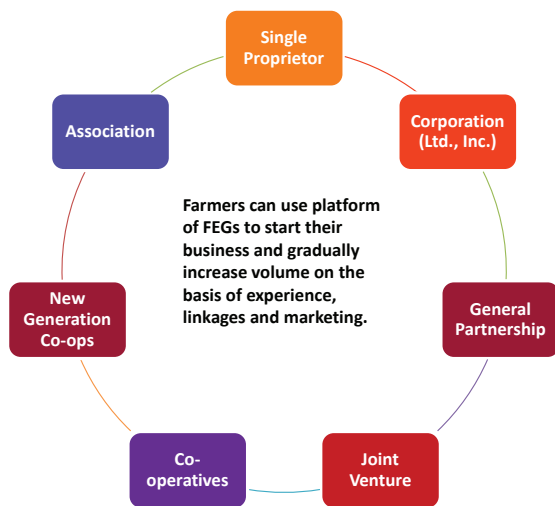
to building commitment and trust, as well as preventing misunderstandings down the road.

- Goals–identify what you hope to achieve with the project
- Objectives–specific, practical and easy to understand steps to achieve your goals
- Measures–indicators of reaching the goals
- Action plans–the “to-do” lists that partners take on in order to fulfill their commitments towards reaching the goal. Be sure to include timelines and who’s responsible for completing each task.

Farmers can use platform of FEGs to start their business and gradually increase volume on the basis of experience, linkages and marketing.

Value chain project plan

FEGs or farmers can build a plan. Start by setting goals, objectives, measures and action plans. Involving chain partners in developing these plans is necessary



A sample project plan will be developed by using Value chain project plan (Annex 12).

Before move on to Stage 3, “Monitoring and Evaluating the Project,” FEGs need to make sure the following in place:

- Value chain partners/ Stakeholders
- Buy-in and commitment from all partners to a project
- Clear goals and plans
- Resources
- Formal agreements/MOUs

¹ Further details available at <http://www.extension.iastate.edu/agdm/articles/others/HackDec01.htm>



Stage -3 Monitoring and evaluation of Project

Monitor the Project

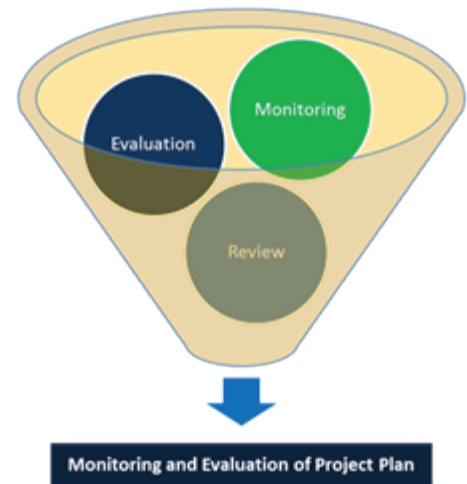
Regular meetings enable the FEG to monitor progress of project. At these meetings check for any challenges or problems with the project progress, conflicts that may have arisen and any new opportunities. Define and plan your next steps to address these issues. During the meetings, try to answer the following questions.

- Are objectives being met?
- Have the objectives changed?
- Are all partners satisfied with progress?
- What needs to change to increase satisfaction or ensure continuing support?

Evaluate the Project

Complete a final review of the project with chain partners. Identify the learning gained and discuss the next steps to establishing a more permanent value chain and relationship. Ask these questions:

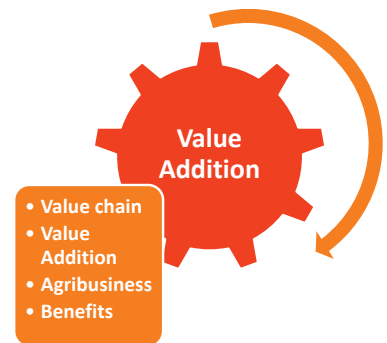
- What was accomplished?
- Can more be accomplished by continuing?
- Can we add to the objectives?



- Are there any new areas we can work on together—cost reduction, safety, quality, new products or new markets?
- What can we do together that can't be done independently?
- Are there any new opportunities?

Value chain and Supply Chain

A 'value chain' describes the full range of activities required to bring a product or service from conception, through the different phases of production,



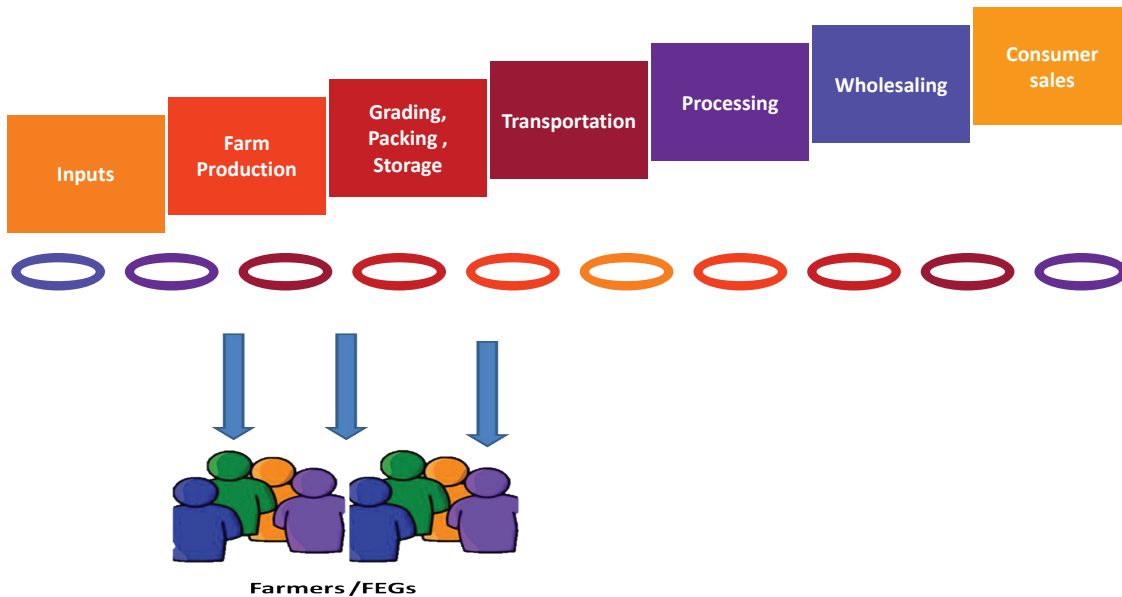
delivery to final consumers and final disposal after use. There's a temptation to use "value chain" and "supply chain" interchangeably, but there is a difference in the concepts that is significant. The value-chain notion has a different focus and a larger scope.

A supply chain is simply a transfer of a commodity from one stakeholder to another in a chained

manner. The value chain is the value addition at different stages of transfer. In different stages of value chain, different stakeholders add value to the product

to increase the end product value.

The basic supply chain model is listed below;



Summary of Value Chain Development Project Stages

	Stage 1: Identifying the Opportunity	Stage 2: Developing a Project Plan	Stage 3: Monitoring & Evaluating the Project
Actions	Assess your and your business readiness	Select your partners/steering committee	Launch project
	Map and evaluate supply chain	Manage key discussions	Meet regularly
	Identify possible opportunities	Develop a project plan agreeing on goals, plans and measures	Monitor
	Evaluate your market	Identify and mitigate risk	Communicate
	Assess resources and capabilities	Define how you will work together (roles and responsibilities)	Build and adapt systems
	Identify a small core group	Establish temporary organizational structure for steering committee	Identify new opportunities
	Provide basic value chain information	Financial contracts/legal contracts	Decision to scale-up
		Secure resources	Ongoing relationship development
		Build relationships	
Who	A core planning group	Required partners	Alliance partners
	A few trusted potential partners		
Outputs	Increased value chain knowledge	Market and business assessment	Post project evaluation
	Opportunities identified	Partner's commitment	Corporate business structure established
	Assessment of resources, risks and capabilities	project plan	Adapt and build
		Organizational structures and written agreements where required	
		Resources allocated	
		Contingency plan	
Resources	Financial	Financial	Financial
	Physical	Physical	Physical

	Stage 1: Identifying the Opportunity	Stage 2: Developing a Project Plan	Stage 3: Monitoring & Evaluating the Project
	Human	Human	Human
	Intangible	Intangible	Intangible
Significant Decision Criteria	Go/No Go Decision Making	Go/No Go Decision Making	Go/No Go Decision Making
	Are you and your business ready to work in an alliance structure?	Is market size appropriate and attractive?	Are deliverables in place?
	Are market size, growth and opportunities attractive?	Is there an attractive competitive advantage?	Are partners committed?
	Do any known killer variables exist?	Are there potential benefits?	Is the market receptive?
	Do the risks outweigh the opportunity?	Are the financial projects in line with financial criteria?	Should we scale up and implement this new business approach?
	Does preliminary market analysis show viability?	Are required resources in place?	
		Are good partners committed?	
		Are identified risks acceptable?	

Value addition in Agribusiness

Transforming traditional farming into business farming has significant benefits and impact on agriculture sector which includes;

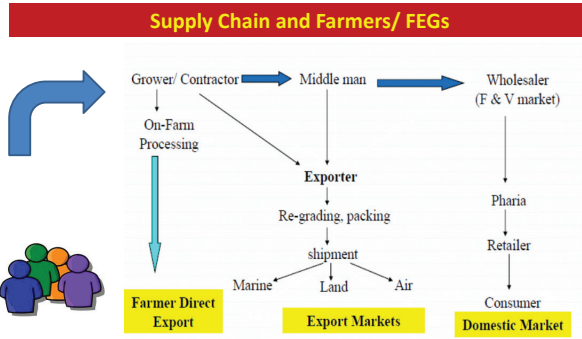
- High value produce
- Increase in efficiency
- Increase in quantity of produce
- Increase in Quality of produce
- Increase income
- Improve livelihoods
- Great harvest and low labour cost
- Skills diversification
- Gaining marketing and business expertise.
- Increased networking and
- More learning opportunities
- Employment creating
- Value addition
- Beneficial for local market
- Reduce wastage
- Opportunity for women to participate in high value activity
- Attractive for youth

Furthermore there are other great benefits which are related to business farming such as value addition through process of changing or transforming a product from local market to regional market, the

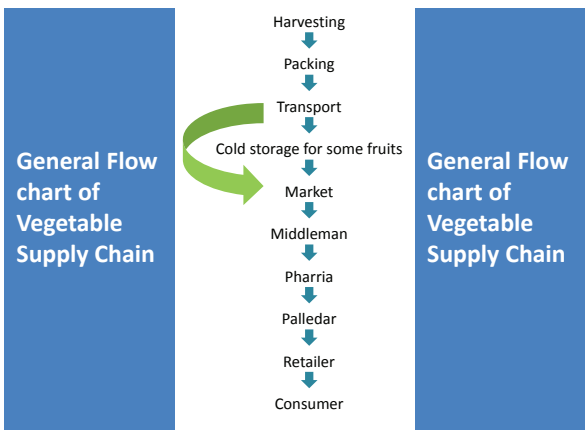


other benefits of business farming through value addition in agribusiness like;

- Innovative new products
- Enhanced product characteristics
- Enhance services
- Create Brand names
- Market linkages



Fruits and Vegetable supply period in Pakistan



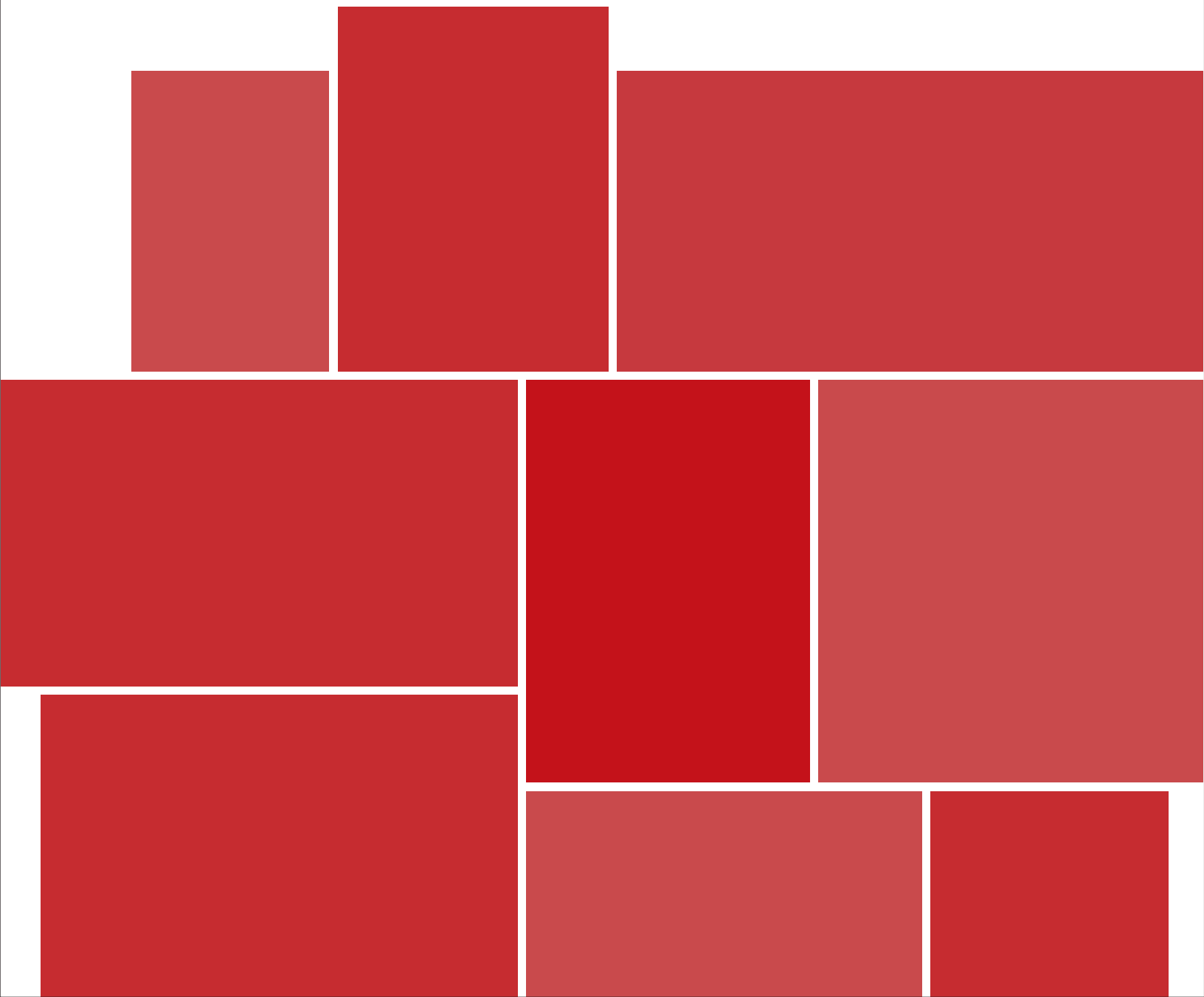
Assessment

Get participants feedback at the end of session against key contents of the session and put frequency against each indicator. If something required further clarification use tea time or lunch time to clarify things and also discuss in the review session of next day.



Indicators	😊	😐	😞
Value Chain Approach			
Rewards of Value Chain			
Your Readiness to adopt value chain approach			
Stages in Building a Value Chain			
Value Addition			
Opportunity identification			
Project Development			
Monitoring and Evaluation			
Value addition in agriculture			

Organization, Leadership and Management





Objectives

At the end of session participants will be able to

- Explain Farmer Enterprise Groups and Importance
- Group Dynamics and Governance in FEGs
- Orient about Leadership Development in FEGs
- Maintenance and Record Keeping
- Collective Marketing
- Enterprise Development
- Explore on and off farm value addition
- Sensitized about Business Planning and Marketing



Contents

- Groups, Farmer Groups and Farmer Enterprise Groups
- Importance of Farmer Enterprise Groups
- Purpose and functions of FEG
- Process of forming Cluster and higher level organizations (association) of FEGs
- Roles and Responsibilities of an FEG
- Monitoring and Evaluating the FEGs Progress
- Governance
- Leadership Development at FEGs
- Negotiation skills, Conflict Management and Resolution
- Farm Management, Record Keeping
- FEGs and Enterprise Development
- Value Addition
- Why market as a group?
- Advantages of Collective Marketing



Training Methodology

Brainstorming, small group discussion, interactive discussion, Presentations, and role play.



Procedure

- Welcome the participants, and establish link with the previous session “value chain approach” and share the objectives of the session with the participants. Make sure your eye contact with all the participants.
- Then start the day's session by writing the title of session “organization, leadership and management “on the white board. Share objectives of the session with the participants and link with the sub contents of the session which will be discuss to achieve the objective.
- Write the two words “Group” and “farmer group “on the white board and Invite participants to brainstorm on what the word ‘group’ and “farmer group “means. List their responses on the flipchart. Based on participants’ input, extract a definition of ‘group’ and “farmer group” that includes at least the following elements:
 - » People rather than things
 - » Size, i.e. two or more persons
 - » Purpose – members have a common goal or goals
 - » Interaction, i.e. members interacts to pursue the goal of the group.
 - » Peoples institution
 - » Collective working
 - » Forum for experience sharing
 - » Relationship building
 - » Farmer groups provide a forum to share experiences and learn from one another.
 - » Group pressure tends to stimulate adoption of knowledge and change to improved practices.
 - » Increases farmers’ opportunities for participation in development programmes.
 - » Promotes inter-personal relationships and collaboration.

- » Encourages better management of shared resources.
- » A farmer group can act as security for loans (group guarantee).
- » Gives farmers a 'voice', which they may use to influence policy
- Ask participants that what is an “enterprise” and list the responses on the board, these responses would reflect a general understanding of the participants about the term “enterprise”. Share a standard definition of enterprise as stated below;

Enterprise

A enterprise is any type of agriculture based operation that is involved in providing products/ goods or services with the anticipated outcome of earning a profit. Its broad nature allows the term to be applied to any type of company or firm that is geared toward generating revenue by selling products of any type.

Farm enterprise

A farm enterprise is a component of a farm business. For example a farm may include a livestock enterprise and a dairy enterprise. As enterprises are established and run by entrepreneurs, it is therefore important to understand what is an entrepreneur (in our case, these are farmers with particular interest, skills, passion, knowledge and clear goals).

Farmer Enterprise Group (FEG)

FEG is established and managed by a group of individual farmers in order to meet the mutual needs of its owner/ members. Ideally this should be an organized farmer group who will work alongside service providers to implement specific agro-enterprise project in selected value chains.

Entrepreneur

An entrepreneur is a determined and creative leader, always looking for opportunities

to improve and expand his business. An entrepreneur likes to take calculated risks, and assumes responsibility for both profits and losses. An entrepreneur is passionate about growing his business and is constantly looking for new opportunities. To become successful FEG members, the farmers need to have this attributes of a successful entrepreneurs. Entrepreneurs are also innovators. They always look for better and more efficient and profitable ways to do things. Being innovative is an important quality for a farmer-entrepreneur, especially when the business faces strong competition or operates in a rapidly changing environment.

It is also important to understand that in our project, A Farm Enterprise is any commercially viable agribusiness, operated primarily by individual farmers in conjunction with a bona fide agricultural, horticultural, pastoral or aquaculture operation and is involved in processing of raw agri products for human consumption or semi-processing for production of additional value added products. Activities of a farm enterprise may include secondary processing and/or retail sale of agricultural, horticultural, or cultural products as well as other activities.

- Ask participants about “farmers enterprise group” and list the responses on the board, these responses would be more focused on the business, products and enterprises, explain the meaning and differences of group, farmer group and farmer enterprise group.
- Write the definition on the flipchart and display prominently. Ask the participants to use this definition to identify types of groups that exist in their community. Give participants a few minutes to think about this. Also explain the history , importance and purpose of the farmer enterprise

groups.

- To demonstrate the benefits and function of working as a group, invite four participants to come to the front of the training hall to take part in a game. Place a glass of water in front of each of the four participants, and ask them to lift the glass off the table using only their index finger. When they cannot do this individually, suggest that they work together. If all four use their index fingers at the same time to lift one glass they will be successful. Ask participants what this demonstration shows about the advantages of working as a group. Are there other advantages to working as a group? Write responses on the flipchart.
- Ask the participants about “characteristics of an FEG”, discuss the points shared by the participants and try to organize them in following categories. In case participants identify any characteristic which cannot fit into following four categories, add it in additional category (which can be given a name or called “Other characteristics”)
 - » Organization and management
 - » Experimentation and innovation
 - » Basic Market skills
 - » Sustainable production and Natural Resource Management
- Once you have grouped all the identified characteristics, share those following characteristics of each category which were not mentioned by the group and briefly discuss them.
 - » Organization and Management: A functional FEG
 - > Has a shared vision
 - > Has mutual trust
 - > Is capable of resolving internal conflicts
 - > Sustains and shares learning internally
 - > Has democratic management and

the capability to follow its own internal rules

- > Is inclusive
- » Experimentation and Innovation: FEGs with good experimentation and innovation skills:
 - > Can experiment using simple comparisons
 - > Keep a register of important data about the experiments
 - > Involve other people in the experiment who have knowledge or experience useful for evaluating an innovation
 - > Create market opportunities rather than simply reacting to them
 - > Share the results of an experiment among all people who need to know them
 - > Are proactive in seeking new ideas
- » Basic Market Skills: FEGs have good basic market skills when they can:
 - > Identify and analyze profitable market opportunities
 - > Collectively market their products
 - > Add value to their products to satisfy customer demand (for example, better market presentation)
 - > Build a network of market relationships with buyers and suppliers
 - > Keep records that track their costs, income and profitability
 - > Adapt production and post-harvest practices to meet market demand
- » Sustainable Production and Natural Resource Management (NRM): FEGs have good NRM skills when they
 - > Have the capacity to visualize the interconnections between their own farms and the landscape
 - > Have the capacity to interact and

- negotiate with other households and communities about natural resource use
 - › Design and implement effective rehabilitation plans for natural resources
 - › Have collective rules to effectively, efficiently and fairly manage their natural resources. Efficient and fair management of natural resource means to manage crops to decrease erosion and the loss of fertility; optimize the capture, use and protection of water resources; avoid over exploitation and promote the diversity of flora and fauna
- After sharing FEG formation process with the participants, now ask question to the participants that “what will be the role, responsibilities of the FEGs, divide participants into groups of about five and let each group brainstorm on the questions. Allow groups about 15–20 minutes to come up with answers. Call back the groups and let a spokesperson from each group present the answers to the participants. Encourage participants to provide examples where appropriate. Where necessary, supplement the discussion with the support of handout “role and responsibilities of FEG and Characteristics of FEG.
- Discuss the concept of governance and group dynamics with the participants and supplement the discussion in the light of handouts on” governance and group dynamics.
- Discuss the role of Leader at FEG, place the participants responses on the board and club into four heads;
 - » Leadership, qualities, characteristics, role, importance, style
 - » Commination and presentation
 - » Conflict management and team building
 - » Negotiation and team building
- Conclude the discussion by explaining details in the light of handouts.
- Ask participants to share their farming experiences, what kind of issue they normally faced and how overcome. After 10-15 minutes experience sharing explain the concept of farm management in the light of handouts.
- Share that the one of the main reason of conflict in FEG members is related to transparency and transparency can be ensured if FEG maintain proper and complete records of all activates. Ask participants to share their experiences, conclude the discussion by explaining book and record keeping, its importance and how to manage records at FEG level,
- FEG is formed to increase the produce and profitability. Both things are associated with the enterprise development at FEG level. Ask participants to share their understanding about FEG and enterprise development, discuss the concepts of identification of products, market assessment, demand creation, quality and quantity management, linkages, packing, grading and financial management.
- Conclude the discussion in the light of handout “FEG and Enterprise Development”
- Finally, review the session and highlight key points in participatory manner to assess the participants learning.

HANDOUTS

Group, Farmers Group and Farmer Enterprise Groups



A **group** is a collection of individuals who have regular contact and frequent interaction, and who work together to achieve a common goal or goals.



A **farmer group** is a collection of farmers with a common objective or problem to solve, which is often associated with the production and marketing of agricultural products.



A farmer enterprise group

(FEG), is established and managed by a group of individual farmers in order to meet the mutual needs of its owner / members. Ideally this should be an organized farmer group who will work alongside service providers to implement specific agro-enterprise project in selected value chains

capital to undertake initiatives such as joint procurement /sourcing of product / services and marketing. This will help them avail benefits of scale (reduced costs for inputs or better prices for farm produce) and better market access.

- FEGs help lower the delivery costs of government, NGO and private-sector agencies supplying development services to small farmer groups, as well as help affiliated groups in reducing their individual cost of accessing those services and sharing input purchasing, production, processing and marketing costs.

- Once FEGs become self-financing, they can serve as useful mechanisms for broadening

The group exists to solve specific agribusiness support problems, such as securing access to loans, insurance or advisory services.

Importance of Farmer Enterprise Groups

It is an organized Farmers Group who will work alongside service providers to implement specific agro enterprise projects in selected market chains (already identified under TAP). Within a given market chain, service providers can be local entrepreneurs or businesses who aim to provide business development services. Farmer Enterprise Group, offer farmers a way of learning to work together to solve agronomic and other problems, particularly focusing on procurement, processing, marketing of products in a collective manner to increase their productivity, efficiency and profitability. Some of the important aspects related to formation and strengthening of FEGS are

- FEGs give farmers time to work out what is in their best interests and build social

the outreach of government and NGO development programmes at little or no additional cost.

- FEGs help build rural social capital, as they strengthen collective self-help linkages at local level that encourage broad-based community participation, cooperation and collective action on many fronts: economic, social and political.
- Joint efforts through the platform of FEGs, allows farmers to share ideas, take innovative steps that help increase profitability and also share risks
- A final advantage, in promoting such organizations, is that once FEGs are in place, actively functioning and largely self-supporting, they tend to attract additional outside development resources and services.

Purpose and functions of FEG

The main aim of the group is to unite separate and independent farmers, in order to help them pool their activities, become more competitive through



economies of scale and so increase their individual income and security on the market.

Functions

FEGs are usually established at the community level with an average of 15 farming households, and are engaged primarily in livestock breeding and project focused horticulture value chains. The incentives for farmers to be united in FEGs lie in the potential to:

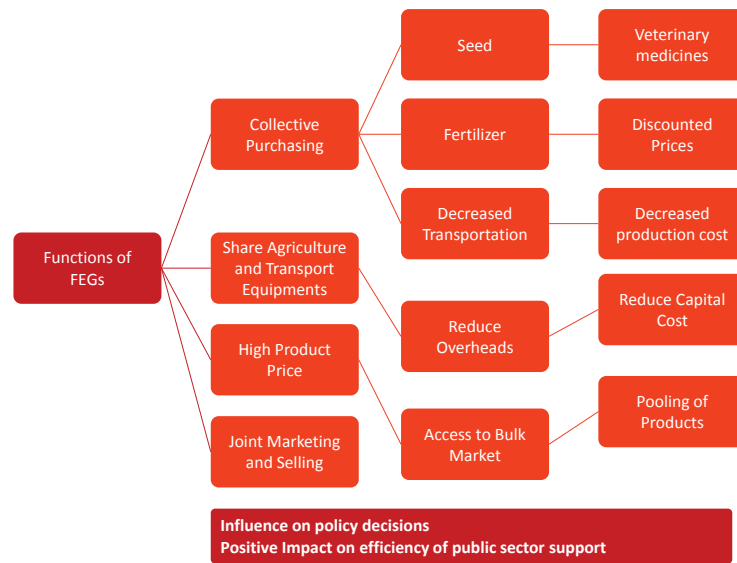
- Purchase agricultural inputs collectively. Purchase of inputs like seeds, fertilizers, veterinary medicines by a group of people and in bigger quantities results in discounted prices and decreased transportation costs, leading to reduced production costs
- Share agricultural and transportation equipment. This helps with efficient use of equipment, and reduces overhead and capital costs for the farmers
- Sell agricultural products at a higher price, access bulk markets and reduce transaction costs. Farmers can achieve this by pooling their products and selling them together
- Maintain updated market information at local, regional and national level markets
- Lobby their interests with the local and national government more successfully, ensuring their needs are addressed in policy decisions
- Receive extension and other services from government more efficiently.

Process of forming Cluster and higher level organizations (association) of FEGs

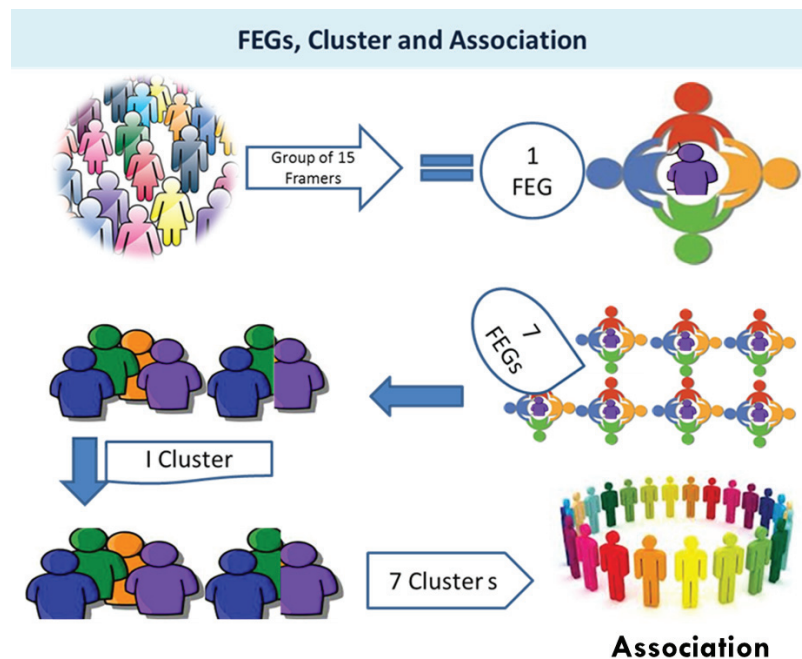
Once FEGs are formed and received general managerial and entrepreneurial training, FEGs will form a Cluster Level organization according to Value chain and geographic location / proximity. It is anticipated that seven FEGs will form one cluster and

from seven clusters one Association will be developed and registered. For the formation of Cluster Organization, each FEG will nominate its members who will form the general body of a Cluster. A guiding principal in this process is that each FEG may nominate two persons to form general body of a Cluster. The General Body of Cluster will then select executive body of the Cluster by electing / selecting atleast three office bearers i.e, President, Finance Secretary and Marketing specialist. The members of General or Executive body may vary in different regions however, two conditions must be followed by all FEGs – 1) Each FEG nominate two members for the general body of a Cluster 2) Each general body of a Cluster must select / elect at least 3 members for the executive body of a Cluster. The office bearers for the Executive committee may be selected for a fixed term of 2 – 3 years, after which another general body selection process would be initiated and new Executive Body of the Cluster will be developed. This may include members of the old Executive Body as re-elected / selected or fresh members.

These clusters will essentially work for FEG / FEG members to help farmers in better marketing of their farm produce, strengthen value chain, improve Backward and forward market links (with suppliers and buyers) and value addition of their products. These clusters will also establish links with other clusters and try to establish Associations. On an average, seven Clusters will form one Association which should ideally be a registered entity. Once registered, these legally



registered Associations will also be able to apply for Association Grants from the Agribusiness Fund (ASF), directly. And there will be other opportunities where these associations can access funds to support and expand their entrepreneurial initiatives. Following figure explains the formation process of FEG, Cluster and Associations.



Developing the Cluster and Association Management through Education and Action Learning

An essential part of community empowerment is to help educate the leaders and members in management principles covering planning, implementing, and monitoring their projects and programmes. The following empowerment methods may be useful:

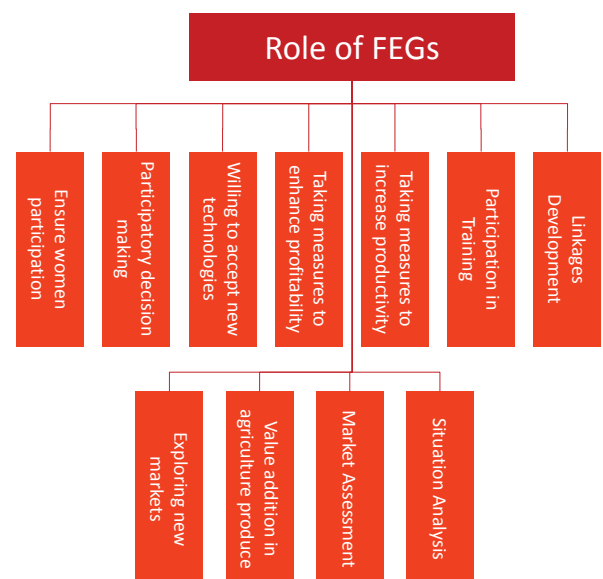
- Educating. Organize formal and informal learning activities.
- Leading. Help the leaders to lead and to learn from their actions by reflection as a team.
- Mentoring and supporting. Help the members initially by mentoring or supporting them in their planning and implementation stages.
- Providing. Obtain the services of other stake holders, Clusters, Associations or FEGs and Group Mobilizers in providing various services to nurture the Clusters in the early stages of development.
- Structuring. Help the Cluster / Associations to structure their meetings and various participative planning activities and to learn from their experience through reflection.
- Actualizing. Help them to reflect on the process of managing their Cluster / Association. Learning by doing can help them in self-actualization.

Roles and Responsibilities of an FEG

Major role and responsibilities of an FEG are

- Assess the market situation and change farming practices according to the market demand
- Establish market links and linkages with other relevant institutions

- Participate in training activities organized by the Project
- Encourage other small farmers to join the group
- Take measures to increase productivity and profitability of its member farmers through adoption of new technologies and innovation
- Build capacity of its member farmers through information sharing and skills development
- Participatory decision making
- Ensure participation of women
- Record keeping, and open a bank account for financial management
- Find new markets
- Value addition in their agri produce.
- Roles and Responsibilities of a Cluster



- Major role and responsibilities of a Cluster are
- Share experiences of different FEGs within the group
- Joint efforts for purchase of inputs at competitive rates, improve quality of inputs, test new varieties and capacity building of farmers in improved agricultural practices.
- Joint action plan and its implementation for value addition in their farm produce and its marketing
- Linkages with other key stakeholders including service providers, input suppliers, processing agents / units and other market players (buyers). These cluster would also establish linkages with Line agencies, departments and organizations to further improve their value chain initiatives, farm produce, and other steps involved in Value Chain (explained in previous module)



with the responsible and concerned people.

- It is important to take action against any negative influences. These monitoring or reflection processes help strengthen FEGs and avoid self-defeating problems.
- The success of the FEGs can be evaluated by measuring the increase in the members' productivity, the increase in their net income, and the net reduction in the cost of cultivation due to bulk purchases of inputs by the organization. It is essential to conduct monitoring and periodic evaluations.

Monitoring and Evaluating the FEGs Progress

- Usually evaluation is done annually to meet formal requirements. But FEGs can reflect on their activities more frequently so that they learn and improve their management skills. They need to watch for people who want to take over the FEGs for their self-interest.
- For monitoring it is important to see whether input, process and outputs are as per agreed schedule or not. In this regard, the first step for monitoring will be to see if the FEG formation and operations process are as per agreed methodology or not, any deviations should be recorded, reflected upon and remedial measures be taken.
- FEGs would also develop their plans, in terms of future activities and their performance will be monitored against these plans and any identified gaps will be shared

Governance

Aspects of good governance

Good governance includes:

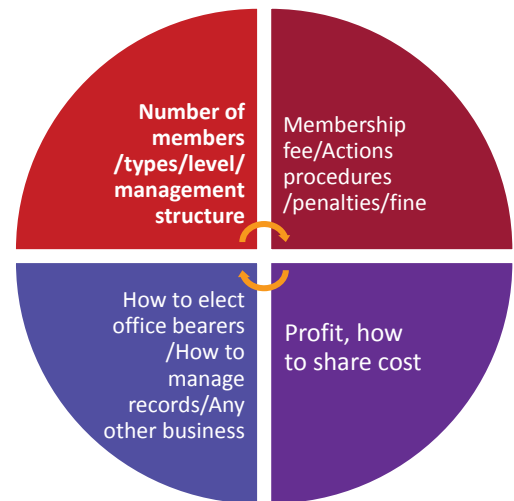
- Regular, independent elections/Transparent Selection. Group members periodically choose officers to lead the group.
- Transparency. All information is open and freely available to all. For example, group meetings are open to all members, financial records may be reviewed by any member, and rules and decisions are open to discussion. When activities or decisions are transparent, it is more difficult for individuals

- to take advantage in their own interest.
- Bylaws. The group may also decide on bylaws (internal rules) to say how it does particular things.
- Record keeping. Good records help the group monitor its progress, review discussions and agreements, keep track of expenses and earnings and prepare financial reports.
- Good communication. Good communication among group members helps them to participate in group activities and decision-making.

Characteristics of organized, successful and sustainable FEG

- Members have a common interest, clear goal, objective and action plan
- Average size of membership is 15-20 Not necessary
- FEG should have an organizational structure with clear objectives
- Has a constitution or a written record of the purpose and rules which are observed by all members to guide them on how the group is to run and outlines members' responsibilities.
- Has good leaders elected by members with a focus on keeping the group together. A group with good leaders often succeeds.
- Has a name, physical address, office and registered (progressive) as a legal entity
- The group should have no political agenda
- Group should be able to identify new potential markets and ready for collective marketing under FEG umbrella
- Keeps proper records for transparency
- Members make financial contributions and group savings, which helps build a sense of ownership.
- It has honest members who work hard to achieve their objectives
- Holds regular meetings and takes minutes

- Members participate in decision making, activities and share benefits
- An FEG should be willing to sign Terms of Partnership



FEGs Bylaws

Leadership Development at FEGs

Leadership

FEG needs a management committee made up of a Manager, Assistant Manager, and Book Keeper, However, other members may also have hidden but valuable skills; all the skills and abilities of the individual members should be used as far as possible.



A group can exploit these abilities by rotating the leadership positions among the members. The performance of FEG as a team will be enhanced efficiency, effectiveness, quantity and profitability from farming business.

Qualities of a good leader

Good leaders have many personal qualities. Here are some of them:

- Exemplary character. A leader must be honest and impartial and must earn the trust and respect of others. They trust the leader to take responsibility for the group.
- Vision. Vision gives direction and builds cohesion among the group members. People trust a leader who knows where they should go and how to get there.
- Enthusiastic. Leaders must inspire and motivate the group members, and must convince outsiders about what they do.
- Team player. At the same time, leaders must be part of a team working towards the group’s goal. Good leaders work well with other people, and lead by example.
- Confident and purposeful. People look to a leader for leadership. That means ability to make decisions, an ability to inspire confidence in others, and the talent to draw out the best efforts of the team and to get things done well.
- Good communicator. Leaders must be able to communicate well with the group members. They listen to what everyone says (not just to a few people), and explain themselves clearly. Calm, focused and analytical. Good leaders manage crises by staying calm, and keeping the main goal in

mind.

- Knowledgeable. Good leaders do not need to be experts. Rather, they must have a good understanding of the problems that group members face, and should have ideas. They can draw on other people for the specific skills needed to solve the problem.
- Participatory. To lead a group of farmers, a leader must make it possible for all the members to voice their ideas and contribute to the group’s goals.

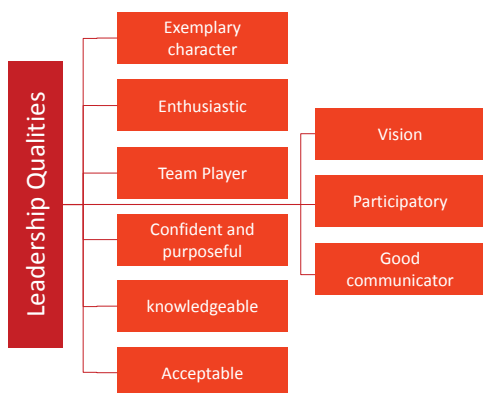
Leadership styles

There are many different types of leadership. Some are better in certain situations; others are more suited to other circumstances. Sometimes it is useful to combine styles.

Here are three of the main styles.

- Leaders who command. They make decisions on behalf of the group, and allow little or no discussion with group members. This may be necessary in times of trouble, but normally it does not encourage the group to grow in confidence and skills.
- Leaders who consult. These leaders encourage discussion, and then make a decision on behalf of the group.
- Leaders who enable. These leaders set certain limits, but enable members to discuss and make their own decisions within these limits. This is also known as participatory leadership. Participatory leadership is not appropriate for all groups or all occasions, but it is particularly important for working with communities and smallholder farmer groups.

There is difference between leader and manager, each have different characteristics and attributes. At FEG, local communities /small farmers also have great



potential to manage their enterprise development activities, we can see that community activities have great motivation to transform the lives of the poor farmers and this motivation can play role of good leader and their skills will be polished through the different capacity building activities

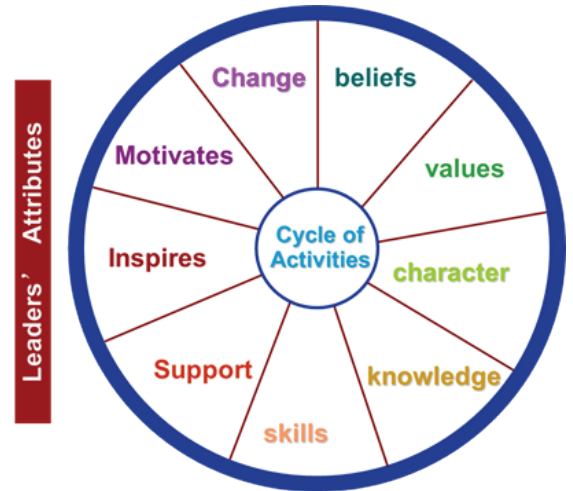
What is participatory leadership?

Participatory leadership is like the flying geese. All members have the same chance to participate, and all members can become leaders. Rotating the duties gives all members a chance to develop their leadership skills. That makes the group more effective and promotes further participation. Participatory leaders encourage everyone to be fully involved in the group affairs by keeping them informed, by delegating tasks, and by having open discussions.

Advantages of participatory leadership

Participatory leadership has many advantages:

- Group members are more satisfied



- They have a chance to develop their skills
- They are motivated to work hard

Who can become a leader?

Leadership is about behavior first and skills second, anyone can become leader in FEG if he/she have attitude, behavior and appropriate skills. Literacy and numeracy are important, though: it's difficult to be a treasurer if you cannot add up or a secretary if you cannot read and write.



Negotiation style

Where one do not expect to deal with people ever again and do not need their goodwill, then it may be appropriate to “play hardball”, seeking to win a negotiation while the other person loses out.

Negotiation style

Where there is a great deal at stake in a negotiation, then it may be appropriate to prepare in detail and legitimate “gamesmanship” to gain advantage.

Negotiation skills

Effective negotiation helps to resolve situations. The aim of win-win negotiation is to find a solution that is acceptable to both parties, and leaves both parties feeling that they've won, in some way, after the event. This required due to following aspects;

- When one feel that someone is continually taking advantage of him/her?
- When one seem to have to fight ones corner aggressively, or ally with others, to win the resources one need?
- struggle to get what one want from people whose help is needed, but over whom one have little direct authority?

There are different styles of negotiation, depending on circumstances.

Neither of these approaches is usually much good for resolving disputes with people with whom one have an ongoing relationship: If one person plays hardball, then this disadvantages the other person – this may, quite fairly, lead to reprisal later. Similarly, using tricks and manipulation during a negotiation can undermine trust and damage teamwork. While a manipulative person may not get caught out if negotiation is infrequent, this is not the case when people work together routinely. Here, honesty and openness are almost always the best policies.

Preparing for a successful negotiation

FEGs are required to take appropriate measures to strengthen team work and reduce internal and external conflicts, in case of any conflict situation, depending on the scale of the disagreement, some preparation may be appropriate for conducting a successful negotiation. For small disagreements, excessive preparation can be counter-productive because it takes time that is better used elsewhere. It can also be seen as manipulative because, just as it strengthens your position, it can weaken the other person's. However, if one need to resolve a major disagreement, then make sure you prepare thoroughly for which following points need to be considered;

- Goals: what do you want to get out of the negotiation? What do you think the other person wants?
- Trades: What do you and the other person have that you can trade? What do you each have that the other wants? What are you each comfortable giving away?
- Alternatives: if you don't reach agreement with the other person, what alternatives do you have? Are these good or bad? How much does it matter if you do not reach agreement? Does failure to reach an agreement cut you out of future opportunities? And what alternatives might the other person have?



- Relationships: what is the history of the relationship? Could or should this history impact the negotiation? Will there be any hidden issues that may influence the negotiation? How will you handle these?
- Expected outcomes: what outcome will people be expecting from this negotiation? What has the outcome been in the past, and what precedents have been set?
- The consequences: what are the consequences for you of winning or losing this negotiation? What are the consequences for the other person?
- Power: who has what power in the relationship? Who controls resources? Who stands to lose the most if agreement isn't reached? What power does the other person have to deliver what you hope for?
- Possible solutions: based on all of the considerations, what possible compromises might there be?
- Style is critical: for a negotiation to be 'win-win', both parties should feel positive about the negotiation once it's over. This helps people keep good working relationships afterwards. This governs the style of the negotiation displays of emotion are clearly inappropriate because they undermine the rational basis of the negotiation and because they bring a manipulative aspect to them. Despite this, emotion can be an

important subject of discussion because people's emotional needs must fairly be met. If emotion is not discussed where it needs to be, then the agreement reached can be unsatisfactory and temporary. Be as detached as possible when discussing your own emotions perhaps discusses them as if they belong to someone else.

Negotiating successfully at FEG

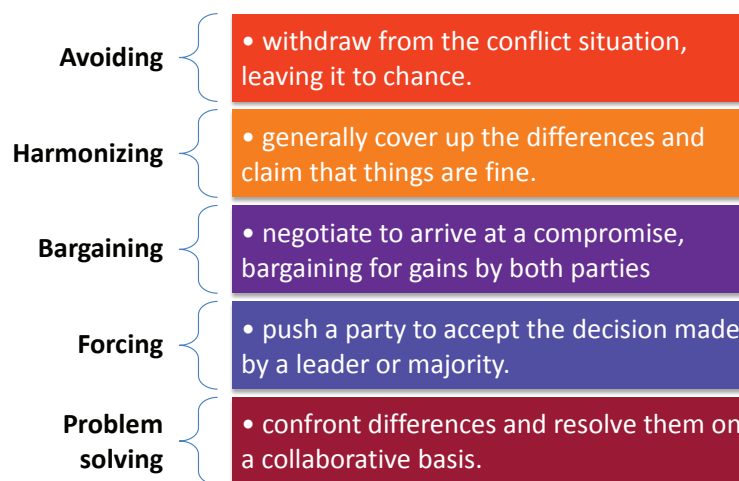
- The negotiation itself is a careful exploration of your position and the other person's position, with the goal of finding a mutually acceptable compromise that gives you both as much of what you want as possible.
- People's positions are rarely as fundamentally opposed as they may initially appear the other person may have very different goals from the ones you expect!
- In an ideal situation, you will find that the other person wants what you are prepared to trade, and that you are prepared to give what the other person wants.
- Only consider win-lose negotiation if you don't need to have an ongoing relationship with the other party as, having lost, they are unlikely to want to work with you again.
- Negotiation skills also help the FEG members while working with different stakeholders related to marketing , procurement, selling, transport, storage, packing, packaging and other related activities

Negotiation at FEG level

- Marketing
- Procurement,
- Selling,
- Transport,
- Storage, packing
- Packaging
- Labour

Conflict Management and Resolution

Differences are inevitable in a Farmer Enterprise Group having members with different experiences, attitudes and expectations. However, some conflicts can support organizational goals. Indeed, too little conflict may lead to apathy, lack of creativity, indecision and missed-out deadlines. Clashes of ideas about tasks also help in choosing better tasks and business deals. These are 'functional conflicts'. Functional conflicts can emerge from leaving a selected incidence of conflict to persist, which can be overcome by 'programming' a conflict in the process decision-making by the group by assigning someone the role of a critic. This also helps to avoid 'group thinking' where group members publicly agree with a course of action, while privately having serious reservations about it. The most difficult conflicts are those arising out of value differences. The most important thing is to understand the real cause of the differences. Yet every resolution of a conflict can also feed a new conflict in a group. It is, therefore, useful to see conflicts as a series of expressions of existing differences within a group, having some links to each other. How effectively a group deals with conflict management largely affects the efficiency level of its functioning.



Conflict Management Style

- Collaborating - Conflicting parties jointly identify the problem, weigh and choose a solution.
- Accommodating - Playing down differences while emphasizing commonalities.
- Competing - Shows high concern for self-interest and less concern for the other's interest. Encourages 'I win, you lose' tactics.
- Avoiding - Either passive withdrawal from the problem or active suppression of the issue.
- Compromising - A give and take approach involving moderate concern for both self and others. Each party has to give up something of value. It may include external or third party intervention.

Managing conflict at FEG

- Allow time for cooling down.
- Analyze the situation.
- State the problem to the other person.
- Leave the person for some time.
- Use a win-win approach.



Factors affecting conflict

- Personality traits affect how people handle conflict.
- Threats from one party in a disagreement tend to produce more threats from the other.
- Conflict decreases as goal difficulty decreases and goal clarity increases.
- Men and women tend to handle conflict similarly. There is no 'gender effect'.

Farm Management

FEG members will work collectively to improve productivity and profitability of their agri produce by improved farming methods, introduction of technologies and innovations. FEG members will help each other in better farm management through improved irrigation water management, collective agri-inputs purchases, improve soil fertility through technical guidance from experts. Seasonal planning of plantation / sowing will be done collectively as per proposed schedule by the technical experts. Collective marketing of the farm produce and collective management of crops waste (raw material). FEG will make collective plans for overall improvement in farm management. The essential elements of the farm management are planning, implementation and control.

The agribusiness environment differs from the most of other business, so good farm management means the difference between productivity/ profitability or suffering a loss. The key components of the farm management are;

- Site preparation
- Crop rotation
- Verity in crops
- Crop husbandry
- Organization and planning
- Wildlife management



- Animal husbandry
- Energy efficiency
- Crop nutrition
- Crop production
- Crop harvesting - pre and post harvest
- Crop management

Record Keeping

Record keeping is the systematic compilation of certain types of information. Reliable and accurate records are used to make better decisions affecting the farm.

It is important for farmer enterprise group members to know what actions have been taken by the FEG, or what or how much has been bought, sold or repaid, baseline of each farmer, what was the contribution of each farmer in the group, profit of each farmer according to their respective contribution. If these actions are not recorded, misunderstandings may develop between members. An important building block in group development, therefore, is record-keeping. Like other processes in group formation, the development of record-keeping is a step-by-step process. Discuss with the members what records are important to keep. Start with the names of the group and its members and incoming money. Later, they should begin to record the minutes of meetings. Remember that records need

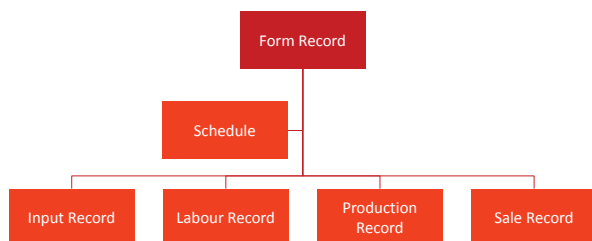
to be understandable to all members, even those who cannot read. If some members cannot read, suggest that records be made using symbols.

It is important for group members to know what actions have been taken by the group, and what or how much has been bought, sold or repaid. The information may be about the group's organization, activities and income.

A record is written proof of what happened, what is happening, or what is anticipated to happen. A record can also be a written proof of what was said, and who said it. Some examples are: minutes of a meeting, a report on the number of group members who worked in the group project, a record of the names of members who have brought in their membership contribution

Farm Record Keeping (value chain enterprise)

Regarding value chain enterprise Farmers/FEGs should record all incomes and costs as soon as they are incurred. These are then summarized periodically, e.g. by week, month, quarterly or annually. By comparing annual income to annual costs, you can determine whether you have made a profit or a loss over the year. Prices received from buyers every time a sale is made. This will help identify periods during the year when higher prices can be obtained, or buyers who offer a better price. With this information, farmers can adjust production so that they have more produce available when prices are higher. Yields obtained and total sales (by volume and price) for products in order to enable



comparison with previous years, and forecasting for future years.

Types of farm records

Farm Planning Schedule

This details the planned farm activities and the tentative dates for carrying them out. The schedule should be among the first records a farm manager produces. An example of a farm planning schedule for starting banana production.

#	Activity	Timeframe
1.1	Buying tools and equipment	1st month
1.2	Preparing land including clearing and ploughing	1st month
1.3	Marking the field	1st month
1.4	Digging planting holes	1st month
1.5	Procurement and application of manure	1st month
1.6	Buying plantlets (tissue culture/ suckers/corms)	1st month
1.7	Gap filling	2nd-4th month
1.8	Digging trenches	2nd-4th month
1.9	Mulching	2nd-4th month
2	Routine management (weeding, watering if necessary)	2nd-4th month
2.1	Routine management	5th-11th month
2.2	(e.g. weeding, removing trash, pruning, removal of male bud, irrigation)	5th-11th month
2.3	Selling suckers	5th-11th month
2.4	Routine management	From 12th month onwards
2.5	Looking for markets	From 12th month onwards
2.6	Selling banana bunches	From 12th month onwards
2.7	Selling suckers	From 12th month onwards
2.8	Harvesting	From 12th month onwards

Farm Input Record.

Input record details the materials purchased and invested in the business. This should include the name of the input, the date of purchase, the price of the input, the amount of input(s) obtained, the total expenditure and where possible the expected useful life of the input. Example of an input record for

starting a banana farm.

Input	Date of purchase	Expected useful life	Unit cost	QTY	Total cost
Tissue culture plantlets					
Manure					
Pesticides					
Mulch					
Implements					
Gumboots (pairs)					
Sisal rolls for marking planting holes					
Pegs for marking planting holes					

*Land is an important input in a banana farm. Therefore, land holding (land owned, rented or purchased) could be added along with the costs if required.

Farm Labour Record.

This type of record details the labour used for the various tasks on the farm. Information in the record includes the activities, the period when the activities took place, the duration of the activities, the amount of labour used and the cost of the labour. Example of a labour record for a banana farm

#	Activity	Timing	Duration of the activity	Amount of labour used	Cost of the labour
1	Land clearing				
2	Ploughing and harrowing				
3	Field marking				
4	Digging holes				
5	Manure application				
6	Planting				
7	Weeding and pruning				
8	Mulching				
9	Watering				
10	Harvesting				
11	Grading/packing				
12	Transport				

Farm Production record

This record details the output from the business in a given period. It is advisable to record information in the production records at regular

intervals, e.g. weekly, bi-weekly, monthly or quarterly. Example of a monthly production record for a banana farm.

Month	Quantity produced (bunches)			Quantity consumed	Quantity sold
	Small	Medium	Large		
January					
February					
March					
April					
May					
June					
July					

Sales record

The sales record is used to capture information on the sales made. It should include the volumes of the produce sold, the date of the sale, the average selling price, the type of buyer and the mode of payment. Example of a sales record for a banana farm

#	Date of sale	Quantity of banana bunches sold (by size)			Average price per bunch sold (by size)			Type of buyer, e.g. Local, Trader, wholesaler)	Mode of payment (cash, cheques, credit, etc.)
		Small	Medium	Large	Small	Medium	Large		
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									

FEGs and Enterprise Development

Sustainable enterprises should innovate, adopt appropriate environmentally friendly technologies, develop skills and human resources, and enhance productivity to remain competitive in local, regional and national/international markets'. The process of enterprise development includes marketing, value chain, value addition.

What is marketing?

- Agricultural marketing is about finding out what the consumer needs and then making a profit by satisfying those needs.
- It includes all the activities and services involved in moving an agricultural product from the farm to where it is sold to a consumer.
- This is the value chain that links farmers with consumers. Many people provide services that make the value chain work smoothly.
- This is often thought that marketing begins only after the harvest. The activities commonly associated with marketing include cleaning, drying, sorting, grading and storage, as well as things like transport, processing, packaging, advertising, finding buyers and selling the product.

Market demand

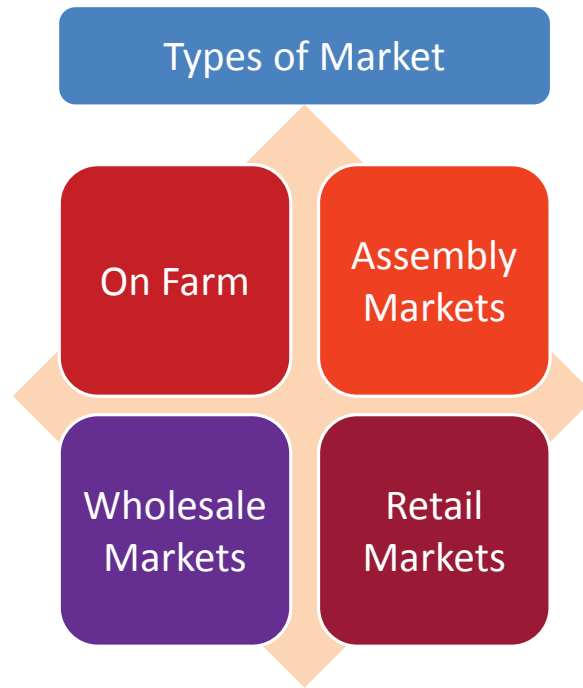
- Market demand is the amount and quality of the product that customers are willing and able to buy.

How supply and demand affect prices:

- If Supply of the product goes up demand comes down
- If Supply of the product goes down, demand will raise

Value Addition

Let us now turn to what happens to a crop after it is harvested. The principles apply to any farm product. We will look at how the farmer can earn more money by doing each of these activities. Adding value is one way farmers can earn more from their product. Below are few examples of value additions:



Drying and shelling

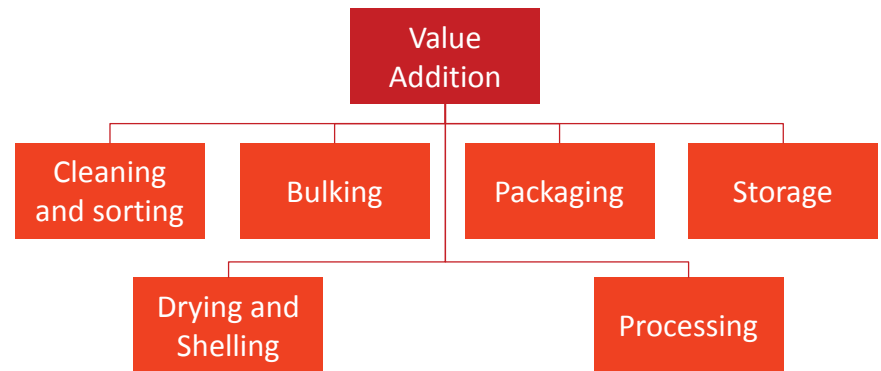
There are certain horticulture produce that have to be dry enough to be stored properly. Many traders will refuse to buy product that contains moisture, or will offer a lower price if it is more than this.

Cleaning and sorting

- Traders often pay a higher price if the produce does not contain foreign matter such as sand, straw, stones or empty grains. They will also pay more for produce that is sorted according to variety, size, color, shape, amount of impurity, and ripeness.
- The farmer (or more likely, his or her children) pick out the straw and stones, and sieve the grain to remove sand and empty grains. Because this is labor-intensive, farmers will do this only if the buyer agrees to pay a premium price.
- But if they want to enter a new market, clean and sorted goods will give the buyer a positive signal.

Bulking

- Many farmers have only one or two sacks of product to sell. But traders find it time-consuming and expensive to negotiate with lots of farmers to buy a small amount of produce from each
- A group of farmers through FEG bring their sacks of products to a central point in the village, so they have enough to fill a pickup or truck. They negotiate with a bigger trader, who pays more per kilogram for the convenience of buying a single load. For many farmers this is one of the simplest and most effective ways of increasing the value of their goods



decide when to sell the grain to get a good price. For storage to be profitable, they must receive a price that is higher than the costs of storage, and that takes any losses into account.

Processing

- It is possible to add value to many crops by processing them into other products. For example, milled rice fetches a higher price than paddy, cassava flour is worth more than roots, and meat is worth more than live animals.

Packaging

- Most products need to be packaged if they are to be sold in a market. Packaging prevents the product from being damaged, contaminated or stolen.
- Standard-sized sacks or crates make it easy to keep track of how much produce there is. It is possible to label such packaging with the name of the farmers' group – though this is rarely done for low-value commodities.

Storage

- Prices are low immediately after harvest, so if possible, it is a good idea to store products until the price has recovered. Sometimes it is necessary to store for a few weeks until the price is right.
- The farmers monitor market prices to

Why market as a group?

Example: A case

You arrive in the village with your pickup, and there is one farmer waiting there with 10 sacks of vegetables. That is only one-third of the load your pickup can carry. You either have to drive all the way back to town with a mostly empty vehicle, or you have to find some more farmers to buy from.

The first farmer tells you there are other farmers in the village growing onions. You go to find these farmers to see if they have onions for sale. The first asks you to come back tomorrow when he has finished harvesting. The second has harvested already, but her vegetables are a different size and quality from those already on your pickup. A third



insists on a higher price than you are willing to pay. And the fourth – well, last year you bought onions from him, and you found a lot of stones in the bottom of his sacks. Driving around and negotiating with all the individuals takes a lot of time and you end up with a pickup only half-full of onions of differing types and quality, which will be difficult to sell once you get to town. How much easier it would be if you could just fill your vehicle at one place, with sacks filled with produce of uniform size and quality! You have even heard of some farmers who call the traders in the town when they are ready to sell! You would be prepared to pay extra if the farmers could just get Organized and make this possible. And it would be even better if you could pick up a load of onions each week: that way you could keep the buyers in town supplied with fresh onions throughout the season.

You have harvested your onions, and are waiting for the trader to arrive. When he turns up three hours later than expected he offers you a price that is lower than you had hoped. In fact, it's only just above your cost of production. You have a choice: sell now, or hope that another trader comes along and offers you a better price. What do you do? The answer to both the trader's and the farmer's problems is collective marketing. This is where farmers get together and market their output as a group.

Advantages of Collective Marketing

Bulk selling has several advantages for both the farmers and the trader

Bigger volumes

Farmers can pool their output (this is called bulking) so traders can buy more at the same time and can fill up their vehicles or stores more easily.

Uniform quality

Traders do not want big and small, ripe and unripe produce all mixed together. They want the produce they buy to be the same size and quality, and are free of dirt, sticks and other impurities.

Reliable sellers

Pests can attack a crop, the weather may spoil the harvest, and the farmer may fall ill. Many things can come in the way of a successful trade. But they are more likely to happen to an individual farmer than to a group.

Reliable buyers

Reliability works the other way too. If a trader knows there is a big consignment waiting, she will make sure to pick it up as promised and will pay the agreed price. By selling collectively, the farmers can be more confident that the buyer will be reliable.

Continuous supply

Many traders want a continuous supply of a product throughout the season. Bulked, cleaned and graded produce is more valuable, so traders are usually more willing to pay a better price for it. But by organizing

as a group, the farmers improve their bargaining position – for example by negotiating with several potential buyers for the best terms and conditions.

Organization

Marketing collectively means that farmers have to get organized. But organizing brings other benefits: farmers can learn from one another, improve the quality of their produce, set up savings-and-credit arrangements, buy bulk inputs, and so on. Marketing collectively can be a good way to start a farmers' group or strengthen an existing group.

But remember: Not all products and farmers benefit from collective marketing. Monitor the market and advise the farmers' group whether collective marketing is a good idea. Collective marketing does not mean collective production! Farmers should still grow crops and raise animals as individuals. It is only at the time of sale that the product is brought together and offered for sale.




Organizing collective marketing

It is not practical for all FEG members to negotiate with buyers. So advise the group to nominate a team of two or three members to negotiate with traders on behalf of the whole group. The marketing team should include the Manager or Assistant Manager. Having two or three people on the team is a good idea to ensure transparency and trust and to reduce the risk of the representative cheating the other members.

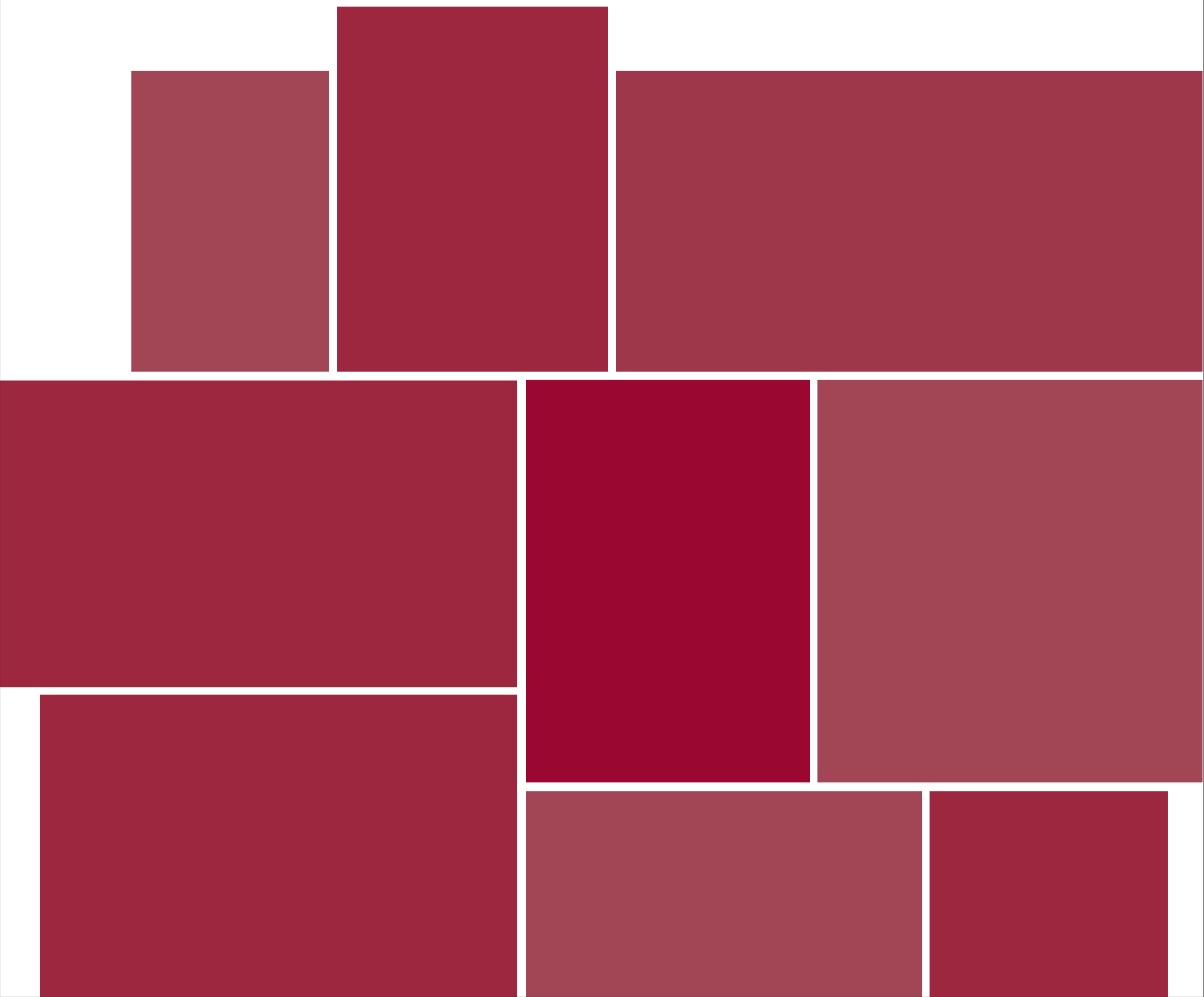
Assessment

Get participants feedback at the end of session against key contents of the session and put frequency against each indicator. If something required further clarification use tea time or lunch time to clarify things and also discuss in the review session of next day.



Indicators			
Farmer Enterprise Groups			
Benefits of FEG			
Leadership			
Communication and presentation skills			
Conflict resolution and team building			
Negotiations			
Farm Management			
Record Keeping			
FEGs and Enterprise Development			

Business Development in Agribusiness





Objectives

At the end of session participants will be able to

- Explain different types of Business
- Understand Steps for development of business including Business Development Cycle
- Orient about Business model and Business Categories
- Identification of Business/Entrepreneurs Skills and its importance
- Sensitized about Business Planning and Marketing
- Explore portfolio of Agribusiness and value chains
- Understand basic characteristics of Strong Business Relationships and entrepreneur



Contents

- Business Development in Agribusiness
- Business and its types
- Steps for development of Business
 - » Business model; identification, selection, what, why and how, feasibility, finance, business plan, resource mobilization and management etc.
 - » Market awareness (trends, position, competition)
 - » Competitive advantages
 - » Strategy screen
 - » Big question (opportunity and challenges)
 - » Starting of Enterprise /Implementation
- Business Categories - income saving, Income generation, self-employment, entrepreneurs
- Identification of Business/Entrepreneurs Skills and its importance
- Business Planning
- Marketing
- Agribusiness
 - » Portfolio of agribusiness value chains

- » Benefits of value chain to small scale farmers/FEGs in Agribusiness
- Characteristics of Strong Business Relationships
 - » Trust
 - » Decision-Making Process
 - » Interdependence
 - » Commitment
- Characteristics of an effective entrepreneur



Training Methodology

Brainstorming, small group discussion, interactive discussion, Presentations, and role play.



Procedure

- Welcome to the participants, link this session with the previous session'' leadership, management and organization'' list key learning points and discuss that why leadership and management important for business and how important FEG , cluster and association in development of business at local level.
- Ask participants to share their understanding about the'' business development in agribusiness'' and list key points of participant's responses on the white chart. Accordingly conclude the discussion by sharing definition of business development in agribusiness'' and also elaborate different types of the business associated with the agribusiness.
- Divide participants into three groups and ask them to discuss and list different types of business existing in their respective union council, tehsil and districts. Each group will present their list , accordingly consolidate the list and divide into following four categories
 - » Production
 - » Processing

- » Trading and
- » Services
- Discuss concept of different business cycles with examples e.g. crop cycle, life cycle, etc.. explain the concept of business cycle and different steps for development of business and also explain the following key areas;
 - » Business model; identification, selection, what, why and how, feasibility, finance, business plan, resource mobilization and management etc.
 - » Market awareness (trends, position, competition)
 - » Competitive advantages
 - » Strategy screen
 - » Big question (opportunity and challenges)
 - » Starting of Enterprise /Implementation
- Place the participants presentations which they have developed on “types of business” and ask them to categories into different categories , Share the concept of business Categories with the participants
 - » income saving,
 - » Income generation,
 - » self-employment,
 - » entrepreneurs
- Conclude the discussion with emphasis on value of entrepreneurs with reference to growth and sustainability.
- Ask participants about the Business/ Entrepreneurs Skills and its importance, list key points on the white board conclude discussion by sharing the skills and importance of entrepreneurs in the light of handouts. Also described about the Business Planning, Marketing and agribusiness portfolio.
- Share characteristics of Strong Business Relationships with the participants and focused pints will be following;
 - » Trust
 - » Decision-Making Process
 - » Interdependence
 - » Commitment
- Ask participants about their daily life experiences and local case studies about the entrepreneurs, in the light of participant's discussion conclude session by sharing characteristics of an effective entrepreneur.
- Review the key learning points before concluding.

HANDOUTS

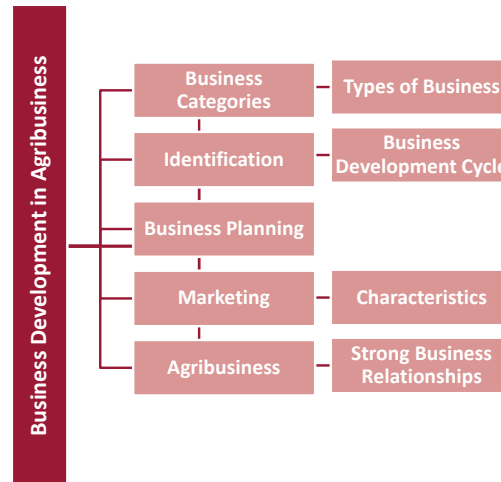
Benefits of value chain to small scale farmers/FEGs in Agribusiness

Important challenges faced by small farmers in improving productivity and profitability are incorporating producers and their product into stable, profitable market channels, and providing them with the necessary services and assistance to allow them to compete in those market channels. In order to reach and impact an appreciable number of small producers associative strategies are indispensable to the implementation model. In order to overcome these issues it is important to enlist private sector stakeholders within each value chain as primary entry and contact points for small producer beneficiaries. This approach will replace, in large part, the project's prior dependence on an illusory scheme of converting small producers to impresarios and their associative organizations to vertically integrated enterprises. The challenge, for implementing Partners is to ensure that small farmers join the FEGs to accomplish this balance they need to,

- determine realistic expectations for small producers' participation in the value chain and prepare them to perform the corresponding functions successfully;
- partner small producers with players in subsequent legs of the journey to market; and,
- foster relationships in which a fair share of production and post-harvest value added.

Business Development in Agribusiness

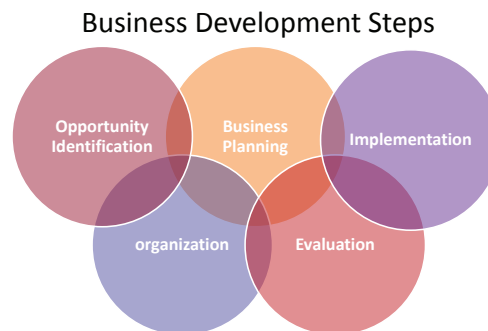
The business development in agribusiness contains business cycle, business types, and categories,



identification of business opportunity, business planning, marketing agribusiness, characteristics and strong business relationship

Business and its types

A business is “any venture which involves production of goods and/or services to obtain profit.”. There are four types of business in rural areas which are production, processing /manufacturing, trading and services.



Steps for Development of Business

The four stages in small business /enterprise development are:

- Opportunity identification
- Business planning

Production	Processing	Trading	Services
<ul style="list-style-type: none"> • Producing goods for selling, e.g. growing fruits and vegetables, livestock rearing 	<ul style="list-style-type: none"> • Converting produce into value added product e.g. fruits into jams 	<ul style="list-style-type: none"> • Buying and selling of same produce and product, e.g. wholesale and retail market 	<ul style="list-style-type: none"> • Main line of business is providing a support service, e.g. harvesting, packaging

- » production
- » marketing
- » finance
- » organization
- Implementation
 - » production
 - » marketing
 - » finance
- organization
- Evaluation
 - » Once an enterprise has completed a business cycle there are three choices:
 - » to open a new business
 - » to continue with the existing business
 - » to cease to operate the existing business

Common Factors to be considered for small business/ entrepreneurs;

Following are the most common factors to be considered for small business /entrepreneurs are:

	Internal Factors	External Factors
Organization and Management	Limited skills in estimating income, shortsightedness, low business consciousness	Lack of information/ education
Implementation Stage		
Marketing	•Lack of market information,	•Market fluctuations/ price control
	•Limited contracts/ lack of negotiating skills	•Information not available
	•Inability to adjust to market changes	
Production	•Problems with quality of product	•No adequate training and advisory service available
	•In-efficient production	
Financial	•No formal record keeping	•Lack of training programs in household budgeting and financial recording
	•Informal profit/loss statements	
	•Mixed accounts of the project with other projects/ household accounts.	

	Internal Factors	External Factors
Planning Stage		
Marketing	No thorough market investigation due to lack of information	Information not available to micro-entrepreneur
Production	Limited technical skills	Government services limited to certain groups; not all micro entrepreneurs reached by technical advisory service of the government.
Financial	Lack of capital	No access to credit

Type of assistance required to the small business holders/ entrepreneurs

Stage of Business	Type of assistance
Planning Stage	Assist in market investigation and provide market information to micro-entrepreneurs
	Linkage with relevant institutes to provide technical skills training
	Training and assistance in business planning for any aspect of the enterprise (production, marketing, financial, management)

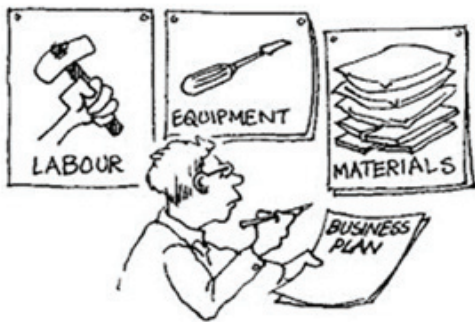
Stage of Business	Type of assistance
Implementation Stage	Link to market to provide timely market information
	Link with relevant bureaus to provide regular technical assistance
	Training, monitoring and assistance in:
	<ul style="list-style-type: none"> ▪ record keeping
	<ul style="list-style-type: none"> ▪ areas in which the entrepreneur is weak, which can be in any aspect of the enterprise (production, marketing, financial, management)
	<ul style="list-style-type: none"> ▪ savings mobilization ▪ Continuous assessment of entrepreneur's needs and ▪ Provision of appropriate training/technical assistance



Developing a Business Plan

Why Write a Business Plan

- To Define and Realize “what business am I in?”



What is a Business Plan?

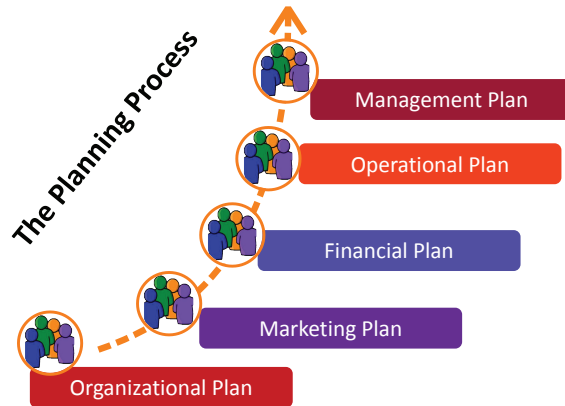
A business plan is a formal statement of a set of business goals, objectives, activities, methodologies, process and outputs, the business plans of small farmers/ FEGs working under “the agribusiness project” contain organizational, production/ operational, marketing, financial and management planning.

Business Plan

- Create A Roadmap To A Successful Venture
- For A Reality Check
- To Provide A Feasibility Test
- To Make Better Decisions
- As A Guide And Measurement Tool
- As A Financial Selling Tool

Before Writing a Business Plan you need to ask yourself the following question:

- What service or product does your business provide and what needs does it fill?
- Who are the potential customers for your product or service and why will they purchase from you?
- How will you reach your potential customers?
- Where will you get the financial resources to start your business?



The Planning Process

There could be two types of business plans need to be developed at FEG; first business plan will be for each individual member and second will be at group level. Following is the parts of group business plan; Cover Sheet, Table of Contents, Executive Summary, Organizational Plan, Marketing Plan, Financial Documents Supporting Documents.

Organizational Plan

- Form of Farming Business
- Owners/Principals
- Name of Farming Business
- Start of Farming Business
- Hours of Farming Business Operation
- Location
- Contact Information
- Business Advisors (Attorneys, Accountants etc.)
- History of Business

Marketing Plan

- Value Chain Overview (Chili, Apricot, Vegetables, Banana, meat, grapes, Citrus, Seed potato)
- Social /Technological Changes
- Demographic Changes
- Economic Changes

- Environmental Changes
- Trends & Barriers in VC sectors i.e, Chili, Apricot, Vegetables, Banana, meat, grapes, Citrus, Seed potato
- Produce/Service
- Unique Characteristics
- Complimentary Products/Services
- Value Added Features
- How Positioned Vs. Competitors
- What Are You Doing Differently
- How Has Product Performed In Market
- Target Market
- Consumer Demographics (Age, Income, Gender, Occupation, Location, Lifestyle etc.)
- Market Size
- Secondary Markets
- Market Capture Projections (Short Term, Medium Term)
- Direct Competition
 - » Their Strengths & Weaknesses
 - » Their Customer Profile
 - » Their Pricing
 - » What Have You Learned From Them
- Indirect Competition
- Marketing Mix
- Promotional Strategy
- Promotional Channels
- Distribution (Location Advantages, Disadvantages, Traffic Flows, Future Plans etc.)
- Pricing Strategy
- Image
- Features

Financial Plan

- Start-Up Budget
- Operating Budget (Covering 3-6 Months)
- Financial Statements
 - » Cash Flow
 - » Balance Sheet
 - » Income Statement
 - » Financial Projections (4-5 Years)

Components of Business Plan

Financial Plan

- Start-Up Budget
- Operating Budget (Covering 3-6 Months)
- Financial Statements /Cash Flow/Balance Sheet/Income Statement/Financial Projections (4-5 Years)
- Detailed Use of Funds.
- How Much financial resources do you need?
- How will you spend it?

Operational Plan

- Current Status of produce
- Any Proprietary Information
- List of Important Suppliers
- Farming Methodology
- Any Significant Costs in farming
- Equipment, Storage, farm Facilities
- Any Trademarks, Patents on Your Produce/ Services

Business Plan

- Cover Sheet
- Table of Contents
- Executive Summary
- Organizational Plan
- Marketing Plan
- Financial Documents
- Supporting Documents

Organizational Plan

- Farming
- Form of Business
- Owners/Principals
- Name of Business
- Start of Business
- Hours of Business Operation
- Location
- Contact Information
- Business Advisors (Attorneys, Accountants etc.)
- History of Business

Management Plan

- Key Management Personnel
- Major Investors/ Shareholders
- Management Team
- Professional Expert
- Human Resources

Marketing Plan

- Value chain Overview
- Social /Technological Changes
- Demographic Changes
- Economic Changes
- Environmental Changes
- Trends & Barriers in value chain
- Product/Service/Unique Characteristics
- Complimentary Products/Services
- Value Added Features
- How Positioned Vs. Competitors
- What Are You Doing Differently
- How Has Product Performed In Market
- Target Market/Consumer Demographics (Age, Income, Gender, Occupation, Location, Lifestyle etc.)
- Market Size/Secondary Markets
- Market Capture Projections (Short Term, Medium Term)
- Direct Competition/Their Strengths & Weaknesses
- Their Customer Profile/Their Pricing
- What Have You Learned From Them
- Indirect Competition/Marketing Mix
- Promotional Strategy/Promotional Channels
- Distribution (Location Advantages, Disadvantages, Traffic Flows, Future Plans etc.)
- Pricing Strategy/Image
- Features

- Detailed Use of Funds.
- How Much financial resources do you need?
- How will you spend it?

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- Current Status of Produce
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- Any Trademarks, Patents on Your Produce/ Services

Management Plan

- Key Management Personnel
- Major Investors/Shareholders
- Management Team
- Professional Expert
- Human Resources

Portfolio of Agribusiness

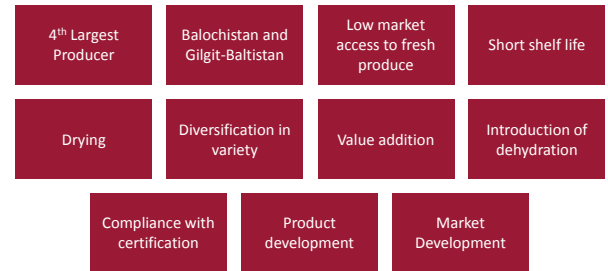
The eight targeted value chains have been identified



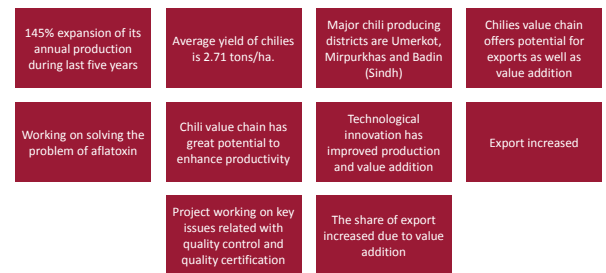
on the basis of an evaluation of the characteristic of each with respect to its potential for achieving quantitative impact on income and employment, as well as with respect to the distribution of benefit with respect to impacting small producers and enterprises. Brief description of opportunities and

constraints in each of the targeted value chains see Annex 13.

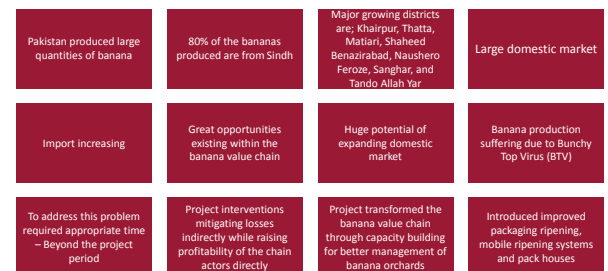
Apricot Value Chain



Chili Value Chain

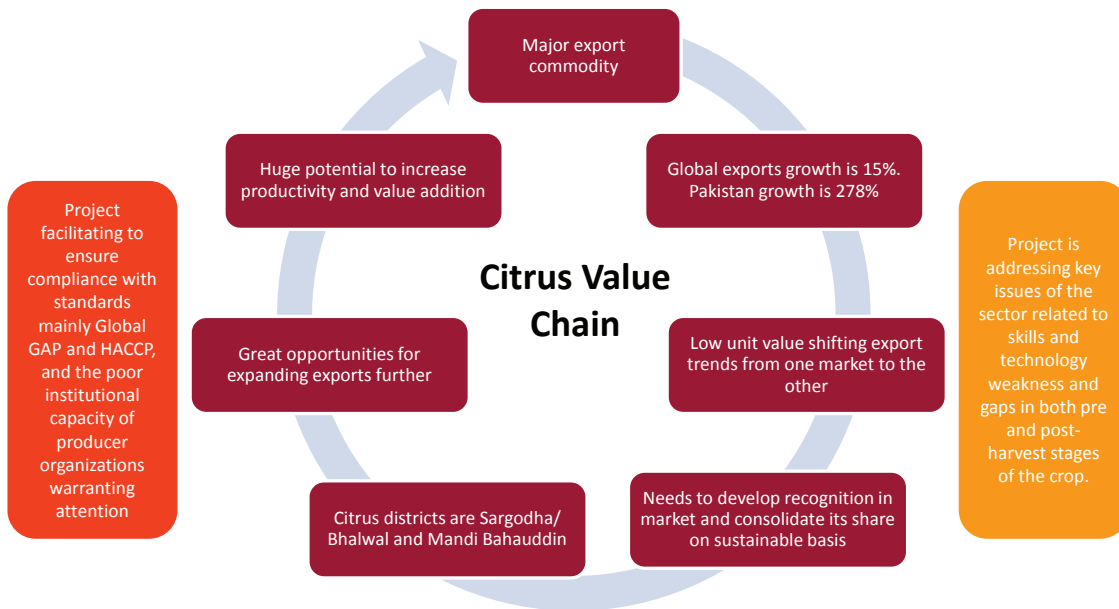


Banana Value Chain



High value/ off season Vegetables value chain





Characteristics of Strong Business Relationships

Following are the characteristics of strong business relationship.

- Trust
- Decision Making Process
- Interdependence
- Commitment

Trust

Trust is developed as we get to know and understand our FEG members and other business partners. Trust is built through reputation, past experience, behavior and keeping commitments. It generally develops in five stages: assess, build, confirm, maintain and strengthen.



Decision-Making Processes

FEGs will need to work out a decision-making process that's perceived as fair by all and with clear direction on who's responsible for making which decisions. This will help Agribusiness FEGs to avoid mutual conflicts and move forward quickly. Before



having discussions on decision making, create several scenarios that represent typical decisions that will need to be made by the respective value chain.

Interdependence

Interdependence can achieved by identifying what each member needs from the value chain to



remain committed. A strong interaction among the FEGs members will enable them to understand each other.

Commitment

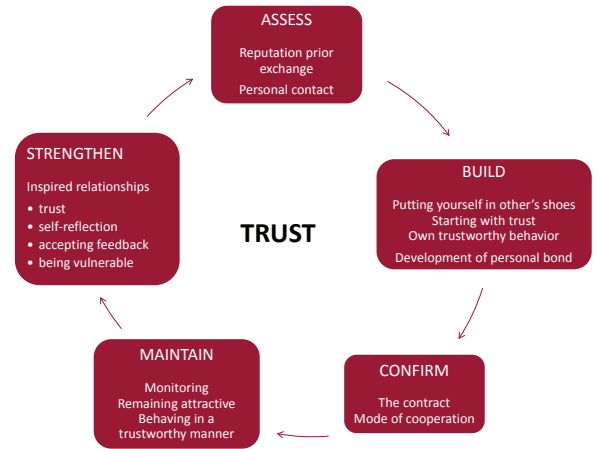
Each member must make commitments of time, effort and resources. When action



plans are being designed and agreed to, make sure that all members are contributing their fair share. Some members will have resources while others will have expertise, manpower, market contacts, etc. Ensure action plans use “commitment” language such as, “We will complete the packing of seed potato by March 15,” rather than “We’ll try to complete the packing ...”

Furthermore following are the key points which required for strong business relationship.

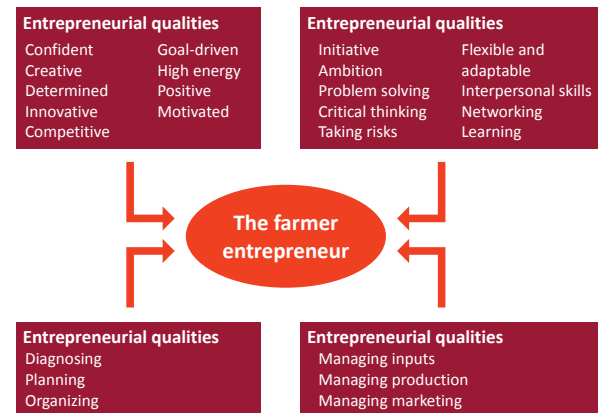
- Confidence and Cooperation among FEG members and other stakeholders
- Previous experience with business partners on which to base trust
- Sufficient personal experience with business partners in order to assess trustworthiness
- Viewing business partners as an integral part of the team
- Being able to rely on business partners to deliver products and services on time
- Sharing of valuable market information with business partners
- Sharing of best practices among business partners
- Commitments by business partners met—attend meetings, return calls, and complete tasks.



Characteristics of an Effective Entrepreneur

There is a difference between farm business management and entrepreneurship. Farm business management is about better planning, implementation, control and managing risk. Entrepreneurship is about looking forward – identifying opportunities, creating a vision of how the business will grow, innovating and taking risks. Entrepreneurs have some special qualities or characteristics that set them apart from the average farm manager.

Some ‘typical’ characteristics of a farmer-entrepreneur are shown in the figure below. They can be grouped into six categories: core values, problem-solving, flexibility, drive, competition and confidence. Some of these are very similar to entrepreneurial competencies that will be discussed later in this Module.



It is the characteristics shown in Figure that enables entrepreneurial farmers to seek-out business opportunities, conceptualize and initiate new business ideas, gather the physical, financial, and human resources needed to start the business, set goals and guide the farm and all its resources to accomplish those goals.

Integrating Competencies

It is easy to talk about the individual competencies of a successful market-oriented, entrepreneurial farmer. But success as a farmer-entrepreneur comes through the ability of the farmer to combine these competencies in practice. It is the interaction between these competencies and the farmer's other resources that enable him to take advantage of changes in the market and production methods to improve the performance of his farm businesses. It is in combining and integrating these qualities and competencies that the farmer-entrepreneur finds and chooses responses to change, leading to greater chances of success and profitability.

An entrepreneurial farmer responds to the changes affecting the farming environment by combining farming competences and entrepreneurial competencies with the resources available to them. He combines them to develop and implement a new business opportunity whether it is an improvement to his current practices or entering into a new



venture or market.

How FEG/Farmer can calculate Cost Benefits of Enterprise (Example of Banana value chain)

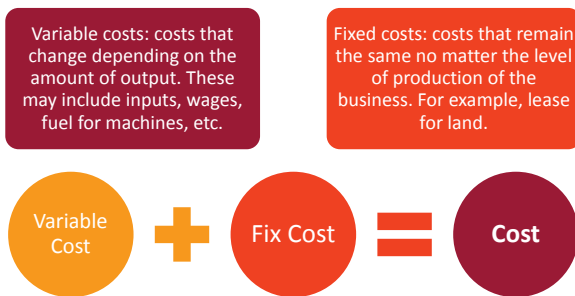
Farm record keeping (record of input, labour, production and sale) enabled us to understand that how farm records are kept, in the light of said record we will learn to attach monetary values to the different items (tasks/activities/outputs) so that they can appreciate the costs and benefits associated with the respective value chain produce.

Costing of Produce

Costs; A business has many different costs, from



Confidence	Competition	Drive	Flexibility	Core Value	Problem Solving
<ul style="list-style-type: none"> • Risk Taker • Self confidence • Positive • Persuasive 	<ul style="list-style-type: none"> • Competitive • Takes initiative • Goal driven 	<ul style="list-style-type: none"> • Highly Motivated • High energy • Determined • Persevering 	<ul style="list-style-type: none"> • Flexible • Adoptive • change is an opportunity • Tolerates ambiguity 	<ul style="list-style-type: none"> • Trustworthy • Honest 	<ul style="list-style-type: none"> • problem solver • Creative • Innovative • Imaginative • Learn from failure



paying for inputs to paying the lease or the utility bills. By careful classification of these costs a business can analyse its performance and make better decisions. Business costs can be classified as:

How to calculate the cost of production

Cost of production is the sum of the costs of the resources or inputs that went into raising a given produce.



Cost of production = total fixed costs (TFC) + total variable costs (TVC)

Template for capturing and computing cost of inputs for producing banana (first season) as an example. Trainers are expected to make example of their respective value chain.

No.	Input	Unit	Quantity	Average price	Total for season
1	Tissue culture plants				
2	Manure				
3	Pesticides				
4	Mulch				
5	Implements consolidated				
6	Pits for making composite (2 m x 2 m)				
7	Gumboots				
8	Sisal rolls for marking planting holes				
9	Pegs for marking planting holes				

No.	Input	Unit	Quantity	Average price	Total for season
10	Poles for supporting bananas with fruits				
11	Total cost of inputs (A)				

Template for capturing and computing the costs of labour for producing banana (first season)

No.	Activity	Unit	Quantity	Average price	Total for season
1	Land clearing	person-hours			
2	Ploughing and harrowing	person-hours			
3	Field marking	person-hours			
4	Digging holes	person-hours			
5	Planting	person-hours			
6	Manure application	person-hours			
7	Digging trenches	person-hours			
8	Weeding and pruning	person-hours			
9	Pesticide application	person-hours			
10	Mulching	person-hours			
11	Watering/irrigation	person-hours			
12	Harvesting	person-hours			
13	Total labour costs (B)				

Template for capturing and computing the marketing costs for banana

No.	Activity	Units	Quantity	Average price	Total for season
	Grading , packing	Lump sum			
1	Transport to the market	lump sum			
2	Communication	lump sum			
3	Total marketing costs (c)				

Benefits (revenue)

For benefit–cost analysis, the benefits from farming are equivalent to the revenue, which is the total money received for the goods or products. To compute the revenue for a period of time, you need

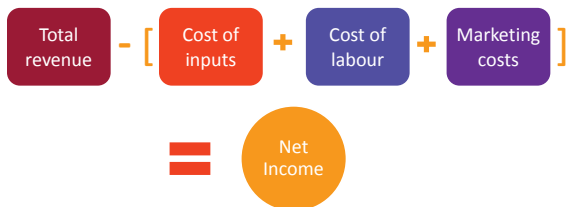
to multiply the amount of produce sold by the selling price over that period.

Template for capturing and computing revenue from banana production over one season

#	Item	Unit	Quantity	Average Price	Total for the season
	Banana benches	Small			
		Medium			
		Large			
	Suckers				
	Banana Leaves				
	Total revenue				

Net income

Net income is the difference between the total revenue and the total costs.



Net income = total revenue – (cost of inputs + cost of labour + marketing costs)

Benefit–cost analysis

Benefit–cost analysis is a process where costs and benefits are compared to determine whether a business is profitable and therefore financially viable.

Example of a benefit–cost analysis for a high-input banana farm (first season, 1 acre)

No.	Item/activity	Units	Quantity	Average price	Total for season
I	Cost				
A	Input				
	Tissue culture plants	number	440	111	48632
	Manure	kg	2000	6	12632
	Pesticides	liters	2	789	1579
	Mulch	bundles	1000	13	13158
	Implements consolidated	lump sum	1	10526	10526
	Pits for making composite (2 m x 2 m)	lump sum	3	789	2368
	Gumboots	pairs	5	789	3947
	Sisal rolls for marking planting holes	rolls	2	263	526
	Pegs for marking planting holes	number	440	5	2316
	Poles for supporting bananas	number	100	79	7895
	Total cost of inputs (A)			0	103579
B	Labour costs				
	Land clearing	person-hours	18	132	2368
	Ploughing and harrowing	person-hours	38	211	8000
	Field marking	person-hours	20	132	2632
	Digging holes	person-hours	75	211	15789
	Planting	person-hours	40	158	6316
	Manure application	person-hours	26	184	4789
	Digging trenches	person-hours	12	184	2211
	Weeding and pruning	person-hours	30	158	4737
	Pesticide application	person-hours	10	211	2105
	Mulching	person-hours	48	263	12632
	Watering/irrigation	person-hours	25	105	2632
	Harvesting	person-hours	24	105	2526
	Management Cost (% of share)	Person-month	6	6000	36000
	Total labour costs			0	102737
C	Marketing costs				
	Grading, Packing	lump sum	1	15000	15000
	Transport to the market	lump sum	1	7895	7895
	Communication (airtime costs)	lump sum	1	1500	1500
	Total marketing costs			0	24395
A+B+C	Total costs (A + B + C)			0	230711
2	Revenue				
	Banana bunches-Small	number	110	600	66000
	Banana bunches-Medium	number	225	800	180000
	Banana bunches-Large	number	135	1000	135000
	Suckers	number	1,200	70	84000
	Banana leaves	number	1,000	5	5000
D	Total revenue			0	470000
3	Profit (D-(A+B+C))			0	239289
4	Benefit–cost ratio (revenue/cost)			0	2.04

A benefit–cost ratio > 1 indicates that the farmer is making a profit from his farm, and a benefit–cost ratio < 1 indicates a loss. However, there may be reasons to explain the small ratio, which means that a farmer should not immediately give up. For example, many farmers register a benefit–cost ratio < 1 in the first season and this then changes in following seasons, because the first season requires the most investment.

A benefit–cost ratio is calculated by dividing total revenue by total costs. It is used to judge the efficiency of the farm business. It indicates the relationship between farm expenses and returns. The farm is said to be efficient when it yields a greater output per unit of input used, i.e. when the ratio is > 1. A ratio > 2 is preferred in order to take into account unforeseen events associated with agricultural production and which are not known when one computes a benefit–cost ratio of a farm business, such as inflation, natural risks (bad weather), biological risks (pests and diseases) or other risks.

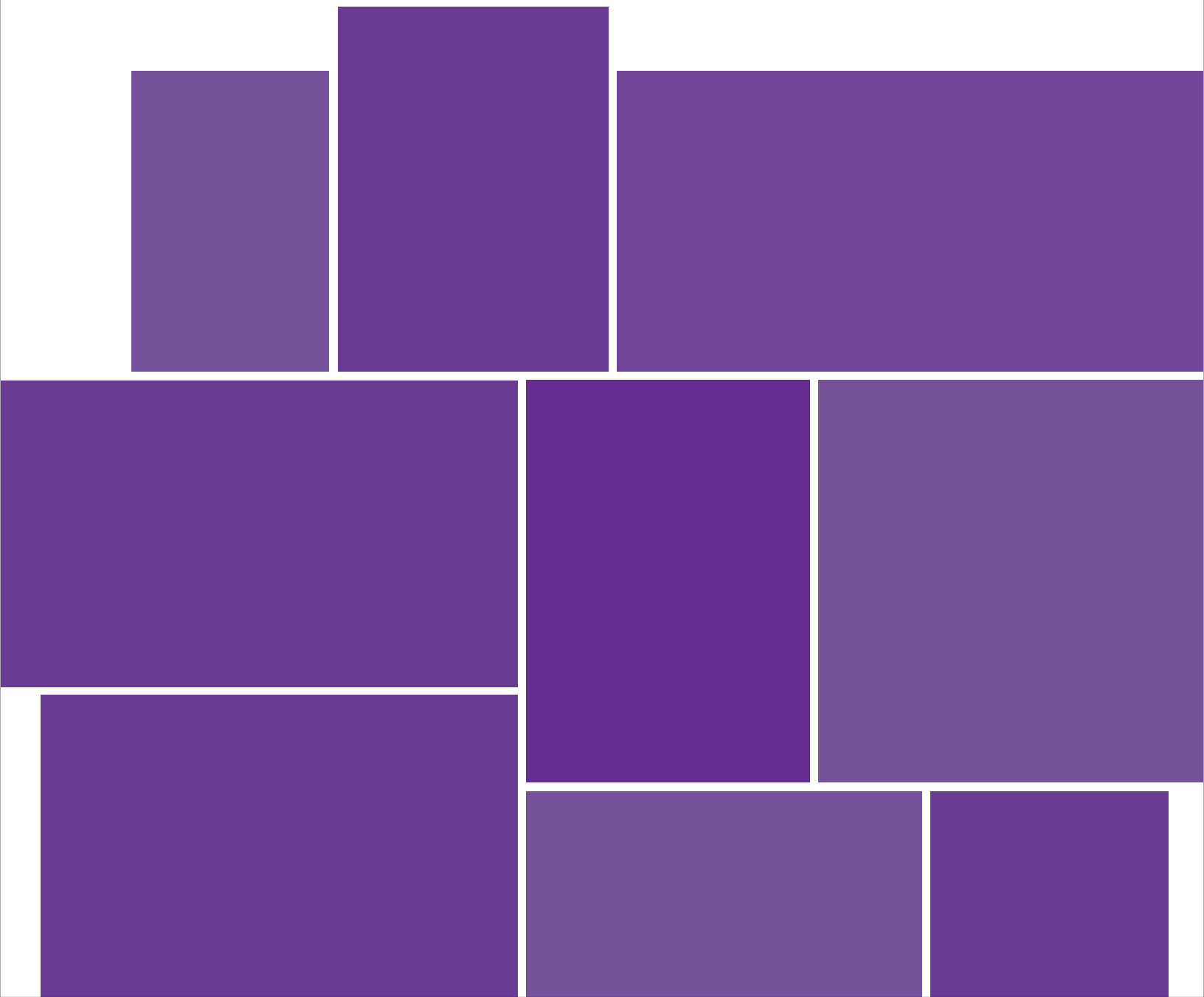
Assessment

Get participants feedback at the end of session against key contents of the session and put frequency against each indicator. If something required further clarification use tea time or lunch time to clarify things and also discuss in the review session of next day



Indicators	😊	😐	😞
Types of Business			
Business Cycle			
Business Categories			
Portfolio of agribusiness			
Benefits of value chain			
Business Relationships			
Effective entrepreneur			

Marketing and Supply Chain Management





Objectives

At the end of session participants will be able to;

- Understanding marketing and markets
- Orient about marketing mix
- Identify market opportunity/channels
- Explore appropriate linkages required for marketing
- Prepare and conduct market survey
- Understand benefits of Collective/ Group buying and marketing
- Understand Supply Chain Management (Supply Chain Management in Farming and Horticulture Business and Supply Chain Management in Livestock Business)



Contents

Following contents will be delivered to achieve the objectives as listed above;

- Market and marketing
- The marketing mix
- Ways to access the markets and Marketing channels
- Group or Collective marketing?
- Marketing Strategies
- Market Constraints and Opportunity at FEG level
- Developing Linkages with Market/ Buyer
- Supply Chain Management - Supply Chain Management in Farming and Horticulture Business, Livestock (Meat) Supply Chain Management



Training Methodology

Brainstorming, small group discussion, interactive discussion, Presentations, and role play.



Procedure

- Welcome the participants, and establish link with the previous session “business development in agribusiness” and share the objectives of the session with the participants. Make sure your eye contact with all the participants.
- Write the word ‘Marketing’ on the left side of the board and ask participants what they understand by this term. Note key words from their responses under the word ‘Marketing’. Then write ‘Market’ on the right side of the board. Again ask participants what they understand by this term, and note their responses under the word ‘Market’. Conclude this discussion by sharing handout contains definition of market and marketing and explaining the definitions as follows:
 - » Marketing is the process of exchange between the producer (farmer) who sells, and the consumer who buys
 - » Market is the place where the exchange of goods and services takes place. It is made up of sellers, buyers, products and prices.
- Ask the participants that you would like them to spend some time discussing their experiences in marketing. Use the following questions to guide the discussion and make sure that some key marketing concepts and terminologies are introduced:
 - » Who has sold produce at the market?
 - » How did you identify a particular market
 - » Whom did you sell
 - » What products did they sell?
 - » What quantity did they sell?
 - » How did they take the product to the market?
 - » How well did this work?
 - » What was the market like?
 - » What difficulties did you have?

- » What would you do differently?
- In order to deepen participants' understanding of marketing and to anchor the learning to their own farms, organize the participants into seven groups. Ask each group to select a product that they are familiar (encourage to select product from agribusiness value chain apricot, chili, banana, citrus, livestock, potato seed and vegetable) with and ask them to answer the following questions (write these on the board) with regard to the chosen product:
 - » Who is the final consumer?
 - » What are the different ways to market this product?
 - » What are some of the constraints or problems you might experience when selling the product?
 - » What is market mix?
 - » What is group and collective marketing?

After 20 minutes, facilitate a discussion to ensure that the following concepts are clear:

- A product 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 also added to the product. The costs include things like transport, storage, packaging, and handling fees. Explain that if farmers sell in the local market their profit margin might be high, but they can only sell small amounts. If the product reaches the city market or the international market, then the 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. Conclude this discussion by sharing handout “marketing ways and

channels” , Marketing mix, and “Group or Collective marketing “and reiterating the following:

- » The key marketing channels include: middlemen, wholesalers, processors and retailers. The retailers deal mainly in small quantities while wholesalers and processors take agri products in larger quantities.
- » A product exists only if someone is willing to pay for it (someone who buys it)
- » A product can be sold only if it has a customer
- » Marketing is therefore critical to the success of the farm business
- » Advantages and challenges of collective marketing

Before concluding this topic also shared marketing strategies with the participants with the help of handout “marketing strategies”

- Ask participants to identify a commodity that is commonly produced among them. Ask the participants that you will divide them into three groups, where each group should discuss their selected commodities and the following questions;
 - » What are the different market outlets available for the product?
 - » What quantities do they want?
 - » When is the best time to use these markets?
 - » What else do they know about these markets?
 - » What else do they think they need to learn about these markets?
- After completion of the group discussion, facilitate a question-by-question discussion in the plenary. Emphasize that it is important to know what market outlets are available for your products. It is also important to know about these markets, with regard

to time, access, terms and conditions and other facilities. In this way they will be able to make informed decisions about which market to use.

- Ask participants about their previous experience in “research “ share details of market research after little brainstorming session and provide them handouts “where can we market the product” and checklist of market survey. Ask them to review the both documents and shared questions. Give them 15 minutes to do exercise on market research.
- Write the word “constraints” and “opportunities” on the white board and ask participants to share at least one constraint and one opportunity about their respective value chain product. Also share the meaning of both words if required. Conclude the participants discussion by sharing handout “Marketing constraints and opportunities” at FEG level.
- Ask participants to share their understanding about the “linkages” make sure engaged all the participants in this discussion and after getting feedback from participants share details of “linkages development with market /buyer” and “activities for the linkages development”
- Put SCM on the board and ask participants to described this word , share supply chain management details in livestock and horticulture sector with the participants

Before concluding the sessions ask to the participants for sharing of key points of the session.

HANDOUTS

Market and Marketing

Market is a physical place where buying and selling of produce or services take place. There is a hand over of produce or services to each other or the market is the place where the exchange of produce and services takes place. The market is made up of buyers, sellers, products and prices. Marketing is a set of activities that direct the flow of produce and services from producers to the end users or customers. Marketing is the process of exchange between the producer (farmer) who sells, and the consumer who buys.



FEGs Agribusiness Market



Market Research and Analysis

The marketing of Agribusiness value chain product like banana, chili, grapes, apricot, citrus, vegetables, seed potato and livestock meat



likewise involves flow of raw produce from the farm to the final consumers (households) through a channel consisting of produce traders, wholesalers, processors and retailers. Farmers ready access to the place is crucially important for the farmers to generate income by selling their produce. Profitability of any agribusiness /enterprise is linked to farmers being able to sell their produce at attractive prices. Therefore in promoting value chain enterprises, specific attention should be geared to relevant market identification and addressing constraints. Farmers or farmers Enterprise Groups can obtain information from radio, newspapers, newsletter letters, TV Channels, Internet (if possible), vegetable / fruit/meat markets, etc. Market research enables the farmers to decide about consumer, buyer, crop, and variety, quality of product, timing, price and places of consumption. Review and analysis of information

related to agribusiness value chain produce is called market research and should include analysis of the following:

Market

- What are the regional scope, size and growth of the overall market? What factors are driving growths?
- Are there any value chain industry trends such as use of newer inputs or production techniques, new standards, entries or exits from the farming business?



- What are the pricing trends in the market? How have prices changed historically and what influenced the price changes?
- Are there any special characteristics such as seasonality, volumes, number of customers, number of input suppliers, etc? If so please explain.
- Describe any special laws or regulations that apply to the value chain and any government policies or actions that specifically affect the sector.
- What are the main distribution channels for the produce or services? How much do middleman or distributors control the market?
- How much value do they capture?

Customers

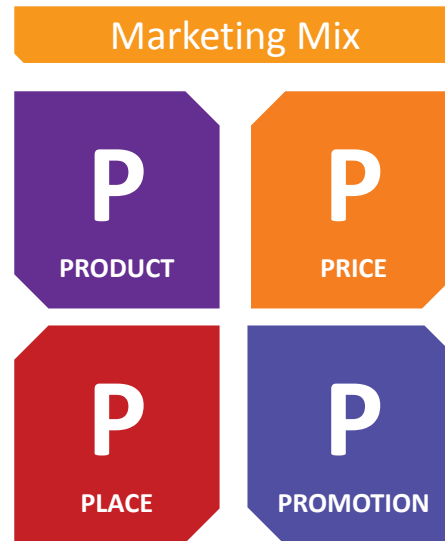
- Who are the primary customer segments?
- How does the customer pay?
- What are these customers looking for in terms of produce or service?
- What are projected future demands and why? Is there sufficient demand for the produce or service?
- Indicate what methods were used to assess the market demand.

Competition

Who are the primary competitors, what are the relative strengths and weaknesses? i.e., location, technology, farming practices, quality, volume, price, cost etc. The tools for market research are listed (annex 11, 12)

The marketing mix

Marketing involves planning for efficient production, storage, processing and packaging, promotion and moving produce from farms to consumers. The key components of the marketing mix therefore include:



product, place, price, promotion, this commonly known as 4 Ps.

Product

Product refers to the produce that the individual/group is producing for sale to earn income. Typically for rural farmers this could be seed potato. It can be measured by different units and can make different characteristics i.e., Kg, mounds, ton, etc.

Place

Place refers to the point of exchange between buyers and sellers or the market. It is in the market where transactions take place and produce change hands. It can be described in terms of produce e.g. specific value chain produce market or by its location i.e. urban or local market or even time e.g. the morning and evening markets.

Price

Price refers to the monetary value of the specific value chain produce. It is cost at which the buyers are willing to pay for the specific value chain produce. Sellers always strive to sell at a price that offsets costs of production with a mark-up that constitutes the

profit. However sometimes prices are determined by conditions in the market i.e. changes in supply and demand. When supply exceeds demand the prices fall, as is the case soon after crop harvests. Where the demand exceeds supply prices rise sharply as is the case in off-season or when there is an unexpected drop in supply due to calamities such as drought/flood.

Promotion

Promotion or advertising is a deliberate effort by the seller to make known to potential customer's existence of his/her specific value chain produce. The most common forms of advertising are through banner, signposts, billboards, radio, TV, and in the newspapers. One should therefore strive to promote and advertise the produce in the most appropriate way possible in order to boost sales and incomes. It is important for FEGs to enhance the ability to identify market demand of their respective value chain, to make decisions about production in relation to volume and quality, and to develop business relationships with customers and traders. The ability to organize collectively for product aggregation is key success element, the understanding of the importance of, and knowing how to access timely

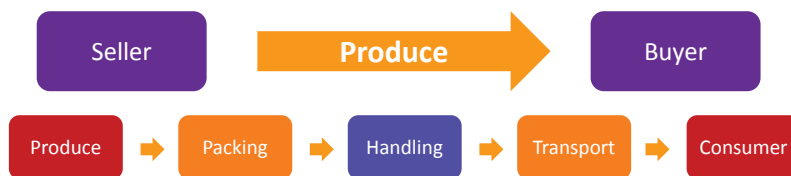


Ways to access the markets and Marketing channels

The key marketing channels include: middlemen, wholesalers, processors and retailers. The retailers deal mainly in small quantities while wholesalers and processors take agri produce in larger quantities. Most frequently they work through middlemen who buy in small quantities, bulk it and transport to the wholesalers or processors. The main people who rural farmers interact with are middlemen or produce traders who buy produce at the farm or in local markets, bulk and sell to wholesalers in distant markets.

The farmers which are associated with Agribusiness Value chain Products will have to work in a Farmer

Marketing is exchange of goods and services for money



Marketing Channel, Agribusiness Value Chain - FEGs

market information can play major role to enhance sale, price and profitability of farmers associated with FEGs.

Enterprise Groups –FEGs to gather more quantity of produce so that traders are attracted to do business in a long- term basis. Collection center should be established at a major production areas having basic facilities such as weighing machine, storage facility etc.

It seems profitable to sell individually by carrying their produce to the market centers but to do business in a large scale it becomes difficult to do all sorts of activities by the individual farmer. It will be wise to focus their activities in farming and cultivation where as a FEG group leader nominated by the farmers will coordinate with the

traders and build relationship with them to do long term business so that all farmers benefit.

It is blamed that the middlemen make excess profits and are dishonest. They actually perform an essential function in marketing of produce. They are the channel through which produce is taken out of the rural areas taking all risks and money is returned back to the farmers. They explore market opportunities and that knowledge is transferred back to the farmers. They make profit out of total quantity sales with minimum profit margins.

Different ways to access markets

There are different ways and options to sell farmer's produce to the buyers. This includes selling directly who visit farms during harvest time, or they may decide to take their produce to the nearby village/ UC market and sell to traders or directly to consumers. Farmers can also send or take their produce to a tehsil and district market and more distant markets of the major cities like Lahore, Karachi, Peshawar, Faisalabad, Rawalpindi etc.. In some of the cases farmers may have relationships with traders who have provided them with some form of credit, and they must therefore sell at least part of their produce through those traders. It is not always a best option to sell their produce in the near-by market. In making such decision on where to sell, farmers must consider a number of factors, such as the costs involved in the marketing of the produce, including transport, packaging, and labour. Farmers must also consider the physical losses due to shrinkage and deterioration, which may be incurred during the transport of the produce to different markets. A key consideration in making the decision on where to sell is the farmers' expectations of prices, which may be obtained from the different markets.

- Farmers selling directly to the consumers
- Farmers to the Traders

- Farmers to the wholesalers
- Directly to the Retailers
- Farmers to the processing company

Group or Collective marketing?

This means that all members of agribusiness value chain FEGs gather their produce (like vegetables, chili, citrus, banana, seed potato, grapes, meat and apricot) together and market collectively. Collective marketing is one of the ways FEGs increase the volume of their produce through the bulking. By working collectively farmers can also improve the quality of their produce by growing the same variety, synchronizing the farming operations and collectively sorting and grading their produce. The FEGs can also improve the post-harvest handling through acquiring central storage facilities especially in case of vegetables and citrus. In short, it is always wise and profitable for the farmers if they collectively market their produce rather than selling individually so that cost can be minimized and profit increased.



Advantages of collective marketing include:

- Access to fund without collateral with group as a guarantee;
- Bargaining power improved
- Better access to marketing information and advisory services
- Better bargaining power for higher prices
- Bulk purchase and transportation of inputs for subsequent production.
- Bulking produce in order to attract large-scale buyers
- Collection in one place to bulking of

produce so that volume of produce can be achieved and the traders will be attracted to visit the farmer's place;

- Collection of produce and transport to reduce marketing cost;
- Cost of production can be reduced by procuring all necessary inputs using big transport;
- Easy access of funds and other support services by the government and donors;
- Easy in communication for dissemination of information about price, volume and others;
- Improved quality of produce due to timely and sequenced production
- More funds can be gathered from the members if big plans are envisioned;
- Post-harvest loss can be minimized;
- Price fluctuation can be managed if there are practices like contract farming, agreements etc.;
- Provision of capacity building and training from the processing company;
- Reduction of transactional costs (transport, drying, sorting, grading and packaging)
- Regular supply is possible if proper planning and management is done;

Challenges and constraints of collective marketing

The challenges and constraints of collective marketing is listed below

- It may be difficult for group to agree on all crucial issues especially if there is mutual distrust among members
- Dishonesty and non-transparency especially on part of the marketing team may lead to conflicts
- Poor record keeping may lead to losses
- Requires safe collection and storage centers in accessible areas, which is not always possible in rural areas

- Thefts and losses can occur in poorly secured central facilities
- Good road infrastructure is required to attract large scale buyers to remote rural areas

Key success factors

The key successes factors in collective marketing at FEG Level are;

- Informed members with strong business insight
- Regular attendance in FEGs meetings and active participation in decision making
- Mutual trust among members with emphasis on ethics and integrity
- Democratically elected, dedicated and committed leadership
- Clear and enforceable bye-laws on corrupt and unaccountable leadership
- Clearly defined roles and responsibilities especially in relation to promotion and marketing of group produce
- Existence of rural finance institutions from which to borrow additional capital funds to help finance the group's marketing operations
- Regular market research and pre-production planning
- Unimpeded access to marketing information
- Uniformity and high quality of group products (variety, size, color etc)
- Accessible and safe storage facilities with good road infrastructure
- Accurate record keeping
- Transparent and equitable distribution of benefits

Marketing Strategies

Effective marketing strategies will help farmers to make better decisions; FEGs can build their marketing



strategy in the light of following points

- Produce characteristics, varieties, color, size, grade, quality and packing;
- Prices, price patterns, variations according to season, quality and supply;
- Supply, volumes, competing suppliers and seasonality;
- Preferences of consumers;
- Opportunities for additional production to be marketed.

Market Constraints and Opportunity at FEG level

Following are few common market related problems along with possible solutions/opportunities. The best solutions to the marketing problems are normally simple and do not require any major changes in production or new technologies. Complex plans or highly innovative plans are much more likely to fail.

Constraints	Opportunity
Small farmers have lack of access to affordable inputs	Collective purchase of input through FEGs

Constraints	Opportunity
Producers lack market knowledge	Develop the market knowledge of the producers. Establish a strong relationship with trustworthy buyers and gain marketing knowledge and insight from them. Bring market traders to 'Marketing Training Courses' so that producers can observe market research interviews being undertaken, and ask questions themselves. Encourage producers to visit and investigate the market themselves.
Small volume of produce to sell	Collective marketing at FEG level to consolidate production, to sell to wholesalers or traders or to sell direct to the consumers. Jointly plan production and marketing so as to have sufficient volume of produce available at one time to provide marketing strength (i.e. concentrate on specific products, at particular times, with common harvesting days). Focus production by a group on a limited range of products to create a larger volume of a smaller range of products.
Trader don't come to buy	Work to increase quantities available in order to attract traders. Ask extension agent or other service providers to develop contacts with traders.
Trader don't visit because roads are bad	Work together to repair and then maintain the local road.
Low price	Explore different, higher-priced markets.
Over supply	Look for alternative markets and in the long term encourage diversification and market-orientated production.
Lack of market places	Develop a small-scale market on specific days.
Many scattered producers	Establishment of collection center and group enterprise
Limited bargaining power	Acquire more information about the price at different markets
Expensive transportation	Choose high value and low volume products
Lack of inputs for farming	Organize mechanisms to guarantee inputs
Spoilage/Damage	Improve post-harvest techniques
Seasonal price fluctuations	Storage and capital

Finally, it is important to remember that there is always a danger of trying to make changes when they are not necessary. Any system is not 100 per cent perfect and farmers will always complain that they receive little money while consumers complain of high prices. Before doing any intervention, it needs to be carefully analyzed on the situation so that additional inputs will benefit to the farmers.

Developing Linkages with Market/ Buyer

Linking FEGs to the different level of traders is one of the very important services required for bringing rural produce up to the market. The term linkage implies a physical connection between the producer and the ultimate consumer. Linkages also involve financial transactions - the selling and buying. Farmers do not know where they can sell their produce other than the local market and always tell that there is no market, where as traders at the other end say



there is a huge demand in some market, and the produce is not available. Farmer does not know who are the traders and traders are not aware of the producers and the types of produce available. Farmers may be selling to the local trader and is not aware that wholesaler in the certain market is ready to pay better price if a sufficient quantity can be supplied. There is always a gap between the market demand and supply due to lack of linkages with the market traders and the farmers as a producer. Business linkages are made in the form of supply chains, inputs, procurement and contracting of



agricultural produce to the farmers. Linkages are, in fact, driven by commercial self-interest of an individual entrepreneur; linkages can be established both forward and backward. In addition to buying and selling, vertical linkages allow FEGs to exchange new knowledge, information, technical, financial and business services. These non-financial transactions are important elements of the buyer-seller relationships. Different ways to build linkages between the FEGs and the traders:

- Meeting with Buyers
- Inviting traders to meet with a FEG Members
- Contract farming
- Promoting to a new market place
- Working with the private sectors for “business to business” matchmaking
- Sub- contract exchange

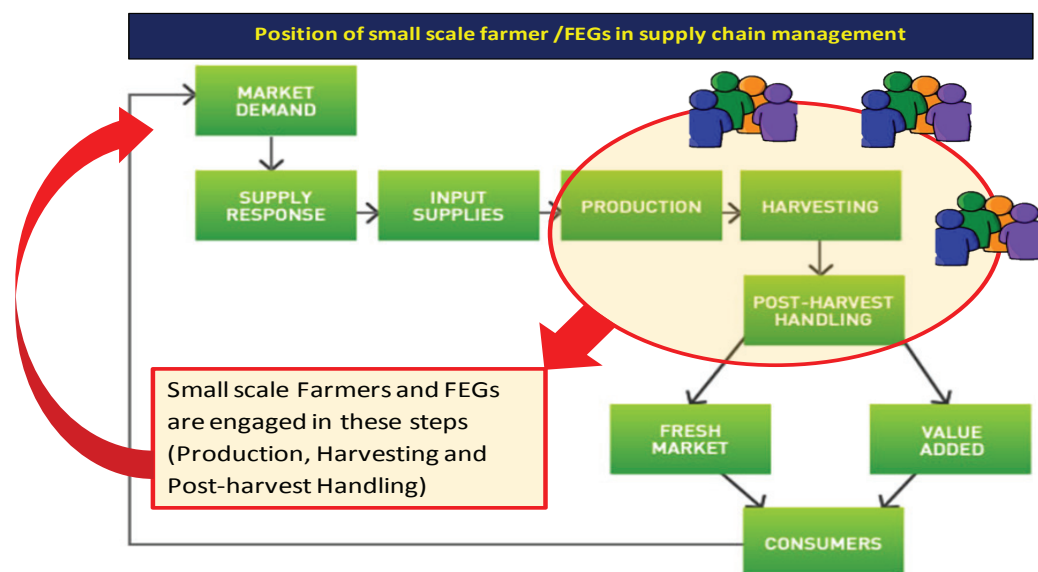
There are different types of business model such as contract farming, public private partnership, direct formal or informal arrangements, etc. where farmers are linked with the market or traders. Once the farmers get an opportunity to interact with the traders, there are more business opportunities. Market requirement specifications such as quality, price, volume, etc. are communicated to the

farmers by traders. Gradually long- term business relationships are developed between them.

Activities to create market and business linkages

Partner organizations can perform these activities to establish business linkages of FEGs with market

- Inviting traders to meet with a farmer enterprise group
 - Wherever possible explore with the traders interested in doing business.
 - Assisting traders to find new market outlets
 - This may involve identifying market opportunities for traders to explore and supporting them in expo or national and international visits.
 - Creating linkages between a group of growers and a processor
 - This could involve finding out the raw material needs of the processor and the buying prices.
 - Farmers' interest in working with the processor can be established, and help both parties to develop an arrangement covering production planning, technical and input support, prices and quality standards, delivery and payment terms. Ongoing
- support can include the monitoring of production and payments and assisting with dispute resolution.
 - Assisting farmers to overcome transport problems
 - This could involve working with a group of farmers and transport agents to develop a transport service.
 - Promoting new market places
 - This could involve encouraging the establishment of a collection centers or a farmers' market in the local town and assisting them in planning.
 - Providing information and negotiating support to farmers and farmer's groups
 - Farmers can be assisted by providing them with names and contacts of important businesses such as suppliers of packaging, transport companies, market agents and traders and processing companies. Farmers can be guided with typical prices, packaging, comparative transport costs, and agents with good reputations.
 - Supporting the start-up of new trading relationships
 - Act as the third party supporting in any disputes and communication.



Supply Chain Management

Horticulture Supply Chain Management

In the horticultural supply chain, a systemic structure involving the participation of various stakeholders and which provides the coordination and flexibility required to respond to market requirements for fresh horticultural produce effectively and efficiently.

Market liberalization and growth in international trade have created export opportunities within the horticultural sector. At the same time, rapid urbanization and income growth have led to increased consumption of horticultural produce, thereby expanding opportunities for small-scale producers, packing houses and other stakeholders in the horticultural sector. Tapping into these market opportunities is, however, dependent upon their ability to meet a plethora of stringent requirements.

It must comply with market standards and codes of practice, which have been put in place by importers and multiple chain supermarkets in order to respond to consumer requirements. Fresh produce sold in local format markets and in supermarkets must also satisfy consumer requirements for safety and quality. Coupled with these exigencies for produce safety and quality, are requirements for guaranteed supplies and consistent volumes of a variety of fresh produce items.

Fresh produce can no longer, therefore, be taken to the market on the off chance that it will be purchased. Access to markets requires that produce be supplied through market-driven systems in which market requirements known prior to production are used in specifying input quality as well as production practices and post-production handling.

The horticultural supply chain refers to the entire



vertical chain of activities from the supply of input (seed, fertilizer, pesticides and so on) through production, post-harvest management, distribution and retail.

Key stakeholders within horticultural supply chains

- The consumer is the ultimate buyer and/or end-user of produce in horticultural supply chains. A consumer may be a business, a household or an individual.
- Consumer within the value chain refers to business that has direct dealings with each other. Pack houses, for example, are the customers of growers of horticultural produce, while retail stores are customers of packing houses.

Flows with the modern supply chain that govern optimal functioning

Three major flows within horticultural supply chains govern their optimal functioning:

- **Product flow:** Fresh produce flows in one direction through the chain, starting with input supply and ending at the retailer, who makes the final product available to consumers.
- **Financial flow:** Financial flow takes place in the opposite direction of produce flow, whereby payments go to suppliers as produce moves downstream (from the producer through the various customers within the chain) towards consumers. Financial flow is generated through the willingness of the consumer to pay for produce that meets his/her requirements.
- **Information flow:** Information flows in both directions throughout the supply chain. Market information on consumer requirements, as well as information about what is demanded by customers at successive steps of the chain, travels upstream (from the retailer through the various customers to the producers), while information about supply conditions and product attributes travels downstream. Information flow is very important in coordinating activities at the different steps of the chain in order to assure that these activities satisfy market requirements. It facilitates planning and coordination of supplies and therefore helps to minimize losses. Information related to the identity of produce (for example, origin, variety, orchard block from which harvested), treatment at the pack house and handling (for example, the temperature and relative humidity during distribution) through the supply chain can be recorded and stored at the different steps of the supply chain.

The enabling environment

An enabling environment consists of those factors external to the chain that impact upon optimal

functioning of the supply chain. Elements of the enabling environment include:

- enabling policies and regulations;
- an infrastructural support base to facilitate supply chain operations;
- business development support services, which include:
 - companies that provide market information;
 - equipment hire services;
 - logistics companies that transport and/or store produce;
 - trainers and technical assistance providers.

Consumers, the driving force of the horticultural supply chain

Value-creating activities are applied within horticultural supply chains to impart attributes that are of value to – and which are demanded by – the final consumer. Urban consumers, for example, prefer horticultural produce that is uniform in size and color and that is attractively presented in unitized packing. The success or failure of a horticultural supply chain is ultimately determined by the degree to which produce satisfies consumer requirements for quality and safety. It is these preferences of consumers that drive modern horticultural supply chains. Consumer demands define the quality of production inputs as well as production, post-harvest and distribution practices. Information flow up and down the chain is, therefore, a crucial element in meeting consumer requirements.

Each entity (FEG / FEG member / other stakeholders) in the supply chain requires its upstream producer to supply produce that will allow it to meet the requirements of the downstream customer. This is applied until the end of the supply chain, where retailer provides produce that satisfies consumer requirements. Thus, by delivering value to its customer, each supply

chain partner effectively delivers value to the final consumer.

A packing house, for example, requires growers to supply fruits of the appropriate quality that will allow it (the packing house) to grade, treat and package the produce to meet the needs of retailers. These retailers will, in turn, supply fruits that meet the needs of consumers.

Value chains

A value chain is a particular form of supply chain that is created when value chain partners have a shared vision and common goals that aim to meet specific market objectives and consumer needs. The value chain may encompass the entire spectrum of the supply chain, from customer to producer. It is differentiated from a generic supply chain by the following characteristics:

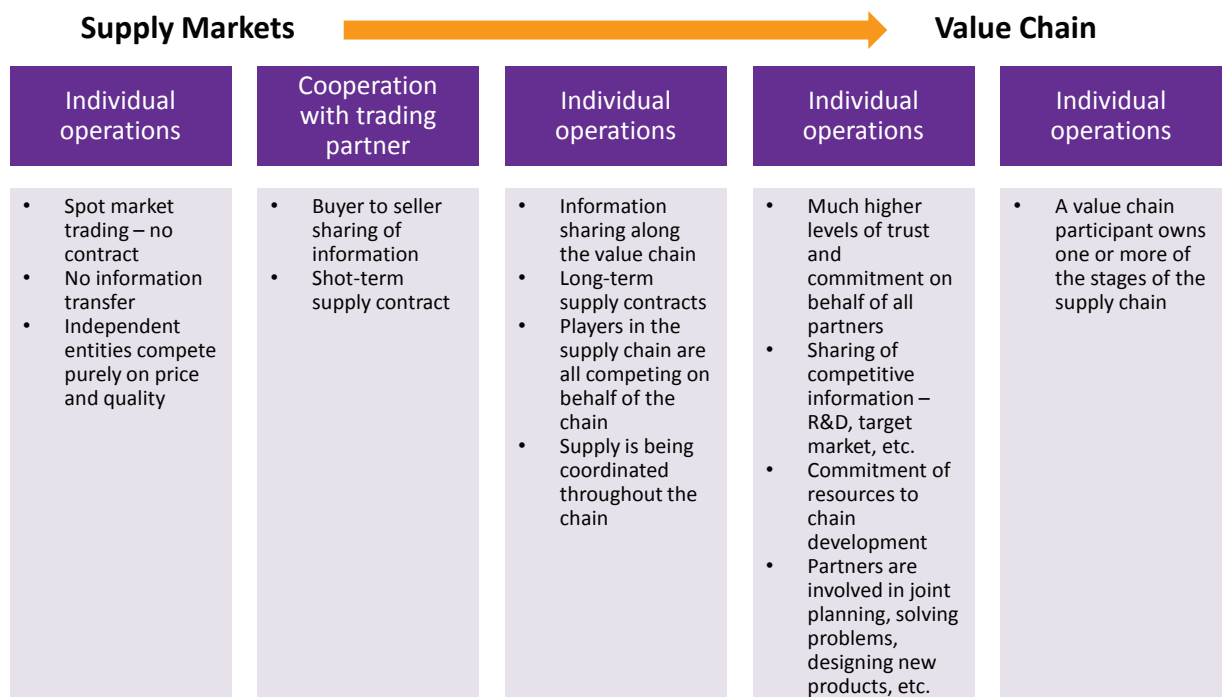
- Participants in the value chain have a long-term strategic vision.
- Participants recognize their interdependence and are disposed to work together to define common objectives, share risks and benefits, and make the relationship work.
- Participants have a shared commitment to control product quality and consistency..
- Participants have a high level of confidence in one another, which allows greater security in business and facilitates the development of common goals and objectives.

Horizontal and vertical coordination within value chains stakeholders

Horizontal coordination refers to coordination among entities operating at a particular link of the value chain, for example, a group of farmers supplying fruit to a particular packing house.

Vertical coordination refers to the synchronization of activities at successive stages of the value chain, from input supply, through growing, harvesting, packing

Levels of development in the supply chain



Livestock plays an important role in the economy of the country; basic statistics of the livestock sector is listed below;

- 52.2 percent of the agriculture value added
- 11.0 percent to national GDP
- Livestock registered 3.8% growth during 2007 – 08
- It is a net source of foreign exchange earnings with approximately 8.5 % share (US \$ 1.3 billion) annually
- Livestock sector's prospective role towards rural economic development may well be recognized from the fact that 30-35 million rural populations is dependent on livestock.

house operations and distribution to retailing.

Range of vertical coordination possibilities in supply chains

The continuum of coordination possibilities in a supply chain ranges from spot-market transactions on one extreme to vertical integration on the other

- Spot-market transactions are transactions that involve independent buyers and sellers who have no long-term relationship. Resources move between the parties involved as a result of price signals alone.
- Vertical integration is a form of vertical coordination in which a firm, such as a supermarket, a commercial supplier or a multinational, owns one or more of the stages of the chain. It represents the greatest degree of control that a firm can gain over the output from a chain partner.
- Ownership ensures complete power over decisions regarding product attributes, location and timing of delivery.
- In between the extremes of spot-market transactions and vertical coordination lay various coordination possibilities, including contracts and joint ventures.

Livestock (Meat) Supply Chain Management

The strategy for development is to increase productivity per animal and moving from subsistence farming to market-oriented and commercial farming covering entire value chain, entering in to Halal Food market, empowerment of rural population, particularly women folk and trickling down the benefit to small livestock holders.

Total meat production (09-10) 2.965 million tons

- Beef Production 1.655 million tons
- Mutton Production 0.603 million tons
- Poultry Meat 0.707 million tons

Meat market

- Butchers operated shops, many slaughter at shops
- Main players at slaughter house are "Arties"
- Mainly fresh meat selling
- A few chilled meat selling modern butcheries started

Meat industry

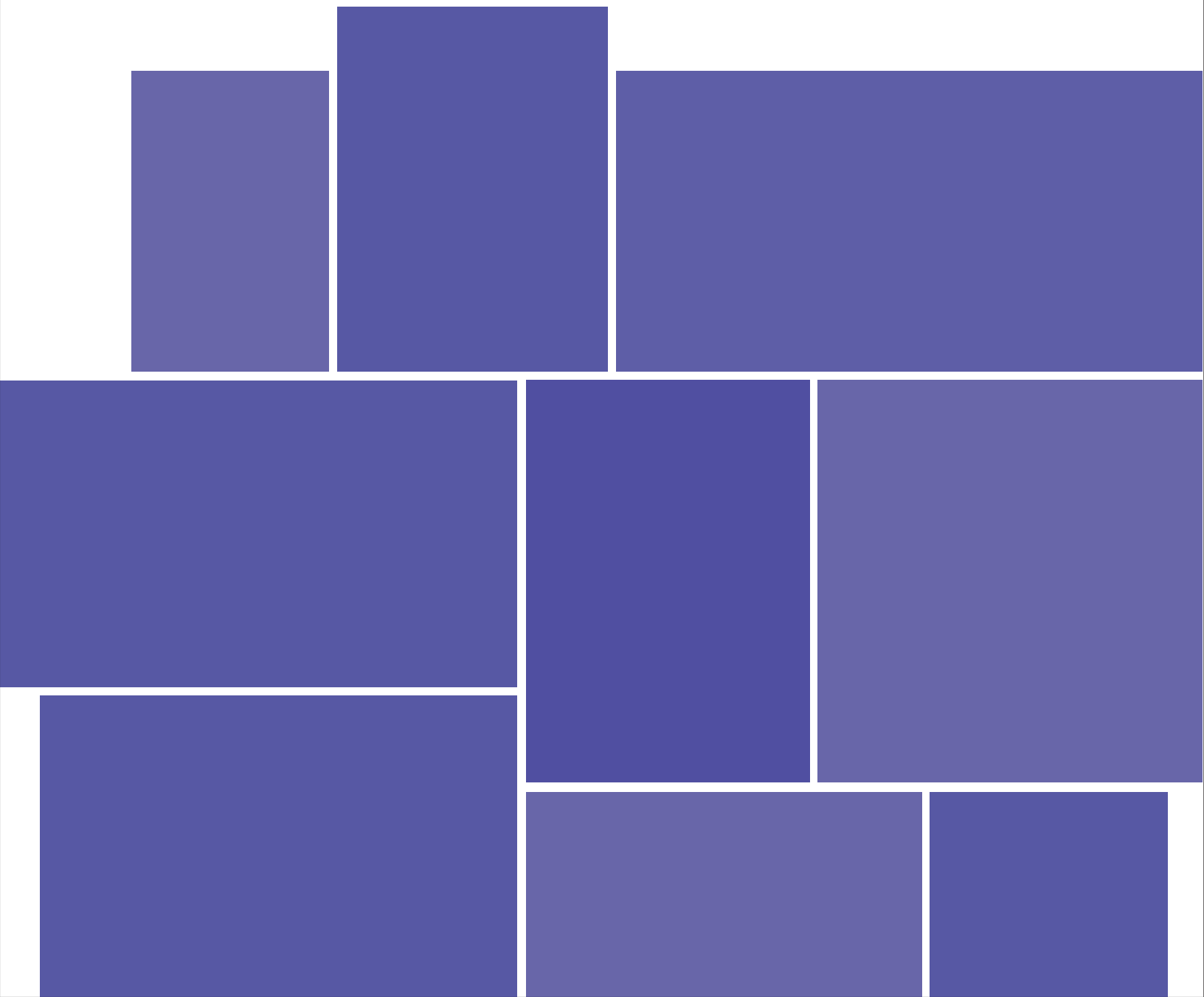
- 80 % slaughtering done outside slaughterhouses
- Local governments own and operate slaughter houses, generally rated as unhygienic
- 11 private sector slaughter houses registered by Animal Quarantine Department and importing countries
- Total export is < 0.6 percent of the production
- 46 casing factories processing guts for export
- Bone meal / gelatin also being exported

Assessment

Get participants feedback at the end of session against key contents of the session and put frequency against each indicator. If something required further clarification use tea time or lunch time to clarify things and also discuss in the review session of next day.

Indicators			
Marketing and markets			
Market opportunity			
Linkages development			
Marketing the produce			
Preparing for a market survey			
Presenting the market survey report			
Collective/ Group Marketing			
Group buying and Savings			
Supply Chain Management			

Business Concepts, Planning and Financial Management





Objectives

This session will enable the participants to understand the concepts of business especially farming business, business plans and financial management, the specific objectives are to enable the participants to understand;

- How to do Business Planning, how to sensitize FEGs to do farming as business
- How to Development of Business
- Financial Management



Contents

Business Planning

- Farming as a Business
- Farmer as an entrepreneur
- Farm Business Profitability
- Where are we now? Assessing the current farm situation
- how to translate analysis into action
- Understanding enterprise profitability
- Assessing and managing business risks

Development of Business Plan

- Choosing enterprises for the next season
- Developing a business plan
 - » Individual Business Plan
 - » FEG business Plan
- Choosing an enterprise
- Components of a farm business plan
- Preparing a farm business plan
- Preparing an action plan
- Financial Plan /Budgeting

Financial Management

- What , why and how Financial Management
- Financial Management at FEGs
- Transparency



Training Methodology

Brainstorming, small group discussion, interactive discussion, Presentations, and role play.



Procedure

- This is the last session of the training so need to review all previous session for linking them with this session in a systematic and logical manner, starting from project objectives , training objectives and role of FEGs in transforming traditional farming into business farming till marketing dynamics, survey, and supply chain management.
- Write the “farming as a business” on the white board and put following question on flip chart and ask participants to share their understanding about these;
 - » What is the meaning of farming as a business?
 - » Why is it important for farmers to treat farming as a business?
 - » What are the requirements for a successful farming business?
- Encourage participants to provide examples where appropriate. Where necessary, supplement the discussion with the help of handouts “Farming as a business”
- Brain Storming: Ask the following questions
 - » What is Business?
 - » Probe participants to find out following answers
 - » Business is an activity to take Risk
 - » Business is an activity to earn profit
 - » Business is an activity to invest money/ capital/provide service
 - » Business is an activity to trade
 - » Business is activity where we produce/ manufacture any product
 - » Business is an activity to sale something
- Collect these all information and note down it on whiteboard, if the participants are

un educated and unable to read the text, then draw icon/images/objects to make understandable for them on one side of white board.

- » What is Farming?
- » Probe participants to find out following answers
- » Farming is an activity to take Risk
- » Farming is an activity to earn profit
- » Farming is an activity to invest money in harvesting/growing crops
- » Farming is an activity to cultivate and grow crops
- » Farming is activity where we produce/ manufacture any product
- » Farming is an activity to sale something
- Collect these all information and note down it on whiteboard, if the participants are un-educated and unable to read the text, and then draw icon/images/objects to make understandable for them on another side of white board in front of the business on another side of line. (use handout Business and Farming)
- Relate the points of both sides and explain that there is no difference in Business and farming and disclose that the Farming is actually a business.

- Explain the details of business plan with participants in the light of handouts and divide participant's into four groups, ask them to develop their business plans in the light of discussion. (give them a copy of business plan format for further facilitation)
- After concluding this discussion move to Financial Management part; Begin the discussion by making connection with previous discussion on “Business plan” to make a connection between chains of sessions.
- Ask participants what is their understanding about record and record keeping , and what

kind of record they are already maintain at their homes, discuss the record keeping in the light of following points

- » Cash book
- » Payment receipts
- » Order form
- » Record of sale /purchase
- » Record of creditor's /Debtors
- » Profit loss record
- Divide participants into small groups
- » Ask them to prepare receipt/cash memo, cash book etc.. on white charts , an present accordingly
- » Elaborate the importance of financial management and record keeping
- » Conclude the session by reviewing key points of the session.

HANDOUTS

Business Planning

Farming as a business

A business is an activity that aims to earn a profit through providing a service or a product. Farming as a business is built on the principles of improving farm production to increase profits and/or ensure sustainability of farm output.



The importance of farming as a business

Treating farming as a business helps farmers to get the best out of their farms and their resources. Applying business methods, such as record keeping and benefit–cost analysis, to farming can greatly improve its efficiency. The following are some benefits from taking a business approach to farming:

- Farm goals are defined, such as Where is the business going?
- What needs to be done?
- When everyone involved with the farm (family members, extension workers, development agencies, etc.) understands the goals, they will work better together towards them.
- Valuable information is collected through record keeping, and used to make better decisions affecting the farm. For example, production records might show a reduction



- Increase in production
- Reduction in losses
- Market linkages
- Probability
- Increase efficiency
- Improved technical skills
- Improved management skills
- Become member of FEG
- benefits of collective procurement, transportation, marketing etc..

in output, and the farmer may decide to increase the number of banana plants or change his or her agronomic practices to improve yields; or sales records may show a loss over time, which the farmer can investigate and address, perhaps by changing planting dates in order to target times when prices are high in the market.

- Communication about the business is improved. For example, a farmer who has proper cash flow details about his or her farm can communicate better to other stakeholders such as loan officers about the viability of the farm to service a loan.
- An organized farming business is more likely to attract financial resources from multiple sources.

Requirements for a successful farming business

- Skills and knowledge necessary to grow crops or raise animals
- Production requirements such as land



for growing crops, labour for farm activities, capital which can be in form of tools, equipment's, building or cash, and organization which enables optimal use of all the available resources

- Marketing Skills

Farmers as an entrepreneur

Entrepreneurship, value chains and market linkages are terms that are being used more and more when talking about horticulture and farming. Many small-scale farmers and extension organizations understand that there is little future for farmers unless they become more entrepreneurial in the way they run their farms. They must increasingly produce for markets and for profits. An entrepreneur is someone who produces for the market. An entrepreneur is a determined and creative leader, always looking for opportunities to improve and expand his business. An entrepreneur likes to take calculated risks, and assumes responsibility for both profits and losses. An entrepreneur is passionate about growing his business and is constantly looking for new opportunities. Entrepreneurs are also innovators. They always look for better and more efficient and profitable ways to do things. Being innovative is an important quality for a farmer-entrepreneurial, especially when the business faces strong competition or operates in a rapidly changing environment. Farmer-entrepreneurs see their farms as a business. They see their farms as a means of earning profits. They are passionate about their

farm business and are willing to take calculated risks to make their farms profitable and their businesses grow. Small scale farmers and farmer enterprise groups can also become entrepreneurs. FEGs have great potential to work on business module and have the ability to be an entrepreneur.

- They look for better ways to organize their farms.
- They try new crops and cultivars, better animals, and alternative technologies to increase productivity, diversify production, and reduce risk – and to increase profits.
- They have become more market oriented and have learned to take calculated risks to open or create new markets for their products.
- Many small-scale farmers have many of the qualities of an entrepreneur.
- They need to manage their businesses as long-term ventures with a view to making them sustainable.
- They need to be able to identify opportunities and seize them.
- The farmer-entrepreneur produces a clear picture in his mind of what is possible and the future he wants.
- The farmer-entrepreneur wants to make profits.

Farmer as an entrepreneur



Farm business profitability

Better farm management can reduce the losses and increase the production of small scale farmers and FEGs, increase in production, enhanced productivity, better farm management, collective purchase, transportation, and marketing ensured profitability, following points, are most important in farm business?

- Profitability is the primary goal of all business ventures.
- Measuring current and past profitability and projecting future profitability is very important.
- Profitability is measured with income and expenses. Income is money generated from the activities of the business. For example, if vegetables and livestock are produced and sold, income is generated.
- Expenses are the cost of resources used up or consumed by the activities of the business.

The understanding about the profitability of enterprise is important, this relates to the identification of product, planning, procurement, management, and marketing, selling and developing strong relationship with the market. Cost analysis will enable the farmers to analyze the difference between traditional and business farming practices; these are the major reasons for computing profitability;

- Whether you are recording profitability for the past period or projecting profitability for the coming period, measuring profitability is the most important measure of the success of the business.
- A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on

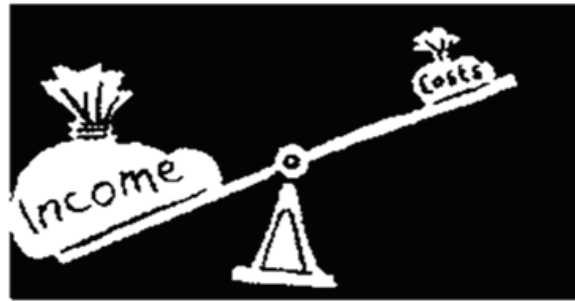
Production

Market and Marketing

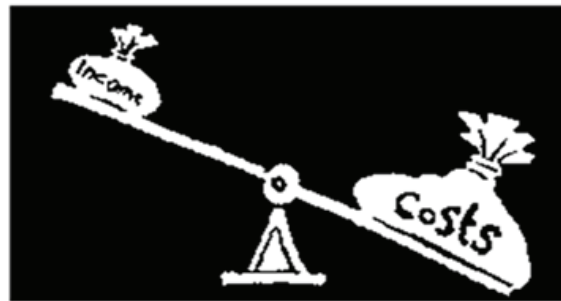
Financial Risk

Human Resources

Profit



Loss



their investment.

- Increasing profitability is one of the most important tasks of the business oriented farmers.

For detailed cost benefit analysis please see handout “How FEG/Farmer can calculate Cost Benefits of Enterprise” in module four.

Assessment and managing business risk

Although Business farming is significantly profitable business but every business have risk factors. However, just which risks pose the greatest challenge is highly dependent upon what enterprises you engage in and what stage your business is in. it is important to identify and assess the potential risks at FEG level. Risks are also depends upon the nature

Potential Risk Areas

Production

Market and Marketing

Financial Risk

Human Resources

of value chain and location. The following are the potential risk areas to be considered during decision making process.

- Production
- Market and Marketing
- Financial risk
- Human Resources

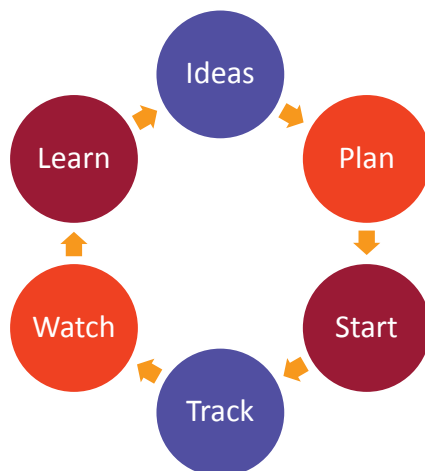


Following formats can be used to assess the potential risk factors and FEG can work on management of the identified risk well in time.

Risk is defined as any factor that may cause losses to the farm business. Farmers may control these through better management and optimal usage of their resources. Some risks are external, such as changes in market prices, low rainfall, etc. Some risks are internal, such as decisions about what to produce, the type of inputs to purchase and use, etc. While farmers can control the internal risks more easily, there are ways to also manage external risks, provided these are recognized and addressed in time. However, risk management is not a guarantee for success, and often allows the farmer to effectively minimize the negative effects to his/her business.

Development of Business Plan

- Business Planning allows you to prepare



financial forecasts for three to five years, based on optimistic, neutral and pessimistic outlooks. It can build awareness of the challenges and opportunities, helping you avoid major problems,

- Business Planning can also identify strengths and weaknesses in your operation, force you to self-assess and prioritize, help set and achieve short or long term goals, and plan for succession.

The farm business planning process doesn't have to be very formal or complicated, but it can help bring positive change to an operation. A business plan is:

- A road map. A plan will help guide your business as it changes or expands. You wouldn't build a house without a blue print, so why run your business without a written plan?
- An accountability tool. It's much too easy to avoid or forget doing something if it's not written down somewhere. Try marking milestone dates and actions on your calendar throughout the year to help keep on track and measure accomplishments.
- A safety net. Many people have a good business plan in their head but in case of unforeseen circumstances like an accident, it also needs to be on paper in order to keep the business going in your absence.
- A communication channel. A common

Small Scale Farmer's Business Plan



vision helps your team stay connected and on the same course.

- An investment. Planning takes time and money, but it can also help you streamline or expand your operation and make you more profitable.

Why do we need a business plan?

- A business plan allows FEGs to create a business operation on paper and evaluate scenarios without the risk of investing a lot of time and money.
- This is a need that FEGs have a proper business plan to prove ideas are viable. Getting started in an agribusiness will require the following:
 - » General knowledge of the horticulture and livestock product market
 - » Recognition of business opportunity or advantage.
 - » A market for vegetable, fruits, livestock product and a thorough understanding of that market.
 - » Technical knowledge of vegetable and horticulture production practices and/or livestock production.
 - » Financial resources to develop operation.
 - » The necessary business management skills.

Choosing an enterprise for the next season

Step-1: Form an product focused enterprise group within FEG

Choose an enterprise from The Agribusiness Project focused value chain to work on. Then join up with a few other participants who want to work on a similar enterprise. Together you will form an enterprise group and will work on developing a business plan for that enterprise. For your chosen enterprise, your enterprise group will eventually decide the following:

- What to produce?
- How much to produce?
- How to produce it?
- What are the required financial resources?



Step-2: Undertake technical feasibility

You need to make sure that your land and soil is suitable for the chosen enterprise, and that the climate, rainfall and temperature will make production possible. If not, you should not choose the enterprise.

An example of rating for a technical feasibility is as follows:

Technical production factors	
For crops	Okay/Not okay
Soil	Okay
Climate (rainfall, temperature)	Okay
Topography	Okay
Water availability	Okay
For Livestock	
Climate	Okay
Grazing/Vegetation	Okay
Water availability	Okay
Overall suitability:	Okay

Step-3: Assess physical resources and inputs availability

The next step is to check the physical resources and inputs needed by your enterprise, and whether or not you can get them. If you are able to get all the resources you need, in the quantity you need them, then you can choose the enterprise. If you are not able to get all the resources you need, then you will have to choose another enterprise. A rating for assessing physical resources and inputs can be done as follows: Discuss the physical resources required for your enterprise. For crops, these should include inputs like seed, fertilizer and pesticides. These should also include equipment, implement and tools, storage structures and animal draft. For livestock, these may include things like feed, medicines, tools and small equipment. These resources should include both those they can get on the farm and those they must buy. The list of resources/inputs needed should be



put under the first column, i.e. resources/inputs.

Resources/Inputs	Quantity	Source of supply
Seed		
Fertilizer		
Pesticide		
Equipment		
Implements and tools		
Storage structures		
Animal draft		

If a farmer cannot obtain the necessary resources or inputs for an enterprise, they must choose another enterprise and start over again.

Step-4: Assess Labour Requirements and Availability

The next challenge is to check what labour is needed and whether or not you have enough. If you can get all the labour you need, then you can go ahead with the enterprise. If not, then you will have to choose another enterprise. The first estimation is to look at your enterprise and decide:

- much labour you need
- much family labour you have
- much labour you must hire
- when you need it
- where you need it

Example Labour plan

I need _____ workers for a total of _____ days.

I have _____ workers from my family.

I need to hire _____ workers according to the following plan

Activity	Month	Amount of labour to hire	Number of days needed
Land Preparation			
Planting			
Weeding			
Harvesting			
Total			

For crop enterprises you should think about all the different activities like land preparation, planting, weeding, pest control and harvesting. For livestock

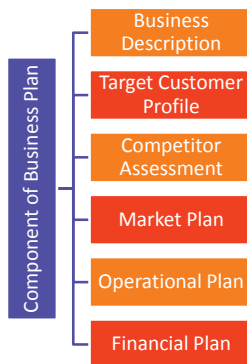
enterprises you should think about production activities such as feeding, watering, cleaning and handling. If any enterprise group finds that it will not be able to get the labour needed, then they will have to choose another enterprise and start over again.

Component of Business Plan

There are six basic components of the business plan each component have sub components which are essential for the development of any successful business plan.

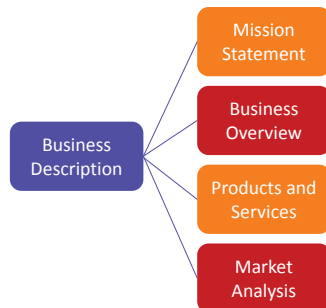
Section I. Business Description

As an introduction to FEGs involved in business, this section should provide an overview of the business and its objectives. NGOs, investor and financial institute will want to know why this business should exist. Having a mission statement will help communicate this.



Mission Statement

As you begin your business venture, the first step is to clarify what is most important to you. Having a clear purpose provides readers with the context for the venture and will give it meaning. Often a statement of purpose—a mission statement—is written to outline intentions and motivations.



Business Overview

- Also included in the Business Description portion of a business plan is a summary of the current state of the venture.
- If FEG already have selected a legal structure then describe it and who the principal owners are. Also provide a definition of the business—is it a producer, retailer, wholesaler, service provider, or some combination?
- Will it be started from scratch, as an expansion, or as an acquisition? Further information may include the history of the business and its primary strengths.

Produce

FEG must have a description of what farmer's are producing as a group. All such should be made available and in written form, which will help in further marketing of products.

Market Analysis

FEGs must have detail analysis of market. This section of business plan should have market description, characteristic, customer, competition and how FEG plan to gain an advantage over them to create a successful venture.

Section:2 Target Customer Profile

In Market analysis, first of all customer should be identified, interested to buy products from farmer. Once FEGs start gathering information, it will start building target customer profile. The profiling should include demographic information, focus areas and why the customer will buy produce from FEG. This will help in focusing efforts efficiently.

The detail analysis and research help in establishing a good business plan. While identifying individual

customer and following points should be kept in mind.

- Are your customers local, regional, national, and/or international?
- Are your customers' young, old, male, female, high income, low income, etc.?
- Are there cultural considerations, social connections, or other personal factors that might shape customer's needs, wants, and buying behaviors?

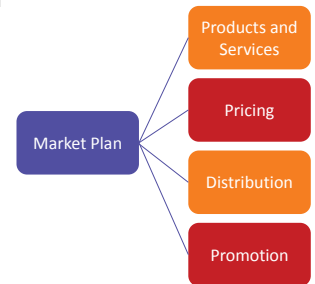
Section 3. Competitor Assessment

- While doing market analysis, FEG must include a review of specific competitors. Every businesses have competitors in one or another form. Established businesses will likely not take new competitors entry into the market lightly.
- First, define who the competitors are, and then profile them.
- Competitors should be assessed with a critical eye on their strengths and weaknesses compared to FEG own business.
- It is important to have an understanding of the operations of your competition so you know how you stand in relative terms.
- Keep in mind the customer profile created earlier.
- If a competitor has a strong competitive advantage in an important area, FEG need to discuss how it will address this. When reviewing competitors, consider what they have as far as:
 - » Market share,
 - » Relationship with customers,
 - » Advertising plan,
 - » Price,
 - » Distribution,
 - » Financial strength/
 - » Length of time in business.

Section 4. Marketing Plan

Marketing plans of an FEG must address following four areas:

- Produce offered (in our case it includes, vegetables, fruits, livestock products (meat)
- Price charged,
- Distribution system, and
- Promotional efforts.



Produce

- FEG in its business description, described its produce or service in general terms. In this section, it is recommended that FEG must describe its produce and how it will be used.
- This is a chance for FEG to explain its products/services, identify their features and benefits, and discuss what needs or problems they address in the market.
- FEG may also wish to explain how it is produced, the input required, and the type of labor needed.
- The produce FEG offer will include aspects beyond the produce itself, like packaging etc.
- Discuss how these supporting features, and information will make your business competitive and profitable.

Pricing

- Pricing strategies are based on the value of produce, produced by member of FEGs, cost of doing business, marketing goals, and expected competitive actions.
- While establishing prices for different produce, FEGs must think and analyze all

related cost to the farming to marketing. This will provide a “floor” on price.

- FEG should also think about what other produce similar to their produce sell for in the market. Finally, give some thought to why the price of FEGs farmers’ produce should be above or below the “market price.”
- Above all, FEG must demonstrate that its price will allow creating a profit.

Distribution

- In the distribution portion of FEGs marketing plan, describe how FEG’s produce will be distributed and over what geographical area? For example fruits and vegetable will be sold locally or country wide. What are the possible avenues and what kind of market FEGs can target to get maximum profit.
- Logistics management plays an important role in these decisions as it determine how horticulture produce will physically move from farmer to customer.
- Issues of cost and efficiency, timeliness, freshness, customer service, customer access, and control all affect the choice of distribution channel.
- Describe how your produce will be sold, whether through retailers, direct sales, and/ or other methods.
- Discuss any relationships you have developed with market agents.
- Describe how your produce will reach customers, including specific distribution channels and geographic areas.

Promotion

- Promotional activities are designed to communicate the value of FEGs products and services to customers, ultimately leading them to purchase the product or service.

In the case of FEG it may be bit difficult as these FEGs are not a pure professional marketing and business firm. However, FEG must keep in mind as the customers usually can be attracted easily in this way.

- The range of promotional tools available to FEG is very broad and may be a combination of advertising, personal selling efforts, and general public relations activities.
- An effective promotional plan must focus on FEG target segment—what is the most effective and efficient way to get the message in front of this group?
- How much resources do you have to invest in promotional activities?
- Finally, a promotional plan must include a timeline for activities—when should FEG pursue the individual activities in the plan?
- Creativity is very important here—a low-cost, creative promotion may be far more effective than an expensive (paid) advertising campaign.

Section 5. Operating Plan

- The operating portion of the plan deals specifically with the internal (organizational) FEG structure, operations, and equipment / tools FEG need to operate its business.
- FEG should discuss how the business will be owned and managed, personnel and physical resource needs, and the legal issues FEG will have at some stage.



Ownership and Management

- In this section, describe the ownership of collective business/marketing, and explain how the group will be managed on a day-to-day basis. For instance, FEGs is not a legal entity and involved in collective marketing so its ownership will be a tough task. There would be any legal binding on any member and hence all these issues should be kept in mind.
- How management decisions will be made and disagreements will be resolved?
- Managers and executive body of FEG are responsible for turning an idea into a successful business.

Management plan

- FEG management plan should answer questions such as:
- How does FEG background/business experience help you in this business?
- What are FEG weaknesses and how can you compensate for them?
- Who will be on the management team?
- What are their strengths/weaknesses?
- What are their duties?
- Are these duties clearly defined?
- What are FEG current personnel needs?
- What are FEG plans for hiring and training personnel?
- How are FEG going to remunerate your staff?

Resources and Production

Facilities and Equipment/ Tools

- Estimate what facilities and equipment/ tools FEG will use and where they will be located in relation to suppliers and customers. Describe the size and usefulness of the

facilities and any modifications needed to start operations and as FEG business grows.

Operations

- FEG need to describe how enterprise will be operated in terms of both schedule and procedures. FEG schedule may be part-time or full-time, may only operate in certain seasons depending on nature of business.
- Operationally, describe how FEG will manage the business.

An example of Farm vision, goals and strategies

Vision

By the end of 3 years, my farm will be a profitable business, with at least 5 enterprises that supplement and complement each other to make my farming more cost effective way and economically viable.

Example of:

Family Goal	Business Goal
To be self-sufficient in food	Increase profit by 100%
Everyone in the family is healthy	Increase income by 100%
Everyone in the family gets an education	Increase yield by 50%

In the next three years, will invest in the following strategies to achieve the vision and goals:

Production:	Marketing produce:
Will make detailed farm production plans so as to take advantage of the market demands.	Will systematically gather market information and identify appropriate and cost effective inputs, and better market opportunities and outlets for farm produce.
Will use farm resources optimally, i.e. without any waste, in the production, harvesting, and post harvesting processes.	Will improve skills to harvest and engage in post-harvest activities such as grading, storing - so as to minimize losses and improve quality.

Will choose a range of enterprises that will complement and supplement each other, so that the produce of one enterprise can become the input of the other	Will invest in better and more convenient packing and packaging, and timely delivery of the produce.
Profits:	Managing my farm as a business:
Will control both fixed and variable costs, so as to enhance profit margins.	Will maintain a careful record of all farm operations, inputs and production outputs.
Will put aside at least 10% from the annual income as contingency resources	Will record and regularly monitor all income and expenses

Preparing Action Plan:

Action	Duration	Start Date	Responsibility
Physical resources and inputs			
Labour			
Market			
Risks			

Section 6. Financial Plan

Financial plan is the heart of the business plan. Sound financial management is one of the best ways for business to remain profitable. To effectively manage FEG finances, prepare realistic budgets by determining the actual amount of money needed to open the business (start-up budget) and the amount needed to keep it open (operating budget). Following questions should be added.

- How much money do FEGs have? How will they secure funding?
- How much financial resources will FEG need for start-up?
- How much financial resources will FEG need to stay in business?
- What type of accounting system will FEG

- use?
- What are FEG projected sales and profits for the coming year?
- What will be FEG break-even level of production?
- What will be FEG monthly cash flow during the first year?
- What kind of inventory control system will FEG use?

Cash Flow Analysis

- Cash flow analysis is important in farm management for two main reasons:
 - » It provides information on income and expenditure that can be used to assess how profitable a farm has been (or is expected to be) in a given period.
 - » It enables sound management of the financial side of the farm business, ensuring that the FEG has sufficient liquidity to meet his or her obligations.
- The concept of cash flow is best described through various cash flow measures, represented in below. The first row shows how to derive the net cash flow of the farm as the total receipts from farming operations minus the total payments made to undertake these operations. This equation can be expressed for different periods, from a week to many years. The choice of period depends on what information the farmer wants from the analysis. A farm plan for the next year might need a cash flow budget with quarterly intervals. Annual intervals are likely to be used to plan the introduction of a new long-term enterprise, such as a tree crop or intensive livestock enterprise.

Where a farmer has borrowed money to conduct these farming operations, details are needed on how much has been borrowed during the period of analysis and how much has been paid to the lender

in interest and principal repaid. These transactions are shown in the second row. The result is called farm cash surplus.

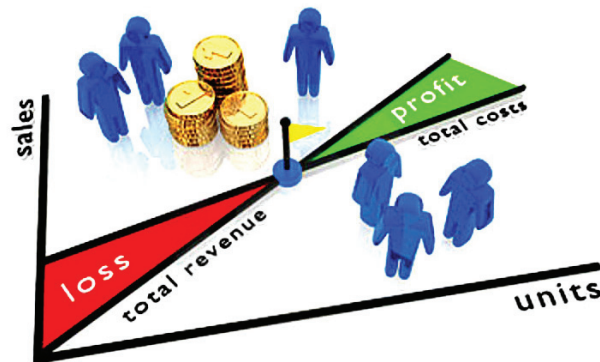
Budget Template

Step 1	Enterprise:_____	Step: 1: Put the name of the enterprise (e.g. HV/OV) in the space provided on the top of the template.	
Step 2	For the period___ to___	Step 2: Agree on a duration for this enterprise, e.g. for the period November 2014 to June 2015.	
Step 3	Area under Cultivation (acre)	Step 3: Estimate the area under cultivation (in acres)	
Step 4: Income		Step 4: Calculate the income by listing the various ways in which the HV/OV have been disposed, including selling at farm gate, or a neighboring market, or to an exporter, or kept for home consumption, or given away. The quantities and prices for each form of disposal may be different. If the produce has been retained for home consumption, or given away, make sure that the unit price reflects a market value.	
Item	Quantity	Unit Price	Value (Rs)
Step 5: Total Income		Step 5: Once all the values have been added, it will reflect the total income from that particular enterprise. This total amount should be written in the space for "Total Income"	
Step 6: Variable Cost		Step 6: Calculate all costs directly related to the production of HV/OV. Under the column items, list all the production costs associated with this enterprise. For each item, trace the specific quantity and the unit price to arrive at the value (in Rs.) for each item	
Item	Quantity	Unit Price	Value (Rs)
Step7: Total Variable Cost		Step 7: Total the value or cost for all the items to arrive at the "Total Variable Costs"	
Step: 8: Enterprise Profit		Step 8: To arrive at the 'Enterprise Profit', subtract from the total income the total variable costs.	

Determining the minimum price and yield for the enterprise

Calculating break-even price

A break-even price is the minimum acceptable price that will, if nothing else, cover the cost of production. At this price the income received will be equal to the cost of production, and the profits will be zero. The break-even price can be calculated from the information in the enterprise budget, using the following formula:



Break-even Price = Total Variable Costs per acre / yield per acre

Calculating break-even yield

The break-even yield is the minimum level of production that you can produce to cover the costs of production. It is calculated by dividing the Total Variable Costs/ha with the per unit price of the produce. The break-even yield can be calculated from the information in the enterprise budget, using the following formula:

Formula for break-even price = Total variable costs per acre / unit price of produce

Business Plan outline

1. Location/Business Introduction

Name of Business/ Agribusiness	
Name of Farmer/ Entrepreneur	
Business Type (Services/Trade/Production)	
Cell No.	
Complete Mailing Address	
Website (if Any)	
Other (Any Information about Location etc)	

2. Why do you think this is suitable business for you?

3. Who are your customers?

4. What is your marketing plan?

5. Who are your competitors?

6. How will you compete with your competitors?

7. How the people will be benefitted from your business?

8. What will be the impact of your business on environment?

9. What will be the legal status of your business?

10. How your business will contribute in overall economy of region/ country?

11. What will be the special in your business?

12. What resources will be required for you business and status of availability?

13. Any other motivational statement of your business?

C- Salaries [Fixed Salaries, Wages. Charge yourself and family members salary as well, skilled , unskilled labour, if unit is day than we can put per day rate]

Sr. No.	Detail	No. of Unit(s)	Monthly Charges (Rs)	Monthly Total (Rs)	Yearly Total Rs	Remarks
Total						

D- Input [Seed, Fertilizers etc]

Sr. No.	Detail	No. of Unit(s)	Rate per Unit (Rs)	Total (Rs)	Supplier / Dealer
Total					

E- Marketing plan, grading, packing & packaging etc.

Sr. No.	Detail	No. of Unit(s)	Rate per Unit (Rs)	Total (Rs)	Source
Total					

F- Overheads [All other expenses repeating every month etc]

Sr. No.	Detail	No. of Unit(s)	Rate per Unit (Rs)	Total yearly (Rs)	Remarks
I	Depreciation Total from section "B"				
Total					

G- Total required Capital to start business. [Totals from Section B,C,D,E & F]

B	C	D	E	F	Total (Rs.)

H- Profit Calculation.

		Total Rs.
H.1	Income	
Total Rs. From section "A"		
H.2	Expenditure	
Total Rs. From section "C,D,E,F"		
H.1 - H.2		
Subtract the Expenditures(H2) from Income (H1)		

Financial Management

Record-keeping is essential on the grounds that you can't continue everything in your mind. Memory is bad enough for legitimate dissection and arranging. Advantages of customary record-keeping are:

- You will know what amount of cash you have accepted, the extent to which you have used and how you have used it.
- You can ascertain whether you are making a benefit or a misfortune.
- You will have the capacity to settle on better choices on when and what to purchase and offer.
- You can keep records of purchasing and offering using a loan.
- You can keep records of cash coming in and going out of aggregation ventures thusly avoiding misuse of the cash and staying away from question around aggregation parts.
- By contrasting your genuine records and your arranged plan, you can figure out whether you are on the right track throughout your business

Following are the important record normally entrepreneurs maintained, FEG or small farmer can also maintained level while working as an entrepreneur.

- Cash book
- Payment receipts
- Order form
- Record of sale /purchase
- Record of creditor's /Debtors
- Profit loss record

Sample record keeping format are listed on the next page.

Transparency

The visibility or accessibility of information can be determined as a transparency, this is extremely important to ensure transparency at FEG level, following are key areas which can ensure transparency at FEG level.

- Participatory decision making
- Formation of purchase committee (at least three people)
- Maintain proper record of purchases, production and sale
- Ensure members accessibility to the FEG record.

Cash Book




Receipts					Payments				
Date	Details	Rate	Quantity	Total Amount	Date	Detail	Rate	Quantity	Total Amount

Stock Management

Date	Items	Opening Stock		Purchase				Stock Received		Stock Utilized		Stock Balance	
		QTY	Amount	QTY		Amount		QTY	Amount	QTY	Amount	QTY	Amount
				Credit	Debit	Credit	Debit						

Assessment

Get participants feedback at the end of session against key contents of the session and put frequency against each indicator. If something required further clarification use tea time or lunch time to clarify things and also discuss in the review session of next day.

Indicators			
Farming as a Business			
Farmer as an entrepreneur			
Farm Business Profitability			
Understanding enterprise profitability			
Development of Business Plan			
Developing a business plan			
Components of a farm business plan			
Preparing a farm business plan			
Preparing an action plan			
Financial Plan /Budgeting			
Financial Management			
Transparency			

Annexures

Annexure 3: Tentative Training Schedule

Enterprise Development Training
for Farmer Enterprise Groups
The Agribusiness Project

Time	Sessions	Responsibility
Day One: Monday , April 28, 2014		
900	Registration, Attendance, Welcome	Consultant
915	Introduction (participants, training facility, ground rules, time keeper)	
925	Participants expectations	
1000	Objectives & Methodology of the Training	
1015	Introduction to Agribusiness Support Fund and The Agribusiness Project	Master Trainer
1030	Tea	
1100	Value Chain Approach	Master Trainer
1300	Lunch Break	
1400	Organization, Leadership and Management	Master Trainer
1500-1700	Business Development in Agribusiness	Master Trainer
Day Two: Tuesday , April 29, 2014		
900	Review of the Previous Day and Presentations	Coordinator
930	Marketing and supply chain management	Master Trainer
1130	Tea	
1145	Business Planning and Financial Management (Record Keeping)	Master Trainer
1400	Lunch	
1500	Development of Business Plan	Master Trainer
1630	Review of Business Plans	
1700	Training evaluation , certificate distribution and Closing	Coordinator

Annexure 4: Farmer/ FEG Business Strategy

If you have not already done so, take some time to consider where your operation or company is headed overall.

1. Where do you want your business to be in the future?

2. Can you achieve this the way you currently operate?

Strength	Weaknesses
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>

Opportunities	Threats
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>

Reflecting on your answers to where you want your business to go and your strengths and weaknesses, which weaknesses might be transformed to opportunities and strengths to overcome threats (by collaborative relationships or a value chain approach)?

Annexure 5: Self Assessment

Self Assessment - Farmer/ FEG Readiness

Indicators	Yes	No
I/We operate in a collaborative manner.		
I/We ensure everyone is focused on shared vision and goals.		
I/We respect different management styles.		
I/We encourage new ideas and improvement in the produce.		
I/We believe in fairness and flexibility.		
I/We routinely share information and problem-solve with partners.		
I/We demonstrate a willingness to jointly develop strategic plans.		
I/We communicate regularly with others in the supply chain.		
I/We actively seek trusting business relationships with customers and suppliers.		
I/we am/are willing to devote time, effort and financial resources to develop a value chain.		

Farmer/ FEG Business's Readiness

Indicators	Yes	No
Overall business performance is shared and understood throughout our organization.		
Recognition and reward systems are team based.		
Information about our customers and competitors is well known.		
New business is based on customer needs and market change.		
Focus is on maximizing value to the end customer.		
Business membership agrees that collaborative efforts are desirable.		
Partnerships will have a positive effect on business.		

If you responded “yes” to most of these questions, you are ready to explore a value chain approach.

If you responded “no” to most of these questions, you may want to re-consider a value chain as being an appropriate approach for you.

Annexure 6: Assessment of Production, Market, Finance and Human Resources

Production

Description of Risk	High	Mod.	Low	N/A	Strategy to Reduce Risk
Lack of production experience					
Untested production methods					
Yield variability					
Unpredictable weather					
Lack of equipment or equipment failure(s)					
Other production risk					
Other production risk					

Financial

Description of Risk	High	Mod.	Low	N/A	Strategy to Reduce Risk
Lack of financial management experience					
Lack of capital to invest in needed equipment or other assets					
High debt					
High production to yield costs					
Lack of seasonal operating cash					
Insufficient revenues to cover operating expenses					
Insufficient profit to provide adequate pay to owner(s)					
Other financial risk					
Other financial risk					

Market

Description of Risk	High	Mod.	Low	N/A	Strategy to Reduce Risk
Lack of marketing experience					
Limited marketing channels					
Direct competition					
Indirect competition					
Consumer health and safety concerns					
Other marketing risk					
Other marketing risk					

Human Resource

Description of Risk	High	Mod.	Low	N/A	Strategy to Reduce Risk
Lack of farm management experience					
Sick or injured farm labor or managers					
Lack of appropriate labor resources					
Competing goals among farm family members or partners					
Other human resource risk					

Annexure 7: Map Your Existing Supply Chain

Complete the map of your supply chain for your main product line. Keep it simple by only identifying the main members of your chain.

Step 1: Start by identifying the end product that will be going to consumers and work backwards from there. Write the name of that product in the circle on the supply chain on the next page.

Step 2: Once you have identified the end product, ask "What happens to the product right before it gets here?" This answer goes into the process box before the end product. Ask that question again and fill in the box before the process box. Do this until all the processes have been captured. Some examples of processes are: marketing and packaging, transporting, slaughtering and breeding.

Step 3: Now look at all your processes and identify what companies are involved in each process. Identify other members of the chain and their roles

Process	Companies
<input type="text"/>	_____ _____ _____
<input type="text"/>	_____ _____ _____
<input type="text"/>	_____ _____ _____
<input type="text"/>	_____ _____ _____
<input type="text"/>	_____ _____ _____
<input type="text"/>	_____ _____ _____

End Product

Annexure 8: Evaluate the Supply Chain

What is the supply chain doing well?

Where are the weak points of the supply chain?

What needs to be improved? (quality, inefficiencies in production or processing, logistics, etc.)

What excess resources exist?

What resources are limited?

What limits your growth?

What do you wish you had more of? Less of?

What are the logistical problems? This includes such issues as supply, transportation and storage.

What information do you and your supply chain partners need to make better decisions?

What factors impact your ability to operate effectively/efficiently?

What change/changes would provide the most benefit to supply chain members?

Which relationships in the supply chain could be strengthened to work more successfully together?

What would your end users (consumers) say are the product's strengths and weaknesses?

Annexure 9: Outline the Opportunity

Write down your idea for a value chain. Be creative by considering all the possibilities and opportunities.

Background: reason for making changes

Opportunity

Check your idea against the following criteria. If it meets the criteria, move to the next section. If not, adjust it so it meets these criteria.

- ❑ This opportunity addresses a serious or actual business concern.
- ❑ There's market potential for this business opportunity.
- ❑ The opportunity has potential for economic benefit.
- ❑ The opportunity addresses a market need and will be profitable.

Annexure 10: Resources and Capabilities

Use the worksheet below to take stock of the resources and capabilities you currently have, and those that would be needed from other businesses to take advantage of the opportunity using a value chain approach.

Resources	Your Business	Required from Partners
Physical Resources:		
• facilities		
• equipment		
• technology		
Human Resources:		
• talent/expertise		
• access to labor		
• management strength		
Intangible Resources:		
• reputation		
• creativity		
• client base		
• connections		
Relationships:		
• good relationships		
• relationships that require improvement and development		
Financial Resources:		
• cash		
• access to cash		
• collateral		

Annexure II: Choosing Potential Value Chain Partners

Answering the following questions will give you a clear idea of the characteristics you're looking for in partners. Amicable business relationships are key to the success of a value chain, so your careful selection now will pay off later.

What works?

Think of a business relationship that works very well for you. Describe why you think it works well.

What characteristics does that FEG exhibit?

What do you and your business do that contributes to the positive relationship?

Write down a list of qualities that you want to look for in any new partners.

What doesn't work?

Now think of a business relationship that doesn't or didn't go well.

What happened that didn't work? Describe why you think it didn't go well.

What characteristics does the other organization exhibit?

What did you do that made it difficult to work together?

Write down a list of qualities you will avoid or check out when looking for new partners.

Summary

In the table below, write both the characteristics you're looking for and those you'd like to avoid in the left hand column. Next think of existing partners in your value chain and identify partners that display those characteristics. Finally, identify new partners that you're considering and compare their characteristics with the desirable and undesirable traits list. Completing this exercise can help you evaluate the contributions of existing partners as well as evaluate new partners.

Characteristics	Existing Partners	Potential Partners
Desirable: <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>		
Undesirable: <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>		

Annexure 12: Value Chain Project Plan

The project plan briefly outlines the business problem, goals, objectives, measures and action plans. A good plan is an excellent tool for fostering and sharing information with the team, sponsors, clients and stakeholders. It can also be used when applying for funding.

Project Name: _____
Date: _____

Developed by: _____
Partners: _____

Introduction /Background

Primary motivation/background for the project

Goals

Describe what is to be accomplished, the end result of taking this action.

Objectives

Specific, practical steps to reach your goal

Annexure 13: Where can we market the product?

What are the different market places where the produce can be?

What quantities do these market place want?

What are some special features of each market?

Is there a best time to use each of these markets

What else must one learn about these markets?

Annexure 14: Tools (Check List) for the Market Survey

Customer/End Market

- What farm products do they buy the most?
- Why do they buy these products?
- What quantities do they buy?
- How do they assess demand?
- How often do they buy the produce?
- What products are most profitable?
- What times of the year can the highest prices be attained? (Month or season)?
- What is the quality of the produce they sell?
- What other products have a high demand in the market?
- From which farmers do they buy their produce?
- What do they do to expand their business e.g. (credit sale, promotion, packaging) etc.?
- What types of problems do they face?

Retailers

- What farm products do they buy the most?
- Why do you buy these products?
- What quantities do they buy?
- How do they assess demand?
- How often do they buy the produce?
- How much more would they consider buying?
- What products are the most profitable for them?
- What times of the year can the highest prices be attained? (month or season)?
- What is the quality of the produce they sell?
- What other products have a high demand in the market?
- From whom do they buy their produce?
- What do they do to expand their business e.g. (credit sale, promotion, packaging) etc.?
- What types of problems do they face?

Farmers (individually /FEGs)

- What farm products do they sell the most?
- Why do they sell these products?
- What quantities do they sell?
- How do they assess demand?
- How often do they sell their produce?
- Do they sell directly? Why?
- What products are the most profitable for them?
- What times of the year can the highest prices be attained? (month or season)?

- What is the quality of their produce?
- Do buyers pay a premium for graded produce?
- How much higher premium prices for quality are produce?
- What other products have a high demand in the market?
- Do they engage in group marketing? If so, why?
- What do they do to expand their business e.g. (credit sale, promotion, packaging) etc.?
- What type of problems do they face?
- Competitor (doing same business)
- What type of produce do they grow?
- What is the quality of their produce? How does it compare with your?
- How do their prices compare to your own?
- What do they do to make their business more competitive and profitable e.g. (promotion, packaging) etc.?
- What type of skills do they possess? Do they upgrade their skills? If so, how?
- Do any of the farmers (sellers) have a competitive advantageous position? In what way?
- What can you learn from your competitors that can improve your own business?
- Do your competitors face any specific kinds of problems? If so, what?

Transport

- What types of transports are available for your business?
- What are the advantages and disadvantages of each type?
- What are the rates for each type of available transport?
- Are there special transport services for particular products?
- For long distance transporting?
- Does the cost of transport include handling services?
- Do transport owners or companies guarantee timely pick up of produce from the farm? Describe.
- Do transport owners or companies guarantee timely arrival to the market? Describe.
- Do transport owners or companies guarantee safe transport?
- Can goods be insured?
- How frequently do you transport your produce to the markets?
- What type of problems do transport companies face?

Annex 15:

Apricot Value Chain

Pakistan produces large quantities of fresh apricots, making it the world's fourth largest producer. In terms of production, Balochistan and Gilgit-Baltistan (GB) are the two main production areas. Owing to the varying seasonality, Pakistan exports, as well as imports, apricots including dried apricots. In areas of Gilgit-Baltistan drying apricots is an important option, as fresh produce cannot reach the markets without significant losses during transportation owing to the short shelf life of the existing variety. Potential exists for diversification of varietal base by introducing improved varieties and value addition of existing produce mainly through introduction of dehydration (including technological innovation), compliance with certification and product/market development.

Banana Value Chain

Pakistan produced large quantities of banana. Nearly 80% of the bananas produced are from Sindh province. Major growing districts are; Khairpur, Thatta, Matiari, Shaheed Benazir Abad, Naushero Feroze, Sanghar, and Tando Allahyar. Banana production in Pakistan is struggling to meet the domestic demand. As a result, imports have been going up. Opportunities exist within the banana value chain, specifically with regard to the expanding domestic market and demand in neighboring Afghanistan. However, the value chain has erratic production due to Bunchy Top Virus (BTV), and while it will not be possible to address this problem appropriately in the remaining project life, intervention of the project can mitigate this indirectly while raising profitability of the chain actors directly. Project assistance can transform the banana value chain through capacity building for better management of banana orchards, introduction of improved packaging, establishment of ripening chambers (including mobile ripening systems) and pack houses.

Chilies Value Chain

The chilies value chain has witnessed a down turn in terms of exports despite a 145% expansion of its annual production during the last five years. The average yield of chilies is 2.71 tons/ha. Three districts of Sindh produce the bulk of the country's crop with major share accounted by Umerkot, Mirpurkhas and Badin. Chilies value chain offers potential for exports as well as value addition, provided that compliance to standards is ensured especially with regard to solving the problem of aflatoxin. The value chain offers potential with regard to enhancing productivity, value addition (through technological innovation) with the resultant impact realized in the form of increased exports. The key challenge that the industry is facing is to ensure quality control that bring down the aflatoxin levels to an acceptable level. Quality certification regarding compliance to Hazard Analysis and Critical Control Point (HACCP) will support augmenting exports to high end markets of value added chilies and will assist Pakistan to regain the market share it has lost. The value chain is participated by large number of small farmers and therefore project interventions will help realize greater social benefits.

Citrus (Kinu) Value Chain

Citrus is emerging as a major export commodity that has witnessed an increasing trend. While global exports of citrus have grown at a rate of 15 percent, Pakistan has performed well by experiencing a growth of 278%

in volume terms during the period from 2004/05 and 2010/11. The key phenomenon in the export is the trend of shifting from one market to the other and low per unit value realized by Pakistani exporters. Pakistan needs to develop recognition in its key market and consolidate its share on sustainable basis. Major production is contributed by Sargodha/Bhalwal, and Mandi Bahauddin in the Punjab. There are opportunities for expanding exports further, as well as increasing productivity and value addition. The value chain, however, is constrained by a number of weaknesses including skills and technological gaps in both pre and post-harvest stages of the crop, inability of the industry to ensure compliance with standards mainly Global GAP and HACCP, and the poor institutional capacity of producer organizations warranting attention.

High Value / Off Season Vegetables (HV/OV) Value Chain

There is a growing trend of high value and off-season vegetables production throughout Pakistan. This is among the fastest growing sub-sectors owing to its relatively high profitability and increasing market demand. With the size of land holdings ever shrinking, HV/OV production can become an important alternative strategy especially for small-holders to maximize income. Likewise, high value horticulture in and around major urban centers is emerging as a way to transform agriculture by adopting modern technology and precision farming in many developing countries including Pakistan. In addition to greenhouse farming, more recent initiatives are the hydroponic and Aeroponic techniques tried by private sector in Islamabad and Lahore respectively. For sustainable high value horticulture, investment in modern farming techniques is important especially greenhouse farming which is currently hindered by the perceived risk associated with it and the lack of technical know-how. Greenhouse farming needs to be promoted as urban and sub-urban agribusiness activity and has the potential to create jobs and increase incomes of small land holders. Off-season vegetables are produced at higher altitude in the north (KPK, GB), south (Balochistan) and on a limited scale in AJK. All these areas enjoy natural ecological advantage and therefore can be promoted as pockets for niche production opportunities. In the plains of KPK and Punjab, adoption of plastic culture (low, medium and high tunnels) has significantly increased. While there is limited scope for the promotion of plastic culture, natural off-season production can be promoted in KPK (East), Potohar, and AJK.

Seed Potatoes Value Chain

Potato is one of the major crops in Pakistan, has registered a ten-fold export growth in the last five years. The Participatory Rapid Horticulture/Livestock Appraisal (PRH/LA) and subsequent value chain analysis conducted by the project ranked seed potato as a value chain having significant potential in Khyber-Pakhtunkhwa (KPK) and GB. The potential for producing seed potatoes is specifically more pronounced at higher altitudes in Chitral, Gilgit Baltistan and Mansehra. The project, through international Short Term Technical Assistance (STTA), identified several constraints in the potato value chain, including weak domestic seed industry; absence of on-farm storage, post-harvest losses during curing and storage; skills gap and inability of the chain to ensure quality of the seed owing mainly to the absence of protocols/standards. The project will provide assistance to seed potato value chain actors for the development of domestic potato seed industry, establishment of storage infrastructure, promotion of value addition and development of true to type protocols for potato seed industry.

Grape Value Chain

Grape production and marketing is an emerging industry in Pakistan, high income has made grape cultivation a rapidly expanding farm enterprise in ICT and potohar region. Direct beneficiaries are includes small land holders, medium land holders, and large farmers existing successful vineyards in the region which enjoying competitive profit margins and the sustainability of the regional climate for early grapes production to capture the national market reflect potential for the value chain. In Attock and Chakwal districts, grapes have started commercial production and expansion in the local market. The most common varieties are Flame seedless, and king's ruby.

Livestock (Meat) Value Chain

Livestock sector contributes more than fifty percent of the agricultural value added and 11.6 percent to the country's GDP. Pakistan's meat industry has attracted investments owing to its growing domestic demand as well as its potential for expanding regional trade. Pakistan's meat industry also has the potential to capture significant market share in the growing Halal market in the Middle East and beyond. The dairy sector has a strong presence of bigger private sector initiatives, yet a weak production base including the feed industry and poor linkage to the fattening industry. The project will aim at interventions that impact livestock sector with a focus on meat value chain in Pakistan. Priorities in the value chains include capacity building of farmers to enhance production efficiency, strengthening the feed/silage industry, development of Halal-Pak standards and certification services (incentive based in private sector), enhancing compliance capabilities of enterprises and establishment of cold chain infrastructure (retail outlets for meat).

Annexure 16: Case study

Case study **Transformation from traditional farming to business farming**

For years we were practicing traditional farming of rice, wheat, fruits and vegetables and were earning around Rs. 25,000 per acre. But ASF helped us in the construction tunnel farm on which we planted cucumber and earned Rs. 450,000. this is 18 times higher than what we used to earn from the same area.

Haji Muhammad Hanif
Farmer, Jawaharpur

Challenge:

The demand for high quality vegetables is increasing in Pakistan due to high population growth rate and changing dietary patterns of urban middle-class and upper-income consumers who are interested in off-season fresh produce throughout the year. However, due to lack of commercial off-season farming, and storage and processing facilities, the supply side of vegetables remains volatile and as a result, during the natural season, the market remains flooded with the vegetables, irrespective of demand, substantially bringing down their prices. On the other hand, during off season, there is only a limited supply of these vegetables in the market at considerably higher prices.

ASF Intervention:

In the absence of storage infrastructure and processing facilities in Pakistan, off-season farming is a viable option that can not only increase the farmer's income but also ensure availability of fresh vegetables to the consumers throughout the year at affordable prices. Recognizing the potential, ASF launched a project to support small scale farmers in undertaking off-season farming using greenhouses/plastic tunnels. During 2007-08, ASF approved matching grant support for 360 farmers, represented by 36 Farmer Enterprise Groups (FEGs), for setting up tunnel farming on a total area of 36 acres at District Nankana and Sheikhupura.

Results:

Farmers reported an average increase of 6 to 8 times in their earnings per-acre from tunnel farming. Cucumber, chili, tomato, sweet pepper, brinjal and potatoes are some of the popular vegetables of the region that are providing substantial returns to the farmers during off-season. The project received a lot of interest and appreciation from the farming communities and ASF has extended similar support for Tunnel Farming in the other regions of all provinces of the country including Azad Jammu & Kashmir.

Annexure 17: Final Assessment of Participants

Final Assessment of Participants
TOT on Enterprise Development Training for FEGs
The Agribusiness Project
 May 8-10, 2014, Hyderabad | May 14-16, 2014, Islamabad

Name _____

#	Indicators	Response
1	What is the main objective of EDT Training for FEGs?	
2	What TAP stands for?	
3	Is value chain approach is beneficial for FEGs?	Yes / NO
4	List three benefits of Value chain approach?	1
		2
		3
5	What is Value addition?	
6	Mention four benefits of FEG formation?	1
		2
		3
		4
7	What are the main components of Training Cycle?	
8	List different types of business?	
9	What are 4 Ps in Marketing?	
10	What is difference between Variable & Fix cost?	Variable cost
		Fix Cost
11	How to calculate profit?	1
		2
12	List the components of business plan?	
13	Describe Business Record Keeping?	
14	10 FEGs = 1 Cluster 2 Cluster = 1 Association	True /False
15	Develop Cost benefit plan on prescribed Format	

Cost Benefit Plan

No.	Item/activity	Units	Quantity	Average price	Total for season
I	Cost				
A	Input				
	Total cost of inputs (A)				
B	Labour costs				
	Total labour costs				
C	Marketing costs				
	Total marketing costs				
A+B+C	Total costs (A + B + C)				
2	Revenue				
D	Total revenue			0	
3	Net income (D-(A+B+C))			0	
4	Benefit–cost ratio (revenue/cost)			0	

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