

BUSINESS SKILLS TRAINING GUIDE FOR POTATO ASSOCIATIONS



*Expanding Utilization of Roots, Tubers and Bananas and
Reducing Their Postharvest Losses*



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SELF HELP AFRICA

This training guide is an output of Expanding Utilization of Roots, Tubers and Bananas and Reducing their Postharvest Losses (RTB-ENDURE) project implemented by CGIAR Research Program on Roots, Tubers and Bananas (RTB) with funding from the European Union and technical Support from IFAD.

The CGIAR Research Program on Roots, Tubers and Bananas (RTB) is a broad alliance led by the International Potato Center (CIP) jointly with Bioversity International, the International Center for Tropical Agriculture (CIAT), the International Institute for Tropical Agriculture (IITA), and CIRAD in collaboration with research and development partners. Our shared purpose is to tap the underutilized potential of root, tuber and banana crops for improving nutrition and food security, increasing incomes and fostering greater gender equity, especially among the world's poorest and most vulnerable populations.

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INTRODUCTION

About the Training Guide

The guide is designed to train farmer associations or groups in business skills. It focuses on developing holistic capacities of a farmer association in:

1. Leadership and governance
2. Enterprise Analysis
3. Business Planning
4. Record Keeping and Store Management
5. Markets and Marketing
6. Savings and Resource Mobilization
7. Basic Financial Literacy

The guide follows the **Family Life Module (FLM)** principles of training approach. The Family Life Model is a localized way of presenting the relationships between the aspirations of families and the linkages to resources that they can exploit to meet these aspirations. The family's aspirations considered in the model regard income generation through agribusiness development. Important among these are other factors like how decisions are made in the household. Research shows that if women are empowered and have influence regarding decisions made at household level, more of the income is spent on reinvestment, education, health care and other household needs which increase the standard of living of the household.

The basic concepts of “**Basic Financial Literacy**” on personal financial management and sound financial decision-making regarding enterprise analysis are applicable in this training guide and hence should be emphasized throughout the trainings. The recognition that RTB-ENDURE project does not give out hand-outs but builds the capacity of households and community associations to harness their skills and opportunities around them to undertake profitable farming as a business is emphasized. This training manual is aimed at helping farmers make sound business decisions in a consistent manner.

Who is the guide intended for?

This guide will be used by RTB-ENDURE Project Potato Association Committee members, RTB-ENDURE implementing partners and other partners in similar projects to conduct trainings to the farmer groups/association members so to have their business skills built to a level of making sound decision making regarding different business options in potato or other enterprises. The strategy is to allow the business principles and concepts to be developed at association level but also allow practical application at household /family levels. This way RTB-ENDURE Project will achieve its aim to develop entrepreneurial and agribusiness skills for the selected actors (men, women and youths) in specialized ware potato markets.

Using the Training guide

A good number of the potato association members have low literacy levels. This guide is meant to stimulate them to become engaged in the training process and is composed of short sessions that provide just enough information for the association and household to make sound business decisions. The training process and structure of the guide uses an approach that helps families use the existing farming experience to gain knowledge and skills that help transform potato farming/trading into **a profitable undertaking**. Local language, tools and materials should be used as much as possible. Adult learning methods, other than those proposed in this manual, can be used as trainers find appropriate.

It should be recognized that successful learning needs a motivated learner. It is important to establish an atmosphere that is conducive to learning for participants and create harmony with the facilitators in order to prepare participants for *better* learning. The farmer association leaders (who are the trainers) should value participants (fellow members) and also acknowledge the fact that they probably have more practical experiences, which should be drawn from.

How the guide is organized?

The guide has three sections, with Section 1 providing a general overview of the various participatory training approaches that can be used in delivering the training, Section 2 covering pre-training activities that are needed before a training is commenced and Section 3 covering the detailed training modules.

PART A - Training Approach

The participants of the business skills development training are farmers and farmers are adults. Therefore, to facilitate a training it is important to understand:

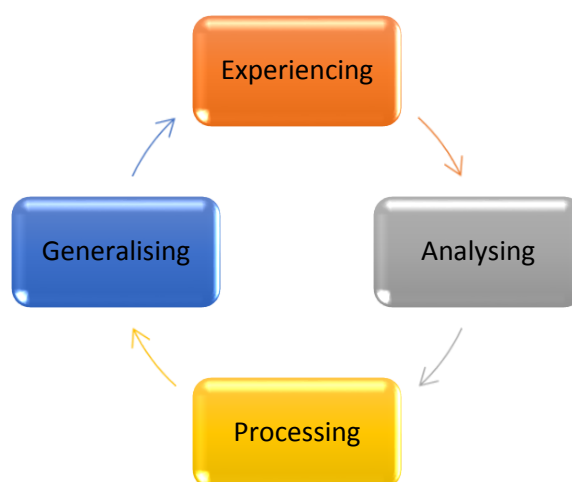
1. how adults learn
2. the role of the facilitator in this process
3. the different participatory learning techniques that can be applied

Adult learning

Adult learners normally go through some phases of a learning cycle. These phases are experiencing, analyzing, processing and generalizing (Figure 1).

Adults have a wide experience and have already much knowledge and skills. Learning something new (experiencing) is not just achieved in an instant. Referring back and making use of the knowledge and skill is the basis of the adult learning process. It may sometimes be necessary to break apart and review the existing knowledge/skill (analyzing) as well as test the new ideas. The new learning will have to be internalized (processing) by making it relevant to one's self. It may have to be shared with other people as part of the process. Only after this can the learning be applied when confronted with a similar situation (generalizing).

Figure 1: Adult learning cycle



Role of the facilitator

The role of the facilitator and his relationship to farmers contrasts significantly from that of the instructor or trainer. The instructor imparts knowledge to farmers who adopt a passive role of

merely receiving information. In contrast, a facilitator creates conditions for farmers to learn, by arranging opportunities for the farmers to observe and interpret differences in conditions and crop performances, to carry out simple tests and exercises, and through discussions. The facilitator encourages farmers to adopt an active role in the learning process.

The main features of the attitude and role of a facilitator:

1. To accept that there is no monopoly of wisdom or knowledge on the part of the facilitator
2. To listen to participants and respect their knowledge, experiences and perceptions
3. To give farmers the confidence to share their knowledge and experiences
4. To create suitable conditions and activities from which farmers can learn
5. To be responsive to farmers' needs and flexible in organizing the course
6. To increase farmers' knowledge, skills, problem-solving ability and capacity for innovation so that the facilitator becomes redundant.

Facilitation & Learning techniques

Different learning techniques are used in the discovery-based exercises used in the Farmers' Training. Descriptions, advantages and disadvantages of the different learning techniques are presented below.

Plenary Introduction

A Plenary Introduction is normally the first activity to start a new training session. Its main objective is to introduce the subject and to allow participants to familiarize with some basic concepts by referring to familiar and related topics.

Procedure (Steps)

1. Attain a relaxed group atmosphere. Exercises can be used to introduce the participants to each other and to create a sphere for group work.
2. One participant, who was assigned for this in the previous training session, gives a review of the previous training session: objectives, exercises and major findings.
3. If a group task (whole group or small groups) of the previous training session had to be finished, the results are presented and discussed.
4. Explanation of the specific objectives and expected output of today's exercise by the facilitator.
5. Eventually the characteristics and terminology of the topics of today's exercise can be explained and discussed briefly.

Advantages

The outcome of the previous training session is again clear to everybody. Everybody knows the meaning and expected outcome of today's training session. Terminology and characteristics of today's topics are clear to everybody.

Disadvantage

Participant may not be familiar with giving a short presentation. May be time consuming if not only the major issues are discussed.

Brainstorming

The main objective of a brainstorming session is to introduce new topics and to discover new ideas and responses very quickly by having the group describing the topic or idea by listing an exhaustive list of related characteristics and conditions.

Procedure (Steps)

1. Ask the group to appoint a recorder who will not participate, but merely record the ideas
2. Ask the group to think of issues, topics and questions that they want to tackle in relation to a particular issues
3. Encourage the group to think adventurously. Everything must be included, even the most outlandish and wild idea
4. Encourage quantity rather than quality: the more ideas the better
There are two options for brainstorming:
5. People call out their ideas and the facilitator/recorder writes each idea up on a flipchart. No comments and evaluation can be made, it must remain a free flow of idea
6. Each member of the group writes down a series of issues, topics or questions on small bits of card. These are fed back by sticking them to the wall
7. After the ideas are written down - they can be discussed further and evaluated, for example listing the best options in a systematic way
8. Ideas can be grouped (exact duplicates removed) and analyses so that they belong to the group rather than individuals (the group must agree on how the cards are to be clustered into theme areas).

Advantage

- A good way to get or bring out ideas.
- The focus is on generating as many ideas as possible without judging them.
- The list of issues, topics and questions use the collective insight of a group. All ideas are given equal credence (weight).
- Participants are encouraged to let ideas flow freely, building on and improving from previous ideas.
- Brainstorming can fully exhaust an idea by focusing specifically on that idea. Generated ideas usually lead to a very animated and energizing session.
- Reserved participants may feel bold enough to contribute.
- Brainstorming sessions can work well with a large group and take less time.

Disadvantages

- It can be difficult to record the points accurately
- If people do not know the subject - it is difficult to brainstorm.

Small group discussions

Instead of discussing one subject with the whole group, more subjects can be discussed by using small groups. The main objective is to give every participant a way to actively participate in the discussion.

Procedure (Steps)

1. The plenary discussion can break into sub-groups to discuss one or two specific

questions or issues.

2. One member of each group can report its findings back to the plenary.
3. Depending on the numbers, the groups can be made up of 3, 4 or 5 people.
4. Facilitators watch time and manage feedback.

Advantages

- Everyone can express his or her opinion - it is participatory.
- Exchange and sharing of ideas (interaction) and draw on their wide collective experience. Facilitators can gauge the mood by listening to some of the discussions.
- It changes the pace of the session.
- It encourages participants to reflect on what they have learnt and how they might apply it in their work.
- Groups can be mixed with different types of stakeholders in each group. The facilitators can also learn from the small group discussions.

Disadvantages:

- People may not be familiar with the use of group work.
- It takes time - in particular to get all the feedback from each group.
- You need leaders or facilitators within each sub-group, though care has to be taken that one person does not dominate.
- Need to arrange tables and chairs in a way that allows for quick easy discussion

Advantages

- Participants learn through practicing.
- Encourage participants, who do not feel confident to speak in a group, to participate in a practical way.
- Close to real live situations.

Disadvantages

- Time consuming.
- Need for good planning, material, timing, and place.

Note: In order to save time in presenting ideas after the group discussions: one group presents all their ideas, and the other groups only contributing new ideas, avoiding any repetition.

Plenary discussion / presentation

The plenary discussion can follow directly after small group discussions, but does not need to do so. The objective of the plenary discussion/presentation is to synthesize the ideas of the participants about a (new) topic or information that is discussed within the group. A training session using the method of plenary discussion may split up in small groups (for step 5 of the procedure described below) for small group discussions and continue with a plenary discussion for the formulation of the conclusion.

Procedure (Steps)

1. Introduce shortly the topic.
2. Ask the participants a number of pre-prepared questions related to the topic.
3. Discuss the answers with the participants.
4. Introduce brief and in an easy to understand way the new technology (topic) / additional information.

5. Discuss with the participants the positive and negative sides of using the new technology (topic) / additional information.
6. Try with the participants to reach a conclusion on the topic.

Advantages

- Participants are often familiar with plenary activities.
- Does not need to (re)organize the participants.

Disadvantages

- Difficult to obtain full participation from all participants. Only a few participants will express their opinions.
- Does not encourage participants to reflect on what they learn.

PART B - Preparatory Activities

Prior to the training and to ensure that the training is more effective, a tailored training programme/curriculum has to be developed to address the training needs of participants. Therefore, there is need to do a participatory training needs assessment to determine the level of skills, knowledge and experience of farmers in key potato business success factors. The details of this is covered in the following section.

Enterprise Skills Needs Assessment (ESNA)

The objectives of the Association Capacity Assessment is to:

1. Identify structural and governance characteristics of the association/enterprise group as a fundamental functional pillar for a successful agribusiness
2. Identify business skill gaps and appropriate actions to improve association formal engagement in specialized potato business
3. Identify and agree on capacity building priorities and action plans tailored the Association or group.

The ESNA is done using Participatory Rapid Diagnosis and Action Planning approach. This involves the following. A pre-developed questionnaire is used to guide the participatory diagnosis interview process. The questionnaire is structured to assess 7 business success priority areas including

1. Governance and structure of the group/association
2. Business orientation
3. Resource mobilization/Business financing
4. Access to inputs/production resources
5. Markets
6. Marketing strategy and
7. Consumer feedback

The participatory diagnosis process has to be facilitated by a competent facilitator well conversant with participatory techniques in marketing and business development service.

Following the ESNA, a training curriculum is developed indicating the objectives of the each module. The curriculum needs to address the gaps identified in the key skill areas such that focus is put on the areas with which the group/association has weakness. The table below shows a typical training curriculum developed for training four potato associations in Eastern Uganda under the framework of the RTB-ENDURE project. The curriculum has been developed based on the results of the capacity need assessment presented in Annex 5.

Potato Association Training curriculum

1. LEADERSHIP & GOVERNANCE (LG)	
OBJECTIVES	By the end of this course, participants are expected to know the basic administrative and functional structure of business Associations
ACTIONS	Associations members are expected to agree on a governance structure of choice and elect administrative and functional leaders democratically
OUTPUT	Basic functional committees elected and know their roles and responsibilities
SESSIONS	
1	Leadership & Characteristics of good leaders
2	Role of good leadership in business
3	Governance & the 8 Characteristics of good governance
4	Role of good governance in business
5	Governance structures for Associations
6	Functional Structures, roles & Responsibilities
2. ENTERPRISE ANALYSIS	
OBJECTIVES	By the end of this course, participants are expected to analyze and select sustainable profitable enterprises
ACTIONS	Association members are expected to conduct cost-benefit analysis of different enterprises based on profitability and intervening factors
OUTPUT	Select viable enterprise & product
SESSIONS	
1	Qualities of an Entrepreneur (Commercial Farmer)
2	The 4 basic business functions
3	Acreage Determination
4	Yield and Yield potential
5	Productivity of ware potatoes
6	Cost of production computation [Traditional Vs Improved]
7	Using Unit cost of production for production planning & Determining minimum Selling price
8	The 3 Considerations for increasing profitability
2. BUSINESS PLANNING	
OBJECTIVES	By the end of this course, participants are expected to set business goals and develop business plans
ACTIONS	Association members are expected to develop individual production projections and a consolidated business plan for each of the 4 Associations.
OUTPUT	Individual and Association business plans with clear projections
SESSIONS	
1	Setting business targets (Goal & Strategy)
2	Production cycle planning & Activity calendar
3	Costing & Budgeting
4	Monitoring Plan
5	Marketing Plan
6	Projected Income statement (PIS)
7	Profit utilization

3. RECORDS & STORE MANAGEMENT	
OBJECTIVES	By the end of this course, participants are expected to understand the basic Association records & effective store operations management
ACTIONS	Associations will develop operational plans using the provided guideline and open business records
OUTPUT	Store Operational plans & Business records
SESSIONS	
1	Basic store management principles
2	Managing Inventory Entry & Basic records [Date, Source, Qty, Qlty, Price]
3	Managing In-Store movement of potatoes [Partitioning, Coding, First in-first out]
4	Managing Inventory Exit & Basic records [Date, Destination, Qty, Qlty, Price]
5	Managing Store security
6	Process Management-Role of Store Manager, Quality Control team & Marketing team
7	Quality in-store management to minimize loss
8	Stock Counting & replenishment planning for optimal use
9	Developing Store Management plans
10	Business records [Production, Sales, Receipt, Assets, cashbook, cash-flow ,income statement]
4. MARKETS & MARKETING	
OBJECTIVES	By the end of this module participants will have understood what marketing is, how to conduct market research, demand & supply forces, customer analysis & customer feedback mechanism, strategies, segmentation, product differentiation & marketing information
ACTIONS	Associations will conduct a market survey & identify and profile potential customers
OUTPUT	Marketing strategy & customer database
SESSIONS	
1	What is marketing
2	Marketing Strategies- The 4Ps [Product, Price, Promotion, Place]
3	Market Intelligence & Market Information
4	What is Participatory market research and why is it important?
5	Conducting Participatory market research- The 4As [Availability, Affordability, Acceptability, Accessibility]
6	Market chain, demand & supply
7	Customer Analysis- The 2Cs [Consumer & Competition]
8	Customer feedback analysis
9	Market segmentation & Product differentiation
10	Practical: Conducting market survey
5. SAVINGS & RESOURCE MOBILISATION	
OBJECTIVES	To promote internal saving and access to external credit to finance potato enterprise
ACTIONS	Associations will agree on internal and external sources of finances for supporting their business
OUTPUT	Resource mobilization strategy/plan
SESSIONS	
1	What is saving
2	Internal Savings-the best source of capital for starting a business
3	Borrowing for business expansion
4	Sources of credit and requirements [Individual money lenders, VSLAs, SACCOs, MFIs, Commercial banks]
5	Starting and operating shares in Associations-Guiding principles

6. BASIC FINANCIAL LITERACY	
OBJECTIVES	By the end of this module participants will learn the benefits of personal money management as well as transfer of skills for behavior change.
ACTIONS	Association members will analyze their income sources and expenditures and make spending decisions
OUTPUT	Personal financial budgets and spending plans
SESSIONS	
1	What is financial literacy?
2	Setting financial goals
3	Examining personal money management
4	Importance of budgeting in financial literacy
5	Making budgets (For literate & Illiterate)
6	Making spending decisions & staying with your budgets
7	Keeping records to manage your money
8	My money and someone's money: managing the difference
9	Good loans/Bad loans and cost of borrowing
10	Dangers of defaulting on loans & identifying predator lenders

PART C – Training Modules

MODULE 1: LEADERSHIP AND GOVERNANCE

1. LEADERSHIP & GOVERNANCE (LG)	
OBJECTIVES	By the end of this course, participants are expected to know the basic administrative and functional structure of business Associations
ACTIONS	Associations members are expected to agree on a governance structure of choice and elect administrative and functional leaders democratically
OUTPUT	Basic functional committees elected and know their roles and responsibilities

Leadership

Leadership is a process whereby an individual influences a group of individuals to achieve a common goal. It is also the influence process of leaders and followers to achieve organizational objectives through changes. Leadership is thus about unlocking potential, whether individual potential or that of a group, company or organization. It is not about telling people what to do but inspiring them to be what they are capable of, then, helping them get there. A leader is the one who helps others do and become more than they ever thought possible.

Qualities of a good leader

- A good leader must exhibit exemplary character. The leader must be trusted and be known to live their lives with honesty and integrity since true authority is born from respect for the good character and trustworthiness of the person who leads.
- A good leader must be enthusiastic about his/her work or cause and about his/her role as a leader. Thus must have passion and dedication for work given and be a source of inspiration, be a motivator towards the required action or cause. He/she must be afraid to roll up their sleeves and get dirty.
- A good leader must be confident so that he/she inspires confidence in others and draw out trust and best efforts of the team to complete the task well. He/she must convey confidence towards the proposed objectives.
- A good leader must function in an orderly and purposeful manner in situations of uncertainty and familiarity. This enables people to find reassurance and security in the leader due to confidence and positive demeanor portrayed.
- A good leader must be tolerant of ambiguity and remain calm, composed and steadfast to the main purpose. This is important because storms, emotions and crises are part of the journey, which come and go and so the need for the leader to keep cool when such happen.
- A good leader must be committed to excellence. He/she must not maintain high standards only but also be proactive in raising the bar in order to achieve excellence in all areas.

- Self-knowledge - This is necessary when faced with challenge or ethical issues, communicating with those who have different ideas, making decisions, and identifying sources of satisfaction. A leader must have values, priorities and preferences and must articulate what he or she wants, develop benchmarks, and make better choices. There is also need for willingness to take on responsibilities.
- Commitment- Commitment is necessary in that it enables one to do their best given the knowledge and available resources in an organization. Furthermore, members in an association may look for a mentor, someone who prompts to be their best, someone who cares and listens, someone confident in his/her beliefs and is willing to be there.
- Willingness to look to others for support - Believing that an effective leader is one who knows it all is one of the most dangerous misconceptions about leadership. So while the ultimate decision and responsibility may lie within an individual, it is incumbent upon him/her to gather information and trust others' points of view before developing a plan of action.
- Open to change- Change is one of life's most obvious factors, yet remains one of the most strongly resisted. Hence good leadership must be open to change that is beneficial for the organization.
- Desire to go the extra mile- Good leadership must portray such things as extraordinary encouragers, strong organizers, good persuaders or charismatic speakers in the leaders of respective organizations.
- A good leader must think analytically in that a situation faced by an organization must be broken into subparts for closer inspection. This helps to put forward manageable steps to come out of the situation.
- A good leader must be approachable.
- A good leader must be readily available when needed.
- A good leader must be a very good time manager.
- A good leader must be principled.
- A good leader must be morally upright.
- A good leader must be impartial.

Brainstorming session

1. Discuss and agree on the first five key qualities that should be exhibited by your leaders
2. Rank them starting with 1 for most important and 5 for least important (of the selected five)
3. Document these qualities well and they would be used to remind members in future when they are going to elect office bearers.

Good Governance

The concept of "governance" is not new. It is as old as human civilization. Simply put "governance" means: the process of decision-making and the process by which decisions are implemented (or not implemented). Since governance is the process of decision making and the process by which decisions are implemented, an analysis of governance focuses on the formal and informal actors involved in decision-making and implementing the decisions made

and the formal and informal structures that have been set in place to arrive at and implement the decision.

Government is one of the actors in governance. Other actors involved in governance vary depending on the level of government that is under discussion. In rural areas, for example, other actors may include influential land lords, associations of peasant farmers, cooperatives, NGOs, research etc.

Good governance has **8 major characteristics** i.e. it is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of the society.

Participation

Participation by both men and women is a key cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives. It is important to point out that representative democracy that not necessarily mean that the concerns of the most vulnerable in society would be taken into consideration in decision making. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other hand.

Rule of law

Good governance requires fair legal frameworks that are enforced impartially. It also requires full protection of human rights, particularly those of minorities. Impartial enforcement of laws requires an independent judiciary and an impartial and incorruptible police force.

Transparency

Transparency means that decisions are taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and accessible to all those who will be affected by such decisions and their enforcement. It also means that enough information is provided and that it is provided in easily understandable forms and media.

Responsiveness

Good governance requires that institutions and processes try to serve all stakeholders within a reasonable time frame.

Consensus oriented

There are several actors and as many viewpoints in a given society. Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved. It also a broad and long-term perspective on what is needed for sustainable human development and how to achieve goals of such development. This can only result from an understanding of the historical, cultural and social contexts of a given society or community.

Equity and inclusiveness

A society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups, but particularly the most vulnerable, have opportunities to improve and maintain their well-being.

Effectiveness and efficiency

Good governance means that processes and institutions produce results that meet the needs of the society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment.

Accountability

Accountability is a key requirement of good governance. Not only governmental institutions but also the private sector and civil society organizations must be accountable to the public and their institutional stakeholders. Who is accountable to who varies depending on whether decisions or actions taken are internal or external to the organization or institution. In general an organization or an institution is accountable to those who will be affected its decisions or actions.

LEADERSHIP, GOVERNANCE & ORGANIZATION STRUCTURES

Learning Objective:

By the end of the session participants should:

- Understand the organization structure of a typical association – roles and responsibilities of the different committees.
- Understand, value and respect decision making process in a collective way.
- Understand good governance and the qualities of a good leader.
- Understand the major characteristics of good governance.
- Elect members of the committees.

Importance of being in as association:

- Farmers can share experience and learn from each other.
- Farmers can bulk and market their produce collectively at a premium price.
- It eases access to agricultural inputs at fair / subsidized prices.
- It eases organizing demonstrations.
- It is easier to organize saving and credit for farmers.
- It simplifies interpersonal communication among members.
- Powerful in changing behaviors, attitude and values.
- It can be used for decision making, negotiation and bargaining.
- It is a door for new innovation.
- It facilitates a broader coverage when implementing developmental activities.
- It is easy for farmers to produce higher quantity and quality of the produce.
- It is easy for farmers to link to development partners and access government programmes.
- An association can provide employment to its members in the long run.
- Improves on the welfare of an individual due to the related benefits.

Challenges

- It can be time consuming for instance in decision making.
- Responsibility can be ambiguous.
- Can brood jealousy in case some of the members are progressing faster than others.
- Possibility of members being negatively affected by pressure from other association members.
- Can lead to loss of focus on an individual since there is a band wagon mentality.
- Rumormongering amongst members
- Poor time management which leads to poor performance.
- Conflict of interest amongst leaders/members.

Farmers Association internal organizational arrangements, leadership and teamwork

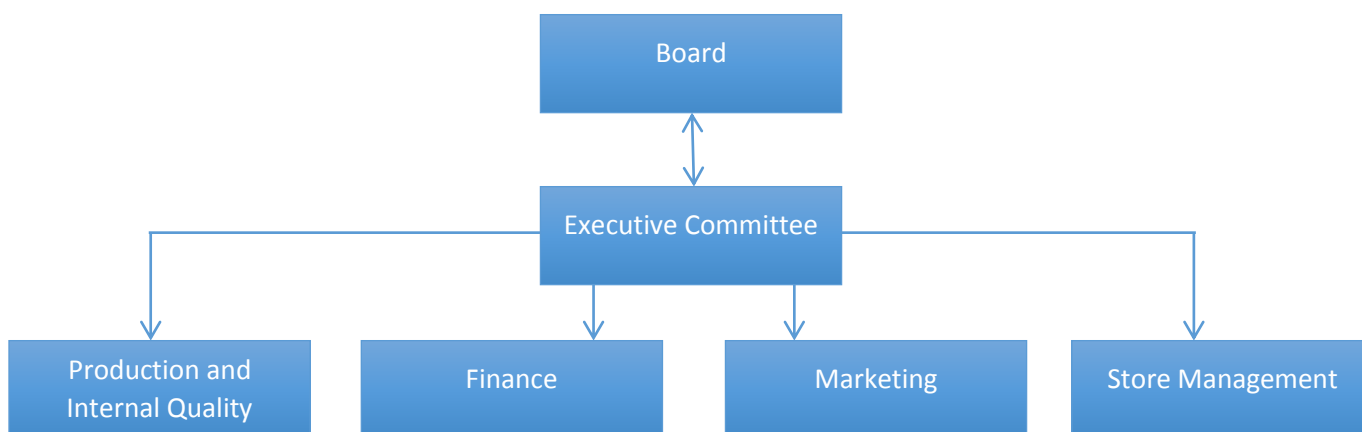
As much as possible, all essential functions and responsibilities of the enterprise should be shared among the members of the association on the basis of capability and interest. If certain essential skills are not available within the group membership, the enterprise may consider hiring and paying for persons with such skills.

Someone must be made responsible for each activity in the enterprise. These persons will carry out or supervise the necessary functions and report on them. The respective responsibilities and duties of the members must be fully understood by everyone in the association. Once someone is put in charge of an activity, he should be given the authority to carry out the required functions in consultation. As much as possible, there should be an even distribution of tasks and responsibilities in the association (see figure below) in order to avoid overburdening few members or the leader with many duties. This is even more important where members may not expect to be paid for the association tasks they perform. The nature of cooperation among the association members will be the key to success of the business. The members should cooperate with each other in sharing work.

Organizational structure of a typical farmer association

An organizational structure shows the hierarchy of management and the reporting structure in an association. The organizational structure should be as easy as possible such that it is easily understood.

Table 1: Basic governance structure



The Board/General Assembly
Executive/Management committee
Finance committee
Marketing committee
Production and quality control committee
Store management committee

The above figure shows an organizational structure of some of the associations. The variation in the organizational structures of associations is brought about by the level of growth among them; for instance those at the level of a registered cooperative have the board at the top while the farmer associations have members at the top. However a typical association has four main committees: the executive committee, the finance committee, production and quality control committee, the marketing committee

Roles and responsibilities

Board members / The General Assembly: These are selected/appointed members who should oversee the activities of the association. This is the supreme governing body of the association that makes major and binding decisions. The general assembly normally meets once a year unless there is an urgent need. The general assembly performs the following functions:

- Approves annual budgets and work plans and reviews accountabilities of the association.
- Receives audited accounts showing the performance of the association in the previous year.
- Elects the management /executive committee members and working committees.
- Offer advice to the association.
- Take action in case a committee or a member on any of the committees acts contrary to what is expected of him/her.
- In cases such as embezzlement of funds, they advise the association accordingly.
- Participate in the Assembly General Meeting (AGM).

Executive committee

This is the group of people who are ultimately responsible for running the association. The Executive Committee's composition is determined by the Annual General Meeting which elects its members. It is normally composed of 5, 7 or 9 members who must serve a term of two years renewable for two terms only. The members of the committee normally include the chair person, vice chairperson, general secretary, Treasurer and committee members. In general the roles of the Executive committee are:

- Defines mission /vision, strategic objectives and policies of farmer group and ensures that plans conform to them (setting the direction of the association).
- Reviews and approves business plans & budgets before presenting to AGM.
- Supervises management in the execution of approved plans.
- Mobilizes resources for the association businesses on behalf of the members.
- Appoints, appraises and disciplines management.
- Meeting regularly.
- Guiding the activities of the association.
- Managing the finances.
- Agreeing on the budget and a fundraising strategy.
- Ensuring that members are kept informed.
- Monitors the activities of the sub-committees.
- In some cases together with the staff, draws up long term and annual plans.
- Making sure that the association operates in accordance with the law.
- Developing policies in areas such as equal opportunities, health and safety and recruitment, induction and supervision of volunteers and employees.
- Managing volunteers and employees and making sure that they are treated properly.
- Monitoring and evaluating performance.

Finance committee

The overall responsibility of the committee is to mobilize and manage association finances and oversee the savings and credit scheme of the association (if any). The specific roles are:

- In charge of keeping association finances from both internal and external sources.
- Work as loans committee to approve loans.

- Prepares an inventory of all the physical assets.
- Monitors members with loans and reminds them to pay.
- Budget reports – review income and expense. The finance committee chair should prepare monthly verbal or written reports to the executive/management committee if there are significant discrepancies and / or concerns.
- Review budget prepared by the management committee, forward comments to the management committee.
- Reports farmer association performance to the Executive committee.

Production and quality control committee

The general role of the committee is to coordinate production and capacity building of the association members. The specific roles are;

- Assesses the association seed requirements for each member and makes enquiries/books in advance before the start of the season and orders the seed in time and at the same time to ease collective marketing.
- Coordinates the purchase and delivery of the seed from authorized providers/institutions. Ensure reliable supply of inputs to farmers.
- Organize and coordinates training programs about agronomic practices to farmers.
- Monitors and inspects farmers' production fields and offers advice where necessary.
- Prepares and keeps records of planting every production season.
- Keeps record of the different cycle activities like planting time, date and frequency of weeding, inputs used and quantities, volumes produced, trainings received etc.
- Together with the marketing committee, coordinates bulking and physically examines all potato delivered to the association store by members to ascertain purity and trueness to type.
- Makes seasonal and annual production plans for the association's activities based on the potential market and storage inventory established by marketing committees.
- Establish quality product standards to meet market requirements.
- Prepares monthly, quarterly and annual progress reports to the executive committee.

Marketing committee

The overall responsibility of the committee is to connect markets and buyers with the association to ensure business growth. The specific roles are;

- Advise the association on setting season's production targets.
- Look for markets on behalf of the association and negotiate with buyers for a good price.
- Communicate with the members to bring their products to the store as well as with the buyers to buy the potatoes and ensuring that information concerning market issues reach farmers at the appropriate time.
- Coordinate the bulking of potato from all members of the association to the store or collection centre.
- Calculates the profit of the enterprise and shares the results with the association.
- Market intelligence i.e. do market research on behalf of the association.
- They make marketing visit reports and presents to the rest of the association.
- Looks for quality inputs (e.g. seeds) and organizes buying as an association.
- Lists contacts and locations of all customers and keeps such records.

- Together with the production and quality control committee, checks the produce quality (e.g cleanliness, packing, grading) after harvest and before delivery.
- Ensure that storage and packaging facilities for the produce are in place.
- Collects and handles money obtained from the buyers.
- Monitors the standards, markets, prices etc.

Store management committee

This is responsible for the routine operations of the store; this committee comprises of (i) Store Manager - responsible for the overall activities in the store, ensuring that the store is clean, ensuring that the store is put to good use by the farmers; (ii) Quality control/records keeper – responsible for the quality aspects of the potato kept in the store in addition to keeping the relevant records; and (iii) Sales/marketing person – in collaboration with the marketing committee ensures that the potato is sold at the right time and at the highest price.

NOTE:

Setting up of committees

The executive committee is exclusively democratically elected where as other committees either can be elected or appointed. Relevant skills and experiences should be given key attention to when selecting or electing a member to be on such committees. Members on these committees work on a voluntary basis but the group should have an operational cost budget to facilitate such committees in implementing the activities of the association.

MODULE 2: FARMING AS A BUSINESS & ENTERPRISE ANALYSIS

2. ENTERPRISE ANALYSIS	
OBJECTIVES	By the end of this course, participants are expected to analyze and select sustainable profitable enterprises
ACTIONS	Association members are expected to conduct cost-benefit analysis of different enterprises based on profitability and intervening factors
OUTPUT	Select viable enterprise & product

Understanding farming as a business

Just like any activity that a person undertakes to earn an income, farming must also be taken seriously as a business. We therefore need to first understand what a business is.

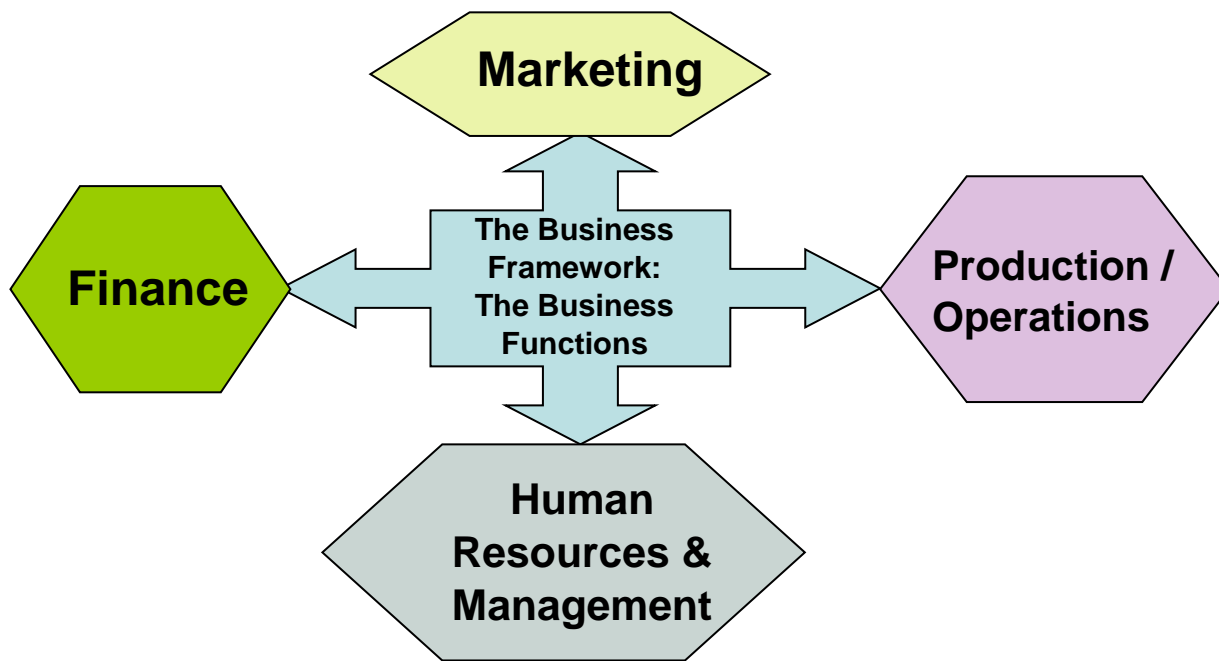
What is a business?

A business is an enterprise that one or more persons do to make profit. A business involves the identification of a need in society and then coming up with creative solutions to that need, and offering a service or product at a price that is acceptable to the market and profitable to the business.

Farming is a form of a business. The farmer sees a need and attempts to provide a solution in the form of food, meat, milk or whatever products are produced on the farm. The farmer must ensure that he provides that service or product at a price that is not only accepted by the market, but also profitable to his farm business.

Four Basic Business Functions

Each and every business has four functions whether small or big.



A farmer must realize that his activities on the farm also fall into these four business functions:

Marketing

The farmer must realize he has a market that he should aim to satisfy. The farmer has to produce products that are required by the market, in the right quantities demanded by the market, with the right quality standards and a price that is competitive but also profitable to him.

Production / Operations

The farmer must organize his production processes in such a way that it is cost-effective, efficient and profitable. The farmer has to properly plan his farm activities just like any business person would plan their business.

Human Resources and Management

A business needs human resources to effectively operate. The farmer must also identify and deploy the right kind of human resources that will enable him achieve the best results.

Finance

The farmer should aim to make a profit at the end of the sales of his farm produce. To achieve this, the farmer should properly account for his expenses. He must keep proper records of what he spends on farm inputs as well as any other costs incurred on the farm. The farmer must calculate his total expenses and charge a price on his produce that does not only cover his expenses, but also bring him a profit.

WHO IS A COMMERCIAL FARMER?

- A commercial farmer is the one who achieves profitable yields and takes farming as a business.
- Commercialization or "Farming as a Business" basically means taking farming as a viable profit-making venture. It involves:
 - Accurately knowing your costs of production
 - Knowing your margins
 - Understanding how to maximize profits
 - Lowering the cost of production
 - Increasing the yields.

A commercial farmer must know:

- *Acreage*
- *Yield*
- *Yield potential*
- *Productivity*
- *Cost of production*
- *Profitability*
- *Risk analysis / management*

Determining the right acreage

1. Why should a farmer know the size of his land?

This is very important for the following reasons:

- Planning accurate input requirements
- Forecasting potential production and income
- Evaluating performance

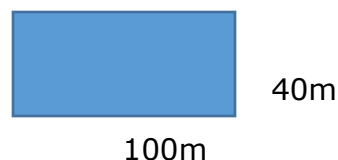
The land is the main capital for your business enterprise therefore it must be used optimally. These are very fundamental important aspects of commercial farming planning.

2. How do you determine the size of your land?

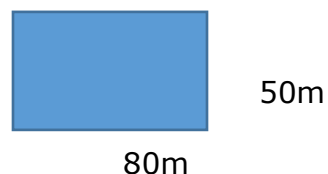
Most farmers do not know what an acre of land is!! They call any garden an acre!

1 acre = 4000 meters squared. See examples below

$$100\text{m} \times 40\text{m} = 4000\text{m}^2$$



$$80\text{m} \times 50\text{m} = 4000\text{m}^2$$



$$200\text{m} \times 20\text{m} = 4000\text{m}^2$$



Farm Yield and yield measurement

Yield is output per unit of production, thus it can be:

- Kilograms per acre
- Bunches / acre
- Bags per acre
- Eggs per hen
- Litres of milk per cow
- Kilograms of honey per hive

You can only know your yield if you know your land size / production unit and weigh / measure what you harvest.

What is Potential Yield?

This is the maximum yield you can achieve assuming all factors of production are favorable. It is determined by Seed / Production potential as specified by Breeders / Scientists who develop it.

Example

Seed Variety	Yield Potential
• Upland Rice Superica II	= 3000kg/acre
• Groundnut (Serenut 5 & 6)	= 1200kg/acre
• Beans (climbing beans)	= 1400kg/acre
• Maize longe 5	= 3000kg/acre
• Maize longe 2H	= 4000kg/acre
• Coffee Clonal	= 20kg dry berries / tree
• Irish potato	= 10,000 to 15,000kgs/acre

Yield Potential should be your target at planting.

Your management and input use will determine the deviation from the potential.

Productivity

This is the yields the farmer is achieving in comparison to the yield potential of a particular variety.

Note: It is recommended to maximize your productivity before considering expanding the acreage.

Cost of Production & Projected Income Statements

Cost of Production is the total cost of all activities and inputs used in a farming enterprise.

Below is an example of determining the cost of production of various technologies (Irish potato example).

	Traditional	Improved High Input Technology (HIT)
Land opening		
Secondary cultivation		
Seed		
Planting		
Application		
NPK17:17:17 Fertilizer		
Application		
Weeding		
Labour for 1st weeding		
Labour for 2nd weeding		
Fungicides		
Pesticides		
Pre-harvest Total costs		
Harvesting		
Transporting		
Storage		
TOTAL COST OF PRODUCTION		
Yield kg per acre		
Farm gate price per kg		
Gross income/Turnover		
Net income/Net turnover		

Unit Cost of Production (UCOP)

Cost of producing 1 unit of the commodity (e.g. a kg, a bag, etc.)

$$\text{UCOP} = \frac{\text{Total Cost of Production}}{\text{Yield per Acre}}$$

Example for Irish potato by technology

Level of Technology	Traditional Method	Improved Method
UCOP (Ush / kg)		

Note: Using higher level of technology and inputs may reduce the Unit Cost of Production.

How do we increase profitability?

To be able to increase profitability a farmer MUST reduce his/her Unit Cost of Production and increase yield per acre.

- ↓ Reducing cost of production
- ↑ Increasing yield per acre
- ↑ Price

1. Reducing Cost of Production (where possible)

- Use of income enhancing inputs like fertilizers
- Improved practices
- Reduce labour costs e.g use of herbicides
- Proper timing of activities (e.g weeding)

Note: But it should be noted that use of income enhancing inputs like fertilizers may increase your total cost of production but reduce the unit cost of production due to correspondingly greater increase in yields.

2. Increasing Yield

- Appropriate practices e.g. appropriate timing of farming activities
- Use of inputs e.g. organic or inorganic fertilizers

3. Market at Higher Price

- Store ware potatoes to sell when prices are higher
- Ensure higher quality.

Cost Benefit Analysis (CBA)

- This is a systematic process of evaluating the total anticipated cost of an enterprise compared to the total expected benefits in order to determine whether the proposed implementation is worthwhile.

- If the results of this comparative evaluation method suggested that the overall benefits associated with a proposed action outweigh the incurred costs, then an enterprise is most likely to be chosen and the implementation then follows.

Purposes of a CBA

- To determine if it is a sound investment/decision (justification/feasibility),
- To provide a basis for comparing projects. It involves comparing the total expected cost of each option against the total expected benefits, to see whether the benefits outweigh the costs, and by how much.

Parts of a Cost-Benefit Analysis

- First, all potential costs that will be incurred by implementing a proposed action MUST be identified.
- Second, the entrepreneur MUST record all anticipated benefits associated with the potential action.
- Finally, subtract all identified costs from the expected benefits to determine whether the positive benefits outweigh the negative costs.

How do we identify the costs?

- The first step is to identify and quantify all costs associated with a proposed action. In order to successfully identify all potential costs of a project, the entrepreneur must follow the subsequent steps:-
 1. Make a list of all monetary costs that will be incurred upon implementation and throughout the life of the enterprise. These include start-up fees, licenses, production materials, payroll expenses, user acceptance processes, training, and travel expenses, among others.
 2. Make a list of all non-monetary costs that are likely to be absorbed. These include time, lost production on other tasks, imperfect processes, potential risks, market saturation or penetration uncertainties, and influences on one's reputation.
 3. Assign monetary values to the costs identified in above. To ensure equality across time, monetary values are stated in present value terms. If realistic cost values cannot be readily evaluated, consult with market trends and industry surveys for comparable implementation costs in similar businesses.
 4. Add all anticipated costs together to get a total costs value.

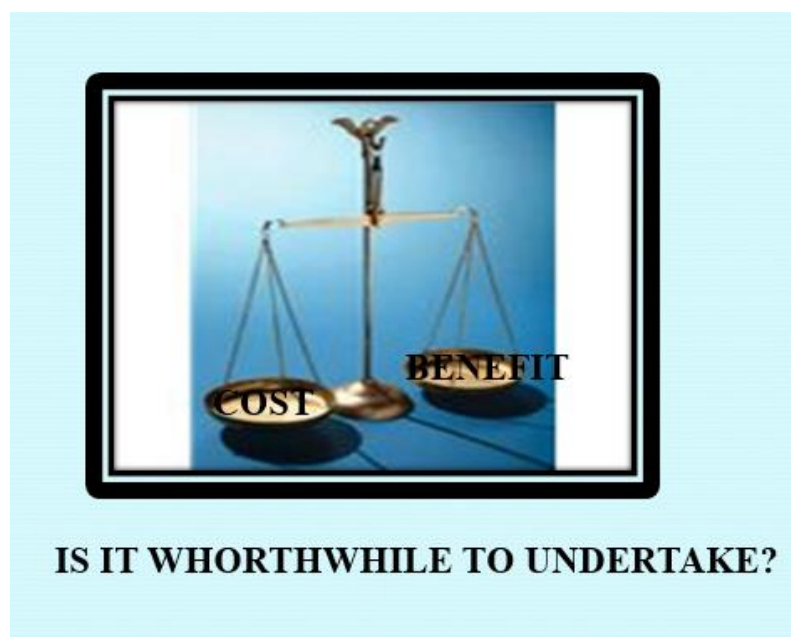
Identifying Benefits

- The next step is to identify and quantify all benefits anticipated as a result of successful implementation of the proposed action. To do so, complete the following steps:
 1. Make a list of all monetary benefits that will be experienced upon implementation and thereafter. These benefits include direct profits from products and/or services, increased contributions from investors, decreased production costs due to improved and standardized processes, and increased production capabilities, among others.

2. The next step is to identify and quantify all benefits anticipated as a result of successful implementation of the proposed action. To do so, complete the following steps:
3. Make a list of all monetary benefits that will be experienced upon implementation and thereafter. These benefits include direct profits from products and/or services, increased contributions from investors, decreased production costs due to improved and standardized processes, and increased production capabilities, among others.
4. Add all anticipated benefits together to get a total benefits value.

Evaluating Cost and Benefit

- The final step when creating a cost benefit analysis is to weigh the costs and benefits to determine if the proposed action is worthwhile. To properly do so, follow the subsequent steps:
 1. Compare the total costs and total benefits values. If the total costs are much greater than the total benefits, one can conclude that the project is not a worthwhile investment of company time and resources.
 2. If total costs and total benefits are roughly equal to one another, it is best to re-evaluate the costs and benefits identified and revise the cost benefit analysis. Often times, items are missed or incorrectly quantified, which are common errors in a cost benefit analysis.
 3. If the total benefits are much greater than the total costs, one can conclude that the proposed action is potentially a worthwhile investment and should be further evaluated as a realistic opportunity.



Conclusion

- Performing a cost benefit analysis is a valuable way to weigh the pros and cons of implementing a proposed action. A cost benefit analysis that has thoroughly identified and realistically quantified all costs and benefits is an accurate way to determine whether an opportunity is worth an enterprise's time and energy.

Risk Management

We define risk as "the perceived extent of possible loss". Different people have different views of the impact of a particular risk – what may be a small risk for one person may destroy the livelihood of someone else.

When we speak of risk in agribusiness, we normally refer to two types of risks (though there may be others). There are risks of crop failure (due to erratic or attack by disease and/or pests) and market price failure (when the price you are planning on turns out to be lower than expected). Also when a farm is in debt to a bank or a money lender, lowering these risks is essential.

The strategy we use to manage risks in agribusiness is common sense and diversification. The first and foremost, "grow what you know" i.e. to work with crops and animals / or products which one is familiar with. Experience is a valuable risk-management tool. Diversification, the second strategy: - undertaking different business activities and different types of business activities (again with which one is familiar).

Diversification ensures that if there are minor or major failures in any single activity, there is likely to be a success to offset that failure. Note that the common sense approach of "grow what you know" is not meant to preclude innovation. E.g. with good access to both extension services and a market for improved seed and fertilizer, a farmer should not be discouraged from improving her performance on a crop like maize with which she is familiar.

Risks and consequences

- Crop failure risk: The possibility that due to weather, ineffective crop management, insects, birds, rodents, diseases etc., the expected yield at harvest will be lower than the anticipated. It may fail altogether. Consequences: Inability to repay credit, inability to save, food shortage, cash shortage etc.

- Market price risk: The possibility that due to too much output (e.g. potato) arriving in the market at the same time, the demand for that output is low and the price for that output is lower than expected. The profit is therefore lower than expected. Consequences: The inability to repay credit, the inability to save, short-term to long-term cash shortage, etc.
- Note: Of the two types of risk, the market price risk is more of a serious financial (business only). Crop failure risk poses both a financial risk and, depending on the level of crop failure, a life threatening risk to the household.

Risk minimizing strategies

1. Plan your business using Projected Income Statement (PIS): There is always need to plan business in advance, i.e. before spending one shilling, try to identify everything you will need for your production and what it will cost. If you are not sure of the cost of an item, over-estimate its cost. When planning expected income use an average price or a lower than average price for the market value of the output. This limits the possible negative effects of market price risk.
2. Grow what you know: Grow crops that you are familiar with and access technical assistance to help you to improve what you already know how to do. Trying new crops with potentially good profits should be encouraged, but should be done first on a small scale (with limited investment), then on a larger scale when you have confidence in anticipating costs, market price and possible problems.
3. Use extension services and the best agricultural techniques possible: Extension agents should be aware of the best techniques, types of fertilizers, seeds and pesticides to use and how and where to get inputs. If your cash is limited, it may be better to grow a quarter acre of maize using improved seed and fertilizer than growing an acre of maize using traditional techniques.
4. Plant several types of crops: The business planning and PIS model can be used for any crop to decide the best profit options. Instead of choosing only the most profitable option, plant several types of crops. The advantage is that if one crop fails, another is still likely to succeed. Similarly by diversifying your choice of crops you also minimize the market price risk. If the price of one crop is too low, others may be unusually high.
5. Set aside profits from each season as savings: Savings can lower costs and enhance profits. Investing savings instead of borrowing means that your obligation is only to yourself. If unfortunately your crop fails, no bank or money lender can chase after you for repayment. None of your hand-earned possessions can be confiscated.
6. Keep records of costs, prices, profits, planting times, harvesting times, etc. to maximize business efficiency: Quality record keeping is a key strategy to managing risks. By keeping key information, farmers can follow trends in costs of inputs (is it cheaper to per kg to buy 50 kg of fertilizer or 100 kg?). Farmers can also follow trends in output prices (is it better to sell my maize at harvest, a week before, three months after harvest?). With record keeping, many of the unknown elements of business planning can be more accurately estimated.

7. Store some of your harvest to speculate on price changes: On the basis of record keeping and drawing PIS, you may be able to predict an upward price trend after harvest. By planning before planting to have more output than you need to cover costs and by saving and not incurring large debts, storing becomes an interesting market price risk management strategy. Storing is a “value adding” activity.
8. If possible, undertake some non-agricultural profit generating activity: While this may not always be an option, having a business income outside of agriculture is a sound risk management strategy at the level of household. Alternative income sources that are not sensitive to the weather, like brewing, bicycle repair, brick making etc., provide low profit but consistent cash flows in the household.
9. Work with other farmers to reduce costs and increase profits.
 - Buy inputs in bulk and sell collectively to enjoy the benefits of large economies of scale.
 - Add value to your crops with jointly purchased capital assets
 - Increase operational efficiencies (land preparation, weeding, sowing, fertilizer application, harvesting, sorting, grading and packaging, market information etc).
 - Access alternative markets.

MODULE 3: BUSINESS PLANNING

2. BUSINESS PLANNING	
OBJECTIVES	By the end of this course, participants are expected to set business goals and develop business plans
ACTIONS	Association members are expected to develop individual production projections and a consolidated business plan for each of the 4 Associations.
OUTPUT	Individual and Association business plans with clear projections

Brainstorming session;

1. *"Why is planning important?" e.g. planning an event.*
2. *"What do we plan for?"*
3. *Who does the planning? And when?*

Planning of an agricultural enterprise is thinking of what will take place and when, what inputs will be required and when, how the business will be managed; and the roles of different players. It allows good organization of all activities and resources. Business planning helps one to identify the required resources needed to start and operate a sustainable and profitable business.

What to plan for:

Activities: What will be done when? The time for land preparation, planting, weeding, spraying etc.

Inputs: What inputs will be needed, and when. This will ensure easy access of quality inputs. Know where to get any inputs that may not be easily available in the village, thinking of the transport costs and the time required to access these.

Budget: How much will it cost at the different parts of the year (production cycle).

Funding Strategy: Where will the funding needed at different times come from? Do you have all the required cash: if not, make a decision where to borrow and when.

Roles and responsibilities: Who will do what? E.g. Who will do the land clearing, planting in the nursery, watering, weeding, etc.? What will the children in the HH do?

Market: Who will do the marketing, etc.? When? What price shall we charge? What value do we add? When we do the marketing to optimize the quantities sold but also the prices? How much to sell and how much to keep for home?

Use of profits: They should think of how funds should be used:-for continuation of the business; savings; and for use in meeting the family needs.

Key steps we go through when planning:

(The sub-sections below form a business plan so long as each is addressed accordingly)

- I. Background information (Business name – group/individual name, physical address, Tel. no, Nature of business)
- II. Setting goals for the farm enterprise (every business should have goals)
- III. Setting a strategy
- IV. Activity plans and scheduling
- V. Costing and budgeting
- VI. Projected income statement (PIS)
- VII. Marketing plan
- VIII. Putting up a monitoring plan
- IX. Use of generated profits

Business goal:

A business must have clearly set goals. The goals must follow the SMART principle.

- ✓ **Goals must be Specific:** The business should set very specific goals.
- ✓ **Goals must be Measurable:** You can only manage what you can measure. A goal that is not measurable is difficult to manage.
- ✓ **Goals must be Achievable:** The business goals must be challenging but achievable
- ✓ **Goals must be Realistic, Recorded and Reviewed:** Goals that are not written down are nothing but wishes.
- ✓ **Goals must be Time-Framed:** The business owner must clearly decide when he expects to achieve certain results. This will help him to properly manage time.

A business goal is one where you define the [amount of crop to grow or [number of] animal[s] to keep; the amount of money they expect to earn from the enterprise in the year.

Case study:

A group of 15 people decided to run a business that grows passion fruits. They have never grown it before, but learned at the demonstration garden that it could be profitable. They learnt from the Agriculture Officer that a half an acre could get them 100 kg per week for period of 3 months. The prevailing price is UGX 2,500/= per kilogram. They plan to grow on a quarter of an acre and intercrop groundnuts or beans during the cropping season.

1. What enterprise have they decided to undertake
2. What would be the goal of such an enterprise?
3. What strategy would they have?

Answer:

For instance the objective of growing passion would be “to grow a quarter of land with passion fruits (can specify the species) and earn about UGX 2,500,000 per week for 3 months from it”.

A strategy

A strategy is a methodological way of doing a particular thing. The farmer must decide what he needs to do in order to achieve his set goal. A strategy defines the approaches you will use to achieve your goal. In this case it defines the size of land to use; the species of passion fruits to grow; whether you will be making your own seedlings or buying; whether it is organic or not; etc.

Seasonal calendar/Activity scheduling

The purpose of this activity is to plan when different activities take place and estimate inputs and money that is needed at the different times. In business it is important to have enough money when it is needed.

Examples of agricultural activities through a crop cycle include: land preparation, planting, weeding, pesticide/herbicides application, harvesting, [storage], and marketing.

Key inputs include labor (who does what), tools/equipment, seeds, manure/fertilizer, pesticides, drying facilities, transport, lunches etc,

Main sources of money will include: Savings? Sales of farm produce? Hire out labor? Money from relatives living in Kampala?

Show/give a sample of seasonal calendar

Divide participants into groups of 8 to 10 people.

Ask them to make a seasonal calendar for their enterprise chosen in SESSION 3 and making the following decisions.

- Which activities and when is each activity done?
- When and what inputs are needed at each stage?
- How much money is needed at the different stages?

Allow time for groups to walk around and see what other peers have.

Costing and budgeting an enterprise

A budget helps estimate the amount of money you may need to run the enterprise. It is also important to plan the sources of the inputs and the money. At this stage all the possible costs are estimated and a budget made. (This is similar to the calculation of cost of production) – refer to notes - who is a commercial farmer?

Projected Income statement (PIS) or Profit and Loss Account (P&L)

Please refer to the cost of production calculation in the notes on who is a commercial farmer? After getting the total cost of production, one continues to get the estimated yield, in case there are some post-harvest losses these are subtracted from the total yield, farm gate price is got and then estimated / projected income/revenue and profit is got, then this will now represent a projected income statement – i.e what a farm is expected get as profit at the end of the season.

Monitoring the progress of the enterprise

What to monitor?

- Are we applying the right technology (using the right seeds, fertilizers, pesticide?)
- Are we doing all the agronomic practices at the right time (land preparation, planting, weeding, spraying, etc).
- Are we producing the right amount per acre/plant
- Are we getting the right amount of money?
- Are we making the expected profit?
- Do we have enough money to pay for the activities?

Marketing plan:

- When to sell?
- Where to sell?
- Whom to sell?
- What price to sell at?
- What product quantity and quality to sell?
- How promote the products so that they are known by customers?

All these questions and other related questions must be answered to have a clear marketing plan.

Use of generated profit

The generated should be used

- Re-investment into the same business
- Savings
- Family needs

All these three options should be given appropriate percentages but a bigger percentage should go to re-investment.

MODULE 4: RECORDS & STORE MANAGEMENT

3. RECORDS & STORE MANAGEMENT	
OBJECTIVES	By the end of this course, participants are expected to understand the basic Association records & effective store operations management
ACTIONS	Associations will develop operational plans using the provided guideline and open business records
OUTPUT	Store Operational plans & Business records

Session objective:

By the end of this session, participants will appreciate the relevance of record keeping; understand different forms of business records and how to use them for decision making

RECORD KEEPING

Any business person must keep records in order to know what his outflows (payments) and inflows (receipts) are. The difference between the two figures will inform the farmer if he has made a profit or incurred a loss. Farmers must learn from past successes and mistakes if they are to grow as a business.

Good records can be used to calculate whether the farmer is making profit or not. Calculating profit and loss is the most important part of record keeping.

Record keeping can be easy and enjoyable. Recording involves preparing a record of what activities they have carried out, the amount of resources they have used, e.g. land, labor and inputs e.g. seeds, pesticides, transport, equipment, etc. and services received. Records indicate the amount of money that comes into a business/farm and the amount of money that is spent (or just simply money IN and money OUT).

Keep records of costs, prices, profits, planting times, harvesting times, etc. to maximize business efficiency. Quality record keeping is a key strategy to managing risks. By keeping key information, farmers can follow trends in costs of inputs (is it cheaper per kg to buy 50 kg of fertilizer or 100 kg?). Farmers can also follow trends in output prices (is it better to sell my irish potato at harvest, a week before, two months after harvest?). With record keeping, many of the unknown elements of business planning can be more accurately estimated.

Farmers cannot learn what has worked well and what has not if they do not keep accurate records.

The different kinds of records include the following; Cashbooks (combine business expenditures and income records), savings records, credit records and marketing records. Records can be written or not. They are a means of remembering what you have done, spent and earned. They also help in monitoring progress towards the business goals and for planning the business the following season.



Records should give enough information for sound business decision making. Records are to help in making sound decisions.

The form below can be copied into a simple exercise book. With this simple form a farmer can track his cash inflows and outflows. Keeping these simple records will inform the farmer about how to adapt his planning process in the future.

Income and Expense Record (Cash Book)

A Cashbook is a good simple record every farmer should have. It simply records all the money (cash) that comes in the business and the money that goes out of the business.

A Cash Book

RECEIPTS (from sales) 			PAYMENTS (for purchases) 		
Date	Particulars	Amount	Date	Particulars	Amount

A record of activities should complement the record form above – that shows when a task was performed and how much time it took.

Field Operations Record/ Activity Record

Start Date	Activity / Task	Completion Date	Comments

The information compiled in the two simple forms above will inform the farmer about the performance of his business during the period for which the records are kept.

NOTE:

- Business record keeping is “key” to proper planning and management of family business and decision making.
- Our memory is limited so it is important to keep records.
- Records help/assist us know if we are making a profit or not.

STORE MANAGEMENT

A store is a structure or place where we keep goods for future use. A store can be a big warehouse and that means a commercial building for storage of goods. Management implies looking after something, caring for something, overseeing, keeping among others. Store management therefore means the process of organizing, coordinating, planning, controlling, directing, supervising, and making decisions about a business, department, or an organization in order to achieve defined objectives.

Types of stores

There are three types of store;

- Private – individually owned
- Public – association and cooperative
- Bonded – government

Importance of stores

- Keeping goods for future use
- Help one to wait for better markets
- Keeping surplus goods
- Help to regulate prices
- Help to regulate supply
- Facilitate packaging, processing and grading
- Minimize risk of damage by bad weather

Principles of store management

Demand forecasting - This helps in predicting future demand and enable one to set profitable but realistic target selling prices, such information helps one to determine how much to store and when to replenish, sell out part or all of the stock.

Stock / ware house flow – sorting, setting order, systemic cleaning, standardizing, and sustaining the discipline ensures that no money is lost due to poor processes, disorganization costs money.

Inventory turns / stock rotation – defining the success level for the stock rotation is critical to analyzing ones demand forecasting and warehouse flow.

Cycle counting – this helps one to measure the success of your existing processes and maintain accountability for potential error sources, this helps in maintaining accurate inventory.

Process auditing – proactive error source identification starts with process audits, audit early and often. This is supposed to be done at each step. The processes include; inspections at all levels right away from production to storing, harvesting – ensuring that mature potatoes are harvested, normally dehauling is supposed to be done two weeks prior to harvesting, sorting is also supposed to be done right away from the garden during harvesting up to when the potatoes are stored, transport means should be appropriate to ensure that the Irish potatoes are not damaged / bruised, weighing, recording, labelling are also supposed to be done appropriately, then storage is done either in sacks or open crates.

MODULE 5: MARKETS & MAKETING

OBJECTIVES	By the end of this module participants will have understood what marketing is, how to conduct market research, demand & supply forces, customer analysis & customer feedback mechanism, strategies, segmentation, product differentiation & marketing information
ACTIONS	Associations will conduct a market survey & identify and profile potential customers
OUTPUT	Marketing strategy & customer database

What is marketing?

Learning objective:

This session will introduce participants to marketing. It will show why marketing is important for businesses. It will also explain why marketing is very important even to farmers.

Marketing is:

- Working to supply what customers want and doing it profitably for both the customer and the firm supplying the product.
- Finding out what customers want and supply to them at a profit.
- A series of services/activities involved in moving a product from point of production to point of consumption.

Marketing is linked to

- Planning what to grow –doing business planning and analyzing profitability
- Storing to maintain quality of the produce.
- Maintaining quality of the produce during production
- Packaging, sales and transport to sales point

Importance of marketing

- Marketing helps in finding out what customers want.
- Enables you to produce and sell the things that people want.
- Provides information in letting people know about your products/services.
- Marketing provides information which will enable you to sell your products in the right places and also setting the right price so that people will buy your products.
- Packaging materials costs money and smaller packs will in the end cost more than the bigger packages.
- Marketing helps provide information on how to make your products / services unique and more attractive than other similar businesses.

Collective marketing

Is bulking your products as a group and selling them together. There are different ways of marketing and if you are producing say 0.5 acres of Irish potato you cannot reach larger buyers since you will not have enough to offer and therefore it is better to bulk your produce with other farmers and later sell collectively.

Notes:

- Collective Marketing activities for farmer associations start as early as the end of the planting period. Others start earlier especially for those with contract farming facility.
- Farmer associations are not allowed to buy and sell produce. Usually it is not practical to say that farmers will sell their produce to organizations, only should they sell on behalf of farmers.
- Level of participation by farmers in these activities should be a rational decision based on time and resources.
- Farmers should be involved as much as possible in the process in order to facilitate skills transfer and local empowerment.
- As rule of the thumb, farmers will decide which part they would like to play in the value chain.

Market plans

- A simple survey is carried out by marketing committee to identify several potential market options. These should be prioritized according to the market type e.g. local, national and export. This will depend on the level of value chain farmers are participating in a given enterprise.
- Map all potential buyers, contacts and their prices. All prices both retail and wholesale are displayed on the information board at every information point in the zone.
- Potential buyers in this exercise refer to the corporate organizations like wholesalers, processors and exporters of produce. Small middle men and wholesalers are discouraged as they cannot offer a significant price

Transportation and storage

- Transportation is twofold, (a) Transporting produce from farm to the store of the organization, (b) Transporting farmers produce from organization's store to the real market; say exporter's store.
- Transportation is always organized by the farmers or the buyers in most cases, and storage expenses are borne by the FA. Where the area covered by FA is big, the routes for transportation should be defined in the territory for efficiency.
- Where FAs have storage facilities, it is ideal to bring all the produce to the store and farmers are given bulking receipt.
- The FA with storage facility or without storage facility should make sure that they are in charge/control of all the produce ready for sale. Short of that, the process can be distorted especially where farmers keep committing their words and not the produce to be sold through the organization.
- If the cost of transport is projected to be low, farmers should organize their own transport.

Bulking

- The Marketing committee collects information from the individual farmers and groups basing on what they are likely to commit to the organization and record it in Projected Business volume record for FAs.
- Interface meeting is organized between buyers and farmers to actualize their market plan.
- Farmers bring their produce to the central store, weighed and all records updated as and when they bring the produce. Records are taken by the secretary for production and marketing.
- Where there is no central store, produce is put in central places in villages as agreed upon by all members.
- When farmers bring their produce at the agreed place they are issued a receipt to show evidence that he/she has brought the produce and the commission is also indicated.
- The quantity collected is communicated to the buyer immediately to arrange for the next step.
- Sometimes packing bags are sent in advance by the buyer or the price of packing bags is agreed upon.
- Money from the buyer is received and receipted by the treasurer of the FA and not directly by the farmers.
- Loading, grading are also taken care of by either FAs or the buyers.
- After calculation of commission farmers are paid through their accounts or other records as agree upon by all members.
- All the business done on behalf of the farmers is recorded in the Business Performance Record.
- Buyers should pay for produce before it is taken or when there is an assurance that it will be paid on delivery.
- It is be better if all payments are done by cheque in the names of the farmer organization.

Note

- More people confuse bulking with holding, bulking takes place when farmers bring their produce together, while holding takes place when farmers keep their produce in store waiting for prices to increase.
- It is important to mention commission and other charges as early as possible to promote transparency.
- The accumulated commission is shared by only those who sold their produce through the organization, however part of it may be retained to be reinvested.
- FAs with enough share capital may advance to farmers with urgent cash needs.
- Farmers will remain owners of the produce till point of sale.

Pricing

However, much variance in prices of different communities and markets, farmers will appreciate relatively high prices.

Three prices are always taken into consideration:

- Open market price – This is a price offered by middlemen at farm gate in a given community
- Farmer association's price - A price negotiated by the farmer organization from identified buyer. It is always higher than the open market price
- Price of the farmers - This is the price charged by the farmer organization when it sells for farmers, this should be lower than organization's price but higher than the open market price. Price of the farmers = FAs price -commission.

Sharing of accumulated commission

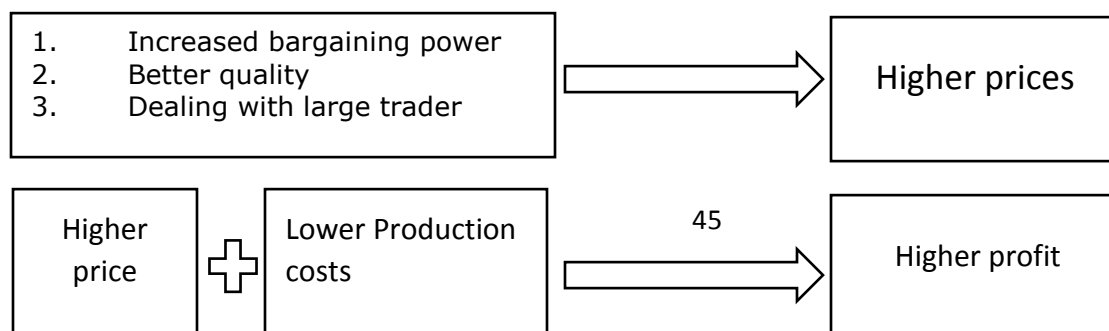
- After an agreed period, usually one year, during the Assembly General Meeting members are obliged to share on the contribution they made towards the growth of the organization. Usually those who contributed much should share much; this will increase member's patronage. Records should be well maintained to show members contribution.
- Farmers after marketing period should review the process and come out with lessons learnt and make way forward.

Conditions for successful bulking

- Mutual trust
- Clear and enforceable by-laws
- Informed members
- Members having stake in their organization
- Active participation at all meetings
- Zero tolerance for corrupt, unaccountable and undemocratic leadership by members
- Strong business ethics among members
- Committed and dedicated leaders
- Democratically elected leaders
- Visionary and transparent leadership
- Regular meetings between leaders and members
- Proper and updated records

Collective marketing of farm products

Commodity (1)	Unit of measure (2)	Qty (3)	Open market price (4)	Price of FA (5)	Farmers price (6)	Total Revenue (3x6)	Commission (5-6)x3



Importance of collective marketing

- You can negotiate better since you have more to sell (a trader listens to you easier since you have a lot).
- You save on transport and handling costs since you can bring your products to the market together.
- You can control quality better. All farmers deliver the same quality. Traders like this.
- You will produce more because markets will become better.
- You can get loans easier.
- You can get trainings from organizations.
- You can buy quality inputs at a cheaper price (e.g. seed, tractor hire etc.) and have lower production costs

Note: It is important for the farmer groups to select marketing committees to help them with marketing their products as a group and also looking for markets. The facilitator will also list some of the roles and duties of the marketing committees.

Marketing strategies/(The Marketing Mix) - 4 P's?

Marketing is the most critical factor that determines the success of your business. Effective marketing starts with a considered, well-informed marketing strategy. Developing a marketing strategy development in businesses needs to be based on trainings such as customer analysis and the participatory market research that should be conducted before the marketing strategy development training. The marketing strategy comprises of the four Ps (Product, Place, Promotion and Price (also referred to as the marketing mix).

Your marketing strategy affects the way you run your entire business, so it should be planned and developed in consultation with all the members in the group team.

It is a wide-reaching and comprehensive strategic planning tool that:

- Describes your business and its products and services.
- Explains the position and role of your products and services in the market.
- Profiles your customers and your competition.
- Identifies the marketing tactics you will use.
- Allows you to build a marketing plan and measure its effectiveness.
- Allows the group to assess the risks involved and the how they can be mitigated.

A marketing strategy sets the overall direction and goals for your marketing, and is therefore different from a marketing plan, which outlines the specific actions you will take to implement your marketing strategy. Your marketing strategy could be developed for the next few years, while your marketing plan usually describes tactics to be achieved in the current year. It is developed so as to be able to sell the best and mainly desired product by the customer at the preferred location and price.

The fours Ps (Marketing mix)

Any marketing strategy comprises four basic elements referred to as the 4Ps' namely product, place, price, and promotion.

Product:

A product is what a business presents to the customer or the value proposition that is meant to solve the customer's problem at hand. Thus this dictates how the customer will require the product. It is important to ensure that the product fully meets the needs of the customer. From an angle of industry analysis, it is necessary that the product is unique and in this way, your business as a firm or an individual will enjoy competitive advantage. These can be quality attributes, branding, packaging etc.

To sell your produce, you must assess effective demand for it and what your customers would like or may not like about it. You should compare your produce with that of other suppliers and justify why customers would prefer your produce over those of your competitors.

- What will be unique about your produce? (e.g., type of varieties should be the preferred one by buyers, quality status should be standard)
- Do some value additions i.e. sorting, grading.

Step 1: List the different attributes that the target customers specifically look for in your product.

Step 2: Assess the current level of customer satisfaction in line with the product you are providing to them.

Step 3: What can be done to improve the product so as to meet the customers' priority needs?

Step 4: Identify the risks that are involved in trying to improve the product and their management measures. These are the strategies or actions to be taken depending on the outcomes of steps 1 and 2.

Place:

Place is important in meeting two main market aspects namely; availability of the product to and accessibility of the product by the customer. Thus it is important that the product is found in an easily accessible place or location and should also be readily available to the customer at the time of need. It is important that this time factor be planned for in any business. Businesses such Irish potato production need to know exactly where their profiled customers want to find their produce and at what time in the cropping cycle. Effectiveness and efficiency of the distributional channels used must be considered as well. The relative locations of the production fields, storage facilities, and the sales points are important in terms of transportation costs and access to customers.

Price:

Price is one of the important market aspects in the seed businesses. A good price is seen in the profit a business earns after selling its products. When selling Irish potato, a competitive price needs to be set and this varies from customer to customer. A number of factors are considered when setting price but mainly two of these are most important: the cost of production and the market price. It is important not set the price so high that the business will fail to sell its products and it should not be set too low that the business may not break even.

The price of your produce will be based on your production costs, the willingness of your customers to pay as determined by prices charged by other suppliers, and your perceived profit margin. This may depend on the nature of the Irish potato and the demand for it.

Promotion:

It is important to know that before the customer buys the product, he/she must hear about the product or see the product or have experience of the product. These will stimulate him/her to think about your product and probably he/she will eventually make the decision to buy product. This depends on how the product is presented to him in terms of features such quality, packaging and labelling, yield potential, and maturity period (say if seen during a field day exercise).

You should use a variety of methods or strategies to inform different categories of customers about the Irish potato you offer and convince them to buy. These can be through the following ways:

- Personal sales of your product to your intended buyers.
- Conducting sales promotion - say the first ten people to buy 1000kgs of our Irish potato get 10 kg for free.
- Promotions can be done through trade shows and exhibitions on field days.
- Through word of mouth promotions.
- Advertisement through radio shows.

However the farmer group can use marketing mix strategy to distinguish themselves from other competitors through:

- Modifying products.
- Changing pricing and strategy.
- Offer Irish potato variety that others do not sell.
- Use different promotions and promote distinctiveness.

Summary of the Marketing Mix		
Marketing variable	Definition	Aspects of this variable include:
Product	Everything that we sell that satisfies a need or a want; includes material objects, services, persons, places, organisations, and ideas	Variety, quality, design, characteristics, brand, packaging, sizes, services, guarantees
Price	The monetary value that a seller seeks from a buyer for a product or service	Price lists, discounts, price margins, credit conditions
Place	<ul style="list-style-type: none"> • Distribution and marketing channels • A series of independent organisations involved in the process whereby the consumer or industrial user can use or consume the product or service 	Market sales points, spatial coverage of market sales points, locations within markets, inventories of products, transportation channels
Promotion	The means for convincing or persuading potential users of the quality or features of the products or services being offered	Advertising, personal sales, trade and consumer promotions, public relations

- Q: What product is needed in the market vis a vis the product you intend to take to the market?
- Q: What quality is for sale?
- Q: What quantity requirements does the market require?
- Q: What will make your produce unique so as to attract potential customers?

Place:

- Q: Where are you going to sell it? At farm gate? At the market?
- Q: How will your products reach the market?

Price:

- Q: What price will you obtain?
- Q: How are you going to relate the quality of your produce with the price?
- Q: How will the customers pay for the product (Terms of payment)?

Promotion:

- Q: How are you going to promote the product?
- Q: How are you going to convince traders to buy from you?

Market information

Market information includes all kinds of information business people (including farmers) need in order to market their products and produce for the markets.

The 4C's of market information

- Customers – Association's target client. Who are they? What do they do? How many of them are there? Where are they located? What will they pay?
- Cost – Association's Costs. Operational costs, Administrative costs, Manufacturing costs, Selling Costs, transportation costs.
- Commodity – Association produce for the market. What are you offering? What is the gap in the market? What are the benefits of your commodity? Is there demand for it?
- Competition - Other business targeting same market. Who are they? Where are they? What are their prices? How do they promote their product?

Benefits of market information

It allows better decision making at the time of production. It helps you decide on:-

- What to plant, quantities, methods, what to finance.
- It allows better decision making at the time of selling. It helps you decide on:-
- Where to sell, when to sell, to whom to sell, price.
- It attracts traders by informing them about the quantity and quality of produce you have available.

Note: Most farmers produce before collecting marketing information on what the market/customers really wants from them. However from this session one lesson learnt is that it is very important to know what the market wants and prices offered before engaging in any kind of Irish production to avoid being disappointed after harvesting your products.

Marketing information is a very useful element in business and it is not free. It has costs attached to it to enable the association source for market information.

Questions on market information;

- Q: What is market information?
- Q: What market information do you use?
- Q: Where do you get the information from?
- Q: How do you gather it?
- Q: How do you make sure all members of your group get this information?
- Q: What do you do with this information? How do you use it?
- Q: What challenges do you have with getting market information?
- Q: Can you think of any other sources of market information that you could get?
- Q: Do you use this information? How?
- Q: If you don't use, could this information be useful to you? How?

Group work

In two groups, farmers come up with information that they think is useful for their Irish potato businesses - let one person per group present this to all members

Each group thirty minutes to answer the following questions:

- What information does your group need to improve your business?
- Where will you get the information from?
- Who will collect this information?
- How will you use this information?
- How will you make sure this information is reached by all group members?
- What support do you need? (e.g. notice board at the sub-county HQ)

15 minutes for each group to present and discuss. Time for questions, feedback and clarifications

Note: Market intelligence and market information are used together because it is through having market intelligence that we can get market information.

What is participatory market research and why is it important?

Here farmer associations themselves conduct market research to identify and analyses profitable markets and enterprises. For the association to be successful and grow we need to know what customers want, understand customer behavior to treat them well, deal with other Irish potato growers, create demand, promote the potato, package the potato and transport it to the point of sale. The process of getting information on these issues is called market research. The main purpose of a market research is to assess and understand the 4As (Availability, Affordability, Acceptability and Accessibility) in rural marketing.

- **Availability:** Is there scarcity or excess?
- **Affordability:** How is the price compared to farmers' purchasing power?
- **Acceptability:** Is there any positive or negative perceptions about your produce?
- **Accessibility/ Awareness:** Can customers be able to reach your store with ease? Are they informed about your crop or variety?

In addition to these, other important purposes of market research are:

- Knowing your customers
- Understanding customer behavior
- Understanding your competition
- Knowing your input suppliers
- Estimating demand and understanding demand trends
- Understanding preferred Packaging
- Identifying most effective promotion methods
- Assessing available modes of transport
- Identifying the marketing risks.

How to do market research?

There are three ways of conducting market research: formal enquiry using questionnaires, informal enquiry, and observation.

a) Formal enquiry: anonymous standardized information, large volumes, costly and needs someone who can analyses the information. This is used to get general demand trends and market behavior.

b) Informal enquiry: subjective, smaller area of operation, to collect sensitive information such as prices from competitors, but also in relation to packaging, transport, promotion, input suppliers.

c) Observations: to see the behavior of your competitors in terms of how they treat customers, the type of customers and quantities of seed a customer normally buys.

For all the methods it is important to think of how many people to interview and what kind of people so that you get information from different types of people e.g. individual big buyers (like - hotels, schools), retailers, wholesalers, etc.).

Then we develop relevant questionnaires and get set to go and carry out market research, after which we see how to use the market information got.

Customer feedback

Learning objectives

At the end of this session participants shall understand:

- What customer feedback is.
- How important consumer feedback is to a farming business.
- The various mechanisms used to ensure proper customer feedback.

Customer feedback is a message got from your customers regarding the quality of your services and products. Small businesses need to have an effective customer feedback mechanism in place. This is not only to maintain or improve customer satisfaction but it also feeds you with information such as what do your customers want from you.

There are 5 effective customer feedback mechanisms

Step 1: Welcoming feedback

You must be willing to listen to your customers if you want them to submit their feedback to you. Some traditional ways of welcoming feedback include placing a suggestion box on the help desk, conducting customer satisfaction surveys, having a complaint section on your site and so on. First time customers' feedback: It is extremely important to know whether a new customer enjoyed their experience with you in Irish potato marketing. Thus, tracking feedback from first time customers is a must.

Step 2: Rank and prioritize

If you have a large customer base in Irish potato production, you are probably going to get a lot of feedback. Rank them according to the degree of improvements required, the amount of benefits that an improvement will reap as well as the interest of that particular customer submitting the feedback. For example, you definitely do not want to delay the processing of feedback submitted by long time loyal customers. Also, pay particular attention to problems that are brought up by multiple customers.

Step 3: Solving the highlighted problems

Customer feedback may be positive or negative. Of course, it is always good to receive a positive one, which means that a customer is satisfied with the Irish potato sold by your business. However, for a negative feedback, you need to quickly rectify the issues specified by your customers as soon as possible. If there are no suggestions included in the feedback and you, as a small business owner, have no idea how to deal with the problems, you can always contact the customers to get some input.

Step 4: Follow up with customers

Once a problem has been rectified, notify the customer who submitted the feedback about the improvements made and invite him/her to do business with you again to see whether if the previous problem still persists.

If they had a bad experience with you previously, incentivize them to try out your Irish potato again. Often, because you are being perceived by a business that cares, customers will provide more suggestions for improvements in the future. They might even tell people around them that you actually took notice of their feedback and there you go, free word of mouth marketing love!

Step 5: Notify others about improvements

It is always good to let your target market, prospects and customers know that improvements are constantly being carried out based on customer feedback. Not only will this help to create a buzz around your market, it will also showcase your business as one that is constantly improving and listening to the needs of your customers. With that, more people are going to be doing business with you in the long run.

Share your stories on customer feedback

Do you have a customer feedback mechanism for your own small business for Irish potato production? If yes, can you share with us some tactics that you think might be a good add-on to the steps above? What are some of the amazing things that have happened to your business just because you listen to your customers?

Businesses cannot survive without satisfied customers. For instance, farmers who receive high quality seed from you consistently and conveniently will become your loyal customers and will tell other farmers how satisfied they are. This will cause your business to grow.

Note: If a good customer feedback mechanism is developed then the local seed producers will be in position to know what is actually on ground and find ways to solve the problem and avoid tarnishing their images.

The different ways of getting customer feedback include:

- Through surveys conducted;
- Face to face interactions;
- Telephone calls;
- Farmer field day;
- Ask buyers;
- Ask sub county NAADS.

Customers can give feedback to their producers through use of mobile phones.

Plenary discussions on who are potential customers?

Q: Where are the major customers located? How far do they generally want to travel?

Q: Will most of my customers be retailers or wholesalers (retailers and wholesalers may want to buy different quantities?

Q: Will the majority be new customers or repeat customers?

Q: What is their purchasing power/income bracket? Will they pay cash or on credit? Will they buy in bulk or small quantities?

Q: What is convenient/inconvenient for them when purchasing (distance, package size)?

Q: What attributes will be most important to my target customers (variety, size, freshness, cleanliness, storability, taste etc.)?

Q: Are they part of a group or association?

Q: Will they want to have seen the crop in the field before buying?

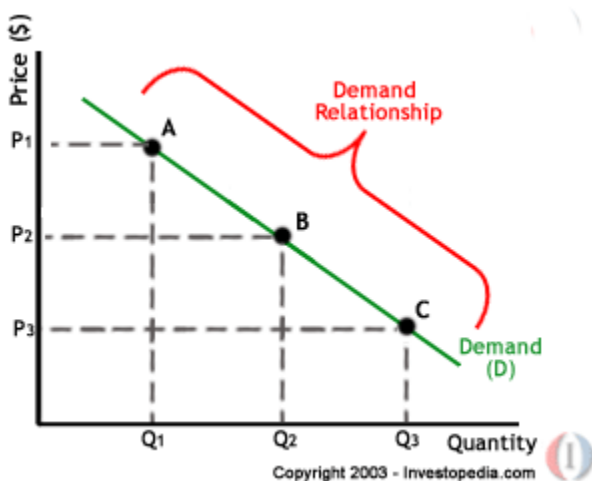
Q: What are the opportunities and threats in each customer category?

SUPPLY & DEMAND

Supply and demand is perhaps one of the most fundamental concepts of economics and it is the backbone of a market economy. Demand refers to how much (quantity) of a product or service is desired by buyers. The quantity demanded is the amount of a product people are willing to buy at a certain price; the relationship between price and quantity demanded is known as the demand relationship. Supply represents how much the market can offer. The quantity supplied refers to the amount of a certain good producers are willing to supply when receiving a certain price. The correlation between price and how much of a good or service is supplied to the market is known as the supply relationship. Price, therefore, is a reflection of supply and demand. The relationship between demand and supply underlie the forces behind the allocation of resources. In market economy theories, demand and supply theory will allocate resources in the most efficient way possible. How? Let us take a closer look at the law of demand and the law of supply.

A. Law of Demand

The law of demand states that, if all other factors remain equal, the higher the price of a good, the less people will demand that good. In other words, the higher the price, the lower the quantity demanded. The amount of a good that buyers purchase at a higher price is less because as the price of a good goes up, so does the opportunity cost of buying that good. As a result, people will naturally avoid buying a product that will force them to forgo the consumption of something else they value more. The chart below shows that the curve is a downward slope.

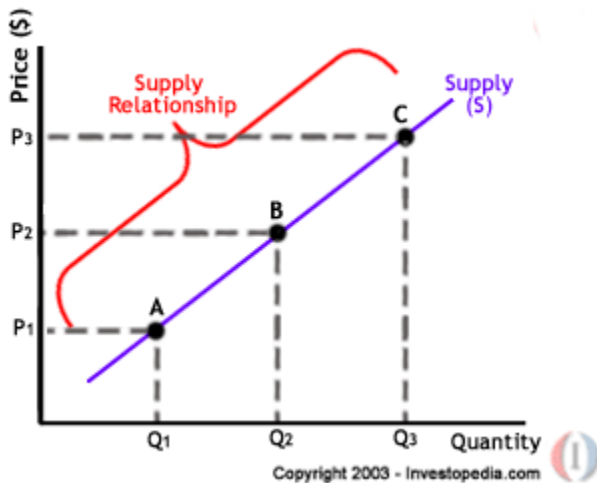


A, B and C are points on the demand curve. Each point on the curve reflects a direct correlation between quantity demanded (Q) and price (P). So, at point A, the quantity demanded will be Q₁ and the price will be P₁, and so on. The demand relationship curve illustrates the negative relationship between price and quantity demanded. The higher the price of a good the lower

the quantity demanded (A), and the lower the price, the more the good will be in demand (C).

B. The Law of Supply

Like the law of demand, the law of supply demonstrates the quantities that will be sold at a certain price. But unlike the law of demand, the supply relationship shows an upward slope. This means that the higher the price, the higher the quantity supplied. Producers supply more at a higher price because selling a higher quantity at a higher price increases revenue.



A, B and C are points on the supply curve. Each point on the curve reflects a direct correlation between quantity supplied (Q) and price (P). At point B, the quantity supplied will be Q2 and the price will be P2, and so on.

Time and Supply

Unlike the demand relationship, however, the supply relationship is a factor of time. Time is important to supply because suppliers must, but cannot always, react quickly to a change in demand or price. So it is important to try and determine whether a price change that is caused by demand will be temporary or permanent.

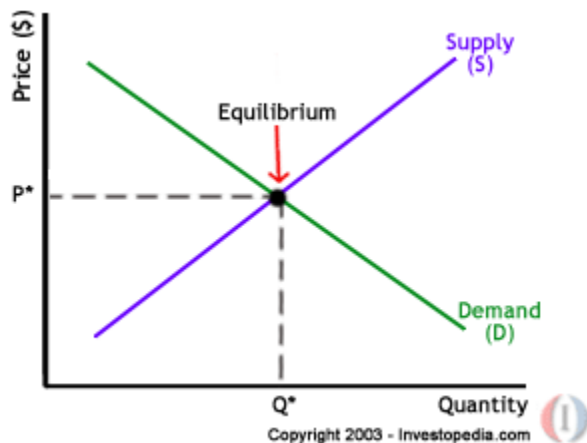
Let's say there's a sudden increase in the demand and price for umbrellas in an unexpected rainy season; suppliers may simply accommodate demand by using their production equipment more intensively. If, however, there is a climate change, and the population will need umbrellas year-round, the change in demand and price will be expected to be long term; suppliers will have to change their equipment and production facilities in order to meet the long-term levels of demand.

C. Supply and Demand Relationship

Now that we know the laws of supply and demand, let's turn to an example to show how supply and demand affect price.

D. Equilibrium

When supply and demand are equal (i.e. when the supply function and demand function intersect) the economy is said to be at equilibrium. At this point, the allocation of goods is at its most efficient because the amount of goods being supplied is exactly the same as the amount of goods being demanded. Thus, everyone (individuals, firms, or countries) is satisfied with the current economic condition. At the given price, suppliers are selling all the goods that they have produced and consumers are getting all the goods that they are demanding.



As you can see on the chart, equilibrium occurs at the intersection of the demand and supply curve, which indicates no allocative inefficiency. At this point, the price of the goods will be P^* and the quantity will be Q^* . These figures are referred to as equilibrium price and quantity.

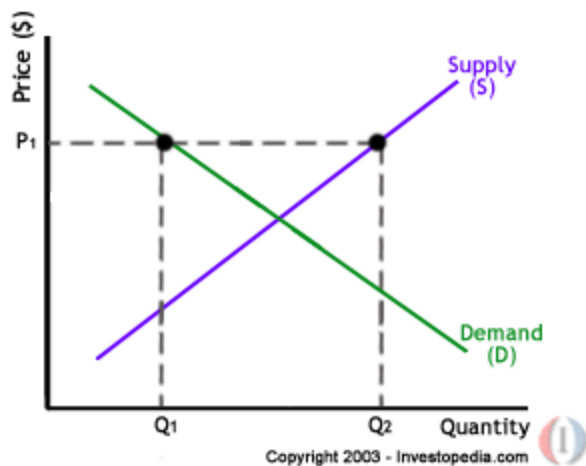
In the real market place equilibrium can only ever be reached in theory, so the prices of goods and services are constantly changing in relation to fluctuations in demand and supply.

E. Disequilibrium

Disequilibrium occurs whenever the price or quantity is not equal to P^* or Q^*

1. Excess Supply

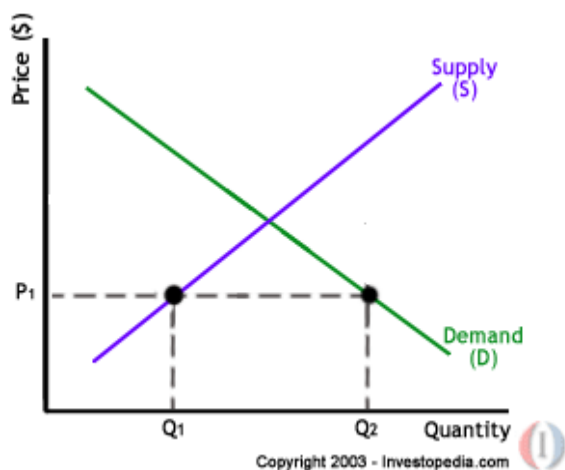
If the price is set too high, excess supply will be created within the economy and there will be allocative inefficiency.



At price P_1 the quantity of goods that the producers wish to supply is indicated by Q_2 . At P_1 , however, the quantity that the consumers want to consume is at Q_1 , a quantity much less than Q_2 . Because Q_2 is greater than Q_1 , too much is being produced and too little is being consumed. The suppliers are trying to produce more goods, which they hope to sell to increase profits, but those consuming the goods will find the product less attractive and purchase less because the price is too high.

2. Excess Demand

Excess demand is created when price is set below the equilibrium price. Because the price is so low, too many consumers want the good while producers are not making enough of it.



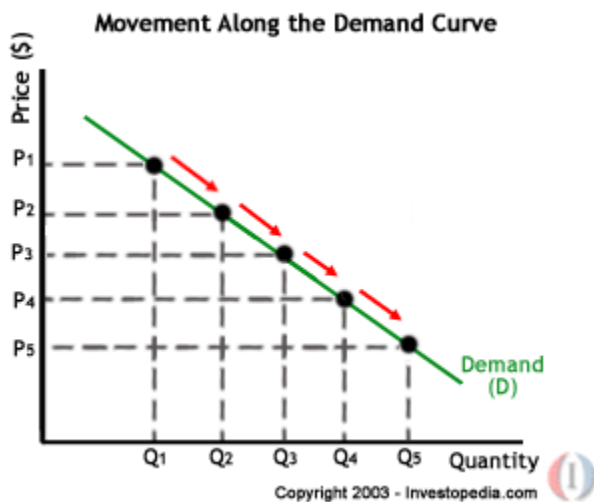
In this situation, at price P_1 , the quantity of goods demanded by consumers at this price is Q_2 . Conversely, the quantity of goods that producers are willing to produce at this price is Q_1 . Thus, there are too few goods being produced to satisfy the wants (demand) of the consumers. However, as consumers have to compete with one other to buy the good at this price, the demand will push the price up, making suppliers want to supply more and bringing the price closer to its equilibrium.

F. Shifts vs. Movement

For economics, the "movements" and "shifts" in relation to the supply and demand curves represent very different market phenomena:

1. Movements

A movement refers to a change along a curve. On the demand curve, a movement denotes a change in both price and quantity demanded from one point to another on the curve. The movement implies that the demand relationship remains consistent. Therefore, a movement along the demand curve will occur when the price of the good changes and the quantity demanded changes in accordance to the original demand relationship. In other words, a movement occurs when a change in the quantity demanded is caused only by a change in price, and vice versa.



Like a movement along the demand curve, a movement along the supply curve means that the supply relationship remains consistent. Therefore, a movement along the supply curve will occur when the price of the good changes and the quantity supplied changes in accordance to the original supply relationship. In other words, a movement occurs when a change in quantity supplied is caused only by a change in price, and vice versa.



2. Shifts

A shift in a demand or supply curve occurs when a good's quantity demanded or supplied changes even though price remains the same. For instance, if the price for a bottle of beer was \$2 and the quantity of beer demanded increased from Q_1 to Q_2 , then there would be a shift in the demand for beer. Shifts in the demand curve imply that the original demand relationship has changed, meaning that quantity demand is affected by a factor other than price. A shift in the demand relationship would occur if, for instance, beer suddenly became the only type of alcohol available for consumption.



Conversely, if the price for a bottle of beer was \$2 and the quantity supplied decreased from Q_1 to Q_2 , then there would be a shift in the supply of beer. Like a shift in the demand curve, a shift in the supply curve implies that the original supply curve has changed, meaning that the quantity supplied is effected by a factor other than price. A shift in the supply curve would

occur if, for instance, a natural disaster caused a mass shortage of hops; beer manufacturers would be forced to supply less beer for the same price.



Market segmentation

The process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment.

Market segmentation is a marketing term referring to the aggregating of prospective buyers into groups (segments) that have common needs and will respond similarly to a marketing action. Market segmentation enables companies to target different categories of consumers who perceive the full value of certain products and services differently from one another.

Few companies are big enough to supply the needs of an entire market; most must breakdown the total demand into segments and choose those that the company is best equipped to handle.

Four basic factors that affect market segmentation are

1. Clear identification of the segment,
2. Measurability of its effective size,
3. Its accessibility through promotional efforts, and
4. Its appropriateness to the policies and resources of the company.

The four basic market segmentation-strategies are based on

1. Behavioral,
2. Demographic,
3. Psychographic, and
4. Geographical differences.

Customer demographics can include gender, age, income, household size, geographic area and even various ethnic groups.

Note: The purpose for segmenting a market is to allow your marketing/sales program to focus on the subset of prospects that are "most likely" to purchase your offering. If done properly this will help to insure the highest return for your marketing/sales expenditures. Depending on whether you are selling your offering to individual consumers or a business, there are definite differences in what you will consider when defining market segments.

Product Differentiation

Product differentiation is a marketing process that showcases the differences between products. Differentiation looks to make a product more attractive by contrasting its unique qualities with other competing products. Successful product differentiation creates a competitive advantage for the seller, as customers view these products as unique or superior.

Product differentiation can be achieved in many ways. It may be as simple as packaging the goods in a creative way, or as elaborate as incorporating new functional features. Sometimes differentiation does not involve changing the product at all, but creating a new advertising campaign or other sales promotions instead.

Product differentiation is a marketing strategy that businesses use to distinguish a product from similar offerings on the market. For small businesses, a product differentiation strategy may provide a competitive advantage in a market dominated by larger companies. The differentiation strategy the business uses must target a segment of the market and deliver the message that the product is positively different from all other similar products available.

MODULE 6: SAVINGS & RESOURCE MOBILISATION

OBJECTIVES	By the end of this module participants will have understood what marketing is, how to conduct market research, demand & supply forces, customer analysis & customer feedback mechanism, strategies, segmentation, product differentiation & marketing information
ACTIONS	Associations will conduct a market survey & identify and profile potential customers
OUTPUT	Marketing strategy & customer database

What is saving?

Saving is the practice of putting aside part of your current earnings for future use. It is not done once but over a period of time. You will have to make some sacrifices of current enjoyments to save for a better future.

“One by one makes a bundle”

You do not need much money to start saving. Whether you are a student, a farmer, a teacher, nurse, banker, market vendor, taxi driver or a business person, you can always put a little money aside. When you save regularly, your money will “grow” as shown in the table below.

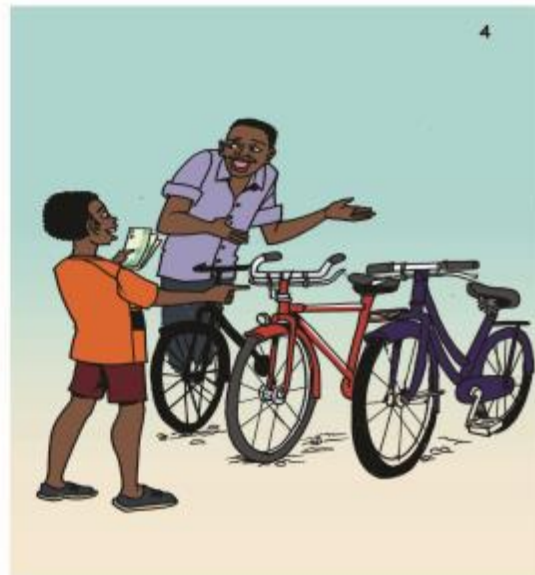
	Month 1	Month 2	Month 3	Month 24	Total Savings
John	10,000	10,000	10,000	10,000	10,000	240,000
Jolly	50,000	50,000	50,000	50,000	50,000	1,200,000
James	100,000	100,000	100,000	100,000	100,000	2,400,000

Spend less to save more

You can save by spending less. Cutting down on consumption, such as alcohol and on buying new clothes for every function, enables you to save more money to provide for you and your family's future.

Encourage your children to save

Parents should teach children to start saving for a purpose while they are still young. This helps children to understand the value of money and to develop a savings culture at an early age. You can help a child save money in a small tin or box (piggy bank)



Save to avoid unnecessary debts

Savings are the best way to pay for day-to-day costs like school fees, clothing and medical charges. It is better to save for such expenses than to borrow. For example, if you start saving for your children's education early enough, you may not need to take an education loan or borrow money from a friend to pay fees. While people sometimes get into "debt trouble" by borrowing unwisely, they never get into "savings trouble".

Always have an "Emergency Fund"

Savings are very helpful in addressing unexpected or unforeseen problems such as illness, accidents, unemployment, robbery, drought, funerals, too much rain that destroys crops etc. In such situations, your savings can help you as you recover. Make sure that you keep money

for emergencies. If you ever have to use part of your emergency fund, top it up again as soon as you can.

Save for special events

Have a savings account or a small tin or box to save for luxuries such as birthdays, a wedding ceremony and holidays. You can plan ahead for this and hence save over a long period of time. For example, if you plan to have a wedding at the end of next year, you can plan to save Shs.100, 000/= every month for 20 months. By the wedding day, you would have saved shs.2, 000,000/=. It is your right to enjoy your money if you plan and save towards such luxuries.

Choose how and where you want to save

Many times we find excuses to avoid saving, claiming that we do not have enough money or we do not know how and where to save. Here are some options you can choose from:

- Saving in a savings account with your bank or Microfinance Deposit-taking Institution (MDI). You can save via regular deposits or a standing order from your current account to your savings account.
- Saving through a group e.g. SACCO, Village Savings and Loans Association (VSLA) or friends that come together and save regularly.
- Saving some money, such as coins, in a small tin or box (piggy bank) at home at regular intervals and then banking it when it has filled. This works well for children because it teaches them to save and value money at an early age.

Keep your savings safe

No matter where you save, make sure that your money is safe.

- In licensed financial institutions, such as commercial banks and Microfinance Deposit-taking Institutions (MDIs), your savings are insured up to Shs.3,000,000/= - if the institution closes, you will be paid back up to Shs.3,000,000/=s. If you had saved more than Shs.3,000,000/=: you may get back some or all of the rest of your money when the institution has paid off its debts. Licensed institutions will not easily close down as they are closely monitored by the Bank of Uganda to make sure they are reliable.
- It is only in a few SACCOs that savings are insured. When you want to keep your savings in a SACCO, it is wise to ask other members what their experience has been before you start saving with it. You should also make sure that you know and trust the SACCO officers who take care of your money.
- When you save with a Village Savings and Loans Association or a group of friends, make sure you can trust the other group members and ask for regular accountability to reduce the risk that someone walks away with your money. Also check that the group's money is kept in a safe place where it cannot easily be stolen.
- Do not keep large amounts of money at home. It might easily get stolen or destroyed by fire, insects or other animals.



Make the most out of your savings: with big interest and small fees

When you save with a savings account, you should be paid interest. In order to make sure you get the most from your money, find out:

- How much interest you will get. Different institutions offer different interest rates. Some of them pay interest monthly and some yearly. Compare it all.
- What fees and charges (if any) you will need to pay. There might be an account opening fee, an account management fee, a deposit or withdrawal charge, etc.
- How much notice (if any) you need to give before taking out your savings and what penalty (if any) you will have to pay if you take out your money before then.

Four steps to achieve your savings goals

Follow these four steps to achieve your savings goals:

- Decide what you want to save for and find out how much it will cost – whether it is buying a house, land, starting/improving a business, studying or saving for your child's school fees, etc. Ensure that what you are saving for is realistic and not over-ambitious.
- Start saving now – the sooner you start, the sooner you'll get there.
- Put your savings in a safe and secure place where you earn good interest.
- Keep saving regularly and over a long period of time. It's only then that your money can accumulate.

Savings give you financial security and control

When you save, you have some form of financial security and control. You will feel more responsible and independent using your own money rather than borrowed money or money given to you by others.

Choose to save in an institution that is easy to reach and work with. It should at least

- Be safe and secure
- Be easy for you to use and convenient
- Be easily accessible
- Have an easy process for opening an account
- Have good interest earned on savings
- Have little or no charges on your account (make sure that your monthly interest is more than the monthly charges)
- Value and treat you well as a client.

Make use of a standing order

Sometimes you may not be disciplined enough to save regularly. You can go to your bank and set up a standing order to ensure that you do save regularly. A standing order is an instruction to a bank to pay a set amount of money at regular intervals from one account to another. However, take note of the charges. If you are an employee, you can also ask your employer to transfer part of your salary directly to your savings account.

Get more for your money - on a fixed deposit account

A fixed deposit account involves locking away a particular amount of money for a certain time period at a fixed rate of interest. You will be charged a penalty if you withdraw this money before the end of the fixed period. The rate of interest is normally higher than on other accounts, so this can be a good way of keeping your savings. But only put money into a fixed deposit account if you are confident that you will be able to lock it away for the whole of the fixed period.

THE RULE OF THUMB: LET'S SAVE

- Save as much as you can as soon as you can. The more you save, the better off you will be.
- Save as you earn, One by one makes a bundle.
- Try to save 10% of your income even if you do not have a specific purchase or investment for which you are saving.
- Pay yourself first; put 10% of your earnings aside for savings before you do anything else. If you can't afford 10% right away, start with less, but save something.
- Calculate how your money can grow over time if you save regularly in an account that earns interest.
- Do not carry a lot of cash—avoid temptation to spend it!

- Spend less to save more. Cutting down on consumption, such as alcohol and on buying new clothes for every function, enables you to save more money to provide for you and your family's future
- Spend carefully. If you purchase big items, consider how much you could resell them for. Look for opportunities to save money by bulk buying of non-perishables.
- Pay off your debts. Some people recommend paying down your debt before you start to save; others recommend saving even while paying down debt because it is important to begin building assets as soon as possible. This choice will depend on individual priorities, situation, and means. Total household debt should not exceed 36% of household income. While people sometimes get into "debt trouble" by borrowing unwisely, they never get into "savings trouble".
- Savings are the best way to pay for day-to-day costs like school fees, clothing and medical charges. It is better to save for such expenses than to borrow. For example, if you start saving for your children's education early enough, you may not need to take an education loan or borrow money from a friend to pay fees.
- Keep three to six months of living expenses in an emergency fund at all times. It can be used in case of job loss, unexpected illness, and to meet other emergency needs. An emergency fund will reduce your anxiety.
- Keep emergency funds in a separate account. Open two savings accounts—one for emergencies that is easy to access and doesn't have any penalties for withdrawal, and one for savings for other goals that is harder to access (and therefore less tempting to withdraw the money). Keeping some savings "out of reach" is important.
- Find savings products that match your savings goals.

ARE YOU A SAVINGS PRO?

QUIZ – ARE THE FOLLOWING STATEMENTS RIGHT OR WRONG?

1. My money is safer at home than in a bank.

ANS: Wrong – At home your money can easily get stolen or destroyed by fire, insects or other animals. In licensed financial institutions such as commercial banks and Micro Deposit - taking institutions (MDIs), for instance your savings are insured up to 3,000,000/=.

2. I should earn an interest rate when I save with a savings account.

ANS: Right – However you should compare the interest rates different institutions offer and also take account of the fees and charges you might have to pay.

3. Fixed deposit accounts generally pay higher interest rates than normal savings accounts.

ANS: Right – In exchange for locking away your money for a fixed period of time banks can afford to pay you a higher interest rate on your savings.

4. It is unnecessary to have an "Emergency Fund" because I can always get a loan.

ANS: Wrong- Remember it might take time to get a loan, you might not have enough securities to do so and you have to pay an interest rate! Therefore it is best to have an "Emergency Fund" to address unforeseen or unexpected problems such as illness, accidents, funerals, or droughts immediately.

BUILD YOUR OWN SAVINGS PLAN

STEP 1: EARNINGS

In the next (month, 6 months, year) I will be earning:

(Note: Include your salary after all deductions, average business income, spouse's income, other household members' incomes, rental income, remittances and any other sources of income.)

STEP 2: EXPENDITURES

In the same time period I will face the following expenditures:

(Note: Include necessities such as food, housing, clothes, transport as well as debt repayments and discretionary or optional expenditures.)

Are there any expenditures that I could cut back on in order to save more?

STEP 3: NET INCOME & SAVINGS TARGET

My net income would then be (earnings minus expenditures):

On this basis I can formulate a realistic savings target of:.....

STEP 4: WHERE & HOW WILL I SAVE?

(E.g. I can go to the bank to deposit my savings in my account weekly/monthly. I can ask my employer to directly deposit a part of my paycheck into my savings account.)

STEP 5: HOW WILL I TRACK MY SAVINGS?

(E.g. I can regularly check my bank statements.)

THE ABC OF SAVINGS

Interest	A rate expressed as a percentage which is charged or paid for the use of money
Financial Security	Assured freedom from poverty or want
Debt	An obligation to pay something to someone
SACCO (Savings and Credit Cooperative)	A group of people, minimum 30, who come together to save and lend to each other. Such a group is usually member-owned, member-managed and member-governed
VSLA	A group of people who save together and take small loans from those savings activities. Such group has a cycle of one year after which the accumulated savings and loan profits are shared among the members
Commercial Bank	A financial institution that offers formal banking services to account holders in that bank
MDI	Microfinance institutions which are granted a license to carry out microfinance business and are supervised by Bank of Uganda

MODULE 7: FINANCIAL LITERACY

6. BASIC FINANCIAL LITERACY	
OBJECTIVES	By the end of this module participants will learn the benefits of personal money management as well as transfer of skills for behavior change.
ACTIONS	Association members will analyze their income sources and expenditures and make spending decisions
OUTPUT	Personal financial budgets and spending plans

Financial Literacy: *“Get Informed”*

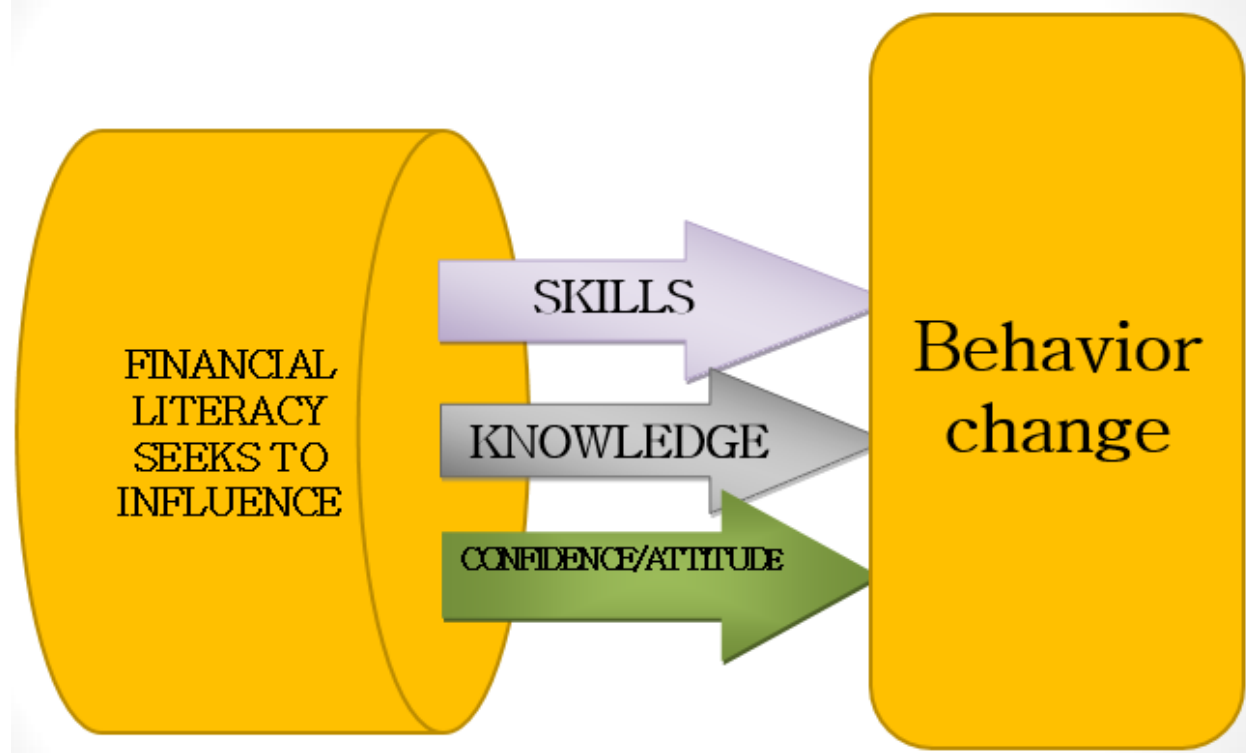


Financial literacy means...

...having the
**knowledge, skills and
confidence**
to manage you and your
family's personal
finances well.

- **“Knowledge”** means having an understanding of personal financial issues
- **“Skills”** means being able to apply that knowledge to manage one's personal finances
- **“Confidence/Attitude”** means feeling sufficiently self-assured to make decisions relating to one's personal finances.

Financial Literacy



Financial Literacy enables one to:

- Understand the key financial products you may need throughout your life
- Understand basic financial concepts like compound interest, investment return, risk, and diversification and so on.
- Discuss money and financial issues – even if you don't really like to talk about them.
- Make good financial choices about saving, spending and managing debt
- Respond competently to changes that affect your everyday financial well-being

Outcome of financial Literacy

Current Behavior



Desired Behavior



Current and desired behaviour

Current Behaviour

Desired behaviour

Personal Financial Management

Lives on day to day basis

Makes a spending plan / budgets and uses it to manage finances

Savings

Savings not linked to savings goals

Has a savings plan with clear goals

Loan Management

Borrows for emergencies

Maintains an emergency savings fund

Investment

Can't choose the right investment

Chooses the right investment

Insurance

Limited knowledge on insurance services available

Increased use of insurance services to meet financial goals

Planning for Old Age

No retirement plan

Has developed a plan for Old Age/retirement

Financial services providers

Limited knowledge of financial services

Knows about financial options and their terms and conditions

Skills, attitude and knowledge change

Knowledge	Skills	Attitudes
Personal Financial Management		
The benefits of a spending plan	Makes a spending plan	Discipline to stick to a spending plan
Savings		
The purpose of savings	Makes a savings plan	Belief in the benefits of savings
Loan Management		
Elements of loans (interest rates, loan terms, fees, penalties, delinquency policies)	Asks appropriate questions before taking a loan	Caution in making borrowing decisions, strength to say “no” to unfavourable terms
Investment		
Different forms of investment	Questions to consider when making an investment decision	Caution in making investment decisions

Insurance

Insurance Terms	Reads and understands different Insurance Terms	Confidence to go for the right Insurance product
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Planning for Old Age

Factors that affect Old Age planning	Makes a plan for Old Age/retirement	Discipline to follow an Old Age /retirement plan
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Financial services providers

Types of services provided by banks (savings, loan and insurance services)	<u>Follosw</u> procedures for using bank products and services	Confidence to deal with banks, bank staff, ATMs
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PERSONAL FINANCIAL MANAGEMENT

"USE MONEY WISELY"



Personal Financial Management

This involves planning and keeping track of your income and expenditures. A budget is one major tool to manage income and expenditure in one's life. It is a plan that lays out what you will do with your money.

Financial Literacy enables one to:

- Understand the key financial products you may need throughout your life
- Understand basic financial concepts like compound interest, investment return, risk, and diversification and so on.
- Discuss money and financial issues – even if you don't really like to talk about them.
- Make good financial choices about saving, spending and managing debt
- Respond competently to changes that affect your everyday financial well-being

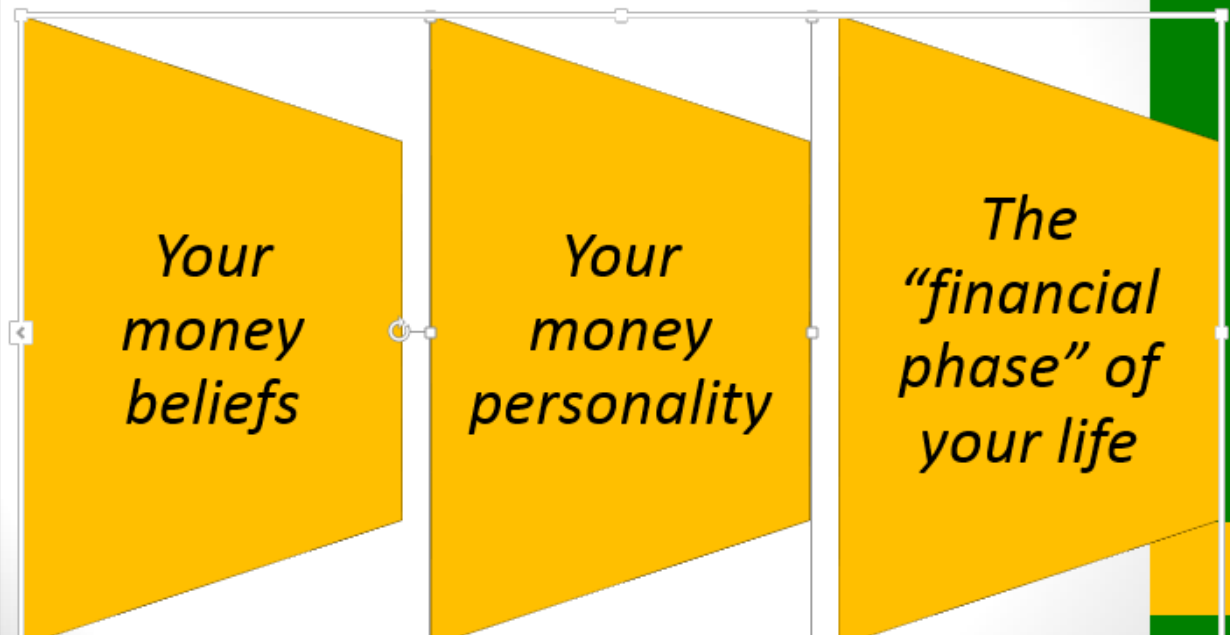
Three things you can do with money

- i. You spend money for day-to-day needs such as food, housing, transportation, clothing, healthcare, debt repayment, and optional expenses such as watching football, taking alcohol, buying new shoes.
- ii. You save money for unexpected emergencies, unexpected opportunities, or to meet short- and medium-term financial goals.
- iii. You invest money in business ventures to earn income over the long-term.

How do you make a budget?

- i. Keep track of your income and expenses
- ii. Create budget categories that are appropriate for you
- iii. Set your financial goals
- iv. Allocate your income across your budget categories

Factors that Influence our Budget Behaviors



How to Stay Within Your Budget?

Remind yourself often what you planned to spend

Put in the budget something for unexpected spending needs

Keep savings out of reach so you do not spend them

Keep track of what you spend

Ways to Cut Spending

- Consume less of non-essential items (beverages, snacks, luxuries)
- Spend less on parties and festivals
- Lower expenses on life events such as marriages and funerals
- Save enough to buy necessities in larger amounts at lower costs
- Plan ahead to buy necessities when the prices are lower
- Buy less on credit
- Carry less money or save money in a safe place; the temptation to spend it won't be there

Financial Needs Organizational Chart

Everyday Expenses	Expected Future Expenses	Unexpected Future Expenses
Household expend.	Birth	Disability
Food	Buy a House	Death
Transportation	Marriage	Funerals
School fees	Old Age	Major illness
Rent	Refrigerator	Unemployment
Clothes	Business equipment	Divorce
Entertainment	Major holidays	Business failure
	Religious ceremony	Riots
	Parental care	Natural disaster
	Vacation	Crime
	Furniture	Accidents
	Business supplies	Death of spouse
		Injury
		Pregnancy
		Strikes

Savings

What
is
saving
?

Saving is the practice of putting aside part of your current earnings for future use.

Where
Do
Savings
Come
From?

Setting aside a portion of income

Cutting costs (household expenditures, debt payments, optional expenses)

Is where you save safe?



Important Factors for Deciding Where to Save

- Safety
- Access/Ease of use
- Deposit requirements for the savings account
- Terms of use
- Cost
- Liquidity
- Interest

What is a Savings Plan?

A savings plan is a critical tool for managing money to meet short, medium, or long term financial goals.

How to Make a Savings Plan

- Set savings goals.
- Set a savings target.
- Figure out how much you need to save over what period of time to meet your savings goals.
- Figure out how much you are earning over this period of time, the regularity (or irregularity) of your earnings, and how much you can expect to save on a regular basis.
- Identify which expense you can cut back on and reallocate this amount to your savings.
- Decide where you will save. Identify places to save, available savings products, and their pros and cons.
- Keep track of your savings.

Rules of Thumb for Savings

- Save as much as you can as soon as you can.
 - Save as you earn.
 - Save 10% of your income.
 - Pay off your debts: Total household debt should not exceed 36% of household income.
 - Calculate how your money can grow over time if you save regularly in an account that earns interest.
 - Don't carry a lot of cash—avoid temptation to spend it!
-
- Spend carefully.
 - Keep a minimum of 3 months of living expenses in an emergency fund at all times.
 - Find savings products that match your savings goals.
 - Open 2 savings accounts—1 for emergencies and 1 for savings for other goals.
 - Keep some savings “out of reach”.

What is a Loan?

A loan is money that the borrower can use temporarily. After a defined period of time, the money is repaid to the owner, usually with interest or a fee charged for use of the money.

Loan size



Loan term



Interest rate



Fees



Grace period



*Repayment
schedule*

Three Reasons People Borrow

To invest

To respond to an unexpected emergency

To consume, to purchase an item for which they now do not have enough money

Own money vs. borrowed money

Own money:

- You are freer when you use your own money.

Borrowed money:

- A loan costs money.
- A loan comes with obligations for the borrower, including repayment with interest and, in some cases, group membership.
- By borrowing, you get a greater lump sum than you might have using your own capital.
- Borrowing allows you to get money more quickly than if you rely on your ability to save little by little.

Loan Management

“Handle with care”



Costs of a loan

Direct Costs:

- Money you pay to the lender for the loan. Includes interest, fees, insurance and late penalties. Usually these costs are included in your regular weekly or monthly payment.

Indirect Costs:

- Expenses you may have to pay because you have the loan, such as bus fare to attend meetings or to go to the bank. Can include wages you pay a worker to keep your business open when you are attending a meeting, or income you lose if you close your business to attend a meeting.

What to know before borrowing

- The amount of your loan payment, including principal, interest and fees
- The sources of income and/or savings you have to make those payments
- When you will actually get the loan money in your hands (will it be before you need it?)
- That your investment from the loan generates a return which is high enough to cover the total cost of credit and to make a profit

Questions for lenders

- What is the interest rate?
- How often must the loan principal and interest be paid?
- What is the amount of each installment?
- What amount of savings is required and how often must deposits be made?
- What fees must be paid to obtain a loan?
- What penalties are charged for late payments?
- Where are loan payments made?
- How often do meetings take place?
- How long do the meetings last?
- What are the collateral requirements?

Differentiate between borrowed money and your own money

By answering and discussing the statements below about your own money and loan money, one will be able to understand the differences between using your own money and using borrowed money.

True/False Statements

1. **Loan capital belongs to the person who borrows it.**
2. **A loan can help you start or expand a business when you don't have enough of your own money.**
3. **If you must close your business, you do not have to repay your loan.**
4. **If a thief takes all of your money, you do not have to repay your loan.**
5. **Using your own money to start a business is less expensive than borrowing money.**
6. **There are no consequences for missing a loan payment as long as you eventually pay.**
7. **How much a person should borrow depends on her income.**

Delinquency/Default

A delinquent or defaulting borrower is someone who is late making her loan payment.

If you don't pay back your loan...



Ways to avoid default/delinquency

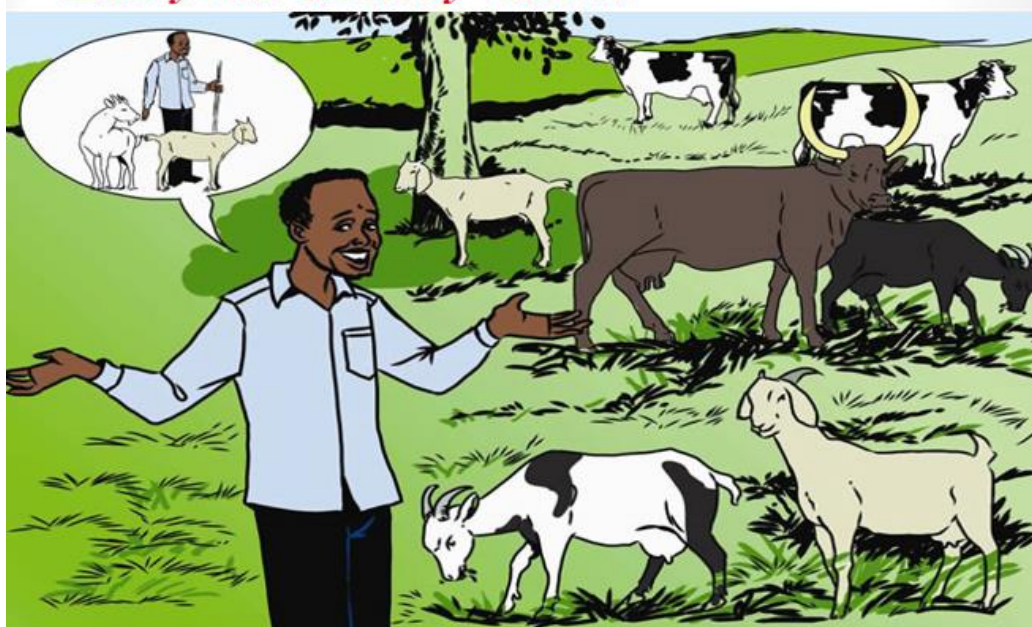
- Borrow only the amount of money you can afford.
- If you miss a payment, make sure to be honest with the lender about your troubles.
- Get advice about how to repay your loan from the lender, friends and family.
- Cut some expenditures to make your debt payment.

Checklist before taking a loan

Ask yourself	Make sure you:
Do I really need this loan?	Evaluate all the financial options for meeting this financial need.
How will I use this loan? How will it help me earn more money?	Know how the loan will help you.
What are the costs of taking this loan?	Know all the costs and terms associated with the loan, especially the penalties for late payment and refinancing.
Can I afford it? How will I manage to repay?	Have a plan for repaying that is based on your expected income and cash flow.

INVESTMENT:

"Let your Money Grow"



Invest and let your money grow

Investment

Investing is putting your money to use so as to allow it to grow.

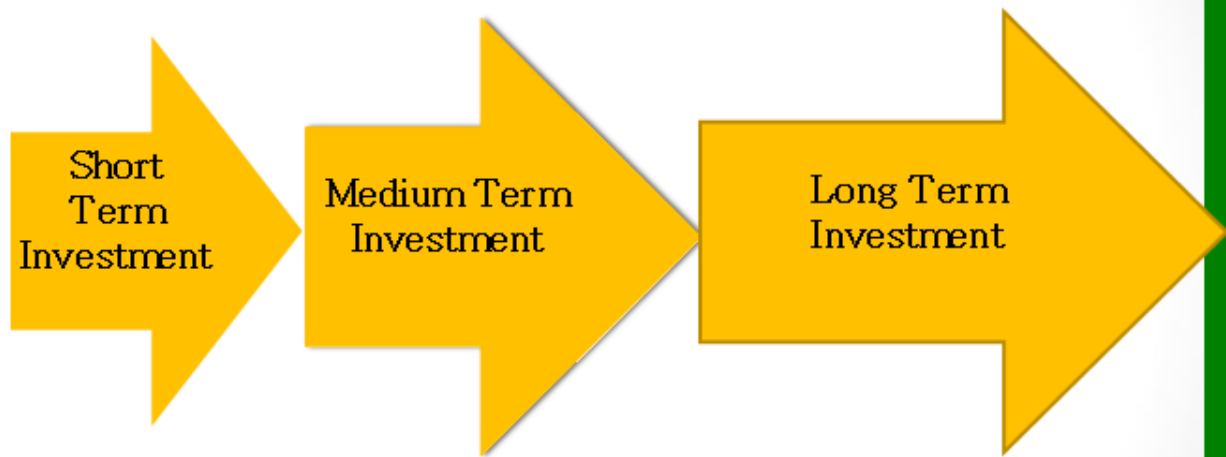
“An investment can be in form of property such as livestock (cows, goats, pigs), land (rental apartments, buildings), business (market stalls, grocery shops, boda-bodas) or shares and bonds from which you can earn profits”.

Why invest?

People invest to:

- Create wealth and security
- Increase the ability to earn more income
- Establish income generating facilities in Old Age i.e. when retired
- Create jobs for self and family

Types of Investment



Questions to ask before making an investment

- **How does the investment work?** Do you understand the investment well enough to explain it to someone else?
- **What are your goals?** Are you looking for safety, income or growth? Or both growth and income?
- **What are the risks of this investment?** Are you comfortable taking these risks?
- **How much do you expect to earn on this investment?** Is this realistic?
- **How long do you plan to invest?** Is this a short-, medium- or long-term investment?
- **What are the costs to buy, hold and sell the investment?** And will you pay taxes on the money you earn?
- **What other investments do you have already?** How does this investment fit with your other investments? How will it change your asset mix?

If you want your investments to be safe, consider the following statements:

- I must know ahead of time exactly what I'll earn with the investment. Even if this means that I'll earn less than I could with other investments, I prefer to know how it will all work out.
- There must be little or no chance that I'll lose money.
- I want my money to grow steadily, with no ups and downs along the way.
- My money must grow at least as fast as prices rise. That way the shilling I have today will be worth the same or more in the future.
- I can get my money out when I need it in case of an emergency without paying a big penalty.

Remember: Not all investments are equally safe.

Conclusions

Investments make a difference if they can generate higher cash flows in the future. Many people make mistakes in investing in assets that do not appreciate in value and/or deteriorate over time.

Before investing your money, calculate what you expect to earn in future from the investment. Compare it with other investment alternatives. Choose the investment that has a possibility of giving you a higher return much faster.

Be careful in making an investment; there may not be any flexibility or it may be very expensive to switch to another investment. If you are not sure what to do, consult experts.

Conclusion

- Spend wisely
- Save regularly
- Invest prudently

SAVINGS: *“YOU CAN DO IT!”*



ANNEXES

ANNEX 1. BUYER/TRADER INTERVIEW GUIDE

Date:

Name of person interviewed	
Position in market chain	
Business name	
Contact information	
Interviewer	

1. Which two products do you mainly deal in?.....
2. When purchasing do you prefer to deal with cooperatives, Traders, Brokers, or independent farmers? Please rank them in preference.
.....
.....
.....
.....
3. What is the advantage of the top 2 entities?
.....
.....
4. Do you have any other sort of formal arrangements with farmers? If so what.
.....
.....
5. Do you provide inputs? Support services? (provide details)
.....
.....
.....

.....
.....
6. What varieties are preferred by customers and why?

.....
.....
.....
.....
7. Do you buy potatoes from CIP project areas (Kween, Kapchorwa, Mbale – Wanale)? Where else do you buy the Irish potatoes from?

.....
.....
.....
8. What are the key challenges of purchasing from farmers in the named project areas?

.....
.....
.....
.....
9. What are key suggestions to farmers so that you can buy more from them?

.....
.....
10. How / when do you pay? Can you commit to future purchases?

.....
.....
.....
11. What factors influence buying price?

.....
.....
12. Do you collect or do farmers have to bring to you; what do you charge for collection?

.....
13. What are the current prices?/Kg

- 14.** Which months of the year that have plenty of Irish potatoes on market and what is the average price/kg during such a period?.....
.....
.....
- 15.** Which months of the year that have little of Irish potatoes on market and what is the average price/kg during such a period?.....
.....
.....
- 16.** What quantity of Irish potatoes (in bags/kgs) that you can manage to purchase in a week?.....
.....
.....
- 17.** What is the estimated average demand in this market in a week's period of time?.....
.....
.....
- 18.** What is the estimated average supply in this market in a week's period of time?.....
.....
.....
- 19.** Is there competition between you and other buyers/traders for supplies here in the same region? (Who are the major competitors?)
.....
.....
.....
- 20.** What is the competitive advantage of this locality?
.....
.....
.....
- 21.** Do you have suggestions on how the competitive situation can be improved in the local business environment?
.....
.....
.....
.....
.....
.....

22. How much do you usually store?

.....

23. For how long?

.....
.....

24. Do you have any storage problems?

.....

25. What are the preferred delivery days in the week?

.....
...

26. What are the market dues pay and related dues?

.....
.

Thank you for your cooperation!

ANNEX 2. SUB-SECTIONS OF A BUSINESS PLAN

1. Business background information
2. Business goal
3. Business strategy
4. Activity plans and scheduling
5. Costing and budgeting
6. Projected income statement (PIS)
7. Marketing plan
8. Putting up a monitoring plan
9. Use of generated profits

ANNEX 3. MARKET & PRODUCTION SURVEY QUESTIONS

Select from the following questions when developing survey questionnaires for various respondents:

1. Farmer? Producer? Enterprise
2. Exporter
3. Large Buyer/Retailer/ Processor
4. Service Providers
5. Collector / Intermediary
6. District Govt.
7. Input Providers

1. Farmer/Producer/ Enterprise

- What crops/commodities do you produce? What months are they harvested in? What months planted in? Where is the garden? What is total land under cultivation? What is land under cultivation for the specific crops?
- Crop diversification (speciality crops? etc.)?
- What is total production volume for each crop?
- How much do you sell (what % of your harvest do you sell)? How much do you sell it for (price)? How much was sold year by year? Volume and income earned? What have average prices been over last specified number of years? Does the price fluctuate over time (season or over the last few years)? Do you sell individually or through a group?
- When do you sell it?
- Where do you sell your product? Are there a number of different markets for your crop? Specify? How far away are the markets? How do you take produce to market? Is there any cost for this? How regularly do you go to market?
- Who buys the product? How do buyers find you (is it direct or through an intermediary)?
- How often do you meet your buyer to discuss business related matters and exchange new information? What kind of information do you get? is it enough? What standards to they have (quality? delivery time? reliability? health standards? production standards etc.)?
- Would you accept credit for your produce?
- How do you determine your price? What are your 3 – 5 main cost factors (give estimates)?
- What is the nature of the relationship between you and your buyer (formal contract? verbal agreement? buyer dictates terms? equal rights relationship? you can easily find another buyer? you are bound to a particular buyer? you are satisfied/not satisfied)?
- How long does it take to fulfil order – can you always fill order – are you flexible enough to react to changing orders?
- Does your buyer or supplier provide you with certain services (loans? training? maintenance services? equipment? marketing support? etc.)?
- Challenges while producing and selling? Climatic conditions? Etc.?
- What improvements can be done to overcome these challenges?
- Do you use traditional farming methods? What farming methods do you practice? Do you do crop rotation?

- How many days does it take to perform the following practices e.g.? Land preparation? planting? weeding? fertilizer application? harvesting? drying? grading? winnowing? packaging?
- Do you hire labour for the tasks i.e. Land preparation? planting? weeding? fertilizer application? harvesting? drying? grading? winnowing? packaging? How much and what is cost?
- What is total cost of production for unit cost of crop?
- How do you store the products / are there enough storage facilities?
- Do you have access to agro inputs/credit?
- Do you have access to seed for the targeted crops (unimproved? improved? both)
- Can you afford to buy seed? Do you buy seed? What is the source of seed (recycled? open market? others)? What is the price of seed per unit?
- Any external financing?
- What sources of information do you have (e.g. For market information? new technologies etc.- e.g. BDS providers? extension services? media? ngos? others)? which is the most important?
- Do you operate solely or belong to a cooperative or association? What support do you receive from cooperative / association?
- What are your labour sources?
- How do you handle your produce?
- Do you have a mobile phone? Do you use any ICT in marketing your produce - how
- How much do you loose – pests ? diseases? post harvest
- Do you have insurance?
- Who makes the decisions m/f?
- Govt./NGOs/farmer supports in programme areas – finance? insurance? agricultural extension? warehousing? Communication?
- If you had to evaluate your own performance? what grades would you give yourself in terms of quality? reliability? price? design? delivery time (score 1 – 5)
- What kind of packaging materials do you use ?
- Who are your main competitors? is there competition between you for buyers? do you know the price your competitors sell at? What makes your product different to that of competitors?
- Labour practices: how many workers employ? sign contract? health hazards in work place? costs of labour? satisfied with productivity
- Is there a policy / regulatory environment for the sector? what are the strengths and weaknesses? what business support services available (including credit)/
- Are you aware of international/national standards and regulations for your field of business (e.g. ISO norms? GAP? GMP? quality standards and laws? Etc.?) Describe them?
- What is the competitive advantage of your sector here in this specific locality? Do you have suggestions on how the competitive situation can be improved in the local business environment?
- Where/who do you get your supply (raw materials? designs? tools? machines etc)? What kind of information from suppliers? Is it readily available? What are strengths weaknesses?

2. Exporter:

- Contact details

- To which countries do you export? who are your buyers there ? How do you find a foreign buyer (they find you? personal friendship? trade fair? business platform? BDS providers)?
- What products do you export – raw/processed? What new opportunities are there?
- What quantities of these products can you manage to buy?
- What standards to they have (quality? delivery time? reliability? health standards? production standards etc.?)
- At what price do you buy – depending on the season?
- Are there any credit / cash payments? when? what? Terms?
- Delivery services? how do you collect/transport?
- Any value addition services?
- Where do you buy the products? source from (which regions)
- Who are your suppliers?
- Do you provide any services to your suppliers (technical assistance? equipment? loans? market info? research and development)?
- What price do you sell the products (are there price differences based on quality? volumes)?
- What are your 3 – 5 main cost factors?
- How do you store your products?
- Where do you export too? how does the local sector perform compared to other regions from which the exporter sources?
- How do you package ?
- Do you sign contract (with suppliers/buyers)? Do you have verbal agreements? any other special arrangements e.g. Collection points?
- Who are your selling to
- Challenges you face in dealing with suppliers? solutions
- Do the products from the SHA programme region meet international market requirements (in terms of quality? quantity? price? design? delivery time? Etc.?)
- Is there a premium for organic produce? ethically sourced
- What is the minimum order requirement?
- How do you mitigate effect of exchange rate fluctuation?
- Do you accept contract?
- Main challenges for SHF?
- What problems do you face? when supplying the export market?
- Do you regularly exchange information with buyers (how – in person? phone call? intermediary)
- What is the nature of relationship between you and foreign buyer (contract? verbal agreement? what period? who dictates terms? you can easily find another buyer)
- How long do you get to fill order?
- Do your buyers provide you with services (loans? training? maintenance services? equipment? market support? etc?)
- Are you aware of international/national standards and regulations for your field of business (e.g. ISO norms? GAP? GMP? quality standards and laws? etc?) Describe them
- If you had to evaluate the performance of your main suppliers? what grades would you give yourself in terms of quality? reliability? price? design? delivery time (score 1 – 5)
- Do you get sufficient information from your suppliers about available products? prices and quantities?
- Who are your main competitors? what makes your product different from competitors? what is the local competitive advantage of products from this country?

- With regard to legal / regulatory frameworks? have you experienced any difficulties in growing your business? what are they?
- What services does Govt. provide to exporters?
- Are you a member of a business association? what services are available to you

3. Large buyer/Retailer/ Processor

- Contact details
- Where do you source from?
- What standards to they have (quality? delivery time? reliability? health standards? production standards etc?)?
- what quantities?
- What price are you buying at?
- Purpose (use)? final destination / use?
- Delivery system? how do you collect / transport?
- Buying times (periods)?
- Payment terms and quality based payments?
- Is demand met?
- Licencing and minimum regulatory requirement?
- What are the products?
- Who are target customers?
- Who are your competitors?
- Do you accept contracts?
- What value addition do you do?
- Where do you sell to?
- What is the cost of value addition?
- Do you have special arrangements with producers i.e.? Collection points? contract farming? etc?
- What are your main challenges? what are the solutions?
- What are the main challenges facing SHF?

4. Service Providers

- Are you Govt. or private sector?
- What type of service provided?
- Cost of service per unit? What are payment terms? cash? credit? payment plan? Insurance?
- How the service is provided?
- Who are the target beneficiaries? What regions do you operate in? Can SMEs access service? How accessible are you to smallholder farmers?
- How do you make customers/beneficiaries aware of your services ?
- Legality of service provided?
- Location/physical address of provider?
- Conditions for receiving service?
- Competence of provider?
- How do you determine the prices for your service?
- Value for money – does price fluctuate during seasons?
- Gender lens – service altered as necessary?
- Are you registered?
- Why should one subscribe to this service and not its competitor?

- Where else has this service been provided (references)?
- Who are your competitors?
- Do you do any handling?
- What are the most urgent needs of the target sector?

5. Collector / Intermediary

- What is your cut? %
- Who are you selling to? How often do you meet them – what information do they provide you with
- What are you looking for – quality? quantity? what products are you dealing with? Do you pay for different quality?
- Is your supply regular/irregular?
- How long does it take to fulfil the order of a buyer can you always fulfil order?
- Can you commit to future sales?
- Can you commit to the best price?
- When will you pay?
- What is the biggest challenge facing SHF? strengths of SHF supplier? What are main strengths and weaknesses of product you source from this area
- Do you treat m/f the same?
- What is the value addition?
- What facilities are available?
- Where do you get the product from? Current mechanism for sourcing commodities (seasonal markets? commodity aggregation centres? intermediaries? etc?)? Who are your suppliers?
- What factors influence your buying price?
- What challenges do you face in buying and selling? What are the solutions
- What are the major costs incurred at your level?
- What quantities are you able to handle at any given time?
- What other incentives / services do you provide to the farmers?
- Do you accept contracts?
- Do you accept credit / cash?
- Do you need pre financing?
- How do you collect and transport produce? How often do you collect products from your suppliers?
- What are the current prices?
- Do you have special arrangements with producers i?e? Collection points? contract farming? formal contracts? verbal agreements? you are not the only one they supply? you are satisfied/not satisfied with the relationship? etc?
- What kind of packaging materials do you use for your product (during transport)
- From which other regions do you source?
- If you had to evaluate performance of your main suppliers/shf suppliers in this area? what grades would you give yourself in terms of quality? reliability? price? design? delivery time (score 1 – 5)?
- Is there competition between you and other collectors for suppliers here in the same region?
- What is the competitive advantage of this locality? do you have suggestions on how the competitive situation can be improved in the local business environment?

- Is there a policy / regulatory environment for the sector? what are the strengths and weaknesses? what business support services available (including credit)? Are any specific regulatory issues an obstacle for your business?
- Are you insured?

6. District Government

- How long has s/he worked in area?
- What products are commonly sold in the local market?
- Who are the buyers and suppliers?
- What are the quantities and the prices for the commodities?
- What are the minimum regulations/requirements (licencing registration? quality) fees? prices? Taxes?
- What tax incentives are there for the SHF?
- What are the coordinating mechanisms?
- What extension/incentives services do you provide for farmers?
- What are the typical farming practices?
- What are the yields of the target crops in the area?
- What political framework exists or developed for specific sector?
- What security structures are available/
- What is the priority of govt. Plan/
- What other NGOs are operating in your district / what do they deal in?
- Can the govt. help in business linkages to our farmers?
- What subsidies / supports/services do you provide?
- What infrastructure plans do you have?
- What are main challenges for SHF?

7. Input Providers

- Why has provider chosen this region to sell products? or if outside region – ask about business relationship to region – under what circumstances would he supply to target area/sector?
- Who are the buyers of inputs?
- What equipment? products? services do you sell?
- How do they sell (local shop? local agent? wholesaler through intermediaries? buyers come from far? direct deliveries)? How frequently do you meet your regular customers?
- What improved varieties are available and suitable for farmers in the area (sorghum? sweet potato? cassava? pigeon peas? and groundnuts)?
- What type of inputs are bought by farmers cultivating the target crops?
- What are the prices of the inputs?
- What is the yield potential of the crops being targeted by per HA?
- Are the inputs available in the area?
- How do you make customer aware of your products?
- What kind of information do you give to purchasers (info on product? info on new technologies? services available? how to use and maintain input factors)

- What customer services do you provide to buyers (loans? training? advice? maintenance? etc)
- What are your main difficulties in supplying local producers? Solutions?
- Where do you source your goods? Are you an importer of these goods? are there constraints? Do your suppliers provide you with services (credit? training? maintenance services? marketing support)?
- Who are your competitors? is there competition between you and other suppliers for buyers in this region? What makes your product different from competitors?
- Have your sales increased in the last few years?
- Work practices? How many workers employed? Signed employment contracts? labour costs (high/low)?
- Is there a policy / regulatory environment for the sector? What are the strengths and weaknesses? What business support services available?
- Explain opportunities for provider to increase market share?

ANNEX 4. RECORD KEEPING TEMPLATES

A. Collective marketing of farm products



Commodity (1)	Unit of measure (2)	Qty (3)	Open market price (4)	Price of FA (5)	Farmers price (6)	Total Revenue (3x6)	Commission (5-6)x3

FA – Farmer Association.

B. Another tool for bulking and collective marketing

Date	Name	Amount Delivered	Unit price	Payment due	Paid	Payment date	Signature	Remarks
29/09/2016	Leo	800kgs	2,000	1,600,00	1,600,000	30/09/2016	Fully paid
29/09/2016	Julius	2200bags	2,000	400,000	300,000	30/09/2016	Partially paid

C. Cash Book

RECEIPTS (from sales) 			PAYMENTS (for purchases) 		
Date	Particulars	Amount	Date	Particulars	Amount

A record of activities should complement the record form above – that shows when a task was performed and how much time it took.

D. Field Operations Record/ Activity Record

Start Date	Activity / Task	Completion Date	Comments

E. Total cost of production calculation

a) Land hire

b) Labour

Activity	Unit cost	Quantity	Total amount
E.g land clearing,			
Primary cultivation			
Total			

c) Inputs

Item	Unit cost	Quantity	Total amount
E.g Seed			
Fertilizer			
Total			

d) Storage costs

- Transport
- Bags
- Storage cost - itself

e) Marketing costs

Total cost of production = sum (a to e). i.e $a+b+c+d+e$

ANNEX 5. POTATO ASSOCIATION (PA) ENTERPRISE DEVELOPMENT CAPACITY ASSESSMENT QUESTIONNAIRE

PA Business Success factors	Subfactor	Questions	1= Poor	2=Fair	3 = Satisfactory	4= Good	5= Excellent
Marketing strategy	4 Ps	PRODUCT: Does the PA know the product attributes needed by the customers?	The PA does not know any product attribute needed by customers;	The PA knows only one product attribute needed by their customers	The PA knows at least two product attribute needed by their customers	The PA knows at least three product attribute needed by their customers	The PA knows all the product attribute needed by their customers
		PRICE: Does the PA have a pricing strategy?	The PA does not have any knowledge on a pricing strategy	The PA has some knowledge on the pricing but does not have a strategy in place	The PA has a pricing strategy but is not using it.	The PA has a clear plan , task and responsibility on pricing strategy but not fully implemented;	The PA has a clear plan for price strategy and fully implemented
		PROMOTION: Does the PA have a promotional strategy?	The PA does not have any knowledge on a promotional strategy.	The PA has the knowledge but no resources to promote its Potato;	The PA occasionally promotes its Potato but does not a specific budget.	The PA has organized and planned promotion activities and the budget but limited by resources.	The PA has organized and planned promotion activities and the budget with sufficient resources.
		PLACE: Does the PA have a sales point and how effective are the distributional channels?	The PA does not have a sales point but has not identified the distribution channels	The PA has a sales point but has not identified the distributional channels.	The PA has a sales point and has identified the distributional channels but is not using the channels	The PA has a sales point with distributional channels but not fully effective.	The PA has a sales point with distributional channels which are fully effective.
	<i>Customer analysis</i>	Does the PA know its customers and their needs fully?	The PA members do not know their customers and neither their needs.	The PA has identified few customers but is not aware of their needs.	The PA knows most of their customers but is not fully aware of their needs.	The PA knows most of their customers and are fully aware of their needs	The PA knows most of their customers as well as their needs with plans to meet the needs

	<i>Market segmentation</i>	Has the PA segmented its potato market?	The PA has no knowledge about market segmentation	The PA has knowledge about market segmentation but has not implemented it.	The PA has developed the criteria for market segmentation but has not utilized.	The PA has developed the criteria for market segmentation and has started using it.	PA has identified the market segments.
	<i>Unique product</i>	Does the PA produce and market unique product (variety/added value)?	The PA does not have any knowledge on product differentiation?	The PA members have knowledge in product differentiation but have not put in place plans on how to do it.	The PA members have skills in product differentiation and have put plans in place on how to differentiate their products	The PA has planned on how to differentiate their products, have allocated resources for this	The PA products are unique in terms of all key attributes and have a brand name.
	<i>Diversification</i>	How diverse are the PA products and market segments?	Limited number of varieties and products bartered and sold at the farm-gate	Limited number of varieties and products that are sold by members in the community	Limited number of varieties and products that are sold locally to farmers in and outside the PA community	A number of different varieties and products that are sold to farmers and other buyers in the wider local community	A number of different varieties and products that are sold to different types of farmers and other buyers all over the district/region and beyond
Consumer feedback mechanism	<i>Diversity, and frequency of getting product feedback from customers</i>	How and how often does the PA get feedback from customers on potato sold (varieties, qualities, and added value)?	The PA has no mechanism of getting feedback from customers	The PA is getting some feedback from less than 10% of its customers coming to them	The PA actively gets information informally during meetings with less than 25% of customers	The PA gets feedback from up to 50% of its customers on products sold	The PA gets feedback from more than 50% of its customers on products sold
	<i>Remedial responses</i>	Does the PA adapt/respond to customers complaints?	The PA ignores the complaints	The PA attempts to solve complaints	The PA solves complaints from complainers	The PA also investigates causes of complaints (what did the PA do wrong?)	The PA has a structure that allows using complaints as an opportunity to improve its product

Access input and services	<i>Irish potato</i>	Does the PA have sufficient access to quality potato?	The PA does not have access to quality potato	The PA has Limited access to quality potato	The PA has reliable access to the required quantities of potato but not of good quality	The PA has reliable access to quality potato but insufficient quantities	The PA has reliable access to quality potato in sufficient quantities at all times
	<i>External Finances</i>	Does the PA access and utilize external financial services?	No external sources of capital are used; the PA only uses internal capital	Use of external donations, in kind funds received from partners in addition to internal capital	Use of matching grants for potato production and marketing	Access to seasonal credit for potato production and marketing	The PA is using both seasonal and investment credit sustainably
	<i>Business Development services</i>	What is the level of access to different sources of potato business development services?	Not aware of the BDS and the providers	Aware of the BDS but do not understand the benefits of using them	Aware of BDS, understand the benefits but are not using them.	Aware of BDS, understand the benefits and there is limited use of these services	Aware of BDS, understand the benefits and they fully use these services
Market	<i>Market study and use of market information</i>	Does the PA conduct market study and use the information for decision making?	The PA does not have knowledge on how to carry out market study	The PA has the knowledge but does not carry out market study	The PA carries out limited market study	The PA carries out market study but does not use the information for decision making	Decisions are made by the PA basing on information from the market study
	<i>Demand- Market size and Niche</i>	To what extent does the PA understand the potato demand in the target market?	The PA has no idea of the Potato demand and how to determine it.	The PA has an idea of Potato demand but with no procedures on how to determine it.	The PA has clear understanding of the Potato demand with informal procedures on how to determine it.	The PA has clear understanding of the Potato demand with formal procedures on how to determine it.	PA knows the Potato demand, has identified its market niche and has put in place procedures on how to regularly determine Potato demand.
	<i>Supply- quantity</i>	Does the PA supply what is demanded?	The PA does not supply Potato	The PA meets only 25% of the demand	The PA meets at least 50% of the demand	The PA meets at least 75% of the demand	The PA meets 100% of the demand

PA Governance	<i>Leadership</i>	How do(es) the leader(s) perform in terms of guiding the PA and its members into a commercially sustainable enterprise?	No leadership structure, outsiders govern the PA in the development of a commercially sustainable enterprise	The PA leadership is strongly leaning on external support in its operations for the development of a commercially sustainable enterprise	The PA is operationally led by one or more entrepreneurial farmers taking the lead in the development of a commercially sustainable PA	Leadership has been democratically elected by the PA members, and has the capacity to guide its members operationally in the development of a commercially sustainable PA.	Leadership has been democratically elected by the PA members, and has the capacity to guide its members strategically and operationally in the development of a commercially sustainable PA.
	<i>Committees</i>	Does the PA have functional committees with Clear roles and responsibilities, work plans and reporting structure?	The PA has no committees in place.	The PA has committees in place but unclear roles and responsibilities.	The PA has committees in place with clear roles and responsibilities but no work plans.	The PA has committees in place with clear roles and responsibilities, work plans but no reporting structure	The PA has committees in place with clear roles and responsibilities, work plans and reporting structure.
	<i>Gender</i>	Does the PA have balanced representation of youths, women and men in leadership?	The PA executive committee is not gender (women, men and youths) sensitive.	The PA is 90% dominated by one gender category.	The PA is 70% dominated by one gender category.	The PA is 50% dominated by one gender category.	The PA has equal gender representation in leadership.
Business orientation	<i>Business plan</i>	Are PAs having a business plan (BP) which guides their Potato production and marketing activities?	The PA has no business plan.	The PA has an informal business strategy	The PA has a business plan but is not using it.	The PA has developed its business plan but is using it only for part of their activities	The PA has developed its business plan and is using it fully and is updating it regularly.
	<i>Business records</i>	Does the PA keep and use business records?	The PA is not recording any data on revenues (amounts of Potato sold, price	The PA has only rough data (often not recorded) on revenue and expenditure	The PA is only recording the cash flow (revenue and expenditure) of	The PA is recording all costs and revenues but has just started analyzing benefits	The PA records all data (including land, capital and labor costs) that allows a cost-

			obtained) or costs (inputs, labor, transport, storage, credit. Etc.)		the Potato production and marketing activities without analysis.	and profits, without looking at return to labor	benefit analysis of the Potato enterprise and used of these data inactivity and investment planning
	<i>Work plan</i>	Does the PA have seasonal activity work plans?	PA does not plan and does not have work plans.	PA plans but have their work plans orally agreed upon and not documented	PA have developed work plans but do not use it	PA has developed and has the work plan but only use them in parts. (inconsistent use)	PA develops work plan on a seasonal basis, fully uses it and where necessary adjusts according to the situation
Mobilization and use of resource	<i>Internal savings</i>	Does the PAs use internal savings for Potato business?	The entire production and marketing is not financed through internal savings- 0%	Production and marketing is partly financed through internal savings- 25%	Production and marketing is partly financed through internal savings- 50%	Production and marketing is partly financed through internal savings- 75%	The production and marketing process is fully financed by internal savings- 100%

ANNEX 6: ENTERPRISE DEVELOPMENT PERFORMANCE TRACKING TOOL

Year	Project Ref	No.	Group Name	Group Type		Membership						Commodity	(value addition)	received KG (volume)			Volumes sold (KG)	from Sales (value)				Turnover					Operating Costs	No. of paid employees			Ref Period	Loan (Amount from MFI)	Ranking of Coop/Assoc (as per GSHA Tool)	Future Plans/Notes
				Informal (e.g. CPG)	Coop/ Assoc.	Total	F	M	Total Active Members (suppliers, taking loans, etc.)	Active F	Active M			Projections	Actual			projection	Actual	Average price per kg	Buyers Names	Turnover	Net surplus/ loss	% change previous year	Turnover per farmer Active	Value of stock still held		Fulltime	Parttime	Casual				
2014	UD1	1	ABC Assoc	No	Yes	45	10	35	30	10	20	Beans			10	8		100	12.5		100	-120		3.333333		220				Jan-May				