



2017

**TRAINING MANUAL FOR FARM
MANAGEMENT, BUSINESS
DEVELOPMENT AND
COLLECTIVE MARKETING**



MANAGERIAL, BUSINESS DEVELOPMENT AND MARKETING

SKILLS

TRAINING MATERIALS FOR PARTNER ORGANIZATIONS

This manual serves as a guide to partner organizations to train farmers on farm management, to help them understand and take farming as a business. It will also help sharpen the marketing skills of small holder farmers under the coalition.

AUGUST, 2017

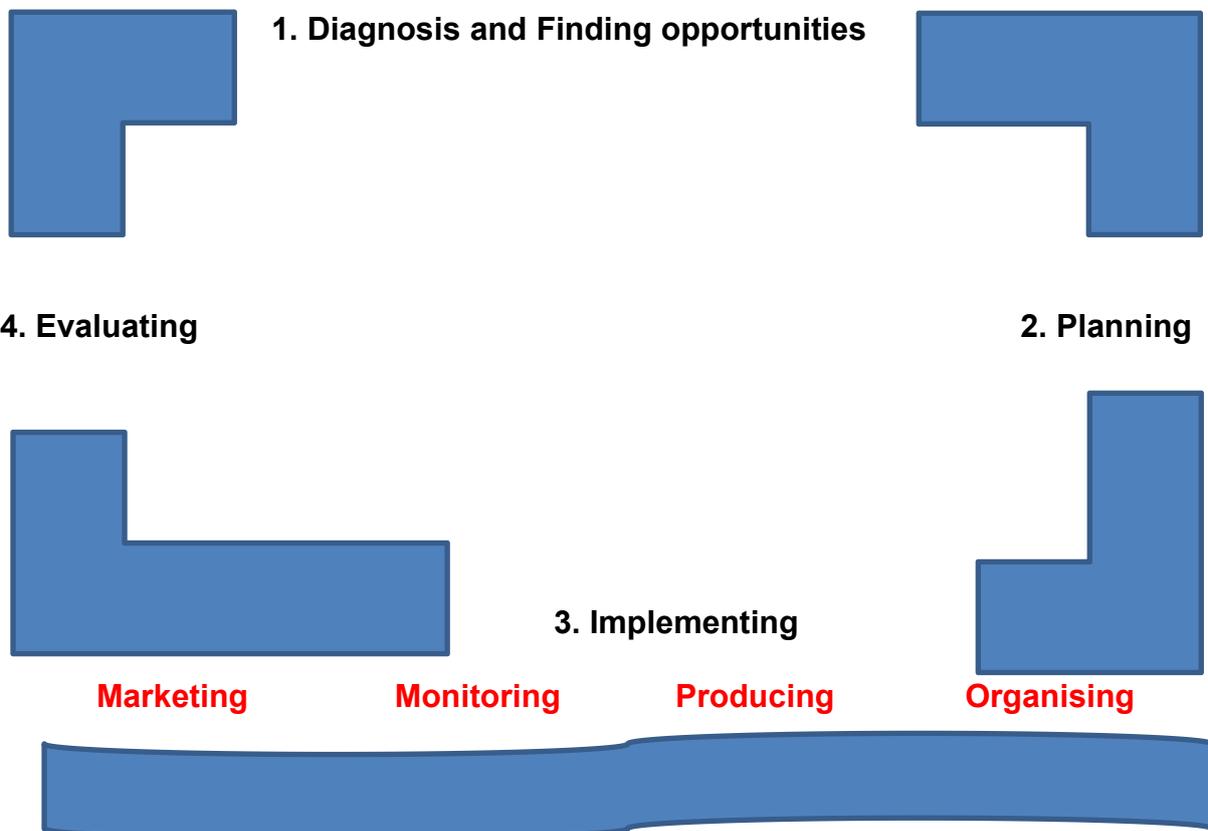
INTRODUCTION

Farmers use a broad range of skills to successfully manage a vegetable business, some of these include: agronomy, staff management, financial management, and marketing the crop. Marketing the crop, including promoting, selling and efficient distribution, can add profit to a vegetable business. Growers with marketing skill have more opportunity to achieve a premium price. Thus, marketing is a key skill in a vegetable business. However, many growers either do not enjoy it, or are not very skilled at it. One way to overcome this is to participate in collective marketing. This manual will therefore stress the importance of collective marketing and take a general view of farm management and business development.

- 1. Introduction:** Farm management is concerned with planning and evaluating the use of farm resources. Farming is no longer a hobby or just to feed the family but for the market. As farmers become more commercialised in their farming operations and farming is treated more like a business, “modern” farm management becomes critically important. *The guiding principle of “modern” farm management is to maximise the return from farm resources.* (Participants will be ask to talk about a given picture)
- 2. Concepts of Management and marketing.** (Participants will be asked to talk about these concepts.

(Group Work on the Farm business cycle, Abaa’s return from Kumasi)

The farm business cycle





FUSEINI'S FARM



ATUAH'S FARM

ABAA'S RETURN FROM KUMASI

After completing his SHS education, Abaa had left Zorko to seek a job in Kumasi. While life had been exciting, and he had found several work opportunities, it had also been a hard living for Abaa. Abaa's father was now too old to be managing the 1 acre family farm land by himself, so he was now forced to return home.

However, he wanted to make sure that he would be earning enough to support his family on a long term basis. For this, he needed to know the current farming practices and see what could be done to raise the income generated by the land.

Upon return, Abaa started talking to the farmers in Zorko, so that he could find out what crops were being grown in the area. He realized that most farmers were growing the same crops: beans, onions and maize. When asked why, they said because everyone else did; it was what they had always grown. He also learnt that these farmers were selling their produce to the first buyer who came to the farm. As a next step, Abaa decided to find out other products could be produced in the area. He went to the nearest town where he talked to shopkeepers and traders, and found out that there was a high demand for Cabbage. Abaa knew that growing cabbage was like growing onions, so it would not be difficult to produce. He also found three shopkeepers who said that they would buy cabbage from him, provided it was of good quality. They said they normally paid GHC 500 per basket.

Before investing in cabbage production, Abaa realized that he needed to know if he could make a profit by growing and selling cabbage at the market rate. He visited a neighbouring village where cabbage was grown and farmers helped him calculate how profitable cabbage is. As a final step, Abaa approached an extension officer from the ministry of Agric who advised him to start cabbage production by planting $\frac{1}{4}$ an acre with the new crop. The extension officer told him he should be able to harvest about 40 to 50 baskets per acre, so on $\frac{1}{4}$ acre, he should be able to produce between 10 and 12 baskets of Cabbage. After completing his investigations, Abaa decided to grow cabbage on $\frac{1}{4}$ acre of his farm and plant beans, onions and maize on the rest of the land.

Based on what he had learnt from the market, the other farmers and from the extension worker, Abaa set himself a goal of growing $\frac{1}{4}$ acres of cabbage and marketing it to the three nearby shopkeepers. He figured out that if he sold 12 baskets of cabbage, he would obtain a total sales income of GHC 6000. But in order to calculate the profit he could make, he first needed to know the costs of the inputs that would be used to grow and sell the crop.

Abaa listed the primary inputs he would need to grow the cabbage, i.e. seed, fertiliser, pesticides, labour, standard net baskets in which the cabbage would be packed, etc. He also factored in the cost of transporting the cabbage from his farm to the shops. He calculated that all these inputs would cost him GHC 3,500, meaning that he could expect a total profit of GHC 2500 from cabbage production. Of course, Abaa now needed to implement his plan, i.e. buy the immediate inputs, organise labour, prepare his land and plant the crop. Also, when the crop was ready, he also had to organise its packing and transportation.

When Abaa had organised all the inputs, he prepared his land and planted the cabbage. Within a month, however, Abaa realised that the survival was poor and the growth of the cabbage was not as expected. He went to the extension worker for advice, who told him to replant using a different variety of seed. Even though this was an extra cost for Abaa, he obtained new seeds for planting, knowing that he had made a promise to several buyers in the

market to supply good quality cabbage. He did quick calculations and knew that he would still make a profit. Knowing that the crop would now be delayed by at least a month, he made new arrangements for transport. This did not cost him anything extra.

The second time, the germination was much better. A few weeks later, Abaa's cabbage was almost ready and it was looking good. Close to harvest time, he purchased the packaging he needed to market his cabbage to the three shops. Very shortly thereafter, Abaa harvested his cabbage. He was a month later than expected, but it was worth it.

As the cabbage was harvested from the field, it was checked and cleaned. The bad ones were thrown away, while the rest was packed into the baskets and neatly covered with nets. When everything was packaged, Abaa discovered that he had 10 baskets. It was a little less than expected, but based on his calculations, he knew that he would still make a profit. The transport arrived as planned. The baskets were loaded onto the vehicle and Abaa took his cabbage to the three shopkeepers. Initially, the first shop refused to take his cabbage since Abaa was one month late. However, Abaa showed the shopkeeper the quality of his produce and convinced her to buy it.

The second shopkeeper agreed to take the product, but wanted to pay Abaa after sixty days. Abaa explained that this was his first crop and he wanted to keep selling to this shopkeeper, but couldn't if they could not make a better deal on payment. In this way, Abaa persuaded the shopkeeper to pay 50 percent immediately and 50 percent after sixty days.

The third shopkeeper refused to pay the agreed price. He said that he was able to get cheaper cabbage from another farmer. Again, Abaa showed the shopkeeper the quality of the product. He also told him that his competitors had bought the cabbage at the agreed price. In this way, Abaa convinced the shopkeeper to pay the agreed price – in cash.

Abaa came back home a very happy man! However, he realised that his task was not complete. He still had to evaluate his cabbage business, by comparing what he planned with what actually happened. He also needed to calculate how much profit he had made.

He noted that he had to replant the cabbage because he had used the wrong seed. He decided that next time, he would check with the extension worker before buying inputs.

Also, he did not expect the shopkeepers to present problems. The first vendor had been concerned about the delay in delivery. Next time, he would be sure to keep his buyers informed. He also did not expect to be asked to be paid in 60 days. Next time he would confirm the deal beforehand.

Did he make a profit? Abaa knew that the income from sales is not equal to profit. He sold all 10 baskets of cabbage, GHC 500 per basket. Thus his total income was GHC 5 000. His costs were GHC 3 600 including the GHC 100 for the additional seeds. So, his total profit was GHC 1 400. This was the first time Abaa had been responsible for the family farm, and it had made more money than last year. His parents were very proud of him and asked what he was going to do with the farm next year. He said he would investigate more opportunities. He would again research the market; speak to the extension worker and other farmers. When he had enough information, he would decide what to do.

For the day, Abaa wanted to celebrate! He invited his family and friends to a party. All of them wanted to know how Abaa had made so much money from his farm. He shared the whole story with them, so they could also learn from his experience.

Questions (Break story to enable each group address its questions and to save time)

Group one

1. What did Abaa realise about the farmers in his village?
2. What did Abaa decide to do?
3. How did he do it?
4. Why is this important?
5. What did Abaa learn from his visit to the market (shopkeepers and traders?)
6. What did Abaa decide to do?
7. Why could he be confident about this?

Group Two

1. Describe Abaa's plan
2. What happened after Abaa planted his cabbage?
3. What did he do about it? Why?
4. When it got close to harvesting time, what did Abaa do?

Group Three

1. The harvesting and packaging went well. What happened when Abaa took the cabbage to the three shopkeepers?
2. And what did he do about it? Why?
3. After Abaa sold all his cabbage and went home, what did he do? Why?
4. What are some of the things Abaa learned from his evaluation?
5. What did he do about it?
6. Did Abaa make a profit?
7. How did he know?
8. What did he plan to do about it?

After Presentations Facilitator takes them through the Farm business cycle and then closes with

1. Management

- estimating the costs, value, and production of an enterprise (such as growing bito or cassava), including the requirements for cash, labour and other resources during the production cycle;
- calculating the gross margin of an enterprise, which gives a crude estimate of its "profitability";
- evaluating the potential value of making small adjustments in the farm business (for example, changing the method of producing a particular enterprise or changing to another enterprise) with the help of planning tools, especially partial budgeting;
- estimating net farm income;
- whole farm budgeting and planning.

2. Marketing

- marketing and why it is important
- how supply and demand affect product prices
- marketing channels

- marketing costs and marketing margins
- value adding
- obtaining marketing advice and information
- doing basic market research and developing a marketing plan

3. Production and Marketing Linkage

- Farmer Groups
- Contract Farming
- Accessing grants and loans

COLLECTIVE MARKETING

1. What is collective marketing?

- Collective marketing is where a number of growers work together to sell their combined crops. This may require additional storage, processing or packaging of the crop, with the costs shared by the collective. Collective marketing has the advantage of spreading costs over a larger crop volume, creating a larger presence in the marketplace, and focussing marketing and selling efforts.

2. The Ideals of marketing

- Marketing activities need to translate into increased profit through market access, higher sale prices or additional crop being sold than would otherwise have occurred.
- Improving marketing is a medium to long term project.
- It involves some expenses and having the right skills.
- Often these skills will be employed through a consultant, or staff member.
- It makes sense that a number of smallholder farmers must work together to employ the appropriate skills to:
 - 1. Share the costs**
 - 2. Market a larger crop than would be possible individually**
 - 3. Add profit to all businesses.**

3. How can a farmer benefit from collective marketing?

There are benefits from marketing larger quantities of crop, developing business relationships and seeking out new buyers for larger volumes of produce. However, marketing and collective marketing is not a quick fix, it requires investment and a medium term time frame. The following points may help farmers to understand the approach to collective marketing.

- 1. Understand the market and supply chain:** A thorough understanding of the vegetable market and supply chain is critical. Knowledge of the major players, how prices are negotiated, what consumers are looking for are all useful starting points. This information can help provide an understanding of competitors and the relative strengths and weaknesses that exist in the supply base.
- 2. Consider the collaborators and competitors:** Consider the existing businesses that may compete for sales of similar crops, they might be potential collaborators. Consider other growers who are professional and trustworthy who could be a partner in both investing in, and benefiting from collective marketing. It will be important to have a broad range of skills involved. Skills such as post-harvest handling, logistics, market knowledge, business management, and finance will all be useful to improving market access. Openly

discuss the opportunity with potential collaborators and seek some professional advice as to how the opportunity can be realised.

3. **Clearly define the objectives from collective marketing:** Clearly define and document the objectives of the group. Document the likely costs that will be incurred with, for example employing a business manager, and then also define the anticipated benefits or networks that need to be developed over time. Marketing requires a dedicated focus and it is important to keep on task, even though building relationships, networks and market intelligence takes time.
4. **Persevere, adapt and change as necessary:** There is no quick solution! There are significant advantages and profit to be realised from collaboration and marketing larger parcels of farm produce. It is imperative that you continue to understand the market and consumers requirements and deliver it to them over time. Thus, success requires dedication and perseverance.

A good idea for collective marketing today, may not be possible, but it might be achievable next year or with a different group of collaborators. Continue to investigate ways to access different markets for produce.