



Capacity Building of Small Farmers in Entrepreneurship Development and Market Access (TCP/PHI/3402)



Farm Business School

For the Filipino Farmer

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A Facilitator's Manual
2015

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April 2015

A Facilitator's Manual

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For the Filipino Farmers



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PREFACE

All over the world, farmers are intensifying production and diversifying their products in an effort to respond to market needs, aimed at increasing their incomes. As emphasis is now on the market, farmers should take on a more proactive stance and be competitive in this respect.

Aware of these global shifts, FAO developed specialized training programs on market-oriented farming to help farmers respond to these present-day challenges. One of these programs happens at the Farm Business School organized where farmers are, and learn farm business management for an entire season. The other is the facilitators' course, which runs for 15 days and is held in a classroom with exposure to markets.

Both programs aim to capacitate the participants with entrepreneurial and fundamental management skills through the *learning by doing* approach.

This training manual is an aide to the Facilitators' Course. It was designed to help extension workers do their task of guiding farmers learn the basics of farm business management. It also contains the summaries of critical concepts and exercises designed to help the farmers *build knowledge, enhance their skills and adjust their attitudes to make their farms more profitable.*

Although patterned after the initial Manual of the Training of Farmers Program (South Asia) by Dr. David Kahan (FAO-Bangkok), stories and exercises/activities have been localized to suit the Filipino audience. This was written and packaged by the Core Team of Trainers' and the Consultants of the Project, **Capacity Building of Small Farmers in Entrepreneurship Development and Market Access (TCP/PHI/3402).**

We hope that through this publication, future trainers will be equipped with the needed skills in teaching farm business management and fully grasp the real meaning and importance of the Farm Business School.

Mabuhay kayong lahat!

Gomer G. Tumbali
Project Team Leader and
Farm Business Management Consultant
TCP/PHI/3402

ACKNOWLEDGEMENTS

The FAO project team would like to acknowledge the help of all the people involved in this project and more specifically, the reviewers who took part in the revision and localization process. Without their contribution, this *Facilitator's Manual* would not have been realized as what it is now.

Our sincere gratitude go to the Core Team of Trainers (CTT) who contributed their time and expertise to this Manual: Vilma Patindol, Nemielynn Pangilinan, Marites Frogoso and Marciano Santos of the Agricultural Training Institute (ATI); Laurence Abad, Carmela Pagulong, Norberto Quite and Iluminado Ocampo of the Department of Agrarian Reform (DAR); Marino Samar and Nemelita Sungcaya of the Department of Agriculture's Agribusiness Marketing Assistance Service (AMAS); William Valdez and Vivien Delos Santos of the Department of Agriculture's Regional Field Office (DA-RFO). They have also served as the lead facilitators; we highly appreciate their double task. We thank also Andrew Gasmin of ATI-CO, Gerryza Montero of DAR-BARBD, Cecilia Simon of DA-RFO-AMAD II, Lily dela Cruz of ATI-RTC3 and Lucita dela Cruz of the Office of the Provincial Agriculturist of Nueva Ecija who, along with the CTT, reviewed the manual and recommended some key modifications. And as with the CTT, we also are grateful to Karlene Zuñiga for assuming the role of Project Assistant specially in the first critical year. The zeal and initiative she put was extraordinary.

We thank ATI specially Director Asterio P. Saliot for providing invaluable support to the conduct of the various trainings and forums leading to the finalization of this manual; for immediately endorsing the Farm Business School trainings for implementation across all regional training centers of ATI; for believing in the FBS as a modality and for promoting market-oriented farming in the countryside.

We also thank FAO through Heiko Bamman, Enterprise Development Officer, for the technical guidance; and the FAO Philippine Representation Office headed by Mr. Jose Luis Fernandez for the unequivocal support and deep commitment to the stakeholders of the Farm Business Schools in the Philippines.

Last but not the least, our special thanks to the initial batch of FBS Facilitators and Provincial Coordinators who have implemented and spearheaded the first Farm Business Schools in the Philippines. In so doing, they have also tested and provided inputs towards the improvement of quality, coherence and content presentation of the various modules.

Maraming salamat po!

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Felicisimo Z. David, Jr.
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FAO Project Team, TCP/PHI/3402

FBS Facilitators and Provincial Coordinators

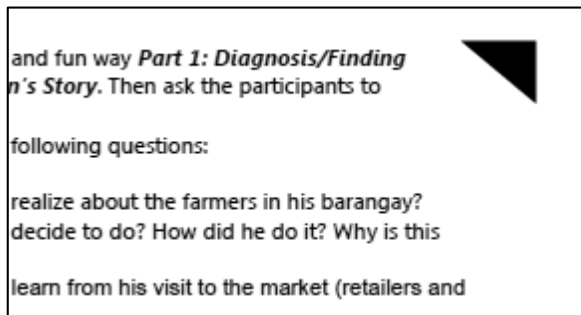
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How to use the Manual

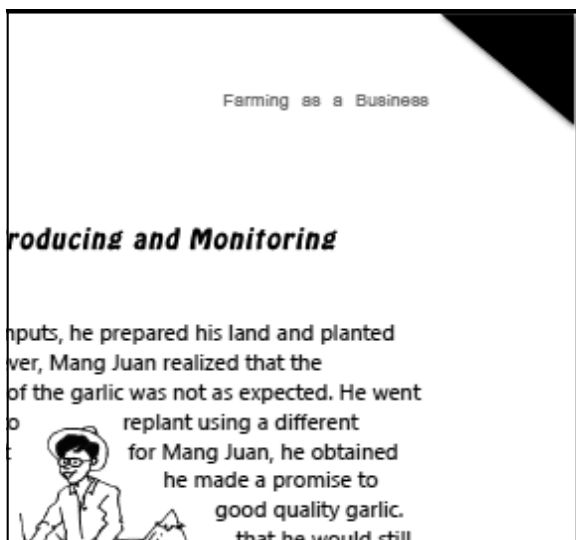
This *Facilitator's Manual* is the local prototype for the Philippine setting in the establishment of Farm Business Schools (FBS). It is adapted from the *Manual of the Training of Farmers Programme (South Asia)*, a publication of the Food and Agriculture Organization (FAO) of the United Nations, with permission of Dr. David Kahan, Senior Officer, Agribusiness and Enterprise Development, FAO Regional Office for Asia and the Pacific, Bangkok, Thailand. This Manual is an output of the Core Team of Trainers (CTT) and the Consultants of the Project **Capacity Building of Small Farmers in Entrepreneurship Development and Market Access (TCP/PHI/3402)**.

This is an updated version of the Manual. It incorporates some of the modifications suggested during the December 2013 project review, as well as recommendations from Heiko Bammann, FAO Enterprise Development Officer during a back stopping mission in November 2013. Further revisions and enhancements have been done after the synthesis of experiences from 2 cycles of FBS pilot implementations in early 2014.

The Manual is intended for the use of the extension providers at the field level in the conduct of the Farm Business School for farmers. It is purposely designed for light reading with convenient access to various handouts that can be reproduced on demand.



Throughout the manual, you will see small triangles at the right side of the page adjacent text that is in bold and italics. This indicates that there is a supplemental handout that can be given to participants.



The specific handout is often located immediately after the page with the small triangles. To facilitate identification, each handout is marked with a bigger triangle seen at the top right corner of the page.

Contents

Preface i

Acknowledgement ii

FBS Facilitators and Provincial Coordinators iii

How to use the Manual iv

PART 1 - Diagnosis and Planning

Module 1 - Starting the Farm Business School

Session 1 Rationale of a Farm Business School and Developing
Group Ownership _____ **1**

Module 2 – Understanding Basic Concepts

Session 2 Farming as a Business _____ **16**

Session 3 The Farmer as an Entrepreneur; Farm Business Profitability _____ **30**

Module 3 – Where We are Now

Session 4 Understanding Marketing and Markets _____ **42**

Session 5 Presenting the Market Survey Report, Assessing Current Farm
Situation and Translating Analysis into Action _____ **52**

Module 4 – Where We Want to Go

Session 6 Developing a Vision and Goal for the Farm _____ **62**

Session 7 Understanding Enterprise Profitability _____ **68**

Module 5 – Developing a Business Plan

Session 8 Choosing Enterprises for the Farm _____ **80**

Session 9 Components of a Farm Business Plan,
Part1: Farm Production and Marketing Plan _____ **88**

Session 10 Components of a Farm Business Plan,
Part 2: Financial Plan (Profitability and Cash Flow & Availability),
and Risks & Risk Management _____ **94**

Session 11 Preparing a Farm Business Plan and Action Plan _____ **102**

Module 6 – Keeping Records

Session 12 Overview of Record Keeping _____ **109**

Session 13 Practice of Keeping Farm Business Records _____ **114**

PART 2 - Implementing

Module 7 – FBS meetings during production season

Session 14 Savings and Mobilizing Finance _____	137
Session 15 Group Marketing and Buying _____	147
Session 16 Understanding Contract Farming and Appraisal _____	156
Session 17 Assessing and Managing Business Risks _____	168
Session 18 Benchmarking _____	173
Session 19 Characteristics of a Successful Entrepreneur _____	179
Session 20 Value Addition _____	183

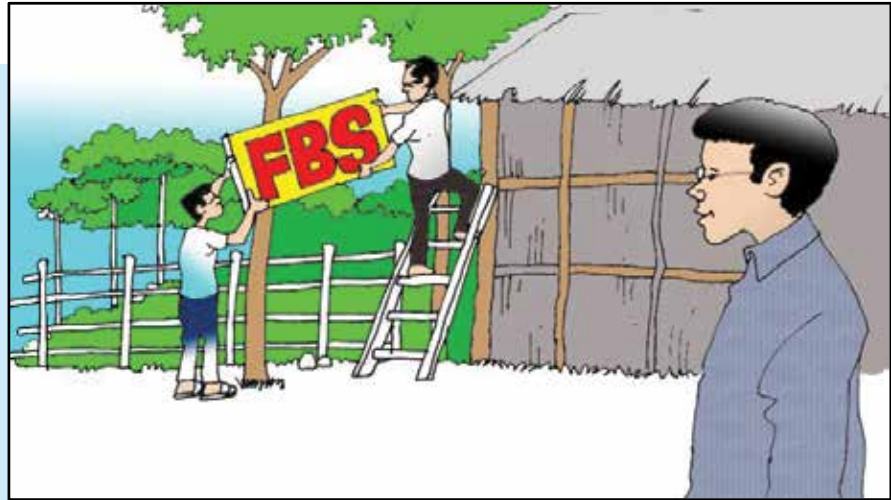
PART 3 – Evaluating and Re-planning

Module 8 – Reviewing Past Business And Planning For The Next Season

Session 21 Assessing the Benefits of the Farm Business School _____	190
Session 22 Assessing the Performance of a Farm Business Plan _____	194
Session 23 Choosing Farm Enterprise for the Next Season _____	202
Session 24 Preparing a Farm Business Plan for the Next Season _____	207
Session 25 Developing an Action Plan for the Next Season _____	216

PART 1
Diagnosis and
Planning

MODULE 1
Starting the
Farm Business
School



Session



Rationale of a Farm Business School and Developing Group Ownership

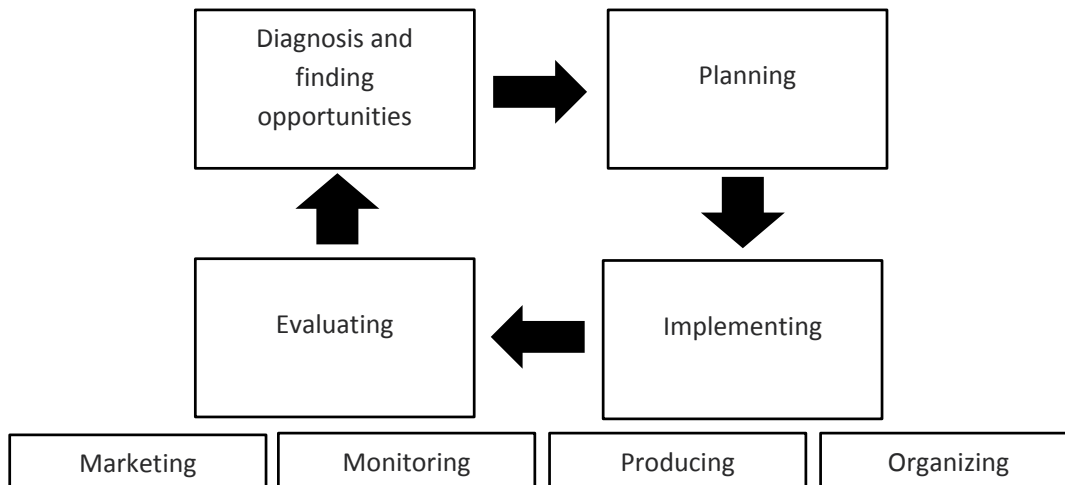
OBJECTIVES

By the end of this session, the participants shall have:

1. Discussed the meaning and importance of the FBS;
2. Described the benefits of FBS for participating group members; and
3. Listed the meetings schedule, norms or ground rules for a more effective and sustainable implementation of the FBS.

About the Farm Business School (FBS)

The Farm Business School (FBS) is a new idea. The purpose is to work with farmers to help them build knowledge and skills to make their farms more profitable. They will do this by learning about business in their own local environment. The FBS program takes the school to the farmers. The training materials are designed around the concept of the farm business cycle. This is described using the following diagram.



The FBS training program covers all four of these aspects of farm business management. The program is divided into three parts: 1) Diagnosing and Planning, 2) Implementing; and 3) Evaluating and Re-planning.

Part 1 – Diagnosis and planning (conducted prior to the beginning of the production season)

In this part of the program, participants set up the FBS and how to run it. Farmers agree on what parts of the program to cover and when they will hold meetings. They also set goals for their farms and then develop business plans to achieve those goals. Then they work through a series of exercises to learn how to examine their farms and to plan for the coming season. They will develop an initial farm business plan which will be implemented in the next season.

Part 2 - Implementing (conducted during the production season)

In this part of the program, the participants implement their farm business plans. They will choose from a menu of modules that cover various aspects of managing a farm business. The choice of modules is left to the participants to decide. They are designed to be used whenever is the right time in the season.

Part 3 – Evaluating and re-planning (conducted after the production season)

When the season is over the participants start the third and last part of the program. The participants review their Farm Business Plans and evaluate how well the plans worked. What worked? What did not work so well? They re-assess their farm businesses and make a new Farm Business Plan for the next season.

STEPS

1

Launching

Since this will be the first formal meeting of the Farm Business School (FBS), make it memorable with a grand launch in the barangay. Invite key personalities to grace the occasion.

You may want to arrange with the participants for each of them to bring some food or drink to share to in order celebrate the start of the school. By now you should know what training materials are needed for running the FBS, such as: handouts, pens or pencils, metacards, flipcharts and markers, etc.

A week or two before the FBS starts, you should make your necessary solicitations for the grand launch. You should also visit each farmer who was invited to be part of the school to make sure that they remember when the school will start and where it will be held. If no writing pads/exercise books and pens or pencils are being provided, then you will also need to remind them to bring these to the FBS.

2

First session

The first session is conducted after the launching activities. Usually this first session happens after lunch time.

Confirm the attendance of all the participants to the first session of the FBS. Remind them that they were invited to participate in the FBS because they are interested in developing their farm business skills so that they can improve the profitability of their farms.

3

Check if everyone knows everyone else. If not, ask participants to briefly introduce themselves. The first two meetings of the FBS will be about the purpose of the school and how the school will be run. After that, they will begin to learn about farming as a business.

4

Remind the participants of your earlier meetings with them, and inform them that in this first activity of the day you would like them to recap what they understand by FBS and what their learning expectations are. Organize the participants into discussion groups of three to five making sure that each group has at least one literate member. In their groups, ask participants to discuss the questions given in **Exercise 1** and note their responses on the handbook itself.

Exercise 1

Reflect on the following questions and write your answers in the space provided.

What do you understand by a 'Farm Business School'?

What do you think is the purpose and advantage of a Farm Business School?

What is different about a 'Farm Business School' as compared to other training programs available for farmers?

What are your specific learning expectations from participating in this 'Farm Business School'?

STEPS

5

When the groups have completed their discussions, question by question, facilitate a sharing in the plenary as follows:

Question 1: What do participants understand by a 'Farm Business School'?

After listening to each group's comments, explain that the Farm Business School is a 'forum' or 'venue' that brings farmers together to carry out collective and collaborative enquiry to address business and marketing problems and opportunities.

Question 2: What do participants think is the purpose and advantage of a Farm Business School?

Listen carefully to all the groups' responses, and reiterate that this platform would bring together a 'group of like-minded farmers' who wish to develop or strengthen their skills to produce more profitably for the market. As a 'program of learning', it can prove particularly beneficial for those smallholder farmers who are just getting involved in producing for the market and need help to do it more effectively.

Question 3: What is different about a 'Farm Business School' as compared to other training programs for farmers?

After obtaining comments from all the groups, refer participants to the handout on **Overview of the Farm Business School** (FBS) and emphasize the special features of an FBS as follows:

- The focus of a Farm Business School is on the content, and not the training facility;
- The methodology is not lecture based, but rather a 'Learning by doing';
- This is a peer based learning, where there is really no expert, and the farmers learn from each other, with the facilitator guiding the learning process;
- The learning is demand responsive and interactive, and is matched to the actual operations on their farms, i.e. pre-season, season and post-season.

Overview of the Farm Business School (FBS)

A

What is a 'Farm Business School'?

A Farm Business School is a 'forum' or 'venue' that brings farmers together to carry out collective and collaborative enquiry to address business and marketing problems and opportunities.

B

What is the purpose and advantage of a Farm Business School?

A Farm Business School brings together a 'group of like-minded farmers' with the aim to develop or strengthen their skills to produce more profitably for the market. As a 'program of learning', it can prove particularly beneficial for those smallholder farmers who are just getting involved in producing for the market and need help to do it more effectively.

C

What is different about a 'Farm Business School' as compared to other training programs for farmers?

- The focus is on the content, and not the training facility
- The methodology is not lecture based, but rather a 'Learning by Doing'
- The learning is from 'Farmer to Farmer', rather than from the 'Facilitator to the Farmer'
- The learning is demand responsive and interactive, and is matched to the farm season

STEPS

6

Finally ask the groups to present their expectations from participating in the Farm Business School (FBS). Note each group's expectations on the board or flip chart, and cluster common points so that these emerge as topics or areas of Learning. Make sure that expectations are handled with care so that any unrealistic expectations (such as receipt of grants, or provision of transport and daily allowances, etc.) are managed at this point. Use the clustered learning expectations to transit to the next discussion point, i.e. what will be taught at the Farm Business School.



7

Refer to the handout **Overview of the FBS Program** and explain how the FBS Program is designed to roll-out in three parts, i.e.:

- Part 1** - Diagnosis and Planning (pre-season),
- Part 2** - Implementing (during season), and
- Part 3** - Evaluating and Re-planning (post-season).

The topics under each part are meant to prepare the farmer to perform the functions linked to that part more effectively. Briefly explain the importance of some of the topics.

8

The entire FBS program has to be aligned to the pre-season, season and postseason of their chosen enterprise production cycle. Refer to the matrix in the **Link of FBS program to the crops season**, and explain how this would happen. All their diagnosis and planning meetings will have to be covered before the next planting season.



Overview of the FBS program

<p>Part 1</p> <p>Diagnosis and Planning</p>	<p>MODULE 1 – Starting the Farm Business School</p> <p>Session 1 Rationale of Farm Business School and Developing Group Ownership</p>
	<p>MODULE 2 – Understanding Basic Concepts</p> <p>Session 2 Farming as a Business</p> <p>Session 3 The farmer as an Entrepreneur and Farm Business Profitability</p>
	<p>MODULE 3 – Where We Are Now</p> <p>Session 4 Understanding Marketing and Markets</p> <p>Session 5 Presenting the Market Survey Report, Assessing Current Farm Situation and Translating Analysis into Action</p>
	<p>MODULE 4 – Where We Want to Go</p> <p>Session 6 Developing a Vision and Goal for the Farm</p> <p>Session 7 Understanding Enterprise Profitability</p>
	<p>MODULE 5 – Developing a Business Plan</p> <p>Session 8 Choosing an Enterprise</p> <p>Session 9 Components of a Farm Business Plan: Farm Production and Marketing Plan</p> <p>Session 10 Components of a Farm Business Plan: Financial Plan (Profitability and Cash Flow & Availability) and Risks & Risk Management</p> <p>Session 11 Preparing a Farm Business Plan and Action Plan</p>
	<p>MODULE 6 – Keeping Records</p> <p>Session 12 Overview of Record Keeping</p> <p>Session 13 Practice of Keeping Farm Business Records</p>
	<p>MODULE 7 – FBS Meetings During Production Season</p> <p>Session 14 Savings and Mobilizing Finance</p> <p>Session 15 Group Marketing and Buying</p> <p>Session 16 Understanding Contract Farming and Appraisal</p> <p>Session 17 Assessing and Managing Business Risks</p> <p>Session 18 Benchmarking</p> <p>Session 19 Characteristics of a Successful Entrepreneur</p> <p>Session 20 Value Addition</p>
	<p>Part 2</p> <p>Implementing</p>

<p>Part 3</p> <p>Evaluating and Re-planning</p>	<p>MODULE 8 – Reviewing Past Business And Planning For The Next Season</p>
	<p>Session 21 Assessing the Benefits of the Farm Business School</p>
	<p>Session 22 Assessing the Performance of a Farm Business Plan</p>
	<p>Session 23 Choosing Farm Enterprise for the Next Season</p>
	<p>Session 24 Preparing a Farm Business Plan for the Next Season</p>
<p>Session 25 Developing an Action Plan for the Next Season</p>	

Link of FBS program to the crops season

stage	weeks	August	September	October	November	December	January	February	March	April	May	June
<p>Pre-season:</p> <p>Diagnoses and Planning</p>												
<p>During Season:</p> <p>Implementing</p>												
<p>Post-season:</p> <p>Evaluation and re-planning</p>												

STEPS

9

For this next discussion, make sure that you have a calendar in the room, and have marked the various religious events and holidays on it. Explain to the participants that the last important agenda of today's meeting is to plan the FBS meeting schedule. Inform the participants that there are four decisions that must be made:

- How often should the group meet?
- What days of the week?
- What should be the start and end time?
- What topics should be covered?

Raise each of the above questions, and facilitate a discussion, ensuring that the group reaches a consensus. Finalize dates for a maximum of 20 meetings required to complete Part 1: Diagnosis and planning. Tell the participants that the dates for Part 2 and Part 3 will be finalized after completion of Part 1.

Finalize the meeting schedule on the board, and ask the participants to copy this information into their ***Farm Business School Meeting Schedule***, where the following should be noted:

- Session number
- Session topic
- Date
- Time
- Venue

If any changes are made to the schedule, it will be through mutual consensus.



Farm Business School Meeting Schedule

Part 1

Diagnosis and Planning

Session	TOPIC	DATE	TIME	VENUE
1	Rationale of Farm Business School and Developing Group Ownership			
2	Farming as a Business			
3	The Farmer as an Entrepreneur and Farm Business Profitability			
4	Understanding Marketing and Markets			
5	Presenting the Market Survey Report and Assessing Current Farm Situation and Translating Analysis into Action			
6	Developing a Vision and Goal for the Farm			
7	Understanding Enterprise Profitability			
8	Choosing Enterprises for the Farm			
9	Components of a Farm Business Plan: Farm Production and Marketing Plan			
10	Components of a Farm Business Plan: Financial Plan (Profitability and Cash Flow & Availability) and Risks & Risk Management			
11	Preparing a Farm Business Plan and Action Plan			
12	Overview of Record Keeping			
13	Practice of Keeping Farm Business Records			

Part 2

Implementing

<i>Session</i>	TOPIC	DATE	TIME	VENUE
14	Savings and Mobilizing Finance			
15	Group Marketing and Buying			
16	Understanding Contract Farming and Appraisal			
17	Assessing and Managing Business Risks			
18	Benchmarking			
19	Characteristics of a Successful Entrepreneur			
20	Value Addition			

Part 3

Evaluating and Re-planning

<i>Session</i>	TOPIC	DATE	TIME	VENUE
21	Assessing the Benefits of the Farm Business School			
22	Assessing the Performance of a Farm Business Plan			
23	Choosing Farm Enterprise for the Next Season			
24	Preparing a Farm Business Plan for Next Season			
25	Developing an Action Plan for Next Season			

STEPS

10

This session will help the participants develop some common norms in order to effectively run the farm business school. Explain to the group that in order to establish win-win partnerships, we must ALL contribute and we must ALL benefit. Divide participants into 4 groups and ask them to discuss for 15- 20 minutes in their groups, 'who can provide what?' to take the FBS initiative forward. Ask the groups to use the form **Support your own FBS Who can provide what?** as a checklist, and add any other area of support that they can think of. Clarify that several people can make the same contributions on a rotational basis.

After 20 minutes, note on a chart participants' commitments. For reference purposes, this chart should be prominently placed in the meeting room.

11

In the plenary, ask participants what, in their view, are the qualities of an effective group. Note participants' points on the board or flipchart. Once enough points have been generated, refer participants to **Ground Rules for FBS**, and ensure that there is a common understanding of what each point means. For each point, obtain examples, e.g. self-discipline as individuals and responsibility to the group – what does that mean? Highlight that self-discipline can refer to punctuality, making sure that no meetings are missed, etc. Once all the points have been understood, ask participants to sign the sheet in their handbook, as a commitment to abide by these norms. Put up the pre-prepared flip chart on the wall, and ask all the participants to sign that as well.

12

In the next meeting the participants will have an opportunity to finalize a meeting schedule for Part-1: Diagnosis and Planning meetings of their FBS Program, and finalize the following:

- Schedule of meetings, i.e. frequency of meetings, day/s of the week, timing
- Venue
- Norms or ground rules

Take a few minutes to review the key points covered in this session. Re-confirm date, time and venue for next meeting. Remind participants to bring their folders to the next, and all subsequent meetings. End the session on an energetic note and ensure that the group is energized and motivated to attend the next session.

Support your own Farm Business School (FBS) Who can provide what?

Checklist of responsibilities

	Venue		Tractor, tools
	Food/drinks/snacks		Land for exercises and demonstrations
	Bond paper, pens, pencils		Farm inputs or produce
	White board, chalk board, brown paper		Signboard for the FBS
	Marking pens, chalks		Calling cards for members
	Linkages and contacts for visits		Record book for minutes
	Quick transport		Record book for accounts
	Common landline/telephone		

Ground rules for FBS

- Share all costs of the FBS in a fair way.
- Ensure that each member can participate and make decisions on an equal basis.
- Ensure that decisions are made collectively in consultation with group members.
- Treat one another with equality and respect at all times.
- Practice self-discipline as individuals and be responsible to the group.
- Be honest, dedicated and committed to group interests.
- Agree to disagree and never get angry if any individual opinion is not accepted.
- Accept the decisions of the majority, even if it is against any individual's view.
- Ensure openness, accountability and transparency in dealings with group members.

I _____, as a member of this FBS,
hereby agree to abide by these rules.

Signature _____

*PART 1:
Diagnosing and
Planning*

**MODULE 2
Understanding
Basic Concepts**



Session

2 Farming as a Business

OBJECTIVES

By the end of this session, the participants shall have:

1. Described how farm commercialization is taking place; and
2. Identified the components of a farm or business.

STEPS

1

Welcome the participants, and share with them the objectives of the meeting.

2

Ask the participants to pair up, and discuss the following:

Why are you a farmer? Is it to produce food for yourself and your family? Is it to generate cash? Or is it for both food production and for cash?

3

While the participants are discussing the questions above, draw on the board two equal circles, one next to the other. In the circle on the left, draw onions, while in the circle on the right, draw some bank notes or coins. Now ask the participants to finish their discussion, and answer the question asked. The likelihood is that you will receive many different responses, i.e. some farmers may be producing equally for food and cash, while others may be producing more for cash, and yet others may be producing more for food and less for cash.

4

Show the participants ***The Commercial Farming Environment*** where changes in the importance of farming for food and farming for cash are depicted over a 10-year period. Ask them to think, and write if possible, what the visual means.

5

Once everyone has had the chance to review the visual, ask for comments. Consolidate the discussion to emphasize that farming practices have changed over the years. There was a time 10 years ago when the majority of farmers produced equally for both food and cash. But today farming is more specialized, where farmers produce for the market. Explain that just as demands in life have changed over the years, so have farming practices. Life requires more cash today than in the past. Therefore, instead of using farms for growing food to consume at home, there is more and more pressure to use the farms to generate the required cash. It is therefore important to begin to look at the farm more as a business than as a source of food.

The commercial farming environment

How do you explain the following changes in farming practices?



	Farming for food	Farming for cash	WHY THIS CHANGES? List down your answers
10 YEARS AGO			
5 YEARS AGO			
TODAY			

STEPS

6

Ask the participants to think of the similarity between a farm and a business. Brainstorm ideas, and write participants' comments on the flip chart or whiteboard, clustering or grouping ideas where possible. To conclude the discussion, ask participants to fill up **Components of a farm or business**.

Explain that a farm is similar to a production unit, where something is made, grown or manufactured. Ask participants to think of examples of things which are grown or manufactured on a farm, and write these in the center column under production unit or farm. Ask participants to share some examples, e.g. rice, corn, potatoes, milk, eggs, etc.



7

Write on the board 'production unit or farm', and ask participants what would be needed to produce anything on either. The answer is inputs. On the left of production unit or farm, ask participants to write the word 'inputs' and draw a line from inputs to production unit or farm, highlighting that this represents the physical flow on the farm. Ask participants to note in their handbook some examples of inputs, e.g. seeds, water, fertilizer, etc.

8

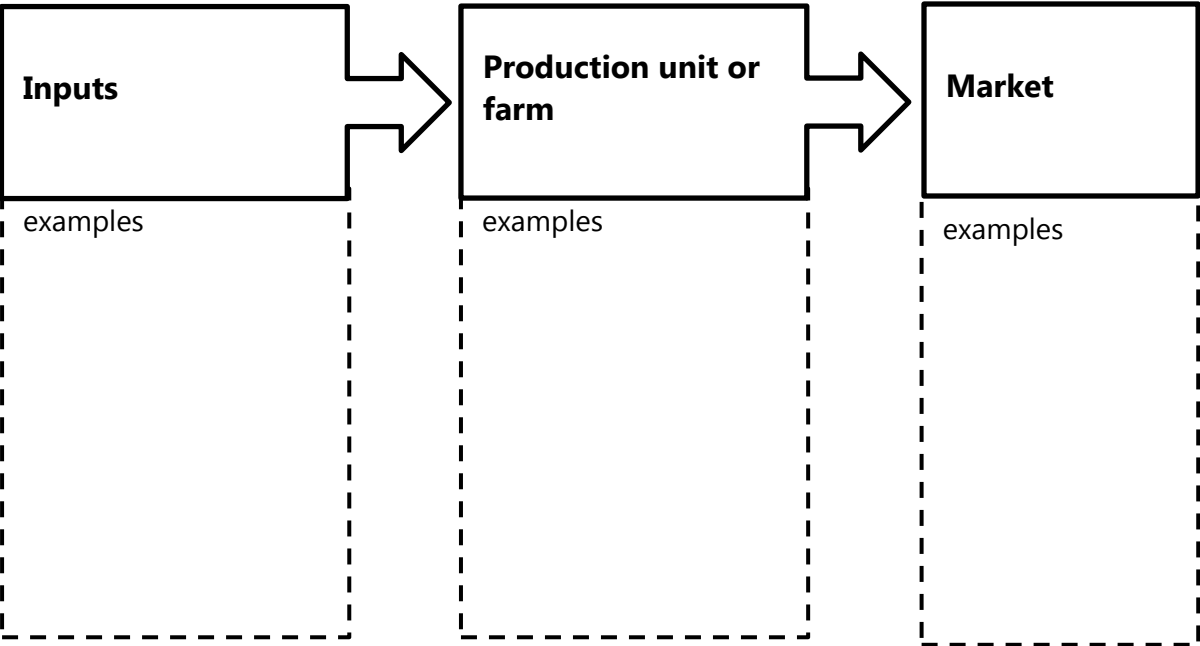
Now ask participants what happens to the products made in the production unit or farm. Elicit the answer that these are sent and sold in the market. On the right hand side of the production unit or farm, write market, and draw a line from farm to market. Ask participants to think of some examples at this stage of the farm business, and write the same in their handbook. Share in the plenary some examples, such as packing, transport, selling prices, labeling, etc.

9

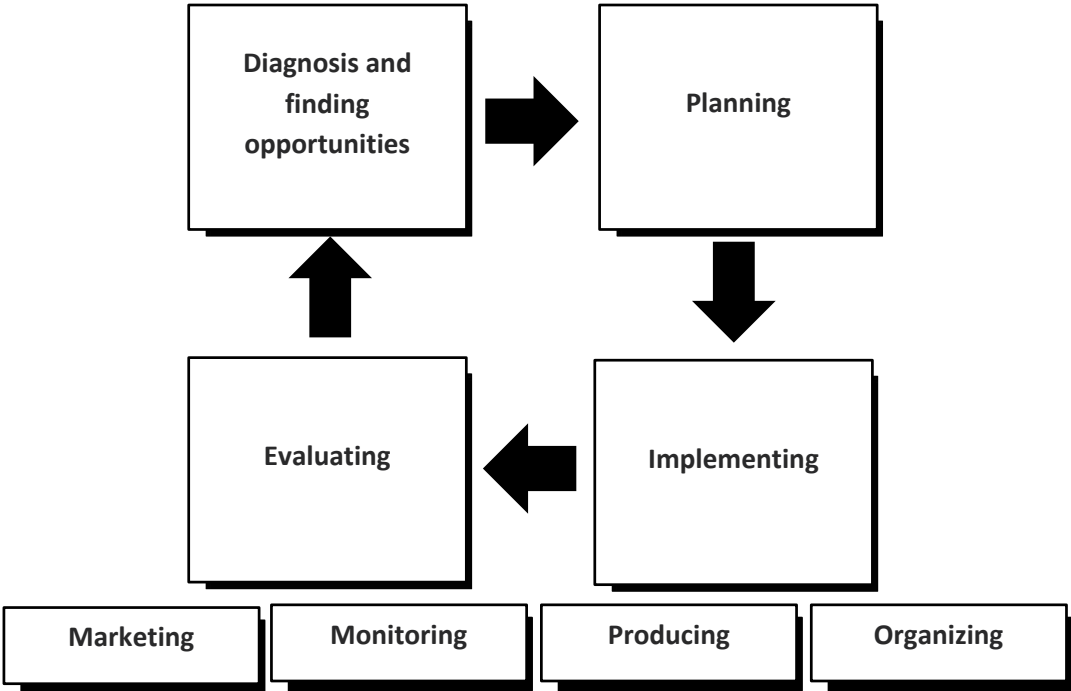
Prior to this meeting, draw the **Farm Business Cycle** on a flip chart or board. Begin this part of the discussion by explaining to the participants that like any other business, a farmer needs to understand what is happening within the farm, and what internal and external elements that affect farm profitability are.



Components of a Farm or business



The farm business cycle



STEPS

10

Inform the participants that a farm business cycle is a useful way to develop a business orientation or thinking. Refer participants to the diagram of the farm business cycle and explain each component of the farm business cycle as follows:

Step 1: Diagnosis and finding opportunities

A study of the business that identifies problems that are limiting the farm's performance (finding out what is wrong), and opportunities that can improve performance (finding out what more can be done).

Step 2: Planning

Exploring options and making decisions about the steps to follow to achieve an objective or goal. It is about looking into the future.

Step 3: Implementing

Ensuring that the plan can be realized. This involves organizing, producing, monitoring and marketing. Organizing involves arranging the resources and people needed to carry out the plan. Monitoring involves keeping track of progress being made on tasks and activities of the plan, and checking to see if things are going as planned.

Step 4: Evaluating

Deciding whether or not the plan worked and whether or not the goals were achieved. It involves taking a longer look at what you have done and measuring it against your expectations.



11

The last activity of this meeting is to better understand each step of the farm business cycle. Divide the participants into four groups, and tell them that they will have the opportunity to study *Mang Juan's* journey through the farm business cycle. This will however be done through a case study in five parts, where after each part the groups will discuss certain given questions.



STEPS

12

Read out loud, in a dramatic and funny way **Part 1: Diagnosis/Finding Opportunities of Mang Juan's Story**. Then ask the participants to discuss for 10 minutes, in their groups, the following questions:

1. What did *Mang Juan* realize about the farmers in his barangay?
2. What did *Mang Juan* decide to do? How did he do it? Why is this important?
3. What did *Mang Juan* learn from his visit to the market (retailers and traders)?
4. What did *Mang Juan* decide to do? Why could he be confident about this?

After 10 minutes, raise each question in the plenary and generate a quick discussion to ensure that participants understand what it means to critically diagnose or examine the situation of the business. Summarize as follows:



In this case study, *Mang Juan* identified a problem. He realized that everyone was growing the same crops and not actively looking for markets. He also realized that the existing practice was to sell to the first buyer that came to their farms. Realizing that he should grow something different, *Mang Juan* undertook research and identified a more profitable opportunity for himself i.e. growing and selling garlic. In order to make a final decision, *Mang Juan* found out the costs and the technical inputs needed for a successful business.

13

After that session, read out next, in a dramatic and funny way, **Part 2: Planning of Mang Juan's Story**. Then ask the participants to discuss for 5 minutes, in their groups, what in their view were some key steps in *Mang Juan's* plan.

After 5 minutes, generate a discussion in the plenary, highlighting that *Mang Juan* carefully identified what inputs he would need for his business, what he would produce, how he would sell the garlic, and the profit he could expect. These are some important steps towards assessing business feasibility.



Mang Juan's Story

Part 1: Diagnosis/Finding opportunities

After completing his primary education, Mang Juan had left his barangay to seek a job in the city. While the city life had been exciting, and he had found several work opportunities, it had also been a hard living. Mang Juan's father was now too old to be managing the 1 hectare family farm land by himself, and Mang Juan now is happy 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, Mang Juan started talking to the farmers in his own barangay, so that he could find out what crops are being grown in the area. Based on his interviewed they grow the same crops: beans, onions and corn. When asked why, they said because everyone else did; it was that 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, Mang Juan decided to find out other products could be produced in the area. He went to the nearest town where he talked to buyers, and found out that there was a high demand for garlic. Mang Juan knew that growing garlic was like growing onions, so it would not be difficult to produce. He also found three buyers who said that they would buy garlic from him, provided it was of good quality. They said they normally paid PhP 75.00 per kg.



Before investing in garlic production, Mang Juan realized that he needed to know that he could make a profit by growing and selling garlic at the market rate. He visited a neighboring barangay, where farmers helped him calculate how profitable garlic.

As a final step, Mang Juan approached an extension worker from the local community organization who advised him to start garlic production by planting $\frac{1}{4}$ a hectare with the new crop. The extension worker told him he should be able to harvest about 3,200 kg per hectare, so on $\frac{1}{4}$ hectare, he should be able to produce 800 kg of garlic.

After completing his investigations, Mang Juan decided to grow garlic on $\frac{1}{4}$ hectare of his land and plant beans, onions and corn on the rest of the land.

Guide Questions:

What did Mang Juan realize about the farmers in his barangay?

What did he decide to do? How did he do it? Why is this important?

What did He learn from his visit to the market?

What did Mang Juan decide to do? Why could he be confident about this?

Mang Juan's Story

Part 2: Planning

Based on what he had learned from the market, the other farmers and from the extension worker, Mang Juan set himself a goal of growing $\frac{1}{4}$ hectare of garlic and marketing it to the three nearby buyers. He figured out that if he sold 800 kg of garlic, he would obtain a total sales income of PhP 60,000. But in order to calculate the profit he could make, he first needed to know the cost of the inputs that would be used to grow and sell the crop.



Mang Juan listed the primary inputs he would need to grow the garlic, i.e. seed, fertilizer, pesticides, labor, among others. As the garlic was sold at farm there was no transport. He calculated that all expenses incurred which amounted to PhP 34,590.00, meaning that he could expect a total profit of PhP 25,410.00 from garlic production.

Of course, Mang Juan now needed to implement his plan, i.e. buy the immediate inputs, organize labor, prepare his land and plant the crop.



Guide Questions:

What was Mang Juan's plan?

Describe it.

STEPS

14

Similarly, read out to the participants **Part 3: Implementing: Organizing, producing and monitoring of Mang Juan's story.**

Then ask the participants to discuss for 10 minutes, in their groups, the following questions:

What happened after *Mang Juan* planted his garlic? What did he do about it? Why? When it got close to harvesting time, what did *Mang Juan* do?

After 10 minutes, generate a discussion in the plenary. Explain to the participants that the whole purpose of making a plan is to implement it, which involves three key activities, i.e. :

Organizing, i.e. to get in order everything you need for producing. In a farm business, it mostly refers to buying inputs, organizing labor and draft power.

Producing, i.e. growing the crop or raising the animals. It includes all the things a farmer does to produce his crop or product such as ploughing, planting, harvesting, feeding and watering animals.

Monitoring, i.e. checking that everything is going according to plan. It also means making small changes to the plan. In *Mang Juan's* story, he had to replant because he did not have the right seed.

15

Then after that session, read out next **Part 4: Implementing: Marketing of Mang Juan's Story.** Then lead a discussion, in the plenary, around the following questions:

The harvesting and packaging went well, what happened When Mang Juan took the garlic to the three retailers? What did he do about it and why?

Explain how is that marketing is a very important part of the farm business. It includes preparing, packaging, transporting, and selling the product.



Mang Juan's Story

Part 3: Implementing: Organizing, Producing and Monitoring

When Mang Juan had organized all the inputs, he prepared his land and planted the garlic seeds. Within a month, however, Mang Juan realized that the germination was poor and the growth of the garlic 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 Mang Juan, he obtained new seeds for planting, knowing that he made several buyers in the market to supply good quality garlic. He did quick calculations and knew 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, Mang Juan's garlic was almost ready and it was looking good.



Close to harvest time, Mang Juan purchased the packaging he needed to market his garlic to the three shops. Very shortly thereafter, Mang Juan harvested his garlic. He was a month later than expected, but it was worth it.



Guide Questions:

What happened after Mang Juan planted his garlic? What did he do about it. Why?

When it got close to harvesting time, what did he do?

Mang Juan's Story

Part 4: Implementing: Marketing

As the garlic was harvested from the field, it was checked and cleaned. The bad cloves were thrown away, while the rest was packed into the net bags and put into boxes. When everything was weighed, Mang Juan discovered that he had 750 kgs. It was a little less than expected, but based on his calculation, Mang Juan knew that he would still make a profit.

The transport arrived as planned. The boxes were loaded onto the vehicle and Mang Juan took his garlic to the three retailers. Initially, the first shop refused to take his garlic since Mang Juan was one month late. However, Mang Juan showed the storekeeper the quality of his produce and convinced him to buy it.

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

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



Guide Questions:

The harvesting and packaging went well.

What happened when Mang Juan took the garlic to the three buyers?

And what did he do about it? Why?

STEPS

16

Now read out, dramatically, **Part 5: Evaluating of Mang Juan's story**. Then again, lead in the plenary, a discussion around the following questions:

1. After Mang Juan sold all his garlic and went home, what did he do? Why?
2. Did Mang Juan make a profit? How did he know?
3. What are some of the things Mang Juan learned from his evaluation? What does he plan to do about it?

Conclude the discussion by highlighting how important it is to evaluate one's performance. It helps the farmer know what went well and what went wrong. It enables the farmer to know how to improve his farming business to make it more profitable.

17

Conclude the session by reminding participants of the key concepts covered in this meeting, i.e. how changes in farming practices have led to a more commercial farming environment; how similar are the components of a farm or business i.e. input supply, production/farm and market; and the logical sequence of business planning through the farm business cycle, i.e. diagnosis and finding opportunities, planning, implementing and evaluating.

The next meeting will focus on a very important concept, i.e. the farmer as an entrepreneur.



Mang Juan's Story

Part 5: Evaluating

Mang Juan came back home a very happy man! However, he realized that his task was not complete. He still had to evaluate his garlic 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 garlic 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 buyers 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 profit? Mang Juan knew that the income from sales is not equal to profit. He sold all 750 kg of garlic, PhP 75 per kg. Thus his total income was PhP 56,250.00. His costs were PhP 34,590.00 including the PhP 1,000.00 for the additional seeds. So, his profit was PhP 21,660.00.

This was the first time Mang Juan had been responsible for the family farm, and it had 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, Mang Juan wanted to celebrate! He invited his family and friends to party. All of them wanted to know how Mang Juan had made so much money from his farm. He shared the whole story with them, so they could also learn from his experience.

Guide Questions:

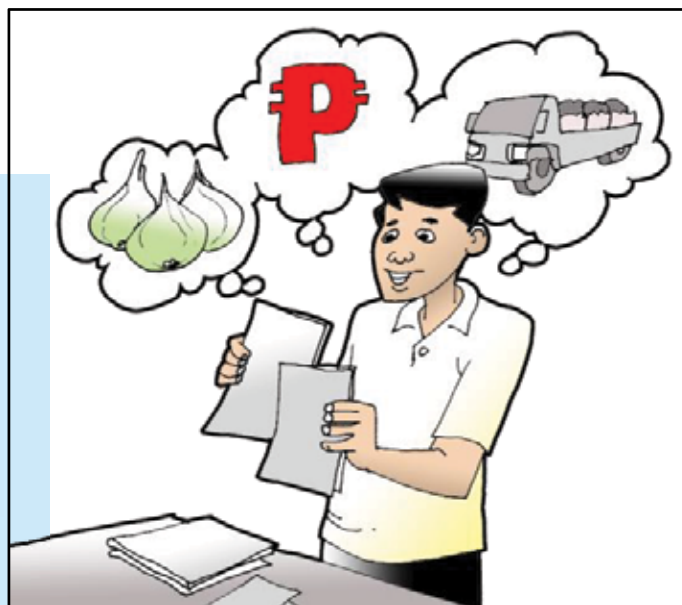
After Mang Juan sold all his garlic and went home, what did he do? Why?

Did Mang Juan make a profit? How did he know?

What are some of the things he learned from his evaluation? What did he do about it?

PART 1:
Diagnosing and
Planning

MODULE 2
Understanding
Basic Concepts



Session

3 The Farmer as an Entrepreneur and Farm Business Profitability

OBJECTIVES

By the end of this session, the participants shall have:

1. Explained the required competencies for business success;
2. Accomplished the self-assessment process;
3. Discussed the concept of costs and profit as it relates to a farm business;
4. Differentiate between farm business and farm enterprise; and
5. Identified factors that can affect farm business profitability.

STEPS

1

Welcome the participants, and share with them the objectives of the meeting.

2

In the plenary, ask the participants to close their eyes, and think of the most successful entrepreneur or businessperson they know.

After 3-4 minutes, ask everyone to open their eyes, and share with others why they think a particular person is a successful entrepreneur, i.e. what in their views are the key abilities or competencies that make the person a successful businessperson. Refer them to the **Competencies for Business Success** handout describing the set of skills that entrepreneurs must possess to take control of challenges in business.

Note the participants' responses on the board.

3

Lead the participants to **Exercise 2: Competencies for Business Success**. Ask them to recall *Mang Juan's* story from the previous meeting. In pairs, the participants should revisit *Mang Juan's* story (all five parts) and mark on the page which of the 10 competencies they think *Mang Juan* has. Inform the participants that they must justify their marking with an example. After 15 minutes, lead a quick plenary discussion, by calling out a competency, asking if *Mang Juan* had that competency, and if yes, requesting an example.

4

Once the participants understand individual competencies, ask them to mark, on the same exercise sheet, those competencies that they think they are strong in. Then facilitate a quick discussion to identify which of the competencies participants would like to improve. Ask participants how a person can improve his/her competencies? Some ideas are as follows:

- Meet successful business persons – observe them, talk to them, and learn from them
- Identify the cluster that you need to improve, and seek training for the same
- Take deliberate steps during the various parts of this training to overcome identified limitations
- Discuss with the facilitator how to overcome specific limitations and inhibitions

Competencies for Business Success*

ACHIEVEMENT CLUSTER	1. Opportunity seeking and initiative	<ul style="list-style-type: none"> • Pays attention to the needs and demands of people • Never procrastinates. Acts immediately on marketable Ideas. • Understands that the more common businesses have enough competition in their common markets while unique ones offer lower competition resulting to higher revenues and profit.
	2. Risk taking	<ul style="list-style-type: none"> • Calculates risks by identifying the most beneficial alternative courses of action to minimize effect of risks in the net profit. • Proactive. Anticipates a loss and counters it with feasible alternatives. • Understands that in business realities, seasoned entrepreneurs sometimes take on a riskier business to get higher profits.
	3. Demand for efficiency and quality	<ul style="list-style-type: none"> • Performs business tasks better, faster, cheaper without putting aside safety and quality. • Accomplishes tasks by meeting or exceeding standards of excellence.
	4. Persistence	<ul style="list-style-type: none"> • Faces a significant obstacle with a good plan of action. • Identifies a good alternative to every decision to meet a challenge or overcome an obstacle. • Acts as the prime mover of resources in the achievement of goals and objectives.
	5. Commitment to the work contract	<ul style="list-style-type: none"> • Offers personal sacrifices or gives extraordinary efforts in completing tasks. • Accomplishes targets on time, as agreed and to the satisfaction of customers.
PLANNING CLUSTER	6. Information seeking	<ul style="list-style-type: none"> • Gathers data, information or feedbacks from clients, suppliers and competitors to use for the improvement of products or services • Studies the market personally for innovations of new product development • Talks with experts for technical advice
	7. Goal setting	<ul style="list-style-type: none"> • Sets goals and objectives which are specific and that guarantees customer satisfaction • Sets calculated goals and objectives
	8. Systematic planning and monitoring	<ul style="list-style-type: none"> • Makes a well-organized plan with clearly defined methods. • Logically flexible for the emergent constraints, challenges and needs. • Conducts scheduled gap-proof monitoring and response activities to determine emergent constraints, challenges and needs.
POWER CLUSTER	9. Persuasion and networking	<ul style="list-style-type: none"> • Always ready to give facts and benefits to convince customers to patronize products and services offered. • Accomplishes the business objectives; taps key people who can be used as agents or channels to hasten product and service delivery to customers.
	10. Independence and self-confidence	<ul style="list-style-type: none"> • Develops self-trust in the attainment of goals and objectives. • Does not need external approval before acting on constraints and challenges. • Being consultative does not purely mean dependence on others advice. An entrepreneur must be brave enough to use one's ability to choose which alternative course of action is the appropriate decision.

* Adapted from "Module 1: Personal entrepreneurial Competencies (PECs) Across market and Environment" in *AFA- HORTICULTURE* (Pasig: Department of Education, 2014), pp. 9-10

Exercise 2: Competencies for Business Success

Mark in the given space which of the competencies Mang Juan has, and you have

ACHIEVEMENT CLUSTER	PLANNING CLUSTER	POWER CLUSTER
<p>1. Opportunity seeking and initiative</p> <p><input type="checkbox"/> Mang Juan <input type="checkbox"/> You</p>	<p>6. Information seeking</p> <p><input type="checkbox"/> Mang Juan <input type="checkbox"/> You</p>	<p>9. Persuasion and networking</p> <p><input type="checkbox"/> Mang Juan <input type="checkbox"/> You</p>
<p>2. Risk taking</p> <p><input type="checkbox"/> Mang Juan <input type="checkbox"/> You</p>	<p>7. Goal setting</p> <p><input type="checkbox"/> Mang Juan <input type="checkbox"/> You</p>	<p>10. Independence and self-confidence</p> <p><input type="checkbox"/> Mang Juan <input type="checkbox"/> You</p>
<p>3. Demand for efficiency and quality</p> <p><input type="checkbox"/> Mang Juan <input type="checkbox"/> You</p>	<p>8. Systematic planning and monitoring</p> <p><input type="checkbox"/> Mang Juan <input type="checkbox"/> You</p>	
<p>4. Persistence</p> <p><input type="checkbox"/> Mang Juan <input type="checkbox"/> You</p>		
<p>5. Commitment to the work contract</p> <p><input type="checkbox"/> Mang Juan <input type="checkbox"/> You</p>		

STEPS

5

Recall with the participants that in the previous discussions, they have had the opportunity to look at the farm as a business. The viability of any business is linked to inputs, production, markets and the general commercial environment. Ask the participants to brainstorm the most important things they believe they need to know, and be able to do, to make their farm businesses a success. Write their ideas on the board.

6

When all the ideas have been listed, ask the participants to refer to **Exercise 3: Important Aspects of a Farm business**, and tell them that these are some of the most important aspects of a farm business. These simple questions also constitute a business plan, which is a tool that allows the systematic assessment of all those factors that can positively or negatively affect business performance.

7

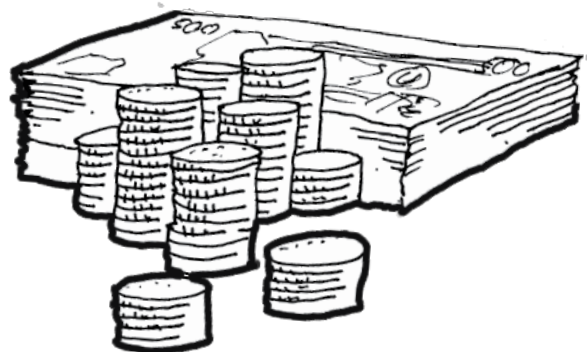
Introduce them to the principles of Good Agricultural Practices, or GAP, as the direction to follow to add more value to their products. Refer them to the handout on **Good Agricultural Practices**.

8

Write the word 'Profit' on the board, and inform the participants that the next discussion is about profit. Remind the participants of an earlier exercise where it was discussed that farming has changed over the last decade, and the priority today is to produce cash for the household rather than food. Ask the participants to brainstorm the following questions:

1. What is profit?
2. Why is profit important?
3. How can profit be used?

Write participant's comments on the board, and lead the discussion to the idea that profit is the money left over from income after all costs have been deducted.



Exercise 3: Important Aspects of a Farm Business

1. What to produce?

2. How to produce it?

3. Is it possible to produce it on your land? Yes No

4. What resources and inputs are need and where to get them?

5. What labor do you need?

6. What is the best market for the product?

7. What price can the product get in the market?

8. Is it profitable? Yes No

9. Do you have enough cash? Yes No

10. What are the risks and what to do about them?

Good Agricultural Practices*

WHAT IS GAP?

The food industry is aware that food safety involves every link in the food chain from production to consumption, from farm-to-fork. Food can be contaminated at any point in the food chain and such contamination can compromise the safety of the consumer. As such there is an imperative need to apply a whole chain approach, achieving uniform food safety requirements in the food industry.

There is a clear emergence in the market of a preference for horticultural products that are "clean", principally freedom from chemicals -- i.e. pesticides. Exporters must be prepared to service the distant markets that they deliver to. Supermarket chains are rapidly becoming the dominant force and will significantly influence the range of products that are marketed.

The concept of GAP HAS EVOLVED IN RECENT YEARS IN THE CONTEXT OF A RAPIDLY CHANGING AND GLOBALIZING food economy and as a result of the concerns and commitments of a wide range of stakeholders about food production and security, food safety and quality and the environmental sustainability of agriculture.

GAP are a collection of principles to apply for on-farm-production processes resulting in safe and healthy food and non-food agricultural products while taking into account economic, social and environmental sustainability.

It requires gaining and maintaining an understanding of production techniques and systems for each of the major agro-ecological area (eco-region).

Application of GAP includes various areas, such as

- food safety
- environmental safety (addressing soil, water, air, native vegetation and animal safety)
- sustainability of the operations
- workers' health and safety

* Adopted from the PhilGAP poster

Code of GAP

The Good Agricultural Practice for Fruits and Vegetable Farming (GAP-FV) is a set of consolidated safety and quality standards formulated by the Department of Agriculture for on-farm fruit and vegetable production. These code of practices are based on the concept of Hazard Analysis and Critical Control Points (HACCP) and quality management principles with emphasis in the following six key areas:

- farm location
- farm structure
- farm environment (soil/nutrients)
- farm maintenance (hygiene and cleanliness)
- farm practices/methods/techniques (pesticide and fertilizer application, pest and disease management, postharvest handling)
- farm management (farm records, traceability, staff training)

The basis of the GAP program is to provide safe food product for the consumers. The focus is to reduce risk of microbial and pesticide contamination. Additional benefits of the program are worker safety and protection of the environment.

Note:

You can get more information on GAP certification from the website of the Bureau of Agriculture and Fisheries Standards, <http://www.bafps.da.gov.ph>

STEPS

8

Create three columns on the board, and on the column at the right write the word 'Profit', as follows:

		PROFIT
--	--	---------------

Ask the participants to brainstorm the following questions:

- Where does profit come from?
- How do you know that you have made a profit?

Write participants' ideas on the board under 'Profit'. Lead the discussion to the idea that profit comes from income and costs. When the income is greater than the costs, there is profit. When the brainstorming is done, write the words 'Farm income' and 'Farm costs' in the first and second columns on the board as follows:

FARM INCOME	FARM COSTS	PROFIT
--------------------	-------------------	---------------

Encourage the participants to discuss among themselves and brainstorm what each of these words mean. Start with income, and then discuss farm costs, and write their answers on the board. Refer them to ***Farm Business Profitability*** chart, and explain that the reason to discuss farm income and farm costs is to establish the idea that the farm business is separate from the household. While the household relies on the income from the farm and other sources, the profitability of the farm is based on the income and costs related to the farm only, and not the household.

9

The next discussion is to understand the difference between a farm business and a farm enterprise. Lead the discussion to the idea that a farm business is made up of different enterprises. Each crop or kind of livestock produced is an enterprise. A farmer may produce rice, corn and eggs. Each of these products is an enterprise. Rice is an enterprise; corn is an enterprise; eggs is an enterprise. Together they make up the farm business as a whole. Explain that sometimes farmers make decisions about the whole farm business and other times they make decisions about a specific enterprise, so it is important to understand the difference. Tell the participants that this distinction is important to understand in order to calculate costs and profit. For further details refer to ***Understanding the difference between Farm business and Farm enterprise***

Farm Business Profitability

FARM INCOME	FARM COSTS	PROFIT
<p>Money received from selling products and the value of produce consumed. (Note that farm income comes from the value of all the products produced on the farm.)</p>	<p>Money spent to produce and market products; the value of all the things used to produce products on the farm.</p>	<p>Money left over from income after the costs are deducted.</p>

Understanding the difference between Farm Business and Farm enterprise

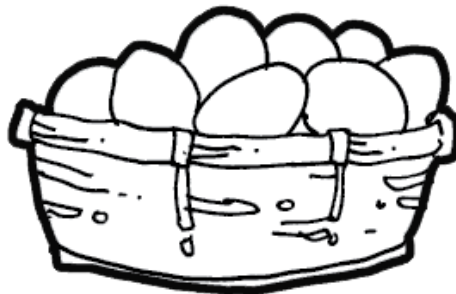
FARM BUSINESS

Farm business refers to the whole farm as a business. Together all enterprises make up the farm business as a whole.



FARM ENTERPRISE

Farm enterprises refer to the individual enterprises of the farm. Each crop or kind of livestock produced is an enterprise. A farmer may produce maize, beans and eggs. Each of these products is an enterprise – maize enterprise, bean enterprise egg enterprise.



STEPS

10

On the board write the words 'Variable costs' and 'fixed Costs'. Ask the participants what they understand by these terms. Note participants' comments under each term, and constantly ask for examples of fixed and variable costs. Make sure that many of the points on the handout **Understanding Costs** have been covered, before referring participants to that handout and emphasizing once again the link of variable costs to individual enterprises, and fixed costs to the overall farm business.

11

In order to help participants think clearly about all the various factors that can affect farm profits, make a small circle on the board and write the word 'farm profit'. Ask the participants: 'What in their view can affect the profitability of any farm business?' Write participants' contributions on the board, ensuring that the following ideas have been covered:

1. Cost of inputs
2. Home consumption
3. Market demand
4. Market prices
5. Competitors
6. Technology
7. Credit
8. Input suppliers
9. Others, such as GAP certification, etc.

For each of the above ideas, keep probing for how these factors can affect farm profits, e.g. if more competitors enter the market, the prices can go down, or if a new technology is introduced that can produce in less time, with less costs and efforts, then profits can go up, etc. If additional points have come up, ask participants to add these to the figure on **What can affect farm business profit?**

12

Ask the participants if they have any questions or comments about the meeting. Encourage participants to talk about the concepts discussed in the meetings with other people in their family and neighborhood. Take a few minutes to review the key points covered in this meeting, i.e. the concept of a farm business plan, farm business profitability, difference between a farm business and farm enterprise, the difference between fixed costs and variable costs, and factors that affect farm business profit. Ask the participants to review, before the next meeting, the handouts given.

Understanding Costs

Variable costs "The costs of actual production. They apply to specific enterprises on the farm. These costs vary as output changes. These costs occur only if something is produced. They do not occur if nothing is produced. Variable costs can be allocated to specific enterprises."

Seeds



Fertilizers



Fuel



Hired labor



Livestock feed



Veterinary



Fixed costs "The fixed costs apply to the farm as a whole. Fixed costs are costs that do not vary with changes in production output of a specific product. Fixed costs remain the same regardless of the output. Even if there is no output, there will still be fixed costs."

Farm equipment (e.g. tractor)



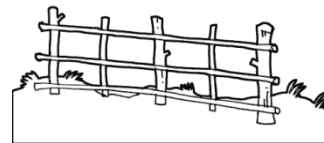
Implements and tools



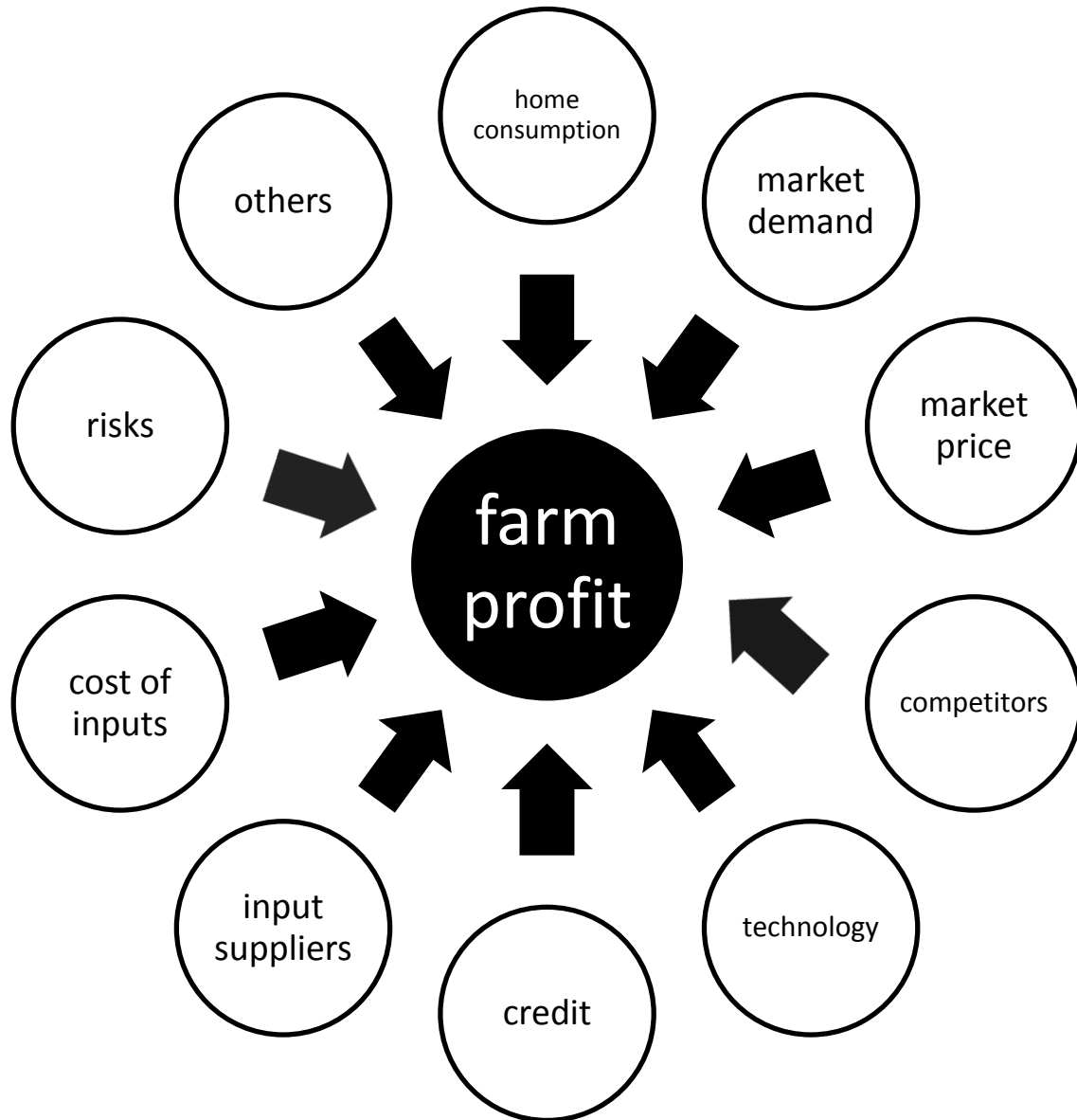
Packing shed



Farm infrastructure (e.g. fencing)



What can affect farm business profit?



*PART 1:
Diagnosing and
Planning*

**MODULE 3
Where We Are
Now**



Session

4 Understanding Marketing and Markets

OBJECTIVES

By the end of this session, the participants shall have:

1. Discussed the key elements of marketing and its process; and
2. Discussed the needed information to be gathered from different market stakeholders and market opportunities.

STEPS

1

Welcome the participants, and share with them the objectives of the meeting. Emphasize here the importance of knowing the demands of the market first to ensure the profitability of the farm business.

2

Write the word 'Marketing' on the left side of the board and ask participants what they understand by this term. Note key words from their responses under the word 'Marketing'. Then write 'Market' on the right side of the board. Again ask participants what they understand by this term, and note their responses below the word 'Market'. Conclude this discussion by referring the participants to the handout ***Defining marketing and markets***, and explaining the definitions as follows:

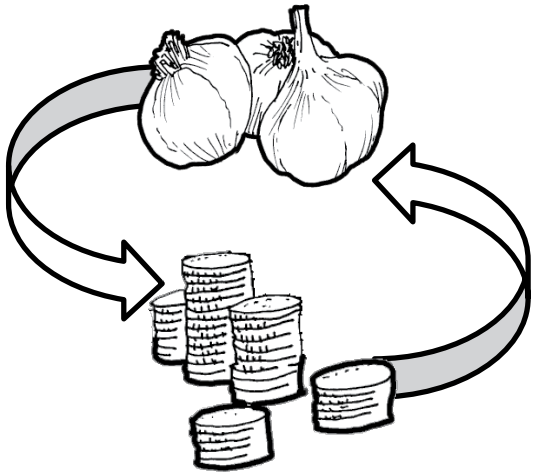

- **Marketing** is the process of exchange between the producer (farmer) who sells, and the consumer who buys.
- **Market** is the place where the exchange of goods and services takes place. It is made up of sellers, buyers, products and prices.

3

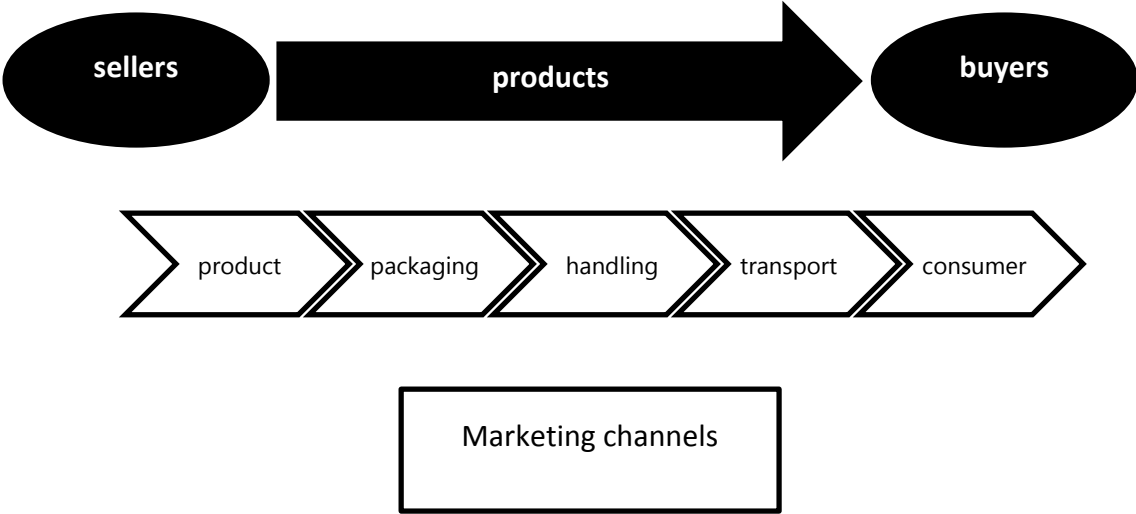
Ask the participants that you would like them to spend some time discussing their experiences in marketing. Use the following questions to guide the discussion and make sure that some key marketing concepts and terminologies are introduced:

- Who has sold products at the market?
- What products did they sell?
- What quantity did they sell?
- How did they take the product to the market?
- How well did this work?
- What was the market like?
- What difficulties did you have? What would you do differently?

Defining Marketing and Markets

	
<p align="center">MARKETING</p> <p>Marketing is the process of exchange between the producer(farmer) who sells, and the consumer who buys.</p>	<p align="center">MARKET</p> <p>The market is the place where the exchange of goods and services takes place. The market is made up of buyers, sellers, products and prices.</p>

“Marketing is the exchange of goods and services for profit.”



STEPS

4

In order to deepen participants' understanding of marketing and to anchor the learning to their own farms, organize the participants into groups of three to five. Ask each group to select a product that they are familiar with and ask them to answer the following questions (write these on the board) with regard to the chosen product:

1. Who is the final consumer?
2. What are the different ways to market this product?
3. What are some of the constraints or problems you might experience when selling the product?

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

- A product may pass through a number of hands to get from the farmer to the final consumer or user. All the stages together from farmer to the final consumer are called the marketing channel.
- At each stage value is added to the product. And at each stage a cost is also added to the product. The costs include things like transport, storage, packaging, and handling fees.
- Explain that if farmers sell in the local market their profit margin might be high, but they can only sell small amounts. If the product reaches the city market or the international market, then the farmers can sell larger amounts. But such sales would need the support of traders and others along the way. Each of them would add value and cost to the product. Because the costs are higher, the profit margin will be lower.

Conclude this discussion by referring the participants back to the handout on ***Defining marketing and markets***, and reiterating the following:

- A product exists only if someone is willing to pay for it (someone who buys it)
- A product can be sold only if it has a customer
- Marketing and the market are therefore critical to the success of the farm business

STEPS

5

As a last exercise for the day, ask participants to identify a commodity that is commonly produced among them. Ask them to write the name of the commodity in the handout ***Where can We Market***. The participants should be divided into four groups, where each group should discuss their selected commodities and the questions from the handout:

1. What are the different market outlets available for the product?
2. What quantities do they want?
3. When is the best time to use these markets?
4. What else do they know about these markets?
5. What else do they think they need to learn about these markets?

6

When the groups have finished their discussions, facilitate a question-by-question discussion in the plenary. Emphasize that it is important to know what market outlets are available for your products. It is also important to know about these markets, with regard to time, access, terms and conditions and other facilities. In this way they will be able to make informed decisions about which market to use.

7

Inform the participants that they are going for a field trip – a trip to a nearby market to conduct a market survey. Organize them to form their market visit groups and explain to them how to use the ***Market Survey Questionnaire***. Suggest a market that they can visit and agree a schedule when to conduct the survey.

8

Conclude the meeting by telling participants that in the next meeting they will report on the results of their market surveys which will lead them to know more about markets and marketing.

Where can we market...

Product: _____

<p>1. <i>What are the different market outlets where the product can be sold?</i></p>	<p>2. <i>What quantities do these outlets want?</i></p>
<p>3. <i>What are some special features of each market?</i></p>	<p>4. <i>Is there a best time to use each of these markets?</i></p>

5. *What else must one learn about these markets?*

MARKET SURVEY QUESTIONNAIRE

CUSTOMER/END MARKET	
What vegetables do you often buy (weekly)? Specify. At what price. What is the mode of payment? (specify unit)	
Why do you buy these vegetables?	
Who are your suppliers for these vegetables?	
In what quantities per week do you buy these vegetables?	
How often are these vegetables available in the market? (daily or seasonal)	
How often do you go to the market to buy these vegetables in a week?	
What time of the year (month/s) are the prices of these vegetables are at a higher price?	
What can you say about the quality of the vegetables you often buy? Please describe.	
What are the problems you have encountered with these vegetables you often buy the most?	

Continued next page

MARKET SURVEY QUESTIONNAIRE (cont.)

AGENT/WHOLESALER/RETAILER	
What are the common vegetables that you are buying? At what price/unit (specify)?	
Why do you buy these vegetables?	
In what quantities per week do you buy these vegetables?	
Who are your suppliers (individual farmer, coop, farmers' group, agent/assembler, wholesaler)?	
How often are these vegetables available in the market? (frequency during its season)	
How is the demand of these vegetables? (Surplus or deficit)	
What time of the year (month/s) are the prices of these vegetables are at their highest price?	
What can you say about the quality of the vegetables you often buy? Please describe.	
Where do you sell the vegetables that you are buying? Name of buyer and classification of your buyer (wholesale buyer, retailer, end-user, others).	
Do you still have market demand for other vegetables? If yes, what are the other vegetables that have market demand?	

Continued next page

MARKET SURVEY QUESTIONNAIRE (cont.)

FARMER (Individual or in groups)/COMPETITOR	
What vegetables do you usually produce?	
Why do you usually produce these vegetables?	
How much volume do you usually produce of these vegetables?	
Where do you sell? (Specify your buyer)?	
How much is the price per kilo of each kind of vegetables per type of buyer?	
What is the method of selling (Picked-up or delivered)?	
If picked-up, price per unit (i.e. per kilo, per bag, etc.)	
If delivered? How much is the price?	
How much is the transport cost?	
Is transport available on time?	
Who pays for the hauling costs?	
What type of transport is usually used?	
What are the problems you encountered as producer?	

Continued next page

MARKET SURVEY QUESTIONNAIRE (cont.)

TRANSPORT SERVICE PROVIDER	
What are the transportations most commonly used by farmers for their produce?	
As transport service provider, what are the different vegetables that you usually transport?	
When is the busiest period (month duration) that you are "ferrying" vegetables?	
From where are you getting the vegetables? Name of barangays.	
How much is the cost of transport per kilo/per bag or of what unit of measure used?	
Does the cost of transport include hauling service (kargador)? Yes or No	
If no, who shoulders the hauling costs?	
Is your transport service busy for the whole year hauling vegetables? Yes or No	
If no, what other commodities you are hauling?	
What problems have you encountered in your transport business?	

PART 1:
Diagnosing and
Planning

MODULE 4
Where We Are
Now



Session

5

Presenting the Market Survey Report, Assessing Current Farm Situation and Translating Analysis into Action

OBJECTIVES

By the end of this session, the participants shall have:

1. Presented the major findings from the market survey visit;
2. Enumerated the specific strengths and limitations of their enterprises;
3. Identified the most important strengths and weaknesses affecting their farms; and
4. Formulated actions to take to benefit from the strengths and overcome the weaknesses.

STEPS

1

Welcome the participants, and share with them the objectives of the meeting.

2

Ask the participants to get into their market visit groups. Ask them to spend a little time working on the information they gathered, so as to make sure that it is as complete as possible. Ask them to organize the information using the headings of the market survey questionnaire. In the interest of time, each group presents first their information on one product. The presentation on the other product can be made if time permits.

3

After the presentations have been made, facilitate a discussion as follows:

- Was this market survey visit a useful activity? If yes, why? How was it different from their previous market visits?
- What strategies did the group use to obtain information? Did the group members face particular resistance? If yes, how did they handle this issue?
- Were they able to practice some of the competencies discussed in an earlier meeting? Ask for specific examples, and emphasize the importance of using these competencies on an on-going basis.

4

Ask participants if they were able to establish useful contacts. Get some information on the kinds of contacts made, and how these can help the FBS and its members. If farmers have incomplete information, then highlight the same, and ask the group members to get more information. Emphasize that contacts and connections are essential for commencement and promotion of every business, for example with tractor owner before sowing, with fertilizer and seed dealer, with financial institutions and banks (if capital is required), and with agricultural institutions for the latest technique and technology. The market survey can be very helpful in promoting their business contacts, and this process should be on-going. Farmers should adopt this as a habit to contact market and other institutions for useful purposes. Encourage discussion and draw in those who did not study the product to ask questions and to share ideas.

Briefly summarize what was learned.

STEPS

5

The group members should note those areas where they need more information, e.g. sources of loans and credit, the location of input dealers, the assistance they can receive from the various agencies of the Department of Agriculture as well as the Department of Agrarian Reform.

6

This meeting on the market survey will contribute to the next session, i.e. to establish a vision and goal for their business. Therefore if they have any unanswered questions regarding their business, they should pay another visit to the market before the next scheduled meeting.

7

Here is another exercise for the day. Organize the participants into teams of 2 or 3 for the task. While they are doing this, they should not worry about accuracy or drawing to scale. They should **draw their farm** on the provided sheet. Simple pencil drawings will be sufficient. As they draw their maps, they should share ideas and ask questions about the others'.

Once the maps are done, ask the participants to compare farms. How are they similar? How are they different? Why? Look for common points. This may be the first time the participants have ever drawn a map or a map of their farms. It can be a very rewarding experience.

8

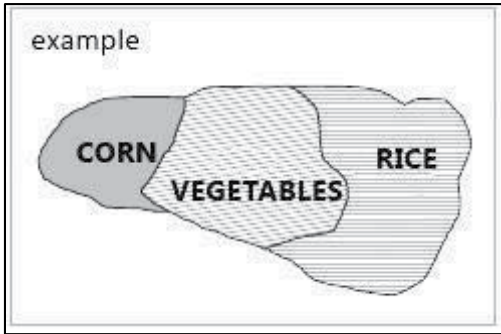
The next task is to understand farm enterprises. Ask the participants to think about what they produce on their farms and what they do with their produce. Some specific questions are:

- How much do you produce?
- How much do you consume at home or share with others?
- How much do you sell?

Ask the participants if they can recognize the differences in their various farm enterprises. Remind them once again that a farm enterprise can mean one single crop or product, because a farm may have more than one enterprise.



Draw your farm



A large dashed-line rectangular area intended for drawing the user's own farm layout.

STEPS

9

Now that the participants know about the importance of the demands of the market, remind them that it is really important to understand their various enterprises, and determine if these are competitive, supplementary or complementary to each other. Write the three terms, i.e. competitive, supplementary or complementary on the board, and ask participants what they think these terms mean.

Under each term, note participants responses, and then refer them to the handout on ***Understanding Farm Enterprises*** to explain as follows:

- Competitive enterprises compete with each other for the same resources.
- Supplementary enterprises do not adversely affect each other.
- Complementary enterprises are those that contribute to the production of another enterprise.

10

This next exercise will allow the participants to look at the strengths and weaknesses of their own farm. Ask the participants that if they were asked to evaluate the strengths and weaknesses of a farm (any farm), what factors or business aspects would they look at? Generate a discussion in the plenary, and note participants' responses on the board. Make sure that the factors listed on the ***Farm Assessment Audit Checklist*** have been adequately covered in the discussion.

11




Explain the given smileys, and ask participants to undertake a selfassessment to rate how strong (or weak) they are vis-à-vis their enterprises on each of the given factors. If participants can write, ask them to note the reason for their rating. This exercise may take nearly 30 minutes to complete.

Once participants have completed their self-assessment, ask them to form groups of 2 or 3 members (preferably those with similar enterprises). Ask the groups to assess the performance of his or her farm and enterprises for the first business aspect, i.e. use of farmland. This discussion may take about 20 minutes. Once the groups are ready, facilitate a plenary discussion so that you are sure everyone is on track.

Understanding Farm Enterprises

competitive enterprises	supplementary enterprises	complementary enterprises
enterprises “compete” when they use the same resources	enterprises “supplement” one another when they use resources that might otherwise not be used	enterprises “complement” one another when they interact in a supportive, two-way process
<p>EXAMPLE If a farmer does not have enough labor to harvest two different crops at the same time, one crop can only be increased if the other is reduced.</p>	<p>EXAMPLE A farmer has fish and duck enterprises. The duck droppings are utilized by the fish in the fishpond which could otherwise have been thrown away, wasted. In such a case, the two enterprises are supplementary: the ducks supplement the feed for the fish.</p>	<p>EXAMPLE Poultry produces manure. The manure can be applied as fertilizer to crop enterprises. The corn grain can be fed to the poultry. This relationship between the livestock and crop enterprises shows that the two are complementary.</p>

Farm Assessment Audit Checklist

business aspects	ratings			comments
				
Use of farm land				
Choice of crops, livestock and poultry				
Farming technology and input use				
Labor supply and use				
Harvesting, postharvest, storage and packaging				
Marketing, transport and delivery arrangements				
Savings, capital formation and use				
Records and record keeping				
Linkage to input suppliers				
Linkage to markets				
Linkage to financial institutions				

STEPS

12

On the board, create a matrix as follows:

Business Aspect	Strength	Weaknesses
Use of farm land		

Ask the groups if any of them have examples of how 'use of farm land' is strength for them. Note examples for strengths and weaknesses under the respective columns. Some examples can be as follows:

Business Aspect	Strength	Weaknesses
Use of farm land	<p>My farm produces enough food for my family with some surplus to sell.</p> <p>My farm is good for many crops.</p>	<p>I don't actually know which of my crops is most profitable.</p> <p>My cattle do not get good prices at the market because they are too thin.</p>

13

Once you have completed the discussion about the first business aspect, allow the groups to discuss the remaining business aspects, and inform them that they will have an opportunity to discuss these in detail in the next meeting.

14

Ask the participants if everyone had the chance to revisit the exercise on strengths and weaknesses. Praise those who put in extra effort, and seek some comments on the experience of sharing and discussing this important exercise with those at home.

STEPS

15

Inform the participants that you would now like to take the discussion forward, and show them how to use the strengths and weaknesses information for defining concrete action. Ask participants to refer to the handout **From Analysis to Action** and see the example given there. Explain this example on the board, so that the participants understand how to translate from analysis to action.

16

Organize the participants into the same teams they had for the strengths and weaknesses exercise, and ask the groups to undertake two tasks as follows:

1. Identify for each member of the group one strength and one weakness (from any of the business aspects covered) that they feel makes the biggest impact on the profitability of their farm. These should be written down, under the correct heading, on the handout.
2. For each strength and weakness, the group would facilitate its members to come up with actions that will directly improve farm profitability.

17

Once most of the groups have completed the task, facilitate a sharing in the plenary by requesting each group to give an example of strength and action and a weakness and action. Continue the discussions till you are satisfied that all the participants understand the concept of how to translate analysis into action. Make sure that diverse examples emerge, and almost all the business aspects are covered.

18

Conclude this session by telling participants that the remaining Part-1 meetings are geared towards many of the actions that they have listed. Tell them that you look forward to seeing them in the next session.

From Analysis to Action

Strengths	Possible Actions
<p>Example:</p> <p>My farm is good for many crops.</p>	<p>Example:</p> <p>I will undertake a market survey to find out what else I can grow.</p>
Weaknesses	Possible Actions
<p>Example:</p> <p>I don't know which of my crops is most profitable.</p>	<p>Example:</p> <p>I will learn how to assess enterprise profitability</p>

*PART 1:
Diagnosing and
Planning*

**MODULE 4
Where We
Want to Go**



Session

6 Developing a Vision and Goal for the Farm

OBJECTIVES

By the end of this session, the participants shall have discussed how to formulate the vision and goals of their farm business.

STEPS

1

Welcome the participants, and share with them the objectives of the meeting. After they have assessed their farms and determined what courses of action to take, they are now ready to see how their farm business will look in the future.

2


Ask the participants what they understand by a vision. Mention that a vision is a statement about what the future will look like. Ask participants if any of them have a vision for their farm. Ask those who do to share with others. By the end of this meeting, each of the participants should have thought of what their farm will look like '5 years from now'.

3

Explain to the participants that in order to 'see' the future, you have to 'challenge' the present. To work on their farm vision, you would like them to work in small groups where each member will ask:

1. How can I improve my farm business?
2. What is my vision for a better farm?
3. What will my farm be like in five years' time?

Organize the participants into teams of three to five. Ask each team to brainstorm on what could be their personal or individual vision and to help each other with their respective vision statements. To help the participants along, ask them to refer to an example of a vision for an individual farm from the handout **An Example Of Farm Vision, Goals And Strategies**. A vision is like a face – no two persons can have the same face. Similarly, each person should have his or her very own vision.



An Example of Farm Vision, Goals and Strategies

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

Examples of

Family goals

- To be self-sufficient in food
- Everyone in the family is healthy
- Everyone in the family gets an education

Business goals

- Increase profit by 100%
- Increase yield by 50%

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

<p>Production:</p> <ol style="list-style-type: none"> 1. Will make detailed farm production plans so as to take advantage of the market demands. 2. Will use farm resources optimally, i.e. without any waste, in the production, harvesting, and post harvesting processes. 3. Will choose a range of enterprises that will complement and supplement each other, so that the produce of one enterprise can become the input of the other. 	<p>Marketing products:</p> <ol style="list-style-type: none"> 1. Will systematically gather market information and identify appropriate and cost effective inputs, and better market opportunities and outlets for farm products. 2. Will improve skills to harvest and engage in postharvest activities such as grading, storing - so as to minimize losses and improve quality. 3. Will invest in better and more convenient packing and packaging, and timely delivery of the products.
<p>Profits:</p> <ol style="list-style-type: none"> 1. Will control both fixed and variable costs, so as to enhance profit margins. 2. Will put aside at least 10% from the annual income as contingency insurance fund 	<p>Managing my farm as a business:</p> <ol style="list-style-type: none"> 1. Will maintain a careful record of all farm operations, inputs and production outputs. 2. Will monitor and record regularly all costs incurred.

STEPS

4

The participants should develop and write down their farm vision on the material ***My Farm Vision, Goals and Strategies***. Once complete, ask those who are willing to share present their visions to others in the plenary.

Explain that visions are meant to be real, and are not just a learning exercise for the FBS. They are like a magnet or a beacon of light. They guide you and motivate you to stretch beyond your existing capacity. Those people who have no vision generally remain at the same level all their life.

5

Inform the participants that another important and associated concept is that of a goal. Goals are the ladder towards achieving your vision.

6

Ask participants to brainstorm, in the plenary, the kinds of goals that farmers may have for themselves. Write the answers on the board. Responses could include:

1. Making money to achieve a certain standard of living
2. Producing enough food from the farm to feed the family; often an extended family
3. Producing products that will enable the family to stay healthy
4. Ensuring that family members have enough leisure time
5. Fulfilling social obligations and helping the extended family
6. Ensuring the financial and physical security of family members
7. Improving skills and capacity for better opportunities

7

Discuss with the participants that they now have an opportunity to set some goals for themselves. For this they will work in pairs, where one team member will ask the other the following questions: What do you hope to achieve for your farm? And by when?

The person answering the question should write his or her responses on ***My Farm Vision, Goals and Strategies*** page. The pair would then trade roles, and the one who answered the questions first now asks the other participant the same question. When they have all finished, ask the participants to share what they have written. There should be only limited discussion at this point. Check that they understand the exercise. Give guidance as needed.

My Farm Vision, Goals and Strategies

VISION

--

GOALS

Family goals

Business goals

--

--

Production:	Marketing products:
Profits:	Managing my farm as a business:

STEPS

8

Conclude the discussion by highlighting that there may be a need to often consciously balance the family goals with the business goals.

Examples of family goals:

- To be self-sufficient in food
- To ensure that everyone in the family is healthy
- To ensure that everyone in the family receives education

Examples of business goals:

- Increase profit by 30%
- Increase net income by 30%
- Increase yield by 50%

9

Inform the participants that the next scheduled meeting would be an important one, where they will begin the process for developing their business plans by understanding the profitability of the different enterprises in their farm.

Remind them to bring their handbooks for sure.

PART 1:
Diagnosing and
Planning

MODULE 4
Where We Want
to Go



Session

7

Understanding Enterprise Profitability

OBJECTIVES

By the end of this session, the participants shall have:

1. Explained the concepts of enterprise profitability;
2. Described how to develop a budget for a farm enterprise; and
3. Discussed fixed costs and depreciation.

STEPS

1

Welcome the participants, and share with them the objectives of the meeting. Remind them that in the previous meetings they began to look at the issue of farm performance rated through a set of indicators and strengths and weaknesses. In this meeting they will look at another way to measure farm performance, i.e. "profitability".

2

Ask the participants what they understand by a budget? Note comments and conclude that a budget for an enterprise is a list of income earned and costs incurred in producing a product. It is a tool that can be used to calculate expected profit from an enterprise on a per unit basis, such as a hectare of land or head of livestock, for one year or one production period.

3

Draw a farm budget template on the board. Refer participants to the **Budget Template** and explain that the key elements of any budget are income, costs, and profit. This is a generic budget template that they can use to estimate the income, cost and profit of any of their enterprise. The focus of this exercise will be on "enterprise profit", which is essentially the enterprise's contribution to the whole farm profit. Before moving forward, remind the participants that it is important to understand the key elements of a budget.

4

Ask participants to define "income". Explain that income is the value of your production. It is made up of the money you receive when you sell products. It also includes the value of the produce you eat, use or give away. With examples, explain the following:

Income is calculated by multiplying the quantity of the product sold, eaten, used or given away times the price of the produce on the market.

Quantity is specified in terms of the unit of measure, which can be kg, bags, tons, bottles, etc.

Price is specified in terms of a unit of measure, i.e. ₱/kg, or ₱/bottle, etc. Hence it is referred to as the unit price.

A Budget Template

STEPS

Step 1: Enterprise _____

Step 2: For the period _____ to _____

Step 3: Area under cultivation (ha) _____

Step 4: Income

Item	Quantity	Unit price ₱	Value ₱

Step 5: Total income

1. Put the name of the enterprise (e.g. onion) in the space provided on the top of the template.

2. Agree on a duration for this enterprise, e.g. for the period November 2015 to June 2016.

3. Estimate the area of the crop under cultivation (in ha).

4. Calculate the income by listing the various ways in which the onion have been disposed, including selling at farm gate, or a neighboring market, or to an exporter, or kept for home consumption, or given away. The quantities and prices for each form of disposal may be different. If the produce has been retained for home consumption, or given away, make sure that the unit price reflects a market value.

5. Once all the values have been added, it will reflect the total income from that particular enterprise. This total amount should be written in the space for "Total Income".

Step 6: Variable costs

Item	Quantity	Unit price ₱	Value ₱

Step 7: Total variable costs

6. Calculate all costs directly related to the production of onion. Under the column items, list all the production costs associated with this enterprise. For each item, trace the specific quantity and the unit price to arrive at the value (in ₱) for each item.

7. Total the value or cost for all the items to arrive at the "Total Variable Costs".

Step 8: Enterprise profit (income – variable costs)	
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8. To arrive at the 'Enterprise Profit', subtract from the total income the total variable

STEPS

5

Remind participants of a previous meeting when they discussed **Variable Costs**. Ask them what they remember. Explain that variable costs are made up of the money you spend on all the inputs and activities needed to grow a particular category of crop or animal raised.

- Explain that each individual category of variable cost is calculated by multiplying the quantity of the input used with the unit price for that item.
- Quantities and costs are specified in term of the unit of measure which can be kg, bags, tons, bottles, etc.

6

Divide participants into similar enterprise groups and tell them that they will have an opportunity to fill out a budget template for their chosen enterprise. Refer the participants to the handout to **Prepare a Budget!** and give them the step-by-step instructions for the task.

7

Explain that this is a simple and basic way to determine the profitability of an enterprise. If the total income is less the total variable costs gives a negative number (that is, it is less than zero), then the enterprise is making a loss. This means that the costs are greater than the income or the income is less than the costs. Highlight that if the total income is greater than total variable costs the calculation gives a positive number (that is greater than zero), then the enterprise is making a profit. The larger the resulting total, the greater the profit. Each of them would have to decide for themselves if the amount of profit is enough or not.

8

Make the participants the next 30 minutes on an exercise where they are to prepare a budget for a farm enterprise. Once the task is complete, ask the groups to refer to current answers to the problem. Ask the groups if any member faced a problem in developing the budget. If so, respond accordingly.

9

Ask participants if they can think of how to increase the profit in the preparing budget exercise. Note the responses and conclude that profits can increase through the following:

- Getting a higher price for the commodity
- Increasing the yield
- Reducing variable costs through alternative inputs, cheaper technologies, or labor saving mechanisms

Prepare a budget (follow the budget template)

STEPS

10

In their enterprise groups, ask the farmers to discuss the type of small changes they could introduce in their respective enterprises that can make them more profit. Some examples can include using compost or farmyard manure as an alternative to chemical fertilizer for crops, or growing feed for cattle as an alternative to buying concentrates. Ask each group to elaborate their changes and note their suggestions on the board.

Refer to the list of changes compiled on the board and pick an example for illustration. Ask the participants:

- Is this change likely to bring in more money to the enterprise?
- If it brings in more money, what are the reasons?
- What is likely to change? Will it result in an increase in yield?
- Will it lead to more income? Or will the change reduce the amount of labor used?
- Will this result in lower labor costs?
- Will this change ultimately produce benefits and more income?



Ask the participants to consider the effect of small changes on the profitability of their group enterprise. Ask them to revisit the changes they have proposed and see if they are likely to do better in terms of yield or income or by using fewer inputs.

STEPS

11

Refer participants to the previous exercise on budgeting and ask them to calculate the minimum price that could be charged for produce sold without making a loss. Explain that this information will assist them in pricing the produce to be sold and negotiating effectively with buyers.

Get farmers to return to their enterprise groups and ask them to review again the budget they had earlier developed. Now write the following on the board:

Break-even price = total variable cost per ha / yield per ha

Refer participants to the handout *Determining the minimum price and yield for the enterprise* and explain the concept of break-even price. Using the information given in the previous budget exercise, calculate the breakeven price as follows:

Break-even price = ₱15,900 per ha/1,600 kg per ha

In this example, the variable costs equal ₱15,900 per hectare. The yield per hectare is 1600 kg. Therefore the break-even price is ₱9.93 per kg. If the farmer sells his produce for less than ₱9.93 per kg, he will make a loss. If s/he sells for more than ₱9.93 per kg, he will make a profit. Since the farmer is selling his/her produce at 23 per kg, he is making a profit of ₱13.07/kg.

Conclude that the break-even price allows a farmer to establish the minimum price that can be charged for the produce. If the produce is sold below the break-even price, it will result in a loss.

Determining the minimum price and yield for the enterprise

Calculating break-even price

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

$$\text{Break-even Price} = \text{Total Variable Costs per ha} / \text{yield per ha}$$

Calculating break-even yield

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

$$\text{Break-even Yield} = \text{Total variable costs per ha} / \text{unit price of produce}$$

STEPS

12

Inform the participants that the next concept to be learnt is the break-even yield. This is the minimum level of production that you can produce to cover the costs of production. It is calculated by dividing the total variable costs per hectare with the per unit price of the produce.

Write break-even yield formula on the board:

$$\text{Break-even yield} = \text{total variable cost per unit} / \text{price of produce per unit}$$

Using the information from the example we have used, calculate the following on the board:

$$\text{Break-even yield} = \text{₱15,900 per ha} / \text{₱23 kg}$$

The break-even yield is 691 kg/ha. In this example the farmer is producing well above the breakeven yield, i.e. at 1,600 kg/ha. If the farmer can further improve production efficiency, s/he can make a bigger profit.

13

Remind participants that in previous sessions we discussed the concept of fixed costs. We mentioned that in contrast to variable costs, fixed costs apply to the farm as a whole. Fixed costs are costs that do not vary with changes in production output of a specific product. Fixed costs remain the same regardless of the output.

14

Ask participants to list examples of fixed costs write them on the board. Lead the discussion to include at least the following fixed costs:

- The cost of purchasing a tractor or a piece of equipment which is used on the whole farm,
- The cost of a head of livestock for draft power
- The cost of a packing shed
- The cost of farm infrastructure (e.g. fencing)
- The cost of permanent labor and management
- Depreciation

STEPS

15

Ask the participants if any of them owns a tractor or a plow or some other implement. Whoever answers ask if that piece of equipment lasts forever. Does it ever wear out?

[The response should be that it does not last forever and eventually wears out.]

How long have you used it? How often do you replace it?

16

Explain that every piece of equipment has a money value. Its highest value is usually when it is new. Its lowest value is when it is old. And it has no value when it no longer works or does its job.

Depreciation is the word used to describe the reducing value of an asset like a tractor or implement. Each year the value of piece of equipment is less. Although it does not cost you cash, each year a little bit of the value of the equipment is used up. And that used up value is a cost to your farm. It is usually a fixed cost because the equipment is used on more than one enterprise.

Point out that calculating depreciation allows you to measure the yearly cost of the equipment.

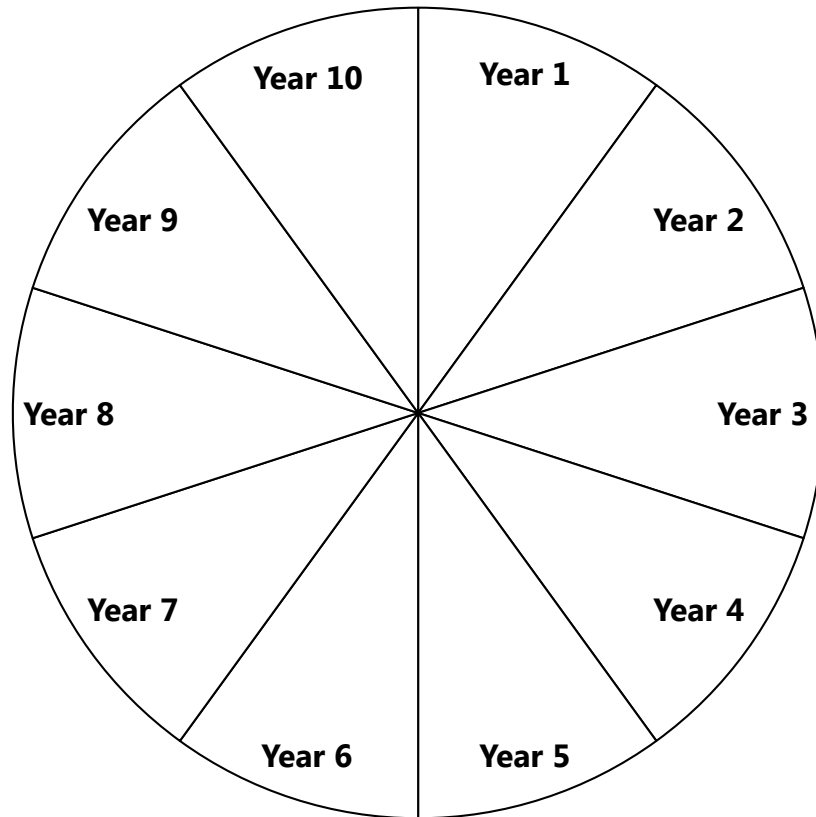
17

Mention to the participants that to calculate depreciation you need to know two things. First, you need to know the price of the equipment when you first bought it. Second, you need to know how long the equipment will last.

STEPS

18

Draw the following diagram on the board:



Explain the following with the help of the board. Let us say that we have a new plow. The price when it was new was ₱10,000. We know the plow will last 10 years. In the diagram we see 10 slices in the pie. Each slice represents one year of life of the plow. Depreciation says that each year the value of the plow reduces by 10% of the original value. In this case it is ₱1000 per year. In this way, ₱1000 is subtracted from the value of the plow each year for 10 years. At the end of the 10th year, the plow has fully depreciated. Its value is now zero (0). Explain that depreciation is the annual cost or value of a fixed asset that will be used in calculation of the farm profit.

save time by
preparing
this diagram
beforehand

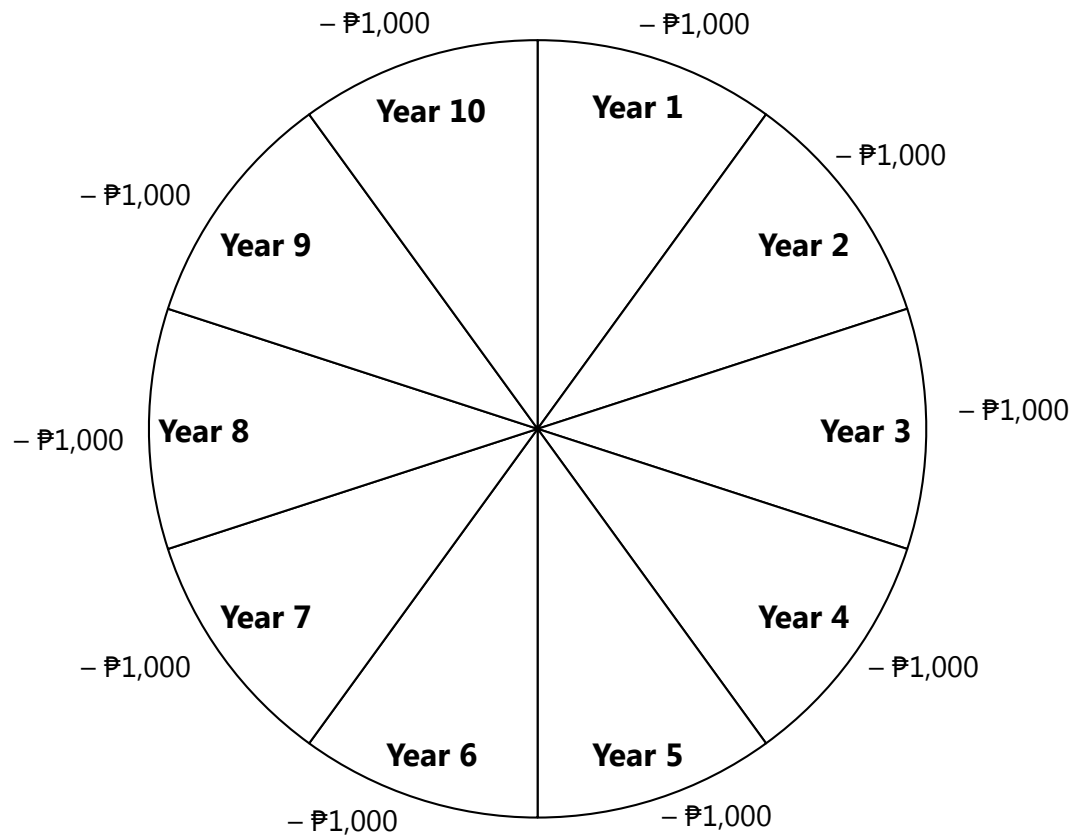
STEPS

As you are explaining this, write next to each year in the diagram. Explain that in year 2 the depreciation would be:

$$- ₱1,000 + - ₱1,000 = - ₱2,000.$$

The value of the plough after two years would be

$$₱10,000 - ₱2,000 = ₱8,000.$$

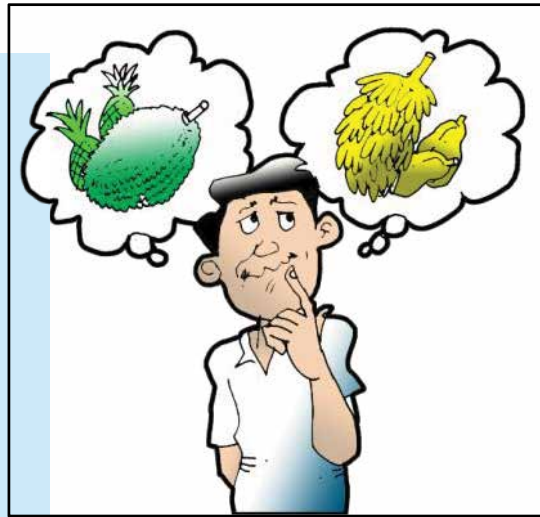


19

Conclude this session by summarizing key points for discussion and reminding farmers that they need to undertake a profitability assessment of their own farm enterprise as a home task.

PART 1:
Diagnosing and
Planning

MODULE 5
Developing a
Business Plan



Session

8

Choosing an Enterprise

OBJECTIVES

By the end of this session, the participants shall have:

1. Identified a viable farm enterprise; and
2. Assessed the technical feasibility and availability of other resource required.

STEPS

1

Share the meeting objectives with the participants and explain that this session has significant role to develop a farm business plan. Over the next three meetings they will explore different parts of the business plan and will also learn how to complete the business plan format.

2

The first four exercises involve technical agricultural work. You may want to ask the relevant extension workers to help with these exercises. They could provide information and advice about the technical feasibility; resource needs and labor requirements of the chosen enterprise.

3

Explain that in the last sessions they determined goals and set visions for their farm business. As they now know what they want to achieve they will need to decide the best way to do so and thereby realize their goals.

Explain that the first step is to identify and choose an enterprise to work on. Guide them in this process. They may want to introduce a new enterprise to take advantage of a market opportunity. Or may want to change the way they produce a current enterprise, to make it more profitable. It is important to remember that whatever enterprise they choose, they must know that there is a market for it. In this regard following four steps are essential to undertake:

1. Form an enterprise group
2. Undertake technical feasibility
3. Assess physical resources and input availability
4. Assess labor requirements and availability

4

Start a discussion on potential enterprises. Lead the discussion so that groups of three to five participants can be formed around a single enterprise. There should be at least one group for each of those selected. Refer participants to the material on **Choosing an Enterprise** and explain what is written under "**Step 1 Form an Enterprise Group**". Ask the participants to list different goals that farmers could set for themselves. Write the answers down on the board.

Choosing an Enterprise

For this part of the FBS program, you are going to develop a farm business plan for one enterprise. The enterprise you choose should be a cash crop or a higher-value crop that you know can be sold at the market.

Step-1: Form an enterprise group

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

- What to produce
- How much to produce
- How to produce it
- What price to charge
- How to market it

Step-2: Undertake technical feasibility

You need to make sure that your land and soil is suitable for the chosen enterprise, and that the climate, rainfall and temperature will make production possible. If not, you should not choose the enterprise. For example, cashews need a long dry period to flower and set the fruit. If your area does not have a long dry period, then it is not technically possible to grow cashews.

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

Technical production factors	
For crops	OK / not OK
soil	
climate (rainfall, temperature)	
topography	
water availability	
For livestock	
climate	
grazing/vegetation	
water availability	
overall suitability	

STEPS

5

Explain that before developing a farm business plan for the example enterprise, farmers must first see if the enterprise is technically feasible. This first step needs checking if for example, the soil, climate, topography, water etc. is suitable to grow the crop. Refer participants to **“Step 2 Undertake technical feasibility”** of **Choosing an Enterprise** and explain the example given.

Explain that they are now going to check if it is possible to produce the enterprise. There is a need to make sure that the land, soil, climate, rainfall, and temperature are suitable.

If it is not actually possible to produce the product, then you should not try to produce it. For example, cashews need a long dry period to flower and set the fruit. If your area does not have a long dry period, then it is not technically possible to grow cashews. Make sure you have discussed for both crop and livestock enterprise.

6

Ask the groups to help each other think about what their enterprise needs and to decide if their farm is suitable for the enterprise. Next to each indicator, they should write down whether their farm is okay or not. They should also give an overall assessment of all factors. In this case all the factors should be “Okay”. While the groups are working on this, move from group to group to help out. When the groups have finished their work, ask each group to share the results of their discussions. If any enterprise group finds that their chosen enterprise is not technically feasible, then they will have to choose another enterprise and repeat this exercise.

STEPS

7

When the technical feasibility has been completed you now have to check the availability of physical resources and inputs needed for the enterprise. If you are able to get all the resources you need, then you can choose the enterprise. If this is not possible then you may have to select another enterprise. Refer participants to **“Step 3 Physical resources and inputs availability”** for more details.

Explain that for this exercise they need to answer the following questions:

1. What physical resources will I need? (such as capital, inputs, materials)?
2. How much of each will I need?
3. How much of each is available at the farm and how much must I buy?
4. What are my sources of supply?

8

Ask the groups to think about what physical resources their enterprises will need. For crops, these should include inputs like seed, fertilizer and pesticides. These should also include equipment, implements and tools, storage structures and animal draft. For livestock they should include things like feed, medicines, tools and small equipment. These resources should include those available at the farm and those they must buy. They should list these under the first heading. When they have finished their list of resources, ask each group to share their lists with detail of quantity and source of supply. Encourage discussion. Have they covered everything? Is anything left out?

If any enterprise group finds that they will not be able to get the necessary physical resources, they will have to choose another enterprise and start over the process again.

Step-3: Assess physical resources and inputs availability

The next step is to check the physical resources and inputs needed by your enterprise, and whether or not you can get them. If you are able to get all the resources you need, in the quantity you need them, then you can choose the enterprise. If you are not able to get all the resources you need, then you will have to choose another enterprise. A rating for assessing physical resources and inputs can be done as follows:

Discuss the physical resources required for your enterprise. For crops, these should include inputs like seed, fertilizer and pesticides. These should also include equipment, implement and tools, storage structures and animal draft. For livestock, these may include things like feed, medicines, tools and small equipment. These resources should include both those they can get on the farm and those they must buy. The list of resources/inputs needed should be put under the first column, i.e. resources/inputs.

Decide on the quantity needed for each resource, and write this in the second column, i.e. Quantity.

Decide where they will get each resource, and write this in the third column, i.e. Source of Supply.

Physical resources and inputs availability

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

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

STEPS

9

Explain that now everyone knows that their enterprise is technically feasible and they can get all the physical resources, so now they must check the labor requirements and availability. If they can get all the needed labor, then they can go ahead with the enterprise. If not, then choose another enterprise. Ask the participants about the labor on their current farms. Use the following questions as a guide to the discussion:

- Do any of them use family labor only?
- Do any of them hire labor?
- Do any of them practice *bayanihan*?
- How do they decide whether or not to hire labor?
- How do they decide when they need labor?
- Where do they get hired labor?

When the discussion is done refer participants to **“Step 4: Labor requirement and availability”**, Explain that now they need to look at the key questions given on the page. For crop enterprises they should think about all the different activities like land preparation, planting, weeding, pest control and harvesting. For livestock enterprises they should think about production activities such as feeding, watering, cleaning and handling.

From this, they should estimate how much labor is needed? How many workers will be required? For how many days? Write this down in the first line in the labor plan. When the discussion is done, ask each group to discuss the need for hired labor on their enterprise. Give them 10 minutes for this and ask them to make their labor plan as given on the handout.

10

When the groups have finished their work, ask one participant from each group to share his labor plan. Encourage discussion. Does the plan make sense? Is it missing anything?

When this discussion is done, ask each group to share what was discussed. Did any group think they would need to hire labor? What did they decide to do? How did they decide to do it? If any enterprise group finds that it will not be able to get the labor needed, then they will have to choose another enterprise and repeat the exercise.

11

Now explain that these decisions will be helpful to finally prepare a farm business plan for the selected enterprise. Tell them that the next two meetings will be helpful to understand and develop the farm business plan.

Step-4: Assess Labor Requirements and Availability

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

- how much labor you need
- how much family labor you have
- how much labor you must hire
- when you need it
- where you will get it

For crop enterprises you should think about all the different activities like land preparation, planting, weeding, pest control and harvesting. For livestock enterprises you should think about production activities such as feeding, watering, cleaning and handling.

Example Labor Plan

I need ____ workers for a total of ____ days.			
I have ____ workers from my family.			
I need to hire ____ workers according to the following plan.			
Activity	Month	Amount of labor to hire	Number of days needed
land preparation			
planting			
weeding			
harvesting			
Total			

If any enterprise group finds that it will not be able to get the labor needed, then they will have to choose another enterprise and start over again.

*PART 1:
Diagnosing and
Planning*

**MODULE 5
Developing a
Business Plan**



Session

9 Components of a Farm Business Plan, Part 1: Farm Production and Marketing Plan

OBJECTIVES

By the end of this session, the participants shall have:

1. Identified the components of a farm business plan, and
2. Formulated the individual farm business plan highlighting the production plan and marketing plan.

STEPS

1

The participants should remain in their enterprise groups. For this meeting each group should be provided with writing paper and pens to prepare a group plan. They will prepare a Farm Business Plan as an example for their common group enterprise.

2

Remind participants that previously they assessed the technical feasibility of their enterprise. Then they identified the physical resources needed and checked that they were available. Finally they looked at the required labor and its availability. Once the outcome for these preliminary checks is positive, they know they can go ahead and prepare a farm business plan for the selected enterprise.

3

Before preparation, it is necessary to understand the concept of a business plan. Start by asking the participants what they understand by a business plan. Link their responses with the business plan concept from the handout **Components Of Farm Business Plan**, and explain its key components.

4

Explain that as a start, we will work on a simple plan for a single enterprise. At the end of the next season, we will do another farm business plan. That one will be more complex and will cover all of the farm enterprises. In this session we will go through the farm business plan one part at a time. Eventually, the participants will develop a farm business plan for their own farm. Now start explaining all components of a business plan one by one.

5

Explain that the first component of a farm business plan is the "Background". This should provide key information on the enterprise i.e. the objective, vision, mission and goal. It also provides a rationale for selecting such an enterprise. It helps the farmer stay focused on what he or she wants to achieve.

6

Now introduce the next component, the "**Farm production plan**". Explain: you are now going to work on a farm production plan and this part should be based on your goal.

If you have chosen a crop, then the farm production plan states what crop you will grow and the number of hectares you will plant. If you have chosen a livestock enterprise, then the plan states the kind and number of head of livestock you will have. Use the example on the handout as a guide. Give the participants 5-10 minutes to work on this. While the groups are working, move from group to group to assist if necessary. When the time is up, ask each group to share their production plans. Encourage discussion. If there is more than one group with the same enterprise, compare production plans. Are they the same? If not, why not?

Components of Farm Business Plan

A farm business plan is a document that records the most important decisions and actions affecting the operation of the farm business. It is a way to make sure that all the things that need to be done are done, and in a way that makes the farm more profitable.

Its components are:

1. Background
2. Farm production plan
3. Market plan
4. Profitability
5. Cash availability
6. Risk management
7. Notes

1. Background

Description of the farm business, including its vision, goal and objectives. It helps the farmer stay focused on what he or she wants to achieve.

2. Farm production plan

States what crop you will grow and the number of ha you will plant.

Example 1			
Enterprise	Land size	Expected yield/ha	Total yield (tons/kg/bags)
1. Tomatoes			
2. Sweet potatoes			
3.			
4.			

STEPS

7

Introduce component 3, the “Market Plan”. Ask the participants the different elements that need to be included in a marketing plan. Remind them that:

- A product exists only if someone is willing to pay for it (buys it)
- A product can be sold only if it has a customer
- Therefore, marketing is critical to the success of the farm business.

8

Refer to the handout and discuss the example of the **“Market Plan”**. Explain that the marketing plan should show how their products will be marketed. The plan should include the target market, the buyer the quantity they expect to sell, the expected market price, an estimate of the marketing costs and the farm gate price.

9

Explain the following:

- The price you get for a product is influenced by many things. One of those things is where you sell it. You could sell your product to a buyer who comes to your farm gate. You could sell it at the market closest to you. Or you could sell it at some other market. Each market will pay a different price for your product.
- The price you get when you sell your product from the farm is called the farm gate price. It is usually the lowest price you will get for your product. But selling at your farm gate does not involve transport costs. So while the price is lower, your costs are lower too.
- The market price is the price you would get selling your product to a market away from your farm. To sell on this market will cost you something extra at least for packaging and transport.
- The extra money you must pay to prepare your product and transport it to the market is called the marketing cost. When you add this cost to the farm gate price, you get the lowest price you can accept in the market.

STEPS

10

Help participants to determine the price. Write the following example on the board:

Product: Tomatoes
Farm gate price = ₱30/kg
Marketing costs = ₱5/kg
Lowest price you can accept = ₱35/kg



Explain that in this example, if the price you can get for your tomatoes at the market is ₱35 or more, then using that market is good. But if the price you get for your tomatoes at the market is less than ₱35/kg, then it is better to sell at your farm gate. So it is important for you to know three things:

- What price will you get for your product if you sold it at farm gate?
- What price will you get for your product if you sold it at the market?
- How much cost will you incur if you have to take your product to the market?

When you know these three things, you can decide where to sell your products.

11

Ask the participants in each group to help one another to think about their marketing plans. They should discuss the following questions:

1. What market should I use?
2. How much can I sell in each market?
3. What price would I get if I sold my product at the farm gate?
4. What price can I expect from each market?
5. What costs can I expect to incur in each market?
6. What other important points should I think about?

While the groups are working, move from group to group to listen and help. When they have finished their discussions, each participant should record the information in their handbooks. When the groups have finished, ask each group to share their market plan.

Encourage discussion. Does the market plan sound reasonable?
Does anyone have any suggestions?

Components of Farm Business Plan, cont.

3. Market plan

It specifies the enterprise, the target market and the buyer in addition to:

- What price will you get for your product if you sold it at your farm gate?
- What price will you get for your product if you sold it at the market?
- What costs will you have to take your product to the market?

Example 2						
Enterprise	Target market	Buyer	Expected quantity to sell (units)	Market price ₱/unit	Marketing cost/ unit (₱)	Farm gate price (₱/unit)
Tomatoes	Star market	Pedro	8000 kg			
Sweet potatoes	Pure Silver	Dizon	10000 kg			

*PART 1:
Diagnosing and
Planning*

**MODULE 5
Developing a
Business Plan**



Session 10

Components of a Farm Business Plan, Part 2: Financial Plan (Profitability and Cash Flow & Availability) and Risks & Risk Management

OBJECTIVES

By the end of this session, the participants shall have prepared the individual farm business plan highlighting

1. Profitability;
2. Cash flow and availability; and
3. Risk management.

STEPS

1

Now move to next part "**Financial Plan.**" Refer participants to that part of the handout and review the concepts of profitability and how it is calculated. Profit is the amount remaining when costs are deducted from income.

2

Explain that they will now be discussing the profitability of their chosen enterprises. They will start with income. They need to answer three questions:

1. What products will they sell?
2. What quantity of each product will they sell?
3. What price per unit do they expect to get for their products?

They can get this information from the market plan they prepared earlier. To work out the total value of the products they sell, they must multiply the quantity to be sold by the price per unit. Use the example in the handout.

3

Ask each group to work on the income expected from their enterprise. As they are working on this, move from group to group and assist them if necessary. When everyone is finished ask each group to share their income calculations. Encourage discussion.

Does this make sense? Notice if there are people having difficulty.

After each group has reported, add the following headings on the board under "Income".

Product	Quantity	Market price/unit	Total value (₱)
---------	----------	-------------------	-----------------

Total expected income

Ask the groups to provide the information on their selected enterprise: the products they will sell; the quantity to be sold; and the market price per unit. Explain that to calculate the total expected income for a farm it would be necessary to aggregate the income of each enterprise.

1. Financial Plan

It details the profit contribution from each enterprise, and deducts fixed costs to arrive at whole farm profit.

Example

ITEM	QUANTITY	UNIT PRICE	VALUE
Corn	1600kg	₱23.00	₱36,800.00
		Total income	₱36,800.00

Variable costs

ITEM	QUANTITY	UNIT COST (₱)	AMOUNT (₱)
Seed	50kg	50	2500
fertilizer	1 bag	700	700
Fertilizer – 2	1 bag	3500	3500
Irrigation charges	10 hours	400	4000
Labor charges	8 hours	400	3200
Harvesting	8 hours	250	2000
		Total variable costs	15900
		Enterprise profit	20900

STEPS

4

Explain that they will now be working on the costs of their farm business. In this part of the exercise they will be looking only at the costs associated directly with producing and marketing the product from their chosen enterprise. To work out the total cost, they must multiply the quantity needed by the cost per unit for each. After each group has reported, add the following headings on the board under Variable Costs.

Resource/Input	Quantity needed	cost/unit	Total cost (₱)
----------------	-----------------	-----------	----------------

Total expected variable costs

When they have all finished listing the variable costs for their selected enterprises, show them how to aggregate the costs to calculate the total expected costs. Use the example given as a guide.

5

Show them how to calculate the expected profits with the following formula. Show the participants how to subtract the total expected variable costs from the total expected income.

$$\text{Expected enterprise profit} = \text{Total expected income} - \text{Total expected variable cost}$$

When they have all finished, ask each participant to share his expected profit. Encourage discussion. Some discussion should also be made on the issue of fixed costs and some of the problems allocating fixed costs to individual enterprises.

6

Move now to the next component. Refer the participants to "**Cash Flow**". Explain that now you will discuss cash availability. Even if a farm is profitable, the profits will come only at the end of the season. It is important to know if you will have enough cash to carry out your farming activities during the season. If you do not have enough cash, you will need to decide what to do.

Ask the groups to discuss the following question: Do I have adequate cash available to implement my farm enterprise?

STEPS

7

Explain that the ***“example of cash flow”*** will be used to discuss the cash flow concept. Note that the season for this farmer starts in September to August of the following year. Explain that a cash flow shows the farmer how much cash flows into the farm business over a certain period of time and how much flows out of the farm business. If in any month the cash flow out is more than the cash flow in, then the farmer knows he has to find extra cash for that month. The **“Net cash flow”** is the difference between the cash inflow and cash outflow.

Ask the participants the time when they think the farmer needs cash. Point out that cash is required in October, November, December, January, and May for the enterprise. Proceed to explain the importance of the cumulative net cash flow to assess the overall financial requirements.

8

Explain that using the cash flow format, the participants should be able to indicate the amount of cash available and required. The Format is given in the example. The participants should write this amount under the **“Cash availability”** section of their farm business plan filling out points (a) to (e).

9

Explain that if the amount in (a) is more than the amount in (b), there is enough cash to finance the enterprise. If the amount in (b) is less than the amount in (a), then they do not have enough cash for their enterprise. If they have enough cash, they do not have to make any further decisions about financing. If they do not have enough cash, they will need to make a plan to get the money they need during the season. The total amount required should be written in section (c) of the cash availability format of their farm business plan. Next ask the groups to discuss in which months they need extra cash. They should write down the months in (d).

10

Then ask the groups to discuss where the farmers can get the extra money from. Make two columns on the board as shown below:

Source	Amount
--------	--------

Brainstorm with the participants regarding possible sources of financing and the amounts required. Ask each person in the groups to prepare a cash availability plan for their enterprise. Next to each source they should put an amount. When all the participants have finished, ask one participant from each group who needs extra cash to share with the class his cash availability plan. Encourage discussion. Ask if the plan makes sense, whether it will work and if they have covered everything.

2. Cash Flow

It details the cash flow (in/out) for each enterprise, each month to ensure that enough cash is available to the business.

Example

Activity	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Total
Cash inflow													
Crop sales	0	0	0	0	0	0	0	0	0	5900	0	0	5900
Cash available										5900			
Cash outflow													
Buy seed			500										500
Buy fertilizer			500										500
Buy pesticide				200									200
Labor hired		900	900		540				900				3240
Cash needed		900	1900	200	540				900				4440
Net cash flow		-900	-2800	-3000	-3540				-4440	1460			1460

STEPS

11

Now move to the last section, "**Risks in farming**". Ask the participants what they think the risks are in farming. Encourage discussion. Discuss their understanding of risk. Ask the participants what some of the things are that can happen and that can harm their enterprise, e.g.:

- What can happen to the production part of the business?
- You know that your enterprise is technically feasible but what could go wrong with production?
- What actions do you need to put in place?
- What can happen to your marketing plan?
- What can happen to the financial part of the business?
- What can happen to the human part of the business?

Follow up the ideas with additional questions about how a particular risk can harm the farm business:

- What would be the effect of a drop in the market price of a product?
- What would be the effect of a pest infestation?
- What would be the effect of a delay in the delivery of fertilizer from your supplier?

12

Explain that now the participants should think about the enterprise they are working on. Ask the groups to discuss the specific risks that they might face with these enterprises. They should think about changes in market prices, the possibility of low yields, increases in the costs of production and other types of risks. For each risk they should also think about the possible harm it can do.

13

Ask each group to discuss if there is anything else they think should be included in the farm business plan. When each group has finished, ask each group to share what they have written. Encourage discussion. What do the other enterprise groups think? Are these notes useful to other groups?

When the discussion is finished, ask the groups to look back over the farm business plan. Have a brief discussion again on each part. They should check the information and make changes where they think changes are needed. When this is done, explain to the participants that they have just finished their first farm business plan. It is very important to step toward making their farms better managed and more profitable. Encourage them to take their plans to their families and to discuss them. They may need to make changes. There is room in their books to write down any additional information they may want to record.

14

Tell participants that in the next meeting they will start preparing their individual business plans for the selected enterprises.

1. Risks in Farming

Risk refers to things that could happen that can harm the farm business. Farmers need to anticipate these risks ahead of time, and be prepared with mitigation strategies. The following example shows how:

Example

RISK	HOW TO HANDLE RISK
Produce can be damaged on the way the market resulting in a lower market price	Ensure proper packaging for the produce.
Market price can drop, resulting in lower profits.	Remain alert for changes in the market; decide when to sell and how much to sell at a time.

PART 1:
Diagnosing and
Planning

MODULE 5
Developing a
Business Plan



Session

11

Preparing a Farm Business Plan and Action Plan

OBJECTIVES

By the end of this session, the participants shall have

1. Identified the key steps and resources required to implement their business plans to make progress towards fulfilling their visions; and
2. Prepared their own action plan.

STEPS

1

Do a quick review of the different components of the farm business plan. The participants should refer to the format in the handout **My Farm Business Plan**. Ask them to go through all of the parts systematically. Inform them:

- Initially, they should assess their selected enterprise for technical feasibility; the availability of physical resources and inputs and labor requirements.
- If technically viable they should proceed to complete the **My Farm Business Plan**. They should describe the enterprise and the date of preparation of the plan.
- They should then provide background information: the name of the farmer, the village/ district and the time-frame of the plan.
- Each participant should describe their vision and goals that they set for themselves.
- Each participant should then proceed to complete the Business Plan format covering the following components:
 - Farm Vision, Goals and Strategies
 - Farm production plan
 - Market plan
 - Profitability
 - Cash flow and availability
 - Risks and risk management

2

Organize the participants into groups with the same individual enterprises, three to five people per group. Set a clear time limit – one or two hours. Encourage them to work together. Check with each group how far they got with the business plan for their individual enterprises.

3

Ask each group to consult and select one business plan from the group to present to the rest of the participants. Ask the first group to present a completed business plan. Encourage the participants to ask questions. Help with suggestions for improving the business plan. Ask the group to explain how the business plan contributes to fulfilling the farm business vision.

4

Repeat the process with one group at a time until all the enterprise groups have had a chance to present their selected business plans. When the last plan has been presented, consolidate the work. Make sure each person understands how to prepare the plan and has a complete set of materials for his or her chosen enterprise. Ask if there are any more questions or issues to be discussed. Review the meeting and remind the participants of the next meeting.

<h1 style="margin: 0;">My Farm Business Plan</h1>	Date:
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ENTERPRISE:

1. BACKGROUND

Name	Location	Period of plan
------	----------	----------------

Vision

Goals

Strategies

<i>production</i>	
<i>marketing</i>	
<i>profits</i>	
<i>management</i>	

2. FARM PRODUCTION PLAN

Crops/horticultural production

Crop type	Area (ha)	Output (kg/ha)	Total output (kg)
1.			
2.			
3.			

Livestock production

Type of animals	Number of animals	Yield per animal	Total yield
1.			
2.			
3.			

3. MARKET PLAN

Enterprise	Target Market	Buyer	Expected quantity to sell (units)	Market Price ₱/unit	Marketing cost/unit
1.					
2.					
3.					

4. PROFITABILITY	
Expected enterprise profit (A)	Amount (₱)
1.	
2.	
3.	
Total enterprise profit	
Fixed costs, annual depreciation (B)	
Total annual fixed costs	
Whole farm profit (A-B)	

5. CASH FLOW AND CASH AVAILABILITY														
Activity	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	total	
Cash inflow														
Enterprise 1														
Enterprise 2														
Enterprise 3														
Total														
Cash outflow														
Enterprise 1														
Enterprise 2														
Enterprise 3														
Total														
<i>Cash needed</i>														
Net cash flow (shortfall)														
Cumulative cash flow														

Cash availability:

Do I have enough cash available to implement the farm enterprise?

- a. I have the following cash available to use for my enterprise:
- b. I need the following amount of cash for my enterprise:
 Yes, I have enough cash No, I do not have enough cash
- c. The amount of extra cash I need is:
- d. I need the extra cash in the following months:
- e. I can get the money from the following sources:
source:
amount:

6. RISK	
Risks	Risk management strategy (how to handle risk)

STEPS

5

Now that the business plan has been prepared, there will be many actions that they will need to undertake with regard to physical resources and inputs, labor, markets, managing resources and risks, etc. Refer them to the format for **Preparing an Action Plan** and explain that the form will allow them to list a set of actions, its duration, start date and responsibility. Emphasize that the action plan can be divided into sub-sections, for example physical resources and inputs, labor, market, managing risks, etc.

6

Ask participants to brainstorm some actions under the various sub-sections, and note comments on the board. If required, add the following:

For physical resources and inputs

- Arrange financing for buying inputs
- Confirm suppliers and the costs of each input item
- Arrange transport to collect/deliver inputs
- Place orders/collect inputs from suppliers

For labor

- Identify skilled labor from neighboring areas
- Check other's farmers source of labor
- Identify technologies that could bring down the cost of labor
- Train labor so that they could work more efficiently

For market plan

- Visit a potential market
- Find out about different forms of transport
- Look at different forms of packaging
- Link up with specific buyers

For risks

- Find out about ways to reduce market risks
- Find ways of addressing production risks

7

Instruct the participants to go back to their enterprise groups, and develop an action plan for their chosen enterprise. When each group has finished, ask them to share their list of actions. Write these on the board. Encourage discussion. Are the lists similar? If they differ, why? Have any actions been overlooked?

8

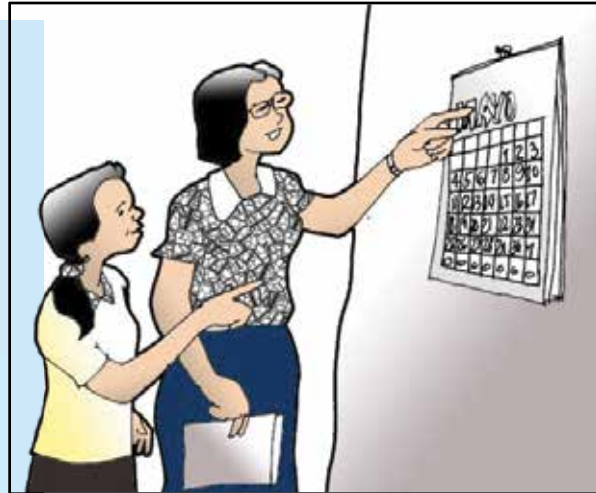
Conclude the meeting by highlighting that they now have many 'things to do'. Remind them to meet with their families to discuss their action plans and to make changes as needed. Remind them that they must use the action plan as a central tool for business plan implementation. Whenever they feel the need to consult, they should contact their enterprise group members, the other farmers, or the facilitator.

Preparing an Action Plan

ACTION	DURATION	START DATE	RESPONSIBILITY
Physical resources and inputs			
Labor			
Market			
Risks			

PART 1:
Diagnosing and
Planning

Module 6
Keeping Records



Session

12

Overview of Record Keeping

OBJECTIVES

By the end of this session, the participants shall have:

1. Discussed the importance of keeping farm records; and
2. Enumerated the different types of records needed.

STEPS

1

Share the session objectives. Ask the participants the following question. If you meet a vegetable farmer who says that he or she has had a good harvest last season, what information are you most likely to want? Give each person time to think about the question and write down the answers on board. Proceed to ask each person individually what his or her key questions are. Name the participant with the closest right questions. Point out to the participants the inadequacy of other questions. Explain that there are a lot of things to be asked but the answers depend on the farmer keeping records. Records are important to analyze the performance of the farm business.

2

Ask for two volunteers to perform in a skit. The skit is a role play given in **Role Play about Record Keeping**. Give the volunteers time to review the skit. Then let them act out the skit before the other participants. After the performance, ask the following:

- What happened in the role play?
- Why did Marsha not believe that her husband used all the money properly?
- What could have been done to avoid the confusion on how the money was spent?

Link the answers to the need to keep proper records.

3

Discuss with the participants why it is important to keep records.

What is the purpose of records? How can records help farmers?

What can happen if records are not kept?

Start a discussion on their experience in using records. Brainstorm on why some businesses or farms do not keep records. The following explanations may be given:

- Some farmers do not give importance to records.
- Some don't know how to prepare them.
- Some find it complex.
- Some don't have enough time available.

4

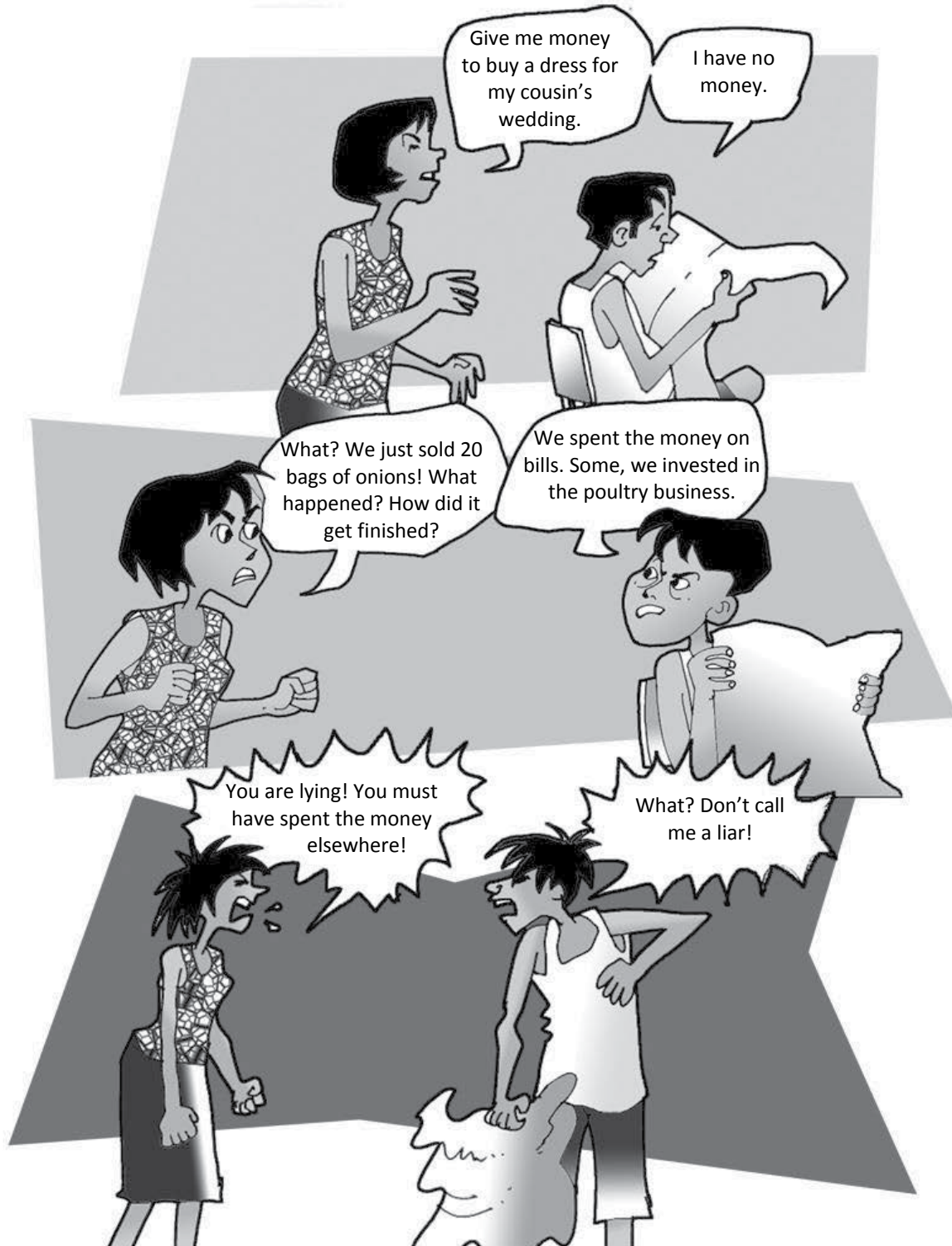
Divide the participants into four groups and ask them to list the types of records they are familiar with. What types of records do you think are needed? Write these on the board. On the basis of these findings identify the most important farm records. Refer to the list on the **Overview of Record Keeping**.

Describe the 7 examples of farm records and initiate a discussion.

Tell the participants that we will now look at these records. Together they will help you make a profit and loss statement for your farm and individual enterprises.

Role Play about Record Keeping

Argument between Juan and his wife Marsha



Overview of Record Keeping

What is record?

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

Why keep records?

Many people do not write down how much money comes in and how much money goes out of their business. Some farmers do not know how to do it, or some do not know how it can help their business. Therefore people do not really know how much money they are earning. Record keeping means that you write down all the money that comes into your business, and all the money that goes out of your business, including the production activities. Record keeping is important because you cannot keep everything in your head. People are forgetful by nature.

Advantages of record keeping

- You will know how much money you have received, how much money you have spent and how you have spent it.
- You will know how much are the amount of inputs and materials used to grow the enterprise
- You will know the price of produce sold and cost if inputs.
- You can calculate whether you are making a profit or a loss.
- You will be able to make better decisions on what to buy and sell.
- You can keep records of buying and selling on credit, so that people cannot cheat you.
- You will know how much volume you produce.

Types of Farm Business Records

1. Production Records
2. Labor Records
3. Inputs & materials records
4. Cash Inflow Records
5. Cash Outflow Records
6. Home Consumption Records
7. Profit and Loss Records
8. Fixed Asset Records
9. Sales Records

*PART 1:
Diagnosing and
Planning*

**Module 6
Keeping Records**



Session

13

Practice of Keeping Farm Business Records

OBJECTIVES

By the end of this session, the participants shall have:

1. Enumerated the kind of records needed;
2. Described how to maintain them on a regular basis;
3. Identified the kind of records needed; and
4. Discussed the ways to maintain them on a regular basis.

STEPS

1

Start working through the records discussed in the last meeting.

Essentially this Session reinforces the need for record keeping by putting together in one place your previous computations regarding your farm business.

2

Production record

Organize the participants into groups of three to five. Group them around common enterprises. Ask the participants to turn the sheet on ***Production Record***.

Explain that the entries here provide information on production output. This record helps the farmer to understand how well his production program is performing. It can be used to compare the performance of one farm with another. A production record is necessary for assessing the farm business plans prepared previously.

Ask the participants to discuss the production records and start filling in the table, for example

Enterprise	Land size	Expected yield/ hectare	Total yield (tons/kgs/bags)
Rice	1 ha	1600/ha	1600 kg



Production Record

Enterprise	Land size	Expected yield/ hectare	Total yield (tons/kgs/bags)

STEPS

3

Labor record

Ask the participants to refer to the format on the **Labor Record** worksheet. Explain the following while pointing out the different headings in the labor record:

1. Entries under these headings provide information on the number of people required for each activity and the number of hours they will take each day. Such information will assist the farmer in understanding the labor requirements for each activity.
2. Under the heading "Number of people working", record the actual number of people who worked on that particular activity for a particular day.
3. Under the next heading "Number of hours taken", record the actual hours spent doing the particular activity. The total number of hours is calculated by multiplying the number of people and the number of hours spent on each activity.

Explain that it is important to record the information as soon as the activity is done. The information should be recorded each day that the activity takes place. If not, it will be difficult to remember the number of hours taken to complete the activity.

4

Refer and explain how in the following example, the farmer is able to know exactly how many workers are required to carry out a task, and to know how much time it will take. Let the participants know that it is important to keep labor records.

Date	Activity	Number of people working	Number of days taken	Total number of days taken
20/2/12	Land preparation	2	2	4
20/3/12	Planting	2	6	12
6/10/12	Harvesting	1	8	8

Labor Record

Date	Activity	Number of people working	Number of days taken	Total number of days taken

STEPS

5

Inputs & materials records

Explain to the participants that agricultural production inputs and materials vary widely because of the different productions systems. They can be categorized as seed inputs, fertilizer or plant nutrient materials, plant protection materials.

Refer and explain how in the following example, the farmer is able to know exactly how much inputs and materials have already been purchased and used. Emphasize the importance and practicality of these records.

Inputs/ materials	Date Purchased	Quantity of Inputs/ materials	Unit	Unit price (₱/bag)	Total amount (₱)
1. seeds	15/3/12	3	bags	1,200	3,600
2. fertilizer-urea	16/3/12	4	bags	1,300	5,200
3. fertilizer-ammonium nitrate	16/3/12	4	bags	1,200	4,800

Ask the participants to use the ***Inputs and Materials Record*** worksheet for these data.

Inputs & Materials Record

Inputs/ materials	Date Purchased	Quantity of Inputs/ materials	Unit	Unit price (₱/bag)	Total amount (₱)

6

Cash inflow record

Start a discussion about on the use of cash inflow records. Ask them if they understand the value of the record? Mention that farmers should keep cash inflow records for each of their farm enterprises. This will help farmers to prepare enterprise budgets for the next round of planning. The record also helps farmers to construct cash flows for the farm.

Ask the participants to go over the **Cash Inflow Record** worksheet. Explain the following while pointing out the different headings in the cash inflow record:

1. Entries here provide information on the activities that require the farmer to receive money particularly from the sales of the products of the enterprise. The first heading, "Date", gives the date of the product sold.
2. The type of product is given under the second heading - "Produce sold".
3. Under "Quantity" enter the amount of produce sold. Remember to include the unit for example: number, kg, litre, bag, etc.
4. The unit price (the price the buyer paid for one unit of produce) is recorded in the fourth heading "Unit price".
5. The fifth heading is for "Total income". We learned in earlier sessions that the "Total income" is calculated by multiplying the market price by the quantity sold. Because money from sales is coming into the farm business, it is called "cash inflow". The amount of money coming in will depend on the level of productivity, the amount sold in the market and the market prices.
6. The last heading is given to enter "Comments" about things you observed when marketing the produce that could affect the performance of the enterprise. For example, it could include a note that prices were better in the morning than in the afternoon. It could be a note that the bigger buyers were at the market very early.

Explain that the cash inflow record should be updated regularly. It is a good idea to record the information at the end of every day after returning from the market. At the end of the production cycle the farmer should total all the cash inflows.

Make sure the participants understand the nature of the record, see refer to the example below. Let the participants know that it is important to give details of the sales/outputs.

Date	Sales/ output	Quantity (kg)	Unit price (₱/kg)	Total income (₱)	comments
12/04/12	Sold corn	500	23	11500	Sold at farm gate
15/04/12	Sold corn	400	22	8800	Sold at town market
20/04/12	Sold corn	200	23	4600	Sold at town market
25/04/12	Sold corn	400	21	8400	Sold at farm gate
Total		1500		33300	

Cash Inflow Record

Date	Sales/ output	Quantity (kg)	Unit price (₱/kg)	Total income (₱)	comments

STEPS

7

Cash outflow record

Start a discussion about the usefulness of the cash outflow record. Ask if the participants understand the value of the record? Explain that farmers should keep cash outflow records for all their enterprises. This will help farmers when they need to set up enterprise budgets for the next round of planning. This record will also help the farmer when he needs to calculate the cash flow for the whole farm.

Ask the participants to go over the **Cash Outflow Record** then explain it in detail. Notify them that it provides information of all the activities that require the farmer to spend money either to buy inputs or pay for services and operations.

Explain the format as follows:

- The date the activity is carried out or the inputs are purchased are recorded under the first heading, "Date".
- The operation, activity or input used is recorded under the second heading.
- Under the "Quantity" heading the amount of work conducted (operation) or the amount of input purchased is recorded. Again you will need to include the unit of measurement such as kg, number, ha, liter, bag, etc.
- The cost of the unit of input, or services or operation is recorded under the fourth heading "Unit cost".
- The "Total cost" for the activity or input is recorded under the fifth heading. In an earlier session we learned that the total cost is calculated by multiplying the quantity used by the unit price. Because money is always going out or being spent it is regarded as a cash outflow.
- The last column is provided for any comments or observations the farmer has that may affect the performance of the enterprise.

Explain that all of the columns need to be completed every time an activity is carried out. At the end of the production cycle, the farmer should aggregate all the money spent and seen as cash outflows.

STEPS

8

Referring to the example below, explain that this captures the cash paid out to buy inputs and materials needed to grow corn. Each time money is used to make a purchase it should be recorded in this format. Like with the cash inflow record, at the end of the season, the cash outflow record will make it easy to know exactly how much cash was spent to produce and market corn.

The record also enables the farmers to see when and where he spent his money. This will help him when planning his production and marketing strategy for the enterprise.

Date	Particulars	Quantity	Unit price (₱/kg)	Total expenses (₱)	comments
25/01/12	Purchased seed	50 kg	50	2500	Bought from Pedro
1/2/12	Purchased Fertilizer	1 bag	700	700	Bought from Dalisay
18/2/12	Purchased Fertilizer	1 bag	3500	3500	Bought from Pedro
25/2/12	labor	4 hrs	200	800	Did some of the work myself
25/2/12	Labor plowing	5 hrs	500	2500	
5/03/12	labor	12 hrs	300	3600	local
5/03/12	Pesticides	1 li	1000	1000	Bought from Leticia
5/10/12	Transportation	1	1000	1000	Hired Go Trucking
5/10/12	Bags	40	50	2000	Mabuhay Packing
6/10/12	Harvesting	8 hrs	250	2000	Hired from barangay
Total				19600	

ensure that the participants recognize the importance of record keeping.

Cash Outflow Record

Date	Operation/ input	Quantity	Unit price (₱/kg)	Total expenses (₱)	comments

STEPS

9

Home consumption record

Start a discussion about the importance of the home consumption record. Lead the discussion to an understanding that the home consumption record assists farmers to know where some of the income from the farm enterprises is going.

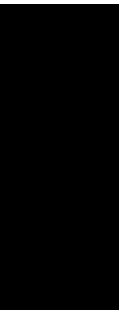
It helps him make a business decision whether to sell all of his food crops to generate cash or to consume food as an alternative. When the farmer knows the value of the produce that is consumed by the family he will recognize the impact on the profitability of the enterprise. He can then decide whether or not to continue this way.

Advise the participants that once the season begins they should start using the consumption record. From time to time they will be requested to bring in their records to see how they're doing.

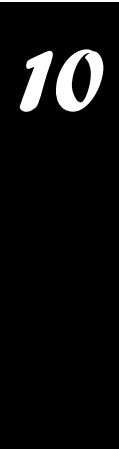
Ask the participants to turn to the **Home Consumption Record** worksheet. Explain the following while pointing out the different headings in the table:

The entries in the home consumption record logs produce that have been stored, consumed, or given as gifts to relatives, friends and family members. It can also log produce that is lost or spoiled after harvest. The main purpose of the record is to provide information on the amount and the value of what the family has consumed from the farm or has given away.

- The first heading includes the date that produce is consumed or stored for consuming later. Remember, if produce is not sold it does not attract income, but unsold products still cost money to produce.
- The second heading shows the "consumed items".
- Under the third heading you record the "Amount consumed", given away or stored for consuming later. Remember to include the unit of measurement such as number, li or kg.
- Under the "Unit price" heading you record the price of the produce you would have received if you had sold it in the market.
- The next heading is "Total value". We learnt in a previous session that the "Total value" is calculated by multiplying the unit price times the amount recorded under "Quantity consumed".
- The last heading is provided for "comments" on the amount of produce consumed or given as gifts. For example it may record that produce was used at a wedding or given to a neighbor who needed help.



Explain that this record should be updated regularly. It is best to record on the day that the produce is stored, consumed, given away or lost. At the end of the production cycle, a farmer should calculate the total value of this produce as part of the income from the enterprise. A member of the farm household should be encouraged to keep these records. Get feedback and make sure the participants understand the nature of the consumption record.



Referring to the example table below, explain that the farmer has recorded the number of kilograms of corn consumed by the family or given away. The total value of the production consumed instead of sold is ₱2000. The amount is part of the enterprises profitability. But it is not part of the enterprise cash inflow.

Date	Consumed items	Quantity	Unit price (₱/kg)	Total value (₱)	comments
5/03/12	corn	50 kg	20	1000	Family
5/03/12	corn	50 kg	20	1000	family
Total		100		2000	



Home Consumption Record

Date	Consumed items	Quantity	Unit price (₱/kg)	Total value (₱)	comments

STEPS

11

Profit and loss record

Explain that the cash inflow record and the cash outflow record (and the home consumption record if you used it), which we have just looked at, can be used to make a profit and loss statement for each enterprise.

12

Ask the participants to refer to the ***Profit and Loss Record*** worksheet and explain that the record should help keep track of profits and losses. At the top of the record they should enter the type of enterprise being measured. If it is onion, it becomes: "Measuring my onion enterprise".

Each profit and loss record covers a specific period of time. For crops, it is usually a cropping season. For vegetables the period may be a few months. For grain crops the period may be a year. For tree crops this could be many years. For livestock the period will be from the point of purchase to the point of sale.

When we calculated enterprise budgets, we used as an example a 1 ha land.

Each farmer will have a unique size of land or a unique number of livestock. In order to calculate profitability of the actual farm, he will need to use the actual size of the enterprise.

So you need to write down the area (hectares) or size (number of livestock) of the enterprise and use this number when doing your calculations.

13

Ask the participants to write the appropriate information in their records. Next, ask each group to go through the cash inflow, cash outflow (and consumption records) for their enterprise and calculate the profit (or loss). They should write this down in their worksheets using an enterprise budget format.

Refer to the part with the headings. Explain the following:

- This sheet is used to arrange the records provided by the farmer into different categories: field operations, inputs and materials, labor, post production and value of sales. The items included in the cash outflow and cash inflow formats are entered under "Inputs/Operations" (second heading) and placed under the appropriate heading.
- The unit of measurement and the quantity used are provided under the second heading.

- The unit cost or price is given for each item and recorded under the heading "Unit price or cost". It is a cost if it is from the cash outflow record and it is included in the price if it is from the cash inflow record or home consumption record.
- To calculate the total income you multiply the quantity of the produce sold times the unit price. The amount is recorded under "Total income".
- To calculate the total cost you multiply the quantity of inputs or operation by the unit cost. The amount is recorded under "Total cost".

This record sheet can be difficult to do. So you may want to ask for help from an extension worker or other farmers. Or you might be able to help other farmers.

Use the **Sample Profit and loss statement** as guide to complete a profit and loss record with the help of other records. Ask each group to maintain and share their results. Do one enterprise at a time. Did each group arrive at the same answer? If not, why? Which enterprises are profitable? Which enterprises are not profitable? Why? Ask if there are any questions about this. Encourage discussion.

Profit and Loss Record

Measuring my enterprise profit for the period

Area/size of the enterprise

	Quantity	Unit price/cost (₱/unit)	Total value (₱)
Income			
Sales			
Home consumption			
Other			
Total income (a)			
Expenses			
Inputs and materials:			
• Seed			
• Fertilizer			
• Pesticide			
Field operations:			
• Land preparation			
• Plowing			
• Planting			
• Weeding			
• Harvesting			
• Storage fee			
Total costs (b)			
Profit (a-b)			

Sample Profit and Loss Statement

Measuring my ONION enterprise profit for the period NOV. 2012 – JAN. 2013

Area/size of the enterprise: 1 HA

	Quantity	Unit price/cost (₱/unit)	Total value (₱)
Income			
Sales	1500 kg	22.20	33300
Home consumption	100 kg	20	2000
Other		0	0
<i>Total income (a)</i>			<i>35,300</i>
Expenses			
Inputs and materials:			
• Seed	50 kg	50	2500
• Fertilizer	2 bags	700 + 3500	4200
• Pesticide	1 liter	1000	1000
Field operations:			
• Land preparation	4	200	800
• Plowing	5	500	2500
• Planting	12	300	3600
• Weeding	0	0	0
• Harvesting	8	250	2000
• Storage fee			3000
<i>Total costs (b)</i>			<i>19,600</i>
<i>Profit (a-b)</i>			<i>15,700</i>

STEPS

14

Fixed asset record

Start a discussion about why it is important to have a fixed asset record. Lead the discussion to create an understanding of the following about the fixed asset record:

- The fixed asset record helps farmers remember when and for what price they bought the equipment
- It helps them remember when to repair or replace an item
- It helps them calculate the fixed costs for their farms when calculating the profit for the whole farm

Ask the participants to refer to the **Fixed Asset Record** worksheet and explain that this provides information on the important items of fixed costs related to the enterprises on the farm. Each item includes the date of purchase, the purchase price (cost) and the life of the item. The life of the item varies. The life of housing and buildings can be taken as forty years; the life of a tractor and other machinery is five years; the life of tools is ten years.

Referring to the example below, explain that there are three items included into the fixed asset record: hand tools, a sprayer, and some irrigation pipes. This farmer does not have a tractor. If he did, he would list it in this record.

Date	Items	Purchase price (₱)	Quantity	Life (years)	comments
1/2/2008	Hand tools	800		2-3	Replace in 2011
3/4/2008	knapsack prayer	1000		5	Bought from Pedro
4/4/2008	Irrigation pipes	2000		10	Bought from AgriCor

Get feedback.
Make sure they understand the nature of the record.

Fixed Asset Record

Date	Items	Purchase price (₱)	Quantity	Life (years)	comments

STEPS

15

Monitoring the record keeping process

Explain to the participants that in order to review progress they will need to keep their records up to date. Organize the participants into enterprise teams of 2-3. Ask each team to discuss the records they will keep during the implementation of their business plans. They should also agree who will be responsible for keeping the records. Separate records should be kept for each farm and farmer.

16

Ask each team to keep records for the selected enterprise on a regular basis. They should be encouraged to meet regularly to discuss the entries that they are making and any noticeable differences. Between meetings the participants should get together to help each other with the record keeping, if need be.

Mention that each time the school meets, sometime will be set aside for the teams to discuss their records. Draw to their attention that this system of working together provides checks and balances on the data recorded and the 'peer review' is an integral part of the FBS learning process.

17

Adequate time will need to be made available for the group to discuss the records or any problems the teams might have. Participants will need to bring their records to each FBS meeting.

18

At the end of meeting review all the records discussed. Explain to the participants that during the season they should maintain these records.

In the next meeting the schedule for the implementation phase will be prepared.

PART 2:
Implementing

Module 7
FBS meetings
during
production
season



Session

14 Savings and Mobilizing Finance

OBJECTIVES

By the end of this session, the participants shall have:

1. Discussed the concept and principles of group savings; and
2. Identified sources of information on sources of credits and capital.

STEPS

1

Discuss that farm capital can come from various sources. One of these is savings. Introduce the concept of savings. Ask the participants where the money for savings can come from. Use the following parts to guide the discussion:

- Ask the participants to discuss why people don't save.
- Ask the participants to mention types of savings.

Explain that saving money is normally difficult for smallholder farmers. However, if funds are mobilized as a group it should be easier. Ask participants to discuss the advantages and disadvantages of group savings for input buying.

2

Before this meeting starts make sure you have blank cards (about 20, the size of a business card) and a calculator with basic arithmetic functions.

Ask ten participants to come forward and let each of them pick two cards. Ask them to write their estimated saving from last year on each card (in this way the two cards will have the same amount). Now ask another participant to come forward and take one card from each of the ten participants with cards and add the total value of all the cards collected. Ask the participants to put their second cards in a basket/box. Shake them up. Ask each participant who had a card to pick one card from the basket/box and read aloud the amount written on his/her card. Ask the participant with all the cards to tell the total value of all the cards collected from the others. Instruct the 10 participants to compare the amount of money on each of their individual cards to the total value of all the cards

3

Explain to the participants that this exercise shows that a group of farmers save more money than any one single farmer. Ask them how the additional money could be used? Start a discussion. Suggest that the additional money could be used to lend money to group members at different times of the year. This can be especially helpful when a farmer needs to buy inputs but is short of cash. Explain that in order to do so, the group would have to set up a system to manage the money. They would have to take turns borrowing the money. The group would also have to make sure that loans are given out fairly frequently and repaid on time. Ask if they would be interested in setting up a group for this purpose.

4

Present/write on the board the savings equation to reiterate the concept of savings.

$$\text{Income} - \text{Expense} = \text{Savings}$$

or

$$\text{Income} - \text{Savings} = \text{Expense}$$

Savings are resources which one decides to put aside for investment purposes and not for luxury. Use the handout **Concept of Savings** to elaborate to the participants that when a group decides to save to build up their own capital fund, these become an effective tool to get rice, even for the poor.

CONCEPT AND PRINCIPLES OF SAVINGS*

Saving and borrowing Two basic ways by which people normally cope with their day-to-day financial requirements.

Savings Any amount that is not spent, regardless of whether it is going to be spent next year or tomorrow, or whether it is deposited in a bank or merely kept in home or in your wallets.

People are natural savers, but they are not natural borrowers Because income is received only at certain points of time (ex. every harvest season, every 15th day of the month, or every week) while expenses are incurred daily, people are forced to save in order to stretch their income such that enough of it, at least, remains until the next harvest or pay day.

Borrowing People borrow only when their savings are not enough. For example, most people tend to borrow during lean months, especially when both and household expenses need to be addressed at the same time (ex. expenses for children's education and land preparation or planting in the months of May and June)

Ideal Situation The situation is ideal if the person has more income and savings than expenses. The ideal situation for farmers is to have huge income and savings earned from production that can be utilized for the next season or for other investments.

Principles

- 1) Groups are organized as economic/savings units for a specific purpose
- 2) Self-help through group action
- 3) Voluntary membership
- 4) Members participate in making decisions
- 5) Groups exercise freedom in making decisions
- 6) Regular savings deposits to establish:
 - Habit of thrift
 - Members discipline
 - Good track record
- 7) Regular group meetings are held to:
 - Make group more cohesive
 - Make it easy to gather savings, give loans, collect repayments, undertake decisions
- 8) "Small is beautiful" – start small, but grow.

*Adapted from "Trainer's Manual on Auto-savings Promotion and Development," by Agabin and Quinones.

STEPS

5

Discuss that another source of capital is credit or loans.

Refer the participants to the handout on **Mobilizing Finance** and elaborate on the example given. A farmer has to cover the costs of activities that include buying seed at ₱500 in March – plowing at ₱700 in June and labor at ₱250 in May and June, respectively. The farmer has ₱ 500 of cash available in March, ₱250 in May and ₱ 500 in June.

Explain that the amount of extra cash that the farmer will need to finance the enterprise will be determined by the shortfalls in the cash flow for the enterprise. Ask the participants how much extra cash this enterprise will require. Take them through the cash flow calculation in the handout. Explain that the enterprise will require an additional ₱450 in June. The total cash needed will be the cumulative sum of all the monthly cash short falls.

6

Explain that in this case the farmer may need to borrow money from other sources. These could be family, friends, micro financing institutions and banks. Farmer should know that the credit or loans have to be repaid over a pre-defined period, with interest. Explain that the person or institution lending the money sets the conditions for repayment. The section **What is credit and what are loans?** in the handout explains more fully the terms and conditions of loans. Explain also that repayment of credit needs to be included as a cost to the business and the farmer should borrow when the cash flow shows that there will be enough cash generated by the enterprise to repay the loan.



Mobilizing Finance

Need and importance of finances:

A farmer has to cover the cost of many activities in the various months as follows:

March: purchase of seeds for ₱500

June: ploughing for ₱700

May-June: labour for ₱250

The Farmer's cash availability is as follows:

In March - ₱ 500

In May - ₱ 250

In June - ₱ 500

How well do you think the farmer will be able to manage his/her farm cash flow? Will the farmer need any extra cash to finance the enterprise? How will the farmer calculate any short falls in the cash flow for the enterprise?

Cash Flow Chart

ACTIVITY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Buying Seed			500									
Organize plowing						700						
Labor					250	250						
Total Cash Needed			500		250	950						
Total Cash Available			500		250	500						
Shortfall			0		0	-450						

note

The enterprise will require an additional cash amount of ₱450 in the month of June. However, the total cash needed will be a sum of all the cash short falls as shown in the cash flow chart. So the farmer may need to borrow money from other sources.

Mobilizing Finance, cont.

What is credit and what are loans?

Credit and loans are money borrowed from various sources such as banks, moneylenders, family and friends. This money must be generally repaid over a certain pre-defined time period, most often with interest or sharing of profit.

When does the farmer need to access credit for the enterprise?

1. There is a farm business opportunity or potential, but the farmer lacks funds to invest.
2. There is a cash flow problem for a certain period of time, but funds are guaranteed to be generated.

Assessing the Costs of Borrowing *(Conditions or Terms to be considered)*

Interest Rates	Interest is the cost of borrowing money. It is usually calculated as a percentage of the amount borrowed. Interest rates may vary depending on where you get your loan. There are usually government laws that limit the interest rate so as to protect you from dishonest lenders.
Bank charges	Some lenders may also charge a certain fixed amount for processing the loan. This may be charged separately or it may be made a part of the interest rate.
Loan repayment period	This is the time over which you have to repay the loan. The period may vary depending on where you get your loan. You should choose a repayment period that is most appropriate for your enterprise.
Grace Period	This refers to the period of time between getting the loan and when you have to start repaying it. Lenders usually understand that some enterprises may need a longer period of investment before realizing profits. You should choose a grace period that is most appropriate for your enterprise.

Sources of finance: family, friends, micro finance institutions, banks

List of Credit Providers

No.	Name of lender	Interest rate charged	Loan repayment period	Grace period	ranking

STEPS

7

Ask the participants to indicate when it is appropriate for a farmer to access credit for his/her farm enterprise. Discuss some of the benefits and risks of taking loans and getting credit.

Some of the benefits might be:

- Providing finance to start-up a new enterprise with good market potential
- Providing finance to expand an on-going enterprise

Some of the risks might be:

- If credit is not well utilized it could result in debt and hardships
- A farmer's reputation may be at stake for failure to pay back
- Interests rates may be too high and could offset any positive gains for the farmer

Ask the participants to suggest when it is not advisable for a farmer to use credit. Explain that it is inappropriate for a farmer to use credit when:

- The farmer foresees the possibility of not being able to pay back the loan
- If the terms and conditions are not favorable.
- When there is no plan to use the credit
- When borrowing to pay for another loan – never repay a loan with another loan

8

Referring back to the handout, remind the participants that farmers borrowing money need to know the conditions or terms before they can decide whether or not to take the loan.

Ask the participants to state what they consider to be the most important terms they need to find out from a micro-finance institution, a bank or individuals loaning money. Write the responses on the board.

STEPS

9

Explain all these terms using the definitions in the handout, under “**Conditions or terms to be considered**”. Guidance is given below.

Interest rates: Interest is the cost of borrowing money. It is usually given as a percentage. Interest rates may vary depending on where you get your loan. There are usually government laws that limit the interest rate to protect you from dishonest lenders.

Bank charges: In addition to interest rates, some lenders may also charge a certain fixed amount for processing the loan. This may be charged separately or it may be made part of the interest rate.

Loan repayment period: This is the time over which you have to repay the loan. The period may also vary depending on where you get your loan. You should choose a repayment period that is most appropriate for your enterprise.

Grace period: This refers to the period of time between getting the loan and when you have to start repaying it. Lenders usually understand that some enterprises may need a longer period of investment before realizing profits. You should choose a grace period that is most appropriate for your enterprise.

10

Visiting a lender

Arrange for the members of the FBS to visit a financial lending institution or person in the area to discuss the terms and conditions under which credit is given.

Before doing the exercise, participants will need to identify lending institutions or individuals in the area. These may be banks, micro-finance institutions or moneylenders. Find out a little about each one. If they have any printed information about getting loans from them, you should try to get hold of it. Choose at least one of each kind of source so that the participants are exposed to each of the different kinds of credit sources available. In this exercise you will organize teams to visit these persons or organizations. Therefore choose enough so each team can visit at least one lender.

STEPS

11

Organize the participants into teams of three to five depending on the number of lenders you have chosen. Refer participants to the **Directory of Credit Providers** and explain that you have chosen some lenders that they are going to visit. Assign at least one lender per team from your list. Ask them to visit their assigned lender and find out about the four conditions of a loan – the interest rate, loan repayment period, and grace period and bank charges. Encourage them to ask additional questions and to collect any printed information available. Advise the group to be specific in getting the information, noting if the loan is seasonal, short term, long term and for what type of enterprises. Agree on a time to return to the FBS. Send the teams into the field.

12

Reporting on the visit to individual lenders or lending institutions

When the teams return, ask each group to present its findings to the rest of the participants. As each team reports back write the information on the board.

After all the teams have reported, encourage the participants to compare the information. Which lender has the lowest interest rate? Which lender has the highest interest rate? Do all the lenders have a grace period? How do the repayment periods compare?

After the details of the four conditions have been discussed and compared, ask the participants to rank the different financial sources. Encourage discussion. Were all the lenders ranked the same? If yes, why? If not, why not?

13

Summarize the discussions by stating again that when farmers need to borrow money, they should investigate the best option. They need to be sure to find out about the terms and conditions from each lender that they are considering.

14

End the session by discussing that the next five sessions may be scheduled at the time the participants are less busy with the actual farm tasks since this is in the implementation phase of the farm business plan.

Directory of Credit Providers

No.	Name of lender	Interest rate charged	Loan repayment period	Grace period	ranking

PART 2:
Implementing

Module 7
FBS meetings
during
production
season



Session

15

Group Marketing and Buying

OBJECTIVES

By the end of this session, the participants shall have:

1. Discussed the concept of group marketing and its advantages and challenges to members;
2. Identified the different marketing channels and buyers and the cost of selling produce to these markets;
3. Discussed the importance and advantages of group buying of inputs; and
4. Explained the concept of group buying and its advantages and disadvantages.

STEPS

1

Start the session by asking the participants to recall their experiences during the market survey. Write these on the board. Once a list has been compiled organize the participants into teams of 2-3. Ask them to discuss how they chose the marketing outlet they used. On what did they base their decisions? When the teams have finished, ask them to share their responses. Encourage discussion. Are the reasons they chose certain marketing outlets the same? Are they different? Why? Are there any new marketing outlets that they are thinking of selling to?

Explain to the participants after the discussion that there are many different types of markets or marketing outlets. Some are close to the farmer; others far away. At some markets, the farmer can sell the products with very little packaging, handling and transporting. Other markets may require more packaging, handling and transporting. Each type of market requires different information, different skills, and different decisions. Farmers must carefully consider these requirements when choosing a market outlet. Most smallholder farmers sell their products at the farm or local markets because it is easiest and simplest.

2

Explain that when marketing produce, it is also important to understand marketing costs. Understanding these costs will assist farmers to select marketing outlets that generate better returns for them. After this brief introduction, write the term "Marketing costs" on the board. Ask participants if they have ever taken produce to the market. Ask them to describe what they did and saw. The following questions can be used to guide discussion:

- What kind of produce did they sell?
- How did they get the produce there?
- Did they have to prepare their produce in any special way?
- Did they use packaging?
- How the selling was organized at the market?

Write the answers on the board. The purpose of this discussion is to get the participants to think about the different parts of the marketing chain and the costs involved.

When the participants have given all their ideas, check to see if there are any important things missing. Explain that marketing involves much more than just taking produce to market and selling it. Some products need to be cleaned before they can be taken to the market. Some products need to be packaged. All products have to be transported. At the market place farmers may need to hire a stall or pay a membership fee. Each of these marketing activities cost money.

3

Organize the participants into teams of three to five. Assign each group a different enterprise or product. Ask each team to discuss the stages in marketing produce. When the teams have finished, ask each team to share the stages they identified. Write the responses on the board. Encourage discussion. After the discussion, use the ***Different stages in marketing produce*** to summarize the points.

4

Ask the participants if they have been a part of a group marketing scheme or if they know of one. What was the experience? What were the benefits? What were the pitfalls? Divide participants into 3 groups, ask them to read the story on group marketing, ***Together Each Achieves More***, and then answer the questions at the end. Link their feedback with concepts of group marketing and highlight how different farmers took this initiative and gained more profit.

5

Organize the participants again into teams of three to five. Ask each team to think about the story again. Ask them to identify the important parts of the story that made the collective marketing work. When the teams have finished, ask each one to share one of the things they have identified. Encourage discussion. Why is this important? What would happen if they did not do this? What disadvantages were there in this collective marketing arrangement? Use the following points to aid you in the discussion.

Some of the main points are:

- Aida actually visited the buyer in the city and negotiated directly with him.
- The four farmers had a written contract among themselves.
- The four farmers had a written contract between themselves and the buyer.
- Aida had a verbal contract between herself and the transport.

Some of the things that could have gone wrong:

- Without a contract with the buyer, especially written contracts, the buyer would have been able to lower the price when they delivered.
- Without a contract among them, they might have disagreed on something and they would have no way to solve it.
- They were lucky with the transport contract. It should have been in writing. He could have suddenly increased the price.
- One disadvantage is that once the contract is signed, the price is fixed. If they found a better price later, they would not be able to take it.

6

Repeat this process until all the ideas are shared. Ask the teams to brainstorm the advantages and disadvantages of group marketing. When the teams are done, ask each team in turn to present the first advantage and disadvantage. Write them on the board under the correct heading. Encourage discussion. Is this really an advantage? Is this really a disadvantage?

Ask participants if they would like to initiate a group marketing scheme. Encourage them to discuss ideas to start this process. Sum up the key points and remind participants about the next meeting.

Different stages in marketing produce

Produce preparation	This involves cleaning, sorting and grading.
Packaging	The types of packaging used may range from simple jute bags to plastic packaging for the direct transport of fruits to consumers.
Handling	Products are handled several times on their way to the market. Handling includes loading and unloading, re-packaging, weighing, etc.
Transport	Costs are incurred by farmers when they take their produce to the market. These costs may be the payments to a transporter or they may also include the running costs of farmer's own transport.
Storage	Products that are not sold immediately are usually stored. It is an important cost for many products. The main purpose of storage is to extend the availability of produce over a longer period than if it were sold immediately after harvest. The assumption behind storing produce for the market is that the price will rise enough while the product is being stored to cover the costs of storage.
Losses	Losses include loss of weight in storage and transit, loss of color, shape, bruises, over-ripening, etc. The cost of these is measured by cash paid out. It is measured by loss of income.
Other marketing costs	Other marketing costs include fees, commissions

Together Each Achieves More: A Case Study

Juan, Pedro, Aida, Lorna and Fe were farmers who lived near each other. They each had a 12 hectares farm which they fed their families and generated an income.

Aida was a widow whose husband had recently died. Aida had always worried that the farm did not bring in enough income, which in the past had forced her to do piece work in the nearby town. When her husband passed away, it became harder for Aida to be away from her children, and she realized that she needed to find a way to make more money from her farm. It was with this intent that Aida contacted the Extension Worker in her area, requesting him to help her improve her production. Using the given tips, Aida improved her income somewhat, but was still not satisfied and requested further guidance. This time the Extension Worker suggested that she talk to some of the other farmers about collective marketing, where a group of farmers market and sell their crops together to a larger buyer, or are able to access a better market.

Aida was not convinced. But she visited her friend Lorna and discussed the idea of collective marketing with her. Lorna had heard of collective marketing before, but had never tried it. They decided to go to ask the Extension Worker to go with them to the city to see what they could learn. Aida, Lorna and the Extension Worker travelled to the city. They went to the market. They spoke to several buyers. They found out that they could get a better price for their rice in the city than they could in the local market. They also found out that they could get a better price for their corn if they brought enough corn to one location, the buyer would be willing to send a truck. He was not willing to go from farm to farm. And they learned that they would get a better price if they all grew the better variety of corn and weighed and packaged them uniformly.

They returned home, and called a meeting where in addition to Aida and Lorna, other farmers attended, i.e. Pedro, Fe and Juan. Lorna explained to the group that if they sold their corn to the local market, they could get ₱250 per kg. But if they sold their corn in the city they could ₱310 per kg. The cost of transport to get the product to the city was ₱30 per kg if they sent 1.2 tons in one truck.

Juan said he could not send 1.2 tons. He did not have that much to sell. Fe said the same thing. Lorna explained that that was the whole point. She asked each farmer how much he or she could produce and sell. They each said they could send between 200 and 300 kg, which meant that they had between them from 1000 and 1250 kg to send. Aida said this was very good. She asked if they would all like to join in the collective marketing.

Everyone but Juan was willing to join the collective marketing plan. Aida said that meant that Aida, Lorna, Fe and Pedro would have to market 300 kg each. They all agreed. Juan made his apologies and left. Aida, Lorna, Fe and Pedro agreed that Aida should go back to the buyer in the city and organize the contract on their behalf. They got an exercise book

and wrote out a short agreement that said they would each deliver 300 kg of corn to Aida's farm with the first harvest. Aida would arrange for the transport. They would each pay ₱9000 for the transport. They all signed the agreement.

Aida made all the arrangements. She got a contract for 1200 kg of corn at ₱310 per kg. She organized the transport as agreed. When the harvest started, Aida, Lorna, Fe and Pedro each delivered 300 kg and paid ₱9000. The transport arrived and Lorna went with the crop to the buyer. It was delivered and she was given a cheque for ₱ 372,000, which she deposited into her account at the Bank.

When she got home, she told the others that everything had worked out well. She showed them the receipts and the bank deposit slip. She said as soon as the cheque cleared from the bank, they would all get their money.

Two weeks later, the bank cleared the cheque. They went to the bank to get their cash. Each one was to receive ₱93,000. But before they took their money, Lorna, Pedro and Fe told Aida that they did not think the final payment was fair to Aida. She had undertaken a larger share of the work, and they all agreed to pay her ₱1000 each. Aida was very happy with that and thanked them. Then they withdrew their money and went home to tell their families the good news. They agreed to meet the following week to discuss collective marketing for their rice and beans.

Discuss following questions in your group:

1. *What opportunities did Aida and Lorna discover in the city?*
2. *Which opportunity did they choose?*
3. *What price could Aida get for her corn at the local market?*
4. *What price could Aida get for her corn at the market in the city?*
5. *What were the conditions for getting the price in the city?*
6. *What costs would she have if she sold her corn in the city?*
7. *What did she have to do to meet the conditions?*
8. *What contracts did Aida write out?*
9. *How did things work out?*
10. *What was the difference in profit that Aida and her partners got by selling in the city?*
11. *What decision did the four farmers make about collective farming in the future?*

STEPS

7

Marketing our Produce

Explain the following: We have been studying and implementing our farm business plan. Now we have come towards the end of the season and our produce has to be marketed. We are all now going to be marketing our produce, document the whole process and share it with others. Ask the participants if which marketing outlets and buyers they plan to sell will send their produce and why. Write the responses on the board. Discuss some of the marketing outlets listed.

Brainstorm on what they will do when they arrive at the market.

8

Organize the participants into their enterprise groups. Ask each team to make a plan for marketing at least part of their product. They need to look at their marketing plans in their farm business plans and should answer the questions listed in the Handbook. When the teams have finished, ask each team to share their marketing plans. Have they covered all the important parts? Is anything left out? Will the plan work? If not, why?

Ask them to consider also the following questions:

- What product are they marketing?
- Which market outlet will they use?
- When will they go to the market? What day? What time?
- What do they need to do to prepare their product for the market?
- How will they get their produce to the market?
- What arrangements do they need to make at the market before they can take their products there to sell?
- How will they record the sales, the income and other information?
- How will they share the transport and marketing costs?
- How will they divide the income among the members of the team

9

Remind each of the teams to record the process of taking produce to the market. This should be done even if the produce is sold on the farm. Wish them luck in this task. Clarify that not all of the teams will market their products at the same time. So the report back session will be held only after at least one team has done their marketing. The exercise will be repeated for each team that completes the marketing of their produce. When you learn that a team has marketed its produce you should agree on a time to report back to the class. You should help them prepare by going over their records and making sure that all is in order.

STEPS

10

Ask each team that has marketed its produce to report about their experience. They should use the notes they took to record the marketing process. After presentation of the marketing process, ask the participants how the process was done. Some of the questions to ask include:

- Was the price fair? Was it favorable to you?
- What was the basis for deciding the price?
- Who conducted the marketing?
- How long did it take to market the produce?
- How was the product packaged?
- What challenges did they face?
- What will they do differently next time?

Repeat this process of reporting until all the teams who have completed their marketing have shared their stories. Use the handout on **Assessing group marketing** to summarize the discussion.

11

Group buying

Start the session by asking participants to describe their experiences in buying inputs and equipment from other farmers, dealers, suppliers, retailers and manufacturers. Once all participants have shared their experience, ask participants to discuss the conditions of purchase.

12

Explain to the participants that if they buy inputs as a group from dealers or suppliers there are good chances to get discounts as the purchase could be made in bulk. They could also make savings on transport. But first it will be necessary to be organized and take advantage of these opportunities. When organized as a group, money could be saved and the funds utilized to purchase additional inputs.

Ask the participants if they have had experience in buying inputs as a group. What were the advantages and disadvantages? List some advantages and disadvantages of group buying.

Assessing Group Marketing

Advantages	Disadvantages
Increases bargaining power	Possibility of over-centralization
Improves economies of scale	Loss of individual flexibility
Lowers transaction costs	Levies and fees for the group
Better prices	Exploitation of weaker members
Combined small surplus can access transport to the market	Forced to accept prices of the group
The smallest producer can sell at the same price at international marketing networks	
Sharing risk	
Encourages innovation	

PART 2:
Implementing

Module 7
FBS meetings
during
production
season



Session

16

Understanding Contract Farming and Appraisal

OBJECTIVES

By the end of this session, the participants shall have:

1. Discussed contract farming and contracts;
2. Examined a contract carefully; and
3. Demonstrated skills in negotiating contracts.

STEPS

1

Ask participants what they understand by contract farming. Inquire if anyone who has ever been involved in contract farming and what has been his/her experience? What type of product was sold under contract? What were the benefits? What difficulties did they face?

Reviewing the handout ***Understanding Contract Farming***, explain the concept of contract farming. Mention that it involves individuals or groups of farmers entering into formal (written) or informal (verbal) arrangements for marketing their products.

2

Ask participants to identify the advantages and disadvantages of contract farming. List them on the board. Discuss each one in detail.

3

Ask the participants what they can do to overcome the challenges faced in contract farming? Using the handout ***Understanding Contract Farming***, discuss some of the strategies to overcome the challenges. Emphasize the importance of group marketing as a key to negotiating a contract.

Understanding Contract Farming

Contract farming happens when individuals or a group of farmers enter into formal (written) or informal (verbal) arrangements with buyers for the marketing their products. The different ways or approaches through which farmers can market their produce are through **contract farming**, **group marketing**, and **individual marketing**.

Advantages of contract farming

- Encourages small-scale producers to diversify into new enterprises.
- Can lead to improved supply of production inputs provided by the contractors.
- May help the farmer get credit.
- Potential buyers can provide extension.
- Offers opportunities to reach markets that are very far away, including export markets.
- Can help farmers learn new production methods and technical skills, improving productivity and profitability.

Challenges of contract farming

- Changes in the weather, pests and diseases might make it difficult for farmers to supply the amount and quality of output agreed in the contract.
- If the contract requires more capital-intensive production, the farmer may be required to borrow money to buy equipment and implements.
- An individual farmer may find it difficult to supply the quantity required by the buyers on his own, and other farmers may not want to join him.
- Producing under a contract means that the farmer is not free to run his farm as he wants. He must farm according to the terms of the contract. He loses some control over what he does on his farm.
- The farmers might not be able to sell all their produce if it does not meet the quality standards set in the contract.
- Farmers might find it difficult to bargain for a reasonable price.

Tips to overcome the challenges of contract farming

- Small-scale farmers can work together in order to increase their power to negotiate the terms of the contract.
- Farmers can work together to supply larger quantities of produce. This is likely to attract the interest of the buyer.
- Groups are likely to find it easier to share the machinery for production, hence reducing the need to borrow.
- Farmer groups are more likely to get grants and loans than individual farmers.
- Farmer groups can help farmers in the group if they are struggling to keep up with the terms of the contract. They can also put pressure on others in the group.

STEPS

4

Ask participants if there are possibilities of contract farming following the table on **Contract Details** for their enterprises. Encourage discussion. Write down the possibilities on the board. Encourage the participants to write them down too.

Ask the participants if they are personally interested in getting involved in a contract farming venture? Ask why? Encourage discussion. Ask the participants the things they should look for when negotiating a contract. Lead the discussion to include at least the following points.

Contract duration: How long the contract will last. It is Usually from the date of signing the contract to date of delivery of the products and payment.

Quality standards: What are the quality requirements; for example size, color, moisture content and grade.

Production limits: How much must be produced and delivered by the farmer to the buyer; for example 5 ha per farmer or 5 tons per farmer.

Cultivation practices: How the product will be produced, for example use of manure only, organic farming, not using certain pesticides, hand harvested.

Product delivery arrangements: Where, when and how the product should be delivered; for example specific locations, time, mode of transport, packaging.

Pricing arrangements: What price will be paid and under what conditions; for example price base on quality and price based on quantity.

Payment procedures: How and when the farmer will be paid by the buyer; for example cash on delivery, payment after some days or months, paid by check.

Insurance arrangements: How the product is insured against things like fire, hailstorms, damage in transport.

Arbitration terms: Rules for settling disagreements between farmers and buyers. This usually include information on where to report conflicts



5

Divide the participants into three groups and ask them develop a simple contract using the headings listed above. Point out that it is very important to include all these aspects when preparing the contract.

Contract Details

In your group, please describe the components given below, keeping in mind your farm's needs and issues.

Components	Description
Contract duration	
Quality standards	
Production limits	
Cultivation practices	
Product delivery arrangements	
Pricing arrangement	
Payment procedures	
Arbitration terms	
Insurance arrangements	

STEPS

6

Contract Appraisal

Organize the participants into teams of 2-3. Refer participants to the **Sample Contract**. Ask the teams to read and study it and then identify its strengths and weaknesses for both parties: the seller and buyer. When the teams have finished, ask each team in turn to identify one strength and one weakness from the example contract. Write their answers on the board under the correct heading. Continue in this way until all the strengths and weakness are listed.

Highlight some of the strengths:

- The farmer and the buyer both know how much land will be planted with corn price is clear
- The farmers will be given production advice
- The supply of inputs is clear
- There is finance for the supply of inputs and other activities
- Product quality is clear

Highlight the weaknesses:

- The contract does not say what will happen if there is hail, drought, flooding or other 'Acts of God' that reduce yield or quality
- The contract does not say what will happen if the buyer or farmer does not meet part of the contract
- The contract does not say what the terms of payment are. Is it cash on delivery? Is it payment after some days or months?
- The contract is not clear about its duration.
- The price of inputs is not clear.
- The contract is not clear about who is responsible for transporting corn to the designated locations

Sample Contract

Carefully review the contract below, and identify the strengths and weaknesses for both parties:

Company A offers to buy corn from farmer group (FG). The conditions under which the crop will be grown and sold are outlined below.

1. Farmer Group (FG) will plant no more than a total of 100 hectares of corn.
2. All crop production activities must be followed in accordance with Company recommendations and instructions.
3. Company A guarantees to buy all grain corn produced from the allocated limit.
4. Buying will be at designated locations and buying slips will be issued immediately after purchase.
5. All corn fields must be effectively fenced against animals.
6. All necessary seed, chemicals and fertilizer will be supplied and charged to the farmers. Payment for pre-sowing cultivation charges may be advanced.
7. The pricing formula for grain purchase at 14.5 percent moisture level will be as follows:
 - (a) Production up to 3 500 kg/hectare = 20 ₱ /kg
 - (b) Production from 3 501 to 4 000 kg/hectare = 21 ₱ /kg
 - (c) Production from 4 001 kg/hectare and over = 22 ₱ /kg
8. Farmers are not allowed to sell corn covered under this agreement, to any other buyer without the written consent of Company A. Any breach of this agreement will result in farmers giving up their contracts.
9. Bags will be supplied by Company A, which retains ownership thereof. Any loss of bags will be debited to the farmer's account.
10. Farmers will be paid when their crops have been harvested and sold to Company A and all outstanding crop advances have been deducted.

If you wish to grow corn on the above terms and conditions, please complete this form and return it to Company A's office before _____ so that we may reserve your quota of _____ hectares.

Signed on _____

Company
Manager Representative

Farmer
(Farm No _____)

Signing a contract for fresh produce

Dry produce can be stored and transported easily. It is not easily damaged. Rice, for example, is easy to handle and package. Fresh produce can be easily damaged or spoiled due to rotting. Thus fresh produce needs special packaging and handling.

A contract for fresh produce would include:

- Packaging requirements
- Quality requirements
- Transport requirements
- Storage requirements

STEPS

7

Ask the participants if they feel that this is a good contract for the farmers or not. If they were organized in a farmer group, would they be pleased to sign this contract? If yes, why? If not, how would they improve it for the farmers? Lead the discussion to the point that the participants understand that the farmers do not have enough protection under this contract. The weaknesses show all the areas that need to be changed to protect the farmers.

Ask the participants how a contract for fresh produce like tomato or banana would be different from the example contract for rice. What will be the main differences?

Explain that rice can be stored and transported easily. It is not easily damaged. Fresh produce can be easily damaged or spoiled due to rotting. Rice is easy to handle and package. Fresh produce needs special packaging and handling, so a contract for fresh produce would include more about:

- packaging requirements
- quality requirements
- transport requirement
- storage requirements

8

Negotiation skills

This exercise will start with a role play. You will need to ask 5 of the participants to act the part of buyers and seller. The 5 participants should be selected before the meeting and their roles explained to them. They should have had time to rehearse the role play. The details are set out below.

Actors: 3 farmers; 2 traders

Setting: The farmers have just finished harvesting. There is a lot of produce in the barangay. There are many traders coming to the barangay offering various prices and terms.

Issue: The three farmers are working together trying to get a better price for their produce. The two buyers are working together trying to get the produce at the lowest possible price.

Action: The players discuss until they settle on an acceptable price and agree to the terms and conditions.

STEPS

9

Explain the purpose of the session to the participants. The participants should watch carefully as they carry out the role play, as they will have to discuss it afterwards. Ask the five participants to start.

When the role play is completed, thank the actors. Start a discussion and ask the participants the following questions:

- What was the role play about?
- How did both parties reach the agreement?
- What did the farmers give up to reach an agreement?
- What did the buyers give up to reach an agreement?
- What did both parties hold on to reach an agreement?

After the discussion, using the handout ***Negotiating Contracts***, explain the concept of negotiation. Ask the participants to brainstorm on what negotiation means. Have they had any experience negotiating anything? What about negotiating at a shop? Have they ever had to negotiate a price for clothes? What about negotiating for marriage? How did the negotiations work? What was involved?

10

Lead the discussion towards the need for knowledge and skills in order to successfully negotiation. Write the following words on the board "Things I need to know about negotiation." Ask the participants what is needed to improve their position in a negotiation. Encourage discussion. Write their answers on the board. Using the ***Tips For Successful Negotiation*** as a guide, make up a comprehensive list.

11

Write on the board 'skills I need to have for effective negotiation'. Ask the participants to identify the skills and abilities needed to be successful in a negotiation. Encourage discussion. Write their answers on the board. Using the ***Tips For Successful Negotiation*** as a guide, make up a comprehensive list.

Negotiating Contracts

Negotiation is a process whereby two parties discuss an issue and arrive at an agreement. Negotiation usually requires both parties to compromise, where each will give up something and hold on to something in order to come to an agreement.

Tips for successful negotiation

1. Things you need to know

Range of buyers available

Demand and supply of crops

Market prices and conditions

Break-even and cost of production

Marketing costs

Lowest price for product

2. Skills and abilities you need to have

Ability to say "No".

Listening skills

Focus on the end goal

Self-control

STEPS

12

Inform participants they now have two lists. One list is the things they need to know to strengthen their position in a negotiation. The other list is the skills needed to be successful in a negotiation.

In this part of the exercise participants will assess whether they have the necessary information listed and the skills to negotiate effectively. They should also assess whether they are strong or weak in both aspects. Organize the participants into teams of two. Explain the details of the **Farm Assessment Audit Checklist**.

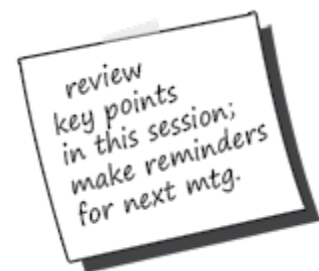
Ask the participants to mark in their handout whether they are strong or weak in a particular area. Encourage discussion within the teams for an honest assessment. Ask groups to work on all knowledge and skills areas listed.

13




When the participants have finished assessing their knowledge and skills, ask each team to share first the strongest and then the weakest skills.




14

Ask each participant to identify their weakest skill and knowledge gap. Explain that these could be improved by training and understanding where the relevant information. Encourage the participants to make arrangements to get help in addressing these weaknesses. Ask if you should arrange for someone like the Extension Worker to help them with these skills and knowledge.



Farm Assessment Audit Checklist

Knowledge areas	Rating			Areas of improvement
				
Range of buyers available				
Demand and supply of crops				
Market prices and conditions				
Break-even and cost of production				
Marketing costs				
Lowest price for product				

Skills	Rating			Areas of improvement
				
Ability to say "No".				
Listening skills				
Focus on the end goal				
Self-control				

PART 2:
Implementing

Module 7
FBS meetings
during
production
season



Session

17

Assessing and Managing Business Risks

OBJECTIVES

By the end of this session, the participants shall have:

1. Identified the various types of risks farmers face when planning more commercial operations; and
2. Describe strategies how to manage risks.

STEPS

1

Explain that this session will reinforce the discussions on risks during the formulation of the farm business plan. By way of review, brainstorm again on what risk is. Explain that risk is defined as any factor that may cause losses to the farm business. Farmers may have little control over such risks. Some risks are external such as changes in market prices, low rainfall, etc. Some risks are internal, relating to the business. Farmers can control the internal risks. Most important to understand is that risk management is not a guarantee for increasing income. But farmers should be able to manage risk so that it has minimum negative effects on their business. In a full group session ask the participants to identify the major risks they face with their enterprises. Write their answers on the board under the appropriate heading. Refer them the handout **Assessing & Managing Business Risks** and discuss in detail the 5 major risk categories associated with farming as a business i.e. production, marketing, finance, institutional and human.

2

Work through the list of risks on the board. Ask the participants how they deal with these kinds of risks. Why do they use that particular strategy? How effective is it? Would they use the same strategy again? Why? Why not? Encourage discussion. A list of different risk management strategies are given on page 99.

3

Organize the farmers into teams of three to five. Explain that they are going to do an exercise about production risk. It will give them an idea how to assess the chances of a particular yield occurring for a commercial crop in the coming year. Give each team 10 to 20 counters and a large sheet of paper. (This can also be done on the ground). Ask each team to choose a different crop that they know about. Ask each team to agree on the minimum, average and maximum expected yields they can expect for their enterprise. Ask each team to do the following:

- Draw a line across the paper.
- At the left end of the line write down the lowest yield expected.
- At the right end of the line write down the highest yield expected. In the middle write down the average yield expected.

4

Allocate the counters to these intervals based on how likely they think the yield will be in this range. The yield they think they are most likely to get should get the most counters. The yield they think they are least likely to get, is given the least counters.

5

Add up the counters in each interval and divide each number by the total number of counters used.

Assessing & Managing Business Risks

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

Some risks associated with farm business

- Production and technical risk
- Marketing and price risk
- Financial risk
- Institutional risk
- Human and personal risk
- Natural disasters and adverse weather pattern

Risk management strategies

- Risk-reducing inputs
- Risk-reducing technologies
- Selecting low risk activities
- System flexibility
- Production diversification
- Reserves of inputs and produce
- Spreading sales
- Market price information
- Contract farming
- Crop insurance
- Selling assets

Things to be considered to assess and manage the risk

The impact of the risk if it occurs

The financial consequences if it occurs

The likelihood that it will occur

The risk management strategy



STEPS

6

While the teams are doing their work, write the following risks on the board:

- Uncertain and variable market prices
- Greater chance of pests and diseases damaging a crop from more intensive agricultural production
- Changes in climatic conditions
- Failure in the production of a new commercial crop or livestock activity
- Failure in the adoption of a new technique of production aimed at increasing yields in a commercial activity
- Institutional risk as farmers rely more heavily on the support and regulation of organizations outside the village
- Human or personal risk, such as injury to or the death of the head or main worker in the farm family
- Borrowing risk that increases as farmers commercialize and borrow money to finance their new commercial operations.

7

When each team has completed the exercise, ask them to share their results with the rest of the participants. Explain that the percentages they calculated are the chances of these events occurring. That is, the percentages are the likelihood that the uncertain yield will fall in this range in the coming production season. Encourage discussion. Ask, do teams with the same crops have the same expectations of yields and chances? Why? Why not? What factors did the teams take into account when deciding on the high and low yields? What factors did they take into account when deciding how many counters to put on each range?

8

Explain that now that they have calculated the likelihood that they will get a particular yield, the next thing to do is to think about what might affect yield. Ask each team to identify the factors that might affect yield.

Ask each team to share one of the factors they identified. Write these on the board. Continue until all the possible factors have been identified and written down.

Ask the participants to agree on the most serious risk in the list. Ask each team to develop strategies to manage the chosen risks. When the teams have finished, ask each team to share the results of their discussions. How do the risks and strategies compare between the teams? Will the identified strategies work? Are they feasible? Are there any other ideas?

Encourage discussion.

9

Get the farmers to look at the risks on the board. Ask each team to choose a risk from the list. Ask them to write their risks in the handout. Ask each team to consult and agree on the following four things:

- The impact of the risk if it occurs
- The financial consequences if it occurs
- The likelihood it will occur
- The risk management strategy they should use



As they agree on their answers, they should write these into their handbooks under the headings given on the board. When each team has completed the task, ask them to share their work with the rest of the participants. Encourage discussion. Do they all agree on the likelihood and consequences of the risk? Why? Why not? Will the identified strategies work? Are they feasible? Are there any other ideas?

10

By way of postscript to this session on risks, bring up to the group the fact that agriculture is still one of the most vulnerable sectors to climate change. Explain that crop growth are easily affected by changing climate. Calamities do not only affect crops and livestock directly but also infrastructure facilities. Extreme climate variability makes businesses which are agri-dependent to be unpredictable and unreliable. This is such a big challenge since market contracts need to be met as agreed regardless of the climatic condition surrounding the business.

Remind them that the impacts of extreme weather changes include the following:

- Reduced water supply for coastal zone water users
- Reduced fish catch
- Prevalence of pests and diseases
- Low production and income
- Disruption in cropping system
- Natural ecosystems change
- Water shortage
- Drying of wetlands resulting to reduction in irrigated area

Inform them that it is also good to attend any training on climate smart agriculture provided by government or private agencies. Reading more on the topic would help too.

PART 2:
Implementing

Module 7
FBS meetings
during
production
season



Session

18

Benchmarking

OBJECTIVES

By the end of this session, the participants shall have compared the performance of farms with a view of finding ways to improve farming operations.

STEPS

1

In order to do the benchmarking exercises, you will need to visit some farmers in the area that are performing above average. The farmers who are performing well can be used as a benchmark of performance. Before running this session you will need to identify which farmers to visit and inform them in time to prepare for a visit by the FBS participants.

2

Ask the participants if they have heard of the concept of benchmarking. They should be encouraged to share this knowledge with the group. Encourage discussion. After the discussion, explain the following using the handout on **Benchmarking**. Benchmarking is a continuous process of comparing the performance of one farm against another that is recognized as performing well. It involves gathering information from farmers and comparing it with information from the more successful farmers in the area.

3

Organize the farmers into their enterprise groups. Each group should consist of three to five participants. Explain to them that they are market-oriented farmers and will really benefit from benchmarking. To carry out a benchmarking exercise they will need to collect information from both farms to allow a comparison to be made in performance.

Ask the participants to brainstorm some of the things that they would like to compare with other farms. What aspects of their farms should be compared? Start with a crop enterprise that is common to all of the participants. Write their ideas on the board. Lead the discussion to the following aspects of the farm business:

- Land
- Labor
- Capital
- Input supply
- Water
- Production
- Post-harvest marketing
- Infrastructure
- Management



Benchmarking

Benchmarking is a continuous process of comparing the performance of one farm with another one that is performing really well. It involves gathering information from farmers who have used good practices on their farms.

What aspects of the farm should be compared?

Land

- What is your farming system?
- What is the total farm area?
- What are the individual plot sizes?
- How far are the plots from home?
- Who owns the land tenure?
- How much land is allocated to the different enterprises?
- Is there any intercropping? How much?
- What is the condition of the land? Fertility? Erosion?

Labor

- How many family members can work on the farm?
- What is the total hours needed per enterprise?
- How much labor is hired? From where? How are they paid?

Capital

- What stocks and reserves of food, cash, etc. are available?
- How much livestock is available?
- What machinery, tools and equipment are available? What condition is it in?

Input Supply

- What purchased inputs are used? From what suppliers? Are the inputs of good quality, reliable supply, etc. What prices are being paid?

Water

- What sources of irrigation water are available?

Production

- What is your level of production?
- Are there any enterprises that are performing outstandingly?
- What is produced? What yields are achieved? What is the quality?
- What inputs are used? How much inputs are applied? When are they applied?
- How much of the crop is consumed by the household? How much is sold at market?

Post-harvest marketing

- Where is the produce marketed?
- How is it marketed?
- How attractive is the market? What is the demand for the product?
- What are your marketing costs per item?
- What prices are achieved? Are these the best prices?
- Are there ways that marketing can be improved?

Infrastructure

- What buildings/structures are on the farm?
- How are the roads to the markets?
- How are the farm roads?
- What is the source of energy for the farm (e.g. electricity, biogas)?

Management

- Which enterprises are the most profitable?
- How is the farm managed?
- Does the farmer keep records?
- What are the unit cost of inputs and materials?
- What is your overall level of profit?
- Does the farmer plan for the future?
- What lessons can you share?

STEPS

4

Start a discussion about the kinds of questions they should ask, referring to the different parts of their farm business. This could start with Land. What information do they need to know about the land they use on their farm?

- What is the total farm area?
- What are the individual plot sizes?
- How far are the plots from home?
- Who owns the land tenure?
- How much land is planted to the different enterprises?
- Is there any intercropping? How much?
- What is the condition of the land? Fertility? Erosion?

5

Explain that the next exercise requires that the participants have information on hand about their farms. They will need information to answer the questions they have just developed. Some of the information is technical and requires numbers. Other information is more general. They will need to collect this information before conducting the benchmarking exercise. A list of some of the indicators of performance is listed in the **Benchmarking** handout. These are presented in the form of a checklist of questions to be used during the exercise. The participants will be expected to prepare a similar checklist for the field work.

Ask the participants when they are likely to be ready with the information. How long will it take them to gather it? Agree on a date and time for the next session. Suggest that they call on the extension worker to help them gather the information needed.

6

Explain that the data that they collect will be compared with similar data on the selected benchmark farms. To facilitate this process each of the enterprise groups should decide on single enterprise for performance comparison. The groups should spend the necessary time collecting data. Some of the information could come out of the records kept. Some consensus should be reached within the groups on the indicators chosen. This will require group meetings, discussion and debate.

7

When the data has been collected, explain the following: Now that we have done this work, we have enough information to compare your farms with a benchmark farm. In our next session, we will visit the benchmark farms to compare performance. The purpose of the visit is to gather information from the benchmark farmers. You will use the same checklist of information that you collected for you selected enterprise since the last session.

Remind the participant groups to bring writing materials – exercise book, pen, pencil etc. during the benchmarking visit to record the information that will be collected.

8

Organize the farmers into their enterprise groups. Then visit the farmers you identified and discuss the benchmark questions. The groups should be mindful to identify areas where their farms are performing weakly and well compared to the benchmark farm. It is the weak areas, however, that will require attention. They should try to identify the cause and effects of the difference in performance. When all the information has been collected return to the FBS.

9

On return to the FBS each group should analyze the information collected and summarize the comparison. After each team has completed this task they should present a brief summary of what they learned. Ask them also to share one or two of the most important things they need to improve to improve their performance. Encourage discussion.

After each team has presented, ask them now to think about what actions they will take to improve their performance. They should propose actions for implementation for each of the areas where they need to improve. Ask them to think about the following questions:

- If you are weak on a factor, where can you get help from?
- Why do you think that this source can be of assistance to you?
- How can it help you to improve?

10

After the teams have made a plan for one or two of the actions they need to take, ask them to share these with the rest of the participants. Encourage discussion. Will the action they propose work? Is there another action they should consider?

11

Inform the participants that they are going for another field trip – a trip to a model farm to observe the features of a successful farm business. Organize them to form their farm visit groups and share their observations during the next session.

PART 2:
Implementing

Module 7
FBS meetings
during
production
season



Session

19

Characteristics of a Successful Entrepreneur

OBJECTIVES

By the end of this session, the participants shall have:

1. Discussed real cases and experiences with a successful entrepreneur;
2. Identified the characteristics of an entrepreneur; and
3. Evaluated self-entrepreneurship skills.

STEPS

1

Ask the participants to get into their farm visit groups. Ask them to spend a little time working on the information they gathered. Ask them to share and present what they have observed and learned during the farm visit.

2

The next activity during this session is a panel discussion with local entrepreneurs. Several days before the activity, you will need to arrange a meeting **with 2-3 well-spoken and successful farm businessmen/businesswomen**. Preferably, they should be people with whom the participants can identify. They should be working in something related to agriculture such as processing, marketing, etc. Each panel member will need to be briefed as to the purpose of the panel discussion. They should each be asked to present a 5-10 minute story about themselves and the business they are managing, after which they should be prepared to answer questions.

You may want to organize refreshments to be served after the panel interviews are done. Also, the follow up session for this meeting is a visit to a local entrepreneur. You will need to confirm with the FBS participants if they want to do this. If so, you will need to make the arrangements. Instructions are given in the guidance for visit session, but since you will have a number of entrepreneurs for this meeting, you may want to discuss this while they are present.

3

Panel discussion with local entrepreneurs

The session should start about one hour before the panel members arrive. This will give the participants time to brainstorm the questions they want to ask the panel members. Before the panel members arrive, explain that in this meeting we will look at entrepreneurship. We will try to understand what an entrepreneur is and what qualities an entrepreneur has. This will be done in two ways. First will be a panel-discussion which will involve two or three local entrepreneurs during which we will identify the characteristics of entrepreneurs. The second will be an exercise to identify which of these characteristics the participants have.

Explain that some local entrepreneurs will be telling their stories. Our job during these stories is to write down in our exercise books the characteristics or qualities of an entrepreneur that the panel members demonstrate. Brainstorm the kinds of questions the participants can ask the panel. Some possible questions to ask the panel are:

- Why did they start the business?
- How long have they been in their business?
- How long did it take to start making profits?
- How did they know they could make a profit?
- What is the most important thing to do as an entrepreneur?
- What do you need to be careful about as an entrepreneur?
- What are the most important characteristics of an entrepreneur?
- What about risk? Are they risk takers?

STEPS

4

Introduce the panel members. Ask them to tell their stories. Encourage the participants to ask questions. After this, thank the panel members. Invite them to stay for refreshments. Invite them to stay for the next session, if they wish to.

5

Explain that now that we have heard from a few entrepreneurs, we are going to try to consolidate our learning. While listening to the stories of the guests, the participants made notes on the characteristics of an entrepreneur. Organize the participants into teams of three to five. Ask each team to share their findings with each other. They should work together to agree on five key characteristics of an entrepreneur.

6

When all the teams are done, ask someone from each group to write their five key characteristics around the center circle. Each team should come up one at a time and give a brief explanation of each of the characteristics they agreed on. As the characteristics go up on the board, watch for repetitions; group similar characteristics together.

When all the teams have put up their characteristics, start a discussion about which of these are the most important. Facilitate the discussion until they have agreed on the 5 to 10 most important characteristics of an entrepreneur.

7

Explain that after developing the checklist, they can assess themselves as entrepreneurs. This will be done through interviews with each other. Ask each participant to review the ***Characteristics of a Successful Entrepreneur*** worksheet.




Organize the participants into teams of two. Explain that in this exercise, their job is to interview each other to help each other assess to what degree each has these characteristics. Start with the first characteristic. Talk to each other about it. Do you have this characteristic? Are you strong in this characteristic? If not, then tick the "Weak" column. And if you are strong in this characteristic, then tick the "Strong" column. Do this for each of the characteristics in the list. You may or may not have the same ratings. This is not important. What is important is that you make a truthful assessment. Ask each team to interview each other about their entrepreneurial skills and to complete their assessments. When the teams have finished, ask participants to share their assessments with others. Encourage discussion.

8

Explain that this exercise should have helped them to identify their strengths and weaknesses as entrepreneurs. The idea is to now help each other to build on strengths and to strengthen weaknesses. To do this the FBS has a challenge. The participants for whom a characteristic is their 'strongest' should help the participants for whom the same characteristic is their 'weakest'. They should meet to discuss the characteristic and how they can make it strength. At future meetings, progress can be shared.

Characteristics of a Successful Entrepreneur

Rate yourself on the following entrepreneurial competencies

Entrepreneurial Characteristic	rating		
			
Likes being your own boss			
Has self-confidence			
Has sense of urgency			
Has high energy			
Is willing to risk money and security			
Can inspire and energize others			
Strong willed			
Has ability to learn from failures			
May devote a disproportionate time to the business			
Very competitive			
May lack some business skills			
Has a "never, never, never quit" attitude			
Honest and trustworthy			

PART 2:
Implementing

Module 7
FBS meetings
during
production
season



Session

20

Value Addition

OBJECTIVES

By the end of this session, the participants shall have:

1. Discussed value addition as a concept; and
2. Identified new ideas about value addition that they can pursue individually and through group activities.

STEPS

1

Before starting with this section the participants must obtain information on the price of 1 kg of fresh potatoes and 1kg of potato chips; or look for a product that is common in the area.

2

Show two potatoes -- one clean, the other, dirty. Ask the participants that if they would buy potato, which one of the two would they choose? (Most may say the clean one). Ask them if a sack of clean potatoes and a sack of dirty potatoes were kept in a shop, which would be likely to fetch a higher price? Why?

Now show participants the three packets of vegetables (or other suitable commodity). Ask them that if they were to take the three forms of vegetables to the market, which one do they think will fetch the best price? Why? Hold up the nicely packed one and ask how many of you think this will fetch the highest price? Why? Which packet of vegetables is likely to receive the lowest price? Why? Guide the discussion towards the fact that price was enhanced due to the following:

- Cleaning of vegetables
- Grading of vegetables
- Packing and packaging of vegetables

Discuss the concept of **Value Addition** and refer to the handout.

3

Explain to the participants that this discussion is about "Value addition through postharvest handling". Now show participants the fresh potato and the potato chips. Explain that the main input for potato chips is potatoes. The price of 1 kg of fresh potatoes is ₱ 60 But the price of 1 kg of potato chips is ₱250.

Note:

Determine prices as per local scenario. Ask why the chips are more expensive than the potatoes? Lead the discussion to the understanding that the chips are more expensive because value has been added to the potatoes through processing. It is important to also consider the cost of processing the potatoes to potato chips.

Explain that in this meeting we will look at "adding value" to farm production through both post-harvest handling and processing. First we will start with post-harvest handling.

4

Ask the participants to think of the different things that are done to a product after harvesting. Write the answers on the board and refer them to the handout on **Value Addition** and discuss different examples of value addition through post-harvest handling.

Explain that this list will not apply to all products. The next step will be to look at the post-harvest handling for the group products and organize the participants into group products.

Develop a post-harvest handling chain for the group product. They may refer to the list on the board. To do this they should agree on all the things that are done to the product after harvesting. They should write them into their exercise books. They should number them according to the order that they would happen. For each thing they have written down, they should discuss how it adds value to the product.

As the groups are working on their lists, check on their progress and offer help. You want to make sure the lists are complete and that the activities are in the correct order. The process shows the chain of the product as it gains value at each stage.

5

When these tasks are done ask each team in turn to come to the front and act out or demonstrate the things that happen to their product after harvesting. The first person in the team should start by holding up the picture of their product and introducing the product. He should then hand the picture to the next person who explains the first thing that is done to their product after harvesting and how it adds value. He then hands the picture to the third person who explains the next thing that is done and how it adds value. This process should continue until the entire list of post-harvest activities is completed.









As each team presents, ask questions and encourage discussion. Do the rest of the participants agree with what the team is presenting? Have they left anything out? Have they put something that does not actually happen?

The process shows the chain of the product as it gains value at each step.

Value Addition

Value adding means to work on the raw product to improve its overall value, and therefore marketability. This can include:

Adding value through Post-Harvest handling	
Cleaning	Transport to Storage
Drying	Cooling/Boiling
Threshing	Grading/Sorting
Packing/ Packaging	Transport

Adding value through processing	
From	to
 Peanut	 Peanut butter
 Fresh tomatoes	 catsup
 Fresh mango	 Mango juice, dried mango
 Milk	 Yogurt, cheese

STEPS

6

When all the teams have presented, start a discussion about the farmers' role in post-harvest handling. Who could or should perform each step? Do all farmers do it? Why? Why not? Some possible answers are given below:

- They do not know how
- They consider it expensive
- They do not perceive the value or importance
- They have immediate need for cash and therefore sell off their produce
- They do not have additional time or other resources (e.g. tools, machinery) for undertaking some processes

7

Organize the participants into teams of three to five based on enterprises they are currently managing. Ask each team to think about the post-harvest handling of their product. How could or should the product be handled after harvesting? Are they doing this? If not, why not? Who is doing it? How do you think this affects the prices they are getting at the market? Can they make a plan to help one another to do this work? When the teams have finished their discussions, ask each team to report back to the FBS.



8

Explain to the participants that in this exercise they will look at how to add value to a product through processing. Ask the participants if they can think of any examples of products that are processed into a new product before they are sold. Refer them again to the previous handout on **Value Addition** for some examples on adding value through processing.

Try to bring along samples of each product being shown as example. Ask participants why farmers do not add value through processing their products. Again responses may be as above.

STEPS

9

Organize the participants into teams of three to five based on common enterprises they are currently managing and ask each team to brainstorm about how their product could be processed to add value. They should identify what can be done, such as potatoes can be made into potato chips; groundnuts can be made into peanut butter. They should also identify who would actually do the processing. Can they do it themselves? Does it have to be done by someone else? Would they like to process their product in this way? Who would do it?

When the teams have finished this work, ask each team to share their work with the rest. Encourage discussion. Do the others agree with their ideas? Do they want to form teams to work on putting these ideas into action? Encourage them to work together on this. They will need to investigate the possibilities and find out what is required. Ideally you want to encourage the participants to form teams that can work together in taking their ideas further. Encourage them to investigate more and to report back at another meeting.

10

Organize the participants into teams of three to five. Explain that they will be visiting someone who is a value-adding entrepreneur. Inform them the name of the entrepreneur and his business. Discuss with them also about the products he processes and what the business does with the product (e.g. it processes pineapples into pineapple juice). Explain that the purpose of the visit is to learn about possibilities for adding value to one of the products they are currently producing. Before going to the business, they need to brainstorm the questions they will ask.

Explain the program for the visit that you have to discuss with the hosts about Production, Marketing and Organization of value addition related businesses.

Ask each team to think of 2-3 questions for each of the following themes: Production, Marketing and Organization. When the teams have completed their work, ask each team to share the questions they have come up with. Ask each team to share one question, and then ask another team to share one question. Write the questions under the appropriate headings. Continue this process until the teams have shared all their questions.

When all of the teams have reported encourage discussion. Use the questions suggested above as a guide during the discussion. Guide the discussion to agreeing on the questions they will ask during the visit. When the discussion is done and the questions are all agreed, ask the participants to copy them into their exercise books.

Next agree on who will ask which questions during the visit. Try to make sure that each participant asks at least one question. Also agree on how the answers will be recorded. Should one person take notes for everyone? Should everyone take their own notes? Should the person asking the question also write down the answer? When all the questions have been assigned, go to the business and carry out the investigation.

11

When the visit to the entrepreneur is over, return to the FBS and organize the participants into the same teams that worked together on the questions. Ask each team to go over the questions and answers they have recorded. Remind participants about the three aspects of the questionnaire used for the survey i.e. production, marketing and organization.

Starting with production, ask each team to share what they have learned. Write their answers under the appropriate headings. Encourage discussion. Does the value-adding business seem to make money? Does it seem easy or difficult to do? Are there many risks? When the discussion is done, ask the participants if they want to look into being in this or another value-adding business or starting such a business of their own.

If the participants seriously want to consider this further, then they should form a small task team to study this more. Suggest that they contact the local extension officer or agri-business cooperator for more help with this.



PART 3:
Evaluating and
Re-planning

Module 8
Reviewing Past
Business and
Planning For
the Next Season



Session

21

Assessing the Benefits of the Farm Business School

OBJECTIVES

By the end of this session, the participants shall have:

1. Evaluated the last production season; and
2. Identified the benefits of FBS.

STEPS

1

Explain to the participants that evaluation is a process of checking if planned activities have been implemented according to plan and if the objectives and goals have been met. Evaluation also helps to find ways to improve on future plans/activities. This meeting will be dedicated to assessing the usefulness of the FBS, through two processes. First through a quick verbal check in the plenary, and then through a more detailed questionnaire in their respective enterprise groups.

2

In the plenary, ask the participants the following questions:

1. Was the FBS a useful forum? If yes, why? If not, why not?
2. What was the most important learning for you?
3. Did you find the business plan preparation a useful process? Why, or why not?
4. Did you change anything on your farm as a result of the FBS? Share some examples.

Make sure that all the participants have a chance to share their thoughts and feelings. Make sure that these are noted.

3

To elicit more detailed feedback, organize the participants into groups of three to five with the same main enterprises on their farms. Explain to the groups that their task is to discuss how effective and how helpful the FBS lessons were when applied to their farms. The aim of the exercise is to improve the FBS lessons and to make sure they are relevant. Instruct the participants to use as a discussion guide the two lists provided in the handout on **Assessing the Benefits of the Farm Business School**. Make sure that there is a note taker in the group. Give the groups at least an hour to discuss the questions.

Once the groups have completed their discussion, choose a few questions and facilitate a discussion. Ask each group to share a few experiences from their discussions. Have each group tell one experience. Then move to the next group. Repeat the process until all the groups have told all their experiences or until you see that the experiences are beginning to sound the same.

4

Ask the participants about their future plans. Have they thought about what they want to do next season? What are some of the changes they want to make? What are some of the ideas they have? Encourage discussion. Remind them that towards the end of this part of the FBS program, they will make a new Farm Business Plan to help them through the next season.

5

Based on the points raised by the participants, lead a discussion to identify suggestions from the participants to improve the way the FBS runs. Write their suggestions on the white board.

Assessing the Benefits of the Farm Business School

List # 1: Technical learning from the FBS

What were the farm business methods you learned about in the FBS?	
Which farm business methods do you now use, and what effect do you think they have had on your farm profit?	
What difficulties have you experienced in applying methods learnt in the training program?	
To what extent have you engaged in more commercial farming operations since the training program?	
How has the training you received influenced the crops you now grow and livestock you raise?	
Did you make any changes to the production methods that you use? Please describe these.	
How do you think you performed compared with other farmers in your district who did not participate in the FBS training?	
If you were to continue with the training, what would be the farm business method you would most like to have included in this training?	
Has the farm business training changed your attitude to your work as a farmer? If yes, by how much and how?	
What has been the overall effect of the training on your farm profit?	
What have other farmers said to you about the training program?	

List # 2: FBS as a Support to the Farmers

<p>How would you rank the farm business methods you were taught in terms of their importance to your farming operations?</p>	
<p>Which methods were hardest to understand or apply? Why? Do you think they have had an impact on your farm profit?</p>	
<p>How did you find the balance between learning ideas and concepts and learning practical skills?</p>	
<p>How much support have you received from your extension agent or other farmers to help apply the methods learnt?</p>	
<p>Has any follow-up training been provided to you from outside the FBS? If so, what kind of training?</p>	
<p>What do you think about the approach used to develop the Farm Business Plan?</p>	
<p>How would you rate the implementation part of the program? Did it cover problems and topics when you needed them to be covered?</p>	
<p>What suggestions do you have to improve the FBS program?</p>	

*PART 3: Evaluating
and Re-planning*

**Module 8
Reviewing Past
Business and
Planning For the
Next Season**



Session

22

Assessing the Performance of a Farm Business Plan

OBJECTIVES

By the end of this session, the participants shall have evaluated their farm business plan at the end of the production year using the farm records and existing benchmark.

STEPS

1

Prerequisite

The participants should have brought with them the farm business plans for this session.

2

Organize the farmers into groups of three to five based on a common enterprise. In their groups, the participants should review the checklist on **Assessing The Performance Of The Farm Business Plan**, and identify for each item whether they think it is something that they should do again, and whether they should do it differently. This will require them to review past targets, e.g. farm goal, production plan, labor plan, market plan, etc. and assess how well they performed vis-à-vis targets.

For those who achieved their goals, encourage them to discuss the key things that contributed to their success. For those who did not achieve their goals, ask them to identify the things that prevented them from achieving them. They should make notes on the checklist page.

3

When they have finished, ask each group to present what they have discussed. Encourage discussion and try to identify key elements that contributed to achieving or not achieving results. During the discussion keep writing the key elements on the board under the appropriate heading.

There are likely to be many factors that contributed to achieving or not achieving their goals. There may be a tendency for the participants to blame factors beyond their control for any deviation from the plan. You as a facilitator will have to make them realize that they should take responsibility for their actions.

You will need to probe their answers and guide their thought process in order to accomplish this task. The following questions should be asked:

- Did they follow (strictly) their plans?
- If the plan did not work, what were the weak elements?
- Why were they weak?
- What should they have done differently?
- What parts of the plans went well?
- Can they be repeated?

Explain to the participants that they should remember these key points, as these will be important when they develop their next Farm Business Plan.

Assessing the Performance of the Farm Business Plan

	Things I should do again	Things I should differently
1. My farm goal		
2. My production plan		
3. Physical resources and inputs		
4. Labor planning		
5. Marketing		
6. Profitability		
7. Cash availability		
8. Risks		
9. Record keeping		

STEPS

4

Write the following on the board:

My Production Plan	
Things I should do again	Things I should do differently
1.	1.
2.	2.
3.	3.

Ask them to discuss how well their production plan worked. The following questions can be discussed:

- Did it give the results they wanted or expected?
- What problems did they have?
- What worked?
- What did not work?
- What should be done differently next time?
- Is there anything that indicates that it is not technically feasible to produce this product? Soil? Climate? Slope of land? Elevation?

Ask each group to present what they have discussed. Identify and write on the board key things that they should do again and things they should do differently. These will be important when they develop their next Farm Business Plan.

5

Now write the following on the board:

Physical Resources and Inputs	
Things I should do again	Things I should do differently
1.	1.
2.	2.
3.	3.

Explain that table to the participants. Ask the groups to discuss any success they had in getting the physical resources and other inputs they had planned for. The following questions can be asked to facilitate this discussion:

- Were the resources and inputs available when they needed them?
- How were the prices?
- How would they rate the suppliers in terms of reliability, price, quality of product, etc.?
- Would they change suppliers?
- Would they change products?

Ask each group to present what they have discussed. Identify and write on the board key things that they should do again and things they should do differently. These will be important when they develop their next Farm Business Plan.

6

Now write the following on the board:

Labor Planning	
Things I should do again	Things I should do differently
1.	1.
2.	2.
3.	3.

Ask the groups to discuss what success they had with their labor plans. The following questions can be asked to facilitate the discussion:

- Was the family labor available as planned? If not, why not?
- Did they hire all the labor they needed?
- Was the timing right?
- Was the cost as they had planned?
- How efficient was the labor?
- Did they have enough labor? Too much? Too little?

Ask each group to present what they have discussed. Identify and write on the board key things that they should do again and things they should do differently. These will be important when they develop their next Farm Business Plan.

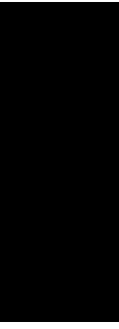
7

Now write the following on the board:

Marketing	
Things I should do again	Things I should do differently
1.	1.
2.	2.
3.	3.

Ask the groups to discuss what success they had with their marketing plans. Question the participants on the following:

- Did they meet their targets? If not, why not?
- Did they get the prices they expected? If not, why not?
- Did they get the marketing costs they expected? If not, why not?
- How were the markets? How many buyers and sellers?
- Did it work out as they have planned?



8

- Did they use the transport they planned for? If not, why not?
- What was the quality of their produce? What will you do differently next time?

Ask each group to present what they have discussed. Identify and write on the board key things that they should do again and things they should do differently. These will be important when they develop their next Farm Business Plan.

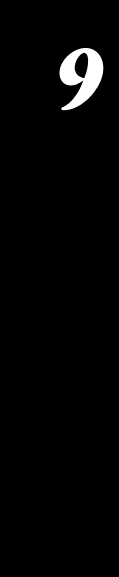
Now write the following on the board:

Profitability	
Things I should do again	Things I should do differently
1.	1.
2.	2.
3.	3.

Ask the groups to discuss what success they with their enterprise profitability? Ask the following questions.

- Where the planned costs same as the actual costs? If not, what was different?
- Did they manage to save costs? If so, how?
- Was the profit as planned? If not, why?

Ask each group to present what they have discussed. Identify and write on the board key things that they should do again and things they should do differently. These will be important when they develop their next Farm Business Plan.



9

Now write the following on the board:

Cash availability	
Things I should do again	Things I should do differently
1.	1.
2.	2.
3.	3.

Ask the groups whether they had enough cash for the enterprise. If not, which months did they have shortfalls?

- What did they do about it?
- How close was their cash flow plan to what really happened?
- What was the difference? Why?
- What sources of finance did they finally use?
- How accurate was their assessment?

- What more have they learned?
- Which is the best source?
- What attributes helped you decide?

They should rate those sources in terms of the advantages and disadvantages they discussed during the Pre-Season training. Encourage discussion and try to identify key things that they should do again and things they should do differently. What would they do the again? What would they do differently? Write key learning points on the board under the appropriate heading.

10

Now write the following on the board:

Risk & risk management	
Things I should do again	Things I should do differently
1.	1.
2.	2.
3.	3.

Ask the groups the following:

- What risks did you think you would face last season?
- What plan did you put in place to handle the risk?
- Which of those risks did you actually face? What happened and how did you handle it?
- What risks did you face that you did not expect or plan for?
- What happened and how did you handle it?

11

Explain to the participants that this exercise is aimed at reflecting on recordkeeping. Ask the participants to form a single group and share their thoughts on the overall process of evaluating their farm business plans.

The following points should be discussed:

What did this evaluation tell them about farm business plans?
 What was the most valuable lesson they learned from this first evaluation?

You must encourage discussion and also encourage everyone to participate. Lead the discussion to the idea that a farm business plan needs to be clear and then it needs to be implemented. Plans, however, are not fixed. They have to be adjusted as they are implemented. Things change and new things develop. So farmers have to adapt their plans. But, they should stick to the overall goal.

Next ask the participants to share their thoughts on the role of records in evaluating their farm business plans and their enterprises. The following points

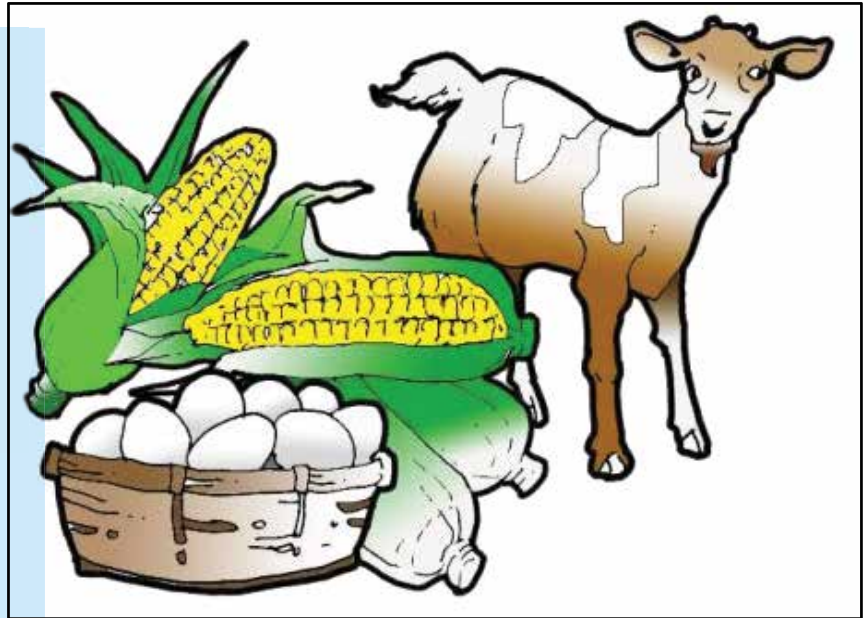
can be used to guide the discussion:

- Did they actually keep the records?
- If they did, what help did the records give in the evaluation?
- For those who did not keep records up to date, how easy/hard was it, to do the evaluation?

Lead the discussion to the idea that evaluating the enterprise or the farm requires that accurate records are kept. Once the discussion is concluded explain that records are important. They provide most of the information needed to do the evaluation. If good records are kept, then a farmer does not have to rely so much on his memory. His evaluation will be more accurate which means his next farm business plan will be better.

*PART 3: Evaluating
and Re-planning*

**Module 8
Reviewing Past
Business and
Planning For the
Next Season**



Session

23

Choosing Farm Enterprise for the Next Season

OBJECTIVES

By the end of this session, the participants shall have systematically selected profitable and appropriate enterprises for the next farm seasons.

STEPS

1

Welcome the participants to the meeting, and share with them the meeting objective. Remind them that the subject of selecting an enterprise is not new for them, since they underwent this process before. However, in the last season each of them had prepared a farm business plan for one of their enterprises. In this session they will develop a farm business plan for the whole farm for the coming season.

2

This time their farm business plan will include all the enterprises on their farm. This will make the business planning more complex. They should, consequently, proceed systematically through the following stages:

Stage 1: Selection of enterprises

Stage 2: Developing a budget for the whole farm, preparing budgets for individual farm enterprises, including fixed costs

Stage 3: Developing a market plan

Stage 4: Developing a farm business plan

Emphasize that while each of them will develop their own farm business plan and farm budget, like before they are encouraged to work together to help one another.

3

Divide participants into 4 groups. Using the handout on ***Choosing Farm Enterprises For The Next Season***, discuss all the enterprises and products on their farms. Based on their experience from last season, ask them to list the enterprises that they want to include in the plan. They should generate a list of potential enterprises by asking the following questions:

- Which enterprises were the most profitable last season?
- What new market opportunities did they learn about last season?
- What enterprises are technically feasible for their farms?

Ask each group to share in the plenary their lists of enterprises. List these enterprises on the board. Ask participants to explain why they have chosen these particular enterprises. Explain that now that they have made this initial selection of enterprises, they will work on each one to make sure it is both profitable and possible to implement.

Choosing Farm Enterprises for the Next Season

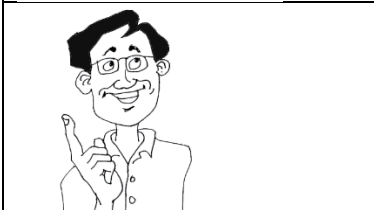
Systematically choose your enterprise for the next season:



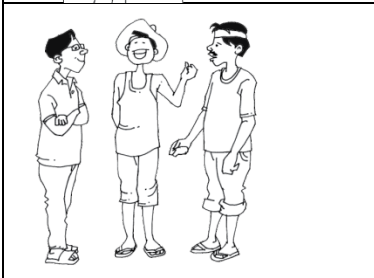
Think of all the different enterprises that it might be possible to have.



Make a budget for each enterprise and consider that which can bring the most profit.



Review the materials, resources and inputs that would be required. Are they easily available? Are the sources reliable?



Assess what labor is needed. Is enough labor already available in the farm or will additional farm hands need to be hired?

REMEMBER: No two farms are exactly the same. The following factors should always be assessed (for each farm and farmer).

- Market demand
- Experience from the previous season
- Profitability
- Technical feasibility
- Physical resource requirements
- Labor requirements

STEPS

4

It is likely that there will be 5 to 6 enterprises on the board. Now assign each enterprise to at least 2 groups (each group may end up with at least 3 enterprises) and ask the groups to calculate enterprise budgets for one of their assigned enterprises. They should calculate this for one hectare if it is a crop and one unit if it is livestock. Remind the participants that the enterprise budgets are done on a per unit basis so that later they can calculate the actual budget based on the actual hectares or number of livestock.

Ask the participants to refer to handouts from previous meetings.

When each of the groups has finished one enterprise budget, ask them to share the budgets with the rest of the participants. Encourage discussion. Have they covered everything? Does anything need to be changed? When the presentations are done, ask the groups to work out enterprise budgets for the rest of their assigned enterprises. Ask for at least one presentation per enterprise. Follow the guide questions below:

- Do any of the enterprises make a loss? Which ones?
- Which enterprises are most profitable?
- How does this information influence their choice of enterprises for next season?

Ask the groups to review their enterprise choices based on the results of the enterprise budgets. Each participant should make a final list of enterprises that he or she wants to produce and market. Ask each group to share their final lists of enterprises.

5

Explain to the participants that now you are going to check if it is possible to produce the enterprises you have selected. Inform them that for each of their chosen enterprise they must undertake the following:

- Technical feasibility
- Assessment of physical resources and inputs
- Labor availability

Remind them that the above steps will allow them to make a final selection of enterprises for their farm business. Remind them that they should be clear about the main advantages and disadvantages of each enterprise? Are they convinced that they have made the right choices of enterprises? Do they want to change anything?

6

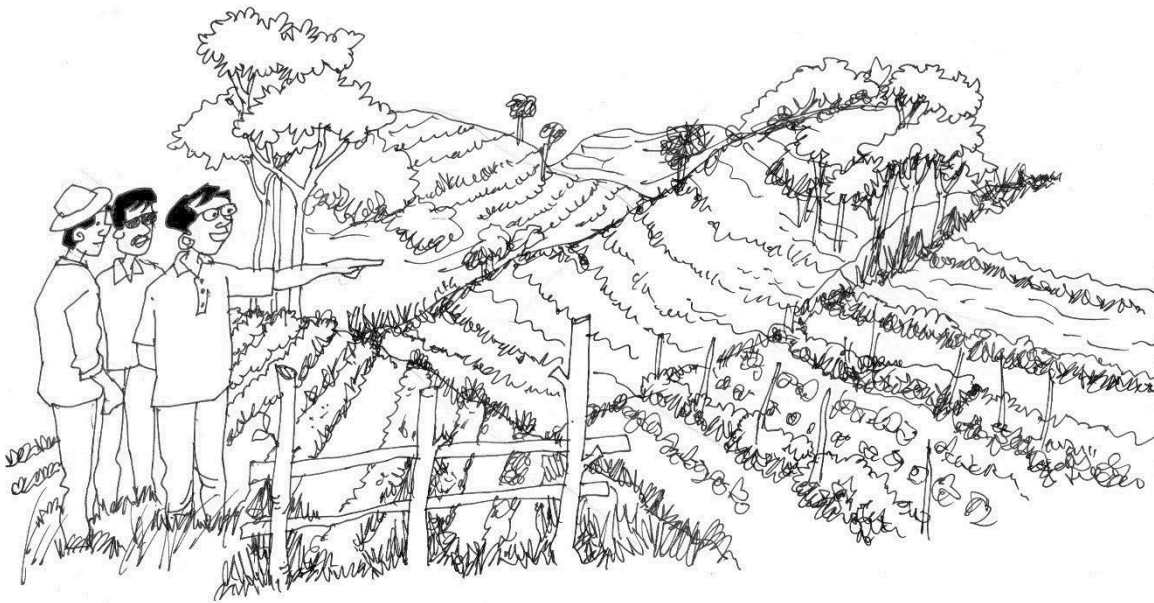
When the discussion is done, ask the groups to discuss which enterprises each of their members will have for the next season. Each farmer can have his own combination of enterprises. In the end, each participant must state the following:

- Which enterprises he or she will have
- How many hectares and number of head (if they have a livestock enterprise)
- The expected yield from each enterprise

When the groups have finished, ask each group in turn to share its plans. Start with one member of each group. Then move to the next group. As each farmer presents his plan, encourage the other participants to ask questions. Why has he chosen those enterprises? Were these the most profitable? Were there other factors?

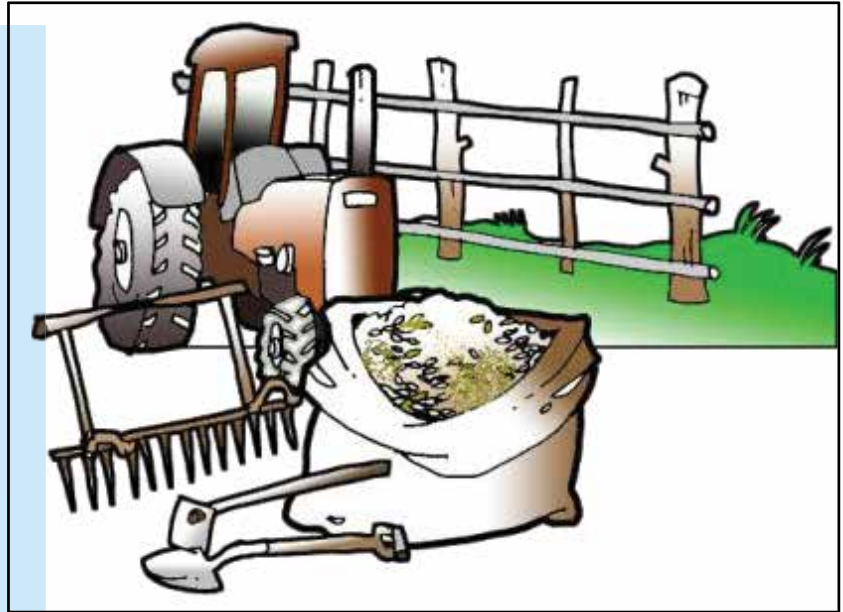
7

Conclude the session by referring the participants back to the handout on **Choosing Farm Enterprises For The Next Season**, and once again highlighting that selection of enterprises should be a logical and systematic process. Farmers must make informed choices and each farmer must choose enterprises based on his own situation. No two farms are likely to be exactly the same.



*PART 3: Evaluating
and Re-planning*

**Module 8
Reviewing Past
Business and
Planning For the
Next Season**



Session

24

Preparing a Farm Business Plan for the Next Season

OBJECTIVES

By the end of this session, the participants shall have:

1. Discussed the usefulness of farm business plans; and
2. Formulated farm business plans for the coming season.

STEPS

1

Welcome the participants to the meeting, and share with them the meeting objective.

Ask the farmers to think about the work they have done with business plans since starting with the FBS.

2

Ask them if the process has been useful for them, and if so how? Write their answers on the white board. Lead the discussion to cover the following points:

- Every farm should have a written business plan. A farm business plan records all the important decisions about the farm.
- Writing a farm business plan will improve thinking, decisions, communication and memory.
- A farm business plan helps evaluate the success of the farm at the end of the season. (If the actual results do not occur as planned, the written record should help the farmer to evaluate what went wrong, whether better decisions could have been made. Without a written record, incorrect memories may cause incorrect changes.)
- A farm business plan is very important for the creation or expansion of a business that processes products. Many new business ventures fail because they do not focus their efforts on properly implementing the plan.
- The business plan is not something you complete and then forget about. It is a living document that will undergo change as you move through the business development and implementation process.
- Focus on the quality of your business plan, not its length. A simple, clear plan is best.

3

Remind the participants of the structure of the farm business plan. Write the following headings on the board:

- My farm business plan
- Background
- Farm production plan
- Market plan
- Profitability
- Cash flow and cash availability
- Risks and risk management

Explain that they are now going to work on their farm business plans for the coming season. Even though they will be working in groups, they will complete a farm business plan for each participant. Ask them to take out their plan from the last season, and refer next to the blank worksheet: *My Farm Business Plan*

4

Remind participants about the first section, i.e. background information. Ask the groups then to discuss the vision and goals they have for their farm businesses. Remind them that they set goals before the last season. At the beginning of this set of sessions, they evaluated how well they did in reaching those goals.

Now they should think again about goals. Do they want to keep the same vision and goals as last season? Do they want to change their goals and vision? After discussions, each participant should have an individual set of own goals and vision. When the groups have finished setting goals, you should ask at least one person from each group to share his goals. Encourage discussion. Does the goal sound achievable? Does it stretch the farmer? Is it too easy to reach? Ask the participants to put the visions and goals onto the **My Farm Business Plan** worksheet.

5

Explain to the participants that you have already decided on your production plan. So all you have to do is to transfer that information onto the correct pages. Ask them to copy this information into the **section 2** of the **My Farm Business Plan** worksheet.

6

Keep the participants in the same groups. Explain the following:

You have already done the market plan. So you already know the market price for your produce and your market plan. Therefore in this exercise all you need to do is to copy your individual market plan into **section 3** of the **My Farm Business Plan** worksheet.

7

Explain the following:

- You have already done your whole farm budgets. So you already know how profitable your farms will be. Therefore, in this exercise all you need to do is to copy your individual enterprise budgets and whole farm budget into your farm business plan.
- Ask the participants to copy their enterprise budgets and whole farm budgets into **section 3** of the **My Farm Business Plan** worksheet.
- Now ask each team to discuss the fixed costs for each of their enterprises and to work out the total fixed costs. Remember that depreciation on equipment, machinery, and buildings should be estimated and added to **section 4** of the **My Farm Business Plan** worksheet.

My Farm Business Plan

Enterprise: _____ Date: _____

1. Background

Name	Barangay	Period of the plan
Vision		
My goal		

2. Farm Production Plan

Crop production

Crop type	Area (ha)	Output (kg/ha)	Total output (kg)

Livestock production

Type of animal	Number of animals	Yield per animal	Total liters

My Farm Business Plan, cont.

3. Market plan

Enterprise	Target market	Buyer	Expected quantity to sell (units)	Market price ₱/unit	Marketing costs/unit (₱)

4. Profitability

Expected enterprise profit	(₱)
1	
2	
3	
(A) Total enterprise profit	
(B) fixed costs (annual depreciation)	
Total Annual Fixed Costs	
Whole farm profit (A-B)	

STEPS

8

The participants should now assess the cash flow and cash availability. Remind them of a similar exercise that they undertook in the last season. Inform them that this time it would be more complex because it involves the whole farm. But the process is the same. They will work through it step by step. First they must list the selected enterprises. Then they must think about the cost of production and marketing for each enterprise. Which enterprises will need cash and when? How much cash will they need? Ask each person to figure out how much cash will be needed each month.

Next they should figure out if they will have enough cash each month. For each month where cash is needed they need to indicate how much cash is available? Each participant should have a table with these general headings although the items will differ depending on type of enterprises selected.

Explain to the participants that the next step is to bring together all the information about cash flow and to decide on cash availability. Ask them to refer to **section 5** of the ***My Farm Business Plan*** worksheet.

My Farm Business Plan, cont.

5. Cash flow and cash availability

activity	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	total
<i>Cash inflow</i>													
Enterprise 1													
Enterprise 2													
Enterprise 3													
Total													
<i>Cash outflow</i>													
Enterprise 1													
Enterprise 2													
Enterprise 3													
Total													
<i>Cash needed</i>													
Net cash flow (shortfall)													
Cumulative cash flow													

Cash Availability

Do I have enough cash available to implement the farm enterprise?

1. I have the following cash available to use for my enterprises:
2. I need the following amount of cash for my enterprises:
 - Enterprise 1:
 - Enterprise 2:
 - Enterprise 3:
 - Total cash needed:
 - I have enough cash (yes) (no)
3. The amount of extra cash I need is:
4. I need the extra cash in the following months:
5. I can get the money from the following sources:

Source	amount

STEPS

9

Now write the following on the board:

Risk	
Risk and what harm it can do	How to handle the risk
1.	1.
2.	2.
3.	3.

Explain to the participants that the next exercise would be aimed at assessing risk. Explain that for this exercise they should think about their farms. Ask the groups to discuss the specific risks that they might face in their enterprises. They should think about changes in market prices, the possibility of low yields, increases in costs of production and other types of risks. For each risk they should also identify what harm it can do. Each risk they identify should be written down onto the **section 6** of the **My Farm Business Plan** worksheet.

For each risk they identify, they should decide on what they think they can do about it. They should write their answers on the page next to each risk. When the groups have finished, ask each group to share what they have written about risk to their enterprises. Encourage discussion. Have they covered all the risks? Will their plans to address the risks work? Are there any suggestions?

10

Explain to the participants that they have now covered everything in their farm business plans. In the notes section of the farm business plan, farmers can write any other important information they need to record. It may be about where to get technical assistance and when it is required. It may be about setting up group marketing activities with other farmers. Ask each group to discuss if there is anything else they think should be included in the farm business plan. Whatever they decide should be written down in their notes. When each group has finished, ask each group to share what they have written. Encourage discussion. What do the other groups think? Are these notes useful to other groups?

When the discussion is finished, ask the groups to look back over the farm business plan. They should check the information and make changes where they think changes are needed. When this is done, explain to the participants that they have just finished their second farm business plan. It is a very important step towards making their farms better managed and more profitable. Encourage them to take their plans to their extension worker to discuss. They may need to make changes. There is room in their books to write down any additional information they may want to record.

*PART 3: Evaluating
and Re-planning*

**Module 8
Reviewing Past
Business and
Planning For the
Next Season**



Session

25

Developing an Action Plan for the Next Season

OBJECTIVES

By the end of this session, the participants shall have formulated an action plan for the next season.

STEPS

1

Welcome participants to this last session, and share with them the meeting objectives.

2

Write the following headings on the board:

Action plan for my farm business plan

Action	Duration	Start date	Responsibility

Keep the participants in the groups they formed to review their farm business plans and remind them that they should now complete an action plan, like they did in the previous season. The difference is that this action plan will be more complex since it will cover the whole farm and not just one enterprise.

Advise them to start at the beginning of their farm business plan and identify every action that needs to be taken in order to implement the plan. Refer them to the worksheet on **Preparing An Action Plan** a blank action plan format. Remind them that for each action, they need to identify how long it will take, when it should start and who will be responsible. They should write their decisions under the appropriate heading.

When each group has finished, ask them to share their list of actions. Write these on the board. Encourage discussion. Are the lists similar? If they differ, why? Have any actions been overlooked? Explain that the next step is to develop a seasonal calendar based on the action calendar.

3

Organize the participants into their enterprise groups and ask each group to discuss the kinds of things they will need to do to continue learning about farm business management and how to continually improve their farms. Ask them to make a list of all the follow-up actions that they will need to take.

Preparing an Action Plan

Action	Duration	Start date	Responsibility
Physical Resources & Inputs			
Labor			
Market			
Risk & Risk Management			

STEPS

4

Here you should ensure that each group should discuss each of these actions in detail to ensure that everyone in the group fully understands what they are and how they will go about doing them. Encourage the groups to identify realistic follow up actions that will have a set outcome for a particular purpose. They should look at the plan as a whole. Encourage them to make plans for individuals and actions they can take on together.

Ask each group to prepare a brief presentation that they will give to the other groups about the actions that they are going to take. Presentations should be fairly short and the group should select one or two people to do the presenting. Allow for a period of questions and answers at the end of each presentation. When they are ready, ask each group to make its presentation. Encourage discussion. Are the actions realistic? Are there actions for individuals? Are there actions for the group to do together? Did they leave anything out?

5

Organize the participants into groups of three to five and refer them to the handout, ***Ideas For The Way Forward***. Ask them to discuss the questions given there. Once all the groups have had the opportunity to respond, question by question, lead a discussion in the plenary. Emphasize that learning is a life-long process, and with a very minimal effort, they can benefit each other, as well as other farmers in their areas.

6

Thank the participants for their active participation and involvement in the FBS. Conclude the session by wishing the farmers well and requesting them to continue to spread the learning to others.

If the group decides for a grand graduation, end this session by discussing the details necessary for holding this activity. This may include the following:

- A presentation of the participants' profiles and their FBS journey through PowerPoint or folk media
- Testimonials from two participants
- Presentation of the summary of the group's business plans for the next season
- Displays of their farm harvests as well as photographs of their FBS sessions
- Distribution of certificates and recognition of outstanding participants
- Distribution of giveaways
- Invitation of VIPs to give inspirational messages
- Intermission numbers showcasing indigenous dances or songs

Ideas for the Way Forward

What can you do to continue learning about farm business management after graduating from the FBS program?

How can you transfer the learning to other farmers in your area?

Can you apply what you have learnt to other enterprises? How?

Can you become FBS facilitators? What would you need to learn to be an effective facilitator?

Are there other programs or opportunities that you can avail to take forward the FBS learning?









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