

## CHAPTER 4

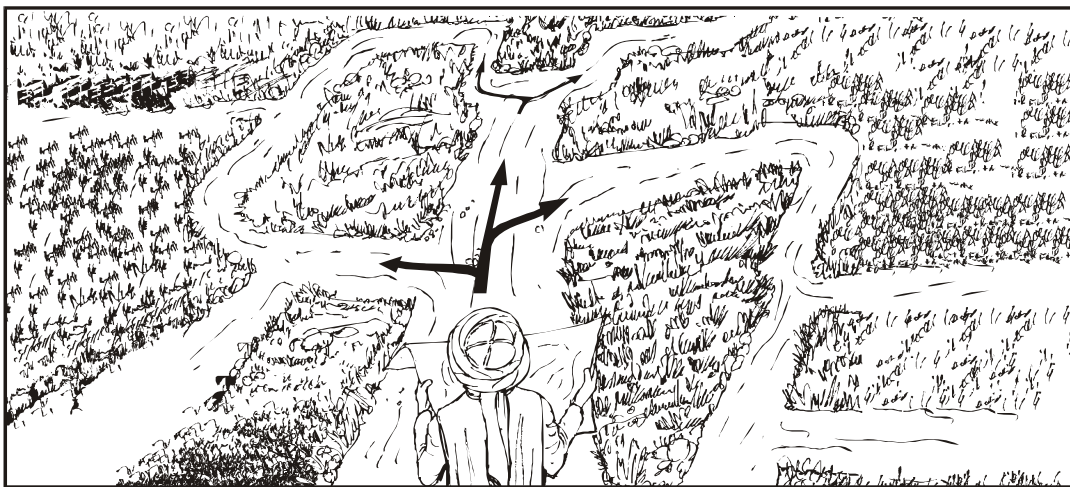
# Making your business plan

**A** business plan is an absolute necessity for any seed enterprise. A good business plan is the most important step in starting a successful enterprise. Therefore, any person or group that wants to start a small seed enterprise must be able to prepare a business plan before starting the enterprise.

### What is a business plan?

It is a comprehensive document which describes clearly the commercial goals or objectives of the enterprise and outlines the following:

- WHAT resources (human, financial, etc.) will be needed to achieve the commercial objectives of the business?
- WHERE will these resources come from?
- HOW will these resources be utilized?



The business plan is a **road map** to success. It shows you the direction to follow, which may not always be a straight road. This means that as you move along, you have to check periodically whether you are in the right direction or not. You don't wait until you get lost. If you are moving in the wrong direction, take corrective action quickly to get back on the right track

### **Why do you need a Business Plan?**

As an entrepreneur, you need a business plan for the following reasons:

- i. To show the cash flow you expect or how much money you expect to spend on the business in comparison with how much you will bring into the business during a given period of time.
- ii. To show which operations you will undertake and how much money you will spend on such operations.
- iii. To show funding or credit agencies how much your enterprise is worth and how well it will do in the future.
- iv. To assess the chance of the enterprise and make necessary correction before starting the business so as to increase you possibility of success.
- v. To minimize risks by preparing a plan that will guide the operation of you enterprise and serve as continuous reference.
- vi. To promote and market your enterprise
- vii. To show how you will achieve your business goals and objectives.

## **What should your business plan contain?**

Your plan should be simple, but it should detail the resources you will use, where these will come from, and how you will operate and manage the enterprise. The following is a simplified outline of the major components of a business plan:

### **Cover page**

- 1. Introduction**
- 2. Operating plan**
- 3. Financial plan**
- 4. Marketing plan**
- 5. Management plan**
- 6. Conclusions**

## **Preparing a simple Business plan for your seed enterprise**

To prepare a good business plan, you should think how answer the following questions carefully:

### **COVER PAGE**

Your cover page should provide essential information:

- What is the name of your group enterprise?
- What is the contact address of the enterprise?
- What are your telephone numbers and e-mail address?
- What is the logo of the enterprise? (This should be simple)
- What is your business slogan? (This should be short, attractive and to the point)
- When was the business plan prepared? (month and year)

Sample Cover Page:

## **Business Plan**

# **BEST AFGHAN SEEDS**

**Number 1 Muslim Street, Pulikhumri,  
Baghlan Province, Afghanistan**

**Tel: +93 799 315390**

**E-mail: baseeds@yahoo.com**

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**You Harvest What You Sow**

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## 1. INTRODUCTION

In preparing your introduction you should attempt to answer the following questions:

- What is the name of the enterprise? What is the structure and ownership of the business and total number of members? What is the objective of the group coming together to form the enterprise or start the business? What does the group expect to achieve by coming together?
- Why do you select to go into a seed business? For example, is it based on your long involvement in seed production or on skills and experience the members would bring to the business (specify these), or on potential market demand? What are the advantages your enterprise may have over competing ones? Is there any other special reason for selecting the seed business?
- What type of crops varieties and seed will your group enterprise produce and sell, and what is the potential market or groups of farmers that will buy it? What will be the possible advantages of your varieties/seed? (higher yield, shorter duration, disease tolerant, cheaper, better quality, etc.)
- What are your perspectives about the profitability, future growth and success of your group enterprise?

### **Sample Introduction:**

*Best Afghan Seeds (BAS) is a pilot seed enterprise that will be established with the technical assistance of FAO of the United Nations as part of its Seed Industry Commercialization Programme. Ten leading farmers with long years of seed production experience as contract growers will pool their resources together including land and money to establish the enterprise.*

*BAS Seed Enterprise will rely on the proven knowledge, skills and experience of its Leader, Mr. Abdul Rasheed, who brings over a decade of seed company managerial experience to the enterprise. Assisting Mr. Rasheed will be Mr. Mohammad Naweed, who has considerable technical experience in seed production and can meet the high quality standards that BAS Enterprise has set for its seed.*

*BAS Seed Enterprise will be created for the primary purpose of providing high quality seed of the best wheat and rice varieties to farmers in the northern and northeastern regions of Afghanistan, which are considered the bread basket of the country. The enterprise has a potential to gain reputation for offering quality wheat seed that provides great value to farmers in irrigated land. It will take advantage of the growing demand for quality seed of new wheat and rice varieties with outstanding flour and cooking qualities respectively.*

*BAS Seed Enterprise will establish its base of operations at Pulikhumri, the capital of Baghlan Province, which has amongst the largest area of irrigated land in the country and the fastest growing market for improved seed of wheat and rice. Other existing suppliers in Baghlan province produce seed of either traditional varieties, or old improved varieties that no longer perform well. BAS enterprise will therefore be in a good position to capture a significant portion of the local market for wheat and rice seed, since it will introduce new and better performing varieties.*

*BAS Seed Enterprise will differentiate itself from other suppliers through lower pricing and unique promotional techniques. By specializing in just a few of the most popular varieties, BAS Seed Enterprise will gain access to the largest segment of a growing seed market for wheat and rice. This tightly focused approach will also make it easier for BAS Seed Enterprise to establish and attain the position of a seed industry leader. This enterprise is projected to return a profit margin of 46% in its very first year of operations, due in a large part to the size of the market, a competitive price for seed, and the relatively low investment required to begin operations. The first year (2007) sales revenue is projected to exceed \$47, 000. The profit that is generated will be used for reinvestment in the enterprise.*

## **2. OPERATING PLAN**

Your Operating plan should explain how the enterprise will function on a day-to-day basis.

- How will you obtain land for your enterprise to establish offices and stores, and to produce different types of seed requiring different agro – ecological conditions?
- Which equipment, facilities and materials will you need and what is the estimate of their costs? Why would you need these specific types of equipment or facilities?

- What production inputs will be required and how much will these cost?
- What will be the production and delivery process of your seed from the initial to final stages?
- How much time will be required for the production and delivery process until the seed finally reaches farmers for planting?
- What expertise and skills will be needed for the production and delivery processes and how will these be obtained?

### **Sample Operating Plan:**

*Based on a survey of farmers in North and Northeastern Afghanistan, it has been determined that the current total annual requirement for wheat seed is about 125,000 tonnes and 10,000 tonnes for rice seed. Most farmers use older varieties and use their own farm-saved seed. This own seed is of poor quality and the varieties are mixed. There is therefore a persistent high demand for quality seed of new varieties, for which the farmers are prepared to pay higher prices.*

*BAS plans to enter the market and sell a total of 10,500 seers and 14,300 seers (1 seer = 7 kg seed) of certified seed respectively of new wheat and rice varieties in the first two seasons of operation (20 months starting October in year1) and increasing this gradually to a combined total of about 50,000 seers by the fifth year. For this, the owners will contribute some land each and the enterprise will also sign contract with growers and produce most of the seed on their own lands. The enterprise will need initial capital to construct a store with sufficient office space, and buy furniture, a seed cleaning plant, a transport van, three motor cycles, ten bicycles, two computers and one printer, and five mobile telephones. In addition, the business will require sufficient working capital to buy necessary inputs (foundation seed, fertilizer, herbicides, packaging material and seed treatment chemical), to purchase raw seed from contract growers, to undertake post-harvest operations and to meet other day-to-day expenses. The owners will contribute 20% of the funds required, and the enterprise will need to raise a long-term bank loan for the rest of the amount required at 15% service charge.*

*In the first year, BAS enterprise will select key farmers who are already knowledgeable in seed production to grow foundation seed of new irrigated wheat varieties on contract. One of the enterprise members is an experienced agronomist who will closely supervise the field operations and*

*coordinate raw seed purchases at harvest time. The owner of BAS has long-term relationships with the area's best farmers and is confident that each will provide quality service.*

*An intensive training programme will be organized for all selected growers prior to their involvement in the programme. A vigorous campaign will also be mounted to promote the quality of BAS seed in the farming communities so as to capture a good proportion of the seed market and maintain a core of loyal clients.*

*BAS Enterprise will carry out the following key operations:*

- Purchasing raw certified seed from its contract growers*
- Cleaning, packaging, treatment and storage of the seed*
- Seed distribution, marketing and sales*

*The various components of each operation and the estimated costs are outlined in the financial plan.*

### **3. FINANCIAL PLAN**

Your Financial Plan should discuss the finances you will need and expect. As a part of your overall financial plan, are costs, sales and profit plans, which should show, estimate or discuss the following:

#### **Costs element**

- What will be the total cost of the enterprise or the amount of initial finance you will require to start the enterprise and operate it for one year (investment needs)?
  - Land and buildings.
  - Machinery and equipment.
  - Inputs (foundation seed, fertilizer, etc)
  - Materials and supplies (packaging, seed treatment, etc.)
  - Administrative costs.
- Where will you obtain this money?
  - Own investment (how much of your own resources will be put into the enterprise at this stage?)



- Group investment (How much will come from the members' contribution?)
- Loan (If you are going to look for a loan, how much money will you be looking for and what collateral security you will be able to offer for the loan?)
- Grant (What will be the possible sources of grant?)
- Any other sources of funds
- What will be the fixed and working capital (variable cost) requirements of your enterprise?
- What will be the projection of costs of your business?

### **Sales element**

- What will be the forecast of total sales (benefit) of your enterprise?

### **Profit element**

- What will be the projection of profitability (size of profits) of your enterprise?

### **Financial statements**

How do you summarize and present the potential performance of your enterprise?

Having estimated the costs, revenue and profit level in Chapter 3, you should be able to present these measures in a summarized form that gives a snapshot of the success of your enterprise. The following are three ways of doing this:

#### i) Preparing an operating cash flow

An operating cash flow plan (detail by month for year 1 or season)

- On the basis of your operating plan, how much cash will you expect to come into and go out of your enterprise each month?
- How will you ensure that your enterprise does not run

short of cash at any time? Your cash balance in any one month must not be negative.

- ii) Preparing a projected profit and loss statement for your enterprise.

You should show the potential profitability of your enterprise and provide a projected profit and loss statement for Year 1. The profit and loss statement will show what profit or loss you expect to make at the end of the cropping season. This statement will summarize expenses (or costs) of your enterprise and the revenue obtained during the year to give two totals A and B as follows:

Total A = (opening value of seed stock + expenses during the year)

Total B = (closing value of seed stock + revenue received during the year)

Expected profit of your enterprise = (Total B) – (Total A)

A successful seed enterprise should aim at selling all its seed during the year (no carryover stock) such that both opening and closing value of seed stock equal zero. The profit during the year will therefore be determined only by the difference between the revenue received and the expenses made.

- iii) Preparing a net worth or balance sheet for Year 1

- iv) Sensitivity (“what if”) Analysis

- What will be the effect on your enterprise of some key financial variables?

### **Accounting records**

How will you manage and keep your accounting records?

## **Sample Financial Plan**

*This plan outlines the amount of money BAS will need to cover both its startup and operating costs, and how much income the enterprise expects to generate after sales of its first batch of wheat and rice seed.*

*The total establishment and first season operational costs of BAS will amount to US\$ 177,300 as summarized in the following table:*

<b>Item</b>	<b>Cost (US\$)</b>	<b>Percentage (%)</b>
<b>1. Machinery and equipment costs (fixed costs)</b>		
- Tractor	10,300	
- Accessories for tractor	2,500	
- Air compressor for tractor	380	
- Implements for tractor	2,390	
- Thresher	2,000	
- Seed drill	500	
- Harvester ( Windrower )	1,700	
- Seed cleaner	80,000	
- Ridging and ditch machine	240	
- Transport van	10,000	
- Motor cycle	600	
- Store	40,000	
- Furniture and fixtures	300	
- <b>Sub total machinery and equipment cost</b>	<b>150,910</b>	
<b>2. Administration charges (Fixed costs)</b>		
- Office supplies	500	
- Salary for cashier/accountant	800	
- Salary for tractor driver / operator	800	
- Wages for office labor	1,000	
- Van operation	2,000	
- Promotion and marketing	500	
- <b>Sub-total administration charges</b>	<b>5,600</b>	
- <b>Sub total fixed costs</b>	<b>156,510</b>	<b>88.3%</b>
<b>3. Seed multiplication costs (variable costs)</b>		
- Buying 12,000 seer raw wheat seed @ Afs30 (\$0.63) from growers	7,500	
- Buying 16,000 seer raw rice seed @ Afs35 (\$0.70) from growers	11,667	
- Processing 12,000 seer (84 tons) wheat seed @ \$3.7 per ton	311	
- Processing 16,000 seer (112 tons) rice seed @ \$2.8 per ton	314	
- Seed treatment, bags and storage costs for 84 tons wheat seed	482	
- Seed treatment, bags and storage costs for 112 tons rice seed	516	
- <b>Sub total variable costs</b>	<b>20,790</b>	<b>11.7%</b>
<b>GRAND TOTAL COSTS (Initial Costs for Year 1)</b>	<b>177,300</b>	

*As regards revenue BAS intends to clean and sell up to 10,500 seers of wheat and 14,300 seers of rice seed from 20 hectares.*

<b>Item</b>	<b>Amount (US\$)</b>	<b>Percentage (%)</b>
<b>1. Sale of processed seed</b>		
- 10,500 seers wheat seed @ Afs 80/seer or US\$ 1.66/seer	17,430	
- 14,300 seers rice seed @ Afs 100/seer or US\$ 2.07/seer	29,601	
<b>Total sale of processed wheat and rice seed</b>	<b>47,031</b>	

*On the basis of annual production cost of \$32,285 including depreciation, BAS will earn a net profit of US\$ 14,746 equivalent to a margin of 46%.*

*The cash flow on the next page is planned on the basis of the operational plan of BAS during the first two cropping seasons (20 months starting from October) of wheat and rice seed production:*

### Cash flow plan of BAS Enterprise for the first two cropping seasons (20 months)

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Total
<b>Beginning cash position</b>	20000	19599	19198	18798	18396	17995	17594	176711	12160	8609	7558	2907	2256	8927	10290	9789	9288	8773	18272	32771	
<b>Cash received</b>																					
<b>Sale of wheat seed</b>	0	0	0	0	0	0	0	0	0	0	0	5000	10000	2430	0	0	0	0	0	0	17430
<b>Sale of rice seed</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10000	15000	4601	29601
<b>Total cash received</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5000</b>	<b>10000</b>	<b>2430</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10000</b>	<b>15000</b>	<b>4601</b>	<b>47031</b>
<b>Cash paid out</b>																					
<b>Buy wheat seed from growers</b>	0	0	0	0	0	0	0	4000	3000	500	0	0	0	0	0	0	0	0	0	0	7500
<b>Buy rice seed from growers</b>	0	0	0	0	0	0	0	0	0	0	4000	5000	2667	0	0	0	0	0	0	0	11667
<b>Processing</b>	0	0	0	0	0	0	0	0	0	0	100	100	1110	1001	0	0	114	0	0	0	625
<b>Seed treatment, bags, etc</b>							482							516							998
<b>Office supplies</b>	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	840
<b>Salaries and wages</b>	217	217	217	217	217	217	217	217	217	217	217	217	217	217	217	217	217	217	217	217	4340
<b>Van operation</b>	100	100	100	100	100	100	100	250	250	250	250	250	250	250	100	100	100	200	170	170	3320
<b>Promotion and marketing</b>	42	42	42	42	42	42	42	42	42	42	42	42	41	42	42	42	42	42	42	42	840
<b>Total cash paid out</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>401</b>	<b>883</b>	<b>4551</b>	<b>3551</b>	<b>1051</b>	<b>4651</b>	<b>5651</b>	<b>3329</b>	<b>1067</b>	<b>501</b>	<b>501</b>	<b>515</b>	<b>501</b>	<b>501</b>	<b>471</b>	<b>30130</b>
<b>Net cash in hand</b>	-401	-401	-401	-401	-401	-401	-883	-4551	-3551	-1051	-4651	-651	6671	1363	-501	-501	-515	9499	14499	4130	16901
<b>Cash at month end</b>	<b>19599</b>	<b>19198</b>	<b>18797</b>	<b>18396</b>	<b>17995</b>	<b>17594</b>	<b>16711</b>	<b>12160</b>	<b>8609</b>	<b>7558</b>	<b>2907</b>	<b>2256</b>	<b>8927</b>	<b>10290</b>	<b>9789</b>	<b>9288</b>	<b>8773</b>	<b>18272</b>	<b>32771</b>	<b>36901</b>	

BAS will record and present all its financial transactions in suitable and acceptable manner that will be used for monitoring and control. Account statements will be prepared periodically to measure performance in terms of profit or loss that is being generated and what actions could be taken.

A forecast profit and loss account for BAS at the end of Year 1 indicates a good pre-tax profit of \$14,746 from its operations. The cash flow forecast analyzed on a monthly basis shows cash balance of \$36,901. These statements show that BAS will have more than sufficient cash that will be required to put its planned operations into effect and to also meet its capital needs.

**Profit and loss account of BAS Enterprises as at 31 December of year 1**

<i>Opening valuation (US\$)</i>		<i>Closing valuation (US\$)</i>	
-Wheat seed	0	- Wheat seed	0
-Rice seed	0	-Rice seed	0
<i>General expenses</i>		<i>Receipts (US\$)</i>	
-Depreciation	5895	-Wheat seed sales	17430
-Raw wheat seed purchase	7500	- Rice seed sales	29601
-Raw rice seed purchase	11667		
-Wheat seed processing	311		
-Rice seed processing	314		
-Seed treatment	998		
-Administrative overheads	5600		
<i>Profit</i>	<i>14746</i>		
<i>Total</i>	<i>47031</i>	<i>Total</i>	<i>47031</i>

The financial transactions outlined in the profit and loss account and the cash account are supplemented by a projected balance sheet, which shows the assets and liabilities of BAS or its financial viability at the end of Year 1. BAS will have nil accounts payable, since raw seed and other direct material purchase will be paid for fully during Year 1. Similarly, accounts receivable will be nil because all seed will be sold by end of Year 1. The balance sheet also indicates a healthy net worth or owner's equity of \$180,106. This is what the enterprise will be worth in financial terms at the end of Year 1.

**Balance sheet of BAS Enterprises as at 31 December of Year 1**

<i>Fixed Assets (US\$)</i>		<i>Long-term liabilities (US\$)</i>	
-Machinery, equipment, store, etc.	149,100	Bank Loan	0
-Accumulated depreciation	5,895	Sub total	0
Sub total	143,205		
<i>Current Assets (US\$)</i>		<i>Current Liabilities (US\$)</i>	
-Cash in hand(end Year 1)	36,901	Accounts payable	0
-Accounts receivable (Wheat seed stock)	0	Taxes payable	0
-Account receivable (Rice seed stock)	0	Sub total	0
Sub total	36,901	Net Worth (owners equity)	180,106
<i>Total</i>	<i>180,106</i>	<i>Total</i>	<i>180,106</i>

As a cost control measure, BAS will monitor causes of variation in its gross margin or gross profit (value of output minus the variable cost) and take corrective actions. The main causes of variance are normally changes in sales price of seed and prices of inputs. The following Table presents a sensitivity analysis, which assesses how net income or profit generated by BAS could be affected by specified changes in some key variables such as a 15% reduction in revenue resulting from lower sales price of seed or 15% rise in variable costs arising from increase in price of inputs. In both cases, although the business will be sensitive to these changes in terms percentage changes in gross and net margins, it will remain profitable in dollar terms.

Item	Reference	Scenario A		Scenario B	
	\$	\$	%	\$	%
Total revenue	47,031	39,976		47,031	
Total variable cost	20,790	20,790	-15	23,909	+15
Fixed overhead cost	11,495	11,495		11,495	
Gross margin	26,241	19,186	-27	23,122	-12
Net margin	14,746	7,691	-48	11,627	21

Given the current costs and prices, another sensitivity analysis is to show the output level at which BAS can breakeven. The breakeven point in seers for BAS is calculated using the following equation:

*Breakeven point = Total fixed cost/ (Selling Price per seer) – (Variable Cost per seer)*

*Total Fixed Cost = \$11,495*

*The average selling price per seer for wheat and rice seed could be taken as Afs90=\$1.88*

*Variable cost per seer = \$20,790/24,800 seers = \$ 0.84 per seer*

*Therefore breakeven point = \$11,494/(\$1.88 - \$0.84) = 11,053 seers*

*The analysis above shows BAS needs to produce a combined total of about 11,053 tonnes of wheat and rice seed such that the revenue from sales equals exactly the total costs incurred. The planned combined output level of 24,800 tonnes is about twice the estimated breakeven point, again indicating BAS as a potentially cost-effective enterprise.*

#### **4. MARKETING AND SALES PLAN**

Any marketing strategy comprises four basic elements referred to as the four 'Ps' namely PRODUCT, PRICE, PLACE and PROMOTION.

In the case of marketing by seed enterprises, certain questions need to be answered in relation to these four elements as follows:

### **(i) Product (the seed you sell)**

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

- What will be unique about your seed? (e.g., type of varieties, quality status)
- Which agencies, traders or farmers will be your major customers and where will they be located?
- What will be the relative size of their purchases?
- Why will they prefer to buy your seed?
- What type of packaging material, sizes seed treatment will you use and why?

### **(ii) Place**

The relative locations of the production fields, seed conditioning and storage facilities, and the sales points are important in terms of transportation costs and access to customers.

- Where will you locate your enterprise offices, storage and conditioning facilities, and why?
- Where will you locate your sales points and why?
- Who are your competitors and where are they located?
- What is their relative market share at present in the seed you wish to offer?
- What types of marketing channels are available and where are these located (e.g, traders, agri input dealers, marketing cooperatives, etc.)
- What are the strengths and weaknesses of these various channels for selling your seed?



### **(iii) Price**

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

- If different, what will be your price per unit for agencies, traders or farmers and why?
- How will you determine the final price? (e.g., as your group's decision, in consultation with local government, as your association's decision)
- What price range are other suppliers charging for the same kind of seed?
- How stable is your price or is it subject to change? If so, what factors would influence the change in price?
- Why do you think your customers will afford and will be willing to pay the price you charge?
- Is there any possibility for discount on large orders or purchases?

### **(iv) Promotion**

You should use a variety of methods or strategies to inform different categories of customers about the seed you offer and convince them to buy.

- How will you promote your seed before and after harvest to different categories of potential buyers?
- What accompanying service will you provide your customers besides just selling seed to them?
- What are the strengths and weaknesses of your competitors?
- How do you intend to cope with this competition and influence the perception of buyers?
- What will be your marketing or seed selling strategy? (e.g., brand image, pricing, product mix, customer oriented selling approach, after sales service, etc.)

## **Sample Marketing and Sales Plan**

*BAS Enterprise will offer the same or better quality seed than other suppliers in the market, but sell at a more reasonable price of \$1.66 per seer or \$237 per tonne for wheat seed and \$2.07 per seer or \$296 per tonne for rice seed in comparison with the prevailing price of \$240 and \$300 per tonne respectively. The enterprise will charge significantly less for its seed than other companies because of its lower overhead expenses and fewer employees it will engage.*

*As part of this strategy, BAS will promote its seed in the farming communities using a preferred mode of word-of-mouth advertising. This is also in line with a recent survey by the Agricultural Extension Department, which shows that most of the seed-buying farmers in the area typically prefer close and direct relationships with the seed supplier. BAS sales staff will, therefore, approach the farmers in person in order to identify their seed needs and how to satisfy them.*

*BAS will sell most of its seed through dealers in strategic rural locations who have direct dealings with farmers. The preferred dealers will, therefore, be traders selling general goods, agro-chemicals and farm tools, and who also provide farmers with credit facilities.*

*The enterprise will popularize its brand image in the form of three attractive spikes of wheat and the associated slogan of "You Reap What You Sow", which will be promoted vigorously.*

## **5. MANAGEMENT PLAN**

Your Management Plan should explain the organizational and management structure of the enterprise, the hiring and personnel procedures, and how the business will be managed on a day-to-day basis.

- What are the names and responsibilities of the group enterprise members?
- Which additional skilled staff will the enterprise hire, for which tasks and why?
- How will you recruit these personnel?
- How much salary will you pay these staff?
- What will be the organizational structure of the enterprise?
- How will the enterprise's accounts and records be kept?

## **Sample Management Plan**

*BAS Enterprise plans to keep wage and salary expenses low, at least initially. To achieve this objective, all management positions will be occupied by the group enterprise members who fortunately possess the relevant qualifications and experience. The remaining staff will be daily-waged workers, and casual labourers who will be hired during the busy periods.*

*Mr. Rasheed's long experience and good personal skills will be vital in leading BAS in the right direction, in capable partnership with Mr. Naweed. Another member of the group enterprise, Mr. Mohammad Khan, a retired certified accountant with valid financial management experience will handle the enterprise's finances. This position will be vital to continued financial viability of the business.*

*With a small number of employees, BAS will encourage dynamic teamwork and open access with no bureaucratic hindrance. The business will use its profit to provide attractive working conditions and appropriate incentives that will keep its dedicated staff in the enterprise.*

## **(vi) CONCLUSIONS**

The Conclusions once again should summarize your goals and objectives and express your commitment to the success of your business, discuss your future plans and perspectives, re-investment plans and your plans for expansion in the near future. Your conclusions should explain how you expect to realize these plans.

## **Sample Conclusions**

BAS Enterprise will endeavour to attain leadership in the supply of improved wheat and rice seed in Afghanistan. The pursuit of high quality will be the driving force in the business. To achieve this, the enterprise will use the dedication, experience and skill of its members in key technical and management positions. Extensive promotional activity will help to ensure that BAS's customers perceive that they are receiving the best quality seed, on time, and at a reasonable price.

The future of the improved wheat and rice seed industry in Afghanistan looks bright, and BAS is poised and positioned to take advantage of this commercial opportunity.

## Exercises and discussion points

1. Which aspects of the business plan would you put most efforts into if you wish to convince a bank to borrow you money for your seed enterprise? Justify and explain your answer.
2. Design a logo you would like for your new seed enterprise and explain why you would prefer this particular logo.
3. What marketing links would you focus on that you think would ensure your enterprise maintains a reliable customer base for a sustainable future?
4. Which category of customers would you like to target each year with the seed that you sell and why? Estimate their relative market share (%) for the seed you will sell.

**Notes**

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## CHAPTER 5

# Planning your seed production

**H**aving made your business plan and obtained the funds needed, the next step is to decide on your seed production strategy.

To begin with, plan your production carefully so that you produce seed according to the prospect and pattern of real demand by farmers.

**Meet and interview farmers, traders, etc., to find out which crops and varieties are in need.**



Decide on which proportion of the enterprise's output will be produced by the group members and which will be allocated to contract growers. Select your growers carefully by looking for characteristics such as trustworthiness, honesty, experience and knowledge of agriculture, and willingness to follow advice. In situations where individual land holdings are small, using contract farmers may be the only means of expanding your seed production. It could also be a way of involving or associating other farmers with

your business. Furthermore, allocating seed production to contract farmers could relieve the enterprise of the day-to-day concern about crop husbandry care so that the enterprise could focus on the seed specific post-harvest issues.

Seed production follows normal agronomic practices that are required for growing a good crop. However, in addition to these practices, there are some specialized activities needed for growing a crop specifically for the purpose of seed:

**Organize meetings to select the best farmers as contract seed growers.**



**Select a piece of land that has been either under fallow or under rotation with other crops. This will ensure reduction in the incidence of volunteer plants, weeds and diseases. Ensure good isolation requirements in the case of cross-pollinated crops.**





**Maintain your crop well using normal agronomic practices. In addition, do proper roguing to remove off-types of other varieties and crops.**



As part of the certification process, all seed fields will be inspected by independent and official inspectors who will verify whether these fields meet the minimum field standards for the class of seed grown. Only those fields that meet these requirements will be recommended for harvesting as seed.

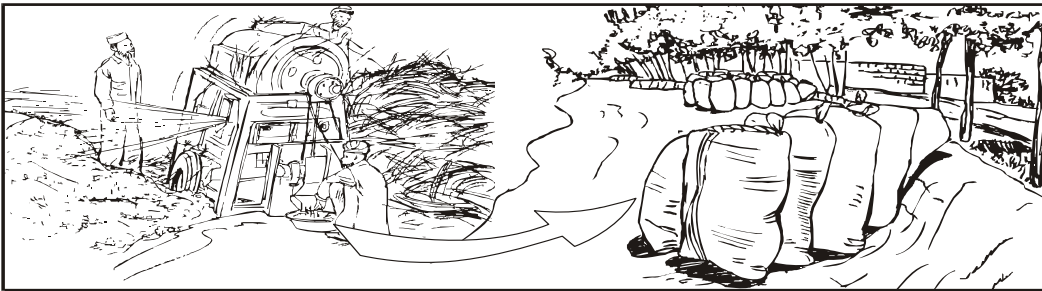
**Keep your field clean so that it meets the minimum field standards and passes the field inspection test.**



**Harvest your crop and maintain the identity of your variety and class of seed.**



**Choose a clean area for threshing your seed. Ensure that your threshing machine is well cleaned and does not contain any seed from a previous operation. Put your threshed seed into clean unused bags and label them with full details about your seed.**



**Maintain the identity of your seed during transportation to the seed cleaning centre.**



## Exercises and discussion points

1. What attributes are most difficult to find amongst the farmers you would wish to make contractual arrangements with for seed multiplication in your area? What are the three most important attributes you would look for in selecting your growers?
2. Why do you think roguing off-types is a good practice in seed production? What would you do in your area to reduce the amount of off-types and volunteer plants in seed fields?
3. What methods do you use for threshing seed in your community? Which one of these do you think is best for seed production and why?

## **Notes**

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**Notes**

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