

CHAPTER 9

Managing your seed enterprise

Good management is essential for any business. In general, there are two main components of good management in group enterprises. First, is competent and dedicated group of people that come together to form the enterprise. Second, and equally important, is internal organization of the group members in such a way that they can undertake the various tasks and work together efficiently. The key tests of good management are ways in which the financial affairs are run and recorded, and the capacity of the group to monitor and evaluate success of the business.

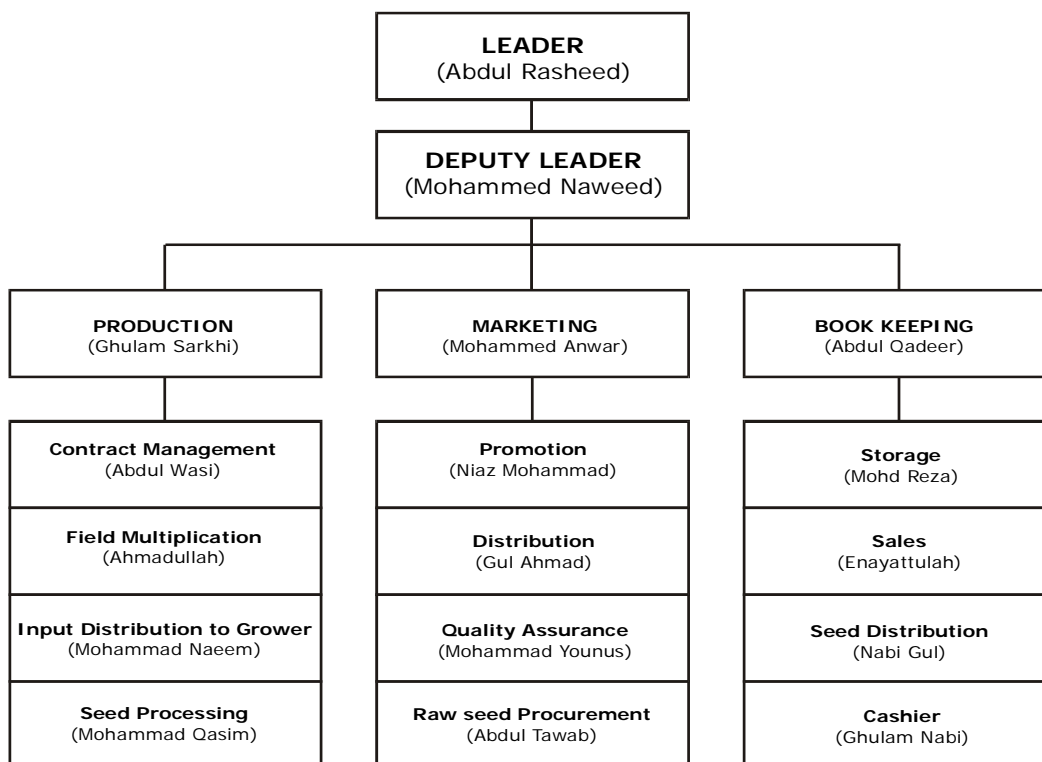
Internal organizational arrangements, leadership and teamwork

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

Someone must be put responsible for each activity in the enterprise. These persons will carryout or supervise the necessary functions and report on them. The respective responsibilities and duties of the members must be fully understood by everyone in the enterprise. Once someone is put in charge of an activity, he should be given the authority to carry out the required functions in consultation

with other members when necessary.

As much as possible, there should be an even distribution of tasks and responsibilities in the group (see figure below) in order to avoid overburdening few members or the leader with many duties. This is even more important where members may not expect to be paid for the group tasks they perform. The nature of cooperation among the group members will be the key to success of the business. The members should cooperate with each other in sharing work, responsibility and information.



Organizational Structure of Best Afghan Seed Enterprise

An enterprise that depends only on few persons for its functioning cannot have a bright future. A proper distribution of functions among several members is important for transparency, accountability and sustainable

management of the group enterprise. This means that more members should have a good understanding or receive training in each essential activity such that these tasks can be rotated among the members over time. As more people know what is happening in the enterprise the easier it becomes to share information, exchange ideas and opinions, and make joint decisions.

The following are key tasks often found in a small seed enterprise:

- Organization of contract growers and supply of needed inputs
- Seed production and extension
- Raw seed procurement from growers and transportation
- Seed cleaning, packaging and storage
- Quality control
- Marketing and sales
- Book keeping and financial accounting

A successful seed business requires good leadership. The key role of the group leader is to promote teamwork and team spirit, enhance organizational performance and build trust, which he can do only through openness, sharing information, accepting constructive criticism, and resolving conflicts in the group.

The group leader must therefore possess certain essential qualities and skills such as:

- Influence, dignity and respect in the community and amongst the group members;
- Talent in leading others (wisdom, good judgement, and creates trust);
- Honest and trustworthy;
- Reliable and predictable;
- General knowledge and experience of the enterprise's different tasks;
- Non selfish tendency, but work for collective benefit of

the group enterprise;

- Strong, but listens to the views of others and consults them in making key decisions;
- Transparent and willing to share information with other members;
- Respectful of the enterprise's by-laws;
- Pro-active, energetic and ambitious;
- Business oriented and customer focused;
- Commitment to continued success of the enterprise;
- Presents good image of the enterprise to outsiders

The above list may seem long, but in brief, the ideal leader of an enterprise must have a combination of business management and sound personal qualities.

As for other essential tasks, it is also good practice to change the group leader after a number of years so that the enterprise does not become dependent on the direction of one person. There should be a rule or provision in the by-laws of the enterprise for this.

To design an organizational structure for a seed enterprise, the various activities or tasks are normally grouped into distinct categories on the basis of similarity in function, which are then classified as divisions of the enterprise. For example, activities under the Production Division would include contract management, seed multiplication, seed cleaning and seed storage, while promotion and sales will be put under the Marketing Division. Considering the activities outlined earlier, an organizational structure similar to that described earlier could be envisaged for a small seed enterprise.

Preparing and keeping proper business records

Running a successful seed business depends on preparing and keeping accurate and timely financial information.

What is record-keeping?

Record-keeping is a way of writing down all transactions involving:

- Money coming into your enterprise
- money going out of your enterprise
- money owed to your enterprise by customers

Why keep records?

Good records will help you do the following:

- Monitor the progress of your enterprise: You need a clear financial picture in order to monitor the progress and success your enterprise is making. Records can show whether your business is improving, which varieties are selling well, or what changes you need to introduce.
- Help you deal with your bank: You will require written records when your enterprise needs financial assistance from external sources such as banks and other lending agencies. You need to show the bank how your business is performing.
- Prepare your financial statements: Accurate and complete records enable you to identify your business assets, liabilities, income and expenses. Good records are therefore essential for the preparation of financial statements, such as the income statement (profit and loss), cash-flow projection and balance sheets.

What are the merits of good record keeping?

Complete and accurate record keeping is crucial to the success of your enterprise for a number of reasons:

- It provides you the information you need to make valid decisions.

- It helps you to recall easily the transactions you have made.
- It makes your business transactions transparent.
- It makes checking and verification easier and hence improves accountability.

Who should write and keep financial records?

Some level of literacy and expertise is required to write proper financial records. It is best that someone in your enterprise takes on the responsibility of keeping an accurate set of financial records. If nobody has such skills then the enterprise would have to hire or rely on an outside capable person to prepare the financial statements.

How should you keep your business records?

You need to find the record keeping system that works best for your enterprise and is most suitable for your business needs. You may decide to use simple exercise books, keep file folders or buy special accounting books. The following are some suggested ways in which you could keep your business records:

- File all business documents in an orderly manner and keep them in a safe place.
- Use folders or files divided into categories or sections for specific transactions.
- Put receipts in the proper categories by date so it would be easier to add them up.
- Maintain your records on a regular basis.

What record keeping system or kind of records do you need?

Your record keeping system should be simple to use, easy to understand and accurate. It should basically provide

summaries of your various business transactions, such as items you buy, seeds you sell and people that work for you. These summaries are ordinarily made in books called ledgers, which you can buy at local stationery stores. A ledger simply provides you a way of keeping organized records of all your business income and expenses.

In addition to the records you make, you must keep all relevant supporting documents in order (for example, price quotations or invoices, receipts, sales slips, and paid bills). It is important to keep these documents because they support the entries in your ledgers. You should set up and maintain four basic set of financial records:

(i) Cashbook (Petty cash records)

The cashbook is the final record of all money that comes into and goes out of your business. It should be used on a daily basis for each transaction and lists everything your business buys or sells either for cash or credit.

You should keep written evidence of all transactions you make. To complete your cashbook, you will need documents including the following:

- Bank paying-in book
- Bank statements
- Copies of your own invoices
- Your suppliers' invoices
- Receipts of all cash purchases

Your cashbook should separately show all money coming in (receipts or sales) and all money going out (payments or purchases).

Below is an example of entries in a cashbook. The business sells seed at \$300 per ton and buys other things such as fertilizer and paper and pays workers.

Date	Explanation	To/from	Money in	Money out	Balance
Day you receive or pay out money?	Money was received or spent on what?	Who paid or received money?	Cash received?	Cash disbursed?	Cash Balance?
1 January					\$10,000
1 January	100 bags DAP fert. @\$10/bag	AFC Ltd.		1,000	9,000
15 January	100 bags Urea fert. @\$10/bag	AFC Ltd.		1,000	8,000
20 January	Sold 10 ton seed @ \$300/ton	Afghanaid	3,000		11,000
5 February	Sold 20 ton seed @ \$300/ton	High school	6,000		17,000
8 February	5 reams paper @\$20/ream	City store		100	16,900
10 February	20 worker days @ \$5/person day	Workers		100	16,800
20 February	Sold 1 ton seed @\$300/ton	Khan (farmer)	300		17,100
TOTALS			9,300	2,200	17,100

The cashbook alone may provide sufficient record for many small businesses. However, keeping additional records such as a sales ledger, purchase ledger and wages book may make it easier to monitor your cash flow.

(ii) Sales ledger (e.g., seed sales ledger)

In this ledger you enter all sales whether or not the customer has actually paid for the seed that he took. Every time a customer takes seed and you issue an invoice, it is important to record it in the sales ledger. If a customer actually pays for the seed and a receipt is issued, this payment must be entered in the sales ledger with the number of the receipt, which you should stamp as "paid". The income or amount of money is then entered in the cashbook.

The sales ledger is a useful business monitoring tool that helps you to trace and reminds you about payers who have taken seed on credit and have not yet paid for it. You should periodically (for example, each week) add up the total amount of money owed to your business. A reminder should be sent to those customers that have exceeded the time limit for payment. All those customers who owe you money should remain on the sales ledger until their debts have been cleared. The sales ledger also helps you to keep track of your fast paying and loyal customers. To support your sales ledger, you need to retain copies of your invoices and receipts. These must be filed orderly and kept in a safe place.

A sales ledger should record the following:

Date of invoice	Name of buyer	Description of sale	Invoice number	Amount (\$)	Date invoice paid
20 Jan 07	Afghanaid	10 ton seed @ \$300/ton		3,000	20 Jan 2007
5 Feb 07	High school	20 ton seed @\$ 300/ton		6,000	5 Feb 2007
20 Feb 07	Mohd.khan (farmer)	1 ton seed @ \$300/ton		300	20 Feb 2007
27 Feb 07	Idrissa Ali (farmer)	2 ton seed @ \$300/ton		600	
TOTAL				9,900	

(iii) Purchase ledger (e.g., seed purchase ledger)

The purchase ledger is the mirror image of the sales ledger. In it, you record all payments to be made against the invoices sent to you by your suppliers, whether or not you have paid for them.

When you pay a supplier's bill, the payment is entered in the purchase ledger, the supplier's invoice is marked as "paid" and the payment is entered in the cashbook.

As with the sales ledger, the purchase ledger reminds you about those suppliers you owe money and how much you owe at any one time. Any supplier you owe should remain on the purchase ledger until payment is made. Each time a payment is made, this payment should be noted in the "date invoice paid" column. The purchase ledger also gives you a record of your most regular suppliers and how much you have spent with them.

A purchase ledger should record the following:

Date invoice received	Name of supplier	Description of purchase	Invoice number	Amount (\$)	Date invoice paid
1 Jan 07	AFC Ltd 100 bags	DAP fert. @ \$10/bag		1,000	1 Jan 07
15 Jan 07	AFC Ltd	100 bags Urea fert. @ \$10/bag		1,000	15 Jan 07
8 Feb 07	City store 15 reams	Paper @ \$20/ream		300	
TOTAL				2,300	

(iv) Wages book (if you employ workers)

If your enterprise employs workers, you will need to keep a record in the wages book of all wage and salary payments made to them including any allowances if necessary. Keeping a detailed record of payments made to your workers will help you to easily answer any financial queries they may bring forward.

The wages book should list all workers, the number of days they work, how much you pay per person per day and the total amount paid to each worker in a given period. This kind of information will be useful in knowing how much you spend on labour in relation to your needs and hence will help you in planning labour use in the future.

A wages book should summarize the following:

	Period: 1-10 February				
	Name of worker	Job	Days worked	Pay per person day (\$)	Total pay (\$)
1	Abdul Qadeer	Book keeping	10	5	50
2	Mohd. Younus	Quality Assurance	10	5	50
	TOTAL		20	5	100

Other records worth keeping

Depending on the extent you want to organize transactions in your enterprise, you may wish to keep other records. The following are additional records that many seed enterprises keep:

- **Stock or inventory record**

The Inventory record or ledger registers the type of seed, quantity in stock and its cash value. This information is one of the most useful records for checking and verification, since you can easily see every change that has been made to your inventory. You can see the date, the type of

movement that has occurred, the store receipt or issue number, the quantity of seed that came in or went out, and the total balance that has remained in the store and what is its monetary value. A store receipt or issue voucher is used to support the entry in the inventory ledger and is to be retained for the purposes of checking and verification.

BIN CARD				
Crop: _____				
Variety: _____ Bag Size (kg): _____				
Date	Receipt or Issue Voucher number	Received (Bag)	Issued (Bag)	Balance (Bag)
15-6-07	001	100	-	100
20-6-07	002	800	-	900
22-6-07	005	-	500	400
30-6-07	003	1000	-	1400
1-7-07	006	-	200	1200

▪ Fixed Asset Register

It is good practice to keep a record of fixed assets acquired by the enterprise. This register should record the following:

Description	Item number	Date purchased	Purchase value	Remarks
Tractor	001	1 Jan	10,300	New
Thresher	002	1 Jan	200	Used
Seed Drill	003	1 Jan	500	New
Seed Cleaner	004	1 Jan	80,000	New
Transport Van	005	1 Jan	10,000	Used

Motor Vehicle Logbooks

A motor vehicle logbook should identify business and private trips including the distance (kilometers) traveled and destination. For the purposes of transportation, details about the goods (e.g., number of bags of a particular seed or fertilizer carried) should be entered into the logbook. So too will be the quantity (liters) of fuel or lubricant purchased. An appropriately kept logbook is a good way of accurately determining the business proportion of the overall vehicle expense incurred.

Date	Location		Purpose	Km			Load	Fuel		Signature
	From	To		Start	End	Total		Litre	Total cost (Afs)	
15-7-07	A	B	Sales mission	15,000	15,200	200	50 bags cleaned wheat seed	100	3,500	
16-7-07	C	D	Sales mission	15,200	15,600	400	20 bags cleaned wheat seed	0	0	
17-7-07	D	A	Raw seed transport	15,600	16,200	600	40 bags raw wheat seed	20	700	

Managing your financial resources

Effective management of your financial resources depends on:

- How you acquire and use your financial resources?
- How you protect your financial contribution in the business from various kinds of risks?
- How you evaluate new investment opportunities?
- How you follow-up changes in the financial environment including policy changes

A key financial function in your enterprise is to prepare financial statements such as:

- Profit & loss account (income statement)
- Balance sheet (opening and closing balance sheets to show the levels and changes in your assets and liabilities)

Why make financial statements?

Financial statements provide indicators for assessing the performance of your enterprise including the following:

- **Profitability**

This is a measure of how efficient your enterprise is in using its resources to generate net profit or net income.

- **Liquidity**

The ability of your enterprise to meet its financial obligations when they come without disrupting normal business. For example, you need enough working capital or money to buy inputs and inventory after you have settled all other short-term obligations.

- **Solvency**

This is the ability of your enterprise to cover its financial obligations if all assets of the enterprise were sold.

Uses of your cash flow

The cash you obtain from seed operations may be used for several purposes including:

- Paying debts you owe
- Paying taxes due
- Keeping as profit
- Distributing dividend to the enterprise members
- Saving for re-investment

Why hold cash in your enterprise?

The following are some reasons why you should hold some minimal amount of cash in your seed enterprise:

- to pay for ongoing transactions including any debt due
- to meet unexpected disbursements

What are good cash flow management practices?

- Speed up your cash inflows whenever possible
- Delaying paying cash obligations until they are due and necessary
- Invest any surplus cash to earn some rate of return.

- When necessary, borrow cash on the best possible terms.
- Maintain an optimal level of cash that is neither too much or too little.
- Keep a flexible workforce by engaging temporary workers instead full-time staff as necessary.
- Maintain a flexible purchasing practice such as renting certain items instead of buying them when necessary or ordering items during out-of-season when prices are low
- Liquidate inventory if it is not moving instead of keeping it and incurring storage costs or the risk of deterioration in quality

Performance monitoring and evaluation

The primary purpose of preparing projections for income, expenditure and cash flow is to use these on a regular basis as tools in managing your business. You use them to measure if achievements made by your enterprise are according to planned expectations. In this way you will be able to assess on a regular basis whether you are moving in the right direction or not.

For your business to run well, you need to look and plan ahead and regularly monitor key performance indicators such as the volume of unsold seed stock, the level of sales, the pattern or regularity of sales, the quality status of your seed, the magnitude of fixed costs, the amount of cash customers owe you, and the magnitude of profit or net margin.

You need to check whether what you are achieving is in line with your planned targets. You must be able to explain any deviations from your planned performance targets and be in a position to take corrective action if necessary. The following are potential problems that may arise and corrective responses that could be taken:

PROBLEM	CORRECTIVE ACTION
Net margin falling too low	Review any discounts you may be offering customers.
Demand rising for a particular variety	Devote more land and resources to that variety
Cash flow may not meet costs.	Chase customers with high debts
Proportion of fixed costs rising.	Check if certain fixed cost items are needed.

To take appropriate action, you need to have access to the right kind of information that is accurate and available on time. Regular monitoring and evaluation can help you in identifying the strengths and weaknesses of your enterprise. In evaluating success, you must be able to clearly show that your enterprise has been making improvements with time. For example, a steady growth in volume of sales and margins, and improvement in seed quality can be clear indicators of business success.

Every business should formulate a work plan before the start of each cropping season. This plan will be used as a guide in regular monitoring.

Sample plan

ACTIVITY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Land preparation									■	■		
Sowing										■	■	■
Harvesting and threshing						■	■	■				
Field inspection				■	■	■	■					
Seed procurement from growers						■	■	■				
Processing and storage							■	■	■	■		
Seed testing and certification								■	■	■		
Field days					■	■	■					
Seed marketing				■	■	■	■	■	■	■	■	
Training and planning	■	■	■									

Exercises and discussion points

1. Make a sketch of the organizational structure of your seed enterprise and specify the functions the different members perform within the organizational structure. Do you think this structure is suitable for your enterprise? Would you prefer another structure? If so, which one and why?
2. Do you think it will be a good idea to periodically change the group leader of your enterprise? Give reasons for your answer.
3. Specify which business record you will refer to verify the following:
 - all money that comes into and goes out of your business
 - the quantity of seed in store on a particular date
 - the customers that owe you money for seed they have taken on credit
 - the suppliers that you owe money at a particular time
 - the amount of private goods transported and the distance traveled
 - the number of tractors you have and their purchase price
4. Design a year work plan for your enterprise for the most important crop. What would you do during the period when your enterprise is least busy?

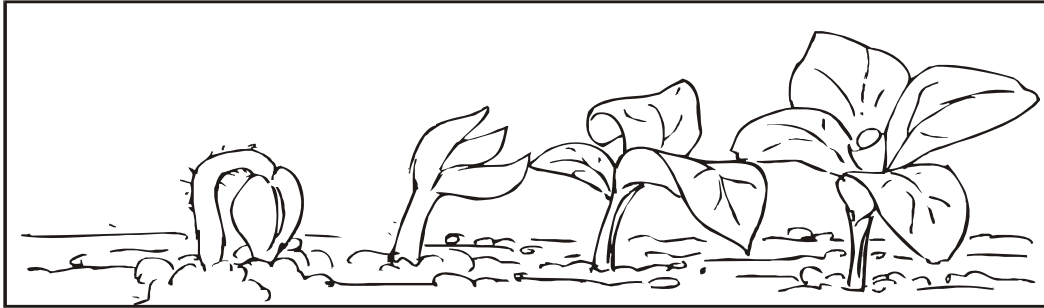
CHAPTER 10

Looking to the future

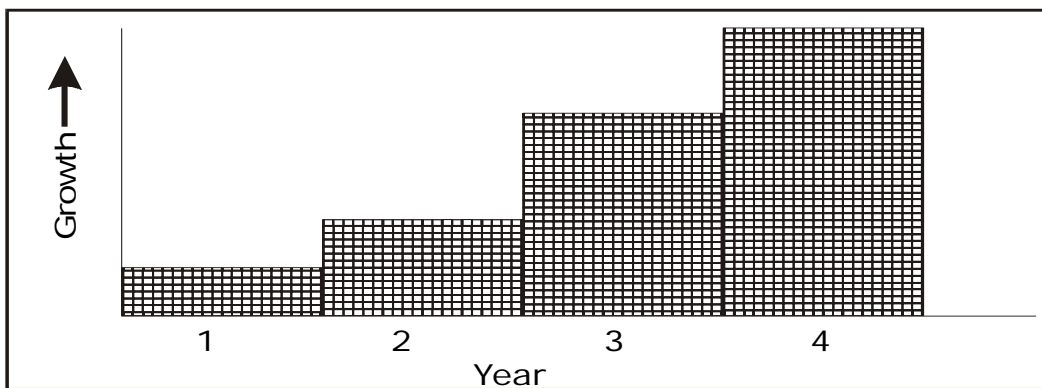
In looking to the future, you need to ask yourself some critical questions such as: “Where would I like my seed enterprise to be in three or five years from now?” and “What do I want to be doing by that time?” Attempting to answer these questions will help you to look ahead to the future and see how your short-term action plans fit into your longer term view.



When you start a new seed enterprise, you would want to see it survive and grow. Remember that your enterprise will take time to develop and grow. It will go through stages of development similar to the seed that the farmer plants in the ground. He must prepare the soil and make sure the conditions are right before he plants the seed. When he plants the seed, he doesn't expect it to produce a crop the next day. Instead he gives it water and nutrients (such as fertilizer) at the right times. He watches it and looks after it carefully, and the seed in its own time will grow steadily into the crop it is meant to be. Then, and only then, will the farmer harvest his crop and get benefit from it.



The growth of your seed enterprise follows a similar pattern. You have to exercise patience while your enterprise goes through the planting, watering and fertilizing stages until the time comes when you'll be able to harvest a good crop after all the hard work you've put into it. You need patience and cannot rush this gradual process of business development.



Let us look at the following key stages in the growth of a seed enterprise.

STAGE 1: Start-up

What are the key characteristics of this stage?

At this stage, you have thought about and started your enterprise. It is now registered and exists legally as a private enterprise. You have selected your growers and

they have begun seed production on their farms. You have not yet sold any seed, and for your cash needs you will therefore depend on money contributed by members, loans given by banks, or grants provided by aid agencies.

What do you need to do at this stage?

Decide on your organizational structure.

- Find professional advisors.
- Do comprehensive business planning.
- Identify your first potential customers and establish a customer base or niche market.
- Make your presence felt in the market place through good promotional methods.

What will be your main challenge?

To conserve your cash flow and not waste the little cash you have. Be realistic in what you do and keep checking to see that your business is on the right track.

STAGE 2: Survival

What are the key characteristics of the survival stage?

Your business has made it through the first few years. Your revenue is increasing steadily and your customer base is growing. Profits are yet small but there are new opportunities to explore.

What do you need to do during the survival stage?

- Build on the success you have already made.
- Seek a larger market share for your seed.
- Use appropriate marketing strategies to reach your customers because to survive you need revenue; in order to get revenue, you need customers; and in order

- to have customers purchase your seed, you have to first reach them through your marketing efforts.
- Maximize revenues by collecting payments in a timely and efficient manner such that cash flow becomes more favorable.

What will be your main challenge?

One of the primary reasons why enterprises fail may be due to cash flow problems when future revenues cannot offset expected expenditures. The question arises how you can collect outstanding payments in quicker and more effective ways? Make options available. For example, bigger and more reliable customers can give you cheques or transfer funds into your bank account, while smaller customers pay cash.

STAGE 3: Growth

What are the key characteristics of the growth stage?

Your enterprise has now become established and is doing well and has a place in the market with some loyal customers. Your seed sales are growing. There are opportunities for new sources of money such as joint ventures, banks, and new partners or members.

What do you need to do during the growth stage?

- Diversify into new crops so that your existing business can expand into new markets and customer types.
- Establish new distribution channels as you move into new markets.
- Effective management is required at this stage, so you may need a new business plan.
- Hire new staff and train them as your business grows.
- Set up better accounting and management systems.
- Run your enterprise in a more formal way in order to deal with increasing sales volume and customers.

What will be your main challenge?

Watch out for new competitors, stay focused and look for new opportunities. The needs of your customers may change. You need to anticipate this possibility and adapt to it in time to avoid being taken by surprise and driven out of business as a result. You will require better business practices and skilled staff to compete in an established market and improve your productivity level.

How can you maintain successful growth of your enterprise?

A successful enterprise is one that maintains steady seed sales and positive cash flow. But, you need to move forward to reach new customers and new markets. To maintain success, you must strengthen your marketing position for opportunities of expansion. Use marketing tools such as diversification (new products), competitive pricing, expanded channels of distribution, and targeted promotional campaigns.

What methods or strategies should you use to expand your business?

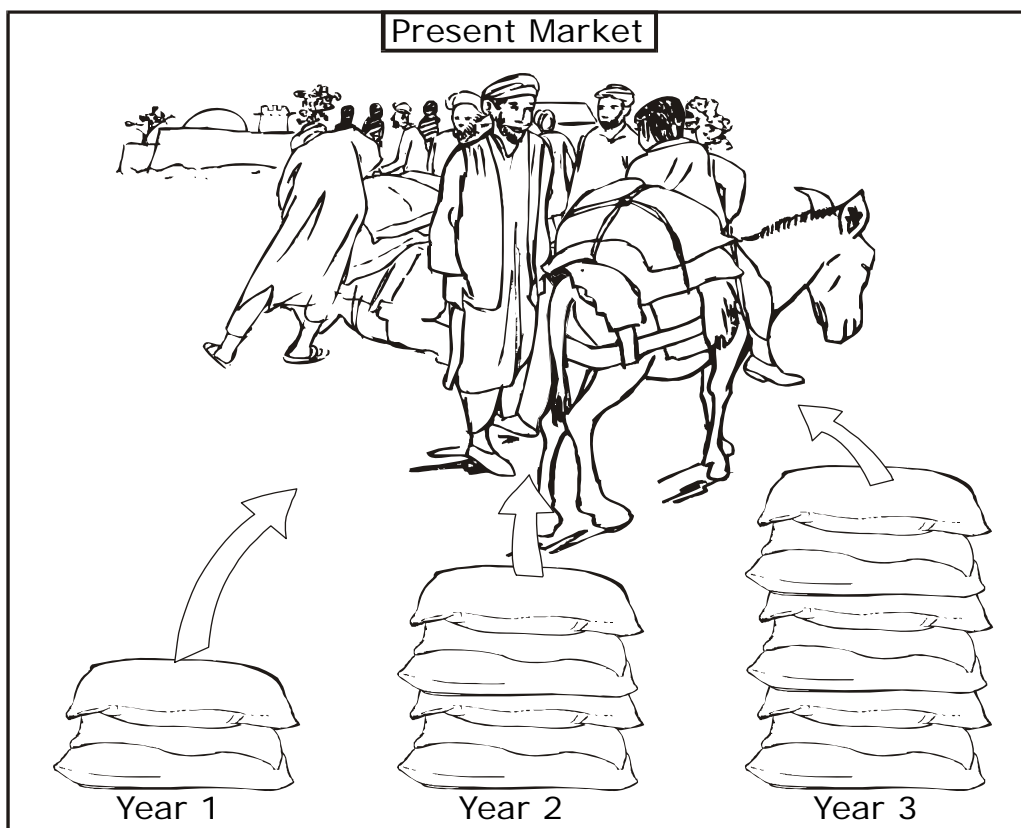
Business expansion primarily means exposing your business to many more customers. The key to successful growth is to choose the expansion method that best fits the strengths and weaknesses of your group and the limitations of existing resources including cash. Four ways in which you can expand your seed business are summarized below:

	PRESENT MARKET OF FARMERS	NEW MARKET OF FARMERS
SEED OF PRESENT CROP	1. Market Penetration	2. Market Development
SEED OF NEW CROP OR ANY RELATED PRODUCT	3. Product Development	4. Diversification

1. MARKET PENETRATION

With this method, you are looking to increase sales within your present market. Your objective is to sell more, so you find ways in which you can get your current customers (farmers) to buy your seed more frequently. You can also penetrate the market by attracting customers away from your competitors. Methods you could use to increase market penetration will include:

- Promoting new end-uses of your present varieties (e.g; value added food processing).
- Increase the availability of varieties or seed (e.g; better delivery systems).
- Make your seed more price/quality competitive.



2. MARKET DEVELOPMENT

Now you want to sell seed of your present crop in new markets. The aim of new market development is to reach new customers. This means that you have to go beyond your present village or location to look for the new customers. Another way may be to try a new marketing method. For example, if you were just selling in your local village bazaar, you may want to send your seed to dealers in surrounding villages.



Another method you may consider in your attempt to reach new customers is market segmentation. This method will help you to target your seed at specific group of buyers within your new market area.

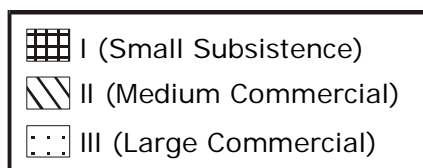
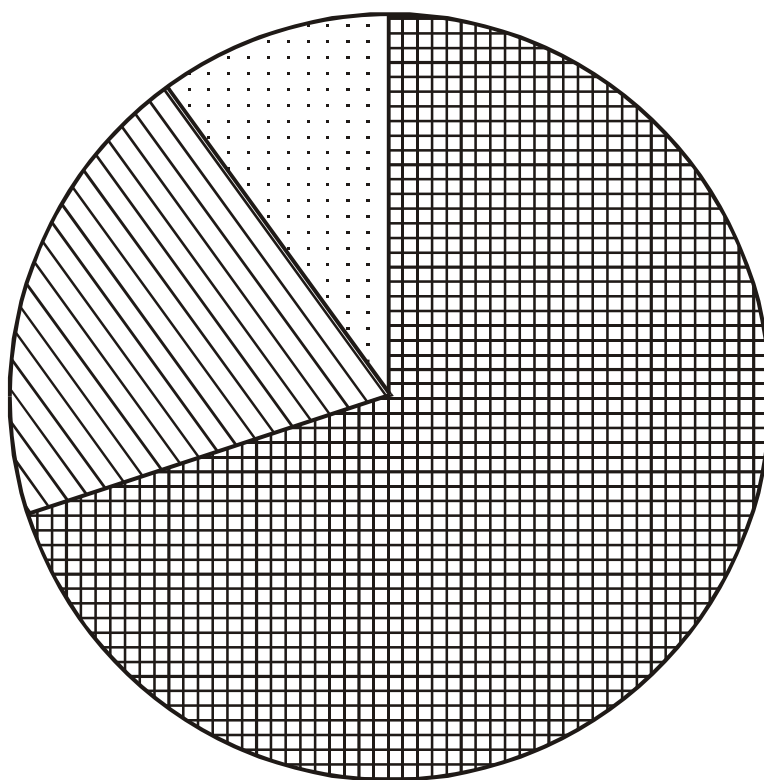
With market segmentation, you divide your seed market into distinct groups of farmers (buyers) who might, for example, require seed of specific varieties or certain methods of delivery directed to them. To do so, you need to know which perceptions, preferences and characteristics of buyer behavior or choice differ across the farmer groups. For example, consider the following market segments for wheat seed in a certain community of farmers made up of three segments.



Segment 1
(Small Subsistence)

Segment 2
(Medium Commercial)

Segment 3
(Large Commercial)

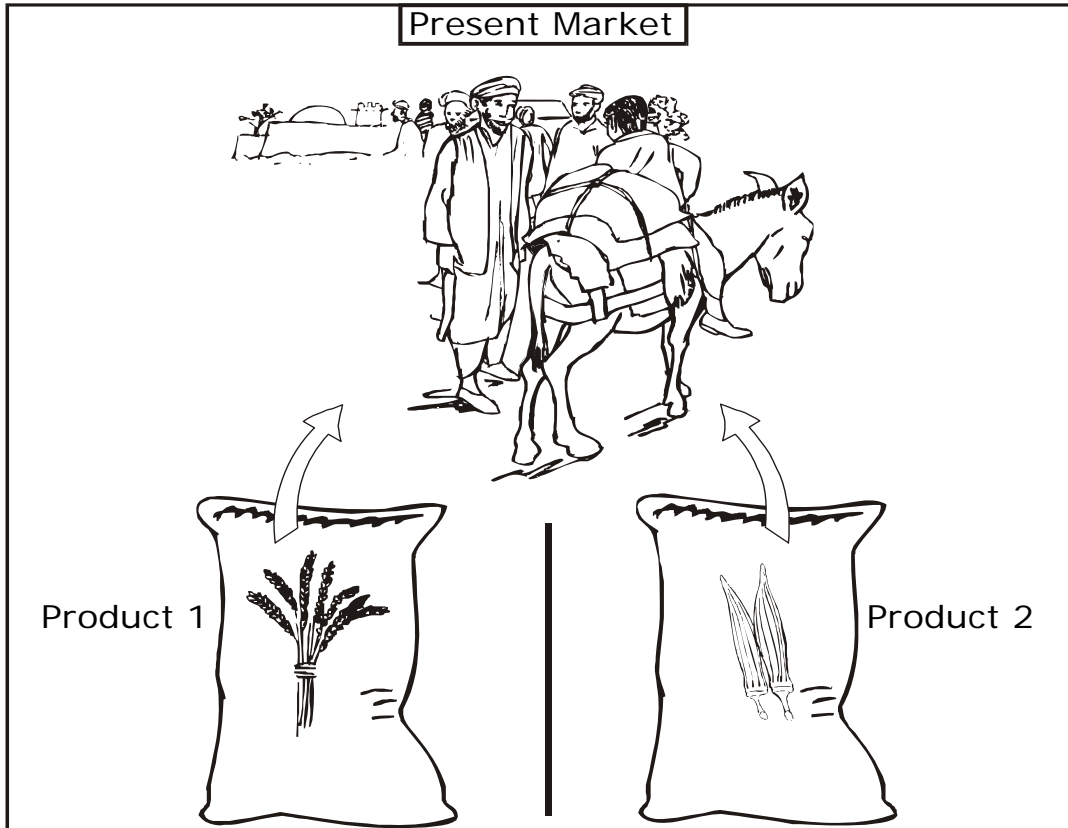


Characteristics	Segment I	Segment II	Segment III
Main benefits sought	- cheap seed - source nearby - credit for seed and other inputs	- responsible price - seed anywhere - inputs available for cash purchase	- price not important - seed anywhere - want only seed, has other inputs
Purchasing power	Weak	Reasonable	Good

Methods 1 and 2 (market penetration and market development) are the quickest ways to expand your business because all you will be doing is to encourage more farmers to buy seed of a crop you are already familiar with and have been selling. The next method (product development) may mean more risk for your business.

3. PRODUCT DEVELOPMENT

Using this method, your business will grow by offering seed of a new crop or another related product such as agri-chemicals. There is a risk here that your present market may not want your new product but still prefer what they have been used to.



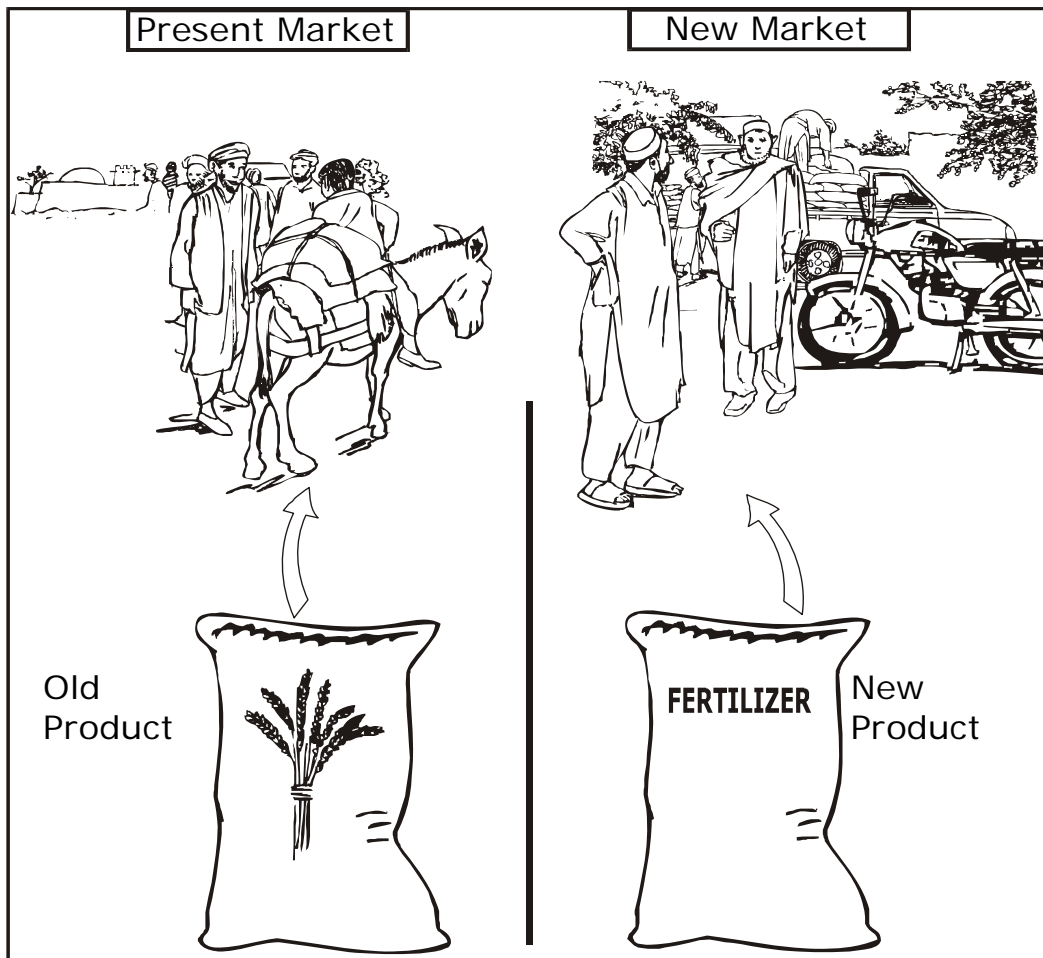
The fourth method (diversification) will be associated with the greatest risk

4. DIVERSIFICATION

Using this method you will be moving your business in a totally different direction. The risk will be greatest, since

you will not only be dealing with a new crop or product, but new markets as well. Therefore, your knowledge and experience in dealing with the new crop, product and markets may be at an early stage, thus creating a higher degree of uncertainty.

In conclusion, it will be better at the early stages of your enterprise to try the first two methods of market penetration and development. As your experience grows and you become more confident, you can then look upon the other expansion opportunities involving product development and diversification.



Join Forces for Survival and Growth

There is strength in numbers and it will be a good idea for your enterprise to join forces with other thriving seed enterprises in your area. One way of doing this is forming a seed producers' association. Seed enterprises form associations to help themselves survive and grow, to share common interests, to network with each other, and to attract customers. Seed Producers' Associations can also provide their members with certain services including business education and training opportunities through workshops, conferences and trade shows.

An important way in which producers' associations can serve their business members is advocacy. Effective advocacy can help remove barriers in situations where inappropriate laws and regulations make it difficult for seed enterprises to survive and prosper.



Associations that advocate effectively do the following:

- Express members' concerns in a unified voice that quickly attracts the attention of policymakers.
- Maintain close working relationships with government authorities.

- Communicate effectively with policymakers so as to influence laws and policy proposals in the interest of their members

Collective action can hold the key to business survival, growth and prosperity. Individual enterprises can rely on the advocacy power of their associations for improvement in the business climate, access to relevant information, and protection against external forces that may act as barriers to business development.

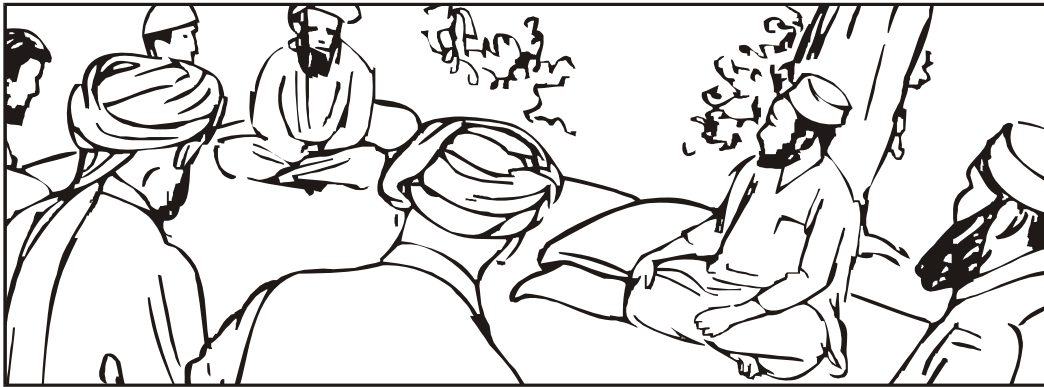
Steps in Forming a Seed Producers' Association

Seed associations can exist at different levels: regional, national and international levels. For example, seed associations representing different regions of a country could all be members of one national seed association, which in turn could belong to a broader international association such as the Central Asia Seed Association.

The following are suggested steps that could be followed in forming a seed producers' association at the regional level in a country, beginning with the sharing of ideas in a small group, motivating more interest and expanding membership until a formal organization is formed that is guided by legally binding rules and regulations.

Step 1: Share ideas in informal initial meeting

To begin with, convene a preliminary meeting to share the idea of forming a seed producers' association with a small group of key interested producers. At this meeting, have open and frank discussions on the need and advantages for an association, and give everyone the chance to express their views. If enough interest exists, then arrange for a second meeting and invite representatives from all seed enterprises in your region.



Step 2: Select provisional committee for preparing by-laws and guidelines

This next meeting should be more structured and well organized such that all persons present are encouraged to participate actively. It would be useful to have an experienced outside person such as an extension agent or agency officer to chair and guide discussions at this meeting. The main outcome of the meeting should be the election of a provisional management or steering committee of about 7 committed persons, who will be given the task of developing by-laws and guidelines for the proposed association on the basis of consensus. The committee would organize subsequent meetings amongst themselves to prepare draft terms for discussion at an organizing meeting. The committee would use the existing by-laws of the various existing enterprises as a basis.

Step 3: Hold an organizing meeting to finalize the by-laws

Stimulate attendance at this organizing meeting by combining it with an attractive educational programme such as field day. At the organizing meeting, discuss, amend and finalize the proposed by-laws and guidelines, and agree on membership fees.



Step 4: Register the association formally

As in the case of individual seed enterprises, the seed association should also be formally registered with the relevant national authorities once the by-laws have been agreed upon. As soon as all registration formalities are completed, the new association should consider organizing its inaugural meeting.

Step 5: Organize an inaugural meeting

At the inaugural meeting, the provisional management committee will present a report on all the activities it had carried out and the members will resign their provisional positions at this stage. The inaugural meeting will then approve and accept the draft by-laws and elect its first management or executive committee members as specified in the provisions of the by-laws.

Step 6: Plan activities for first year

The Association's activities in its first year would include

effective communication through a newsletter and press releases, increased membership drive and awareness creation, periodic management or executive committee meetings, and an annual general meeting.

With time, the seed associations will shape the future of the seed industry as all stakeholders including seed producers, dealers, farmers and policy makers become associated in one way or another with these associations both at the regional and national level.

Exercises and discussion points

1. Do you think your company would survive and do well in the long-term if it sells seed at the same price to all categories of customers? Explain your answer and show which pricing strategy you think would work best in your community.
2. How many years do you think your enterprise would take to go through each of the three stages: (i) start-up, (ii) survival and (iii) growth? Explain and give reasons for your answer.
3. Would your enterprise like to join forces with other producers in your region to form an association? What do you think would be the advantages and disadvantages of belonging to such an association?

Summary and conclusions

A thriving agriculture needs quality seeds of good crop varieties and these made available to farmers through successful seed enterprises. The success of enterprises in producing and marketing quality seed to farmers and making money depends on certain basic principles including the following:

- Bringing together disciplined hardworking enterprise members with talent and good skills.
- Making good business plans before starting seed enterprises.
- Selecting those crops and varieties that farmers desire and for which they are willing to buy quality seed.
- Running seed enterprises through proper planning, careful preparation and good organization.
- Understanding and using cost-effective methods so as to sell seed at competitive prices and generating reasonable profit.
- Following strict quality assurance procedures in producing the best seed possible.
- Promoting varieties and seed vigorously to farmers and maintaining good after-sales service.
- Using effective organizational arrangements, leadership and teamwork, as well as keeping good business records.
- Looking to the future with optimism and exercising patience while the business grows through the critical phases leading to full maturity.
- Joining forces with other enterprise groups to gain strength in numbers and better bargaining power.

The best enterprises will eventually survive and grow and will shape the future seed industry and agriculture in the country.

Glossary

Afs

The Afghan currency called Afghani.

Asset

Anything of value owned by a business.

Balance sheet

A summary table of assets and liabilities of a business at a specific point in time, usually the last day of the financial year. In the balance sheet, the total value of assets must equal the total value of liabilities.

Break-even analysis

An analysis of the relationship between total cost and total revenue, such that break-even takes place when total cost equals total revenue.

Breeder Seed

The seed of new varieties produced by research stations. From its cultivation comes foundation or basic seed, which is generally the first generation made available for multiplication by the commercial sector.

Capital

Investments in items such as machinery, equipment and buildings (capital goods) and in education and training (human capital), which are used to contribute to productive activities. Capital also includes money secured by the business as loan.

Cash flow

Movement of funds through the business in the form of receipts and payments over a defined period.

Certification

A system of maintaining quality of seed according to official standards specified by an agency set up for this purpose. The agency makes several inspections to ensure these standards are met.

Certified seed

The first generation of seed from an official multiplication process, which is made available to farmers for normal grain production.

Contract grower

A farmer who grows seed with formal agreement and on commission for a larger organization.

Creditor

The party to whom a debt is owed. In the case of a loan, the lender is the creditor.

Debtor

The party who owes a debt to the business. In the case of a loan, the borrower is the debtor.

Demand

The need or desire for a good or service, which the customer can afford and is willing to pay for.

Depreciation

The amount of money kept aside each year as a fixed cost to represent the loss in value of a fixed asset with the passage of time.

Disburse

To pay out money from a fund in settlement of a transaction.

Distribution channel or mechanism

The route or means used to distribute a good from the producer to the consumer of that good.

Economies of scale

Factors which cause the average (or unit) cost of producing a commodity to fall as output of the commodity rises.

Enterprise

One or more easily identifiable parts of a business under common ownership or control, for which there are specific potential returns.

Enterprise diversification

A situation in which a business holds a combination of investments or enterprises as risk reducing strategy.

FAO

Food and Agriculture Organization of the United Nations.

Gross Margin

Value of an enterprise's output less its variable costs.

Hectare (ha)

An area measurement equivalent to 10, 000 square meters.

Improved variety

Variety bred by breeders by incorporating superior genetic characteristics leading to high yield potential and agronomic attributes such as resistance to biotic and

abiotic stresses. Seed of such a variety is commonly referred to as improved seed.

Inventory

The quantity of goods or material on hand (e.g., stock of seed in store)

ISTA

International Seed Testing Association.

Jerib

An area measurement equivalent to 2,000 square meters or 0.2 of a hectare.

Liability

Total value of claims on the assets of a business by the various parties who supply funds to it.

Liquidate

To do away with assets by converting them into cash

Liquidity

The ease with which an asset can be converted into money. It is therefore a measure of the ability of an enterprise to meet its financial obligations as they come due without disrupting normal business.

Lot (Seed Lot)

A uniform batch of certified seed of a particular variety and crop from which a sample is drawn for certification. The maximum lot size for cereals is 30 tonnes as specified by ISTA rules. For greater accuracy, the maximum lot size for wheat in Afghanistan is currently 5 tonnes.

Marketing margin

The difference between the value of an equivalent unit quantity of good at one stage and another in the distribution chain.

Net Worth

Value of assets available to the owner of the business after all other claims against these assets have been met.

NGOs

Non-Governmental Organizations. These are usually not for profit making (charitable) organizations by statute.

Open pollinated varieties

These are varieties produced as a result of natural pollination as opposed to hybrid varieties, which are a result of controlled pollination.

Output

The value of goods and services produced by an enterprise.

Overhead costs

Indirect costs such as depreciation, rent, supervision salaries and other administrative costs, which cannot be associated directly with specific units of final output.

Private sector

Commercial sector made up of privately owned enterprises of varying sizes, which may not have close relations with public sector operations.

Privatization

A process of promoting private sector participation in an economy. It involves the introduction of market forces to facilitate free trade and the conversion of government enterprises into private companies.

Profit

Surplus remaining in the business after all costs have been met (i.e., total sales revenue minus total costs). If there is a deficit, this is called a loss.

Profit and Loss Account

A record of financial transactions and the resulting enterprise profit or loss for the financial year. It includes an opening valuation of stock, the costs and revenue for the same period and the closing valuation of stocks at the end of the financial year.

Public sector

State-owned, non-commercial institutions and enterprises.

Risk

That part of uncertainty that could be measured.

Roguing

The process of removing by hand plants that do not appear healthy or sufficiently characteristic of the variety being grown for seed.

Sensitivity Analysis

An analytical technique to test systematically how output or earning capacity of an enterprise would be affected by specific changes in some key variables.

Salvage value

Also called residual or terminal value. This is the value remaining in an asset at the end of a project or at the end of its economic life.

Solvency

This is the ability of your enterprise to cover its financial obligations if all assets of the enterprise were sold.

Uncertainty

The state of not knowing what the exact outcome of an event would be

Variable Cost

Costs which can be readily allocated to a specific enterprise and vary in approximately direct proportion to changes in the scale of that enterprise.

Working capital

Working capital or current asset is an item of value, which is held to be converted to cash within a short time, usually within a year. It is also money held in an enterprise for the purchase of inputs and inventory after all current liabilities have been paid. Inventory items held in anticipation of future sales (for example, seed in store) can be classified as working capital.

Yield potential

The theoretical maximum yield which a variety is genetically capable of giving, as usually determined under optimum conditions in a research station.

