



**Food and Agriculture Organization
of the United Nations**

The farm business school

Handbook

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**Food and Agriculture Organization
of the United Nations**

The farm business school

**A handbook for extension workers providing
guidance and information on the concept of
farming as a business and a course of action
to design and manage the farm business school
programme in the field**

**by
David Kahan
and
Steve Worth**

**FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
Rome 2015**

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Foreword

Dramatic changes are taking place in farming worldwide as a result of globalization, liberalization and rapid urbanization. Farmers are intensifying existing patterns of production and diversifying their farm enterprises in an attempt to improve their livelihoods. Technical know-how is not enough. In order to be competitive and take advantage of the new opportunities that are arising farmers increasingly have to adapt their farm business to market changes and improve efficiency, profitability and income.

The desire to increase income by taking advantage of market opportunities requires farmers to become better decision makers and better at competing in this new environment. The emphasis on the market and the need of farmers to be competitive calls for better farm management skills. Marketing and farm management have rapidly gained predominance globally over the last two decades. Farm business management skills and knowledge is recognized as important for farmers to effectively respond to present day farming challenges. Farm management advice helps farmers to make the right choice between crop enterprises according to individual levels of financial, labour and land endowments and at their level of risk adversity.

In response to these changes, the Food and Agriculture Organization of the United Nations (FAO) has developed a series of specialized training manuals and handbooks addressing market-oriented farm business management. The Farm Business School (FBS) is another in this series aimed at strengthening the capacity of small-scale farmers by helping them acquire the knowledge and skills needed to engage in profitable farming.

The farm business school concept operates at field level. The aim is to build farmer capacity in entrepreneurial and management skills. It does this through a 'learning-by-doing' approach. It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills toward improved farm commercialization - while working on their own farms. Extension officers and lead farmers are trained

as facilitators. They organize seasonal training programmes, where farmers work in small groups at their own agreed time and duration. The materials for the FBS are specially designed to work with limited resources. Participants need to be basically literate and numerate, but they do not have to have had any significant formal education. The manuals provide step-by-step guidelines that take the facilitator and the farmers through the basics of farm business management - following the production patterns of their own particular farms.

The Authors

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Section 1
THE FARM BUSINESS SCHOOL

1.1 Changing extension: Evolving for advancing the capacity of farmers to engage

In response to the increasing globalization of national and international agricultural systems, 'Extension Services' in many countries will need to be adapted to ensure that the farmers in their respective countries are able to cope with and hopefully benefit from these globalization forces. This is particularly important in developing countries because small- and medium-scale agriculture (where these are still a major part of the agricultural sector) are negatively affected by globalization as it advances. In many countries we are seeing extension services shrinking due to budgetary constraints and to lack of clarity about their role.

Part of globalization has been that international corporations have begun to be major players in developing and disseminating agricultural technologies into developing countries - a role that was traditionally played by 'Public Sector (Government) Extension Services'. Another part of globalization is that food production is no longer exclusively a national priority - food production and food security are international issues. And it is vital that the small-scale farmers in developing countries are not only not swept aside by this reality, but are positioned to participate in it and benefit from it.

There is increasing volatility in the supply of basic foods; sometimes there is a surplus and sometimes a shortfall. Farmers in developed countries have orientated themselves towards profit-making whether their crops go to food or are converted to other products such as ethanol.

In the face of all this, farmers in many countries have moved away from their traditional production structures. They have opted for higher value crops and products; some have supplemented their production with off-farm work or even abandoned farming entirely. In effect, farmers have begun to see the value of market-orientated farming, but often lack the skills and networks needed to engage effectively. Similarly, extension services, with their traditional approaches and national food security framework, are also ill equipped to support farmers in meeting these challenges.

Extension services have to evolve and adapt along a number of lines if they are to help farmers to keep pace with the worldwide changes and to benefit from them. These include:

1. Helping farmers to organize or reorganize at the individual farm level and collectively to capitalize on efficiencies for input supply, production and marketing and value adding.
2. Shift focus from production extension to farm management extension focused on profitability*.
3. Specifically shifting extension services to actively support market-orientated farming including appropriate training/retraining, structuring, and extension delivery policy.
4. Shift focus from increasing staple foods to higher value products.
5. Adopt a learning framework for extension that builds the capacity of the farmer to manage increasingly complex farm management opportunities and challenges.

The 'FBS Handbook' and the accompanying 'Training exercises' manual contributes to this evolution of extension services by providing a practical guide which - together with the parallel orientation/training programme - will facilitate the positioning of extension workers and extension services to where they can provide support to farmers who are entering or expanding into market-orientated farming.

*Farm Management Extension (FME) is different from Farm Business Management Extension (FBME). FBME focuses primarily on the economic aspects of the farm business, where as FME deals with production, economics and other business elements of the whole farm business. This handbook addresses farm business management.

1.2 The role of the extension worker in farm business management

In order for smaller-scale farmers to participate in and benefit from the demands and opportunities presented by the globalization processes, they will need relevant farm management information and advice. They will need information on what to produce and sell, how to sell it, where to sell it and to whom, and what inputs to buy and from whom. In short, they will need advice on production and market opportunities.

In addition to information and advice, farmers will also need assistance in building farm management knowledge and skills. The desire to increase income by taking advantage of market opportunities requires farmers to become better decision makers and better at competing in this new environment. The emphasis on the market and the need of farmers to be competitive, calls for better farm management skills. Marketing and farm management have rapidly gained predominance globally over the last two decades. Farm business management skills and knowledge is recognized as important for farmers to effectively respond to present day farming challenges. Farm management advice helps farmers to make the right choice between crop enterprises according to individual levels of financial, labour and land endowments and at their level of risk adversity.

A farm business management extension worker is well suited to meet this growing need among farmers. The range of work of a farm business management extension worker is far broader than that of a traditional extension worker. This range is captured in Figure 1a. In order to be able to develop the farm business management capacity of smaller-scale farmers implies that extension workers must also have this knowledge and skills. Further, they will also need the capacity and skills to train farmers and will need a workable training programme tailored to smaller-scale farmers making the transition into market-orientated farming. This is the aim of the Farm Business School (FBS).

Therefore, extension workers will be among the best candidates to be trained as FBS facilitators. Whether or not an extension worker is trained to serve as a facilitator, the extension worker will also be a key player in setting up and maintaining the farm business school system.

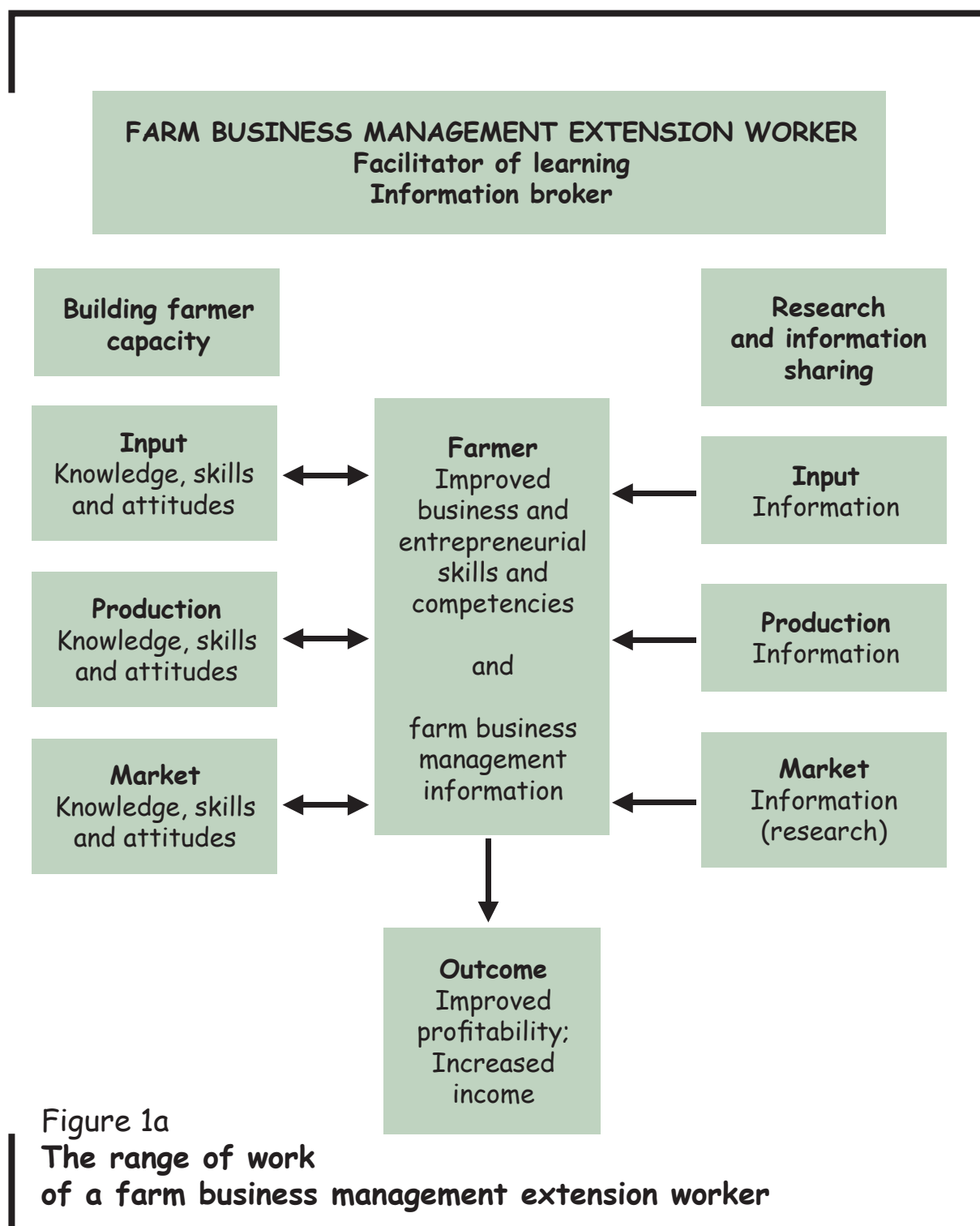
Key among the responsibilities are:

- Promoting farm business schools;
- Organizing farmers;
- Assessing farmer needs and wants;
- Assessing opportunities for farm business schools;
- Linking with agencies, suppliers, entrepreneurs and other individuals who can contribute to the success of the school programme.

An extension worker has many tasks to perform and it is unlikely that he would dedicate all of his time to promoting, running or following-up on FBS programmes. However, promoting and supporting good decision-making by farmers is part of the daily work of any extension worker. In this way, even if they are not working directly on an FBS, extension workers can promote and otherwise help farmers learn about and apply farm business principles and practices. To do this, extension workers will need to be fairly comfortable with farm business management concepts, principles and tools and with how they are applied to any farm business situation. They will also need to understand how these fit into varying production systems.

The aim is always to build capacity among farmers. The key way to do this outside of the FBS is by asking farmers questions about the way they run their farm businesses. They can then help them explore the reasons behind the decisions they make and the basis on which they are made. Through such question-based conversations between extension workers and farmers, farmers can discover better farm business practices in direct relation to their farms.

One of the long-term objectives of such a conversation-based relationship is fostering discovery thinking among farmers where they reflexively diagnose, plan, act and reflect on their farm businesses and their farm business decisions. This will assist farmers in continually improving the productivity and profitability of their farm businesses.



1.3 What is a farm business school?

The farm business school 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. And they will do this where they live. This programme takes the school to the farmers.

The FBS has been developed by the Rural Infrastructure and Agro-Industries Division (AGS) of the Food and Agriculture Organization of the United Nations (FAO). It is intended to develop capacity and skills in farm business management among smallholder farmers and support the transition towards market-oriented farming. The concept of the school was inspired largely by the experience of Farmer Field Schools (FFS)*.

The farm business school is a 'curriculum-based' approach to extension that aims at developing the entrepreneurial skills and competencies of farmers. As an extension approach, the school aims at strengthening farmers' knowledge and skills through learning-by-doing. The objective of the FBS is to help farmers learn how to make their farming enterprises and overall farm operations profitable and able to respond to market demands. It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills needed for farm commercialization - while working on their own farms.

The FBS is based on four fundamental principles:

1. **Facilitation and not teaching.** Farmers learn by working together in meetings. They are largely responsible for their own learning. The farm business management extension worker is the facilitator and is there to ensure the smooth running of the school and ensure that all materials and activities are covered.

*<http://www.fao.org/docrep/006/ad487e/ad487e00.htm>

2. **Learning-by-doing.** Learning is conducted through discussion, practice and reflection with an emphasis given to practical aspects of instruction that can be applied on farmers' own farms.
3. **Interactive and responsive.** The course consists of a series of structured exercises prepared largely as reference materials. However, it is expected to be used flexibly and in response to the demand of the participants
4. **Season-long.** The programme is designed so that it can extend over an entire season so that learning is synchronized with different stages in the production cycle, with the length differing according to the farm enterprises selected. It can also be taught in other formats such as short courses and concentrated training courses.

The FBS process is guided by a set of training materials prepared for facilitators and farmers. There is also an organizational component where farmers are formed into small groups to build collectively their capacity to produce for the market and respond to market demands with the aim of generating profits. Extension workers serving as facilitators are supported by back-up teams of specialists to coach and mentor them in assisting farmers to manage their farms as a business.

The farm business school takes participants through a series of practical applications in which they learn about farm business management concepts, tools and practices, based on their local knowledge and skills. The focus of the approach is to build on what farmers and extension workers know and to add value to this knowledge. When the programme is offered on a seasonal basis, participants apply what they have learned in school meetings to their farming businesses and bring what they have learned back to the FBS to share and compare results.

The FBS aims at setting up schools at community level, where farmers can work in small groups at their own pace and at an agreed time and duration. The process is facilitated by an extension worker. The approach has the flexibility to fit into current farming operations and follows local necessities and needs.

The FBS has six main characteristics:

1. It focuses on content by providing practical exercises to facilitate learning of specific knowledge and skills - exercises can be organized into unique learning programmes.
2. It is based on experiential learning.
3. It involves facilitated farmer learning - led by a trained extension worker.
4. It is designed around selected farm enterprise(s) that can be produced locally.
5. It covers the production cycle - from planning to marketing.
6. Learning is linked to real farm settings to reinforce learning and to deliver more immediate impact

What is a farm business school?

It is a programme of learning
designed to help smallholder farmers in producing
for the market making their farms work profitability.

It is a venue that brings farmers together
to carry out collective and collaborative action to address
business and marketing problems and opportunities.

It is a forum for sharing knowledge
between farmers through discussion,
practical exercises and self-study.

What a farm business school is not!

It is not intended to teach farmers how
to produce certain crops or manage livestock
It is assumed that they will already have this knowledge
or can acquire it through other sources.

It is not a set of lectures
There are no lectures as such.
Exchanges of information and knowledge
are facilitated through meetings and sessions,
with observations, dialogues and discussions.

1.4 Who should establish a farm business school?

While the school is geared toward extension workers using the FBS curricula, there are no restrictions on or requirements governing who should establish an FBS. A farm business school can be started by any number of people or agencies including public sector extension services, NGOs, commodity groups with advisory services, farmers associations and cooperatives, and colleges and universities.

Whoever establishes a farm business school will need to be able to provide the necessary back-up teams of specialists to coach and mentor the trainers. The FBS is not a once-off training event; it should be part of an extended strategy to build farm business capacity among farmers.

Whoever establishes a farm business school will need to have the capacity to meet the standards set by the approach to learning covered in the pages following. They will also need to be able to carry out the following tasks:

- Create awareness and identify and select potential FBS participants.
- Design and organize a number of farm level training programmes among interested farmers. The training programmes will each be held at a specific location and will run for a whole season.
- Recruit and train farmers as FBS facilitators to help you with subsequent rounds of farmer training.
- Mentor farmer groups and give them back-up support as and when needed.
- Keep in touch with other FBS facilitators to collectively identify opportunities for further training as well as reflect on lessons learned and areas of improvement for the next farm business school rollout.

1.5 The approach to learning

The FBS learning process closely adheres to what is called the Participatory Mutual Training and Learning Approach (PMTLA). The PMTLA is a group process that facilitates training and learning among adults. The participants learn by doing and through sharing their knowledge and experiences.

The process involves the participation of people with common interest and purpose. There are no instructors or teachers, but only facilitators. The participants mainly learn from each other. The learning moves from the known to the unknown, from the easy to the difficult and from the simple to complex. It is guided by a curriculum that facilitates learning.

The training and learning is organized and structured. The FBS requires a facilitator and structured modules to guide and support the group training and learning process. Through the process, the participants generate new practical knowledge and ideas. They learn what to do, how to do it, the cost involved, the potential problems to be confronted and the benefits it will bring.

The PMTLA approach enables the participants to learn from each other. The approach is based on three principles:

- **Reflection and sharing.** The participants in the training reflect on the topic, share experience, knowledge and understanding on the subject. It begins with what the participants know.
- **Generating new knowledge.** Here new knowledge is created based on existing capacity and exchanges plus new concepts derived from the FBS.
- **Motivating innovation and creativity.** The new knowledge and insights help the participants to innovate, to develop new ideas from old ones and to create completely new ideas from the insights gained.

The farm business school differs from conventional farm management approaches, which are tool-based methods and dependent on the availability of data. The FBS approach is 'entrepreneurial', and relies on simpler decision support tools, checklists and strategic questions. It is based on the real experiences of the participants on their own farms.

Discussion, practical exercises and self-study enable farmer participants to share ideas, offer advice, experiment and formulate opinions on whether a practice will work on their farm and for their farm.

The learning generated is consolidated and reinforced through action - that is, through implementing what they have learned on their own farms. The essence and the dynamics of this approach to learning are captured in the experiential learning model set out in Figure 1b.

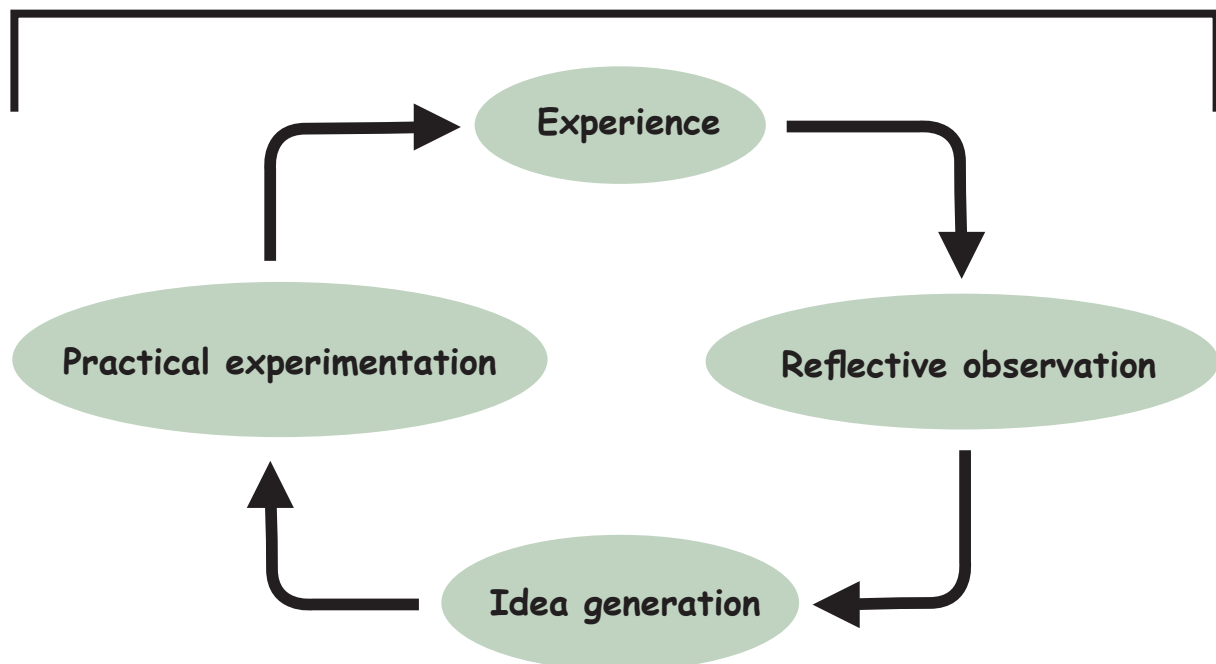


Figure 1b
The experiential learning model

Source: Adapted from Kolb, 1984

**A farm business school
is all about building capacity
among the farmers**

The underlying aim of an FBS is to build capacity among farmers in the area of farm business management. This carries with it the following considerations:

- Rather than solving business problems for farmers, farmers develop the knowledge and skill necessary to dig into the problems they face - to understand them and their causes.
- The programme actively works to reduce the tendency to create dependency on external sources of expertise and where such resources are needed, to be able to engage with them wisely and confidently.
- To strengthen learning, the programme and the way it is facilitated includes simple exploratory exercises that are relevant to the participants' own farm and with which the group can readily engage in an action orientated way.
- Knowledge and skills are not learned in an abstract way. The programme fosters the use of knowledge and skills gained to make farm-specific business management decisions instead of adopting generic answers and recommendations developed remotely by 'specialists' not directly affected by the outcomes of the decisions made.
- The programme recognizes that decision-making processes in a farm business - even a small-scale farm business - are complex and require an iterative approach to make.
- Sharing learning with other farmers after completing the programme is encouraged as a means of developing, extending and adapting the acquired knowledge and skills among neighbouring farmers and farming communities.
- Within the overall framework of fostering a continuous learning environment, the programme will initiate the establishment of networks that the farmers will maintain and extend to facilitate reflexive learning about particular farm business problems and

opportunities and ways to address them. This can be done through personal observation, meaningful conversation and participation in real-world 'learning-by-doing' exercises.

- Participating farmers will be expected and encouraged to draw on their own experience and observations, to learn, to assist learning by other farmers and to make decisions relevant to their own farm businesses.

The approach facilitates the following learning outcomes among the participants:

- **Highlighted awareness, knowledge and skills** on various aspects of farm business management.
- **Sharpened inter-personal and communication skills.**
- **Critical thinking** about the knowledge and skills acquired and their application in a farm business.
- **A change in attitude and behaviour** supporting positive action and continuous reflection-driven learning.
- **Better performances and increased productivity.**
- **A stronger team focus** and improved capacity for group cooperation and collaboration among colleagues and stakeholders in the value chain.

The training also helps to strengthen generic skills, especially:

Observation skills

Social and behavioural skills

Communication skills

Analytical skills

Decision-making skills

To be fully successful

- The approach must be adapted and linked to the actual farming activities of participants. Any theoretical learning is immediately reinforced by application and practice.
- The participants must be committed to walking the path of change leading to profit- and market-orientated farming.

Three critical outcomes

1. Farmers will make decisions about their farm businesses that are based on their own experiences, observations and analyses to increasingly improve the sustainability of their farms; and they will be able to continue making such decisions post-training.
2. It is expected that farmers will pass on the knowledge and skills they have learned to others.
3. Some of the participating farmers may become facilitators themselves. The more promising farmers graduating from the FBS can be trained to serve as trainers for other farmer groups.

1.6 The training programme

The training materials are designed around the concept of the farm business cycle. This is described using Figure 1c.

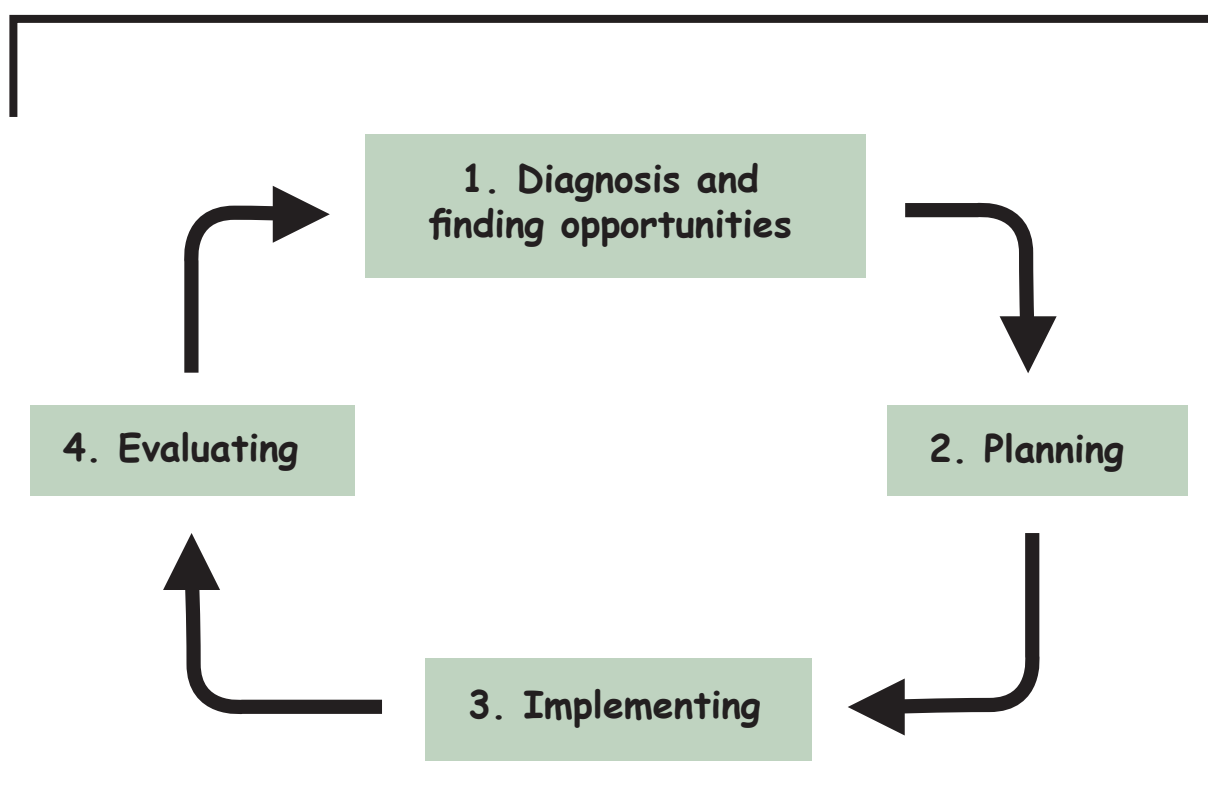


Figure 1c
The farm business cycle

The farm business school training programme covers all four of these aspects of farm business management. It is recommended that an FBS programme is divided into five parts:

1. **Preparing the farm business school**
2. **Preparing to farm as a business**
3. **Planning the farm business**
4. **Implementing a farm business plan**
5. **Reflection and evaluation**

PART 1

Preparing for the farm business school (preferably conducted prior to the beginning of the production season)

It is recommended that the FBS facilitator organize a session to consult with the participating farmers about how to organize their school. This part of the programme should:

- Help the participating farmers get to know one another.
- Establish the ground rules for running the school.
- Confirm the training needs and wants of the participating farmers.
- Set out the curriculum the school will follow and when meetings will be held.
- The FBS programme should be based on a careful assessment of the current business management knowledge and skills of the participating farmers. It should cover the three main aspects of farm business management presented later in this handbook (i.e. preparing to farm as a business, planning the farm business and implementing a farm business plan).
- Meetings should be held regularly, in an easily remembered pattern (e.g. once a week).
- The final programme should be written and a copy given to each of the participating farmers.

No exercises are provide for this part of the programme.

**The facilitator is encouraged to be creative
in designing his or her own exercises that will ensure
the genuine participation of the farmers.**

PART 2

Preparing to farm as a business

(preferably conducted prior to the beginning of the production season)

Some basic business management concepts, knowledge and skills are essential to farm profitably as a business. Some of the concepts included here are costs of production, profits and profitability, cash flow, marketing, record keeping and benchmarking.

The 'Training exercises' manual provides 41 exercises on key business concepts among which are farming as a business and the farm business cycle: diagnosis, planning, implementing, marketing and evaluating.

PART 3

Planning the farm business

(preferably conducted prior to the beginning of the production season)

In this part of the programme, the participating farmers set goals for their farms and 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 that will be implemented in the next season. For those farmers who have never done a formal farm business plan, it is recommended that they develop a plan for just one enterprise on their farm - and not for all the enterprises on the farm. There will be ample opportunity to develop more comprehensive farm business plans after they have learned from their first attempt.

The 'Training exercises' manual provides 18 exercises covering goal setting, creating a vision, strategic planning, selecting a farm enterprise and preparing and using a business plan.

PART 4

Implementing the farm business plan

(preferably conducted during the production season)

This part will assist participants to learn how to arrange all their farming operations over the production period and to enable them to make best

use of the resources they have available to implement their business plans. It covers topics that include preparing an implementation plan, selecting input suppliers, mobilising finance, marketing, record-keeping producing safe and quality products and group business management.

The 'Training exercises' manual provides a collection of 26 exercises on each of these topics to support learning over this part of the programme.

PART 5

Reflection and evaluation

(preferably conducted during the production season)

When the season is over, the participating farmers start the fifth and last part of the programme. It is divided into two sections: reflecting and evaluating the implementation and results of their farm business plans; and reflecting and evaluating the FBS programme and lessons learnt.

Reflecting and evaluating their farm business plans entails discussing how well the plans worked. They identify what worked and what did not work so well. They discuss challenges they encountered in implementing the plan and how they handled them. They identify the things they did that they want to repeat, and thing they did that they want to change.

It is strongly encouraged that, after reflecting and evaluating the progress they made with their farm businesses, the participating farmers should develop a new farm business plan for the next season. It is further encouraged that this second plan be developed for all the enterprises on the farm.

Reflecting and evaluating the FBS programme and lessons learnt entails discussing the value and relevance of the lessons provided in the FBS. Were they helpful? Were they relevant? How can they be improved? This section also evaluates how well the particular FBS was run. What was most effective? What needs to be improved and how? These reflections and evaluations help the FBS organizers and facilitators continually improve the lessons, exercises and processes used by the FBS system.

The 'Training exercises' manual provides eleven (11) exercises to guide the participants in reflecting and evaluating the farm business plans. The exercises aim to assess how the business plan improves farm

profitability. The exercises are designed to review farming operations at the end of the production year and provide opportunity for the participants to practice using farm records as a means of assessing performance and benchmarking against other more successful farms.

1.7 Additional materials: Tools and resources

Three additional topics 'Enterprise budgets' (Item 3.8); 'More about markets and farm management records' (Items 3.9 and 3.10) are covered in Section 3 of this handbook. Here the materials on 'Enterprise budgets' are at a somewhat higher level and are explained in detail. These can be used to augment the FBS programme and to expand the facilitator's knowledge and skills. Depending on the capacity and numeracy of the farmers, facilitator's may choose to include some of these in their curriculum. Facilitators are also encouraged to augment their programmes and their own personal knowledge and skills by making use of materials from other relevant sources. The 'Training exercises' manual provides four (4) exercises on 'Enterprise budgets'.

1.8 Orientation of facilitators

Prior to setting up a farm business school, facilitators must be orientated in terms of setting up and running an FBS and in terms of the programme materials set out in the 'Handbook' and the 'Training exercises'. It is envisaged, that for experienced facilitators/trainers, such an orientation could be completed in 5 days. For extension workers who are less experienced facilitators/trainers and/or who are not very familiar with farm business management concepts, terminology and tools, the orientation programme may take longer. Although a 'Seven-day orientation' is included in this packet, orientation may be extended if more time is required.

Whether a short or longer orientation programme is used, the following issues should be covered when training facilitators to conduct farm business schools:

- The farm business school methodology;
- Links between the farm business, the market and other external linkages;
- Facilitators' roles, responsibilities, code of conduct and ethics;

-
- Developing an FBS curriculum;
 - Participatory and gender-sensitive facilitation skills;
 - Using creative techniques of learning;
 - Identifying common enterprises;
 - Working with resource people;
 - Organizing and managing a school;
 - Collaborating with government, NGOs, and other partners;
 - Ensuring ownership of the FBS by participants.

1.9 Farm business school models

There are four contexts in which an FBS is likely to be set up. It is important that the host agency determines the most relevant context for each school to be set up. This will make it possible to plan according to the individual needs of each. This will also help make each programme more relevant and interesting, and create and sustain the interest of the group.

Scenario 1

Participating farmers have not previously been set up as a group and have no knowledge of which enterprise(s) to work on.

Scenario 2

Participating farmers have not been set up as a group but members know which enterprise(s) to focus attention on.

Scenario 3

Participating farmers have already been set up as a group but have no knowledge of which enterprise (s) to work on.

Scenario 4

Participating farmers have previously been set up as a group and have already chosen an enterprise(s).

In all four cases there are two variations:

The participating farmers have
basic farm business management skills;

or

The participating farmers have no previous
business/farm business management exposure.

1.10 Developing a farm business school process

After orientation the newly trained FBS facilitator will want to get started as quickly as possible. Presumably, the training has been approved and taken place with the intention of starting a school or a series of farm business schools. Item 1.11, the 'Farm business school cycle', the topic covered next, provides details about the five stages of an FBS. The work of the facilitator after training is summarized below.

Creating interest and receptivity

- Identify and visit communities where a farm business school can be set up.
- Promote the FBS with all community members.
- Arrange a first meeting with all community members/farmers.
- Verify who may be interested in participating in an FBS.
- From among these, find farmers who are interested, motivated and willing to participate in and help with the set up.

Preparations

- Arrange follow-up meetings with interested farmers to plan a farm business school including deciding on the number and timing of meetings and the modules to cover. (This can be changed as the school progresses and the participants develop new interests or concerns).
- Organize a meeting venue(s).
- Once a school is ready to start organize it around local needs in terms of the programme to be covered and other required adaptations.
- Tailor the exercises provided for the selected audience (e.g. literate, semi-literate, non-literate).
- Ensure that the 'Handbook and Training exercises' manuals are suitably adapted, for example translating the manual into local language or dialect.
- Initiate the FBS.

**Throughout the two stages above
be patient and determined.
It often takes some time to formally start
a farm business school.**

Implementing (during the FBS)

- Stay attuned to the progress of the participants and make adjustments along the way (record these adjustments for future reference).
- Observe and make evaluations of participants who could possibly become a facilitator once the school has been completed.

Post-implementation

- Visit participants in their homes (or make arrangements for other extension workers to visit them) to follow up on their efforts to apply the knowledge and skills gained at the school to their farms. Offer support where needed. Determine the need for refresher training or any additional training required.
- Select potential facilitators and train them using the 'Seven-day orientation programme' for facilitators (adapted to the needs of each group of trainees).
- Once the trainee farmer-facilitators have graduated from the course, mentor and coach them in setting up farm business schools.

1.11 Farm business school cycle

An FBS group will go through various stages in the course of a school programme. Knowing about these will give the facilitator(s) a better idea of how to intervene at each phase of the process. Facilitators need to help the group move through the various stages. They need to support the group in identifying the steps while maintaining motivation.

During group establishment the facilitator needs to create an environment in which farmers individually and the group as a whole feel free to learn, experience, reflect and possibly change. Dialogue, discussions, doing exercises and experiencing will all be important in achieving the following:

- Establish a learning environment;
- Rejuvenate the learning experience over time;
- Help farmers experience what can be accomplished by working together;

- Develop group bonds and group relationships;
- Stimulate the flow of communications between farmers;
- Encourage everyone to participate and learn;
- Develop new skills;
- Expose farmers to new ways of judging their own actions, particularly in relation to group work;
- Enable farmers to analyse and reflect, before taking action.

For the successful formation of a group within the context of the FBS, there are five major issues that must be taken into consideration:

- Leadership;
- Contributions;
- FBS group contract;
- Record-keeping;
- Group accountability, self-responsibility.

Leadership

All farmers participating in the FBS are leaders; no single farmer or a small group of farmers takes the lead alone. In groups, farmers, who are the most out-going and the most decisive, usually become 'informal' leaders of the group. This should be averted. The FBS requires participatory leadership. This means that all farmers have a leadership role to play and must have equal opportunities to participate. The skills and abilities of each farmer should be used as much as possible to strengthen the group; this can be achieved if all farmers are participatory leaders.

Contributions

Contributions come in three important ways. First, by each farmer regularly attending the scheduled FBS sessions. Second, by actively participating during the sessions. Third, by contributing materially to the work of the FBS group.

Regular attendance. The strength of a farm business school is in the collective work of the whole group. Learning increases when all the group members regularly attend the meetings. Farmers who do not attend regularly will fall behind and may eventually feel left out. The rest of the farmers who attend regularly will begin to feel it is not fair that they must carry all the work. Regular attendance will help build group unity - and unity will improve group and individual farmer learning.

Active participation. Each farmer has a unique story to tell and insight to offer. Each farmer is like a mine rich in gems; through the FBS programme these gems can be discovered, polished and used to benefit the farmer and others. Asking questions, sharing ideas, participating in the exercises are all important contributions to the learning of the whole group. Universal participation should be the standard.

Material contributions. A farm business school operates with minimal external inputs. Learning materials are provided by the organizers of the school, but the practical exercises rely on the contributions of the participating farmers. For example, the group may decide to set up a small crop unit to use as a collective learning space. This might require seed, fertilizer, fencing materials, equipment. It will be up to the participating farmers to provide these materials. They will also need to provide labour to work this production unit. It would not be fair if only a few of the farmers contributed. The group will need to consult about such contributions and agree on a fair plan. Similarly, if the group decides to travel, for example to visit a market or to hold a special event, the group will need to agree how to cover the costs.

FBS group contract

Each farm business school needs a group contract or a set of ground rules; sometimes this is called a constitution. Whatever term is used, the group contract is very important to building an FBS group and for the smooth running of the school. The contract should cover the following issues:

- Expectations in terms of attending meetings.
- Behaviour between the members of the FBS group, particularly during meetings.
- Expectations of farmer contributions to costs for running the school.
- Rules for running meetings, for example how decisions are made, what records to keep and who will keep them.
- Other matters that the group feels are needed to make sure that unity is maintained and that the school runs smoothly.

Keeping records

The group needs a collective memory about what it has done. If such a memory is not in place it will lead to misunderstandings, confusion and possibly arguments. Farmers will have to take turns being responsibility

for taking notes about what has been said, discussed and agreed upon in meetings. Record-keeping should be part of the group contract. The kinds of records to consider keeping are:

- Notes of what has been discussed and agreed.
- Keeping track of what has been contributed to the farm business school enterprises by members or others.
- Keeping track of materials or equipment owned or being held by the school.

The records can be very simple. The important thing is that the records are done in such a way that all farmers understand them; all agree to them and all in turn take the job of filling in the records. Record-keeping must be done on a regular basis: every meeting and activity carried out by the school. Records need to be kept in a safe place where they can be easily located and retrieved if the group needs to refer to them.

Group accountability, self-responsibility

The group needs to reach a stage where it is guided and kept alive by the member farmers without the intervention or help of the facilitator. Farmers, as the meetings continue over time, should develop their skills in leadership and working together, in making rules and keeping records and in generally managing the running of the school.

In the initial phases of group establishment the facilitator will have to take greater initiative and encourage the other participants. As the group moves forward over time, they should start taking initiatives themselves - if they do not they need to be encouraged and assisted to do so. Farmers need to build their confidence and self-esteem. One way they can do this by recognizing their knowledge and skills and the positive aspects of group working. Another is by practising leadership roles, taking turns chairing sessions, and other organizational responsibilities.

As farmers become more self-responsible, the facilitator will need to monitor them and provide feedback on their progress. Simple monitoring factors for self-responsibility include:

-
- Regularity of group meetings;
 - How many farmers come to meetings;
 - How many actively participate;
 - Sharing of responsibilities;
 - Joint decision making;
 - Handling of disagreements and conflict;
 - Group problem solving.

**There are 5 stages in the life cycle of an FBS group ...
Forming, Storming, Norming, Performing, Graduating**

STAGE 1 Forming

When first establishing a group, relationships are characterized by dependence. Farmers may or may not know each other well. They will ask a lot of questions about the purpose and task of an FBS, look for guidance and leadership and are uncertain about how to behave and are often impatient for action.

In this stage farmers have a desire for acceptance by the group and a need to know that the group is 'safe'. They set about to learn the similarities and differences among them and to form preferences. Rules of behaviour help to keep things simple and to avoid controversy. Serious topics and feelings are usually avoided at this stage. To grow from this stage to the next, each member must give up the comfort of non-threatening topics and risk the possibility of conflict.

During the forming stage the main tasks of the facilitator are:

- Introduce the participants;
- Create a relaxed and fun environment;
- Explain purpose of the farm business school;
- Encourage participants to talk to each other;
- Encourage participants to work with each other, using exercises;
- Get all participants to agree on when to meet, where and for how long;
- Get participants to start developing rules/group contract;
- Get participants to develop objectives;
- Explain the participatory leadership approach.

STAGE 2 Storming

In the storming stage the members of the group are characterized by conflict. Different ideas about what they should do and how to do it will emerge. There may also be competition and conflict in personal relations.

As participants attempt to organize, such conflict will inevitably occur. Participants have to try and understand other participants. This will require them to 'bend' their feelings, ideas, attitudes and beliefs to suit the group. Because of 'fear of exposure' or 'fear of failure' there will be an increased focus on how the group works and its rules. While this is useful, it should not become the dominant issue of discussion, as excessive attention to rules and smaller details can be used as a means of avoiding harder and more important issues.

Although conflicts may or may not surface as group issues, they do exist. Questions will arise about various matters. For example, Who is going to be responsible for what and how should this be decided? These reflect conflicts over leadership, structure, power and authority.

At this stage some participants may withdraw from the farm business school, but this must not stop the 'work in progress' of the group or of the school itself. There may be changes in participants' behaviour based on emerging issues of competition and hostilities. Because of the discomfort generated during this stage, some participants may remain completely silent, while others attempt to dominate.

At this stage you need to intervene and implement participatory leadership. In order to progress to the next stage, participants must move from a 'testing and proving' mentality to a 'problem-solving' mentality. The most important factor at this point for you in helping participants to move on to the next stage is the ability to listen.

At this stage your main tasks are:

- Listen actively;
- Clarify purpose and goals;
- Celebrate achievements made by the participants, however small;
- Do not let conflict block group working and development:

- Develop further ground rules for dealing with conflict and other issues that may be needed;
- Encourage progress;
- Implement participatory leadership.

Note that in group development, it may well be that groups get to this point and then stop working. You have to take this into consideration. You also have to consider that it can happen at any of the stages of the group life-cycle.

STAGE 3 Norming

This stage is characterized by unity. Participants start to feel more united. They have a shared vision about the school and more generally about their farming businesses. They have a common goal.

Typically each participant will actively acknowledge the contributions of all the other participants. They will also engage in team building and maintenance, and solving team issues. Instead of defending themselves, participants are willing to change their ideas and opinions on the basis of facts presented by other participants in discussion and dialogue. They actively ask questions of one another.

When participants begin to know and identify with one another, the level of trust increases and this contributes to the development of group unity. It is during this stage of development that participants begin to experience a sense of group belonging and a feeling of relief as a result of resolving conflicts.

Communication between participants is a key function of this stage; sharing feelings and ideas, soliciting and giving feedback to one another, and exploring actions related to the matter being discussed. Creativity is high. Interactions are characterized by openness and sharing of information on both a personal and task level. Participants feel good about being part of a group that is working. At this stage the main tasks of the facilitator are:

- Support communication and animated dialogue among participants;
- Help participants to learn from their mistakes and successes;
- Celebrate achievements;

- Give greater opportunities for participants to self-manage school meetings;
- Make and take progress checks to evaluate the progress of the school, and if necessary intervene;
- Support growing independence.

At this stage the team is starting to become fully independent and starting to become effective; it is ready to start performing. The facilitator's role will change somewhat because dependency on him should be reducing. The facilitators should support this development and take great care not to keep the group dependent on them. This is often a challenge for the facilitator, but it is very important to work at it. Bear in mind the factors that make a team 'perform' are ...

Context. This means the overall environment in which participants work together in, for example the location, how discussions are carried out, the prevailing concerns.

Group size. If the group is too small there will not be enough energy to carry the group. If it is too big it can be hard to manage.

Unity in diversity. Similarities and differences among group members and their behaviours. Diversity is good; a unified group celebrates its diversity. A unified group can accomplish much; a disunified group achieves very little.

Shared vision and understanding. This will bring the diverse thoughts, temperaments and ideas together and will strengthen the unity of the group.

Goals. Clear goals for the team that do not conflict with each other. They keep the consultation and the work focused and provide the basis for evaluating progress.

Ground Rules. Ground rules create a known and safe working space for the participants. They set the limits of behaviour and interaction - thus contribute to the unity of the group. Ground rules should be as simple and clear as possible

Participatory leadership. All groups need leadership. Participatory leadership will make the group stronger for longer.

STAGE 4 Performing

At this stage the group starts making real and visible progress towards its vision and goals. Participants will have good personal relationships. They will be relying on each other. Participants will work independently as a group.

In this stage participants will be good at problem solving, analysing and taking action and will be productive. Each participant will be self-responsible and confident and assured of the acceptance and support of the rest of the participants. There is strong unity: Group identity is complete, group morale is high, group loyalty is intense.

At this stage the group will be moving along on its own, it will be nearly self-responsible. Participants will see the group as being effective, performing important and valuable functions, and being independent in carrying out exercises. Participants will experience a sense of importance, significance and impact on what they want to achieve. The role of the facilitator will diminish considerably; the main tasks are:

- Reduce the role as facilitator, since participants are performing on their own.
- Monitor and evaluate progress.
- Help the group undertake evaluation of its progress and outcomes and learn from their experience and plan the next set of actions.
- Maintain a supportive environment for the group.
- Start to identify possible candidates who may have the characteristics, skills and willingness to become an FBS facilitator.

STAGE 5 Graduating

While the group may and should continue after completing the FBS programme, it is important to mark this with a formal graduation. It is a planned event that includes recognition for participation and achievement. It is important that the participants evaluate their

experience and how new skills and abilities puts them in a better position to manage farming as a business. Graduation should be held in a way that encourages the participants to continue collaborating after their school programme is over.

At this stage the main tasks of the facilitator are to make sure that the following things happen:

- The participants discuss, evaluate and reflect on what they have accomplished individually and as a group.
- The participants discuss, evaluate and reflect on the farm business school; what they thought was good about the FBS and what needs to be improved.
- That recognition is given to participants for having participated and graduated and that all participants get a fair acknowledgement of their achievements. (Consider issuing formal certificates; if they are to be performance certificates, then the FBS organizers will have to develop a performance measurement system.)
- All participants, other stakeholders and all other people who helped you set up and run the FBS are invited to a ceremony (Consider inviting families). The role played by each should be acknowledged.

1.12 Monitoring and evaluating the farm business school

Although each FBS is run according to the principles outlined in this handbook and uses the training exercises manual provided, each FBS is unique. It is organized to meet the particular training needs and wants of those farmers participating. This being the case, great care must be taken during the running of the school to make periodic checks that the programme is indeed addressing the needs and wants of the participating farmers. Monitoring in this way will enable the facilitator to make adjustments to the programme while it is being run.

In its simplest form monitoring can be done by drawing on the training needs and wants assessment conducted before setting up the FBS. Each exercise chosen should be linked (directly or indirectly) to the assessment. In this way it then becomes possible to simply check at the end of any given session or exercise how well that session/exercise addressed the identified training need/want. If it has met it, then the objective is achieved. If it has not met it, then the facilitator knows

immediately and can follow this up directly with the participating farmers to decide what is required to meet the identified need/want. This approach is captured in the following example of an 'Evaluation table'.

Evaluation table			
Need/Want	Exercise to address need/want	Need/want fulfilled?	Action
How to know if the farm is making a profit	Exercises 10, 12 and 13	Exercises were understood, but farmers feel they still don't know how to calculate profits	Make copies from Handout on Enterprise budgets and do Exercise 90.

Conducting regular monitoring in this way will keep the FBS programme alive and relevant to the participating farmers. It will also enable the facilitator to gauge his approach and effectiveness as well as the effectiveness of the individual exercises.

Evaluation of the programme is catered for in Exercises 86-94. These exercises assess the performance of the participating farmers in terms of the effectiveness of their farm business plans. Exercises 95 and 96, respectively, assess the FBS lessons and the FBS itself - how the farm business school was run. This evaluation is a vital part of the programme and should not be left out, as it is the way in which the FBS programme can assess its effectiveness and make adjustments to ensure it remains useful and relevant.

In addition to the assessment exercises, it is recommended that 'before' and 'after' assessments are made of the changes in participants' level of competence. The following table, 'Level of competence in market-oriented farming', provides a detailed guide to this assessment. The aim is to measure the progress farmers are making toward advancing their level of competence along the following range:

- Produces for home consumption;
- Produces primarily for home consumption with some sales at markets;
- Produces for the market and home consumption;
- Farms exclusively for market, but still very inexperienced;
- Experienced farming exclusively for the market.

LEVEL OF COMPETENCE IN MARKET-ORIENTED FARMING						
Level of market orientation	Indicator	Produces for home consumption	Produces primarily for home consumption with some sales at markets	Produces for the market and home consumption	Farms exclusively for market, but still very inexperienced	Experienced farming exclusively for the market
Level of Commercialisation (farming system, area cultivated, market orientation)	<ul style="list-style-type: none"> Traditional land use No understanding of marketing and its implications 	<ul style="list-style-type: none"> Aware of cash crop opportunities Understanding of how the market works Aware that it is possible to sell, but market is not priority Farm is not a business 	<ul style="list-style-type: none"> Changing farming system towards market Considers market first, but still balances decisions with home consumption needs Beginning to see farm as a business 	<ul style="list-style-type: none"> Farm dominated by cash crops and livestock for the market Specific market identified before planting. Takes advantage of seasonal price variations Farm is a business 	<ul style="list-style-type: none"> Optimal cropping pattern Forward selling contracts All decisions made exclusively on the basis of the farm as a business 	
Production technology	<ul style="list-style-type: none"> Traditional practices No working knowledge of alternative production systems 	<ul style="list-style-type: none"> Basic understanding of the economics of different production technologies and farm enterprises but not applied 	<ul style="list-style-type: none"> Applies on a small scale or on an experimental basis, some production technologies based on economic advantages 	<ul style="list-style-type: none"> Applies on a larger scale production technologies chosen based on known economic advantages 	<ul style="list-style-type: none"> Applies on whole farm production technologies chosen exclusively on known economic advantages. 	

LEVEL OF COMPETENCE IN MARKET-ORIENTED FARMING

Level of market orientation Indicator	Produces for home consumption	Produces primarily for home consumption with some sales at markets	Produces for the market and home consumption	Farms exclusively for market, but still very inexperienced	Experienced farming exclusively for the market
Value addition/ level of processing	<ul style="list-style-type: none"> Traditional processing aimed at preservation 	<ul style="list-style-type: none"> Aware of value adding opportunities from processing but continues to focus on preservation 	<ul style="list-style-type: none"> Utilising processing opportunities provided by third parties 	<ul style="list-style-type: none"> Owns small-scale processing equipment 	<ul style="list-style-type: none"> Owns large scale processing equipment Has buying contracts with processors
Business practices (record keeping, gross margin, physical & financial planning etc.)	<ul style="list-style-type: none"> No business practices conducted 	<ul style="list-style-type: none"> Understanding that farming can be conducted as a business Keeps some records of stored products 	<ul style="list-style-type: none"> Understands the importance of keeping records Keeps some income and expenditure records, but the practice is weak 	<ul style="list-style-type: none"> Prepares comprehensive records (including physical and financial planning) but with assistance 	<ul style="list-style-type: none"> Prepares comprehensive records without assistance
Capitalisation	<ul style="list-style-type: none"> Low, using informal lending sources 	<ul style="list-style-type: none"> Aware of the need for capital to become more commercially viable, but continues to use informal sources 	<ul style="list-style-type: none"> Started to invest in the farm business for commercial benefits but on a small scale 	<ul style="list-style-type: none"> Larger commercial investments have been made for productive purposes - resulting in increased wealth 	<ul style="list-style-type: none"> Working to a longer term investment plan aimed at increasing farm profitability and generating wealth

LEVEL OF COMPETENCE IN MARKET-ORIENTED FARMING	
Level of market orientation	Indicator
Produces for home consumption	Produces primarily for home consumption with some sales at markets
Produces for home consumption	Produces for the market and home consumption
Produces exclusively for market, but still very inexperienced	Experienced farming exclusively for the market
Participation in farm/rural enterprise groups	<ul style="list-style-type: none"> Minimal participation in enterprise specific groups to learn about economic opportunities Member of an interest group and beginning to experiment with new ideas Sustained membership for at least one year Regularly experiments with new ideas on a small scale Adopting the lessons that came out of group membership, but still seeks support and guidance Key member/ leader in enterprise group Develops and adapts the business enterprise to market changes
Input-output linkages	<ul style="list-style-type: none"> No understanding of input-output linkages and support services Understands the importance of linkages Begins exploring possibilities mostly with external encouragement Member of group(s) taking advantage of linkages Has established a few important linkages (with support) Pro-active member of a group(s) taking advantage of linkages Capacity to forge linkages without external support Advises other farmers on potential linkages
Use of support services	<ul style="list-style-type: none"> Pro-active member of a group(s) taking advantage of linkages Has established a few important linkages (with support) Pro-active member of a group(s) taking advantage of linkages Capacity to forge linkages without external support Advises other farmers on potential linkages

Assessments are made through simple interviews with farmers who are asked about their farming operations using the eight following criteria:

1. Level of commercialization (farming system, area cultivated, market orientation).
2. Production technology.
3. Value addition/level of processing.
4. Business practices (record-keeping, gross margin, physical and financial planning).
5. Capitalization.
6. Participation in farm/rural enterprise groups.
7. Input-output linkages.
8. Use of support services.

Interviews can be conducted again at the end of the FBS programme and again several months later to see how the farmers have developed their competence in market-oriented farming.

1.13 Resource requirements

There are essentially two levels of operation of the farm business school: The orientation of FBS facilitators and the organization of the farmer-level FBS. Each facilitator and farmer training programme has its own expenses. It is important to calculate the cost of activities and inputs to ensure proper school budgeting. The costs to be considered include personnel (e.g. coordinators, facilitators, resource people), transport, accommodation for facilitators in the field, training (and materials), monitoring, and other items and resources that support sustainability and scaling up the programme.

Orientation of facilitators

The organizing agency will need to identify a corps of extension workers who are experienced facilitator/trainers, preferably with some background in farm business management.

The facilitator orientation programmes are classroom based and thus are more expensive than the farmer-level FBS. In addition to the training materials, they will need to cover accommodation and food costs of the participants in addition to the training resources and materials.

The training materials required are: white board and markers or chalk board and chalk; large sheets of paper; masking tape; marking pens; pencils; loose lined and unlined paper; data projector and computer.

Give the facilitator a 'Handbook' and a 'Training exercises' manual

Organization of farmer-level schools

The farmer business school is meant to be conducted in venues near the homes of the participating farmers. There should be no accommodation and minimal food expenses for the participating farmers. In many cases, the farmers will organize among themselves to provide meals and teas for each of the school meetings. This is a very healthy approach and should be encouraged as it fosters greater ownership of the FBS - which, of course, is the intention. The greater the ownership of the FBS by the participating farmers, the greater will be the effectiveness of the school programme.

The handbook

This book is what you are currently reading and is the core of the farm business school programme. As you can see, it is not intended to be a textbook for university or college students. It does not cover the theory behind farm business management, but rather focuses on the practical knowledge and skills that you will need to set up farm business school programmes. It has been designed as a guide for extension workers to adapt and apply the FBS in the field. It is essential that extension workers (facilitators) who participated in the 'Seven-day orientation' are provided with a copy of this book. Extension workers would be expected to use it to design and implement field-level training programmes for farmers. The handbook has been designed to provide guidance when setting up farm business schools and providing reference material on farm business concepts, and provides some of the core tools and resources required.

Training exercises

Accompanying the handbook is a separate manual of training exercises grouped according to subject themes around core topics. The manual provides step-by-step guidance for the extension worker (facilitator) on how to conduct the exercises provided in a group setting and to ensure that quality training is given. The structure of the exercises, how to prepare for them and how they are to be conducted is explained in detail at the beginning of the training exercises manual. A list of topics following the exercise contents provides a quick-reference guide to assist users in the design of individualized learning programmes.

Section 2
**ESTABLISHING A FARM
BUSINESS SCHOOL SYSTEM**

This section of the FBS Handbook provides guidance to organizers for designing training programmes. By intention, this is set out as a structured set of guidelines rather than step-by-step instructions. Farm business school organizers and their appointed facilitators are encouraged to take care to ensure that the school systems and programmes they initiate are not simply a mechanical application of the processes and exercises set out in the handbook. FBS systems and their training programmes must be tailored to the particular range of potential participants and their production systems and marketing options. The overall vision of developing a farm business school programme is shown in the Figure 2a.

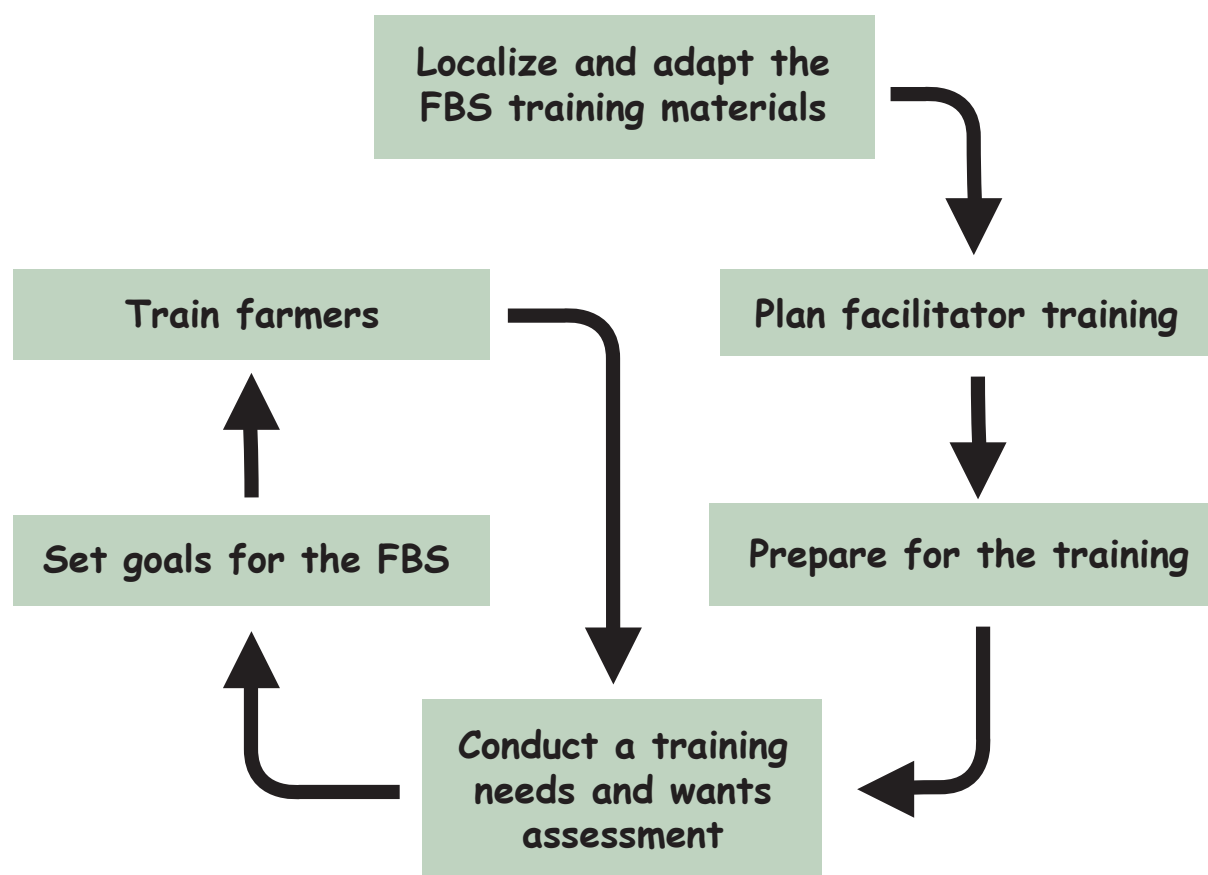


Figure 2a
Developing a farm business school programme

2.1 Localizing and adapting the training materials

The FBS organizers in any country would be expected to review the training materials and adapt them to the local context. Ideally this would be done collectively and together with the trained facilitators and, if need be, other training and curriculum development specialists.

Two important aspects of adapting the training materials need to be considered and these are the levels of literacy and the language requirements of the farmers who will participate in the programme. Organizers and facilitators will need to agree on the language(s) of instruction. It may be necessary to translate the materials into the local language(s) or dialects. If this is the case, then the necessary arrangements should be made at the earliest possible date.

While every effort has been made to keep the level of language accessible, whether using English or a local language, the materials may need to be adapted according to the levels of literacy of the intended participants. Similarly, some of the exercises require writing (or at least reading things using numbers and calculations) on a board for markers or chalk. The FBS organizers and facilitators will need to consider this when setting up their system and finalizing the training materials.

Those involved in this process should agree to some basic principles so that there is consistency throughout the training materials eventually used. In addition to language issues these might include the use of relevant localized examples and stories in order to make the exercises effective for particular participating farmers. As many of the exercises and materials are linked, care must be taken to ensure that changes effected in one part of the materials are effected in all other parts of the materials that are connected to it.

Even if the course is held in English, it will probably be necessary to make changes to the names, crops, currencies and other aspects of the examples and exercises. The best examples are those that come from the participants' and the facilitators' own experience. Thus, the examples given in the training materials can be replaced with more locally relevant material that gives the same information and message.

2.2 Planning facilitator training

The FBS programme has been designed to minimize the start-up training costs and processes. Depending on the circumstances in each country, it is envisaged that training of facilitators will run along any of three scenarios.

Scenario 1

The country has access to a significant number of extension workers with substantial training skills and experience and a working knowledge of farm business management.

In this situation, the selected extension workers would be taken through a five-day orientation on the FBS materials to familiarize them with the philosophy, training approach and specific exercises used by the school.

In the process of the orientation, their level of knowledge and comfort with farm business management concepts and tools will emerge. Where gaps are found, additional orientation/training in technical areas can be organized. Once trained and orientated, extension workers would be deployed by the FBS organizers to set up and run the programme.

Scenario 2

The country has few suitably skilled and experienced extension workers, but has access to other personnel with the relevant training skills and experience and a working knowledge of business management.

In this situation, external training personnel would be taken through the seven-day orientation on the FBS materials. These personnel would then take selected extension workers through a condensed version of the farm business school programme. The actual length and choice of exercises from the FBS collection would be determined by an assessment of the extension workers' capacity for training and their level of knowledge and comfort with farm business management concepts and tools. Once trained and orientated, the extension workers would be deployed by the FBS organizers to set up and run the programme.

Scenario 3

The country has few resources with training skill and resources and/or knowledge of business management.

In this situation, special arrangements can be made between the host country and FAO to identify, train and complete the orientation of cadre personnel - preferably from among existing extension workers - who would then be used both to set up and run the FBS system and to train and orientate additional extension workers.

2.3 Preparing for the training

Each country will have to decide on the method and process to identify and select facilitators. This cannot be prescribed by the FBS. However, the FBS can provide guidance to support whatever process is implemented.

Where to look for potential facilitators

Farm business school facilitators could be drawn from the public sector extension service, NGOs, the private sector and from lead farmers in a geographic area of interest within a country. They should be good communicators and preferably have previous training experience in farm business management. Consideration should be given to the national and sub-national context and a balance of male and female facilitators must be found.

Qualities and criteria for selecting facilitators

A good FBS facilitator must be motivated to work with farmers. Motivation is a fundamental aspect and its importance cannot be overemphasized. Whoever is chosen must be motivated to take on this type of work and be supported in their role. They should be able to 'make a difference' and run the school programme so that:

- Participants feel it is adding value to their knowledge and opportunities as farmers.
- All the resources available to the farm business school are focused on achieving the goals set.
- The school is run with a minimum level of conflict and a maximum level of participation.

A key characteristic of a good facilitator is the ability to communicate clearly. The ability and enthusiasm to listen is also valuable. A facilitator who does not listen will have problems facilitating. A good facilitator should also recognize that group dynamics and management are critical to the success of the school; if the participants do not work well together, the whole process becomes difficult.

A good facilitator is also a good problem solver. Facilitators may have to deal with problems among participants, between participants and family or community members, or between the farm business school and the community. Although one facilitator may not be able to solve all problems, he or she should be able to identify individuals or community, government or private organizations that can help. A good problem solver needs good observation and communication skills, as well as the ability to deal with conflict, as conflict is an inevitable part of working with people.

In addition to having a basic working knowledge of (farm) business management, a good facilitator will have other qualities. While it is unlikely that any one facilitator will have all the desired qualities, the qualities below should be taken into consideration when choosing facilitators.

Knowledge

A practical understanding of ...

- Facilitation (and how it differs from teaching);
- Group dynamics and team building;
- The importance of interpersonal communication and conflict resolution;
- Methods of encouraging participation.

Skills

A sound ability to ...

- Organize a learning space (i.e. classroom or other);
- Organize the learning materials;
- Be flexible in following learning processes while staying on course;
- Clarify or make sense of abstract concepts;
- Summarize discussions;
- Be reflective;
- Be creative.

Attitudes

Must demonstrate ...

- Confidence in farmers;
- Respect for all participants;
- Respect for diversity of experience and viewpoints;
- A positive outlook;
- Sensitivity towards others.

Initial orientation

After identifying a team of facilitators, it is important to meet them all directly – preferably as a group – to discuss the farm business school, its aims and objectives and what is expected of facilitators. The facilitators' commitment to the school process should also be assessed at this meeting; although it may be difficult to judge their level of commitment so early in the programme. The meeting is an opportunity to emphasize the group nature of the FBS approach and the need for facilitators to contribute their imagination, time and effort to reach school objectives. This first meeting is also a good time to start establishing team spirit among the facilitators and between the facilitators and the organizers of the farm business school.

Facilitators should be given plenty of time and opportunity to contribute to the meeting and ask questions. It is crucial to emphasize that the FBS is not a conventional school and that facilitators need different skills from those required in conventional teaching. It should be clear to facilitators that the learning approach is based on facilitation and learning-by-doing rather than on conventional instruction-based learning. The individual and group training needs of facilitators can also be established.

Following the initial orientation, the selected facilitators would then be taken through the formal seven-day farm business school orientation programme.

2.4 Conducting a training needs and wants assessment

As mentioned earlier, the FBS programme is not a set programme. It follows a basic outline and broad sequence of learning, but does not specify which and how the 100 exercises provided in the collection must be used. One of the key elements of the farm business school is that the actual programme followed should be based on a sound assessment of the farm business management knowledge and skills in the area of (farm) business management.

Thus it is strongly recommended that a training needs and wants assessment be conducted among interested prospective participants. The farm business school process does not prescribe a particular form of assessment as each country and/or extension service will know best how to conduct such an assessment. Indeed, such an assessment may have already been conducted.

In addition to assessing training needs, it is important also to assess training wants. Very often farmers have very clear and specific interests regarding what they want to learn regarding improving the profitability of their farms. If the school can address these wants, it will build greater confidence among the farmers and improve their level of participation. Of course, assessing their wants would have to exclude technical/production issues and be limited to those related to the business aspects of farming.

It is recommended that the training assessment be done as a part of the recruitment and invitation process, rather than as a stand-alone operation. This connects the assessment directly to the establishment of an FBS in a particular community and associates the assessment with the immediate planning for the farm business school. See Section 4, Item 4.1, 'Assessing training needs and wants' for more details.

2.5 Setting goals for a farm business school

Farm business school organizers must have a clear vision about what they want to achieve using the FBS. In most cases this will be linked to national/regional goals for agricultural development. In general two sets of goals are relevant.

First is a goal regarding establishing the FBS system in the country. This would include setting targets for establishing the policies, processes and infrastructure for training and for supporting field operations. It would include targets for distribution of similar schools throughout sub-regions or districts. It would also include setting targets for the number of facilitators to be trained - this number would be, in part, determined by the target for throughput.

Second is a goal regarding throughput. Once there is a clear picture about how the overall FBS system will operate and how it will be rolled-out, it is then in order to set goals for the number of farmers who will be invited to participate in the programme over a given period of time. This number will, in part, be limited by the number of FBS facilitators that can be trained. Assuming that the facilitators will be selected from among existing extension workers, it is further assumed that these workers will have a variety of responsibilities and will not be involved exclusively in running farm business school courses.

A basic common sense rule is that any one farm business school could effectively handle 15-20 participants. It is suggested that one facilitator could handle two groups at the same time. Therefore, a minimum of 1 facilitator is required for every 40 farmers to be taken through the programme. Using this basic 'formula' the farm business school organizers can set targets for training facilitators and farmers.

Section 3
**BUILDING BUSINESS
MANAGEMENT SKILLS**

A significant portion of the FBS experience centres on acquiring knowledge and skills that will enable the farmers to develop and implement a farm business plan. They should be able to evaluate the performance of their farm businesses as well as evaluate their own performance as farm businessmen. To facilitate this the programme provides a booklet of training exercises with numerous examples to be used when planning and conducting a farm business school. The exercises are organized around key areas of learning that fall within the following five themes:

Themes	Key learning area
1. Preparing to farm as a business	1. Key business concepts 2. Entrepreneurship
2. The current farm business	3. Analysing the farm business
3. Planning the farm business	4. Developing a farm business plan
4. Implementing a farm business plan	5. Farm business management 6. Purchasing inputs and materials 7. Mobilizing finance 8. Linking to markets 9. Producing safe and quality products 10. Group business management
5. Reflection and evaluation	11. Assessing the performance of the farm business plan 12. Reflecting on experiences and lessons learned

Themes 3, 4 and 5 have a progressive nature to them; they take the farmers on a journey from where they are, to planning for a future, to evaluating progress toward realizing that future. The 'learning-by-doing' approach provides the farmers with a structured learning experience in which they can learn the theory and practice of farming as a business, implement that learning and then evaluate the progress of their farms and of their own farm business management skills. This iterative process is intended to reinforce learning so that by the end of one cycle of the FBS, the farmers are on a clear pathway to commanding the progress of their farm businesses.

3.1 Preparing to farm as a business

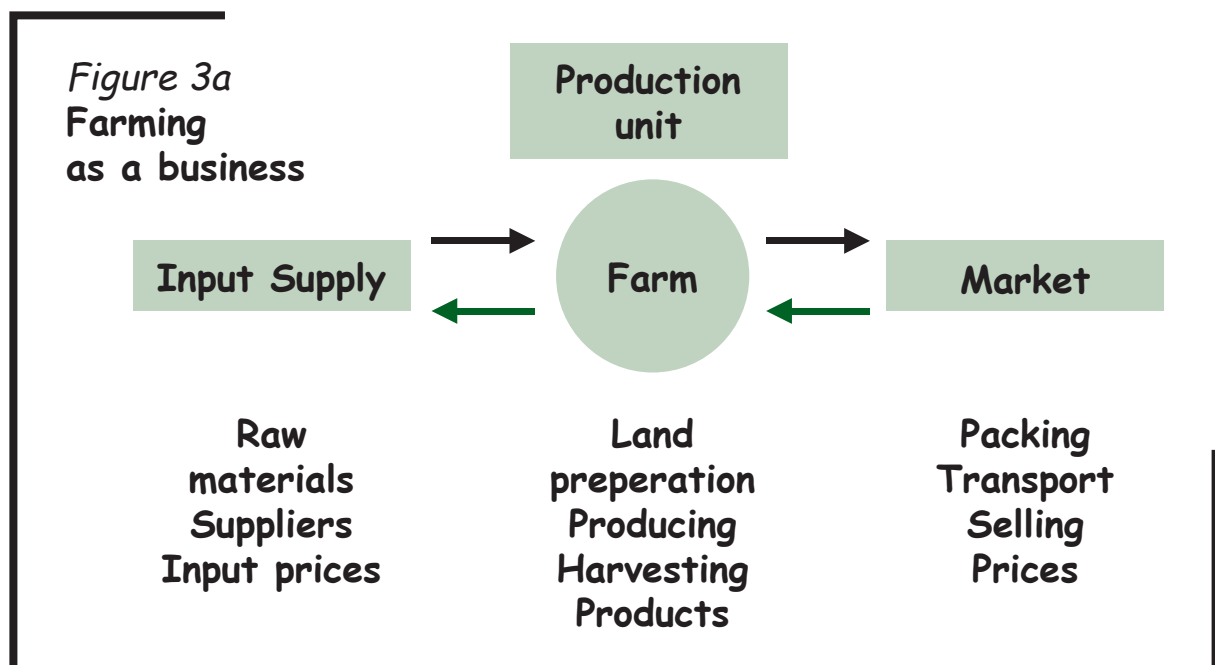
Key business concepts

Commercial farming environment

The commercial farming environment is rapidly changing. New marketing opportunities, new production and processing technologies, and increasing competition create challenges for small-scale farmers. They are faced with hard choices about how to run their farm businesses. For most, producing primarily for home food consumption and selling surpluses is no longer viable. Some farmers are only generally aware of these changes and the impact they have on their farm businesses. A first step to assisting farmers move toward more profitable market-oriented farming is helping to understand these changes and how they affect their farm businesses.

Farming as a business

For many small-scale farmers, their farms are production units. They focus on the land and the production activities, not on the business aspect of their farms. But in reality, their farms are businesses; they are businesses that produce agricultural products. And in order to keep pace with the changing environment, farmers need to see their farms as a business. Specifically they will look at the three key elements of any market-oriented farm: input supply, the production unit, and the market.



The farm business cycle

Planning and implementing a business follows a specific cycle. It starts with diagnosing the situation and identifying opportunities. Plans are made to exploit these opportunities. Plans are implemented - which includes organizing, producing, monitoring and marketing. After implementation, the results are evaluated. Then the cycle starts again. In this way the farm business is continually improving using a systematic and methodical approach. This is essentially a learning cycle marked by three distinct phases: planning, acting and reflecting. Using this cycle helps farmers make better decisions and reduces the chance of making impulsive, unplanned decisions. Building capacity to plan, act and reflect is key to successful farm business management. With practice this becomes a reflexive way of thinking, enabling farmers to be in a constant state of learning and advancing based on the results of their decisions and actions.

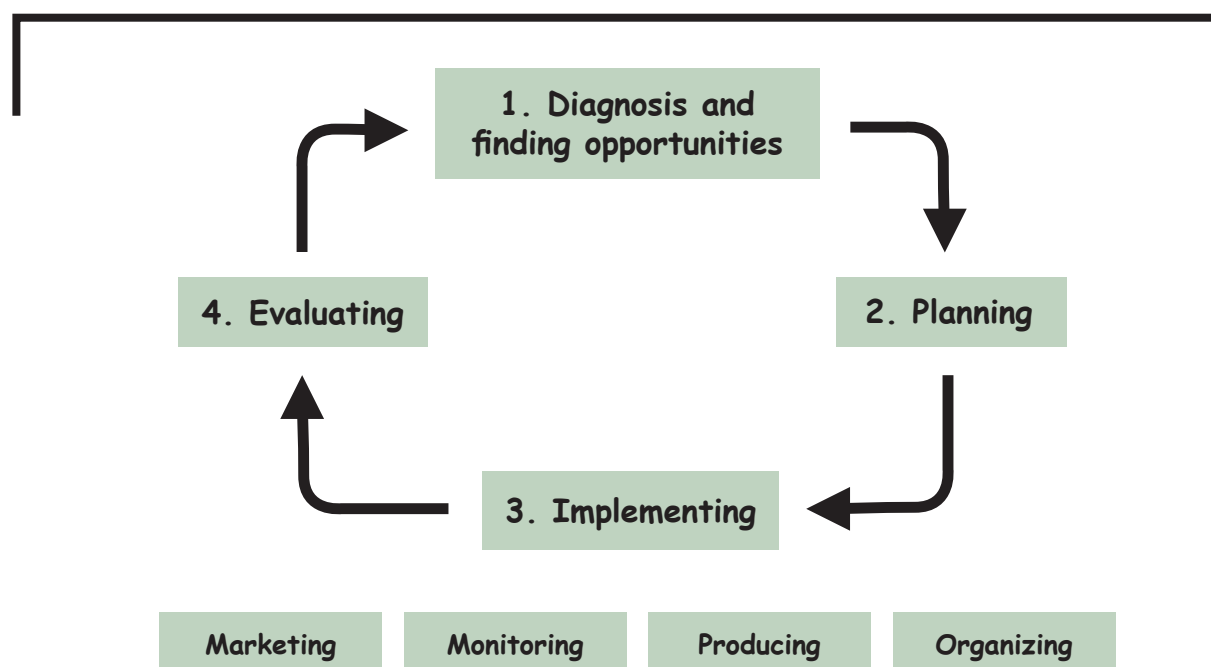


Figure 3b
The farm business cycle

Applying the farm business cycle

In terms of a farm business, diagnosis is the process of investigating or exploring the farm business to see where improvements can be made. It can identify problems or opportunities that the farmer can investigate further and then act upon.

Once a diagnosis has been done, ideas about possible changes will emerge. Planning addresses the questions such as what and how much to produce and how to produce it. Planning ensures that the farmer has carefully thought through ideas for change before he implements them. Planning ensures that changes and new ideas are carefully thought through before being implemented. The impact proposed changes or new technologies or systems will have on the farm business are estimated so the farmer can make an informed choice on whether to implement the change or use the new technology or system. If he decides to go ahead, it will be with an objective understanding of the likely outcome.

Once a plan has been made, it needs to be implemented. Like diagnosing and planning, implementation requires careful thought. Farmers need identify the steps to follow to implement the plan and the order in which those steps should be done. However, things may not go exactly as planned and the farmer needs to be able to adjust his implementation programme based on what actually happens on the ground.

Marketing is an important element of the implementation stage in the farm business cycle. It is one of the most critical aspects of farming for profit. As with the other stages in the cycle, marketing needs to be planned carefully. The farmer needs to consider how to prepare the product for the market, how to package it and how to transport it to the market. And, of course, he must sell the product which includes deciding on a final price. Therefore, marketing is discussed in detail by exploring the main elements of marketing: preparing, packaging, transporting and selling.

Every good farm plan is carefully evaluated to assess what worked and what did not work, what was effective and what was not effective. The farmer needs to know if he achieved his objectives or not. Did he meet his production targets? His marketing targets? His profit targets? If he didn't, he must find out why. If he did, then he can look for additional ways to improve his farm.

If a farmer wants to develop a plan to improve his farm business, he needs to clearly understand what the key aspects of a farm business are. This will help him stay focused on the most important

things that affect his farm business and not be distracted by interesting, but less important issues.

Farm profit, income, costs

Profit is not the same as income. Profit is the money left over from income after the costs have been deducted. This is one of the most important concepts in farm business management. Many businesses fail because they treat income as profit. If inputs and other resources have been purchased on credit, those debts need to be paid off first. If inputs and other resources have been purchased for cash, then the farmer needs to set aside some of the income from the current season to purchase input and resources for the next season. In either situation, profit is the amount of money left over after the costs have been covered.

A farm is usually a collection of two or more enterprises, for example, maize and cattle, or eggs, groundnuts and wheat. It helps farmers manage their whole farm business when they can clearly identify the different enterprises and how they individually affect the profitability of the farm. While farmers need to be able to make decisions about the whole farm, they also need to make decisions about the individual enterprises.

Each enterprise on a farm makes a unique contribution to the profitability of the whole farm. A farm can make a profit while at the same time one of its enterprises is making a loss. If the farmer only looks at the whole farm, he will not see that he is making less money than he could. When the farmer looks at the profitability of each individual enterprise, he will be able to identify which enterprises are profitable and which are not. Then he will be able to decide what to do about the unprofitable enterprise; he can take steps to make it profitable, or he can stop producing that enterprise.

To maximize profit, the farmer needs to know exactly how each enterprise is performing. Therefore, he must study them individually by looking at the costs associated with inputs and production of each enterprise and with the income generated by marketing that enterprise.

Figure 3c
One enterprise
production unit

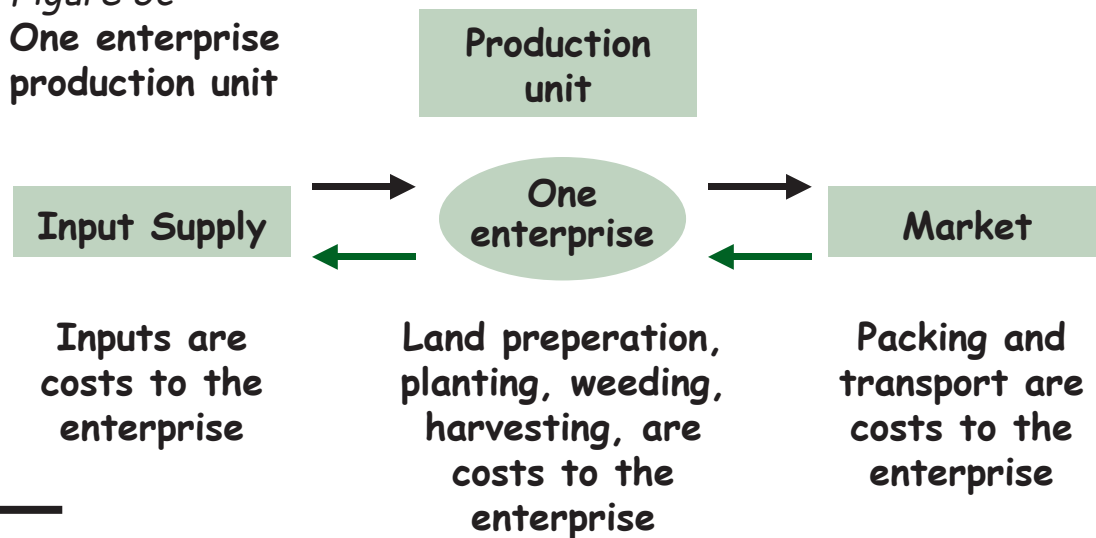


Figure 3d
Income, costs, profit or loss

Enterprise profitability

Income

Income from sales
Value of unsold product

Minus

Costs

Cost of carrying out
production activities
and marketing costs

Equals

Profit or loss

Profit: income > costs
Loss: costs > profit

Income from
sales are
income to the
enterprise

Farm businesses have two basic types of costs: variable costs and fixed costs. Variable costs are those costs which change (vary) with production. They are usually things like seed, fertilizer, hired labour costs and other inputs. If more is produced, variable costs increase. If less is produced, variable costs decrease. Fixed costs do not change with production. These include things like land rental, maintaining infrastructure and permanent labour. No matter how much is produced, the fixed costs remain the same.

There are many factors that affect the profitability of a farm. They are usually factors that affect the cost of producing and marketing the enterprise and factors that affect the price of the product sold. The factors are usually related to things such as input suppliers and the cost of inputs, technology, the amount of home consumption, market demand and prices, credit and competitors. When a farmer knows how these factors affect profitability, he is able to take action to improve his farm's profitability.

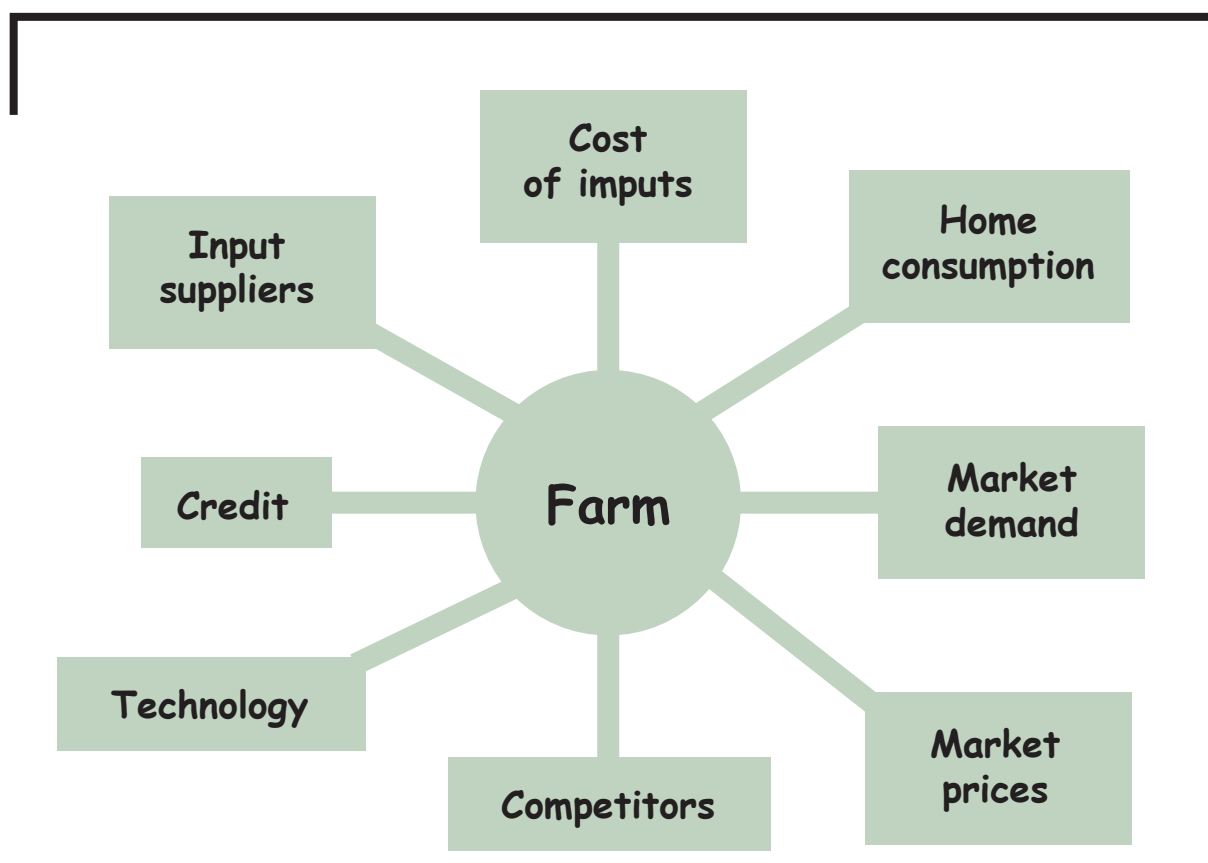


Figure 3e
Things that effect profitability

Cash flow, cash availability

Cash is the life-blood of a farm business. Unless a farmer has enough cash to pay for the inputs, labour and other costs, he will not be able to run his business. A wise farmer always works out ahead of time his cash outflow: how much cash he will need and when he will need it. He will compare that to his cash inflow: how much cash he can access and when he can access it. Together these make up his cash flow. Determining his cash flow enables him to identify the times in the production season when he may run short of cash and, based on that, make a plan to raise the cash needed in time.

Planning for risk

One of the biggest factors that contribute to the failure of farm business is not identifying and planning for risk. Drought, increases in input prices, decreases in market prices are all risks that farmers face. In each case the farmer needs to examine the risk and estimate the impact it will have on his farm profits. For example, What will happen if the price of inputs increases by 10%? What will happen if the market price for his product decreases by 5%? What if there is a labour shortage or the cost of hiring labour increases?

Entrepreneurship

Entrepreneurship is not easily defined. What is evident is that successful entrepreneurs have certain characteristics in common. They usually enjoy what they are doing, they plan everything, they are careful with money, they project confidence in themselves and in their businesses, they are willing to change and try new ways of doing things, they look for a competitive edge, something that makes their product stand out, they are trustworthy and reliable, they are good negotiators, and they are always aware of what is happening around them and are always on the lookout for new opportunities. One of the best ways to identify those characteristics and to make them real in the minds of farmers is by meeting and talking with successful entrepreneurs.

To help farmers think more deeply about entrepreneurship, it is useful to get them to reflect on the degree to which they have the characteristics of an entrepreneur. Making such an assessment will enable them to make decisions about how to strengthen their

entrepreneurial capacity. This is part of the reflexive learning discussed earlier. The more they do it, the better they will become at objective self-assessment, which is critical to having a successful and profitable farm business.

Negotiating skills

Negotiating is an important skill needed by all successful entrepreneurs. It is used when purchasing inputs, hiring labour, engaging transport and pricing products at the market. Negotiating is the process by which two or more parties discuss and agree on the arrangements for a particular activity or business arrangement. A good negotiator knows the value of things, how different jobs get done and how long they should take. He knows when the input price is too high or the market price is too low. He knows what his alternatives are and how each decision will affect the profitability of his farm business.

In addition to having certain knowledge, a good negotiator also has particular skills such as the ability to say 'no', the ability to listen, the ability to stay calm and focused, the ability to make quick calculations, and the ability to see a way for both parties to 'win'. The better a farmer is at negotiating, the better his chances are to improve the profitability of his farm business.

3.2 The current farm business

Analysing the farm business

The first step in analysing a farm is to create a reliable sketch map that shows how the land is used, what products are produced, and the inputs and technology used. Many small-scale farmers do not make maps of their farms, but would greatly benefit if they did because it is a useful tool when planning the future of the farm. Farm sketch maps do not have to be precise, but they should be reasonably accurate. Their measurements do not have to be exactly to scale, but they should give a reasonable idea of the relative size of different plots. The drawings of the infrastructure do not have to be exact, but it should be easy to identify the different structures and buildings, road locations, water points and other important elements.

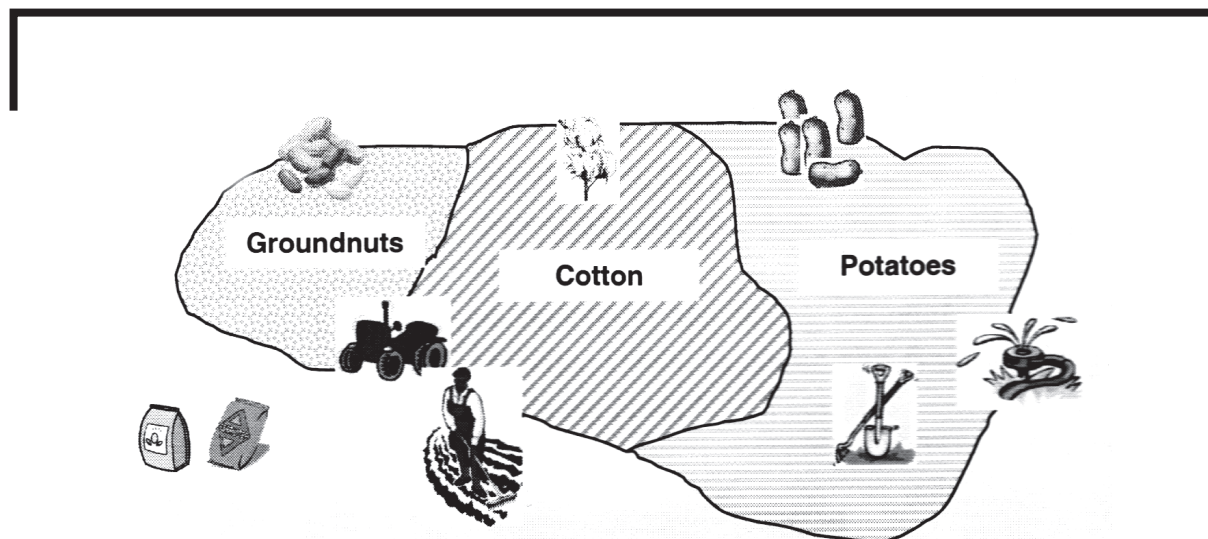


Figure 3f
Example of a sketch map

Most farms produce more than one enterprise. Often the relationship between these enterprises is not known. And yet, it is important to know if the enterprises on the farm compete with each other or if they supplement or complement each other. When enterprises compete with each other, it often leads to lower profits. When they supplement or complement each other, it can help increase profits. Knowing this helps the farmer decide on the use and allocation of resources when planning the farm to ensure that it is as profitable as it can be.

Part of diagnosing a farm business includes understanding the strengths and weaknesses of the business. Strengths being the positive aspects of the farm that contribute to profitability; weaknesses being the aspects of the farm that are hampering profitability. Strengths and weaknesses can be found in every aspect of the farm: for example the land, the production system, the marketing system, management, labour.

Appraising the market

Marketing is a core function of any profit-making farm business. Farmers need to understand how the different markets work and the relative value of using local, regional, national and international markets. They need to understand how the product moves from the farm to the market, how it is handled and processed and by whom. This will help farmers choose the market that will bring the greatest profits.

Figure 3g

Marketing is the exchange of goods and services for money



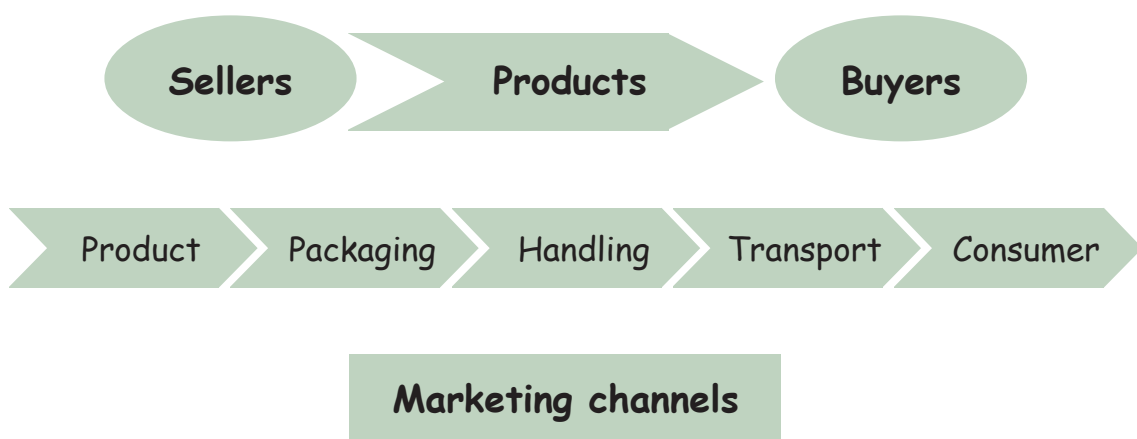
Value-adding is the process of increasing the value of a raw farm enterprise or agricultural product by improving the product through any of a number of activities such as cleaning, packaging and processing.

Adding value gives the farmer more bargaining power, as he is marketing a product that is closer to the form in which it will be used by the end-consumer. For example, a wheat farmer who mills his wheat and sells flour. Another example is a sheep farmer who sells butchered sheep instead of live sheep. Adding value also helps the farmer spread his risk as he has an additional source of income and does not rely only on selling his raw, unprocessed agricultural product.

Products that have added value generally obtain higher prices in the market. This makes them potentially more profitable. However, adding value also adds to the costs, so farmers need to make sure that the value added is greater than the cost of adding value.

Figure 3h

Marketing channels: At each stage a cost is added



Among the marketing decisions to be made one is where to sell products. This requires investigating the options for each enterprise on the farm. Farmers need to determine where their products can be sold, what quantities can be sold and when is the best time for each market. Choosing a market depends on many factors such as how the product gets to market, the quantity the market can handle, the market's requirements about quality, packaging and other conditions and how the money is handled.

Benchmarking

Benchmarking is a very powerful way to explore how to improve farm performance. Essentially it involves comparing one's own farm to different aspects of farms that are known to be successful. The process helps pinpoint areas to be improved in terms of land, labour, capital, input supply, production, post-harvest marketing, infrastructure and management. Benchmarking involves careful preparation and includes visits to farms that have been selected as example or benchmark farms.

3.3 Planning the farm business

The second stage in the farm business cycle is planning. This is when the farmer uses all the information he has gathered during the diagnosis stage to develop a plan to improve the performance of his farm. The aim is to make the farm more productive and more profitable.

Visions and goals for the farm business

The first step in planning is to create a vision and goal for the farm business. A vision is essentially a statement about how the farm business will look after some period of time - at least five or ten years. It is a description of the future of the farm business. In order to achieve the vision, the farmer identifies goals for the farm business that will push the farm business, step-by-step, towards its vision.

Strategic Planning

Once farmers have created a vision and set goals for their farm businesses, they need to develop a strategic plan that identifies the actions that need to be taken to achieve the goals that will lead the

farm business to fulfil its vision. Strategic plans should be realistic and based on facts. They should not be a statement of high hopes that are not supported by sound information about the farm and about other aspects of the value chain. Strategic plans should be clear, structured and able to stand up to questions as hard as might be raised by a bank or other funding agency.

Part of strategic planning is to identify and understand what strategic planning options exist for the farm business. The options generally include one or more of the following:

- Diversify. Increase the number of enterprises produced.
- Lower costs. Produce the enterprise at the lowest possible cost.
- Expand the size of the business. Increase the value of sales and/or assets.
- Add value to the enterprise. Process or package the product before it is sold.
- Specialize: Reduce the number of enterprises, and to concentrate on producing and marketing these profitably.
- Differentiate the product. Make the product different and better than those of their competitors.
- Integrate. Link the farm business with other farm businesses or other businesses in the value chain.

After exploring the options, farmers need to develop a strategic plan that is specific to their own farm businesses.

Farm enterprises

A part of developing a farm business plan includes choosing enterprises. During the diagnosis and early planning stages, the farmer will have examined how his current enterprises impact on one another, what the market wants, how his farm business needs to change to be more like successful farm businesses, and what strategic options are most suitable to his own farm business. Eventually, the farm needs to decide what enterprises to produce. Each enterprise option needs to be tested for viability. Is it technically possible? Is it profitable? What labour would be required?

Once a farmer has an idea of what he would like to produce, he needs to make sure that it is actually technically possible to produce the enterprise on his farm. Is the soil appropriate for the enterprise? What about the climate and the topography of the land? Does he or she have access to the water needed by the enterprise? All of these things need to be checked before the farmer can commit funds to producing the enterprise.

If it is technically feasible to produce an enterprise, then it is necessary to find out if the enterprise can be profitable. To do this the farmer needs to develop an enterprise budget for the enterprise. This will show him if the potential income from the enterprise will cover at least the variable costs of producing the enterprise. If it is not profitable, then the farmer should not produce the enterprise. Similarly, he or she should compare the profitability of the chosen enterprise with the profitability of other enterprises to see which are the most profitable. When the farmer has done this, he or she will be in a better position to choose which enterprises he will produce.

Another factor in determining if a farmer should produce an enterprise is to assess the input requirements for the enterprise. This means he or she needs to identify all the inputs such as implements and tools as well as seed, fertilizer and pesticides for crops and feed, drugs and vaccines for livestock. These inputs should be the same as those identified in the enterprise budget. In addition, the farmer needs to know how much is needed, what its application rate is, the amount needed for 1 hectare, when it is needed and who can supply it. If there is no (reliable) supplier, then it will not be possible to produce the enterprise.

Still another factor to consider is the labour requirements for the enterprise. How much labour is needed to produce the enterprise? When is it needed? How much labour does the farmer have from within his or her family when it is needed? How many workers will he or she have to hire, and when? Is labour available when it is needed? What is the cost? All of these factors need to be considered before committing any money to producing the enterprise.

Preparing and using a business plan

When this point in the training programme has been reached, the farmers should have already established a vision and set goals for their farm businesses. They should have selected their enterprises for the coming season and tested them for technical feasibility and profitability. They should have already established the input requirements and have developed a labour plan. Therefore, these do not need to be repeated when preparing the actual business plan.

Developing an action plan

A plan is only effective if it is implemented. To implement a business plan requires an action. An action plan is essentially a list of tasks and activities organized in the order in which they should be done, when they will start, how long they will take and who is responsible for doing them. Developing and using an action plan reinforces a steady, systematic approach to running the farm business and reduces impulsive decision-making.

3.4 Implementing a farm business plan

Record-keeping

Records are a critical part of successful and profitable farming. Without records, the farmer cannot evaluate, diagnose or properly plan his farm business. Records do not have to be sophisticated or complex, but they do have to record the information needed by the farmer in a way that is easy to use and understand. (See also Page 98 in Item 3.8 for 'More about farm management records'.)

Many farmers are reluctant to keep records. They may understand the importance, but still they do not keep records. Sometimes this is because they do not have a clear picture of what records are needed or how to keep them. Most farm records can be kept in a simple way. They do not have to be complicated. The main point is that they must be written, clear and easy to find and understand when needed.

The following are seven basic farm business records:

- Production records;
- Labour records;
- Cash inflow records;
- Cash outflow records;
- Home consumption records;
- Profit and loss records;
- Fixed asset records.

Purchasing inputs and materials

Much of the profits of a farm business are tied up in the inputs and other materials needed to produce the farm business enterprises. Therefore, what inputs and materials are purchased, where they are purchased and the prices paid all have a direct impact on the profitability of the farm business. An important aspect of this is finding the best supplier for each input. Farmers need to think about what makes a good supplier. What qualities should they look for? Reliability? Trustworthiness? Regularity of supply? Quality of products? Level of service? And they need to investigate which suppliers have these qualities.

Identifying suppliers, visiting them and then reflecting on the information gained helps farmers make sure they are working with the best suppliers for their farm businesses.

Mobilizing finance

Without the funds to purchase inputs, pay labour, hire equipment and cover marketing costs, the farm business cannot operate. Most small-scale farmers do not have access to the cash needed to run their farms as a market-oriented farm business. They will need to borrow money either to purchase specific equipment or to cover running costs. Preparing a cash flow tells them when they will need borrow cash. But where will they get the cash? They need to carefully assess possible sources of finance. They also need to understand the role of credit and the risks and responsibilities it entails. Before borrowing money, they should also look at the possibility of saving as a means of raising cash. They should also explore the possibility of group saving schemes.

Part of choosing a source of finance is assessing them and deciding which offers the best option. There are many options including one's own savings, borrowing from relatives or friends, borrowing from traders, borrowing from buyers, bank credit, credit against produce sold, and grants from donors or government. Farmers need to think about the sources of finance available. Which of these is the best for their farm business? What are the advantages of each of these? What are the disadvantages?

Most of these options involve credit, borrowing money and repaying it later. Which source of credit is the most appropriate? What qualities should the farmer look for in a creditor? Trustworthiness? Interest rates? Terms of credit? Repayment requirements?

**These are all important questions to consider
when choosing a source of finance.**

Credit has a particular role to play in managing a farm business. It can help get a new enterprise started when the farmer does not have his own cash to get started. But credit comes with risk. Whatever money is borrowed, has to be repaid with interest. The money borrowed must be used wisely and in ways that make it possible to make more money in return. Money should be borrowed only if the enterprise is profitable and there is reasonable certainty that enough money will be generated to repay the loan. Money should never be borrowed to pay off another loan.

An important source of funds is savings. While it takes discipline to save, saving improves the farmer's ability to cope with emergencies without having to borrow money or selling assets to raise funds. One does not need to be wealthy to save; everyone can save, even if it is a small amount. Many farmers have formed group saving schemes where they can pool their resources and help one another when needs arise. If they are well organized and the participating members are united, group saving schemes are a very effective way to mobilize funds.

Linking to markets

A solid market plan is important to a successful farm business. Linking farmers to the market is more than just knowing where the different markets are, it is also about understanding and using market information

to reduce risk, deciding on products and timing of production, checking prices, determining how to best handle the product after harvest - including post-harvest processing.

Part of preparing a market plan is gathering, understanding and using market information. A market plan must be based on real and reliable information, not on feelings, assumptions or unconfirmed information. It is sometimes hard for farmers living in remote areas to obtain free and unbiased information. But farmers can usually get market information from government run market information services, traders, other farmers, extension workers, marketing boards and agri-processors. However, farmers must take care to make sure that the market information from traders is not biased to force lower prices. Similarly, other farmers may not have accurate information or may exaggerate prices.

A great deal of the profitability in agricultural products is determined by how the product is handled after harvest. There are three basic principles to bear in mind when handling products after harvest: maintaining quality, maximizing shelf-life and managing the supply of the product to the market. These are all affected by the methods of harvesting, post-harvest handling, packaging, storage and methods of transport.

If a farmer wants sell his products at a market, he will need to harvest, handle, package, store and transport the products in a way that meets the requirements of the market so that they can fetch the best possible price. How the product is handled after harvest affects the quality of the product, which in turn, affects the price of the product.

In addition to the handling, packaging, storing and transporting of products after harvest, farmers should also give consideration to processing the product after harvest. Products sold in their raw state fetch lower prices than the same product which has been processed. Primary processing includes things like shelling and drying. Secondary processing includes hulling, splitting, grinding and milling. Tertiary processing includes converting uncooked foods into products for human consumption.

Contract farming

One way farmers can secure their market is through contract marketing where the farmer enters into an agreement with a buyer to produce a particular product to specific requirements of quantity, quality and timing. Before entering into a farming contract, farmers need to understand how they work and their advantages and disadvantages. They also need to know what should be included in the contract to make sure they are protected and are getting a fair deal.

Contract farming can help smaller-scale farmers diversify, as they provide a guaranteed market for the product. With a contract the selling price is known from the start, which reduces risk. Contracts allow farmers to access markets they might not otherwise be able to access. They also usually have quality requirements and therefore the contracted buyer will often provide extension and advice. In this way farmers can learn new enterprises and new technologies that they might not otherwise risk learning or experimenting with.

Contract farming also has limitations. Farmers are not free to run their farms as they want; they must produce according to the contract. This may require the farmer to borrow money to buy equipment to produce the product according to the contract. The farmer is also obliged to sell the quantity agreed in the contract to the contract buyer. This means if a better opportunity comes along, he cannot take it up.

Contract farming also provides opportunities for farmers to work together. Collective contract farming helps spread risk, improves their chances at obtaining financing, increases the possibility of meeting the volume requirements and facilitates better input and market prices. Through group contract farming, weaker or struggling farmers can get help from stronger farmers.

Before entering into a farming contract, farmers will need to be clear about what is normally included in the contract. The main elements are: the duration of the contract, quality standards, production limit, cultivation practices, product delivery arrangements, pricing arrangements, payment procedures, arbitration terms and insurance arrangements.

Producing safe farm products

While making profits is important, it is also important to make sure that the products produced by the farm business are safe for human consumption. There are standards for 'safe food' which the farmer must meet. The World Health Organization of the United Nations (WHO) has set some international standards for food safety. The basic principle is that farmers should ensure that the food they produce will not cause harm to the consumer when it is prepared and/or eaten according to its intended use.

The farmer also needs to be aware that harmful things can be introduced to the product at any stage along the value chain. Farmers need to consider the kinds of seeds, rootstock and animal stock they will use, what chemicals they will use, how they will harvest, and how they will handle and store harvested products. Farmers will need to balance safety standards with profits.

3.5 Group business management

Changes in local, national and international marketing create pressure on farmers and challenge them to find ways to reduce risk and reduce costs. One of the ways farmers can meet this challenge is through collective action - through group business management. Farmers can work collectively on two levels: partnerships among producers, partnerships along the value chain.

Partnerships among producers

Sometimes a single small-scale farmer cannot compete with other producers and players in the agricultural value chain. In such cases, he may want to consider joining forces with other farmers to improve their ability to compete and succeed. One of the most viable ways to work together is through group marketing. This has many advantages such as increasing bargaining power, getting better prices and sharing risk. It also has some disadvantages including loss of flexibility and having to accept agreed prices even if higher prices can be found. As with all good farm business practices, farmers should approach group business management carefully and systematically. They need

to decide on the criteria for membership, what each member should contribute, what services should the scheme provide to members, how the group should be managed and how the scheme should be financed.

Collective marketing will not happen unless it is well planned and organized. The farmers who want to work together need to consider a number of important questions that will ensure that the group functions well and that all the members benefit fairly from the collective action.

Some of the more important questions are:

- What are the criteria to become a member of the scheme?
- What should each member contribute to the scheme?
- What services should the scheme provide to the members?
- How should the group be managed?
- How should the scheme be financed?

The success of a group marketing initiative often depends on how clearly and fairly these questions are answered.

Partnerships along the value chain

In the changing farming environment farmers need to increasingly recognize that they are part of a chain and that the competitiveness of the chain is often more relevant than the competitiveness of any individual actor-farmer. In today's world competition more often takes place between chains rather than between individual actors. Farmers need assistance to build their capacity and skills to participate in, contribute to and benefit from a value chain. Key factors in realizing this are fostering collaboration and building trust between stakeholders within a chain.

This topic is covered by seven (7) exercises that are interlinked. The exercises begin by helping farmers identify and describe the value chain to which they belong. Next the farmers name the various actors in their value chain and establish criteria for evaluating partners. After an initial evaluation is conducted and potential partners have been selected, they are invited to the farm business school for a

panel discussion. This is followed by choosing certain value chain partners to begin negotiating with and finally a brief plan is developed to select a potential partner.

REFLECTION AND EVALUATION

3.6 Assessing the performance of the farm business plan

Here we are concerned with assessing the performance of the farm business plan and testing whether or not the plan improved the profitability of the farm. The process involves the following;

- Reviewing farming operations at the end of the production year.
- Practice using farm records as a means of assessing performance.
- Benchmarking and evaluating farm performance.

A successful evaluation relies on the records that farmers have been keeping on the performance of the enterprises for which they developed their business plan.

As a result the exercises provided for this topic are meant to be carried out after the farmers have completed a whole production cycle with at least one enterprise.

3.7 Reflecting on experiences learned: assessing the FBS and its lessons

Farmers who have been through the farm business school programme will benefit from reflecting on their experiences and lessons learned. This will help both the farmers and the extension workers to determine the farmers' need for further assistance.

Such a reflection will also help improve the farm business school in the future. The exercises provided pose a series of questions to help access both the lessons learned and the effectiveness of the FBS itself.

ADDITIONAL MATERIALS: TOOLS AND RESOURCES

3.8 Enterprise budgets: Information and practice

The following material outlines a number of farm business management concepts and includes exercises relating to some of the concepts. The aim is to help FBS facilitators learn or refresh their understanding of these concepts. Depending on the capacity of the farmers, particularly their numeracy, the facilitator may choose to include some of this material in the school curriculum in addition to that provided in the 'Training exercises' manual.

Enterprise budgets

An enterprise budget is a fairly detailed estimate of the output, cost, and profitability of individual crop and livestock enterprises. An enterprise budget can be used for at least the following purposes:

- To compare the performance of a single enterprise using different farming practices and technologies.
- To calculate the potential profitability of producing an enterprise.
- To compare the profitability of two or more enterprises.

The enterprise budget is also called a gross margin budget because profitability is based on the gross margin of the enterprise. The enterprise budget includes all costs involved in producing the enterprise. It is not profit because it does not include all costs. (It excludes fixed costs which the enterprise shares with other enterprises.) The term gross margin generally refers to the remaining income from an enterprise after the variable costs are deducted (Gross income less variable costs). But it is an indication of the profitability of an enterprise. If an enterprise does not have a positive gross margin, then that enterprise is not profitable.

A gross margin is usually calculated on a unit basis. It can be calculated on a per hectare basis, or as a return to labour, based on the number of days worked by the farmer and her family. These would be expressed as \$/ha, \$/worker, \$/person day, respectively.

Every farmer who markets some of his farm products should know his costs of production and should be able to calculate the gross margin. This will allow him to analyse the current performance of an enterprise using current prices and input-output information. Using the gross margin he can project information into the future; this will help him plan and make decisions. This is called budgeting.

Calculating a gross margin

The basic formula for calculating a gross margin is as follows:

$$\boxed{\text{Gross margin}} = \boxed{\text{Gross income}} - \boxed{\text{Variable costs}}$$

Gross income (value of production) for crop enterprises. Calculating gross income is different for annual crop enterprises and livestock and perennial crop enterprises. We will start with crop enterprises. The gross income or value of production is the money received from the sales of produce plus the value of unsold produce.

The gross income is obtained by multiplying the physical output by the market price of the product and valuing home consumption.

$$\boxed{\text{Gross income}} = \boxed{\text{Yield}} \times \boxed{\text{Price}}$$

It is generally incorrect to calculate gross income for the enterprise by using the price at which the farmer sold the produce in the marketplace or elsewhere off the farm. If the market price is not known, then it can be calculated by deducting the costs of transportation and other marketing expenses from the market price.

For example, let us say that a farmer had harvested 3 tons of cassava. He sold most of it for \$200/ton. The outcome of this is as follows:

The market price was: \$200/ton
 The gross income was: \$200/ton × 3 tons = \$600

When a farmer is planning, he will not yet have information about sales, consumption and storage of the enterprise that has not yet been produced. In this case he will want to estimate the gross income.

To do this, he needs information about yield and price. If he knows that his farm produced 3 tons/ha last year and he knows the average market price was \$200 per ton, then by using the following formula, he can estimate the gross income per ha.

No matter how much he sells, consumes or stores, the value of the crop (gross income) can be determined by multiplying yield by price.

In most cases, this simple calculation is adequate for basic comparisons and decision-making. However, a more detailed understanding of gross income highlights that the gross income from an enterprise comprises a number of sources of income:

- Produce sold;
- Produce consumed by the farmer's family/workers;
- The produce put into storage;
- By-products.

Produce sold. The money received from the amount of the product of the farm sold on the market is part of the gross income of the enterprise. Gross income from sales is calculated as follows:

$$\boxed{\text{Income from sales}} = \boxed{\text{Quantity of produce sold}} \times \boxed{\text{Market price}}$$

Produce consumed by the farmer's family/workers. Not all of the product produced on a farm will be sold. Some will be consumed (eaten) by the farm family or the workers. Even though this does not bring in cash to the farm, the product has a value and therefore is included in the gross income. The contribution to gross income from produce consumed is equal to the value of the produce consumed. This value is calculated as follows:

$$\boxed{\text{Value of produce consumed}} = \boxed{\text{Quantity of produce consumed}} \times \boxed{\text{Market price}}$$

The produce put into storage. Again, in some cases, some of the harvest will be stored. This may later be sold or consumed. But either way, it has a value and therefore contributes to the gross income for the enterprise. The contribution to gross income from produce stored is equal to the value of the produce stored. This value is calculated as follows:

$$\boxed{\text{Value of produce stored}} = \boxed{\text{Quantity of produce stored}} \times \boxed{\text{Market price}}$$

Therefore, the gross income of an enterprise is calculated as follows:

$$\begin{array}{r} \boxed{\text{Income from sales}} \\ + \boxed{\text{Value of produce consumed}} \\ + \boxed{\text{Value of produce stored}} \\ \hline = \boxed{\text{Gross income from sales}} \end{array}$$

The figure below gives an example of a gross income using some of the income sources discussed above.

Gross income of 1 hectare of maize		
Maize grain sold:	11 bags of 90Kg at \$13/bag	= \$143.00
Grain consumed at home:	2 bags of 90Kg at \$ 13/bag	= 26.00
Gross income		= \$169.00

Gross income for livestock enterprises

Farming activities for livestock enterprises extend over more than a single year. In these cases, gross income is defined as the difference between the closing valuation of produce stored, plus sales (including marketable produce and by-products consumed on the farm) and the opening valuation of produced stored plus purchases.

A gross income calculation for a livestock enterprise could be set up as shown in the example format that follows:

Gross income for livestock enterprise		
	ITEM	\$
	Closing valuation (at end of the year)	
LESS:	Opening valuation (at beginning of the year)	
EQUALS:	Increase/Decrease in value of stock (Inventory change)	(A)
	Income from sales (livestock)	
PLUS:	Income from sales (by-products)	
	Value of products used for home consumption	
EQUALS:	Value of sales and consumption	
LESS:	Purchases of animals (during the year)	
EQUALS:	Net sales	(B)
A + B	GROSS INCOME	

Variable and Fixed Costs

Remember, gross margin is gross income less the variable costs.

$$\boxed{\text{Gross margin}} = \boxed{\text{Gross income}} - \boxed{\text{Variable costs}}$$

Costs associated with a farm can be divided into two kinds of costs: variable costs and fixed costs.

Variable costs. Variable costs are 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. For example, labour is required in

crop production. If a farmer has to hire labour, then as production is increased the need for hired labour also increases. If no yield is produced there is no need for hired labour.

Typical variable costs include the cost of seeds, fertilizers, sprays, fuel for machines, hired labour, livestock feed, and veterinary costs, among others. Variable costs can be allocated to specific enterprises.

An example of variable costs for maize is shown below in the figure below.

Variable costs					
Item	Unit	Quantity	Unit price (\$)	Amount (Unit)	Total (\$)
Seed	Kg.	10	0.90		9.00
Fertiliser	50 kg bag	1	13.00		13.00
Manure	Tons	4	13.00		52.00
Pesticide	Kg	4	2.00		8.00
Labour: Land preparation	Person days	20	0.70	14.00	
Planting/manuring	Person days	10	0.60	6.00	
Weeding	Person days	15	0.60	9.00	
Harvesting/threshing	Person days	10	0.60	6.00	
Total labour	Person days	54			35.00
Total variable cost					117.00

Fixed 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 type of crop or livestock production. Fixed costs remain the same regardless of the output. Even if there is no output, there will still be fixed costs.

Fixed costs include, for example, the cost of purchasing a tractor or a piece of equipment that is used on the whole farm, and the cost of a head of livestock. Most of the costs of keeping a tractor, equipment

and draft cattle remain the same if the item is or is not fully used. Fixed costs are also known as overheads.

Fixed costs also include permanent labour, management, and depreciation, among others. (Depreciation is the cost of the declining value of things like tractors, machinery and buildings. Depreciation is usually calculated as an annual payment. An example of the way depreciation is calculated is given at the end of this section.)

Calculating Gross margins

Basic calculation. As stated earlier, the gross margin for a crop or livestock enterprise is obtained by subtracting the variable costs from its gross income.

$$\boxed{\text{Gross margin}} = \boxed{\text{Gross income}} - \boxed{\text{Variable costs}}$$

Costs and income analysis are usually done after the harvesting of the crop at the end of the cropping season or year. In the case of perennial harvest, yields and prices vary during the year. Therefore, the time of analysing costs and income should be done for a given crop year. In such cases, it is important that inputs and outputs refer to the same year being considered for analysis.

The figure below presents a calculation of a gross margin for 1 ha of maize.

Calculation of a gross margin for 1 ha of maize	
	\$
Gross income (from above)	169.00
Less: variable costs (from above)	-117.00
Gross Margin	52.00

Scaling to units for comparison. To be able to make comparisons, the gross margin calculations must be made on the same unit basis, such as hectare, labour, water. If the information available to the farmer is for more or less than one unit, then she needs to convert it to one unit. See the two following examples.

Example one: Farmer 1 with 0.75 ha of millet.

At the end of a season, a farmer checks her records and finds the following:

Source of income	Quantity (ton)	Market price (\$)	Value(\$)
Sales at market	1.0	200	200
Consumed	0.5	200	100
Stored	0.5	200	100
By product	0.2	50	10
Total yield: Millet	2.0		
By-product	0.2		
Gross income:			410

Her gross income for her millet enterprise is \$410. Let us say that her variable costs are \$300. Using our formula, we find:

$$\begin{array}{r}
 \text{Gross income:} \quad \$ 410 \\
 \text{Variable costs:} \quad - 300 \\
 \hline
 \text{Gross margin} = \quad \$110
 \end{array}$$

The gross margin from her 0.75 ha is \$110. But to make a comparison she needs to convert this to a unit basis, in this case, one hectare. To this she simply divides her actual gross margin by her actual hectares.

$$\$110/0.75 \text{ ha} = \$147/1 \text{ ha}$$

This farmer has a gross margin of \$147/ha.

Example two: Farmer 2 with 1.5 ha of beans

At the end of a season, a farmer checks her records and finds the following:

Source of income	Quantity (ton)	Market price (\$)	Value(\$)
Sales at market	2.0	200	400
Consumed	0.5	200	100
Stored	1.5	200	300
By product	0.5	50	25
Total yield: Millet	5.0		
By-product	0.5		
Gross income:			825

The gross income of \$825 for 1.5 ha of beans converts to:

$$\$825/1.5 \text{ Ha} = \$550/1 \text{ ha}$$

This farmer has a gross margin of \$550/ha.

Let us say that this farmer has a total variable cost of \$625. This would give us the following:

Gross income:	\$825
Variable costs:	-625
<u>Gross margin</u>	<u>=\$200</u>

This gross margin of \$200 is for 1.5 ha. Therefore, if we want to compare Farmer 1 with Farmer 2, we need to convert it to a gross margin for 1 ha:

$$\$200/1.5 \text{ ha} = \$133/1 \text{ ha}$$

This farmer has a gross margin of \$133/ha

The total gross margin for Farmer 1 is less than the total gross margin for Farmer 2. However, when converted to a unit basis, we find that although her enterprise is smaller, Farmer 1 has a higher gross margin

per hectare than Farmer 2. Farmer 1 has a gross margin of \$147/ha, while Farmer 2 has a gross margin of \$133/ha. Although Farmer 2 has a larger final income, Farmer 1 has a more profitable farm. It is likely that if Farmer 1 had more land, she would earn more income than Farmer 2.

Converting from units to determine actual income. In many cases, the farmer will obtain gross margin information about a crop where the information is presented on a unit basis. If she wants to know what her actual gross margin would really be, then she needs to convert from a unit to her actual size. To do this, she needs to multiply the per-hectare gross income by her actual number of hectares. See examples below.

Example one: Farmer 1 with 0.8 ha

The gross margin for maize in her area is \$200 per ha.
 $0.8 \text{ ha} \times \$200/1 \text{ ha} = \$160 \text{ for } 0.8 \text{ ha}$

Example two: Farmer 2 with 1.6 ha

The gross margin for margin for maize in his area is \$200 per ha.
 $1.6 \text{ ha} \times \$200/1 \text{ ha} = \$320 \text{ for } 1.6 \text{ ha}$

Farmer 1 can expect to have a total gross margin of \$160, while Farmer 2 will have a total gross margin of \$320.

Steps for Calculating Gross Margins

Note: a gross margin is calculated separately for each enterprise.

1. Determine an average yield per hectare for the enterprise.
2. Determine the average market price for the enterprise.
3. Calculate the gross income per hectare (i.e. the average yield per hectare multiplied by the market price).
4. Calculate the non-labour variable cash costs of inputs and materials per hectare for the enterprise. These should include the costs of seeds, fertiliser, pesticides, machinery services.

5. Estimate the labour costs per hectare per activity for each enterprise (e.g. land preparation, sowing, weeding, harvesting).

First: Determine the number of hired person-days required per activity per hectare.

Second: Determine the rate of pay for hired labour

Third: Calculate the cost of hired labour by multiplying the number of hired person days per activity by the current wage rate for each activity.

6. Calculate the cost of family labour by multiplying the number of family labour person days per activity by the opportunity cost of family labour (i.e. the current wage rate, as in step 5).

7. Calculate the total variable costs by summing the cost of inputs and materials, hired labour and family labour.

8. Calculate the gross margin per hectare by subtracting variable costs from the gross income.

9. Repeat this calculation for each enterprise on the farm.

10. Compare the gross margins among enterprises and determine which is more

Enterprise budget template: One hectare/one unit			
Enterprise:			
Income			
Product	Quantity	Price per unit (\$)	Total value (\$)
Total expected income			
Variable costs			
Inputs/materials/labour	Quantity needed	Cost per unit (\$)	Total costs (\$)
Enterprise profitability			

More about markets

Planning for the market

Marketing is the key to successful farm profit making. Farmers can improve their skills in marketing by understanding how the market functions, collecting market information, formulating marketing strategy and preparing a market plan.

Marketing can be quite complex for the individual farmer and it is often more useful if farmers market their produce as a group. Likewise, it is often more useful for farmers to prepare a market plan as a group. The extension worker can be useful in assisting farmers in formulating strategies and preparing a marketing plan and in facilitating group and individual farmer marketing.

The essential principles of marketing

Farmers producing for the market should be in the position to answer six questions that marketing specialists pose that all begin with the letter 'P'. What are these? These are: 'People, Plan, Product, Place, Price, Promotion'. The answers to these questions are all important for successful marketing.

People. Who are the people we market to? Who buys the product? What are their wants and needs? Who are the people marketing the product? People need the farmer to be friendly, efficient and knowledgeable about the product.

Plan. What is the plan for marketing? What are the steps that need to be taken to market the product? In what way will the farmer market the product to the customers?

Product. What is the nature of the product that will be sold in the market? This includes the taste of the product and other characteristics that consumers prefer. Is the product what the customer wants? Are the quantity, packaging and size what the consumer wants? Is the appearance of the product appealing? Are the products labelled? Are the labels clear? Can they be seen? Are they attractive? Does the product have a brand name?

Place. Where is the marketplace? How far is it from the farm? How should the produce be sold? What form of transport is proposed? What are the benefits of working with different types of distributors? How can distributors be supplied? What are the requirements of the different distributors in terms of quantity, delivery and price? What are the costs involved in the different distribution options?

Price. What price or how much is the farmer going to charge for her products? Is the farmer a 'price taker' or can she be a price maker? Who are the main competitors? What are the prices that they sell for? How are competitors likely to respond with respect to price if they market a new product? What are the price variations that exist between consumers in different locations? How can I take advantage of these differences?

Promotion. How can I promote my product? How can I inform people about my product? Do I need to advertise? Can I afford to do so by myself? What other ways can I promote the product? How much will it cost me if I promote them? How should I set my price?

What do most customers really want?

- Quality
- Low price
- Uniformity of produce
- Sufficient quantity
- Consistency
- Freshness
- Nutritious food
- Health promoting food
- Attractive products
- Good taste
- No pest damage
- Good packaging
- A wide selection
- Good labelling
- Knowledge of who produced it
- Receiving the produce on time
- Clean produce
- Accessible produce
- A list of ingredients
- Instructions on how to prepare it

The marketing plan

The purpose of the marketing plan is to identify customers and competitors and outline a strategy for attracting and keeping customers. This takes careful planning and a good understanding of the market in order to develop a strategy that ensures success.

A marketing plan for a product or group of similar products should answer the following questions:

- Who is the customer?
- What does the customer want?
- Is this product in demand?
- How many competitors are providing the same product?
- How can demand for the product be created?
- Can the farmer effectively compete in price, quality and delivery?

The marketing plan should address these questions. A good marketing plan begins with thorough knowledge of the products to be produced and of potential customers. Knowing who buys and why, are the first steps in understanding how best to sell. A marketing plan should cover the following:

The current market situation. The overall background on the market in which the product will be sold. It begins with a general idea of who the buyers are and what they want, followed by anything else that describes the market in which the products would be sold (e.g. existing supplies, packaging preferences).

Opportunities and constraints analysis. Based on an assessment of the market opportunities, the farmer identifies the opportunities and constraints that the farm faces and realistically evaluates the farm's internal strengths and weaknesses in dealing with its market situation.

The marketing strategy. Based on the analysis carried out above, the farmer draws up a plan to address the marketing objectives of the farm. The strategy should include a clear definition of consumers, customer needs and the prices attained for produce sold.

Below is a matrix showing constraints, solutions, opportunities and actions. It is one way of assisting the farmer in analysing what possible strategies to formulate. The matrix enables the farmer, with the help of an extension worker, to appraise rapidly whether it is worthwhile producing a farm enterprise, provide possible solutions to problems, and identify opportunities to enter a market and make profits.

<p>Constraints</p> <ul style="list-style-type: none"> • No local market • Poor transport services 	<p>Opportunities</p> <ul style="list-style-type: none"> • Potential exists for early crop production when supplies are short
<p>Solutions</p> <ul style="list-style-type: none"> • Organize a local farmers market • Encourage buyers to use their own transport 	<p>Actions</p> <ul style="list-style-type: none"> • Encourage growing early crops and develop appropriate production techniques

Analysis of constraints and opportunities

Solutions to marketing problems are often relatively simple and should not require major changes to be made in production or new technologies to be introduced. When the marketing plans become complex they are more likely to fail. In the marketing plan, the farmer looks for the right combination of factors that will satisfy the needs of the consumers and increase farm profits. The plan, once prepared, should be assessed, to see whether it is realistic and likely to improve the overall competitiveness of the farm.

Usefulness of the marketing plan

The marketing plan directs the farmer towards trying to understand what the consumer wants. Why are consumers so important? The answer is simple. They are, ultimately the source of income for the farm to cover the cost of daily operations, to repay debts and to make a profit. A marketing plan is necessary for any successful farming activity. Marketing offers the farmer the information that, if applied correctly, will allow her to better generate profit. A good marketing plan may boost sales and increase profit margins. The farmer must be

able to convince customers that she has the best product for them at the lowest possible price. If the farmer cannot convince potential customers of this, then they will be wasting time and money. This is where the marketing plan helps and why it is useful.

The marketing plan should help the farmer:

- Know how much produce can be sold;
- Plan production and have enough to sell;
- Do what is needed to make a profit;
- Identify competitors and what they are good at by comparison to other farmers;
- Identify new crops to grow;
- Identify new and/or potential consumers;
- Identify weaknesses in the farmer's management skills;
- Identify weaknesses in the overall business plan.

What should a marketing plan contain?

A marketing plan could be prepared with information gathered from the following checklists. The products and its benefits should be described from the point of view of the consumer. Farmers should know or at least have an idea of what the consumers want and what is available.

Product information

- What are the main crops grown and livestock reared (including varieties/breeds)?
- When are the crops harvested? What are the yields per unit, the prices attained and the volume produced?
- What are the advantages of these crops and/or livestock over others in terms of yield, quality, price, and seasonality?
- Is the produce graded? If so, into what grades?
- Has the produce been packed? If so, what type, size and cost of packing material?
- What is the break-even price for each enterprise?
- What are the costs of growing, harvesting and transporting the crop/livestock?
- Are any new technologies or practices being tried on this crop/livestock? Have they been successful?
- What are the main production problems?

Local marketing system

- How is the crop/livestock product marketed at present?
- Who buys the product and when?
- Who are the most important intermediaries or buyers?
- Which buyers have the best reputation?
- What prices are paid?
- What competition is there between buyers?
- What is the variation between the prices received by farmers for similar products in the same area? What causes this variation?
- Do buyers provide credit to farmers and on what conditions?
- How are products transported to the market?
- What are the main markets where the product is sold?
- Who provides transportation?
- What is the unit price of transport to the different markets?
- How long do the journeys take? How frequently does the transport leave the area?
- How efficient are the transport links?
- What form of transport should be used to get the product to the market?
- Should the transport of product be pooled or sent individually?
- What is the frequency of shipment and the best day for arrival in the market?
- How much contact do farmers have with the market? What is their source of information and how quickly do they obtain market information on prices, volumes and quality requirements?
- What complaints do farmers have about the intermediaries?
- What complaints do intermediaries have about farmers?

Market requirements for the product

External factors

- What external factors are likely to affect sales of the produce? (For example: country growth, inflation, rising input prices, family income)
- Which are most critical?
- What legal factors are likely to affect the market?

Buyers/consumers

- What are the characteristics of buyers/consumers?
- How is the product to be used?

Market potential

- How large is the market?
- How much can the market absorb?
- What percentage of produce should farmers be interested in producing?

Storage

- Is the crop/livestock produce stored?
- If so, where and by whom?
- How much of the product should be stored?
- What storage arrangements are required?

Quality standards, packaging, prices

- What are the grades and quality standards of the produce?
- What market prices are obtained?
(Average, maximum, minimum, effect of different quality standards on price.)
- What type of packaging is required? What is the cost of packaging?

Marketing costs and margin

- What are the overall costs of marketing?
- What is the marketing margin?

Sales

- What factors are likely to affect sales?
(Weather, special festivals, day of arrival in market.)
- What are the potential and techniques for developing sales?

Pricing

- Is the product a 'price taker' or a 'price maker'?
- What way can premium prices be attained?
- If a price maker, what price strategy should be followed?
- And what is the percentage mark up?
- Does the set price leave a margin for profit?

Promotion

- What is the current trend in popularity?
- How can the product be more effectively promoted?

Problems and opportunities

- What are the main problems facing producers?
- What are the main problems regarding consumption?

Under-utilized local resources

- What local resources/facilities (if any) are not being fully utilized? (This includes food processing facilities, empty returning transport, cool room facilities, box manufacture, local radio, central telephone links to the market.)

The farming community

- The nature of the farming community:
- Who are the leaders of the farming community?
- Who is being especially successful and why?
- Do farmers think they need help in marketing and if so what type of help?

Using this kind of information, a farmer can take steps to ensure that farm production matches what consumers want to buy. The first question the farmer must ask is not 'What can I grow?' but 'What do my potential customers want?' This is a shift in emphasis and extension workers need to guide farmers to understand the importance of this change.

Marketing margins

Why is the price of a product in a shop or retail market often so much higher than the price paid to the farmer?

Getting a product from the farm to the consumer is part of the marketing process. The different steps involved in moving produce from the farm to the consumer, is called the marketing chain. Each of these steps involves costs.

The costs of marketing are not always fully understood by farmers or consumers. We can understand that traders spend money on transport or packaging but there are many other less obvious costs. Because these costs are not always visible, those doing the marketing are often accused of making unreasonable profits. Farmers look at the prices paid to them by traders and compare them with the prices consumers pay for the same product. They often assume that farmers and consumers are being exploited. Likewise, consumers often feel prices are too high. To understand the difference between farmgate price and the final price of a product, we will look at marketing margins.

What are marketing margins? A marketing margin is the difference between the value of a product at one stage in the marketing process and the value of the same product at another stage. Measuring this margin shows how much has been paid for the marketing services for the product at that stage of the marketing process. It is the added cost of marketing.

When are marketing margins used? Farmers producing for the market should be aware of the choices that are open to them with respect to marketing. For example, it may be possible for a farmer to sell her horticultural produce in the local fresh market. Alternatively, she could sell to agro-processing plants for canning or producing juices. Some farmers may consider selling to exporters. Farmers may also choose to work together as a group to market their produce jointly. In some cases they may decide to market through traders and wholesalers. In other cases they may decide to market directly to the retailer.

Calculating marketing costs and margins can help the farmer and/or extension worker decide which marketing procedure will give her the best benefit. Added or marginal costs must result in at least an equal marginal return; otherwise, the market is not profitable.

What are marketing costs and how are they calculated?

Marketing costs are the costs incurred when moving produce from the farm to the market. There are several stages involved. In each stage there are costs incurred. The stages are:

1. Produce preparation
2. Packaging
3. Handling
4. Transport
5. Storage
6. Losses

Produce preparation. The first marketing cost incurred is produce preparation. This involves cleaning, sorting and grading. This may be done on or off the farm. Either way, the cost associated with preparation, is a marketing cost.

Packaging. The next cost that is normally faced is packaging. Types of packaging used may range from simple jute bags to plastic packaging for the direct transport of fruits to consumers in supermarkets. This too may be done on or off the farm.

Handling. Handling costs are incurred at all stages of the marketing chain. They include loading and unloading. Each time a product is handled the cost per kilogram is small. But a product may be handled many times before it reaches the market. The total of all of these small handling costs can end up being quite substantial.

Examples of handling processes

- Farmer or labourer loads produce onto transport.
- Labourer unloads produce at assembly market and it is weighed.
- A wholesaler or his employee repackages the produce in the wholesaler's containers.
- Produce is carried to and loaded onto the wholesaler's truck.
- Produce is unloaded at wholesale market and taken to premises occupied by the wholesaler or his/her agent and weighed.
- Produce is unpacked and sorted and graded.
- Produce is repacked into retailer's containers.
- Produce is carried to retailer's transport.
- Produce is unloaded at retailer's store.
- Produce is repackaged into packaging used at the retailer's store.

Transport. Once packed, produce is transported. Transport costs are incurred by farmers when they take their produce to the market. Sometimes transport costs are very clear because they involve the direct payment by a farmer to the transport owner each time a delivery is made. In other cases these costs are less direct, for example when the farmer owns and operates her own vehicle. In the latter case, the farmer needs to determine the running costs of her transport per kilometre. When she knows this and she knows the quantity of products she can carry per trip, she will be able to calculate the cost of transport per kilogram or ton of product.

To calculate transport costs from her own vehicle, the farmer needs to know:

- Vehicle running cost/km (\$/km);
- Quantity that can be carried per trip (kg or ton/trip);
- Distance to the market (km).

Example: Let us say that the farmer has a vehicle that can carry 200kg of produce per trip. The running cost of the vehicle is \$0.50/km. It is 10km to the market.

Detail	Amount	Unit
A) Running cost for transport	\$0.50	Per km
B) Distance to market	10	Km
C) Cost per trip (A x B)	\$5.00	Per trip
D) Mass/weight per trip	200	Kg
E) Cost per kg (C / D)	\$0.025	Per kg
F) Cost per ton (E x 1 000)	\$25.00	Per ton

This is the cost per kg or ton if she transports 200kg. If she transports less than 200kg, then the costs will be higher. Thus, one way to reduce marketing costs is to use transport optimally.

Storage. Storage 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 sufficiently while the product is in store to cover the costs of storage. The costs of storage will vary, but they are usually very clear because they are paid for directly.

Losses. Losses are common when marketing agricultural produce. Even if nothing is actually thrown away products may lose weight in storage and transit. Post-harvest losses of produce (particularly fresh produce) can be substantial, both in terms of quantity and quality. This will affect both the amount of product for sale and the selling prices. The following are common causes of post-harvest (marketing) losses

Quantity-related losses

- Large quantities of the product on the market or 'gluts' (as often happens during the main season) often means that much will be thrown away unsold.
- Moisture loss (reduces weight of the product, e.g. grains, fruit and vegetables).

Quality-related losses

- Produce damaged while being handled or transported.
- Produce deteriorates (including over-ripening) over the period it waiting to be sold.
- Moisture loss (particularly with fruit and vegetables).

The cost of loss can be quite substantial. See example on the following page.

In this example, if the trader had prevented the loss, his margin would have been \$4.00 (\$2.20 + \$1.80). This may seem insignificant, but if (as shown in the right-hand column) the trader had purchased 20kg instead of 2kg, his value of the loss would have been \$18.00 and his margin \$22.00 instead of \$40.00. This is a substantial cost.

The financial impact of loss: Green peppers

A trader purchased 2 kg of peppers from a farmer at \$5.00/kg. When he gets to market only 1.8 kg are still available for sale (e.g. a loss of 10%). Marketing costs are \$2.00/kg for the 2kg of green peppers purchased. The selling price of peppers is \$9.00/kg. Then the calculations are:

Value of produce lost:

Quantity lost	Market price of product	Value of loss
0.2 kg	\$9.00/kg	\$1.80

Impact of this loss on the margin to the trader:

Activity	Quantity	Price		Total	20kg purchase
A) Income from sales	1.8 kg	\$9.00/kg		\$16.20	162.00
B) Costs					
B1) Purchases	2 kg	\$5.00/kg	\$10.00		100.00
B2) Packing and transport	2 kg	\$2.00/kg	\$4.00		40.00
C) Total Costs (B1 + B2)				\$14.00	140.00
D) Margin to the trader (A - C)				\$2.20	22.00

Other marketing costs

There are many other relatively small costs incurred when marketing agricultural produce. These costs include fees, commissions, and unofficial payments. While they may be low in one country they may make up a sizable proportion of costs in another. Some examples follow:

- People using markets may have to pay market fees.
- People using markets may have to pay to have the produce weighed.
- Traders normally have to be licensed and pay license fees.

- In some markets, wholesalers charge commissions.
- Taxes may have to be paid.
- Sometimes, bribes are needed to get produce through roadblocks or to get permission to operate a business.

All of these costs need to be included in the calculations.

More on marketing costs

There are two types of marketing costs: variable marketing costs and fixed marketing costs. Variable costs are costs that are incurred if marketing activities are carried out. Examples include transport costs from the farm to the market, handling costs, packaging materials, parking fees, commissions based on weight. Fixed costs are costs that will be paid by the farmer whether or not marketing activities are carried out. Fixed marketing costs include taxes, insurance, fixed rent for the stalls, fixed salary of the workers involved in marketing, depreciation of the trucks, weighing scale and other equipment.

Calculations. Once all the marketing costs have been calculated it is then necessary to put them together to work out the total marketing costs for the farmer.

Marketing margins are related to the prices received for produce. Costs have to be related to these prices. Farmers selling their produce directly to the market are likely to get different prices at different times of the year, and even at different times of the day. Farmers need to understand how the markets they use operate, because this will affect the market margins.

The marketing margin is the difference between the prices the farmer receives for his produce and the costs incurred in marketing. In the example given below, the farmer sells tomatoes in the nearest rural market. The circumstances of the situation are as follows:

A) 100 kg	Tomatoes harvested		
B) 10% (10kg)	Loss due to damage, etc.		
C) 90kg	Tomatoes offered for sale	Price	Income from sales
C1) 50 kg	Tomatoes sold at:	\$1.10/kg	\$55.00
C2) 20 kg	Tomatoes sold at:	\$1.00/kg	\$20.00
C3) 15 kg	Tomatoes sold at:	\$0.80/kg	\$12.00
C4) 5 kg	Tomatoes sold at:	\$0.60/kg	\$ 3.00
D) 85kg	Total		\$90.00
E) 5 kg	Tomatoes not sold		\$ 0.00
F) 90 kg	Total		\$90.00
Average price (D/A) [\$90.00/100kg]:			\$0.90/kg

Other marketing costs charged over the season included the following:

Marketing cost	Amount
Market fees	\$1.00
Handling labour	\$2.00
Roadblocks	\$1.00
Transport	\$0.50/10kg box (\$0.05/kg)
Packaging	\$0.50/10kg box (\$0.05/kg)

With this information, calculating the marketing margin is now possible:

Activity	Value
A) Value of quantity sold: (0.9 kg x weighted average selling price of \$0.90 per kg)	\$0.81/kg
Marketing costs	
Market fees	\$0.01/kg
Labour employed by farmer to pack, load, unload	\$0.02/kg
Cost on route such as road blocks	\$0.01/kg
Transport to wholesale market	\$0.05/kg
Packaging	\$0.05/kg
B) Total marketing costs	\$0.14/kg
C) Marketing margin (A-B)	\$0.67/kg
Note: The market margin calculation should be conducted on a unit weight basis. Take care to convert all of the items to the same base. In this example the calculation is carried on a per kilogram basis.	

How is the marketing margin used?

A farmer has a choice about marketing. He can sell directly to wholesale or local markets. He can also sell to traders who come to her farm. To decide which is the better option, she should be able to compare the marketing margins of the options.

She will need to do some calculations in order to decide what is more worthwhile. She needs to know two things:

- The price that their produce is likely to sell for in the market.
- The marketing costs incurred to sell it in the market.

The farmer must calculate the impact of the marketing costs on the profitability of her farm. If the additional costs of marketing do not bring her at least an equal return in income (from a better price at a better market), then she should consider another marketing strategy, or perhaps another product.

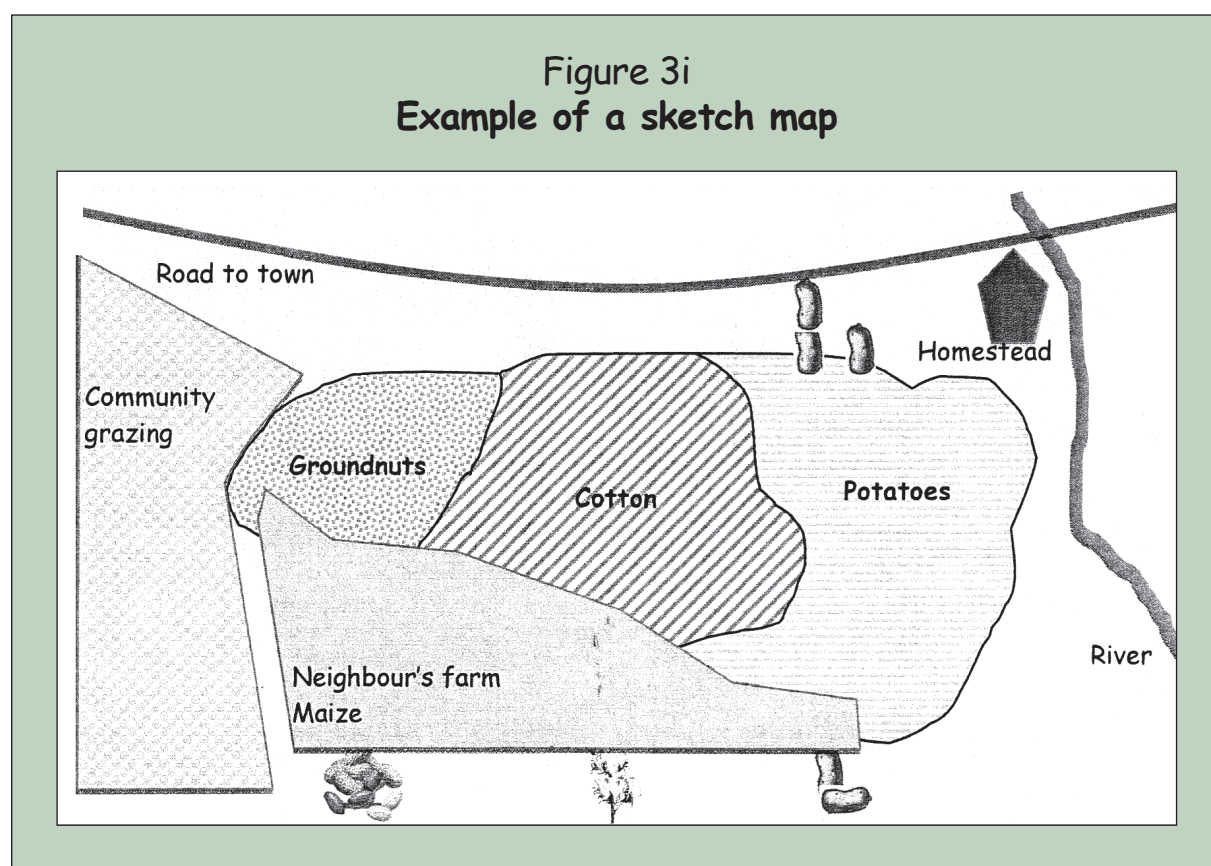
More about farm management records

Farm map

A farm map is a very useful record. It shows where the different enterprises are located on the farm. It can also show farm buildings, roads, and information about the area immediately around the farm, including other farms, rivers, forests, water sources. A farm map is a quick reference for planning and can be used for recording the production activities each season. It can also be used to record information about the weather, such as rainfall and temperature. And it can be used to record soil types and soil condition.

The map does not have to be perfect. A sketch map will do. It is best if the farmer draws a new map each production season. The collection of maps will become a record of land use over the years of the farm. An example of a farm map can be seen on the following page.

Figure 3i
Example of a sketch map



Production records

Entries in production records provide information on production output. Production records help the farmer to understand how well his production programme is performing. It can be used to compare performance of one farm with another. A production record is necessary for assessing our farm business plans. It is useful to keep separate records for crops and livestock. Examples of these are shown below.

Production record: Crop			
Enterprise	Land size	Expected yield/ ha or unit	Total yield (tons/kgs/bags)

Production record: Livestock			
Enterprise	Number of Animals	Yield expected.	Total yield

Labour records

The labour record as set out below provides information on the number of people required for each activity on the farm and the number of hours they will take to complete each activity. Such information will assist the farmer to understand the labour requirements for each activity.

Labour record				
Date	Activity	Number of people working	Number of hours taken	Total number of hours taken

Under the heading 'Number of people working' is recorded the actual number of people who worked on that particular activity for a particular day.

Under the next heading 'Number of hours taken' is recorded 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 per each activity.

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 it is not recorded it will be difficult to remember the number of hours taken to complete the activity.

It is also important to measure the amount of time the activity takes in order to get the actual hours worked. This is done by recording the time the activity was started and the time the activity stopped. This is done each day that the activity takes place.

Using this record the farmer is able to know exactly how many workers are needed to carry out a task, and to know how much time it will take. Let the participants know that it is important to keep labour records.

Cash inflow records

Cash inflow records provide information on the activities that result in the farmer receiving money - particularly from the sales of the products of the enterprise. An example cash inflow record is shown below.

Cash inflow record					
Date	Sales/output	Quantity	Unit price (\$)	Total income (\$)	Comments
12/04/12	Sold eggs	20 trays	\$4	80	Sold to hospital
15/04/12	Sold eggs	10 trays	\$3	30	Sold at town market
20/04/12	Sold eggs	15 trays	\$3	45	Sold at town market
22/04/12	Sold eggs	12 trays	\$3	36	Sold at town market
25/04/12	Sold eggs	18 trays	\$2	36	Sold at farm gate
Total				247	

The first heading (Date) gives the date of the produce sold.

The type of product is given under the second heading (Sales/output).

Under 'Quantity' the amount of produce sold is recorded. The entry must include the unit for example: number, kg, litre, bag.

The unit price (the price the buyer paid for one unit of produce) is recorded in the fourth heading (Unit price).

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 at market and the market prices.

The last heading is given to enter comments about things that were 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.

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

The example shown above is eggs for an egg enterprise. Each time the farmer sells eggs and is paid for them, he records the date, the amount sold, the price and the total value. At the end of a season, it will be easy for him to know exactly how much income was earned from the sale of eggs. He can also easily see when and where he got his highest and lowest prices. This will help him when planning his market strategy.

A farmer should keep a cash inflow record for each enterprise. This will help the farmer when he needs to set up enterprise budgets in the next round of planning. This record will also help the farmer when he needs to work out the cash flow for his whole farm.

Cash outflow records

The cash outflow record provides information on all the important activities that require the farmer to spend money either to buy inputs or pay for services and operations. It is usually very detailed. An example cash outflow record is shown below.

The date the activity is done or the input purchased is recorded under the first heading (Date).

The operation (Activity) or input used is recorded under the second heading.

Under the 'Quantity' heading is recorded the amount of work done (Operation) or the amount of the input purchased. Again, the facilitator will need to include the unit of measurement such as kg, number, ha, litre, bag.

The cost of the unit of input, or services or operation is recorded under the fourth heading (Unit cost).

Under the fifth heading is recorded the total cost for the activity or input. In an earlier session we learned that the total cost is calculated by multiplying quantity used by the unit price 'Total cost' column. Because money is always going out or being spent it is regarded as cash outflow. The last column is provided for any comments the farmer observed that might affect the performance of the enterprise. All of the columns need to be completed every time an activity is carried out on the enterprise. At the end of the production cycle, the farmer should total all the money spent and regarded as cash outflow.

Cash outflow record				Enterprise: Eggs	
Date	Operation/ input	Quantity	Unit cost (\$)	Total cost (\$)	Comments
1/1/12	Constructed chicken housing	2 rooms	35	70	Did some of the work myself
1/1/12	Purchase point of lay hens	200 hens	5	1000	Bought from Monare's
1/2/12	Feed for laying hens	1x 50kg sack	70	70	Bought from Shiluli's
18/2/12	Vaccines for laying hens	1 injection per hen; 200 hens	1	70	Bought from Monare's
5/03/12	Transport costs to take eggs to market	1	5	5	Hired from Nakuru
5/03/12	Packaging/ Cartons	100	10/100	10	Bought at Agricor
6/03/12	Paid workers	2 x 10 days	3/ worker/ day	60	Hired from field programme
Total				1285	

In this example cash is paid out for the farmer's egg enterprise. Each time he spent cash, he recorded the expenditure. 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 his eggs. He can also easily see when and where he spent his cash. This will help him when planning his production and marketing strategy.

A farmer should keep a cash outflow record for each enterprise. This will help the farmer when he needs to set up enterprise budgets in the next round of planning. This record will also help the farmer when he needs to work out the cash flow for his whole farm.

Home consumption records

The home consumption record is used when some of the crop is used for home consumption or given away. If the product is a cash crop or is produced only for the market, then this record is not needed.

The entries in the home consumption record records produce that has been stored, consumed, or given as gifts to relatives, friends and family members. It can also record produce that is lost or spoiled after harvest. This 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.

An example of a home consumption record is shown below.

Home consumption record				Enterprise: Eggs	
Date	Items consumed	Quantity (eggs)	Unit price (\$)	Total value (\$)	Comments
1/2/12	Eggs	10	.25/egg	2.50	Family
18/2/12	Eggs	15	.25/egg	3.75	Mrs Ndlovu
25/2/12	Eggs	5	.25/egg	1.25	Spoilt
5/03/12	Eggs	20	.25/egg	5.00	Family
5/04/12	Eggs	12	.25/egg	3.00	Family
Total		62		15.50	

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 type of produce.

Under the third heading is recorded the amount consumed, given away or stored for consuming later. It must include the unit of measurement such as number, litres or kg.

Under the 'Unit price' heading is recorded the price of the produce the farmer would have received if he had sold it on the market.

The next heading is 'Total value'. Total value is calculated by multiplying the unit price times the amount recorded under 'Quantity'.

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 neighbour who needed help.

The home consumption record should be updated regularly. It is best to record it 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.

In the example shown above, the farmer has recorded the number of eggs his family has consumed or given away. He has also recorded the loss of 5 eggs due to spoiling. The total value of these eggs that were consumed instead of sold is \$15.50. The amount is part of the enterprises profitability. But it is not part of the enterprises cash inflow.

The home consumptions record lets the farmer know where some of his profits are going. It helps him make the business decision of selling all of his products to generate more cash or to give up the cash to have the food instead. When he knows the value of the product his family is consuming or he is giving away, he knows the impact that is having on the profitability of his enterprise. Then he can decide if he still wants to do this or not.

Profit and loss records

A profit and loss record is very similar to an enterprise budget, but it is always based on expenditures for an enterprise, and on the number of hectares or animals.

Each profit and loss record covers a specific period of time. For crops, it is usually a cropping season. For vegetables the season may be a few months. For grain crops the season 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.

The cash inflow record and the cash outflow record (and the home consumption record, if used) can be used to make a profit and loss statement for each enterprise.

An example of a profit and loss record is shown below.

Profit/loss record for my egg enterprise			
Period: January 2012 - October 2012			
Area/size of the enterprise: 200 layers (point of lay hens)			
Income and expenses	Quantity	Unit price or cost (\$/unit)	Total (\$)
Sale	42 200 eggs	0.25	10 550
Home consumption	1 000 eggs	0.25	250
Other: Sale of culls	200 culls	1.00	200
Total income (a)			11 000
Expenses			
Inputs and materials:			
Feed			
Medicine			
Packing materials			
Production operations:			
Feeding	303 x half-days x 2 workers	4.00/day	1212
Cleaning	43 x half-days x 2 workers	4.00/day	172
Collecting eggs	303 x half-days x 2 workers	4.00/day	1212
Packing	43 x half-days x 2 workers	4.00/day	172
Transport	43 trips	5/trip	215
Total costs (b)			
Profit (a-b)			

Under the 'Income and expenses' heading, the profit and loss record arranges the information about the enterprise into different categories:

- Income includes sales, consumption and other.
- Expenses includes inputs and materials and production operations. In this example, production operations are those related to egg production. For crops they will include activities like land preparation, planting, weeding, spraying, irrigating, harvesting.

The items recorded in the cash outflow and cash inflow formats should fit into the two categories.

The unit of measurement and the quantity used are provided under 'Quantity'.

The unit cost or price of each item is recorded under the heading 'Unit price'. Income price information comes from the cash inflow record and home consumption record. It is a cost if it is from the cash outflow record.

The total income is calculated by multiplying the quantity of the produce sold/consumed times the unit price. The amount is recorded under 'Total'. All the income entries under total are added up to get the total income.

The total cost is calculated by multiplying the quantity of inputs or operation by the unit cost. The amount is recorded under 'Total'. All the expense entries under total are added up to get the total expenses. The profit or loss is calculated by subtracting the total expenses from the total income.

Fixed asset records

The fixed asset record provides information on the important items of fixed costs related to the enterprises on the whole farm - not just a single enterprise. The fixed asset record helps the farmer remember when and for what price he bought equipment. It helps him remember when to repair or replace an item. And it helps him calculate the fixed costs for his farm when he calculates the profit for the whole farm.

An example of a fixed asset record is shown below.

Fixed asset record				
Date of purchase	Item	Purchase price (\$)	Life (years)	Comments
1/2/10	Hand tools	800	10	To be replaced during 2011
3/4/10	Sprayer	1000	10	Bought from Monare's
4/4/10	Irrigation pipes	2000	10	Bought from Agricor
12/12/11	Houses for laying hens	1500	40	Built it myself

Each item recorded in the record includes the date of purchase, the purchase price (cost) and the life of the item. The life of each item varies. The life of housing and buildings can be taken as 40 years. The life of a tractor and other machinery is 5 years. The life of tools is also 5 years. These are estimates. The years may vary.

This example shows four items put into the fixed asset record. Hand tools, a sprayer, irrigation pipes and housing for the laying hens. This farmer does not have a tractor. If he did, he would list it in this record.

Section 4
PREPARING FOR THE FIELD

After completing the orientation programme the work of the FBS facilitator begins in earnest. The work of facilitating a farm business school has six distinct activities.

1. Recruiting and inviting participants.
2. Establishing an FBS group.
3. Planning the programme and timetable.
4. Facilitating the farm business school meetings.
5. Graduation.
6. Mentoring and accompaniment.

4.1 Recruiting and inviting participants

The first task of an FBS facilitator is to recruit and invite farmers to participate in the programme.

It is important to talk to farmers about the farm business school in a manner that will interest them. The aim should be to get between 10-20 farmers to start the first school. It is suggested that farmers are visited personally in their homes to discuss with them the idea of an FBS and to invite them to the first meeting with farmers. Sometimes it is possible to arrange some time to talk to all the farmers about the school at a community meeting or farmers meeting that it already scheduled.

When talking about the farm business school, start by letting the farmers ask questions. Try to get them involved in the discussion. Not all of the farmers will be interested; some may even be opposed to the idea of an FBS. Patience will be required. And as the visits and meetings take place, the facilitator must determine which farmers are most interested, which will give the most support to the programme and will actively participate in the farm business school.

The first introductory meeting

Once the facilitator has had a chance to speak informally to potential participants, it will be necessary to introduce the farm business school in a formal manner. A special meeting called for this purpose would be ideal.

The main purpose of the introductory meeting is to openly share the purpose of the farm business school and the opportunity it creates - and, of course, to invite farmers to participate in the programme. By the end of the first meeting, the facilitator should have the names of some potential participants.

The next step to take now is to identify more precisely the farmers and their interest in the FBS. Usually, but not always, there will be six broad categories of farmers who have shown interest.

1. Farmers with large farms that are fully commercialized.
2. Farmers with medium-sized farms that are commercialized.
3. Farmers with small-sized farms that have been commercialized for some time.
4. Farmers with small-sized farms that have been more recently commercialized.
5. Farmers with small-sized farms that are producing in part for the market and partially for home consumption.
6. Farmers who farm primarily for home consumption (subsistence).

From among these farmers there will be some who are particularly interested in participating in the a farm business school. These farmers should be encouraged as they can be the 'engine' to start the school.

Once potential participants have been identified, they need to be contacted and consulted more thoroughly about the farm business school, to participate in the needs and wants assessment and to confirm whether or not they will actually take part in the school. Preferably this can be done at a single meeting, but it can also be done in small groups, or even one-by-one in the farmers' homes. Eventually the first meeting of the school must be held to begin the process of planning the specific FBS. While there is no absolute minimum number of participants required to start a school, but it is suggested that there should be at least 10 participants in an FBS group. It is also suggested that a school group be limited to a maximum of 20 participants - otherwise the group will be too large to manage effectively.

The formation meeting

After holding the first meeting to create awareness of the FBS, the facilitator will need to meet with all the potential participants. It is best if they can be met at the same meeting so they can start the process of getting to know one another, building group unity and getting a common understanding about the programme and how they can benefit from it.

The main aim of the second meeting is to confirm the interest of farmers in the school and obtain a commitment to participate in an FBS group. Another important aim is to get a clearer understanding of the issues they are facing and how they can be helped by participating in the farm business school process. The following questions will assist with this process:

- What are your current farming problems?
- What problems do you have with selling?
- How do you think you can solve them?
- How do you think meeting together to discuss can help all of you?
- What issues would you like to discuss?

As these questions are discussed, the facilitator can relate the FBS process to the farmers' issues and begin to get an idea of the exercises that would be needed. This discussion can be used as an informal assessment of needs and wants. It is also possible to conduct a formal assessment during the meeting.

An important issue to be covered is the importance of farmer participation and regular attendance. The FBS uses a learning-by-doing approach. It involves working together as a group for a common purpose with as much involvement as possible of all farmers. It is not just enough to come to a meeting/session of a FBS. Each participant needs to actively participate in determining their 'needs and wants'.

Assessing training needs and wants

Whether it is done at the formation meeting, in small groups or on a home visit, it will be important to assess the farm business management training needs and wants of the participating farmers. The assessment must be completed before the first meeting of the new FBS group. In fact, it may help in deciding how to group the farmers. The important point is that the assessment is meant to be

directly and immediately linked to the establishment of a school in a community. It is not meant to be a broad assessment campaign.

The following framework will be useful in designing a needs and wants assessment. It is set out against the outline of key FBS learning areas.

FBS Learning	Level of knowledge &/or skills in:
1. Key business concepts	<ul style="list-style-type: none"> • The farm as a business • The concept of a business cycle • Enterprises on a farm • Concepts and factors affecting profitability • Variable and fixed costs • Cash flow • Risk
2. Entrepreneurship	<ul style="list-style-type: none"> • The characteristics of an entrepreneur • Negotiating farming contracts
3. Analysing the farm business	<ul style="list-style-type: none"> • How the enterprises on the farm relate to one another • Markets and marketing • Benchmarking • Assessing profitability • Enterprise budgets
4. Developing a farm business plan	<ul style="list-style-type: none"> • Setting visions and goals for farm business • Strategic planning and planning options • Determining technical feasibility of enterprises • Planning for inputs • Planning for labour • Planning for cash • Planning for the market • Risk management
5. Farm business management	<ul style="list-style-type: none"> • Keeping records • Production records • Labour records • Cash inflow records • Cash outflow records • Home consumption records • Profit and loss records • Fixed asset records

FBS Learning	Level of knowledge &/or skills in:
6. Purchasing inputs and materials	• Identifying and assessing input suppliers
7. Mobilizing finance	• Savings and credit • Identifying and assessing money lenders
8. Linking to markets	• Market contracts
9. Producing safe and quality products	• What affects product safety and quality
10. Group business management	• Collective marketing

Below is an example assessment form which can be used to record relevant information about each farmer. It will help in planning the FBS programme, monitoring the programme while it is running and with evaluating the programme upon completion.

Farm business management needs and wants assessment (Individual farmer training form)				
Section 1				
Community				
FBS facilitator				
Name of farmer	Age		Gender	
Education level				
Land size				
Main enterprises	Crops			
	Livestock			
Main reason for farming	Crops			
	Livestock			
Relevant training received				
Section 2				
Farm business management Knowledge/Skill	Assessment	Relevant FBS exercise		

4.2 Establishing a farm business school group

Once there is clarity on who will participate in the FBS, it is time to establish the group that will work together throughout the programme. There are five basic principles that need to be considered when establishing a group.

- 1. Group size.** Less than 10 participating farmers will not provide an appropriate learning environment and more than 20 will be difficult to manage. Working with 10 to 20 participants will give each participant a chance to speak and to contribute their ideas. But it will also create enough diversity to support learning. Groups of this size are less likely to have misunderstandings in communication. Groups of this size are less likely to be divided by arguments or dominated by a sub-group of participants within the FBS.
- 2. Similarity of conditions.** Participating farmers need to have more or less similar conditions (i.e. economic, social). Having more similarities than diversity, reduces conflict and increases trust.
- 3. Common activities.** Activities that participants will carry out need to be shared by all and agreed by all and in the interests of the participants.
- 4. Similarity of training needs and wants.** The facilitator will need to review the results of the training needs and wants analysis and identify those farmers for groups of 10-20 farmers with similar training needs and interests.
- 5. Voluntary and democratic group.** Participants can decide who can join the group, what rules the group should have, what activities will be undertaken and that all decisions be taken by everybody agreeing to them. The group must also be committed to carrying out the agreed decisions.

After considering these factors, it should be clear who will participate in the farm business school and how they should be grouped. If there are enough willing participants, the meeting may result in setting up more than one FBS group.

The facilitator will then need to organize, invite the relevant farmers and hold the first FBS group meeting to plan the school programme.

4.3 Planning the programme and timetable

Before holding the first meeting of the new FBS group, the facilitator will need to analyse the results of the needs and wants assessment so he is able to make suggestions about which exercises to include in the programme. This will also require reviewing the 'Training exercises' manual which contains the core exercises of the farm business school programme.

The first meeting of the farm business school has three main functions

The first function is to start the process of building group unity and cohesion. The facilitator will need to plan activities to help the farmers get to know one another (if they do not already) and to get basically organized.

The second function is to explain in greater detail what the farm business school is, how it works and how the farmers will benefit from it if they complete the programme.

The third function is to plan the school meetings. The facilitator will need to outline the entire programme and make suggestions based on his analysis of the needs and wants assessment. By the end of the first meeting the following decisions need to have been made.

- Which exercises will be included in the programme and the order in which they will be done.
- The dates, times and venues for school meetings for the whole programme.
- Agreement on the logistics for the sessions - including setting up the venue and cleaning up after sessions.
- Agreement about handling the costs of the programme - especially for issues such as refreshments during sessions.

At the end of the first meeting, or shortly after, the facilitator should develop a school timetable along the lines set out above.

FARM BUSINESS SCHOOL TIMETABLE			
Meeting	Date & Venue	Exercises to be conducted	Preparations (e.g. materials, preparations)
	Date		
	Venue		
	Date		
	Venue		

4.4 Facilitating the farm business school meetings

Once the timetable has been decided, it is now over to the FBS facilitator to begin the learning process according to the selected exercises. This will require that the facilitator review each exercise carefully and prepare accordingly. A number of them require a substantial amount of preparation and some exercises require visits to markets, suppliers and entrepreneurs. In each case, the facilitator will need to decide on what materials will be given to the participating farmers. These will need to be prepared in advance for each meeting.

It is then a matter of following the agreed timetable. It is again suggested that at the end of each exercise (or at least each meeting) a simple evaluation is done as a means of monitoring the short-term effectiveness of the exercises and to make adjustments to the programme. Such adjustments can include repeating exercises, adding exercises or other activities and inviting 'specialist' help.

It is important that good records are kept of each meeting - both in terms of attendance and participation, and in terms of issues that arise about the exercises. These will be very useful during reviews of the FBS by the host country and by FAO.

4.5 Graduation

Graduation is the final formal stage of a farm business school. It should take place after the last exercise has been conducted and the evaluation of the business plan and of the FBS training and organization have been completed. Graduation should be a planned event that includes recognition for participation and achievement. In addition to the participants of the school, other stakeholders and other people who supported the FBS should also be invited to the graduation ceremony.

The evaluation should be informed by the training needs and wants assessment done when preparing for the FBS. This could also form part of a formal assessment if the school organizers want to issue competency or performance certificates for farmers who have completed the programme. The evaluation also provides the facilitator (and the farmer) with insight into what still needs to be learned and new interests that have been awakened. It will also guide the facilitator when mentoring and accompanying the farmers after graduation from the FBS.

4.6 Mentoring and accompaniment

Graduation is not the end of the FBS learning process. It is essential that after graduation, the facilitator needs to stay in touch with the graduating farmers. They will need mentorship and accompaniment to become more accomplished at applying the knowledge and skills they gained through participating in the school.

The primary focus of mentoring and accompaniment should be on supporting the farmer in applying farm business management skills and knowledge acquired through the FBS to his farm business. The ultimate aim is for good farm business management practice to become the normal way a farmer runs his farm business. This means that the knowledge, skills and attitudes of profitable farm business management become internalized. They become the way the farmer naturally thinks and acts about his farm.

Another important outcome of mentoring and accompaniment of graduated farmers is to build the farmers' capacity for self-discovery to identify and solve problems and to identify and act on opportunities. Mentoring and accompaniment provide an excellent opportunity to reinforce the practice of reflection as a means to learning - and ultimately making decisions about their farm businesses. As a part of this process, the facilitator can help farmers in the following ways:

- Identify and help address new problems and opportunity;
- Identify success cases;
- Source information;
- Link farmers to buyers;
- Link farmers to finance;
- Refer farmers to specialized service providers;
- Conduct new training needs and wants assessments.

Mentoring and accompaniment may also result in starting new FBS groups or re-gathering the original FBS group for refresher courses or to cover new or more advanced subjects.

RESOURCES FOR ORGANIZING THE FARM BUSINESS SCHOOL

4.7 General guidance for FBS facilitators

The FBS manuals, 'The handbook' and the 'Training exercises', are generally self-explanatory. Initially facilitators may still feel the need and welcome additional guidance about running and supporting farm business school training programmes. However, once awareness meetings and initial planning meetings have been conducted, the farm business school will start.

The initial focus of the farm business school training centre is on team building and vision building. Objectives are already set within the FBS curriculum, but they are flexible. The aim is to work with

the participants to bring the objectives of the school and those of the farmers together. FBS objectives are usually in line with common farmer objectives, but maybe farmers may not see it in the same way.

As a facilitator you could set out the FBS objectives directly without asking the participants, but it is wiser to ask first what their objectives are. You could begin by asking them to discuss their objectives for the school and during the discussion introduce the objectives of the school. An objective may be how can farmers be aware of cash flow during the farming cycle; when they will have a lot of cash and when they will not have much cash. This is a valid objective; make sure that such objectives are clear to all and that all agree on them.

Setting objectives and being part of the organization of such a process will not only make the participants feel more in control of their future, it will also raise their interest further and will create more of a bond among them.

Initially you will play a lead role in the FBS, but as it moves on across the various seasons, the group will gain experience and confidence and you will start reducing your role and involvement. In the beginning you need to encourage all the participants to become actively involved in discussions and decision-making. You also need to help farmers acquire skills in becoming self-responsible, not only for themselves, but for the group and the group's work.

Facilitating good communication among the participants is a critical part of your work as a facilitator. Misunderstanding each other can be cause for disagreement and lead to disputes. If participants learn how to communicate with each other in a two-way communication, talking clearly, being patient and being willing to listen, this will enable better understanding, strengthen relations among the participants and create a more harmonious process. More learning will take place.

Creating an environment for learning

As a facilitator you need to create an environment in which the participants individually and collectively feel free to learn, experience, reflect and possibly change. Dialogue, discussions, doing exercises and experiencing will all contribute. They will help:

- Establish a learning environment;
- Rejuvenate the learning experience over time;
- Help farmers experience what can be accomplished by working together;
- Develop group bonds;
- Develop group relationships;
- Make participants alert;
- Stimulate the flow of communications between participants;
- Encourage everybody to participate and learn;
- Develop new skills;
- Expose participants to new ways of judging their own actions, particularly in relation to group work;
- Enable participants to analyse and reflect, before taking action.

Within this process of group establishment, there are five major issues that you have to take into consideration for the successful formation of a group within the context of the FBS. These aspects are leadership, contributions, the ground rules or constitution and keeping records.

- 1. Leadership.** Leadership has already been discussed in some detail. The key point is that all the participants are leaders in the group and that no single participant or a small group of participants takes the lead. In groups, participants who are the most outgoing and the most decisive, usually become 'informal' leaders within the group. This needs to be averted. What is required within the farm business school is participatory leadership. This means that all farmers have equal opportunities to participate and all farmers are leaders. Remember the desirable qualities of good leadership make sure that participants are guided in

that direction. The skills and abilities of each participant should be used as much as possible to strengthen the group. This can be achieved if all the participants see themselves as participatory leaders.

- 2. Contributions.** This really means that participants participate and all are active in the group in every respect. It means that they have to give up more than just their time and resources to make the FBS work. Contributing in this manner encourages unity when all participants do something visible for the school and for the common good of the group. Material contributions have to be agreed upon by all. They do not have to be equal, but they must be agreed and they must be equitable.

Attending all meetings and participating fully is an important form of contribution. This is something all the participants can and must do. Here it is important that the participants contribute equally. Learning depends on attendance and participation. If some of the participants do not attend or participate irregularly, they not only reduce their own learning, but they reduce the learning of the others as well.

It is important that all contribution matters be dealt with by group members in full accordance and agreement with each other and put into the ground rules.

- 3. Ground rules.** The importance of ground rules is addressed in Section 1 under 'FBS group contract'. But sometimes they are ignored. In some cases facilitators will even skip the session on ground rules. You must not do this. The ground rules create the foundation and framework for unity. They make possible the smooth running of the FBS.
- 4. Keeping records.** The group needs a collective memory about what it has done. If such a memory is not in place it will lead to misunderstandings, confusion and possibly arguments. Farmers will have to take responsibility in turn for taking notes about

what has been said, discussed, done and agreed upon in meetings. This will be of particular importance throughout the programme, for the smooth running of the school. When discussing about ground rules, it will be good that you introduce the fact of keeping records. Records can be simply taking notes of what has been discussed, or taking stock of what has been contributed to the FBS enterprises. The important thing about records is that all farmers understand them; all agree to them and all in turn take the job of filling in the records. Record-keeping needs to be done on a regular basis, of every meeting and activity carried out by the school.

5. Self-responsibility of the group. The group needs to become guided and kept alive by the member farmers without your intervention and facilitation. Participants, as the meetings continue over time, will develop their skills in leadership and working together, as well as rule-making and record-keeping. In the initial phases of group establishment you will have to take initiatives and encourage them, but as the group moves forward over time, they will start taking initiatives themselves. Participants need to build their confidence, self-esteem and they can do this by recognizing their own knowledge and skills and the positive aspects of group working.

In the stage of the farm business school where participants start to become partly self-responsible you will need to monitor them. Simple monitoring factors for self-responsibility as such aspects as:

- Regularity of group meetings;
- How many farmers come to meetings;
- How many actively participate;
- Sharing of responsibilities;
- Joint decision making;
- Group problem solving.

4.8 Tips for localizing and adapting the farm business school training materials

Organizers of farm business schools, together with the facilitators will be expected to review the FBS training programme and materials and adapt them to the local context. Ideally this should be done collectively in a workshop environment led by a trained curriculum specialist. When reviewing the material, the following will be considered:

Levels of literacy and language requirements	Every effort should be made to keep the level of language accessible. Whether using English or a local language, the materials may need to be adapted according to the levels of literacy of the intended participants.
Use of numbers and calculations	Many of the exercises require writing and the use of numbers and calculations. The CTTs will need to assess whether number-based calculations can be used or it will be necessary to use symbol-based calculations.
Previous experience of training (particularly with FBS)	If the facilitators have had experience of leading Farmer Field Schools (FFS), they can be expected to manage the FBS material much better.
Cultural norms	Assess the exercises, examples and case studies in the training materials to ensure that these are appropriate and culturally acceptable to grassroots communities.
Agricultural realities	Change the names of crops, sums of money and other items in the exercises, examples and case studies that are not appropriate locally. In any event, the best examples are those that come from the participants' and the trainers' experience. Whenever possible, replace examples with more locally relevant material that gives the same information and message.

For further copies of this publication
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The Farm Business School (FBS) operates at field level. The aim is to build farmer capacity in entrepreneurial and management skills. It does this through a 'learning-by-doing' approach. It enables farmers to learn and improve their knowledge, change their attitudes and enhance their skills toward improved farm commercialization - while working on their own farms. Extension officers and lead farmers are trained as facilitators. They organize seasonal training programmes, where farmers work in small groups at their own agreed time and duration. The materials for the FBS are specially designed to work with limited resources. Participants need to be basically literate and numerate, but they do not have to have had any significant formal education. The manuals provide step-by-step guidelines that take the facilitator and the farmers through the basics of farm business management - following the production patterns of their own particular farms.