

Project: "Strengthen Vietnamese SPS capacities for trade-Improving safety and quality of fresh vegetables through the value chain approach"
MTF/VIE/046/STF (STDF/PG/259)

FARM BUSINESS SCHOOL HANDBOOK



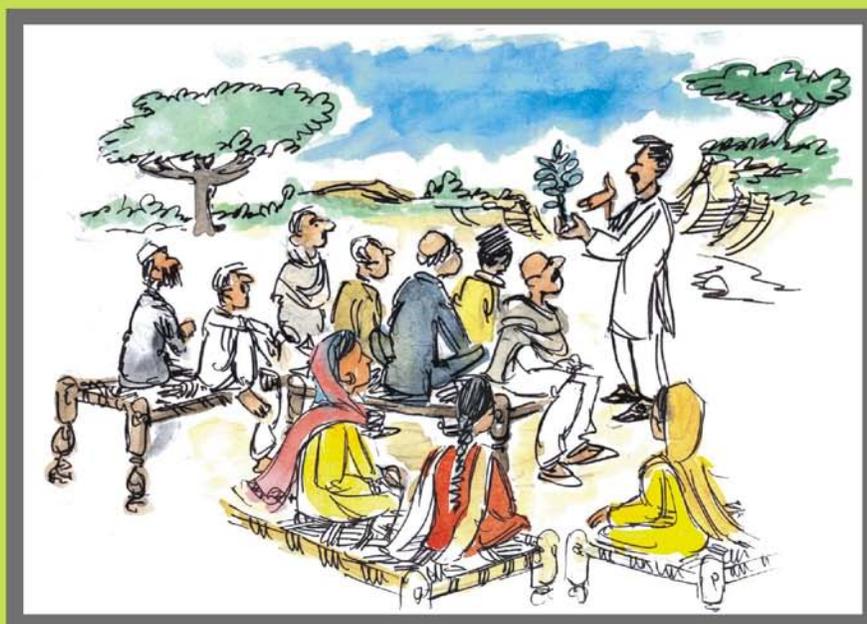
June 2011

HAND BOOK FOR TRAINEES PRACTICES
(For cooperative members, farmers' groups and individual farmers)

Project: "Strengthen Vietnamese SPS capacities for trade-Improving safety and quality of fresh vegetables through the value chain approach"
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Farm Business School

Training of Farmers Programme



Handbook



INTRODUCTION

This handbook has been designed for you, the farmers enrolled in the Farm Business School (FBS) in your villages. The training program covers the following broad topics that are expected to be covered over a cropping season or livestock cycle. These include:

1. Understanding and running the FBS;
2. Understanding basic business and marketing concepts;
3. Analyzing the existing farm situation;
4. Identifying profitable enterprises;
5. Preparing farm business plans;
6. Keeping farm records;
7. Evaluating the FBS and the farm business plan; and
8. Miscellaneous topics for selection.

In-built into the program is flexibility and the possibility for you to decide what you wish to study. It is also expected that each participant will be responsible for your own learning.

The Handbook provides summaries of the core messages covered in the training. We hope these take-home messages will be useful when applying the lessons learned from the training to your own farm business enterprises. The best test of its usefulness, however, will be seen through the success of your own farm business.

We wish you all the best in this endeavor.

Project Management Unit

MTF/VIE/046/STF (STDF/PG/259)

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Meeting 2: Developing Group Ownership and Schedule

1. Developing Group Ownership: there are about 3 – 5 people in the group. They have same purpose, business activities and are willing to help another in training and performing their own enterprise plan.

The basic rules for Farm Business School:

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

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

2. Farm Business School Meeting Schedule

Part 1: Diagnosis and Planning

Module 1: Starting the Farm Business School

Meeting	Topic	Date	Time	Venue
1.	Meeting 1: Rationale for a Farm Business School			
2.	Meeting 2: Developing Group Ownership & Scheduling Meetings			

Module 2: Understanding Basic Business Concepts

Meeting	Topic	Date	Time	Venue
3.	Meeting 3: Farming Management as a Business			
4.	Meeting 4: The Trade environment of Farming			
5.	Meeting 5: Farm Business Cycle			

Module 3: Where Are We Now

Meeting	Topic	Date	Time	Venue
6.	Meeting 6: Farm Business Profitable			

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7.	Meeting 7: Assessing Current Farm Situation			
8.	Meeting 8: Understanding Enterprise Profitability			
9.	Meeting 9: Price and Minimum Productivity			
10.	Meeting 10: Producing according to the demand of Market			
11.	Meeting 11: Preparing for a Market Survey			
12.	Meeting 12: Presenting the Market Survey Report			

Module 4: Knowing Where We Want to Go

13.	Meeting 13: Developing a Vision and Goal for the Farm Business			
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Module 5: Developing a Farm Business Plan

Meeting	Topic	Date	Time	Venue
14.	Meeting 14: Farm Business Cycle			
15.	Meeting 15: Making plan for Farm Business			
16.	Meeting 16: Completing a Farm Business Plan			
17.	Meeting 17: Choosing equipment provider			

Module 6: Keeping Records

Meeting	Topic	Date	Time	Venue
18.	Meeting 18: Importance & an Overview of Farm Business Records			
19.	Meeting 19: Practice in Maintaining Farm Business Records-I			
20.	Meeting 20: Practice in Maintaining Farm Business Records-II			

Part 2: Implementing

Module 7: FBS Meetings During Production Season

Meeting	Topic	Date	Time	Venue
21.	Meeting 21: Agreeing on Content and Schedule			
22.	Meeting 22: Mobilizing Finance			
23.	Meeting 23: Marketing Group			
24.	Meeting 24: Marketing Our Products			
25.	Meeting 25: Buying and Crediting Group			
26.	Meeting 26: Understanding about Farming Contract			
27.	Meeting 27: Contract Appraisal			

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28.	Meeting 28: Assessing and Managing Business Risks			
29.	Meeting 29: Benchmarking			
30.	Meeting 30: Characteristics of an Effective Entrepreneur			
31.	Meeting 31: Value Addition			

Part 3: Evaluating and re-planning

Module 8: Reviewing Past Business and Planning for the Next Season

Meeting	Topic	Date	Time	Venue
32.	Meeting 32: Assessing the Benefits of the Farm Business School			
33.	Meeting 33: Assessing the Performance of the Business Plan			
34.	Meeting 34: Choosing Farm Enterprises for the Next Season			
35.	Meeting 35: Preparing Marketing Plan			
36.	Meeting 36: Building Marketing Strategy			
37.	Meeting 37: Making Producing plan and Accessing the Profit			
38.	Meeting 38: Preparing Business plan			
39.	Meeting 39: Making plan			

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Meeting 4: The Trade environment of Farming

Aims:

- Review knowledge about Trade environment in commercializing process.

Question:

- Which changes are affecting on your cultivating systems?

Practice: Changes in Farm

10 years ago		
5 years ago		
Currently		

1. Discussing: Why does this change?

Notes

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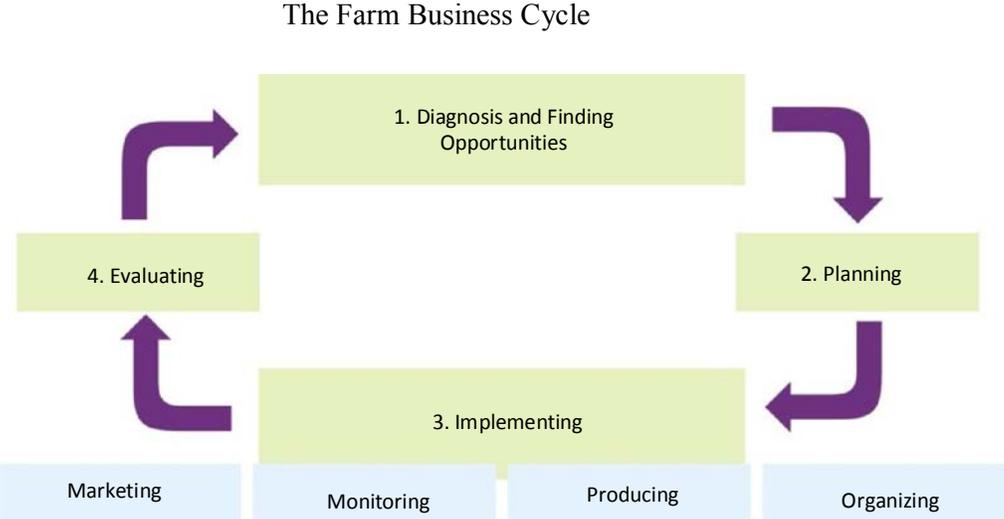
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Meeting 5: Farm Business Cycle



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Pao's Story

Part 1: Diagnosis/Finding Opportunities

Pao is 25 years old. He lives in Son La, a province in West-North. He returned to his village after working in army. His family had 1ha of cultivation soil. He wanted to cultivate to earn enough money for his family and purchase home comforts. For this, he needed to know the current farming practices and see what could be done to raise the income generated by the land.

He talked to farmers in his village to find out which plants they have been grown. After that, he realized there are some crops grown such as: bean, sweet potato, kudzu and maize. When asked why, they said because everyone else did; it was that they had always grown. He also learnt that these farmers were selling their products to the first buyer who came to the farm.



Next, he decided to find out what viable products could be produced to bring higher income. He came to the nearest town and when he talked to shopkeepers and traders, he found out that there was a high demand for tomato that grown in wrong season. Pao knew that it was convenient to grow tomato such as cultivated soil, weather. Then, he found three shopkeepers who said they would buy tomato from him, if the quality was good. They said they normally paid 6,000VND per kg.

Before investing, Pao needed to know if he could make a profit by growing and selling tomato (that grown at wrong season) at the market rate... He visited a neighboring village, where farmers told him that tomato was indeed a profitable crop.

Questions

What did Pao realize about the farmers in his village?

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

What did Pao learn from his visit to the market (shopkeepers and trader)?

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

Module 3: Assessing current farm situation

Meeting 6: Farm Business Profitable

1. Understanding about costs

Variable Costs:

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

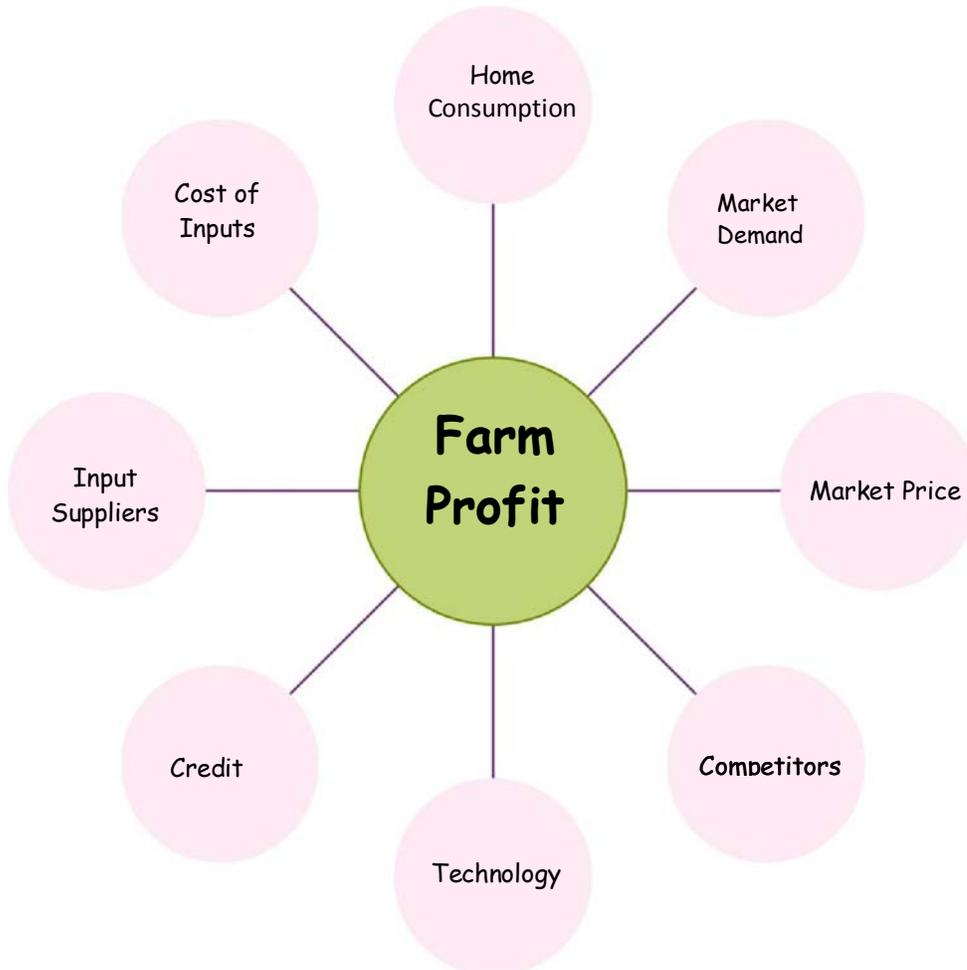
					
Seeds	Fertilizers	Fuel for machines	Hired labor	Livestock feed	Veterinary

Fixed Costs:

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

			
Farm Equipment (e.g. Tractor)	Implements and tools	Packing shed	Farm infrastructure (e.g. fencing)

What Can Affect Farm Business Profit?



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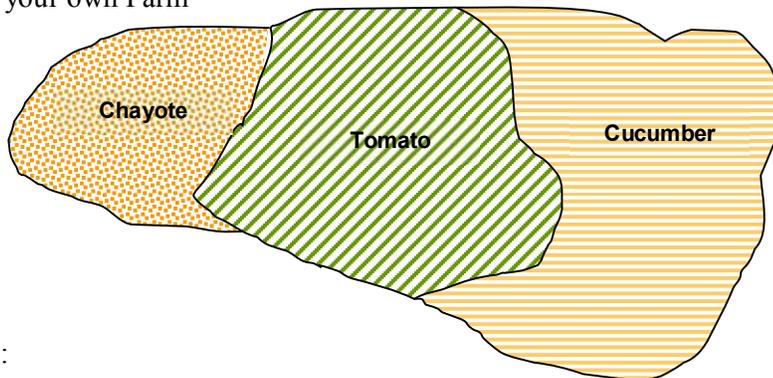
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Draw your own Farm



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2. Understanding difference between Farm Business and Farm Enterprise

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and input use				
Labor supply and use				
Harvesting, post harvest, storage and packaging				
Marketing, transport and delivery arrangements				
Savings, capital formation and use				
Records and record keeping				
Linkage to input suppliers				
Linkages to markets				
Linkages to financial institutions				

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5. Analyzing strengthen and weakness

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Meeting 8: Understanding Enterprise profitability

Aims:

- Understanding Business Profitability
- Understanding the effect of changes to Business activities

Frequent activities:

- How can I get profit in my Business activities?

1. Understanding Enterprise profitability

Budget for Business	Estimate of income and costs of one individual enterprise
Income	Cost of products that are sold and used
Costs	Costs of inputs, equipments and labors for producing
Profit	= Income - Costs

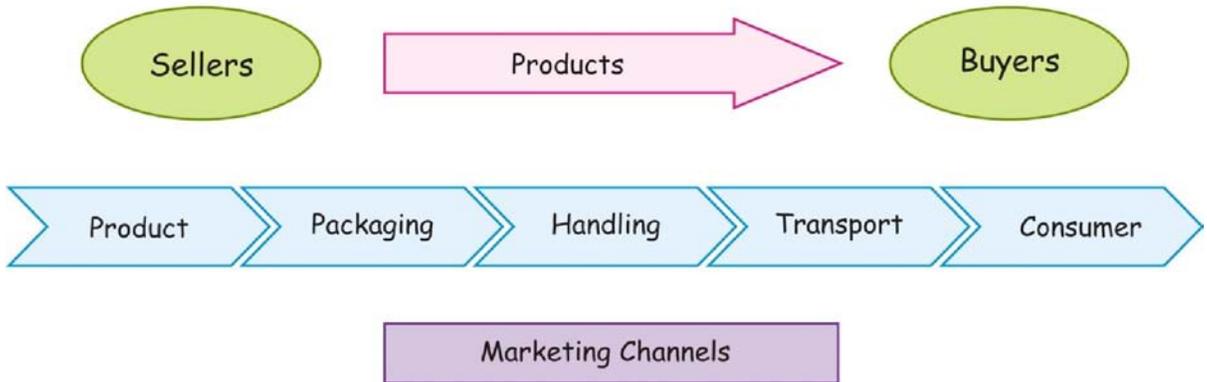
Example:

Business Profitability: VND			
Duration: November 2010 – April 2011			
Income			
	Weigh (kg)	Price (VND/kg)	Total (VND)
Tomato			
Total income			
Variable cost			
	Weigh (kg)	Price (VND/kg)	Total (VND)
Seeds			
Fertilizer			
Labors			
Harvesting			
Total variable cost			

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1. Basic understanding about market

“Marketing is the exchange of goods and services for money”



Marketing and Markets

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

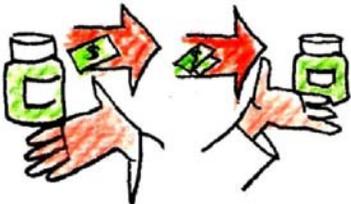
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Traders

	1	What farm products do they buy the most?
	2	Why do they buy these products?
	3	What quantities do they buy?
	4	How do they assess demand?
	5	How often do they buy products?
	6	Which products are most profitable?
	7	What time of the year can the highest prices be attained? (month or season)?
	8	What is the quality of their products?
	9	What do other products have a high demand in the market?
	10	From which farmers do they buy their products?
	11	What do they do to expand their business e.g. (credit sale, promotion, packaging) etc.?
	12	What type of problems do they deal with?

Retailers

	1	What farm products do they buy the most?
	2	Why do you buy these products?
	3	What quantities do they buy?
	4	How do they assess the demand?
	5	How often do they buy products?
	6	Which products have the highest profit?
	7	What times of the year can the highest prices be attained? (month or season)?
	8	What is the quality of their products?
	9	What other products have a high demand in the

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	market?
10	From which farmers do they buy their products?
11	What do they do to expand their business e.g. (credit sale, promotion, packaging) etc.?
12	What type of problems do they face?

Farmers (individually or in groups)

	1	What farm products do they sell the most?
	2	Why do they sell these products?
	3	What do they do to sell those quantities?
	4	How do they assess demand?
	5	How often do they sell products?
	6	Why do they sell directly?
	7	What products are most profitable?
	8	What time of the year can the highest prices be attained? (month or season)?
	9	What is the quality of their products?
	10	Do buyers pay a premium for graded produce?
	11	How much higher are premium prices for quality products?
	12	What other products have a high demand in the market?
	13	What are the advantages of group marketing?
	14	What do they do to expand their business e.g. (credit sale, promotion, packaging) etc.?
	15	What type of problems do they face?

Competitors (doing same business)

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	1	Who else provides such products? Where?
	2	What type of products do they provide? At what prices?
	3	What is the quality of their products?
	4	What do they do to make their business more competitive and profitable e.g. (promotion, packaging) etc.?
	5	What type of skills do they possess and do they upgrade them?
	6	Do any of the farmers (sellers) have a competitive advantageous position?
	7	What can I learn from them?
	8	What type of problems do they face?

Transporters

	1	What type of transportation is available?
	2	What are the rates?
	3	Can you provide special transport services for particular products?
	4	Which products do you have cover packaging services?
	5	Can you guarantee timely pick up of products from farm? How?
	6	Can you guarantee timely arrival to market? How?
	7	Can you guarantee safety transport?
	8	What can you do to transport frequently?
	9	What type of problems do they face?

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Module 4: Knowing Where We Want to Go

Meeting 13: Developing a Vision and Goal for the Farm Business

Aims:

- Encourage the scholar to form a vision for their Farm Business Activities.

Frequent questions:

- How can I do to improve my Farm Business Activities in next five years?

1. An Example of Vision and Goals

Vision	By end of 3 years, I will operate my farm as a business enterprise in a cost effective way. To make farming enterprise economically, I need to do viable ways.
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Production:

1. Make farm production plans carefully to enable me to take advantage of the market demands.
2. Use farm resources optimally and without waste in the production process.

Marketing products:

3. Always gather market information and identify market opportunities for farm products,
4. Properly manage harvesting, post harvesting and storage
5. Ensure product quality, conveniently packaging and timely delivery of the products.

Profits:

6. Ensure farm expenditure does not exceed income.
7. Save a minimum of 10% from the annual income as contingency insurance fund.

Managing my farm as a business:

8. Keep carefully records of all farm operations, inputs and production outputs.
9. Recording and monitoring all income and expenses.

Goal	By end of 3 years, I will operate my farm as a business enterprise in a cost effective way. To make farming enterprise economically, I need to do viable ways.
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Examples of family goals:

- to be self-sufficient in food
- everyone in the family is healthy
- everyone in the family gets an education

Examples of business goals:

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

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2. Building goals for Farm Business activities

Aims:

- To understand the important role of Farm Business.
- To identify Farm Business often has many goals.
- To understand the balance between Business goals and Family goals.

My farm vision and goals

Vision:

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Goal:

Business Goals	Family Goals

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Topography	
Water availability	

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Practice 3: Physical resources and Input availability

Answering three questions:

- Which physical resources are needed? (capital, inputs, equipments)
- How much are they? How much does the farm have? How much do farmer buy?
- Who is provider?

Resources/Inputs	Quantity	Source of Supply
Seed		
Fertilizer		
Pesticide		
Equipment		
Implements and Tools		
Storage Structures		

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Practice 2: Background

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

Notes:.....

Practice 3: Farm Production plan

Business	Area (ha)	Expected yield (ta/ha)	Total yield (tons)

Describe Business activities of one farm, including vision, goals and aims. That helps the farm to focus on main achievements.

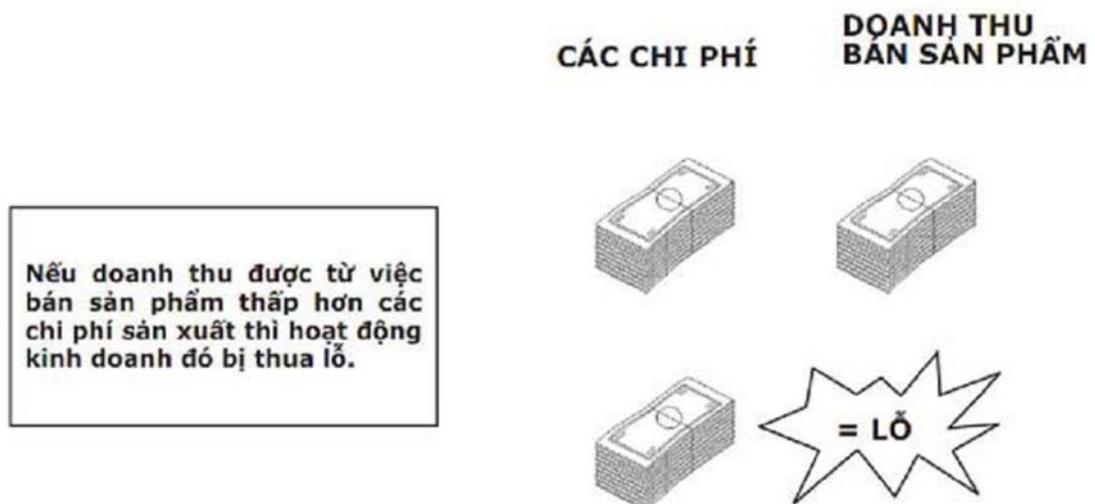
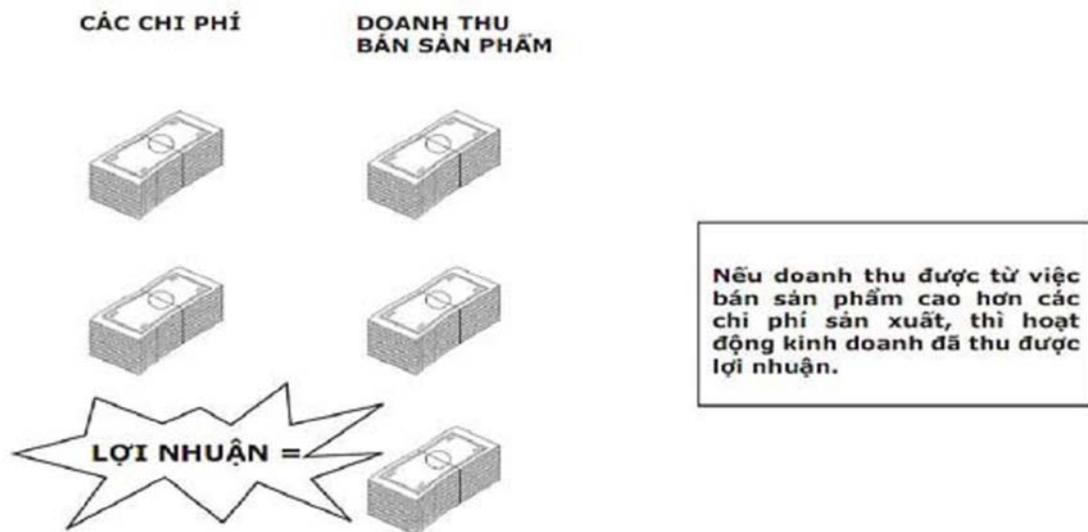
Example 1

Enterprise	Land size (ha)	Expected yield (ta/ha)	Total yield (tons)
Tomatoes	2.0	130.0	26.0

Example 2

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A. Total enterprise profit	
B. Fixed cost (annual depreciation)	
Total annual fixed costs	



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Practice 6: Cash availability

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

A	Budget	Steps	Template		
Step1: Enterprise _____		<p>STEP-1: Put the name of the enterprise (e.g. Tomatoes).</p> <p>STEP-2: Agree on duration for this enterprise, e.g. for the period October 2010 to June 2011 .</p> <p>STEP-3: Estimate the area of the crop under cultivation (ha).</p> <p>STEP-4: Calculate income by listing the various, including selling at farm gate, or in local market, or exporting, or home consumption, or given away. The quantities and prices for each form of disposal may be different. If the produce has been retained for home consumption, or given away, make sure that the unit price reflects a market value .</p> <p>STEP-5: Once all the values have been calculated, it will reflect the total income from that particular enterprise.</p> <p>STEP-6: Directly calculating all costs related to the production of tomatoes. Under the column items, list all the production costs associated with this enterprise. For each item, trace the specific quantity and the unit price to arrive at the value (in VND) for each item .</p> <p>STEP-7: Total the value or cost for all the items to arrive at the "Total Variable Costs ."</p> <p>STEP-8: To arrive at the 'Enterprise Profit', subtract from the total income the total variable costs.</p>			
Step2: For the period: _____ to _____					
Step3: Area under cultivation (ha): _____					
Step4: Income					
Item	Quantity			Unit Price (VND)	Value (VND)
Step5: Total Income					
Step6: Variable Costs					
Item	Quantity	Unit Price (VND)	Value (VND)		
Step7: Total Variable Costs					
Step8: Enterprise Profit (income – variable costs)					

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Answering all questions about cash availability

- Do I have enough money to running all business activities?

(a). I have enough cash for all my business activities:

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(b). I need the following money for all my business activities:.....

(...) Yes, I have enough cash

(...) No, I do not have enough cash

(c).Amount of cash I need is:.....

(d). I need cash for the following month:.....

(e). I can get money from the following sources:

Activity	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Total
Cash inflow													
Crop Sales													
<i>Cash Available</i>													
Cash Outflow													
Seed													
Fertilizer													
Pesticide													
Labor hired													
<i>Cash Needed</i>													
Net Cash Flow													

Notes:.....

Practice 1: Visiting one provider to build the linkage

Notes:.....

Practice 2: Record results after visiting providers

Notes:.....

4. Assessing financial sources

Aims: To help scholars to understand all financial sources, including advantages and disadvantages at the end of the meeting.

Frequent questions:

- Whether can I get money from Farm Business?
- How can I know that is the best cash for me?

Practice: Assessing cash sources

Financial sources	Advantages	Disadvantages
My own saving		
Borrow from family, friends		
Borrow from businessman		
Borrow from sellers		
Credit bank		
Credit for products		
Funded by investors, Government...		

Module 6: Keeping records

Aims:

- To assess and to understand the important role of keeping documents.
- To understand how to record documents.
- To understand how to use documents.

Frequent questions:

- How do the farmers collect, recording and using data most effectively?

What is record?

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

Why Keep Records?

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

Advantages of Record Keeping:

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

Practice 1: Group discussion: The most important questions

You met a farmer who grew vegetables, he said that he had had a good crop that season. What are two most answers you want to know after you got that information?

- Each person had to think and write down own answer.
- Continue with individual for their main question.

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Practice 3: Keeping documents

The documents are used to record what happened, are happening or will happen. A document will become the text evidences for what you told to others.

Example: report of a meeting, reporting the number of members in group, a documents about members' name...

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Practice 4: Production reports

Enterprise	Land size (ha)	Expected yield (ta/ha)	Total yield (tons)

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Practice 5: Labor record

Date	Activity	Number of working people	Number of working hours	Total Number of working hours

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Practice 6: Cash inflow record

Date	Sales	Quantity (kg)	Unit price (VND)	Total income (VND)	Comments
Total					

Notes:

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

Example: Achieving goals together

Mr. Minh, Mr. Manh, Ms. Nga, Ms Lien and Ms Hao are farmers who live near each other. They each have a small farm of about 1.2ha. They use their farm to feed their families and to generate income.

Mr. Minh's wife recently died after taking over the family farm in long time. He has always worried that the farm did not bring enough income. This forced him to do piece work in the nearby town. Now that his wife had passed, Mr. Minh must stay at home to take care his children. He needed to find a way to make more money from his farm.

The first thing Mr. Minh did was to contact the Extension workers in his area. They helped him improve his production program. This did bring his more income, but he wondered if there was some ways to improve income again.

He talked to the Extension workers again. This time, they suggested that he should talk to some of the others about the collecting market. Mr. Minh asked: what is collective marketing? They said it is when a group of farmers market and sell their crops together to the Hanoi

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buyers. When they have more to sell, they have more power in the market. It can help them to access new markets.

Mr. Minh was not convinced, so that he went to meet and talk to Mr. Manh about collective selling. Mr. Manh had heard about collective marketing before. He heard that he could make more money from this, but he hadn't tried it, yet. They decided to go to ask the Extension worker to go with them to the city to see what they could learn.

Mr. Minh, Mr. Manh and the Extension worker traveled to the city. They went to the market and talked to several buyers. They found that they could get a better price for their vegetables in the city than in the local market. They also found that they could sell maize with higher price if they brought enough maize to one location. The buyers would be willing to send a truck because they did not want to go from farm to farm. And they learned that they would get a higher price if they all grew the beans of Asian Vegetables Research and Development Center (AVRDV), and weighed and packaged them uniformly.

They returned home and decided to call a meeting. Mr. Minh and Mr. Manh were there. Besides, Ms Nga, Lien and Hao also attended. Mr. Manh explained to the group that if they sold their maize on the local market, they could get 2,500VND/kg. On the other hand, if they sold it in the city, they could get 3,100VND/kg. The cost of transportation to the city is 30VND/kg if they used small truck (1.2tons).

Ms Hao said that she could not have 1.2tons. She did not have that much to sell. So did Ms Lien. Mr. Manh explained that that was the whole point. He asked each farmer how much they could sell. They said they could sell between 200 and 300kg each. That meant that they had between 1000 and 1250kg to sell. Mr. Minh said this was very good. He asked if they would all like to join in the collective marketing.

Everyone but Ms Nga was willing to join the collective marketing plan. Mr. Minh said that meant that Mr. Minh, Mr. Manh, Ms Lien and Ms Hao would have to market 300kg each. They all agreed. Ms Nga made her apologies and left. Mr. Minh, Mr. Manh, Ms Lien and Hao agreed that Mr. Minh should go back to the buyer in the city and organize the contract on their behalf. They got an exercise book and wrote out a short agreement that said they would each deliver 300kg of maize to Mr. Minh's farm after harvesting in spring season. They all signed the agreement.

Mr. Minh got a contract for buying 1200kg of maize at 3,100VND/kg. He organized the transport as agreed. When the harvest started, four farm families deliver 300kg and paid 930,000VND each. The transporter arrived and he went with the crop to the buyer. He was paid 3,720,000VND in cheque. He immediately took the cheque to the bank and deposited it into his account.

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

Two weeks later, the cheque cleared the bank. They went to the bank to get their cash. Each one was to receive 930000VND. But before they took their money, they said that it was not fair to Mr. Minh. He did all the work and had to pay for trips to the city. So, they decided to pay him 100000VND. He was very happy with that and thanked them. Then they withdrew

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their money and went home to tell their family the good news. They agreed to meet the following week to discuss collective marketing for their vegetables, milk and rice.

Meeting 24: Marketing our products

Discussing in group the following questions:

- a. What opportunities did Mr. Minh and Mr. Manh discover in the city?
- b. Which opportunities did they choose?
- c. What price could Mr. Minh get for his maize at the local market?
- d. What price could Mr. Minh get for his maize at the city?
- e. What were the conditions for getting the price in the city?
- f. What cost should he have if he sold his maize in the city?
- g. What did he have to do to meet the conditions?
- h. What contracts did Mr. Minh write out?
- i. How did things work out?
- j. What were the differences in profit that Mr. Minh and his partners got by selling in the city?
- k. Which decisions did four farmers make about collective marketing in the future?

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Meeting 25: Buying and crediting group

Advantages and disadvantages of buying in group

Advantages	Disadvantages
■ Increases bargaining power	■ Possibility of over-centralization

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<ul style="list-style-type: none"> ■ Improves economies of scale 	<ul style="list-style-type: none"> ■ Loss of individual flexibility
<ul style="list-style-type: none"> ■ Lowers transaction costs 	<ul style="list-style-type: none"> ■ Levies and fees for the group
<ul style="list-style-type: none"> ■ Better prices 	<ul style="list-style-type: none"> ■ Exploitation of weaker members
<ul style="list-style-type: none"> ■ Lowers transportation costs 	<ul style="list-style-type: none"> ■ Forced to accept prices of the group
<ul style="list-style-type: none"> ■ The smallest producer can sell at the same price at international marketing networks 	
<ul style="list-style-type: none"> ■ Sharing risks 	
<ul style="list-style-type: none"> ■ Encourages innovation 	
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Meeting 26: Understanding about farming Contract

Farming contract is done when individuals or a group come into formal (written) or informal (verbal) arrangements for marketing their products with buyers. There are a number of ways or approaches farmers can market their products. Some of these approaches include:

- 1** Contract farming **2** Group marketing **3** Individual marketing

Advantages of Farming Contract:

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

Challenges of Farming Contract:

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

Tips to Overcome Challenges of Farming Contract:

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

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Company A offers to buy rice from farmer group B. The conditions in which the crop will be grown and sold are outlined below:

- a. Farmer group B will plant no more than a total of 100ha of rice.
- b. All crop production activities must be followed in accordance with company A recommendations and instructions.
- c. Company A guarantees to buy all grain rice produced from the allocated limit.
- d. Buying will be at designated locations and buying slips will be issued immediately after purchase.
- e. All rice field must be effectively fenced against animals.
- f. All necessary seeds, chemicals and fertilizer will be supplied and charged to the farmers. Payment for pre-sowing cultivation charges may be advanced.

The pricing formula for grain purchases at 14.5% moisture level will be as follows:

- Production up to 3,500kg/ha = 20,000VND/kg
- Production from 3501 to 4000kg/ha = 21,000VND/kg
- Production from 4001kg/ha and over = 22,000VND/kg

- g. Farmers are not allowed to sell rice covered under this agreement to any other buyer without the written consent of company A. Any breach of this agreement will result in farmers giving up their contracts.
- h. Bags will be supplied by company A. Any loss of bags will be debited to the farmer's account.
- i. Farmers will be paid when their crops have been harvested and sold to company A and all outstanding crop advances have been deducted.

If you wish to grow rice on the above terms and conditions, please complete this form and return it to company A's office before so that we may reserve your quota ofha.

Signed on/...../20.....
(Date) (Month) (Year)

Company

Manager Representative

Farmer

(Farm No _____)

Example: Signing Contract for Fresh products

Dry products can be stored and transported easily. For example, rice is easy to handle and package. Fresh product can be easily damaged or spoiled due to rotting. Fresh products need special packaging and handling.

A contract for fresh product would include more about:

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

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Market prices and conditions					
Break-even and cost of production					
Marketing costs					
Lowest price for product					

Skills

Fields	Strong		Weak		Areas of Improvement
					
Ability to say "No".					
Listening skills					
Focus on the end goal					
Self Control					

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Meeting 28: Assessing and Managing Business Risks

Risk is defined as any factor that may cause losses to the farm business. Farmers may have little control over such risks. Some risks are external, such as changes in market prices, low rainfall, etc. While some risks are internal, relating to the business. Farmers can control the internal risks. Most important of understand is that risk management is not a guarantee for increasing income. But farmers should be able to manage risk so that it has minimum negative effects to their business.

Following are some risks associated with farm business:

1	Production & technical risk
2	Marketing & price risk
3	Financial risk
4	Institutional risk
5	Human & personal risk

Risk Management Strategies:

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

Things to be considered to assess and manage the risk:

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

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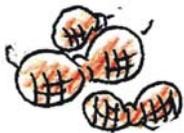
Meeting 29: Benchmarking

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

What aspects of the farm should be compared?

Land	<ul style="list-style-type: none"> ▪ What is your farming system? ▪ What is the total farm area? ▪ What are the individual plot sizes? ▪ How far are the plots from home? ▪ Who owns the land tenure? ▪ How much land is planted to the different enterprises? ▪ Is there any intercropping? How much? ▪ What is the condition of the land? Fertility? Erosion?
Labor	<ul style="list-style-type: none"> ▪ How many family members can work on the farm? ▪ What is the total hours needed per enterprise? ▪ How much labor is hired? From where? What are they paid?
Capital	<ul style="list-style-type: none"> ▪ What stocks and reserves of food, cash, etc. are available ▪ How much livestock is available ▪ What machinery, tools and equipment is available? What condition is it in?
Input Supply	<ul style="list-style-type: none"> ▪ What purchased inputs are used? From what suppliers? Are the inputs of good quality, reliable supply etc. What prices are being paid?
Production	<ul style="list-style-type: none"> ▪ What is your level of production? ▪ Are there any enterprises that are performing outstandingly? ▪ What is produced? What yields are achieved? What is the quality? ▪ What inputs are used? What levels are applied? When are they applied? ▪ How much of the crop is consumed by the household? How much is sold at market
Post-harvest marketing	<ul style="list-style-type: none"> ▪ Where is produce marketed? ▪ How is it marketed? ▪ How attractive is the market? What is the demand for the product? ▪ What are your marketing cost items? ▪ What are the costs for each? ▪ What prices are achieved? Are these the best prices?

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 <p>Peanut</p>	 <p>Peanut butter</p>
 <p>Fresh tomatoes</p>	 <p>Dried tomatoes</p>
 <p>Fresh mango</p>	 <p>Mango juice or dried mango</p>
 <p>Milk</p>	 <p>Yogurt or cheese</p>

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Adding Value Through Post-Harvest Handling

Cleaning	Transport to Storage
Drying	Cooling/Boiling

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Threshing	Grading/Sorting
Packing/Packaging	Transport

Survey for added value (Questionnaire)

Production

1	What are the main products you process?
2	Do you buy them or do you provide service for others?
3	Where do you get the raw material?
4	How long does the process take?
5	What equipment and tools are needed?
6	What training and skills are needed?
7	What production risks do you face?

Marketing

1	Where do you sell the finished product?
2	How are you affected by changes in demand and changes in market prices?
3	How are you affected by prices of the raw product?
4	How much value does the process add to the product?
5	How much do you need to process in order to break even?
6	What marketing risks do you face?

Organization

1	How are you organized? Private business? Family business? Cooperative?
2	How is the business managed?
3	How are the workers paid? Daily? Weekly? According to production?

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PART 3: EVALUATIONG AND RE-PLANNING
Module 8: Reviewing Past Business and Planning for the Next Season

Meeting 32: Assessing the Benefits of the Farm Business School

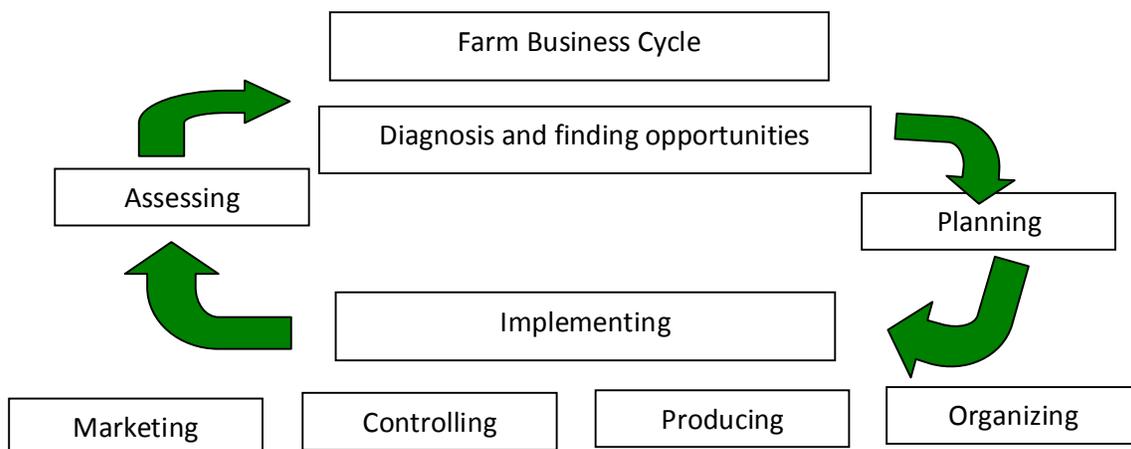
Aims:

- Assessing the improvement of farmers at the end of last crop season.
- Evaluating experiences and results of the last crop season.
- Noticing about the necessity of help in next crop season.
- Assessing the necessity in changing the program of Farm Business School.

Practice 1: Assessing the process

- If you were being trained, which method would you like to study most?
- How does FBS change your work?
- What are the total effects of FBS on your farm profits?
- What do others talk about this program?

Main steps in making profit in farm business



Practice 2: Assessing the Benefits of the Farm enterprise business school

- What were the farm business methods you learned about in the FBS?
- Which farm business methods do you now use, and what effect do you think they have had on your farm profit?
- What difficulties have you experienced in applying methods learnt in the training program?
- How often do you attend trade activities after taking FBS?
- To what extent have you engaged in more commercial farming operations since the training program?
- How has the training you have received influenced the crops you now grow and livestock you raise?
- Did you may make any changes to the production methods that you use? Please describe these.
- How do you think you performed compared with other farmers in your district who did not participate in the FBS training?

