

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

MANUAL FOR TRAINING OF TRAINERS  
(For training of cooperative, farmers and farmers' groups)



June 2011

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

This training program is intended to develop the entrepreneurial and marketing skills for farmers through Farm Business School (FBS). The Farm Business School is considered "learning by doing", and it is held over a growing season for either crop or livestock enterprises.

This program is done in the framework of the project "Strengthen Vietnamese SPS capacities for trade – Improving safety and quality of fresh vegetables through the value chain approach", which is coded as MTF/VIE/046/STF (STDF/PG/259) and funded by the Food and Agricultural Organization (FAO). With the help of FAO, Fruit and Vegetable Research Institute (FAVRI) (Ministry of Agriculture and Rural Development) performed the project, compiled references, organized training courses for trainers (TOT) and farmers in three provinces Son La, Hung Yen and Lam Dong.

The Farm Business School program is aimed at farmers; particularly those that are market-oriented and are interested in running their farm as a business. The guiding improves farmers' skills and abilities in business. It helps them learn how to make their farm business profitable and able to respond to market demands. The training program takes farmers through a series of practical applications in which they learn about farm business management concepts, tools and practices, based on their local knowledge skills. The main purpose of this approach is to build on what farmers know and to add value to this knowledge.

This training is at lower level. There are two books in references: the book guide – is the core materials presented in this book and a supplementary handbook, for trainees to choose and apply as and when required. However, should not be taken as a recipe book that provides all the answers. Instead, it should be viewed as reference material that will help facilitators and farmers select the FBS sessions and exercises most appropriate to their needs. The concepts and principles included here should be easily applied and adapted to any farming enterprise.

The authors gratefully acknowledge Mr David Kahan (superior expert in farm business development, FAO in Asian and Pacific area, Bangkok) who helped us in completing references for FBS. Besides, we want to thank staffs in department of Economy and Market (FAVRI), FBS participants, facilitators and other associated people who have contributed to the development of this manual.

### **Project Management Unit**

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**To the Facilitator**

You were trained to become trainer in Farm Business School who will help farmers in your area. This will be a great contribution to improve farmers' living. Through this program, they will get effectively from their business activities.

Once you have a group of 10-20 participants, you are ready to start. There are 8 modules with 39 meetings in the program (20 for part I, 11 for part II and 8 for part III).

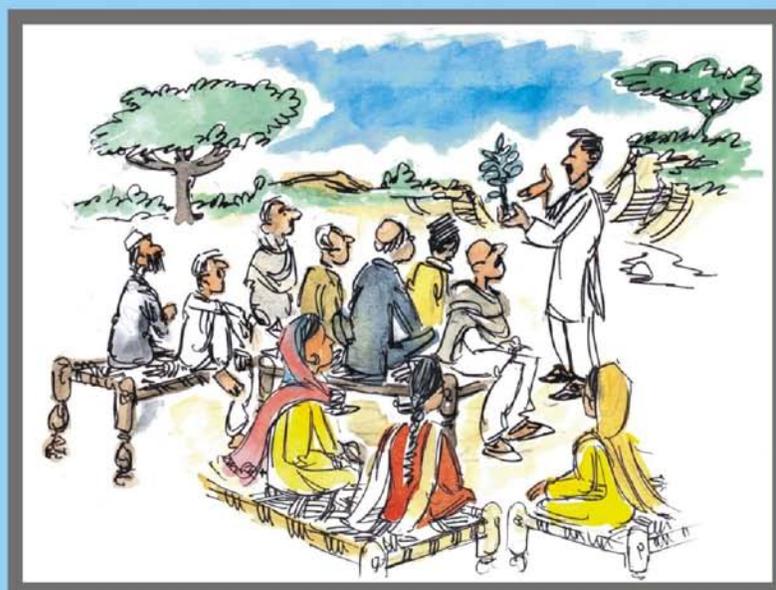
You should use the Handbook in the program because the practices are well-prepared.

Remember that, the keys to success in a Farm Business School are active participation and "learning by doing". You and the farmer participants are working together to learn together about a very important part of farming – farm business management.

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# Farm Business School

## Training of Farmers Programme



## Manual



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**PART 1: DIAGNOSIS AND PLANNING**

**Module 1: Understanding the Farm Business School**

**Meeting 1: Introduction about the FBS**

**Session 1: Welcome and getting started**

***Preparation:***

This will be the first formal meeting of the FBS. You should try to make it memorable. You may want to invite someone special to help you open it.

You should prepare all materials for the program, notebooks, pens and other necessities.

One or two weeks before starting the FBS, you should go to visit each farmer to ensure that they remember to attend the class. You can review all contents mentioned in FBS, discuss with farmers about their concerns and expectations. You also remind them to remember to bring Handbook and pens to class.

***Guidance:***

- *The purpose of the first few sessions is to get the FBS organised and to build unity and cooperation among the participants.*

***Process***

- Welcome all the participants to the first day of the FBS.
- Remind them that they were invited to participate in the FBS because they are interested in learning how to improve the profitability of their farms by developing their farm business skills.
- Check if everyone knows everyone else. If not, ask them to briefly introduce themselves
- Explain that the first two meetings of the FBS will be about the purpose of the school and how the school will be run. After that, you will begin to learn about farming as a business.
- To get through the program they will need to hold at least 39 meetings. They can meet once a week or more often if they want
- The programme is divided into three parts and eight modules.

**Introducing the course to participants**

The purpose of Farm Business School is to work with farmers to help them build knowledge and skills to make their farms more profitable.

The training materials are designed around the concept of the farm business cycle. This is described using the following diagram:



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The programme is divided into three main parts with 8 modules and one appendix that provides all necessary information for participants. The three main parts are:

1. Diagnosing and Planning,
2. Implementing
3. Evaluating and Re-planning

**Part 1: Diagnosing and Planning** (conducted prior to the beginning of the production season)

This part has 20 meetings. Each has one topic that helps the participants get organized as a FBS and to gain a basic understanding of farming as a business.

Participants set goals for their farm and then develop business plan to achieve those. Then, they will work through a series of exercises to learn how to examine their farms and to plan for the coming season.

**Part 2: Implementing** (conducted during the production season)

This part has 11 meetings. The participants start implementing their business plans for their selected enterprises. During this period, they continue holding FBS meetings and have the option of going into greater detail on specific topics listed in the menu.

**Part 3: Evaluating and Re-planning** (conducted after the production season)

There are 8 meetings in this part. It is done after finishing the production season. This is considered the third part and last part of the program. The participants will review their Farm Business Plans, the things they did and prepare a new plan for the next season.

- Explaining that there are exercises to help participants understand knowledge easily. The participants must bring notebook, pens when they come to class.
- Encouraging participants in asking questions.

### **Session 2: Understanding the purposes of the Farm Business School**

**Aims:** to provide participants with information about what they will learn from attending FBS.

**Key questions:**

- What are the purposes of the Farm Business School?
- What topics should be covered and when?

**Guidance:**

- *In this session you will use small group discussions. Such groups are useful for encouraging participation and getting richer information.*

**Preparation:** write the following questions at the top of the board

- What do you understand about FBS?
- What do you expect to learn in the FBS?

**Process:**

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- 1- Organize the participants into discussion groups of 3-5. Start a discussion on what they understand about FBS. Ask them to discuss more and each of them must keep a record in his/her own exercise book.

**Guidance:**

- *You should visit each group to listen to how the discussion is going and offer help and guidance as needed to keep them focussed.*
  - *You will know what goals have been set for participants in the learning sessions that follow, but you need to use this discussion session to find out if these goals match their understanding of FBS.*
- 2- When the groups have completed their discussions, ask each participant in turn to share what they have written about the first questions. Others will have chance to participate. As the participants share their ideas, write them under the first heading on the board. For example:

**Understanding of FBS**

**Learning Expectations**

*It is a school where farmers learn...*

**Guidance:**

- *If a participant repeats a point raised by another participant, you do not need to write it again, but add a tick (✓) next to the point each time it is raised by a group. This will allow you to identify common thinking amongst the participants.*
- 3- When each participant has had a chance to contribute, review the answers on the board. Look at the most common answers. Encourage discussion that leads to unity of thought about the questions.

**Guidance:** *the most important thing is that you know the expectations of participants and consider that the FBS is suitable or not. This is not an necessary topic if the expectations of participants are not the same as the aims of FBS. This will be re-arranged as you review the program at last.*

- 4- When participants share their own expectations, ask them about the discussed topics in FBS. Explain that the training will continue to complete their wishes.

**Guidance:** *you must do these things before starting the class. You will have assessments from participants, so that you can determine which topic you have and which not. In this discussion, you need use assessments above from participants.*

- 5- Discuss how the program is going to be implemented. At first, you should discuss about the studying methods in FBS. Check the participants' understanding of each point. Encourage the participants to discuss each point and to ask questions about them:
  - The program uses a problem-solving approach
  - The program is linked to the actual operations on their farms
  - Your role is to facilitate training. You are not an expert with all the answers.

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- Explain the role of the participants as active rather than passive: they work with you rather than simply take lessons from you.
- 6- Summarize the expectations. Then, provide an outline of what is planned in the future sessions. Explain that the participants need to agree on a schedule of meetings. How often will they meet? What day of the week? What time? What venue? Write the agreed program onto the board and ask the participants to copy this information into their exercise books.

**Notice:**

- *It is important that participants leave this initial session with an understanding of what an FBS is, and what lies ahead of them in future sessions, especially those sessions to be conducted in the first quarter.*

***Conclusion:***

- Take a few minutes to review the key points covered in this meeting.
- Ask the participants to look at the program for the next meetings. One is about team building and other is about setting out the program for the rest of part 1. Ask them to decide the time for next two meetings.

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**Key points from Meeting 1**

- To be developed by the facilitator based on the outcomes of the discussions with the participants.
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**Meeting 2: Team building**

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**Guidance:**

- *Before you prepare for this module, you should assess the group of participants you are working with. If it is a new group that has been previously organised and if the members are working well together, then it may not be necessary to go through all the sessions in this module. If it is a newer group or one where the members are not working too well together, then they will need to go through all the sessions in this module.*
- 

**Aims:** Establish ground rules to work in the group: harmoniously, effectively and without contradict.

**Key questions:** How can we effectively work in a group?

**Practice 1:** Ground rules

**Process:**

- 1- Start a discussion about the rules for holding school meetings. Encourage each participant to talk by suggesting ground rules or commenting constructively on the suggestions made by others.
- 2- Write all suggestions on the board.
- 3- Clarify how a given rule may work. Challenge some of the rules set. Use the checklist below to help guide the discussion
  - We should share all costs of the FBS in a fair way.
  - We should ensure that each member can equally participate and make decisions.
  - We should ensure that decisions are made collectively in consultation with group members.
  - We should treat one another with equally and respect at all times.
  - We need to be self-disciplined as individuals and responsible to the group.
  - We should be honest, dedicated and always do our best in the interest of the group.
  - We should agree to disagree and never get angry if any individual option is not accepted.
  - We should be open, accountable and transparent in our dealings with all group members.
  - We should always try to fix problems and not lay blame when things go wrong.
- 4- Ensure that there is consensus on the rules chosen.
- 5- Ask each participant to write the agreed rules into their exercise books.
- 6- Discuss the importance of these rules in ensuring success for the group. These points must be constantly kept in mind and should be treated as the ground rules of the group.

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Practice 2: Building the schedule of the FBS

**Guidance:**

- You can see that all participants want to go this session before the meeting 2.
- Remember that you can accept more than one meeting/week.

**Aims:** Agree the time and date for each meeting

**Key questions:**

- How many meetings do we need? What date? What time?
- What time can we meet? How long is it? What are the contents in the meeting?

**Preparation:**

- Copy the list of meetings.
- In the case that you don't have the copy, you can write on the board.

**Process:**

- 1- Explain to all participants that the aim of this meeting is making plan for other meetings. They must decide:
  - How often do they have the meeting?
  - What date can they meet?
  - What time can they start/finish the meeting?
- 2- The first of program must have 20 meetings. We did one and this is the second.
- 3- Ask participants to discuss the frequency of the meetings. Do they want to meet weekly or more often? Which date is the best? Which time is the best?
- 4- When they discussed and agreed about the time and frequency of the meetings, write them on the board:

Meetings	Topics	Date	Time	Venue

- 5- Write the agreements on the board. Require participants write on their notebook. Start with the meeting 3. For example:

Meeting number	Date	Contents
4	1 <sup>st</sup> July	Part 2: Understanding about Business management
		Session 1: Commercial environment for Farm Business
		Practice: Changes in Farm
		Session 2: Farm management as a Business
		Practice: Farm Business
5	8 <sup>th</sup> July	Session: Farm Business cycle
		Practice 1: Diagnosis
		Practice 2: Planning
		Practice 3: Implementing
		Practice 4: Marketing
6	15 <sup>th</sup> July	Practice 5: Evaluating
		Session 1: Key points in Farm Business

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		Practice: Main aspects in Farm Business
		Session 2: Farm Business Profit
		Practice 1: Understanding about profit
		Practice 2: Farm business activities, variable cost and fixed costs
		Practice 3: Factors affect Farm Business

As the schedule is agreed, ask all participants to write down their own notebook. Ensure that all of them know exactly time for each meeting.

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**Guidance:**

- *You need a copy of the schedule and write on your notebook..*
  - *If can, you should write this schedule on the large sheet to remind every people..*
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**Key points from Meeting No. 2**

- To build team work and schedule for the FBS are main points in this meeting.
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*Conclusion:*

- Take a few minutes to review the key points covered in the meeting.
- Remind the participants about the next meetings. At that meeting, they will start the formal program of learning about the farm as a business.

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**Module 2: Understanding Business Management**

**Meeting 3: Farming as a Business**

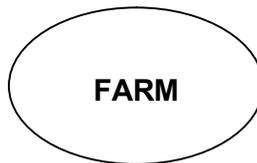
***Aims:***

- To introduce the concepts of farming as a business and build consensus about the meaning of business.
- To understand important aspects of the farm businesses that the participants are managing.

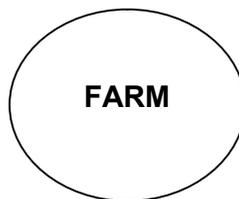
Practice: Farm Business activities

***Process:***

- 1- Draw a circle on the board. In the middle of the circle write: Farm
- 2- Explain the following:



- We have seen the way farming has changed over the years. We have also seen how life has changed over the years. Current life requires more money than in the past. Instead of using our farms for growing food to consume at home, we need run the farm to get more and more money. Therefore, it is important that we begin to look at the farm more as a business than as a source of food.
- 3- Ask the participants to suggest ways in which their farms might be thought of as businesses. What are some of the things that make their farm have in common with a business? Write their ideas on the board. If the ideas can be grouped, try to group them around the concepts of inputs, production and markets. Put the things related to inputs to the left of the circle, put the things related to production just beneath the circle. Put the things related to markets to the right of the circle.



**RAW MATERIALS  
SUPPLIERS**

**LAND PREPARATION  
PRODUCING  
HARVESTING**

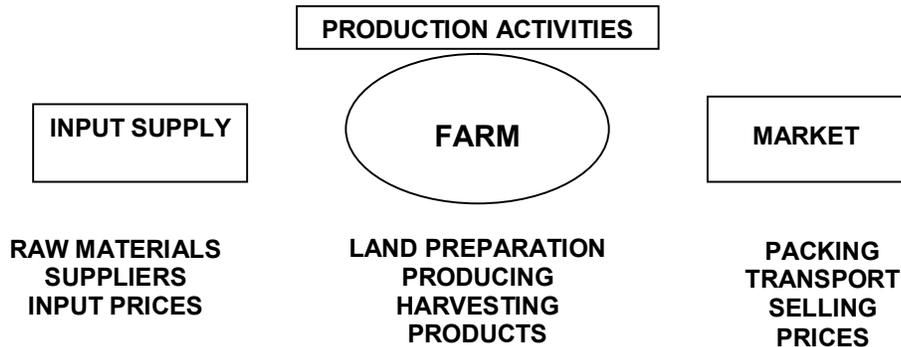
**PACKING  
TRANSPORT  
SELLING  
PRICES**

- 4- Ask the participants to copy the circle into the centre of the page.
- 5- Explain that you want to look at three different parts of the farms as a business: the input supply, the production activities and the market.

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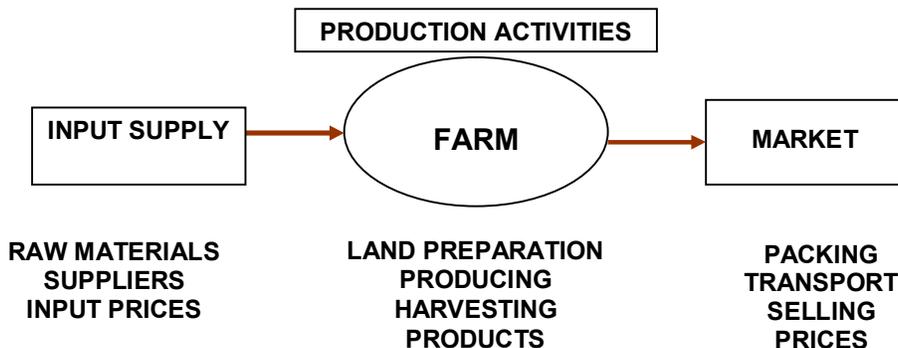
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- 6- On the board, add *Input supply*, *Production Activities* and *Market* as shown in the following to the diagram.

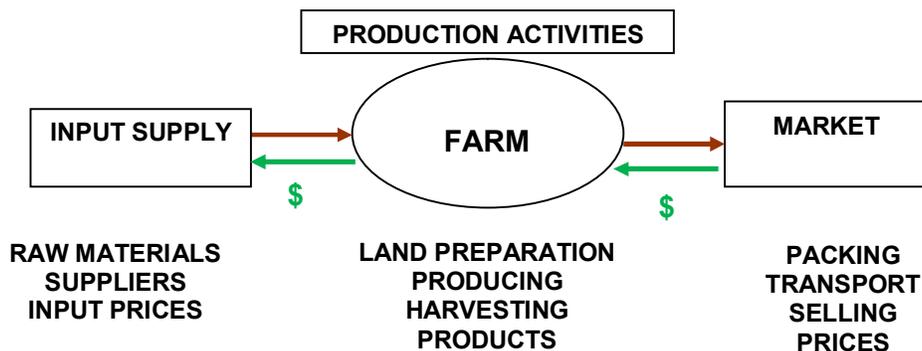


- 7- Refer to the diagram on the board. Ask the participants to copy it into their exercise books. Explain that a farm is like a factory: it uses inputs for production of products that are sold on the market.

- 8- Draw a line going from inputs through the farm to the market. Explain that this represents the physical flow of the farm. Inputs go through the production activities where products are made and products go to the market to be sold.



- 9- Next, draw a line going from the market back to the farm and the inputs. Under the line put a symbol for money such as a \$.



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Explain the following:

- The bottom line shows the flow of money. Money is spent on inputs. Inputs are used to produce a product. The product is sold on the market for money. The money returns to the farm. Some of it is used to buy more inputs.

**Conclusion:**

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.

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**Key points from Meeting No. 3**

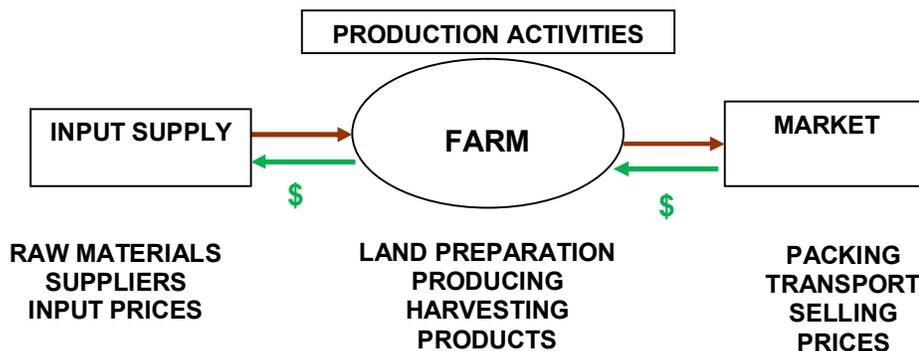
- Farm management as a business

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**Changes in farming**

- In the past, people farmed for food.
- Now, people are farming for cash to pay for things they cannot produce.
- This change requires farmers to look carefully at the profitability of their farm.



**The farm business**

- The farm business is made up of three main parts: input supply, the production unit and the farm.
- Inputs go to the production activities where products are made and products go to the market to be sold. This is the physical flow of a farm business.
- Money is spent on inputs. Inputs are used to produce products. The products are sold on the market for money. The money returns to the farm. Some of it is used to buy more inputs. This is the financial flow of a farm business.

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**Meeting 4: Commercial farming environment**

***Aims:***

- To develop participants' knowledge of the environment in which farm commercialization is taking place.

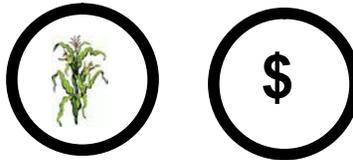
***Key questions:***

- What changes are occurring to impact on your farming systems?

**Practice:** Changes in farming

***Process:***

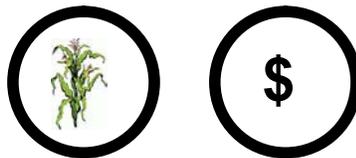
- 1- Organize the participants into teams of 3-5. Ask each to think about why changes in their farm. Is it to produce food to eat? Is it to produce goods? Is it for both food production and for cash? They could work in teams of 2 or 3 if it makes them more comfortable.
- 2- Ask each participant to draw two different circles on their exercise book. The circle on the left should represent farming for food, and the circle on the right should represent farming for cash. If they think that they are farming more for food than for cash, then make the circle on the left larger than the circle on the right. If they think they are farming equally for food and cash, the circles should be of equal size. See the example below:



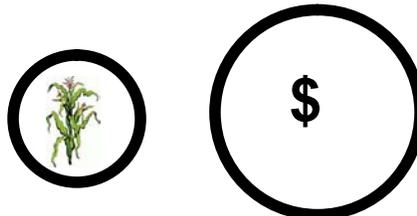
- 3- Encourage each participant (or group) draw and explain their diagrams.
- 4- Now ask each participant to think about how this ratio has changed over the last 10 years. Use circles to demonstrate the ratio 10 years ago and 5 years ago. Arrange the circles chronologically.

Example:

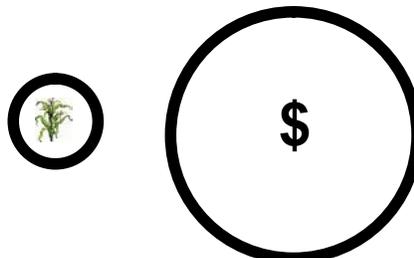
Ten years ago



Five years ago



Now



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- 5- Discuss the change. Why does it change?
- 6- Ask the teams to think what is likely to happen in the next 5-10 years. Ask them to use circles again and share their diagrams.
- 7- Discuss what this implies for how they run their farms. Is farming for cash different than farming for food? If yes, how? If not, why not?

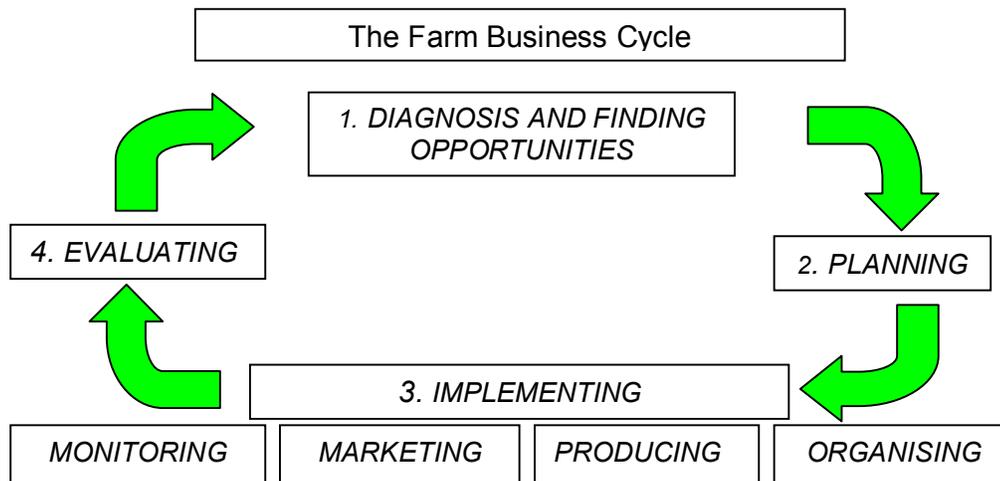
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**Meeting 5: The farm business cycle**

Practice 1: The farm business cycle

**Preparation:**

Draw the following diagram on the board



**Process:**

1-Ask the participants to copy the diagram into their books.

- Understanding the farm business is important. Like any other business, a farmer needs to understand what is happening within the farm, including making a farm business plan and then implementing the plan. The Farm Business is a process illustrated by a cycle.

- The farm business cycle illustrates the steps that one goes through to improve the farm and focus on business orientation. The cycle is a process that starts with diagnosis and finding opportunities. This leads to planning. Planning leads to implementation. After implementation the farmer must evaluate the results. Then he diagnoses and finds opportunities again, and makes a new plan. In this way the farm business is always being improved.

2- Discuss with the participants what they understand by each of terms used in the farm business cycle.

3- Start with diagnosing. Each group with discuss to understand the following concepts:

Explain the following:

*Diagnosing:* work done to study a business and to identify problems that are limiting performance (finding out what is wrong) and opportunities to improve performance (finding out what more can be done).

*Planning:* making decisions about the steps to follow to achieve an objective or goal. It is about looking into the future.

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*Implementing:* ensuring that the plan can be realised. This involves organising, producing, monitoring and marketing. Organising involves arranging the resources and people needed to carry out the plan. Monitoring involves keeping track of progress being made on tasks and activities of the plan; checking to see if things are going as planned.

*Evaluating:* deciding whether or not the plan worked and whether or not the goals were achieved. It involves taking a longer look at what you have done and measures it against your expectations.

Practice 2: Farm Business cycle – Diagnosis

***Guidance:***

- This session involves reading the Pao's story. It is divided into five parts. You will read or tell a part of the story and then ask specific questions. For each question answers are given. The idea is to get the participants to come up with the answers and to discuss them (see Appendix).
- The story is written to demonstrate the key parts of the business cycle: diagnosis, planning, implementing and evaluating. These themes will be covered in greater depth during the course of the FBS.

***Process:***

- 1- Write the following words at the top of the board: **KEY STEPS TO MAKE A FARM BUSINESS PROFITABLE.**

Explain the following:

So far we have looked at how farming has changed over the years. We have seen how different things affect a farm, such as inputs, markets, product prices, input prices, credit and competitors. Now we want to learn the key steps to making a farm business profitable. We will do this by looking at the Story of Pao, a young farmer with a small farm.

- 2- Tell (or read) part 1 of the story Pao to the participants. Then ask the following questions, remember to encourage discussion.

Question: What did Pao realise about the farmers in his village?

Answers:

- a) They were all growing the same crops because that is what they had always grown.
- b) They sold to the first buyer who came to their farms.

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

Answers:

- a) He decided to find out what were the most profitable products to produce from nearest town and talked to shopkeepers and other traders
- b) It is important because he was thinking about how to make profits. He was not just blindly doing what everyone else was doing.

Question: What did Pao learn from his visit to the market (shopkeepers and traders)?

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Answers:

- a) He learned that tomato was a good product to grow and sell.
- b) He learned that three shopkeepers would buy tomato from him if his tomato were of good enough quality.

Question: What did Pao decide to do? Why could he be confident about this? Encourage discussion.

Answers:

- a) He decided to grow tomato
  - b) He was confident about his decision because:
    - His own research told him there was a good market for tomato
    - His own research told him he could make a profit from tomato
    - He had checked with the extension worker about producing tomato.
- 3- In the business cycle drawn earlier, highlight or tick the word **DIAGNOSIS AND FINDING OPPORTUNITIES**
- 4- Explain to the participants that, for any business, it is critical to diagnose or carefully examine the situation of the business. Summarize with the following:  
*In this story, Pao identified a problem. He realised that everyone was growing the same crops. He realized that the farmers were not actively looking for markets; they sold to the first buyer that came to their farms. From this, Pao realized that he should grow something different. He did some researches and identified an opportunity for himself. He discovered that it would be good to grow tomato. There was a good market for it. He could make a profit from tomato.*

Practice 3: Farm Business cycle – Planning

**Process:**

- 1- Keeps the diagram from exercise 1 on the board and tick or shade the word **PLANNING?**
- 2- Tell (or read) part 2 of Pao's story. Then ask them the following questions:

Question: Describe Pao's plan?

Answers:

- a) He planned to produce and sell 4000kg of tomato to the three shopkeepers.
  - b) He worked out a plan for all the inputs he would need.
  - c) He worked out how the tomato would be packaged and transported so that the shopkeepers would be satisfied.
  - d) He worked out how much all of this would cost and what kind of a profit he could expect.
- 3- Explain to the participants that, once you have decided what to produce, it is critical to make a careful plan that explains what you need to do.

Explain the following:

In this story, Pao planned everything. He planned what to produce, how much to produce, how to produce it, what inputs he would need, how to market his produce and how much profit he could make.

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Practice 4: Farm Business Cycle – Implementing

**Process:**

- 1- Keep the diagram from Exercise 1 on the board.
- 2- Now, tell (or read) part 3 of Pao's story. Then ask them the following questions:

Question: After making his plan, what did Pao do next?

Answers:

- a) He bought his input, organised his labour, prepared his land, planted his crops, and organised his packaging and transport for the tomato.

Question: What happened after Pao planted his tomato? What did he do about it? Why?

Answers:

- a) His tomato did not germinate well.
- b) He spoke to the extension worker who said he had used the wrong seed and had to buy more seed to replant his tomato.
- c) Even though it cost him more money, he had made a promise to the market to supply tomato.
- d) He also arranged for the transport to come later; after the new crop of tomato was ready.

Question: When it got close to harvesting time, what did Pao do?

Answer:

- a) He bought his packaging materials.
- 3- Explain to the participants that the whole purpose of making a plan is to implement it. It is important that the plan be carried out just as it was planned.
- 4- On the business cycle, shade or tick the words: **ORGANIZING, PRODUCING, MONITORING.**
- 5- Explain the following:

Implementing includes a number of actions. Three of these are organizing, producing and monitoring. Organizing means to get everything you need for producing in order. In a farm business, it mostly refers to buying inputs and organizing labour and draft power.

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

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

Practice 5: Farm Business cycle – Marketing

**Process:**

- 1- Tell (or read) part 4 of Pao's story. Then ask them the following questions.

Question: The harvesting and packaging went well. What happened when Pao took the tomato to the three shopkeepers? And what did he do about it? Why?

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Answers:

- a) One shopkeeper did not want to accept the tomato because it was late.
- b) Another shopkeeper wanted to pay in six months time.
- c) The other shopkeeper did not want to pay the agreed price.
- d) In each case, Pao convinced the shopkeepers to change their minds.
- e) He did this because he knew that his profits depended on these sales.

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

Practice 6: Farm Business cycle – Evaluating

**Process**:

1- Now tell part 5 of Pao's story. Then ask them the following questions:

Question: After Pao sold all his tomato and went home, what did he do? Why?

Answers:

- a) He evaluated his tomato business
- b) He compared what he planned to do with what actually happened
- c) He did the evaluation so he could improve his business next season.

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

Answers:

- a) He had used the wrong seed; next time he would check with the extension worker before buying inputs.
- b) He did not expect the one shopkeeper to be worried that he was late with his crop. Next time he would be sure to keep his buyers informed.
- c) He did not expect to be asked to be paid in 60 days. Next time he would check on that when setting up his market.

Question: Did Pao make a profit? How did he know? What did he plan to do about it?

Answers:

- a) Yes, he made a profit.
- b) He calculated the income and subtracted all his costs.
- c) He planned to investigate more opportunities.

2- Explain how evaluating an important part of a farm business is also. It helps the farmers to know what went well and what went wrong. It helps the farmer know how to improve his farming business to make it more profitable.

Summarize with the following: *In this story, Pao looked carefully at what happened with his tomato crop. He celebrated everything that went right. He made plans to fix things that went wrong. In this way he was able to plan for the next season. Evaluation helped him plan improvements to his farming business to make it more profitable.*

3- Summarize the whole farm business cycle and showing how Pao went through the stages. The farm business cycle is shown below:

Explain the following:

*This diagram shows that the key steps in a farm business are linked to each other. They form a process that starts with diagnosis and finding opportunities. This leads to*

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*planning. Planning leads to implementation. After implementation the farmer must evaluate the results. Then he diagnoses and finds opportunities again, and makes a new plan. In this way, the farm is always being improved.*

- 4- Conclude the session by highlighting that each time they meet the FBS will introduce concepts that will strengthen participants' understanding and ability to diagnose and look for opportunities, to make plans, to implement plans and to evaluate plans to improve the profitability of their farm business.

Conclusion:

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.

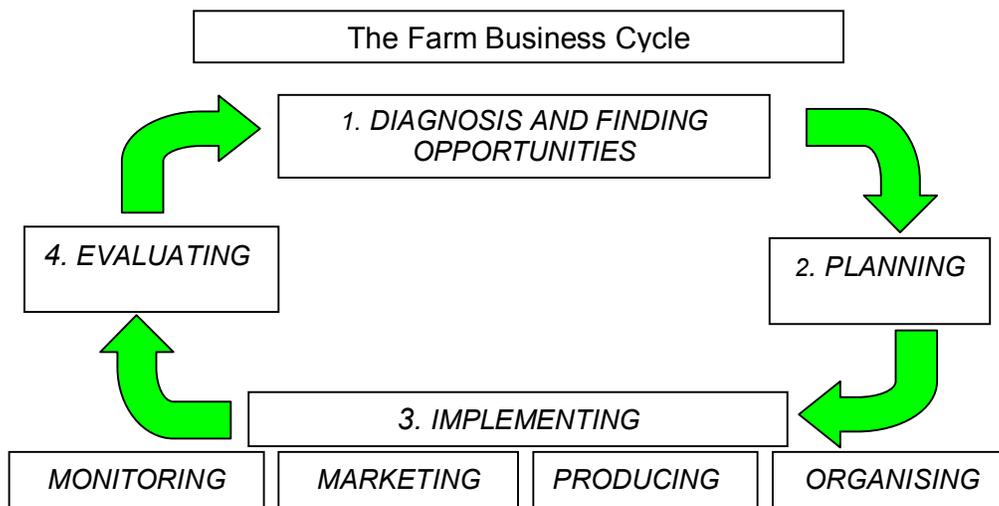
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### Key points from Meeting No. 5

#### Key steps in a farm business enterprise

- Diagnosis and finding opportunities
- Planning
- Implementing: organising producing, monitoring, marketing
- Evaluating



### Module 3: Current farm situation

#### Meeting 6: Concepts about Farm Business profit

##### Session 1: Concepts

Practice: Main aspects in Farm Business

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**Guidance:** this practice is designed for two purposes. One is to help the participants in understanding the main aspects in farm business. The other is to prepare for the farm business plan. The main aspects in farm business are discussed base on things that farmers should do for preparing a farm business plan.

**Process:**

- 1- Ask the participants to describe the most important aspects of a farm business. Ask them to make suggestions.
- 2- Write the following words: *Important aspects of my farm business.*
- 3- Ask the participants to write the topics.

Explain the following:

*We have looked at the farm as a business. A business is meant to be viable and successful. Aspects that affect the business viability are linked to the inputs, production, markets and the general commercial environment. These aspects or key success factors should be favourable and the farmer should always be able to cope up with issues of risk in the farm business. The study of the farm business can be very complex, but there are a few very important things that will help get us started in improving the success of our farms.*

*During the next several meetings, we are going to learn a number of things that will help us write a farm business plan. This business plan will help us make sure we are covering the most important aspects of a farm business.*

- 4- Start a discussion about the most important things they believe that they need to know and able to do to make their farm business a success. Ask the participants to brainstorm about this. Write their ideas on the board.
- 5- When all the ideas are listed, use the following checklist to make sure they are all covered. These are the points that need to be highlighted. Eventually this is the list you need to write on the board.
  - a. What to produce?
  - b. How to produce it?
  - c. Is it possible to produce it on my land?
  - d. What resources and inputs are needed and where to get them?
  - e. What labours do I need?
  - f. What is the best market for the products?
  - g. What price the product can get in the market?
  - h. Is it profitable?
  - i. Do I have enough cash?
  - j. What are the risks and what to do about them?
- 6- Ask the participants to write these points into their exercise book under the heading: *Important aspects of my farm business.*

## **Session 2: Farm Business profit**

***Aims:***

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- To develop understanding and appreciation for the concept of profit as related to their farm business.
- To be able to calculate basic farm profits.

**Key questions:**

- What is profit?
- Where does profit come from?
- What is income?
- What are costs?

Practice 1: Understanding profit

**Guidance:**

- This is a brainstorming exercise. It gives the participants an opportunity to start looking at the profitability of their farms. It will get them used to the idea of thinking in terms of income, cost and profit. This type of exercise will be repeated several times during the training.

**Process:**

- 1- Write the word *Profit* on the board.

Explain the following:

*This exercise is about profit. In an earlier exercise we noted that farming has changed over the last several years. In the past the main purpose of farming was to produce food for the household. Now, the main purpose of farming is to produce cash for the household. Since this is the case, it is helpful to learn more about how to make the most cash from our farms.*

- 2- Ask the participants to brainstorm the following questions. Lead the discussion to the idea that profit is the money left over from income after the costs are deducted.

- What is profit?
- Why is profit important?

- 3- Ask the participants write their ideas on the board (under the *Profit* column). Help them to discuss that profit is get from income and costs. When the income is greater than costs, we get profit.

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

- 4- Write the word Income and Costs at the 1<sup>st</sup> and 2<sup>nd</sup> column as shown:

Income	Costs	Profit

- 5- Ask the participants to brainstorm what each of these words means. Start with income. Write their answers on the board. Encourage discussion. Lead the discussion to the following definitions:

Income: *money received from selling products and the value of produce consumed.*  
(Note that farm income comes from value of all the products produced on the farm.)

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Costs: money spent to produce and market products; the value of all the things used to produce products on the farm.

Profit: money left over from income after the costs are deducted.

**Guidance:**

- The idea behind the discussion on Farm Income and Farm Costs is to introduce the idea that the farm business is separate from the household. While the household relies on the income from the farm and other sources, the profitability of the farm is based on the income and costs related to the farm and not the household. This will help reinforce idea of farming as a business.
- Secondly, discussing farm costs opens the way to discussing variable and fixed costs which is needed to be able to discuss enterprise profitability as separate from whole farm profitability later in the programme.
- Examples of household expenses include food, schooling, clothing, health, etc.

Practice 2: Farm Business, variable costs and fixed costs

**Process:**

- 1- On the board, write the following words: Farm Business and Farm Enterprises as shown in example:

**Farm Business**

**Farm Enterprises**

**Guidance:**

- Note that the farm business refers to the whole farm as a business; farm enterprises refer to the individual enterprises of the farm.
- 2- Ask the participants to brainstorm the difference between the farm business and a farm enterprise. Lead the discussion to the idea that a farm business is made up of different enterprises. Each crop or kind of livestock produced is an enterprise. A farmer may produce maize, beans and eggs. Each of these products is an enterprise. Together they make up the farm business as a whole.

**Guidance:**

- The participants may or may not know the difference between an enterprise and a whole farm business. So it may be necessary for you simply to tell them the difference.
- This is being introduced here so that the discussion on profit and fixed and variable costs will be easier to understand and apply. The main aim is to make sure they understand that a farm may have more than one enterprise and that sometimes farmers make decisions about the whole farm business and other times they make decisions about a specific enterprise. So it is important to understand the difference.
- Fixed costs should also be explained here briefly. Fixed costs will be discussed in more detail during the post season sessions as they plan for the whole farm business.

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- 3- On the board, write the following words: Variable costs and Fixed costs as shown in the example.

**Variable Costs**

**Fixed Costs**

- 4- Ask the participants to brainstorm what they know about variable and fixed costs. Write their ideas on the board under the appropriate headings. Lead the discussion to the following definitions:

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

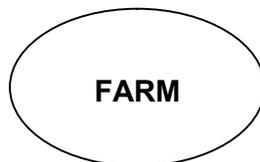
***Fixed costs:** The fixed costs apply to the farm as a whole. Fixed costs are costs that do not vary with changes in production output of a specific product. Fixed costs remain the same regardless of the output. Even if, there is no output, there will still be fixed costs.*

- 5- Ask participants to talk more detail about variable costs. Write on the board typical examples of variable costs.
- The cost of seeds,
  - The cost of fertilizers,
  - The cost of fuel for machines,
  - The cost of livestock feed,
  - Veterinary costs.
- 6- Ask participants to talk more detail about fixed costs. Write on the board typical examples of fixed costs:
- The cost of purchasing a tractor or a piece of equipment which is used on the whole farm.
  - The cost of implements and tools.
  - The cost of a head of livestock for draft power.
  - The cost of farm infrastructure (e.g. fencing)

Practice 3: Things that affect farm business profit

***Process:***

- 1- Draw a circle with "farm" in it.



- 2- Ask the participants to think of things that can affect the profitability of a farm business. Ask them to make suggestions. As they make suggestions, write them onto the board and draw a line connecting them to the farm. Use the following checklist to help prompt ideas:
- Inputs

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- b. Input costs
  - c. Input suppliers
  - d. Market
  - e. Market demand
  - f. Market prices
  - g. Credit
  - h. Competitors
  - i. Technology
- 3- When you think they have covered enough topics, explain the following again:  
*As we said earlier, when we only produced food for our families to eat, farming was much simpler. It was not always easy, but it was not so complex. Now, when we need to generate cash to buy things we cannot grow on our farms, farming becomes more like a business. We have to be aware of many things. We have to make sure that we grow and sell enough products to cover the cost of production and to give us a profit. This school will help us learn how to do this on our own farms.*
- 4- Ask if there are any questions or comments about this. Encourage discussion. Always keep the discussion focussed on the idea of the FBS being about farm business and on learning how to make their farms more profitable.

Conclusion:

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.

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**Key points from Meeting No. 6**

**Key aspects of a farm business**

- What to produce
- How to produce it
- If it is possible to produce on my land
- What resources and inputs are needed and where to get them
- What labour do I need
- The best market for the product
- What price the product can get in the market
- If it is profitable
- If I have enough cash
- What are the risks and what to do about them

**Understanding Profit**

- Income: money received from selling products
- Costs: money spent to produce and market products
- Profit: money left over from income after the costs are deducted

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- The farm business is separate from the household. While the household relies on the income from the farm and other sources, the profitability of the farm is based on the income and costs related to the farm and not the household.
- **Variable costs:** The costs of actual production. They apply to specific enterprises on the farm. These costs vary as output changes. These costs occur only if something is produced. They do not occur if nothing is produced. Variable costs can be allocated to specific enterprises.
- **Fixed costs:** The fixed costs apply to the farm as a whole. Fixed costs are costs that do not vary with changes in 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.
- **Things that affect profits**

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**Meeting 7: Assessing the current farm situation**

**Session 1: Assessing the current farm situation – Part 1**

***Aims:***

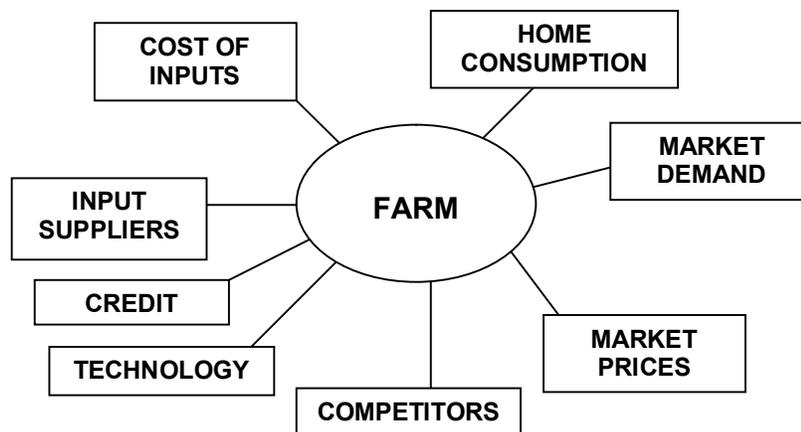
- For the participants to understand their farm in terms of problems they may face and its potential for farming as a business.
- To create awareness that farming is a business enterprise.
- To build the participants' capacity to manage their farms as a business enterprise.

***Key questions:***

- How well is my farm performing?
- How can I assess?

***Guidance:***

- In this session the participants will work in teams of 2 or 3. They will be asked to draw a sketch map of their own farms. The sketch map should show:
  1. How the land is used



2. What technology is used
3. What products are produced
4. What inputs are used

**Practice 1: Developing a farm map**

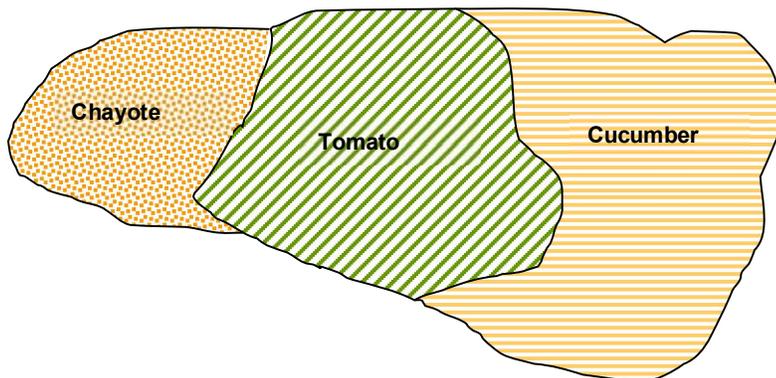
***Process:***

- 1- Organize the participants into teams of 2-3/
- 2- Ask each participant to draw his/her farm. They should not worry about accuracy or drawing scale. Use whatever writing materials are available. Simple pencil drawings will be sufficient. As they draw their maps, they should share ideas and ask questions of one another about their farms.

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Example:



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

Practice 2: Understanding farm enterprises

**Process:**

- 1- Ask the participants to think about what they produce on their farms and what they do with their products. How much do they produce? How much do they consume at home or share with others? How much do they sell? Ask the participants if they can recognize in their farm enterprises.
- 2- Write the following words on the board:

*COMPETITIVE  
ENTERPRISES*

*SUPPLEMENTARY  
ENTERPRISES*

*COMPLEMENTARY  
ENTERPRISES*

- 3- Ask the participants to copy these into their books.

Explain the following:

*When we talk about a farm enterprise we are referring to one single crop or product. A farm may have more than one enterprise.*

**COMPETITIVE  
ENTERPRISES**

Compete for same resources

Example: if a farmer does not have enough labour to produce two different crops at the same time, one crop can

**SUPPLEMENTARY  
ENTERPRISES**

Do not affect each other

Example: a farmer has fish and duck enterprises. The duck droppings are utilized by the fish in the fishpond which could

**COMPLEMENTARY  
ENTERPRISES**

Contribute to the production of one another in a two way process

Example: poultry produces manure for maize. The maize grain can be fed to the poultry. This

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only be increased if the other reduced. otherwise have been wasted. In such a case, the ducks supplement the feed for the fish. relationship between the livestock and crop enterprises shows that the two are complementary.

**Session 2: Assessing the current farm situations – Part 2**

**Aims:** for the participants, to understand their farm in terms of problems they may face and its potential for farming as a business.

**Key questions:**

- How well is my farm performing?
- How can I assess?

**Practice 1:** Understanding the strengths and weakness of a farm

**Guidance:**

- In this part of the session, the participant will conduct an analysis of strengths and weaknesses of their farms.
- Before you do the analysis, the participants will identify the most important aspects influencing the farm business. This will be done through a guided brainstorming exercise. Then they will do an analysis of the strengths and weaknesses of the participants' farms using the agreed key aspects.

**Process:**

- 1- Explain that in this practice, they are going to look at the strengths and weakness of their own farms.
- 2- Ask the participants to reflect on the strengths and weakness of their farm operations.
- 3- Ask the participants how they measure the performance of their farm. How do they know that a particular enterprise is weak? Write their answers on the board.
- 4- Ask the participants to brainstorm on what might be the key issues to be evaluated on their farms. Write the answers on the board. If an issue is repeated, just tick to indicate the number of times it has been said.

Check the list made by the participants against the following list of important business aspects. If any of these are missing from the board, add them to the list on the board.

- a. Use of farm land
- b. Choice of crops, livestock and poultry.
- c. Farming technology and input use.
- d. Labour supply and use
- e. Harvesting, post harvest, storage and packaging
- f. Marketing, transport and delivery arrangements
- g. Savings, capital formation and use
- h. Records and record keeping
- i. Linkage to input suppliers
- j. Linkages to markets
- k. Linkages to financial institutions

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1. Networking with other farmers of farmer groups.
- 5- After the key business aspects have all been written on the board, encourage discussion around each of the categories. What are the most important aspects? Why? What needs to be evaluated more carefully?
- 6- Ask the participants to choose the three most important business aspects. Write them on the board. The example below uses "Use of farm land".
- 7- Ask the participants to copy the business aspect into their exercise books and then divide the page into two sections similar to the diagram on the board.
- 8- Explain that they are going to analyze of the strengths and weakness of their own farms. Use the following example to help them learn how to do the analyses.

<u>Business aspect:</u>	<u>Use of farm land</u>
<b>STRENGTHS</b>	<ul style="list-style-type: none"> <li>• <i>My farm produces enough food for my family with some surplus to sell</i></li> <li>• <i>My farm is good for many crops</i></li> </ul>
<b>WEAKNESSES</b>	<ul style="list-style-type: none"> <li>• <i>I don't actually know which of my crops is most profitable</i></li> <li>• <i>My tomatoes do not get good prices at the market because they are low quality.</i></li> </ul>

- 9- Ask each group to analyse and assess the performance of their own farm business and enterprises. They should analyse each farm in the group.
- 10- When all groups have finished, ask them to share their answers to other participants. Write them on the board.
- 11- Once all the strengths and weaknesses for that enterprise have been written on the board, start discussion about them. Which is the greatest strength? Weakness?
- 12- Once you have completed the discussion about the business aspect of the enterprise, choose another enterprise and ask the relevant group to share its findings.
- 13- Repeat this process until all the enterprises have been covered for the business aspect.
- 14- Ask each group to conduct an analysis of the strengths and weaknesses for the business aspect. When this is completed, ask them to share their results.
- 15- Explain that the purpose of this practice is to start the process of analysing the strengths and weaknesses of their farms. In the next practice, they will work on how translate these strengths and weaknesses into action. Because there will be many business aspects to cover, you cannot cover them all at the FBS. They should analyse the rest of the business aspects in their own time.

Practice 2: Analyzing the strengths and weaknesses of farm business

**Guidance:**

- The purpose of this exercise is to help the participants identify the most important strengths and weaknesses affecting their farms and to decide what action to take.

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- Another purpose is to help the participants learn the skill of translating the analysis into action. This will give them a start, but the rest of the work they will have to do in their own time.

**Process:**

1- Ask the participants to write the following headings in their exercise books.

*Enterprise:*

*Business aspect:*

	<u>Possible Action</u>
<b>STRENGTHS</b>	
<b>WEAKNESSES</b>	

- 2- Organize the participants into groups. Ask them to write strengths and weakness in their exercise books. Ask each group to discuss all the points raised in this discussion. Ask each participant to choose one strength and one weakness (from any of the business aspects covered) that they feel makes the biggest impact on the profitability of their farm.
- 3- For each strength and weakness they have chosen, they should consider one possible action they could take that would help improve the profitability of their farm.
- 4- When they have finished, ask some of them to share their answers. Encourage the participants to implement their plans.
- 5- Repeat the process until all the participants understand how to do this.
- 6- Explain to the participants that there are too many enterprises and strengths and weaknesses to work on this session. They can work on the rest of the strengths and weaknesses at home.

Explain the following:

*As you go through the season you may find your strengths and weaknesses. Two things are important: First is that you identify how the strength or weakness affects your farm business or a specific enterprise. Second is that you make and implement a plan to do something about it.*

**Conclusion:**

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.

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**Key points from Meeting No. 7**

- Farming is a business
- Choice of enterprises should be made on the basis of profitability

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- Profitability and success of a farm business depends on a number of key factors including price, markets, production, production costs and the commercial environment in which it operates.
  - Crops can be competitive, supplementary or complementary
    - Competitive products compete with each other for the same resources.
    - Supplementary products do not affect each other.
    - Complementary products are those that contribute to the production of another.
  - An analysis of strengths and weaknesses can be a useful tool to assess farm performance. But is it important to translate identified strengths and weaknesses into action.
  - It is important to know the strengths and weaknesses related to your farm
  - An analysis of strengths and weaknesses is a useful way to learn about your farm
  - There are a number of key aspects of a farm business and farmers should use them for own assessments
    - Use of farm land
    - Choice of crops, livestock and poultry
    - Technology and input use
    - Labour 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 markets
    - Linkages to input suppliers
    - Linkages to financial institutions
    - Networking with other farmers or farmer groups
  - Farmers should learn to analyse their farms by identifying the strengths and weaknesses of each of these business aspects
  - They should also learn to plan and implement actions to fix the weaknesses and build on the strengths.
- 
-

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### Meeting 8: Understanding about enterprise profitability

#### *Aims:*

- To understand enterprise profitability.
- To understand the effect of changes to an enterprise.

#### *Key questions:*

- How can I make profit for my enterprise?

---

#### *Guidance:*

- Resource No. 4 (Enterprise budgets) provides information on enterprise budget and gross margins. It also includes templates which you can use.
- 

#### Practice 1: Understanding enterprise profitability

##### *Process:*

- 1- Divide participants into enterprise groups. Explain the following:

*In our last meeting we started looking at the issue of farm performance. You have looked at indicators you use to decide how well your farm is performing. And you have looked at the strengths and weaknesses of your farms. Now we are going to look at another way to measure farm performance: "enterprise profitability".*

- 2- Explain that an enterprise budget will help a farmer determine the profitability of the individual enterprise. It helps to identify areas where the farmer may be losing money or where he may be able to improve profitability.

- 3- Write the following on the board:

Enterprise budgets	
Income	
Cost	
Enterprise profit	

Explain the key words and write them on the board:

*As noted earlier, an enterprise refers to one single crop or product. A farm may have more than one enterprise. Many farmers like to study their whole farm. This is important to do, but studying the whole can sometimes hide problems or opportunities within an individual enterprise. So it is also important to study each enterprise individually.*

*The performance of an enterprise can be evaluated by preparing an enterprise budget. This is simply a list of the income generated and the variable costs incurred in producing a product. It is used to find out the expected profit from a farm enterprise. It is calculated on a per unit basis, such as a hectare of land or head of livestock, for one year or one production period. The key elements of an enterprise profit are Income, Costs, and Profit. In this exercise we use the term "Enterprise Profit" This is the enterprise's contribution to the profit of the whole farm profit. It is normally referred to as "Gross Margin".*

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**ENTERPRISE BUDGET:** Organised list of estimated income and costs of a single enterprise.

**INCOME:** Value of the product sold and consumed

**COST:** Cost of all the inputs, tools and labour used to produce the product

**ENTERPRISE PROFIT** Income minus costs

4- Write on the left side of the board:

<i>Measuring the profit of my enterprise:</i> _____			
<i>For the period:</i> _____			
<i>Income</i>			
<i>Item</i>	<i>Quantity</i>	<i>Unit Price</i>	<i>Value</i>
<i>Total Income</i>			

5- Write on the right side of the board:

Variable costs			
Item	Quantity	Unit price	Value
Total variable cost			
Enterprise profit			

6- Ask the participants to copy on their notebook.

7- Explain that: on the next part of the practice, all participants should agree to work with the information from the enterprise of one of the group members (e.g. pigs, poultry, beans, vegetables, etc.). The purpose of this practice is calculating the enterprise for 1ha.

---

**Guidance:**

- The aim is that they should all work with the same information and figures.
  - The figures provided here are only examples for the practice. They may not apply to some situations.
- 

8- Ask the participants to agree on a period of time they are going to use (e.g. November 2010 to June 2011).

9- Explain about Income

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- a. *Income is the value of your production. It is made up of the money you receive when you sell products. It also includes the value of the produce you eat, use, give away or store.*
  - b. *Income is calculated by multiplying the quantity of the product sold, eaten, used, given away or stored times the price of the produce on the market.*
  - c. *Quantity is given in terms of the unit of measure which can be kgs, bags, tons, bottles, etc.*
  - d. *Price is also given in terms of the unit of measure. This is why they are referred to as the unit price.*
- 10- Ask the participants to write down all the income they receive from selling their products from one enterprise. Ask them to also write down all of the products they eat, use or give away. For each entry, they should calculate the value.
- 11- Once they have written down all the income, they should calculate the total amount and write them in the space for "total income".

---

**Guidance:**

- Check the work of each of the groups. Offer help as needed.
- 

- 12- Explain about the variable costs

*The variable costs are made up of the money you spend on all the inputs and activities needed to grow your crop or raise your animals.*

*Each individual cost is calculated by multiplying the quantity of the input used times the unit price for that item.*

*Quantities and costs are also given in term of the unit of measure which can be kg, bags, tons, bottles, etc.*

Ask the participants to write down all the production costs associated with producing the crop or products they produced.

- 13- Once they have written down all the costs, they should total the amount and write the total in the space for "Total variable costs".

- 14- Ask the participants to calculate profit by subtracting the total variable costs from the total income.

---

**Guidance:**

- Check the work of each of the groups. Offer help as needed
- 

- 15- Explain that this is a simple and basic way to determine the profitability

- a. *If total income is less than the total variable costs, the enterprise is making a loss.*
- b. *If the total income is greater than the total variable costs, the enterprise is making profit.*
- c. *Each of you would have to decide for yourself if the amount of profit is enough or not.*

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16- Explain that in the example, the total income is 16,000,000VND and the total variable cost is 8,150,000VND. Therefore, this tomato enterprise is making a profit of 7,850,000VND.

The profit of my tomato enterprise: 7,850,000VND.				
For the period: November 2010 – June 2011				
<b>Income</b>	<b>Unit</b>	<b>Quantity</b>	<b>Unit price (VND)</b>	<b>Value (VND)</b>
- Tomato	kg	4,000	4,000	16,000,000
Total income				16,000,000
<b>Variable costs</b>	<b>Unit</b>	<b>Quantity</b>	<b>Unit price (VND)</b>	<b>Value (VND)</b>
- Seed	kg	0.3	2,500,000	750,000
- Fertilizer	kg	400	11,000	4,400,000
- Labour	hr	120	20,000	2,400,000
- Harvesting	hr	30	20,000	600,000
Total variable cost				8,150,000
Profit				7,850,000

17- Explain:

In this example, labour has been charged per  $\frac{1}{4}$  of hectare. We shall use the number of days as a unit of measure. This is referred to as man-days or person-days.

18- Explain the following about the profit and check if there are any questions:

The enterprise profit may be increased in a number of ways. One way is by getting a higher price for the commodity. Another is to increase the yield levels. Both of these will increase the total income of the enterprise. A third way to increase profit is by reducing variable costs. Alternative inputs or technologies could be sought that could lead to reduced costs. Lower costs might be attained for introducing labour saving technologies.

Practice 2: Determining the effect of changes on enterprise profitability

**Guidance:**

- This exercise describes the concept of partial budgeting without using any calculations. It tries to give a basic the understanding of the concept. If you feel the participants can handle the calculations, you may wish to give them some practical exercises which you learned in your own training.

**Process:**

1- Divide participants in the respective enterprise groups. Explain the following:

*As a farmer, you may have to make small changes to your existing farm enterprises to increase its profitability. At times these small changes may be sufficient to reduce costs or increase income; and in this way to generate profit. However, before making small changes of the farming system it is advisable to see if the change results in greater profits or to losses to the farm business.*

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- 2- Ask participants to discuss the type of small changes they could introduce to make more money. For example, using compost or manure from their livestock as an alternative to chemical fertilizer for crops. Write their examples on the board.
- 3- After discussing, all the changes listed on the board, pick an example to work with. Ask the participants if the change is likely bring in more money to the enterprise or not. Why? What is likely to change? Will it result in an increase in yield? Will it lead to more income? Or will the change reduce the amount of labour used? If so, will this result in lower labour costs? And will this ultimately produce benefits and more income? If it will not bring in more money, do they know the reasons?
- 4- Ask the participants to think about the effect of changes on the profitability of their enterprises. Again, ask them to look at the changes they have proposed. What impact are they likely to have? Will they increase yield? Will they improve market price leading to increased income? Do they have un-used inputs? Alternatively, will the change increase in costs or reduce yields or market price and income? Encourage the participants to explain the reasons for these changes.
- 5- Ask one person from each group to present the group findings and share their results with the class.
- 6- Summarize the discussions. Explain that, once you realise that the change brings the positive impact to your enterprise, and it contributes to increase the farm profitability. It is advisable to do. This will show detail in the cost and benefits implications.

***Conclusion:***

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.

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**Meeting 9: Determining the price and minimum yield for the enterprise**

**Aims:**

- To understand the minimum price and yield that makes their enterprises profitable.

**Key questions:**

- What is the minimum price that I can charge for my production?
- What is the minimum yield per hectare that I need to achieve in order to make a profit?

Practice 1: Calculating Break-even price

**Process:**

- 1- Explain the following:  
We now need to review these budgets and calculate the minimum price that we could charge for products. This information will help us in pricing our products. It will also help us in negotiations with buyers.
- 2- Ask the participants to move to enterprise budget in their exercise book.
- 3- Divide participants into the groups that they were in when they developed their enterprise profitability budgets (meeting 8).
- 4- Write the following on the board:  
**Break-even price = Total variable costs per ha/yield per ha**
- 5- Explain the following:  
A break-even price is the minimum acceptable price that covers the cost of production. At this price, the income received will be equal to the cost of production and the profits will be zero. Thus there is no profit.

The break-even price is calculated by dividing the total variable costs with the per unit level of production that you think you can get. We can get the information from our enterprise budget in the previous session.

The profit of my tomato enterprise: 7,850,000VND.				
For the period: November 2010 – June 2011				
<b>Income</b>	<b>Unit</b>	<b>Quantity</b>	<b>Unit price (VND)</b>	<b>Value (VND)</b>
- Tomato	kg	4,000	4,000	16,000,000
Total income				16,000,000
<b>Variable costs</b>	<b>Unit</b>	<b>Quantity</b>	<b>Unit price (VND)</b>	<b>Value (VND)</b>
- Seed	kg	0.3	2,500,000	750,000
- Fertilizer	kg	400	11,000	4,400,000
- Labour	hr	120	20,000	2,400,000
- Harvesting	hr	30	20,000	600,000
Total variable cost				8,150,000
Profit				7,850,000

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6- Write on the board:

$$\text{Break-even Price} = \frac{8,150,000\text{VND/ha}}{4,000\text{kg/ha}}$$

7- Explain the following:

In this example, the variable cost is 8,150,000VND/ha, yield is 4,000kg/ha. Thus the break-even price is 2,037.5VND/kg. If the farmers sell products at the lower cost than the break-even price, they are making loss. In contrast, they are making profit.

In this case, the farmers sell their products at 4,000VND/kg. So, the profit is 7,850,000VND.

8- Ask the participants about their questions. Explain the following:

After determining the break-even price, you can calculate the production costs. You should consider how much the cost for producing one unit product is greater or lower this price. This is estimated data for production cost and selling price. However, you should consider that whether the buyers are willing to pay at expected price or not.

Practice 2: Calculating the break-even yield

**Process:**

1- Explain the following:

The break-even yield is the minimum level of production that you can produce to cover the costs of production. It is calculated by dividing the Total Variable Costs/ha with the per unit price of the produce.

2- Write on the board:

$$\text{Break-even Yield} = \frac{\text{Total Variable Costs/unit}}{\text{Price of produce/unit}}$$

3- Using the information from the example we have above, write the following on the board:

$$\text{Break-even Yield} = \frac{8,150,000\text{VND/ha}}{4,000\text{VND/kg}}$$

4- Explain the following:

In this example, the break-even yield = 2,037.5 kg per ha. A slight decrease in yield could mean the farmer will not make a profit. The farmer should find ways of improving his productivity in order to be assured of covering the costs of production and making a profit.

5- Divide participants into groups. Ask them to calculate the break-even price and break-even yield for their products.

6- When they have finished, ask the groups to share their results with the other participants.

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7- Explain that productivity can be improved through improving technological practices, labour management and husbandry management. These factors will increase the yield per unit.

8- Explain the following:

The break-even price should help you in negotiating prices with buyers. If you accept prices below the break-even price, then you will make a loss. If this is the case, you need to make changes to improve your productivity so you can ask a price that is above your break-even price.

***Wrap – up:***

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.

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**Meeting 10: Producing what the market wants**

**Aims:**

- To understand the marketing process.
- To validate the selection enterprises by looking at market opportunities.

**Key questions:**

- What is marketing?
- What are main steps in marketing?

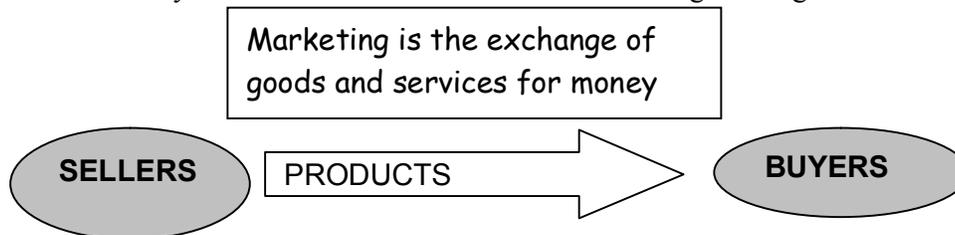
Practice 1: Understanding the basics of market

**Process:**

- 1- Write the word **Marketing** on the left hand of the board.
- 2- Start by asking participants what they understand about marketing. Write the key words their replies on the board.

<p><b><u>MARKETING</u></b></p> <p><i>Sale of products</i></p> <p><i>Buying and selling</i></p> <p><i>Quality control</i></p> <p><i>Packaging</i></p> <p><i>Traders</i></p> <p><i>Buyers</i></p>	
---	--

- 3- End by giving them this definition  
 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.  
 Marketing is the process of exchange between the producer (farmer) who sells, and the consumer who buys.
- 4- Write the key words of this definition on the board using the diagram below:

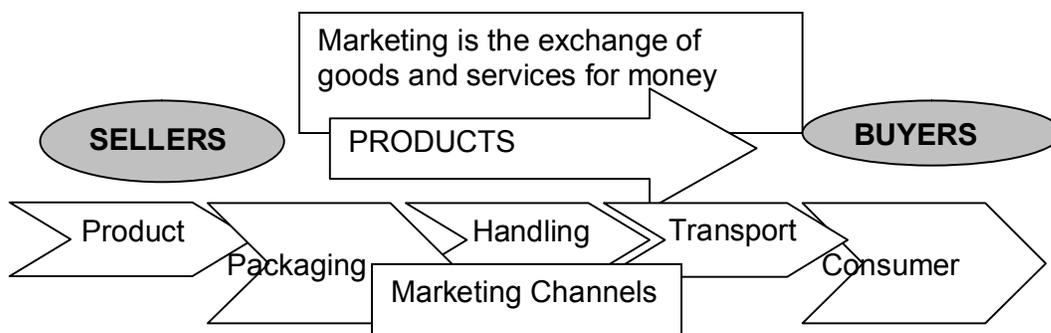


- 5- Ask the participants to discuss their experiences in marketing. Use the following questions to guide the discussion:
  - a. Who has sold products at the market?
  - b. What products did they sell?
  - c. What quantity did they sell?
  - d. How did they take the product to the market?
  - e. How well did this work?

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- f. What does the market like?
  - g. What difficulties did you have?
  - h. What would you do differently?
- 6- Organize the participants into teams of 3-5. Ask each group to select a product that they are familiar with. Ask them to answer the following questions:
- a. Who is the last consumer?
  - b. What are the different ways to market their products?
  - c. What are some of the constraints or problems you might experience when selling their products?
- 7- Explain the following:
- Products may pass through a number of hands to get from the farmers to the final consumer or user. All the stages together from farmer to the final consumer are called the marketing channel.
- At each stage, value is added to the product. The costs include things like transport, storage, packaging, and handling fees.
- If farmers sell in the local market, their profit margin might be high, but they can only sell small amounts.
- If the product reaches the city market or the international market, then farmers can sell larger amounts. But such sales would need the support of traders and others along the way. Each of them would add value and cost to the products. Because the costs are higher, the profit margin will be lower.
- 8- Ask the participants to copy the diagram below into their exercise books:



- 9- Conclude the process by saying:
- A product exists only if someone is willing to pay for it (who buys it).
  - A product can be sold only if it has a customer.
  - Marketing is therefore critical to the success of the farm business.

Practice 2: Our product market

**Process:**

- 1- Organize the participants into groups of 3-5.
- 2- Assign each group a commodity that is commonly produced among these participants.
- 3- Ask each group to discuss where their products could be marketed. They should try to answer the following questions:
  - a. Which product has its own market?

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- b. What quantities do they want?
  - c. What is the best time to sell the products into market?
  - d. What else do they know about these markets?
  - e. What else do they think they need to learn about these markets?
- 4- When the teams have finished their discussions, ask each team to share what they learnt. Encourage discussion.
- 5- Explain that it is important to know what market outlets are available for your products. It is also important to know about those markets. In this way, they will be able to make informed decisions about which market to use.

**Wrap – up:**

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.

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**Meeting 11: Visiting the market to examine the potential of market**

***Aims:***

- To give the participants first-hand experience in studying the market.

***Preparation:***

- At least one or two days before this session, you will need to locate a market near to where the FBS is being held.
- You are going to visit the market ahead of time to:
  1. Make sure that there is enough going on for the participants to learn (there need to be a good variety of products sold at the market).
  2. Make sure that there are enough marketing outlets such as shops, supermarkets, restaurants, schools...they can explore.
  3. Find out the best day and time to visit the market.
  4. Identify some people that the participants could talk to about the market.
  5. Plan the visit in details.
  6. Organize the transportation (if required).
- Also, before doing this exercise you could gather published market information and talk to people who are knowledgeable about the market to find out about market conditions and opportunities. The information should at least cover the enterprises reviewed in the previous session.
- Prepare the information for sharing with the participants.

**Practice 1: Preparing for the visit to market**

***Preparation:***

- Write on the board: Visit to the market
- Key questions:
  1. How do the products get to market?
  2. How can we sell a lot of products to market?
  3. When does the market want the product? All year long? Only in certain seasons?
  4. What kind of packaging is used (if any)?
  5. How is the product handled and who handle it?
  6. What are the criteria of size, shape, colour... of one product?
  7. Who owns the product being sold? The producer? Someone else?
  8. Who buys the products?
  9. How are products paid for?
  10. What happens to products that are not sold?



***Process:***

- 1- Organize the participants into groups of 2 or 3.

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- 2- Ask each group to choose 2 products to investigate at the market. When they get to the market, they should walk to meet and talk to people who are selling and buying, and handling the two products they chose.



**Guidance:**

- *The idea is to ensure that each product is covered by two teams. This will allow for greater learning after visiting the market. It is better if the teams share only one product in common.*

- 3- Ask each participant to open his or her exercise books and write the name of one of their chosen products. Ask them to copy the questions on the board. They should leave 3-4 lines between each question.
- 4- When they have finished, ask them to write other chosen products. Again, they should copy the questions into their books.
- 5- Explain the following:  
*When you go to the market your mission is to answer all of the questions for each of your chosen products. As you move through the market, observe and ask questions. As you find answers to your questions, write in the space under the appropriate question.*

**Practice 2:** Visiting the market

**Process:**

- 1- Remind the enterprise groups about their tasks.
- 2- Help them to get started.
- 3- Check on them as required (using source 8: the questionnaire)

Meeting 12: Discussion after the market visit

**Process:**

- 1- Ask the participants to discuss after they visit the market.
- 2- Ask them to spend a little time working on the information they gathered. They also use the information in next meetings.
- 3- Choose one of the products and ask each group to share what they learnt.
- 4- Use the same list of questions used for the visit as a guide to this discussion:
  1. How do the products get to market?
  2. How can we sell a lot of products to market?
  3. When does the market want the product? All year long? Only in certain seasons?
  4. What kind of packaging is used (if any)?
  5. How is the product handled and who handle it?
  6. What are the criteria of size, shape, colour... of one product?
  7. Who owns the product being sold? The producer? Someone else?
  8. Who buys the products?

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9. How are products paid for?
  10. What happens to products that are not sold?
- 5- Encourage discussion, ask questions and to share ideas.
  - 6- Briefly summarize what was learned.
  - 7- Choose the next products to discuss. Repeat the process until all the products have been discussed.

**Guidance:**

- *Do not spend too much time on little details. The aim is to get a picture of how marketing works.*

**Wrap – up:**

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants of the next meeting.

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**Module 4: Knowing where we want to go**

**Session 1: Creating a vision for the farm business**

**Aims:** to enable the participants to establish a vision for their farm business.

**Key question:** How do I want my farm business to develop in the next five years?

**Process:**

- 1- Explain the following:

*You are now going to develop a vision for your farm business. A vision is a statement about what the future will look like.*

*This vision should be something to be achieved over five years. To do this you will work in small groups and help each other. Explore the possibilities for developing your farm business, by 'challenging' your current situation. That is, ask yourselves: How can I improve my farm? What is my vision for a better farm? What will my farm be like in five years' time?*

- 2- Organize the participants into teams of 3-5.
- 3- Ask each team to brainstorm on what could be their personal or individual visions and to help each other with their respective vision statements.
- 4- Ask the participants to turn to a blank page in their exercise books and write down the heading: Vision for my farm.
- 5- Ask each participant to write a vision for his own farm business in his exercise book under "Vision for my farm".

**Guidance:**

- *Some of the participants may struggle with this exercise because it works more with ideas and thoughts than with practical things. To help them you may want to refer to the example individual vision in the resource pages. See Resource No. 5. But be careful that the participants do not just copy the example vision.*
  - *Because visions are a very personal thing and individual participants may not want to share them with others, you will need to see each vision individually as they are being written.*
- 6- Select some of the participants willing to share their visions.
  - 7- Explain the following:  
*Your visions are meant to be real. They are not just a learning exercise for the FBS. They are meant to be used as a reference guide for you to improve your individual farms.*



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**Session 2: Setting goals for the farm business**

***Aims:***

- To understand the importance of having a farm business goal.
- To recognise that farm business usually addresses more than a single goal.
- To understand the balance between family and business goal.

***Process:***

- 1- Explain the following:

*All farmers have reasons for farming. They have goals that they are trying reach. Goal setting is a necessary first step in managing the farm business. You have developed visions for your farms. What goals do you need to put in place to realise your visions?*

*A goal is something specific you want to achieve by a specific time. A goal should be measurable.*

- 2- Ask the participants to list the different goals that farmers set themselves. Write the answer down on the board.

***Guidance:***

- *Below are a set of typical goals available to prompt participants if they are struggling to identify their own set of goals.*

- ✓ *making money to achieve a certain living standard*
- ✓ *producing enough food from the farm to feed the family; often an extended family*
- ✓ *producing products that will enable the family to stay healthy*
- ✓ *ensuring that family members have enough leisure time*
- ✓ *fulfilling social obligations and helping the extended family*
- ✓ *ensuring the financial and physical security of family members.*

- 3- Organize the participants into group of 2-3 (if can)

- 4- On the board write the following: BUSINESS GOALS

- 5- Explain the following:

*We are now going to work in teams to set your goals. First one team member asks the other the following question: What do you hope to achieve for your farm? When? Discuss the issues as much as you need to. The one answering the question writes his answer in his own exercise book under "Business Goals". The one who answered the first question now asks the other participant the same question.*

- 6- When they have all finished, ask the participants to share what they have written. There should be only limited discussion at this point. Check that they understand the exercise. Give guidance as needed.

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***Guidance:***

*The main aim is to demonstrate that they may have similar goals or they may have different goals. You may not need to ask all the participants to share their*

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*goals.*

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- 7- When everyone is done, ask the participants to share their farm business goals.  
Discuss the answers.
- 8- The necessity in balancing the family goals with the business goals.

**Guidance:**

- *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%*

***Wrap – up:***

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.

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**Module 5: Making a Farm Business plan**

**Meeting 14: Farm Business cycle**

**Aims:**

- To enhance the understanding of the farm business management cycle.
- To prepare for writing a farm business plan.

**Process:**

- 1- Ask the participants to name the steps in the farm business cycle.
- 2- Ask the participants to explain what they recall about each step.
- 3- Explain that the main point is that the cycle helps a farmer to know what decisions to make to improve the performance of the farm.



**Choosing an example enterprise:**

**Aims:**

- To understand the critical aspects involved in a business enterprise.
- To understand what needs to be included in a business plan.
- To understand what needs to be included in a business plan.

**Guidance:**

- *Some of the participants may have struggled with the complexity of the information in the last session to analyse the real-life situation in their farm business.*
- *Using the practices, ask the participants to choose an example enterprise. They will check the technical feasibility, the resources it needs and the labour requirements.*
- *Once they have made sure they can produce the enterprise, you will ask the participants to prepare new exercise books to take notes to prepare their farm business plans. This is important for the last module of the FBS when they will evaluate their enterprises using their farm business plans.*
- *The lessons follow the format in Farm Business Plan (Resource No. 6). This format with some few additions will be used a second time at the end of the season. Therefore, it is okay if they get the plan perfectly. Initially, the farm business plan will be simple and not very details.*
- *This session helps the participants to get used to the idea of consciously planning their farm businesses.*
- *In the meeting, the farmers will be grouped into enterprise groups working on a common/similar enterprise.*
- *Some exercises are all designed to help the participants write a basic business plan for a selected enterprise. At the end of the meeting, the participants will be asked to take these basic farm business plans home and work on them with their families to prepare a business plan for their individual farm.*

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- See Resource No. 6 (Farm Business Plan Format).

**Prepare:**

The first four exercises involve technical agricultural work. You may want to ask the relevant extension worker to help with these exercises. He could provide information and advice about the feasibility, resource needs and labour requirements of the chosen enterprises.

**Practice 1:** Choosing the Enterprise and forming enterprise groups

**Process:**

- 1- Explain the following to the participants:

*In the last sessions you identified goals and set visions for your farm business. Now that you know what you want to achieve with your farm business, you will need to decide what the best way is to use your farm to achieve your goal.*

*You have looked at some of the problems you are experiencing in making those products the most profitable. In the end, you will need to decide what to produce and how to produce it.*

*Making a farm business plan is one part in the FBS program. The enterprise you choose should be a cash crop or a higher-value crop that you know can be sold at the market.*

*Our first step is to identify and choose an enterprise to work on. Then you will be organised into enterprise groups to work on your farm business plans.*

*You may change one enterprise to take advantage of a market. You may change the way you produce a current enterprise to make it more profitable. It is important to remember that whatever enterprise you choose, you must know for certain that there is a market for it.*

*In short, you will need to decide:*

1. *What to produce?*
2. *How much to produce?*
3. *How to produce it?*
4. *What price to charge?*
5. *How to market it?*

- 2- Lead the discussion so that enterprise groups of 3-5 participants can be formed around a single enterprise. There should be at least one group for each of the chosen enterprises.

**Guidance:**

- *This is the first time you are introducing the concepts of the farm business plan. Therefore, you need to be sure that the enterprises the participants choose are known to be technically feasible.*

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- The enterprise groups may want to work on one farm business plan together and later work on their individual plans. To do this, they can either work on an example 1 ha farm based on one of actual farms of one of the member of the enterprise group.
- Whichever they choose, each participant will eventually develop a farm business plan for their own farm.

**Practice 2:** Technically feasibility of the example enterprise

**Process:**

- 1- Explain the following:

*Before you can develop a Farm Business Plan for your example enterprise, you must first check if the enterprise is technically feasible. You must also check what resources it will need and whether or not you can get them. And finally you must check what labour is needed and whether or not you have enough.*

- 2- Write the following on the board:

<b><u>Technical Production Factors</u></b>	<b><u>Okay/Not okay</u></b>
Overall suitability:	

- 3- Explain the following:

*You are now going to check if it is possible to produce the enterprise. You need to make sure that your land and soil is suitable for your enterprise. You need to make sure that the climate, the rainfall and the temperature are suitable for your enterprise.*

*If it is not actually possible to produce the product, then you should not try to produce it. For example, tomato needs a long dry period to flower and set the fruit. If your area does not have a long dry period, then it is not technically possible to grow tomato.*

- 4- Explain that in this exercise: they have chosen enterprises that they know are technically feasible. However, it is still important to think about the factors that determine if it is really possible to produce that product on their farms.
- 5- Ask the groups to help each other think about what their enterprise needs and to decide if their farm is suitable for the enterprise. They should also give an overall assessment of all factors. In this case all the factors should be "Okay".

<b><u>Technical Production Factors</u></b>	<b><u>Okay/Not okay</u></b>
Soil	Okay
Climate (rainfall, temperature)	Okay
Topography	Okay
Water availability	
Overall suitability:	Okay

- 6- While the groups are working on this, move from group to group to help out.

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- 7- When the groups have finished their work, ask each group to share the results of their discussions. If any enterprise group finds that their chosen enterprise is not technically feasible, then they will have to choose another enterprise and repeat this exercise.

**Practice 3:** Physical resources and inputs for the example enterprise

**Process:**

- 1- Explain the following

*You have checked on the technical feasibility of your example enterprise, you will now check on the physical resources and inputs needed for the enterprise. If you are able to get all the resources you need, then you can choose the enterprise. If not, then you will have to choose another enterprise.*

- 2- Write the following on the board:

Resources/Inputs	Quantity	Source of supply
------------------	----------	------------------

- 3- Ask the participants to open their Farm Business Plan exercise books to "Physical Resources and Inputs" and to copy the headings onto the page.
- 4- Explain that they are now going to discuss the physical resources they will need for their enterprises. They need to answer three questions:
  - a. What physical resources will I need? (such as capital, inputs, and materials)
  - b. How much of each will I need?
  - c. How much of each is available at the farm and how much must I buy?
  - d. What are my sources of supply?
- 5- Ask the groups to think about what physical resources their enterprises will need. For crops, these should include inputs like seed, fertiliser, pesticides, equipment, implements and tools, storage structures and animal draft. These resources should include both those they can get on the farm and those they must buy. Give them 5-10 minutes for this.

**Guidance:**

- *Move from group to group to check on their work and to help and advice.*

- 6- When they have finished their list of resources, ask each group to share their lists. Encourage discussion.
- 7- After each group has reported, ask the groups to decide on the quantity needed for each resource. For each resource in the list they should write the decided quantity under the "Quantity" column.
- 8- When they have finished writing in the quantities, ask each group to share this with the rest of the participants.
- 9- When all the groups have reported, they must now decide where they will get each resource. Again the groups should discuss this and make a decision for each resource. Write the decisions for each resource under the "Source of supply" column.

Resources/Inputs	Quantity	Source of supply
Seed	25kg	Seed company

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Fertiliser	50kg	Farm Supplies store
Pesticide	15kg	District-plant protection

10- When all the groups have finished, ask each group to share their resource plan. Encourage discussion. Have they covered all the resources they need? Are there any major problems? If any enterprise group finds that they will not be able to get the necessary physical resources, they will have to choose another enterprise and start over from Practice 2.

Practice 4: Labour requirements and Availability

**Process:**

1- Explain the following

*Now that you know that your enterprise is technically feasible and that you can get all the physical resources, you must check the labour requirements and availability. If you can get all the labour you need, then you can go ahead with the enterprise. If not, then you will have to choose another enterprise.*

2- Write on the board

I need \_\_\_\_\_ workers for a total of \_\_\_\_\_ days.

I have \_\_\_\_\_ workers from my family.

I need to hire \_\_\_\_\_ workers according to the following plan.

Enterprise Activity	Month	Amount of labour to hire	Number of days needed
---------------------	-------	--------------------------	-----------------------

3- Ask the participants to open their Farm Business Plan exercise books to "Labour Requirements and Availability" and to copy the above onto the page. Explain that in this exercise they will discuss what labour they will need for their enterprises.

4- Ask the participants about the labour on their current farms. Use the following questions as a guide to the discussion:

- a. Do any of them use family labour only?
- b. Do any of them hire labour?
- c. Do any of them use communal labour or traditional work parties?
- d. Do they decide whether or not to hire labour?
- e. Do they decide when they need labour?
- f. When do they get hired labour?

5- Explain the following:

*Now you need to look at your enterprises and decide:*

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

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*For crop enterprises you should think about all the different activities like land preparation, planting, weeding, pest control and harvesting. From this, you should estimate how much labour you need. How many workers will they need? For how many days will they need them? Write this down in the first line in the labour plan.*

- 6- When the discussion is done, ask each group to discuss the need for hired labour on their enterprise. Give them 10 minutes for this.

When everyone has decided on how much labour they need, ask the groups to discuss how much family labour they have. Will they have to hire any labour? How much? In which months will they need to hire labour? When they have answered these questions, they should complete the rest of the labour plan. See example:

**Example Labour plan**

I need   5   workers for a total of   90   days.

I have   3   workers from my family.

I need to hire   2   workers according to the following plan

<u>Activity</u>	<u>Month</u>	<u>Amount of labour to hire</u>	<u>Number of days needed</u>
Land preparation	October	2	6 each (12)
Planting	December	2	6 each (12)
Weeding	January	2	6 each (12)
Harvesting	March	2	6 each (12)
<b>Total</b>			48

- 7- When the groups have finished their work, ask one participant from each group to share his labour plan. Encourage discussion.
- 8- When this discussion is done, ask each group to share what they discussed. Did any group think they would need to hire labour? What did they decide to do? How did they decide to do it? If any enterprise group finds that it will not be able to get the labour needed, then they will have to choose another enterprise and start over from Exercise 2.

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**Meeting 15: Making a Farm Business plan for one enterprise**

**Aims:**

- To understand the critical aspects involved in a business enterprise.
- To understand what needs to be included in a business plan.
- To create and finalise a business plan for one farm enterprise.



**Practice 1: Writing a farm business plan**

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**Guidance:**

- *This exercise is written in a very step-by-step way. The exercise asks the participants to prepare an exercise book.*
  - *The aim is to make sure that the participants have a written copy of their farm business plans. You should review this exercise very carefully and decide if you want to do this exercise or not.*
  - *Ask the participants to know what they understand about the heading of each part in one plan.*
  - *Write the headings on the board and explain to the participants how they should organise the information in their exercise books.*
- 

**Process:**

- 1- Explain the following:

*In the last three exercises, you have checked that it is technically feasible to produce your enterprise. You also have identified what physical resources will be needed and checked that you can get them. And finally you have checked on the labour needed and if it is available.*

*You are now ready to prepare a Farm Business Plan for your example enterprise.*

- 2- Organise the participants into their enterprise groups.
- 3- Write the following headings on the board:

FARM BUSINESS PLAN

- Background
- Farm production plan
- Market plan
- Profit
- Cash availability
- Risks

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- Notes

- 4- Ask the participants to write their farm business plan on their exercise books.
- 5- They should write: *Farm Business Plan for the* (insert the same enterprise and year or time period as on the cover) *Season*.  
For example:

	1. Business Plan for 2011  _____ _____ _____ _____ _____
--	--

- 6- On next double page they should write: *Background*

2. Background	3.....
_____	_____
_____	_____
_____	_____
_____	_____

**Guidance:**

- Check each of the participants' books to make sure they are doing it correctly.

- 7- On the next page they should write: *Farm Production Plan*
- 8- Follow the same procedure for the rest of the labels on the board.
- 9- Explain that this exercise book is now ready to make all the notes they will need to prepare a Farm Business Plan for their selected enterprise. Introduce the concepts of a business plan. Explain the following:

*A farm business plan is a plan that records the most important decisions and actions affecting the operation of the farm business. A farm business plan can be very simple or very complex. For a start, we will work on a simple plan. At the end of the next season, we will do another farm business plan. That one will be more complex.*

Practice 2: Background

**Process:**

Ask the participants to open their Farm Business Plan exercise books to "Background".

- 1- Explain the following:  
*In a business plan, the background gives a description of the farm business. It also gives the objective of farm business. It records the vision and goal of the farm business. It helps the farmer stay focused on what he or she wants to achieve.*

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*Each group needs to decide how you will approach developing its business plan. You can approach this in two ways. If one of your members is willing, your group can develop the farm business plan for his farm. Otherwise you can develop an example farm business plan.*

*Eventually, you will develop a farm business plan for you own farm.*

- 2- Ask the groups to discuss whether they will use a member's farm or an example farm.
- 3- When the groups are ready, ask each group to share their decision.
- 4- Ask the farmers to write their name, village district, and the duration of the plan. Write an example on the board.

**Example:**

Name: Giang A Pao Village and District: Chieng Di, Moc Chau

Period of plan:

From: October 2010 to April 2011

**Guidance:**

- *The dates should be based on the seasonal cycle of the specific enterprise*

- 5- Ask the participants to take out their FBS exercise books and turn to the section on the visions and goals for their farms. Explain that they should review their goals and agree on a new goal for their enterprise should that be necessary. When they have finished, they should write this in the book. This should include the vision and goal they set in the previous session. Explain that it does not have to be long or very detailed. Just a simple, clear explanation will be good.

**Guidance:**

- *Remember, the farmers are not yet working on their own farm business plans. They are working on an example plan which may be based on the farm of one of the group members. So, for this part of the training, they should set goals that are relevant to the example farm they are working on.*
- *Check each of the participants' books to make sure they are doing it correctly.*

**Example:**

This season:

- I will increase by tomato production and sales from 4,000kg to 4,200kg.
- I will increase the number of buyers from 3 to 5.

- 6- When the groups have finished, ask each group to share their goals. Encourage discussion.

**Practice 3: Farm production plan**

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**Process:**

Ask the participants to open their Farm Business Plan exercise books to the "Farm Production Plan" Explain the following:

- *You are now going to work on a farm production plan. Your farm production plan should be based on your goal.*
- *You are now going to work on a farm production plan. Your farm production plan should be based on your goal.*
- *When you have decided on your production plan, you should write this into your exercise books*

Farm Production plan:

Enterprise	Land size (ha)	Expected yield (ta/ha)	Total yield (tons)
Tomatoes	2	160	32

- 1- Give them 5-10 minutes to work on this. While the groups are working, move from group to group to listen and help.
- 2- When the time is up, ask each group to share their production plans. Encourage discussion. If there is more than one group with the same enterprise, compare production plans. Are they the same? If not, why not?

Practice 4: Market plan

**Process:**

- 1- Ask the participants to open their exercise books on the Marketing section. Draw the marketing diagram as at the previous meeting about marketing.
- 2- From the diagram, ask participants about the components involved in marketing and the marketing channel. Ask one participant to draw the diagram on the board.
- 3- Remind them that:
  - A product exists only if someone is willing to pay for it (buys it)*
  - A product can be sold only if it has a customer*
  - Therefore, Marketing is critical to the success of the farm business*
- 4- Write the following on the board:

Enterprise	Target market	Customer	Expected quantity to sell	Market price	Marketing Cost	Farm gate
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- 5- Ask the participants to open their Farm Business Plan exercise books to "Market Plan" and to copy these headings onto the page.
- 6- Explain that: they will now be looking at the marketing plan for their enterprises. Explain that the marketing plan shows how their products will be marketed. The plan should include the target market, the buyer the quantity they expect to sell, the expected market price, an estimate of the marketing costs and the farm gate price.
- 7- Explain the following:
  - The price you get for a product is influenced by many things. One of those things is where you sell it. You could sell your product to a buyer who comes to your farm gate.*

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*You could sell it at the market closest to you. Or you could sell it at some other markets. Each market will pay a different price for your product.*

*The price you get when you sell your product from the farm is called the farm gate price. It is usually the lowest price you will get for your product. But selling at your farm gate does not involve transport costs. So while the price is lower, your costs are lower too.*

*The market price is the price you would get from selling your product to a market. To sell on this market, you must pay some extra cost for packaging and transporting.*

*The extra money you must pay to prepare your product and transport it to the market is call the marketing cost. When you add this cost to the farm gate price, you know how what is the lowest price you can accept in the market.*

8- Write the following example on the board:

Product: Tomatoes	
Farm gate price =	3,000VND/kg
<u>Marketing costs =</u>	<u>200VND/kg</u>
Lowest price you can accept =	3,200VND/kg

9- Explain the following:

*In this example, the price that you can get for your tomatoes at the market is 3,200VND/kg or more. But if the price at the market is less than 3,200VND/kg, you had better to sell at your farm gate.*

*So it is important for you to know three things:*

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

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

Write the following example on the board. (Use a known product as your example).

Product	Target market	Customer	Expected selling quantity	Expected Market Price	Marketing Costs
Tomatoes	Local	Town Market	800kg	6,000VND/kg	100VND/kg
Tomatoes	Local	Fruit & Vegetable Shop	200kg	5,500VND/kg	Self-transportation
Total			1,000kg		

The differences when selling to two customers above:

- I need to hire a truck to transport my products. All of them will be sold at the town market.
- For the fruit and vegetable shop, I must store my tomatoes at my farm and buy 50kg/day.

10- Explain the following:

*In this example, I have 1000kg of tomatoes to sell. The farm gate price is 5,000VND/kg.*

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*If I sell my product at the town market, I will pay an extra 100VND/kg in marketing costs (hiring truck). But I will get 6,000VND/kg. The farm gate price plus the marketing costs comes to 5,100VND/kg. I get 900VND/kg more than if I sold it at my farm gate. To use this market I will need to organise a truck to transport the product to the market. I can sell 800kg at this market.*

*The fruit and vegetable shop is nearer. I can take my product there by bicycle, 50 kg at a time. At this shop I get 5,500VND/kg. This means I get 500VND/ per kg more than if I sold it at my farm gate. I can sell my entire product at this market. I can take the product on my bicycle.*

*The town market is better because it brings me more 400VND per kg than the shop even when I add on the extra marketing costs. But remember, I can only sell 800kg in town market. So I have to sell 200kg at the shop.*

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**Guidance:**

- Encourage the participants to ask and answer questions.
  - Make sure that all participants can understand before going on to step 11.
- 

- 11- Ask the participants in each group to help one another to think about their marketing plan. They should discuss the following questions:
  - Where can I sell my products?
  - How can I sell my products at each market?
  - What price would I get if I sold my product at the farm gate?
  - What price can I expect from each market?
  - What costs can I expect to have to use each market?
  - What other important points should I think about?
- 12- While the groups are working, move from group to group to listen and help.
- 13- When they have finished their discussion, each participant should record the information in their books.
- 14- When all groups have finished, ask them to share their market. Encourage discussion.

**Practice 5: Profitability**

**Process:**

- 1- Ask the participants to open their FBS exercise books to the page about profitability.
- 2- Review the concept of profitability and how it is calculated. (Profit is the amount remaining when costs are deducted from income).
- 3- When you have finished the review, write the following headings on the board.

**Income**

Product	Quantity (kg)	Market Price/kg	Total value (VND)
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- 4- Ask the participants to copy the above headings onto the page.
- 5- Explain that they will now be discussing the profitability of their chosen enterprises. They need to answer three questions:

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- What products will they sell?
- What quantity of each product will they sell?
- What price per unit do they expect to get for their products?

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

**Guidance:**

- This may be the first time some of the participants have done this. They may need help. Therefore, for each step you will need to move from group to group to help and give advice.

**Income**

<u>Product</u>	<u>Quantity (kg)</u>	<u>Market Price(VND/kg)</u>	<u>Total value (VND)</u>
Tomatoes (market)	8000kg	6000	48,000,000
Tomatoes (shop)	2000kg	5500	11,000,000
Total Expected Income			59,000,000

- 6- Ask each group to work on the income for their enterprise. As they are working on this move from group to group and help them if they need help.
- 7- When everyone is done, ask each group to share their income calculations. Encourage discussion.
- 8- After each group has reported, add the following headings on the board under the table:

**Variable cost**

Product	Quantity (kg)	Market Price/kg	Total value (VND)
---------	---------------	-----------------	-------------------

- 9- Explain that they will now be working on the costs of their farm business. In this exercise they will be looking only at the costs associated directly with producing and marketing the product. They have already made a list of the physical resources they will need and their costs. To work out the total cost, they must multiply the quantity needed by the cost per unit for each.

**Guidance:**

- Regarding labour, it is suggested that all labour (whether family labour or hired labour) be treated as a cost of production.

- 10- When they have all finished, all participants know how to total the costs. On the board, write the words "Total Variable Costs" at the end of the list of resources. Add up the cost of each resource/input and put the total at the end of the list of costs. Ask

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the participants to copy this into their exercise books using their own variable cost information. For example:

**Variable Costs**

Resource/Input	Quantity needed	Cost/unit (VND)	Amount (VND)
Seed	0.5kg	3,000,000	1,500,000
Fertiliser	250kg	10,000	2,500,000
Pesticide	1kg	200,000	200,000
Labour	200 person days	100,000	20,000,000
Marketing costs	8000kg	100	800,000
Total Variable Costs			25,000,000

11- When they have all finished, the participants know how to calculate the expected profits. On the board, write the words "Expected Enterprise Profit" below "Total Variable Costs". Expected Enterprise Profit – Total income – Total variable costs.

<b>Expected Enterprise Profit</b>	<b>34,000,000VND</b>
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**Guidance:**

*This part of the work is perhaps the most difficult because of the need to work with numbers. So it is very important that you move from group to group to check the work and to offer encouragement and advice.*

12- When they have all finished, ask each participant to share his expected profit. Encourage discussion.

Practice 6: Cash availability

**Preparation:**

Write the following on the board: *Do I have enough cash available to implement the farm enterprise?*

(a) *I need the following amount of cash for my enterprise:* \_\_\_\_\_

( ) *Yes, I have enough cash*

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

(b) *The amount of extra cash I need is:* \_\_\_\_\_

(c) *I need the extra cash in the following months:* \_\_\_\_\_

(d) *I can get the money from the following sources:*

Source

Amount

Also write the following on the board:

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Cash Flow Example:

Season: September this year to June next year

- September: No expenses
- October: 150,000VND for labour to prepare land
- November: 1,500,000VND for seed; 2,100,00VND for fertiliser and 200,000VND for planting
- December: 200,000VND for pesticide
- January: 200,000VND for labour for weeding
- February, March and April: No expenses
- May: 600,000VND for labour for harvesting
- June: Sells tomatoes; receives 8,000,000VND.

Finally, draw a table as follows on the board:

Activity	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
<b>Cash inflow</b>											
Crop sales											
Cash available											
<b>Cash outflow</b>											
Buy seed											
Buy fertiliser											
Buy pesticide											
Labour-hired											
<b>Cash needed</b>											
Net cash flow											

**Process:**

- 1- Ask the participants to open their exercise books to "Cash Availability". Ask the participants to copy the question into their exercise books.

Explain the following:

*Even if a farm is profitable, the profits will come only at the end of the season. It is important to know if you will have enough cash to carry out your farming activities during the season. If you do not have enough cash, you will need to decide what to do.*

- 2- Re-use the example above to discuss some concepts about Cash flow:

- September: No expenses
- October: 150,000VND for labour to prepare land
- November: 1,500,000VND for seed; 2,100,00VND for fertiliser and 200,000VND for planting
- December: 200,000VND for pesticide
- January: 200,000VND for labour for weeding

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- February, March and April: No expenses
- May: 600,000VND for labour for harvesting
- June: Sells tomatoes; receives 8,000,000VND.
- The total cost is 4,750,000VND.

- 3- Fill the cash demand on the table above.
- 4- The question the farmer must ask for each month is: Do I have enough cash in that month, or will I have to borrow the money?
- 5- Add a new row to the bottom of the table and label it *Cash needed*.
- 6- Add up the amounts in each month and put the total.
- 7- Explain the following:

*We know that the farmer has an income of 8,000,000VND from tomatoes in June. This is the only time when cash flows into the farm.*

*This is a basic cash flow. The farmer now has a record that shows how much cash will come in each month and how much cash will go out each month.*

*If in any month, the cash going out is more than the cash coming in, then the farmer knows he has to find extra cash for that month.*

- 8- Add Net cash flow row to the table.

Net cash flow	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Total

- 9- Next they should think about the amount of cash they need for their enterprise. Each farmer will have a different amount.

**Guidance:**

- *Talking about money is sometimes difficult because money is a private matter. Decide if you need their personal data.*
- *You need to respect his right not to talk about his financial situation with you. If he is not willing to share, you may use imaginary financial figures.*

- 10- Refer to the Cash Availability section of their Farm Business Plans and explain that if the amount that available is more than the amount that needed, then they have enough cash for their enterprise. In this case, they should put an "X" next to "Yes". If the amount that available is less than the amount that needed, then they do not have enough cash for their enterprise. In this case they should put an "X" next to "No".

- 11- If they have enough cash, they do not have to make any further decisions about cash. If they do not have enough cash, they will need to make a plan to get the money they need during the season.

- 12- Next, ask the groups to discuss in which months they need extra cash.

- 13- Next, ask the groups to discuss where the farmers can get the extra money.

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**Guidance:**

- *If the group is working on an imaginary farm then they should use real sources of finance and credit that they know.*

14- When all the participants have finished, ask one participant from each group who needs extra cash to share his cash availability plan. Encourage discussion.

Practice 7: Risks in Farm Business

**Process:**

Ask the participants what they think are risks in terms of farming business. Encourage discussion.

*Risk refers to things that could happen that can harm the farm business. Farmers need to think about them ahead of time and be prepared for them. In this case we will look at the risk for your chosen enterprise.*

- 1- Ask the participants to write down the risks they may meet in their farm business and give the solution for them. They should cover all components: producing, marketing, finance and labour in farm business. For example, the things that can harm their enterprise, reduce product price, infest of pest or delay in the delivery of fertiliser from the supplier...
- 2- When they have finished, write on the board:

Risk and what harm it can do

How to handle the risk

- 3- Ask the participants to turn to "Risk" in their Farm Business Plan exercise books and to copy these headings onto the page.
- 4- Ask the groups to discuss the specific risks that they might face in these enterprises: changes in market prices, the possibility of low yields, increase in costs of production and other types of risks. For each risk that is identified, they should write down on the "Risk" section. See the example below:

Risk and what harm it can do

How to handle the risk

Produce can be damaged on the way to the market. This can result in a lower market price.

Market price can drop. This would result in lower profits.

- 5- For each risk they identify, they should decide on what they think they can do about it. They should write their answers next to each type of risk. See example below.

Risk and what harm it can do

How to handle the risk

Produce can be damaged on the way to the market. This can result in a lower

Make sure the produce is properly packaged

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market price.

Market price can drop. This would result in lower profits.

Study the market and decide whether to sell early or late; or to sell all at once or a little at a time

- 
- 6- When the groups have finished, ask each group to share what they have written about risk to their enterprises. Encourage discussion.

Practice 8: Notes

**Process:**

- 1- When the discussion has finished, ask the participants to turn the page with heading "Notes". Explain that in the notes section of the farm business plan, farmers can write any other important information they need to record. It may be about where to get technical assistance and when it is required. It may be about setting up group marketing activities with other farmers.
- 2- Ask each group to discuss if there is anything else they think should be included in the farm business plan.
- 3- When each group has finished, ask each group to share what they have written. Encourage discussion. What do the other enterprise groups think? Are these notes useful to other groups?
- 4- When the discussion is finished, ask the groups to look back over the farm business plan exercise books. They should check the information and make changes where they think changes are needed.
- 5- When this is done, explain to the participants that they have just finished their first farm business plan. It is very important step toward making their farms better managed and more profitable. Encourage them to take their plans to their families and to discuss them with them. They may need to make changes.

Practice 9: Write the Farm Business plan

**Process:**

- 1- Ask the participants to prepare a Farm Business plan book.

- |   |
|---|
| <ul style="list-style-type: none"><li>• On the cover, they should write: MY FARM BUSINESS PLAN</li><li>• On the first page, they should write: My farm business plan for the ... season...</li><li>• The next page, they should write: Background</li><li>• And the following pages, they should write:</li></ul> |
| <ul style="list-style-type: none"><li>- Farm production plan</li><li>- Technical feasibility</li><li>- Physical resources and inputs</li><li>- Labour requirements and Availability</li><li>- Market plan</li></ul>   |

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- Profitability
- Cash available
- Risks
- Notes

2- Explain that this exercise book is now ready to make all the notes they will need to prepare a Farm Business Plan of their individual farms.

*In this meeting we have practiced writing a business plan. We have used an enterprise on a farm of one of our fellow farmers or an imaginary one. This was just for practice.*

*Each of you now needs to work out a business plan for your individual farms.*

*Between now and the next meeting, each of you should write a farm business plan one enterprise on own farms. You should bring the complete plan to our next meeting.*

**Wrap – up:**

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.

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**Meeting 16: Finalising the Farm Business Plan**

**Aims:**

- To review and finalise the first draft of the business plans for the individual enterprises.

Practice: Reviewing Farm business plan for enterprise

**Process:**

- 1- Organise the participants into enterprise groups with specific farm business activities; 3-5 people for each group.
- 2- Check with each group about the business plan for the individual enterprises. If it looks like the plans are nearly all done, then start straight away with step 3. If it looks like there is a lot of work still to be done, and then give each group more time to continue working on their plans. Set a clear time limit – one or two hours. Encourage them to work together.
- 3- Ask each group to review one another's business plans.
- 4- Ask each group to consult and select one business plan from their group to present before class.
- 5- Ask questions and encourage the rest of the participants to ask questions. Help with suggestions for improving the business plan.
- 6- Ask the group to explain how the business plan contributes to fulfilling the farm business vision.
- 7- Repeat steps 5 and 6 one group at a time until all the enterprise groups have had a chance to present their chosen business plan.
- 8- When the last plan has been presented, consolidate the work. Ask if there are any more questions or issues to be discussed.



**MAKING AN ACTION PLAN**

**Aims:**

- To learn how to arrange all their farming operations over the production period.
- To enable them to make best use of the resources they have available to them to implement their business plans and to make progress towards fulfilling their visions.

**Guidance:**

- *The following tasks need to be completed for the selected enterprises:*
  - *Identify the actions required to implement the business plan (including timing and assignment of responsibility); the actions will be developed into an action calendar.*
  - *Finalise the resource needed to implement the business plan. (Participants are to use the information from the physical plan to confirm that the resources required for implementation are available on the farm).*

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- *Keep available a checklist of general activities needed to implement the business plan. Some of the actions should come from the strengths and weakness where you put up some actions.*

**Practice:** Preparing an action plan

**Process:**

Write the following headings on the board:

*Action Plan for my Farm Business Plan*

<i>Physical Resources &amp; Inputs</i>	<i>Duration</i>	<i>Start date</i>	<i>Responsibility</i>

- 1- Keep the participants in the enterprise groups they formed to review their Farm Business Plans. Ask each participant to open their Farm Business Plan exercise books to copy the headings onto the pages.
- 2- Start with *Physical Resources and Inputs* page of the farm business plan. They have already identified what they need including the quantity and the supplier. What do they do to implement this? Ask each group to make a list of the activities they will have to undertake in order to get the inputs they need. Do they have the cash or will they have to arrange credit? Will they need transport? Storage? They should write these under the heading "Action".

**Guidance:**

- *Example actions might include:*
    - 1) *Arrange finance for buying inputs*
    - 2) *Confirm supplier and sale price for each input item*
    - 3) *Arrange transport to collect/deliver inputs*
    - 4) *Place order/Collect inputs from supplier*
- 3- For each action, they need to identify how long it will take, when they should start and who will be responsible. They should write their decisions under the appropriate heading.
  - 4- When each group has finished, ask each group to share their list of actions. Write these on the board. Encourage discussion.
  - 5- On the board, draw a line under the list and add a new heading: *Labour*

*Action Plan for my Farm Business Plan*

<i>Action</i>	<i>Duration</i>	<i>Start date</i>	<i>Responsibility</i>
<i>Physical Resources &amp; Inputs</i>			
<i>1. Arrange finance for buying inputs</i>	<i>2 weeks</i>	<i>1 Jan</i>	<i>A Pao</i>
<i>2. Confirm supplier and sale price for each input item</i>	<i>5 days</i>	<i>10 Jan</i>	<i>A Pao</i>
<i>3. Arrange transport to collect/deliver inputs.</i>	<i>1 day</i>	<i>15 Jan</i>	<i>Xuan</i>
<i>4. Place order/Collect inputs</i>	<i>1 day</i>	<i>15 Jan</i>	<i>Xuan</i>

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<i>from supplier.</i>			
<i>Labour</i>			

6- Repeat the process with the requirements for: Labour, Market and Risks.

7- Explain that these complete the action plan.

**Wrap – up:**

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.
- Remind them to discuss the action plans and to make changes as needed.
- Explain that they will choose and visit the suppliers (if they asked).

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**Key points from Meeting No. 16**

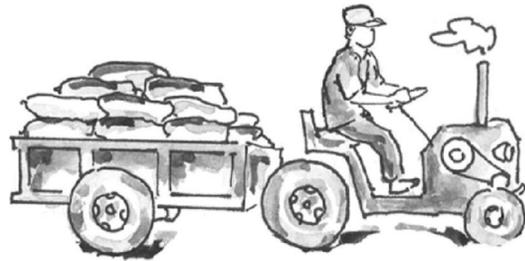
- It is important to implement the farm business plan.
  - One tool to help guide implementation is the action plan. This lists all the activities that need to be done. It records when they should start, how long they should take and who is responsible to do the work.
- 
-

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**Meeting 17: Choosing the suppliers and analysing the financial sources**

**Preparation:**

The participants can choose to meet the suppliers or not. If the FBS members choose to do this exercise, you will need to identify one or more suppliers to visit. Visit the supplier during the week before the visit by the FBS to make arrangements for the visit. You will need to explain to them the purpose of the visit and get their cooperation.



**Session 1: Review of assignments from previous session**

Before starting the session, ask the participants to report back on the work they have done on their action calendars for their individual enterprises. Did they meet together? Did they hold a family business meeting to work on the calendar? What results did they get? Ask some of the farmers to share their action calendars. Encourage discussion.

After the discussion, if any of the farmers want to make changes to their action plan, decide if you should give them time now or advise them to do this in their own time.

**Session 2: Purchasing inputs and materials**

**Aims:** participants can understand how to obtain inputs and materials for use in the farm business.

**Key questions:**

- Who are the suppliers?
- Why do you choose this supplier?
- Who are the best suppliers for your farm business?

**Practice 1: Determining the suppliers**

- 1- Organise the participants into their enterprise groups.
- 2- Write the following headings on the board

*Rating Suppliers*

	<b>SUPPLIERS</b>
<b>INPUTS</b>	

- 3- Ask the participants to open their FBS exercise books to a blank page and copy these headings into their books.
- 4- Ask the participants to open their FBS Farm Business Plan exercise books to the "Physical Resources and Inputs" section. Refer to the inputs they have planned to use for their enterprises and explain the following:

*How do the quality, availability and price of your inputs, materials and equipment affect the productivity and profitability of your farm business?*

*Each of the inputs you plan to use comes from one supplier. Therefore, the supplier has a lot of influence over the profitability of your farm. Some suppliers provide good service. They sell good quality inputs at good prices. Other suppliers may have good prices, but are far away from your farm. Others may try to sell old stock. Some are*

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reliable. Some are not. So it is important for you to think about this and decide which the best supplier for each input is.

- 5- Ask each group to agree on a list of basic inputs they would use for their enterprise. They can use the example in the previous meeting, the inputs are: seed, fertiliser and pesticide. To this they could add things like ploughs, small implements and tools. When they have completed the list they should write them under "INPUTS". See example:

List of necessary inputs:

<b>INPUTS</b>	<b>SUPPLIERS</b>			
<i>Seed</i>				
<i>Fertiliser</i>				
<i>Pesticide</i>				
<i>Ploughs</i>				
<i>Implements</i>				
<i>Tools</i>				

- 6- Next ask them to identify the suppliers they know who supply the inputs they need for their enterprises. See example:

The potential providers

<b>INPUTS</b>	<b>SUPPLIERS</b>				
	<i>Hoa Farm</i>	<i>Sua</i>	<i>Agricultural tool shop in town</i>	<i>Sales</i>	<i>Etc.</i>
<i>Seed</i>					
<i>Fertiliser</i>					
<i>Pesticide</i>					
<i>Ploughs</i>					
<i>Implements</i>					
<i>Tools</i>					

- 7- Ask the groups to make a list of suppliers. Then, based on their discussions, they can indicate which supplier is better. This will be useful information for future planning. See example:

Rating suppliers:

	<b>SUPPLIERS</b>			
<b>INPUTS</b>	<b>Hoa Sua farm</b>	<b>Agricultural tool shop</b>	<b>Sales</b>	<b>Etc.</b>
Seed	X	X	X	
Fertiliser	X	X	X	
Pesticide	X	X	X	
Ploughs				<b>X</b>
Implements	X	X	X	<b>X</b>
<b>Tools</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

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Practice 2: Identifying qualities to rank suppliers

**Process:**

- 1- Write "Qualities to rank suppliers" on the board.
- 2- Ask the participants to look at the supplier listed for each input from the previous exercise. Why do they choose that supplier? Do they provide the good quality? Do they provide the good price? Does the supplier usually have enough of the input in stock? What other factors can be considered? Service? Technical advice? Transport? Location? Credit or payment arrangements? Are they satisfied? Write their answers on the board.

**Guidance:**

- *Attributes could include: cost, quality, timeliness, availability, terms and conditions (credit), packaging, clarity of instructions of use, technical support etc.*

- 3- Ask the farmers whether they can add more attributes. Ask each of them to rank them in order of importance for their own farm. Lead the discussion to an agreement on a few key qualities to use to rank suppliers.

Practice 3: Ranking suppliers

- 1- Keep the participants in their enterprise groups.
- 2- Using the qualities listed in the last exercise; write the following on the board.
- 3- Ask each participant to open their exercise books to a new blank page. Ask them to copy the diagram onto the page.
- 4- Ask the groups to discuss each of the suppliers in terms of the qualities they have identified. If they think the supplier rates high on that quality then they should put 5 dots in the appropriate space. If the supplier rates low on that quality, they should put 1 dot in the appropriate space. Repeat this for each quality and each supplier. See example:

Rating Suppliers

	SUPPLIERS			
INPUTS	Hoa Sua farm	Agricultural tool shop	Sales	Etc.
Price	■■■	■■■■	■■	■
Quality	■■■	■■■	■■	■■■■
Availability	■■■	■■■	■■■■	■■
Reliability	■■■■	■■	■■■	■■■■■
Technical support	■	■■■	■	■■■■■

**Guidance:**

- *Help the groups with their work. In the case of price a supplier would be rated "high" if his price is low.*

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- 5- When the groups have completed their work, ask them to share their diagrams with the rest of the participants. Start a discussion about who the best suppliers are. Do the ratings given apply to all the inputs required? Analysing for each supplier and inputs.
- 6- Ask the participants to look again at the "Physical Resources and Inputs" section of their Farm Business Plan. Based on the ranking of suppliers they may want to change suppliers. Encourage them to consider this and to make any changes they want to make.
- 7- Ask the participants if any of them have made changes regarding suppliers. If yes, what changes were made and why? If not, why not?

**Session 3: Visiting suppliers (optional)**

***Preparation:***

This is an optional exercise. At the end of the previous meeting, the participants and you should have decided whether or not you are going to visit suppliers. If you are visiting suppliers, you will need to have selected and visited the suppliers before the visit by the FBS. You will need to decide how many suppliers the FBS will visit. If there are a lot of participants, it would not be a good idea to have them all visit the same suppliers at the same time.

***Aims:***

The participants can understand a first-hand ranking of suppliers.

**Practice 1:** Visiting a supplier to develop linkages

***Process:***

- 1- Organise the farmers into the same enterprise groups as the previous session. Tell each group which supplier they are going to visit.
- 2- Explain that the purpose of the visit is to assess the suppliers and look for ones that can be linked to the participants. Ask each participant write the name of the supplier(s) they are going to visit.
- 3- Ask each group to agree on the inputs they want to investigate. They should write these into their books.

Ask the groups to discuss what information they want to get from the supplier. They should agree on some points:

- Which services do you need?
  - What are the requirements for farmers to assess the inputs?
  - Which suppliers are linked to credit of contract farming? What are the payment terms? How can I reduce the cost of inputs?
  - How can I have many supply sources? What is the basis of providing the inputs?
  - Does the providers require collateral or some form of security for the loan? If so, in which form?
- 4- When the preparations are complete, visit the suppliers and conduct the assessments.

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Practice 2: Report back after the visit to suppliers

**Process:**

- 1- Organise the farmers into the investigation enterprise groups. Ask each group to consult and finalise the assessment of each supplier they visited.
- 2- Ask each group to tell about their experiences and findings from the visit to suppliers. Which supplier did they visit? What inputs did they investigate? How well did they measure up to the criteria?
- 3- When each group has finished, ask each group to review the "Physical Resources and Inputs" section of their Farm Business Plans. Now that they have done practical research, do they want to change their plans? They may want to discuss this with their families.

#### **Session 4: Assessing sources of finance**

**Aims:**

At the end of this session, the participants are expected to know the possible sources of financing, including their advantages and disadvantages.

**Key questions:**

- Where should I get my cash for my farm business?
- Which is the best source of cash and how do I know?

Practice 1: Evaluating sources of cash

**Process:**

- 1- Write the following headings on the board

**Sources of finance**

**Advantages**

**Disadvantages**

- 2- Explain the following:

*Now that you know how much additional cash you need and when you need it, you should look at the possible sources of additional cash.*

*What attributes will help you decide?*

- 3- Ask the participants to open their Farm Business Plan exercise books to the page with cash availability. Ask them to copy the headings onto the page.
- 4- Ask them now to list the possible sources of finance under the appropriate heading.

They should leave 3-4 lines between each source. See example:

<b><u>Sources of finance</u></b>	<b><u>Advantages</u></b>	<b><u>Disadvantages</u></b>
<i>One's own savings</i>		
<i>Borrowing from relatives or friends</i>		
<i>Borrowing from traders</i>		
<i>Borrowing from buyers</i>		
<i>Bank credit</i>		
<i>Credit against produce sold</i>		

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<i>Grants (from donors/ government)</i>		

5- Ask each group to discuss the advantages (strengths) and disadvantages (weaknesses) for each source of finance. As they discuss them, they should list them under appropriate headings on their page. See example:

<u><i>Sources of finance</i></u>	<u><i>Advantages</i></u>	<u><i>Disadvantages</i></u>
<i>One's own savings</i>	<ul style="list-style-type: none"> <li>• freedom of actions</li> <li>• no interest charges</li> </ul>	<ul style="list-style-type: none"> <li>• limited availability</li> <li>• less cash for other things</li> </ul>
<i>Borrowing from relatives or friends</i>	<ul style="list-style-type: none"> <li>• low interest rates or no charge</li> <li>• freedom of actions</li> <li>• requires no formal justification</li> <li>• flexible in terms of repayment</li> </ul>	<ul style="list-style-type: none"> <li>• possible misunderstanding of the problems</li> <li>• possibility of uneasiness arising between relatives or friends</li> </ul>
<i>Borrowing from shareholders</i>	<ul style="list-style-type: none"> <li>• low interest rates or no charges</li> <li>• flexible terms of repayment</li> </ul>	<ul style="list-style-type: none"> <li>• restricted freedom of action</li> </ul>
<i>Credit against goods</i>	<ul style="list-style-type: none"> <li>• reduces the working capital requirement</li> </ul>	<ul style="list-style-type: none"> <li>• can only be taken against specific goods</li> </ul>
<i>Bank credit</i>	<ul style="list-style-type: none"> <li>• available</li> </ul>	<ul style="list-style-type: none"> <li>• usually requires formal justification</li> <li>• high interest rates</li> <li>• rigid terms of payment</li> </ul>

- 6- When they have finished this step, ask each group to share what they have discussed. Encourage discussion. Are there similarities? Are there differences? Why?
- 7- When the discussion is done, ask the participants to review the choices they wrote in their Farm Business Plans for sources of finance. Do they want to make any changes? If so, they should make those changes now.
- 8- Ask if any of the participants made any changes to their plans. Ask them to explain their decisions. Encourage discussion.

**Wrap – up:**

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.
- Remind the participants about keeping records. They will need a new exercise book for this.

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- The first part of the next meeting involves a role-play. Ask for two volunteers; preferably choose one male and one female. Make an appointment to go over the role play before the next meeting. See Resource No. 7.
- Tell the participants that the next meeting will be the last in Part 1 of FBS programme.

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### **Key points from Meeting No. 17**

#### **Ranking suppliers of inputs**

- Suppliers influence the profitability of your farm.
- Not all suppliers are the same. They will vary on price, quality of product, availability of product, reliability, technical support, trustworthiness and a number of other important qualities.
- Farmers should take care to study the suppliers they might use. One way to do this is by ranking them as done in these sessions.
- It is important to remember the following:
  - ✓ Buy the right quality.
  - ✓ Buy the right quantity.
  - ✓ Buy at the right price.
  - ✓ Buy at the right time.

#### **Assessing sources of finance**

- Mobilising finance is a very important part of farm business management.
- The best of farm business plans will fail if the farmer has not figured out when he will need cash and whether or not he will have the cash needed at that time.
- This is called a cash flow; the amount of cash flowing in and out of the farm business each month.
- If a farmer knows he is going to need to borrow cash from somewhere, he needs to think carefully about this. Each source has advantages and disadvantages. He should think about them and weight them up before choosing a source of cash.

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**Module 6: Keeping records**

**Meeting 18 – 20: Keeping records of farm business**

**Preparation:**

This is the last module in Part 1 of the FBS programme. This module has 1 session with 10 practices. Six of the practices cover different records farmers should keep. You should use 2-3 meetings for this task.



**Aims:**

- To appreciate and understand importance of keeping farm records.
- To know which records to keep and how to keep them.
- To understand use of records

**Key questions:**

- How can farmers most efficiently collect, record and use data?

**Preparation:**

Before the meeting, you will need to ask two participants to perform a role-play. Preferably you have one male and one female. The script is in the FBS Resource Pages; see Resource No. 7.

**Practice 1:** The most important questions

**Process:**

- 1- Ask the participants the following question: You meet a vegetable farmer who says that he or she had a good harvest last season. What are the two most important questions that you should ask?
- 2- Give each person time to think about the question and jot down the answer.
- 3- Proceed to ask each person individually what their key questions are.

**Guidance:**

- *You should be looking for answers that refer to the level of profit that the farmer earns. What is your yield? What is your income? What are your costs? etc.*
- 
- 4- Point out the inadequacy of other answers to the participants.

**Practice 2:** The wisdom of keeping records

**Process:**

- 1- Ask your two volunteers to perform the role play.
- 2- When the play is done, process the role play by asking the following lead questions:

- 1) *What happened in the role play?*

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*Answer: Mai and Xuan got into a fight over money because she did not believe Xuan about how he used the 10,000,000VND from the sale of their cucumbers.*

2) *Why did Mai not believe her husband used all the money properly?*

*Answer: She thought she has a lot of money. It could not have been used up so quickly.*

3) *What could have been done to avoid the confusion on how the money was spent?*

*Answer: Keep records*

**Practice 3:** Keeping records

**Process:**

- 1- On the board write: *Records and Recordkeeping.*
- 2- Ask participants to define what a record is. Write their responses on the board. Then explain the following:

*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.*

*In a farm business, it is important that records are written.*

Discuss with the participants their experience by using records. Brainstorm on why some businesses or farms do not keep records. The following explanations may be given:

- Farmers do not know the importance of records.
- They don't know how to prepare them.
- They find it complex.
- They don't have enough time available.

**Guidance:**

- *These responses will give you a guide of the constraints you need to address if you are going to convince farmers to keep records.*
- *During the discussion you will probably help the participants find concrete solutions or answers to some or all of these.*

- 3- Discuss with the participants why it is important to keep records. What is the purpose of records? How do records help the farmer? What can happen if records are not kept?

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**Guidance:**

- *They may make one or more of the following points: Build on their answers, giving examples and cases.*
  - *To know if the business is making a profit or loss for sound decision making.*
  - *To provide basic information for planning future enterprises.*
  - *Record keeping helps members in the FBS to remember or keep track of what happened e.g. the date of spraying, the cost of inputs, etc.*
  - *It provides information and data for periodic reporting, monitoring and evaluation. Without records a supplier could over charge you or deliver less than you ordered and paid for.*
  - *Without records it is difficult to remember what price you got for each product each time you went to market.*
  
- 4- Ask the participants to list the types of records they are familiar with.
- 5- Write on the board: *Types of Records.*
- 6- Ask the participants to open their FBS exercise books to a blank page and copy this heading onto the page.
- 7- Introduce and explain the different types of common farm records. Explain that there are basically two types of records: physical and financial. List them on the board as you present them.
- 8- Explain that as a beginning, the most useful records for the FBS are :
  - Production Records
  - Labour Records
  - Cash Inflow Records
  - Cash Outflow Records
  - Home Consumption Records
  - Profit and Loss Records
  - Fixed Asset Records
  
- 9- Ask the participants to take out their new exercise books and write: My Farm Records.
- 10- Explain the following:

*We will now look at these records. Together they will help you make a profit and loss statement for your farm or enterprise.*

**Summary explanation**

**Why record keeping?**

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.

Recordkeeping means that you write down all the money that comes into and goes out of your business and also including the production activities.

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Record keeping is important because you cannot keep everything in your head.

**The advantages of regular keeping of records are:**

- ✓ You will know how much money you have received, how much money you have spent and how you have spent it;
- ✓ You will know how the amount of inputs and materials used to grow the enterprise
- ✓ You will know the price of produce sold and cost of 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;

**All this will help you to improve your business, and to increase your Profit.**

Practice 4: Production record

**Process:**

- 1- Organise the participants into groups of 3-5. Group them around common enterprises.

**Guidance:**

- *Keep these same groups for all the exercises on records,*

- 2- Write the following headings on the board:

**Production record**

Enterprise	Land size (ha)	Expected yield (ta/ha)	Total yield (tons)
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- 3- Ask the participants to open their Farm Record exercise books copy these headings onto that page.

- 4- Explain the following:

*Entries here provide information on production output. This record helps 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.*

- 5- Ask the participants in groups to discuss the production records and fill in the table as shown in example below:

**Production records**

Enterprise	Land size (ha)	Expected yield (ta/ha)	Total yield (tons)
Tomato	2	160	32

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Practice 5: Labour record

- 1- Write the following on the board:

**Labour Record**

<i>Date</i>	<i>Activity</i>	<i>Number of people working</i>	<i>Number of hours taken</i>	<i>Total number of hours taken</i>

- 2- Ask the participants to open their Farm Record exercise books to copy these headings onto that page.
- 3- Explain the following while pointing out the different headings in the labour record:
 

*Entries under these headings provide information on the number of people required for each activity and the number of hours they will take each day. Such information will assist the farmer to understand the labour requirements for each activity.*

*Under the heading "Number of people working" you record the actual number of people who worked on that particular activity for a particular day.*

*Under the next heading ("Number of hours taken") you record the actual hours spent doing the particular activity. The total number of hours is calculated by multiplying the number of people and the number of hours spent per each activity.*

*The information should be recorded each day that the activity takes place. If it is not recorded, it will difficult to remember the number of hours taken to complete the activity.*

*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.*
- 4- Write as much of the following example on the board; make sure the participants understand the nature of the record.

<b>Date</b>	<b>Activity</b>	<b>Number of people working</b>	<b>Number of hours taken</b>	<b>Total number of hours taken</b>
10/10/2010	Land preparation	2	2	4
20/11/2010	Planting	1	6	6
21/11/2010	Planting	2	5	

- 5- Explain that in this example, the farmer is able to know exactly how many workers it requires to carry out a task, and to know how much time it will take.

Practice 6: Cash inflow record

**Process:**

- 1- Write the following on the board:

**Cash Inflow Record: Enterprise: Tomatoes**

<b>Date</b>	<b>Produce Sold</b>	<b>Quantity</b>	<b>Unit Price (\$)</b>	<b>Total Income (\$)</b>	<b>Comments</b>

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- 2- Ask the participants to open their Farm Record exercise books to copy these headings onto that page.

- 3- Explain the following while pointing out the different headings in the cash inflow record:

*Entries here provide information on the activities that require the farmer to receive money particularly from the sales of the products of the enterprise. The first heading (Date) gives the date of the produce sold.*

*The type of product is given under the second heading (Produce Sold).*

*Under "Quantity" you enter the amount of produce sold. Remember to include the unit for example: number, kg, litre, bag, etc.*

*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 you observed when marketing the produce that could affect the performance of the enterprise. For example, it could include a note that prices were better in the morning than in the afternoon. It could be a note that the bigger buyers were at the market very early.*

*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.*

- 4- Write as much of the following example on the board as you feel is needed to make sure the participants understand the nature of the record.

**Cash Inflow Record**

**Enterprise: Tomatoes**

Date	Sales	Quantity (kg)	Unit Price (VND/kg)	Total Income (VND)	Comments
12/04/11	Tomatoes	100	4,000	400,000	Sold at farm gate
15/04/11	Tomatoes	80	4,000	320,000	Sold at farm gate
20/04/11	Tomatoes	120	4,100	492,000	Sold at town market
22/04/11	Tomatoes	150	4,200	630,000	Sold at town market
25/04/11	Tomatoes	120	4,300	516,000	Sold at town market
Total	Tomatoes	570	x	2,358,000	

- 5- Refer to the cash inflow above and explain the following:

*In this example the enterprise is tomatoes. Each time, the farmer sells tomatoes 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*

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*earned from the sale of tomatoes. He can also easily see when and where he got his highest and lowest prices. This will help him when planning his market strategy.*

- 6- Start a discussion about the value of the cash inflow record. Do the participants understand the value of such a record? Then explain:

*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.*

Practice 7: Cash outflow record

**Process:**

- 1- Write the following headings on the board:

**Cash Outflow Record**

Date	Operation/ Input	Quantity (unit)	Unit Cost (VND)	Total Cost (VND)	Comments
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- 2- Ask the participants to open their FBS exercise books and copy these headings onto that page.

- 3- Explain the following while pointing out the different headings:

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

*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 you record the amount of work done (operation) or the amount of the input purchased. Again you will need to include the unit of measurement such as kg, number, ha, litre, bag, etc.*

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

*Under the fifth heading, you record 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 may 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".*

- 4- Write as much as possible these following example:

**Cash Outflow Record**

**Enterprise: Tomatoes**

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Date	Inputs	Quantity	Unit Cost (VND)	Total Cost (VND)	Comments
25/01/11	Purchase seed	500 plants	1,000	500,000	Bought from market
01/02/11	Watering	2hrs	30,000	60,000	Hired machine
18/02/11	Ploughing, watering, fertilizing	10hrs	15,000	150,000	Hired labour
25/02/11	Spraying pesticides	2hrs	20,000	40,000	Family labour
05/03/11	...				
...					
Total				2,500,000	

5- Referring to the example above, explain the following:

In this example, we see some of the cash paid out for the farmer's tomato 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 tomatoes. He can also easily see when and where he spent his cash. This will help him when planning his production and marketing strategy.*

6- Start a discussion about the value of the cash outflow record. Do the participants understand the value of such a record? Then explain:

*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.*

7- Advise the participants that once the season starts, they should start using the cash inflow and outflow records. From time to time you will ask them to bring in these records to see how it is going.

Practice 8: Home consumption record

**Guidance:**

*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.*

**Process:**

1- Write the following headings on the board:

**Home Consumption Record**

Date	Consumed items	Quantity (kg)	Unit price	Total Value	Comments
------	----------------	---------------	------------	-------------	----------

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			(VND)	(VND)	
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- 2- Ask the participants to open their FBS exercise books to copy these headings onto that page.
- 3- Explain the following while pointing out the different headings:
 

*The entries in the home consumption record records produce that have 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. 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 you record the amount consumed, given away or stored for consuming later. Remember to include the unit of measurement such as number, litres or kg.*

*Under the "Unit Price" heading you record the price of the produce you would have received if you had sold it on the market.*

*The next heading is "Total Value". We learned in a previous session that the "Total Value" is calculated by multiplying the unit price times the amount recorded under "Quantify Consumed".*

*The last heading is provided for comments on the amount of produce consumed or given as gifts. For example it may record that produce was used at a wedding or given to a neighbour who needed help. The record should be updated regularly. It is best to record on the day that the produce is stored, consumed, given away or lost.*

*At the end of the production cycle, you should calculate the total value of this produce as part of the income from the enterprise.*
- 4- Write as much as the following example on the board to make sure the participants understand the nature of the consumption record.

**Home Consumption Record**

**Enterprise: Tomatoes**

Date	Consumed items	Quantity (kg)	Unit price (VND)	Total Value (VND)	Comments
01/02/11	Tomatoes	10	3,000	30,000	Family
18/02/11	Tomatoes	15	3,000	45,000	Give to Ms Mai
25/02/11	Tomatoes	5	3,000	15,000	Family
05/03/11	Tomatoes	5	3,100	15,500	Family
05/04/11	Tomatoes	8	3,100	24,800	Make concentrated tomatoes
...	Tomatoes				
Total		62		325,000	

Referring to the example above, explain the following:

*In this example, the farmer has recorded the number of tomatoes his family has consumed or given away. He has also recorded the loss of 15 tomatoes due to rotting. The total value of*

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these tomatoes that were consumed instead of sold is 325,000VND. The amount is part of the enterprises profitability. But it is not part of the enterprises cash inflow.

- 5- Start a discussion about the importance of the home consumption record. Lead the discussion to the following understanding:
  - ✓ 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.
- 6- Advise the participants that once the season starts, they should start using the consumption record. From time to time you will ask them to bring in these records to see how it is going.

Practice 9: Profit and Loss record

**Process:**

- 1- Keep the participants in their enterprise groups.
- 2- Write the following headings on the board:

**Enterprise Budget:**

Measuring my \_\_\_\_\_ enterprise profit for the period \_\_\_\_\_

Area of the enterprise \_\_\_\_\_

Income	Quantity (kg)	Unit Price (VND)	Total (VND)	Income
<b>Expenses</b>	<b>Quantity (kg)</b>	<b>Cost (VND)</b>	<b>Total Costs (VND)</b>	

- 3- Explain the following:
 

*With this diagram, the farmers can calculate profit and loss for each enterprise.*
- 4- Ask the participants to open their FBS exercise books and copy these headings onto that page.
- 5- Explain the following:
 

*The profit and loss record helps you keep track of your profits and losses. At the top of the record, you need to write in which enterprise you are measuring. For example, "Measuring my tomato enterprise".*

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

*When we calculated enterprise budgets, we used an example 1 ha farm. In order to calculate profitability of the actual farm, you will need to use the actual size of the enterprise. So, you need to write down the area (hectares) of the enterprise and use this number when doing your calculations.*

- 6- Ask the participants to write the appropriate information in their records.
- 7- Next ask each group to go through the cash inflow, cash outflow for their enterprise and calculate the profit (or loss). They should write this down in their exercise books using an enterprise budget format.
- 8- Refer to the part with the headings. Explain the following:  
*This sheet is used to arrange the records provided by the farmer into different categories: field operations, inputs and materials, labour, post harvesting and value of sales. The items included in the cash outflow and cash inflow formats are placed under the appropriate heading.*  
*The unit of measurement and the quantity used are provided under the second heading.*  
*The unit cost or price is given for each item and recorded under the heading "Unit Price". It is from the cash inflow record or home consumption record.*  
*To calculate the total income, you multiply the quantity of the produce sold times the unit price. The amount is recorded under "Total Income".*
- 9- Use the example below. Explain that these categories will be different for each enterprise.

Measuring my \_\_\_\_\_ enterprise profit for the period \_\_\_\_\_

Area of the enterprise \_\_\_\_\_

	Unit	Quantity	Unit Price or Cost (VND/unit)	Total (VND)
<b>Income</b>				
Sales				
Home consumption				
Other				
<b>Total Income (a)</b>				
<b>Expenses</b>				
<i>Inputs and materials:</i>				
✓ Seed				
✓ Fertiliser				
✓ Pesticide				
<i>Field operations:</i>				

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✓ Land preparation				
✓ Ploughing				
✓ Planting				
✓ Weeding				
✓ Harvesting				
✓				
<b>Total Costs (b)</b>				
<b>Profit (a-b)</b>				

10- Ask each group to share their results. Did each group arrive at the same answer? If not, why?

11- Ask if there are any questions about this. Encourage discussion.

Practice 10: Fixed asset record

**Guidance:**

- *In general, fixed costs are used only when one is working on the whole farm. Up to this point, you have been working on a single enterprise, not the whole farm. This practice on the Fixed Asset Record is included to complete the basic training in profitability if you work with the whole farm.*

**Process:**

1- Write the following headings on the board: **Fixed Asset Record**

Date	Item	Purchase price	Life (years)	Comments
------	------	----------------	--------------	----------

2- Ask the participants to open their FBS exercise book and copy these headings onto that page.

3- Explain the following:

*The fixed asset record provides information on the important items of fixed costs related to the enterprises on the farm. Each item includes the date of purchase, the purchase price (cost) and the life of the item. The life of the item varies. The life of housing and buildings can be taken as 40 years; the life of a tractor and other machinery is 5 years...*

4- Write as much of the following example in the boards as you need to make sure that the participants understand the nature of the record:

Fixed asset record

Date of purchase	Item	Purchase price (1,000VND)	Life (years)	Comments
1/2/08	Hand tools	800	10	To be replaced during 2011

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3/4/08	Sprayer	1,000	10	Bought from electronic stores
4/4/08	Irrigation pipes	2,000	10	Bought from electronic stores
6/7/08	Houses for storage	15,000	40	Built it myself

5- Referring to the example, explain the following:

*In this example, we see four things put into the fixed asset record. Hand tools, a sprayer, irrigation pipes and housing for storage. This farmer does not have a tractor. If he did, he would list it in this record.*

6- Start a discussion about why it is important to have a Fixed Asset Record. Lead the discussion to the understanding the following about the Fixed Asset Record:

- ✓ 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
- ✓ It helps him calculate the fixed costs for his farm when he calculates the profit for the whole farm.

**Wrap – up:**

- ✓ Take a few minutes to review the key points covered in this meeting.
- ✓ Remind the participants that this is the last meeting for Part 1 of the FBS programme. You will need to set a date for the first meeting of Part 2.

**Key points from Meeting No. 18-20**

- Records are an important part of farm business management because:
  - To know if the business is making a profit or loss for sound decision making.
  - To provide basic information for planning future enterprises.
  - Record keeping helps members in the FBS to remember or keep track of what happened e.g. the date of spraying, the cost of inputs, etc.
  - It provides information and data for periodic reporting, monitoring and evaluation.
  - Without records a supplier could over charge you or deliver less than you ordered and paid for.
  - Without records it is difficult to remember what price you got for each product each time you went to market.
  
- Six of the most common and useful records are
  - Production Records
  - Cash Inflow Records
  - Cash Outflow Records
  - Home Consumption Records
  - Profit and Loss Records
  - Fixed Asset Records

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- These records can be used to check on how well the farm is performing. They can be used to determine profit or loss.

**Completion of the record sheets**

- The record book needs to be completed every time some work or activity is carried out.
  - Labour should be recorded as soon as possible after it has been used because it is the type of information that can easily be forgotten.
  - If you are not sure how to write down an item of entry, ask your children or an extension worker to assist you.
  - Involve your wife/husband in keeping the record of home consumption.
  - If many activities are carried out in a particular day or at the same time, write each activity separately in a different line, with the date.
  - Include a record of unpaid family labour by noting the number of family members that worked on that enterprise and that operation that day; the estimated amount that each would have been paid for the operation; and the amount it costs to feed other members of the community if they work on an activity.
  - For hired labour make a note of the number of workers employed on that enterprise and that operation that day; and the amount of money paid to each person.
  - Do not forget to record all activities relating to the marketing of your produce. For example, the transport costs to the market and other expenses involved in marketing.
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**PART II: IMPLEMENTING THE FARM BUSINESS PLAN**  
**Module 7: Meetings in production seasons**

**Meeting 21: Agreement in content of meetings**

**Aims:** After this meeting, the participants can make a plan for their farm business and other meetings during the production season.

**Steps:**

- 1- Explain that: *Part 1 of the FBS programme looked at a number of things to help us get ready for the season. Most importantly we developed Farm Business Plans, Action plans, and farm records. In this part of the FBS programme we will do the following things:*

- *Monitor the progress we are making in implementing the Farm Business Plans.*
- *Continue learning more things about managing our farms as a business;*
- *Keep records of our enterprises and*
- *Sharing experiences and taking corrective action*

- 2- *The first thing we need to do is to decide on a schedule for meetings. The programme for Part 2 is organised into different themes: Finance, Linking Farmers to Marketing, Managing Risk, Market Contracts, Benchmarking, Entrepreneurship and Value Addition.*

- 3- *The first three Finance, Marketing and Managing Risk are required. The other themes are optional. They can be covered in any order. Ask the participants for suggestions about how often they want to meet. Explain that they should meet at least twice a month to make regular reviews of progress on their Farm Business Plans.*

In the handbook, there is a form for making schedule. Copy the following headings on the board:

<i>Meeting No.</i>	<i>Date</i>	<i>Contents (Modules, Sessions, Practices)</i>
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- 4- Ask the members in groups to review the titles and items in part 2 of the FBS program. Discuss the topics with the participants and agree the time of the meetings. List the meetings, date and their contents on the board. After discussion, ask the participants to copy the information onto their exercise books.



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**Meeting 22: Mobilizing the financial sources**

**Aims:** to help the farmer to understand how to calculate their finance source and other sources that can supply finance for their farm business.

**Steps:**

- 1- Ask the participants to open their exercise book, go to "Mobilizing finance" section. They will have one example for it: A farmer has to cover the costs of activities that include buying seeds at 500,000VND in March – ploughing at 700,000VND in June and hiring labour at 250,000VND in May and June, respectively. The farmer has 500,000VND of cash available in March, 250,000VND in May and 500,000VND in June.
- 2- Explain the following:  
The total money that the farmer must pay more for his enterprise is the shortage in his farm cash flow. Ask the participant how much cash the farmer lack? Advise them the method to calculate cash flow. Explain that that farm will need extra 450,000VND in June. The total cash that needed is the shortage of cash each month.
- 3- Explain that: in this case, the farmer may borrow from other sources such as: family, friends, finance organizations, bank... Obviously, the loan must be paid at fixed time with its interest. Individual or organization should give conditions about borrowing.
- 4- Explain that: paying credit is one of the costs in farm business. And the farmer must spend a part of his cash inflow to pay for it.
- 5- Ask the participants whether the best time for the farmer to approach credit is. Discuss the benefits and risks of loaning.

Some benefits may be:

- ✓ Providing finance source to start a new enterprise for potential market.
- ✓ Providing finance source to enlarge the current farm business.

Some risks may be:

- ✓ The farmer will be in debt and it is difficult for him to run his business if he does not use the loan effectively.
- ✓ If he cannot pay loan in time, he cannot be trusted.
- ✓ The interest may increase so high that influence the income of the farmer.



6- Ask the participants give the time in which the farmer should borrow money. Explain that, this is not suitable for farmers who use credit when:

- ✓ The farmers know that they can pay the loan.
- ✓ If the contents and conditions are not suitable for the farmers in borrowing.
- ✓ When the farmers do not intend to use credit.
- ✓ When they borrow to pay another debt. Remember that they should not use this loan to pay another.

7- Ask the farmers to review their FBS exercise books, remind them to understand all items before they decide to borrow money.

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Ask the participants to give points that they think are the most important; thus, they must find more information from finance organization, bank or individual. Write the answers on the board.

- 8- Explain the terms, conditions and key points as the following:
- ✓ Interest: is the cost of money that you borrow. It is usually calculated as percentage (%). The interest can change depending on where you borrow. Government may give some rules to limit the interest to protect you from untrusted lenders.
  - ✓ Bank charges: besides interest rate, some lenders require you to pay extra-money during the loan. This amount of money may be charged or in the interest rate.
  - ✓ Payment time: is the time that you pay back loan. It can be changed depending on where you borrow. You can choose the time to pay loan so that it is the most suitable for your business.
  - ✓ Extension: the period between the time you receive loan and have to start paying. Some lenders understand that enterprises need longer time in investment before they get profit. You should choose the extension that is most suitable for your business.
- 9- Visit one individual or lender organization: you arrange time for all participants in FBS class to meet one individual or a lender organization to discuss items and credit conditions.
- 10- Before doing this task, the participants should know the lender organizations or donor on their area, such as: small finance organization, or donors. They should find more information about them. If there are any documents about borrowing, you should try to collect them. Then you choose at least one to let the participants know the different between the credit sources. In this practice, you organize for groups to visit donor or organizations. Thus, make sure that each group can meet at least one lender.
- 11- Divide participants into groups of 3-5 basing on the number of lenders. Assign at least one lender source for each group to find out. Ask them to visit the lender and find four conditions about lend items, interest rate, deadline, extension and charges. Encourage them to make more questions and collect any available information. Lead them to find specific information such as seasonal loan, short-term, long-term and for which types of business. Agree the time to come back class.
- 12- Report the meeting. When all groups come back, ask them to present what they collected to the rest of participants. Write all information on the board while they are presenting.
- 13- When they have done, encourage the participants to compare the information. Who has the lowest interest rate? Who has the highest interest rate? Do all of them have extension? Compare time and loan items.
- 14- After discussing and comparing four conditions, ask the participants to rank finance sources. Encourage discussion. Are all the lender sources at same level? If yes, why? If no, why?
- 15- Summarize all discussion by review that when the farmers want to borrow money, they should know all contents and conditions of each lender.

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**Meeting 23: Marketing group**

**Aims:**

- ✓ The participants can understand what marketing group is, and its advantages and disadvantages.
- ✓ This meeting also concerns different market channel and costs to sell products at that market.

**Steps:**

- 1- Start the section by asking the participants to list the market channels and the selling stores that they sold at the nearest crop season. Write these channels on the board. Then divide participants into groups of 2-3, make group list. Ask them to discuss: how can they choose place for sales? In which basic they give decision and choose these?
- 2- When they have finished, ask them to share their answers. Encourage discussion. Are there any different in choosing market? Why? Is there any market channel that they are thinking?
- 3- Explain to the participants that there are a lot of markets. Some of them are near, the others are far. At some markets, the farmers can sell their products with little processing, packaging and transporting. The others are reverse. Each of market requires different information, skill and decision. The farmers should consider carefully these requirements before choosing output market. Most of farmers sell their products at farm gate or local market because it is the easiest and simplest way.
- 4- Explain that: once a market form, the most important thing is to know the marketing cost. This will help the farmers to choose the market that bring the highest profit.
- 5- Write the term "Marketing cost" on the board. Ask the participants if they used to sell their products to market. Ask them to describe what they did and what they saw. Some following questions can be used:
  - ✓ What type of products did they sell?
  - ✓ How can they transport their products?
  - ✓ Did they have personal method to prepare their products?
  - ✓ Did they package their products?
  - ✓ How did they sell on market?Write the answers on the board. The purpose of discussion is to help the participants to brainstorm about market channel and relevant costs.
- 6- When all the participants give their own ideas, check if they miss any important issues. Explain that marketing includes many things; it is not only to bring the products to market and sell them. One product can be cleaned before it comes to



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market. Some need package. All of them need transport. When products come to market, the farmers must hire place to sell them. Each activity in marketing needs cost.

- 7- Organize the participants into groups of 3-5. Assign business activity for each group. Ask each group to discuss the steps in finding market. When they have done, ask them to share with others. Summarize ideas after discussing.
- 8- Ask the participants whether they take part in a marketing system or not. What are their experiences? What are the advantages? What are the disadvantages? Keep the participants into three groups, ask them to read the marketing story and answer all the relevant questions. Group their ideas about concepts of marketing group and emphasize the highlights that help farmer be initiative and get more profit.
- 9- Organize the participants into groups of 3-5. Ask each group to think again about the story to emphasize the important role of marketing group.
- 10- When all groups have finished, ask each group to share one of the things they identified. Encourage discuss. Why are they important? What will happen if they do not do these things? What is the disadvantage of marketing group? To help the discussion, highlighting these things:

Some main points are:

- ✓ Mr Minh visited the buyers in city and directly negotiated to them.
- ✓ Four farmers made a document contract.
- ✓ Four farmers and the buyers made a document contract.
- ✓ Mr Minh and the transporter made a vocal contract.

Some problems may be wrong:

- ✓ There is no contract to the buyer, especial the document contract; the buyers may reduce the price when they receive commodities.
- ✓ There is no contract among member in group, they may disagree with something and there is no solution for this.
- ✓ They luckily had the transport contract. However, it can be a document, otherwise, the transporter can surprisingly increase price.
- ✓ One disadvantage thing can happen, although they made contract, determined price; they would cancel as they found the other better.

- 11- Repeat this process until all ideas are shared. Ask each group give the advantages and disadvantages of marketing group. When they have done, ask them to present their ideas. Write them on the board basing on groups. Encourage discussion. Which is the real advantage? Which is the disadvantage?
- 12- Ask the participants how they start a marketing group. Encourage discussion to start this process. Gather key points and remind them the next meeting.

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**Meeting 24: Marketing our products**

***Aims:***

- ✓ To help the participants have experience in marketing their products and have reality experiences.

***Steps:***

- 1- Explain that: we researched and implemented business plan in farm. Now is the end of the crop season and our products must be sold to market. All of us must market them, complete documents during process and share them to others.
- 2- Ask the participants whether they market their products or not. What are their plan for it and why? Write all the answers on the board. Discuss some selling place above.
- 3- Discuss some things they can do when they come to market.
- 4- Sharing the members in groups who have the same enterprise. Ask each group make their own marketing plan. They must consider marketing plan and answer all questions that listed on FBS exercise book. When they have done, ask them to share to others. Encourage discussion. What do they mention important part? Do they lack anything? Is the plan possible? If not, why?
- 5- Some questions can be listed:
  - ✓ Which products are marketed?
  - ✓ Which output markets are used?
  - ✓ When do they come to market? Which date? Time?
  - ✓ What can they do to prepare for their products before it comes to market?
  - ✓ How can they transport their products to market?
  - ✓ In market, what do they arrange before selling products?
  - ✓ How do they record sales, income and other information?
  - ✓ How do they share transport and marketing costs?
  - ✓ How do they divide income to other members?
- 6- Remind each group to record the process when they give their products to market. This can be done after the products are sold at farm gate.
- 7- Make sure that not all groups market their products at same time. Thus, reports will be revised when at least two groups have same market. This practice will be repeated for each group to complete their marketing.
- 8- When you know that there is one group has done, you should spend time for them to present in class. You should help them to prepare by checking the records and ensure that they are done in order.
- 9- Ask each group to share their experience about marketing if they have done it before. They should use notes about their process.
- 10- After finishing marketing, ask the participants how they do it. Use some following questions:
  - ✓ Is the price suitable?
  - ✓ What is the basic for determining price?
  - ✓ Who do the marketing?

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- ✓ How long does it take to marketing the products?
- ✓ How are the products packaged?
- ✓ What are the challenges that they must face?
- ✓ What will they do differently next time?

11- Repeat the reporting process until all groups have done their marketing.

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**Meeting 25: Buying group and Credit group**

*Aims:* at the end of this meeting, the participants can understand the importance and advantage of input buying group, concepts about saving group, credit group, the advantages and disadvantages of each.

*Steps:*

- 1- Starting the meeting by asking the participants to re-tell how they bought their inputs and equipment from shops, suppliers, retailers and different producers. When all of them have shared their experience, ask them to discuss the conditions to buy the inputs.
- 2- Explain that: if they buy inputs in groups from the shops or providers, they will have chance to reduce the cost with large numbers and save the transport cost. However, at first, the necessity thing is to organize and take the advantage of these chances. When they buy in groups, they can save money.
- 3- Ask the participants whether they have experience in buying inputs in groups or not. What are the advantages and disadvantages? Lists these things.
- 4- Ask the participants to explain how they have saving money. Use the following suggestions to discuss:
  - ✓ Ask the participants give their saving methods.
  - ✓ Ask them to discuss why there is a person who does not save money. After discussion, explain that saving money is a difficult task to farmers who have small business. However, if they save in groups, it seems more easily.
  - ✓ Ask the participants to discuss about the advantages and disadvantages of saving in group to buy inputs.
- 5- A group of farmers will save more money than a farmer. Ask them how they use the savings? Encourage discussion.
- 6- Suggest that, the savings can be used to lend to other members at different time in year. This is very useful when the farmer wants to buy inputs in case they do not have enough money. Explain that, to do this, group must record to manage the money. They will loan the savings in turn. The groups must ensure that the loans are fair and the money is paid in time.
- 7- Ask them whether they concern in that kind of group or not.

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**Meeting 26: Understanding about farming contract**

**Aims:** to help the participants to understand what a farming contract is.

**Process:**

- 1- Ask the participants whether they know about farming contract or not. Do they attend a farming contract and what experience they got? What agricultural products are sold in contract? What are the benefits? What are the difficulties they have to face? Summarize the concept about farming contract: it mentions about individuals or groups when they join formally (in writing) or informally (in speech) in the marketing process.
- 2- Ask the participants to determine advantages and disadvantages of farming contract. List them on the board. Discussion.
- 3- Ask the participants what they can do to overcome all challenges in farming contract. Discuss some ways to overcome them. Emphasize the role of marketing group as the key to negotiate a contract.
- 4- Ask the participants whether they can make a farming contract for their products or not. Write the possibilities on the board. Ask individual whether he/she concern about joining a farming contract or not. Why? Encourage discussion. Ask the participants what they want as they negotiate a contract. Lead the discussion to focus on one of the following points:

- ✓ The deadline of the contract
- ✓ Quality standard
- ✓ The production limit
- ✓ The production process
- ✓ Delivery of products
- ✓ Discussing price
- ✓ Payment procedures
- ✓ Arbitration
- ✓ Choosing insurance

Using the explanation following to discuss:

- ✓ The timeline of the contract: there must be a deadline for one contract. It often calculated from the day that signing the contract to the day that all products are delivered and paid.
- ✓ Quality standard: the number of products that farmer must produce and deliver to the buyers. For example, each farmer cultivated on land size 5ha, or he/she produced 5tons of products.
- ✓ Production process: how the products are produced. For instance, the farmers only use manure, organic cultivation, they do not use any chemical pesticide, harvesting by hand.



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- ✓ Delivery of products: where, when and how the farmer can deliver their products. Give specific example for time, place and forms of transporting and packaging.
  - ✓ Determining price: at which level the price is accepted. Give the example to show that price is determined basing on the quantity and quality of the products.
  - ✓ Payment procedures: when and how the buyers can pay for the farmers. For example, they pay cash as they receive products; pay after some days or months; pay by cheque...
  - ✓ Choosing insurance: how the products are insured when there is fire, hail, high temperature or damaging during transportation.
  - ✓ Arbitrary: the rule to solve the disagreement among farmers and the buyers. This includes the information about the place to present all disagreements.
- 5- Divide the participants into three groups and ask them to build a simple farming contract (by using the headings used above). Emphasizing that these are important when they prepare a contract.

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**Meeting 27: Contract Appraisal**

**Aims:** to help the farmers how to check the contract carefully and build the negotiate skill.

**Process:**

- 1- Divide the participants into groups of 2-3; refer the example contract in the FBS exercise book. Ask each group to read and study the example contract, and determining the strengths and weakness of both, the buyers and the sellers. When they have done, ask each group to determine one strength and one weakness from the example contract. Continue to this way until all strengths and weaknesses are listed.



List some advantages:

- ✓ The farmers and the buyers also know how much land for cultivating vegetables.
- ✓ The price is clear.
- ✓ The farmers are consulted in production.
- ✓ The supplying of inputs is clear.
- ✓ The farmers have finance source for buying inputs and using in other activities.
- ✓ The quality of product is clear.

The disadvantages:

- ✓ The contract does not mention to risks if there is hail, drought, flooding or others situations that reduce the yield or quality of products.
- ✓ The contract does not mention the responsibility of buyers; or the farmers do not satisfy items in contract.
- ✓ The contract does not mention any payment items? Do the buyer pay cash when the receive products? Do they pay some days or month later?
- ✓ The contract does not mention clearly about the deadline.
- ✓ The price of inputs is not clear.
- ✓ The contract does not mention the responsibility of the transporters to available places.

- 2- Ask the participants whether this contract is good or not. If they are in group, will they agree to sign this contract? Why? If not, how do they improve the contract? Lead the discussion to help the participants to understand that if the farmers are not completely protected according to this contract, some items may change to protect them.

Ask the participants, what are the differences between the contract of tomato (or banana) and rice? What is the main difference?

Explain that: rice can be stored and transported easily, it can't be damaged. Fresh products are easily damaged, crushed and rotting. Rice is easily processed and

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packaged. In contrast, fresh products require special packaging and processing; thus, a contract of fresh products may include:

- ✓ Packaging requirement
- ✓ Quality requirement
- ✓ Transportation requirement
- ✓ Storing requirement

3- Negotiating skill

This practice starts with a role-play. You ask 5 participants to act as buyers and sellers. They must be chosen before the meeting and they must know their role. They need time to practice. The detail is in following:

The characters: 3 farmers and 2 traders

The situation: the farmers have just harvested. There are a lot of products in their village. There are also many traders in their village with different items.

Contents: three farmers who worked together try to get better price for their products. Two traders work together to get price as low as possible.

Action: all the characters discuss to give the acceptable price and agree with items and conditions.

4- Explain the purpose of the meeting to the participants. Tell the participants to think carefully before they act because they must discuss after that. When the play has finished, say thanks to all characters and ask the participants to discuss the following questions:

- ✓ What character did they act?
- ✓ How do two sides agree?
- ✓ What makes the farmers to agree?
- ✓ What makes the buyers to agree?
- ✓ What makes both of them keep the agreement?

After discussion, explain the concepts of negotiation. Ask the participants to think actively what they negotiated. Which experiences do they have after negotiation? What did they negotiate at shop? Have they negotiated price of clothes? What did they negotiate for the wedding? How did they negotiate about the work? What can be mentioned?

5- Lead them to discuss in the way they need knowledge and necessary skill to success in negotiation. Write the following terms on the board: "Things I should know about negotiation". Ask the participants what are necessary to improve their position in negotiation. Encourage discussion. Write their answers on the board.

6- Write on the board "The necessary skills I need to success in negotiation". Ask the participants to determine the skills and possibilities to success in negotiation. Encourage discussion. Write their answers on the board.

7- Talk to the participants that, there are two aspects in this meeting: one is the necessity of enhancing their position in negotiation. And other is important skill to success in negotiation.

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In this part, the participants assess whether information and effective negotiation skills are listed or not. They also evaluate themselves whether they are strong or not in both aspects. Divide the participants into two groups.

- 8- When they have done, ask each group to present the most strong and weak.
- 9- Ask the participants to determine their weakest skill. Explain that they can improve through studying and gather relevant information. Encourage them to discuss the solutions. Ask one person who has professional knowledge to help them.
- 10- Take a few minutes to review the key points that covered in this meeting. Remind them the next meeting.

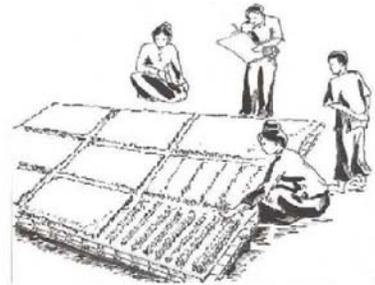
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**Meeting 28: Evaluation and management risks in business**

**Aims:** after this meeting, all participants can know different risks that they must face in farming business. They also know how to manage these risks.

**Process:**

- 1- Explain that: risk is any factor that harm for farm business. The farmers cannot control the external risks such as changes in price, drainage... On the other hand, they can control some internal risks that relate to business activities. The importance in managing risks is not to increase income. The purpose is to reduce the negative effect to business.



Ask the participants to discuss in groups about the main risks that they usually face in their business. Write the answers on the board; categorize them into 5 main risks that directly affect agricultural business activities, such as production, finance, marketing, institution and human.

- 2- Discuss the risks on the board. Ask the participant how they solve these risks. Why do they use those special strategies? What are the affects? Do they use the same strategy next times? Why? Why not? Encourage discussion.
- 3- Divide participants into groups of 3-5. Explain that they will do an exercise about risks in production. This will help them to brainstorm ideas to increase the yield of specific plants next year.

Ask each group to choose one crop that is familiar to them. They must agree the lowest, average and highest expected yield that they wish in their business. Ask them to do the following things:

- ✓ Draw a diagonal on the paper.
  - ✓ Write the lowest expected yield on the left.
  - ✓ Write the highest expected yield at the end of the right. Write the average expected yield in the middle.
- 4- Arrange the data on each interval of the chart basing on what they sure. Common yield is the number that most participants will fill the same amount on the chart.
  - 5- While they are working, write these risks on the board:
    - ✓ The market price always changes and is uncertain.
    - ✓ Intensive farming creates good chance for pest and disease.
    - ✓ Changes in weather.
    - ✓ Failure in producing a new crop or pets.
    - ✓ Failure in applying new technique in producing.
    - ✓ Risks due to mechanism, the farmers base mostly on the supporting of organizations which are not in their village.
    - ✓ Risks due to human source such as injury or dead.

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- ✓ Risks due to loan when the farmers borrow to implement their new business activity.
- 6- When they have done, ask them to share to others. Explain that, some yield levels do not stand on these ranges next crop season. Encourage discussion. Ask them whether they have same expectation and chance if they cultivate same crop. Why? What factors help them to decide high and low yield.
  - 7- Explain that they calculated the ability to have certain yield, the next step they should do is to think the factors that affect their yield. Ask each group to determine the factors that influent their yield.
  - 8- Ask each group to share one of these factors. Write them on the board. Continue until all factors are identified. Ask the participants to determine the most serious risks on the list.
  - 9- Ask each group to build strategy to manage the chosen risks. When they have finished, ask them to share their results. Compare the strategies among groups. Do they determine the strategy? Are those possible? Are there any good ideas else? Encourage discussion.  
Help the participants to review the risks on the board. Ask each group to choose one of them to discuss and agree these things:
    - ✓ The effects of risks.
    - ✓ The effects on finance.
    - ✓ The ability to occur.
    - ✓ The strategy to control risks.When they agree the answers, ask them to write on their FBS exercise book following the headings on the board. Do they agree with the risks and their effects? Why? What are the strategies? Are they possible? Is there any idea else?
  - 10- Take a few minutes to review the key points covered in the meeting. Remind them to the next meeting.

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**Meeting 29: Evaluation the current situation**

**Aims:** they can know their farm situation and make innovation in the farm business.

**Process:**

1- To evaluation, you should visit the farmer that produce at higher average level. If their works are good, they will be considered as standard. Before doing this, you should determine the farmers that you will visit and notice them the meeting with participants in FBS class.



2- Ask the participants whether they know about evaluation farm situation or not. Encourage discussion. Explain that: evaluation is one process that compares the effect of one farm to others that have good business. It includes gathering information from one farm, and then comparing it to others that are more successful in area.

3- Organize the participants into groups of 3-5. Explain that: their production oriented market, and they will get benefit from the evaluation and assessment. To do this evaluate exercise, they must gather information from two farms to be able to compare. Ask the participants to think what they want to compare. What aspects should they compare? Start with one common crop for all participants. Write their ideas on the board. Lead the discussion follow these aspects of farm business:

- ✓ Land
- ✓ Labour
- ✓ Capital
- ✓ Supplying inputs/equipment
- ✓ Production
- ✓ Marketing after harvesting
- ✓ Infrastructure
- ✓ Management

Ask the participants to summarize these aspects on their FBS exercise book and they should use note next page (if they need more information).

4- Start discussion their questions; mention the different aspects of their farm business. This can be started with the information about land. Which information they should know about land. Write the answers on the board. See example:

**Land**

- ✓ What is the total area of farm?
- ✓ What is the size of fields?
- ✓ How far is it from their house to field?
- ✓ Who own the right of using land?
- ✓ What are areas for different crops?
- ✓ Do they intercrop? How much?

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- ✓ What are the conditions of land? Fertilizer? Erosion?

Repeat the process for each aspect.

- 5- Explain that: the following practices require the participants to understand information about their farm. They will need that information to answer all questions they have just made. Some technical information need exactly numbers. The other is general. They should gather information before they do this exercise. They should make criteria in their FBS exercise book. They are presented as comparing questions during the assessment. They should prepare the same for the fieldtrip.  
Ask the participants when they have information. How does it take them to gather? Agree the time and date for the next meeting. Suggest them to ask the extension worker to help them.
- 6- Explain that: these data they gathered will be compared with the chosen data from standard farm. To make it easy, each group must decide the unit to compare. Groups should spend time to collect data. Some information will be gathered outside the notebooks.
- 7- Once the data is gathered, explain the following: now we have enough information to compare your farm to the standard other. We will visit the standard farm to compare the effect next meeting. The purpose of this is to get information from typical farmers. You will use the same list (from the previous meeting). Remind the groups to bring their notebooks, pencil...to write down gathered information.
- 8- Divide the participants into same enterprise groups. Then, visit the chosen farm and discuss what a standard farm is. Groups should know the good and bad activities when they compare to the standard. They should determine the reasons and effects of bad activities.
- 9- When they come back class, they should analyse the gathered information and compare them. As they have done, ask them to present in short what they learn. Ask them to share one or two most things they should know to improve their situation. Encourage discussion.  
After they present, ask they to think about actions they will do to improve. They should suggest for each field they need. Ask them to think about these questions:
  - ✓ Who can help you if you are bad at each field?
  - ✓ Why can you think that this source can help you?
  - ✓ How can they help you to improve?
- 10- After they have made plan for one or two actions, ask them to share to others. Encourage discussion. Are there any actions they should know?

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**Meeting 30: Characteristics of an effective businessman**

*Aims:*

- ✓ To help the participants to know what a businessman is.
- ✓ To help them to determine the characteristics of a successful businessman.
- ✓ To help them self-assess and visit a businessman in their local.

*Process:*

- 1- The first exercise is a discussion with businessman in area. Few days before, you should contact to 2-3 famous and successful businessman. You had better let the participants to choose. They are people who work on agricultural area, marketing, processing...Each participant will present 5-10 minutes about himself and his business. Then, prepare the questions to ask businessman.  
The next is to visit businessman in local, otherwise, you should invite them to talk to participants. If you visit them, you should make outline for the visiting.
- 2- Discuss with the local businessman  
The meeting will start one hour early before the businessman come. This will help the participants to prepare their questions. Explain that the purpose of the meeting is to talk about the business ability; thus, they try to understand what a businessman is and the characteristics of one successful businessman.  
The local businessman will tell their story. The participants' task is to write down on their FBS exercise book the characteristics of one successful businessman that they feel. Discuss questions that the participants give:
  - ✓ Why do they start with that business?
  - ✓ How long do they run it?
  - ✓ How long do they get profit?
  - ✓ How can they make profit?
  - ✓ Which things should you care when you are a businessman?
  - ✓ What is the most typical characteristic of one businessman?
  - ✓ What are the risks? Do they accept risks?
- 3- Introduce the businessman and ask them to tell their business story. Encourage the participants to make questions.
- 4- After listening the stories, organize participants into groups of 3-5. Ask each group to share their information to others and agree to give 5 main points of a successful businessman.
- 5- When they have done, ask each group to write 5 main points into a circle and present. There are a lot of characteristics, review and gather the same points.  
When all groups give their own ideas, start to discussion about these points. Encourage discussion until they agree 5-10 main points.
- 6- Explain the following: after discussion, the participants can assess themselves as businessman. Ask the participants to write on their FBS exercise book.  
Divide the participants into two groups to help them discuss and assess the characteristics. Do you have these characteristics? Stick on the "strength" column if you have; in contrast, stick to "weak" column. Do for each characteristics list.

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Ask each group to discuss to others about their business ability and complete their assessment. When they have done, ask them to share to others. Encourage discussion.

- 7- Explain the following: this exercise helps the participants to determine the strength and weakness of businessman. Now, you should help each other to discuss to enhance strength and inhibit weakness. The participants are strength will help the weak. Let discussion together next meeting.

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**Meeting 31: Added value**

*Aims:*

- ✓ To help the participants to know what added value is.
- ✓ To help them to determine new ideas about the addition that done independently or in group.

*Process:*

- 1- Before this section, the participants should know the price of one kg of fresh potato and the price of one kg of fried potato; or other products that are common on market.
- 2- Give two kind of potato (clean and unclean) and ask the participants which type they will buy (most of them will choose the clean). Ask them if they are sold on shop, which one has higher price? Why?  
Now, give three bags of rice to the participants. Ask them if three bags of rice will be sold on market, which one will get highest price? Why? Which one has the lowest price? Why? Suggest discussion to lead that price is determined by:
  - ✓ Cleaning rice
  - ✓ Handling rice
  - ✓ Packaging rice
- 3- Explain the following: this is the discussion about the added value from processing after harvesting. Give two products: fresh potato and fried potato. The price of one kg of fresh potato is 10,000VND; on the other hand, the price of the other is 50,000VND. Notes: you should choose the price that suitable to local market.  
Why is there the difference in price? Lead the discussion to help them understand that because there is added value when fried potato is processed. This is the cost to make fresh potato into fried potato.  
Explain that, in this meeting, they will study the added value from processing of products after harvesting.
- 4- Firstly, discuss the post-harvesting process: ask the participants to give the products that are different from one product after harvesting. Write the answers on the board and discuss the example about the added value after processing.  
In next step, they will consider the post-harvesting process of each product groups. You should divide participants into product groups.  
Make a process chain for products after harvesting. All the participants must agree about what they do and write the activities on their FBS exercise books in order. Discuss the added value for each stage.
- 5- When they have done, ask each group to present what they did. The first should start by presenting overall about their product, introduce about it. They will present their steps in turn. The second will talk about the first thing they do with the product and how the value brings to them. The third will present the next and how add the value. This process will continue until the processes after harvesting done.  
When they are presenting, make questions to encourage discussion. Ask the rest of participants whether they agree with or not. What else to be added? Is there any activity that was not done?

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- 6- When they have done, start to discuss about the role of farmers in post-harvest processing. Who can or should do at each step? Should all farmers do? Why? Why not? Some suggestion will be given following:
  - ✓ They do not know how to do
  - ✓ They think it is costly
  - ✓ They do not realise the value and importance
  - ✓ They need money and they buy their products right away
  - ✓ They do not have more time and other sources (tools, machines) for the post-harvest processing.
- 7- Divide the participants into groups of 3-5. Ask each group to discuss the post-harvest processing for their products. What can we process after harvesting? Are they doing that? If not, why? Who are doing that? Do you think how it affects price as it is sold in market? Can they make plan to help others? When they have done, ask them to present. Encourage discussion.
- 8- Explain that: in this exercise, they will know how to add more value for their products through processing. Ask the participants whether they can give an example about processing after harvest. Ask the participants why some farmers do not want to add value to their products through processing.
- 9- Organize the participants into groups of 3-5 basing on their enterprise. Ask them to think how to process their products to increase value. They should determine things they can do; for example, fresh potato can be processed into fried potato, peanuts can be processed as "lac rang hung luu"; eggplants can be preserved in salt...They must determine that who process are. Do they do themselves? Do they want to process in this way? Who can do it?

When all groups have finished, ask them to share their ideas to others. Encourage discussion. Do the others agree with them? Encourage them to work together. They must study the situation and find out the ideas. Encourage them to study more and present in next meeting.
- 10- If the participants choose to visit one processing enterprise, you must organize the meeting date. Some suggestions can be used:
  - ✓ Packaging factory
  - ✓ Processing of milk
  - ✓ Packaging of eggs
  - ✓ Slaughter house
  - ✓ Frozen vegetable
  - ✓ Dry fruit/ juice fruit

Firstly, you should ask them what they want to visit. You should contact to the business owner to have the agreement, talk to them about the program and some possible questions.

Visiting program: introduce the FBS participants to business owner. The business owner introduces in short his business, after that, they can visit the enterprise.

- 11- Organize the participants into groups of 3-5 to visit one businessman. Talk to them the name of the businessman and his enterprise. Tell them products that he can process and get income from them (e.g. pineapple can be processed into pineapple juice).

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Explain a purpose of the visiting is to study how to enhance value for one of their current products. They must think about questions before the visiting.

Explain to the businessman that you can discuss to him about the production processing, market and how to organize the processing.

Ask each group to give 2-3 questions for each topic: production processing, marketing and production organizing; each group will share the questions they have just thought. Write the questions under the suitable headings. Continue until most groups give their own questions.

When they have done, using the questions above as the guiding for discussion. Lead the discussion to agree the questions in the meeting. When they finish, ask the participants to write down on their FBS exercise book.

Next, they must discuss that who will give questions during the meeting. Try to encourage each participant will have at least one question. They should agree the way to write the answers. Do they choose one person to take note? Or does each participant take note? Does the questioner write the answers? When all questions are record, they will visit the enterprise and survey.

12- When the visiting has finished, you should come to class and divide participants into groups as previous. Ask each group to re-tell the questions and answers. Remind the participants about three topics in surveying: production processing, marketing and organizing.

Start with the production processing; ask each group to share what they learnt. Write the answers under the suitable headings. Encourage discussion. Do the enterprise, processing get money? Are they easy or difficult to implementing? Are there any risks? As the discussion has done, ask the participants whether they notice this enterprise or not.

If the participants want to know more about this, they should make group to study more.

Advise them to contact to local extension worker or business assistance office to help.

Review the key terms and remind them the next meeting.

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**PART III: EVALUATING AND PREPARING A NEW BUSINESS PLAN**

**Module 8: Reviewing the business and planning for the next season**

This part is conducted at the end of the production season. It will help the participants review and evaluate the performance of their farms.

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**Guidance:**

- *During Part 2, you will have reviewed your farm business management records and reporting back on some activities like visiting buyers to negotiate contracts,*
  - *The different teams may need time to review their records on their own before sharing information with the whole FBS.*
  - *When planning the meetings for Part 3 of the FBS, be sure to include time for the team and the collective reviews and for any report-back sessions. It might be best to start the sessions with review and report back, but this should be decided in consultation with the participants.*
- 

**Meeting 32: Reflecting on experiences and lessons learnt**

**Aims:**

- ✓ To assess the progress made by farmers at the end of the last production season.
- ✓ To reflect on experiences and results from the season just ended.
- ✓ To reflect on the need for follow-up assistance.
- ✓ To reflect on the need for changes in the FBS Programme.

**Preparation:**

This session starts with the farmers sharing what they have experienced and learned during the FBS class. In preparation, you will need to prepare two lists of questions to guide the discussion.

One list should focus on the FBS as a support to the farmers. What worked? What did not work? How can it be improved?

The second list should focus on the technical learning from the FBS. The aim is to find out how well the participants could understand and apply the concepts and ideas they learned in the FBS.

Below are suggested questions. Use some or all of these, or make up your own.

**Assessing the FBS**

- How would you rank the farm business methods you were taught in terms of their importance to your farming operations?
- Were these methods hard to understand or apply? Why?
- How did you find the balance between learning ideas and concepts learning practical skills?



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- How much support have you received from your extension agent or other farmers to help apply the methods learnt?
- Has any follow-up training been provided to you from outside the FBS? If so, what kind of training?
- What do you think about the approach used to develop the Farm Business Plan?
- What do you think about the way implementation part of programme was run?
- What suggestions do you have to improve the FBS programme?

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**Guidance:**

- *Most of the learning points from this session come from what the participants say. In order to do a good summary at the end of the session, you will need to keep some notes that record the comments and ideas from the participants.*
  - *The detailed assessment is divided into two practices (practice 2 and 3). However, you may want to do the evaluation as a single practice.*
- 

Practice 1: Reflecting on progress

**Process:**

- 1- Explain the following:

*Evaluation is a process of checking if planned activities have been implemented according to plan and if the objectives and goals have been met. Evaluation also helps find ways to improve on future plans/activities.*

- 2- Organise the participants into groups of 3-5.

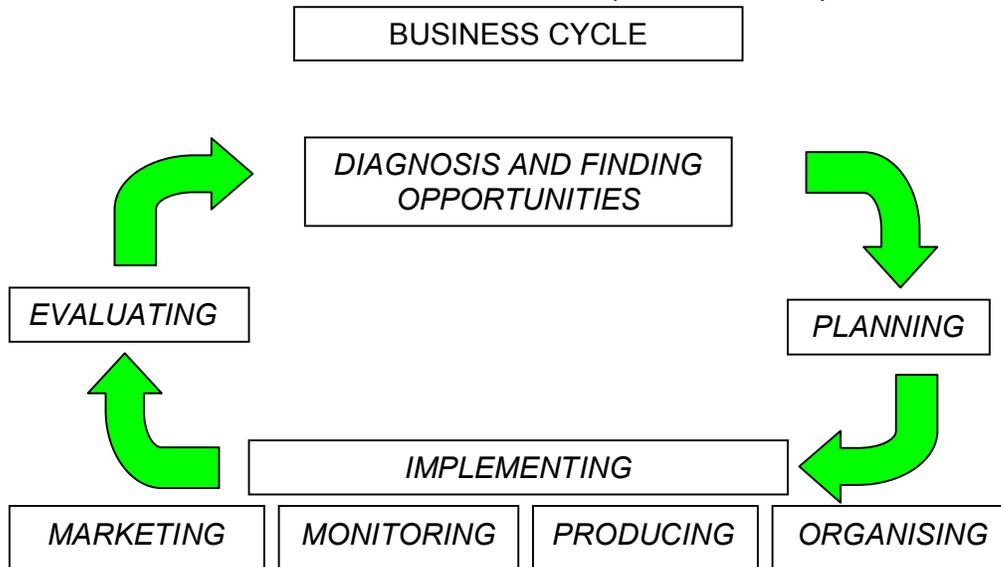
- 3- Remind the participants of the Farm Business Management cycle that they discussed in the Pre-Season Sessions. Explain that the purpose of this round of sessions is "Evaluating". They will spend this meeting evaluating the FBS so far. And they will be evaluating the results from the Farm Business Plans they developed. The purpose of the evaluation will be to enable them to make another diagnosis of their farms and to develop a Farm Business Plan for the next season.

- ✓ If you are being trained, which method do you want to learn most?
- ✓ How does the FBS change your working attitude?
- ✓ What are the total influences of the FBS on your farm benefit?
- ✓ What do other farmers say about the FBS?

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- 4- Ask each team to make a quick assessment of how they feel they have progressed in terms of carrying out their Farm Business Plans. They should include things that went particularly well and things that did not go well. What was the most difficult part of their plan to implement? Why? What do the members of the team have experiences?
- 5- Ask each team to share a few experiences from their discussions. Have each team tell one experience. Encourage discussion about it. Repeat the process until all the teams have told all their experiences or until you see that the experiences are beginning to sound the same.
- 6- Ask the participants about their future plans. What do they want to do next season? What are some of the changes they want to make? Encourage discussion. Remind them that towards the end of this part of the FBS programme, they will make a new Farm Business Plan to help them through the next season.

Practice 2: Assessing application of the FBS lessons

**Preparation:** On the board, write the questions you developed to assess the application of FBS lessons.

**Process:**

- 1- Organise the participants into teams of 3-5 with the same main enterprises on their farms.
- 2- Explain to the teams that their first task is to discuss how effective and how helpful the FBS lessons were when applied to their farms. The aim of the exercise is to improve the FBS lessons.
- 3- Write the questions on the board, ask each team to discuss and answer each question.
- 4- Starting with your first question, ask each team to share what they learned. Encourage discussion. What was helpful? What was not helpful? Why?
- 5- Based on the points raised by the participants, lead a discussion to identify suggestions from the participants to improve the FBS lessons and to make them more relevant. Write their suggestions on the white board.

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***Assessing application of the FBS lessons***

- ✓ What were the business methods in the FBS lessons?
- ✓ How do current business methods affect your farm profit?
- ✓ What difficulties do you have as you apply the FBS method?
- ✓ When the FBS has appeared, do you join commercial activities more often?
- ✓ After the FBS, how do you do to improve your plans and pests?
- ✓ Do you change your old methods? What are they?
- ✓ What do you differ from the others who do not attend the FBS program?

**Practice 3: Assessing the FBS**

***Preparation:*** On the board, write the questions you developed to assess the FBS.

***Process:***

- 1- Organise the participants into teams of 3-5 with the same main enterprises on their farms.
- 2- Explain to the teams that their next task is to assess the FBS as whole. The aim of the exercise is to improve the FBS.
- 3- Referring to the questions on the board, ask each team to discuss and answer each question.
- 4- Starting with your first question, ask each team to share what they learned. Encourage discussion.
- 5- Based on the points raised by the participants, lead a discussion to identify suggestions from the participants to improve the way the FBS runs. Write their suggestions on the white board.

***Guidance:***

- *The feedback and suggestions made in this session should be organised and if needed followed up with further interviews with farmers out of FBS sessions. They should be shared at a meeting of FBS facilitators to improve FBSs.*

**Wrap – up:**

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.
- Remind the participants that in the next meeting, they will be evaluating their farms. They will need to bring their farm records.

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**Meeting 33: Assessing the performance of the business enterprise plan**

**Aims:**

- ✓ To review farming operations at the end of the production year.
- ✓ To practice using farm records as a means of assessing performance.
- ✓ To benchmark and evaluate farm performance.



**Preparation:**

This session relies on the records the farmers have been keeping about the enterprise for which they developed their business plan. During the Part 1 (Planning) of the FBS, each participant made a Farm Record exercise book for his farm. Therefore, during the production season, you will need to have followed-up on the recordkeeping and helping to make sure that it is all up to date. During this session, you will be using these records.

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**Guidance:**

*The key learning points for this meeting will come from the discussions by the participants. In order to make a good summary at the end, be sure to keep notes of what the participants say.*

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**Practice 1:** Did I achieve my goal?

**Process:**

- 1- Organise the farmers into teams of 3-5 based on a common enterprise.

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**Guidance:**

- *The participants should be in the same groups till the end of the Farm Business Plan review.*
- 

- 2- Write the following heading on the board: **My farm goal**
- 3- Ask the participants to take out their Farm Business Plan exercise book and their Farm Records exercise book for the season just ended. They should open to the "Background" section in the Farm Business Plan and look for the goal they set for the season.
- 4- Ask each team to discuss how well each team member has done in achieving the goals they set for themselves at the beginning of the season. What progress did they make? Did they achieve their goals? Did they do better than they planned? Did they fall short of achieving their goals? For those who achieved their goals, they should discuss what key things contributed to their success. For those who did not achieve their goals, they should identify the things that prevented them from achieving their goals. They should make notes on the goal pages of their Farm Business Plan.
- 5- When they have finished, ask each team to present what they have discussed. Encourage discussion and try to identify key elements that contributed to achieving or

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not achieving results. Write the key elements on the board under the appropriate heading.

**Guidance:**

- *There are many factors that contributed to achieving and not achieving their goals.*
- *There may be a tendency for them to try to say that it was factors beyond their control. The most important thing is that the participants take responsibility for their actions.*
- *You will need to probe their answers:*
  - *Did they follow their plans?*
  - *If the plan did not work, what were the weak elements? Why were they weak? What should they have done differently?*
  - *Remember Pao's story; he learned that he had gotten the wrong information about what seed to plant and decided next time to ask the extension officer.*
  - *What parts of the plans went well? Can they be repeated?*

6- Explain that the participants should remember these key points. They will be important when they develop their next Farm Business Plan.

Practice 2: How well did my farm production plan work?

**Guidance:**

- *This exercise will look at the production plan and technical feasibility of the participants' Farm Business Plans*
- *There may be some repetition from practice 1*
- *Keep the participants in the enterprise groups*

**Process:**

1- Write the following headings:

**My production plan**

**Things I should do again**

**Things I should do differently**

- 2- Ask them to discuss how well their production plan worked. Did it give the results they wanted or expected? What problems did they have? What worked? What did not work? What should be done differently next time? They should look at every aspects of the plan. Is there anything that indicates that it is not technically feasible to produce this product? Soil? Climate? Slope of land? Or elevation?
- 3- Ask each team to present what they have discussed. Identify and write on the board key things that they should do again and things they should do differently. These will be important when they develop their next Farm Business Plan.

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Practice 3: Reviewing physical resources and inputs

**Guidance:**

- *Keep the participants in the enterprise groups*

**Process:**

1- Ask the participants to open their Farm Business Plans to the section on "physical resources and inputs".

2- Write the following headings:

**Physical Resource and Inputs**

**Things I should do again**

**Things I should do differently**

3- Ask the teams to discuss the success they had getting the physical resources and other inputs they had planned for. Were the resources and inputs available when they needed them? How were the prices? How would they rate the suppliers in terms of reliability, price, quality of product, etc.? Would they change suppliers? Would they change products?

4- Ask each team to present what they have discussed. Identify and write on the board key things that will be important when they develop their next Farm Business Plan.

Practice 4: Reviewing labour planning

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**Guidance:**

- *Keep the participants in the enterprise groups*
- 

**Process:**

1- Ask the participants to open their Farm Business Plans to the section on "labour requirements and availability".

2- Write the following headings:

**Labour planning**

**Things I should do again**

**Things I should do differently**

3- Ask the teams to discuss what success they had with their labour plans. Was the family labour available as planned? Why not? Did they hire all the labour they needed? Was the timing right? Was the cost as they had planned? How efficient was the labour? Did they have enough labour? Too much? Too little?

4- Ask each team to present what they have discussed. Identify and write on the board key things that they should do again and things they should do differently. These will be important when they develop their next Farm Business Plan.

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Practice 5: Reviewing market planning

**Guidance:**

- *Keep the participants in the enterprise groups*

**Process:**

- 1- Ask the participants to open their Farm Business Plans to the section on "Marketing".
- 2- Write the following headings:

**Marketing**

**Things I should do again**

**Things I should do differently**

- 3- Ask the teams to discuss what success they had with their marketing plans. Did they meet their targets? Why not? Did they get the prices they expected? If not, why not? Did they get the marketing costs they expected? If not, why not? How were the markets? Many buyers and sellers? Did it work out as you planned? Did you use the transport you planned? If not, why not? What was the quality of your products? What will you do differently next time?
- 4- Ask each team to present what they have discussed. Identify and write on the board key things that they should do again and things they should do differently. These will be important when they develop their next Farm Business Plan.

Practice 6: Reviewing profitability

**Guidance:**

- *Keep the participants in the enterprise groups*

**Process:**

- 1- Ask the participants to open their Farm Business Plans to the section on "Profitability".
- 2- Write the following headings:

**Profitability**

**Things I should do again**

**Things I should do differently**

- 3- Ask the teams to discuss what success did they have with their enterprise profitability? Where the planned costs same as the actual costs? Did they manage to save costs? If so how? Was the profit as planned? If not, why?
- 4- Ask each team to present what they have discussed. Identify and write on the board key things that they should do again and things they should do differently. These will be important when they develop their next Farm Business Plan.

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Practice 7: Reviewing cash availability and sources of finance

**Guidance:**

- *Keep the participants in the same teams as practice 1*

**Process:**

1- Ask the participants to open their Farm Business Plans to the section on "Cash Availability".

2- Write the following headings:

**Cash Availability**

**Things I should do again**

**Things I should do differently**

3- Ask the teams to discuss if they had enough cash for the enterprise? If not which months did they had shortfalls? How did they do about it? How close was their cash flow plan to what really happened? What were the differences between reality and plan? Why?

4- What sources of finance did they finally use? They should rate those sources in terms of the advantages and disadvantages they discussed during the Pre-Season training. How accurate was their assessment? What more have they learned from the FBS? Which is the best finance source? What attributes helped you decide?

5- Encourage discussion and try to identify key things that they should do again and things they should do differently. What would they do the again? What would they do differently? Write key learning points on the board under the appropriate heading.

Practice 8: A review of risks

**Process:**

1- Keep the participants in their enterprise teams.

2- Write the following headings:

**Risks**

**Things I should do again**

**Things I should do differently**

3- Ask the teams to discuss the following:

- ✓ What risks did you think you would face last season?
- ✓ What happened and how can you handle them?
- ✓ What risks did you face that you did not expect or plan for? What happened and how did you handle it?

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**Guidance:**

- *The purpose of this exercise is to help the farmer deepen their awareness of potential risks.*
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Practice 9: Reviewing on recordkeeping

**Process:**

- 1- Keep the participants in their enterprise teams.
- 2- Ask the participants to share their thoughts on the overall process of evaluating their Farm Business Plans. What was the most valuable lesson they learned from this first evaluation? Encourage discussion.  
Lead the discussion to the idea that: a farm business plan needs to be clear and then it needs to be implemented. Plans, however, are not fixed. They have to be adjusted as they are implemented. So farmers have to adapt their plans. But, they should stick to the overall goal.
- 3- Next, ask the participants to share their thoughts on the role of records in evaluating their Farm Business Plans and their enterprises. Did they actually keep the records? Who did this? Is it easy to evaluate as we keep the records? To evaluate the enterprise accurately, they should take note and keep the records carefully.
- 4- After the discussion explain the following:  
*Records are important. They provide most of the information needed to do the evaluation. If good records are kept, then a farmer does not have to rely so much on his memory. His evaluation will be more accurate which means his next Farm Business Plan will be better.*

**Wrap – up:**

- ✓ Take a few minutes to review the key points covered in this meeting.

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**Guidance:**

- *Remember, most of the learning points will come from the discussion.*
  - *What were the most common or important things the participants thought went well and will do again?*
  - *What were the most common or important things the participants thought did not go as planned and they will not do again?*
  - *What new things will the farmers do in the next season?*
- 

- ✓ Remind the participants about the next meeting.
- ✓ Remind the participants that in the next meeting, they will be evaluating their farms. They will need to bring their farm records again.

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**Key points from Meeting No. 33**

- This has been the beginning of the evaluating part of the Farm Business Management Cycle.

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- Each participant has made an initial evaluation of the Farm Business Plans they developed at the end of the Pre-Season Sessions. They have evaluated the following:
    - The extent to which they achieved the goals they set
    - Their production plans and technical feasibility
    - Their plans for resources and inputs
    - Their use of labour
    - Their market plan
    - The profitability of their enterprise
    - Cash availability and cash flow
  - Evaluating is important because it puts you in the position to make a plan for the next season.
  - Records are important. They provide most of the information needed to do the evaluation. If good records are kept, then a farmer does not have to rely so much on his memory. His evaluation will be more accurate which means his next Farm Business Plan will be better.
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**Meeting 34: Choosing an Enterprise**

**Aims:**

- To understand the aspects required when selecting an enterprise.
- To select enterprises for the farm business plan.
- To provide an opportunity for farmers to learn how to assess profitability and select enterprises
- To show the farmers the usefulness and application of the data collected over the season.



**Key questions:**

- What resources, inputs and labour are needed for each enterprise?
- What enterprises are most profitable?
- What enterprises should they include in their farm plan?

**Preparation:**

In this session, the participants will be looking at labour, cash requirements for the enterprise they have included in the whole farm budgets. The aim is to assess availability of such resources within each farm and assess which enterprises should be included in the farm plan.

**Practice 1: Initial choice of enterprises**

- 1- Explain the following:

*In preparation for last season, each of you prepared a Farm Business Plan for one of your enterprises. In this session, you will develop a Farm Business Plan for the whole farm for the coming season. The plan will cover all of the enterprises that you plan to sell on the market. This will make it more complex. So we will do it in stages. The first stage will be to make a selection of enterprises. Then we will develop a budget for the whole farm. The farm budget is made up of the budgets for individual farm enterprises. It also includes fixed costs. Then we will work on a market plan. And finally we will work on a Farm Business Plan.*

*While each of you will develop your own Farm Business Plan and farm budget, you are encouraged to work together to help one another.*

- 2- Ask the teams to discuss all the enterprises and products on their farms. Based on their experience from last season, which of these enterprises do they want to include in the plan? Which of these enterprises do they think could be profitable? Ask them to make a list of these enterprises. Their discussions should be guided by the following questions:
  - Which enterprises was the most profitable last season?
  - What new market opportunities did they learn about last season?
  - What enterprises are technically feasible to produce on their farms?
- 3- Ask each team to share their lists of enterprises. Ask them to explain why they have chosen these particular enterprises.

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- 4- Explain that now that they have made this initial selection of enterprises, they will work on each one to make sure it is both profitable and possible to implement.

Practice 2: Calculating enterprise budgets

**Process:**

- 1- Organise the participants into teams of 3-5.
- 2- Ask the participants to name the enterprises they intend to include in the coming season. List these enterprises on the board.
- 3- Using the list on the board, assign two teams to discuss one enterprise.
- 4- Ask each team to calculate enterprise budgets for one of their assigned enterprises. They should calculate this for one hectare if it is a crop. Remind the participants that the enterprise budgets are done on a per unit basis so that later they can calculate the actual budget based on the actual hectares.

**Guidance:**

- *This could take some time. Do not rush the process.*
  - *Check on progress and help where required*
- 5- When each of the teams has finished one enterprise budget, ask them to share the budgets with the rest of the participants. Encourage discussion. Have they covered everything? Does anything need to be changed?
  - 6- When the presentations are done, ask the teams to work out enterprise budgets for the rest of their assigned enterprises.
  - 7- Encourage discussion. How do they compare? Are the differences important? Does anything need to be changed?
  - 8- Repeat the process until all planned enterprises are covered and presented.

**Guidance:**

- *The enterprise budgets will be used to choose enterprises for the next season.*
  - *Some of the enterprises may not be technically suitable and profitable. If so, the participants should avoid including them in the final selection.*
  - *Some enterprises will be more profitable than others. The participants should think carefully about whether or not they want to produce less profitable enterprises. They should also think in terms of linking issues like labour and financial requirements.*
- 9- Go over the enterprise budgets for each of the enterprises. Raise the following questions:
    - ✓ Do any of the enterprises make a loss?
    - ✓ Which enterprises are most profitable?
    - ✓ How does this information influence their choice of enterprises for next season?
  - 10- Ask the teams to review their enterprise choices based on the results of the enterprise budgets. Each participant should make a final list of enterprises that he wants to produce and market.
  - 11- Ask each team to share their final lists of enterprises.

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Practice 3: Technical feasibility assessment

**Process:**

- 1- Explain the following: *You are now going to check if it is possible to produce the enterprises you have selected. You need to make sure that the climate, the rainfall and the temperature are suitable for your enterprises.*
- 2- Explain that: they should have chosen enterprises that they know are technically feasible. However, it is still important to think about the factors that determine if it is really possible to produce that product on your farms.
- 3- Ask the groups to help each other to think about what their enterprises needs and to decide if their farm is suitable for the enterprises. Next to each indicator, they should also give an overall assessment of all factors.

**Crops...**

**Technical Production Factors**

Soil

Climate (rainfall, temperature)

Topography

Water availability

Overall suitability

- 4- When the groups have finished their work, ask each one to share the results of their discussions.

Practice 4: Assessment of the physical resource requirements for the enterprises

**Process:**

- 1- Keep the participants in their same teams.
- 2- Ask each team to discuss and decide on the inputs for their enterprises.

Enterprise \_\_\_\_\_

Inputs

Quantity

Source of suppl

- 3- *When discussing the input requirements they will need for their enterprises. They need to assess*
  - i) *How much of each will I need?*
  - ii) *What are my sources of supply?*
- 4- The inputs for crops may include seed, fertiliser and pesticides, and implements like tools. They should list these under the first column "Inputs". These should be derived from the enterprise budgets they have calculated.
- 5- When they have finished their list of resources and sources, ask one farmer in each team to share their lists. Encourage discussion.
- 6- When the presentations are done, ask the teams to update their lists of inputs.
- 7- Explain that they will need to repeat the process with each of the other enterprises they have chosen for the plan.

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**Guidance:**

- Repeat the process until all of the chosen enterprises have been covered

Practice 5: Labour requirements for the enterprises

**Process:**

- 1- Keep the participants in their same teams.
- 2- Ask each team to discuss the labour requirements for the enterprises chosen.

**Guidance:**

- They should check if they are likely to have adequate labour available to implement their selected enterprises. If not they should think about the additional labour required. Will this labour come from the family or will it be hired? In which months will hired labour be required? And how many additional days will be needed?

- 3- Each team should assess the amount of labour required. This should be entered in the format given below:

Enterprise \_\_\_\_\_

Activity	Month	Total labour required (days)	Family labour available (days)	Amount of labour to hire (days)

- 4- Next ask them to decide in each month how much family labour is available and how much labour they will have to hire.
- 5- When they have finished this task, ask if there are any clarifications needed. Encourage discussion.

Practice 6: Final selection of enterprises

**Process:**

- 1- Explain to the participants that now that they have looked at the profitability and the physical, labour and cash requirements of their selected crops, they need to make a final selection of their enterprises.
- 2- Ask the teams to discuss all that they have covered in terms of their chosen enterprises. What are the main advantages and disadvantages of each enterprise? Are they convinced that they have made the right choices of enterprises? Do they want to change anything?
- 3- When the discussion is done, ask the teams to discuss which enterprises each of their members will have for the next season. Each farmer can have his own combination of enterprises. In the end, each participant must state the following:

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- ✓ Which enterprises will they have?
  - ✓ How many hectares do you produce?
  - ✓ What is the expected yield from each enterprise?
- 4- When the teams have finished, ask each team in turn to share their plans. Start with one member of each team. Then move to the next team. As each farmer presents his plan, encourage the other participants to ask questions. Why has he chosen those enterprises? Were these the most profitable? Were there other factors?

**Wrap – up:**

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the meeting.

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### **Key points from Meeting No. 34**

- When planning a farm, it is helpful to think of all the different enterprises that it might be possible to have.
- Then it is important to make an enterprise budget for each enterprise. This way, the farmer will know which of the enterprises will bring the most profit.
- But profit is not the only thing to consider. A farmer must also look at the material resources and inputs that would be required. Can he get them? Are the sources reliable? And then he needs to know what labour would be needed. Does he have enough labour at home, or will he have to hire labour?
- Once he has all this information, he can make an informed choice about the enterprises he want to have on his farm.
- Each farmer will choose enterprises based on his own situation. No two farms are likely to be exactly the same.
- In sum, at least the following should be taken into consideration
  - ✓ The results of the previous season
  - ✓ Profitability
  - ✓ Technical feasibility
  - ✓ Physical resource requirements
  - ✓ Labour requirements

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**Meeting 35: Preparing a Marketing Plan**

**Aims:**

- To strengthen the farmers' understanding of the concept of the marketing plan for selected products.
- To collect data from the market to assist the farmers in preparing enterprise budgets.
- To finalise market plan for each of the enterprises on the participants' farms using information from a visit to markets.
- To calculate the marketing costs.



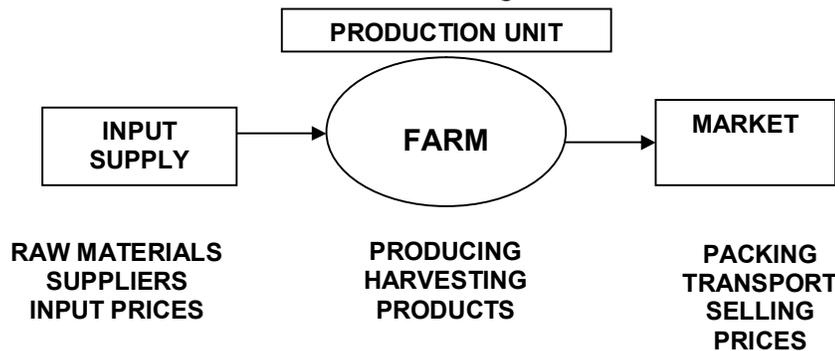
**Key questions:**

- What is a market plan?
- How can I arrange all the information I have in a systematic manner?

**Practice 1: Preparing the market plan**

**Process:**

- 1- Explain that this exercise is going to expand the previous work done on markets. Explain the importance of planning for the market using the following diagram from the Sessions in Part 1 of the FBS Programme.



- 2- Ask the participants what should be included in a market plan. Encourage discussion.
- 3- After the discussion, write the following headings on the board.

**MARKET PLAN**

<u>Products</u>	<u>Market</u>	<u>Buyer</u>	<u>Quantity</u>	<u>Market price (per unit)</u>	<u>Marketing costs (per unit)</u>	<u>Comments</u>
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- 4- Explain that a farmer should develop a market plan for each enterprise. The plan should address each of the seven areas. These are explained as follows:

<u>Aspect</u>	<u>Explanation</u>
Market:	The place the product is to be sold. This could be the

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farm gate, a local market, market in a distant town, a supermarket, etc. Each market will offer a different price for the product.

Buyer:	Description of the buyer (e.g. consumer, retailer) or the specific buyer if known
Quantity:	The amount to be sold
Market price	The price expected to be received for produce sold in the market. This should be per unit sold.
Marketing costs	The costs of getting the product to the market (on a per unit basis). This includes transportation, packaging, handling etc.
Comments	When the product should be taken to market How the product should be taken to market Things that could go wrong for which the farmer must prepare etc.

- 5- Organise the farmers into teams of 3-5 based on similar enterprises.

**Guidance:**

- *Since the farmers will be going to the market, be sure the chosen enterprises are products that can be found in the market they will visit.*

- 6- Ask each team to discuss marketing their product. Ask them to prepare a checklist of the information they need to gather from the market visit. The checklist should cover the six key areas. Explain that they may not have all the information they need to complete the plan, but they should get as much as they can.
- 7- Ask one representative from each enterprise group to present their checklist to the group. Encourage discussion on topics listed and omitted.
- 8- Discuss with the participants the most appropriate markets to visit depending on the choice of enterprises.

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**Guidance:**

- *Note that some groups may have to travel further afield to visit the market. They should agree on the time needed for the visit and the next time they will report back.*
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- 9- Explain that the task before the next meeting is for each team to visit their proposed market together to gather more information about marketing their product. They should then complete the market plan in time for the next meeting of the FBS.
- 10- The participants should now be sent to survey their selected market.

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**Meeting 36: Developing a market strategy**

**Preparation:**

At the last meeting, the participants were given the assignment to visit markets and to complete their market plans. Between the last meeting and this one you should follow up on the teams and make sure they visit the markets and complete their plans. They may need encouragement. They may need you to accompany them.

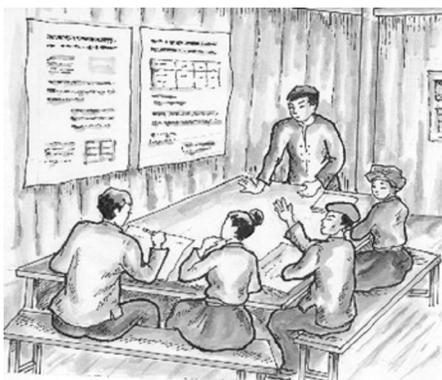
**Aims:**

To finalise market strategies for each of the enterprises on the participants' farms using information from a visit to markets.

**Practice 1: Report from visit to the market**

**Process:**

- 1- Organise the participants into their enterprise teams.
- 2- Remind the participant that since the last meeting, they were each supposed to visit the market to gather more information to finish their market plans.
- 3- Ask each team to share their experiences in the market and what they learned. Ask each team to first report how the visit to the market went. What experiences did they have? Were they able to get the information they needed? What kind of problems did they have? How did they handle them? Encourage discussion.
- 4- When the teams have finished, ask each team to present their initial plan. Encourage discussion. Which parts of the plan were easy to do? Why? Which parts were difficult? Why? Lead the discussion to the idea that to make a good market plan, they need to have good market information.
- 5- Start a discussion about how this information might influence where and how they will market the enterprises they plan to produce in the next season. Does the market information affect their production plans? Does it affect the quantities they will produce? Does it affect the quality of the product? Does it affect the packaging or the timing for marketing?



- 6- When they have finished ask each team to share one of its market plans. Ask them to explain their decisions. Encourage discussion. Does the plan make sense? What suggestions can the others make?
- 7- If after the discussion, any team wants to make changes to their market plan, ask them to do this right now.
- 8- When the presentations are done, ask the teams to look at all the information they have about the enterprises they have been working on today. They should consider at least the following questions:

- *Which of the enterprises will help me the most in achieving my goals?*
- *Which of the enterprises make the most profit?*
- *Which of the enterprises are the most practical to do?*

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- Which of the enterprises are the most risky?
  - What are the advantages and disadvantages of each of the enterprises?
- 9- Explain that they should do the same for each of the enterprises (products) on their farms. For each enterprise they need to develop a market plan.

**Wrap – up:**

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.

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### Key points from Meeting No. 36

- Planning has five elements:
    - 1) Formulate goals and objective
    - 2) Identify resources and assess potential
    - 3) Identify opportunities
    - 4) Estimate enterprise budgets and select enterprises
    - 5) Prepare farm plans and action plans
  - Market plans need to be developed for each enterprise on the farm
  - Market plans should cover seven elements
    - 1) Market
    - 2) Buyer
    - 3) Quantity
    - 4) Market price
    - 5) Marketing costs
    - 6) Farm gate price
    - 7) Comments - other problems
  - Visiting the market is a useful way to gather first-hand information about market opportunities.
  - It is important to balance choices of enterprises with market information. This includes:
    - What enterprises to produce,
    - How much to produce
    - When to produce and market the product
    - Which market to use
    - How to transport the product
  - It is wise for farmers to review and finalise their decisions about producing and marketing enterprises before developing their Production Plans.
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**Meeting 37: Developing the farm production plan and assessing farm profit**

I- DEVELOPING THE FARM PRODUCTION PLAN

**Aims:**

- To confirm that the enterprise choices and production plans are finalised.
- To finalise the enterprise choices this may have changed after the visit to the market.

**Key questions:**

- What is my final decision about the enterprises I will produce next season?
- What new information did I get from my visit to the market? Does this change any of my decisions on the production plan?

Practice 1: Review of enterprise choices and development of production plans

**Process:**

- 1- Explain that now that they have all the information they need, they must make one final review of their enterprise choices.
- 2- Ask if anyone is going to make any changes to their production plans? For example, changes in land size.
- 3- If anyone is planning to make a change to their production plan, then give them time to work on this now.
- 4- Explain to the participants that their production plan should be based on the total land available to the farmer for the next season. It should include the planned area under cultivation for the crop enterprises that they have selected. The production plan may also include the size of the livestock enterprise depending on the resources available. Allocation of land for each enterprise should be made after considering the following:
  - Enterprise profitability
  - Food requirements of the farm household
  - The market
  - Availability of inputs, cash and labour
  - Technical considerations and risks
- 5- Ask the participants to develop their production plan based on the selected enterprises using the format below:

**Crops.....**

Enterprise	Area (ha)	Output (ta/ha)	Total output (tons)
Tomatoes	2.0	250	50
Cucumber	2.0	300	60

- 6- When they have completed, ask 2 or 3 participants to share their production plans with others. Encourage discussion.

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II- ASSESSING FARM PROFIT

**Aims:**

- To prepare whole farm budgets for the production season
- To understand farm profit

**Key questions:**

- How do I calculate farm profit?

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**Guidance:**

- *This is a continuation of enterprise budgets the participants have been working with over the last few sessions. The next step is to look at the whole farm budget. The whole farm budget should cover all the enterprises on the farm. But in this case, to make the learning a little easier, the participants will develop the whole farm budget using only the enterprises that they plan to market. These will not be included.*
- 

**Practice 1:** Reviewing fixed costs

**Process:**

- 1- Explain that in the last meeting, the participants developed enterprise budgets for each of the enterprises they sold on the market. So they now know how the profitability of each of these enterprises. How much profit does the farm make all together? Explain that one of the things they have to take into account when answering this question is fixed costs. Remind them that they covered fixed costs in Part 1 of the FBS programme.

- 2- Ask the participants to brainstorm on the differences between variable and fixed costs. Lead the discussion to the following understandings.

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

**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.

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

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

All of these costs are divided equally in enterprise.

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Practice 2: Depreciation

**Process**:

- 1- Ask the participants if any of them owns a tractor or a plough or some other implement.
- 2- Whoever answers ask if that piece of equipment lasts forever. Does it ever wear out? How long have you used it? How often do you replace it?
- 3- Explain the following:

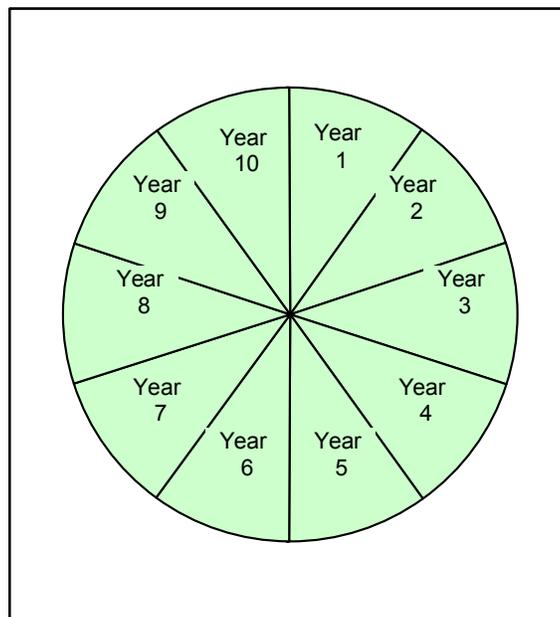
*Every piece of equipment has a money value. Its highest value is usually when it is new. Its lowest value is when it is old. And it has no value when it no longer works or does its job.*

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

*Calculating depreciation allows you to measure the yearly cost of the equipment.*

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

- 4- Draw the following diagram on the board:



- 5- For example:

*We have a new tractor. The price when it was new was 100million VND. We know the plough will last 10 years.*

*In the diagram we see 10 slices in the pie. Each slice represents one year of life of the plough. Simple depreciation says that each year the value of the plough reduces by 10% of the original value. In this case it is 10million VND per year. In this way,*

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10million VND is subtracted from the value of the plough each year for 10 years. At the end of the 10<sup>th</sup> year, the plough has fully depreciated. Its value is now zero (0).

6- Explain the following:

*Depreciation is the annual cost or value of a fixed asset that will be used in calculation of the farm profit.*

**Practice 3: Calculating farm profitability**

**Process:**

1- Organise the participant into teams of two.

2- Explain the following:

*You have each made your choice of enterprises for your farm. The next step is to calculate the estimated profit for the whole farm.*

*You should have an enterprise profit (Gross Margin) for each of the crops. Remember, the crop enterprise budgets are all on a unit base such as 1 hectare. However, you need to convert these to match the actual size of land you are going to plant to each crop you are going to keep. This will estimate the Enterprise Profit for the real area to be planted.*

3- On the board write the following:

<u>Enterprise</u>	<u>Land size (ha)</u>	<u>Enterprise profit (VND/ha)</u>	<u>Total enterprise profit</u>
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4- Explain the following:

*Let's look at an example: a farmer has 6.5 hectares of arable land. He has decided to produce 4.5 ha of maize, 1.5 ha of groundnuts and 0.5 ha of tomatoes.*

*He already knows the enterprise profit for each of his products. The enterprise profit for the maize is 2million VND per hectare. The enterprise profit for the groundnuts is 4million VND per hectare. The enterprise profit for the tomato is 10million VND per hectare.*

*Even though the tomato has the highest enterprise profit per hectare, there are other factors that have made this farmer limit these crops and to grow mostly maize. Perhaps it is labour or the market or some other factors. Even though the enterprise profit for groundnuts is low, the farmer still wants to grow a small amount of it. Perhaps this is his family's food preference. Each farmer will have his reasons for his choice of enterprises.*

5- Enter the data into the table

<i>Enterprise</i>	<i>Quantity (ha)</i>	<i>Enterprise profit (VND/ha)</i>	<i>Actual enterprise profit (VND)</i>
Maize	4.5	2,000,000	9,000,000
Groundnuts	1.5	4,000,000	6,000,000
Tomatoes	0.5	10,000,000	5,000,000
Total	6.5		20,000,000

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6- Below "Total" add the heading: *Fixed Costs*

<i>My Farm Budget</i>			
<i>Enterprise</i>	<i>Quantity (ha)</i>	<i>Enterprise profit (VND/ha)</i>	<i>Actual enterprise profit (VND)</i>
Maize	4.5	2,000,000	9,000,000
Groundnuts	1.5	4,000,000	6,000,000
Tomatoes	0.5	10,000,000	5,000,000
Total	6.5		20,000,000
<i>Fixed Costs</i>			
Interest on loan for farm			2,000,000
Depreciation- plough			200,000
Total Fixed Costs			2,200,000

7- Explain the following:

*In this example, the farmer has two fixed costs that he cannot allocate to any enterprise. One is 2million VND in interest on a loan for the whole farm. The other is 200,000VND for the depreciation value for the plough he owns (calculated from the earlier example on depreciation). Therefore his total fixed costs are 2.2million VND.*

8- Now add the Farm Profit information as shown in the example below:

<i>My Farm Budget</i>			
<i>Enterprise</i>	<i>Quantity (ha)</i>	<i>Enterprise profit (VND/ha)</i>	<i>Actual enterprise profit (VND)</i>
Maize	4.5	2,000,000	9,000,000
Groundnuts	1.5	4,000,000	6,000,000
Tomatoes	0.5	10,000,000	5,000,000
Total	6.5		20,000,000
<i>Fixed Costs</i>			
Interest on loan for farm			2,000,000
Depreciation- plough			200,000
Total Fixed Costs			2,200,000
Farm Profit			17,800,000

9- Explain the following:

*The Farm Profit is calculated by subtracting the Fixed Costs from the sum of Enterprise Profit. In this example it is 20million VND minus 2.2million VND which equals 17.8million VND. This farmer made a profit of 17.8million VND from his farm.*

10- Now ask each team to discuss the fixed costs for each of their team members and to work out the total fixed costs and the net farm income for each. Remember the depreciation value. They should add this information to their individual farm budget.

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- 11- When the farmers have completed their plans and calculations, ask some of them to share with the rest of the farmers. Encourage discussion about the process. How can farm budgets be used in farm planning?

*Wrap – up:*

- Take a few minutes to review the key points covered in this meeting.
- Remind the participants about the next meeting.
- If the participants are providing their own exercise books, remind them that they will need a new exercise book for the next meeting.

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**Key points from Meeting No. 37**

- Whole Farm Budget and Profit
    - A whole farm budget is the total of the budgets for each enterprise on the farm plus the fixed costs.
    - A whole farm budget allows a farmer to know if the whole farm will make a profit or not.
    - Whole Farm Profit is calculated by adding up the enterprise budgets for each enterprise and subtracting fixed costs.
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**Meeting 38: Preparing a farm business plan**

***Aims:***

- To reinforce the usefulness of Farm Business Plans.
- To further teach the farmers how to prepare a Farm Business Plan.
- To develop a Farm Business Plan for the coming season.

***Key question:***

- Are you ready for next season?

**Practice 1: Understanding the farm business plan**

***Process:***

1- Ask the farmers to think about the work they have done with business plans since starting with the FBS. What potential use of a business plan? Why is it important? Write their answers on the board. Lead the discussion to cover the following points:

- Every farm should have a written business plan.
- A Farm Business Plan records all the important decisions about the farm.
- Writing a Farm Business Plan will improve thinking, decisions, communication and memory.
- A Farm Business Plan helps evaluate the success of the farm at the end of the season. (If the actual results do not occur as planned, the written record should help the farmer to evaluate what went wrong, whether better decisions could have been made. Without a written record, incorrect memories may cause incorrect changes.)
- A Farm Business Plan is very important for the creation or expansion of a business that processes products. Many new business ventures fail because they do not focus their efforts on properly implementing the plan.
- The business plan is not something you complete and then forget about. It is a living document that will undergo change as you move through the business development and implementation Process.
- Focus on the quality of your business plan, not its length. A simple clear plan is best.

2- Ask the farmers what they would include in a business plan? Write their answers on the board. Encourage discussion. Lead the discussion toward the following list.

- *Background*
- *Farm Production Plan*
- *Market Plan*
- *Profitability*
- *Cash Availability*
- *Risks*
- *Notes*

3- Remind the participants of the following:

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*A farm business plan is a plan that records the most important decisions and actions affecting the operation of the farm business. And it is a way to make sure that they are done in a way that makes the farm more profitable.*

*In this session we will go through the farm business plan one part at a time. We will build on the experience you have from last season.*

Practice 2: Preparing Farm Business Plan

**Process:**

- 1- Organise the participants into teams of 3-5.
- 2- Write the following headings on the board:  
*My farm business plan*
  - ✓ Background
  - ✓ Farm production plan
  - ✓ Market plan
  - ✓ Profitability
  - ✓ Cash availability
  - ✓ Risks
  - ✓ Notes
- 3- Explain that they are now going to work on their Farm Business Plans for the coming season. Even though they will be working in groups, they will complete a Farm Business Plan for each participant.
- 4- Ask them also to take out their Farm Business Plan from last season and their new exercise books.
- 5- On outside of the new exercise book they should write: *My Farm Business Plan* and the period it covers (for example: winter – spring crop season 2011).
- 6- They may want to set up their books as they did the first time they did a Farm Business Plan. If so, give them time to do this.

Practice 3: Background

**Process:**

- 1- Explain the following:  
*In a business plan the background gives a description of the farm business. It also gives the objective of farm business. It records the vision and goal of the farm business. It helps the farmer stay focused on what he or she wants to achieve.*
- 2- Ask the farmers to complete the background, use example below as recap.

**Example:**

Name: A Pao      Village and District: Chieng Di, Moc Chau

Period of plan:

From: October 2010 to April 2011

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**Guidance:**

- *The dates should be based on the seasonal cycle of the specific enterprise.*
- 3- Ask the teams to discuss the visions and goals they have for their Farm Businesses. Remind them that before last season, they set goals for the next. At the beginning of this set of sessions, they evaluated how well they did in reaching those goals. Now they should think again about goals. Do they want to keep the same vision and goals as for last season? Do they want to change those goals and vision? After discussions, each participant should set his own goals and vision.
  - 4- When the teams have finished setting goals, ask at least one person from each team to share his goals. Encourage discussion. Does the goal sound achievable? Does it stretch the farmer? Is it too easy to reach?
  - 5- Ask the participants to transfer the visions and goals to the Farm Business Plan.

**Practice 4:** Farm production plan

**Process:**

- 1- Explain the following:  
*You have already decided on your production plan. So all you have to do is to transfer that information onto the correct pages.*
- 2- Ask them to copy this information into their Farm Business Plan exercise books.

**Practice 5:** Market plan

**Process:**

- 1- Keep the participants in the same teams. Explain the following:  
*You have already done the market plan. So you already know the market price for your produce and your market plan. Therefore in this exercise all you need to do is to copy you individual market plan into your Farm Business Plan.*
- 2- Ask them to copy their market plan onto the page.

**Practice 6:** Profitability

**Process:**

- 1- Keep the participants in their same teams. Explain the following:  
*You have already done your whole farm budgets. So you already know how profitable your farms will be. Therefore, in this exercise all you need to do is to copy your individual enterprise budgets and whole farm budget into your Farm Business Plan.*
- 2- Ask them to copy their enterprise budgets and whole farm budgets onto the page.

**Practice 7:** Cash flow

**Process:**

- 1- Write the following on the board:

Cash Flow and Cash Availability												
Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

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- 2- Explain that this exercise is about cash flow and availability.
- 3- Explain that they did a cash flow when they made their business plans for last season. This time it is more complex because it involves the whole farm. But the process is the same. They will work through it step by step. First they must list the selected enterprises.
- 4- Next ask the participants to think about the cost of production and marketing for each enterprise. Which enterprises will need cash and when? How much cash will they need?
- 5- Next ask each person to figure out how much cash will be needed each month.
- 6- Next they should figure out if they will have enough cash each month. In the example on the board add "Cash Inflow" and "Outflow" to the table. For each month where cash is needed, they need to indicate how much cash is available. Each participant should have a table with these general heading although the items will differ depending on type of enterprises selected.

Activity	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Total
<b>Cash inflow</b>													
Enterprise 1													
Enterprise 2													
Enterprise 3													
Total													
<b>Cash outflow</b>													
Enterprise 1													
Enterprise 2													
Enterprise 3													
Total													
<b>Cash needed</b>													
Net cash flow (shortfall)													

- 7- Explain the following: *The information in the cash flow will be entered into the Farm Business Plan.*

**Practice 8: Cash availability**

**Process:**

- 1- Explain that the next step is to bring together all the information about cash flow and to decide on cash availability. This part of the exercise is similar to the one done in Part 1.
- 2- Write the following on the board  
*Cash availability*  
 (a) *I have the following cash available to use for my enterprises:*

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(b) I need the following amount of cash for my enterprises:

Enterprise 1: \_\_\_\_\_

Enterprise 2: \_\_\_\_\_

Enterprise 3: \_\_\_\_\_

Total cash needed: \_\_\_\_\_

( ) Yes, I have enough cash

( ) No, I do not have enough cash

(c) The amount of extra cash I need is:

(d) I need the extra cash in the following months:

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

<u>Source</u>	<u>Amount</u>
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- 3- Explain that they are now going to check if they have enough cash to implement their selected enterprises. They should use the cash flow they did in the last exercise as a guide.
- 4- Ask each team to discuss questions (a). How much cash do they have available to use on their enterprises. Each farmer may have a different answer.
- 5- Next they should discuss question (b). How much cash is needed for each of the selected enterprises? Each farmer may have a different answer depending on the size of the enterprise and the production plan. When they have determined how much cash is needed for each enterprise, they should total this for all the enterprises. Remind them that this information should come from the cash flow.
- 6- Ask the teams to answer question (c). Explain that if the amount in (a) is less than the total amount in (b), they will need additional cash. The amount is the difference between (a) and (b).
- 7- Next they should answer question (d). If they need extra cash, when will they need it?
- 8- Finally they should answer question (e). Where can they get the additional cash required? Ask the teams to discuss the possible sources of funds. Could cash come from other enterprises? From savings? From gifts? Will the farmer need to take out a loan? Will he need to borrow from family? From a money lender? What other possibilities are there? Explain the following:  
*Some of the cash could come from the income of other enterprises included in the farm plan. So while they have assessed the situation for each enterprise separately. This will need to be brought together into a cash flow for the entire farm plan.*
- 9- When they have completed their work, ask the participants to record this information into their Farm Business Plan exercise books.

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Practice 9: Risks

**Process:**

- 1- Write the following headings on the board:

<i>Risk</i>	
<i>Risk and what harm it can do</i>	<i>How to handle the risk</i>

- 2- Explain that for this exercise they should think about their farms. Ask the teams to discuss the specific risks that they might face in their enterprises. They should think about changes in market prices, the possibility of low yields, increases in costs of production and other types of risks. For each risk they should also identify what harm it can do. Each risk they identify should be written down on the page.
- 3- For each risk they identify, they should decide on what they think they can do about it. They should write their answers on the page next to each risk.
- 4- When the teams have finished, ask each team to share what they have written about risk to their enterprises. Encourage discussion. Have they covered all the risks? Will their plans to address the risks work? Are there any suggestions?

Practice 10: Notes

**Process:**

- 1- Explain that they have now covered everything in their Farm Business Plans. In the notes section of the farm business plan, farmers can write any other important information they need to record. It may be about where to get technical assistance and when it is required. It may be about setting up group marketing activities with other farmers.
- 2- Ask each team to discuss if there is anything else they think should be included in the farm business plan. Whatever they decide should be written on the risk page of their exercise books.
- 3- When each team has finished, ask each team to share what they have written. Encourage discussion. What do the other teams think? Are these notes useful to other teams?
- 4- When the discussion is finished, ask the teams to look back over the farm business plan exercise books. They should check the information and make changes where they think changes are needed.
- 5- When this is done, explain to the participants that they have just finished their second farm business plan. It is very important step toward making their farms better managed and more profitable. Encourage them to take their plans to their extension worker to discuss them with them. They may need to make changes.

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*Wrap – up:*

- Take a few minutes to review the key points covered in this meeting.
- Ask the participants to go and discuss their business plans with the family and come and present the next meeting.

**Key points from meeting No. 38**

- It is important to develop a farm business plan
- It is important to base the farm business plan on a careful, factual review of the previous season.
- A good farm business plan has the following main parts:
  - ✓ Background
  - ✓ Farm production plan
  - ✓ Market plan
  - ✓ Profitability
  - ✓ Cash availability
  - ✓ Risks
  - ✓ Notes
- Participants should review their new Farm Business Plan with their families. The aim is to make sure they are satisfied with the plan and to make any changes that might be needed based on their input.

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**Meeting 39: Developing an action plan**

**Aims:**

- To develop an action plan to implement their Farm Business Plans and to make progress towards fulfilling their visions.

Practice 1: Writing the Action plan

**Process:**

- 1- Write the following headings on the board:

*Action plan for my Farm business plan*

Action	Duration	Start date	Responsibility

- 2- Organize the participants in the teams they formed to review their farm business plans.
- 3- Explain the following:  
 The action plan you will work on now will be more complex than the one you made in part 1 of the FBS because it covers the whole farm and not just one enterprise.
- 4- Advise them to start at the beginning of their farm business plan and identify every action that needs to be taken in order to implement the plan. Remind them that for each action, they need to identify how long it will take, when it should start and who will be responsible. They should write their decisions under the appropriate heading.
- 5- When each team has finished, ask them to share their lists of actions. Write these on the board. Encourage discussion. Are the lists similar? If not, why? Have any actions been overlooked?
- 6- Explain that the next step is to develop a seasonal calendar based on the action calendar.

Practice 2: Action plan

**Aims:**

- To follow-up action plan.
- To conclude the FBS training and receive certificates.

**Key questions:**

- How can farmers most efficiently implement the second farm business plan?
- How can they effectively impart the knowledge and skills gained to other farmers?
- What follow-up assistance is required?

**Guidance:**

- The aim of this part of the FBS is to give ideas and guidelines for the farmers group to function independently to continue to build capacity to improve the performance and profitability of their farms.
- Now that the FBS training has come to an end, there is need to continue practising the skills farmers have gained and follow up on the following:

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- ✓ The farmers have to go and implement the second farm business plan.
- ✓ They need to keep records of their production.
- ✓ They need to train other farmers from the cooperatives they have been representing at the FBS.
- ✓ They need to keep on linking with input suppliers, financial institutions, markets and other stakeholders that are of importance to their farm business.
- ✓ The FBS facilitator shall be following up on the participants as they implement their activities.

Practice 3: Deciding on follow up actions

**Process:**

- 1- Organise the participants into their enterprise teams.
- 2- Ask each team to discuss the kinds of things they will need to do to continue improving their farm business management. Ask them to list the follow up actions that they will need to take.
- 3- Each team should discuss in detail to ensure that they fully understand what they are and how they will go about doing them. Encourage to identify the follow up actions that will have a set outcome for a particular purpose. Encourage them to make plans for individuals and actions they can take on together.
- 4- Ask each team to prepare a brief presentation about the actions that they are going to take. Presentations should be short and the team should select one or two people to do the presenting. Allow time for asking and answering at the end of each presentation.
- 5- Encourage them to discussion. Are the actions realistic? Are there actions for individuals? Are there actions for the team to do together?

Practice 4: Preparing an action plan

**Process:**

- 1- Keep the participants in the same teams.
- 2- Ask each team to look at the actions they have agreed on and to develop them into an action plan. The plan should explain when each action will be taken, the expected outcome and who is responsible. Advise the teams to use a seasonal calendar approach so that the plan can be easily understood. Explain that: they should discuss each of the actions in detail to ensure that everyone in the group fully understands what they are and how they will go about doing them.
- 3- Ask each team to prepare a brief presentation about their actions they are going to take. They should choose one or two presenters.
- 4- Encourage discussion: what are the plans? Do they involve actions for individuals as well as for the team together?

Practice 5: Taking the FBS further

**Process:**

- 1- Organize the participants into groups of 3-5.

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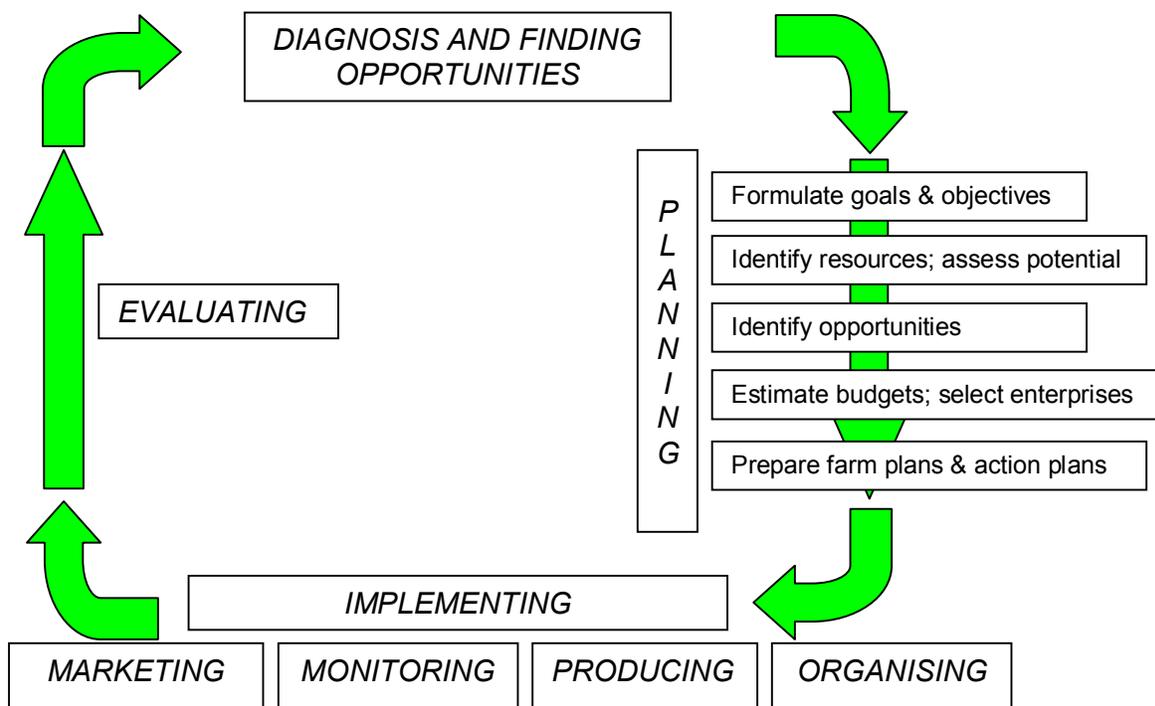
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2- Ask each team to discuss the following questions:

- ✓ What can we do to continue learning about farm business management after we have finished the FBS program?
- ✓ How can we apply what we have learned to other enterprises?
- ✓ How can we help other farmers learn about farm business management?
- ✓ Should we become facilitators? Who would we train?
- ✓ Are there other materials we can study?
- ✓ Are there other programs we can take?

**Wrap – up:**

- Take a few minutes to review the key points covered in this meeting.
- Draw the farm business cycle on the board.



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**Key points from Meeting No. 39**

- One tool to help guide implementation is the action plan. This lists all the activities that need to be done. It records when they should start, how long they should take and who is responsible to do the work.
- Another tool to help guide the implementation is the activity plan seasonal calendar. This gives the same information as in the action plan, but it shows when different activities

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start and stop on a month-by-month basis. Using this tool, the farmer knows exactly what to do each month.

**Wrap up**

- Explain to the participants that this is the end of the formal FBS programme.
  - The purpose of the FBS programme is to help farmers improve their productivity and profitability.
  - The participants should make plans to keep meeting to discuss ideas and problems and to help each other.
  - As the FBS finished, they should consider their improvement at the end of each crop season and implement a new farm business plan. By this way, they must increase their command of their farm business.
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APPENDIX: INFORMATION SOURCES FOR PART 1 – PLANNING

Appendix 1: FBS lists or modules, meetings and content for part 1

<b>Module</b>	<b>Meetings and content</b>
<p><b>MODULE 1</b> <b>UNDERSTANDING THE BUSINESS SCHOOL AND TEAM BUILDING</b></p> <p><i>The module focuses on getting started, building relationships and planning the meetings</i></p>	<p><i>Meeting 1: Welcome and getting started; Understanding the purpose of the FBS</i></p> <p><i>Meeting 2: Team building; and the schedule of meetings</i></p>
<p><b>MODULE 2</b> <b>UNDERSTANDING BUSINESS MANAGEMENT</b></p> <p><i>The module focuses on farm business management concepts and the business cycle. It sets the mind of the farmer to realise that farming is a business.</i></p>	<p><i>Meeting 3: What is farming as a business?</i></p> <p><i>Meeting 4: Commercial farming environment</i></p> <p><i>Meeting 5: The farm business cycle</i></p>
<p><b>MODULE 3</b> <b>KNOWING WHERE WE ARE</b></p> <p><i>The module focuses on understanding the current farm situation in terms of its strengths, weaknesses, profitability and market opportunities for the farm.</i></p>	<p><i>Meeting 6: Concepts in farm business profit.</i></p> <p><i>Meeting 7: Assessing the current farm situation</i></p> <p><i>Meeting 8: Understanding enterprise profitability</i></p> <p><i>Meeting 9: Determining the minimum price and yield for the enterprise</i></p> <p><i>Meeting 10: Producing what the market wants</i></p> <p><i>Meeting 11: Visiting the market to examine potential</i></p> <p><i>Meeting 12: After the market visit</i></p>
<p><b>MODULE 4</b> <b>KNOWING WHERE WE WANT TO GO</b></p> <p><i>The module sets the vision and goals of business-oriented farmers.</i></p>	<p><i>Meeting 13: A vision for the farm business</i></p>

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<b>Module</b>	<b>Meetings and content</b>
<p><b>MODULE 5</b> <b>DEVELOPING A FARM BUSINESS PLAN</b></p> <p><i>The main aspect of the module is the Farm Business Plan (which is the road map). It details the farm business requirements which include the production plan, market plan, profitability and cash analysis and risk assessment of the farm.</i></p>	<p><i>Meeting 14: The farm business cycle</i></p> <p><i>Meeting 15: Making a farm business plan for one enterprise</i></p> <p><i>Meeting 16: Finalising the farm business plans</i></p> <p><i>Meeting 17: Review of assignments from the previous session; purchasing inputs and materials; visiting suppliers; assessing sources of finance</i></p>
<p><b>MODULE 6</b> <b>KEEPING RECORDS</b></p> <p><i>The module covers different ways (formats) of keeping records for business-oriented production.</i></p>	<p><i>Meeting 18-20: Keeping records of the farm business</i></p>

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**Appendix 2: Pao's story**

**Part 1: Diagnosis and 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 neighbouring village, where farmers told him that tomato was indeed a profitable crop.

For final guidance, Pao approached an extension worker from the local community organization. She advises him to start with planting  $\frac{1}{4}$  of a ha with the new crop. She also told him he should be able to harvest about 4,000 – 4,500kg per ha.

After finishing his own survey, Pao decided to grow  $\frac{1}{4}$  ha with tomato, and the remain with other crops such as kudzu, maize or rice.

**Part 2: Planning**

Bases on what he had learnt from the market, from other farmers and from the extension worker, Pao set himself a goal of growing  $\frac{1}{4}$  ha of tomato and selling it to the three shopkeepers he met. He figured out that if he sold 4,000 kg of tomato with the price is 6,000VND/kg; he would receive a total of 24,000,000 VND.

Now, he set about making a plan. To find out how much profit he could make, he first needed to know the costs of the inputs that would be higher into the growing. It was the first time he

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knew what primary inputs were needed (including seed, fertilizer, pesticides, labour, and etc.). Then he discovered how to package the tomato so that it would be acceptable to the three shopkeepers. Finally, he found out the best way to transport the garlic from his farm to the shops. The inputs would cost him 13,000,000 VND – meaning he was looking to make a total profit of 11,000,000 VND from the new crop.

Of course, after making the plan in his mind, Pao needed to actively implement it. He had to buy his inputs, organize his labours, prepare his land and plant his crop. He also had to get organized to package his tomato and transport it to the three shopkeepers.

### **Part 3: Implementing: Organizing, Producing and Monitoring**

When Pao had all the right inputs, he prepared soil and planted his crop. However, he realized tomato that was grown in wrong season grew as not well as he expected. He went to the extension worker, who advised him to replant using another variety. He had to pay extra cost to buy new seeds and replant, because he knew that he had made a promise to several buyers in the market to supply good quality of tomato. He did his arithmetic, and knew that he would still make a profit.

Since he knew the crop would come later than the original plan, he made new arrangements. This did not cost him anything extra. The second time, the tomato grew much better. Several months later, Pao's tomato was almost ready and it was looking good.

When it got close to harvest time, Pao purchased bags for packaging to market his tomato in the three shops. Very shortly thereafter, Pao harvested his tomato. It was a month later than expected, but it was worthy.

### **Part 4: Implementing: Marketing**

As the tomato was harvested from the field, it was checked and cleaned. The bad fruits were thrown away; the rest was packed into the bamboo basket and carton boxes. When scaling all the fruits, Pao got 500kg. Although it was a little less than his goal, Pao did his calculations and knew that he would still make a profit.

The transport arrived as planned. The boxes were loaded onto the vehicle and Pao took his tomato to the three shopkeepers.

Initially, the first shop refused to take his tomato because he took later than expected. However, Pao showed the shopkeeper the quality of his products and convinced him to buy it. The second shopkeepers agreed to buy the products, but they wanted to pay after 30days. Pao explained that this was his first crop and he wanted to keep selling to this shopkeeper, but couldn't if they could not make a better deal on payment. In this way, Pao persuaded the shopkeeper to pay 50% immediately and 50% after thirty days.

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

**Part 5: Evaluating**

Pao was happy when he came home. However, he realized that his task was not complete. He still had to evaluate his tomato business, by comparing what he planned with what actually happened. He also needed to calculate how much profit he had made.

He noted that he had to replant the tomato because he had used the wrong seed. He decided that he would check with the extension worker before buying inputs next time.

Moreover, he also cared about the shopkeepers' ideas. The first vendor had been concerned about the delay in delivery. Next time, he would be sure to keep his buyers informed and confirm the deal beforehand. The second buyer wanted to pay after 30 days; he will give the early time for paying next time. He also will pay more attention to the changes in price on market to adjust to get highest profit.

Pao knew that the income from sale is not equal to profit. He sold all 4,000kg tomato with the price 6,000VND/kg. Thus, the total income was 24,000,000VND. His costs were 13,000,000VND including the 2,000,000VND for replanting. So, his total profit was 11,000,000VND.

This was the first time Pao had been responsible for his family farm. And he earned more money than last year. His parents were very proud of him and asked what he was going to do with the farm next year. He said he would investigate more opportunities. He would research the market again; speak to the extension worker and other farmers to get more information about producing and marketing. At that time, he would decide what to do next.

For the day, Pao wanted to celebrate! He invited his family and friends to a party. All of them wanted to know how Pao had made so much money from his farm. He shared the whole story with them, so they could also learn from his experience.

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**Appendix 3: Key questions for evaluating important aspects of a farm business**

Ask the working groups to answer the following questions:

- 1- Resource base: How much land do the farmers have to work with? Are there opportunities to increase this? What is the condition of the land on their farms? How well does it produce? Is it easily eroded? Do they think more intensive farming using external inputs will harm their soil?
- 2- Technical efficiency of production: What are their current farming methods? How successful are they at producing using their current production methods? Are these methods profitable? Do they see the possibility to expand their work to commercial farming? What are some of the ways they see this happening? Quality of produce? More efficient production?
- 3- Modern production methods: What do they know about more modern production methods that are available for use? Are there opportunities to adopt these into their current production activities? What about production threats: are there dangers such as increased incidence of pests and diseases, or insufficient knowledge of new production processes?
- 4- Financial structure: How strong is the financial position of their farm business? Do they have savings? Do they have debt? How do they finance their farming activities? What access do they have to financial advice and credit?
- 5- Product markets: What do the farmers know about markets for the products they produce on their farms? What new marketing opportunities do they know about for their current products? What do they know about product requirements for different products if they are sold in commercial market outlets? Are these new market outlets reliable and/or sustainable? How would the farmers access them?
- 6- Risk management: What risks do the farmers face? What do the farmers do to cope with these risks? How effective do they feel they are at identifying and managing the risks facing the farm business?
- 7- Community-based demands on the farm family: Are there specific community-based or cultural demands on the farm business or family that restrict their ability to develop a more commercial farm business?
- 8- Goal conflicts – What additional demands on time for the farm family associated with the development of more commercial farm business likely to conflict with other non-farm goals?

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#### Appendix 4: Enterprise budgets

An enterprise budget is an estimate of the production, cost, and profitability of individual crop. An enterprise budget can be used for a number of purposes:

- An enterprise budget helps the farmer when he wants find out the financial impact of using different farming practices and technologies on one of his enterprises.
- An enterprise budget can be used to calculate the potential profitability of producing an enterprise.
- An enterprise budget can be used to compare the profitability of two or more different enterprises.

The enterprise budget includes all costs involved in producing the enterprise, but it does not include the fixed costs which the enterprise shares with other enterprises. It is an indication of the profitability of an enterprise. It does this by subtracting all the production of the enterprise from the total income from that enterprise.

The easiest and most common way to calculate a total profit is on a per hectare basis. This would be expressed as VND/ha. It can also be calculated on other units such as labour or the number of days worked.

The total profit is important because every farmer who markets some of his farm products should know if he is going to know if he will make a profit. The enterprise budget and total profit will show this. This will allow him to analyse the current performance of an enterprise using actual costs and actual market prices. Using the gross margin the farmer can project information into the future; this will help with planning and make decisions. This projection is called budgeting. The result is an enterprise budget.

#### 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

The gross income or value of production is the money received from the sales of produce plus the value of unsold produce.

Calculating gross income is different for annual crop enterprises and livestock and perennial crop enterprises. We will start with crop enterprises.

The basic formula for calculating gross income is as follows:

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

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The gross income for an enterprise comes from two sources. One is the value of the product sold. The other is value of the product stored or consumed at home. To calculate these values, the farmer needs to know the price of the product.

When a product is sold, it has a known price. But when a product is consumed at home or stored, it does not have a price – so this price must be estimated. The simplest way to estimate the price is to use the market price minus the cost of transporting the product to the market. For example, if a farmer produces 4 tons of tomato. He sells 3 tons in the market for 3000VND/kg. The cost of transporting the product to the market was 200VND/kg. The basic formula for this is as follows:

$$\boxed{\text{Market price/Ton}} - \boxed{\text{Transport cost/Ton}} = \boxed{\text{Consuming or storing price}}$$

In the example, the price per ton is

$$\boxed{3000\text{VND/kg}} - \boxed{200\text{VND/kg}} = \boxed{2800\text{VND/kg}}$$

This price can be used when calculating the value of the product sold as well as the product consumed or stored.

Therefore, no matter how much he sells, consumes or stores, the value of the crop (gross income) can be determined by adding the total yield by the price:

$$\boxed{\text{Total Yield}} = \boxed{\text{Product sold}} + \boxed{\text{Product consumed}} + \boxed{\text{Product stored}}$$

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

**Gross income of 1 hectare of tomato:**

	Quantity (kg)	Price (VND/kg)	Income (VND)
Tomato fruit sold	16,000	3,000	48,000,000
Consumed at home	200	2,800	560,000
Stored	500	2,800	1,400,000
<b>Total yield</b>	<b>16,700</b>		
<b>Gross income</b>			<b>49,960,000</b>

From the table above, we know that the value of the fruit sold was 48million VND, the value of the tomato consumed was 560,000VND and the value of the tomato stored was 1,4million VND.

**Variable Costs**

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

$$\boxed{\text{Gross Margin}} = \boxed{\text{Gross Income}} - \boxed{\text{Variable Costs}}$$

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Costs associated with a farm can be divided into two kinds of costs: variable costs and fixed 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. If nothing is produced, there are no variable costs. For example, let us say that 0.5 kg of seed is required for 1 ha tomato. If the farmer decides to plant 2 ha, then he will need 1 kg of seed and his variable costs will increase. If he plants only 0.5 ha, then he needs 0.25kg seed and his variable costs will decrease.

Typical variable costs include the cost of seeds, fertilizers, sprays, fuel for machines, hired labour, livestock feed, and veterinary costs, amongst others.

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

Item	Unit	Quantity	Unit price (VND)	Total (VND)
Seed	kg	0.5	2,500,000	1,250,000
Fertilizer	kg	500	11,000	5,500,000
Manure	tons	10	300,000	3,000,000
Pesticide	kg	4	500,000	2,000,000
Labour	Person days	350	100,000	3,500,000
<b>Total Variable Cost</b>				<b>15,250,000</b>

### Fixed costs

Fixed costs apply to the farm as a whole. They are called "fixed costs" because they do not vary (or change) with changes in production output. 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 equipment which is used on the whole farm, and the cost of rising and taking care of a draft livestock. Fixed costs are also known as overheads.

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

### Calculating Gross margins

- **Basic calculation**

As stated earlier, the gross margin an enterprise is obtained by subtracting the variable costs from its gross income.

$$\boxed{\text{Gross Margin}} = \boxed{\text{Gross Income}} - \boxed{\text{Variable Costs}}$$

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Determining costs and income is usually done after the harvesting of the crop at the end of the cropping season or year.

Note: In the case of perennial crops, yields and prices vary during the year. For these enterprises calculating costs and income should be done for a given crop year so it can be compared to annual crops. In such cases it is important that inputs and output refer to the same year being considered for analysis.

The table below presents a calculation of a gross margin for 1 ha of tomato.

Calculation of a Gross Margin for 1 ha of tomato	
	VND
Gross Income (from table above)	49,600,000
Less: Variable Costs (from table above)	15,250,000
<b>Gross Margin</b>	<b>34,350,000</b>

- **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, etc. If the information available to the farmer is for more or less than one unit, then he needs to convert it to one unit. See the two examples below.

**Example 1: Farmer 1 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 (VND/tons)	Value (VND)
Sales at market	2.0	2,000,000	4,000,000
Consumed	0.5	2,000,000	1,000,000
Stored	1.5	500,000	250,000
By product	0.5	50	25
Total yield: Beans	4.0		
By-product	0.5		
Gross income:			8,250,000

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 1.5 hectares.  
 $8,250,000\text{VND} : 1.5 \text{ ha} = 5,500,000\text{VND/ha}$ .

This farmer has a gross income of 5,500,000VND/ha

Using the example 1, let us say that this farmer has a total variable cost of 4,750,000VND/ha. This would give us the following:

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Gross income: 5,500,000VND

Variable costs: - 4,750,000VND

Gross margin = 750,000VND

Thus, the farmer had a gross margin is 750,000VND/ha beans.

**Example 2: Farmer 2 with 0.75 ha of groundnuts**

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

Source of income	Quantity (tons)	Market price (VND/tons)	Value (VND)
Sales at market	1.0	2,000,000	2,000,000
Consumed	0.5	2,000,000	1,000,000
Stored	0.5	2,000,000	1,000,000
<b>Total yield:</b>	<b>2.0</b>		
<b>Gross income:</b>			<b>4,000,000</b>

Her gross income for her groundnuts enterprise is 4million VND. Let us say that her variable costs are 3million VND. Using our formula, we find:

Gross income: 4,000,000

Variable costs: - 3,000,000

Gross margin = 1,000,000

The gross margin from her 0.75 ha is 1,000,000VND.

The gross margin of 1,000,000VNd for 0.75 ha converts to:

$$1,000,000\text{VND} / 0.75 \text{ ha} = 1,333,333.3\text{VND/ha}$$

This farmer has a gross margin of 1,333,333.3VND/ha.

The total gross margin for Farmer 2 is less than the total gross margin for Farmer 1. However, when converted to a unit basis, we find that although farmer 1 grows groundnuts with smaller area than beans, when we convert into same unit 1ha, we can see that the farmer 2 has the gross margin is higher than the farmer 1. If the farmer 2 has larger land, he will have more income than the farmer 1.

**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 per-hectare basis. If he wants to know what his actual gross margin would really be, then he needs to convert from a unit to his actual size. To do this, he needs multiply the per-hectare gross income by his actual number of hectares. See examples below.

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**Example 1: Farmer 1 with 0.8 ha**

The gross margin for beans in her area is 2,000,000VND per ha.

So the gross margin for 0.8ha is:

$$0.8 \text{ ha} \times 2,000,000\text{VND/ha} = 1,600,000\text{VND} / 0.8 \text{ ha.}$$

**Example 2: Farmer 2 with 1.6 ha**

The gross margin for beans in her area is 2,000,000VND per ha. So, the gross margin for 1.6ha is:

$$1.6 \text{ ha} \times 2,000,000\text{VND/ha} = 3,200,000 / 1.6 \text{ ha.}$$

Farmer 1 can expect to have a total gross margin of 1,600,000VND, while Farmer 2 will have a total gross margin of 3,200,000VND.

### Steps for Calculating Expected Gross Margins

A farmer wants to get an idea of the profitability of an enterprise that he is thinking of producing. He has not produced anything yet, so he has no real production figures or market prices to work with. In this case, he needs to use estimated figures based on averages. He can calculate and expected gross margin following these steps:

1. Determine an average yield per hectare for the enterprise.
2. Determine the average market price for the product.
3. Calculate the gross income per hectare by multiplying the average yield per hectare 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 etc.
5. Estimate the total number of person-days of hired labour used per hectare to produce the enterprise
6. Determine the rate of pay for hired labour
7. Calculate the cost of hired labour by multiplying the number of hired person-day days per hectare by the rate of pay for hired labour.
8. Estimate the total number of person-days of family labour used per hectare to produce the enterprise.

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9. Calculate the cost of family labour by multiplying the number of family labour person-days per hectare by the rate of pay for hired labour (as in step 6).
10. Calculate the total variable costs by adding the cost of inputs and materials, hired labour and family labour. (results from steps 4, 7 and 9)
11. Calculate the gross margin per hectare by subtracting variable costs from the gross income.
12. Repeat this calculation for each enterprise on the farm. Remember: A separate gross margin is calculated for each enterprise.

The farmer can now use these gross margins to compare the different enterprises and determine which is more profitable.

### Enterprise Budget Template: One Hectare/One Unit

This template may be helpful in developing an enterprise budget for one hectare of a crop.

Enterprise: \_\_\_\_\_

#### Income

Product	Quantity (unit)	Price per unit (VND)	Total Value (VND)
<b>Total Expected Income</b>			

#### Variable Costs

Inputs/materials/labour	Quantity needed	Cost per unit (VND)	Total Costs(VND)
<b>Enterprise Profitability</b>			

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**Appendix 5: Example of a Vision for an individual farm**

By end of 3 years will operate my farm as a business enterprise in a cost effective way to make farming enterprise economically viable way. To do this I will do the following:

***Production***

1. Make careful farm production plans 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-harvest losses and storage
5. Ensure product quality, convenient 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 careful records of all farm operations, inputs and production outputs, Record and monitor all income and expenses.

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**Appendix 6: Farm Business Plan Format**

1- Background

Name	Village/District	Period of the Plan

My vision


My goal


2- Farm production plan

**Crops/horticulture produce**

Crop Type	Area(ha)	Output (Kg/ha)	Total output (Kg)

3- Market plan

Enterprise	Target market	Buyer	Expected quantity to sell (units)	Market price (VND/unit)	Marketing Cost/unit (VND)

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4- Profitability

<b>A. Enterprise Profit</b>	<b>VND</b>
1	
2	
3	
<b>Total Enterprise Profit</b>	
<b>B. Fixed costs (annual depreciation)</b>	
<b>Total Annual Fixed Costs</b>	
<b>Whole Farm Profit (A-B)</b>	

5- Cash flow and cash availability

Activity	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Total
<b>Cash inflow</b>													
<b>Cash outflow</b>													
Enterprise 1													
Enterprise 2													
Enterprise 3													
Total													
<b>Cash needed</b>													
Net cash flow (shortfall)													
Cumulative cash flow													

Cash Availability

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

*(a) I have the following cash available to use for my enterprises: \_\_\_\_\_*

*(b) I need the following amount of cash for my enterprises:*

*Enterprise 1: \_\_\_\_\_*

*Enterprise 2: \_\_\_\_\_*

*Enterprise 3: \_\_\_\_\_*

*Total cash needed: \_\_\_\_\_*

*Yes, I have enough cash*

*No, I do not have enough cash*

*(c) The amount of extra cash I need is:*

*(d) I need the extra cash in the following months:*

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

<u>Source</u>	<u>Amount</u>
---------------	---------------

6- Risks

Risks	Risk mitigation strategy

7- Notes


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**Appendix 7: Role play about recordkeeping**

Argument between Xuan and his wife Ms Mai

*Xuan:* I have no money.

*Mai:* What is the 6million VND of selling 2tons of tomato? How did it get finished?

*Xuan:* We spent the money on household needs and some was invested in growing cucumbers and tomatoes.

*Mai:* You are a liar. You must have eaten all the money. It was too much to get finished just like that.

*Xuan:* Oh, my wife calls me a liar? (He slaps her and a fight starts)

**Appendix 8: Questionnaire for the marketing survey**

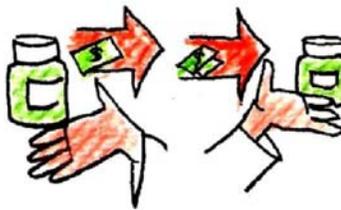
Traders		
	1	What farm products do they buy the most?
	2	Why do they buy these products?
	3	What quantities do they buy?
	4	How do they assess demand?
	5	How often do they buy products?
	6	Which products are most profitable?
	7	What time of the year can the highest prices be attained? (month or season)?
	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?

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	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 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?

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	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)**

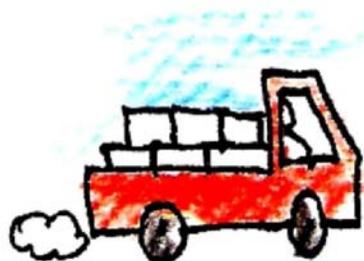


1	Who else provides such products? Where?
2	What type of products do they provide? At what prices?
3	What is the quality of their products?
4	What do they do to make their business more competitive and profitable e.g. (promotion, packaging) etc.?
5	What type of skills do they possess and do they upgrade 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?

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**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?