



Agribusiness: A path to prosperity

Module 2: Business skills

A handout for farmers



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Business skills



Commercial agriculture is a **business**, and a business is an activity that is designed to make money.

To do this, I need to **produce something people want** or need to buy.



Market research is looking for new information that can help me sell my product.

Good information to look for includes:

- What people are already selling and what I might be able to sell
- The market price for various products
- The products that traders want to buy
- The quality of product traders require

Market research also helps build relationships with traders and buyers.

I should **choose a good crop** to plant based on the resources I have and what I can sell in the market.





I should **speak directly** with traders and aggregators in the market to promote my product.

As a commercial farmer, I should **bring a sample** of my product to show to potential buyers.

**Money will not come looking for me!
I must go out and look for money!**

I should use a book to record basic financial information as well as my daily activities using the following headings:

[illegible]

The image shows a blank ledger page with the following columns: Date, Item, Quantity, Price/unit, Money in, and Money out. The page is tilted and has a grid of lines for data entry.

Example of how to record income and expenses:

Crop: Shallots					
Date	Item	Quant.	Price/ item	Expenses (money out)	Income (money in)
1 May 17	Labourers to prepare land	2	\$5.00	\$10.00	-
5 May 17	Packets of shallot seed	3	\$3.00	\$9.00	-
10 May 17	Bucket for watering	1	\$4.00	\$4.00	-
10 May 17	Hose for watering	1	\$12.00	\$12.00	-
20 May 17	Hoe for weeding	1	\$7.00	\$7.00	-
15 Jun 17	Labourer for weeding	1	\$5.00	\$5.00	-
1 Aug 17	Labourers for harvesting	5	\$5.00	\$25.00	-
7 Aug 17	Clean sacks	20	\$0.50	\$10.00	-
20 Aug 17	Kilograms shallot	100	-	-	\$ 120.00
Total				\$82.00	\$120.00



Money out (total)



Money in (total)



My business as a commercial farmer
must make a profit.

How to calculate profit:

$$\text{Income} - \text{Expenses} = \text{Profit}$$

So in order to know my profit, I must first
calculate all my expenses.

EXAMPLE: Julio produces red rice

Julio's expenses:

Expenses	
Land rental	\$ 150
Seed	\$ 40
Labour (planting)	\$ 80
Pesticide	\$ 30
Labour (harvest)	\$ 110
Thresher	\$ 30
Bags	\$ 20
Milling	\$ 40
Total	\$ 500

Expenses (total)

Julio harvests 1000 kg of red rice and sells to a trader for \$1/kg. Julio now has \$1000 in his hand (income).

Income	-	Expenses	=	Profit
\$ 1000	-	\$ 500	=	\$ 500

Looking at his calendar, Julio worked 103 days to plant and harvest the rice.

Profit	÷	Labour days	=	Profit / day
\$ 500	÷	103	=	\$ 4.85 / day

ACTIVITY: Calculate your profit

First: Write down your expenses and calculate the total.

Expenses	
Total	

Second: Write down your income, then subtract your total costs to work out your profit.

Income	-	Expenses	=	Profit
	-		=	

Third: Write down your total profit and divide by the total number of days worked to find out the amount of profit made for each day of work.

Profit	÷	Labour days	=	Profit / day
	÷		=	

Business owners are always looking for ways to **increase their profits**, and a commercial farmer is the same.

There are some **strategies** I can use to try and increase the amount of money I make.

These strategies include:

- Reducing costs
- Increasing sales
- Stopping production of unprofitable crops
- Producing new, more profitable crops
- Producing better quality products for higher prices.

By increasing production, I can increase the amount I sell and **reduce my costs per kilogram**.



A contract is an enforceable agreement, usually in writing, that spells out what each person will do so that there is no confusion.

Contract farming is agricultural production based on a contract between farmers and a buyer or trader.

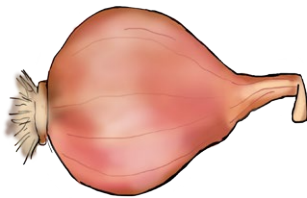
A contract between a farmer and a buyer should be clear and may include information about:

- Quantity
- Price
- Quality
- Production time
- When the trader will come to collect
- Payment
- Any other conditions

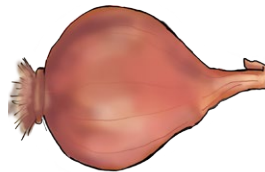
It is very important for both myself and the buyer to **respect the contract we made** so that we can establish a good business relationship.

I should not sell to anyone else before fulfilling the contract I signed.

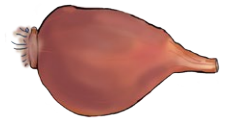
Quality control is establishing standards of multiple levels and sorting a product accordingly.



\$1.00



\$0.90



\$0.75

If I sort and classify my product, I can **ensure better quality**, ask for a better price, and make more profit (compared with selling large quantities of my product but at a lower price).



Producer groups work together, share labour and resources, and then divide either the crop or the profit from selling the crop among the group members.

A marketing group is a group of farmers that produce their crops independently, but market or sell them collectively.

In any group of farmers, members that can **read and write** can take responsibility for financial record keeping.

If I sell my product together with other farmers, we can increase the chance of getting a fair price. By working together, we are in a **stronger negotiating position**.

Side selling is when a group agrees to sell a specified quantity of their product to a buyer, but some members do not respect the agreement and sell to other people.



If I can make profit from my business as a commercial farmer, my children will want to stay on the farm and continue **our family business**.



The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

<div>Key Partners</div> <div></div>	<div>Key Activities</div> <div></div>	<div>Value Propositions</div> <div></div>	<div>Customer Relationships</div> <div></div> <div>Channels</div> <div></div>	<div>Customer Segments</div> <div></div>
<div>Cost Structure</div> <div></div>	<div></div>	<div></div>	<div>Revenue Streams</div> <div></div>	<div></div>



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