



FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative

BUSINESS SKILLS TRAINING GUIDE
FOR
POTATO FARMER
PRODUCER ORGANIZATIONS/COOPERATIVES



A GUIDE FOR BUSINESS SKILLS AND ENTERPRISE DEVELOPMENT



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ABOUT THIS GUIDE

This training guide was developed by the Potato Component of the Accelerated Value Chain Development (AVCD) program with contribution from Edward Mwakio, a Business Skills Consultant and County Agribusiness Development Officers in the six project intervention counties. Preparation of this guide is based on the experience and the feedback from different trainers and the learners.

TARGET AUDIENCE

The guide is to be used by agribusiness development experts/trainers to train management committee and members of a farmer producer organization (FPO), farmer cooperative society (FCS) or farmer groups in business skills and enterprise development. The guide helps trainers to prepare and structure the training sessions so as to achieve the participants' learning objectives.

LEARNING OBJECTIVES

The guide equips trainers with a set of competencies and tools that allows trainers to stepwise pass business skills and knowledge on enterprise development. The training follows a modular approach with emphasis on interactions and participation among the learners during the 4 to 5 days training sessions.

The training is for farmers building potato businesses. It focuses on the skills to build successful and sustainable potato entrepreneurial ventures. The guide is organized in six equally important modules which culminate in development of a business plan for the trained producer organization, cooperative or organized farmer group. During the training, participants are given tasks to help them transition from business skill acquisition to the business planning and implementations and by the end of the training sessions, learners should be able to apply the business skills gained to:

- 1) Analyze and select a sustainable and profitable potato enterprises;
- 2) Set business goals and develop a business plan;
- 3) Keep good farm and cash records;
- 4) Conduct market surveys and research, do market segmentation, product differentiation and obtain relevant marketing information;
- 5) Marketing products and services;
- 6) Identify potato business opportunities;
- 7) Promote internal saving and access to external credit to finance potato enterprise; and
- 8) Manage finances both at personal and organization level.

Overall, the training equips farmers with basic business skills to either start or improve existing potato enterprise with confidence and enthusiasm. Trained farmers or organization are expected to consciously make positive changes in their potato business to foster growth in a profitable and sustainable manner.

BACKGROUND INFORMATION

In Kenya, potato is largely traded individually by farmers with traders and middlemen purchasing potatoes from individual smallholder farms. Brokers and agents who play an intermediary role largely control potato trade along the marketing chain. Under this kind of marketing system, relevant market information does not reach the farmers and when it does, it is biased. This disfavours farmers as it lessens their bargaining power and are unable to reap from economies of scale nor negotiate on the unit price based on cost of production. As a result, what the farmers earn is not commensurate to their efforts.

Coupled with limited access to quality potato seed, poor agronomic practices, high pest and disease incidences, overreliance on rain-fed conditions, and low enforcement of potato regulations and bylaws, farmer's economic benefits are muted and incentives to apply good agricultural practices, adopt technologies and innovations undermined. To streamline market structure and promote growth in the subsector, there is need to mobilize farmers to form farmer producer organizations (FPO).

Accelerated Value Chain Development (AVCD) program funded by FtF, USAID partnered with the county Department of Agriculture, Cooperatives and Social Development to form new or strengthen existing county-wide potato based producer's organization. The five year (2015-2020) AVCD Program was implemented in a consortium of three CGIAR Centers (ILRI, CIP, ICRISAT).

International Potato Center (CIP) implemented potato component in six potato growing counties in Kenya: Uasin Gishu, Nandi, Elgeyo-Marakwet, Meru, Bungoma and Taita Taveta Counties. Through AVCD, seven FPO /cooperatives were formed/strengthened. Management committee of these potato producer organizations received training on good governance, leadership, cooperative management and business and entrepreneurship skills.

Enhanced farmer organization is expected to facilitate capacity building, bulk acquisition of quality inputs, implementation of structured marketing arrangements, and enforcement of potato regulations and bylaws. It will maximize productivity, increase bargaining power for farmers, oversee aggregation and collective marketing and linkages to new markets including contractual agreements resulting in increased sales and returns for farmers.

MODULAR APPROACH

The guide is designed to train farmer associations or groups in business skills and enterprise development. It focuses on developing holistic capacities of a farmer association and it is organized in six thematic areas. At the end of each module, participants are given tasks to help them transition from business skill acquisition to the business planning and implementations. The six modules are;

Potato based Cooperatives/farmer producer organizations supported by AVCD program (2015-2020)

1. Elgeyo Marakwet Potato and Marketing FCS, in Elgeyo Marakwet county, registered in 2016
2. Ainabkoi FCS, Potato Unit, Uasin Gishu county, mother FCS registered in 1963,
3. Nandi Potato Farmer Cooperative Society (NPFCS) in Nandi county, registered in 2017
4. Upendo FCS in Meru county, registered in 2017
5. Meru Tamu Potato FCS in Meru county, registered in 2017
6. KWESTO (Kabuchai/Kimilili, Elgon, Webuye, Sirisia, Tongaren) Bungoma Potato FCS, in Bungoma county, registered in 2020
7. Taita Taveta Potato FPO in Taita Taveta county, registered in 2020

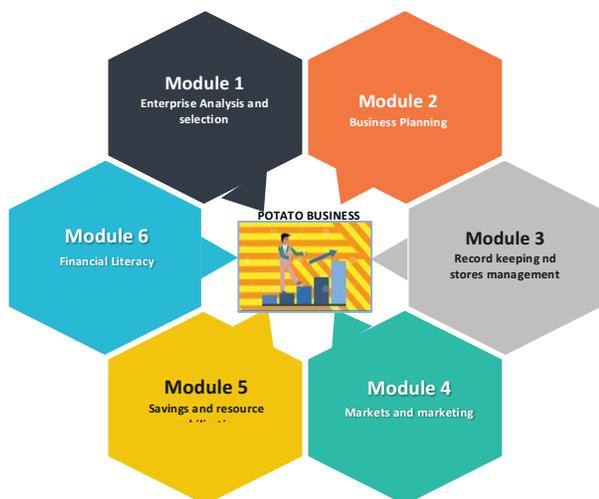


Table 1. Description of Modules: Objectives, Actions and Outputs of the Six Modules

MODULE 1. ENTERPRISE ANALYSIS AND SELECTION	
OBJECTIVES	By the end of module, participants are expected to analyze and select sustainable profitable enterprises
ACTIONS	Association members are expected to conduct cost-benefit analysis of different enterprises based on profitability and intervening factors
OUTPUT	Select viable enterprise & product
SESSIONS	
1	Qualities of an entrepreneur (commercial farmer)
2	The 4 basic business functions
3	Acreage determination
4	Yield and yield potential
5	Productivity of ware potatoes
6	Cost of production computation [Traditional Vs Improved]
7	Using Unit cost of production for production planning & determining minimum selling price
8	The 3 Considerations for increasing profitability
MODULE 2. BUSINESS PLANNING	
OBJECTIVES	By the end of this module, participants are expected to set business goals and develop business plans
ACTIONS	Association members are expected to develop individual production projections and a consolidated business plan for each of the 4 Associations
OUTPUT	Individual and Association business plans with clear projections
SESSIONS	
1	Setting business targets (Goal & Strategy)
2	Costing & budgeting
3	Monitoring plan
4	Marketing plan
5	Projected income statement (PIS)
6	Profit utilization
MODULE 3. RECORDS & STORE MANAGEMENT	
OBJECTIVES	By the end of this module, participants are expected to understand the basic association records
ACTIONS	Associations will develop operational plans using the provided guideline and open business records
OUTPUT	Store operational plans & business records

SESSIONS	
1	Record keeping
2	Managing inventory entry & basic records
3	Inventory management
4	Developing store management plans
MODULE 4. MARKETS & MARKETING	
OBJECTIVES	By the end of this module participants will have understood what marketing is, how to conduct strategies, segmentation, product differentiation & marketing information
ACTIONS	Associations will conduct a market survey & identify and profile potential customers
OUTPUT	Marketing strategy & customer database
SESSIONS	
1	What is marketing
2	Marketing strategies- The 4Ps [Product, Price, Promotion, Place]
3	Market intelligence & Market information
4	What is participatory market research and why is it important?
5	Conducting participatory market research- The 4As [Availability, Affordability, Acceptability, Accessibility]
6	Market chain, demand & supply
7	Customer feedback analysis
8	Market segmentation & product differentiation
MODULE 5. SAVINGS AND RESOURCE MOBILIZATION	
OBJECTIVES	To promote internal saving and access to external credit to finance potato enterprise
ACTIONS	Associations will agree on internal and external sources of finances for supporting their business
OUTPUT	Resource mobilization strategy/plan
SESSIONS	
1	What is saving?
2	Internal savings-the best source of capital for starting a business
3	Borrowing for business expansion
4	Sources of credit and requirements [Individual money lenders, VSLAs, SACCOs, MFIs, Com. banks]
5	Starting and operating shares in associations-guiding principles
7	Quality in-store management to minimize loss
MODULE 6. BASIC FINANCIAL LITERACY	
OBJECTIVES	By the end of this module participants will learn the benefits of personal money management as well as transfer of skills for behavior change.
ACTIONS	Association members will analyze their income sources and expenditures and make spending decisions
OUTPUT	Personal financial budgets and spending plans
SESSIONS	
1	What is financial literacy?
2	Setting financial goals
3	Importance of budgeting in financial literacy
4	Making budgets
5	Making spending decisions & staying with your budgets
6	My money and someone's money: managing the difference

MODULE 1. ENTERPRISE ANALYSIS AND SELECTION

OBJECTIVES	By the end of this module, participants are expected to analyze and select sustainable profitable enterprises
ACTIONS	Association members are expected to conduct cost-benefit analysis of different enterprises based on profitability and intervening factors
OUTPUT	Select viable enterprise & product

Understanding farming as a business (FAAB)

Just like any activity that a person undertakes to earn an income, farming must also be taken seriously as a business. We therefore need to first understand what a business is.

What is a business?

A business is an enterprise that one or more persons do to make profit. A business involves the identification of a need in society and then coming up with creative solutions to that need and offering a service or product at a price that is acceptable to the market and profitable to the business.

Farming is a form of a business. The farmer sees a need and attempts to provide a solution in the form of food crops such as potato, vegetables, fruits, meat, milk and any other product that can be produced on the farm. The farmer must ensure that he provides that service or product at a price that is not only accepted by the market, but also profitable to his farm business.

Four Basic Business Functions

Whether small or big, each and every business has four functions:

1. **Food security Function.** The Agribusiness and Consumer Protection promotes agriculture to eradicate human poverty while protecting the environment and ensuring safe food practices and standards.
2. **The Environmental Function.** Agribusiness and related land use can have beneficial or harmful effects to the environment. Thus every business needs to employ practices that are beneficial to the natural environment.
3. **The Economic Function.** Agribusiness supports the economy in many parts of the world.
4. **The Social Function.** Agribusiness provides rural communities with basic to sustaining agro-ecology and improving the quality of life particularly of the young, women, the elderly and other marginal groups.

A commercial farmer is the one who achieves profitable yields and takes farming as a business.

Commercialization or “Farming as a Business” basically means taking farming as a viable profit-making venture and it involves:

- Accurately knowing your cost of production
- Knowing your margins
- Understanding how to maximize profits
- Lowering the cost of production
- Increasing the yields

Task 01. Individual Members/Participants

List personal goals of your potato business

List 4 business ideas of your potato business

List your expectations of the training

Do you keep any records? Y/N. If yes, briefly describe the kind of farm records you keep.

Determining the Right Acreage of a Piece of a Land

1. Why should a farmer know the size of his land?

The land is the main capital for farming business therefore it must be used optimally. It is important to know the size of the land for the following reasons:

- i) Planning accurate input requirements
- ii) Forecasting potential production
- iii) Income evaluating performance

2. How do you determine the size of your land?

Most farmers do not know what an acre of land is!! One- acre piece of land has an area of 4000 meters squared and it can take different shapes as shown in the examples below.

One can calculate the acreage of the parcel of the land owned by multiplying the length by the width. Length is the longest side of the parcel of land and width is the shorter side. Calculating the area of a regular shaped piece of land is straightforward: Length (L) multiplied by Width (W). For irregular shaped parcel of land, this can be done by splitting it into regular shapes such as rectangles or squares, measure the area of each piece and add them together.

Acreage can also be calculated directly using GPS and smartphone. To use the smartphone, one needs to download a software from App Store e.g. GPS Field Area Measurement App.

Shape	Length (L) & Width (W)	Area, L multiplied by W (m ²)
	100m x 40m	4,000 m ²
	80m x 50m	4,000 m ²
	200m x 20m	4,000 m ²

Figure 1. Different shapes of a 1-acre piece of land and how to calculate the area (m²)

Farm Yield and Yield Measurement

Yield is the output per unit of production; thus, it can be:

- Kilograms per acre
- Bunches per acre
- Bags per acre
- Eggs per hen
- Litres of milk per cow
- Kilograms of honey per hive

You can only know your yield if you know your land size / production unit and the weight / measure of what you harvest.

What is Potential Yield?

This is the maximum yield that can achieve assuming all factors of production are favorable: good weather conditions, use of quality seed, supply of recommended nutrients and water, pest, diseases and weeds effectively controlled. It is determined by seed / planting material as specified by breeders / scientists who develop it and the crop must be planted in the correct regions/agro-ecological zone.

Potential yield (PY) should be the target for every farmer. Management level and rate of input used will determine the deviation from the potential (i.e. yield gap).

Table 2. Potential Yield of Selected Varieties of Different Crops in Kenya

Crop	Variety	Potential Yield	
		Bags/Kgs/Tons/acre	Tons/Ha
Maize	H618	56 bags/acre (90-kg bag)	12.6 tons/ha
Maize	H614D	33 bags/acre (90-kg bag)	7.4 tons/ha
Maize	H517	20 bags/acre (90-kg bag)	4.5 tons/ha
Rice	Basmati 217	1.8 - 2.2 tons/acre	4.5-5.5 tons/ha
Rice	Sindano	3.2 tons/acre	8 tons/ha
Potatoes	Shangi	12 -19 ton/acre	30 - 40 tons/ha
Potatoes	Unica	>18 tons/acre	> 45 tons/ha
Coffee	Ruiru 11	15-20 kgs dry berries/tree/year	

What is Productivity?

Productivity is defined as the ratio of the amount/volume of produce/product to the input used in a given unit area. It is recommended that a farmer maximizes productivity before considering expanding the acreage. Weather condition, pest and disease incidences, market demand and supply and other farmers can increase or decrease productivity and some of these factors are beyond the control of the farmer.

Cost of Production & Projected Income Statements

Cost of production is the total cost of all activities and inputs used in a farming enterprise. Table 3 gives an example of how to determine the cost of production for one (1) acre of potatoes.

Unit Cost of Production (UCOP)

Cost of producing 1 unit of the commodity (e.g. a kg, a bag, etc.)

$$\text{UCOP} = \text{Total Cost of Production} / \text{Yield per Acre}$$

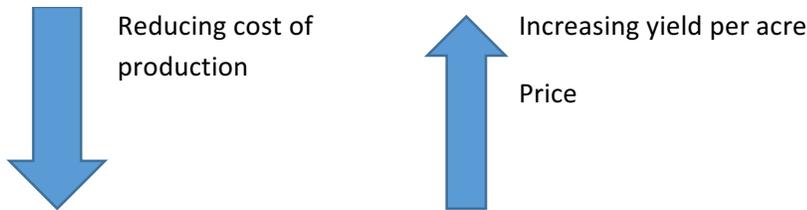
Example for Potato by technology

Level of Technology	Traditional/Farmer Practice	Recommended input level
UCOP (Ksh / kg)		

Note: Using higher level of technology and inputs may reduce the Unit Cost of Production.

How do we increase profitability?

1. To increase profitability a farmer **MUST** reduce his/her Unit Cost of Production and increase yield (quantity and quality) per acre.



1. *Reducing Cost of Production (where possible)*

- Use of income enhancing inputs like fertilizers
- Improved practices
- Reduce labour costs e.g. use of herbicides
- Proper timing of activities (e.g. weeding)

Note: But it should be noted that use of income enhancing inputs like fertilizers may increase your total cost of production but reduce the unit cost of production due to correspondingly greater increase in yields.

2. *Increasing Yield*

Appropriate practices e.g. appropriate timing of farming activities Use of inputs e.g. organic or inorganic fertilizers

3. *Market at Higher Price*

- Store ware potatoes to sell when prices are higher
- Ensure higher quality.

Cost Benefit Analysis (CBA)

Cost Benefit Analysis (CBA) is a systematic process of evaluating the total anticipated cost of an enterprise compared to the total expected benefits in order to determine whether the proposed implementation is worthwhile. If the results of this comparative evaluation method suggested that the overall benefits associated with a proposed action outweigh the incurred costs, then an enterprise is most likely to be chosen and the implementation then follows.

Purposes of a CBA

- To determine if it is a sound investment/decision (justification/feasibility),
- To provide a basis for comparing projects. This involves comparing the total expected cost of each option against the total expected benefits, to see whether the benefits outweigh the costs, and by how much.

Parts of a Cost-Benefit Analysis (Refer to Table 3)

- First, all potential costs that will be incurred by implementing a proposed action MUST be identified.
- Second, the entrepreneur MUST record all anticipated benefits associated with the potential action.
- Finally, subtract all identified costs from the expected benefits to determine whether the positive benefits outweigh the negative costs.

Table 3. Cost Benefits Analysis for Production of One Acre of Potato

Area Planted: 1 acre	Date of planting	Date of harvesting
Activity /Activity	Traditional/Farmer Practices	Recommended input level
A. Land Preparation		
Land leasing		
Soil Testing and analysis		
Bush clearing		
Ploughing		
Harrowing		
Ridging (farrowing)		
Sub-Total for land preparation		
B. Inputs		
Seed potatoes		
Fertilizer (DAP/NPK)		
Agrochemicals (Fungicides/ Insecticides)		
Packaging materials		
Sub-Total for inputs		
C. Labour		
Planting (& fertilizer application)		
Spraying (crop protection),# of knapsack sprays		
1st Weeding/hilling		
2nd Weeding/hilling		
Dehaulming		
Harvesting (Kes 50 per bag)		
Sub-Total for labour		
Unexpected costs		
Total cost of production		
Number of (50-kg bag) or kgs harvested/acre x average selling price		
Farm gate price per50-kg bag or kg		
Gross income/Turnover		
Gross income/Turnover- cost of production		
Profit/Net income/Net turnover		

Assumption: Land lease is usually on annual basis (i.e. 2 seasons) hence use the figure of 0.5 for 1 season. The cost for seed should be distributed to 3 seasons (e.g. unit price of Kes 2500/bag plus transport Kes 500, (3,000 X 16)/3 seasons = 16,000 Kes/season). This is so because a farmer does not need to buy seed every season. On average a farmer does spraying of up to 10 times depending on the season with an average of 6 Knapsacks/acre depending on crop growth stage, (10 x 6). Use average selling price per season.

How do we identify the costs?

- The first step is to identify and quantify all costs associated with a proposed action. In order to successfully identify all potential costs of a project, the entrepreneur must follow the subsequent steps:
 -
 - 1. Make a list of all monetary costs that will be incurred upon implementation and throughout the life of the enterprise. These include start-up fees, licenses, production materials, payroll expenses, user acceptance processes, training, and travel expenses, among others.
 - 2. Make a list of all non-monetary costs that are likely to be absorbed. These include time, lost production on other tasks, potential risks, market saturation or penetration uncertainties, and influences on one's reputation.
 - 3. Assign monetary values to the costs identified in No. 2 above. To ensure equality across time, monetary values are stated in present value terms. If realistic cost values cannot be readily evaluated, consult with market trends and industry surveys for comparable implementation costs in similar businesses.
 - 4. Add all anticipated costs together to get a total costs value.

Identifying Benefits

- The next step is to identify and quantify all benefits anticipated as a result of successful implementation of the proposed action. To do so, complete the following steps:
 - 1. Make a list of all monetary benefits that will be experienced upon implementation and thereafter. These benefits include direct profits from products and/or services, increased contributions from investors, decreased production costs due to improved and standardized processes, and increased production capabilities, among others.
 - 2. The next step is to identify and quantify all benefits anticipated as a result of successful implementation of the proposed action.
 - 3. Add all anticipated benefits together to get a total benefits value.

Evaluating Cost and Benefit

- The final step when creating a cost benefit analysis is to weigh the costs and benefits to determine if the proposed action is worthwhile. To properly do so, follow the subsequent steps:
 - 1. Compare the total costs and total benefits values. If the total costs are much greater than the total benefits, one can conclude that the project is not a worthwhile for a farmer to invest time and resources.
 - 2. If total costs and total benefits are roughly equal to one another, it is best to re-evaluate the costs and benefits identified and revise the cost benefit analysis. Sometime, items are missed or incorrectly quantified, which are common errors in a cost benefit analysis.
 - 3. If the total benefits are much greater than the total costs, one can conclude that the proposed action is potentially a worthwhile investment and should be further evaluated as a realistic opportunity.

Risk Management

What is risk?

Risk is defined as “the perceived extent of possible loss”. Different people have different views of the impact of a particular risk – what may be a small risk for one person may destroy the livelihood of someone else.

Risk in agribusiness normally refer to two types of risks (though there may be others). There are risks of **crop failure** (due to erratic weather or attack by disease and/or pests) and **market price failure** (when the price you are planning on turns out to be lower than expected). Also when a farm is in debt to a bank or a money lender, lowering these risks is essential.

There are two major strategies used to manage risks in agribusiness:

- ✓ *Common sense: “grow what you know”* i.e. to work with crops and animals / or products which one is familiar with. Experience is a valuable risk-management tool. Note that the common sense approach of “grow what you know” is not meant to preclude innovation. E.g. with good access to both extension services and a market for improved seed and fertilizer, a farmer should not be discouraged from improving her performance on a crop like maize with which she is familiar.
- ✓ *Diversification, the second strategy:* undertaking different business activities and different types of business activities (again with which one is familiar). Diversification ensures that if there are failures in any single activity, success in another activity is likely to offset the failure.

Risks and Consequences

- **Crop failure risk:** The possibility that due to weather, ineffective crop management, insects, birds, rodents, diseases etc., the expected yield at harvest will be lower than the anticipated. It may fail altogether. Consequences: Inability to repay credit, inability to save, food shortage, cash shortage etc.
- **Market price risk:** The possibility that due to too much output (e.g. potato) arriving in the market at the same time, the demand for that output is low and the price for that output is lower than expected. The profit is therefore lower than expected. Consequences: The inability to repay credit, the inability to save, short-term to long-term cash shortage, etc.
- Of the two types of risk, the market price risk is more of a serious financial (business only). Crop failure risk poses both a financial risk and, depending on the level of crop failure, a life-threatening risk to the household.

Risk Minimizing Strategies

1. *Plan your business using Projected Income Statement (PIS):* There is always need to plan business in advance, i.e. before spending one shilling, try to identify everything you will need for your production and what it will cost. If you are not sure of the cost of an item, over-estimate its cost.
2. *Grow what you know:* Grow crops that you are familiar with and access technical assistance to help you to improve what you already know how to do. Trying new crops with potentially good profits should be encouraged but should be done first on a small scale (with limited investment), then on a larger scale when you have confidence in anticipating costs, market price and possible problems.
3. *Use extension services and the best agricultural techniques possible:* Extension agents are usually aware of the best techniques, types of fertilizers, seeds and pesticides to use and how and where to get inputs.

If your cash is limited, it may be better to grow a quarter acre of potato using improved seed and fertilizer than growing an acre of potato using traditional techniques.

4. *Plant several types of crops:* The business planning and PIS model can be used for any crop to decide the best profit options. Instead of choosing only the most profitable option, plant several types of crops. The advantage is that if one crop fails, another crop is likely to succeed. If the price of one crop is too low, others may be unusually high.
5. *Set aside profits from each season as savings:* Savings can lower costs and enhance profits. Investing savings instead of borrowing means that your obligation is only to yourself. If unfortunately, your crop fails, no bank or money lender can chase after you for repayment. None of your hand-earned possessions can be confiscated.
6. *Keep records of costs, prices, profits, planting times, harvesting times, etc.* to maximize *business efficiency:* Quality record keeping is a key strategy to managing risks. By keeping key information, farmers can follow trends in costs of inputs (is it cheaper to per kg to buy 50 kg of fertilizer or 100 kg?). Farmers can also follow trends in output prices (is it better to sell my maize at harvest, a week before, three months after harvest?). With record keeping, many of the unknown elements of business planning can be more accurately estimated.
7. *Store some of your harvest to speculate on price changes:* On the basis of record keeping and drawing PIS, you may be able to predict an upward price trend after harvest. By planning before planting to have more output than you need to cover costs and by saving and not incurring large debts, storing becomes an interesting market price risk management strategy. Storing is a “value adding” activity.
8. *If possible, undertake some non-agricultural profit generating activity:* While this may not always be an option, having a business income outside agriculture is a sound risk management strategy at the level of household. Alternative income sources that are not sensitive to the weather, like bicycle repair, brick making etc., provide low profit but consistent cash flows in the household.
9. *Form a farmer producer group/organization/cooperative:* Work with other farmers to reduce costs and increase profits by buying inputs in bulk and selling collectively to enjoy the benefits of large economies of scale. Add value to your crops with jointly purchased capital assets. Increase operational efficiencies (land preparation, weeding, sowing, fertilizer application, harvesting, sorting, grading and packaging, market information etc.) and access alternative market.

An agricultural cooperative is a formal form of farmer collective action for the marketing and processing of farm products and or for the purchase and production of farm inputs. They aim to increase member’s production and incomes by linking them with finance, agricultural inputs, information, and output markets. Specialization may be in production, service provision, production or marketing or offer all, or some combination of, support within the various stages. **Collective action is the core resource of agricultural cooperatives.** Cooperatives create social relations enabling individuals achieve goals that they may not achieve by themselves: benefit from economies of scale to lower costs of acquiring inputs or hiring services such as storage and transport; improve product and service quality and reduce risks.

<https://ag4impact.org/sid/socio-economic-intensification/building-social-capital/agricultural-cooperatives>

Accessed on 15 Jan 2021

MODULE 2. BUSINESS PLANNING

OBJECTIVES	By the end of this module, participants are expected to set business goals and develop a business plan
ACTIONS	Association members are expected to develop individual production projections and a consolidated business plan for their association, group, organization, cooperative
OUTPUT	Individual and Association business plans with clear projections

Brainstorming session

1. *Why is planning important? e.g. planning an event.*
2. *Who does the planning? And when?*

Why is planning important?

Planning of an agricultural enterprise is thinking of what will take place and when, what inputs will be required and when, how the business will be managed; and the roles of different players. It allows good organization of all activities and resources. Business planning helps one to identify the required resources needed to start and operate a sustainable and profitable agribusiness.

What do we plan for?

Activities: What will be done when? The time for land preparation, planting, weeding, spraying etc.

Inputs: What inputs will be needed, and when. This will ensure easy access of quality inputs. Know where to get any inputs that may not be easily available in the village, thinking of the transport costs and the time required.

Budget: How much will it cost at the different parts of the year (production cycle).

Funding Strategy: Where will the funding needed at different times come from? Do you have

all the required cash: if not, make a decision where to borrow and when.

Roles and responsibilities: Who will do what? E.g. Who will do the land clearing, planting in the nursery, watering, weeding, etc.? What will the children in the HH do?

Market: Who will do the marketing, etc.? When? What price shall we charge? What value do we add? When will we do the marketing to optimize the quantities sold but also the prices? How much to sell and how much to keep for home use?

Use of profits: They should think of how funds should be used: -for continuation of the business; savings; and for use in meeting the family needs.

Key steps involved in planning

The following steps will lead to development of a business plan so long as each step is exhaustively addressed:

- i. Background information (Business name – group/individual name, physical address, Tel. no, Nature of business)

- ii. Setting goals for the farm enterprise (every business should have goals)
- iii. Setting a strategy
- iv. Activity plans and scheduling
- v. Costing and budgeting
- vi. Projected income statement (PIS)
- vii. Marketing plan
- viii. Putting up a monitoring plan
- ix. Use of generated profits

Setting up a Business Goal

A business goal is the broad outcome/results (bigger picture) of what an individual farmer or group or association wishes to achieve over a set period of time. For example, the acreage of selected crop or number of animals to keep or the amount of money expected to from a given enterprise in a year.

A business must have clearly set goals. The goals must follow the SMART principle, i.e. a Business goal must be:

Specific: The business should set very specific goals.

Measurable: You can only manage what you can measure. A goal that is not measurable is difficult to manage.

Achievable: The business goals must be challenging but achievable.

Realistic, Recorded and Reviewed: Goals that are not written down are nothing but wishes.

Time-Framed: Goals are time bound as it states the time when the expected outcome/results should be achieved. This will help to properly manage time

Preparing a Business strategy

A strategy is a plan of actions or approaches used to achieve the set goals for a given business. For an agribusiness, it defines the size of land to use; the crop and varieties to grow; whether it is rain-fed or irrigated, when to grow or whether inorganic or organic farming, etc.

An individual farmer or group or association must decide what is needed and what needs to be done in order to achieve the set goal.

Seasonal calendar/Activity scheduling

The purpose of this activity is to plan when different activities take place and estimate inputs and money that is needed at the different times. In business it is important to have enough money when it is needed.

Examples of agricultural activities through a crop cycle include: land preparation, planting, weeding, pesticide/herbicides application, harvesting, sorting, grading storage, and marketing.

Key inputs include labor (who does what), tools/equipment, seeds, manure/fertilizer, pesticides, transport, lunches, etc.,

Main sources of money will include: Savings, farm income, hire out equipment/machineries/labour, loan, money from relatives living and working in major cities.

Costing and Budgeting for an Enterprise

A budget helps estimate the amount of money you may need to run the enterprise. It is also important to plan the sources of the inputs and the money. At this stage all the possible costs are estimated and a budget made. This is similar to the calculation of cost of production (Table 3).

Task 02. Group work

A group of 15 people decided to run a business of growing passion fruits. They have never grown it before, but learned at the demonstration/learning farm that it could be profitable. They learnt from the Agriculture Officer that a half an acre could get them 100 kg per week for period of 3 months. The prevailing price is Kes 100/= per kilogram.

They plan to grow on a quarter of an acre and intercrop with beans during the cropping season.

Divide participants into groups of 8-10 and let me answer the following questions:

1. What enterprise have they decided to undertake?
2. What would be the goal of such an enterprise?
3. What strategy would they have?
4. Which activities and when is each activity done?
5. Make a seasonal calendar for their enterprise by answering the following decisions:
 - ✓ When and what inputs are needed at each stage?
 - ✓ How much money is needed at the different stages?

Allow time for groups to present so they can see what others have done

Projected Income statement (PIS) or Profit and Loss Account (P&L)

Please refer to the cost of production calculation in Table 3. After getting the total cost of production, one continues to get the estimated yield, in case there are some post-harvest losses these are subtracted from the total yield, farm gate price is calculated/obtained and then estimated / projected income/revenue and profit is calculated. This represents the projected income statement – i.e. what a farm is expected get as profit at the end of a given season.

Monitoring the Progress of the Enterprise

Monitoring means to observe and check the progress or quality of a project over a period for the purpose of measuring program or project implementation and its progress towards achieving its objectives/goals. Monitoring is a continuous process from the planning stage through to implementation to the end of the enterprise.

What to Monitor: Questions asked during monitoring?

1. Are we applying the right technology (using the right seeds, fertilizers, pesticide)?
2. Are we doing all the agronomic practices at the right time (land preparation, planting, weeding, spraying, etc.)?
3. Are we producing the right amount per acre/plant?
4. Are we getting the right amount of money?
5. Are we making the expected profit?

6. Do we have enough money to pay for the activities?
7. Are we on track with our set targets/objectives/goals?
8. If Yes can we improve anything still within our budget? e.g. improve how efficient we work
9. If No, how do we handle the difficulties hindering us in order to achieve our goals?

Marketing Plan

A marketing plan provides details on how to do activities. To prepare a marketing plan, the following are the guiding questions through the process:

1. When to sell?
2. Where to sell?
3. Whom to sell to?
4. What price to sell at?
5. What product quantity and quality to sell?
6. How to promote the products so that they are known by customers?

All the above questions and other related questions must be answered to have a clear marketing plan.

What are generated profit for?

Generated profits should be re-invested into the same business, put aside as savings, pay dividends to shareholders or used for new technologies.

Business skills and a well-articulated business plan provide a basis for the potato business selected by the trained FPO. Business plan guides the FPO to avail in advance all the essential inputs required in a profitable business and to monitor progress. The entrepreneurial skills are needed for implementation of business plan.

MODULE 3. RECORDS AND STORES MANAGEMENT

OBJECTIVES	By the end of this module, participants are expected to understand the basic association records
ACTIONS	Associations will develop operational plans using the provided guideline and open business records
OUTPUTS	Store Operational plans & Business records

Record Keeping

To be successful in farming business, a farmer needs to have for proper farm management, farm records and farm accounts.

Any business person must keep records in order to know the outflows (payments) and inflows (receipts). The difference between outflows (payments) and inflows (receipts) will inform the farmer if he/she has made a profit or incurred a loss. Farmers must learn from past successes and mistakes if they are to grow as a business.

Recording involves preparing a record of what activities have been carried out, the amount of resources used, e.g. land, labor and inputs e.g. seeds, pesticides, transport, equipment, etc. and services received. Records indicate the amount of money that comes into a business/farm and the amount of money that is spent (**or just simply money IN and money OUT**).

Quality record keeping is a key strategy to managing risks. By keeping key information, farmers can follow trends in costs of inputs (is it cheaper to buy a 50-kg bag or a 100-kg bag of fertilizer?). Farmers can also follow trends in output prices (is it better to sell my potatoes at harvest, a week or two weeks after harvest?). With record keeping, many of the unknown elements of business planning can be more accurately estimated.

Farmers cannot learn what has worked well and what has not if they do not keep accurate records.

The different kinds of records include; **Cashbooks (combine business expenditures and income records), savings records, credit records and marketing records (Figure 3)**. Records are a means of remembering what activities have been done, amount of money spent and earned. They also help in monitoring progress towards the business goals and for planning for the following season.

Records should give enough information for sound business decision making.

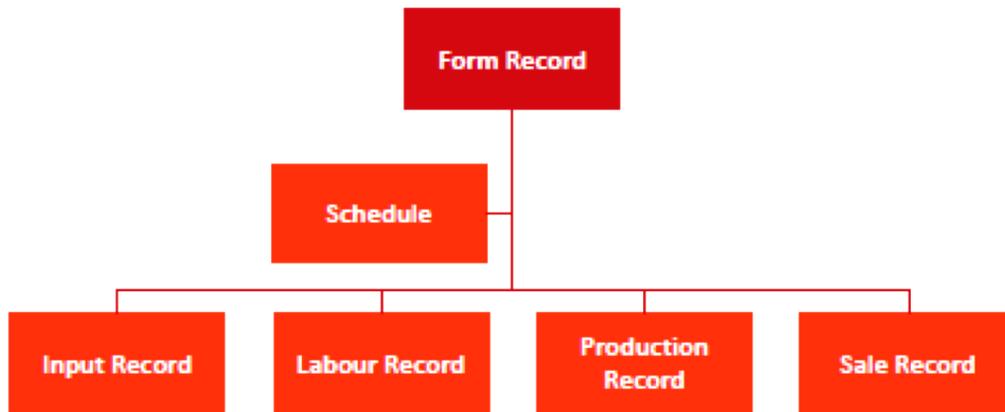


Figure 3. Different Types of Farm Records

Income and Expense Record (Cash Book)

Every farmer should have a Cashbook. It simply records all the money (cash) that comes in the business and the money that goes out of the business.

A Typical Cash Book

⊕			⊖		
RECEIPTS (from sales)			PAYMENTS (for purchases)		
Date	Particulars	Amount	Date	Particulars	Amount

If the farmer does not have a cash book, the format can be copied into a simple exercise book. Keeping these simple records will inform the farmer how to adapt his planning process in the future.

A record of activities should complement the cash book records to shows when a task was performed and how much time it took.

Field Operations Record/Activity Record

Start date	Activity / Task	Completion date	Comments

The information compiled in the two simple forms above will inform the farmer about the performance of his business during the period for which the records are kept.

Importance of Keeping Business Record and Accounts

1. Records helps a farmer to keep track of all farm activities.
2. Records provides information needed for proper planning, budgeting and management of family business and decision making.

3. Records help/assist in knowing if the business is making a profit or not.
4. Record helps in monitoring progress and contributions of each aspect of the farm to its overall success.
5. Records records are useful when a farmer needs to access credit/loan from financial institution
6. Our memory is limited so it is important to keep records

Store Management

A store is a structure or place where we keep goods for future use. A store can be a big warehouse and that means a commercial building for storage of goods. Management implies looking after something, caring for something, overseeing, and keeping among others. Store management therefore means the process of organizing, coordinating, planning, controlling, directing, supervising, and making decisions about a business, department, or an organization in order to achieve defined objectives.

Types of stores

There are three types of store; **Private** – individually owned, **Public** – association and cooperative, **Bonded** – government

Importance of Stores

1. Keeping goods for future use
2. Helps one to wait for better markets
3. Keeping surplus goods
4. Help to regulate prices
5. Help to regulate supply
6. Facilitate packaging, processing and grading
7. Minimize risk of damage by bad weather

Principles of Store Management

Demand forecasting - This helps in predicting future demand and enable one to set profitable but realistic target selling prices, such information helps one to determine how much to store and when to replenish, sell out part or all of the stock.

Stock / warehouse flow – sorting, setting order, systemic cleaning, standardizing, and sustaining the discipline ensures that no money is lost due to poor processes. Disorganization costs money.

Inventory Management

Inventory: Complete list of items such as property, goods in stock or contents of the building.

Inventory management is a step in the supply chain where inventory and stock quantities are tracked in and out of your ware house.

They are four types of inventory: (i) Raw materials; (ii) Work in progress (WIP): labour, overhead costs (iii) Finished goods; and (iv) Maintenance, Repair and Overhaul is inventory required to assemble and sell the finished product. E.g. gloves, pens, paper.

Developing Store Management Plans/Planning guide

The following steps should be followed developing store management plans.

1. *Have a Proper Inventory Mix*: The store manager should ensure that the inventory mix displays the farm's strategic direction. This means that you should regularly review your inventory to ascertain that all merchandise meets the organizational needs, is profitable, and has adequate market demand.
2. *Conduct Physical Inventory Counts*: Physical counting is critical to the inventory management procedure. This simple method can serve as a deterrent to employee theft. It can also provide more accurate information on the farm storage conditions, leading to quick corrective actions.
3. *Use store inventory software*: Consider eliminating manual inventory processes and switch to software for agriculture. Using a farm inventory software maintains authentic stock counts and reduces recording errors. In turn, this helps you make quick cancellations and enables you to provide clients with the highest level of food safety standards. Using an inventory software allows for rapid retrieval and creation of inventory records. This lowers administrative requirements and hastens record keeping.
4. *Use profitable inventorying methods*: As the store manager, you should strive to eliminate wastage and minimize your cooperative's ordering. A great way you can achieve that is by using the A.B.C inventory system. The most common version of A.B.C system categorizes items into high, medium, or low monetary volume. For example, for livestock (Thunder, 2019) farmers high turnover items like animal feeds or salt should be in stock all season. Lower sales merchandise such as lick tubes or oil filters should be monitored and replaced when signs of wear and tear start to appear.
5. *Handle excess inventory often and have an action plan for dealing with it*: There are many reasons for stock build-up, including inaccurate sales forecasting, incorrect product life cycles and supply chain inefficiencies. You need a targeted inventory management plan that identifies when excess is created and offers an exit strategy for selling or reducing it. There may be external pressure to avoid write-offs that affect your balance sheet, but there is a higher cost for storing surplus stock.
6. *Put the right team in charge of ordering and production schedules*: You want a cross functional team spearheading your inventory planning, so they can weigh all factors involved. You will have in place a better plan for replenishment stock and ensure the right inventory is available. The team should be able to relate well with stake holders to ensure a peaceful working environment for the clients and farmers.

MODULE 4. MARKETS & MAKETING

OBJECTIVES	By the end of this module participants will have understood what marketing is, how to conduct market research, demand & supply forces, customer analysis & customer feedback mechanism, strategies, segmentation, product differentiation & marketing information
ACTIONS	Associations will conduct a market survey & identify and profile potential customers
OUTPUT	Marketing strategy & customer database

What is marketing?

Marketing is:

- Working to supply what customers want and doing it profitably for both the customer and the firm supplying the product.
- Finding out what customers want and supply to them at a profit.
- A series of services/activities involved in moving a product from point of production to point of consumption.

Marketing is linked to:

- Planning what to grow –doing business planning and analyzing profitability
- Storing to maintain quality of the produce.
- Maintaining quality of the produce during production
- Packaging, sales and transport to sales point

Importance of marketing

- Marketing helps in finding out what customers want.
- Enables you to produce and sell the things that people want.
- Provides information in letting people know about your products/services.
- Provides information which will enable you to sell your products in the right places and the right price so that people will buy your products.
- Provides information on how to make your products / services unique and more attractive than other similar businesses.
- Packaging materials costs money and smaller packs will in the end cost more than the bigger packages.

What is Collective Marketing?

Collective marketing is bulking your products as a group and selling them together. For example, a farmer with 0.5 acres of Potatoes cannot reach larger buyers since he/she cannot have enough to offer and therefore it is better to bulk with other farmers and later sell collectively.

Important points to note

- Collective marketing activities for farmer associations start as early as the end of the planting period. Others start earlier especially for those with contract farming facility
- Farmer associations are not allowed to buy and sell produce. Usually it is not practical to say that farmers will sell their produce to organizations, should only on behalf of farmers.
- Level of participation by farmers in these activities should be a rational decision based on time and resources.

- 👤 Farmers should be involved as much as possible in the process in order to facilitate skills transfer and local empowerment.
- 👤 As rule of the thumb, farmers will decide which part they would like to play in the value chain.

Market Plans

A simple survey is carried out by marketing committee to identify several potential market options. These should be prioritized according to the market type e.g. local, national and export.

- 👤 Map all potential buyers, contacts and their prices. All prices both retail and wholesale are displayed on the information board at every information point in the zone.
- 👤 Potential buyers in this exercise refer to the corporate organizations like wholesalers, processors and exporters of produce. Small middlemen and wholesalers are discouraged as they cannot offer a significant price

Transportation and Storage

Transportation is twofold, (a) Transporting produce from farm to the store of the organization, (b) Transporting farmers produce from organization's store to the real market; say exporter's store.

Transportation is always organized by the farmers or the buyers in most cases, and storage expenses are borne by the farmer association (FA).

- 👤 Where the area covered by FA is big, the routes for transportation should be defined in the territory for efficiency.
- 👤 Where FAs have storage facilities, it is ideal to bring all the produce to the store and farmers are given bulking receipt.
- 👤 The FA with storage facility or without storage facility should make sure that they are in charge/control of all the produce ready for sale. Short of that, the process can be distorted especially where farmers keep committing their words and not the produce to be sold through the organization.
- 👤 If the cost of transport is projected to be low, farmers should organize their own transport.

Bulking Process

The Marketing sub-committee collects information from the individual farmers and groups basing on what they are likely to commit to the organization and record it in Projected Business volume record for FAs.

- 👤 Interface meeting is organized between buyers and farmers to actualize their market plan.
- 👤 Farmers bring their produce to the central store, weighed and all records updated as and when they bring the produce.
- 👤 Records are taken by the secretary for production and marketing.
- 👤 Where there is no central store, produce is put in central places in villages as agreed upon by all members.
- 👤 When farmers bring their produce at the agreed place they are issued a receipt to show evidence that he/she has brought the produce and the commission is also indicated.
- 👤 The quantity collected is communicated to the buyer immediately to arrange for the next step.
- 👤 Sometimes packing bags are sent in advance by the buyer or the price of packing bags is agreed upon.

- ☞ Money from the buyer is received and receipted by the treasurer of the FA and not directly by the farmers.
- ☞ Loading, grading is also taken care of by either FAs or the buyers.
- ☞ After calculation of commission farmers are paid through their accounts or other records as agreed upon by all members.
- ☞ All the business done on behalf of the farmers is recorded in the Business Performance Record.
- ☞ Buyers should pay for produce before it is taken or when there is an assurance that it will be paid on delivery.
- ☞ It is better if all payments are done by cheque in the names of the farmer organization.

More people confuse bulking with holding, bulking takes place when farmers bring their produce together, while holding takes place when farmers keep their produce in store waiting for prices to increase.

It is important to mention commission and other charges as early as possible to promote transparency.

The accumulated commission is shared by only those who sold their produce through the organization, however part of it may be retained to be reinvested.

FAs with enough share capital may advance to farmers with urgent cash needs. Farmers will remain owners of the produce till point of sale.

Pricing

However, much variance in prices of different communities and markets, farmers will appreciate relatively high prices. Three prices are always taken into consideration:

- ☞ *Open market price* – This is a price offered by middlemen at farm gate in a given community
- ☞ *Farmer association's price* - A price negotiated by the farmer organization from identified buyer. It is always higher than the open market price
- ☞ *Price of the farmers* - This is the price charged by the farmer organization when it sells for farmers, this should be lower than organization's price but higher than the open market price.
- ☞ *Price of the farmers* = FAs price - commission.

Sharing of accumulated commission

After an agreed period, usually one year, during the Assembly General Meeting (AGM) members are obliged to share on the contribution they made towards the growth of the organization. Records should be well maintained to show members contribution. Farmers after marketing period should review the process and come out with lessons learnt and make way forward.

Conditions for successful bulking

- ☞ Mutual trust
- ☞ Clear and enforceable by-law
- ☞ Informed members
- ☞ Members having stake in their organization
- ☞ Active participation at all meetings

- ☞ Zero tolerance for corrupt for unaccountable and undemocratic leadership by members
- ☞ Strong business ethics among members
- ☞ Committed and dedicated leaders
- ☞ Democratically elected leaders
- ☞ Visionary and transparent leadership
- ☞ Regular meetings between leaders and members Proper and updated records

Simple Record Keeping Format for Collective Marketing

Commodity (1)	Unit of Measure (2)	Qty (3)	Open market price (4)	Price of FA (5)	Farmers Price (6)	Total Revenue (3x6)	Commission (5-6) x3

Importance of collective marketing

- ☞ You can negotiate better since you have more to sell.
- ☞ You save on transport and handling costs since you can bring your products to the market together.
- ☞ You can control quality better. All farmers deliver the same quality.
- ☞ You will produce more because markets will become better.
- ☞ You can get loans easier.
- ☞ You can attract trainings and other support from organizations or county governments.
- ☞ You can buy quality inputs at a cheaper price (e.g. seed, tractor hire etc.) and have lower production costs.

Marketing Strategies/(The Marketing Mix) - 4 P's?

Marketing is the most critical factor that determines the success of agribusiness business. Effective marketing starts with a considered, well-informed marketing strategy. Developing a marketing strategy in businesses needs to be based on trainings such as customer analysis and the participatory market research. The marketing strategy comprises of the four Ps (Product, Place, Promotion and Price (also referred to as the marketing mix).

Marketing strategy affects the way the entire business is managed. It is a wide-reaching and comprehensive strategic planning tool that:

- ☞ Describes your business and its products and services.
- ☞ Explains the position and role of your products and services in the market.
- ☞ Profiles your customers and your competitors.
- ☞ Identifies the marketing tactics you will use.
- ☞ Allows you to build a marketing plan and measure its effectiveness.
- ☞ Allows the group to assess the risks involved and the how they can be mitigated.

A marketing strategy sets the overall direction and goals for your marketing while a marketing plan outlines the specific actions you will take to implement your marketing strategy. Your marketing strategy could be developed for the next few years, while your marketing plan usually describes tactics to be achieved in the current year.

Task 03. Group work		
FPO/FCS potato business: in your small group discuss and share your thoughts, suggestions and ideas about the questions below. Since this will form part of your MARKETING STRATEGY , the form should be revised after the module is covered.		
5 'P's	Marketing strategy pillar questions	Write your answers here
PEOPLE	Who are our customers?	
	What do they like? What do they need?	
	Do they have money to buy our products?	
PRODUCT(POTATOES)	How do we make or get the product (Potatoes)?	
	Does it meet the customer's needs?	
PLACE	Where will we start our business?	
	Is it convenient for the customer?	
PRICE	How much will it cost to get the product to the customer?	
	How much will they pay?	
	Will we make profit?	
PROMOTION	How will we let people know that we are in business?	
	How will we attract them to our business?	
	How will they know our product is better than another?	

THE FOURS Ps (MARKETING MIX)

Any marketing strategy comprises four basic elements referred to as the 4Ps' namely product, place, price, and promotion.

PRODUCT

A product is what a business presents to the customer or the value proposition that is meant to solve the customer's problem at hand. Thus this dictates how the customer will require the product. It is important to ensure that the product fully meets the needs of the customer and unique to enjoy competitive advantage. You should compare your produce with that of other suppliers and justify why customers would prefer your produce over those of your competitors.

What will be unique about potato as a product include: type of varieties should be the preferred one by buyers, value additions (i.e. sorting, grading,) branding, packaging, quality status should be standard.

To achieve this, the following steps should be followed:

Step 1: List the different attributes that the target customers specifically look for in your product.

Step 2: Assess the current level of customer satisfaction in line with the product you are providing to them.

Step 3: What can be done to improve the product so as to meet the customers' priority needs?

Step 4: Identify the risks that are involved in trying to improve the product and their management measures.

PLACE

Place is important in meeting two main market aspects namely; availability of the product to and accessibility of the product by the customer. Thus it is important that the product is found in an easily accessible place or location and should also be readily available to the customer at the time of need. For example, in potato production, one needs to know exactly where their profiled customers want to find their produce and at what time in the cropping cycle. The relative locations of the production fields, storage facilities, and the sales points are important in terms of transportation costs and access to customers.

PRICE

A good price is seen as the profit a business earns after selling its products. When selling a product, a competitive price needs to be set and this varies from customer to customer. A number of factors are considered when setting price but mainly two of these are most important: the cost of production and the market price. It is important not set the price so high that the business will fail to sell its products and it should not be set too low that the business may not break even.

The price of your produce will be based on your production costs, the willingness of your customers to pay as determined by prices charged by other suppliers, and your perceived profit margin. This may depend on the nature of the potatoes and the demand for it.

PROMOTION

It is important to know that before the customer buys the product, he/she must hear about the product or see the product or have experience of the product. These will stimulate him/her to think about your product and probably he/she will eventually make the decision to buy product. This depends on how the product is presented to him in terms of features such quality, packaging and labelling, yield potential, and maturity period.

You should use a variety of methods or strategies to inform different categories of customers about the potatoes you offer and convince them to buy. These can be through the following ways:

- 👤 Personal sales of your product to your intended buyers.
- 👤 Conducting sales promotion - say the first ten people to buy 1000kgs of our potatoes get 10 kg for free.
- 👤 Promotions can be done through trade shows and exhibitions on field days and through word of mouth.
- 👤 Advertisement through radio shows, social media, print media, e-soko e.g Viazi soko

However, the farmer group can use marketing mix strategy to distinguish themselves from other competitors through:

- 👤 Modifying products.
- 👤 Changing pricing and strategy.
- 👤 Offer potato variety that others do not sell.
- 👤 Use different promotions and promote distinctiveness.

SUMMARY OF THE MARKETING MIX

Questions on the 4P's

Product:

- Q: What product is needed in the market vis some vis the product you intend to take to the market?
- Q: What quality is for sale?
- Q: What quantity requirements does the market require?
- Q: What will make your produce unique so as to attract potential customers?

Place:

- Q: Where are you going to sell it? At farm gate? At the market?
- Q: How will your products reach the market?

Price:

- Q: What price will you obtain?
- Q: How are you going to relate the quality of your produce with the price?
- Q: How will the customers pay for the product (terms of payment)?

Promotion:

- Q: How are you going to promote the product?
- Q: How are you going to convince traders to buy from you?

Market information

Market information includes all kinds of information business people (including farmers) need in order to market their products and produce for the markets.

Task 04. Group work

A certain man decided to open a shop for leather bags near his home. He decides to make beautiful bags that ladies can use when going to parties, weddings and even work. He had noticed when he was in town buying one for his wife that the bags were very expensive so he thought he could make a big profit if he sold them. To keep his costs down he decided to open the shop in his rural home, even though he lived some distance from the town. His wife regularly used the sample bag whenever she went to town. Her friends would ask her of where she had bought the bag and she would direct them to the husband's shop. They were excited to come and buy the bags. The man became very busy because he started getting so many orders. He had to employ someone to assist him in the business.

TASK A

In groups discuss the following questions and note down your response.

1. What is the product?
2. Where did he sell it?
3. Who did he sell it to?
4. How did he set the price?
5. How did he attract customers?
6. How did he plan the business?
7. Where did he get his idea?

Business skill: The focus of any successful business is the **customer**. As an entrepreneur you have to understand the customer's needs. The four 'P's of marketing are your decision about the Product, Place, Price, and Promotion. These four revolve around the fifth 'P' which stands for the people — your customers.

TASK B

1. What is the difference between the man's products in the case study above and those in the shops in town?
2. Which will be more popular?
3. Which is more 'customer - oriented'?
4. How will location affect the business?
5. How will the wife affect the business?
6. How did the man determine the price?
7. How will that affect the business?
8. How is he promoting his business? Will it have a great impact? Why?
9. How did they develop his plan?

THE 4C'S OF MARKET INFORMATION

Customers – Association's target client. Who are they? What do they do? How many of them are there? Where are they located? What will they pay?

Cost – Association's Costs. Operational costs, Administrative costs, Manufacturing costs,

Selling Costs, transportation costs.

Commodity – Association produce for the market. What are you offering? What is the gap in the market? What are the benefits of your commodity? Is there demand for it?

Competition - Other business targeting same market. Who are they? Where are they? What are their prices? How do they promote their product?

Benefits of Market Information

It allows better decision making at the time of production. It helps you decide on: -What to plant, quantities, methods, what to finance.

It allows better decision making at the time of selling. It helps you decide on: -Where to sell, when to sell, to whom to sell, price.

It attracts traders by informing them about the quantity and quality of produce you have available.

Note: Most farmers produce before collecting marketing information on what the market/customers really wants from them. However, from this session one lesson learnt is that it is very important to know what the market wants and prices offered before engaging in any kind of production to avoid being disappointed after harvesting your products.

Marketing Information is a very useful element in business and it is not free. It has costs attached to it to enable the association source for market information.

Market intelligence and market information are used together because it is through having market intelligence that we can get market information.

Questions on market information;

Q: What is market information?

Q: What market information do you use?

Q: Where do you get the information from?

Q: How do you gather it?

Q: How do you make sure all members of your group get this information?

Q: What do you do with this information? How do you use it?

Q: What challenges do you have with getting market information?

Q: Can you think of any other sources of market information that you could get?

Q: Do you use this information? How?

Q: If you don't use, could this information be useful to you? How?

Task 05. Group work

In two groups, participants should come up with information that they think is useful for their potato businesses - let one person per group present this to all members.

Each group is given 30 minutes to answer the following questions:

- 👤 What information does your association need to improve your potato business?
- 👤 Where will you get the information from?
- 👤 Who will collect this information?
- 👤 How will you use this information?
- 👤 How will you make sure this information is reached by all group members?
- 👤 What support do you need?

Allocate 15 minutes for each group to present and discuss. Time for questions, feedback and clarifications

Demand and Supply

Market demand is the amount and quality of the product that customers are willing and able to buy.

Supply represents how much the market can offer. The quantity supplied refers to the amount of a certain goods that producers are willing to supply when receiving a certain price.

- 👤 The higher the price, the higher the quantity supplied.
- 👤 The higher the price, the lower the quantity demanded.
- 👤 If supply of the product goes up, demand comes down.
- 👤 If supply of the product goes down, demand will raise.

What is participatory market research and why is it important?

For the association to be successful, it is important to know what customers want, understand customer behavior, know how best to deal with other potato growers, how to create demand for their potatoes, what is the preferred packaging and transport means to the point of sale. The process of getting information on these issues is called market research. The main purpose of a market research is to assess and understand the 4As (Availability, Affordability, Acceptability and Accessibility) in rural marketing.

- 👤 **Availability:** Is there scarcity or excess?
- 👤 **Affordability:** How is the price compared to customers purchasing power?
- 👤 **Acceptability:** Is there any positive or negative perceptions about your produce?
- 👤 **Accessibility/ Awareness:** Can customers be able to reach your store with ease? Are they informed about your crop or variety?

How to do market research?

There are three ways of conducting market research: formal enquiry using questionnaires, informal enquiry, and observation.

a) **Formal enquiry:** anonymous standardized information, large volumes, costly and needs someone who can analyses the information. This is used to get general demand trends and market behavior.

b) Informal enquiry: subjective, smaller area of operation, to collect sensitive information such as prices from competitors, but also in relation to packaging, transport, promotion, input suppliers.

c) Observations: to see the behavior of your competitors in terms of how they treat customers, the type of customers and quantities of products a customer normally buys.

For all the methods, it is important to develop relevant questionnaires and interview large number of different people so that you get information from different market players e.g. individual buyers (like - hotels, schools), retailers, wholesalers, etc.

Customer feedback

Customer feedback is the response obtained from your customers regarding the quality of your services and products. Small businesses need to have an effective customer feedback mechanism in place. This is not only to maintain or improve customer satisfaction but it also provides information customers preference.

There are five effective customer feedback mechanisms

Step 1: Welcoming feedback

You must be willing to listen to your customers if you want them to submit their feedback to you. Some traditional ways of welcoming feedback include placing a suggestion box on the help desk, conducting customer satisfaction surveys and having a complaint section among others methods. First time customers' feedback is extremely important to know whether a new customer enjoyed their experience with your products.

Step 2: Rank and prioritize

If you have a large customer base then it is advisable to rank the feedback according to the degree of improvements required, the amount of benefits that an improvement will reap as well as the interest of that particular customer submitting the feedback. Remember to pay particular attention to problems that are brought up by multiple customers.

Step 3: Solving the highlighted problems

Customer feedback may be positive or negative. Of course, it is always good to receive a positive one, which means that a customer is satisfied with the potatoes or any other product sold by your business. For a negative feedback, you need to quickly rectify the issues specified by your customers as soon as possible. If there are no suggestions included in the feedback, you can always contact the customers to get some input.

Step 4: Follow up with customers

Once a problem has been rectified, notify the customer who submitted the feedback about the improvements made and invite him/her to do business with you again to see whether if the previous problem still persists.

If they had a bad experience with you previously, incentivize them to try out your products again. By doing so, customers will provide more suggestions for improvements in the future as they see your business as one that cares. They might even tell people around them that you actually took notice of their feedback and there you go!!, free word of mouth marketing strategy.

Step 5: Notify others about improvements

It is always good to let your target market, prospects and customers know that improvements are constantly being carried out based on customer feedback. Not only will this help to create a buzz around your market, it will also showcase your business as one that is constantly improving and listening to the needs of your customers. With that, more people are going to be doing business with you in the long run.

Businesses cannot survive without satisfied customers. For instance, farmers who receive high quality seed potato from your business will consistently and conveniently become your loyal customers and will tell other farmers how satisfied they are. This will cause your business to grow.

The different ways of getting customer feedback include:

- 👤 Through surveys conducted
- 👤 Face to face interactions
- 👤 Telephone calls
- 👤 Farmer field day
- 👤 Ask buyers
- 👤 Customers can give feedback through use of mobile phones.

Task 06. Plenary Discussion or Group work

Share your stories on customer feedback

Do you have a customer feedback mechanism for your potato business? If yes, can you share with us some tactics that you think might be a good add-on to the steps above? What are some of the amazing things that have happened to your business just because you listen to your customers?

Who are your potential customers?

Q: Where are the major customers located? How far do they generally want to travel?

Q: Will most of my customers be retailers or wholesalers (retailers and wholesalers may want to buy different quantities)?

Q: Will the majority be new customers or repeat customers?

Q: What is their purchasing power/income bracket? Will they pay cash or on credit? Will they buy in bulk or small quantities?

Q: What is convenient/inconvenient for them when purchasing (distance, package size)?

Q: What attributes will be most important to my target customers (variety, size, freshness, cleanliness, storability, taste etc.)?

Q: Are they part of a group or association?

Q: Will they want to see the crop in the field before buying?

Q: What are the opportunities and threats in each customer category?

MODULE 5. SAVINGS & RESOURCE MOBILISATION

OBJECTIVES	To promote internal saving and access to external credit to finance potato enterprise
ACTIONS	Associations will agree on internal and external sources of finances for supporting their business
OUTPUT	Resource mobilization strategy/plan

What is saving?

Saving is the practice of putting aside part of your current earnings for future use. It is not done once but over a period of time. You will have to make some sacrifices of current enjoyments to save for a better future. **“One by one makes a bundle”**

You do not need much money to start saving. Whether you are a student, a farmer, a teacher, nurse, banker, market vendor/mama mboga, taxi driver or a potato business person, you can always put a little money aside. When you save regularly, your money will “grow” as shown in the table below.

Table 4. How monthly savings can grow over time

Name	Month 1	Month 2	Month 3	Month 24	Total Savings (Kes)
John	10,000	10,000	10,000	10,000	10,000	240,000
Jolly	50,000	50,000	50,000	50,000	50,000	1,200,000
James	100,000	100,000	100,000	100,000	100,000	2,400,000

Spend less to save more

You can save by spending less. Cutting down on consumption, such as alcohol and on buying new clothes for every function, enables you to save more money to provide for you and your family's future.

Encourage your children to save

Parents should teach children to start saving for a purpose while they are still young. You can help a child save money in a small tin or box (piggy bank)

Save to avoid unnecessary debts

Savings are the best way to pay for day-to-day costs like school fees, clothing and medical charges. It is better to save for such expenses than to borrow. *While people sometimes get into “debt trouble” by borrowing unwisely, they never get into “savings trouble”.*

Always have an “Emergency Fund”

Savings are very helpful in addressing unexpected or unforeseen problems such as illness, accidents, unemployment, robbery, drought, funerals, too much rain that destroys crops, etc.

Save for special events

Have a savings account or a small tin or box to save for luxuries such as birthdays, a wedding ceremony and holidays. You can plan ahead for this and hence save over a long period of time.

Choose how and where you want to save

Many times we find excuses to avoid saving, claiming that we do not have enough money or we do not know how and where to save. Here are some options you can choose from:

- ✚ Saving in a savings account with your bank or Microfinance Institution. You can save via regular deposits or a standing order from your current account to your savings account.
- ✚ Saving through a group e.g. SACCO, Village Savings and Loans Association (VSLA) or Chamas, Merry Go-Round groups, Table Banking groups or friends that come together and save regularly.
- ✚ Saving some money, such as coins, in a small tin or box (piggy bank) at home at regular intervals and then banking it when it has filled. This works well for children because it teaches them to save and value money at an early age.
- ✚ When you save with a savings account, you should be paid interest. In order to make sure you get the most from your money, find out:
 - ✚ How much interest you will get. Different institutions offer different interest rates. Some of them pay interest monthly and some yearly. Compare it all.
 - ✚ What fees and charges (if any) you will need to pay. There might be an account opening fee, an account management fee, a deposit or withdrawal charge, etc.
 - ✚ How much notice (if any) you need to give before taking out your savings and what penalty (if any) you will have to pay if you take out your money before then.

Four steps to achieve your savings goals

Follow these four steps to achieve your savings goals:

- ✚ Decide what you want to save for and find out how much it will cost – whether it is buying a house, land, starting/improving a business, studying or saving for your child's school fees, etc.
- ✚ Ensure that what you are saving for is realistic and not over-ambitious.
- ✚ Start saving now – the sooner you start; the sooner you'll get there.
- ✚ Put your savings in a safe and secure place where you earn good interest.
- ✚ Keep saving regularly and over a long period of time. It's only then that your money can accumulate.

Savings give you financial security and control

When you save, you have some form of financial security and control. You will feel more responsible and independent using your own money rather than borrowed money or money given to you by others.

Choose to save in an institution that is easy to reach and work with. The institution should

- + Be safe and secure
- + Be easy for you to use and convenient
- + Be easily accessible
- + Have an easy process for opening an account
- + Have good interest earned on savings
- + Have little or no charges on your account (make sure that your monthly interest is more than the monthly charges)
- + Value and treat you well as a client.

Make use of a standing order

Sometimes you may not be disciplined enough to save regularly. You can go to your bank and set up a standing order to ensure that you do save regularly. A standing order is an instruction to a bank to pay a set amount of money at regular intervals from one account to another. However, take note of the charges. If you are an employee, you can also ask your employer to transfer part of your salary directly to your savings account.

Get more for your money - on a fixed deposit account

A fixed deposit account involves locking away a particular amount of money for a certain time period at a fixed rate of interest. You will be charged a penalty if you withdraw this money before the end of the fixed period. The rate of interest is normally higher than on other accounts, so this can be a good way of keeping your savings.

The Rule of Thumb: Let's Save

- + Save as much as you can as soon as you can. The more you save, the better off you will be.
- + Try to save 10% of your income even if you do not have a specific purchase or investment for which you are saving. If you can't afford 10% right away, start with less, but save something.
- + Calculate how your money can grow over time if you save regularly in an account that earns interest.
- + Spend less to save more.
- + Spend carefully. If you purchase big items, consider how much you could resell them for.
- + Look for opportunities to save money by bulk buying of non-perishables.
- + Pay off your debts. Total household debt should not exceed 36% of household income.
- + Keep three to six months of living expenses in an emergency fund at all times.
- + Keep emergency funds in a separate account. Open two savings accounts—one for emergencies that is easy to access and doesn't have any penalties for withdrawal, and one for savings for other goals that is harder to access (and therefore less tempting to withdraw the money). Keeping some savings "out of reach" is important.

Build Your Own Savings Plan

STEP 1: EARNINGS

In the next (month, 6 months, year) I will be earning:

STEP 2: EXPENDITURES

In the same time period, I will face the following expenditures:

Include necessities such as food, housing, clothes, transport as well as debt repayments and discretionary or optional expenditures. Are there any expenditures that I could cut back on in order to save more?

STEP 3: NET INCOME & SAVINGS TARGET

My net income would then be (earnings minus expenditures):.....

On this basis I can formulate a realistic savings target of:.....

STEP 4: WHERE & HOW WILL I SAVE?

I can go to the bank to deposit my savings in my account weekly/monthly.

I can ask my employer to directly deposit a part of my paycheck into my savings account

STEP 5: HOW WILL I TRACK MY SAVINGS?

I can regularly check my bank statements.

THE ABC OF SAVINGS

Interest	A rate expressed as a percentage which is charged or paid for the use of money
Financial Security	Assured freedom from poverty or want
Debt	An obligation to pay something to someone
Savings and Credit Cooperative (SACCO)	A group of people, minimum 30, who come together to save and lend to each other. Such a group is usually member owned, member-managed and member- governed
VSLA	A group of people who save together and take small loans from those savings activities. Such group has a cycle of one year after which the accumulated savings and loan profits are shared among the members
Commercial Bank	A financial institution that offers formal banking services to account holders in that bank

Task 07. Are You a Savings Pro?

Are The Following Statements Right or Wrong?

1. My money is safer at home than in a bank.
ANS: Wrong – At home your money can easily get stolen or destroyed by fire, insects or other animals. In licensed financial institutions such as commercial banks or Microfinance institutions or Chamas, your money is safe.

2. I should earn an interest rate when I save with a savings account.
ANS: Right – However, you should compare the interest rates that different institutions offer and also take account of the fees and charges you might have to pay.

3. Fixed deposit accounts generally pay higher interest rates than normal savings accounts.
ANS: Right – In exchange for locking away your money for a fixed period of time banks can afford to pay you a higher interest rate on your savings.

4. It is unnecessary to have an “Emergency Fund” because I can always get a loan.
ANS: Wrong- Remember it might take time to get a loan, you might not have enough securities to do so and you have to pay an interest rate! Therefore, it is best to have an “Emergency Fund” to address unforeseen or unexpected problems such as illness, accidents, funerals, or droughts immediately.

MODULE 6. FINANCIAL LITERACY

OBJECTIVES	By the end of this module participants will learn the benefits of personal money management as well as transfer of skills for behavior change.
ACTIONS	Association members will analyze their income sources and expenditures and make spending decisions
OUTPUT	Personal financial budgets and spending plans

Financial Literacy

Financial enables one to:

- ❖ Understand the key financial products you may need throughout your life.
- ❖ Understand basic financial concepts like compound interest, investment return, risk, and diversification and others.
- ❖ Discuss money and financial issues – even if you don't really like to talk about them.
- ❖ Make good financial choices about saving, spending and managing debt.
- ❖ Respond competently to changes that affect your everyday financial well-being.

Financial Management

This involves planning and keeping track of your income and expenditures. A budget is one major tool to manage income and expenditure in one's life.

Three things you can do with money

- i. You spend money for day-to-day needs such as food, housing, transportation, clothing, healthcare, debt repayment, and optional expenses such as watching football, buying new shoes.
- ii. You save money for unexpected emergencies, unexpected opportunities, or to meet short- and medium-term financial goals.
- iii. You invest money in business ventures to earn income over the long-term.

How do you make a budget?

- i. Keep track of your income and expenses.
- ii. Create budget categories that are appropriate for you.
- iii. Set your financial goals.
- iv. Allocate your income across your budget categories.

Ways to Cut Spending

- ❖ Consume less of non-essential items (beverages, snacks, luxuries).
- ❖ Spend less on parties and festivals.
- ❖ Save enough to buy necessities in larger amounts at lower costs.
- ❖ Plan ahead to buy necessities when the prices are lower.
- ❖ Buy less on credit.
- ❖ Carry less money or save money in a safe place; the temptation to spend it won't be there.

What to know before borrowing?

- ❖ The amount of your loan payment, including principal, interest and fees.
- ❖ The sources of income and/or savings you have to make those payments.
- ❖ When you will actually get the loan money in your hands (will it be before you need it?).
- ❖ That your investment from the loan generates a return which is high enough to cover the total cost of credit and to make a profit.

Questions for lenders

- ❖ What is the interest rate?
- ❖ How often must the loan principal and interest be paid?
- ❖ What is the amount of each installment?
- ❖ What amount of savings is required and how often must deposits be made?
- ❖ What fees must be paid to obtain a loan?
- ❖ What penalties are charged for late payments?
- ❖ Where are loan payments made?
- ❖ How often do meetings take place?
- ❖ How long do the meetings last?
- ❖ What are the collateral requirements?

Differentiate between borrowed money and your own money

By answering and discussing the statements above about your own money and loan money, one will be able to understand the differences between using your own money and using borrowed money.

ANNEX 1. BUSINESS PLAN PREPARATION/PROJECTION FORMS

1.1 Five-Year Projections for the Trained FCS/FPO/Group

Item	Where are we now	Where will we be in the next 6 months	Where will we be in the next 1 year	Where will we be in the next 2 years	Where will we be in the next 5 years
Member registration					
Potato Production capacity					
Number of clients					
Quantity sold (in Kgs)					
Income generation (In terms of No. of income generating activities)					
Income generation (in terms of kes/month)					

1.2 Membership Projections

	Current	In the next 1 year	Current partners
Membership			
Male			
Female			
Membership fee			
Share (Min)			
Area of operation			
Office location			

1.3 Mission, Vision, Goals and Objectives of the Trained FCS/FPO/Group

Vision	
Mission	
Goals	
Objectives	

1.4 Organizational, Management and Operational Plans

Key Activities	By When	Status (done/pending/ongoing)	Comment
Acquire an office			
Equip the office			
Hold an AGM			
Market survey			
Acquisition of DLS			
Recruit members			

Acquisition of cold stores 4			
Train seed multipliers			
Mobilize resources (capital)			
Good governance Training			
Setting up sub-committees			
Open bank account			
Hire a manager/ Clerk			

1.5 What Kind of Risks does the FCS/FPO/Group Anticipate?

Type or Risk	Specific Risk	Strategy to Overcome
Financial		
Marketing		
Production		
Loss of property/ produce		
Other		

1.6 Activity and Funds Allocation

Activity	Cost	Resource/ Assets	Cost
AGM			
Business/ strategic planning			
Training seed producers			
Develop the marketing material (Initial write up, brochures, posters, logo etc.)			
Undertake a Market survey of ware potato customers			
Member recruitment drive			

1.7 Business Model

As per your business model what key activities do you plan to undertake?

Key Activities	Key Resource	Key Partners	Associated costs

1.8 Operational Cost for the trained FCS/FPO/Group

Cost Element	Cost behavior in relation to no. of units sold (Fixed/variable)	Frequency in a year (Units) (Monthly, Seasonally/Yearly)	Total Amount
Office Rent			
Salaries & wages			
Certification fee (Seed unit)			
Operating Licenses			
Marketing & Advertising cost			
Committee(meeting)			
Allowances			
Communication costs			

Utilities (Bills)			
Travel costs & allowances			
Training costs (Committees, staff)			
Field Inspection costs			
Office stationery			
Repair and maintenance			
Professional fees (auditor, bookkeeper etc.)			
Interest on loans			

1.9 Annual Seed/Ware Potato Production Calendar

Assuming operations starts in January, fill in the production calendar below by ticking the time for each of the production activities below. Use **√** for ware potatoes and **x** for seed potatoes.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
A. Land Preparation												
Land leasing												
Soil Testing and analysis												
Bush clearing												
Ploughing												
Harrowing												
Ridging (furlowing)												
B. Acquisition of Inputs												
Seed potatoes												
Fertilizer												
Agrochemicals												
Packaging materials												
C. Production Activities												
Planting & fertilizer												
Spraying (Fungicides)												
Spraying (Insecticides)												
Weeding/ Hilling												
Dehaulming												
Harvesting												
Transportation & Storage												
Sorting & grading												
Aggregating & distributing												

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