**EXERCISE 10B. CALCULATING INCOME AND PROFIT**

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| *OBJECTIVE*  **After this exercise the participants will be able to:**   * Calculate the income and profit they can expect from different products. | |
| *EQUIPMENT NEEDED*   * Flip chart, marker pens, calculator | *EXPECTED OUTPUTS*   * Calculation of income and profits for different products |
| *TIME*   * 2-3 hours | *PREPARATION*   * Complete Exercise 10A. |

*This exercise uses the information generated in Exercise 10a to calculate the expected income and profit for different products. it enables farmers to determine whether producing a product is likely to be profitable, and to compare the profitability of various products.*

*SUGGESTED PROCEDURE:*

1. Explain to the participants that they will calculate the income and profits from the products they are considering producing. They need to do this so they can determine whether producing each item is likely to be profitable. This will also help them choose among the products.
2. For each product, ask how many units they expect to be able to produce. For example, how many bags of maize per hectare, or how many chickens per production cycle? Write these figures in the first row of Table 37.
3. Ask them what price they can expect per unit of output. Write this amount in the second row.
4. For each product, multiply the amount of output by the price. Write this amount in the third row.
5. Write the total costs (from Exercise 10a) in the fourth row.
6. Calculate the expected profit for each by subtracting the costs from the income.
7. Discuss the results with the farmers. Are the estimates realistic? Do they conform to their experiences? Which product is best from this point of view?

TABLE 37. CALCULATING EXPECTED INCOME AND PROFIT FROM VARIOUS PRODUCTS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PRODUCT 1 PRODUCT 2 PRODUCT 3 (E.G., MAIZE) (E.G., CABBAGE) (E.G., BEANS)** | | | | |
| **No. of units of output (e.g., bags)** | A |  |  |  |
| **Expected price per unit** | B |  |  |  |
| **Total income** | C = A × B |  |  |  |
| **Total costs** | D |  |  |  |
| **Expected profit from 1 ha** | C – D |  |  |  |