**EXERCISE 19. CALCULATING COSTS, INCOME, AND PROFITS**

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| *OBJECTIVE***After this exercise the participants will be able to:*** Calculate the costs, income, and profit from an enterprise.
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| *EQUIPMENT NEEDED** Multiple copies of the empty costing template (or you can write this information on a flipchart)
* Paper, pencils
* A calculator, optional computer with a spreadsheet
 | *EXPECTED OUTPUTS** A record of farmers’ costs of materials, labor, loans, income, and profit at the group level.
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| *TIME** Two sessions of 3 hours:
* The first session will work out the costs of production from up to three farmers. Try to get a sample of farmers who best represent the group.
* The second session will collect information on areas of production and sales prices for farmers, which will be used to calculate profits for each of the members.

As you gain experience, you may be able to do both sessions in 3 hours. | *PREPARATION** Before working on the costs of production with farmers, the field agent should visit a local input supply merchant and have a list of costs for generally used materials for the target crop. This will include things like costs of seeds by type, costs of fertilizer by type, and costs of agro-chemicals commonly used for target crop. It also includes basic costs of equipment that most farmers will use such as a plow, hoe, machete, string, bags, knives, etc. It is also useful to get an idea of the costs of certain services, such as plowing teams per day, tractor lease, weeding teams daily rates, etc. This information is collected in advance so that you can correct the farmers if they give very high or very low prices.
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*This exercise will help the farmer group to calculate their costs of production, the income from the sale of their products and the profit that they have made.*

*SUGGESTED PROCEDURE:*

The farmers should conduct the profit analysis on the crop they have grown together and sold as part of the project work. If they have not yet done this, choose a crop that they all grew (separately) last season and fully understand, in terms of how to produce and sell the crop, and have a working knowledge of the costs and incomes involved.

The first session should be done with the field agent and up to three farmers to obtain the costs of production and information on unit sales prices. The profitability results for all the farmers will be assessed in the second session. Having two meetings avoids people waiting around whilst the detailed interviews are being performed.