



# Marketing basics

A SMART SKILLS MANUAL



This publication is the second edition of the original Marketing Basics manual. This second edition incorporates materials from both marketing basics and financial education guides. This revised marketing basics manual aims to provide methods and information to assist more farmers and people living in rural communities in developing countries to build their marketing and financial skills to enable them to invest in new business opportunities with more knowledge and confidence, so that they can build more sustainable business ventures. The integration was done to facilitate fee-for-service field agents; such as the Savings and Internal Lending Community (SILC) Private service Providers (PSP) and the Private Agricultural Service Providers (PASP) to support more rapid skills delivery to reach last-mile populations.

Catholic Relief Services (CRS) serves the poor and disadvantaged overseas. Without regard to race, creed or nationality, CRS provides emergency relief in the wake of natural and man-made disasters and promotes the subsequent recovery of communities through integrated development interventions. CRS' programs and resources respond to the U.S. Bishops' call to live in solidarity—as one human family—across borders, over oceans, and through differences in language, culture and economic condition. CRS provided co-financing for this publication.

Catholic Relief Services  
228 West Lexington Street  
Baltimore, MD 21201-3413 USA

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#### Editorial team

Shaun Ferris  
Rupert Best  
Paul Mundy  
Tom Shaw  
Kimberly Tungate

#### Layout and design

Paul Mundy

#### Illustrations

Jorge Enrique Gutiérrez

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# Marketing basics

A SMART SKILLS MANUAL\*

**\*THE SMART SKILLS TRAINING MANUAL SERIES IS  
CURRENTLY UNDER COMPREHENSIVE REVISION  
TO UPDATE THE CONTENT AND ILLUSTRATIONS.**



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# Foreword

“La Esperanza” is a savings and internal lending community (SILC) with a membership of 11 women and one man in Estelí, Nicaragua. The group used a part of their savings to invest in producing vegetables on a one-quarter manzana (0.175 ha) drip-irrigated plot. The group sells their produce at the Friday market in Estelí and to other villagers. They earn around US\$ 50 a week from selling their produce, a welcome income for the members. The members get paid for the time they spend working on the vegetable plot. The group’s manager is also paid for her efforts in organizing and running the group. These payments are important incentives that enhance the stability and growth of their business. The group wants to double the size of its plot and is exploring the possibility of selling its produce to a supermarket in town.

La Esperanza is an example of a new way of combating poverty in vulnerable rural communities—by helping them engage with markets. To do this, the group members need various types of skills. Here are the main ones:

- **Organizational management skills:** the group members need to plan and monitor the performance of their work.
- **Financial skills:** they need to save money, invest it in the enterprise, and maintain financial records.
- **Market and enterprise skills:** they need to produce something that customers want to buy; they need to find those customers; and they need to plan their business to make a profit.
- **Natural resources management skills:** they need to conserve their soil, water and other natural resources so they can produce on a sustainable basis.
- **Innovation skills:** they need to find new, more efficient and more profitable ways of doing things.

In common with many other development agencies, CRS is incorporating a multidisciplinary approach into its development efforts. We realize that increasing food production alone cannot move poor rural people permanently out of poverty.

Building the capacity of smallholders means helping rural communities to work together effectively, manage their money and natural resources, engage in profitable enterprises and learn how to innovate. These are all important elements in a successful and more sustainable agricultural development strategy.

Field agents, extension workers, and development managers typically focus on one particular area of expertise. This series of training modules gives them the broader set of skills they need to understand and support a robust enterprise approach and to build the capacity of local people.

Through building local capacity, we are reshaping the way we support vulnerable communities. As in the case of La Esperanza, communities progressively become agents of their own change. They identify and grasp opportunities that turn previous desperation into a brighter hope for the future.

Sean Callahan  
President and CEO, CRS



# Preface

This set of manuals on “**Skills for Marketing and Rural Transformation**,” or “**SMART Skills**” for short, presents an integrated and sequential approach to building vulnerable farmers’ capacity to link with markets. The manuals are intended for use by development facilitators, field agents, extension agents, and community leaders working with poor, rural communities. They focus on providing the knowledge, skills, and practices needed to improve the livelihoods of smallholder farmers through improvements in the production and marketing of their crop and livestock products.

This guide contains the following parts:

- **The subject matter:** the knowledge and skills you need to master in order to teach the skills. They are printed as lessons.
- **Lesson quizzes to test your own knowledge.** The answers are provided at the end of each lesson.
- **Field exercises:** these are the training methods used by the agents in the field, to build the capacity of clients and project participants. The practical methods take into consideration the capabilities of field agents and the populations across many countries in Africa, Asia and Latin America. Many examples and records used in the guide come from field experiences and real cases. Names and other information, however, have been changed.

## HOW TO USE THIS GUIDE

**As a user learning the material.** Read through this guide lesson by lesson, section by section, trying to absorb the information presented. Read both the lessons and the accompanying field exercises. At the same time, picture how you would use the information and techniques described to help you work with farmers on developing their agro-enterprises.

At the end of each lesson, answer the short quizzes. Check your answers with the list at the end of the guide. If you get all the answers right, congratulations! Go on to the next lesson. If you did not get all the answers right, go back to review that section again, then retake the quiz before moving on to the next lesson.

**As a trainer working with field agents.** You can use this guide to teach other field agents. You can present the information in the text, then work through the field exercises with the participants. Guide the field agents on how they should conduct and monitor the training sessions. For some of the field exercises, you can ask the field agents to pretend that they are farmers.

**As a field agent working with farmers and other rural people.** Once you have taken this course and passed the quizzes, you can use the guide to work with community members to develop their skills. Every group and every situation is different, so this guide cannot anticipate every problem you may come across. You should adapt the relevant items as necessary and use this guide as a basis for building your own series.



Before teaching these materials, review and modify the following elements for your own local situation:

- **Names** of people, villages, and groups.
- **Currency.**
- **Amounts of the items** shared in the examples. These amounts will vary based on the target group's income levels. If the amounts are either too large or too small, participants may not think that these tools apply to them.
- **Stories.** There may be more relevant examples for your community that will better communicate the objectives.
- Items being **bought and sold.**
- Types of **income generating activities.**
- When items are sold based on the **local seasons.**

Wherever possible, work in a **participatory manner** with the participants. This means you should make sure that it is the participants who are gathering and analyzing information and making decisions that will affect them. Your role is to facilitate their learning, not to do the job for them.

**As a reference source.** You can also use this manual as a reference. If you need to check on a technique or concept, look it up in the table of contents.

## SMART SKILLS GUIDES

This series consists of the following guides.

- SMART skills for rural development
- Organizing and managing farmers' groups
- Understanding natural resources
- Managing natural resources
- Facilitating Saving and Internal Lending communities (SILC)
- Financial education (FE)
- Child-Optimized Financial Education (COFE)
- **Marketing basics (MB)**
- Inclusive market systems
- Promoting innovation.

These manuals are further being developed as distance learning products. As the process is rolled out and experimented with in different situations, we look forward to receiving feedback on modifications and improvements so that these learning products can be continually improved.

# Acknowledgments

This manual and the other manuals in the Smart Skills series were originally the product of a process that initiated in 2002 with Agroenterprise Learning Alliances in East Africa and Central America. Catholic Relief Services (CRS) and the International Center for Tropical Agriculture (CIAT) were co-facilitators and among the principal participants in these Learning Alliances. Since 2002, many other organizations and individuals, especially within CRS, have contributed to the content by adding new knowledge and experiences and by reviewing the materials brought together here.

Sincere thanks to the following persons, without whose support we would have been unable to complete the manual:

- Carlos Felipe Ostertag, founding member of CIAT's Rural Agroenterprise Development Project, who adapted many of the well-known marketing principles used in this manual for use by agricultural and development organizations.
- The many farmers and other community actors that have participated in CRS's agro-enterprise activities across three continents and whose needs and demands we hope are reflected in the content of the manual.
- Jorge Enrique Gutiérrez, who produced the graphics.

Original Authors

Shaun Ferris, Rupert Best and Paul Mundy

*This second edition has been updated to address gaps identified during trainings. The revisions of this manual were prepared by:*

Tom Shaw and Kim Tungate

# Introduction

Many small-scale farmers in the developing world learn how to grow crops and raise livestock in a very practical way: by working in the fields and by tending animals. They grow food for their families, and sell any extra to visiting traders or at the local market. But they may have never studied farming in school or learned how to earn more money by marketing their produce in a better way.

This manual aims to help **you, the field agent**, assist groups of men and women farmers find better ways to market their products. Many field agents have strong skills in working with communities and in advising farmers how to increase their production. But many are relatively new to the idea of developing agricultural markets. This manual will help you become a **market facilitator**: it shows you how to help farmers understand markets and plan how to market their produce.

As a field agent working in agro-enterprises, you will need a range of skills. These include:

- Group management
- Finance
- Natural resources management
- Marketing
- Innovation.

These skills are covered in separate manuals in this series. The farmers you work with will also need these skills. One of your tasks is to help the farmers learn and practice these skills so they can improve their incomes from agriculture. The manual *Introduction to SMART Skills for rural development* guides you on how to plan and implement a training curriculum to give them these multiple skills.

## PURPOSES OF THIS MANUAL

This manual has two main purposes:

- To help you **learn about marketing and agro-enterprise development**.
- Once you have mastered the knowledge and skills yourself, to help you **teach marketing and agro-enterprise** skills to men and women farmers and other rural people.

## PRODUCTS COVERED

You can apply the principles in this guide to any agricultural product:

- **Staple food crops** such as maize and sorghum
- **Livestock products** such as live animals, meat, milk, and hides
- **Cash crops** such as coffee, cacao, tea, cotton and sugar cane
- **Higher-value produce** such as honey, fruit, vegetables and medicinal plants.

You can also apply the same ideas to other products such as **wood** or **fish**—or indeed to other items (such as **handicrafts**) that rural people produce, as well as services (such as tourism and transport) that they provide.

For simplicity, we will mainly refer to “planting” and “crops”, but remember, you can use the same ideas for other products too.

## WHAT TYPE OF FARMER ARE WE TARGETING?

This manual is about marketing for small-scale farmers in developing countries. These farmers are both women and men. We will assume that they cultivate 0.5–2 ha (roughly 1 up to 5 acres). They do not own mechanized equipment, use little fertilizer and few other inputs, and are not well organized. We also assume they have few links to formal financial institutions such as banks or microcredit institutions, and that they sell their produce mostly to informal traders or in the local market.

Of course you can also use the ideas in this guide with people in other situations: farmers who cultivate a larger area or who are slightly better off, or people who depend mainly on livestock for a living. You can also draw on this guide if you are working with traders, processors or other actors in the value chain.

## AFTER LEARNING ABOUT MARKETING...

After improving their marketing skills, the farmers may continue to sell their produce locally, but at a different time or for a better price. Or they may sell to new customers: perhaps a supermarket, a trader in a big city, or even an exporter. They may process the product in some way: drying it, sorting it, or packaging it. They may bulk it—so instead of each individual farmer selling a couple of sacks, a group of farmers can sell a whole truckload. Or they may grow a completely different crop or produce a different type of livestock product: tomatoes instead of maize, or milk instead of meat.

Whatever they do, they will **know much more about their markets**. They will be **better organized**. They will be better able to **plan and invest** in their enterprises. And they will make **more money**.

This manual shows you how to help farmers start off with simple marketing principles and terms. For more demanding markets, such as supplying supermarkets and exporters, you and the farmers may need extra knowledge and skills. But this manual will provide you with many of the basic concepts and skills you will need to tackle these new situations.

## WHAT IS IN THIS MANUAL

This manual reviews the principles and terms that are used in marketing. It focuses on the basic skills and knowledge you will need to understand markets and to help small-scale farmers understand them. It looks at ways you can help farmers learn about marketing, the words that are used to describe markets and market activities, and some marketing principles.

This manual aims to familiarize you with the terms and approaches used in marketing and agro-enterprise development. This will allow you to apply this knowledge in the right situations and build your confidence in working with farmers in their marketing activities.

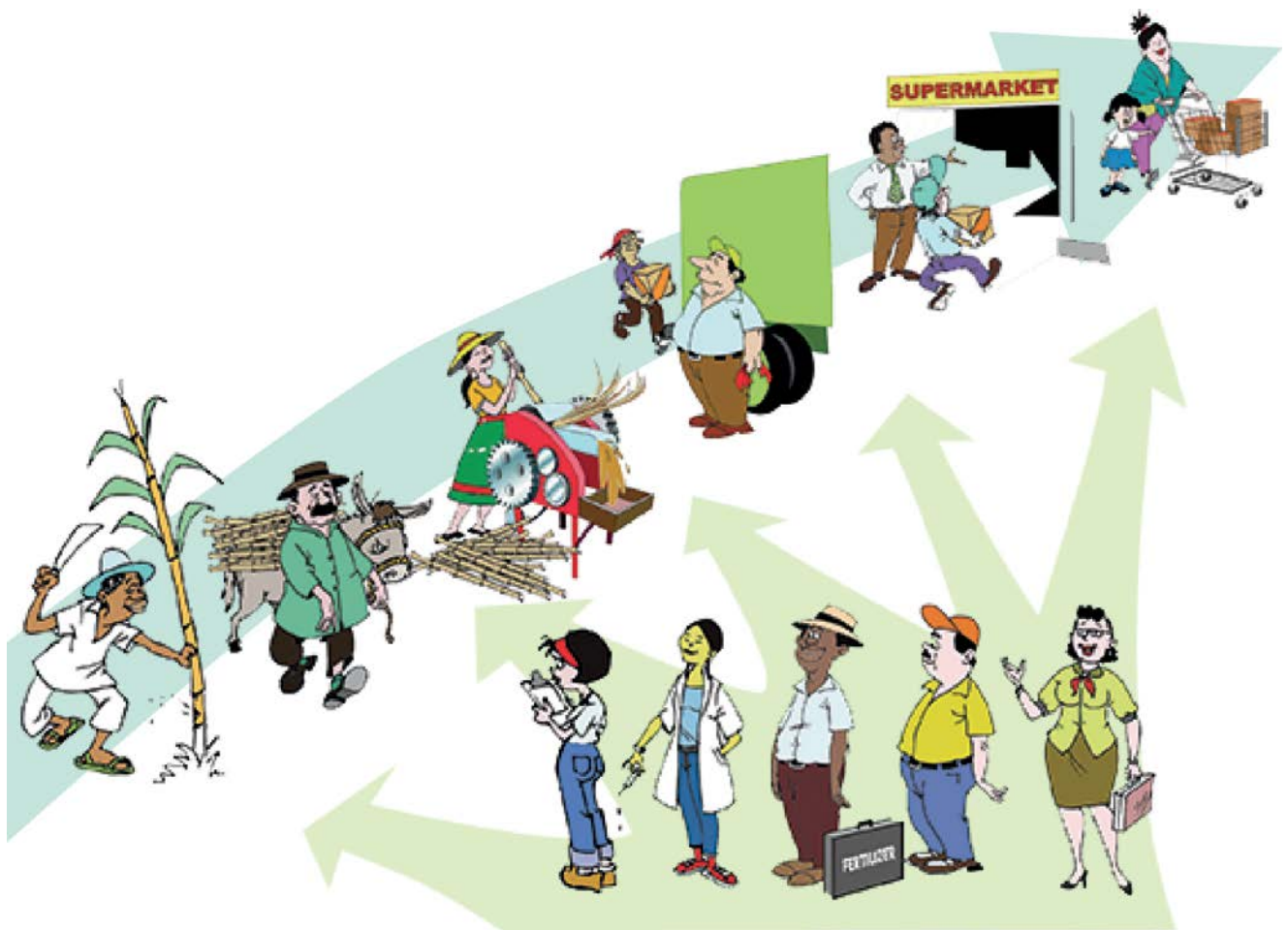
The manual is made up of five lessons and five field exercises. They are:

- 1. Agricultural marketing (Parts A & B).** Introduces the idea of agricultural marketing and explains why you should learn about it.
- 2. Understanding profit and crop seasonal calendar.** How to work out how much it costs to produce product, how much a farmer earns, how to calculate profits, and how to understand seasonal cash flows.
- 3. Comparing markets and buyers.** Describes the different types of markets and buyers, and how to compare them.
- 4. Adding value after harvest.** Looks at how farmers can add value to their product to get a higher price when they sell it.
- 5. Marketing strategy and managing risk.** Discusses Four alternative strategies that farmers can choose from to develop markets for their products.

Training on the five lessons and practice of the five field exercises in this manual can be completed in a five-day training workshop, with one of those days used for live presentations in the field to test field exercise delivery competence using a realistic audience.



# Lessons





# LESSON 1: AGRICULTURAL MARKETING

## PART A: BASIC ACTIVITIES, TERMINOLOGY AND DEFINITIONS

### IN THIS LESSON

In this lesson you will look at both basic activities and terminology (Part A) and the effects of supply and demand on price (Part B).

After completing Part A, you will be able to:

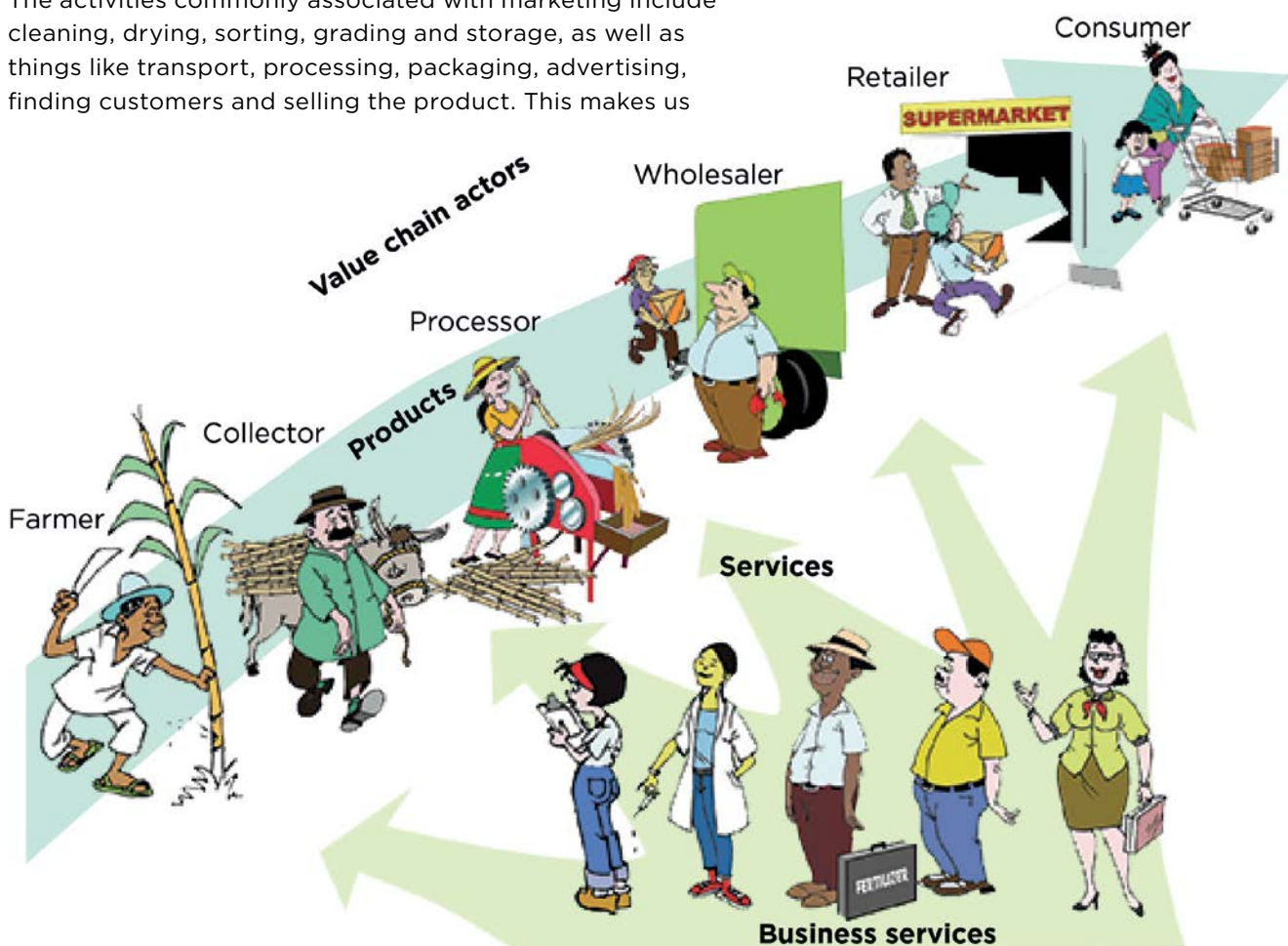
- Understand the basic activities for agricultural marketing
- Understand the basic terminology for agricultural marketing
- Understand the definitions of this terminology

### PART A: BASIC ACTIVITIES AND TERMINOLOGY

Agricultural marketing is about **finding out what customers need** and then **making a profit** by satisfying those needs. It includes all the activities and services involved in moving an agricultural product from the farm to where it is sold to a customer. This is the **value chain** that links farmers with customers. Many people provide services that make the value chain work smoothly.

The activities commonly associated with marketing include cleaning, drying, sorting, grading and storage, as well as things like transport, processing, packaging, advertising, finding customers and selling the product. This makes us

**GROW WHAT YOU CAN SELL.  
DON'T TRY TO SELL WHAT YOU  
HAVE GROWN!**



**A VALUE CHAIN LINKS FARMERS WITH CUSTOMERS.  
MANY PEOPLE PROVIDE SERVICES THAT MAKE THE CHAIN WORK SMOOTHLY**

think that marketing begins only **after the harvest**. But we will see that we must start thinking about markets well **before planting**.

## MARKETING BEGINS BEFORE PLANTING

To sell at a profit, marketing needs to begin even **before planting**. Farmers need to offer:

- **products** that male and female customers want to buy
- in the right **form** (fresh, dried, processed ...)
- at the right **time** of year
- in the right **quantities**
- at the **quality** and **packaging** required
- in the right **place**
- at a **price** that customers are willing to pay.



**MARKETING STRESSES FINDING OUT WHAT CUSTOMERS NEED, SATISFYING THESE NEEDS, AND MAKING A PROFIT.**

## MARKETING MEANS PLANNING

That means careful **planning**. In industrial countries, many farmers plant a crop only after they have found a buyer, agreed on the terms of sale, and completed a business plan.

Farmers in developing countries should do the same. A marketing plan helps them decide what to plant, when to plant, how to produce a crop, and who to sell to when the crop is harvested.



**SMALLHOLDER FARMERS NEED TO THINK ABOUT MARKETING AS A GROUP, BECAUSE BUYERS USUALLY OFFER ATTRACTIVE PRICES ONLY FOR GOODS THEY CAN BUY IN BULK.**

# Agricultural marketing

MARKETING IS PRODUCING WHAT  
YOU CAN SELL, NOT SELLING WHAT  
YOU HAVE PRODUCED



What do  
people  
want?



Planning



Right product



Making money

## QUIZ: LESSON 1 PART A

Please note that more than one answer may be correct for each of the quiz questions, so make sure you select all responses that apply.

### 1. What is agricultural marketing?

Select all that apply.

- A. All activities and services involved in moving an agricultural product from the point of production to the point of consumption
- B. Convincing people to buy things they don't really need at high prices
- C. Making people buy things so that they don't look poor or feel left out
- D. Finding out only male customer needs and satisfying these needs at a profit
- E. Finding out only female customer needs and satisfying these needs at a profit
- F. Finding out male and female customer needs and satisfying these needs at a profit.

### 2. What should the agricultural marketing process do?

- A. It should be customer-oriented: it should try to find out what customers want and how to supply it
- B. It should help farmers make money at the expense of traders

### 3. Which statement below best describes agricultural marketing?

- A. Agricultural marketing should provide farmers, transporters, traders and processors with a profit and provide customers with a quality product
- B. Agricultural marketing should try to help farmers make more profit than traders
- C. Agricultural marketing should sell produce at any prices people are prepared to pay
- D. Agricultural marketing should sell more produce regardless of quality

### 4. Agricultural marketing helps to make products available and attractive for customers to buy...

Select all that apply.

- A. In the right place
- B. At the wrong time
- C. In the form wanted
- D. Packaged in whatever way possible
- E. In the quantities and quality required
- F. At the highest price
- G. At a price that customers are willing to pay

### 5. Which approach would you recommend to farmers?

- A. Grow the crops you usually grow, then try to find a buyer
- B. Find a new crop, grow it and then look for a buyer
- C. Find out what crops customers want, then grow them

### 6. Please put the activities in the correct order (sequence) in the table below.

- A. Grow a crop
- B. Decide what crop to grow
- C. Find out what customers want to buy
- D. Identify a buyer
- E. Sell the crop

ORDER	ACTIVITY
1	
2	
3	
4	
5	

Quiz answers can be found at the back of this booklet on page 67



## PART B: EFFECTS OF SUPPLY AND DEMAND ON PRICE

### IN THIS LESSON

After part B of lesson 1 on the effects of supply and demand on price you will be able to:

- Understand the definitions of supply and demand; and
- Understand the effects of changes in supply and demand on the price of crops or livestock.



**SUPPLY: HOW MUCH DO PRODUCERS HAVE TO SELL?**

### MARKET SUPPLY

Two of the most important ideas in marketing are **supply** and **demand**. It is important to understand them as they have a big influence on the prices farmers can get for their produce.

**Market supply** is the amount of a product (maize, potatoes, tomatoes, eggs, etc.) that producers are able to take to the market for sale.

The supply of a product depends partly on its **price**.

- If farmers see that the price of a product is high, they will try to sell it immediately. They are also likely to grow more of the product next season.
- If the farmers see the price falling, they may keep their products in storage until the price recovers. Low prices will also discourage them from planting the same crop next season.

The supply of a product also depends on local conditions. If the rains are good, farmers can harvest a lot of grain. If there is drought, the harvest is poor. Other things can also affect the supply of a product: pests and diseases, availability of and access to fertilizer, water, and seeds, poor roads and transport vehicles, poor farmer health and nutrition, pregnancy and child rearing, lack of communications, and the cost of production.

### MARKET DEMAND

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

The amount of a product that customers want to buy will partly depend on the **price**.

- If the price is low, more people will want to buy, and each person may want to buy more of the product.
- If the price goes up, fewer people want to buy, and each person will probably buy a smaller amount.

The demand for a product is also affected by many other factors. Customers generally want to buy more:

- **Staple foods** (such as maize or wheat), or **major vegetables** (such as onions and tomatoes). They want to buy less of unfamiliar types of food or items they use only in small quantities.



**DEMAND: HOW MUCH DO CUSTOMERS WANT TO BUY?**

- **High-quality products** rather than items that are low-quality or damaged.
- **Tasty products** rather than those with bland flavors. Sweet apples sell better than sour ones.
- **Fresh products** such as vegetables harvested yesterday, rather than produce that was harvested weeks ago.
- **Scarce items** such as the first fruits in the season.

### SUPPLY OF THE PRODUCT GOES UP

Think of what happens just after the grain harvest. Lots of farmers want to sell their grain at the same time: they need money to pay their expenses, repay debts, and buy seed for next season. They all bring their sacks of grain to the village marketplace on the same day.

But there are only a few people who want to buy grain—the same number as yesterday. A customer can offer a lower price to a farmer for a sack of grain—and the farmer will still agree to sell because he or she needs the money. So when there are many suppliers and the same number or fewer customers, the price of grain will **fall**.

If the weather before the harvest has been very good, many farmers will produce a lot of grain. But when they all take their produce to market, they will find that prices are **very low**, as there is too much supply.



**SUPPLY GOES UP →  
PRICE GOES DOWN**



**SUPPLY GOES DOWN →  
PRICE GOES UP**

### SUPPLY OF THE PRODUCT GOES DOWN

Now think of what happens if there is a drought and the grain harvest is bad. Only a few farmers have any grain to sell. Customers are desperate to buy grain, so they are willing to pay more. The price will **rise**.

That is why the price of many crops goes up and down throughout the year. When the crop is in over-supply (such as after the harvest), the price is low. When there are shortages, the price **goes up**.

## HIGH DEMAND

Now imagine what happens if a lot of people come into the area to work on a construction project. Suddenly, many more customers want to buy food in the local market. Sellers find they can ask a higher price for their produce. The price of food tends to **go up**.



DEMAND GOES UP → PRICE GOES UP



DEMAND GOES DOWN →  
PRICE GOES DOWN

## LOW DEMAND

The construction project is finished, and the workers move away. Food sellers find that fewer customers want to buy their produce. They have to **lower** their prices in order to sell it.

## WHY IS UNDERSTANDING SUPPLY AND DEMAND IMPORTANT?

If farmers understand supply and demand, they can plan what crops to grow, when to plant and harvest, and where to sell.

- They can plan to harvest their crops at the beginning or the end of the season, when prices are higher. And for women farmers, planning the time to harvest can guide decisions on needs for childcare and the timing of pregnancy.
- They can grow a crop variety that fetches a higher price. For example red potatoes may fetch a higher price than white potatoes.
- They can decide to grow a more nutritious crop such as vegetables or fruits in addition to their staple crops such as maize and beans.
- They can decide when best to sell their crop—for example by storing it until the price goes up.
- They can try to increase the quality of the crop (for example, by protecting it from pests and diseases) so it fetches a higher price.



# Supply and demand



High supply



Low supply

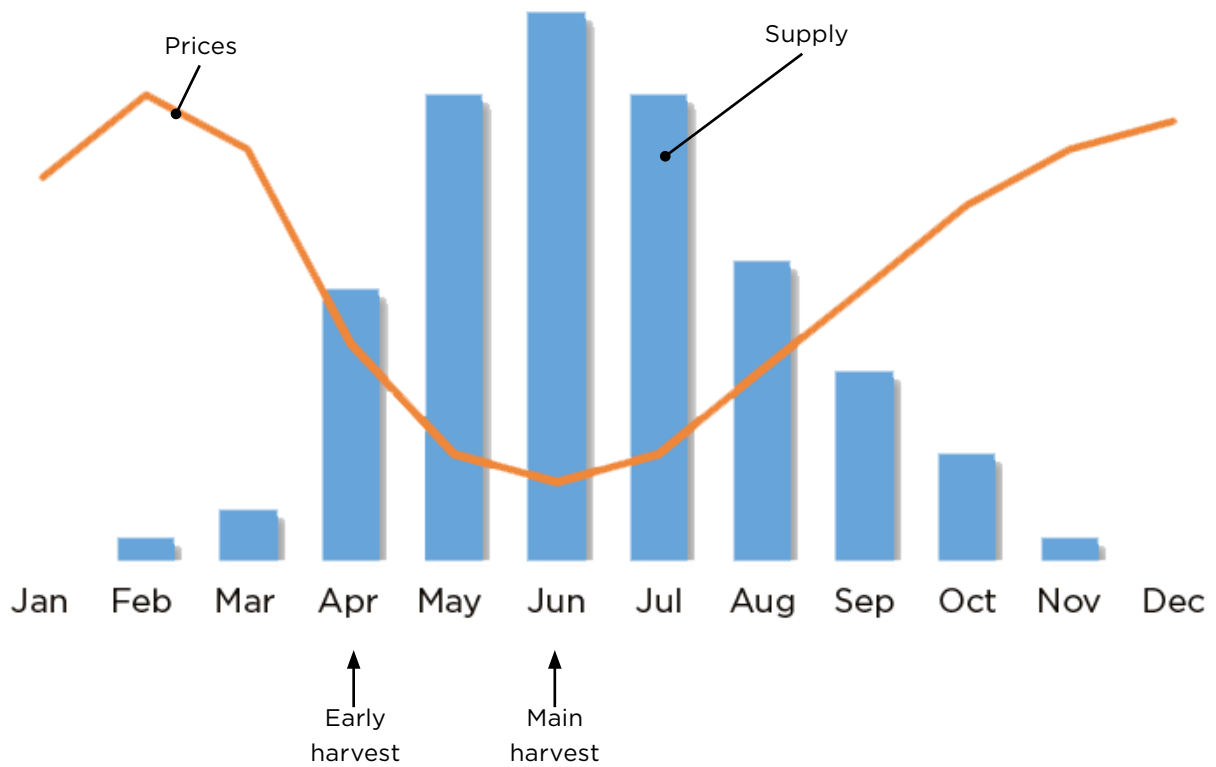


High demand

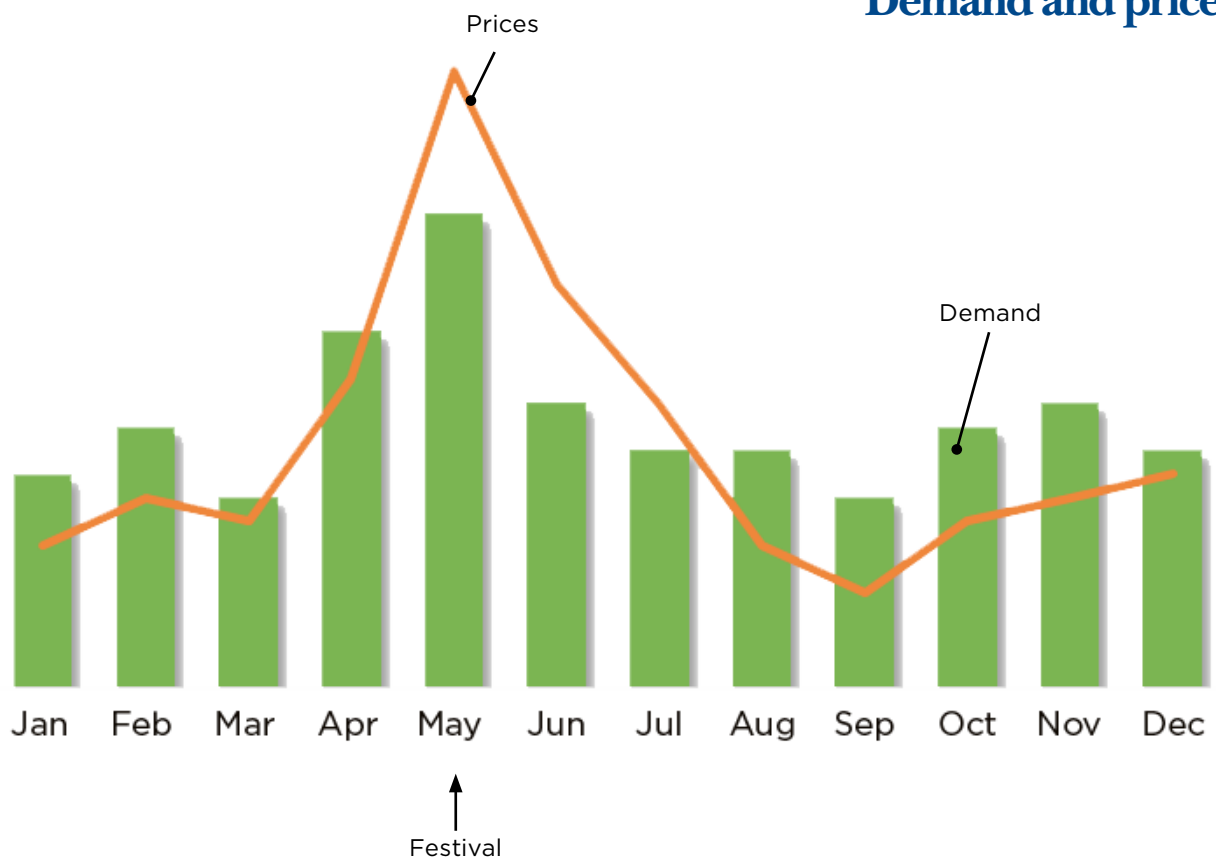


Low demand

## Supply and prices



## Demand and prices



## QUIZ: LESSON 1 PART B

1. It has been a bad season for tomatoes: the harvest is only half that of last year. Do you expect the price of tomatoes in the local market to be higher or lower than last year?

- A. The price will be higher than last year
- B. The price will be lower than last year

2. What is market supply?

- A. The quantity of a product that producers can offer for sale
- B. The amount of produce that people can afford to buy
- C. Everything that farmers and traders want to have in their stores
- D. The quantity of products that will be harvested in a season

3. Which factors might affect supply of a crop?

Select all that apply.

- A. A drought leading to a poor harvest
- B. The collapse of a bridge on the main road
- C. A big, new hotel nearby with many guests
- D. A reduction in the price of fertilizer used on the crop
- E. A farmer getting sick with malaria

4. A big religious festival is coming up. Traditionally, people celebrate by feasting or eating particular foods. What do you expect to happen to food prices?

- A. Food prices will go down
- B. Food prices will go up

5. What is market demand?

- A. The quantity of products that customers want at whatever price
- B. The quantity of products that customers are willing and able to buy
- C. The amount of goods that customers buy every day in the market
- D. The quantity of products that are left in the market at the end of the day

6. Which factors might affect demand for a crop?

Select all that apply.

- A. Population growth
- B. An especially good growing season with lots of rain
- C. A pest attacking the crop in the field
- D. Changing food tastes

7. If prices rise, demand will tend to fall. If prices fall, demand will tend to increase.

- A. True
- B. False

8. Changes in customers' incomes and education may affect demand for a product.

- A. True
- B. False

Quiz answers can be found at the back of this booklet on page 67

## FIELD EXERCISE 1. AGRICULTURAL MARKETING

### OBJECTIVE

After this exercise the participants will be able to:

#### ■ Part A: Basic Activities and Terminology

- Understand the basic activities for agricultural marketing
- Understand the basic terminology for agricultural marketing
- Understand the definitions of this terminology

#### ■ Part B: Effects of Supply and Demand on Price

- Understand the definitions of supply and demand
- Understand the effects of changes in supply and demand on the price of crops or livestock.

### EQUIPMENT NEEDED

Images that represent the following:

- The different actors in the crop value chain: the producer, the collector, the processor, the wholesaler, the retailer, and the customer. ***Make sure the images represent both women and men.***
- Different crops that are produced in the local community, with some showing very little production and others showing very high production.
- A 12-month calendar with just the month names and a blank space below (you can use 12 small papers with month names on them)
- 6 images of large arrows, or
- 3 images of a thumbs up and 3 images of a thumbs down

### EXPECTED OUTPUT

- Producers can describe four things they must do to successfully market their agricultural products.

### TIME

60 minutes  
(Part A: 30 minutes, Part B: 30 minutes)

### PREPARATION

**Note:** The trainer should use more visuals (images or objects) than words.

**TEXT HIGHLIGHTED AND BOLDED IN PURPLE AND IN ITALICS IS INTENDED TO INFORM THE FIELD AGENT OF INSTRUCTIONS TO BE PROVIDED TO THE GROUP DURING THE FIELD EXERCISES.**

## PART A: BASIC ACTIVITIES AND TERMINOLOGY

### SUGGESTED PROCEDURE:

Greet the participants and tell them that we are going to start the training on marketing basics.

**Say:** *Agriculture is not just production. It is also about marketing, or selling, what you produce. So, if you plan to sell at least some of what you grow or the animals you raise, then you first need to think about who will buy the crop or animals and where you will sell this product. Remember, you should think about how to SELL your crop before you grow it.*

**Ask:**

- *Who buys what you grow?*
- *Do they buy everything you have to sell?*
- *Do you think you get a fair price?*

Let the participants think about these questions for 2-3 minutes. After taking answers from about 5-6 participants,

**Say:** *The key is to “Grow what you can sell!”*

**Ask:** *Can you explain what this means to you?*

Give the participants about 2 minutes to think of answers and then ask 3-4 participants to provide their explanation.

**Say:** *This is agricultural marketing. It is doing all the activities required to sell a crop or livestock to a customer before you actually grow the crop or have the animal ready for sale.*

**Ask:** (give the participant a minute or so for each question and get them to share their answers)

- *Which crops do you sell?*
- *What factors are most important for you when choosing which crops to grow?*
- *Why do you grow those crops?*
- *Can someone give us an example of where you produced a crop and were not able to sell the amount you expected or get the price expected?*
- *Do you discuss the crop selection with your wife/husband, partner or family before making the decision?*

After taking answers:

**Say:** *Agricultural marketing is about finding out what customers want, and “producing what you can sell, not selling what you can produce.” It is also about making a profit. You need to have the right product at the right time, in the right quantity and quality, and in the right place at a price that a customer is prepared to pay. You need to plan all the activities from production through to sale.*

**Say:** *It is easy to earn less income than you expected if you do not have a clear marketing plan.*

**Ask:** *Do you think about who will buy the crop (or livestock) product BEFORE you grow it?*

Have 2-3 participants answer this question and explain why or why not.

**Ask:** *Do you, farmers who grow crops to sell, talk to customers before you grow your crops?*

Have 2-3 participants answer this question and explain why or why not.

**Ask:** *What are the growing season months?*

On the ground in front of the participants, lay down the sheets with the names of those months or mark an X under each month if you have one image showing all 12 months. Make sure that they include all months from the initial land preparation through harvest.

**Ask:** *In which month should you begin planning to grow your crop (or start to raise the animals)?*

Ask one participant to respond. Then ask the others if they agree. If they do not agree, ask them which month would be better and continue until you have agreement.

Once they agree:

**Say:** *It is best for them to plan ahead so that it should occur before they plant the crop.*

Have the participants point out the month they agreed is when they should make their plan.

Remind them:

**Say:**

- *You should identify the potential customer or customers (the buyer) before planting.*
- *You need to make decisions about which crops to grow prior to the growing season.*
- *You need to have the right product at the right time, in the right quantity and quality, and in the right place at a price that a customer is prepared to pay.*

## PART B: UNDERSTANDING THE EFFECT OF SUPPLY AND DEMAND ON PRICE

**Say:** *Now we are going to discuss factors that affect the price you receive for your crop (or animal).*

**Ask:** *What factors affect the price of the product that you sell?*

Have the participants list all the factors. Take note so that you can isolate those related to supply and demand, then concentrate on them.

**Ask:** *Can anyone tell us what market supply means?*

Have someone provide their definition and ask one or two more participants to add in something that might be missing. Then summarize,

**Say:** *Market supply is the amount of a crop or animal that producers take to the market to sell. This includes ALL producers and ALL their supply of crop (or animal).*

**Ask:** *Do you have any questions?*

Have the participants ask their question and first ask the participants what they think the answer is. Then repeat the question and the answer. Continue with this until all questions are asked and answered.

**Ask:** *Can anyone tell us what market demand means?*

Have someone provide their definition and ask one or two more participants to add in something that might be missing. Then summarize,

**Say:** *Market demand is the amount of a crop or animal that ALL buyers in a place (whether traders, retailers, individuals or others) want to buy at a certain period of time or on a certain day.*

**Ask:** *Do you have any questions?*

Have the participants ask their question and first ask the participants what they think the answer is. Then repeat the question and the answer. Continue with this until all questions are asked and answered.

**Say:** *Demand, as well as supply, changes nearly daily for a community. Each community has its own supply and demand which is why it is good to know surrounding communities and what the farmers have available to buy and sell.*

**Say:** *Now let us look at the effects of low and high supply on price.*

Provide an example of high supply.

**Say:** *At harvest time, many farmers will bring their crop to the market, which makes the supply higher.*

Show the image/picture of a lot of crops in the market.

**Ask:** *Do you think the price for \_\_\_\_\_ (maize, ground nuts, etc.) will be higher or lower at this time of year when the supply is high?*

After getting 2-3 participants to respond,

**Say:** *With a higher supply the price will be lower. The reason that the price will be lower is that customers have more choices of who to buy from so that the sellers must compete with other sellers for the best prices. The customers can benefit from having different sellers to choose from. And so, the price will go down.*

Show the image/picture of very few crops in the market.

Provide an example of low supply:

**Say:** *During the lean season, few producers will still have some crop to bring to the market. In this case, what do you think will happen to the price?*

After getting 2-3 participants to respond:

**Say:** *With a lower supply the prices will be higher. In this case, the customers do not have as many choices of who to buy \_\_\_\_\_ (maize, ground nuts, etc.) from and if they really want the \_\_\_\_\_ (maize, ground nuts, etc.) they may pay more. The seller can increase the price of \_\_\_\_\_ (maize, ground nuts, etc.) because there are less sellers and if the customer REALLY wants to buy the \_\_\_\_\_ (maize, ground nuts, etc.) the customer will pay more just to get it when there are not as many sellers.*

**Ask the participants:** *In your opinion, what affects demand?*

After getting 2-3 participants to respond:

**Say:** *Demand for a crop or product is affected by many factors; however, the most important is consumption. People need to eat, so they will often buy their staple foods (like maize, millet, etc.), ground nuts, onions, and tomatoes. As most people eat these crops, the demand for them is high. So, the more people eat of a crop, the greater the demand will be. Thus, there is usually a higher demand for fresh food, including fresh vegetables and fruits. All crops will have a supply and demand in markets and all crops or products will change prices according to the supply and demand.*



### ACTIVITY:

On the ground or on a flip chart, draw a chart with 3 columns and 5 rows as follows. Have images of supply increase, supply decrease, demand increase, and demand decrease and put them in the first column.

WHEN	EXAMPLE	WHAT HAPPENS TO PRICE?
Supply increases		
Supply decreases		
Demand increases		
Demand decreases		

Then read each of the examples and ask them to place the arrow or thumb up or down to indicate what happens to the price. Check that all participants are in agreement and then go to the next example.

WHEN	EXAMPLE	WHAT HAPPENS TO PRICE?
Supply increases	<i>The rains are very good this season so the _____ crop is very good.</i>	
	<i>Since the price last year was very good for the _____ crop everyone planted more land with it this year and produced more.</i>	
Supply decreases	<i>The rains ended very early this season so the _____ crop is very small.</i>	
	<i>Locust attacked the _____ crop this year so the harvest is poor.</i>	
Demand increases	<i>The road to the village was recently paved so now travel to the weekly market is easy and many more people show up to buy _____</i>	
	<i>The marketing agent has found a new buyer for our _____ crop and he wants to buy everything that is available right now.</i>	
Demand decreases	<i>The bridge between our village and the main road was washed away during a major storm so it is very hard for people to come to our weekly market, so less people buy our _____ crop.</i>	
	<i>The local groundnut processing mill closed so there is no one to buy our groundnuts, other than a few traders who come to the weekly market.</i>	

At the end of the lesson:

**Say:** *Remember, agriculture is not just production. It is also about marketing, which is selling what you produce. So, you need to think about who will buy the crop or animals and where you will sell it first.*

**Say:** *Remember, with a higher supply the price will be lower and with a lower supply the price will be higher.*

**Say:** *What other questions do you have?*

Answer any questions the group has and then close the session with the assignment.

#### ASSIGNMENT:

**Say:** *During the next week, think about who will buy your crops before you produce them and about the factors that could increase demand or decrease demand for what you produce. Don't forget to discuss the options with your family, particularly your spouse and older children that farm with you.*

## LESSON 2. UNDERSTANDING PROFIT AND CROP SEASONAL CALENDARS

### IN THIS LESSON

After this lesson you will be able to:

- Name the two major types of costs in agricultural production
- Name some of the factors that affect a farmer's income
- Describe what is a profit or a loss
- List costs to producing a crop
- Describe income
- Understand sales units
- Complete a crop seasonal calendar.

### COSTS, INCOME AND PROFIT

To work out how much money they will make from a crop (their profit), farmers need to calculate their costs and their income.

Let us look first at the costs.

### COSTS

Farmers incur three main kinds of costs: **material costs**, **labor costs** and **hidden costs** (those that are not immediately obvious).

### MATERIAL COSTS

These include all the costs for the **materials, fees, and service charges** that are required to grow, harvest, process, and market a crop:

- The cost of renting land
- Hoes, machetes, and other tools used for clearing land and production, carts for transporting materials or produce
- Seed, fertilizer, chemical pesticides, herbicides, and fuel to run pumps
- Animal feed, medicines, and veterinary materials
- String for row planting, and bags and crates for storage and marketing
- Labels for products
- Marketing fees and taxes, transportation charges for taking goods to market, air time charges for a mobile phone
- Extension advice and veterinary services.

### LABOR COSTS

These include all the **labor costs** required to grow, harvest, process, and market the crop. It includes workers contracted on an hourly or daily basis, or labor hired for piece work:

- Family labor for plowing, planting, weeding, and harvesting



- Hired labor for the same tasks
- Family labor for purchasing or accessing inputs including multiple visits to suppliers.
- Post-harvest activities such as threshing, drying, cleaning, sorting, grading, bagging, and storage
- Re-bagging, loading and unloading produce for sale at a market
- Time taken for marketing activities to discuss prices with customers and organize a sale, making arrangements with other farmers for bulking goods
- Costs of hiring market staff to carry produce from trucks to market stalls.

Often farmers do not take into account the cost associated with using family labor as they do not have to pay out cash to cover it. Quantifying the use of family labor and putting a monetary value to it is important. This helps farmers understand the full cost of their enterprise. It will also help them decide between different production options. Some crop or livestock keeping activities may require more family labor than others.

## HIDDEN COSTS

**Hidden costs** are those that are not directly associated with a particular productive activity and can be difficult to quantify. For example, a women farmer may want to produce more vegetables in her homestead garden and sell the surplus. Will this mean that she has less time for her household tasks and looking after the children? Aspects such as these need to be taken into account when taking a decision about what a farmer should invest in.

Hidden costs may or may not have a monetary value. They usually represent the loss of an opportunity to do something of benefit for the person or persons involved.

Examples of hidden costs are:

- Using family labor prevents the family member from doing something else. For example, children cannot go to school because they have to tend livestock or help harvest crops.
- If a farmer takes her produce to market, she may not have time to manage the household or look after her children. So she may have to get someone else—a family member or hired help—to do these things.
- Soil erosion or other types of environmental damage resulting from producing the product.

If it is possible to put a value on a hidden cost, it should be included in the cost calculations. For example, the cost of extra household help or child care should be added to the calculation as a labor cost.

## INCOME

The farmer's income from a product depends on two things:


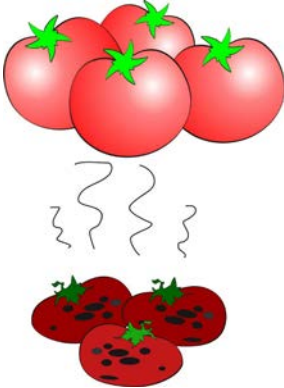
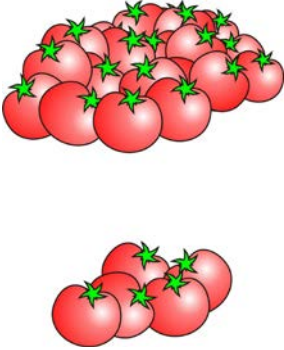
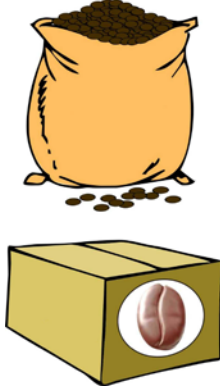




- The **price per kilogram** (or sack or crate) of the produce.
- The **number of kilograms** (or sacks or crates) the farmer can sell.



$$\text{INCOME} = \text{PRICE PER KILOGRAM} \times \text{NUMBER OF KILOGRAMS SOLD}$$

## PRICES

The price the farmer receives depends on many things. Here are some factors that affect produce prices:

 <p><b>The type of product</b></p> <p>One kilogram of coffee fetches a higher price than a kilogram of maize.</p>	 <p><b>The product quality</b></p> <p>Good-quality, graded tomatoes fetch more than tomatoes that are many different sizes or are bruised.</p>
 <p><b>The amount of the product</b></p> <p>Farmers can generally get more per kilogram if they sell in bulk than if they sell small amounts. This is because buying in bulk reduces the trader's costs.</p>	 <p><b>Packaging</b></p> <p>Produce that is attractively packaged and protected from damage fetches more than the same produce that is loose or is stuffed into over-full bags.</p>
 <p><b>The time of sale</b></p> <p>Early vegetables will earn more than the same vegetables sold at the peak harvest time.</p>	 <p><b>The place of sale</b></p> <p>Produce fetches more if it is sold in the city than in the local village market.</p>
 <p><b>Processing</b></p> <p>Processing a product adds value to it. For example, milling maize turns it into something customers want (flour). That is why a kilogram of maize flour costs more than the same amount of grain.</p>	 <p><b>The marketing arrangements</b></p> <p>A contract may oblige a buyer to pay a certain price, regardless of whether the current market price is high or low.</p>

## PROFIT

Profit is the amount of extra money the farmer has left over from a sale after paying for all the costs of production, processing, and marketing.

If the income is higher than the costs, then the farmer makes a **profit**. He or she can use this money to buy food or household items, pay education and health costs, or invest in the farm.

If the costs are higher than the income, the farmer makes a loss. There is less money to go round. The farmer may not have enough money to invest in seeds or fertilizer for the next season. He or she may go into debt, need to find work off-farm, or sell land or animals. If they have not grown enough food to eat, the family may go hungry.

## SHOULD YOU COUNT THE COST OF FAMILY LABOR?

When calculating their costs, many farmers do not count the cost of their own labor or the work put in by their family members. They do not pay for this, they say, so it is not necessary to count it.

But you should take it into account because those family members could be doing something else—like working in town. It may be more profitable for them to do so.

So you can calculate two numbers: the gross margin (which does not count family labor) and the overall profit (which does include it).

## INCREASING PROFITS

Farmers can increase their profit (or avoid making a loss) in two ways:

- By **increasing their income**
- By **reducing their costs**.

Marketing can help farmers do both.

- It can **increase income** by helping farmers plan what crops to grow and how much to grow, and make decisions on how and where to sell them at a higher price.
- It can **reduce costs** by helping them plan their production and marketing better.

Note, though, that farmers may have to **invest more** in order to earn a higher income and a bigger profit. For example, instead of selling their produce in the village market, they may hire a truck to take their produce to the city, where they can sell it at a higher price. They incur extra costs (hiring a truck, loading, and unloading) in order to earn a higher income.

The farmers can use the techniques in this manual to calculate if this extra investment is a good idea.

**GROSS MARGIN =  
INCOME - COSTS OF MATERIALS  
AND HIRED LABOR**

**PROFIT = INCOME - COSTS**



**FARMERS MAY BE ABLE TO EARN MORE  
BY HIRING A TRUCK TO SELL IN BULK IN  
THE CITY (BELOW) THAN BY SELLING AS  
INDIVIDUALS IN THE VILLAGE MARKET  
(ABOVE)**



**FARMERS MAY HAVE TO INVEST  
MORE IN ORDER TO EARN A HIGHER  
INCOME AND A BIGGER PROFIT.**

## QUIZ: LESSON 2

1. Which are material costs, and which are labor costs?

- A. Seed
- B. Plowing
- C. Planting
- D. Spraying team
- E. Agrochemicals
- F. String
- G. Weeding
- H. Fertilizer

MATERIAL COSTS	LABOR COSTS

2. In what ways can farmers increase their profit?

Select all that apply.

- A. Sell bags that contain stones to make them heavier
- B. Reduce the costs of their business
- C. Sell produce that is in demand
- D. Persuade people to pay more for the better sorting or packaging of your produce

3. When working out the costs to produce a crop or livestock product, what are the major categories of costs that you need to find out with farmers?

Select all that apply.

- A. Labor
- B. Numbers of animals or seeds
- C. Materials
- D. Customers

4. Why is it useful to separate costs for family labor and hired labor?

Select the most important reason.

- A. So that farmers understand the full cost of their enterprise
- B. So that farmers can make their families work harder
- C. So that farmers know when to hire labor
- D. So that they can pay their taxes more accurately

5. How can you calculate profit?

- A. Profit = Income - Costs
- B. Profit = Income / Costs + Taxes
- C. Profit = Demand × Product type × Number of customers
- D. Profit = Costs × Income

6. Put the following costs into the correct category

- A. Materials cost
  - B. Labor cost
  - C. Hidden cost
1. Renting land
  2. Children herding goats cannot go to school
  3. Seed, fertilizer
  4. Transport charges
  5. Family members working on the farm
  6. Soil erosion caused by overcropping

A. MATERIAL COSTS	B. LABOR COSTS	C. HIDDEN COSTS

Quiz answers can be found at the back of this booklet on page 67



## FIELD EXERCISE 2. UNDERSTANDING PROFIT AND CROP SEASONAL CALENDARS

<b>OBJECTIVE</b> <b>After this exercise the participants will be able to:</b> <ul style="list-style-type: none"> <li>■ Describe what is a profit or a loss</li> <li>■ List costs to producing a crop</li> <li>■ Describe income</li> <li>■ Understand sales units</li> <li>■ Complete a crop seasonal calendar</li> </ul>	
<b>EQUIPMENT NEEDED</b> <ul style="list-style-type: none"> <li>■ Flip chart and marker</li> <li>■ Calculator</li> <li>■ Pencil</li> <li>■ Images</li> </ul>	<b>EXPECTED OUTPUT</b> <ul style="list-style-type: none"> <li>■ Producers understand profitability calculations and how to include income and costs information in a crop seasonal calendar.</li> </ul>
<b>TIME</b> 60 minutes	<b>PREPARATION</b> <ul style="list-style-type: none"> <li>■ Practice the field exercise before going to the session. Make sure that you have drawn the activity tables on the flipchart paper prior to the session. Have the images ready to show to illustrate the topics that are discussed.</li> <li>■ For the profit calculation activity please consider the values (costs and incomes) given. These can be adjusted to better match the local currency; the currency has intentionally been left out of this activity. If you do, please be sure to select whole number values to ensure easier understanding by the participants.</li> </ul>

*TEXT HIGHLIGHTED AND BOLDED IN PURPLE AND IN ITALICS IS INTENDED TO INFORM THE FIELD AGENT OF INSTRUCTIONS TO BE PROVIDED TO THE GROUP DURING THE FIELD EXERCISES.*

### SUGGESTED PROCEDURE:

**Ask:** *Please describe in your own words what “Profit” means.*

Once you have answers from 2-3 participants, clarify by giving the answer below.

**Say:** *Yes, profit is the amount earned from the sale of the crop minus the money that was necessary to produce and bring the crop to market.*

*If the amount of money necessary to produce and bring the crop to market is more than the amount you earned from the sale then we do not call it a profit. We call it a “loss.”*

**Say:** *Now we’re going to discuss income.*

*A farmer’s income from a crop or product depends on two things:*

- *The sales price per unit (for example: kilogram, bag, crate, or other) of the crop.*
- *The quantity of crop (in units) sold*

*Before we discuss more about income let’s discuss what sales units are.*

*Sales units are the amount of a crop sold for a certain price.*

**Ask:** *What are some sales units used for your crops or produce?*

Have several participants respond with their answer and clarify the answers if necessary.

**Demonstrate:** Have props to demonstrate your examples. Have a bag for maize or other crop used to describe sales units. Or bring a bag of produce and write the weight (in kilograms) on it so you remember. It is best to bring two different examples of sales units. The importance is to demonstrate examples of sales units.

**Say:** *Here are some examples:*

- *When a trader is buying a crop from a producer the trader will tell the price for a certain amount of a crop. For example, a farmer works with a trader to sell his maize. The trader says that he will pay 2000 per bag, so in this case the sales unit is a bag.*
- *Another example: tomatoes may be sold by the kilogram. So, when someone buys tomatoes he/she may purchase 5 tomatoes; the tomatoes will be weighed to determine the amount in kilograms. In this case, the sales unit is a kilogram (which is the same as a kilo).*
- *One more example is with rice. Rice is sold by the cup. The price is set by the cup (quantity). So, the sales unit is a cup.*

**Say:** *Now let's discuss income further.*

*Income = Sales price per unit x Number of units sold*

*And, remember, income is not the same as profit. Income is the amount gained from selling a crop. To calculate profit, one must also subtract the costs of production and bringing the crop to market.*

*To work out how much money he/she will make from the sale of a crop (the profit), farmers need to calculate their costs and their income with the following formula:*

*Net income = Income - Costs.*

**Say:** *Now, let's discuss costs.*

*Farmers have two main kinds of costs for production:*

- *Material Costs*
- *Labor Costs*

*We will go through each and discuss.*

## **MATERIAL COSTS**

**Say:** *Material costs include all the costs for the materials that are required to grow, harvest, and process your crop.*

**Ask:** *What are some examples of material costs?*

After the farmers have listed their costs, turn the flip chart to reveal the costs that you have written down before the session.

Here are examples of material costs for crops:

- Land rental, if required
- Seed
- Fertilizer
- Pesticides (includes herbicides, insecticides, fungicides)
- Bags and harvest containers
- Market fees and taxes
- Airtime costs for mobile phones
- Transport to market costs

Material costs for livestock:

- Animal feed
- Pens and holding equipment
- Medicines and veterinary materials
- Transport to market

## LABOR COSTS

**Say:** *Now, let's talk about the other main type of costs: labor costs.*

*These include all the paid labor costs required to grow, harvest, process, and market a crop. It includes workers contracted on a daily or hourly basis, or labor hired for production tasks, as well as barter labor.*

**Ask:** *What are some types of activities that may be done by hired labor?*

Examples of labor costs include:

- Land preparation
- Plowing/cultivation
- Sowing seeds
- Fertilizer application
- Weeding
- Pesticide application
- Harvest
- Post-harvest: threshing, drying, cleaning, sorting, grading, bagging, and storage.
- Market transport: driving, loading/unloading.
- Family labor (unpaid)

**Say:** *It is important for producers to consider the costs that they would have if they were to pay those family members who are unpaid.*

**Ask:** *Which farmers have family members help with farm activities? Are they paid?*

**Say:** *Let us talk a bit more about unpaid labor.*

*Often farmers do not consider the cost associated with using family labor as they do not have to pay out cash to cover it. Quantifying the use of family labor and putting a monetary value to it is important. This helps farmers understand the full cost of their enterprise. It will also help them decide between different production options. Some crop or livestock keeping activities may require more family labor than others.*

*If you have not thought or figured in family labor cost, you should consider doing this. It is important to know how much the cost would be if you had to pay for this labor. You need to consider all activities listed previously.*

## INDIRECT COSTS

**Say:** *It is also important to think about indirect costs. Indirect costs may or may not have a cash value.*

*Examples of indirect costs are:*

- *The use of family labor that prevents a family member doing something of value; for example, when children that tend livestock or help in production activities are not able to attend school.*
- *The need to hire help or pay in-kind compensation for undertaking household responsibilities or child care because involvement in a productive activity does not leave time to attend to these tasks.*

**Ask:** *Have you all thought about these types of indirect costs before?  
What do you think about these costs?*

## ACTIVITY:

**Say:** *Now we're going to do an activity in which we will calculate profit or loss of a selected crop as a group.*

*The first activity that we will do is to go through an example of how to calculate profit/loss for a selected crop. We will act out a conversation between a field agent and a farmer and discuss a crop.*

### Preparation instructions for activity:

Ask a participant to play the role of Ishmail. The participant should be able to read the information. If it is not possible to have someone who can read the information the facilitator will need to cover both roles. Take some time to explain to the participant who is playing Ishmail what he/she needs to do. Give the participant the role play table and ask him/her to look at the information on the sheet and to answer the questions asked. The facilitator will write the answers on a flipchart. See the preparations at the beginning of the exercise, as the table should be prepared ahead of time on the flip chart.

### Income

PRODUCT	UNITS	QUANTITY SOLD (Units) A	SALE PRICE Price/unit sold B	INCOME (A x B = C) C
Sale 1				
Sale 2				
Sale 3				
Sale 4				
Total income (add all sales)				

COSTS				
MATERIALS (INPUTS)	UNITS	UNITS USED D	PRICE/UNIT E	COST (D X E = F) F
<b>Seeds</b>				
<b>Fertilizer 1</b>				
Fertilizer 2				
Pesticides				
<b>Harvest equipment</b>				
<b>Transport to market</b>				
<b>Total cost of inputs (add up all costs)</b>				

HIRED LABOR (WORKERS)	NUMBER OF WORKERS E	PRICE/DAY F	NUMBER OF DAYS G	COST (E X F X G = H) H
Land preparation				
<b>Sowing/planting</b>				
1st weeding				
2 <sup>nd</sup> weeding				
Fertilizer application				
Pesticide application				
<b>Harvesting</b>				
Threshing				
Cleaning				
Marketing				
Other				
<b>Total cost of hired labor (add all costs)</b>				
<b>Total costs (materials/input costs + hired labor costs)</b>				
<b>Profit or loss = Income - costs</b>				
<b>Income</b>	<b>Costs</b>			

## SUGGESTED PROCEDURE:

1. Introduce the role play.

**Say:** *Isaac is a field agent in a village called Mbale where maize is grown. Isaac has the task of assisting farmers in the village who grow maize. He is to help the farmers calculate the profit of growing maize. The facilitator will play the role of Isaac the Field Agent.*

2. The table should be drawn on the flip chart so that all participants can see as the information is filled in.  
**Draw the table before the session and fill it in during the activity.**
3. The facilitator who is playing the role of Isaac will now ask Ishmail the questions about his maize production. Start reading the discussion on the **role play exercise** page (below).
4. Once the profit has been calculated ask the participants if they have questions and then discuss.
5. Next, after the activity has finished,

**Ask:** *How will you all benefit from knowing the profit or loss from a crop?*

Let 3-4 participants answer.

**Say:** *If you all would like to have assistance with this on an individual basis please let me (or field agent) know.*

Take away message:

**Say:** *As producers, you need to think about your profitability, not just the income that you have earned. Work with me or another support person to help you calculate your profit, if necessary. Once you know the profit of a crop this can help you in planning out your finances better and to start thinking about how to compare different crops and their profitability. Overall, being able to know your profit allows you to make better decisions.*

## ROLE PLAY ACTIVITY:

### Profit assessment of a crop

The dialogue is between Isaac (facilitator) and Ishmail (farmer). Ishmail has a short table below of answers to give. It is intentional that Ishmail's answers are brief so that the participant does not need to read much text.

**Isaac (or Facilitator) says:** *Good morning, Ishmael! How is your family? I am here to talk with you about the maize you produced this past season. Did you produce a good amount?*

**Ishmail answers:** *Yes, I did*

**Isaac:** *How much did you produce?*

**Ishmail answers:** *I produced 50 bags of maize*

**Isaac:** *How much did you sell?*

**Ishmail answers:** *I sold 30 bags of maize*

**Isaac:** *What price did you get?*

**Ishmail answers:** *I got 500 per bag.*

**Isaac:** *Ok. Thanks for that information. Can we talk about your production costs?*

**Ishmail answers:** *Yes, we can.*

**Isaac:** *Let's start with your materials. How much did your seeds cost?  
How much did you use?*

**Ishmail answers:** *100/bag for seed. I used 4 bags*

**Isaac:** *For fertilizers, did you apply them?*

**Ishmail answers:** *Yes, I did.*

**Isaac:** *What did you use and how many bags?*

**Ishmail answers:** *I used urea, with 1 bag.*

**Isaac:** *How much did each bag of fertilizer cost?*

**Ishmail answers:** *It cost 4,100 per bag*

**Isaac:** *Did you buy any items for harvest? Like bags or storage materials?*

**Ishmail answers:** *I bought bags*  
**Isaac:** *How many did you buy?*  
**Ishmail answers:** *30*  
**Isaac:** *How much did the bags cost?*  
**Ishmail answers:** *100 each*  
**Isaac:** *Did you hire labor?*  
**Ishmail answers:** *Yes*  
**Isaac:** *Let me ask you, did you use your family to help with any activities?*  
**Ishmail answers:** *Yes, I did but I don't pay them.*  
**Isaac:** *For planting, how many people did you hire?*  
**Ishmail answers:** *1 person*  
**Isaac:** *How many days did the laborer work?*  
**Ishmail answers:** *2 days*  
**Isaac:** *How much did you pay him?*  
**Ishmail answers:** *300 per day*  
**Isaac:** *Any other hired labor?*  
**Ishmail answers:** *Yes, for harvesting.*  
**Isaac:** *How many people did you hire to help with harvest?*  
**Ishmail answers:** *1 person.*  
**Isaac:** *How many days did the laborer help with harvest?*  
**Ishmail answers:** *3 days*  
**Isaac:** *How much did you pay him?*  
**Ishmail answers:** *300 per day*  
**Isaac:** *Okay. Thanks so much, Ishmael. Now let's calculate your profit.*

**Say:** *First I will add the income to get total sales.*

*Enter the number into the box [30 x 500 = 15,000]*

**Say:** *Next let's add the material costs.*

*Add the numbers and enter the answer into the total material costs.*

*[4 x 100 = 400] + [1 x 4,100 = 4,100] + [30 x 100 = 3,000]*

*[400 + 4,100 + 3,000 = 7,500]*

**Say:** *Now let's add the labor costs.*

*Add the numbers and enter into the total labor costs*

*[1 x 2 x 300 = 600] + [1 x 3 x 300 = 900]*

*[600 + 900 = 1,500]*

**Say:** *Now we have what we need to calculate the total costs.*

*Go through each of the costs as below.*

**Say:** *Materials = 7,500*  
*Hired labor = 1,500*  
*Total costs = 9,000*

**Say:** *Finally, let us calculate the profit*

*Go through each as follows:*

**Say:** *The income = 15,000*  
*The costs = 9,000*  
*The profit = 6,000*

The following are the answers to be given by Ishmail during the exercise.

#### Ishmail's maize production

INCOME	
Produced	50 bags of maize
Sold	30 bags
Sale price	500 per bag

COSTS	
Seed costs per bag	100
Number of bags	4 bags
<i>Fertilizer</i>	<i>Urea</i>
Amount used	1 bag
Cost per bag	4 000
<i>Type of Bags</i>	<i>PICS</i>
Number used for harvest	30 bags
Cost per bag	100

HIRED LABOR	
<i>Labor for sowing</i>	
Number of laborers	1 person
Daily rate	300
Number of days worked	2 days
<i>Labor for harvesting</i>	
Number of laborers	1 person
Daily rate	300
Number of days worked	3 days

Below is the answer key for profit calculation.

#### Income

PRODUCT	UNITS	QUANTITY SOLD (UNITS) A	SALE PRICE PRICE/UNIT SOLD B	INCOME (A X B = C) C
<b>Sale 1</b>	<b>Bags</b>	<b>30</b>	<b>500</b>	<b>15 000</b>
Sale 2				
Sale 3				
Sale 4				
<b>Total income (add all sale's income)</b>				<b>15 000</b>



COSTS				
MATERIALS (INPUTS)	UNITS	UNITS USED D	PRICE/UNIT E	COST (D X E = F) F
Seeds	Bag	4	100	400
Fertilizer 1	Bag of urea	1	4 100	4 100
Fertilizer 2				
Pesticides				
Harvest equipment	Bag	30	100	3 000
Transport to market				
Total cost of inputs (add up all costs)				7 500

HIRED LABOR (WORKERS)	NUMBER OF WORKERS E	PRICE/DAY F	NUMBER OF DAYS G	COST (E X F X G = H) H
Land preparation				
Sowing/planting	1	300	2	600
1st weeding				
2 <sup>nd</sup> weeding				
Fertilizer application				
Pesticide application				
Harvesting	1	300	3	900
Threshing				
Cleaning				
Marketing				
Other				
Total cost of hired labor (add all costs)				1 500
Total costs (materials/input costs + hired labor costs)				9 000
Profit or loss = Income - costs				6 000
Income	Costs			
15 000	9 000			

## ACTIVITY 2:

### Crop seasonal calendar

It will be necessary to use to flip chart pages for the calendar below. Use the first sheet for the production information and the second sheet for the remaining information. Prepare this before the session.

#### Facilitator leads this exercise:

**1) Say:** *Next, we will add a crop production cycle into a seasonal calendar. This is of value because it allows you all to see how the costs and income for a crop occur during the year. This is similar to the seasonal calendar that was learned in Financial Education. Do you all remember completing a seasonal calendar in the past? The purpose of the activity is for you all to think more about when you need to have cash for crop production and how this may affect other costs. Also, this can help you see when you need to save most and to think about when you may be able to spend. The next step after this is to put in the actual costs of different items over the year and calculate a budget. Your Field Agent or SILC PSP should be able to assist you with this if necessary.*

Describe how the crop seasonal calendar works. Show that each month of the year is displayed. The participants are to answer the questions on the left side according to which month or months fits their situation.

The facilitator will be putting an “X” into the months that apply. Note that multiple “X”s can be placed in a box to make it clear that it is the most common month for a particular question.

**2)** Go through each question or statement and have the group answer as best as possible. It is fine to have several months checked for a particular answer but limit the months if possible.

**3)** Once the questions have been answered, ask the group to review the overall crop calendar.

**Ask:** *Based on what your answers, are there ways that you could improve those times when you have cash? Do you all see how over the year your cash levels vary?*

**Ask:** *How can you manage to sell the crop when the prices are highest?*

Once the discussion has finished,

**Say:** *The purpose of these activities was to show you how crop production costs and expenses happen over the year. It may be possible for you to help your household have more cash by understanding crop profitability and understanding the times when cash is least available and when it is more available. Over the year you may be able to better manage these times. When you leave here discuss this with your family members so that your family is able to work together to save more and to better plan for those months when costs are highest and income lowest. Work with your SILC PSP or Field Agent to help create your family crop seasonal calendar to plan for saving and budgeting.*

CROP SEASONAL CALENDAR	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
<b>Crop production</b>												
<b>In what month/months do you:</b>												
Prepare land												
Sow the crop												
Apply fertilizer												
Weed (assume several weedings)												
Harvest and process												
Sell crop												
<b>In which months are:</b>												
Crop market price higher												
Crop market price lower												
Input/materials costs highest												
Input/materials costs lowest												
<b>Which is the best month/months for you to:</b>												
Purchase inputs/materials												
Pay for hired labor												
Sell the crop (for the highest price)												
Save money												
<b>Which months does the household have the most cash?</b>												
<b>Which months does the household have the least cash?</b>												

## LESSON 3. COMPARING MARKETS AND BUYERS

### IN THIS LESSON

After this lesson you will be able to:

- List different types of markets where farmers can sell their products
- Compare among the different types of market
- Describe different market segments
- Select a market for a particular type of product.

Let us look at the different types of markets where farmers can sell their products.

### ON FARM

On-farm sales are when the farmers sell their products directly on the farm to neighbors, to traders who travel around in search of goods to buy, or to local buying agents.

Selling at the farm is convenient for the farmer: there are no additional marketing costs such as loading or unloading, and no problems in reaching agreements with the other members of a marketing group.

But prices of produce sold directly from the farm are usually lower than prices at markets. The customer will offer each farmer a low price as he or she has to buy small amounts of produce from many farmers in order to fill up a truck. The customer also has to pay for transportation to the market and for loading and unloading the truck.



### BARTER MARKETS

These are the simplest form of markets. They are where people come together to exchange goods without the use of money.

For example, one farmer can swap some maize for another farmer's eggs. The two farmers have to work out how many eggs a bag of maize is worth. Bartering is not common, but occurs in very remote places, or after a disaster when there is no money to use as a means of exchange.

### ASSEMBLY MARKETS

These are markets where farmers and small local traders come together regularly to sell their goods to larger traders. They are a good place for farmers to sell either as individuals or collectively. The buyers in assembly markets are traders, not the final customers who purchase the crops for their families.

Assembly markets are normally found in rural areas or in small towns close to farming areas. Many assembly markets are held only once or twice a week. Some are held only in the harvest season.



## WHOLESALE MARKETS

Wholesale markets are where traders (and a few farmers) deliver produce in bulk. They are generally found in larger towns and cities.

Retailers (people who sell goods directly to customers) come to these markets to buy large amounts of goods to sell in their stalls and shops.



## RETAIL MARKETS

These are markets where customers and small businesses (such as restaurants and street-food vendors) buy their daily or weekly supplies of food.

It is possible for farmers to sell in bulk directly to retail markets, but to do so, they must work out a system with the retailer. Wholesalers may try to prevent farmers from selling directly to retailers.

## SUPERMARKETS

As towns grow, people want to buy in convenient, one-stop shops. Supermarkets enable customers to buy many different types of goods at the same time. The food is attractively packaged and good quality. In developing countries, supermarkets serve mainly mid- to higher-income urban people. Farmers can sell directly to supermarkets, but they must meet strict volume and quality requirements.



## COMPARING MARKETS

Each type of market serves a specific role. Each offers a different combination of quality, quantity, prices, and presentation of goods.

Generally, farmers receive the lowest price if they sell unsorted produce at the farm gate. They can get higher prices if they sort, grade and package their output and sell it to a supermarket.

Where can farmers make the most profit?

- The more **distant** markets may offer higher prices, but marketing costs, especially transport will also be higher.
- **Supermarkets** may offer the highest price, but farmers will need to meet many conditions and pay for many services to supply them.
- To identify the best venue to sell their produce, farmers and farmers' groups need to calculate the **costs, income and profits** for selling in different markets.

Staff Exercise B illustrates how a higher price at a retail outlet may not be attractive once all additional costs are accounted for.



**MARKET SEGMENTATION MEANS DIVIDING CUSTOMERS INTO DIFFERENT GROUPS**

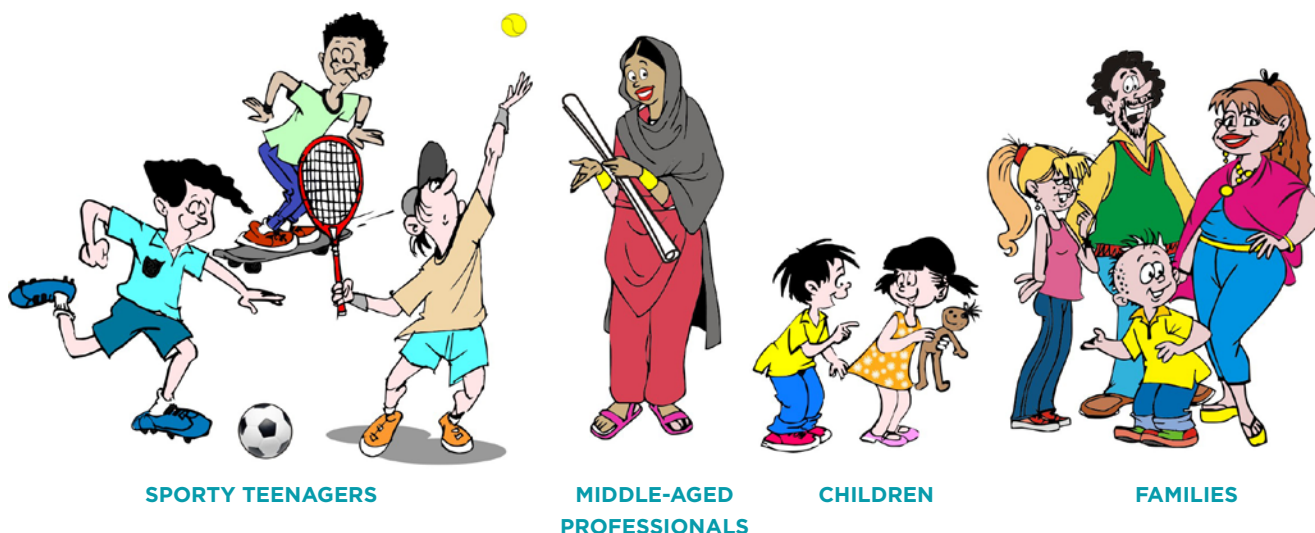
## MARKET SEGMENTATION

We can divide customers according to their age, sex, religion, personality, location, or income. Some examples:

- Young, well-off people in cities
- Middle-aged, well-off people in cities
- Young parents with families
- Children

Different market segments have different needs and preferences. For example, young, well-off people may like to go shopping in supermarkets, while older people may tend to buy their food in traditional markets.

To sell products to a particular type of customer, you need to target your marketing strategy to that market segment and understand what their needs and preferences are.





# Types of markets



**Farm gate**



**Farmer assembly market**



**Retail market**



**Barter**



**Wholesale market**



**Supermarket**

# Market segmentation



**Children**



**Middle-aged professionals**



**Sporty teenagers**



**Families**

## QUIZ: LESSON 3

### 1. What is a market?

- A. A place where traders make money
- B. A place where farmers sell to traders
- C. A place where customers have to buy what is on offer
- D. A place where buyers and sellers can meet to exchange goods and services for financial gain

### 2. Match the sellers with the buyers in these markets

- 1. Large traders
- 2. Customers
- 3. Small traders

SELLERS	BUYERS
A. In retail markets, retailers sell to:	
B. In assembly markets, farmers sell to:	
C. In wholesale markets, large traders sell to:	

### 3. Which best describes barter trade?

- A. Barter trade involves exchanging one product for another without the use of money
- B. Barter trade is used for exchanging agricultural goods if people do not have enough money
- C. Barter trade is used to speed up transactions between buyers and sellers
- D. Barter trade means several people have to judge which product is worth most so they can ensure a fair exchange

### 4. What is market segmentation?

- A. Identifying the actors in the value chain: the farmer, trader, processor and customer
- B. A group of people who need different products from everyone else
- C. A way of dividing the market into people who are seeking different types of products
- D. A marketing method to advertise products in different ways.

### 5. Match the customer type with the place they are most likely to buy food.

- 1. Food market in town
- 2. Supermarket
- 3. Neighborhood shop or stall

CUSTOMER TYPE	MARKET BEHAVIOR
A. Young, well-off people in cities	
B. Elderly person in small village	
C. Middle-aged person with limited income	

### 6. Laura has harvested her green beans and is considering her marketing options. Help her by putting these markets in the correct order, from the lowest to highest price she can expect.

- A. Sorted, graded beans, sold direct to a supermarket
- B. Unsorted beans, sold on the farm
- C. Sorted, graded beans, sold at a collection point in the village
- D. Sorted beans, sold in the market in the nearby town

Answer: \_\_\_\_\_

Quiz answers can be found at the back of this booklet on page 68

## FIELD EXERCISE 3. COMPARING MARKETS AND BUYERS

<b>OBJECTIVE</b> <b>After this exercise the participants will be able to:</b> <ul style="list-style-type: none"> <li>■ List the information to get from buyers/customers before selling</li> <li>■ Explain how to estimate profit based on buyers/customers price and costs.</li> </ul>	
<b>EQUIPMENT NEEDED</b> <ul style="list-style-type: none"> <li>■ Flip chart</li> <li>■ Markers</li> <li>■ Calculator</li> <li>■ Images</li> </ul>	<b>EXPECTED OUTPUT</b> <ul style="list-style-type: none"> <li>■ Producers are able to understand the information needed to make comparisons between markets.</li> </ul>
<b>TIME</b> 60 minutes	<b>PREPARATION</b> <ul style="list-style-type: none"> <li>■ Prior to the lesson, write out the information on what to consider from buyers/customers using a flip chart or large paper and marker.</li> <li>■ Prepare the activity before the lesson by writing the profit calculation exercise table on a flip chart.</li> </ul>

*TEXT HIGHLIGHTED AND BOLDED IN PURPLE AND IN ITALICS IS INTENDED TO INFORM THE FIELD AGENT OF INSTRUCTIONS TO BE PROVIDED TO THE GROUP DURING THE FIELD EXERCISES.*

### SUGGESTED PROCEDURE:

Greet the participants and ask them to explain what they learned from the previous lesson on understanding profit and the crop seasonal calendar. After listening to the responses from 2 – 3 participants, thank them, and then tell them:

**Say:** *We are now going to start the lesson on comparing markets and buyers.*

**Ask:** *Would all of you like to have more customers to sell your crops to at harvest time? Why?*

Wait for 2 – 3 persons to respond, thank them, and:

**Say:** *In this lesson, we're going to discuss how to work with customers and how to decide which customers may bring you the most profit.*

*The business of selling happens with a customer whether he/she is a village trader, owns a business in town or a city, owns a milling company, or anyone else you may sell to. For producers to make the most of their decisions to grow a specific crop for selling depends on the customer's prices paid, customer requirements, and the risks of growing the crop.*

*As part of learning the market approach, this lesson is aimed at discussing with you all about working to understand which customer or customers may offer the best potential profit with the lowest risk. It is then up to each producer or producer group to figure out the costs and benefits of dealing with the buyer.*

*Costs and benefits can be calculated by a profit calculation. This will be shown later in the exercise. First, let's discuss what you all need to think about when selecting a buyer.*

**Ask:** *How do you find buyers for crops?*

Let the participants answer for 1-2 minutes. Then,

**Say:** *I am here to help you learn more about customers for crops selected for selling.*

**Ask:** *What is important information to know from a buyer before you sell to him/her?*



Give the participants a chance to answer. Write the answers on a flipchart sheet if it is helpful and available. Otherwise, just note in a notebook. Allow 5-6 participants to answer.

**Say:** *Farmers should consider several factors before selling to a customer, and decisions should start before producing the crop. This is part of the marketing approach which, as we have discussed before, means that you should consider who and where you will sell, the potential profit, and risk before growing a crop. Here are the important points to consider:*

- *Experience producing the crop?*
- *Variety needed for buyer?*
- *Quality of crop (grade, size, dirt or contaminant allowance, etc.)?*
- *Quantity of crop needed per sale?*
- *Package or bagging requirements after harvest?*
- *Unit Price?*
- *Payment time or method (at time of sale, when you deliver the crop, some time later after delivery?)*
- *Who receives the payment (the person who produced the crop or someone else in the family)?*
- *Delivery or sold at farm?*
- *Distance to deliver and timing of the delivery?*

**Say:** *This is nearly the same as the above considerations, but when talking with the buyers, ask for the following information:*

- *Variety needed for buyer (where to get the seeds, costs, what disease resistance)*
- *Quality of crop needed (grade, size, dirt or trash allowance, etc.)*
- *Quantity of crop needed per sale*
- *Package or bagging requirements*
- *Price and payment time or method (at time of sale or when else?)*
- *Deliver or buyer pick up at farm?*
- *Distance to deliver and the timing of the delivery?*

**Say:** *Once the information has been gathered from buyers it is necessary to try to estimate the costs that may be needed to sell to each buyer.*

Just choose 2-3 buyers of interest to do these estimates.

**Say:** *Before we go through the profit calculation exercise let me ask you all:*

**Ask:** *Which markets or buyers give you the most profit for your crops?*

Let the participants respond during 1 – 2 minutes, then:

**Say:** *I am asking you to compare the village traders that come to your farm, with the large commercial traders from the towns where you must deliver the crop to them.*

Have the participants provide some answers. After 4 or 5 answers continue with the next point.

**Say:** *Let us consider some common situations like:*

- *Village traders who come to the farm often make it easier to sell but prices paid are lower.*
- *More distant markets may offer higher prices, but the transport costs need to be considered.*
- *Large traders may pay more but require a producer or producer group to: sort, grade, dry or other activity that may cost in labor or processing.*

**Say:** *To identify the best markets or buyers to sell a crop, producers and producer groups need to calculate the costs, potential sales income, and then profit or loss for each buyer. You should think about any personal or safety risks that might occur because of the buyer or location of the buyer. Now we're going to do an activity to help show you how to calculate profit to help with these sale decisions.*

## ACTIVITY:

The facilitator will go through an example case study of a cooperative that sells onions. The facilitator will lead the discussion by reading through the information and writing the important information (costs) in the flipchart table.

**Say:** *This activity will go through a story of a farmer cooperative that sells onions. The cooperative is called the Banje Co-op and it has 200 farmer members. Each farmer plants an area of onions. The group produces about 2,000 50 kg bags of onions during a rainy season.*

*The farmers used to sell individually, but this season they are going to try to earn more money by selling their onions collectively. The co-op does not have any buildings or places for storage, so they must sell onions without a long period of storage (not more than 2 months).*

The section below in blue box needs to read and then written on the flip chart for the participants to see **before** entering into the calculations table.

**Say:** *The co-op has the following three options for selling its onions.*

- A.** *To a traveling trader, who will come to the co-op's office. The trader will buy all the onions immediately after the harvest at a price of 100/kg. There will not any transport cost or storage risk.*
- B.** *At a neighboring town market to a trader, who will accept 5000 kg per week at a price of 150/kg for a maximum of 8 weeks. The co-op has its own cart, which it can use to transport the onions to market. The use of the cart cost 500 per 500 kg load (one trip), thus 5 000 per week.*
- C.** *In the regional capital the farmers can sell to a wholesaler at a price of 200/kg. The trader will buy 50 000 Kg now, and 50 000 kg in one month. The trading center is 50 km from the co-op and the cost of transport is 50 000 per 25 metric ton load.*

Now go to the calculation table to begin filling in information and do the following:

MARKET	GRADE OF ONIONS	AMOUNT (KG)	PRICE/KG	INCOME	TRANSPORT COSTS	NET INCOME
A. Traveling trader						
B. Neighboring town trader						
C. Wholesaler in regional capital						

**Say:** *Now let's calculate which is the most profitable choice of buyers.*

**Say:** *First let's fill in the information for the A, the Traveling Trader.*

**Ask:** *How much will the trader buy at one time?*

Let the participants answer. Then write the answer in the table.

**Ask:** *What is the price the trader offered?*

Let the participants answer. Then write it in the table.

**Ask:** *Are there any transport costs?*

Let participants answer. Then write it in the table.

Do the calculation while explaining to the group what you are calculating. Enter the value for net income.

**Say:** *Now, let's fill in the information for option B, the owner of a shop in the neighboring town. The shop owner will buy a maximum of 5 000 Kg per week, over a total of 8 weeks (2 months). This means that only 40 000 Kg of the 100 000 Kg total can be sold by the cooperative to this buyer.*



*There are also transport costs for using the cooperative's cart to take the onions to the shop owner. The cost is 500 per cart load. This sale will require transporting 10 cart loads per week.*

**Ask:** *What problem or problems might occur if the onions are sold to the shop owner in the neighboring town?*

Let one or two participants respond, thank them, and:

**Say:** *Since the cooperative does not have a good storage place for onions, the onions will start to get damaged (spoiled) after 2 months. If onions are not sold in 2 months, there is a good chance that a large part of them will spoil and be lost. So, selling to this buyer may not be the best option.*

*Now, let's fill in the information for option C, the wholesaler in the regional capital. With this option, how many trips would it take to sell all the onions?*

Let one person respond, then:

**Say:** *For the option C, it will take 2 trips at 25 000 Kg per truckload, each month, over a total of 2 months to transport all the onions. This a total of 4 truckloads. Since, each truck load costs 50 000, then the total cost of transport is 200 000.*

*What do you think of this choice of buyer?*

*Is it worth it to sell to the onions to this buyer?*

Let one participant respond, thank them, and:

**Ask:** *Why do you think it would be choice of buyer to sell the onions?*

Let one or two participants respond, thank them, and:

**Say:** *The profit is higher with this buyer than with the two other potential buyers, even when the cost of transport is included.*

**Ask:** *Are there any questions?*

Then wrap up the exercise.

**Say:** *Of course, it would be possible for the cooperative to select 2 buyers, but for this exercise we wanted to look at which is the best choice.*

Below is what the completed table will look like.

**Calculations to do and explain.**

A. Traveling trader	Onions sold	100 000 Kg x 100 = 10 000 000
	Transport costs	0
	<b>Total</b>	<b>10 000 000</b>
	<b>Observation</b>	<b>All 100 000 Kg of onions are sold in less than 2 months</b>
B. Neighboring town trader	Onions sold	5 000 Kg/week x 150 x 8 weeks = 6 000 000
	Transport costs	10 x 500 x 8 = - 40 000
	<b>Total</b>	<b>6 000 000 - 40 000 = 5 960 000</b>
	<b>Observation</b>	<b>Only 40 000 Kg of onions are sold in 2 months. The remaining 60 000 Kg remain unsold</b>
C. Wholesaler in regional capital	Onions sold	100 000 Kg x 200 = 20 000 000
	Transport costs	50 000 x 4 = - 200 000
	<b>Total</b>	<b>20 000 000 - 200 000 = 19 800 000</b>
	<b>Observation</b>	<b>All 100 000 Kg of onions are sold in less than 2 months</b>

Answers key and how to do the calculations.

MARKET	GRADE OF ONIONS	QUANTITY (KG)	PRICE/KG	INCOME	TRANSPORT COST	NET INCOME
A. Traveling trader	no grading	100 000	100	10 000 000	0	10 000 000
B. Neighboring town trader	no grading	40 000	150	6 000 000	40 000	5 960 000
C. Wholesaler in regional capital	no grading	100 000	200	20 000 000	200 000	19 800,000

## LESSON 4. ADDING VALUE AFTER HARVEST

### IN THIS LESSON

After this lesson you will be able to:

- Describe the different steps in processing a farm product after harvest and before sale.
- Explain why these steps add value to the product.

**ADDING VALUE IS ONE WAY  
FARMERS CAN EARN MORE FROM  
THEIR PRODUCT**

### EARNING MONEY FROM MAIZE

Let us now turn to what happens to a crop after it is harvested. We will take maize as our example, but remember, the same principles apply to any farm product. We will look at how the farmer can earn more money by doing each of these activities.

#### DRYING AND SHELLING

Maize has to be dry enough to be stored and milled properly. Many traders will refuse to buy grain that contains more than 13% moisture, or will offer a lower price if it is more than this.

The farmer removes the husks from the harvested maize, then spreads the cobs out in the sun. When it is dry, the farmer shells the maize by removing the grain from the cobs.



#### CLEANING AND SORTING

Traders often pay a higher price if the produce does not contain foreign matter such as sand, straw, stones, or empty grains. They will also pay more for produce that is sorted according to variety, size, color, shape, amount of impurity, and ripeness.

The farmer (or more likely, his or her children) pick out the straw and stones, and sieve the grain to remove sand and empty grains. Because this is labor-intensive, farmers will do this only if the buyer agrees to pay a premium price. But if they want to enter a new market, clean and sorted goods will give the buyer a positive signal.

#### BULKING

Many farmers have only one or two sacks of maize to sell. But traders find it time-consuming and expensive to negotiate with lots of farmers to buy a small amount of produce from each. Only local traders have the time and local knowledge to handle these purchases, and they pay very low farm-gate prices.

A group of farmers bring their sacks of maize to a central point in the village, so they have enough to fill a pickup or truck. They negotiate with a bigger trader, who pays more per kilogram for the convenience of buying a single load. For many farmers this is one of the simplest and most effective ways of increasing the value of their goods.



## PACKAGING

Most products need to be packaged to sell them in the market. Packaging prevents the product from damage, contamination or theft. Standard-sized sacks or crates make it easy to keep track of how much produce there is. It is possible to label such packaging with the name of the farmers' group—though this is rarely done for low-value commodities such as maize.

The farmers put their maize into standard-sized sacks and stack them in a dry place ready to be picked up.



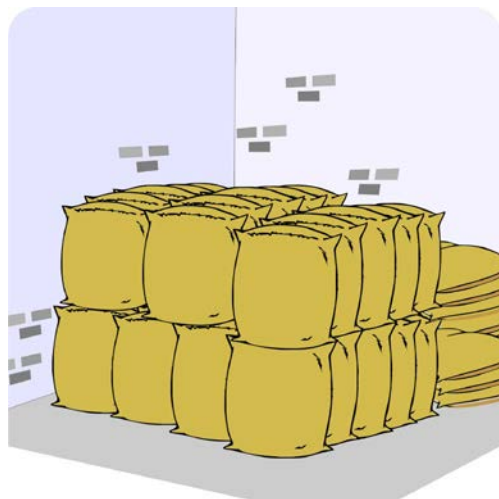
## STORAGE

For most products, prices are often low immediately after harvest, so if possible, it is a good idea to store grain until the price has recovered. Sometimes it is necessary to store the grain for a few weeks or months until the price has increased.

The farmers put their sacks of maize in a secure, dry warehouse. They put the sacks on wooden pallets to keep them off the floor, and set traps for mice and rats. They may need to cover the sacks with polythene and use a fumigant to prevent insect damage.

The farmers monitor market prices to decide when to sell the grain to get a good price. For storage to be profitable, they must receive a price that is higher than the costs of storage, and that takes any losses (including moisture loss) into account.

Poor storage conditions can affect the quality of the maize and the nutrients it contains and lower the price



## PROCESSING

It is possible to add value to many crops by processing them into other products. For example, milled rice fetches a higher price than paddy, cassava flour is worth more than roots, and meat is worth more than live animals. As with storage, the processing method can add or remove important nutrients from the product.



## ADDING VALUE

All these activities **add value** to the product and make it more attractive and convenient for customers to buy. After all, few customers want to buy raw, unhusked maize on the cob. So someone in the value chain—a trader or processor—has to do the tasks of de-husking, shelling, cleaning, and so on, and will charge for these services.

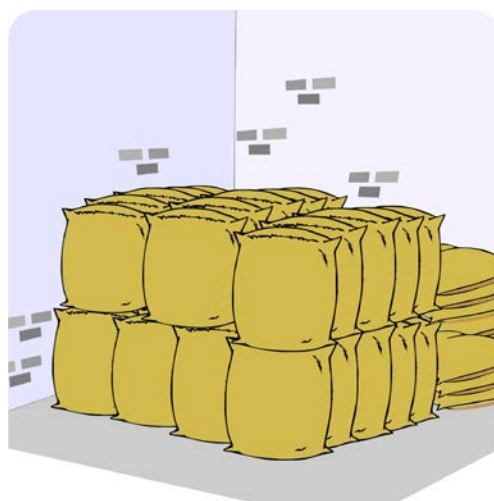
By organizing themselves, smallholder farmers can do many of these tasks themselves, and can earn extra money by doing so. Organizing farmers into groups that focus on specific markets is often a first step in helping them earn more.

Some types of value addition can only be done by people further along the value chain. For example, it is not practical for groups of farmers to make packages of frozen food, as this requires expensive equipment, a lot of capital, skilled labor, and special transportation.

# Adding value after harvest



**Drying and shelling**



**Storage**



**Cleaning and sorting**



**Processing**



**Bulking**



**Packaging**



## QUIZ: LESSON 4

1. How might a smallholder farmer add value to one of his or her products?

Select all that apply.

- A. By sorting the product by size and quality
- B. By charging the trader a higher price for the same product
- C. By organizing with other farmers who grow the same crop to sell their product jointly
- D. By spending more on production and marketing

2. What is the primary purpose for a farmer of adding value to his or her products?

- A. The product can be stored for longer
- B. The farmer can sell the product whenever he or she likes
- C. The product will fetch a higher price in the market
- D. The product will be more nutritious

3. Adding value to a product reduces the cost of production and marketing for the farmer.

- A. True
- B. False

4. Match the correct term to the value-adding activity.

- A. Sorting
- B. Bulking
- C. Packaging
- D. Processing

TERM	ACTIVITY
	1. Making peanut butter from peanuts
	2. Removing small or damaged onions and selling them separately
	3. Wrapping mangoes individually to protect them
	4. Combining products with other farmers to sell as a group

5. Maria's farmers' group wants to add value to its mango crop. In what order should they undertake the following activities?

- A. Harvest the mangoes
- B. Sort the mangoes by size and ripeness
- C. Put the mangoes into crates
- D. Take the mangoes to the market
- E. Bring the mangoes to a central collection point

6. Put these farm products into the correct categories.

- 1. Raw product
- 2. Semi-processed product
- 3. Processed product
- 4. Consumable product

PRODUCT	CATEGORY
A. Cooked goat meat	
B. Live goat	
C. Cut of meat	
D. Goat carcass	

Quiz answers can be found at the back of this booklet on page 68

## FIELD EXERCISE 4. ADDING VALUE AFTER HARVEST

### OBJECTIVE

**After this exercise the participants will be able to:**

- Explain different post-harvest activities that may add value.
- Explain how post-harvest value added processes are important when working with buyers.
- Understand how to make decisions on post-harvest activities.

### EQUIPMENT NEEDED

- Flip chart paper
- Markers
- Calculator
- Images

### EXPECTED OUTPUT

- Producers understand the information needed to determine the value of post-harvest activities and to make decisions to increase profitability.

### TIME

45-60 minutes

### PREPARATION

- Review all the Lesson 4 information. Prepare the activity prior to the lesson on the flip chart. Draw the table for showing the activity calculations. The table (with answers) is given below. Do not write in the answers beforehand as that will be done during the activity.

*TEXT HIGHLIGHTED AND BOLDLED IN PURPLE AND IN ITALICS IS INTENDED TO INFORM THE FIELD AGENT OF INSTRUCTIONS TO BE PROVIDED TO THE GROUP DURING THE FIELD EXERCISES.*

### SUGGESTED PROCEDURE:

**Say:** *In the last exercise we discussed how to choose buyers based on estimated profit. In the exercise, we looked at the benefits and costs of selecting different buyers or markets.*

**Say:** *In this exercise, we are going to discuss some of the post-harvest activities that may be done to increase the price of a crop. When thinking about whether or not to do the post-harvest activities one needs to think about the quality of the crop and the price and cost of doing the post-harvest activity. First, let's go over some possible activities to do following harvest.*

Now go through each of the common practices, holding up the pictures to illustrate the practice.

**Say:** *First, drying and shelling may be possible activities.*

**Ask:** *Which crops should be dried and shelled?*

Let 2-3 participants give answers and then continue. Then,

**Say:** *When water moisture is removed from a crop it reduces spoilage time and makes it easier to mill or grind. It further helps keep the food safe for consumption over a longer period of time. More common practices after harvest are cleaning and sorting of the crop.*

**Ask:** *Do any of you clean and sort any of your crops before selling? Which ones?*

Let 2-3 participants give answers and then continue.

**Say:** *Proper storage and packing bags or equipment is another post-harvest activity that may add to the value when selling by maintaining quality. There is potential income gain when investing in better storage materials. Storing crops after harvest is often a good practice to increase prices. Furthermore, working with others to sell together can increase prices.*

## ACTIVITY:

### Lesson 4 Field Exercise Activity: PICS storage of cowpea

GROUP	QUANTITY SOLD	PRICE/KG	INCOME	COSTS		NET INCOME
				PICS BAG	TRANSPORT	
2						
1						
Difference between the two groups						

**Say:** *In the next exercise, we will compare prices and costs to estimate the net income for a producer group that decided to sell its cowpeas immediately after the harvest with a second producer group that decided to sell its cowpeas later, following a period of storage after the harvest. The second producer group's goal was to hold the crop in storage, in good condition, until the price was higher.*

**Say:** *First, right after cowpea harvest the price for cowpeas was 300/kg. The group decided to sell a total of 20 000 Kg (20 metric tons) together. They came together and decided to purchase PICS bags at 1 500 / 100 kg bag because they had learned from a workshop the benefits of the bags in protecting the cowpeas against insect attack during a long period of storage.*

**Say:** *Several farmers said that the PICS bag price was too high, and they didn't think that they would make money, so they decided to drop out of the group and sell their cowpeas to a trader who paid 300/kg for their 10 000 kg of cowpeas. The trader bought their cowpeas in the village so they did not have to pay for any transportation costs. Let us call them Group 1 from now on. So, when Group 1 sold the crop for a total 3 000 000. They were happy with this.*

**Say:** *The other farmers, let us call them Group 2, who now had a total of 10 000 kg of cowpeas, purchased 100 bags to store all their cowpeas. This cost a total of 150 000. Each farmer bought the number of PIC bags each needed.*

**Say:** *They each stored their cowpeas on their farms. Five months went by and the Field Agent came to the group to say that the price for cowpeas was now 600/kg and that it was time to sell. The farmers sold their crop at the market paying 100 000 for truck transport.*

**Say:** *Let us calculate their profit since they purchased PICS bags and paid for transport. We need to subtract these costs before we can figure the net income. First, we are going to calculate the amount from the sale of the 10 000 Kg. The income was 6 000 000. Next, the cost of the PICS bags was 150 000. After subtraction, the difference is 5 850 000. Next, subtract the transport which was 100 000 to have the net amount of 5 750 000.*

**Ask:** *Do you think that it was worth it for the group 2 to take the chance and purchase PICS bags?*

Let 3-4 participants answer and then continue.

**Say:** *Yes, we all agree that taking the chance and purchasing the PICS bags was a good choice for group 2 because they made 2 750 000 more than group 1 by using the PICS bags for storage after harvest, and selling later.*

**Ask:** *If you were one of the producers here, which group would you have joined? Why?*

Let them discuss briefly and continue.

**Say:** *This example looked at adding value from a crop by doing post-harvest activities, in this case, storage. Following this session, it may be good to discuss different post-harvest options that may add value to crops by increasing prices paid by buyers.*

The following table provides the answers to the activity above.

### Lesson 4 Field Exercise Activity: PICS storage of cowpea

PIC BAGS	PRICE/KG	INCOME	COSTS		NET INCOME
			PICS BAG	TRANSPORT	
Group 2	600	6,000,000	150 000	100 000	<b>5 750 000</b>
Group 1	300	3,000,000	0	0	<b>3 000 000</b>
Difference between the two groups					<b>+ 2 750 000</b>

## LESSON 5: MARKETING STRATEGY AND MANAGING RISK

### IN THE FIRST PART OF THIS LESSON

After completing the first part of lesson 5, you will be able to:

- Describe four marketing strategies and give examples of each.

### CHOOSING A MARKETING STRATEGY

In this lesson we will look at choosing a market strategy that will help you increase sales over time.

Farmers and other actors in the value chain can consider trying to sell an **existing product** or develop **new products**. They can also consider serving an **existing market**, or trying to find **new markets** for their products.

### EXISTING PRODUCT OR NEW PRODUCT? EXISTING MARKET OR NEW MARKET?

That gives four alternative marketing strategies.

### MARKETING STRATEGIES: THE PRODUCT/MARKET MATRIX

	EXISTING PRODUCT	NEW PRODUCT
EXISTING MARKET	Market penetration	Product development
NEW MARKET	Market development	Diversification

### EXISTING PRODUCT, EXISTING MARKET

Farmers can try to increase the sales of the products they already produce, in markets they already serve. This approach is called **market penetration**. It is generally seen as the safest marketing strategy, as the sellers are already familiar with both the product and the market.

**Example:** A group of tomato farmers uses new farming techniques that increase yields, save labor, and reduce the costs of materials. That allows them to offer their produce to their current buyers at a lower price, and still maintain their profit. The buyers want to buy more tomatoes, so demand rises.

**Example:** The farmers spend time and effort in building the relationship with the buyers. That makes the buyers more confident they will get the quantity and quality they need. They agree to buy more, and offer a higher price.



### EXISTING PRODUCT, NEW MARKET

Farmers can sell an existing product to a new market. This approach is called **market development**.

**Example:** Instead of selling to the local trader, the farmers could sell their tomatoes for a higher price directly to a nearby tourist resort where there are a lot of restaurants.



### NEW PRODUCT, EXISTING MARKET

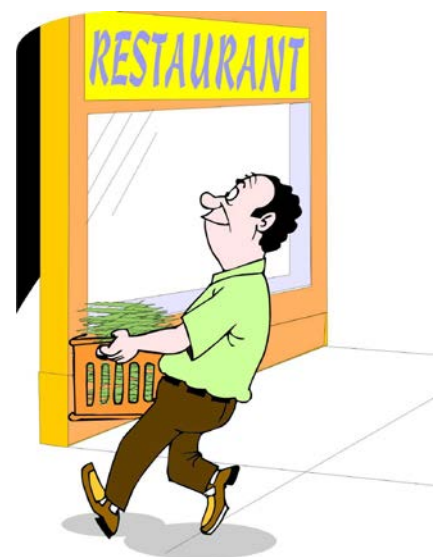
They can develop new products to serve an existing market. This approach is known as **product development**.

**Example:** The tomato farmers can start growing beans to sell to the same buyers.

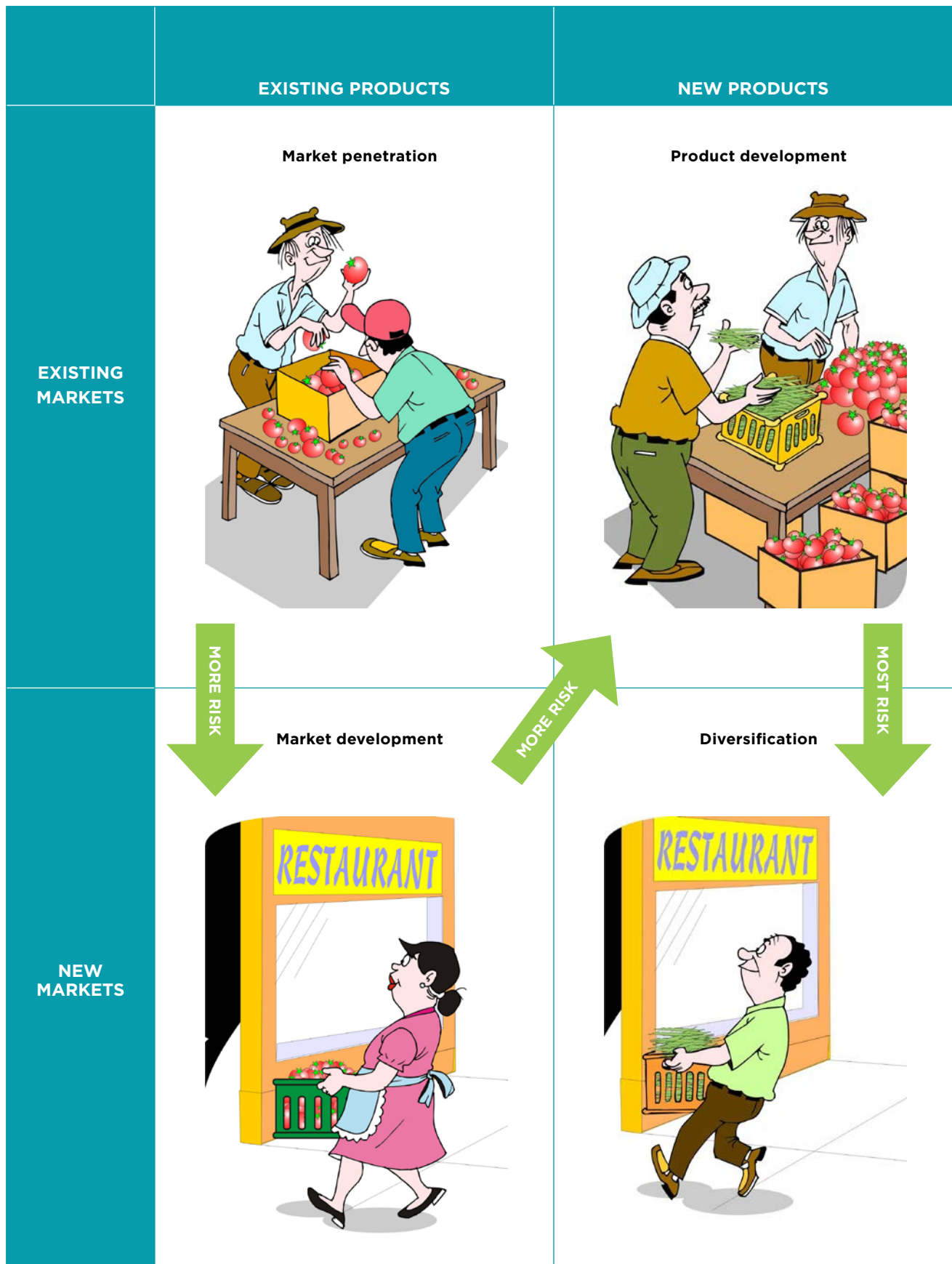
### NEW PRODUCT, NEW MARKET

The final approach is to develop a new product for a new market. This approach is known as **diversification**. It is the riskiest and most expensive strategy as it requires both developing a new product and stepping into an unknown market.

**Example:** The farmers could start producing and selling beans to the tourist resort.



# Choosing a marketing strategy





# THE FOUR PS OF MARKETING

## IN THE SECOND PART OF THIS LESSON

After completing the second part of lesson 5, you will be able to:

- List the four Ps of marketing, and describe each one.
- Describe how to use the four Ps in teaching marketing, planning a marketing strategy, and monitoring the market.

## THE FOUR PS OF MARKETING

When developing a marketing plan, organize your ideas around the **four Ps** of marketing:

- **Product:** what to produce?
- **Price:** at what price to sell?
- **Place:** where to sell it?
- **Promotion:** how to promote the product?

Let us look at each of the four Ps in turn. We will pose questions that farmers need to consider when they develop their marketing plan.

THE FOUR  
PS OF  
MARKETING:  
PRODUCT,  
PRICE,  
PLACE, AND  
PROMOTION

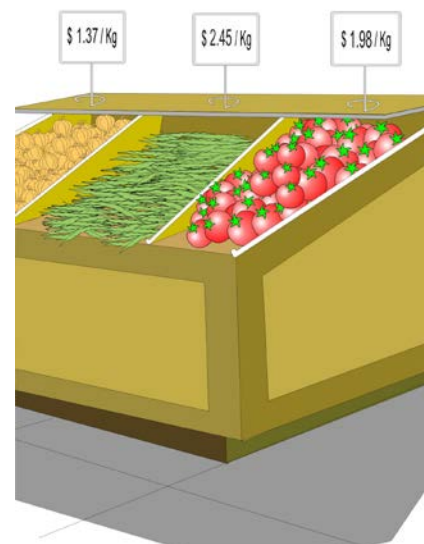


### PRODUCT

- What **product** should you produce? What crop variety or breed of animal? What characteristics should the product have to satisfy the buyer?
- What **quality and quantity** do you need? What sizes of fruit and vegetables? Fresh, dried or processed in some way? How many kilograms or sacks will you need, at what time of year?
- How should you **package** the product? In sacks, bags, crates or boxes?
- Are there ways you can **make your product different** and more attractive than the products of your competitors? For example: Are your soils or climate particularly good for producing the product? Is what you feed your animals particularly nutritious and healthy for them? Do you use production practices that improve the quality of the product?

### PRICE

- What **price** should you sell the product at? Will this allow you to make a profit? Does this cover the cost of family labor?
- What **competition** is there? What prices do they charge? Can you charge more or less than your competitors?
- Should you **negotiate** a fixed price with the buyer, or rely on the current market price?
- What are the **payment conditions**? Should you ask for payment on delivery, or can you wait for a few weeks for payment?





## PLACE

- **Who** should you **sell the product to**? To a small collector-trader, a wholesaler, a supermarket, or direct to customers?
- **Where** should you sell it? At the farm gate, at a village collection center, or in the local market? Or should you take it to the central market in the city?
- How will you **transport** your products to where you will sell them?



## PROMOTION

- How should you promote the product? Do you need to advertise? Does the product have a benefit that is not discernible to the purchaser and needs to be promoted? Is it sufficient to maintain contact with the buyer by visiting or calling by phone?
- How should you identify new customers and persuade them to buy your product?
- Should you label the product so that the buyer knows what they are buying?
- What can you do to make your product more attractive to the buyer?

## USING THE FOUR PS

You can use the four Ps of marketing in various ways:

- **When teaching farmers about marketing.** You can ask farmers to study the market for a particular product (say, tomatoes or maize). They can organize their observations under the headings "Product," "Price," "Promotion" and "Place."
- **In planning a marketing strategy.** When farmers come to plan their own marketing strategy and business plan, they should organize it under the same four headings.
- **In monitoring the market.** Once the farmers have chosen their product and marketing strategy, they can monitor changes in the market by checking how the product, price, promotion, and place change over time.



# The four Ps of marketing

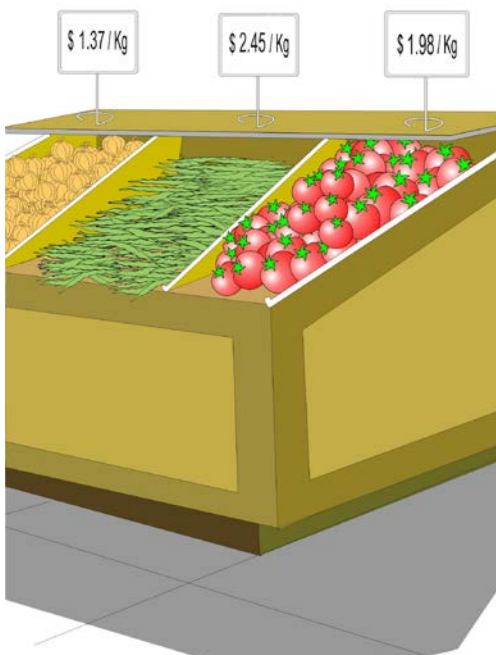
## Product



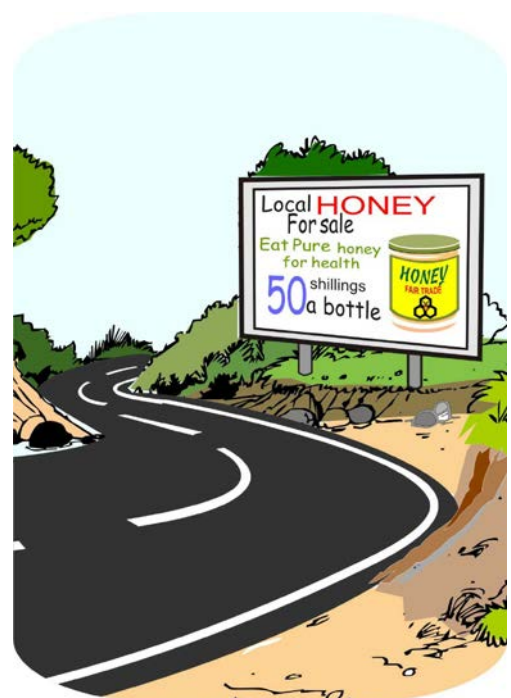
## Place



## Price



## Promotion



## QUIZ: LESSON 5

1. Maria grows chilies and sells them at the local market. She is considering getting together with her neighbors to sell in bulk direct to a wholesaler. What type of marketing strategy is this?
  - A. Existing product + existing market = Market penetration
  - B. New product + existing market = Product development
  - C. Existing product + new market = Market development
  - D. New product + new market = Diversification
  
2. Jorge grows potatoes and sells them to a trader. He is thinking about signing a contract with the trader to expand his production. What type of marketing strategy is this?
  - A. Existing product + existing market = Market penetration
  - B. New product + existing market = Product development
  - C. Existing product + new market = Market development
  - D. New product + new market = Diversification
  
3. Emanuel's farmers' group used to grow sorghum for sale in town. But they have recently started growing peanuts to sell to a factory nearby. What type of marketing strategy is this?
  - A. Existing product + existing market = Market penetration
  - B. New product + existing market = Product development
  - C. Existing product + new market = Market development
  - D. New product + new market = Diversification

4. Julieta grows maize for sale to her friends in the village. She has started keeping chickens, which she feeds with some of her surplus maize. She sells the eggs to the same friends. What type of marketing strategy is this?
  - A. Existing product + existing market = Market penetration
  - B. New product + existing market = Product development
  - C. Existing product + new market = Market development
  - D. New product + new market = Diversification
  
5. Put the marketing strategies in the correct places in this matrix.
  - A. Market development
  - B. Product development
  - C. Diversification
  - D. Market penetration

	EXISTING PRODUCT	NEW PRODUCT
Existing market	1.	3.
New market	2.	4.

6. Ulla and her neighbors grow tomatoes that they sell individually to a local trader. They have just started a group to market their produce. They have identified two possible marketing strategies. Which would you advise them to try?
  - A. Increase the quality of their tomatoes, bulk them and sell them to the trader as a group (this is the safer option).
  - B. Start growing beans to sell to the supermarket in town (this is riskier but would be more profitable).

Quiz answers can be found at the back of this booklet on page 69

7. Why are the “four Ps” important in developing a market strategy?
- They cut costs and increase income
  - They help farmers decide on the product and its characteristics, set the price, and decide how to distribute and promote it
  - They identify a market to sell to
  - They help determine risk

8. Which of the following **PRODUCT** characteristics help to distinguish one agricultural product from another? Select the seven answers that apply:

- Variety
- Distribution
- Quality
- Brand name
- Transport
- Advertising
- Size
- Origin
- Production practices
- Availability

9. How do you set the **PRICE** of an agricultural product?

Select the three answers that apply:

- To cover the cost of production
- To cover the cost of production plus a reasonable profit margin
- To sell at the same price being paid to other farmers
- To sell at a price below other farmers
- By accepting the price offered by the buyer
- By setting the price according to the quantity sold

10. What factors should you take into account when deciding where to sell or how to distribute your product (**PLACE**)?

- Cost of transport to the point of sale
- Price being offered by the buyer
- Places where lots of people come to buy
- Places where lots of people come to sell
- Places where you can sell your product at a high price
- Places where you are assured that you will be able to sell your product
- All of the above

11. Why is it important to **PROMOTE** your product?

Select all that apply:

- It helps to sell products even if they are very low quality
- It communicates to potential buyers about the quality of your product and its value
- It persuades people to buy things that they do not want or need
- It is a way of rewarding workers that have done a good job
- It informs the buyer about where the product can be bought and at what price

12. Match the question with the correct item in the four Ps.

- Should we sell our product in the market or to local restaurants?
- Should we negotiate for payment upon delivery?
- Should we sell leafy vegetables as well as tomatoes?
- Should we put the name of the farmers' group on the crates we use?

QUESTION	THE 4 PS
	1. Product
	2. Price
	3. Place
	4. Promotion

Quiz answers can be found at the back of this booklet on page 69

## FIELD EXERCISE 5. MARKETING STRATEGIES AND MANAGING RISK

### OBJECTIVE

After this exercise the participants will be able to:

- Understand the four options available to expand the sales (marketing) of their crops, and the risks of each option:
  - Existing market/existing crop
  - Existing market/new crop
  - New market/existing crop
  - New market/new crop
- Understand the 4 “Ps” of marketing
  - Product
  - Place
  - Price
  - Promotion

### EQUIPMENT NEEDED

Images that represent the following:

- Common cereal or staple crops or common livestock, at least 2 copies of each (representing the existing crop)
- Cash crops or high value vegetable (horticultural) crops (representing a new crop)
- Two copies of a small market (representing an existing market)
- Two copies of a very large market (representing a new market)
- Each of the 4 Ps of marketing:
  - Product (can use the ones for crops as suggested above or a different image)
  - Place (a market)
  - Price
  - Promotion

### EXPECTED OUTPUTS

- Producers can describe the options to expands sales of their agricultural products.
- Producers can describe the risks and rewards for each of the option to expand sales of their agricultural products.
- Producers can describe the 4 Ps of marketing.
- Producers explain why each of the 4 Ps is important in developing a marketing plan for their agricultural products.

### TIME

60 minutes

### PREPARATION

**Note:** The trainer should use more visuals (images or objects) than words.

*TEXT HIGHLIGHTED AND BOLDED IN PURPLE AND IN ITALICS IS INTENDED TO INFORM THE FIELD AGENT OF INSTRUCTIONS TO BE PROVIDED TO THE GROUP DURING THE FIELD EXERCISES.*

### SUGGESTED PROCEDURE:

Greet the participants and tell them that we are going to start with a review of the last session. *Remember to encourage all participant to participate and make sure that those that say little are encouraged to provide their input. Remind the participants that everyone opinions and suggestions are welcome. When calling on different participants try to ensure that all voices; male, female, young, and old are included during the session.*

**Ask:** *Can anyone tell us what we discussed during the last training session?*



Give the participants 2-3 minutes to reflect and then call on 2-3 people to remind everyone what was discussed last time.

**Ask:** *Which crop did you decide was likely to have the most demand, if you produced it?*

Have 4-5 participants say what they have selected. If after 3 people everyone has selected the same crop, then you do not have to ask anyone else.

*Remind them,*

**Say:** *Remember that you need to know this to create a plan and that the plan needs to be in place before you produce.*

**Say:** *Now we are going to discuss different the types of marketing strategies you can use for your agricultural products, and how you might change these strategies with both existing and new products to increase their sales and income. Each strategy will have a different level of risk. Each will have a different potential for increasing sales and income. Not all strategies will be successful for every crop.*

**Say:** *Let us first discuss the different strategies and then we will do a group exercise. The first strategy is: Existing market/existing crop. Remember that this is the [say the name of the crop they selected likely to have the most demand]. This is called market penetration.*

*Show the image of the existing crop and the image of the small market, representing the existing market.*

**Say:** *The objective is to find new buyers who will come to your current market to buy more of your existing crop, such as maize, millet, or rice. You might be able to sell more at lower price, or you might be able to improve product quality to sell more.*

**Ask:** *How risky would this strategy be for you?*

*Give 2 or 3 participants the time to respond to the question. Check to see if anyone has questions before going on to the next strategy.*

**Say:** *The second strategy is: Existing market/new crop. This is called product development. The objective here is to identify a new crop that others want to buy, such as tomatoes or ground nuts, to sell in your current market. You can now sell the new product in the same market.*

*Show the image of the new crop and the image of the small market, representing the existing market.*

**Ask:** *Which crops are in high demand that you could produce? How risky would this strategy be for you?*

*Give 2 or 3 participant the time to respond to the question. Check to see if anyone has questions before going on to the next strategy.*

**Say:** *The third strategy is: New market/existing crop. This is called market development. The objective is to identify a new market in which you can sell more of current crop, such as maize, millet, or rice.*

*Show the image of the existing crop and the image of the large market, representing the new market.*

**Ask:** *Could you sell the same product at a new market? How risky would this strategy be for you?*

*Give 2 or 3 participants the time to respond to the question. Check to see if anyone has questions before going on to the next strategy.*

**Say:** *The fourth strategy is: New market/new crop. This is called diversification. The objective here is to identify both a new crop to produce and a new market to sell the new crop.*

*Show the image of the new crop and the image of the large market, representing the new market.*

**Ask:** *Which new products could you sell in a new market? How risky would this strategy be for you?*

*Give 2 or 3 participants the time to respond to the question. Check to see if anyone has questions.*



For the group exercise, you need to mark out a large square on the ground and place the images at each corner as shown. It should look like this:

Image of existing market	Image of existing market
Image of existing crop Market penetration	Image of new crop Product development
Market development Image of existing crop	Diversification Image of new crop
Image of large (new) market	Image of large (new) market

**Say:** *Now we have mapped out the four potential strategies which are:*

- *Existing crop—existing market*
- *Existing crop—new market*
- *New crop—existing market*
- *New crop—new market*

**Say:** *Now, I would like everyone to come and stand around the corner that shows the existing market and existing crop, as this is the least risky strategy to increase production and sales if new buyers can be identified. It is most likely where your producer group should start to try to earn more.*

**Ask:** *Does everyone agree?*

*Have anyone who disagrees explain why.*

**Say:** *Now I am going to ask if any of you would be willing to take the risk of identifying a new crop to sell at your existing market. Please go to the corner that shows the “existing market and a new crop.”*

After everyone who wants to move to the new corner has done so:

*If no one moves to the “new crop and existing market” corner,*

**Ask:** *Why did no one choose to move?*

If no one chose to move, in response, it may be necessary to review the risks with “new crop and existing market.”

If one or more did move then,

**Ask:** *Can one or two of the participants who moved to the existing market and new crop corner explain why?*

*Have 1 or 2 participants who did not move explain why they would not take that risk. When listening to the responses be careful to note if there is a gender differences observed such as women or youth not willing to take on the riskier strategies and men willing to do so. Or the opposite of men not willing to take on riskier marketing strategies and youth or women willing to do so. These responses may indicate constraints that participants may have to consider over time.*

**Say:** *Now I am going to ask if any of you would be willing to take the risk of identifying a new market for your existing crop. Please go to the corner that shows the existing crop and a new market.*

After everyone who wants to move to the new corner has done so:

*If no one moves to the “existing crop and new market” corner,*

**Ask:** *Why did no one choose to move?*

If no one chooses to move, in response, it may be necessary to review the risks with “existing crop and new market.”

If one or more did move then,

**Ask:** *Can one or two of the participants who moved to the existing crop and new market explain why?*

*Have 1 or 2 participants who did not move explain why they would take that risk.*

**Say:** *Now I am going to ask if any of you would be willing to take the risk of identifying a new market and a new crop. Please go to the corner that shows the “new crop and new market.”*

After everyone who wants to move to the new corner has done so, and *if no one moves to the “new crop and new market” corner*, then:

**Ask:** *Why did no one choose to move to the “new crop and new market” corner?*

If no one chooses to move, in response, it may be necessary to review the risks with “new crop and new market.”

*If one or more did move then,*

**Ask:** *Can one or two of the participants who moved to the “new crop and new market” corner, explain why?*

*Then have 1 or 2 participants who disagree (did not move) explain why they would not take that risk.*

Please note it is highly likely that no one will move to this corner as the risk is too high. If this occurs, instead of asking why people moved, ask why no one moved to that corner. Why was the risk too high?

**Ask:** *Now that we have completed this exercise, what does this tell you about your personal ability to take risk? What would you need to do before the new market and new crop would become an acceptable risk?*

**Say:** *Now let us go back and sit down. Which strategy would make the most sense for you to implement to improve income from your crop and livestock production?*

*Try to get group to come to a consensus on the best strategy for them to apply the next growing season. Thank them for thinking about the options and selecting what would be best for them to apply.*

**Say:** *Before I finish today’s lesson I have one more topic to cover, which is the four Ps of marketing.*

**Ask:** *Has anyone an idea what the 4 Ps of marketing might be?*

*Have 1 or 2 participants share their ideas. If they get any correct congratulate them and repeat the term but do not define. Then say:*

**Say:** *In addition to having a defined strategy to increase your market and sales of crops, you need to address each of the 4 Ps of marketing in your plan. So, let us look at each of the 4 Ps.*

**Say:** *The first P is Product. This answers the question on what to produce, the product characteristics that will satisfy the buyer, the quality and quantity needed, the packaging required, and how you can make your product different and more attractive to increase sales.*

Show the image that represents product.

**Ask:** *Can anyone explain how they selected the crops they currently grow for sale? What could you do differently to improve the product or to identify what the buyers want most?*

*Have 1 or 2 participants explain. Then go on to the next of the 4 Ps.*

**Say:** *The second P is Price. This means you must determine the price at which you can sell the product.*

Show the image that represents price.

**Ask:** *To do this what must you consider? Can anyone tell us how to make the decision on the price?*

*Have 1 or 2 participants explain their ideas. Thank them for their ideas.*

**Say:** *Some things you should consider in setting the price are:*

- *Will this allow you to make a profit (must cover all production costs)?*
- *Does this cover the cost of hired labor?*
- *Does this cover the cost of family labor?*
- *What price does the competition charge?*
- *Can you charge more than your competitors?*
- *Can you charge less than your competitors?*
- *Should you negotiate a fixed price in advance or should you rely on the current market price?*
- *Should you ask for payment on delivery?*
- *Can you wait for a few weeks for payment if the amount would be more?*

*Ask 1 or 2 participants if they consider any of these questions when they determine their price, and which other questions they consider. Thank them for their ideas. Then go on to the next of the 4 Ps.*

**Say:** *The third P is Place. This provides the answer to the question of where you will sell your product or crop.*

Show the image the represents place.

**Ask:** *Can anyone explain where is the best place to sell your existing products or crops and why?*

*Have 1 or 2 participants share their ideas. Thank them for their ideas, then,*

**Say:** *In your marketing plan, you need to decide to whom should you sell your products or crops. Will it be a collector, a trader, a wholesaler, a supermarket, or will you sell directly to customers? Then you can decide where you should sell them. Will it be on your farm (with the clients coming to you), at the village market, or at a larger market in the city? Then you need to determine how you will transport your products to where you will sell them. Do you hire a vehicle, purchase a cart, or use public transport?*

**Ask:** *Can anyone explain where they sell their existing products or crops and why?*

*Have 1 or 2 participants share their ideas. Thank them for their ideas. Then:*

**Say:** *The fourth P is Promotion. This answers the question of how do you promote your product to increase your sales, particularly if you are in a producer group or association?*

Show the image that represents promotion.

**Ask:** *Can anyone explain how they promote their existing products or crops and why?*

*Have 1 or 2 participants share their ideas. Thank them for their ideas, then,*

**Say:** *Yes, those are all good ideas. You could advertise, put up a sign, have labels on your packaging, do a special promotion, or highlight any special health or nutritional properties of the product or crop. You should make sure the message is appropriate for your expected buyer. You can use your mobile phone to call or send a message to each type of customer. The message for mothers with children may be very different from a message meant for men.*

**Ask:** *Now that we have completed the lesson and the training on marketing basics, can anyone remind us what are the 4 Ps of marketing and why they are important?*

*Have 1 participant explain Product,*

*Have 1 participant explain Price,*

*Have 1 participant explain Place,*

*Have 1 participant explain Promotion.*

*Thank them for their ideas. Then, at the end of the lesson:*

**Say:** *Remember your marketing plan should contains information and idea around:*

- *Product: what to produce?*
- *Price: at what price to sell?*
- *Place: where to sell it?*
- *Promotion: how to promote the product?*

*It should further show the marketing strategy, whether it is market penetration by expansion of an existing product's sales, product development by the introduction of a new product in your existing market, market development by the sale of your existing product in a new market, or diversification by the sale of a new product in a new market. It is all a matter of organization and risk management.*

**Ask:** *What other questions do you have?*

## **ASSIGNMENT:**

**Say:** *When you go home, think about what you might do to create a good strategy to increase your sales and try to see how you would use the 4 Ps of marketing to ensure a successful strategy. Talk to your spouse to get his or her opinion on your ideas to see how the entire family can benefit from a good marketing strategy. Remember that you need to know this to create a plan and that the plan needs to be in place before you produce.*

# Summary

**Agricultural marketing** is all the activities and services involved in moving an agricultural product from the farm to where it is sold to a customer. Men and women farmers need to think about marketing even **before** they choose which crop to plant.

The **price** of a product depends on the **supply** and **demand** for the product. If the supply goes up, prices will tend to fall. If demand goes up, the price will rise.

The **price** also depends on the type of product, its quality, the amount sold, packaging, the time and place of sale, processing, and marketing arrangements.

By working out their **income** and **costs**, farmers can calculate their **profit**.

Farmers can sell their products in many different **types of markets**: at the farm gate, at assembly markets, wholesale markets, retail markets, and supermarkets.

The **value chain** consists of many different **actors**: farmers, collector-traders, wholesalers, processors, retailers and customers.

**Business services** help the value chain work smoothly. They include input suppliers, infrastructure, communications, advisory services, market information, financial services and research.

**Institutions and rules** are the “rules of the game” that allow the value chain to function.

**Gender roles and relations** are critical for implementing and benefiting from the marketing strategy. Farmers need to understand how changes in production, processing, and marketing affect labor allocation, decision-making power, and access and control of resources and income.

Farmers can earn more by **adding value** to their product before selling it.

**Markets are changing rapidly**. Farmers must understand these trends if they are to market their products effectively.

In developing a **marketing strategy**, farmers can choose to sell an existing product or develop a new one. They can also sell to an existing market, or try to find a new one.

The **four Ps of marketing** that farmers need to consider are **product, price, place** and **promotion**.

Not everyone has the right characteristics to be a good business or marketing manager for a farmers' group. Look for people with **entrepreneurial spirit**.

# Answers to quizzes

## LESSON 1: PART A

### 1. What is marketing?

Correct answers: A, F. Marketing is both the activities and services involved in moving a product from production to consumption, and the process of finding out what customers want and then satisfying these needs.

### 2. What should the marketing process do?

Correct answer: A. In the long term, marketing can succeed only if it provides customers with products they want to buy.

### 3. Which statement below best describes marketing?

Correct answer: A. Everyone in the marketing chain, from farmer to customer, should be better off as a result of their activities.

### 4. Marketing helps to make products available and attractive for customers to buy...

Correct answers: A, C, E, G. Marketing must provide products that male and female customers want to buy in the right form, at the right time of year, in the right quantities, at the quality required, in the right place, and at a price that customers are willing to pay.

### 5. Which approach would you recommend to farmers?

Correct answer: C. It is best to check the market first before deciding what to grow.

### 6. Put the following activities in the best sequence

Correct answer: C, D, B, A, E. Other sequences are possible, but this is the best one.

### 3. Which factors might affect supply of a crop?

Correct answer: A, B, D, E. All these things can affect the amount of the crop that farmers can produce.

### 4. A big religious festival is coming up. Traditionally, people celebrate by feasting or eating particular foods. What do you expect to happen to food prices?

Correct answer: B. Demand for food goes up during the feast, so prices will rise.

### 5. What is market demand?

Correct answer: B. Market demand is the amount of a product that customers are willing and able to buy.

### 6. Which factors might affect demand for a crop?

Correct answer: A, D. Both population growth and changing food tastes may increase (or in the case of food tastes, also decrease) demand for a crop. A good growing season and a pest affect supply rather than demand.

### 7. If prices rise, demand will tend to fall. If prices fall, demand will tend to increase.

Correct answer: A (true). The amount of a product that customers want to buy will depend on the price.

### 8. Changes in customers' incomes and education may affect demand for a product.

Correct answer: A (true). As people become richer and more educated, their tastes in food change. They are more likely to buy convenient, processed products, and to go shopping in supermarkets.

## LESSON 1: PART B

### 1. It has been a bad season for tomatoes: the harvest is only half that of last year. Do you expect the price of tomatoes in the local market to be higher or lower than last year?

Correct answer: A. The price will probably be higher than last year because the supply of tomatoes is smaller.

### 2. What is market supply?

Correct answer: A. Market supply is the amount of a product that producers take to the market to sell. Remember that producers from outside the area can also sell the same product in the same market. This also counts as part of the supply.

## Lesson 2

### 1. Which are material costs, and which are labor costs?

MATERIAL COSTS	LABOR COSTS
A. Seeds	B. Plowing
E. Agrochemicals	C. Planting
F. String	D. Spraying
H. Fertilizer	G. Weeding



2. In what ways can farmers increase their profit?

Correct answers: B, C, D. While loading bags with stones to make them heavier (A) may work once, the buyer will quickly realize that you are untrustworthy, and will lower the buying price next time. So this is not a good strategy.

You can persuade buyers to pay more for the same product (D) by (for example) sorting and grading it, or packaging it more attractively.

3. When working out the costs to produce a crop or livestock product, what are the major categories of costs that you need to find out with farmers?

Correct answers: A, C. You should help the farmers work out their labor and materials costs.

4. Why is it useful to separate costs for family labor and hired labor?

Correct answer: A. So that farmers understand the full cost of their enterprise. For example, growing tomato might require more family labor than growing green beans. Growing maize may take more family labor than growing cassava.

5. How can you calculate profit?

Correct answer: A. Profit is your income minus your costs.

6. Put the following costs into the correct category

A. MATERIAL COSTS	B. LABOR COSTS	C. HIDDEN COSTS
1. Renting land	5. Family members working on the farm	2. Children herding goats cannot go to school
3. Seed, fertilizer		6. Soil erosion caused by overcropping
4. Transport costs		

### Lesson 3

1. What is a market?

Correct answer: D. There are many types of markets. In all of them, buyers and sellers can exchange goods and services so that both benefit.

2. Match the sellers with the buyers in these markets

Correct answer: A2, B1, C3. In an assembly market, farmers or small local traders sell their produce to a larger trader. In a wholesale market, the larger traders sell products in bulk to retailers. In a retail market, retailers sell small amounts of the product to customers.

3. Which best describes barter trade?

Correct answer: A. Barter trade involves an exchange without the use of money.

4. What is market segmentation?

Correct answer: C. Market segmentation is a way of dividing the market into people who are seeking different types of products.

5. Match the customer type with the place they are most likely to buy food.

Correct answers: A2, B3, C1. These are the most likely combinations.

6. Laura has harvested her green beans and is considering her marketing options. Help her by putting these markets in the correct order, from the lowest to highest price she can expect.

Correct answer: B, C, D, A.

### Lesson 4

1. How might a smallholder farmer add value to one of his or her products?

Correct answer: A, C. These increase the value of the product by making it more convenient or useful for the buyer.

2. What is the primary purpose for a farmer of adding value to his or her products?

Correct answer: C. The primary purpose of adding value to a product should be to increase the price that the farmer gets for his or her product.

3. Adding value to a product reduces the cost of production and marketing for the farmer.

Correct answer: B (false). The activities required to add value to a product will require additional materials and labor. Farmers have to make sure that the additional costs do not exceed the additional income that he or she will obtain.

4. Match the correct term to the value-adding activity.

Correct answer: A2, B4, C3, D1.

5. Maria's farmers' group wants to add value to its mango crop. In what order should they undertake the following activities?

Correct answer: A, E, B, C, D. It is probably better to sort the mangoes after bringing them to the collection point in order to ensure the sorting is done consistently.

6. Put these farm products into the correct categories.

Correct answer: A4, B1, C3, D2.

## Lesson 5

1. Maria grows chilies and sells them at the local market. She is considering getting together with her neighbors to sell in bulk direct to a wholesaler. What type of marketing strategy is this?  
Correct answer: C. Maria and her neighbors are considering selling an existing product to a new buyer, so this is “market development.”
2. Jorge grows potatoes and sells them to a trader. He is thinking about signing a contract with the trader to expand his production. What type of marketing strategy is this?  
Correct answer: A. Jorge is thinking about expanding his existing product and market. This is called “market penetration.”
3. Emanuel’s farmers’ group used to grow sorghum for sale in town. But they have recently started growing peanuts to sell to a factory nearby. What type of marketing strategy is this?  
Correct answer: D. Emanuel and his colleagues have started growing a new product for sale to a new market. This is called “diversification.”
4. Julieta grows maize for sale to her friends in the village. She has started keeping chickens, which she feeds with some of her surplus maize. She sells the eggs to the same friends. What type of marketing strategy is this?  
Correct answer: B. Julieta has started selling a new product to an existing market. This is called “product development.”
5. Put the marketing strategies in the correct places in this matrix.  
Correct answers: A2, B3, C4, D1.
6. Ulla and her neighbors grow tomatoes that they sell individually to a local trader. They have just started a group to market their produce. They have identified two possible marketing strategies. Which would you advise them to try?  
Correct answer: A. Because this is a new group, it is probably better to start with the safer option.
7. Why are the “four Ps” important in developing a market strategy?  
Correct answer: B. The four Ps are a simple way of focusing on the four most important aspects of selling a product:
  - What am I selling that meets the needs of the buyer?
  - How much am I going to charge so as to make a profit?
  - How am I going to get my product to the buyer?
  - How am I going to let the buyer know about my product?

8. Which of the following PRODUCT characteristics help to distinguish one agricultural product from another?

Correct answer: A, C, D, G, H, I, J. Important characteristics are those that differentiate the farmers’ product from those of their competitors, and meet the requirements of the buyer.

9. How do you set the PRICE of an agricultural product?

Correct answer: B, D, F. The prime objective is to ensure that you make a profit so that your business can continue to grow (answer B). If you can still make a profit by selling at a price below other farmers, then you are likely to be able to sell more of your product (answer D). Normally, with agricultural products you can charge more if you have larger quantities to sell (answer F). In all cases, you should negotiate with the buyer based on a sound knowledge of what your production costs are, what others are being paid, and what advantages the buyer will obtain from buying your product.

10. What factors should you take into account when deciding where to sell or how to distribute your product (PLACE)?

Correct answer: G. You will need to take into account all these factors when deciding where and to whom it is best to sell. There will normally be a trade-off between the price you will be paid and the cost of getting the product to a particular place. This needs to be carefully calculated to make sure that there is a definite monetary benefit of transporting your products over long distances.

11. Why is it important to PROMOTE your product?

Correct answer: B, E. Promotion is about communicating with your potential buyers how good your product is and convincing them that they should buy from you rather than anyone else. Promotion will not help you if you have a poor quality product or one that no one wants to buy.

12. Match the question with the correct item in the four Ps.

Correct answers: A3, B2, C1, D4.



# References and further reading

## REFERENCE MATERIALS

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## WEBPAGES AND RESOURCE INSTITUTIONS

- Agriculture for basic needs.** (Agricultura para necesidades básicas). Development project based on the 5 skills sets with success stories, handbooks and other materials in Spanish. [www.a4n.alianzacacao.org/](http://www.a4n.alianzacacao.org/)
- Alianzas de aprendizaje para el desarrollo empresarial rural en América Latina.** A learning and knowledge space on rural enterprise development for Spanish-speaking countries. [www.alianzasdeaprendizaje.org](http://www.alianzasdeaprendizaje.org)
- microLINKS.** A knowledge-sharing family of applications and tools designed to improve the impact of USAID microenterprise programs and activities. The latest information on microenterprise: best practices; proven approaches from USAID missions, partners, and practitioners; a library of documents, reports, and tools; and an environment that supports and enriches communities of practice. <http://microlinks.kdid.org/>







# Marketing basics

## A SMART SKILLS MANUAL

Marketing is one of the biggest challenges for small-scale farmers in developing countries. Many farmers would like to improve their output or the quality of their products, but they need a way to sell their produce and increase profits.

This manual introduces the basic concepts of agricultural markets and marketing. It shows how field agents, extension workers and program managers can help farmers understand these ideas and how to apply them. The ten lessons cover the following topics:

- Agricultural marketing (Parts A & B)
- Understanding profit and crop seasonal calendar
- Comparing markets and buyers
- Adding value after harvest
- Marketing strategy and managing risk

Each lesson includes content for training the agent, an end of lesson quiz to test the agent's understanding, and a practical field exercise to be delivered by the agent to the farmer groups.

This is one manual in a series on SMART Skills—the skills that field agents need to help farmers in developing countries improve their livelihoods.

