**FIELD EXERCISE 3. COMPARING MARKETS AND BUYERS**

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| *OBJECTIVE*  **After this exercise the participants will be able to:**   * List the information to get from buyers before selling * Explain how to estimate profit based on buyer price and costs. | |
| *EQUIPMENT NEEDED*   * Flip chart * Markers * Calculator * Images | *EXPECTED OUTPUT*   * Producers are able to understand the information needed to make comparisons between markets. |
| *TIME*  45-60 minutes | *PREPARATION*   * Prior to the lesson, write out the information on what to consider from buyers using a flip chart or large paper and marker. * Prepare the activity before the lesson by writing the profit calculation exercise table on a flip chart. |

*SUGGESTED PROCEDURE:*

**Ask**: Would you all like to have more buyers to sell your crops to?

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

The business of selling happens with a buyer 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 buyer’s prices paid, buyer 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 buyers to understand which buyer or buyers 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 buyers 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 if beneficial. Allow 5-6 participants to answer. Once they have answered, show them the answers that you had previously written in the local language for them to see. Do not take the time to write the answers during the lesson.

**Say**: Farmers should consider a number of factors before selling to a buyer, 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
* Payment time (at time of sale or when?)
* Delivery or sold at farm?
* Distance to deliver
* Trust
* Price

**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 (grade, size, dirt or trash allowance, etc.) needed
* Quantity of crop needed per sale
* Package or bagging requirements
* Price and Payment time (at time of sale or when?)
* Deliver or buyer pick up at farm?
* Distance to deliver

**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. 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? I am asking about comparing village traders that come to your farm or companies in town, or other markets.

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.
* 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 market/s or buyer/s to sell a crop, producers and producer groups need to calculate the costs, potential sales income, and then profit or loss for each 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 a 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 have to 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.

**The co-op has the following 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**.

B. At the local town market to a store holder who will receive 5000 kg per week at a price of **150/kg**. The co-op has its own carts which they can use to transport the onions to market.

C. In the regional capital the farmers can sell to a wholesaler at an average price of **200/kg**. The trading center is 50 km from the co-op and the cost of transport is **5/km**. 50,000 kg can be sold at once.

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

**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.

**Ask**: Any costs?

Let participants answer. Then write it in.

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

Continue to go through each of the buyer’s information as above.

Go through and complete all of the calculations giving explanations of the calculations, or ask group members to help calculate.

Once the table is complete,

**Ask**: Which buyer would be the best choice?

Let the participants give one choice. For each choice:

**Ask**: Why?

**Say**: Before we can really tell the most profitable choice we need to look at the total net income for buyers B & C.

For Option B: Local Shop Owner, see that only 10,000 kg per week can be brought for selling per week. This means that with 100,000 kg total at the cooperative it will take 10 weeks before all of the onions will be sold.

**Ask**: What will be a problem with selling to the Local Shop Owner?

Let a participant or two give an answer then,

**Say*:*** Since the cooperative does not have good storage and the onions will start to spoil there is a good chance that there will be loss of onions. So only dealing with this buyer is not the best choice.

Now let’s look at Option C: Wholesaler in regional capital. With this option, how many trips are required to sell all of the onions here?

Let one person answer and then,

**Say*:*** This option will require 2 trips. Since the cost is 50,000 per trip then it will cost 100,000 for transport.

What do you think about this choice of buyer? Is it worth working with this buyer to sell all of the onions?

Let some people answer briefly and then**,**

**Ask**: why would this be a good place to sell?

Let 1 or 2 people answer and then confirm their answer.

**Say**: The profit is much higher with this buyer than the other 2, even considering the transport costs.

**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.

Calculations table. Draw this on flip chart

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Market** | **Grade of** | **Amount (Kg)** | **Price/Kg** | **Income** | **Costs** | **Net** |
|  | **onions** |  |  |  | **Transport** | **Income** |
| A. Trader |  |  |  |  |  |  |
| B. Local Town Shop owner |  |  |  |  |  |  |
| C. Wholesaler in regional capital |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Answers for calculations table and how calculations are done |  |  |  |  |  |  |
| **Market** | **Grade of** | **Amount (Kg)** | **Price/Kg** | **Income** | **Costs** | **Net** |
|  | **onions** |  |  |  | **Transport** | **Income** |
| A. Trader | no grading | 100,000 | 100 | 10,000,000 | 0 | 10,000,000 |
| B. Local Town Shop owner | no grading | 10,000 | 150 | 1,500,000 | 0 | 1,500,000 |
| C. Wholesaler in regional capital | no grading | 50,000 | 200 | 10,000,000 | 50,000 | 9,950,000 |
|  |  |  |  |  |  |  |
| Calculations to do and explain |  |  |  |  |  |  |
| A. Trader | 100,000 x 100= 10,000,000 | |  |  |  |  |
| B. Local Town Shop | 10,000 x 150= 1,500,000 | |  |  |  |  |
| C. Wholesaler in regional capital | 50,000 x 200=10,000,000 | |  |  |  |  |
|  | transport= 50 km x 1000/km= 50,000 | | |  |  |  |
|  | 10,000,000 - 50,000=9,950,000 | |  |  |  |  |