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Supporting the Development of Collective Economic Forms In Agriculture

A Training Manual

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Foreword

This training manual was developed as a guide to trainers in facilitating the training course on Tools for Collective Economic Forms in Agriculture: Increasing Farmers Market Power under the project entitled: "Supporting the Development of Collective Economic Forms In Agriculture" funded by Collectif Stratégies Alimentaires (CSA) of Agricord.

It is intended that the course material will assist training participants in building capacities of farmer leaders and staff of farmers organization in building collective economic forms towards increased farmers market bargaining power.

Building collective economic forms in agriculture is a key task of VNFU as mandated by the 6th Congress held last July 2013.

This training manual is expected to help VNFU in implementing collective economic forms in agriculture and build farmers' bargaining power as they engage with markets.

Nguyen Dinh Xuan
Director
International Cooperation Division (ICD)
Vietnam National Farmers Union (VNFU)

Foreword

This toolkit was developed and/or documented based on the trainers' trainings conducted taking into account the realities and context of the target training participants and users of this toolkit. It was also based on the rich experiences of the CSA and the AsiaDHRRA in facilitating linkages between the smallholders and the market.

On behalf of the CSA, we extend our sincere appreciation to the Vietnam Farmers Union for the opportunity to collaborate with them in this worthwhile initiative.

Finally, we wish to thank the AsiaDHRRA for facilitating the conduct of the training of trainers and publication of this toolkit.

Alex Danau
Collectif Strategies Alimentaries (CSA)

Acknowledgement

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Key officers of AsiaDHRRA, CSA and VNFU, the minds behind the training conceptualization: Ms. Marlene Ramirez, Secretary General of AsiaDHRRA, Mr. Marek Poznanski, Program Director of CSA and Mr. Nguyen Dinh Xuan, Director of the International Cooperation Department of VNFU.

Combined force of seasoned trainers and training management team from the three organizations which comprised the training team. Mr. Nonoy Villas - lead program coordinator and Dr. Nerlita Manalili - capacity building and agribusiness consultant, both by courtesy of AsiaDHRRA and Mr. Alex Danau - key resource person of CSA.

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The VNFU officers and farmer participants: for their willingness to learn and participate, and, for their feedback during the first run of the training course which served as crucial inputs for this manual.

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List of Acronyms

Asiadhrra	Asian Partnership for the Development of Human Resources in Rural Asia
CSA	Collectif Strategies Alimentaires
DGD Belgium	Directorate-General for Development Cooperation, Belgium
EU	European Union
FAO	Food and Agriculture Organisation
FO	Farmers Organisation
GAP	Good Agricultural Practices
GMP	Good Manufacturing Practices
LSFM	Linking Small Farmers to Markets
HACCP	Hazard Analysis and Critical Control Points
ICD	International Cooperation Department
ISO	International Organization for Standardization
MESAFED	Mindoro Ecological Sustainable Agriculture Federation
NGO	Non-government Organisations
NRM	Natural Resource Management
PAKISAMA	National Confederation of Small Farmers and Fishers Organisations
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication

SA	Sustainable Agriculture
VCA	Value Chain Analysis
VND	Vietnam Dong
VNFU	Viet Nam Farmers Union

Supporting the Development of Collective Economic Forms in Agriculture

INTRODUCTION

Empowering farmers is a crucial concern, more than ever, given the advance of market's liberalization and borderless trade. The entry of different and varying market players, usually more equipped and efficient in the global food system, has pushed most farmers to a state of powerlessness and confronted them with a lack of access to markets and resources. These trends have led to the re-emergence of collective effort as a tool for farmers' empowerment.

Collective actions are seen as necessary means for farmers, marginalized or not, to achieve common objectives of enhanced productivity, economic gains and a consequent welfare enhancement. These are achieved either through different activities like collective resources sourcing, and collective production and marketing activities..

Context

The Viet Nam Farmers' Union (VNFU) is an organization committed to gather, encourage, and educate its members to bring into full play their initiatives, to actively learn how to improve their capacity in different facets; represent, take care of and defend the legitimate rights and interests of their members; organize activities to provide services, advice, and support for members to improve production, business and living conditions.

Established in October 14, 1930, VNFU is organized at 4 official levels: national, provincial, district and commune level. Under the commune level, VNFU is organized into branches and within the branches, VNFU is organized into groups. At present, VNFU has over 10 million members working in various sectors such as agriculture, forestry, fishery, salt-making, handicraft and small industry, services. VNFU has nearly 15.000 full time staffs and over 200.000 part-time staff working at all levels of VNFU.

In the most recent years, VNFU has organized and implemented various activities to provide services and support farmers to develop various forms of production and business: key areas that VNFU focus on. In 2012, the VNFU National Executive Committee issued a resolution on developing collective economic forms such as farmers' mutual interest groups, cooperatives, etc. Though rich in intent and willingness, the VNFU staff and leaders are aware of their limitations and lack of necessary tools to make better strategic choices and decisions in support of collective production and business forms' development. These 2 areas are new to them giving them limited opportunities to share and discuss in depth, experiences in these areas. Therefore, it is very necessary to improve capacity of VNFU staff and leaders in using the right tools to facilitate development of production and business cooperation forms in agriculture so as to improve the farmers' market power.

Objectives

The training, in general, aims to equip VNFU staff with tools that they can use to support the development of production and business cooperation forms in agriculture.

Specifically, the training aims to

a. Provide the participants an introduction or review of the concepts and strategies of market bargaining power;
b. Concretize participants' concept appreciation of market power and strategies by complementing it with simulated

learning and skills enhancement in investment planning and value chain analysis, and

c. Enhance level of learning by providing venues for their application in real life situation, through assessment of common instruments for market access and/or integration to value chains, i.e. varying contract agreements and relating the same to their own set-up.

To complement the skills development process, a tailor–made guide material on how best to facilitate learning was developed. The said guide material is actually this manual which is a product of an initially tested training design (run in May 2013) and enriched with feedback from the training management team and the participants themselves. The manual is so designed with concept introduction built-in in simulated exercises that approximate real situation. It, likewise, has a Note to facilitator in a box that coaches them on what to do in concept introduction built-in in exercises and on how to process them to maximize the concept appreciation and learning.

With the manual, the objective to create a potential resource for VNFU staffs that were selected to be trained and become trainers/ facilitators who will later conduct training workshops for grassroots level is achieved. This is made possible with pilot trainings conducted immediately after the training course (with the manual as guide), allotting time for the newly trained trainers to plan and adjust emphasis of their pilot training as maybe needed.

Approach and Methodology

Progressive learning is the key approach of the training which is divided into 4 levels with their corresponding modules (refer to attached training program) as follows:

1. Setting the learning environment- which is to enable the participants to get familiar with each other and to level off expectations on both the course content and methodology as well as on the resource persons’ sharing of knowledge and approaches;

2. Concept introduction and review – touches on the basics of collective economic forms which are understanding market power as a concept and as a process with strategies reviewed and learning to organize farmer groups;
3. Concept appreciation that looks deeply into enhancing market power through proper pre investment planning and integration through sustainable value chains, complemented with skills enhancement through simulated exercises; and,
4. Concept application through learning by doing through understanding business instruments and processes such as understanding contracts and preparing business plans.

A state of affairs on what VNFU has been doing in relation to market engagement, shared values and the challenges will be provided at the start of the training program. This intends to provide a learning backdrop and a leveling phase of the understanding of current scenarios on collective economic forms in their own setting.

Varying exercises, with some simulating real situation, to enhance concept association and consequent learning as well as facilitator led discussions were the methods to be used in the training. Further learning enhancement are to be afforded by the use of specifically prepared cases on collective economic forms undertaken by VNFU and partners prior to and in time for the training. In early 2013, VNFU, with CSA funding support, documented a number of collective economic forms ongoing in Vietnam. This documentation was developed into learning cases for use in the trainings to be conducted, to enhance participants' learning.

The ultimate learning application is the business plan preparation exercise where participants will have a hands-on opportunity to prepare for their existing and planned collective activity or business venture. The beauty of the exercise is the opportunity to learn from the insights of co participants and resource persons and be afforded the opportunity to concretize plans and ideas in a more realistic manner.

Learning Levels	Corresponding Modules	Corresponding Topic Sessions
1. Setting the Learning Environment	Training Start up	Participants' Introductions and Expectations Warming Up
2. Concept introduction and review	Introduction to Market Power & Organizing Commodity Based Farmer Groups	Strategies to increase farmers' market bargaining power Organizing Commodity-based Farmer groups
3. Concept appreciation complemented with skills enhancement through simulated exercises	Enhancing Market Power	Pre Investment Planning Pre Feasibility and Feasibility Studies Integration into Sustainable Value Chains Product Differentiation and Labeling
4. Learning application: assessing real instruments and learning by doing	Understanding business instruments and processes	Enhanced Market Access through Contracts Business Plans: Concepts and Process

GUIDE ON THE USE OF THIS MANUAL

The manual is made up of 4 modules gathering 9 topics structured following the progressive learning approach. Each topic session is made up of learning objectives, methods and materials, exercises, output and learning points. Each session also features a box containing a facilitators' note.

The learning is enhanced if the facilitator introduces the topic, objectives and methodology at the start of the session. Seeing to it that materials and preparation required as specified in the manual were done and prepared prior to the start of the session allows for a smooth conduct of the session. Appropriate materials need not be expensive, as long as they serve the purpose as intended in the session and its exercises and that quantity is sufficient for the participants and/or their groups. It is important also for the facilitator to remember time allotted for each sessions and activities for proper time management, which is one of the keys to success of a training program.

The succeeding activities and handling pointers are then provided in the facilitator's box on a per activity basis. It is suggested that before the topic sessions, facilitators are well familiar with the topics' learning points and outputs so that smooth flow of concept introduction and exercising processing are ensured.

At the end of the topic session, facilitators are expected to briefly discuss the learning points and how they contributed to session's outputs. At the end of the session, the manual also provides introductory discussions of the next topic. Going through this next topic introduction will help participants connect and relate the just concluded topic with the next one and this contributes overall to the learning process.

Module 1:

TRAINING START UP

A conducive learning environment is a must in any training course. It involves ensuring that participants get to be familiar with their co participants as well as given the opportunity to express expectations of the course. Familiarity with trends and on going activities on the course topic helps them to warm up to the topic and will set a conducive environment for learning.

This module is comprised of the following sessions:
Session 1: Participants' Introduction and Expectations
Session 2: Warming Up

Session 1:

PARTICIPANTS' INTRODUCTIONS AND EXPECTATIONS

The Facilitator/s and participants will get an opportunity to introduce themselves, to exchange information about past experiences and to share workshop expectations

A conducive learning environment is one where participants were given time to get familiar with the co participants and resource person, the venue, the course content and processes and the opportunity to express what the expect from the course and the resource persons.

Methodology

The session is participatory in nature and uses group dynamics as a process. It allows for participants to express themselves individually and as a group.

Time: 1 hour
Materials: A4 size paper (cut into four pieces), flipcharts, markers

Session Proper

A. Participants' Introduction and Grouping

A.1. Introducing oneself

Step 1: Ask the participants to divide into 2 groups equally: Group A and Group B

Step 2: Then cut A4 size paper into 4 pieces and distribute one piece to each participant.
Ask them to write down
- their name
- Mother organization
- M&E related experience they have before

Step 3: When everyone finishes writing, ask each group to stand in line facing other group.

Step 4: Ask people from Group A to give their card to the one who is in front of him/her in Group B introducing themselves. Then the one from Group B also introduces about himself/herself exchanging their cards.

Step 5: When all have finished introducing each other, ask each pair to introduce their friends to the whole class.

A.2. Forming Groups

Step 6: Ask all the participants to stand up in line again based on the birth months starting from January. Based on the number of participants, ask them to count 1 to 5 (if you want to form 5 groups). Then ask all people with 1, 2, 3, 4, 5 numbers can sit together. Ask them to give a name for their group. Tell them that they have to be together for group work for 6 days.

B. Participants' Expectations

Step 7: Tell the participants that this workshop will focus on Collective Economic Forms In Agriculture to enhance farmers market bargaining power. Ask them to write down their expectations and concerns related to this workshop on a flipchart. (5 – 10 minutes)

Step 8: When all the groups finish, ask them to read other groups' expectations and concerns and if they find the same ones, they can write down group number in the bracket.

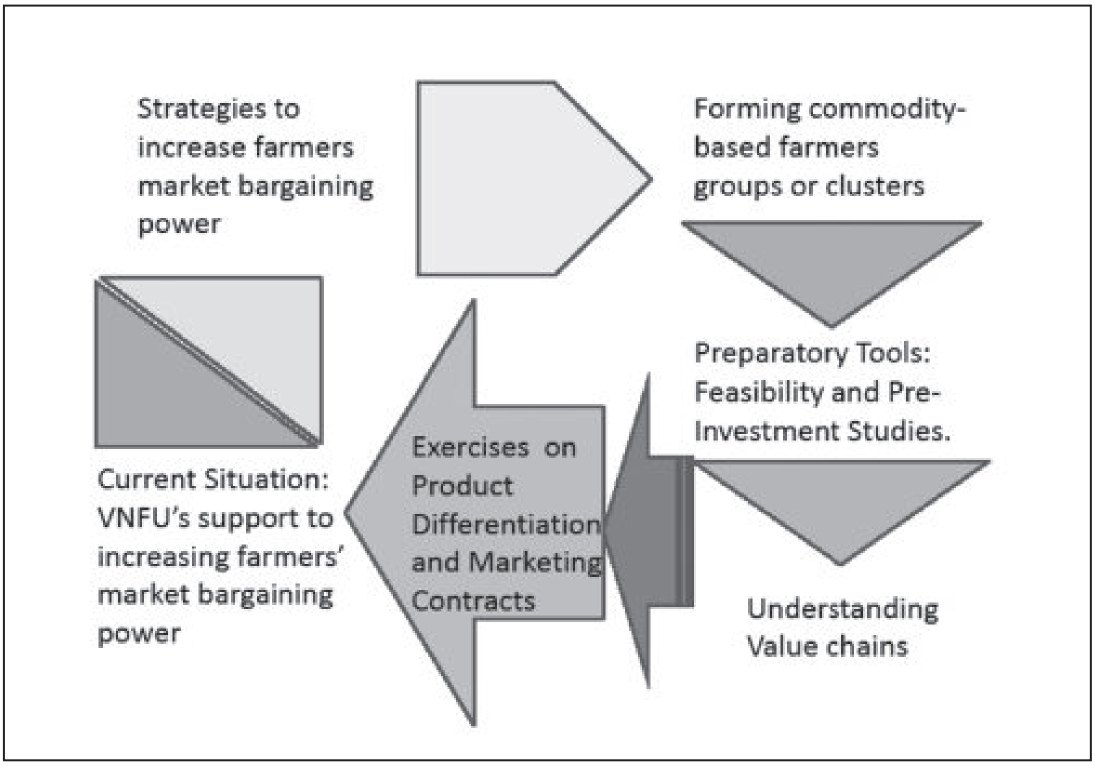
Step 9: Then share the workshop objectives. State how the expectations jibe with the objectives and if what the participants' expectations are not covered by the workshop objectives, discuss with them why not. Related to the concerns, if the facilitators can deal with them, please tell them how and if the participants need to deal with them themselves, tell them to set ground rules and how they want to take action if somebody breaks the rule/s. e.g. phone calls, punctuality, dominate the class by 1 or 2 participants.

C. Overview of the Training

The facilitator shall walk through/tour the participants on the objectives, flow and process of the training workshop utilizing Power Point Presentation below:

1. Provide introduction or review of strategies of market bargaining power;
2. Complementing these strategies with simulated learning and skills enhancement in investment planning and value chain analysis; and,
3. Enhance learning by examples of some instruments for market access.

The facilitator will tour the participants on the flow and process of the training workshop utilizing Power Point Presentation below:



At the end of the presentation, the Facilitator shall discuss the schedules of workshop activities with the participants. Adjustments to the schedules maybe needed if there are some very important concerns.

Session 2:

WARMING UP

This session answers the question: What are the experiences within VNFU (district, communes) related to increasing farmers market bargaining power?

Getting comfortable with the course and its major expectations contribute a lot to the learning process. Thus, the session touches on the trends and Activity updates on farmers market bargaining power within the participants' community and or organization, they are most familiar with. Hopefully this will break the ice and prepare them to relate familiar activities and situations with new concepts and learning through out the rest of the course.

Methodology

The session uses reflection on organizational activities, norms and values as well as group activities such as documentation, analysis and reporting.

Time: 1 hour

Materials: flip chart papers, color pens, masking tapes

Note to the facilitator:

Step 1: Divide the group according to the grouping in Session 1, A, B

Step 2: Ask them 1) to elect a documenter and reporter and 2) discuss the following questions:

- Reflect what VNFU consider as important, what is of value in engaging markets
- Shared values within an organization foster commitment and pro-activity in individuals
- Major issues and challenges of farmers
- Initiatives pursued by VNFU to increase farmers market bargaining power

Step 3: After 30 minutes of discussions, ask the reporter to share the results of their group discussions

Session Proper

Outputs

1. Each group will write down a report on the discussions that they have. Participants should be able to draw out from a variety of experiences and challenges in engaging with agricultural production and marketing on each of the report.
2. The facilitator should summarize the key points presented by each group and relate them to the objectives of the training

and the overview of the training. The facilitator should make it clear that there are challenges confronting farmers in their engagement with markets that will not be covered by the training (production issues, policies, among others).

Learning Point

1. The learning point(s) should lead to the realization that individual farmer has very weak bargaining power. Bargaining market power comes from a collective or a group of farmers cooperating together.

Module 2:

INTRODUCTION TO MARKET POWER AND ORGANIZING COMMODITY BASED FARMER GROUPS

Most chain participants, farmers included, are aware of the concept of market power, what it means and what benefits it provides. The issue, however, is that most farmers--the most disadvantaged chain participants, are lacking in knowledge on how to gain market power. This is basically because they have been used to working on their own most of their farming years.

Hopefully this module will help address this issue with its sessions as follows:

Session 3: Available Strategies and Tools to Increase Farmers' Market Power
Session 4: Organizing Farmer Groups

Session 3:

AVAILABLE STRATEGIES AND TOOLS TO INCREASE FARMERS MARKET POWER

This session revisits strategies/tools for collective economic forms and help increase farmers market bargaining power.

A number of tools are already in use in all parts of the globe on increasing farmers' market bargaining power. In fact participants may have been exposed to them, though unaware that they are already strategy options for them. This session will help systematize information on strategies on increasing market power and translate them to understanding and consequently knowledge.

Methodology

Concept introduction with use of real examples is the main approach of the session. Participants will be given the chance to ask clarificatory questions and even share existing examples that they may be familiar with to enhance learning by sharing.

Time: About 30 to 45 minutes

Material: flipcharts, markers, meta-cards, Handouts

Note to Facilitators:

Step 1 Start the session by asking what strategies/tools for collective economic forms that will enhance farmers market bargaining power through meta cards and post them in the flip chart. Then show the strategies/tools for collective economic forms that will enhance farmers market bargaining power by distributing Hand-outs 1.

Hand-out 1

1. Supply Management
2. Collective Marketing
3. Shortening of value chain
4. Product Differentiation
5. Contracts

Step 2: Introduce to the participants the conceptual framework of these strategies/tools. Use Powerpoint Session 2: Warming Up entitled “Strategies to increase small farmers’ market power” During the introduction of these concepts, pay attention to questions that are clarificatory in nature. Avoid debates.

Step 3: At the end of the introduction, the facilitator will have 15 minutes to entertain important and Session 2 related questions. Questions that relate to other modules shall wait.

Session Proper

Introduction

Individual small farmers and agricultural producers are unable to maximize the benefits of their production efforts. The income derived from farming is low because they are unable to benefit from the price differential that happens after their produce leaves the farm and reaches the consumers.

Market bargaining power can be defined strictly as the ability of an enterprise or any farmer or producer to set their products' sales prices. From a much broader perspective, market power refers to the power to behave independently, to an appreciable extent, from one's competitors, customers and, finally, consumers.

Unable to set sales prices above their production costs, small farmers are deprived from reaping profits, an essential for aspect in farmers' subsistence and development. Yet farmers have little market power because of their unfavourable positions on their specific markets. The agri-food markets' structures are the main cause of their weakness, but price volatility and market deregulation are also factors that undermine farmers' market power.

Farmers' powerlessness vis-à-vis markets stems from the following realities:

- A single farmer does not have market power. Most farmers are fragmented, isolated. Most farmers engage markets individually.
- Companies/buyers have the economic, technical and financial concentration leading to the existence of increasingly large and powerful enterprises
- Buyers of agricultural products (wholesalers, processors, manufacturers, exporters) are highly organized (they agree among themselves, they lobby and advocate policy to governments).

In the global context that is characterized by economic, technical and financial concentration leading to the existence of increasingly large and powerful firms, farmers are at the opposite. Most of them are isolated, unorganized, very small market entities compared with other players and operators and especially compared with the other agricultural players (processors, distributors and retailers) that are their major buyers.

Because of this situation, farmers sell their harvested products without any real bargaining power and without any ability to influence price levels. Their market power is thus very weak and totally disproportionate compared with the huge power of the firms with which they have business relations. This powerlessness in the market is further compounded by other difficulties related to the volatility of prices of agricultural commodities.

Price volatility of agricultural commodities is an inherent or a fundamental characteristic of agricultural commodity markets. Demand for agricultural commodities, especially food commodities are inelastic, this means that when the price goes up, consumers' buying habits stay about the same, and when the price goes down, consumers' buying habits also remain unchanged. In addition, most agricultural commodities are largely perishables (short shelf life). This situation, however, is heightened in a context of liberalization of global trade.

Volatility of price is also linked to the very nature of agriculture, particularly, to the reactive nature of farmers. When prices are high, farmers react and tend to produce more, creating conditions of overproduction. When there is overproduction and surplus of supply, a sharp drop in prices happen. The opposite will also happen if there is short of supply, a sharp increase in price.

Most of agricultural producers have suffered from low prices of agricultural products for decades. But small farmers in developing countries suffer most because they do not get any state subsidies. Even marginal family farmers in developed countries also suffer from similar condition. This situation contributes to the food insecurity and poverty in the rural areas in various parts of the world.

In this context, farmers can use several strategies to increase their market power. These strategies are best implemented collectively rather than individually. That is why, the next topic discuss about commodity-based associations/organizations of farmers or commodity-based cooperation among farmers to ensure that these strategies will work effectively in favor of small farmers. The collective strategies are based on instruments such as market discipline (aimed at managing the supply), pooling production (in order to negotiate its sale collectively), cooperative integration of the commodity value chain (i.e., getting involved in processing and distribution so as to have better control over the whole chain), etc. Strategies to increase bargaining power of individual farmer are largely limited to establishing market niches and having direct access to consumers.

The strategies[1] that will be discussed maybe classified on the basis of the level of interventions:

- Strategies where interventions are at the level market level, such as supply management which is exclusively collective strategies that involve all of the farmers of a specific agricultural commodity as a group, or import protection which requires a strong lobby of all farmers in a specific commodity for government to limit or ban importation of a specific commodity.
- Strategies that farmers can adopt to deal with buyers and trader, such as pooling production outputs and negotiate its sale collectively (collective marketing), on contractual sales, or supply contract agreements with wholesalers, processors and exporters. The terms of sales, price, quantity, product specifications, delivery schedules, mode of payments are negotiated collectively. Collective marketing may also include farmers' integration of the commodity chain through involvement in processing and distribution.
- Strategies that farmers can adopt on the level of the individual farm include farming according to specific quality standards or practices or selling their products through short

[1]Danau, Alex, Flament, Julie, Van Der Steen. Choosing the right strategies for increasing farmers' market power. Collectif Stratégies Alimentaires asbl. Brussels. 2011

circuits. These are individual or collective strategies that involve only a portion of the farmers, who take up a specific position vis-à-vis other farmers.

- But, because CSA and AsiaDHRRA work with farmers organizations and networks, the emphasis will be on the collective strategies.
- There are other strategies available, e.g. government subsidies, government quota system, among others, but these strategies are now being worked against by governments, international bilateral and multilateral financial institutions which provide the resources needed to subsidize farmers. This will also require a huge political muscle of farmers organizations needed to force governments to provide subsidies to farmers or impose a quota on the production of specific agricultural commodities.

These strategies means bargaining power for farmers in dealing with highly organized, well-resourced, powerful, influential, buyers, companies, to achieve agricultural price stability and agricultural market regulation.

These 3 are the important factors that will determine farmers' abilities to set prices above their costs so as to earn a profit and be able to produce according to sustainable models.

Conceptual Framework

Supply Management

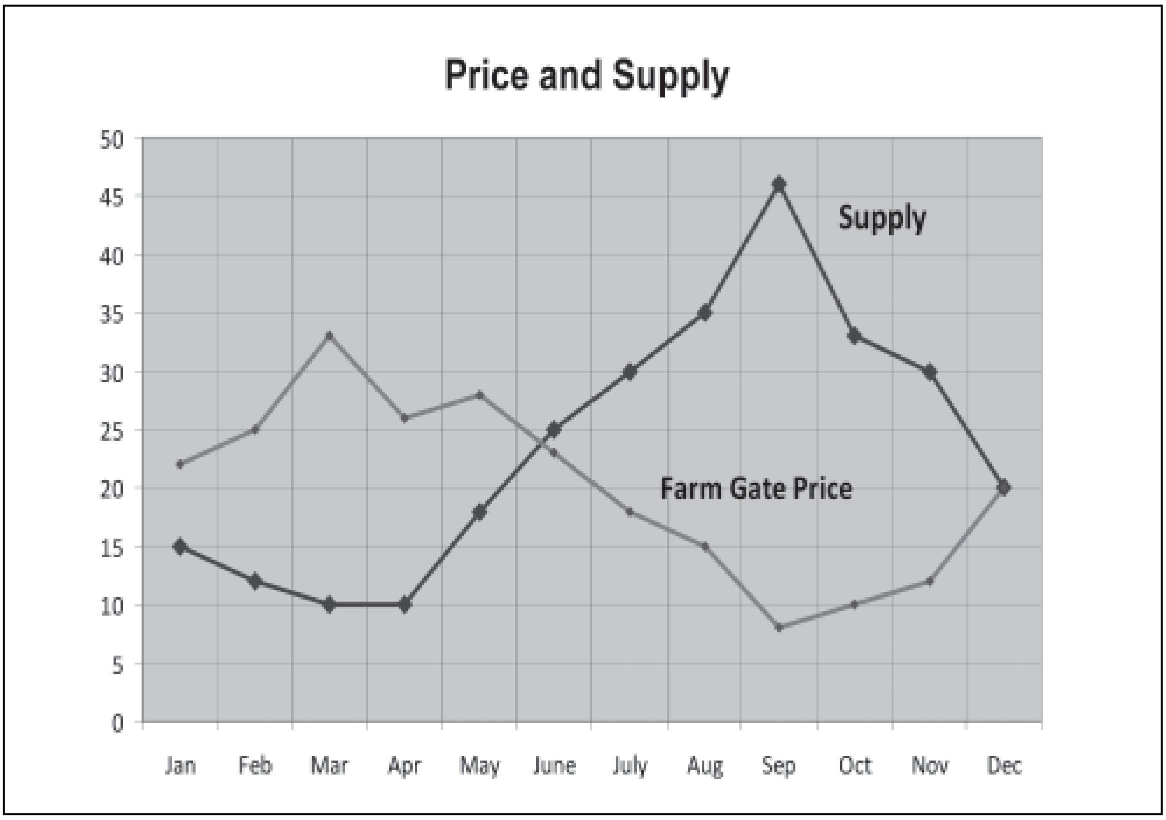
In agricultural production, supply management involves the deliberate matching of annual domestic outputs of specific agricultural commodity with the demand so as to get an appropriate market price as set by negotiations within the relevant bodies (inter-trade bodies, ministries, agencies responsible for managing supplies, etc.). As a rule, an appropriate price can be defined as a price that is profitable to producers but fair for consumers.

A good example can be taken from a farmers' organization, MESAFED, a member of PAKISAMA in the Philippines, that are currently in the process of addressing annual supply of fresh calamansi fruits.

Calamansi products and derived products have expanded from just being a food additive and beverage to laundry, cleaning solutions, skin whitening and cosmetics. Calamansi is extracted into puree. The puree frozen and are made into additive of citrus juices, or are made into fresh ready to drink beverages or processed into powder and made as ingredients to food, laundry detergents, bath soap, astringents, cleaning solutions for lacquer finish and glass products.

The table below presents the volume of production of calamansi of 15 calamansi producing provinces in the Philippines from year 2007 to year 2009.

Province	2007	2008	2009
Cagayan	3,647	3,933	4,623
Nueva Ecija	5,175	5,651	5,957
Aurora	1,998	1,772	1,701
Quezon	10,226	9,380	8,877
Batangas	1,994	3,346	3,582
Mindoro Oriental	108,419	125,535	119,938
Sorsogon	1,414	1,302	1,265
Guimaras	4,602	4,696	4,645
Iloilo	2,090	2,067	2,074
Leyte	2,141	2,126	2,145
Zamboanga Sibugay	958	3,189	3,445
Compostela Valley	3,644	3,788	3,591
Davao Province	4,511	4,635	4,935
North Cotabato	4,827	5,072	5,304
Agusan del Sur	4,000	4,045	4,050



AsiaDHRRA, Value Chain of Calamansi. Linking Small Farmers to Market. 2009

The target is to stabilize prices of fresh calamansi fruits at US$0.55 per kilogram and, at a later stage, engage in the production of calamansi puree and calamansi powder.

There are criticism and limitations in using supply management strategy to increase farmers market power but that would be best discuss when supply management is planned to be made to use by farmers organizations.

Collective Marketing

Collective marketing consists in pooling one or more types of produce and organizing their sale collectively.

The aim of collective marketing is to increase the farmers' market power in negotiating the terms of sale of agricultural products, given that their power, when they act individually, is disproportionately small compared with that of the traders. (The power is in the volume/quantity). The degree to which collective marketing increases their market power depends on the number of farmers concerned and is maximal when everyone is on board.

Several activities can contribute to collective marketing directly. They range from pooling individual products and consolidate them into larger volumes and sell them to the market that offers better price and other terms or conditions to sale.

When it comes to pooling the products, production, harvesting may or may not be collectivised. However, production planning to ensure that target volumes for scheduled deliveries would be of importance. Product quality and food safety standards must also be collectivized to ensure uniformity of products. Farmers' bargaining power emanate from the volume of good quality product. The higher the volume the higher would be the potentials to negotiate better marketing terms that would favor the farmers without necessarily putting the buyer on the losing end.

Collective marketing is effectively dependent on the existence of laws allowing agreements amongst farmers to market their products and, in particular, to negotiate prices collectively.

Depending on specific countries, there are laws that protect free competition among players in the markets for the good of consumers (antitrust laws), all forms of agreement on prices between competing firms are strictly prohibited (unless specified to the contrary).

But, there are also other laws that general put some exemption, for example on antitrust laws. Among others:

1. There are general exemptions, in many countries, for small businessmen from all prohibitions in the antitrust laws with the aim of stabilizing prices and output.
2. There are also direct government regulation of prices and production in the market system.
3. There are also laws that strongly and effectively encourage trade union organizations in the market system
4. Laws that provides extension and major increase in the minimum wage.

There are limitations to collective marketing as a strategy to increase farmers' market power. A strong limitation is the competition from low-priced agricultural imports that compete with local agricultural products. Imports of low-priced agricultural products have threatened many attempts in implementing collective marketing interventions in the past.

The oversupply of a specific agricultural that competes with farmers in cooperation for collective marketing scheme weakens the farmers' positions vis-à-vis buyers, a situation that even collective marketing cannot avoid. This situation is worsened in the case of an overly narrow market, when there are only very few buyers.

In the manner similar to contract farming, insufficient access to market-related information (prices, supply, buyer demand, consumer demand, etc.) and the lack of ability to analyze such data hamper attempts to strengthen farmers bargaining power even in the case of collective marketing.

Shortening of value chain

The aim of farmers is to develop market network that reduce the number of intermediaries between producers and consumers (buyers, processing industries, wholesalers, distributors, etc), so that a larger share of the price that consumers pay is returned to the farmer-producers. Direct marketing makes it possible to avoid all middlemen, whereas short supply chains can involve a small number of intermediaries. Selling produce directly or via a short supply chain requires the farmer to take on a certain costs (transportation, packaging, personnel, and very seldom some processing as well, depending on the situation).

Shortening the supply chain depends on the farmers' capacities to sell directly or through short chains and on consumer demand for such alternative distribution schemes. Moreover, certain initiatives are carried out increasingly by groups of consumers or even other agents, usually in cooperation with farmers.

It should be noted that there are many experiences of shortening of value chain industrial countries than in the developing countries. But the increasing urbanization of many developing countries have provided opportunities that led to various initiatives in direct marketing and development of short supply chains. These initiatives involve:

A. Direct marketing

- Selling on the farm, farm shops, road side stalls, harvesting/picking on the farm, farm restaurant/resorts, ambulant vending, etc.

B. Other short supply chains:

- Private catering, institutional supply (supplying hospitals, universities/collecges/schools), supplying unions and employee organizations

Some forms of direct marketing, sometimes totally new ones, are advancing strongly; whereas, other forms (such as door-to-door vending) are losing ground.

Aside from the increased benefits of small farmers in developing shorter supply chains, direct marketing have a number of societal advantages as well:

- contributes to local job creation
- diversifying production and increasing supply
- builds better relationships between consumer- producers and therefore help change public opinion in favor of local farmers as well as decrease the farmers' isolation from consumers
- increasing the rural sector's market shares in the food supply chain and services
- reducing transport-related costs and reduce carbon foot prints

More discussions will be made in the module on Value Chains.

Product Differentiation

Purpose of product differentiation and the organisation of specific circuits is to isolate oneself as much as possible on a market segment (a niche) in order to protect oneself from generation competition of all the other players. The aim is to get a higher price and to be able to count on specific consumers. It is important to point out that higher prices must be justified by the farmers by complying with strict quality specifications, but also by the costs that certification and managing the specific product circuit.

More discussion during the Session on Product Differentiation.

Contracts

There are several models of contracts. The Food and Agriculture Organization (FAO) has forwarded 5 models of contracts .

1. The centralized model.
Centralized model is one that is vertically coordinated. The products harvested are bought directly from local producers for processing. Processing and marketing are centralized. Farmers are granted production with targets (quota) and quality is strictly monitored. This model is used when processing standards are strict, frequent farm technology changes are necessary or the buyer firm provides the farms with support.

2. The parent plantation model.
Parent plantation model is a variation on the centralized model in which the buyer has a plantation that gives a farmer an experimental field to be able to familiarize with new technologies and techniques. This model is used for crops of which the farmers have little experience (for example, export crops) and requires a hefty long-term investment. The main constraints on this model are the need for the right land and the political possibility of setting up plantations.

3. The multipartite model.
This form of contract farming gets other parties who will be involved. In addition to the farmer and an agro-industrial com-

[2] Da Silva. The growing role of contract farming in agri-food systems development: drivers, theory and practice. FAO, Agricultural Management, Marketing and Finance Service. 2005

pany, government organization(s), private companies (financiers, production managers, processors, wholesalers, retailers, and others, maybe party to the contract. For example, the contract may include a public institution to do the extension work, a production cooperative to facilitate certain transactions between the buyer and farmers, a bank to provide the finances, and/or an independent body to inspect the farming practices and/or harvests.

4. The informal model.
This model applies primarily to short-term seasonal crops that require a minimum of inputs and minimal processing. It is based on simple, informal often unwritten – agreements between the individual farmers and small firms. It is the most ephemeral model and the riskiest for both parties.

5. The middleman model.
This model inserts a middleman into the vertical relationship between the buyer and farmer. It thus entails a certain degree of subcontracting between the firm and an intermediary through a chain of contracts. For example, harvesting may be subcontracted to a third party, who will then sell the harvest to the buyer.

The contracts themselves also vary with the country, culture, crop, company, etc. Variations are possible around three major factors:

a. The legal framework of the country: All contracts must comply with the minimum legal requirements in force in the country concerned;
b. The formula: This means the setting of responsibilities, the price structures, and all of the technical specifications governing the crop; and
c. The specifications: The contracts can set certain specifications in addition to those in the formula. These specifications may concern the term of the contract, quality standards, production quotas, cropping practices, terms of delivery, terms of payment, insurance, technical support, inputs, and so on. The specifications also contain pricing agreements.

Some of the common contracts practiced in Southeast Asia:

a. Supply contracts – delivery of pre-defined volume and specifications products on scheduled deliveries;
b. Growership contracts – many variants in chicken and export crops, and
c. The multipartite contracts covering production, processing.

Learning Points

1. There are various strategies available to help increase small farmers' market power
2. Farmers can use each strategy in combination with other strategies to further enhance farmers' market power.

Session 4:

COMMODITY BASED FARMER GROUPS

This session provides a situationer on the changing market and agricultural scenes and at the backdrop of these changes, how relevant organizing farmer groups are.

Access to markets is a major issue confronting farmers. This is a problem magnified the last few years, given the entry and presence of more equipped retailers in the highly globalized agricultural market. Recent models of market access have shown that organized farmer groups have better chances of accessing markets.

Methodology

The session makes use of presenting before and after scenarios and how such changes the more underscores the need for organized farmer commodity groups.

Session Proper

Content

1. The relevance and importance of commodity-based associations of small farmers/producers
2. Government support is a factor for success

3. The coming together of small farmers to agree and hold regular meetings
4. The facilitating and catalyzing role of NGOs and support institutions
5. Leadership
6. Capacity-building
7. Setting of standards, capacities (skills, equipment, technology) to comply, ways to measure them and mechanisms to monitor them

Small farmers/producers access to markets is much weaker now that 10-15 years ago with rapid changes in the agricultural markets. There have been significant changes in the local, national and global agricultural markets such as:

A. National Policies and Program

- removal of tariffs that protect local agriculture from competition with imported agricultural products
- Reduced government expenditures and investments in agriculture, resulting to high transaction costs, limiting research and development, inadequate agricultural services

B. Global Developments

- Lower interest rates with international financing institutions while local competitors are unable to borrow and if they are, interest rates are much higher
- Integration of enterprises, we have multi-national corporations, trans-national corporations dealing with global agricultural markets, they have huge resources, larger scale that allowed them to significantly cut down on costs
- Large agricultural subsidies in developed countries
- Regional and bilateral trade agreements

C. Increasing urbanization

- Increased traded food
- Changes in consumer preferences, particularly convenience food

- Growth of supermarkets, food chains, store chains
- Tighter food safety and product quality standards and requirements (GAP, GMP, HACCP, ISO certification)

D. Strengthening civil society advocacy and influence that create new market segments.

- Fair trade markets
- Organic markets
- Environment-friendly markets that requires to recycle or utilization of biodegradable packaging materials, preservation of forest/flora,fauna, zero or minimum carbon emissions, etc.

E. Growth of cultural markets

- Halal food markets (certification required)
- Koshner food markets (certification required)

F. Small Farmers and their organizations

- Very limited capacities of small farmers and producers to compete
- Majority of FOs in developing and less developed countries priorities are on advocacy, claim-making and human rights but less on economic and enterprises
- Weak bargaining power

Challenges that small farmers/producers face

- Problems with economy of scale. Buyers prefer to deal with traders and middlemen because they can deliver higher volume of commodities or products. The traders/middlemen incur high transaction costs in dealing with small farmers, individually, separately and widely dispersed. High transaction costs will translate to lower farm gate price.
- Product quality. Small farmers products are of low quality. They are not able to comply with product standards and

food safety requirements. Traders absorb the risks of quality, which translate to low farm gate prices.

- Small farmers production yields are low. Low market prices limits motivation to improve production techniques and yields
- Small farmers often pole-vault to delivery agreement schedules. The have limitations in providing continuous supply of products.
- Individual small farmers have very limited access to information, agricultural services, technology, etc.
- Financing service institutions consider small farmers and producers as high risks.

Learning Points:

Questions:

What do you think would be the role of small farmers organizations?

What would be the advantages and dis-advantages of having commodity-based associations/organizations of small farmers or producers?

Definition of Terms

What is commodity-based farmers'[3] organizations?

Commodity Associations – are commodity-based organizations cutting across the value chain, which includes producers, input suppliers, traders, service providers, processors, financiers, etc. In the Philippines, we have the Mango Congress, Vegetable Congress, PhilMaize, etc.

Commodity-based producers organizations – are organizations exclusive of producers of a specific commodity. It could be single commodity or more, example, banana growers association, vegetable producers association, etc

[3] AsiaDHRRA, Linking Small Farmers to Market. Narrative Report. 2010

Commodity-based small farmers/producers organizations – are organizations exclusive of small farmers/producers of a specific commodity.

What would be the advantages and dis-advantages of having commodity-based associations/organizations of small farmers or producers?

To the small farmers

1. Better bargaining power
2. Better access to markets (buyers deal preferably with groups)
3. Lower cost of doing business
4. Better income (as a result of higher price, reduced losses and higher recovery, more stable markets)
5. Better relations among growers as a result of working together and helping one another
6. Good image in the business community
7. Organized way of relating to resource providers (government, non-government, business groups

To the buyers:

1. Better compliance with volume, quality agreements and schedules of delivery
2. Traceability
3. Flexibility to provide product preferences
4. Quick response to market feedback/complaints
5. An organization can give in advance notice of impending changes in shortages of product to be delivered

To donors and implementing agencies

1. Efficient use of resources (including services)
2. Wider coverage
3. Equity of participating communities
4. Enhanced production-oriented livelihood, agriculture & NRM projects
5. Sustainability (post-project)

Basic Functions of Commodity-based Associations of Small Farmers and Producers[4]

Basic Market Requirements
Bigger volume/economy of scale
Product quality and food safety
Continuous and regular supply

Basic Functions of Commodity-based Small Farmers Associations
1. Consolidation to achieve scale
2. Ensuring product quality and food safety
3. Ensuring delivery of the right product, right quantities at the right time
4. Bargain for better terms

Credit/Financing

Technical Support

Capability-building support

Summary

Basic Requirements	Strategies
Delivery of supply at economic scale	Formation of commodity-based groups or clusters
Supply of quality products	Agreements and implementation of product quality measures Internal Quality Control Systems and Mechanisms
Regular supply and prompt delivery	Synchronized production planning

These requirements are easier achieved if small farmers are organized into single-commodity groups or associations.

1. Economy of scale is achieved by product consolidation.
2. Food safety and quality is assured through internal quality control system and agreed standards.
3. Regular and prompt delivery by a unified and synchronized production plan.

[4] AsiaDHRRA. Linking Small Farmers to Market. Narrative Report 2010.

Building Commodity-based cooperation, associations of farmers[5]

Step 6: Organizational Building
Cluster and Inter-clusters

Step 5: Building Production and Marketing Agenda
Community Consultations
Problem Analysis, Sharing of Value Chain analysis

Step 4: Productive Capacity Inventory and Assessment
How much we can produce?

Step 3: Participatory Rapid Value Chain & Market Study
Value chain analysis

Step 2: Core Group Building
3 to 5 members

Step 1: Mapping of Areas of Concentration
Greater number of farmers/producers of same product

[5] AsiaDHRRA, Guide in organizing commodity-based associations. 2008

Module 3:

ENHANCING MARKET POWER AT FARM ENTERPRISE

Starting changes at home base is a well tested strategy on improvement. This is the concern of the module; to see what tools leading to empowerment can be started at the farm enterprise level. The sessions comprising this module touches on these as follows:

Session 5: Pre-Investment Planning
Session 6: Integration into Sustainable Value Chains
Session 7: Product Differentiation and Labeling

Session 5:

ENTERPRISE PRE-INVESTMENT PLANNING

Understand the relevance of planning before an enterprise idea is implemented is the major aim of the session. It also intends to enhance participants' awareness of the possible outcomes, gains and losses arising from proper and "lack of" or poor pre-investment planning, respectively.

This session revisits strategies/tools for collective economic forms and help increase farmers market bargaining power.

Setting up an enterprise is a major decision, involving much valuable resources, time and money. An enterprise is a "going" proposition, meaning, it is not set up today to be closed for good, weeks or months after. Doing so will leave one without means of recovering investment, with time and money already wasted.

A logical thinking individual usually makes an initial assessment to know whether his/her enterprise idea and planned investment will deliver the desired outcome in terms of producing a product or service that will be sold and will provide greater returns than the investments made. This initial assessment is called a pre-investment planning. The usual types of pre- investment planning are pre-feasibility and feasibility studies. From the root word feasible, meaning capable of being accomplished or brought about or possible (M. Webster Dictionary).

Methodology

Topic introduction by relating it through participants' experiences, allowing experience sharing then processing activities while at the same time underscoring concepts and key issues. The use of exercises will help to complement sharing, concept introduction trhough the simulation of a hands-on planning situation.

Time: 1 hour for concepts and 90 minutes for the exercise

Materials: Flip charts, meta cards, colored pens or markers

Note to Facilitators # 1:

A. Concept Introduction

A.1. Planning

1. Ask the participants when they usually plan activities and why
2. From the answers given (possible)
    - When: major decisions, involves much money, first time activities, etc
    - Why: smooth implementation, avoid trial and error, save time and resources, etc

    (Best to write the key words of the answers in meta cards so you will not forget them and it will be easier for processing later and for emphasis)

    Process the cited activities in terms of
    - situations when planning are needed
    - the importance or usefulness of planning
3. You just have to introduce the concept of planning and its uses, now emphasize that if planning is needed in day to day activities, then the more it is needed in:
    - major decisions such as putting up an enterprise.
    - in enterprises involving agricultural commodities due to its seasonal,
    - perishable and weather dependent nature.

A.2. Costs, Revenues, Profit and profitability
Explain that in planning an enterprise preliminary activities are usually done, that is to determine if the business is feasible (capable of being accomplished or not). To help undertake that process, basic business concepts need to be reviewed such as the concepts of costs, revenues, profit and profitability (be guided by the concept discussion below).

B. Learning by Doing
Introduce the exercise by citing that we learn more if we try to do things, so we will try to do an enterprise pre planning activity. It involves knowing if an idea is worth implementing, if it's feasible.

Introduce the:
1. Feasibility concept and process
    - Feasible meaning capable of being accomplished or brought about or possible
    - Process Feasibility Study - the activity of assessing if an enterprise idea is possible, that is the product/service is marketable and returns from its sales will recover the invested resources (time and money) and will bring profit.
2. Exercise on Feasibility study

Session Proper

Introducing Concepts

Understanding Costs
In farm business, costs are the expenses in producing and marketing the product. It is a major concern as any additional farm activity increases product costs. Any activity decision involves cost. thus, it affects the quality of the product, its marketability and the revenue and consequent profit that a farmer gets in return for producing the product.

There are varying types of Costs

Variable Costs
These costs changes as number or volume of product output changes. Examples are material and labor cost and that directly go into actual production.

Example: In producing coffee powder, if it takes 3 kilo of coffee beans that costs 300,000 VND per kilo, to produce 1 kilo of coffee powder, that will cost 900,000 VND. To produce 2 kilos of coffee powder, then your raw material cost of coffee bean increases to 1,800,000 VND. Thus the cost of the raw material coffee bean is a variable cost.

Fixed Costs

Fixed costs are costs that do not vary with changes in production outputs. Those costs include cost of farmland, building, and machineries, among others. Fixed costs remain the same regardless of the number or unit of product output.

In a farm business, producing 2 or more crops/livestock, the fixed costs still apply to the whole farm, and not only to one product. Usually fixed cost is part of the costs of putting up the farm business and sustaining its operation.

Even if there is no output, there will still be fixed costs. So even if a building or a machine is idle for a period of the farm operation, the cost of having constructed the building and having purchased the machinery (either from savings or loan) is a cost already spent and to be recovered.

Marketing costs:

All costs spent after production and associated in bringing the product to its final end user such as selling (packaging, communication, promotion, etc.) as well as transportation costs are referred to as marketing costs.

Understanding Revenues, Profits and Profitability

The decision to stay in business or not is greatly dependent on costs. Costs are linked to price, revenues and profits and overall profitability of a business. Cost is the basis for calculating the price of a product, while price of a product determines if it will be sold or not. Sales (number of products sold multiplied by price) determine revenues from producing and selling a product.

A business stays in operation if its earnings or revenue are greater than its costs. Any earning arising from production and sales of a product is called revenues. Any revenue in excess of total cost of producing a product is profit.

A business venture is profitable if it continually brings profit to the business owner. Not just profit (revenue greater than costs) but one measured in terms of opportunity costs, or an income, otherwise earned if the money used in producing or selling the product was used elsewhere. Examples are the opportunity cost of investing the capital of the business in similar length of time in the bank. The profit should be at par with the interest if kept in the bank. Or the salary the business owner may have earned if enrolled into another activity (got employed) than spending the time in the business.

Feasibility Study Exercise

A. Objectives:

1. Walk the participants through a simulated situation of determining if there is a potential in putting up a business producing a particular product
2. Gain better appreciation of how feasibility studies are done and what are their uses.

B. Activities

1. Divide the participants into 4 groups
2. Ask each group to develop a "make-believe product" out of the available materials (Be creative)
3. Answer the following questions for the product:

Feasibility Assessment of Product ____________	
1. What is the product, its intended use	
Product (Form, Size, packaging, price etc)	Uses (its value /function to would be buyers)
2. Determine Demand for the product (the size of the market)	
Who could possibly buy your product? (provide an estimate of the size of the target , example: kids, their approximate population size, % of that segment you are to target)	Determine Purchase behavior (the volume usually purchased & frequency – times it is bought, 2 times a week, monthly, etc)

<table>
<tr><td colspan="2">Estimated demand</td></tr>
<tr><td colspan="2">3. Identifying Competitions</td></tr>
<tr><td>Who else is supplying this product?</td><td>How different is your product from your competitors (unique feature, advantage/ similarity over competitors</td></tr>
<tr><td colspan="2">4. Determining requirements to produce the product</td></tr>
<tr><td>Direct Production requirements

Raw materials
Labor</td><td>Associated requirements:
Technical Production:
process technology equipments & utensils,
Utilities (water, electricity, etc)
Services
packaging, etc
Marketing: staff, transport, etc
Others:</td></tr>
<tr><td>5. Estimating Costs and Returns</td><td></td></tr>
<tr><td>cost of production
(start up capital and initial cost to produce before sales is generated and enough to cover succeeding production)</td><td>Cost of sales
(estimated sales volumes and the price)</td></tr>
<tr><td colspan="2">6. Estimating Profit</td></tr>
<tr><td colspan="2">The difference between the estimated returns and the costs of production given and the % share of the market or the expected size of the market to service.</td></tr>
</table>

C. Materials Required:

1. For make-believe products, Empty bottles of varying sizes, empty tin cans (soft drink, canned products, boxes, plastic, etc)
2. Pens as markers,
3. Packaging materials (used pouch, foils, plastics, labeling materials etc)
4. Poster size papers (2 for each group)
5. Meta cards of varying colors
6. Different tying materials (plastic strings , ropes, etc)

Note to Facilitators # 2

1. While processing the Exercise, check if:
   - The product/services are clear, there is need for it, people will buy it
   - Ask each group if they understand other groups' products
   - Discuss if the manner of assessing demand (and supply) are logical and realistic
   - Walk the participants through the items and costs in producing and selling the product/services; see if they are more or less complete
2. Relate the exercise with the concepts earlier introduced to reinforce learning
3. Go over the learning points for emphasis and learning reinforcement
4. Close the session by discussing what has been achieved, the output
5. Discuss how this topic relates to the next topic " Integration Into Sustainable Value Chains"

In planning an enterprise, you have to be familiar about the inputs needed to produce the product/services and who in turn uses your product (succeeding product/service transformation), the value added involved and the ultimate or end user. Having a good knowledge of the value chain and how to be integrated into it, will help you know your market, plan in servicing it well and ensure sustainability of your enterprise.

Output:

1. 1. Concepts, process and relevance of pre investment planning understood
2. 2. Enhance awareness on possible results of poor or lack of planning identified.

Learning Points

- Planning concepts, process and usefulness
- Feasible and feasibility studies
- Product/service idea
- Demand and supply
- Activities in producing product or services

Revenues - The proceeds one gets from selling the product(s). It is computed by multiplying the unit price of the product and the number of units or volume of the product sold.

Profits - The returns gained from producing and marketing a product. It is the positive difference when total cost of producing a product is deducted from total revenue or proceeds from the sale of the product(s). Profit is gained only when total revenue is higher than total cost.

Profitability- The state of the enterprise or farm business that is reflective of its ability to earn profit on a continuing basis. It is an indicator of the farm enterprise health as a profitable enterprise is worth pursuing while a non- profitable one requires careful decision for action (improve or shut down).

Opportunity costs – the potential gain lost if the money or time in question is used for Other activity.

Session 6:

INTEGRATION INTO SUSTAINABLE VALUE CHAINS

The session aims to enhance farmers' understanding of value chain: its concepts and approach. It likewise intends to equip farmers in assessing options, requirements and benefits of being part of and integrated (with strengthened position) in, sustainable value chains.

This session revisits strategies/tools for collective economic forms and help increase farmers market bargaining power.

While most farmers have mastered the art of production, it is common to see most of them unable to market their produce. This is because of a lack of markets or inability to access, if ever there are markets at all. The following, among others, are the most common reasons why they encounter difficulties to access the market: lack of information and lack of capacity to meet market requirements in terms of product specification: form, volume, quality.

Some farmers, beyond their immediate buyers, do not know, to whom their products pass through and what transformation (value adding) they undergo, before reaching the final end user. Knowledge of these value adders and the chain they are a part of, will help farmers

1. better understand users of their products (their markets),
2. how best to produce their products according to these users' needs/specifications and
3. be able to continually meet and supply their requirements, in short, be able to be part of a sustainable value chain.

Methodology

The session intends to build upon the participants basic understanding of marketing, how enhanced knowledge of chain stakeholders and their roles can help in identifying opportunities to assume added roles (add value) and increase their chances of income and sustained participation in value chains. This will be done through a drawing of value chain exercise (one they are familiar with) and guiding them in identifying gaps and opportunities within the chain. Discussion on what it will entail for them to fill in and tap gaps and opportunities, respectively will be use to help them assess opportunities, vis-à- vis their goals, aspirations and capacities.

Time: 2 and ½ hours

Materials: Flip charts, meta cards, colored pens or markers, picture cutouts of varying commodities, mode of transportations, establishments, stakeholders, etc.

Note to Facilitators # 1:

A. Concept Introduction: Marketing

1. Shifting trend in production – marketing decision
   Before, farmers produced products mainly based on what they are technically familiar with (Fig 1) then would find a market for it later (usually led to difficulty in selling products or finding markets for produce).

   Now, farmers study what is or will be sold in the market (product specification, volume, etc) and produce according to what market needs (better chances of selling products and finding markets)

   This is why farmers need to know who the end users of their products (their market) are; where else their product passes through; what transformation they undergo (value added) before reaching the end user (series of value adding is known as value chain); what particular value chain they are in; and, in which market(s) the chain is supplying

2. Simple marketing
   Buyers and sellers comprise a simple marketing system (Fig 2). The seller has to communicate to the buyer the product offered (initial information flow) while the buyer makes a decision to buy or not (action) based on communicated information. Goods or services are transferred if there is a successful transaction. In marketing, there are two flows to follow a) information flow and b) product flow.

   In a simple marketing system involving only 2 players, there could be miscommunication and misunderstanding that leads to no transaction. So imagine the possible misunderstanding that could happen if there are more than 2 players.

3. Expanded marketing system
   In reality, marketing is no simple activity. The sellers' product passes through a series of intermediaries before reaching the end buyers (Fig 3). Each intermediary or actor adds value to the product (cleaning, storing, assembling (volume) transporting, processing, wholesaling and retailing). The presence of these intermediaries leads to a value chain set up of multiple activities that need coordination, so us to put order in a complicated system.

Session Proper

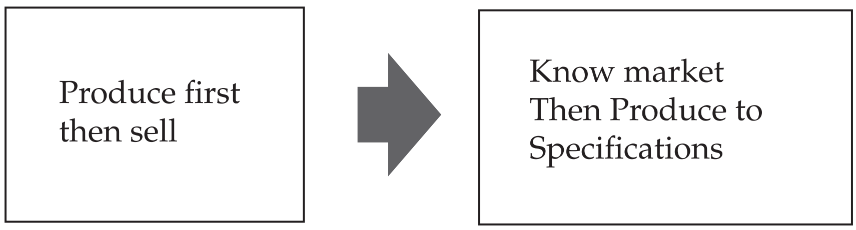
Introduction of Concepts

A. Marketing

A.1. Shifting Trend in Production –Marketing Decision Process

A.2. Simple marketing system

Fig. 1 Shifting Trend



Requires farmers' awareness of:

- who their end consumers are
- in what agricultural chain they are in
- which particular market the chain is supplying

A.2. Simple marketing system

Fig. 2 Simple marketing system

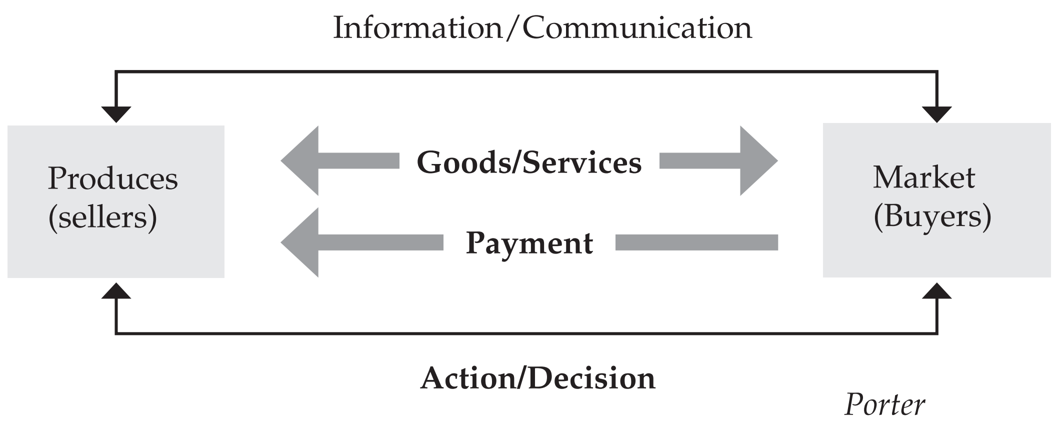
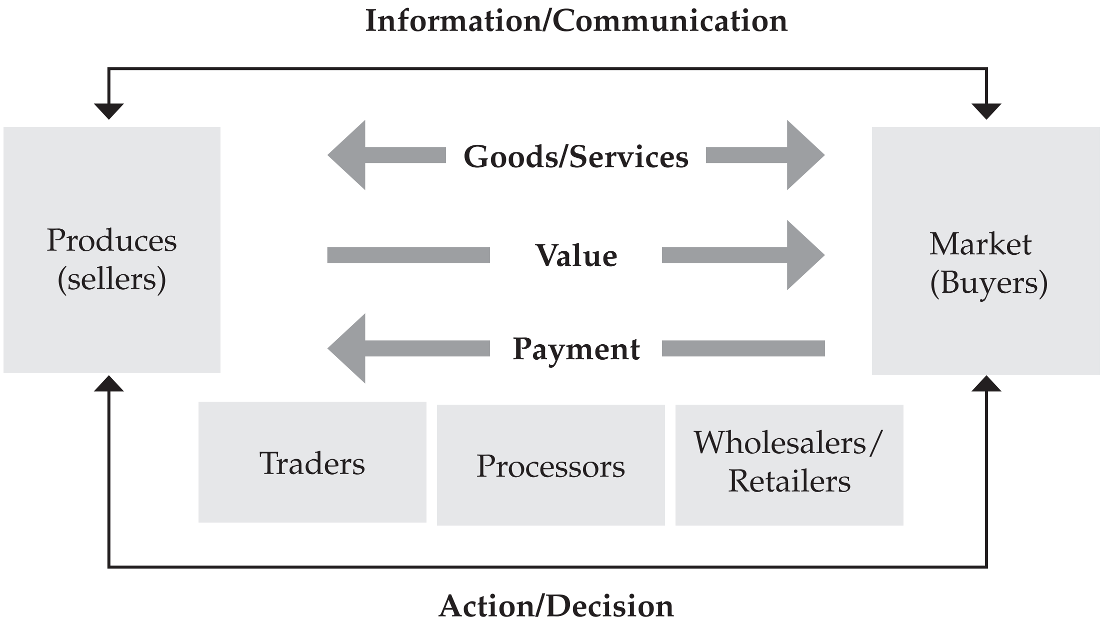


Fig 3. An Expanded Marketing System



A product passes through intermediaries/actors (trader, processors, wholesalers, etc) before it reaches the end users (consumer/buyer)

Each intermediate/actor adds value to the product (storage, cleaning, processing) resulting to a chain of value adding activities and different product forms at each level information flow governs decisions in the chain (add value or not, what type, etc)

If in simple marketing system
- information distortion occurs, more so in a chain
- buyer seller behavior is complicated, more so in a chain

Note to Facilitators #2:

Deepening Concept Appreciation

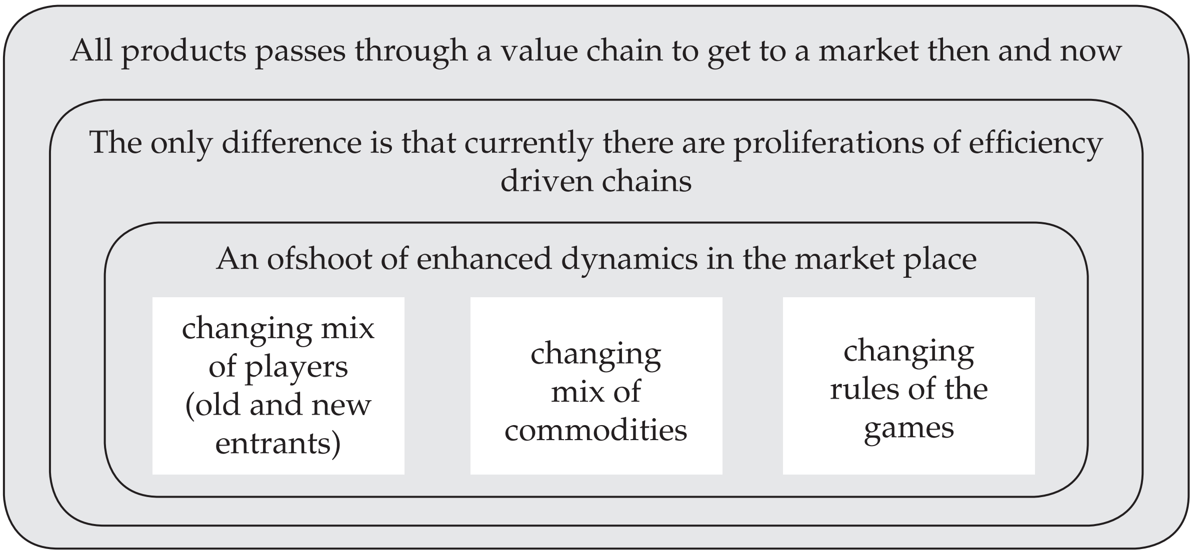
A. Value Chains
Network of stakeholders contributing to the planning, production and distribution of products from farm to plate. The overriding objective of value chain management is improved performance through a more effective flow of product and satisfied end user.

A lot of new market players (producer/suppliers, processors, retailers, etc) are entering markets both domestic and global (fig 4). Due to globalization (borderless trade), entry and exit of players in a market is easier. Because there are now many players, to survive, they have to be better than the others (efficiency driven value chains) They have to be stronger in front of the sellers.

B. Dynamic markets
The presence of new players, leads to varying offered products and varying modes of selling (rules of the game – cash, consignment, bulk, bundles, electronic trading versus face to face trading, etc). These leads to a very dynamic market (continually changing) and for one to survive, farmer suppliers for instance, they have to be continually aware of what is going on in the market so they can be strongly positioned in a particular chain so they will be able to continually sell their products.

C. Introduction of the Exercise
To enhance our learning we will have a Value chain drawing & assessment exercise.

Figure 4. Value Chain and Dynamic Markets



- Presence of efficiency driven value chains leads to dynamic markets
- Smallholder farmers are
  - ill equipped to compete in these ever increasing dynamic markets (usually excluded)
  - need to be brokered/assisted to be able to cope and be integrated in dynamic markets (included)

Exercise: Session 6. Enterprise Integration to Sustainable Value chains

A. Objectives: To introduce/review concepts of value chain and enhanced appreciation of its applications and usefulness

B. Materials Required

1. Colored pictures in 5 sets (depending on number of groups) of:
   a. products - rice, cashew coffee, dragon fruit, or any other products grown in the province where training venue is) in 3x3 inches size more or less (minimum of 6 products)
   b. Mode of transports used in bringing products(motor bikes, small and big bus trucks) at least 5 cut out pictures of each type of transport per set (5x4= 24 pictures/ transport
   c. Marketing/distribution agents: Traders, assemblers, marketing cooperatives, stores (mini store, mini mart, wet market, supermarket etc) or institutional buyers (restaurants, hotels, etc)
   d. At least 3 different value added products of each of the commodities in number 1.
2. 8 Big poster papers to draw the chain and to paste these picture cut outs,
3. Sets of big drawing pens/markers of varying colors for each group
4. Tape, glue , paste
5. Set of meta cards of at least 5 colors for each group and one set for the facilitator
6. 3 different colors/shape of post it kind of markers (round, star or square)
7. A prize for the most appreciated value chain drawing (most colorful or most comic or most depicting the real chain situation, etc)

C. Activities

1. Divide the group into four groups
2. Each group has to choose one agricultural commodity to work on (rice, coffee, cashew, dragon fruit, peanuts, or any other products grown in the province where the training will be

done , given the instructions below:

3. in a big brown poster paper:
    a. Draw how this commodity (raw, fresh, etc) including products derived from it, reach the final buyer/consumer (using picture cut outs)
    b. Using paper cut outs included in the chain drawing
        - all participants/stakeholders of the chain (assembler, trader, processor, wholesaler, retailer, etc) through which the product passes to reach its final buyer/consumer
        - other products derived from the current commodity value chain drawn
4. Given chain drawing , using a stick on marker (coded color), ask the group to identify:
    a. where potentials are for value adding (green stick on marker)
    b. Where bottlenecks/difficulties/ problem areas are (red stick on marker)
    c. In coded meta cards, write What will it take to
        - Tap the potentials
        - Address bottlenecks and problem areas
        - New markets that may be accessed given the enhanced potentials and or built capacities (with problems and bottlenecks addressed)

Note to Facilitators # 3 Processing the Value Chain Exercise

1. Remember to emphasize concepts, its relevance, and application.
2. Processing
    2.1. Concepts - Translate and write in a meta card each of the following:
        a. Product flow
        b. Communication flow – (information is crucial in chain decisions)
        c. Elements of a chain
            - Managed system - chain participants and their value added
            - Managing System – chain Coordination
            - Interface - Chain Relationships (buyer/seller, buyer/credit provider, etc)
        d. Coordination is a key
        e. Not competitors but co-participants in one chain

2.2. Chain Gaps and opportunities
These are possible entry points to add value, any gap is an opportunity to meet need in terms of product or service.
2.3. Go over the learning points for emphasis and learning reinforcement
2.4. Close the session by discussing what has been achieved, the output

3. Discuss how this topic relates to the next topic: "Product differentiation and labeling." The essence of enterprise survival is being able to offer a product that is unique or different (not easily copied). In a value chain if your product/services can be done by anyone, chances are you can easily be replaced and edged out of the value chain. Thus one needs to know the concept of product differentiation and labeling"

Output:

1. Concepts, process and relevance of marketing and value chain understood
2. Basic Value Chain Maps of commodities of the province where the training was held with gaps and opportunities identified.

Learning Points

Market

1. As a place is - where buyers and sellers meet to exchange produce/goods and services in consideration of some form of payment.

   Traditionally it is seen as a fixed place in a village or community where selling and buying transactions take place, however, in reality it can happen anywhere like in a bus terminal where buyers already wait for farmers/sellers to unload their produce instead of waiting for them in the regular marketplace to gain advantage in terms of quality - better produce (fresh, 1st to choose, not leftovers, etc) and also volume – if off season and low supply, affords the seller the sole opportunity to be among the very few to have something to sell.
2. As a general term – is an association to a place or possible groups of individuals where there is an opportunity to sell. A

market can be built around a product, service or anything else with value.

Examples:

- In the community, there are lots of people who need their produce on a regular basis so there is a market for it.
- During peak planting or production season, a lot of farm workers are needed, so there is a farm labor market during this period

Marketing

a. As a process act of selling and delivering products/services to customers, in exchange for payment (usually in monetary terms). For a marketing process to happen, a seller has to make it known to prospective buyers of the availability of the produce, in the same manner that a buyer has to express interest to buy.

b. As a function

1. Brings money back to the seller or farm or enterprise, ideally in a sufficient amount to cover costs, plus extra that will serve as profit.
2. Relates the enterprise to the outside world as they usually learn about
    - The responses to their product/services; whether acceptable or not to customers, have products'/systems' flaws, among others,
    - Their market performance and
    - How they face competitors through their marketing activities through the one who brings the produce to the market.

Market chain

3. Generally a produce is directly sold from buyer to seller on a face to face mode and that is what is referred to as arms length transaction. However, in reality a produce passes through a number of market participants to reach its intended user or customer. When the focus of analysis is on the mode through which the product is reaching the customer then this is what is referred to as a market chain. It could either be through an

assembler buying for a trader, through a trading post where a trader collects and delivers to a processor, or through a series of middlemen who sell to wholesalers and/ or exporters.

Value chain

4. **Value Added** - A produce flows at each participants, usually enterprise units (trader, processor, wholesaler, retailer) who transforms it into different forms (cleaned, sorted, transported, packaged, processed, etc) and that transformation is referred to as value added.

   The idea behind value adding is that the resultant produce will be sold at a better price, usually to cover the cost of value added plus extra which the succeeding buyer in the chain is willing to pay as to do the value adding at his level will cost him more.

Chain Participant	Activities	Value Added (to the buyer)
Farmer	Cleans the produce	Hygiene/safety (possible better price)
Assembler	Buys and collects	Bigger volume (less time/ effort)
Trader	Separates by sizes	Sorted, (possible price differentiation)
Retailer	Packs in smaller quantity	Accessibility and convenience Sells near the customer

5. Marketing is not as simple as it seems. A product passes through a number of intermediaries (trader, processor, whole-salers, etc) before it reaches end users (consumer/buyer). Each level that a product passes through adds value to it (storage, cleaning, processing, etc) and becomes a chain of value add-ing activities. These value adding leads each time to a different product form.
6. In order for a sales transaction to materialize, the presence of the product, on the part of the seller and interest to buy on the part of the buyer has to be communicated in whatever means possible.

7. The process that transpires in a buy and sell transaction refers to several market concepts such as bargaining power, the ability or the inability to influence price in making a sales which is determined by a number of factors, such as season, volume offered or to be bought, supply and demand and a lot more That bargaining power is largely dependent as well on the organizational capacity to coordinate/govern its members to arrive at a common market position and deliver products/services to specifications.
8. Different products and product form commands varying prices and this variation serves as incentive to make market chain participants to add value or not. However, a lot of factors come into consideration in processing this incentive such as capability to add value, resource availability including technology and others.

Session 7:

PRODUCT DIFFERENTIATION AND LABELING

Note to the facilitator:

1. Start the session with a game entitled "Name the Price" (See powerpoint file "name the price.ppt"
2. Discuss the concept market segmentation and "product differentiation"
3. Discuss some of the available labels.

Product Differentiation

Purpose of product differentiation and the organisation of specific circuits is to isolate oneself as much as possible on a market segment (a niche) in order to protect oneself from generation competition of all the other players. The aim is to get a higher price and to be able to count on specific consumers. It is important to point out that higher prices must be justified by the farmers by complying with strict quality specifications, but also by the costs that certification and managing the specific product circuit.

Private companies usually use a brand name to differentiate their products from the others. Brand is the "name, term, design, symbol, or any other feature that identifies one seller's product distinct from those of other sellers." Branding was initially used in livestock. Branding was adopted to differentiate one person's cattle from another's by means of a distinctive symbol burned into the animal's skin with a hot branding iron. A modern example of a brand is Coca Cola which belongs to the Coca-Cola Company.

Product differentiation is a strategy similar to branding. But product differentiation requires very clear information about specific markets. Market segmentation is an important tool.

It is important to point out that these higher prices are justified by the farmers' complying with strict specifications, of course, but also by the costs that certification and managing the specific circuit engender.

Market segmentation is the process of breaking of buyers into groups that are different from each other in terms of economic status, taste, lifestyle, etc.

The process starts from the premise that all buyers are not the same. Buyers may look at the profit the product uses, on the basis of the needs, benefits and desires or enhance the the potential consumers.

Segmentation allows you to choose which buyers to target and provides important insights as to how to appeal to them.

Market segmentation looks at the demographic information of the population in terms of age, gender, geographic location, income, spending patterns, cultural background, marital status, education, language, mobility, etc.

Segmenting markets should be on the basis of income and expenditure patterns. Income is possibly the most common basis for segmentation.

Markets A - Upper High income Class
Markets B - High Income Class
Markets C - Upper Middle Income Class
Markets D - Middle Income Class
Markets E - Low Income Class

Profiles on a target market segment are obtained by doing a lot of questionnaires and surveys to ask people if they agree/disagree with certain statements made about particular activities, interests or opinions and products.

Available product differentiation labels:

1. Premium or Super premium product can be justified in terms of the strict compliance to production standards, safety standards, quality standards, among others.

2. Designations referring to a geographical area (only in EU and countries with existing trade agreements with EU)
   a. The Protected Designation of Origin (PDO) designates a product that is produced, processed, and prepared in a given geographic area with recognized and proven know-how.

   b. The Protected Geographical Indication (PGI) designates a product for which the link with the territory is weaker but exists in at least one of the stages of production, transformation, or preparation.

3. Designations referring to the product's qualities
   a. Traditional specialties guaranteed of agricultural produce and foodstuffs,
      Example: brick tea in Taiwan and China

   b. Designations based on products' characteristics and production methods (biodynamic agricultural production certified by Demeter International, organic products)

4. Designations referring to social themes
   a. Fair trade products

   b. Themes on environment, forest, animal welfare

Outputs:

1. Awareness of the participants about available product labels that help improve price of farmers products
2. Awareness and understanding of related ideas on market segmentation and product branding.

Learning Points:

1. There are label available to farmers organizations that can help improve price of their products.
2. These labels require strict compliance to specific production processes, product quality and certification.
3. The over-all idea in product differentiation is providing the public consumers with assurance linked to the origin, production, processing and distribution of the product.
4. Product differentiation also requires looking at or analyzing specific segments of the population targeted as consumers of the product through a market segmentation tool.

Module 4:

UNDERSTANDING BUSINESS INSTRUMENTS AND PROCESSES

The success of any collective economic forms is enhanced by the knowledge of business instruments such as contracts and business plans. The basics of these instruments and the processes involve in understanding them and ensuring they work best to the farmer and farmer groups' advantage are the concern of this session. These are covered by the following sessions:

Session 8: Understanding Contracts for Enhanced Market Access
Session 9: Business Plans

Session 8:

UNDERSTANDING CONTRACTS FOR ENHANCED MARKET ACCESS

This session aims to familiarize farmers with the usual contents of contracts and understand each features and purposes. A corollary objective is to expose them to as many samples of contracts as possible and build their capacity to assess contracts in terms of fairness and appropriateness of returns to contributions/investments.

Access to markets is a common and pressing concern for farmers. One of farmers' way of accessing markets is through contracts that come in different forms and purposes. Oftentimes, farmers enter contracts for purposes, among others, of ensuring continued production (production contract), assured market (marketing contract) or for investment options (joint ventures). These contract arrangements, however, vary in features and level of risks and usefulness depends on how best they meet farmers' needs.

The essence of a contract is that it should be both beneficial to contracting parties so that both have reasons to stay within the arrangements covered by the contract. The irony, however, is that farmers go into contracts because of a lack of options and the greater irony is that they would do it without even knowing the risks involved and consequent impacts to their farm operations.

Methodology:

Concept discussion and hands on exercises are the core approach of the session. Group exchanges in terms of views and perceptions will likewise be part of the approach to enhance confidence in articulating ones views and concerns and defending positions. Similar processes that one undergoes whenever in contract negotiations.

Time: 2 hours

Materials: Flip charts, meta cards, colored pens or markers and sample contracts

Note to Facilitators # 1:

A. Concept Introduction

1. Engage the participants into a discussion about what contracts they are
   a. familiar with
   b. have entered into and why

2. Process this "question and answer portion" and introduce as appropriate the concept of contract, their purpose (reason for going into) and usual outcome.

3. Show Box 1. Contents of parts of a basic supply contract
   a. go over the different parts
   b. occasionally ask participants about the importance of such part and how its presence or lack of it affects their intended gains/benefits from the contract

B. Exercise on Contracts

Introduce the exercise and contracts and how it will help reinforce learning. The exercise will expose the participants to different forms of contracts, and will provide them the opportunity to analyze structure and contents of the contract and see for themselves the appropriate parts as well as the loopholes or faulty clauses. How best to avoid the faulty ones and ensure the positive clauses of the contract in real situations.

Box 1. Basic Contract's Contents

1. Heading/title
2. Nature of the contract: description (product or service), purpose
3. Contracting parties (Ex ample: supplier and buyer – representatives and addresses)
4. Date signed
5. Coverage – locational/ geographical
6. Definition of terms – glossary of frequently used terms in the contract
7. Term - period covered by the agreement, including start date in effect
8. Price specification (supported by additional document - Terms of reference)
9. Price amendments clause (when possible to amend and how to do it)
10. Responsibilities
    - of provider – attach specific documents if necessary
    - of client
11. Payment terms
12. Confidentiality clause
13. Dispute and arbitration process
14. Termination and force majeure
15. Renegotiation/renewal
16. Prevailing laws governing the contract
17. Signatures and witnesses

Exercise: Analyzing Contracts

A. Objectives:

1. Get familiar with different forms of contract agreements
2. Be able to articulate advantages and disadvantages of varying contract forms and
3. Relate to a specific example in Vietnam

B. Activities:

1. Divide the participants into 4 groups
2. Each group will be assigned to review and analyze a particular marketing contract and undertake the following:
    - List down the advantages and disadvantages of the provisions in the contract (explain)
    - Relate to examples in Vietnam (that the group is familiar with) and mention specific incidents that showcase the advantages and disadvantages.
    - Prepare for presenting your output in the plenary

Note to Facilitators # 2

1. Allow the different groups to comment on the presentation of each group on their assessment of contracts assigned to them and allow the reporting group to respond to comments
2. Relate the exercise with the concepts earlier introduced to reinforce learning
3. Discuss the varying points raised in each contract
4. Go over the learning points for emphasis and learning reinforcement
5. Close the session by discussing what has been achieved, the output

Contract Type # 1

Sample Land Lease Contract

This agreement, a contract, sets forth the terms as a binding agreement between the

lessee____ and the leaser Ha & Hue executed on this day ______________________2013.

The following terms are set forth:

1. The purpose of this contract permits the lessee_________________________ exclusive use of the land owned by leaser _____________________________ for the purpose of grazing of livestock (belonging to Ha and Hue) and farming (arable land only).

2. The attached description denotes the land to be utilized in this agreement. The land base consists of _______________acres of which _________acres are farmable.

3. The land will be leased at the rate of $__________per/A for a total of $______________ per year (12 months). This shall be payable no more than 30 days prior to the beginning date of annual contract.

4. The grazing and farming annual contract period shall commence on November 1, 2008 and End on October 31 of each year for up to 5 years (20??) when contract will be renegotiated.

5. This agreement shall be renewable every 5 years.

6. All repairs to fence lines and wells will be at the expense of the landowner (lessee) prior to the beginning of this contract period. The

leaser will assume the responsibility to all expenses of the fence lines and well after the contract period begins.

7. Any future improvements to the grazing unit shall be at the expense of the leaser, but that a fair market price is negotiated between the landowner and the leaser at the end of the term for costs incurred. Prior negotiations will take place before any improvements to the land are implemented between the landowner and the leaser. If leaser is not reimbursed for improvements above the leaser has 90 days to remove all improvements from the leased land.

8. The landowner reserves the right to trespass on the unit so long as there is no disturbance to the livestock, and also, in agreement with leaser.

The above terms has been reviewed and are in mutual agreement between both the lessee and the leaser on this date ______________________.

Lessee:____
Huong

Leaser:__________________________ & ___________________________
Ha Hue

Outputs:

1. Enhanced appreciation of Concepts, process and relevance of contracts
2. Familiarity with different forms of contracts
3. Acquired knowledge in identifying flaws or faulty features of contracts, within the bounds of fairness, just and appropriate (to share and contribution) and how best to articulate views and work for their non inclusion.

Learning Points:

1. Parts of Contract and their importance
2. Rights and responsibilities of contracting parties
3. Risk and risk management
4. Fair, just and appropriate based on contact contribution and expectations

Session 9:

BUSINESS PLANNING: CONCEPTS AND PROCESSES

Setting up a business is a serious decision. It entails putting ideas into practice (concretizing, testing and put into commercial use), capitalizing on capabilities to work for oneself and generate income or the embodiment of one's dream translated into plans and realities, all these taken individually or in combination plus a lot more. It likewise requires investment of resources (human, physical and financial capital including time) with the end in view of being able to operate the business on a going concern and generate sustainable livelihood out of it.

As a lot of resources go into business ventures, it is but natural for would-be business persons to do all means that will ensure that invested resources are not wasted. Among the basic measures of ensuring business success is through proper planning expressed through business plans.

Methodology:

Actual preparation of business plan after Concept discussion is the major approach of the session. Direct application of concepts learned through a simplified business plan preparation is the combined concept and hands on exercises are the key feature of the session.

Time: 3 hours
Materials: Flip charts, meta cards, colored pens or markers and sample contracts

Session Proper

A. Business Plan: What it is and what it is for?

A business plan is a formal statement of the nature of the business in terms of the products/ services it provides, the why and how they are produced and for whom. It identifies the market segment that the organization caters to, and the manner it intends to serve that particular segment. It likewise states the organization's legal identity and summarizes its capacity to go into such business venture. In the same manner, it translates its overall purpose into operational and financial objectives through detailed plans and budgets with projected gains/profit.

A business plan, saves one from costly mistakes of going into a venture when, a) ideas are still raw and needs concretizing b) the chosen production process did not lead to the desired product c) the market they initially targeted turn out to be the wrong one, d) their cost projections have actually doubled and e) the resultant product did not command the desired price and more.

<table>
<tr><th colspan="2">Uses of A Business Plan</th></tr>
<tr><th>At Start Up</th><th>At Business Operation Stage</th></tr>
<tr><td>Concretize ideas – of the product, the process , the market, and projected profit</td><td>Sets direction - serves as a road map given specific goals, strategies & activities</td></tr>
<tr><td>Communicates what the venture is all about</td><td>Facilitates easier decision making process – with the business plan as the reference</td></tr>
<tr><td>Defines your business
Sets your boundaries
Communicates your goals and strategies</td><td>Serves as a common language
Internally - to talk about projections, targets, work plans and performance
Externally - to communicate business strength, investment potentials, etc.</td></tr>
<tr><td>Help determine business startup requirements
funds -startup costs, operating capital
human resources (production, marketing, operations management, etc)</td><td rowspan="4">Serves as a tool in:
• Assessing performance
• Sustain operation
• Initiate innovations
• Allocating resources
• Where money comes from
• where they are needed
• Trouble shooting
• Anticipate problems and
• consequently identify solutions (updated and responsive plans)</td></tr>
<tr><td>Indicator of the soundness of the business venture,
help determine where the weak areas to Improve on and
the strong points to build upon
whether the business is a go or not</td></tr>
<tr><td>Provide estimate of projected revenues</td></tr>
<tr><td>Attract and convince would be investors to invest in the business</td></tr>
</table>

B. Parts of a Business Plan

1. Executive Summary: Write this last. It's just a page or two of highlights.
2. Firm Description: Legal establishment, history, start-up plans, etc.
3. Product or Service: Describe what you're selling. Focus on customer benefits.
4. Market Analysis: You need to know your market, customer needs, where they are, how to reach them, etc.
5. Production Plan
6. Marketing Plan
7. Organizational Plan
8. Financial Plan
9. Financing plan

C. Process of Business Plan Formulation

1. Decide on What business to put up

Usually starts with opportunity identification or assessment of the various businesses to choose from, adopting various means of evaluation and selection that leads to the final decision on what business to go into. At the start of the business planning stage, it is assumed that the opportunity identification process has already been undertaken, that there is already a clear idea of what business to go into and all set for the business plan preparation.

So the first thing to do is put in written form the:

Description of the business:

- The principal nature of the business
- The product/service : Form , Packaging and size

2. State the purpose

a. Mission/goal
b. Specific objectives

3. Analyze the Market

Market Analysis

Market analysis help describes current or intended market. Information usually generated from a market analysis are as follows:

- Current market (who the buyers are) in terms of
  - Market size (volume and value of products)
  - Buying motives and behavior
- Current marketing strategies of key players
- Past and current supply & demand situation
- Projected demand
- Market shares of key players

In market analysis one gets an appreciation of the range of products and market players in existence in a given market. The next question that usually comes to mind is will I offer my product to everybody catered to by the market under analysis or do I just concentrate on a particular segment of that market?

	Demand	Supply	Demand / Supply
Who and Where	Market Type, uses, income bracket, location, age	Competition Size, prod quality, location, performance	Gap Where and which segment
Quantity	Demanded Local, foreign	Supplied Domestic, imported	Volume Gap How much and when
Growth Patterns	Historical Current trends Projected	Historical Current projected	Demand grow faster than supply or vice versa
Prices	1. Increase Demand 2. Constant Demand 3. Constant Demand subsidies	1. Decrease Supply 2. Constant Supply (input cost hike) 3. Constant Supply	High price Low price
Factors affecting Market	Population growth, changing income, taste, preferences, prices of substitutes, ITC, etc	New substitutes, entry/exit competitor cost of production factors, technological development	Complicates demand and supply scenario arrived at on the basis of D/S, price patterns etc

a. Who are your target market
b. Who are your competitors
c. How are you different from your competitors

4. Forecast Revenues

5. Choose the site

a. Where will the business be located?
b. What geographical areas will be covered by the project?

6. Develop component plans

a. A production plan

1. What is the production process?
2. What buildings and machinery (fixed assets) are needed and what will be their cost?
   - What is the useful life of the building and machinery?
   - How will maintenance be done and are spare parts available locally?
   - When and where can the machinery be obtained?
   - How much capacity will be used?
   - What are the plans for using spare capacity?
   - When and how the machinery be paid for?
3. Location

   Where will the factory be located and how will the factory be arranged?
4. Materials
   - How much raw materials are required?
   - How much will the raw materials cost?
   - What are the sources of raw materials?
   - Are they available throughout the year?
5. Labor
   - How many direct and indirect labor are needed and what skills should they have?
   - What will be the cost of labor?
   - Are workers available throughout the year? If not, what effect will this have on production?
   - How will the workers be motivated?

6. What factory overhead expenses are involved?
7. What is the production cost per unit?

b. A marketing plan

1. What is the product?
2. How does it compare in quality and price with its competitors?
3. Where will the business be located?
4. What geographical areas will be covered by the project?
5. Within the market area, to whom will the business sell its products.
6. Is it possible to estimate how much of the product is currently being sold?
7. What share or percent of this market can be captured by the business?
8. What is the selling price of the product?
9. How much of the product will be sold?
10. What promotional measures will be used to sell the product
11. What marketing strategy is needed to ensure that sales forecasts are achieved?
12. How much do you need to promote and distribute your product?

c. An organizational plan

a. What will be the organizational form of the business?
   1. What will be the mandate?
   2. The functions to be performed?
   3. organizational structure or arrangement
   4. What are the key activities/grouping of activities?
   5. What are the human resource requirements?
   6. What are the reporting relationships?
   7. What are the areas of responsibilities/accountabilities?

b. The business management
   1. How will the business be managed?
   2. How will the organizational control system be like?
   3. What will be the compensation/salary structure?
   4. What will be the associated costs (administrative overhead, etc)

d. Financial plan

Forecasting the finances of your business may seem difficult, but in reality it's not so bad. Good planning consists of making educated guesses as to how much money you'll take in and how much you'll need to spend -- and then using these estimates to calculate whether your business will be profitable. Here are the financial projections you should make:

- A break-even analysis. Here you'll use income and expense estimates to determine whether, in theory at least, your business will bring in enough money to meet its costs. (To learn how to perform a break-even analysis, read Will My Business Make Money?)
- A profit-and-loss forecast. Next, you'll refine the sales and expense estimates that you used for your break-even analysis into a formal, month-by-month projection of your business's profit for the first year of operations.
- A cash flow projection. Even if your profit-and-loss forecast tells you that your business will have higher revenues than expenses -- in other words, that it will be profitable -- those numbers won't tell you if you'll have enough cash on hand from month to month to pay your rent or buy more inventory. A cash-flow projection shows how much money you'll have -- or how much you'll be short -- each month. This lets you know if you'll need a credit line or other arrangement to cover periodic shortfalls.
- A start-up cost estimate. This is simply the total of all the expenses you'll incur before your business opens. If you need to pay off these costs during the first year or two of business, they should be included in your month-to-month cash-flow projection.

e. a financing plan

1. How is your investment to be financed
2. If on borrowed funds, how are they to be paid and when

7. Prepare the executive summary

Outputs:

1. Business planning concepts and processes well understood
2. Acquire basic skills in the formulation of business plan and its component plans.

Learning Points

1. Business Plan Contents and Process
2. Uses of business plan at the varying stages of the business

Exercise: Business Plan Preparation

Purpose: To provide participants a venue to apply business concepts and processes just reviewed/learned and get a feel of business plan preparation.

Instructions:

1. Identify a product that you want to produce/manufacture and sell
2. Guided by the form provided and making use of the concepts and processes just reviewed, prepare a business plan for the identified product
3. Be as imaginative and creative as possible

Time Allocation:

Total = 1 and a half hour (90 minutes):

- Discussion = 40 minutes
- Prepare / finalize presentation (on flip chart paper or PowerPoint) = 10 minutes
- Presentation and Q & A = 40 minutes (10 minutes per Team)

Business Plan

Name of Business:
Address:

A. Business

1. Description

The principal activity of my business is the

____

(production/manufacturing/trading,Others) of

____

(product/service) in

____

(package, size, form description)

____

2. Mission Goal

I put up my business for the purpose of

____

____

The specific objective(s) of the business

____

B. Market

1. My customers are

____

____

e: age group, sex, affiliation, qualifying trait, etc)

2. My identified competitors are

____

3. I am different from my competitors in terms of

____

4. My marketing strategy is

____

(price, promo, place, product)

5. My expected sales volume is at price per

____

C. Finance

1. My start up costs is

Comprise of

Cost Items	Amount

2. My projected operating expenses

Expense Items	Amount

3. My projected operating income

Operating Income	Amount

D. Organization and Management

1. My business type is ______________________________ (sole proprietorship, (partnership, (corporation, (cooperative
2. With ___________________________ number of positions/employees
3. Structured as ___________________(draw organizational chart)

E. Operational Plan

1. My activities for the ___________________(period) are as follows

Activities	Objectives

Attachment 1: VNFU Organizational Brief

VNFU as an organization

VNFU Activities:

- Participate in formulation, dissemination of policies, laws, and legal support for farmer members.
- Support to develop the collective economic forms among farmers such us farmers' mutual interest groups, cooperatives.
- Organize activities to introduce and promote products for farmers to get access to markets.
- Organize input and output services to support members.
- Organize the transfer of scientific and technological progresses to farmer members.
- Create capital for farmer members, especially the poor ones to develop production and business…
- Provide vocational training and job assistance for farmer members.
- Provide training for staff at all levels.
- Participate in building rural infrastructure.
- Organize and implement rural environment protection activities.
- Organize social, sport, and cultural, agricultural tourism activities to prevent and control social evils as well as restore and develop traditional culture and occupation.

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About Asiadhrra

AsiaDHRRA traces its earliest roots to the 1974 Development of Human Resources in Rural Asia Workshop (DHRRAW) held in Thailand. It is a regional partnership of eleven (11) social development networks and organizations in eleven (11) Asian nations that envisions Asian rural communities that are just, free, prosperous, living in peace and working in solidarity towards self-reliance. To achieve this, the network's mission is to be an effective

- Promoter and catalyst of partnership relations, creating opportunities for genuine people-to-people dialogue and exchange;
- Facilitator of human resource development processes in the rural areas; and
- Mobilizer of expertise & opportunities for the strengthening of solidarity and kinship among Asian rural communities.

AsiaDHRRA works through DHRRA members, with farmers' organisations, and other CSO partners in 11 countries specifically in Cambodia, Indonesia, Japan, Lao PDR, Malaysia, Myanmar, Philippines, South Korea, Taiwan, Thailand and Vietnam. It plays an important role in the Asian region as catalyst and co-convener of CSO platforms and mechanisms for more effective engagement and cooperation with regional organisations such as ASEAN, FAO, ADB and relevant multi-lateral and bilateral agencies. AsiaDHRRA sees the importance of connecting national and regional grassroots voices with global policy making processes and vice versa recognizing that development issues are interconnected and that reform is most compelled if with a strong demand from those that are directly affected by public policies and programming.

About VNFU

Established in October 14, 1930, the Viet Nam Farmers' Union (VNFU) is an organization committed to gather, encourage, and educate its members to bring into full play their initiatives, to actively learn how to improve their capacity in different facets; represent, take care of and defend the legitimate rights and interests of their members; organize activities to provide services, advice, and support for members to improve production, business and living conditions. VNFU carries out the following major activities:

- Participate in formulation, amendment, dissemination of policies, laws, and legal support for farmer members.
- Organize the transfer of scientific and technological progresses to farmer members.
- Create capital for farmer members, especially the poor ones to develop production and business...
- Support to develop the collective economic forms among farmers such us farmers' mutual interest groups, cooperatives,...
- Provide vocational training and job assistance for farmer members.
- Provide training for staff at all levels.
- Organize activities to introduce and promote products for farmers to get access to markets.
- Organize input and output services to support members.
- Participate in building rural infrastructure.
- Organize and implement rural environment protection activities.
- Organize social, sport, and cultural, agricultural tourism activities to prevent and control social evils as well as restore and develop traditional culture and occupation.

At present, VNFU has over 10 million members working in various sectors such as agriculture, forestry, fishery, salt-making, handicraft and small industry, services. VNFU has nearly 15.000 full time staffs and over 200.000 part-time staff working at all levels of VNFU.

About Collectif Stratégies Alimentaires (CSA)

CSA was established in 1985. CSA aims to promote sustainable agriculture and food security by strengthening farmer organizations and promote food sovereignty in different regions of the world.

The actions of the CSA seek to redirect, in this sense, agricultural and trade policies, and strengthening farmers associations, identified as engines of sustainable agriculture through the viability of family farming. Strengthening farmers' organizations is of paramount importance for the development of poor countries. Farmers' organizations provide a policy role and professional representation, are involved in the production system and are active in the social field (mutual funds, solidarity, etc.). But their structure, resources (human and other) and external recognition remains insufficient.

CSA also works for the establishment of solidarity between actors involved in agriculture and food, especially between family farmers in North and South. This solidarity requires a recognition of the diversity of situations and an understanding of common issues.

CSA is the agri-agency of the Walloon Federation of Agriculture (FWA).