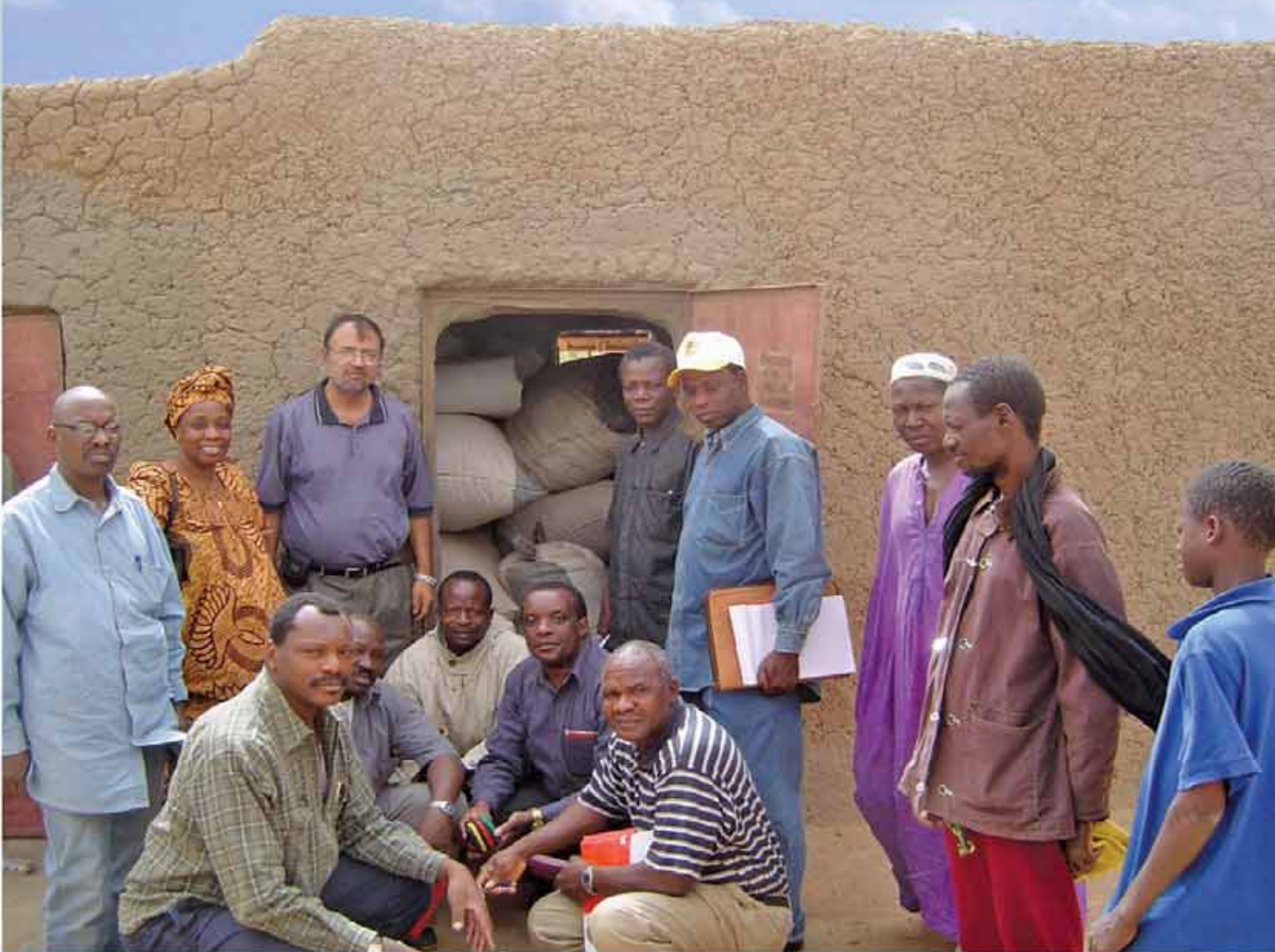




# Enhancing Business Skills of Small-Scale Rural Entrepreneures

## A Technical Training Note

Adapted By  
J Ndjeunga and C Echeckwu



International Crops Research Institute for the Semi-Arid Tropic

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**Common Fund for Commodities**



**Institute of Agricultural Research**



**ICRISAT**

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# Introduction

This technical note is intended for use by small-scale rural entrepreneurs, business people and community-based organizations interested in groundnut seed production and marketing and groundnut processing and marketing. It is targeted to people with little to no formal training or experience in small-scale business. It focuses on the establishment and management of small scale businesses. It does not address the technical aspects of groundnut seed production or processing. Manuals on technical aspects of producing seed or processing groundnut may be available from other organizations.

Two illustrative examples from a groundnut seed producer and groundnut oil and cakes processor will be used throughout the technical note.



# Why establish a groundnut based small-scale business enterprise?

Groundnut seed production and marketing as well as groundnut processing and marketing are potential businesses that do not require very large investment of training and/or high start-up capital and where returns to investments are potentially high compared to alternative options in the rural communities. Markets for products such as groundnut seed could be very thin, with little potential demand as most farmers often plant seed kept from the previous season. However, farmers sometimes buy seed from other farmers, local village markets or shops or receive seed as gifts. Therefore there is demand that can be met by small-scale business operations. Farmers demand groundnut seed for many reasons including:

- ☞ have lost most or all of their seed as a result of drought, heavy rains, diseases, pests or poor storage;
- ☞ have held no seed stocks because they have consumed or sold their entire production;
- ☞ want to expand their area cultivated to groundnut but do not have enough seed to plant on the new land;
- ☞ want to try a new variety;
- ☞ want to renew their seed stocks because of the poor quality of their own seed due to diseases, genetic deterioration, etc.;
- ☞ are aware of the benefits associated with the use of good quality seed.

The purpose of a seed business is to produce good quality seed for sale and to make money from providing this service.

A seed business provides three important services to the community.

1. Good quality seed: although farmers are usually happy with the quality of their own seed, they often find that the seed obtained from markets, shops or other farmers is not of good quality. In the case of groundnuts the seed may be moldy, damaged by insects or mixed with other varieties.
2. Availability of seed: farmers are often faced with a shortage of seed at the time of planting. Having seed produced in the community, rather than in a far off place, solves this problem.



3. Introducing new varieties: researchers, and sometimes farmers, develop **improved varieties** of different crops but face difficulties in getting them out to large numbers of farmers.

A seed business can work with researchers or farmer experimenters to multiply and sell improved varieties. By starting a seed business you will benefit yourself and other farmers in the community because better quality seed produces higher yields, which means more to eat and sell. Much care will be needed to produce good quality seed, so it is important to get proper advice on seed production from researchers and extension agents. Technical manuals on groundnut seed production are available through the national coordination of groundnut seed project in Nigeria.



# Making the decision to establish a small-scale business

Before starting a business, you will have to find out if you have the skills required to run a small business, produce seed of good quality or process groundnut. You will need to collect information that is essential in helping you decide whether you want to engage in the business or not. Often, one could go through seven steps in making the decision to start a seed business as shown below.

## Steps in establishing a seed business

- ☞ Find out if a seed business or processing unit is needed in your area
- ☞ Find out if you can produce good quality seed or good quality oil and/or cakes
- ☞ Find out if you can successfully run a small business
- ☞ Find out what you need to invest, i.e. your start-up capital
- ☞ Analyze and reflect on information collected and make conclusions about estimated profitability and chances for business success
- ☞ Plant a seed plot for at least one session or start a small processing unit for a year
- ☞ Sell the products (seed, oil or cakes) on a trial basis

Using the information above, you will find out if your investments are profitable or not and then make a decision to start the business.

## ***Is a seed business or processing unit needed in this area?***

- ☞ Find out if there is demand for groundnut seed, or oil and cakes
- ☞ Find out which varieties are in most demand or have high oil content
- ☞ Estimate expected market size/share
- ☞ Find out if there are any competitors

**Market research** is an organized way for business people to get accurate information to help them plan and organize their business. For seed producers or groundnut oil and cakes processors, market research can answer the following questions:

- ☞ for which varieties do farmers want seed or which varieties have high oil content or make good cakes?

- ☞ what price are farmers willing to pay for seed or oil and cakes?
- ☞ how much seed or oil and cakes should a business produce each season?
- ☞ what amount of seed are individual farmers likely to buy or quantities of oil and cakes are people likely to buy?
- ☞ from where would farmers prefer to buy seed, oil and cakes?
- ☞ which other customers besides farmers may be interested in buying seed?
- ☞ what are the laws on seed production for groundnut or what are the laws for establishing a small-scale processing unit?

Market research should be done before you start a seed business and every 3-4 years after that, to make sure you are aware of changes in the market.

Two approaches are described in this manual for conducting market research: **informal surveys** and **research by observation**. An informal survey is a way to get information from a small group of people to represent the views of a larger group. Research by observation means observing a situation and making conclusions based on what you saw.

### **Informal survey**

When doing market research on seed you should get information from different kinds of people or organizations: farmers, farmers' associations and organizations, people who sell seed (traders, shopkeepers, input supply shops), schools that have a farm, and development organizations such as NGOs and projects.

### **Do market research with different potential customers**

Collect different types of information from each source, using different methods as outlined in table 1.

**Table 1. Market research information.**

Who to talk to	Types of information to collect	Method
Farmers or farmer groups	Seed demand Varietal preferences Varieties being grown Interest in new varieties Issues of concern regarding seed quality Price willing to pay	Informal survey
Seed sellers (traders, shopkeepers and input suppliers)	Price of seed sold Varieties sold Class of seed sold Quantities sold Profit markup Problems selling seed Price willing to pay Interest in placing bulk order Location	Informal survey and observation
Seed producers	Crops Varieties and type of seed produced Price of seed Quantities produced Cost of production Profit markup Where seed is sold Problems selling seed	Informal survey and observation
Schools, NGOs, projects	Interest in buying seed Price willing to pay Varietal preferences Interest in placing bulk orders	Informal survey
Extension agents and researchers	Seed laws and policies	Informal survey

Decide how many people and organizations you will talk to. If your target market is large, you will need to conduct your survey in several villages. Make sure you talk to people you do not know so as to get many different views. The following numbers should help to guide you:

**Farmers:** 20 per village. Select households that belong to different wealth groups (5 rich, 8 of average wealth and 7 poor is a suggestion);

**Seed sellers:** 5-8;

**Seed producers:** depends on how many exist;

**Schools:** 3-5;

**Development organizations:** depends on how many exist.

First, make a list of questions you will ask. Visit each of the people and organizations you have selected to ask them the questions on your list. It is important when talking to farmers, to talk with the person in the household who is responsible for managing seed. Usually, this is a woman. Write down the answers people give so that you can look at the answers later and make decisions.

### **Research by observation**

You can get additional information to help you understand demand for seed by observing what is happening in your community. Visit several markets and shops at different times of the year to see who sells seed, what kind of seed is being sold, the quality of the seed, to observe when people buy seed and what kinds of questions they ask seed sellers.

### **Selecting varieties for your business**

You will have to decide which varieties to produce after you have completed market research. Producing seed of more than one variety has several advantages: when demand goes down for a variety, you can produce another variety. You have more than one product, which is likely to increase your profits and reduce risks from seasonal weather problems. To ensure the success of your business, it is best to limit the number of varieties you work with to one or two at a time. You may decide to plant both varieties each season or only one variety per season. The varieties you select to multiply will greatly determine the success of your business.

### **Carefully choose varieties for the success of your business**

Only multiply varieties that will sell easily. Varieties can be divided into three groups:

1. **commonly grown local varieties:** varieties that have been grown for many years by many farmers;
2. **rarely grown local varieties:** varieties which farmers appreciate for certain characteristics but which nowadays only a few farmers grow. Such varieties are often scarce because of seed shortage;
3. **improved varieties:** varieties developed by researchers or farmers that have higher yields and often are more resistant to pests and diseases. Many improved varieties look exactly like local varieties.

When deciding which of the three types of varieties to multiply, consider the advantages and disadvantages of each type listed (table 2).

**Table 2. Types of varieties for seed production.**

<b>Types</b>	<b>Advantages</b>	<b>Disadvantages</b>
Common local	<ul style="list-style-type: none"><li>- Farmers already know these varieties</li><li>- They have characteristics farmers appreciate</li></ul>	<ul style="list-style-type: none"><li>- Farmers may not want to buy them since they are available in shops, markets and from other farmers</li><li>- Low multiplication rate</li><li>- Low yields and/or are not resistant to important diseases and pests</li></ul>
Rarely grown local varieties	<ul style="list-style-type: none"><li>- Farmers may be willing to buy them for a high price because they are scarce</li><li>- They have important characteristics that farmers appreciate</li></ul>	<ul style="list-style-type: none"><li>- Low multiplication rate</li><li>- Low yields and/or are not resistant to diseases and pests</li><li>- Demand may be low</li></ul>
Improved varieties	<ul style="list-style-type: none"><li>- High yielding and tolerant to important diseases and pests</li><li>- Farmers may be prepared to pay a high price</li></ul>	<ul style="list-style-type: none"><li>- Farmers may not be used to new seed types</li><li>- May have some undesirable characteristics</li></ul>

The next step is to select which products or varieties to produce. You may not be able to complete this step if you plan to work with new varieties that you do not yet have access to. Before you make a final decision, it is important to have information recorded on the prices paid for different varieties.

### **Deciding on the scale of your business**

In doing market research, it is important to consider which market your business will target. Will you supply seed mainly to farmers in your own village and nearby villages, to farmers in a wider area (many villages), the whole district or a wider region?

### **A seed business can have different target markets**

Your target market will obviously depend on how big you expect your business to be and the resources (land, labor, money, time) you have.

## **Can I produce good quality seed or process good quality oil or cakes?**

- ☞ Decide which class of seed to produce
- ☞ Think about which equipment and materials you need for a seed business

### **Deciding which class of seed to produce**

Seed is classified into classes to show differences in quality. For crops such as groundnuts, quality is measured by the germination rate, purity, and whether the seed is sufficiently free of diseases. Usually governments recognize three classes of seed that can be sold to farmers.

1. **Certified seed:** seed produced by specialized producers such as researchers, seed projects or ADPs through its outgrowers' schemes that is available for sale. Fields of certified seed must be inspected by seed officials to make sure that they meet requirements set by the government.
2. **Improved seed** (also called standard or commercial seed): seed of a lower class than certified seed than can be produced under farmers' conditions using careful procedures.
3. **Farmers' seed:** seed produced by farmers in their traditional way without following special or careful procedures. The type of seed business described in this technical note is primarily meant to produce improved seed. You will need to seek information from an extension agent if you would like to produce certified seed.

### **Equipment and materials needed for a seed business**

To produce good quality seed may require equipment and inputs that farmers may not normally use. See page 49 for a list of equipment required for groundnut seed production. You may start your business with a few pieces of basic equipment and obtain others later as your business expands.

### ***Am I the right type of person to run a seed business or processing unit successfully?***

- ☞ Can you successfully manage a seed business or processing unit?
- ☞ Do you have the right skills for a seed business or processing unit?
- ☞ Should you work as an individual or a group?

Some people are better at operating a business than others. It is also important to recognize that some businesses are more difficult to operate than others and may require more developed business skills. A seed business is a complex type of business, which requires strong business skills because:

- the market is not steady (it changes all the time);
- there may be competition from farmers' own seed;
- it is difficult to know or predict customers' buying behavior;
- the weather may be unfavorable.

You need skills in the following eight areas to operate a seed business successfully. One needs to have experience in farming; desire to succeed and ability to take risks. In addition to these personal skills, you need to conduct market research to gather information on the potential customers and the size of demand, you need to know how to manage your business financially; you will also need some business sense, know how to convince customers, know how to treat customers.

### **Working as an individual or a group**

A seed business can be operated by an individual or a group. Some advantages and disadvantages of working in these ways are listed below.

#### **Operating a seed business as an individual**

##### **Advantages**

The sole owner can make all decisions without asking permission from someone else.

The income that is earned goes to the owner. You can try new ideas, new methods, and new marketing techniques without asking anyone. There are no problems of mistrust or misunderstanding if you own a business alone.



## **Disadvantages**

The total financial burden rests on the owner. You can obtain outside assistance in making decisions, as an individual, but this can be costly and time consuming. Some people may feel isolated as a sole owner rather than as part of a group. All the risks, equipment, and inputs are the responsibility of one person.

## **Operating a seed business as a group**

### **Advantages**

The costs of transport, marketing, distributing fertilizer and seed can be shared. Buying inputs like fertilizer, insecticide, and chemicals for treating seed in large quantity lowers the cost. Groups often have improved access to credit at a lower cost. More people working together can lead to higher levels of production and a higher level of income may be achieved. Increased production may create savings, which can be used to expand production or meet other needs. People learn how to work together, analyze problems together, and make future plans together. Women may have better access to land and other resources when organized in groups.

### **Disadvantages**

There may be conflict among group members for many reasons. Sometimes groups depend too much on outside financing as opposed to self-financing. If group leadership is weak, the group is likely to fail to meet desired goals and membership will decline.

Poor record keeping may cause confusion within the group on expenditures, marketing, and sales. If a few members make all the decisions, other members may become dissatisfied because they have no chance to offer opinions.

If you decide to work as a group, there are several ways to organize yourself:

- group members do all seed production activities together and share profits;
- group members grow seed on an individual basis but come together to do some activities such as storage or marketing;
- group members only get together to buy materials and inputs in order to reduce cost.

It may be better to work in a group that already has success and experience in working together. Think carefully about the advantages and disadvantages of each way of organizing yourself before making a decision.

### ***What do I need to invest to make a seed business successful?***

- ☞ Estimate how much it will cost to start a seed business
- ☞ Estimate income and expenditure for one year
- ☞ Estimate how much profit you can expect to make

Before you start a business, you should develop a business plan to see whether you can afford to start the business and if you will make money. This means calculating the following:

- fixed and working costs
- the selling price
- annual income from sales
- profitability of the business

### **Develop a business plan before you start your business**

#### **Business costs**

There are two types of business costs: **fixed costs** and **working costs**. Fixed and working costs combined are called the **costs of production**. Fixed costs are one-time costs that occur when starting up a business. Fixed costs for a seed business include tools, storage constructions and equipment that last for more than one production cycle but not for many years. Buying or renting land may also be part of your fixed costs.

When calculating the cost of equipment and materials, in addition to the initial cost of each item, estimate how long each item can be expected to last (life span). Life span is expressed in number of seasons or years. For example, the life span of a hoe is two years. The fixed costs for the Kabale Groundnut Seed Producers are shown in table 3.

**Table 3. Fixed costs for the Kabale groundnut seed producers.**

Fixed cost item	First season			Second season		
	Quantity	Initial cost (Naira)	Life span (seasonal)	Quantity	Initial cost (Naira)	Life span (seasonal)
Thresher	1	9,000	3	1	9,000	3
Sorter	1	6,500	8	1	6,500	8
Black polythene sheet for drying	1	750	6	1	750	6
Hoes	12	350	2	12	350	2
Winnowing baskets	4	50	2	4	50	2
Land (acres)	0,53	4,000		0,6	3,000	
<b>Total materials</b>		<b>20,650</b>			<b>19,650</b>	

Working costs are costs that occur each season at all stages of seed production, from cultivation to selling the seed. Working costs include inputs: materials, equipment, seed, fertilizer, labor, transport, and packaging material. The cost of renting land may be part of working costs if you rent land regularly. It is important to note that working costs increase as the area of land to be planted increases because you will need more of each item. Examine the working costs for the Kabale Groundnut Seed Producers and Mrs. Hadja Aisha Alitu, a groundnut seed producer (tables 4 and 5).

**Table 4. Fixed costs for the Kabale groundnut seed producers.**

	First season				Second season			
	Quantity	Number of days	Unit cost (Naira)	Total cost (Naira)	Quantity	Number of days	Unit cost (Naira)	Total cost (Naira)
Seed	15,5		120	1,850	9,5		120	1,140
Pesticide				1,000				1,000
Renting a spray pump	1	2	100	200	1	2	100	200
Plastic bags (1 pkt = 80 bags)	1		300	300	1		300	300
Polythene bags for packing seed (100 kg)	4		50	200	2		50	100
Storage chemicals				155				100
<b>Total working</b>				<b>3,715</b>				<b>2,840</b>

**Table 5. Working costs of Mrs. Hadja Aisha Alitu, a groundnut seed producer (Naira).**

	Season 1	Season 2
Seed	54,000 (18 bags)	2,100 (7 bags)
Land preparation	14,050	3,400
Planting	2,200	800
Weeding	1,300	600
Spraying	870	800
Dehaulming	200	200
Fertilizer	7,000	3,000
Pesticides	5,970	2,000
Guarding	2,000	500
Harvesting	2,400	1,500
Bags	500	600
Transport	6,270	1,300
<b>Total</b>	<b>96,760</b>	<b>16,800</b>

When you first start a business, you must have money to pay for both fixed and working costs before you begin. It is important to remember that there will be no income from your business until the first crop has been harvested. Therefore, before starting a business, you must plan where the money to start off will come from. Money may come from your own savings or may be borrowed. But if you borrow money, think about whether you can repay the loan and still have enough income to cover your business costs.

Since costs are related to the area to be planted in seed, an important decision before you begin the business is how much seed and land you want to plant. You should reach this decision by considering available resources (land, labor, time), how much money you have to invest in your business and the estimated level of demand for seed. It is always better to start small and expand over time. To be successful, seed producers should try to keep their costs of production low and increase their yields.

This can be done by:

- ☞ planting high yielding varieties;
- ☞ planting varieties that are tolerant to the diseases and pests in your area;
- ☞ planting good quality seed;
- ☞ choosing soils which are fertile or by using fertilizer, compost or green manures to improve soil fertility;
- ☞ managing your seed fields well by planting on time, keeping the fields clear of weeds, managing diseases and pests well, harvesting on time and storing the seed properly;
- ☞ poor weather conditions also affect yields and crop performance but there is little you can do about this problem.

### **Calculating the selling price**

Once you know all costs needed for operating your business, calculate the price at which you should sell seed in order to make a profit. The selling price is the cost of producing a certain amount of seed (for example, a bag or a kilo) (**cost of production**), plus the producer's profit (**profit markup**), plus an amount to cover the cost for equipment used (**depreciation**).

**Selling price = costs of production + profit markup + depreciation**

Here is an example of how Mrs. Hadja Aisha Alitu, a groundnut seed producer, calculated her selling price.

### Step 1: calculate the cost of production

Mrs Hadja Aisha Alitu plans to plant 300 kilos of groundnut seed at a total cost of Naira 288,000. After harvesting and sorting, she expects to be left with 4000 kilos of groundnut seed. She divides her total costs (Naira 288,000) by the amount of seed produced (4000 kilos) to get the average cost of producing seed per kilogram:

$$\text{Naira } 288,000 / 4000 = \text{Naira } 72 / \text{kg}$$

This means it costs Naira 72 to produce 1 kilo of groundnut seed. Mrs Hadja Aisha Alitu must therefore sell each kilo of seed at Naira 72 to cover the cost of producing it. If she sold a kilo of groundnut seed for Naira 72, she would not make a profit. She must therefore add a profit markup to the cost of production so that she can make profit from her sales.

### Step 2: calculate markup profit

As a general guideline, the profit markup for seed can be 20-50% of the production cost per unit (kilo, bag). Profit markup will differ by variety, depending to some extent on farmers' appreciation of specific varieties. Since farmers are willing to pay more for varieties they like, you can charge a higher profit markup for those varieties. On the other hand, you should charge less for varieties that look different from what farmers are used to, for varieties that are less appreciated and which have a small market.

Mrs Hadja Aisha Alitu thinks a profit markup of **25%** is fair.

$$\text{Mark-up profit} = 72 \times 0.25 = \text{Naira } 18 \text{ per kg}$$

Add the markup profit of **Naira 18 to Naira 72 = Naira 90 per kg.**

In deciding on a profit markup, you will need to ask yourself the following questions:

- ☞ will most customers be willing to pay this price?
- ☞ is this price competitive with the price of other seed of the same quality?
- ☞ will this price allow a trader or shop owner to add his or her own profit markup and still be able to sell? The trader or shop owner will increase the price he/she paid you by two or more than, so concern yourself more with your own price.

If the answer to any of these questions is no, consider lowering your profit markup.

### **Step 3: calculate depreciation**

Tools, equipment and buildings get old, broken and need to be replaced. Since equipment is worth less after each year of use, this cost must be included in the selling price by subtracting a small amount of money each year from the original price of the equipment. Since seed producers use many different tools and equipment, it is difficult to decide how much money to add to the selling price to cover the cost of each tool or equipment. The easiest method is to estimate the depreciation of the most expensive pieces of equipment.

Mrs Hadja Aisha Alitu bought a threshing rack for Naira 9000. The threshing rack has a life span of three seasons before it wears out. To get the depreciation cost, divide the cost of the equipment by its expected life span.

Mrs Hadja Aisha Alitu divided Naira 9,000 by 3 i.e. Naira 3000. Naira 3000 is the cost of using the threshing rack for one year.

Mrs Hadja Aisha Alitu divides the value of the depreciation of the threshing rack by the total quantity of seed she expects to sell (4000 kg) i.e.  $3000/4000 = \text{Naira } 0.75$ .

Mrs Hadja Aisha Alitu adds Naira 0.75 to the price of each kilo of seed. Naira 90 (cost of production + profit markup) + Naira 0.75 (depreciation) = Naira 90.75. Adding an amount for depreciation allows her to make enough money to replace her old threshing rack after three seasons.

The selling price of each kilo of groundnut seed in this example is Naira 90.75.

By including the cost of production, profit markup and depreciation when setting the selling price, you will make a profit from your seed business. If the seed is sold for less than it costs to produce, the business will fail. If the production costs are too high, the seed may be too expensive for the buyers.

Table 6 shows depreciation of fixed cost items used by the Kabale Groundnut Seed Producers in one season. Depreciation for each item is calculated from table 3, on page 14.



**Table 6. Depreciation of fixed cost items used by the Kabale groundnut seed producers (Naira).**

Fixed cost item	Life span (season)	Depreciation (Naira)
Thresher	3	3,000
Sorter	8	813
Black polythene sheet for drying	6	125
Hoes	2	2,100
Winnowing basket	2	100
<b>Total</b>		<b>6,138</b>

### Estimated annual income from sales

Once you have calculated the selling price of seed, you are ready to calculate your estimated annual income from sales. Follow three steps to calculate the amount of income from sales for each planting season per year.

**Step 1:** estimate the sales price and the amount of seed you expect to sell each season. This calculation must be done separately for each variety. Mrs Hadja Aisha Alitu expects to sell 4000 kg of groundnut seed produced in the first season for Naira 91 per kilo. She expects to sell 3500 kg produced in the second season for Naira 98.

	First season	Second season
Sale price for one kg	Naira 91	Naira 98
Amount to be sold (kg)	4,000	3,500

### Step 2: calculate the total income from the first season

Total First season	$91 \times 4000 =$ Naira 364,000
Second season	$98 \times 3500 =$ Naira 343,000

**Step 3:** to get annual income, add total income from both seasons.

First season	=	Naira 364,000
Second season	=	Naira 343,000
Annual income	=	Naira 707,000

Mrs Hadja Aisha Alitu expects to get an annual income of Naira 707,000 in her first year of seed production.

### Calculating the profitability of your business

The purpose of your seed business is to make money (profit). This means that income from seed sales must be higher than the cost of producing seed. It is important to find out whether you can make a profit from selling seed **before** you start the business. Many businesses fail because they find out they cannot make a profit. Follow four steps to find out if your business will be profitable.

**Step 1:** calculate your estimated fixed costs and working costs. These two are also called the cost of sales.

Mrs Hadja Aisha Alitu recorded the following fixed costs and working costs over two seasons:

	First season	Second season
Fixed costs	194,000	150,000
Working costs	94,000	60,000
Cost of sales	288,000	210,000

The total cost of running her business for one year is:

Naira 498,000 (Naira 288,000 + 210,000)

**Step 2:** calculate annual income from sales.

First season	Naira 364,000
Second season	Naira 343,000
Annual income	Naira 707,000

Mrs Hadja Aisha Alitu expects to get an annual income of Naira 707,000 in her first year of seed production.

**Step 3:** calculate profit.

Profit is the income from sales minus the cost of sales. Mrs Hadja Aisha Alitu calculates her profit by subtracting her annual income of Naira 707,000 from her annual cost of sale of Naira 498,000 (cost of sale from the two seasons: Naira 288,000 + Naira 210,000 = Naira 498,000). Mrs Hadja Aisha Alitu's annual profit is Naira 209,000.

**Step 4:** making conclusions about profitability. Decide whether the amount of estimated profit is worthy of the amount of work you will have to put into your business.

***Should I start a seed business?***

- ☞ Analyze and reflect on the information you have collected
- ☞ Grow seed for at least one season and sell it
- ☞ Calculate profit and reflect on your experience
- ☞ Decide whether to start a seed business with the crop and variety you tested, change the variety or crop or give up the idea of a seed business

Once you have completed the steps discussed so far and reflected on the information collected, you are ready to grow seed on a trial basis. This stage is important because it allows you to have the actual experience of growing and selling seed without taking a big risk. Grow seed for at least one season, sell it and calculate the profitability of your business. If you are able to sell seed profitably, make the decision to start a seed business. If you are not able to sell seed profitably, try another variety of the crop you tested or change crops. In either case, you will have to repeat some of the steps in making the decision to start a business (see the steps on page 5). After the trial, you may also decide that a seed business is not the right business for you and give up the idea.



# Business planning

**Planning** means thinking and working out what to do about something before it happens.

## **Planning is important to business success**

There are two stages in planning a business. It is important to think about and work out what to do before you start a business. Once your business is established, you will have to plan every season or year so as to improve your business in the future.

There are three important reasons why planning is important for your seed business:

1. a plan shows you which part of your business you need to improve;
2. a plan shows you the amount of money you can expect to see coming into and going out of your business;
3. a plan shows a lending institution, such as a bank, how well your business can expect to do in the future.

This chapter shows you how to prepare three types of plans: **a business plan, a sales and costs plan** and **a cash flow plan**.

## ***Preparing a business plan***

Preparing a business plan will help you to clarify and focus your ideas. It will also make you feel more confident about succeeding. If prepared properly, a business plan shows a lending institution how much money you need and how you will repay a loan. A business plan should have the following information:

1. Introduction: describe which crops and what type of seed your business will produce, why the business is a good idea and who your customers are.
2. Information about yourself: include your name, the name of the business, your qualifications and experience.
3. Describe the product: give details of the varieties you will multiply, quality control measures, packaging etc. Explain what is special about your seed.
4. Describe the market: who are the customers? Where are they? How big is the market? Is demand growing or falling? Who are your competitors

- and what will they do if you start producing?
5. Describe your selling plan: How will you distribute and sell your product? How will you promote your product and why will your methods be successful?
  6. Equipment needed: where will the business be located? How will you obtain land? What equipment do you need, why and what are the costs?
  7. Describe the finances needed: What finances will you need to start the business and operate it for one year? How much of your own resources will be put into the business? If you are seeking a loan, how much money is needed and what is it needed for? What security will you be able to offer on the loan?
  8. What are your plans for the future? What are your objectives in running the business? How will you achieve them? What do you expect to happen over the next three to five years?

### ***Preparing a sales and costs plan***

A **sales and costs plan** allows you to make a forecast of your sales and costs for each month of the next year. This allows you to know how much profit you can expect to make next season or year. For a seed business, it is advisable to make a sales and costs plan for either a season or year in advance depending on whether there are two or one growing seasons per year. Make your sales and costs plan before you need to use it.

### **Make a sales and costs plan in advance**

**Step 1:** estimate fixed and working costs. You can get this information from your business records. Is there anything that you can improve on? Did you use the cheapest materials possible (however don't forget the quality of the materials when making this assessment)? Did you waste materials? Next, get information about next year. Think of anything that may affect your costs.

**Step 2:** make a forecast of sales and profit for each month. To make a forecast, get information about what happened last year. You can get this information from your business records. Think carefully about what happened in the past. Is there anything that you can improve on? Next, get information about next year. Think of anything that may affect your sales and profits. This forecast can also be divided into planting seasons. Ask yourself the following questions:

### **Products (crops or varieties)**

- ☞ Which products sold well? Why?
- ☞ Which products sold badly? Why?
- ☞ What products do your customers want?
- ☞ Can you sell new products?

### **Price**

Were your customers willing to pay the prices you set?  
Were the prices high enough to give your business profit?  
Do you need to increase or decrease your prices?

### **Sales**

Did you sell seed directly to customers or did you sell to retailers? Which way of selling brought more profit?  
How did you promote your product?  
What type of promotion gave the highest sales and best profit for your business?  
What is the best kind of distribution system for your business?  
What can you do to promote your product?

**Step 3:** use your sales and costs plan to improve your business. At the end of each month, compare the amount in your sales and costs plan with the actual amounts you record in your record book. Use your plan to check if your business is doing as well as you expected.

- ☞ Are your sales for the month as high as the sales you forecast? If not, find out why the sales are lower than you expected.
- ☞ Are your costs for the month higher than the costs you forecast? If so, find out why the costs are higher.
- ☞ Is the profit for the month lower than the profit you forecast? Look for the reason why your profit is not as high as you expected.

### ***Preparing a cash flow plan***

A **cash flow plan** predicts how much cash you expect to come into your business and how much cash you expect to go out of your business each month. This type of plan helps you to make sure that your business does not run out of cash at any time. It gives you a warning in advance about future cash shortages so you can solve problems before they happen. Comparing this with the actual cash flow you experience gives you an excellent way to determine how accurate your forecasting is compared to



what the business really does. You can make a cash flow plan for a season or a longer period.

Here is a cash flow plan for Hadja Aisha Alitu seed business (table 7).

Table 7. Cash flow plan (in Naira).			
	January	February	March
Cash at the start of the month	4,50	3,480	2,780
Cash in from sales			3,000
Any other cash in	480	500	300
Total cash in	4,980	3,980	6,080
Cash out for fixed costs	900	900	900
Cash out for working costs	600	300	1,200
Cash out for planned investment in equipment	0	0	800
Any other cash out	0	0	0
Total cash out	1,500	1,200	2,980
Cash at the end of the month	3,480	2,780	3,100

Follow 10 steps to make a cash flow plan. Steps 1-4 are for CASH IN. Steps 5-9 are for CASH OUT. Look at the steps for the month of March.

**Step 1.** Enter the amount of cash you expect to have in the cash box and bank account (if you have one) at the beginning of March. Write this amount in the space next to cash at the start of the month.

**Step 2.** Look at your sales and costs plan. Find the forecast you made for cash sales for the month of March. Write this amount in the space next to “cash in from sales”.

**Step 3.** You may get cash from other sources besides sale - such as a bank loan, interest from your bank account or a donation. Write this amount in the space next to “any other cash in”.

**Step 4.** Add up all the cash in amounts from steps 1, 2 and 3 to get the total cash in. Write in this amount in the space next to “total cash in”.

**Step 5.** In the month of March you may buy materials for your business. Look at your sales and costs plans under the month March. Write the amount you estimated for materials in the space next to “cash out for materials”.

**Step 6.** Look at your sales and costs plans under the month of March to see how much you estimated spending on working costs. Write the amount you estimated in the space next to “cash out for working costs”.

**Step 7.** Will you buy any equipment in March? Find out the costs and write this amount in the space next to “cash out for planned investment in equipment”.

**Step 8.** Is there any other amount of cash you forecast your business will pay out in the month, such as loan repayment? Write in this amount in the space next to “any other cash out”. If there are no costs in this category leave this space empty.

**Step 9.** Add up all the “cash out” amounts from Steps 5, 6, 7, 8. This is the total cash amount you expect to go out of your business during March.

**Step 10.** Subtract the total cash out from the total cash in to get the amount left in the cash box and bank account at the end of March. Remember that cash at the end of the month is the same as cash at the start of the next month. Mr Tusiime’s cash flow plan shows that at the end of the three month period he expects to have Naira. 9,360.

Use your cash flow plan to make sure that your business has enough cash all the time. If your cash flow plan shows that your business is likely to run out of cash during one month, think about the following questions:

- ☞ Can you increase cash in from sales during that month? Consider whether you are giving too much credit.
- ☞ Can you reduce material costs for the month?
- ☞ Is it necessary to buy new equipment at this time? Can you buy equipment on credit or get a loan?

## Calculating net worth

**Net worth** is a calculation of what your business is worth at a certain point in time which tells you how well your business is doing. It is important to calculate net worth every six months. Follow these steps to calculate net worth.

### Calculate net month every six months

**Step 1.** Calculate the value of all items related to your business that have money value. These are called assets. Assets in a seed business include seed not yet sold, equipment, tools and any cash you have from seed sales.

**Step 2.** Calculate all fixed and working costs.

**Step 3.** Subtract the business costs from the value of your assets. This figure is the net worth of your business (table 8).

**Table 8. Net worth of Mrs Hadja Aisha Alitu seed business, March (Naira).**

<b>A. Assets</b>	<b>Value / Cost of items</b>
Equipment	7,500
Seed	3,000
Packaging material	1,000
Cash on hand from selling seed	3,500
<b>Sub total</b>	<b>15,000</b>
<b>B. Costs</b>	
<b>Fixed costs:</b>	
Loan for seed, materials or equipment	2,500
Replacement costs (depreciation)	700
Equipment	3,500
<b>Variable costs</b>	
Transport	1,000
Equipment rental	2,000
<b>Sub total</b>	<b>9,700</b>
<b>Naira 15,000 - Naira 9,700 = Naira 5,300</b>	
<b>Net worth for March Naira 5,300</b>	

Mrs Hadja Aisha Alitu calculates the net worth for her seed business in March. Its net worth in March is Naira 5,300. Six months later, she calculates the net worth of her business again.

**Table 9. Net worth of Mrs Hadja Aisha Alitu seed business, September (Naira).**

<b>A. Assets</b>	<b>Value / Cost of items</b>
Equipment	7,000
Seed	5,000
Packaging material	1,500
Cash on hand from selling seed	5,000
<b>Sub total</b>	<b>18,500</b>
<b>B. Costs</b>	
<b>Fixed costs:</b>	
Loan for seed, materials or equipment	1,500
Replacement costs (depreciation)	700
Equipment	4,000
<b>Variable costs</b>	
Transport	1,500
Equipment rental	2,500
<b>Sub total</b>	<b>10,200</b>
<b>Naira 18,500 - Naira 10,200 = Naira 8,300</b>	
<b>Net worth for March Naira 8,300</b>	

In September, the net worth of Mrs Hadja Aisha Alitu's business is Naira 8,300. The net value of her seed business has improved in six months. Although her costs have increased, she is making enough profit to cover the expansion of her business. This could be due to several factors such as higher yields, higher prices, or both. This could also result from a lowering of production costs.



# Record keeping improves your business

Keeping records is important because you need accurate information about your business to make good business decisions.

**Business success depends on good record keeping**

Good record keeping will help you know:

- ☞ how your money is being spent;
- ☞ when most sales are made;
- ☞ how your business is growing;
- ☞ when to make purchases.

Two kinds of records are important:

1. Seasonal records: records of all sales, purchases, labor hired, land rented, transport and other costs made during a season.
2. Income projection: these are records indicating how much money you think you will make and spend over a certain period of time, for example a month or season. These records are estimates whose accuracy improves with experience and practice. Income projections help you predict the future of your business and decide on how to adjust expenditure and prices. Examples of income projection records are sales and cost plans and cash flow plans.

## **Seasonal records**

Seasonal records of all costs and sales should be kept in a **ledger**. A ledger is a special kind of exercise book for keeping business records. If you cannot buy a ledger, you can make one yourself using a ruler and a pen or pencil to make separate columns for all the information you will be recording. Keep all records for one season in the same ledger, but use a separate page for each. These are suggestions, but use whatever method is good for you as long as it contains all the proper information.

Divide your ledger into 2 or 3 sections:

Section 1: record items that make up your fixed and working costs. These records can be organized under the following headings, as indicated below: purchase ledger, labor ledger, land ledger, transport ledger and a ledger for all other costs.

Section 2: record the amount of seed of each crop and variety you have in stock and their unit price e.g. per kilo or bag. This kind of record is called inventory control.

Section 3: record business loans, if you have any.

**Section 1:** records under section 1 of your ledger can be organized into sub-sections A-E, as follows:

### **A. Purchase ledger**

A purchase ledger shows a list of all the items you have bought for your business, when you bought them, how much you bought and how much you paid for them. Keep receipts for all purchases made. This record gives you an idea of how much you may need to spend in the future and can help to predict business profitability.

### **Purchase ledger**

Items purchased	Date of purchase	Quantity purchased	Unit price	Total price



## **B. Labor ledger**

A labor ledger shows a list of all hired labor, the number of days each person worked and how much he or she was paid. This record allows you to plan future labor costs, provides you with figures for your monthly projections, and helps you to decide on the amount of labor you may need.

### **Labor ledger**

Name of laborer	Days worked	Unit price per hour or day	Total payment

## **C. Land ledger**

A land ledger is used to record the amount of land rented and the cost. This record allows you to plan future land costs and provides you with figures for your monthly projections.

### **Land ledger**

Name of landlord	Amount of land rented	Cost per acre	Total cost

## **D. Transport ledger**

A transport ledger is used to record the cost of transporting seed to the market. This record helps you to predict at what time and how much money is needed for future transport costs.

### **Transport ledger**

Type of transport	Date	Quantity of seed transported in kg or bags	Cost per bag or kg	Total cost	Destination

## E. Ledger for other costs

This ledger could be used for equipment rental, land payments or serve as a record for loan repayments. Another use might be for being able to tell rapidly how much you spent on materials and labor for building a seed store.

### Ledger for other costs

Quantity purchased	Type	Unit cost	Total cost

**Section 2:** record under section 2 of your ledger records related to inventory control and sales.

### *Inventory Control*

Inventory control (also called stock control) records keep track of the quantity of seed that is available for sale. This record tells you accurately at all times how much seed of different varieties you have for sale. This information is important for making you aware of how much money you can make or lose depending on whether the seed is sold or not.

### Inventory control

Date	Quantity on hand			Unit price			Total price
	Variety	Variety	Variety	Variety	Variety	Variety	

### **A. Sales ledger**

Record all sales made in the sales ledger by indicating the name of the buyer, the date the sale was made, the quantity purchased by variety, the unit price by variety and the total price paid. This kind of record helps you to know what kind of people buy your seed, in what quantity, which varieties are most popular, and where your customers are located.

#### **Sales ledger**

Name of buyer	Date	Quantity bought			Unit price			Total price
		Variety	Variety	Variety	Variety	Variety	Variety	

Record keeping is important for planning purposes. Without careful record keeping your business is likely to fail.



# Knowing the market

There are seven important areas that you need to consider if you want your seed business to succeed and grow:

- ☞ Know what customers want
- ☞ Treating customers well
- ☞ Dealing with other seed suppliers (competition)
- ☞ Creating demand
- ☞ Promotion
- ☞ Packaging
- ☞ Transport

**Business  
success  
requires hard  
work**

## ***Know your customers***

As a seed producer, you need to take into consideration the preferences of both farmers and seed sellers. However, it is important to remember that traders represent the preferences of a third group: rural and urban food buyers. Your main customers, farmers and seed sellers, often have different preferences. Farmers are concerned with the performance of a variety in the field, cooking quality, taste and marketability, while seed sellers are mainly concerned with post-harvest characteristics such as cooking quality, taste and marketability. Farmers will sometimes be interested in varieties that have no market, but the most popular varieties of any crop will be good for both home consumption and sale. As customers' preferences change over time, conduct market research regularly (every 3-4 years) to improve your market awareness, find out what your customers want, and change your varieties or crops if necessary.

## ***How to treat customers***

How you treat your customers can help increase your sales. Good, friendly service helps to sell seed! Smile when you greet customers.

### ***Provide good service to your customers***

Be prepared to answer questions they have about the varieties you are selling. Know the advantages and disadvantages of each variety and be prepared to talk about them. Be prepared to explain how you produce your seed and why it is different from other seed available locally. If a customer is dissatisfied, find out why. Tell him or her you are sorry for the problem and try to fix it. If there is a problem with the seed itself, consider giving the customer an extra amount free of charge. The rule of selling is "The customer is always right." You may disagree with him or her, and you may be right, but to sell your product you need to remember the customer comes first.

### ***Dealing with other seed suppliers or oil and cakes suppliers***

Seed sold by other people may affect the success of your business. It is therefore important to have a good understanding of other seed producers. You are likely to face competition from two sources:

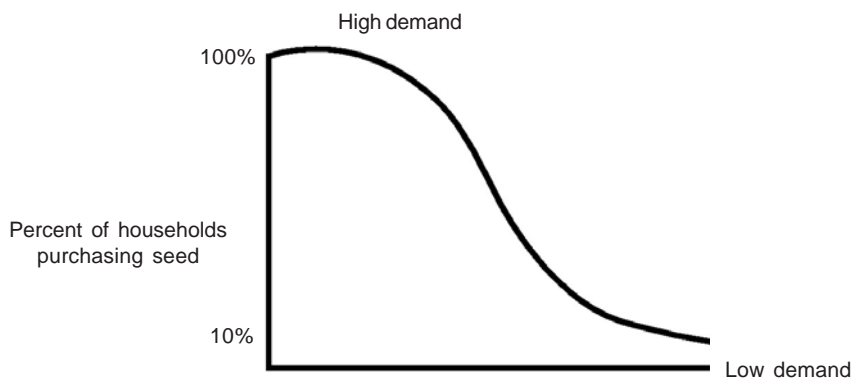
- seed that is sold locally in markets and shops: for crops such as groundnuts, what is sold as seed may be the same as what people eat;
- seed produced by specialized seed producers such as a seed company or researchers.

Seed that is locally produced in most cases will be sold for a relatively low price because no special care is taken to produce it. In most cases, this seed may not look much different from the seed you produce using special techniques. Your customers may not understand why your seed is much more expensive. It is therefore important for you to present your seed in a way that emphasizes its superior quality. One way to do this is to package your seed. Another way to show the importance of good quality seed is to conduct a seed quality experiment for the public (see the technical note "**Producing groundnut seed**"). In a seed quality experiment, seed of different quality (seed you produce, seed from the market, unsorted seed) is planted in order to observe differences in the quality of the crop. A seed quality experiment should be planted in a place in your community where everybody will be able to observe the results (for example along specialized seed producers usually operate on a very large scale and may therefore have lower production costs. But remember, this does not mean that the

quality of this seed is better. If these producers specialize in a few varieties, you may have an opportunity to specialize in other varieties. In some cases, NGOs, researchers and other organizations may give away seed of new varieties free of charge. This practice may make farmers reluctant to buy your seed. If you become aware of this situation, make the organizations involved aware of your activities and try to persuade them to stop giving away free seed.

### ***Increasing demand for seed or processed products***

For many crops such as groundnuts, once farmers obtain an initial amount of seed, they continue replanting the same seed for several seasons and may buy seed infrequently. This means that over time demand for the variety you produce is likely to decrease, especially if most farmers purchase from you to obtain new varieties. The figure below shows the demand pattern in some communities for seed of new varieties of crops like groundnuts.



**A figure showing how demand for seed of a new variety may drop over time.**

In order to increase demand, you must have a good understanding of the reasons why farmers purchase seed from you. Some common reasons are:

- ☞ To obtain seed of a new variety
- ☞ To obtain seed because farmers have eaten or sold all of their seed
- ☞ To get good quality seed
- ☞ To get additional seed to expand area planted.

If the main reason for buying your seed is to obtain new varieties, you will need to think carefully about how to increase demand over time. The following are some suggestions for increasing demand.

**Widen your market:** While it is easier to sell seed in your own village, this market will probably be too small to allow your business to grow and make money. You will therefore need to actively look for markets in other areas. In looking for more distant markets, bear in mind the preferences of farmers in other areas plus the transport and other costs associated with distant markets. It is important to target your market: is it the village, parish, district or higher level?

**Look for new customers:** Don't just sell your seed to farmers. Traders, schools and development organizations such as NGOs may also be interested in buying seed. Some of these buyers will purchase large amounts of seed and may order from you in advance.

**Actively promote your seed:** See page 38 for more information.

**Change varieties frequently:** Declining sales may be a sign that you need to introduce a new variety. Find out from researchers and extension agents about new varieties and how to get seed. Once you get seed, start by testing the new variety on a small plot to assess its performance before making the decision to grow more. When you introduce a new variety, it is important to show and tell clients why this variety is different and what new or added benefits it provides. Ask customers who grow the new variety to tell you what they think about it. This information will help you to decide how much of the new variety to plant the following season.

**Lower sale price:** if the price you charge is too high, you will sell little seed and therefore not make enough profit to make your business worthwhile. If you can afford it, sell seed at a lower price to increase demand, especially after the first 1-2 years. However, make sure that the price is high enough to cover production costs.

## ***Packaging***

Proper packaging and labeling is important for certain types of crops such as groundnuts because it tells something about the quality of the seed and makes it look different from seed available from other sources.

Packaging also allows customers to transport the seed easily. For crops such as groundnuts the best packaging material is clear plastic which allows customers to see what they are buying. Plastic of different densities (low and high) is available, although it may be difficult to find this material in rural areas. You can also pack seed in paper bags. It will probably be cheaper to



buy packaging material in large quantity, especially if it is only available in large towns or cities. If you are unable to find plastic or paper packaging material, try to think of new packaging solutions using your own ideas. For example, one group made smaller bags from large cement bags.

### **Good packing helps to sell seed**

Carefully consider using different packaging quantities based on information obtained from market research. Also consider things such as yield, farmer preference and price in making packaging decisions. For example, climbing groundnuts, which are high yielding, can be packaged in small quantities. You may choose to package seed of new or non-preferred varieties in very small quantities such as a quarter kilo. The type of packaging material used will also determine quantity. Poor quality bags or plastic can only be used for small quantities.

Each package should include a label, either directly on the bag, on the plastic or as a separate label. Labels should include the following information: the producer's name and address, the name of the variety and some information about its characteristics, the quantity, a warning that the seed is treated and something about the class of seed.

### **Promotion**

Product promotion or advertising is important to increase demand for your product. There are different ways to promote your seed. Some examples are:

- ☞ If a group is producing seed, perform a play to tell people about the importance of buying good quality seed. Perform the play at a time that many people can attend and at a place that is easy for them to get to.
- ☞ Find new places to sell and display your seed. For example, sell seed in markets, schools that have gardens, through the extension service, and shops that sell agricultural inputs. It is important to remember however, that if you sell your seed through middlemen, they may offer a lower price.
- ☞ Talk to students about seed and organize school visits to your farm. Students usually tell their parents about what they have seen.
- ☞ Contact a shop owner about allowing you to put up sign at his/her shop and ask if you can come to talk to customers about the seed.
- ☞ Send special letters and announcements to government agencies and NGOs in your area telling them about new varieties and current prices.

- ☞ Make posters to advertise your seed.
- ☞ Promote your seed at agriculture shows and fairs.

### **Use different ways to promote your seed Transport**

Transport is a major cost but can be very profitable if there is high demand for seed in another area of the country. The location of your market will determine the kind of transport you need. If you sell your seed in your village, transport may not be a problem.

However, you will have to consider transport by vehicle if you sell seed outside of a small area. The type of transport you consider will also depend on what is available, the cost, and the amount of seed to be transported.

### **Finding transport may be necessary and can be very profitable**

A group or individuals working together should consider pooling their resources and renting a truck or pickup since it is cheaper to transport large quantities. One way to reduce costs is to transport seed in the same vehicle as other goods. Cost out all the possibilities and include the costs in your business plan. Make sure that whatever transport you use protects the seed against rain, direct sunlight and other conditions that might damage it.

### **Expanding and organizing your business**

To be successful, a business must grow over time, that is, it should show an increase in profits and production level.

### **A seed business should grow like a tree, slowly but surely**

Consider several important factors and questions before making the decision to expand your business.

- ☞ Profitability of your business: have you shown increased sales and profits for at least two years?
- ☞ Change in market: has the market changed according to your market research?
- ☞ New products: do you have access to new varieties that are accepted by farmers, traders, and food buyers?
- ☞ Resources: considering that there will be additional start-up costs, do you have enough money to expand your business? Do you have land available for expansion or can you buy or hire it at a price that will continue to show a profit for what you are planting? Will you be able to get a loan?

- ☞ Labor: do you have enough labor to produce more seed?
- ☞ Transport: have you found adequate transport for larger quantities of seed at a price you can afford?

If you answer yes to 3 or more of these questions, it may be the right time to expand your business.

### **Forming a seed growers' association or community based processing unit**

As your seed business expands and other farmers in your area become specialized seed producers, consider forming a seed growers' association. When people are organized in a group with others who have similar interests, they have more power and can often accomplish more.

### **A seed growers' association helps local seed producers operate more effectively**

A seed growers' association can operate at different levels: within a region or several regions or at a national level. The purpose of such an association is to:

- ☞ help producers solve common problems together;
- ☞ represent the interests of seed producers to higher authorities such as the government. For example, an association could put pressure on the research system to develop new crop varieties more regularly;
- ☞ provide better access to information related to seed production, technical services and inputs such as seed;
- ☞ make it easier for members to purchase inputs in bulk and therefore save money;
- ☞ enable members to form linkages with researchers and specialized seed producers in other parts of the country.

The following section briefly outlines how to form a seed growers' association. You can get more details about forming an association from local NGOs or extension agents.

### **How to form a seed growers' association**

#### **Organize a meeting**

Find out the details of other seed producers in the area by consulting extension officers, NGOs and other agricultural organizations. If possible, arrange to meet some of the producers to discuss the idea of an association.

It is important to convince other seed producers of the benefits of an association before you organize a meeting. You may decide to form an association that deals with only one crop or several crops. This will depend on how producers are organized and the number per crop. Call a meeting of seed producers in your area. Send out letters inviting other seed producers to a meeting to discuss the idea of setting up an association. Hold the meeting at a convenient place. Beforehand, arrange to get paper and markers to write what you discuss. The meeting should discuss general ideas only.

**Holding the first meeting:** identify someone to lead the meeting (this person is called a facilitator). The facilitator's job is to start the discussion and encourage people to speak freely. Before the meeting, the facilitator should make a list of issues to be discussed.

These should include:

- ☞ introduction of participants: each participant should give background information on their seed business such as which crops and volumes they produce, target markets, how they operate, benefits of their business, problems faced and future plans;
- ☞ a general discussion of common problems seed producers face;
- ☞ a discussion of how participants could benefit from an association;
- ☞ a discussion of the association's goals and expectations. It is important to define objectives in a clear way. What do people want to do? How and when do they expect to achieve their goals? Remember that people usually expect too much too soon. They may think that by forming an association all their problems will be solved quickly. Members may get disappointed and the association may collapse. The facilitator needs to remind people that the advantages of an association can only be realized through hard work, self-sacrifice and a clear focus on realistic objectives;
- ☞ assess the costs and benefits of an association;
- ☞ participants need to estimate how much it will cost to establish an association. This may include giving up free time to attend meetings and contributing savings to finance activities.

Do the benefits outweigh the cost? If so, do all participants agree to share those costs? If all participants agree, proceed to the next step.

**Starting a seed growers' association:** once the group has agreed that they can benefit from forming an association, you should discuss the following issues about how the association will run.

**Rules:** discuss what rules members will follow regarding how to take decisions, when and how often to hold meetings, what type of leaders to have and how to elect them, and membership fees. Later these rules should be written as part of the constitution, that is, a written record of the purpose and rules of the association. The constitution will help the association to avoid internal conflicts and make the responsibilities of each member clear. The constitution should include the purpose of the association, rules of membership, election of officers, meeting schedule and how the association will finance itself.

**Membership:** make a list of people, both individuals and groups, interested in forming the association. Remind people that membership means having certain rights and obligations.

**Leadership:** associations need leaders and organization. The simplest form of organization is a management committee composed of a president, secretary, and treasurer who manage the association on a day-to-day basis. Other positions can be added as needed. Other committees can also be added to work on specific issues.

**Record keeping:** it is important to keep records of what was discussed and decided on during each meeting. Decide who will keep the records. A seed growers' association should develop gradually in line with the development of the seed producers who make up its membership.



## Summary

Several factors are important for success in producing seed as a business.

1. To succeed in the seed business, producers must be hard working, well organized, able to make decisions and take risks, and have good business sense and financial knowledge.
2. A seed business works best for crops and varieties that have a high or moderate seed demand. Conduct market research before starting a seed business and every 3-4 years to improve your awareness of what customers want. Make sound business decisions based on accurate information about the market you have targeted.
3. Grow seed efficiently to lower production costs and maximize profit. Plant high yielding varieties in fertile soils and manage your fields well. Set the price of your seed at a level that allows you to make a profit but is affordable for farmers.

**You need the right skills, experience and resources to start a seed business**

**Select crops and varieties carefully based on market research**

**Make a profit from selling seed**

4. Make efforts to increase demand for seed by widening your market, looking for new customers and changing varieties regularly. Convince customers of the superior quality of your seed by packaging and labeling the seed, offering good, friendly service, and maintaining a reputation for high quality seed.
5. Plan your business by keeping good records on sales, profits, your net worth and how you spend money. Make realistic business decisions based on monthly income projections.
6. A successful business grows over time. One way to encourage better seed production and represent the interests of producers is to form a seed growers' association.

**Keep good records and make business decisions based on these records**

**Expand your business**

**Promote your seed**





# Annexes

## Questions to include in a market research informal survey

### *Questions for farmers*

- For which crops do farmers experience seed storage?
- Why, when and how often do farmers experience seed shortages?
- Where does James get seed from when they run out?
- Do some farmers run out of seed more often than others? Why? Which farmers?
- How much seed do farmers buy per season?
- How much seed do rich, average and poor farmers buy?
- Are farmers satisfied with the quality of seed they obtain from other sources?
- Are there other farmers or institutions in your area that produce seed for sale? How many? Who are they?
- Which crops and varieties do they produce?
- What is the price of their seed?
- What are the common varieties (of specific crops)?
- What are the positive and negative aspects of each variety?
- Are they easily attacked by pests and diseases?
- What are the yields?
- Is there much demand for seed of these varieties in this village/group of villages/sub-county/district?
- Are there varieties that farmers like which are difficult to find seed of?
- What are the positive and negative aspects of each variety?
- Are they easily attacked by pests and diseases?
- What are the yields?
- Is there much demand for seed of these varieties in this village/group of villages/sub-county/district?
- What new varieties have come into the area in the past 4 years?
- Where have they come from?
- What are the positive and negative aspects of each variety?

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- Where have they come from?
- What are the positive and negative aspects of each variety?
- Are they easily attacked by pests and diseases?
- What are the yields?
- Is there much demand for seed of these varieties in this village/group of villages/sub-county/district?
- Do different types of traders like different characteristics?
- Are there farmers or institutions in your area that produce seed for sale? How many? Who are they?
- Which crops and varieties do they produce?
- What is the price of their seed?
- Does seed come from other parts of the country to your area?
- Who produces it?
- Who sells the seed?
- Which crops and varieties are provided?
- What is the price of this seed?
- What is the quality of the seed (certified, improved)?
- How do other seed producers and seed sellers attract customers?

**Questions for schools, NGOs, development projects**

- Does your institution purchase seed?
- Which crops? Which varieties?
- What is the seed used for?
- What quality of seed do you purchase (certified, improved)?
- How much seed do you purchase each season?
- How much do you pay for seed?
- What do you think about the quality of the seed you purchase?
- Are you satisfied with the arrangement you have for getting seed?
- Would you be interested in placing an order for seed?
- For which varieties?
- How much seed would you be interested in ordering?

**Questions for researchers and extension agents on seed laws and policies**

- Where can I get clean seed for seed multiplication (indicate crop)?
- How much does it cost?
- Is clean seed easily available?
- How much demand do you think there is for good quality seed (indicate crop and varieties)?
- Is there demand for good quality seed in other parishes/sub-counties/districts?
- What new varieties are currently available which are suitable for this area (indicate crop)?
- How much demand is there for these new varieties?
- Can you give estimates?
- What are the categories of seed recognized by the government for specific crops?
- What are the quality standards required for each category of seed?
- What are the government regulations regarding seed production?
- What are the requirements for small-scale seed producers?
- Do you need to register a small business?

### Table for organizing information on crop demand

Demand for seed of: \_\_\_\_\_ (fill in a separate table for each crop you are considering)

	High	Middle	Low	Comments
Expected level of demand for seed from farmers in general				
Expected level of demand by different types of farmers:				
Rich				
Average				
Poor				
Very poor				
Expected demand from schools				
Expected demand from development organizations				

### Table for organizing information on seed prices

Major varieties sold	Sources which sell each variety	Price at planting time		Price in the middle of the season		Price at harvest time	
		Grain	Seed	Grain	Seed	Grain	Seed

### ***Equipment for producing groundnut seed***

Below is a list of equipment and inputs needed for groundnut seed production. A \* indicates the equipment that you cannot do without. Other equipment can be purchased as your business expands.

### ***Equipment and materials for producing groundnut seed***

Good quality seed\*

Fertilizer

Insecticide

Sprayer for applying insecticide

Polythene sheets for drying seed

Threshing rack\*

Platform sorter

Sampling spear\*

Treatment drum

Chemicals for treating seed\*

Polythene bags for storing and transporting seed\*

Bags for packing seed

Weighing scales

Silo (metal bin) for storing seed

Storage shed

## ***An example of a business plan***

Quality groundnut seed  
P.O. Box XXXX,  
Kantoga, Jigawa State, Nigeria  
Tel: 082 XXXXXX

### **1. Introduction**

A new business will supply good quality seed of modern groundnut varieties.

#### **A. Details of the business**

Name: Quality seed  
Type: Family business  
Address: P.O. Box 6000, Kantoga, Jigawa State, Nigeria  
Personal details: Ms. Peter X (manager), farmer, 20 years of experience in groundnut production. Attended training course in groundnut seed production by CIAT. Experience in running a bakery. Mrs Rose T., farmer, 15 years experience in groundnut production. Attended training course in groundnut seed production by IAR/ICRISAT. Experience in running a poultry business.  
Laborers: to hire 2 full time laborers and others as needed.

#### **B. The product**

Improved seed of several groundnut varieties including SAMNUT 21, SAMNUT 22 and SAMNUT 23, Mai Bargo

Description of varieties currently grown:

SAMNUT 21: large seeded, red mottled, high yielding, tasty, very marketable. Looks like a popular local variety.

SAMNUT 22: small seeded, beige, high yielding, tasty, drought resistant, used for food security.

SAMNUT 23: large seeded, red mottled, high yielding, tasty, very marketable.

Mai Bargo: popular local variety, read large seeded, high oil content, very marketable.

Major factors influencing choice of varieties: most farmers in this area grow groundnuts as a cash crop and therefore keep little seed. As a result there is high demand for seed of both local and improved varieties. Farmers are willing to pay high prices for good quality seed, especially of improved varieties.

#### **C. The market**

Target market X sub-county. Groundnut farmers in X sub-county (30%), schools with large gardens (5%), NGOs (40%), district farmers' association (10%), input suppliers (15%).

Scale of production: the business will produce a total of 1 ton of seed each season.

Distribution: seed will be packaged in polythene in varying quantities (0.5kg, 1 kg, 5 kg, 10 kg) and sold directly to farmers and schools from the owners' home, through NGOs, input suppliers and the district farmers' association. The main sale periods are planting time: March and August.

#### **D. Resources**

Land: 5 acres are available for seed production

Workers: 2 full time laborers will be employed as well as several casual workers. They will do all of the field and post-harvest work.

Record keeping: to be kept by the manager.

Equipment:

- Seed
- Fertilizer
- Insecticide
- Sprayer for applying insecticide
- Polythene sheets for drying seed
- Threshing rack
- Platform sorter
- Sampling spear
- Treatment drum
- Chemicals for treating seed
- Polythene bags for storing and transporting seed
- Bags for packing seed
- Weighing scales
- Storage shed

Communication: telephone

Phases of development:

- Phase 1: pre-establishment
- Phase 2: establishment (current)
- Phase 3: expansion/diversification

Phase 1: self-sponsored

*Activities*

- Market research
- Establish relationship with extension and research system
- Determine varieties
- Determine price
- Establish contacts with NGOs, farmers' association, schools
- Plant a seed plot for 2 seasons and sell seed

Phase 2: 2-3 years

*Activities*

- Register business
- Open bank account
- Take orders

Phase 3: after 2-3 years

*Activities*

- Introduce new crops and varieties
- Purchase new/larger equipment
- Obtain loan
- Expand market



# Business language

Asset:	something that has money value
Bulk:	a large number or large amount
Business sense:	knowing all the areas of your business and how to manage them
Certified seed:	carefully produced seed of high quality that meets certain requirements. Large companies or organizations usually produce certified seed
Cost of production:	all costs involved in making a product
Demand:	a desire for goods or services by people who wish to buy them
Depreciation:	the amount per year an item decreases in value from usage or wear
Fixed costs:	costs to a business that do not change often and last more than a season. Many start up costs are fixed costs for permanent equipment, storage facilities, vehicles, and mortgage payments
Improved seed:	high quality seed produced using specialized procedures. This is one of several classes of seed that may be recognized by the government. Other classes are certified and farmer's seed
Improved varieties:	varieties that were developed by researchers. These varieties usually have higher yields and are more resistant to diseases and pests than local varieties
Income projection:	a way of estimating income and expenses you plan to make in the future
Informal survey:	a way to collect information by asking questions to a small number of people who represent many other people. The questions to be asked are written down and the person asking the question writes down the answers given to each question
Inventory:	a supply or stock of goods
Ledger:	a special kind of exercise book for keeping business records

Local market:	the people from your community who will buy your product
Local varieties:	varieties that farmers have been growing for a long time
Market research:	an organized way of collecting information about what products or services people need and want to buy, the amounts they need and the price they are willing to pay for it
Net worth:	the amount of money your business is worth. It is important to calculate the net worth of your business every six months
Profit:	the money you earn after all costs of doing an activity have been paid
Profit mark-up:	the amount of money added to the cost of an item that is being offered for sale, and which provides a profit
Promotion and advertising:	methods and activities used by business people to persuade others to buy a product
Seed:	the part of a plant which is planted. With some crops such as sweet potatoes and cassava, the seed or planting material cannot be eaten
Selling price:	the price for which goods or services are offered for sale
Working costs:	costs of production that change from time to time. Also called variable costs

## Groundnut Seed Project – GSP

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### About ICRISAT®



The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) is a nonprofit, non-political organization that does innovative agricultural research and capacity building for sustainable development with a wide array of partners across the globe. ICRISAT's mission is to help empower 600 million poor people to overcome hunger, poverty and a degraded environment in the dry tropics through better agriculture. ICRISAT belongs to the Alliance of Future Harvest Centers of the Consultative Group on International Agricultural Research (CGIAR).

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