

COMMERCIALIZATION OF CASSAVA SEED PRODUCTION IN UGANDA

# CASSAVA SEED BUSINESS TRAINING MANUAL

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## **List of Acronyms**

IGA	Inter-Group Associations
NGOs	Non-Governmental Organisations
NARO	National Agricultural Research Organisation
MAAIF	Ministry of Agriculture Animal Industry and Fisheries
NSCA	National Seed Certification Agency
USTA	Uganda Seed Trade Association
CSEs	Cassava Seed Entrepreneurs
CBSMs	Cassava Basic Seed Multipliers
CSOs	Civil Society Organizations
UNCST	Uganda National Council of Science and Technology
BCR	Benefit Cost Ratio
UNFFE	Uganda National Farmers Federation
MR	Market Research
NAADS	National Agricultural Advisory Services
DAO	District Agricultural Officer

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## ABOUT THIS MANUAL

This is a manual for business planning, marketing, saving, borrowing and investment in cassava seed production. It has been developed to support commercial production and distribution of quality cassava planting materials to communities in Uganda that are dependent on cassava as a source of food and household income.

The manual is intended for use by a number of stakeholders including; Cassava Seed Entrepreneurs (CSEs) and Cassava Basic Seed Multipliers (CBSMs) who are involved in production of high quality cassava seed. This manual may serve as a handy reference material to entities such as, Government Extension Agencies, research institutions and Civil Society Organizations (CSO) involved in Cassava seed business. The manual furthermore will serve as a guide to trainers and institutions that offer business development services to the farmers. The manual is also useful for educational institutions as a teaching guide.

As a quick reference manual, a trainer of trainers guide has been developed to be used concurrently with this manual. It provides a quick reference to some key materials for the trainer. For other sections however, it assumed that the trainers have knowledge on the content and thus need not to refer much to other materials. The manual, however, may be best used with other reference materials if the trainer is not fully conversant with business terms.

The rest of manual is organized as follows: chapter 1 summarizes the cassava seed business situational analysis including the link between seed systems and seed business; Chapter 2 provides details on cassava seed business; Chapter 3 covers cassava seed marketing and Chapter 4 presents detailed aspects of saving and credit including insights on investment.

***All the best for those planning to modify and or start development of cassava products as a business***

# **CHAPTER ONE**

## **CASSAVA SEED BUSINESS SITUATION ANALYSIS**

### **1.0 Introduction**

Cassava is a major staple food for more than 200 million people in Eastern, Central and Southern Africa. The primary purpose of growing cassava has changed from mere food crop to commercial commodity. New uses and potential benefits of cassava keep emerging every time. Currently, cassava has found uses in starch, ethanol, bio-fuel, animal feed, bakery and paper industries (UNCST, 2009). But despite being resilient to climate change (Ceballos *et al.*, 2004), cassava production is limited by a number of social, economic, biotic, abiotic, physical and chemical factors within or outside the crop environment. Specifically, low cassava productivity has been attributed to the use of poor quality, diseased and over ratooned planting materials.

Generally, like in many sub-Saharan African countries, Uganda's seed production industry is undeveloped and therefore farmers have no reliable source of quality planting materials hence being forced to continuously save grains as seeds or recycle planting materials for the next cropping. Recent studies by NARO indicates that over 96% of cassava farmers access cassava planting materials from either their own saved seed or from fellow farmers. This implies only 4% of the farmers currently access cassava planting materials that may not necessarily be quality declared. However, it is worth noting that there is significant trade in cassava seed mainly dominated by government, NGOs and other agencies, who distribute in form of relief inputs.

### **1.1 Seed sector in Uganda**

In order to improve agricultural production, the Ministry of Agriculture Animal Industry and Fisheries (MAAIF) through National Agricultural Research Organisation (NARO) generates and promotes appropriate agricultural technologies. In the case of crops, plant breeders are working hard to improve crop productivity through generating new varieties, multiplying seeds with private sectors and training people in seed production. In addition, MAAIF also regulates variety development, variety release, seed multiplication, seed processing, seed marketing and quality control. In Uganda, the channels and level of regulation through which farmers can

access seeds/planting materials are referred to as **seed systems**. There are basically two recognized seed systems, namely; **formal and informal seed systems**.

**1.1.1 The formal seed system:** Seeds from this system are produced following internationally acceptable standards, protocols and regulations. The seeds produced under the formal seed systems are of known quality and certified by a national seed regulatory body. In the case of Uganda, this body is the National Seed Certification Service (NSCS) of MAAIF. A formal seed system is characterized by six key components; variety development, variety release, seed multiplication, seed processing, seed marketing and quality control. The seeds produced under the formal seed system are of high quality and high yielding.

**1.1.2 The informal seed system:** Under the informal seed system, farmers cater for their own seed needs by saving part of their harvest as seeds for the next planting. Farmers preserve the seeds for the next planting either by hanging them over the fire place or on roof tops or treating with ash/herbs or sealing in pots and guards or empty bottles. Farmers may also share seeds among themselves through bartering or local seed trade. In some instances farmers buy grains from the markets or shops and plant in their fields as seeds. A few farmers also sell their preserved seeds in the market at times of peak planting. Rarely, do farmers select the seeds for quality, pests and diseases resistance/absence, genetic purity or germinability. Hence the seeds are of inferior quality genetically, physically and phyto-sanitarily.

## **1.2 Seed trade in Uganda**

Based on the seed systems as defined, there are three components of the seed markets in Uganda, which include:

**(i) The informal seed system market** accounts for an estimated 87 percent of planted seed (MAAIF, 2012). It consists of three elements: farmers saving seed for own use (no trade involved); farmers exchanging seed with neighbours; and farmers and farmers' groups growing seed (improved or otherwise) for sale through informal channels, including local markets, nongovernmental organizations (NGOs), seed fairs, and development projects.

The informal seed sector plays a key role in multiplying planting material for vegetatively propagated crops (such as solanum potatoes, cassava, sweet potatoes, bananas, and various tropical fruit trees) and seed of self-pollinated crops, for which it is easy to maintain genetic purity (such as millet, beans, barley, groundnuts pigeon peas, cowpeas, green gram, sesame, wheat, and rice). There are a number of reasons (Louwaars and de Boef, 2012) farmers still use farm-saved seed, including:

- inadequate access to appropriate seed markets;
- limited access to financial resources or credit to buy or produce seed;
- lack of interest or capacity in the research system to develop certain genotypes that are adapted to the small farmer production environment.

However, enterprising farmers in the informal sector can “graduate” into the formal system by expanding production, establishing a brand name, and marketing seed.

**(ii) The formal seed system market** derives from the initiation of the public seed industry in 1968 under the Ministry for Agriculture and Cooperatives, the intention then being “to disseminate new varieties of staple crops from agricultural research to farmers” (Muhhuku 2005). The initiative had two components, seed production and quality assurance. By 2000, three private companies dominated the market; Harvest Farm Seeds, Farm Inputs Care Centre (FICA), and Nalweyo Seed Company (NASECO), but, quite rapidly, more companies appeared (Victoria Seeds, East African Seed Company, Mt. Elgon Seed Company, and others). Multinationals also began to show an interest (Pioneer, Cargill, Monsanto, Pannar). Currently there are about 27 registered seed companies dealing in seed of various crop commodities.

**(iii) The relief seed market** arose from two decades of civil strife in Uganda which displaced over 90 percent of the population of some northern districts into camps for internally displaced people (IDPs), where 1.5 million of them became the destination for huge amounts of institutionally procured seed. During much of that time, more than half of all (formal) seed traded in the country were purchased and distributed to these camps by the government, NGOs, and relief programs. The situation proved lucrative for entrepreneurs who could deliver seed quickly; the pressure was always on speed rather than quality, with several long-term negative



impacts. The relief business had the excuse that the situation demanded urgency and did not allow time for quality assurance of any given seed, but the result was that a market-driven seed industry struggled to find its feet. When IDPs camps were decommissioned, the impact relief inputs (seed inclusive) still echoes amongst key sector stakeholders, with both government and NGOs alike occasionally procuring and distributing free inputs farmers.

### **1.3 Key seed industry actors in Uganda**

This section describes briefly those institutions in the sector whose actions affect the functioning and performance of the seed industry.

#### **1.3.1 Private sector**

- (i) Uganda Seed Trade Association (USTA) is a membership association formed “to coordinate and oversee the development of the seed industry and to enhance the availability of quality assured seed for the entire farming community locally, regionally and internationally.”
- (ii) The Uganda National Agro-input Dealers Association (UNADA) is “the national apex organization for all agro-input dealers.”
- (iii) Uganda National Farmers Federation (UNFFE) aims promote favourable policies and strengthen farmer organizations for increased farmer empowerment.

#### **1.3.2 Regulatory and supervisory authorities**

- (i) The Ministry of Agriculture, Animal Industry, and Fisheries (MAAIF) consists of the ministry headquarters and seven semi-autonomous agencies.
- (ii) The Crop Protection Department under the Directorate of Crop Resources, the Crop Protection Department is in charge of all matters related to plant health. It manages the Phytosanitary and Quarantine Service and the National Seed Certification Service (NSCS).
- (iii) The National Seed Certification Service (NSCS) was established by the Agricultural Seed and Plant Statute, 1994, although it did not become operational until 2001. It is mandated to play a key role in seed quality assurance including licensure of seed dealers, field crop

inspection, sampling and laboratory testing, official certification, and the sealing of seed bags. It is also responsible for testing varieties for distinctiveness, uniformity, and stability (DUS) and for value for cultivation and use (VCU). The NSCS develops rules and regulations for the seed industry and is supposed to monitor and ensure compliance.

- (iv) The National Agricultural Research Organization (NARO) is the main source of new crop varieties, as its role being to coordinate public agricultural research and development activities in all aspects of crops, fisheries, forestry, and livestock. NARO is responsible for the production of both pre-basic and basic seed, because the products are considered a public good.
- (v) The Parliamentary Committee on Agriculture is responsible for the review and approval of sector policies and strategies.
- (vi) The universities are also responsible for training in relation to seed technology and release of pre basic seed.

### **1.3.3 Donor engagement**

- (i) The Sector Working Group (SWG), composed of MAAIF departmental heads and representatives from civil society organizations, donors, private sector players, and other interested parties, including farmers and smallholders.
- (ii) The Seed Sub-Sector Co-ordination Group (SSCG) was recently established by the MAAIF, as called for under the DSIP, which specifies “commodity platform(s) with membership drawn from actors along the value chain.”

## CHAPTER TWO

### CASSAVA SEED BUSINESS

#### 2.0 Introduction

Running a successful cassava seed business requires general business management skills. Therefore, this section addresses aspects such as entrepreneurship, enterprise selection, business records and business planning.

#### 2.1 Entrepreneurship

**Entrepreneurship** is the dynamic process of creating incremental wealth through exploiting existing opportunities where others see risks. In simple terms, entrepreneurship is the process of starting a business with intentions of growing a vibrant enterprise. Any successful business considers key factors of production such as land, labour, capital and management. All other factors of production will not change unless the factor of management/entrepreneurship makes them functional. This implies that entrepreneurship is both a necessary and sufficient condition to organize other factors of production.

**An entrepreneur** is a person, who sees opportunities where others see risks, generates ideas to pursue them and is fully responsible for the success or failure. In addition, an entrepreneur is a risk taker who deliberately allocates resources to exploit opportunities in order to gain profit (financial returns).

##### 2.1.1 Characteristics of an entrepreneur

Entrepreneurs exhibit similar characteristics in their approach to exploit business opportunities.

They are:

- **Innovators:** Entrepreneurs tend to tackle the unknown; they do things in new and different ways. They weave old ideas into new patterns, and offer more solutions than excuses.
- **Risk takers:** Any new business poses risks for entrepreneurs. They may succeed or fail but cannot foresee what it will be with certainty. Entrepreneurs are likely to shun ventures with higher risks.
- **Self-confident:** Entrepreneurs believe in themselves.

- **Optimistic:** They always have the belief that the outcome of their risky undertaking will be positive. They respond positively to change and suggestions.
- **Goal setters:** Entrepreneurs set clear targets for every undertaking and devise means of achieving them. Planning and carrying out the steps needed to reach the goal are stimulating.
- **Accountable:** Entrepreneurs generally want full credit for their success or will assume full responsibility for their failure.
- **Good learners:** They are flexible, able to adapt and respond positively to criticism.
- Independent minded and takes initiatives.
- Energetic and diligent
- They are creative
- They are perceptive with foresight and patient.

### 2.1.2 Strategies /steps an entrepreneur uses to develop business ventures

- Identify your strengths and weaknesses
- Match your strengths with business opportunities
- Seek for assistance to overcome identified weaknesses
- Evaluate new business opportunities

### 2.1.3 New business venture opportunities

An opportunity means a combination of circumstances favourable for a given purpose. It can be described as an advantageous situation, an appropriate moment, and a beneficial occasion, a favourable time or a timely occasion. Entrepreneurs who have the capacity to spot and harness opportunities have greater advantage over those who do not. *The future belongs to those who see possibilities before they become obvious.* Opportunities come to everyone but do not wait for anybody.

## 2.2 Enterprise selection

An enterprise being an activity undertaken to generate income, it must be driven by a profit motive. Profits earned may be reinvested to expand the business. Enterprise selection is done to

analyze and eliminate those enterprises that may not be viable considering that the goal of farming as a business is to maximize profits.

### **2.2.1 Cassava seed enterprise**

Cassava seed enterprise has become increasingly a profitable venture with increasing demand for quality cassava planting material attributed to increase in population, the strive to safeguard against food insecurity and increased commercialization of cassava.

### **2.2.2 Business skills for cassava seed entrepreneurs**

As an entrepreneur in the cassava seed business, you have to devise strategies of practicing farming as a business. In this regard, you have to develop skills in production and handling of the product, marketing skills, develop good record management skills and your financial management abilities.

### **2.2.3 What to consider when developing a cassava seed and product business.**

- Consider your land requirements
- Know the production requirements and details
- Know the varieties that are required in the regions and their availability.
- ***Consider all risks associated with cassava seed production eg drought, floods etc.***
- The markets and marketing conditions for the different products in the area. How to pack, advertise/promote, where and to whom to sell
- Source of information on the weather conditions for the area.
- Identify potential strategic partners like buyers, suppliers and potential mentors.
- Identify rotational crops, if any.
- Formulate a crop production plan/crop rotation plan.

The considerations mentioned above are considered as inputs, operational activities and marketing activities in business. (***For other details on production requirements and conditions, refer to the Quality Cassava Seed Management Manual. Look at the minimum sizes of required inputs.***)

#### **2.2.4 The importance of producing cassava seed as a business**

Treating farming as business helps farmers to get the best out of their farms and their resources. Applying business methods, such as business planning, record keeping and benefits-cost analysis, to farming can greatly improve its efficiency.

#### **2.2.5 Elements of farming cassava seed business**

- Proper record keeping
- Having business goals: production, profit maximization, cost minimization
- Adoption of appropriate production techniques (refer to the Quality Cassava Seed Management Manual).
- Have a clear business plan to guide operations
- Sound financial management
- Profit analysis
- Risk analysis

#### **2.2.6 Requirements for a successful cassava seed farming business**

- Skills and knowledge necessary to grow cassava seed.
- Production requirements such as land for growing, labor for farm activities, capital which can be inform of tools, equipment, building or cash, and organization which enables optimal use of all the resources available
- Marketing skills.

### **2.3 Record keeping in cassava business**

Anything set down in writing or some other permanent form for later reference. e.g. record of total cassava planted, yield obtained, total sales. Cassava seed business can use information of several types of records to adjust seed production operations. Record keeping is the maintenance of a history of one's activities, as financial dealings. Record keeping is the process and system of maintaining business documents so that such records can be found quickly and easily. It is systematic compilation of certain types of information. Record keeping provides useful information for assessing the performance of a business at any time.

### **2.3.1 Importance of record keeping**

Reliable and accurate records are used to make better decisions affecting the farm

- Monitoring day to day business or farm activities
- Help in decision making based on past experiences, they are thus a tool for reflection.
- Records help in determining efficient and inefficient processes so that the farmer or business owner can make informed decisions.
- Records can be used for obtaining support for example grants and credit from financial institutions.
- Good records can be used for assessing and accurate reporting of taxes especially for large business
- They improve the communication about the business since the owners are more informed about their operations.

### **2.3.2 Points to consider in record keeping for cassava seed business**

- Quantities of farm inputs (cassava seed etc.) can be estimated using basins, polythene bags etc. Farmers should also seek for advice on estimating quantities of inputs they can obtain from cassava seed sellers (CSEs) and extension agents.
- Develop a simple standard record form farmers to adopt for use.
- Even when a farmer does not produce for the market, it is good to keep track of cassava seed business activities which will help to improve business activities. Farmers should always keep records on production activities, inputs and yields.
- Farmers should note the difference between receipt book and a record. A receipt book is the same as a record, however, receipt book only records payments or purchases of good. It does not capture detailed information needed by the farmer to improve production activities.
- Farmers who cannot write should get help from relative or friends to write records.

### **2.3.3 Characteristics of good records**

- It should be simple and easy to use. If your record keeping system is complicated, it is more likely to generate mistakes.

- The financial records maintained should have appropriate level of details depending upon the type of your business. A more complex farm operation requires a more detailed system.
- A good system provides essential information in a timely manner. Make sure that your records provide essential information on a timely basis.

#### **2.3.4 When to take records**

As a business, make sure you take and record all that you have to record immediately an event occurs. Be as timely as possible and record all necessary information. Do not depend on recall as this may lead to inaccurate records.

#### **2.3.5 Where and how to keep records**

Keep records on/in something that is durable and is easy to use e.g. counter book, exercise book, filed papers, mobile phones or a computer for advanced farmers and businesses. Record all items in a format that is understandable to you and one that others can easily refer to. Also, choose the system that is easiest for you depending on available resources and your knowledge. Keep the records safe and where possible create backups.

#### **2.3.6 Analysis of records**

The worth of records lies in analysis and their utilization. This should give the actual conditions of the business, thus providing ways of improvements. The analysis should inform;

- How the business is performing – including whether or not it's making profits or losses
- Whether returns are optimal
- Where the resources are being used appropriately e.g. a farm having more assets than liabilities and vice versa.
- The way forward for better performance and track networks and seed flows



### 2.3.7 Types of records a farm business can keep

There are a number of records that a firm can keep. Some of the records include;

- A. Farm planning schedule/activity records
- B. Production records
- C. Marketing records
- D. Financial records

#### A. Farm planning schedule

These are details of the planned farm activities and the tentative dates for carrying them out. The planning schedule should be among the first records a farm manager produces.

**Table 1: An example of a farm planning activity schedule for starting cassava seed production**

Activity	Timeframe
• Buying tools and equipment	1 <sup>st</sup> month
• Preparing land including clearing and ploughing	
• Marking the field	
• Digging planting holes	
• Buying stems or stakes	
• Gap filling	2 <sup>nd</sup> – 4 <sup>th</sup> month
• Digging trenches	
• Routine management (weeding, watering etc.)	
• Routine management (e.g. weeding, pruning, irrigation)	5 <sup>th</sup> – 11 <sup>th</sup> month
• Selling stems	From 12 <sup>th</sup> month onwards
• Routine management	
• Looking for markets	
• Harvesting (full harvesting)	

#### B. Production records

These include input records, labor records and records of all other inputs that are used in the production of cassava seed.

##### (i) Input records

Input records provide details on the materials purchased and invested in the business. This should include the name of the inputs, the date of purchase, the price of the input, the amount of input(s) obtained, total expenditure and where possible the expected useful life of the input.

**Table 2: An example of an input record for starting a cassava farm**

<b>Input</b>	<b>Date of purchase</b>	<b>Expected useful life</b>	<b>Unit cost</b>	<b>Quantity</b>	<b>Total cost</b>
Land					
Implements (hoes, pangas, etc.)					
Gumboots (pairs)					
Sisal rolls for marking planting holes					
Pegs for marking planting holes.					
Total expenditure on inputs					

**(ii) Labour records**

This type of record details the labour used for the various tasks on the farm. Information in the record includes the activities, the period when the activities took, place, the duration of the activities, the amount of labour used and the cost of the labour.

**Table 3: An example of labour records for a cassava farm**

<b>Activity</b>	<b>Timing (e.g. March)</b>	<b>Duration of the activity (e.g. days)</b>	<b>Amount of labour (e.g. person-hours)</b>	<b>Cost of the labour per piece (cost/plot)</b>	<b>Total cost</b>
Land clearing					
Ploughing and harrowing					
Field marking					
Digging holes					
Planting					
Weeding and pruning					
Harvesting stems					
Harvesting tubers					
Transport					
Marketing					

**Note:** Costing which is done on piece rate is also considered

## C. Marketing records

### (i) Sales record

The sales record is used to capture information on the sales made. It should include the volumes of the produce sold, the date of sale, the average selling price, the type of buyers and mode of payment.

**Table 4: An example of sales record for a cassava farm**

<b>Date of sale</b>	<b>Type of product</b>	<b>Quantity sold</b>	<b>Price per unit sold</b>	<b>Type of buyer, e.g. bicycle traders, wholesaler, etc</b>	<b>Mode of payment, e.g. cash, cheque, credit etc.</b>

## D. Financial records

These are developed from the other records that the firm has developed. Financial records are summary records and help in analysis of the financial performance of the firm. Some of the financial records that are often prepared for financial management include; expected start up budgets, incomes statements, balance sheets and cash flow statements. All the details of these records are shown in the section (2.3.7) of financial management of the cassava seed business.

### 2.4 Financial management in cassava seed business

Financial management refers to the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization. It involves planning, directing, monitoring, organizing and controlling monetary resources. Anything that you do to track the financial health of your business can be categorized as financial management. Just like in any other business, a successful cassava seed business person will need to have knowledge on financial statements and their composition, different financial statements, use of financial statements and methods to estimate and/ or calculate costs and profits. These final documents

include: cash flows, the balance sheets and income statements that prepared in the course of conducting business.

**Why it’s important to keep financial records?**

- Financial planning is the backbone of your business
- It helps detect gaps in the business – Assess business performance.
- Financial records can be used in obtaining financing to for the cassava seed business.
- Financial management is an “eye” for the success of your enterprise

**2.4.1 Important financial statements**

**(i) Expected start up Budget**

This helps in projecting the required capital for a business. It can include the capital required for land hire, production, costs of fixed assets and other variable costs required to start your cassava business. Can be developed at the start of the business or when planning for some activities. It therefore gives resource requirements for the business.

**Table 5: Format below for preparing a startup budget.**

<b>Required resource</b>	<b>Amount planned</b>	<b>Unit cost</b>	<b>Total cost</b>
Land			
Labor			
Equipment			
Planting materials			
.....			

**(ii) Cash flow**

Simply the cash flow is an educated guess about when and how much money will come into and go out of your business. The cash flow and sales forecast will enable you to decide what you can afford, when you can afford it and how you will keep your business operating on a month-to-month basis. As part of the business plan, a cash flow and sales projection will give you a much better idea of how much capital investment your business idea needs.

There is a positive cash flow and a negative cash flow. A positive cash flow is a good sign which shows that the business is able to generate more cash than it spends at the end of the day. A negative cash flow is always bad; the business is generating less cash than it spends.

**Table 6: Sample of a cash flow statement**

<b>Cash Inflows</b>	<b>Amount</b>
Sale of cassava seed	
Sale of cassava leaves	
Sale of cassava roots	
Sale of processed products (specify)	
Consultancy services provided to others	
Other inflows (specify)	
<b>Total Cash Inflows</b>	
<b>Cash outflows</b>	
Payment for land	
Purchase of equipment	
Labor expenses	
Purchase of stationery	
Purchase of inputs	
Consultancy services sought from others	
Other outflows (specify)	
<b>Total cash outflows</b>	

### (iii)Balance sheet

The balance sheet describes the assets, liabilities, and equity of a business at a particular point in time. It is a widely used accounting statement that indicates the economic resources of your organization and the claim on those resources by creditors. It shows the assets of the business and the debts/liabilities of the business. In Table 7 an example of a balance sheet is presented

**Table 7: Ket can itic Farmers groups' Balance sheet as at 31st March 2015**

<b>Assets</b>	<b>Ugx</b>	<b>Liabilities</b>	<b>Ugx</b>
Cash	3,000,000	Bank Loan	1,500,000
Oxen	1,350,000	Money from money lender	400,000
Ox ploughs	850,000	Money from a friend	400,000
Stores	350,000	<b>Total Liabilities</b>	<b>2,300,000</b>
<b>Total Assets</b>	<b>5,550,000</b>	<b>Net assets/Owners Equity</b>	<b>3,250,000</b>

Assets = Liabilities + Owner's Equity

#### (iv) Income statements

This is a summary of the income and expenditure of the business for a specific period for example crop production season. The income statement shows the revenues, say from selling different cassava products such as, seeds (cassava stakes or stems). It also shows the total costs incurred in the production process of your cassava products. The difference between Total Revenue (TR) and Total Cost (TC) gives the Net Income (NI) of the business. Example of an income statement is presented in Table 8 below.

**Table 8: Income statement for AJOK PHA farmers group for the period January 1st to December 31st 2015**

Item	Unit	Unit cost(shs)	Total Cost(shs)
<b>Revenues</b>			
Selling cassava stems for first cutting	80	30,000	2,400,000
<b>Total revenue</b>			<b>2,400,000</b>
Land hire	1	90,000	90,000
Land preparation	X 2	90,000	180,000
Planting material	8 bags	25,000	200,000
Empty bags	8	1,300	10,400
Planting material	1	80,000	80,000
Weeding	X4	60,000	240,000
Empty bags	80 bags	1,300	104,000
Harvesting labor	80 bags	2,000	160,000
Sisal strings	2pcs	4,000	8,000
Loading	80	200	16,000
Sub Total			1,088,400
10% expenses			108,840
<b>Grand Total</b>			<b>1,197,240</b>
<b>Net income (Net Profit)</b>			<b>1,202,760</b>

## 2.5 Business performance analysis

There are many methods that can be used to analyse the performance of the business. The most common include conducting benefits costs analysis and profitability analysis.

### 2.5.1 Profitability analysis

A firm's profit is the difference between *Total Revenue* earned and *Total Cost* expended. Hence *Net Income (Net Profit) = Total Revenue – Total Cost*. Refer to table xxx, on income statement for a computation form a firm's profit or net revenue.

### 2.5.2 Benefits-Cost Analysis

Benefit-cost analysis is a process where cost and benefits are compared to determine whether a business is profitable and therefore, financially viable. A benefit-cost ratio is calculated by dividing total revenue by total costs.

$$BCR = \frac{\text{Total revenues}}{\text{total costs}}$$

It is used to judge the efficiency of the farm business. It indicates the relationship between farm expenses and returns. The farm is said to be efficient when it yields a greater output per unit of input used, i.e. when the ratio is greater than 1. The higher the ratio, the better the viability of the business. For example a ratio  $> 2$  is preferred in order to take into account unforeseen events associated with agricultural production and which are not known when one computes a benefit – cost ratio of a farm business, such as inflation, natural risks (bad weather), biological risks (pest and diseases) or other risks.

## 2.6 Farm business plan

A **business plan** is a document that sets out how a business owner, manager or entrepreneur intends to organize and implement activities necessary and sufficient for their business to succeed. It should describe the basic idea of the venture, describe the current position, indicate where you want to go, and summarize how you plan to get there including well specified viability evaluation criteria of the venture and success factors.

It is an essential tool for planning, directing and running a business. It clarifies the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realized. Planning a new business is a major task of the potential

entrepreneur. A business idea needs capital outlay which may take several years to recover. This implies that investment is a risk taken by entrepreneurs for their future survival. The longer the Pay-Back-Period (PBP), the greater is then exposure to business risks. However, these risks can be minimized by trying to know more and more about the "future". And to know more and more about the future means deliberate and thorough planning and collecting all necessary information as a substitute for ignorance. This is the key reason for preparing business plans. But there are other important reasons, too.

A business plan briefly describes the future as the potential entrepreneur sees it. It will contain justifiable assumptions about what could possibly happen. As such it will be the manual for running the proposed business. It is the business on paper. As one very successful entrepreneur once said: "In business plans, I see business schemes being 10% correct which is much better than being 100% wrong without a plan".

### **2.6.1 Purpose of a business plan**

- It shows the expected cash flow or expenditure on a venture in comparison with the amount of money and other resources invested in a business in a given time period.
- It is an operational tool that guides in the day-to-day running of your business. It tells you what to do and when to do it. It gives you direction and keeps you and your staff focused.
- It helps you to see a return on your investment as you invest time, money and emotional effort into the business.
- It is a guide in setting priorities for expansion or growth of the business.
- Helps in looking for financial assistance at the beginning or in later stages of the business.
- It tells you the risks involved in a business and how to avoid and overcome them and thus creating confidence in your work. It also serves as a continuous reference.
- It is used to promote and market your business.



### 2.6.2 Sources of information for developing a business plan

Some of the important sources of information in preparing a business plan for a new, old or expanding business include;

- Information that is available within the business farm's own records.
- Information from other similar businesses within the area. Talk to different business owners, shop from them, ask other knowledgeable people about their businesses and use information as a benchmark for your business.
- Check in newspapers or capture information presented on local radio stations for example on prices and demand for different cassava products.
- Check in the books produced by other organizations that are related to what you are planning to do.
- Visit government departments, research institutions, NGOS and other firms/farms for information related your business or business idea.

### 2.6.3 Development of a business plan

A good business plan which is also referred to as the **project feasibility study**, involves:

- Collection of data relevant to all aspects of the proposed business through research work.
- Analysis of the collected data, and
- Application of the results to minimize risks associated with the business.

The plan should be presented in a logical sequence consisting of the following components:

**Marketing Aspects:** A marketing study finds out about the future demand of a product, evaluates the competitive situation, establishes the annual quantity which a business may sell, estimates the future selling prices, and develops a marketing program for the product.

**Production Aspects:** The production study focuses on selection of the production process, production volumes/quantities, Tools and equipment, farm location and layout, structures specifications, and operating (including materials, utilities, manpower, etc.) requirements.

**Organization and Management Aspects:** This studies the suitable form of business organization, background and capabilities of the entrepreneur and the staffing pattern of the proposed business to ensure efficient operations.

**Financial Aspects:** The financial study analyzes the total capital required to start the business, evaluates the entrepreneur's exposure and those of the banking community and selects the most appropriate financing source. It also forecasts the profitability and financial performance of the proposed business.

This involves securing information for the business plan for different sources.

- Organize the available information of the business from your own stored records. Such could include information on; production performance, sales performance, standard operating procedures, processing systems, etc.
- Look for other information about other businesses, their performance and how you can enter the new business. Such information could include information about demand, suppliers, and customers among others.

#### **2.6.4 Approach in drafting a business plan**

For a new business, the business persons should note the following,

- If land is available make sure it is secure – proof of ownership or lease agreement.
- Get the map of the farm that includes farm boundaries and important features such as water points.
- Identify potential markets and requirements for entry into the market.
- Identify resources available for utilization to develop your cassava seed business.
- Take into consideration your ability, knowledge and access to support before deciding on the commodity to be farmed with.
- Calculate viability and economic feasibility on potential commodity and possible opportunities for value addition.

### **2.6.5 The components of a business plan**

While going about developing a business plan, help the participants in developing each of the sections below. Let the exercise be practical with examples to ease learning.

#### **a) Cover page**

The cover sheet should be neat and attractive. It should identify the business, its location (including district), telephone and e-mail and/or Web site address and where the business owner or manager can be reached. The person or group who helped write the business plan should also be identified.

#### **b) Executive Summary**

This is a summary of each aspect of the plan. You can only complete the executive summary after the business plan has been completed although it appears first. This part of the document will be a maximum of two pages but loaded with vital information about the business and proponents. It is the only thing that a reader will need to read to get a synopsis of what you want to do or achieve.

#### **c) Introduction/Background**

It is a summary of the business, its history and position/possible position in the market place. This part gives an overview of your cassava seed business or potential business, its vision and objectives. The introduction consists of the following:

- **Business overview**

Where your business now or where are you going to establish your business?

What are you going to do or what are you currently doing?

- **Vision and mission**

The vision is a dream/goal achievable in the long run and this is what you will focus your energies and resources on in getting your business to work. The mission will be achieved through the objectives of your business. It is aligned to the short-term and specific objectives achievable during cassava seed business implementation.

- **Objectives/goals:**

This section needs to include production and or financial related objectives specific to your enterprise or potential enterprise. There must not be more than five objectives for your

business. Objectives need to be Specific, Measurable, Achievable, Realistic and Time bound (SMART).

#### **d) Ownership, Implementation group and Members**

This part of the business plan consists of:

**Ownership:** This is a form of business you want to register or has registered. Each one except partnerships is controlled under a specific legislation, i.e. some farmers groups need to be registered to access services.

#### **e) Resources available**

It is important to take into account the resources that you have available prior to the drafting of your business plan. Do a proper resource assessment. The types of resources that you may have at your disposal can be identified as follows: Human resources, financial resources, Natural resources.

- **Human resources:** This deals with the human resources you have available and what contribution they would make to the business. The Curriculum Vitae (CVs) of the management team must be included. The number of staff and management you have or will have will be put into this section.
- **Financial resources:** This includes fixed resources such as land, buildings, it could also include movable assets such as furniture and equipment and other own capital such as savings or subscription fees.
- **Natural resources:** These include water and land available.

#### **f) Design/layout of the business**

- Management and organizational structures are important as they clearly stipulate the roles and responsibilities of individuals within the business.
- Technical design provides the technical information of the enterprise in regard to the layout of the business/structures for example, how the cassava fields will be designed.
- Production information includes production programmes, i.e. when will planting start, rotation of fields and harvesting schedules.

#### **g) Infrastructure**

This is the current infrastructure that is available to you and your business. Examples of infrastructure: access roads, water, electricity and telecommunication. This is important because the sustainability and profit of your cassava business directly depends on these.

#### **h) Skills/Training/experience**

This section should include whether the participants and other proposed associates have ever undertaken any cassava related trainings (Formal and informal), their experience with cassava production and other such details. Proof of these should be attached to the business plan if available.

#### **i) Marketing strategy**

Develop a good marketing strategy for your cassava seed and other cassava products. The design of marketing strategy should be based on whether the business is growing customer base or growing a new business. *See more details in markets and marketing of cassava seed and other product in chapter three.*

#### **j) Partnerships**

Good partnerships are important for the success of your business. Note whether the different participants have partnerships and help them develop a system of positively utilizing these partnerships.

#### **k) Resources required for achieving the objectives**

Consists of human, Financial (fixed or movable assets and natural resources), additional funding required.

#### **l) Legislation**

Here it is important to note all relevant legislation that you are required to comply with as well as the business venture which you are using.

#### **m) Conclusion**

The final convincing statement of why you think you have a winning business venture and why potential stakeholders should invest in your business. This is mostly important if you are looking for support. Otherwise have your own conclusion of the business plan that will guide you and also others.

## 2.6.6 Example of Business Plan Layout

### PAGE ONE

**Business Name:** Mr. Okello's CSE Business

**Contact Information:** Abim District

Business plan ---period

Date Prepared

### PAGE TWO

#### **Proposal/Business Need**

Clearly define what you are proposing or the need of your business.

*For example*, "Okello's CSE Business needs /plans to invest shs 5million in production of quality cassava seed". Currently the problem is use of poor quality cassava seed due to inaccessibility of quality seed in Abim.

#### **Benefit/Solution**

Explain how the proposal will affect your business and operations.

*For example*, "The investment of shs 5 million in production of quality cassava seed will allow Okello's CSE Business to increase sales by 50% (shs10 million) in one year. It will also allow enable Okello produce 80 bags of planting material that will cover 10 acres in one the year."

#### **Business Profile**

- **Type of Business** ( give summary of what business you are in

*Example* -Crops - CSE etc.

- **Business Objectives** – what are your business objectives in the coming years?
  - Objective 1-Goals set to accomplish objective
  - Objective 2 - Goals set to accomplish objective

### PAGE THREE

- **Production and Market Summary (Production and Market plans in Tables)**
  - Define the specifics of your operation and summarize what is your market?

*Example* -Crops – acres of each cassava crop to be grown by variety, contract price, average yield per acre, who you contract with/sell crops to

- **Management/Labor Summary**

- Describe the ownership structure (Farmer group /Partnership, Individual farmer /Proprietorship)

- Describe management team

List key members and their roles

Identify the strengths and weaknesses of your management team

**Example-** Mr. Opolot – Farm manager (Strengths – 25 years of experience, Weakness – Could be ready to retire in next 5 years

- Describe any gaps or weaknesses in management

**Example-** Need to have a succession plan in place in anticipation of herd manager retirement

- Describe labor pool

- Do you employ full time salaried employees, hourly employees, migrant labor, etc?

### **Business Influences**

What do you view as the most important internal and external influences on your business right now?

#### **Examples**

- I will produce healthy/ quality /certified cassava seed

- Volatile cassava seed prices mean that I may show little or no profitability next year

- Cassava seed obtained in kind

- I am part of a family business, and my parents are ready to transition into retirement

- **Future Plans/Business Targets**

- Describe your long-term strategy for your business. Where do you see your business going in the future?

- How will you best capitalize on the strengths and opportunities for your business?

- How will you mitigate the threats and weaknesses in your business?

- Do you have plans to grow the business?

- What are your future management or ownership plans?

### **SWOT Analysis**

Use this to summarize the strengths, weaknesses, opportunities, and threats you see for your business. Strengths and weaknesses should focus on characteristics of your business (internal

focused). Opportunities and threats should identify outside areas that can affect your business (external focused)

**Table 9: SWOT Analysis**

<u>Strengths:</u> 1. List the strengths of your business here	<u>Weaknesses:</u> 1. List the weaknesses of your business here
<u>Opportunities:</u> 1. List the opportunities you see for your business here	<u>Threats:</u> 1. List the threats you see for your business here

**PAGE FOUR**

**Production and Post-harvest Plan**

- Describe your production and post-harvest plan (Table can suffice)

**Marketing and Sales Plan**

- Describe your marketing and sales plan (Table can suffice)

**Financial Plan**

- List the costs (Table)
- List projected revenue from sales (Table)



## CHAPTER THREE

### CASSAVA SEED MARKETING

#### 3.0 Introduction

Marketing is a management process that aims at satisfying the needs of customers by providing products and services, setting prices, and information about products and services thus making profits. This is moderated through a market. A market is an arrangement which facilitates exchange of goods and services. It can also be a place or forum where buyers and seller meet to perform their transactions. A market is simply defined as people with needs/wants, with money to spend, and the willingness to spend it, thus:

***Market = People with wants + Money to spend + Willingness to spend***

Marketing of cassava seed involves moving cassava seed from the farm to the customers (cassava farmers). The aim of the cassava seed entrepreneur (CSE) would be to maximize the return from cassava seed production by providing quality seed that customers' desire. Therefore, cassava seed marketing would involve processes that move the quality planting material from the CSE's farm to customers with the aim of satisfying their demand through reliable supply at an acceptable price. The sequence of events under cassava seed marketing should aim to promote the seed and deliver it to the right place, right time and at right price. Marketing the good (cassava seed) should start before the good (cassava seed) is produced and goes all the way until the sale of the good (quality cassava seed). Marketing process is successful if both your customers' needs and the objectives of your cassava seed business are met.

In cassava seed business, marketing comprises of the following activities: variety selection based on market demand; identification of specific production procedures; postharvest handling; value addition (packaging, grading, labeling); field storage and; transportation. The marketing to cassava seed entrepreneurs must be driven by the need to:

- Keep product losses low (minimize losses)
- Maintain seed quality
- Meet market demand in timely manner

A cassava seed entrepreneur will be successful in marketing if he/she:

- Knows his/her customers
- Identifies his/her customers' needs and wants
- Sets attractive but competitive prices
- Has the farm or farm outlet in a good and convenient location.

### 3.1 The marketing process

Marketing process involves the following:

- **Identifying the customers:** Who are your customers, where are they located and what are their needs and wants?
- **Prioritizing the customers:** Categorize the customers according to their needs and wants. Taking in to account these needs and wants, prioritize the customers in relation to the needs and wants that you are able to address.
- **Process of selection:** Determining who to sell to, where to sell and how to sell the cassava seed to them.
- **Promotion:** How will you attract customers and make them buy your product/cassava seed? The seed entrepreneur should make his/her product/seed different from what other suppliers are offering to create demand.
- **Trust:** The customers should feel that they are getting value for money from your product. Building a relationship with your customers is very important because good marketing occurs when customers trust the entrepreneur and his products.

### 3.2 Marketing mix

Marketing mix takes in to account the 4Ps (Product, Price, Place and Promotion) and the 4Cs (Customer value; Cost to customer, Convenience, and Communication). A cassava seed entrepreneur should think in terms of the *product (seed)*, the *price* of the product and the *place* where the customers need the product, while making sure that the existence of the product (seed) is known through effective *promotion* as he/she assesses the needs and wants of his/her customers.

These various components are described in more detail below:

- **Product:** This is what the business is selling, i.e. the commodity that your customers want to buy e.g. cassava seed, whereas product type refers to the differentiated forms of the product (cassava seed) such as different varieties of cassava. Marketing is concerned with the attributes of the seed and their meanings to the customers. It is therefore important to ensure that your seed possesses the quality attributes desired by the customers. For the business to be successful, it must have the product (s) that the customers want in the form they are willing and able to pay for.
- **Price:** This is the amount of money that people are willing to pay for a unit of your product, such as a bag of cassava planting material. The price of your product will create sales revenue, making it a vital component in determining the total value of the sales of your business in a given period. Price should ideally be determined by what customers perceive as the value of seed of a particular cassava variety. Your knowledge on how customers value cassava seed is a key component in determining prices including hints on how much they are willing to pay in exchange for the benefit they expect to earn. The price that you charge for the cassava seed must be right if you are to get customers to buy from you while you make profit. Before setting a price, you need to know how much it costs you to produce the product (*thus importance of record keeping*). Knowing the actual cost will help you to charge a fair price that covers your costs while allowing you to make a profit.

The market price for your cassava seed can be set as follows:

- The unit price of cassava seed is equal to the cost of production plus the profit you need to make bearing in mind the upper limit that your customers are willing to pay.
- Knowing how much customers are willing to pay is easy if you are keeping track of your sales records.
- You may set a price similar to your competitors unless you have a reason to set it higher or lower.

- You may set a price higher if your product is better than that of your competitors e.g. packaged and labeled seed verses non labeled, certified/quality declared seed verses non certified seed.
- You may set your price lower if you want to attract new customers or dealing with a new product that is not yet known, such as seed of a newly released cassava variety (but bear in mind the cost).
- **Place:** This is the location where you make your products e.g. the farm or the locations where you place your product for sale e.g. farm outlet, shop, and warehouse/store. You need to consider whether you will get the product to your customers or they will come for the product from your business location. Whatever you choose must give you an advantage over your competitors. You will have to consider methods of transporting, storing and making cassava planting material available to the customers. You need to use an effective distribution method to get the cassava seed/planting material to the right place and time. The choice of distribution method will depend on market circumstances and the nature of both the seed and the customers.
- **Promotion:** These are the activities that you undertake to inform your customers of your product and influence them to buy your product. Promotion costs contribute significantly to the overall cost of the business; therefore, it is important to choose a promotional strategy/method that is less costly and effective. If the promotional strategy that you are undertaking in your business is successful, your sales will increase and the costs will be spread over a larger output. It is also important to maintain constant flow of messages to the customers including visibility where you sell the cassava seed (market place). You also need to evaluate the marketing channels that you may use for selling your cassava seed. Such channels include farm-gate, farm stall or roadside marketing, door-to-door, group or cooperative marketing.

The strategies used in promotion include:

- (i) **Advertising:** This is passing information to customers about your cassava seed and making them interested in the seed. Advertising can be done on a small scale like use of sign posts, business cards, and notices in public places e.g. trading centers, health

centers. It can also be done on a large scale to the public using media like radio, television, and newspaper, referred to as publicity. Publicity captures new customers who may not see regular small scale adverts. A business can also use the following means for advertising its products:

- Asking good friends/customers to inform potential clients by word of mouth. Customers usually take reference from friends/families seriously, so treat them with respect and gain their trust.
  - Active participation in the community to raise awareness of the farm/business by:
    - Meeting local council/village leaders on a regular basis to update them on the farm activities/products
    - Accompanying officials who visit the area with the permission of the local leaders
    - Opening your farm for exchange and learning visits
    - Participating in community organizations, field days and agricultural shows.
- (ii) Sales promotion and specials:** You can offer special deals or incentives to buy more cassava seed e.g. offering a discount for a certain quantity bought or on specific days/seasons/months when business is low.
- (iii) Direct talks with customers at the time of selling:** Learn to attract customers' attention and convince them to come back and buy from you in the future. However this can only work if you know what they (customers) need, treat them with respect and courtesy and have thorough knowledge about the products you offer.

The other components of marketing mix are:

- **People:** It includes knowing who your customers are as well as their needs and wants. You also need to know who will be responsible for marketing the product.
- **Plan:** This involves the approaches/steps that will be used to deliver the product to your customers.
- **Time:** It is an important aspect of marketing mix. You need to know the appropriate time for each activity. When is the product needed by the customers? When should promotion be done? By the time of promotion, do I have the product ready?

### **3.3 Group/collective marketing (channel) in cassava seed business**

Marketing as a group involves gathering products from individual entrepreneurs and selling collectively. In order for group marketing to be effective, entrepreneurs should produce the same variety of cassava seed, and also use similar branding/packaging and synchronize their production operations such as sorting and grading of the product.

#### **3.3.1 Importance of collective marketing in cassava seed business**

- Attracts large-scale cassava seed buyers such as NGOs, relief agencies and cross-border customers (e.g. Rwanda, South Sudan).
- Provides cassava seed entrepreneurs with more bargaining power (in terms of prices, sales volume, time of delivery of the seed etc).
- Reduces costs if activities are carried out as a group (transporting, grading and packaging of the seed are costs that can be shared).
- Promotes access to better marketing information and marketing advisory services.
- Improves quality of products due to timely and sequenced production.
- Enables groups to purchase quality inputs and transport in bulk.
- Provides a link to get trainings from organizations including government extension agents.

#### **3.3.2 Challenges of collective marketing**

Although collective marketing is beneficial to organized groups, the following challenges should be taken into consideration by group members:

- It may be difficult for the group to agree on crucial issues (decision making)
- Dishonesty/non-transparency among members especially the marketing committee may lead to conflicts.
- Poor record keeping may lead to losses.
- It requires safe collection and holding centers in accessible areas, which is not always possible in rural areas.
- Thefts or losses can occur if the bulking facility is in a location that is poorly secured.
- Good road infrastructure is required to attract large scale buyers to remote/rural areas

- It may require heavy capital investments for assets such as, storage facilities and vehicles for transport.

### **3.3.3 Key success factors in group marketing**

For group marketing to be successful, the following factors are critical:

- Members should be knowledgeable on business management.
- Members should attend group meetings regularly and participate actively in decision making.
- There should be mutual trust among members with emphasis on ethics and integrity.
- The group should have dedicated and committed leaders who are democratically elected.
- The group should have clear and enforceable bye-laws on corrupt and unaccountable leadership.
- There should be clearly defined roles and responsibilities especially in relation to promotion and marketing of group products.
- Existence of rural finance institutions from which to borrow additional capital funds to help finance the group's marketing operations.
- Conducting regular pre-production planning.
- Having access to marketing information through market research.
- Uniformity of group's product (cassava seed) in terms of variety, size, quality, packaging, grading etc.
- Having access to safe storage facilities with good road infrastructure.
- The group should have accurate record keeping.
- There should be transparent and equitable distribution of benefits.

### **3.3.4 Crucial steps in promoting collective/group marketing**

- Form a group based on common objectives
- Put in place a marketing committee at the planning stage of the enterprise. This committee would be responsible for accessing market information, promoting the product, identifying potential buyers, negotiating prices, selling the product and ensuring equitable sharing of returns among members.

- Elect an executive committee (chairperson, secretary, treasurer), which is responsible for building confidence among its members through seeking assistance from experts like Trade Development Assistant.
- Agree on the collective marketing activities that will be undertaken, starting with simple tasks (e.g. sorting, grading, bulking) and gradually expanding to more activities.
- Start with a narrow range of product (s) e.g. certified/quality declared NASE 14 and later introduce other varieties.
- Decide on the quantity of the product each member will contribute, a central location for storage and how each member will deliver his/her share of the product to the specified location.
- Determine the collective activities that would improve the safety and quality of the product, and assign lead persons for such activities e.g. transporting product to the collection point, storage, grading and sorting.
- Develop a record keeping system for which every activity conducted plus the costs are recorded.
- Agree on the date for the first collective transaction which should be witnessed by representative members of the group.
- Upon completion of the transaction, the group should reconcile marketing costs (transportation, sorting/grading, storage, market dues, produce license etc.) with the amount generated.
- Work out how the proceeds will be shared among members, bearing in mind that part of the proceeds could be retained to facilitate future transactions/investments.
- The group should immediately hold a planning meeting for the second transaction. At this point, review difficulties met in the initial transaction and discuss the way forward/remedies.
- If the first transaction was not successful, the marketing representative should hold a meeting to explain the situation. For example, if the buyer defaulted or offered a lower price, produce damage during storage/transportation, the group leaders need to reassure members and make better plans for the next transaction. It is important for the group to



note that it is not likely to attain instant success hence the need for patience and proper planning.

- If the group has performed well for relatively long time, it can think of increasing the scale of operation, diversifying to new products, reaching new markets and adding value.

### **3.4 Inter-Group Associations (IGA) in marketing**

Inter-group association (IGA) is an association that comprises of a number of groups which have decided to help each other in areas of common interest.

#### **3.4.1 Importance of IGAs**

- It helps groups to solve challenges that cannot easily be handled by single groups e.g. one group may not be able to produce enough to satisfy a particular market.
- Enables groups to share information and experiences with one another.
- Improves groups' access to resources
- Enhances groups' participation in community projects and represent their interests to local leadership via advocacy and lobbying.
- It offers benefits to groups operating small business e.g. access to lower input prices through bulk purchase, joint product marketing and access to services.

#### **3.4.2 Services offered by IGAs to member groups**

- Bulk purchases of inputs (improving access and lowering costs)
- Identifying markets and collecting marketing information (the association can delegate this function to a small group).
- Collective marketing of products (improves sales and bargaining power).
- Access to technical and advisory services from government and NGOs that mainly work with IGAs than with smaller groups.
- Assists individual groups with financing (the groups can establish saving and loan scheme and members can also jointly apply for loans from banks).
- Improves networking with others (sharing information and experiences which helps in solving problems and increasing chances of exploiting existing market opportunities).

- Act as link between groups, government and other organizations because there is better flow of information between IGAs, government agencies and NGOs (lobbying and advocating for better policies e.g. input subsidies and better prices).

### **3.4.3 Key success factors in establishing an IGA**

- Before forming an IGA, groups must have run their activities successfully for at least 2-3 years as a gauge to assess if potential benefits will outweigh the costs of running the IGA.
- The groups must be in close proximity to enhance communication and decision-making.
- IGA should have a small number of groups (about 3-10) for easy management.
- The groups should be engaged in similar activities or enterprises (common interest). If groups are involved in different enterprises/products, it will be difficult for the association to handle a multitude of concerns that may differ greatly for each group.

### **3.4.4 Steps in forming an IGA**

The following steps are recommended in the formation of an IGA, bearing in mind that mutual trust and confidence building measures are vital in the initiation step.

- Leaders of groups interested in forming an IGA should connect well with each other.
- The individual group leaders should hold a meeting to discuss activities and challenges being experienced by the groups from time to time.
- The groups should identify common activities/challenges.
- Elect 2 - 3 representatives per group to coordinate between the groups and the association.
- Hold a second meeting for the representatives to discuss the common activities/challenges and design actions to tackle them.
- The representatives should set the actions (objectives) in a prioritized manner for the IGA.
- The representatives should draft the rules and regulations which should be approved by members.
- Representatives should also put in writing the objectives, membership, roles, and sources of financing and how records will be maintained.

- The IGA management should be put in place e.g. executive committee, marketing committee etc.
- Once management is in place, the IGA should start by handling simple problems/concerns and gradually progress to the difficult ones as the association becomes fully functional. E.g. IGA for groups of farmers could start in the first year of operation by linking the groups to farmer for a, service providers in their area, identifying common enterprises/products, generating funds for the association and bulk purchasing of inputs. Later, the IGA can undertake market activities like market research, collective marketing and community level activities such as spring protection and road maintenance.

### **3.4.5 Linkages between IGAs and other organizations**

Although IGAs are primarily formed to address the problems of individual groups, they are better placed to deal with other organizations such as Farmer Fora, Uganda National Farmers Federation (UNFFE) and apex organizations/cooperatives. IGA as a representative of a number of groups is better placed to link up with other organizations to form a common voice in the following:

- Selection, prioritization and identification of key constraints for the product/enterprise.
- Participation in technology development (e.g. development of new cassava varieties through participatory variety evaluation and demonstrations).
- Demanding for and assessing the quality of services provided by service providers.
- Lobbying government on policy issues such as subsidizing inputs, credit, price controls, support to collective marketing and access to export and other markets.

### **3.5 Market research**

**Market research (MR)** is the process of collecting information about the market (customers, competitors and substitute product providers) to help you develop a plan of what to sell, who to sell to, how and when to sell. The success of a seed business is hinged on: knowledge of customers' needs and wants; understanding customer behavior so you can treat them well; knowledge on how to deal with other seed suppliers (competitors); knowledge on how to deal with suppliers of substitute products like sweet potato, yams; creating demand; promoting your

seed; value addition (differentiation – packaging, grading, and certification) and transporting the seed to sale points.

### **3.5.1 Methods of market research**

- Talk to customers when they come to your farm/business outlet about their satisfaction with your product and other products that they may like to buy that you do not currently produce.
- Get information from others on what customers say about your products to each other and to their family and friends
- Examine/observe your competitors: What are they producing (e.g. NASE 14, 15, 16, 12, 13 etc.), what prices are they charging, how are they promoting their products, what do people say about them, why are some customers preferring their product over yours?
- Review your products/records: What products do you sell most and why? Which products are mainly bought on credit and why? e.g. NASE 13 verses TME 204
- Check in the media (newspapers, radios, television and internet).
- Demonstrations/field trials – used for new products or a new market. Place the product in the market (s) to test customers’ response towards the product.

### **3.5.2 Importance of market research**

Basically, market research provides information on the characteristics of the markets in terms of the 4As (Availability of the seed in the market; Affordability of the seed by the customers, Acceptability of the seed and Accessibility of the market). Even if production/business is complex, one will still produce/do business if the market is willing to pay for the product. Thus, profitability of a product is based on the value of the product to the customer.

The importance of market research includes:

- Helps one to know the product range required in the market e.g. NASE 13, 14, 15 and the differentiated form of each variety (certified verses non certified, labeled packages verses non labeled).
- It is enables one to adapt to the means of communication within the market.

- Market research provides information on how pricing is done in a specific market.
- It guides on the choice of the site/location for the business.
- The information is used to estimate future turnover (volume of sales) of the business.
- Determine the feasibility of the business in a particular market (one can then decide whether or not to launch the business/product in that market).

### **3.6 Market information**

Market information refers to all relevant information that entrepreneurs require to produce and market their products with the aim of making profits. In farming as a business, it is essential to put together relevant information needed to make informed choices about the product/variety and production process to deliver a product that satisfies customers' demand.

#### **3.6.1 Types of market information required by cassava seed producers (CSEs) and their customers**

- Weather information e.g. when to expect rains, duration of rains, when droughts will occur and for how long. This information can be got from the metrological department, sub-county, and media (newspapers, radio, television, and internet).
- Extension services such as trainings and advisory services from NAADS, DAO, and NGOs.
- Agricultural inputs such as seeds, fertilizers, pesticides and herbicides. This can be obtained from research institutes, CSEs, NAADS, input dealers
- Agricultural technologies, like new varieties. This can be obtained from research institutes.
- Product marketing. This may include prices (on farm, wholesale, and retail), products needed (demand and supply), buyers, transport and transport costs. This can be obtained through phone SMS, face-to-face interaction, sub-county radio and farmer associations.

#### **3.6.2 Main sources of market information**

There are a number of channels through which both CSEs and cassava farmers can obtain market information. The main sources include;

- Neighboring farmers/other members of farmer's group
- Local markets
- Middlemen/produce traders
- Radio/TV
- Print media (newspapers)
- Trade development and Information offices
- Internet
- Market information firms

### 3.6.3 The 4Cs of market information

- **Customers:** It is very important to know who your customers are because customer care is vital for a business to be successful. This requires providing answers to the following questions: what do they do, what products do they need, how do they need these products, and what will they pay for the products, how many of them are there and where are they located?
- **Cost:** This includes all the seed business costs (operational, production, administrative, selling, and promotional and transportation).
- **Commodity:** This focuses on the type of product (cassava varieties), the existing gap in the market (differentiation of the varieties – certified, grading, packaging, labeling), the benefits your commodity offers and whether there is demand for your commodity.
- **Competition:** These are other farms/businesses selling products (cassava seed) similar to yours. Find out in ways your farm is better or worse than that of your competitors. Learn about who they are, where they are located, what prices do they charge and how they promote their product.

### 3.6.4 Uses of market information

- To know the specific products that are demanded.
- To know who are the potential buyers or customers.
- To know at what price to sell and trends.
- To know your competitors.

- To know at what time of the year the product is most demanded and help plan production schedules
- To know the quality of products required by the market.
- To ascertain trends in the market.

### 3.7 Marketing plan

A marketing plan is a document prepared for the purpose of describing the current market position of a business and its marketing method for a given period of time (usually a life of one to five years). In developing a marketing plan, a business should:

- Identify existing marketing problems of the business.
- Prioritize the problems and identify their causes.
- Design appropriate solutions for the problems.
- Assign responsibilities to implement the solutions (who should solve what problem).
- Identify the resources that will be used to solve the problems.
- Upon completion of the plan and executing it, reflect on achievements, and failures. Probe why desired goals were or were not achieved. This will help the business to make better marketing decisions through corrective action.

#### 3.7.1 Components of a marketing plan

**1. Situation Analysis:** A brief description of your business, customer base and the market at large. It has the following sub sections.

- Customer analysis:** Estimate the size of your customer base (i.e. how many people could potentially buy your products); key demographics of your customer base (age, social class, gender); Value drivers (does the product provide true value to customers)
- Competitor analysis:** Know the market position of your competitors (their position in the market including control over specific segments. Assess the size of the competitors (small or big), their market shares; strengths and weaknesses of the competitors.
- Collaborators:** These are people and companies that are vital in running your business. For example local governments provide extension services. Market information firms provide market information. NGOs provide support inform of trainings, inputs and

research. Document the relevance of each collaborator to the business, their role, and indicate how costs/resources will be shared between you and the collaborators.

**2. Environmental analysis for cassava seed business:** Conduct a PEST analysis (Political, Economic, Socio-cultural and Technological) environment of your product.

- a. **Political and legal environment:** Find out whether there are specific regulations or laws governing your products. For example, for a cassava seed to be certified it must be healthy/clean and regulated by a competent authority (NSCS).
- b. **Economic environment analysis:** Presently, about 96% of farmers obtain planting materials in kind (from own garden, fellow farmers and service providers). In producing cassava seed, you invest money and must sell at a price that covers your cost of production and make profit. How will you differentiate your seed from that of your competitors who are receiving inputs in kind and still make a profit?
- c. **Social and cultural analysis:** Commercial production may not be feasible in certain communities. For instance (i) communities where members access planting material in kind (ii) communities that perceive cassava as a wild crop that can grow without agronomic management. This implies that customers may not buy the seed. Thus, for one to trade in seed in such communities, such perceptions must be addressed in the plan.
- d. **Technology:** This refers to use of improved and modern technologies e.g. improved varieties that are disease tolerant, has high yield potential and early maturing verses land races (local varieties) which are susceptible to diseases. It also includes use of modern technologies like tractor, ox-plough verses rudimentary tools like hand hoe.

### **3.7.2 Challenges in cassava seed marketing**

Effective marketing is a key to the success of the seed business. However, there are challenges that must be addressed from time to time in order to sustain the business. They include:

- **Consistency in the quality of the seed:** Maintaining quality of the seed as desired by the customers from time to time is a challenge. An entrepreneur must build a relationship with his customers and talk to them from time to time about their



satisfaction with his or her product. This will give room to the entrepreneur to make adjustments where necessary.

- **Competition:** A cassava variety goes through introduction, growth, maturity and decline stages in a market as more entrepreneurs supplying similar products enter the market (competition). This competition will gradually push the seed towards the declining stage as the market becomes saturated. Entrepreneurs that know how to differentiate/add value to their seed will be more successful in the market.
- **Technological changes:** Release of a new cassava variety may require an entrepreneur to shift from what he was producing before to the new one in order to continue selling the seed. Knowing when to offer the new variety/technology is a challenge because offering it too soon may yield less profits, as only early adopters are likely to buy it while introducing it too late will allow your competitors to capture the market.
- **Setting the right price:** The challenge in business is to set a right price that will meet your cost and make a profit. If the price of the cassava seed is too high, customers may shift to your competitors or the substitute goods like sweet potato. The product price needs to be within a range that the market will bear.
- **Finding the right customers:** An entrepreneur may develop his/her product (cassava seed) without fully determining the best target audience (customers) for the product, making sales and profit to suffer. Failure to properly align the product with the appropriate customers usually occurs because of a lack of market research. An entrepreneur must know which socioeconomic groups are most likely to buy the types of products he/she sells as well as the form, size, grade that they specifically want the product.
- **Change in demand for cassava seed:** Customers demand may change from cassava to alternative/substitute goods like sweet potato. An entrepreneur must be creative enough to understand the changes in the market and adjust accordingly. This can be achieved through continuous market research.

## CHAPTER FOUR

### SAVINGS, CREDIT AND INVESTMENT FOR CASSAVA SEED BUSINESS

#### 4.0 Introduction

Financial growth is one goal that all businesses endeavor to achieve. This requires good financial management and involves effective management and good knowledge in balancing consumption, savings, investments, credit and keeping proper records of all financial transactions. Households undertake a number of activities to get money which they spend on vast goods, services and investments. The money that remains after consumption can be saved and utilized later to meet a number of other necessities, obligations or make investments. This helps the household to grow their incomes and increase savings. In case of shortages in financing, farming household can also obtain credit from financial institutions to accomplish their activities. This section of the manual seeks to build the understanding of farmers in aspects of savings, credit and investment.

#### 4.1 Savings

Saving refers to putting money or an asset aside to use in the future. It requires discipline, focus and sacrifice to forego present consumption for future benefits. When saving, have in mind a plan of what you are saving for, be realistic and stick to your saving plan.

##### 4.1.1 Importance of saving

- Saving allow you to meet your household needs and obligations, such as buying food, clothing, school fees, land purchase etc. .
- Saved money can be used to expand or to start new businesses at a later time.
- Savings can be invested in purchasing other valuable commodities, such as quality cassava seed, fertilizers, computers, and land
- Saving history records can be used for acquiring financial support.
- Savings can be used at a time of scarcity or when an emergency strikes
- They are important in smothering out variations in incomes and consumptions, allowing excess incomes to be kept for future purposes.

### 4.1.2. Forms of saving

The most common forms of saving include savings in kind and saving Cash. *Saving in kind* is the most common form of saving among the local communities. It involves investing in items or goods whose value appreciates with time. For example, one can buy and keep grain produce, poultry, or animals. Others can buy and keep their money in land or buildings. The other form of saving is *saving in cash*. This is the most preferred form of saving because it easy to access your savings and utilize the savings, it is safer as cash is not visible and credible institutions are always involved in handling your cash.

### 4.1.3. Institutions that can handle your savings

There are a number of institutions with which you can save your money and each of these institutions has it's owns advantages and disadvantages. Some of the institutions and the potential benefits you gain by saving with them are shown in table 10.

**Table 10: Advantage and disadvantages of saving with different institutions**

Saving institution	Advantage	Disadvantages
<b>Formal Institutions</b>		
<b>Commercial Banks</b>	<ul style="list-style-type: none"> <li>• Offer high interest rate on savings</li> <li>• More secure</li> <li>• Provides easy access to loans</li> </ul>	<ul style="list-style-type: none"> <li>• High costs and charges</li> <li>• Minimum balance requirement may be high</li> <li>• Limited reach as Branches may not be available in some areas</li> </ul>
<b>Money Deposit Taking Institutions (MDI's) and Micro finance institutions (MFIs).</b>	<ul style="list-style-type: none"> <li>• Better upcountry branch networks, and are closer to the farmers</li> <li>• Have better developed products for farmers.</li> <li>• Provide increased savings security as they are regulated by Bank of Uganda.</li> </ul>	<ul style="list-style-type: none"> <li>• Few in number, may not be easily accessible</li> </ul>
<b>SACCOs</b>	<ul style="list-style-type: none"> <li>• Offer high interest rates on savings</li> <li>• Closer to farmers since they are formed by groups in the rural areas</li> <li>• Offer opportunities for getting low interest loans.</li> </ul>	<ul style="list-style-type: none"> <li>• Face management risks as most are not run by professionals</li> <li>• May face political and social influence as most are formed as interest groups.</li> </ul>

<b>Rotating Savings and Loans</b>	<ul style="list-style-type: none"> <li>• Located in the village, therefore very close to the farmer</li> <li>• Members can access a lump sum amount at once</li> <li>• Groups are self-managed by members who know themselves</li> </ul>	<ul style="list-style-type: none"> <li>• limited financing ability</li> <li>• May suffer from high default rates</li> <li>• Lower security of the savings as they are locally managed.</li> </ul>
<b>Informal saving</b>		
<b>Savings at home</b>	<ul style="list-style-type: none"> <li>• Better for those without access to formal methods of saving</li> <li>• Money can be easily accessed for emergencies</li> </ul>	<ul style="list-style-type: none"> <li>• Savings can be mismanaged</li> <li>• The risk of theft is high</li> <li>• No gains from interests offer by other institutions.</li> </ul>

#### 4.1.4 What to consider when choosing an institution to use for saving.

Choosing the right institution to save with depends on the benefits and convenience you get from it. Specifically consider the following;

1. Institutions that offer high interest rate on your savings
2. The ease of accessing your savings when required
3. The availability of the saving institution in your area.
4. The security of savings especially from theft due to fraud and financial miss management.
5. Other offer/products given when you save with the institution

## 4.2 Credit

Taking credit is obtaining a specified amount of money from someone or a lending institution with an agreement detailing on how it will be paid back. Sometimes a credit can be received in kind e.g. a cow or farm inputs. When you obtain credit, you spend money that is not yours and make a commitment to repay it. The lender expects to be paid the full amount at an agreed time sometimes with interest as specified in the borrowing agreement. If well managed, credit can be a good avenue to start a business and grow your capital.

### 4.2.1 Reasons people get credit

Borrowing money is important as it can help one accomplish a number of things and finance operation. A person may borrow for any of the following reasons;

- People may borrow to obtain money to spend on their needs and meet different obligations. For example meeting medical bills or paying school fees
- To invest in new ventures **or** to expand business. For example, one may borrow to buy cassava seeds or to hire land for expanding cassava production.
- To solve cash flow problems for example borrowing to get money for buying pesticides to spray crops.
- To buy equipment that can improve farm operations for example Ox ploughs, tractors.

#### **4.2.2 When to borrow money**

Circumstances that may necessitate you obtaining credit;

- When you have a solid business opportunity but lacks the funds to invest.
- When one has temporal cash flow problems or timing situation but available funds are not sufficient.
- When there is a need to expand a business and have solid business plan for payback.

#### **4.2.3 Things to consider before you borrow**

Certain considerations must be made before the decision to borrow is made. Before borrowing, carefully scrutinize the terms and conditions under which credit or a loan is advanced. After a self-assessment and ascertaining that you are ready to borrow, specifically observe and pay details to the following;

- Interest rates charged on the loan
- Fees required e.g. processing fees, insurance fees, loan protection fees, transport fees, etc.
- Bank charges
- Loan period allowed for repayment including the grace period
- The reputation of the lending institution in handling customers
- Security required to secure the loan

Remember that when you borrow you have to pay back the full loan with some interest; so be sure to borrow amounts you can easily pay back. Also, ensure you utilize the loan effectively to avoid fines and minimize defaults. Before you enter into an agreement, request for as much

information as possible about the different types of loans offered and their terms. You as the borrower should also endeavor to provide accurate information during the assessment exercise. Also, remember to honor your commitments, do not divert the loan to what it is not intended for and avoid entering into multiple loans or obtaining large amounts you may fail to pay back.

#### 4.2.4 Challenges in obtaining and using credit

- It puts you in a commitment which must be honored.
- People spend today hoping they will get enough money in the future to honor the commitment. However, the money may not be available in future due to uncertainties such as natural calamities or business failures.
- A loan comes with a cost, such as interest charges. If you are putting this loan into a productive use, there is need to consider the profit you will make and to compare it with the interest you will pay on the loan.
- Timing of the repayment schedules. One may not get money to service the installments at the agreed time of repayment. This results in arrears that increase the cost of the loan as a result of penalties. Consider what you will do in case you cannot raise the installment.
- May lead to loss of assets pledged as security if the loan is not paid

#### 4.2.5 Where small-scale businesses and farmers can access credit

You can obtain credit from a number of sources. Each source has its own benefits and shortcomings. Some of the potential sources of credit and associated pros and cons are shown in table 11. Regardless of the source of credit pay full attention to the terms and conditions being offered before you acquire a loan.

**Table 11: Sources of credits and their associated pros and cons.**

<b>Saving institution</b>	<b>Advantage</b>	<b>Disadvantages</b>
<b>Commercial Banks</b>	<ul style="list-style-type: none"> <li>• Offer high loan amounts which is good for large investments.</li> <li>• There are a number of associated products like asset leasing which is good for small scale farmers.</li> </ul>	<ul style="list-style-type: none"> <li>• High costs and interest charges</li> <li>• Limited reach as Branches may not be available in some areas</li> <li>• Collateral required may not be accessible to farmers.</li> </ul>
<b>Micro finance</b>	<ul style="list-style-type: none"> <li>• Better upcountry branch networks, and</li> </ul>	<ul style="list-style-type: none"> <li>• Few in number, may not be easily</li> </ul>

<b>institutions (MFIs).</b>	<ul style="list-style-type: none"> <li>are closer to the farmers</li> <li>Have better developed products for farmers. Like offering small loans to farmers.</li> <li>Farmers can obtain loans even without collateral.</li> </ul>	<ul style="list-style-type: none"> <li>accessible</li> <li>Interest charged may be high.</li> </ul>
<b>SACCOs</b>	<ul style="list-style-type: none"> <li>Closer to farmers since they are formed by groups in the rural areas</li> <li>Offer opportunities for getting low interest loans and no collateral.</li> <li>The owners are the customers and can get saving opportunities for members.</li> </ul>	<ul style="list-style-type: none"> <li>Limited lending ability as financial capacity may be low</li> </ul>
<b>Rotating Savings and Loans</b>	<ul style="list-style-type: none"> <li>Located in the village, therefore very close to the farmer</li> <li>Members can access a lump sum amount at once</li> <li>Groups are self-managed so members can utilize their savings</li> </ul>	<ul style="list-style-type: none"> <li>Limited financing ability as funds have to be accumulated before they are lent out.</li> <li>Offer short term loans (1-6 month) which may not suit farmers</li> </ul>
<b>Money lenders</b>	<ul style="list-style-type: none"> <li>They are normally more accessible in the rural areas than formal lenders like banks and MFI's</li> </ul>	<ul style="list-style-type: none"> <li>Offer extremely exorbitant interest rates</li> <li>Failure to pay can result in dire consequences as money lenders can adopt harsh collection methods</li> </ul>
<b>Borrowing from friends and family</b>	<ul style="list-style-type: none"> <li>This is normally very cheap, since family and friends might not charge interest</li> <li>This borrowing is also flexible, as conditions can be determined by mutual agreement</li> </ul>	<ul style="list-style-type: none"> <li>Friends might not have the capital required for your borrowing needs.</li> <li>Failures to pay can cause wrangles within the family.</li> </ul>

### 4.3 Investments

Investment means forgoing today's consumption for an activity that will bring you more income in future. It means spending your money in ways that increase your earnings ability. These include starting or expanding businesses, improving your farm or buying farm equipment.

#### 4.3.1 Reasons for investing

- Create wealth and improve financial security.

- Increase the ability to earn more incomes.
- Establish income generating facilities that will support you in our old age e.g. when we retire and for our children
- Create jobs to ourselves and family.

#### 4.3.2 Types of Investments

There are three types of investments classified according to the time it takes before the investor enjoying additional benefits/returns from their investments.

- **Short-term investments:** Money invested is expected to bring returns (income) soon. The period before the expected returns are received is normally less than two years. Such investments include; starting a business, buying a bull, dairy cow etc.
- **Medium-term investments:** A lot of money is required for these investments with long period of completion. Income may start to flow after completion but it will take long before you get the money you put into the project. Examples include; investments into buildings or buying a farm.
- **Long-term investments:** The advantage of long-term investment is that overtime they increase in value. This means if you have the right investment, your wealth would increase in the future (financial position will be better than before), the opposite is true if you make the wrong investment.

#### 4.3.3 Making investment decisions

There are many investment options you can adopt and these are associated with different benefits and returns. Investing in more than one project or venture, like having a farm and a shop at the sometime can spread risks and help you to earn more.

The choice of an area to invest in depends on your desires. Study all the available avenues of investment and chose the best that will give you favorable returns. For example, one can invest in joint ventures like setting up a cooperative, investing in services that offer services to people and also in assets that appreciate in value over time.



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