

AFLAYOUTH

Transforming Agribusiness



SUPPLEMENT

ACKNOWLEDGEMENTS

History of the Curriculum: The present publication represents a series of additional resources that can be used as complementary to the other Aflatoun International materials. This resource has been built based on a consultation with partners. All resources have gone through a process involving partners and stakeholders with expertise in pedagogy and curriculum development as well as thematic technical expertise in the focus areas.

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This project has been funded by Rabobank Foundation

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Special Thanks to: Rin Po and his team at Flifly Cambodia and Edwin Kilave and his team at Inades-Formation Tanzania.

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AFLAYOUTH

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Welcome!

Welcome to the AFLAYOUTH: Transforming Agribusiness curriculum, in partnership with *Farmer's Life Improvement and Future Light Youth Organization (FLIFLY)*, *Inades-Formation* and *Aflatoun International*.

This curriculum was developed in response to the need for materials that teach young people how to secure livelihoods for themselves and their families in the agricultural sector. The following sessions aim to address the key challenges young people face as first time farmers whilst trying to take advantage of the opportunities the agricultural sector offers. We hope to empower first-time young farmers with the knowledge and tools necessary to succeed in agribusiness.

The resources and materials you find here were created with the intention of engaging young people meaningfully in agricultural activities as well as providing them with life skills and financial education that establish the foundational blocks they need to achieve their goals and enable participants to transform them into sustainable agribusinesses. This curriculum hopes to achieve this by providing a solid foundational knowledge of financial management techniques, local farming systems, and methods to increase productivity.

This training manual is intended to provide you, the facilitator, with all the tools you need to prepare tomorrow's leaders and empower them to build successful futures in agricultural communities and beyond. We envision this curriculum will become a robust and scalable evidence-based programme model ready to be implemented across the world and your engagement and commitment in the delivery of this curriculum is vital for the success of the programme and for the future of its participants.

Thank you for your commitment and we hope you enjoy this exciting journey!

Session 8 | Financial Awareness



OVERALL OUTCOME

Participants will learn and begin to distinguish between the products and services that are essential versus those that are nice-to-have. Participants can consider which items are necessities, how much they cost, and prioritize spending.



LESSON OBJECTIVE

By the end of the session, participants will be able to:

1. Describe the difference between wants and needs.
2. List the cost of everyday items and learn to budget for their business plans.



MATERIALS

- 'Needs', 'Wants', 'Both' signs
- Pictures with items for Learn Activity
- Flipchart paper
- Markers/pens



METHODOLOGY

- Start: Vote With Your Feet
- Learn: The Price is Right
- Reflect: Group Discussion



DURATION

75 minutes



KEY WORDS

- Needs
- Wants
- Costs



INFORMATION FOR THE FACILITATOR

- For the *Price is Right* learn activity, be sure to look up the costs of these products ahead of time in order to gauge the average cost of these items in your community. You can modify the list to include more relevant items. Also, be sure to prepare some posters – these can be drawn or found on the internet.



START: VOTE WITH YOUR FEET (20 minutes)

1. As a warm up, go around the room asking participants the following questions:
 - **What is a need?**
 - **What is a want?**
2. Place three signs around the room, one that reads NEEDS, one that reads WANTS and one that reads BOTH.
3. Explain that you will read out types of products/services. Participants should then go to the sign that they think best describes what you have read. Explain that there are no right or wrong answers.
4. Read out the following statements and allow the participants to run to whichever sign they choose. Ask a few participants from each sign to explain why they went to that sign.
5. Ask participants if any of them want to change signs. Continue the exercise until you have explored all of the statements. Try and ensure that every participant in the group has had an opportunity to speak.
 - Fertilizer
 - Going to the cinema
 - Soap
 - Food
 - Medicine/Medical bills
 - Soda
 - Mobile phone
 - Television
 - Haircut
 - Internet/Wifi
 - School costs
 - Sneakers
 - Video games
6. Afterwards, explain to participants that *Needs* are expenses that are absolutely necessary. They are things that are essential to have in life such as food, water and shelter. *Wants* are extra things that are nice to have, but not necessary. They are optional purchases.
7. Additionally, explain that somethings can be *Both*, this depends on the purpose for which it is purchased. For example, a farmer might need a mobile phone to communicate with traders, but an adolescent in secondary school may not actually need one.
8. Follow up by saying that financial goals are based on prioritizing spending on needs over wants.



LEARN: *THE PRICE IS RIGHT* (40 minutes)

1. Begin by asking participants what are some things they spend money on.
2. Follow up by asking if they think this is a need or a want? How much does this cost?
3. Divide the participants into three groups.
4. Explain that you are going to show them a picture of a product/service. They should then quickly discuss with their group how much they think it should cost and come up with a group consensus and say their answer. They will have 30 seconds after seeing the image to come up with the price. The group that is closest (without going over) gets the right answer. You can keep points or just play for fun.
5. The items listed below are suggested images that can be used:
 - Rent
 - Mobile phone airtime/credit
 - Shampoo
 - Transportation to the market
 - Seeds
 - Bicycle
 - Fertilizer
 - Food
 - Farming equipment (i.e. tractor)
 - A new pair of jeans
 - School supplies
 - Dish soap
6. After you have played the game, ask the participants if any of these costs surprised them. Ask them to think about which items are needs, and which are wants.
7. Follow up by asking them which 3 items are the most essential, and which 3 are not? How would they organize this list into needs and wants, using the concepts they learned so far in this session?



REFLECT: *NEEDS FOR OUR BUSINESS* (15 minutes)

1. Explain that now that participants have differentiated between needs and wants, they can make informed decisions about their business planning.
2. Break participants up into pairs. Have them discuss with each other what are some needs that are necessary for their farming business. Ask them to consider how they know it's a need.
3. Have partners volunteer to discuss their business needs to the rest of the group. Ask others if they also think this is a need. Why or why not?

Session 9 | Budgeting



OVERALL OUTCOME

Participants will learn about budgeting, including the key concepts and how to create a budget as well as working with a seasonal calendar.



LESSON OBJECTIVE

By the end of the session, participants will be able to:

1. Describe the components of a budget and are able to create a personal budget.
2. Understand the seasonal variation in their income and expenses and how this affects their budget.



MATERIALS

- Running Dictation slips
- Budget template prepared on flipchart
- Seasonal Calendar prepared on flipchart
- Experts Groups cards
- Seasonal Calendar template for the reflect activity
- Flipchart paper, markers/pens



METHODOLOGY

- Start: Budgeting Terms Running Dictation
- Learn: Budgets and Seasonal Calendars, Experts Groups
- Reflect: Making our own seasonal calendars



DURATION

95 minutes



KEY WORDS

- Budget
- Income
- Expenses
- Surplus
- Deficit
- Season
- Harvest
- Lean



INFORMATION FOR THE FACILITATOR

- Included in this session are two budgets, a basic, empty template and a completed one. You are free to present one or the other, or both during the learn activity.
- Adapt the seasonal calendar as needed to make sense for the harvest season in your local context.
- Expert groups cards definitions taken from *CRS and MEAS. 2015. Introduction to SMART Skills for rural development: A SMART Skills manual. Catholic Relief Services, Baltimore, MD, and Modernizing Extension and Advisory Services project, University of Illinois at Urbana-Champaign, IL.*



START: KEY BUDGETING CONCEPTS (15 minutes)

1. Place the running dictation slips (found at the end of this session) around the room and put the participants into teams of three.
2. Explain that in each team, number 2 is the writer. Make sure they have a pen/pencil and paper. Numbers 1 and 3 are the runners in each team.
3. Group members number 1 and 3 must run around the room finding the slips of paper. When they do so, they must leave the slips at its place. They should read it, memorize it without taking notes and dictate it to the writer who then recodes it on their paper.
4. Once everyone have finished, ask teams one by one to read out one of their sentences. Have a quick discussion about anything that is unclear.



LEARN:



60 min.
total

BUDGETING OUR WANTS AND NEEDS (30 minutes)

1. Explain that now that participants have differentiated between needs and wants in the previous session, they can make informed decisions about their saving and spending.
2. Show them the budget template on the flipchart. You can use a blank budget template like the one found below or a completed one, found in the Annex.

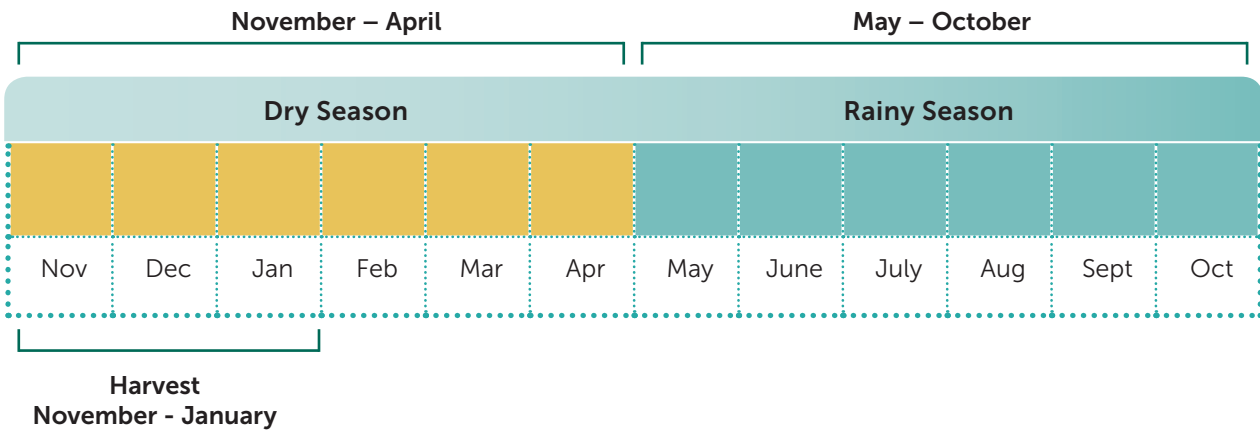
	Month 1	Month 2	Month 3
Starting Cash	XXX	XXX	XXX
INCOME (IN)			
Source	Amount	Amount	Amount
Selling Vegetables	XXX	XXX	XXX
Total Income:	XXX	XXX	XXX
Total + Starting Cash	XXX	XXX	XXX
EXPENSES (OUT)			
Food	XXX	XXX	XXX
Home needs total:	XXX	XXX	XXX
Farm Inputs	XXX	XXX	XXX
Business needs total:	XXX	XXX	XXX
Total expenses:	XXX	XXX	XXX
+ Surplus / - Deficit = (includes money from loan)	XXX	XXX	XXX

3. Divide participants into small groups of 3 or 4 and have the participants look at the budget you've presented. Have them think about items that they would include in their budget under the home expenses and business expenses. Ask if groups can come up with a consensus of what is a spending need for their home and for their business.
4. Once groups have filled out their budgets, start a group discussion by asking the following questions:
 - Ask if any groups considered saving money in their budgets. Why or why not?
 - What challenges did you face with budgeting?
 - Why is it important to review income and expenses regularly?
 - What expenses require advance planning?
 - How is budgeting beneficial for a farming business?
5. Explain that, for farmers, budgeting is important because their income and expenses will change

during the year, based on the harvesting season. This is called a **seasonal income**. Farmers should try to save as much as possible after their harvest income, so they can rely on their savings during lean periods.

PUTTING IT ALL TOGETHER: USING A SEASONAL CALENDAR FOR BUDGETING (30 minutes)

1. Begin by asking participants how do conditions for farmers change from one season to the next? Elicit answers such as there are periods when resources are scarce and there is little work, there are periods when more income is made because of the harvest.
2. Explain that farmers' financial situation is dependent on the seasons. In order to better manage their income flows, farmers use a seasonal calendar. A seasonal calendar helps farmers track their money over the course of a year, based on the changes from one season to the next.
3. Present the seasonal calendar on a flipchart:



4. Explain that seasonal calendars help you financially plan and budget, taking six categories into consideration. Explain that you will play a quick game to learn about the categories of the seasonal calendar.
5. Put participants quickly into groups of 6, counting them off 1-2-3-4-5-6. Give each team a name, such as that of an animal (i.e. The Lions, The Sharks, The Eagles etc.)
6. Distribute a set of 6 cards (found at the end of the session) to each team and ask each member to take one. Then break up the teams, so that everyone with card 1 is together, everyone with card 2 is together and so on.
7. Give participants a couple of minutes in their new groups to learn all the information on their card. They should become experts on that component of the seasonal calendar. Have the groups discuss all the information on their card until they've fully understood it.
8. After 5 minutes, instruct groups to return to their original team. Each member will then take turns being the teacher/expert. The group member with card 1 will go first and inform their group about the information on their card. They should ask questions, discuss the content and take notes. Then, the group member with card 2 will go next and so on.
9. Once all members have had the chance to discuss the information on their card, take away the cards from them.
10. Then ask them the following questions:
 - What are the 6 parts of the seasonal calendar?
 - At which time are there more costs (but also more income and work)?
 - When income is higher, what should farm families do?
 - How do household expenses fluctuate?

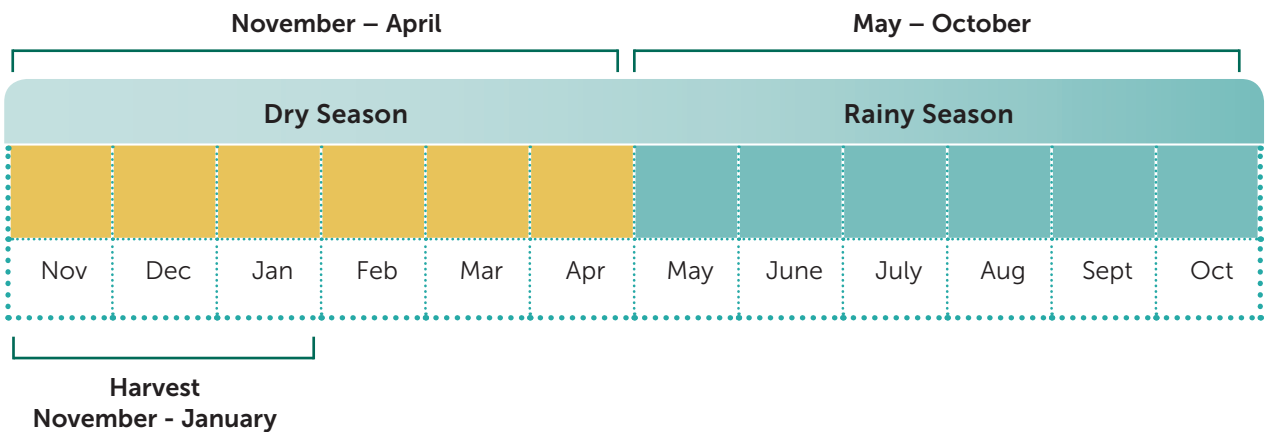
11. Explain that a seasonal calendar helps farmers link the specific seasonal trends in their income and expenses throughout the year. Regularly recording and comparing expenses to income will give you a good idea of your personal patterns of surplus and deficit throughout the year. Making a financial seasonal calendar will help you to better plan your finances throughout the entire year. This planning will help you to save more during months when you have a surplus to cover expenses for months when you expect to have a deficit.



REFLECT: MAKING OUR OWN SEASONAL CALENDARS (20 minutes)

1. Inform participants that they will now work on creating their own seasonal calendars.
2. Present the following templates on a flipchart

	SEASON			
		PLANTING	LEAN/HUNGRY	HARVEST
	JAN-MAR	APR-JUNE	JULY-SEPT	OCT-DEC
INCOME	xxx	xxx	xxx	xxx
EXPENSES	xxx	xxx	xxx	xxx
SAVINGS	xxx	xxx	xxx	xxx
LOANS	xxx	xxx	xxx	xxx



3. Have participants write these down on a piece of paper and tell them to fill it out for themselves.

4. In the chart, they should write out their expected income, expenses, savings and loans. Using the seasonal calendar, they should note in each month square what events, expenses and so on will occur. Advise them that they can make drawings of what they mean if they prefer to have a visual representation.
5. Once participants have finished with their seasonal calendars/charts, ask participants to turn to their neighbour and discuss the following questions:
 - During which season is your income greater and why?
 - During which season is your income lowest and why?
 - How does knowing your high and low periods/seasons of income and expenses help you to reach your goals?



ANNEX

ANNEX A: RUNNING DICTATION SLIPS

Income is the money you receive, usually on a regular basis, from your place of employment, or for your work or through investments. This is also referred to as salary or wage.

Expenses are the money spent or costs required for items or services. People usually have expenses relating to their home/rent, school and transportation

A **Budget** is a tool to help you see how much money you expect to earn (income) and how much you expect to spend (expenses) over a certain period (i.e. over the course of a week or a month).

A **Surplus** is the amount of money or quality of goods that you have left over after you have done everything and spent everything you had planned. It means 'extra'.

A **Deficit** is when you don't have enough money or goods to spend as you had planned. It refers to the funds that are missing, lacking or insufficient.

ANNEX B: COMPLETED BUDGET EXAMPLE

	Month 1	Month 2	Month 3
STARTING CASH (loan from savings group)	4,500	(300)	0
MONEY IN (income)			
Selling vegetables	1,000	1,500	2,000
Collecting wood	500	500	1,000
Selling chickens	2,500	3,500	-
Other (gifts, etc.)	100	-	-
Total Income:	4,100	5,500	3,000
Total + Starting cash	8,600	5,200	3,000
MONEY OUT (expenses)			
Food	3,000	1,000	500
Lunch for children	100	500	250
Clothing for holidays	500	100	-
Kola nuts	-	400	250
Home needs total:	3,600	2,000	1,000
Farm inputs	4,000	1,000	-
Transport	300	200	100
Loan repayment	-	1,500	1,500
BUSINESS NEEDS TOTAL:	4,300	2,700	1,600
TOTAL WANTS (OPTIONAL):	1,000	500	200
TOTAL EXPENSES	8,900	5,200	2,800
Savings	-	-	-
+Surplus /- Deficit = (includes money from loan)	(300)	0	200

Chart Taken from CRS and MEAS. 2015. *Introduction to SMART Skills for rural development: A SMART Skills manual*. Catholic Relief Services, Baltimore, MD, and Modernizing Extension and Advisory Services project, University of Illinois at Urbana-Champaign, IL.

ANNEX C: EXPERTS GROUPS CARDS

Card 1

Season: A season is a distinct period of the year characterized by particular conditions of weather, temperature or events. Typical seasons include the harvest season, the hungry/lean and growing season, the rainy season, the dry season, and holidays/festival/celebrations.

Thinking about the specific expenses and income during each season helps farmers to better manage their money.

Card 2

Income: Income is the money that flows into your household. It is the money earned from selling goods, providing services, or other income generating activities. By writing down how much money is coming in during each season, farmers can see when they receive the most money, and when times are harder and little to no money is coming in. During times of high income, you should try to save as much as you can.

Card 3

Household expenses: An expense is money that you spend. Household expenses are the money you spend to manage and run your household. Like income, household expenses fluctuate throughout the year. During the dry season food costs go up. During holidays, you spend more money. If you have children in school, their school fees come at various times of the year.

Card 4

Business expenses: All cost associated with your livelihood are business expenses. During harvest time, there are more costs (but there is more work and more income). Planting season has additional costs. Here expenses are recorded and can be compared to income fluctuations.

Card 5

Savings: Savings is money that you put aside for later. When income is higher, families may have a surplus and should put money aside. These savings can be used during the season when expenses may exceed income to cover this gap.

Card 6

Loans: Money that you borrow today and must repay in the future is a loan. Sometimes it is impossible to earn and save enough money to cover all household and business expenses. In these situations, you may need to borrow money to pay for these expenses. By recording these borrowing patterns, farmers can anticipate their needs in advance and pick the best loan for their situation.

Session 14 | Identifying Business Opportunities



OVERALL OUTCOME

Participants will be able to break down a value chain and list all possibilities for work within the system. They will reflect on the role they want to play in a value chain and become aware of their strengths, skills and resources respectively.



LESSON OBJECTIVE

By the end of the session, participants will be able to:

1. Describe a value chain.
2. List various roles in a value chain of their interest.
3. Describe their work-related skills and resources.



MATERIALS

- Board/flipchart
- Paper
- Markers, colouring pencils, pens



METHODOLOGY

- Start: Core Chain Actors Role Play
- Learn: Case Study
- Reflect: Drawing Exercise



DURATION

70 minutes



KEY WORDS

- Value Chain
- Core Chain Actors
- Skills
- Resources



INFORMATION FOR THE FACILITATOR

- A value chain analysis maps out and characterizes all the actors, services and institutions involved in the process of getting the product from the producer to the consumer. This analysis allows you to identify the strengths and weaknesses of each of the actors in the chain and

decide on suitable actions that you can take to strengthen your participation in the market.

- It is encouraged to read through all of the background information presented at the end of this session and complete the quiz before carrying out the session with participants.



START: THE VALUE CHAIN AND CORE CHAIN ACTORS - ROLE PLAY (25 minutes)

1. Begin by asking participants the questions below and allow them one or two minutes to think silently on their own.
 - *What does value chain mean?*
 - *What might be the different roles in a value chain?*
2. When the two minutes have passed, ask participants to answer the question. After listening to their suggestions, summarize that:

*Many people are involved in getting agricultural products from the producer to the consumer. In addition to men and women farmers there are various types of traders and processors, as well as various business services and institutions that support the process. They are all part of what is called a **value chain** that links farmers to consumers. **Core Chain Actors** are everyone in the value chain who sells or buys the product.*
3. Explain that in bigger cities, the value chain tends to be longer because there is more distance between the rural producer and the urban customer. This longer type of value chain can have as many as 6 actors: **Farmer, Collector, Processor, Wholesaler, Retailer, and Consumer. These are the core chain actors.**
4. Divide participants into groups of 6. Assign each group member one of the core chain actor roles mentioned above. Explain that each group should order themselves according to the chain, and role play their core chain actors' role in the value chain.
5. If participants need some help understanding the role of the core chain actors, use the points below to guide them:
 - **Farmers** grow crops or raise livestock, as well as the harvesting, drying, sorting.
 - **Collectors** are the local traders who buy crops/livestock from the farmers.
 - **Processors** can include millers, feed manufacturers, butchers, leather workers, coffee roasters, juice makers, canners, etc, that process the products.
 - **Wholesalers** buy most of their supplies from processors or directly from farmers and store them in warehouses and supply retailers.
 - **Retailers**, such as supermarkets or small shops, sell the products to consumers.
 - **Consumers** are the final part of the value chain – the people who buy/use the product.
6. Once participants have a had to chance to role play within their groups, bring all the participants back together and ask for a group to volunteer to demonstrate their value chain. This time the group presenting should do the role play without talking, the rest of the participants will have to guess and describe what each character is doing.



LEARN: CASE STUDY & GROUP DISCUSSION (30 minutes)

1. Read the following case study to the participants. If possible you can print it out and give everyone a copy.
2. Ask them to take notes or to listen very carefully to the details of the story.

Case Study - Amazing Grace

Grace is a single mother, living in Techiman Town, in Brong Ahafo Region (BAR) in Ghana. She is famous for the kebabs she makes. She makes her kebabs from soybean flour! Yes, this energetic woman has a small processing unit at her home to make kebabs. It is a long process to make kebab! Watch and see!

First, she cleans the soybeans she bought at the market. There are plenty of stones and other contaminations she has to take out. What a lot of work! After cleaning, she soaks the beans in water for 2-3 hours to remove the husks. Then she grinds the soybeans into paste. From the paste she makes soymilk, which is then heated to make curd. She cuts the curd into shapes she desires and deep-fries them in oil. Finally, she has her kebabs.

Her kebabs sell like hot cakes. If she could make more kebabs, she would have no problem selling them! Grace is a businesswoman and not afraid to take risks. She intends to extend her business and recruit women to work for her. If Grace is successful she will kill more than two birds with one stone: she will be better off financially, and so will the women who work for her. What's more, her clients will become healthier, as soybean has a very high content of protein, more than any other vegetable or animal food.

To extend her business, Grace wants to purchase larger quantities of cleaned soybeans. But where to find these? Grace investigates and gets in touch with the 1000s+ Project, which brings her into contact with soybean producers. They agree to provide cleaned soybean if they get a better price for their product. Grace agrees. Both parties are now better off, the producers get a higher price, and Grace has more time to make kebab. She recruits retailers to sell her kebabs on the market and increases her revenue.

But Grace wants more still! She promotes her product and the demand increases. To meet the higher demand, she will have to take a loan to invest in her processing unit, to buy more material and more soybeans. So she takes a loan and creates a solid relationship with the producers' organisations to be sure to get enough soybeans. Her business grows and grows.

Grace comes to be known as "Grace Kebab". She is so successful and so famous that she even receives the full attention of Ghana Nuts Ltd that processes and sells nuts as well as edible oils in Ghana and abroad. In the past, Ghana Nuts Ltd. tried – and failed - to organise soybean producers. As a consequence, it had to import soybean from as far away as Brazil.

With the experience of Grace and 1000s+, Ghana Nuts discovers that its limited investment in organising farmers has been one of the major factors explaining its failure. Now that the producers are organised and that the quality and quantity has substantially increased, Ghana Nuts negotiates with the farmer organisations to buy part of their soybean production. Ghana Nuts can now gradually decrease its imports of soybeans from Brazil. Ghana Nuts Ltd recognises the importance of Grace's and 1000s+ initiatives and praises all their efforts to boost the local production of soybean.

Grace is proud of what she achieved. On the market she is warmly greeted, her clients look healthy. Her employees are better dressed. The soybean producers also profited from this evolution, some have a bicycle now, others are proud to show their new roof! And more children are in school now, where at noon they eat the healthy kebabs of the amazing Grace!

Written by Marie Loosvelt and Toon Defoe

3. After reading it to them, put the participants into groups of three to five and ask them to discuss the following questions:
 - Who are the core chain actors in this case study? Identify each chain actor and describe their position/role and the effect they have on the success of Grace Kebabs.
 - What skills does Grace have?
 - What resources does she make use of?
4. Give the groups ten minutes to answer the questions.
5. Once this is completed, go through the questions with the group.



REFLECT: APPLYING THE VALUE CHAIN TO OUR OWN LIVES

(15 minutes)

1. Take a moment to reflect with the group. Ask each one to draw themselves on a piece of paper.
2. Now ask them to think of the value chain and how it can be applied to the products they produce.
3. Ask them to think of different core chain actors and draw these on the paper also.
4. Have them reflect on different activities at different stages in the chain, e.g. bulking, milling. They should add these to their drawings.
5. Have participants also consider where the activities take place and depict this in their drawing.
6. Ask for a volunteer to present their drawing and explain all the components.

OPTIONAL ACTIVITY: INVITE A GUEST SPEAKER

1. This session presents an opportunity to have a guest speaker discuss business opportunities with the participants. Depending on the timing and feasibility, it is recommended to carry out this optional component of the session.
2. Find a female entrepreneur in agribusiness, if possible. Ask her to talk to participants about her start, challenges she faced, as well as her own perseverance and creative problem solving, etc.
3. Have participants prepare questions for the guest ahead of time.
4. You should also help the guest prepare by explaining to them who the participants are, what kinds of businesses they are interested in focusing on, their challenges, goals, etc. That way, she can tailor her discussion to be relevant to their interests.

BACKGROUND READINGS FOR FACILITATOR

CORE CHAIN ACTORS

All the people who sell and buy the products are called core chain actors.

As towns and cities grow, the distance between rural producers and urban consumers increases. Market chains get longer and more people are involved in the process of buying and selling goods before they reach the final consumers.

Most farm products are bought and sold several times before they reach the final consumers. There are many different types of traders, each with a different function. Three types are: collectors, wholesalers and retailers.

FARMERS

Farmers grow crops or raise livestock, and they or their family members do the initial processing (harvesting, drying, sorting, etc.). They occasionally sell directly to consumers (often other people in their village). But more usually they sell to traders.

COLLECTORS

Collectors are small, local traders who buy directly from individual farmers. They are often also farmers themselves. They may buy a few bags of produce from many farmers, and store them until they have enough to sell to a larger trader or processor. Collectors have limited capital and trade small volumes. They may use motorbikes or may own or rent a small truck.

PROCESSORS

Processors transform the product in some way. They include millers, feed manufacturers, butchers, leather workers, coffee roasters, juice makers, canners, and companies that make potato chips or package frozen food. Processors can be very small household enterprises, or big firms. They may use traditional or modern technologies. They can be located in rural areas or in a town or city.

WHOLESALEERS

Wholesaleers deal with much larger volumes than collectors. They own or rent a bigger vehicle, and have their own storage warehouses. They buy most of their supplies from smaller traders or processors, but some also buy directly from farmers. Wholesaleers supply retailers in towns and cities. Many also supply processors, exporters and other large traders.

RETAILERS

Retailers sell products to consumers. They are very diverse. For example, supermarket chains are large companies that handle big volumes of many different products. In contrast, small shops and market vendors sell much smaller volumes and fewer goods, and do not keep sizeable stocks.

CONSUMERS

Consumers are the people who use the product. They are at the end of the chain. They include the end-consumers who eat or drink the food, or wear clothes made of wool or cotton. They also include companies that use the product to make something else – such as a restaurant that uses peanut oil to fry food.

BUSINESS SERVICES

To work, a value chain needs many types of business services. These are people and organisations that support the production and marketing of goods, but do not own the product.

You are probably familiar with some of these and less familiar with others. Although these services are essential for a productive value chain, farmers often face multiple challenges that prevent them from accessing the services.

INPUT SUPPLIERS

These provide the many things needed to grow crops and raise animals: seed, agro-chemicals, veterinary medicines, irrigation pumps and pipes, farm tools, equipment such as threshers, spare parts, and so on.

But: The inputs that farmers need are often unavailable, expensive, or arrive too late.

INFRASTRUCTURE

This is the basic physical and organizational structures and facilities needed for the operation of a society or enterprise. This includes water supplies for irrigation and processing, electricity, fuel supplies, roads and transport services.

But: Many villages do not have electricity, roads are poor, and transport is expensive.

COMMUNICATIONS

Smooth information flows are vital for a value chain to function. Communication may be by word of mouth, telephone, e-mail, the internet, or postal service. Mobile phones and e-mail are becoming more important in the developing world. Many buyers now purchase only from suppliers who have a mobile phone.

But: Many places lack phone coverage, and the internet needs electricity and computer skills.

TRAINING AND ADVISORY SERVICES

Farmers and other actors in the chain need specialized information and advice about production, post-harvest, processing, marketing, management, finance and business strategy among others. Agricultural extension officers, NGO field agents, and consultancy firms are the main sources of these services. People also get a lot of information from other actors in the chain. They can also get information via their mobile phones or the internet.

But: Declining government support means that many extension agents are unable to assist farmers in remote areas. Also, advisory services are often provided by male extension agents and field agents. As a consequence, advice appropriate for women farmers may be overlooked, such as appropriate technology and timing.

MARKET INFORMATION

Farmers need various types of information on prices:

- Spot prices: the price of the product at a certain place at a specific time
- Price trends: how the price varies from place to place and from season to season
- Price premiums: the prices offered for specific grades or standards of produce, or for larger or smaller amounts of the product.

This information helps farmers make more informed decisions on what to grow, where to sell, when to sell, and how to sell it.

In addition, farmers also need other types of market information:

- Links with potential buyers
- Information about product quality and quantity required and frequency of delivery
- Payment conditions. For example, how is the payment made (in cash, by check, or by bank transfer)? When is the payment made (on delivery, at the end of the month, after 30 days, after 90 days)?

In many cases, farmers have no market information. This makes it difficult for them to negotiate effectively with traders.

Farmers can get market information in various ways:

- They can get it from government market information services, which are usually provided free of charge (for example, on the radio).

- They can subscribe to private information services, which charge users for the information. These often provide information on the internet or via mobile phone.
- They can visit markets to gather information on prices.
- They can phone traders in different markets to find out the prices.
- They can attend agricultural fairs and visit potential buyers.

If everyone has market information, people have less chance to cheat or charge unfair prices. Farmers who get good market information can negotiate for better sales prices.

But: Services are often patchy or unreliable, especially in remote rural areas. Moreover, different types of user, such as illiterate farmers, some women, and minority groups may face additional constraints in accessing this information.

FINANCIAL SERVICES

Financial services provide the capital that actors in the value chain need to keep their business viable. Farmers need credit to buy seeds and fertilizer, pay labourers to plow, weed and harvest, buy sacks and crates, to mill their grain, and take produce to market. Similarly, traders and processors also need credit to buy produce, pay for transport and storage, and so on.

Credit providers include local moneylenders, savings and loans clubs, microfinance institutions and banks. Other types of financial services include savings, insurance, leasing, warehouse receipts, and loan guarantees

Farmers and traders need different types of services at different times in the season, and at different stages in the value chain.

- At the beginning of the season, farmers need loans for seed, fertilizer, and labour, which are paid back only after the harvest.
- At mid-season, farmers need loans for weeding, which they will be able to repay after harvest
- At harvest time, they may need loans so they can hold onto their crops until the price has risen.
- Traders need short-term loans so they can buy products to sell and in some cases buy produce to store and sell

But: Farmers and traders find it difficult to get the financial services they need, when they need them, at an affordable price. Female farmers may face additional challenges as a result of laws that prohibit women from accessing credit or establishing a banking account. Also, men and women farmers are often at a disadvantage because they do not know how to set up a bank account.

RESEARCH

Research provides farmers with new products and better methods to produce. New crop varieties may be higher yielding, resist pests and diseases, have higher nutrient content, or tolerate drought. New farming methods may enable farmers to increase their productivity or reduce their costs. Research also helps farmers become more competitive, improve their quality, reduce their losses, or add value to their output.

But: Research results often fail to reach farmers in a form they can use. New technologies may also increase labor or other costs for other value chain players. For example, a new high yielding seed may result in a tougher skin of a root crop. The farmer produces more of the crop, but the processor needs to use more labor to remove the peel.

BUSINESS SERVICES AND THE VALUE CHAIN

Business services provide various types of support at different stages in the value chain. Some (such as seed suppliers and field agents) serve farmers. Others (such as transport companies) provide services to traders and processors. Different financial services serve different parts of the chain. Farmers can get loans from savings-and-credit groups and microfinance institutions, while banks and insurance companies provide financial services to large processors and retailers. Important business services are missing in many places. For example, it can be very difficult for some farmers to get

loans, buy fertilizers or get market information. Improving these services would make the value chain more efficient and would help everyone in the chain make more profit.

COVERING THE COSTS OF BUSINESS SERVICES

Farmers and other users can get some business services for free. For example, they can use a road or listen to the radio without paying (though they may have to hire a vehicle or buy a radio). Research, crop extension and market information services may also be free.

Users have to pay for many other types of services. For example, they have to hire a truck to carry their produce, buy seed and fertilizer, and pay for vaccines and veterinary advice.

The providers of business services must cover their costs and, if they are private companies, must try to make a profit. They usually cover their costs by charging a fee: transport companies charge per sack or crate moved, millers charge for milling grains, such as maize, and graters charge for grating roots such as cassava.

The government also has to pay for the services it provides. It covers some of the costs through taxes or project grants, but may also charge fees. Radio and TV stations often pay for their broadcasts through advertising. Increasingly, NGOs are also charging fees for certain services.

If development agencies provide certain services for free, they will prevent private companies from charging for the same services. That will stop private business services from growing. This makes many projects unsustainable.

If they get free services, farmers are not aware of the full costs of their businesses. When the project ends and the staff leave, the farmers often cannot access the services that the project used to provide.

Instead of competing with the private sector, development agencies should try to find ways to stimulate the private sector to develop such services.

INSTITUTIONS AND RULES

We need to consider a third part of the value chain: the institutions and rules that govern how it works. We can think of them as the "rules" of the marketing "game".

Here are some examples:

Laws and policies. Governments set laws and policies to regulate the flow of goods and services. They may impose taxes, offer subsidies, or control prices. They may restrict or encourage the production of certain crops, or limit the movement of plants and animals to prevent diseases from spreading. They may promote land reform, or encourage soil and water conservation. They may provide certain types of business services, such as extension and market information.

Standards. Tomato traders and retailers often insist that the tomatoes they buy must be of a particular variety, a certain size, not damaged, and packed carefully in crates containing a certain number of kilograms. This is an example of a standard. Standards may be formal or informal. They may be imposed by the government, by individual traders, or by an industry association. Farmers need to know these standards so they can comply with them.

Certification. Coffee farmers who want to sell into higher value markets often must produce their coffee according to the rules of certification organizations such as fair trade. In other cases farmers can access higher value markets by using specific farming methods such as organic farming. Many coffee farmers grow coffee that is fair trade certified and organic. To sell fair trade coffee, farmers need to be a member of a fair trade approved cooperative, in which producers agree to produce coffee according to agreed environmental, social and financial standards. For example, all fair trade coffee cooperative must agree to an annual audit, to show their social accountability in payments. When farmers are growing organic coffee they must grow coffee without the use of chemical fertilizers or any chemicals that are used to kill pests and diseases.

Food safety standards. Many standards aim to ensure that food that we eat is safe. They cover things like:

- The type of pesticides that may be used
- The level of toxins (poisonous substances) in stored grain
- The moisture content of grain
- Levels of broken grains, discoloured grains and fungal infections.
- Special organizations test products and check farms to make sure that they comply with such standards.

Security. The police, lawyers and judges maintain order, and ensure that people in the chain comply with contracts and do not break the law. Corruption and lawlessness may be a problem in many areas. A value chain will break down if, for example, armed robbers attack trucks carrying the produce.

QUIZ FOR THE BACKGROUND READING

- 1. Which statement best describes the difference between a trader and consumer?**
 - a. A trader is a buyer and a seller of goods or services. A consumer only buys and then uses the product.
 - b. A trader is someone who buys from farmers and sells in a market. A consumer is someone who buys from farmers.
- 2. Who does a retailer sell to?**
 - a. Farmers
 - b. Consumers
 - c. Processors
 - d. Supermarkets
- 3. Which of these are business services? Select all that apply.**
 - a. Pump suppliers
 - b. Farmers
 - c. Market information services
 - d. Traders
 - e. Business planning centres
 - f. Extension officers
 - g. Processors
- 4. Why is it a problem if an NGO provides free services? Select all that apply.**
 - a. It crowds out private-sector services
 - b. It reduces the sustainability of a project
 - c. Free services build dependency of the farmers on the NGO
 - d. Free services give one village an unfair advantage over neighbouring villages
- 5. How many levels are there in a typical value chain?**
 - a. At least one level, which includes the farmers
 - b. Three levels: the core chain actors, business services, and institutions that provide a regulatory framework
 - c. Three levels: producers who create value, people who add value, and those who manage the value
 - d. Four levels: input suppliers, institutions, buyers and sellers, and services

6. **Which best describes the key roles of institutions that regulate a value chain?**
- Regulatory institutions promote the production and sales of products that the government can tax.
 - Regulatory institutions create an environment that enables trade, and set standards and rules to ensure food safety and quality.
 - Regulatory institutions create an environment that allows people to do business in a free and fair manner and lets consumers buy anything they need.
 - Regulatory institutions work with the business services to extract money from the value chain.

ANALYSIS OF A VALUE CHAIN

There are many ways to analyse or evaluate a value chain. Analysis can stem from research of secondary information, such as government or industry data, to interviews with industry participants. It can also be derived from participatory market assessments and market observations. Once the information is gathered, numerous tools and processes help interpret and inform the resulting analysis. In general, an in-depth value chain analysis considers the following questions (SNV 2004):

- What are the target markets that the value chain of interest serves?
- What/where are the main competing value chains?
- What are the product types, forms, and presentation that each target market seeks?
- What are the pathways from source to each end-market?
- What are the value chain's comparative advantages?
- How do financial (and sometimes economic) costs rise as the product moves along the value chain?
- How does market value rise as the product moves along?
- Where is the most potential for growth in sales or profitability?
- What are the most important actors within the value chain and how do they behave?
- To what extent is trust and cooperation evident at each step in the chain?
- What is the share of volume and value associated with different types or cohorts of actors?
- Where in the value chain are apparent choke points or bottlenecks?
- What is the overall size of the value chain of interest?
- How does this value chain connect to others, and what possible synergies exist?
- How has the value chain been evolving over time?
- How is the value chain governed, and who holds power or influence?
- In what ways is the value chain regulated from outside or self-regulated?
- What is the institutional framework of the value chain (e.g. producer or trade associations)?
- What factors in the enabling environment hinder or support chain growth and prosperity?
- What is the potential for improving or upgrading any of the above?