

**BUSINESS SKILL FOR SMALL-SCALE SEED
PRODUCERS: A TRAINER'S GUIDE
HANDBOOK THREE**

**HANDBOOKS FOR SMALL-SCALE SEED
PRODUCERS**

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INTRODUCTION TO THE HANDBOOKS FOR SMALL-SCALE SEED PRODUCERS SERIES

Accessing good quality seed is a problem faced by small-scale farmers throughout Africa. One solution to this dilemma is developing local level seed enterprises. The handbook **"Business skills for seed producers"** is intended for use by small-scale farmers, business people and rural institutions such as schools and churches interested in producing seed of various crops for sale. It is written for people who have no formal training or experience in seed production.

This handbook is a guide for trainers who are supporting small-scale seed enterprise development. Trainers should have hands on business experience, ideally in an agricultural enterprise. Where the trainer does not have hands on business experience, one idea is to have an experienced local farmer/ business person (chosen carefully) as a co-facilitator. Ideally, the farmer/business person should have experience in running a business (e.g a poultry business, bakery, small shop, handicrafts, trading etc.) as opposed to simply selling crops. Such a person might be selected from previous training courses for small-scale seed producers.

Another handbook in this series, **"Producing bean seed"**, is specifically intended for bean seed producers.

A note on business language: Since some business language may not exist in African languages, when using this manual or translating it into local languages, it may be necessary to develop new words in your language or use the English, French or Portuguese words.

Introduction

This document is intended for use as a companion to the handbook “**Business Skills for Seed Producers**”. It provides guidelines and tips for facilitators. The word seed is used in a general sense to refer to true seed or planting material.

The purpose of a seed enterprise is to produce good quality seed for sale and to make money from providing this service to the community. No matter how much seed a producer is able to grow, without strong business skills, his or her business is bound to be weak and unprofitable. In short, the emphasis in training seed producers should be on developing entrepreneurial skills. The module on business skills is part of a wider curriculum on seed production as an enterprise. Other components of the curriculum are:

- ✓ Agronomy of seed production
- ✓ Improving soil fertility
- ✓ Plant protection
- ✓ Seed quality
- ✓ Post-harvest operations

While this document presents a proposed format for training new seed producers, it should be modified according to the level and experience of participants. One important assumption of this guide is that participants receiving training on seed production have previous business experience (defined as operating a business such as poultry, bakery, carpentry etc.).

Two training sessions are recommended for the business module: an initial session to cover the contents in the handbook and follow-up sessions after participants have established their businesses. During the initial session, it might be appropriate to spread out the business module sessions throughout the training course since many ideas and concepts are difficult to grasp. The purpose of the follow-up sessions is to see whether participants have practiced what they learned, address difficulties and monitor progress. The first follow-up meeting should be scheduled three to six months after the initial training course. Ideally, institutions supporting the development of seed enterprises should plan to monitor the progress of newly established seed businesses for at least 2 years.

In deciding on the number of course participants, attention should be given to participants' level of business experience, the number of illiterate participants, the facilities available for the training, and the comfort and experience of the facilitators. In general, aim for a maximum of 15 – 20 participants, assuming there are 3 or more facilitators for the whole course. Where some participants are illiterate, it is important to ensure a balance with the number of literate participants.

We advocate the use of participatory learning methods. Participatory learning is a creative, problem-solving method in which every participant participates actively. In this approach, the learning process is just as important as the subject being learned. Participatory learning is based on the following assumptions (FAO, 1994):

- ✓ Addresses the needs and problems of participants
- ✓ Uses participants' knowledge, experience and skills
- ✓ Considers every participant a trainee and a trainer
- ✓ Uses practical real life activities so participants can learn by doing
- ✓ Takes place in a location and in a setting where participants feel at ease.

The role of the facilitator is to:

- ✓ Guide the discussion introduce the training material, structure the discussion and summarize regularly
- ✓ Ask questions, probe and listen: "What do you mean?", "why do you think so?", "what do others say?"
- ✓ Acknowledge participants' views and opinions
- ✓ Give participants time to express opinions and give examples and ask others to listen
- ✓ Stimulate creative ideas
- ✓ Encourage everyone to contribute
- ✓ Look for practical methods to promote participants' involvement.

Facilitation though an interpreter is difficult but cannot be avoided in some cases. It is important to carefully select the interpreter and have briefing sessions with him/her before and during the course. If possible, the interpreter should have some knowledge of business. Discuss business and agricultural terminology with the interpreter and agree on a common understanding of terminology to be used.

The business module should cover the following topics:

- ✓ What makes a seed business different from other kinds of agricultural businesses?
- ✓ Market research
- ✓ Selecting crops and varieties for a seed business
- ✓ Requirements for producing good quality seed
- ✓ Skills required for a seed business and how to organize this type of business
- ✓ Estimating investments needed for a seed business
- ✓ Business planning
- ✓ Record keeping
- ✓ Marketing and promotion
- ✓ Expanding and organizing a seed business

The handbook “**Business skills for small-scale seed producers**” presents a step-by-step guide to key topics. Follow the steps outlined in the manual and present the examples given. Allow participants to give their own examples. Participants should be encouraged to ask questions at any time.

The business module involves both formal workshop and field sessions. Material can be assigned as homework to be brought to the following day’s session. Formal workshop sessions require a blackboard, chalk, eraser, or paper, markers and tape.

Each participant should have the following items:

A notebook

A pen, pencil, eraser and pencil sharpener

A calculator

A ruler (for making ledgers).

Topic 1: What makes a seed business different from other types of agricultural businesses?

By the end of this session, participants should be able to:

- Identify the specific characteristics of a seed business and the risks involved
- Assess the importance of competition from farmers' own seed or other seed growers in the area
- Understand the difficulties involved with predicting customers' buying behavior
- Identify possible scales of operation for a seed business

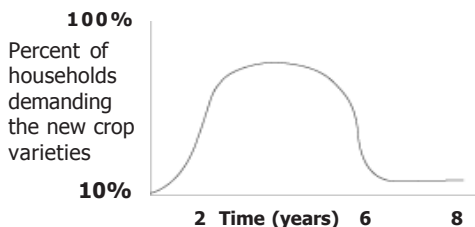
Discuss why some businesses are more difficult to operate than others. Ask participants to give examples of complex businesses. Brainstorm on why a seed business may be more complex than other types of business. Make sure to cover the following points:

- ✓ Competition from farmers' own seed
- ✓ Uncertain markets and fluctuating demand

- ✓ Difficulties in knowing or predicting customers' seed buying behavior
- ✓ Unfavorable weather

Identify sources where farmers obtain seed and examine the positive and negative aspects of each source. Discuss the reasons why farmers buy seed. Discuss farmers' awareness of the importance of seed quality and why farmers might or might not be interested in buying seed from a seed business. Discuss possible advantages and disadvantages for farmers of purchasing seed produced by a small-scale seed business. Discuss factors that could contribute to the failure of a seed business and how they might be avoided.

Using the following diagram, discuss demand for new crop varieties and how it changes over time.



Graph showing demand pattern for new crop varieties

Ask participants to think about the area to be covered by their business: very localized (own village and neighboring villages), localized (e.g. parish level), district level or regional level (covering several districts). They should try to estimate the numbers of households associated with each level. Targetted demand is to a large extent determined by the resources available to each enterprise. Discuss the advantages and disadvantages of operating at each scale.

Topic 2: Market Research

By the end of this session, participants should know:

- The seven steps in establishing a seed business
- What market research is and why it is important
- How to select a crop for market research
- How to plan and conduct market research
- How to compile and analyze information from market research

Briefly explain what market research is and why it is important. Give simple and relevant examples. Demystify the concept of research by getting participants to recognize that they already do research.

It is important to show the need for market research at different stages in the life of a business: at the beginning and more regularly (every 3-4 years).

Identifying crops for the market research field exercise

Have participants brainstorm on suitable crops for a seed business using criteria they select. Use the following crop selection chart to get participants to begin thinking about how to choose which crops to produce. They should make the final decision about the choice of crops after completing market research.

How to use the crop identification chart

Start by having participants identify a few crops that may be suitable for seed production. Ask them to go through each of the 5 questions in the chart separately for each crop.

STEP 1. Read the questions on the left hand side of the page. For each question, choose one of the answers in the three columns which best describes what you know about the crop. Mark your answer with a tick.

STEP 2. When you have completed all the questions, use the last row to record the number of ticks you made in that column. Now you are ready to read your score.

STEP 3. If you have 2 or more ticks in column 1, it means that the crop you are considering may not be suitable for a seed business because there is little demand for seed. If you have 2 or more ticks in column 2, it is possible that the crop you are considering may be suitable for a seed business. You need to get more information about demand for seed of that crop. If you have 3 or more ticks in column 3, it means that the crop you are considering is probably very suitable for a seed business.

STEP 4. Repeat steps 1, 2 and 3 for each crop that you are considering for your seed business.

Participants should not do market research on crops, which have 2 or more ticks in columns 1 and 2.

Crop identification chart

Questions	Column 1	Column 2	Column 3
Do farmers buy seed?	Farmers rarely buy seed	Farmers sometimes buy seed	Farmers often buy seed
Why do farmers buy seed?	Mainly to get new varieties	Mainly to replace seed lost during a bad season	Because they are unable to save seed or use their own seed, have insufficient seed
What do farmers think about the quality of their own seed?	Farmers are very satisfied.	Farmers are a bit satisfied.	Farmers are not satisfied
What do farmers think about the quality of seed they buy from shops and markets or get from other farmers?	Farmers are very satisfied.	Farmers are a bit satisfied.	Farmers are not satisfied.
Does the crop suffer from diseases found inside the seed?	The crop rarely or never suffers from diseases found in the seed.	The crop sometimes suffers from diseases found in the seed.	The crop often suffers from diseases found in the seed.
Is the crop grown for cash?	The crop is mainly or only grown for food.	The crop is grown for both food and cash.	The crop is mainly or only grown for cash.
Total number of ticks per column			

Have participants discuss how many crops to produce. Consider the advantages and disadvantages of producing seed of more than one crop. It is important to emphasize that to ensure business success that is best to limit the number of crops to no more than 2 at a time. An enterprise producing seed of 2 crops should select crops that can be planted in rotation to save land. For example, beans and potatoes make a good combination.

Methods for market research

Discuss in details how to do informal surveys and research by observation. Important issues to discuss are:

- ✓ Interviewing techniques: the need to explain the purpose of the interview and how the information will be used, not talking for too long.
- ✓ Sampling: use guidelines given in the training manual. Explain the importance of talking with different type of people. When discussing traders, it is important to select those that sell seed/planting material as opposed to crops intended for eating.
- ✓ Proper recording of the information gathered: discuss options for illiterate participants.

Have participants identify the most important categories of seed users in their area.

Ask them to develop questions for different categories of seed users and use role playing to practice good interviewing techniques.

Discuss and agree on procedures for recording and compiling market information. If relevant, agree on how illiterate participants will collect and process information.

Market research field exercise

Plan to do a field exercise for participants to get hands-on experience in doing market research. The exercise should take 1 to 2 days and requires meticulous planning by the facilitator and participants.

Have participants select one or several crops to work on in groups or individually. If necessary, make appointments with people you plan to interview. It is important to interview different kinds of seed users (farmers, input suppliers, NGOs, seed producers, extension agents, researchers etc).

The facilitator should be present during the field exercise to make observations and answer questions.

Topic 3: Selecting crops and varieties for a seed business

By the end of this session, participants should know:

- The criteria used to select crops and varieties for a seed business
- How to use market information to select crops and varieties for a seed business

After the market research field exercise, have participants compile the information collected (use forms on pages 80-81 or the agreed upon format). The crop selection form provides a convenient and a systematic way to analyze the information.

Crop selection form

	Scale	Score
Expected local demand	Large Moderate Limited	3 2 1
Expected demand regionally	Large Moderate Limited	3 2 1
Seasonal fluctuations in demand	Limited Moderate Large	3 2 1
Expected demand from different types of farmers	All types of farmers Rich farmers mainly Rich and average farmers mainly Average and poor farmers Poor farmers mainly	3 2 2 2 1
Expected demand from institutions that may pre-order or buy in bulk	High Moderate Low Not applicable	3 2 1 0
Competition	Low Moderate High	3 2 1
Profitability	High Moderate Low	3 2 1
Constraints to business entry (financial needs, seed regulations)	Slight Moderate Severe	3 2 1
Access to clean seed	Easy Moderate Difficult	3 2 1
Maximum possible score		27

Have each participant or group present their results and conclusions. Facilitate a general discussion on the exercise. The facilitator should highlight any observations he/she made during the field exercise.

Varietal selection and seed classes

Present the three classes of varieties (common local varieties, rarely grown local varieties, improved varieties) and have participants give examples for crops selected after the market research exercise. Discuss the advantages and disadvantages of seed production of each class.

Exercise on varietal selection: For the crops selected after the market research exercise, have participants consider a number of varieties using the product selection form. If the facilitator has brought samples of new varieties of selected crops, it may be possible to evaluate these. Fill out one product selection form for each variety by referring to market information and circle the appropriate answer for each criterion.

Product selection form

	Scale	Score
Expected location of demand	District or wider level	3
	Sub district	2
	Village	1
Expected demand from all types of farmers	All types of farmers	3
	Rich farmers mainly	2
	Rich and average farmers mainly	2
	Average and poor farmers	2
	Poor farmers mainly	1
Expected demand from institutions that may pre-order or buy in bulk	High	3
	Moderate	2
	Low	1
	Not applicable	0
Short term fluctuation in demand	Slight	3
	Moderate	2
	Strong	1
Competition	Weak	3
	Moderate	2
	Strong	1
Margins/Profitability	High	3
	Moderate	2
	Low	1
Availability of clean seed	Good	3
	Moderate	2
	Poor	1
Constraints to high productivity (yields, resistance to diseases, pests)	Few	3
	Moderate	2
	Many	1
Total possible score		24

Calculate the total score for each variety. Compare scores of the different varieties of a specific crop by preparing a summary form like the one below. As a general guideline, only consider producing varieties that receive a score of 15 and higher as they are likely to be profitable. Facilitate a discussion of the results and ask participants to decide on the best varieties for a seed business.

Scoring of three bean varieties by the Dedza Women's Self-Help Group

	Napilira	Nagaga	Sapatsika
Expected location of demand	3	1	2
Expected demand from all types of farmers	3	2	2
Expected demand from institutions that may pre-order or buy in bulk	3	1	2
Short term fluctuations in demand	1	2	3
Profitability	2	3	2
Competition	3	1	2
Availability of clean seed	3	1	1
Constraints to high productivity (yields, resistance to diseases, pests)	2	1	2
Total	20	11	16

Topic 4: Requirements for producing good quality seed

At the end of this session, participants should:

- Be aware of materials and equipment needed to produce different classes of seed

List the materials and equipment needed for production of seed of specific crops. Indicate which materials and equipment are essential and which are optional. If possible, show samples of the important items. Highlight the advantages and disadvantages (if any) of using these specialized equipment. If possible, indicate the cost of each item. Provide participants with information on how to obtain the materials and equipment.

Topic 5: Skills required for a seed business and how to organize this type of business

By the end of this session participants should be able to:

- Assess their strengths and weaknesses in terms of business skills
- Know the qualities needed for business success
- Decide whether they want to work as an individual or as a group (if the latter, how they plan to organize themselves)

Allow participants to brainstorm on what skills are needed for any kind of business. Ask them to give examples of these skills from their own experience.

Discuss how one can acquire different kinds of skills. Discuss specific skills needed for a seed business (see pages 16-18 in “**Business Skills for Small-Scale Seed Producers**”). Distinguish between skills that are acquired through experience and those that can be learned and which the workshop will try to impart. Discuss in detail the following skills: farming experience, ability to take risks and desire to succeed. Ask participants to assess their strengths and weaknesses in each of these areas.

Next, discuss the following skills: understanding the market, financial knowledge, business sense and salesmanship. Ask participants to assess their strengths and weaknesses in each of these areas. If possible, do this in the form of a written exercise, so that each participant can do this exercise again at the end of the training to assess how much they have learned.

If participants plan to produce seed as a group, it is important to facilitate a discussion of how the group will function to produce seed. As background information, find out the history of the group, its organizational structure, objectives, group development issues including change in group behavior and any other relevant information.

Allow participants to discuss the advantages and disadvantages of working in a group for their present

activities. Facilitate a discussion on how they plan to produce seed as a group. Discuss anticipated problems and opportunities by doing a SWOT analysis. Explore the following organizational options for seed producing groups:

1. Group members do all seed production activities together and share profits.
2. Group members grow seed on their own but come together to do some activities such as storage or marketing.
3. Group members only get together to buy materials and inputs in order to reduce costs.

Ask group members to set a time for making a decision about how they will organize themselves.

Topic 6: Estimating investments needed for a seed business

By the end of this session, participants should be able to:

- Estimate how much it will cost to start a seed business
- Estimate income and expenditures use (costs) for one year
- Estimate profitability for a year
- Make an informed decision about whether or not to start a seed business

For each of the following concepts, explain briefly, allow participants to explain and share experiences/knowledge:

- | | | | |
|---|---------------|---|--------------------------|
| ✓ | Fixed costs | ✓ | Working costs |
| ✓ | Selling price | ✓ | Profit markup |
| ✓ | Depreciation | ✓ | Annual income from sales |
| ✓ | Profitability | | |

Encourage participants to give examples relevant to a seed business. If necessary, reinforce or correct explanations. Common errors/problems that should be addressed include:

- ✓ ***Difference between business and personal costs:*** People often fail to distinguish between business costs and personal costs such as the cost of running their homes. Point out that personal costs are not included in business costs. Have participants give examples of costs they have and ask them to decide which is a business or personal cost. It won't take long for everyone to understand the difference between the two.
- ✓ ***Source of money to start a business:*** Startup costs are the costs required to begin a business. These costs must come from personal savings, money from relatives or friends or money borrowed.
- ✓ ***Time lag before making a profit:*** Emphasize the fact that there will be no money from the business

until a crop has been harvested successfully and sold. Brainstorm on whether participants feel they have enough money to start a seed and what they think the likelihood of success is.

Topic 7: Business planning

At the end of this session, participants should:

- Know what a business plan is and why it is important
- Be able to prepare a business plan
- Know what a sales and cost plan is and why it is important
- Be able to prepare a sales and cost plan
- Be able to prepare a cash flow plan
- Know what net worth is and be able to calculate it

Explain what a business plan is, why it is important and present an example.

Have participants prepare their own business plan as homework. Have 3-4 participants present their plans and discuss these examples. Discuss how to use a business plan.

Visit a bank or other lending institutions so that participants can understand how to apply for a loan.

For each of the following concepts, explain briefly, calculate an example and get participants to give examples:

- ✓ Sales and cost plan
- ✓ Cash flow plan
- ✓ Net worth

In discussing net worth, it is important to emphasize that ideally the net worth of a business should increase.

However, if seed producers experience a poor season or personal problems, net worth is unlikely to increase. People should not be discouraged with an occasional reverse in net worth or any other area of the business. They should expect a business to have cycles. What is important is that overall a business should progress in the long term.

Topic 8: Record keeping

By the end of this session, participants should:

- Know the importance of record keeping
- Be able to distinguish between seasonal records and income projection
- Know how to prepare and read different kinds of ledgers

Ask participants what records they keep. Discuss why they do or why they don't (in obvious areas such as amounts of crops harvested or sold).

Explain the different types of seasonal records that are important by showing the examples in the handbook. Have each participant give examples of information that

can be recorded. Have them make necessary calculations e.g. using unit price to get total price.

Topic 9: Knowing the market

By the end of this session, participants should:

- Know key principles of salesmanship
- Know how to create demand for their seed
- Know the importance of packaging (where appropriate)
- Have some ideas about effective ways to promote and advertise seed
- Know the importance of planning transportation in advance and how to do it

Use role playing or case studies to show bad customer care, emphasize the importance of good customer relations and how to treat customers. These exercises should be based on participants' experiences.

Emphasize the need to be proactive in creating demand. Evaluate each strategy proposed in the handbook and brainstorm on ways to widen the market, look for new customers, get new varieties and promote/advertise seed. Have participants draft announcement letters and posters. Visit a stockist, shop, school or extension agent to investigate advertising possibilities.

Discuss packaging options, and if important, have participants make a field visit to investigate different options. Have participants make a packaging label.

Have participants list the types of transport available. Do a field exercise or role playing to investigate transport costs and interview transporters. Allow participants to brainstorm on common mistakes. Discuss the pros and cons of getting a loan to cover transport costs, among other things.

Topic 10: Expanding and organizing your business

By the end of this session, participants should know:

- Which factors to assess when considering business expansion
- The advantages of establishing a seed growers' association
- The steps in organizing an association

Emphasize that to be successful, a business must grow. Discuss indicators of business growth and what factors to assess when considering expansion.

Discuss the advantages of any type of association. What are some problems with organizing many people? Discuss in detail the main objectives of a seed growers' association and what linkages it could have with different kinds of organizations. Ask farmers to map out those linkages.

Go through the steps for forming an association.

Workshop evaluation

It is always useful to get feedback on any type of training. This can be done in writing or verbally. Consider all comments made and see how you can address each of them, where possible.

Examples of evaluation questions:

1. What did you like best about the training on business skills? What did you like least? What aspect of the training do you think should be changed?
2. What would you say to someone who intends to attend this course?
3. Give any comments you think are useful to make the course more effective.

References

FAO, 1994. The group promoter's resource book. Rome, Italy.

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