

**AGRI-FISHERY
ENTERPRISE DEVELOPMENT
RESOURCE BOOK**

**April 2006
Province of Bohol**

Messages

“It is, indeed, a privilege of the Provincial Agricultural Office (PAO) to work hand in hand with the various line agencies in the Provincial Government of Bohol in preparing and developing this handbook which is designed to uplift the economic conditions of our farmers.



It is our pleasure to present to our farmers a new paradigm that would strengthen and empower their skills both in agricultural production and enterprise development. With the guidance of this handbook, it is our hope that farmers fully utilize their potential in the development and intensification of agri-based entrepreneurial activities.

Together, we can make a progressive Bohol and a developed Philippines!”

**Pinat, Nunila M.
Acting Provincial Agriculturist**



“This handbook is deemed relevant to all those who believe that agriculture is a promising enterprise. To the field technicians, may the learning you get from this guide make you more effective and progressive partners to our agri- producers.”

**Lapiz, Stella Marie D.
Provincial Veterinarian**

“To uplift the economic conditions of the Boholano farmers by facilitating a paradigm shift in farming using the ideas and tools in this handbook is our ultimate dream. Be a part of it. We can do it together.”

**Garcia, Romulo G.
Supervising Agriculturist**





“This handbook was completed foremost because of the grace and blessings from God. With commitment and faith in this endeavor, I hope that this handbook will be of great help to our partner farmers and fisher folks.”

**Ochoco, Mario Nilo E.
Agricultural Center Chief**

“In my 10 years of service in the Provincial Government, I have always felt the concerns of our farmers and other stakeholders in the agri-sector, and that is developing a profitable agri-enterprise which would improve the quality of life of every Boholano farmer.

I feel very privileged and honored to be part of a team to produce this Handbook on Agri-Entrepreneurship as a guide to our agri-stakeholders in the Province of Bohol.

I hope through this handbook, our dear farmers will be guided on how to be an Agri-entrepreneur. Likewise, to our service providers in the agribusiness like us, let’s sustain our energy and determination to work together towards our common goals of reducing poverty through enterprise development.”



**Estoreon, Asteria T.
Veterinarian II**



“The concept on Agri-Entrepreneurship has long been adopted and even considered as one of the strategies to reduce poverty ...but, we have not fully internalized what we really mean by it. Thanks for this intervention! Although others have studied Agri-Entrepreneurship for years and for us is only a matter of months, it is a great help to us, the “FRONT Liners” to poverty reduction.”

**Lamdagan, Rosanna G.
Agriculture Technologist**



This poses a great challenge for the prime movers of the agriculture sector to direct and chart the future towards the success of Boholano agri – based entrepreneurs. Anchored on this paradigm, the much needed collaborative undertaking to support agricultural development should be of primordial consideration by the top planners from the government as well as partner institutions.

**Torrejos, Nicefora S.
Agriculturist II**

“We offer this to our beloved Boholano’s with the hope that this will help you become an effective entrepreneur. May this will also guide you in preparing a good business plan, to express your unique ideas and apply it in your actual life...”



**Igot, Helen Q.
Planning Officer I**



“Inspired by development oriented people and organizations, this handbook on Agri-Entrepreneurship was conceived with the end view that agricultural technicians and other workers like me will find development work easier.

With this handbook as a reference tool, I hope that this can help in transforming the minds of our farmers into entrepreneurs...”

**Limboy, Patricia A.
Community Affairs Officer I**

“I hope that this agri entrepreneurship handbook will serve as an eye opener to my fellow community development technologists and farmers/fisherfolks, in order to cultivate their untapped skills, abilities and attitudes towards enterprise development and the production of market-led products ... “



**Pamugas, Larry M.
Agricultural Technologist**



“I wish to convey my heartfelt appreciation for making me part of this tedious but meaningful activity... This handbook which is the output of our training hopefully give insights in promoting production, processing and marketing strategies that will uplift the lives of our Boholano farmers. Let this be the seed for more successful entrepreneurs in the future ... More power and Godspeed.”

**Nazareno, Fara Fe T.
Agricultural Technologist**

“I hope this endeavor will benefit the end –user especially the Boholano farmers towards their impetus to uplift their current economic status and eventually become one of the successful agri-entrepreneurs in the Province of Bohol.”

**Bernido, Ma. Teresita A.
Agricultural Technologist**



These interventions has opened new doors, broaden the horizon and brought opportunities to greater heights for the Boholano farmers and fisher folks to be at par with the rest of the world and has molded us to become service provider in the future. As such, I could say that this is not an exercise in futility, to say the least.

Truly, Entrepreneurship is the best option today among developing countries which we should not miss but rather, take advantage of to the fullest.

**Caparas Jr. Francis I.
Agricultural Technologist**

This handbook is a product of a group effort, to provide technical assistance to Boholanos in the development of their business plans and in managing their farms as a business entity.

May you find this handbook substantially useful.

**Espina, Annabelle B.
Market Specialist**



“The opportunity as a co-writer of this handbook was a humbling experience. This valuable piece of work provides technical assistance to farmer and fisherfolks in the development of their business plans and in managing their agribusinesses.

I hope that agricultural technicians and other development workers will find this handbook very useful.”

**Maglisa, Evelyn T.
Agriculturist II**

The Resource Book

What does this Resource Book contains?

The range and complexity of implementing challenges in relation to enterprise development require multiple strategies and perspectives. The availability of a menu of intervention concepts, tools, and instruments from which to select is one of the ways in which the Bohol PLGU development practitioners can be efficiently and effectively responsive and flexible. The Resource Book will serve as the blueprint on how they can weave in both the concerns and disparities of men and women engaged in agri-fishery enterprises.

The Resource Book is a "living document", which is expected to change in the light of experience and comments. It is intended only to be suggestive and to be used as a resource to provide information about possible instruments, methodologies, and approaches. It does not provide "the answers," which can emerge only as a result of analysis and dialogue at the micro, meso, and macro levels. The Resource Book provides readers with skills and knowledge to deliver agro-enterprise development assistance that would facilitate and/or contribute to:

MAIN TOPICS IN THE RESOURCE BOOK:

- **Building Market-Driven Enterprise**
- **Promotion and Development of Collective Ventures**
- **Business Plan Development**

Who is this Resource Book for?



This Handbook is primarily for the use of the Municipal Agricultural Officers, Agricultural Technicians in the Province of Bohol. This is designed as a practical tool and guide on how to facilitate the development of profitable agri-enterprises that suit our Boholano farmers and fisherfolks. This, further, can be a good reference for the collective ventures engaged in agri-enterprise.

The Resource Book provides inputs to guide development practitioners in assisting farmers make informed and market-led decisions about starting and/or growing their agri-businesses. These resources can encourage Boholano farmers in learning ways to promote Boholano products, through the development of products and services that encourage entrepreneurship and support business growth of the province.

How should it be used?

The authors gave prime consideration to the situation and workload of the agricultural technicians and officers. Each section is concise and goes directly to the point without sacrificing substance. There are also figures, tables and drawings to aid the reader.

The first part of this Resource Book contains information and basic theories, concepts and experiences relative to agri-enterprise, farm management, entrepreneurship, marketing, product development and other related information. This is intended to provide development practitioners with the skills and knowledge to responsibly assist farmers and fisherfolks improve business and financial management skills as a step towards enabling them to make the transition from home production to running an enterprise. Part 1 of the Resource Book also provides guidance on how to enhance capacity of farm enterprises to identify, respond, and profit from market/product requirements and opportunities.

Part II of the Resource Book deals with the promotion, operations, and management of viable collective actions and/or community-based enterprises as a platform to promote better control and access over resources, increase their production capacity, improve their position in financial/marketing negotiations, and for better advocacy of their needs. The third part focuses on how to facilitate the development of business plans owned and upheld by stakeholders via a framework that helps direct participation at each level of the planning

A separate workbook (in Cebuano dialect) has been prepared and provided for the use of farmers/fisherfolks during the conduct of entrepreneurship training. This is intended to facilitate the “thinking” and “decision-making” process.

How did this Resource Book evolve?

In response to the need to enhance the skills of enterprise development practitioners in the Provincial Government Offices of Bohol, a Trainers’ Training on Agri-Entrepreneurship was collaboratively funded by the Bohol-LGU and PAHRDF under the AUSAID Program and facilitated by SDCAsia as its service provider. The training was attended by 15 pioneering women and men determined to fast track the development of agri-enterprises in Bohol to contribute to the poverty alleviation objectives of the province.

The four components of the Agri-Fishery Training program comprehensively addressed aspects crucial to developing the “agro-entrepreneurship training” product, namely:

- Building and enhancing knowledge base to develop service content relevant to the needs and demand of target groups which was addressed primarily in Component 1
- Knowledge capture, adding value to knowledge through synthesis and packaging of agri-enterprise development concepts, processes, tools into this ‘living’ Resource Book which was the agenda for Component 2.
- Acquiring and/or enhancing skills to effectively disseminate, motivate, and transfer knowledge and skills to target groups which would be the focus for Component 3
- Pilot testing and feedback gathering to further improve service content and delivery which were done in Component 4

During the training period, the 15 - person entrepreneurial team was exposed to various topics in agri-business management, financial management and marketing management. They were also exposed to successful agri-enterprise and gained insights as part of their

inputs in writing this handbook. Moreover, focused group discussions (FGDs) and key informants interviews (KIIs) were conducted for participants to validate demand and requirements from the fields. The various activities conducted to guide the participants in writing this handbook that will surely suit the need of the Boholano farmer.

Who contributed to this Resource Book?

This Handbook on Agri-Entrepreneurship is a product of the dedication, commitment, and hard work of the 15-person team sent selected by the LGU of Bohol to spearhead the enterprise development programs in Bohol. While the Provincial Government of Bohol and PAHRDF provided the leadership and financial support, the SDCAsia team guided the process and provided the inputs and tools necessary for the cohorts to do the work themselves. Inputs from the farmers and the fisherfolks as well as all the companies visited by the cohorts also played a vital part in the development of this Resource Book.



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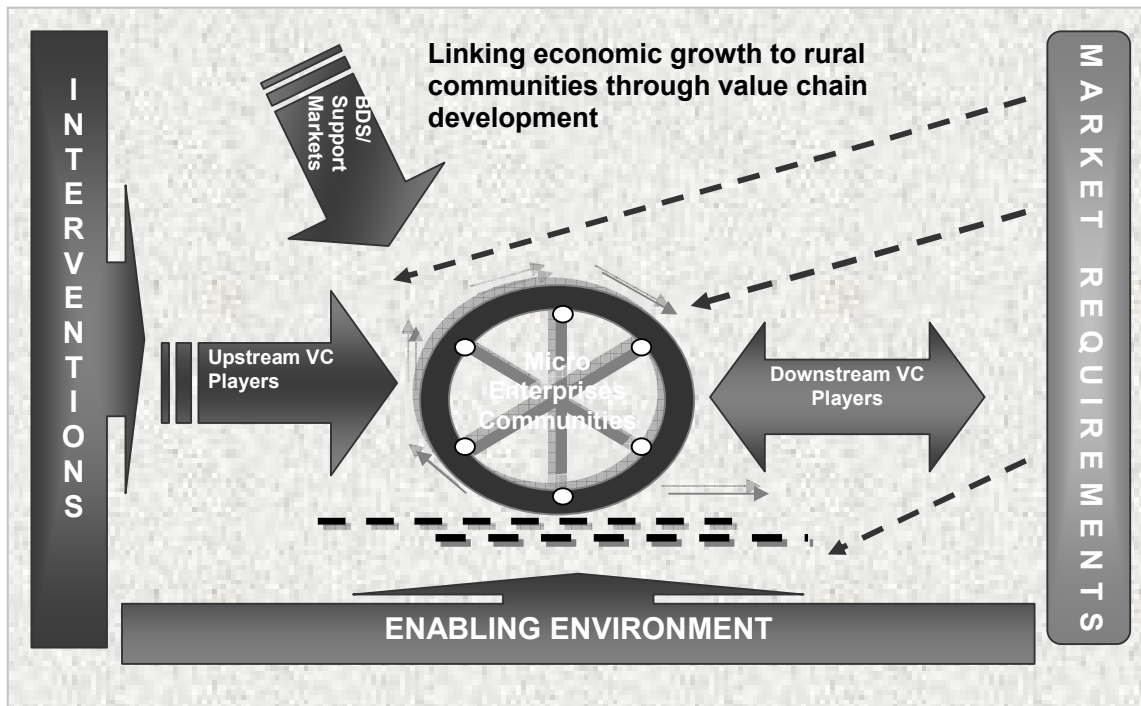
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Introduction

A MARKET DRIVEN APPROACH TO ENTERPRISE DEVELOPMENT



Subsectors and Value Chains

In line with the goal of improving incomes of agri-business smallholders via agro-entrepreneurship technical assistance, the overarching framework of the Resource Book is the “**Sustainable Integration of Farmers and Fisherfolks in Viable Market Systems by Facilitating Their Transformation into Market-driven Enterprises.**” The Resource Book presents incremental steps aimed at catalyzing farmers’/fisherfolks’ entry to markets by first building a certain performance level of capacity and capability to enter horizontal and vertical relationships and later strengthening their foothold in the market through specific differentiation factors. As markets become more differentiated and complex, and as buyers become more demanding, the “**market-driven**” perspective to enterprise development becomes essential for directing upgrading efforts and service delivery. Policy-makers and enterprise development facilitators, in order to be effective, need to understand and learn to work with the drivers of change in the market.

One framework that one can use in designing market-driven enterprise development programs is the subsector development approach. The subsector/value chain approach, by tracing the connections from the buyers to the producers to the raw material growers including support markets and regulatory framework, helps to establish priorities for action and market-based interventions. Pro-poor enterprise development programs following the subsector/value chain approach work to improve the competitiveness of subsector/value chains in which significant numbers of small firms participate while addressing the constraints that hinder small and micro enterprises’ potential contributions to and benefit from value chain growth.

Subsector: network of firms and enterprises (different value chains) involve in the production and distribution of a specific product or service.

Value Chain: a single chain of vertical and horizontal relations and players with common objectives to produce and market products and services in an effective and efficient manner.

The Value Chain is concerned with one market channel only while the Subsector comprises the different channels and the competitive relationship between those channels. In the mango subsector, for example, there can be three and more value chains such as:

- Independent grower- who sell to traders, these traders will sell to Wholesalers, who then sell to local retail outlets;
- Multinational company using sub contracted growers, this allows high quality control and close relationship between growers and multinational company. They serve whole markets as well as retailers; and
- Vertically integrated grower-exporter who has strict quality and quantity controls with direct



A **Subsector Analysis** examines all the firms, channels and markets related to a specific product or service.

The **Value Chain Analysis** focuses on a single vertical chain of firms leading to a particular consumer market. Value Chain Analysis also often includes additional analytical elements beyond Subsector Analysis such as inter-firm cooperation, governance and support market.

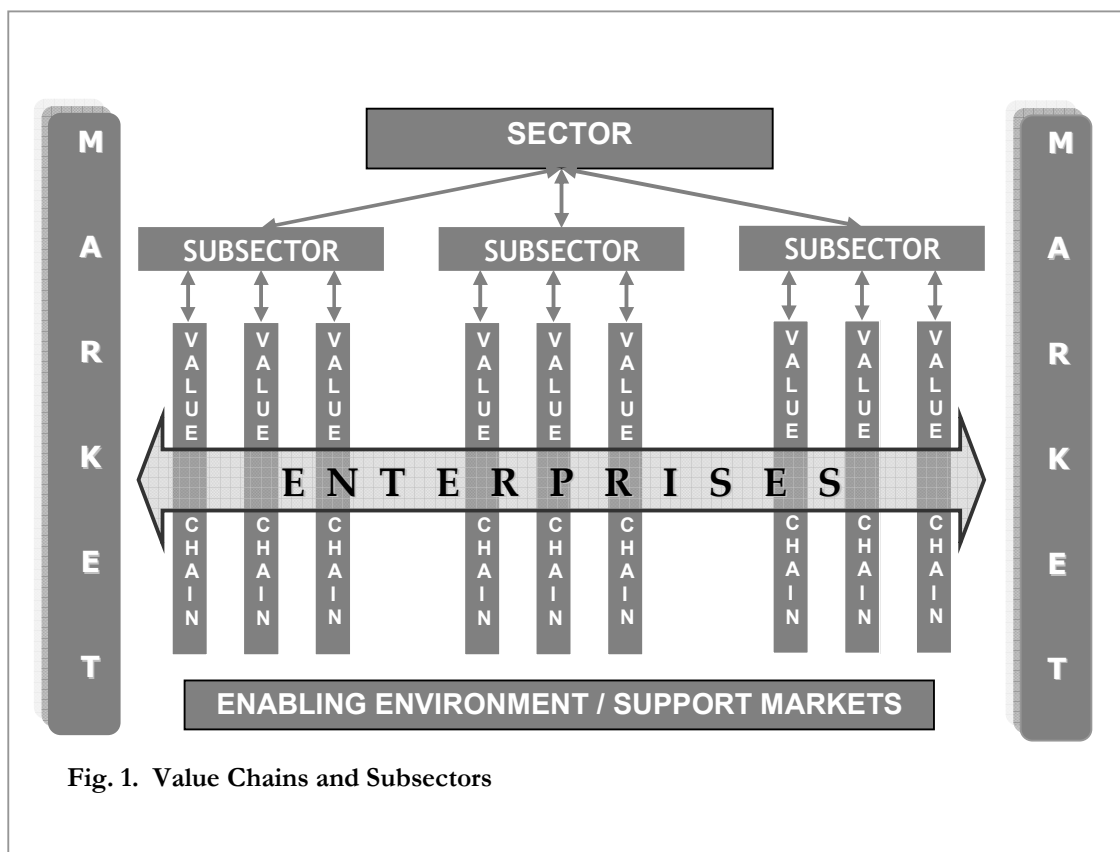


Fig. 1. Value Chains and Subsectors

It is important to look at all the channels (value chains), understand their dynamics and interdependences. This will indicate whether the majority of the growers is in prosperous, growing or dying channel; and when necessary, how to move and upgrade these farmers into another channel. When concentrating on a specific value chain without identifying other channels of the same commodity, important possibilities for upgrading can be missed. Further, when programs or projects support farmers or other actors in a dying channel, increased employment and income will never be achieved. As such, it is advisable to get the whole picture first through a subsector analysis, then decide on specific value chains, and conduct a value chain analysis for the selected chain/s.

The subsector/value chain analysis is also a useful tool in assessing the feasibility of an enterprise before activity starts or help an enterprise better manage itself. The value chain illustrates the stages of a product from raw material to sales. Thinking in terms of value chains can help enterprises identify their “niche”. It can provide some strategic answers to questions such as:

- In which part of the chain can they effectively and gainfully participate?

- What are the barriers of entry at this point?
- What capabilities and capacities do they need to acquire to gainfully participate in this part of the chain?
- What income stream can they expect?

Subsector/Value chain analysis also helps development practitioners and policymakers to find out where the bottlenecks are. Which part of the chain holds up progress in the others? Which bottlenecks deserve priority attention of government? Which can be expected to be resolved by the private sector? Which can be expected to be resolved by the private sector and which require public-private partnership. Analysis of subsectors implies that we not only look at the farmers but we also look at the other players within the value chain or subsector such as the traders and the service providers. The functioning of these other players may very well influence the functioning of the producers.

MAPPING THE CHAIN

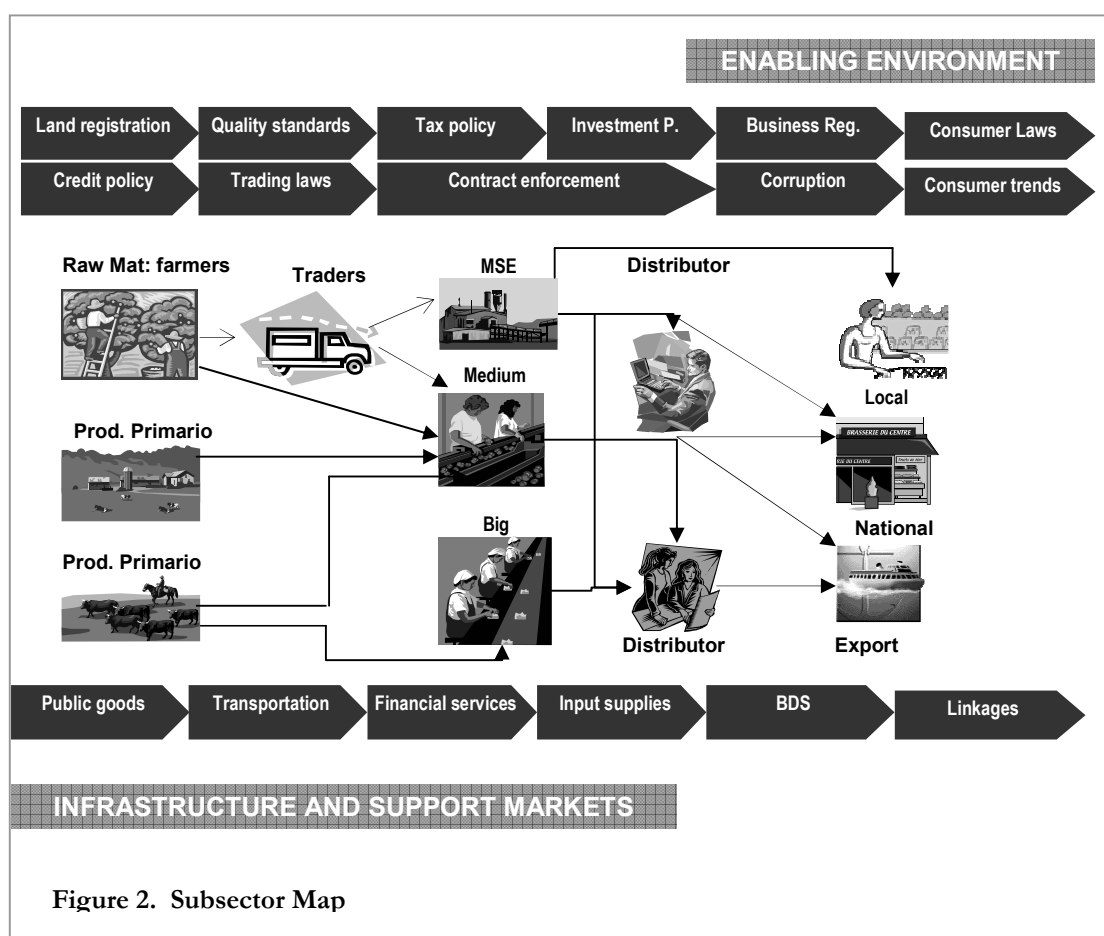


Figure 2. Subsector Map

The **subsector map** illustrates the flow of commodities or products from producer to consumer as well as the interrelationships between players in the subsector or value chain. Several components should be illustrated in the map:

Markets. Markets are the final destination of the product. These can be defined by segments (e.g. geographic, type of end-user, income, etc.).

Functions. Each step through which the product passes during the production and distribution system is referred to as function. For example, in the case of the dried fish, the fish is caught, processed, transported, stored and traded before it reaches the consumer.

Participants. Participants are the key players and their roles within the subsector (e.g., fisherfolk, processors, wholesalers, exporters, retailers, consumers).

The map provides the underlying analytical skeleton for the investigation and gives a preliminary rapid visual overview of the subsector or the value chain. In its simplest form, the map illustrates the flow of commodities or products from producer to consumer as well as the interrelationships between players in the subsector or value chain. In many cases, it is helpful to place quantitative data in the map such as number of enterprises, prices, and value added data. A basic map would look like this:

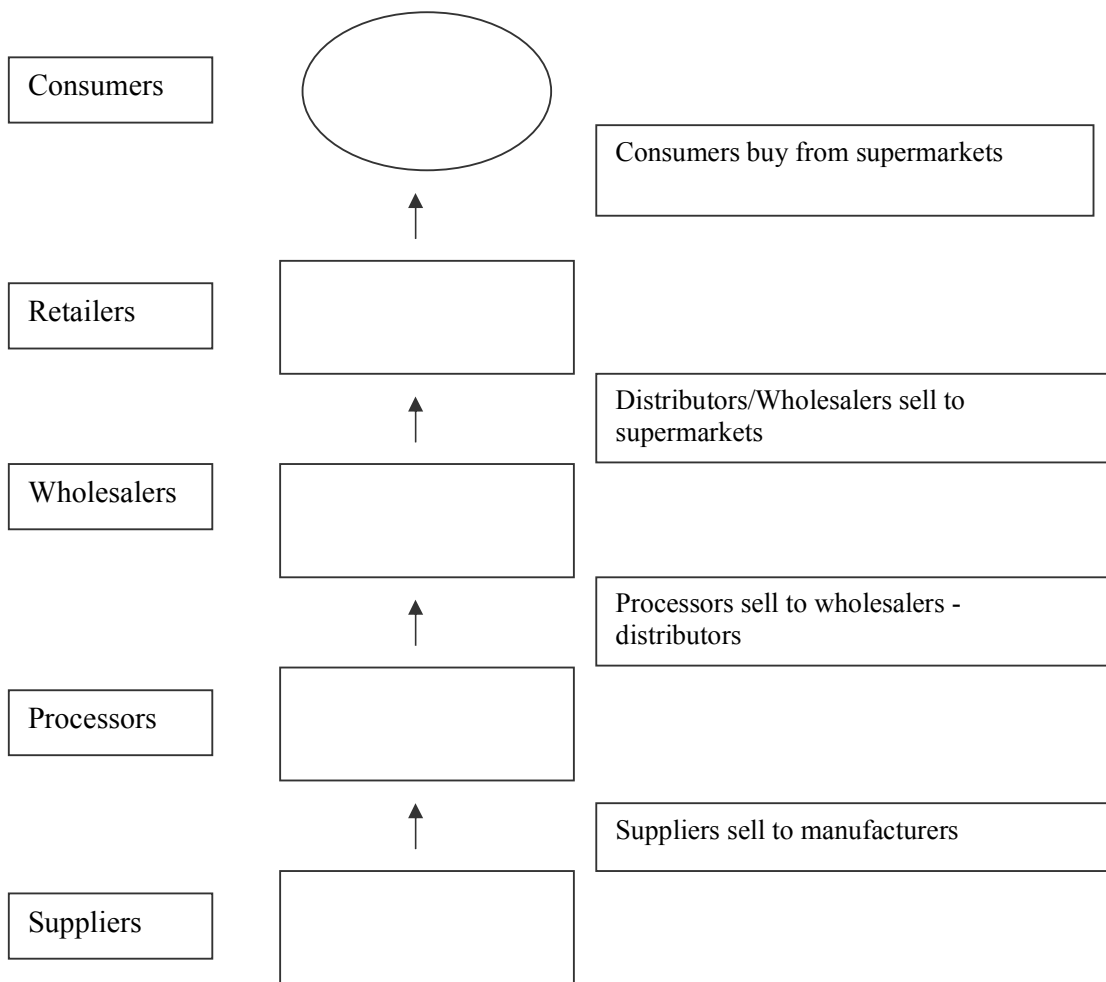


Figure 3. Basic Elements of a Value Chain Map

As mentioned before, it is important to make an inventory of all players and channels and not to focus only on our defined target group. Because the other players are influencing the micro and small producers, it is important to have a complete picture to the extent possible. Other Map Samples:

Different paths to consumers in different geographic locations

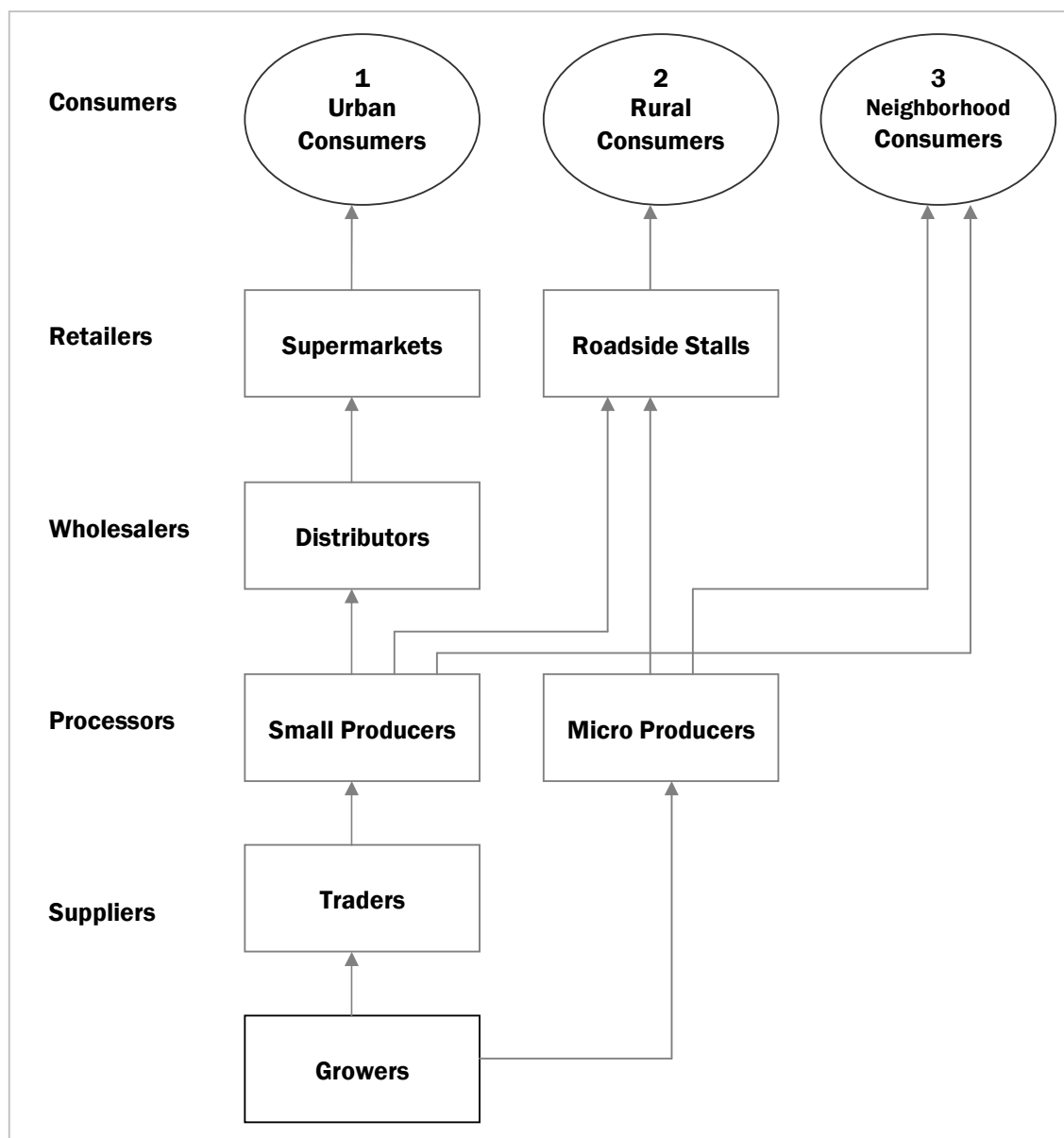


Figure 4. Geographic Location Map

| Value Chain | |
|-------------|---|
| 1 | Processors sell to wholesale companies in town; wholesale companies bring products to supermarkets who then sell products to end consumers |
| 2 | Micro processors get raw materials directly from neighborhood growers. Roadside stalls get directly from micro and small processors (overruns) and sell these to end-consumers. |
| 3 | Consumers in neighborhood of the processor buy directly from producer. |

The Map tells us that:

- Only the relatively bigger companies are able to penetrate the urban market/ supermarkets.
- Supermarkets not accessible to micro producers
- All producers serve the markets within their locality

This map presents the various market options of a fish cage operator

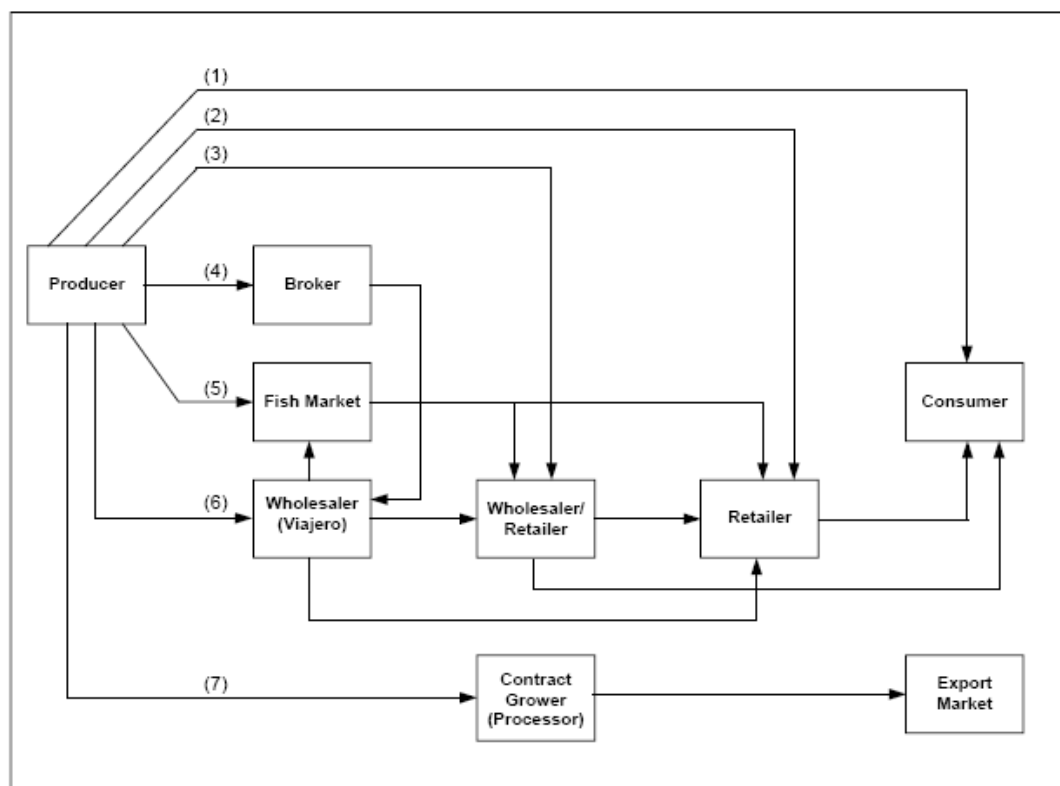


Figure 5. Tilapia Value chain

UNDERSTANDING THE DYNAMICS OF THE PRODUCT



To complement the subsector/value chain map, another quick participatory exercise is the **Functions, Players, and Technology overview worksheet**.

Step 1. List all the functions or activities involved in the product.

Based on the end market, visualize what happens to the product from the time it grows and is harvested until the time it reaches a user (downstream processor or manufacturer) or final consumer in some processed form. These are the functions and should be listed on the left-hand side of the worksheet

Step 2. List all the players involved in the product.

Think about who performs each function — providers, government, processors, retailers, etc. List all players along the top of the chart.

Step 3. Identify the functions for each players.

Look at each function and identify which participants are doing what functions and shade boxes approximately. This step shows who is doing what, where the potential competition is and who the potential allies are.

Step 4. List all technologies required to do each function.

Look at each function on the left-hand side of the chart. List on the right-hand side of the chart what is required to be able to do each function – equipment, working capital, specific skill and knowledge, etc. Indicate the gaps through color coding.

| Functions, Players, and Technology Overview Worksheet | | | | | | | | | |
|--|----------------|--|--|--|--|--|--|-------------------------------|--------------|
| End Market | | | | | | | | | |
| FUNCTIONS | PLAYERS | | | | | | | TECHNOLOGY/ SKILLS | |
| | | | | | | | | | |
| | | | | | | | | | Existing/Gap |
| | | | | | | | | | |
| | | | | | | | | | |
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Subsector Diagnostic Framework

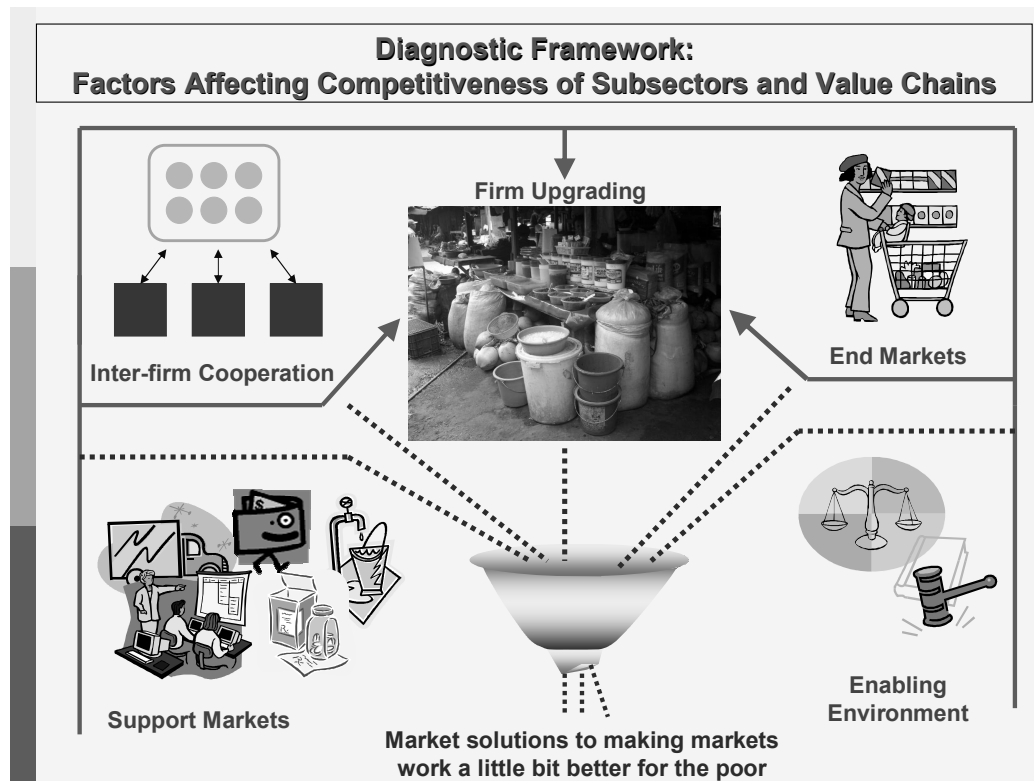


Figure 6. Diagnostic Framework

Assisting resource poor entrepreneurs to compete in markets where they have a comparative advantage requires an integrated approach to addressing the constraints and opportunities along the value chain and within the enabling environment in which the value chains operate. The value chain approach assesses the constraints and opportunities for enhancing a value chain/subsector's competitiveness through a diagnostic framework that includes five elements:

- 🔊 End Market Opportunities
- 🔊 Enabling Environment
- 🔊 Inter-firm Cooperation: Vertical and Horizontal Linkages
- 🔊 Supporting Markets
- 🔊 Firm-level Upgrading

This framework offers a systematic look at enterprises and markets and how they can become more viable partners in key industries, earning higher incomes, generating more jobs, and contributing to economic growth.

A. END MARKET OPPORTUNITIES

Many of the projects and enterprises are focused on production and products. Expanding that focus to include the customer and the final consumer is an important shift. It is important to identify and define the customers and final consumers of the product. Final consumers or end markets of the product determine the characteristics of the final product

or service. End market analysis asks what are the critical success factors needed to win business from buyers; and it analyses the gaps between the requirements of the buyers and the capabilities of the enterprises and the target groups. Developing a better understanding of consumer needs and wants will enable enterprises and projects to establish a competitive advantage and turn this into real value in the marketplace by delivering exactly what the consumer and customer want.

Starting with the end market in mind ... Using market demand and requirements as signals/ directions for innovation, diversification, and quality improvement

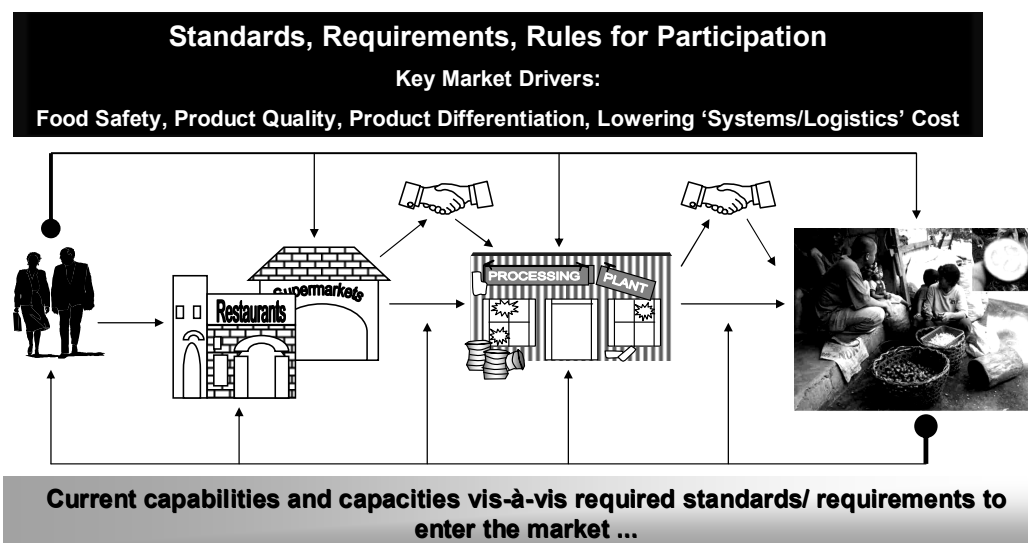


Figure 7. End Market Analysis Framework

B. ENABLING ENVIRONMENT

The regulatory environment affects enterprise activities. It is, therefore, important to identify and analyze what regulation and support opportunities and challenges exist for a particular subsector. Assessment of the regulatory environment would include the following aspects:

- ↳ International trade laws and agreements
- ↳ National and local policies
- ↳ Socio-cultural norms and practices
- ↳ Organizations that support and regulate enterprise activities

| REGULATORY ASSESSMENT OVERVIEW | | |
|--------------------------------|--------------------------------|---|
| Functions | Regulatory Environment Factors | Effects /ways to promote a more conducive environment |
| | | |
| | | |

C. INTER-FIRM COOPERATION

Cooperation between enterprises through vertical or horizontal relationships is critical to transferring skills and reducing transaction costs. Analysis of inter-firm cooperation requires

looking into variables or factors and their influence on promoting or constraining win-win business relationships as part of a subsector's/value chain's competitive strategy.

Below is a tool to assess, set goals, and track progress towards strengthening relationships important to improving competitiveness of value chains/subsector.

| BASELINE, CURRENT, AND FUTURE PICTURE OF RELATIONSHIPS | | | | | | |
|--|---|---------|--------|---|---------|--------|
| DIMENSIONS/ ASPECTS OF THE RELATIONSHIP | IMPORTANT RELATIONSHIPS | | | | | |
| | Relationship 1 <i>(Identify parties)</i> | | | Relationship 2 <i>(Identify parties)</i> | | |
| | Baseline | Current | Future | Baseline | Current | Future |
| Supplier and Buyer Selection/Procurement | | | | | | |
| Information Sharing / Transparency | | | | | | |
| Quality Control/Inspection | | | | | | |
| Value-added services/ Collaboration and Cooperation | | | | | | |
| Basis of Competition / Offer to the Market | | | | | | |

D. SUPPORT MARKETS

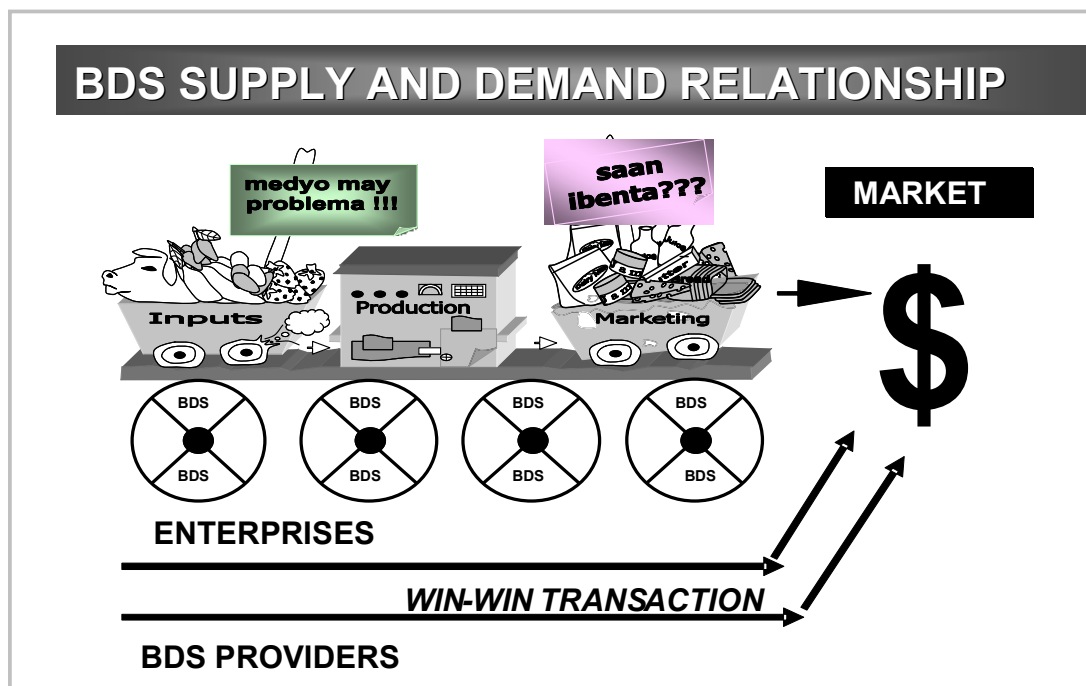


Figure 8. Demand and Supply Relationships for Business Development Services

A key issue in enterprise development is the need to create a level playing field where each entrepreneur particularly in marginalized communities can have sustainable access to services and resources to improve their income-earning and asset-building capacities, and consequently, the quality of their lives. Making access to market-oriented support services a permanent resource can significantly contribute to improving the competitiveness of micro entrepreneurs. At the heart of this vision is the recognition that support services must be

sustainable since there will never be enough government or donor funds to continuously finance the delivery of services to all the rural communities.

Assessment of support markets involve looking at the demand and supply of financial services, business development services, and sector-specific services such as inputs, equipment, etc. In facilitating the access of rural communities to BDS, various market-based delivery schemes have to be explored: fee-based, embedded via subcontracting relationships, bundling with transactions that enterprises are traditionally willing to pay for, linkage with micro finance programs, and others. BDS targeted to the resource poor populace are, in many cases, part of a business transaction for it to be financially viable.

E. FIRM LEVEL UPGRADING

Firm-level upgrading may involve the following:

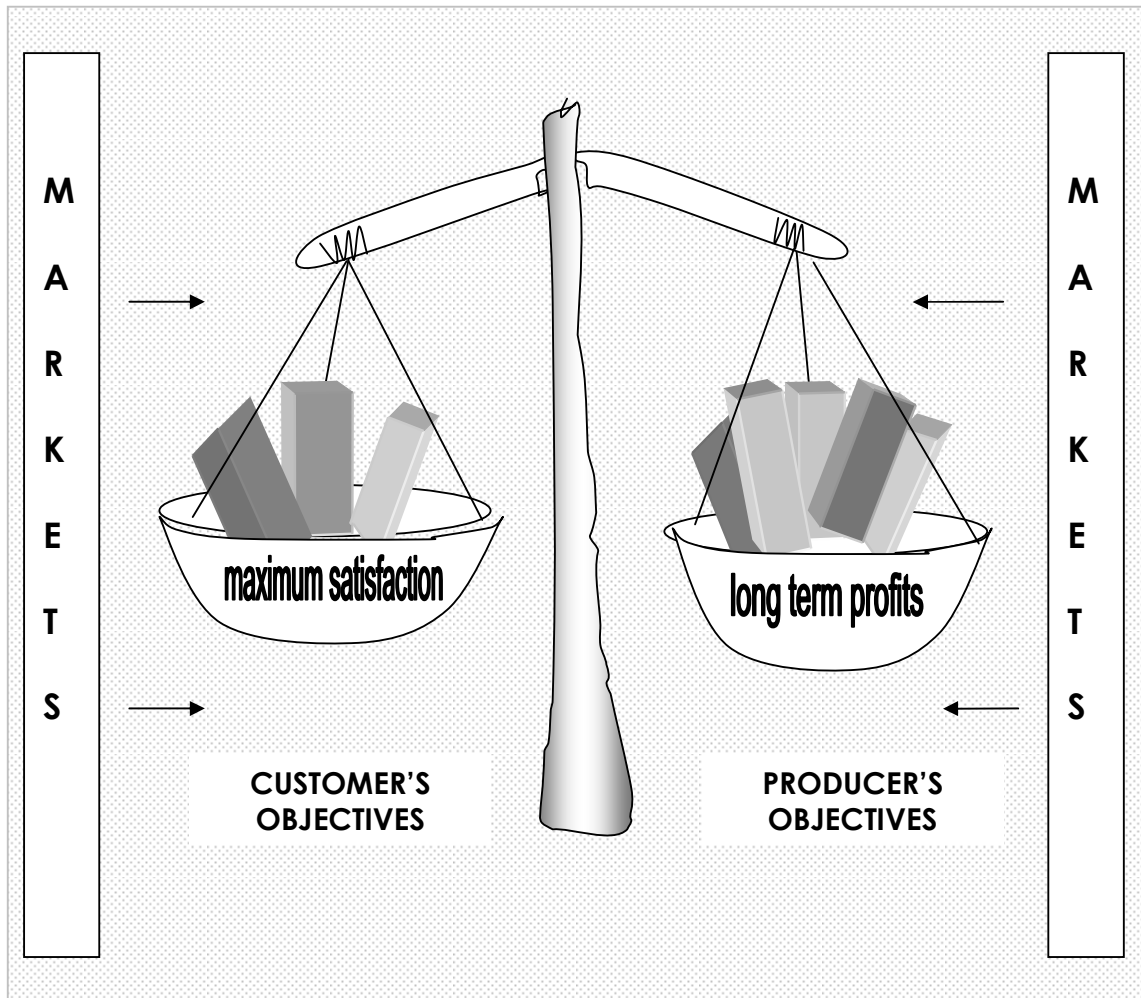
Process upgrading: increasing the efficiency of internal processes such that these are significantly better than those of rivals, both within individual links in the chain (for example, increased inventory turns, lower scrap), and between the links in the chain (for example, more frequent, smaller and on-time deliveries)

Product upgrading: introducing new products or improving old products faster than rivals. This involves changing new product development processes both within individual links in the value chain and in the relationship between different chain links

Functional upgrading: increasing value added by changing the mix of activities conducted within the firm (for example, taking responsibility for, or outsourcing accounting, logistics and quality functions) or moving the locus of activities to different links in the value chain (for example from manufacturing to design)

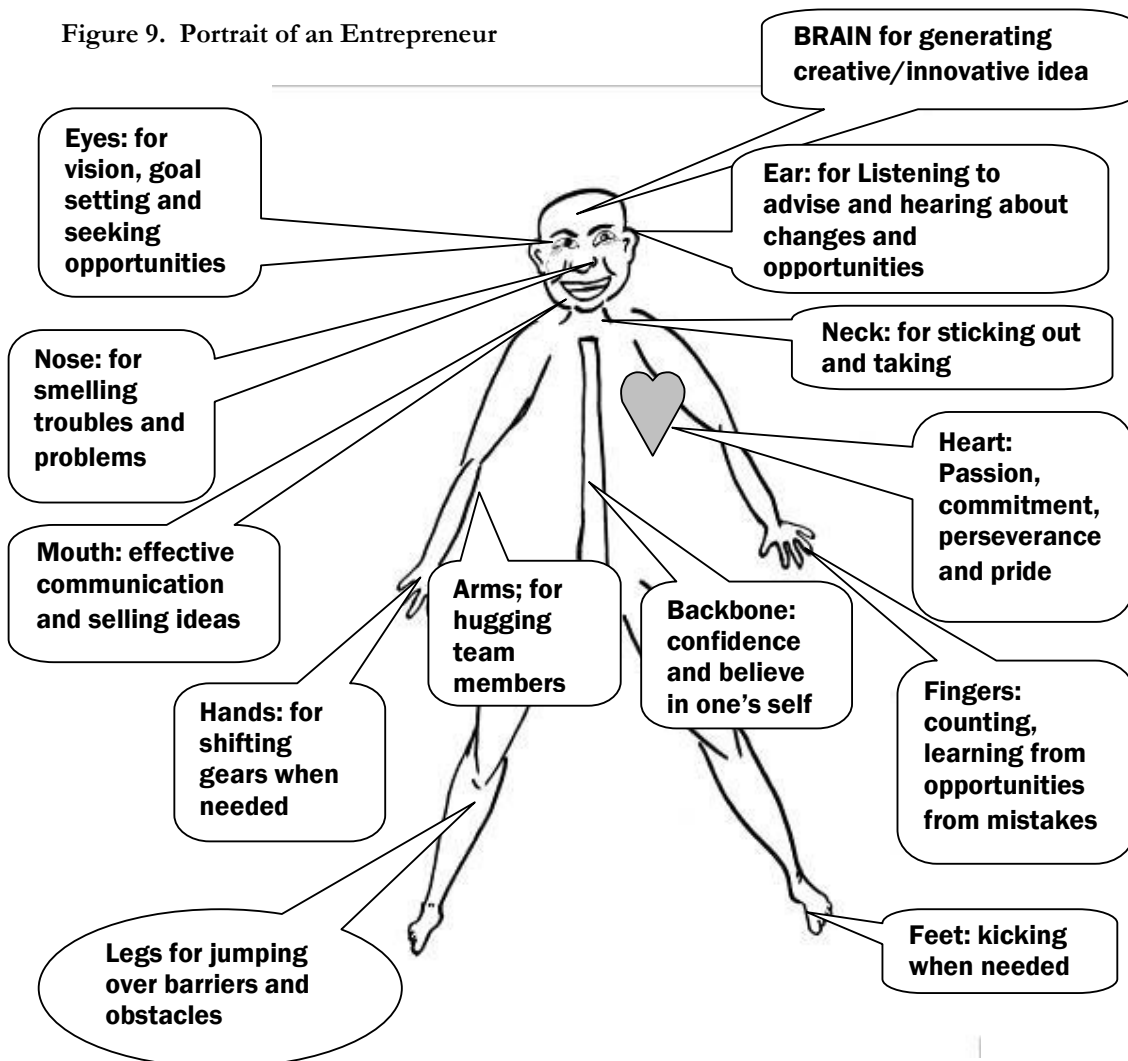
Part 1

BUILDING MARKET-DRIVEN ENTERPRISES



What is an Entrepreneur?

Figure 9. Portrait of an Entrepreneur



Entrepreneurship – is the recognition and pursuit of opportunity without regard to the resources you currently control, with confidence that you can succeed, with the flexibility to change course as necessary, and with the will to rebound from setbacks.

Entrepreneur – is someone who organizes a system and adopting some risks to create a product or service in order to gain profit ... a business-oriented person



Enterprise Assessment

FIRM LEVEL VALUE CHAIN ANALYSIS

Value Chain Analysis describes the activities within and around an organization and relates them to an analysis of the competitive strength of the organization. Therefore, it evaluates which value each particular activity adds to the organization's products. Only if resources are arranged into systems and systematic activities, it will become possible to produce something for which customers are willing to pay a price. What activities a business undertake is directly linked to achieving competitive advantage.

For example, a business which wishes to outperform its competitors through differentiating itself through higher quality will have to perform its value chain activities better than the competitors. By contrast, a strategy based on seeking cost leadership will require reduction in the costs associated with value chain activities or in the total amount of resources used.

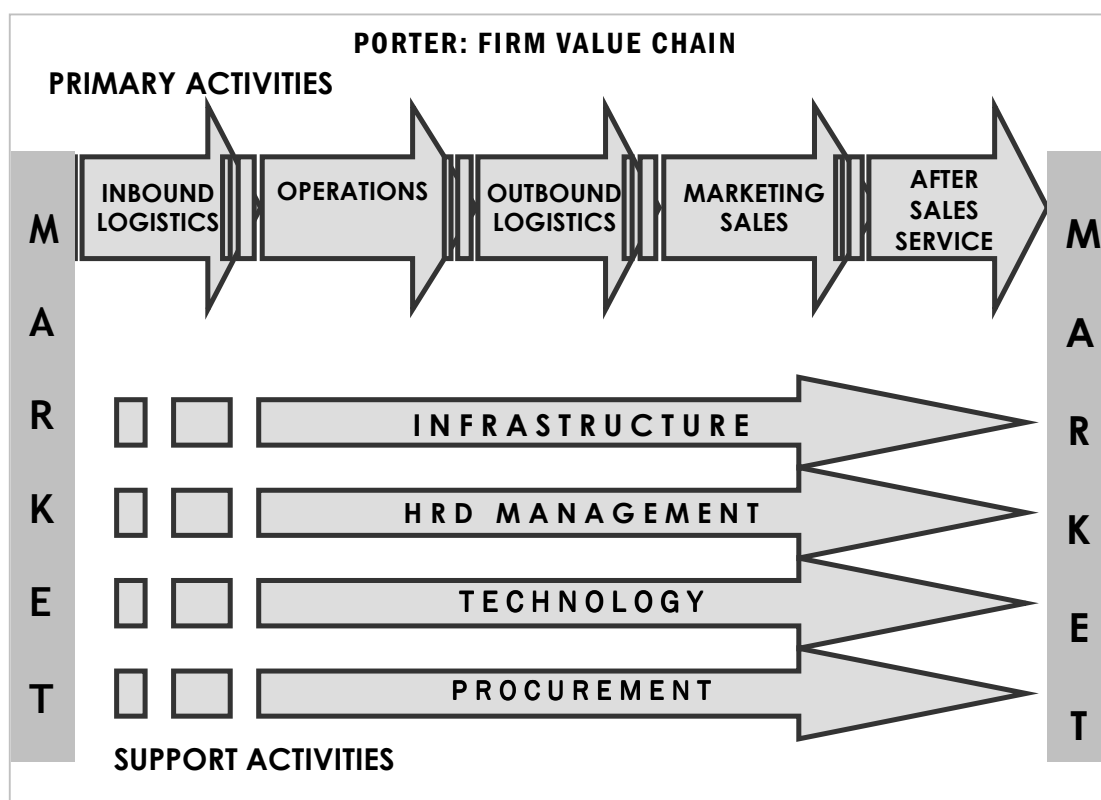


Figure 10. Porter Firm Value Chain

Steps in Value Chain Analysis (Firm Level):

1. Break down a market/organization into its key activities under each of the major headings.
2. Assess activities/key links in Value Chain in terms of its contribution to cost advantage or differentiation.
3. Determine strategies built around focusing on activities where competitive advantage can be sustained.

Primary Activities

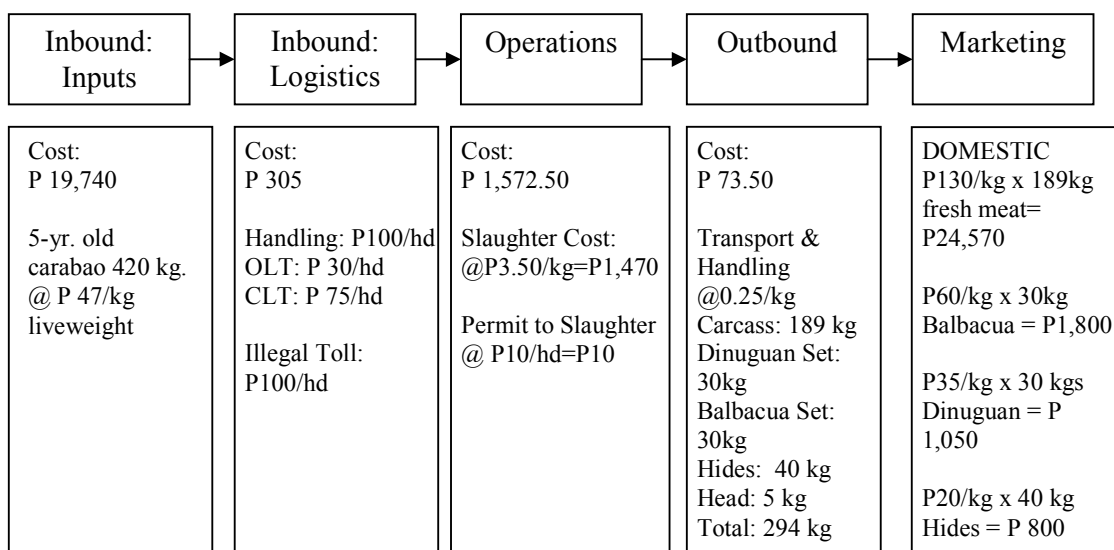
| INBOUND LOGISTICS | OPERATIONS | OUTBOUND LOGISTICS | MARKETING & SALES | SERVICE |
|---|--|---|--|--|
| Include receiving, warehousing, and inventory control of input materials. | The value creating activities that transform the inputs into the final product | Activities required to get the finished product to the customer, including warehousing, order fulfillment, etc. | Activities associated with getting buyers to purchase the product, including channel selection, advertising, pricing, etc. | Those that maintain and enhance the products' value including customer support, repair services. |

Support Services

| | |
|----------------------------------|--|
| INFRASTRUCTURE | Includes activities such as finance, legal, quality management, etc. |
| HUMAN RESOURCE MANAGEMENT | Activities associated with recruiting, development, and compensation of employees |
| TECHNOLOGY | Includes research and development, process automation, and other technology development used to support the value-chain activities |
| PROCUREMENT | Purchasing the raw materials and other inputs used in the value-creating activities |



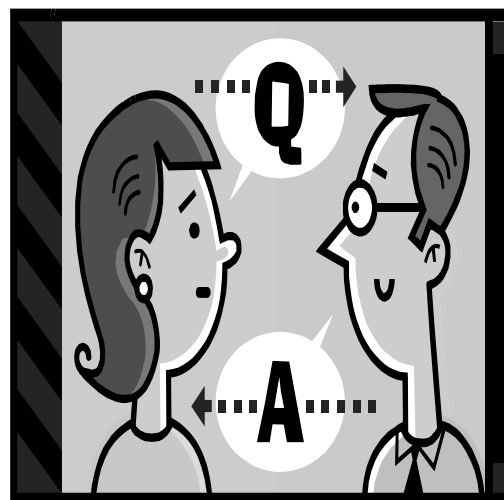
Example 1. Value Chain for Carabeef



CONDUCTING AN ASSESSMENT

Interview Guidelines

- Be sensitive and respectful. Take a seat at the same level as the interviewee.
- Inform enterprise about the objectives of the interview.
- Break the ice and quickly win their confidence.
- Balance between asking questions and carrying out conversation
- Make each question short and easy to understand.
- Ask one question at a time. Avoid closed, leading and double-barreled questions
- For open-ended questions use the six helpers: what?-when?-where?-why?-who?-how?
- Use visualization methods, when appropriate, to enhance participation and dialogue
- Talk/Ask about facts and not about opinions. Avoid drawing conclusions for interviewees or helping them to finish the sentence.



Guide Questions

| Inbound |
|--|
| What inputs do you use, e.g., seeds, fertilizer, chemicals, etc.? What is your average consumption for these inputs? Where do you get your inputs? If yes, what are the problems or constraints? Are you happy with supplier? With quality? |
| Where and from whom do you get these inputs? Form of payment for these inputs? Does your supplier also provide additional services, e.g. farmer can go back to seed supplier to get advice on how to take care of crop or plant? |
| What buying arrangements have you tried (e.g., bulk purchase, buy now pay later? Which are the ones most beneficial? |
| How do you choose suppliers? What factors are important in choosing inputs/suppliers/brands? |
| Ask farmer/fisherfolk to describe the process after purchase of materials until the point when raw materials/inputs ready for use or applied. This is to check the receiving, checking, preparation, and distribution of materials before these are ready for use. |
| Are there inputs that you need to improve your production/harvest/competitiveness in the market? If yes, what are these inputs? Where did you get information about these inputs? Do you have plans of buying these inputs/ If yes, do you know source for these inputs? Who will provide you with these inputs, e.g., buy from local retailer, buyer will provide inputs and deduct from payment of buyer? If farmer has no plans of acquiring inputs, why? |
| Also check whether inputs are safe and ecology friendly. |
| No. of people involve in inbound activities – training for these people |

| Operations | | | |
|---|--------|-----------------|------------------|
| What area do you farm? Rainfed? Irrigated? | | | |
| How did you acquire this land? | | | |
| Do you have any other land which you do not cultivate? Why? | | | |
| Assets for farm and households | | | |
| Produce, production volume, and % of sales | | | |
| What crops did you grow last year? How did you use them? Who took care of which crop? | | | |
| List main crops on rainfed land | | | |
| List irrigated crops | | | |
| Which were the most important food crops? Rank in importance | | | |
| Which were the most important cash crops? Rank in importance | | | |
| Which crops were sold by men and which were sold by women? | | | |
| Did you sell any livestock or livestock products last year? Rank in importance | | | |
| Which livestock were sold by men and which were sold by women? | | | |
| Rank livelihood sources in order of importance to household. | | | |
| Give estimates of income contribution per adult in the household | | | |
| | Manual | Semi-Mechanized | Fully Mechanized |
| Production Processes | | | |
| Packaging | | | |
| Quality Control/Test | | | |
| Is there any equipment that you know of that would improve your business? If yes, do you have plans of acquiring one? If no, why? How would this equipment help you? How did you learn about this equipment? | | | |
| What have you done recently to improve your product? Did you do the improvement yourself? What or who gave you the idea to do such improvement? If farmer answered that somebody helped him/her with the improvement, ask who helped him/her and whether he/she paid for the service? If paid, how much? If other terms of payment --- what form? | | | |
| Did you acquire new farming skills during the last 12 months? If yes, how and where did you acquire the new skills? Did you pay to learn the new skills/process? If not what was the arrangement with the person/organization teaching farmer? If yes, how much? Were you satisfied with the training you got? If not, how can this be improved? Did you acquire the skills on you own initiative? Or did somebody encourage you? | | | |
| Did any of your family members acquire new farming skills during the last 12 months? If yes, who, how and where did he/she acquire the new skills? Did he/she pay to learn the new skills/process? | | | |
| What new skills do you and other household members who help in the farm need to improve harvests/ sales? Do you have plans to acquire these skills or to let other household members acquire these skills? If yes, does you know where to learn these new skills? From whom? If farmer has no plans, why? | | | |
| Did your buyer make any suggestions on how to improve your products? What are the buyers' recommendations? Do you want to implement these recommendations? If not, why? Will you be able to implement these recommendations? If not, why? | | | |
| If somebody can teach you new skills, will you be willing to pay for the services? If no, why? If yes, how much or what form of payment? What kind of extension services will you be interested to get? To pay? | | | |
| Do you get information about new technology/processes? If yes, from whom? Do you pay for these information? If yes, how much? Are you willing to pay information on new technology? | | | |

Operations

If yes, how much? In what form should information be presented for these to be useful to you?

Also check whether practices are safe and ecology friendly.

Outbound

Final Quality Control Practices

Inventory System/Counting of Products for Delivery

Packaging for products

Mode of delivery

Marketing

Who does marketing of products?

How do you generate buyers? Identify and choose buyer? Promotional activities conducted?

Compared last year, are your buyers buying more or less from you? Why?

Are your buyers buying the same product/s from you? What products don't they not buy anymore and why? What new products are they buying from you? What products would they want to buy from you but unable to supply?

To whom do you sell your products? Viajeros? Vendors? Processors? What are the terms of payment? What support do they provide the farmer aside from buying your products , e.g., farmer is taught new technology, buyer provides or lease equipment, buyer provides seed, free advertisement, products pick up from his/her farm, packaging materials provided by buyer, etc.?

Do you have regular buyers? How long have you been supplying to these regular buyers? Which products have regular buyers? What % of products is sold to regular buyers? During the last 12 months, did you get new regular buyers? If yes, how many and how did you get in contact with these new buyers?

What demands/requirements are buyers asking from you that you are not able to meet and, as such, no sales/transactions were made or were hindrances in further expanding potential business transactions? What are the current requirements/expectations of your buyers? Do you have difficulties in meeting them? Why?

Are you able to demand a good/fair price for your products? How do you determine the price of your products? Who sets the price of your products? What improvements would you need to make in your products that would enable you to get better prices? Can you do these improvements yourself or would you need assistance from somebody? Are you willing to pay the person who can help you? How much or what terms of payment?

Where do you get information about the market? Does farmer pay for this information? Were the information useful? Why or why not?

After Sales Service

What other services are provided to buyers?

Managing the Enterprise: Farm Management



Farm Management

Farm management is primarily about optimum utilization of limited resource to maximize returns or profits. Farmers require good management skills to become more competitive as farming becomes more market driven. Farm Management is just as critical for success as planting, growing, harvesting and marketing a crop or a livestock product. The following are the common functions of Farm Management:

Planning. This entails deciding on a course of action, policy, and procedures on assessing future physical and financial performance.

Implementation. This is putting the plan in action and being able to effectively respond to the daily challenges. The implementation function of farm management also involves making informed decisions on various matters ranging from inputs to production to marketing.

Monitoring and Control. The monitoring and control function includes taking corrective action when necessary. Monitoring requires the keeping of records of activities that occur such as the use of inputs, changes in stock, sales and purchases. Records are analyzed to clarify what is occurring or what has taken place on the farm. The results of the plan are monitored to see the extent to which the plan is being followed and producing the desired results. This process provides the farmer with an early warning of potential problems so that adjustments can be made accordingly.

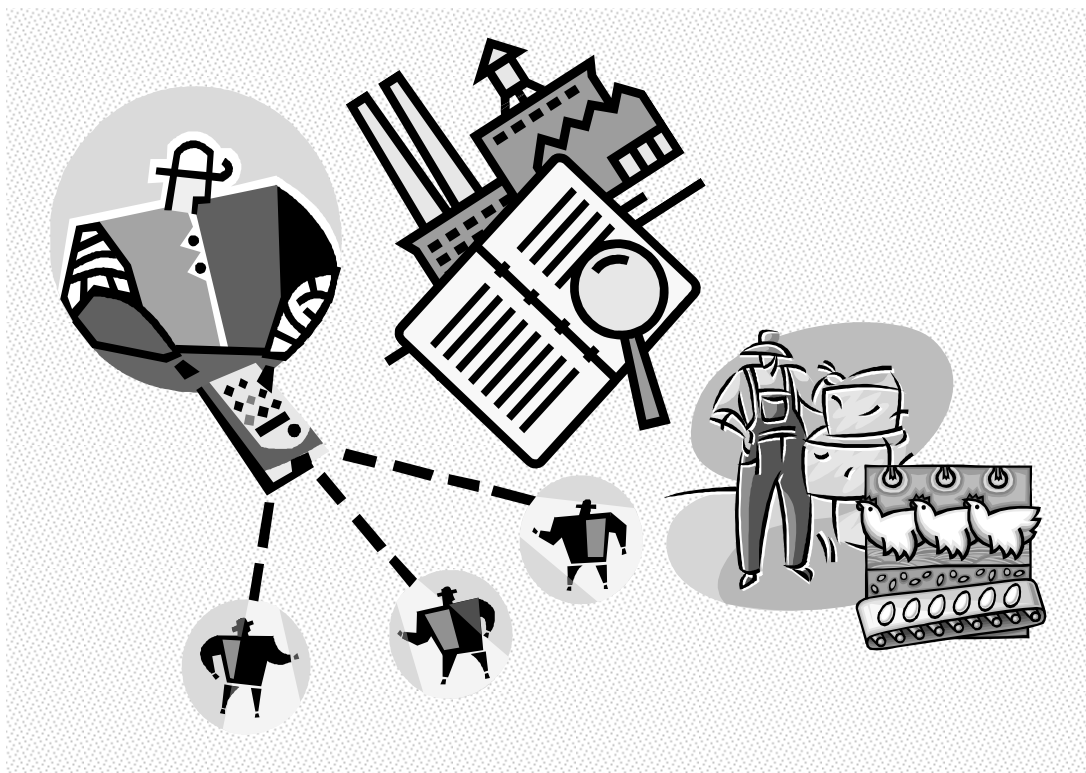


Figure 11. Managing the Farm

Developing the Farm Plan

The following are the steps in the development of a farm plan:

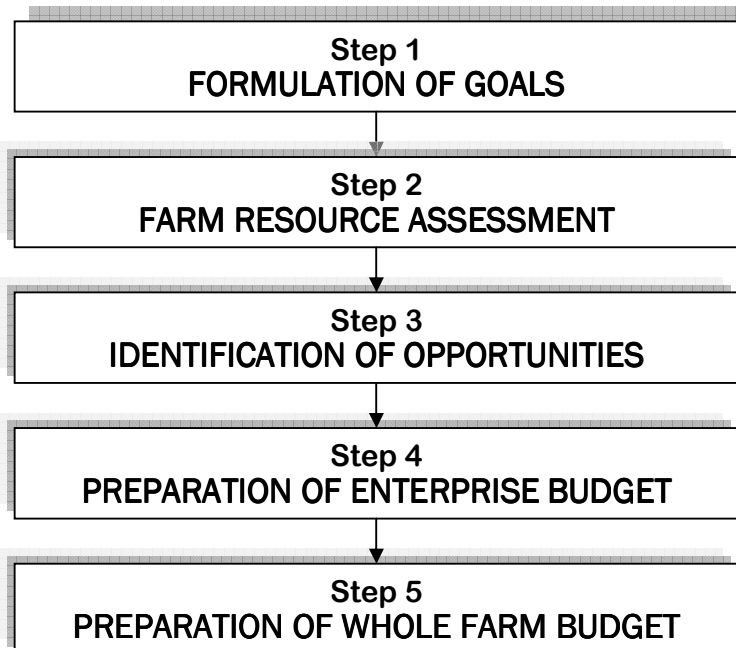


Figure 12. Developing a farm Plan

STEP 1. GOAL FORMULATION

To facilitate the formulation of goals, it is advisable to begin with identification of farm household goals and listing of the priorities of the farmer. The goals usually reflect the farm-family preferences. Farmers tend to have a number of objectives that guide their choices between alternative actions. Some of these are:

- Maximizing profits
- Increasing production;
- Increasing sales;
- Minimizing costs;
- Avoiding debt;
- Achieving a “satisfactory” standard of living;
- Reducing the risks involved in farming;
- Transferring the farm to the next generation
- Ensuring stable food supplies for the family.



For market-oriented production, an important common objective is profit- *the difference between the value and the cost of the production representing the farmer’s gain.*

STEP 2. FARM RESOURCE INVENTORY



- Involves the preparation of a resource inventory and assessment of farm resources including its physical resources and its past performance.
- Used as a base to identify problems and constraints on physical and financial performance.
- Normally prepared at the beginning and end of a cropping year.
- The end inventory of the previous cropping year serves as the beginning inventory of the succeeding year.
- A comparison between the beginning and end of the year inventories shows how the financial position of the farm has changed over the period



EXAMPLE OF A FARM INVENTORY FORM

| ITEMS | YEAR OF PURCHASE | PURCHASE COST | USEFUL LIFE | ANNUAL DEP'N | ACCUM. DEP'N | BEG VALUE | ENDING VALUE |
|-------------------------|------------------|---------------|-------------|--------------|--------------|-----------|--------------|
| (Col 1) | (Col 2) | (Col 3) | (Col 4) | (Col 5) | (Col 6) | (Col 7) | (Col 8) |
| Land | | | | | | | |
| Buildings | | | | | | | |
| 1. | | | | | | | |
| 2. | | | | | | | |
| 3. | | | | | | | |
| Machinery/ Equipment | | | | | | | |
| 1. | | | | | | | |
| 2. | | | | | | | |
| 3. | | | | | | | |
| Working Animals | | | | | | | |
| 1. | | | | | | | |
| 2. | | | | | | | |
| 3. | | | | | | | |
| Production Inputs | | | | | | | |
| 1. Seeds | | | | | | | |
| 2. Fertilizer | | | | | | | |
| 3. | | | | | | | |
| TOTAL | | | | | | | |

Explanation on how to fill up columns

| | |
|----------|--|
| Column 1 | Walk around the farm and make a general inspection of farm properties. List the items according to main categories (farm buildings, land, machinery/equipment, farm supplies) |
| Column 2 | Indicate the year when each item of property was purchased |
| Column 3 | Indicate purchase cost of each item |
| Column 4 | Indicate the total useful life of machinery/equipment (months/years) |
| Column 5 | Compute annual depreciation for each time Straight line method: $AD = \frac{PP - SV}{UL}$ AD – annual depreciation; PP – purchase price; SV – salvage value ; UL – useful life Sometimes SV can be disregarded if it is not easy to determine |
| Column 6 | Accumulated Depreciation = Annual Depreciation (AD) x Useful Life (UL) |
| Column 7 | Beginning Value = Purchase Price (PP) – Accumulated Depreciation |
| Column 8 | Ending Value = Beginning Value – Annual Depreciation (AD) |

STEP 3. IDENTIFICATION OF OPPORTUNITIES

- The range of potential opportunities identified and evaluated could be broad and would need to be “short listed”. Ideas and suggestions for activities can come from discussions held with family members, other farmers or extension workers all of which could provide important sources of new information.
- Even if the resource inventory shows that certain crops and livestock enterprises are technically feasible, enterprise identification must take into account market opportunities. The market appraisal includes an assessment of the product demand, the marketing arrangements and the process to ensure availability, cost and quality of purchased inputs, and transportation and storage of final product.

TOOLS IN IDENTIFYING OPPORTUNITIES

1. Partial Budgeting
2. Investment Decisions and Analysis
 - Calculation of Payback Period
 - Calculation of Simple Rate of Return

Partial Budgeting

It is a planning tool helpful to the farmers in the identification of opportunities through assessment of the effect of marginal changes on overall profitability which enables the farmer to choose between different technologies and enterprise.

Specifically, the tool has the following features and uses:

- It examines only those revenue and costs items that are affected by the proposed change.
- This differs from a total budget that includes all income and cost items for the entire farm.

- This is useful to identify and evaluate changes not requiring complete reorganization of the farm such as:
 - expanding or limiting an enterprise
 - selecting an alternative enterprise
 - selecting different production practices
 - deciding whether to purchase an equipment or hire (rent)
 - making a capital improvement either buying new equipment to replace hand labor or just maintain old equipment.
- Partial budgeting is based on the principle that small change in the organization of a farm will have the following effects:
 - eliminate or reduce some costs
 - eliminate or reduced gross income
 - cause additional costs to be incurred
 - cause additional gross income to be received

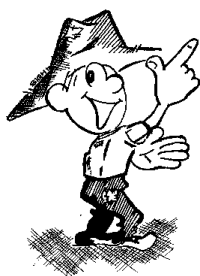


PARTIAL BUDGETING EXAMPLE

Change for Analysis : Impact on egg production of ducks fed with indigenous feeds (cassava base)

| Additional Costs | Amount (Php) | Additional Gross Income | Amount (Php) |
|--|--------------|--|--------------|
| Extra inputs | | Extra Eggs produced @ 4.00 | 2,000.00 |
| Cassava chips | 400.00 | | |
| Fish meal | 200.00 | | |
| Soybean meal | 150.00 | | |
| Rice bran | 100.00 | | |
| Total additional costs | 850.00 | Total additional Gross Income | 2,000.00 |
| Reduced Gross Income | Amount (Php) | Reduced Costs | Amount (Php) |
| None | 0.00 | None | 0.00 |
| A. Total Additional Costs minus Reduced Revenues | 850.00 | B. Total Additional Costs Income minus Reduced Costs | 2,000.00 |
| Net Change in Income (B – A) | | Php 1,250.00 | |

Conclusion: Net farm income will increase by Php 1,250.00 with the introduction of indigenous feeds (cassava base) in duck feeds



STEPS IN FILLING UP PARTIAL BUDGETING TOOL:

1. State the proposed change
2. List the Additional Gross Income
3. List the Reduced Costs
4. List the Additional Costs
5. List the Reduced Gross Income
6. Estimate the Net Change in Income
7. Identify Non-economic considerations

Farm Investment Analysis and Decisions

Farmers are often required to make choices between alternative investment opportunities: whether to install an irrigation system; whether to purchase farm machinery or continue to hire it; and whether to plant tree crops. The best policy to follow depends on the importance of the asset, the need for it and the capital available for investment. Capital investment decisions are particularly important. They lock up much money and determine the farms' future profitability for many years ahead. Good profits arise from correct investment decisions made in the past.

Farmers invest because of the belief that the long-term returns over and above the cost of the investment are greater than any immediate returns. This is known as the "return on capital". However, each capital asset is eventually used up: a cow or carabao dies, a tractor is broken up for scrap or a building falls down. The farmer investing in a capital asset hopes to cover the value of the original investment by the end of its productive life. Regular maintenance and repairs may prolong the productive life of a capital asset. The investment decision facing the farmer has to take all of these factors into account.

FARM INVESTMENT ANALYSIS AND DECISIONS:
a tool to assist farmer/enterprises choose between two investment options

Methods to Appraise Capital Investments:

- Payback Period
- Simple Rate of Return

Methods to Appraise Capital Investments

Payback Period Method. Calculates the number of years it would take for an investment to return its original cost through the generation of income. It is also used to highlight those investments that are not viable, select the most appropriate source of finance. In comparing any two investments, the one having a shorter payback period would be more attractive than one with a long payback period.



EXAMPLE: PAYBACK PERIOD METHOD TO COMPARE INVESTMENT OPTIONS

Two investments each needing an initial capital outlay of P10,000 but giving rise to different patterns of cash flows. For simplicity, the salvage values are assumed to be zero (whenever salvage values exist, they should be added to the net cash revenue since they represent an additional cash receipt). It is conventional to treat the initial cost of the investment as if it occurs in year 0.

| Year | Investment A | Investment B |
|-------------------------------|--------------|--------------|
| 0 | (10,000) | (10,000) |
| 1 | 3,000 | 1,000 |
| 2 | 3,000 | 2,000 |
| 3 | 3,000 | 3,000 |
| 4 | 3,000 | 4,000 |
| 5 | 3,000 | 6,000 |
| Total | 15,000 | 15,000 |
| Payback Period (yrs) | 3.3 | 4.0 |
| Avg. annual Cash Flow (5 yrs) | 3,000 | 3,200 |
| Less Annual Depreciation | -2,000 | -2,000 |
| Average Annual Net Income | 1,000 | 1,200 |

Analysis

When the annual cash flow is the same for each year of the investment, the payback period is simply calculated by dividing the amount of the investment by the expected annual cash flow.

In the case of investment A, the payback period is 3.3 years. The cost of the investment (P10,000) is divided by the annual cash flow (P3,000). When the cash flows are irregular and unequal they are accumulated. Taking the year where the cash flow is equal to the cost of the investment assesses the payback period.

For investment B the payback period is 4 years. The cumulative net cash flow covers the cost of the investment (P10,000) in the fourth year.

Therefore, investment A is preferred over investment B because it has the shorter payback period.

Simple Rate of Return. This recognizes that it is not only income that is important to the farm but also the amount of capital used to produce it. Income is regarded not by itself but as a return on the capital used. More precisely, the rate of return expresses the average annual net income as a percentage of the investment. The concept of *net income* is used and is calculated by subtracting the average annual depreciation of the investment from the average annual net cash flow. The rate of return on capital is calculated as follows:

$$\text{Rate of Return} = \frac{\text{Average annual net income}}{\text{Cost of Investment}} \times 100$$

A return on capital is compared to the cost of capital and is used in comparing alternative investments.



EXAMPLE: SIMPLE RATE OF RETURN TO COMPARE TWO INVESTMENT OPTIONS

Applying this method using data used in the Payback Method gives us the following results:

$$\text{Investment A: } \frac{P1,000}{P10,000} \times 100 = 10\%$$

$$\text{Investment B: } \frac{P1,200}{P10,000} \times 100 = 12\%$$

Investment B ranks higher than investment A. This is a different result from using the payback period method. The rate of return considers the earning of the investment over its entire life. The advantage of this methodology is that it is simple to calculate and rank competing investment opportunities. Investments with higher rates of return are naturally preferred.

Its disadvantage, however, is that it fails to consider the size and timing of the annual income flow, specifically when there is increasing or decreasing net income, possibly making errors in investment selection for it uses average annual income. For example, Investment A would have the same 10% rate of return even if there was no net cash flow in the first 4 years but PhP 15,000 in year 5 as the average cash flow would remain at P3,000 per year. Furthermore, the method ignores the time value of money.

STEP 4. PREPARATION OF ENTERPRISE BUDGET

For many farmers the decision on what enterprises to include in a farm plan is based on personal experience and reference considering also the comparative advantages of the different activities. Often farmers do not change their farm plan on a regular basis, and slight adjustments and modifications are usually made to the existing combination. In this event, the planning process primarily focuses on preparing budgets of existing enterprises. In some cases, farmers responding to market changes may decide to introduce a new enterprise that needs to be budgeted.

Preparation of the enterprise budget involves assessment of the financial performance of the farm enterprises expressed through cost and income statement for the different enterprises. The Farm Enterprise Budget provides 2 kinds of information:

- When the activities will take place
- How much will the activities cost the farmer

Factors influencing gross income are the following:

- The value of the product
- The value of by-product and produce re-used on the farm
- The value of the produced consumed by the farmer's family
- The gain or loss in the value of tree crops and livestock
- The gain or loss in value of stored farm produce

Cost of Production is the total input of producing a product. Production costs are usually classified into variable cost and fixed cost. Variable costs are short-term cost, while fixed costs are generally long-term costs. Below are examples of variable and fixed costs in a farm.

| Variable Costs | Fixed Costs |
|-------------------------------|------------------|
| Seeds | Tractor |
| Fertilizers | Depreciation |
| Sprays | Regular labor |
| Livestock feeds and biologics | rent |
| Hired labor | Insurance |
| Fuel and lubricants | Building |
| Miscellaneous costs | Interest / taxes |



NOTE: The farmer, in coordination with the Municipal Technician, should refer to appropriate agricultural production standards before proceeding with this part of farm planning – preparation of the enterprise budgets.

KEY TERMS TO REMEMBER

Gross Income: the value of the output of an enterprise. It can be derived by multiplying the physical output by the farm gate price of the product where the farm gate represents the point of the first sale.

Gross Margin : a simple, useful and practical tool to assess farm performance. For an enterprise gross margin is defined as the gross income minus its variable costs.

Gross margin =
Gross income - variable costs

Farm Enterprise Profitability: calculation that shows the farmer's gain after taking into account the production costs of enterprise. It consists of deducting all of the costs incurred for the enterprise i.e. fixed and variable costs, from the gross income.



SAMPLE ENTERPRISE BUDGET CALENDAR for CROPS

| | MONTHS | | | | | | | | | | | | |
|------------------------|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----------------|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | |
| Volume of Harvest | | | | | | | | | | | | | |
| Sales | | | | | | | | | | | | | + Gross Income |
| Material Inputs | | | | | | | | | | | | | |
| Fertilizer | | | | | | | | | | | | | |
| Insecticides | | | | | | | | | | | | | |
| Fungicide | | | | | | | | | | | | | |
| Bagging Materials | | | | | | | | | | | | | |
| Labor Inputs | | | | | | | | | | | | | |
| Pruning | | | | | | | | | | | | | |
| Harvesting | | | | | | | | | | | | | |
| Transporting | | | | | | | | | | | | | |
| Others... | | | | | | | | | | | | | |
| Total Cost | | | | | | | | | | | | | -Variable Cost |
| | | | | | | | | | | | | | = Gross Margin |

After identifying the enterprises to pursue in his/her farm, the farmer follows the following steps in filling out the Farm Enterprise Budget:

Instructions

1. Consult production standards to identify and list the specific activities of each enterprise.
2. Lightly shade the spaces corresponding to when the activity occurs.
3. Calculate and indicate in the shaded spaces the amount of the expected cost depending on the scale/size of the enterprise/farm.
4. Calculate the Gross Margin from the gross income and the variable cost [Gross Margin = Gross Income – Variable Costs]

SAMPLE ENTERPRISE BUDGET CALENDAR for LIVESTOCK

| | MONTHS | | | | | | | | | | | | |
|---------------------------|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | |
| Piglets | | | | | | | | | | | | | |
| Sales | | | | | | | | | | | | | +Gross Income |
| Livestock Expenses | | | | | | | | | | | | | |
| Feeds | | | | | | | | | | | | | |
| Biologics | | | | | | | | | | | | | |
| Veterinary Expenses | | | | | | | | | | | | | |
| Labor | | | | | | | | | | | | | |
| Total Cost | | | | | | | | | | | | | -Variable Cost = Gross Margin |

STEP 5. PREPARATION OF WHOLE FARM BUDGET



The whole farm budget checks the effect of change in the cropping pattern and the introduction of new enterprises on the economic viability of the entire farm. The starting point for preparation of the whole farm budget and ultimately the action plan is the gross margin of individual enterprises. This information would need to match the volume of physical resources available to the farmer, and decisions taken as to the most viable enterprise for each land parcel on the farm.

The decision would require reconciliation between physical characteristics of the base, market opportunities, use of other resources (labor and capital) available to the farmer and individual preferences of the farm family. This often involves a process of trial and error. Once the enterprise combination has been selected, the overall gross margin and whole farm income is assessed. The latter would require the preparation of an inventory of the fixed asset requirements. The difference between the overall gross margin and the fixed costs provides an estimate of whole farm income.

An action plan could be prepared taking into account physical and financial aspects of the plan. The plan could include an assessment of land suitability and enterprise selection, planned crop rotations, a calendar of operations, schedules of supplies required, an assessment of farm investments, labor profiles, cash flow projections and enterprise budgets.

Planning farm labor

Labor costs are a high percentage of the total costs of production on the farm. It is therefore essential to carefully plan the use of family and hired labor. More efficient use of labor can be planned on two levels: the individual enterprise and the whole farm. **Labor Planning** is useful in farm planning as a tool to improve labor allocation on the farm and use the full potential of the labor force once allocated.

At the level of the individual enterprise, labor planning is used to improve the performance of the different operations associated with the enterprise. Here, the problems are essentially practical and deals with the way operations are conducted.

At the farm level, best use of labor throughout the year is assessed. These two levels are closely linked. Any change in the type of farm enterprises selected and farm operations requires farmers to examine the labor resource and requirements.

In planning the use of labor over a season, labor profiles are drawn up. The labor profile shows graphically the seasonal labor requirements of each enterprise and the total demand of all enterprises for each month of the year.

Procedure for constructing a labor profile is as follows:

1. Calculate the total number of person days required for each enterprise
2. Break down the total person-days requirements into monthly figures for each enterprise in turn
3. Construct a labor profile for all farm enterprises together
4. Assess the person days available to the farmer from the family labor supply
5. Examine the labor supply and demand profiles and formulate a strategy for dealing with labor shortfalls and surpluses.



Farm Calendar Development

Consolidate all Farm Enterprise Budgets in the Farm Calendar of Income and Expenses by following these steps:

1. List the enterprises according to Crops or Livestock
2. List the specific activities of all enterprises.
3. Based on the prepared Farm Enterprise Budget, shade the boxes corresponding to when the activities occur.
4. For similar overlapping activities, sum up all the costs/income for that time.
5. Sum up all sales/income and costs/expenses to calculate the Whole Farm Income.

WHOLE FARM INCOME

The final income that reflects the profit of the farm and it is the reward for the capital and management contributed by the farm family during the year. Whole farm income is necessary to cover the family living expense and payment of taxes and the amount left can be reinvested into other farm activities.

Farm Performance Measurement

Farm Performance Measurement steps:

1. Arrange benchmark data to look like the Farm Enterprise Budget/ Farm Calendar of Income and Expenses
2. Superimpose actual Farm Enterprise Data/ Farm Calendar of Income and Expenses Benchmarks
3. Look for variations (positive or negative variations) and identify the causes of variation
4. Perform corrective action.



SAMPLE FARM CALENDAR OF INCOME AND EXPENSES

| | | MONTHS | | | | | | | | | | | | |
|---------------------------|--------------------------|---------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | |
| CASH INFLOW | GROSS INCOME | Crop Sales | | | | | | | | | | | | |
| | | 1 Mango | | | | | | | | | | | | |
| | | 2 Corn | | | | | | | | | | | | |
| | | 3 . | | | | | | | | | | | | |
| | | 4 . | | | | | | | | | | | | |
| | | 5 . | | | | | | | | | | | | |
| | | Total Crop Sales | | | | | | | | | | | | |
| | | Livestock Sales | | | | | | | | | | | | |
| | | 1 Hog Raising | | | | | | | | | | | | |
| | | 2 Goat Raising | | | | | | | | | | | | |
| | | 3 . | | | | | | | | | | | | |
| | | 4 . | | | | | | | | | | | | |
| | | 5 . | | | | | | | | | | | | |
| | | Total Livestock Sales | | | | | | | | | | | | |
| Household Consumption | | | | | | | | | | | | | | |
| Other Farm Income | | | | | | | | | | | | | | |
| TOTAL GROSS INCOME | | | | | | | | | | | | | | |
| CASH OUTFLOW | COSTS | Crop Expenses | | | | | | | | | | | | |
| | | Seeds | | | | | | | | | | | | |
| | | Fertilizer | | | | | | | | | | | | |
| | | Pesticides | | | | | | | | | | | | |
| | | Insecticides | | | | | | | | | | | | |
| | | Labor | | | | | | | | | | | | |
| | | Total Crop Expenses | | | | | | | | | | | | |
| | | Livestock Expenses | | | | | | | | | | | | |
| | | Feeds | | | | | | | | | | | | |
| | | Labor | | | | | | | | | | | | |
| | | Veterinary Expenses | | | | | | | | | | | | |
| | | Others | | | | | | | | | | | | |
| | | Total Livestock Expenses | | | | | | | | | | | | |
| | | TOTAL VARIABLE COSTS | | | | | | | | | | | | |
| Fixed | Electricity | | | | | | | | | | | | | |
| | Water | | | | | | | | | | | | | |
| | Rent | | | | | | | | | | | | | |
| | Others | | | | | | | | | | | | | |
| | TOTAL FIXED COSTS | | | | | | | | | | | | | |
| TOTAL COSTS | | | | | | | | | | | | | | |
| WHOLE FARM INCOME | | | | | | | | | | | | | | |

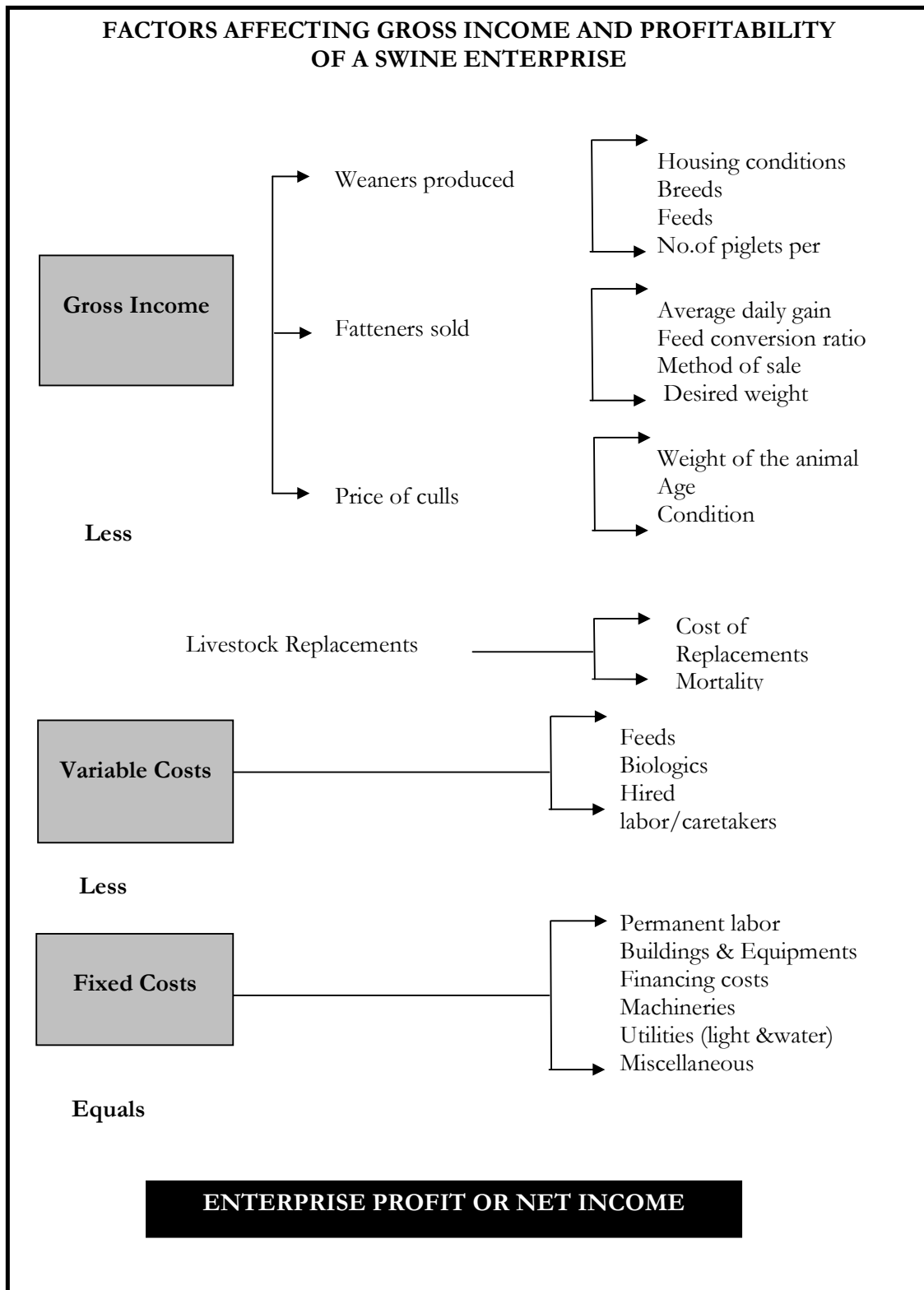


Figure 13. Factors Affecting Gross Income And Profitability Of Typical Enterprises

Measuring Farm Performance

FARM DATA COLLECTION

The main purpose of keeping farm records is to set the financial position of the farm and to calculate its profit or loss during a given accounting period. Farm data and accounts provide the necessary information to prepare a farm plan and budget designed to increase efficiency and profitability.

Data and Information

Exposure to new data and information greatly affects how farmers organize their farms, what, how and when products are produced, and what type and quantity of inputs should be used.

The constraints and development potentials of farming activities are largely determined by understanding the rural communities and farm resources.

Data refer to the raw numbers and facts such as prices, costs, quantities etc. Information is data that is processed in a way that is useful for decision-making.

The relationship between data, information and decision making is given below:

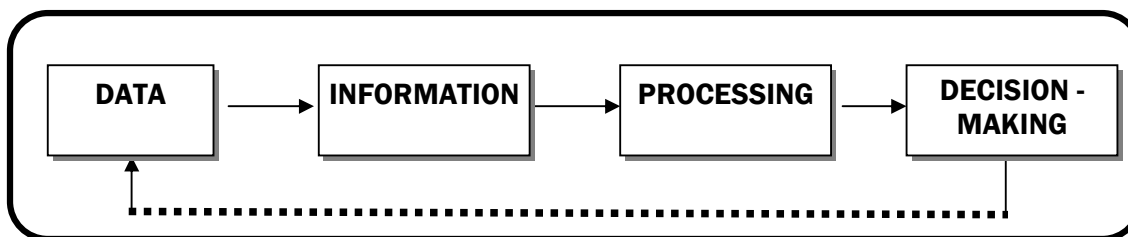


Figure 14. The Decision – Making Process

Sources of Data and Methods of Data Collection

Main Sources of data:

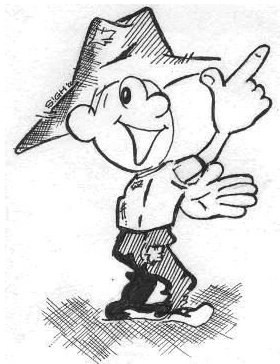
- a. Primary data – collected directly from farmers (production, yield , rates of fertilizers and chemicals, etc.)
- b. Secondary data – based on published statistics and are from sources such as government ministries and organizations, banks etc

Sources Of Information:

- a. Farm records – Crop yields, livestock production, cost information generated from farm records
- b. Other farm information –Agricultural Statistics Services, National Extension Services, other government agencies, consulting advisory services, newsletters, magazines, agri. supplier, neighbors.
- c. Production and Market Information Historical yield and price information

Comparing these to that of similar farms in the same area is an added source of information of how the farmer can improve farm performance.

FARM RECORDS AND ACCOUNTS



FARM RECORDS

Farm records provide useful information for extension workers to help farmers increase farm profits, adjust farm practices, select enterprise, determine the best use of available resources, obtain credit and formulate production plans. Accounts are drawn up and are used to measure the performance of the farm.

Specific Uses of Farm Records and Accounts

- evaluate the farm's financial position in relation to its objectives
- measure the outcome of cropping decisions and therefore allowing farmers to benchmark crop data to be compared with other neighboring farms
- control the daily routine operations of the farm and enable the farmer to know what have been spent and dare at any given time during the year
- evaluate alternative strategies for controlling available resources and therefore help the farmer to spot where the enterprise is strong and where it is weak
- finance the farm and meeting legal requirements

Types of Farm Records

- a. Operational records – serve the daily needs of farmers in managing their operations and are designed to control specific activities.

Common non-financial records:

- production records – value information on yields, inputs and cropping practices use in the production process on specific parcels or plots
 - Labor records – record labor inputs as expressed in hours or days of operation for each of the farm enterprise corresponding
 - Machinery and Equipment records – records the expenses involve in machinery operations and the nature and type of repairs.
 - Livestock / Poultry records – refer to information on breeding, health, production and feed composition.
 - Marketing records – refer to information on market transactions and procurement of purchased inputs.
- b. Financial records – used as data sources for taxation and statistics purposes and as basic for enterprise and whole farm evaluation



EXAMPLE OF A SCALED FARM MAP

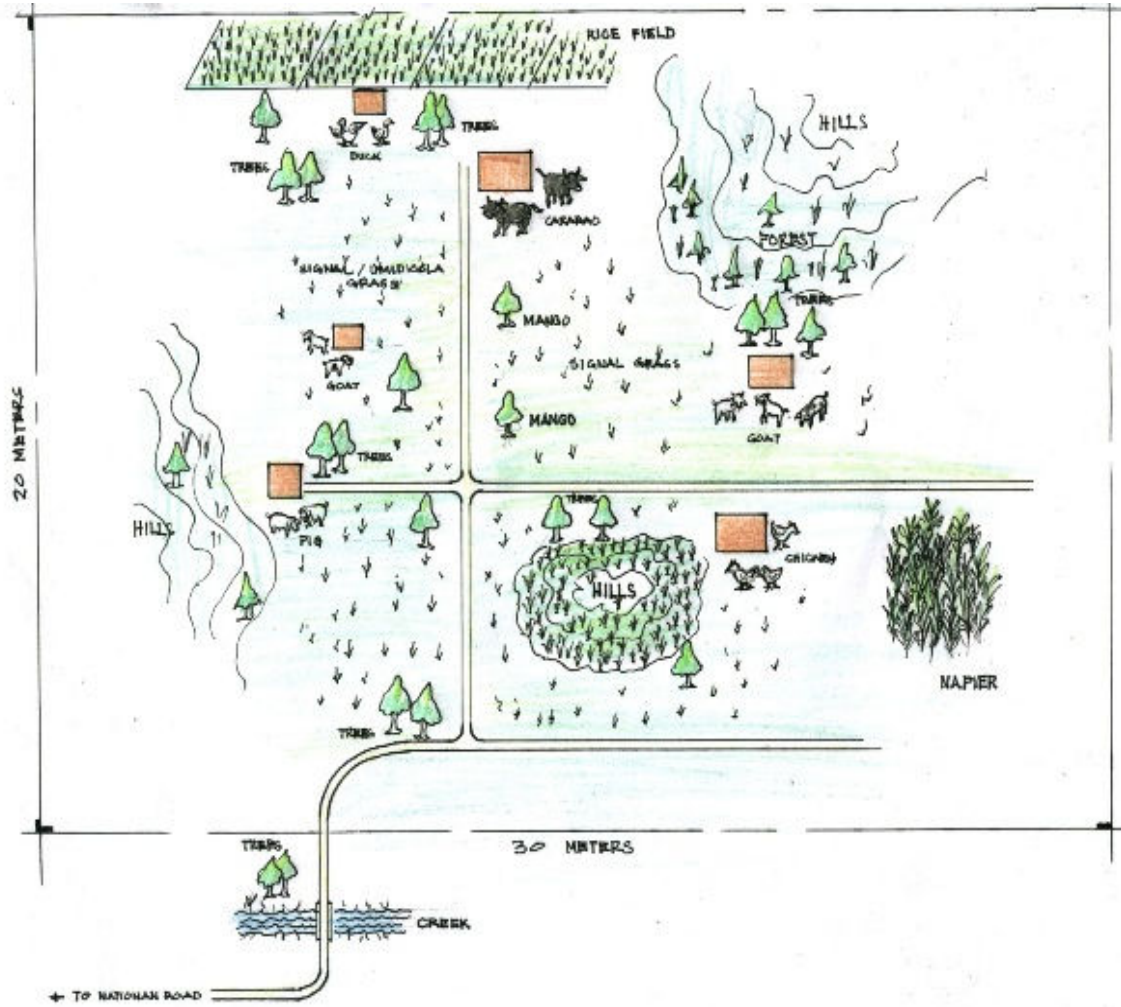


Figure 15. Scaled Farm Map

Farm Performance Analysis

USING GROSS MARGIN TO ANALYZE FARM PERFORMANCE.

GROSS MARGIN

Gross margin is the key performance measure widely used to assess farm performance. The idea is to use the gross margin to identify weaknesses in farm organization.



If farm income is too low, the problems that could occur can be classified under three headings:

- The gross margin per hectare or per unit of output maybe too low – due to low yields, expensive stock or excessive variable costs such as animal feed
- Farming is not intensive enough – not enough high value crops or livestock
- Fixed costs may be too high (labor, machinery and power, rent or other overheads).



EXAMPLE PROBLEMS AND SUGGESTED IMPROVEMENTS

| Problem | How to improve the present system |
|------------------|--|
| Low Gross Margin | <ul style="list-style-type: none"> • improve crop yields (by improving fertility and resolving drainage problems, diseases etc.) • Improve post-harvest operations (poor harvest, poor handling etc.) • improve marketing conditions, improve inputs purchase system (by creating associations or farmer groups) |
| High fixed Costs | <ul style="list-style-type: none"> • minimize buildings and fencing • streamline layout of fields to economize on labor and machinery • special t ensure full use of expensive equipment and /or buildings • check on other overhead expenses |

It is clear that there should be a proper relation between gross margin and fixed costs. High fixed costs (labor, machinery, rent of land, buildings) would need to be combined with intensive farming (a high gross margin) in order to ensure that these costs can be covered.

Basic Steps In Farm Performance Analysis

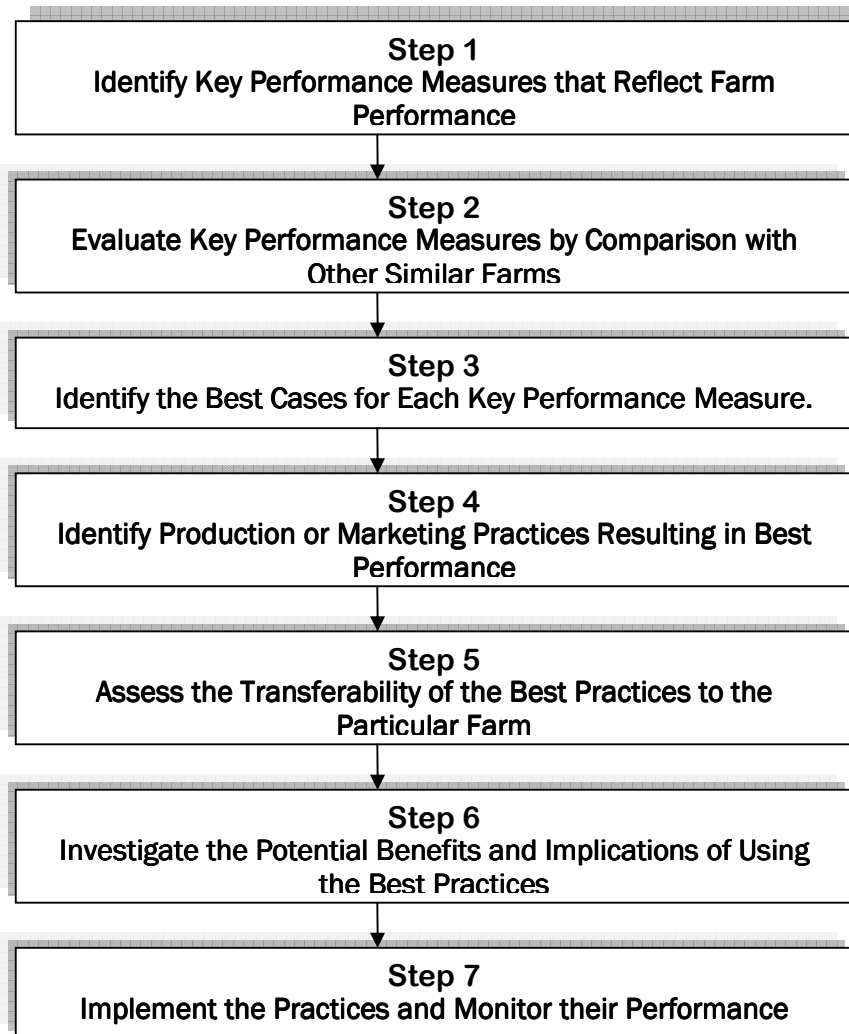


Figure 16. Steps in Farm Performance

STEP 1. IDENTIFY KEY PERFORMANCE MEASURES THAT REFLECT FARM PERFORMANCE

Market Related Measures:

- Final market price achieved
- Marketing expenses paid
- Cost per ton of packing produce
- Price achieved net of marketing costs

Production Related Measures:

- Yield per hectare
- Quality of harvested produce
- Milk produced per kilogram of feeds
- Regular labor costs

STEP 2. EVALUATE KEY PERFORMANCE MEASURES BY COMPARISON WITH OTHER SIMILAR FARMS.

The most important factor for performance analysis is to obtain comparative information which might be available from:

- Farm survey data
- Farm management information publications
- Extension services
- Farmers' associations

STEP 3: IDENTIFY THE BEST CASES FOR EACH KEY PERFORMANCE MEASURE.

This is usually a matter of comparing the performance of a particular farm with that achieved by other farms or by a group of farms. It is likely that performance is measured in terms of:

- Overall profitability of the farm
- Gross margin performance of the enterprise
- Yield levels and selling prices
- The quantities of variable inputs used
- Total fixed costs
- Physical and financial performance measures relevant to the farm or the group of farms

STEP 4: IDENTIFY PRODUCTION OR MARKETING PRACTICES RESULTING IN BEST PERFORMANCE.

Identify the root causes of farmers' performance success and failures. These factors could be traced to either production or marketing practices, all of which should be discussed at the meetings. This allows farmers who have been identified as achieving high performance in particular areas to explain to the rest of the group how this performance was achieved.

STEP 5: ASSESS THE TRANSFERABILITY OF THE BEST PRACTICES TO THE PARTICULAR FARM

Determine the extent to which the experience can be transferred. The reasons preventing the transference of relevant techniques may be, for example, unsuitable soil, insufficient rainfall, or lack of required farming skills.

STEP 6: INVESTIGATE THE POTENTIAL BENEFITS AND IMPLICATIONS OF USING THE BEST PRACTICES

Assess the pros and cons in their implementation plan should be conducted.

STEP 7: IMPLEMENT THE PRACTICES AND MONITOR THEIR PERFORMANCE.

Implement the new production and marketing techniques on the farm. Then monitor the performance of the enterprises to ensure that the changes improve performance in line with expectations.

Meeting Market Requirements: Ensuring Consumer Health and Safety



To achieve maximum product success in the market, it is important to consider the existing market trends and requirements, products (or product concept) with distinct high market demand and the introduction of products with the aid of suitable and effective marketing plans and strategies.

Food Sanitation and Poisoning

FOOD SANITATION

Food Sanitation is more than just cleanliness; it also involves all practices in:

- Protecting** food from risk of contamination
- Preventing** bacterial multiplication to undesirable limits
- Destroying** harmful bacteria by thorough processing and cooking

The benefits of **good sanitation** will lead to higher profits and the factors are:

- Satisfied customers, good reputation and increased business
- Compliance with the law
- Increased shelf-life of food
- Good working conditions, higher staff moral and lower staff turn-over thus increased productivity.

SAFETY HAZARDS

Hazards - Something that could cause harm to the consumers

What are these **Hazards? Biological, Chemical and Physical**

Biological Hazards - The deadliest! These are caused by microorganisms such as:

- Bacteria
- Yeasts
- Molds
- Parasites
- Viruses

Chemical Hazards

Some Naturally Occurring Chemical Hazards:

- Allergens
- Mycotoxins (aflatoxin)
- Mushroom Toxin

Some Added Chemical Hazards:

Agricultural Chemicals

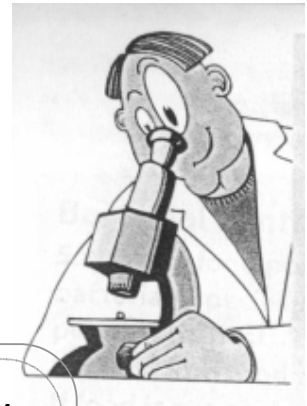
Pesticides
Antibiotics
Fertilizers

Contaminants

Lubricants
Cleaners
Sanitizers
Coatings
Paints

Toxic Elements

Lead
Cyanide
Cadmium
Arsenic
Mercury



BACTERIA GROW RAPIDLY!

1 cell can grow to 100 cells in 2 hrs and 20 minutes

***E. coli* can infect with just 10 cells**

Physical Hazards. Some Common Physical Hazards are the following:

| MATERIAL | INJURY | POTENTIAL SOURCES |
|---|---|---|
| GLASS, METAL and STONES | Cuts, bleeding; may require surgery to find or remove | Bottles, jars, light, fixtures, utensils, gauge, covers, staplers etc. |
| WOOD | Cuts, infection, choking; may require surgery to remove | Field sources, pallets, boxes, building materials |
| PLASTIC | Choking, cuts, infection, may require surgery to remove | Packaging, pallets, equipment |
| PERSONAL EFFECTS i.e jewelry, hair, clips, pens | Choking, cuts, broken teeth; may require surgery to remove | Employees food handlers |

BASIC MICROBIOLOGY

Microorganisms: Bacteria (Germs), Yeast and Molds – microscopic organisms which are found everywhere. Most bacteria are harmless and some are essential for example breaking down of decay, wine and vinegar making and cheese.

| PATHOGENIC – DISEASE CAUSING MICROORGANISMS | SPOILAGE MICROORGANISMS |
|---|--|
| <ul style="list-style-type: none"> • Cause food borne illnesses and food poisoning • Difficult to detect the 5 senses • Example: <i>E.coli 0157</i>, <i>Coliforms</i>, <i>Staphylococcus</i>, <i>Salmonella</i>, <i>Vibrio cholera</i> | <ul style="list-style-type: none"> • Causes the food to change its organoleptic properties • Easily detected via changes in smell, color, appearance / structure of food products • Example: molds on bread, fermentation smell |

| SOME COMMON BACTERIA THAT CAUSE FOODBORNE ILLNESS | | | |
|--|--|-------------------------------------|---|
| Bacteria | Source | Disease/Onset Period | Control |
| Salmonella | Raw meat, eggs, chicken, rodents, pets, birds | Salmonellosis 6 – 72 hrs | Poultry - 75 ° C Eggs - 63 ° C Hand washing |
| Staphylococcus aureus (toxin) | Skin, hair, nose, hands, open sores and wounds, sick employees with colds | Staphylococcus 1-8 hours | Wash hands Avoid touching face, nose Wearing of gloves Time/temp combination |
| Clostridium perfringens (produces heat) | Animal and human excreta, soil, dust, raw fruits and | Perfringens 8 – 22 hours | Wash hands, wash produce Strict personal |

| SOME COMMON BACTERIA THAT CAUSE FOODBORNE ILLNESS | | | |
|--|---|-------------------------------|--|
| Bacteria | Source | Disease/Onset Period | Control |
| resistant spores) | vegetables, insects | | hygiene Separation of raw and high risk foods |
| Clostridium botulinum | Improperly canned foods, vacuum packed foods, garlic in oil, left over potatoes and stews | Botulism 8-36 hours | Wash hands Time / temp control |
| Escherichia coli | Human and animal excreta, carried by the water | | |



The following are the conditions that promote the growth of bacteria:

Warmth

| Temperature conditions | Description of Bacterial Growth |
|--|---|
| Body Temperature - 37°C | OPTIMUM – highest multiplication |
| 20°C- 50°C Range | Range of growth |
| 1.1 – 3.8°C | Slow growth |
| Below frozen temperature < 0°C | No growth |

Food and Moisture

High protein foods such as meat, poultry and dairy produce bacteria. Dried foods do not support growth, however, if water is added bacteria will start growing.

Time

Given the right conditions of food, moisture and warmth, some bacteria can divide into, two every 10 minutes. Thus high risk foods should not be left at the **danger zone** for a long time.



FOOD POISONING

This is an unpleasant illness which usually occurs within 1-36 hours after eating contaminated (pathogenic bacteria) or poisonous foods (toxins and chemicals). Symptoms are usually diarrhea, vomiting, abdominal pain and nausea.

Seven Main Causes of Food Poisoning:

1. Poor personal hygiene of food handlers
2. Recent intestinal or respiratory upsets of food handlers
3. Inadequate temperature control during transport, operation, storage or serving of food
4. Food from unsanitary source of supply
5. Bad food handling practices
6. Dirty food premises and/or equipment
7. Presence of insect and rodent pests



Good Agricultural Practices

Good Agricultural Practices (GAPs) are basic environmental and operational condition necessary for the production of safe and wholesome fruits, vegetables, and meat thru reduction of contamination in production, harvesting and post harvest handling.

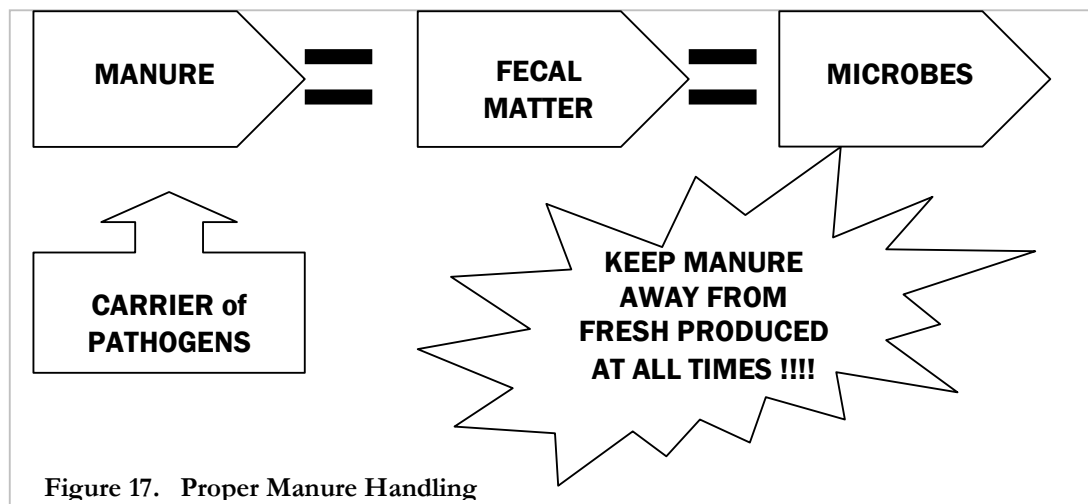


General Points to Consider in GAP

- **Keep plants, crops livestock and poultry healthy.**
- **Disease is a good environment for pathogenic growth**
- **Reduce post harvest loss – refer to post harvest handling**
- **Apply proper farm management practices**

TIPS ON FARM MANAGEMENT PRACTICES

1. Proper Manure Handling

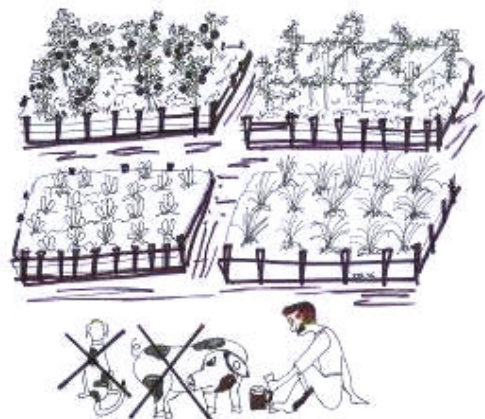


HOW?

- Correctly Compost - a good indicator for correct composting is ZERO weed growth
- Correctly apply manure
- Apply manure when planting crops not intended for direct consumption and perennials

2. Proper Crop/Livestock Management

- Use trellis/stacking/sticks such as in tomatoes
- Follow regularly recommended application on organic or inorganic inputs
- Avoid root / low growing crops
- Avoid crops consumed as fresh or leaves eaten by consumers

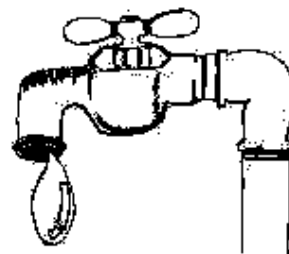


- EXCLUDE animals as much as possible
- No dogs or other pets in the field
- Follow regularly recommended animal health programs

3. Water Quality Management

Water is a good carrier of pathogens.

- Clean water quality is most important when in direct contact with edible portion of crop close to or at harvest
- Select best water source: ground water than surface water; other sources include drinking water, municipal water system/ irrigation
- Water application - drip is better than spray. But if using spray...do it early in the morning to conserve water, speeds up drying time and reduce crop diseases. Chlorinate dump tanks and wash water



4. Proper Farm Planning and Documentation

Document farm practices and keep records for traceability such as manure application records and water test results. It is best to prepare an *on farm food safety plan* by starting to review farm practices and preparing a basic and doable plan based on the format below:

| BASIC FARM FOOD SAFETY PLAN | |
|--|---|
| Instructions: Please fill out the columns below based on your answers to the guide questions | |
| 1. Manure Handling and Storage | |
| a. | Where is it best to store manure for farm application? |
| b. | How do we properly apply manure? |
| c. | How do we properly prepare manure with compost? |
| d. | What should be remembered when handling manure? |
| 2. Record and Livestock Treatments and Pesticides & Fertilizers Application | |
| a. | What kind of Medication / Treatment given to livestock/ poultry or crops/vegetables? |
| b. | How much dosage was given and its schedule of treatment? |
| c. | What is the withdrawal period of the medication/treatment given? |
| 3. Animal Exclusion | |
| a. | How do we keep animals, pets and wild animals away from our produce? |
| 4. Irrigation and Drainage Management | |
| a. | How do we irrigate our produce? |
| b. | What is the best water source? How do we treat our water supply? |
| 5. Equipment Sanitation/Disinfection | |
| a. | How do we sanitize our farm equipment? (knives for harvesting, plastic crates) |
| b. | What kind of sanitizer/disinfectants used? |
| 6. Harvesting and Post Harvest Handling | |
| a. | Outline proper ways to handle fresh produce/crops, vegetables & meat from harvesting to the market place: (harvest/slaughtering, sorting, packing, transport & storage) |
| b. | What should the food handlers do before handling produce? Describe the process. |
| 7. Farmers and Food handlers training program | |
| a. | What training programs should be attended? Who should attend the training? |
| 8. Record Keeping and Crisis Management Strategy | |
| a. | What record should be kept in the farm relating to food safety? |

BASIC FARM FOOD SAFETY PLAN

Instructions: Please fill out the columns below based on your answers to the guide questions

P

b. What should be done in cases of farm safety crisis? Describe the process.

Postharvest Handling of Fresh Produce

Ensuring a safe, high quality product and making fair profits do not happen by accident but occur through careful handling from farm to market. Post harvest is the movement and the handling of commodities from the field/farm/sea until it reaches the consumer. When properly done, losses are reduced and quality is maintained and/or improved. It is the final stage in the process of producing high-quality fresh foods.



POSTHARVEST HANDLING OF FISH PRODUCTS

Post harvest-handling start as soon as the fish is removed from its natural environment, the water. In preventing fish from getting spoiled too quickly, there are **four big C's** to remember:

Care – essential to avoid necessary damage such as cuts and wounds that may provide access for the entry of spoilage bacteria. This will start soon after catching the fish after sorting them.

Big fish should be gutted as soon as possible and then washed thoroughly. Washing is said to remove 90% of the surface microorganism. It is important that only clean and potable water be used in washing of the fish to avoid further contamination. All surfaces (e.g. chopping board, containers, tables, knives) in contact with the fish must also be clean and sanitized if possible. Workers who handle the fish are also possible sources of contamination and must observe proper personal hygiene.



Cooling – cool the fish as quickly as possible. At low temperature slowed down; hence, spoilage rate is also slowed down or temporarily stopped.

Cooling the fish may be done with the use of ice to chill the fish to near 0 degree Celsius or with a machine to bring down further the temperature below 0 degree Celsius as in freezing. Remember the lower the temperature, the slower is the rate of spoilage and the longer is the shelf-life.

Containers - use of proper container is essential for the following reasons:

1. Facilitates handling
2. Sorting into different sizes, species and age
3. Minimize physical damage
4. Saves space during transport and storage

Other Preservation Techniques for Fish Handling:

1. Control of temperature
 - Use of low temperature (Chilling/icing, freezing, super chilling)
 - Use of high temperature (canning, frying, steaming and boiling)
2. Removal of moisture (salting, drying or smoking)
3. Use of additives – sodium benzoate and vitamin C.
4. Use of appropriate packaging – sealing using PE, vacuum packaging, etc.
5. Use of other technologies (reduction of pH as in marinating, pickling, fermentation, minced fish)

POSTHARVEST HANDLING OF MEAT AND MEAT PRODUCTS

To ensure production of safe and wholesome meat, the following NMIS procedures must be observed from farm to market..

Only food animals that were slaughtered, inspected and passed NMIS inspection shall be utilized for meat processing and meat canning.

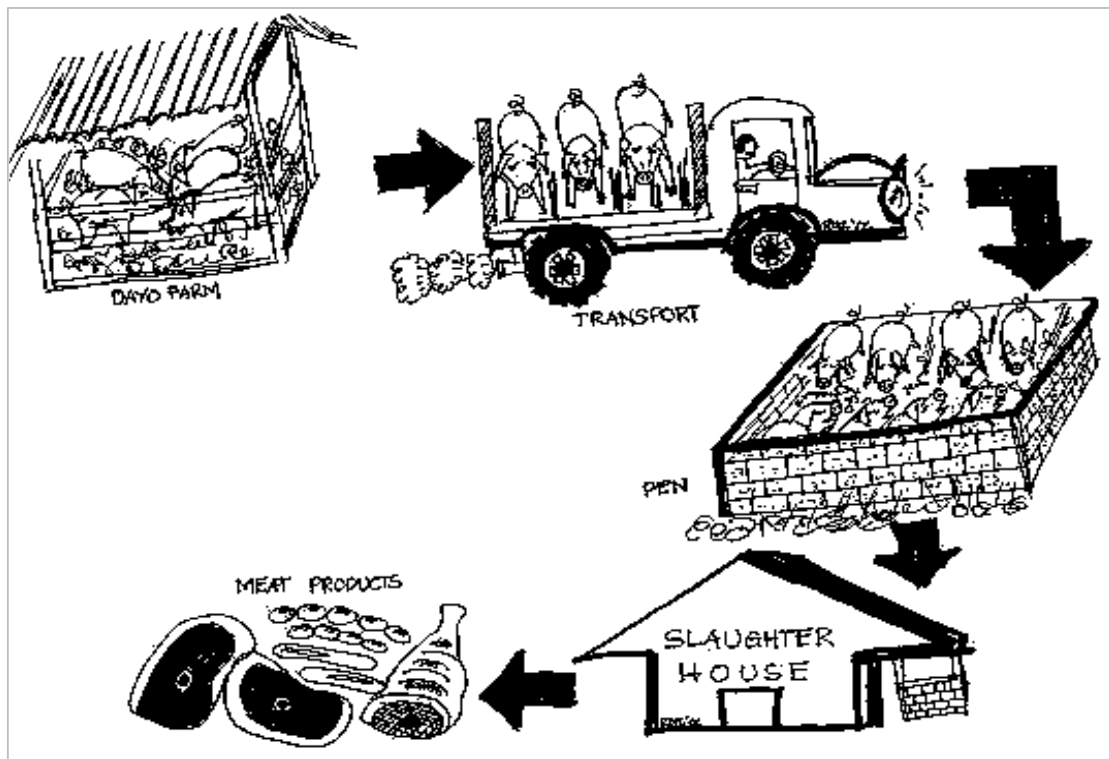
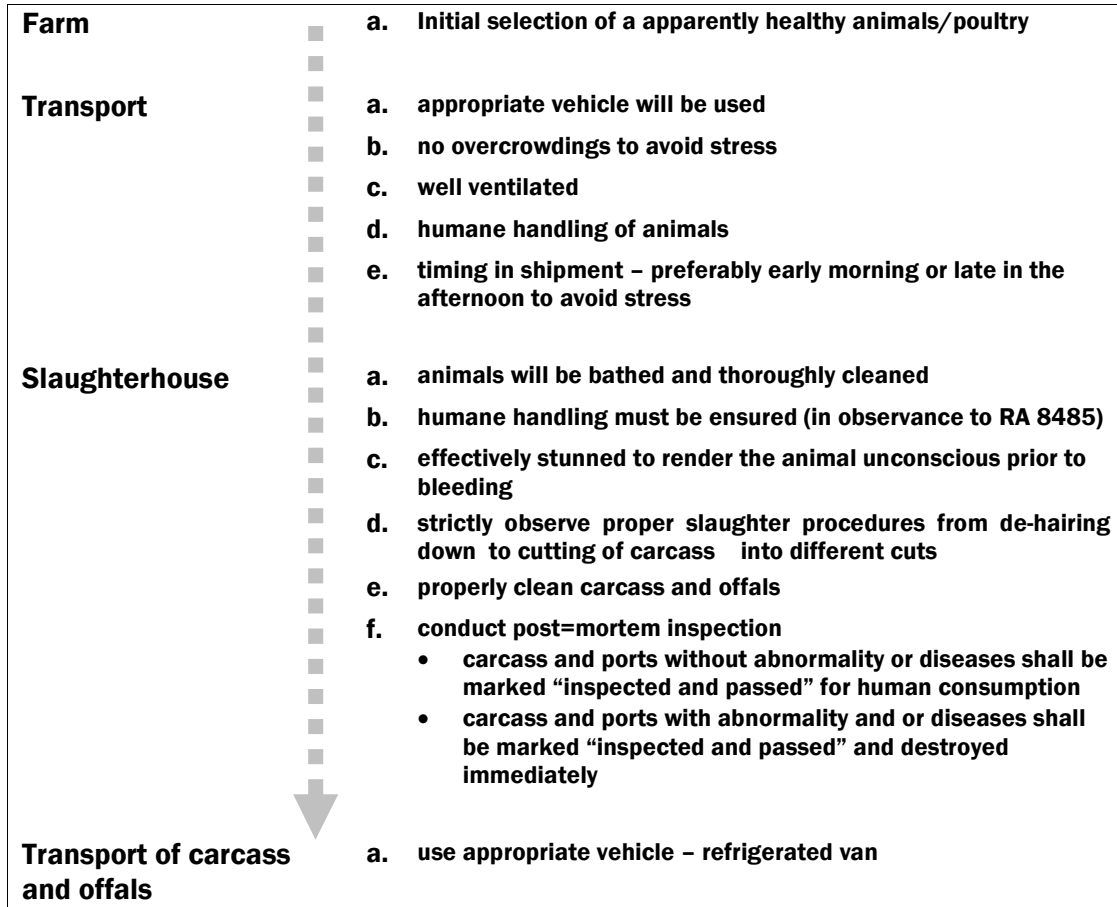


Figure 18. Post Harvest Handling of Meat and Meat By-Products



POSTHARVEST HANDLING OF FRESH FRUITS AND VEGETABLES

To ensure high quality, safety and good price the following post harvest activities must be properly observe from the farm to the market:

Harvesting – knowledge on the specific crop/fruit harvest maturity is essential as it influence the quality, transit and market life as well as susceptibility to disease and disorders of the form products.



However, it is highly defined by the requirement of the market, the intended use of the produce, transport time or distance to the market.



Figure 19. GAP for Post Harvest Handling

TIPS: HARVESTING

- Fruits should be picked and placed carefully in the harvesting basket, pail, bags, or box. Use pads or liners in containers.
- All containers and hands of the harvester must be as clean as possible.
- Pick fruits and vegetables that are within the demonstrative maturity range.

Sorting and Grading – is the process of grouping produce into categories based on a set of criteria that define quality such as maturity, size, color, weight, absence of defects and sugar, solid and moisture content. It determines if product meet the quality standard. At this stage (off-grade produce are removed) initial culling of off-grade produce is done.

Packing and Packaging – prior to transport, farm commodities are prepared for the trip to the market using the following containers: fruit boxes, Plastic containers, Woven baskets (kaing), Cartons, Sacks/plastic mesh. DO NOT use any chemical treatments that are not specifically recommended or approved for your commodity. Pack only one maturity.

TIPS: SORTING AND GRADING

- Sort fruits & vegetables prior to washing; Dry damp fruits & vegetables
- Remove all foreign materials and product that is rotten or partially decayed
- Remove product that is damaged
- Wear appropriate clothing (apron , hairnet, gloves if necessary); Remove jewelry
- Have ample lighting and table area for sorting and grading

TIPS: TRANSPORT

- DO NOT stack fruit/vegetable baskets. Use a wooden horizontal divider instead.
- Make sure the vehicle has adequate ventilation to prevent heat gain during transport.
- Check to ensure the vehicle is free from food safety hazards such as spilled fertilizer, animal manure, blood or odors.
- Clean and sanitize vehicle bed once per week.



TIPS: PACKING AND PACKAGING

- **Provide shade for harvested produce waiting to be sorted and packed.**
- **Minimize mechanical damage—avoid drops, throwing and rough handling.**
- **Use hand-carts to assist workers in the careful movement of produce.**
- **Pre-sort to remove damaged diseased, immature or over mature produce.**
- **Provide clean and sanitary conditions for all supplies, including box storage.**
- **DO NOT wash green beans, cabbage, okra, peas, peppers or squash before packing.**
- **Provide cushioning on all sharp edges and rough surfaces**
- **Clean and sanitize the tables regularly; dispose waste materials properly.**
- **Remove older outer leaves of cauliflower, head lettuce, and other leafy crops.**
- **Remove tops in radishes, carrots, beets, turnips and other root vegetables.**

Good Manufacturing Practices

Current Good Manufacturing Practice or commonly called cGMP are regulations and procedures provided by the food industry to guide food manufacturers in the development and implementation of food safety programs. It is a system rules and standards in the application and practice of food hygiene wherein strict compliance must be implemented to prevent food from adulteration and contamination due to unsanitary conditions. The aim of cGMP is the production of safe, quality and wholesome food.

PERSONAL HYGIENE

This refers to personal cleanliness (clean body and clean clothing and good health) and clean habits of the food handlers. All food handlers must receive the appropriate food sanitation education and training to ensure that they are aware of the dangers of poor food sanitation and so they have the knowledge to break the chain of events.



Food Safety Standards For Employees

- Anyone who is sick should not work in direct contact with food.
- Wounds should be bandaged aseptically.
- Keep finger nails clean and trimmed
- Use clean uniform and observe proper grooming
- Hair must be restrained using hairnets or hats
- Smoking, Eating, Gum/Tobacco Chewing, Toothpicks is strictly prohibited at work

Follow proper steps in hand washing.

- a. Use soap and warm (105°F) running water.
- b. Rub your hands vigorously for 20 seconds. (sing ABC or Happy Birthday)
- c. Wash all surfaces, including: Backs of hands, Wrists, Between fingers, Under fingernails
- d. Use nail brush around and under fingernails
- e. Rinse well under running water
- f. Dry hands with paper towel
- g. Turn off water and open door knobs using a paper towel instead of bare hands

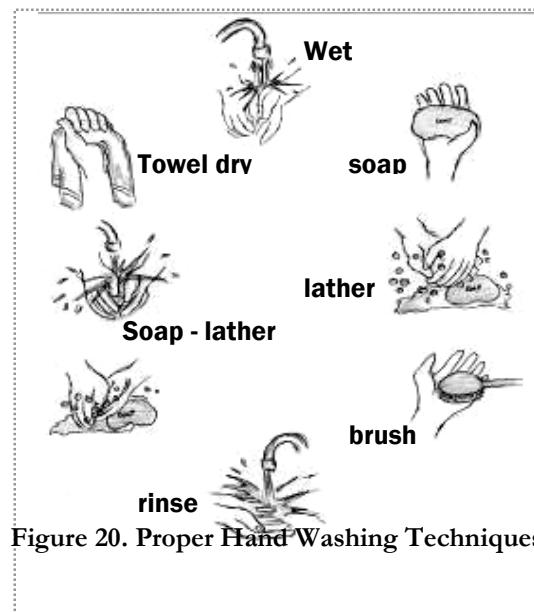


Figure 20. Proper Hand Washing Techniques

Hand washing with soap and water softens dirt and grease, removing bacteria, however, increased friction by rubbing hands reduces a larger number of bacteria.

PLANT FACILITIES, BUILDING, CONSTRUCTION, PREMISES, AND EQUIPMENT



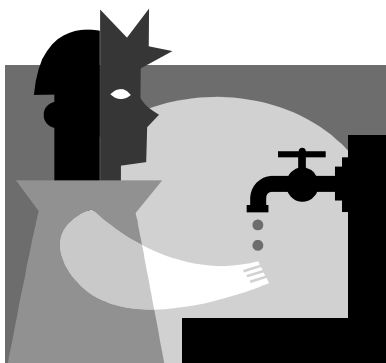
The plan should be designed such that the entire location, construction and maintenance are according to sanitary design principles prohibiting possible contaminants like bacteria, yeasts, molds, chipping of paint, rust, loose wirings from infecting food products.

REQUIREMENTS FOR GOOD FACILITIES

A. Building

- Lightings - adequate natural and artificial lightings and must be protected with shatter proof covers to avoid glass breakage
- Floors - water, chemical and grease-proof; non-absorbent, smooth, skid-resistant and moisture proof; easy to clean and disinfect
- Walls - made from water proof, non-absorbent, washable materials. Light colored, smooth, without crevices, holes and cracks
- Ceilings - paint are clean, bright and conducive to good reflectance
- Ventilation - Positive air pressure. Air ducts are clean. Temperature and humidity maintained. Should control odors, vapors and condensation
- Buildings - should provide sufficient space for equipment and storage of
- Materials as well as products. Construction materials are non-toxic and do not emit toxic vapors. Designed to facilitate continuous production process with a SINGLE LINEAR LOGICAL FLOW

B. Sanitary Facilities



Sanitary facilities should be situated separately from processing areas. Easy to understand notices, reminders or signs regarding hand washing and sanitation should be located at the entrance and exit points of processing areas.

C. Water Supply Facilities

| | |
|----------------------------|----------------------------------|
| Aerobic plate count | not greater than 100cfu/g |
| Coliform | 0 MPN |
| E.coli | 0 MPN |

There must be adequate supply of potable water for all processing operations. Water should be free from any discoloration, odor, filth. Should conform to the microbiological standards: Residual chlorine content for food preparation is 1.0ppm, for drinking is 0.4 – 0.6ppm

D. Waste Disposal System

Suitable garbage cans with cover should be provided within and outside the food premises. Plastic garbage bags are usually used inside the premises. Empty garbage cans internally as frequent as possible and thoroughly cleaned before going back to the food room.



CLEANING AND DISINFECTION

EXAMPLE OF 5 STAGES IN PROPER CLEANING

- a. **PRE-CLEANING** - removal of rough debris by sweeping, scraping and pre-rinsing
- b. **MAIN-CLEANING** - application of cleaning chemicals, loosening of the surface grease and dirt using a detergent
- c. **RINSING** - removal of loose dirt and detergent
- d. **DISINFECTION** - destroying bacteria and ensuring low levels of microbial growth
- e. **FINAL RINSE** - removal of disinfectant

Cleaning is the physical removal of solid wastes, soil, food residues and other objectionable matter. Cleaning must involve the application of physical energy to a surface.

Disinfection is a process that reduces the number of bacteria to a safe level. This employs sanitizers that destroy or reduce bacteria. Examples are hot water (approx 85 °C), steam and bleach.

“CLEAN AS YOU GO” – Staff must be trained to clean as they go and must always have a high regard to the provisions for health and safety.

Preparation of Sanitizing Solutions

Sanitizing solutions are used to reduce the load of bacteria when washing, before using utensils (i.e knives, ladles, cutting boards) and equipments (slicer, refrigerator, freezers), table surfaces in the food room. The usual and cost effective cleaning solutions used are those containing hypochlorite like the bleaching agents (zonrox, chlorox) or the powdered chlorine. Sanitizing solutions should be prepared fresh each morning based on the recommended measurements below:

1. Bleaching solutions (liquid) - usually have 5.0% hypochlorite concentration:
 - a. For hand sanitizing – 1 teaspoon in 1 gallon of water – (50ppm concentration)
 - b. For final rinsing of utensils – 2 teaspoons in a gallon of water – (100 ppm)
 - c. For table surfaces and floors and equipment – 3-4 teaspoons or 1 tablespoon in a gallon of water – (150 – 200 ppm)
2. Powder sodium hypochlorite – Measure 70g of powdered sodium hypochlorite and mix in 1.0 liter of water. Store in a bottle. This will serve as the stock solution containing 5.0% sodium hypochlorite. Prepare fresh solutions everyday.

STORAGE, WAREHOUSING, AND DISTRIBUTION

This involves depositing, storing, organizing and stocking goods in quantities and from which they are distributed to retail outlets as ordered or as needed.

Points to consider in storing, warehousing and distribution:

- a. **FIFO** - First In First Out rule
Goods should be used in the order in which they are delivered. Create a system, such as dating goods on receipt and placing new deliveries behind those already in storage to guarantee that FIFO is followed.

b. **Temperature Danger Zone**

Keep potentially hazardous foods out of the temperature danger zone, which is 4.4°C-60°C

- c. Store food only in areas designed for storage in order to eliminate risk of contamination
- d. Keep all goods in clean, undamaged wrappers or packages.

This is to eliminate or minimize contamination of good for storage

- e. Keep storage areas clean and dry

This rule applies to dry storage, refrigerators, and freezers, and heated cabinets.

- e. Keep vehicles for transporting food clean

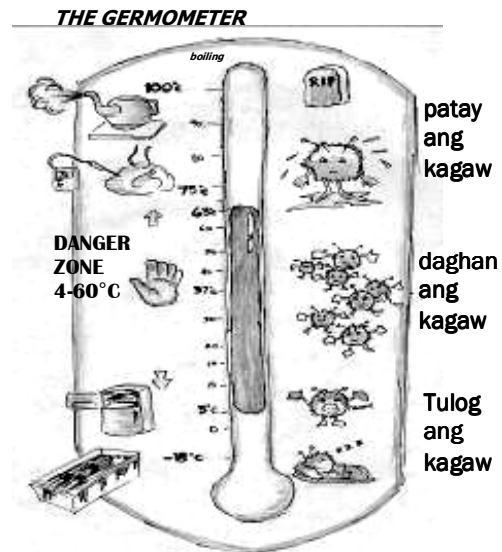


Figure 21 . The Germometer

PEST CONTROL PROGRAM

A Pest Control Program consists of effective measures that prevent the entry and proliferation of pests such as flies, insects, and its larvae from receiving, processing, packaging, and storage areas. It establishes continuous control measures involving chemical, physical, and biological agents to eradicate infestations. The common pests found in the food industry are: rodents: rats and mice, insects, birds.



Ways to Control Pests

- Conduct regular survey around the premises and look for: live or dead bodies, dropping or webbings, gnawing marks, holes in sacks, spillages, unusual smells by mice and cockroaches in particular, footprints, tailmarks, rodent smears – black greasy marks.
- Deny access of pests by – screening and always closing doors and windows. Access holes should be sealed by mortar, metal sheets or mesh.



- Practice **Good Housekeeping** – ensure that:

- Tidy and clean garbage areas



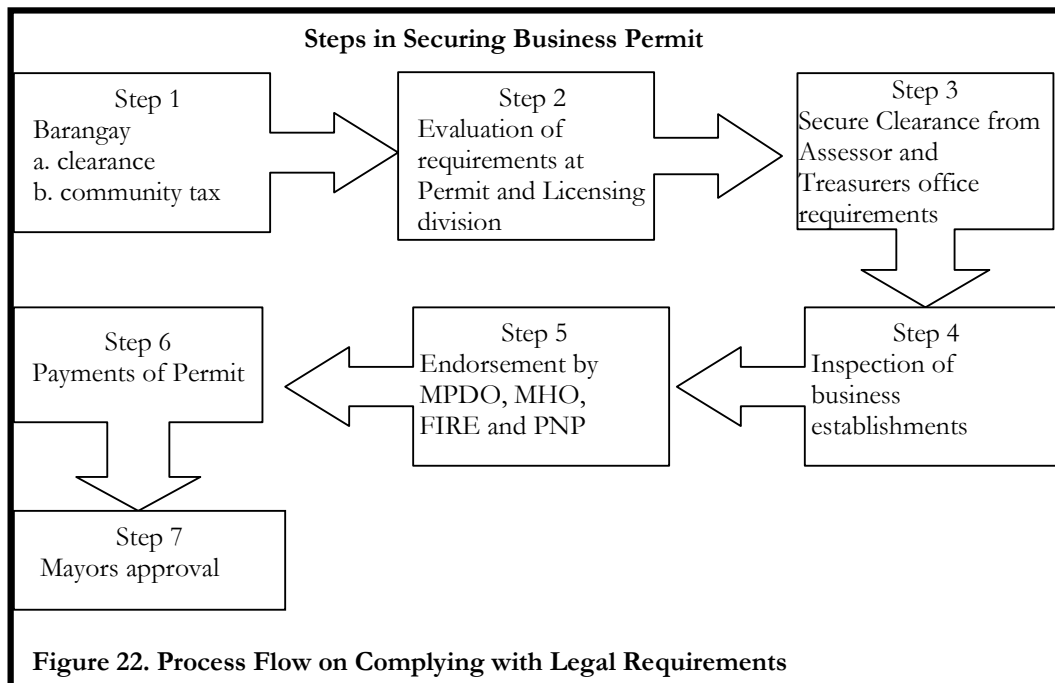
- Food on display or awaiting preparation is always kept covered
- Spillages are cleared away promptly
- Food is stored off the floor and clears off walls to facilitate regular inspection.
- Regular checking of stock
- Food is stored in rodent proof containers
- All deliveries of raw materials are checked thoroughly for infestation
- Drains are clean, in good condition and covered with metal grilles.

| BASIC FOOD SAFETY PLAN FOR PROCESSING | |
|---|---|
| Instructions: Please fill out the columns below based on your answers to the guide questions | |
| 1. EMPLOYEES/FOOD HANDLERS | |
| a. | When hiring employees, they must meet the following requirements: |
| b. | Before starting to work, the food handler should..... |
| c. | What are the usual practices in personal hygiene of the food handlers? |
| 2. PROCESSING AREA | |
| a. | What are the do's and don'ts inside the processing area? |
| b. | What should be done by food handlers before starting to work? During work and after work? |
| 3. PLANT SURROUNDINGS | |
| a. | To prevent and protect the processing area from contamination caused by pests, rodents, dusts, etc., the surrounding should be..... |
| 4. PLANT CONSTRUCTION, DESIGN AND MAINTENANCE | |
| a. | What are the design specifications of a food processing plant? |
| b. | What are the maintenance practices of a food plant? |
| 5. WASTE DISPOSAL SYSTEM | |
| a. | How should the trash disposed be disposed? |
| b. | How often must trash be taken out of the plant? |

Complying with Legal Requirements

LEGAL REQUIREMENTS

It is worth considering the need to secure the necessary permits, license to operate, product registration and other legal documents as required by the different government agencies. This is in preparation for documents that may be required by supermarkets and retail shops.



1. **Business Permit** –granted by the office of the mayor/City Mayor.

- Requirements for securing new mayors permit are the following:
 - a. Community Tax Clearance
 - b. Barangay Clearance
 - c. Tax Clearance, TIN

Other requirements – lease contract, xerox copy of the mayors permit “real estate lessor” from the owner of the building or lot rented, xerox copy of the certificate of occupancy.

- Requirements for employees of Business Establishments
 - a. Barangay Clearance where business establishments is located
 - b. Community Tax
 - c. Police Clearance
 - d. Health Certificate from the City/Municipal Health Office

2. **Registered Business Name** – this will be issued by the **Department Trade and Industry**

3. License to Operate – this will be issued by the **Bureau of Food and Drugs (BFAD)** of the Department of Health. This is given to food processors / bakeries who comply with basic GMP standards and whose products have passed the necessary microbiological and chemical analysis.

4. **Bureau of Internal Revenue (BIR)** Registration/VAT Registration

Proper Packaging and Labeling

PACKAGING AND LABELING

A packaging system is designed to protect foods from contamination from external sources. In the case of fish, meat, fruits and vegetables specific packaging materials and/or methods from microbial and chemical contamination, dehydration, and physical damages in the distribution chain must protect them. Conversely, a packaging system is also designed to protect the environment from contamination through leaking, spillage of unsightly, smelly and tolerable gases and garbage.

The development of a food product should go hand in hand with the development of the package. That packaging is just as important as all of the aspects of a food product.

5 Purposes of Packaging

- a. CONTAIN – hold the product directly
- b. INFORM – identify brand and the companies, Conveys information, instructions
- c. PROTECT – seal out contaminants (germs, dirt, moisture) protect from damage, tampering, & theft
- d. TRANSPORT – easily and safely move the product
- e. DISPLAY – marketing tool, persuades consumers to buy the product. The silent salesman.

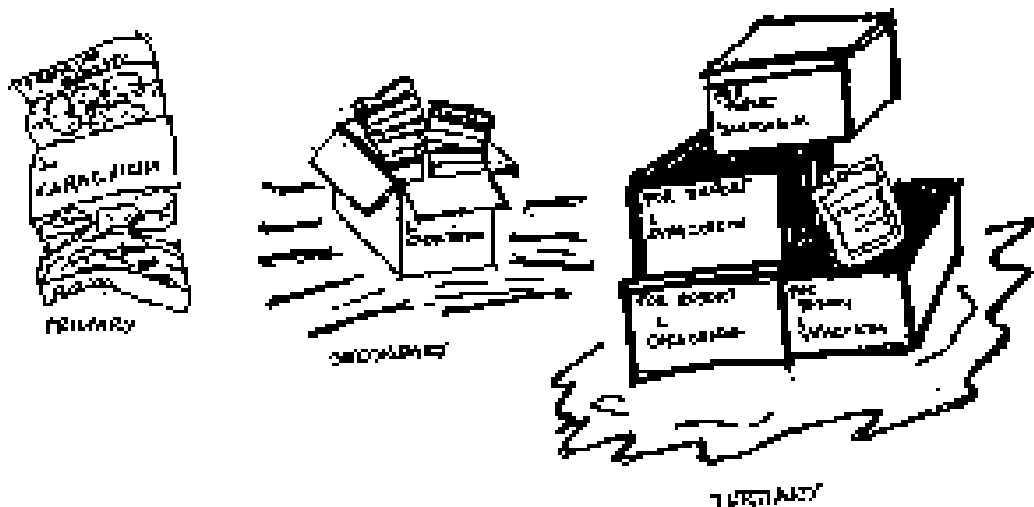


Figure 23. The 3 Levels of Packaging

Levels of Packaging

- a. Primary Packaging – directly holds the product
- b. Secondary Packaging – helps store, transport, protect, & display
- c. Tertiary Packaging – storage and transportation (ex. Corrugated cartons)

Types of Food Packages

- Flexibles and Plastic Films
- Paper and Paperboard
- Glass
- Metal Packaging
- Transport Packaging

Philippines Mandatory Label Requirement

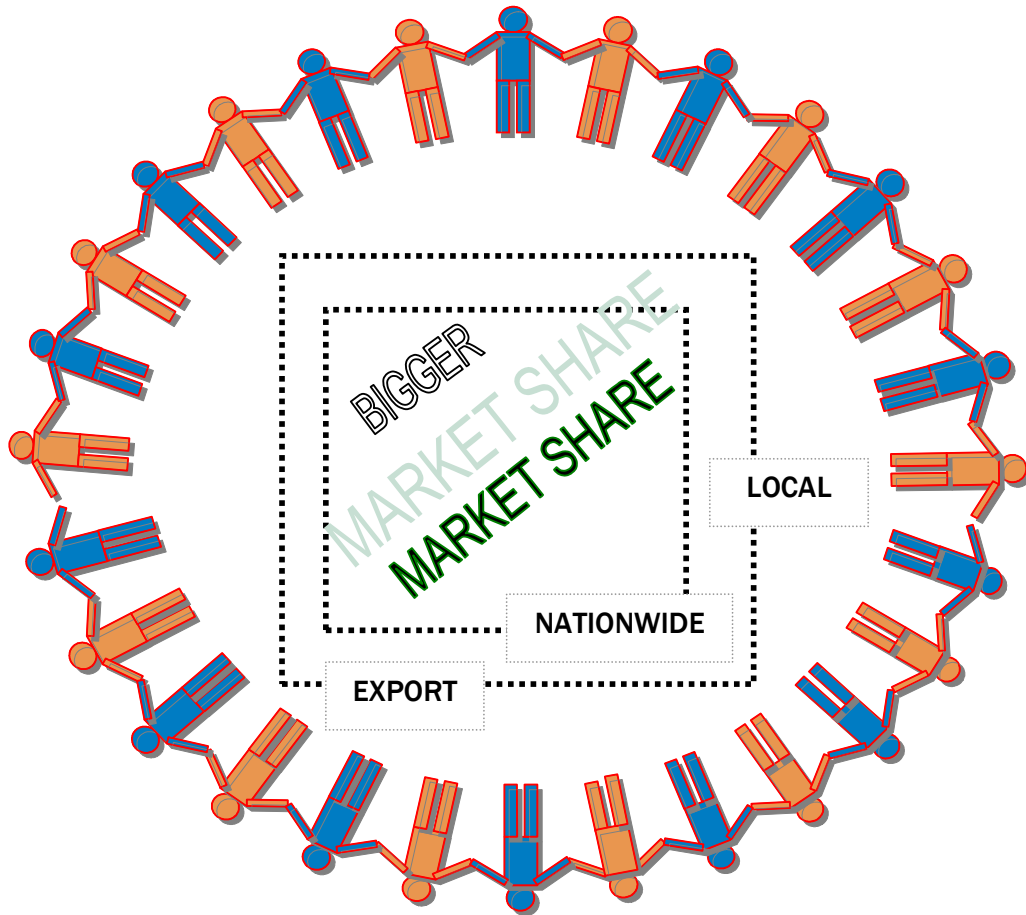
- Brand Name / Trade Name
- Product Identity Name
- Content Declaration
- Ingredient Declaration
- Name and Address of Manufacturer
- Country of Origin: Product of the Philippines
- Expiry Date
- Lot Identification Number
- Bar code (optional)
- Nutrition Facts (Optional)
- Expiry Date



Figure 24. Sample Packaging Complying with Labeling Requirements

Part 2

FACILITATING COLLECTIVE VENTURES



Catalysts for Collective Actions



The main trigger for collaboration and learning is the pursuit of bigger and more lucrative markets to improve income

REQUIREMENTS FOR VIABLE COLLECTIVE VENTURES

- Shared common objectives
- A business plan owned and upheld by all stakeholders
- Strong market orientation
- Operated as a business at the outset
- A set of systems owned and upheld by the group
- Standards/"rules of the game" based on market requirements
- Self-sustaining mechanisms to foster learning and innovation

Groups exist to satisfy the needs and interests of their members. Therefore, translating individual needs and concerns into group priorities is important in motivating people to work together. Group members should clearly see what the end goals will be and how these will meet their objectives. When working as community facilitators, we need to understand why people want to participate. This understanding contributes to the development of viable groups and facilitates conflict management.

Organizing rural household producers to process and/or market together is a very challenging task. The best trigger for closer collaboration and cooperation at the community level is the pursuit of markets outside the locality as well as pride/social recognition (quite important for indigenous communities). An important element for the sustaining success of collective groups is a strong traditional and local leadership supported by community members. Central feature is the strong sense of how the different parties will mutually exploit cost, quality, technical, or marketing advantages via their collaboration. Likewise, at the very start, it is important that the collective venture is run as a business guided by a business plan and operating under mainstream market conditions and not as a 'time-bounded livelihood project'.

Facilitating the Formation of Collective Ventures

The strength of a community group is a function of the individuals in the group, the interactions of the group members and the influence of the group on the community. Trainers need to understand all these factors to understand why a particular group succeeds or fails. The personality and approach of the community facilitator is a major factor as well. Group formation requires a concerted investment by multiple stakeholders in overcoming the obstacles to inter-firm cooperation. It generally involves the following phases:

PHASE 1: DEVELOPMENT AND PROMOTION OF A BUSINESS IDEA

Step 1. Promote concept of community-based social enterprise

- Conduct promotional and awareness campaign on benefits of working or doing business together including narration of success stories, etc.
- Look for influential persons/ entrepreneurs to lead campaign-the “core champions advocates.



Step 2. Assemble a group of interested enterprises

Based on a constraint:

- Identify the needs to be met such as: unavailability or instability of work/income, unavailability of certain products or services, poor quality of certain products, high or uncompetitive prices of products, market development, others.
- Define common interests and objectives
- Define general basis for cooperation and working together and identify external support requirements

Based on a business idea:

- List down business ideas and its general merits including commercial viability
- Identify resources accessible to enterprises
- Define common interests and objectives
- Define basis for cooperation and working together
- Identify assistance needed to launch the business: legal assistance, cooperative development, feasibility study, business plan, financial planning, others

Step 3. Snapshot Market and Resource Assessment

- List down potential business ideas and evaluate vis-à-vis group’s core competence and perceived competitive advantages
- Assess group’s receptiveness to the business idea and collective enterprise concept.
- Identify best legal framework/type of organization.
- Define the intended benefits for the members.

Step 4. Internal Viability and Benefits Assessment

- Evaluate potential to attract a significant number of enterprises in the sector

If this study is not conclusive, the group should reevaluate the business idea. If this study shows that the planned co-operative is feasible, the group can proceed to the second phase.

PHASE 2. PRE-FORMATION AND PREPARATORY ACTIVITIES

Step 1. Hold an organizing meeting

- Choose the name of the alliance and location of its office.
- Define the collective enterprise's mission, vision, and objectives.
- Elect a temporary board of directors or officer.
- Prepare legal requirements to set-up the collective enterprise.

Step 2. Conduct business planning workshop

- Further analysis of collective enterprise market/s.
- Further assessment of resources.
- Business plan preparation.

If this study concludes that although the planned enterprise looks feasible it would not be financially viable, the group should consider terminating the project. If the study shows that the new enterprise will be financially viable, the group can proceed to the third phase.

PHASE 3. ORGANIZATION AND START-UP OF COLLECTIVE ENTERPRISE

Step 1: Organize the enterprise

- Prepare by-laws and similar documents.
- Plan the operation of the enterprise.
- Plan and organize start-up financing.
- Training/coaching of staff/members of collective enterprise
- Ensure legality of operations

Step 2: Hold the initial general meeting

- Adopt the by-laws
- Adopt the business plan
- Elect members of the board of directors or officers.

PHASE IV: OPERATIONALIZATION OF COLLECTIVE VENTURE

- *Demand-led business and organizational development coaching and mentoring provided to the collective enterprise.*

Tools to Assess Viability of Business Ideas

BUSINESS IDEA VIS-À-VIS MARKET REQUIREMENTS AND STRATEGIC FIT

A. Cost-Benefit Relationship

Each opportunity needs to be assessed in terms of its relative costs versus relative benefit. Two important questions to be answered are:

- What is the cost of this new business idea?
- What is the benefit of this new business idea to the organization, community, individual members?

Below is an indicative checklist to help the group in the cost-benefit assessment:

| CHECKLIST | |
|---|--|
| COST | BENEFIT |
| People Materials Equipment Research Marketing Legal Promotion Time Pilot Contingency | Market Share Return/Profit Prestige/Image Service/Satisfaction Earnings/Dividends Morale/Motivation |

Results of your evaluation or assessment may be plotted in the cost-benefit assessment grid to help you visualize where each opportunity falls.

| | | | | |
|--------------|-----------------|-----------------|-----------------|------------|
| COSTS | High | | | |
| | Moderate | | | |
| | Low | | | |
| | | High | Moderate | Low |
| | | BENEFITS | | |

B. Strategic Fit

The profile of a collective enterprise is determined by the nature of its products, customers, and geographic markets.

Therefore, to guide the direction of the enterprise and influence its eventual look, it must determine which products, customers, market segments it will pursue and will not pursue.

Process Questions:

- How similar are the new products compared to the existing products?
- How similar are the markets for these new product opportunities compared to the markets you currently serve?
- How similar are the production capabilities and/or processes compared to the one you currently have?
- How similar are the sales/marketing methods for these new products compared to the one you currently use?
- How similar are the human resources and skills for these new products compared to the one you currently have?
- How will the size/growth and return/profit criteria compare to your current levels of achievement?

If the collective group is new or yet to be set-up, an assessment would have to be made from the perspective of the potential stakeholders/participating enterprises.

The more similarity there is in each of the above areas, the closer the strategic fit; the more dissimilar, the more remote the fit.

| Strategic Fit Rating | Description |
|----------------------|--|
| High | More similarities than dissimilarities between existing and proposed products/business ideas |
| Moderate | Balance of similarities and dissimilarities |
| Low | More dissimilarities than similarities between existing and proposed products/business ideas |

C. Difficulty of Implementation

Degree of difficulty encountered in introducing new products is directly proportional to the number of changes that the enterprise will need to make in its current operation. The more changes, the greater the degree of difficulty; the fewer changes, the less difficulty.

Another element that determines the degree of difficulty is the extent of control the implementers have over these changes. The more control, the less the difficulty; the less control, the greater the difficulty.

Process Questions:

- How much change will be required, in each of the following areas, to implement this new product?

| PRIMARY ACTIVITIES | CHANGES/DEGREE OF CHANGE |
|--------------------|--------------------------|
| Inbound | |
| Operations | |
| Outbound | |
| Marketing | |
| After Sales | |

- How much control do you have over each of the changes you will need to make in your current operations to implement this opportunity? Can you do the changes yourself or would you need outside interventions?

Based on your answers above, determine whether difficulty of implementation is high, moderate, or low.

D. Opportunity Assessment Grid

Superimposing the cost-benefit grid over the strategic fit and the difficulty of implementation will provide us an objective ranking of the potential of each opportunity under review.

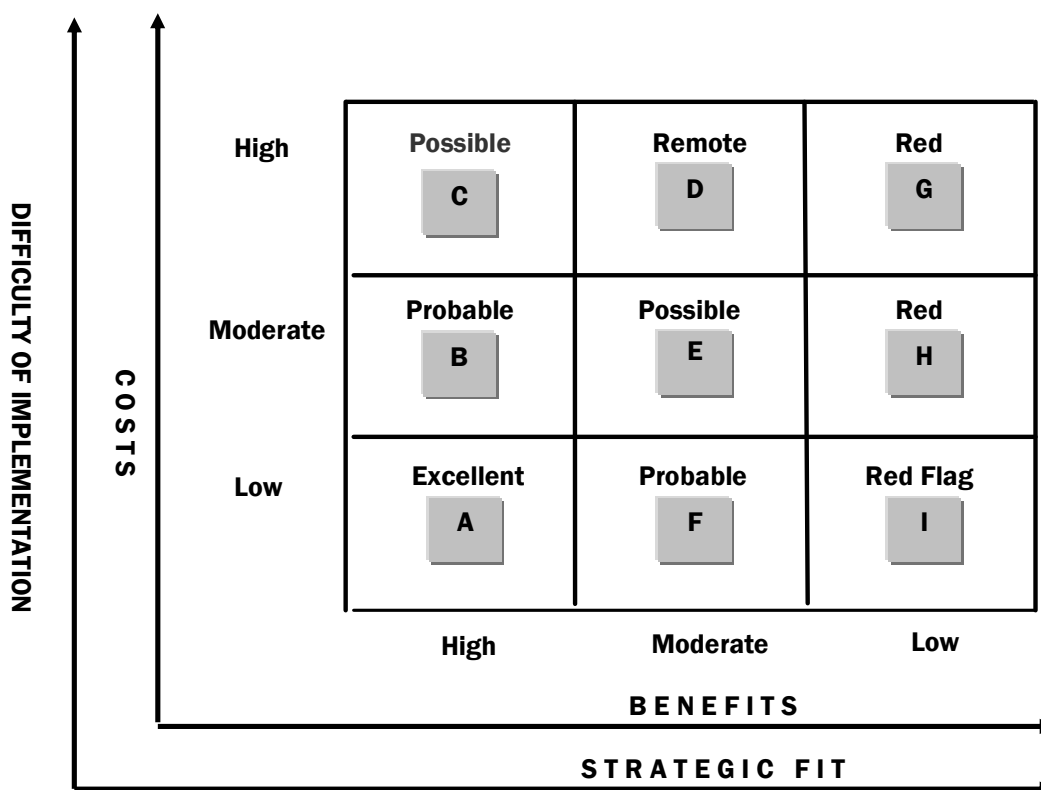


Figure 25. The Opportunity Assessment Grid

| | | | |
|----------|---|----------|---|
| A | The best opportunity Low in cost, high in benefit Good strategic fit Easy to implement | B | Probable Higher costs More difficulty in implementation |
| C | Very high costs High difficulty of implementation | D | Usually very long shots Too risky |

| | | | |
|----------------------------------|---|----------|---|
| E | Possible Moderate in all 4 areas | F | Probable Starting to stray from the strategy of business Bring less benefits |
| G H I | Risky Violate most of the 4 criteria | | |

Examples on How to Interpret and Use the Opportunity Assessment Grid

Example 1. Opportunity falls under quadrant D

What should the company do before the opportunity can be pursued?

- Find ways to make it fit the strategy of the business (a move to the left)
- Find ways to reduce the cost (one or two moves down)
- Find ways to decrease the difficulty of implementation (one or two moves down)

Example 2. Opportunity falls under in quadrant B or quadrant F

Probable opportunities. The opportunities would provide reasonable benefits at reasonable cost. They fit well enough into the organization's direction and can be implemented without too much difficulty. These are opportunities that will require fine-tuning but should almost always be pursued and taken to the next step.

Example 3. Opportunity falls either in quadrant C or E

Possible opportunities. Cost might have to be reduced and implementation made easier. Some improvements in strategic fit will be needed. Possible opportunities need more than fine-tuning; they require some careful work. May still be good candidates/ideas for developing further.

Example 4. Opportunities in quadrants G, H, I

These are not opportunities no matter how good they might have looked emerging from the search step. Threats are too high, benefits are too weak, and the fit is too forced.

E. Risk – Reward Relationship

The purpose of the risk-reward analysis is to measure the positive or negative impact each new product opportunity could have relative to the status quo. In other words, the organization must try to foresee what would be the best possible set of outcomes for the new opportunity as well as the worst possible set of outcomes for the same opportunity. Product opportunities found to be viable and with good potentials will be examined in more depth and detail than in the previous steps. New product innovations succeed or fail based on management's ability to anticipate the critical factors that will deliver one or the other result.

Best-case scenario: If we pursued this opportunity, what are all the best results this opportunity would bring?

Examples

- Market share gain from current 13% to estimated 16%
- Ability to cover the whole region with existing no. of marketing staff

- Appeal to a user group, not currently being reached, estimated at 1,500 potential customers

Worst-case scenario: If we pursued this opportunity, what are all the worst results this opportunity would bring?

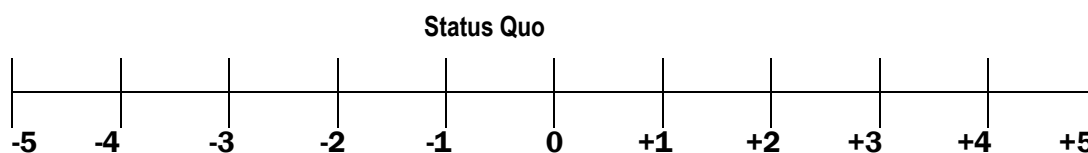
Examples

- No increase in current market share
- Product quality not at par with those already in the market
- Existing distribution channels not suitable for new product

Process Questions:

- Compared to where you are now (the status quo), where will the best-case scenario take you?
- Compared to where you are now (the status quo), where will the worst-case scenario take you?

Your answers can be plotted in a risk-reward scale. The calibrations on the scale are unimportant. You can choose larger numbers, or finer calibrations. What is important, however, is to maintain consistency in order to evaluate the gap that exists between the best case and the worst case, between risk and reward.



Sample definitions which you can use as guide:

- 5 Disastrous results: business, jobs, morale, and/or image will all suffer severely; could represent failure of a small business, “black eye” for a large business; severe risk.
- 4 Substantial risk: major disruptions to organization; money will be lost; recovery and return to normal operations will not be easy.
- 3 Significant risk: remedial actions will have to be taken to restore situation; progress toward business goals will be disrupted; effects will be remembered and will have consequences for the future.
- 2 Some risk, though it will seem to be controllable: within many organizations, this would come under “freedom to fail” latitude; only those most directly affected will understand the setback, which will be considered minor.
- 1 Very little risk: at worst, considered a minor snag; virtually no one will be aware of negative consequences; relatively little work will be necessary to restore status quo.
- 0 Status quo: performance, morale, image, return, flexibility, and relationships will remain precisely as they are today.
- + 1 Slight improvement: most people will not even realize what has taken place; those directly affected will see a minor advantage; results will be short-lived, and quickly forgotten.
- + 2 Clear improvement: those most clearly involved will be highly appreciative of the results; improvement will be tangible and repeatable.
- + 3 Significant improvement: entire organization will either use or be quickly aware of it: effects will be somewhat longer lived; considered a clear advance, which the organization will attempt to exploit.
- + 4 Dramatic improvement: clear competitive inroads and/or operating efficiencies will result; long-term benefits; significant event for organization; will gain outside notice
- + 5 Landmark improvement: turning point and/or watershed event in the development of a company or individual; improvement will launch company or department to leadership position; profound change on culture and/or operations of the organization.

Guidelines to help you determine where product opportunities fall and how to treat opportunities as evaluated on the risk-reward analysis scale:

- *Best-case and worst-case scenarios rate a positive and are at least +1 or above on the scale*
These opportunities should be taken to the pursuit step, without exception.
- *Best- and worst-case scenarios range anywhere from -1 to +1*
These opportunities are seldom worth pursuing because they have minimal impact while requiring attention and focus to see them through correctly. It may possible that if not followed-up correctly, the negative impact could be much worse than projected. Should you decide to pursue these opportunities, you should be acutely aware of the time and energy investment as compared to the relatively small impact that will result.
- *Best- and worst-case scenarios range from 0 to -5*
Obviously, these are not opportunities that should be pursued.
- *Best case is +1 or less, and worst case is 0 or worse*
In general, do not pursue the opportunity.
- *Opportunities whose positive number exceeds the negative number*
These are good opportunities to pursue. Examples of these are: +2 over a -1, a +3 over a -2, a +4 over a -3, a +5 over a -4. A +5 over a -2 is highly attractive. A +5 over a -4 creates an opportunity that carries the potential for severe risk. Critical factors come into prominent play when dealing with opportunities that bridge the status quo.
- *Opportunities that rate less than +2 or less than a -2*
If you seek to be very safe and conservative in seeking opportunity, never pursue one that rates less than a +2 or less than a -2. That is, the best case has to be at least +2, and the worst case can be no worse than -2.
- *Worst-case scenarios that rate a -4 or -5*
It is best not to pursue an opportunity that rates a -4 or -5 worst case --- irrespective of the best-case projection --- unless you are clear on and confident of the critical factors that need to be addressed to mitigate the worst-case scenario.

Sample Interpretations

- **Best case: +5** **Worst case: +1**

No risk. Even if the organization achieves only worst-case results, it will still be better off than it is today.
- **Best case: +1** **Worst case: -5**

High risk. There is much more to lose than there is to gain. Is it worth the effort?
- **Best case: -1** **Worst case: -5**

This is a case in which an opportunity may take the organization a step backward from status quo. Initially, the opportunity may look “good” but further analysis would show that several factors that go with the opportunity would set the organization back from where it is now.
- **Best case: +3** **Worst case: -2**

If one factor falls on the plus side and the other on the minus side, the organization must look at the spread between the two. A (+1, -4) is obviously not as good as (+4, -1).

Critical Factors. These are the factors that would cause the best-case or worst-case scenario to happen. The next step in the development phase is to start thinking about how the company can achieve the best-case scenario while avoiding the worst-case scenario in the product opportunities selected for development. In order to do this, the team has now to identify the critical factors that will lead to one or the other of the two scenarios.

Process Questions:

- **What critical factors will cause the worst-case scenario?**
- **What critical factors will cause the best-case scenario?**

Example 1. No increase in market share

Critical Factors: Impact on existing products
 Chances for a dominant market position
 Stability of target market
 Applicability to current clients

Example 2. Appeal to a user group, not currently being reached, estimated at 1,500 households

Critical Factors: Acquisition of accurate mailing lists which will help company determine where the users are and how best to reach them
 Promotional requirements to launch and sustain

Example 3. Product quality not at par with similar products in the market

Critical Factors: Adequacy of research resources
 Availability of requisite skills
 Capabilities/availability of production facilities

CRITICAL FACTORS CHECKLIST

MARKETABILITY FACTORS

- Market potential in the immediate future
- Market potential in the long-range future
- Compatibility with current and long-range marketing objectives
- Competitive environment
- Promotional requirements to launch
- Promotional requirements to sustain
- Adequacy of present distribution system
- User view of cost versus value
- Applicability to current customers
- Servicing requirements
- Impact on reputation

PRODUCTION FACTORS

- Capabilities of production facilities
- Utilization of familiar production processes
- Availability of human resources

FINANCIAL FACTORS

- Expected ROI
- Expected increase in profits or earnings per share
- Expected new capital outlays for equipment
- Expected cost to complete the project
- Expected cost to complete the development

TIMING FACTORS

- Research completion versus market need
- Market preparation and development
- Known and assumed competitive position

PROTECTION

- Possibility of a patent
- Unique character of the product or service

TECHNICAL FACTORS

- Availability of requisite technical skills
- Adequacy of research resources
- Quality/ quantity of support personnel
- Probability of technical success and validation
- Government and/or regulatory position

STABILITY FACTORS

- Durability of the market
- Chances for a dominant market position
- Probability and impact of down markets
- Stability of largest projected users
- Volatility of the approach

POSITION FACTORS

- Impact on other products and services
- Impact on overall credibility
- Ability to assume a rapid leadership position
- Ability to facilitate other opportunities

GROWTH FACTORS

- Diversification
- Possibility of substantial future growth in volume, units, and/or revenue
- Possibility of a family of products
- Possibility of changes or shifts in the industry of which this product or service can take advantage
- Short-term market potential
- Long-term market potential
- Impact on market share

The above checklist is intended to help you identify the critical factors that contribute to the result of the best or worst outcomes. The areas listed above are generally the key areas that bring about either scenario.

Elements Of An Organization

A systemic organizational development (OD) process should be one of the core business support services provided to farmers, fisherfolks, and micro enterprises. This will facilitate the development of the internal and external infrastructure and organizational elements needed to achieve the economic performance objectives that underlie the viability of collective enterprises. The organizational development intervention should also ensure that gender is mainstreamed in the organization.

Organizational development is a process that can be implemented through a series of workshops to introduce and institutionalize entrepreneurship within the collective units and strengthen them. The main rationale of stimulating an OD process is to motivate collective groups to move in the right direction. Likewise, when facilitating the OD process, a facilitator's role should not focus on telling collective groups how to do things right but to help them find the right things to do.

Critical to the success of facilitating a purposeful OD process is the "change readiness" of the organization. More than just getting their agreement to an OD process, it is important that management and staff realize and admit that there are problem areas in the organization which hinder the achievement of its performance objectives and that they are willing to share the responsibility in improving current situation. OD process can only truly be successful if the people in the organization accept in their hearts that change must occur.

Facilitating an OD process addresses the issue of moving an organization from Point A to Point B in the most effective manner. The problem, however, is that there are organizations who do not realize that they can still move forward to Point B even if, at the outset, they do not know the route to get there. To increase the chances of a positive outcome from an OD process, it is necessary that stakeholders have an understanding of what is required to make their businesses/organizations more effective. Without the knowledge and understanding, partners may not perceive a need for an organizational change or even the need to work together. They may feel that their organization is currently operating effectively. In these cases, change often is neither voluntary nor requested. Oftentimes, partners are caught between the degree of participation they wanted and the knowledge they needed to effectively participate. There is a strong need for groups to be exposed to "models and principles of effective organizations and how to achieve optimal organizational performance". Generally, people do not see the urgent need to improve or effect changes until they understand and realize what they are "missing". Likewise, responses and results of the situation analysis particularly the "future outlook" of the organization will depend to a significant extent to their perceptions of what is a "good organization."

The table below details some elements that the organizational development process can focus on:

| Element | Description | Key Questions |
|----------|--|--|
| Identity | Vision, mission and goal, guidelines, philosophy, values, internal image of the collective group that would provide and sustain continuity of action in the pursuit of group's envisioned future development scenario. Definition of the main purpose/ activities of the collective venture | How do you describe the peculiarity and the characteristics of your organization? Which values and standards are important in your organization? What is very important for you in dealing with your clients? For what services or products are you well known? What kind of reputation does your |

| Element | Description | Key Questions |
|---------------------|---|---|
| | <p>Client definition and corporate image of the collective group to suppliers, banks, competitors</p> <p>Position in the market and society</p> | <p>product or service have? How well known is your brand or enterprise? When people hear the name of your brand (or enterprise), do they recognize it? Do they identify the name with your product or service?</p> <p>What is your image among your clients, competitors and partners? What image does your enterprise have with customers? Is your collective enterprise seen as making a contribution to the community? How is your collective enterprise viewed with regard to its attention to the environment, fair trade, and social responsible practices?</p> <p>What benefit do you bring to clients?</p> <p>What should be your organization's identity in 3 years?</p> |
| Policy and Programs | <p>Long-term guidelines re: programs, business ventures, services/products, market, financial, price and personnel policies derived cohesively and logically from the vision and mission of the cooperative and which are communicated, shared, and upheld by all the stakeholders.</p> <p>Policies on how to treat the clients, public relation concepts, marketing strategies</p> | <p>Do you have policies and programs in place? Are these communicated to all stakeholders?</p> <p>Which new demands and changes will you expect in the next few months?</p> <p>What are your strategies? How are new strategies / goals achieved? Who takes part in the planning and formulation?</p> <p>Who is monitoring and controlling new strategies and plans and how?</p> <p>What is your personal dream and vision for your organization after 10 years?</p> |
| Structure | <p>Leadership, hierarchies, formal layout, committees</p> <p>Relationships with external groups, associations, other farmer's groups, strategic alliance</p> | <p>Which structures in your organization contribute and which are more a hindrance in achieving its objectives?</p> <p>Which are the controlling structures and how well do they function?</p> <p>Can you recommend any major changes on the organization's structure?</p> <p>Which structures have a stabilizing character and which initiate changes? To what extent does the enterprise run autonomously?</p> <p>Is the collective enterprise structured as a program or a business?</p> <p>Is the income generated by the enterprise's activities being directly applied to its</p> |

| Element | Description | Key Questions |
|-------------------------------|--|--|
| | | <p>expenses?</p> <p>Are ownership and legal issues well defined?</p> <p>Is there a plan for enterprise formalization? Or is there a clear exit strategy for intervening organizations (PVO, NGO, etc.)?</p> <p>Does your group have strong partnerships with the local implementing NGO, suppliers, buyers, and other producers? Do synergies exist between partners and your enterprise? Do you have formal partnership agreements that spell out the terms and expectations of the alliance?</p> |
| People/ Human Resources | Staff's skills, knowledge, and capabilities; attitudes and values, styles of leadership, informal grouping, roles, distribution of power and conflicts, atmosphere | <p>How would you characterize management style and what are its effects on the organization and its operations?</p> <p>Do you have competent staff and management with the necessary skills, background, and experience to efficiently operate and manage your collective enterprise? Are any functional skill areas, for example, financial or production management, lacking in your enterprise?</p> <p>How would you rate / assess the internal co-operation and the atmosphere in the organization?</p> <p>Which qualification of your staff is most important (quality, promptness, costs)?</p> <p>For what does your staff get appreciation and when do you take corrective actions?</p> <p>What is your HRD policy and how is the implementation?</p> <p>What status and reputation does controlling / monitoring / leadership have in the organization?</p> <p>What are your expectations of a good executive?</p> |
| Functions | Job description, competencies and responsibilities, specializations, coordination of functions | <p>Are functions and assignments clearly defined?</p> <p>Which functions do you think are regarded to be as very important? Which ones are trivial and insignificant?</p> <p>Do you know how the performance of the</p> |

| Element | Description | Key Questions |
|--------------------------|---|--|
| Processes and Procedures | <p>Processes of information and support, decision-making, internal logistics, operations, planning and monitoring</p> <p>Resource and info acquisition</p> <p>Financial Management</p> <p>Production System</p> <p>Marketing System</p> | <p>different functions is monitored and controlled?</p> <p>Are procedures and systems in place? Are these clearly communicated to all concerned? How do you evaluate procedures in your organization? How can these procedures be made more efficient and effective?</p> <p>Are processes and procedures rather formalized and executed by rules or is there space for spontaneous actions?</p> <p>How are decisions made?</p> <p>Which processes support routine, simplification? Which ones support flexibility?</p> |
| Means | <p>Instruments, equipment, facilities, building and offices, financial means</p> <p>Relationship between internal and external (financial) means, physical environment</p> | <p>Are the needs of your enterprise being met with your existing equipment and facilities?</p> <p>Does your enterprise have adequate resources to dependably meet your clients' and customers' needs and expectations?</p> <p>Does your enterprise have ample working capital to weather the ebbs and flows of your business cycle? Is financing sufficient to cover capital investment purchases and asset maintenance and to pay operating costs and overhead, such as salaries, rent, utilities, and raw material supplies? If your enterprise does not at present have adequate resources, can it readily mobilize them?</p> |

Part 3

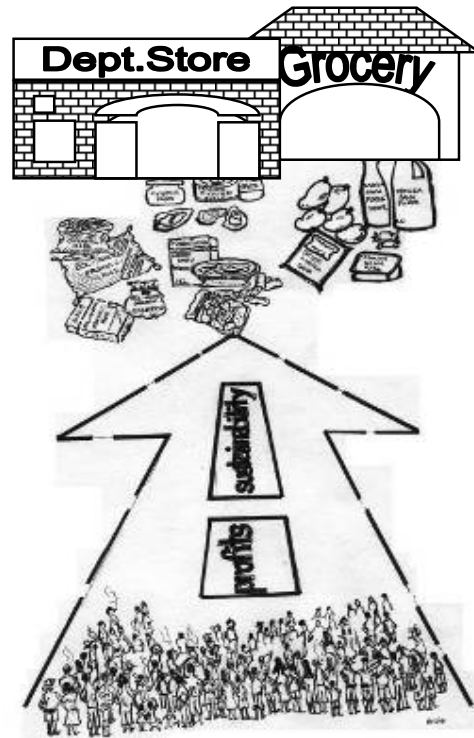
STRATEGIC BUSINESS PLANNING



Business Plan Development

Business Planning is a continuous problem-solving process that can identify business challenges and opportunities and their implications to marketing, operations, human resources and finances. This is also used as a management tool for structured planning. It shows business objectives and references for analysis and corrections. It will also tell how much is the needed resources to satisfy the market, consumers, and their requirements. It is a “living” document that needs to be regularly updated.

A business plan helps an enterprise “sees” his/her business. Instead of just talking in abstract ways about “customer base” and “profit potentials,” it lets a farmer puts those things in writing and in concrete terms. It forces one to think through every aspect of his/her business in advance so down the road one does not make mistakes that will cost him/her business, life’s savings, and job.



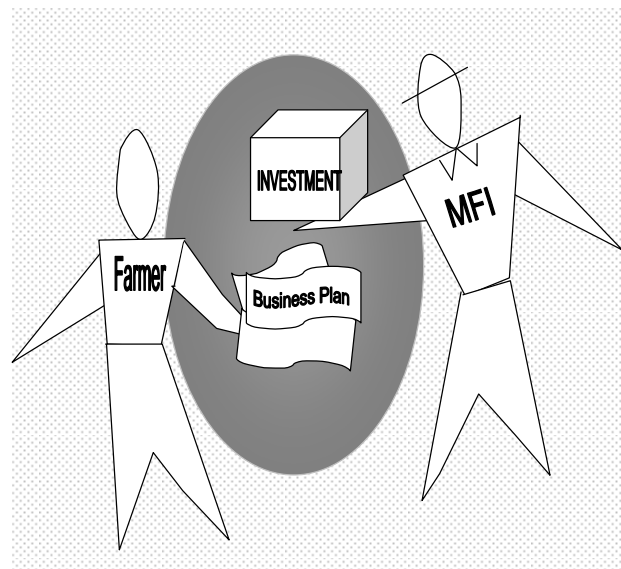
Objectives:

Part 3 of the Resource Book will guide the Agricultural Technicians in assisting farmers and collective groups in the development of their business plan. In this chapter, the reader will:

- Acquire in-depth appreciation of the relevance of the business plan.
- Understand the different elements of a business plan.
- Acquire the skills to guide the farmers in the development of each of the elements of a market-driven business plan.

WHAT IS BUSINESS PLANNING?

The business plan is a written documentation of what one hopes to accomplish and how he/she intends to organize resources to achieve the expected accomplishments or results. It is the process of formulating a plan whether for a specific business or for a certain project in order to attract potential investors or financing from funding institutions. It generally determines what you want to do in the future.



Purposes of writing the business plan:

- a. It is the preferred mode of communication between those businesses that need capital and those that have capital.
- b. It can be a useful Management Tool.
 - The procedure forces logic and discipline into the business.
 - The plan establishes concrete objectives and goals, with general parameters to guide the organization.
 - It provides a basis for communicating the company's message to owners, employees and to investors, advisors, or customers.

PREPARATION OF THE BUSINESS PLAN

What are the uses and benefits of a business plan?

- Business sustainability based on the market, clients or final users as the global strategy of the business.
- Feasible financial statements and forecasts will provide a strong position to negotiate with banks, investors, and donors.
- Support and guide effective management.
- Help understand business objectives and needs.
- Contribute enough information for measurement and business control.

What do the shareholders/investors or donors want to see?

- Total capital requirement for a specific business
- How the money will be invested and when it is needed
- When would be the return of investment (payback period)
- What would be the rate of return (ROI).
- Can the business survive when uncertainty or problems comes?
- Does the company own something for collateral?
- How many jobs can the business accommodate?
- Would it be profitable and sustainable business?

Key initial questions to be answered by farmers and collective groups:

- **Why are you writing the business plan?**
- **Who will be the primary reader of the plan?**
- **What are the readers' expectations?**
- **Who will have to agree to the objectives and goals of the plan?**
- **What do the key people in the business want to be when they expand?**
- **What past experience does the management team possess that indicate the future plans will succeed?**
- **How will you show that your business is unique from any other?**
- **Why are your ideas or products unique? How will you protect your ideas?**
- **What are the strengths of the management team individually and as a group? What are the weaknesses?**

Answers to these questions will help target groups prepare an outline of the business plan.

ELEMENTS OF A BUSINESS PLAN

Executive Summary. A one to two page introduction of your business plan. It describes the opportunity and proves that any investment in the venture will provide a good return.

Context. Background information and description of the context of the business and the environment in which it operates. If the company is very new, descriptions can include information about the industry, the key personnel, or the unique strength of the newly formed ventured.

Company's Profile/History. Short information on the business and who is involved in it.

Strategic Framework. Indicates the company's vision, mission, goal and objectives that are realistic, measurable, achievable and responsive to the customers needs.

Values and Principles. Company's beliefs and standards like producing competitive products and ensure its quality regardless of the volume produced.

Organizational Structure. Organigram and description of the organizational structure. It indicates the flow of decision-making and responsibilities.

Products/Services. Description of products/services including benefits, uses, and competitive advantages.

Marketing Plan. Description of the markets/market segments and strategies on pricing, promotion, and distribution.

Operations. The real implementation of the business which describes the process flow in producing the desired products. It includes the adoption of Good Manufacturing Practices, GAP, SSOP, etc.

Organization/Management/HRD. Key personnel, functions, and responsibilities including human resource development plan needed to run the business efficiently and effectively.

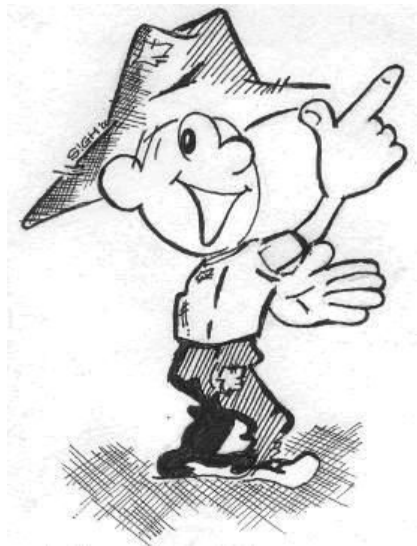
Financial Plan. Highlights of the financial data and projection of the company starting with the simple monthly cash flow of cash collected and spent. It also includes a forecast of how much resources the business requires and profit one would make from a particular business.

Implementation Plan. Schedule of activities and resource requirements to carry out implementation of strategies to achieve goals and objectives.

Guide questions on how to prepare the Executive Summary:

- **What kind of business are you about to engage in? Does it answer to customers' needs?**
- **How will your business contribute to the clients' satisfaction?**
- **What are the unique features of your products? What is your volume of production?**
- **How and where would you market your products?**
- **Who is your target market?**
- **Why you think you can beat your competitors?**
- **What makes your products better than others?**
- **What are your marketing strategies?**
- **What critical legal issues are related to your particular business?**
- **Describe your organizational structure, the management and their roles and skills.**
- **What is your target profit based on your forecast?**
- **How much is needed as a start-up capital?**

Annexes. Computations, schedules and all the forms/formats that will further explain and support the information you read in the previous pages. This might also include the contracts and agreements, media articles, pictures, etc.



Guide questions to consider in completing the Company Profile:

- **What form of business you are in? What type of business: processing, trading, farming, distribution, service, business, NGO, LGU?**
- **What kind of products/services do you provide/will provide?**
- **Who are the principal owners in your business?**
- **What is the name of your business? Where is it located? How you can be reached?**
- **When will you start your business?**
- **What kind of products/services do you provide/will you provide?**
- **What is the Structure and ownership: Family business, cooperative, corporation, collective, enterprise etc.**

BUSINESS PLAN OUTLINE

- **Executive summary**
- **Context**
- **Company's Profile/History**
- **Values & Principles**
- **Strategic Framework**
- **Organization structure**
- **Products/Services**
- **Marketing Plan**
- **Operations**
- **Organization/Management/HRD**
- **Financial Plan**
- **Implementation Plan**
- **Annexes**



Notes on Examples

Example 1. Rice Commodity (Bol-anong Bugas)

This is an example of a business plan that was developed to map out the transition from traditional farming to Natural Farming and Technology Systems

Example 2. Mango Processing

The business plan was developed to assess and prove the viability to add value to existing operations of a community through improved systems and product processing.

Strategic Framework

The definition of the **Strategic Framework** is the primary and essential step in the preparation of a good business plan. Strategic thinking is necessary for an enterprise to survive in a competitive marketplace. Business plans pit products or services against those of competitors, examine market position, and keep the enterprise attuned with the twists and turns in a dynamic operating environment to make strategic decisions based on these fluid variables. The exercise of detailing the strategic framework of the business can help focus energies in the right places from the start.

In this section, the reader will:

- Acquire the skills to facilitate the collective formulation of a shared vision, mission, goals and objectives, for the company or organization;
- Gain skills in the conduct of SWOT Analysis
- Understand the significance of the vision, goals, objectives and strategies, in addressing present condition of the organization and steering its directions.

In STRATEGIC PLANNING, the following are considered, conducted, and formulated:

- **Environmental Scanning/SWOT Analysis**
- **Vision Statement**
- **Mission Statement**
- **Goal Setting**
- **Objective setting**
- **Strategy Formulation**

Characteristics and requirements of a Strategic Planning Process:

- Takes time and commitment
- Continuous/iterative
- Flexibility
- Explicit needs
- Has its own hierarchical operability
- A set of positive attitudes toward environment
- A genuine desire for a better future
- Regular monitoring and evaluation
- Dissemination of information is a right and responsibility for everybody



Ground Rules for Strategic Planning Sessions

- 1. Each member of the group agrees to respect the other members and can expect the same respect in turn.**
- 2. Listen carefully to each other, ask questions for clarification, and make statements that attempt to educate or explain.**
- 3. Participants should commit to stating needs, problems, and opportunities-- not positions--in the discussions.**
- 4. Decisions will be reached by group consensus. If this is not possible, agreement must be made that a majority vote will be the alternative decision maker.**
- 5. Participants agree to disagree to support open discussions of issues**

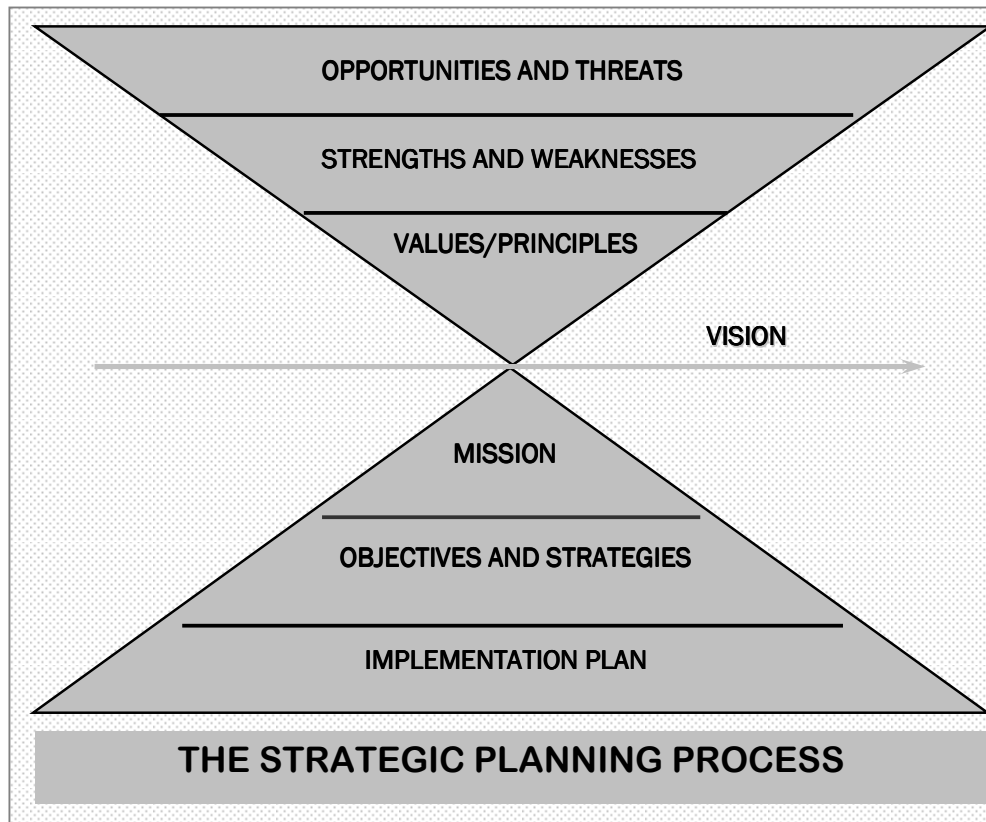


Figure 26. The Strategic Planning Process

STEP 1. ENVIRONMENT SCANNING

A prerequisite to Strategic Framework Formulation is a review or scan of the internal and external environmental factors that may impact an organization over the next several years. Environment scanning involves primarily the identification of factors that may contribute to the success or failure of the business venture.

- Determination of the business environment within which the enterprise operates, which consists of: a) external factors or those outside of its control; and b) internal or those concerns that it can control.
- The external environment of an organization includes all outside factors that can affect the performance and survival of the business
- A process of examining and forecasting actions, industry forces and company-specific threats and opportunities.
- It involves the acquisition and use of information about events, trends, and relationships in an organization's external environment. Knowledge of current and emerging trends would assist management in planning the organization's future course of action.

FOCUS QUESTIONS

- **What are the trends, events and relationship in your organization’s external environment that would have an influence in your organizational future course of action?**
- **In which market segments did the enterprise experience unexpected successes recently?**
- **What successes have enterprise competitors had recently?**
- **What unexpected customer/user groups have brought from the enterprise recently?**
- **What major structural changes are occurring among enterprise customers, the industry, and the regulatory environment?**
- **What potentially high-growth businesses related to the enterprise are dominated only by one or two companies?**
- **How will the income distributions of your clients and users change in the years ahead?**
- **How might the buying habits of your clients and users change in the years ahead?**
- **What are the client demographics that might change over the years ahead?**
- **What societal, peer, and normative pressures will affect your products and services in the future?**
- **What new knowledge has recently become known about your business?**
- **What new technologies or discoveries have been announced relating to your business?**

For the internal environment scanning of the company, it is proposed that one uses the enterprise assessment form in page 28 of this Resource Book. The Diagnostic Framework described in page 20 is also a useful tool in the systematic conduct of the environmental scanning together with the enterprise assessment.



EXAMPLE OF EXTERNAL ENVIRONMENTAL SCANNING

| RICE | MANGO |
|---|--|
| <ul style="list-style-type: none"> - Production Trend: Ave. yield = 3.18 mt/ha - Total Area of prod’n In Bohol = 46,587 ha - Bohol Pop’n = 1.2 million (majority are rice eaters) - Boholano Rice consumption/year = 82.65Kg - Climatology = Bohol falls under the 4th type of Corona’s climatic classification --- meaning dry and wet season is evenly distributed the whole year which implies that rice farmers can grow 2 rice croppings/ year - Emerging preference for organically grown rice and consumers willingness to pay premium price for this product - Natural farm technology and experts in Bohol LGU agri-division | <ul style="list-style-type: none"> - Total Area planted with mango = 2,735ha - Peak of Prod’n = April-May - Ave Prod’n during peak season = - Mangoes left to rot during peak season; prices offered not enough to cover production costs - Increasing popularity of natural and nutritious snack foods especially among tourists |

STEP 2. SWOT ANALYSIS

The basic idea of Strategic Planning is to gather and analyze information on opportunities and threats affecting the organization vis-à-vis its strengths and weaknesses, thus the conduct of SWOT analysis is necessary. This step entails the analysis of the factors affecting the success or failure of a business.

- What external factors (constraints) must be avoided or need to be solved?
- What external factors (opportunities) facilitate the success of the micro-enterprise?
- What internal factors (weaknesses) should be improved?
- What internal factors (strengths) must be capitalized on?

The **SWOT Analysis** provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection.

STRENGTHS: an organization's strengths are its resources and capabilities that can be used as a base for developing a competitive advantage

Example: *Good reputation among customers*
Highly skilled workers

WEAKNESSES: internal factors in the organization that lead to poor performance – the weak links/bottlenecks within the organization. The absence of certain strengths may be viewed as a weakness. In some cases, a weakness may be the flip side of a strength.

Example: *Small land holding for rice production*
Weak managerial skills

OPPORTUNITIES: external factors, current and future trends/events that an enterprise can use to its advantage. The external environmental analysis may reveal certain new opportunities for profit and growth

Example: *Abundant local organic resources*
Access to financing institutions

THREATS: external current or future conditions that might harm an enterprise. These can be anticipated changes in the external environment which can negatively affect the operations of the enterprise.

Example: *Shift of a multinational firm to organic and natural farming*
Poor farm to market roads

STEP 3. IDENTIFICATION OF CORE VALUES AND PRINCIPLES

Values

- Standards, belief, qualities that you consider worth pursuing or upholding
- Reflect your views in life or a judgment of what you consider important.

Principles

- Guidelines by which you put your values into practice



Importance of Values and Principles

- Directly shape your strategies and management decisions.
- Value identification becomes critically important if you are planning collectively
- It is important at the start of the planning to identify those values that you, as a team, hold in common and to become aware of the different values held by each planning team member
- By gaining and understanding of what motivates each member of your planning team, you will be able to develop goals that everyone can commit to and support



Examples of Core Values and Principles:

- **About People:** *“A group of dynamic and highly competitive farmer entrepreneur towards the next millennium” (Bol-anong Bugas)*
- **About Customers:** *“ Sell good merchandise at a reasonable price; treat your customers like you would your friends, and the business will take care of itself” (L.L. Bean)*
- **About Products:** *“We should always be the pioneers with our products- out front leading the market. We believe in leading the public with new products rather than asking them what kind of products they want.” (Sony)*
- **About Management and Business:** *“ Everything will turn out alright if we just keep in motion, forever moving forward” (Motorola)*

STEP 4. VISION FORMULATION

A Vision is:

- An articulation of images, values and directions which serves as guide of how the group want to develop as a company
- A realistic, credible, attractive future for an organization.
- Describe a set of ideals and priorities, a picture of the future, a sense of what makes the company special and unique, a core of principles that the company stands for, and a broad set of compelling criteria that will help define organizational success.

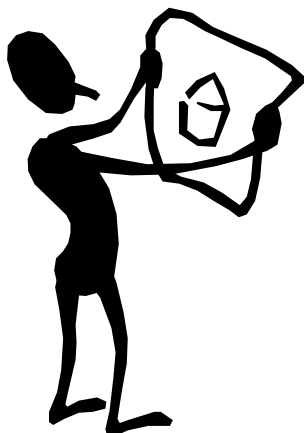


Properties of a good vision:

- A good vision is a mental model of a future state.
- A good vision is practical.
- A good vision is appropriate for the organization and for the time.
- A good vision sets standards of excellence and reflects high ideals.
- A good vision clarifies, guides purpose and direction.
- A good vision inspires enthusiasm and encourages commitment.
- A good vision is well articulated and easily understood.
- A good vision reflects the uniqueness of the organization, its distinctive competence, what it stands for, and what it is able to achieve.

Things that a right vision can do for the organization:

- **It attracts commitment and energizes people;**
- **It creates meaning in worker's lives;**
- **It establishes a standard excellence;**
- **It bridges the present and the future.**



Advice in formulating a vision:

- Learn everything you can about the organization
- Bring the organization's major constituencies into the visioning process. Don't try to do it alone. Involve at least the key people in the organization.
- Keep an open mind as you explore the options for a new vision
- Encourage inputs from your colleagues and subordinates
- Think visually, what do you see?
- Describe the future outcome concretely and tangibly

- Involve wishes, hopes and dreams of the company
- Use positive statements of hope-filled future.
- Ensure positive impact and outreach.

Participatory Development of a Vision

Workshop steps for vision formulation:

1. Individual Brainstorm
 - a. Ask everyone to do individual brainstorming for five minutes
 - b. Let individual participants answer the focus questions and write them on a sheet of paper.
2. Group Brainstorm
 - a. Break up participants into smaller group
 - b. Discuss ideas of all members by sharing what they have written on their individual sheets of paper
 - c. Find and agree on common ideas
3. The group formulates a vision statement capturing the key ideas of the members to the focus questions.

FOCUS QUESTIONS

Imagine that you are being interviewed by a business journalist.

- 1. How do you wish to see your organization in the future?**
- 2. Think about what your organization's future environment might look like?**
- 3. Consider the production and market of your product in the future**



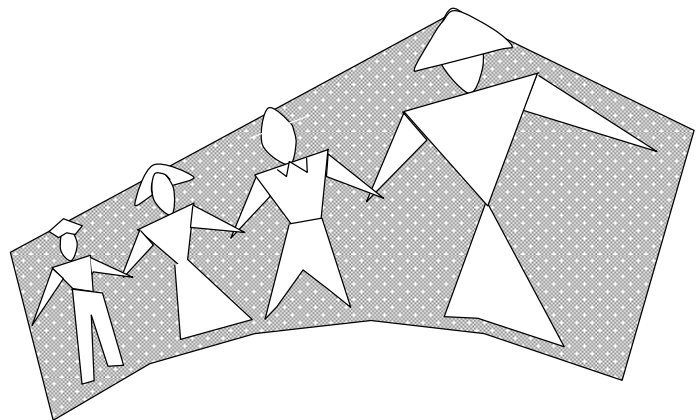
EXAMPLES OF VISION STATEMENTS

BOL-ANONG BUGAS:

A group of dynamic and highly competitive farmer entrepreneur towards the next millennium

MANGO PROCESSING COMMUNITY:

Globally competent and committed Bohol mango growers and processors with a sustainable and ecologically sound enterprise.



STEP 5. MISSION FORMULATION

A **Mission** is:

- Brief description of the basic reason/s for existing as an organization.
- Summary of the philosophy, values, and principles that guide the institutional management



Helpful Tips in Mission Formulation

The Mission statement should:

- Express your organization's purpose in a way that it inspires support and on-going commitment
- Motivate those who are connected to your organization
- Be articulated in a way that is convincing and easy to grasp
- Use proactive verbs to describe what your organization does
- Be short enough so that anyone connected to your organization can readily repeat it
- Has to be client-oriented and geared towards the public (target groups) whom it is supposed to support and grow (pro-poor growth approach)
- Has to be known and promoted internally and externally to all the players and stakeholders
- Can be changed and or further developed anytime there are changes in the environment conditions



EXAMPLES OF MISSION STATEMENTS

BOL-ANONG BUGAS:

Empowered farming communities of BOGAs promoting and producing a sustainable, chemical –free, and environment friendly rice in Central Visayas, in support of the poverty reduction and agri-tourism thrusts of the province of Bohol.

MANGO PROCESSING COMMUNITY:

A highly competent Bohol Federation of Mango Growers Incorporated, God- fearing, law-abiding, and committed farmers of a sustainable and ecologically sound enterprise, by growing, rehabilitating, producing, and processing best quality mango products that caters to the local and foreign markets.

STEP 6. GOALS AND OBJECTIVES FORMULATION



Figure 27. Relationship Between Goals and

A **Goal** is:

- Desired Impact and outreach of the business activities
- Clarifies what the organization or its product is working for.

Characteristics:

- Future oriented
- Broad
- Measurable
- Action oriented
- The outcome must be specified — challenging but attainable

Steps for Effective Goal Setting:

1. Brainstorm

- **Allow ideas to flow**
- **Encourage members to talk about how they would like the group to proceed**
- **Let every member take part in setting goals for group morale and commitment**
- **Members support when they help to create.**

2. Prioritize

- **Put goals in order of importance**
- **It is important to include all members of the group in prioritizing the ideas that were generated so that people feel some ownership over the final group goals**

An **Objective** is:

- A Short-term targeted result related to a particular goal. Several objectives may be needed to meet each goal.
- A direction for actions to be taken and a specific quality of work to be accomplished within a given period of time.
- A description of the levels of technological innovation, productivity and financial performance the company will seek. The acceptable level of corporate performance may be stated as profitability (ROI), market penetration (market share) standards, employee performance standards or social performance standard
- An expected result that an enterprise wants to achieve within a specific period of time.



The 5 Rules of Setting Objectives : Be S M A R T

1. Be **SPECIFIC**
2. Be **MEASURABLE**
3. Be **ATTAINABLE**
4. Be **RELEVANT**
5. Be **TIMELY**



Figure 28. Relationship Between Individual, Common, and Organizational Goals & Objectives



EXAMPLES: GOALS AND OBJECTIVES

BOL-ANONG BUGAS:

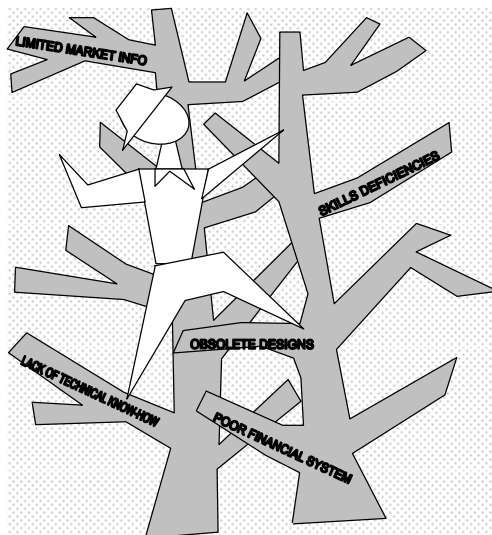
Goals:

- *To increase income of the members*
- *To increase market penetration of organically grown products and its by- products*

Objectives:

- *Cater to 5% of the local organic rice demand and 5% of the regional market by 2009.*
- *To increase by 5% the utilization of locally available inputs per year.*
- *To increase the area of production and yield per hectare by 5% per year, thus increasing the income of the members.*

STEP 7. STRATEGY FORMULATION



Strategy Formulation is:

- The process of determining appropriate courses of action for achieving organizational objectives and directly accomplishing organizational purpose.
- A means of:
 - Exploiting the positive current situation
 - Preservation and management of the existing resources
 - Thinking around efficiency and effectiveness

The strategies that the enterprise formulates should reflect the results of the **ENVIRONMENTAL ANALYSIS**, should lead to the fulfillment of your **ORGANIZATIONAL MISSION**, and result in achieving the **ORGANIZATIONAL OBJECTIVES**. With the SWOT Analysis as basis, it outlines how the enterprise can take advantage of the opportunities to overcome or reduce the risks in implementation.

To develop strategies that take into account the SWOT Profile, a matrix of these factors can be constructed.

| | | |
|----------------------|------------------|-------------------|
| | Strengths | Weaknesses |
| Opportunities | S-O strategy | W-O strategies |
| Threats | S-T strategies | W-T strategies |

Figure 29. SWOT Matrix for Formulation of Strategies

- **S-O strategies** pursue opportunities that are a good fit to the company’s strength
- **W-O strategies** overcome weaknesses to pursue opportunities
- **S-T strategies** identify ways that the firm can use its strengths to reduce its vulnerability to external threats
- **W-T strategies** establish a defensive plan to prevent the firm’s weaknesses from making it highly susceptible to external threats



EXAMPLES OF STRATEGIES

BOL-ANONG BUGAS

Resource-Based Strategy: *In the production of Bol-anong Bugas, the materials for the concoctions of foliar fertilizer come from locally available resources, like “kuhol”, fruits, etc.*

MANGO PROCESSING COMMUNITY

Private-Government Partnership: *a processing plant will be jointly set-up by the LGU to cater the surplus production of mango from the private growers and the growing demand for healthy snacks*

Products

The **PRODUCT** is the ESSENCE of a business. To the extent possible, a product or service must have universality, meaning it must have mass appeal. It is advisable to have a product/ service that can also be sold or used in other countries. To reduce risks and vulnerabilities, it must have a huge potential market.. Likewise, a product or service with Inelastic Demand (i.e., demand for the product/service is not very sensitive to changes in its price) is easier to sustain.



A Product or a Service should fit and cater to a Continuing Human or Animal Need.

A Product or a Service should be unique. It should be something that is difficult for a competitor to copy, duplicate, or reproduce.

The Product Section of the BP should contain the following information:

- a. Existing and planned products
- b. Features and Benefits of the product/s
- c. Comparative and competitive advantage of the product
- d. Competitors Threat
- e. Product Development strategy
 - How are your products/ services compared to your competitors?
 - Are they unique?
 - Why should buyers buy from you?
 - What is your products' competitive advantage/differentiation?
 - Are you planning to develop/introduce new products/services?
 - How do you want to develop your products/ services?

PRODUCT PROFILE WORKSHEET

Attributes/Features: Features are characteristics of a product or service that deliver a benefit. Features are usually easily describable attributes such as size, model, design, color, functionality, brand, packaging, quality, shelf life, etc.

Benefits: Advantages a product can offer to the customer. Benefits are more difficult to detect because they are often intangible. The most compelling benefits of a product or service are those that render emotional or financial rewards. Emotional awards make customers feel better about themselves, such as feeling socially or environmentally conscious, more attractive, or more self-confident. Financial rewards, like saving money or increasing income, are other benefits a social enterprise might offer customers.

| PRODUCT PROFILE WORKSHEET | | | | | | |
|---------------------------|------------------|-----------------|---------------------|---------------|-----------------------|---------------------|
| Product Group | Existing Product | Planned Product | Attributes/Features | Benefits/Uses | Competitive Advantage | Competitors/Threats |
| | | | | | | |
| | | | | | | |

Competitive Advantage: May be in the form of:

- Cost Advantage: producing products at a lower costs than competitors
- Product Differentiation: increasing unique features of the products

Competitors Threats: Analyze the features and benefits of your strongest competitors' products and services to give farmers ideas on how to improve, refine, or change their products, in developing product strategies to increase market share or sales volume.



EXAMPLE: PRODUCT PROFILE WORKSHEET

| PRODUCT PROFILE | | | | | | |
|----------------------------|------------------|-----------------|---------------------|--|--|-----------------------------------|
| Product | Existing Product | Planned Product | Attributes/Features | Benefits/Uses | Competitive Advantage | Competitors Threats |
| MANGO PROCESSING COMMUNITY | | | | | | |
| Mango | Fresh | Dried mango | Plump, juicy, sweet | Nutritious, natural flavor, enriched with vitamins | With GMP, no preservatives and additives, less sugar | Established, mainstream marketing |
| | | puree | More natural flavor | Nutritious, enriched with vitamins | With GMP, no preservatives and additives, less sugar | Established, mainstream market |
| BOL-ANONG BUGAS | | | | | | |
| Rice | Non-organic | organic | Whole grain | Organic | Chemical free | None |

Product Description & Product Development Direction using information from Product Profile

| Product | Brief Description | Product Development Direction |
|---------|--|--|
| Product | Describe the product of the enterprise, <i>emphasizing the benefits</i> to the customer. Focus on the areas in which product or service has a distinct advantage over the competition's. | Indicate planned product development directions |
| Mango | <i>Nutritious, natural flavor, enriched with vitamins</i> | <i>Processed mango; dried and puree – all natural Packaged in polyethylene bag GMP compliant</i> |
| Rice | <i>Chemical-free/ organic rice</i> | <i>Packed in Jute Sack GAP and GMP compliant</i> |

Product Development Categories

New-to-the-Market Product. Products that have never been seen in the market before.

New-to-us products. Products already existing in the market but in which the company is a new entry. Products that are new to the company but not in the market.

Product extension. Products that are closely related to an existing line and provide a way to expand the number of products offered to customers, e.g., new flavors, new sizes.

Cost reduction. Modifications made to existing products to lower manufacturing costs.

Repositioning. Existing products that are reformulated, repackaged, or remarketed, to attract new customers or pursue a new market.

Licensed, joint venture, or acquired new product. New products that are generated through licensing agreements, a majority or minority joint venture with another company, or products that are acquired from another company.



Marketing Plan

WHAT IS A MARKET?

Demand of buyers and potential buyers of a product or service over a specific period of time.

WHAT IS MARKETING ?

- **Provision of goods or services to meet consumer needs**
- **Informing the customer about your product**
- **Establishing long term relationships and making sustainable products**

Every planning process aims to place a person or a firm in the best possible position to make decisions about the future. A Marketing Plan examines the external environment's response to a firm's product by analyzing customers and the competitive environment. But it does not end with the gathering of data. Market information and forecasts have to be analyzed vis-à-vis company's capacity and capability to determine if the firm will produce the right product at the right time and at the right price. A marketing plan must contain information and assessment of the target market and customers, an analysis of the competitive environment, the profile of potential competitors and the marketing strategies.

In this section, the reader will:

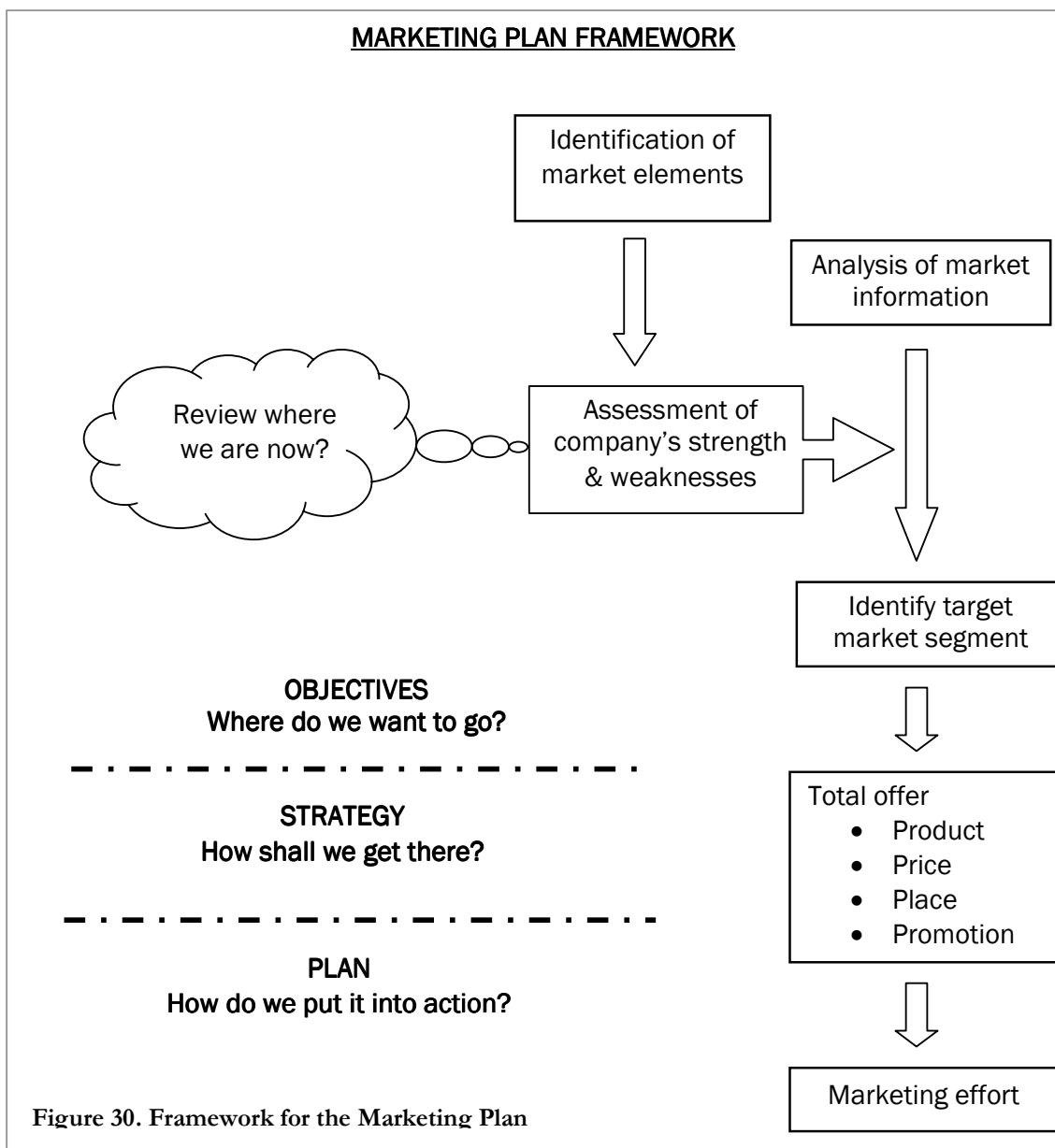
- Acquire knowledge on the principles and concepts of market and marketing
- Internalize the Framework of a Marketing Plan
- Understand the 4Ps in marketing and consider them as the basic tool in market planning
- Appreciate the importance of using market segmentation in the market planning process
- Understand the advantages of analyzing the competitive environment

THE ROLE OF MARKETING

Marketing's role is to coordinate the resources of the firm around the needs of its "**CUSTOMERS.**" It is important for enterprises to know their buyers. Specifically, customer orientation entails:

- Identification of what are :
 - needed by buyers
 - wanted by buyers
 - expected by buyers
- And the satisfaction of those needs, wants and expectations continuously by:
 - providing the benefits of our products
 - giving the customers a good reason to buy from us





| THE DIFFERENCE BETWEEN SELLING & MARKETING | | |
|--|--|---------------------------------|
| | MARKETING | SELLING |
| FOCUS | Customer needs | Product |
| MEANS | Integrated Selling & Marketing | Promotion |
| END | Profits through Customer Satisfaction | Profits through sales volume |

MARKET SEGMENTATION

Market segmentation is the division of markets into homogenous groups that will respond differently to promotions, communications, advertising, and other marketing mix variations.

A **Target Market**, on the other hand, is the market segment designated by the organization to receive its marketing efforts.

A market may be segmented according to the following:

- Demographic Variables: Age, gender, income, ethnicity, education, profession
- Geographic Variables: City, Region, Metropolitan or rural climate, etc.
- Psychographic Variables: Attitudes, lifestyle, hobbies, preference, personal traits
- Behavioral Variables



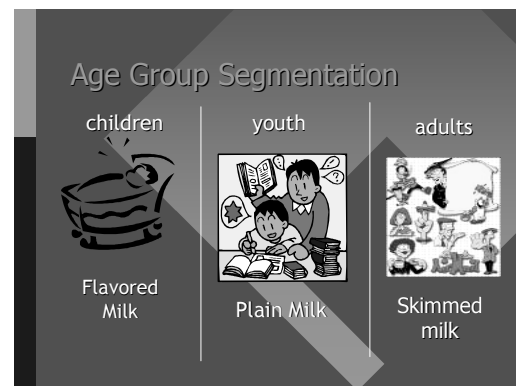
WHY USE MARKET SEGMENTATION

- **Easier to address needs of customers with similar characteristics**
- **Find niches/specialize on a particular group**
- **More efficient use of marketing resources**

EXAMPLES OF MARKET SEGMENTS

NESTLE MARKET SEGMENTATION

- Nescafe Master Roast: premium coffee lovers
- Nescafe Decaf: low caffeine coffee drinkers
- Nescafe Classic: coffee traditionalists
- Nescafe Sunrise: cost conscious



Basic Guidelines in Market Segmentation/Target Market Selection

- Segments must be large enough to warrant target marketing and product design efforts
- The segments must be reachable and relevant to your firms' products . . . within your core competence
- The expected profits must exceed the costs of developing multiple marketing programs, re-designing existing products and or creating new products
- Consistent with image: Hard to have a chopsuey of products for low end and medium-high end



EXAMPLE: TARGET MARKET AND CUSTOMER ASSESSMENT

| MARKET | DESCRIPTION | TYPE OF BUYER | ACTUAL NEEDS | POTENTIAL NEEDS |
|-----------------------------|---|---|---|--|
| Dried Mango Local Market | Medium end Health conscious | Walk-in Pasalubong kiosks Resorts | Sweet In small packs For snack food and pasalubong | Chemical free Gift packs |
| Rice Regional Market | All health-conscious, rice-eating ages (2yrs up) Medium and High End markets | SM, Makro, Ayala, Gaisano, Restaurants | Attractive retail packaging Bulk packs 866 kgs/day (5% of the potential regional rice consumption) Chemical free | Organic certification SA 8000 certification Nutrition value higher than ordinary rice 17,338kg/day (.5% of the total regional rice consumption) |

Notes on the Target Market and Customer Assessment Template

Market: Primarily refers to the geographic scope of market that farmer intends to sell products

Description: Description of target market as to demographics, lifestyles, and other attributes such as size and rate of growth

Type of Buyer: Specific customers that the enterprise will be directly selling to

Actual Needs: Present needs of buyers/customers as to product attributes and benefits

Potential Needs: Foreseen and anticipated needs of buyer in the short to medium term that should be considered in product development activities of the company.



SUPPLY AND COMPETITION

Steps in the Analysis of the Competitive Environment

1. Examine the Market Structure
 - Identify number of competitors (Location of other firms' markets and raw assets, sales, volume, market share)
 - Identify competitors' likelihood and significance of new entrants, competition from substitute products
 - Basis of Competition
 - Price
 - Product Quality
 - Service
 - Barriers to Entry
2. Institutional Constraints
 - Economic – tariffs, import quotas, export promotion incentives
 - Health - sanitary and phyto-sanitary standards
 - Political - price control, subsidies
 - Legal



ASSESSING COMPETITORS' STRENGTHS AND WEAKNESSES

- Sales
- Market Share
- Profit Margin
- Return on Investment
- Cash Flow
- New Investment
- Capacity Utilization

Key Questions to Help Farmers Assess Competition

- Who are your competitors within your market & niches?
- Is your market share stable?
- What are your competitor's strengths and weaknesses?
- If you want to enter this market as a new supplier, what are the main problems you will have to solve?



EXAMPLE: COMPETITORS PROFILE

| PRODUCT/ BRAND | MARKET | WEAKNESSES | STRENGTHS | POTENTIAL (Scale 1 to 10) |
|--|---------------------------------------|---|--|-------------------------------|
| Royal Dried Mangoes | Supermarkets in Bohol Resorts | Mixed with inferior dried mangoes Fibrous and sugar taste more dominant than 'mango' | Well-known Good distribution channels Attractive packaging | 7 |
| Local Synthetic Rice and Imported Rice | Supermarkets and Other Retail Outlets | Conventionally produced High Production Cost/ Price | Sufficient supply Consumers present preference | 9 |

| PRODUCT/ BRAND | MARKET | WEAKNESSES | STRENGTHS | POTENTIAL (Scale 1 to 10) |
|-------------------|--------|---|-----------|-------------------------------|
| | | Negative Environmental Perception | | |

Notes on how to fill up the Competitors Profile

Product: Name/brand of specific product of competitors

Location: Market/s or market segments where product is currently being sold and dominant

Weaknesses: An examination of the product's weak points as to packaging, labeling, taste, etc.

Strengths: Product's strong points over own products based on attributes and benefits

Potential: Potential of your product vis-à-vis competitor's with 10 as the highest (10 – own product very competitive; 1 – own product not competitive)

4 Ps OF MARKETING

1 Product

Anything with value offered in the market. There are two types: tangible and intangible.

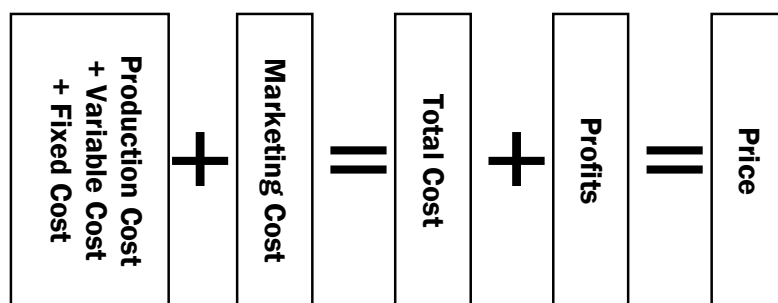
GUIDE QUESTIONS

- What are your existing or planned specific products/services?
- Do your products comply with required needs, standards?
- What are the benefits/uses that your clients would want to receive from your products?

2 Price

Monetary Value of the product: "The only factor that brings in money to the business"

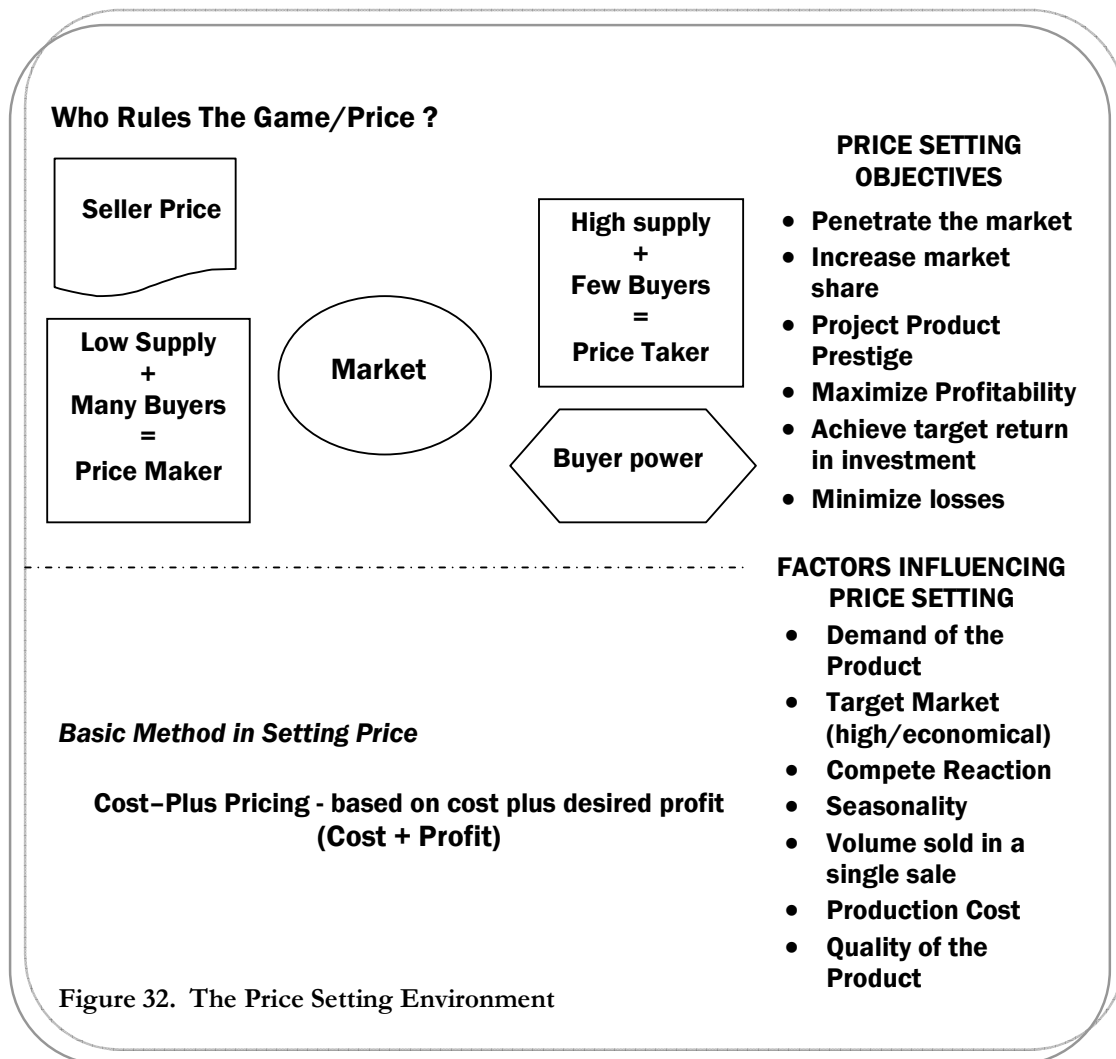
COST-PLUS PRICING



Notes:

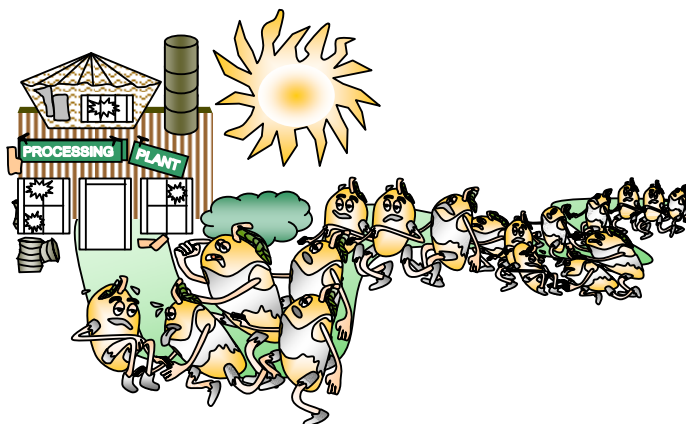
- To make profits your price must always be higher with your cost
- Do not get involved in price wars with competitors

Figure 31 . Formula for Cost – Plus Method of Pricing



Checklist in Detecting Mistakes in the Price of Product

- You won't be able to reach the target sales
- You will lose order
- Stocks will build up
- You will receive complaints from customers
- You won't be able to cope up with high demand
- There will be frequent shortage of stocks
- Though sales are high, profits will be low





EXAMPLE: COST-PLUS PRICING METHOD

| PARTICULARS | DRIED MANGO | | RICE | |
|---------------------------|-------------------|--------------|-----------------|--------------|
| | 100 g. Pack (PhP) | % Over Price | 1 kg Pack (PhP) | % Over Price |
| Cost of Production | | | | |
| Fixed Cost | 11.86 | 33 | 3.04 | 12 |
| Variable Cost | 16.30 | 46 | 6.68 | 27 |
| Marketing Cost | 1.50 | 4 | 4.77 | 19 |
| TOTAL COST | 29.70 | 83 | 14.49 | 58 |
| Profit | 5.90 | 17 | 12.64 | 42 |
| Price | 35.60 | | 25.00 | |

3. Place

Place or Distribution refers to the process of getting products and services, from producers to consumers and users. A distribution system is described in terms of the logistics—processes used to store and transport the product, the places where the product is sold, and the market



intermediaries that help facilitate the flow of the product. Each member of the channel seeks to maximize profits, and these costs are passed on to the consumer. A good distribution strategy should give attention to efficacy, efficiency, cost, and customer service.

Farm product distribution systems can be generally grouped in 3 broad categories: a) direct marketing; b) through intermediaries; and c) sale to a processor –

contract marketing.

4 Promotion

Promotion involves providing a point of contact between the producer and the customer outside the channels of distribution. It is the vehicle for informing your target market about your enterprise and the products or services it is offering in the marketplace. Promotion may be in the forms of: advertising, personal selling, public relations, and sales promotion. A promotional strategy and plan articulate:

- How enterprise will raise customer awareness of his/her products
- What message to convey to customers
- Specific methods to deliver and reinforce message
- How to secure sales





EXAMPLE: SELECTION OF THE MOST APPROPRIATE PROMOTION CHANNEL

This is a template one can use to evaluate the different promotion channels vis-à-vis appropriateness and resources.

| Product: Dried Mangoes | | | |
|-----------------------------|-------------------------------|----|----------------------|
| POSSIBLE PROMOTION CHANNEL | IS THIS THE RIGHT ONE FOR ME? | | ESTIMATED COST (PhP) |
| | YES | NO | |
| Magazines | / | | 4,000 |
| News Ad | / | | 3,000 |
| Radio | / | | 1,000 |
| Event Sponsorship | | / | |
| Flyers | / | | |
| Giveaways | | / | |
| Billboards | / | | |
| Contests | | / | |
| Coupons | | | |
| Direct Mail | / | | |
| Personal Selling | / | | |
| Yellow Pages | / | | |
| Banner Advertising(on line) | | / | |
| Business Cards | / | | |
| Television | | / | |

Notes on using the Promotion Channel Template

Potential Promotion Channels: List down the promotion channels accessible to enterprise.

Column 2 - Is This The Right One For Me?: Analyze each of the promotion channels listed above in terms of strategic fit to enterprise resources, product, and target market. Check YES the promotion channels which are applicable to your business and NO for those which are not applicable.

Estimated Cost: Put estimated cost for promotion channel appropriate for enterprise. This can help narrow down the selection process of the most appropriate promotion channel/s that the business can use and afford. Likewise, this can be used as input for the budget forecast.

SEVEN Os OF THE MARKET PLACE

Who constitute the market ?
 What does the market buy ?
 Why does the market buy ?
 Who participates in the buying ?
 How does the market buy ?
 When does the market buy ?
 Where does the market buy ?

Occupants
 Objects
 Objectives
 Organization
 Operations
 Occasions
 Outlets



EXAMPLE: MARKETING STRATEGIES

| Marketing Strategy Template | | | | |
|-----------------------------------|---|--|---|---|
| PRODUCT/ MARKET | STRATEGIES | | | |
| | PRODUCT | PRICE | PLACE | PROMOTION |
| Dried Mangoes Local – high end | <ul style="list-style-type: none"> • Low Sugar • Rich in Vit. C • GMP Certified • Nutritious Snack Food | Lower than the prevailing products in the market | <ul style="list-style-type: none"> • Kiosks in tourist spots • Pasalubong Centers • Hotels/Resorts | Eco-labeling Food Exposition and trade fair participation in coordination with the Provincial Government |
| Organic Rice High End | <ul style="list-style-type: none"> • Packed in 2, 5, 10 kg. sacks • Organic certification • After sales service | <ul style="list-style-type: none"> • Premium Quality (P25/kgs) • Ordinary Quality (P22/kgs) • Discounting Scheme (20+1) | <ul style="list-style-type: none"> • Supermarkets • Medium End Rice Retailers • Chapter Based | <ul style="list-style-type: none"> • Multi-media (website, broadcast, print etc) • Networking • Sampling |

Notes on Marketing Strategy Template

Product: Indicate product name and its target market

Product Strategies: Describe how company will differentiate products from competitors --- how products will be enhanced to gain competitive advantage in the marketplace.

Price Strategies: Describe how product will be priced in relation to similar products in the marketplace and in order to penetrate the market/gain a bigger share in the market. It is important to consider enterprise power to set the price and sensitivity of demand to price changes.

Place/Distribution Strategies: Describe the “where, when, who, how, and what” of distribution – of how products will be made available to target market – with utmost consideration on transportation costs, logistics, strategic locations, etc.

Promotion Strategies - Identify the means through which the product can be introduced to the market cost-effectively and efficiently with optimum sales results.

Organizational Structure and Human Resources

This part of the business plan provides details on the following:

Organizational Structure: Definition of the most feasible and appropriate structure of the organization taking into consideration its objectives, strategies, and products.

Human Resources: Job, Responsibilities, Duties, Competencies, salary, Education, Qualifications

Management of People: Employment of new staff, performance evaluation, incentives/rewards, development of people.

THE ORGANIZATIONAL STRUCTURE

What is an Organizational Structure?

- It is the framework by which the activities of an enterprise as determined by managers are performed.
- It is the arrangement of the functions performed by the personnel in the different units; classified into divisions, sections and the rank and file workers.
- It is the process of binding the parts together into a unified whole to accomplish the desired objectives.
- It consists of different rank levels --- managers, supervisors, employees.
- It guides the management so that the people are assigned to positions according to their skills, experiences and abilities.

What is an organization?

An organization is a group of individuals working together for a common purpose.

Examples: farm enterprise, associations, etc.



The Dimensions of Organizational Structure



- Divide the work of the organization into separate parts and assign this to different positions. This is called **job design**. The result is **specialization**.
- Group the various positions into manageable units. This is **departmentalization**.
- Distribute the responsibility and authority. The result is **centralization**.
- Determine the number of subordinates who will report to each manager. This is called **span of management**.
- Distinguish between those positions with direct authority and those that are support positions. This is the **chain of command**.



EXAMPLE: ORGANIZATIONAL CHART OF A COLLECTIVE ENTERPRISE

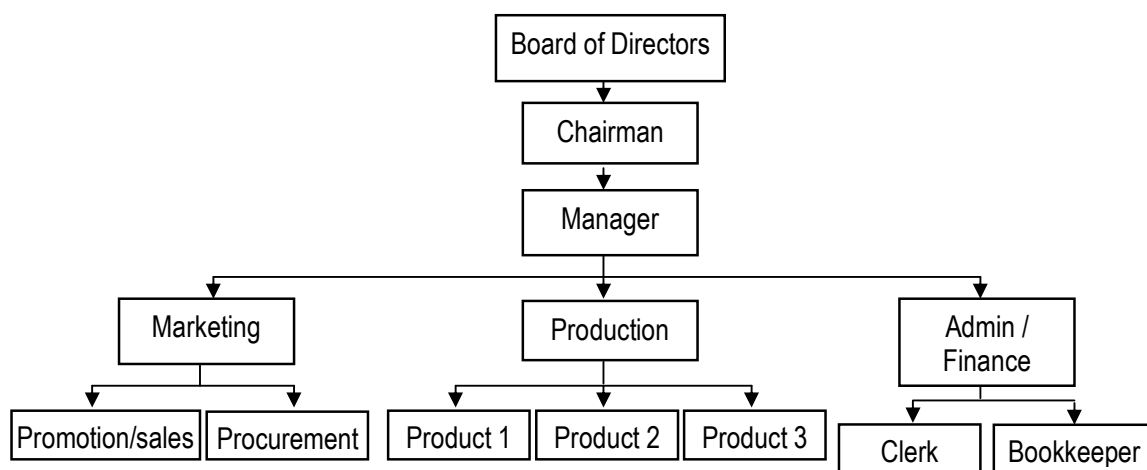


Figure 33. A Typical Organizational Chart for a Collective Enterprise

The **Organizational Chart** is a diagram representing the important aspects of an organization including the major functions and their corresponding relationships, the supervision and the relative authority of each employee in charge of their functions.

An Organizational Manual, which is also an important document for any organization, expresses the functions, duties relationships of each organization unit and makes available information of pertinent matters concerning each position.

HUMAN RESOURCE PLANNING

What Is Human Resource Planning?

Human Resource Planning is the process of ensuring that the organizational Department has the “*necessary people*” to attain its objectives. This refers to having the correct number of employees with the right skill at a time they are needed.

The following are the major Inputs in HR Planning:

- Organizations’ Purpose, Strategic Objectives and Plans
- Environment – factors like competition, customer, technology, suppliers, and economy, affect the supply of labor and the ability to attract & retain workers.
- Sales Forecast – sales directly affect number of employees needed. Organizations tend to hire during boom periods and lay off during slack times.



Job Analysis

Before recruiting employees, an enterprise should determine the nature of the position and what it takes to do the job. A job analysis has the following uses:

- It determines employee compensation. How much the person will be paid must be decided before an employee is hired.
- It is the prerequisite for recruiting and selecting employees. It states what the applicant will actually do and what qualifications are needed.
- It is the prerequisite for determining trainings needed. Often people with specific skills cannot be hired so company training will be necessary.
- It is the prerequisite for evaluating employee performance. Supervisor must determine whether employees are meeting or exceeding these standards. This performance appraised is the basis for raises and promotions.



Job Description

This is a description of the duties and responsibilities including the required skills, training, and experience. It also provides information on the conditions under which the job will be done and the relation of the job to the other tasks in the organization.



EXAMPLE: JOB DESCRIPTION

| | |
|---------------------------------|---|
| The Job Title | Clerk, Technician, Bookkeeper, etc... |
| Supervision | Whom person report to, who reports to the person |
| Location | Where the job is performed |
| Tasks & Duties | What the person is expected to do |
| Performance Standards | How the job will be performed and the expected results (e.g. the sale of P 150,000.00 worth of merchandise ...) |
| Working conditions | It specifies any hazards, heat, noise, etc... |
| Tools, Environment, Machineries | Typewriters, forklifts, computers, tractors |



EXAMPLE: DUTIES AND FUNCTIONS IN A COLLECTIVE ENTERPRISE

| POSITION | FUNCTIONS / DUTIES |
|----------------------------|--|
| Board of Directors | <ul style="list-style-type: none"> • Drafts policies of the organizations • Approves policies and procedures |
| Chairman | <ul style="list-style-type: none"> • Recommends needed policies and procedures of the BOD • Implements duly approved policies and procedures • Presides during meetings • Represent the manager in his/her absence • Chief negotiator of the group |
| Manager | <ul style="list-style-type: none"> • Manages the daily operations of the business • One of the bank signatures • Approves Cash Disbursement • Safeguards the by-laws, communications, proceedings, policies and other official documents • Disseminates scheduled meetings and other activities to all members • Prepares collection notices and all other documents • Disseminates and keeps the minutes of meetings |
| Admin/Finance | <ul style="list-style-type: none"> • Petty Cash Custodian • Keeps funds and issues official receipt for all funds received • Prepares and keeps duplicate copy of cash vouchers • Disburse fund when approved by the manager • Keeps and update the cash book • Prepares and make financial reports |
| Productions Officer | <ul style="list-style-type: none"> • Lead person of the production group • Prepares production report for every production run • Request from marketing purchase of raw materials • Quality controller of produce • Equipment Custodian • Sees to it that facilities/equipments are in good condition |
| Marketing Officer | <ul style="list-style-type: none"> • Sales representative who negotiate with buyers/suppliers • Takes care of promotional activities • In-charge of products consigned and collects sales when these are due • Review and accept purchase orders from buyers • Take the inventory of products and raw materials |
| Bookkeeper | <ul style="list-style-type: none"> • Keeps and maintains the financial records (General Journal, Cash Disbursement & Cash Receipts and the General Ledger) • Files and keeps the original copies of the Cash vouchers, validated duplicate copies of deposits slips and other documentation of financial transactions • Prepares financial statements |
| Clerk | <ul style="list-style-type: none"> • Keeps the admin duties in order • Files and keeps official documents • Prepare and send duly approved communications |

Operations Plan



Operation is a process through which resource inputs are converted into useful outputs. Inputs include raw materials, capital, facilities, equipments, and management talents. Outputs include manufactured products, services, and anything else the customer values.

This section of the Resource Book is intended to help the reader:

1. Understand the concept of operating a business
2. Understand the factors of operations and their effects on the business
3. Gain know-how on the different resource acquisition strategies

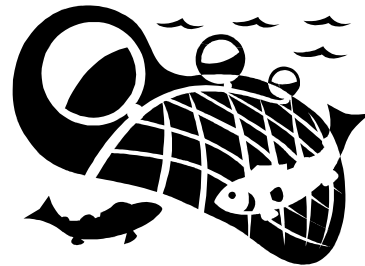
The operations plan describes and highlights the impact of the production process, physical location, equipment and machineries as well as the human resource and expense requirements related to the operations of the business. The Operations section of the Business Plan describes the:

1. Location
2. Resources/Facilities/Needs-Gaps Acquisition
3. Production Process, Systems and Management
4. Size and Capacity

LOCATION

The following are the basic questions that must be answered in describing the Location of the enterprise:

1. Where do you manufacture? Where is the farm? Why?
2. What are the advantages and the disadvantages of the place?
 - a. Buildings
 - b. Access to communications
 - c. Access to transport
 - d. Infrastructure (electricity/water)
 - e. Human resources in the area
 - f. Regulatory environment
3. Possibilities to expand?
4. What are the future plans within the location?



PHYSICAL RESOURCES

Physical resources include land, building and other structures, machinery, and equipment. These are the tangible assets that farmer uses to produce the products. The quantity and quality of the resources farmer has access and control affect operation and influence future opportunities.

This part of the Operations Plan should answer the following questions:

- What physical resources are available for the business?
- What are the future physical resource needs?
- What critical resources are needed now?
- How will farmer fill physical resource gaps?

Tools:

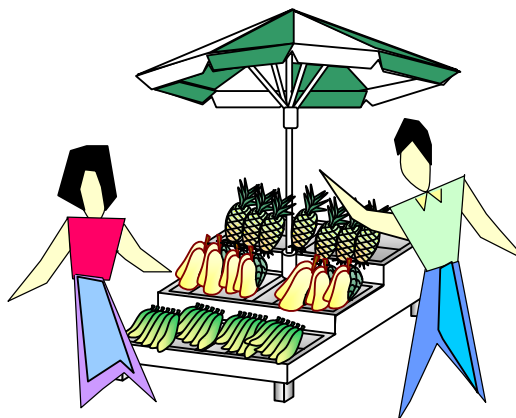
1. Farm Map: (You may also refer to Part II for detailed instructions.)
 - a. Ask the farmers to describe existing land resource
 - b. Its potential changes in line with enterprise vision.
2. Tangible Working Assets Overview Sheet: (Instructions)
 - a. Ask the farmers to describe the major tangible assets important to business operations.
 - b. Should be specific on noting whether this is available, size, capacity, and condition.

| TANGIBLE WORKING ASSETS OVERVIEW SHEET | | | | | | |
|--|------|-------|---------------------------------|------|----------|--------------------|
| | ITEM | OWNED | DO NOT OWN BUT CAN ACCESS | SIZE | CAPACITY | CONDITION VALUE |
| BUILDINGS & PERMANENT STRUCTURE | | | | | | |
| | | | | | | |
| | | | | | | |
| MACHINERY & EQUIPMENT | | | | | | |
| | | | | | | |
| | | | | | | |
| LAND | | | | | | |
| | | | | | | |
| OTHERS | | | | | | |

The following are the salient points to consider with regards to the different categories of Physical Resources:

Building and Facilities

- Types of building and costs of construction
- Sanitary facilities
- Water supply facilities
- Should provide sufficient space for equipment and storage of materials and products
- Constructed to prevent entrance of pest (rats, birds, etc)
- Designed to facilitate continuous production process with a single linear logical flow
- Should provide partitions between different processing operations



Machinery And Equipment

- Lay out, machinery and equipment indicating floor plan
- Equipment/machinery specification with rated capacities
- List of equipments machinery/equipment to be purchase (local/imported)
- Comparative analysis of alternative machinery if terms of cost, reliability, performance and spare parts available

Resource Needs and Acquisition

How to Use the Template:

1. Ask farmers to list down gaps/resources needed
2. How he/she intends to acquire these resources

| Resource Needs and Acquisition Template | |
|--|-----------------------------|
| RESOURCE NEEDS | ACQUISITION STRATEGY |
| A. Land | |
| | |
| | |
| B. Building | |
| | |
| | |
| C. Machinery | |
| | |
| | |
| D. Others | |
| | |

| | |
|--|--|
| Description of Products | |
| Quality Control System | |
| Waste Disposal Information System | |
| Purchasing Procedures | |
| Delivery /Outbound | |

Some of the common terms used when talking about Production Systems:

Scheduling – includes all key work elements as well as the stages the product must pass through before customer delivery. It should be tied to budget so that all expenses can be tracked. Its main purpose is to establish time frames for completion for all work assignments.

Quality Control – is an important part of the business plan especially when the business operates in a highly competitive market and the nature of the product or customer implies quality.

Purchasing Procedures – purchasing inputs should be considered for inclusion in the operational plan. The nature of these inputs will largely depend on the business – raw materials for manufacturers, finished products for retailers, equipment and supplies for service providers.

Record Keeping - refers to keeping, filing, categorizing, and maintaining financial and production information. It can be accomplished through a variety of methods, from a basic hand-record keeping method to an elaborate computerized system.

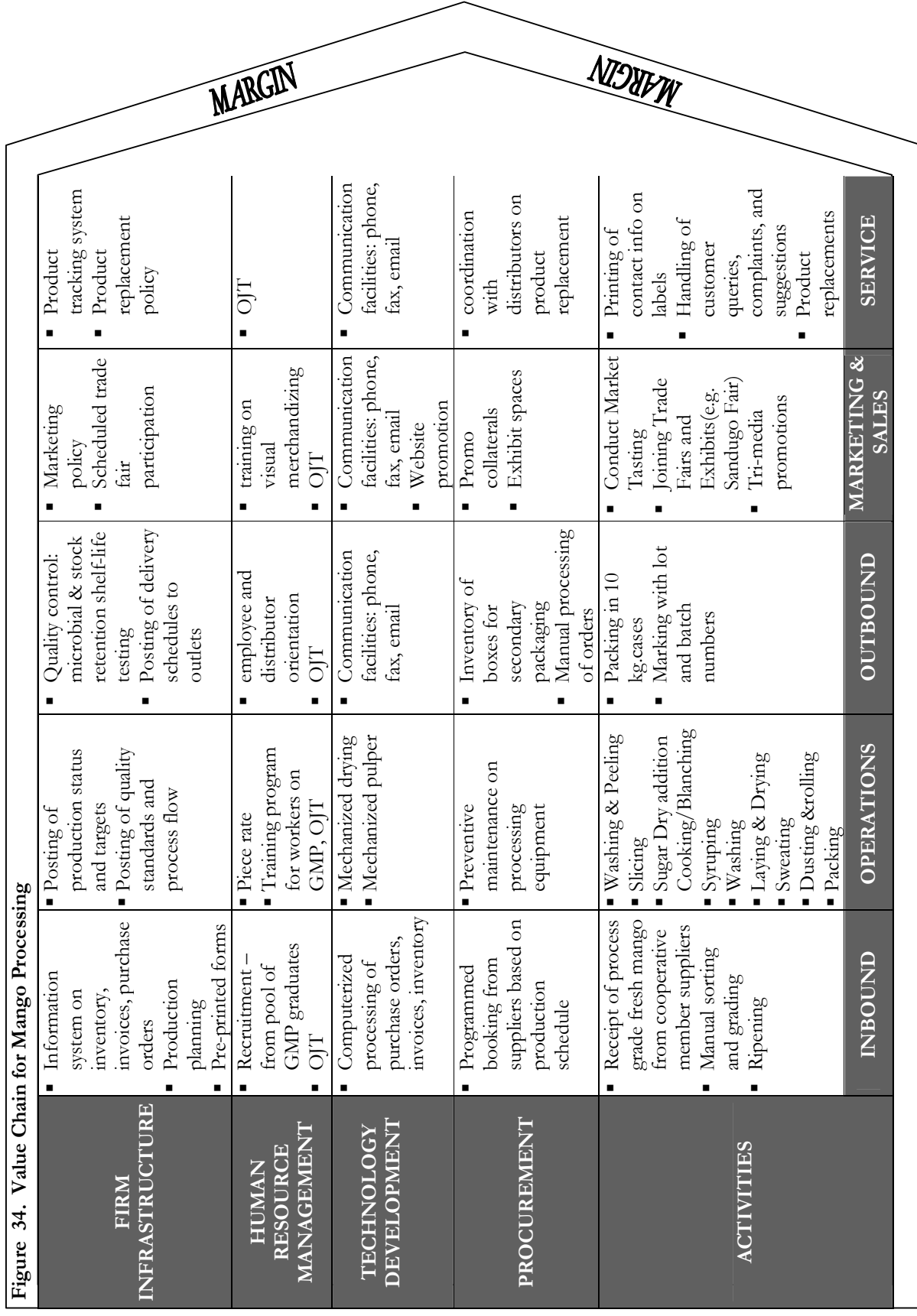


Figure 34. Value Chain for Mango Processing



Example: PROCESS FLOW for MANGO PROCESSING



Figure 35. Process Flow for Mango Processing with Costing

Assumptions:

One production cycle requires 200 kls. of fresh mangoes. Expected yield is at least 12%, or 24 kgs (240 pcs of 100 gram packs) dried mangoes.



Example: PROCESS FLOW for ORGANIC RICE PRODUCTION

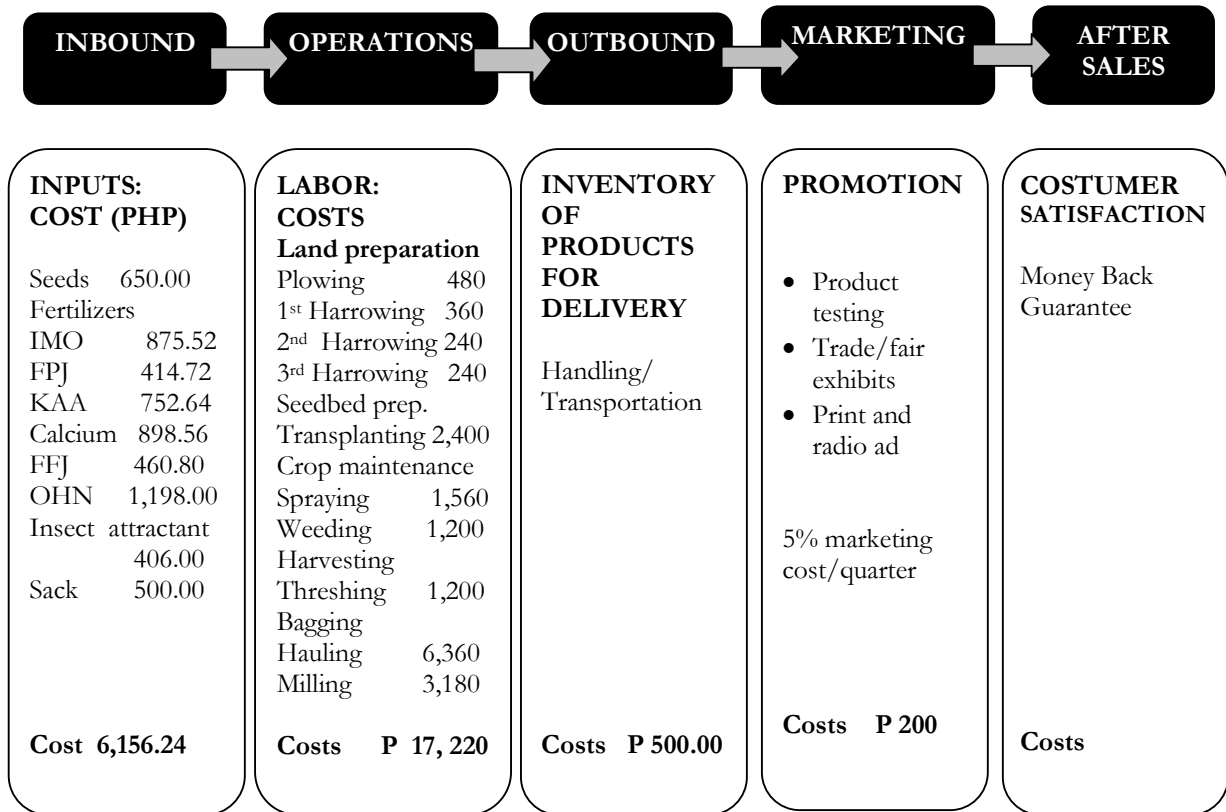


Figure 36. Process Flow for Organic Rice Production with Costing

Assumptions:

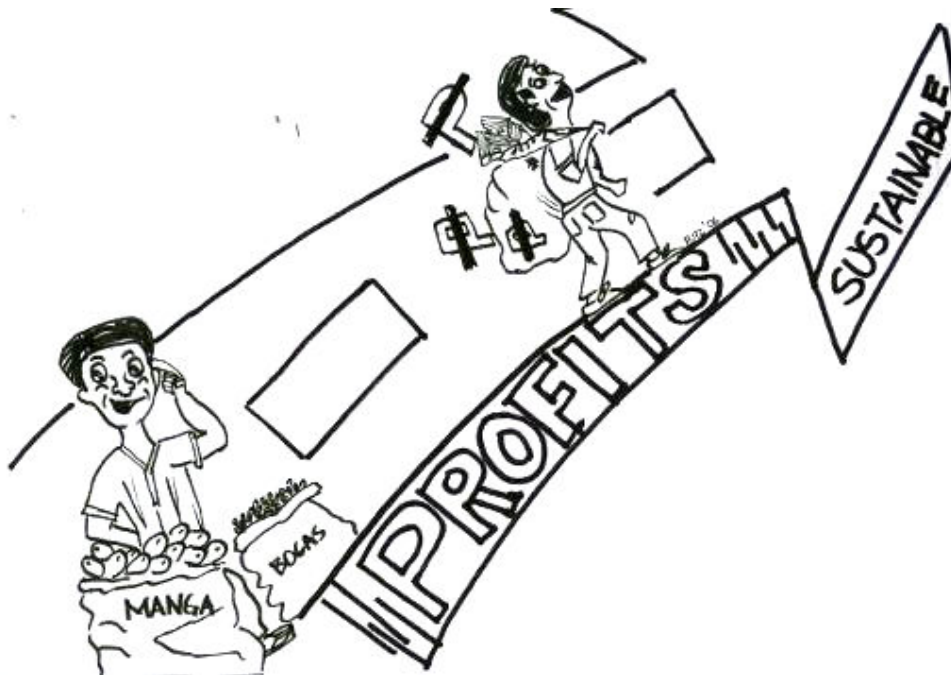
Area Planted – 1 ha. ; average yield/ha. is 4.2 tons/cropping; one cropping period is 4 months.

Financial Plan

Information on finances is a key component of the business plan especially if it will be used to generate external funding and support. The financial plan is a tool used in business to determine and show how much profit you or the enterprise will make in a given period of time. Careful financial planning is necessary throughout the life of a business. An enterprise must efficiently manage its money so that it can avoid excessive investment on fixed assets, and maintain receivables and net working capital in proper proportion to sales. Making money is what being in business is all about.

At the end of this topic, the reader will:

- Gain the skills to assist farmers/fisherfolks in the preparation of financial statements
- Be familiar with the financial transactions commonly undertaken by a business
- Acquire the skills to assist enterprises conduct an analysis of the financial analysis of their businesses



The financial plan provides a comprehensive summary of the value of the physical resources available to the enterprise for operation. It also shows the income that would be generated by those resources in combination with human resources through the enterprise operations and marketing strategies. While money is not everything, a certain level of financial planning is necessary for a farm operation to be viable in the long term. The following are the three (3) important financial documents that need to be included in the business plan and which are integral for planning and attracting start-up or expansion capital:

- Balance Sheet
- Profit and Loss or Income Statement
- Statement of Cash Flows

Below is a possible process to develop the financial part. It is an iterative process with the target to obtain the most realistic financial figures as possible.

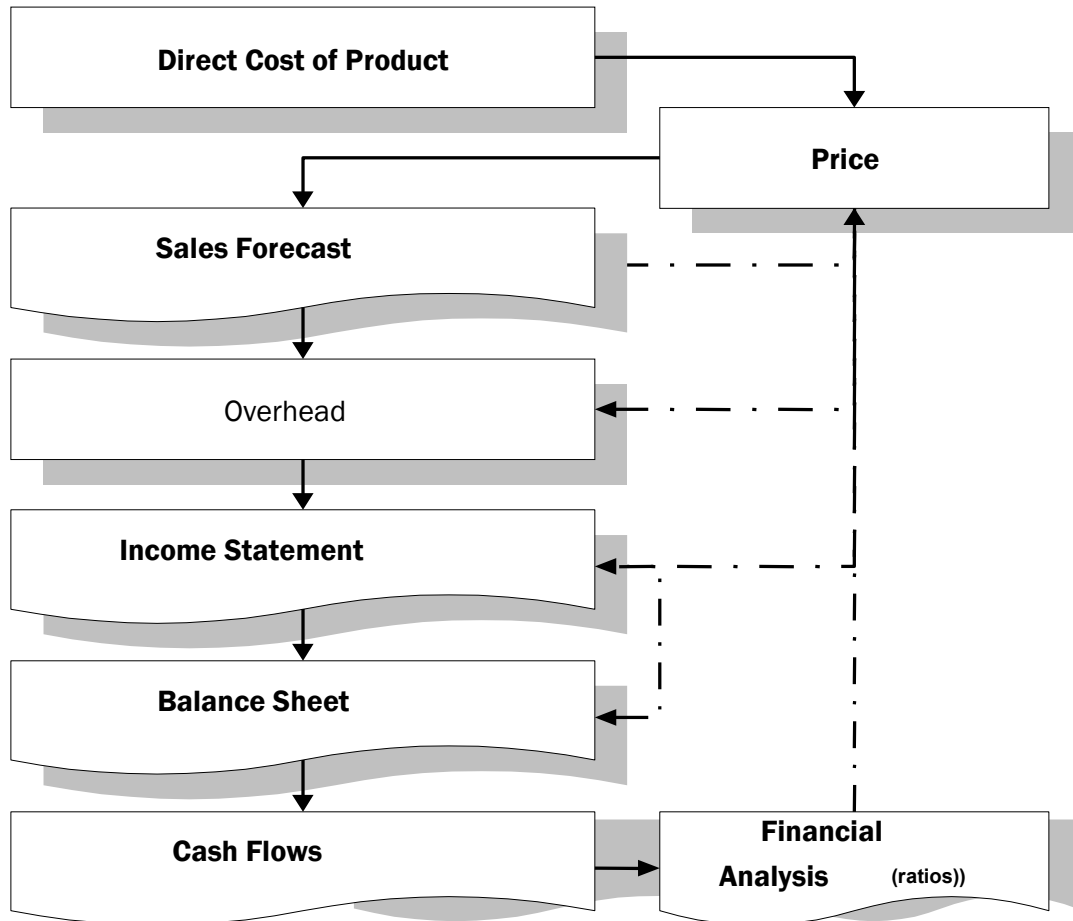


Figure 37. Process for Preparing Financial Statements

Financial statements should be prepared for at least a period of three years. The business plan should present also the financial analysis and not just computations.

The following are the guide questions for the financial computations in support to your assumptions:

1. How much initial capital is needed to start the business?
2. Who will finance the projects?
3. How much is the projected sales?
4. What is the volume of production per year?
5. How much is the marketing cost per unit of production?
6. What method will be used to compute depreciation of fixed investment?

INCOME STATEMENT

The Income Statement or the statement of operations or the profit and loss statement is a simple and straight forward report on a business's cash-generating ability. It illustrates how much a business earns or loses during the year by subtracting the cost of sales and expenses from revenue to arrive at a net result- either a profit or loss.

Whether the primary purpose of a projected income is to obtain a bank loan, estimate cash requirements, or provide information for management planning, an enterprise should prepare such a statement before starting the business. The income statement can be updated regularly and projections further refined as operations data are collected.

| Income Statement | | |
|-----------------------------------|---------------------------|---------------------------|
| | Month/Quarter/Year | Month/Quarter/Year |
| Income/Revenue/Sales | P | P |
| Less: Total variable Costs | P | P |
| Gross Margin | P | P |
| Less: Total fixed Cost | P | P |
| Net Profit | P | P |



EXAMPLE: INCOME STATEMENT/STATEMENT OF OPERATIONS

| PAL Paradise Income Statement for 2006 | | | | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Particulars | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| Income/Sales | | | | |
| Milled Rice | - | 52,475 | - | 52,475 |
| Carbonized Rice Hull | - | - | 2,592 | - |
| Total Revenues | - | 52,475 | 2,592 | 52,475 |
| Less: Variable Cost | | | | |
| Materials | - | 5,006 | - | 5,006 |
| Personnel | - | 6,360 | - | 6,360 |
| Equipment | - | 2,000 | - | 2,000 |
| Marketing | - | 9,540 | - | 9,540 |
| Total Variable Cost | - | 22,906 | - | 22,906 |
| Gross Margin | - | 29,569 | - | 29,569 |
| Less: Fixed Cost | | | | |
| Depreciation | 3,033 | 3,033 | 3,033 | 3,033 |
| Others | - | | | |
| Total Fixed Cost | 3,033 | 3,033 | 3,033 | 3,033 |
| Net Profit | (3,033) | 26,536 | (441.00) | 26,536 |

Definition of Terms

| | |
|------------------|---|
| Income/Sales | Revenues derived from the sale of tangible products consigned by stakeholders or third parties. In the example, the income is derived from the sales of milled rice and the sales from the Carbonized Rice Hulls. |
| Direct Materials | Main raw materials used in the production of items for sale. |
| Variable cost | Any cost incurred in the production of a specific product. This includes the direct raw materials, direct labor, overhead cost and other marketing cost etc. |
| Gross Margin | Is the net amount after deducting the total variable cost from the total sales revenue. |
| Fixed cost | Cost incurred outside from the variable cost. Usually includes Salaries & wages of regular workers, depreciation cost, light & water, rentals, miscellaneous expenses. |
| Net Profit | This is the net total (either a plus or a minus) after deducting the variable and fixed cost from the total sale revenue. |

How to compute the cost of production/ unit:

| | | | | |
|---------------|---|------------|---|-----------------------------------|
| Variable Cost | + | Fixed Cost | = | Total cost/total units produce |
| P 22,906 | + | P 6,066 | = | 28,972/2,000 Kg yield per hectare |
| | | | = | P 14.49 per Kg. Rice |

How to check product pricing:

| | | | | |
|------------------------|---|---------------|---|----------------------------|
| Selling Price per unit | - | Unit cost | = | Net Profit |
| P 25.00 | - | P 14.49 (58%) | = | P 10.51 per Kg. Rice (42%) |

BALANCE STATEMENT

| BALANCE SHEET SAMPLE FORMAT | |
|-----------------------------|------------|
| ASSETS: | |
| Current assets | PhP |
| Fixed assets | PhP |
| Total Assets | PhP |
| LIABILITIES: | |
| Current liabilities | PhP |
| Long term liabilities | PhP |
| Total Liabilities | PhP |
| Add: Equity/Capital | PhP |
| Total Liabilities: | PhP |

A balance sheet is a table of the assets and liabilities as well as the capital (owner's equity) of a business at one point in time. It could be generated monthly, quarterly or annually. Under the accounting equation, assets are always equal to liabilities, hence the term "balance sheet".



EXAMPLE: BALANCE SHEET

| PAL Paradise Balance Sheet as of December 2006 | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Particulars | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| Assets | | | | |
| Assets | - | 85,000 | 85,000 | 85,000 |
| Investments | 85,000 | - | - | - |
| Total Fixed | 85,000 | 85,000 | 85,000 | 85,000 |
| Cash | - | 29,570 | 32,160 | 61,730 |
| Current Assets | - | - | - | - |
| Total Assets | 85,000 | 114,570 | 117,160 | 146,730 |
| Liabilities | | | | |
| Current | - | - | - | - |
| Long term | - | - | - | - |
| Total Net Worth | 85,000 | 114,570 | 117,160 | 146,730 |
| Total Liabilities | 85,000 | 114,570 | 117,160 | 146,730 |

Examples of Balance Sheet Account Titles

| ACCOUNT TITLE | DESCRIPTION |
|---|---|
| Assets | Anything that is convertible into cash is included in the assets column. |
| Petty Cash Fund | An amount of fund set aside for ready cash disbursement to defray minimal expenses. |
| Cash on Hand | All collections, whether cash or checks, that are not yet deposited. |
| Cash in Bank | Funds in the custody of depository banks from which check disbursements are charged. |
| Cash Advances | Funds disbursed to officers or members or to employees to settle expenses and must be liquidated or duly accounted for. |
| Accounts Receivable | Collectibles arising from the sale of products or delivery of services also known as "trade receivables". |
| Finished Goods Inventory-End | Cost of finished goods available for sale |
| Allow. for Doubtful Accounts(Allow for Bad Debts) | Accumulated estimated portion of accounts receivable which might not be collected |
| Accrued Revenue | Revenues earned but not yet due for collection. |
| Loans Receivable | Amounts disbursed as loans and intended to earn interest (applicable for service providers with lending & re-lending services) |
| Liabilities | Includes all payables in the business either short or long term payables like bank loans, purchase of equipments on accounts. In the example we don't have payables maybe because the company does not borrow |

| ACCOUNT TITLE | DESCRIPTION |
|-----------------------|---|
| | money. |
| Equity/Capital | The amount contributed by the partners/shareholders for business operations. In the example, the business start-up capital is derived from the members' contribution. |

CASH FLOW STATEMENT

| CASH FLOW STATEMENT SAMPLE FORMAT | | | | |
|--|---|---|---|---|
| | 1st Quarter (PhP) | 2nd Quarter (PhP) | 3rd Quarter (PhP) | 4th Quarter (PhP) |
| Beg. Cash Position | | | | |
| Cash in | | | | |
| Revenues | | | | |
| Wages | | | | |
| Loans | | | | |
| Less: Cash out | | | | |
| Costs | | | | |
| Investments | | | | |
| Net Cash Flow | | | | |
| Ending Cash Position | | | | |

The cash – flow statement summarizes the operating, investing, and financing activities of a business as they relate to the inflow and outflow of cash. This is important in determining positive and negative cash flows, and in knowing whether your investment and financing endeavors are earning or draining cash resources.

Like the balance sheet and income statement, the cash-flow charts a business performance over a specific period – a month, a quarter, 6 months, or a year. It shows the sources of money, and indicates whether there is a cash surplus or deficit. By observing trends in the cash-flow, you can monitor the influx of cash from operating activities against operating expenses to determine your liquidity.

In short, anything that involves cash transactions will affect the cash flows. In the example below, the cash inflows are coming from the sales of carbonized rice hulls, milled rice and the investments. The cash outflow in the example includes the total purchases like the procurement of raw materials, inputs and other related expenses.



EXAMPLE: CASH FLOW STATEMENT

| Example: PAL Paradise Cash Flow for 2006 | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| Beg. Cash Position | 85,000 | | 29,569 | 32,161 |
| Cash In | - | 52,475 | 2,592 | 52,475 |
| Revenues | | 52,475 | | |
| Wages | | | | |
| Loan | - | | | |
| Less Cash out | 85,000 | 22,906 | - | 22,906 |
| Costs | - | 22,906 | | 22,906 |
| Investments | 85,000 | | - | |
| Net Cash Flow | - | 29,569 | 2,592 | 29,569 |
| Ending Cash Position | - | 29,569 | 32,161 | 61,730 |

CASH FLOW

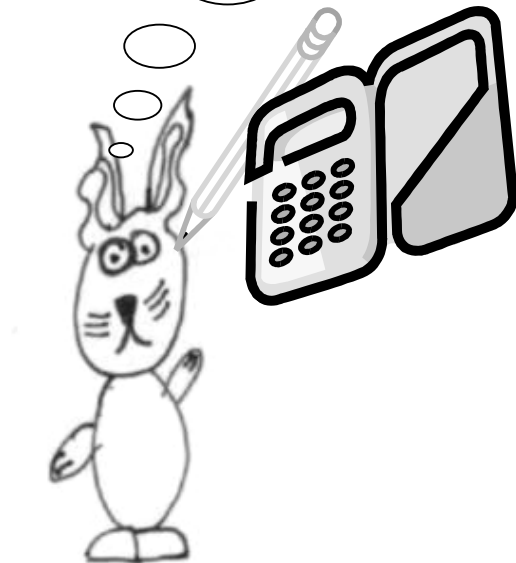
Beginning Balance

- + cash sales
- + payment of account receivables
- + down payments customers (cash)
- + received credit
- + additional equity capital
- + Sales of investments
- + Other cash payments
- = Total Cash In

- sales expenses
- salary
- administration expenses
- marketing expenses
- interests paid
- prepaid expenses
- other payments
- credit instalment
- investments
- = Total Cash Out

- == Cash Balance (surplus/deficit)

3 pesos fare + 5 pesos for loading + 10 pesos food + ...



FINANCIAL OBJECTIVES

The Financial Objectives is the meat of the financial plan. It summarizes the financial targets based on projections from the financial statements into an easily understandable form. Though it can only be finalized after the balance sheet, the income statement, and the cash flow have been prepared, it should be presented in the first part of the financial plan.

The most used financial indicators are the following.

Capital structure figures

| | |
|----------------------|-------------------------------------|
| Debt ratio | = liabilities / total capital |
| Debt equity ratio | = liabilities / equity |
| Time interest earned | = (EBIT + depreciation) / interests |
| Dynamical debt ratio | = net liabilities / cash flow |

Liquidity

| | |
|---------------|--|
| Cash ratio | = cash / short term liabilities |
| Quick ratio | = (cash + account receivable) / short term liabilities |
| Current ratio | = current assets / short term liabilities |

Profitability

| | |
|-----------------------------|--------------------------------------|
| Equity profitability | = profit / equity |
| Total capital profitability | = profit / total capital |
| Gross profit | = 1 - (cost of good sold / sales) |
| Net profit margin | = (EBIT - tax) / sales |
| Break even point | = Fix cost / (price - Variable cost) |



EXAMPLE: FINANCIAL OBJECTIVES

| MANGO PROCESSING FINANCIAL OBJECTIVES | | | |
|---------------------------------------|---------|---------|---------|
| YEAR | 2006 | 2007 | 2008 |
| PROFITABILITY | | | |
| Income/Sales | 107,542 | 11,5380 | 120,889 |
| Variable Cost | 48,412 | 47,150 | 44,800 |
| Fixed Cost | 12,248 | 28,088 | 28,088 |
| Net Profit | 46,882 | 40,142 | 48,022 |
| ROI | 55% | 47% | 56% |
| FINANCING | | | |
| Equity | 85,000 | | |
| Other Sources | - | - | - |
| Total Financing | 85,000 | - | - |

Rate Of Return Of Investment Computations:

$$\text{ROI} = \frac{\text{Net Profit}}{\text{Total Investment}} = \frac{46,882}{85,000} = 55\%$$

Managing Risks and Uncertainties

Farming, as in any other business, has its own share of risks and uncertainties. Farmers have to take the risk to grow crops even if they are not sure of the weather, of the price they may get if they choose to sell, and if the consumers would actually buy what they produce. The way that a farmer reacts to these uncertainties and risks can result to a “better or worse than what is expected” situation. As such, risk management is an important component of any business. Unmanaged risk can make a difference on the sustainability of a business and also carries with it a high degree of stress for farm businesses and their families. This section of the business plan focuses on the identification of potential risks in the business and the development of strategies to minimize or reduce risks and protection against uncertainties.



RISKS AND UNCERTAINTIES

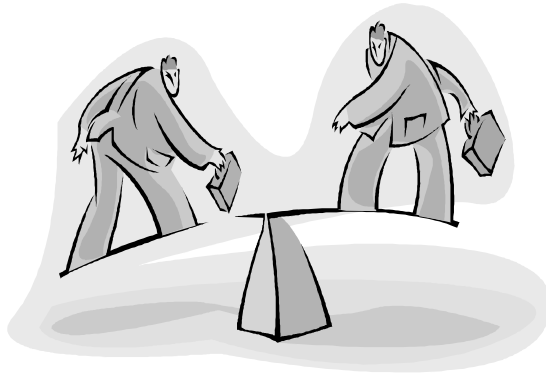
Risk is the possibility that a loss or injury will take place such as car accident, destruction of properties by flood or fire, or physical injury or even death. Agricultural risk is typically tied up to the following:

Personal Risk. This is the result of change and uncertainty within the business. Injuries and illness are sources of internal risk that can affect a business’ ability to operate. Other sources of personal risks include change of goals, lack of knowledge and experience in a new product or technology, etc.

Production and Market Risks. These are risks that result from weather-related events and changes or volatilities of the market. External price risks are often tied to below-cost market prices and volatility in commodity and input prices after production commitments have been made. Institutional risk is associated with changes in government policy and regulations that govern market prices, crop insurance, waste management, etc.

Risks related to the business environment can be avoided or reduced through the following:

- Employee safety program.
- Proper safety equipment.
- Burglar alarms, security guards and guard dogs.
- Fire alarms sprinkler system and similar safety measures.
- Accurate accounting and financial control.



Contract Risk. This pertains primarily on the reliability of contracting partners. Although production and marketing contracts are considered as risk management tools, the contract in itself may pose risk to the business if the contractor/contractee is unreliable.

Financial Risk. This can happen as a result of fluctuating interest rates on borrowed funds, cash flow difficulties, and erosion of equity or net worth.

Uncertainty is doubt about the outcome of an event because the farmer is unable to predict what will happen. There are uncertainties of rainfall, pest infestation, price change, technologies and government policy changes. All of these factors have a direct effect on farm profits.



EXAMPLES: COMMON TYPES OF BUSINESS RISKS AND WAYS TO ELIMINATE OR MINIMIZE IT

Situational Example

Farmers must make decisions early in the cropping season about what crops to plant and what seeding rates, fertilizer level, etc., to use. The final yield and prices may not be known for several months or years as in the case of three crops. Risk in farming activities can come from unexpected and results in low prices, drought or disease. Risk management is mostly concerned with reducing the chances of less favorable outcome occurring or at least softening their effects.

Non-Criminal Business Risks

1. **Fire** - ex. Fire insurance. A much better risk protection program is fire prevention measures.
2. **Natural calamity** – not included in the insurance coverage (flood, typhoon and earthquake). Minimize the risk by proper choice of locations free from such disasters.
3. **Personal liabilities** – ex. A customer got sick of eating the product that resulted in a law suit. May be minimized or prevented with proper facilities or quality control program.
4. **Economic problem** – ex. Recession, depressions, inflation and massive unemployment. The ability to adjust the changing economic conditions and adequate financial resources during bad times would minimize risks.
5. **Business interruptions** – ex- Strike of employees and supplies. To minimize, must have a good stockpiling strategy and strong financial position.
6. **Loss of Key personnel** – ex. Resignation of an expert or technical specialist can cause work stoppage. It is not easy to get replacement

Criminal Business Risks

1. **Burglary** – There is a need to protect inventories, supplies, equipment, etc. by providing safety like dogs, guards and alarm systems.

2. **Robbery** – installation of proper alarm devices, lighting facilities and other preventive measures.
3. **Shoplifting** – mirrors and store layout can deter shoplifting.
4. **Employee theft** – strict hiring policy for personnel involved in the handling of the money and products.

RISK MANAGEMENT STRATEGIES

Effective Risk Management Strategies involve anticipating an unfavorable event that may occur and acting to reduce the chance of it happening; and taking actions to reduce the adverse consequences of risk should an unfavorable event take place. The process can be broken down into several steps:

1. Identify the possible sources of risk .
2. Identify the possible outcome or events that could occur (e.g. weather, prices, etc.)
3. Decide on the alternative strategies available.
4. Quantify the consequences or results of each possible outcome in each strategy.
5. Evaluate the trade-offs between risk and returns.



Below are some of the ways that farmers and businesses can respond to risks and uncertainties:

| Category | Risks | Risk Responses |
|--------------------------|--|---|
| Production | Effect of weather, soil, pest, and diseases on crops and livestock performance | <ul style="list-style-type: none"> • Choose low risk activities • Grow many crops, diversify enterprises • Grow crops on different lots • Select and diversify production practices • Maintain flexibility • Vary production capacity |
| Marketing | Volatility of prices of farm products and production inputs | <ul style="list-style-type: none"> • Obtain market information • Spread sales • Contract farming • Participate in government programs • Minimum price contract |
| Financial | Uncertainty of interest rates, lender's willingness to lend, the ability of farm to generate the cash flow necessary for debt payments. | <ul style="list-style-type: none"> • Work off farm • Maintain liquidity reserves • Pace investments • Acquire assets • Limit credit • Insure against losses |
| Human or Personal | Risks on human health or personal relationships affecting business | <ul style="list-style-type: none"> • Maintain a healthy lifestyle |

Figure 38. Effective Risk Responses vs. Common Farm Risks



EXAMPLE: RISK MANAGEMENT WORKSHEET

How to fill up Worksheet:

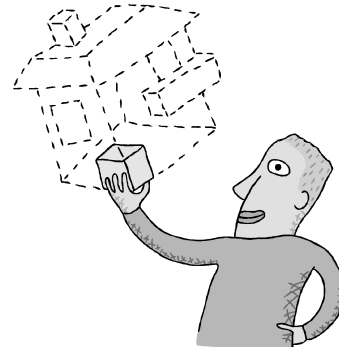
1. Ask farmer to briefly rank business' exposure to production, environmental, market, contract, financial and personal risks.
2. Assist farmer in coming up with ways on how to reduce or mitigate risks and uncertainties

| Market Risks | | | | | | |
|----------------------------|--|-----|----------|--------|----------|------|
| Exposure to Risk | | Low | | Medium | X | High |
| Type of Risks | <i>Declining and fluctuating prices of milk due to imported substitutes</i> | | | | | |
| Tools for Minimizing Risks | <i>Quality premiums to improve price overall but nothing to mitigate fluctuations</i> <i>Stress on freshness and nutritious aspects in promotions</i> | | | | | |
| Production Risks | | | | | | |
| Exposure to Risk | X | Low | | Medium | | High |
| Type of Risks | <i>Herd disease</i> | | | | | |
| Tools for Minimizing Risks | <i>Close coordination with Provincial Veterinary for any news on disease outbreak</i> <i>Continued placement of herd on pasture</i> | | | | | |
| Contract Risks | | | | | | |
| Exposure to Risk | | Low | | Medium | | High |
| Type of Risks | Not applicable | | | | | |
| Tools for Minimizing Risks | | | | | | |
| Financial Risks | | | | | | |
| Exposure to Risk | | Low | X | Medium | | High |
| Type of Risks | <i>Delayed payment from buyers</i> | | | | | |
| Tools for Minimizing Risks | <i>Cash reserves or contingencies</i> | | | | | |
| Personal Risks | | | | | | |
| Exposure to Risk | X | Low | | Medium | | High |
| Type of Risks | <i>Injury, illness</i> | | | | | |
| Tools for Minimizing Risks | <i>Work Safety program</i> <i>Healthy lifestyle</i> | | | | | |

Implementation Plan

The success of your business strategy will be, to a large extent, dependent on timely and efficient implementation. In this topic, the reader will:

- Appreciate the importance of an Implementation Plan
- Acquire the skills on how to develop an effective Implementation Plan



The Implementation Plan describes how your strategies will be implemented in order to achieve the associated objective of your goal. Developing an implementation plan is creating a “to-do” list for strategy implementation. This will help you stay on course as you begin implementing your strategy. Implementation must consider institutional values, culture, leadership style, and mission. This requires leadership. An implementation plan indicates per strategy the activities, results, responsible person, time and resources needed.

| IMPLEMENTATION PLAN TEMPLATE | | | | | |
|-------------------------------------|-------------------|----------------|---------------------------|-------------|------------------|
| Goal | | | | | |
| Objective | | | | | |
| Strategy | Activities | Results | Responsible Person | Time | Resources |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

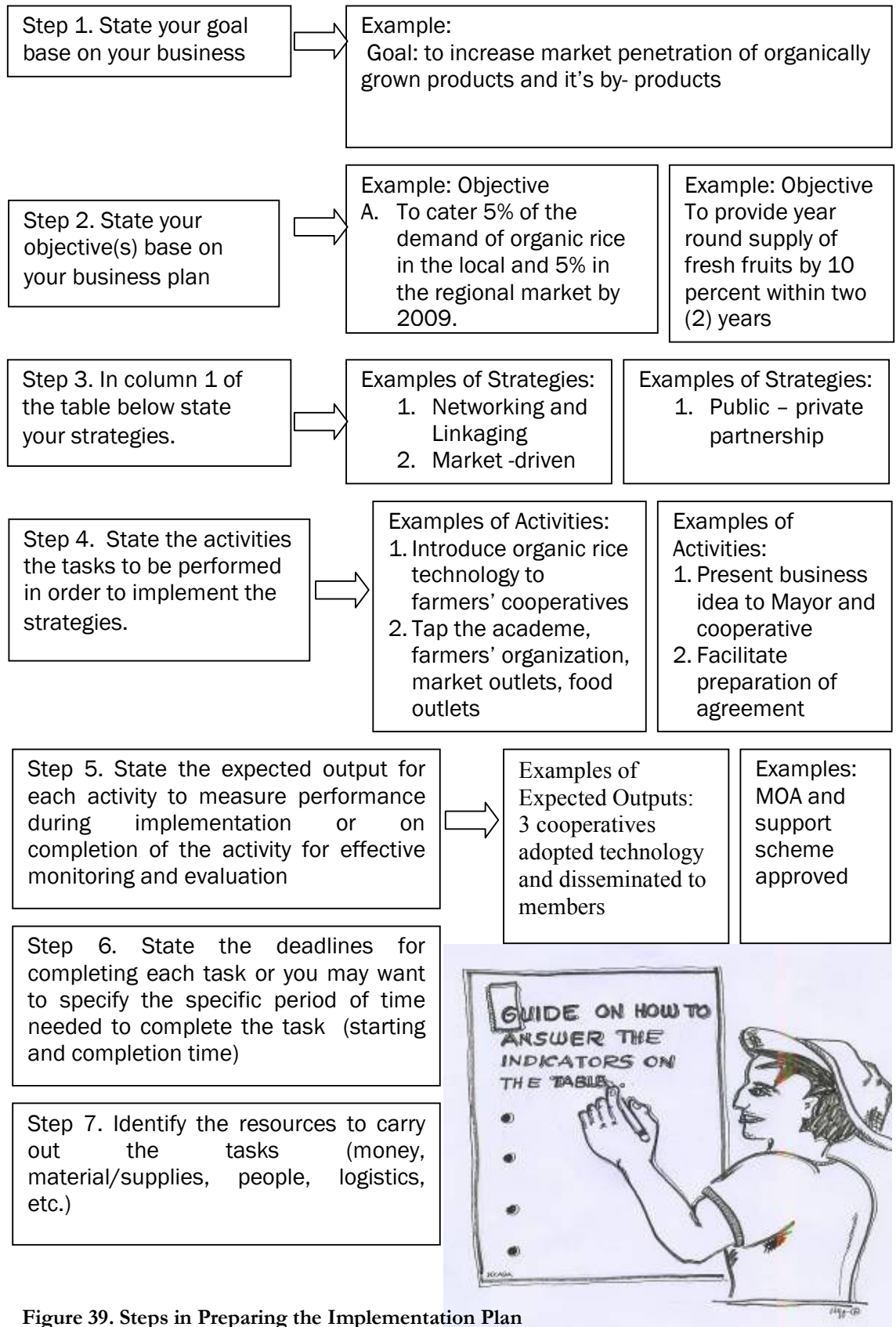


Figure 39. Steps in Preparing the Implementation Plan



EXAMPLE: IMPLEMENTATION PLAN

Organic Rice Production

| Goal: To increase market penetration of organically grown products and it's by- products | | | | | |
|--|--|---|--------------|------------------|------------------|
| Objective : To cater 5% of the demand of organic rice in the local and 5% in the regional market by 2009. | | | | | |
| Strategies | Activities | Results | Resp. Person | Time | Resources |
| Networking/ Linkaging | Introduce organic rice technology to farmers cooperatives | 3 farmers cooperatives promoted and transferred technology to at least 75% of members | P. LIMBOY | 1JUN 19DEC 06 | TEV P3,000 |
| | Tap the farmers organization, market outlets, food outlets for marketing | At least 3 regular retail outlets established | P. LIMBOY | 4JUN 23DEC 06 | TEV P3,000 |
| | Access multi-media players for promotion | At least 5 agencies actively promoting organic rice to consumers | P. LIMBOY | 5JUN 27DEC 06 | Supplies P10,000 |

| GOAL : To provide a good market to marginal farmers | | | | | |
|--|---|---|-------------|-----------|-----------|
| OBJECTIVE: To increase year round supply of fresh fruits by 10 percent within two (2) years | | | | | |
| STRATEGY | ACTIVITIES | RESULTS | RESP. | TIME | RESOURCES |
| Capability Build-up through Contractors | Develop a scheme on flower induction scheduling and technology transfer for contractors and their suppliers | Scheme prepared and approved by contractors | Chairman | June 2006 | FPA |
| | Conduct campaign to contractors | 5 Contractors recruited to participate in program | Educ. Comm. | July 2006 | PAO, DA |

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