

Agricultural entrepreneurship



LECTURER GUIDE

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Module 1: Agricultural entrepreneurship

Pre-assessment

After reading through the module overview and introduction, complete the following pre-assessment in order to determine how experienced or comfortable you are with the topic of supporting agripreneurship. You will be asked to complete a post-assessment after you have worked through the learning content.

	Question	Self-assessment				
		Low		High		
1	Have you helped farmers to set up new business opportunity?	1	2	3	4	5
2	Can you spot a great entrepreneur and know what it takes to succeed in business?	1	2	3	4	5
3	Have you worked with agripreneurs to spot a gap in the market?	1	2	3	4	5
4	Have you developed plans with farmers based on results from a market/value chain study?	1	2	3	4	5
5	Have you developed a business plan with or for farmers?	1	2	3	4	5
6	Have you presented a business plan to an investor (project, bank or individual) to access financial support?	1	2	3	4	5
7	Have you completed a study of the strengths and weaknesses of local business development services?	1	2	3	4	5
8	Have you implemented a chain wide upgrading plan to support multiple actors to deploy new business models that improve productivity, profitability and competitiveness?	1	2	3	4	5

Answer: Learner's own answer

Study unit 1: Introduction to agripreneurship

Session 1.1: The role of the extensionist in agripreneur development

Activity 1.1 Group activity: Identifying agripreneurs

Are you able to identify an agripreneur(s) in your area/rural communities? Together with two or three of your colleagues, discuss the following:

1. Describe the type of business they operate.
2. How are they different from the typical farmer?

Activity 1.2 Group activity: Supporting new agripreneurs

Imagine you are going to support some agripreneurs. Together with two or three of your colleagues describe the methods that you will use to:

1. Identify your clients;
2. Diagnose their needs;
3. Identify partners who can help provide the services required;
4. Provide the capacity building;
5. Support the investment needs; and
6. Provide the ongoing mentoring.

Activity 1.3 Individual activity: Matching clients with market opportunities

Consider the types of clients in your area and then answer the questions below:

1. Which category do they fall into?
2. What are their methods for accessing capital?
3. If their main method of gaining capital is through savings,
4. Are they in a savings group?
5. Do they have a savings plan?
6. Can they join a local digital savings method for their inputs?
7. If you can only co-invest to a level of 40% of their needs
8. What is the timeframe you will need for raising the capital to support the new venture?
9. Should you give the agripreneur more debt/credit?
10. Should you wait?
11. Are there opportunities for equity stakes in a business and is that a good idea?

Session 1.2: Criteria for a successful business

Activity 1.4 Individual activity: The new extensionist in agripreneur development

Answer the following questions in your own words.

1. Briefly explain the benefits involved in pluralistic extension services. (5)

Answer:

- *Pluralistic extension:*
- *Addresses the need for specific extension services for specific contexts, economic enterprises, livelihood operations and for different farmer categories;*
- *Addresses the wide variety of demands, while making better use of the variety of service providers available;*
- *Develops better services by means of the cooperation between the public and private sector;*
- *Shifts the coordination and accountability between extension services and other service providers to the level of the farmers, farmer groups and organisations;*
- *Provides a system in which the quality and content of extension services are more responsive to the needs and priorities of farmers, e.g. some services focusing on enhancing the social inclusion of vulnerable groups and others focus on developing and empowering the value chain.*

2. In your opinion, what are most important characteristics of an agripreneur? (10)

Answer: The learners may include any ten the following characteristics in their answers:

Successful entrepreneurs:

- *Have the initiative, drive and ability to identify and take advantage of opportunities;*
- *Are creative leaders who are always looking for opportunities to improve and expand their businesses;*
- *Are determined to implement their vision and ideas and to achieve their goals;*
- *Thrive on change and cope well with uncertainty;*
- *Know how to identify and evaluate risks and are willing to take calculated risks, while accepting responsibility for both profits and losses;*
- *Can organise people, strategies and technologies to fit changing environments;*
- *Are creative problem-solvers, understand the decision-making process and enjoy making decisions;*
- *Establish strong partnerships and other relationships and work well with other people;*

- *Are innovators who are always looking for better and more profitable ways to do things, which is particularly important in the face of strong competition and a changing agricultural market environment;*
- *Are honest and trustworthy;*
- *Are eager to learn and keep themselves informed about the latest developments and trends in the agricultural environment.*

3. Outline the process that you would follow to analyse the cost of resources in preparation of starting a business. (10)

Answer:

The best way of analysing the costs involved in the identified resources is to inspect all the information about the activities and resources. The following process can help you to identify analyse and prioritise resources.

Step 1: Vision and identify possible costs and benefits of each resource by:

- *Listing all resources related to each of the activities that has to be performed;*
- *Allocating costs to each of the identified resources; and*
- *Identifying the benefits of the resources listed.*

Step 2: Prioritise resources by comparing costs and benefits

It is important to compare the value of your costs to the value of your benefits and to use this analysis to prioritise your resources. You have to calculate your total costs and your total benefits and compare the two values to determine whether your benefits outweigh your costs.

Total: 25 marks

Session 1.3: Evaluating entrepreneurs (clients)

Activity 1.5 Individual activity: Evaluating entrepreneurs Answer the following questions in your own words.

1. Outline the criteria that a strong business opportunity has to meet. (5)

Answer: A strong business opportunity usually has to meet the following criteria:

- *The product meets a need ;*
- *The opportunity has to work in your location;*
- *Having access to the resources;*
- *Providing the product at the right price;*
- *Timing is a key element when evaluating business opportunities.*

2. Design a questionnaire - consisting of ten questions - that you can use to assess the readiness of your clients to take a business approach and enter agri-entrepreneurship. Record your questions in the following table format. (10)

Question	YES	NO

Answer: The learner should only design an elementary questionnaire and does not need to include highly sophisticated or structured questions with different options. Questions such as the following may be considered:

Question	YES	NO
<i>Do you have a strong drive for success?</i>		
<i>Do you regard yourself as a leader?</i>		
<i>Do you plan ahead?</i>		
<i>Do you prefer to make your own decisions, with input from others?</i>		
<i>Do you enjoy competition?</i>		
<i>Are you strong enough to face the challenges and risks of running your own business?</i>		
<i>Do you work well under pressure?</i>		
<i>Do you know which basic skills you need to be successful in business?</i>		

Question	YES	NO
<i>Are you prepared to go for training if you do not have all the skills need in agri-entrepreneurship?</i>		
<i>Have you ever work in a supervisory position?</i>		
<i>Do you work well with people?</i>		
<i>Are you prepared to delegate tasks, hire, motivate and discipline people/workers?</i>		

Total: 15 marks

Session 1.4: Defining the business idea

Activity 1.6 Individual activity: Testing the viability of a business idea

Complete the following practical activity.

In a group, discuss how you would assist a client to test the viability of his business idea.

Answer: Learner's own answer.

Activity 1.7 Individual activity: Defining the business idea

Answer the following questions in your own words.

1. Briefly explain to a client what it means to identify the business gap. (7)

Answer:

Identifying a business gap involves the following:

- *Study trends in the market that the farmer or producer intends to enter;*
- *Listen to customers and try to determine what their expectations and concerns are and what they like or dislike about the farmer's competitors;*
- *Establish what customers require in terms of product cost, quality and service delivery;*
- *Identify customer needs that are not currently being addressed;*
- *Determine if there is room for the farmer's product in the market by identifying competitors' strengths and weakness, in order to identify gaps in their services that the entrepreneur may offer;*
- *Identify areas of specialisation that the entrepreneur's competitors do not address; and*
- *Define the competitive advantage of the entrepreneur's product.*

2. Briefly explain the concept of value proposition. (6)

Answer:

A value proposition is a statement that identifies and briefly describes the unique value that a product would bring to your customers that your competitors' products do not offer. In other words, the value proposition summarises the reasons for a customer buying a particular product and, in this way, it:

- *Offers a clear explanation of your product;*
- *Gives an indication of the way in which your product differs from alternatives on the market; and*
- *Outlines the reasons why customers would prefer your product over your competitors' products.*

3. How would you help your clients to identify a business gap? (10)

Answer:

A business gap can usually be found in an area in which consumers are not yet buying a particular product, or in which there is a customer demand that has not been met. Business gaps range from the need for new products to changing a current product, or offering it in an alternative way, e.g. importing bulked soybean or providing organic coffee to the international market.

Identifying a business gap involves the following:

- *Study trends in the market that the farmer or producer intends to enter;*
- *Listen to customers and try to determine what their expectations and concerns are and what they like or dislike about the farmer's competitors;*
- *Establish what customers require in terms of product cost, quality and service delivery;*
- *Identify customer needs that are not currently being addressed;*
- *Determine if there is room for the farmer's product in the market by identifying competitors' strengths and weakness, in order to identify gaps in their services that the entrepreneur may offer;*
- *Identify areas of specialisation that the entrepreneur's competitors do not address; and*
- *Define the competitive advantage of the entrepreneur's product.*

Total: 23 marks

Summative assessment: Unit 1

Answer the following questions in your own words.

1. Identify the fee-for-service methods that are applied in developing countries. (5)

Answer: In developing countries, the following types of fee-for-service methods have been implemented:

- *Direct contracts between governments, local authorities and private consultants to provide extension services for a limited period;*
- *Direct contracts between governments, local authorities and private consultants, which include payment rates based on the producer's' income level;*
- *Direct agreements between producers and extension services in which payment is calculated in terms of crop or profit share;*
- *Tradable extension vouchers that are funded and awarded to low-income farmers by government, based on certain criteria; and*
- *Direct contracts between farmer groups and extension services and other experts.*

2. Briefly explain why it is important for an agri-entrepreneur to have a vision for his business. (6)

Answer:

A vision is a brief description of what a business or an organisation wants to become and achieve in future. Having a vision has a number of benefits for the agri-entrepreneur, in that it:

- *Gives a better understanding of the environment in which the business will be operating in future and what the business needs to be successful in that environment;*
- *Gives a clear focus on the things that really matter to the business, so that time and resources are not wasted on unnecessary tasks;*
- *Provides a common goal that can be used in building teams and encouraging teamwork;*
- *Simplifies decision-making, in that every decision can be tested against the vision;*
- *Provides a tool for measuring business progress; and*
- *Makes it possible for the business to integrate all its change efforts into a single process, in order to process the demands of the changing business environment (e.g. technological changes, financial changes, changes in government legislation and regulations and changes in markets and competition.*

3. Explain the role and importance of competitor analysis in the value proposition and identify the steps involved in conducting a competitor analysis. (8)

Answer:

Businesses operate in a highly competitive environment and, therefore, it is crucial to be familiar with what their competitors are doing. Like the identification of a business gap, a competitor analysis lies at the basis of a value proposition. A competitor analysis is a tool that is used to evaluate the strengths and weaknesses of the competitors of a business in a particular market. Once you know your clients' competitors' products, strategies, strengths and weaknesses the information can be included in the value proposition.

The following four steps are involved in conducting a competitor analysis:

Step 1: Conduct market research;

Step 2: Collect information on competitors;

Step 3: Analyse the collected competitor information; and Step 4: Determine your position in the market.

4. Distinguish between customers in the consumer market and customers in the industrial market. (4)

Answer:

The consumer market refers to the markets for products that are bought by individual customer for their own or family use.

The industrial market involves the sales of goods and products between businesses. In the agricultural sector, customers in the industrial market include supermarkets, hotels and restaurants, feed markets and export markets.

Total: 23 marks

Study unit 2: Evaluating the key skills involved in running a business

Session 2.1: Evaluating the key skills involved in running a business

Activity 2.1 Individual activity: Evaluating the key skills involved in running a business

Answer the following questions in your own words.

1. Identify the basic skills that a farmer needs to conduct a market analysis. (7)

Answer: The following skills are required to conduct market analysis:

- *Critical thinking skills;*
- *System-analysis skills;*
- *Operations analysis skills;*
- *Decision-making skills;*
- *Problem-solving skills;*
- *Coordinating skills; and*
- *Communication skills.*

2. Identify the essential production operation skills that the agri-entrepreneur requires. (9)

Answer: The following production operation skills are essential to running an agri-entrepreneurship:

- *Selecting, designing, operating, controlling and updating the production system;*
- *Short and long-term planning in terms of what and how to produce;*
- *Making decisions in terms of the timing of production operations, e.g. sowing according to soil conditions and seasons, sowing methods and fertiliser levels;*
- *Selecting the resources and materials needed to produce agricultural products;*
- *Scheduling and controlling production processes;*
- *Selecting and operating farm machinery and equipment;*
- *Routing, which consists of designing the workflow from the selecting input (e.g. seeds, fertilisers and agro-chemicals) to the point of packaging and selling the product;*
- *Monitoring and evaluating the production operation; and*
- *Solving complex problems that may occur in the production operation.*

Total: 16 marks

Activity 2.2 Individual activity: Assessing the key skills level of an agri-entrepreneur

Complete the following practical activity.

1. You are supporting and advising a farmer in Malawi who is starting a small-scale business operation producing organic vegetables. Design a rating scale that you can use to assess his skill level in the following basic skills that he needs to run this operation:

- Production operation skills; and
- Marketing and sales skills

Answer: The following is an example of a rating scale that the learner may design. The learners should relate their rating scales to the operation given in the question, i.e. the organic farming operation.

Skills	1	2	3	Comments
Production operation				Insert comments regarding training and skill development that should be introduced.
Operating the production system				
Scheduling and controlling operations				
Planning what and how to produce				
Decision making about production and operations				
Resource, equipment and materials selection				
Designing workflow and input operations				
Monitoring production operation				
Problem solving in daily production				
1 = Not competent: Needs training and skill development 2 = Average: Needs improvement 3 = Competent				

Summative assessment: Unit 2

Answer the following questions in your own words.

1. Explain to a farmer group what a business plan is. (6)

Answer:

A business plan is a document that outlines the financial and operational goals of a business for the near future and shows how these goals will be achieved. In other words, a business plan is a written description of the future of a business. A business plan also describes:

- *The value proposition;*
- *Means of delivery to key customers;*
- *The resources and partners needed to deliver the product; and*
- *Basic income and costs.*

2. Identify the skills that a farmer needs to do business planning. (8)

Answer: In order to do business planning, the agri-entrepreneur should develop the following skills:

- *Setting goals that align with the value proposition of the business;*
- *Identifying a value proposition that fits with customer needs;*
- *Collecting, organising, analysing and interpreting information and situations;*
- *Diagnosing problems and identifying relevant causes of the problems;*
- *Evaluating and comparing courses of action to address problems;*
- *Predicting and forecasting;*
- *Estimating the time and effort required to complete tasks; and*
- *Implementing and monitoring actions and tasks.*

3. In your opinion, what are the six most important negotiating skills that an agri-entrepreneur would need? (6)

Answer: Any six of the following negotiating skills:

- *Active listening skills;*
- *Clarify issues by asking relevant questions;*
- *Identify the key issues involved in the negotiation;*
- *Identify areas of common ground between negotiating parties;*
- *Develop a line of logical, reasoned argument;*
- *Put their points across clearly and understandably using verbal communication skills;*

- *Identify and structure the problem, identify possible solutions or courses of action and decide on the most suitable option using problem solving skills;*
- *Plan alternative outcomes if a satisfactory decision cannot be reached;*
- *Use decision-making skills;*
- *Use presented facts to make decisions with reasoning skills; and*
- *Use persuasion skills.*

4. Identify the steps involved in the sales process. (6)

Answer: The sales process has the following six basic steps:

- *Prospecting for new leads;*
- *Initial contact with the prospect;*
- *Presentation of sales materials;*
- *Objection handling;*
- *Closing the sale; and*
- *Follow up/after sales service.*

5. Identify four essential skills that a farmer needs to perform the sales function. (4)

Answer: Four of the following skills:

- *The skills required to perform the sales function include:*
- *Prospecting skills;*
- *Written and verbal communication skills;*
- *Active listening skills;*
- *Influencing and persuasion skills;*
- *Presentation skills in order to make effective sales presentation; and*
- *Reporting writing skills in order to compile regular sales reports.*

Total: 30 marks

Study unit 3: Identifying markets, mapping resources and conducting business planning

Session 3.1: Identifying market opportunities

Activity 3.1 Individual activity: Identifying market opportunities

Answer the following questions in your own words.

1. Briefly explain the way in which the market opportunity identification (MOI) can assist the both the extension agent and the agri-entrepreneur in spotting a market gap. (3)

Answer: The market opportunity identification process helps agents and farmers to evaluate:

- *Market demand and buying conditions for existing products with reference to collective marketing within a group;*
- *Market options for new products to encourage diversification, with an emphasis on higher value goods; and*
- *Market options for value added products, so that service providers can assist farmers in shifting from raw to processed goods.*

2. Explain why understanding seasonal demand and supply is important to an agri-entrepreneur. (6)

Answer: Market supply and demand are important concepts, because they influence the prices that farmers and agri-entrepreneurs can get for their produce. If agri-entrepreneurs understand seasonal supply and demand, they can:

- *Plan what crops to grow, when to plant and harvest, and where to sell;*
- *Plan to harvest their crops at the beginning or at the end of the season, when prices are higher;*
- *Grow a crop variety that is more expensive than the standard one, for example, red potatoes may be sold for more money than white potatoes;*
- *Decide to grow a more nutritious crop, such as vegetables or fruits instead of maize;*
- *Decide what would be the best time to sell their crop, for example, by storing it until the price goes up;*
- *Try to increase the quality of the crop by protecting it from pests and diseases, so it can be sold for a higher price.*

3. Outline the effects of seasonal supply and demand on the agricultural industry. (6)

Answer:

In countries with highly identifiable seasons, supplies are low at the start of the harvest season and, therefore, prices are high. Prices are at their lowest level when the crop reaches maturity in the main production areas. At the end of the season, prices normally increase again, while

supply declines. Prices are generally highest during the off-season, when only a small percentage of farmers are able to grow the crop.

Short-term changes in supply and demand may be caused by the weather. For example, in cold areas, sunny weather increases the demand for salad crops (tomatoes, lettuce, cucumbers, etc.), whereas vegetables for cooking are in stronger demand during colder weather. In this way, seasonal changes lead to short-term fluctuations in the prices of these products.

4. Identify the steps involved when conducting an interview with a buyer. (9)

Answer: The following steps are usually followed when conducting an interview with a buyer:

- *Always start with a greeting and, if you are talking to someone who does not know you or who is not familiar with the topic of the interview, introduce yourself and explain what you require from them.*
- *Explain to the respondent what the information will be used for and point out the value of the interview.*
- *Being approached by a stranger may make the respondent feel uncomfortable and affect the interview. Therefore, it is important to keep the atmosphere relaxed, even if you are conducting a structured interview.*
- *Try to adopt the language of the interviewees.*
- *Make your questions clear, so that the respondent understands exactly what is being asked.*
- *It is important to keep the interview short.*
- *If the respondent requests you not to reveal their identity then you need to be able to assure them that their identity will not be revealed.*
- *Conduct the interview and keep to matters that are relevant to the research topic y.*
- *Once the interview is done, you can close it off by thanking the respondent for their time and information.*

Total: 24 marks

Session 3.2: Managing key activities and partners in a business

Activity 3.2 Individual activity: Managing key activities and partners

Complete the following practical activity.

1. Choose any agricultural business operation and design a business process map for key operations and activities involved in the operation.

Answer:

There is no 'model' answer to this question. It is important that you try to record all the key activities involved in the operation. You may also consider including information on the employees responsible for each activity.

Session 3.3: Business planning: From canvas to business plan

Activity 3.3 Individual activity: Business planning

Answer the following questions in your own words.

1. Outline the purpose of the business plan. (10)

Answer: A business plan is a document that outlines the financial and operational goals of a business for the near future and shows how these goals will be achieved. The purpose of a business plan is to:

- *Guide the direction of the enterprise over the long-term;*
- *Facilitate the understand of agreement;*
- *Improve organisation and decision-making;*
- *Test and strengthen financial feasibility to show whether the business is making a profit;*
- *Monitor performance, so that changes in can be made in the course of the production season;*
- *Ensure continuity in the business;*
- *Sell the business enterprise to partners such as suppliers, business services and important customers;*
- *Convince lenders and donors to get involved in the enterprise; and*
- *Guides as a guide to the implementation plan of the business.*

Total: 10 marks

Activity 3.4 Individual activity: Designing a model canvas for a business plan

1. Identify a specific farming operation and design a model canvas that the farmer can use to compile his/her business plan.

Answer: Your canvas has to include the following nine areas:

<p><i>Customers</i></p>	<p><i>These are the buyers of the product, such as traders or consumers. For most products, there is more than one type of customer. For example, a supermarket may buy the highest grade output, but the lower grades will have to be sold in a local wholesale market and lowest quality used to feed animals.</i></p>
<p><i>Value proposition</i></p>	<p><i>This is a statement that clearly and concisely describes the unique value of a firm or group's products. It states the firm/group's core objectives, which set it apart from the competition. In most cases, the value proposition focuses on a specific product that the farmers plan to produce Products may include things like maize or milk.</i></p>

<i>Channels</i>	<i>These are indications of the way in which the group plans to deliver the product to the buyer, e.g. by having members deliver to a village collection center ready for pick-up.</i>
<i>Customer relationships</i>	<i>These indicate how the group plans to identify buyers and create and maintain relationships with them, through basic agreements, alliances and or contracts.</i>
<i>Income</i>	<i>This is the money the group earns from selling the product</i>
<i>Key resources</i>	<i>These are the inputs and resources that the group uses to produce the product and they include land, equipment, seed, fertiliser and labour, as well as the group's internal organisation.</i>
<i>Key activities</i>	<i>These are the activities that the group plans to do to produce the product, e.g. planting, crop management, harvesting and drying.</i>
<i>Business services and partners</i>	<i>These are the services and partners that the group uses to produce and market its product, such as input suppliers, the agricultural extension service and a microfinance institution.</i>
<i>Costs</i>	<i>These are the costs that the group incurs in order to produce and market the product.</i>

Summative assessment: Unit 3

Answer the following questions in your own words.

1. Design a basic questionnaire that a client can use in an MOI survey. Include at least fifteen questions in your questionnaire. (15)

Answer: The learner may include the following types of questions in the questionnaire:

- *Where can the buyers be reached (i.e. buyers' contact information)?*
- *What are the trends in demand for the (selected) products?*
- *Which products in this market are in highest demand and why are they in high demand?*
- *Which products are in low supply and why are they in low supply?*
- *What are the price of the main products of interest?*
- *What is the seasonality of the main products of interest?*
- *What are the buying conditions?*
- *Volume*
- *Quality*
- *Minimum purchase lots*
- *Buying frequency*
- *What are the terms of payment?*
- *Would you (i.e. selected buyer) be interested to work with our farmers?*

2. Identify the benefits involved in conducting a market visit. (6)

Answer: There are a number of benefits involved in taking part in a market visit, in that it makes it possible for agri-entrepreneurs to:

- *Monitor the external environment that may affect their market opportunities and business success;*
- *Identify potential opportunities in the market;*
- *Reach customers, buyers and business partners directly;*
- *Raise your profile and credibility in the market;*
- *Identify and overcome barriers to entry in the market (e.g. the bargaining power of buyers and suppliers); and*
- *Understand the nature and intensity of competition in the market.*

3. Explain why a farmer must understand the effects of seasonal supply and demand. (7)

Answer: If farmers understand seasonal supply and demand, they can:

- *Plan what crops to grow, when to plant and harvest, and where to sell;*

- *Plan to harvest their crops at the beginning or at the end of the season, when prices are higher;*
- *Grow a crop variety that is more expensive than the standard one, for example, red potatoes may be sold for more money than white potatoes;*
- *Decide to grow a more nutritious crop, such as vegetables or fruits instead of maize;*
- *Decide what would be the best time to sell their crop, for example, by storing it until the price goes up;*
- *Try to increase the quality of the crop (for example, by protecting it from pests and diseases), so it can be sold for a higher price.*
- *Information on and knowledge of market supply and demand help the agri-entrepreneur to understand the importance of specific products and to make use of opportunities that occur because of changes in demand and supply.*

4. Explain the effect of market size and market growth on product selection as an essential element in key buying conditions. Use examples to illustrate your answer. (10)

Answer:

Market size

Large markets have a greater capacity to absorb additional supplies than small markets. It is important to avoid a situation where farmers are supported to produce and sell a certain commodity, but end up facing low and declining prices because the market is too small and therefore unable to absorb new supplies.

However, market size alone is not enough to ensure absorption capacity. Some markets may be large in size but already oversupplied.

Examples:

- *Urban markets and export markets have much greater absorption capacity.*
- *The market for most traditional export commodities is saturated, e.g. there is excessive supply and very intense competition in the world market for coffee, tea, and cotton.*

Market growth

Growing markets have much greater potential for absorbing additional supplies and generating remunerative opportunities than stagnant markets. Products sold in medium to high growth markets therefore merit special consideration.

Growing markets are better at absorbing additional supplies and creating opportunities for profit than markets that have grown stale. Products sold in medium to high growth markets, therefore, merit special consideration. A product that has a demand that grows at an annual rate of 5% or more can be listed in the high-growth category. Products that have a growth rate of 3–5% per annum belong to an intermediate category, while those that have less than 3% growth are in the low-growth category.

Examples:

- *Global demand for staples (e.g. rice) and traditional export commodities (e.g. cotton, coffee and tea) is relatively stagnant but the risk are also relatively low.*
- *Export markets for organic and 'ethical' products, fresh vegetables and fruits, flowers, cashew nuts, spices, essential oils, and aromatic and medicinal plants are expanding rapidly, but this potential for growth comes with increased risk.*
- *Domestic markets for milk, fish, meat, fruit and vegetables also enjoy high growth rates.*

5. Identify the essential terms that have to be included in a sales agreement. (9)

Answer: The sales agreement has to include terms for the following elements:

- *Scope and duration of the agreement;*
- *The obligations of each party to the agreement;*
- *Consequences of failing to fulfil obligations;*
- *Quality and grading of the product;*
- *Prices and taxes;*
- *Invoicing and terms of payment;*
- *Delivery, risk of loss, handling and packaging terms; and*
- *Terms of product return, if necessary.*

Total: 47 marks

Study unit 4: Financial management, sales and risk management

Session 4.1: Identifying sources of finance

Activity 4.1 Individual activity: Identifying sources of finance

Answer the following in your own words.

1. Identify the criteria that you would use to evaluate and select savings options for an agripreneur. (5)

Answer: The following criteria can be used to evaluate and select savings options:

- *Liquidity refers to how easy it is to turn an asset into cash, e.g. liquid assets (such as cash kept by the individual), can be used immediately, whereas less liquid assets (e.g. animals) first have to be sold, before they can be turned into cash and used to make a purchase;*
- *Risk level involves the potential of savings losing their value, based on varying market prices;*
- *Cost refers to the price of the savings service, e.g. banking fees charged on savings accounts;*
- *Profit is how much a person earns in the form of interest; and*
- *Accumulating assets refers to how easy it is to increase a person's savings, e.g. by making deposits to add to an existing saving.*

2. Briefly discuss the use of SACCOs as a savings option for farmers. (8)

Answer:

SACCOs provide financial services and savings options to millions of people in many countries; particularly to people in low-income groups. SACCOs are user-owned financial institutions in which members, who have equal voting rights, are from the same geographic area, community, or the same employer. The main services of SACCOs are savings and credit.

Choosing a SACCO as a savings option has the following benefits:

- *SACCOs reach clients and areas that are of little interest to commercial banks, e.g. low-income clients in rural areas;*
- *SACCOs often start locally, without any external support;*
- *The small savings accounts provide a stable and low-cost funding source; and*
- *They have lower administrative costs than other financial services providers.*

The main disadvantage of SACCOs is inadequate regulation and supervision, which may result in instability.

3. Define the term investor and outline the factors that contribute to the increasing demand for investment opportunities in the agricultural sector. (4)

Answer: An investor is an individual or an institution who places money into a particular business in return for an ownership or partner stake in the business. The following factors contribute to the increase in the demand for agricultural products and, therefore, investment opportunities in the sector:

- The increasing demand for food produce, which can partly be seen as the result of population growth and longer life expectancies; and*
- Increases in the purchasing power of populations in emerging economies have caused more increases in food demand and changes in food consumption patterns.*

4. Briefly discuss impact investing as a new investment option that is available to farmers. (5)

Answer:

Impact investing involves a new type of 'social investor' that is looking to invest funds in social businesses or socially minded enterprises that show clear social benefits in terms of environmental gains, helping under-privileged people, but also gaining an economic profit. Due to the nature of these types of investments, the investors typically seek a social rate of return, rather than a market rate of return. For the agricultural sector, impact investors are of interest, as they may offer a new source of investment in both short-term trade finance and longer term infrastructure investment. The aim of the investment being to find new ways of capitalising a sector to accelerate and scale growth, as compared with the failure of traditional investment and banking support in smallholder/development agriculture.

Total: 22 marks

Session 4.2: Managing financial resources

Activity 4.2 Individual activity: Managing financial resources

Answer the following questions in your own words.

1. Define the term production costs and explain to a farmer why it is important to calculate their production costs. (5)

Answer: Production costs are all the costs involved in producing or manufacturing a product or delivering a service. Knowing the production costs of your client's products or crops is important, in order to:

- *Determine how well their business is doing;*
- *Evaluate how efficiently resources are being used in their farm operations;*
- *Predict how their business will respond to specific changes; and*
- *Make decisions for attaining their goals.*

2. Distinguish between cost-based pricing, value-based pricing and competition-based pricing. (6)

Answer: In cost-based pricing, the product price includes the operating, manufacturing or production costs of the business. Once the production costs have been calculated, add the profit level that needs to be achieved to the production sub-total to determine the price.

Value-based pricing, also known as customer-based pricing, is based on the customers' perception of the value of the product, which involves customer preferences, convenience, product quality and benefits, as well as alternative products offered by competitors.

Competition-based pricing is focused on an industry and, therefore, on existing and emerging competition. Once an entrepreneur knows what their competitors are doing, they can decide how to price their products.

3. Why is it important for a farmer to manage their cash flow? (3)

Answer: If a farmer manages their cash flow properly, they will make sure that they:

- *Do not run out of cash;*
- *Improve relationships with their suppliers, because invoices are paid immediately; and*
- *Spot cash flow problems before they actually happen.*

4. Distinguish between gross profit, operating profit and net profit. (9)

Answer: Gross profit simply refers to revenue minus inventory expenses. Gross profit can be a useful tool to examine the finances of a farming operation to see how profitable it would be if all other expenses were excluded.

Operating profit is similar to gross profit, but it takes other costs into account. In order to determine operating profit, the gross profit is calculated first and then operating costs—like rent,

labour, transport, storage, utilities such as lighting and phones and other fixed costs—are subtracted. This leaves the total operating profit.

Net profit is the amount of money that is left in the account at the end of the year or season, after subtracting all business-related costs from the revenue. In order to work out net profit, calculate the operating profit and then subtract any one-time expenses (e.g. advertising costs, legal fees and other irregular expenses).

4. Define the term cash flow forecast. (2)

Answer: A cash flow forecast is basically an estimate of the amounts and the timing of receipts (cash inflows) and payments (cash outflows) that a farmer expects over a particular period (usually a season or year), broken down by month. It is an important business tool that enables an entrepreneur or a farmer to estimate income and expenses of their business.

Total: 25 marks

Session 4.3: The basics of sales

Activity 4.3 Individual activity: The basics of sales

Answer the following questions in your own words.

1. Identify the different types of sales agreements into which an agripreneur can enter. (4)

Answer: The agripreneur can enter into following types of sales agreements:

- *Handshake local agreement*
- *Cash forward agreement;*
- *Deferred pricing agreement;*
- *Deferred payment agreement; and*
- *Minimum price agreement.*

2. Define each of the following terms. (8)

a) Agreement

b) Contract

c) Sales contract

d) Term

e) Condition

Answer:

a) An agreement is a non-binding commitment to sell to a willing buyer

b) A contract is an oral or a written agreement where two (or more) parties bind themselves to certain obligations that they agree to fulfill, in some cases these contracts are legally binding.

c) A sales contract is a legal agreement to accept or deliver a specified quantity of a product (e.g. grain) with a specified minimum physical or chemical content that is produced according to a specified method.

d) Term is a provision in the contract that states an obligation or set of obligations imposed on one or more of the parties. Failure to fulfil a term of a contract results in a breach of the contract.

e) A condition is a contractual term. If a condition or contract is breached, it gives the injured party the right to cancel the contract and claim damages.

3. Identify the external market and economic factors that may affect sales and sales forecasting. (8)

Answer: The following external market and economic factors, which are beyond your client's control, may also affect sales:

- *Seasonality of the business;*
- *Relative state of the economy;*

- *Direct and indirect competition;*
- *Political events and changes in legislation and regulations governing the industry;*
- *Consumer earnings and spending potential;*
- *Population changes;*
- *Weather conditions, patterns and changes; and*
- *Changes in productivity.*

Total: 20 marks

Session 4.4: Assessing risk

Activity 4.4 Individual activity: Assessing and mitigating risk

Answer the following questions in your own words.

1. What does production risk include in the agricultural industry? (5)

Answer: Climatic and environmental risks that are not predictable - such as droughts, floods and diseases - influence the amount and the quality of agricultural output. Therefore, agricultural production is often characterised by varying production outcomes. Climatic factors may lead to a total or partial loss of crops or herds, which may have long-term implications for the farmer. Farm equipment may also hold a production risk. For example, if a farmer's tractor breaks down during the production season, he may not be able to harvest in time, which may affect his output, profit and income.

2. Outline the steps in the agricultural risk management process. (5)

Answer: The agricultural risk management process has five steps, which are discussed below:

- *Step 1: Identify possible sources of risk, such as environmental factors, unstable market conditions and price changes;*
- *Step 2: Identify possible outcomes resulting from the sources of risk, including low production and low-income periods in the production cycle;*
- *Step 3: Decide on alternative strategies;*
- *Step 4: Assess the consequences of each possible outcome of each strategy; and*
- *Step 5: Evaluate the results between the cost of risk and the gains that can be made.*

3. Explain to a farmer group how they can manage production risk in their farming operations. (7)

Answer: Production risk may be managed by implementing:

- *Risk-reducing inputs, which improve the chances of higher quantity and quality of farm products, e.g. fertilisers, pesticides, compost and irrigation;*
- *Risk-reducing technologies, such as drought-resistant seed and disease and pest-resistant seed for crops, irrigation technology for high-value crops and breeding livestock specifically for the market;*
- *Low-risk operations with high profit potential, e.g. smallholder farmers planting a drought-resistant sorghum, rather than other varieties that may fail in a drought;*
- *System flexibility, which makes it possible to make quick and short-term decisions and changes to production and sales;*
- *Production diversification techniques such as:*
 - *Managing multiple farm enterprises together at the same time or in the same season;*
 - *Engaging in the same farm enterprise in different locations;*

- *Engaging in the same farm enterprise over successive periods or seasons; and*
- *Generating income from off-farm activities.*

4. Explain how a farmer can reduce financial risk. (7)

Financial risk is caused by uncertainty and borrowing money to finance farming operations. It can be addressed by the following strategies:

- *Farmers who save for future investments are able to buy inputs with less need to borrow capital, this reduces their exposure to debt.*
- *Increasing the capital available to farmers through loans, which enables them to expand their operations, bearing in mind that they have to meet the financial obligations of paying back the loan;*
- *Improve liquidity by selling assets that are most easily converted into cash;*
- *Generate additional income by leasing assets (e.g. land, machinery and equipment), which allows the farmer to use equipment that might not have been profitable to buy;*
- *Managing the timing of investments, e.g. by spreading purchases over several months, rather than buying all equipment at the same time; and*
- *Where possible farmers should insure operations against major risks, such as death, accidents and sickness, as well as fire and loss of crops by storms or floods.*

Total: 24 marks

Summative assessment: Unit 4

Answer the following questions in your own words.

1. Advise an agripreneur on the criteria that they should consider when evaluating savings options. (5)

Answer: Your client should keep the following criteria in mind when evaluating and selecting savings options:

- *Liquidity is how easy it is to turn an asset into cash, e.g. liquid assets (such as cash kept by the individual), can be used immediately, whereas less liquid assets (e.g. animals) first have to be sold, before they can be turned into cash and used to make a purchase;*
- *The risks associated with savings indicate potential of savings losing their value, based on varying market prices;*
- *The cost associated with savings is the price of the savings service, e.g. banking fees charged on savings accounts;*
- *The profit associated with savings is how much a person earns from their savings in the form of interest; and*
- *Accumulating assets is how easy it is to increase a person's savings, e.g. by making deposits to add to an existing savings account.*

2. Briefly explain why micro-financing should be considered very carefully as a source of finance. (5)

Answer: Using micro-credit has the following disadvantages:

- *At present very few micro-finance institutions lend in rural areas, and it is rare that they lend to farmers;*
- *The costs involved in microcredit is high, partly because one is dealing with a large number of small loans;*
- *The lending conditions are limited, in that the loans are short- term and for small amounts only, which makes micro-credit a less suitable option for agri-business management; farmers need multi-disbursement loans, which few MFIs offer;*
- *Some micro-credit systems offer loans only and the importance of local savings is sometimes underestimated; and*
- *Some people (particularly the poorest people) are excluded from micro-financing.*

3. Create a seasonal calendar for financing needs for a farming operation of your choice. (15)

Answer: The learner's seasonal calendar should include the following categories of financial information

- *Season;*

- *Income;*
- *Household expenses;*
- *Business expenses;*
- *Savings; and*
- *Loans.*

Award 12 marks (2 marks for each category of information) and 3 marks for the graphic presentation of the calendar; total = 15 marks.

4. Explain the purpose, nature and calculation of production costs to a farmer group. (9)

Answer: Production costs are all the costs involved in producing or manufacturing a product or delivering a service. Knowing the production costs of your products or crops is important, in order to:

- *Determine how well your business is doing;*
- *Evaluate how efficiently resources are being used in your farm operations;*
- *Predict how your business will respond to specific changes; and*
- *Make decisions for attaining your goals.*

It is important to note that production costs refer to direct costs only. Direct costs relate directly to the production or manufacturing process, whereas indirect costs may be necessary to make or produce a product, but they cannot be traced directly to the specific product, e.g. property taxes, rent, electricity services, insurance, etc.

Direct costs are costs that relate directly to the production or manufacturing of a product, for example:

- *Direct costs of the materials needed to produce the product (e.g. crop), which may include units of seed, fertiliser, irrigation water, etc.; and*
- *Direct labour costs are the total costs involved in employing workers who are directly responsible for the production process, e.g. salaries or wages, payroll taxes and pension fund contributions.*

You calculate the total production costs of a product by adding all the direct costs involved in the production process.

5. Why is it important for a farmer or agripreneur to manage his/ her cash flow? (3)

Answer: Managing your cash flow properly, enables you to:

- *Make sure that you do not run out of cash;*
- *Improve relationships with your suppliers, because their invoices are paid immediately;*
- *Spot cash flow problems before they actually happen.*

6. Explain the process involved in the cash flow forecast. (12)

Answer: The following steps are involved in creating a cashflow forecast:

Step 1: Estimate your potential sales

The first step is to estimate your expected sales for each week or month:

- *Use your previous sales history from the last couple of years to get an idea of the level of weekly or monthly sales that you can expect;*
- *Remember to consider current conditions and trends in the market;*
- *If you're planning a new marketing drive or launching a new product, you have to include the expected increased sales in your forecast; and*
- *Remember to plan for seasonality, which is particularly important in the agricultural business, because most of your sales occur at a particular time of year.*

Step 2: Estimate your payment timing

In Step 2, you estimate when you expect to receive payment for your sales. If you sell on credit, include the likely delay in payment into your cash flow forecasts, e.g. if your terms of payment are 30 days, you can then expect to receive your payment within one or two months after the sale has been made.

Step 3: Estimate your costs and loss

Once you have your expected sales and payment information in place, you have to estimate the costs involved in running your business. These costs may include agricultural input costs (seeds, fertilisers, pesticides, etc.), vehicle and equipment costs, employee salaries, insurance, loan repayments, bank costs and interest on loans, marketing and promotion costs.

Step 4: Apply the forecasts

Once you know your weekly or monthly income and expenses, you ready to record them in a cash flow forecast template.

7. Identify the internal factors that influence the sales function and the sales forecast. (8)

Answer: The following internal factors related to the sales function may impact on the sales forecast:

- *Labour problems;*
- *Sales motivation plans*
- *Stock or product shortages;*
- *Working capital shortage;*
- *Changes in the product price;*
- *Change in distribution method;*
- *Production capability shortage; and*
- *Introduction of new products.*

8. Advise a client how to analyse and review the quality and volume of sales. (4)

Answer: Analysing and reviewing your sales data involves the following steps:

- *Calculate the values (sales or profit) of each product for a particular period (e.g. a year) and add the values to get a total;*
- *Calculate the value of each product as a percentage of the total sales value for the period;*
- *Arrange the calculated values and percentage of the products from high to low; and*
- *Analyse the results and try to determine the variables that distinguish the products with high sales volume from those with low sales volume.*

9. Briefly explain how the agripreneur can manage marketing risk in his/her farming operation.

(7)

Answer: Marketing risk, which results from the variability of product prices and the uncertainty of future market prices, can be addressed by using the following risk management strategies:

- *Spreading sales by storing a crop after harvest, until it can be sold at different times and for better prices;*
- *Enhancing profitability to selling directly to the final consumers;*
- *Making contractual agreements with buyers in advance, thereby ensuring a fixed product price;*
- *Developing trust with the buyers, so as to obtain the best deal and maximise profits; and*
- *Keeping track of market prices relevant to their products.*

Total: 68 marks

Study unit 5: Record keeping

Activity 5.1 Individual activity: Operations and financial record keeping

Answer the following questions in your own words.

1. Identify five types of production records that should be kept for a farming operation. (5)

Answer: Any five of the following production records:

- *Seed-starting records;*
- *Planting record;*
- *Harvesting scheduling record;*
- *Pest management record;*
- *Irrigation record;*
- *Equipment cleaning scheduling record; and*
- *Delivery scheduling record.*

2. Distinguish between an invoice and a receipt as financial records. (7)

Answer: An invoice is evidence of a particular business transaction. The invoice helps in recording expenses and the payment of expenses. A receipt is a document that records the following information:

- *The date and time of a particular purchase;*
- *Item(s) purchased and the number of items purchased;*
- *Purchase price and totals;*
- *Method of payment; and*
- *The name of location of the store or supplier where the purchase was made.*

3. Explain the cash book as a financial record in an agricultural operation. (5)

Answer: The cash book, which is one of the main financial records in any business, reports on the cash that comes into the business (e.g. by means of product sales) and the cash that is used to pay for daily items during a particular period. The cash flow statement organises and reports the cash generated and used in the following four categories:

Item;

- *Cash in;*
- *Cash out; and*
- *Balance.*

Total: 17 marks

Summative assessment: Unit 5

Answer the following questions in your own words.

1. Explain to a farmer group why they should keep operations records and financial records. (6)

Answer: Keeping operations records makes it possible to evaluate the performance of your operation during a particular period and to check that your operation is running according to plans and schedules.

Financial record keeping makes it possible to determine the financial condition or profitability of your business. Using financial records helps you to understand how and where your business is going, identify the weak links in your business and enable you to take corrective actions to address them.

2. Outline the information that is recorded in the harvesting scheduling record. (5)

Answer: The harvesting scheduling record gives you the following information:

- *The crops and varieties harvested and the amounts harvested;*
- *The harvesting techniques used;*
- *The crop that is ready for harvest during every month of the year, which is particularly helpful if you are running a larger scale operation;*
- *Post-harvesting handling methods (e.g. washing, packaging, etc.); and*
- *The harvesting record also helps you to determine if and when you should hire extra labour in the fields for a particular harvesting period.*

3. Identify the financial records that should be kept as part of farm management. (6)

Answer: The following financial records are kept as part of efficient farm management:

- *Invoices;*
- *Receipts;*
- *The cash book;*
- *The sales book, costs;*
- *Account and investment statements; and*
- *Employment records.*

4. What is the purpose of the invoice as a financial record? (3)

Answer: An invoice is evidence of a particular business transaction. The invoice helps in recording expenses and the payment of expenses.

Total: 20 marks

Study unit 6: Building a business and managing relationships

Session 6.1: Putting plans into action and monitoring progress

Activity 6.1 Individual activity: Putting plans into action and monitoring progress

Answer the following questions in your own words.

1. Briefly explain the importance of proper planning when launching a business. (6)

Answer: Although the business plan is a valuable tool in any business, planning the launch of a business is not limited to the business plan. It is important to include the following four levels in enterprise planning: marketing, business planning, production and post-harvest planning. Your clients should consider obtaining the advice of experts in the industry, who have in-depth knowledge and experience, in order to refine the business plan and model.

On the production level of planning, you and your client have to consider the following:

- *All the requirements that may be needed, e.g. land, seeds, labour and capital;*
- *Potential problems, such as the effects of rains being earlier or later than normal;*
- *Post-harvest handling, which includes sorting, grading, packing, storing and transporting the crop to the market; and*
- *Cost and quality.*

2. Identify the types of customer information that is required as part of the process of launching an agripreneur or farming operation. (4)

Answer: It is essential to understand the characteristics and buying behaviour of your potential customers: they are one of the key determinants of your business success. You need to determine:

- *What drives their buying decisions;*
- *How you can differentiate your products from that of your competitors;*
- *How you can convince of them of the value of your product.*

3. Outline the role of problems and change that may occur when launching a business and indicate how you, as the extension agent, can help the farmer to address the problems and/or changes. (8)

Answer: In all business ventures, there are issues that arise and problems to face. Identifying and managing problems will require the team to meet and discuss issues regularly and these meetings need to be planned. As many businesses go through periods of problems or even failure, a key trait of a strong entrepreneur is the ability to learn from mistakes quickly and to find ways to overcome them. The business team needs to go into their investment with

a clear understanding that they will inevitably face problems and must be ready to make changes constantly, in order to launch and maintain their business successfully.

As the extension agent, you may want to consider the following key aspects, which are involved in the evaluation of change:

- *How can the agripreneur approach be expanded?*
- *How can decision-making support tools be integrated to develop improved market linkage for farmers?*
- *What information and technical support do agripreneur need to make well-informed decisions?*

4. Briefly explain what is involved in monitoring equity and wealth. (4)

Answer: Monitoring equity and wealth involves the following criteria and considerations:

- *Which community members benefited most from the agripreneur development process?*
- *Does the agripreneur improve the livelihoods of vulnerable groups such as women and the poorer social segment?*
- *Does the agripreneur stimulate innovation cycles and streams?*
- *Does the agripreneur stimulate greater investment in sustainable natural resource management?*

Total: 22 marks

Session 6.2: Managing relationships

Activity 6.2 Individual activity: Managing relationships

Answer the following questions in your own words.

1. Distinguish between business relationship management and customer relationship management. (8)

Answer: Business relationship management refers to the strategies, processes and behaviours involved in creating and maintaining value-producing relationships between an agripreneur and all its stakeholders, including: employees (labour), service providers, key partners and financial partners.

Customer relationship management is the application of practices, strategies and technologies to analyse and manage the interactions and relationships between a business and its customers.

2. Identify the principles of business relationship management. (6)

Answer: Business relationship management is based on the following, underlying principles:

- Acknowledge and actively monitor the concerns of all your stakeholders and take their interests into account when making business decisions;*
- Listen to and communicate openly with your stakeholders about their concerns and contributions;*
- Implement processes and modes of behavior that are sensitive to the concerns, opinions and contributions of each stakeholder;*
- Recognise the interdependence of the stakeholders' efforts and try to achieve a fair distribution of the benefits among them;*
- Cooperate with all stakeholders to ensure that your business risks are minimised; and*
- Acknowledge the potential of conflicts between stakeholders and address such conflict (if it does occur) through open communication.*

3. Explain to a group of agripreneurs the purpose of customer relationship management. (7)

Answer: The main purpose of customer relationship management is to analyse customer-related information, in order to:

- Understand customer needs and buying patterns, based on reliable information;*
- Identify buying patterns, so as to identify the high-value customers who produce the greatest profit for your business;*
- Retain existing customers by improving their overall experience with your business;*
- Improve the customer's experience with your business and, therefore, ensuring customer satisfaction and customer loyalty;*
- Attract new customers and entering into new sales contracts;*

- *Drive the sales effort; and*
- *Increase sales growth and profitability.*

Total: 21 marks

Summative assessment: Unit 6

Answer the following questions in your own words.

1. Identify the steps that should be followed when launching a new agripreneurship. (7)

Answer: The following steps are involved in launching your new agripreneurship:

- *Step 1: Conduct proper planning;*
- *Step 2: Test your business idea;*
- *Step 3: Make sure that you know the market;*
- *Step 4: Make sure that you know the customer;*
- *Step 5: Establish cash and other financial resources;*
- *Step 6: Select an appropriate business structure; and*
- *Step 7: Build the right team.*

2. In your opinion, what are the five most important elements in the evaluation of agricultural process performance? (5)

Any five of the following elements are relevant to the evaluation of agricultural process performance:

- *Is the agripreneurship development is an effective mechanism for empowering resource-poor rural communities to link with markets?*
- *What was the level of community participation and empowerment in the process of evaluating the market, designing the entrepreneurship and monitoring the outcomes?*
- *What type of product value or market type combinations work best with the selected communities?*
- *Does agripreneurship development create new market or business entrances?*
- *What are the minimum resources and capacities required to participate in agripreneurship projects?*
- *How do capacity, organisational levels and competence affect process performance?*
- *Does agripreneurship development facilitate better working relationships across development agencies and between public and private-sector agents?*
- *How does agripreneurship development contribute to changes in rural livelihood strategies on community and administrative levels?*

3. Identify the principles of business relationship management. (6)

Business relationship management is based on the following, underlying principles:

- *Acknowledge and actively monitor the concerns of all your stakeholders and take their interests into account when making business decisions;*

- *Listen to and communicate openly with your stakeholders about their concerns and contributions;*
- *Implement processes and modes of behavior that are sensitive to the concerns, opinions and contributions of each stakeholder;*
- *Recognise the interdependence of the stakeholders' efforts and try to achieve a fair distribution of the benefits among them;*
- *Cooperate with all stakeholders to ensure that your business risks are minimised; and*
- *Acknowledge the potential of conflicts between stakeholders and address such conflict (if it does occur) through open communication.*

4. Briefly discuss the following elements of customer relationship management in agriculture.

- CRM goals
- Customer information
- Market approach (12)

Answer:

CRM goals

It is important to align CRM goals to the essential goals of the agricultural enterprise, which directly affect their performance. These goals include:

- *Increasing customer satisfaction with products or services;*
- *Providing value to customers and increasing customer loyalty;*
- *Maintaining long-term relationships with customers (buyers) and retaining existing customers;*
- *Gaining a reputation of fairness among customers; and*
- *Achieving mutual trust with customers.*

Customer information

One of the key elements in the success of both the agripreneurship and the CRM programme is to collect, analyse and use reliable customer-related information and customer behaviour during the customer lifecycle. It is important to use this information in different business areas, from production to marketing.

Market approach

When approaching the market, agricultural business should use strategies such as:

- *Superior product quality;*
- *Superior customer service;*
- *Lower prices;*
- *Product differentiation; and*

- *Customised offering of products as well as lower prices.*

Total: 30 marks

Post-assessment

The post-assessment is to be done once you have read through the module and completed all the activities. Compare your answers to those in the pre-assessment to identify where knowledge has been gained and where improvements can be made.

	Question	Self-assessment				
		Low		High		
1	Have you helped farmers to set up new business opportunity?	1	2	3	4	5
2	Can you spot a great entrepreneur and know what it takes to succeed in business?	1	2	3	4	5
3	Have you worked with agripreneurs to spot a gap in the market?	1	2	3	4	5
4	Have you developed plans with farmers based on results from a market/value chain study?	1	2	3	4	5
5	Have you developed a business plan with or for farmers?	1	2	3	4	5
6	Have you presented a business plan to an investor (project, bank or individual) to access financial support?	1	2	3	4	5
7	Have you completed a study of the strengths and weaknesses of local business development services?	1	2	3	4	5
8	Have you implemented a chain wide upgrading plan to support multiple actors to deploy new business models that improve productivity, profitability and competitiveness?	1	2	3	4	5

Answer: Learner's own answer

Global Forum for Rural Advisory Services (GFRAS) is about enhancing the performance of advisory services so that they can better serve farm families and rural producers, thus contributing to improved livelihoods in rural areas and the sustainable reduction of hunger and poverty. Rural advisory services help to empower farmers and better integrate them in systems of agricultural innovations.