

Part 5:
Business Skills

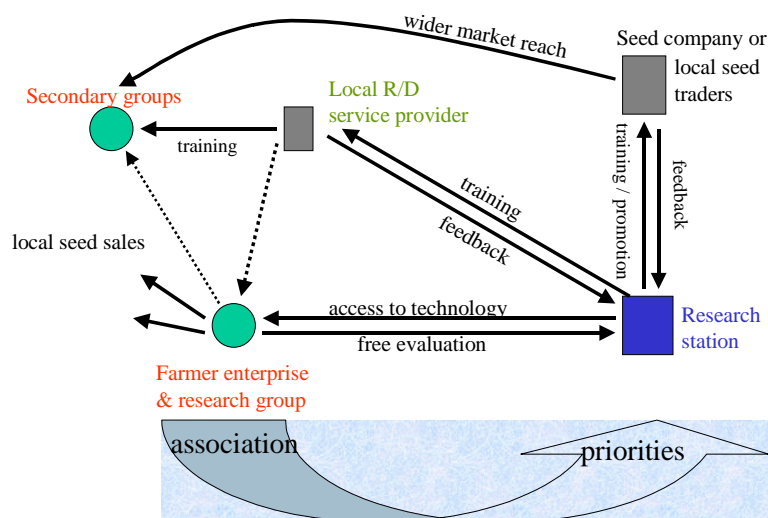
Business Skills for Small-Scale Bean Seed Producers/Entrepreneurs

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Introduction

Local seed business enterprises should be seen in the context of enhancing linkages among research-development continuum stakeholders. These stakeholders include national agricultural research systems and extension service providers (national policy makers and local levels), seed producers and suppliers (local seed producers, seed companies and traders), farmers and their organizations, and the food market. Local seed businesses focus on making seed of improved varieties accessible to remote farmers with low purchasing power, as well as engaging them in a continuous feedback loop to shape research priorities.

Figure 1. Farmer seed enterprises serving local markets through links to research and the commercial sector



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What is Business?

Business is a set of activities conducted to earn a profit by providing a service or a product. General business goals and strategies include reducing costs, reducing risks, and maximizing profits. Bean seed businesses are intended to put more money in farmers' pockets. There are four critical principles in seed businesses:

- Improved inputs and practices lead to increased productivity and, ultimately, profits.
- Profits are also increased through better management and informed decision-making and records keeping.
- Efficiency (and profits) are increased through farmer-to-farmer associations.
- Savings are more profitable inputs than credit.

Business Opportunities in Bean Seed

Business opportunity is found in buyers' needs and interests; specifically, where there is a high probability that a company/individual can profit by satisfying those needs and interests. Bean seed needs/demands can be put in the following categories:

- Bean seed demand due to seed shortages at planting. There is a regular seed demand as result of inadequate seed stocks. It is very common for most resource-poor farmers to run short of bean seed. There is also an irregular demand due to acute seed stress situations, such as drought or floods.
- Demand for new bean varieties to respond to emerging bean grain markets, such as sugar bean, or to increase the genetic pool.
- Improved bean varieties with improved seed quality to increase productivity and profits.

A marketing study by CIAT and the Uganda National Bean Program in four Uganda districts during 1993-1994 to introduce new bean varieties using various seed outlets is summarized in Table 1.

Table 1. Dissemination of seeds of MCM 5001 and CAL 96 through various channels in Uganda.

Distribution channels	Quantity of seeds delivered (kg)	Quantity of seeds sold (kg)	No. of farmers who purchased seeds
Extension agents selling in market	100	92.75	160
World Vision	50	48.5	81
Nakifuma Health Center	50	50	77
Bundanasa Cooperative	40	40	50
Bumulaha Women's Group	25	23	33
Bwinkonge Women's Group	25	25	40
Total	290	279.25	441

Adapted from David S. et al., 1997.

Since different distribution channels reach different users, seed of new bean varieties should be distributed through multiple channels at as many sites as possible. The number and types of households that have access to the new bean varieties vary with the channels used. Seed marketed through clinics and women's groups reaches users faster than through other channels. Rural shops, soda kiosks, and rural markets are promising channels for disseminating both new bean varieties and other improved bean varieties.

Seed business planning involves identifying:

- Bean farmers' seed demand and behavior (market research).
- Inputs required for producing bean seed (physical, financial and human).
- Actual seed production (operational activities).
- Preparing and marketing seed (marketing activities).

Bean Seed Market Research

Seed market research is an organized way for seed producers/suppliers to get accurate information for planning and organizing their business, for product development and marketing. That information includes the preferred bean varieties and classes of bean seed sought by bean farmers, estimated amounts required, preferred packaging (size and packaging materials), the prices customers would like to pay, and a seed related information flow pattern. Responses to the following questions can be useful in understanding bean markets, potential customers, and their behavior:

- What are bean farmers' preferences and bean seed demands?
- Are bean farmers interested in new bean varieties?
- Do farmers want to buy seed as result of inadequate seed stocks (that is, following disaster or exhausting of seed stores)?
- Are farmers concerned about the poor quality of existing bean seed stocks or they would like to acquire good quality seeds?
- Which products do bean farmers want or can they afford? (For example, what level of quality: certified, declared quality and farmers grains/seeds?)
- How much seed do bean farmers require in a targeted bean market?
- What are purchasing and selling prices for seed? What price are most bean farmers willing to pay?
- What are the alternative sources of bean seed (farm-saved bean seed, grain traders, farmer-to-farmer exchange) and their marketing capacities?
- How much does the bean seed market fluctuate and is there a usual pattern?
- What are the constraints to the bean seed and grain markets?
- What is the existing regulatory and policy framework?

Based on the above information, seed entrepreneurs can decide to begin a bean seed business focused on a given product (e.g., breeder's, basic, certified, quality declared seeds; standard seed or farmers' seed). Success will be determined by combinations of the following qualities.

Knowledge, Attitude, Practices, and Skills Needed

- Determination to succeed
- Ability to take risks
- Knowledge, experience, and practices
- Experience in farming
- Business orientation/acumen
- Financial management
- Marketing skills/salesmanship

Business Plan

Project Income Statement

This planning tool allows a businessperson to predict the probable outcome (profit and loss) of a business venture, comparing costs and opportunities for various products. Doing one requires determining the following:

- Cost of production: total costs (Table 2) divided by the total marketed commodity.
- Variable costs for a single production season include land rental fees.
- Costs of seed, fertilizer, pesticides, harvesting bags, and labor (land preparation, weeding and harvesting, pest and disease controls, etc.)
- Post-harvest losses.
- Fixed costs (per unit area), including equipment and facilities (hoes, pangas, land lease, storage facilities, etc.).
- Yield (bean seed per unit area), multiplied by its projected value on the market.

Table 2. Some items to include in the calculation of cost of production.

Items	Unit required	Price per unit	Total cost
Seeds (kg)			
Fertilizers (kg)			
Stakes			
Other inputs			
Labour (person days) for plowing...			
...planting			
...staking			
...weeding			
Certification/field inspection			
Harvesting			
Land rent			
Post harvest cost (pesticide, bags and packaging)			
Fixed costs			
Total cost of production per unit areas			

Table 3. Yield of bean seed.

Bean seed harvested	Unit (kg)	Price per kg	Income
Bean			

Table 4. Post harvest losses.

Damaged bean seeds	Unit (kg)	Price per kg	Loss

Cost of Depreciation

This is the money put aside every year based on the original price of the equipment. It applies only to the most expensive equipment, and is calculated on the original price of the item divided by the number of years plus a certain percentage of depreciation.

Profit Mark-up Calculation

In general, the profit mark-up for seed should be fixed in the range of 20-25% of the total costs (production + depreciation + post harvest losses) and is calculated per commodity unit (kg).

Selling Price

Selling price is the sum of the following: production cost + depreciation cost + post harvest losses + transport cost + profit mark-up. In fixing the selling price, bean seed producers should also consider other competitive forces, consumer preferences, and conditions. This is most important with regard to seed business viability. To make a profit, seed producers must lower costs and increase yields. This can be done by:

- Designing a bean seed production system that fits the targeted market (product design).
- Planting appropriate and high yielding bean varieties (market attractive).
- Optimizing use of other inputs.
- Adequate agronomic management.

Business Management**Record Keeping**

A seed producer needs accurate information for planning and decision-making. Good records allow one to know:

- How resources (money, input, etc.) are used.
- When most sales are made.
- How the seed business is growing.
- When to make purchases.

Adding Value

This enables producers to keep customers and ultimately obtain more profits. Bean seed producers/suppliers can add value to seed by:

- Timely delivery of seed.
- Transport of seeds to deficit areas.
- Product differentiation (production of certified seed, quality declared seed, etc.).
- High quality seeds.
- Supportive information on characteristics of improved bean varieties, regular training and coaching of customers/farmers, public demonstrations.
- Adequate promotion campaigns (customer oriented; e.g., church announcements, pamphlets, posters).
- Customer oriented product packaging (Table 5). In one project, small packaging seed units mitigated bean farmers' perception of high seed prices. Customers most often bought packages of 100, 250, or 500 g.

Table 5. Quantities of MCM 5001 seed sold (%) in relation to bean seed packaging units.

Type of seed packaging unit (kg)	Market (n=89)	Shops (n=47)	Clinic (n=5)	Women groups (n=91)	World Vision (n=61)	Total areas (n=314)
0.25	47	0	30	55	61	50
0.50	39	51	60	37	39	44
0.75	2	0	0	4	0	2
1.00	10	26	0	4	0	4
>1.00	1	24	0	0	0	<1

Adapted from David S. et al 1997 about the experience of CIAT/UNBP seed marketing study in Uganda, 1993-94.

Efficiency and Economy of Scale in Smallholder Organizations

It is profitable and convenient to foster the creation and consolidation of seed producer organizations.

This facilitates the spread of risks and costs among the members, as well as enhancing their bargaining power.

Customer Oriented Bean Seed Promotion

Promotion covers all the communication/awareness creation tools that can deliver relevant messages and information to customers. This can be grouped in four categories: (1) advertisement, (2) sales promotion, (3) public relations, and (4) sales forces (Table 6). Before choosing an approach, one should keep in mind the following:

- In-depth knowledge of customers and the best methods to make them aware of a product are required.
- Local or in neighborhood markets are the most important ones.
- Promotion involves additional costs, as well as benefits.
- Adequate package labeling should indicate the source of seed (producers' names and addresses) for further sourcing, the name of the variety and its characteristics, and a production date. In addition to informing customers and establishing an image/relationship, this guarantees accountability.

Table 6. Promotion tools.

Advertisement	Sale promotion	Public relation	Sales forces
Sign posts in front of the main production/supply unit Posters and other branding/identity signs (logos, stamps) Demonstration in the right place	Organise sale promotion in wider audience: market, schools, seed fairs and agric. shows Drama and games Sampling to new areas and communities	Public/letters announcement letters to potential customers with details of the products (new varieties and their potentials) Develop good working relationship with institutions with a wider audience (GOs/NGOs, CBOs, Farmers' Organisations/churches, local leadership) Organise local baraza	Diversification of seed outlets/Middlemen (food/soda kiosks, local clinics/shops)

Summary: Bean Seed Business Development

The right skills, experiences, and resources are required to start a seed business. Seed producers must:

- Be hard working.
- Be adequately organized.
- Be able to make decisions and take risks.
- Have good business sense and financial knowledge.

One must select seed varieties and the type of seed supply based on adequate market research. A seed business works best for bean varieties that have a high or moderate seed demand. Market research should be conducted before starting a seed business and every 3-4 years to update the customers' bean seed needs. A sound business is based on accurate information about the market. To make profit from bean selling seeds, bean seed producers:

- Should grow seed efficiently to lower production costs and maximise profit.
- Must plant high yielding varieties in fertile soils and manage fields well.
- Must set seed prices at a level that allows a profit but that is affordable for farmers.

Bean seed producers should promote seed by:

- Making efforts to increase bean seed demand, thus expanding the market.
- Looking for new customers and changing varieties regularly.
- Convincing customers of the superior quality of the seed and through attractive, relevant packaging and labeling.
- Offering good, friendly service.
- Maintaining a reputation for high quality seed.

Bean seed producers must plan by:

- Keeping good records of sales, profits, net worth and spending.
- Making realistic business decisions based on monthly income records.

A successful bean seed business must expand and grow over time by:

- Gradual increase of bean seed production.
- Encouragement to create interest groups and seed growers associations.

A successful bean seed business enterprise must be linked to a more profitable or organized bean grain market. This means linking to farmers' grain production and helping them to be more productive and profitable.

Reference and Recommended Reading

ACDI/VOCA. 2000. Farming as Business Handbook.

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