

Finance & Markets



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Before you start a business, there is a lot of thinking, research and planning to do. It takes time, but you will end up with a better business and higher profits.

How do you plan a business?

A **business plan** will keep you focused on your aims. It says where you are coming from, where you are now, and where you want to go as a business. A business plan can also help you get a loan from the bank.

There are 3 parts to a business plan:



Production Plan

Always have something to sell eg. you have 3 cows:



If all of your cows calve at the same time, you will not have milk to sell. If you only have 1 cow giving milk, what happens when it gets sick?

Sometimes it is good to have more than one business. If one business fails, then you do not lose everything. Try keeping chickens or growing vegetables.

How do you find a market?



Markets help farmers to sell and earn money for their business. You must find a market before you start your business. Think about these 4 things:

PRODUCT PRICE PLACE PROMOTION



PRODUCT

What are you going to produce?
What are others producing?
What does the market want?
What quality expectations are there in the market place?
What new opportunities are there?
What marketing costs will there be?
What legal requirements must be met?

For a good business:

- Plan production.
- Find out how much money you will need to invest over the season.
- Build the necessary crop/animal husbandry.
- Know what inputs you need and what your income might be.



PRICE

What price will you sell at?
Will it cover your production costs and leave you a profit?
Are there different prices for different grades?
Will the prices change often over the year?

For a good business:

- Know the price trends. Be realistic with market prices.
- Know the costs of selling and how you will move your goods to market.
- Learn the quality expectations of the market so less produce will be rejected.

PLACE



Informal markets

e.g. farm gate, village markets, eateries, schools, retail markets, rural aggregation points. Farmers take produce to market if it is close. Brokers organise transport for markets far away.



Formal markets

Link farmers to large commercial buyers, usually on contracts, e.g. exporters, aggregators, hotels, relief NGOs. High quality standards and regular quantities. Prices may not always be good. Farmers are usually paid after 30-90 days.



Commodity Exchanges

Produce from many farmers is stored at a warehouse. Quality is checked and the farmer is given a receipt. Farmers must be in groups or cooperatives. Only available in Kenya for tea, coffee and grain.

PROMOTION



How will you tell people about your product?

- Social Media
- Signs at your farm gate
- Talk to brokers
- Visit buyers
- Posters and flyers

THINK ABOUT

- Where you live. Will transport costs be high?
- If your shamba is small, are there other farmers to form a group with?
- Do you have the skills for your planned business? If not, where can you learn them?

What is a budget?



A budget is a plan of the income and costs of your business. It is for a specific period of time or a production cycle or season.

How do you do a budget?

1. Think of all of the things you will need for your business. Find out how much they cost. Do not forget things such as water and labour.

2. Work out how much money you will make. Work out how long it will take for you to make money. Will you make your money back in one season, or will it be longer?

3. Work out your **PROFIT**:

income – costs = total profit

e.g. It costs 120,000/= to grow 1 acre of tomatoes. Each acres gives around 15,000kg. Each kg is sold at 40/=. This is a total income of 600,000/=. Therefore

Expected income 600,000/= - Production costs of 120,000/= = Profit of 480,000/=

Item	Budget
Soil Test	XXXX /=
Fertiliser	XXXX /=
Seeds	XXXX /=
Tools	XXXX /=
Labour	XXXX /=

What is a rolling budget?

This is a budget that is updated on a regular basis. It covers the costs for each week or month. It allows you to change your budget as you go along.

For example:

Date	Details	Budget	Money out
Week 2: 1-7 Feb 2017	Fertiliser	4,500/=	4,400/=
	Labour	6,000/=	6,500/=
	Miscellaneous (this is any costs you did not expect)	5,000/=	2,800/=
	TOTAL	15,500/=	13,700/=
Week 3: 8-15 Feb 2017	Labour	2,500/=	2,500/=
	Miscellaneous	6,000/=	5,500/=

Sometimes prices change. You can change your budget as you go. If your actual expenses are **the same** or **less than** the budgeted expenses, you can meet your targets.

Can you afford to start your business?

Do you need a loan?

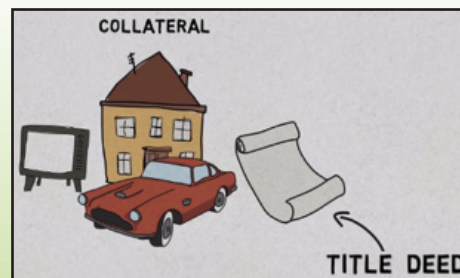
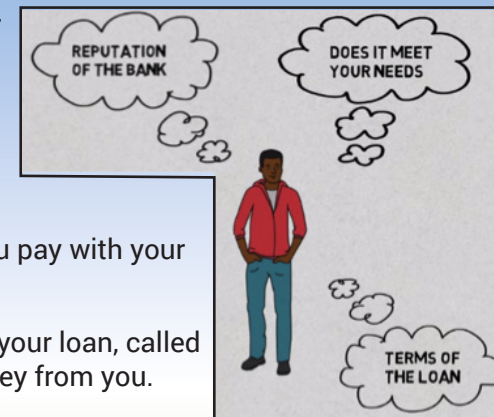
When starting a new business, many farmers need help with money. Start-up costs can be high. It takes time for your business to start making money.

If you do not have enough money to cover your business expenses, you may need to borrow money. There are many ways for you to borrow money for your business. Look at different options. Visit banks and talk to SACCOs.

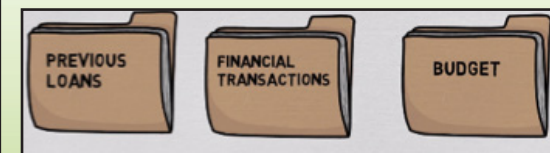
Ask how you can repay your loan? Can you pay with your mobile phone?

The bank will charge you a percentage of your loan, called **interest**. This is how the bank makes money from you.

Choose a loan with low interest.



The bank will ask for **collateral**. This is something they can have if you fail to repay the loan. They will also look at:



It is very important that you meet all loan repayments. If you cannot pay, see your bank in good time.

Some banks do not let you pay back the loan early. Others will charge you more for paying early. Some will make you stick to the monthly plan. If you can, pay back your loan early.

WATCH OUT!

There are often hidden costs with loans. Read all of the terms and other paperwork carefully. If something is not clear, ask the bank.

Loans are not for everyone. If you can, it is better to **save money**. Do not forget you have to pay for a loan.

Plan well to save money

1. Decide how much money you need to save and how much time you have to save it.
2. Work out how much you can afford to save each month.
3. Keep to your plan. If you make extra money, add it to your savings. You will have less to save next month.

JANUARY	FEBRUARY	MARCH	APRIL
Save 5,000/- Total 5,000/-	Save 10,000/- Total 15,000/-	Save 2,500/- Total 17,500/-	Save 2,500/- Total 20,000/-

You need 20,000/- in April. Plan to save 5,000/- each month.

Use your savings to start a new business, pay for expensive inputs like fertiliser, or even pay for school fees.

Where to keep your money?

In a bank

Your money is safe. You will make money from interest if your money stays in the bank a long time.

Remember: You may have to pay the bank to have an account. Try to find an account that is free.



As a group

Useful if you live far from a bank. Make money with enterprises.

Remember: You may not be able to take out money when you want.



On your mobile phone

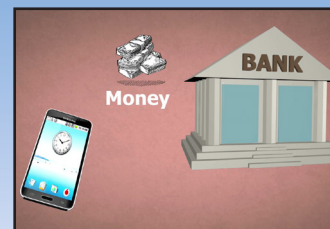
No-one can steal your money. You have control.

Remember: If you live near an agent, it is easy to take out your money and spend it on other things.



Mobile Money

Mobile money is good as you are not carrying cash. Cash can be stolen. With your phone, you can save money, get a loan, or get insurance. Often you can do it all from your own home.

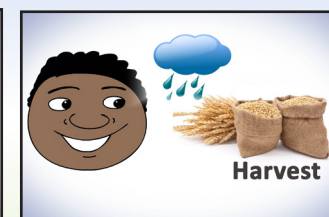
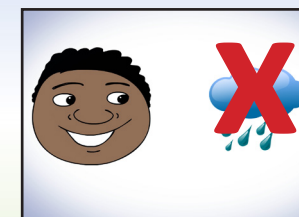


To **save money**, send money from an MPESA/mobile account to a **savings account**.

If you have a mobile savings account, you can apply for a **loan** on your **mobile wallet** (like MPESA). Mobile loans are small and have to be paid back quickly. Only use mobile loans for emergencies.

Insure your crops

Look for seed packets that come with insurance. They have cards inside that tell you how to insure your crop. If the rain fails, you will get your money back. If there is rain, you will get a harvest!



Why keep records?

For a good business, you must keep records. Records will show how your business is doing and whether you are making a profit. Keep all receipts. These show your expenses. You can use a ledger book. Your book should look something like this:

Date	Details	Money In	Money Out
06/04/2017	Bought 2 bags of charcoal at 1,500/- each		3,000/-
08/04/2017	Bought 100 day-old chicks from Kenchic at 100/-		10,000/-
14/04/2017	Sold 6 Kenbro chickens at 1.5kg for 600/- each	3,600/-	

Compare your records with your budget. It will help you to see if your business is on track.

For more information on Finance & Markets

Use our online budgeting tool on our website www.dontlosetheplot.tv and learn the costs of producing various commodities.



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