



Worksheet – Material Guide: Farm Cashbook

This worksheet is linked to the Toolkit on Youth in Food Systems

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Source

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Training Material Guide: Farm Cashbook

Financial literacy training experience from Ethiopia

Farming is a complex business which requires accurate records and careful financial management. Without good monitoring of income and expenses it is difficult to track the profitability of farm activities and make informed decisions for income improvement. Small-scale farmers in the sesame growing area in North-West Ethiopia run their farm without structurally recording and analysing costs. This leads to insufficient business insights that result in poor investment decisions, limited access to credit due to the lack of accurate farm data, poor saving culture, short-term focus and low ability to absorb shocks or mitigate risks. To improve the recording culture among sesame farmers, the Benefit-Sesame Business Network (SBN) developed a financial literacy program. Since 2015 farmers are supported with acquiring the necessary skills to record and analyse their costs and revenues in a 'Farm Cashbook' to run their farm as a business. This guide explains how the training materials that were developed together with farmers work and can be adapted for application in other countries and agricultural subsectors.

Farm cashbook and manual:

The development of training materials is a trial-and-error process. Building upon three years of experience, various improvements have been made to the training materials. To eventually find a subtle balance between incorporating detailed calculations for sound business analysis while ensuring feasibility for the majority of the trainees, who overall have lower levels of literacy. The training materials consist of a farm cashbook and manual. The cashbook contains recording tables to track income and expenditures on a daily basis during the production season and perform a financial analysis at the end of the season to evaluate profitability and better prepare for the future.

The manual explains in detail how to record your costs, fill in the tables and perform the financial calculations. Sesame Farmer "Henok Selit" is used as an example throughout the material to explain how it needs to be done based on realistic cases from the sesame sector, which helps to facilitate context-based learning.

The content is distributed among five steps following the order of activities during the production cycle. The first step of daily *cost recording* is done throughout the season. The following steps use the collected data for in-depth analysis in four additional steps at the end of the season:

- ◆ **Step 1: Cost recording** – daily record farm activities with family labour investment, money spent or earned
- ◆ **Step 2: Total farm cash inflow and outflow** – summarizing the cash position
- ◆ **Step 3: Profit or loss** – calculating the investment of family labour and fixed assets; depreciation costs and the value of remaining products in stock
→ not a formal profit and loss statement but simplified version
- ◆ **Step 4: In-kind payments and credit costs** – gain insight in the actual costs behind in-kind payments and compare credit costs of different loan sources
- ◆ **Step 5: Decisions for next seasons** – review the results to plan for the next season vis-à-vis the production costs and alternative sources of financing

Training materials:

1. Farm Cashbook

Cashbook including all steps with simple table formats to record costs for a one-year period. Waterproof and colour printed cover with black and white regular inside papers. A5 size.

2. Manual

Waterproof A5 manual explaining the steps for cash recording and farm financial analyses. Serves as permanent reference for multiple seasons.

3. Training material guide

Explaining implementation and adaptation of the above materials to provide financial literacy training to farmers.

4. Training module

Detailed description of suggested training methodology including a trainer of trainer (ToT) approach.

Full adoption of cost recording and financial analysis is an ambitious goal. Often, the most entrepreneurial farmers are eager to acquire skills and to extract valuable business insights. To accommodate different skill levels of trainees the cashbook steps can be completed based on the capacity of each farmer. Some farmers end at step 2, others are able to calculate some of the elements in the profit and loss chapter, while other also manage to include depreciation and credit costs.

The material is designed to record all farm-related activities including different crops that are part of the farming system. Generally, smallholders find it difficult to accurately allocate time or costs to different crops but are able to calculate the overall result of the farm business.

Again, farmers with higher financial literacy levels can make separate profit analyses per crop to compare financial benefits.

The materials are printed in pocket size so that they can be easily carried around for frequent recording. Moreover, the manual is water resistant so that it can be used by farmers for multiple years. As all the tables are presented in the manuals, farmers can simply copy them into a notebook when the cashbook is full and continue recording.



Adaptation considerations:

For application of the farm cashbook to other countries and agricultural sub-sector, the following points can be considered:

- ◆ Translate to local language and use common simple terms used by farmers; concepts such as depreciation or fixed assets might be unfamiliar to them
- ◆ Adapt the possible farm activities (page 7 of the Cashbook)
 - option to assign codes to activities so that farmers simply refer to a code in monthly recording
- ◆ Define the unit of measurements: e.g. family labour (hrs./days/metrics/kg/currency)
- ◆ Check the number of rows needed for recording per month; can vary for different months; leave enough space (height of the row) for writing



- ◆ Change the example of farmer Henok Selit (first name is a common name in Ethiopia and the last name is sesame in Amharic) to a local character and update the numbers and cases
- ◆ Follow the cycle of the production season; to minimize mistakes, the first month of recording should coincide with the date that the season preparations start, which is not necessarily January
- ◆ For shorter production cycles or if crops are grown during multiple cycles per year, fewer months can be filled for recording; then steps 2 up to 5 can be done for these months only
 - could add multiple cash flow and profit tables or recommend trainees to copy them in a notebook

Points of attention:

- ◆ Simplicity is key
- ◆ Cost recording is not for everyone: it demands entrepreneurship, discipline and resilience to overcome disappointments
- ◆ Demand farmer feedback to improve training materials
- ◆ Family members (wives and children) can support with recording and calculations
- ◆ Link to financial institutions to consider recording data for loan application; creates pull factor to motivate farmers
- ◆ Explore collaboration with national extension trainings
- ◆ Investigate existing experiences and barriers for adoption before rolling out the training
- ◆ Financial literacy includes more topics such as saving
- ◆ Try to align with existing farmer structures such as cooperatives to support peer-2-peer learning and exchange

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