13. Buying and Selling of Agri-Inputs

Topic 13c

Agri-Input Stock Management

FACT SHEET

13. Buying and Selling of Agri-Inputs

<u>Topic 13c:</u> Agri-Input Stock Management

Every business that sells products will need to keep those products in **stock**. Agri-input dealers need to keep seeds, fertilizers, pesticides, and agricultural equipment in stock. If there is **no stock**, nothing can be sold, and the business will lose money. If there is **too much stock**, the products can become obsolete and cannot be sold anymore.

It is important to find the **correct stock level** for every product. The following factors influence the correct stock level:

1. Time of season
2. Lead time
3. Demand of customers
4. Type of stock
5. Stock turnover

1. Time of season

Agri-inputs are only sold at certain times of the season. It is important to know what crops the farmers plant, when they plant them, and what agri-inputs the crops need during the season.

2. Lead time

The lead time is the time between placing an order and receiving the goods from the supplier. It depends on the supplier's ability to supply the products that are ordered.

- If the lead time is **very long**, the dealer must carry more stock to make sure that it does not run out before a purchase order can be delivered.
- If the lead time is **very short**, the dealer should carry only enough stock for a short period of time because more stock can be ordered when needed, and delivery will take place soon after placement of the order.

3. Demand of customers

The agri-input needs of farmer customers will change according to what happens in the field. Farmers buy only what they need, when they need it, and when they have money to buy. In general, farmers react only when there is a problem instead of planning ahead to avoid problems. It is therefore vital to know your customers and to contact them to find out what they need for the coming season. It is also useful to know if certain pests are expected. Extension officers, the agri-input dealer associations, or farmer associations might be helpful.

4. Type of stock

Some agri-inputs can stay on the shelves for a long time. Other agri-inputs become obsolete because they expire or have a short shelf life. Keep the following in mind when buying agri-inputs:

Type	Warning	Recommendation
Fertilizers	If stored too long, plastic bags may burst open. Some fertilizers become old and ineffective if not used in time.	Buy only for one season and avoid keeping stock throughout the year.
Seeds	Some seeds have an expiration date. Untreated seeds can be attacked by stored product pests.	Buy only for one season and avoid keeping stock throughout the year.
Pesticides	Pesticides usually have an expiration date. Plastic pesticide containers change shape if stored for long periods.	Buy only for the season but keep emergency stock for farmers.

5. Stock turnover

Stock turnover is the speed of converting stock to cash; in other words, it is the time between stocking goods and selling them. In retail, stock turnover is very important.

- If the stock turnover is **slow,** it takes a long time before the money invested to buy stock renders cash. In the meantime, the money used for the investment cannot be used for other things until the stock is sold.
- If the stock turnover is **fast,** the investment will return in a short period of time, and the money can be used for new investments or be saved.

As a dealer, you should ensure that the stock turnover is as short as possible. Following the guidelines indicated in Topic 2 of Theme IV will help ensure that the products you have in stock are demanded by farmers.

Important: Each dealer's situation differs. It is important for a dealer to plan purchases and stock holding according to the above factors.

INSTRUCTIONS

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Materials needed:

- ☑ Flip-sheet board with flip-sheets
- ☑ Markers (1 black, 1 blue, 1 green, 1 red)
- ☑ Colored cards
- ☑ Kraft paper (or other large piece of paper)

Time needed:

30 minutes

Preparations:

- ☑ Flip-sheet with the heading: A*gri-Input Stock Management*
- ☑ Flip-sheet with the heading *Stock level* and the text:
  - *Time of the season*
  - *Lead time: time between placing order and receiving*
  - *Demand of customers*
  - *Type of stock*
  - *Stock turnover: time between stocking and selling*

Set up

Attention: Ask participants: Do you always sell all your products in one day? They will answer: No. Tell them that therefore they will need to keep agri-inputs in stock. But how do you know how much to keep in stock?

Title: Tell participants the title while showing the flip-sheet with the title: A*gri-input stock management.*

Credibility: Explain your experience in the agri-input business.

Objectives: To explain the important aspects of managing agri-input stock.

Benefits: Knowing what to keep in stock will help agro-dealers to buy correctly, save money, and better serve farmer customers.

Direction: During this session, we will focus on the management aspect of stocking agri-inputs. We will not discuss how to stock agri-inputs in the store or how to predict sales. We will focus on general guidelines to stocking agri-inputs.

Delivery

Explanation, **D**emonstration, **E**xercise, and **G**uidance:

1. Tell participants that stock is very important. If there is **no stock**, nothing can be sold, and the business will lose money. If there is **too much stock**, it can become obsolete and cannot be sold anymore. It is important to find the **correct stock level** for every product, which is how much to keep in stock.
2. Show the participants the flip-sheet with the heading *Stock Level*. Tell them that there are five important things to keep in mind when managing stock:
    a. Time of season
    b. Lead time
    c. Demand of customers
    d. Type of stock
    e. Stock turnover
3. Explain that **lead time** is the time between placing an order and receiving the goods from the supplier. Explain that **stock turnover** is the speed of converting stock to cash; in other words, it is the time between stocking goods and selling them.
4. Divide the participants into five groups and give each group one of the five aspects to discuss. Each group should discuss **why this aspect is important**. Allow some time for discussion.
5. Discuss the **results**. Do not ask groups to present their results. Just ask each group why its aspect is important. Repeat what the group says and ask if the other groups agree. Add your own points, making notes on a new flip-sheet. Make sure to discuss all points that are mentioned in the fact sheet.

Finish

Summary: Give a summary by explaining that there are five important aspects of managing agri-input stock: time of the season, lead time, demand of customers, type of stock, and stock turnover. Explain what lead time and stock turnover are. Explain why each aspect it is important.

Questions: Ask if anyone has a question or comment.

Evaluation: Ask participants to name the five aspects of managing agri-input stock. Ask them to define lead time. Ask them why it is important that agri-input dealers know what farmers will need in the next season?

Next step: We have already mentioned during this session that it is important to know what farmers need during the next season. In the next session, we are going to discuss in detail how to predict sales.

Distribute the **fact sheet** to all participants.