It may cost ₦14,500 to produce 250 kg of *gari*, with a profit of ₦2,500, therefore, the price becomes ₦17,000. The price should not be more than the current market price or else the customers will not buy the product

How to determine profit based on the price?

- Find out the cost of producing a unit quantity of the final product.
- Multiply the unit cost by the total quantity of final product (total cost).
- Subtract this total cost from your total sales (Total quantity offered for sales multiplied by the unit selling price). This is the profit.

Example: A cassava enterprise produced 500 kg of processed odorless *fufu* flour. The unit cost of producing 1 kg is ₦150. If the enterprise is willing to offer the product for sale at the current market price of ₦200/kg, the expected profit can be calculated as follows:

Total cost:

Unit cost of the product x total quantity produced

= ₦150 × 500 kg

= ₦75,000

Total sales:

Unit price of the product x total quantity produced for sale

= ₦200 × 500 kg

= ₦100,000

Therefore, the profit will be **Total Sales** – **Total Cost**

= ₦100,000 – ₦75,000

= ₦25,000.

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Cassava Enterprises Management Series

Costing and Pricing in Cassava Enterprises

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Objective

This guide defines the principles and practices of costing and pricing in cassava enterprises.

What is costing?

Costing is the process of determining the cost of goods, knowing what was spent in producting the *gari* in a cassava enterprise. This cost will be a component of the price of *gari* for sale in the market. Cost is whatever is spent to produce and sell the product in the market. For example: the salary paid to workers, the amount used in buying fresh cassava tubers, and the amount paid to the market master or for shade where *gari* is sold, are regarded as costs.

Why do costing?

1. To arrive at an appropriate price for the product before selling.
2. To see which items in production (e.g., fresh cassava tubers, labor, salaries, etc.) are the most expensive, so that alternatives can be sought.
3. To see the expenses incurred in producing a given product from cassava.
4. To plan for future production levels.
5. To give an idea of the profit that would be realized by comparing it with the market price.

Type of costs

- Direct Costs: There are costs that directly relate to the cost of production or sale of a product. In a *gari* enterprise, purchase of firewood, diesel for the grater, bags, and the cost of the time spent by workers in processing are direct costs.

To calculate the direct costs in the production of 1 tonne of *gari,* for example, the following items have to be included (this may not include all the possible costs).

Item	Quantity	Unit Cost (₦)	Amount (₦)
1. Fresh cassava tubers	4 tons	12,000.00	48,000.00
2. Fuel/Diesel	50 litres	75.00	3,750.00
3. Labor for processing (peeling, grating, pressing, frying and packing)			1,000.00
Total			52,750.00

- Indirect Costs: These are costs for running the cassava business, e.g., salaries and wages, repairs and maintenance, transport, etc. To calculate the indirect costs for 6 months in a processing center, include the following:

Item	Quantity	Unit Cost (₦)	Amount (₦)
1. Workers wages (Administrative labor)	6 months	12,000.00	72,000.00
2. Repair and maintenance of equipment		3,000.00	3,000.00
3. Marketing cost		4,000.00	4,000.00
Total			79,000.00

- Total cost: Add together the direct and indirect costs.

Pricing

Price fixing in cassava enterprises would depend on the following:

- The cost of producing the cassava product (e.g., buying fresh cassava tubers, paying wages, etc.,).
- The current market price (i.e., the price offered by competitors).
- The amount of profit to add after the cost of production.