



International
Labour
Organization

Start.COOP

MODULE 3

Preparing the Business Plan

Start.COOP

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Start.COOP has been developed as a low-cost, easy to use training tool for those interested in starting and launching a cooperative in a participatory and efficient manner. It draws on technical content from existing materials in different ILO cooperative training tools and peer-to-peer, activity based learning methodology from the ILO's Community-Based Enterprise Development (C-BED) programme. The Start.COOP training tool has been divided into four modules that correspond to each phase of the cooperative formation process to give you time to reflect on the importance of what you are doing at a given time and to see how it fits into the big picture. The focus of the Start.COOP modules is on the decisions to be made at each step with a view to increasing chances of success.

At the end of the training you will be able to:

- Identify the core members of your cooperative
- Define your business idea
- Research the feasibility of your business idea
- Prepare your business plan
- Decide on the organizational set-up of your cooperative

To learn more about the ILO's work on cooperatives visit www.ilo.org/coop or email: coop@ilo.org

To learn more about the ILO's peer-to-peer, activity based learning methodology visit www.cb-tools.org

Acknowledgements

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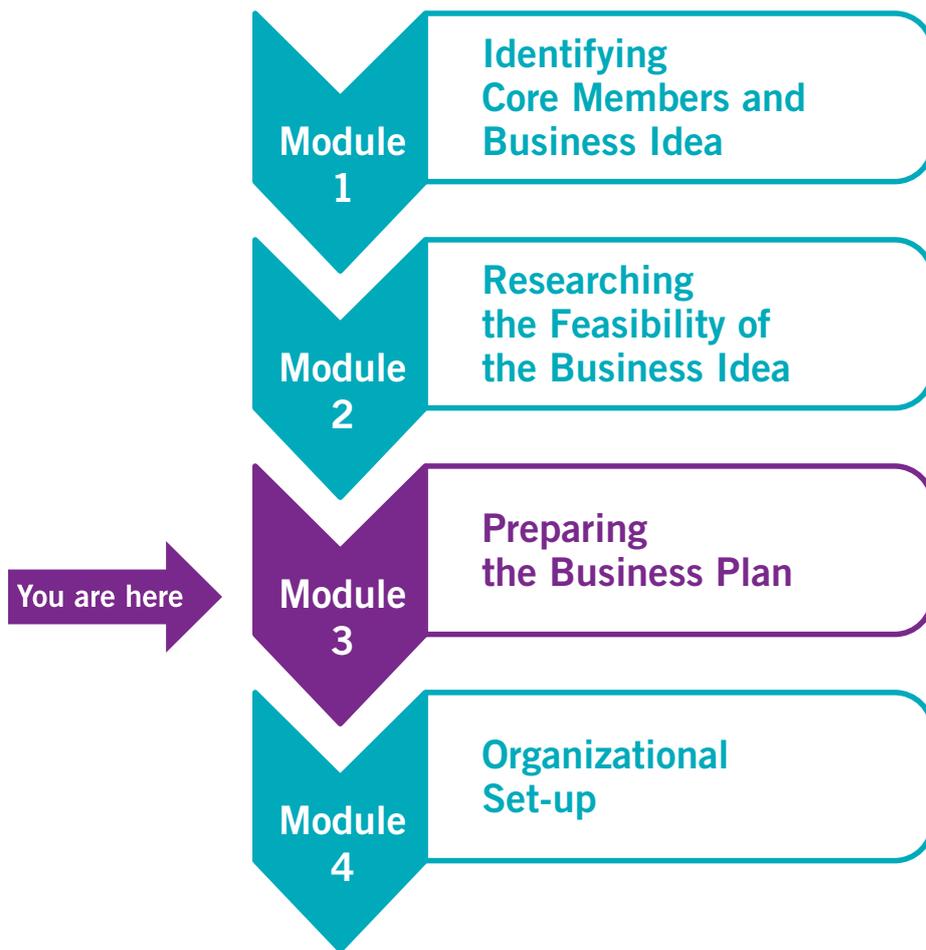
Start.Coop

ILO Enterprises Department
Decent Work Team - Bangkok

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Start.COOP Modules



MESSAGE TO THE GROUP

Starting a cooperative is like setting up any business, but what makes a cooperative different from other business models is that it is shaped through collective effort and group decision-making as well as a set of cooperative principles that help to guide the business. The **Start.COOP** modules will walk you through the process of starting and launching a cooperative in a participatory and efficient manner.

Throughout the **Start.COOP** training, you will be playing the role of potential owner-members or the core group who will be leading the set-up of the cooperative. You will carry out the exercises based on the business idea you defined in Module 1. In many cases, the outputs in the various exercises form the basis or inputs for the activities in the next modules. As you go through the exercises or activities, try to think and act as the potential owner-members. It is highly recommended that all individuals who may be involved in the actual set-up of your cooperative undergo the **Start.COOP** training.

In Module 2 you undertook a feasibility study, it is time to proceed to the preparation of the business plan. The feasibility studies answer the question “will this work”. A business plan answers the question “how will this work”. This module focuses on the preparation of a basic business plan aimed at providing guidance on how to run the business during the early stages of its operation.

At some point in the process of developing your business plan, you may need some external assistance. What is important, however, is that the ideas and content of the business plan should come from the core group or potential members of the cooperative. It is, therefore, important that you learn the process of preparing the business plan. At the end of this module, it is expected that you will have the draft outline of your business plan.

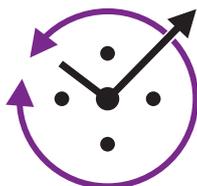
The style of this training is different from traditional approaches. You will work together as a team to follow the simple step-by-step instructions for discussions and activities in the training guide. A facilitator will be around to assist with any questions on the training content and exercises. Because there is no group leader, all group members should take a turn reading the information and instructions out loud to the group, and all group members share responsibility for monitoring time. In this new style of training, you will learn from each other by sharing ideas and opinions, skills, knowledge and experience. For this to work, all group members must participate in discussions.

Before and after the training, you will be asked to complete a survey to help understand the impact of the training. This information will be kept confidential and will be used to improve the training materials and organization of future programmes. It will also be helpful for identifying other training on cooperatives that can be subsequently introduced to participants. Some trainees may also be contacted by the training organizers in the future after 3, 6 or 12 months for another survey to learn about the implementation of their action plans.

Follow the Signs

The instructions in the training guide are easy to follow and the suggested timeframe for each step is provided. Look out for these signs:

SIGNS AND THEIR MEANING



This sign indicates the suggested time for the activity



This sign indicates background information to be read to the group



This sign indicates group discussion



This sign indicates that the activity is beginning and that step-by-step instructions need to be read out loud to the group and followed sequentially

Getting Started

Before you begin the training, follow the simple steps below to get organized:

- Fill out the pre-training survey. Ask the organizers if you do not have a copy or have not already filled it in.
- Organize into small groups of 5 to 7 people. The organizers will guide you in how best to do this.
- Identify one group member to volunteer to start the training as “Group Reader”. The role of the “Group Reader” is to read the information and activity instructions out loud to the group. Any group member with basic literacy can be the “Group Reader” and you should aim to share this role among group members throughout the training.

All group members are responsible for monitoring time, but one group member should be nominated for each session to remind the group when the suggested time for an activity/step has been reached. You do not strictly need to follow the suggested timing, but you will need to manage your time for the total training. If one activity lasts longer than the suggested timing, try to save time in other activities to keep the balance.

All group members will receive the same training guide. Individual work as well as group work can be completed in these guides.

Learning Process

Session	Time
SESSION 1: WHAT IS A BUSINESS PLAN?	20 minutes
SESSION 2: BUSINESS PROFILE	30 minutes
SESSION 3: MARKETING PLAN	110 minutes
SESSION 4: OPERATIONS PLAN	75 minutes
SESSION 5: MANAGEMENT PLAN	40 minutes
SESSION 6: FINANCIAL PLAN	110 minutes
SESSION 7: EXECUTIVE SUMMARY	40 minutes

SESSION 1: BUSINESS PLAN

1A. Structure of a basic business plan

SESSION 2: BUSINESS PROFILE

2A. Writing your business profile

SESSION 3: MARKETING PLAN

3A. Product and/or service description

3B. Market description

3C. Marketing strategy

SESSION 4: OPERATIONS PLAN

4A. Physical resources: facilities and equipment

4B. Work process and system

SESSION 5: MANAGEMENT PLAN

5A. Preparing the organization chart

5B. Job description

SESSION 6: FINANCIAL PLAN

6A. Preparing the income statement

6B. Preparing your cash flow projection

6C. Preparing your balance sheet

SESSION 7: EXECUTIVE SUMMARY

7A. Writing the executive summary

SESSION 1: WHAT IS A BUSINESS PLAN?

Session Overview



The business plan is a roadmap that details where the cooperative is going and how to get there. It explains what the business is and how it will be operated. Having a good business plan will help cooperatives minimize risks of failure. It can also be used by cooperatives in applying for support from development programmes.

A business plan should be reviewed and updated regularly to reflect changes in the business environment and status of the cooperative. In this session, you will familiarize yourselves with the structure of the business plan.

Activity 1A: Structure of a basic business plan



The following are the different sections of the business plan:

- Executive Summary
- Business Profile
- Marketing Plan
- Operations Plan
- Management Plan
- Financial Plan

Although the executive summary is the first section of the business plan, it is written after all of the other sections have been prepared. The reason for this is that it will draw from and synthesize all the important information from the succeeding sections.

Most likely, you are already familiar with the titles of the other sections as these were the areas that you investigated when you conducted your feasibility study. As a review, let's look at the pictures below and identify which section of the business plan it represents (excluding the Executive Summary). For example, Picture 1 shows information that should be included under the Business Profile section.

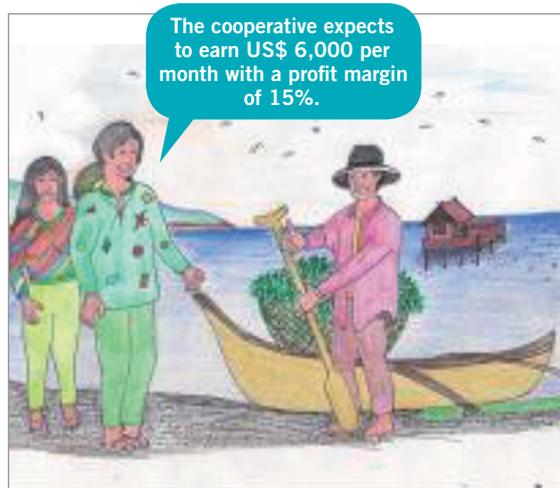
Share and discuss your answers with your group.

PICTURE 1



Answer: Business Profile

PICTURE 2



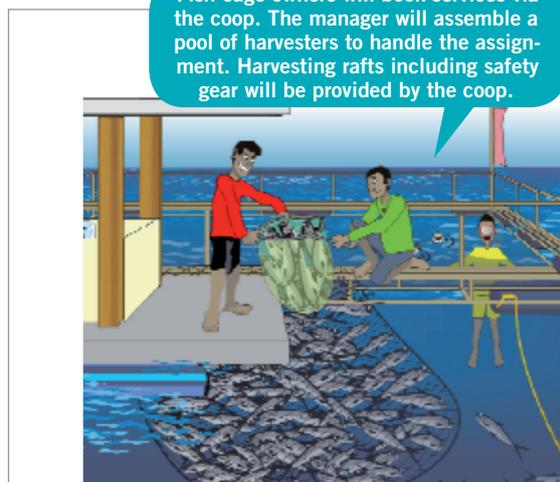
Answer:

PICTURE 3



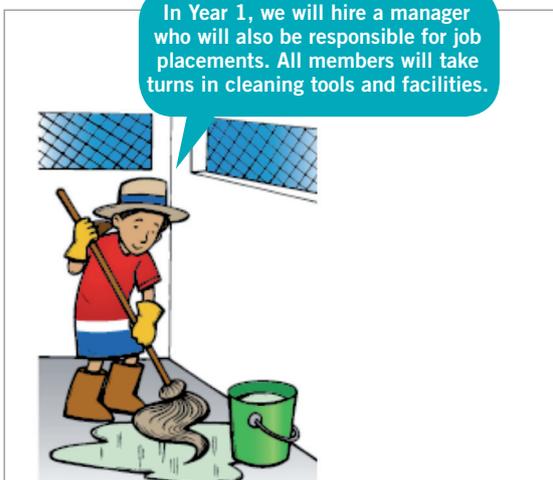
Answer:

PICTURE 4



Answer:

PICTURE 5



Answer:

Answers can be found on page 36.

SESSION 2: BUSINESS PROFILE

Session Overview



5 minutes

The business profile typically comes after the executive summary. This section outlines vital details about your cooperative such as where it is located, whom to contact, how large the cooperative is, what it does and what you hope to accomplish.

Activity 2A: Writing your business profile



20 minutes

As a group, complete the business profile of your cooperative by answering the questions listed below. The second column provides an example to guide you. Answer the question as it is read. Write your answer in column 3. Many of the answers to the questions can be found in your feasibility study outputs.



YOUR BUSINESS PLAN

SESSION 1: BUSINESS PLAN

1A. Structure of a basic business plan

SESSION 2: BUSINESS PROFILE

2A. Writing your business profile

SESSION 3: MARKETING PLAN

3A. Product and/or service description

3B. Market description

3C. Marketing strategy

SESSION 4: OPERATIONS PLAN

4A. Physical resources:
facilities and equipment

4B. Work process and system

SESSION 5: MANAGEMENT PLAN

5A. Preparing the organization chart

5B. Job description

SESSION 6: FINANCIAL PLAN

6A. Preparing the income statement

6B. Preparing your cash flow projection

6C. Preparing your balance sheet

SESSION 7: EXECUTIVE SUMMARY

7A. Writing the executive summary

Column 1 Question	Column 2 Example	Column 3 Your Answer
Background Information		
Name of Cooperative	<i>XYZ Cassava Farmers Cooperative</i>	
Address	<i>Banga, South Cotabato SOCCKSARGEN, Philippines</i>	
Contact Details	<i>Manuel de la Cruz, Manager Cellphone No. +63 9175324017</i>	
Number and type of members	<i>200 farmers in South Cotabato</i>	
Purpose/Objective of Cooperative		
What are the objectives of forming the cooperative? <i>Tip Review outputs in Start.COOP Module 1</i>	<i>To reduce postharvest losses and engage in value addition activities through production of cassava chips using improved technologies and under hygienic and safe working conditions.</i>	
What would the group like to achieve by coming together?	<i>Increase in income Access to bigger and more lucrative markets Stable jobs for household members including access to social security Access to water system</i>	
Products and/or Services		
Type of Cooperative <i>Tick as applicable ✓</i>	<input checked="" type="checkbox"/> Production <input type="checkbox"/> Marketing <input type="checkbox"/> Service <input type="checkbox"/> Others (specify)	Production Marketing Service Others (specify)
What product/service is the business going to provide?	<i>Production of cassava chips</i>	
Why will customers buy your products or use your services?	<i>We can deliver regular supplies of high quality cassava chips at a competitive price. Our chips will be produced under safe and hygienic conditions. The cooperative will also advocate for decent and safe working conditions not only in its processing plant but also among its suppliers.</i>	
Markets		
Who will be your customers?	<i>The cassava chips will be sold to feed companies located within the region. To minimize risk, we will forge a supply agreement with two to three feed companies.</i>	

SESSION 3: MARKETING PLAN

Session Overview



This section of the plan provides the description of the products and/or services with emphasis on the value that you would be providing to your customers. It also presents a summary of the results of your market analysis (conducted as part of your feasibility study) with a focus on the market opportunities for your products and/or services. You will then describe your strategies on how you will reach your target customers and differentiate your business from competitors.

Activity 3A: Product and/or service description



The product and service description describes the features of your product or service, the unique selling points offered by your product or service, and how your product or service satisfies client needs and expectations.

This is a group activity. An example is provided in each step to guide you. Perform each step as it is read.



YOUR BUSINESS PLAN

- SESSION 1: BUSINESS PLAN
- 1A. Structure of a basic business plan
- SESSION 2: BUSINESS PROFILE
- 2A. Writing your business profile
- SESSION 3: MARKETING PLAN**
- 3A. Product and/or service description
- 3B: Market description
- 3C: Marketing strategy
- SESSION 4: OPERATIONS PLAN
- 4A: Physical resources:
facilities and equipment
- 4B. Work process and system
- SESSION 5: MANAGEMENT PLAN
- 5A: Preparing the organization chart
- 5B: Job description
- SESSION 6: FINANCIAL PLAN
- 6A: Preparing the income statement
- 6B. Preparing your cash flow projection
- 6C: Preparing your balance sheet
- SESSION 7: EXECUTIVE SUMMARY
- 7A: Writing the executive summary

Steps

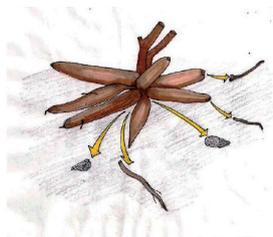
STEP 1 20 minutes

OUR PRODUCTS



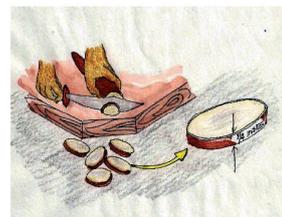
Unpeeled Cassava Chips

PRODUCTS SPECIFICATION



We only use 10-12 month old cassava tubers. The tubers are processed not more than 24 hours after delivery to avoid contamination.

PRODUCT DESCRIPTION



Chips are ¼ inch thick for quick drying.



Peeled Cassava Chips



Moisture content of 12% to 14%



Packed in clean 50 kg sack

Example: XYZ Cassava Farmers Cooperative

You will produce high quality peeled and unpeeled cassava chips. The peeled cassava chips will only be offered during the 2nd year to give the cooperative time to raise money for a mechanical peeler. Key features of your cassava chips are described below.

Parameter	Description
Raw Material: Fresh Cassava Tubers	
Maturity	10 to 12 month production
Freshness	Newly harvested; not more than 1 year old
Appearance	No evidence of pest infestation No rotten or damaged parts
Cassava Chips	
Moisture Content	12% to 14% - tested via a tester
Appearance and colour	Cream to light brown No evidence of pest infestation No rotten or damaged parts No soil or mud
Chip size	Not more than ¼ inch thick
Odour	No fermented odour or bad smell
Texture	Brittle and easily cracks when crushed
Packaging	50 kilogram sack; clean sack – not used for ingredients that could affect food safety
Production Volume	1,800 MT per year
Product Uses	Ingredient for all types of livestock and farmed fish feed

Description of Your Product and/or Service

Use the guiding questions to help you describe your product and/or service. If you have several products or services, describe only one during the activity. You will complete the description of your other products or services when you meet again to finalize your business plan.

- a) What is the product or service of your cooperative?

- b) What are the key features of your product or service?

- c) How much do you target to produce in a month or year?

- d) What are the main uses of your product or service?

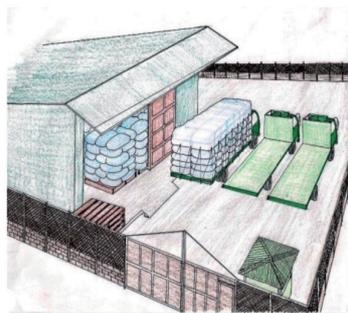
STEP 2 10 minutes

What makes our product better than what is already available in the market?

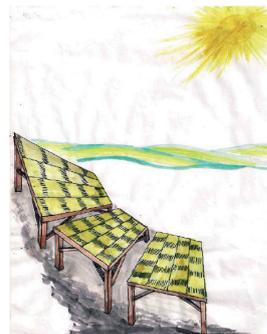
Example: Cassava Farmers Cooperative



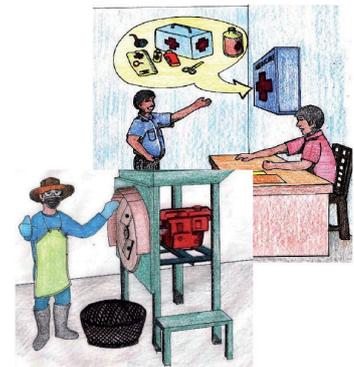
Fresh and chemical free tubers: Tubers are grown in farms compliant with Good Agricultural Practices and near the processing plant.



High quality chips at competitive prices: Semi-mechanized production under strict quality control system.



Clean and safe chips: Our chips will be dried in raised platforms.



Safe work, happy and productive workers: Coop will ensure safety at every step of our operations.

When you answer the question below, imagine that you are in a meeting with a prospective buyer and would want to convince him/her to buy from your cooperative.

What makes your product or service better than what is already available in the market?

Activity 3B: Market description



The market description explains who your target customers are and why you chose this market. You should also clearly state why your target customers need the product or service you are planning to sell. An analysis of your competitors should also be presented.

To facilitate the writing of the market description, as a group answer the guide questions in Column 1. Sample answers are provided in Column 2 for your reference. You can also refer to your outputs in the Market Analysis session of Module 2.

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
<p>Who are the possible customers?</p> <p><i>Indicate the different types of customers or users of your product or service</i></p>	<p>Feed mills: about 1,730 nationwide</p> <p>Bioethanol companies: 2 companies; start-up phase</p> <p>Brewery: only 1 company so far using cassava chips</p> <p>Flour companies: only small portion of production devoted to cassava flour</p> <p>Snack food processors: generally micro companies</p> <p>Export market with China as the largest importer</p>	
<p>Among all the possible customers you have identified, which type of customers or segment will your cooperative focus on?</p>	<p>Feed mills</p>	
<p>Why did you choose to focus on this market segment?</p>	<p>The top 5 feed mills have facilities in the region which are accessible to the cooperative</p> <p>There is a guaranteed market and floor price via supply agreement</p> <p>Companies also offer advance payment and provide assistance to suppliers</p>	
<p>Why do your target customers need your product or service?</p> <p>What specific need in your target market will the product or service address?</p>	<p>There is a lack of supply of cassava chips. Feed mills currently operating at 60% of production capacity</p> <p>Quality of existing supply of chips is of inconsistent quality --- high moisture content and not compliant with food safety standards</p> <p>We will also be able to cater to demand for cassava chips produced from chemical free tubers. Feed companies are expanding their production of natural feed to cater to growing demand from livestock raisers</p>	

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
Who are your competitors?	Direct competitors are the assemblers who collect tubers from their own farms and from farmers. They process the tubers into cassava chips	
How can you compete with your competitors?	<p>We grow, process, and sell the product. We are, thus, our own suppliers. Although assemblers have their own farms, they depend on farmers who are willing to sell to them. Most of their suppliers only harvest once a year. In our proposed production system, we will promote modular plots and natural farming among our members so that we will have a year-round supply and chemical free tubers</p> <p>Assemblers do not invest in technology and upgrading. Their chips are generally Class B and Class C. We will produce Class A chips</p>	
What is the estimated demand for your product or service?	In the region, total demand is about 200,000 MT per year. The supply gap is about 50,000 MT annually	
What percentage of the market do you hope to penetrate?	<p>Projected annual production volume of cooperative: 1,800 MT</p> <p>This is about 1% of total demand. The cooperative will fill up about 4% of current supply gap</p>	
How can you increase your market share over time?	<p>Members have to increase farm productivity. Current yield is only about 70% of optimum yield</p> <p>We need to improve both farm and processing productivity so as to be competitive with imported cassava chips</p> <p>We also have to increase our production capacity for chips</p>	
Is your market likely to grow? How much?	The market for cassava chips especially for feed mill is expected to grow due to an increase in livestock population. The market is expected to grow by 5% per year based on interviews with feed mills within our region	

Activity 3C: Marketing strategy



You have identified your markets and products or services. It is clear that the markets and products or services you have chosen can help to address your common objectives. In this activity, you will define how you are going to get your customers to buy your products and/or use your services.

This is a group activity. Everybody should share their ideas and listen to each other.

Steps

STEP 1 15 minutes

Promotion strategy: How your target customers will know about your product or service



Visit to prospective buyers



Text messages/social media



Trade fair participation

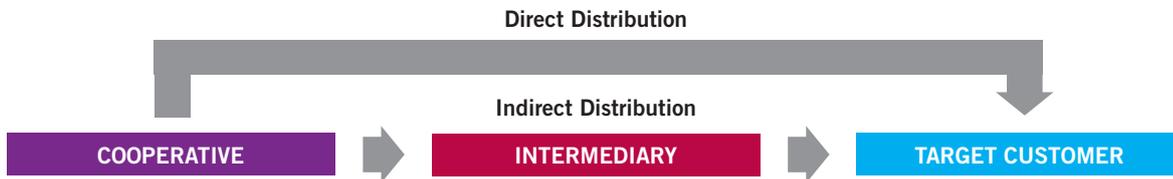


Advertisement

The development of a promotion strategy involves thinking about how you can inform your customers about your products or services and influence them to buy from you. Read the question (Column 1) and the example (Column 2), share ideas, and write your answer (Column 3).

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
How will you inform your target customers about your product or service and cooperative?	We will meet with our potential customers and provide them with samples and our profile. We will invite them to visit the cassava farms of our members and our processing plant in order to gain their trust.	
What will be the main message(s) that you will communicate in your promotional activities?	Use of our cassava chips will help feed mills make better quality feeds. We can help feed mills penetrate the natural feed market with our chemical free tubers. With a membership base of 200 cassava farmers adopting the modular farming, our buyers are assured of a year-round supply of chips.	

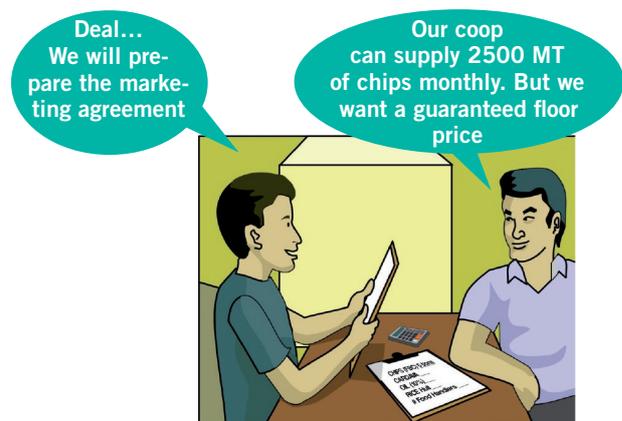
Distribution strategy:
How you will get your product to your target customers



Relationship between cooperative and buyer



On the spot transaction

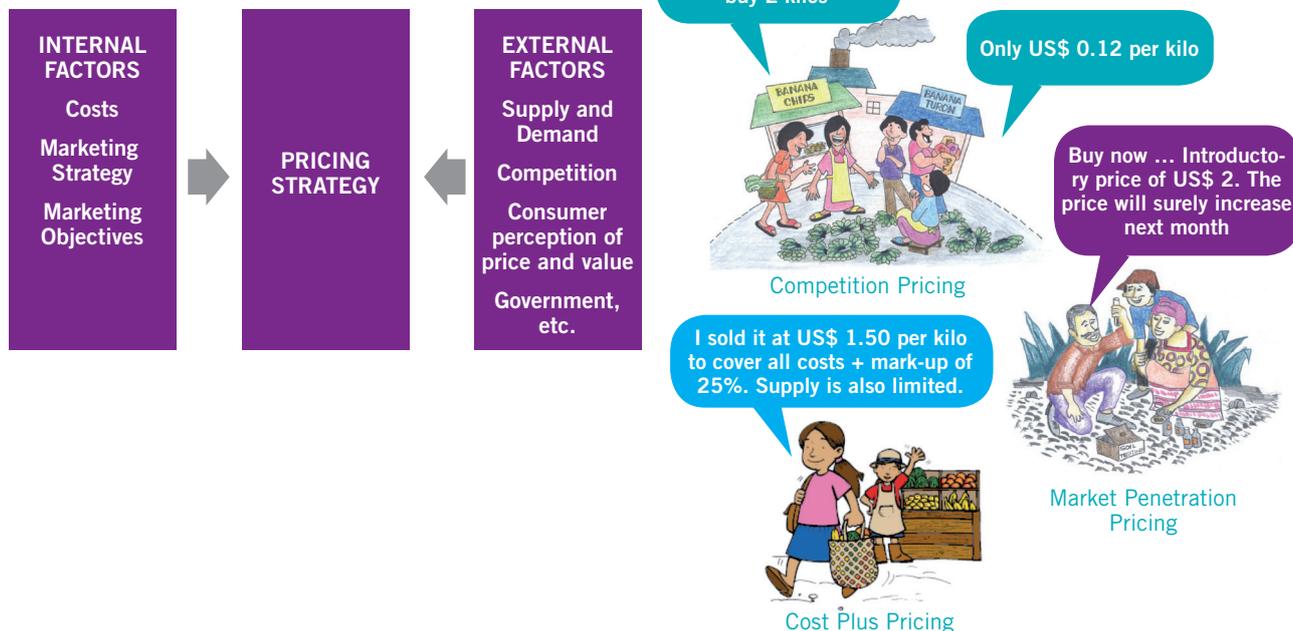


With contractual agreement between buyer and seller

In this step, describe how you will make your product or service available to your target customers by answering the guide questions in Column 1. Read through the example in Column 2 to have some ideas on how to answer the question. Write your answers in Column 3.

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
How is your product or service going to get to the customer? <i>Describe how your produce will be sold – whether directly to your target customers, via intermediaries, etc.</i>	The cooperative will sell directly to the three feed mills in the region. The three feed mills are less than 30 miles from the proposed location of our processing plant. We will rent a truck to deliver the chips.	
What is the contractual relationship between you and your target customers?	The cooperative will sign a non-exclusive marketing contract with the three feed mills. The contracts provide a guaranteed floor price and an advance payment of 20% to 30% of agreed volume for delivery. We will deliver the chips every month.	

Pricing strategy



Pricing strategy involves determining how you will price your product or service. Work together to answer the guide questions.

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
How will you set the price of your product or service?	<p>We will negotiate with our buyers for a guaranteed floor price that will cover all costs and a mark-up of at least 15%. If prevailing market price at the time of delivery is higher than floor price, the coop will receive the higher price.</p> <p>Feed mills set the price of cassava chips based on quality and volume. Chips with moisture content higher than 14% receive a deduction in buying price. To get the optimum value for our products, the cooperative will work towards increasing production volume so as to be eligible for incentives given by feed mills that are able to deliver large quantities of chips per month. We will also ensure that we deliver only Class A chips.</p>	
How does the pricing of your product or service compare to the market price of similar products or services?	<p>This is not applicable to us. Feed mills set the price based on available supply of cassava and alternative materials such as corn. For our cooperative to remain viable though, we will invest in continuous productivity improvement to keep our production costs low for both cassava and chips.</p>	

SESSION 4: OPERATIONS PLAN

Session Overview



The operations plan describes how you will make your product or carry out the service. It also provides details on the physical location, facilities, and equipment that would be needed to produce the product or deliver the service. Last but not least, the operations plan presents how the business will ensure product or service quality and productivity and safety of the whole operations. Most of the information that you will need in completing your operations plan can be found in your outputs in Module 2.

Activity 4A: Physical resources: facilities and equipment

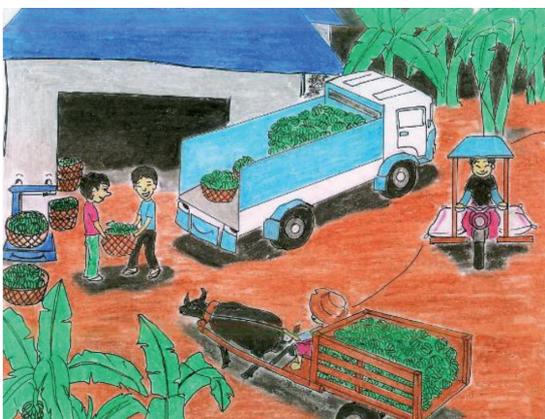


Physical resources include land, building and other structures, machinery, and equipment. These are the tangible assets that the cooperative will use to produce the product or deliver the service.

Do the steps together. Listen to all the ideas of your group members.

STEP 1 10 minutes

Location: Where the business will be located



Basic considerations in choice of location



Electricity/Power Supply



Water Supply



Communication Facility



Accessible Near buyers and suppliers



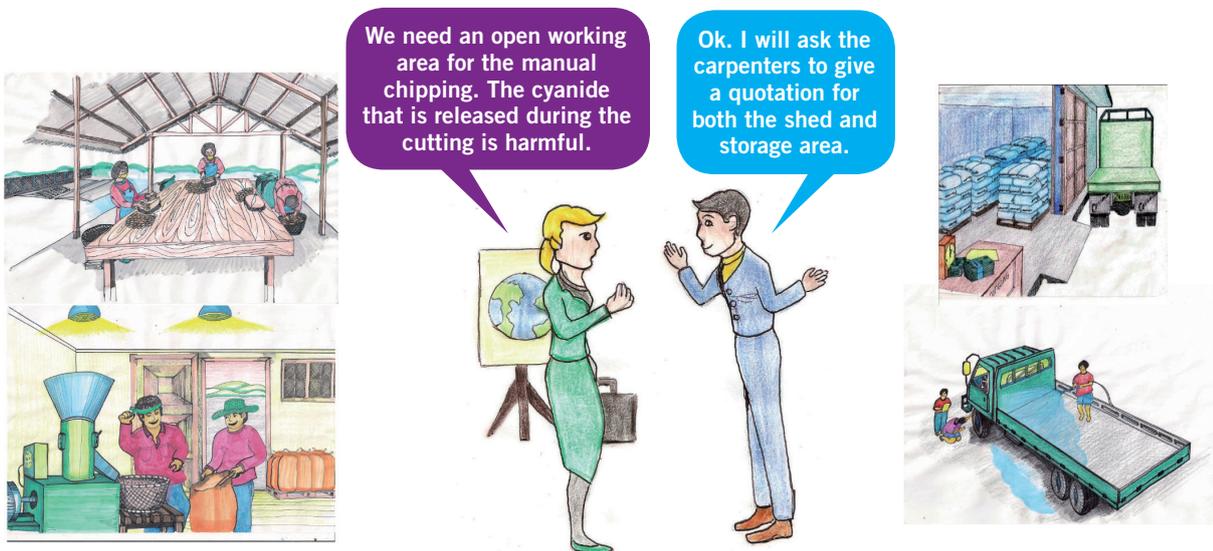
Allowed by ordinance or law

Read the guiding questions in Column 1 and the examples in Column 2, and write down your answer in Column 3.

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
Where will the business be located?	It will be located in South Cotabato, which is the top producer of cassava in the country.	
What are the advantages and disadvantages of the location?	<p>The proposed location is near the cassava farms and the potential buyers. It is also accessible by 4-wheel drive vehicles. The area is connected to the power grid. A clean water supply is also abundant. The proposed location is not prone to floods.</p> <p>The area, though, does not have landline phone or internet connection. However, it can be reached via cell phone.</p>	

STEP 2 15 minutes

Physical resources: Facilities and equipment needed to produce product or provide service



You will identify the equipment and facilities that the cooperative will need and how the group plans to acquire these. By now, the group should have already validated whether the planned mode of acquisition identified during the feasibility study is feasible. Remember, you can also make use of existing assets and facilities of members to lower investment cost.

Example: Cassava Farmers Cooperative

Equipment/Facility	Description	How Coop will Acquire
Land	250 square meters	Member will allow coop to use her land
Building	150 square meters; design and layout will be compliant with Good Manufacturing Practices	Grant from local government
Open working area	About 50 square meters; for manual chipping	To be constructed; materials will be donated by members
Slicing machine	2 units	Purchase
Weighing machine	2 units	Purchase
Moisture tester	1 unit	Purchase
Raised platforms	For drying of chips	Construction; materials will be donated by members
Stainless washing vats	2 units	Purchase
Truck	For delivery of chips	Rental

Complete the table below for your own cooperative.

Equipment/Facility	Description	How Coop will Acquire

Activity 4B: Work process and system



This part of the Operations Plan will describe how the business will be operated from sourcing of inputs to after sales services. The process will vary depending on your business. You will also need to show how you will ensure product or service quality and the health and safety of workers.

Work together to complete each of the steps outlined below. Use the examples and illustrations as your guide in answering the questions.

Steps

STEP 1 (15 minutes)

Procurement of inputs/raw materials needed to produce product or service



Promotional campaign to recruit suppliers
Training of suppliers



Receiving, quality inspection,
and sorting



Weighing and
payment

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
What are the key inputs/ raw materials needed to produce the product or service? How many do you need per month?	Fresh cassava tubers – 375 MT per month	
From whom will you source these inputs?	Members and non-members	
How will you ensure that you will have an adequate supply of raw materials?	Members will be required to allocate at least 60% of their harvest for the cooperative Cooperative will regularly conduct promotional campaigns to attract cassava farmers to supply to the plant and eventually become members We will promote modular farming. We will also conduct training to help farmers improve productivity and comply with quality standards	

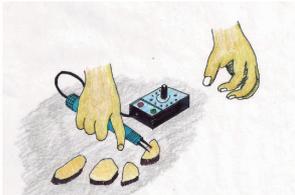
Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
What are the key requirements to become a supplier?	Zero to very minimal use of chemical inputs; cassava with zero chemical inputs should be appropriately labelled No child labour in their farms Basic work safety is observed	
What are the terms of payment?	Members enjoy guaranteed price of US\$ 0.05 per kilo. If market price is higher than US\$ 0.05 at the time of delivery, members will get the higher price Non-members will be paid based on prevailing market price Price discount of 10% will be applied to immature tubers Cash on delivery	

STEP 2 (25 minutes)

Production/work process



Cleaning and washing of tubers



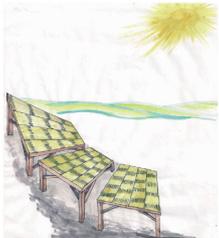
Moisture content testing



Packing and storage of chips



Manual chipping



Drying of chips



Delivery of chips

Measures to ensure quality and safety



Illustration by: Esteban Idrovo

In Column 1, list the key activities involved in making the product or delivering the service. In Column 2, identify the key measures to ensure product quality and workers' safety. In Column 3, identify the person or people responsible for performing the activity.

Example: Cassava Farmers Cooperative

Activity	Measures to ensure quality and safety	Responsible
Cleaning and washing of tubers	Clean water will be used for washing	Washers
Chipping	<p>Thickness of chips will be about ¼ inch to ensure high granules recovery</p> <p>Chippers will only use sharp knives to avoid crushing the cassava, reduce physical strain (workers), and minimize risk of injury (workers)</p> <p>Prior to using a mechanical chipper, operator will ensure that: (i) blades and funnels are clean; (ii) blades are properly calibrated to desired thickness; and (iii) motor is in good running condition. Checking and service maintenance of mechanical chipper will be done monthly. At all times, operator will wear personal protective equipment</p> <p>Chipping will be done in a clean and dry place that is protected from animals and pests</p> <p>Area for manual chipping will be well ventilated, shaded, and open to minimize risk of workers inhaling cyanide</p>	Chippers
Weighing of chips	Clean pails will be used to weigh chips. Content of pail will not be more than 15 kilograms to reduce physical strain on haulers	Chipper team leader/ chippers
Drying of chips	<p>Chips will be dried in clean platforms without soil and dust particles. Chips will be spread evenly at approximately 12 kg. per square meter</p> <p>Chips will be turned every two hours to have uniform drying</p> <p>Workers will be provided with appropriate sun protection</p>	Workers/Driers
Testing for moisture content	The thickest chip cut from among the dried chips will be tested for moisture content using a tester	Receiving staff
Packing of chips	<p>Only chips that pass the 12% - 14% moisture content will be packed</p> <p>Chips will be packed in clean sacks without holes and rips</p> <p>Sacks will be sealed via sewing to avoid entry of pests</p>	Workers/Driers
Weighing of chips	<p>Chips will be weighed using calibrated weighing scales. Each sack will contain 50 kg. of chips</p> <p>Weight and number of sacks including date of processing will be recorded in inventory logbook. Date processed will be indicated on the sacks</p>	Receiving staff
Storage of chips	<p>Chips will be stored in clean, well-lit storage areas. The sacks will be placed on top of pallets, off the floor and away from the walls</p> <p>Proper stacking will be observed to facilitate easy monitoring, minimize risk of falling off, and proper ventilation</p> <p>“First In, First Out” will be observed in the release of cassava chips</p>	Receiving staff
Hauling and delivery of chips	<p>The vehicle for delivery will be inspected for cleanliness. Vehicles used for the transport of animal manure, fertilizers and harmful pesticides will not be used for the delivery of cassava chips</p> <p>Trolleys will be used for the (un)loading of the sacks to protect both product and workers</p>	Warehouse staff

Complete a similar table for your cooperative. To facilitate the identification of measures to ensure quality and safety, let's first identify the quality and safety risks in each of the major activities.

Activity	Quality and safety risks	Measures to ensure quality and safety	Responsible

SESSION 5: MANAGEMENT PLAN

Session Overview



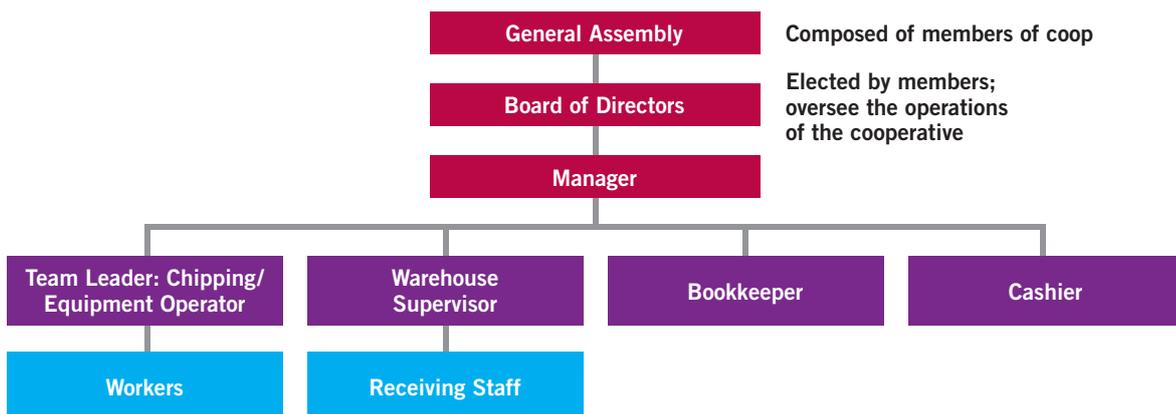
The Management Plan section describes how the cooperative business will be structured. It also identifies the human resources and skills that the business will need to meet the demands of customers.

Activity 5A: Preparing your organization chart



The organization chart is a diagram showing the structure of the business. It is drawn using boxes for the job titles or functions and vertical lines to demonstrate the reporting relationships of supervisors and their reporting staff. An example of an organization chart is shown below.

Example: Organization chart: cassava farmers cooperative



You will learn about the General Assembly and Board of Directors in Module 4. For now, let's focus on the people who are directly involved in the daily operations of the business.

Now draw together the organization chart of your own cooperative. A review of your production plan can help you identify the people that you need. As soon as you have identified the people that you need, then decide on who should report to whom.

Your organization chart

Activity 5B: Job description



15 minutes

After completing the organization chart, describe the specific duties of each of the positions and the required skills, experience, and other qualifications. For this activity, only describe positions starting from the manager to the workers.

Example: Cassava Farmers Cooperative

Position	Job Description	Qualifications
Manager	Manages operations in the processing facility Oversees financial operations Reports to Board of Directors	At least 3 years of experience in managing processing facility Familiar with cassava chips production (or similar) Good management and marketing skills
Equipment Operator/ Chipping – Team Leader	Operation of machines Cleaning and maintenance of the machines Quality control Monitoring of output of workers	Knows how to operate the chipping machine With background in equipment maintenance and basic troubleshooting With 2 years of experience in production of banana chips Good leadership skills
Warehouse Supervisor	In-charge of warehouse and storage operations including ensuring cleanliness Responsible for procurement of supplies Records and monitors raw material stock and finished products Quality control	At least 2 years of experience in warehouse operations and cassava chip production Knows basic business math
Receiving staff	Grading and sorting of fresh cassava Records all incoming supplies and deliveries to buyers Maintains inventory record	Familiar with cassava chip production Knows basic business math
Bookkeeper/ Finance Clerk	Recording of financial transactions Maintenance of relationships with suppliers Checking and processing of payment to suppliers	Background in bookkeeping
Cashier	Collection of payment from customers Release of payment to suppliers Safekeeping of cash/money of cooperative	Has previous similar work experience
Chippers	Manual chipping of cassava Hauling and weighing of cassava chips	Has similar work experience
Washer	Cleaning and washing of cassava chips	Has similar work experience
Driers	Drying of cassava chips Weighing and hauling of cassava chips Packing and stocking of cassava chips Loading of cassava chips	Has similar work experience

Using the example as your guide, complete the table below for your cooperative.

Position	Job Description	Qualifications

SESSION 6: FINANCIAL PLAN

Session Overview



The Financial Plan section of the business plan provides details on how potentially profitable the business will be. You will also need to provide projections that would show that the business will survive on the start-up capital until it makes a profit. In short, you have to demonstrate in this section that the proposed business is a good investment.

You also need to present here the money that is needed to start the business and how you will raise the required funding. Since you have already studied this in Module 2, you can skip this today. It is recommended though that you review your start-up costs before finalizing your business plan.

Activity 6A: Preparing your income statement



An income statement for a new business shows how much it will earn or lose during a given period of time. It shows the estimated amount of sales, cost of goods or services sold, expenses incurred in the running or operation of a business and the profits earned for a given period.

To prepare an income statement, you need to know how to compute profit and loss. You have already learned this in Activity 4B in Module 2. For this activity, you will need to review your previous outputs and write them in an income statement template.



- SESSION 1: BUSINESS PLAN
- 1A. Structure of a basic business plan
- SESSION 2: BUSINESS PROFILE
- 2A. Writing your business profile
- SESSION 3: MARKETING PLAN
- 3A. Product and/or service description
- 3B: Market description
- 3C: Marketing strategy
- SESSION 4: OPERATIONS PLAN
- 4A: Physical resources:
facilities and equipment
- 4B. Work process and system
- SESSION 5: MANAGEMENT PLAN
- 5A: Preparing the organization chart
- 5B: Job description
- SESSION 6: FINANCIAL PLAN**
- 6A: Preparing the income statement
- 6B. Preparing your cash flow projection
- 6C: Preparing your balance sheet
- SESSION 7: EXECUTIVE SUMMARY
- 7A: Writing the executive summary

Steps:

STEP 1 Read example. (10 minutes)

Income Statement of Cassava Farmers Cooperative For the Period January to December 2018				
Particular	Unit	No. of Units	Unit Price	Amount (US\$)
TOTAL INCOME <i>Income: money paid for your services or products</i>				360,000
Sales from cassava chips	Metric ton	1,800	200	360,000
TOTAL EXPENSES <i>Expenses: money spent or cost incurred to generate income</i>				281,100
Materials				226,200
Fresh cassava	Metric ton	4,500	50	225,000
Sacks	Pieces	6,000	0.2	1,200
Salaries/Wages				50,400
Manual Chipper	Metric ton	1,500	4	6,000
Equipment Operator	Person month	12	375	4,500
Washer	Person month	12	200	2,400
Driers/Laborers (5 people)	Person month	60	200	12,000
Warehouse Supervisor	Person month	12	375	4,500
Receiving Clerk	Person month	12	200	2,400
Bookkeeper	Person month	12	200	2,400
Cashier	Person month	12	350	4,200
Manager	Person month	12	500	6,000
Social security benefits	Person month	12	500	6,000
Utilities and Other Expenses				4,500
Electricity	Month	12	50	600
Water	Month	12	25	300
Transportation	Trip	12	200	2,400
Other expenses	Month	12	100	1,200
GROSS INCOME <i>Profit: Total Income – Total Expenses</i>				78,900
Less: Taxes (depends on country)				6,312
PROFIT/NET INCOME <i>Gross Income – Taxes</i>				72,588

STEP 2 Take out your output from Activity 4B in Module 2.

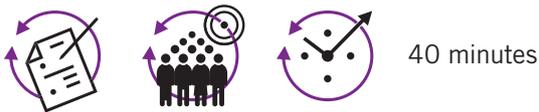
STEP 3 Fill out the Income Statement template based on data from your output in Activity 4B in Module 2. As you fill it out, review and decide whether there are changes you would want to make. You can use a calculator to complete this step. (20 minutes)

Income Statement template

Income Statement of (Name of your Proposed Cooperative): For the Period (One year):				
Particular	Unit	No. of Units	Unit Price	Amount (US\$)
TOTAL INCOME <i>Income: money paid for your services or products</i>				
TOTAL EXPENSES <i>Expenses: money spent or cost incurred to generate income</i>				
Materials				
Salaries/Wages				
Utilities and Other Expenses				
GROSS INCOME <i>Profit: Total Income – Total Expenses</i>				
Less: Taxes <i>(If you do not know tax rates, please leave blank and include in your action plan)</i>				
PROFIT/NET INCOME <i>Gross Income – Taxes</i>				

Use this space for any calculations that you may need to make.

Activity 6B: Preparing your cash flow projection



The cash flow projection shows the amount of money that you expect to come into your business and money that will be going out of your business. The projection is useful to determine the viability of the cooperative, particularly its ability to pay for the expenses needed to produce the product or service and the overall operations of the business. The cash flow statement monitors the flow of cash over a period of time (a year, a quarter, a month) and shows you how much cash you have on hand during a given period. It also shows you whether your cash position has improved and by how much during a given period (e.g. start of business and after 12 months of operation).

Cash flow

CASH IN

How does money come in to your business?

By producing and selling goods



By getting a loan



By giving a service



By getting a grant



CASH OUT

How does money go out of your business?

By purchasing raw materials



By paying for transportation and other utilities



By paying wages and salaries



By renting a stall



The steps can be found on the next page. This is a group activity. Perform the steps as they are read.

Steps

STEP 1 Study the example. (10 minutes)

Cassava Farmers Cooperative Cash Flow Projection For the Period January to December 2018												
Particulars	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
BEGINNING CASH <i>Copy the ending cash of previous month</i>		1,675	8,350	14,725	21,400	28,075	34,450	41,125	47,800	54,175	60,850	67,525
Cash In <i>List sources of cash</i>	20,000											
Contribution from members												
Grants	15,000											
Sales: Cassava Chips (refer to income in Income Statement)	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
TOTAL CASH IN <i>Add entries in Cash In</i>	35,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Cash Out <i>List projected expenses (refer to expenses in Income Statement)</i>	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850
Materials												
Salaries/Wages	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Utilities	275	275	275	275	275	275	275	275	275	275	275	275
Repair/Maintenance			300			300			300			
Equipment /tools	6,000											
Construction of facilities	4,000											
TOTAL CASH OUT <i>Add entries in Cash Out</i>	33,325	23,325	23,625	23,325	23,325	23,625	23,325	23,325	23,625	23,325	23,325	23,625
NET CASH FLOW <i>Cash In - Cash Out</i>	1,675	6,675	6,375	6,675	6,675	6,375	6,675	6,675	6,375	6,675	6,675	6,375
ENDING CASH <i>Beginning Cash + Net Cash Flow</i>	1,675	8,350	14,725	21,400	28,075	34,450	41,125	47,800	54,175	60,850	67,525	73,900

STEP 2

Complete the Cash Sales Projection table for your own cooperative. Work as a group. You may request assistance from the facilitator. You can use a calculator to complete this step. (30 minutes)

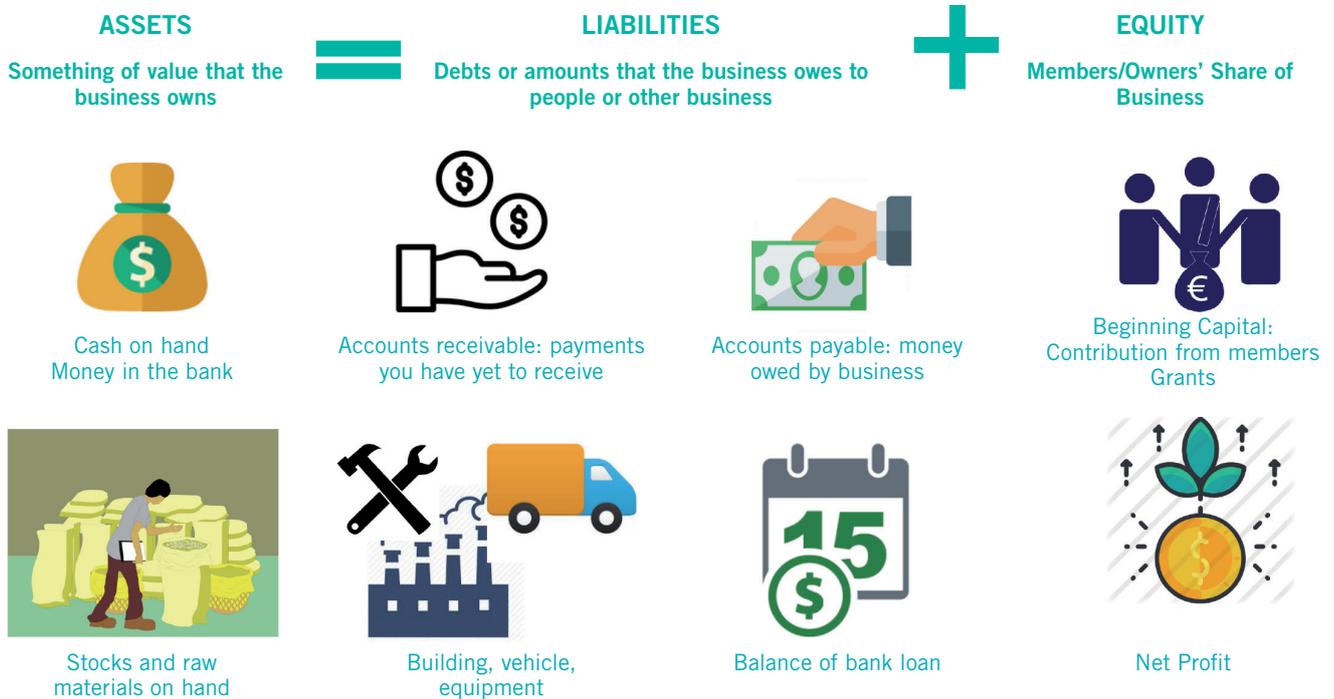
Name of Cooperative: Cash Flow Projection Period:												
Particulars	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
BEGINNING CASH <i>Copy the ending cash of previous month</i>												
Cash In <i>List sources of cash</i>												
TOTAL CASH IN <i>Add entries in Cash In</i>												
Cash Out <i>List projected expenses (refer to expenses in Income Statement)</i>												
TOTAL CASH OUT <i>Add entries in Cash Out</i>												
NET CASH FLOW <i>Cash In - Cash Out</i>												
ENDING CASH <i>Beginning Cash + Net Cash Flow</i>												

Activity 6C: Preparing your balance sheet



While the income sheet shows what the cooperative is earning, the balance sheet shows the total worth of the cooperative. A balance sheet adds up everything the cooperative owns, subtracts everything the cooperative owes, and shows the difference as the net worth of the cooperative. The balance sheet reflects the financial position of the business at a given period (e.g. end of the year).

Balance sheet



Steps

STEP 1 Read and study the example. (10 minutes)

Cassava Farmers Cooperative Balance Sheet as of 31 December 2018			
ASSETS List all the things that the business will own and the corresponding value by 31 Dec 2018		LIABILITIES + OWNERS' EQUITY	
		LIABILITIES List all the estimated debts and value by 31 Dec 2018	
Cash on hand	US\$ 73,900	Accounts Payable	US\$ 0
Equipment and facilities	US\$ 10,000	Loans	US\$ 0
Payment for Dec delivery	US\$ 30,000		
		Total Liabilities Add all entries	US\$ 0
		OWNERS' EQUITY How much capital will the business have by 31 Dec 2018?	
		Beginning Capital <i>Contribution from members, grants, etc. – refer to Cash Flow</i>	US\$ 35,000
		Net Profit <i>Refer to Income Statement</i>	US\$ 78,900
		Ending Capital <i>Add all entries under Owner's Equity</i>	US\$ 113,900
TOTAL ASSET <i>Add all entries under Assets</i>	US\$ 113,900	TOTAL LIABILITIES + OWNERS' EQUITY	US\$ 113,900

Figures should be the same

STEP 2

Prepare the balance sheet for your own cooperative. You can use a calculator to complete this step. (20 minutes)

Name of Cooperative: Balance Sheet as of _____ (indicate date)			
ASSETS List all the things that the business will own and the corresponding value by date indicated above		LIABILITIES + OWNERS' EQUITY	
		LIABILITIES List all the estimated debts and value by date indicated above	
Cash on hand		Expenses incurred by coop that have not yet been paid	
Fixed Asset		Loans	
Payment for goods or services sold or delivered that coop has yet to collect			
		Total Liabilities Add all entries	
		OWNERS' EQUITY How much capital will the business have by date indicated above?	
		Beginning Capital <i>Contribution from members, grants, etc. – refer to Cash Flow</i>	
		Net Profit <i>Refer to Income Statement</i>	
		Ending Capital <i>Add all entries under Owner's Equity</i>	
TOTAL ASSET <i>Add all entries under Assets</i>		TOTAL LIABILITIES + OWNERS' EQUITY	

Check that figures are the same

SESSION 7: EXECUTIVE SUMMARY

Session Overview



5 minutes

This is a summary of each section of the business plan. As indicated in Session 1, this is the first section of the business plan, but you can only complete this after all the sections have been completed. It should provide a short, concise and optimistic overview of the cooperative business that captures the readers' attention and gives them an interest in learning more about it.

Activity 7A: Writing the executive summary



30 minutes

The easiest way to write the executive summary is to review the business plan and make one or two sentences to summarize each section.



YOUR BUSINESS PLAN

SESSION 1: BUSINESS PLAN

1A. Structure of a basic business plan

SESSION 2: BUSINESS PROFILE

2A. Writing your business profile

SESSION 3: MARKETING PLAN

3A. Product and/or service description

3B. Market description

3C. Marketing strategy

SESSION 4: OPERATIONS PLAN

4A. Physical resources:
facilities and equipment

4B. Work process and system

SESSION 5: MANAGEMENT PLAN

5A. Preparing the organization chart

5B. Job description

SESSION 6: FINANCIAL PLAN

6A. Preparing the income statement

6B. Preparing your cash flow projection

6C. Preparing your balance sheet

SESSION 7: EXECUTIVE SUMMARY

7A. Writing the executive summary

Steps

STEP 1 Read and review the example. (10 minutes)

Sample Executive Summary	
Name of Cooperative	
	Cassava Farmers Cooperative
Location	
	Our cooperative is located in Banga – South Cotabato, the largest cassava producing area in the country.
Members	
	About 200 cassava farmers have indicated interest in joining the cooperative. This represents about 40% of the total number of cassava farmers in the province. We expect that membership will grow by 5% each year.
Product/service and uses	
	The cooperative will process the fresh cassava tubers from its members into high quality peeled and unpeeled cassava chips for feeds. The peeled cassava chips will only be offered during the 2nd year to give time to the cooperative to raise money for a mechanical peeler.
Production capacity	
	For the first year, our target production volume is 1,800 MT of cassava chips. We plan to increase production volume by 5% per year.
Production Process	
	We will promote modular plots and natural farming among our members so that we will have a year-round supply and chemical free tubers. Processing will be semi-mechanized. Our plant will be compliant with Good Manufacturing Practices. Safety of workers will be a top priority.
Customers	
	The cooperative will sign a non-exclusive marketing contract with the three feed mills. In the region, total demand for cassava chips is about 200,000 MT per year. Supply gap is about 50,000 MT annually.
Human Resources/Management	
	The Board of Directors will oversee the operations of the processing plant. We will hire a Manager to manage and supervise the daily operations. Our workers will be trained in Good Manufacturing Practices and workers' safety and health.
Financial Projection	
	We will need US\$ 35,000 to start our business. Contribution from members is expected to reach US\$ 20,000. We hope to source the remaining US\$ 15,000 from grants. Annual income is estimated at US\$ 360,000 with total expenses at US\$ 281,100. Estimated annual profit is US\$ 78,900.

STEP 2

Prepare an executive summary for your own business plan. Please refer to your outputs in previous sections to fill in the guide below. Assign two to three members to work on each topic. (20 minutes)

Sample Executive Summary	
Name of Cooperative	
Location	
Members	
Product/service and uses	
Production capacity	
Production Process	
Customers	
Human Resources/Management	
Financial Projection	

Answers: Activity 1A

- Picture 1: Business Profile
- Picture 2: Financial Plan
- Picture 3: Marketing Plan
- Picture 4: Operations Plan
- Picture 5: Management Plan



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Use this space for your calculations and notes.

