



Ministry of Agriculture
Animal Industry and Fisheries



THE WORLD BANK

AGRICULTURE CLUSTER DEVELOPMENT PROJECT (ACDP)

Empowering Farmers Through Business Oriented Farmer Groups



**UGANDA
CO-OPERATIVE
ALLIANCE LTD.**

FARMER INSTITUTIONAL DEVELOPMENT GUIDE



THE REPUBLIC OF UGANDA

**MINISTRY OF AGRICULTURE
ANIMAL INDUSTRY AND FISHERIES**

**FARMER INSTITUTIONAL DEVELOPMENT
GUIDE**

AGRICULTURE CLUSTER DEVELOPMENT PROJECT

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ACRONYMS

ACCE	Area Commodity Cooperative Enterprise
ACDP	Agricultural Cluster Development Project
AO	Agricultural Officer
ATAAS	Agriculture Technology Agribusiness Advisory Services
CBF	Community Based Facilitator
CDO	Community Development Officer
DCDO	District Community Development Officer
DCO	District Commercial Officer
DLG	District Local Government
DPO	District Production Officer
EVMA	Electronic Voucher Management System – e-voucher
FG	Farmer Group
FID	Farmer institutional Development
FO	Farmer Organisation
HLFO	Higher Level Farmers Organisation
IDE	Institutional Development Expert
IDO	Institutional Development Officer
MAAIF	Ministry of Agriculture Animal industry and fisheries
MEL	Monitoring, Evaluation and Learning
PCU	Project Coordination Unit
RPO	Rural Producer Organisation
TOT	Training of Trainers
UBA	United Bank for Africa
UCA	Uganda Cooperative Alliance

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



The sign indicates a good practice in identifying and meeting the different needs of women and men, promoting active participation of women, and making strategic use of the distinct knowledge and skills women and men have.



MODULE 1

**STATUS OF FARMER
GROUPS IN THE
COMMUNITY AND
UNDERSTANDING
ACDP**

This module provides:

- The definition of a farmer group,
- The status of farmer groups in the project farming communities,
- Why farmer groups matter and why ACDP works with farmer groups.
- Specific details about the ACDP project relating to farmer institutional development
- Services to farmer groups and expected collaborative arrangements that create sustainable outcomes.
- Outlines the criteria for selection of farmers and farmer groups to participate in the e-voucher system of ACDP.

Module objective

By the end of the module participants will be able to understand the importance of farmer groups in agricultural development.

Key messages

Farmers who are in well-developed and organized groups have the opportunity to improve production and productivity on their farms and access profitable markets for improved household incomes

SESSION 1.1 WHAT IS A FARMERS' GROUP?



Time: 10 minutes

Session objectives:

At the end of this session participants will;

- Understand the importance of belonging to a farmer group

- The facilitator starts by asking participants what a farmer group is.
- Emphasizes important phrases in the definition given by participants e.g **legally recognized, common bond, having clear plan.**



A farmers's group has an average of 15-20 people



A farmers's group clear plan

SESSION 1.1.1

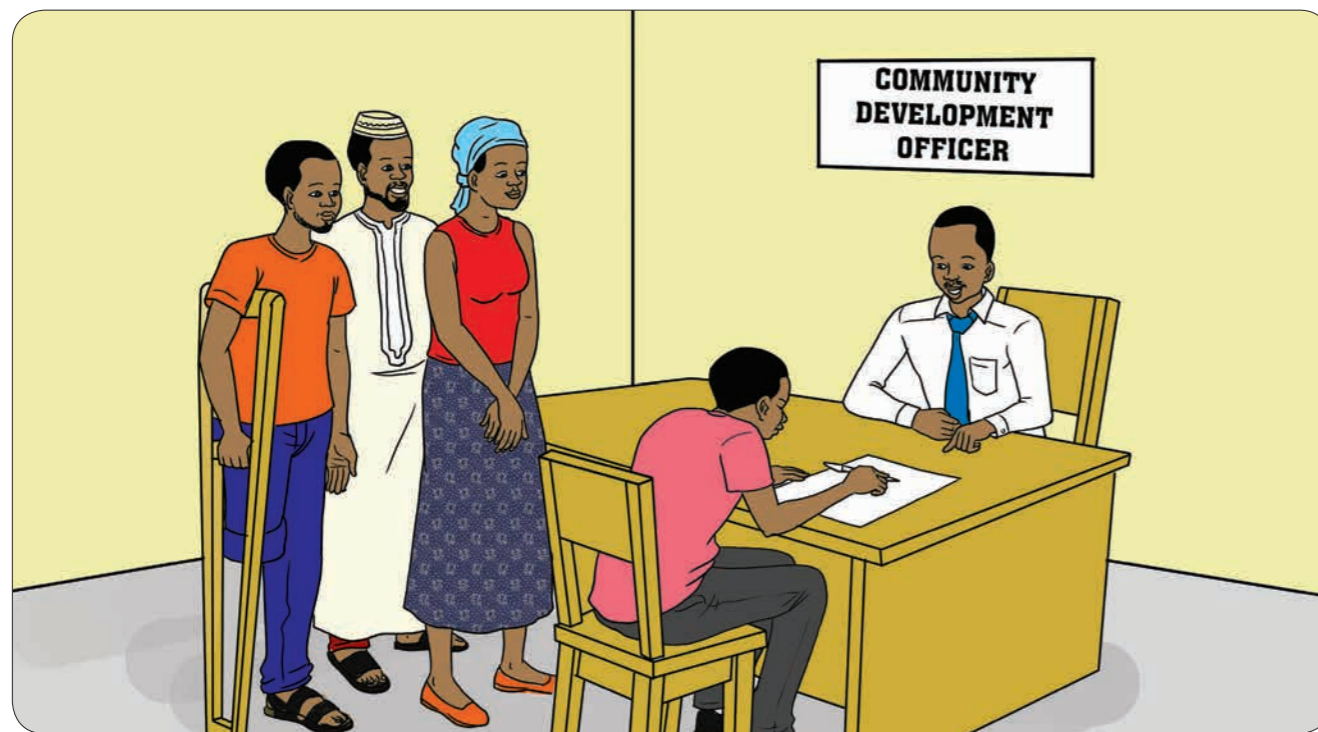
Categorization of Farmer Groups



Time: 20 minutes

The facilitator

- Starts by asking participants to mention the different categories of farmer groups in their communities
- Ask them to provide characteristics of each category mentioned



A farmers's group has to be legally registered

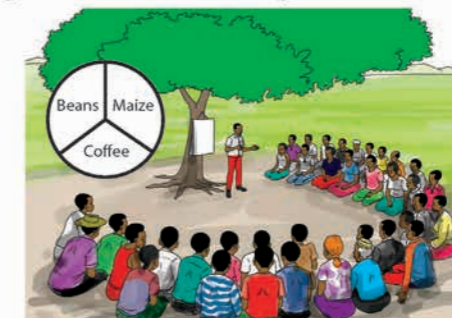


A farmers's group should have democratic leadership

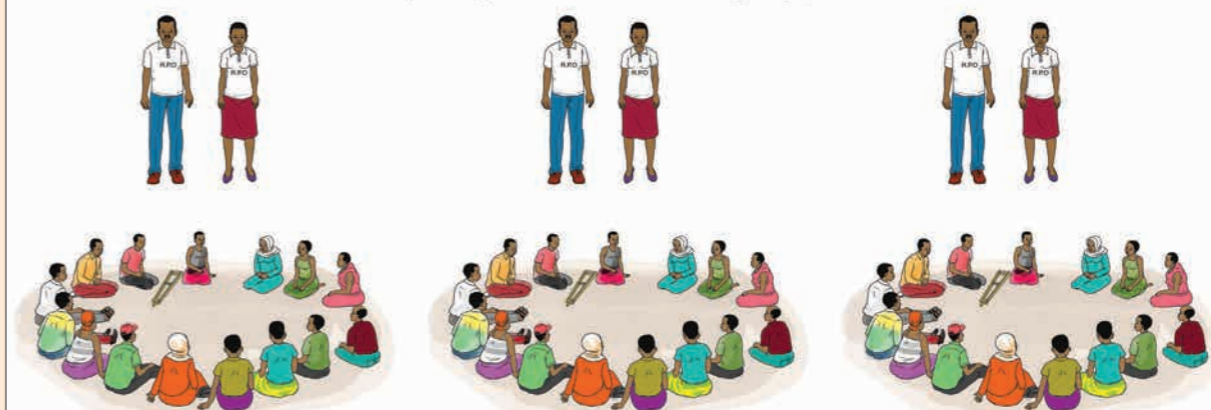
Facilitator's Notes

A farmer group defined as a legally recognized entity, with defined voluntary membership and democratic leadership, united with a very clear plan of improving their agricultural value chain activities for increased household income and improved livelihoods.

Higher Level Farmer Organisations (HLFO)



Network of RPOs
(2 delegates from each farmer group)



Farmer groups / Rural producer organisations

Categorization of farmer groups

Facilitator's Notes

There are three categories of farmer organizations as pertaining ACDP project as described below;

i. Farmer Group

A legally recognized entity, that operates at village level, with defined/closed voluntary membership and democratic organization structure, involved in agriculture activities (production, post-harvest handling, primary processing, value addition and marketing) for increasing household income to attain improved livelihoods

Farmer Group characteristics

- Holding a valid registration certificate from either sub-county, District or both.
- Having 15-20 members
- Having a constitution.
- Having duly elected members of the executive as provided in the constitution
- Evidence of meetings for both the executive and members.
- Members to the farmer group should be from at least three different families
- Group should be involved or undertaking joint actions as a group – with records
- Involved in an agricultural related activity
- The Farmer Organisation (FO) should be a member of RPO

ii. Rural Producer Organization (RPOs)

A legally recognized entity, with defined voluntary membership and democratic leadership, united for improving their agricultural value chain activities (production, Bulking of produce, processing, value addition and/ or marketing) for increased income and improved livelihoods.

- Holding a valid registration certificate from either sub county, District or both.
- Major Value chain activity of member Groups: Production.
- Target: Bulking of produce for processing, value addition and/ or marketing.
- Minimum membership: Two (2) farmer groups.
- Optimal Membership: Ten (10) farmer groups.

iii. Area Commodity Cooperative Enterprise (ACCE)

A legally recognized entity, with open voluntary membership and democratic leadership, united for improving their agricultural value chain activities (Production, quantity and quality of bulked produce, processing, value addition and marketing) for increased income and improved livelihoods.

- Location of operation: Sub-county, District and cluster/ region.
- Registration: District and MTIC.

- Major value chain activity of members: Bulking, processing, value addition and marketing.
- Target: Increasing quantity and quality in bulking, processing, value addition and marketing.
- Minimum membership: Two (2) Rural Producer organizations.
- Optimal Membership: It offers open membership to rural producer organizations handling a variety of value chain activities including production and marketing.

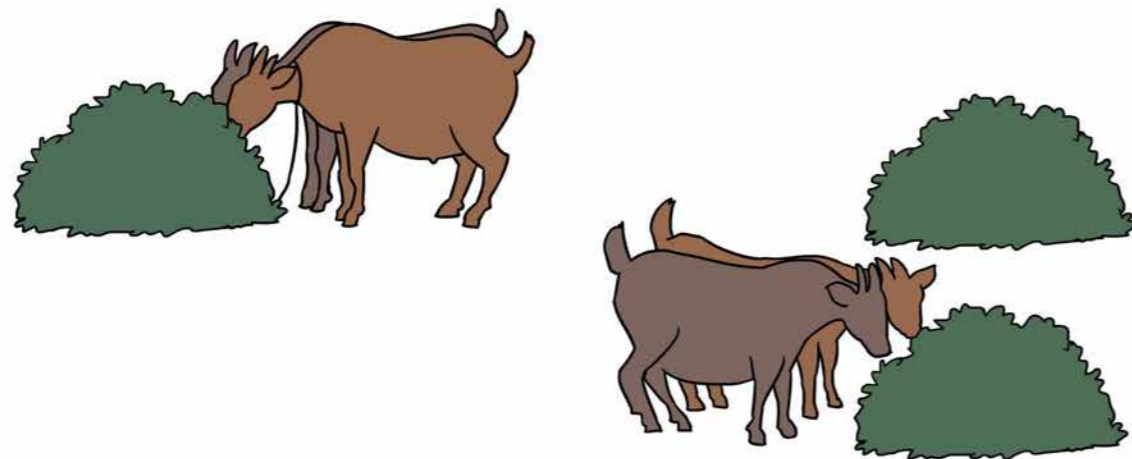
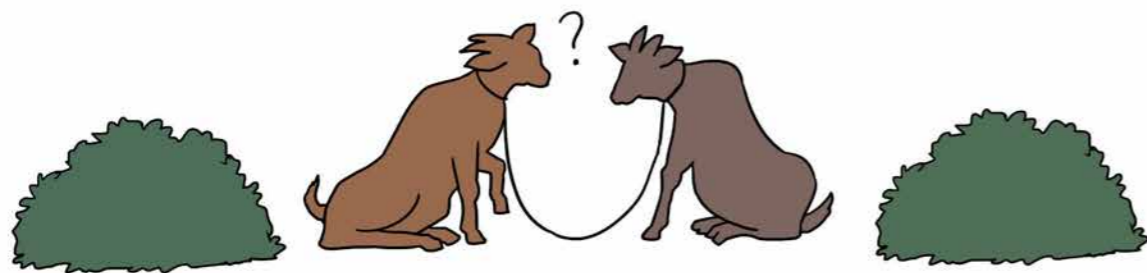
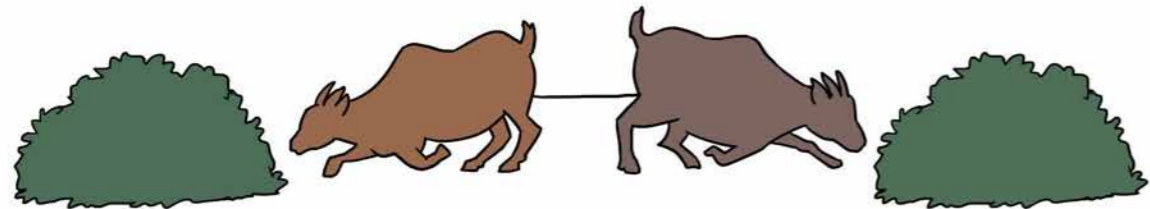
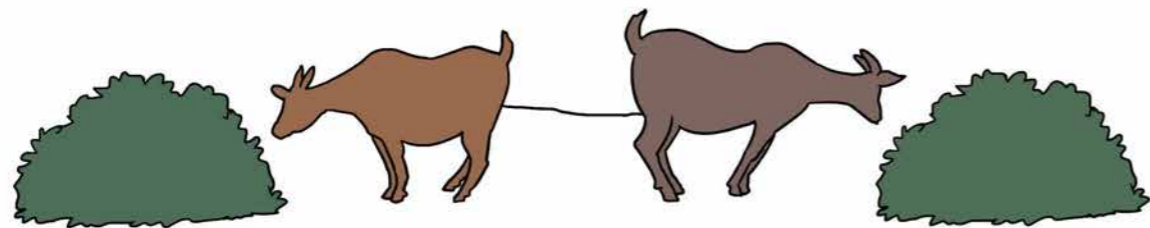
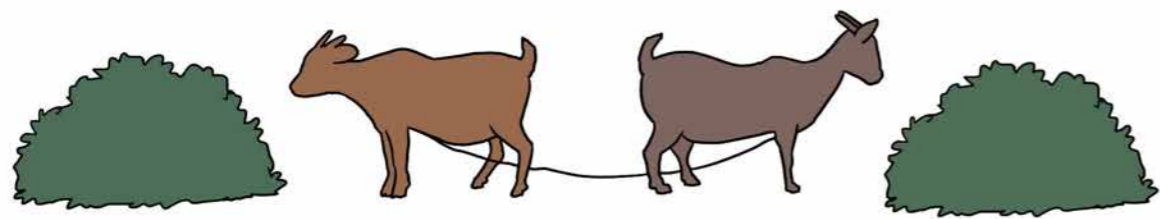
SESSION 1.2 WHY FARMER GROUPS MATTER



Time: 30 minutes

The facilitator will:

- Ask the participants to break up into small groups and discuss why groups matter in agricultural development
- Ask the different groups to present



Facilitator's Notes

The facilitator asks the farmers to answer the following questions

- i. What do you see in the picture?
- ii. What was the problem?
- iii. How was the problem solved?
- iv. What were the benefits?

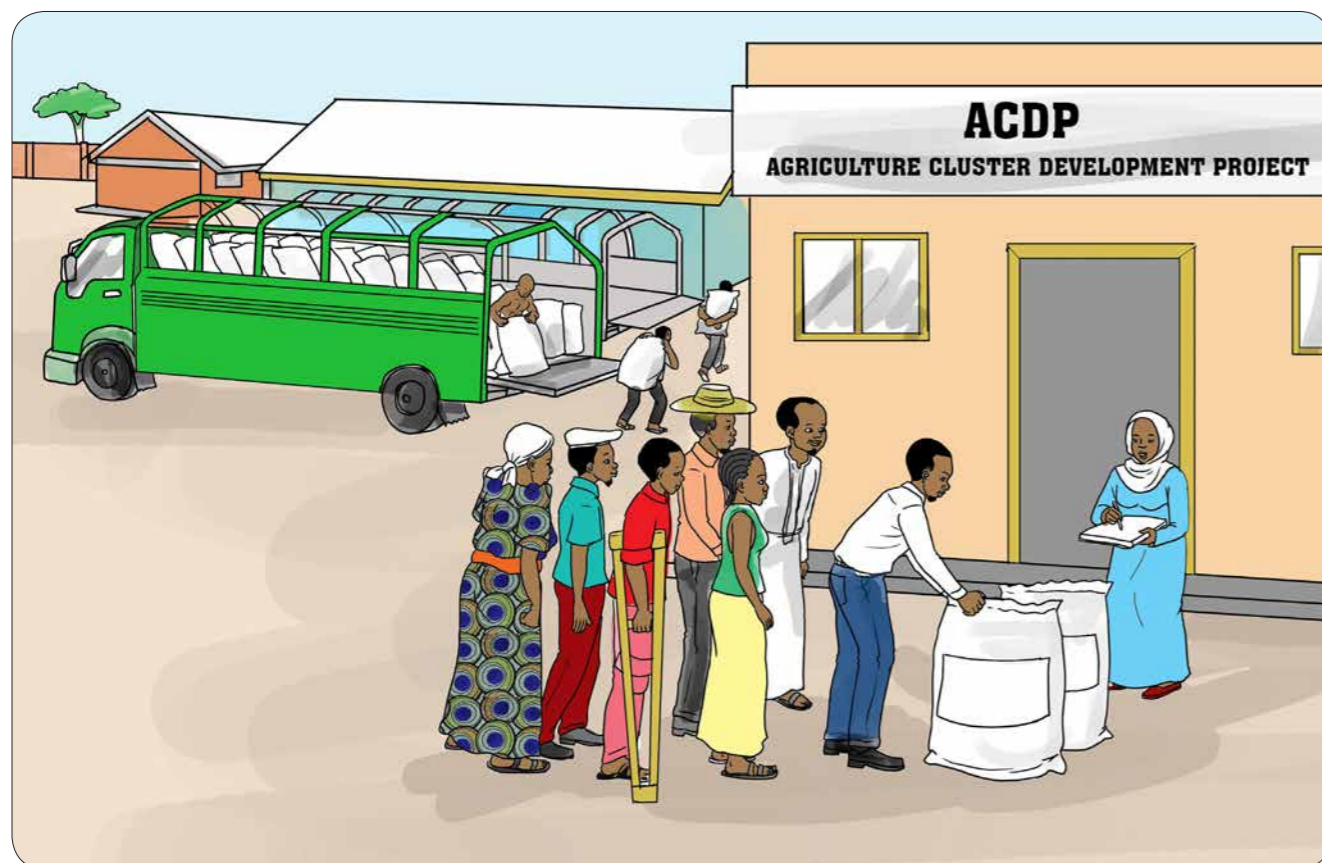
Later ask participants to relate the scenario to every day situation in regard to production and marketing in their communities.

Facilitator's Notes

The facilitator provides more answers to the question why groups matter

- Groups make project activities such as training much easier to undertake
- Groups make it easier to pull member contributions and acquire new production and post-harvest technologies
- Groups provide a good avenue for entry of development partners that complement the existing group effort
- Leveraging on technical innovations and skills/knowledge provided by particular members of the group
- Groups facilitate social cohesion & social networks
- Groups enhance individual accountability due to checks and balances set by the group thus leading to desired performance at both individual and group level
- Groups serve as collateral to credit opportunities and work as guarantee schemes to support farmer co-funding
- Linkages to input and output markets are much easier to create thus enhance project performance through (i) Bulking & selling together (ii) Access to credit markets
- Promote advocacy and joint lobbying that attracts more resources and services to the group
- Increased efficiency, productivity and enhanced profitability achieved through; procurement in bulky; quality inputs; collective timing of production activities; reduced cost or free access to information

A farmers's group should have democratic leadership



Increased efficiency through procurement in bulk, quality inputs

SESSION 1.3

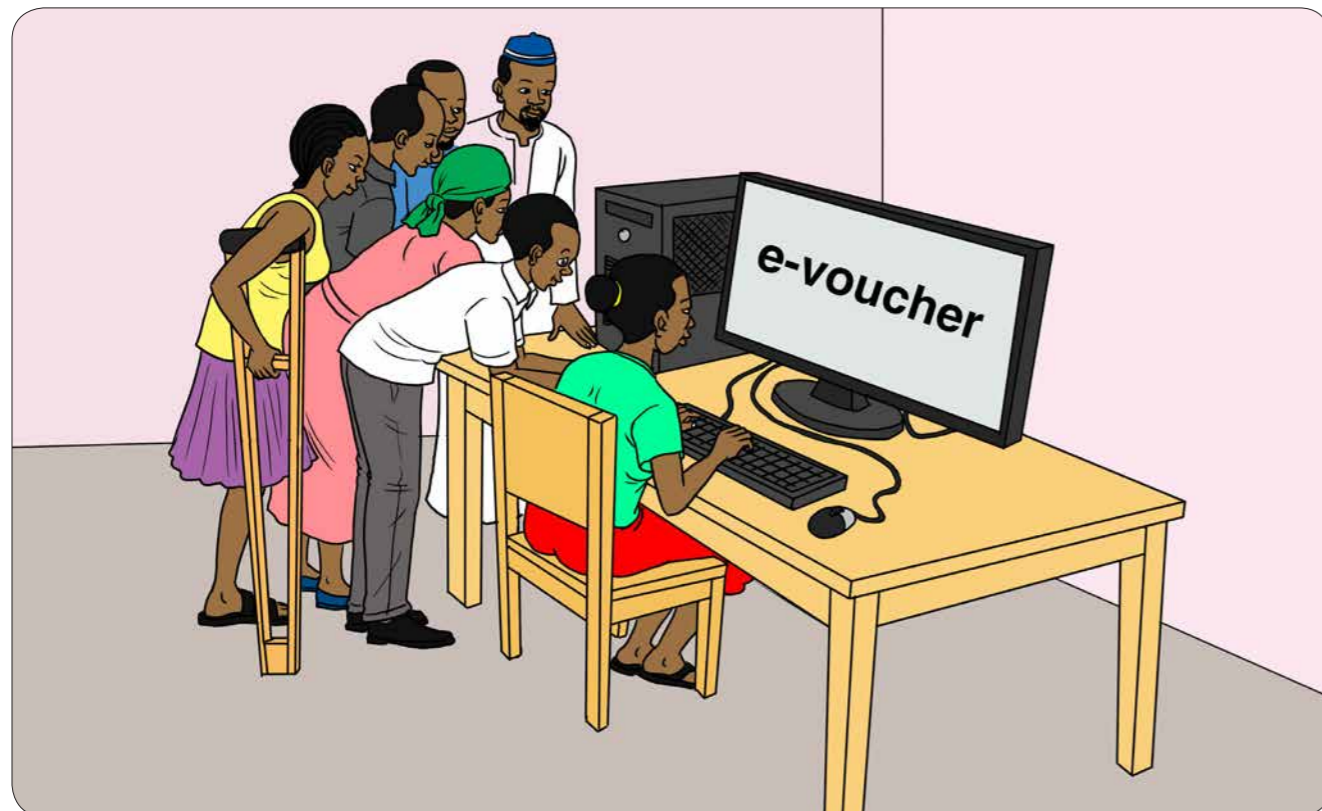
WHAT IS THE STATUS OF FARMER GROUPS IN THE FARMING COMMUNITIES?



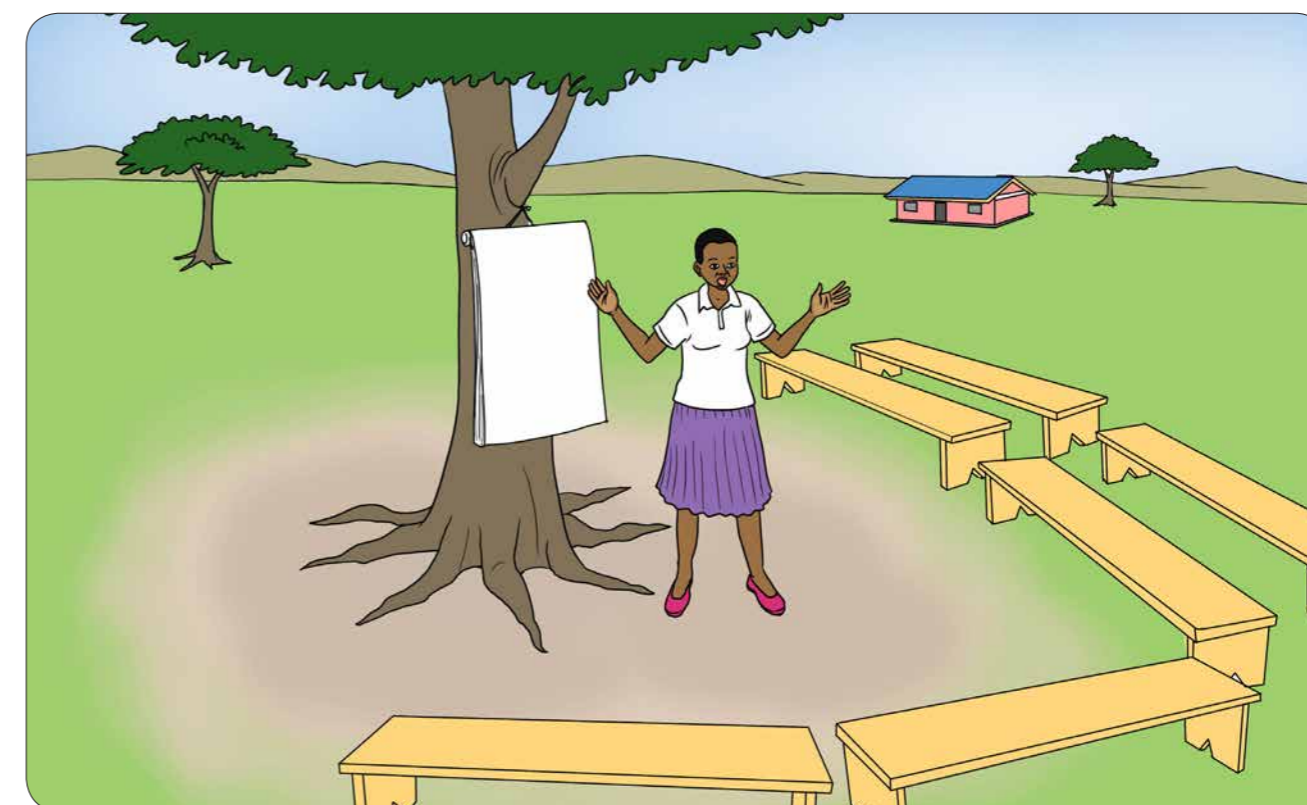
Time: 5 minutes

The facilitator asks the participants what they know about farmer groups:

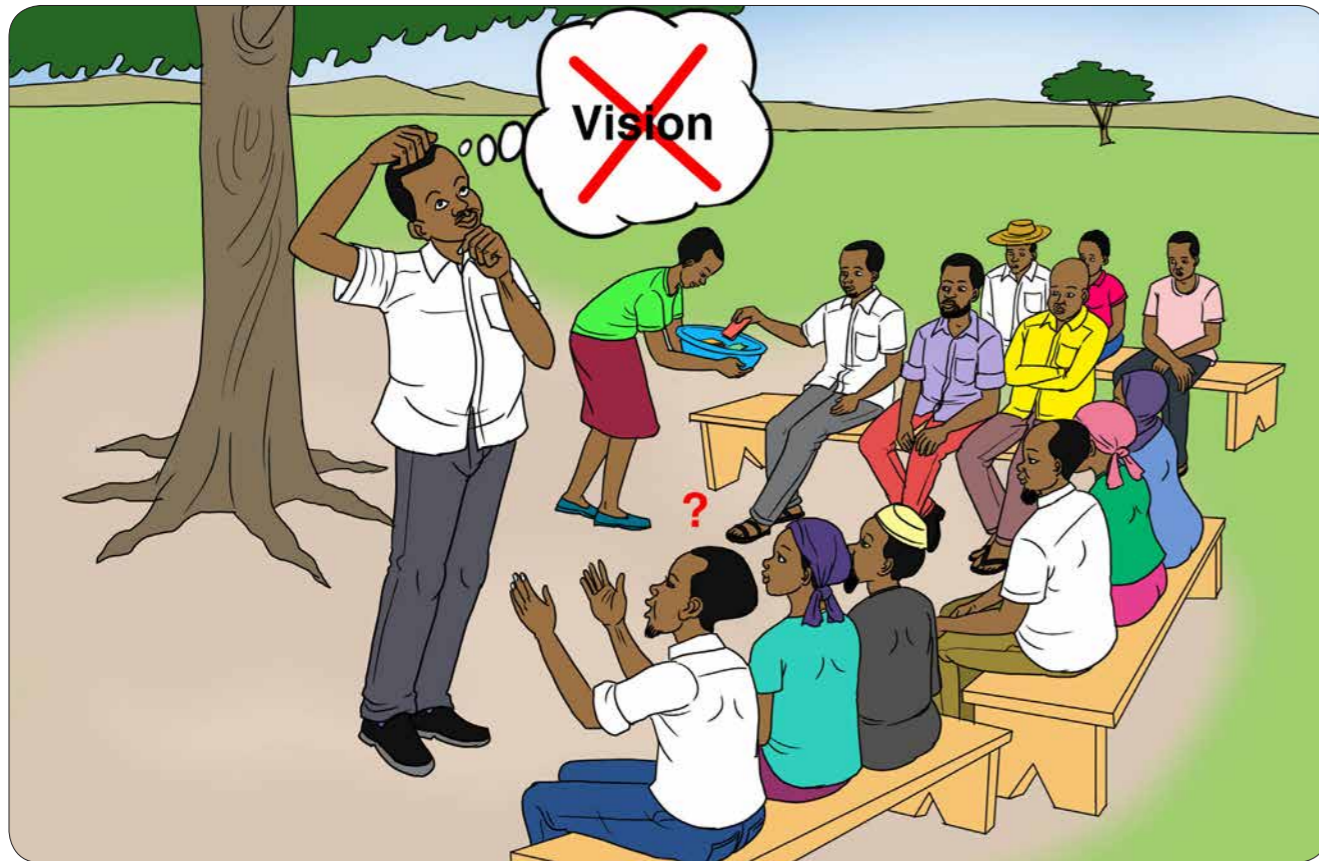
- Ask how many farmers are in groups?
- Ask how many active groups do they have in their communities?
- Gets different answers from participants (at this level all answers are right)
- Concludes by giving the known status of farmer groups in the communities



An opportunity to enroll on evoucher to access subsidised inputs



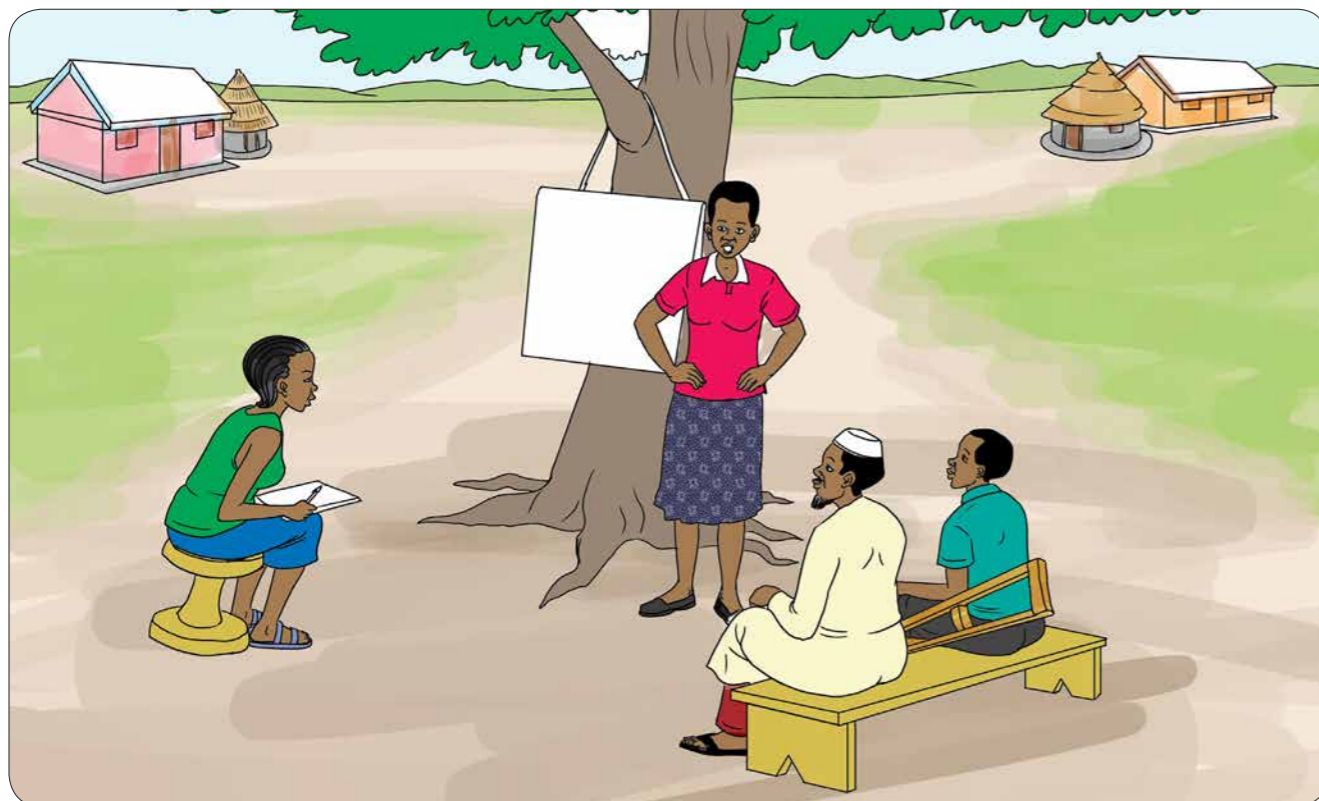
Some existing ones are inactive



Some were opportunistically formed and thus lack a clear vision



A farmers group should not have too many people



A farmers group should not have less than 15 people

Facilitator's Notes

- Not all farmers are in farmer groups
- Some existing ones are inactive
- Some were opportunistically formed and thus lack a clear vision
- Some of the groups that exist lack capacity (Savings, Resources, etc.) and
- Some lack networks/are not members of any ACCE or RPO, which incapacitates growth
- Some have a few members scattered across a sub county or district

SESSION 1.4

UNDERSTANDING HOW ACDP WORKS WITH FARMER GROUPS



Time: 15 minutes

The facilitator gives information about the ACDP:

Facilitator's Notes

- Illustrates how ACDP works with groups
- Gives details about in-put packages accessed through the E-Voucher scheme
- Training received
- Details of the ACDP matching grant to support post-harvest investments

1.4.1 Illustration of how ACDP works with farmer groups

Rural producer organisations (RPOs):
3 to 10 farmer groups. ACDP package:
includes bulking and access to market,
post harvest handling, capacity
building through matching grants

Farmer Groups 15-20 individuals farmers
ACDP Packages: Production and
productivity, on farmer post harvest items,
land preparation matching grant support -
all through e-voucher

Area Community
Cooperatives Enterprises
(ACCEs) 20+ RPOs. ACDP
package includes:
Matching grants for
value addition, product
development, marketing,
capacity building to
network

Input packages- e-voucher:

- For each commodity with the exception of coffee, seed and fertilizer are critical inputs and at least one of the two must be chosen.
- Other inputs are optional and farmers can freely make a choice of the inputs they require.
- Farmers can as well make the respective seasonal contributions for the critical input(s) and take only the critical input (s) and leave out the other optional inputs.

Trainings:

Target beneficiaries are mainly agronomy, institutional development & agribusiness.

The trainings are majorly focused on 3 aspects;

- Input usage
- Financial literacy

Post-harvest facilities:

Support for these facilities and services is extended as a matching grant.

- Processing machines
- Transport hire services

Farmer contribution:

farmer groups will make verifiable cash and in-kind contributions as evidence of their 33% before the 67% government contribution is approved by MAAIF.

SESSION 1.5

CRITERIA FOR FARMER AND GROUP SELECTION FOR THE ACDP

A. Selection criteria for the farmer groups

1 Legality

- Must have a valid registration certificate and thus qualify to participate in the program independent of their mother ACCE or RPO
- Must be a registered group by production office or sub-county office
- Must be an active organization offering its services to members

2 Good Governance

- i. Presence of a Membership register
- ii. Presence of a constitution for the organization
- iii. Over 50% paid up members for membership fee
- iv. Fully constituted and democratically elected executive committee
- v. Good reputation among partners/in the community
- vi. Must have a resolution showing members' willingness to participate in the ACDP commodity
- vii. If an ACCE, it should adhere to group principles (user-owned, user-control and user benefit principle)

3 Commercial Functionality

- i. Engaged in the production of the ACDP commodity
- ii. Possession of business records such as minutes and receipt books
- iii. Doing farming or willing to farm the ACDP commodity on at least a consolidated acre of land.
- iv. Their value chain activities should be those that promote sustainable use of production resources (land, not pollute etc.)
- v. Must be an active organization offering its services to members
- vi. Preferably with a substantial number of members undertaking the ACDP commodity on commercial scale
- vii. ACCEs/RPOs are preferably well integrated vertically with beneficial connections to consumers, input suppliers and to the market place

4 Gender

- i. Must have women in the group and preferably over 30%
- ii. Must have women on the committee
- iii. Must have youth in the group and preferably over 20%.
- iv. The youth should also be represented
- v. Participation of vulnerable individuals in the group (PWD, PLWHIA and)

B. Selection criteria for the farmer

1. Possess a valid National ID with a NIN
2. Possess a mobile phone with a registered sim card corresponding with his/her NIN
3. Be a member of a registered Farmer Group, RPO or ACCE
4. Should be growing the ACDP commodity selected for that district
5. Should be owning or operating at least 2 acres for agriculture and already involved in growing the ACDP commodity
6. Should accept to commit at least 1 consolidated acre in one location for a commodity under ACDP
7. Should accept to co-fund the agro-inputs purchase by paying registration fee of 20,000=
8. Be willing to participate in training for both the e-voucher system and use of inputs
9. Good track record (Has not defaulted on loans in the past, no criminal record, no miss uses of inputs provided in the past)



Being a member of an active and focused farmer group contributes to improved household incomes and improved livelihoods.



MODULE 2

IDENTIFICATION OF CORE MEMBERS AND BUSINESS IDEA

2.1 Module overview

In this session the importance of forming a core group of potential owners will be discussed. The first task in establishing a group is to form a core group of potential member-owners which should consist of people who have similar ideas and interests and a mutual need or problem to address. The success of any Farmer group entirely depends on the way members with common challenges and issues are identified and recruited in the group.

2.2 Module objectives

By the end of this module participants will be able to identify the right member-owners and the best business idea for the group.

2.3 Module outline

- i. Finding the right people to start the group with
- ii. Identifying the Business idea

Session 2.1

IDENTIFYING CORE MEMBERS

Session objectives

At the end of the training activity the participants will be able to:

- Understand the process of identifying the core members of their group.
- Discuss common issues and challenges in groups

Activity 2.1.1

Finding the right people to start the group with

The facilitator;

Asks how one can identify the right people to start a group.



Farmers writing their needs on a piece of paper

Facilitator's Notes

- The first task in establishing a group is to form a core group of potential member-owners which should consist of people who have similar ideas and interests and a mutual need or problem to address.
- The successful establishment of a farmer group depends largely on the people that comprise the founding members of the group.

Activity 2.1.2

Building on your differences and similarities

Learning objectives

By the end of the activity participants will:

1. Identify synergies among potential members to achieve their goals
2. Have learnt the importance of members to live or work relatively close together
 - In the plenary, ask the participants to give similarities and differences in the group members. What do the members have in common? In what aspects do they differ?
 - The trainer will guide the participants on identifying the common challenges in a group using the facilitators note and guide.

Activity 2.1.3

Know your Group Member

By the end of this activity, participants will;

1. have learnt more about each other
2. Understand how similarities can draw members together in a group



Farmers writing their needs on a piece of paper

Step 1

In the small circle with a label, "This is me" write down the Following (5 minutes)

- Your name
- Your livelihood
- Why you want to belong to a farmers group
- What you can offer to the group

Step 2

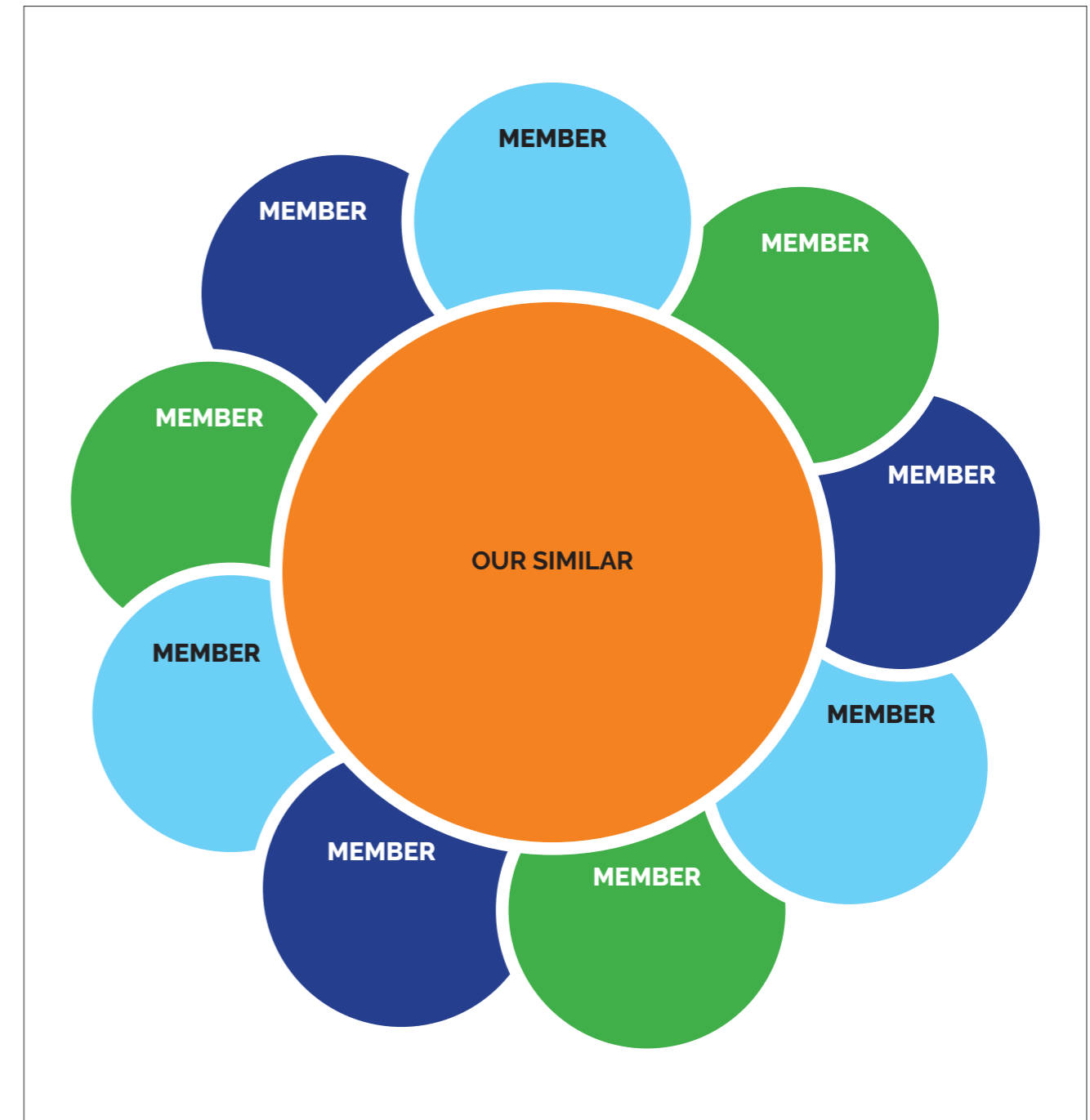
- Next, Share with the group what you have written.
- Each member is given 2 minutes to introduce himself/Herself.
- As each person introduces himself or herself, you will write down the information he or she has shared in circle labeled "member"

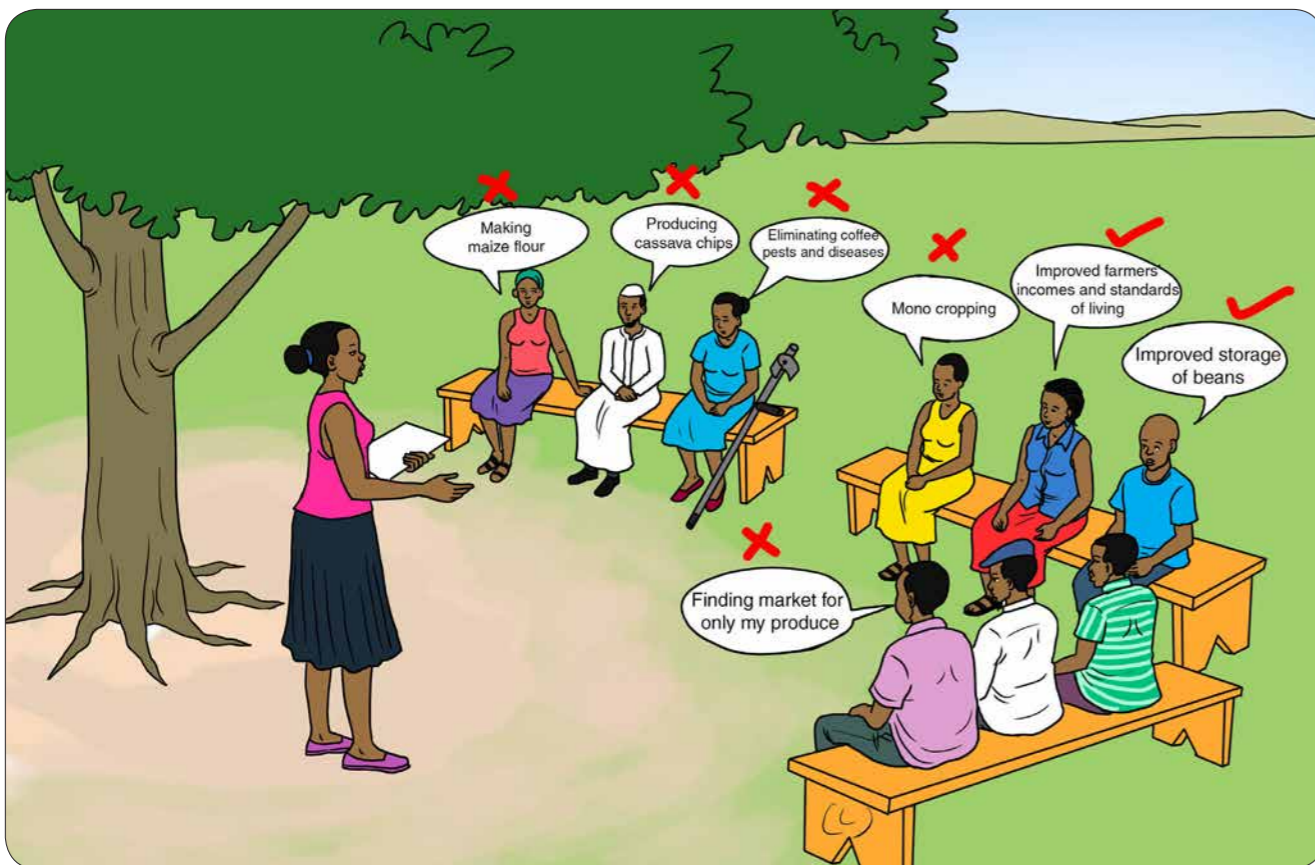
Step 3

On what has been shared by each of the members, in the big Circle, write a list of everything that all Team members have in common

Step 4

Read aloud the similarities and differences you have identified and share your answers to the questions with the group





Facilitator's Notes

To establish a group, there needs to be a core group usually the founding members, who should have the values below:

- Similar ideas and interests
- A mutual need or problem to address.

Activity 2.1.4 Restructuring groups

- In case there are some members with differences that cannot be harmonized.
- The facilitator should recommend them to join other groups or to divide the group into smaller groups of members with similar needs.
- In case a group has similarities but needs restructuring as a result of having more than 30 members, the division should be guided by distances, culture and other similarities.

Activity 2.2

Competencies and qualities needed during the formation stage

Objectives

By the end of the activity, participants will be able to:

1. Spell out the Principles of setting up the Group
2. Explain the capabilities, competences and success factors of a group
3. Understand the Group Structure

2.2.1 Group core values

The facilitator starts by explaining the meaning of core group values.

Core group values are the set of guiding principles and fundamental beliefs that help a group of people function together as a team and work toward a common business goal. These values are often related to business relationships..

The facilitator asks the participants;

- If they have group core values.
- What are their group core values if any.

Identification of core members

Facilitator's Notes

The core members are expected to participate in the setting up of the group in the following ways:

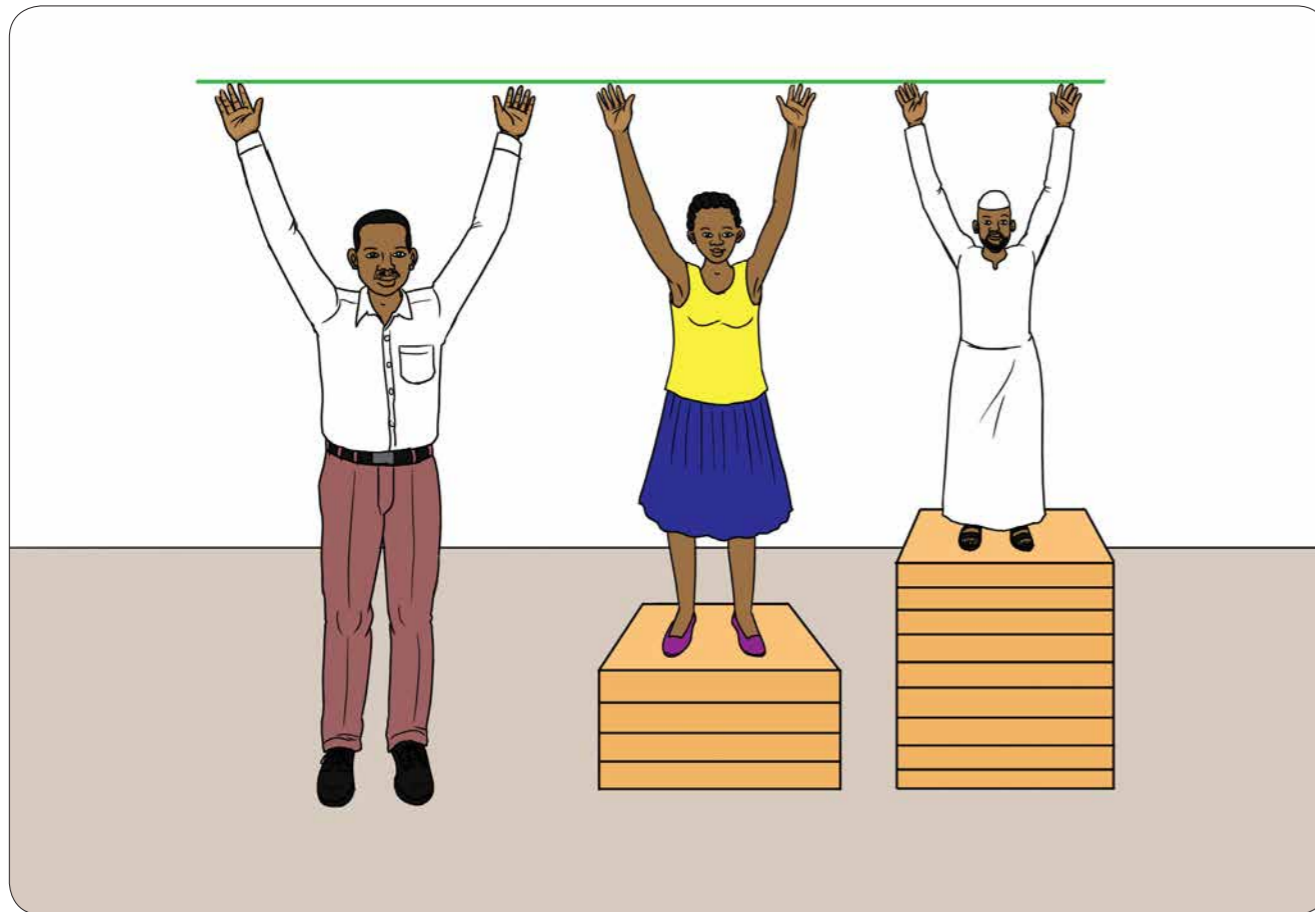
Ensure that the process of setting up the group adheres to the group values. These include; of equity, self-help, self-responsibility, solidarity, equality, and democracy. A detailed explanation with illustrations for each core value follows.

Other guiding Principles

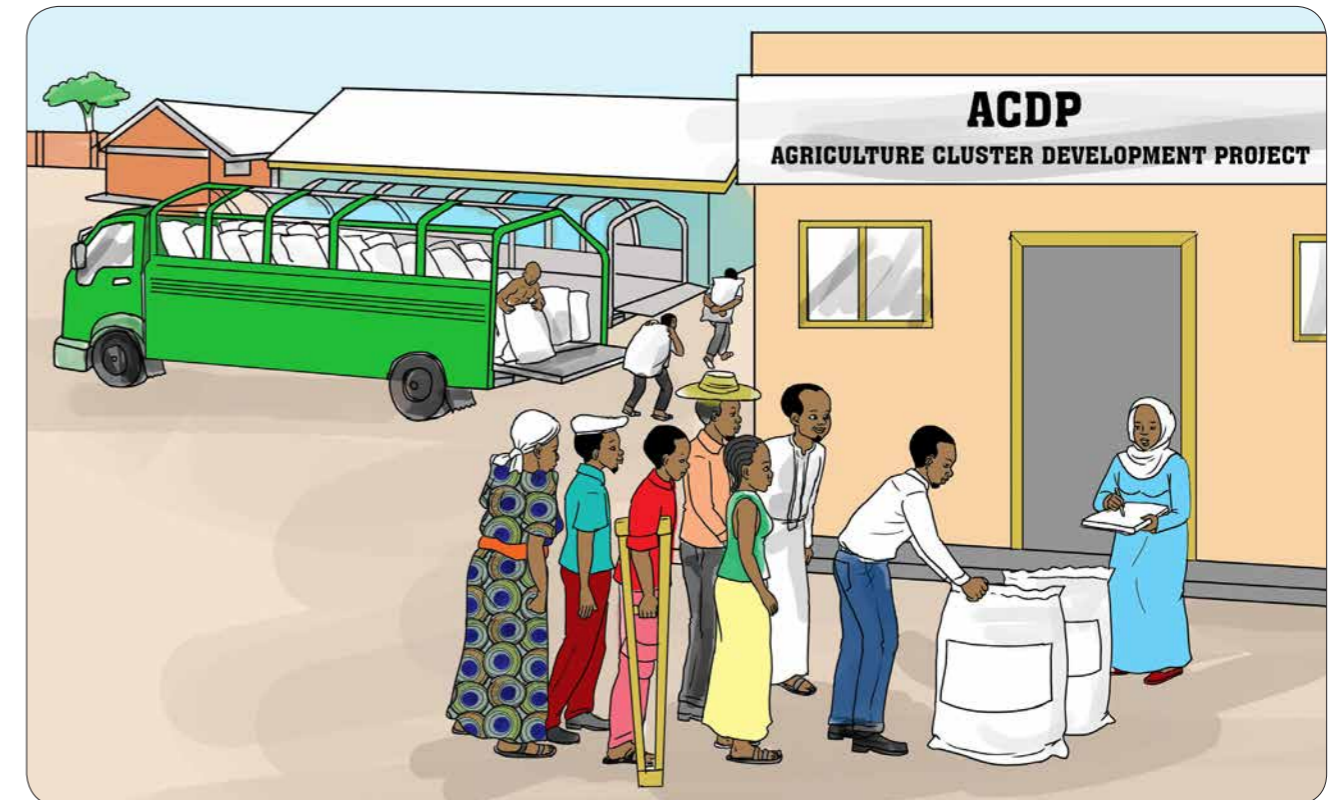
All members are;

- Obligated to contribute financially to the group by paying membership fee.
- Expected to allocate time for group work and activities.
- Participate in the preparation of the business plan, organizational chart, and other documentation requirements.

Adherence to the core values below



EQUITY: The group provides disadvantaged and unprivileged members with fair accommodation and treatment according to their needs in order to put them on equivalent ground.



SELF HELP: The group provides the platform for individuals to improve their lives and communities through their own work and effort.



SELF-RESPONSIBILITY: All members are in charge of the group; so individuals must be accountable for their actions, responsibilities, and duties



SOLIDARITY: Members support each other and those in other groups.



DEMOCRACY: A group is controlled, managed and operated by its members. Every voice or opinion is honored and heard.

Activity 2.3

Identifying capacities and competencies

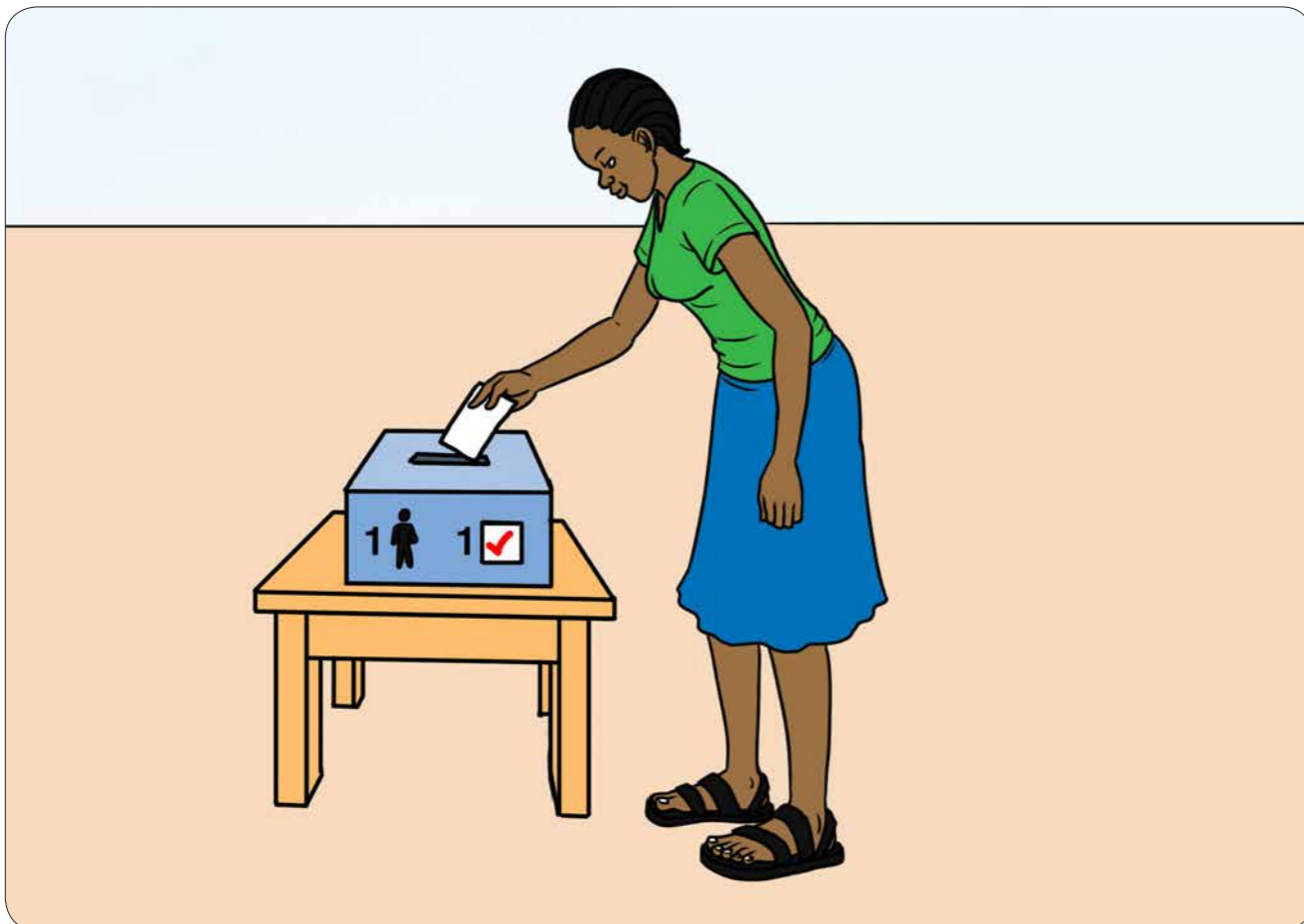
Learning objectives

By the end of the activity, participants should be able to

1. Assess their skills and competencies
2. Identify members who can serve as leaders in their group

The facilitator introduces the subject as below;

It is important for the core group members to be realistic about their capacities and competencies to perform the above responsibilities so that at an early stage they can seek external support or recruit members who can provide the resources and skills they lack. The questions in the table below can help a group assess the competency of the members as well as identify their limitations. It is important for the group member to be honest with himself or herself about whether one meets the requirements and, if not, whether they can acquire the required skills.



EQUALITY: Each member is entitled to one vote regardless of the contribution he/she has made in the group. Members have equal rights and benefits.

For this activity, the following steps are performed as they are read aloud.

Step 1:

Read the questions carefully and individually place a check in the column that corresponds to your answer

Skills/Quality/Knowledge	Yes	No
1. Are you committed to working democratically and for the good of all the members rather than purely for personal gain?		
2. Are you willing to share risks and rewards with other members?		
3. Do you have a good understanding of the groups values and principles?		
4. Do you commit to adhere to the groups values and principles?		
5. Are you willing to devote some of your time for groups work?		
6. Are you willing to contribute resources to help finance the set-up of the group?		
7. Do you have good communication skills to promote your group business?		
8. Do you have good decision-making skills?		
9. Do you have the ability to organize and mobilize resources?		
10. Are you willing to work with others to achieve a common goal?		
11. Do you have the courage to try new things?		
12. Do you have previous business management experience?		
13. Do you have financial management skills and experience?		

Step 2:

Share with the group the questions where you answered "No".

Step 3:

As a group, identify the questions to which most of you answered "No" and discuss how you can address these knowledge/skill gaps. (10 minutes)

Facilitator's Notes

- The above completed exercise, will guide the group members on how to benefit from each other in case they need assistance in different areas.
- Group members will be guided on those who can be elected as leaders.
- The exercise will also acts as a capacity needs assessment

Session 2.2

DEFINING THE BUSINESS IDEA

It is important to note that all potential member-owners should agree on the identified need and the group vision.

Session objectives

By the end of the session, participants will be able to;

- Appreciate the importance of having a common business idea in the group
- Explain how a group can develop a business idea
- Practice the steps taken to identify a common need in a group

Activity 2.2.1

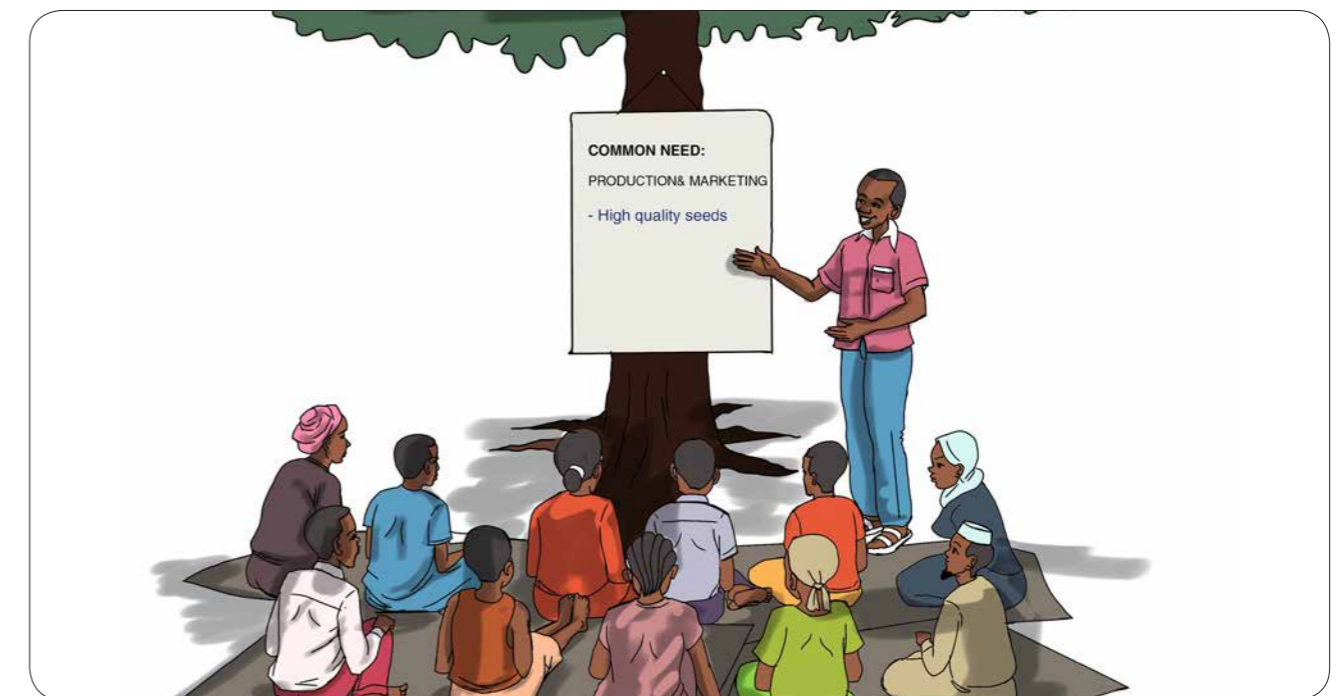
Identifying a Common need



Time: 120 minutes

The facilitator,

- Asks participants what they understand by a business idea in the group.
- Allow participants to discuss in pairs.



A business idea comes from a common need of a group

Practical example 1 of identifying a common need in a group

Look at the pictures below. Write a sentence or phrase below each set of pictures to describe the problem.

Problem identification set 1



The facilitator will ask each of the participants to identify a common problem

PROBLEMS

Activity 2.2.2

Prioritizing problems

STEPS

1. Facilitator requests members to prioritise their own problems/needs of their group
2. Each member of the group takes a turn in reading their problems.
3. As each member speaks, write down his/her main concerns in the boxes.
4. Write down the concerns in the first column
5. Similar problems should only be listed once.
6. Rank and prioritize the problems.
7. In the column marked "My Ranking", rank the problems in terms of their importance to you.
8. Place 1 on the most important, 2 on the second most important, and so on, until 5 (less important).
9. When all the members have given their ranking, add the scores for each problem and place the sum in the column "Sum".
10. Then, in the column marked "Average", divide the sum by the number of members to get the Average. Please look at the example on the next page.
11. Identify the problem with the lowest score.
12. This is the priority problem of the group. Discuss briefly if group members agree with the result.

Example:

Group of Cassava Farmers – 5 farmers problems

MY KEY CONCERNS	FARMER 2	FARMER 3	FARMER 4	FARMER 5
<ul style="list-style-type: none"> • High incidence of pests and diseases • Deterioration of quality of cassava 	<ul style="list-style-type: none"> • High cost of transportation from farm to market • High incidence of pests and disease 	<ul style="list-style-type: none"> • Lack of capital to expand farm • Deterioration of quality of cassava 	<ul style="list-style-type: none"> • High cost of inputs • High incidence of pests and diseases 	<ul style="list-style-type: none"> • Lack of capital to expand farm • High cost of transportation from farm to market

$1 + 3 + 1 + 4 + 3 = 12$ $12 \text{ divided by } 5 = 2.40$

Problem	Ranking					Sum	Average
	ME	FARMER 2	FARMER 3	FARMER 4	FARMER 5		
High incidence of pests and diseases	2	1	5	1	5	14	2.80
Deterioration of quality of cassava	1	3	1	4	3	12	2.40
High cost of transportation from farm to market	3	2	4	3	1	13	2.60
Lack of capital to expand farm	4	4	2	5	2	17	3.40
High cost of inputs	5	5	3	2	4	19	3.80

Priority Problem: Low quality of cassava

Facilitator's Notes

- This is a simple way to prioritize problems.
- You should, however, always ask if the majority of the participants agree with the results.

Activity 2.2.3

Identifying root causes and effects

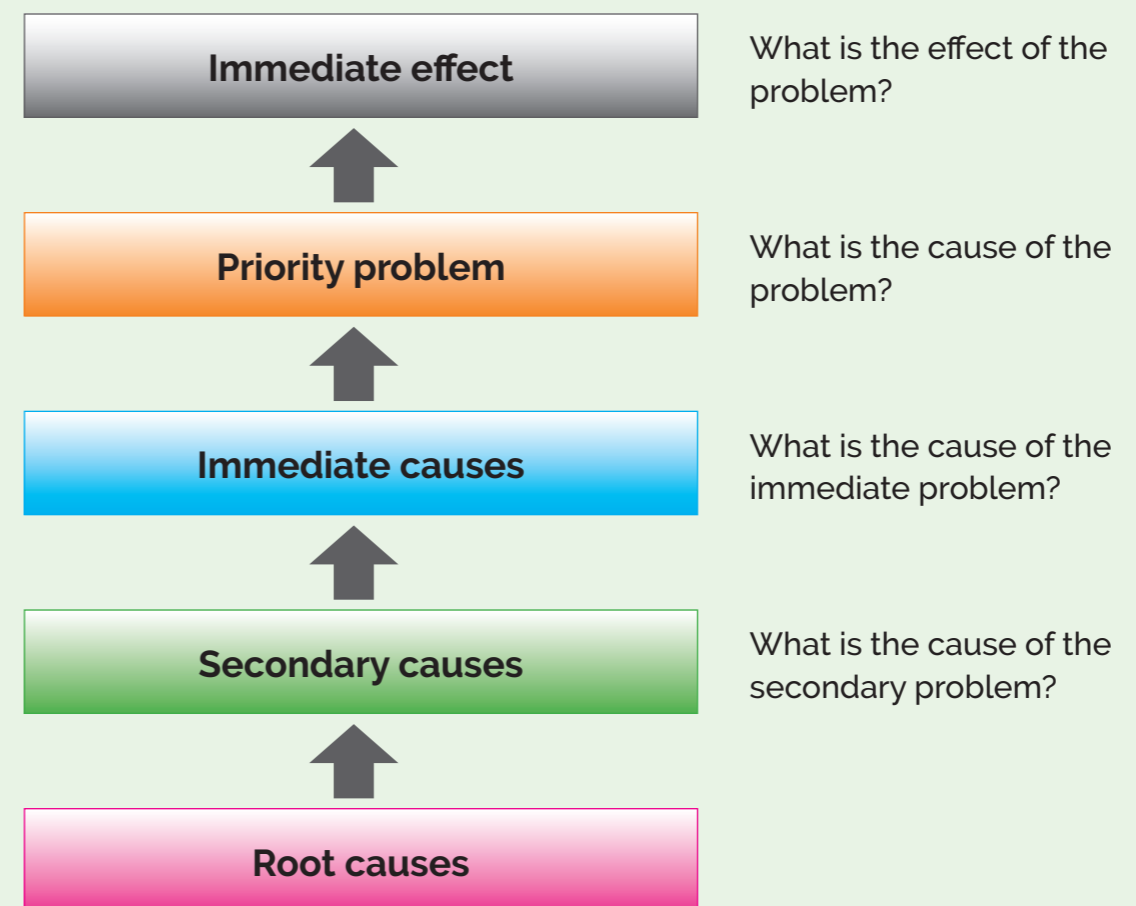


Time: 25 minutes

The facilitator asks the participants what they understand by the two;

- Cause of the problem, 2) effect of the problem.
- Allows participants to contribute, then harmonise using the illustration below;

Facilitator's Notes



Analyzing causes using the problem tree

The facilitator together with the participants analyses the root causes of the deterioration of quality of cassava as identified in earlier example. The facilitator introduces the subject as below:

To familiarize yourself with the process of identifying root causes and effects, let's go back to your earlier example involving the cassava farmers whose main problem is the deterioration of the quality of their cassava after harvest. Because of the fast deterioration of the quality of their cassava after harvest, farmers are forced to immediately sell their harvest even at a low price.

In most cases, they receive 70% to 80% of the prevailing farm gate price because, according to the buyers, their tubers are full of soil and blemishes.

Example:

Analysis of Causes and Effects of Low-Quality Cassava

IMMEDIATE EFFECTS	Low income			
	Low price	Deduction in price received	Cannot sell to processors	
PRIORITY PROBLEM	Low quality/Fast deterioration of quality of cassava			
IMMEDIATE CAUSES	Limited knowledge on proper handling	Harvested cassava exposed to rain and pests	Cassava not washed and properly	
SECONDARY CAUSES	Limited training	No storage facility	Lack of equipment and clean working area	Water source is far
ROOT CAUSES	Limited number of public extension staff Limited government budget		Cannot afford investment individually; not practical to invest since individual cassava production is small	

Facilitator's Notes

- Farmers are only able to deliver low quality cassava because they have limited knowledge on proper handling since they have not received any training.
- They are not able to attend training because it is very seldom that government extension officers are able to visit their areas due to lack of personnel and budget.
- The blemishes and spoilage are also caused by exposure to rain and pests because they have no storage facility.
- Farmers are also unable to clean their cassava properly because they do not have adequate equipment and the water source is far from their homes.
- The average size of cassava plots of the farmers is only about 0.25 hectares. Aside from the fact that they cannot afford the investment, it is also not practical for them to invest in water system and facilities individually since their production volumes are very low

Group Assignment on problem tree

Materials

- Flip charts
- Manila papers
- Pair of scissors
- Masking tape

The facilitator requests participants to work in their groups and gives instructions as below;

Facilitator's instructions for group assignment

Now let's analyse the root causes and effects of the top problem we have identified in Activity 2A. You will perform each of the steps outlined below as a group. It is important that each women and men member participates actively in answering the questions and that an agreement is reached on each of the causes and effects.

Worksheet 2B	
Step 1	Write the priority problem Identified in Activity 2A (5 minutes)
Step 2	Identify the causes (s) of the Problem you have identified (5 minutes)
Step 3	What are the causes of the problem in step 2 (5 minutes)
Step 4	What are the causes of the problems in step 3? (5 minutes)
Step 5	What are the positive Or negative effects of the problem (5 minutes)

In case you need more space for your analysis, the next page has intentionally been left blank.

Activity 2.2.4

Defining the business idea

Learning objectives:

By the end of the activity, participants will be able to;

1. Understand how to derive the business idea
2. Discuss how to derive a group business project
3. Explain why business concept should address the root causes not just the immediate causes



Time: 40 minutes

The facilitator gives introduction to the session as below

The business idea is derived from or is a response to the shared problem or opportunity. Improving the situation as a group provides the context for a group business project. For example, a group of porters in a vegetable trading centre may want to establish a group in order to: raise resources to buy trolleys to reduce the need to manually carry the baskets of vegetables; access social security benefits; and set up credit services for members instead of relying on usurers. To the extent possible, the business concept should address the root causes and not just the immediate cause(s). When you have a broken wrist, for example, painkillers will take away the pain but you need a different treatment to heal the bones properly.

The facilitator

Asks participants how the cassava farmers addressed their problems and allows farmers to contribute

Facilitators uses the illustrations below to guide and harmonise

- To give you an idea on how to define a business idea, let's look at how the cassava farmers addressed their quality issues.
- The facilitator reminds the participants about the root causes of the cassava problem.

Root causes



I cannot afford to invest in a storage facility and water system. I will also not be able to get back my investment as I only have a small plot.



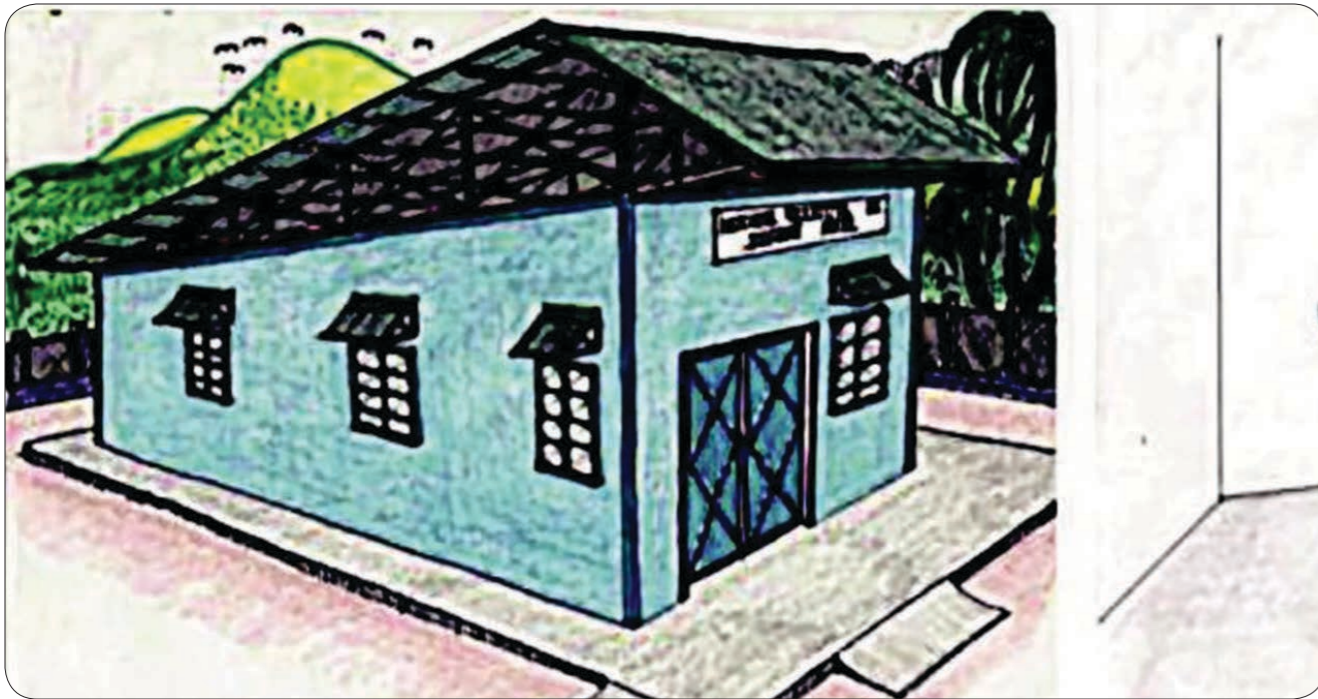
I do not have a proper space to store my cassava tubers after harvest. I also do not know how to extend shelf life. The extension staff rarely visits our. The extension staff rarely visits our place.



I am happy that I have a good harvest. But I cannot clean my tubers. As it would take more than 30 minutes to bring these down to the nearest river

Facilitators notice on business solutions

Business solution to address root causes of problem



The group members resolved to set up a post-harvest facility owned and operated by cassava farmers in their locality. They agreed to contribute for the installation of the water system for the facility and even for the homes. They also decided to go for production of cassava chips which they can sell to feed companies. In addition, they came up with a proposal to ask for assistance from the department of agriculture, development programs, and local government as well as approaching banks and microfinance institutions to supplement their resources.

Products and services of proposed group include:

- Washing and storage facilities
- Water system for the homes
- Production of chips for feed companies
- Collective marketing of produce



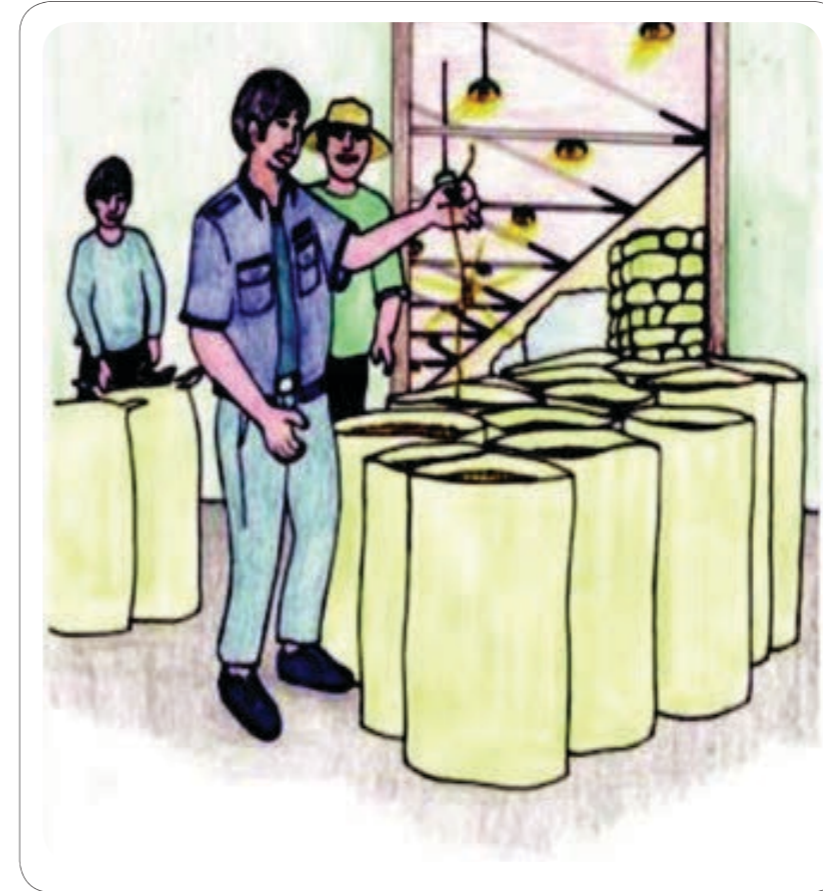
- Washing and storage facilities
- Water system for the homes



- Production of chips for feed companies
- Collective marketing of produce



Training for member social security benefits for member workers



Less rejects; higher price for products

Expected results and benefits to members



Access to bigger and more lucrative markets



- Increase in income
- Access to water
- Access to social security

Facilitator's Notes

Groups should aim at solving causes not effects of the problems. The proposed solutions (lobbying for post-harvest facility, group contribution for the installation of water system), to causes of the problem have indirectly solved the problem of low quality/ fast deteriorating cassava which leads to low price and inability to sell to processors. This will ultimately solve the intended goal of increasing household incomes for the group members.

In summary the business idea for this

- Acquiring a post-harvest facility with washing and storage facilities
- Water system for the homes
- Production of chips for feed companies
- Collective marketing of produce

Congratulations to this Cassava group! They have just defined their business concept as follows:

Assignment for the whole group to work together to identify a business idea

Before going to module 3, the group should use the identified problems which were written on manila pieces to build up a problem tree for the group by sticking the manila pieces on the wall. Or group members may decide to write fresh problems and follow steps indicated below. All group members should be encouraged to participate.

Facilitator's instructions

From the example, you have seen how the cassava farmers transformed their shared constraints into a business opportunity where each and every member could potentially benefit. Let's now define your own business solution to the problem you have identified. Perform the steps as a group in the sequence outlined below.

STEPS

Step 1:

Write down up to three root causes of your problem (10 minutes)

Step 2:

Brain storm on how you can address the above root causes in the form of a group business. Write in the box the idea (s) agreed upon by all members (10 minutes)

Step 3:

- What will be the key services and or products of your proposed group?
- Please make sure that the services and product(s) address the root causes of your problem (10 minutes)

Step 4:

What are the expected results and benefits to your members? Review the effects of your problem and see if the expected results and benefits offer a better situation for all members. (10 minutes)

Practical example 2 of identifying a common need in a group

a. Defining the business idea

The business idea is derived from or is a response to the shared problem or opportunity. Improving the situation as a group provides the context for a group business project. The participant will ask the participants to read the farmers statements below and identify the common idea.

FARMER 2

I cannot find market. I got a bad harvest last season. The beans have small reddish brown spots. And the pods filled poorly

FARMER 2

No market for my beans! My harvest has different varieties mixed together!

FARMER 4

I lost my customers. My harvest was not enough to service my contract!

Bean farmers narrating their problems for the previous season

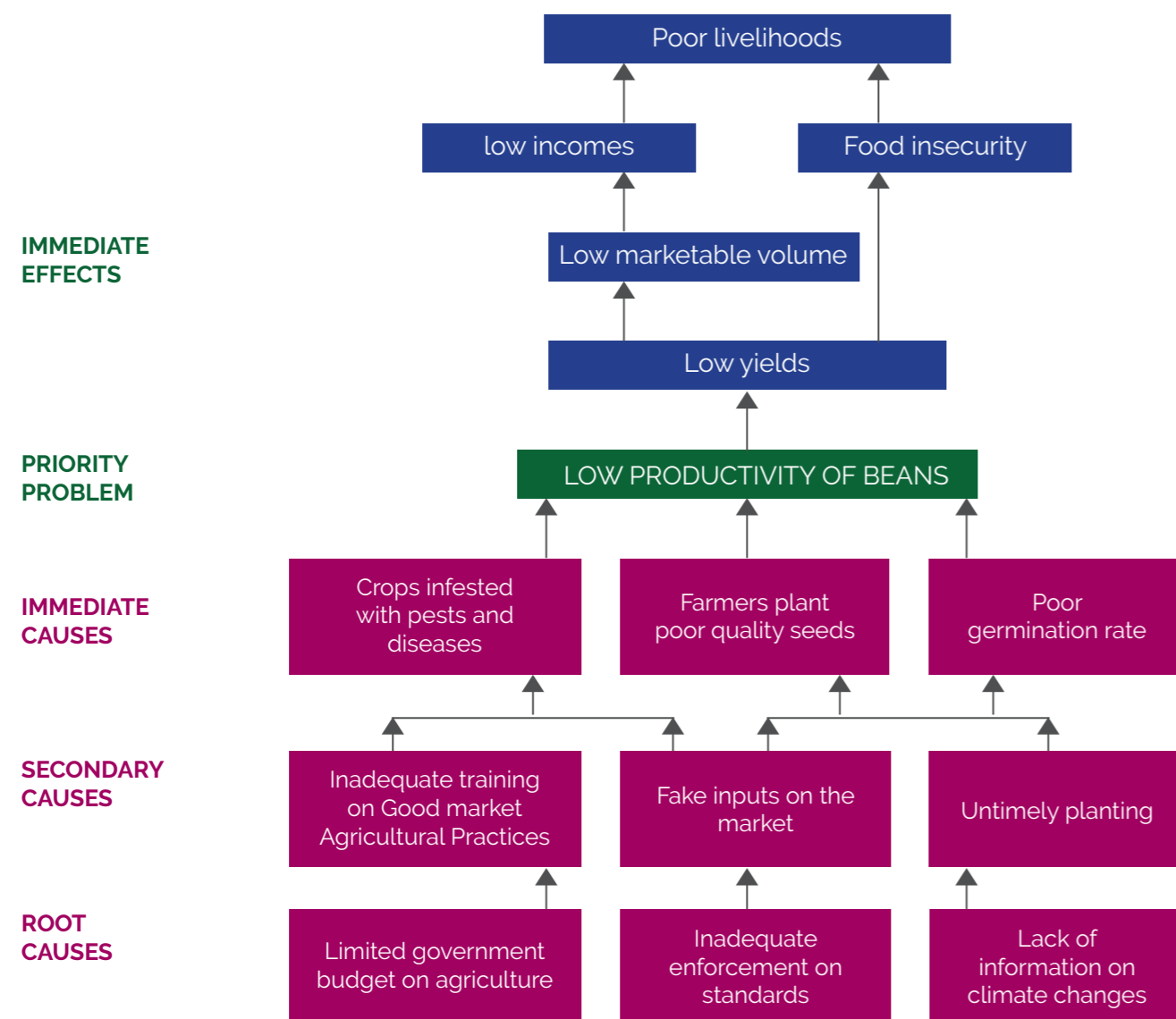
- The facilitator will ask the participants to identify the common problem.
- Allows contribution from different participants and harmonises using the facilitators' notes below:

Facilitator's Notes

The problems shared by farmers have underlying causes. The common problem according to farmers' statements is low productivity of beans though it is presented as a marketing issue. What the farmers are sharing are the effects.

b. Analysis of problems and effects of low productivity of beans

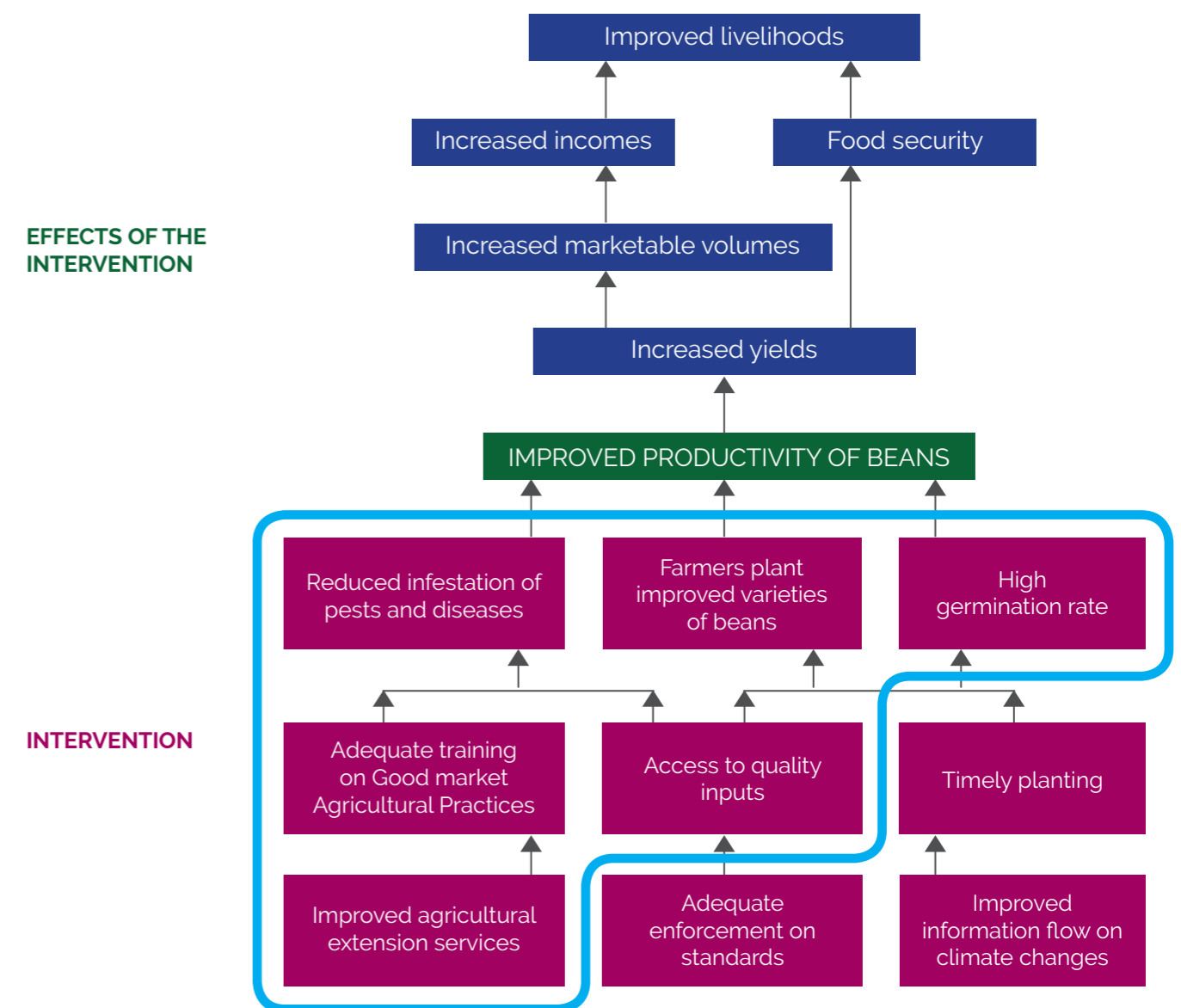
The issue of low productivity has underlying causes. The facilitator together with the participants analyses the causes of problem of low productivity of beans.



Facilitator's Notes

- Farmers are practicing poor agronomical practices because they have limited knowledge on Good Agricultural practices.
- They are not able to attend training because it is very seldom that government extension officers are able to visit their areas due to lack of budget.
- The farmers use poor quality seeds for planting because they don't have access to quality seeds and due to unscrupulous traders who sell fake inputs.
- Bean gardens are also attacked by pests and diseases because they have limited knowledge on the control of pests and diseases.
- Farmers do not plant on time because they have limited information on climate changes.
- All the above result into low productivity of beans

Objective tree analysis and effects of improved productivity of beans



Facilitator's Notes

Important to note that the intervention is chosen from the causes of the problems but not the effects. In this example, the intervention to train farmers in Good Agronomical practices and linking them to sources of quality seeds will improve the productivity of the beans. This will in-turn increase marketable volumes and food security thus achieving the ultimate goal of improving household incomes resulting into improved livelihoods.

Congratulations!
Our business idea is to improve productivity and bulking of beans.



MODULE 3

RESEARCHING THE FEASIBILITY FOR THE BUSINESS IDEA

Module overview

In Module 3, the business idea will be defined. Through the six Sessions in Module 3, participants will learn how to assess the feasibility of the business idea. Feasibility mainly means answering this question: Will you be able to produce a product or service that people want to buy and that can be sold profitably? A feasibility study involves the gathering and analysis of information to find out whether the business idea is good or not. The study will help the participants determine if the proposed business idea can be implemented based on resources the group members can access and whether they can be competitive in the market they wish to serve. It will also help the group further explore whether the proposed business idea can address the common problem(s) faced by the potential member-owners.

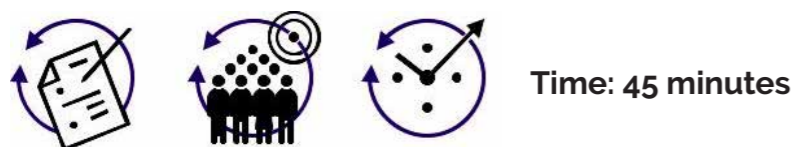
Module objective

At the end of this module the participants should be able to:

Select and implement a profitable business

Session	Topic	Time
3.1	Researching for potential members on the Business idea	45 min
3.2	Conducting a market analysis	245 min
3.3	Assessing technical feasibility of your business idea	145 min
3.4	Assessing financial feasibility	155 min
3.5	Should you pursue this business	35 min
3.6	Action planning	45 min

SESSION 3.1 RESEARCHING FOR POTENTIAL MEMBERS WHO WILL PARTICIPATE IN BULKING



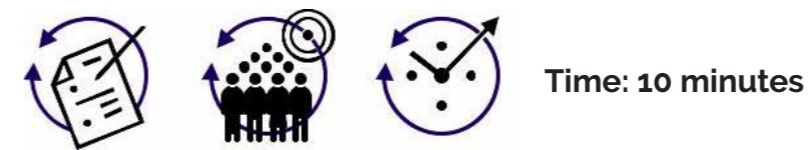
Learning objectives

At the end of the training session the participants should be able to:

- Determine how many members can contribute to bulking in their group.
- Determine how much produce will be contributed by the members
- Estimate the number of members and the amount they are willing to invest in the group.

Activity 3.1.1

How to estimate the amount of produce from different group members



The Facilitator will ask members the question below;

? How will the group estimate the amount of produce from different group members?

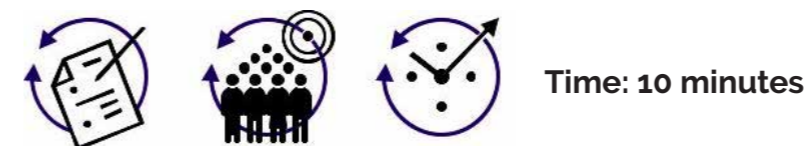
Facilitator's Notes

To know more about your potential members, you need to talk to them. You can do this by conducting small meetings with members. During the meeting every participant or group member will be given a form to fill, indicating;

1. Name
2. Crops grown and acreage
3. What percentage of the produce is he willing to sell through the group

Activity 3.1.2

Number of members expected to join the group



In a plenary the facilitator will begin by asking the following questions. The members will give answers as they are noted on the flipchart.



How to estimate the amount of produce

Questions

1. How many members does your group have?
2. How many members are involved in the production of the selected enterprise?
3. How many members are going to produce for the group enterprise

Facilitator's Notes

- The group must be assured that there are sufficient numbers of Farmers who will participate in its activities.
- The objective of talking to potential members is to determine their interest in the potential business

Activity 3.1.3

Getting to know the estimated total investment in the group to support the Business idea



Time: 10 minutes

The facilitator will allow members go into group discussion while noting their answers on flip charts.



Total investment in the group

Questions

1. List the resources needed for the business idea?
2. Identify the quantities of the resources required for the business?
3. Establish the amounts the members are willing to contribute?

After the discussions the groups will present and discuss as the facilitator guides them using the notes below.

Facilitator's Notes

- The group must establish all the resources required for the business, quantities required and what each member is willing to contribute.
- The group must have sufficient financial commitment from its potential members to organize (start-up costs) and successfully operate (initial operating costs).
- Investment from members may be in cash or in kind (value equivalent to agreed contribution).

Example:

Amount per member multiplied by number of members: 10,000/= member x 50 members
= 500,000/= (start-up capital)

Activity 3.1.4

Getting to know the estimated business volume from the members?



Time: 20 minutes

Facilitator's Notes

The facilitator begins by assessing the groups estimated volumes to be bulked and therefore will ask the following questions to ascertain that;

1. How much land do you use to grow the agreed group enterprise?
2. How much do you produce per season?
3. How much is each member willing to sell through the group
4. What is the total estimated business volume from the members?



Getting to know the estimated business volume from the members

During the discussions, the facilitator will guide the group using the example below.

The Answers are discussed and total estimated volumes calculated from the group using the table below:

Particular	Quantity	Remarks
A No of Farmers In the group	20	
B Acreage per farmer	1	
C Output per Acre	1200	
D Total output	A x b x c= 24,000 kgs	
Aggregation plan/available for sale	80 percent available	There is provision for food at home etc.

Facilitator's Notes

- The group must have some assurance of sufficient volume to operate as a business. Knowledge of anticipated business volume from members will also help core members to plan for facilities and needed equipment and resources.
- For marketing and producers' groups, this refers to the volume of products that the members will supply to the group for further processing or collective marketing. It is important to remember that in many cases producers may have previous commitments (e.g. farmer has debt from a trader and is, therefore, obliged to give a portion of the harvest as payment) and, as such, cannot deliver all their production to the group. Emerging good practices also indicate that allowing producers to sell a portion of their production to buyers other than the group will reduce the incidence of side selling (e.g. 60% of production to group; 40% to buyers of their own choice).
- For credit groups, anticipated business volume would be the amount and frequency that members expect to save in the group.
- Members should appreciate the effects of side selling (and why they should honor their commitment)

Session 3.2 CONDUCTING A MARKET ANALYSIS



Time: 245 minutes

Session objectives

At the end of the training session the participants should be able to:

1. Identify potential customers
2. Determine the required volumes by season.
3. Discuss the product quality requirements
4. Establish the product prices – current and past (trends)

Session overview

In this session key buyers of the products, customer needs, the product quality requirements and product prices as well as suppliers of the same products/competitors will be identified. The price trends will be understood and competitive price for their products and/or services will be determined.

Activity 3.2.1

Identifying the target customers



Time: 25 minutes



Preparing the action plan

Exercise

1. List from their community and neighbourhood, buyers of the products the group has selected for business
2. Rank them according to their demand, and buying attributes or terms and conditions
3. Select most preferred buyer for the products the group will be producing.

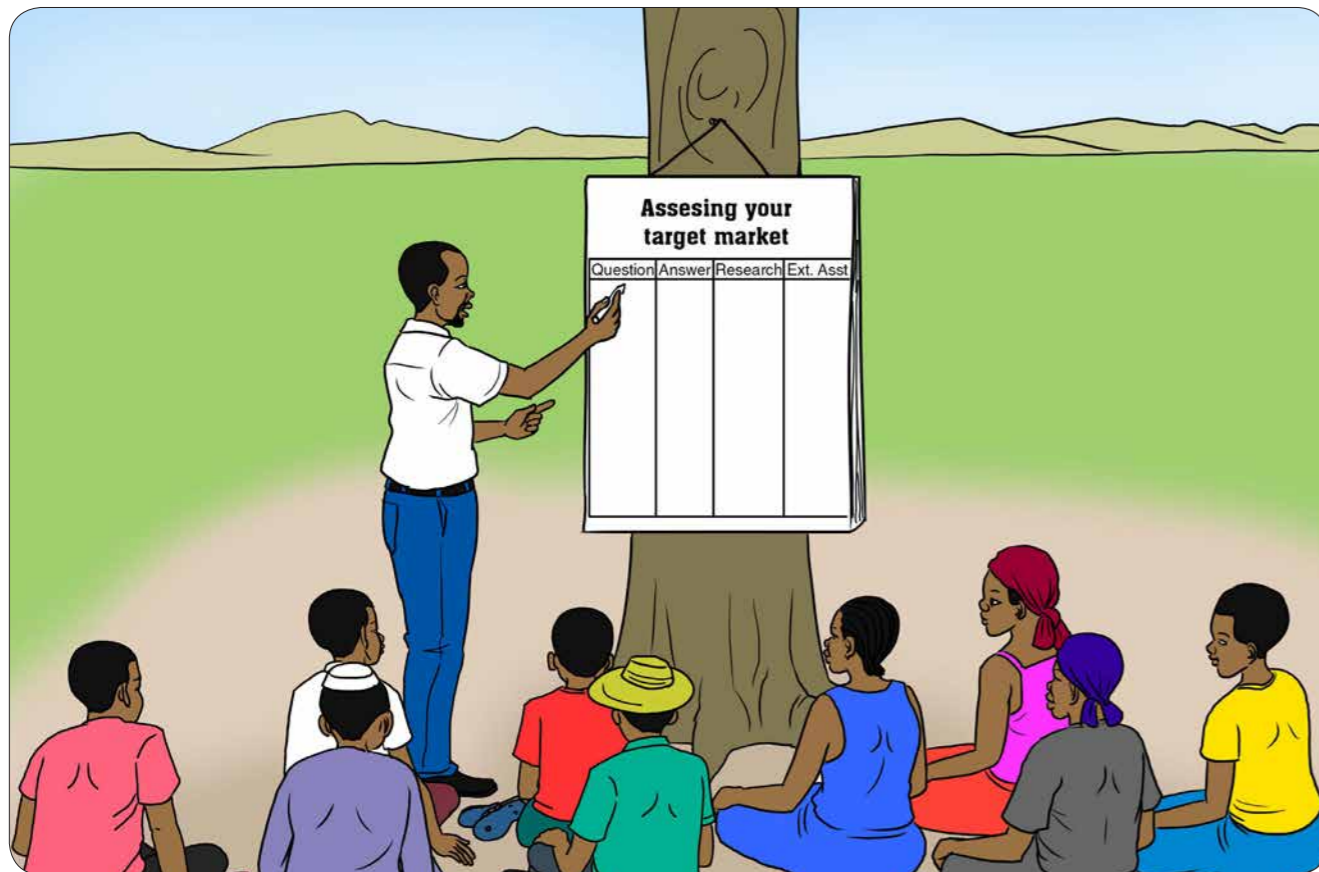
Activity 3.2.2

Assessing your target customers or market



Time: 25 minutes

The Facilitator will guide the group members through the following questions in the table below to enable them provide appropriate answers



Assesing your target customers or market

Question	Your Answer	For Research	External Assistance
1. Who are the major buyers of your product(s)?			
2. How many buyers can you potentially sell to?			
3. What is the estimated total demand or volume needed by target buyers?			

Question	Your Answer	For Research	External Assistance
4. What is the estimated volume that target buyers are currently able to source?			
5. What is the estimated unmet demand? Unmet demand = Total demand minus supply			
6. When do the buyers have the highest demand for the product? Indicate months			
7. What is the demand trend for this product? Choose from the following answers: stable, rising, falling			
8. Will they still want to buy your product or service in the next five years?			

The groups will discuss the answers as the facilitator's guides them using the notes below

Facilitator's Notes

As a group, read each question and discuss your answers. Then write down the answers that the group has agreed on. The answers to the questions are the basic information you need to determine whether there is sufficient market or customers for the proposed business and the requirements that you need to meet to sell to the customers that you have targeted. Remember, however, that research is needed to gather the information required to answer the questions. As such, for questions that you do not know the answers to or where you lack information, mark with a check (✓) the next action to be taken which could be either "for research" or "external assistance" and add an idea of what should be done.

Group Exercise

Find out the market demand for your business and establishing the unmet demand from your calculation.

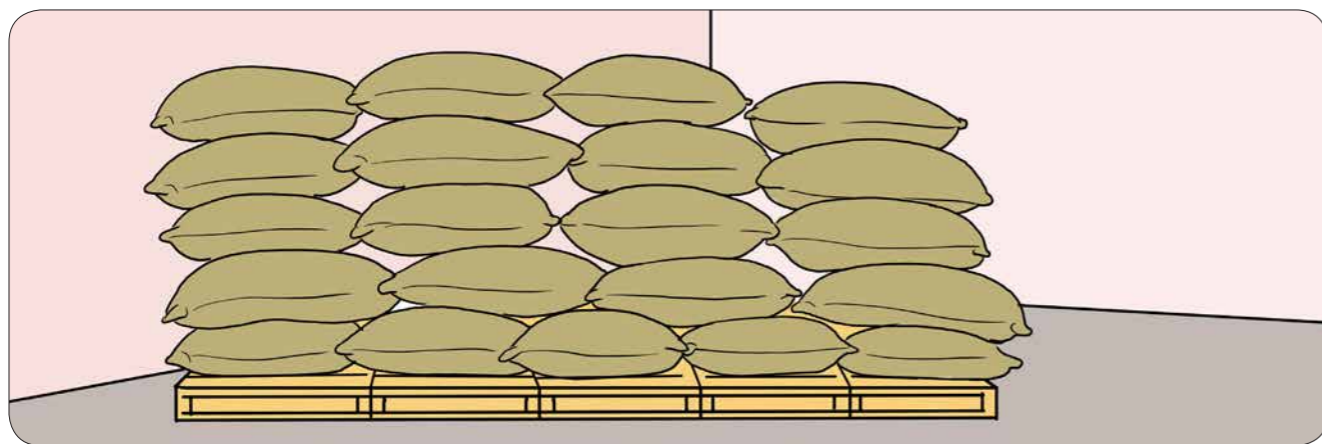
$$\text{Volume required} - \text{available} = \text{unmet demand}$$



Demanded product



Available product



Unmet demand

Activity 3.2.3

Assessing your competitors



Time: 20 minutes

Group Exercise

The facilitator shall provide guidance to the group members on how to answer questions in the table below in their respective groups.

In the exercise, group members are required to state who their competitors are.



Assessing your competitors

Question	Your Answer	For Research	External Assistance
1. Where do your target buyers currently buy their products?			
2. Where do your target buyers currently buy their products?			
3. If other businesses sell similar product(s)/service(s), why might a customer buy from you instead? How can you be different?			

In the exercise, group members are required to determine how the competitors market their product?

Question	Your Answer	For Research
1. Is it easy or hard for you to enter the market?		
2. What are the key features of the products of your main competitors that buyers like very much?		
3. What are the strengths of your competitors?		

At the end of the group exercise, the group members will present and discuss the presentations guided by the facilitator using the notes below.

Facilitator's Notes

In this activity, you will look at your competitors and the way they do business. The information that you gather will help you determine if the proposed group can be a competitive player in the market. It will also help you identify the necessary capacity and ability that the group needs in order to be competitive in the market. For those questions that you do not know the answer to, mark with a check (✓) the next action to be taken which could be either "for research" or "external assistance" and add an idea of what should be done.

Activity 3.2.4

Understanding price trends



Time: 50 minutes

The Facilitator will begin by dividing participants. In a plenary read out all the questions and allow participants discuss them in groups



Understanding price trends

Questions

1. At what price do existing businesses sell the product or service?
2. At what price (per unit) do your competitors sell their product or service?
3. What is the basis of the price?
4. How is the price set?
5. How do prices vary within the year?
6. What are the factors explaining the rise and fall of price
7. Is there a scope to get better prices based on product quality or specific characteristics of the product?

Facilitator's Notes

A price is how much customers are charged for goods or services. A successful business is one that sells something customers need or want at a price they are willing to pay while ensuring that this price is higher than the costs to provide the product.² In this activity, you will look at how much customers are paying for products similar to what you plan to produce and the factors influencing prices.

Session 3.3 ASSESSING TECHNICAL FEASIBILITY OF THE BUSINESS IDEA



Time: 145 minutes

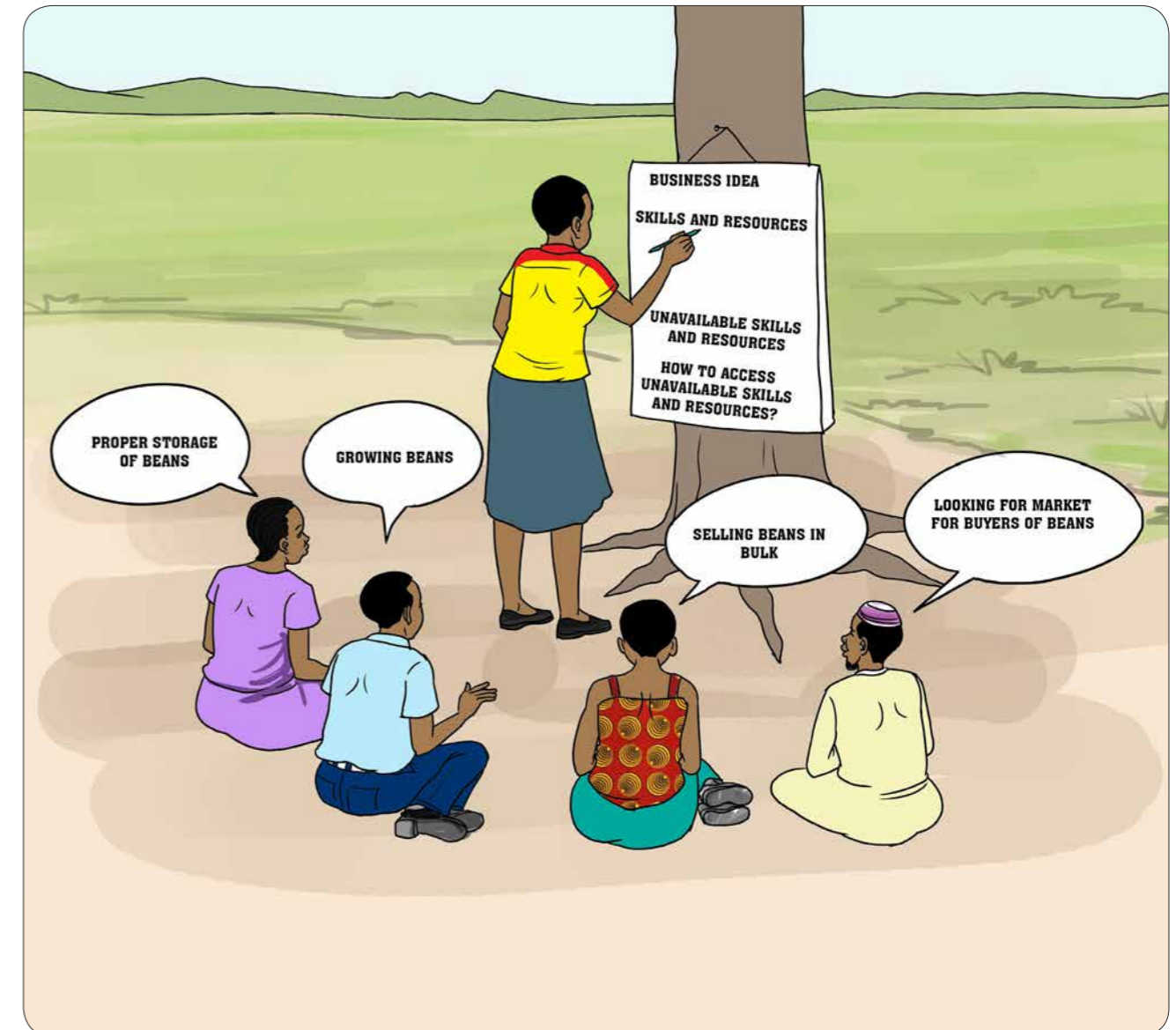
Learning objectives

At the end of the training session the participants should be able to:

- Map out the activities for their Business idea
- Determine the resources needed for the business idea and their cost

Session Overview

In plenary the facilitator will ask the following questions. Allow members to discuss the questions and use the facilitator's notes to guide, harmonize and summarize their responses. Session 2.3 assists in assessing the technical feasibility of your business idea. For this purpose, the activities and both the human and physical resources, needed to make the product or deliver the service will be identified.

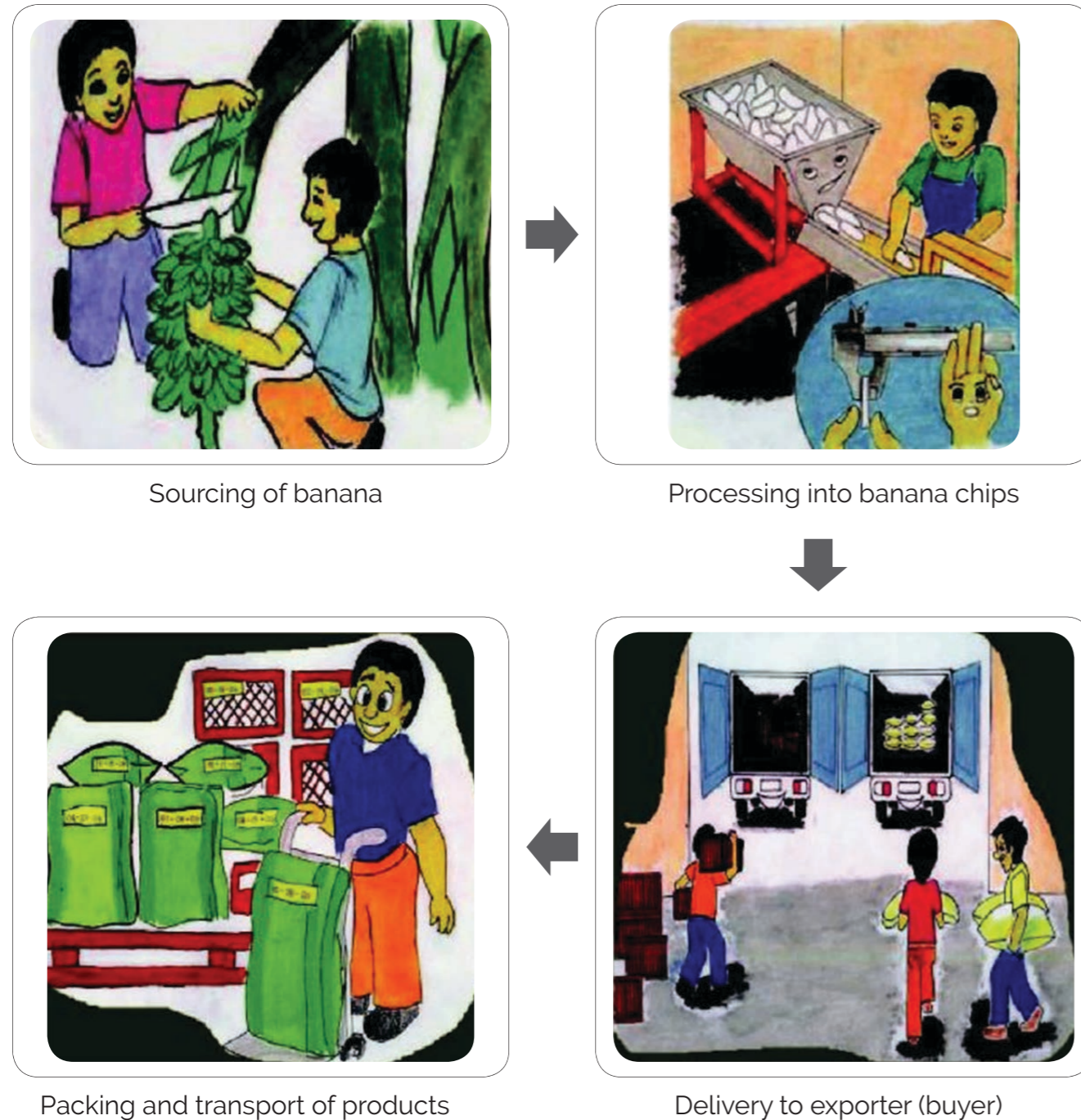


Assessing technical feasibility of the business idea

- Mention the business idea they plan to do as a group?
- What are the skills and resources available in the group that can be used to produce the product?
- What skills and resources are needed to produce the product?
- What skills and resources are not available in the group?
- How will the skills and resources not available be accessed?

The facilitator will guide the group discussion using the following example below

Example: Banana chips Group

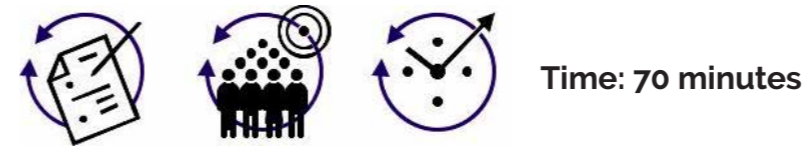


Facilitator's Notes

AA profitable business is determined by understanding the costs involved and income from the business idea to determine whether the group has made profits.

Activity 3.3.1

Mapping the activities and resources needed to produce the product or service



Group Exercise

1. Now let's define the step-by-step flow of work that you need to carry out to serve the customer.
2. You will also identify the critical skills, equipment, and other resources needed to perform the activity.

An example is provided for each step to serve as your guide and reference. Perform the steps as a group. First, look at the example in each step before filling in the table based on your own proposed business.

STEPS

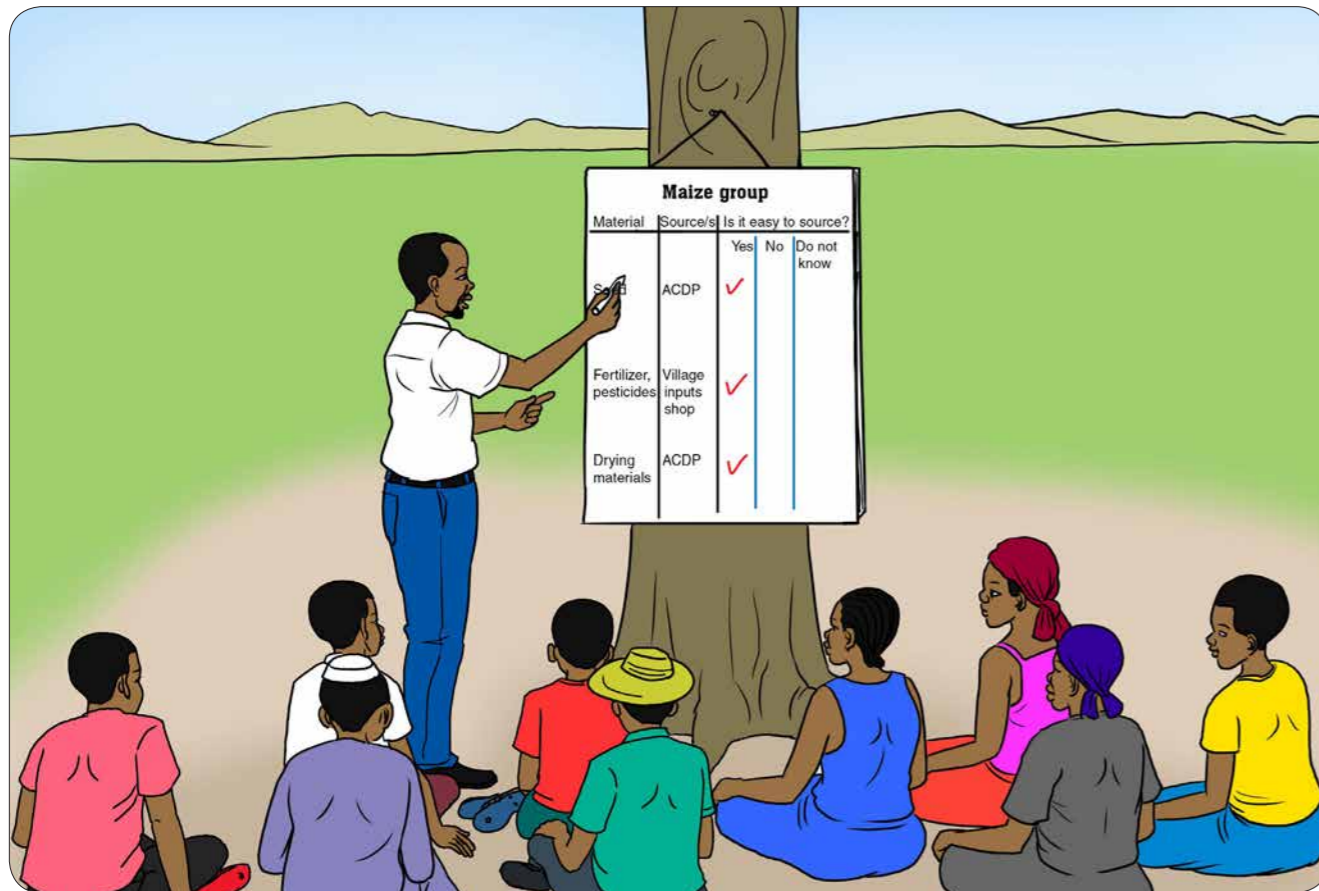
- STEP 1:** Identify the key activities in the production of the final products. For each activity, identify the factors critical to meeting buyers' requirements and complying with standards and regulations

Example: Maize flour

Activity	Critical success factor	R
Sourcing of dry maize banana and coconut oil	<ul style="list-style-type: none"> • Group has assured supply of maize from the members • Suppliers understand quality requirements and have capacity to comply 	
Inspection of deliveries from suppliers to ensure moisture content and cleanliness	<ul style="list-style-type: none"> • Quality inspection and control based on agreed standards • Fair and transparent assessment 	
Weighing and putting maize in the storage facility	Maize is cleaned in the Sieve	
Milling of maize in the machine	Perfect milling machine	
Packing, labelling and storage	Packing in 2 kilogram Bags, 5 kilogram bags	
Delivery to buyer	Proper distribution channel	

STEP 2: Using the above example as reference, now identify your own key activities and critical success factors.

STEP 3: If you do not know the critical success factors, place a check mark (✓) in the column "for research". You may also request the facilitator to help you in defining the major steps or activities to produce your product or deliver the service.



Mapping the activities and resources for production

Example: Maize Group

Now, as a group, define the equipment and facilities needed to run your proposed business.

Activity	Equipment and Facilities Needed	Can you access it on your own?	
		Yes	No

STEP 4: List the key inputs or materials that you need in your business. In the second column, identify the sources of these materials. You should also indicate whether it is easy or not to source the material (10 minutes).

Example: Maize group

Material	Source/s	Is it easy to source?		
		Yes	No	Do not Know
Seed	ACDP	✓		
Fertilizer , pesticides	Village inputs shop	✓		
Drying materials	ACDP	✓		

Using the above example as your reference, discuss and write the materials that you would need for your proposed product or service.

Material	Source/s	Is it easy to source?		
		Yes	No	Do not Know

Session 3.4 ASSESSING FINANCIAL FEASIBILITY



Time: 155 minutes

Objectives

At the end of the training session the participants should be able to:

- Determine all the financial resources required for starting up a business

Activity 3.4.1

Calculating start-up costs

The facilitator takes the group through the following example

Cost benefit Analysis

Activity	Traditional Farmer A	Low input Farmer A	High Input Convectional Farmer C	Convectional Tillage Farmer D
Land clearing/slashing	60,000	60,000	60,000	60,000
1st Ploughing/slashing	150,000	150,000	140,000	
2nd ploughing			100,000	
Herbicides				30,000
Labor Herbicide application				15,000
Seed(opv)	Own	30,000	60,000 (hybrid)	60,000 (hybrid)
Fertilizers(Basal)			150,000	150,000
Labor –Digging Holes				
Applying Fertilizers	60,000	60,000	60,000	80,000
Planting			20,000	20,000
Labor for weeding	80,000	80,000	80,000	40,000
Herbicide			36,000	48,000
Herbicide application			10,000	20,000
Top dressing fertilizers			120,000	120,000
Labor for Top dressing			40,000	40,000
Foliar Fertilizers		40,000	40,000	40,000
Insect side			40,000	40,000
Insecticide application		15,000	15,000	15,000
Labor for harvesting	16,000	24,000	60,000	60,000
Bags	12,000	15,000	35,000	35,000
shelling	20,000	30,000	75,000	75,000
Transportation	5,000	10,000	30,000	30,000
Drying		12,000	45,000	45,000
Cleaning and sealing	10,000	15,000	40,000	40,000
Tarplins	20,000	40,000	80,000	80,000
Total production Cost	453,000	601,000	1,356,000	1,163,000

Activity	Traditional Farmer A	Low input Farmer A	High Input Convectional Farmer C	Convectional Tillage Farmer D
Yield(KG/Per Acre)	700	1,000	2500	2500
Unit cost of production	674	601	542	465
Farm gate price per KG	700	700	700	700
Total Sales@700 per KG	490,000	700,000	1,750,000	1,750,000
PROFIT	37,000	99,000	394,000	587,000

$$\text{ROI} = \frac{\text{Gain} - \text{investment costs}}{\text{Investment cost}} \times 100 \quad \text{OR} \quad \frac{\text{Benefit}}{\text{Cost}} \times 100$$

$$\text{Traditional (A):} \quad \frac{490,000 - 453,000}{453,000} \times 100 = 8\%$$

$$\text{Low input (B):} \quad \frac{700,000 - 601,000}{601,000} \times 100 = 16.5\%$$

$$\text{High input (C):} \quad \frac{1,750,000 - 1,356,000}{1,356,000} \times 100 = 29\%$$

$$\text{Conservation Tillage (D):} \quad \frac{1,750,000 - 1,163,000}{1,163,000} \times 100 = 50\%$$

NB

when conducting Farmer training in CBA, the table should include all the realistic activities carried during the selected enterprise from production up to marketing.

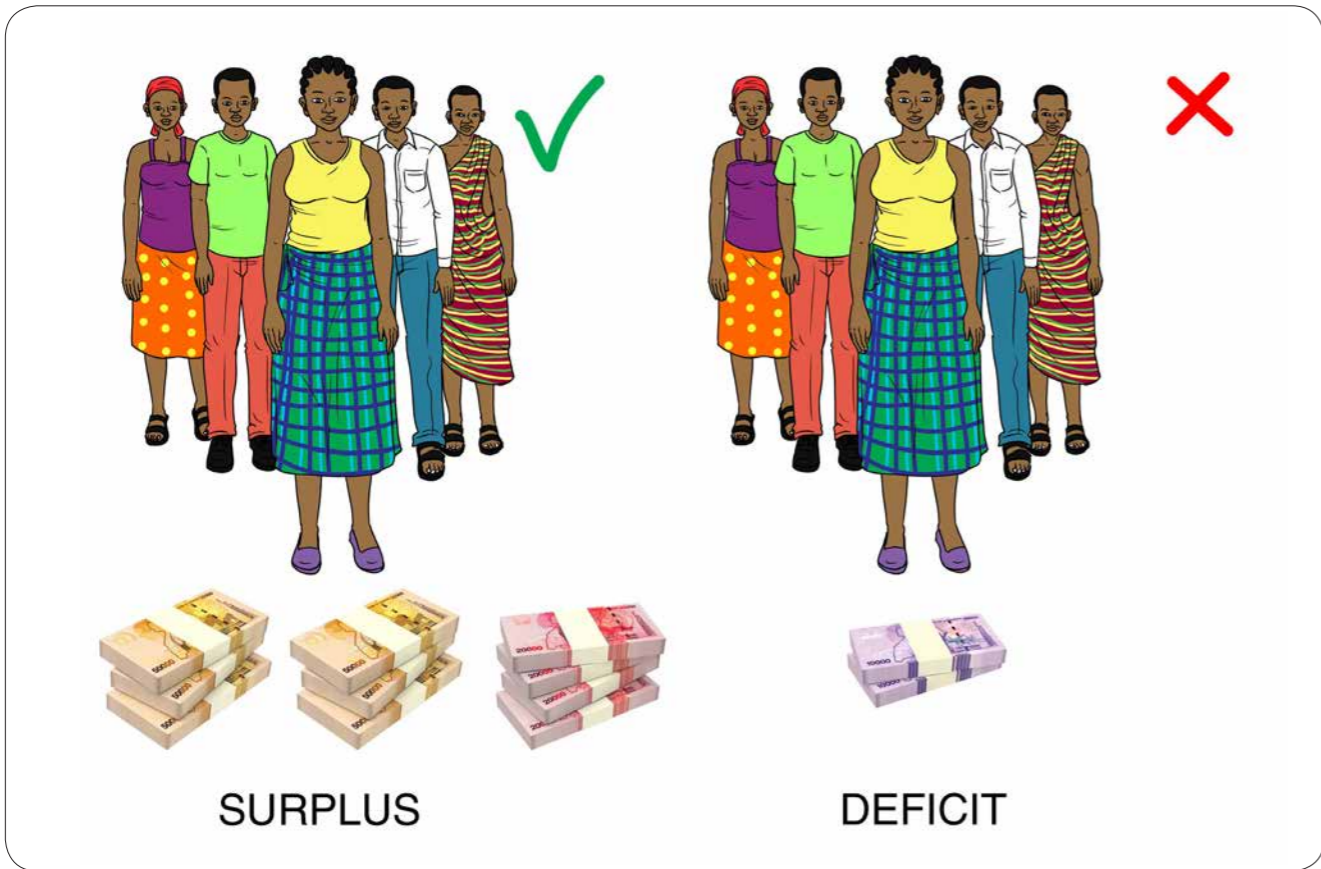
Profit = Sales - cost of production

$$\text{Traditional Farmer A profit} = 490,000 - 453,000 = 37,000 \text{ Ugx}$$

$$\text{Low input farmer B profit} = 700,000 - 601,000 = 99,000 \text{ Ugx}$$

$$\text{High input conventional farmer c profit} = 1,750,000 - 1,356,000 = 394,000 \text{ Ugx}$$

$$\text{High input tillage Farmer D profit} = 1,750,000 - 1,163,000 = 587,000 \text{ Ugx}$$



Assessing financial feasibility

Facilitator's Notes

Based on the calculations below on the cost benefit analysis it is clear that the conversation tillage methods generate high profits and therefore high income. High profitability leads to quick return on investments (ROI).
 The farmer groups can use the illustration and information below to make informed investment decisions about the financial feasibility of the Business Idea.

Session 3.5
SHOULD THE GROUP PURSUE THE BUSINESS?



Time: 35 minutes

Objectives

At the end of the training session the participants should be able to:

- Determine all the financial resources required for starting up a business

Key messages

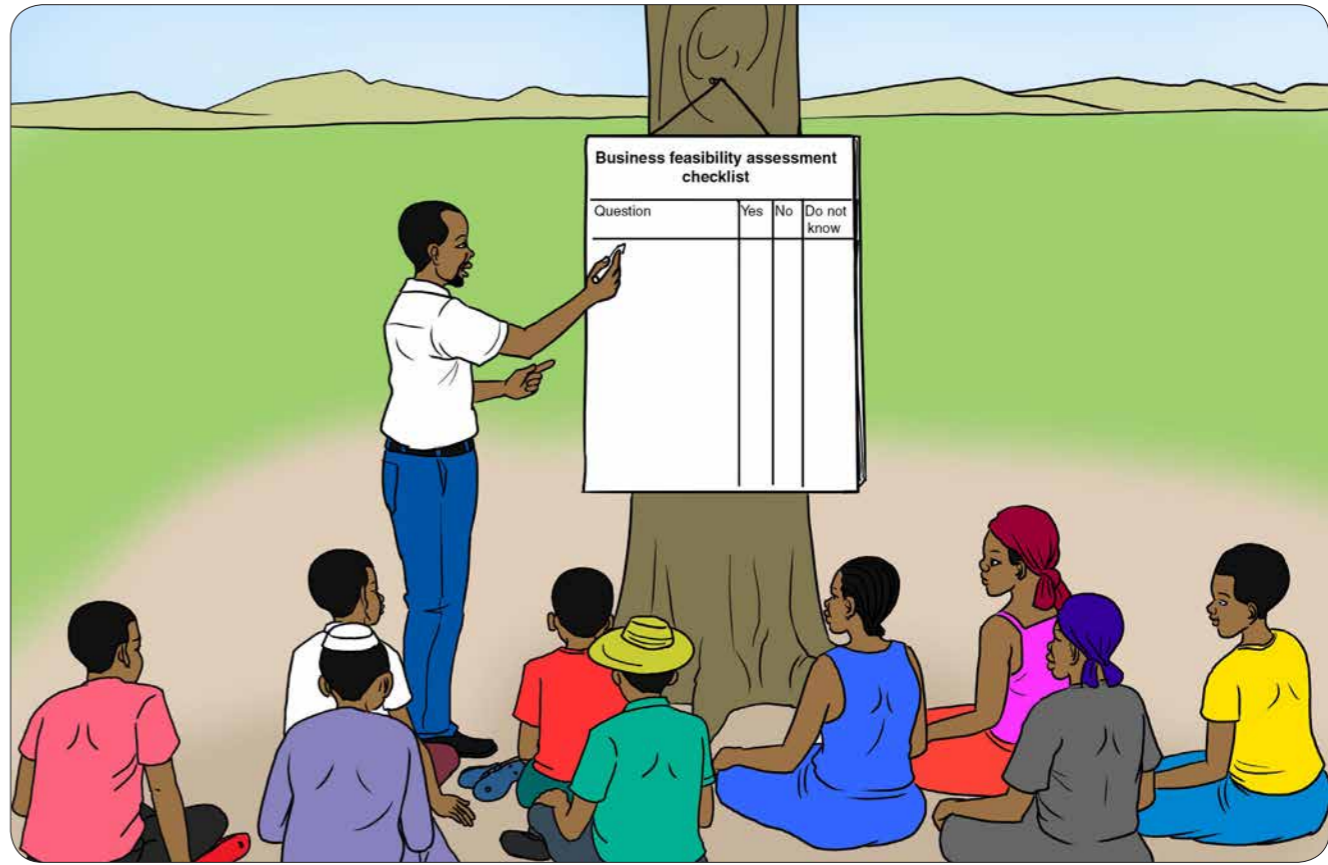
A Proper feasibility study informs the Decision on the Business idea by the Group

Session overview

This session will help to decide whether to pursue the business idea based on results of the feasibility study or not (Sessions 2.1 to 2.4). It will also help to identify information that may still be needed to gather to make good decisions.

Activity 3.5.1
Business feasibility assessment checklist

The checklist summarizes the key factors that should be looked at when analyzing a business idea. In plenary the facilitator will read through the steps and guide the farmers perform the steps as they are read.



Business feasibility assessment check list

STEPS

STEP 1: The facilitator asks the participants to answer the questions individually Placing a check (✓) in the column that best represents their answer. It may be necessary to review their outputs in Sessions 2.1 to 2.4 as you answer each question (10 minutes).

Question	Yes	No	Do not know
Is there sufficient interest in and commitment to starting a cooperative? (Session 3.1)			
Are the core group and potential members willing to provide the capital to start and operate the business? (Session 3.1)			
Do the members of the core group and potential members have enough free time to dedicate to the cooperative? (Session 3.1)			
Is there a strong motivation among potential members to operate the business? (Session 3.1)			
Would the business have a steady, reliable market for its products or services? (Session 3.2)			
Would the group be able to compete with the existing competitors? (Session 3.2)			
Would the group be able to offer a price that is competitive in the market? (Session 3.2)			
Will target customers buy your product or service rather than those of your competitors? (Session 3.2)			
Are there members in the core group with the management skills to operate the business? (Session 3.3)			
Are there programmes or providers that can assist the group in building its capacity to produce the product or service as per standards required by buyers and legal regulations? (Session 3.3)			
Would the group be able to secure the necessary financial resources to start the business and generate desired levels of income? (Session 3.4)			
Can the group find suitable premises to work in? (Session 3.3)			
Is the proposed location for the business accessible by 4-wheel drive vehicle? (Session 3.3)			
Can the group obtain the tools, equipment, and technology it needs? (Sessions 3.3 and 3.4)			
Are the necessary raw materials available for the group to buy on a regular basis? (Session 3.3)			
If the business requires water and electricity, can the group access these utilities? (Sessions 3.3 and 3.4)			
Would the group generate sufficient profits to recover start-up costs and provide money for expansion and growth? (Session 3.4)			

If you are not able to answer “yes” to most of the feasibility questions, you should reconsider your proposed business idea. For all questions that you answered “Do not Know”, you should gather the needed information.

Step 2: Share and discuss your answers with the group. Come to a consensus on whether the group, should pursue the business idea. (10 minutes)

Should the group pursue the business idea? **Yes** _____ **No** _____

The facilitator guides the discussion and the participants are able to make an informed decision on the question above based on the facts.

Session 3.6 ACTION PLANNING



Time: 45 minutes

Session objectives

At the end of the training session the participants should be able to:

- Review the activities from group formation to feasibility assessment
- Prepare an action plan for their business idea

Materials

- Flip charts
- Markers
- Work sheets

Session overview

In this session, the participants will make your action plan to complete the Core Group Formation and Business Concept Development phase of starting a group.

Activity 3.6.1

Preparing the action plan

The Facilitator will guide the group, to look at their worksheets and identify those items for which they lacked information.



Preparing the action plan



MODULE 4

PREPARING THE BUSINESS PLAN

Module objective

The participants are expected to:

- Learn and adopt the working definition of a business plan, business structure and their contents.
- Develop strategies to implement the business plan.

Module overview



This module is meant to guide farmer groups through the process of developing a bankable business plan, a document that answers the question of “how will the business idea work”.

This is a step by step guide to the group facilitator and the farmer group as a whole on how to prepare for and run the business.

Session 4.1 WHAT IS A BUSINESS PLAN?

Objectives

By the end of the session, participants will:

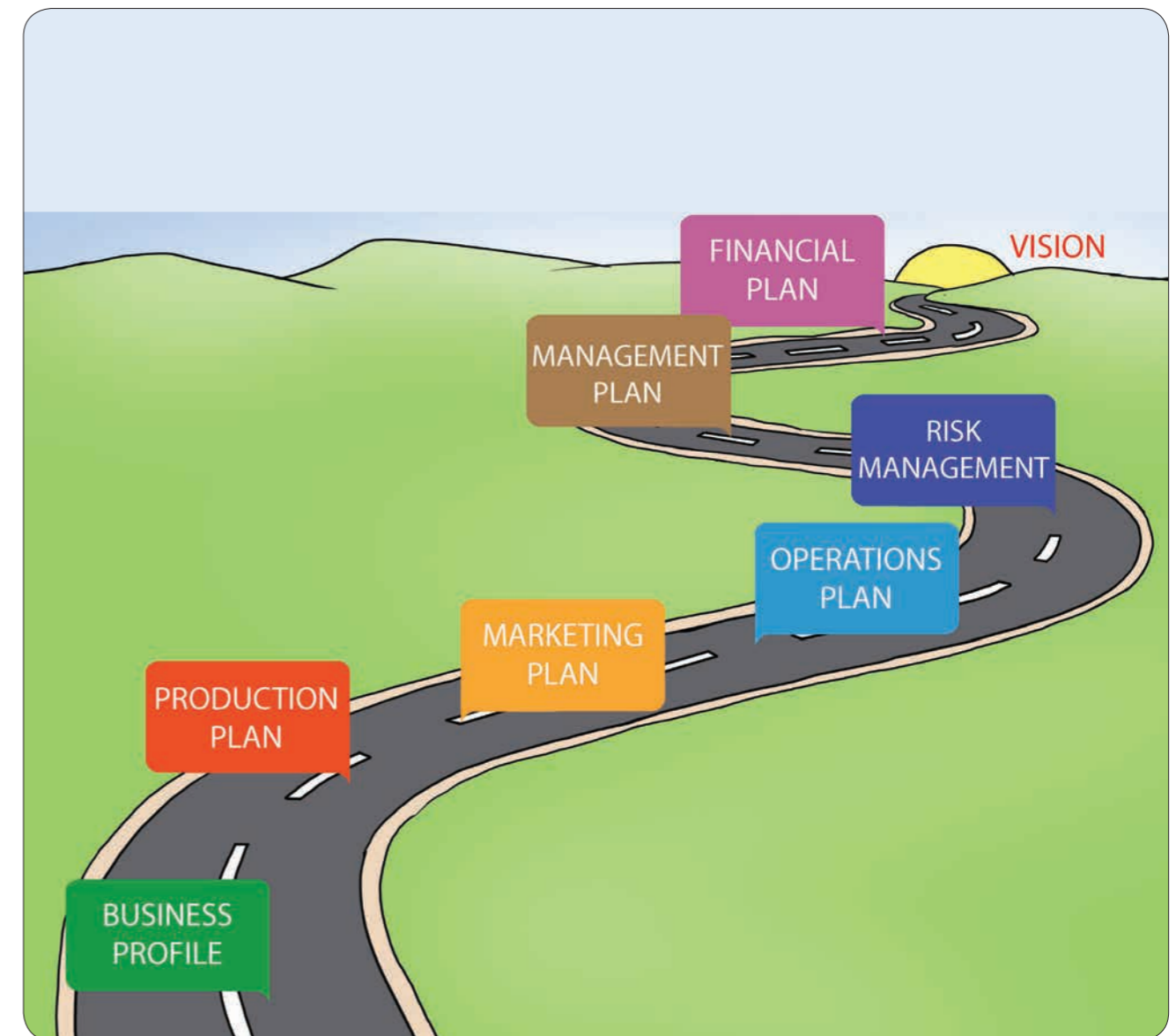
- Appreciate the meaning and working definition of a business plan
- Clearly outline the structure and key components of a business plan
- Develop a Business Plan



Time: 5 minutes

Session overview

The business plan is a roadmap that details where the group 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 groups minimize risks of failure. It can also be used by groups in applying for support from development programs.

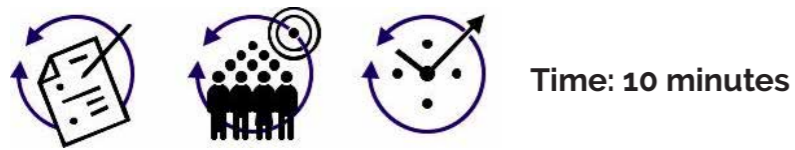


Business plan

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

Activity 4.1

Structure of a basic business plan



Time: 10 minutes

Executive Summary

- Business Profile
- Production Plan
- Marketing Plan
- Operations Plan
- Risk Management
- 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.

Session 4.2 BUSINESS PROFILE

Session objectives

By the end of the session, participants will be able to:

- Understand what is meant by the term profile and identify the information to include in the business profile



Time: 5 minutes

Session Overview

This section outlines vital details about the group such as location, whom to contact, how large the group is, what it does and what you hope to accomplish.

Activity 4.2.1

Writing a Business Profile



Time: 20 minutes

Facilitator's Notes

Business profile outlines vital details about the group such as location, whom to contact, how large the group is, what it does and what you hope to accomplish.

Example:

PROFILE OF CASSAVA FARMERS GROUP

QUESTION	EXAMPLE	YOUR ANSWER
Background Information		
Name of group	Nyaravur Cassava Farmers Group	
Address	Name of the district, city, country	
Contact Details	Name of manager and phone number	
Number of members by gender	200 farmers in (name of the region/zone)	
Purpose/Objective of the group		
What are the objectives of forming the group? <i>Tip:</i> Review outputs in Module 1	To reduce postharvest losses and engage in value addition activities through production of cassava chips using improved technologies and underhygienic and safe working conditions	
What would the group like to achieve by coming together?	<ul style="list-style-type: none"> • Increase in income • Access to bigger and more lucrative markets • Stable jobs for household members including access to social security • Access to water system 	
Type of group (Tick as applicable ✓)	<input checked="" type="checkbox"/> Production <input type="checkbox"/> Marketing service <input type="checkbox"/> Others (specify)	
What product/service is the group going to provide?	Production of cassava chips	

Session 4.3

DEVELOPING A PRODUCTION PLAN



Time: 20 minutes

Session objectives

By the end of the session, participants will be able to:

- Agree on the production factors that are likely to impact the production process and output targets for the group selected business idea.
- Project the expected volumes from members from which to base the group marketing business decisions
- Identify production requirements for members in order to realise expected business volumes and take group action for accessing such inputs. (Land preparation, seed, fertilizers, advisory, pest management and post-harvest technologies)
- Identify potential challenges in realizing the projected production targets at farmer and group level



Developing a production plan

Facilitator's Notes

- Assumptions or key production considerations
- Membership i.e. all 20 members of the group.
- Crop: Cassava
- Seasons: 1 Season a year
- Land size: 1 Acres per farmer
- Expected output per acre. 1 ton per acre
- 80% of the harvest will be sold through the group

Projected Production Plan

Guide participants to complete a production plan for their group per crop if more than one.

No.	Particular	Working	Remark
A	Crop	Cassava	Variety, specifications
B	No. of Farmers	20	Focus on confirmed members
C	Acreage per acre	1 Acre	We take the minimum for each member
D	Expected output per acre	10 Tons (chips)	On pure stand not mixed crop
E	Total output	(b*c*d) = 200 tons	All member farmers will need to plant quality materials of right variety.
F	Aggregation plan	70% = 140 tons	Provide for home consumption and other uses.

Questions

1. What are the Production input requirements?
2. What are the anticipated risks and challenges?

Facilitator's Notes

- Possible challenges could include:
- Access to quality planting material
- Delayed land preparation and planting due to reliance on hand hoe and family labor.
- Pest and disease incidences
- Poor yields due to different practices and lack of training
- Home consumption and side selling affecting volumes for collective marketing
- Limited funds to invest in increasing quality and quantity

Possible Solutions

- All group members to subscribe and enroll on e-voucher for certified and subsidised inputs
- Using group approach members can pool funds for land mechanization and subsidised/ matching grants support
- Access trainings from agriculture officer at subcounty encourage diversified food security ventures
- Start a group saving and loan scheme to save and lend for production.

Session 4.4 DEVELOPING A MARKETING PLAN



Time: 5 minutes

Session objectives

By the end of the session, participants should:

- Describe the products and services the group will be offering for business.
- Describe the market they are targeting for each product or service
- Develop a Marketing plan

Activity 4.4.1

Product and/or Service description



Time: 30 minutes



Describe the product you want to sell



Developing a marketing plan

Notes

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.

Exercise

Guided Exercise on description of a product and/or Service.

1. What is the product or service of your group?
2. What are the key features of your product or service?
3. How much do you target to produce in a month or year?
4. What are the main uses of your product or service?

Maturity	10 to 12month production
Freshness	<ul style="list-style-type: none"> • Newly harvested; not more than 1 year old • No evidence of pest infestation
Appearance	No rotten or damaged parts
Cassava Chips	
Moisture Content	12% to 14% - tested via a tester
Appearance and color	<ul style="list-style-type: none"> • 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
Odor	No fermented odor 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

Example:

Group market description

Column 1	Column 2	Column 3
Guide Question	Example: Cassava Farmers group	Your Answer
Who are the possible customers?	Feed mills: in our area, 5 Bioethanol companies; 2 companies at start-up phase Brewery: only 1 company so far using cassava Chips	
Indicate the different types of customers or users of your product or service	<ul style="list-style-type: none"> • Fresh Cassava tuber buyers/ traders taking to Kampala • Flour companies: only small portion of production devoted to cassava flour • Snack food processors: generally micro Companies • Export market with China as the largest Importer 	
Among all the possible customers you have identified, which type of customers or segment will your group focus on?	Feed mills	
Why did you choose to focus on this market segment?	<ul style="list-style-type: none"> • The top 5 feed mills have facilities in the region which are accessible to the group • There is a guaranteed market and floor price via supply agreement • Companies also offer advance payment and provide assistance to suppliers 	
Why do your target customers need your product or service?	<ul style="list-style-type: none"> • There is a lack of supply of cassava chips. • Feed mills currently operating at 60% of production capacity 	
What specific need in your target market will the product or service address?	<ul style="list-style-type: none"> • Quality of existing supply of chips is of inconsistent quality - high moisture content and not compliant with food safety standards • 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 	

Column 1	Column 2	Column 3
Guide Question	Example: Cassava Farmers Coop	Your Answer
Who are your competitors?	<ul style="list-style-type: none"> • Direct competitors are the assemblers who collect tubers from their own farms and from farmers. They process the tubers into cassava chips • 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. 	
How can you compete with your competitors?	<ul style="list-style-type: none"> • 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. • Assemblers do not invest in technology and upgrading. Their chips are generally Class B and Class C. We will produce Class A chips 	
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?	<ul style="list-style-type: none"> • Projected annual production volume of group: 1,800 MT • This is about 1% of total demand. The group will fill up about 4% of current supply gap 	
How can you increase your market share over time?	<ul style="list-style-type: none"> • Members have to increase farm productivity. • Current yield is only about 70% of optimum yield • We need to improve both farm and processing productivity so as to be competitive with imported cassava chips We also have to increase our production capacity for chips 	
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 4.4.2

Marketing strategy



Time: 40 minutes

Facilitator:

- Facilitate a group exercise with instructions to discuss and share ways and means the group will use to have the target customers know about group products, how can they influence them to buy the groups products.
- Use illustrative pictures as examples of the means and avenues to get potential customers know about the products and services
- Guide the discussion to agree on the ideas on how the products will reach the customers.
- Guide with use of illustrations a discussion on how the group will the price of products or services. -Working together to answer the guide questions.

Facilitator's Notes

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

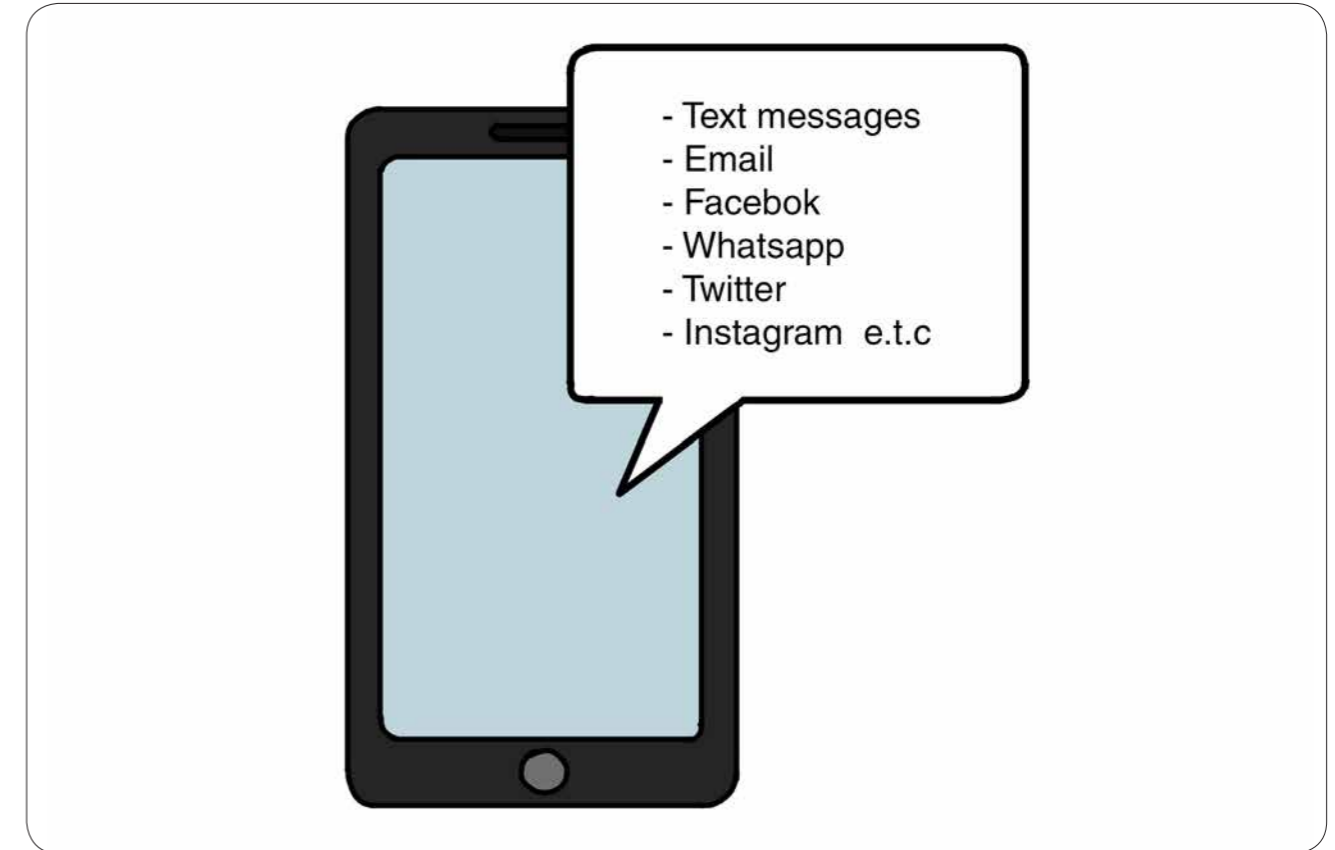
Step.1: 15 Minutes

a. Promotion strategy

How your target customers will know about your product or service



Visit to prospective buyers participation



Text messages and social media advertisement



Billboard advertising

Example of Promotional strategy (fill in the answer)

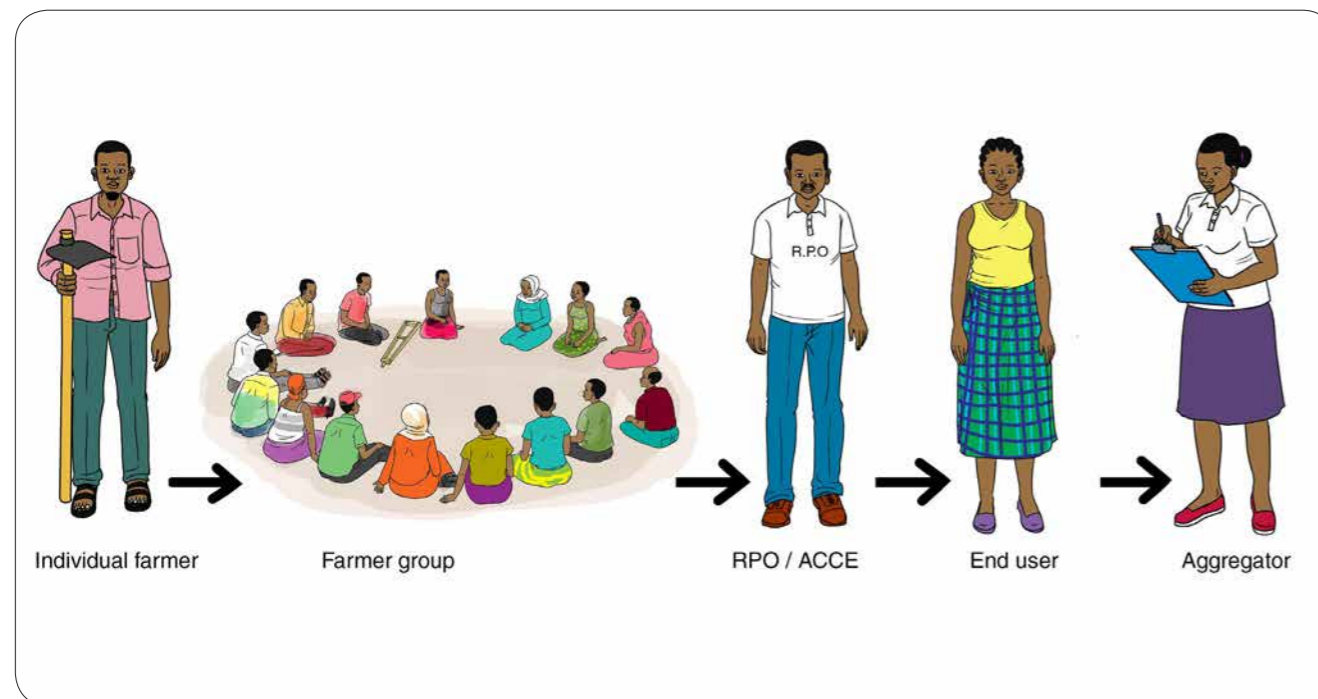
Guide Question	Example: Cassava Farmers group	Your Answer
How will you inform your target customers about your product or service and the group	<ul style="list-style-type: none"> We will meet with our potential customers and provide them with samples and our pro file. We will invite them to visit the 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?	<ul style="list-style-type: none"> 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 	

b. Distribution strategy

How you will get your product to your target customers

Guide Question	Example: Cassava Farmers group	Your Answer
<ul style="list-style-type: none"> How is your product or service going to get to the customer? Describe how your produce will be sold – whether directly to your target customers, via intermediaries, etc. 	<ul style="list-style-type: none"> They 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?	<ul style="list-style-type: none"> They 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 	

Direct distribution



Direct distribution

c. Pricing strategy

Internal factors	External factors
<ul style="list-style-type: none"> Cost of production (raw materials and operations) Strategy Marketing objectives Negotiation with the buyer for floor price and mark up Quality and volume 	<ul style="list-style-type: none"> Supply and demand competition Consumer perception of price and value

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

Example (group should fill their answer)

Guide Question	Example: Cassava Farmers group	Group Answer
How will you set the price of your product or service?	<ul style="list-style-type: none"> 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. 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 group 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 	
How does the pricing of your product or service compare to the market price of similar products or services?	<ul style="list-style-type: none"> This is not applicable to us. Feed mills set the price based on available supply of cassava and alternative materials such as corn. For us to remain viable though, we will invest in continuous productivity improvement to keep our production costs low for both cassava and chips 	

Session 4.5

DEVELOPING AN OPERATIONS PLAN



Time: 5 minutes

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.
- 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 needed to complete your operations plan can be found in your outputs in Module 3.

Session objectives

By the end of this session, participants will:

- Be able to identify the different physical resources, facilities and equipment needed for the group business.
- Describe the work process and systems involved in the running of the group business
- Develop an Operations plan

Activity 4.5.1

Physical resources: facilities and equipment



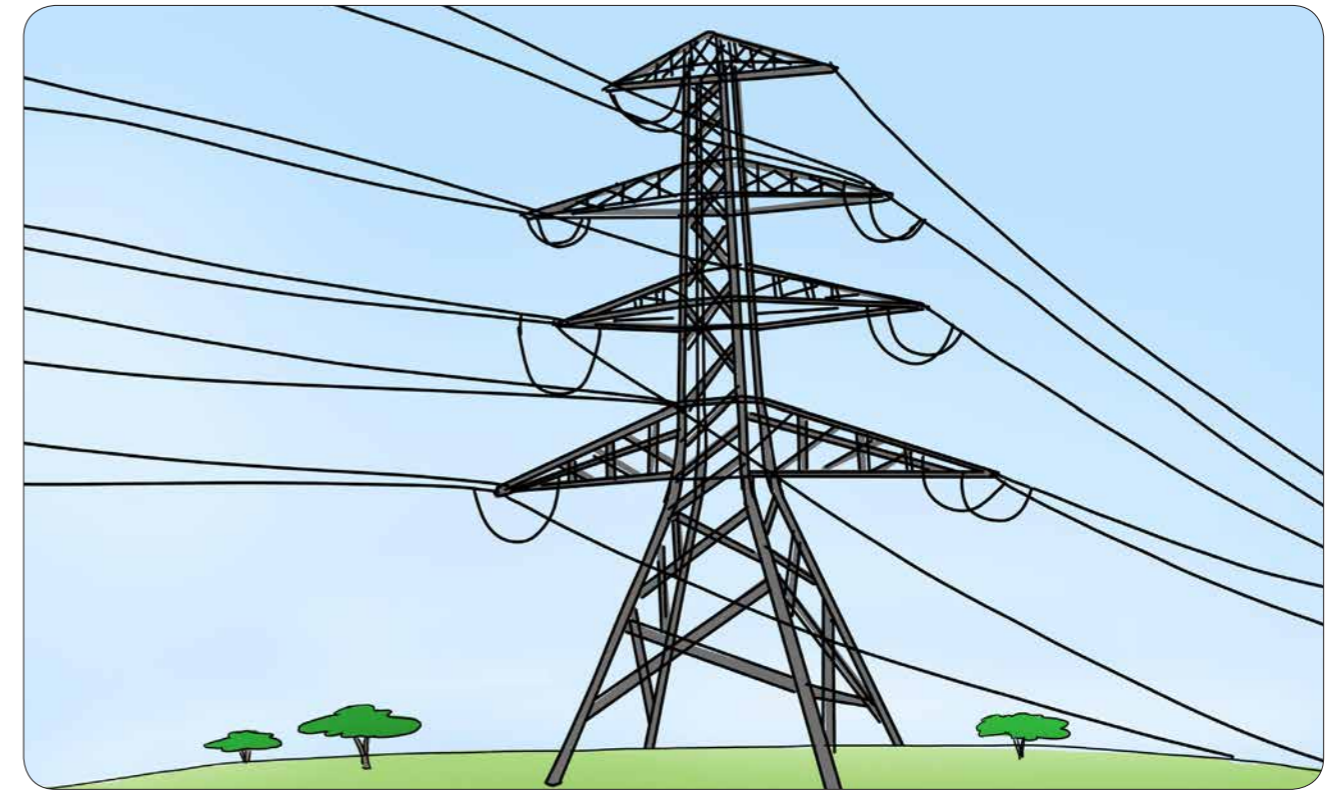
Time: 25 minutes

Facilitator's Notes

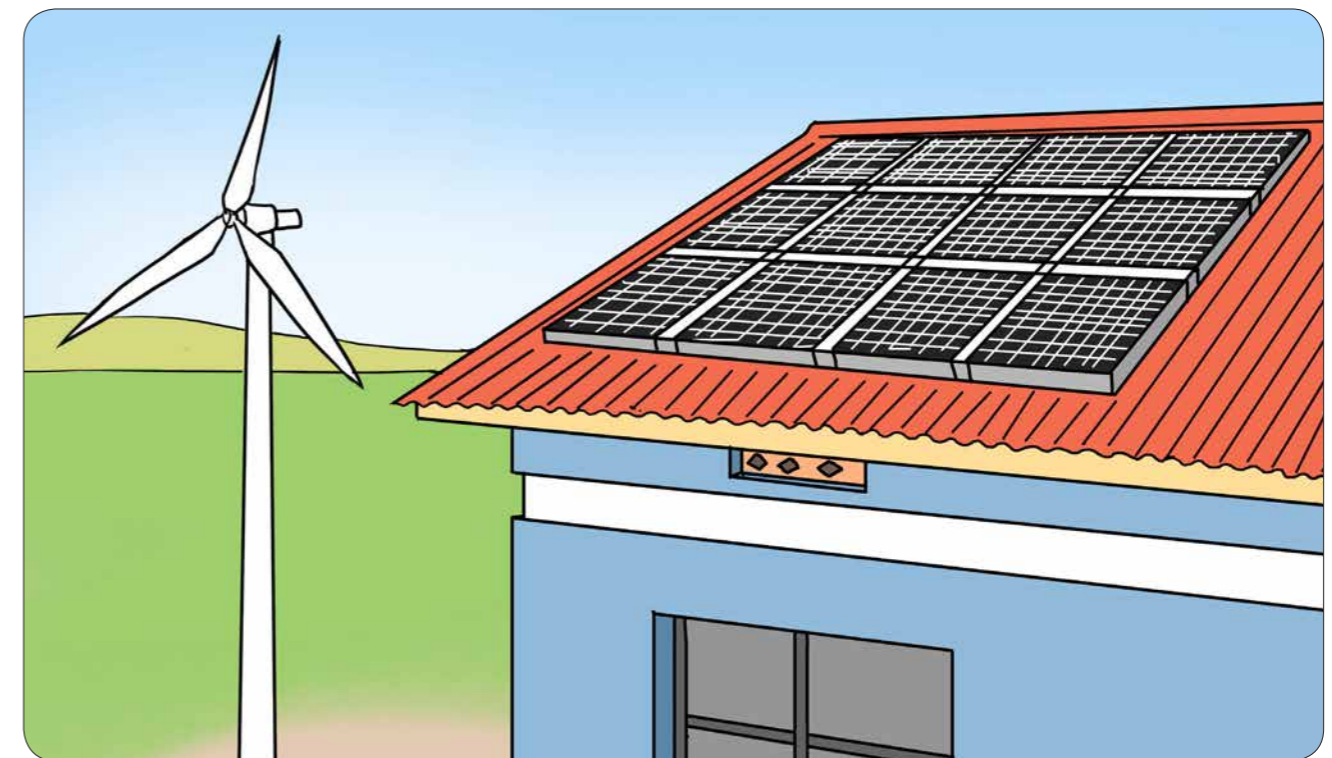
Physical resources include land, building and other structures, machinery, and equipment. These are the tangible assets that they will use to produce the product or deliver the service at the group.

STEP 1: 10 minutes

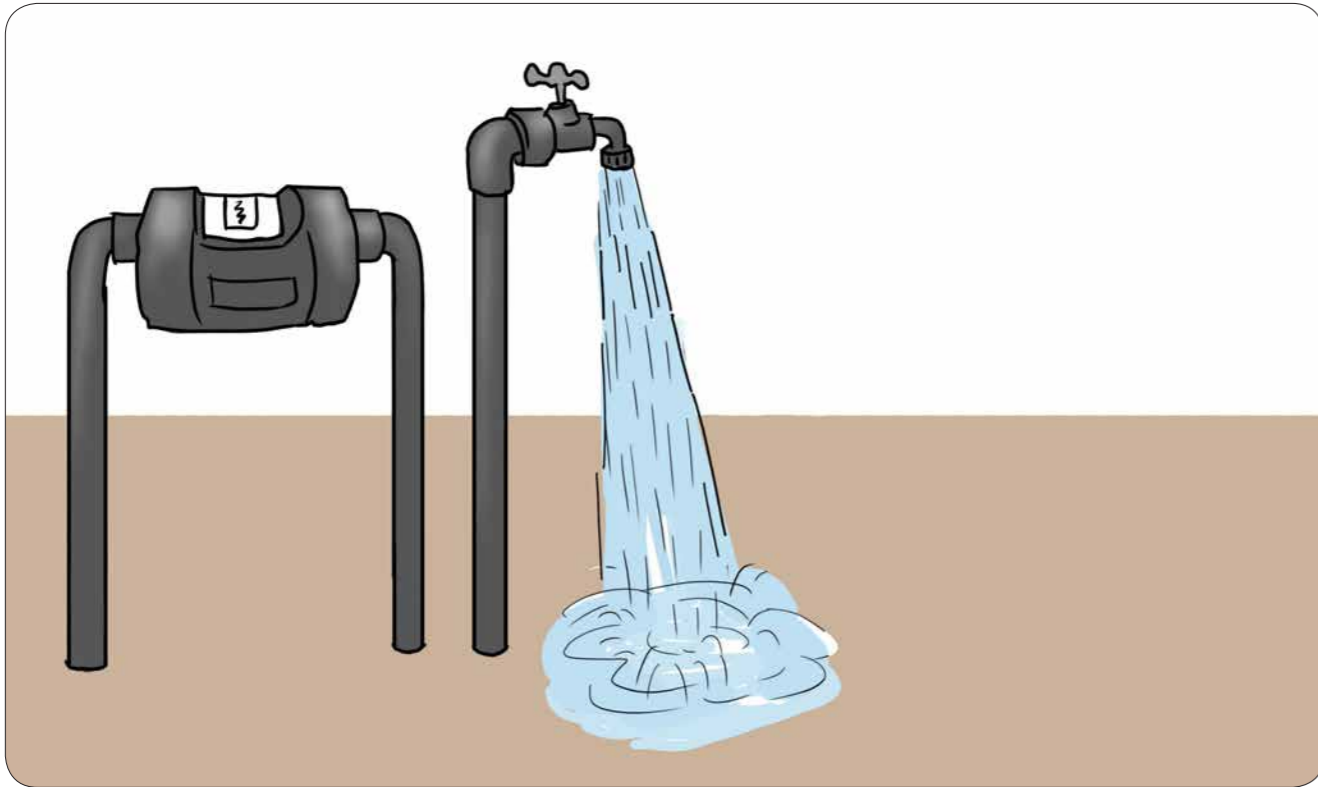
Basic considerations in choice of location



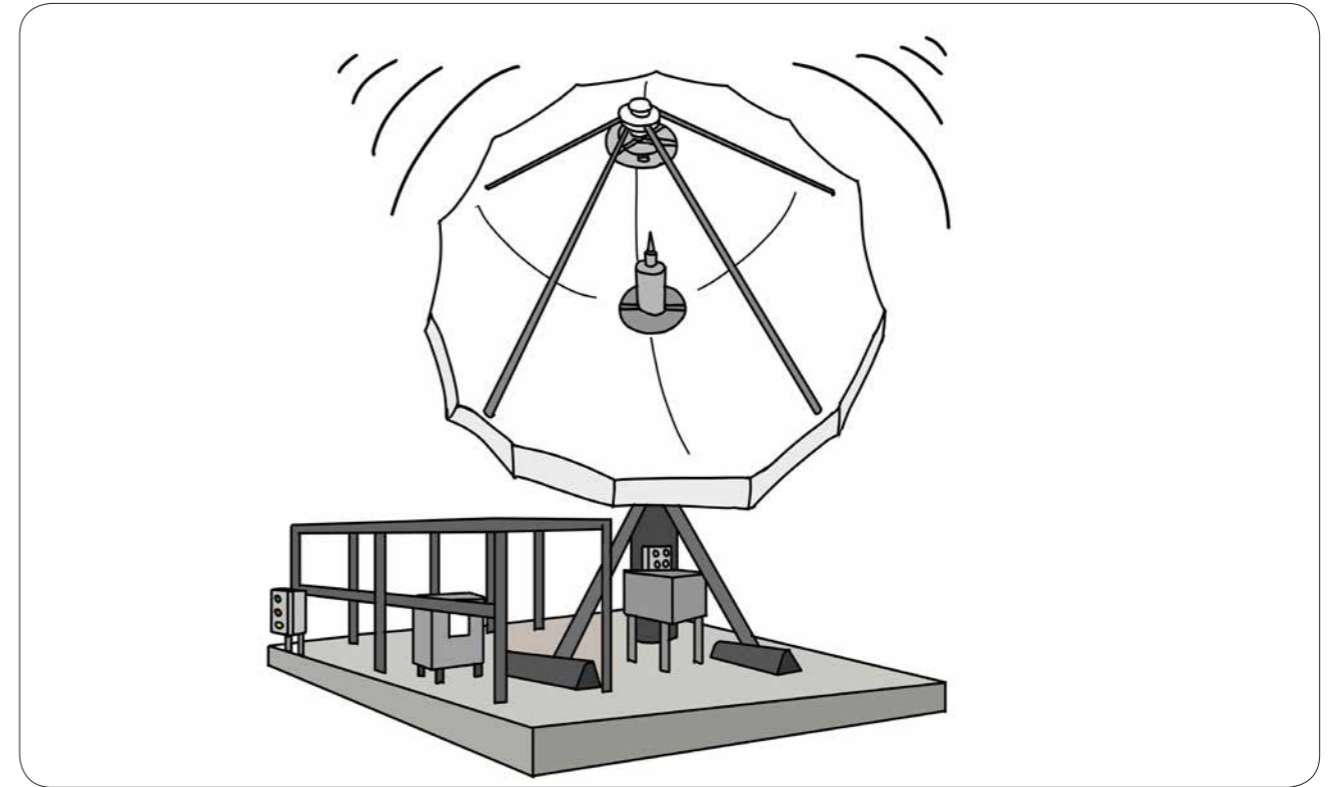
Power supply



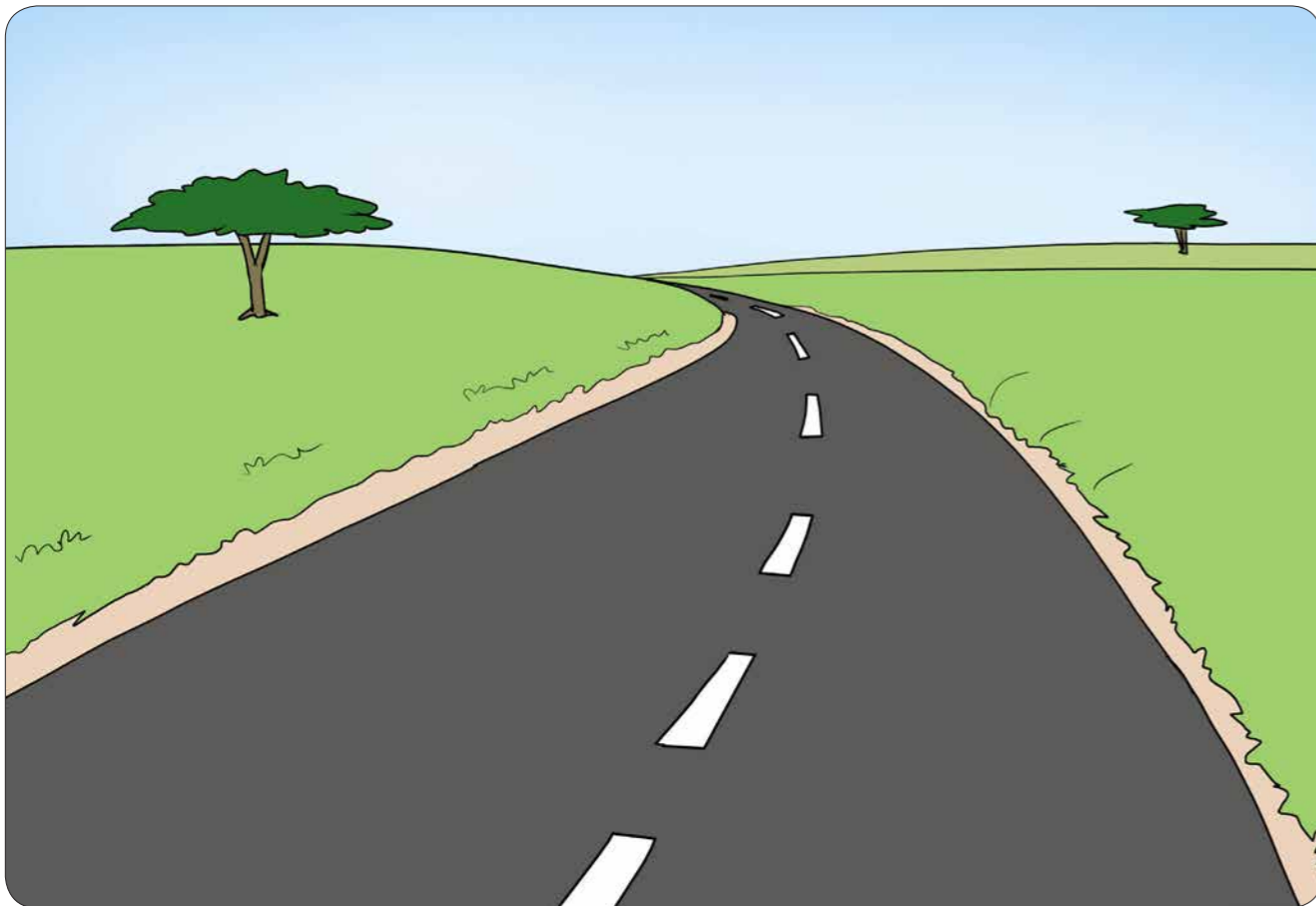
Solar and wind power



Water supply



Communication facility



Accessible near buyers and suppliers

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

Guide Question	Example: Cassava Farmers group	Group Answer
Where will the business be located	It will be located in (name of the region) which is the top producer of cassava in the area.	
What are the advantages and disadvantages of the location	The proposed location is near the cassava farms and the potential buyers, it is also accessible by vehicles. The area is connected to the power grid, a clean water supply is also abundant, the proposed location is not prone to floods. There are no safety risks for women in accessing the location. The area has a good mobile phone and internet network.	

STEP 2: 15 minutes

Physical resources

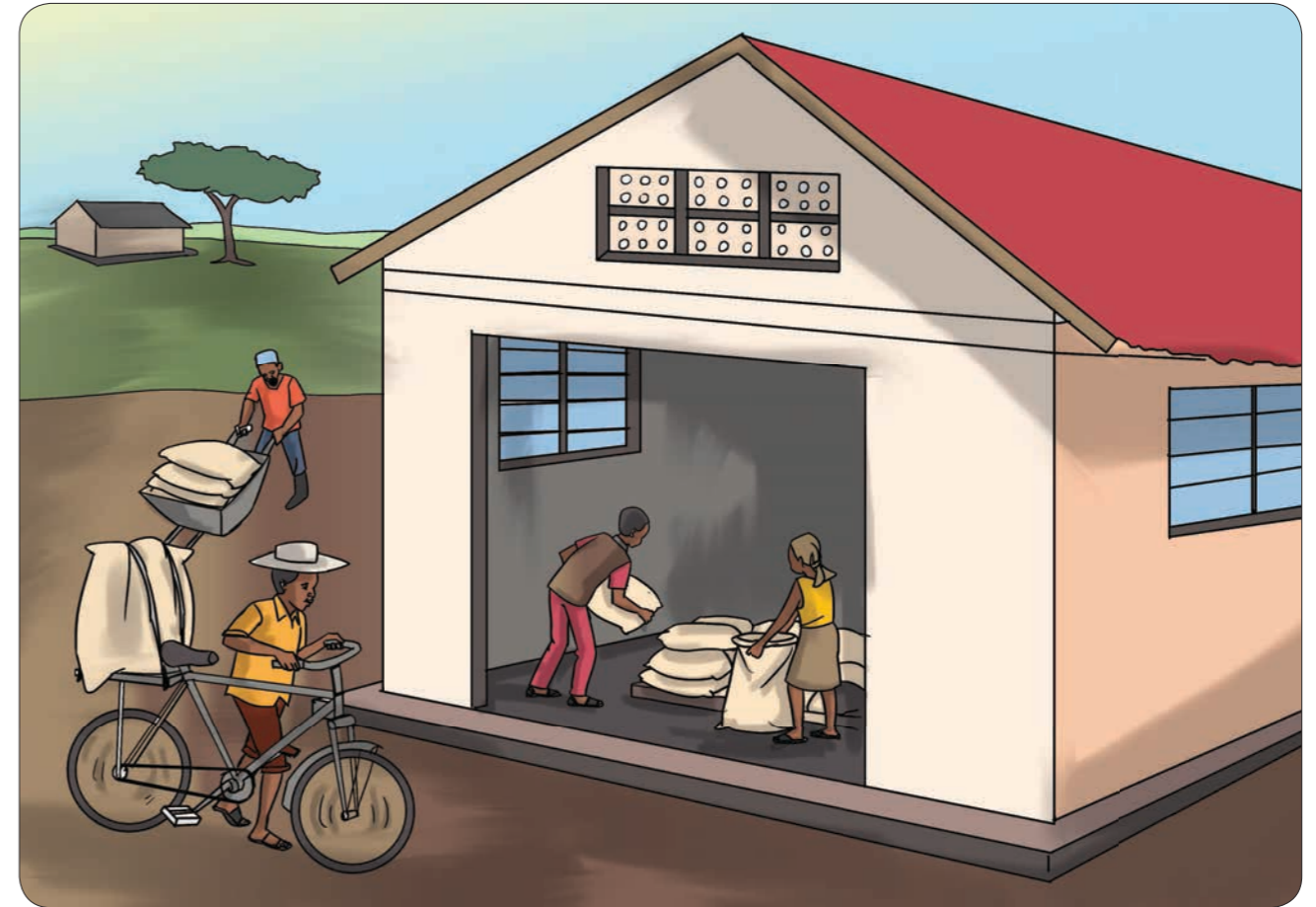
Facilities and equipment needed to produce product or provide service



Work shelter



Milling machine



Physical resources



Facilities and equipment

You will identify the equipment and facilities that the group 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 group

Equipment/Facility	Description	How the group will acquire the facility/equipment
Land	250 square meters	Member will allow coop to use her land
Building	<ul style="list-style-type: none"> 150 square meters; design and layout will be compliant with Good Manufacturing practice About 50 square meters; for manual chipping 	Fundraising
Open working area		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	Units	Purchase
Truck	For delivery of chips	Rental

Complete the table below for your own group

Equipment/Facility	Description	How the group will acquire

Activity 4.5.2

Work process and system



Time: 40 minutes

Activity overview

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.

Group task

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

Facilitator:

- In a plenary ask participants to describe the “journey”/stages that will be needed for a selected product will go through before it is sold to the buyer/customer.
- Divide group members into the different stages and task them to outline in summary what takes place at each stage and quality and safety requirement at each stage.
- With the use of the following illustrations summarise the session by sharing after the group presentations.

Guide Question	Example: Cassava Farmers group	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?	<ul style="list-style-type: none"> Members will be required to allocate at least 60% of their harvest for the group business Group will regularly conduct promotional campaigns to attract cassava farmers to supply to the plant and eventually become members. 	

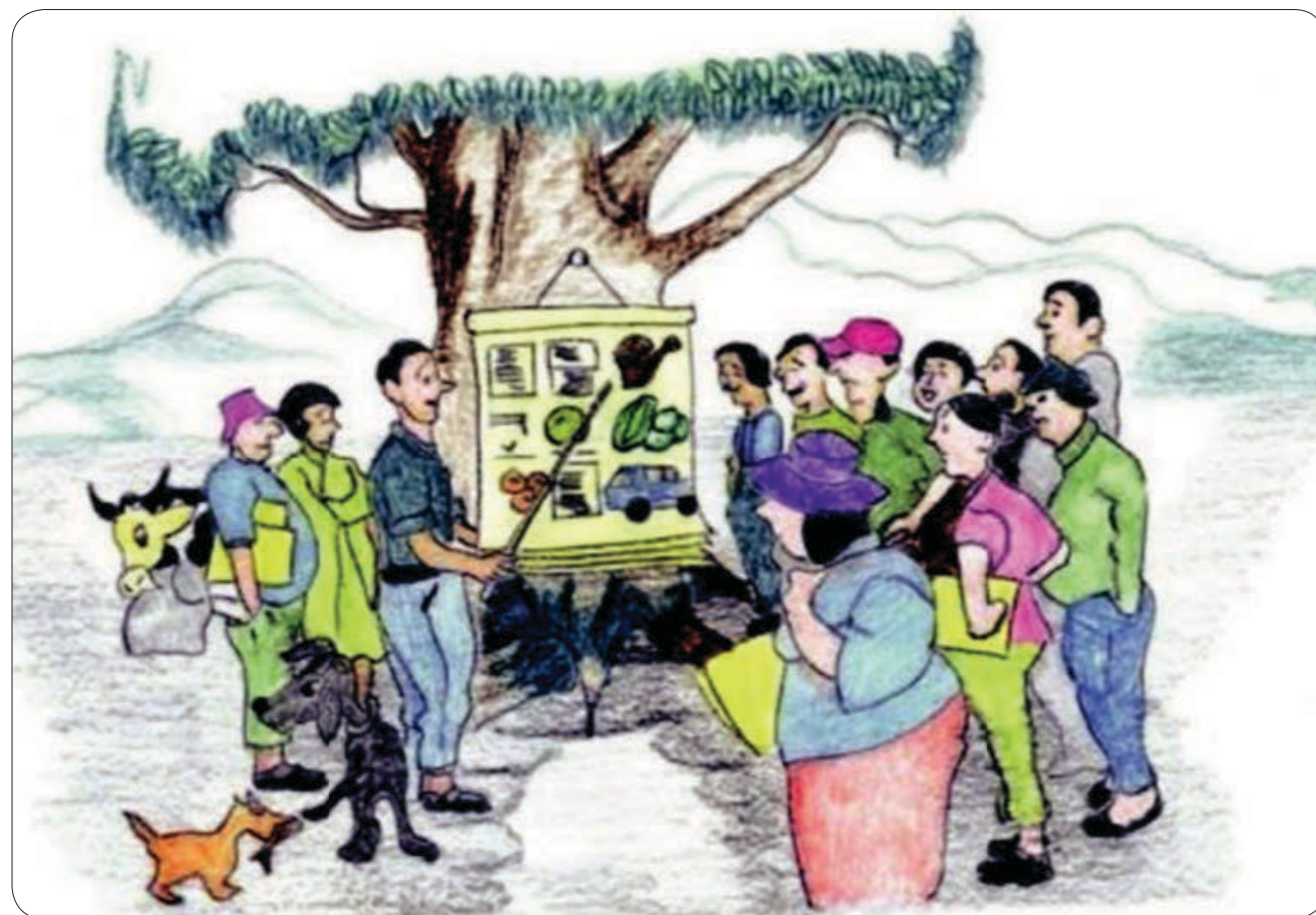
Guide Question	Example: Cassava Farmers group	Your Answer
	<ul style="list-style-type: none"> We will promote modular farming, will conduct training to help farmers improve productivity and comply with quality standards. 	
What are the key requirements to become a supplier	<ul style="list-style-type: none"> Zero to very minimal use of chemical inputs, cassava with zero chemical inputs should be appropriately labeled No child labor in the farms 	
What are the terms of payments?	<ul style="list-style-type: none"> Members enjoy guaranteed price of Ugx;2000 per kg. If the market price is higher than 2000/= at the time of delivery, members will get the higher price. 	



Receiving, quality inspection, and sorting

STEP 3: (15 minutes)

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



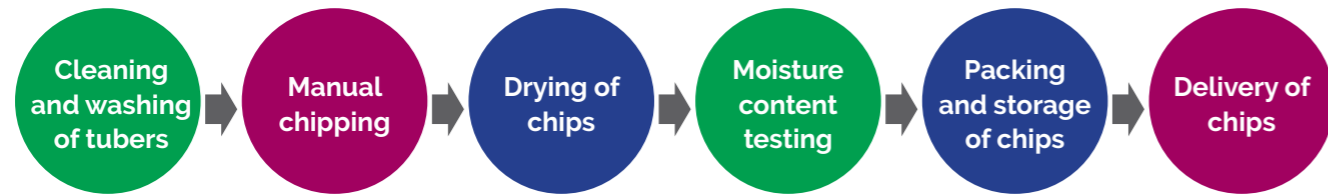
Promotional campaign to recruit suppliers, Training of suppliers



Weighing and payment payment

STEP 4: 25 Minutes

Production /work process



Pallets arranged properly

Measures to ensure quality and safety



- Pallets cleaned regularly
- Workers wear protective clothing
- Use of clean water
- Pallets arranged properly

Exercise

Group exercise on production/work process.

With the help of a predesigned worksheet or using a flip chart, facilitate discussions on the typical work process using the following guide:

1. In Column 1, list the key activities involved in making the product or delivering the service.
2. In Column 2, identify the key measures to ensure product quality and workers' safety.
3. In Column 3, identify the profile of people needed to perform the activity.

Example: Cassava Farmers group work process description

Activity	Measures to ensure quality and safety	Profile
Cleaning and washing of tubers	Clean water will be used for washing	Washers
Chipping	<ul style="list-style-type: none"> • Thickness of chips will be about ¼ inch to ensure high granules recovery. • Chippers will only use sharp knives to avoid crushing the cassava, reduce physical strain (workers), and minimize risk of injury (workers). • Prior to using a mechanical chipper, operator will ensure that: blades and funnels are clean; 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. • Chipping will be done in a clean and dry place that is protected from animals and pests. • Area for manual chipping will be well ventilated, shaded, and open to minimize risk of workers inhaling cyanide. 	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	<ul style="list-style-type: none"> • Chips will be dried in clean platforms without soil and dust particles. Chips will be spread evenly at approximately 12 kg per square meter • Chips will be turned every two hours to have uniform drying • Workers will be provided with appropriate sun protection 	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	<ul style="list-style-type: none"> • Only chips that pass the 12% - 14% moisture content will be packed. • Chips will be packed in clean sacks without holes and rips • Sacks will be sealed via sewing to avoid entry of pests 	Workers/Driers
Weighing of chips	<ul style="list-style-type: none"> • Chips will be weighed using calibrated weighing scales. • Each sack, will contain 50 kg. of chips • Weight and number of sacks including date of processing will be, recorded in inventory logbook. Date processed will be indicated on the sacks 	Receiving staff

Activity	Measures to ensure quality and safety	Profile
Storage of chips	<ul style="list-style-type: none"> 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. Proper stacking will be observed to facilitate easy monitoring, minimize risk of falling off, and proper ventilation. "First In, First Out" will be observed in the release of cassava Chips 	Receiving staff
Hauling and delivery of chips	<ul style="list-style-type: none"> 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 Trolleys will be used for the (un)loading of the sacks to protect both product and workers 	Warehouse staff

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

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

Session 4.6

RISK MANAGEMENT



Session overview

- As enterprises that handle peoples' resources, you need to assure your members that their hard-earned investments are protected.

- This can be done through proactive handling of potential threats coming within and outside the group.
- Failure to adequately manage risks exposes groups not only to the possibility that they may suffer losses, but, more importantly, to the possibility that they may not achieve their objectives.
- Inadequate attention to risk management may result in closing and members losing their investment.

Session objectives

By the end of the session, participants will be able to:

- Understand the meaning and use of the term risk in business
- Identify potential risks and mitigation measures

Activity 4.6.1

Identifying risks and mitigation measures



Facilitator's Notes

- Risk is defined as any factor that may cause losses to the group.
- The risks may be external (i.e. arising from outside the group). The group may have little control over such risks (i.e. change in market preferences, political situation in the country, etc.).
- There are several risks that are internal to the (i.e. members not using the services of the group, members not participating in the group meetings and activities, group not being managed effectively, etc.).
- The group needs to manage these risks. Managing risks means to understand, evaluate, and take the necessary steps to increase the probability of success and reduce the likelihood of failure

STEPS

Step 1: As a group, think of all the things that can go wrong in your group.

- List them down in Column 1. (20 minutes)
- Assess possibility of it happening (5 minutes):

Step 2: Most likely to happen

- Likely to happen
- Not likely to happen
- Assess its potential impact to the group (5Minutes)

Step 3: Very bad

- Bad
- Not bad
- Identify what you can do to prevent it from happening and or if it happens, what you can do to reduce the damage. (15minutes)

Risk Assessment And Mitigation

Risk	Likelihood it will happen	Impact if it happens	Measures to prevent from happening and/or reduce
Buyer buying from us	Likely to happen	Very bad	<ul style="list-style-type: none"> • Policy that not one buyer should comprise more than 35% of sales. This is to avoid over dependence on one buyer (not to put all eggs in one basket). This will also reduce risk of compromising autonomy • The group will establish linkages with other groups engaged in similar business to share market information, conduct joint marketing activities, help each other in achieving volume, or disposal of excess inventory, etc. • Constant communication with buyers to anticipate changes. • Continuous product and market development. • Diversifying customer base by actively investing in the promotion of goods and services provided by the group • If it happens: immediately reduce production until new customers/buyers are secured. If not possible, identify ways that excess stocks can be disposed of immediately, especially if it is perishable, or extend shelf life if possible

Session 4.7
DEVELOPING A MANAGEMENT PLAN

Session overview

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

Session objectives

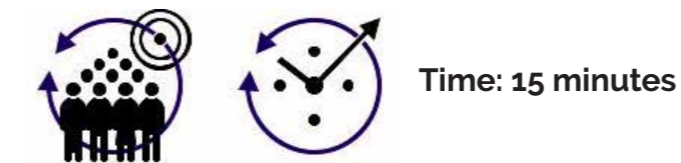
By the end of this session, participants should be able to:

- Describe and illustrate the structure of the operations of the group business
- Identify the likely human resources and skills set required of each
- Come up with a brief job description of each worker in the group business



Activity 4.7.1

Preparing your organization chart



Facilitator:

- Ask group members especially the leaders to describe the flow of authority and communication flow in the group and more importantly for the business component.
- On a flipchart or book to draw the organisation chart
- Facilitator draws the refined or appropriate chart to conclude the session

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 group



Member General meeting:

Composed of all paid up and registered members of the group



Executive Committee:
Elected leaders to steer and oversee the operations of the group



Sub committees and workers:
Group members forms into a Subcommittee to support operations and supervise workers

Group assignment

1. Now draw together the organization chart of your own group.
2. A review of your production and operation plan can help you identify the profiles that you need.
3. As soon as you have identified the functions that you need, then decide on who should report to whom.

Session 4.8 DEVELOPING A FINANCIAL PLAN



Time: 5 minutes

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. Even though you have already studied this in Module 3, It is recommended though that you review your start-up costs before finalizing your business plan.

Session objectives

By the end of the session, participants will be able to:

- Assess and determine how profitable the business will be
- Make projections on how the business will survive
- Know the start up capital needed before the business makes profit and determine how much capital is needed to start the business.

Activity 4.8.1

Preparing your statement of operations



Time: 30 minutes

Facilitator:

- Facilitator asks participants what they understand by the term income statements
- Using local examples explain what income statement means and what is contained in the statements.
- Reproduce or draft one example of the statement for participants to follow and learn along, encourage examples.
- Group assignment to generate an income statement reflecting on the group business.

An income statement or statement of operations 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 surplus (profit) earned for a given period.

To prepare the statement of operations, you need to know how to compute surplus (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 a statement of operations template.

STEPS

STEP 1: Example statement of operations (10 minutes)

Statement of Operations of Cassava farmers group for the period January to December 2019

Particulars	Unit	No. of Units	Unit Price (000)	Amount (000)
INCOME: Income: money paid for your services or products				
Sales from cassava chips	Metric Ton	1,800	200	360,000
EXPENSES				
Expenses: money spent or cost incurred to generate income				
Materials				
Fresh cassava	Metric ton	4,500	50	225,000
Sacks	Pieces	6,000	0.2	1,200
Salaries/Wages				
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				
Electricity	Month	12	50	600
Water	Month	12	25	300
Transportation	Trip	12	200	2,400
Other expenses	Month	12	100	1,200
Total Expenses				281,100
Gross Income (Total In come - Total expenses)				78,900
Less Taxes Profit After Taxes				Gross income less taxes

Session 4.9

PREPARING YOUR CASH FLOW PROJECTION



Time: 40 minutes

Session overview

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 group, 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).

Session objectives

By the end of the session, participants should be able to;

- Understand the concept of cashflow project
- Identify items or elements per cash flow category drawing from their farming expenses
- Learn the importance of projecting a cashflow during the production cycle for planning purposes
- Develop and use cash flow statements for their business

Facilitator:

- The facilitator, introduces the activity, explain the concept drawing from practical examples such as a maize crop cycle activity of preparing a garden up to sales where all activities before selling are outflows while selling and getting the actual cash is the inflow. From production season examples, stress that farmers need to know what will need money and when like land preparation, seeds, weeding, harvesting way before selling and getting the money and therefore needs to plan
- Ask participants to share in what they would have taken as what a cashflow statement or elements of a cashflow would then be.
- Reflecting on the business of the group, with the use of flipcharts draw and guide the group to fill out the cashflow statement.

- Conclude the session with discussing the importance and need to have cashflow statements both for the group business and individual farming practices.

Activity 4.9.1

Developing a cashflow statement for the group business Cash flow illustration.

CASH IN

How does money come in to your business?



By producing and selling goods



By giving a service



By getting a loan



By getting a grant

CASH OUT

How does money go out of your business?



By purchasing raw materials



By paying workers wages and salaries



By paying for transportation and other utilities



By renting a stall

This is a group activity. Perform the steps as they are read.

CASSAVA FARMERS GROUP

Cashflow projections for the period January to December 2019

Particular		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Beginning cash; Copy the ending cash of the previous month			1,675	8,350	14,725	21,400	28,075	31,750	38,425	45,100	55,450	62,125	
Cash in	Contributions from members	20,000											
	Grants	15,000											
	Sales cassava chips - ref- income statement		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 cash entries in cash in</i>		35,000	31,675	38,350	44,725	51,400	58,075	61,750	68,425	75,100	78,775	85,450	92,125
Cash out. List projected expenses Refer to expenses in income statement	Materials	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850
	Salaries and 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
	Repairs/maintenance			300			300			300			
	Equipment/tools	6,000											
	Construction of facilities	4,000											
Total cash out		33,325	23,325	23,325	23,325	23,325	23,325	23,325	23,325	23,325	23,325	23,325	23,325
Net cash flow		1,675	8,350	14,725	21,400	28,075	31,750	38,425	45,100	48,775	55,450	62,125	68,800

Developing group business: Cashflow projections for the period January to December 2019

Particular		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Beginning cash; Copy the ending cash of the previous month													
Cash in	Contributions from members												
	Grants												
	Sales cassava chips - ref- income statement												
Total cash in <i>Add cash entries in cash in</i>													
Cash out. List projected expenses Refer to expenses in income statement	Materials												
	Salaries and wages												
	Utilities												
	Repairs/maintenance												
	Equipment/tools												
	Construction of facilities												
Total cash out													
Net cash flow													

Activity 4.9.2

Preparing a Balance sheet

Objectives

By the end of the session, participants will:

- Understand the concept and working definition of balance sheet
- Be able to identify and differentiate balance sheet items
- Contribute to development of the balance sheet



Time: 30 minutes

Facilitator:

- Introduce the activity by asking participants who has heard of the balance sheet terminology
- Define and relate the terms with local examples
- Guide the group through different examples of the key balance sheet items and format
- Using the example develop a typical balance sheet
- Task and facilitate the group to develop their balance sheet.

Facilitator's Notes

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

Balance sheet

ASSETS	Equals	LIABILITIES	Plus	EQUITY
Something of value that the business owns		Obligations or amounts that the business owes to people or other business		Members/Owners' Share of Business
Cash on hand or money in the bank, Accounts receivable; payments you have to receive		Account payable: money owed by the business		Beginning capital contributions from members, grants
Stock and raw materials on hand, Building, vehicle and equipment		Balance of bank loan		Net profit

STEPS

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

CASSAVA FARMERS GROUP

Assets:		Liabilities and members equity	
List all the things that the business owned and corresponding value as at Dec 31 st 2019		Liabilities: List all the debts the values by 31st Dec 2019	
Cash at hand	73,900	Accounts payable	
Equipment and facilities	10,000	Loans	-
Payments for Dec delivery	30,000		-
		Total liabilities	0
		Members equity: how much capital was in the business as at Dec 2019	
		Beginning capital; Contributions from members, grants.	35,000
		Net surplus for 2018	78,900
Total assets		Total	113,900

STEP 2: To develop a group balance sheet (20 minutes)

Assets:		Liabilities and members equity	
List all the things that the business owned and corresponding value as at Dec 31 st 2019		Liabilities: List all the debts the values by 31st Dec 2019	
		Total liabilities	
		Equity:	
Total assets		Total	

Session 4.10 EXECUTIVE SUMMARY



Time: 5 minutes

Session Overview

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 group business that captures the readers' attention and gives them an interest in learning more about it.

Session objectives

By the end of the session, participants will be able to:

- Outline the main business plan sessions that has to appear in the executive summary
- Pick summary information in the business plan sections to construct the executive summary
- Develop executive summary for the group business plan

Activity 4.10.1

Writing the executive summary



Time: 30 minutes

Facilitator:

- Introduce the topic by asking of what participants know of have heard about the concept or term executive summary
- Solicit voluntary answers conclude with the explanation of the meaning and use of the executive summary
- Take participants through the step1 exercise of the example executive summary with reference to the sections of the business plan
- Divide participants into group discussion of 2-3or 4 people discuss and complete assigned sections reflecting on group business and information.

Facilitator's Notes

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

STEPS

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

Sample Executive Summary

Name of Group: Cassava Farmers Group

Location:

Our group is located in (name of the region), the largest cassava producing area in the country.

Members:

About 200 cassava farmers have indicated interest in joining the group. 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 group 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 group 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 group 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 Ugs: 35,000 to start our business. Contribution from members is expected to reach Ugs:20,000. We hope to fundraise the remaining Ugs:15,000. Annual income is estimated at Ugs: 360,000 with total expenses at Ugs:282,500 Estimated annual surplus (profit) is Ugs: 77,500 (before tax).

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 Group
Location
Members

Product/service and uses
Production capacity
Production Process
Customers
Human Resources/Management
Financial Projection

Answers:
Activity 4.11.1

- Picture 1:** Business Profile
- Picture 2:** Financial Plan
- Picture 3:** Marketing Plan
- Picture 4:** Operations Plan
- Picture 5:** Management Plan
- Picture 6:** Risk Management



MODULE 5

**ORGANIZATIONAL
SET-UP**

Module overview

- In this module, participants will learn about how the group should be structured and governed to effectively implement the business plan.
- They will further define the organizational chart that they have made in the management plan section of the business plan.
- They will draft the rules and regulations needed to ensure good management of the affairs of the group and its members.

Session 5.1 BASIC STRUCTURE OF A FARMER GROUP



Session objectives

By the end of the session, participants will understand the:

- Core bodies in a farmer group
- Importance of having different organs in a group.

Key messages

- A well established group must have different organs with clearly defined roles and responsibilities
- For effective performance of a group, each organ must understand and perform its roles.

Activity 5.1.1

The core bodies in a Farmer Group



Step 1: Ask participants

- To mention the different organs that a group must have to function properly
- To explain the importance of having different organs in a farmer group.

Facilitator's Notes

The core bodies of a farmer group are:

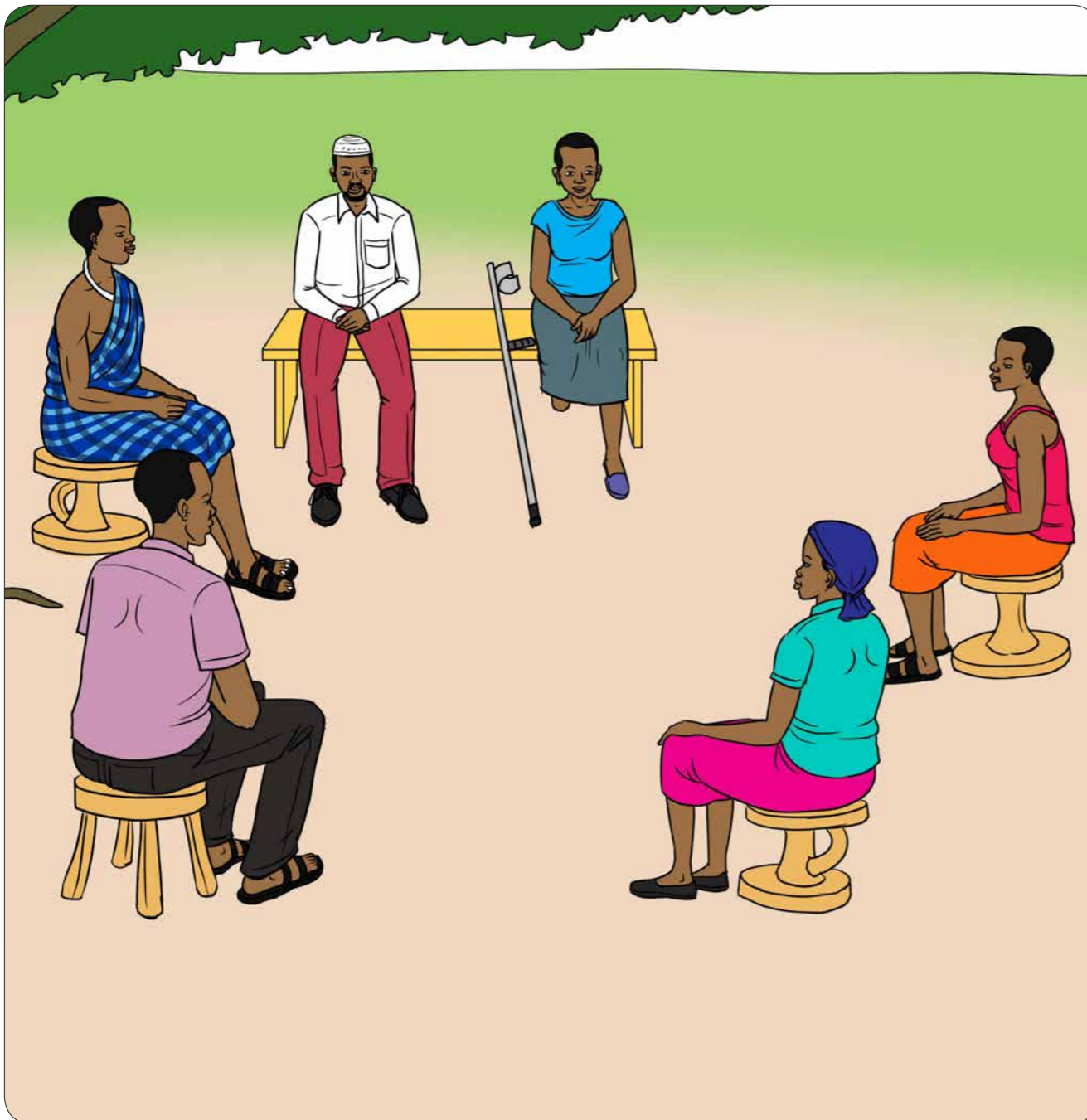
- a. The Members' General Meeting,
- b. Executive Committee and sub-Committees



Members' general meeting

- The members' General meeting is composed of fully paid up members.
- These are called upon on special occasions to make major decisions such as election of leaders, admission of new members, approval of Business plan and Constitution and adoption work-plans.
- As owners of the business, the members are the decision makers. Decisions are made primarily through the Members' General meeting.
- Members control their group through the Executive committee that they elect from among themselves.

- The Committee develops policies subject to approval of the members through the Members General Meeting.
- The Executive committee creates sub-Committees which are either headed by members of the Executive Committee or appoint other members of the group to head such sub-committee.
- Other members are usually co-opted into sub-committees.
- Successful operation of a group is based on the active cooperation of the members with the Executive Committee and sub-committees.



Facilitator's Notes

Importance of having different organs in a farmer group

- Separation of roles and responsibilities: Each organ has different roles and responsibilities contribution to the success of the group.
- Proper resource utilization: Executive Committee is responsible for resource mobilization and has to report to the Members during the General meeting. In addition to the above, it minimizes duplication of work. Each sub-committee carries out its designated roles.
- Check and balance: Different organs have the power to monitor activities of other organs and prevent actions that are not in the interest of the group / not according to the constitution of the group.
- Confidence building: By making members part of different sub-committees, members feel a sense of ownership, accepted and develop confidence.
- Minimizing conflict among the members since different organs have different roles.
- Controls conflict of interest; Each organ has got its specific role which are defined in the constitution. Therefore, the practice of double standards will be controlled.
- Promotes participation and efficiency in service delivery. The fact that every member in the group has specific roles to play, they will strive to fulfill their obligations
- Promotes accountability since different organs are expected to report to other organs e.g Executive Committee reports to the Members General Meeting while the Sub-committees report or account to the Executive Committee it makes them accountable to each other.

Executive committee and sub committee

Activity 5.1.2

Developing an organization chart



Developing an organisation chart

Basic Organizational Chart of a farmer group

Member General Assembly



Owners of the group:

Support the group through patronage and capital investment. The highest body of the group and the final authority in the decision making and approval of the draft policies and plans of the group

Executive committee



Elected from and by the members:

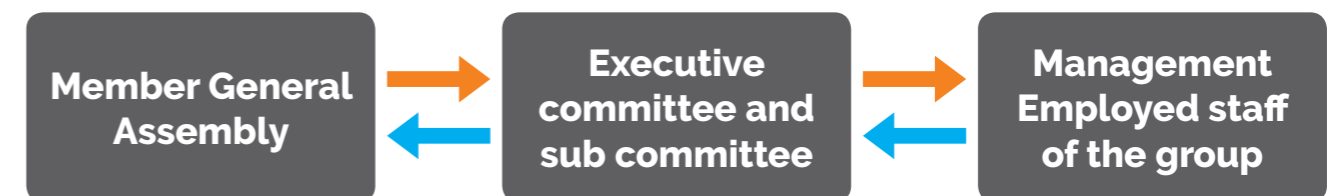
Drafts the operating policies of the group Appoint of co-opt members of different Oversee budgeting and financial processes Direct the group towards the overall objectives

Sub-Committees



Appointed or Co-opted by the Executive Committee:

Responsible for specific assignments. given by the Executive Committee Responsible for implementation of day to day operations of the group basing on their technical competencies



Session 5.2

MEMBERS AND GENERAL ASSEMBLY



Time: 5 minutes

Session overview

- As you have learned in Session 5.1, the Members' General Meeting is the highest decision-making body in the group that has the final authority on the management of the affairs of the group.
- The Members General Meeting is composed of members in good standing and sound mind.

- To be in good standing, the member must comply with the duties and responsibilities as written in the constitution of the group. In this session, the rights and duties of members will be drafted. The outputs will later form part of the rules of the group or the Constitution.

Session objectives

By the end of the session, participants will be able to:

- Understand the rights of the members
- Explain the responsibilities of the members.
- Discuss the roles of the general members' meeting

Key messages

- a. Rights are acquired on admission to membership without discrimination.
- b. Rights of members refer to fundamental rules of what is allowed or due to members based on the constitution of the group.
- c. In this activity, you will look into the basic rights of members so as to get some ideas on what you should include in your constitution.

Activity 5.2.1

Identifying the rights of the members



Time: 25 minutes

STEPS

Step 1

Ask participants to mention the rights of members of the group Write down their answer and compare it with the Facilitator's note below.



Facilitator asking farmers their rights

Facilitator's Notes

Some of the rights of members

1. Right to propose matters for discussions/participate in meetings
2. Right to be informed/access to information on affairs of the group
3. Right to vote
4. Right to voluntarily withdraw from the group
5. Right to be elected to serve on the main and sub-committees
6. Right to make use of facilities and services of the group
7. Right to amend constitution
8. Right to receive a patronage refund.



Right to propose matters and participate in meeting

Activity 5.2.2

Identifying duties of the members



Time: 20 minutes

Key messages

- Along with the rights, members also have duties and responsibilities at individual level as well as at the General Members meeting.
- These duties and responsibilities are also outlined in the Constitution of the group.
- In this activity the main duties of members will be identified.

Step 2

1. Ask each participant to write down at least two duties and responsibilities of members that they would want to be considered when they are preparing the Constitution of their group. (10 minutes)
2. Let each participant read what he/she has written and summarize the groups' responses and compare with what is covered in the facilitator's note.

Facilitator's Notes

Some of the duties of members at individual level

- Use the services or products of the group e.g getting inputs through the group and carrying out collective marketing.
- Pay agreed fees and other dues
- Attend required group training
- Participate in evaluating and selecting members of executive Committees/ Exercise the right to vote
- Comply with production requirements and agreements (both quantity and quality) Duties of members at General meeting
- Approve the minutes of the previous meeting, Business plan, Financial reports, budget, work plans and polices drafted by the Executive Committee.
- Election of the Executive Committee.
- Accepting/rejecting of new members.

Step 3

Ask the Participants to mention other duties that they believe should be included in the Constitution of the group? (10 minutes)

- List down their answers

Session 5.3

LEADERSHIP AND GOOD GOVERNANCE OF THE GROUP



Time: 5 minutes

Session overview

- The Leaders govern the operations of the group on behalf of its members.
- Members place their trust, their needs, and authority in the leaders of their own choice.
- The members of the Executive committee are elected from and by the members.
- In this session, the duties and responsibilities of the Executive Committee and the Sub-committees will be drafted.
- The outputs of this session will also form the basis for drafting of the Constitution or the internal rules of the group.

Key messages

- Responsibilities are the specific tasks or duties that the Executive and Sub-committee are expected to do as a function of their roles.
- The power to act on behalf of the group is given to the Executive Committee as a body, not to individual Committee member.
- They are required to act in the best interest of the members.
- Clear definition of responsibilities is essential to the successful performance of the Executive Committees and Sub-committees

Activity 5.3.1

Basics in good governance within farmers' groups and organizations



Time: 40 minutes

STEPS

1. Meaning of governance
2. Exploring characteristics of good governance

Key messages

- Governance is the responsibility of the leaders
- A constitution is a key guiding document to ensure good governance
- Ordinary members should understand the responsibilities of the leaders and make them accountable.

Step 1

Ask participants to:

- Explain the meaning of Governance.
- To discuss what they understand from the picture



Good governance versus bad governance

Summarize the participants' response and compare it with the points indicated in the facilitator's notes below.

Characteristics of good governance

Governance is "good" when it ensures that decisions and organizational priorities are based on wider consensus of members of the general meeting or the Committee on behalf of the general meeting, and that the voices of all are heard in decision-making on major issues.

Indicators of good governance

- 1. Respect for all members' opinions and rights:** All members should be given fair hearing when expressing their views.



- 2. Allowing for effective participation.** During general members meeting, the chair should encourage all group members to contribute to issues being discussed.



- 3. Transparency and accountability.** In the process of handling the affairs of the group, things should be done in the open without arousing unnecessary suspicion. In addition to above, there should be a proper and justified process on the utilization of the group resources and report back to the members in the most appropriate manner in line with the set rules and policies.



4. **Seeking permission and consensus.** Before making major decision, consultation should be carried in a free and fair way and the responses of the majority should always be respected.

Empowerment of people. Guide the members to perform their duties and give them opportunities to do so without interference.

Effectiveness and efficiency. Accomplish the set task/ target within the set time at a minimum cost without compromising the quality of the result.



Strategic and visionary leadership. Leadership that looks ahead of the group and plans accordingly.

Equity (fairness to all) The Processes, policies and systems put in place should treat all members in relation to their contribution. e.g bonus to be shared according to members' contribution in terms of members' contribution to the business of the group.



5. **Knowledge and skill in leadership.** Leadership that is familiar with the business of the group and have the skills and commitment to lead the members.

Competent and committed management team. A team that is qualified and focused to achieve their targets while performing their duties.



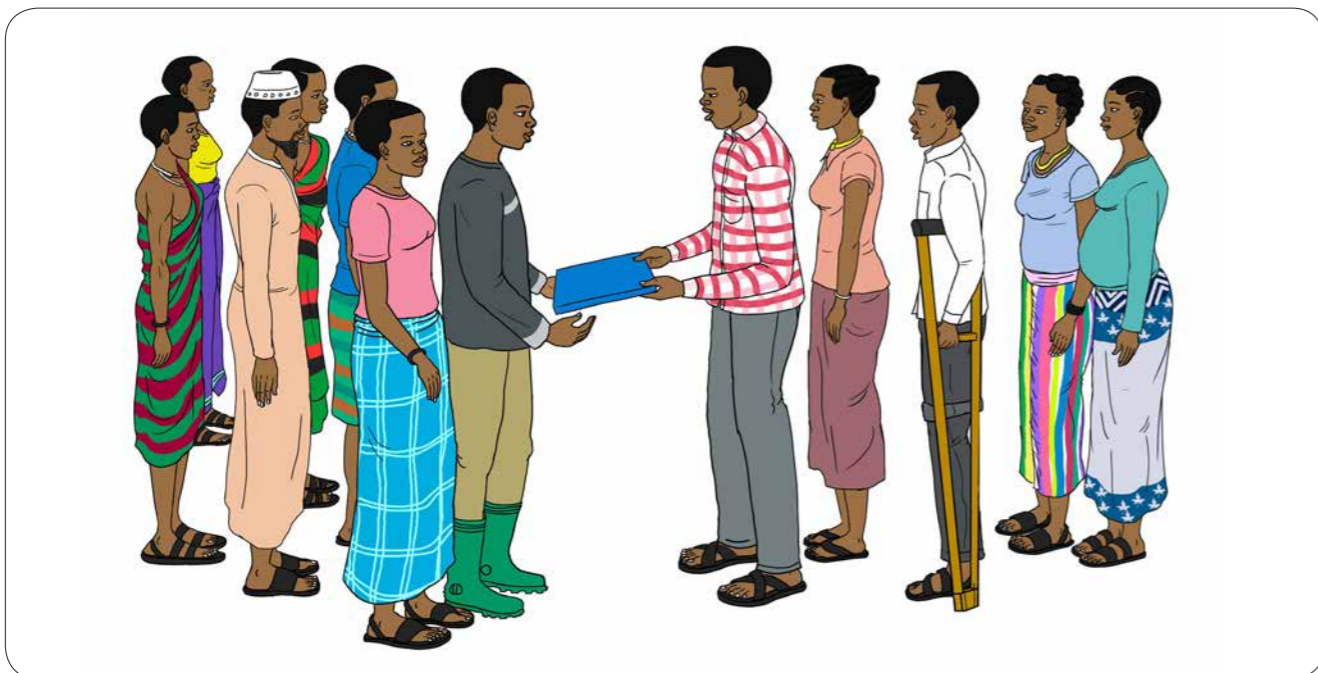
Basic Good governance practices

Below are some of the basic good governance practices

- 1. Regular, timely and independent elections.** Group members periodically choose officers to lead the group.



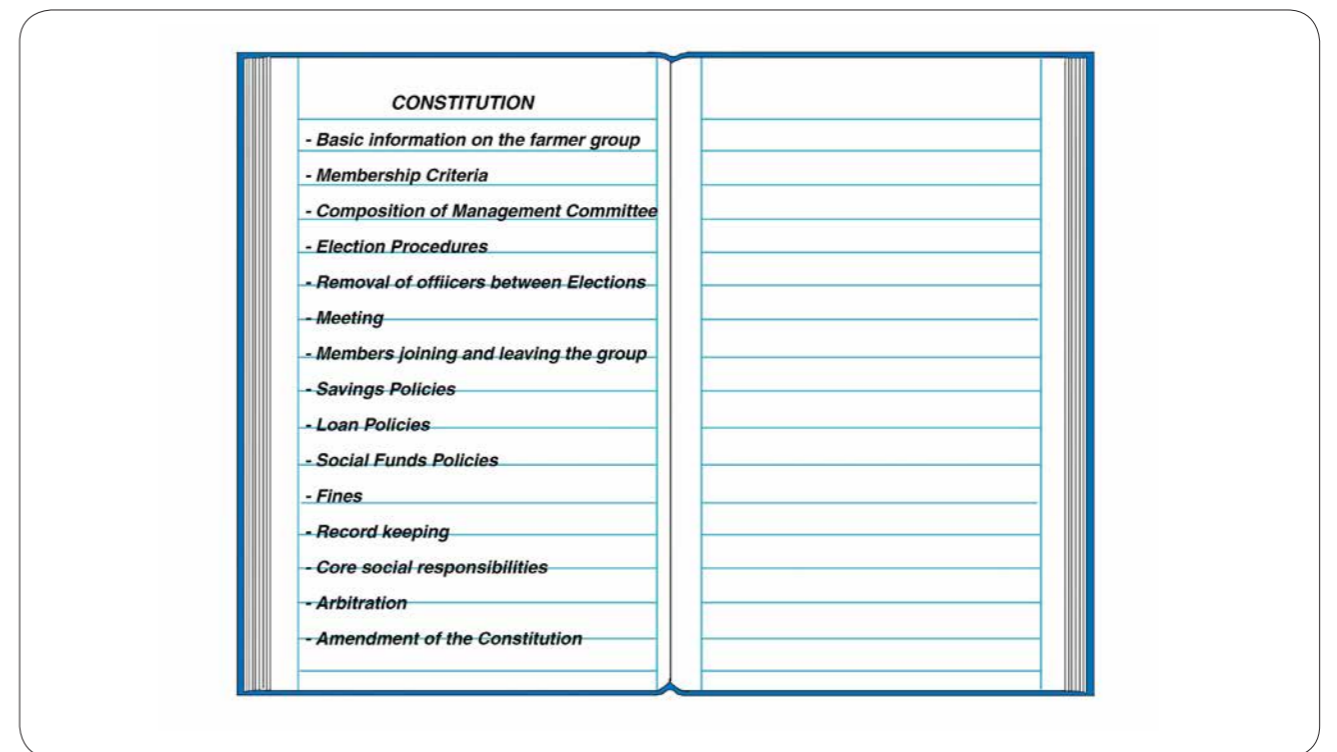
- 2. Term limits.** These restrict how long a person may serve in the same office as per the group constitution.



- 3. Transparency.** All information is open and freely available to all. For example, group meetings are open to all members, financial records may be reviewed by any member, and rules and decisions are open to discussion. When activities or decisions are transparent, it is more difficult for individuals to take advantage in their own interest.



- 4. A constitution.** The group should have a constitution that sets out its goals, functions and basic rules.



5. **Record keeping.** Good records help the group monitor its progress, review discussions and agreements, keep track of expenses and earnings and prepare financial reports.



6. **Good communication.** Good communication among group members helps them to participate in group activities and decision-making.



Activity 5.3.2

Farmer Group Leadership



Time: 40 minutes

Materials

- Four glasses half full of water
- Pebbles
- A glass of water
- Sugar
- Mud

Key messages

- Good leaders put the interest of the group before his/ her personal interest and work for the benefit of the whole group.
- The leaders are guided by the constitution of the group and are plan for growth and sustainability of the group.
- They strive to make the group better and more members are attracted to the group.

Understanding value added by leaders

STEPS

1. Line up four transparent glasses half filled with clear water. Ask four participants to fill up each of the glasses with pebbles in the first glass; water in the second glass; mud in the third glass and sugar in the fourth glass.
2. Let every participant observe the effect on the water in the glass as ingredients are added.

Generate discussion around the following questions:

- a. Which of the four glasses has improved in value?
- b. Which glass would you prefer to choose after the addition of the ingredients?
- c. Why would you prefer this particular glass?
- d. What do you think is the lesson from this activity related to leadership?

Debrief the participants based on the notes below

Facilitator's Notes

It is important to note the following:

- Leadership is a process
- Leadership involves a common goal
- Leadership is about influencing
- Leadership can be learned
- Leadership is about innovating, working with creativity

1. The above exercise, the following observation can be made:-
2. The four ingredients symbolize different leaders and their impact on the farmers' group.
3. In the first glass, just as the pebbles did not mingle with the water, the leader does not mingle with the group. He is full of himself and does everything according to his own wishes and ideas. Such a leader is a dominant leader. A dominant leader does not consult group members.
4. In the second glass, the water is lost in the water already present in the glass. The water does not bring in any substantial changes in the glass. Just as the water, which is simply lost in the glass, such leaders do nothing. They do not bring about any changes in the group. Such leaders are dummy leaders (namesake leaders).
5. In the third glass, the water becomes muddy. What is initially drinkable is now no more drinkable. Just as the mud, which spoils the water in the glass, this leader spoils the group. The leader causes a lot of problems and conflicts within the group. Such a leader is an anarchic leader.
6. In the fourth glass, the water becomes sweet due to the addition of sugar. The water changes in value by becoming sweet. The sugar has mingled with the water in the glass and has enhanced its value. Just as the sugar has added value and sweetened the water, this leader adds value to the group by mixing amicably and resulting in better group performance.

LEADERSHIP STYLES

Leaders use different styles in order to add value to their farmers' groups. Some styles are better in certain situations; others are more suited to other circumstances. Sometimes it is useful to combine styles. Here are three of the main styles.



Styles of leadership

Leaders who command/dictators. They make decisions on behalf of the group, and allow little or no discussion with group members (this can be related with a glass of water mixed with pebbles in the above illustration). This may be necessary in times of trouble, but normally it does not encourage the group to grow in confidence and skills.

Leaders who consult. These leaders encourage discussion, and then make a decision on behalf of the group (this can be related with a glass of water mixed with another glass of water in the above illustration, they mix freely do not add much value to the group).

Leaders who enable. These leaders set certain limits, but enable members to discuss and make their own decisions within these limits (this can be related with a glass of water mixed with sugar in the above illustration in which the water becomes sweeter). This is also known as participatory leadership.

Leaders who direct/ selfish interest. Does not follow policies and procedures, decides what goals are to be achieved, and directs and controls all activities without any meaningful participation by the subordinates. (this can be related with a glass of water mixed with mud in the above illustration in which the water becomes dirty and the members lose interest in the group). Such a leader has full control of the team, leaving low autonomy and destroys the group.

Participatory leadership is not appropriate for all groups or all occasions, but it is particularly important for working with communities and smallholder farmer groups.

Activity 5.3.3

Qualities of group leaders



Time: 40 minutes

Step 1

- Tell the participants that we are going to draw up some qualities of good leaders.
- Divide the participants into smaller groups of four to five members ensuring that we have an even number of groups (e.g. we have four smaller groups).
- Ask half of the smaller groups (e.g. two smaller groups) to reflect on good leadership in their respective group and generate a list of qualities that make somebody a good leader.
- Similarly, the remaining half of the smaller groups (e.g. the other two smaller groups) will reflect on bad leadership in their respective groups and list out qualities that make somebody a bad and poor leader.
- Allow the groups to present their list.
- Generate discussion on the lists around the following questions:
- Ask whether the participants find some qualities particularly challenging to uphold/practice and some particularly easy.
- Clarify if some qualities are confusing.
- Discuss how these qualities can be applied as leaders in the farmers' group
- Debrief using the facilitator's notes below.

Facilitator's Notes

Good leaders have many personal qualities. Here are some of them:

- **Exemplary character.** A leader must be honest and impartial and must earn the trust and respect of others. They trust the leader to take responsibility for the group.
- **Visionary.** Vision gives direction and builds cohesion among the group members. People trust a leader who knows where they should go and how to get there.
- **Enthusiastic.** Leaders must inspire and motivate the group members, and must convince outsiders about what they do.

- **Team player.** At the same time, leaders must be part of a team working towards the group's goal. Good leaders work well with other people, and lead by example.
- **Confident and purposeful.** People look to a leader for leadership. That means ability to make decisions, an ability to inspire confidence in others, and the talent to draw out the best efforts of the team and to get things done well.
- **Resolving conflict.** A good leader knows that only a united group can be strong and successful. He or she helps resolve disputes among members and guides their energy into positive channels.



- **Good communicator.** Leaders must be able to communicate well with the group members. They listen to what everyone says (not just to a few people), and explain themselves clearly. They encourage the building of relationships within the group and with outsiders.
- **Calm, focused and analytical.** Good leaders manage crises by staying calm and keeping the main goal in mind. They break down a task into manageable steps to make it progress easier.
- **Knowledgeable.** Good leaders do not need to be experts. Rather, they must have a good understanding of the problems that group members face, and should have ideas on what the solutions might be. They coach members and draw on other people for the specific skills needed to solve the problem.
- **Participatory.** To lead a group of farmers, a leader must make it possible for all the members to voice their ideas and contribute to the group's goals

Step 2

Ask the participants to individually, study and review the qualities listed in Column 1 and by ticking select 5 qualities that they believe members should possess to be eligible for election as leaders of the group.

Leadership Qualities

- Honest and fair
- Accepted by the members for having good judgment and business sense
- Loyal to the group
- Community leader, capable of working with people
- Successful in his/her own business operation
- No conflict of interest
- Knowledgeable about the business of the group including listening to members
- Willingness to attend regular scheduled and special meetings of the committee as well as any committee training and seminar
- Experience in the business of the Group
- Active participation in group affairs as a member
- Experience on other Committees, working with community-based organizations
- Knowledge and understanding of finance and ability to read financial statements
- Sensitive to gender equality and inclusion

Step 3

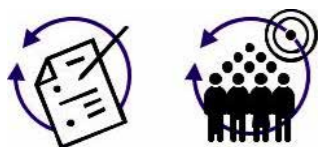
Tell the members to list other qualities not on the list above that they think are very important qualities of Committee members (10 minutes)

Step 4

Share and discuss your answers with the participants. Come to a consensus on the qualities that a prospective Committee member should meet. (10 minutes)

Activity 5.3.4

Process of electing group leaders



Time: 20 minutes

Ask if any participants have participated in election of leaders at group level. Ask 2 or 3 participants to describe the election process. Note down the points and compare it with the facilitator's note below.

Facilitator's Notes

The number of members of the committee depends on the group constitution as well as the nature and scope of operations of the group. The Committee members should encourage equality and be composed of both women and men. Election of committee members usually involves the following process:

- One member must nominate the person for the position.
- The person nominated must say he/she is willing to vie for the position.
- The Members General meeting must elect the person to the position.
- The success of a group depends, to a significant extent, on the quality of its leaders.
- It is, therefore, very important that you carefully choose the members of the Committee

Activity 5.3.5

Responsibilities of the members of the Executive Committee and sub-committees



Time: 30 minutes

We have looked at qualities of good leaders and the election process. In this sub-section, responsibilities of Executive Committee, the sub-committees and the key members of Executive committees will be discussed. Apart of the Executive Committee, a farmer group can have sub-committees which are either co-opted or appointed by the Executive committee to handle specific tasks in the group. Some of the sub-committees in the farmer groups are Audit & Supervisory, Production & Marketing, Finance and Grievance, Mobilization and Education sub-committee.

STEPS

Step 1

Divide the group in small smaller groups and ask each group to discuss and list the roles of one committee/ sub-committee.

Let each group present their answer, note down the points and compare it with the facilitator's notes below.

Facilitator's Notes

- Core Responsibilities of the Executive committee
- Oversee preservation and management of group assets
- Inform members
- Preserve the group character of the organization
- Establish group policies
- Appoint or co-opt members to different sub-committees
- Represent members
- Assess the group's performance

Responsibilities of Supervisory sub- committee

- Verify accounting records are prepared in an accurate and timely manner.
- Confirm appropriate internal controls are developed, implemented, and consistently followed in accordance with established group policies and procedures.
- Maintain confidentiality in dealing with member questions/concerns regarding group operations, reaching resolutions as appropriate
- Submit reports on the committee's activities to membership meeting.
- Monitor the activities of the Executive Committee through regular review of meeting minutes.
- Call for special meetings of the membership as needed in accordance with applicable regulations.

Responsibilities of Production & Marketing sub- committee

- Makes projection for production.
- Determines the required inputs plus its procurement
- Provides market information.
- Responsible for quality assurance
- Looks for market for members' produce.
- Responsible for storage facilities

Responsibilities of Finance sub- committee

- Provides General financial oversight in the group
- Resource mobilization (Internal and external resources)
- Financial planning and budgeting

- Financial reporting
- Banking, book-keeping and record-keeping
- Control of fixed assets and stock the group

Responsibilities of Grievance sub- committee

- Receive complaints from aggrieved parties
- Determines the time, date and place of arbitration
- Gives fair hearings to both parties.
- Settles the grievances between the concerned parties.
- May refer to higher authority in case of failure to settle the grievance.

Responsibilities of Mobilization and Education sub- committee

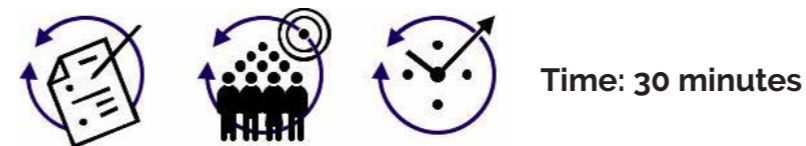
- Organizes Member mobilization and recruitment campaigns
- Identifies member training gaps and designs the training programs.
- Organizes promotions to market the organization
- Reports back to the executive committee

Step 2

Ask the participants to list other duties that they think are very important and should be considered during the preparation of the Constitution (10 minutes)

Activity 5.3.6

Key members of Executive/ Main Committee (Officers)



Depending on the group constitution, the members of the Executive committee may include a chairperson, vice chairperson, secretary, and treasurer. Each officer has specific duties as detailed in the group's bylaws.

Step 3

To develop a clear understanding of the duties of each of the core officers of the group, ask participants to answer the questions below. As each question is read, mark your answer individually and then share with the rest of the members. They should come to a consensus on the answer before moving to the next question.

1. Who performs the duties of the chairperson if the chairperson is absent or unable to perform his/her duties?
 - a. Manager
 - b. Vice Chairperson
 - c. Secretary
 - d. Treasurer

2. Who keeps the complete list of members and the records of all meetings of the Committee and the Members' General meeting?
 - a. Chairperson
 - b. Vice Chairperson
 - c. Secretary
 - d. Treasurer

3. Who pays all money transactions based on the recommendation of the Executive Committee, and certifies the correctness of the cash position of the group in all financial statements and reports submitted to the Executive Committee?
 - a. Chairperson
 - b. Vice Chairperson
 - c. Secretary
 - d. Treasurer

4. Who prepares the notice and minutes of the meetings?
 - a. Chairperson
 - b. Vice Chairperson
 - c. Secretary
 - d. Treasurer

5. Who presides at meetings and makes sure that all the rules, policies and procedures are followed?
 - a. Chairperson
 - b. Vice Chairperson
 - c. Secretary
 - d. Treasurer

6. Who has the custody of all the money and other financial documents of the group?
 - a. Chairperson
 - b. Vice Chairperson
 - c. Secretary
 - d. Treasurer

7. Who is the official custodian of the group Constitution, membership records, and other official documents?
 - a. Chairperson
 - b. Vice Chairperson
 - c. Secretary
 - d. Treasurer

Step 3

- i. Ask the members to mention the duties of the key members of Executive Committee.
- ii. Note down their answers and compare it with the facilitators' note below.

Facilitator's Notes

Duties of a chairperson

The chairperson leads, coordinates and represents the farmers' group. He or she:

- Coordinates the farmers' group's activities
- Organizes and chairs meetings and review sessions
- Encourages participation by all members in discussion, decision making and work
- Ensures that the farmers' group's constitution is followed
- Ensures that the secretary and treasurer do their jobs
- Ensures that members pay their contributions as agreed
- Delegates work and assignments
- Ensures that the work plan is followed
- Maintains harmony in the farmers' group and addresses any differences that emerge between members
- Represents the group at meetings with other stakeholders.
- Endorses release of farmers' group's assets e.g. finances, implements

Duties of the secretary

The secretary manages the farmers' group's correspondence and records. He or she:

- a. Writes the agenda and minutes, and keeps a record of attendance at meetings
- b. Maintains the list of members, the constitution, bylaws, business plan, and other important documents
- c. Reads aloud the minutes of meetings
- d. Deals with communications to and from the farmers' group
- e. Assists the chairperson.

Duties of a Treasurer

The treasurer manages the farmers' group's money. He or she:

- Safeguards and manages the farmers' group's money
- Keeps the financial records of the farmers' group
- Reports to the members about expenditures and receipts, and the balance available in cash or at the bank
- Receives money on behalf of the farmers' group, and gives receipts for the money received
- Keeps the cash book and the receipts of purchases, sales and received money
- Counts the money kept by the farmers' group in the presence of the members
- Prepare financial records as required by outside organizations, such as donors, banks or the government.

Session 5.4

IMPORTANCE AND CONTENT OF A GROUP CONSTITUTION



Time: 5 minutes

Session overview

- We have looked at the roles and responsibilities of different organs in a group.
- To perform their roles well, a group must have a constitution which should be followed by every member or organ.
- A Constitution is the basic principles and laws of a group that determine the powers and duties of the organs, certain rights to the members of the group.
- In this session, the content and importance of constitution will be discussed.



Time: 155 minutes

Session objectives

By the end of the session participants will;

- understand the key contents of a constitution for a farmers' group
- Be able to explain the importance of a Constitution
- Have a draft Constitution developed

Key messages

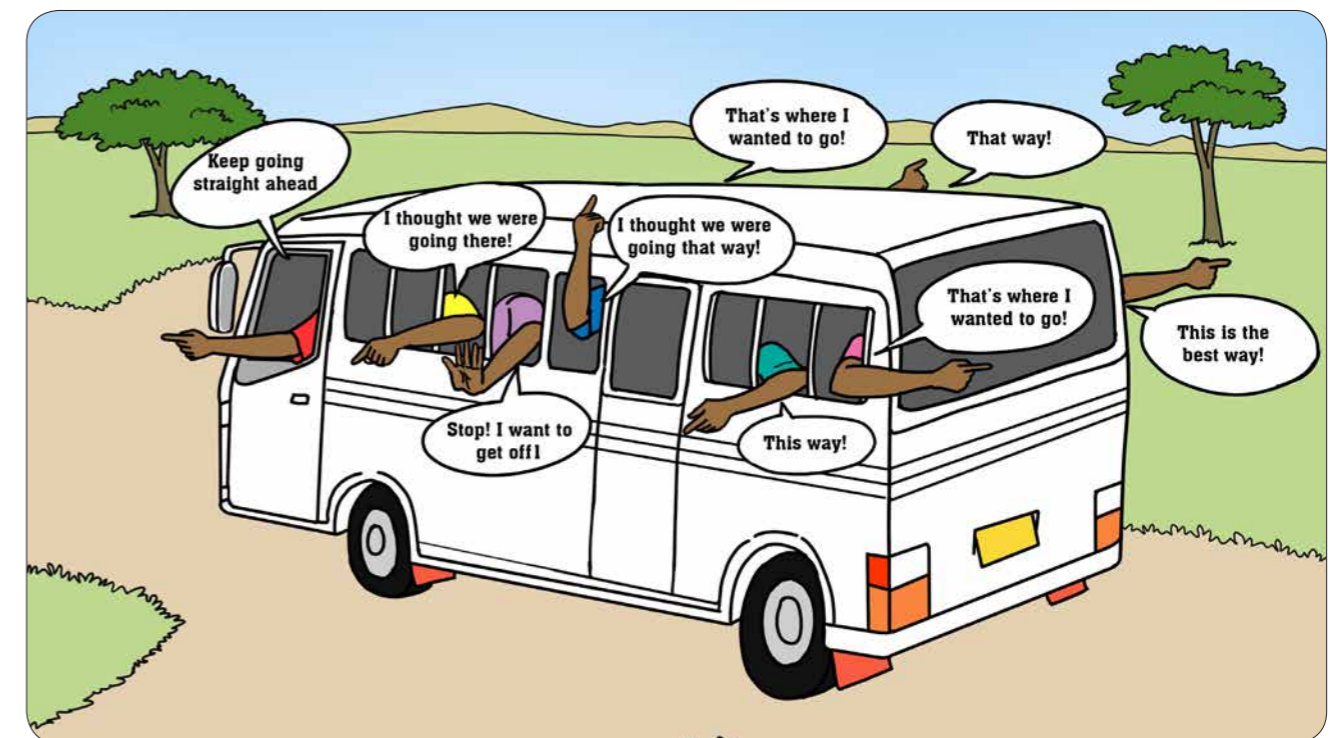
- A constitution specifying the goals, rules and regulations of the farmers' group provides overall direction to the organization
- Each farmers' group needs to have its own customized constitution approved and understood by members for smooth operations

STEPS

Activity 5.4.1

Importance and contents of a constitution (The Bus Code – 20 minutes)

Show the poster to the participants and ask them to look at it for three minutes.



Importance of a constitution

Then let them discuss the picture for five minutes focusing on what is shown in the picture and what the picture generally depicts.

Please note:

In case the participants have difficulties interpreting the poster, guide them to recognize that “Everybody in the bus wants the bus to take his/her direction which is practically impossible”

Facilitator’s Notes

Then for next 15 minutes, guide the plenary to brainstorm on the following questions;

1. Why everybody on the same bus expected it to take their own direction?
2. Do similar situations like what is happening on the bus happen in farmers' groups?
3. If yes, why do such situations happen and how do they affect the farmers' group?
4. How can we ensure that such scenarios do not happen in our farmers' groups?

Please note:

For the last question, participants should point the need for; farmers' group to lay out clear goals right from the start, rules and regulations specifying who should join and what they should expect (in terms of sense of direction, rights and obligations).

Ask in plenary

- What should a constitution contain and why?
- How is a constitution made? /How was their constitution made?
- What role(s) do (a) Group leaders (b) ordinary members play the making of the constitution?

CONSTITUTION	
- Basic information on the farmer group	
- Membership Criteria	
- Composition of Management Committee	
- Election Procedures	
- Removal of officers between Elections	
- Meeting	
- Members joining and leaving the group	
- Savings Policies	
- Loan Policies	
- Social Funds Policies	
- Fines	
- Record keeping	
- Core social responsibilities	
- Arbitration	
- Amendment of the Constitution	

Contents of a constitution

Allow participants to discuss and share their views. Summarize and harmonize the views from the participants using the facilitator's notes below.

Facilitator’s Notes

Importance of a constitution

- The constitution is necessary to:
- Provide a clear and consistent set of guidelines
- Define each member's rights and obligations to the group and to the organization
- Stipulate the benefit and use of group or organization to the members.
- It is a requirement for the organization or group to register with government or open a bank account
- For some partners to work with the farmer group or organization they need to look at the constitution first.

A constitution should be made step by step, and tailored to the particular needs of the group or organization. Groups often borrow a constitution and there are many standard formats that farmers' groups can copy. While they serve as a starting point, members must ensure that they are adapted to meet their own needs.

Contents of a constitution

- Basic Information on the farmer group
- Membership Criteria
- Composition of Management Committee
- Election Procedures
- Removal of officers between Elections
- Meetings
- Members joining and leaving the group
- Savings Policies
- Loan Policies
- Social Funds Policies
- Fines
- Record keeping
- Core social responsibilities
- Arbitration
- Amendment of the Constitution

Example of a Farmer Group Constitution

1. BASIC INFORMATION ON THE FARMER GROUP

Name of the Group

Address: is this physical/postal/telephone

.....

The Group was formed on (date the group members registered):

.....

.....

Core business of the group – Commodities and type of activities

.....

.....

The reason for the Group to exist

.....

.....

2. MEMBERSHIP CRITERIA

Lower age limit Upper age limit

Gender

Residence

Other criteria

3. COMPOSITION OF THE EXECUTIVE COMMITTEE

Chairperson

Vice chairperson

Secretary

Treasurer

Committee member

Committee member

Committee member

4. ELECTION PROCEDURES

a) The minimum number of members who must be present (Number that forms the quorum) to hold an election are:

b) Elections will be held(frequency):

c) The maximum number of consecutive terms any member can serve in any one position is:

- A member must be proposed and seconded by another member before being put forward for election.
- At least 2 members must stand for each position but in the event of a single candidate, he or she should be subjected to confirmation vote by majority members.
- The election procedure will use an appropriate method preferably secret ballot papers or raising hands to cast votes.

5. REMOVAL OF OFFICERS FROM THEIR POSITION BETWEEN ELECTIONS

Any member of the General Assembly can call for a vote of no confidence in a member of the Management Committee. The vote can be held if the minimum numbers of members, stipulated in Section 4, is present. If the vote is passed by a majority of the voting members, the member must step down from the Management Committee and another member must be elected to the same position.

6. MEETINGS

- Members must attend every meeting. Acceptable reasons for missing meetings without penalty are:
- Where a group is involved in savings, savings meetings occur every week. There should be other meetings for different purposes
- The Group shares out its assets in (month and year):

7. MEMBERS JOINING AND LEAVING THE GROUP

When a member is joining the group, he or she should meet all the requirements for membership. They include the following: -

- Residence of the area
- Pay membership fee and other financial obligations.
- Have common bond.
- Ready to abide by the group constitution.
- Should be within the age bracket.

If a member leaves the Group because they have no alternative (for example, if they marry and move away) the Group will calculate how much they must be paid using the following principle:

.....
.....

If a member leaves the Group before the end of the cycle for no good reason, except their preference to leave, the Group will calculate how much they must be paid using the following principle:

.....
.....

The reasons for which a person should be expelled from the Group are:

If a member is expelled from the Group, the Group will calculate how much they must be paid using the following principle

.....
.....

If a member dies the Group

.....
.....

8. SAVINGS POLICIES

The minimum amount that a member must save at each meeting is:

Shs

The maximum amount that can be saved at each meeting is:

Shs

When a member fails to save the following principles will apply:

.....
.....

9. LOAN FUND POLICIES

- A member can only have 1 loan at a time
- A member can only borrow after saving at least UShs
- Members can borrow up to times the amount they have saved in the cycle
- The maximum length of loan period (in months) is:
- The rate of interest will be charged every month (4 weeks is:
- When a member does not repay a loan as scheduled the following principle will apply:

.....
.....

- When a member does not repay a loan by the end of the cycle the following principles will apply:

a) Penalties

.....

b) Prosecution

.....

10. SOCIAL FUND POLICIES

- The contribution to the Social Fund at every meeting will be:
 Shs

- When a member misses a Social Fund contribution the following principle will apply:

.....

The Social Fund will be used for the following reasons, with the following pay out amounts:

Social Fund Payout	Grant Amount	Interest-Free Loan Amount

Social Fund Contributions will be suspended once the Social Fund balance reaches
 Shs

11. FINES

The following table lists the fines that will be charged for offenses committed by members.

Offense	Fine Amount
• Absence from a meeting for personal reasons (apart from acceptable reasons listed in section 6)	
• Late to meetings	
• Disrupting meetings (chatting, phone, etc.)	
• Showing disrespect to members of the General Assembly	

13. RECORD KEEPING



The following records should be kept by the group

- The constitution
- Meeting Minutes
- Financial records (savings, loans, repayments, donations)
- Meeting attendance
- Individual records (farm data)

Session 5.5

RECORD KEEPING



Time: 5 minutes

Session objectives

By the end of this session, participants will: -

- Understand the meaning of record keeping.
- Explain the different types of records in farmer groups.
- Appreciate the importance of different types of records.



Time: 30 minutes

Activity 5.5.1

Record keeping

Ask the participants to:

- Explain the meaning of record keeping
- Mention the different types of records kept by farmer groups.
- Discuss the importance of different types of records.

Ask the participants in a plenary to answer the questions above and note down the answers. Compare the answers with the Facilitator's note below.

Facilitator's Notes

Record keeping is the process of **recording** transactions and events in an accounting system. Since the principles of accounting rely on accurate and thorough **records**, **record keeping** is the foundation accounting.

Below are some of the records required by farmers' groups

Business expenses:

At a minimum you need to keep a copy of your Registration certificate, a record of the minutes from any formal meetings Business income and expenses.

Bank statements:

This is a summary of all transactions in your business bank account. Each bank statement covers a certain amount of time, typically a month. Your financial institution will send you the statement at the end of each statement period.

Payroll:

A group's payroll is the list of employees of that group that are entitled to receive monthly pay

Inventory:

This refers to goods that are in various stages of being made ready for sale, including: Finished goods (that are available to be sold such as maize flour). Raw materials (to be used to produce more finished goods such as maize grain)

Sales:

These are records of activities related to selling or the number of goods sold in a given targeted time period.

Revenue:

It is the gross income figure from which costs are subtracted to determine net income. Sales Revenue

Petty cash:

Is a small amount of funds in the form of cash used for expenditures where it is not sensible to make any disbursement by cheque, because of the inconvenience and costs of writing, signing, and then cashing the cheque

Invoices:

bill document issued by a seller to a buyer, relating to a sale transaction and indicating the products, quantities, and agreed prices for products or services the seller had provided the buyer.

Purchase orders:

An official document issued by a buyer committing to pay the seller for the sale of specific products or services to be delivered in the future. Each PO has a unique number associated with it that helps both buyer and seller track delivery and payment.

Activity 5.5.2

Importance of Record keeping



Time: 50 minutes

Ask the Participants to:

- Mention key elements that must constitute the records below (cash book, bank book, receipt and payment voucher).
- Provide samples of cash book, bank book, receipt and payment voucher and ask the participants if any of them has recorded transactions in any of the documents and whether he/she can show the rest how to do the recording.

Note down their answers and compare with Facilitator's note below.

Facilitator's Notes

- You have a legal obligation to maintain adequate records. Firstly, you have to keep adequate records by law
- Keeping records to help improve and grow your business
- Creating a knowledge base to help your employees grow and develop
- Keeping good records to help utilize your time more effectively

Cash Receipt

Receipt

R/No:

DATE

Received with thanks from

The sum of shillings

Payment for

Cash/Cheque No/Mobile Money/EFT Balance

Shs Received by
Sign

A receipt must have the following:

1. Receipt number
2. Date when payment was made
3. Name of the person/ organization that made the payment
4. Amount paid
5. Purpose of the payment
6. Balance to be paid (if any)
7. Whether the payment was made in cash, by cheque or money order
8. Name and signature of the person who received the payment

Payment Voucher

PAYMENT VOUCHER

Date:

Invoice No:

Payee:

(as supported
by the attached
documents) by:

Cash

Cheque

Transfer

Date

Month

Year

Please tick against mode of payment

S/No	Particular	Qty	Unit Price	Amount
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
			Total	

Bank Account

Cheque No.

Prepared by

Sign Date

Approved by:

Sign Date

Payment Voucher must have the following:

1. Voucher number
2. The date the payment was made
3. Name of the person/ organization that received the payment.
4. Particular/ items paid for including the unit and the total costs of the items
5. If the payment is done by cheque then it should include the Account number and cheque
6. Name and signature of the person who raised the voucher plus the date the Voucher was raised.
7. Name and signature of the person who approved the payment and the date the payment was approved.

The Cash Book

The cash book can be a simple exercise book with lines ruled on each page. The Treasurer records every time money is put into or taken out of the cash box on a new line in the cash book.

Table 1 below gives example of cash book

1. **Line 1** shows the amount that was in the cash box at the beginning of the year. This is written in the Balance column.
2. **Line 2** shows that the annual subscription fees of 10,000 from each of the 20 members that was put in the cash box. The amount paid into the cash box was 200,000/=. This figure is written in the Payments in column. The new total in the cash box is written in the Balance column. The members' names and the amounts they have paid are noted in the members' register.
3. **Line 3** shows membership fees of 5,000 from each of the 5 members that was put in the cash box. The amount paid into the cash box was 25,000/=. This figure is written in the Payments in column. The new total in the cash box is written in the Balance column. The members' names and the amounts they have paid are noted in the members' register.
4. **Line 4** shows that the group bought 100 empty sacks at 1,000/= each. The treasurer took 100,000/= out of the cash box to pay for the sacks. This amount goes in the Payments out column.
5. **Line 5** shows that the Treasurer used 5,000/= for transport to go and buy the 100 empty sacks. The Treasurer took the 5,000/= out of the cash box to pay for transport. This amount goes in the Payments out column.
6. **Line 6** shows that the treasurer deposited 500,000/= in the bank. This was taken out of the cash box, so is recorded in the Payments out column. (It will be recorded separately in the bank book as a payment in.)
7. **Lines 7** show that the group withdrew 2,000,000/= from the bank, put it in the cash box, then after 5 days, used it to buy seed and fertilizer. This figure is written in the

Payments in column. The new total in the cash box is written in the Balance column. (It will be recorded separately in the bank book as a payment out.)

8. **Line 8** shows that Mary, the group's marketing officer, went to the shop to buy fertilizers and seed from input dealer. The Treasurer took 10,000/= out of the cash box to pay for her fare.
9. **Line 9** shows that Mary, the group's marketing officer, went to the shop to buy fertilizers and seed from input dealer. The Treasurer took 2,000,000/= out of the cash box to pay for the fertilizers and the seed.

Table 1: Example of a cash book

S/N	Dates	Items	Payment out (Ug. shs)	Payment out (Ug. shs)	Balance (Ug. shs)
1	3 rd Jan 2020	Cash balance from the previous year			1,000,000
2	5 th Jan 2020	Annual subscription fee for 20 members (20 X 10,000)		200,000	1,200,000
3	6 th Jan 2020	Membership fee for new members (5 X 5,000)		25,000	1,225,000
4	8 th Jan 2020	Purchase of 100 bags (100X 1000)	100,000		1,125,000
5	8 th Jan 2020	Transport for the Treasurer to buy the bags	5,000		1,120,000
6	8 th Jan 2020	Deposit in the bank	500,000		620,000
7	20 th Jan 2020	Withdrawal from the bank		2,000,000	2,620,000
8	25 th Jan 2020	Transport to buy seed and fertilizers	10,000		2,610,000
9	25 th Jan 2020	Purchase of seed and fertilizers	2,000,000		610,000

The Bank Book

If the group has a bank account, it should have a separate book to record bank transactions. This is managed the same way as the cash book as indicated in the table below

Table 2: Example of a bank book

S/N	Dates (2020)	Items	Payment out (Ug. shs)	Payment out (Ug. shs)	Balance (Ug. shs)
1	3 rd Jan 2020	Balance from the previous year			5,000,000
2	8 th Jan 2020	Deposit in the bank		500,000	5,500,000
3	20 th Jan 2020	Withdrawn from bank for seed and fertilizer	2,000,000		3,500,000

- Line 1** shows the balance brought forward from the previous year which is 5,000,000/=.
- Line 2** shows that the treasurer deposited 500,000/= (remember, she took this out of the cash box and recorded it in the cash book).
- Line 3** shows that the group withdrew 2,000,000/= from the bank to buy seed and fertilizer.

Activity 5.5.3

How can the money of the group be stored (kept) safely?

Allow members to discuss the question, note down their answers on flip charts and use the facilitator's notes below to guide, harmonize and summarize their responses

Facilitator's Notes

The Treasurer looks after the group's money, and reports to the group on any expenditures and the current cash balance. If some money was spent, he or she must document how much was spent, and for what purpose. If the money is lent out, the Treasurer must document the amount lent, to whom it was lent, and when will it be paid back.

A Simple Accounting System

A simple accounting system consists of four things:

- A lockable cash box
- A cash book where all incoming and outgoing amounts are documented
- A bank book (if the group has opened a bank account)
- File folders to hold receipts and other documents in chronological order. The group will need one folder for the cash receipts, and another for the bank receipts and statements.

The Cash Box

The cash box is where the Treasurer keeps the group's money, a bank book or bank card, and any receipts that have not yet been filed. It must be kept locked, and the key must be kept in a safe place.

There are various ways to make sure the contents of the cash box are secure:

The Treasurer is allowed to open the box only at group meetings, in front of the other members.

- The Treasurer is allowed to open the box only in the presence of at least one other member.
- The Treasurer keeps the cash box, but someone else keeps the key. Both must be present to open the box.
- The cash box can be fitted with two or three locks, each with a separate key. Different people keep the keys, so they must all be present when the box is opened.
- The money in the cash box, and every time money is put into it or taken out of it, are recorded in the cash book.

The File Folder

When money is taken from the cash box or bank, there has to be a piece of paper to show who took it out and how it was used. This can be a receipt from a trader or a shop. Some traders and shops give receipts automatically. If not, it may be necessary to ask for one. If there is no receipt, the person who makes the purchase should write the date, item and amount on a slip of paper, and sign it.

The treasurer puts all these receipts in a file folder in chronological order. The best choice is a ring binder: punch holes in the receipts to put them in the binder, with the oldest receipts at the bottom and the newest at the top.

On each receipt, the Treasurer should write the same number as in the cash book or bank book.

- Figure 1 shows an example of a receipt
- Figure 2 shows an example of payment voucher

It is best to file the receipts straight away, as soon as they come in. If this is not possible, then the Treasurer should set aside some time to do it regularly, perhaps once a week. This job is important: do not delay it until there is a big pile of receipts to deal with.

Checking that the cash box and cash book agree

The Treasurer should check regularly (perhaps once a week) whether the amount of money in the cash box is the same as the latest balance stated in the cash book. If it is different, the Treasurer must find out why:

- Has someone forgotten to write a receipt for some money they have taken out or put into the cash box?
- Is there a mistake in the arithmetic in the cash book? (Add them up again.)
- Is there a mistake in the amounts written in the cash book? (Check the receipts to make sure the amounts are correct.)
- Is the money counted correctly? (Recount it to make sure the amount is correct.)
- Has someone taken money out of the cash box without authorization? (Who might have done this?)

Checking the Accounts

Every three months, or at the end of the year, the Treasurer must check the accounts. The receipts and amounts in the cash book and bank book should all match.

- There should be a receipt for every line in the cash book or bank book.
- The dates and amounts must match.
- The balance recorded in the cash book must match exactly the amount actually in the cash box.
- The balance in the bank book must match exactly the amount in the bank statement and the sum of the amounts of all respective receipts.

At the end of the year, the Auditors must carefully check all the receipts and balances to make sure everything is correct.

Activity 5.5.4

What are advantages of having bank account for the group? 10 Minutes

Allow members to discuss the question, note down their answers on flip charts and use the facilitator's notes below to guide, harmonize and summarize their responses

Facilitator's Notes

Advantages of having a bank account

If the group handles a lot of money, it should open a bank account. This is a good idea for several reasons:

- Money in a cash box in someone's house can be stolen. Money in the bank is safe.
- Money in the bank can earn interest.
- A bank account can be used for business transactions, such as buying inputs and selling farm produce.

- Donors can pay money into the bank account.
- The group can easily get loan from the bank where they have an account

To open a bank account, it may be necessary to register the group first with the government. If the group opens an account, at least two members (normally the treasurer and the chairperson) must sign for any withdrawals from the account.

Session 5.6

DEVELOPING A WORK PLAN



Time: 5 minutes

Session overview

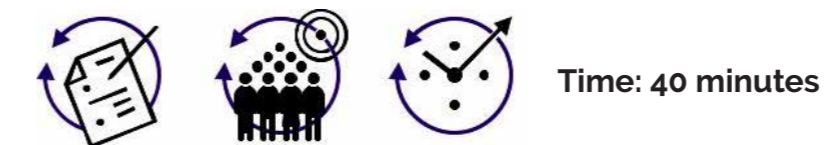
- Congratulations to all of you. You have completed all the modules.
- The remaining things to do are to complete all the preparatory work and launch your business. As a culminating activity, you will prepare your work plan.

Session objectives

By the end of this session the participants will identify the tasks that the group will implement during the quarter, when they will be done, who will do them and the resources needed. It is important that the planned tasks are reviewed at the end of every quarter to identified those that were accomplished and those that are still pending. This will help the group plan for the next quarter.

Activity 5.6.1

Preparing the work plan



Time: 40 minutes

Ask the group to complete the work plan looking at some of the tasks listed in Column 1. If you have already completed the task, move on to the next row. In column 2, indicate when you will work on this task. In column 3, write the person(s) assigned to take the lead in completing the task. Finally, in column 4, indicate the resources required (both Internal and external resources).

Step 1

- a. Tell the participants that Key tasks have been listed in Column 1.
- b. Ask them to indicate when the task will be done (Column 2) and
- c. Ask the participants to indicate who will do the tasks (Column 3)
- d. Ask them to list down the external assistance needed for each task
- e. Let them share their answers, discuss and agree on the time frame, responsible persons and the external resources required.

Tasks that have to be completed	When will you do it?	Who will do it?	External assistance you will need
1. Open membership application confirm membership			
2. Aggregate product inputs, subscribe on e-voucher and access quality inputs			
3. Update and amend or develop the constitution			
4. Conduct General Assembly and election of leaders			
5. Agenda: <ul style="list-style-type: none"> • Adopt the Constitution • Adopt the business plan • Elect the leaders • Start collection of contributions from members • Start sourcing of additional funds • Start negotiations with buyers • Start negotiation with supplier • Procurement of facilities and equipment/Set-up of facilities • Monitor members production at farmer level • Start saving and credit scheme or adopt new savings and loan products • Launching of business 			

Step 2

Tell the participants to list/ add other activities that they feel the group should implement during the same period but not included in the above work plan.

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AGRICULTURE CLUSTER DEVELOPMENT PROJECT (ACDP)

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**FARMER INSTITUTIONAL DEVELOPMENT
GUIDE**