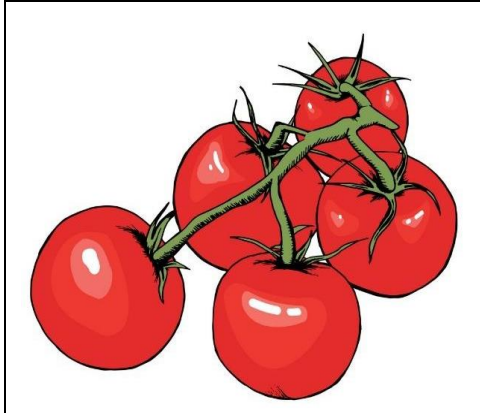




Implemented by Food and Nutrition Security, Enhanced Resilience (FANSER)



REFERENCE GUIDE FOR INTERMEDIARIES

For Managing
Smallholder Farmer
Groups and
Cooperatives to promote
Farming as a Business



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INTRODUCTION TO THE REFERENCE GUIDE

This reference guide is designed to help a community-supporting agent such as private service providers (PSP) in a rural setting to develop a farmer group into business-oriented cooperative, whose purpose to conduct business that serves its members through services and profits; and at the same time use the guide to help the members of the cooperative devise business-oriented businesses at their respective homesteads that are in harmony with the cooperative's businesses, objectives and goal. The reference guide is not an end in itself but rather a means to an end.

All entities associated with and have strong bias to development of the rural smallholder agricultural businesses' can use this guide; but especially those in the frontline, i.e. lead farmers working directly with the individual households and cooperative on the ground.

The reference guide attempts to inculcate a BUSINESS FOCUS at cooperative and household levels with the notion that in the under-resourced and individualized agricultural business environment which is eminent in the rural setting, a rural household can sustainably enhance its benefits from farming through a cooperative, whose organizational and operational strategies are re-defined and are business-oriented.

The rural household is and has been a price taker because of their vulnerability to traders because they market their produce individually. This is because individually, the household cannot negotiate prices equitably. A well-organized cooperative, will in this respect, operate to offset or minimize the impact of the under-resourced nature of the rural setting and the individualized business approach among the households. In turn, this is expected to benefit the household by availing an organized input acquisition and bulked produce marketing mechanism using a member-owned and member-invested cooperative.

The reference guide has 6 Modules which discuss the Farmer group, Cooperative and the Individual farming households. The development of cooperative and household is the main focus of the guide.

MODULE 1 - UNDERSTANDING FARMER GROUPS AND COOPERATIVES

OBJECTIVES

1. Describe Farmer groups and how they can transition to cooperatives;
2. Illustrate the Principles of cooperatives and their importance to the organisation and operations of a cooperative.
3. Describe cooperative formalization process and the basic requirements in the process.
4. Outline the Governance and Management aspects of a cooperative.

OUTPUTS

1. Have a detailed perspective of Farmer groups and Cooperatives.
2. Understand the importance of the 7 cooperative principles in the organization and operations of a cooperative; and the associated management and governance aspects.
1. Appreciate and internalize the procedure leading a farmer group to a formalize Cooperative.

1.1. INTRODUCTION TO FARMER GROUPS AND COOPERATIVES

Farmer groups and Cooperatives belong to a larger unit called 'Farmer Organisations'. In the farming sector, Farmer organisations fall in 2 main categories. They are either:

a) Community-based and resource-oriented organisations;

These are village-level associations to enhance the productivity of their livelihood activities based on resources owned i.e. LAND, WATER or ANIMALS. These associations are usually small and predominantly concerned deal with inputs and resources owned by the members. These organisations are highly diversified in terms of crops, animals and commodities that they are involved with; or

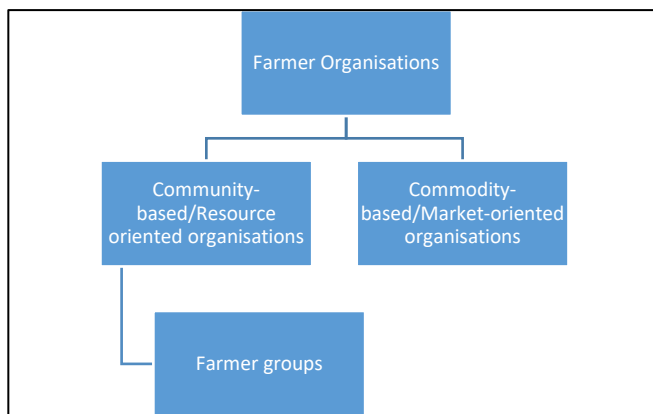
b) Commodity-based and Market oriented organisations:

These are specialised in a single commodity and usually take up value-addition to the product that they work with. They are not specific to any single community, i.e. members

can come from near and far of the geographical location of the operating premises. These are not small and have to deal with a competitive environment.

1.2. FARMER GROUPS

Farmer groups fall in category of “Community-based and resource-oriented organisations” and are usually informal, local and democratically governed. They are also independent, self-help and self-sustaining organization of farmers/entrepreneurs. These are initiated and managed by members to serve the needs of individual members as well as the group itself. The earliest forms of farmer groups were informal and seasonal self-help groups established by members to help one another in the farms in terms of labor.



Characteristics of Farmer Group

- Informal
- Small – can be less than 10 members
- Diversified
- Specific geographical boundary
- Governance is guided by members

LIMITATIONS OF FARMER GROUPS	THE BENEFITS OF FARMER GROUPS
I. Limited external support (Finance); II. Limited accountability of group resources III. Cannot operate or own a business IV. Limited group business	I. Easy to form II. Can easily focus their transition or add other responsibilities. III. Collective effort - cheaper inputs (better prices) IV. Knowledge exchange V. Information –sharing VI. Attract external support – e.g. Training, Credit, etc.

Types of Farmer Groups

There are several types of farmer groups namely; Farmer field schools, Farmer business schools, Savings and credit groups, Marketing groups, Farmer associations etc.

i. Farmer field schools

These groups help members learn about farming practices. The commodities learnt may vary from one to several depending on the group member's needs. The group may be active for one cropping season/cycle or more.

ii. (Agricultural commodity) Interest groups

These groups help members learn about farming practices in a commodity of specific interest (e.g. Tomato). Topics may range from Input acquisition, Production, Processing, Marketing etc. The groups can be active for one cropping season or for as long as the group wishes to interact.

iii. Savings and credit groups

These groups help members learn about savings and credit; and engage members in group savings which they later access as loans. The savings and credit options are agreed among members depending on the group member's needs. The group may interact for as long as they wish to continue the activities as a group.

iv. Marketing groups

These groups help members to market produce. However, because of the diverse nature of the commodities produced, especially among smallholder farmers, these marketing groups can further be organised as "Commodity-based" marketing groups. The duration of Marketing group will depend on the group member's needs to market as group, but usually it is last-lasting.

v. Farmer associations

Comprise the cooperation or association of various farmers groups. Their primary role is usually advocacy or promotion of their interests to government and other bodies. The associations have a wider geographical coverage and are long-lasting.

1.3. COOPERATIVES

Cooperative are formal or registered organisations and like farmer groups, they also fall in category of “Community-based and resource-oriented organisations”. Some important attributes of a cooperative are:

- A cooperative is owned and financed by its members, who also are its customers.
- The purpose of a cooperative is to provide services to members at the lowest possible cost and not to generate the highest possible return to investors (members).
- The cooperative is controlled by members, usually on a one-person, one-vote basis and
- The profits of a cooperative are distributed to members based on how much they use the cooperative, not on how much they’ve invested in it.

1.2.1. Characteristics of Cooperatives

- Formal and have legal obligations to meet;
- Minimum membership is 10;
- To inclined to geographical location;
- By-laws provide guidance to the governance of the cooperative.

LIMITATIONS OF A COOPERATIVE	BENEFITS OF A COOPERATIVE
I. Not obliged to an informal process of dissolution; II. Membership must always be above 10 members; III. Obligated to conditions set by the Cooperatives Act.	I. Has standardize governance procedures; II. Member’s investment protected by cooperative’s obligations in Cooperative Act; III. Can conduct commercial business; IV. Can enter into formal contracts; V. Access to external financial support;

1.4. Types of Cooperatives

Whenever a group considers forming a cooperative, it is important for the group to agree on what the primary problem is that the cooperative will solve. This will form the purpose

of the cooperative. And further, the cooperative's purpose will determine the type of cooperative to form. For example, some of the problems met by farmers may be: **“Lack of access to agricultural inputs and services”**, or **“Poor prices for produce produced and sold by farmers”**, or **“High input costs and poor market access”**. A group of farmers experiencing these challenges may decide to form a cooperative whose purpose will be to address the challenge(s) being encountered by the farmers.

The following are types of cooperatives that can be formed based on the challenges being encountered or problems that need to be solved:

1. Consumer cooperative

Consumer cooperatives are owned by the people who do business (or trade) there. For this type of cooperative, the cooperative members are main customers of (consumers to) the business. One particularly common business in this line is the retail business such as Grocery shop or agro-inputs shop. The purpose of the Consumer cooperative is to reduce prices of goods by getting rid of the middlemen that directly influence the retail prices of goods because of the added charge. These cooperatives purchase goods at the wholesale prices and sell them to the members at cheaper rates than the market because the cooperative takes a very minimal margin for the service provided. However, the goods that are sold to non-members are sold at the market rates or price.

2. Producer cooperative

Producer cooperatives are owned by people who produce the same type of goods (crops or livestock). The purpose of Producer cooperatives is to operate shared facilities for either processing (milling or pressing), or storage for later distribution (marketing) of their common farm product. This is done in order to reduce costs for the processing or marketing by avoiding extra charges if these services were conducted by another agent. These are also generally referred to as Agricultural cooperatives. These cooperatives may have some attribute of a Marketing cooperative too!

3. Marketing cooperative

The marketing cooperative are formed for the main purpose of facilitating the small producers' capacity to market their produce more competitively thereby improving their

incomes and reducing some cost of transportation and time spent for marketing. In these cooperatives, farmers voluntarily work together to achieve two main objectives,

- i. To sell the goods together at a more profitable price by eliminating middlemen; and
- ii. To make linkages to available stable and permanent buyers
- iii. Aggregate the produce of its members;
- iv. Provide marketing information to its members on general marketing of produce thus ridding misinformation which normally provided by middlemen.

The proceeds of the sale are distributed among the members according to the quality and quantity of the product delivered and bulked at the cooperative. A cooperative with a favorable liquidity (cash) status may make advance payments to the members to meet their urgent cash needs.

4. Saving and Credit Cooperative (SACCO).

The cooperative credit societies are established to facilitate or provide financial help or access to its members and other members of the community. In the communities, the SACCOs provide short-term loans for agriculture enterprises at lower interest rates than the market rates for the members to purchase of inputs like fertilizer, seeds, cattle, and sometime even for household social expenses such as school fees, etc.

A savings groups can transition to SACCOs whenever the groups is ready to do so.

5. Insurance Cooperative

The cooperative insurance societies are designed for bringing together the economic risks of members the Insurance cooperative. The cooperative may take a group insurance policy for its members from a registered Insurance company which provides that products the cooperative would like to access. The cooperative's role is to bargain, on behalf of its members, with the Insurance Company for a lower premium and a more adapted insurance product. The cooperative insurance cooperative can also be organized for issuing policies of a small amount to its members.

6. Multipurpose Cooperative

A multipurpose cooperative society is established to attain multi-purpose objectives. It can work for arranging credit, improved seeds, agricultural implements, fertilizers, sanitation, health etc. for its members. The multi-purpose Co-operative societies apart from these functions discharge the following functions:

- a) Purchase various things for their members at a reasonable price and supply them.
- b) Try to solve the disputes between members through arbitration and adjudication.

Thus multi-operative society discharge large number of functions for their members. The functions depend upon the interest and the object of the members. If the members are anxious to do more things, the multi-purpose co-operative societies can take to other function also.

It is important to remember that the roles performed by each cooperative in delivering its purpose to the members is guided by the cooperative's By-laws.

1.5. The Cooperative Principles

When these principles are strictly upheld and applied, a cooperative is expected to be a productive institution that provides services to its members; and at the same time to its community when it fulfill its purpose successfully. Some of the cooperative principles are:

1. Voluntary and open membership;

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic member control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. The members serving as elected representatives (Board members) are accountable to the membership and members have equal voting rights (one member, one vote).

3. Member economic participation;

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative.

4. Autonomy and independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, training and information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

6. Cooperation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

1.6. Formation and Formalization of Cooperatives

In Zambia, all cooperative are registered with the Registrar of Cooperatives (RoC) and is guided by the Cooperative Act of the Laws of Zambia. The following are important considerations to note:

- I) A cooperative shall have membership of 10 or more members.
- II) A cooperative shall be registered within 14 days of the adoption of its By-Laws, subject to Section 9 of the Cooperative Act and on payment of the prescribed fee.

III) An application for registration as a co-operative society shall be made to the RoC using the prescribed as follows:

- (a) **Forms** –
 - (i) digital/analog;
 - (ii) number of copies;
 - (iii) statement by the applicants;
 - (iv) security authenticated details of the applicants;
- (b) **Payment of prescribed** Registration fees;
- (c) **The capital or finance for registration** should be provided by the applicants; and
- (d) **Notice of notification of situation** of the registered office (Village, Chiefdom and District);

1.7. By-Laws and Regulations of a Cooperatives

By-Laws

By-laws are governance rules set by a cooperative. The by-laws represent documented commitment that the leadership of a cooperative must always uphold. By-laws are one of the requirements in the registration of a cooperative. The Registrar of Cooperative has outlined the required standards that must be in a cooperative's By-laws. These include the following:

- ii) An extract of the seven (7) cooperative principles (as in Item 2. above);
- iii) Objective/Purpose of the Cooperative;
- iv) Membership - Issues to do with membership;
- v) Organizational set-up – Leadership and Management;
- vi) Conduct of meetings – Annual General Meetings (AGM), Quarterly meetings and extra-ordinary meetings, etc.;
- vii) Constitution of the board of directors and related matters;
- viii) General regulations for transacting the business of cooperatives.

Regulations

Regulations are another set of rules made by a cooperative to reinforce the By-Laws by adapting or customizing them to local conditions. These may include aspects of

Discipline, In-kind payments for fees or charges, Internal audit, Authorization procedures for payment, etc.

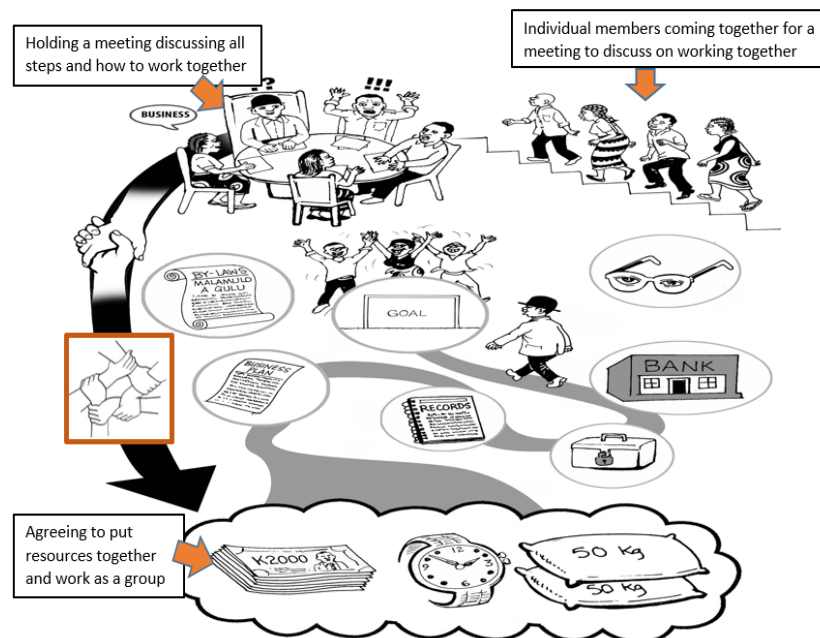
Also, depending on the nature of the cooperative's commercial business, the Regulations will capture important aspects or features for conducting the commercial business. This may include issues of responsibility for management and supervision of staff, marketing of commodities, etc.

The Regulations must be adopted by the Board and presented to the AGM for ratification.

1.8. Steps to Transform Unregistered Farmer Group to Cooperative or Registered Group

Group development stages are growth phases of a group with distinctive characteristics at each stage important for a facilitator to internalize. Understanding these characteristics helps a facilitator to identify the groups' development stages which further helps to devise and plan appropriate interventions for a group depending on the stage of development.

The picture below depicts the transformation of a FG into a cooperative.



Step 1:

Facilitate the 1st meeting to meet the FG (with the presence of at least 80% of the members) **to discuss the requirements for cooperative registration.**

In the introduction, explain a co-operative is a form of business, i.e. there are intended benefits from it, and as such it is very important for the group to come up with a type of business and cost it. Thereafter the members should determine the value of shares of the cooperative.

At this meeting set the AGENDA as follows (at least)–

- i. Select/Identify 10 or more members for the registration;
- ii. Discuss the details of the registration and agree whether to continue or not;
- iii. Agree that the Minutes of the meeting shall be the official statement for the registration process;
- iv. Work out cost of the registration process;
- v. Develop Action plan up to collection of Registration documents cooperative.

Step 2:

FG must identify members (at least 10) that should independently give consent to be presented in the registration of the cooperative. The members must be:

- i. Holders valid National Registration Cards (NRC); and
- ii. Must be free of any criminal conviction.

Step 3:

FG should together study the details of the registration and

1. identify interim office bearers and apportion each with roles to play in the registration process;
2. Identify documents and confirm the registration fees required as follows:

In the old “analog” and the current digital system, the certification of a cooperative requires the following:

- a. BY-LAWS - (4 COPIES) - Copies of the By-Laws – nonspecific copies of By-Laws are available at the Cooperative Inspectors office;
- b. MINUTES - (4 COPIES) - Farmer group (Members group) meeting minutes that authorized the registration process to commence.

- c. DULY COMPLETED APPLICATION FORM – (4 COPIES) - a duly completed application form obtained from the Cooperatives Inspector in the district the Ministry of Small and Medium Enterprises (MSME)
- d. NATIONAL REGISTRATION CARD (NRC) – (4 COPIES) – of each of the FRONT and BACK of the National Registration Card (NRC) of each member of the 10 Executive Committee members - i.e. (Total – 80 copies) – these copies must be attested by the Ministry of Home Affairs (Police).
- e. LIST OF FULLY PAID-UP MEMBER'S NAMES– (4 COPIES) - of a list of paid- with their NRC numbers, village, and signature.
- f. LETTER OF RECOMMENDATION – from the local Agricultural Camp Officer (CEO) or Block Supervisor (BEO) within the Chiefdom.

Establish the current requirements for registration of cooperatives, otherwise confirm the soft copies of the listed documents listed above to be uploaded to the MSME local office website using the MSME local office email address or at a locally approved Business centre or agent. Work out a time a timeline of the registration as in Step 4 below;

Step 4:

- i. Identify the activities of the registration process;
- ii. Calculate the cost of each activity (e.g. photocopying and other business centre costs) in order to be fully undertaken; and
- iii. Work out the full cost of the registration process.

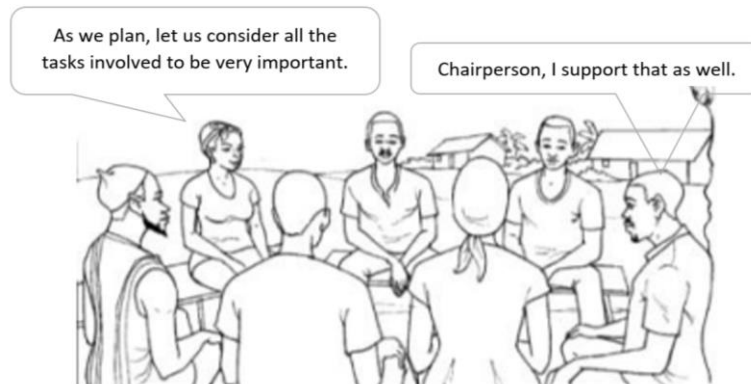
Step 5:

The FG calculates the full cost of the registration process, which include the registration fees and the logistical costs of the process (e.g. travel expenses).

Step 6:

FG Develops an Action Plan (see attached example)

The FG should develop a detailed COOPERATIVE REGISTRATION ACTION PLAN – up to collection of cooperative registration documents



Step 7:

Facilitate the 2nd meeting with the FG (with the presence of at least 80% of the members):

AGENDA:

- i. Review the resolutions and Action plan of 1st meeting
 - a. Meeting reviews minutes and resolutions of last meeting and
 - b. Agree on any amendments;
- ii. Report the performance of the last Action plan and note the short-falls for later actions;
- iii. Follow up actions that were set;
- iv. Set date for registration with the district office

Step 8

Upon registration of cooperative, the cooperative should immediately engage in pursuing the cooperative's PURPOSE!

1.2.1. Governance and Management in a Cooperative

Some key practices of good Governance are:

1. It is participatory - every member must be heard or contribute or take part;
2. Consensus-oriented - complete agreement or acting together;
3. Accountable - liability or responsible to account (explain) for actions taken;
4. Transparent – ability to be checked, free of deceit (dishonesty) and easily understood;
5. Responsive - quickly reacting or replying to cooperative demands;
6. Effective and efficient – capable of giving results timely with optimal use of resources;
7. Fair and inclusive – without favoritism and allowing much or all to the required limit; and

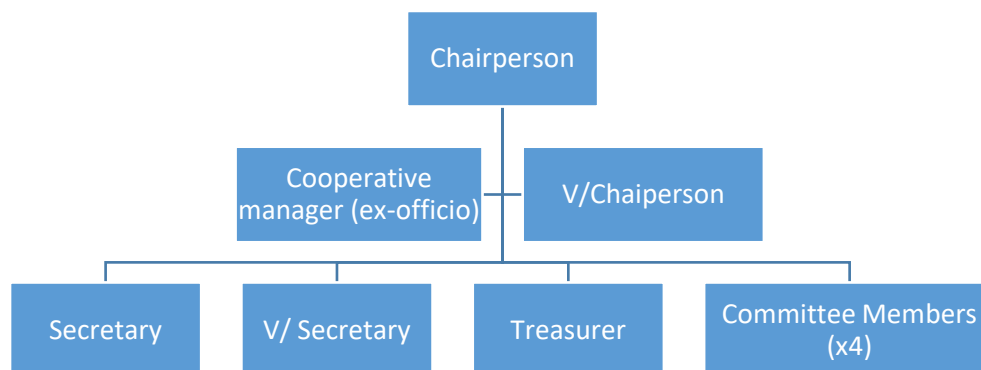
8. Follows the rule of law – obeys the laid down laws, rules or regulations.

In the cooperative the main function of a governance operating model is to organize procedures for:

1. **Operations** - a process or manner of functioning or doing things;
2. **Finance** - the management of money, credit, banking and investments;
3. **Risk management** – determining and developing strategies for managing threats to the cooperative; and
4. **Reporting** – making known to authorities through giving an account or representation in words;

Upon having the procedures in place, it enables the Board to receive the information it needs to put good governance into practice. This way the business units are able to conduct their work in compliance with regulations toward the strategic goals. In short, governance provides guidelines for management because the decisions made (or procedures set) by the leadership under their governance roles, provides the guidelines for Management.

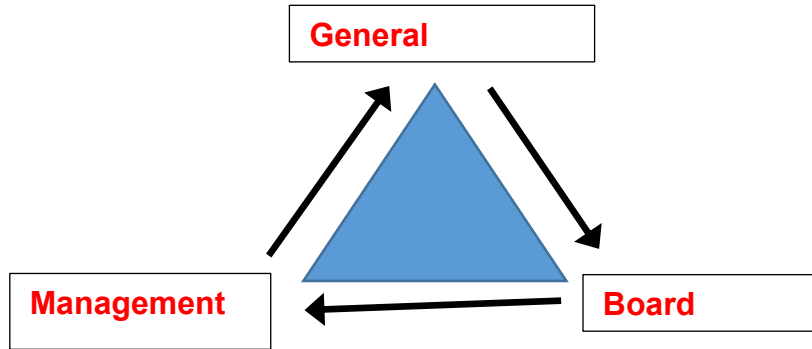
a. The Cooperative Leadership (Board) Structure



Cooperative management is discussed in Module 4 of this Reference Guide.

The chairperson is part of the Board. The co-operative has what is called the Internal Structure comprising only three (3) levels i.e. 1.General members, 2.Management (Headed by Manager) and 3.Board of Directors (Headed by the Chairperson)

This is famously referred to as the Co-operative Triangle, and it specifies the respective roles



The General membership (owners of the coop) elect Board members, Board members appoints &supervises Management and then Managements serves the members' interests.

MODULE 2 - IDENTIFYING BUSINESS OPPORTUNITIES, BUSINESS IDEA SELECTION AND GOAL-SETTING FOR COOPERATIVES

OBJECTIVES

1. Describe Business and its concepts;

Outline and elements involved in identifying business opportunities;

2. Discuss and outline vision, business idea selection and goal-setting;

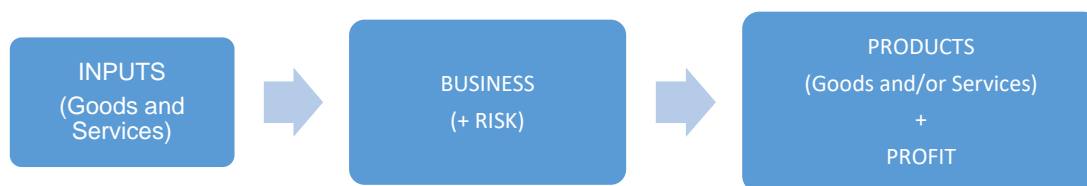
OUTPUTS

2. Enhanced understanding of business;
3. Enhanced skills to identify business opportunities, envision, select business idea; and set goals.

2.1. BUSINESS

A business is an activity or activities done in order to get a profit. Business can be done by a person or an organisation such as a cooperative or company.

The role of a business is to produce and use both goods and services. These products can be agricultural crops/livestock; and can use inputs such as Agricultural inputs, extension services, mobile phone services.



Business Success Factors

Successful businesses have been noted for engaging and allowing certain elements or factors to be active or involved in those businesses. These are commonly referred to as Business success factors. The list below outlines these factors:

1. Vision and objectives setting
2. Business idea generation and enterprise selection
3. Planning
4. Record keeping
5. Technology (appropriate)
6. Linkages (functional);
7. Performance monitoring – bench-marking;
8. Technical and entrepreneurship skills;
9. Business performance assessment;
10. Risk management;
11. Synergies among business enterprises;
12. Business attitude vis-à-vis poverty trap

These factors are all important for business success, however, this Module in particular, and the RG in general has prioritize these factors with respect to the extent of the issues existing.

2.2. Business Idea Vs Business Opportunity

A business idea and business opportunity are not the same. A business idea is an awareness conceived from either from mere imagination or from observation of things in the environment. Therefore, a business idea is in the mind and it is either good or bad, and could either or neither be here or there. There will be real or no real or tangible things to associate to the business idea with. It is usually abstract in nature.

In contrast, though a business opportunity is more succinct (clearer) because the awareness of the business opportunity is conceived from observing real or tangible things around the environment and may be linked to what has been done before. Therefore, business opportunities are often a matter of observation (and are “either here or there”) and they are real because they are based on things that are seen or visible and could be happening elsewhere.

Therefore, when indulging into selecting a business be sure to know whether it is an IDEA or OPPORTUNITY! If it is a business idea you may require more analysis and take up more risks, whilst for a business opportunity you already have a basis to start from and probably the opportunity to engage the lessons already leant.

2.3. Understanding and Identifying Cooperative Business Opportunities in Agriculture Value Chains

Agriculture Value Chain (AVC)

An Agricultural value chain is the integrated range of goods and services (value chain) necessary for an agricultural product to move from the producer to the final consumer¹. This involves both crop and livestock products and services.

Can a Cooperative Conduct Business in Value Chain?

A cooperative can conduct business in a value chain. This can be done by performing the role of an intermediary between the producers (farmers/members) and other value chain actors such as processors (millers). The cooperative can also be a producer, a processor or a wholesaler or retailer. The intermediary role of a cooperative as VC actor can be conducted as a business and generate profit for the performing the bulking, packaging and marketing roles.

1. Input Linkages to suppliers and Outgrower scheme – seeds, inoculant - (agro-shop)→

Outgrowing of various crops among its members another possible business for a cooperative that is still in the process of growing its capital base. This involves providing inputs for a specific crop (could on a concession with an input supply company); supervising production, buying-off the crop and marketing it to other VC actors. This business will provide various services such as inputs source, technical service and market service to the members

2. Market Linkages to Buyers - bulking, payment (trading) →

Marketing is a possible business opportunity for a cooperative. Bulking and selling off cooperative member's products both crops and livestock. The marketing service will benefit the members by delegating the role of finding a market and negotiating prices for the produce to the cooperative.

3. Processing - soya chunks, peanut butter, sunflower cooking oil

A cooperative can operate a processing business by buying off groundnuts/soy beans/Sunflower from its members and processing into oil. However, the simplest and most common is using sunflower seed to process for oil. Other processing businesses can be Peanut butter processing or processing dried vegetables. Processing will provide a market to members for their produce (crops) that will be processed. Hence, a Peanut butter production business or Soybean chunk production business are commodity-based value chains (i.e. Groundnuts and Soya beans).

4. Transportation – purchase of vehicle for hiring, contract with aggregators.

A cooperative can invest in a transport business e.g. motorized vehicles which it can hire out to members and other customers.

Today, in Zambia, there are several businesses that are managing several operations within a single value chain. E.g. Zambeef and Buya Bamba.

MODULE 3 - BENEFITS FOR INDIVIDUAL FARMING BUSINESS AMONG COOPERATIVE MEMBERS

OBJECTIVES

1. Discuss the relevance of food security and income among cooperative members;
2. Describe the importance of Farming as a business (FAAB) at household level with respect to enhancing food security and increasing income by:
3. Establish the relationship between household businesses and businesses conducted by the cooperative to which they belong.
4. Describe the Roles in the cooperative's business

OUTPUTS

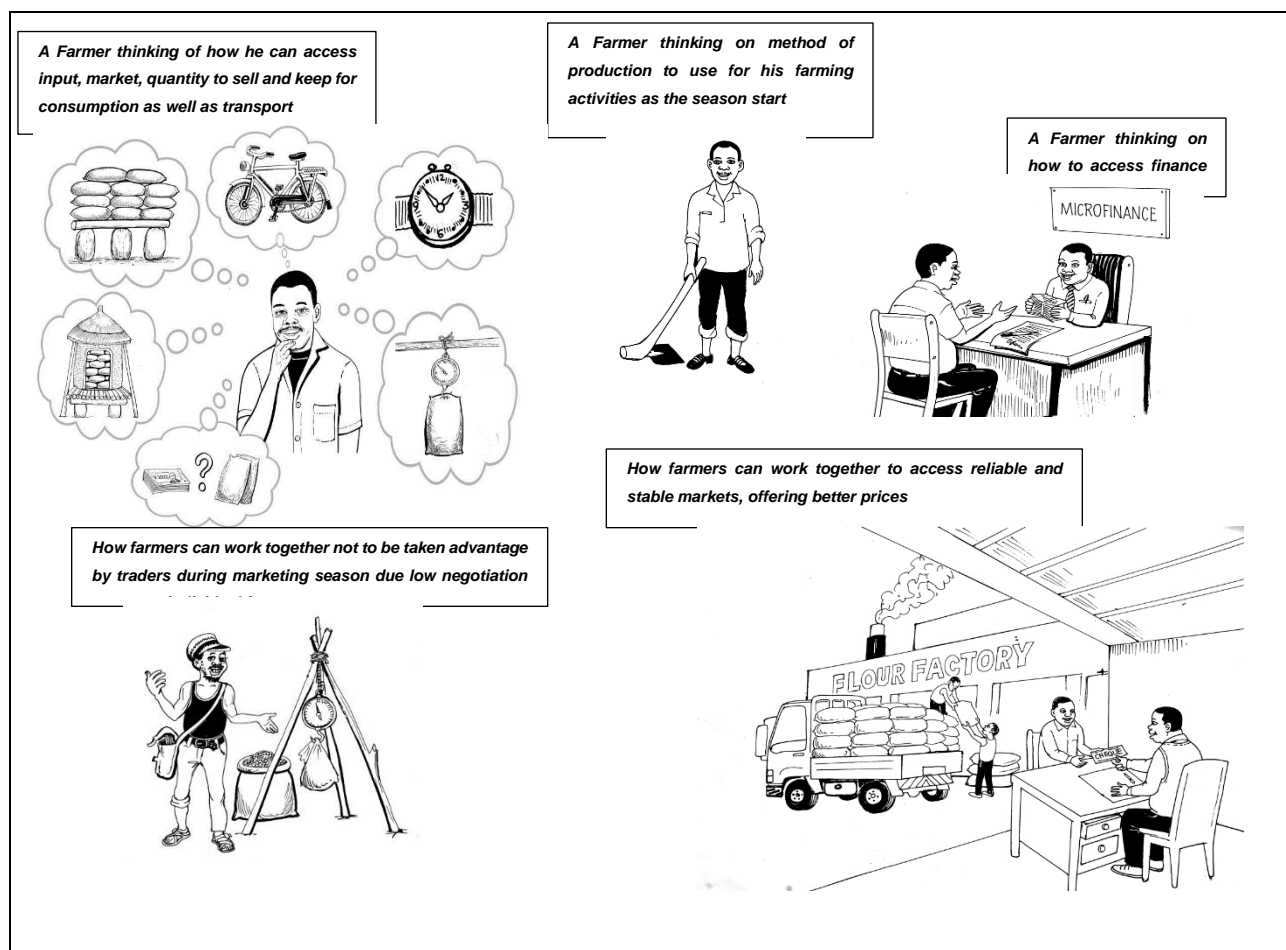
1. Perspective of cooperative members to farming as a business enhanced;
2. Skills to identify business opportunities, Vision-set, set goals and planning among cooperative members improved;
3. Ability to develop and maintain farm records and farm budgets among households improved.
4. Ability to facilitate farm budget with household improved.
5. Importance of roles in a cooperative business understood.

3.1. Why join a cooperatives?

Commonly, households living in a specific geographical locality constitute a community; and a community may have more than one cooperative depending on the purpose which they are formed. Several households or members of households may opt to join or form a cooperative as a means to meet certain household-based needs associated with their livelihoods. The most common and almost a universal reason for the decision to join a cooperative **is to optimize on their livelihood income** with an understanding that as members, it will provide relief on their access to goods and services.

At the core of all this effort to join a cooperative, a household's aim to meet certain desired aspirations through effective and efficient means of livelihoods. The cooperative,

therefore, is one of the means that a household utilizes to improve its efficiency and effectiveness in its livelihoods.



3.2. Food Security and Nutritional Status

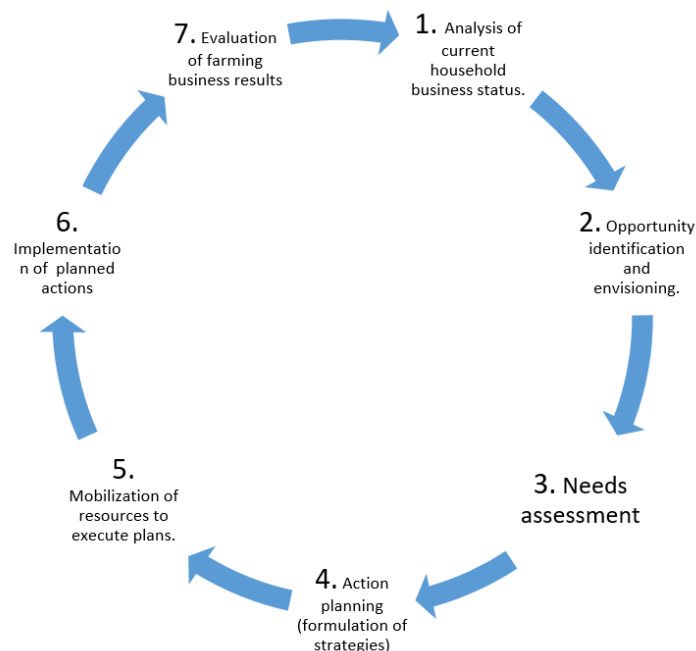
The state of having reliable access to a sufficient quantity of affordable, nutritious food, or **food and nutritional security** is a basic need and requirement for all households. Rural households can attain this state with effective, efficient and sustainable means in their livelihoods. Food that a household cannot produce efficiently can be bought from income raised from farm products that it produces abundantly and efficiently. In order to do this they have to increase production, improve their productivity and from the 'excess' produce raise income from the sales.

3.3. Farming as a Business

Farming is the most common livelihood among rural households and increasing income sustainably from this livelihood is possible.

Business always aims for profit, therefore, a business perspective or approach to a farming-based livelihood is one way that provides an effective and efficient means for a household to generate income that it can use to meet its desired household needs and aspirations. Therefore, for any rural household whose livelihood is farming-based, analyzing its potential to take up farming as a business is a possible engagement option.

Analyzing and engaging a household to take up farming as a business involves at least 7 steps. These steps aim to improve their business skills, operations and increase incomes of household. The figure below attempts to outline the process:



3.4. Assessing Household Farming Business Status

The assessment of cooperative member's household's business status is an important exercise that provides latitude for assessing the extent required to engage the household into business. This exercise precedes other subsequent and is conducted with household.

- i. Analyze the common type of farming activities by individual household's -
 - a) Farming system – establish the farming system employ e.g. hand-tools based; or semi-mechanized i.e. mix of hand tools and machinery; or it fully mechanized.

- b) Area cultivated – is it below 5 ha for cereals; is less than 1 ha for oil and legumes; or 5 ha for cereals and above 1 ha for oil and legume crops.
- c) Market orientation -
 - ii. Assess their use or application of production technology.
 - iii. Assess the extent of value addition/level of processing at the farm.
 - iv. Review their business practices (i.e. - record-keeping, gross and breakeven margins, physical and financial planning).
 - v. Capitalization or assess extent of investment in the farming business.
 - vi. Establish their engagements or participation in farming/rural enterprise groups.
 - vii. Establish their Input-output linkages with value chain actors.
 - viii. Establish the extent of use or access of support services – e.g. extension services.

Upon the household understanding of its farming business status, it is then further engaged in identifying opportunities for improving its farming as in; setting or re-setting their vision, assessing the 'needs' (gaps, requirements, desires) to deliver the vision; formulating strategies to 'fill' the gaps in order 'meet' the requirements in order to deliver the vision.

3.5. Resource Mobilization - Benefits of Input and Market Linkages for Cooperative Members to promote Farming as a Business

Resource mobilization is an integral part of an action plan. The objective of the resource mobilization (RM) is to ensure that the support and networking are sufficient to source all the logistics necessary to implement the action plan.

The objective of any business is to produce goods and services; and generate maximum profit sustainably. This done by using the inputs (goods and services) efficiently and effectively; and satisfying the customers' needs and wants from the products produced (goods and services) profitably. There are many benefits of doing business together as a group/cooperative







1. Exercise on the benefits of having Group Purchase of Inputs

Group purchase of inputs can help to negotiate lower prices as larger quantities are bought.

As an example we assume that inputs can be purchased 10% less expensive through purchase as a group.

Let us see how much the benefit is for one group member, if all required inputs for different crops or livestock are purchased as a group at lower price.







Exercise 1 – Calculation of benefit from group purchase of inputs

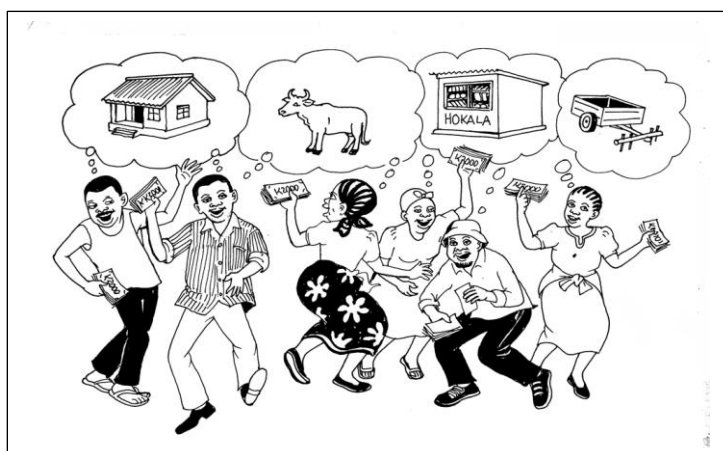
	Soyabeans		Maize		Village Chicken	
	Individual input purchase 	Group input purchase (less 10%) 	Individual input purchase 	Group input purchase (less 10%) 	Individual input purchase 	Group input purchase (less 10%) 
Cost of Inputs	K1,000	- K900	K2,000	- K1,800	K4,000	- K3,600
Benefit Group Purchase	= K100		= K???		= K???	
Total Benefit from the Group Purchases	ZMW			???		



Exercise 2 – Exercise on the benefits of having Group Sale of Products

Selling products as a group can also be called Collective Marketing. Let us calculate the economic benefit obtained through group sales with better prices

	Soyabeans		Maize		Village Chicken	
	Individual Sale 	Group Sale 	Individual Sale 	Group Sale 	Individual Sale 	Group Sale 
Production	1,000kgs	1,000kgs	1,500kgs	1,500kgs	10 Chickens	10 Chickens
Price	5.00	7.0	3.0	4.0	50	80
	5,000	7,000	4,500	6,000	5,000	8,000
3. Benefit from Group Sales/Kg		2,000		????		????
Total Benefit from the Group Sale			K			



3.6. Evaluation of Household Farming Business - Money In – Money Out (refer to FBS notebook)

In order make this analysis, a farmer must have information on the commodity prices (for Inputs and for Produce) and have:

1. Purchase Records

This is for inputs bought and paid for (Seeds, fertilizer and Labour)

2. Production records

This record is for Inputs used (volume) and paid for; and quantity of produce produced;

3. Sales Records

This record for all produce sold and the amount realized; and

4. Food record

This is a record for the produce reserved for food, it documents the quantity and value.

MODULE 4- COOPERATIVE MANAGEMNET

OBJECTIVES

1. Describe to how identify cooperative business needs;
2. Discuss management and the cooperative management structure - roles and responsibilities;
3. Discuss record management, its importance and types of cooperative records;
4. Describe standard cooperative operating model.

OUTPUTS

1. Understanding of cooperative business need improved;
2. Ability to identify cooperative business enhanced;
3. Basic management roles and obligations in a cooperative defined;

Cooperatives are diverse in nature hence there is no single operating or managing system that fits all. However, there are minimum standards that must be fulfilled in order to carry out the obligations that are assigned to the leadership and the management of the cooperative by the members of the cooperative.

The AGM (Annual General Meeting), the supreme body of the cooperative, elects the cooperative's Leadership, or the Board. In turn the Board recruits and oversees the Management the cooperative's business.

4.1. DEVELOPING A COOPERATIVE BUSINESS PLAN

4.1.1. A BUSINESS PLAN

A business plan is a written document. It outlines the mission, vision, goals, and objectives, strategies for execution, tactics and metrics for the key functional areas of a business. A Business plan is a road map for a business and includes management, finance, and production, marketing, and risk management.

The level of detail that a business plan contains will vary depending on the scope of the business and the purpose for which the plan is being prepared. It is common that a

business plan is documented for the purpose of accessing capital (FUNDING) as a loan for start-up or expansion of a business.

The Business Plan provides the cooperative with:

A way to evaluate the feasibility of a proposed venture.

1. The process used helps to reveal previously unconsidered opportunities or limitations.
2. To latitude to customize the plan depending on the target audience – such as investors, creditors, board of directors, family members, or others.

4.1.2. Background (History) and description of the business;

The history and general description of the business is simply a current record of what the business is about, i.e. its structure and why this structure is important to current success. This section may include a list of Partners and Key employees by name and their background qualifications. It will also state the reasons for starting the business or for any major changes that have occurred, and a general description of the industry and its economic status. For an existing business, a discussion of products and past success (or failure) should be included to provide a track record for the potential reader of the BP.

1. Vision and Core Values

The vision as discussed in Module 2 and the BP it is included here. The vision will usually touch everyone in the business including employees, investors, lenders, customers and the community.

The vision ties in with the Core values, which are expressed in the cooperative's By-Laws. The core values provide an example of how people are expected to act and turn express the character of the cooperative.

2. Mission Statement

A mission statement describes why the business exists (i.e. what is the cooperative's business mission?).

This description should be brief and general enough to be flexible, but rigid enough to give the business a strategic direction.

A mission statement may encompass the business, the cooperative members, and/or cooperative's goals. Like the entire strategic business plan, the development of the mission statement should include input from all levels stakeholders, inside and outside the cooperative, not just management.

The mission statement should be visible; that is, every person involved in the business, not just the cooperative leadership or management staff, should know and easily grasp the concepts contained in it.

An example of a cooperative's mission statements could be:

“To inspire our community and beyond, because in togetherness there is prosperity”

3. Goals and Objectives of the Business Plan;

Goals and objectives translate the mission into real, tangible terms. Refer to Module 2 under “Setting Business Objectives”.

4.2. Financial Strategy/Plan

The financial plan determines whether the marketing and operational goals of the business plan are feasible within different sets of financial sensitivity (see Sensitivity analysis below) scenarios. Therefore, the cooperative must understand its strengths and weaknesses, as in Module 2, as well as any financial risks that may adversely impact success if an unfavorable events occurs. For example, scenarios could include a 10 percent drop in revenue, a 10 percent increase in costs, or an interest rate increase of 2 percent.

The financial plan should include:

- i. Initial financing requirements;
- ii. Historical and projected financial statements;
- iii. And break-even analysis

Lenders and/or investors will generally look for answers to these basic questions:

- i. How much money is needed?
- ii. How long will the money be needed?
- iii. What rate of return can be expected?

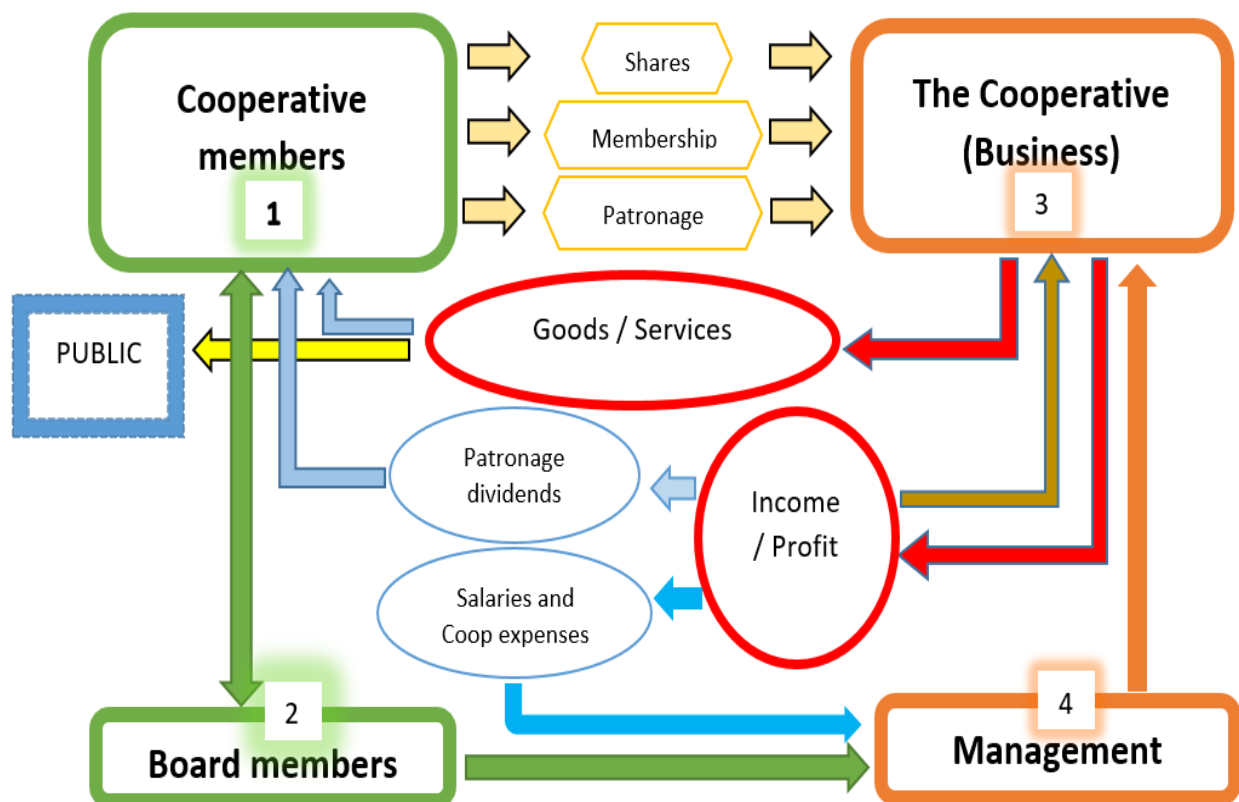
- iv. How will borrowed funds be repaid?
- v. What are the risks? (See Item 5.2 below)

4.3. THE COOPERATIVE'S MANAGEMENT

Management is a set of principles relating to the functions of planning, organizing, directing and controlling. These principles facilitate the efficient and effective use resources to achieve organizational goals and comprise physical, financial, human and informational resources.

A general format of a cooperative's operating model is shown in the figure below. This model aims to attempt to depict how a cooperative operates in order to deliver value to its members (customers) or beneficiaries.

A COOPERATIVE OPERATING MODEL



How do we explain this figure?

1. Cooperative members:
 - a. Invest in the cooperative (business) through purchase of shares;
 - b. Pay for membership to the cooperative regularly; and
 - c. Patronize the cooperative.
2. The Board members are elected by the members to represent them;
 - a. Facilitates the recruit, on behalf of the cooperative, the management staff of the cooperative's business;
 - b. Hold board meetings (mainly quarterly) to discuss matters pertaining to the cooperative's governance and business; and
 - c. Report to the Cooperative members on all matters of the cooperative to the Annual General Meeting (AGM) of the cooperative;
3. The cooperative (and its commercial business) has 2 main outputs:
 - a. Goods and services - these are products accessed by the members as first priority, for purchase and their use; and secondly to the general public for the same purpose. Depending on the cooperative's By-Laws, the Goods and Services to the members can delivered at a reduced price or rate.
 - b. Income and Profit – these have 3 purposes:
 - i. To pay patronage dividends to the members of the cooperative;
 - ii. Pay salaries for management and for expenses of the cooperative; and
 - iii. Re-invest in the cooperative business.
4. The Management,
 - a. Is employed by cooperative, through the Board;
 - b. Manages the cooperative business on behalf of the Board; and
 - c. Reports to Board, through the Manager;

This cooperative operating model only represents a general format or concept of a cooperative's operational mechanisms which has a commercial business perspective; and also captures some salient aspects of such a cooperative. Details about these operational mechanisms will differ depending the nature and the purpose for which the cooperative is formed.

Remember, the primary aim of a member joining a cooperative is to get BENEFITS from the cooperative, through the SUPPORT provided to it by the member.

5.1. Record Management

Records Management refers to the planning, budgeting, organizing, directing, training, and control involved in managing the series of stage of records in an organization.

Records have a series or sequence in which they are kept and 'move' in organized stages or steps.

Records are created and maintained for 2 main purposes;

- i. As management tools for the cooperative organisation and management; and
- ii. To fulfill legal requirements;

Documents like **Audit reports**, **AGM minutes** and **Quarterly meeting** minutes are some of the records that are a legal obligation to maintain. Other records are mainly for management purposes. They reinforce transparency and accountability; as well as ensure efficiency and effectiveness of the cooperative's operations.



Why and what is the importance of record keeping?

i. Management Tool

- a. Records allow cooperatives to measure how efficiently they are using resources and determine whether or not the cooperative is making a profit from business activities.
- b. Records helps in making decisions.

ii. Transparency and accountability

- a. A cooperative is formed by many members and only a few are involved in day-to-day running of the cooperative business. Therefore, maintaining financial records makes it possible for management to report to the general membership. This is important for transparency and accountability of the operations conducted by the cooperative.

iii. Tax purposes

- a. Good records simplify tax reporting and facilitate tax management. This minimizes disputes with the taxman.

iv. Financial records for obtaining credit

- a. Good record keeping allows the cooperative to determine credit needs and support loan requirements.

Cooperative Act requirement for records

- i. It is a legal requirement for every cooperative registered under the cooperatives' act to keep accounting records.
- ii. It allows government to take an oversight function on the use correct use of the funds of the members.
- iii. Once a cooperative is legally registered, the funds from members are termed as **public funds** and government agencies reserved the right to inspect the financial records to safeguard the interest of members and this could be effectively done where record keeping system is maintained accordingly.

5.2. Risk management

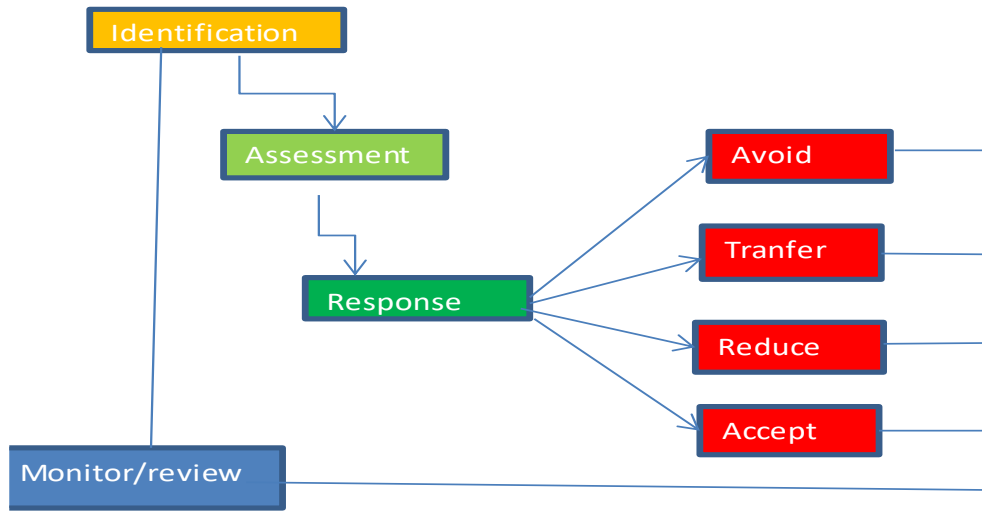
Risk Management at a cooperative is a series of steps whose objectives are to identify and address cooperative business development risks by either minimizing or eliminating associated threats or obstructions to successful business operations. It involves a process of planning, organizing, directing, and controlling the human and material resources of the cooperative.

The risks or threats could come from a many sources, such as financial uncertainty, legal liabilities, strategic management errors, accidents and natural disasters.

Effective cooperative risk management requires that management makes an **assessment, controls and transfers of the risks**. This involves the following:

1. Establish the context (background) –
 - a. Identify, Assess and Document the risks
2. Identify the possible risks to the cooperative
 - a. Identify causes of the problem
3. Assessment – for potential severity of loss and probability of occurrence.
4. Possible risk treatment – (Response) – how will the risk be managed? – identify possible mitigating actions
5. Create a risk management plan – select appropriate control measures and plan for action
6. Implement risk management plan
7. Monitor, Review and Evaluate the risk management plan

Risk Management Process



Always have a risk register. This is a tool that cooperative business management unit can use to address and document business risks throughout. It is a living document – a comprehensive listing of risks and the manner in which they are being addressed as part of the business risk management process. The risk register is maintained as part of the business record that also includes information related to uncertainties in the cost estimate and schedule.

Ref:	Risk Category	Identified Risks	Sources of Risks	Risk Description	Likelihood	Mitigation	Risk Owner	Comments
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								

MODULE 5 - ELEMENTS OF ADULT LEACILITATING FARMER GROUP FORMATION

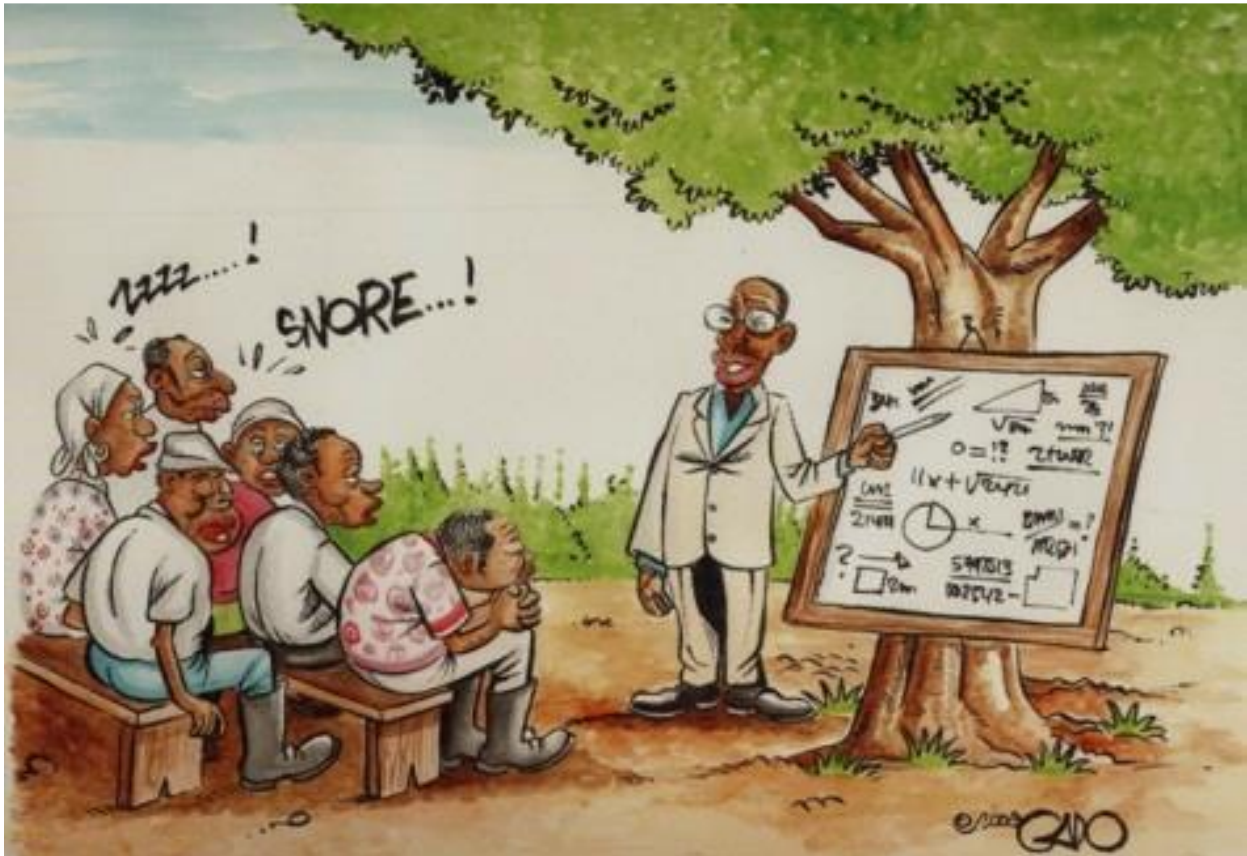
OBJECTIVES

1. Define an Adult;
2. Outline the important elements of an adult and their influence on learning;
3. Discuss how adults learn; and managing a learning environment for adults;
4. Outline the important elements of group development and the associated stages;
5. Discuss the importance and influence of group development stages in devising appropriate interventions for a group.

OUTPUTS

1. Skills to facilitate learning among adults for group action enhanced;
2. Enhanced understanding of the relevance of group development stages in helping to identify appropriate tools and interventions to facilitate positive change in a group.

6.1. AN OVERVIEW ON ADULT LEARNING



People working with rural communities are usually associated with being either being Extension workers, Community animators, Community facilitator, etc. All of them working with communities in different ways or styles or approaches; and with different foci and goals. However, one thing that is most common is that they all aim for some form of development or change to take place in the communities that they work with; and the other is that they all encounter adults – even where their programme targets children, the children will be presented by or associated with adults. In many instances adults constitute the largest target group. Therefore the importance of how we interact and work with adults cannot be overemphasized.

However, in order to be an effective worker, it is important know who is an adult, how do we know them and how we do work with them to get the best results?

6.2. Principles of Adult Learning

The features outlined here below describe the characteristics common in the adult. Appreciating and understanding how these can be incorporated in all interaction with adults will make working with them very easy. The important features of an adult are:

1. Autonomy

Adult learners are much more self-directed and tend to learn because they want to or they see the direct benefit of learning, rather than because they are told to or are expected to. Therefore, learning programs or training or demonstrations should clearly show what the learners will gain from the session;

2. Experience

Adult learners rely heavily on their experiences when they engage in learning, and they benefit from training programs that understand this. They need to have a connection and relevance between “new lessons/innovations” and their existing “knowledge and experience held”. This generates the participant’s perspective of the intervention and how it will benefit them.

3. Goal-orientation

Adults enter the learning process focused on results. They have specific reasons for doing anything they do; and appreciate an organized learning environment within defined elements that will contribute to their aspirations. Therefore, they need to know how the “new” information will help them achieve their goals, whether personal or professional.

4. Relevancy-orientated

They must see reason for learning something; and would like to see/have (immediate) benefits to what they do.

5. Practical

The lessons that they receive must be practical, useful and related to their normal vocation. A hands-on demonstration such as planting or mixing livestock feed must have a practical involvement of the participants.



6. Appreciation of respect

They appreciate the acknowledgement of their knowledge and experience which is usually expressed in their opinion. Therefore, an opportunity that allows them to express their opinion freely is a sign of respect for their knowledge and experience.

6.3. Creating a Learning Environment

A good learning environment for adults is where they discover answers and solutions themselves. This is attained through:

1. **Making lessons interesting** – participation, practical and non-confrontational;
2. **Making learning be beneficial** – participants see (immediate) benefit.
3. **Treating learners with respect** – all are respected including their views;
4. **Managing amount of information to be shared** – amount of information only enough to assimilate (per session);
5. **Avoiding embarrassing/threatening situations** – have a freely managed and interactive atmosphere without authoritative and intimidating situations;
6. **Using a variety of methods to enhance learning** – plenary, group, transect-walks, role-play;
7. **Involving methods of learning that participants actively participate** – role play

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