All Agricultural Commodities Programme

Zambia Agribusiness ZATAC Limited Technical Assistance Centre

Agribusiness Trainers Manual on Cotton for District Farmer Associations

Background

The objective of the EC-All African Caribbean Pacific Agriculture Commodities Programme (AAACP) is to improve the livelihoods of producers in commodity dependent ACP countries. A consultative workshop for the East and Southern Africa region, Tanzania, June 2008, identified cotton-systems in Zambia as a priority sector for the programme to support. FAO's Rural Infrastructure and Agroindustries Division (AGS) using an inclusive business models approach, is supporting activities to improve the producer-ginner linkages for targeted groups.

In consultation with the Cotton Association of Zambia, the Cotton Development Trust, local ginneries, the Ministry of Agriculture and Cooperatives and other key stakeholders, FAO that despite different support interventions for the sector that cotton remains an uncompetitive crop for farmers. This is due to a lack of transparency and bargaining power in the value chain as well as other market obstacles that prevent returns from premiums for high quality lint being passed down to the producer.

In an effort to address these issues, FAO is supporting the Cotton Association of Zambia (CAZ) with the implementation of part of its strategic plan addressing the following priorities;- (a) support with the institutional strengthening of Farmer Associations in cotton producing districts to enable associations increase their bargaining power by interfacing more effectively with buyers, input suppliers, financial institutions, donors and other important players in the value chain on behalf of members and (b) strengthening inter-business linkages between cotton associations and buyers so that both players can identify understand how best to increase value and profit margins using low cost technologies and supply management innovations.

The Cotton Association of Zambia (CAZ) is a member based organization which was formed in the year 2005 by Smallholder Cotton Farmers to address concerns of the members in the cotton sector. It is estimated that the cotton sector has about 280,000 smallholder cotton farmers; however the numbers of producers vary from one season to another.

Cotton is predominantly produced by smallholder farmers who are potential members of the Association mainly in four provinces of the country namely Eastern, Central, Southern and parts of Lusaka Provinces. In Zambia the cotton sector currently supports about 2.4 million people inclusive of farmers and those in gainful employment. The inputs to Association and non members are provided by the ginners/promoters in form of out-grower scheme loans on terms and conditions largely prescribed by the promoters.

Under priority (a) FAO contracted Zambia Agri-business Technical Assistance Centre (ZATAC) to support CAZ address the institutional strengthening of Farmer Associations by developing and delivering a training programme in agribusiness management for management staff and farmer leaders of the associations based in Chipata, Mumbwa and Mazabuka districts. The capacity building will enable the cotton associations to implement and pilot test upgraded business model strategies to be developed under the parallel contract and overall contribute to enhancing the competitivenes of cotton value chains in Zambia.

This manual has been compiled by ZATAC, under the technical guidance of FAO, to be used for training the staff and leaders of targeted Farmer Associations the Cotton Association of Zambia (CAZ) and other interested cotton stakeholders. The manual draws heavily from materials obtained from the Food and Agriculture Organization (FAO) and International Labour Organization (ILO) resource books. The manual also draws from the experiences of ZATAC in designing and managing small business enterprises. The manual is divided into three main parts namely:

- Introduction to the agribusiness training
- Introduction to value chain concepts
- Agri-business management best practices: Governance and group dynamics, Financial management, Marketing, Operations management, Contract management, Human resource management

Methology of Training Manual

The manual is structured in a manner that will make the training interactive and participatory with sessions including brainstorming, case studies, lectures, etc. It is hoped that the participants will find the manual useful in managing their enterprises as a business. The participants can update the manual on a regular basis based on their practical experiences on best practices in agribusiness. The manual is intended for training of Association Board members and management. It is a useful tool that can be used during the induction of new board members and management. It is advised that Associations review (be trained) this manual at least once a year before they conduct their annual planning exercise. However, the Association might need to engage a facilitator to undertake the training.

The training will be structured in two parts. Part I will focus on training the cotton associations based on this training manual while Part II will be follow-up training that will focus on reviewing financial and business systems to be developed by the associations as part of the training. The systems to be reviewed under Part II will include governance, finance, operations and administration. Participants will be given copies of guidelines that

will be used to develop the systems. The same guidelines will be used to assess whether the associations have adequate systems to operate as viable and sustainable entities.

Brief Description of the target Audience:

The Cotton Association of Zambia based on its development programme developed out of the strategic plan 2010-2013 selected six district farmers' Associations to pilot in self-financing and entrepreneurship. The following are the district farmers' Associations – Choma, Mazabuka, Mumbwa, Kabwe, Katete and Chipata. However, only three districts have been selected for this particular training namely Mumbwa, Chipata and Mazabuka. The trained members shall in turn train other association members.

Cotton Association of Zambia (CAZ) is a member based organization which was formed in the year 2005 by Smallholder Cotton Farmers to address concerns of the members in the cotton sector. It is estimated that the cotton sector has about 280,000 smallholder cotton farmers; however the numbers of producers vary from one season to another. The majority of the smallholder cotton farmers who some are members of the Association cultivate an average of one hectare and are the back-bone of the cotton sector.

The organization is based on grass root membership, democratic structures, and is non partisan. The CAZ is professionally managed and is practical result oriented in the areas of lobbying and service delivery to farmers and currently the benefits from lobby and advocacy are not restricted to registered members only. However, the service to address pertinent issues with regard to crop production is restricted to registered members as a way of attracting new members to join the Association. The Association promotes gender equality and HIV/AIDS awareness and mitigation measures among its membership and these are important factors in famer mobilization and membership recruitment.

The smaller unit of the associations is an Information Centre under the Zambia National Farmers' Union structure. The various Information Centres (ICs) in each district where ZNFU exists aggregate into a District Farmers' Association (DFA). On average each District Farmers' Association has 20 operational ICs and each centre has a cotton committee which is directly answerable to CAZ through its Cotton Representative. Currently the Association is working with 119 ICs with functional cotton committees in 21 cotton producing districts. The cotton committees at IC level are responsible for farmer mobilization and recruiting of Association members. The farmer membership to the CAZ varies from one Information Centre to another depending on the size of the Information Centre and level of cotton production

At district level the cotton committees of the respective DFAs are responsible for collecting and compiling district membership for the Association. The membership from

the various District farmers Associations is then entered in the Association membership data base at the CAZ secretariat.

Table of Content

Section 1: Introduction

Session 1: Getting to know each other

Learning Objectives:

1. To introduce each other
2. To create unity among the participants

Time: 1hour

Method: individual presentations

Training materials: flip chart, markers

Procedure:

1. Introduce the session and learning objectives
2. Facilitator should introduce him/ herself to participants and the name to be used during the course of the workshop.
3. Facilitator to introduce organization where he/ she is coming from and experience in enterprise development training
4. Facilitator will request each participant to introduce himself/ herself and the organization they represent as well as their expectations from the workshop

Opening Statement
Good morning ladies and gentlemen, My name is XXX and I am facilitating this workshop together with my colleague YYY. We have been contracted by the EU-AAACP to facilitate this agri-business training. We work for ZATAC – Zambia Agribusiness Technical Assistance Center. At ZATAC we provide Business Development Support and financial support services to SME's, Cooperatives and Associations. Our services are mostly supported by donors. We are currently working with over 50 organizations supporting them to operate as profitable and viable business enterprises.

Let us begin the workshop by introducing ourselves to one another. I will ask each participant to stand up and:

- Say their name;
- Their position in the Association;
- Expectations for the training

Session 2: Workshop Objectives and rules

Learning Objectives:

1. To introduce workshop objectives
2. To get participant feedback on objectives
3. To facilitate workshop rules

Time: 1 hour

Method: presentations, plenary

Training materials: flip card, cards, markers

Procedure:
1. Introduce the session and learning objectives
2. Facilitator should introduce workshop objectives.
3. Facilitator will open up for discussion of workshop objectives to get feedback from participants
4. Facilitator will facilitate discussion on workshop rules that will guide the smooth running of the workshop

Learning Points:
Objectives of the Training

1) To introduce participants to value chain concepts and key agri-business management topics

2) To strengthen the agribusiness capacity of FA's and their role in the value chain

3) To introduce participants to business management best practices that include: governance, financial management, marketing, operations management, contracts management, and administration.

Workshop rules to include: i.e., everyone participates, respect all opinions, minimize side conversations, switch off cell phones, start and end on time etc

Section 2: Value Chain Concepts

Learning Objectives:

1. To introduce participants to value chain concepts
2. To define the cotton value chain

Time: 1 hour

Method: brainstorming, lecture, group discussion, plenary

Training materials: flip card, cards, markers

Procedure:

1. Introduce the session and learning objectives

2. Participants brainstorm and define term value chains. Using participants contributions, agree on a working definition of a value chain.

3. Facilitator introduces different value chain concepts: chain actors, chain supporters

4. Facilitator presents the Coffee value chain and request participants to break into groups and design cotton value chain (the coffee value chain will be used only for illustration purposes to stimulate participants to think about the cotton value chain)

5. Participants break into groups to design the cotton value chain

6. Individual groups presents design's of the cotton value chain

7. Participants asked to describe the main activities of each of the actors in the cotton value chain. The trainer will liaise with CAZ and prepare a cotton value chain map in Zambia for cross reference
8. In plenary, participants identify the main cotton enterprises/businesses that are run by individuals and groups in their localities (*e.g. individual cotton production, group cotton marketing, cotton trading, cotton ginning etc.*)
   In plenary still, participants identify the key resources required to run an enterprise (such as land, labor, cash and managerial skills etc.)

Participants are divided into two groups to discuss individual and group cotton production/ marketing, cotton trading and cotton ginning enterprises

Learning Points:

Value chain

A value chain refers to the entire system of production, processing and marketing of a particular product, from inception to the finished product. A value chain consists of a series of chain actors, linked together by flows of products, finance, information and services. At each stage of the chain the value of the product goes up, because the product becomes more convenient for the consumer besides value, costs are added at each stage in the chain.

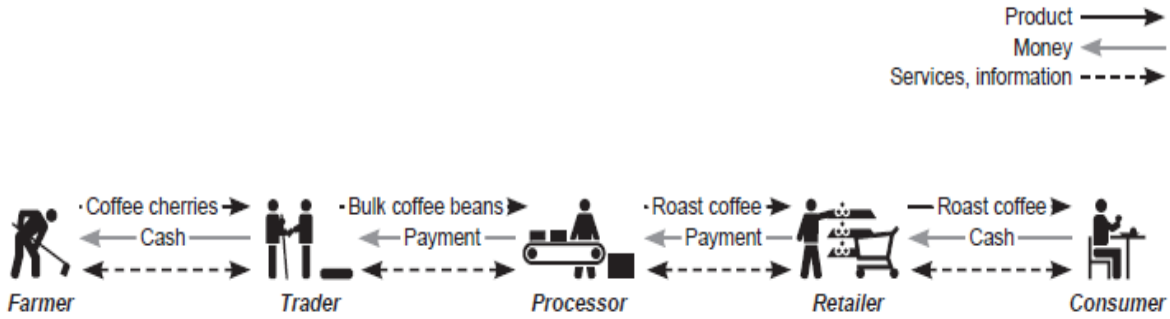
Chain Actors

The chain actors are the individuals or organizations that produce the product, or buy and sell it.

When a farmer sells a product to a trader, two things change hands: the product goes in one direction, and money goes in the other. This exchange is repeated at each stage in the chain, forming two parallel flows, of produce and money.

In addition, each of the actors may be prepared to invest in the chain and to support the other actors to make sure that it functions smoothly. This gives rise to additional flows of finance between the different actors in the chain. These flows may go in either direction. In addition, the farmer and trader exchange information and provide services to each other.

Value chain mapping



Chain Supporters

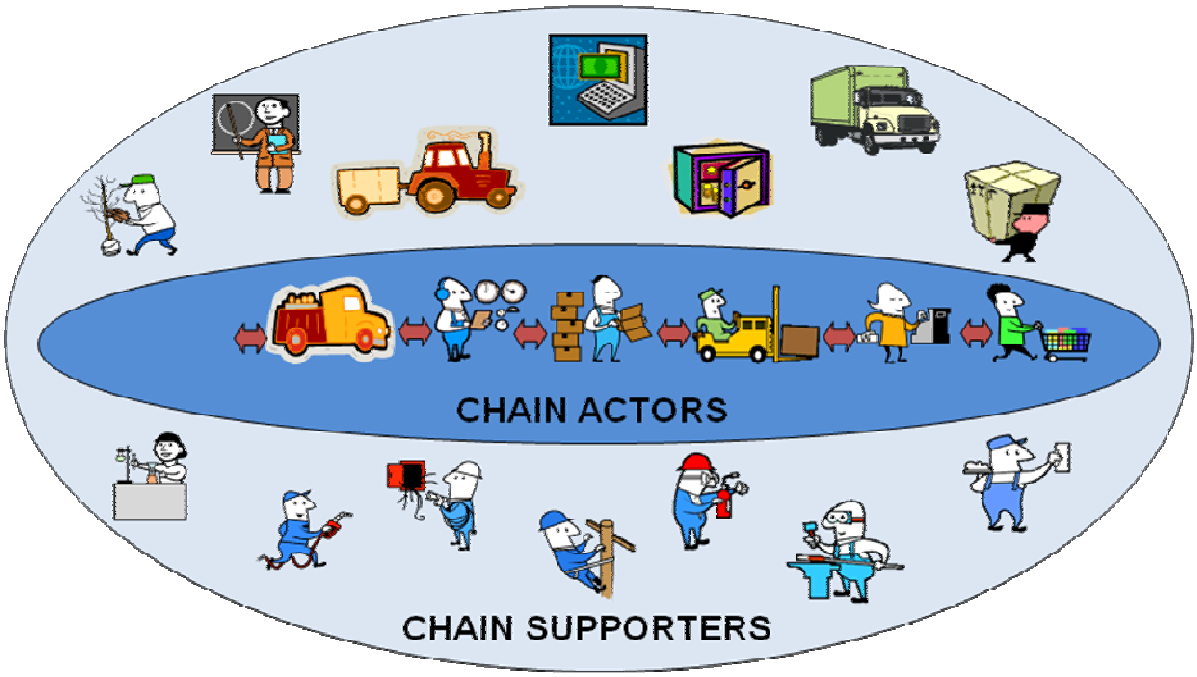
Often other individuals and institutions, surrounding the chain actors, provide services to them. We call these "**chain supporters**".

Chain supporters may provide various **financial services** to the chain actors. These supporters include moneylenders, savings and credit groups, microfinance institutions, banks, equity funds, and so on. It is not just financial institutions that provide financial services; for example, an input supplier may give a farmer a loan in the form of fertilizer, in return for repayment plus interest after harvest.

Chain supporters may provide **non-financial services** to the chain actors, such as technical assistance, support in business management, financial management, organizational strengthening, and so on. These supporters include financial service providers, governmental bodies, NGOs, and so on.

Cotton Enterprises: Please Cotton enterprises include all economic activities along the value chain that produce cotton for sale to earn income at a profit to the business. These may include:

- Production and marketing of cotton by individual businesses,
- Marketing of cotton by group businesses i.e., cooperatives, associations
- Processing and marketing of cotton - either cotton lint or fabric.
- Trading in cotton products (buying and selling; cottonseed, lint, fabric etc),


CHAIN ACTORS
CHAIN SUPPORTERS

Section 3: Farmer Association business enterprises

Learning objectives: By the end of the session participants will be able to:

1. Identify advantages and disadvantages of running farmer association business enterprises
2. Describe factors that lead to successful management of farmer association business enterprises

Methods: Brainstorming, group discussions and presentations in plenary

Training Materials: Flip Chart Paper, Marker Pens, Masking Tape, Exercise Books, Pens

Procedure

1. Introduce the session and learning objectives
2. In their respective groups, participants discuss the following questions:
    - What are Farmer association businesses? (Focus should be on Cotton marketing groups)
    - What are the advantages and disadvantages of running farmer association enterprises?
    - Suggest ways of minimizing the disadvantages
    - Undertake a SWOT Analysis on the association
3. Invite groups to make presentations for discussion in plenary

4. Wrap up the session by emphasizing the advantages and disadvantages of running farmer association enterprises and present the SWOT analysis below:

Group activities; Think of the strengths, weaknesses, opportunities and threats of your cooperative business. Prepare your SWOT analysis as in the example above.

Group Activity:

1. Discuss how different farmer associations are marketing their cotton and the challenges they are facing
2. Discuss the measure that the farmer associations have put in place to enable them to overcome these challenges

Farmer Association- Cotton Marketing

Co-operative marketing by a formal farmer marketing group (association) may mean markets which an individual cannot supply can be supplied. If some post harvest processing or packaging is required then this can be done for a larger volume at a lower per unit cost.

A farmers' association may also get together and jointly market their crop in a formal market.

Advantages of co-operative or communal marketing:

- Wider market opportunities
- Lower costs per unit for post harvest handling and transport
- Lower marketing costs overall
- better prices and smaller price fluctuations;
- Builds solidarity among farmers.

Disadvantages of co-operative communal marketing:

- Returns may only be as good as the management of the group/co-operative
- The farmer does not have as much say on final markets and prices
- Constant supply is needed;
- Prices must be flexible.

Collective action has been exercised by some farmer associations mostly at production and value addition technologies adoption levels but less in marketing. Collective actions in marketing of cotton products can be achieved through strategize collective marketing. Collective marketing involves the sharing of common resources and pooling of abilities which enables a group of people or cooperative harness synergies thus servicing a certain market demand competitively. This was one of the main reasons behind the formation of cooperatives where the various members' competences or strengths are put together to enhance their trading capacities.

Some collective key words to be observed by the cotton cooperative include;

(a) Pooled skills and abilities

1. Bargaining power for inputs, cotton association can reduce the cost of doing business by pooling their resources and buying inputs collectively through quantity discounts and bargains for ,reduced prices and quality inputs – fertilizers, production tools, technology etc

2. Bargaining power for markets, cotton associations selling market intermediaries can bargain on the basis of volumes supplied to get better prices form bulk buyers thus getting huge market share.

3. Ability to service a huge order; Most of producers in individualized marketing systems also produced in haphazard manner and thus can sustain market demand. Thus through collective marketing, associations schedule their cotton production to get bulk seed cotton in bulky to service huge order and keep all ginneries running.

(b) Common Resources

1) Common land and ecological conditions; Cotton producers and societies can utilize the common opportunities such as land and climate to get optimal returns.
2) Receiving common training at reduced cost or at no cost on marketing and enterprise development
3) Share common inputs and equipments like ginneries and oil processing that can be acquired through capital building or through loans for collective use.
4) Share cost of marketing operation include; (a) transportation from farms, society stores, union stores to ginneries and other buyers factories (b)Communication; Marketing sub-committees communicate with buyers rather than every producer calling market intermediaries and marketing personnel (c) Share common facilities; Cotton producers can share (d) bulking facilities and stores (e) Ginneries (f) sheds and equipments (g) Sharing duties and assignment among the group members (h) Access of credit facility for the groups' members through group guarantee system that is prevalent in Kenya MFI industry.

(c) Servicing Common Market demand

This concepts outlines the basic requirement for a market led production process for cotton or any other agricultural commodity which must based on demand. Key things that cotton association should put in considerations are;

i. Demand size for association, union or society.
ii. Producing common product(s), all association members must agree to produce or process similar products.
iii. Collective production system

(d) Maintained Competitiveness

Cotton associations achieve competitiveness and satisfy cotton products buyers by;

- Ability to maintain consistency in supply as a result of scheduled production and ginning
- Minimization of risk i.e. lowered production as a result of unforeseen risks or poor planning shouldered
- Ability to sell to the outlets and eventually to consumers at lower cost as a result of synergy from common resources sharing.

SWOT ANALYSIS OF THE ASSOCIATION

A SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is a particularly valuable tool for determining the ability of the cooperative to compete and survive in a competitive environment. It is the first step in recognizing your options and potential problems and in preparing a strategy to act. It helps the cooperative to identify their own strengths and weaknesses (such as the financial resources, experience, structure, management, skills, products etc.) as well as the opportunities and threats arising from the external environment.

External environmental issues may include political, economic, social and technological issues as well as demographic and ecologic factors. The competitive environment will also need to be considered including competitors, customers, suppliers and new products on the market. The following table presents an example of a SWOT analysis for a cotton cooperative:

Strength	**Weaknesses**
➢ Skilled and experienced workers ➢ Strong links with local markets ➢ Growing sales ➢ Quality packaging	➢ Insufficient storage rooms ➢ Low production capacity ➢ Low capitalization ➢ Lack of promotion strategies ➢ Insufficient know how of quality control schemes applications
Opportunities	**Threats**
➢ Greater customers interest in ➢ traditional food products ➢ New markets in foreign countries	➢ Strong price competition ➢ Strict legislation concerning quality assurance procedures ➢ Price pressures from retailers

Section 4: Agribusiness best practices

Session 1: Governance & Group Dynamics

Learning objectives

1) To define group dynamics and governance
2) To review local laws relating to groups, associations, cooperatives
3) To determine/ establish participants group vision and objectives and their role in the value chain
4) To establish participants governance structures, roles and responsibilities of staff and members
5) To determine how participant governance structures can be strengthened

Time: 3 hours

Method: brainstorming, lecture, group discussion, plenary

Training materials: flip card, cards, markers

Procedure:

1. Introduce the session and learning objectives
2. Participants brainstorm and define group dynamics and governance. Using participants contributions, agree on a working definition of group dynamics and governance.
3. Participants brainstorm local laws relating to groups, associations, cooperatives. Using participant's contributions, facilitator lists the local laws and how groups can register
4. Participants break into 2 groups to define roles and responsibilities of the board as follows:

ROLE PLAY -SWAP GAME

This is a powerful exercise that board members and senior staff can undertake together to clarify roles. It takes less than an hour and can be both illuminating and entertaining.

The board and the senior management team meet together in one room. The board gathers at one end of the room and imagines that it is the staff. It has twenty minutes to address the question 'What do we expect of an effective board?'
The staff meets at the other end of the room and imagines that they are the board.

They address the question 'What do we expect of an effective senior management team?'
The two groups then meet together and report on their deliberations for twenty minutes. The final twenty minutes should be spent agreeing the changes that need to happen for each to meet the expectations of the other.

5. At plenary participants present findings of group discussion. Facilitator, may add to the group presentation so that participants get a better understanding of governance structures, roles and responsibilities of staff
6. during plenary participants brainstorm on how the governance structure of farmer's associations can be strengthened. Facilitator suggests options for strengthening the structures
7. Facilitator will assign participants to redesign the organization structure as a follow up activity.

Learning points:

A group refers to two or more people interacting with each other, conscious or psychologically aware of one another to accomplish a goal or objective. The term "group dynamics" refers to the structures and processes by which groups form and function.

Governance is the process by which the governing body (board of directors, trustees, executive committee,) ensures that an organization is effectively and properly run. For the purposed of this manual we will refer to the governing body as "board".

Most organized groups are required by law to register in order to be recognized. In Zambia the laws that govern the registration of agricultural groups include:

- Societies Act section 7 (2) Cap 119 for registration of Farmer Associations
- Cooperatives Act section 12 (1) for registration of Cooperative Societies

Main Features of Societies Act:
- Constitution or by-laws
- Elected executive committee or board
- Membership of at least …
- Primary objective is to lobby, capacity building of members
- Conduct annual general meeting to inform members on activities of association
- Submit annual returns to registrar of societies

Main Features of Cooperative Act
- Constitution or by-laws
- Elected executive committee or board
- Membership of at least ….
- Primary objective to operate as a viable business enterprise
- Conduct annual general meeting to inform members of performance of the cooperative
- Individual members buy and own shares in the cooperative
- Equitable distribution of benefits
- Social responsibilities

Submit annual returns to the registrar of cooperatives

Roles and responsibilities of the board include:

- Determining the organization's mission and vision. Only the board has the power to create and change the organization's mission and vision
- Ensure the organization has clear strategic objectives and priorities for its work and clear policies and procedures for carrying out and monitoring of the work
- Ensure that the organization has adequate resources (people, expertise, money, time, equipment etc) to carry out its work
- Ensure that the organization's money, equipment, property and other assets are safeguarded
- Ensure that staff are properly recruited, managed and supported
- Ensure that the organization develops appropriate relationships internally and externally
- Ensure that the organization complies with the law, with the conditions of contract, agreements, and with the requirements of its constitution or by-laws
- Ensure that the organization reports regularly to its members through an AGM, its annual report

The board is not about doing, but ensuring that things are done!!

In order to achieve good governance the board must be concerned with the systems by which their organization is directed and controlled i.e., structures; processes for decision making; accountability; policies and codes of conduct.

The structures and processes used to govern associations and cooperatives have a strong impact on the services/ products that are provided.

Structures:

The structure of an organization refers to both the legal structure and the board structure within the organization. All organizations have a legal structure and are expected to operate within this framework i.e., Cooperatives Act, Societies Act, Companies Act etc

Board of director's structure includes aspects such as:

Appointments: In electing directors, shareholders/ members should ensure that only the best qualified persons who can add value to the association/cooperative are appointed as directors. The process of appointing directors should ensure appointment of the best qualified candidates.

Allowances: The Board of Directors should set up an independent remuneration committee to determine equitable and attractive remuneration packages for directors as well as the management.

Disclosure: On first appointment and on a continuous basis all directors should, in good faith, disclose to the Board for recording, any business or other interest that is likely to create a potential conflict of interest, including business interests; membership in trade, business or other economic organizations; shareholding, or other interests in the association/ cooperative; and any gifts, monies, commissions, benefits or other favors extended or received from a party in respect of or in relation to any business dealings with the association/ cooperative.

Composition: Members should ensure that a majority of independent and non-Business Managers who possess the mix of skills and competencies - sound business acumen, integrity, innovativeness, focused intelligence, commitment and devotion to duty - are appointed to the Board. The Board should strive to achieve balance and mix of skills without compromising quality.

Succession Planning: In order to ensure continuity within the Boards of Cooperative societies it is recommended that there be clearly stipulated succession plans for all directors.

Induction: Once the directors have been appointed, they must go through a well designed induction process, which provides them with an opportunity to clearly understand their role and responsibilities.

Meetings: In order to bring effectiveness in the governance of associations/cooperatives, the directors should devote their time and resourcefulness to their by meeting as regularly as dictated by the needs of the organization, but at least once every quarter.

Office Bearers and Their Roles; Office bears of the board include, chairperson, vice chairperson, secretary, treasurer, executive committee members. Their roles should be clearly defined and understood by other members

Sub-committees of the board: May include standing committees i.e., finance, planning, nominations etc or working committees

Decision Making

Processes of decision making must be in place, recorded and followed. These will relate to:

1. Quorum at a meeting (number of committee members required to be present before business can be transacted);
2. Majority decisions; and
3. Sub-committees having delegated authority, establishing and maintaining reporting mechanisms to full committee, or seeking ratification from the full committee. A structure of standing orders may help in this regard.

Accountability

The board is accountable to a number of groups: their membership, stakeholders, customers, and funding agencies. In order to be accountable suitable systems must be in place and kept up to date.

Any staff/ sub-committee must report to the board, who are ultimately accountable to the to entire organization.

Examples:
'Where resources are not properly planned or managed, there can be a range of negative impacts.'

'Where staff is not properly managed, their work will not be monitored for quality or output. This can lead to the whole organization under-performing and have consequences for the viability of the organization. It can also lead to poor staff morale.'

'Where financial resources are not properly managed this places the organization at increased risk of bankruptcy or potential fraud.'

Code of Conduct:

All business must be conducted ethically and in the interest of the organization. A code of conduct for the board ensures high standards and makes it clear how potential conflicting of interests is to be raised and dealt with. This requires the board to adhere to the principles of good governance.

Example
'An organization may have one or more board members who are also on other boards or who are employed by other organizations. There may be an overlap in some of the activities i.e., sales contracts. This may present a conflict of interest to the person; He/ she should either declare a conflict of interest, or agree not to share information from one organization with the other, or should leave the meeting for that discussion/ decision.'

Staff

Staff can be both an organizations greatest resource and greatest expenditure item.

- Recruitment and employment of staff should follow normal human resource principles
- Board should review salaries on an annual basis
- Salaries should be based on a recognized scale for the job relative to the available budget of the organization.

How can farmer owned executive board be strengthened?

- Induction of new board members
- Appoint ex officials outside the group with experience in business and or accounting
- Partnership with business development service providers to provide mentoring support to the board
- Establish code of conduct

Principles of Good Governance

Openness
Information should be shared and reasons for decisions made clear (while handling confidential information with due care)

Integrity
Board members should never put themselves under any obligation to outside individuals or organizations which might influence their decision

Objectivity
In carry out their role the board should make decisions on merit, regarding awarding contracts, appointing staff, recommending benefits and other areas of decision making

Accountability
The board members have a duty to comply with the law, and are accountable for decisions and actions to the funders and service/ product users

Honesty
Board members have a duty to disclose any private or personal interest which may present a conflict of interest, and take steps to resolve conflict to the benefit of the Association

Leadership
All principles should be supported through leadership, while respecting the role of senior staff

Session 2: Financial Management

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

1. Define Financial Management and understand the importance and objectives of financial management for a commercial producer or cooperative
2. Explain Importance of Keeping Financial Records
3. Describe financial management procedures
4. Describe Audited financial statements and outline its significance
5. Describe the Role of the Financial Officer
6. Understand the principles applied in the implementation of a producer group financial management system and their application
7. Understand how to manage capital, assets and credit

Time: 3 hrs

Methods: Lecture, plenary presentations, discussions, illustration and exercise

Procedure

1. Introduce session and learning objectives

2. Through brainstorming, participants discuss the importance of financial statements and the different financial statements used. The facilitator records the responses on a flip chart paper

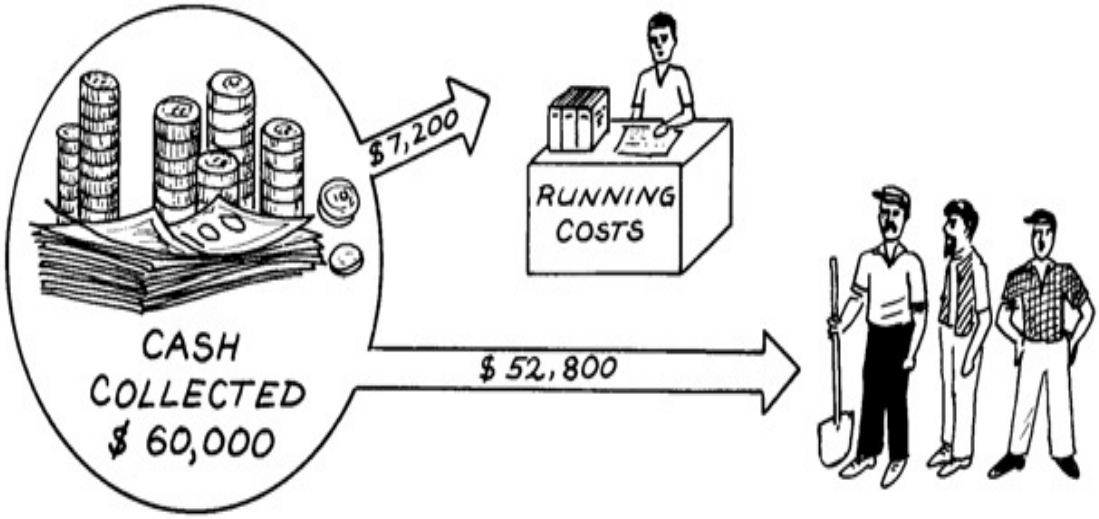
3. The Facilitator basing on the contributions from participants explains the types of Financial Statements used by the organization.

4. The Facilitator asks participants their understanding of financial planning and its significance.

5. Through brainstorming, participants discuss the importance of having Audited Statements. The Participants also discuss how to assess the financial strength of the organisation and the roles of a Financial Officer.

6. Facilitator will assign participants to develop a financial manual for their organization for review during follow-up workshop.

Learning points on financial Management



Definition of financial Management:
The general agreement of the definition is that financial management is a system of how prudent an organisation raises and applies its resources. Financial management involve the following:

- Funding sources and management
- An Internal financial control to avoid financial misuse.
- Financial reporting and reports preparation which will summarize the information in books of accounts.
- Budgeting to guide expenditure and spending and
- Auditing

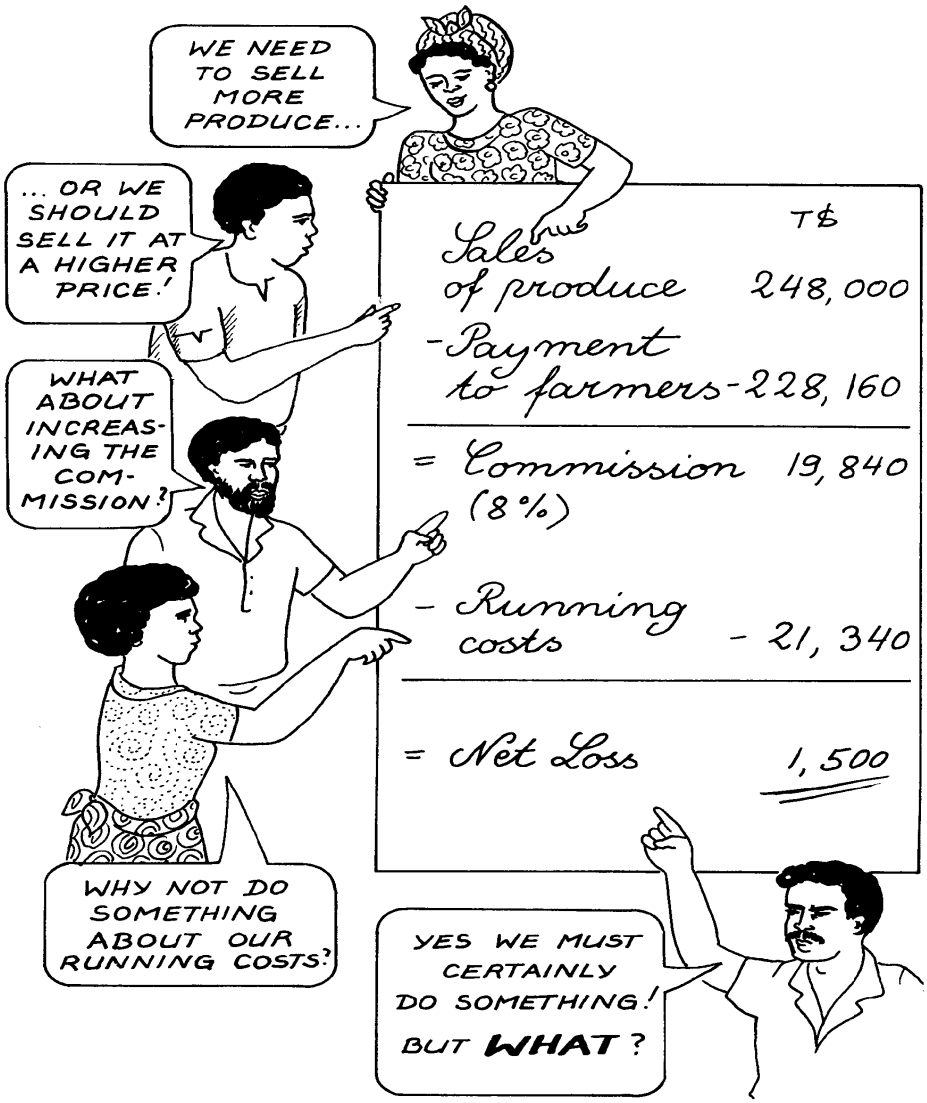
Financial management is therefore a process of making decision on how to acquire and utilize financial resources effectively with an objective of maximizing the profitability of a business or maximizing shareholders wealth.

Financial management is one of the most critical and important activities for the successful management of cooperative business. It influences all important management decisions, financial and otherwise. At the same time, many cooperative managers, and even business owners, have had relatively little professional exposure to, and training in financial management.

Unless minimum financial performance levels are achieved, it is impossible for a cooperative to survive over time. At the same time, many cooperatives do survive for relatively long periods without satisfactory levels of profitability.

Financial management therefore focuses on what it entails to acquire adequate financial resources and how such financial resources will be managed to ensure good utilization. Cooperatives need to develop skills on ways of managing their finances to optimize their business and generating returns for members'. Without proper knowledge on financial management, groups will face challenges either in sourcing or in utilization of financial resources.

Financial Planning



The cooperative should work out a budget for all the operations to be undertaken and explain how the activities are to be financed. The financial plan should as well consider how the finances will be managed to ensure a strong portfolio for the cooperative members. This should include a description of the control systems for the finances.

The financial plan is a key component of your business plan because the process of creating financial projections for your business revenues and expenses, cash flow, and financial position will oblige you to examine all the other key components of your plan. In doing this you will be able to describe your plan in financial terms and detect any discrepancies, gaps or unrealistic assumptions you have made earlier. The financial plan is also a valuable tool for creditors, investors or government agencies when evaluating your business needs and use of funds.

Cooperatives are unable to operate without proper finance. Inputs have to be bought and bills have to be paid. A basic understanding of finance enables a farm manager to make strategic decisions to ensure efficient operations. Important financial statements that you need to generate and understand for your business are balance sheet and profit and loss account

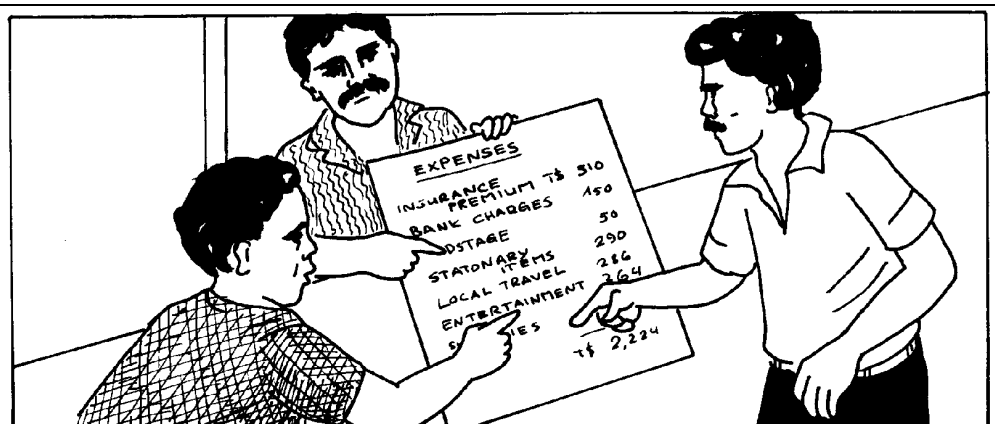
a) Budgeting

Budgeting is one of the tools for effective financial management and planning. It is also a simple tool, easily understood and widely used.

What is a Budget?

A budget is a detailed physical and financial plan for the operation of a farm or organization for a certain period. The aim of a budget is to compare how profitable different kinds of enterprise combinations can be. In a nutshell, budgeting involves considering the resources to be used, the choice of enterprises to be pursued and a calculation of expected receipts, expenditures and net farm income. Each line of the budget should give;

- the description of the goods and services required
- the prices of goods and services
- the quantities which will either be bought or sold in a given period, and
- the activity to which the total cost will be allocated



Advantages of Budgeting

Some of the several advantages of budgeting are:

1. Budgeting assist managers to select factors of production more wisely.
2. As a planning tool, budgeting causes the cooperative managers to think more accurately, plan more carefully and completely. Through the process of budgeting, the manager refines his ideas and is better able to make more accurate decisions.
3. Bankers favor men who have written plans. A well thought-out budget creates a good impression on people and also gives the impression of a careful scrutiny of one's production and finances.
4. A budget is a money saver because it is cheaper to make mistake on paper than in practice.
5. Budgeting provides an excellent learning device for the student on how to organize and reorganize business enterprise.
6. Lending agencies use budgeting process as a basis for appraising the business of their clients.
7. Budgeting helps a manager to determine when to borrow money and how much to borrow. It can also help him in setting up repayment schedules.

b) Cash flow statements/ budgeting

A cash flow statement shows the amount of money coming into and going out of your business over a period of time. A forecast of cash flow enables you to decide what you can afford, when you can afford it and how you will keep your business operating on a monthly basis throughout the year.

For a cotton cooperative dealing with the production and selling of seed cotton, the revenue will be realized by determining the volumes of the same realized [total yield] times the monetary value per unit yield. It is important however to note that revenue in itself does not have real sense since it normally carries with it a component of costs or expenses incurred in producing and availing such products to the market. Thus the cotton producer should factor all the costs incurred and use this to determine the profits which

refers to his or returns on investment. To do this the producer can work estimates on the basis of I acre piece of land production, consider the monetary value of all the inputs and compare them with the monetary value of the yields realized from the same piece of land.

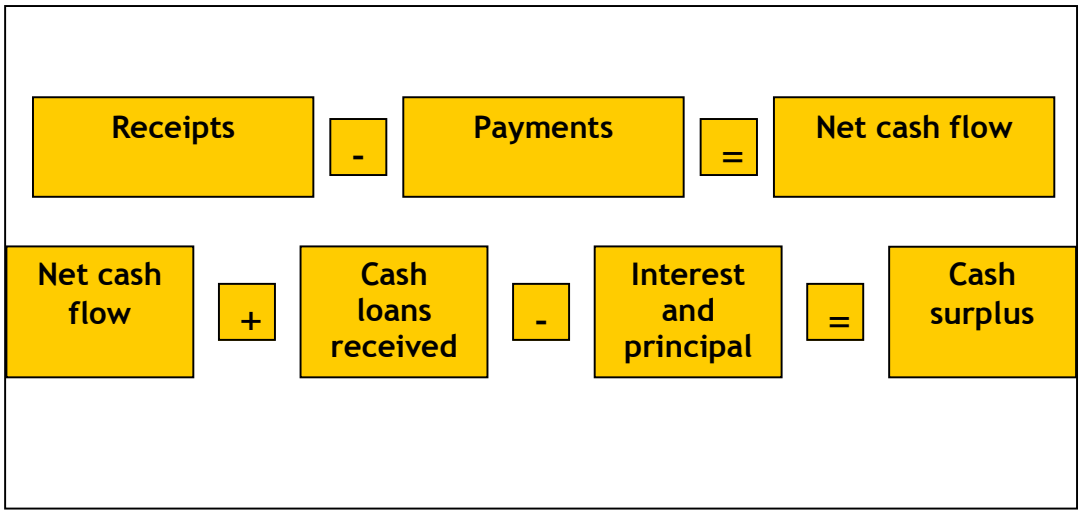
Income diversification for the farmers and for the cooperative

Cotton cooperatives must seek the various alternatives of making sure that other than just planting cotton as a stand alone other enterprises are also considered within the same piece of land to optimize returns on a unit piece of land implying a number of product lines. Maximizing return on investment thus calls for a strategic thinking that is open to the various ways of doing business in a more effective and efficient way [refer to strategic options discussed in the marketing manual].

Cash flow analysis is important in farm management for two main reasons:

- It provides information on income and expenditure that can be used to assess how profitable a cooperative has been (or is expected to be) in a given period.
- It enables sound management of the financial side of the cooperative business, ensuring that the farmer has sufficient liquidity to meet his or her obligations.

The concept of cash flow is best described through various cash flow measures, represented below:



The first row shows how to derive the *net cash flow* of the cooperative as the total receipts from all operations minus the total payments made to undertake these operations. This equation can be expressed for different periods, from a week to many years. The choice of period depends on what information the cooperatives want from the analysis. A farm plan for the next year might need a cash flow budget with quarterly intervals. Annual intervals are likely to be used to plan the introduction of a new long-term enterprise, such

as a tree crop or intensive livestock enterprise.

Where the cooperative has borrowed money to conduct these its operations, details are needed on how much has been borrowed during the period of analysis and how much has been paid to the lender in interest and principal repaid. These transactions are shown in the second row. The result is called *farm cash surplus*.
The structure of a cash flow statement on a quarterly basis is presented in the following table:

Cash flow	**1st Q**	**2nd Q**	**3rd Q**	**4th Q**	**Total**
A. Production activities					
(+) Revenues from customers					
(+) Other revenues from production					
(-) Payments to suppliers					
(-) Payments to employees					
(-) Payments of taxes					
(-) Payments of interest					
(-) Payments of overheads					
…….other					
A. Net cash flows from production activities					
B. Investment Activities					
(+) Revenues of sold assets					
(-) Purchases of assets					
……other					
B. Net cash flows from investment activities					
C. Financial Activities					
(+) Revenues from loans					
(-) Loan Repayments					
(+) Stakeholders capital contribution					
……other					
C. Net cash flows from financial activities					
TOTAL (A+B+C)					

You can use the above structure to prepare a cash flow statement for your own business. But customize the statement according to your special needs.

Sources of business finance

There are various source of finance and the cooperative must consider the various finance source options and evaluate them against a set down criteria. It is important to determine those factors that are critical to the group in sourcing the fund while also considering the cost of borrowing. This will help the co-operatives get loan from the financial services providers with most favorable services.

Major sources of funding for cooperatives

TYPES OF FUNDING	ADVANTAGES	DISADVANTAGES
A. Savings	1. Keep all of the profit.	1. Chance of loss
	2. Reduce amount of debt.	2. May force personal sacrifices.
	3. Care taken to avoid loss by provider	3. Loss of return from use of savings in farming
	4. Shows good faith at any potential farmer.	
B. Donations	1. Easy source of cash.	1. Risk of destroying personal relationship.
	2. Less pressure and restrictions.	2. Many encouraged unwanted involvement in your farm.
	3. Informal arrangements.	
	3. Share financial risks.	
C. Incorporating the business	1. Raise large amount of cash.	1. Give up part of the profits.
	2. Share financial risks	2. Give up share of control and ownership.
	3. Reduce legal liability	
	4. Tax savings.	
D. Working with financial institutions	1. Quick and easy to obtain.	1. Interest costs are high.
DEBT FINANCING (including all forms of borrowing)	2. Maintain control and ownership of the farm business.	2. Risks that future profit will not cover payments.
	3. Repay at more advantages times	3. Easy to abuse and overuse.
	4. May save money.	4. Must share financial and confidential information.
	5. Costs are tax deductible.	5. Lender may impose limitations or restrictions on borrower.
	6. Inflation allows repayment in cheaper currencies.	

Importance of keeping financial records:

- Financial record provide a history of what has happened in Association
- Aid in making decisions
- Provide figures for planning and budgeting
- Show the profitability of the business
- Show the financial standing (ownings and owings of the business)
- Are useful for taxation purposes

Financial Management Procedures

The following financial management procedures should be observed by associations

Receipts in cash

1. Provide a pre-numbered receipt voucher to buyer upon receipt of cash.
2. Cash received are reconciled, reviewed and deposited intact daily, if possible, to ensure total sales are documented and traced to monthly bank statement.
3. All cash received is to be recorded in the Cash Receipts Journal.
4. No one person handles cash receipts transactions from collection of cash to deposit of cash.
5. Sales receipts are kept in safe and segregated from petty cash or cash on hand.
6. Develop procedures to address bad checks to include an age analysis for write-off bad debt.

Disbursements/Payments in cash

1. All payments are supported by an approved invoice or a request for payment identifying "services received" and stamped "PAID" upon payment and payment voucher noting budget line item to apply expense.
2. Document which types of transactions may be paid in cash within the cash payment threshold; all other expenses are to be paid by check.
3. Write a check in payment to a named payee versus writing a check for "cash" for daily operational needs; the check should be supported by an approved disbursement voucher.
4. Ensure all transactions are properly approved. Whenever an expense is likely to exceed a budget line item, authorization should be supported by request for budget shift. .
5. Make sure cash, checkbook, cancelled/voided and unused checks are secured in safe or lockbox.
6. All cash payments are to be recorded in the Cash payments Journal on same day as transaction
7. Have recipients sign for cash received
8. Reconcile receipts to batch listing

9. No one person handles cash payments transaction from beginning to end
10. Vouchers with errors (both receipt and payment vouchers) are to be voided and not destroyed.

Petty Cash (Imprest Fund)

1. Establish a maximum petty cash account threshold and a minimum for petty cash replenishment.
2. Identify type of transactions that are considered petty cash.
3. Two people should be responsible for petty cash (example: cashier and backup)
4. Cash must be protected in a safe or lockbox kept in a locked file cabinet. The cash in the lockbox or safe + receipts for cash used = must equal maximum threshold.
5. Routine and random unannounced cash counts should be performed to ensure control over cash.
   a. Reconcile petty cash book to petty cash count and pre-numbered petty cash vouchers with approvers signature authorization for reimbursement
   b. A receipt should be provided to staff for reimbursement of excess Imprest Funds received
   c. Recipient of petty cash is to sign for cash received
   d. Amount disbursed: write amount in numbers and also written letters
   e. Secure cash (cash, checks, cancelled checks) in a lockbox or safe
6. Review petty cash threshold and adjust accordingly to ensure meeting daily operational needs.

Banking

1. Ensure signatories on bank accounts are current. Document signatories on all accounts and identify purpose of each account. Document the check writing procedures to include the number signatories required and any delegation of signatory authority.
2. Ensure appropriate staff has a complete understanding of the nature of the bank account.
3. Identify the process and timeframe for completion of monthly bank reconciliations as well as management's review and concurrence to finalize, documented by management's signature on the reconciliations. Bank reconciliations are an important cash management tool and should be performed each month. Also, reconciling errors should be resolved in a timely manner by management (30 days).

Payroll

1. Payroll process should be implemented to ensure staff are paid on time for the hours worked.
2. Payroll worksheet as the Payroll Master Record to reflect for each staff member: Name of staff, Grade/position, rate of pay (basic salary), period of payment, withholdings, benefits and net pay.
3. Payroll authorizer should review the following documents, as appropriate, prior to authorization:
   - Current list of staff
   - Timesheets or attendance books to include list of absences approved and unapproved
   - Payroll worksheet
   - Payment voucher
4. Payroll records should be developed and updated and reviewed on a regular basis to ensure income tax calculations/deductions are accurately reflected. Staff banking information should be kept current for direct deposits, as appropriate.

Files and Records

Document training to client for the development of an efficient files and records classification and archiving procedure to provide for an audit trail of transactions from inception to completion and swift retrieval of requested support documentation.

Financial Systems Security

1. Document position that oversees petty cash and the staff, who participate in the reconciliation process and the number of people who have access and their positions
2. Security also includes backing up the financial management system. For example, if client's current financial system is Excel, the client should close each month and save financial information to date on a disk secured in the safe to reduce risk of loss of information.
3. Limit access to the general ledger to key financial personnel to safeguard the information.

Assessing Financial Strength of an Organization:

To judge the financial strength of the Association, ask yourself the following questions:

1. Are the company's assets greater in value than they were three months ago, a year ago, or two years ago? Compare current asset size to the most recent two years to make sure that the company is growing in size and financial strength.

2. How do the individual items compare with prior periods? Some particular assets that you should take note of are cash, inventory, and accounts receivable.

3. Are liabilities such as accounts payable and debt about the same or lower or higher compared to prior periods? Are they growing at a similar, faster, or slower rate than the company's assets? Remember that debt that rises faster and higher than items on the other side of the balance sheet is a warning sign of pending financial problems.

4. Is the company's net worth or equity greater than the previous year? And is that year greater than the year before? In a healthy company, the net worth should be constantly rising. As a general rule, net worth should be at least 10 percent higher than the previous year.

Audited Reports:

Financial statements that have been examined by a disinterested third party are called audited reports. Audited financials especially those without Auditor exceptions, provide stakeholders with greater confidence than unaudited financials because the reports reflect the organization actual position.

Roles of a Financial Officer :

A Financial Officer is primarily responsible for managing the financial risks of the business or Association. This officer is also responsible for financial planning and record-keeping, as well as financial reporting to higher management. (In recent years, however, the role has expanded to encompass communicating financial performance and forecasts to the relevant authorities.)

Illustration

Mr. Tembo who has been working for a manufacturing company in Lusaka. He retired last year after having served the company for 20yrs. He relocated and went to live with his wife in up country. He decided to begin a small business of selling clothes. So he took part of his benefits and bought his first stock. He also decided to employ a young gentleman who would help him in the daily running of the business. This shop was a welcome idea and every one in the village was happy that finally one of their own had decided to bring them services closer home. With time he had to restock his business. So he went and took a portion of his benefits again to add on his working capital. This concerned his wife and she requested him if he could first try and reconcile his accounts. He brushed this aside and said he knew what he was doing, and that all monies spent on the business was inside this new business and there was no cause of alarm. This did not please the wife and she continued to insist that he needed to have a system of expenditure. All this fell on deaf ears.
One day a long time friend of Lusaka came by and was impressed by the fantastic choice of clothes that his friend had. He then requested to pick a few pieces but to pay latter since that day he was not prepared. That same day his land lord passed by to collect rent and he paid him from the sales he had made on that day. Unfortunately Tembo forgot to note this expenditure some where, thinking that he would remember.

This business became famous and people would pop in anytime to great him. He would buy them tea and snacks using his days sales. This he did for many days and this accumulation of irregular expenditure ate into the business capital without his notice. He tried to balance his accounts but could not trace where he had gone wrong. Since his working capital had dwindled he had to close down business leaving him poorer than when he began.

Exercise:

1. Describe the business character of Mr. Tembo
2. Why did Tembo's business collapse and what is the role of friends and how should we treat them
3. If you are to advise Tembo what are some of the measures he would take

Session 3: Marketing

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

1. Define and explain the importance of marketing
2. Describe the marketing mix
3. Identify key marketing channels

Time: 3 hrs

Methods: Lecture, brainstorming, plenary presentations and discussions

Training Materials: Flip Chart Paper, Marker Pens, Masking Tape, Note Books, Pens

Procedure

1. Introduce the session and learning objectives
2. In a brainstorming session participants define marketing and by consensus agree on a working definition
3. The facilitator makes a presentation on the marketing mix and channels
4. In 3 working groups, participants discuss different themes of a market place).
    - The 1st working group looks at an imaginary location of the market and tries to determine, why a particular ginnery was chosen for the market. They also list items being sold in the market. related to cotton
    - The 2nd working group identifies the imaginary main sellers and buyers (producers, middlemen, wholesalers, agents, consumers etc). They also find out at what prices commodities are sold and how prices are negotiated (who determines the prices: buyers or sellers). related to cotton
    - The 3rd working group looks at how the sellers advertise or promote their products. This could be in terms of brokers, adverts, packaging etc. They try to establish the main sources of marketing information. They should also try to identify what attracts buyers to one seller as opposed to other sellers of the same product

FA staff will be guided on where and how they can locate relevant market information. Specialized news letters; meetings; where market data can be accessed etc..who/what type of actors can help provide already analysed market info.

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5. Participants are given time to compile their findings and write them on a flip chart paper.
6. Each group presents its findings in a plenary session for discussion. The facilitator guides the discussions on observations made and lessons learnt particularly focusing on key marketing components (product, place, price, promotion and marketing people), key marketing channels (retailers, wholesalers etc) and sources of marketing information.

7. Wrap up the session by highlighting the importance of identifying and understanding the market, importance of farmer's access to markets and market information in the commercialization of agriculture. CAZ to give a presentation on their cotton pricing model and discussed how it can be used to get fairer prices for farmers.
8. Based on the session FA reps are requested to develop a marketing plan for their association

Learning points on Cotton Marketing

What is cotton marketing?
Marketing is a set of activities that direct the flow of goods and services from producers to the end users or customers. Cotton marketing likewise involves flow of cotton products (raw cotton, cottonseed, lint, etc) from the farm to the final consumers (households) through a channel consisting of produce traders, wholesalers, processors and retailers. Farmers' ready access to cotton markets is crucially important because it is only when farmers can sell their cotton products can they realize incomes. Profitability of any cotton enterprise is therefore linked to farmers being able to sell their cotton products at attractive prices. Therefore in promoting cotton enterprises, specific attention should be geared to cotton market identification and addressing constraints. Cotton market information can be obtained from newsletter letters, CAZ, MACO, Central Statistics Organization, FAO statistical bulletins etc. Review and analysis of cotton information is called market research and should include analysis of the following:

Market:
FA

- What is the regional scope, size and growth of the overall market? What factors are driving growth?
- Are there any recent industry trends such as use of newer materials or production techniques, new standards, entries or exits from the business?
- What are the pricing trends in the market? How have prices changed historically and what influenced the price changes?
- Are there any special characteristics such as seasonality, product concentration, number of customers, number of raw material suppliers, etc? If so please explain.
- Describe any special laws or regulations that apply to the industry and any government policies or actions that specifically affect the industry sector.
- What are the main distribution channels for products or services? How much do brokers or distributors control the market? How much value do they capture?

Customers:

- Who are the primary customer segments? How does the customer pay?

What are these customers looking for in terms of product or service?

- What are projected future demands and why? Is there sufficient demand for the product or service? Indicate what methods were used to assess the market demand.

Competition:

Who are the primary competitors, what are the relative strengths and weaknesses? i.e., location, technology, quality, volume, price, cost etc

The marketing mix

Marketing involves planning for efficient production, storage, processing and packaging, promotion and moving produce from farms to consumers. The key components of the marketing mix therefore include: product, place, price, promotion and the sales people hence the 4 **Ps.**

Product

Product refers to the goods (cotton) that the individual/group is producing for sale to earn income. Typically for rural poor farmers this could be cottonseed or lint. It can be measured by different units and can make different characteristics I.e., Kg, bundle, ton, etc.

Place

Place refers to the point of exchange between buyers and sellers or the market. It is in the market where transactions take place and commodities like cotton change hands. It can be described in terms of commodities e.g. cotton market or by its location i.e. urban or local market or even time e.g. the morning and evening markets.

Learning points on marketing cont'd

Price

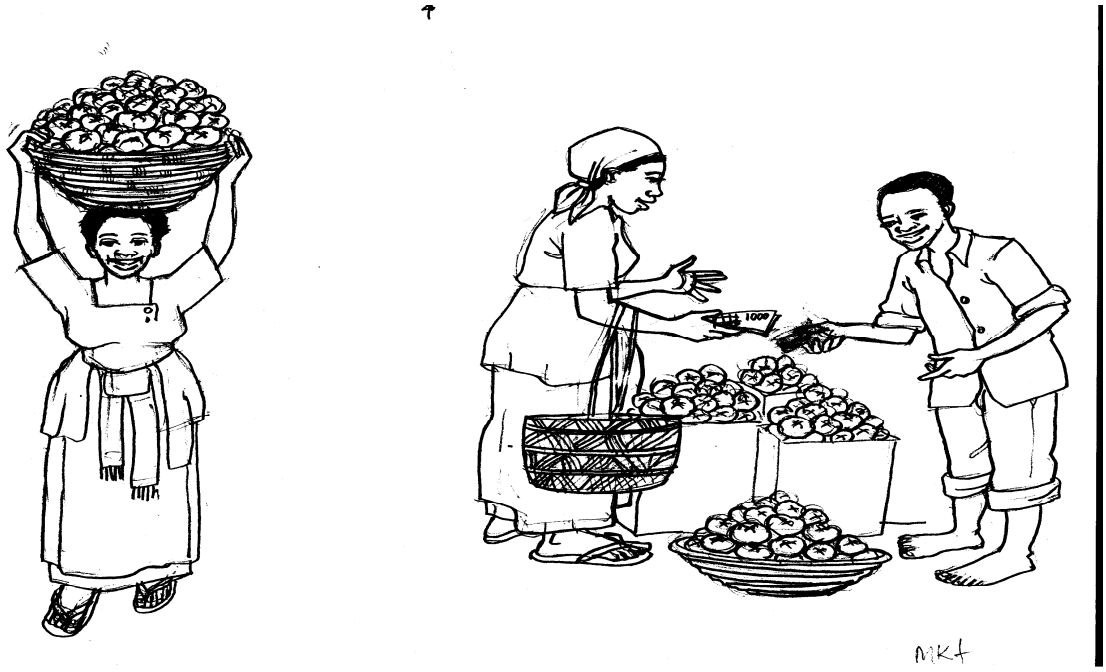
Price refers to the monetary value of the cotton. It is cost at which the buyers are willing to pay for the cotton. Sellers always strive to sell at a price that offsets costs of production with a mark-up that constitutes the profit. However sometimes prices are determined by conditions in the market i.e. changes in supply and demand. When supply exceeds demand the prices fall, as is the case soon after crop harvests. Where the demand exceeds supply prices rise sharply as is the case in off-season or when there is an unexpected drop in supply due to calamities such as drought.

Promotion

Promotion or advertising is a deliberate effort by the seller to make known to potential customers existence of his/her cotton. The most common forms of advertising are through signposts, billboards, radio, TV, and in the newspapers. One should therefore strive to promote and advertise the products in the most appropriate way possible in order to boost sales and incomes.

Marketing channels

The key marketing channels include: middlemen, wholesalers, processors and retailers. The retailers deal mainly in small quantities while wholesalers and processors take cotton products in larger quantities. Most frequently they work through middlemen who buy in small quantities, bulk it and transport to the wholesalers or processors. The main people who rural farmers interact with are middlemen or produce traders who buy cotton produce at the farm or in local markets, bulk and sell to wholesalers in distant markets.



Session 4: Group marketing

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

1. Explain group marketing
2. State the advantages and disadvantages of group marketing
3. Identify key success factors in group marketing
4. Define role of marketing officer in a cooperative/ association

Time: 1 hrs

Methods: Lecture, field visit, discussions and presentations in plenary

Training materials: Flip Chart Paper, Marker Pens, Masking Tape, Handouts, Note Books, Pens

Procedure

1. Introduce the session and learning objectives

2. Give an interactive presentation on group/ cooperative marketing, advantages/ disadvantages, key success factors, and how members can organize themselves into a marketing group/ association and participant's group experiences.

3. Wrap up the session by emphasizing the key success factors initiating and sustaining collective marketing in groups (i.e. proper planning, mutual trust among members, commitment, able leadership, patience, etc).

4. The facilitator assists participants to develop a bulking and marketing plan as a follow-up activity.

Learning points on group marketing

What is group or Collective marketing?

This is when individuals or groups gather their produce together and market collectively. Collective marketing is one of the ways farmers increase the volume of their cotton through the bulking. By working collectively, farmers for example, can also improve the quality of their cotton products by growing the same variety, synchronizing the farming operations and collectively sorting and grading their cotton products. The groups can improve on post harvest handing through acquiring central storage facilities.

Advantages of collective marketing include:

- Bulking products in order to attract large-scale buyers
- Better bargaining power for higher prices
- Reduction of transactional costs (transport, drying, sorting, grading and packaging)
- Better access to marketing information and advisory services
- Improved quality of products due to timely and sequenced production
- Bulk purchase and transportation of inputs for subsequent production.

Challenges and constraints of collective marketing

These include:

- It may be difficult for group to agree on all crucial issues especially if there is mutual distrust among members
- Dishonesty and non-transparency especially on part of the marketing team may lead to conflicts
- Poor record keeping may lead to losses
- Requires safe collection and storage centers in accessible areas, which is not always possible in rural areas
- Thefts and losses can occur in poorly secured central facilities
- Good road infrastructure is required to attract large scale buyers to remote rural areas
- May require heavy capital investments if the group has to put up its own central

storage facilities, acquire other assets like moisture testers, sorting/grading facilities and vehicles for transport.

Key success factors

These include:

- Informed members with strong business insight
- Regular attendance at meetings and active participation in decision making
- Mutual trust among members with emphasis on ethics and integrity
- Democratically elected, dedicated and committed leadership
- Clear and enforceable bye-laws on corrupt and unaccountable leadership
- Clearly defined roles and responsibilities especially in relation to promotion and marketing of group products
- Existence of rural finance institutions from which to borrow additional capital funds to help finance the group's marketing operations
- Regular market research and pre-production planning
- Unimpeded access to marketing information
- Uniformity and high quality of group products (variety, size, color etc)
- Accessible and safe storage facilities with good road infrastructure
- Accurate record keeping
- Transparent and equitable distribution of benefits

Practical steps in initiating and sustaining collective marketing in groups

The following steps are crucial in promoting collective marketing in groups:

1. The group must put into place a marketing committee at the planning stage of the enterprise. Such a committee would be charged with the responsibility of accessing marketing information, carrying out market surveys, promoting the group products, carrying out actual marketing and ensuring equitable sharing of proceeds or benefits

2. GP assisted by a technical person such as trade development assistant should initiate confidence building meetings in groups in order to explain the advantages of collective marketing

3. The members must identify and agree on the type of collective marketing activity that they can undertake. They should start with simple tasks such as collective sorting, grading and bulking and expand to more complex activities later.

4. They should agree on a narrow range of products to start with for example collectively marketing a cottonseed.

5. They should decide what quantity each member will contribute, a central location for storage and how each member will deliver his/her share of the product. An executive committee member's place like the chairperson could be chosen.

6. The group should at this stage determine what collective activities would improve the safety and quality of the product. It should thereafter assign responsibility among members. Some members could take care of transporting the products to the collection point; others would take care of grading and sorting while others would ensure proper and secure storage. There should also be a group to identify potential buyers and negotiate prices.

7. At this stage the group would agree on the date for the 1st collective transaction to take place. It should be witnessed by a cross section of members (not necessarily the whole group).

8. Once the transaction has been successfully accomplished, the group needs to carefully work out the marketing costs that have been incurred. This may include; transportation, sorting and grading, storage, market dues, produce license etc.

9. Once these have been established the group should then work out how the proceeds should be equitably shared among members. The group may decide to retain part of the proceeds in order to facilitate future transactions.

10. When the 1st transaction is successful the group should immediately call a meeting to plan for the next transaction. At this meeting the group should also review difficulties met in the initial transaction and find remedies.

11. Where the 1st transaction has not been successful, there is even more urgency for a meeting to find out exactly what went wrong. The buyer(s) may not have turned up, they may have offered a much lower price than was negotiated or the produce could have got damaged during storage. The group thus needs to reassure members and plan better for the next transaction.

12. It is important for the group to note that it is not likely to attain instant success hence the need for patience and proper planning.

13. After the group has been performing well for some time it can now think of increasing the scale of operation, diversifying to new products, reaching new market outlet like wholesalers or even trying out value adding activities like processing and packaging.

Learning Points

What does or should a marketing officer in a FA do?

Role of marketing officer?

- Conduct market research including feedback from customers
- Develop marketing strategy and marketing plan for the Association
- Negotiate for marketing contracts including price, product standard, place of sell etc
- Maintain database of markets
- Coordinate promotion or advertizing
- Coordinate transportation of products to the market
- Liaise with customers on a regular basis to maintain good relations

Note: In most FA's in Zambia the role of the marketing officer is handled by the business manager.

Session 5: Operations management

Learning objectives

I. To assist FA's clarify their roles and support in the cotton supply chain

II. To introduce the trainees to the general principles and activities involved in operations management/ logistics

III. To help the trainees to conceptualize the cotton business, its processes, activities and interrelationships

IV. To help enhance the trainees capacity in the prioritization and organization of activities related to the cotton business

V. To help enhance trainee practical skills in operational management

Time: 3 hours

Method: brainstorming, lecture, group discussion, plenary

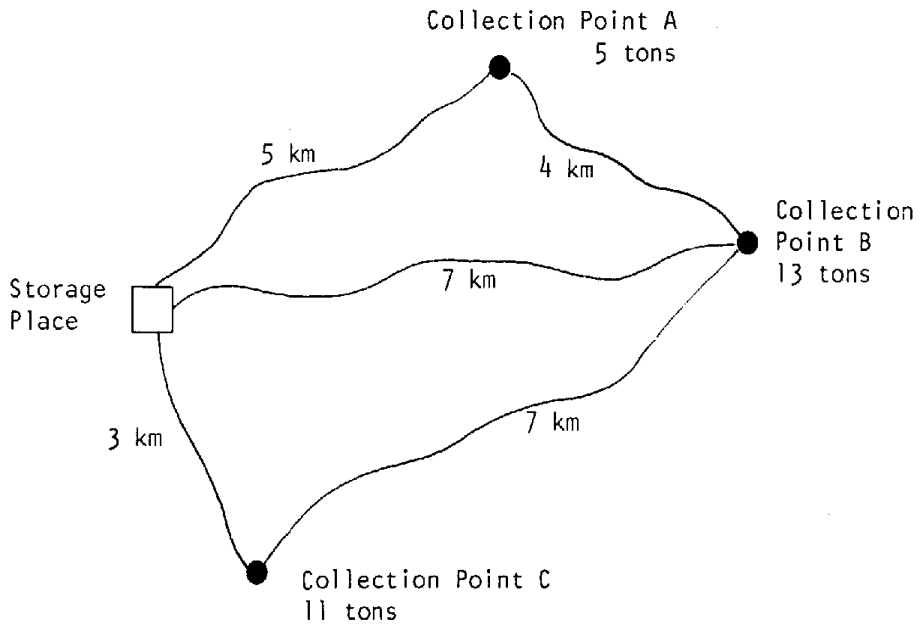
Training materials: flip card, cards, markers

Procedure:
1. Introduce the session and learning objectives
2. Participants brainstorm and define operations management and together with the facilitator agree on working definition of operations management
3. Participants break into groups and design strategy for supplying cotton to the market. This may include: roles and responsibilities of their cooperatives/ association and the services that members expect to receive from the cooperative. Discuss the major challenges that prevent cooperatives from delivering the services. schedule detailed tasks involved in cotton supply chain i.e., land preparation, planting, weeding, harvesting, packing, transport, weighing, grading & valuing, paying
4. Group presentations and plenary to review presentations and agree on schedule of cotton operations
5. Participants brainstorm on the procurement process for cotton: major concern, evaluation of alternative collection systems, organizing transport operations, testing; grading; weighing and packing cotton for the market, recording all necessary details, arranging to pay farmers.
6. Participants brainstorm and agree on working definition for logistics and transport management

7. Participants break into groups and undertake an exercise on organizing transport in their own location to collection cotton at different production points. Participants will be asked to discuss how the FA can contribute to better collective logistics and operations of members marketing of cotton.
8. Group presentation and discussion on logistics plan
9. Participants brainstorm on important cotton information management system and agree on important information that should be compiled by cooperative
10. Participants asked to develop a logistics plan to be submitted and reviewed during the follow-up workshop.

Group activities

Look at the following simplified map of a co-operative area. It has a central storage place and three collection points from which members' crops must be brought to the centre. How would you organize the transport, if you had one 10-ton truck and there were 5 tons to be collected from Point A, 13 tons from Point B and 11 tons from Point C?



Learning Points

What is operations management

Operation management is responsible for **planning**, **coordinating**, and **controlling** the resources needed to produce cooperatives products and services.

Operational management is concerned with a detailed analysis of a business' supply chain resulting into the identification of the various steps necessary to addressing business goals and objectives.

Planning and managing cooperative activities from the farm level to the end of the cooperatives role in the activities will ensure that all tasks are well coordinated.

Which activities need to be coordinated to ensure production of quality seed cotton?

1. Land preparation
• When will land preparation be done?
• Will the cooperative coordinate land preparation?
• Will the cooperative provide machinery/tractor?

2. Planting
• When will the planting be done?
• Are input required like seed or fertilizer be provided by the cooperatives?
• If the cooperative does not provide input then how will they ensure the farmer get the input and plant in time?

3. Weeding
• When is the weeding to be done?
• Who will coordinate weeding activities?

4. Harvesting
• Members do it.
• The cooperative does it.
• How is the quality monitored

5. Packing

• The members package the cotton
• The cooperative provides it
• Who provides the packaging materials?

6. Transport
• Members provide it themselves.
• The cooperative hires a contractor to provide it.
• The cooperatives provides it with its own vehicles.

7. Weighing and Valuing
• The members observe it
• The members rely entirely on the cooperative and do not observe it.

8. Paying
• Cash on delivery.
• Cash at a later date.
• Cheques at a later date.
• Who is responsible for making payments?

Procurement processes for cotton

The major concern of cotton procurement is the cost of getting the cotton from the farmers to the cooperative and eventually to the market.

This involves:
- the cost of alternative collection systems available to them and choose the most cost effective methods of procurement
- Organizing of transport operations
- weighing and packing cotton for the market
- Recording all necessary details
- Arranging to pay the farmers

Example
The different alternatives could be;
System A: One central collection point costing ZMK 5, 000 a year to run for the cooperative.
System B: Ten village collection points costing ZMK 1, 000 each to run for the cooperative.

With these two options it may be obvious that the cooperative will save money if system B is selected. However, it will be important to consider the cost that the members of the

cooperatives may have to incur in order to deliver cotton to the collection points. If the following costs were involved for the farmer while using the following systems;
System A: It will cost you ZMK. 20 to deliver your crops to the Central Collection Point.
System B: It will cost you only ZMK. 5 to deliver your crop to one of the Village Collection Points, because it is much nearer to your home.

In such cases the farmers would prefer system B because it is cheaper. The managers must therefore be able to determine the most cost effective system. In calculating the cheapest system the costs incurred by the co-operative society and by its members must be considered.

If there were 400 members in the cooperative and you had to make the decision between Systems A and B, how would you do it?

System A: Society's costs	ZMK 5,000
Members' costs 400 x ZMK20	8,000
Total	ZMK 13,000

System B: Society's costs 10 x ZMK 1,000	ZMK 10,000
Members' costs 400 x ZMK 5	2,000
Total	ZMK 12,000

System B costs the least in total, and is therefore the alternative you should choose. To be able to get the right solution the managers of the cooperatives know how much it cost the cooperative to run the collection point, how much it cost each member, to transport his crop to the collection point nearest to his farm.

The system of collecting produce from members is crucial to the success of a marketing cooperative. It involves transport operations but also testing, grading, weighing, packing, recording and arranging to pay the farmers. It is important to organize and sequence such steps as weighing, grading, testing and payment of members. The process should be organized in such a way that farmers take the shortest time possible while delivering cotton to the cooperative. The requirements for packaging should be well understood by the farmers and the right packaging equipment should be used. Should the cooperative require a standadised packaging container then all farmers should be supplied with the same and credit the farmers account.

Once the packaging questions are settled, you must decide exactly what has to be done at the receiving point, listing each operation and how long it takes. Critical issues involving the quality of the produce must also be considered during reception. Instructions and pre-determined standards should be established and the farmers must be aware of these requirements.

The option on which method to use for inspection is equally important. Visual inspection is quick, cheap and easy to understand, but it may be inaccurate since it is based on personal opinion which may be disputed. However, inspectors should be very knowledgeable and well trained.

Cotton should be carefully graded payments made to the farmers based on the quality of the crop they deliver to the cooperative. This also acts as a motivation to ensure farmers comply with the quality requirements. There are many different indicators of quality and a number of ways to measure each one. These may include:

- Appearance
- Moisture content
- Colour
- Proportion of impurities

All the features can be measured in at least two ways. One is simple, quick and inaccurate (visual inspection); the other is usually complex, slow and accurate. As co-operatives develop and improve the quality of what they sell, they often have to move from simple methods, involving only acceptance or rejection, to more complicated scientific methods, allowing a variety of standards.

Logistic and Transport Management

Transport organization for cooperatives may involve:
• transporting cotton from member farms to the cooperative
• transporting seeds, fertilizer and farm equipment from suppliers to the society's store
• transporting these supplies from the society's premises to the farms of members
• transporting staff

Some co-operatives may carry out all these services; others provide none. In case where the cooperative provides for transport then the option of either hiring or owning a motor vehicles should be considered. However, the pros and cons of hiring or owning a motor vehicle should be taken into account.

Regardless of the option chosen by the cooperative, the next task in managing transport logistic is vehicle scheduling. Poor management like can easily considerably increase the transport cost. Vehicle scheduling involves making the most effective use of the vehicles or means of transport available. Scheduling means that you:

- find out in advance what the transport needs are;
- balance the available transport against the needs;
- decide what tasks must be done at specific particular times, and what can be
- more flexibly timed;

- allocate the vehicles to the tasks;
- draw up a programme stating what vehicles are doing what, when;
- leave some flexibility for unexpected needs or problems;
- Monitor, maintain and (when necessary) modify the programme as it is implemented.

For effective scheduling it is necessary to have one person responsible for all these tasks. (It may be the manager himself, a staff member designated as transport supervisor or a special transport manager.) He will have to ascertain the transport needs and decide how each available means of transport is to be used, every day.

To facilitate the work of the transport supervisor, his colleagues in the co-operative should submit their requests to give him adequate preparation time. He can then lay out a more effective transport schedule.

Information Systems Management

Information is vital for planning, monitoring and evaluation. The cooperative should compile information regarding:
– Price Policy
– Relative profitability of the cooperative
– Employment pattern and potential of various cotton varieties
– Establishment of management standards or operational norms for various types and sizes of farmers.

Evaluation

Evaluation is carefully collecting and analyzing information in order to make decisions.
- A cooperative must evaluate its performance in relation to its objectives and understand the factors influencing the performance.

cooperative should be able to answer the following questions and where there are weaknesses adjustment are required.
1) Has the yield of cotton increased over time?
2) To what extent have members sold cotton to the cooperative?
3) Does this show an upward or downward trend?
4) How efficiently has the society marketed its produce?
a) What was the price received last year?
b) What is the price received this year?
c) How well does it compare with prices obtained by other societies?
5) What innovative practices were tried in the cooperative?

Section 6: Contracts and contract Negotiations

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

1. Define a contract, both formal and informal contracts
2. Explain the different components of a contract
3. Contract management
4. Understand the concept of contract negotiations

Time: 3 hrs

Methods: Lecture, discussions and presentations in plenary, sample contract presentation

Training materials: Flip Chart Paper, Marker Pens, Masking Tape, Handouts, Note Books, Pens

Procedure

1. Introduce the session and learning objectives

2. In a brainstorming session participants define contract and by consensus agree on a working definition

3. Participants brainstorm on definition of contract farming

4. Participants brainstorm on the components of a contract

5. Participants break into groups and discuss strategies of negotiating a good contract

6. Plenary on strategies of negotiating a good contract

7. Wrap up session by agreeing on key components of a contract and strategies for negotiating contracts. Facilitator to circulate sample contracts for participants to review.

Sample contract on the following: http://www.fao.org/ag/ags/contract-farming/en/

Learning points:

What is a contract?

A business contract is a legally binding agreement between two or more parties for an exchange of goods and or services that are of value. For a contract to be valid, an offer must be made and accepted.

Using a contract in business dealings helps ensure an agreement is acted on, insofar as a broken contract could result in a lawsuit or out-of-court settlement and the payment of damages caused by the breach. The best way to avoid a dispute or potential litigation, however, is to craft a solid agreement in which you're confident you've negotiated the best terms for your business.

A business contract is often used for:

- Hiring of employees or contractors
- Buying or providing services or goods (transport, commodities)
- Leases and real estate (storage,)

Contracts may be either "formal" or "informal." Formal contracts are those that are under seal or record i.e., acknowledgement of debt entered on the records of a court, and contracts in writing and under seal (all contracts under seal are written).

Informal or simple contracts include all contracts not under seal or of record. They may be in writing or oral. The main difficulty with oral contracts arises when it is found necessary to prove their existence.

Basic components of a business contract

- ✓ Agreement offer and acceptance
- ✓ Terms of contract or consideration i.e., price, terms, warrantee
- ✓ Rights and obligations for either party i.e., seller, buyer
- ✓ Validity period
- ✓ Force Majeure – may free both parties of liability in the unlikely event of an extraordinary occurrence
- ✓ Arbitration
- ✓ Signature and witness

Basic components of a simple contract to pay money

- ✓ Date
- ✓ Terms i.e., thirty days after date I promise to pay Mr. Mulenga K500, 000 for supply of cotton tubers.
- ✓ Signed: Mr. Mofya

What is contract farming?

Contract Farming is a system for the production and supply of produce (cotton) by farmers/primary producers under advance contracts, the essence of such arrangements being a commitment to provide an agricultural commodity of a type, at a specified time, price, and in specified quantity to a known buyer.

The success of the contracts depend very much on three major factors namely its effectiveness, ability to withstand obstacles in the competitive market and the competitiveness of those who run this business. However, Well-managed contract farming is an effective way to coordinate and promote production and marketing of cotton.

The contracts could be of three types;

(i) procurement contracts under which only sale and purchase conditions are specified;

(ii) partial contracts wherein only some of the inputs are supplied by the contracting firm and produce is bought at pre-agreed prices; and

(iii) Total contracts under which the contracting firm supplies and manages all the inputs on the farm and the farmer becomes just a supplier of land and labor. The cotton cooperative society must therefore be able to determine the types of contract that best meet their needs.

Both parties to the contract would prefer to only take care of their interest for different reasons, however, contacts must be negotiated and an agreement made between the cotton cooperative and the service provider/firm. Therefore it is not only important for the cooperative managers to completely understand what is expected of them when planning, requesting, receiving, evaluating and awarding contracts but also to be able to make informed decisions for the benefit of the cooperative during negotiation.

The potential advantages of contract farming for the smallholder cotton farmers can include:

- Better access to sources of extension advice, mechanization, seeds, fertilizers and credit, and to guaranteed and profitable markets for their produce
- Increased access to new market opportunities and services required to support intensification, diversification and commercialization.
- Higher productivity and increased awareness about improved farming methods, quality, consumer preferences, and health and safety standards.
- Awareness and adoption of a business and commercial approach to farming.
- Awareness of the need for collective efforts for their common good and promotion of group and farmer association development.
- Household spillover effects that can include increased income as a result of the adoption of improved husbandry methods in the production of food crops.
- Regional spillover effects associated with the improvement in services in the areas where contract farming is prevalent.

With respect to the contracting agri-business, the main potential advantage is the guaranteed and reliable supply of the required quality and quantity of produce as opposed to relying on unreliable open-market spot purchases.

What is contract negotiation?

A contract negotiation is a discussion that has the primary goal to come to a written agreement concerning a business matter. It is agreed upon before work / services commence. Contract negotiation includes issues such as:

- Cost
- Timeframe
- Special considerations
- Incentives/ penalties

Objectives of contract negotiations:

- Explain clearly all essential prerequisites, terms and conditions
- Goods or services to be provided and unquestionable defined
- Compensation must be clearly stated: total cost, payment schedule, financing terms etc
- Acknowledgement of: effective dates, completion/ termination dates, renewal dates
- Identify and address potential risks and liabilities
- Define and set reasonable expectations for the relationship currently and into the future

Key strategies on contract negotiation

- ✓ List rank priorities along with alternatives – you might refer to least important items if you have to give up something to get your top items
- ✓ Know the difference between what you need and what you want –
- ✓ Know your bottom line – if you fail to agree you terminate negotiations
- ✓ Define any time constraints and benchmarks – negotiate fairy and equitable penalty when not met
- ✓ Assess potential liabilities and risks – i.e., unforeseen costs, government regulations, unfavorable weather, confidentiality etc
- ✓ Determine if you need legal counsel

Sample Contract: Zambia Seed Cotton Production Contract

This agreement is made ... (date) between.... (Distributor's name) (Hereinafter called the distributor) of the one part and..... (Producer's name) in..... village.... in the district of.... Province of the Republic of Zambia (hereinafter called the producer) whose next of kin is.... (name of next of kin).

Here as:
The Distributor has various farming inputs supplied solely by (name of the company) relevant to the growing of Seed Cotton.

The Producer has land suitable for the cultivation and growing of Seed Cotton but requires inputs to cultivate and grow the said Seed Cotton.

The Distributor is willing to supply the Producer with all of the necessary direct inputs and in addition the provision of Harvesting Materials, the delivery of Seed Cotton from point of sale to the ginnery and market access for the crop (including payment in cases within two (2) weeks of the week of purchase of the Seed Cotton).

The Producer is willing to plant, care for and harvest Seed Cotton under this Production Agreement on behalf of the Distributor the terms and conditions set out hereunder at the Producer's own risk.

The definition of Producer and Distributor shall in both cases include their successors in Title.

The parties agree as follows:
1. Definitions
In this Agreement unless the context requires otherwise the following words shall mean:
"Seed Cotton" harvested white bolls produced by the cotton plant, which bolls are ginned to produce cotton lint and cotton seed.

"Inputs" include but are not limited to planting seed, pesticides, foliar, fertilizers, buffers and sprayers.

"Harvesting Materials" include but not limited to picking bags, woolpacks, (on a refundable deposit and which woolpacks remain in sole property of (name of the company) and sewing twine.

2. Production of Seed Cotton
2.1 The Distributor hereby agrees to supply the Producer with the indicated inputs

referred in to the schedule below (subject to reasonability) at an agreed value and the Producer in exchange agreed to accept the Inputs referred to in the said schedule and to plant, manage and harvest all of the said Seed Cotton produced from the Inputs on behalf of the Distributor at his own.

Description	**Code**	**Quantity**	**Unit cost**	**Total Value**
Planting seeds				
Chemicals				
Sprayers				
……..				

2.2 The Distributor agrees that the Inputs to be provided to the Producer will be sufficient to ensure that the producer is able to produce and harvest the projected quantities of Seed Cotton.

3. Exclusivity

3.1 The Producer agrees and undertakes that once he/she executes this Agreement he/she shall not under any circumstances execute any parallel or the other similar agreement with, nor take Seed Cotton production Inputs on credit from any other distributor, inputs supplier or buyer of Seed Cotton or any other person whatsoever relating to the production of Seed Cotton.

3.2 After execution of this Agreement the Producer further agrees and undertakes not to carry out any production of Seed Cotton on behalf of any other person or entity on whatever terms or to sell, deliver or in anyway use to repay credit any Seed Cotton produced from the Inputs supplied under this Agreement to any person or entity except the Distributor.

4. Duties and Responsibilities of the Producer

The Producer agrees and accepts that the following shall form part of his/her duties:

4.1 To plant the agreed number of Hectares and to thin, gap fill, weed, cultivate, spray, pick, grade and to do all things and take all steps as are deemed necessary to produce, safeguard and harvest all of the said Seed Cotton.

4.2 To allow the Distributor or his/her duly appointed agent or nominee, reasonable access to inspect the said Seed Cotton whenever the Distributor requires to do so.

4.3 To prevent any other person, whether or not they may have an interest in the land on which the Seed Cotton is planted, from interfering with the production process.

4.4 To ensure that as soon as practicable after harvest the said Seed Cotton is promptly packaged into wool packs bearing XXX Limited mark or any other distinguishing mark prescribed by the Distributor and thereby clearly identifiable from harvest belonging to any other entity or person and to deliver the same total production quantity to the Distributor.

5. Duties and Responsibilities of the Distributor

5.1 The Distributor agrees to organize the supply of Harvesting Materials

5.2 The Distributor agrees to arrange the purchasing of the Seed Cotton crop either by himself/herself or by any other buyer so appointed by the Distributor, under the terms of the Distributor's Agreement with (name of the company).

5.3 The Distributor agrees to arrange the payment of the Producer in cash within two (2) weeks of the week of purchase of the Seed Cotton at a price not less than the pre-planting price (or the announced pre-harvest price, if higher) for the entire Seed Cotton crop less the agreed value of the inputs supplied, which shall be deducted from the first deliveries of the Seed Cotton to the Distributor.

6. Security

The parties agree that the Distributor at all times retains full rights to the Seed Cotton produced by the Producer at all times during the subsistence of this Agreement and that the same shall form part of the Distributor's security to cover the Inputs supplied to the Producer.

7. Termination

The parties agree that either party may terminate the Agreement by giving one month written notice to the other party of its intention to terminate. Provided that if the producer terminates after he/she received Inputs he/she shall be bound to deliver Seed Cotton to the Distributor in terms of clause 4.1 above.

8. Assignment of rights and obligations under this Agreement.

The parties hereto agree that the Distributor may at any time assign his/her rights and obligations under this Agreement to (name of the company), which reserves the right to enforce this Agreement as if it were the Distributor.

9. Variations

The parties agree that this Agreement may be amended and varied at any time by agreement of the parties provided that such variation is in writing.

10. Producer's Warranties

10.1 The producer warrants as follows:

10.1.1 That he/she has authority and control over the land intended to be used to plant and care for the Cotton Seed and other inputs supplied by the Distributor.

10.1.2 That he/she possesses the necessary skills to farm the supplied Cotton Seed and Inputs.

10.1.3 That he/she will deliver the entire crop harvested to the Distributor.

10.1.4 That in the event that the entire crop produced not being sufficient to

discharge the liability of the value of Inputs supplied, the Producer shall repay the Distributor any shortfalls.

11. Force Majeure

The parties have agreed that no party shall be liable for any failure to perform its obligations under this Agreement where such failure is as a result of Acts of God (including fire, flood, earthquake and other natural disaster).

As WITNESS the hands of the parties hereto or their duly authorized agents the day and year first before written.

Signed by ..... (Distributor)	Signed by ..... (Producer)
In the presence of	In the presence of
Witness	Witness ....
Address:	Address:

Session 7: Human Resource Management

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

1. Define Human Management
2. Identify human Resource needs of the Association
3. Understand the local laws relating to Employment
4. Develop own organization chart
5. Develop administrative manual to be reviewed during follow up workshop

Time: 3 hrs
Methods: Lecture, plenary presentations and discussions
Procedure

1. Introduce session and learning objectives

2. Through brainstorming, participants discuss what human resource management is; what functions of management are and types of local laws relating to employment they are familiar with. The facilitator records the responses on a flip chart paper.

3. The Facilitator basing on the contributions from participants explains what human resource is; list management functions and the current local laws relating to employment.

4. After wrapping up the session, the facilitator will assign participants to develop an administrative manual for their association for review during follow-up workshop.

Learning points

Introduction-Human Resource Management

Present day association operations are becoming more and more business oriented than they were traditionally. Being a good producer is no longer good enough to remain in business. The key to become a successful farmer association today is to be a good producer/marketer as well as a good manager. Most farmer associations in Zambia are managed by the board though there is a shift to engaging professional business managers to oversee day to day business operations.

The farmer association must decide on what to produce, how to produce it and how to utilize the produce as well as the amount of resources that should be allocated to each of these stages. The three basic factors of production; land, labor and capital, cannot result in production/marketing of any product on their own unless they are organized. Farm Management and planning coordinates the use of the three factors. Hence management is basically not an input. It provides decisions on what to produce with the three factors, how much of each to use in production, when to use them and how to distribute what is produced between consumption, sale and storage.

In order to know the types of management program suitable for your operation, it is important to identify your needs, based on what your goals and plans are for your farm business. One of the most important tools for successful whole farm management is the business plan.

Farmer Association management is a decision-making process which coordinates the factors of production to produce desired output. The functions of management include;

i. **Planning;** Planning is the establishment of organizational goals and a strategy for accomplishment. Plans that are made may be concerned about short, medium or long term goals. Setting goals as well as devising workable strategy for its attainment are important attributes of good management.
ii. **Organizing:** Organizing depends heavily on the coordinated efforts of an entire farm. Management directs the operations to achieve desired goal through motivation. Management seeks to obtain a high level of production from employees through motivation and proper guidance by maintaining a high level cooperation.
iii. **Directing and controlling**: The control function deals with the supervision of the achievement of goals and compares actual results with those envisaged in the plans and the actual performances in past periods.

Definition of Human Resource Management

Human resource management is defined as a process of effectively and efficiently applying human labour on to the organisations' work. For farmer association human resource management issues are usually handled by the board.

Human Resource Needs

The human resources needs can be as diverse as the varied industries they help support. One board may place emphasis on streamlining the hiring process, while another may regard this as much less important as establishing effective routes of communication for complaints and praise.

Without question, each type of organization has its own unique set of HR issues to be addressed. However, certain areas of need appear to be quite universal. They include:

A. Recruiting and retaining top talent

   The board of the farmer association has to ensure that people with the right mix of skill and qualification are recruited to spearhead the business interests of the association.

B. Orientation of new employee

   Orientation of new employees is the task of the board of the association .The board should therefore, design an orientation program for new employees to enable them adjust to the work culture of the association.

C. Conditions of employment

   Conditions of employment should include the following;

   1. Type of employment; contract, temporally or permanent employment
   2. Remuneration; benefits, allowances, salary advance, bonuses ,end of service pay etc
   3. Work terms
      a. Work day
      b. Holiday
   4. Leave
      a. Utilization of leave
      b. Maternity leave etc

5. Terms and Grounds for termination

D. Disciplinary process

The HR /administrative manual should have clearly outlined procedures for handling disciplinary cases like absenteeism, assaulting a superior ,fraud etc

Local Laws Relating to Employment

- **Minimum Wage**

The minimum wage in Zambia is K419, 000 per month as stipulated under the provisions of section 3 of the Minimum Wages and conditions of Employment Act Cap 276 of the Laws of Zambia.

- **Employment policy**

The Association should draw up an employment policy to show how labour at all levels will be managed. This should be in line with stipulations of the Employment Act CAP 268 of the laws of Zambia.

The policy on labour force at board should:

1. Recognizing the AGM to be the supreme policy-making body of Association.
2. Will state number of elective positions for Board members.
3. The Board shall show positions of sub Committees in Association.
4. Show position of how board members participate in necessary Association activities.
5. Show roles and responsibilities of Board.

The labour policy at Employee level should show how:

1. Recruitments will be done.
2. Whether those employed will be on consultancy, contract or permanent.
3. If they will be either on contract or permanent, how long their probation period will be.
4. How those who successfully complete their probation will be confirmed.
5. Whether there will be need for medical examination for those who are employed.
6. Whether or not there will be need to show acceptance of employment by employees.

7. If employed by contract how often contracts will be renewed.
8. Entitlements and remuneration of consultancy.
9. How employed staff will be appraised and be promoted or appreciated.
10. How staff will be salaried and have their salary scales raised.
11. What will happen to unsatisfactory service
12. Whether there will be salary advances or not.
13. Whether or not there will be statutory deductions or not.

The Organization Chart

The aim of the organization Chart is to provide a snapshot of the organization at a given point in time. Refer to Annex A attached.

Within the Association plan you should consider:

- Who are the *key people* in your business? How experienced, skilled, educated and trained are they? Keep records of their curriculum vitae and training attended
- What are your needs? How many will you need? What skills are necessary and how much will you pay them?
- What are your needs for *advice and training* from professionals outside of your business?
- What are the main *strengths and weaknesses* in your people team? Present your strategy to build on their strengths and overcome their weaknesses within a clearly defined time frame e.g. through training recruitment of new employees, hire outside advisors etc.
- Who are the *board of directors* (if any)? How often should they meet and what should be their key tasks?

Calculate the *expected costs for labour* and indicate whether the salary and other benefits you give your staff are competitive.

Session 8: The Business Plan

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

1. To understand the basis of business planning, its objectives, how to develop a business plan and appreciate its importance
2. Understand the basic principles in business planning and its role in the management of producer groups and /or cooperatives
3. Acquire business skills to run the cooperative or farmer organization successfully
4. Define business planning
5. Explain the importance of business planning
6. List and explain the key components of a business plan
7. Be able to prepare business plans for their enterprises

Time: 3 hrs

Methods: Lecture, group discussions,

Training Materials: Flip Chart Paper, Marker Pens, Masking Tape, Scripts of the exercises

Procedure:

1. Introduce the session and learning objectives
2. Participants brainstorm and define a business plan and its importance. Using participants contributions, agree on a working definition of a business plan and its importance
3. Facilitator introduces a sample of a business plan format and participants are advised to think through the format for latter discussion.
4. The Facilitator explains key aspects of business planning which include the following:
    - Executive Summary
    - Defining the business idea
    - Marketing plan
    - Form of business
    - Staffing
    - Legal responsibilities and insurance
    - Costing
    - Financial planning
    - Required startup capital

- Sources of startup capital

5. In four groups, participants critically analyze a farmer association and come up with a business plan. Focus should be on the key aspects of business planning discussed in no.3 above. **(Note to facilitator: Ensure that each group should have a chairperson and a secretary to write the group deliberations on flip chart paper)**
6. Invite groups to make the presentation to the plenary for discussions. The facilitator guides the discussion ensuring that the key elements of a business plan are all included.
7. Wrap up the session by emphasizing the importance of making a business plan as a guide to a successful business /association.
8. Associations to develop bankable business plans to be reviewed during follow up workshop

Learning points

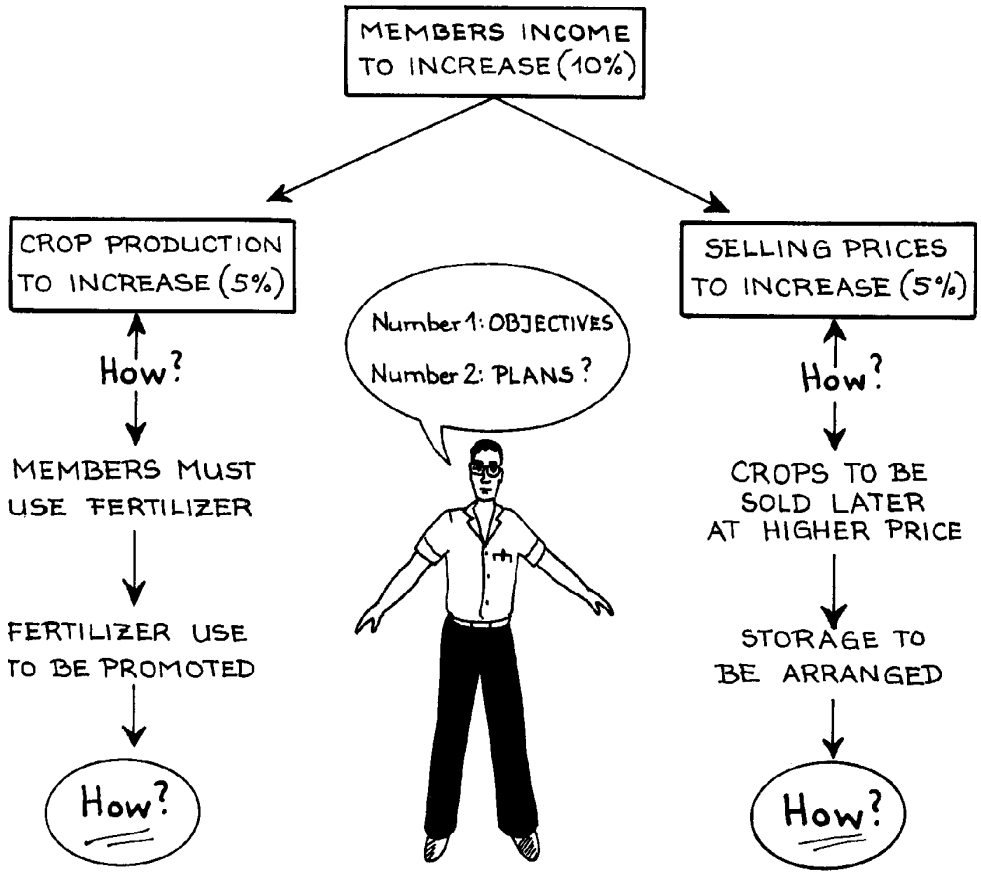
What is Business Planning?

Business planning involves preparing and organizing all resources (human and material), which are required to run the business. It ensures that time and resources are optimally utilized and costs are minimized. A business plan helps to:

- Decide if you should start a Cotton business or not
- Organizes ideas so that the Cotton business is run in the best way
- Present Cotton business idea to a lending institution such as a bank to get a loan for the business

Today, there is an increasing need to help farmers and farmer organizations to become more effective managers of agricultural enterprises. Careful planning is often critical to the success of a business in every sector of the economy. However, the farming sector is often seen as lagging behind in the application of the modern management and planning techniques that create sound business enterprises. This is mainly due to a shortage of the necessary skills and knowledge that would help in the planning process.

Planning outlines where your organization/ business wants to be at some determined time in the future and defines how you intend to get there. A plan is usually a concise summary of activities surrounding the creation and expansion of the business. It describes the product or service, customers, competition, production and marketing plans, management, financing and anything else relating to the product or service that the business will provide.



Group activities

Members to discuss what they understand by the term planning and elaborate on the importance of planning in a cooperative society.

Understanding the business planning process

1 Record keeping

The first and most important step in taking control of the Association is to keep good and accurate records. No business plan can succeed without proper records of business activities. Effective record keeping will help you in preparing your plan and when monitoring its implementation.

It is important to record the following in the cooperative:

i. ***All your incomes and costs*** each day so they may be summarized by week, month and year. By comparing your annual income to you annual

cost you can determine whether you have made a profit or a loss over the year.

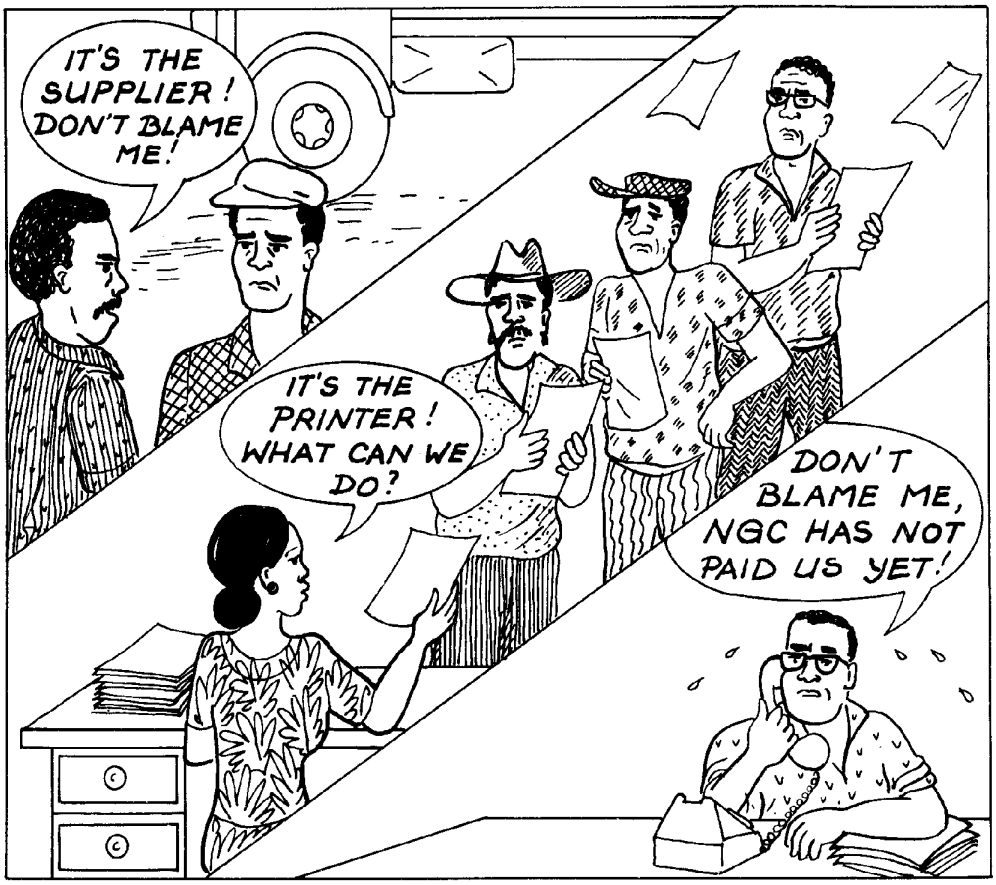
ii. ***Sales prices*** *received* for products each day and so a graph can be prepared on prices for specific crops throughout the year and so enabling you to prepare produce for market when the best prices are likely and to negotiate better with buyers

iii. ***Yields obtained and total sales*** (by volume and price) for specific products in order to enable you to compare with previous years and make a forecast for future years

iv. ***Applications made*** such as fertilizers, chemicals, water or machinery (type and usage time), in order to compare costs of applications against increased (or decreased) yields and quality (such as measurement of pesticide application)

Group activities; Describe the monitoring and record keeping system for your association. What other activities do you need to record? What kind of records do they feel are necessary during preparation of the business plan?

The Business Plan food graphic and message!



A good business plan should generally have the following;

(a)Executive summary

The executive summary contains a concise review of all the major aspects in the business plan. In particular it should give insights into the product or the service along with benefits to the customer, the pertinent markets, management competence and investment requirements with potential returns.

It highlights the key elements of the cooperative;

- Brief history of the business

- A description of the product/s/ activities/services
- Market
- Marketing strategies
- An assessment of the competition
- Operations strategy
- Financial needs and projections
- Critical risks and analysis

This should enable the reader to understand the business at a glance. A cotton cooperative's business plan should for instance consider the target recipient and customize the summary to reflect or blow up the key areas as per the client.

(b)Business idea

A business idea is a short and precise description of the basic operations of the business. It can include:

- ✓ ***What cotton product the business will sell***
- ✓ ***Who the business is going to sell to i.e., Association, traders, ginners etc***
- ✓ ***How the business is going to sell its Cotton products***
- ✓ ***Which need the business will fulfill for the customers***

(C)Market planning

Marketing is everything you do to find out who your customers are and what they need and want. It is how to satisfy them while making a profit by:

- Providing the product or services they need
- Setting prices that they are willing to pay
- Getting products or services to them
- Informing and attracting them to buy the products and services

You learn more about the customers and competitors through market research. Information from market research is used to make a marketing plan following the four Ps of marketing namely: Product, Price, Place and Promotion.

Market opportunities to a large extend determines and influences business success and as an area would require a careful consideration by cotton cooperatives. The spirit of the cooperative is most likely determined by the extent to which the businesses are able to access high value markets translating into high incomes and profits.

In designing a business plan key marketing aspects to be considered by the cooperative include;

1. the customers
2. the competition
3. the pricing
4. promotional and distribution strategies

(d) Form of business

Define the form of business that you operate. There are different forms of business i.e., sole proprietor, partnership, limited company, and cooperative. A cooperative is formed by a number of people who decide to work together for a common purpose. Cooperatives are guided by a constitution that defines how the organization will be governed.

(e) Staffing

When you hire staff in a business it is important to describe exactly what skills are required. Unskilled workers may be suitable for some jobs, but other jobs require staff with special skills. Sometimes family members can be hired as staff but they need to have the needed skills to run the business.

(f) Legal Responsibilities and Insurance

Any business has legal responsibilities. These responsibilities include: paying taxes, obeying regulations regarding employees, getting licenses and permits, following lease and other contractual agreements.

There are always risks involved in running businesses.

Risks in business can be offset through insurance. Insurance covers include:

- ✓ Property, such as machines, stock and vehicles can be insured against theft
- ✓ Property can be insured against damage caused by fire or accidents
- ✓ Employees can be insured against accidents and medical expenses

(g) Costing

The business needs to know the costs to be met before anything can be produced (fixed costs). These may include: cost of land, buildings and cost of initial inputs. A business intending to start a poultry enterprise for example will have to construct a poultry house, it has to purchase feed/ water troughs. Once the business has established the fixed costs, the business also needs to compute the running or operating costs (variable costs). For a

poultry enterprise these will include: costs of feed, vaccines, kerosene for lighting, veterinary drugs, labor, transport to the market and market dues. As with any business cost estimates must be realistic and kept to a minimum.

(h) Financial planning

Finance is a scarce resource yet vital factor of production that a cotton cooperative should put into consideration.
Under this the cooperative must consider;

1. The required financial resources sufficient to support the business for a given period of time
2. The available financial resources
3. Sources of the deficient financial resources and the costs

Before the business starts you plan for both profit and cash flow. When the business starts sales, costs and cash flow are followed up closely to make sure that everything is going according to plan. If anything goes wrong action is taken to sort out the problem immediately.

Sales and Cost Plan

Details	Jan	Feb	Mar	Apr	May	Jun
Sales	1,500	1,400	7,400	10,800	13,500	13,500
Direct materials costs	2,000	6,000	6,500	8,700	8,700	8,700
Direct labor	900	900	900	900	900	900
Gross Profit	(1,400)	(2,500)	0	1,200	3,900	3,900
Indirect cost	3,000	2,300	2,300	2,300	2,300	2,300

Net Profit	(4,400)	(4,800)	(2,300)	(1,100)	1,600	1,600

CASH FLOW PLAN

-	Jan	Feb	Mar	Apr	May	Jun
1. Cash at start of the month	21,500	10,900	6,400	4,400	2,600	3,500
2. Cash in from sales	1,500	1,400	7,400	10,800	13,500	13,500
3. Any other cash	12,000	-	-	-	-	-
4. TOTAL CASH IN	35,000	15,300	13,800	15,200	16,100	17,000
5. Cash out for direct material costs	2,000	6,000	6,500	8,700	8,700	8,700
6. Cash out for	900	900	900	900	900	900
7. Cash out for indirect costs	3,000	2,300	2,300	2,300	2,300	2,300
8. Cash out for investment in equipment	13,500	-	-	-	-	-
9. Loan repayment	-	-	-	1,000	1,000	1,000

10. Any other cash out	5,000					
11. TOTAL CASH OUT	24,100	8,900	9,400	12,600	12,600	12,600
12. CASH AT END OF THE MONTH	10,900	6,400	4,400	2,600	3,500	4,400

Note: Facilitator to develop sales and cost plan with respective association members using above format.

(i) Required startup capital

Startup capital is the money needed to start the business. Startup capital is needed for:

- Capital investment
- Working capital i.e., purchase of cotton seed, transport etc (may vary depending on type of cotton association)

A capital investment is an asset for the business that has high value and lasts for a long time. Capital investments can be business premises and/ or equipment.

Working capital is money you need to pay for expenses. Because the business needs money from the start it is included in the amount of startup capital. The amount of working capital depends on how long it will take before money starts coming in from sales and how much stock is needed.

(j)Types and sources of startup capital

The most important sources of startup capital are:

- ✓ Owner's equity – owners contribution
- ✓ Loans - loans
- ✓ Grants – allowance given to support small business

Poor Business planning can lead to failure of the cooperative to perform its functions