



Building Local Networks for Integrated Agribusiness Development

Learning Module Series

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This learning module series is based on ICRA's 30+ years of knowledge and expertise on functional capacity strengthening in agriculture and is produced by ICRA within the framework of the 2SCALE programme during 2012–2017. 2SCALE – "Toward Sustainable Clusters in Agribusiness through Learning in Entrepreneurship" – is implemented by a consortium of IFDC, BoPinc and ICRA and funded by the Dutch government (www.2scale.org).

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Module 13: Developing a business plan

Foreword

This module is related to Module 5 on Economic analysis. To develop competitive businesses, different dimensions of economic analysis are critical for the stakeholders to master. These run alongside strengthening of relationships and other soft skills. Profitability of the business is important and will support the development of sustainable partnerships between cluster actors. This module brings together economic and financial figures (refer to Module 5) that should allow actors to evaluate the feasibility and profitability of a business idea or enterprise and to make decisions for their subsequent development. In contrast to most previous modules, this one addresses a challenge faced generally by individual actors (or organisations) and not by the agribusiness cluster as a whole. This module was developed to support cluster actors (including often the champion) in developing a business plan to persuade partners (banks and the Micro-Finance Institutions in particular) to invest in their business. Although this challenge functions mostly at the 'individual' actor level, it also plays at the level of the cluster as the success of everybody also depends on the performances of each member of the group.

A business plan is a prospective document, based on economic and financial figures, established by one enterprise for diverse reasons, amongst which:

- Checking the profitability/ feasibility of a business idea.
- Supporting communication with potential or actual partners (especially financial partners; one often speaks of a 'bankable business plan'). In this sense it is complementing the Marketing and the 'Building business relationships' modules.
- Using a business plan as a tool in itself: not only does it allow for making an initial decision ('yes, I'll do it', or 'no, I won't') but also constitutes an interesting piloting tool afterwards.

With this module, coaches can support actors to develop a business plan for the goals that makes sense in their context.

About this module

Learning objectives

At the end of the workshop, the participants will be able to support Agribusiness Cluster (ABC) actors to make a business plan. In particular, the participants will be able to:

- Identify for whom, in what circumstances, and for what purpose to develop a business plan;
- List the components of a business plan and to develop it according to specific objectives;
- Support an entrepreneur in mobilising relevant information to be able to develop a business plan, and to assess correctly the risks and issues linked to the related business.

Proposed outline of the sessions

This learning module comprises 6 sessions. These provide the participants not only with general information and know-how on developing a business plan. They also aim to strengthen their capacity to raise and address the critical issues faced by local actors in developing a realistic and operational business plan, which is useful for the management of their business. Session 0 introduces the topic through a review of essential concepts of economic analysis and business plans. Session 1 gives the participants a general picture of the context and process for developing a good business plan. Session 2 provides participants with the practical know-how. Session 3 allows participants to identify and analyse some critical issues that they may face during the development of a business plan. Lastly, Session 4 is used by participants to prepare the field work. A short evaluation of the workshop by the participants (Session 5) ends the module.

Session title	Session activities	Time involved
Session 0: Introduction	Introductory activities Introductory brainstorm and reflection	Up to 2 hours depending on whether participants have met before or not.
Session 1: The importance of making a business plan and for whom	Exchange in pairs Plenary presentation Plenary discussion	About 1 hour
Session 2: Developing a business plan	Plenary round of experiences Group exercise Plenary presentation and discussion Group Exercise 1: Formulating financial statements for a soybean processing enterprise Plenary discussions Final plenary round and wrap-up	About 4½ hours
Session 3: Possible issues affecting enterprise performance	Plenary round & discussion Group exercise Plenary discussion	About 2 hours
Session 4: Preparing the field work (TORs)	Plenary reflection of the module Individual session to develop TORs	About 2 hours
Session 5: Workshop/	Final assessment exercises	About 2 hours

Module assessment	Plenary conclusion	
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Session 0: Introduction

Introduction

In this short introductory session we come back to some concepts already introduced in Module 7 (Marketing), such as trade, marketing and business. This will demonstrate that developing a business plan is clearly associated to planning and forecasting of business activities.

Learning objectives

At the end of this session the participants will be able to:

- Understand the difference between trade, marketing and business
- Understand the 'forecast' dimension of a business plan, and to take account of its implications

Procedure

List of tools/equipment required

- Flip chart, markers
- Coloured meta cards (5 colours)

Depending on the situation, this session consists of the following aspects:

- 1. Facilitator welcome to the participants:** Provide information on accommodation, the workshop programme, training tools, directions, etc.
- 2. Round of participant introductions:** Ask the participants to introduce themselves and present their expectations. Ask them to mention their name, affiliation, position within their organisation and/or Business Support Service (BSS), their experience in coaching, and whether they have ever made a Business Plan before.
- 3. Participant expectations and concerns on cards:** Ask participants to write down their expectations and concerns on two differently coloured cards, to be referred to in the next point. Summarise the expectations and challenges of participants on a flipchart sheet. In the evaluation session of the workshop these will be looked at again.
- 4. Facilitator explanation of workshop objectives and programme:** Explain the learning objectives and the themes that will be covered during the workshop. Present an overview of the training content as well as the methodology of the workshop,

emphasising its iterative character and its active participatory and collective learning approach.

- 5. Plenary brainstorm:** Start the introduction to content with a short review to get a sense of the participants' understanding of the distinction between business, trade and marketing. Give each participant 3 cards of different colours and ask them to use 1 colour for their definition of each concept.
- Post the cards on a big sheet with 3 columns. End this review with a short synthesis on the three concepts.

Advice for the facilitator

If participants have not been involved in the 'marketing module', give them a definition of the three concepts, as a conclusion (see Module 7).

The objective is to make clear that we are not speaking only of selling or buying, but of:

- the 'forecasted' profitability of a whole activity, which depends on a lot of factors, and the risks;
- the financial feasibility of the enterprise, especially in terms of financial management: how to get the necessary money **on time** to be able to implement the activities.

- 6. Plenary discussion:** Organise a short reflection on the planning/forecast dimension. What words do the participants associate with 'planning'? What are the implications of these words?

Advice for the facilitator

- Possible words linked to planning are: future, organise, forecast, prepare, research..
- Make clear during the discussion that planning implies making hypotheses. Discuss about the hypotheses (level of prices, yield). Take potential risks into account.

Session 1: The importance of making a business plan and for whom

Introduction

The format of the business plan may slightly vary with its main purpose, but also depends on the profile of the enterprise. This means there is no unique model of a business plan. Nevertheless, in this session, we will work with a so-called '**framework document**' (see reference sheet 13/2), in which the different sections will be more or less covered, depending on the specific business context.

Learning objectives

At the end of this session the participants will be able to:

- Understand the different possible uses of a business plan
- Explain to an entrepreneur why the format of a business plan has to be specific and how to adapt the general format to specific needs

Procedure

List of tools/equipment required

- Flip chart, markers
- Prepare ahead of time: Make the table below on a sheet of flip chart.

1. **Exchange in pairs:** Start the session with an exchange of experiences with participants discussing in pairs. Ask each participant to first take 5 minutes to reflect alone on a situation they know about in which a business plan was developed, considering the following questions:
 - Whose business plan was it?
 - Who developed it? (the actors themselves or a support service, or other origin)
 - In what circumstances?
 - For what purpose?
 - What was the result/ use of the plan?

Ask the pairs then to exchange their experiences, and to then choose one of the two cases and present it in a plenary session.

2. **Plenary presentation:** Each group presents one of their cases. While one of each pair presents, ask the other one to fill in one row of the table shown below, presented on a big sheet on the wall.

Case	BP of... (Name of organisation)	Purpose of BP	At what stage of the business implementation	Who developed the BP? (with support of...)	Result / Actual use

3. **Plenary discussion:** Organise a discussion on the basis of the following questions:
- Whose business plan are we talking about? Are business plans always established for one ‘enterprise’ (in the sense of a specific actor implementing a particular business)?
 - Is the main purpose ‘internal’ (e.g. to check the feasibility) or ‘external’ (such as meeting the requirements of a financial partner)?
 - On what occasions are business plans generally developed (related to the previous point)?
 - To what extent, do business plans (the specific ones we are speaking about) really belong to the entrepreneurs themselves? Is it possible/difficult/good for these entrepreneurs to develop the business plan by themselves? Why? What type of support might they need, if any?

Advice for the facilitator

Discussing the above issues should make it clear to the participants that it is critical for a BP to be established at the level of the entrepreneur, at an early stage of the business, and with their strong involvement.

In fact, BPs are often prepared in order to convince bankers (or donors) of the possible profitability of a ‘project’. However, there are other reasons they are useful. In any case, once a business plan has been developed, it would be a pity not to make use of it as a management tool.

Additional readings

Reference sheet M13/1: What is a business plan? What and for whom is it useful?

Session 2: Developing a business plan**Introduction**

This session aims at giving the participants a thorough understanding of what a business plan is and providing the required know-how to develop a relevant and useful one. This requires a critical eye to know how to look at the information and to assess what is and what is not necessary. At a practical level, the participants will first identify the main components of a business plan, and then specify the information needed and how to get it. Finally, they will develop concrete figures for a simple case and then reflect on risks, and how to manage them by comparing the results obtained through different scenarios.

Learning objectives

At the end of this session the participants will be able to:

- Establish a framework for a business plan for a given enterprise
- Facilitate the development of the business plan by the concerned actor(s)

Procedure**List of tools/equipment required**

- Flip chart, markers
- Hand out Reference sheet M13/2 during Step 2

Step 1: Developing the basic content components of a business plan

1. **Plenary round of experiences:** Organise a round to gather the participants' experiences and ideas about what main components (i.e. headings of the sections) should be included in the plan.

Advice for the facilitator

During the round of participants, components of the profitability of the business will probably come out first. Note them down.

Then, if needed, introduce components linked to feasibility (cash flow management). You may ask questions such as: What about cash? Do the relations with financial institutions have to be mentioned in the BP? How?

Note that a business can be profitable even if the entrepreneur has to borrow money (even on a short-term basis and at a relatively high rate of interest) as long as evidence can be made that reimbursement (of capital and interests) is possible on time.

For comparison with reference sheet M13/2 (see below), it may be useful to have a pre-established list of the main topics on a flipchart. **Think about this carefully and prepare well beforehand.**

Step 2: Deciding how to document the components

1. **Group exercise:** Split the participants into four groups. Distribute the main components (headings, sections to be included in a business plan) of the list established during Step 1 between the groups (one or two components per group). Then ask each group to specify how to document each of their components: e.g. type of information, the best format to present this information, calculations needed if any...
2. **Plenary presentation by groups:** The groups present their results to each other. Hand out **Reference Sheet M13/2**. Give some time to participants to compare their results with those on the reference sheet.
3. **Plenary summing up by the facilitator**

Advice for the facilitator

Make clear that there is not a unique blueprint for a BP. The list of components to be addressed, as well as the precise content, may vary according to its purpose.

Explain that Reference Sheet M13/2 is proposed as a check list, or reference that has to be adapted to each specific situation.

Nevertheless, there are some items that are compulsory to all business plans. In particular, a business plan needs to include a financial time frame or 'cash flow table', which is a tool to check the actual financial feasibility of the business (if your business is globally profitable but you do not have enough money to 'feed the pump' or maintain the flow, there won't be any business....).

The time frame of cash flow can be established on a monthly, quarterly, yearly, etc. basis, depending on the business.

Step 3: Making it practical by filling in the 'financial tables' of the business plan.¹

1. **Group exercise:** Ask the participants to stay in the same groups as before, to do the next exercise - see **Exercise 1**. Ask each group to fill in the formats of a simple case study. Explain that all four groups will work on the same case but with different hypotheses (or scenarios).

¹ Note: This module does not cover the method of calculating economic performance (gross margin, revenue...). This is the topic of Module 6, on Economic analysis and crop budgeting.

Advice for the facilitator

Support the groups so that they do not face difficulties in filling in the tables.

We propose to use a 'simple case' (which has been based on a real one) to clarify some aspects, without spending too much time on calculations... Avoid long discussions on figures that are given (sales prices, costs, quantities)... You can change them or allow the participants to do so if you think that they are not realistic in their context (but avoid complicating the case).

This exercise will show that even with the same 'technical' performances the final result may vary a lot. The initial capital and the cash flow issue (that are linked) are often the critical factors. The challenge is to get the money you need for working in a certain month at the beginning of that month, and to get some cash to have some room to manoeuvre. Having more capital at the beginning allows the entrepreneur to buy soya at an interesting price and then store it for selling or processing later when the prices rise. It may be relevant in Scenario 1 to look for a loan to buy soya grain when it is cheap.

Check whether Group 2 took into account the sentence 'If possible she buys the raw product in October and November when the price is low and stores it till the end of the season (from June onwards)'. (Note that if they didn't, the gap (in terms of profit) between 1 and 2 will be smaller).

2. **Plenary discussion:** Once the participants have completed the exercise, post their results on the wall, clearly labelling them according to group number. Then organise a two-step discussion, using the following questions:

First step: Compare the results of Groups 1 and 2:

- What makes a difference in the overall profit?
- What could be the future of the two scenarios (can situation 1 possibly evolve into situation 2?)
- What are the specific partnership arrangements the entrepreneur could have to look for in each scenario (what partner and for what purpose)?

Second step: Discuss the results of Groups 3 and 4:

- What are the differences compared with the outcomes of Groups 1 and 2?
- What are the consequences (short term/ longer term) of the two cases?

3. **Continue Plenary discussion on risks:** Post/write on the board the topic of 'Risks'. - Then address the topic 'to what extent developing a business plan may help to manage risk?', by asking the following questions:

- Are scenarios 3 and 4 (worked out by the Groups 3 and 4) representative for a predictable situation? What makes the hypothesis of low yields more or less probable (technical level of farmers, quality of soils, climatic area...?)
- Do these calculations help to prepare a sustainable business? Why or why not?

Also ask if participants can come up with other possible risks that might influence the results.

Advice for the facilitator

See the tables below for the correct figures for the four scenarios.

Comparing scenarios 3 & 4 with 1 & 2 shows that prices increase quickly due to poor yields (which is always a risk with agricultural production): Short-term consequences are a matter of profit, and on a longer term, it becomes a question of sustainability of the business.

We see that in Scenario 3 the entrepreneur is quite fragile: she will face problems to simply implement her business rather than being able to sustain it, if the prices are higher than usual. In Scenario 4, having more money at the beginning, makes her more 'robust'.

Examples of other risks: accidents that reduce labour availability, fire or thefts that reduce the stock...

Here we work with very simple figures. You can also discuss other matters that the entrepreneurs have to deal with and show that the cash flow analysis is useful for assessing scale saving, advantages and risks of taking credit.

4. **Conclusion by facilitator:** In winding up this session, highlight the following points, and asks the participants to propose ideas to put them into practice:
- An entrepreneur often has to be innovative in terms of cash flow management.
 - Another critical aspect is to make an estimate of the initial working capital needed depending on the volume of business planned. In fact, having more money at the beginning allows entrepreneurs to earn more afterwards...
 - Maybe a point about how hypotheses can sometimes be totally wrong??

Advice for the facilitator

Innovation in cash flow management can be: warrantage (see **Module 11**), asking the bank for a credit line, contracting with gross material providers and getting a part of the product on credit, arrangements with labourers – payment in kind, mobilising family labour...

Make it clear that initial capital needed includes both investments (facilities, equipment) and working capital.

Income statement table

Scenario 1		Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Total
Business income	P1: cheese	128	128	128	128	128	128	128	128	128	128	128	128	1539
	P2 : milk	45	45	45	45	45	45	45	45	45	45	45	45	540
	I=Total Income	173	173	173	173	173	173	173	173	173	173	173	173	2079
Expenses	WE1: soybean	52,5	52,5	52,5	64,5	64,5	64,5	64,5	64,5	90	90	90	90	840
	WE2: wood, water	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	18
	WE3 : milling	19	19	19	19	19	19	19	19	19	19	19	19	225
	WE4 : labour	69	69	69	69	69	69	69	69	69	69	69	69	828
	E=Total expenditures	142	142	142	154	154	154	154	154	154	179	179	179	179
	Surplus/deficit (Result =I-E)	32	32	32	20	20	20	20	20	-6	-6	-6	-6	168
Bank balance	A= Available balance 1st of the month	150	182	213	245	264	284	303	323	342	336	330	324	
	O=Opening balance next month	182	213	245	264	284	303	323	342	336	330	324	318	

Income statement scenario 1

	Revenue	Charge	Balance
Sales revenue	+ 2079		
Operating expenses		-1911	
Operating profits			168
Less: Interest expense		-	
Cash flow from operations			168

Scenario 2		Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Total
Business income	P1cheese	180	180	180	180	180	180	180	180	180	180	180	180	2160
	P2milk	60	60	60	60	60	60	60	60	60	60	60	60	720
	I=Total Income	240	2880											
Expenses	WE1: soybean	210	175	140	86	86	86	86					60	929
	WE2wood, water...	4	4	4	4	4	4	4	4	4	4	4	4	48
	WE3milling	25	25	25	25	25	25	25	25	25	25	25	25	300
	WE4 Labour	92	92	92	92	92	92	92	92	92	92	92	92	1104
	E=Total expenditures	331	296	261	207	207	207	207	207	121	121	121	121	181
Surplus/deficit (Result =I-E)		-91	-56	-21	33	33	33	33	119	119	119	119	59	499
Bank balance	A= Available balance 1st of the month	400	309	253	232	265	298	331	364	483	602	721	840	
	O=Opening balance next month	309	253	232	265	298	331	364	483	602	721	840	899	

Income statement scenario 2

	Revenue	Charge	Balance
Sales revenue	+ 2880		
Operating expenses		-2381	
Operating profits			499
Less: Interest expense		-	

Cash flow from operations			499
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Scenario 3		Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Total
Business income	P1cheese	171	171	171	171	171	171	171	171	171	171	171	171	2052
	P2milk	60	60	60	60	60	60	60	60	60	60	60	60	720
	I=Total Income	231	231	231	231	231	231	231	231	231	231	231	231	2772
Expenses	WE1: soybean	70	91	91	112	112	112	112	111,8	156	156	156	156	1435
	WE2wood, water...	2	2	2	2	2	2	2	2	2	2	2	2	24
	WE3milling	20	20	20	20	20	20	20	20	20	20	20	20	240
	WE4 Labour	92	92	92	92	92	92	92	92	92	92	92	92	1104
	E=Total expenditures	184	205	205	225,8	225,8	225,8	225,8	225,8	225,8	270	270	270	270
	Surplus/deficit (Result =I-E)	47	26	26	5	5	5	5	5	-39	-39	-39	-39	-31
Bank balance	A= Available balance 1st of the month	150	197	223	249	254	259	265	269,8	275	236	197	158	
	O=Opening balance next month	197	223	249	254,2	259,4	264,6	269,8	275	236	197	158	119	

Income statement scenario 3

	Revenue	Charge	Balance
Sales revenue	2772		
Operating expenses		- 2803	
Operating profits			-31
Less: Interest expense		-	
Cash flow from operations			-31

Scenario 4		Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Total
Business income	P1cheese	180	180	180	180	180	180	180	180	180	180	180	180	2160
	P2milk	60	60	60	60	60	60	60	60	60	60	60	60	720
	I=Total Income	240	240	240	240	240	240	240	240	240	240	240	240	2880
Expenses	WE1: soybean	227,5	137	91	112	112	112	112	112	156	78	78		1326
	WE2wood, water...	4	4	4	4	4	4	4	4	4	4	4	4	48
	WE3milling	30	30	30	30	30	30	30	30	30	30	30	30	360
	WE4 Labour	92	92	92	92	92	92	92	92	92	92	92	92	1104
	E=Total expenditures	353,5	263	217	237,8	237,8	237,8	237,8	237,8	237,8	282	204	204	126
	Surplus/deficit (Result =I-E)	-113,5	-23	23	2	2	2	2	2,2	-42	36	36	114	42
Bank balance	A= Available balance 1st of the month	400	286,5	264	287	289,2	291,4	293,6	295,8	298	256	292	328	
	O=Opening balance next month	286,5	264	287	289,2	291,4	293,6	295,8	298	256	292	328	442	

Income statement scenario 4

	Revenue	Charge	Balance
Sales revenue	+ 2880		
Operating expenses		-2838	
Operating profits			42
Less: Interest expense			=

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Cash flow from operations			42
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Step 3: Discussing the method used and the results

1. **Plenary round:** Ask participants to tell how they feel about the 'feasibility' of the method, and the usability of the 'tools' for the entrepreneurs themselves? Do they think that these tools can be (have to be) simplified? If yes, how?

Advice for the facilitator

One element that weighs heavily on the complexity is the period chosen as the basis for the cash flow table: month, more, less...?

Make it clear that the specific business context must determine the choice: the interval of time has to be consistent with the pace of the activity. It doesn't make sense to develop a cash flow table on a weekly basis for activities in which sales and purchases are happening only twice a year, or in contrast on a quarterly basis if large amounts of money are flowing very fast. The cash flow statement should in fact allow you to forecast a possible shortage of cash. This is important as such a shortage may compromise the business or force the soybean processor to take on a loan, which is costly. Discuss in what cases it would be relevant to use complex tables or when to use simple ones?

Conclude by letting the participants know about the reference sheet and film they can watch to get more insight into this subject, and the context of the case study.

Additional reading and viewing

- Reference sheet M13/2: Typical framework of a business plan
- Film: Soya Goussi in Benin :
 - Short version to be viewed at <https://www.youtube.com/watch?v=r1Gh8sEgRSM>
 - Long version: <https://www.youtube.com/watch?v=f9YFFUxFoak>

Session 3: Possible issues affecting enterprise performance**Introduction**

As highlighted in the previous session, establishing a business plan is based on a number of hypotheses you make about the future, in terms of technical performance, prices, etc. According to the hypotheses that you made, the financial figures that are part of the business plan might vary a lot, and the conclusions too, in terms of profitability as well as the level of risk. It is critical then to support the entrepreneurs in developing their business plan based on reliable information first, and then considering probable scenarios so that the business plan will be both relevant and useful.

Learning objectives

At the end of this session the participants will be able to:

- Advise an entrepreneur on getting the information needed to be able to develop their BP
- Critically analyse the process and the choices made, especially in taking risks into account

Procedure**List of tools/equipment required**

- Flip chart, markers

1. **Plenary round:** Make a round from participant to participant, asking them to come up with a possible difficulty they see (or that they already face) in developing a business plan. Once everyone has given a response, look at the challenges mentioned and consider together whether they would be the same for a completely new activity as for an activity already locally implemented?

Advice for the facilitator

One of the key difficulties is to collect the relevant information, i.e. to find data. If this does not come out of the round, you could stimulate this by discussing what the facilitators think of the figures proposed in the case study: true, false, valuable everywhere and each time? ...

Getting valuable figures is not only a question of true or false as it is partly prospective: it is sometimes necessary to discuss the hypotheses (the yield, the prices....) to consider yield or price ranges, reasons to be optimistic/pessimistic/realistic...

Thus it is important to interact with all relevant actors (which makes the BP an interesting management tool). **But** let's be clear: developing a BP is not supposed to be a multi-stakeholder process.

Discuss how to assess the reliability of the information you use.

2. **Group exercise:** Divide the participants into groups, and ask them to work on the following questions:
 - How and where can you get reliable data in terms of technical and financial figures?
How can you deal with uncertainty?

- On what basis do you decide to be optimistic/ pessimistic/ realistic (and what are the consequences of each these 3 'options' or 'scenarios': optimistic, pessimistic or realistic)?
- On what basis do you decide who has to be involved in the development of a business plan and for what reason (advantages and inconvenient)?

Ask each group to come up with a short story (real or imagined) that illustrates their reflection and where possible, draw a picture of the points related to the 3 options or scenarios: optimistic, pessimistic and realistic. All pictures are posted on the wall and viewed as a gallery walk.

Advice for the facilitator

In fact, the different points and scenarios proposed are all linked:

- The question of getting the data is not so simple and strongly linked to the second one when speaking of planning
- The options of being optimistic/ realistic/ pessimistic regarding the hypotheses is linked to the appreciation of the room to manoeuvre to adapt the figures to match partners' requirements (especially bankers' ones): if you are realistic, maybe they will not be convincing, if you're too optimistic maybe the document will not be useful as a management tool, or you may even fail in your business.
- Wondering whom to involve in BP development raises the question of efficiency but also the issue of competition and coordination (see BBR module). Do not forget that, in real life, profitable business may rely on a part of secret....

3. **Plenary wrap-up:** To conclude the session, make a synthesis of the components (headings) of a business plan that the group agreed upon in the first step of Session 2. Discuss these components again, asking the participants to review which elements they see as critical and/or sensitive, and why. Also, ask them what they consider to be easy (for the entrepreneur who does the work, for those who support them) and what will likely be difficult in the process of the development of the business plan. Make a checklist together (see some ideas in the box below).

Advice for the facilitator

Make clear that making business plans involve some risks. First, establishing a BP is not a small task. Before initiating the process you have to clarify why you are making the BP, and to consider whether it is worth doing, given the expected outcome and the time investment needed from the entrepreneur. Checklist of commonly made mistakes that coaches should help their business clients avoid, in particular the following:

- Not taking the cash flow into account
- Being too vague, and not specific enough
- Adopting unrealistic assumptions
- Neglecting the risk dimension
- Ignoring potential competition and, generally speaking, under-evaluating interaction with other actors, as well as with partners and/or competitors (which might lead to unrealistic assumptions...).

Additional reading

Reference sheet M13/3: Framework for agricultural business plan (detailed)

Session 4: Preparing the field work**Introduction**

This session provides practical support to coaches for using the new competences acquired, to be able to go on to coach their agribusiness client member on how to develop a Business plan. This session must be highly interactive, enabling the coaches to express all feelings and opinions they have on the topic, to be able to develop the tools they will deliver afterwards.

Learning objectives

At the end of the session, the participants will be able to facilitate a coaching session on developing a business plan.

Procedure**List of tools/equipment required**

- Flip chart, markers
- Coloured cards
- Sticky tack, pins or tape – depending on the location

1. **Plenary reflection of module:** Guide the participants in reviewing each of the sessions, asking the following questions:
 - Did you understand well what was covered in the module? What needs additional clarification?
 - Go over some aspects of the module, if needed.
2. **Individual session to develop TORs:** Ask the participants to consider each of their agribusiness clients and to then answer the following questions:
 - Have any entrepreneurs in the cluster already developed a business plan? If yes, specify who; for what specific purpose, with what support, and with what result?
 - Do some entrepreneurs (the same ones or others) plan to develop a business plan? For what purpose? Do you think they need support to do so? Who may provide that support?
 - Do you think that some of the entrepreneurs should look for a partnership to develop their business (in particular a financial partnership) and then develop a business plan? Do you think that they need support to do so? Who may provide that support?
 - On this basis, ask each coach to propose a provisional agenda and terms of reference, to include investigations to answer the questions above if needed, and capacity strengthening and/or support activities that could be developed (specify what actor would be involved for each activity).

Session 5: Workshop/ module assessment

Introduction

Did this training workshop fit the participants’ needs and did it satisfy their expectations? Do they now feel able to train (coaches and mainly) ABC members in the basic knowledge of negotiation and contracting? These are some of the questions this session would like to answer.

Learning objective

With this assessment, the facilitator can find out whether the workshop was appreciated by participants, and they will be able to adjust it for further trainings, if necessary.

Procedures

List of tools/equipment required

- Flip chart, markers
- Coloured cards
- Sticky tack, pins or tape – depending on the location

There are several ways and tools to assess a workshop, at the beginning, during the sessions, and at the end. Select the methods that you would like to use:

1. **Before starting the workshop:** each participant writes down their expectations and concerns (see Session 0). The facilitator prepares a summary of these expectations and concerns to be dealt with during this final workshop session (see below).
2. **During the workshop:** at the end of each day (even for a 2-day session), the participants were given the opportunity to reflect on what was done during the day in a Reflection Diary. Ask each participant to indicate how well they appreciated each session, why, and if relevant to propose improvements to the content.
3. **At the end of the workshop** participants either:
 - Express their opinion on how the workshop went along in plenary, or
 - Give their opinion on the workshop individually and confidentially, on a paper (flipchart) hung somewhere in the room, in such a way that other participants cannot see what others are writing. This paper could contain the following table (learning assignment) that is to be filled by each participant:

Table 1: Appreciation of the workshop

Session/topics	Good	Average	Bad
S0: Introduction			
S1: The importance of making a business plan and for whom			
S2: Developing a business plan			
S3: Possible issues affecting enterprise performance			
S4: Preparing the field work (TORs)			

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Your opinion on the facilitation			
General comments			
Each participant indicates their appreciation of the sessions and facilitation work, and adds a general comment.			

List of reference sheets

Reference sheet 1: The business plan

Reference sheet 2: Typical framework of a business plan

**Reference sheet 3: Framework for agricultural business plan
(detailed)**

Reference Sheet 4: Short Glossary

Reference sheet 1: The business plan

What is a business plan? What and whom is it useful for?

Adapted from the Agricultural business plan guidelines, edited by the Agriculture, Forestry and Fisheries Department, Republic of South Africa.

A business plan is a document/plan of how a business owner, manager or entrepreneur intends to organise an entrepreneurial endeavour and implement activities that are necessary and sufficient for the venture to succeed.

It is an essential tool for planning, direction, and running a business. It clarifies the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realised.

Why developing a business plan, for whom?

Businesses need plans to optimise growth and development according to priorities. A business plan is not only a tool to look for financial assistance or for initiating a business start-up, but it is an evolving working document that should be reviewed regularly and adopted to the business circumstances as and when the internal and external environment changes. It will always be a useful tool to persuade others to invest time, money and effort in the business. Failure to plan is a plan to fail.

A business plan with well-defined goals is a necessity for business management. Planning properly for your business is a tool for success, as a good plan maps the course of actions to achieve your business goals and aspirations.

A business plan is both a communication and management tool as:

1. It can be used as a powerful sales document for raising money. A business plan is a pre-requisite for engaging with a venture capitalist, and/or investors. To raise funds for a start-up business venture or for raising additional capital, your document must fulfil the requirements of a funding institution or sponsor. It will give the reader an insight into what you will be doing in your proposed or existing business. The organisations that lend money to your business also want to get a return on their investment. They want a 'safe' investment with a relatively low risk. A thorough business plan can accomplish this.
2. It will assist you in what to do and when to do it. Entrepreneurs should use their business plan for the critical start-up. Entrepreneurs should use their business plan for the start-up of operations or during expansion of operations, to ensure that they stay on target and within the budget at all times. Prospective entrepreneurs involved in the process of formulating their own business plans from the onset will be more objective and critical towards their business than when a business plan is prepared by outside consultants or individuals.
3. It is a useful document not only at the start, but for a long time. A business plan provides you with a clear strategy and objectives. A good business plan will give you direction and keep you and your staff focused. In writing your business plans, you may make mistakes

Learning Module 13– Reference sheets

MODULE 13

Developing a Business Plan

which can be corrected on paper prior to implementing your plans, and this can save you money.

The business plan demonstrates the seriousness of your intentions to banks, investors, colleagues and employees. It can be used as a measure for you to anticipate problems and take appropriate action in time. You can incorporate all your ideas into the business plan and make them happen.

The planning process gives you the opportunity of adopting a step-by-step approach in preparing for the future achievements and risks of your business venture. At the end of the process, you should be confident that the plan will work.

A good business plan involves research on the external and internal business environment like competitors, suppliers, consumers, etc., which can be translated into a detailed action plan, showing the areas of competitive advantage and how you will combat problems. You can use the business plan to identify opportunities, analyse the life cycle of the business and each activity in the business and plan for capital requirements. Milestones with timeframes can assist the business in achieving its objectives within the stipulated schedules.

Reference sheet 2: Typical framework of a business plan

Adapted from the Agricultural business plan guidelines, edited by the Agriculture, Forestry and Fisheries Department, Republic of South Africa.

The list of topics below is relatively complete. It gives an idea of what information has to be included in a business plan to make it usable and useful. Obviously, this has to be seen as an advisory tool and should be adapted to the specific context and use. It is why we give a first, general framework. An expanded version with indications on the possible content follows later for those participants for whom the chapters are not explicit enough.

“Technical” aspects

1. Introduction/ background:
 - Overview, vision, objectives (SMART)
2. Whom involved:
 - Ownership, implementation group, members (if group)
 - Who is carrying the project, who is owning the enterprise? Who will operate the activities?
3. SWOT analysis of the planned budget venture
4. Risks
5. Assumptions
6. Business preparation
 - Proposed business: General description of what will be practically the business
 - Resources available: Financial, human, natural
 - Institutional structures
7. Infrastructures
8. Skills
9. Marketing strategy
10. Partnerships
11. Resources
12. Legislation

Financial statements (see formats below)

As the process of creating financial projections for business revenue and expenses, cash flow, and financial position requires the examination of all other key components, the financial plan is the backbone of your business plan. In doing this, you will be able to describe your plan in financial terms and detect discrepancies, gaps or unrealistic assumptions made earlier. The financial plan is valuable for creditors or government agencies when evaluating your company’s needs and use of funds. The finance part of the business plan guidelines consists of cash flow, balance sheet, income statement and enterprise budget.

The financial statement should also be interpreted by using financial ratios that can be obtained from the internet. The financial ratios can indicate if the business will be sound and viable or not. Do not leave any open-ended decisions to be made by a possible investor.

Cash flow

The cash flow and sales projection may be the most difficult to prepare. Basically, it is an educated guess about when and how much money will come into and go out of your business. It entails projections for 12 months ahead. Your cash flow and sales forecast will enable you to decide what you can afford, when you can afford it, and how you will keep your business operating on a month-to-month basis. This information is useful to indicate the projected increases or decreases of a bank loan that may be required during the year.

Quarterly summaries are often adequate but occasionally monthly summaries are required for the first year of operation. As part of the business plan, a cash flow and sales projection will give you a much better idea of how much capital investment your business idea needs.

When to use a cash flow

Cash flow is a tool for preparing cash flow and sales projections for a business. It will be especially useful to the business if it needs to improve its future net cash flow. The cash flow plan will help you to plan cash requirements and thereby improve control over your business' cash flows and to conserve its cash resources.

The cash flow must be linked to the production plan and based on the enterprise budget.

Importance of a cash flow

There is a positive cash flow and a negative cash flow. A positive cash flow is a good sign and, at the end of the day, it shows that the business is able to generate more cash than it spends. A negative cash flow is always bad; the business is generating less cash than it spends.

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Cash flow analysis format

		Total	Jan	Feb	March	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
Business income	P1													
	P2													
	...													
	I=Total Income													
Expenses	Working expenses 1													
	WE2													
	WE3													
	...													
	Capital expenditures 1													
	CE 2													
	...													
	E=Total expenditures													
Surplus/deficit (Result =I-E)														
Bank balance	A= Available balance													
	O =Opening balance (=R+A)													
	In = Interest (>0 or <0)													
	Closing balance B = O +In													

Comment: The period of time considered may vary. The Income and expenditure lines have to be fulfilled from the economic analysis. What is important here is to consider the calendar (when the money comes in and when it goes out, which has implications on the Interest line)

Balance sheet

The balance sheet describes the assets, liabilities, and equity of your business at a particular point in time. It is a widely used accounting statement that indicates the economic resources of your organisation and the claim on those resources by creditors. That is why we do not describe in detail here how to establish it.

This information will allow you and your creditors to compare your estimates, as well as your past performance, against industry averages.

Income statement

The income statement is a summary of the income and expenditure of the business for a specific period, production year, financial year, or tax year. For an existing business, include information for at least the last one or two years.

Income statement calculated on a cash basis (currency: xxx) for the year ended: xxx -xxxx

	Revenue	Charge	Balance
Sales revenue	+		
Cost of goods sold		-	
Gross profits			=
Operating expenses		-	
Selling expense		-	
General and administrative expense		-	
Depreciation expense (noncash charge)		-	
Total operating expense		Sum above	
Operating profits			=
Less: Interest expense		-	
Net profits before taxes			=
Less: Taxes		-	
Cash flow from operations			=

Note: For more details, see also module 5, economic analysis and budgeting.

Reference sheet 3: Framework for agricultural business plan (detailed)

Adapted from the Agricultural business plan guidelines, edited by the Agriculture, Forestry and Fisheries Department, Republic of South Africa.

I. Executive summary

This is a summary of each aspect of the plan. You can only complete the executive summary after the business plan has been completed. This part of the document will be a maximum of two pages. If it is the only thing that a reader will read, it needs to give a synopsis of what you want to do or achieve.

II. Introduction/Background

This is a summary of the business, its history and (possible) position in the market place. It part gives an overview of your business or potential business, vision and objectives. The introduction consists of the following:

a. Business overview

- Where is your business or where are you going to establish your business?
- What are you going to do or what are you currently doing?

b. Vision and mission

The vision is a dream, and this is what you will focus your energies and resources on in getting your business to work. The mission will be achieved through the objectives of your business.

c. Objectives/goals

This section needs to include production and/or financial related objectives specific to your enterprise or potential enterprise. There must not be more than five objectives for your business. Objectives need to comply to the S.M.A.R.T principles as follows:

- S–Specific: An objective needs to be specific and not vague; it needs to say what it is you want to achieve.
- M–Measurable: You need to be able to measure the objective otherwise you will not be able to distinguish what you have achieved.
- A–Achievable: Take into consideration your available resources or potential resources to achieve your objective.
- R–Realistic: Do not set unrealistic objectives which you will not be able to achieve or reach. The objectives need to be understandable to the reader.
- T– Timeframe: The objectives need to be for a specific period so that you can measure them in time to derive where you are and how long it will take to get there.

This pertains to the projected time that you anticipate it will take to achieve the objectives.

Note: Objectives need to be linked to expected outcomes (how much). The objectives need to be thought through thoroughly. Spend some time to derive your objectives and they must be in line with what you want to achieve and what you are saying in the rest of your business plan. Refer back to your vision. Will the objectives have an outcome that will reach your vision?

An example of an objective is: Growing your business to a client base of 600 by the year 2016.

III. Ownership, Implementation group and Members

This part of the business plan consists of:

a. Ownership

This is a form of business you want to register or has been registered. Depending on the country, there is specific legislation related to the different forms of businesses (Company, Partnership, Cooperative, Joint venture, etc.). A cooperative is regulated through the Cooperatives law, for example.

b. Implementation group

Those individuals identified to implement and/or assist you in the implementation of your business plan.

c. Member/s

This refers to the individual or group that will benefit from the business or be part of the business when the business plan is to be implemented.

IV. SWOT Analysis

This part gives you an indication of the Strengths, Weaknesses, Opportunities and Threats that are involved in your new or existing business venture. It also identifies the internal and external factors that are favourable or unfavourable to achieve your objectives. It is important to look at ways to build on the positive issues and address negative issues (how will potential risks be dealt with?). The 5 W's (what, how, where, who and when) can assist you in drafting a plan.

- Strengths are attributes of a person or of your business that can contribute in you achieving your objectives.
- Weaknesses are attributes of a person or of your business that can lead to you not achieving your objectives.
- Opportunities are external conditions that will contribute to achievement of your objectives.
- Threats are external conditions that can lead to not achieving your objectives.
- Strengths and Weaknesses are factors internal to your business
- Opportunities and Threats are factors, outside or externally, of your business.

V. Risks

This part deals with the different risks involved in starting or expanding your business. A risk can be defined as any deviation from the expected outcome. Types of risks are: business risks, financial risks and political/legal risks. You should also indicate in the plan what risks will be accepted by the business and what would be mitigated and how.

VI. Assumptions

There may be external circumstances that must be there or events that must happen for the business to be successful. If you believe such an event is likely to happen, then it is be an assumption. Assumptions need to be realistic and relevant to your environment or business.

VII. Business preparation process

This is the part that deals with where your business is located, with what you are doing or going to do and how you are going to do it, and with what resources you are going to achieve this. This will give the person who is reading your business plan the feeling of where your business is, and the reader will be able to picture how and what you are doing or going to do. This part of the business plan consists of:

A. Proposed business

Description of your business

This is just a brief description of your business and where your business is located and what product or service you are going to give to your clients or customers. This part needs to relate to your introduction and objectives. Here you need to indicate, for example, if you want to farm, when the planting season will be, and when harvesting will take place.

Business processes

This is the “how” part. It is not necessary to explain in detail how you will do things, this will give the reader in his mind the chance to see what and how you will do things in your business venture and if you are going to plough back money into your business. This will also indicate if you will have your business processes in place. You need to explain your operations. Do not forget to include the monitoring and evaluation part of your business, how you will monitor and when. The evaluation part is: are you achieving your objectives and are you following your business processes? If this is not the case, what corrective measures will you follow to get back on track?

B. Resources available

It is important to take into account the resources that you have available, prior to the drafting of your business plan. Do a proper resource assessment. The types of resources that you may have at your disposal can be identified as follows: human resources, financial resources, natural resources.

B.1 Human resources

This deals with the human resources you have available and what contribution they would make to the business. The CV of the management must be included. This is critical as it could influence the reader or potential financier to know who will be in the driving seat of the business and what the ability of that person is. The number of staff and management you have or will have, will be put into this section.

B.2 Financial resources**Fixed assets**

A fixed asset is a long-term, tangible asset held for business use and not expected to be converted to cash in the current or upcoming financial year, such as real estate and buildings.

Movable assets

These are considered furniture and equipment that is not part of a building (also includes commonly moved business items such as laptop computers).

Own capital

If you are going to invest in your own business, you need to include this in the business plan. Investing in your own business capital-wise will also be an indication for the reader/financier that you will try to make a success of your business. Capital contributed by the owner or entrepreneur of a business, and obtained, for example, by means of savings or inheritance, is known as own capital.

B.3 Natural resources

These are water and land available. The availability of the natural resources will determine your operations and the size of it.

C. Institutional structures**C.1 Type of institutional structure**

The form of business that you are going to use:

- Company (Pty Ltd)
- Partnership
- Cooperative
- Joint venture

It is important to get information on the legal implications attached to each of the types of businesses to determine whether the type will fit your idea or operation.

C.2 Design/layout of the business

- **Management and organisational structures:** These structures are very critical as they clearly stipulate the roles and responsibilities of individuals within the business venture.
- **Management structure:** This part deals with the management structure of your business, the names of the management, job titles and job descriptions. The roles and responsibilities of each manager must be clearly stated and they need to understand and accept their roles and responsibilities.
- **Organisational structure:** This is the structure of your business and it clearly shows the appointment of responsibility and authority among members of the business. Different forms of structures can be used. Examples of organisational structures are: Functional, matrix and line. The constitution for the specific type of business can be used as a guiding document for daily operations and how to handle internal matters.
- **Technical design:** This will provide the technical information of the enterprise in regard to the layout of the business/structures, for example, how the broiler/layer/piggery structure will look like or how the dairy will look like.
- **Operational information:** This section will include the operational programmes, e.g. for a production project when will planting start and harvesting begin or a feeding programme, rearing programmes for chickens or pigs.

VIII. Infrastructure

This is the current infrastructure that is available to you and your business. Examples of infrastructure are roads, water, electricity and telecommunication. This is important because, depending on your planned venture or current venture, infrastructure may influence your business sustainability and profit.

IX. Skills/Training

Did you or your staff undergo training? What type of training do you or your staff have? Was the training formal or informal, or rather: did you receive a certificate or not?

X. Marketing strategy

Marketing strategy is a process that can allow a business venture to apply its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy should be centred on the key concept that customer satisfaction is the main goal. Without customers, no business company will survive or exist.

Possible Questions to ask when formulating a good marketing strategy:

- What will your marketing strategy be, are you growing your business or are you entering into a new market?
- When and how will you sell your products? What gives you the competitive edge, how will you penetrate the market?

Critical issues to look at when formulating a marketing strategy:

- It is always good to have a market before starting your business. This provides critical information to a financier for a decision to be taken on a loan application as it provides information on your projected sales and income.
- Identify and list your competitors.
- The 4 Ps, price, promotion, package and place.

Other things to look at when developing your marketing strategy are:

- Market requirements, e.g. traceability and preferences of customers.
- Possible market obstacles, e.g. competitors. What do they have which you can do better?
- Opportunities for value adding.

Requirements which need to be adhered to when entering into the market:

The macro environment your business will operate in. There are six major macro environment forces: cultural, demographic, economic, natural, political, and technological.

- The cultural environment includes institutions and other forces that affect the basic values, behaviours, and preferences of the society – all of which have an effect on consumer marketing decisions.
- The demographic environment includes the study of human populations in terms of size, density, location, age, sex, race, occupation, and other statistical information.
- The economic environment consists of all factors – such as salary levels, credit trends, and pricing patterns – that affect consumer spending habits and purchasing power.
- The natural environment involves all the natural resources, such as raw materials or energy sources, needed by or affected by marketers and marketing activities.
- The political environment includes all laws, government agencies, and lobbying groups that influence or restrict individuals or organisations in the society.
- The technological environment consists of those forces that affect the technology and that can create new products, new markets, and new marketing opportunities.

XI. Partnerships

Do you have any existing partnerships or linkages or are there any potential ones?
Partnerships or linkages can contribute positively towards the success of your business.

XII. Resources required for achieving the objectives

Consist of:

- Human resources: any additional human capital (seasonal), training needs
- Financial resources: any additional fixed or movable assets, sales, cash flow forecast (12 months), profit or loss, fixed cost, Variable costs, budgets, break-even point, financial ratios. If a business exists and is seeking additional funding, it must be indicated if previous funding was received (funding history) and from which institution. Utilisation of required funding must be indicated as well, what items will be purchased with the funding? Who will do the banking and mention the bookkeeper/s?

- Natural resources: any other natural resources required.

Here it is important to note all relevant legislation that you are required to comply with as well as the business venture which you are using.

Estimated start-up Capital requirements table

	Item	unit	cost	total
	Equipment			
	Fixed improvements			
	Production tools (livestock, stock of product to process, ...			
	...			

XIII Legislation

Here it is important to note all relevant legislation that you are required to comply with, as well as the business venture that you are using.

XIV. Conclusion

This should be the final convincing statement of why you think you have a winning business venture and why potential stakeholders should invest in your business.

Reference Sheet 4: Short Glossary

(see also Module 6, economic analysis and budgeting, for more precise definitions)

Gross Revenue (or Income): Income that is directly earned from the activity (mainly from sales of products and by-products, and/or from sales of services).

Net income or profit: Gross income of less direct costs (money used directly for the activity, also sometimes called “proportional costs” because the amount depends on the volume of the activity itself); sometimes called gross margin.

Net Margin: Gross margin of less indirect costs (depreciation of equipment and buildings, land renting, wages of permanent staff...).

The **Net margin** less **Taxes** gives the **final revenue**.

The “**cash flow statement**” can be seen as the way to know how much “fresh” money is available at a given moment for running the activity and/or facing other needs.

Instruction on group work and exercises

Before starting each exercise and the group work, please verify whether all group members have well understood the exercise or the assignment at hand.

To the facilitator:

- Make sure participants are distributed into groups of interest, based on gender, or at random, whatever is needed.
- Make sure each group receives adequate tools and materials such as flip sheets, markers, etc.
- Assign an appropriate place/location to each group and sufficient chairs and tables so that they can work comfortably.
- Make sure the participants have good understanding of the task at hand before they split into their groups so that they do not spend unnecessary time in trying to understand the assignment.

To the participants:

Discuss and exchange within the group about your individual understanding of the expected outputs of the exercise and make sure to come to a common understanding on:

- The objective of the exercise (what is expected and why?)
- How to proceed to answer the question as a group
- How to 'visualise' your findings (using poster paper or pin board and coloured cards or the computer)
- Who to appoint to lead/moderate the discussion
- How and who to present results during the plenary session
- Who will be in charge of the final electronic write up?

Exercise 1: Formulating financial statements for a soybean processing enterprise

1. The four groups read the case study below. The case was inspired by a real situation in Benin, although it has been simplified for learning purposes.
2. For the assignment, you each get different terms of reference (see them below the story).
3. The assignment is to work out cash flow and income statement tables for different 'projects; depending on your group.
4. You will be asked to then write them on a flip chart sheet, to present to the whole group.

The case study:

Mary is a female entrepreneur who developed a soya processing business. She buys soybeans in her locality and processes them into soy cheese (90%) and soy milk (10%).

She is working at her home, and processes both the cheese and the milk herself. Mary has hired two women to work with her. If possible, she buys the raw soybeans in October and November when the price is low and stores them till the end of the season (from June onwards).

The economic figures are as follows:

Gross income for 1kg of soybean grain

- processed to cheese: \$ 1
- processed to milk: \$ 3

Expenses

Soya raw material:

The price of soybean seed varies according to the season. In a 'normal year' it is as follows:

from Oct to Dec:	\$ 0.35 (per kg)
from Jan to May:	\$ 0.43
from June to Oct:	\$ 0.69

Additional costs:

Firewood, water, etc.: \$ 0.01 per kg grain processed

Milling (if this service is provided locally): \$ 1.25 per 10kg grain processed

Labour: in addition to the entrepreneur herself, it takes 2 days per person to process 10 kg of seed (average wages for 1 day are \$ 2.3).

TOR working groups

Establish cash flow and income statement tables (simplified, see the formats below) for the following “projects”. Write them on a flip chart.

Group 1: Capital available at the start: \$ 150
10 kg of soybeans processed per day, 15 days a month

Group 2: Capital available at the start: \$ 500
10 kg of soybeans processed per day, 20 days a month

Group 3: Same as group 1, but, because of drought, farmers had low yields, and the price of soybeans rose by 30% from November onwards, compared to a ‘normal year’.

Group 4: Same as group 2, but because of drought, farmers had low yields, and the price of soybeans rose by 30% from November onwards, compared to a ‘normal year’.

Cash flow statement table

Begin with specifying the lines and columns, then fill in the figures.

		Month...etc
Business income	P1...				
	P2...				
	...				
	I=Total Income				
Expenses	Working expenses 1				
	WE2				
	WE3				
	...				
	Capital expenditures 1				
	CE 2				
	...				
	E=Total expenditures				
	Surplus/deficit (Result =I-E)				
Bank balance	A= Available balance 1 st of the month				
	O=Opening balance (=R+A) next month				
	In = Interest (>0 or <0)				
	Closing balance B= O +In				

Income statement table

Fill in the figures for the lines in bold characters only (Remark: in ‘real life’ it is important not to neglect the other lines).

	Revenue	Charge	Balance
Sales revenue	+		
Cost of goods sold		-	
Gross profits			=

Operating expenses		-	
Selling expense		-	
General and administrative expense		-	
Depreciation expense (noncash charge)		-	
Total operating expense		Sum above	
Operating profits			=
Less: Interest expense		-	
Net profits before taxes			=
Less: Taxes		-	
Cash flow from operations			=



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