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BUSINESSPLAN

ECOLOGICAL MARKET GARDEN

Inadougoum, Niger | Anne Bouwmeester

# **Business plan for an ecological market garden in Inadougoum, Niger**

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## **Introduction:**

In the Sahel Desert of Niger lies the village of Inadougoum. One former inhabitant, Abakoula Argalaless had a dream to build a well that provides clean drinking water for the people of Inadougoum. That dream has come true, thanks to the Aman-Iman (meaning water is life) foundation which Abakoula established in 2007. The foundation also succeeded in building a granary, so no major famines would occur anymore. The next step in improving the quality of life in Inadougoum is by providing a varied diet; this can be done by creating market gardens in and around the villages. The government has offered 2 hectares for the market gardens.

In this business plan I will offer information about the idea, the goal and the organisation. I will also propose a way to govern the market garden. This proposal is based on information I received from the foundation, experts that I have consulted and other information from websites and books.

## **Situation in Inadougoum:**

The village of Inadougoum lies in the middle of the Sahel Desert, about 80 km from Tahoua, which is the nearest city. The 900-km<sup>2</sup> area surrounding the village consists of ten village communities. Around 10,000 people live there (there are four different groups, the Touareg, Hausa, Fulani and Wodaabe) with 50,000 heads of cattle. They have no access to public utilities.

The foundation Aman-Iman was established to improve the quality of life for the people of Inadougoum. The foundation was created by Abakoula Argalaless, he grew up in Inadougoum and, after a remarkable personal story he came to the Netherlands where he established Aman-Iman.

The foundation has managed to supply clean water for the inhabitants and their cattle by building a water system. The water system also enables other public utilities like hospitals and schools. The foundation would also like to explore the possibility of creating market gardens.

The foundation helped built a granary. Since the building of the granary, the village has not had to contend with any major famines. Farmers can store their seeds safely in the granary and locals can buy grains for a stable price. Currently the foundation would like to create market gardens in and around the village to improve the variety of people's diets. The yield from these market gardens will go directly to the people of Inadougoum.<sup>1</sup>

Through the realization of access to clean water, education, sanitation, agriculture, market gardens and sustainable development, Aman-Iman wants to improve life expectancy and the standard of living, in particular for women and children in the Tchintabaradan region.

## **The idea in a nutshell:**

To create a sustainable, ecological garden that provides a high yield of nutritious crops for the people of Inadougoum.

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<sup>1</sup> Source: the Aman-Iman foundation

**Targets:**

*What types of crops are offered?*

**(wacht op antwoord van Brent, hij doet de agrarische kant)**

*What is the target population?*

There are 10,000 people living in and around Inadougoum, there are ten rural communities. Of course, as the garden develops it can't feed all of them, but initially it's the foundations goal to feed all 10,000 people of Inadougoum.

*What resources do we require?*

**(wacht op antwoord van Brent en Adam)**

We probably require seeds, farming equipment, a place to store the crops and some way to irrigate the garden.

*When must everything be achieved?*

The foundation aims to start the garden project in 2014.

**Swot (strengths and weaknesses) analysis:**

<b>Strengths</b> <ul style="list-style-type: none"> <li>- The people of Inadougoum have time to work on the garden (if they want to of course)</li> <li>- The people of Inadougoum are determined to create better conditions for themselves and their children</li> <li>- The foundation Aman-Iman is very driven to help the people of Inadougoum and is more than willing to offer help</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>- Not much experience with starting a business</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>- No competition</li> <li>- 2 hectares of land available</li> </ul>	<b>Threats</b> <p>Unpredictable weather:</p> <ul style="list-style-type: none"> <li>- The extreme drought that Inadougoum has to deal with.</li> <li>- The limited supply of water</li> <li>- Three months of severe rain which can destroy young plants</li> </ul>

**Organization description:**

The foundation Aman-Iman required information about co-operatives in developing countries. Because the people of Inadougoum have time, the idea was to let them work in the garden so they can grow their own crops and divide them to the community.

What is a co-operative?

A cooperative is an independent company owned and controlled by those who use it. The goal of a co-operative is to provide long term goods and services to its member or its community. On the contrary, a 'normal' public company's goal is to make a maximum profit, whereas a co-operative has a more sustainable, often less risky, long term approach on providing for its community.

Advantages:

- Benefits of scale: a large group of members collaborates to achieve a goal; they share the means of production that are needed. It's not necessary for every individual to invest in their own means of production; it's more profitable and sustainable to share.
- Flexibility in statutes: a cooperative is owned and controlled by those who use it, therefore it's flexible to a great extent. The members of a co-operative experience every asset of the co-operative and can make great estimations for what the co-operative needs, whereas a public company is ruled from 'above' by managers or bosses.
- The co-operative decides what the profit is used for
- The entry and exit of members is simple; by joining the assembly of members and by cancelling the membership.
- Members don't have to pay any partnership or dividend taxes (of course this could differ if the rules in Niger are different).
- The checks and balances of the co-operative make for a sustainable operation. The members of a co-operative are assumed to have an involved attitude. The common goal of the co-operative is the most important goal and overrules the individual goal.

Disadvantages:

- Because the co-operative is owned and controlled by its members, there has to be a democratic governance process, this can take time as everyone's input is important.
- The individual goal doesn't always rhyme with the common goal.<sup>2</sup>

Of course it's important to know if a co-operative really suits this organisation. According to the Netherlands Institute for Co-operative Entrepreneurship there are a few questions to answer that determine whether a co-operative suits this organisation.

*Is there a chance to develop something valuable for a particular group?*

Yes, the government has offered 2 hectares of land to create a market garden. Farming in the Sahel desert is difficult but certainly not impossible. Creating a market garden for the people of Inadougoum will provide more variety in their diets and as a result of that a better health.

*Is there a group of people that would like to take this chance to create something valuable?*

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<sup>2</sup> According to the Dutch chamber of co-operatives

Yes, the idea was for the people of Inadougoum to work on the garden and divide the crops. These people would be working for a common goal from which they all can benefit.

*Is there commitment and dedication to achieve this goal?*

Yes, the people of Inadougoum and the foundation Aman-Iman will work together to create these market gardens. The foundation will offer guidance and knowledge.

All of these questions were answered with a yes. This means that a co-operative could be a suitable form of organisation. A co-operative is an organisation of voluntary members, who cooperate for their mutual, social, cultural and economical benefit. The members have collective responsibilities and common participation in entrepreneurship.<sup>3</sup>

### **Keys point for setting up a successful co-operative:**

#### Develop a sense of trust:

At the core of a co-operative lies trust. Trusting one another is the base of working together in a co-operative. Every employer is working for one common goal. A co-operative is formed to achieve a common wish or goal. In this case the goal is to provide a more varied diet for the people of Inadougoum; the employers are also residents of Inadougoum so they are working together for their own community.

Even though there is a common goal, tension can build between the collective interest and the individual interest. This is when trust in the co-operative becomes crucial, to keep the team spirit intact. To create this sense of trust it's important to have a good structure.

Illustration: From the sense of a collective goal a dialogue starts to look for common agreements. These agreements are an exchange with the individual.

When the individual discovers his or her own interests and advantages (which don't always agree with the collective goal) the challenge arises. To make the differences from the individual match the collective goal again, a good structure is needed.<sup>4</sup>

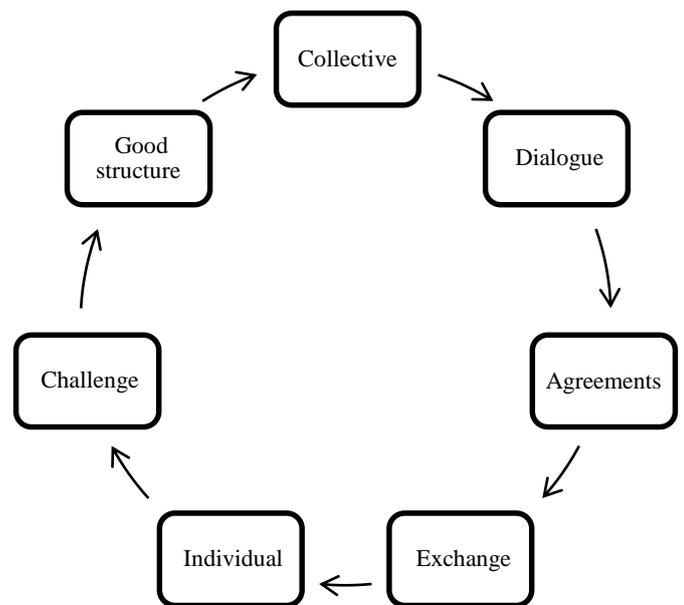


Figure 1: This is a simple model to show how a conflict can start and how it can be resolved by having a good structure.

Setting up a good structure for your co-operative:

- Determine tasks of each individual

<sup>3</sup> Netherlands Institute for Co-operative Entrepreneurship

<sup>4</sup> Foundation "Doen"

Good governance means that the tasks of each individual is established and agreed upon. There are various tasks that have to be fulfilled.

- There have to be administrative and commission members, at least one of these members should be a part of the local board. These members will be focussed on the general interest of the market garden; especially when it comes to finances. These members will have to consider what they will do with the (potential) profit; this profit can be used to support the community, by educating the children for example. At a later stage the members might have to deal with a surplus, they will have to consider opening a small store or trading the production with other villages.
- There will have to be executive employers. Those who will look after the garden, plant, maintain and harvest the crops.

Both types of employers might need some type of training or assistance. Of course these two types of employers can be combined; one can be a commission member and also work on the garden.

- Set up rules for dismissal of employers

If one employer doesn't fulfil his or her task, the co-operative should have the ability to dismiss this employer. This creates a sense of responsibility and consequence. It's important to establish rules about this kind of dismissal as to prevent misunderstanding.

- Choose an appropriate business model

There are multiple business models available for co-operatives; these are the four most common ones;

- Entrepreneurs co-operative: aimed at high fares or more work
- Purchase co-operative: aimed at discounts through low purchase prices
- Investment co-operative: aimed at making more profit
- Region co-operative: turnover stays in a certain area

A region co-operative seems like the best option for the market garden. The turnover will stay in the region and will be used to develop the region. The members will decide about the collective expenses, which can benefit the area.

It's also crucial to determine the goal of the cooperation. There are four general goals for a business:

- Maximum total profit: the business aims to make as much profit as possible.
- Minimum cost price: the business aims to produce with the lowest cost price.
- Maximum turnover: the business aims to get as much turnover as possible.
- Maximum take off: the business aims to produce as much as possible. In the case of the market garden this goal is advisable, considering that the goal is to feed 10,000 people. Once that goal is reached, the business can always choose to assume another goal.

- Creating a proper balance between input and earnings

In a co-operative, it is important to reward every value someone brings. This prevents free-riding behavior and guarantees that work will be rewarded, which will stimulate the members. As a result of this, those who do more, get more.

- Set up a proper fiscal and legal structure

For co-operatives, specific fiscal rules apply. These rules vary in every country. In addition, you can arrange all sorts of events in statutes and conditions that you compose together. Here you can make arrangements regarding control, ownership and profit sharing.<sup>5</sup>

- Set up a plan of approach for the business

In this plan of approach you determine the work activities, the tasks, furlough agreements, the time schedules of each employer and other practical agreements. This is an important step; it provides clarity and structure for the employers.

- Set up a logistic plan to divide the take off

Once the market garden is providing its first crops, the question arises of how to get these crops to the people of Inadougoum. It's helpful to create a proper logistic plan before that time comes. It might be necessary to open up a little store; this could simply be the same place where the crops are stored. Having a transport car or some wheelbarrows is probably advisable too.

#### Experiences with co-operatives in developing areas:

Below you will find some different experiences with co-operatives in developing areas. Frans Nijnens is an expert on product and market development and he will tell about his experience. The example of the Mondragon co-operative business could be fitting because the area where it is established has long been undeveloped and also terrorized by bombings. It's a great example for how a co-operative can stimulate solidarity and provide a sustainable working environment.

#### ***Frans Nijnens on co-operatives in developing countries:***

For illustration purposes we have asked Frans A.M Nijnens, an expert on product and market development, about his experience with co-operatives in developing areas:

‘A cooperative is one the most effective and simple organization structures in developing countries. Members of cooperatives can be men of women or both, but the ones I have seen operating consisted mostly of women. Cooperatives are found in many countries, especially in Africa, and focus on production, agriculture, hospitality (hostels and restaurants, souvenir production, knitting or sewing of clothes etc.

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<sup>5</sup> Netherlands Institute for Co-operative Entrepreneurship

The cooperatives I have visited in Senegal were women-only and were producing agricultural products, especially extracts of plants etc that can be used in semi-pharmaceutical products or in cosmetics and soaps (my specialization). In Burkina Faso I worked with one cooperative consisting of only women who produced vegetable oils such as coconut oil and palm oil. The other cooperative consisted of physically handicapped people, mostly men, who did not produce vegetable oils, but made simple so-called boiled soaps from the vegetable oils they bought and sold them, in their wheel chairs, door to door.

All of these cooperatives were quite successful, with the exception of the handicapped group, as their customers took advantage of the handicaps and cheated by not paying or paying a much lower than requested selling price.

The big advantage of a cooperative is that all income goes to the members of the cooperative and is either equally divided or divided according to the time and energy each member devotes to the cooperative. Quite often the members have an agreement that a certain percentage of the cooperative income will be devoted to the education of the kids in the village or to some kind of medical support for all members.

The only disadvantage I can think of is disagreement among the members of the cooperation: if there is no common view or agreed "business plan" the cooperative will fail because there is not one leader (like in a regular commercial organization) who will take the final decision. Social control or peer pressure usually prevents too much disagreement and all will more or less vote for the same steps to take." Frans A.M Nijns

### ***The co-operative miracle of the Basque-country:***

The economical crisis is taking its toll on the world; the neo-liberal model is being harshly criticized and seems to be failing. But if the neo-liberal model is failing, what do we turn to? According to the VN it's time for the era of the cooperative. Governments and economics are hastily trying to find a proper economical model, which can compete internationally and have the right conditions. In a documentary from the Dutch film-makers "Tegenlicht", Mondragon is observed. Mondragon is a co-operative established in the Spanish Basque countryside. The Basque region has long been a place to avoid; it was terrorized with bombings from the Basque liberation front. They have managed to create a social co-operative system in a hostile environment, where the postwar capitalism was the standard. "We share everything and that's how the miracle occurs: there is enough for everyone." Mondragon serves as a great example of how a co-operative system should work, as a result of this it's being flooded with international visitors.

Below you will find some meaningful quotes about working in a co-operative. The quotes are from members or supporters of the Mondragon co-operative business:

"We all invested our own capital here, to become a partner you have to invest money. That investment is a part of the house, we make a living of it, and we can't just let it bleed to death. It's different from a capitalistic system, where the owner decides everything and leaves if things don't work out."

“If you work in a cooperation, you have a job for life. You will always work for the benefit of the community. A cooperation movement makes people involved with their work.”

“The people of the Spanish Basque country have suffered from bombings of the Basque liberation front; it has long been a place to avoid. The people now feel a desire to take matters into their own hands. They long for freedom and economical independence, which underlies the cooperation system. The members of the cooperation don’t want to be passive objects of their destiny, they want to take matters into their own hands.”

“All the new co-operatives had the solidarity genes in their system, the fact that 90% of the profit is re-invested in the business guarantees a safe future.”

“A capitalistic company can move to another country, they could leave and not invest in Europe anymore, because it’s no longer profitable. Their solution would be to leave Europe, and start over in China, Africa or Eastern Europe, we (the co-operative) can’t do that, we are the owners. Capital doesn’t have a homeland, it has no borders, we (the co-operative) do have a homeland, I was born here and I want to stay here. If business isn’t going well, there will always be problems. But thanks to our maturity and our co-operative system, people will be patient and understanding, and we will get through the downfall.”

“The co-operative is like a house, a large house that belongs to everybody. So we have to defend it right? With all our powers. If business is going well, the people can benefit from it, they get to share the profit. But if it’s not going well, we all have to make concessions, that’s the way a co-operative works.”

### **Resources:**

The foundation has multiple ways of fundraising:

- Sponsorship by companies, institutions and individuals
- Campaigns
- Writing to people from the mailing list
- Providing information
- Publicity
- Through our website
- Newsletters<sup>6</sup>

### **Investment budget and financial balance:**

In the section; investment budget, you decide what you need to invest in to start the business. Below I have given some examples for what the market garden might need.

*Fixed assets:*

Fixed assets are the means of production that can be used for a longer period of time.

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<sup>6</sup> Foundation Aman-Iman

### Immaterial fixed assets:

These are sustainable means of production that are not touchable, for example the cost you make for researching and developing your business.

### Material fixed assets:

- Land
- Structural requirements
- Inventory
- Machines and tools
- Transport equipment
- Remaining sustainable assets

### *Floating assets:*

Floating assets are the means of production that can only be used once; stocks are an example of this. After usage the capital that has been invested in these means of production can be released; capital is released when trading stocks are being sold. This capital can be used to invest again. Below I have given an example for what these floating assets might be.

- Stocks; stocks can build up in various stages of production. It could be difficult to determine how big or small these stocks should be. In the case of the market garden, where the goal is to produce enough to feed the community, it is important to know what the demand of the community is. The stocks can't be too big, because the crops might decay.
- Debtors; debtors are customers who have already received the crops, but who have not payed yet. You write down the advanced payments that you have made here.
- Liquid assets; this is the cash that you can use directly
- Remaining floating assets

The total sum of the floating and the fixed assets gives you an idea how much capital is needed to start the project. The next question that arises is: how can we finance these costs? To figure this out and to make things clear it's a good idea to make up a balance of your financial situation. This balance traditionally shows a survey of the capital, the property and the debts a business has. In the right column the assets and possessions are written down and in the left column the liabilities, the capital and the debts are shown.

Basically in the right column you write down all the assets that you need to start the project and in the left column you describe the capital that is needed to finance these assets.

Below I will give an example of what a traditional finance balance looks like:<sup>7</sup>

<b>Debt</b>		<b>Credit</b>	
Fixed assets	€ 100,00	Capital	€ 600
Floating assets	€ 230,00	Long-term borrowed capital	€ 150

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<sup>7</sup> From idea to business plan, drs. C van der Meer

Liquid assets	€ 400,00	Short-term borrowed capital	€ 200
Total	€ 730	Total	€ 950

### Exploitation budgetary:

In addition to determining the investment budget and the financial balance, it's important to determine what the costs and income of the business could be. These expectations are laid out in the exploitation budgetary, a prognosis of the expected costs and income in a certain period of time (usually about a year). It's important to note that the total income is the money you receive for a product or service and cost is the total amount of money you spend for sacrificing resources. I will illustrate this with an example: when the company decides to buy tools, the price you pay when you receive them are the costs, but the costs are spread over the total period that you get to use these tools, so not just for the day that you receive them. So let's say you get to use these tools for ten years, the tools will be paid with the income that you receive in these ten years, and not just the income that you made on that day. Below I will give an example of exploitation budgetary.

<i>Exploitation budgetary:</i>	
Turnover	
-/- Purchasing value turnover	
Gross profit	
-/- General costs	
-/- Personal costs	
-/- Transportation costs	
-/- Other costs	
= Business income before deduction of interest and taxes	
-/- Interests cost	
= Business income before tax deduction	
-/- Taxes	
= Net business profit	

The *turnover* is the amount of sold quantities multiplied by the price of the product. The *purchasing value turnover* is the amount of money you spend to realize the concerning turnover, for example; raw materials, services and other goods.

When you deduct the purchasing value turnover from the turnover you get the *gross profit*. To get the net business profit, you have to deduct the costs, the interest and the taxes from the gross profit.

If determining the exploitation budgetary is difficult, because the conditions are unpredictable, it's advisable to make exploitation budgetary for three scenarios.

1. The base case scenario; here you insert the most likely turnover and profit prognosis.
2. The best case scenario; here you insert the turnover and profit prognosis if everything turns out right and there are no disappointments.
3. The worst case scenario: here you insert the turnover and profit prognosis if everything fails.

Making exploitation budgetary for all three scenarios ensures that you are prepared for every possible scenario.

**Liquidity prognosis:**

Aside from the investment budget, the financial plan and the exploitation budgetary, it's handy to make a liquidity prognosis. A liquidity prognosis shows whether you will have enough cash for the coming period of time. It's an overview receipts and expenditure that the business expects to have for a successive period of time. Below I will give an example of a liquidity prognosis.

<i>Liquidity prognosis</i>	First quarter	Second quarter	Third quarter	Fourth quarter
Liquid assets outset				
+ Cash sales				
+ Sales on account				
-/- Purchasing costs				
-/- Personal costs				
-/- Remaining costs				
Liquid assets at the end of the term				

**(Wie financier/banken bv, rentes?)**

**(verzekeringen)**

**Afschrijvingen (dus opbouw kapitaal voor vervangingsinvesteringen: reservepot)**

**Verwachte inkomsten en uitgaven op termijn)**

**Planning:**

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- Netherlands Institute for Co-operative Entrepreneurship: <http://www.nice-nyenrode.nl/>
- Dhr. Harrie Djojowikromo, expert on business management, organizational development and human resources

- Dhr. Frans A.M. Nijns, expert on product and marketdevelopment
- Documentary from "Tegenlicht" about the Mondragon co-operative.  
<http://tegenlicht.vpro.nl/afleveringen/2011-2012/Mondragon.html> Director: Kees Brouwer, co-director: Maren Merckx