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**RWANDA: ASSESSMENT OF BUSINESS PLANS OF
SUNFLOWER COOPERATIVES**

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Under Subcontract to:

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Under A.I.D. Contract

PCE-001-I-00-2050-00
Delivery Order No. 5

November 1993

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Acknowledgements

The author wishes to thank the personnel of USAID/Kigali: Claudia Cantell, Paul Bartholomew, and Kurt Fuller; and the Director of Technoserve/Rwanda, Mr. Gasana, for their assistance in the preparation of this report. Particular appreciation is also due to Mr. Damascene Ngaboyimanzi of USAID/Kigali and Mr. Bernard Kayitare of Technoserve/Rwanda, who provided invaluable assistance, insight, and companionship during the site visits.

I. Executive Summary and Conclusions

Following the scope of work, five business plans of cooperatives which were interested in sunflower oil production were reviewed to assess completeness of the plans and the potential viability of each enterprise. In addition, suggestions were to be formulated to strengthen individual plans and the role of donated oil on market prices was to be reviewed. The assessments were completed through review of business plans and feasibility studies for each cooperative, site visits and interviews with cooperative management, and review of other literature and discussions with knowledgeable individuals.

The plans were all relatively complete, though they varied on the depth in which various topics were covered. In general, operations were well described, market and cost information was provided, and critical success factors were determined. The necessity of seed supplies was recognized and planned for by all cooperatives. Little consideration of marketing and pricing difficulties was provided, due to the assumption that, since the oil could be priced competitively vis-a-vis the current market, all production could be sold at the planned price without any competitive reaction from imports. Also, contingency planning among the plans was generally weak. Even with some sensitivity analysis as a guide, little explicit comment was made on actions which would be taken in the face of changing circumstances.

Donated oil falls into two main categories in Rwanda: oil which is expected to be sold on the market, providing funds for development activities, and relief oil which is provided to consumers directly, mainly the displaced people. Officially marketed donated oil, largely Canola, seems largely to replace imported stocks but, no doubt, dampens prices. At least until recently, prices for edible oils have held up and imported oils still hold a portion of the market which would be available to locally produced sunflower oil. Relief oil, which also makes its way to the market, can destroy the oil market in the immediate region of relief.

Sunflower oil production is expected to compete mainly with imported fine oils. Importers' pricing reactions can not be entirely gauged, but most of the planned operations have reasonable flexibility in pricing at least for the short term.

Three of the plans (CAVECUVI, UKOBAMU, and CFJ BUTAMWA) appear viable, given the risks involved, but CFJ BUTAMWA, during the site visit, had virtually no interest in pursuing sunflower oil production at this time. CAVECUVI has evidently strong management and experience and an adequate plan. UKOBAMU does not have as strong management and will need assistance in that area, but it has a particularly complete plan and a good set of options available to it. The other two plans (ABATICUMUGAMBI and CPTST NYANZA) do not appear to be viable risks at this time.

The overall idea seems reasonable: the need for the oil exists, it should be price competitive, sunflowers can be grown, and the technology is reasonable. Future events,

unfortunately, are not knowable, and the two variables which will determine success or failure for this idea in large part are supplies of seed and market oil prices. If experience in these areas were readily available now, risks would clearly be significantly lower and all plans, with some work, would likely be judged viable. In other words, the idea is the same for all five ventures, but the current levels of risk (for various reasons) are too high to consider any but the strongest plans.

Given the results of this study, it is recommended that assistance should be focused on the strongest operations. Assistance should include a well thought out and formal monitoring plan so that lessons may be learned (regarding prices, competition, supplies, etc.) which will be useful for future similar programs. Similarly, operations among the initial cooperatives should be compared so that different strategies can be compared.

II. Assessment of Cooperative Business Plans

A. Introduction

This section assesses the individual plans for completeness, compared to a checklist of items, and viability, based on reasonableness of plan assumptions and operations. The format for each section is: Summary; Checklist Completion; Commentary and Suggestions; and Viability.

In making these assessments, the feasibility studies and business plans for each cooperative were taken together as comprising a complete plan. The actual document titled "Business Plan" for each cooperative is really only a summary of the feasibility study with additional detail on first year operations.

The Checklist has been completed to show if an item is completely covered, covered incompletely but adequately for assessment purposes, or covered incompletely without enough information for assessment. The Commentary section discusses each item as appropriate, and tries to offer suggestions to either strengthen the business plan or to identify issues which management will need to address during project operations. The Viability section attempts to present a conclusion of project viability, taking into account returns, risk, and reasonableness of the plans.

In the Commentary and Viability sections, further information gained from discussions with knowledgeable individuals in Kigali and cooperative members during site visits is included.

In assessing viability, it should be noted that all of these plans pose a large degree of risk related to supplies of inputs, production, and prices. Outside investors with other options would be unlikely to invest, on a commercial basis, in even the most viable cooperative, in spite of adequate projected returns. Viability, therefore, has been assessed based on the projected returns and the confidence that management will be able to address the risks of operation, not in comparison to similar investments in other countries or investments in different sectors in Rwanda. In other words, viability is found for several of the plans, but none should be considered without significant risk.

It should be noted that these business plans were clearly prepared with significant outside assistance from Technoserve. Nevertheless, all cooperative managers and members interviewed showed an in-depth understanding of their plans, including risks, financing issues, and management requirements. The cooperatives clearly see these plans as their own and the enterprises as being their responsibility.

B. Cooperative CAVECUVI

B.1 Summary

The Cooperative's business plan is quite complete, with the more interesting detail and support found in the feasibility study. The overall plan shows a group which understands its work, knows what is most important, and is confident of success. The two greatest concerns are:

- Supply of seed.
- Pricing assumptions

The business plan and study note the importance of the seed supply and have well-thought out plans to assure it. In spite of the plan, this could be problematic in the short-term, but that is really an agricultural extension question and, in any case, is probably solvable over time to allow the Cooperative to operate at a profit. During the site visit, farmer acceptance appeared high and planting commitments were in place to produce planned first year production; delays in rainfall had scaled back actual planting, however, and actual planting may be lower than commitments.

The second concern could have serious repercussions unless corrected. The plan presented, which seems to result in charging large customers more per liter of oil than small customers, could have perverse and disastrous results. Discussions with the planners have shown that they do not expect this to be the case in operations and calculations (see Table II) show that even a small correction of the pricing assumptions return the plan to viability. Pricing among market segments, nevertheless, must be explicitly addressed to ensure successful operation. The site visit confirmed that the cooperative had taken this into account and sales prices (actual and planned) were sufficiently high.

Further, explicit contingency planning and analysis should be conducted prior to commencement of operations to provide the greatest chance of success in the face of large risk. With the pricing issue having been dealt with, if contingencies can be examined more closely, the Cooperative seems to have the management and experience make this a viable enterprise.

B.2 Completeness/Checklist

Key:

1 = Complete

2 = Incomplete/Adequate

3 = Incomplete/Inadequate

Cooperative: CAVECUVI

Item	1	2	3
Mode of Operation	X		
Officers' Responsibilities	X		
Systems of Accounting/Accountability		X	
Marketing Plan	X		
Analysis of Access to Markets	X		
Analysis of Costs of Production	X		
Analysis of Costs of Distribution			X
Analysis of Profitability			X
Financing Plan	X		
Analysis of Competitiveness of Sunflower Oil	X		
Analysis of the Effects of Price Changes			X

B.3 Commentary

As noted elsewhere, this check list was completed following review of both the Cooperative's feasibility study and its business plan. Much of the information regarding the items above actually came from the feasibility study.

Mode of Operation and Officers' Responsibilities The CAVECUVI Cooperative's operating practices in general, and the role of management, form the basis for the operations of this new effort and, based on their evident success as a cooperative to date, are sufficiently addressed here. During the site visit it was clear that these were well defined, with responsibilities clearly allocated among experienced personnel.

Systems of Accounting/Accountability The specifics regarding this item are not dealt with

significantly in the study or business plan. If this were a brand new enterprise, this item would need to be addressed more fully, but since CAVECUVI has been operating for several years as an official cooperative, it is not necessary to go into more detail in the business plan. Operational accountability is dealt with in plan sections regarding staffing and responsibilities.

Again, the site visit showed an extremely well organized cooperative with excellent accounting and reporting systems. These systems are adequate for current operations, with first six months' receipts amounting to over 45 million FRW. The cooperative also has annual production credit from a local bank of 7 million FRW and runs an agricultural bank for its members with assets of 7 to 9 million FRW.

Marketing Plan and Analysis of Access to Markets Rather cleverly, the business plan addresses these items by planning on operations whereby the market will come to CAVECUVI. The viability of this (it does seem viable) is discussed further below, but the plans marshal significant evidence to support the assumptions (largely, location of the Cooperative, market size in the immediate region, market segmentation assumptions).

One secondary area under this topic which could be expanded on or thought over more is the marketing of the oil seed cakes. From the business plan, it appears that the market is currently starved of this by-product and that it will sell with little or no effort. While not the major output of the enterprise, cake receipts make up a significant portion of revenue throughout the plan, growing to planned sales of 81 tons in year 10. It seems logical to expect that somewhere along the line competition will arise and selling 81 tons/year without active marketing and distribution could be difficult. Also, as a by-product, it could become very price competitive (that is, once a firm has made the oil, it would be willing to sell the cake at almost any price just to get it out of storage). To hold onto customers found easily in the current market may require certain service requirements and, if affordable, they should be at least considered prior to a competitor's presence.

A important advantage of the plan as presented is that it assumes only a 15% market share initially; while this may seem high, it is significantly less than the other plans require and supports generally positive conclusions regarding managements understanding of the market.

Analysis of Costs of Production Production costs appear well presented, supported, and analyzed in the study and plan. There appear to be some minor miscalculations in the business plan itself, but these do not flow through to final calculations. The plan is also to be commended for including significant agricultural extension costs, recognizing explicitly the importance of this activity and that is not just a general Cooperative expense.

Some observations which may have been thought through already, but are not explicitly dealt with in the plan or study include:

- Staffing increases - Volume is projected to increase dramatically over the years. Can

- the staff planned for year 1 handle the increases? If the operator leaves the Cooperative, who would replace him and would the replacement have to be trained for another two months? By whom and at what cost? Similar to the Repair and Maintenance budget for equipment, the Cooperative could consider a relatively small percent of salaries being accounted for under on-going training.
- Related to this, costs for some Cooperative-provided overhead (treasury/accounting services, for example) are not directly included. Initially these costs are probably minor (although they are costs, even if from underutilized capacity of the Cooperative), but in later years they could be additional costs the oil seed enterprise will need to take on to manage itself efficiently. If the Cooperative does grow to the size projected, such costs will have negligible effect on profitability, but will be important to management.
 - The initial technical assistance proposed from Technoserve is not included as an enterprise cost, which is not unreasonable since it is akin to assistance given by, say, the U.S. Small Business Administration to U.S. firms and would not normally be included in such a plan. The Cooperative should consider, however, if it will need to pay for such outside services eventually or if, after the initial assistance it will be fully self-sufficient, managerially and technically.

Analysis of Costs of Distribution As mentioned above under marketing, the Cooperative expects very little in the way of distribution costs. It has allowed 2 FRW/kilogram of seed for transportation from regional stations to the processing plant, but it is not clear what this is based on. (It may very well be correct, but it is difficult to know.) It has also accounted for the storehouse manager's salary, but expects no other such costs. If the distribution (or lack of distribution) assumptions are correct, this lack of analysis is understandable.

Analysis of Profitability There are three basic concerns under this topic: Conflicting analysis of profitability; Revenue assumptions among different market segments; and lack of contingency plans. These are also discussed further in the next section.

Conflicting Analysis: The Feasibility Study lays out quite a complete and well-supported 10-year projection of profitability, showing an IRR of 48%, payback of 5 years, and break even of 35 tons of seed. (In the business plan an IRR of 26% is claimed, but this has been explained as a typographical error.) Still, there are some minor differences between projections in year 1 of the plan and the study. (Note: The 10 year projections in the feasibility study appear to show no taxes being paid for the full period; the IRR calculated, however, seems to take into account taxes in years 6 - 10, at an estimated rate of 37%. See Table I.)

Another conflict is that the break even volume is calculated at 35 tons of seed, yet in year 1 some 40 tons of seed are to be processed and the Cooperative expects to lose some money. One suggestion related to this is to explicitly figure the unit contribution (using unit costs along the lines of those in the business plan, page 15), examine whether other costs are really fixed or variable, and thus part of the unit cost, and recalculate a breakeven

volume. Besides providing important information on breakeven, such an examination of fixed versus variable costs can help in contingency planning. (See the feasibility study of Cooperative UKOBAMU for a good example of this.)

Revenue Assumptions among Market Segments: It is assumed in the plan that all three segments (22 liter buyers, 5 liter buyers, and 1 liter buyers) will pay 190 FRW/liter, including packaging. If this were to be the case, the smallest buyer would pay, in fact 135 FRW for a liter of oil alone, but the middle buyer would pay 162 FRW (5 liters times 190 FRW = 950 FRW, less packaging of 140 FRW divided by 5 liters of net oil) and the largest customer would pay 172 FRW. Normally, one would expect the opposite correlation.

If the medium and large buyers were to insist on paying no more than the small buyer for the actual oil as currently priced (that is, 135 FRW/liter) and then pay for the packaging, revenue in year 1 would be approximately 286,000 FRW lower than projected. (The Cooperative would receive revenue, including packaging, of 153 FRW/liter from the largest buyers and 163/liter from the medium buyers.) Discussions have shown (and been confirmed during the site visit) that this is not expected to be the case; that is, everyone will pay the same price for oil, net of packaging, figured on large buyers paying 190 FRW/liter including packaging (a price of 172 FRW/liter of oil net). Based on market data and presentations by other cooperatives, this seems a realistic price for large buyers, and the cooperative has been making sales to all segments at this price. In addition, sales to date have been all pre-packaged, though retail sales into consumer-provided packaging could occur in the future.

Lack of Contingency Plans: Although the site visit showed that cooperative management had an understanding of possible difficulties and contingencies, this was not covered explicitly in business plan. It would be useful for management to address likely contingencies in advance so they will have a clear plan for dealing with problems which may occur. This is discussed more fully in Section III.

Financing Plan The projected needs and sources of financing are complete.

Analysis of Competitiveness of Sunflower Oil Both the plan and the study present a good overview of the edible oil market and the positioning of sunflower oil. There is an implicit assumption that competing, similar quality oils will not lower their prices to take back market share. This assumption, if not previously considered in the analysis, could be looked at by the Cooperative.

Analysis of the Effects of Price Changes The plan and study assume no changes in prices of oil or inputs (apart from labor). While projected success does not depend on projecting oil price increases every year, potential oil price decreases or increases in supply costs should be considered. The break even analysis above could be expanded to include break even calculations on prices and input costs. The presence of donor oil along with market share competition may make this an important contingency to address.

An example provided by Cooperative management is drawn from initial experience with rice operations. When the Cooperative began marketing rice, it faced strong price competition from imported stocks. Initially, the Cooperative stored finished rice waiting for the market to stabilize, but eventually had to sell it at a loss to cover at least some cash costs. Within a couple of years, importers evidently reduced stocks allowing the Cooperative to gain market share profitably. Although the Cooperative does not expect similar problems with sunflower oil sales, and in any case has the financial strength to fund initial losses, this example furthers the argument that all cooperatives should be prepared for initial pricing pressures.

B.4 Viability

As is clearly stated in the business plan and feasibility study, the critical factor for success of this endeavor is adequate supply of sunflower seeds. The agronomic factors seem favorable in the region and the Cooperative has a well planned and, it appears, adequately funded, extension program to introduce sunflower cultivation to farmers. The question of whether the rapid increases in sunflower seed production in the region are possible is really agricultural in nature. An investment in this enterprise depends greatly, therefore, on one's confidence in the Cooperative (and Technoserve, evidently) to carry out this extension program successfully and quickly. Also, even if the projected increases in production are not met initially, the Cooperative can operate profitably at much lower levels than projected in future years (if other assumptions are accepted). Based on how this critical aspect of the enterprise is addressed in the plan and study, therefore, the supply of inputs should not negate viability.

More troubling, however, were the assumptions regarding pricing. Other concerns and comments in section B.3 are of varying degrees of seriousness, but do not individually hurt projected viability. As explained above and shown in Table I, the effect of pricing decisions needed to be explicitly addressed and has been according to Cooperative management. The potential effect on the distribution of sales among segments is not yet clear.

Assuming these issues can be dealt with adequately, the experience of the Cooperative in cash crops and its evident management capabilities add support to the conclusion that this plan represents a viable enterprise.

The site visit provided clear evidence of an extremely strong cooperative, both financially and managerially. Although they say that they need assistance with agricultural aspects of the project, it is not altogether clear that this is true. At any rate, it could certainly be argued that the Cooperative is strong enough to pay for this assistance itself. One advantage of providing assistance to the Cooperative, however, is that it could provide access to invaluable market, production, and financial information. The Cooperative is well enough organized to collect extensive information on its oil operations and any assistance agreement should require information reporting which could help other cooperatives and potential project expansion.

COOPERATIVE CAVECUVI

TABLE I

FROM FEASABILITY STUDY: TABLE II

Cash Flow	(1,597,134)	481,859	723,334	894,930	1,173,060	1,351,135	1,554,448	1,783,004	2,016,403	2,270,158
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I. ILLUSTRATION OF CORRECTED CASH FLOW WITH TAXES

Tax Rate:	37%									
Taxes	0	0	0	0	0	474,993	547,816	629,673	713,034	803,920
Cash Flow	(1,597,134)	481,859	723,334	894,930	1,173,060	876,142	1,006,632	1,153,325	1,303,369	1,466,238
IRR	48%									

II. POTENTIAL CHANGES IN IRR FROM SEGMENT PRICING CHANGES, BASED ON IMPLICATIONS OF BUSINESS PLAN

Note: Revenue Change/Liter relates implied price to assumption in Original Cash Flow of 190 FRW/Liter, including packaging.

Large Purchasers buying at 153/liter, incl. packaging

YEAR	1	2	3	4	5	6	7	8	9	10
Revenue Change/lt (37)										
Volume (Liters)	6000	7920	9488	11385	12540	13695	15015	16500	18150	19800
Change in Cash	(222,000)	(293,040)	(351,056)	(421,245)	(483,980)	(506,715)	(555,555)	(610,500)	(671,550)	(732,600)

Medium Purchasers buying at 163/liter, incl. packaging

Revenue Change/lt (27)										
Volume (Liters)	2400	3168	3795	4554	5016	5478	6006	6600	7260	7920
Change in Cash	(64,800)	(85,536)	(102,465)	(122,858)	(135,432)	(147,906)	(162,162)	(178,200)	(196,020)	(213,840)
Combined Change	(286,800)	(378,576)	(453,521)	(544,203)	(599,412)	(654,621)	(717,717)	(788,700)	(867,570)	(946,440)

III. APPLICATION OF CHANGE IN PRICING ASSUMPTIONS TO AFTER TAX CASH FLOWS

Cash Flow	(1,883,934)	103,283	269,813	450,727	573,648	221,521	288,915	364,625	435,799	519,798
IRR	11%									

TABLE II

COOPERATIVE CAVECUVI

EFFECT OF INCREASE IN PRICES TO ASSURE VIABILITY
(Revenue Change/Liter is based on original pricing plan.)

YEAR	1	2	3	4	5	6	7	8	9	10
Large Purchaser price incl. packaging:		160								
Revenue Change/ft (30) Volume (Liters)	6000	7920	9488	11385	12540	13695	15015	16500	18150	19800
Change in Cash	(180,000)	(237,600)	(284,640)	(341,550)	(378,200)	(410,850)	(450,450)	(495,000)	(544,500)	(594,000)
Medium Purchaser price incl. packaging:		170								
Revenue Change/ft (20) Volume (Liters)	2400	3168	3795	4554	5016	5478	6008	6600	7260	7920
Change in Cash	(48,000)	(63,360)	(75,900)	(91,080)	(100,320)	(109,560)	(120,120)	(132,000)	(145,200)	(158,400)
Combined Change	(228,000)	(300,960)	(360,540)	(432,630)	(478,520)	(520,410)	(570,570)	(627,000)	(689,700)	(752,400)
AFTER TAX CASH FLOW (From Table I)										
Cash Flow	(1,597,134)	481,859	723,334	994,930	1,173,060	876,142	1,006,832	1,153,325	1,303,369	1,466,238
APPLICATION OF CHANGE IN PRICING ASSUMPTIONS										
Cash Flow	(1,825,134)	180,899	362,794	562,300	698,540	355,732	438,062	528,325	613,669	713,838
IRR	18%									

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C. Cooperative ABATICUMUGAMBI

C.1 Summary

The business plan and feasibility study of the Cooperative ABATICUMUGAMBI are reasonably complete and allow for an assessment of general viability. The most pressing concerns are:

- **Lack of contingency planning:** As for cooperative CAVECUVI, little in the way of contingency planning is included. This cooperative, however, has an evidently higher level of flexibility due to a larger portion of variable costs. This flexibility can expand the operating and cost options available to the Cooperative.
- **Need for significant market share:** Being in a smaller market, the Cooperative needs greater market share than CAVECUVI to operate profitably with the same general costs. This may come relatively easily at the expense of commercially imported oils. The local market does not appear currently inundated with donated oil. If donated oil supplies increase, however, the Cooperative may find itself under severe price competition. Proper planning together with active efforts to limit the commercialization of donated oil can lower this threat. Tracking market prices assiduously as greater quantities of oil are produced will be necessary.
- **Agricultural extension funding:** Due to a lack of initial capital, the Cooperative plans on funding extension agents through a commission on seeds received. Discussions have confirmed that it is acknowledged that this could have serious and perhaps disastrous results in recruiting qualified extensionists, who, in addition to putting their pay at risk, must wait approximately five months to get paid. Given the importance of seed supply and the required increases in production from year 1, this does not seem to present a realistic plan for extension funding.

The risks of this venture are not negligible. Unless the Cooperative can raise additional capital to adequately fund extension activities (or can convince those more knowledgeable regarding extension in Rwanda of the realism of the current plan), the plan is not viable. Since the costs of extension are already included in cost projections, a different funding mechanism will not significantly affect returns and would, on paper, change this conclusion.

The team was not able to complete its site visit to this Cooperative; after almost an hour on a very rough dirt road from the nearest small town, a bridge was impassible still several kilometers from the Cooperative. While the seeds are to be produced in the area of the Cooperative, the machine and oil operations are all to take place in the town. Even if made viable on paper, the remoteness of the Cooperative from its planned market and factory raise very serious concerns regarding the practicality of the venture, notwithstanding the Cooperative's claim that members' travel to town to manage operations is not a problem.

C.2 Completeness/Checklist

Key:

1 = Complete

2 = Incomplete/Adequate

3 = Incomplete/Inadequate

Cooperative: ABATICUMUGAMBI

Item	1	2	3
Mode of Operation	X		
Officers' Responsibilities	X		
Systems of Accounting/Accountability		X	
Marketing Plan	X		
Analysis of Access to Markets	X		
Analysis of Costs of Production	X		
Analysis of Costs of Distribution	X		
Analysis of Profitability			X
Financing Plan	X		
Analysis of Competitiveness of Sunflower Oil			X
Analysis of the Effects of Price Changes			X

C.3 Commentary

Much of this cooperative's business plan and feasibility study was similar, if not identical, to that of the Cooperative CAVECUVI. The commentary which follows will refer, necessarily, to the commentary in section B on CAVECUVI.

Mode of Operation and Officers' Responsibilities As for CAVECUVI, these topics are adequately addressed, largely based on the Cooperative's history.

Systems of Accounting/Accountability More attention to this area is provided than in some other plans. Without going into great detail, this cooperative alludes to previous difficulties in this area and wisely requests assistance in management generally and accounting/financial control specifically. They also expect to provide financial training to

operating management from the beginning to help ensure proper financial management. Perhaps due to previous problems, the Cooperative plans on hiring a cashier/bookkeeper apart from the oilseed manager which will assist in financial control and accountability.

Marketing Plan and Analysis of Access to Markets This cooperative's plans are nearly identical to those of CAVECUVI. Differences which strengthen this plan are the decision to sell virtually all production in 22 liter containers, thereby picking a well defined target market; inclusion of the option of regional delivery to large buyers (that is, including service as well as price in the plan); and somewhat expanded discussion of the cake market.

One area of concern in the marketing plan is lack of discussion of competition for market share. This cooperative is in a smaller regional market than CAVECUVI, yet plans on selling similar volumes, resulting in the need for larger shares of the market each year. Initial year market shares are shown variously between 29% and 40% (versus 15% for CAVECUVI) in different sections of the study and plan. Even in a growing market, gaining 29% share the first year is ambitious. Although the market is expected to grow, production is expected to grow at 20%, well greater than the 8% annual growth in the market nationwide (Bessey report). This means the Cooperative will constantly need to gain share from competitors. Further, in comparing the market by month to sales projections, for certain months in year 1 the Cooperative expects to gain over 70% of the market (see business plan, page 6).

The need for marketing is addressed in the plan, as for CAVECUVI, through a 5 FRW/liter charge for marketing and through other aspects of the plan. The challenge here, however, is even greater than for CAVECUVI and it would be wise to consider marketing strategy in more depth. This is discussed further under Analysis of Competitiveness below.

Analysis of Costs of Production As for CAVECUVI, costs of production are well thought out and justified. Some of the concerns noted in section B apply also to this cooperative, though exemption from taxes is shown ending after 5 years. In addition, the prose portion of the plan explicitly acknowledges the need for training and likely continuing management assistance. While these do not appear to be included in the cost projections, they are at least considered. A useful feature of this plan is the planned "bonus" of 1 FRW/kg. of seed purchased from early growers of the seed. This seems reasonable but is not included explicitly in cost projections. Since it will not be long lived, it does not significantly affect calculations, but in the short-term management should ensure funds remain available to cover this.

A final concern regarding production costs, discussed further under profitability, is the method of budgeting for extension activities. It is calculated as a variable cost of 2 FRW/kg. of seed commission to agents and staff. Based on discussions, it is not clear that this will actually allow recruitment of qualified extensionists. In any event, the budget for extension activities is determined from volume of production (that is, resources available), rather than from extension needs directly and the Cooperative's extension experience. It

also provides the somewhat perverse result of low extension budgets in early years and in later years, once the crop is fully accepted, much higher budgets. This budget should be reworked to ensure that sufficient funds are available for extension work early on. By comparison, CAVECUVI's extension costs were over 4 times higher in year one, remaining constant throughout the project.

Analysis of Costs of Distribution These are generally analyzed as for CAVECUVI, but have the added strengths, mentioned in the marketing plan, of including delivery options to large buyers and having a more coherent fit between the target market (only large buyers) and the distribution system (mainly from the factory). The costs of delivery are not explicitly accounted for, but would be included in the 5 FRW/kg. marketing charge.

The remoteness of the Cooperative and its seed production from the processing, however, make it more important to include costs of transport of seed to the processing site. Given the quantities of seed involved, these would not seem to be negligible. Also, the practicality of even a small truck, filled with seed, traveling the road and bridges to the processing site over an extended period of time seems questionable.

Analysis of Profitability This topic is covered similarly to CAVECUVI, though with less conflict in different parts of the study and plan. This cooperative is shown as being profitable when operating above the breakeven volume, for example. The most serious concern with CAVECUVI, that of revenue/pricing assumptions among market segments, is mitigated somewhat here since this cooperative has only a single target market. According to the study, large buyers are currently paying over 200 FRW/liter, including packaging, for similar quality oil in 22 liter containers. If this is correct, the problem of CAVECUVI undercutting itself by selling more cheaply to small purchasers, would not appear to arise.

A problem which remains, however, is lack of contingency planning. The concerns noted elsewhere are all applicable here. One area of contingency particular to this cooperative is its treatment of extension costs. These are shown as variable, so an assumption of a poor crop year would also bring lower extension costs. If, however, extension is really fixed at the beginning of the year, it is more important to plan for the risks of poor crop production.

Financing Plan The projected needs and sources of financing are complete.

Analysis of Competitiveness of Sunflower Oil This plan provides a similar general analysis of product competitiveness as CAVECUVI. Given the significantly greater market share required, however, this does not appear adequate to address the local situation. Even for CAVECUVI, but particularly here, if a firm is bringing significant new production onto a small market, some competitive reaction is to be expected; initially usually in the form of price competition. Over time, competitors may move their distribution from the region, ceding the market to the Cooperative, but this could take time. Complicating the matter is the presence in Rwanda of donated oil being sold on the commercial market. Although

there are costs associated with selling donated oil, they can be expected to be less than producing oil from seed. The Cooperative should be prepared to attack this problem early on, either by being prepared to cut prices, considering distribution away from low variable cost oil (if possible), or enlisting official and donor support to address the problem. It is impossible now, given the small quantities put on the market by the Cooperative to date, to assess what the competitive reaction might be, but the Cooperative should acknowledge the likelihood of such reactions and plan adequate responses.

Analysis of the Effects of Price Changes The concerns noted under section B apply here as well, along with the comments above regarding competitive reaction.

C.4 Viability

The critical success factor for all of these cooperatives remains production of inputs. Relating this to cooperative viability is done in section B and holds true here. This region has some experience with sunflower production, so should be on stronger ground in this area. Of great concern is the budgeting of extension activities, noted above. Discussions have shown the current plan to have been devised based on a lack of initial capital, though the difficulties with a commission-type extension program are known. Considering the criticality of seed supply to the venture, the Cooperative must be in a position to raise sufficient additional capital to fund extension activities fully, with the amount of funds based on extension needs, not projected revenues. Calculations of returns should not be significantly affected by this, but unless the Cooperative financing can be changed, this plan presents much greater risk than necessary.

Another concern for the Cooperative ABATICUMUGAMBI is its requirement for large and increasing market share. If the local presence of marketed donor oil does not grow, this problem can largely be dealt with. Official statistics in the business plan show, for 1988-1992, that donated oils have tended to compete with (and replace) imported fine oils. If donor oil supplies do not increase greatly on the market (which has been the reported case in 1993), the Cooperative production may be able to compete by replacing imported oils as planned. A recommendation would be for cooperative management to attempt to keep donors informed of new Rwandan production and prepare for the contingency of a price war, while still realizing that such possible price reductions should affect imported oils more significantly than local oils.

One beneficial aspect of the plan which should ease such potential pressures, as well as other contingencies, is the relatively higher variable costs found in this cooperative in the early years. This is mainly due to the decision to rent factory space initially. (Leased space is not completely variable, of course, but it is more so than owning a sizeable building.) This may cost more than owning a building, as shown by the Cooperative's plan to build later, but it provides much needed flexibility in the crucial early years. The true payback for the Cooperative and its members comes in the later years; the real risk to the Cooperative is early. It makes sense to trade some early profit for risk reduction, providing

much better chances of making it to the highly profitable years. Retaining as much flexibility as possible in the first several years greatly enhances the potential viability of this enterprise.

While the flexibility helps mitigate risk and reported returns are above the required threshold, the unacceptable risks related to extension and market share requirements necessitate the conclusion that the venture, as planned, is too risky to be considered viable. Further supporting this conclusion is the already noted remoteness of the Cooperative from its planned processing and marketing site. While certainly a subjective finding, it is difficult to believe that this remoteness will not effect all aspects of operations, including Cooperative control of processing operations.

D. Intergroupement UKOBAMU

(Note: This section refers to UKOBAMU as a single cooperative; it should be understood that it is actually a group of several cooperatives.)

D.1 Summary

The business plan, including a very strong feasibility study, is complete, well thought out and presents a viable enterprise. As discussed at some length below, the analyses presented in the feasibility study make what could be a very risky venture (high investment, low management skills) much more reasonable. These analyses should be taken as a model by the other cooperatives for their business plans and as a guide to business operations and contingency planning.

The general concern regarding seed supplies applies to this venture as well as the others. The only other significant concern is the Cooperative's management, which describes itself as poor. Understanding this, if proper management training and assistance can be provided and results monitored closely, this is a very strong plan. The site visit provided some assurance of adequate management and accounting capabilities for the Cooperative. Although overall quantities remain small to date, the records of the Cooperative are well organized and up to date and should allow for expanded operations to be monitored well.

D.2 Completeness/Checklist

Key:

1 = Complete

2 = Incomplete/Adequate

3 = Incomplete/Inadequate

Cooperative: UKOBAMU

Item	1	2	3
Mode of Operation	X		
Officers' Responsibilities	X		
Systems of Accounting/Accountability			X
Marketing Plan	X		
Analysis of Access to Markets	X		
Analysis of Costs of Production	X		
Analysis of Costs of Distribution	X		

Analysis of Profitability	X		
Financing Plan	X		
Analysis of Competitiveness of Sunflower Oil	X		
Analysis of the Effects of Price Changes		X	

D.3 Commentary

As stated elsewhere, the presentation of UKOBAMU, particularly the feasibility study, was very well done and was complete in almost every respect. There are, of course, some concerns noted below, but overall the presentation went well beyond the basics to provide useful and accurate analyses of the business aspects of the enterprise.

Mode of Operation and Officers' Responsibilities These topics were well addressed, including additional detail on the individuals proposed for Manager and Operator of the sunflower operation. The inclusion of a control committee in the Cooperative is another plus to the plan. The site visit showed that major parts of this structure are in place and functioning. The Cooperative only had two employees (working in the pharmacy) at the time of the plan, but has hired additional staff for oil operations.

Systems of Accounting/Accountability This is one aspect of the plan which remains incomplete. The Cooperative is new (formed in 1988 and still not formally "incorporated") and evidently went under in 1990 due to, the plan states, management problems; discussions have revealed that these problems apparently involved cash management. Given this short and poor history, this business plan needs to address the particulars of these systems in more depth than the Cooperatives which have operated on a larger scale for longer periods of time. The plan does propose receiving training from Technoserve on internal control and hopes that the Control Committee members will have at least some notion of accounting. Inclusion of a description of the control reports expected from the Committee, and relevant reporting documents from the cashier and operation manger, would have strengthened this part of the plan. General reporting suggestions are included in Section III.

In spite of this weakness of the plan, the site visit showed adequate accounting practices, including well organized ledgers on cash, sales volumes, accounts payable and receivable, and inventory with all data segregated from pharmacy operations. Further management assistance could easily develop additional reports, as noted elsewhere, to provide greater information for effective operational management.

Marketing Plan and Analysis of Access to Markets The general market information for the region is quite solid. The decision to focus on large (22 liter) buyers is well supported by explicit reasoning and pricing decisions (at 175 FRW/liter) are supported by market

information. As for the other cooperatives already described, UKOBAMU needs significant market share of the fine oil market - they are projecting getting 32% of the potential market or 39% of the actual market in year 1 and up to 70% during the project. The Cooperative has one advantage in that several area cooperatives make a practice of procuring their supplies from UKOBAMU; this has already resulted in several single sales of greater than 100 liters each.

Most of the current market has been served by liquid oil purchased in Kigali at wholesale and then brought to the region. Currently, Canola takes 27% of the market, CHIEF 63%, and DIAMANT approximately 10%. DIAMANT and CHIEF are both refined palm oil. Canola and CHIEF are sold wholesale in the region at higher prices than the Cooperative expects its oil to be sold at (200 FRW/lit. and 183 FRW/lit. respectively), while DIAMANT is less expensive. The Cooperative's market share, therefore, would come from Canola and CHIEF. With Canola having 27% even at a high price, its customers do not seem overly price sensitive and efforts to market the quality of sunflower oil to this segment may be needed to penetrate it initially. Most of the Cooperative's share initially will probably come at the expense of CHIEF. Discussion of CHIEF's possible ability to lower prices in the face of competition would help support the market share estimates, though the breakeven analysis in the plan, showing a breakeven price almost 23 FRW/liter lower than CHIEF provides comfort that the Cooperative should be in good position to operate in this market.

One major concern which arose during the site visit regards the provision of free oil (mainly soy) to the displaced people which have recently been located in the immediate region. Whereas in June of 1993 the Cooperative was able to sell over 500 liters of oil, this flooding of the market has completely dried up local demand with recent sales at well under 100 liters/month. The Cooperative is hoping to try to sell more oil in Kigali, but the outlook for spring of 1994 (the next large processing period) is not bright in the absence of some resolution of the problem of displaced people in the area. It should be noted that this is very different from the case in other areas where most donated oil (such as Canola) is meant to be sold on the market and is priced quite high or where some stocks of free oil make it to the market from the displaced people areas, but do not seem to have had an overly strong effect on prices. The presence of very large quantities of relief oil in the immediate area means not just that the market is affected, but that it is virtually destroyed. The only possible competitive responses would seem to be accessing markets in Kigali, if possible, or scaling back planned operations until to situation appears to be solved.

Analysis of Costs of Production Costs of production are well thought out and discussed and used extensively in breakeven calculations under Profitability, below. The only concern is that, as for ABATICUMUGAMBI, costs of extension activities are based on a per kilogram charge related to seed delivery. The plan for extension work seems well thought out, but the concerns stated in section C on this topic (extension costs low initially, growing in later years; budgeting not explicitly based on extension costs) apply here. Discussions of this topic have mitigated the concerns in this area somewhat, as the Cooperative has already planned to have its members (that is, members of the member cooperatives in the grouping)

carry out the extension activities in their areas as a form of sweat-equity. Thus, the funding proposed acts more like a bonus system and, at a minimum, is useful in including extension costs in the financial analysis. If the members are truly capable of this activity, the concerns raised by this method of financing are significantly reduced. Talks with Cooperative farmers during the site visit showed, in fact, that this system is being implemented and appears, based on plantings and the farmers' clear understanding of the project, to be working well. The planting schedule has been slowed somewhat due to uncertainties over the weather, but quite extensive planting among members and other farmers has taken place.

Analysis of Costs of Distribution Distribution costs are analyzed as ABATICUMUGAMBI as both cooperative's expect to follow the same wholesale strategy. Mention is made of expanding into markets further away from the processing in later years, distribution costs of which will need to be assessed as that time approaches. This plan does take into account costs of transport of seeds from the field to the processor, but assumes they will, in effect, be paid by the farmer. (That is, the Cooperative pays a set price at the factory; any necessary transportation costs are deducted from that price to determine the farm price.) If this system allows adequate supplies of seed, no real problem exists. If, however, the Cooperative must rely on supplies from outlying areas and the lower farm price does not bring these supplies forth, it may need to consider a different seed pricing strategy whereby all farmers receive an adequate price at the farm and transportation costs are included in the Cooperative's costs of production.

Analysis of Profitability This is a particular strength of this feasibility study and the use of breakeven analysis presented should be a model for the other cooperatives. The analysis helps answer numerous questions regarding viability at different levels of operation, prices, and costs. Specifically, the analyses show a comfortable range of outcomes which maintain profitability and viability (based on IRR). It should be noted that these analyses have the added benefit of providing guidance to cooperative managers of possible alternative actions as problems occur. For example, if a competitor lowers its prices, management can easily decide how much room it has to manoeuvre or, if costs of seeds appear to need to be increased, the Cooperative can plan its planting and extension campaign to ensure that supplies are sufficient to maintain profitability.

One suggestion is to also do a similar analysis on oil yield from the seeds. The Cooperatives all assume a yield of 33%, though this will certainly vary. (In tests at this cooperative, for example, the yield was only 29%.) Using as a base the analysis in the study, the breakeven yield is about 25% (assuming 50 tons of seed) which provides comfort and, combined with tracking actual yields, can provide early warning to management of potential difficulties.

Financing Plan The projected needs and sources of financing are complete, but there are two questions which required clarification:

- In the cash flow projections on the last page of the business plan a previously unmentioned figure of 21,000,000 FRW in "Grants" appears. Since this appears to

be about 19,000,000 more than is needed, its appearance and projected use was mysterious.

- Between preparation of the feasibility study and completion of the business plan, the processing equipment decision has apparently changed, from purchasing a Tiny Tech machine for 1,000,000 FRW to repairing a donated French machine for an indeterminate amount. This needed to be clarified and reflected in calculations of investment need.

Discussions have shown that these numbers were included at the end not as cash, but to represent the value of the donated French machine and a donated building. In the feasibility study, costs were assumed for a Tiny Tech machine and building construction at costs reflecting actual need. The fact that more expensive items than necessary are being donated does not require recalculations based on the costs of the donated items, since costs of an adequate machine and building are taken into account. The first year cash flow, however, should be corrected to show actual cash positions each month.

Analysis of Competitiveness of Sunflower Oil By conducting breakeven analyses and providing excellent detail on the local market, this plan has gone well beyond the general analysis of sunflower oil in Rwanda. While impossible to predict accurately the reaction of competitors to pricing decisions, the healthy returns shown at substantially lower prices over the length of the project (taking into account economies of scale) make it much more likely that the operation can compete successfully.

Further, as noted above under Marketing, the data on the current market situation shows where the Cooperative's market share is most likely to come from and who it must compete against directly. As the lion's share of the market has not been held by Canola (the major, officially marketed donated oil and, one would expect, the oil with the most price flexibility), it appears that this type of donated oil should not be a major concern in this market. This assumes, of course, that the presence of relief oil for the displaced people, noted above is eventually eliminated and an edible oil market resumes in the area.

Analysis of the Effects of Price Changes As stated above and reiterated just above, the feasibility study provides excellent analysis of the effects of price changes.

D.4 Viability

The absolute necessity for all the Cooperatives to quickly secure large supplies of inputs (seeds) remains true for this cooperative and the concerns related to this mentioned elsewhere apply here as well. Given that, this appears to be a viable venture based on the information contained in its business plan and, especially, the feasibility study. The potential usefulness of the various analyses to management in responding to changing circumstances is particularly important and should be emulated by the other cooperatives.

The only significant concern after reading the plan was management capabilities of the Cooperative, particularly given the relatively larger investment required. This is a new cooperative which frankly admits that it has not managed itself well in the past. This project, while well planned, is much larger in scale and scope than activities previously undertaken by the Cooperative. The review of management practices and accounts made during the site visit provided reassurance that capabilities are such that an operation of the scale planned can be managed by the Cooperative. In spite of this reassurance, it would still make sense for any assistance to include management assistance, particularly in the areas of analysis of operating reports and decision making based on changing operations and markets.

The concern noted above related to relief oil provided to the displaced people in the area could clearly render the entire plan unviable given the fact that it destroys the local market. If it appears that this situation will endure for more than the next six months, current production should be sold as well as possible (perhaps in Kigali) and further plantings and operations should be scaled back until a final resolution is in sight.

E. Cooperative CPTST de NYANZA

E.1 Summary

This feasibility study and business plan are very strong on the necessity for seed supply and in planning an extension campaign to try to lessen the risk of inputs. In particular, it recognizes explicitly that increased seed production will need to come from increasing the number of farmers growing sunflowers, not through yield increases; it assumes a (perhaps more realistic) slower level of production growth; and it provides some explanation for current low sunflower seed production in the region, including mention of the role weather has played in subverting planned harvests. It is recommended that other cooperatives take this into consideration in their planning.

The business aspects of the plans, however, are not sufficiently covered to allow the plan to be judged viable. There are particular weaknesses in market analysis, though the idea of targeting institutional buyers is one others might consider. The cost of subsidies in expected services and goods is not dealt with and conflicting analysis and assumptions further weaken the presentation.

In discussions with Cooperative managers at the site, this overall impression was reinforced, as they seemed most comfortable in addressing planting plans and seed production. Also, the Cooperative has not been able to attract bank financing for either equipment or seed purchases from farmers. The suggestion was made that operations begin as a seed production cooperative, selling seed to other cooperatives with processing in place. Management did not accept this suggestion, but it still appears a more viable alternative than planned operations. The cooperative ABIYUNZE in nearby GITARAMA has been processing oil on a sizeable scale for several years using a hand press. As of July 1993 they were reported as still operating and could be a potential customer for NYANZA seed production.

E.2 Completeness/Checklist

Key:

1 = Complete

2 = Incomplete/Adequate

3 = Incomplete/Inadequate

Cooperative: CPTST de NYANZA

Item	1	2	3
Mode of Operation	X		

Officers' Responsibilities	X		
Systems of Accounting/Accountability			X
Marketing Plan			X
Analysis of Access to Markets			X
Analysis of Costs of Production			X
Analysis of Costs of Distribution		X	
Analysis of Profitability	X		
Financing Plan	X		
Analysis of Competitiveness of Sunflower Oil			X
Analysis of the Effects of Price Changes			X

E.3 Commentary

Although this plan and study have clearly been closely modeled on that of UKOBAMU, it is significantly less convincing in its presentation and analyses. The lack of completeness makes it difficult to assess fully.

Mode of Operation and Officers' Responsibilities These topics were addressed, but for such a new cooperative it is difficult to say how well the structures will work. The Cooperative admits its need for management assistance. It also points out that the individuals responsible for management, at least initially, are full-time Government employees who may not be readily available to the venture. How the Cooperative plans to deal with this is not discussed in the plan, but during the site visit managers claimed that operations are being turned over to farmer-members who have been recruited, with the founding members providing advice and oversight and a generally broader perspective.

Systems of Accounting/Accountability This is only covered briefly in discussions of staffing. The suggestion made on this topic for UKOBAMU applies here as well. From the site visit, little operational activity (e.g., securing of bank credit, installation of processing equipment) has taken place and only small accounts exist to date.

Marketing Plan and Analysis of Access to Markets This topic is a serious weakness in the plan. Somewhat creatively, the Cooperative has looked at local market data and decided, reasonably, that it should sell mainly to regional institutions (schools, the prison, etc.). This is a sizeable market and other cooperatives might want to consider it in their regions. The assumption is made, however, that these institutions behave like individual consumers and are, therefore, almost solely interested in price. Further support should be

collected for this assumption, since institutional buyers may have very different incentives. Apart from the potential role of corruption affecting the buying decision, institutions may be able to pay a bit more in return for extra service. They also may have built up solid relations with their suppliers and not want to put those immediately at risk by dealing with a new vendor.

Even on price, the study seems to present conflicting data on market prices. Early on, the price of Canola in the region (the highest priced oil) is given at 200 FRW/liter, the same price the Cooperative plans to sell at. Later in the business plan the competing price is stated as 220 and 226 FRW/liter. Also, the assumption is made that of the total regional oil consumption half (42,000 liters) is made up of fine oils (the Cooperative's market). Nationally, however, only 29% of oil imports is fine, with the rest being unrefined palm oil. If this proportion holds in this region, the Cooperative is looking at a fine oil market of only 24,000 liters, meaning the Cooperative plans on initially getting 66% of the market, not the already impressive 38% shown in the plan. The initial assumption may be correct (it appears to be based on the relatively high proportion of salaried workers in the region), but such an important assumption needs firm support.

In general, the marketing difficulties are not adequately dealt with and further consideration of the real efforts needed to enter the market, along with solid data, is necessary.

Analysis of Costs of Production Costs of production do not take into account various subsidies the enterprise expects to receive from various sources. Some of these are quite small, such as promotional assistance from the Nutrition Center, but others include free rent on the building for three years, free assistance in seed distribution, and evidently sizeable assistance for extension work (though extension charges do appear in the projections, but again as variable costs). This is apart from any technical assistance requirements. The largest clear subsidy is the building; this could be taken into account by moving construction costs expected in year 3 back to year 1 for analysis.

Other production costs seem slightly out of line compared to other business plans. For example, the salary for the manager is projected at 10,000 FRW/Month while others believe 8,000 is sufficient to attract an appropriate manager. On the other hand, extension agent commissions are 12% less/kg. These are relatively minor points, but do not give one confidence that all production costs are accounted for and accurate.

Analysis of Costs of Distribution Distribution costs are analyzed as for the other cooperatives and assumed to be negligible for sales distribution since sales will take place from the factory. The cooperative is well located for such sales. The plan deals well with costs of collection of seeds, having already contacted agents who would pay farmers throughout the region the same price, and then be paid in turn by the Cooperative a reasonably higher price to cover transport and profit.

Analysis of Profitability This study follows the model found in UKOBAMU, but does not

provide the same level of comfort. Part of the problem involves conflicting or incorrect calculations (e.g., sensitivity analysis on price shows IRR dropping from 21% to 12% if price drops from 200 to 195 FRW/liter); part is due to definition, such as including the equipment costs in the working capital needs, and part relates to some lack of clarity on costs. Basically, it appears that numbers are presented but results have not really been analyzed. The plan and study should be reviewed for consistency and then numbers recalculated and reviewed for meaning. This topic has been marked as "Complete/Adequate" above since the form has been put together and the reader can, to some extent, assess the analysis; it is unfortunate that the assessment can not be positive.

Financing Plan The same difficulties found in analyzing profitability exist in respect to the financing plan. The plan exists, but conflicts in different parts of the text undermine its role. One example is that, in calculating financing needs related to working capital, it is assumed each season will require the same amount of seed purchases, requiring 800,000 FRW towards working capital. Elsewhere (as for all other plans), production plans assume 2/3 of the year's production will come in one season with only 1/3 in the other. This translates (adjusting for price conflict as well) into a need of 1,254,000 FRW - a significant difference.

Once costs are better clarified, markets better defined, a second financing plan should be constructed to cover the same points as the original, but with more coherence and confidence. Supporting this conclusion is that, during the site visit, it was found that no bank credit has been forthcoming and the Cooperative has funds for neither equipment nor contracted purchases of seeds from farmers.

Analysis of Competitiveness of Sunflower Oil The general analysis of sunflower oil's position in the market place is covered, but, as mentioned under Marketing, not enough further study is carried out to assess the local competitive positioning currently and no discussion of what competitive responses might be is included.

Analysis of the Effects of Price Changes Since most of this analysis flows from the analysis of profitability, the same difficulties exist for this topic which is not covered in sufficient depth to allow for a clear assessment. When this topic was raised during the site visit, it was clear (as for other cooperatives) that the possibility of price competition was not considered to be important.

E.4 Viability

This plan's strength really lies in its understanding of extension operations, its acknowledgement of how crucial seed production is, and its assumptions and plans to address this issue. The business aspects of the plan, however, are not sufficiently addressed to provide confidence that the projected IRR, even though above 14%, and other business results can be obtained. Costs and revenues are not well enough supported and generally do not seem to form the basis for a coherent plan. Given this, the newness of the

Cooperative, the very high market share requirements, and the lack of current capital, the conclusion must be that this venture is not viable at this time. Perhaps at a later time, taking lessons learned from other operating oil seed cooperatives and having more experienced management in place, an oil seed operation at this cooperative could be reassessed.

An interim alternative would be for the Cooperative to build on its strengths in production and operate solely as a seed production cooperative initially. If a reasonably close processor were operating, they could provide a profitable market for NYANZA seed. (Since there would be no increase in fixed costs for the purchasing cooperative and excess capacity will exist for several years, they should be able to pay enough for NYANZA seeds to cover costs and transport.) The cooperative ABIYUNZE in the GITARAMA area appears to be successfully processing sunflower oil at a level of around 8,000 liters annually (Bessey report). ABIYUNZE could potentially provide a market for seed production from NYANZA.

A couple of years of this activity could provide additional capital and a track record allowing the Cooperative to expand into processing at that time.

F. Centre de Formation des Jeunes de BUTAMWA

F.1 Summary

This is another solid business plan, strengthened further by the Center's experience in promoting new crops in the region and working closely with the agricultural community. Based on that history, the Center would appear to have the best chance of securing seed for the enterprise. In spite of this, the Director of the Center made it clear that oilseed processing does not currently fit into the Center's plans and that they plan on working on other priorities for the next several years.

Related to the plan itself, the main weaknesses include inadequate market planning to secure a very high 53% of the local market in year 1. This is not unique to this plan and the Center should be able to operate successfully without necessarily meeting this target initially. Some important costs were not included in the plan, but the IRR still surpasses 30% with these costs included. The assumption of no price competition resulting in the market and a lack of contingency planning is evident in the plan and these aspects should be addressed prior to beginning operations.

The relatively long history of the Center's operations and management provided added support to the plan. The fact that the Center is not a cooperative and has no plans to pass the operation onto a cooperative is unique among these plans, but does not affect operating plan viability which would be positive. The fact that the Center is not willing to actively support or manage such venture now clearly requires a conclusion of non-viability for the venture, though the plan is quite strong. (The initial interest at the Center for the venture came from the previous Director and current management simply has different priorities.) The following section addresses the plan itself apart from the Center's lack of current interest.

F.2 Completeness/Checklist

Key:

1 = Complete

2 = Incomplete/Adequate

3 = Incomplete/Inadequate

Cooperative: CFJ BUTAMWA

Item	1	2	3
Mode of Operation	X		
Officers' Responsibilities	X		

Systems of Accounting/Accountability		X	
Marketing Plan	X		
Analysis of Access to Markets	X		
Analysis of Costs of Production		X	
Analysis of Costs of Distribution	X		
Analysis of Profitability		X	
Financing Plan	X		
Analysis of Competitiveness of Sunflower Oil	X		
Analysis of the Effects of Price Changes			X

F.3 Commentary

Mode of Operation and Officers' Responsibilities These topics were addressed, relying almost exclusively on the center's administrative infrastructure. Given the Center's long experience in running the agricultural training programs and farm, this seems adequate.

Systems of Accounting/Accountability This too relies on the Center's experience in managing its affairs. Budgeting and control are discussed briefly, but the lack of any accounts from the center makes it difficult to gauge the systems used. Their long history of operation again seems to show that systems of some sort are employed relatively effectively.

Marketing Plan and Analysis of Access to Markets The plan provides similar market information, nationally and regionally, as the others. The data have been used to construct a marketing plan which, like the others, relies on price. Uniquely for the Center, most sales will be made without packaging (customers will bring containers to fill at the center). Thus the oil is priced at only 175 FRW/liter, with any packaging added to that. Also unique is the inclusion of local individuals and vendors who currently make their purchases in near-by Kigali. From the data provided, the pricing is competitive.

A weakness, as for most of the plans, is assuming that because price is important to the market, all one needs to do is price a quality product well and tremendous market share (in this case, 53% initially) is virtually assured. Certainly price is very important, but even apart from potential price competition, price is not the only determinant (for example, DIAMANT and CHIEF oils are of similar quality, but priced differently and both have significant market share). In the case of shoppers who purchase in Kigali (middlemen, people who work in Kigali, women who sell at the Kigali market), the convenience of purchasing oil

there instead of at the Center, especially if combined normally with other Kigali purchases may outweigh the price differential. In any case, and this is true for all the business plans it normally takes time to get a large portion of a market to change ingrained habits, to learn about a new product, and to make the effort to try it. In general (and also for the Center) the breakeven volumes are low enough and the rates of return high enough so that slower than expected market penetration will not jeopardize the whole project. Still, the managers must be aware that there is a big difference between being able to sell the very small amounts sold to date and capturing upwards of 50% of a regional market.

Analysis of Costs of Production Most costs of production are described and priced at similar levels to the other plans. The Center correctly includes a reasonable value for the building space it is making available to the venture. Two items which are not included are imputed interest costs on investment funds the Center expects to receive from donors. Assuming 15% bank interest (see Table III), IRR would drop to 37% from the reported 53%; this is still more than adequate. The cost of an operation manager is also not included due to the Center's director being assigned these responsibilities. Including these costs in the calculations in Table III, lowers IRR to 32%. While neither affects ultimate viability, they should, as for the building, be included in the calculations.

Analysis of Costs of Distribution Distribution costs, including those required for distribution of seed and collection of seed production to the Center are well presented. This is done based on the Center's extensive experience with the agricultural community, including market places and input distributors throughout the region. As for other cooperatives, the assumption is that sales will be made from the factory. Increasing sales later in Kigali itself is expected to be financed by the typical 5 FRW/liter charge; this assumption will have to be examined as the decision to expand the market nears. For now, the validity of this assumption does not affect the plan.

Analysis of Profitability Basic breakeven analysis and price sensitivity is covered, though the analysis would be strengthened by inclusion of changes in BEV prices or profitability as supplies of seed vary. This would require clearly breaking out variable and fixed costs. Also the ranges covered in sensitivity analysis are not very great and seem to put more emphasis on the upside rather than the downside. For example, sensitivity on prices of seed inputs show seed prices at 28, 30, 32, and 35 FRW/kg. With the planned price of 32 FRW, only one "bad" scenario is looked at and it is only 10% worse than the plan.

The presentation shows such positive results that it is obvious that the plan remains viable over a wide range of scenarios. However, once costs are fully applied, as shown in Table III and described above, the breakeven price the first year rises from 131 FRW to 171. Given the projected selling price of 175 FRW, there is not much room the first year. In fact, since these costs are not cash costs to the business, it has much more flexibility (related to cash conservation and ability to alter prices) than would otherwise be the case, allowing it a much greater chance of getting to the later years when the BEV price will decline and give more breathing room for total cost profitability. The point is, however, that in

including total costs sensitivity analyses will become more important for operation management.

Financing Plan The projected needs of financing are complete and the sources are explained, assuming that donor funds are available as planned.

Analysis of Competitiveness of Sunflower Oil The competitive positioning of sunflower oil in the local and Kigali market is covered along the same lines as for other cooperatives. Assuming no great changes in the market, it would appear competitive at planned prices.

Analysis of the Effects of Price Changes The effects of price changes are covered somewhat in the profitability analysis, but the overriding assumption here, as for most of the previous plans, is that market prices will not change and, naturally given this assumption, no real analysis is provided. Comments made for other plans with this weakness apply here as well.

F.4 Viability

Even taking into account significant new costs in this assessment, the plan appears viable, with low breakeven volumes relative to the planned volumes and a healthy IRR. The concern over supply of inputs certainly exists here as for all these cooperatives, but the Center's long presence in the community and its experience with the successful extension of soy production and cash crops to farmers in the region makes it appear more likely to succeed in this area than the other cooperatives. In addition, Center management is used to managing a sizeable operation, including an active school and farm, and selling its output in the region and Kigali.

It is difficult to believe that the Center will, in fact, gain 53% market share the first year, but it has the flexibility to accept less than planned sales for the first several years and still remain viable. Other concerns mentioned elsewhere in this report as affecting viability apply here as well: steadiness of supplies of seed, competitive pricing actions, changes in yields, etc. The undertaking certainly has significant risks and many of the assumptions made, while appearing valid, may in fact not be.

One other point to take into account is that, unlike the other plans, this is not a cooperative and the plan states clearly that the Center does not plan on turning over such an operation to a cooperative. While this does not affect viability, it may raise other concerns among supporters of the project.

While the assessment of the plan and feasibility study leads to a conclusion of viability, this is clearly negated by the lack of interest by the Center in such a venture.

CFJ BUTAMWA

TABLE III

I. CHANGES IN IRR FROM CHARGING INTEREST ON INVESTMENT

YEAR	1	2	3	4	5	6	7	8	9	10
Original Cash Flow	(2,508,039)	786,859	1,631,768	1,701,575	1,729,261	1,721,950	1,713,607	1,704,159	1,693,528	1,681,621
Investment	2,065,000									
Interest @ 15%	(309,750)	(309,750)	(309,750)	(309,750)	(309,750)	(309,750)	(309,750)	(309,750)	(309,750)	(309,750)
New Cash Flow	(2,815,789)	477,109	1,322,016	1,391,825	1,418,511	1,412,200	1,403,857	1,394,409	1,383,778	1,371,871

IRR 37%

II. CHANGES IN IRR AFTER ACCOUNTING FOR MANAGEMENT COSTS AND INTEREST

Manager Salary/year	108,000	108,000	108,000	108,000	108,000	108,000	108,000	108,000	108,000	103,000
New Cash Flow	(2,923,789)	369,109	1,214,016	1,283,825	1,311,511	1,304,200	1,295,857	1,286,409	1,275,778	1,263,871

IRR 32%

III. RESULTING BREAKEVEN PRICE INCLUDING INTEREST AND MANAGEMENT COSTS

YEAR	1	2	3	4	5	6	7	8	9	10
Original Expenses (Net of Cake Sales)	1,373,605	1,908,585	3,333,040	3,459,069	3,516,901	3,519,185	3,522,860	3,527,974	3,535,584	3,542,757
Add Interest and Salary	417,750	417,750	417,750	417,750	417,750	417,750	417,750	417,750	417,750	417,750
Total Expenses	1,791,355	2,326,335	3,750,790	3,876,819	3,934,651	3,936,935	3,940,610	3,945,724	3,953,334	3,960,507
Quantity (Liters)	10,468	14,761	27,535	28,667	29,179	29,179	29,179	29,179	29,179	29,179
BEV PRICE	171	158	136	135	135	135	135	135	135	136

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III. General Comments, Operating Suggestions, and Conclusions

Comments

As has been shown, while there are differences in assessed viability in the plans, the idea of producing sunflower oil in Rwanda appears reasonable, given the risks involved. Managing and mitigating these risks will be the job of the cooperative managements. General concerns can be grouped into four categories:

- Supply of Seeds
- Price Competition
- Market Penetration
- Risk Management

Supply of Seeds Initially, this is the single greatest risk. The history of edible oil production in Rwanda (soy, peanut, and corn) is not promising. These ventures, including a 100 million FRW investment by RWANDEX and a German supported plant (see Agro-Industry Survey, Technoserve/Rwanda, 1986) failed in large part due to lack of competitively priced supplies. These ventures were almost certainly supported by business plans at least as complete and sophisticated as the ones covered in this report. Prior to making these investments, assumptions no doubt seemed reasonable. In the end, however, they were not.

The various business plans all realize the critical importance of seed supply and present plans to address the issue. It can not be stressed enough that locally grown inputs are the single most important concern for these projects. Managements must ensure that extension activities will be funded adequately and that plans are in place for options which will allow the operation to survive if supplies are not initially adequate.

Cooperative management, which is investing its time and resources in the project, and people knowledgeable of extension experience in Rwanda are best able to determine the likelihood of crop production. Among other things, they should take into account that the problem with soy production was reported (Technoserve, 1986) to be due to the long (110 - 140 days) growing period; sunflower seeds have 115 day growing periods.

For most of the cooperatives, supply must equal at least 50% of projections to break even. This level remains much greater than the current level of sunflower seed production in the regions and will take tremendous effort (and good weather) to achieve.

Pricing Pricing decisions are made based on the current market and generally assume the increased supply of lower cost sunflower oil will not cause price decreases. Some of the plans present well structured sensitivity analyses on price and this should be required for any cooperative to be supported. Generally, if operations go as planned, the cooperatives do have significant (over 10%) room to decrease prices and remain profitable. Unlike seed

supply, however, this area does not appear to be considered very seriously in the business plans. In discussions with the cooperatives, moreover, managements clearly showed no concern about price changes for competing products.

It is impossible to predict what exactly will happen to prices as the sunflower oil comes onto market. It seems that it is well positioned to replace commercially imported oil and not compete necessarily with donated oil supplies. Up to 1992, donated supplies have seemed to have replaced imports while leaving enough import volume for sunflower oil to also compete. The recent upsurge in donated oil stocks, if continued, could present severe price competition if continued, but oil prices (based on an informal survey in Kigali) have held relatively steady and both donors and the Government of Rwanda express a desire to lessen donated oils.

In any event, cooperative management should not simply assume that market prices will not decrease. In addition to sensitivity analysis initially, each cooperative should take regular market surveys as operations begin and track the actions of prices. Such information, particularly from the initial operations, will provide useful data for eventual project expansion, if appropriate.

Marketing Although there are marketing plans for the cooperatives, they rely almost purely on the assumption that since this is a price sensitive product, all that is necessary for large market share is a low price. A 5 FRW/liter "marketing fund" is included in the plans, but there is little discussion of how this would be used. Also, for the cooperatives entering different segments (e.g. oil vendors, institutions, end consumers), little discussion is provided on possible differences in buying behavior among the segments; that is, whether price is as important for each segment.

One comment on this subject, without using too much jargon, is that the low price strategy proposed by the cooperatives implies a "Push" marketing strategy. That is, shoppers will see the product on the market and either note its low price relative to others and buy it or, when requesting oil from the retailer, will be recommended to purchase sunflower oil, due to a higher margin for the retailer. This strategy fits well with sales to middle men in 22 liter jerrycans. A sizeable sales effort to end consumers directly from the factory, however, would imply more of a "Pull" strategy, making consumers aware of the product directly and convincing them to make the effort to visit the sales location (pulling them). The conclusion from this is that any cooperative planning on a significant amount of immediate sales to consumers should include plans for promotion, depending, of course, partly on how convenient the factory location is for consumers and how information is conveyed in its market.

Similar to pricing concerns, the cooperatives should take into account that markets are dynamic rather than static. One can not really introduce a large quantity of product on the market and expect no reaction from current market participants. At a minimum, there are lags in how quickly competitors can react in regard to supplies. Importers may have

significant stocks which will put downward pressure on prices initially even if they eventually plan on decreasing their imports in the face of local production of sunflower oil (as was the case with CAVECUVI's entry into the rice market). If the imports provide significant revenue for the sellers and comfortable margins, price competition could be continued, with the distributors as the target. How to react to such market competition should be addressed, particularly to decide if the plan is to meet any price cuts, meet price cuts to an extent and add services (delivery, local promotion campaigns for Rwandan oil), or hold prices and hope the importers' price cuts render their activities unattractive enough to drive them out of the market.

In summary, marketing decisions will be likely to include more than pricing. Though pricing is clearly the most important aspect, other aspects should be considered as well as the fit between a price-driven strategy and the target markets.

Risk Management Risk management involves understanding what likely risks are, preparing plans to deal with them based on realistic options, and structuring an enterprise initially to minimize risks. An enterprise which initially has high variable costs compared to fixed costs has greater ability to react to changing circumstances and thus should have lower risk. In the case of this report, if cooperatives are able to rent buildings initially rather than build them, this flexibility would be increased. (Note that flexibility itself may also increase risk. This appears to be the case in trying to fund extension activities as a variable (commission) cost and in this case, the increased risk does not seem at all worth the possible increase in financial flexibility.)

Also related to initial structuring to minimize risk is having formal systems in place to monitor performance. Finding out, for example, after project failure that yields were lower than expected is not nearly as useful as noting this during operations when decisions can be made to minimize the problem. Managers should have explicit responsibility to monitor certain crucial indicators, including seed purchases, oil yields, and market prices.

Given the crucial nature of supplies of seed, the possibility of outside suppliers (importers) should be investigated as a backup to locally grown supplies. Even if this turns out not to be profitable in the short run, it may in a particular early year allow at least some of the fixed costs to be recovered allowing the Cooperative to last until the next, hopefully more successful season.

Other fall back plans should be developed for responses to lower yields, price competition, and lower market penetration. Solid breakeven and sensitivity analyses are necessary for each cooperative to know what realistic options exist.

The most important risk of seed supply is well recognized in the plan; as noted above, recognition should also include pricing and market risk.

Operating Suggestions

Drawing on the review of the plans and the comments above and elsewhere in this report, this section attempts to provide some specific suggestions for cooperative operations.

Contingency Planning It is very difficult to project contingencies. Business planners know that, even if eventually met to the penny (or centime), projections are never as erratic as reality and, since it is impossible to predict when ups and downs will occur, they tend to show smooth projections: revenues come in at the same time every year, each year shows reasonable growth, trends always continue. It can be very useful to management, however, to address certain contingencies (at least in prose, if not in the numerical projections) so they will be prepared to act clearly when difficulties arise. Some contingencies that should be considered are:

- Crop difficulties (drought, delays in harvest, poor seeds, etc.): If in, say year 4, the crop comes in much lower than planned, what should be done? How practically can variable costs (which are often people) be cut? What will happen to relations with customers who have been relying on the Cooperative for three years? What about keeping trained labor? Perhaps a certain level of inventory should be built up over the years so the Cooperative can continue to operate during a poor agricultural period or fall back supplies arranged for.
- Supplier power: The plans set seed prices at a certain figure, but suppose the farmers, in spite of the assistance received from the cooperative suddenly get an offer from elsewhere at higher prices or competing crops become more lucrative. Can farmers be locked in from the beginning to avoid this? Can the cooperative increase farmer returns to ensure adequate supply?
- Competition: Will such a successful venture attract competitors? If so, what will the cooperative need to do?

These particular examples may not be germane to Rwanda, but in looking at profitability over a ten year period, certain contingencies should be taken into consideration from the beginning, allowing at least some actions to be planned rather than ad hoc. When some of these issues were discussed with cooperative managements, it was clear that they had been considered somewhat, at least informally. It would still be useful for managements to meet to formally assess such contingencies allowing more rapid response as the operation develops.

Management Reporting All the cooperatives have the capability to keep adequate accounts for their operations. It is important, however, that such data be used by management in decision making. The aim is not simply to have lots of data, but to report important data in such a way that it can be used effectively.

Areas crucial to management are: cash flow, seed supplies, oil yields, and sales (quantities and prices). In addition to normal financial accounts, regular (monthly) reports should be

planned for: cash position and short-term projection; cash budget versus actual to date, with explanation of variances; seed purchases, and prices; oil yields; and sales results, including breakout by type of packaging. These reports need not be overly complex and should flow easily from the data collected by operational managers under their current systems.

Production of these reports should be done on a firm schedule and a separate management meeting should also be scheduled to analyze and discuss the reports. None of this is very complicated, but it is important that time be scheduled regularly to go over the reports; without initial commitment to such meetings, reporting tends to become a paper exercise and the data does not actually get used.

Market Information The cooperatives should be well placed through their positions in the local community to track market information quite accurately. Especially initially, the cooperatives should follow local market prices of the various types of fine oil carefully to be able to adjust their prices if necessary. The cooperatives do have flexibility to adjust prices somewhat and, if this is the strategy they plan to implement versus competition, they must be informed enough to do so quickly, before high levels of stocks build up. It is also wise to respond quickly so competitors do not come to the conclusion that price cuts will not be met and, therefore, continue their distribution plans rather than looking to other markets quickly.

As the cooperatives start marketing significant quantities of oil, they should make someone responsible to collect local price information for competing oils in the area. This does not need to be complex or overly scientific, simply recording current prices in the area on a weekly basis should allow trends to emerge and significant changes to be noted quickly.

Extension Costs This has been noted elsewhere, but given the absolute requirement of sufficient seed supply, it bears repeating. Skimping initially on agricultural extension could be a fatal mistake for even the strongest enterprise. If a cooperative plans extension activities based on limited resources available rather than extension needs, it does so at great risk. Planning for extension expenses as variable, rather than fixed, costs, should be discouraged unless clear plans are in place to ensure continuing and effective extension work through other means.

Conclusions

This report has attempted to assess the completeness and viability of five business plans for the production of sunflower oil in Rwanda. Of the five, and understanding the risks involved, three (CAVECUVI, UKOBAMU, and CFJ BUTAMWA) appear viable based on the plans, though CFJ BUTAMWA has since lost interest in the venture. The other two plans (ABATICUMUGAMBI and CPTST NYANZA) do not appear to be viable risks at this time.

The overall idea seems reasonable: the need for the oil exists, it should be price

competitive, sunflowers can be grown, and the technology is reasonable. Future events, unfortunately, are not knowable, and the two which will determine success or failure for this idea in large part are supplies of seed and market oil prices. If experience in these areas were readily available now, risks would clearly be significantly lower and all plans, with some work, would likely be judged viable. In other words, the idea is the same for all five ventures, but the current levels of risk (for various reasons) are too high to consider any but the strongest plans.

Even the stronger operations are going to need strong management and assistance may need to be provided to ensure this, along with continuous monitoring and fine tuning. Getting these projects started and running successfully is going to be a very management intensive exercise.

Given the results of this study, the recommendation is that assistance should be focused on the strongest operations, CAVECUVI and UKOBAMU, with the option of assistance to NYANZA to market its seed to another processor. From the start, these operations should have a well thought out and formal monitoring plan so that lessons may be learned (regarding prices, competition, supplies, etc.) which will be useful for future similar programs. Similarly, operations among the initial cooperatives should be compared so that different strategies can be compared.

The plans rated viable offer a range of strengths and could, given proper information sharing, provide valuable guidance to each other. CAVECUVI has solid experience in cash crops and cooperative management; UKOBAMU has weaker management, but has a good handle on the tactical options available to it and provides a more typical example of a young cooperative. The experiences of each group as it moves forward can help both current operations and the chances for success of new ventures.

ANNEXES

ANNEX A: PEOPLE CONTACTED AND REPORTS REVIEWED

LIST OF CONTACTS

GASANA, Themistocles	Director, Technoserve/Rwanda
KAYITARE, Brenard	Technoserve/Rwanda
CANTELL, Claudia	PDO, USAID/Kigali
BATTHOLOMEW, Paul	ADO, USAID/Kigali
NGABOYIMANZI, Damascene	ADO, USAID/Kigali
FULLER, Kurt	ADO, USAID/Kigali
Director	CFJ BUTAMWA
Oil Production Manager	UKOBAMU
President and Managers	NYANZA
General Manager	CAVECUVI
Oil Production Manager	CAVECUVI

REPORTS REVIEWED

Masson, Francis, C. Mukyzangango, A. Hannanien, Agro-Industry Survey, Technoserve/Rwanda, 1986.

Bessey, Christopher, Market Survey of Vegetable Oils in Rwanda, Technoserve/Rwanda, 1993.

Feasibility Studies and Business Plans, Technoserve/Rwanda and:

Cooperative CAVECUVI, Commune BUGARAMA, 1993;
Intergroupement UKOBAMU, MUHURA, 1993;
Cooperative ABATICUMUGAMBI, RUBENGERA, 1993;
CPTST, NYANZA, 1993;
Centre de Formation des Jeunes, BUTAMWA, 1993.

ANNEX B: BUSINESS PLAN ELEMENT CHECKLIST

Key:

1 = Complete

2 = Incomplete/Adequate

3 = Incomplete/Inadequate

Cooperative: _____

Item	1	2	3
Mode of Operation			
Officers' Responsibilities			
Systems of Accounting/Accountability			
Marketing Plan			
Analysis of Access to Markets			
Analysis of Costs of Production			
Analysis of Costs of Distribution			
Analysis of Profitability			
Financing Plan			
Analysis of Competitiveness of Sunflower Oil			
Analysis of the Effects of Price Changes			

ANNEX C: SCOPE OF WORK

Rwanda - Business Plans for Cooperatives Involved in Sunflower Oil Production

Scope of Duties

The individual will evaluate the business plans submitted by Technoserve on behalf of the following cooperatives:

- grouping ABIYUNZE (not submitted)
- cooperative UKOBAMU
- cooperative CAVECUVI
- sunflower cooperative NYANZA
- cooperative ABATICUMUGAMBI
- young peoples center BUTAMWA

The primary purpose of the evaluation is to assess the likely long-term viability of each cooperatives' activities in sunflower oil production, according to the business plan submitted and considering the likely impact of external supplies of oil on local market prices.

To carry out this evaluation the consultant will assess the completeness and apparent validity of each business plan. The completeness of the business plans should be assessed against a check-list of elements which will be identified by the consultant and discussed with USAID and Technoserve before the appraisal of the business plans begins. This check-list should include, amongst others, the following elements:

- detail of the mode of operation of each cooperative
- responsibilities of the officers of the cooperative
- systems of accounting and accountability within the cooperative
- analysis of costs of production
- analysis of costs of distribution
- analysis of profitability
- analysis of competitiveness of sunflower oil
- analysis of access to markets
- analysis of the effect of price changes on the viability of each enterprise

The validity of each business plan will be judged on the basis of an assessment of the reality of cost and price assumptions, access to inputs and to markets and of projections of future scale of operations. The consultant will provide an opinion of the reality of assumptions made in each business plan following site visits and interviews with executive staff of each cooperative, and using other sources of information as necessary.

Return on investments should be assessed in the light of current bank loan interest charges of 14%. Particular attention should be given to ensuring that all costs are realistically accounted for. A major weakness in the proposals previously submitted to USAID has been

a failure to recognize or take account of various forms of subsidization of the production and distribution process. Such subsidization derives particularly from inputs and equipment provided at no cost or below market cost by donors.

Reports required

Before departure from Rwanda the consultant will provide to USAID three copies of a report, in both English and French versions, which details his review and conclusions concerning the completeness and validity of each of the business plans submitted by Technoserve for evaluation. Each business plan should be assessed in a separate section of the report and a conclusion drawn at the end of each section of the likely viability of the proposed activity for the cooperative concerned. As appropriate the consultant will offer suggestions on how the business plan might be improved, if such improvement could render its operations economically viable.

The text of both the English and French versions of the report should also be provided on diskette in WordPerfect 5.1, or compatible, format.

ANNEX D: LIST OF ACRONYMS

A.I.D.	U.S. Agency for International Development
BEV	Break Even
CFJ	Centre de Formation des Jeunes
CPTST	Cooperative pour la Production et la Transformation de Soja et Tournesol
FRW	Rwandan Franc, approx. 140 per U.S. dollar
IRR	Internal Rate of Return
USAID	A.I.D. Mission to Rwanda