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## MODULE 3a

Steps how to create a successful co-operation/partnership

## Overview

This module should provide you with a clear idea which steps are necessary for setting up a cooperation. CASE STUDIES will provide further opportunity to compare your specific situation, attitude and entrepreneurial action with other farmers in other countries.

This module is complemented by module 3B.

## Learning objectives (knowledge/skills/attitudes acquired)

### Knowledge

- Clear idea about the necessary steps how to create a successful co-operation/partnership.
- Clear picture of identification of needs, definition of a particular area, important factors when looking for a partner.

### Skills

- It reflects entrepreneurial activity in specific circumstances and individualized situations in the cooperation process.

### Attitudes

- Awareness for setting up successful farming business by cooperation.
- By clicking the links to the SUMMARY REPORT and CASE STUDIES, you should also take the opportunity to compare your situation, attitudes and business events with other farmers and other countries.

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## Recap

The formation of the cooperation should be planned and executed on schedule. A **cooperation plan** makes sure you have the right expectations about the joint project to follow. The plan should also avoid setting too high or unrealistic expectations for the results of the cooperation.

In any case, the chances of success in planned cooperation are essentially better than cooperations due to spontaneous decisions.

The cooperation plan should describe a possible way of forming cooperation, important steps as well as a meaningful order of implementation.

The plan should only be a guide and aid for orientation. The details will be individually developed, decided and implemented.

A cooperation plan envisages the following stages of cooperation and its implementation:

Stage 1: Preparation of the cooperation (see module 3a)

Stage 2: Forming the cooperation (see module 3a and module 3b)

Stage 3: Implementing the cooperation (see module 3b)

# 1. Identification of needs for setting co-operation/partnership

## 1.1 Do I need a partner?

Do you need to consider joining the co-operation/partnership? Ask yourself at least the following 9 questions. Not only will they help you to know whom to choose as a partner (if you have selected one /or been selected), but also to help you clarify whether you need a partner at all.

1. Do I need a partner?
2. What is the optimal number of partners?
3. What will our ownership structure of co-operation/partnership will look like?
4. Do we have a common vision/goal at all?
5. Am I willing to give up some control?
6. Does our co-operation/partnership have a chance to be stable?
7. How will we deal with a possible conflict?
8. How will colleagues, family members and other business partners perceive a partner?
9. What will be our strategy for ending co-operation/partnership?

After answering these questions, you should already have a clear opinion if you need and want a partner.

## 1.2 Why do people form agricultural co-operation/partnership?

Some of the reasons why farmers form co-operative/partnership businesses include:

- To improve bargaining power – Co-operatives/partnerships can provide groups of producers with marketing power more comparable to that held by processors and other market players. This also leads to cost savings when buying more inputs (fertilizers, seeds, spare parts, etc.).
- To reduce costs - Pooling capital and resources through co-op enterprises can enable producers to access services, such as marketing expertise, that they could otherwise not afford alone.
- To achieve economies of scale - By handling large volumes of product, co-operatives/partnerships can reduce the per-unit cost of marketing and processing for producers.
- To increase returns – Because the surpluses generated by co-operative businesses are returned to producers on the basis of patronage, co-operatives/partnerships allow producers to capture additional profits beyond the farm gate.
- To improve product and service quality – Co-operatives/partnerships can allow producers to coordinate the timing of the delivery of commodities to markets.
- To reduce risk – Co-operatives/partnerships allow farmers to pool their production with that of other farmers to minimize price and market risk.
- To obtain needed products and services – Often producers require certain services or products which privately owned companies are reluctant to provide due to the small potential sales volume or uncertain profits. Such producers may join together to form a co-operative/partnership to assure the availability of vital products and services.

## 1.3 Needs assessment

- Why do a needs assessment?

Farmers often ignore recommendations because the recommendations are not suitable, not profitable or too risky for the farmers. A good needs assessment starts with diagnosis of the farmers' actual needs and circumstances and results in developing and recommending more appropriate solutions.

- What is a needs assessment?

A good needs assessment combines discussion and farm operation/field observation to identify the actual problems facing farmers, the "true cause" of those problems and possible solutions based on discussion with coworkers and family members working on the farm. Recommendations are discussed and developed with coworkers based on the farmers' resources and circumstances.

- How do I do a needs assessment?

1. Identify representative areas: Identify an area (or areas) to survey that are representative of the zone of work.
2. Collect secondary data: Compare crop or animal requirements with factors such as topography, rainfall and soils.
3. Plan the assessment: Identify who will help with the survey (include coworkers, family members working on the farm and other cooperating farmers).
4. Visit the farm operation/field and discuss: Ask the coworkers or family members working on the farm what they perceive as problem(s). Visit farm operation/field. Discuss production, harvesting, marketing and pricing, etc.
5. Analyze opportunities: Take advantage of field observations and input from discussions in order to assess opportunities. Engage as many people as you can. Each person could bring something different, valuable.
6. Analyze and prioritize problems, identify the true cause of problems: Use input from discussions and field observations to assess and prioritize opportunities/problems (how many people are affected? etc.). Allow the different groups to prioritize differently. Viable solutions depend on correctly identifying the true cause of the problem.
7. Develop solutions with farmers: Farmers need to accept solutions. Farmers are often conservative, although it is in their interest to discuss other possible solutions.

Example of an evaluation sheet – needs assessment - customize the sheet as needed for different crops or commodities:

| Production factor                     | Priority | Done by whom? | Present practice | Preferred scenario | Comments (cause, if a major problem) |
|---------------------------------------|----------|---------------|------------------|--------------------|--------------------------------------|
| <b>Cropping system/crop rotations</b> |          | N/A           |                  |                    |                                      |
| <b>Land preparation</b>               |          |               |                  |                    |                                      |
| Primary tillage                       |          |               |                  |                    |                                      |
| Residue management                    |          |               |                  |                    |                                      |
| Secondary tillage                     |          |               |                  |                    |                                      |
| Land leveling                         |          |               |                  |                    |                                      |
| Timeliness                            |          |               |                  |                    |                                      |
| <b>Varieties</b>                      |          | N/A           |                  |                    |                                      |
| Current varieties                     |          |               |                  |                    |                                      |
| Expected flowering                    |          |               |                  |                    |                                      |
| Expected maturity                     |          |               |                  |                    |                                      |
| <b>Crop establishment</b>             |          |               |                  |                    |                                      |
| Seed or seedling quality              |          | N/A           |                  |                    |                                      |
| Planting date and rate (kg/ha)        |          |               |                  |                    |                                      |
| Timeliness                            |          |               |                  |                    |                                      |
| Planting method                       |          |               |                  |                    |                                      |

## 2. Definition of the fields of co-operation/partnership

### 2.1 How to define fields of co-operation/partnership

#### SWOT analysis

SWOT analysis can help farmers better understand both internal and external factors, allowing them to make better decisions. SWOT analysis follows the organization from four different angles:

- **Strengths** - Internal characteristics such as skills and resources that can be effectively mobilized or used more efficiently.
- **Weaknesses** - Internal characteristics that limit the potential of a farm, such as insufficient resources and skills.
- **Opportunities** - External factors that should improve the competitiveness of the farm and should be fully exploited (e.g. **involvement in co-operation/partnership**).
- **Threats** - External disadvantages that are expected to be barriers of the progress of the farm (economic situation, competition, etc.).

SWOT analysis contributes to the process of turning a vision into plans by providing a comprehensive picture of internal and external potential, to achieve organizational goals and/or production goals.

SWOT analysis can be used to plan farm development with an emphasis on areas with the greatest potential for co-operation/partnership. SWOT analysis can serve as a starting point for assessing and comparing the feasibility of a number of potential activities.

SWOT analysis includes four basic steps:

- Identification of strengths and weaknesses;
- Identification of opportunities and threats;
- Prioritization;
- Formulation of the strategy.

An example of SWOT analysis with a focus on marketing:

| System    | Strenghts   | Weaknesses   |
|-----------|---|--|
| Marketing | <ol style="list-style-type: none"> <li>1. The farm shop is in a good place</li> <li>2. Our prices are competitive</li> <li>3. We have regular customers and loyal customers</li> </ol>  | <ol style="list-style-type: none"> <li>1. We lack a coherent plan</li> <li>2. Our store is full sometimes and it can lead to loss of customers</li> <li>3. We have to draw from a wide geographic area to create sufficient revenue</li> </ol> |
|           | Opportunities   | Threats  |
|           | <ol style="list-style-type: none"> <li>1. New buildings wil be finish next year</li> <li>2. New premises can be used for farm business</li> <li>3. Economy is booming</li> <li>4. Improve sales by finding a new partner</li> </ol> | <ol style="list-style-type: none"> <li>1. The customer base is moving to a more remote location</li> <li>2. Competition has begun to offer a product similar to ours</li> <li>3. We do not have a person who cares about marketing</li> </ol>  |

# 3. Partner selection

## 3.1 How to choose right partner for co-operation/partnership

### Basic principles of partner search

For a potential partner, you should first check the following factors:

- **Productivity:** It is the ability of a person to achieve valuable results independently. Check out the past and see what results were, what the potential partner has achieved at work and in private life too. These can be successes in business, work or personal/community. Does he/she have any hobbies? If so, what success has achieved in this area? In order for your future partner to be a real supporter, you need to see valuable results behind it and be completely separate in achieving these results.
- **Motivation:** Why does he/she want to engage in co-operation/partnership? What does he/she to do? Is it the person who has to make sense of the work and have fun? Beware of people who only care about how much they earn and what they get from co-operatives/partnerships.
- **Personality:** It is very important for you to get along with the future partner on the human side. That is why it is good to check this factor too. It is hard to test a person's personality, especially if you do not know him/her. Be sure to ask the person what he/she is doing in their free time. You are usually looking for people who are engaged other activities in their free time. It is often the case that people who are active outside of their working lives tend to be more optimistic and enthusiastic. Optimism and enthusiasm are aspects that will make it easier for you to start your cooperation. If you would like more decipher personality, there is a possibility to use so-called personality questionnaires.

[Check out the COFARM Case Study from Ireland \(Case Study IR04 Partnership between farms\) to get to know how important is the personality of the partner!](#)

Once you know the answers about your potential partner and his/her answers will be positive, continue with a more detailed analysis.



When you looking for a partner, it is also important to think about things, clarify your own attitudes and watch out for the following things:

### 1. Set a goal

What do you want to achieve in common business? How big is the project? When it should happen?

### 2. Clarify mutual expectations on both sides

What roles will be needed in co-operation/partnership?

What role do I want and can I play? How would I want to entitle that role?

What role should my partner have? How would I like to entitle him/her?

The clarification of the roles takes a lot of time and we recommend doing it very thoroughly. Ideal case is to invite someone outside, who will ask you the right questions and show the "problem" from another perspective. A pyramid can be used, when the steps are cleared up from the bottom to very top of the pyramid (i.e. the role).

It is not appropriate or advantageous to interconnect two, equally oriented people. It is important that each role is somehow exceptional and unique.

### 3. Agree or look elsewhere?

If you are clear now that a particular person is the right person for co-operation/partnership, start the process of co-operation/partnership.

But if your ideas do not match and your skills and abilities are too overlapping, you should look elsewhere. It is always better to clarify at the beginning than to destroy a strong friendship for work. Believe that sooner or later there would be a problem.

Where to look further? Searching for a partner is possible at a variety of networking meetings, meetings of various associations, clubs, which exists nowadays many. It is good to talk about plans and share them with others (of course, only to a reasonable extent). Keep your eyes open and look for a partner that suits your expectations and expectations are the same. Do not compromise.

# 4. The procedure for the implementation of co-operation/partnership

## 4.1 Basic steps

Starting a co-operative/partnership is a complex project which involves careful planning and thorough research. Below you can find five basic steps which you should follow when you start to implement co-operation/partnership:

- **Step 1** - Identify a Common Economic Goal.
- **Step 2** - Determine Business Feasibility.
- **Step 3** - Develop a Business Plan.
- **Step 4** - Draft Legal Papers and Incorporate the Co-operative.
- **Step 5** - Implement the Business Plan and Begin Operations.

## 4.2 Step 1 - Identify a Common Economic Goal

**Purpose:** To clearly identify a common economic goal and assess the level of interest in the formation of a co-operative to address this goal.

The catalyst for forming a co-operative business is a group of compatible individuals who share a common economic goal and who believe that they can best achieve this goal by working together.

A common economic goal can be the result of a shared problem or opportunity. For example, the group may lack a market for their products or a satisfactory source of farm supplies.

[Check out the COFARM Case Study from the Czech Republic \(Eko Farm Bošina\) to get to know how important it is to find a common goal!](#)

## Clearly identify the goal or reason for the formation of a co-operative.

In most cases a common goal will be identified by a group of prospective co-op members getting together to discuss the issues facing their farm business. These informal gatherings lead to further discussions and ideas of how a co-operation/partnership can address the issues common to the group.

To clarify the idea for forming a co-operative:

- Research the issues facing your group, focusing on the biggest obstacles and identifying current options and potential alternatives;
- Collect general information on the structure and operation of co-operative businesses;
- Gather information about the kind of business that your group is interested in;
- Use the information collected to determine which goals a co-op can and cannot address;
- Discuss your findings with as many potential members as possible.

## Hold an information meeting for people who may be interested in forming a co-operative/partnership

The purpose of this meeting is to determine whether or not there is enough interest to start and support the ongoing operation of a co-op business.

Plan for an effective meeting by preparing an agenda and arranging for a meeting facilitator. Select a time and location that will be convenient for most people. Consider holding the meeting in conjunction with an existing producer assembly or conference. Publicize the meeting date, time and place via association newsletters and magazines, letter or word of mouth.

Allow plenty of time for discussion and encourage prospective members to express their views and ask questions. All issues raised should be addressed, although the answers to some questions may be delayed until more information becomes available.

! Decision Question: Is there enough interest in the project to warrant continuing?

## Select a steering committee

The steering committee is responsible for guiding the group through the development process. Setting up a steering committee is the case only if there are more partners. Specific responsibilities include:

- Informing potential members of the group's progress and coordinating further meetings;
- Surveying producers regarding their needs;
- Collecting market and financial information;
- Assessing the feasibility of the business;
- Overseeing the preparation and implementation of the co-op's business plan.

The steering committee may undertake these tasks with other potential members or with the assistance of external advisors.

## Obtain funding

The development of a new co-operation/partnership can be quite costly. Money is needed to cover the costs associated with conducting a thorough feasibility study, developing a detailed business plan and hiring professional advisors and consultants.

Options for raising funds include?

- Asking potential members to contribute directly.
- Asking producer associations or other industry organizations to fund all or portions of the co-op development process.
- Applying for government funding.

The investment of money or time involved in fundraising is often an excellent way to test the level of producer commitment to project. All money collected must be managed in a manner that assures members of security and fiscal responsibility. Make a plan to address how unused development funds will be used or redistributed if the co-operation/partnership isn't formed.

## 4.3 Step 2 - Determine Business Feasibility

Purpose: To determine whether the proposed co-operative business is economically viable.

There are three main components in determining the feasibility of an agricultural co-operative/partnership:

- **Producer Survey:** A survey will determine producer interest in the project. It will also help to clarify the products and services which the co-operative/partnership might offer.
- **Market Analysis:** A market analysis will determine if the proposed co-operative/partnership has an economic role to play in the marketplace, and will clarify how it can best play this role.
- **Financial Feasibility Assessment:** The findings of the producer survey and market analysis are used to develop some basic operating assumptions, allowing for an assessment of financial feasibility. This assessment analyzes the costs associated with meeting the economic goals identified and estimates how much income must be generated to cover these costs.

Allow the scale and the complexity of the proposed business to determine the time and effort that goes into examining the feasibility of the co-operation/partnership. Depending on your situation, a feasibility study need not be elaborate and costly, but it must address the risks, benefits, strengths and weaknesses of the proposed business. A good feasibility study will determine the potential for a successful business, but it will not provide any guarantees. There are no right or wrong answers in a feasibility study – only informed evidence that an idea will succeed or fail.

Much of the information collected to determine feasibility will also be used to develop a business plan. The major difference is that the purpose of a feasibility study is to research and analyze all of the possible options for action before a decision on a particular course of action is made. The business plan summarizes the plan of action after a decision has been made.

Throughout this step, be prepared to work with a number of external advisors who are familiar with your industry, agricultural markets and the co-operation/partnership development process. If the proposed co-operation/partnership is intended to serve a large number of members or undertake complex business operations, you will want to hire or otherwise enlist a consultant to obtain an objective, independent assessment of the project's financial feasibility. An independent consultant can also help to preserve confidentiality when undertaking producer and market surveys.

## 4.4 Step 3 – Develop a Business Plan

**Purpose:** To document in detail how the co-operative/partnership will operate and how it will be organized and financed.

Careful planning is one of the most vital parts of any successful business. A business plan outlines and defines every aspect of a business's operations including who is involved, what its activities are, how it is organized, and how it is financed. Documenting these aspects in detail will help your group to discover potential problems before they happen, allowing you to plan and prepare to avoid them. Clearly outlining the features, goals and objectives of the proposed co-operation/partnership on paper will also help to create a common purpose among members and will put them in a better position to explain the co-operative/partnership to others, including prospective members, lenders, customers and suppliers.

In general, all business plans contain the following five main components:

- A description of the business;
- A marketing plan;
- A financial plan;
- A production plan;
- A human resources plan.

[Check out Training Module 3B for more information about business plan.](#)

## 4.5 Step 4 – Draft Legal Papers and Incorporate

Purpose: To prepare necessary legal documents and incorporate the co-operative.

Incorporation gives the co-operative/partnership a distinct legal standing and limits the financial liability of its members. Use the services of an attorney or advisor familiar with co-operatives/partnerships throughout this step. Such services are important to ensure that all documents comply with provincial and federal laws and will not conflict with operating procedures of the co-operation/partnership.

The specific steps are as follows:

- Select and register a name and verify its use;
- Draft the Memorandum of Association;
- Draft the Rules of the Association;
- Incorporate the co-operation/partnership to the system – registration;
- Draft other legal documents;
- Hold the first annual general meeting to approve the rules and elect directors.

! Decision Questions: Will the bylaws be approved? Who will serve on the board of directors?

[Check out the COFARM Case Study from Ireland \(John O'Connell\) get to know how is explained the involvement of the advisor in the co-operation process!](#)

[Check out Training Module 3B for more information on how to design legal documents.](#)

## 4.6 Step 5 – Implement the Business Plan and Begin Operations

Purpose: To implement the business plan and prepare for the start-up of the co-op's operations.

A number of important activities will need to be completed before the co-operation/partnership can begin operations. These activities could include:

- Conducting a membership,
- Acquiring capital,
- Obtaining facilities,
- Setting up accounting systems,
- Hiring management and training staff.

To plan for the start-up of the co-operative's/partnership's operations, define and determine the sequencing of all the tasks connected with making the business operational and ready to serve the members.

! Decision Question: Do you have a strong enough commitment from producers to begin operations as outlined in the business plan?

[Check out the COFARM Case Study from Germany \(Reutehof GbR\) to get to know to solve problems with commitment and future of the co-operative!](#)



## 5. Guidelines for Success

- **Keep members informed and involved** - When members are involved and informed about the co-operative/partnership, they are more willing to patronize and invest in the co-operative/partnership. Ongoing communication and education programmes are an integral part of the success of a co-operative/partnership business.
- **Use advisors and committees effectively** - Effectively organizing human resources and using the expertise of advisors is central to the success of any business. Maximum participation by potential members is crucial to the success of a co-operative/partnership. Committees provide members with the opportunity to develop skills and to participate in the affairs.
- **Maintain good board-manager relations** - The differing responsibilities of the board of directors and the manager must be clearly understood and carried out.
- **Conduct effective meetings** – A co-operation/partnership is a business and its meetings should be conducted in a businesslike manner. An effective meeting is the result of carrying out several successive steps: preparation, good facilitation, member participation, following an agenda, and following through on meeting actions.
- **Follow sound business practices** – The major challenge to co-operative/partnership members, the board of directors, and operating management occurs after business operations begin. Operating on a sound business basis includes the implementation of an accurate accounting system, regular preparation of financial statements, reporting to the membership in a clear and timely manner and keeping exact member records. It also involves a continual evaluation of costs and the productivity of labor, facilities, equipment and technology employed by the co-operation/partnership.
- **Forge links with other co-operatives/partnerships and organizations** - The search for beneficial links with other co-operatives/partnership, businesses and associations should continue on an ongoing basis. Alliances with other businesses can be valuable sources for supplies, marketing outlets and related services. Membership in provincial and national associations can keep the new co-operative/partnership abreast of what others around the country are doing. These associations can be sources of education and training programs.

## Resources

- Agricultural Co-operatives A start-up guide
- Agricultural Cooperative Development: <http://www.fao.org/3/a-x0475e.pdf>
- Agricultural Cooperatives I: History, Theory and Problems: <https://ageconsearch.umn.edu/bitstream/10129/1/46010040.pdf>
- Understanding Cooperatives: How to Start a Cooperative: <https://www.rd.usda.gov/files/CIR45-14.pdf>
- Farm Need Assessment: Farm Labour and Infrastructure: [file:///C:/Users/mbelasova/Downloads/Cheshire%20County\\_Farm-Needs-Assessment%20\(2\).pdf](file:///C:/Users/mbelasova/Downloads/Cheshire%20County_Farm-Needs-Assessment%20(2).pdf)
- Farmer Information Needs Assessment: [https://dae.portal.gov.bd/sites/default/files/files/dae.portal.gov.bd/publications/e52ea5d4\\_bbe8\\_486c\\_b34f\\_1cfe5c0cc36f/Extension\\_Mannual\\_Chapt6.pdf](https://dae.portal.gov.bd/sites/default/files/files/dae.portal.gov.bd/publications/e52ea5d4_bbe8_486c_b34f_1cfe5c0cc36f/Extension_Mannual_Chapt6.pdf)
- Maryland Beginning Farmer Needs Assessment: [http://extension.umd.edu/sites/extension.umd.edu/files/\\_docs/programs/newfarmer/BFSCComparativeNeedsAssessmentFULL.pdf](http://extension.umd.edu/sites/extension.umd.edu/files/_docs/programs/newfarmer/BFSCComparativeNeedsAssessmentFULL.pdf)
- Need Assessment: [https://www.agextonline.com/uploads/3/2/4/3/3243215/fs\\_ext\\_needs\\_assessment.pdf](https://www.agextonline.com/uploads/3/2/4/3/3243215/fs_ext_needs_assessment.pdf)

Before you start setting up a co-operation/partnership firstly you should decide if you need a partner at all. If so it is important not to rush when you are searching for a partner(s). This process is crucial and very significantly influence your future.

When you are satisfied with your choice of partner(s) you should together prepare everything for starting a co-operation/partnership. The basic steps are:

- Identify a Common Economic Goal
- Determine Business Feasibility
- Develop a Business Plan
- Draft Legal Papers and Incorporate the Co-operative/Partnership
- Implement the Business Plan and Begin Operations

“Alone we can do so little; together we can do so much.” – HELEN KELLER

“Find a group of people who challenge and inspire you, spend a lot of time with them, and it will change your life.” – AMY POEHLER