

# Resources for Cooperative Community Farms

**A Feasibility and Business Plan Guide**



The BC Co-operative Association gratefully acknowledges the Ontario Co-op Association ([www.ontario.co-op](http://www.ontario.co-op)) for its permission to use its *Cultivating Co-ops* guide as a basis for this document. We also are grateful to Devco ([www.devco.coop](http://www.devco.coop)) and Vancity Savings ([www.vancity.com](http://www.vancity.com)) for permission to use their materials, as noted throughout this document.

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## RESOURCES FOR COOPERATIVE COMMUNITY FARMS

### FEASIBILITY STUDY AND BUSINESS PLAN GUIDE

All cooperatives, whether non profit or for profit are “businesses”. In order to assure economic viability and sustainability it is important to describe your business, cost out expenses and assure you have the revenue to meet your financial goals. This is true whether you are a Community Service Coop, Worker Coop, Producer Coops or Consumer Coop.

What do I need to include in a feasibility study and business plan?

**Feasibility Study** Once you have a clear idea of what your co-op will look like, you must determine whether the co-op will be viable financially by preparing a Feasibility Study. The main question you’re trying to address in a feasibility study is — *Does the co-op idea make good business sense?* What revenue do you need to break even? is this product or service one that your customers or clients really need and will they pay the price you will be asking for it? To prepare yourself for the Feasibility Study, explore the Co-op Self-Assessment Tool with your Steering Committee — see Appendix A.

A Feasibility Study investigates, in detail, the factors that will determine if the business is feasible. These factors include:

<b>Market</b>	Industry, market niches, customers (real and potential), competition, collaboration, market share expectation
<b>Supply &amp; Materials</b>	Cost of goods
<b>Production Process</b>	Equipment, transportation, labour
<b>Operating Costs</b>	Labour, utilities, insurance
<b>Overhead Costs</b>	Labour, support services, utilities, financing, office/warehouse/production facility/store
<b>Financials</b>	Capitals costs including depreciation of assets, forecast assumptions, income statement, break even analysis, cash flow statement, risks
<b>Financing Options</b>	Lease, rent, purchase, joint use
<b>Member Share Options</b>	Working capital, reserve

For your feasibility study determine and outline:

1. the business (members, type of co-op, size, location...)
2. how much money you would need to spend to start-up your co-op
3. how much money you would bring in, both at start-up and after launch
4. how your co-op will work financially, based on these numbers

See Appendix A, *Elements of the Feasibility Study*, for more information.

**Business Plan** Once you have determined the basic feasibility of your co-op idea, you'll need to develop a Business Plan. The Business Plan differs from a Feasibility Study in the amount of detail it covers about your business as well as in its planning rather than exploratory aspect. It focuses on tactics and strategies for the implementation of your project and outlines your plan for business growth and sustainability.

The federal government's Canada Business website has some useful information on developing your business plan: <http://www.canadabusiness.ca/eng/125/138/>.

Two key elements of a business plan are the financial and marketing plans. Together these plans will show how your business will run, and how it will finance and promote itself.

For your business plan you need to develop:

A. FINANCIAL PLAN

All your costs:

1. start-up costs
2. operating costs (income + expenses)
3. cash flow
4. wages
5. equipment (from desks to refrigeration)
6. hidden costs (delivery charges...)
7. heating, hydro, office space rental...
8. loan payments (how and when you will pay them off)
9. financial projections
10. training expenses – what training you will need to start and to keep going

You also need to show how you will bring revenue into the co-op. This can be in the form of the sale of products or services, or special purpose grants or subsidies. When you deduct all of your costs of start-up and early operation from the revenue, you'll usually see that there's a shortfall of money during that time. To cover this, you'll need financing, or to put it another way, you'll need to raise **capital**.

There are five ways to finance (capitalize) your co-op:

- Selling shares (for-profit co-ops only)
- Accepting loans from members
- Collecting fees from members
- Borrowing from other sources (Venture Capital, financial institutions, credit unions, friends, family)
- Government, business and social program grants (usually only for not-for-profit Community Service Co-ops, except for the CDI program).

The following table outlines the sources of funding for BC Co-ops:

<b>Business Development Stage</b>	<b>Sources of Grants &amp; Technical Assistance</b>	<b>Sources of Equity Financing</b>	<b>Sources of Debt/Loan Financing</b>
Building organizational capacity	Co-op Development Initiative (CDI) — <a href="http://www.coopscanada.coop">www.coopscanada.coop</a>	Your co-op's members	
Business Plan development	Coast Capital Savings Credit Union ( <a href="http://www.coastcapitalsavings.com">www.coastcapitalsavings.com</a> ) Enterprising Non-Profits ( <a href="http://www.enterprisingnonprofits.ca">www.enterprisingnonprofits.ca</a> ) Co-op Development Initiative (CDI) ( <a href="http://www.coopscanada.coop">www.coopscanada.coop</a> ) Community Futures (technical assistance)	Your co-op's members	
Start-up	Vancity Community Project grants ( <a href="http://www.vancity.com">www.vancity.com</a> ) The Co-operators ( <a href="http://www.cooperators.ca/en/aboutus/sustainability/2_8_5.html">http://www.cooperators.ca/en/aboutus/sustainability/2_8_5.html</a> ) CDI ( <a href="http://www.coopscanada.coop">www.coopscanada.coop</a> )	Your co-op's members	Vancity or Coast Capital Savings micro loan programs ( <a href="http://www.vancity.com">www.vancity.com</a> or <a href="http://www.coastcapitalsavings.com">www.coastcapitalsavings.com</a> )
Growth	CDI ( <a href="http://www.coopscanada.coop">www.coopscanada.coop</a> )	Investors	Vancity Capital Community Futures
Maturity		Investors	Conventional lenders

**Source: Vancity Credit Union (used with permission & updated)**

**Consider:**

1. How much money will you need to start up?
2. How much money do you need to run your business?
3. Where will you find the financing?
4. How will you pay for your loans?

## B. MARKETING PLAN

The marketing plan considers the “four Ps” of marketing — Product, Place, Price and Promotion.

1. your market (who are the potential buyers or users)
2. what quality services and products you will offer
3. what you will charge for your product or service
4. how you will promote the co-op
5. where you will promote the co-op

It can be challenging to translate your ideas into a tangible plan. It's a good idea to get advice when developing these plans. Many resource groups and federations offer consulting services as well as written resources. An experienced co-op developer can also be a critical resource at this point. You can sometimes find help at economic and business development offices in your community.

Source: an excerpt from a larger document – [Cultivating Coops](http://bccacoop.org/content/starting-a-new-co-op)-developed by the BC Cooperatives Association: <http://bccacoop.org/content/starting-a-new-co-op>. used with permission.

## Appendix A — Elements of the Feasibility Study

### **The group's capacity to develop a co-op**

- level of group development (consensus on the vision, skills, “key person” strengths/weaknesses)
- systems support
- access to funding
- capital available for investment/access to financing
- the motivation and expectations (key result areas, minimum acceptable outcomes)

### **The proposed product**

- refined product definition
- packaging, promotion
- market profile (most available market, most lucrative market, market entry strategy, competitive products, popularity trends)
- production features and practices (how complex, how risky, special handling, etc.)

### **The production**

- facilities (scale, capital costs, location)
- workers (skills requirements, employment challenges, number of workers, workplace safety)
- management production control
- availability of supply for key components, market scope and delivery

### **The revenue potential**

- market analysis (market defined, scale, reach)
- pricing, price sensitivity
- potential revenue generation

### **Financial projections**

- summary income statement/cash flow analysis to determine break-even point
- capital requirements

### **Summary conclusions**

- summary of members' expectations
- preparation for development process
- go/no-go factors during development
- summary of risks, challenges and potential benefits
- development outline (readiness assessment, key steps in development, timeline)

**Source:** Devco (used with permission)