

**INVESTIGATION INTO THE FEASIBILITY OF A DAIRY
PROCESSING ENTERPRISE THROUGH ACTION RESEARCH
WITH A GROUP OF WOMEN FROM AN LRAD PROJECT**

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December 2007

**Submitted in fulfilment of the requirements for the degree of
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ABSTRACT

Poverty is caused by inadequate income. Effective assistance to small-scale enterprises may benefit the urban and rural poor. Small enterprises have the potential to create employment, reduce poverty and support sustainable livelihoods, as small enterprises satisfy local needs, provide employment opportunities in local areas, increase income, ensure food security and improve health.

The Department of Land Affairs has recently introduced policies such the Land Reform Policy to correct the injustices of South Africa's past. During 2005, the KwaZulu-Natal Department of Agriculture and Environmental Affairs introduced the Agrarian Revolution Programme, in an effort to close the gap between the first and second economy. The Agrarian Revolution and the LRAD programmes encourage agribusinesses through the formation of co-operatives or trusts.

The purpose of this study was to investigate the potential of an envisaged processing enterprise with a group of women from an LRAD project, within the Engadini Community Trust. An action research methodology was followed. A training manual was developed and training conducted with the Engadini women's group through which they prepared a business plan, developed prototype products; conducted market research; estimated prices for the products and developed a marketing plan. The study results indicate that the group would have the technical skills to make a good quality product. The group is likely to face problems ensuring a sustainable supply of raw materials as the current supply of milk would hardly be sufficient to supply the target market sampled during the consumer survey.

The success of the dairy processing enterprises depends heavily on the ability of the Engadini Trust to overcome internal social problems. Conflict between the Engadini dairy processing enterprise members and conflict within the larger Engadini Community Trust had a crippling effect on the dairy processing enterprise.

The main recommendations for the group are that the group needs to secure a sustainable supply of fresh milk. A dairy processing facility that will meet food safety standards needs to be erected for the enterprise. The location of the dairy processing

enterprise needs to be re-considered. To overcome internal conflict within the group, the women's group needs to gain representation on the Engadini Community Trust's Executive Committee, to ensure that the dairy processing enterprise interests are considered by the Trust.

The main recommendations for small-scale enterprises are that they should ensure to have sustainable supply of good-quality raw materials and a reliable, sustainable market, even if the market is relatively small. Policy recommendations are that Government Departments such as the KwaZulu-Natal Departments of Agriculture and Environmental Affairs and Economic Development should consider adapting policies that will focus on funding individual enterprises, rather than group enterprises. A directorate or sub-directorate dedicated to the development of small and medium sized food processing enterprises should be created. The marketing section of the KwaZulu-Natal Department of Agriculture and Environmental Affairs should provide marketing information for small-scale food processing enterprises available to extension officers and small-scale enterprises.

Declaration

I, Susanna Elizabeth Mans, declare that:

- i. The research reported in this thesis, except where otherwise indicated, results from my own investigation;
- ii This thesis has not been submitted for any degree or examination at any other university;
- iii Where use has been made of the work of others; this has been duly acknowledged in the text and reference section; and
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As Supervisor, I agree to submission of this dissertation for examination.

Signed: _____ Date _____

Prof Sheryl L Hendriks

ACKNOWLEDGEMENTS

The assistance of the following people is gratefully acknowledged:

Professor Sheryl Hendriks, for her continued guidance and enthusiasm in the reviewing of this dissertation. Her patience and timely response, and her endless encouragement during my studies, are highly valued.

The Engadini Community Trust Executive Committee for granting me permission to work with women from the Trust.

The women's group of the Engadini Trust: a special thanks for all your support, keen participation and kindness. Without your participation this study would not have been possible. I wish you every success with your enterprise.

Ms Bukikile Moshoko, for inputs during the training sessions and meticulous comments on the assessment of the training sessions.

The Department of Agriculture and Environmental Affairs, for a scholarship and permission to conduct the study.

Special thanks go to my husband, Petrus, and three children for their patience, fortitude and support throughout my studies.

Most importantly, my thanks go to my Heavenly Father, for giving me the strength and endurance to complete this study.

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ABBREVIATIONS

AsgiSA	Accelerated and Shared Growth Initiative of South Africa
BPO	Tourism and Business process outsourcing
BBBEE	Broad-Based Black Economic Empowerment
CAC	Codex Alimentarius Committee
CASP	Comprehensive Agricultural Support Programme
DAEA	Department of Agriculture and Environmental Affairs
DoA	Department of Agriculture
DLA	Department of Land Affairs
FAO	Food and Agriculture Organization of the United Nations
GNP	Gross National Product
HACCP	Hazard Analysis Critical Control Point
IFAD	International Fund for Agricultural Development
ITDG	Intermediate Technology Development Group
LRAD	Land Redistribution for Agricultural Development.
NDA	National Department of Agriculture
NGO	Non-government organisation
SLAG	Settlement Land Acquisition Grant
WHO	World Health Organization

CHAPTER 1

THE PROBLEM AND ITS SETTING

1.1 Importance of the study

Poverty is a world wide phenomena, even the wealthiest nations have huge gaps between the rich and the poor (Shah, 2008) Poverty usually describes people in a society that can not take part in activities that most other people take for granted, earning less than one Unites States dollar per day (Australian Bureau of Statistics, 2003).

Poverty is caused by a number of factors which include lack of access to work and income to obtain basic necessities such as food, clothing and shelter; education level, politics; political unrest and conflict. Even if a person has access to work, he or she may struggle to meet basic costs of living on minimum wages (Australian Bureau of Statistics, 2003). It is estimated that one billion children live in poverty (one in two children in the world), one in ten Australians live in poverty, (Australian Bureau of Statistics, 2003; Shah, 2008). The Southern African sub-regions have some of the poorest countries in the world, with vast proportions of the region's population living on less than one dollar a day (Southern African Regional Poverty Network, 2008a). South Africa is characterised by its high levels of poverty and it is estimated that approximately 70 % of poor South Africans live in rural areas (DOA, 2001).

Effective assistance to small-scale enterprises may benefit the urban and rural poor (Harper, 1984a). Small enterprises satisfy local needs because they are dispersed across a country, obtaining inputs from local suppliers (Harper, 1984a). Small enterprises provide employment opportunities in local areas, increase income, ensure food security and improve health (Battcock *et al.*, 1998; Hill, 2000; White, 1999). Many governments and development organisations promote food processing enterprises as a means of alleviating poverty (Fellows, 2004).The food industry grew at a rate of 87% in developing countries and could be even higher, since many food processing enterprises are in the informal sector and are not accurately recorded (White, 1999).

Carr (1989) and Dietz *et al.* (2000) argues that large enterprises are not always beneficial to the local community and that the Third World is scattered with large processing plants operating far below capacity or close down completely due to problems such as shortages of raw material, poorly developed transport infrastructure, problems with power supplies and high maintenance costs. Local communities do not benefit from these processing plants, since raw materials are often imported at cheaper rates (United States Department of Agriculture, 1999).

Due to the history of apartheid, the economy of South Africa is largely divided into two sections, the first and second economy (The Presidency, undated). The first is sophisticated and globally competitive, a highly skilled labour force, advanced technologies and effective information and communications system. The second economy is mainly occupied by black people. There is a high level of unemployment in the second economy, the people in the second economy are often unskilled, rural and semi rural people which generates their income through informal trade (The Presidency, undated).

In an attempt to halve unemployment and poverty by 2014, the Government has introduced a range of projects targeting the second economy, under the umbrella of the Accelerated and Shared Growth Initiative of South Africa (AsgiSA) (Mlambo-Ngcuka, 2006). Projects include (Office of the Premier, 2000; South African Government Information, undated):

- Infrastructure investment, which covers a wide spectrum of infrastructure such as roads; water infrastructure; buildings such as schools and clinics and electronic communications. In KwaZulu-Natal the Makhathini Cassava and Sugar project and a biofuel initiative is envisaged to have major impacts on economic growth;
- Sector strategies, where sectors with the potential to have the highest impact on the economy are identified for development, such as Tourism and Business process outsourcing (BPO). These sectors are labour intensive; fast growing sectors that could open up opportunities for Broad-Based Black Economic Empowerment (BBBEE), other high priority industries that are to follow are the the agriculture and agroprocessing sectors;

- Specific programmes to link small enterprises with opportunities, with special emphasis on youth and women. Private and public are encouraged to procure goods from BBBEEE companies. The focus for women will be to ensure that the access economic opportunities by providing human resource training, ensuring they have access to finance, ensuring women participation in agriculture and other industries, increasing their access to basic services and involvement in the Expanded Public Works Programmes
- Expanded Public Works Programmes, through the Department of Works that focus on short-term relief of unemployment by employing communities for short period within projects such as Land Care projects;
- Xoshindlala Food Security Programme of the KwaZulu-Natal Department of Agriculture and Environmental Affairs, to unlock the agricultural potential of the province, where funds are allocated to agricultural projects;
- The Flagship Programmes, through the Department of Social Development intended to create income-generating opportunities for single women with children up to the age of nine years; and
- The Community Based Nutrition Programme, through the Department of Health

These programmes provide assistance through temporary employment, but permanent, productive employment can only be created if skills are developed that are in line with the needs of economic growth (Bernstein,1994). It may not be financially viable to expand government programmes to ensure higher levels of employment, so the key to addressing unemployment may lie in the promotion of self-employment (Swart and Kleynhans, 1994).

The emphasis of programmes within the KwaZulu-Natal Department of Agriculture has been on increasing agricultural production.. This has led to lower prices for vegetables in peak season and reducing profitability for small-scale farmers (Mtshali, 2006). Women across the world are involved in processing of raw products to prevent raw products from perishing and to increase the value of the products (Carr, 1989). Carr (1989) indicates that these small-scale processing enterprises often provide the main source of income for poor

households. Small-scale food enterprises have played vital roles in creating employment in many Third World countries (Damardjati, 1995; Senik, 1995). Over-supply of agricultural products paves the way for viable food processing enterprises within KwaZulu-Natal, as raw material may be readily available and basic processing skills are often an integral part of the women in rural communities.

The Department of Land Affairs has recently introduced policies such as the Land Reform Policy, to correct the injustices of South Africa's past. During 2005, the KwaZulu-Natal Department of Agriculture and Environmental Affairs introduced the Agrarian Revolution Programme, in an effort to close the gap between the first and second economy. The Agrarian Revolution Programme combines programmes such as the Siyavuna and Empowerment for Food Security Programmes, to assist rural and impoverished farmers to speed up agricultural development (Mjwara and Boldogh 2005). Both these programmes place new emphasis on enterprises. Food processing is included as one of the Land Redistribution Programme (LRAD) objectives in order to create stronger linkages between farm and non-farm income-generating activities (Department of Agriculture, 2006). The KwaZulu-Natal Department of Agriculture and Environmental Affairs Agrarian Revolution Programme of Massification called for farmers to form co-operatives in order to obtain funding from Ithala Bank, on a 40:60 % loan, to grant a funding basis (DoA; 2006).

Although small-scale food processing enterprises operate the world over and are recognised for their vital contribution to local and national economies, many attempts to assist the establishment of small-scale enterprises fail (Kindervatter, 1992). Small-scale food processing enterprises face various problems such as shortages of capital, lack of demand for products and difficulties in obtaining raw materials (Harper, 1984a). The major constraints in food processing enterprises in South Africa are limited access to finances; stock theft; lack of technical and marketing information and limited managerial and administrative skills (Hill, 2000).

A study of Land Redistribution for Agricultural Development (LRAD) programmes in the Free State indicates that LRAD projects encounter various problems due to the complexity

of group dynamics and lack of training in technical and managerial fields (Mavhunga *et al.*, 2004). Fellows *et al.* (1996) indicate that enterprise success depends on proper planning from the initial stages of the enterprise and ensuring that enterprise participants take part in the planning process in order for them to understand the enterprise and risks involved in the enterprise. Direct involvement of the beneficiaries in the planning process could assist in overcoming the obstacles faced by LRAD beneficiaries (Chauke, 1999).

The purpose of this study is to investigate the feasibility of a dairy processing enterprise using action research. A group of women from an LRAD project was guided through training sessions to plan a dairy processing enterprise. The expectation was that this process, where women planned their own enterprise, would assist the group to fully understand the enterprise and risks involved, to minimise failure, and that the group would be able to develop strategies to avoid risks (Kindervatter, 1992). A further expectation was that the group would be able to overcome obstacles often associated with group enterprises and work as a cohesive team. Evaluation of the planning process would provide valuable information regarding the group dynamics within LRAD beneficiaries, which would be used to make recommendations to address future group enterprises promoted within the KwaZulu-Natal Department of Agriculture and Environmental Affairs.

During the action research, the manual for planning a food processing enterprise was evaluated, to ascertain whether or not it assisted the group in planning their food processing enterprise and assisted them to overcome obstacles common within group enterprises. Recommendations for the manual will be incorporated into the manual and used as guidelines for planning food processing enterprises supported by the KwaZulu-Natal Department of Agriculture and Environmental Affairs. Study results and recommendations found in the literature reviewed will be used to prepare a recommendation to the KwaZulu-Natal Department of Agriculture and Environmental Affairs regarding a support programme for small-scale food processing enterprises, which may include LRAD beneficiaries.

1.2 Statement of the problem

To investigate the feasibility of a dairy processing enterprise using action research, with a group of women from an LRAD project namely the Engadini dairy processing group.

1.2.1 Sub-problems

Sub-problem One: Can the group identify feasible marketable products?

Sub-problem Two: Will the group be able to work as a cohesive team?

1.3 Study limits

The study was conducted with a group of women from an LRAD project that had shown interest in starting a dairy processing enterprise. The LRAD project is a dairy herd system and so only dairy related products were considered. Market research was restricted to products chosen by the group.

1.4 Study assumptions

It was assumed that all the women in the Engadini group would be interested in starting a business and that they would be honest as to what they want to do and what they are prepared to put into the enterprise, in terms of time spent on the project. It was further assumed that the group would commit themselves to the training and planning process. It was assumed that inputs for processing, such as milk, were available for the group to have a continuous, sustainable dairy processing enterprise, and that droughts, floods, fire, theft and mortality would not cause the trust to sell their animals. It was assumed that Departmental support from Human Resource Development would be sufficient during the period of study, in that funding would cover study costs and that the researcher would be granted enough time for her field work. It was assumed that an external evaluator from the Economics Section would be available for the full period in which the Engadini group were given the training.

1.5 Outline of the dissertation

Chapter 1 outlines the importance of the study, research problems, study limits and assumptions of the study. Chapter 2 outlines, through the literature review, the international perspective regarding entrepreneurs, constraints small-scale food enterprises face world-wide and important aspects to consider specifically when working in groups. Chapter 3 explains the policy environment regarding participating in Land Reform in South Africa. Chapter 4 describes the background of the LRAD beneficiaries for this study. Chapter 5 gives a brief outline of the methodology used. Chapter 6 describes the processes that were followed for planning the Engadini dairy processing enterprise, as they are prescribed in the manual for planning a food processing enterprise. Chapter 7 discusses the feasibility of the food processing enterprise. Chapter 8 discusses the ability of the group to work as a cohesive team. The conclusions and recommendations are presented in Chapter 9.

CHAPTER 2

REVIEW OF RELATED LITERATURE

Small enterprises have the potential to create employment, reduce poverty and support sustainable livelihoods (IFAD, undated; Kirsten, 1995; Rogerson, 1999). Successful small enterprises can be the primary engine for economic development, income growth and poverty reduction in developing countries (Powel, 2004).

Food processing industries are increasingly important in developing countries, as they generate employment, increase income, ensure food security and improve health (Battcock *et al.*, 1998; Hill, 2000; White, 1999). Many governments and development organisations promote food processing enterprises as a means of alleviating poverty (Fellows, 2004). During the period 1980–1991 the food industry grew at a rate of 87% in developing countries (White, 1999). The growth in the food industry could be even higher, since many food processing enterprises are in the informal sector, that is not accurately recorded (White, 1999).

In 1993, in the Malaysian economy, 95% of the 9000 food processing factories were classified as small-scale food processing enterprises (between 5-15 employees and capital investment between US\$1 000 and US\$50 000) (Senik, 1995). In India approximately two million rural workers are working within the rural non-farm sector (0.2 % of the population in 1995) (Fisher *et al.*, 1997; Adlakha, 1997). Agro-processing plays an important role in Zambia's economy and it is estimated that agro-processing accounted for 35% of the country's economy in 1995 (Saasa, 2000). Even though non-agricultural sectors experienced a negative growth in Zambia, the food beverages and tobacco industries showed positive growth (Saasa, 2000). The Mozambique government sees the food processing sector as one of the priority areas for development within the national economy (Cardoso, 2000). In 1991, the food processing sector, in Mozambique, contributed 43,3% of wages and 19 % to the economy, as a whole (Cardoso, 2000). In 1995, small-scale food processing enterprises in Korea provided employment to 28% of the workers in the food

sector and produced 10% of the processed food, compared to large-scale food processing enterprises that employed 27% of the total workers and produced 40% of the total processed food (Choi and Park, 1995).

Unfortunately, many small-scale enterprises, including small-scale food processing enterprises fail, as is evident in various case studies (Carr, 1989; Harper 1992; Harper and Ramachandran, 1984; Harper and Vyakarnam, 1988). Failures occur despite support from government and non-governmental organizations.

This literature review will investigate reasons for the success or failure of an enterprise and propose possible strategies to overcome obstacles that may cause the failure of a small-scale enterprise. Many government policies promote group enterprise. Group enterprises will be investigated, to highlight possible pitfalls when implementing group enterprises. Small-scale enterprises are an extension of traditional household processing activities, which, by nature, are often run by women. Attention will be given in the literature review to the impact that small-scale enterprises have on the lives of women. A number of food processing assistance programmes will be discussed, in order to give guidance to the development of a small-scale food processing training manual. The training manual for planning a food processing enterprise will be used to guide a small-scale enterprise in planning the enterprise. Although studies to investigate the importance of small-scale food processing enterprises have been conducted in many developing countries, information on small-scale food processing enterprises in South Africa is very limited.

2.1 Contribution of small-scale enterprises to the economy of a country

Small food processing enterprises satisfy local needs and, as they are dispersed across a country, they provide employment opportunities in local areas where raw material producers are sourced (Harper, 1984a). Small processing enterprises keeps transaction costs low, as raw material is sourced locally and the final product is consumed by the local rural community (Saasa 2000).

Small enterprises are a vital source of new employment, but also ensure innovation and economic expansion (Harper and Vyakarnam, 1988). Even developed countries such as the United States of America promote the development of small-scale food processing enterprises, as they realised that large processing enterprises buy inputs from large farms, which does not benefit the smaller farmers and the rural economy, while small-scale enterprises buy's inputs from local suppliers, benefiting the local community (United States Department of Agriculture, 1999). Table 2.1 summarises the contribution of small-scale food processing enterprises to the economy of a country.

Table 2.1 Contribution of the small-scale food processing enterprise to the economy of a country (Dietz *et al.*, 2000; Harper, 1984a)

- Small-scale food processing enterprises create employment because technologies used are often labour intensive;
- Small-scale enterprises generate income, even in rural areas;
- The enterprise is often family owned, which strengthens the extended family, ensuring that income is available for the family;
- If a small-scale enterprise is nurtured well, it could grow into a larger enterprise, opening the way for new innovations;
- Household savings are mobilized when used for the enterprise development;
- The nature of the small-scale enterprise would allow quick response to market changes; change in demand can be accommodated since production levels are relatively low and can be altered rapidly;
- Special and local needs which are often overlooked by larger enterprises can be catered for;
- Diverse products are made related to the available raw material in an area;
- Purchasing from local raw material suppliers ensures a local market for suppliers, cutting costs for the raw material supplier and the processor;
- Technologies used often require relatively lower capital input than larger enterprises;
- Small-scale processing enterprises contribute to the gross domestic product (GDP); and
- The location of small-scale enterprises is determined by the market and a good supply of raw materials.

Traditional food processing enterprises create employment for millions of people around the world, but small-scale food processor contributions are often overlooked by economists because the enterprises are often informal and run on a part-time basis; are generally not monitored by revenue officials and are not included in the Gross National Product (GNP) (Battcock *et al.*, 1998; Carr, 1989; Hill, 2000).

2.2 An overview of the importance of small-scale food processing enterprise for the informal economy of developing countries

The informal sector includes very small-scale family enterprises operating with little capital, low technology and skills and low levels of production which is unregulated and unrecorded in official statistics (Mhone, 1996; Shinder, 1998). Small-scale food processing enterprises typically rely on indigenous resources, are often family owned and the income derived from the enterprise is seldom declared to revenue departments (Harper and Soon, 1979) Therefore the informal economy can be described as a part of a country's economy that is not recorded in official statistics, since income is often not reported for tax purposes, resulting in underestimation of the contribution of the informal sector to the economy (Beavon, 1990).

The informal economy is large and plays an important role in the process of creating entrepreneurship in the world (Beavon, 1990). In the United States of America the size of the informal economy's contribution to the market economy ranges from 37–51% (Ratner, 2000). As many as 50% of informal enterprises in South Africa, Kenya, Senegal and Benin employ at least one, and often more than one, full-time worker, not related to the owner, benefiting more people than just immediate family (Shinder, 1998). At the end of the 1980s at least 30% of South Africa's labour force was involved in some kind of informal work (Kirsten, 1991). Successes of small businesses are not measured by jobs created, but rather by improvements to individual lives (Harper, 1984b).

Two main distinctions can be made within the informal economy between survivalist enterprise and micro- or growth enterprises (Lund *et al.*, 2000; Rogerson, 1996). Survivalist enterprises represent activities undertaken by people who are often forced into earning a living in the informal sector, due to their inability to secure employment within the formal sector. The income generated through these activities is below the minimum standard of income, with very little capital investment and almost no skills training. These enterprises have very little chance to growth into a viable enterprise. Micro- or growth enterprises include small enterprises, often family-owned with, one to four employees. They have a limited capital base and basic enterprise skills. These enterprises have the

potential to develop and grow into viable formal small enterprises, should there be appropriate support programmes (Rogerson, 1996).

2.3 Defining entrepreneurship

In order to create an environment in which the entrepreneur can operate successfully, special emphasis needs to be placed on identifying the entrepreneur, understanding who the entrepreneur is and his or her needs, strengths and constraints (Fraser and Antrobus, 1994). Although several attempts to formulate a generic definition of an entrepreneur have failed (Swart and Kleynhans, 1994), common qualities or characteristics shared by entrepreneurs can be identified (Jenks 1991; Macleod, 1999).

An entrepreneur is someone driven by a need for achievement and acknowledgement; someone who can identify an opportunity; generate the required capital and is prepared to take the greatest part of the risk for a chance to succeed with the enterprise (Bardenhorst and Hough, 1995; Macleod, 1999). The success of an entrepreneur is not only derived by the profit made from the enterprise, but also in gaining independence, personal freedom and job satisfaction (Chell, 1990).

Authors such as Duchéneuat (2001) and Bygrave (1994) argue that personal characteristics such as the need for achievement are not the only key to being a successful entrepreneur. In addition to personal characteristics, environmental and other social factors impact on a person's entrepreneurial ability (Bygrave, 1994). Aspects that could impact positively on the successes of an entrepreneur include having a role model to inspire the potential entrepreneur; experience in running an enterprise and contacts that could assist the entrepreneur in setting up the enterprise (Bygrave, 1994). Family responsibility at the time the person wants to start the enterprise, such as small children depending on a steady income, could help make the choice to risk establishing an enterprise more difficult (Bygrave, 1994). The entrepreneurial process involves two types of contexts, the social cultural environment and the personal motivations, as indicated by Duchéneuat (2001) and illustrated in Figure 2.1

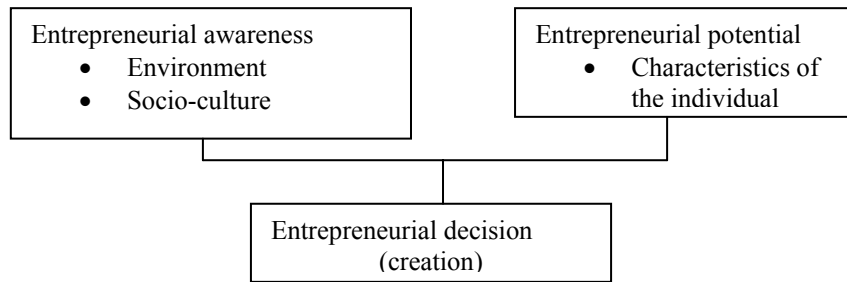


Figure 2.1 Entrepreneurial process (Duchéneaut, 2001 p129)

There is no clear answer to the question of whether an entrepreneur is born or entrepreneurial qualities are developed. According to Jenks (1991) it is possible to learn managerial skills, but entrepreneurial abilities are an integral part of a person. Lütge-Smith (1994) believes that it is possible for an individual to develop entrepreneurial qualities. Fellows *et al.* (1996) agree that entrepreneurial qualities can be developed, but indicate that some people are more inclined to be successful entrepreneurs than others. Table 2.2 gives a list of the personal characteristics of an entrepreneur.

Table 2.2 Personal characteristics of an entrepreneur

Characteristic	Bygrave, 1994	Lütge-Smith, 1994	Macleod, 1999
Have a dream, vision of the future and ability to implement the dream	*	*	
Decisiveness: they make swift decisions	*		
Doers, have an inner drive to succeed	*	*	*
Determination: won't give up even when faced with obstacles	*	*	
Dedicated, hard workers	*	*	*
Devotion, passionate about what they do	*	*	*
On top of critical details	*	*	
Want to be in charge of their own future	*		
Money is not the motive but a means of measuring success	*		*
Accept responsibility for actions		*	
View problems as challenges		*	
Optimistic, with a sense of humor		*	
Ability to motivate themselves and other people skills		*	*
Trustworthy		*	

* = characteristic listed by author

A number of entrepreneurial assessment tools have been developed, based on the original entrepreneurial development methodology of McClelland (1987). Games, stories and questionnaires are used to encourage participants in entrepreneurial courses to gather data about themselves, which are then used in discussion around characteristics of entrepreneurs (Dignard and Havet, 1995; Harper, 1984b). Several entrepreneurial development programmes, used in developing and developed countries, simply use a self-assessment questionnaire to determine entrepreneurial characteristics of potential entrepreneurs (Fellows *et al.*, 1996; Jenks, 1991; Lütge-Smith, 1994; Macleod, 1999; Rogak, 1999).

The questions in these self assessments are designed to allow an individual to consider his or her drive and discipline; ability to take final discussions and to take calculated informed risks; commitment and leadership ability (Bygrave, 1994). Bygrave (1994) warns that self-assessment questionnaires must not be seen as the only measurement to indicate an individual's entrepreneurial characteristics, since an individual may fail the assessment test, but still become a successful entrepreneur. As was illustrated in Figure 2.1, entrepreneurship is a process that includes the environment and socio-culture aspects as well as entrepreneurial potential (Duchéneau, 2001). Even though an individual may have all the characteristics of an entrepreneur, a small-scale enterprise may face many environmental or socio-cultural constraints that could contribute to the failure of an enterprise. The following section will discuss the constraints faced by a small-scale food processing enterprise.

2.4 Constraints faced by small-scale food processing enterprises

Although small enterprises, particularly food processing enterprises, can create sustainable livelihoods (Battcock *et al.*, 1998; Carr, 1989; Kirsten, 1995; Rogerson, 1999; Senik, 1995), failure of small-scale enterprises may be as a result of the many constraints faced that are not taken into consideration when new enterprises are planned. Table 2.3 highlights the constraints that any small-scale enterprise may face.

Table 2.3 Constraints faced by small-scale enterprises

Constraint	Carr, 1985	Harper, 1984b	Librero and Van Santen, 1990
Lack of raw material	*	*	*
Lack of marketing and selling skills/inability to access or expand markets	*	*	*
Poor quality control	*		*
Availability of finance or credit	*	*	*
Lack of training (technical and managerial)	*		*
Social cultural constraints	*		
Reliance on outside agencies	*		
Government policies towards small enterprises	*	*	*
Lack of appropriate equipment		*	*
Lack of institutional support			*
Lack of infrastructure, including production sites	*		*
Availability of equipment and packaging material			*
Time available		*	

* = constraint listed by author

Small-scale food processing enterprises face the constraints listed in Table 2.3, but have specific problems that make them more vulnerable to potential failure than other types of enterprises, such as the sustainable supply of good quality raw materials (Fellows, 2004; Mather, 2005). Small-scale processing enterprises are typically an expansion of traditional household skills, resulting in many technical and economic problems (Damardjati, 1995; Dietz *et al.*, 2000). Table 2.4 highlights specific constraints that are faced by small-scale food processing enterprises.

Constraints that small-scale enterprises face, as depicted in Tables 2.3 and Table 2.4, can be categorised into intrinsic and extrinsic constraints, which require different approaches in attempts to solve the problems (Fellows, 2003). Intrinsic constraints are constraints that are within the enterprise, such as under-developed enterprise management skills and underdeveloped technical skills and resources that could be addressed through training and information programmes. Extrinsic constraints are often a result of factors beyond the

control of the enterprise, such as lack of access to credit and inadequate support services, which often need networking between NGOs and government to influence policies (Fellows, 2003).

Table 2.4: Constraints faced by small-scale food processing enterprises

Constraint	Hill, 2000	Fellows, 2003	Yu, 2002	Senik, 1995	Damardjati, 1995
Lack of sustainable good quality raw material due to seasonality, also causing fluctuating prices	*		*	*	*
Lack of affordable equipment and packaging material (according to food regulations)		*	*	*	
Low level of education/limited managerial and administrative skills	*	*	*	*	*
Lack of technical skills/low level of technology	*		*	*	*
Little market research/lack of marketing and selling skills/inability to access or expand markets	*	*	*	*	*
Poor understanding of quality requirements of consumers/inadequate hygiene and quality assurance/ consumer perception		*	*	*	*
Government policies towards small enterprises, specifically food safety regulations				*	
Lack of institutional support, specifically R&D facilities/lack of timely information.	*	*	*	*	

*= constraint listed by author

The next section will discuss briefly the constraints listed in Table 2.4 and the effect the constraints could have on the success of a small-scale food processing enterprise, starting with a lack of resources. Possible solutions to overcome intrinsic and extrinsic constraints will then be discussed.

2.5 Intrinsic factors affecting small-scale food processing enterprises

Intrinsic factors that could affect the success of an enterprise may include lack of sustainable, good quality raw materials; lack of affordable equipment and packaging materials; low education levels and limited managerial and administrative skills. Although lack of appropriate technology could be an intrinsic constraint that could be solved through training or purchasing of appropriate equipment, lack of appropriate equipment could also be extrinsic, if appropriate equipment is not available in the country. A development agency may need to develop the appropriate technology (Fellows, 2003).

2.5.1 Overview of resources required by a food processing enterprise

Entrepreneurial success not only depends on the entrepreneurial characteristics of an individual, but also on environmental factors that impact on entrepreneurial activity. The main environmentally based factors that cause enterprises to fail are resource availability and the cost of running the enterprise (Chell, 1990).

The availability of one resource, such as appropriate equipment to produce good quality processed food, can only ensure success of an enterprise if other resources such as raw material are available (Chell, 1990). The case study described by Sandhu (1989) illustrates the importance of all the enterprise resources being available. An improved fish smoker resulted in the ability to smoke more fish at a time; this increased the need for raw materials that could not be supplied by the local fishermen. The new technology could have made it possible for the entrepreneur to produce more smoked fish, thus making more money, but the shortage of raw material limited the production.

Another example of a small food processing enterprise failing due to inadequate resources can be seen in the following case study. In Colombia a pilot site for processing potatoes was set up by the government, with the assistance of the Colombian Institute for Agriculture and Livestock, without first establishing the availability of raw materials (Wheatley *et al.*, 1995). A survey carried out after production had started indicated that local farmers had no interest in selling the potatoes they produced to the processing plant,

because the farmers market the potatoes they produced, at an acceptable price, at a fresh produce market. The processing plant experienced a lack of raw material.

When all the necessary resources are available, the chance of enterprise success is improved, as can be seen from the case study described by New (1989). The Situm Banana chip enterprise uses simple production techniques such as drying and frying banana slices. The stove is manufactured locally from sand and clay, the raw material (yava banana) is readily available all year round, does not change colour easily and is cheap. The enterprise was successful because the equipment, technology and raw material were available and inexpensive; keeping costs low and the group was highly committed to the enterprise. The banana chips were marketed locally through direct orders and reports from local shop owners were that the demand was higher than the supply, indicating that the enterprise had scope to grow.

A further important resource is the availability of skilled labour with both technical and managerial skills (FAO, 1995). Although not a food processing enterprise, the Thusano Silversmiths in Botswana clearly illustrate the detrimental effect that lack of technical and management skills can have on a small-scale enterprise. Even though the raw material (silver and gems) was readily available and equipment was donated to the group, their lack of technical knowledge and managerial skills caused the enterprise to fail. The group members did not have knowledge on cutting gems and they could not fix the equipment when it broke. The lack of financial management skills and of clear leadership resulted in their financial situation deteriorating to a state where the Botswana Co-operative Bank threatened to sell the enterprise in an attempt to recover costs (Harper, 1992). Table 2.5 gives a list of the important resources for a small-scale food processing enterprise, as considered by the FAO (1995); Fellows *et al.* (1996) and Kindervatter (1992).

From the case study of the Situm Banana enterprise described by New (1989) it is clear that determination and hard work can ensure successful management of a food processing enterprise, resulting in the success of the enterprise. The above-mentioned case studies referred to certain resources that are essential for a successful food processing enterprise.

The entrepreneur needs to take into consideration all the resources required to set up and run an enterprise, in order to prevent failure due to lack of resources (FAO, 1995).

The foregoing discussion dealt with one of the main environmental issues, that is availability of resources, which is a determining factor in entrepreneurship (Chell, 1990). Another environmental factor that impacts on entrepreneurial activity is accessibility to customers and markets (Bruno and Tybejee, 1982).

Table 2.4 shows that limited market research, lack of marketing and selling skills and an inability to access or expand markets are major constraints for small-scale processing enterprises, world-wide. The next section will further investigate market-related problems.

Table 2.5 Important resources to consider for the success of a small-scale food processing enterprise

Resource needed	FAO, 1995	Fellows <i>et al.</i> , 1996	Kindervatter, 1992
Suitable building <ul style="list-style-type: none"> • Large enough room for work required (rat and dust proof) • Storage facilities available 		* *	
Equipment <ul style="list-style-type: none"> • Correct size for production level available • Cost of purchasing and maintaining equipment 	* *	* *	
Inputs <ul style="list-style-type: none"> • Available, sustainable, good quality raw material • Cost satisfactory to keep up production • Suitable, affordable packaging material 	*	* * *	* *
Access to services <ul style="list-style-type: none"> • Clean water • Energy source such as electricity, gas or coal • Waste disposal system • Adequate roads and transport 	* * *	* * *	* * *
Skills <ul style="list-style-type: none"> • Technical and managing skills available • Training facilities available • Cost of acquiring such skills 	* * *	*	*
Labour <ul style="list-style-type: none"> • Available affordable number of people needed to run business 	*	*	*

* = important resource as identified by author

2.5.2 Overview of market-related aspects important for small-scale food processing enterprises

An enterprise will only be successful if the skills and resources of the enterprise match market needs. The potential entrepreneur needs to understand what his or her potential customers really want; whether or not there will be enough customers to keep the business running and whether or not there are more potential customers in nearby towns that could be convinced to purchase the produce (FAO, 1995). Experience has illustrated that small-scale enterprises should concentrate on getting the one product which is the most likely to succeed accepted in the market, before embarking on a second and third product (Wheatley *et al.*, 1995).

Research done by Makhura (2001) states that distance from markets has a noticeable effect on small entrepreneur market participation. Longer distances impact on transport costs, which in turn, affect sales prices. The entrepreneur will thus be less inclined to participate in the market if transport costs are too high. This implies that the small-scale entrepreneur may only consider markets that are in close proximity to the enterprise.

Understanding and assessing the market during the planning stages of a small-scale food processing enterprise may prevent the enterprise from failing during set-up (Kindervatter, 1992). Marketing can be described as making products that will sell rather than trying to sell what has been made. Market research can assist in determining what will sell (Griffith, 2002a).

The marketing process, as explained by Griffith (2002b), is illustrated in Figure 2.2. Markets are not static. Even a small-scale entrepreneur with a novel idea may find that others soon copy the idea and will have to develop strategies to retain competitive advantages, such as by good customer service (Griffith, 2002b).

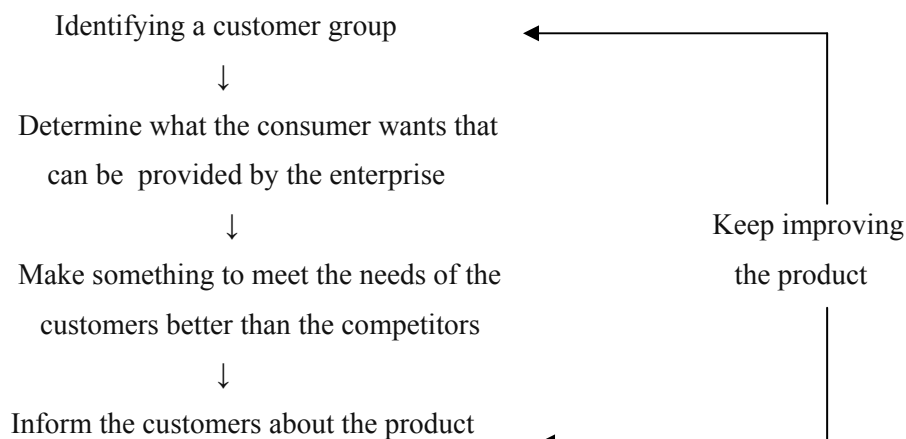


Figure 2.2 Marketing process (Griffith, 2002a, p8)

An important element of understanding the market is to understand the competition, in order to develop strategies during the planning phase of an enterprise (Fellows *et al.*, 1996). The case study of the bakery in Botswana that was established with funding from the United States Embassy's small project fund demonstrates that, although competition is good, it can be detrimental to a small food processing enterprise, should the enterprise not have contingency plans in place to counteract the competition. The group of women received training in baking from a Roman Catholic Mission in Serowe and further training on management and accounting skills from a volunteer who was recruited to manage the enterprise. Although the sales of bread increased five-fold in the first eight months, problems started to occur, such as lack of appropriate equipment; limited space for expansion and high input costs due to the remoteness of the project. The main cause for declined sales of more than 60% was reported to be due to a large bakery in Gaborone (370km's from Serowe) that decided to expand their production and distribution. The input costs of the large bakery were lower, resulting in cheaper bread. The bread from the large bakery was mechanically wrapped and looked more attractive than that of the Serowe bakery and the shelf life of the large bakery's bread was five days compared to the two days of the Serowe bakery's bread (Carr, 1985). The lessons from this case study are that any enterprise should have contingency plans to overcome competition pressure and the enterprise must ensure that the quality of products can compete with that of the competition.

The entrepreneur needs to know if the competition sells the same product and what the cost of the competitor's product is. This will enable the small-scale entrepreneur to set the price

below that of the competition (Fellows *et al.*, 1996; Kindervatter, 1992). The process of setting sales prices is very important. If the price is set too high, not enough products will be sold. If it is too low, not enough money will be made to cover production costs (FAO, 1995). If customers are not prepared to pay the price, it will be necessary to reconsider the operational costs to see if it is possible to reduce costs without lowering the quality of the product (FAO, 1995).

The potato drying pilot enterprise in Peru (Wheatley *at al.*, 1995) demonstrated that if planning, including financial planning, is not done effectively, or if warning signs such as initial indications that production costs will be too high, are not taken into consideration, the enterprise will end in failure. In this case, initial studies indicated that the processed product would be too expensive for the target market, namely the poor community of Peru. Scientists dismissed these findings and continued to implement the pilot enterprise. After six months the pilot enterprise was in trouble, the product's taste was unacceptable to consumers and more expensive than similar products made from wheat. Where a potential market for a hundred and thirteen tons per month was estimated, just over eight tons per month were sold during 1988. The lessons learned from this case study are that estimated costs and cash flows must be realistic and that availability and cost of raw material can have a negative affect on enterprise profit. Since the local farmers could not supply sufficient quantities of raw material, the entrepreneur had to purchase raw material from wholesalers, which increased the operational costs.

A fully fledged market study may be too costly and time-consuming for the small-scale food processing enterprises (Fellows, 1997). Market research is a comprehensive investigation of the market, which may include analysing key competitors and developing a target market profile (Bygrave, 1994). Agar (1999) suggests that customer research, where the emphasis is on the customer, is more important than market research, in that the entrepreneur will get to understand what the customer wants to adapt his or her product to suite the needs of the customer. Most successful entrepreneurs engage in some type of customer survey, that may include talking to neighbours or friends, reading newspapers, listening to the radio, having discussions with customers and doing basic sensory testing, to get some idea of what potential customers like or do not like (Hill, 2000).

In planning a food processing enterprise, customer surveys could include sensory testing at a shopping centre or any target group, where customers are requested to taste food products in order to establish the customers' acceptability of the product (van Oirschot and Tomlins, 2002). The number of assessors to be questioned is determined by the purpose of the testing, Investigative testing can be done with as few as 50 respondents (van Oirschot and Tomlins, 2002). Sensory testing has strict rules regarding controlled environments, controlled representative samples and clear questionnaires, making experienced panel leaders and trained assessors a necessity (van Oirschot and Tomlins, 2002). Specific steps have been taken to adapt sensory testing to suit customers of Third World countries, such as using symbols instead of words (Coetzee, 2002). Table 2.6 explains the difference between traditional and adaptive method of sensory testing.

Table 2.6 Differences between traditional and adaptive methods of sensory testing (Coetzee, 2002 p21)

Traditional sensory testing	Sensory testing adapted for Third World countries
<ul style="list-style-type: none"> • Samples served individually 	<ul style="list-style-type: none"> • Samples served to a group
<ul style="list-style-type: none"> • Panellist seated in booths 	<ul style="list-style-type: none"> • Panellists stand in queues
<ul style="list-style-type: none"> • Groups instructed prior to evaluation 	<ul style="list-style-type: none"> • Demonstration of evaluation given by researcher prior to evaluation
<ul style="list-style-type: none"> • Group attention 	<ul style="list-style-type: none"> • Assessors given individual attention
<ul style="list-style-type: none"> • Use 3 digit numbering system 	<ul style="list-style-type: none"> • Use symbols such as smiling faces to indicate preferences.
<ul style="list-style-type: none"> • Pencils provided to mark preference 	<ul style="list-style-type: none"> • Stickers provided for score sheet to mark preference.
<ul style="list-style-type: none"> • Pre-prepared samples 	<ul style="list-style-type: none"> • Direct serving of samples
<ul style="list-style-type: none"> • Various number of samples for various evaluations 	<ul style="list-style-type: none"> • No more than two samples per test.

A case study described by Carr (1985) demonstrates that investigating the consumer needs and adapting the enterprise product to suit the needs of the consumer is of great value for an enterprise. In this case study of a group of village women who started their enterprise by selling mango puree, the sales dropped dramatically after the successful first year. They examined the causes for the drop of sales and found three main problems. The size of the jars that were used were too big; the glass jars were very expensive, raising the price of the

final product too high for the consumer and mango puree was not a traditional product, and thus not popular in that community. The women decided to change the product of the enterprise. The women received technical training and started producing jam, candy and a biscuit filled with mango puree, which became very popular. Changing their product to suit the needs of the consumer helped the group generate more income to improve their livelihoods.

A pilot processing plant was set up in India by Compatible Technology Inc. and the Society for Development of Appropriate Technology, with the objective of providing farmers with an alternative outlet for their surplus potatoes. The initial idea was to promote dried potato slices as a rehydrated vegetable. Market testing revealed that the dried potato slices would not succeed because the consumers are used to dried potato chunks and did not like the flat slices. The pilot enterprise then tried to introduce powdered potatoes for household use, but, because consumers were not familiar with powdered potatoes, they did not want to buy the product, especially since the packaging was of poor quality and not accepted by retailers. The powdered potatoes were eventually sold to enterprises that reprocessed the powdered potato into snacks (Wheatley *et al.*, 1995). This case study highlights the importance of market research to determine the correct product to fulfil the consumer's needs.

Once a product is selected it is necessary to identify a marketing strategy in order to inform the consumer to know that the product is available (Bygrave, 1994). All products need to be promoted, whether a new product to be introduced into the market or an existing product to be promoted to increase demand (Fellows *et al.*, 1996). Promotion is more than just advertising. Promoting an enterprise can use different tools to communicate with the customer. Four major promotional tools are identified by Bygrave (1994) namely sales promotion, advertising, publicity and personal selling. Table 2.7 explains the four promotion tools in more detail.

Table 2.7 Explanation of promotional tools (Bygrave, 1994 p102)

Sales promotion	Advertising	Publicity	Personal selling
Communicating through a range of non-personal, non-media vehicles such as: <ul style="list-style-type: none"> • free samples, gifts • games • contests • signs and displays. 	Communicating through non-personal paid media such as: <ul style="list-style-type: none"> • paid • advertisements • billboard • advertisements • packaging • logos • direct mail • advertisements 	Communication through personal or non-personal media that are not necessarily paid to deliver the message, such as: <ul style="list-style-type: none"> • Print and broadcast news stories • Annual reports • Speeches by employees 	Communication directly with customers through personal paid personnel <ul style="list-style-type: none"> • One-on-one sales • Telemarketing

The effectiveness of each of the promotional tools to reach the customers varies. Advertising reaches a larger audience than personal selling for a given total cost. Personal selling can reach a specific target audience and the entrepreneur can build a relationship with the customer. The potential entrepreneur will have to decide on a promotional mix best suited for his or her enterprise (Bygrave, 1994).

Small-scale extraction of sunflower seed oil was described by Hammonds *et al.* (1989) in Zambia. This enterprise demonstrates the power of word-of-mouth as an advertising tool. An oil extraction plant was set up at the Tobacco Board outstation in Mililima. When the oil was ready for marketing, workers at the Tobacco Board tasted the oil and the news about the oil spread quickly throughout the local villages. Within a few days, people were queuing to buy the oil. Distribution and packaging did not cost anything, as the customers collected the oil at the processing plant with their own containers. No additional advertising was necessary. This case study demonstrates that the cheapest form of promotion is recommendations from satisfied customers, since the group did not have to pay for any promotion such as posters (Fellows *et al.*, 1996).

Small enterprises mostly sell products directly to final users, without using marketing agents, because they normally produce a small number of goods and need a relatively

small number of people to sell their products to. Selling products directly helps keep costs down. Receiving cash settlements immediately also assists the small enterprise to finance capital requirements for the next production cycle (Harper, 1984a).

A crucial element of promoting processed food is that the product must be safe and of high quality (FAO, 1997). Table 2.4 confirms that one of the constraints faced by small-scale food processing enterprises is the lack of quality products and a perception by the customer that products made by small-scale food enterprises are not of good quality (Senik, 1995; Yu, 2002).

2.5.3 Quality assurance for small-scale food processing enterprises

If the quality of the product varies, the enterprise will lose customers since customers do not know what quality he or she will receive next (Fellows *et al.*, 1996). The quality of the product is the most important aspect for successful marketing, after the price of the product. It is important for the small-scale food processing entrepreneur that wants to compete effectively in the marketplace to know how to ensure food safety and quality and to keep food safety and quality within accepted standards, since most countries adhere to regulations governing food safety standards, such as the Codex system (Seideman, 2006). Differentiation can be made between food safety and food quality. Food safety refers to hazards in food that may affect the health of the consumer. Food quality includes attributes of a product that influence consumer acceptance. Good qualities may include colour, flavour and texture and unacceptable qualities include spoilage, contamination, off-odours and discoloration (FAO and WHO, 2003).

The Codex standard is the minimum standard for food, to ensure safe, wholesome food, co-ordinated by the Codex Alimentarius Commission (CAC), an intergovernmental body (FAO and WHO, 2003). The CAC has formulated international standards for a wide range of food products which are used by governments world-wide to develop and refine food policies and programmes (FAO and WHO, 2003).

Food control regulations implemented by national or local authorities govern the sales of all food, by regulating aspects such as the effect of the food on the health of the consumer, adulteration of foods or other forms of cheating, labelling and advertising of foods, food composition and allowed additives, weights and measurements and hygiene and sanitation requirements of the premises and food handlers (Fellows, 1997). Potential food processing entrepreneurs should make enquiries regarding specific food regulations from the local Bureau of Standards or authority, to avoid prosecution due to non-adherence to food regulations (Fellows, 1997).

The case of the Kirsa and Mulah hawkers in Port Sudan illustrates the need for a small-scale entrepreneur to adhere to local government food regulations. In this case, the women of Port Sudan identified a viable market for selling traditional food to labourers in the harbour and railway terminal. The women did not only supply food in a way to which the clients were accustomed, since it was prepared similar to the way their food was prepared at home, they also managed to create a comfortable atmosphere for the migrant workers, attracting more clients and entrepreneurs. The relationship between the women and their clients developed to a level at which the clients felt at ease to discuss matters, receiving counselling from the women. The sanitary authorities confiscated their equipment and fined the women since they were not licenced. The women could not obtain licences, since they prepared their food on the bare ground in the open air, since regulations required from them to prepare their food in proper buildings (Mageit, 1988).

Factors that may affect the quality and safety of products in small-scale enterprises include poor physical quality of raw materials, contamination with poisonous chemicals, bacterial contamination, biological contamination through insects and rodents and poor quality control during processing (Fellows *et al.*, 1996). The premises of small-scale enterprises are often not equipped to ensure the maintenance of food safety and quality in a sustainable way (FAO and WHO, 2003). Laws that regulate food production premises and food handlers are often implemented in developing countries (Fellows, 1997). Food safety depends on processing facilities that adhere to basic requirements to enhance food safety. Table 2.8 addresses working methods to ensure food safety. Table 2.9 outlines the critical aspects regarding food processing premises, regulated by food laws.

Table 2.8 Safe working methods to ensure food safety and a safe working environment (Department of Health 1999; Sprenger, 1996)

- All areas, including store-rooms and toilets, must be cleaned every day;
- Use correct chemicals for cleaning equipment;
- All cleaning cloths must be washed and boiled daily;
- Clean equipment throughout the day;
- Surrounding area must be kept cleaned, grass cut short;
- Remove waste regularly, clean any spillages immediately;
- No animals must be allowed to enter the food processing premises;
- Visitors may only enter processing area if they wear protective clothing and under supervision;
- Workers must wear protective clothing, without loose ends which can get caught in machinery;
- No jewellery is allowed in the processing room since it is a source of contamination and may be caught in machinery;
- All cuts and sores must be covered with waterproof dressing;
- No eating, drinking, spitting or smoking is allowed in the processing room, to prevent contamination from mouth to processed food;
- Wash hands and wrists thoroughly with soap after using the toilet, between handling cooked and raw food, eating, smoking, combing hair;
- Do not use hand washing facilities for food processing;
- Finger nails must be kept short;
- No perfume or nail varnish is allowed;
- Do not lick fingers at any time during processing and packaging products;
- No workers with sores, boils, colds, sore throats or upset stomachs may handle food;
- Do not cough or sneeze over food;
- Keep food covered when possible;
- Food, tools and equipment must be kept off the floor;
- Ingredients must be kept in sealed containers;
- Do not use broken or dirty equipment;
- Do not leave metal stirrers in boiling liquids;
- Do not leave handles or stirrers over the heat source;
- Do not try to catch falling knives and carry knives with the point down;
- Use cutting boards and not hands to cut fruit;
- Do not carry hot pots with a damp cloth;
- Cover flames from burning oil with a damp cloth; do not use water to put out flames;
- Do not use a gas burner in direct sunlight, as the flames can become invisible; and
- Do not store cleaning agents in food containers.

Table 2.9 Basic requirements for food premises in food processing enterprise (Department of Health 1999; Sprenger, 1996)

<ul style="list-style-type: none"> • A change-room and storage place for clothes and; • Separate hand-washing facilities with soap, clean water, nail brush and clean towels; • Separate toilet facilities, separated with two doors from processing facilities or in a separate building; • First aid kits in an accessible place; • Protective clothing should be provided and cleaned regularly • Chemicals and cleaning agents are stored in cupboard away form the processing room..

To ensure a consistent product, a quality assurance system needs do be put in place that establishes detailed standards for hygiene and processing conditions and trains everybody in the enterprise to adhere to these standards daily (Fellows *et al.*, 1996). One quality assurance management that can be implemented is the Hazard Analysis Critical Control Point System (HACCP) (Fellows, 1997). HACCP is a preventative management system dedicated to preventing or controlling food safety hazards that can be categorised as biological, chemical and physical (Seideman, 2006). HACCP can be described as a production specialist, determining what can go wrong throughout the processing plant, then deciding on critical control points to monitor these hazards and write a plan that addresses different situations that may occur and what steps will be taken when they do occur (Seideman, 2006). Table 2.10 lists the seven principles of HACCP.

HACCP is not easily implementable for small-scale enterprises, as it requires a continual, scientifically based programme that needs people with years of experience and knowledge to manage the system (Seideman, 2006). Small-scale food processing enterprises lack skills and knowledge in identifying potential hazards (Fairman and Yapp, 2004). Small-scale food processing enterprises often believe that the responsibility for identifying food safety hazards rests with law enforcers (Fairman and Yapp, 2004). The lack of skills, together with the lack of a self-regulatory culture amongst small-scale food processing enterprises, makes the successful implementation of food safety systems such as HACCP very difficult.

Table 2.10 Seven principles of HACCP (Fellows, 1997; Seideman, 2006)

<ul style="list-style-type: none"> ▪ Conduct a hazard analysis: identify areas in the processing line which could be hazardous, something that could cause food to be unsafe for human consumption and describe corrective measures; ▪ Identify critical control points (CCP): any step that could be monitored to obviate or reduce food safety hazards to an acceptable level; ▪ Identify critical limits for each critical control point: the maximum or minimum level to which a food hazard must be controlled to, at a critical control point; ▪ Establish CCP monitoring requirements: monitoring activities that are necessary to ensure that the process is under control at each critical control point; ▪ Establish corrective steps if critical limits are exceeded: actions to be taken at a critical control point of monitoring indicate that critical levels are not met, to ensure that no harm come to the consumer; ▪ Develop effective record-keeping procedures to document the HACCP system: the HACCP plan with complete details must be kept. ▪ Develop procedures to verify that the HACCP system is working correctly: verify that the HACCP plan does what it is planned to do; this may include microbial testing.

The United Nations introduced a simplified system called Safer Food Better Business (SFBB), for small-scale enterprises, specifically small-scale catering enterprises and retailers, based on HACCP principles (Seideman, 2006). SFBB consists of a toolkit designed to help small-scale catering and retail enterprises to prove that they are maintaining a food safety management system. SFBB concentrates on four categories known as the four Cs; cross-contamination, cleaning, chilling and cooking. The toolkit provides safe methods sheets, highlighting important aspects to ensure food safety and requires the entrepreneur to write down what is done to ensure food safety. A diary must be kept daily, to indicate that food safety practices were followed (Seideman 2006). Consideration could be given to introduce small food processing enterprises to SFBB, as a stepping-stone to prepare for HACCP accreditation at a later stage, once they have established a fixed market that may require HACCP accreditation.

The above aspects can all be described as intrinsic factors that may cause small-scale food processing enterprises to fail, but could possibly be solved through training and providing appropriate information to the small-scale food processing entrepreneur (Fellows, 2003). The constraints mentioned in Table 2.4, namely lack of institutional support and the government policies, are extrinsic factors, are more complex and may need the creation of

networks between NGOs and government to change policies, where needed (Fellows, 2003).

2.6 Extrinsic factors affecting small-scale food processing enterprises

It is important to realise that, although some constraints can be categorised as intrinsic (such as lack of resources and food safety issues) in some cases it may also be out of the control of the entrepreneur therefore it may also be extrinsic. If appropriate equipment for a specific food processing enterprise is not available, it may be necessary for a development agency to design appropriate equipment (Fellows, 2003). Food safety standards are imposed on food processing enterprises and, even though training could assist groups to achieve good food safety standards, government still has the power to relax or strengthen food safety regulations to pave the way for easier compliance with food safety regulations for small-scale food processing enterprises (Fellows, 1997).

2.6.1. Government policies

Government policies can assist small-scale processing enterprises or cause food processing enterprises to fail (Carr, 1989). Government has three major instruments it can use to support agro-industries, namely legal regulations, fiscal incentives and institutional support (Hicks, 2007). Legally imposed standards are often derived from industrialised countries (Harper, 1984a). Small-scale enterprises often cannot adhere to these regulations. Government does not always have the capacity to inform small enterprises of the regulations and often lacks capacity to enforce or monitor small enterprise adherence to legal regulations (Harper, 1984a). Regulations that cannot be effectively monitored may lead to corruption, where government employees may blackmail small-scale enterprises that are not and cannot adhere to government regulations (Harper, 1984a), threatening to close down the enterprise unless the entrepreneur pays the government employees. Despite countries introducing policies to promote small and medium-scale food processing enterprises, implementation of these policies is often lacking, as there are no dedicated structures to work with small-scale enterprises (Cardoso, 2000).

Tax incentives often work against small-scale enterprises as they must to be registered or licenced to receive the benefits (Harper, 1984a). Licencing a small-scale enterprise can be very expensive and time-consuming (Harper, 1984a). Government departments such as Trade and Industry, that are involved in licencing and controlling, as well as promotion of small-scale enterprises, could face resistance from small-scale entrepreneurs, as controllers will most likely not be accepted as helpers (Harper, 1984a). Potential entrepreneurs are often discouraged to apply for financial incentives such as government grants, due to the complicated bureaucracy involved in the application process (Cardoso, 2000).

Government departments tend to provide large grants and other assistance to a few selected enterprises and continue to invest in these enterprises, whether they are viable or not, because the officials concerned do not want to lose face (Harper, 1992). Only a few enterprises can be assisted to this extent, resulting in a large number of enterprises having to survive without assistance. If the enterprises that did not receive assistance from government fail, they may ascribe their failure to the government, not realising that success of the enterprise must come from their own efforts (Harper, 1984a).

The case study of the bakery in Botswana highlights the effect that government policy can have on the success or failure of an enterprise. Despite various constraints, the group managed to increase bread sales five fold in the first eight months of existence. The opening of a large bakery in Gaborone (370km away from Serowe) by the government caused a major decline in sales by the small-scale bakery (Carr, 1985).

Another extrinsic constraint that small-scale food processing enterprises face is the lack of institutional support. Inadequate support services may include a wide range of aspects, starting with teaching institutions who do not have sufficient skills and understanding of small-scale enterprises; development consultants lacking skills and professionalism; poor access to research and development institutions and a lack of, or poor quality engineering support to develop appropriate equipment (Fellows, 2003). The role of institutional support in the success of a small-scale food processing enterprise will be more fully discussed in the next section.

2.6.2 The role of institutional support in small-scale food processing enterprise development

There are many organisation that provide institutional support to small-scale enterprises. Harper (1984a) suggests that inter-institutional competition may ensure that the small-scale enterprises get the best institutional support possible. Aspects that can be addressed through institutional support include monitoring of government policy, providing finance for small enterprise development, management and technical training, advisory and extension services, development of technology marketing support and provision of infrastructure (Harper, 1984a).

Most small-scale enterprises need some financial assistance at start up. Whatever capital is available for the development of small-scale enterprises needs to be used for as many beneficiaries as possible and used effectively to maximise the creation of new jobs, rather than creating a few capital intensive enterprises (Harper, 1984a). Several case studies decried by Harper and Ramachandran (1984); Harper and Vyakarnam (1988); Mavhunga *et al.* (2004) and Salagae *et al.* (2004) highlight the problem of low rates of loan repayment by small-scale enterprises. The case study of the Starehe General Engineering Society in Kenya, although not a food processing enterprise, demonstrates the danger of relying on continued financial support from donors and financial institutions for small-scale enterprises. In this case study, a group of young men were selected and provided with advanced skills training in steel work. The Starehe General Engineering Society was established and for four years received grants from voluntary organisations to develop the enterprise. Despite continued financial assistance and advanced skills training; the group did not manage to secure a sustainable market and was reliant on contracts from international agencies. The enterprise was, in effect, protected from the real situation of overcoming competition with good-quality products and did not grow into a viable company (Harper and Ramachandran, 1984). It is of critical importance that a small-scale enterprise generates profits to ensure sustainability. Even if small-scale enterprises are supported by an NGO, the NGO will exit from the project at some stage. It is becoming more and more difficult to secure funding from donor agencies if an exit strategy is not clearly indicated (Dawson, 2002a).

Finding a reliable market can be a daunting task, as can be seen from the Starehe General Engineering Society case study. Government and developing agencies can play a role in facilitating market links for small-scale enterprises (Harper, 1984a; Kapila *et al.*, 2002). Government should keep a list of products that could be purchased from small-scale enterprises, as is the case in India and in the United States, and place emphasis on purchasing goods from these enterprises on the lists (Harper, 1984a).

Development agencies have different approaches to helping small-scale enterprises to establish markets. In some cases they link the small-scale enterprise with larger enterprises, to lower transport costs (Dawson, 2002a). In other cases, the developing agency assists in the establishment of a marketing company (Dawson, 2002b; Rawlinson and Fehr, 2002; Stosch and Hyman, 2002). The establishment of marketing companies is a more comprehensive and often longer-term intervention, as the marketing companies establish links with a number of institutions, ensuring a network of market outlets (Kapila *et al.*, 2002). The establishment of marketing companies is relatively expensive and time consuming and involves a great deal of co-ordination among various role players (Kapila *et al.*, 2002). Development agencies can help with marketing, but it is important that they do not buy or force other people to buy products that are not competitive in price and are of poor quality, as this will mislead the entrepreneurs and keep them financially dependent on donors (Harper, 1992).

Provision of training and advisory services commonly performed by government officials, banks and staff from developing agencies must be needs driven. Therefore trainers and advisors need to be trained in identifying problem areas that small-scale enterprises may face, such as lack of marketing skills and direct training to respond to problem areas (Harper, 1984a). The success of training depends on the commitment of the trainer to respond to a demand, rather to train for the sake of training. The training institute could include the sharing of information on available appropriate technology (Harper, 1984a). As advisors often over-emphasise the importance of training, it remains important that the entrepreneur requests training and that the entrepreneur has to sacrifice something to acquire the training, such as providing the raw material; this could prevent customers from

attending training for the sake of training which is not to be used for the enterprise (Harper, 1992).

The need to share information on available appropriate technology is more important than the need for the development of appropriate technology, since manufacturers of capital-intensive processing equipment promote their products aggressively (Harper, 1984a). Appropriate technology research for small-scale enterprises is often allocated to universities and government research, resulting in reports and demonstration units that typically do not meet the needs of target markets. Harper (1984a) suggests that small, locally based institutions may be the best way to introduce new technologies to small-scale enterprises.

One of the biggest constraints that cannot be resolved by a small-scale entrepreneur, remains infrastructure such as roads, water and power supply. The provision of roads and infrastructure by the government will allow small-scale food processing enterprises to increase economic activity, justifying the expense incurred in providing the infrastructure (Cardoso, 2000; Hill, 2000; Saasa, 2000). Using public funds to develop a number of modest roads in rural areas may benefit a vast number of people (Harper, 1984a).

The above section considered intrinsic and extrinsic aspects that could have a negative effect on the success of a small-scale food processing enterprise. The next section will investigate possible solutions for the constraints listed in Table 2.4.

2.7 Proposed suggestions to solve problems faced by small-scale processing enterprises

Several researchers confirm the findings shown in Table 2.4, but, along with agreement on constraints, researchers also agree about actions that can be taken to overcome some of the constraints faced by small-scale entrepreneurs (Dietz *et al.*, 2000; Fellows, 2003; Hill, 2000). Table 2.11 outlines recommendations by researchers to overcome constraints faced by small-scale food processing enterprises.

The recommendations in Table 2.11 do not distinguish between individual or group enterprises. Governments, world-wide promote group enterprises such as co-operatives, as a way of overcoming poverty and creating sustainable livelihoods (Harper 1992). There are some co-operative successes, but unfortunately many failures have been recorded (Harper and Roy, 2000).

Table 2.11 Recommendations to overcome some of the constraints faced by small-scale enterprises (Dietz *et al.*, 2000; Fellows, 2003; Hill, 2000)

- Simplifying procedures to access credit;
- Support through training and situation-specific advice, to include topics such as interpreting market information; budgeting; technical aspects of production process; storage techniques, enterprise management;
- Provisioning of road infrastructure by the government;
- Marketing information systems that are accessible to small-scale food processors;
- Support services to be market-orientated and address the real needs of the small-scale enterprise;
- Assistance provided to small-scale entrepreneurs to identify and obtain suitable equipment;
- Provisioning of experienced and skilled advisors to assist with enterprise plan development; market assessments and on-site problems and
- Improved networking between various role-players such as government departments; support agencies; private sector and credit providers.

2.8 Group dynamics within small-scale enterprises

Harper (1984a) reports that in certain countries the word “co-operative” should not be used when talking to potential entrepreneurs, due to the history of failure of co-operatives and the devastating affect this failure has had on participants and the economy of a country. Failure can often be attributed to the inability of the members to agree on activities of the co-operative; issues regarding money and inexperienced management. Co-operatives with members of different economic and social positions often experience exploitation by a powerful minority (Harper, 1984a). Individuals with more power (due to social status or higher income) often become leaders and motivated by a desire for more wealth and power, rather than for the good of the group. Leaders start to take decisions that benefit themselves rather than the group (Harper, 1984a).

Democratic groups display a power structure with a definite leader and all group members are involved in group activities and committed to a democratic process for decision making (Gastil, 1993). Gastil's (1993) understanding of democratic groups is illustrated in a study by Toury (1996), that shows that women's groups work well together if their major duties are clear. People that worked well together in the study knew what authority they had within the group; they knew what role they played in any team operation and they had the ability to organise themselves to address vulnerabilities such as lack of raw material, poor equipment and marketing problems.

FAO (1995) states that a group enterprise stands a better chance of succeeding as a small enterprise rather than individual enterprises, as in a group, people may have different skills that make it possible to combine skills to the advantage of the enterprise. Groups have bigger bargaining power and government agencies tend to give advice and services to groups rather than to individuals (FAO, 1995). The potential advantage of a co-operative over an individual enterprise is that the co-operative could provide a service or product at a lower cost than an individual enterprise, because the co-operative has the ability to purchase raw materials in bulk, lowering the price of materials (FAO, 1995).

Contrary to what is generally believed, studies by Harper and Roy (2000) indicate that it is to the advantage of co-operatives to have subsidies and technical support withheld from them at the initial stages. It may be better to assist groups that have managed to overcome constraints and have passed the test of surviving without help. Case studies by Harper (1992) indicate that co-operatives and groups that have come together by their own choice, without being forced together by an outsider, or on a promise of financial or other assistance showed a great deal of success as co-operatives. Government officials and developing agencies need to find the balance between giving advice and support and allowing the group to grow by themselves. Advisors need to be able to provide information to the group in order for the group to make the best decision for the enterprise (Harper, 1992).

When financial assistance is provided to the group or co-operative, it must be made very clear whether it is a loan that has to be repaid, or whether it is a grant. If a grant, it must

also be clear who owns the items that are purchased with the grant, to avoid conflict later between the donor and the group (Harper, 1992). Donor agencies should refrain from giving loans that are too big for the group to manage, since this could lead to the misuse of funds (Harper, 1992).

The case study of the Ibadan Co-operative Tailors' society in Nigeria demonstrates the problems related to over-funding and interference from outsiders such as government departments (Harper, 1992). In this case study, groups of tailors decided to work together informally when they obtained large contracts. Under pressure from a government official, the group formed a co-operative. The government official convinced a co-operative bank to lend them an amount of 30 times more than the co-operative's own financial contribution. The co-operative failed to repay any of the money loaned in the first year, because they did little work but still paid themselves salaries. After the second year without any repayment the bank manager threatened to take the co-operative to court. The government official promised to assist the group to obtain contracts. This led the co-operative members to believe that it was the government's responsibility to get contracts. After some time it became obvious that the contracts obtained by the official were through corruption and not because of good prices and quality. The co-operative members were unable to secure their own orders after the official was transferred. The co-operative members started to secure individual orders, without declaring it as income for the co-operative. When the co-operative did manage to get orders, they failed to complete them in time since they preferred to work on their individual orders. The co-operative only managed to repay the interest on the loan but not the actual loan amount. Although annual monitoring visits by government officials showed poor record-keeping and chaotic management within the co-operative, no correctional steps were implemented. After 15 years of wasted time and money, the co-operative reverted to the informal working arrangement they originally wanted.

Despite all the recorded failures in co-operatives successful co-operatives are found (Harper, 1984a). Reasons for the success of entrepreneurial groups or co-operatives have been highlighted by various authors (FAO, undated; FAO, 1995; Harper, 1984a) and are summarised in Table 2.12.

Table 2.12 Factors contributing to the success of groups or co-operatives

Contributing Factor	FAO, undated	FAO, 1995	Harper, 1984 b
▪ Accepted leadership	*	*	*
▪ Active participation in meetings and activities	*	*	*
▪ High degree of solidarity between members	*		*
▪ Well-defined income-generating activities	*		*
▪ Managerial abilities	*	*	
▪ Sufficient group savings/resources within group	*	*	
▪ High level of self-reliance	*	*	
▪ The initiative for the enterprise comes from the participants themselves			*
▪ Small number of people in a group		*	*
▪ No compulsion to join the co-operative			*
▪ Group discipline		*	
▪ At least one literate member		*	

*= Contributing factor as listed by author

Harper (1984b) suggests that the very poor and the relatively well off are more likely to succeed in forming co-operatives than those with average incomes. A very poor person has little to lose and the relatively well off would have a realistic understanding of how a group enterprise could assist him in achieving his or her goals in life.

2.9 Women in small-scale food processing

Women dominate informal small-scale enterprises in many countries (Harper, 1992). If a small processing enterprise is generating reliable income, the position of women, who have traditionally been involved in processing, are strengthened within the family and community (Dietz *et al.*, 2000). It is widely recognised that women's micro- and small-scale enterprises can accelerate economy activity (Dignard and Havet, 1995).

Women often perceive the enterprise as an integral part of their life, combining the enterprise responsibilities with those of their households (Tinker, 1995). Therefore they often prefer self-employment over working for a company where they can grow economically. Women tend to use profits from the enterprise for the well-being of the

family such as buying food, rather than buying inputs for the enterprise, as they are driven by humanity rather than economics (Tinker, 1995). To overcome the tendency of women entrepreneurs to be non-commercially orientated, promotion of women enterprises should include basic enterprise skills, marketing principles and practical management training to expose women to commercial principles (Van der Wees and Romijn, 1995).

Women entrepreneurs face the same constraints as any other small-scale entrepreneur, including lack of capital and technology problems. There are additional factors that enhance the common problems, such as gender-role stereotyping, lack of confidence in the women's abilities, limited access to vocational training, attitudes of bankers towards women entrepreneurs and legal barriers in establishing enterprises (Van der Wees and Romijn, 1995). In addition to the problems mentioned above, women have to deal with restrictions on mobility that are imposed by men, fear of women gaining power from their economic growth, fear that woman will neglect their marriages due to economic empowerment and fear of increased competition if women are empowered (Hannan-Anderson, 1995).

Supporting women to enhance their income will have a positive effect on the well-being of the family (Carr, 1985). The number of women-headed households in Africa is very high and these households are often the poorest of the poor, because women do not have the same access to land, employment, technology and credit as male-headed households. Studies indicate that even in male-headed households, women spend more of whatever income they generate on the well-being of the family, whereas men tend to use their income on prestige items and entertainment (Carr, 1985).

It is disturbing to note that commercialisation, improved technology and improved infrastructure often lead to loss of income for women (Carr 1985). Better roads allow imported goods to come into an area, limiting enterprise opportunities for women; heavy industrial equipment often requires the strength of males to operate; and automatic machinery displaces thousands of women in developing countries (Carr, 1985 and Carr, 1989). The challenge for developing agencies and groups is to take existing skills and adapt the skills, together with the introduction of appropriate technology to produce

products of high demand (Carr 1985). Support to small-scale enterprises for women need to be based on effective economic planning, availability of inputs, availability of appropriate skills and technology and high market demand for the product (Cleevy, 1996). Recommendations to support women in food processing enterprises are listed in Table 2.13.

Table 2.13 Recommendations to support women in food processing enterprises (White, 1999)

<p>Increase women's resource base through:</p> <ul style="list-style-type: none"> • Training on basic literacy, numeracy and skills; • Relieve some of women's household responsibilities, e.g. collection of water; • Provide training on basic enterprise management; • Technical training to be provided on site; and • Credit loans with low transaction costs and interest rates; simple application procedures. <p>Increase women's status within community through mobilising women into groups or societies through:</p> <ul style="list-style-type: none"> • Individual entrepreneurs organised into producer or marketing co-ops to assist women in purchasing raw material and marketing products; and • Wage earners organised into organisations that could lobby the government for improved conditions.

The aforgoing sections discussed various intrinsic and extrinsic constraints that small-scale entrepreneurs face in running small-scale food processing enterprises and also possible solutions to overcome these constraints. The next section will briefly explore processes that developing agencies implement to assist small-scale food processing enterprises to overcome the above constraints.

2.10 Assistance programmes for small-scale enterprises

Assistance programmes for small-scale enterprises, run by government and NGOs, have existed for many years. The assistance provided included finance support, raw material supply, marketing and training (Harper, 1984b). These programmes have not always been successful, since they often over-subsidise enterprises, fund more than the group can effectively manage, resulting in misuse of funds and loan repayments that have been very poor (Harper, 1984b). Enterprise development support has had more success in cases

where the potential entrepreneur had some prior training and resources available for enterprise development rather than with groups with no resources or prior training (Harper, 1984b).

NGOs often assist very poor people, who have limited education and poor infrastructure. It is difficult for the enterprise participants to access enterprise opportunities; so NGOs use their expertise and networks to find markets, with the risk of taking over the marketing function from the group, resulting in the group becoming dependent on the NGO and not becoming self-dependent (Kapila *et al.*, 2002). Harper's (1992) finding that groups or co-operatives that have the freedom to develop by themselves with limited interference from outsiders must be kept in mind when planning any enterprise development assistance programmes. NGO's should refrain from taking over all the planning activities for a small enterprise. Lessons learned from international experience are further discussed below.

Midway Technology is an organisation that supports small- and medium-scale entrepreneurs in developing countries through a five year support programme, in partnership with other institutions (Fellows, 2003). The components of the Midway assistance programme are given Table 2.14.

Table 2.14 The components of the Midway assistance programme (Fellows, 2003)

<ul style="list-style-type: none"> • Identifying small and medium enterprise needs in specific sub-sectors and writing enterprise plans for identified groups.
<ul style="list-style-type: none"> • Provide training to small-scale enterprise owners and identify and train potential trainers and advisors from the participating small-scale enterprises.
<ul style="list-style-type: none"> • Provide training to trainers and consultants
<ul style="list-style-type: none"> • Assist in the establishment of a local not-for profit agency to manage projects
<ul style="list-style-type: none"> • Monitor different phases and provide feedback to donors.

The Intermediate Technology Development Group (ITDG) promotes food processing as a means of assisting the rural poor in developing countries to secure sustainable livelihoods (Yu, 2002). ITDG does not provide financial and marketing assistance, nor does it become

involved with the purchasing of raw materials. These aspects are normally covered by partner organisations. The components of the ITDG programme are set out in Table 2.15.

Table 2.15 Components of the ITDG assistance programme (Yu, 2002)

<p>Technical Training</p> <ul style="list-style-type: none"> • Food and nutrition • Food processing techniques • Food preservation • Hygiene and quality control • Packaging
<p>Business Training</p> <ul style="list-style-type: none"> • Business plan writing • Book-keeping • Market survey • Financial management including sales, cost, profits, cash flows, costing and pricing
<p>Food Product Technology</p> <ul style="list-style-type: none"> • New technologies (recipes) researched • Testing and improving recipes, including test to determine moisture; acid and protein content • Packaging material designed and production contracted out • Occasionally design new equipment
<p>Networking</p> <ul style="list-style-type: none"> • Network of partner organisations to exchange experiences, assess the needs of the industry and lobby for policy changes
<p>Policy Advocacy</p> <ul style="list-style-type: none"> • Study policies and educate food processing enterprises accordingly
<p>Monitoring and evaluation</p> <ul style="list-style-type: none"> • Training programme • Partner organisations • Beneficiaries

Valuable lessons can be taken from the experience of the Midway assistance programme. Support services should be market-orientated and address the real needs of small-scale enterprises. Trainers and consultants must possess sufficient skills to assess their clients' needs and to develop interventions to address these needs. Training of trainers is important to ensure professional levels of support and to build confidence amongst the trainers. Small-scale enterprises need assistance to identify and obtain appropriate equipment, markets and management systems. A well-established network is needed amongst support

agencies, government institutions, credit providers and private sector companies (Fellows, 2003).

Although the developing agencies discussed above provide different approaches for their support to small-scale enterprises, both agencies place emphasis on training beneficiaries in technical skills, as well as enterprise management skills. Midway writes enterprise plans and submits these enterprise plans for funding to donor agencies (Fellows, 2003). Kindervatter (1992) suggests that it is very important for the entrepreneur to be actively involved in writing the enterprise plan, to ensure that they take ownership of the enterprise and have a complete understanding of the enterprise.

2.11 Summary

Small-scale food processing enterprises can play an important role in creating employment and ensuring food security. The reality is that small-scale food processing enterprises face numerous obstacles that make it very difficult for them to become viable enterprises. The fact that many governments promote group enterprises such as co-operatives, as a means of alleviating poverty, complicates the situation more, since studies confirm that group enterprises are faced with additional obstacles such as social problems.

The Department of Trade and Industry has developed an Integrated Small-Enterprise-Development Strategy. Using a co-operative approach, the Department of Economic Development, in collaboration with the KwaZulu-Natal Department of Agriculture and Environmental Affairs, promotes the formation of co-operatives as the answer to small-scale enterprise development. The need exists to evaluate small-scale enterprise development interventions in South Africa, and specifically small-scale food processing enterprises. Is the co-operative approach the answer to the problems in enterprise development, despite numerous case studies indicating that group enterprises are not easily implemented?

Assistance programmes implemented by government and NGOs often rely on consultants developing elaborate enterprise plans, without involving the beneficiaries. On implementation of the enterprise plan, the entrepreneur is expected to understand all the processes in the enterprise and risks involved. Research needs to be conducted to

determine if assistance programmes that allow the beneficiaries to be an integral part of planning the enterprise would not assist in creating the capacity needed to understand the enterprise and be in a better position to overcome obstacles.

The world of agriculture is fast changing, but with the right policies and supportive investments at local, national and global levels, agriculture could provide countless opportunities to the rural poor of the world to move out of poverty (The World Bank, 2007). These opportunities include entrepreneurship and jobs in the emerging rural, non farm economy. It will be necessary to increase the assess of poor households and to create opportunities in the rural non-farm economy. A crucial element for development programmes is to develop policies and decision processes that is suited for each country's economic and social conditions (The World Bank, 2007).

Evaluation of South African enterprise development strategies for small-scale food processing enterprise development would assist in developing recommendations for improved policies for enterprise development, including policies regarding Land Redistribution Programme (LRAD) beneficiaries.

The next chapter looks at the Land Redistribution Programme which is currently been implemented in South Africa. An understanding of the Land programme and the constraints faced by LRAD beneficiaries is vital, as the study group is a group of women from an LRAD project

CHAPTER 3

THE LAND REDISTRIBUION PROGRAMME

Land reform was introduced in South Africa in 1994 when the Land Restitution Act of 1994 was promulgated. This Act formed the basis for several programmes aimed at compensating previously disadvantaged people for losses suffered during the previous dispensation. The disadvantaged included those previously excluded from land markets because of racial segregation and, in some cases, gender segregation (Lyne and Ferrer, undated).

To understand the complexity of land reform, it is necessary to understand the policy environment of land reform in South Africa. This chapter will discuss South Africa's land reform policies and the programmes within them, with special emphasis on the Land Redistribution Programme and its constraints.

3.2 Land Reform Policy Environment

The Land Act of 1913 formalised land dispossession of black South Africans and limited African land ownership to 'native reserves' (Department of Land Affairs, 1996). Black South Africans were not only barred from owning land in white farming areas, but also banned from leasing land in white farming areas, resulting in land dispossession and forced removals (Mavhunga *et al.*, 2004). The Native Authorities Act of 1951 and the Bantu Self-Governing Act of 1946 resulted in the establishment of eight homelands, where African people were forced to live. This aggravated the situation since farm land was overcrowded in the homelands and farmers could not produce enough food to ensure self-sufficiency (Salagae *et al.*, 2004). In an initiative to redress the injustices of apartheid, foster national stability, strengthen economic growth and alleviate poverty, the democratic government of South Africa developed a Land Reform Policy. This policy covers three components: restoration of land or financial compensation for people that were dispossessed of their land after 1913; land redistribution; and land tenure reform (DLA, 1996).

Under the Land Restitution Act of 1994, persons or communities who can prove that they lost land through dispossession after 19 June 1913 were invited to submit claims for restitution or compensation (Mavhunga *et al.*, 2004). These claims had to be submitted on or before 1999. Compensation has usually been financial, but some claimants have been given land and financial compensation.

The Land Redistribution Programme was put in place to make land available for three main purposes, namely agricultural production, settlement of people, and non-agricultural enterprises (National Department of Agriculture, 2001). The programme started with the Settlement Land Acquisition Grant (SLAG), in which a cash grant of R16 000 per person was given to poor, landless black South Africans, to purchase land. Applicants had to form groups to acquire land, resulting in large groups purchasing land that was too small to support the households. Beneficiaries often showed no interest and commitment to farming (de Villiers, 2000). The SLAG programme forced overcrowding of agricultural land, perpetuating poverty. Therefore the Minister of Agriculture imposed a moratorium on any further SLAG projects from July 1999 (Khwene *et al.*, 2004). In 2000, the SLAG programme was replaced by the Land Redistribution for Agricultural Development Programme (LRAD). The LRAD programme differed from SLAG in that beneficiaries did not have to be poor to apply for the minimum grant of R20 000 and could qualify for larger grants if they could secure a loan to make up the difference between the price of the farm and the grant. A loan of R400 000 would allow for a grant of R100 000 (DoA, 2002).

The third programme (Land Tenure Reform Programme) introduced laws in 1994 to give security of tenure over houses and land where occupants work and live. The different tenure forms included private ownership, communal ownership and renting. To ensure that people received security of tenure a number of laws were introduced, such as the Land Reform Act 3 of 1996, Extension of Security of Tenure Act 62 of 1997 and the Prevention of Illegal Occupation of Land Act of 1998 (DoA 2006).

The Comprehensive Agricultural Support Programme (CASP) was initiated by the Department of Agriculture as post-settlement support to LRAD beneficiaries. Funding from CASP was mainly used for infrastructure development on farms (Khwene *et al.*,

2004). The Land Redistribution Programme will be discussed in more detail, as its focus is on distribution of agricultural land, of which the group of women that participated in this study are beneficiaries.

3.2.1 Land Redistribution Programme

The Land Redistribution Programme (LRAD) has two distinct sub-programmes. The first deals with transferring agricultural land to specific individuals or groups, while the second deals with commonage projects, which aim to improve access to tribal and municipal land, mainly for grazing purposes (NDA, 2001). This discussion concentrates on the sub programme that deals with transferring agricultural land to specific individuals or groups.

The strategic objectives of LRAD are to improve nutrition and incomes of the rural poor who want to farm and improve living standards; decongesting former homeland areas; expanding opportunities for women and youth in rural areas; stimulating growth through agriculture; creating stronger linkages between on-farm and off-farm activities, through the promotion of off-farm projects such as processing enterprises; promoting environmental sustainability; and ensuring effective use of agricultural land (NDA, 2001).

The LRAD programme is focused on black South Africans and assists in establishing ownership of agricultural land. The grant given by the government does not have to be repaid, but applicants have to contribute a minimum of R5000, in cash; in labour once a farm has been purchased and transferred to the applicant; or in kind such as in providing machinery. A minimum contribution of R5000 allows for a grant of R20 000 per person a contribution of R400 000 allows for a maximum grant of R 100 000 (DoA, 2002). The grant may be used to purchase land, infrastructure, agricultural inputs or effect improvements to agricultural land, such as ploughing and planting.

The LRAD programme provides for four project types to cater for the needs of different farmers (DoA, 2002):

- food-safety-net projects, that are mainly aimed at small-scale farming enterprises for consumption;

- equity schemes projects, where participants contribute a certain amount to the grant and in turn, own a certain percentage (shares) in the agricultural enterprise, according to proportional contribution;
- production for market projects, where participants access bank loans that they use, together with their own contributions, to purchase bigger farms; and
- agriculture in communal areas. In this case the participants may have secure access to communal farming land and can obtain a grant from the Department of Land Affairs to buy inputs for farming activities.

According to Mavhunga *et al.* (2004), the five main stakeholders in the LRAD programme are the National Department of Agriculture, the Provincial Departments of Agriculture, the Department of Land Affairs, Agricultural Colleges and the Land Bank, who work together to assist the LRAD beneficiaries. Table 3.1 explains the responsibilities of the main stakeholders involved in the LRAD programme.

Table 3.1 Main stakeholders in the LRAD programme and their responsibilities (Mavhunga *et al.*, 2004)

Stakeholder	Responsibility
National Department of Agriculture	To create a favourable environment for land reform by developing policies and strategies; guidelines such as monitoring and evaluation criteria; norms and standards and providing funds.
Provincial Department of Agriculture	Use allocated funds correctly, provides advisory service, does need analyses and report on progress.
Department of Land Affairs	Provide grants, monitor and evaluate LRAD beneficiaries, assist in identifying beneficiaries and provide information on LRAD beneficiaries.
Agricultural Colleges	Provide formal and non-formal agricultural training, provide technical advice.
Land Bank	Provide a full range of retail and wholesale financial service for small-scale farmers.

Studies have revealed several constraints that contribute to the failure of LRAD projects. Salagae *et al.* (2004) group the constraints under social and economic problems, political

pressures and lack of institutional support. It is, however not always easy to categorise constraints because constraints may be inter-related. Table 3.2 is a summary of the major constraints that are faced by LRAD beneficiaries.

Table 3.2 Summary of the major constraints faced by LRAD beneficiaries (Khwene *et al.*, 2004; Madisha *et al.*, 2005; Mavhunga *et al.*, 2004; Salagae *et al.*, 2004)

Constraint category	Constraint
Social problems	<ul style="list-style-type: none"> • Too many beneficiaries per project, land potential not taken into account; • Different goals of group members, no common interest amongst beneficiaries; • Proper channels are not followed when decisions are made for the group; • Some beneficiaries wanting to share in profits without contribution, financially or with labour; • Executive Committee wrongly seen as owners of the project and not wanting to give others opportunity to lead; • Lack of communication between Executive Committee and rest of the beneficiaries, specially regarding feed-back on farming activities; • Groups tend to fall apart after some time; • In-house fighting due to mistrust amongst beneficiaries; and • Individuals within groups with more assets wanting to take control leading to conflict.
Economic factors	<ul style="list-style-type: none"> • Group dynamic, making follow up on loan repayments difficult; • Cost of farms so high that little money is left for operational costs; • No plan in place as to where to find operational costs; • Equipment destroyed or stolen by previous owners, lack of funds to replace destroyed and stolen goods; and • Lack of market access.
Lack of institutional support	<ul style="list-style-type: none"> • Lack of extension support and capacity building, extension staff lack knowledge on commercial farming; • Lack of post-settlement financial support; • Lack of consultation with beneficiaries; • Beneficiaries expected to make income from nothing, with little or no skills on farming; • Poor monitoring of service providers; • Stakeholders not accepting responsibility to serve farmers; and • Lack of market survey system.
Lack of capacity within group	<ul style="list-style-type: none"> • Beneficiaries lack managerial skills; and • Beneficiaries lacking technical skills and experience on specific enterprise.

Sekgetle (2004) states that, by the end of July 2003, only 30% of land claims were settled countrywide, involving 781 493 ha of land and benefiting 526 249 people. A study by Lyne and Ferrer (undated) indicates that, of all land distribution transactions in KwaZulu-Natal for the period 1997-2003, 41% involved women as sole owners or co-owners, while 35% of the transactions involved male owners. Despite the relatively high involvement of women in land redistribution transactions, women acquired less land than their male counterparts. The average farm size per women during this period was 54 ha, compared to 103 ha for males (Lyne and Ferrer, undated).

CHAPTER 4

ENGADINI COMMUNITY TRUST

Three hundred claimants from various groups that were forced off the Ockerts' farm near Mkondeni, Pietermaritzburg, during the period 1965-1970, formed the Ockertskraal Committee to forward a united land claim in 2000. The bulk of the claimants accepted cash settlements in lieu of land, since the Mkondeni area had developed as an industrial area. Eleven claimants insisted on alternative land. Three previously land owning families, (Maduna, Zimu and Gwala families) and eight tenant families (Shanges, Mntungwas, Ngwenyas, Nxumalos, Ntulis, Mabidas and Mncwabes), formed the Engadini Trust in 2000 (Dodson and Howes, 2003).

The Trust viewed several properties in areas such as Foxhill and Curries Post and decided on Killarney farm as compensation for their previous leases. Killarney farm, situated at Elandskop, was awarded (in terms of an agreement between the Trust and the Department of Land Affairs, in terms of Section 42D of the Restitution of Land Act) to the Trust. Figure 4.1 shows a view of Killarney farm (Dodson and Howes, 2003).



Figure 4.1 View of Killarney farm, 15 June 2006.

The farm is situated in the moist Midlands mist belt, with an annual rainfall of between 950 and 1 000 mm. The farm is best suited to the cultivation of rain-fed annual summer crops such as maize, summer pastures such as kikuyu and frost resistant vegetables such as cabbage. The farm is being developed as a dairy farm, with small-scale cash cropping crops such as cabbage and maize. There are two dams on the farm, fed by a small stream. The dam has been used to irrigate 11 ha in the past, but due to damage and theft of irrigation equipment, irrigation is currently not used to its full potential (Dodson and Howes, 2003).

There are two houses on the farm and a dairy. The dairy requires renovation for processing, as the facility will not pass a health inspection, as specified in Regulation 1111 of 2002 that regulates milk and dairy products under the Foodstuffs, Cosmetics and Disinfectant Act 54 of 1986. Figure 4.2 portrays the Engadini Community Trust's current dairy parlor.



Figure 4.2 Engadini Community Trust's dairy parlor, 15 June 2006.

Due to theft of equipment and poor maintenance of existing facilities, a large amount of money is required to get the farm into a workable condition. The Engadini Community Trust Business Plan indicated that the beneficiaries of the enterprise will not generate profit to distribute to the beneficiaries for some years (Dodson and Howes, 2003). Although the farm is capable of supporting a herd of 90 cows, the trust initially decided to purchase 50 cows. Of the 50 cows, 35 are currently being milked producing on average 450 to 500 l of milk per day, which is sold to Nestlé.

The ten female beneficiaries of the Trust decided that they wanted to start dairy processing and addressed a letter to the Head of the KwaZulu-Natal Department of Agriculture and Environmental Affairs, requesting training in dairy processing. Basic training in producing cultured dairy products on a small-scale was offered, provided by the Value Adding Section of the KwaZulu-Natal Department of Agriculture Department of Agriculture and Environmental Affairs, in September 2004. The training of three days was presented at Cedara the ten women form the Engadini dairy processing group attended the course The cultured dairy products included products such as yoghurt, maas and cottage cheese.

The farm Killarney's title deed is held in the name of the Engadini Community Trust (deed number T73907/2). The transfer of the title deed to the Engadini Community Trust was effected on 20 December 2002. There are eleven Engadini Trust members and 14 additional beneficiaries.

The group was originally led by a committee of five, with Mr J Maduna the chairman; Mr F Ngwenya the treasurer and members Messrs D Shange; A Zimu and A Mntungwa. Messrs Mntungwa and Mncwabe lived and worked on the farm. This situation is currently changing, due to the conflict amongst the Trustees, with two members rallying against the rest of the Trustees. Table 4.1 shows the Trust members and the relationship of the additional members to the Trust members.

Table 4.1 Engadini beneficiaries

Beneficiary	Initial	Relationship
Maduna	J M	Trust member
Maduna	NE	Son of Trust member
Ngwenya	F P	Trust member
Ngwenya	Z J	Wife of Trust member
Ngwenya	M T C	Son of Trust member
Ngwenya	N Z	Daughter of Trust member
Zimu	A S	Trust member
Shange	N D	Trust member
Shange	M B	Wife of Trust member
Shange	N	Daughter of Trust member
Ntuli	E O L B	Trust member
Ntuli	S R	Wife of Trust member
Ntuli	A I	Son of Trust member
Ntuli	N N	Daughter of Trust member
Shange	N V	Trust member
Shange (Magwenyane)	J S	Wife of Trust member
Gwala	L	Trust member
Gwala	R M	Wife of Trust member
Madiba	L P	Trust member
Madiba	S C	Wife of Trust member
Nxumalo	S L	Trust member
Nxumalo	N S	Wife of Trust member
Mtungwa	A M	Trust member
Mtungwa	R B	Wife of Trust member
Mncwabe	J B	Trust member (deceased)

4.1 Personal profiles of dairy processing enterprise members

During the initial stages, the Engadini dairy processing group consisted of 10 members. Due to conflict within the group, four members withdrew from the training and planning process. Six members remained to complete the training sessions. The profiles of the six remaining group members are presented in Table 4.2.

Table 4.2 Personal profiles of the Engadini Dairy Processing Enterprise members N=6 (Appendix A)

Element	Grouping	Number
Age	20 – 30	1
	40 – 50	4
	51 plus	1
No of dependants	None	1
	One	0
	Two	1
	Three	2
	Four	2
Education level	Grade 10	5
	Grade 12	1
Previous involvement in household food processing	No	4
	Yes	2
If yes, state type of processing		Producing maas

4.2 Funding for the Engadini Community Trust

The Trust received a grant of R460 000 (R20 000 x 23 people) from the Department of Land Affairs, R48 840 from the Land Claims Commission, as part of the restitution order, and a further R90 000 from the Ockertskraal Cemetery Association as restitution for the forced exhumation of graves at Ockertskraal. Although these grants were meant to be used to develop and run the farm, the funds were distributed amongst the families and as top-up capital that was necessary to acquire the farm.

The purchasing price of Killarney farm was R720 000, of which the Department of Land Affairs paid R650 000 (the amount of the Government valuation). The Engadini Trust paid the balance of R70 000 from the funding they received from the Ockerstkraal Cemetery Association.

The KwaZulu-Natal Department of Agriculture and Environmental Affairs allocated a further R 480 000,00 to the Trust as part of the Siyavuna Programme under CASP. An

amount of R150 000 from the R480 000 was allocated but has not yet been paid to the women's dairy processing enterprise by the Trust, as agreed with the Department of Agriculture and Environmental Affairs. The R480 000 should have been through direct funding in four payments, with the first payment of R120 000 made early in the 2005/2006 budget year. Due to irregularities in the use of the first payment, further payment was stopped until the problems within the Engadini Trust were resolved. In addition, the KwaZulu-Natal Department of Agriculture and Environmental Affairs purchased two 25 ℓ batch pasturisers with a total value of R 12 000 (late 2006), to assist the women in starting their dairy processing enterprise.

4.3 Summary

Studies conducted by Khwene *et al.* (2004); Mavhunga *et al.* (2004) and Salagae *et al.* (2004) on LRAD projects identified various constraints faced by LRAD beneficiaries (Table 3.2). These studies were conducted on groups acquiring farms through the LRAD programme for farming purposes and not for value adding activities. One of the objectives of the LRAD programme is to create stronger linkages between on-farm and non-farm activities (NDA, 2001). These non-farm activities could include processing enterprises. The present study will give some indication as to what extent the constraints faced by LRAD beneficiaries will impact on their non-farm activities.

CHAPTER 5

METHODOLOGY OF THE ACTION RESEARCH

This study set out to investigate the feasibility of a dairy processing enterprise, using action research, with a group of women from an LRAD project. Action research was selected as the research methodology since it allows everybody in the group to participate; acknowledge that everybody is equal and it enables participants to develop their human potential (Infed, undated). Action research is a process where participants examine their own experiences to come up with solutions for problems and can be divided into seven steps (Walter- Adams, 2006):

- Identifying an idea or a problem;
- Examining an idea, considering which resources are available;
- Planning the activity;
- Taking the first action step;
- Evaluating the plan;
- Amending the plan;
- Taking the second action step.

The researcher designed a manual for planning a food processing enterprise, taking into consideration the main obstacles small-scale food processing enterprises have to overcome, as highlighted in the literature review. Best practices from various developing organisations were incorporated in the manual to ensure a practical, learning experience for the study group. The purpose of the manual was to provide the KwaZulu-Natal Department of Agriculture's scientists and technicians with a training tool, which they could use when they assist potential small-scale food processing enterprises. Since potential food processing enterprises covers a wide spectrum of commodities, a generic manual was designed. The manual was used as a training tool during the action research process.

The principle of “learning by doing” was adopted to assist the study group through the processes involved in planning a food processing enterprise, whereafter they planned their food processing enterprise. The manual included different participatory tools to assist the group members in understanding the concepts and sharing ideas through role play, interactive games and illustrative stories. The “learning by doing” approach has many advantages that are important when a group has to begin and run an enterprise effectively. The advantages of the learning by doing approach are listed below (Kindervatter, 1992):

- acquiring new skills to plan a food processing enterprise;
- participating in the training exercises results in increased creativity;
- participants learn to work together; and
- by making their own decisions, people gain more confidence in their own abilities, which is important to initiate and run an enterprise efficiently.

This chapter outlines the methodology for the study.

5.1 Manual for planning a food processing enterprise framework

The manual for planning a food processing enterprise was used as a tool to assist a group of women from an LRAD programme to plan their enterprise. The manual starts with a message to the facilitator, explaining the structure of the manual, characteristics of a good facilitator, setting up the meeting place and advice on planning a training schedule. The manual was divided into 20 sessions by the researcher, to guide the prospective entrepreneurs systematically through the planning process (see Appendix B for a copy of the manual).

Sessions A to D of the manual concentrated on group dynamics, such as the ability to work as a group, characteristics of an entrepreneur and understanding the risks involved in running a food processing enterprise. Throughout these sessions the group members assessed whether or not they had the qualities required to be entrepreneurs and the ability to work together. Sessions E and F covered the process of identifying an enterprise idea

and ranking the enterprise ideas, in order to select the three ideas most likely to succeed, in preparation for starting with the feasibility exercises.

Sessions G to K dealt with market feasibility and included identifying the enterprise's target market, doing a consumer survey, analysing the survey, understanding competition and developing promotion strategies. During these sessions three chosen enterprise ideas were investigated through field surveys. The two products most likely to be successful were selected for further investigation.

Sessions L, M and N covered technical feasibility. Aspects such as the production process and resources needed to ensure a successful dairy processing enterprise were identified and discussed. Managerial responsibilities were allocated to group members to ensure the smooth running of the dairy processing enterprise. The identification of resources required for the dairy processing enterprise led to determining the financial feasibility of the enterprise.

Sessions O, P and Q dealt with the financial feasibility of the food processing enterprise. This process started with determining the start-up costs then calculating the running costs and sales price for the selected dairy products. The financial feasibility was completed with predicted cash flows for three years. With the financial feasibility completed, the group considered the viability of the enterprise idea, and reconsidered the risks involved (session R) and decided on basic managerial roles. If the group decided that the food processing enterprise would be viable, they continued to write up the enterprise plan for the dairy processing enterprise. In the enterprise plan the group had to organise all the information gathered during the feasibility study, in simple, easy-to-understand language, as explained in session S.

In the final section (session T), more attention was given to consumer requirements. A more detailed market study was done by the Enadini group, that included a consumer taste test. The information gathered through this process provided valuable information during the implementation process of the food enterprise.

The training programme was structured into one or two sessions per day, over a period of months, depending on the time required for each activity. Each new concept was illustrated by means of games, role plays, simulation activities or illustrative stories, followed by reflections to ensure that the group understood the concepts. The training sessions were spread over 10 days. The schedule of the sessions is presented in Table 5.1. The specific dates of each training session was determined by agreement amongst the participants.

The process was then completed with an enterprise activity, during which the group applied the principles they had learned during the training activity. The final product was an enterprise plan (Appendix C) that was completed by the study group using the sample enterprise plan presented in Annexure K in the manual.

5.2 Assessment of the manual for planning a food processing enterprise

Each session was presented by the researcher, with an external evaluator assessing the impact the session had on the study group. The external assessor, Ms B Mashoko, was a qualified Economist, working as an intern in the Economics and Marketing sub-directorate of the KwaZulu-Natal Department of Agriculture and Environmental Affairs. Ms B Mashoko had vast experience in economics and marketing.

Table 5.1: Generic schedule for training sessions in the manual for planning a food processing enterprise

Days	Day 1	Day 2	Day 3	Day 4	Day 5
Session 1	A:Introduction	C: Group dynamics	E: Identifying food processing enterprise ideas	G: Marketing feasibility	I: Consumer survey
Session 2	B: Characteristics of an entrepreneur	D: Risks of running a food processing enterprise	F: Ranking food processing business ideas	H: Target group	J: Analysing consumer surveys
Days	Day 6	Day 7	Day 8	Day 9	Day 10
Session 1	K: Competition and promotion	M : Resources	O : Financial feasibility : : Start up and running costs	Q : Cash Flow	S: Enterprise plan
Session 2	L : Production process	N: Co-ordination	P : Sales price	R : High risk and financial management	T : Market testing

The external evaluator evaluated each session using an evaluation form developed by the researcher (Appendix D). Issues the external evaluator looked at were the appropriateness of the training activities to illustrate new concepts; whether or not the reflections strengthened the concepts learned during the training activities, whether or not each session had a logical flow and suggestions to improve each session.

In addition to the external evaluator assessing each session, the group assessed each session, indicating whether they enjoyed the session and what the most important aspect was that they have learned from the session (Appendix E). The researcher also evaluated each session (Appendix F). The researcher's assessment included whether or not the study group understood and enjoyed the training activities and if the training activities stimulated group participation. Was there sufficient group participation and did the group manage to complete the enterprise activity successfully?

The assessments of the external evaluator; the study group and the researcher were analysed and summarised (Appendix G). While assessment of the tool falls beyond the scope of the study, the key recommendations for the improvement of the manual for planning a food processing enterprise are reflected in Appendix H.

The recommendations for improvement of the manual will be incorporated in the manual for planning food processing enterprises. The improved manual will be a working document in the KwaZulu-Natal Department of Agriculture and Environmental Affairs. The Value Adding component of the Department of Agriculture and Environmental Affairs will use the manual to assist group and individual enterprises to plan food processing enterprises.

The purpose of the study was to assess the feasibility of the dairy processing enterprise and to assess the ability of the group of LRAD beneficiaries to work as a cohesive team. The manual for planning a food processing enterprise was used as a tool in an action research process to assist the researcher in assessing the feasibility of the Engadini dairy processing enterprise. The results of the training sessions, as well as the observations during the

training sessions, provided valuable information regarding the feasibility of the dairy processing enterprise and the ability of the group to work as a cohesive team. The outcomes of the training sessions were used to inform the KwaZulu-Natal Department of Agriculture and Environmental Affairs Department of Agriculture and Environmental Affairs policy and procedures related to support of food processing enterprises, while also assisting a group in planning their enterprise.

CHAPTER 6

THE ACTION RESEARCH PROCESS

The women from the Engadini Community Trust indicated that they were interested in setting up a dairy processing enterprise, as was indicated in Chapter three. The researcher was requested by her Manager in the KwaZulu-Natal Department of Agriculture and Environmental Affairs to obtain quotes for dairy processing equipment. As very little information was available on what resources were available on the farm, the researcher decided to conduct a site visit on Killarney farm to assess resources available and resources required.

During the site visit the researcher met with the chairman of the Engadini Trust, Mr Maduna, the farm manager, Mr Mntungwa, and female members of the Trust. During the meeting and site visit, it was clear that although the women were keen to start the dairy processing enterprise, and had even made maas (a type of cultured milk) for selling before, they lacked direction as to how to start the enterprise. The researcher realised that it would be a waste of resources to acquire dairy processing equipment without providing guidance on how to start the dairy processing enterprise.

The researcher explained to Mr Maduna that she had developed a basic manual for planning a food processing enterprise that could assist the women in planning the dairy processing enterprise. An agreement was reached between the researcher, Mr Maduna and the female members of the Engadini Community Trust that the researcher would conduct training on planning a food processing enterprise with the female members of the Engadini Community Trust. As the initial idea to establish a dairy processing enterprise came from the women of the Engadini Trust, the researcher believed that it was the first step in planning a successful enterprise, since a common thread found in the literature on successful small-scale enterprises, described in Chapter two, was that the enterprise idea was that of the entrepreneur themselves (Harper, 1992).

The manual for planning the food processing enterprise was used as a training tool to assist the group of women. Initially, ten members of the Engadini Community Trust took part in the training and planning sessions. Four members withdrew after a dispute started at day seven of the training and the sessions were completed by the six members who indicated that they were still committed to the training, since they wanted to start a viable dairy processing enterprise. Each session followed the steps that were outlined in the manual and are explained in this chapter.

6.1 Session A: Introduction of manual for planning a food processing enterprise to the Engadini women's group within the Engadini Community Trust

Arrangements were made through Mr J Maduna, the chairperson of the Engadini Community Trust, to start with the training process on a specific day. After consulting both Mr Maduna and Mr Mntungwa (the farm manager) prior to the start of the training session, it was decided that the training sessions would be conducted in a house that was not being used at that stage on Killarney farm. It was agreed that the farm manager would set aside a room in the unused house for the training sessions.

On arrival on Killarney farm for the first training session, the researcher and external evaluator were informed that the farm manager, Mr Mntungwa, and his wife had just lost a daughter. Due to the unfortunate death of his child, the Manager had not set up the unused house for the training session. The first thought was to postpone the meeting to a more appropriate date, but the group indicated that they wished to continue with the training session. The researcher agreed with the group that the training session could continue, although the venue was changed to the manager's house.

During the introductory game, each participant was given half of a postcard and had to find the person with the other half of the postcard. The two partners then had to find out more about each other and what their expectations for the training were, whereafter they were requested to present the information they gathered from their partner to the rest of the group. Expectations highlighted by the group included how to run a business, how to progress in their current enterprise, how to improve teamwork and how to gain more

knowledge about the dairy processing enterprise, to ensure that their enterprise would be a success.

The schedule of sessions was explained to the group and, together with the group the dates for each session were set. Everyone agreed that, although dates were proposed for all the sessions, both the group and the facilitator would be flexible, as unforeseen circumstances could necessitate date changes. It was important to establish at an early stage that the group had the freedom of expression throughout the planning process, as was highlighted in Chapter two (Harper, 1992).

6.2 Session B: Characteristics of an entrepreneur

During this session a game was played in which the group of ten women had to toss rings over pegs from a distance of their choice, under different conditions (training activity B in the manual, p150, Appendix B). The purpose of this game was to illustrate the characteristics of an entrepreneur and to get the group to think about their own personalities and decide whether or not they do have members in their group that have some of the characteristics of an entrepreneur (Harper, 1984b). The distance they chose to stand from the peg could illustrate aspects such as wanting to succeed without taking chances or being prepared to take chances. The chance to succeed from the closest distance was almost ensured, whereas the further they stood from the peg, the bigger the challenge in throwing the rings over the peg. Figure 6.1 illustrates the set-up of the ring toss game.



Figure 6.1 Set-up of ring toss game at Killarney farm, 17 August 2004.

Using the ring toss game as a base the characteristics of an entrepreneur were explained to the group (see Table 2.2 for definition of entrepreneurs). The group members were given an opportunity to evaluate if their participation in the ring toss game portrayed their characteristics and to identify the characteristics that they thought existed in the group. Table 6.1 lists the characteristics of the group. Not one of the group members was willing to take a chance by choosing the furthest distance from the peg, which might indicate that they lacked an inner drive and willingness to take calculated risks.

Table 6.1 Characteristics of an entrepreneur and qualities the Engadini group were perceived to have, 17 August 2004 (n=10)

Characteristics of an entrepreneur Bygrave, 1994	Engadini's perceived qualities
Entrepreneur uses previous experiences to change the targets, to improve.	One member owned a stationery enterprise and supplied stationery to schools.
Entrepreneur has a need for achievement.	All the members had a source of income, either through their own efforts or by means of their husbands' incomes, but they showed the desire to work hard to ensure a successful enterprise.
Entrepreneurs are flexible.	They have previously sold maas, but were prepared to adopt any product that proved to be more successful.
Entrepreneurs are optimistic.	Their previous attempt in selling maas was successful, even though they had no prior training. Therefore they believed, with proper preparation, the enterprise could be successful.
Entrepreneurs are very committed to their tasks.	Even though they had to travel 30ms's one way to get to the farm, they continued to travel the distance in order to produce maas.

6.3 Session C: Group dynamics

This session required the group to divide themselves into two groups for a game called the "square game" (training activity C in the manual, p155, Appendix B). In this game participants were given mixed pieces of different squares. Each participant was requested to complete her square in a given time. The purpose of this game was to illustrate the ability of the group to work together as a team. Both groups performed well. Each group showed a willingness to work together with the other members of the group and did not try to hide pieces from each other. Although nobody was prepared to give away their pieces before they have completed their own blocks, once an individual had completed her own square she was prepared to share some pieces in order for the other person to complete her

square. Once the individual had completed her square, she assisted the rest to complete theirs. In each group there was a clear leader. Using the game as a discussion starter, the principles of successful group work was discussed, referring to Table 3, Session C in the manual for planning a food processing enterprise (Appendix B). Table 6.2 lists the principles for successful group work which the Engadini group agreed to adhere to in running their dairy processing enterprise

Although each group had a clear leader, it was not clear if there was a clear leader for the whole group. Managerial abilities were also not clearly demonstrated by the groups.

Table 6.2 Principles for successful group work the Ingadini group agreed to adhere to

- The ability to work together as a group;
- Group discipline and commitment;
- Some resources within the group available to be used in the enterprise;
- All their members are literate;
- Initial idea to establish dairy processing; and
- Enterprise came from the group

Although group members did try and help others, they were only willing to assist after they had completed their own squares.

A good manager takes decisions that will benefit the group and not just herself (Harper, 1992) By first completing their own squares before assisting others, time was lost,

causing one group to take longer to finish all the squares.

6.4 Session D: Understanding the risks of running a food processing enterprise

The group participated in a role play, in which they had to depict some aspects that may be risks in running a food processing enterprise (training activity D in the manual; p158, Appendix B). Possible problem areas that were highlighted in the role play were friends borrowing money from the enterprise members that is taking money from the enterprise without the knowledge of the other members; and members being lazy.

The role play formed a strong base for further discussions on the risks involved in running a food processing enterprise. The group compiled a list of risks they thought could threaten the success of the planned dairy processing enterprise. The group then divided into pairs to discuss and record possible strategies that they could put in place to prevent the listed risks

influencing the enterprise. Each group presented their suggested strategies in a plenary session and, after careful consideration, the group decided on the strategies they would adopt for their dairy processing enterprise. The risks and proposed strategies to counteract the risks compiled by the group members are shown in Table 6.3

Table 6.3 Possible risks for running the Engadini dairy processing enterprise and prevention strategies the Engadini group needs to put in place when implementing the enterprise, 25 August 2004 (n=10)

Possible risks identified through group discussions	Prevention strategies proposed by the group
Using enterprise money for personal use or giving away profits to friends	Draw up clear organizational rules to ensure that they address usage of money.
Untrustworthiness of members	Draw up clear organisational rules stipulating what steps will be taken if members are found to be cheating in any aspect of the enterprise.
Hidden agendas	Draw up constitution, setting out objectives of the enterprise.
Laziness	Draw up clear organisational rules regarding what to do with a member if she does not perform.
Lack of clients	Talk to neighbours to ensure sufficient clientele.
Quality of product not good enough	Ensure that quality is up to standard by acquiring further training.
Facilities not right	Get support from the Trust to improve their facilities.
Overspending	Get sufficient training on business management and record-keeping.
Underestimating their competition	Produce only for known clientele and enlarge production as they get better known amongst the clientele and the clientele grows.
Incorrect pricing, either too low to cover production costs, or too high, leading to lack of clientele	Ensure that planning is done properly in order to know all the costs involved before setting the sale price.
Poor promotion	Make use of different promotional methods to promote their product.

Even though the group realised that there are many risks involved in running a food processing enterprise, they felt that they could prevent these risks from affecting the enterprise through proper planning, a constitution with clear rules and sufficient training. The group decided to continue with the planning process and to take care in the planning process to ensure that possible problem areas were addressed.

From the main constraints identified by several researchers (as illustrated in Table 2.4), the group identified poor-quality products, insufficient facilities and inadequate promotion as possible risks for the success of the enterprise. It was interesting to note that, although a sustainable supply of raw material is seen as one of the main risks for small-scale food processing enterprises by many researchers (Table 2.4), the group felt that the enterprise would have sufficient supply of raw materials, even though the bulk of the milk produced in the dairy was sold on contract to Nestlé.

Although they identified certain problem areas regarding the group members, such as laziness, hidden agendas and untrustworthiness as possible risks, lack of managerial skills was not identified as a risk. The fact that hidden agendas, untrustworthiness and laziness were highlighted as possible risks raised questions about the group's ability to work together. This also posed the question whether or not there is a manager within the group that could take the lead, as a person with managerial abilities would be able to identify potential problem areas and implement corrective steps before a conflict situation occurred.

6.5 Session E: Identifying possible food processing enterprise ideas

The group used their creativity to make articles from materials such as tissue paper, paper clips and paint. The group thoroughly enjoyed the creative thinking game and came up

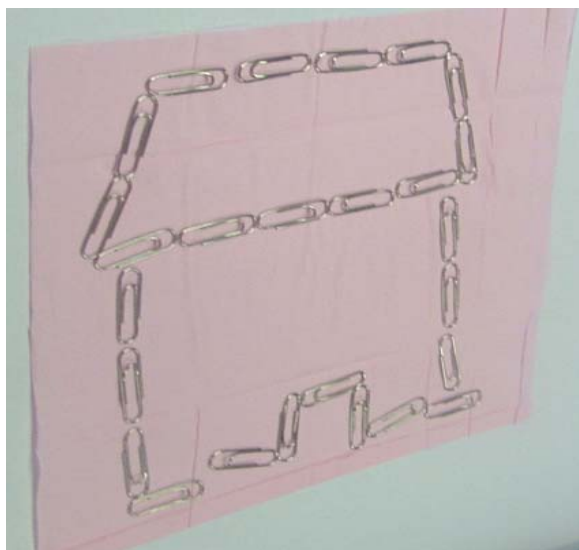


Figure 6.2 Paper clip and tissue wall-hanging made by the Engadini group in a creative thinking game, 25 August 2007.

with very innovative ideas such as a paper clip necklace and earrings, tissue and paperclip handbags and a wall-hanging house made from tissues and paper clips (Fig 6.2). This exercise was used to explain to the group that all ideas are valuable, although not always the most practical for a given situation. It led to the enterprise exercise in which the group listed the enterprise ideas they would like to

investigate

The group listed enterprise ideas, keeping in mind that all the group members' ideas should be accepted by the group as possible ideas, and not only selected group members' ideas, to ensure that all members participated in the process. They listed yoghurt, ice-cream, hard cheese, butter, maas; a type of sour milk; cottage cheese, feta cheese and butter milk as products they would like to investigate further. It was clear that they only considered dairy processing and no other food processing enterprise such as vegetable processing, even though vegetables are produced on the farm..

6.6 Session F: Ranking possible enterprise ideas

The training exercise in session F prompted the group to rank articles they had made from materials such as paper clips and tissue paper during training session E, using a ranking checklist that was provided to the group in Annexure B of the manual, p211, Appendix B. They ranked the top three articles as being the paper clip necklace, the paper clip earrings and the tissue handbag. This exercise ensured that the group understood the ranking checklist so as to apply it to ranking their enterprise ideas. The group repeated the ranking exercise for their listed enterprise products, using the ranking checklist. The ranking of the Engadini group's products is shown in Table 6.4.

The group ranked the number one product as maas, but, even though the yoghurt originally ranked fourth in terms of importance as a possible enterprise product, they decided to place yoghurt second, with butter ranking third and feta cheese ranking fourth. Although the manual suggested that only one idea be investigated further, the group decided to select three products (namely maas, yoghurt and butter) for further investigation. Evidence shows that it is best for small-scale enterprises to start with one product, establish a sound market for that one product before embarking on a second product (Wheatley *et al.*, 1995). The group, felt that the two products they selected could complement each other and that the production processes were very similar and would require similar equipment. Maas is a type of sour milk, normally used without any additives, over porridge or drunk as is, whereas yoghurt is a type of cultured milk, where sugar and flavourants are added, and often used on its own as a meal.

Table 6.4 Ranking of the demand for Engadini’s products, as ranked by the Engadini group, 25 August 2007

CHECKLIST	Yoghurt	Ice cream	Hard cheese	Butter	Maas	Cottage cheese	Feta cheese	Butter milk
Demand	M	L	M	M	H	L	M	L
Raw material available	M	M	L	H	H	M	L	H
Consistent supply	M	M	M	M	M	M	M	M
Utilities (services)	M	M	M	M	M	M	M	M
Competition	H	H	H	H	L	H	M	H
Consumer acceptance	M	L	L	M	H	M	H	L
Capital needed	M	H	H	M	L	M	M	M
Labour intensive	L	H	L	L	H	L	L	L
Level of technology	M	M	H	M	L	M	M	M
Skills available	L	H	H	L	L	M	M	M
Benefit to group	M	L	L	M	H	M	M	M
Benefit to community	M	L	L	M	H	M	M	M
Ranking of identified products	4 th			2 nd	1 st		3 rd	
Explanation of coding the demand (the need) for the product or service is high (H) medium (M) and Low (L).								

6.7 Session G: Market Feasibility

As a training exercise, the group played a market game (training Activity G in the manual, p165, Appendix B). Four members of the groups were given a picture of a product or service they had to “sell” to the rest of the group. The rest of the group indicated which product or service they would choose and why. The products or services were, bread, a computer, books on holiday destinations and a house-painting service.

Of seven participants, four indicated that they would buy bread and three would buy the computer. No one would buy the books or the house painting service. Their reasons for choosing bread were that bread would ensure that they are fed and that bread, especially

brown bread, is nutritious, cheap and a necessity. The computer was chosen because it is an important tool for running an enterprise. One can keep information in a computer for a long time and it is an important asset. They did not choose the books because the group members were reticent to read and that it is not a necessity. They indicated that one paints a house once in a period of ten years; it is thus a unsustainable enterprise. Painting a house is a very expensive exercise and not a priority when funds are limited. This exercise was a useful tool to explain the concept of customer demand. Determining what the consumer requires led the way to designing a consumer survey questionnaire to be used by the group to carry out a consumer survey (Table 6.5).

Table 6.5 Questionnaire developed for a consumer survey designed by the Engadini group, 10 February 2005

Ingadini Questionnaire													NO:
Maas				Yoghurt					Butter				
How often/quantity?				How often/quantity?					How often/quantity?				
	250 ml	500 ml	1ℓ		250 ml	1ℓ	2 ℓ	5ℓ		125g	250g	500g	1kg
Daily				Daily					Daily				
2 nd Day				2 nd Day					2 nd Day				
Weekly				Weekly					Weekly				
2 nd week				2 nd week					2 nd week				
Monthly				Monthly					Monthly				
Price you are willing to pay (R)				Price you are willing to pay (R)					Price you are willing to pay (R)				
Where				Where					Where				
Local				Local					Local				
Road stall				Road stall					Road stall				
Supermarket				Supermarket					Supermarket				
Other(specify)				Other(specify)					Other(specify)				
Will you buy from us?				Will you buy from us?					Will you buy from us?				

6.8 Session H: Identifying the target market

In order to explain the concept of a target market, a simulation market survey was done by the group, using bread and Zulu beer and comparing the two products. Two members of the group interviewed seven female officials of the KwaZulu-Natal Department of Agriculture and Environmental Affairs. The simulation survey clearly illustrated the concept of identifying the correct target market for a product, since all respondents indicated that they would buy the bread and not the Zulu beer. It was explained to the group that if the respondents were elderly Zulu men, they would most probably have chosen the Zulu beer and not the bread.

Since the group had previously sold maas to their neighbours, the group used prior selling experience in selecting their target market. They felt that it would be best to stay within their community when selecting their target market, since they are known by the community and could not at this stage compete with big suppliers such as Clover, Fairview and Green Acres in retail stores. The following institutes were identified to be approached for the market survey: Pata High School, Sinamuva Primary School, Funulwazi Primary School, Sukuma High School, Unit 3 Clinic Imbali; Zamazulu High School, Slangspruit School and Siyacathula Crèche.

Literature discussed in Chapter two supports the idea that the small-scale enterprises should consider target markets in close proximity to the enterprise, in order to keep transport costs down. It was therefore an important decision of the Engadini group to target the local market and not the retail market. It was recognised that it is of the utmost importance that the quality of the product is such that they can compete with competition from large suppliers such as Clover.

6.9 Session I: Consumer survey

This session of the group was devoted to the actual consumer survey using the questionnaire the group developed in Paragraph 6.7, Session G (Table 6.5). The principals of Pata High School, Sinamuva Primary School, Funulwazi Primary School, Sukuma High School and Slangspruit School all indicated that they were not really interested in being

interviewed, as they either do not have tuck shops, or the tuck shops are run by private individuals from the community. The senior sister at the Clinic also indicated that she did not see the need for them to be interviewed, since their patients are normally very poor and often too sick to have any interest in buying goods at the clinic.



The group reverted to interviewing principals and teachers at three crèches, Siyacathula Crèche, the Red Cross Crèche and Ukuhlakaniphi Crèche. Figure 6.3 shows the principal of the Siyacathula crèche being interviewed by one of the Engadini group members during the consumer survey.

Figure 6.3 Principal of Siyacathula crèche being interviewed at the crèche, 8th February 2005.

The group realised that crèches may be better targets for their products, since all three principals were willing to take part in the interview process. The three principals indicated that they purchase maas and sometimes yoghurt for the children. The principals requested samples for testing. The Engadini group indicated they would come back to them when the Engadinin group are doing the sample testing of the maas and the yoghurt. The personnel of the crèches indicated that they would be very interested in buying maas and yoghurt for their homes as well. Over and above the personnel of the three crèches interviewed (totaling eight consumers), the group members continued to interview their neighbours. In total, 25 potential consumers were interviewed (n=25). According to literature consumer surveys can be done with as little as 50 respondents, the principals of the crèches indicated that they will purchase maas and yoghurt for the crèches, each crèche had more than fifty children, the group therefore felt that the sample of n=25 would give a true record of their potential market.

During the consumer survey the consumers were requested to complete a questionnaire (Appendix I), so that the group could compile a target market profile. The target market profile is presented in Table 6.6. Understanding the target market would assist the when

they are paring promotional material, as they would know whether to prepare material that would attract the attention of children, females or males.

Table 6.6 Target market profile (n=25)

Element	Grouping	Number
Age	20 – 30	3
	30 - 40	8
	40 – 50	9
	51 plus	5
Gender	Male	1
	Female	24
Education	Grade 1-7	6
	Grade 8-11	8
	Grade 12	5
	Other	6
Employed	Yes	17
	No	8

The potential customers that were identified as the target markets and that were interviewed during the customer survey were predominantly females; only one respondent was a male. This suggests that the group would need to use market strategies that would target females.

6.10 Session J: Analysing the consumer survey

No training activity was included in this session. The group reviewed the process they had been involved in during sessions G, H and I (paragraphs 6.7.to 6.9) during which they looked at market feasibility, with special emphasis on selecting the right target market and actively conducting a consumer survey. They then analysed the consumer survey in order to determine which of the three chosen products, maas, yoghurt or butter, would be the best option to continue with during the further planning process, considering the possible market size the group could access. The analysis proved complicated for the group, due to too many variables within the questionnaire. These variables included different quantities purchased for each product and frequency of purchases. The analysis of the market survey indicated that the group would probably sell more maas than yoghurt and that butter would not be a viable option, since butter is not purchased in large quantities by any of the consumers interviewed. The expectation was that very few consumers interviewed would buy butter, since butter is generally more expensive than margarine. A number of respondents indicated that they did buy butter, raising a question about whether the respondents had a clear understanding of the fact that the questionnaire was about real butter made from cream and not about margarine, made from plant oils.

Fellows (1997) stated that small-scale food processing enterprises normally do not perform formal market research, due to reasons such as not understanding the importance of market research, the cost involved in market research and the time market research takes. Consumer surveys, where the focus is on what the consumer wants, are more important than formal market research (Agar, 1999). Even though a consumer survey is only focused on what the consumers' needs are, it is vitally important that the information gathered in the consumer survey is valid. A trial survey on the three products (maas, yoghurt and butter) would have highlighted potential problem areas in the questionnaire and would have given the group the opportunity to correct the questionnaire before they conducted the field survey. Table 6.7 presents an analysis of the consumer survey.

Table 6.7 Engadini consumer survey analysis as per consumer survey conducted in Imbali, 10 February 2005 (n=25)

Engadini Questionnaire													NO:
Maas				Yoghurt					Butter				
How often/quantity?				How often/quantity?					How often/quantity?				
	250 ml	500 ml	1ℓ		250 ml	1 ℓ	2 ℓ	5 ℓ		125 g	250 g	500 g	1kg
Daily				Daily					Daily				
2 nd Day				2 nd Day					2 nd Day				
Weekly			25	Weekly	3 x	5			Weekly				
2 nd week				2 nd week	4 x	1			2 nd week				
Monthly			95	Monthly	10x	5	3	5	Monthly	5	3	9	1
Price you are willing to pay (R)				Price you are willing to pay (R)					Price you are willing to pay (R)				
R 2,50/ℓ									R55/5 kg				
Where				Where					Where				
Local				Local					Local				
Road stall				Road stall					Road stall				
Supermarket		24		Supermarket		24			Supermarket		14		
Other (specify)		1 Wholesale		Other(specify)		1 Wholesales			Other(specify)				
Will you buy from us?		25		Will you buy from us?		25			Will you buy from us?		14		

A summary of the consumer survey reveals that 195 ℓ of maas could be sold per month to the interviewed clients, 57.25 ℓ of yoghurt per month and 6 kg of butter. The results confirmed the group's initial ranking (based on the ranking exercise the group performed in session F). Although the results for yoghurt were not as positive as for maas, the group decided to continue to investigate yoghurt as a second option.

6.11 Session K: Competition and promotion

Discussions in Chapter two stressed that promotion is the entrepreneur communicating with the consumer, using different communication tools (Bygrave, 1994). A promotion game (as described in training activity K1, p175, Appendix B) was played in which four group members were given a picture of a product and requested to promote the product. This exercise highlighted the importance of issues to remember when promoting a product, such as stressing the nutritional value of the product and determining a realistic price.

The group discussed potential competition for their proposed dairy processing enterprise and identified the competition as supermarkets and wholesalers. The group indicated that they realised that the way to ensure that they built up a clientele was to produce good-quality maas and yoghurt and sell it at a lower price than the supermarkets and wholesalers. This would be possible if the group managed to get a sustainable supply of milk from the farm.

After a short discussion about promotion methods such as posters, brochures, personal contacts, discounts, free samples and media (radio, television, newspapers), the group was divided into three smaller groups and developed their own promotion material for the products or processes that were illustrated in the training manual in Session G (paragraph 6.5). All three groups decided to make posters as advertising tools (Figure 6.4). The posters were very useful in explaining principles to follow when producing promotional material.



The Engadini group decided to use different promotional tools. The most important tool would be talking to neighbours, since this tool would not cost anything. Other promotional tools would be posters, leaflets and sign boards, all of which the group would produce themselves, to keep costs low.

Figure 6.4 Example of poster developed by Engadini group in training exercise, 17 February 2005.

6.12 Session L: Production process

Although the group did have technical training on dairy processing, which included the production of maas and yoghurt, as indicated in Chapter three, the dairy processing plant has not yet been established. The group requested to use the kitchen of the Department of Agriculture and Environmental Affairs: Agricultural Development Support Service Directorate's at Cedara, and equipment to make the maas and yoghurt. Although they did not have the correct equipment for the scale of dairy processing they were planning, they were still in a position to draw up a list of resources required for the dairy processing enterprise, with the assistance of the researcher. The resources required to set up a small-scale dairy processing enterprise, identified by the Engadini group, are listed in Table 6.8.

When Table 6.8 is compared with the requirements listed in Tables 2.5 and 2.8, crucial resources were left out by the group. Important resources to be added include a change room and storage place for clothes and shoes, separate hand washing facilities, with soap, clean water, nail brush and clean towels; toilet facilities, separated with two doors from the processing facilities or in a separate building, and a separate room or cupboard for cleaning agents. All of the resources that were not listed by the group have major implications, should the group decide to implement a food safety system such as HACCP, as outlined in Table 2.11.

Table 6.8 Resources required for a dairy processing enterprise, as listed by the Engadini group, 17 February 2005

Resource category	Resource
Building (maybe extend current milking parlour)	Processing area
	Store room
	Cold room
Equipment	Batch pasteurizer
	Incubator
	pH meters
	Thermometers
Packaging material	Bottles
	Yoghurt containers
Ingredients	Milk
	Stabilizer
	Sugar
	Flavourants
Services	Water
	Electricity

The group developed a flow chart of the production processes for maas and yoghurt. Since the group had been trained on producing maas and yoghurt and had produced a small batch during the earlier part of session L, the group developed production flow charts for both maas and yoghurt, without any problems (Figure 6.5).

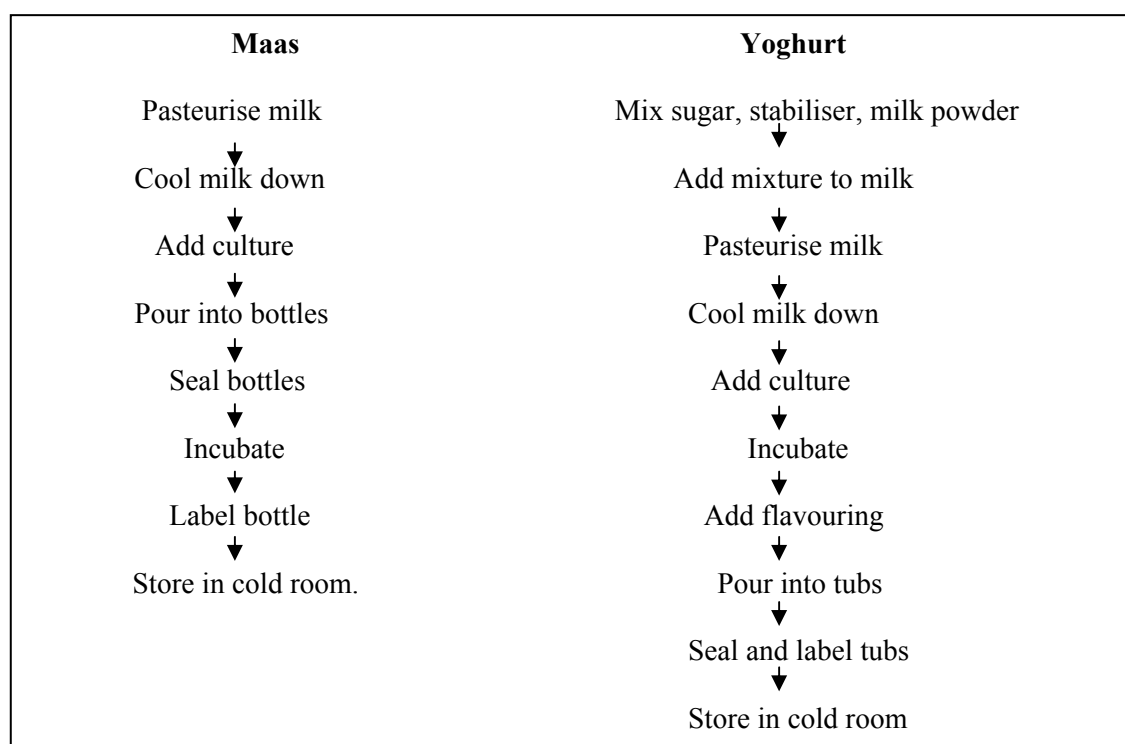


Figure 6.5. Production processes for maas and yoghurt, as developed by Engadini, 17 February 2005.

Production flow charts are important tools in identifying critical control points for quality control purposes, as shown in Table 2.11. Possible problem areas need to be identified for each step and strategies to prevent contamination need to be formulated. An example of a potential problem area could be pasteurisation. If milk is not boiled to the correct temperature, pasteurisation would not be complete. To prevent incorrect pasteurisation temperature, group members must all be taught to use thermometers correctly.

6.13 Session M: Resources required for the enterprise

This session started with a short visual presentation on food processing facilities that fulfil HACCP requirements, compared to facilities that would not fulfil HACCP requirements (as in Annexure F of the manual, p217, Appendix B). The group was taken to an existing medium scale dairy processing plant.

The farm that was visited is in the Karkloof, where two brothers (Justin and Brad Shaw) farm with a dairy herd of 200. The two brothers are in partnership with Orange Grove Dairy and package their produce under the brand name Orange Grove. Justin is responsible for the fully automatic milking parlor where 16 cows are milked simultaneously. No less than 150 dairy cows are in milk at any stage of the operation. The milk is pumped into cooling containers within the parlor, from where it is pumped to the dairy processing plant. Brad is responsible for the processing plant, that produces pasturised milk, maas and yoghurt.

The two brothers follow strict hygiene and food safety procedures that include the following:

- Milk bought in from neighbours is transported in tanks that keep the milk at under 5°C;
- Samples of milk are tested at Allerton Veterinary Laboratories or Umgeni Water Board for bacterial contamination at a cost of R50 per test;
- All equipment is cleaned daily;
- The processing plant is laid out allowing milk to flow from one area to the next, according to the production processes starting with pasteurization, moving to the

incubation container, then to the flavoring area and lastly to the bottling and labeling area, to prevent cross-contamination; and

- The floor is sloped, with draining channels to allow liquid on the floor to flow away immediately.

This visit to the farm was very useful. Not only did the group see a working processing plant, but were also exposed to an efficient working milking parlour. The Engadini group used the knowledge gained from the visit to re-think the list of resources they compiled during session L (Table 6.8). Table 6.9 shows the original list compiled by the group, with the resources they added after the visit to the Shaw's dairy processing enterprise.

Table 6.9 Additions to resources needed by Engadini dairy processing enterprise, as identified by the Engadini group, 24 February 2005

Resource category	Resource initially identified	Additional resources identified
Building (maybe extend current milking parlour)	Processing area	Floor sloped for easy drainage
	Store room	Change room
	Cold room	Toilet facilities
Equipment	Batch pasteurizer	Bottle filler
	Incubator	Bottle sealer
	pH meters	Separator
	Thermometers	Cooler trailer
Packaging material	Bottles	Labels
	Yoghurt containers	
Ingredients	Milk	
	Stabilizer	
	Sugar	
	Flavourants	
Services	Water	Waste disposal system
	Electricity	

Estimating running costs was difficult. The Engadini dairy processing group members are members of the Engadini Trust. Killarney farm belongs to the Engadini Trust. The Trust pays the electricity account and, due to the conflict amongst the Trust members and Trust management, the women do not have the freedom to approach the Trust management to determine which portion of the electricity account the dairy processing group would have to pay.

6.14 Session N: Co-ordination of the enterprise

Although the group did a group dynamics exercise (the square game) during Session C, tension between the members gradually increased during the training sessions. During session N, when responsibilities were discussed, it became clear that there were two distinct factions within the group. In an open confrontation the two conflicting groups accused each other of stealing income from previous maas sales. In addition, the one group accused the other group of not sharing the responsibilities for producing the maas.

The session was stopped, with a request from the researcher that the group resolve their internal problems before the training sessions continued. The Social Scientist of the KwaZulu-Natal Department of Agriculture and Environmental Affairs, working within the Land Reform and responsible for social facilitation in LRAD projects, met with the group in an effort to assist the group to resolve the problems amongst them. In a meeting with the Social Scientist, the women were given the option to continue with the training session, or to withdraw from the training. Four members decided not to play any further part in the enterprise. The six remaining members committed themselves to working hard towards making this enterprise a success. This process delayed the training activities by four months. Because of the lengthy delay, some of the group's potential customers lost interest in their products, as was determined through interaction of the group with the potential customers. This would affect the group's target share.

The conflict among the women exposed conflict among the Engadini Trust members. The farm Manager and Chairperson of the Trust were accused of misusing funds and not reporting to the rest of the Trust on a regular basis. Such conflict, due to lack of communication between the Trust management and members, mistrust and a few members

wanting to control everything, is common amongst LRAD projects (Khwene *et al.*, 2004; Madisha *et al.*, 2005; Mavhunga *et al.*, 2004; Salagae *et al.*, 2004).

The responsibilities for planning a food processing enterprise (Table 5 of the manual, p162, Appendix B) were discussed with the remaining group members. The group selected candidates for the managerial positions (Table 6.10), taking into consideration the characteristics of each group member. The group felt that the sixth member would assist in any area when necessary, as she sixth member is currently suffering from ill health and that being in charge of a specific managerial position would put unnecessary stress on the member.

Table 6.10 Managerial positions and group members allocated for managerial positions, Engadini, 23 June 2005

Managerial position	Group member selected	Characteristic supporting selection
Marketing and sales	Bonakele Shange	Communicates well, extrovert.
Production	Benedicta Nockie	Dedicated person, lives on farm.
Record-keeping	Thandeka Ntuli	Has experience of record-keeping because of own stationery enterprise.
Supply and inputs	Sindiswe Ntuli	Communicates well, good understanding of processes and requirements.
General manager	Sarah Nxumalo	Well respected, senior member of the group.

The problems the group encountered with group members during the discussions of Session M, four months before, prompted the group to request the facilitator to organise an official with specialist knowledge on various legal entities to address them. The group felt that they wanted to form a legal entity in order to protect them from interference from the women that were still members of the Engadini Trust, but not of the dairy processing enterprise. Mr N Mlonzi (Head of the DAEA Marketing and Co-operatives Section) agreed to address the group on the different options of legal entities. The discussions with Mr Mlonzi will be reported on during the discussion of session P.

6.15 Session O: Start-up and running costs

An illustrative story about a lady starting a jam-making enterprise, to explain start-up costs and running costs (training activity O in the manual, p187, Appendix B), was read to the group. The researcher felt that the group would benefit by allowing a qualified Economist to facilitate this session, since financial planning for an enterprise includes complicated terminology that could be better explained by an Economist. As the External Evaluator is a qualified Economist, the researcher requested her to facilitate this session. The definitions in Table 6 in the manual, p185 (Appendix B) were used to explain the differences between fixed and variable costs. The Engadini group drew up the estimated starting and running costs for their dairy processing enterprise, with the assistance of the facilitator. Figure 6.6 shows the external evaluator explaining start-up costs to the Engadini group.



Figure 6.6 External evaluator explaining start-up costs to the Engadini group, 29 June 2005.

Authors, referred to in Chapter two, indicate that withholding or limiting assistance and financial support during the initial stages of a small-scale enterprise are to the advantage of the co-operatives or groups (Harper and Roy 2000; Harper 1992). The exercises to estimate start-up and running costs, clearly demonstrated that small-scale food processing enterprises need assistance in planning the small-scale enterprise, as suggested by Kindervatter (1992). The group did not know where to acquire dairy processing equipment

and could not estimate costs involved in acquiring the equipment. The researcher provided the group with price lists for dairy processing equipment from various suppliers.

The researcher requested the Engineering Section of the Department of Agriculture and Environmental Affairs to assist the group in drawing up a plan for a dairy processing enterprise plant, providing the Engineering Section with a list of requirements for the dairy processing enterprise. The dairy processing plant plan, designed by the Engineering Section was used by the group to estimate the cost of the dairy processing plant, even though the group did not at that stage have clarity whether a new plant would be built, or whether the existing dairy will be renovated to accommodate the enterprise.

The uncertainty about the processing plant aggravated the conflict amongst the Engadini Trust members. The Trust had not held regular meetings, thus not providing the women the opportunity to discuss the dairy processing plant with the Trust management. The group was uncertain about the percentage of the electricity account that the group would have to pay, which might result in the estimates for electricity not being accurate. This can have a major effect on the running costs of the enterprise. The group did not know if they would be allowed to buy milk from the Engadini Trust farm, or whether they would have to buy milk from a neighbouring farm, which would also have an impact on the start-up cost of the enterprise.

The estimated start-up cost for the dairy processing enterprise, as estimated by the dairy processing group, of R144 943 falls within the budget that was set aside for the dairy enterprise from the CASP funding. An amount of R150 000 of the R480 000 provided to Engadini Community Trusts by the KwaZulu-Natal Department of Agriculture and Environmental Affairs, was allocated to the dairy processing enterprise. The Trust management should allow the women to proceed with the dairy processing enterprise. The estimated start-up costs for the dairy processing enterprise are listed in Table 6.11.

**Table 6.11 Estimated start-up costs, compiled by the Engadini group,
29 June 2005**

Resource	Description of resource	Estimated cost of resource (R)
Building	Dairy plant	100 000
Equipment	Batch pasteuriser	26 000
	Bottling machine	2 000
	Bottle sealer	2 000
	pH meter	2 800
	Alcohol thermometer x10	300
	Scale	1 000
	Separator	1 000
	Cooler trailer	6 000
	Spoons and whisks	100
Packaging material	Bottles 2ℓ x 100	338
	Yoghurt tubs 1ℓ x 200	500
	Labels	75
Protective clothing	Overalls	600
	Boots	300
	Hair covers	10
Ingredients	Maas culture	20
	Yoghurt culture	20
	Stabiliser	30
	Milk (400ℓ)	720
	Sugar	50
	Flavourings	30
Transport	350 km/week	180
Electricity	Escom	250
Cleaning agents	Soap	10
	Bleach	10
Promotional material	Posters	100
Training	Book-keeping	500
Total		R144 943

Estimating running costs was difficult. The Engadini dairy processing group members are members of the Engadini Trust. Killarney farm belongs to the Engadini Trust. The Trust pays the electricity account and, due to the conflict amongst the Trust members and Trust management, the women do not have the freedom to approach the Trust management to determine which portion of the electricity account the dairy processing group would have to pay.

The question concerning the availability of milk from the farm for processing would also have an impact on the running costs of the enterprise. The estimated running costs of the dairy processing enterprise are listed in Table 6.12.

Table 6.12 Estimated running cost, determined by the Engadini group, 12 July 2005

Resource	Running costs per week (R)	
	Running cost: Maas	Running cost: Yoghurt
Fixed costs		
Transport	90	90
Electricity	125	125
Sub Total	215	215
Variable Costs		
Labels	25	50
Containers: Bottles	338	
Tubs		500
Ingredients: Maas culture	20	
Yoghurt culture		20
Yoghurt stabiliser		30
Milk (400ℓ)	360	360
Yoghurt flavourings		30
Sugar		25
Milk powder		25
Cleaning agents: Soap	5	5
Bleach	5	5
Sub-Total	753	1 050
Total Costs	968	1 265

6.16 Session P: Sales price

On request from the Engadini group, the researcher arranged for an Economist from the Department of Agriculture and Environmental Affairs, Mr Mlonzi, to address the group on legal entities that they could consider for their enterprise. Mr Mlonzi presented the advantages and disadvantages of partnerships, close corporations, trusts and co-operatives. The group decided to apply for registration as a co-operative. The facilitator provided them with the necessary contact details of the Department of Economic Development, to start the process of registering as a co-operative.

The group then performed the role play of two women deciding to sell produce at a market, one doing a thorough investigation and the other just starting to sell. This illustrated the importance of understanding all the factors that determining the sales price (training activity P in the manual; p192, Appendix B). Discussions clearly showed that the group understood that the first woman in the role play did not do sufficient investigation before setting the sales price, while the second woman considered all the factors, such as the competition, cost of renting a table and who her potential customers would be, before setting a sales price, thus managing to make a profit, while the first woman lost money.

The group then worked out the sales price for both the maas and yoghurt, using the estimated running cost of R968 for one hundred 2 ℓ bottles of maas (Table 6.12) and R1265 for two hundred 1ℓ containers of yoghurt (Table 6.12). The group first worked out the item cost by dividing the number or bottles of tubs by the total running cost for maas and yoghurt. A 30% profit was then added to the cost price to determine the sales price. An Economist from the KwaZulu-Natal Department of Agriculture and Environmental Affairs indicated that 30% profit is an acceptable percentage profit, which should assist the dairy processing group to generate sufficient income to continue with their enterprise in a sustainable manner and at the same time not place the price of their products out of reach of their potential clients. The sales price for maas and yoghurt is shown in Table 6.13.

Table 6.13 Sales price for maas and yoghurt, worked out by the Engadini group, 20 July 2005

Item Cost: Maas	Sales Price: Maas	Item Cost: Yoghurt	Sales Price : Yoghurt
Total running cost ÷ number of bottles	Item cost + % profit	Total running cost ÷ number of containers	Item cost + % profit
R968,00 ÷ 100 = R9,68	R9,68 + 30 % (R2,90) = R12,58	R1265,00 ÷ 200 = R6,33	R6,33 + 30 % (R1,90) = R8.23

The group estimated that they would be able to sell their products at a lower price than that of the competition. The average market price for a 2 l bottle of maas is R15,00 and that of a 1 l tub of yoghurt is R14,00.

6.17 Session Q: Cash flow

An illustrative story was used (training activity Q in the manual, p195, Appendix B) to explain the concept of a cash flow. The illustrative story demonstrated that a cash flow projection can assist an entrepreneur plan when to purchase items such as equipment. Thereafter, the group drew up their enterprise cash flow for the first year (Table 6.14).

6.18 Session R: High risks and financial management

The risk of using enterprise money for private purposes was highlighted through an illustrative story (training activity R in the manual; p198, Appendix B). The group revised the list of risks developed in Table 6.3 and decided on profit and loss sharing principles. The group felt that they could not add more risks to the list developed in Table 6.3. The group decided that all the profits for the first year would be deposited in the group's bank account. The account would have three signatories, on which the group would all agree. A meeting would be held early in the second production year to decide on aspects such as salaries. The group used the enterprise checklist found in Annexure J in the manual, p222 (Appendix B) to make a final decision on whether to continue with the dairy processing enterprise or not. The findings of the checklist are shown in Table 6.15

Table 6.14 Cash flow for one year for the Engadini dairy processing enterprise, prepared by the Engadini group, 5 August 2005

Year One													
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total (R)
Income, (Rands)	11 616	11 616	11 616	11 616	11 616	11 616	11 616	11 616	11 616	11 616	11 616	11 616	139 392
Expenditure (Rands)	8936	8936	8936	8936	8936	8936	8936	8936	8936	8936	8936	8 936	107 232
Profit (+) Loss (-) (Rands)	2680	2680	2680	2680	2680	2680	2680	2680	2680	2680	2680	2 680	32 160

Table 6.15 Checklist for a dairy processing enterprise, prepared by the Engadini group, 16 August 2005

Economic factors of the proposed enterprise	Positive response	Negative response	Resource Factors	
Will there be a profit?	X		What are the risks?	Lack of sustainable raw product supply. Cold chain needs to be adhered to from production to selling. Interference from Engadini Trust, not allowing group to use funds according to group's plans.
Is credit available to set up the enterprise?	X			
Is there a sustainable market?	X			
Social factors of the proposed enterprise				
Do we provide a needed product?	X		How do we feel about the enterprise?	Positive
Will the community benefit?	X			
Will we make the decisions?	X			
Do we have sufficient time?	X			
Do we have support (families)?	X			

6.19 Session S: Enterprise plan

The importance and purpose of an enterprise plan was demonstrated by a role play (training activity S in the manual, p201, Appendix B). Thereafter the group drew up the enterprise plan using all the information they had gathered in the previous sessions (Appendix C).

6.20 Session T: Market testing of maas and yoghurt

In preparation for the market testing activity, the group went through a simulation testing exercise. The group were given a sample of jam and a questionnaire to complete. In the questionnaire the group were requested to indicate how they liked or disliked the colour, taste and packaging of the jam.

The group prepared a batch of maas and yoghurt, using the Value Adding section of the KwaZulu-Natal Department of Agriculture's Kitchen at Cedara. The yoghurt was

flavoured with strawberry flavour. The products were packaged into 1 ℓ and 2 ℓ containers and labels were produced by the Value Adding section for the test samples.

The 25 potential customers that were identified in session I by the group, namely the three crèche principals and teachers and the same neighbours interviewed during the customer survey, were requested to take part in the taste testing (paragraph 6.9). The sensory testing questionnaire was designed according to the adapted method for sensory testing, as described in Table 2.6. Symbols (faces) have been used to indicate likes or dislikes.

Four members of the group did the market testing, using a questionnaire provided in Annexure L in the manual, p231 (Appendix B). The principal and teachers of each crèche did the taste test in the respective crèches, while the group's neighbours were asked to come to one group member's house. Each taster was asked to sit at a table. A sample of the maas and yoghurt, together with the questionnaire and a pencil, were provided to the taster. A member of the group then explained to the tasters what was expected of them, whereafter the tasters were left alone to complete the taste testing. The results are summarised in Tables 6.16 and 6.17.

Table 6.16 Summary of market testing results for yoghurt, conducted by the Engadini group, 2 September 2005 (n=25)







Yoghurt	Satisfaction		
			
Colour	√√√√√√ √√√√√√ √√√√√√ √	√√√√√	√
Taste	√√√√√√ √√√√√√ √√√√√√ √√√√√√		
Packaging	√√√√√√ √√√√√√ √ √√√√√√ √√√√√√		

Table 6.17 Summary of market testing results for maas, conducted by the Engadini group, 2 September 2005 (n=25)

Maas	Satisfaction		
			
Colour	√√√√√√ √√√√√√ √ √√√√√√ √√√√√√		
Taste	√√√√√√ √√√√√√ √ √√√√√√ √√√√√√		
Packaging	√√√√√√ √√√√√√ √ √√√√√√ √√√√√√		

One taster (4 %) did not like the colour of the yoghurt and five tasters (20%) had no opinion about the colour of the yoghurt, while 80 % of the tasters liked the colour of the yoghurt. All the tasters (100%) enjoyed the taste and colour of the maas. All the tasters felt that the packaging of the maas and yoghurt was attractive and the correct size. All the tasters interviewed immediately were interesting in buying the maas.

6.21 Summary of the action research process

The Engadini group was guided through the process of planning a dairy processing enterprise, using a manual for planning a food processing enterprise (Appendix B). The final product of this exercise is the Engadini dairy processing enterprise plan, p232 (Appendix C), which could be used to source finances from financial institutions such as the Land Bank or Ithala Bank. Throughout the planning process, the group and an external evaluator evaluated the effectiveness of the process and manual for planning a food processing enterprise.

CHAPTER 7

FEASIBILITY AND MARKETABILITY ASSESSMENT

A training manual was designed to guide prospective entrepreneurs through the process of planning a food processing enterprise. The study concentrated on a group enterprise and a group of women that are LRAD beneficiaries were targeted. Although the FAO (1995) suggests that group enterprises are more likely to succeed than individual enterprises, because of shared skills and resources, group enterprises face several obstacles such as conflict of interests and conflict specifically regarding profit-sharing (Mavhunga *et al.*, 2004). Conflict within a group may have a detrimental effect on the enterprise, even though production may be feasible.

The feasibility of the Engadini dairy processing enterprise depends on the identification of a profitable enterprise idea. Fellows *et al* (1996) clearly state that a “hit and run” approach, where a product is made for the sake of making it and then trying to sell it, often leads to failure. This chapter presents the technical, market and financial feasibility of the Engadini dairy processing enterprise.

7.1 Technical feasibility

The Engadini group identified maas, yoghurt and butter as the three products most likely to sell and conducted a consumer survey on the products they wanted to produce. The group decided to produce 200 ℓ maas and 200 ℓ yoghurt per week.

The group received technical training on the production of maas and yoghurt prior to planning the enterprise and made a small batch of yoghurt and maas during the enterprise planning process. Although the technical training was conducted on small-scale dairy processing, the principles of small-scale dairy processing and medium-scale processing are the same. Small-scale dairy processing can be done in a kitchen using household equipment and utensils, whereas medium scale dairy processing would require more

specialised equipment such as a small batch pasteuriser, The same hygiene and food safety requirements need to be adhered to for both small- and medium- scale processing enterprises. The group mastered the skill to produce good quality maas and yoghurt as was evident in the taste test results.

The technical feasibility of the Engadini dairy processing enterprise depends on the group acquiring the necessary fresh milk from the Trust. The supply of fresh milk may be a limiting factor to the sustainability of the enterprise as the dairy processing group is a sub-group of the larger Trust and decisions regarding finances and facilities on the farms are controlled by the Executive Committee of the Trust. The dairy processing group members are not members of the Executive Committee of the Trust and communication between the dairy processing group and the Executive Committee of the Trust is limited, especially between the women and the chairman and the farm manager.

Currently the Engadini Trust has a standing contract with Nestlé to deliver between 400 ℓ and 500 ℓ of fresh milk per day. The capacity of the Killarney parlour is approximately 550 ℓ, leaving a surplus of 50 ℓ per day. The surplus will not be solely available for the dairy processing enterprise, since each of the Trust members takes fresh milk for home consumption. Unless the number of dairy cows is increased, inadequate supply of fresh milk will cause the enterprise to fail.

There have been indications that the Trust's Executive Committee wants to change the farming enterprise from dairy to meat farming. The Executive Committee indicated that they would keep five cows to ensure a continued supply of milk for the processing enterprise. Five cows would provide sufficient milk for the initial plans to produce 200 ℓ of maas and 200 ℓ of yoghurt per month. Should the enterprise grow, the five dairy cows would be a constraint

The women's group considered buying milk from a neighbouring farm, but do not have the necessary cold truck to keep the milk at the correct temperature. Acquiring a cooling truck is not viable, since it will be too expensive, leaving no money for any other equipment.

Should the women revert to purchasing milk from the neighbouring farmer, the price would impact negatively on the sales price of the maas and yoghurt and possibly on the amount of maas and yoghurt the group would be able to sell.

The current dairy facility would need to be extended and upgraded to cater for dairy processing, or a new facility needs to be erected. The current milking parlour consist of a manual milking area. From there the fresh milk is carried to a room with two cooler tanks. Adjacent to the room with the cooler tanks, is a cold room that is not working and a very small storeroom. The current facility will not pass Regulation 1111; Foodstuffs of the Cosmetic and Disinfectant Act 1972 (Department of Health, 1986) that regulates the handling of milk and dairy products. The cement floor of the room that could be the processing room is cracked, which could allow bacterial growth. The walls, although painted, are dirty and cannot easily be cleaned. There is a wash basin in the room where the cooler tanks are, but water is not connected to the basin.

Extensions to the current parlour need to include a new room where the dairy processing will be done. The processing room will need a sloping floor, with a drain grid and sufficient water to ensure that the processing plant can be properly cleaned. The walls and floor must be washable (Table 2.9). The existing cold room must be repaired and a storeroom built. In addition, a change room and toilets will have to be built.

The Executive Committee of the Trust controls the finances and will have to give its full support for the alterations to the existing dairy parlour, or to the building of a new processing facility. Even the CASP grant allocated to the Engadini Trust by the Department of Agriculture and Environmental Affairs is controlled by the Trust. The current conflict within the Trust indicates that the Executive Committee of the Trust, and more specifically the Chairman, would not allow the necessary finances for building a processing plant to be allocated to the envisaged enterprise.

The researcher is of the opinion that the success of the Engadini dairy processing enterprise could be feasible if factors such as interference from the other members of the Trust can be

eliminated and if communication amongst the members can improved. The Engadini dairy processing enterprise applied to register as a co-operative in order to limit the unwanted external factors. The external factors include the group of women that withdrew from the enterprise activities wanting to join as soon as the enterprise proves to be successful and the Trust wanting to control their profits. These factors may cause the enterprise to fail. Should the group be successful in the registration process, the feasibility of the dairy processing enterprise would be improved, but, as for any enterprise, stringent control steps will have to be put in place. These controls will include fixed rules regarding profit-sharing, actions to be taken if members do not adhere to rules and conflict resolution processes.

A huge concern to the researcher is the fact that most of the group members live in Imbali, approximately 30 km from the farm where the processing will take place. The women will have to travel to the farm on a daily basis, either with public transport or with their husbands. Transporting the maas and yoghurt to the clients could also be a challenge, especially because the group does not have a cold truck to keep the products cold. The external factors that may have an effect on the feasibility will be further discussed in Chapter nine.

7.2 Market feasibility

The selected products (maas, yoghurt and butter) were evaluated by means of a consumer survey. If the responses that were received from the three crèches and the group's neighbours are used as a guide, the assumption could be made that the group would be able to market the maas and yoghurt. The consumer survey indicated that 195 ℓ of maas could be sold per month, of which approximately 150 ℓ would be sold at the three crèches that were interviewed. If the average of 50 ℓ per crèche is multiplied by the estimated number of crèches (20) within the Imbali and Edendale areas, the group could increase their sales to 1 000 ℓ per month. The Engadini group therefore needs to approach more the crèches in the Imbali and the Edendale area in an attempt to increase the target market for both maas and yoghurt since they intent to start their production with 200 ℓ of maas and 200 ℓ of yoghurt per week, which means that they will have to find a market for 800 ℓ of maas and 800 ℓ of yoghurt per month.

Should the Engadini Trust sell their cows, and keep only five dairy cows to supply fresh milk to the processing enterprise, the daily supply of fresh milk would be about 80 ℓ per day. The supply of fresh milk would not be sufficient to produce 800 ℓ of maas and 800 ℓ of yoghurt per month, as was planned by the group, with sufficient fresh milk left for household use. The group would not be able to expand the enterprise to producing 1000 ℓ of maas and a 1000 ℓ of yoghurt per month. The ability of the group to expand the market share would depend on the available raw materials, the quality of the product and the group's marketing strategy.

Although primary and secondary schools showed no interest in purchasing maas and yoghurt from the group, the Engadini group would need to investigate how to access primary school feeding schemes. Another option would be to negotiate with the schools' tuck shop owners to supply the tuck shops with maas and yoghurt.

As was indicated in Chapter two, small-scale enterprises mostly sell the products they make directly to the final user (Harper, 1984b). It is important that the Engadini group focus on the direct selling and not try to compete with established wholesale dairy processing enterprises that supply products to retail shops. The Engadini group would not have sufficient sustainable supplies of raw materials to put them in a position to enter into fixed contracts. The cost implications to get the Engadini dairy processing facilities ready for HACCP accreditation, which is a basic food quality requirement of most retail shops, would make the production cost of the Engadini dairy enterprise very high, thus losing the competitive edge over other dairy product manufacturers.

The group would be able to produce and sell maas and yoghurt at a price lower than that of the local retail shops and wholesalers. The price of their products depends on the supply of sustainable raw material from the Engadini Trust. This implies that the group would only be able to keep the price of their products low while they are producing small quantities. Once the group buys in raw material, they will find it difficult to keep the sales price lower than that of retailers and wholesalers, because of additional expenses. The Engadini group determined that their sales price for maas should be R12,58. per 2 ℓ bottle and R8.23 for a 1 ℓ container of yoghurt (Table 6.13). These sales prices are lower than those of similar

products sold by competitors. As was indicated in the market survey, a sale price lower than the competition's price could encourage the local consumers to buy maas from the Engadini group, as long as the quality of the maas remains good.

7.3 Financial feasibility

The information gathered in the technical feasibility study guided the Engadini group in doing their financial feasibility study. Through the activities in the manual for planning a food processing enterprise (Appendix B), the Engadini group determined the start-up costs for their enterprise as R144 943. As the group members indicated that they did not have savings to use as start-up capital, they would need financial assistance for setting up a viable enterprise.

The Engadini Trust would have received an amount of R480 000, of which R150 000 was earmarked for the dairy processing enterprise, which would have been sufficient for setting up the dairy processing enterprise. Due to irregularities in the usage of the first payment, further payment has been stopped by the Department of Agriculture and Environmental Affairs until the problems of misappropriating funds and internal conflict within the Engadini Trust have been resolved. The withdrawal of funds will have a detrimental effect on the setting up of the dairy processing enterprise, as the group will not be able to start with the enterprise, risking losing potential clients.

The running cost for producing maas worked out at R968 for a hundred 2 ℓ bottles of maas and at R1 265 for two hundred 1ℓ containers of yoghurt. This indicated that maas was cheaper to produce than yoghurt. The consumer survey indicated that there is a larger market for maas than for yoghurt (paragraph 7.3). Therefore, the group should put most of their effort into producing maas.

The projected cash flow for one year (Table 6.14) indicated that the enterprise could generate a profit of over R32 000 for one year, if the projected amounts of maas and yoghurt (9 600 ℓ per product) are sold at the estimated sales price. These projections depend on the group acquiring a grant of at least R150 000 from an institution such as the

KwaZulu-Natal Department of Agriculture and Environmental Affairs, to cover the start-up costs. The CASP grant funding that was allocated to the Engadini Trust would not require repayment. Due to the misuse of the first installment of the CASP grant, further installments have been stopped.

The KwaZulu-Natal Department of Agriculture and Environmental Affairs purchased two 25 ℓ batch pasteurisers, which would assist the group in starting the enterprise, even without the grant funding, producing 25 ℓ of maas and yoghurt every second day. The batch pasteurisers were purchase during the initial stages of the study, before the conflict between the Engadini Trust members became evident. The total purchase price of the batch pasteurizers were R12 000,00. The quantity of products the group would be able to produce with the 25 ℓ batch pasteurisers would be lower than planned and this would increase production costs and the sales price of the product. A higher sales price could lower sales, putting the dairy processing enterprise at financial risk. To ensure that the dairy processing enterprise would grow, the group would need to purchase more pasteurisers and other equipment using the profit generated from the enterprise.

The cash flow (Table 6.14 in Chapter six) did not indicate that equipment may have to be purchased during the year. The need to purchase equipment from profits generated will considerably lower the total profit generated for a year. A question exists whether or not the group would continue to forego salaries for the first year. Should the group decide to draw salaries during the first year, the profit would diminish even further.

7.4 Summary of feasibility and marketable product

The manual on planning a food processing enterprise assisted the Engadini group in planning their enterprise. It is clear that they understood the importance of a well-planned enterprise; enthusiastically participated in the consumer survey and market testing in order to determine their target market and worked hard in determining the resources they needed for their enterprise. The group identified several high-risk factors that may influence the success of their enterprise, such as misuse of enterprise profits, untrustworthiness of members, lack of clients and product quality. Many of these risks factors are confirmed by authors such as Battcock *et al.* (1998); Kirsten (1995); Rogerson (1999); Senik (1995)

(Table 2.4). The Engadini group has suggested strategies to overcome the risk factors, as is listed in Table 6.3.

Unfortunately, understanding the importance of well planned and thorough preparation for a food processing enterprise does not ensure a feasible food processing enterprise. The planning process that the Engadini women's group went through indicated that the enterprise could make a profit, although the production volume would initially be limited by the group's potential target market and availability of raw material. The ability of the group to work as a cohesive team, within the existing structures of the Trust, will play a determining role in the feasibility and success of the Engadini dairy processing enterprise. This aspect will be further discussed in Chapter eight.

CHAPTER 8

ABILITY TO WORK AS A COHESIVE TEAM

Governments, world-wide, have for ages promoted group enterprises such as co-operatives as a way of overcoming poverty and creating sustainable livelihoods. There are some co-operative successes but, unfortunately, many failures recorded (Harper and Roy, 2000). As was indicated in Chapter two, there is a belief that group enterprises stand a better chance to succeed as a small enterprise than individual enterprises because of aspects such as the combined skills within groups, greater bargaining power and that Government agencies tend to give advice and services to groups rather than to individuals (FAO, 1995).

The nature of the LRAD programme, administered by the Department of Land Affairs, is such that people interested in acquiring farms have to group together in order to obtain sufficient grant funding to pay a deposit on a farm (Mavhunga *et al.*, 2004). In the same manner, the KwaZulu-Natal Department of Agriculture and Environmental Affairs' Agrarian Revolution Programme of Massification called for farmers to form co-operatives in order to obtain funding from Ithala Bank on a 40:60 % loan basis to grant funding (DoA; 2006).

Groups or co-operatives have group dynamic challenges. Members having more skills or resources may "hijack" the enterprise (Harper and Roy, 2000). Studies of LRAD programmes indicate that LRAD enterprises often face constraints by virtue of LRAD enterprises being group ventures. Issues such as group members not sharing the same aims, problems relating to financial management, communication problems and lack of appropriate training are common with LRAD programme beneficiaries (Mavhunga *et al.*, 2004; Salagae *et al.*, 2004).

The Engadini dairy processing group is a sub-group of the Engadini Community Trust. The Engadini Community Trust is a beneficiary of the LRAD programme. This study was conducted not only to determine whether or nor the Engadini group could identify a

feasible marketable enterprise through proper training and planning activities, as was discussed in Chapter eight, but also to evaluate whether or not the group could work as a cohesive team within the constraints of an LRAD project. The next section will discuss in detail to what extent the group measured up to the determinants listed in Table 2.13. Some attention will be given to assistance the group would require to overcome any problems that may affect the ability of the group to work cohesively.

8.1 Identification of an accepted and dynamic leader within the group

During the initial training sessions, before the group split due to internal conflict, described in Chapter six (6.14), Ms Maduna, the wife of the Chairman of the Engadini Trust was clearly treated as the leader of the group. The leadership role of Ms Maduna was not because of her leadership abilities, but due to her being the wife of the Engadini Trust Chairman. Mrs Maduna was never willing to take part in the role plays or any other training activity.

After the group's conflict was expressed, four original group members decided not to continue with the dairy processing enterprise. Ms Maduna was one of the members who left the enterprise. Amongst the group members that remained, there was no clear leader. The group decided that Ms S Nxumalo should be the enterprise's General Manager. Ms S Nxumalo is a pleasant and well-respected member of the group.

Although Ms S Nxumalo was accepted by all the group members as the leader, this was largely due to her age. Managerial and leadership training could possibly assist Ms Nxumalo develop managerial skills. The youngest member of the group (Ms T Ntuli) showed leadership qualities, which was evident in her taking the lead in most of the training activities. The fact that she established a successful one-woman stationery enterprise possibly grew her self-confidence. A balance would have to be reached where Ms Nxumalo would lead the enterprise, but still accept advice from the youngest but more experienced group member.

8.2 Active participation and commitment in meetings and activities

The group members that remained part of the enterprise participated actively in all the training sessions, even before the split in the group occurred. The youngest member has a stationery supply enterprise that kept her away from many of the training sessions. When Ms Ntuli attended the training sessions, she took the lead.

Five of the group members can be considered as “housewives”. The children of the five older members are out of school and would thus not inhibit the time the group members had to concentrate on the enterprise.

There should be no problem for continued commitment and participation from the group members. Even when training sessions had to be rescheduled, the group members adjusted schedules and attended the training sessions, with the exception of Ms N Ntuli, who could only attend if she did not have a prior appointment regarding the stationery enterprise.

8.3 Initial survival without financial assistance

The discussion from this session is not clear-cut. The Engadini Trust received considerable funding from various sources, including Land Affairs, to purchase the Killarney farm, as explained in Chapter three. Additional CASP funding would have been paid in phases for the development of the farm and the enterprise. The first tranche of R120 000 was paid to the Engadini Trust, but the funds were not used for the dairy processing enterprise.

Some of the female members of the Engadini Trust, not having any responsibilities on the farm, decided to start producing maas, using plastic buckets and milk from Killarney farm. The women sold 20 ℓ every second day. The women traveled to Edendale and sold maas to community members at R3,00 per litre. Each client had to provide a container for the maas. Income generated through selling the maas was put into the Engadini Trust’s banking account. The women did not keep record of the cost the production to determine whether or not the sales were profitable. The group did not keep records of the total amount of income that was put into the Trust’s banking account. It is thus difficult for the researcher to assess if the group would have survived if the group did not have inputs from the Trust.

The group wanted to expand their enterprise and approached the KwaZulu-Natal Department of Agriculture and Environmental Affairs for financial and technical assistance. Since the sustainability of the enterprise was not measured at any stage, the researcher advised the KwaZulu-Natal Department of Agriculture and Environmental Affairs that a feasibility study needed to be performed to prevent funds being spent on an enterprise that is not viable.

8.4 Groups funding

Groups or co-operatives that come together without financial incentives are more likely to succeed than groups that were promised funding (Harper, 1992). The funding policy of the LRAD programme was that individuals in a group may receive R20 000 each to purchase a farm and farm inputs. This often leads to the formation of large groups with different goals amongst members. Some just want the money, others may want to farm (Table 3.2). Over-funding may lead to management not being able to manage the finances properly, which may lead to the misuse of funds (Harper, 1992).

The Engadini Trust received considerable financial assistance from various sources (Department of Land Affairs, R460 000; Land Claims Commission, R48 840; Ockertskraal Cemetery Association, R90 000; KwaZulu-Natal Department of Agriculture and Environmental Affairs CASP funding, R480 000; of which R120 000 was paid into the Trust's bank account.

Conflict within the Engadini Community Trust Executive Committee regarding the use of the CASP funds resulted in the Manager of the Agricultural Development Support Services Directorate writing a memo to Legal Department of the Department of Agriculture and Environmental Affairs' highlighting the problem areas. These were grant funding seemingly being misused, Trust signatories not communicating with the rest of the Trustees, meetings not being called and distrust amongst Trustees (Nkosi, 2005). It was clear that the split was along family lines for both the female and male Trust members.

The apparent misuse of funds resulted in the KwaZulu-Natal Department of Agriculture and Environmental Affairs not granting the second payment of the grant to the Engadini Community Trust. This will influence the feasibility of the Engadini dairy processing enterprise. Without the grant, funding the extension and upgrading of the dairy processing facility will not be possible. The Executive Committee indicated that they want to change the farming enterprise from dairy to meat, as dairy farming is an expensive enterprise and, as the grant funding has been suspended, they will be forced to change to a less financially intensive farming enterprise. As was later evident, funds were not used for the purpose allocated, resulting in the CASP funding being stopped. The women in the Trust did not have access to, or say over, the funds, leaving the women powerless to access funding for the dairy processing enterprise.

The management of the Engadini Trust, as well as the women's dairy processing enterprise, needs to receive financial management training before further funds are allocated. It would be to the benefit of the dairy processing enterprise if one of the members of the dairy processing enterprise was co-opted as a member of the Executive Committee so as to give them an opportunity to voice their needs.

8.5 Degree of solidarity amongst members

The introduction session of the manual included an exercise in which the group shared their enterprise aims. The exercise showed solidarity. Although the group initially indicated that they have the same aims, conflict amongst the group started to show after a few sessions.

The square game (training activity C in the manual, Appendix B) seemed to indicate that the group could work as a cohesive team, but it soon became obvious that there were underlying problems within the group. The researcher realised that when volunteers for training activities such as role plays were called upon, it was always the same group members that came forward. When the other group members were specifically requested to take part in the activities, they would participate reluctantly. During training session N, described in Chapter six (6.14), the women verbally attacked each other, accusing each other of stealing money that was generated through selling of maas, while not helping to

produce the maas. The planning activity was stopped and the assistance of a Social Scientist from the KwaZulu-Natal Department of Agriculture and Environmental Affairs was called in, an effort to resolve the conflict amongst the women.

The Social Scientist called a meeting, at which each of the women was given the opportunity to raise her concerns. In discussions with the Engadini Executive Committee, she realised that the conflict was deeper than just amongst the women and reported the matter to her Deputy Manager; Mr Z J Mchunu. The Social Scientist called another meeting with the women and explained to them that they would not get any further assistance for planning their enterprise if they did not resolve their problems. Four members of the women's group decided to withdraw from the planning sessions, as they were not really interested in running a dairy processing enterprise. The remaining six women were eager to continue with the planning exercise and indicated to the Social Scientist that they wanted to continue with the training sessions. After four months the planning sessions resumed, with six of the original ten members. As part of a strategy to limit interference from the members that had left the dairy processing enterprise, the remaining members decided to apply for registration as a co-operative.

The remaining women displayed a high degree of solidarity. The group enthusiastically took part in all the training activities. Unfortunately the lack of solidarity within the Engadini Trust will have an influence on the dairy processing enterprise. The Engadini Trust members elected a new Executive Committee, but the Chairman of the previous Executive Committee does not accept the newly elected Executive Committee. Unless the Engadini Trust resolves the conflict amongst them, the dairy processing enterprise may find it impossible to operate, as the Engadini Trust's Executive Committee decides co-operative how the grant money the Trust receives is used.

8.6 Well-defined income-generating activities

The Engadini dairy processing enterprise has developed a sound enterprise plan that would ensure that the group will have well-defined income-generating activities. The group has previously sold maas to the local community. Previous experience would thus assist the group in the expanded enterprise that would include the production of maas and yoghurt.

8.7 Managerial abilities

Despite the huge questions about the sustainability of the enterprise, the process continued since the Engadini Community Trust, the KwaZulu-Natal to Department of Agriculture and Environmental Affairs and the Department of Land Affairs had continues meetings in an attempt to resolve the problems within the Engadini Community Trust. During one of the meetings the Engadini Community Trust's Executive Committee undertook to ensure that sufficient milk is available for the dairy processing enterprise to continue.

The group nominated the most senior and well- respected member of the group to perform the task of General Manager of the dairy processing enterprise. The nominated candidate will need management training, to ensure that she has sufficient managerial skills to handle conflict situations. Mrs Nxumalo has never been exposed to managerial tasks, other than managing a household.

The group member nominated for the marketing and sales position is outgoing and has the ability to communicate well. Ms Shange was assigned as marketing manager and would have the ability to market the Egadini group's maas and yoghurt to the local market. The group member responsible for production lives on the farm and will be in a position to constantly supervise the production. If a fresh milk supply is sustainable, Ms Nockie would be in a position to ensure sustainable maas and yoghurt production, since Ms Nockie attended the dairy processing technical training and understands the processes involved in producing maas and yoghurt.

The individual responsible for record-keeping is running a successful stationery enterprise. She has experience in record keeping. The one concern is whether Ms Ntuli would have sufficient time to keep proper records of the dairy processing enterprise. During the training sessions, Ms Ntuli constantly forwarded her apologies for not attending the training, due to the stationery enterprise requiring intensive attention.

For Mrs Nxumalo to be an effective manager, it would be essential for her to undergo enterprise management training. The manager of an enterprise needs to ensure that all

aspects of the enterprise (from purchasing of raw materials to the selling of the final product) is running smoothly to ensure sustainable production. Further training on marketing would be advisable, should the enterprise grow and the need arise to access more markets. As the group is relatively small, it would be advisable if all the members undergo a range of training, including enterprise management and financial management.

8.8 Sufficient resources within the group

All but one of the group members are married women who do not work for an income. The women all indicated that they are dependent on their husbands' incomes. Although each member of the Egadini Trust received an amount of R20 000 from the Department of Land Affairs, the women did not have control over the money that the Trust received from the Department of Land Affairs. One member, Ms Ntuli, is running a stationery supply enterprise in Pietermaritzburg, 30 km's from the farm. At this stage she is still trying to grow the enterprise, ploughing profits back into the stationery enterprise.

The women would contribute resources such as labour and time, as they indicated that they are prepared to run the enterprise without drawing salaries for that year. The women have the necessary technical skills to continue with the enterprise.

8.9 Level of self-reliance

Conflict within the group resulted in a split, with six members remaining and continuing with the enterprise. The request for information on co-operatives, in order to establish a legal entity that can function without interference from the rest of the Egadini Trust, displayed the key problem that exists in the Egadini dairy processing enterprise.

The likelihood of the dairy processing enterprise being self-reliant is very slim. As members of the Egadini Trust, the dairy processing enterprise is dependent on the decisions made by the Trust's Executive Committee. The Executive Committee of the Egadini Trust decides on the allocation of grant funding received by the Trust. If the Trust decides to change the farming enterprise from dairy to beef, as the Executive Committee did suggest at some stage, without considering the Egadini dairy enterprise's need for

milk, the dairy processing enterprise would be affected. The Trust determines what portion of the farm's electricity account would be paid by the Engadini dairy enterprise. This could impact on the running costs of the enterprise.

Except for Ms Ntuli, the group members are dependent on their husbands for transportation to meetings and training. Even though the dairy processing group members' husbands are very supportive of the enterprise, the husbands' own work and activities takes precedence over that of the women's group.

The option of the group to form an independent co-operative would be a good start to being self-reliant. The group would only be completely self-reliant if they have a say in the decisions of the Executive Committee of the Trust, or if the group was independent of the Engadini Trust. This would mean that the group would have to establish the dairy processing enterprise at a venue away from Killarney farm. The implication of working independently from the Trust would mean that the group might have to source financing from other institutions or government departments and raw milk from other farmers.

8.10 The group's own initiative

As members of the Engadini Trust, but not actively involved with the farming practices, female members of the Engadini Community Trust approached the KwaZulu-Natal Department of Agriculture and Environmental Affairs for assistance in developing a dairy processing enterprise. Initially, the impression was that 10 women were interested in the enterprise and that the women had the support of the Engadini Executive Committee. A group of six women have remained and shown enthusiasm to continue with the enterprise. The question is whether or not the group will be able to get support if they are not affiliated to the Trust.

Harper (1992) suggests that one of the main reasons for enterprise success is that the idea for the enterprise should come from the potential entrepreneur and that a group should not be forced into forming a co-operative. The group should be able to work well together, as they have indicated that they share common goals.

8.11 Number of people in the group.

One of the causes of failure within LRAD programmes is that there are too many LRAD beneficiaries in one group. It is very difficult to find common goals within large groups, resulting in conflict. The question of whether this group is small enough to be a success is not straight-forward. Although the dairy processing group is not big (only six members remained), the group forms part of the Engadini Trust. The Engadini Trust has 23 members, of whom not all have shown an interest in the farming enterprise or the dairy processing enterprise. Conflict can be expected if some members are not interested in working on the farm or the dairy processing enterprise, but feel that they should share in the financial benefits.

The dairy processing enterprise, if it functioned on its own, would have an excellent chance of being successful. The remaining group members are all very committed to the dairy processing enterprise. The group members were willing to take part in the training activities, even when the group had to make special arrangement with their husbands to go to training sessions at Cedara. Unfortunately the group would remain members of the bigger Engadini Trust. Any negative action or decision that the Engadini Trust takes would affect the dairy processing group.

8.12 Group discipline

The question of the group discipline proved to be a complex one. The six members that remained in the dairy processing enterprise showed that they felt strongly about group discipline. The group put strategies in place for handling group members that did not comply with the rules set out by them (Table 6.3, Chapter six).

Group discipline within the bigger Engadini Trust would be difficult to control. It was clear that there are serious problems within the larger group. Funds have been misused and there seems to be conflict within the Executive Committee. The Trust members felt that the Executive Committee did not meet regularly and that the Executive Committee did not want to meet with the rest of the Trust members, possibly because the Executive Committee did not want to answer questions regarding the misuse of funds.

The break in trust within the Engadini Trust could have a detrimental affect on the dairy processing enterprise. It would be important that the problems within the Engadini Trust be resolved before the dairy processing enterprise could successfully continue to work with the Trust.

8.13 Summary

The study confirms some of the constraints recorded by studies done on LRAD projects (Table 3.2), with special emphasis on social problems such as different goals of group members; no common interest amongst beneficiaries; some beneficiaries wanting to share in the profits without contributing financially or with labour; the Executive Committee wrongly seen as owners of the project and not willing to give the rest of the beneficiaries an opportunity to make decisions; lack of communication between the Executive Committee and other beneficiaries specially regarding feed-back on farming activities and funding; in-house fighting due to miss-trust amongst beneficiaries and finally groups that tend to fall apart after some time. The dairy processing enterprise would have to overcome social obstacles that are not present in individual enterprises.

The problems that surfaced within the Engadini Community Trust confirm the findings of Mavhunga *et al.* (2004) and Salagae *et al.* (2004), who found that there are a number of constraints that have to be overcome by LRAD beneficiaries and that a large portion of these constraints are due to group dynamics.

CHAPTER 9

CONCLUSION AND RECOMMENDATIONS

This study set out to investigate the feasibility of a dairy processing enterprise using action research, with a group of women from an LRAD project, and investigated whether or not the beneficiaries had the ability to work as a cohesive team. The review of the literature described the importance of small-scale food processing enterprises in developing countries in creating employment and alleviating poverty. Entrepreneurship and the effect that entrepreneurial qualities have on small-scale enterprise development were explored. Intrinsic and extrinsic constraints that influence the success of small-scale food processing enterprises were highlighted through case studies. Literature on group enterprises was investigated, to determine specific constraints that group enterprises have to overcome, considering whether or not women's enterprises have additional constraints due to their social status in the community.

The literature clearly indicated that, although small-scale food processing enterprises can play a vital role in creating employment and alleviating poverty, it is evident that small-scale enterprises need to overcome many obstacles (such as sustainable availability of raw materials, lack of technical and marketing skills and suitable equipment and processing venue) before the enterprise can produce feasible, marketable products.

A manual for planning a food processing enterprise was developed from best practices identified by the literature review. The first sub-problem (namely whether or not the group could identify feasible marketable products) was assessed using the results of the feasibility study, which was conducted using the manual and training sessions, together with observations made by the researcher.

The results of the study indicated that the group has the technical skills to make a good-quality product. The group will face similar obstacles as many small-scale enterprises in developing countries face. The group will have problems ensuring a sustainable supply of

raw materials. The current supply of milk would not be sufficient to supply the target or an expanded market. The group indicated that they would follow the direct selling marketing strategy. This would minimise costs, allowing them to sell the products at a lower price than that of the perceived competition. The consumer survey showed that the group could build up a reliable customer base if the selling price was lower than that of the competition. The group needed help in determining required resources and identifying where the resources could be obtained. This confirms the findings of the literature, that small-scale food processing enterprises need a certain degree of assistance in planning and implementing the enterprise. Should the group manage to increase the production of maas and yoghurt considerably, further assistance in sourcing appropriate markets may be needed.

A significant disadvantage to the group is the fact that five of the six group members are not living on the farm on which the enterprise is to be established. Although the group members do not perceive the distance of over 60km per day as a problem (30 km one way) they would have to travel to and from the farm as a problem, a question arises as to whether or not the traveling would increase the production costs of the maas and yoghurt. Not only could the selling price, but also the quality of the product, be affected. It would be difficult to keep the maas and yoghurt at the required temperature of below 5°C. Literature highlighted the importance of food safety requirements, even for small-scale food processing enterprises. Although the group has the knowledge to produce good quality maas and yoghurt, acquiring a suitable dairy processing plant remains a problem that could affect the feasibility of the enterprise.

The second sub-problem considered whether or not the Engadini dairy processing group could work as a cohesive team. Literature reviewed stressed the complexity of group enterprises. Studies in developing countries across the world, and in LRAD projects in South Africa specifically, clearly demonstrate that groups need to overcome a host of social problems such as poor communication between management and other members; distrust amongst the members; group members not contributing equally, yet expecting equal shares; to mention a few. The findings of this study correspond with the findings of the literature.

Not only does the Engadini dairy processing group have to deal with distrust amongst the group members themselves, but, because the members are part of the Engadini Community Trust, the dairy processing group is also affected by the problems that exist in the Trust. In this study the internal conflict within the Engadini Community Trust was caused by mismanagement of grant funding; lack of communication between the Trust's Executive Committee; distrust between family groups within the Trust; and trustees attempting to resolve the situation by electing a new Executive Committee, without the buy-in of all the Trust members.

Even after the dairy processing group drew up strategies to prevent further conflict, the conflict within the larger Trust still had a negative effect on the Engadini dairy processing enterprise. The Engadini dairy processing group cannot function independently, even though the group did decide to form a co-operative. The Engadini Community Trust has the final say regarding aspects such as the distribution of funds and utilization of other resources. Five of the six Engadini dairy processing group members are dependent on their husbands' incomes and transport for acquiring inputs to the enterprise and to get to the farm where the enterprise will be established.

9.1 Study conclusions

This study concluded that an envisaged dairy processing enterprise was feasible on a small scale. The group had the technical know-how to make good quality maas and yoghurt. The market testing results indicated that the potential customers liked the maas and yoghurt and the potential customers would purchase maas and yoghurt from the group if the price was acceptable. Maas will be the enterprise product most likely to succeed.

The feasibility and marketability of the products depends on the group's ability to overcome numerous obstacles. The two main obstacles specific to producing maas and yoghurt are the lack of sustainable raw materials and the lack of a suitable processing plant. The two obstacles could be overcome through careful planning and acquisition of some financial assistance. If the Engadini Trust agrees to increase the dairy herd to ensure a sustainable supply of fresh milk and grant funds are used to upgrade the existing dairy parlor, a small-scale dairy processing enterprise could be viable. Using a direct selling

strategy would assist in keeping product prices lower than the prices of the competition. Ensuring a supply of good quality products directly to the customer would allow the group to gradually increase the market share, while developing the enterprise facilities to cope with extended markets. A question arises as to whether or not the envisaged profit would be sufficient to keep the enterprise running, taking into account the fact that the profits would have to be divided among the six members of the group.

The most challenging constraint for the Engadini dairy processing group is working as a cohesive team within the boundaries set by the Engadini Community Trust. This study showed that one of the main limiting factors in group enterprises is internal conflict within groups. Conflict between the Engadini dairy processing enterprise members themselves, but also conflict within the larger Engadini Community Trust, had a crippling effect on the planned dairy processing enterprise.

Although the dairy processing group answers positively to a number of aspects that are seen as requirements for successful group enterprises as set out in the literature, such as that the idea for the enterprise came from them; that the sub-group has less than ten people and that the group has clear income generating activities planned, the potential success of this group enterprise is questionable because of the group's link with the Engadini Community Trust. A problem such as the lack of managerial skills could be overcome through appropriate training. It would be more difficult to overcome social problems such as lack of trust amongst Trust members and the dependence of the women on the men in the Trust for making crucial decisions, for transport and for approval to meet.

This study concludes that the idea of an Engadini dairy processing enterprise would be able to produce a feasible, marketable product, with the limited availability of raw material for the production of maas and yoghurt. The social dynamics within group enterprises, especially LRAD projects with large numbers of beneficiaries, can place enormous pressure on potential food processing enterprises, making it very difficult for group enterprises to function as a cohesive team.

9.2 Recommendations

The group needs representation on the Executive Committee of the Engadini Community Trust to ensure that the interest of the dairy processing enterprise are considered by the Trust, or the dairy processing enterprise should be established independently from the Engadini Trust, so that the social problems within the Trust do not affect the dairy processing enterprise.

Social facilitation by a trained Social scientist should be an integral part of any proposed group enterprise. Potential social problems need to be identified and dealt with at the start of a group enterprise.

The group should concentrate on establishing a sound market base for maas, expanding maas production slowly as the group's market share increases. The group would have to develop a strong marketing strategy in order to enlarge the market share. The marketing strategy should include accessing primary and secondary schools' tuck shops, widening the area of sales to include more areas in Edendale, approaching local shops in the Imbali and Edendale areas and establishing a road stall in the area.

The group needs to secure a sustainable supply of fresh milk, either from the Engadini Community Trust or from other sources such as the neighbouring farmer or Cedara's dairy. Acquiring fresh milk from the Engadini Trust would require the Trust to make a decision not to sell the dairy herd, but rather to enlarge the dairy herd to fulfil the Trust's contract with Nestlé and have sufficient milk for the dairy processing enterprise.

Buying fresh milk from other sources would require the group to invest in purchasing a cooled trailer that would allow the group to transport large quantities of milk at a sustained temperature of lower than 5°C. The cooled trailer system would assist the group further in delivering the final product to the clients.

A dairy processing facility that will comply with food safety standards should be erected for the enterprise. The location of the dairy processing enterprise needs to be re-considered in light of the fact that five of the six group members stay in Imbali, which is approximately 30 km from the farm (which will result in a daily trip of 60 km to and from Imbali) and the target market is also at Imbali.

Government departments such as the KwaZulu-Natal Department of Agriculture and Environmental Affairs and the Department of Economic Development should consider adapting policies that will focus on funding individual enterprises rather than group enterprises. Enterprises that want to form a co-operative system could be assisted by government departments to establish the co-operative, but not enforce formation of a co-operative as a means of acquiring funding.

Government departments such as the Department of Agriculture and Environmental Affairs should create a directorate or sub-directorate dedicated to the development of small- and medium-size food processing enterprises. Extensive enterprise planning, enterprise management and record-keeping training modules need to be developed and offered to assist small-scale food processing enterprises. Information on sources of funding for small-scale food processing enterprises should be placed on a database and made available to small-scale food processing enterprises. Information on appropriate technology should be gathered by government departments and made available to small-scale enterprises. The sub-directorate dedicated to the development of small- and medium-scale food processing enterprises should have officials that could provide advice on technical aspects such as food safety, appropriate technology, marketing and enterprise management.

The feedback from the assessment of the training sessions during this study will be incorporated in the manual for planning a food processing enterprise. A number of Extension staff from the Department of Agriculture and Environmental Affairs should be trained in small-scale food processing enterprise development, using the improved manual for planning a food processing enterprise as basis. The trained extension staff members should provide small-scale food processing enterprises with the necessary training and support, ensuring that the individual entrepreneur or group is involved in planning the

enterprise from the initial stages. The marketing section of the Department of Agriculture and Environmental Affairs should provide marketing information for small-scale food processing enterprises and not only for fresh produce.

If government departments continue to promote group enterprises such as co-operatives and Land Reform projects, processes to register as co-operatives should be simplified. Co-operatives or LRAD beneficiaries should receive extensive training in enterprise management and how to deal with social issues such as conflict, before funds are transferred to the entity. The number of beneficiaries, whether it is LRAD beneficiaries or other enterprises, should be limited to fewer than ten. A prerequisite for funding should be an undertaking from the Executive Committee that regular meetings with all group members would be held to keep all members informed about activities. The funding agency should carry out monitoring visits at regular intervals. Over-subsidising should be prevented. Groups should only be allowed one government grant and thereafter the group could be assisted by the government or a NGO to access a loan from a financial institution, if necessary.

Mentors should be identified who could assist small-scale food processing enterprises through the initial stages of the enterprise, and at least during the first year of the enterprise. Funding should be set aside in the Department of Agriculture's budget to pay for mentors.

9.3 Recommendations for the improvement of this study

The assumption was that all the members of the group had an interest in establishing a dairy processing enterprise, since the group approached the Department of Agriculture and Environmental Affairs for assistance. Consulting with the Land Reform sub-directorate of the Department of Agriculture and Environmental Affairs before the start of the training sessions would have informed the researcher about the conflict within the Engadini Trust. More emphasis could have been placed during the initial training sessions, on the importance of trust amongst group members. Help from the Social Scientist at an earlier stage might have been beneficial.

Meeting with the full Engadini Trust Executive Committee and the women, before the start of the study, could have assisted in clearing up issues that remained uncertain throughout the study, such as the availability of fresh milk, what the women would have been expected to pay for the milk, what portion of the electricity account the women would be expected to pay and what the Trust's views were regarding a processing plant. Clarity on these issues would have made assessment of the feasibility of the enterprise more accurate.

9.4 Implications for further research

Research on the importance of small-scale food processing enterprises within KwaZulu-Natal is very limited. A comprehensive study identifying small-scale enterprises in rural urban areas would provide a strong base for future assistance. The study should assess the actual impact the enterprise has on the livelihood of the small-scale entrepreneur. Comparing the impact that group and individual enterprises would have on the community would strengthen suggestions for policy changes to support the small-scale entrepreneur.

A study investigating the actual contribution that small- and medium-scale food processing enterprises have on poverty alleviation would give valuable information for the formulation of food security policy.

The current study covered the planning of a food processing enterprise and not the implementation to start the enterprise. The action study should be continued to test the implementation of food processing enterprises. Such a study would assist in identifying pitfalls in the planning phase of small-scale food processing enterprises and, at the same time, the study group could receive the mentorship most new enterprises need. The recommendations made in this study for improvement of the manual for planning a food processing enterprise together with suggestions identified by the proposed implementation study, would ensure that a comprehensive manual is developed that could be used by various departments and NGOs to support the establishment of small-scale food processing enterprises.

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APPENDIX A: STUDY GROUP PROFILE QUESTIONNAIRE

**APPENDIX B: MANUAL FOR PLANNING A FOOD PROCESSING
ENTERPRISE**

**MANUAL FOR
PLANNING A FOOD
PROCESSING
ENTERPRISE**

S E M A N S

**DEPARTMENT OF AGRICULTURE AND
ENVIRONMENTAL AFFAIRS**

2007

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I. PREFACE

Starting an enterprise is risky, often big enterprises fail because of different reasons such as the broader market forces and poor managements. On the other hand small enterprises can be very successful because they are planned well and run effectively.

This manual is presented to help extension workers from the KwaZulu-Natal Department of Agriculture and Environmental Affairs to assist community groups in planning sound food processing enterprises, using a participatory facilitation approach. Getting the group to be part of planning the enterprise, from deciding on the enterprise idea up to writing the enterprise plan, will not only empower the group, but will ensure that they own the enterprise.

The principle of “learning by doing” using different participatory tools to get the group members to understand the concepts, share ideas and to develop the plan will be implemented, to ensure that the group members acquire the skills necessary to manage their enterprise effectively. The atmosphere during each session must be relaxed and participants must feel confident to share their ideas with one another and with the facilitator. It is therefore important that the facilitator (extension worker) has a good relationship with the group, communicate clearly, is willing to listen and respects the participants.

The manual concentrates on extensive training and planning of an enterprise, including writing a final business plan and doing market testing. Actual enterprise management will not be covered in this manual. The end notes will indicate all references of information used in the manual.

MESSAGE TO THE FACILITATOR

b. How the manual is structured

The manual presents several sessions to be completed over non-consecutive days.

Each session starts with a training activity, followed by reflections and ends with an enterprise planning activity. Tools such as games, role plays field visits and illustrative case studies are used as training activities. Each session is illustrated with the following symbols to indicate the various elements such as

Reminder



Background information



Training activities



Games

b. Characteristics of a good facilitator

A facilitator is not a teacher, but rather an active lead participant in activities while remaining in the background. The facilitator must have good communication skills, respect the participants, be honest with motivated to work with the group to empower and support them.

In all communities enterprise development groups some people will tend to dominate discussions due to their position in the community or personality the facilitator must be sensitive to the group's feelings, especially those women that lack confidence.

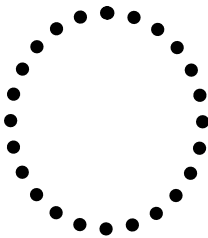
Even though the facilitator does not need to have previous enterprise experience, they must be familiar with the principals discussed in the manual, and have studied the manual before attempting to facilitate the process described in this manual. If the facilitator does not feel confident about certain sections of the manual, another facilitator can be invited to assist with the specific section. Start each new session by capturing the most important aspects or

decisions taken during the last session, by going over the flip charts of the previous session, before explaining the activities of the next session.

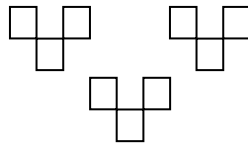
c. Setting up the meeting place

For most adults the memory of being in school is something they want to forget as soon as possible, a setting like school will not facilitate communication. Be sure that you choose a venue and seating arrangement that would not remind them of school. It is good if the facilitator arrive early as to arrange the seating in advance as illustrated in figure 1.

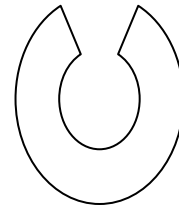
The seating arrangement will change according to the specific activity performed at a given time. Possible seating arrangements could include half and full circles for big group discussions and role play, small triangles for buzz group discussions (Figure 1), or even without chairs and tables for group work on the ground. Care needs to be taken that all the group members will be part of group work on the floor, that a disabled person is not excluded.



Full Circle



Small Triangles



Halve circle

Figure 1

d. Planning your schedule

The facilitator needs to schedule the programme in a way that will suite both her and the group, a proposed schedule is presented here. Remember that the schedule is only a guideline, be flexible in your planning since numerous events such as an unexpected church meeting or rain can derail the planned activity. Some sessions may be short resulting in two or more sessions covered in one day. It may be necessary to divide a day's sessions into two days, it is

important that each session's outcomes was reached, not whether it was reached within the set schedule . Table 1 set out the different sessions

Table 1 Sessions of Manual

Session A	Session B	Session C	Session D	Session E
Introduction	Characteristics Of an entrepreneur	Group dynamics	Understanding the risks in small food processing enterprises	Identifying food processing enterprise ideas
Session F	Session G	Session H	Session I	Session J
Ranking Possible food processing ideas	Market feasibility	Market feasibility (Target group)	Market feasibility (Consumer survey)	Market feasibility (Survey analyses)
Session K	Session L	Session M	Session N	Session O
Market survey (Competition and promotion)	Technical feasibility: (Production process)	Technical feasibility (Resources)	Technical feasibility (Coordination)	Financial feasibility (Start up and running costs)
Session P	Session Q	Session R	Session S	
Financial feasibility (Sales price)	Financial feasibility (Cash flow)	Enterprise plan	Market testing	

Session A: Introduction:

	Summary of session A
Introduction:	“Ice breaker”
	Overview of programme

Underlying principle of session A:

Even though the group might know each other, it is always good to start a new programme with an “Ice Breaker”, which allows groups participants and the facilitator to determine the expectations of the group members.

Outcomes of session A:

- At the end of the session the group will be able to list their expectations of the course

Ice breaker activity:

Introduce the activity without explaining the purpose of this activity.



Game: Find your partner

Purpose: To create a relaxed atmosphere and to determine the expectations of the group members.

Time: 30 minutes

Material:

Postcards, cut into two pieces (enough pieces for each member and the facilitator)

Flip chart and pen

Procedure:

- Mix the postcards and hand each member one half of a postcard
- Ask the group members to walk around and look for the person with the second part of the their postcard.

- Once each person has found his or her partner, make sure that each partner knows the other partner's name, what the name means and what the partner hopes to learn in this programme.
- Each person then reports back to the group, while the facilitator records of the expectations mentioned by each group member, on a flip chart.

Overview:

- Give a brief overview of the all the sessions, ensure that you highlight sections that will address the expectations of the group members.
- Put the schedule of meetings up for easy reference throughout the programme.

Session B: Characteristics of an entrepreneur.

Summary of session B

Training activity: Ring Toss game

Reflection: Group discussions

Enterprise Activity: Evaluating groups entrepreneurial skills

Underlying principle of session B:

Although a group may have better chance of running a successful enterprise than an individual because of shared skills and greater bargaining ability power not all people are entrepreneurs and a group needs to ensure that at least some group members are entrepreneurial inclined.

Outcomes of session B:

- At the end of this session, the group will be able to describe the characteristic of an entrepreneur.
- The group will have determined whether there is enough entrepreneurial potential amongst them to run an enterprise.

Preparation for session B

Materials:

Ring toss game requirements

Flip chart

Permanent markers



Training activity B:

Explain to the group that the first aspect to explore is how many group members are entrepreneurially inclined and that the ring toss game will assist to explore each member's entrepreneurial inclination.



Game: Ring Toss Game

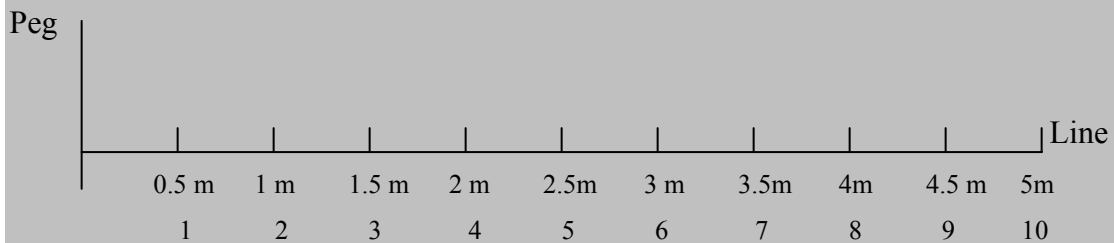
Purpose: To assist group members to start to think about their entrepreneurial skills as basis for further discussions.

Material: 4 rubber rings
 Wooden peg
 Measuring Tape (at least 6m long)
 Flip chart
 Marking pens
 Money for entering round 3

Time: 1 hour

Procedure:

- Prepare an area outside, away from the group, where a peg is placed in the one side of the area, a 5 m line is marked from the peg and each 50 cm's indicated by number ranking from 1 to 10



- Invite one group member at a time to the room and hand each the four rings:
- Explain to the participant to that they must choose a distance from the peg from where they should try and throw the four rings over the peg.
- Note down the distance chosen and number of rings thrown over the peg on a flip chart.
 - √ indicates a ring over the peg
 - x indicates ring not over peg

Example:

Name	Round 1	Ring			
	Distance	1	2	3	4
Sinah	10	x	x	x	x
Anna	3	√	√	√	√
Lina	6	x	√	√	x

- Ask each participant why they chose that distance and what they feel the reason for their success or failure were, write this down on a flip chart
- Ask each participant to return to the group and to send another person, without saying anything about the game to the rest of the group.
- Once all members have completed the game, call the group to the area where the game is set up.
- Allow each member to have a further turn with the rings, indicate that they could change their distance from the ring after every throw. Record the distance and result for each participant, on a flip chart.

Example:

Name	Round 1	Ring				Round 2							
	Distance	1	2	3	4	Distance	Distance	Distance	Distance				
Sinah	10	x	x	x	x	4	√	6	√	8	x	7	x
Anna	3	√	√	√	√	8	x	7	x	6	√	6	√
Lina	6	x	√	√	x	6	√	6	√	6	√	6	√

- After the second round, ask members who wish to enter another round where they have to pay a small entry fee such as R1,00, which will be paid out as prize money. Each participant chooses a distance and will throw four rings from the chosen distance. Record the results.
- Participants with two successful efforts will be rewarded from the entry fees according to the distance: With distance 1 no reward and distance 10 the biggest reward.
- A volunteer acts as the banker, taking in the entry fees and paying out rewards.

Example:

Name	Round 1	Ring				Round 2				Round 3				
	Distance	1	2	3	4	Distance	Distance	Distance	Distance	Distance	1	2	3	4
Sinah	10	x	x	x	x	4	√	6	√	8	x	7	x	
Anna	3	√	√	√	√	8	x	7	x	6	√	6	√	
Lina	6	x	√	√	x	6	√	6	√	6	√	6	√	–

Reflection B

- Display the results of the three rounds of the ring toss game on the flip chart and ensure that everybody understands the results and agrees with the results. Ask participants to consider why they chose the distances in the second and third rounds and what they felt about their results and if they did not participate in the third round why not?



Possible answers for different distances:

Close distance: fear of failure, wanting to complete a task

Middle distance: doing something worthwhile, set a target which is not too easy but still reachable

Long distance: having a go, for the fun of it.

- Ask participants why they have changed the distance when they were allowed?
- Were they influenced by the fact that other people could see them?



Stress that people re-assessed the situation

- Use these results to highlight the characteristics of an entrepreneur (as reflected in table 2)
- Ask why some did not participate when they had to pay an entry fee.



Possible answers: Did not want to gamble, had no money, decided they would not be successful, did not want to lose money, was not interested.



Enterprise Activity B

- Ask group members to assess whether there are group members with entrepreneurial characteristics.



If the group does not have some individuals with entrepreneurial characteristics, they need to consider whether they need to continue planning the enterprise or include a person they know with the characteristics of an entrepreneur.

Table 2. Characteristics of an entrepreneur:

Entrepreneur uses previous experiences to change the targets to improve

Entrepreneur gets satisfaction in doing something better than others

Entrepreneur sets targets that are challenging but reachable

Entrepreneur has a need for achievement

Entrepreneur does things for himself and not for an audience

Entrepreneur likes praise, but will remain within reason with his targets.

Entrepreneurs are flexible

Entrepreneurs are optimistic

Entrepreneur takes responsibility for what happens

Entrepreneurs like to set their own objective

Entrepreneurs are very committed to their tasks

Entrepreneurs are very hard workers.

Entrepreneur learns from failure

Session C: Group dynamics:

Summary of session C

Training activity: Complete the squares game
Reflection: Group discussions
Enterprise Activity: Evaluating their groups dynamics

Underlying principle of session C:

Groups running food processing enterprises need to have the ability to work together, especially through difficult stages in the enterprise cycle.

Outcome of session C:

- At the end of this session the group will be able to discuss the importance of working together as a group.

Preparation for session C

Materials:

Five sheets of paper with five different squares drawn onto them and five envelopes.
Flip chart
Permanent markers



Training Activity C

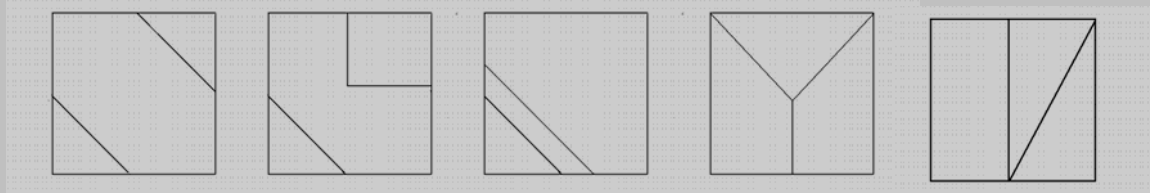
Introduce the game to the group, without explaining the purpose of this game.



Game: Complete the squares

Purpose: To help group to understand the dynamics of group work and planning an activity.

Materials: Five envelopes per group containing parts of the five different squares cut into pieces along the lines. (Annexure A contains templates form the game)



Time: 30 minutes

Procedure

- Muddle the pieces of the squares and put various numbers of pieces in the 5 envelopes
- Divide the group into smaller groups of six people per group, five participants and one observer. (If the group only have ten members, work with two groups of five, and four squares muddled in four envelopes)
- Hand each group 5 envelopes.
- Five members of each group must each finish a square (all squares must be of equal size) without speaking to each other, or grabbing from each other. Pieces may be exchanged. The task is complete when all squares are completed.
- The observers are asked to take note of the actions of his group and to give feedback after the task has been completed.



Things the observers should look out for:

Willingness to work together

How long before groups start to work together?

Does anyone hide their pieces?

Does anyone give away all their pieces?

Did anyone complete his or her piece and then lost interest with the rest?

Did anyone take the lead?

Reflection C

- Ask the groups to reflect on how they planned their work, did someone take the lead etc.
- Ask groups that did not complete the task discuss why they failed to complete the squares.

Issues that may arise:



Group behaviour

Non-verbal communication

Power and possessiveness or unselfishness and its effects on the group



Enterprise Activity C

- Explain to the group the dynamic of a group referring to Table 3.
- Discuss whether the group would be able to work together as a group taking from the experience they had during the game and considering Table 3



If the group feels that they could not work together, the need to consider disbanding the group.

Table 3 Characteristic of successful groups

Accepted leadership/ unusual leadership
 Active participation/commitment in meetings and activities
 High degree of solidarity between members
 Well-defined income generating activities
 Managerial abilities
 Sufficient group savings/resources within group
 High level of self reliance
 The initiative for the enterprise comes from the participants themselves
 Small number of people in a group
 No compulsion to join the co-operative
 Group discipline
 At least one literate member

Session D: Understanding the risks of running a food processing enterprise

Summary of session D

Training activities: Role Play

Reflection: Group discussions

Enterprise Activity: Break away groups and Plenary

Underlying principle of session D. During sessions B and C the group has determined whether they can work together and does have the qualities necessary to run a successful enterprise. If the group has realised that they could not work together and does not have entrepreneurial skills amongst them, the best would be to stop their plans to start a food processing enterprise immediately. If they can work together and does have entrepreneurial skills they have to understand the numerous risks involved when running a successful food processing enterprise and develop strategies to avoid these risks.

Outcomes of session D:

- At the end of this session the will be able to list the risks involved in running a food processing enterprise.
- The group will be able to outline plans to avoid the possible problems in running their enterprise.

Preparation for session D

Materials:

Role play outline

Flip Charts

Permanent markers

Different colours papers

Press stick or sticky tape.

Training activity D



Tell the group that they will now view a role-play, which they will discuss afterwards.

Role Play: Enterprise risks.

Purpose: To stimulate discussions about risks involved in running a food processing enterprise.

Time: 10 min

Procedure:

- Ask five members of the group to prepare a 10 min role-play, illustrating aspects that could have caused a local enterprise to fail, such as to few customers, lack of expertise underestimating start up time, lack of cash, starting too big, poor quality product, inadequate facilities etc.
- The rest of the group must carefully observe the causes of failure illustrated in the play.

Reflection D:

- Ask the group to discuss causes of failure illustrated in the play.
- Ask a group member to record the causes on a flip chart for future reference



Recording could be in words or with symbols / pictures



Enterprise Activity D

- In a group discussion, elaborate on possible causes of failures in running a food processing enterprise, record the causes mentioned.
- Break into smaller groups, ask each group to write down or draw pictures illustrating at least 4 solutions for any of the problems listed (use small colourful papers).
- Suggestions are now handed in one at a time and discussed.(stick onto flip charts).
- The group should now decide whether they still want to continue planning an enterprise, if not the group needs to consider their other options such as only coming together for social reasons.

Session E: Identifying possible food processing enterprise ideas

Summary of session E

Training activity: Creative thinking game

Reflection: Group discussion

Enterprise Activity: Brainstorming

Underlying principle of session E: The group should have a clear understanding of the risks involved in running a enterprise, and will have decided to continue planning the enterprise. At this stage the group must generate possible enterprise ideas. Each group member may have several possible enterprise ideas, which needs to be recorded before a decision can be taken. Dominant group members may try and over rule the ideas of others, which could result in viable ideas being lost.

Outcomes of session E

- At the end of this session the group will have developed a list of possible food processing enterprise ideas.

Preparation for session E

Materials:

Creative thinking game materials such as paper clips, elastic bands; paper, glue, stones, paint, tissues

Flip charts and Permanent markers



Training activity E:

Introduce the creative thinking game



Game: Creative thinking

Purpose: To assist the group to develop their own potential for creativity and innovation

To illustrate to the group that members may have different ideas and that no idea is wrong, some are just more suitable for certain situations.

Materials: Paper clips, elastic bands; paper, glue, stones, paint, tissues, etc.

Flip charts

Permanent markers

Time: 45 min

- **Procedure:**

Divide the group into two smaller groups

- Ask the two groups to produce products from the given materials or to suggest alternative uses for the different items.
- At a plenary session, allow the each group to list and show their products
- Record all the ideas on a flip chart

Example: a paper clip can be decorated with a stone and used as a bookmark.

Reflection E:

- Ask whether all the ideas in the came from one person.



Stress the fact that not one idea is wrong, members should contribute freely.



Enterprise Activity E

- Ask the group members to brainstorm possible food processing enterprise ideas.
- Record enterprise ideas on a flip chart (in words of symbols /pictures) to be used in the next session's discussions.

Session F: Ranking possible enterprise ideas

Summary of session F

Training activity: Ranking exercise
Reflection: Group discussion
Enterprise Activity: Ranking

Underlying principle of session F: The group will have developed a list of possible food processing enterprises, all of these ideas may not be viable, so the group should select the three enterprise ideas most likely to be financial viable.

Outcomes of session F:

- At the end of the session the group will be able to differentiate between a valuable but not feasible idea and a value feasible idea.
- At the end of the session the group will be able to describe how to rank an enterprise ideas.
- At the end of this session the group will have selected the three food processing enterprise ideas most likely to succeed.

Preparation for session F

Materials:

Flip charts
Permanent markers
Ranking checklist (as found in Annexure B)



Training Activity F:

Introduce the ranking exercise.

Ranking exercise:

Purpose : To assist group in understanding the process of ranking enterprise ideas to enable them to rank their own enterprise ideas.

Materials: List of possible articles developed in Training Activity E.

Ranking checklist (as found in Annexure B)

Flip charts

Permanent markers

Time: 30 minutes

Procedure:

- Record four of the proposed ideas mentioned in training activity D.
- Explain each of the issues listed under the checklist to the group.
- Ask the group to consider each of the items on the checklist and score each item as low, medium or high (stickers with symbols can be used)

Example:

Ranking Enterprise Ideas				
Checklist	Idea 1	Idea 2	Idea 3	Idea 4
	Paperclip	Rock	Tissue	Rock
	Bookmark	baby	flowers	Door stopper
Demand	M	L	M	H
Raw material available	L	H	L	H
Consistent Supply	L	H	L	H
Utilities (services)	H	H	H	H
Competition	L	L	H	L
Consumer acceptance	M	L	H	M
Capital needed	M	M	H	M
Labour	M	H	H	L
Technology	M	M	H	L
Skills available	H	M	M	M
Benefit to group and community	M	L	M	M

Reflections F:

- Rank ideas, taking into consideration the scores given to the ideas, and select the idea most likely to succeed



The example give the rock door stopper is the most likely to be a successful idea, since the resources are available, capital input, labour and competition is low and it does have some benefit to the community.

- Ask the group to break into small groups of three and briefly discuss what they consider would be the most important aspect in ranking enterprise ideas, referring to the ranking game.
- Ask the groups to indicate what they consider to be the most important when ranking an enterprise idea.



Enterprise Activity F:

- Ask the group to rank their list of possible food processing enterprise ideas, using the ranking score card used in the exercise and information readily available within the group
- Ask the group to select the three food processing enterprise ideas most likely to succeed.
- The selected ideas will be further investigated in future sessions.

Session G: Market Feasibility

During the last session three food processing enterprise ideas was selected, these ideas needs to be investigated through field surveys to further investigate the likelihood of being a successful small food processing enterprise. It is important that the information gathered in the feasibility study is as accurate as possible, which will mean a few days will be used on gathering the necessary information

Summary of session G

Training Activity: Market game

Reflections: Group discussions

Enterprise activity: Develop consumer survey questionnaire

Underlying principle of session G:

Small food processing enterprises cannot afford to pay for in depth market research, which often gets out of date quickly because of the constant change in markets. Consumer research also called marketing research will give the small enterprise valuable information on the who? what? and were? of marketing their product.

Outcomes of session G:

- At the end of this session the group will be able to explain the aspects involved in market feasibility.
- The group will have completed a consumer survey questionnaire.

Preparation for session G

Materials:

Market game requirements: : Pictures or symbols of four local products or services

Paper

Pens

Flip charts

Permanent markers



Training activity G

Introduce the market game to the group



Game: Market game

Purpose: To ensure that group understand customer demand and it's importance for successful enterprises.

Material: Pictures or symbols of four local products or services (As found in Annexure C)

Products should represent the following categories:

- Product with limited demand (eg. a book on Overseas holiday venues)
- Product that is a luxury (eg. a television)
- Product that is a necessity (eg. bread)
- Product or service high in demand(eg bicycle repairs)

NB. Do not include any of the three possible enterprise ideas chosen in session F .

Time: 30 minutes

Procedure:

- Select four active group members, each person receives one of the four items.
- Explain to them (in private) that each person will get 5 minutes wherein they pretend to sell the product by:
 - Standing in front of the group
 - Talk about the product
 - Give its price
 - Why the group should buy it.
- Allow the four people to present their products
- Ask the group to indicate one item they would buy and record it on a flip chart.

Reflections G

- Ask the group to discuss why they made their specific choices.
- Record answers on a flip chart



Possible answers may be that bread is needed every day for school lunches

Can not afford holiday overseas etc.

- Ask group members to discuss how they will find out if people will buy the four items.



Possible answers may include

Visit market or stores

Observe what people have in their homes

Talk to people

- Highlight that finding out what and how much people will buy is a consumer survey.



Enterprise Activity G

- Explain to the group that they will develop a questionnaire to interview their potential clients.
- Assist the group to develop a questionnaire for a consumer survey such as in the sample questionnaire (as in Annexure D).
- Explain to the group that they will determine their target market during the next session, and that the target market will be interviewed at a later stage.

Session H: Market feasibility (Target group)

Summary of session H

Training Activity: Simulated consumer survey

Reflections: Group discussions

Enterprise activity: Identifying target market

Underlying principle of session H: In the previous session the group will have discussed what is important to know about the market and indicated how the necessary information can be obtained. A consumer survey questionnaire was also developed. In doing the consumer survey, the group must keep their target consumers in mind and do a small consumer survey (between 20 – 30 respondents).

Outcomes of session H

- At the end of this session the group will be able to define the concept target group.
- The group will have identified their target market and target area for the consumer survey

Preparation for session H

Materials:

Questionnaire (Sample in Annexure D)

Pens

Flip charts

Permanent markers



Training Activity H:

Introduce simulated consumer survey to the group.

Simulation: Consumer survey

Purpose: To illustrate the importance of identifying the correct clients for your consumer survey.

Materials: Two products

One product must be correctly targeted for the group, and one not in demand at all (eg. bread and Zulu beer, a very strong alcoholic drink)

pens

10 Questionnaires (See annexure D)

Time: 20 minutes

Procedure:

- Select two members to carry out the consumer survey, each one will survey one product.
- Select a maximum of 10 people from within the group, to be interviewed (about both products).
- Ask two member to read out their findings per questionnaire.
- Record findings on a flip chart that have been prepared in line with the questionnaire

Example:

√ indicates yes and x indicates no.

Product 1 Bread				Product 2 Zulu Beer				
Will you buy the product								
Yes				√√√√√√√√√√				
No				x x x x x x x x				
How often?		What quantity?		How often ?		What quantity?		
		1 Loaf	2-5 loaves	6-10 Loaves		1 L	2.5 L	6-10 L
Daily	√√√√√√	√√√√√√	√		Daily			
Weekly	√√√√		√√	√√	Weekly			
Monthly					Monthly	√	√	
R per Loave		At what price? (write in amount)		R per Liter				
R 3, 50	√√√	R4,00	√√	R4.50	√√√√√√	R 20,00		
Where?								
Local store		√√√√√√		Local store				
Road stall		√√		Road stall		√		
Supermarket		√√√		Supermarket				

Reflections H.

- Ask the group to indicate which of the simulation products they would further investigate as a possible food processing enterprise and why?
- Ask them to explain why the Zulu Beer in the example scored so badly?



Target group was incorrect Zulu Beer is a niche product, only purchased by a very small number of people.



Enterprise Activity H:

- Ask the group to identify their target market and venue for the consumer survey, considering the products they have selected..



The target market for products such as sweets is mainly children, and the target venue may be a school tuck shop.

- Ask the group to select 3 members (preferably literate members) to do a survey on the three products they have selected in session F, during the next session.

Session I: Market feasibility (Consumer survey)

Summary of session I

Reflection : Explain schedule for the day

Enterprise Activity: Field trip: Consumer survey

Underlying principle: The five group members selected by the group will carry out the consumer survey, to assist in further enterprise planning. The consumer survey will be conducted on the three chosen enterprise ideas, where after the enterprise idea with the greatest change of success will be further investigated.

Outcomes of session I

- At the end of this session, the group will have completed a consumer survey.

Preparation for session I

Arrangements:

Travelling arrangements to the selected survey area completed.

Agreement with enterprise owner of enterprise where survey will be conducted.

Materials:

Questionnaires for the consumer survey

Pens

Reflection I :

- Discuss travelling arrangements.
- Remind them about the simulation consumer survey done in training activity.



Enterprise Activity I

- Field trip.
- Agree on a time to meet after the field trip.

Session J: Market feasibility (analysing consumer survey)

Summary of session J

Reflection: Reiterate analysis of simulation survey
 Enterprise Activity: Analysing consumer survey
 Group discussion

Underlying principle of session J: During session I five members of the group have done a consumer survey on the three chosen enterprise ideas. The group will analyse the results of their consumer survey, the results of the consumer survey will give them very important information for further planning such as possible competition and size of enterprise.

Outcomes of session J:

- At the end of this session, the group will have analysed the consumer survey
- At the end of the session the group will have identified the best product to investigate further.

Preparation for session J

Materials:
 Completed Questionnaires
 Flip charts
 Permanent markers

Reflections J.

- Carefully review the process that was followed in analysing the results of the simulation consumer survey.



Enterprise Activity J:

- Analyse the consumer survey. The same way the simulation survey was analysed
- Write findings on a flip chart.
- Select most promising enterprise idea by looking at the analyses.



The most promising products will be high in demand throughout the month and not only once a month.

Session K: Market feasibility (competition and promotion)

Summary of session K

Training Activity:	Promotion game Construction of promotion material
Reflections:	Group discussions
Enterprise activity:	Identifying competition Plan promotion strategy

Underlying principle of session K: A group may have a very exciting food processing enterprise idea, but if 10 other groups or a big industrial enterprise produces the same product, the small enterprise would probably not succeed. It is important that small food processing entrepreneurs know who their competition may be and plan in advance how they will promote their product to attract clients or change their product or product line.

Outcomes of session K

- At the end of this session the group will be able to explain the importance of knowing their competition.
- At the end of the session they will have developed a list of potential competitors.
- At the end of the session the group will have develop a promotion plan.

Preparation for session K

Materials:

Role play outline

Paint, colouring pencils; glitter; glue etc.

Examples of promotional material such as posters, brochures etc.

Flip chart

Permanent markers



Training Activity K1:

Introduce the role-play



Promotion game:

Purpose: To illustrate the importance of understanding whom the competition is, and the role of promotion and attracting clients

Materials: Three pictures of the same product (eg. Peach Jam) (examples found in Annexure E)

Time: 15 Minutes:

Procedure:

- Select three members to act in the play.
- Each person receives a picture of the same product.
- Explain to them (in private) that each person will get 5 minutes wherein they pretend to sell the product, emphasis that since it is the same product, they need to be specific as to why their product is better than the others.
- Allow the three people to promote their product

Reflections K1.

- Ask the group to indicate who's product they would choose and why.
- Record their answers on a flip chart.



Enterprise Activity K1:

- Divide the group into two and ask each group to list the possible competition for the selected food processing enterprise idea on a flip chart.
- Ask groups to report back and record answers on a flip chart
- Ask the big group to discuss the extend of the competition.
- Record findings of the plenary discussion on a flip chart.



Questions to answer

Is there enough customer demand for more than one similar enterprise?

Why would people buy from them instead of from the other enterprise?

Can they compete with existing competitors?

- Ask the group to consider how many products they would be able to make and successfully sell.



They need to look at the results of their consumer survey, done in session I as an indication of the market size and consider their own capacity.



Training Activity K2:

Introduce the training activity to the group

Developing promotion material:

Purpose: To get practical experience in developing promotion material.

Materials:

Paper, Flip chart paper, paint, colouring pencils , glitter, glue, etc

Examples of promotional material such as brochures.

Time: 30 minutes:

Procedure:

- Show the group the examples of promotional material.
- Divide into 4 smaller, ask each group to develop promotional material for one of the four products used in training activity G. (one product per group)

Reflections K2.

- Each group presents their promotional material in a plenary session
- Ask the group to evaluate the promotional material and indicate the promotional material that attracts them the most.



Enterprise Activity K2

- Discuss the different methods of promotion using Table 4 as a guideline
- Ask the group to list the promotional methods they will use for their enterprise idea

Table 4: Methods of Promotion

- **Media:** Radio adverts , Television adverts, Newspapers
Media adverts are very effective by extremely expensive
- **Posters:** Big sheets of cardboard , with relevant information, that can be put up in the village.
Care needs to be taken not to put too much information that will overcrowd the poster and loose the effectiveness of the message.
- **Sign board :** Similar to posters, but can normally stand by itself. Remember to renew posters and signboard regularly to keep customers interested.
- **Personal and family contacts:** Word of mouth advertising can be very affective, group members are asked to tell their friends and family of the planned business.
- Going from **door to door** in the community to sell the product.
- **Leaflets:** Small pieces of paper with the necessary information. Can be distributed widely in the community.
- **Discounts:** Special opening discounts, specials for eg. the first week of business such two for the price of one.
- **Free samples:** Small samples of the product are given away during eg the opening day or at shows and other community gatherings.
- **Demonstrations:** Giving a demonstration at the sales point.
- **Attractive packaging** can also attract attention and thus e seen as promotional material.

Costs are very important: Advertising should increase sales to cover costs of the advertising

Session L: Technical feasibility (Production process)

Summary of session L

Training activity: Preparing one batch of selected product.

Reflections: Group discussions

Enterprise activity: Develop production process chart..

Underlying principle of session L:

In producing one batch of the selected product, the group will have the practical knowledge of the process involve in making their product, and will have a clear understanding of all the ingredients, and other materials needed to produce the items.

Outcomes of session L:

- At the end of the session the group will be able to explain the production process involved in making their product.
- The group will have developed a complete list of ingredients, equipment and packaging material necessary for their food processing enterprise

Preparation for session L

Selected recipe

Purchase ingredients and containers

Flip charts

Marking pens



Training Activity L:

Ask the group to prepare one batch of the product they have selected, following a recipe they have jointly selected.

After preparation the products needs to be packed and labelled ready for 'selling'.

Reflections L.

- Ask the group to evaluate according to taste and appearance.

**Enterprise Activity L:**

- The group must now write down the production processes involved in producing their product.
- Ask the group to list on a flip chart all the ingredients, equipment and packaging material needed for the product.
- Ask the group to draw up their production process chart (sample flow chart in *Annexure E*)

Session M: Technical feasibility (Resources)

Summary of session M

Training activity:	Site visit successful local food enterprise
Reflections:	Group discussions
Enterprise activity:	Develop list of resources needed for food processing enterprise

Underlying principle of session M:

In doing the technical feasibility study, the group will list all the resources they need to run the enterprise. If great care is not taken during this process, important factors may be left out, creating hidden costs, which could cause the group enterprise to fail.

Outcomes of session M:

- At the end of the session the group will be able list the technical requirements of the food processing enterprise.
- At the end of the session the group will have developed a complete list of resources necessary for their food processing enterprise

Preparation for session M

Arrangements:

Travelling arrangements for visiting successful food processing enterprise
 Agreement with food processing enterprise or factory to be visited.

Materials:

Picture examples of good and poor facilities
 Flip charts
 Marking pens



Training Activity M

Introduce activities for the day.

Field visit

Purpose: To allow the group to view a food processing enterprise or factory and thus identify with the technical requirements of a food processing enterprise.

Materials: Picture examples of good and poor facilities (annexure F)

Flip charts and Permanent markers

Transport

Time: 2 - 3 hours (depending on the distance to the food processing enterprise)

Procedure:

- Prepare the group for the visit by showing them the pictures of good and poor facilities to alert them what to look for.
- Provide group members with small note books I order for them to make notes during the site visit.
- Accompany group on the visit to the food processing enterprise

Reflections M.

- Ask the group to list or draw pictures of all the resources they can remember from their visit.



Enterprise Activity M:

- Ask the group to use the list they have prepared in reflections M, as a basis and to add or delete the resources they would need or not need. (Refer to table 5 as a guideline)

Table 5 Possible resources**Buildings:**

Insect- and rat proof, easily cleaned, sealing panels which will not allow dust to gather, large enough room for work required, equipment laid out to prevent cross-contamination, away from direct sunlight, no water leaks or damp walls, sufficient ventilation, storage facilities, available and secure

Access to services;

Clean water, energy sources such as electricity, gas or coal, waste disposal system, adequate roads and transport

Labour:

Number of people needed to run enterprise, are they available at what salaries, group members or employees, are salaries affordable

Equipment:

Availability, correct size equipment for the production level, cost of purchasing equipment, can equipment be manufactured at a local workshop, maintenance and repairs facilities available and at what cost.

Raw material:

Availability of raw materials, reliability of supply, quality good enough, cost satisfactory to keep up production, competition in usage of inputs, suitable affordable packaging materials.

Skills

Technical and managing skills available, training facilities available, cost of acquiring such skills

Session N: Technical feasibility(coordination)

Summary of session N

Training Activity: Role play
 Reflections: Group discussions
 Enterprise activity: Allocate managerial responsibility

Underlying principle of session N:

The group might have listed humans as resources required for a food processing enterprise, at this stage the group will have to consider whether they have the necessary capacity to manage the enterprise and if they need to acquire skills they need to identify service providers that could assist them in acquiring the skills.

Outcomes of session N

- At the end of this session the group will be able to describe the main areas of the enterprise that needs to be coordinated.
- At the end of the session they will be able to identify the responsibilities of the enterprise's respective coordination positions.
- At the end of the session the group will be able to allocate the coordination responsibilities to specific group members

Preparation for session N

Materials:

Role play outline
 Outline of the main coordination positions and their main responsibilities
 Flip chart and Permanent marker



Training Activity N:



Introduce the role-play

Role play: Organising a Church fete

Purpose: To illustrate to the group that organising an event requires the same skill as running an enterprise.

Time: 30 min

Procedure:

- Select 5 women for the play and brief them about the play:
- The 5 women will be role playing organising a local fete.
- Responsibilities are: keeping track of expenses, sourcing inputs for the different tables , advertising the fete , organising the food preparations and general monitoring of the progress and assisting to solve unexpected problems.
- Allow them to do the play , while the rest of the group carefully observes.

Reflections N:

- Ask the group to indicate how the work was divided and who did what.
- Display the 5 main managerial positions for a food processing enterprise and briefly discuss their responsibilities and the qualities of the person handling those positions.



Enterprise Activity N:

- Ask the group to carefully consider the managerial positions and decide who in the group would be best able to take the responsibilities for the managerial positions.
(Refer to table 6 as a guideline)

Table 6: Responsibilities of enterprise managers**Marketing and sales coordinator**

- Finds out what the consumer wants
- Advises the production coordinator on consumer demand
- Coordinates promotion of the product
- Make necessary arrange for selling of products
- Keep an eye on the competition

The person should be full of ideas, likes to work with people and must be an outgoing person.

Record keeping coordinator

- Keep record on members contribution
- Keep simple enterprise records and keep members informed

The person must have basic literacy and simple arithmetic; she must understand profit and loss

Production coordinator

- Ensure that product is of the correct quality and quantity
- That products are available at the right time
- Ensure that production cost is kept as low as possible

She must be technically competent and willing to work long hours

Supply and inputs coordinator

- Makes sure that all the necessary inputs are available
- Check s raw product in stores regularly
- Makes the arrangement for the storing of inputs.

This person must like it to talk with people and must have basic literacy, simple arithmetic

General coordinator

- Keeps track of all activities
- Is involved in major decisions
- Ensures that the group remains motivated.

She must be a good leader, accepted by all and can make fast decisions.

Source: FAO (1995)



Session O: Financial feasibility (start up and running costs)

Lack of proper financial planning is one of the major contributors of small food enterprises failing. The group needs to understand all the costs involved in planning a enterprise, especially the hidden costs, they also have to have a good idea of where the required funds will be obtained from, before they start their enterprise.

Summary of session O

Training Activity: Illustrative case studies

Reflections: Group discussion

Enterprise activity: Investigation to determine start up and running costs

Underlying principle of session O:

In session J, the group has determined that there was a market for at least one of their products, and estimated what the size their enterprise should be. During session M they determined which resources they need to start their enterprise. Finance is a vital resource for the food processing enterprise and the group will have to carefully determine the costs of starting and running their enterprise.

Outcomes of session O:

- At the end of this session the group will be able to explain start up costs and running costs
- The group will be able to differentiate between fixed and variable costs.
- The group will have item wised estimates for the start up cost and running costs for their planned food processing enterprise.

Preparation for session O

Materials:

Illustrative stories of a small entrepreneur producing and selling Jam
 Transport arrangements for cost investigation.
 Table formats for estimations (as in Annexures G and H)
 Flip charts
 Permanent marking pens



Training Activity O:

Introduce the first illustrative case study

Illustrative story

Purpose: To Illustrate what is meant by start up costs

Illustrative Story: Jam making enterprise:

Jane and Zandile is on the verge of starting their small jam making enterprise in a rural village supplying jam to a farm stall 15 km's from them. They will be renting a small room @ R40,00 per week, and will have to buy a stove, pots and other small accessories @ R 3500. They will get fruit from their own fruit trees, but have to buy sugar @ R200 per month. Water is free, they will not have extra workers, but hopes to each take a salary of R250 per week. They will transport the jam to the farm stall themselves but their car needs a good service, they worked out that the weekly fuel cost would be R20,00. They loaned R2000,00 from the Land Bank's Step up plan and will be repaying it @ R100 per month over two years.

Reflections O:

- Explain the difference between fixed costs and variable costs using the definitions in Table 7.
- Ask the group to identify the start up cost of the illustrative case story and to complete the format provided.

Example

Start up costs			
Resource	What we need	Where can it be obtained	Cost of resource
Equipment	Stove, pots, bottles	Cash and Carry	R 3 500
Raw products	Sugar	Makro	R 200
	Fruit	Own garden	R 100
Packaging	Bottles	Victoria Packaging	R 50
Transport	Car (service)	Own	R 500
Labour		Own	R 2000
Promotion	Poster	Make	R 100
Training	Book keeping	Department of Agriculture	R 160
TOTAL			R 6 610

**Enterprise Activity O:**

- Select two group members to carry out an investigation on actual costs of resources required for their food processing enterprise (per item as was identified enterprise activity M).



The facilitator may have to assist the group in identifying service providers such as packaging suppliers and where necessary with transporting investigators. etc.

- Using the information gathered from the investigation complete the costs estimates for of the resources listed (per item) for their food processing enterprise. (using list provided)

It is important for the group to understand that they need to include all costs in their estimation, even if they do not have to buy something, since it will be part of the investment.





Training Activity O 2

Introduce the follow up case study.

Illustrative story: Jam making enterprise:

The small jam making enterprise of Jane and Zandile has steadily grown. They are still supplying Jam to the market stall 15 km's from them. They are still paying R100,00 per month to Land Bank. During peak season they supply 200 bottles of jam per week, off-season they only supply 100 bottles of jam per week.

Unfortunately certain costs have to be paid irrespective of the quantity of jam produced. Their respective costs are R40 for sugar per batch R1.75 per bottle , promotional material costs them R20 ,00 per month.

Example : Off –Season costs

Resource	Cost per production cycle (1 cycle per week)	Cost per year
Fixed costs:		
Transport	R20,00	R 960,00
Labour/ salary	R250,00	R 12 000,00
Rent	R 10,00	R 480,00
Loan payment	R25,00	R 1 200,00
Electricity	R30,00	R 1 440,00
Sub Total	R 335,00	R 15 600,00
Variable Costs		
Raw products	R 40,00	R 1 920,00
Packaging	R 175,00	R 8400,00
Promotion	R 5,00	R 240,00
Sub-Total	R 220,00	R 10800.00
Total Costs	R 775,00	R 17400,00



Labour, electricity and transport may also be variable, if the quantity produces affect it, eg. If casual labourers are employed during peak seasons or if products are transported to the farm stall less frequently (Table 7)



Enterprise Activity O

- Ask group to decide on fixed costs and variable costs and to complete a table indicating the costs per production cycle and per year.
- Ask the group to discuss own contribution



A production cycle is the cost of making one batch of their product.
Own labour should also be included as an expense.
Loan repayments should also be included if applicable.

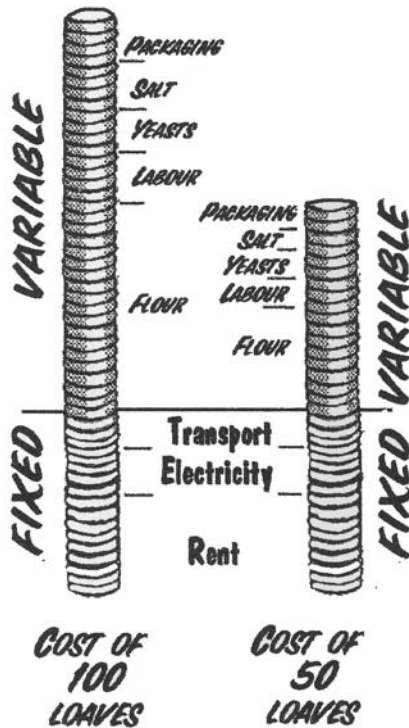
Table 7 Definitions of cost :

Start Up costs: The total costs involved in starting a new enterprise, it includes the premises, services, transport, raw material, packaging, labour training etc. together with the first production cycle costs.

Running costs: The cost involved in producing the food product and is divided into fixed and variable costs (Picture ⁹⁾

Fixed costs: The running costs that stays the same irrespective of the quantity of the product that is produced such as transport, loan repayment and rent.

Variable costs: Running costs that will change according to the quantity of products produced such as input costs, packaging and promotion.



Picture Source: FAO (1995)

Session P: Financial feasibility (Sales price)

Summary of session O

Training Activity: Role-play
Reflections: Group discussions
Enterprise activity: Estimate sales price

Underlying principle of session P:

The group has now carefully worked out the starting cost and running cost of the enterprise. The sales price now needs to be determined, at this stage it is important to remember all your expenses, if your sales price is set below your production cost per unit, the enterprise will run at a loss.

Outcomes of session P:

- At the end of this session the group will be able to describe sales price and how to determine sale price.
- At the end of the session the group will have estimated the sales price for their products.

Preparations for session P

Materials:

Role-play outline

Flip charts and Permanent markers

Calculator



Training Activity P:

Introduce the role-play to the group.

Role Play:

Purpose: To illustrate to group factors to remember when deciding on sales price.

Two individual women decided to each start a enterprise selling fresh produce.

Time: 15min

Procedure:

Select 5 women to take part in role play and explain the play to them, away from the rest of the group (Farmer, table owner, seller and two aspirant entrepreneurs).

First women: With R50 she had, she bought mangoes at R1,00 each, she found a table at the market (without talking to the owner of the table) and is selling the mangoes for R2,00 each. She sells her mangoes very fast because it is so cheap . At the end of the day the owner of the table comes to collect his R100,00 rent for the table.

Second women: After deciding to sell fruit she first goes to the farmer to find out what it would cost to buy 50 pieces of fruit. Then she goes to the person renting out tables at the market to find out what the rent per day for a table is. She then observes at the market what fruit other sellers sell and at what price and counted the number of people passing buy and how many buys fruit.

With this information she worked out her costs, her possible sales and what her price should be to make a profit.

Only the next day did she start her enterprise, buying mangoes at R1, 00 a piece and selling them at R3,50 a piece. Being able to pay the rent for the table and still have a profit of R25,00.

Reflections P:

- Refer to the role-play and ask the group to discuss the difference between the two women's approaches to starting their enterprise. Record the answers on a flip chart



Important differences:

First women rushed in without any investigating

Second women investigated input price, other expenses, and competition and potential customers



Enterprise Activity P:

Assist the group to work out their sales price by using the given formula and the definition in Table 8:

$$\text{Item cost} = \text{Total running cost per month} \div \text{no of item}$$

$$\text{Sales costs} = \text{Per item cost} + \text{profit per item}$$

Example

$$\text{Item cost} = \text{R } 775,00 \div 100$$

$$= \text{R } 7,75$$

$$\text{Sales price} = \text{R } 7.75 + 2,50 \quad (\pm 30\% \text{ profit})$$

$$= \text{R}10,25$$



The group needs to refer back to results of the market survey done in Enterprise activity sales price should always be higher than running cost per item otherwise enterprise will run at a loss, if not possible group has to reconsider enterprise idea.

Sales price needs to be revised constantly, as input cost will vary constantly.

Table 8: Definition of sales price

Picture Source: FAO (1995)

Item cost = Total running cost per month ÷ no of item
 Sales price = Per item cost + profit per item

The diagram illustrates the relationship between Session and Financial terms. It shows two scenarios: 'No Profit' where Session and Financial costs are equal, and 'Loss' where Session costs are higher than Financial costs. Labels include COST, INCOME, PROFIT, and LOSS.

Session **Q:** **Financial**

Feasibility (Cash flow)

Summary of session P

Training Activity: Illustrative story
 Reflections: Group discussion
 Enterprise activity: Draw up cash flow

Underlying principle of session Q:

A cash flow forecast is very important when planning a new enterprise, it helps the group to plan ahead, the group could see when possible losses may occur and can plan ahead to ensure that all expenses are paid.

Outcomes of session Q

- At the end of this session the group will be able to describe the importance of a cash flow.
- The group will be able to define the terminology "profit" and "losses".
- The group will have drawn up their food processing enterprise cash flow.

Preparation for session Q

Materials:

Illustrative case story

Flip charts

Permanent markers

Calculator

Cash flow format (as per annexure I)



Training Activity Q:

Introduce the story of Justice and Lucy .

Illustrative story:

Purpose: To illustrate the importance of having a cash flow indicating when profit or losses can be expected.

Time: 15 min

The family wants to buy an iron which will cost them R70,00. They need to find out if and when they will have enough money to the iron in the next year.

Income: Justice earns R 600,00 six month a year working as a casual labourer.

(Jan; Mar; June; Aug; Oct; Dec)

Lucy gets R300,00 for her vegetable crops in May and September

Expenses: They need R300,00 per month for their expenses.

Subtract each months expenses from the income or profit available in that month.

Add up the income for the year

Add up the expenses for the year

Subtract total expenses from total income to get to total profit for the year.

Example:

Year 1													
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Tot
Income	600		600		300	600		600	300	600		600	R4200
Expenses	300	300	300	300	300	300	300	300	300	300	300	300	R3600
Profit / Losses (Accum)	300	0	300	0	0	300	0	300	300	600	300	600	R 600

Reflections Q:

- Ask the group to indicate when if the Justice and Lucy would be able to buy an iron and if so, when they think the best month will be to buy it?



Enterprise Activity Q:

- The group must now work out their cash flow for one year with the information they have gathered up to this stage using the format provided in annexure I.
- Use the year one cash flow as a basis and develop the second and third year cash flow for the food processing enterprise
- Ask the group to consider what they will do to cover their expenses during the months they expect losses.



Possible alternatives:

Not to take salaries during months of losses

To produce complementary products when main products are not available.

Session R: High risks and financial management

Summary of session R

Training Activity:	Illustrative story
Reflections:	Group discussion
Enterprise activity:	Considering high risk factors for their business Taking preliminary enterprise management decisions Evaluating and deciding to continue with enterprise plan

Underlying principle of session R:

The group has now done thorough financial assessment, and is now at the stage where they must make a final decision as to continue or stop the enterprise planning. They need to re-consider the constraints that faces small food processing enterprises as was discusses during session D and decide which off these risk factors will be a real thread to them and how they will avoid these risks, through sound enterprise management.

Outcomes of session R:

- At the end of this session the group will be able interpret the high risks factors that will have an influence on their enterprise.
- At the end of the session the will be able to make preliminary business management decisions to avoid the risks.
- At the end of the session the group will have evaluated their food processing enterprise and made a decision to continue or not.

Preparation for session R

Materials:

Illustrative case story

Flip charts

Permanent markers



Training Activity R:

Introduce the illustrative story

Illustrative case story

Purpose: To Illustrate risks

Illustrative case study: Jam making enterprise:

Jane and Zandile is on the verge of starting their small jam making enterprise in a rural village supplying jam to a farm stall 15 km's from them. They will be renting a small room @ R40,00 per week, and will have to buy a stove, pots and other small accessories @ R 3500. They will get fruit from their own fruit trees, but have to buy sugar @ R200 per month. Water is free, they will not have extra workers, but hopes to each take a salary of R250 per week. They will transport the jam to the farm stall themselves but their car needs a good service, they worked out that the weekly fuel cost would be R20,00. They loaned R2000,00 from the Land Bank's Step up plan and will be repaying it @ R100 per month over two years.

During peak season they supply 200 bottles of jam per week, off-season they only supply 100 bottles of jam per week.

Jane decided that she needed new clothes for the winter and took all the money they have made during the last 6 months from the business to buy the winter clothes. When Zandile, needed to buy more ingredients, she found that there was now money left in the savings account. This resulted in the production of jam stopping, they lost their contract for supplying jam and the business had to close start all over again.

Reflections R:

- Ask the group to identify the problem in the illustrative story.

- Ask the group to give suggestions as to how the problem could have been avoided.



Enterprise Activity R:

- Now that the group has done a complete feasibility study, they need to revise the list of risks they have identified in session D.
- The group now needs to decide on preliminary managerial decision such as profit and losses sharing amongst the group.
- What percentage of the profits will be ploughed back into the business?.



Enterprise Activity R 2

- Ask the group to use the checklist provided in annexure J, as a tool to decide whether to continue with the proposed food processing enterprise.



If the group feels that the enterprise would not succeed, they need to repeat all the processes from phase 2 with the second food processing enterprise idea

Session S: Enterprise plan

Summary of session S

Training Activity: Role Play
 Reflections: Group discussion
 Enterprise activity: Writing the Enterprise plan

Underlying principle of session S:

A simple but well written enterprise plan is of the utmost importance for any group wanting to start a enterprise. All the information gathered during the feasibility studies are sorted out and described in the enterprise plan in a logical manner, in so doing showing that the enterprise could be a success, it would give a prospective financier the confidence that the group are well prepared and that a loan will be repaid.

Outcomes of session S:

- At the end of this session the must be able to explain the importance of a enterprise plan
- At the end of the sessions the group will have a completed an enterprise plan for their food processing enterprise.

Preparation for session S

Materials:

Role play outline
 Enterprise plan format (annexure K)
 Flip charts
 Permanent markers
 Pens



Training Activity S:

Introduce the role play to the group

Role Play:

Purpose: To strengthen the importance of a well written enterprise plan

Time: 15 minutes

Procedure

Select three people from the group to be part of the role play.

Players: Bank manager. Mr Mkhize

Mrs Dlamini (hopeful entrepreneur without enterprise plan)

Mrs Khoze (hopeful entrepreneur with enterprise plan)

Brief players separate from the rest of the group about their roles:

Mrs Dlamini will be very organised with all the facts available in the enterprise plan.

Mrs Khoza will not have the necessary information and will keep looking for answers

The Bank manager will ask questions about starting costs, running costs, markets etc.

Bank manager sits behind a desk, aspirant entrepreneurs visits him one at a time requesting financial assistance.

Mrs Dlamini obtains a loan, while Mrs Khoza is send away empty handed

Reflections S:

- Discuss the different results of the visit to the bank manager.
- Record comments on a flip chart



Enterprise Activity S:

- Draw up a enterprise plan for the chosen food processing enterprise following the enterprise plan in Annexure K.

Session T: Market testing

Summary of session T

Training activity: Simulation sensory evaluation

Reflections: Group discussion

Enterprise activity: Field trip to market outlet : Market testing of Product line

Underlying principle of session T:

It is important to determine consumer preference in a pilot situation, before the group starts full- scale production. A batch of the product should be prepared and potential consumers should evaluate the product taste, colour and even packaging and size. The information gathered during this process will ensure that the group produce products that will be acceptable to the consumer.

Outcomes of Session T:

- At the end of the session the group will be able to explain the importance of sensory evaluation.
- The group will have done a market testing.

Preparation for session T

Arrangements:

Agreement with shop owner for market testing in the shop

Travelling arrangements must be complete to go the shop

Materials:

Sensory evaluation forms (Annexure L)

Samples of the product eg jam.

Sample packaged in correct packaging material glass bottle.

Labels to be used on product

Pens



Training Activity T:

Explain the process of sensory evaluation to the group

Simulation: Market testing

Purpose: To introduce the group to sensory evaluation as preparation for sensory testing of their selected product.

Materials:

Evaluation forms (Annexure L)

Colour stickers for evaluation.

Sample products (not own product eg. Jam)

Time: 30 minutes










Procedure:

- Prepare an area for the sensory evaluation, setting out tables, chairs and evaluation forms.
- Ask two members to be the test officials, the rest of the group will evaluate the product

Example

Please use the stickers provided to indicate how much you like the mentioned aspects.

Thank you.

Colour			
Taste			
Packaging			


- Aspect that will be evaluated will be taste and colour and packaging.
- Stickers will be used.
- Once an individual has completed the sensory test, she will be shown a product in the packaging material.
- Ask the person to evaluate the packaging of the product on the space provided on the form.

Reflections T

- Summarise the findings of the market test using sample format in Annexure .

Example

Record results:			
	😊	😐	☹️
Colour	√√√√√	√√√	√
Taste	√	√√√√√√√	√√
Packaging	√ √√√√√√√√	√	

 *The results of the example indicates that some more work needs to be done on the taste of the product. The group in the example will have to make another batch of the product, adapting their recipe and re-test it before they could start the commercialisation . The colour and packaging are excepted by the test group.*

- Discuss the findings, should the product or packaging be changed?

Enterprise Activity T:



- Select 5 members to do the market test.
- Accompany them to the arranged shop, and allow them to do the sensory test and packaging test.
- On return, record the findings and discuss whether something on the product needs to be changed.



If the results indicates some problem, the group needs to make another batch, correcting the problem and retest the sample.

Conclusion

Congratulation, you are now ready to start your food processing enterprise

If you have not done it by now you can now submit your enterprise plan to the Department of Agriculture and Environmental Affairs or any other institution of your choice.

If you need further assistance you could contact the following offices of the Department of Agriculture and Environmental Affairs.

ADSS: Value Adding	S E Mans M T Mbuyazi H T Ngubane	033 355100 x 837 033 355100 x 033 355100
South Region	M T Msomi I Sonjica D Sabelo D Mkhwanzi	033 3438300 039 6822045 031 3022800 031 3022800
North Region	B Jikijela N Mzinyane L Sikhosana	035 5500210 035 8310326 034 2181041

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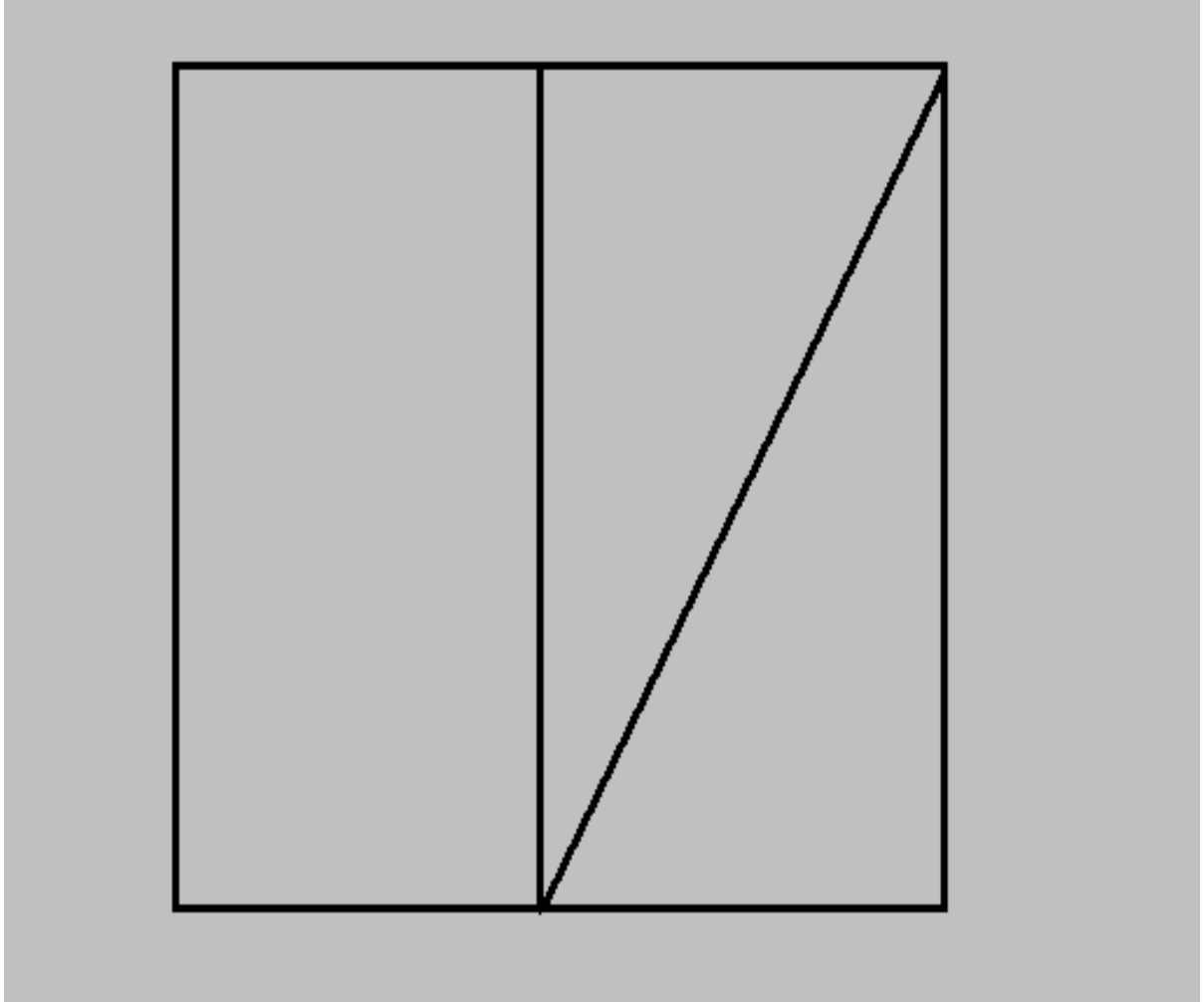
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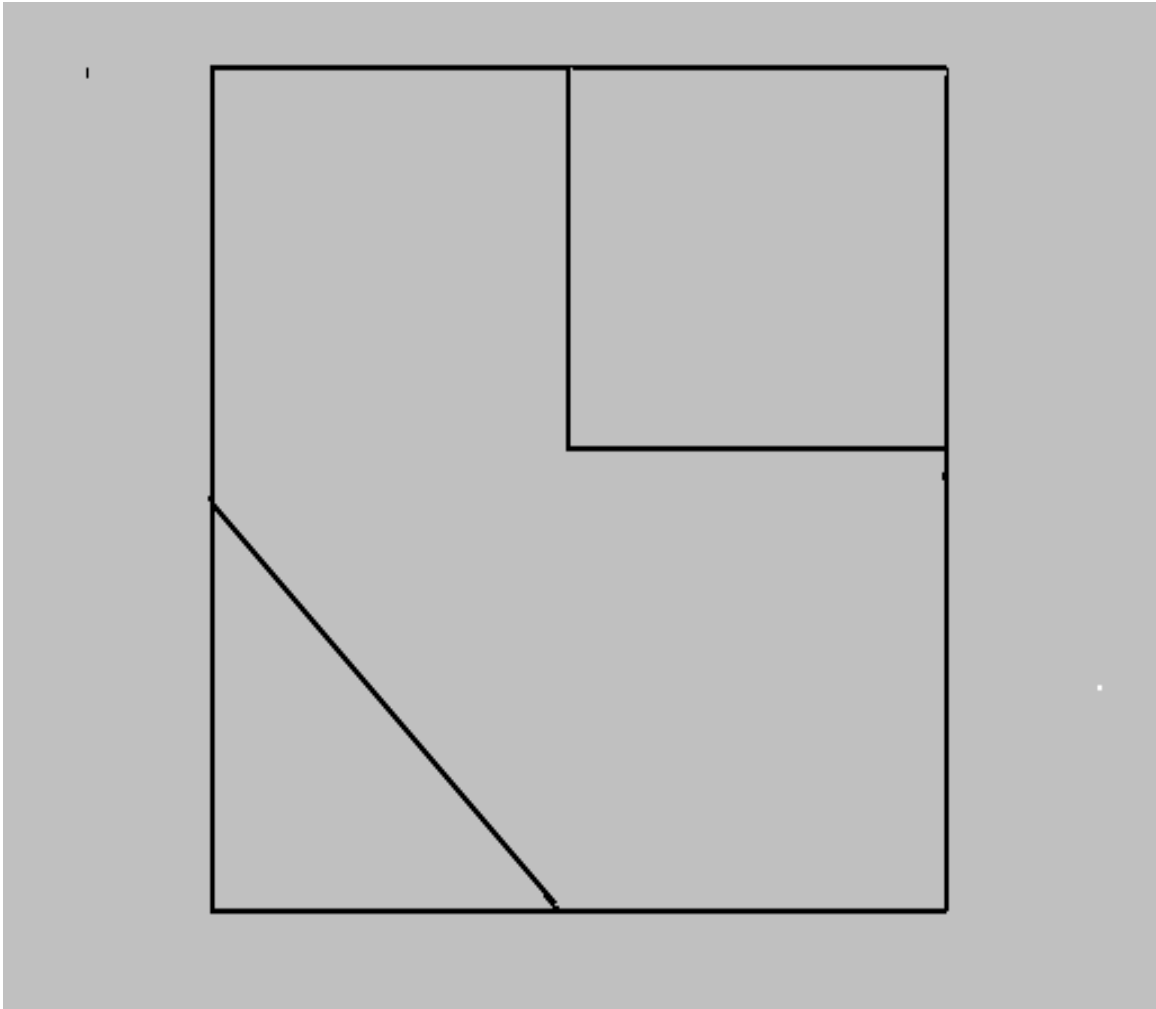
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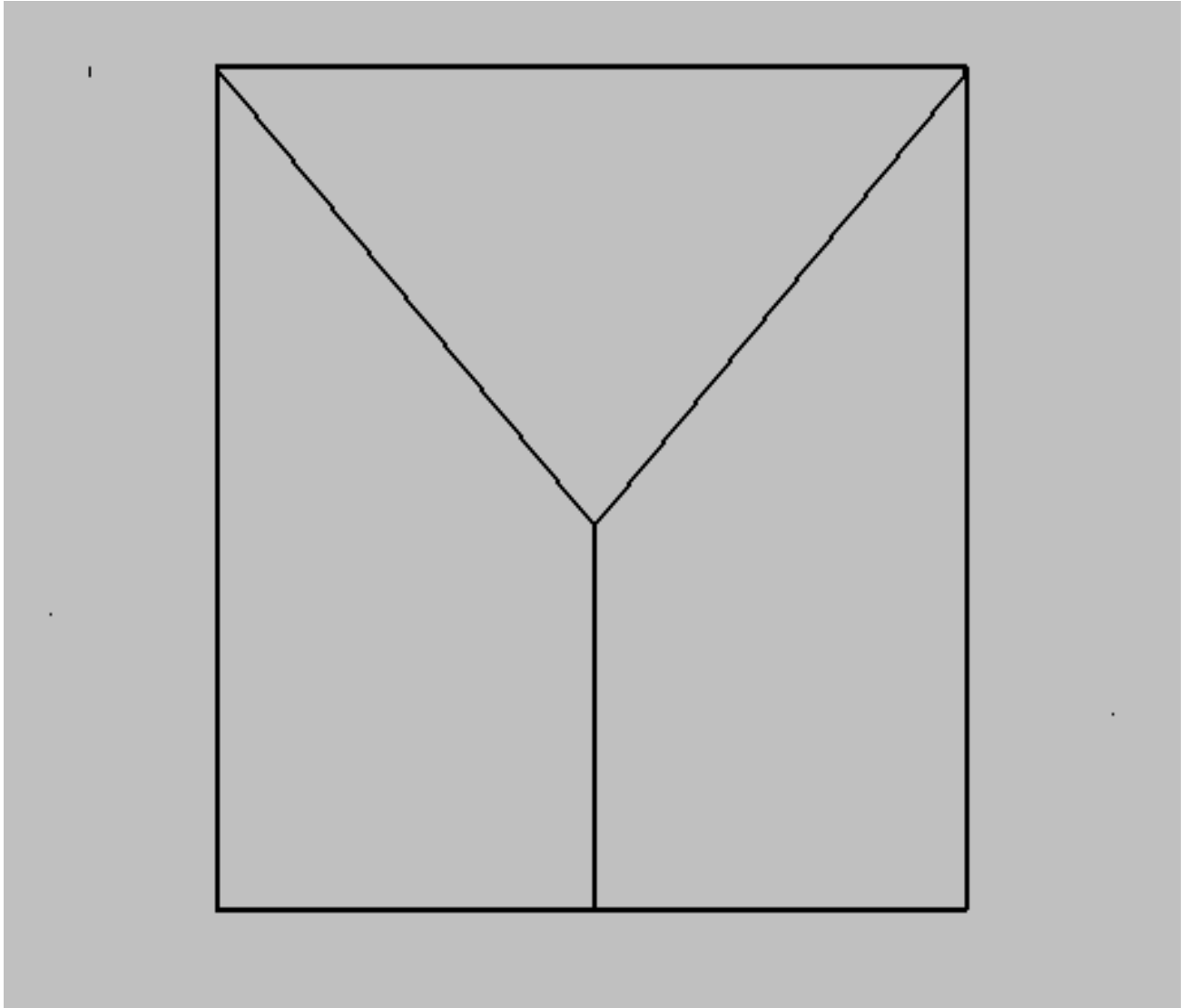
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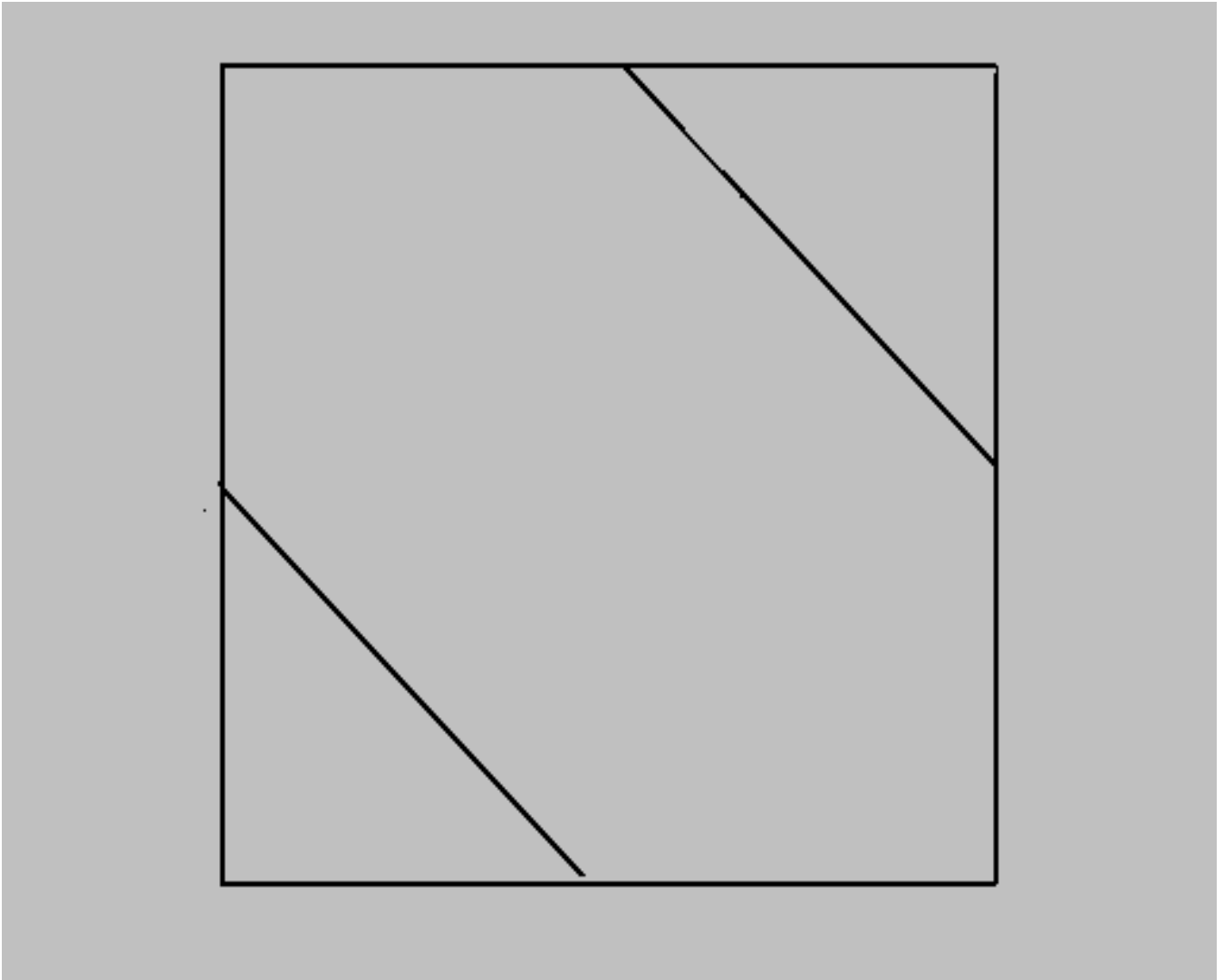
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Annexure A: Complete the squares group dynamic game







Annexure B: Enterprise idea checklist

Checklist	Idea 1	Idea 2	Idea 3	Idea 4
Demand				
Raw material available				
Consistent Supply				
Utilities (services)				
Competition				
Consumer acceptance				
Capital needed				
Labour				
Technology				
Skills available				
Benefitto group and Community				

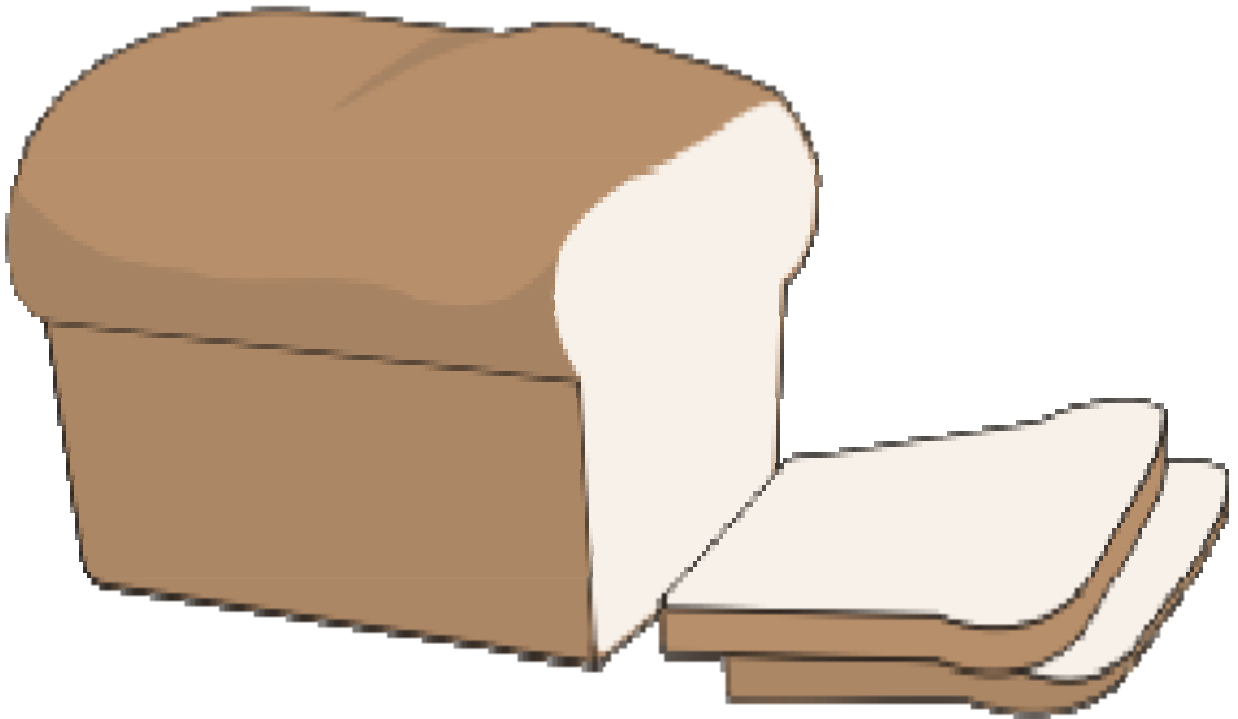
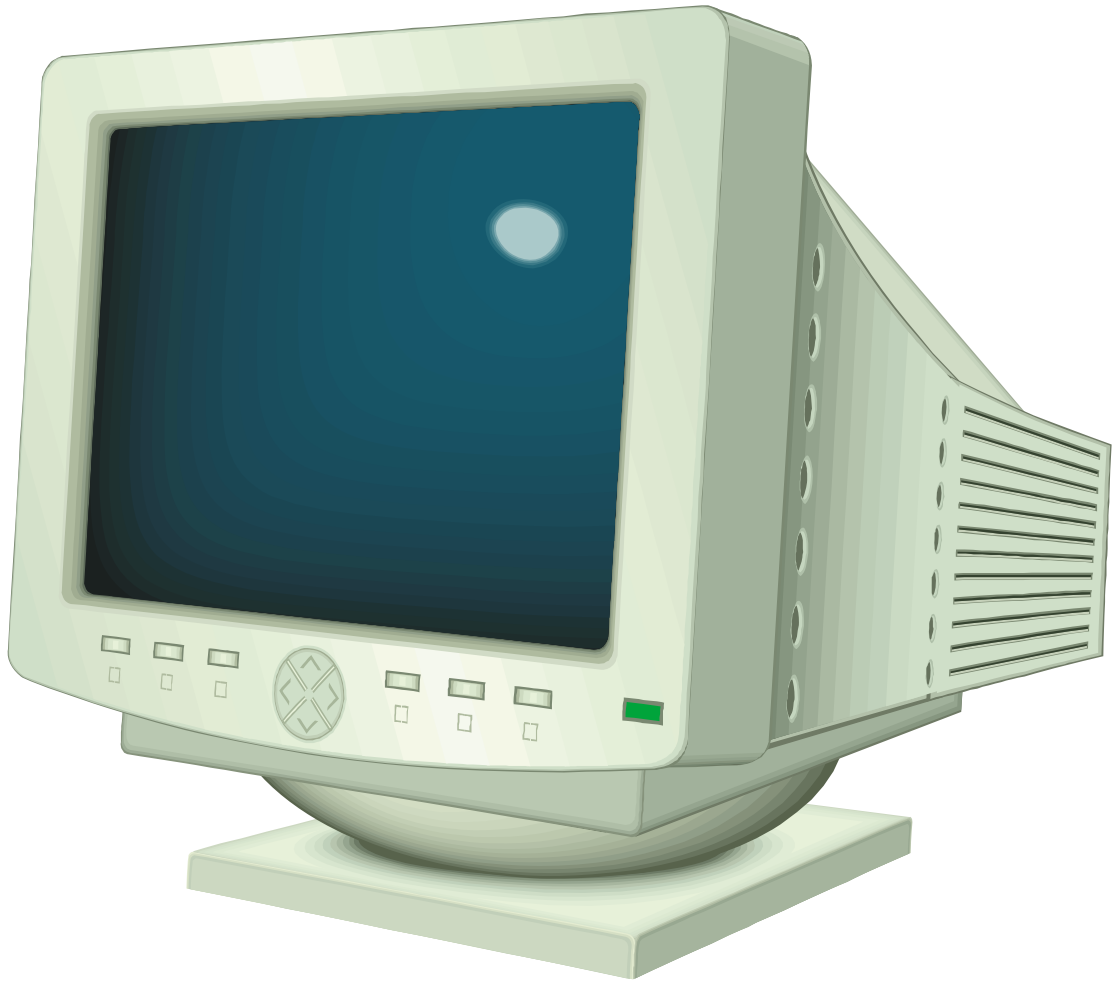
How to use the format:

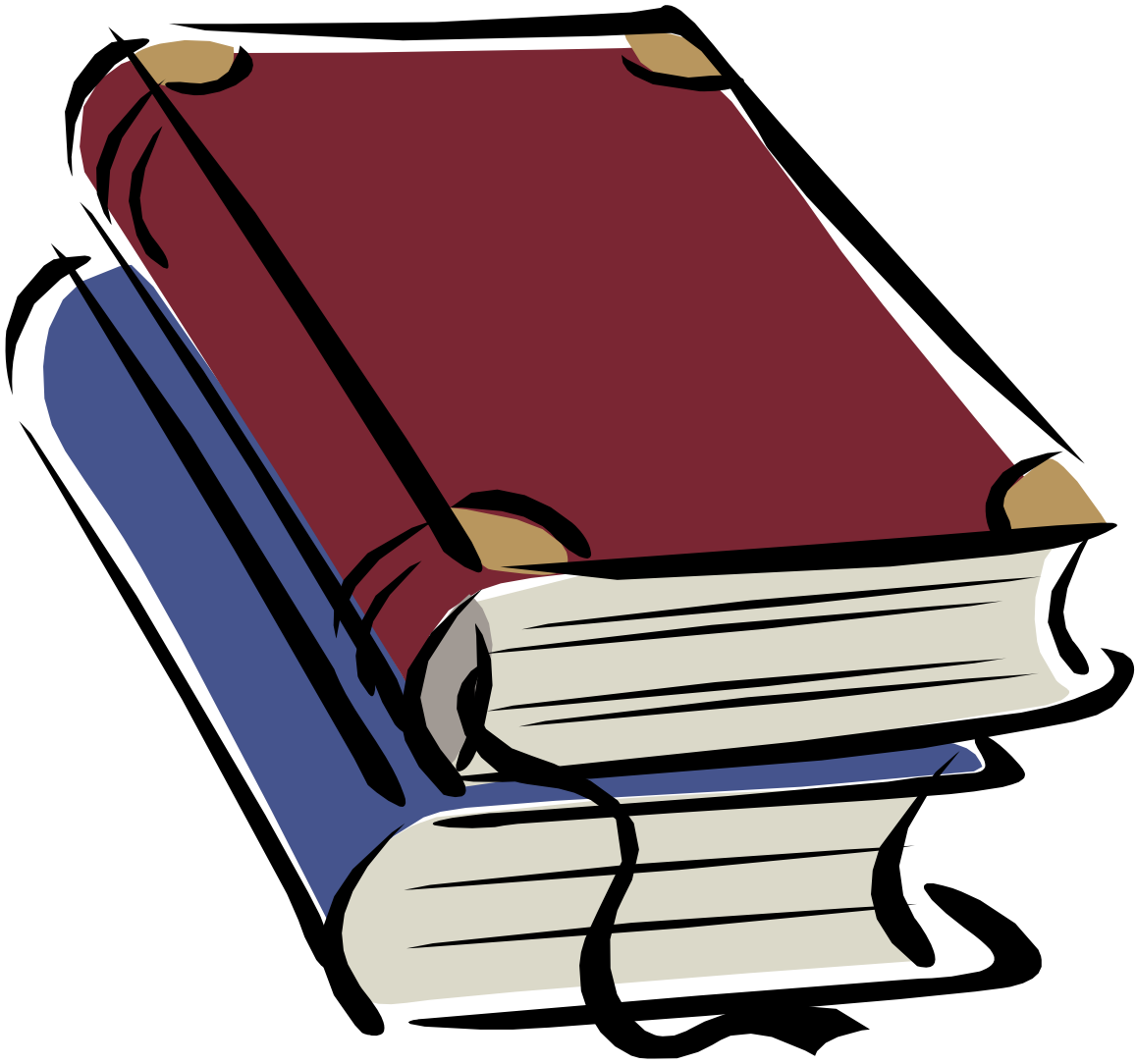
Discuss each aspect under the checklist eg.

- Is the demand (the need) for the product high (H) medium (M) or Low (L). Indicate with the appropriate letter.
- Consistent supply of raw material throughout the year
- Utilities refers to all the services needed such as water, electricity, refuse removal etc
- Aspects such as competition, capital needed, labour needed should be low to be positive.
- Technology refers to the equipment and processes needed to produce the product and should be readily available.
- Consumer acceptance should be high
- Some skills should be available or easily obtained
- The enterprise should be beneficial to both the group and the community

Annexure C: Pictures of four local products or services



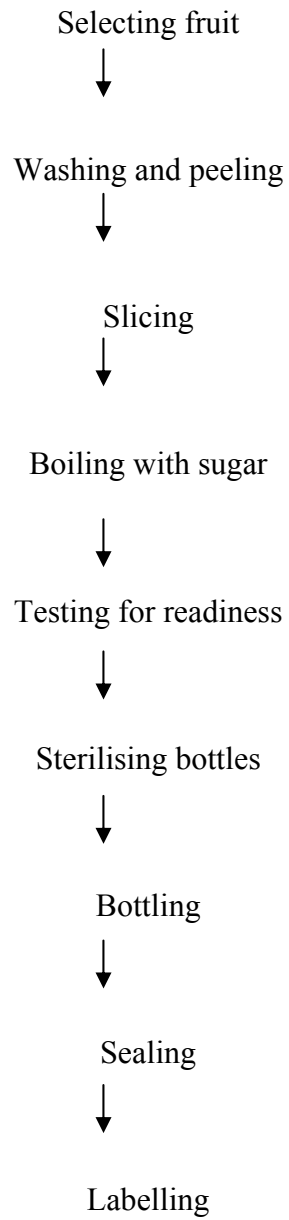




Annexure D: Sample Consumer survey Questionnaire:

Product Name:		Form number		
Will you buy the product?		Yes <input type="checkbox"/>	No <input type="checkbox"/>	
How often?		What quantity?		
		1	2-5	6-10
Daily				
Weekly				
Monthly				
At what price? (write in amount R per item)				
Where?				
Local store				
Road stall				
Supermarket				
Any other				

Use one questionnaire per client.

Annexure E: Sample Production processes chart

Annexure F: Picture of poor and appropriate facilities

Inappropriate facilities



Appropriate Facilities



Annexure G: Start up costs format

Start up costs			
Resource	What we need	Where can it be obtained	Cost of resource
TOTAL			

Annexure H: Running costs formats

Running costs		
Resource	Cost per production cycle	Cost per year
Fixed costs:		
Sub Total		
Variable Costs		
Sub-Total		
Total Costs		

Annexure J: Enterprise checklist

Economics Factors of the		
Proposed enterprise¹⁴	Yes	No
Will there be a profit?	_____	_____
Is credit available?	_____	_____
Is there a sustainable market?	_____	_____
Social factors		
Do we provide a needed product?	_____	_____
Will the community benefit?	_____	_____
Will we make the decisions?	_____	_____
Do we have sufficient time?	_____	_____
Do we have support (families)?	_____	_____
Intuitive Factors		
What are the risks?	_____	

How do we feel about the enterprise?	_____	

Annexure K: Enterprise Plan Template**Introduction:**

Group's Name:

Number of Members

The Enterprise:

Proposed enterprise description

Location of enterprise

Owners of the enterprise

Qualification and experience

Skills required

The market:

Who are the clients?

How will the product be distributed and sold ?

What promotion will be used?

Product cost

Who are the competitors?

Why will this selling plan be a success?

Enterprise operation:

Production plan for one year:

Quantity per day

per week

per month

per year

Names and number of people who will work

People responsible for managing the enterprise

Running costs

Running costs	
Resource	Running Cost per year
Fixed costs:	
Sub Total	
Variable Costs	
Sub-Total	
Total Costs	

Cash flow for one year

Year one													
Months	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales Income													
Expenses													
Profit/Loss Each month													

Own contribution

Size of loan/ financial grant required

Sources of income

Security to offer on loan

Product description:

Raw materials

Production processes

Quality control checks

Packaging

What is special about the product

Premises and equipment required:

Building to be used




Does it meet health and hygiene regulations

Equipment required

Enterprise benefits:

List benefits

Annexure L: Sample Format for analysing sensory evaluation

Record results:			
			
Colour			
Taste			
Packaging			

APPENDIX C: ENGADINI DAIRY PROCESSING ENTERPRISE PLAN

ENGADINI DAIRY PROCESSING ENTERPRISE PLAN

C.1 Introduction:

Group's Name : Ingadini dairy enterprise

Number of Members: 6

C.2 The Enterprise:

Proposed enterprise description: Manufacturing maas and yoghurt

Location of enterprise: Ingadini Farm: Elandskop

Owners of the enterprise: Ingadini Dairy enterprise co-operation.

Qualification and experience: Received training on yoghurt and maas production from the Department of Agriculture.

Skills required:

- Record Keeping
- Marketing
- Managing a co-operation

C.3 The market:

Who are the clients? Schools, clinics, local community

How will the product be distributed and sold ? The produce will be transported to the clients by the members of the co-operation.

What promotion will be used?

- Sign boards
 - Posters
 - Leaflets
 - Talking to the community
-

Product cost

Maas : R 10,73 per 2 L

Yoghurt: R 5,51 per 1 L; R 1.27 per 175 ml.

Who are the competitors?

Honey Dew dairies

Shops such as Pick and Pay

Why will this selling plan be a success ?

Transporting the produce to the consumer will ensure success since consumers *****

C.4 Enterprise operation:**Production plan for one year:**

per week:	200L Maas	200 L Yoghurt
per month	800 L	800 L
per year	9600 L	9600 L

Names and number of people who will work:

Cindy; Thandeka; Bonakele; Zodwa; Noki; Sarah

People responsible for managing the enterprise:

Marketing and sales: Bonakele Shange

Production: Benedicta Nockie

Record keeping: Thandeka Ntuli

Supply and inputs: Sindiswe Ntuli

General manager: Sarah Nxumalo

Job descriptions:**General coordinator**

- Keeps track of all activities
- Is involved in major decisions
- Ensures that the group remains motivated.

Marketing and sales coordinator

- Finds out what the consumer wants
- Advises the production coordinator on consumer demand
- Coordinates promotion of the product
- Make necessary arrange for selling of products
- Keep an eye on the competition

Record keeping coordinator

- Keep record on members contribution
- Keep simple enterprise records and keep members informed

Production coordinator

- Ensure that product is of the correct quality and quantity
- That products are available at the right time
- Ensure that production cost is kept as low as

Supply and inputs coordinator

- Makes sure that all the necessary inputs are available
 - Check s raw product in stores regularly
 - Makes the arrangement for the storing of inputs.
-

C.5 Enterprise expenses:

C 5.1 Start up expenses

Resource	What	Cost of resource
Building	Dairy plant	R 100 000
Equipment	Batch pasturiser	R 26 000
	Bottling Machine	R 2 000
	Bottle sealer	R 2 000
	PH Meter	R 2 800
	Alcohol Thermometer x10	R 300
	Scale	R 1 000
	Separator	R 1 000
	Cooler trailer	R 6 000
	Spoons and wisks	R 100
Packaging material	Bottles 2L x 100	R 338
	Yogurt tubs 1L x 200	R 500
	Labels	R 75
Protective clothing	Overall	R 600
	Boots	R 300
	Hair covers	R 10
Ingredients	Maas culture	R 20
	Yoghurt culture	R 20
	Stabiliser	R 30
	Milk (400L)	R 720
	Sugar	R 50
	Flavourings	R 30
Transport	350 km/week	R 180
Electricity		R 250
Cleaning agents	Soap	R 10
	Bleach	R 10
Promotional material	Posters	R 100
Training	Book keeping	R 500
Total		R 144,943.00

C 5 2 Running costs

Running costs Per week		
Resource	Running Cost : Maas	Running cost: Yoghurt
Fixed costs:		
Transport	R 90,00	R 90,00
Electricity	R 125,00	R 125,00
Sub Total	R 215,00	R 215,00
Variable Costs		
Labels	R 25,00	R 50,00
Containers: Bottles	R 338,00	
Tubs		R 500,00
Ingredients: Maas culture	R 20,00	
Yoghurt culture		R 20,00
Yoghurt Stabiliser		R 30,00
Milk (400L)	R 360,00	R 360,00
Yoghurt flavourings		R 30,00
Sugar		R 25,00
Milk Powder		R 25,00
Cleaning agents: Soap	R 5,00	R 5,00
Bleach	R 5,00	R 5,00
Sub-Total	R 753,00	R1050,00
Total Costs	R 968,00	R1265,00

Item Cost: Maas

$$R 968,00 \div 100 = R 9,68$$

Item Cost: Yoghurt

$$R 1265,00 \div 200 = R 6,33$$

Sales Price: Maas

$$R 9,68 + 30 \% (2,90) = R 12,58$$

Sales Price : Yoghurt

$$R 6,33 + 30 \% (1,90) = R8.23$$

Running costs year		
Resource	Running Cost: Maas	Running cost : Yoghurt
Fixed costs:		
Transport	R 4 320,00	R 4 320,00
Electricity	R 6 000,00	R 6 000,00
Sub Total	R 10 320,00	R 10 320,00
Variable Costs		
Labels	R 1 200,00	R 2 400,00
Containers: Bottles	R16 224,00	
Tubs		R24 000,00
Ingredients: Maas culture	R 960,00	
Yoghurt culture		R 960,00
Yoghurt Stabiliser		R 1 440,00
Milk (400L)	R17 280,00	R 17 280,00
Yoghurt flavourings		R 1 440,00
Sugar		R 1 200,00
Milk Powder		R 1 200,00
Cleaning agents: Soap	R 240,00	R 240,00
Bleach	R 240,00	R 240,00
Sub-Total	R 36 144,00	R 50 400,00
Total Costs	R 45 434,00	R 60 720,00

C 5.3 Cash flow for one year

Year one													
Months	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales	11616	11616	11616	11616	11616	11616	11616	11616	11616	11616	11616	11616	R139 392
Income													
Expenses	8936	8936	8936	8936	8936	8936	8936	8936	8936	8936	8936	8936	R107 232
Profit/Loss	2680	2680	2680	2680	2680	2680	2680	2680	2680	2680	2680	2680	R 32
Each month													160

Own contribution.

Labour

Size of loan/ financial grant required

R 150 000,00

Sources of income

Income from selling fresh milk to Nesley; Selling vegetables

Security to offer on loan**B 6 Product description:**

Raw materials

Fresh Milk for both yoghurt and maas

Stabilise, sugar, culture, flavouring for yoghurt

Stabiliser and culture for maas.

C 6 1Production processes**Maas**

Pasturise milk
 ↓
 Cool milk down
 ↓
 Add culture
 ↓
 Pour into bottles
 ↓
 Seal bottles
 ↓
 Incubate
 ↓
 Label bottle
 ↓
 Store in cold room.

Yoghurt

Mix sugar, stabiliser
 Milk powder
 ↓
 Add mixture to milk
 ↓
 Pasturise milk
 ↓
 Cool milk down
 ↓
 Add culture
 ↓
 Incubate
 ↓
 Add flavouring
 ↓
 Pour into tubs
 ↓
 Seal tubs
 ↓
 Label tubs
 ↓
 Store in cold room.

C 6.1 Quality control checks

Check freshness of milk

Clean facilities and equipment daily

Packaging

Maas will be bottles in 2 L bottles and yoghurt in 1 L tubs.

What is special about the product

Our product will be freshly made weekly; the small quantity we produce per day will ensure that all stock will be sold within the week ensuring that no old stock will be available.

Clients will receive personal attention from us, which means that special request from clients could be catered for.

Premises and equipment required:

Building to be used

The present dairy will be upgraded with a new coat of paint for the walls and floors, the cold room and store room will be renovated.

Does it meet health and hygiene regulations?

After renovations the premises will meet and hygiene standards.

Equipment required

Batch pasturiser

Bottling Machine

Bottle sealer

PH Meter

Alcohol Thermometer x10

Scale

Separator

Cooler trailer

Spoons and wisks

Enterprise benefits:

List benefits

- Provide employment to 6 women
- Women will form a Co-operative which could give added benefits.
- Increase profit gained from milk
- Provide healthy food to growing children at a very good price.

List risks

- Supply of raw material : Animals needs to be treated regularly to ensure that they remain in good health to supply sufficient milk.
- Interference from men in trust.
- Trust deciding to change farming enterprise from dairy to eg. beef.
- Interference from women who originally formed part of group

Plans for the future:

Objectives in running the enterprise

Increase the quantity of maas and yoghurt we produce.

Produce low fat and full cream yoghurt

Start new production lines such as fresh cream and butter

How will objectives be achieved?

As we gain more experience we should be able to produce more yoghurt and maas,

The quality of our produce will ensure that we gain more customers which will allow for bigger quantities.

Separating the cream from the milk for low fat yoghurt will ensure that cream is available for selling fresh cream and for making butter.

Cash Flow forecast for year two

Year two													
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales	19447	19447	19447	19447	19447	19447	19447	19447	19447	19447	19447	19447	R233 364
Income													
Expenses	15536	15 536	15 536	15 536	15 536	15 536	15 536	15 536	15 536	15 536	15 536	15 536	R186 432
Profit/Loss	3911	3911	3911	3911	3911	3911	3911	3911	3911	3911	3911	3911	R 46 932
Each month													

Cash flow forecast for three year

Year three													
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales	23 232	23 232	23 232	23 232	23 232	23 232	23 232	23 232	23 232	23 232	23 232	23 232	R278 784
Income													
Expenses	18040	18040	18040	18040	18040	18040	18040	18040	18040	18040	18040	18040	R216 480
Profit/Loss	5192	5192	5192	5192	5192	5192	5192	5192	5192	5192	5192	5192	R 62 304
Each month													

**APPENDIX D: TRAINING SESSION: EXTERNAL EVALUATOR'S
EVALUATION QUESTIONNAIRE**

TRAINING SESSION: EXTERNAL EVALUATOR'S EVALUATION**QUESTIONNAIRE**

How appropriate do you think the training activities are to illustrate the new concepts?
Do you think the group enjoyed the training activities?
Did the reflections strengthen the concepts learned in the training activities?
Was link between the training activities, reflections and the business activities clear?
Did the different aspects covered in each session flow logically?
What could be improved?
Was the time allocated for each activity sufficient? If not suggest new time allocations.

APPENDIX E: EVALUATION QUESTIONNAIRE STUDY GROUP

EVALUATION QUESTIONNAIRE STUDY GROUP

How much did you enjoy today's sessions



**Key lessons learned: Indicate what you thought was the most useful for you.
(List each day's expected outcomes)**

APPENDIX F: EVALUATION QUESTIONNAIRE RESEARCHER

EVALUATION QUESTIONNAIRE RESEARCHER

Did they understand the training activities?

Did they enjoy the training activities?
--

Did the training activity stimulate group discussions?

Was there sufficient group participation?
--

Did the group manage to complete the business activity successfully?

Was the time allocated to each activity sufficient?
--

APPENDIX G: SUMMARY OF TRAINING SESSION EVALUATIONS

SUMMARY OF TRAINING SESSION EVALUATIONS

A group of women that are LRAD beneficiaries were guided through a planning process to plan their dairy processing enterprise, the training and planning activities were done using a manual for planning a food processing enterprise as tool, which was developed from literature from this study(Appendix E). Chapter 5 discussed each session's processes and indicated the end product of each session, Each session was evaluated by an economist of the Department of Agriculture and Environmental Affairs, using a evaluation form (Appendix B) and by each group member (Appendix A). This Chapter presents the external evaluations (Appendix G), the group's evaluations (Appendix H) and my own reflections on each session of the manual for planning a food processing enterprise.

Session A: Introduction of training manual

Group Evaluation:

All members indicated that they enjoyed the game and eve though they knew each other , found it useful to ease the tension. They all felt that the most important part of the session was to have the opportunity to put forward their expectations

External Evaluation:

The external evaluator felt that the ice breaker (Ice breaker activity A in manual for planning a food processing enterprise; Appendix E) assisted the group to become enthusiastic and that the group showed commitment and a willingness to learn through their high level of participation. The overview of the following sessions assisted in linking the expectations of the group with the sessions and indicated where questions would be addressed.

Reflection

The ice breaker "find your partner" game was very enjoyable and assisted the group and facilitator to feel at ease with each other. Although the group knows each other, they lived themselves into the game and took initiative and asked more questions about each other than was indicated, such as names of children. The game also assisted in voicing the expectations

of the group members, it ensured that all members, even the quieter members felt comfortable in giving their opinions, since they reported back on the expectations of someone else and not their expectations. The facilitator took part in this game, which helped to create a feeling of trust and acceptance between the group and the facilitator.

Social factors could have a major influence on the success of each training session as was planned to take place on the farm, the manager would have made a venue available, due to the sudden death of their child, no arrangements were made for a venue and space had to be made available in the manager's kitchen, which was very small and the room could not be arranged to suit the activities. Even though the session started off tensely, the first game eased the tense atmosphere, and assisted to set the mood for the next session.

Session B: Characteristics of an entrepreneur

Group evaluation:

All members enjoyed the ring toss game (training activity B in manual for planning food processing enterprise; Appendix E), even though they did not fully understand the different phases of the game. The group felt that the most important issue in this session was to understand the qualities of an entrepreneur.

External Evaluation:

The external evaluator indicated that the ring toss game was a useful preparatory tool if all participants understand the game and if the facilitator ensures that the members remain actively involved in discussions. She felt that it would be more effective if the feedback from group members are in their own language. Although the facilitator clearly managed to link the characteristics of an entrepreneur with the results of the game, a greater impact could be made if the group could identify the characteristics in their actions during the game.

Reflections

The ring toss game was accepted well by the group members and assisted the facilitator to explain the characteristic of an entrepreneur. Even though the group members were in various

age groups, all members were eager to take part in the game. The group did not understand the rules of round two clearly, which resulted in no-one changing distances after each throw.

Even though the game results related to the characteristics of an entrepreneur, especially when all members took part in round three where they had to pay to enter the game, it was still difficult to get the group to interact during discussions. Since not all members had money available, and they wanted to take part in the game, they borrowed money from another. This was an indication that they really enjoyed the game, but also indicated that asking for money to enter round three may be a problem and that another way of entering round three should be devised. The time allocation for was sufficient, all activities were finalised within the scheduled time period.

Session C: Group Dynamics

Group evaluation:

All group members enjoyed the session. Three members indicated that it was important to find out what the groups' own abilities are to work as a group, one indicated that it is important to understand group dynamics and four that both the understanding of group dynamics and to understand whether they can work as a group, is important.

External Evaluation:

The external evaluator felt that the square game could promote competitiveness in stead of unifying the group (training activity C in manual for planning food processing enterprise; Appendix E). She felt that the game's usefulness must be linked to reflections on group dynamics only and should not be a basis for considering whether the group thinks they can work together or not. She also felt that the time allocated was too short.

Reflections

This session's activities required some explaining before the two groups understood what was expected from them in the game, but once they understood the groups enjoyed the game thoroughly. Each group had a clear leader, and someone that was willing to give up their

pieces in order for others to complete their squares. The game was useful to demonstrate group dynamics to the group. Time allocation for the session was insufficient.

After working with the group for a number of sessions it became clear that there were two distinct groupings within the group and that was the way they placed themselves for the square game. This may have an effect on the results of the game, as potential conflict between the different circles would not show.

Session D: Understanding the risks of running a food processing enterprise

Group evaluation:

The group enjoyed the role play session. Two group members felt that it was important to understand the risks of running a food processing enterprise, two felt that it was most important to have plans in place to avoid risks and three felt that that it was important to understand the risks and to have plans in place to avoid risks.

External Evaluation

The External evaluator indicated that the role play was an enjoyable exercise for both the “actors” and the spectators method on depicting the risks of an enterprise, but not specific to a food processing enterprise (training activity D in manual for food processing enterprise; Appendix E). During the group discussions, it was clear that they did have knowledge on common enterprise risks from prior experience this knowledge is dominated by internal risks commonly associated with cooperative enterprises such as laziness, abuse of common resources, conflicting goals and poor financial management, but their knowledge is not specific to food processing enterprises. She indicated that addition of new knowledge about enterprise risk, as well as risks that characterises food processing enterprises, is important to improve the quality of future enterprise plans to minimise the risks.

Reflections

This session started with a role play, where three volunteers from the group had to depict what they see as possible risks in running an enterprise. The “actors” lived themselves into the role

play, and showed several possible risks such as laziness, loaning money to friends and pocketing the money. The audience enjoyed the role play and even though the play was in Zulu, non Zulu speakers (such as the facilitator) could understand the aspects that were highlighted. The role play was very effective in illustrating the possible risks in running an enterprise and helped to direct group discussions afterwards.

The facilitator asked a group member to record the possible risks that the group came up with during group discussions, which helped the facilitating process, since her full attention could be given to the discussions. This also ensured that the group felt that they were part of the process.

The second part of the session, where they had to write possible solutions for the problems listed turned out to be difficult to explain. The first problem was to explain that they had to choose a few problems out of all the problems listed, and that they could give a few solutions for one problem. Furthermore they did not understand that only one solution had to be written on one strip of paper. This resulted in some group members writing two or three possible solutions per strip of paper, which made grouping of solutions difficult. Time allocation was sufficient.

Session E: Identifying possible food processing enterprise ideas

Group Evaluation:

The group enjoyed the creative thinking game (training activity E in manual for food processing enterprise; Appendix E) and the discussions following the game. Three members indicated that it was important to understand that everybody should feel free to come up with ideas, one member felt that it was important to generate a list of enterprise ideas and four felt that it was important to feel free to give ideas and to come up with a list of ideas.

External Evaluator:

The external evaluator felt that this activity was very effective in demonstrating innovativeness in each individual. The group thoroughly enjoyed the activity and all

participated with enthusiasm. She felt that the creative game opened the way for all members to participate in the group activity. She felt that the group listed possible enterprises that were beyond their abilities due to lack of skills and resources.

Reflections

The creative thinking game was thoroughly enjoyed by the group (training activity E in manual for food processing enterprise; Appendix E), and very interesting ideas came from the groups, such as tissue handbags, paper clip necklaces, pictures combining tissue paper, paper clips and paint. This showed that the group was very creative, and demonstrated that all ideas should be considered.

Since the group owns a dairy farm, the exercise to come up with an enterprise idea was basically to list the different dairy enterprises that could be considered. Groups that have no specific existing farming enterprise available, may come up with a more diverse list of food processing enterprises. The group came up with the following enterprise ideas: maas, yoghurt, cottage cheese, hard cheeses, butter and cream , which was sufficient for the next session ranking exercise. Time allocated was sufficient, although the group enjoyed the creative thinking game so much that they wanted to continue making more and more articles.

Session F: Ranking possible enterprise idea.

Groups Evaluation:

Five group members indicated that they enjoyed the session and three were not sure. Five members felt that the most important aspect of the session was selection of the three most likely products to succeed in. Three indicated that it was important to understand the feasible and not feasible products and to select the enterprise most likely to succeed.

External Evaluator:

The external evaluator felt that the activity was appropriate to demonstrate the concept of ranking as well as using the commonly used factors in such ranking exercises, but that it may be necessary to incorporate a more quantitative method of determining relative importance of

the ranking factors to facilitate the process of scoring. She furthermore indicated that the group selected the three most likely products without taking into consideration the results of their scoring, this could result in the selected product not being successful due to being too expensive to produce or not having the necessary skills to make the products.

Reflections

The training exercise assisted to explain the ranking process, it showed clearly that although some of the ideas they came up with in the creative thinking game looked beautiful, it was not very practical, since it would easily break or may be too small. This assisted the group to look at their proposed enterprises carefully while ranking it.

In the ranking exercise, the ranking is indicated by H for high, M for medium and L for low. While one is in the process of ranking the enterprises, it does become very confusing, and the result of the ranking exercise may be false if care is not taken that the correct symbol is allocated. One example is the questions about skills. The group tended to put L, to indicate that they had the skills and did not need a lot of technical training; instead of an H the skills available amongst them are high. This session was handled after lunch, which had an effect on the groups alertness, the older ladies had a struggle to stay awake, and just wanted to finish the exercise so that they could go home. The results of the ranking exercise ranked yoghurt as fourth in the list, but the group decided to place it in the number two position.

Session G: Market Feasibility

Group Evaluation:

All enjoyed the activity. All group members felt that it was important to understand the aspects involved in market feasibility.

External Evaluator

The external evaluator felt that although the market game (training Activity G in manual for planning food processing enterprise, Appendix E) did assist in some way to explain market demand, it did not cover all details that determine consumer demand such as competition and

income substitutes. She agreed that the group enjoyed the activity and that it could set the scene for active learning. She furthermore indicated that more attention should be given to ensure that the group understand the questionnaire in order to avoid problems during the consumer survey.

Reflections:

Four volunteers were each given a picture and asked to market their product to the group. Once again the group enjoyed the training activity, and each person was very convincing in “selling” her product. The group was very clear on their reasons for choosing the products. Their number one choice was bread because their children need bread for school every day, their second choice was the computer, and even though it is expensive they felt that no business could survive without a computer. They showed no interest in the books and indicated that they did not have time to read and that they cannot afford any holidays, what to say an overseas holiday. They indicated that houses are only painted once in every five to ten years, therefore they did not choose the painter.

The market game made it very easy to explain all the aspects that are of importance when looking at market feasibilities and the group clearly understood the various aspects. In developing the consumer survey form, from the format supplied, the group had valuable inputs as to eg quantities to be investigated

Session H: Market feasibility (target group)

Group evaluation:

In this session only two group members were identified to do the exercise. They indicated that this exercise was very useful to understand that the target market must be suitable for the product and decided on crèches and schools as their target market.

External Evaluator:

The external evaluator felt that the consumer survey exercise was very successful in target markets, since the two selected products for the exercise had two definite targets, but that this exercise did not show that the same product could have different target markets depending on

eg. the price of the product. She felt that there have been some problems in indicating quantities per day, week and month and that in the development of the questionnaire more attention should be given to how questions are asked around quantities of a product used.

Reflections

The training session took place at one of the Department of Agriculture and Environmental Affairs' offices; since the group is small the consumer survey for the training session was done amongst the group and two Departmental staff members. The two products that were surveyed were bread and zulu beer. The training activity provided the opportunity for the facilitator ensure that the group had a clear understanding of how a survey is conducted. Since the survey forms were also analysed during this session, they understood how to that the information gathered in a survey form could give the group valuable information. The analyses showed clearly that for the chosen target group, bread would be the best product to sell and that target market surveyed will not buy the zulu beer.

This training exercise was of great value for the enterprise activity for this session. From their past experience in selling maas, and the knowledge they gathered during this session they managed to draw up the survey questionnaire for their enterprise consumer survey. The time allocated for this task was sufficient.

Session I: Market feasibility (consumer survey)

Group Evaluation

Only two group members took part in the consumer survey, and indicated that this exercise was very useful in understanding who their target market will be. They suggested that consumer surveys be combined with taste testing since everyone interviewed wanted to taste samples.

External Evaluator:

The external evaluator indicated that valuable information was gathered during this session. However she felt that the time allocated for this exercise was too little and suggests that such

an exercise be spread over two days. She felt that the question of the cost of the product caused some confusion, as the idea was to determine what the respondents currently spend on purchasing the products, whereas the respondents wanted to know what the group's product would cost.

Reflections

The group made arrangements to visit crèches, primary schools and secondary schools; it was however clear those primary schools which do not have feeding schemes and secondary schools would not be their target market. Crèches however showed a great interest in both the yoghurt and maas since they do provide meals to the children daily. The selected individuals from the group were very eager to do the survey and have started to do the survey amongst their neighbours without assistance from the facilitator.

The questionnaire proved to cause some problems during the interview in mainly two areas, one being the quantity of product purchased and the frequency of their purchases and the other problem was the question about the price. The intention was to determine the price of the product the consumers are currently paying for the products; the group however interpreted it as the price the consumer will be paying for their product. Since the interviews were mainly at crèches, it was necessary to explain to the group that they need to do a survey for the crèche as well as individual surveys for the teachers, since they indicated that they would be interested to buy for the crèche and for themselves.

Session J: Market feasibility (analysing consumer survey)

Group Evaluation:

The group indicated that they found this exercise very useful. The group previously sold maas to the community and questioned whether the quantities they sold previously could be an important indicator for determining their market share. The group was glad that the market survey showed that maas and yoghurt should be their main products, as they were expecting to see.

External evaluator:

The external evaluator indicated that although some very useful information came from the analyses of the survey, attempts should be made to have clear groupings according to quantities in the questionnaire. She also indicated that the results should be summarised at the end of the exercise in order to make it a user friendly tool for future reference.

Reflections

Analysing the questionnaire proved to be difficult since the quantities recorded and the frequency in which the consumer buys the product varied considerably. A number of calculations had to be made to get to a total quantity of produces purchased by the targeted consumers. In analysing the questions regarding butter, the group indicated that they have doubts whether the respondents understood that they were talking about real butter and not margarine, since most respondents indicated that they do buy butter regularly, which seems unlikely due to the high cost of butter.

Time allocation for this exercise was sufficient.

Session K: Market feasibility (competition and promotion)**Group Evaluation:**

All members of the group enjoyed this session. One member felt it is most important to know your competition, two members felt that a promotional plan is most important while four members indicated that it is important to know your competition and to have a promotional plan. All enjoyed making promotional material and felt that they now realized that they have the skills to make their own promotional materials.

External Evaluator:

The external evaluator felt that the role play (training Activity K1 in manual for planning food processing enterprise, Appendix E) successfully depicted that importance of promotion, and that factors such as cost and health issues came out is the most important factors in choosing a product. She indicates that there should be more guidelines in the manual on how to calculate your market size using the results of the consumer survey.

The external evaluator indicated that the practical exercise to make promotional material did have a great impact on understanding the important issues to remember when designing promotional material. It was clear that the posters that were cluttered with information were less attractive than ones with just the necessary information.

Reflections

The group once again enjoyed the role play training Activity K1 in manual for planning food processing enterprise, Appendix E) and managed to show the importance of effective promotion, in that the product of the women that emphasised the advantages the product have for an individual's health, together with a reasonable price, were chosen by most of the group. The process of identifying the competition was easily understood, but determining the groups market size proved to be difficult.

The practical exercise to make promotional material worked well, especially since samples of existing promotional material was shown. The different groups showed great initiative, and although all of them chose to make posters, the posters were very illustrative. Their promotional material could be effectively used to explain the principals of developing promotional material, since the group themselves indicated that posters which had too much information was the least attractive. Time allocation was sufficient.

Session L: Technical feasibility (production process)

Group Evaluation

The group indicated that they enjoyed this exercise since it strengthened practical knowledge on making the product. All of them indicated that it was important to know all the requirements before starting their enterprise.

External Evaluation:

The external evaluator felt that it was very useful for the group to produce a batch of their selected products, since it made them aware of the ingredients and basic equipment needed for their enterprise. She indicated that they still needed considerable assistance in drawing up a complete list of resources required, since a very small batch was produced using household

equipment rather than the actual equipment which will be used in a dairy processing enterprise.

Reflections:

Although the group did have some basic training on manufacturing maas and yoghurt, this exercise reinforced the processes involved in making the products. This enabled them to develop a flow chart of the processes for maas and yoghurt. Not being established yet, did make the practical difficult in that a suitable venue did have to be found, and ingredients such as cultures and stabiliser had to be ordered from Pretoria. Furthermore the group, not having been exposed to medium scale dairy processing, did not have the necessary information as to what type of equipment they will need for an enterprise bigger than at household level. To combat this problem, it was necessary for the facilitator to source the necessary information in order to guide the group.

Session M: Technical feasibility (resources)**Group Evaluation**

All members of the group were extremely excited with this session. They mentioned that it was a great learning experience, since for the first time they saw a dairy enterprise, and although it is a bigger enterprise than the one they were planning, it clearly showed them the aspects to keep in mind while planning their enterprise.

External evaluator:

The external evaluator indicated that this exercise (visiting an active dairy enterprise) was very valuable in that the group could observe a working enterprise, and they could relate and understand the concepts. Getting an additional member from the department, to accompany the group to the dairy processing enterprise, previously from the dairy industry, assisted even more to explain the aspects involved in dairy processing. She felt that the group did not use the note books they were provided with to note down important aspects sufficiently, which had an impact on the reflection and enterprise activity later the day. Language differences also played a role, especially with technical terminology.

Reflections

This session proved to be very valuable, not only could the group see the basic resources that are necessary for any food processing enterprise through their field visit, such as a building with its specific requirements to ensure hygienic conditions, but they could see all the equipment that is required by a dairy processing enterprise. The farmer provided important contact details for future use once the group is in production. During the reflections, the group managed to recall a number of equipment they will need, even though did not keep exact notes during the visit. With some guidance the list that was drawn up during the previous session, was amended.

Session N: Technical feasibility(coordination)**Group evaluation:**

The group members indicated that they enjoyed the role play (training activity N in manual for planning food processing enterprise, Appendix E) The undercurrent unhappiness caused the latter part of the session to be unpleasant for the group. It transpired that there were two factions within the larger group and that each faction accused the other faction of misusing funds. When this session was repeated with the remaining smaller group, after some intervention from a Social Scientist, the selection of the candidates for the managerial positions was perceived as much more pleasant.

External evaluation:

The external evaluator indicated that it became clear that the older members of the group did not freely partake in the role play. Furthermore, even though the role-play did succeed in depicting the different responsibilities in running an enterprise, the observers depended on the role players to analyse the responsibilities. She also indicated that it was clear that the older members in the group did not want to take managerial responsibilities.

Reflection

This session started off very positive, with the women once again enjoying the role play (Training activity N in Manual for planning food processing enterprise, Appendix E). The training activity did assist in identifying the managerial positions of running an enterprise. The

guidelines ensured that the tasks of each position were clearly understood. During the selection of individuals in the five managerial positions, underlying problems started to surface, some of the older group members did not want to take responsibility for anything. Discussions around who should be responsible for record keeping resulted in major arguments and accusations of misuse of funds. It became clear that there were two specific groupings within the group and that each side is accusing the other side of mismanaging funds. The session was stopped in order to get the group to sort out their internal problems. The assistance of a Social Scientist of the Department of Agriculture and Environmental Affairs was called in to help the group. When the planning sessions resumed, with six remaining group members, the task of selecting the candidates for the managerial positions was much easier.

Session O: Financial feasibility (start up and running costs)

Group Evaluation:

The group indicated that it was important to understand start up and running costs, but felt that many of the aspects they had to give information on such as monthly electricity costs, were very difficult to establish since they were not in control of the bigger trust. The group requested that someone explained to them the different legal entities they could form, as the dairy enterprise group. They indicated although they are members of the Engadini Trust, they need to form their own legal entity to protect them from other group members interfering with their business decisions.

External Evaluator:

She felt that although the illustrative story clearly showed the difference in start up and running cost, more time should be spent on discussing and explaining the different aspects around these costs. She also indicated that the fact that they selected two different products, maas and yoghurt, complicated calculations since the input costs for these two products varies considerably.

Reflections

The illustrative story assisted the group to understand the concepts such as start-up costs and to differentiate between fixed and variable running costs (training activity O in manual for planning a food processing enterprise; Appendix E). Problems were however encountered in deciding whether a cost such as electricity is variable or fixed, since although it will be paid monthly, it may vary depending on the number of batches they will be making. The group also found it difficult to get actual costs of what they will need, and needed the facilitator to get price lists from suppliers.

The group decided at a previous session that they plan to make maas and yoghurt, which needs different ingredients and packaging material, which also complicated working out their start – up costs. Since the external evaluator is an economist, she managed to explain clearly, when problems occurred. The group forms part of a bigger trust, and the farm where they plan to run the enterprise from belongs to the trust, problems were also encountered when issues such as electricity costs were discussed, because the women were not clear on what percentage of the electricity bill will they be expected to pay.

Session P: Financial feasibility (sales price)**Group Evaluation:**

All group members indicated that they enjoyed this session, one member felt that it was most important to understand what sales price means, one felt that it was important to understand how to determine the sales price and three members indicated that it was important to determine the sales price of their product. The group also indicated that the information they gained on the three main legal entities will help them to make an informed decision, for the benefit of the group.

External Evaluator:

The External evaluator felt that the training activity effectively demonstrated the importance of investigating all aspects selling a product and setting a sales price that will ensure a profit. The group clearly enjoyed the role play (training activity P in manual for planning food

processing enterprise; Appendix E). The external evaluator indicated that the notes in the manual assist in explaining the difference in profit and losses. She felt that more practical exercises may be needed to ensure that the group will be able to calculate sales price for their future products.

Reflections

During the previous session, the group members requested that someone come and address them on different types of organisations, since they want to register the group. Mr N Mlonzi from the Marketing section of the Department of Agriculture and Environmental Affairs presented the pros and cons of three different structures: Partnership; CC, Trust and Co-op. to them. The group decided to form a co-op and the facilitator directed them to the Department of Economic Development where they would get the necessary forms to register as a co-operative.

The role play (training activity P in manual for planning food processing enterprise; Appendix E) during this session managed to show clearly that when sales price is determined; all aspects need to be investigated. Together with the explanations in the manual on profit, losses and how to determine the sales price, the group managed to determine the sales price for both the maize and yoghurt, which is lower than their immediate competition's price, but should give sufficient profit to expand slowly.

Session Q: Financial feasibility (cash flow)

Group Evaluation:

Two members indicated that they enjoyed the session; three members did not enjoy the session. All five indicated that it was important to understand the concepts profit and losses. They indicated that they felt hesitant about drawing up cash flows for their enterprise.

External Evaluator:

The external evaluator indicated that although the training exercise explained profit and breaking even, it did not show the effect that losses can have on a cash flow (training activity

Q in manual for planning food processing enterprise; Appendix E). She felt very strongly that an economist should be handling this session, since questions may occur that may not be answered correctly by people not been exposed to economics or enterprise development. More time could be spent on cash flow exercises and drawing up the cash flow for the enterprise.

Reflections

Although the illustrative story (training activity Q in manual for planning food processing enterprise; Appendix E) assisted to explain the concept of cash flow to the group, it was a very difficult to make the group understand why a cash flow needs to be drawn up, even as far as for three years. In drawing up the group's cash flow for one year, the uncertainty about what payments the Engadini Trust would expect of them once again complicated matters. The fact that supply on milk also depends on the Engadini Trust, since they are the owners of the cows, also complicated matters in that the group had to make assumptions on how much milk will be available for them and at what cost.

Session R: High risks and financial management

Group Evaluation:

The group members all agreed that they enjoyed the session and felt that it is important to understand high risk factors. They felt that risks such as interference from the bigger trust could be prevented if they register as a Co-operative and have applied to the Department of Economic Development to register as a Co-operative.

External Evaluator:

The external evaluator indicated that the group had a clear understanding of the risks involved in running a group enterprise. She felt that it could be useful if the facilitator could supply some examples of enterprises, which are either in the area, or is known through media coverage that has encountered problems due to eg. fraud, this will make the risks more real to the group. During the discussions, the referral to the previous list of risks (Table 5.3) and considering whether they still existed and if so how to overcome the risks, proved to be very effective.

Reflections

The group started with a membership of ten people, during previous sessions they have encountered some difficulties. After a period of time has elapsed and a Social Scientist intervened, six members of the group decided to continue with the enterprise. Their experience, strengthened by the illustrative story ensured that they are very aware of the risks in running a group enterprise (training activity R in manual for planning food processing enterprise; Appendix E). The group of six women has decided to form a co-operative, with set rules and conditions. They are very eager to make a success of the enterprise and indicated that any profit will be ploughed back into the enterprise for at least six months.

Session S: Enterprise plan**Group Evaluation:**

All members of the group indicated that they enjoyed this session. One indicated that it was important to understand the importance of an enterprise plan and five that it was important to draw up their own enterprise plan. They also indicated that having the background knowledge gained through these exercises will assist them if they are successful in registering as a co-operative, when registering as a co-operative they will get additional training on drawing up an enterprise plan.

External Evaluator:

The external evaluator indicated that the role play (training activity S in manual for planning food processing enterprise; Appendix E) was effective in showing the importance of a business plan for acquiring financial support, but that some element of the importance of an enterprise plan to illustrate its importance in running the enterprise should be included. She further suggested that this session which is clearly a summary of all the previous sessions be moved to be the last session, to form a natural ending of the training module. She further suggested that this session stretched over two days to ensure that a comprehensive enterprise plan is drawn up and that each group member be given the opportunity to write part of the enterprise plan, to strengthen their commitment to the enterprise.

Reflection

The role play was once again enjoyed by all the group members and managed to depict the importance of being well prepared when searching for finance (training activity S in manual for planning food processing enterprise; Appendix E). The group understood that the enterprise plan will assist them to not only source finances, but will help them in the running of their enterprise. The forgoing sessions provided the necessary information for the completions of the enterprise plan, which resulted in the enterprise activity to be without any problems, with the exception of the cash flow. It was also clear that some group members were more involved in completing the enterprise plan than others.

Session T: Market testing**Group Evaluation:**

The group indicated that they enjoyed this session and that it was very important to do market testing, since the people that showed an interest to buy the product during the market survey still wants to buy from them, especially after tasting their products. The requested the facilitator to help them start their enterprise, even if it meant starting from home, while they are waiting for the enterprise funding and other issues related to the trust to be resolved. The once again stressed that the market testing should coincide with the consumer survey.

External Evaluator:

The external evaluator felt that the market testing exercise was very useful in determining whether the target clients would accept the product. She indicated that the questionnaire could possibly have included more aspects such as packaging size and labelling. She commented that it is noticeable that the group were functioning well as a unit, since four of the remaining group of six took part in the market testing.

Reflection

The group arranged to do market testing at the same venues where the market survey was done. Once again schools proved to be a problem to get co-operation, and the group decided to

concentrate only on crèches as their target market. The market testing was very successful, but as was noted during the market survey, it became clear that market testing should be combined with the market survey. All the crèches indicated that they immediately want to order products, and was very despondent when the group indicated that they would only be able to supply the products once they have set up their enterprise.

It was interesting to notice that the husbands of the group members followed us to all the market testing venues and was very keen to hear the results the testing. This indicated that the group are getting the support from the husbands, who are part of the Engadini Trust.

**APPENDIX H: RECOMMENDATIONS FOR IMPROVING THE
MANUAL FOR PLANNING A FOOD PROCESSING ENTERPRISE.**

RECOMMENDATIONS FOR IMPROVING THE MANUAL FOR PLANNING A FOOD PROCESSING ENTERPRISE.

Session A: Introduction

Confirm arrangements the morning before the meeting to ensure that unexpected happenings do not derail plans and use more illustrative materials to outline topics in a more captive way. Engage a group member to record proceedings on a flip chart in order for the facilitator to focus on the discussions

Session B Characteristics of an entrepreneur

The facilitator needs to ensure that the rules of each round of the ring toss game are clearly understood by all group members, since this has an influence on the application of the game results to the characteristic of an entrepreneur Training activity B in Manual for planning food processing enterprise, Appendix E). Instead of asking money for round three, the facilitator could give each member a small sweet before round three. Members are then asked to pay for round three by giving the sweet, they could choose to “pay and play” with a change to win all the sweets that was “paid” or choose not the “pay” and to eat their sweet. Use heavy enough rings to ensure that there is a high rate of success, from further distances. Develop a wider range of questions to stimulate active discussions from group.

Session C: Group Dynamics

After allowing groups to seat themselves into groups, mix the groups to ensure that “natural” groupings are mixed before the square game is started, in order to tests group work as a whole. Training activity C in Manual for planning food processing enterprise; Appendix E) The consideration of whether or not the group should disband based on the presented characteristics of a successful group must remain an academic exercise, with the group being asked to consider, on their own, the implications for their group. More time should be allowed for his exercise

Session D: Understanding the risks of running a food processing enterprise

The manual should have a reference list of possible risks in running an enterprise for the facilitator. A follow-up video or presentation to add other common causes of enterprise failure as well as specific risks for food processing enterprises would strengthen current knowledge as well as add new knowledge. Examples of how the solutions had to be written on a strip of paper should be shown; samples will have to be included in the manual

Session E: Identifying possible food processing enterprise ideas

The facilitator needs to ensure that the time allocated for the creative thinking game is kept; otherwise the time to come up with enterprise idea could be too short (Training activity E, in Manual for planning food processing enterprise; Appendix E). The enterprise could benefit from broad guidelines in listing enterprises to avoid a wish list that has no bearing on resource availability or availability of skills

Session F: Ranking possible enterprise idea

The explanation on how to use the ranking exercise in the training manual should be very clear. To simplify the ranking analysing process, the position of the aspects listed should be grouped together so that all the aspect which should preferable have a H (high) such as demand, skills available, constant supply etc be together and aspects such as labour required, capital needed and competition that actually need to be L (low) are together. This session should be handled as early in the morning as possible, when the group is still fresh and can concentrate on the task on hand. Develop the ranking more quantitatively and clarify minimum conditions for qualifying

Session H: Market feasibility (target group)

In order to give each group members an opportunity to practice conducting a consumer survey, it would be best to find a test group other than the group self for the training exercise. All the members of the group needs to be exposed to the interview exercise to ensure that they all have a clear understanding of how to ask the questions on the questionnaires and how to record the responses. More time needs to be allowed to ensure that the facilitator can assist everybody while they are doing the interviews. A second consumer survey exercise could be

performed with the same product at different prices, to indicate different market sectors will buy products at different prices.

Session I: Market feasibility (consumer survey)

The questionnaire should be carefully phrased to prevent confusion in questions such as price of products. Provision must be made in the questionnaire for most common quantities purchased.(Table 5.5). A trail-run before the actual survey will assist in identifying problem areas in the questionnaire, which then can be corrected before the actual consumer survey is done. Extend the consumer survey over two days and combine the consumer survey with taste testing.

Session K: Market feasibility (competition and promotion)

The facilitator should summarise the consumer survey analysis before Session K commences to ensure that results are clear. Add specific guidelines to the manual indicating how to assess the extent of the competition. Add more information to the manual on how to determine their possible market size. Include guidelines on developing effective promotional material

Session L: Technical feasibility (production process)

The facilitator must ensure that an appropriate venue is available for the production exercise and that all the necessary ingredients are available. Swap Session L (Production processes) and session M (resources), to ensure that the group would have been exposed to a similar food processing enterprise. This will enable the group to have more inputs while drawing up the requirements.

Session M: Technical feasibility (resources)

The Manual should indicate that food processing enterprise that will be visited must be similar to the planned enterprises, to ensure that the group get real value from the visit. Ensure that an interpreter with knowledge of all the relevant terminology accompanies the group.

Session N: Technical feasibility (coordination)

The session on group dynamics (Session C in the Manual planning for planning a food processing enterprise Appendix E) needs to be emphasised to prevent problems coming to the front at a later stage. The selection of candidates to take part in training activities such as role plays should be done in a random way such as drawing straws, to ensure that everybody gets an equal opportunity to take part in activities.

Session O: Financial feasibility (start up and running costs)

A note should be added in the manual that the facilitator may need to get the cost of resources if service providers are from another area, such as Johannesburg. Ensure that an economist is present during all the financial feasibility sessions in order for the facilitator to answer questions on financial planning. It is advisable that only one product be selected for starting an enterprise to simplify calculations. Emphasise need to be placed in the manual that groups needs to have clear indications from a larger group, if applicable, as to what the enterprise will have to pay towards eg. electricity. Include a section in manual on different types of organisations such as co-operatives.

Session Q: Financial feasibility (cash flow)

Invite someone already involved in an enterprise to explain to the group the importance of a cash flow. The group needs to have certainty of what would be expected of them if they are members of a larger organisation. It is important that an economist presents this session to clear out uncertainties. Increase time allocation for drawing up the cash flow for the group's enterprise.

Session S: Enterprise plan

Add a training exercise that will demonstrate the importance of the enterprise plan for the day to day running, move Session S to be the last session of the Manual. Ensure the involvement of all the members of the group in completing the enterprise plan by rotating the responsibilities for writing in each section on the enterprise plan.

Session T: Market testing

Combine the market testing with the market survey. The group should have some indication as to how long it will be before they will be able to supply the tested products in order to keep the interest of the possible clients..

APPENDIX I: TARGET MARKET PROFILE QUESTIONNAIRE

TARGET MARKET PROFILE QUESTIONNAIRE

LOCALITY INFORMATION

1.1 Ward/village

2. RESPONDENT'S PROFILE.

2.1. Name of household member:

2.2 Gender: Male..... Female.....

2.3 School level completed:

2.4 Age of respondent

Age		
1	20 – 30	
2	30 – 40	
3	40 – 50	
4	50 plus	

2.5 Employment status

Employed

Not Employed

Other Specify