

**New Horizons Wood and Steel  
Co-operative Ltd.  
(Daveyton)**

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## 1. Introduction

This business plan indicates the background information; the institutional requirements, the financial requirements and the financial prospects to develop a Wood and Steel Product Production Co-operative Ltd. in Daveyton.

The purposes of this business plan are to facilitate:

- Business Registration;
- Indicate financial requirements to create the co-operative for the sake of fundraising and sourcing of capital;
- Provide goals to set-up and develop of the co-operative over time;
- Provide benchmarks according to which the co-operative can be assessed as it develops.

A Summary of the requirements to achieve the purpose of the business plan are indicated in the table.

### Products- it could include:

Furniture
A variety of steel products
Appropriate technologies

A detailed analysis is indicated in section 5.

## 2. Background Information

This co-operative project is the result of the Industrial Hives project implemented by the Ekurhuleni Local Economic Development (LED) department. The LED department received over 2000 applications from interested people to be part of the roll-out of this program.

The first step was to provide information for the beneficiaries to make an informed decision. Workshops were held during November, December 2003, and January 2004. As a second step there was a skills verification process during January, February and March, 2004. The third step was the selection of beneficiaries based on age, mix of skills and experience, and the interests of participants.

A project team was also established in the LED Department led by the Co-operative and Policy Alternative Center (COPAC), supported by Rutec and LED department staff. This team has ensured the finalization of beneficiaries and the planning for groundwork and start-up of the co-operative industrial hives. The first pilot project was initiated in Daveyton.

Three groundwork workshops were held over five days, facilitated by COPAC, which focused on the following:

- Education on the co-operative concept;
- A concept design with a focus on sustainable local manufacturing and micro-finance;
- A business plan and participatory feasibility assessment.

The general objectives of the groundwork workshops were as follows:

- To understand the contextual aspects of poverty and its challenges;
- To develop a collective response or answer to poverty;
- Clarify the needs of participants that are necessary for survival and basic existence;
- Design a model of sustainable local manufacturing for the Daveyton Bus Shed;
- Develop an appropriate business plan;
- Contribute to implementing the LED Policy of the Metro.

This business plan is the outcome of this process.

### **3. The Business Location**

This co-operative will be located in Daveyton in a building that was originally used as a bus shed. This bus shed has been renovated to accommodate 4 co-operatives of which one will be steel/wood product manufacturing and the others; meat processing; dairy/fruit juice production and a savings and credit co-operative. The meat processing will complement the dairy product and fruit juice production initiative while will operate on the premises but not in the bus shed. The savings co-operative will be located in two of the smaller offices in the bus shed.

The area allocated for steel works/woodworks is approximately 800m<sup>2</sup>

The location of this co-operative is basically next to the N12 approximately 10km east of Benoni. It is easy to access and is safe for customers. Distribution to any other location will not be a problem as result of the excellent location.

### **4. Additional Information**

This co-operative will form part of a number of co-operatives across the Ekurhuleni Metro. At least 24 from are planned that will promote sustainable local manufacturing for the local economy, it involves:

- Decentralizing or local manufacturing for community and/or social needs;

- Using appropriate technology that fits the situation and scale of the community (i.e., the technology choice must be context specific);
- Supporting livelihoods and autonomous work – “worker owners” will be self employed and will generate an income using their capabilities, assets and local opportunities;
- Utilizing as much as is feasible of local resources such as raw material, labour, finance, land and buildings, waste materials, and technology;
- Mobilizing the demand side through community mobilization;
- Using multi “use” technologies that are flexible and can produce more than one product;
- Promoting peace since it is driven by local social needs;
- Ensuring people live and work in the same space.

In the bus shed space allocated to the co-operative it will engage in meat processing.

## 5. The Business Analysis

### 5.1. Business Details

#### Equipment Requirements

Description	Quantity Required	Cost per Item	Total Cost
<b>Office Equipment</b>			
Computer	1	R 6,000	6,000
Printer Scanner	1	R 3,000	3,000
Word Package	1	R 4,500	4,500
Office Tables	2	R 1,500	3,000
Boardroom Table	1	R 3,500	3,500
Office Chairs	15	R 280	4,200
Bookcases	2	R 450	900
Lock up filing cabinet	1	R 1,900	1,900
Safe	1	R 3,000	3,000
<b>Steel</b>			
Welder, electrically powered, 220 amp	2	R1,653	R 3,307
Heavy duty vice, 150mm	2	R1,070	R 2,140
Worktable, steel, 2000 x 980mm	2	R3,549	R 7,098
Paint brush, 25mm (1 inch)	4	R20	R 81
Paint brush, 50mm (2 inch)	4	R36	R 143

Trunk, steel, 610x335x255mm	4	R348	R 1,393
Grinding Discs, 115 x 4.5 x 22.2mm	2	R199	R 399
Boiler Makers Chalk (1.5kg box)	2	R199	R 397
Combination Square, 300mm	2	R128	R 255
Engineers Square, 150mm	2	R170	R 340
Vice Grip, 175mm	2	R120	R 239
Angle Griner, 115mm	2	R1,200	R 2,400
G-Clamps, 150mm	4	R149	R 596
Measuring Tape, 3M	4	R75	R 299
Screwdriver, 8mm x 200mm	2	R40	R 80
Spanner, Shifting, 250mm	2	R161	R 322
Hacksaw, 300mm Long	4	R133	R 534
Hacksaw Blades (bundle of 10)	2	R14	R 28
Gloves, Leather, Double Palm (one pair)	6	R42	R 254
Safety Goggles	6	R39	R 234
Cables for Welding (set of 2)	2	R657	R 1,315
Helmet, Welding	4	R134	R 537
Chipping Hammer	4	R64	R 257
Drill, one speed, D.I.Y.	2	R769	R 1,538
Bender pipe hydraulic, 10-50mm	1	R2,569	R 2,569
Drill set, 1 - 13mm	2	R170	R 340
Welding gas oxy/acy kit	1	R3,568	R 3,568
Shear - Metal, 300mm	1	R2,742	R 2,742
Electric Cut Off Saw	1	R1,249	R 1,249
<b>Wood</b>			
Panel Saw	1	R33,469	R 33,469
Spindle Moulder	1	R14,228	R 14,228
HC 260K Planer Thicknesser	1	R17,074	R 17,074
Router 1/2 inch	2	R3,565	R 7,130
Drill Rotary Hammer	1	R1,706	R 1,706
Planer 82mm 850w	2	R1,940	R 3,880
Electric Jigsaw Machine	2	R1,973	R 3,945
Sander	2	R4,228	R 8,456

Hammer Claw Steel 500g	4	R150	R 598
Pliers 3 Pc 200mm	4	R186	R 744
Screwdriver Set 7 piece	4	R113	R 453
Square Combination	2	R243	R 485
Radial Arm Saw 300mm	2	R16,783	R 33,566
Workbenches	4	R12,733	R 50,931
Lathe Wood with copy attachment	1	R5,093	R 5,093
Compressor 4Hp 270l Belt Drive 380v	1	R10,833	R 10,833
Chisel Wood Set 6Pce	2	R485	R 970
Vice, 175mm Woodworking bench	4	R4,042	R 16,168
Saw Hand Jack 550mm	2	R348	R 695
Hacksaw	4	R243	R 970
Clamp Gen purpose, 100mm	4	R485	R 1,940
Clamp Sash, 1830mm - 1680mm R	4	R1,940	R 7,761
Bench Plane 355 x 50m Jack	2	R728	R 1,455
Plate Joiner	1	R2,894	R 2,894
Spray Gun Activity	1	R3,436	R 3,436
Cutter BLK Univ. 100x40x30, 13 piece Multi	1	R3,177	R 3,177
Mallet Rubber	1	R65	R 65
Drill Bit Set 1 -13 HSS	1	R622	R 622
Drill Press 16mm 12 Speed	1	R2,425	R 2,425
Dust Extractor Electric	2	R18,351	R 36,702
Headless Pinner Air Operated	1	R2,603	R 2,603
Brad Nailer/ Stapler	1	R4,123	R 4,123
Allen Key 25Pc Combo Set	1	R234	R 234
Auger Bit Set	1	R218	R 218
Flat Bit Set	1	R97	R 97
Carpenters Hammer	2	R121	R 243
Hose Rubber HP 10mmx15mm (per metre)	20	R275	R 5,497
Impact Keyless Drill	1	R970	R 970
Circular Saw	1	R4,042	R 4,042
Biscuit Joiner	1	R1,455	R 1,455
Router bits	1	R3,557	R 3,557

Workcentre table	1	R5,578	R 5,578
Multistand	1	R1,779	R 1,779
Vice clamp stand	2	R5,497	R 10,995
Design Book	2	R639	R 1,277
Fire Exting/Safety Wear, etc	1	R11,376	R 11,376
Miscellaneous - small tools/hoses	1	R12,935	R 12,935
Vehicle	1	R50,000	R 50,000
Containers 6mx2.5m	3	R25,000	R 75,000
Miscellaneous	1	R34,200	R 34,200
<b>Total</b>			<b>R562,705</b>

**Overhead Costs**

Description	Total Cost
Transport	R2,000
Water/electricity	R3,000
Rent	R1,000
Insurance	R1,200
Marketing	R2,500
Project Support	R5,000
Miscellaneous	R2,000
<b>Total</b>	<b>R16,700</b>

**Business Requirements**

**To achieve a net profit of R50,000 per Month - involve 15 People**

Raw Material Requirements	Costs	Percentage
Raw Material Requirements	R92,857	58.20
Turnover/ Income/Sales Requirement	R159,557	100.00
Overhead Costs	R16,700	10.47
Surplus/Net Profit- Before Salaries	R50,000	31.34

**Start-up Capital**

Equipment	<b>R562,705</b>
Raw Materials requirements - one months production	<b>R92,857</b>
Overhead costs	<b>R16,700</b>
<b>Total</b>	<b>R672,263</b>

## 5.2 The Market

### Market absorption of steel and wood in neighboring households which includes wards 54,55,59,60 and 61

Number of households in the neighboring area	25,521
Money spend on related products per month	R 2,134,079
Per household expenditure on related products per month	R 84
Monthly turnover required to achieve sales target	R 159,557
Percentage of actual expenditure to achieve turnover	7.48
Can the market absorb the target	No

Includes all furniture

### Market absorption of steel and wood products based on all households in Ekurhuleni

Number of households in Ekurhuleni	744,915
Money spend on related products per month	R 62,868,415
Per household expenditure based on steel and wood related products per month	R 84
Monthly turnover required to achieve sales target	R 159,557
Percentage of actual expenditure to achieve turnover	0.25
Can the market absorb the target	Yes

Includes all furniture

## 5.3 The Suppliers of Raw Materials

Raw material required to produce products will be purchased in bulk from suppliers in and around Johannesburg. Raw material is freely available in and around Johannesburg.

## 6. The Budget for the first 12 Months

A typical example of the budget for the first 12 months is indicated in the table.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
<b>Income</b>												
Sales	R55,845	R61,430	R69,806	R76,787	R87,258	R95,984	R109,072	R119,979	R136,340	R149,974	R170,425	R136,340
<b>Total Income</b>	R55,845	R61,430	R69,806	R76,787	R87,258	R95,984	R109,072	R119,979	R136,340	R149,974	R170,425	R136,340
<b>Expenditure</b>												
Cost of Sale	R32,500	R35,750	R40,625	R44,688	R50,781	R55,859	R63,477	R69,824	R79,346	R87,280	R99,182	R79,346
Transport	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000
Water/electricity	R3,000	R3,000	R3,000	R3,000	R3,000	R3,000	R3,000	R3,000	R3,000	R3,000	R3,000	R3,000
Rent	R1,000	R1,000	R1,000	R1,000	R1,000	R1,000	R1,000	R1,000	R1,000	R1,000	R1,000	R1,000
Insurance	R1,200	R1,200	R1,200	R1,200	R1,200	R1,200	R1,200	R1,200	R1,200	R1,200	R1,200	R1,200
Marketing	R2,500	R2,500	R2,500	R2,500	R2,500	R2,500	R2,500	R2,500	R2,500	R2,500	R2,500	R2,500
Project Support	R5,000	R5,000	R5,000	R5,000	R5,000	R5,000	R5,000	R5,000	R5,000	R5,000	R5,000	R5,000
Miscellaneous	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000	R2,000
<b>Total Expenditure</b>	<b>R49,200</b>	<b>R52,450</b>	<b>R57,325</b>	<b>R61,388</b>	<b>R67,481</b>	<b>R72,559</b>	<b>R80,177</b>	<b>R86,524</b>	<b>R96,046</b>	<b>R103,980</b>	<b>R115,882</b>	<b>R96,046</b>
<b>Surplus Before Profit Share</b>	<b>R6,645</b>	<b>R8,980</b>	<b>R12,481</b>	<b>R15,399</b>	<b>R19,777</b>	<b>R23,424</b>	<b>R28,896</b>	<b>R33,455</b>	<b>R40,295</b>	<b>R45,994</b>	<b>R54,543</b>	<b>R40,295</b>
<b>Profit Share -80% or surplus</b>	<b>R5,316</b>	<b>R7,184</b>	<b>R9,985</b>	<b>R12,320</b>	<b>R15,821</b>	<b>R18,739</b>	<b>R23,117</b>	<b>R26,764</b>	<b>R32,236</b>	<b>R36,795</b>	<b>R43,635</b>	<b>R32,236</b>
<b>Surplus After Profit Share</b>	<b>R1,329</b>	<b>R1,796</b>	<b>R2,496</b>	<b>R3,080</b>	<b>R3,955</b>	<b>R4,685</b>	<b>R5,779</b>	<b>R6,691</b>	<b>R8,059</b>	<b>R9,199</b>	<b>R10,909</b>	<b>R8,059</b>
<b>Progressive Surplus</b>	<b>R1,329</b>	<b>R3,125</b>	<b>R2,496</b>	<b>R5,576</b>	<b>R3,955</b>	<b>R8,640</b>	<b>R5,779</b>	<b>R12,470</b>	<b>R8,059</b>	<b>R17,258</b>	<b>R10,909</b>	<b>R18,968</b>

## 7. Co-operative Arrangements

This co-operative will function in accordance with internationally recognized values and principles of the International Co-operative Alliance (ICA). See the Annexure.

### 7.1 Objectives

As a sustainable local manufacturing co-operative the objectives are as follows:

- Vocational training and skills development of co-operative members;
- Maintenance and management of the hive;
- Livelihood creation;
- Poverty eradication;
- Meeting social needs;

- Promoting autonomous work;
- Building development and venture capital through the credit union for expansion and local economic development projects;
- Promote sustainable local manufacturing for local need;
- Contribute to building a sustainable local economy;
- Building a local co-operative movement.

## **7.2 Membership**

All members in the co-operative shall be worker owners. They shall be paid-up members who also work in the co-operative. Every member shall pay a membership fee and purchase shares. These worker-owner contributions make up the internal capital pool of the co-operative. The benefits received by worker owners in turn are:

- Livelihood wage;
- Skills training;
- Part of the collective ownership of assets and a co-operative enterprise.

## **7.3 Organizational Structures**

At the base of the co-operative are worker owners who have both ownership and decision-making rights. Worker owners would compose the board of the co-operative. The board would exist at its apex and will be composed of five directors (Chairperson, Deputy Chairperson, Secretary, Deputy Secretary, and Treasurer). The board of the industrial hive shall make all decisions (policy and operational). It shall be advised by the manager/s in the co-operative and shall work with mandates received from the general membership. The board shall also form sub-committees to ensure effective self-management. The sub-committees will focus on five core streams of economic activity:

- Production
- Education and training
- Supplies procurement and marketing
- Security and Premises Management
- Finance

Sub-committees shall meet for two hours every week. General member meetings shall happen once a month. The board shall also meet (normally on a Monday afternoon) once a week for maximum two hours.

## **7.4 Surplus**

Profit maximization is not the objective of the co-operative. However, to ensure it meets its operating and capital requirements it will build in and plan to make a surplus. If a substantial surplus is made (in this case at least 50% more than the surplus indicated in the business plan), it will be shared four ways in the co-operative according to the following formula:

- Reinvestment = 30%
- Education and training = 20%
- Bonuses = 20%
- Community development = 30%

## **8. Implementation Plan**

The following priorities have been identified for the incoming board to ensure the co-operative can start-up:

- Secure capital to create the co-operative;
- Form hive management committee;
- Form a relationship with a mentor to guide them through the development process;
- Open bank account;
- Ensure members pay fees and purchase their shares;
- Ensure all worker owners are members of a credit union and start saving (once established);
- Induct new members;
- Ensure security is in place to protect the hive premises;
- Purchase inputs and equipment;
- Secure institutional capacity-building training through the LED Department;
- Secure vocational training through the LED Department;
- Secure business development training through the LED Department;
- Develop organizational systems – administrative, financial and decision making – in accordance with the statute;
- Develop a work allocation system;
- Develop an income generation strategy;
- Negotiate a rental agreement with the Council;
- Obtain insurance;
- Form sub-committees (involving worker owners);
- Schedule all meetings – board, sub-committees, and general worker-owner meetings.

## 9. Business Challenges

The following challenges were identified to ensure a successful business initiative:

- To find a suitable mentor to assist in the development process. This might be the single most important factor that will ensure long-term success;
- The co-operative will required targeting the greater Ekurhuleni as market to meet the production targets.
- The co-operative will need to create a suitable supply chain. Pricing will be the dominant marketing factor to capture the market;
- Products will have to be outside the boundaries of the Ekurhuleni;
- The product range need to be unique, more research regarding production is required.
- The marketing strategy will be essential to secure the market. Securing the local market will determine the initial success of the businesses. Pricing, branding and promotions strategies must be evaluated in context to achieve the goal of securing the market;
- Role clarification within the co-operative will be essential to avoid conflict. Conflict will influence production that will be vital ensuring success.

## **10. Annexure**

### **10.1. Co-operative Values and Principles**

#### **Principles**

The co-operatives will both work with the values **and** principles adopted by the International Co-operative Alliance. These values and principles would be adapted to suit the needs and aspirations of the co-operatives.

#### **Values**

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

#### **Principles**

The co-operative principles are guidelines by which co-operatives put their values into practice.

#### **1st PRINCIPLE: VOLUNTARY AND OPEN MEMBERSHIP**

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

#### **2nd PRINCIPLE: DEMOCRATIC MEMBER CONTROL**

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are organized in a democratic manner.

#### **3rd PRINCIPLE MEMBER ECONOMIC PARTICIPATION**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

#### **4th PRINCIPLE: AUTONOMY AND INDEPENDENCE**

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

**5th PRINCIPLE: EDUCATION, TRAINING AND INFORMATION**

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public--particularly young people and opinion leaders--about the nature and benefits of co-operation.

**6th PRINCIPLE: CO-OPERATION AMONG CO-OPERATIVES**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

**7th PRINCIPLE: CONCERN FOR COMMUNITY**

While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.