



**CENTRAL EUPHRATES FARMERS MARKET
BUSINESS AND OPERATIONS PLAN
MAY 2009**

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Acronyms

BA	Bachelor of Arts
CA	Civil Affairs
CEFM	Central Euphrates Farmers Market
CEO	Chief Executive Officer
CMOC	Civil Military Operations Center
CPT	Captain
DSR	Daily Sales Report
ePRT	embedded Provincial Construction Tem
EU	European Union
FOB	Forward Operating Base
GL	General Ledger
GOI	Government of Iraq
INMA	USAID Project for Economic Development
LCDR	Lieutenant Commander - Navy
MND-C	Multi National Division - Central
MOA	Memorandum of Agreement
MSR	Master Sales Report
NGO	Non-Governmental Organization
PC	Petty Cash
PL	Profit and Loss Statement
PRT	Provincial Reconstruction Team
PsyOps	US Army Psychological Operations
QRF	Quick Reaction Funds
SOI	Sons of Iraq
SOPS	Standard Operating Procedures
SWOT	Strengths, Weaknesses, Opportunities and Threats
USAID	United States Agency for International Development
USG	United States Government
VIP	Very Important Person

Business and Operations Plan

Executive Summary

A produce wholesale market is an essential link between food production and consumption. Without wholesalers, retailers would need to procure products directly from farmers, involving a substantial amount of logistics and transactions and liquidity. In linking farm-level and rural value-added activities and wholesale markets the number of transactions is reduced and the marketing process simplified. This allows actors in links of value chains to focus on, and allocate resources to, their core capacities; their competitive advantages. Farmers' strengths lie in production and farm-level transformation. Retailers do not want to be involved in coordinating supply with a myriad of small-scale farmers and the accompanying sorting, consolidating, packing or distribution operations; their focus is selling to consumers.

High marketing costs inevitably lead to lower prices for producers and higher prices charged to consumers. Inefficient markets increase the risk of sanitary, transportation and, negative environmental issues. This is especially the case in urban areas.

The wholesaler may perform storage and warehousing functions, as well as allowing economies of scale to be obtained in the transportation of produce from farm to market. Those involved in wholesaling can operate as merchants, buying and selling produce, brokers dealing in orders rather than goods, commission agents acting for the producers or be export/import agents, dealing in foreign trade.

Wholesale markets develop in a number of stages. They generally start with a wide range of products then become more specialized, trading in a more limited range of products and focused markets. As they develop wholesale markets identify opportunities for value added activities, dealing in graded products and developing more direct buyer/vendor relationships such as supermarkets, institutions or contract farming arrangements. Some wholesale markets evolve into food centers selling non-food products as well. This, however, depends on location of production areas, seasonal variation in production volumes, local infrastructure and proximity of the market to a client base that will support such a strategy. If well managed, they can be run profitably and provide a powerful stimulus to the modernization of food marketing generally.

The CEFM is a produce wholesale market and agriculture extension center. Its vision is to be an agribusiness and learning center of excellence focused on the profitable, progressive, and sustainable trade of quality agribusiness products. It will support participating farmers and farm families in North Babil by providing a viable local market outlet and extension information. The CEFM will support four farmers' organizations with a membership of some 6,000.

The CEFM is owned and operated by four local Agriculture Associations. The management board is composed of nine sheiks that are well-respected and connected local leaders, representatives of the Agriculture Associations with experience in agriculture production and marketing (wholesale); day-to-day operations manager; human resource manager; and an accountant and assistant. The board's network of expertise includes substantial contacts in the produce wholesale industry, legal experts, government officials and plant engineers.

The CEFM's marketing strategy is to offer its wholesale traders an expansion option, complementing their ongoing business not directly competing with them. The CEFM's primary market is existing wholesale traders seeking to expand to an area and facility that offers a competitive difference to where they presently trade.

The CEFM has no debt and is expected to earn a profit in year one focusing on profitability with an eye on expansion. Expansion plans will be based on careful assessment of activities that are technically feasible and economically viable.

The CEFM is soundly managed equipped with the means and facilities its needs to operate sustainably. Over time the CEFM will be the prime driver of market-led agriculture development in North Babil continuing the legacy of the two rivers region.

Background

CEFM and North Babil Agriculture

In late 2006, US Army Civil Affairs (CA) Teams coordinating with local sheiks sought to identify employment and income generating activities to revitalize the local economy in the area surrounding FOB Kalsu. Agriculture, the local economic engine, was identified as a principal sector. Local sheiks presented their views of the challenges they faced and requested assistance in developing a wholesale produce market site. The market was initially envisioned as simply being a fenced-in field near FOB Kalsu where farmers, with limited transportation resources, could safely gather and sell wholesale produce to distant market buyers. As security in the area improved the wholesale market concept grew to become an ePRT project; the CEFM. A MOA was signed between the US Army and the four agriculture associations in October 2007; site agreement reached in January 2008; Scope of Work for construction completed February 2008; and, bids received and evaluated in Spring 2008. Construction began in August 2008 and completion was scheduled for late February 2009.

The Central Euphrates Farmers Market is a newly formed, farmer association-owned wholesale market outlet and agriculture development enterprise. The four associations, all within 10 kilometers, represent approximately 4,000 farmers cultivating 32,000 donum (donum is a measure of land that equals 2,500 square meters); there are an estimated 14,000 farmers and 600,000 donum of cultivable land in North Babil. The market, located on an 11 donum parcel purchased by the associations, will initially sell wholesale produce and crop inputs, and have retail stalls for various market and agriculture inputs and fresh meat products including chicken, red meat, and fish. The character of the retail products may very well change over time depending on clients' and local consumer demand. A retail seed store, managed by the CEFM will be operated. Production information for the associations is illustrated in **Annex 1**.

Additionally, the CEFM has the capacity to operate as an extension center. A training hall, with seating for 100, is part of the infrastructure and basic training equipment has been provided. The CEFM is a centrally located facility with buyer/market information immediately available and it will combine this information with extension information to be disseminated to participating farmers. The CEFM also has land for demonstration activities and could be easily used by the GOI agriculture extension service as a training site.

It is expected that the market will reach a daily throughput of 120 tons of produce during the first year. It is anticipated that products will be local, national, and imported. The market will provide a safe, centrally located market outlet and also support community development initiatives through a social development focus. As a result of lower transaction costs farmers will receive an estimated premium of 10%-12% on their products over other wholesale markets and be able to provide a better quality product, which should command a premium price once market channels are further developed.

The four registered associations are the principal local produce suppliers; but the market is open to all who want to trade. Off-season produce and products will be imported, through alliances with importers/traders, to meet trader-required volume. Patrons will be farmers, traders, importers, retail operators; and, retail and wholesale suppliers and consolidators. The public will also be welcome and future export trade is a consideration. There is a strategic plan that guides capacity building and future expansion.

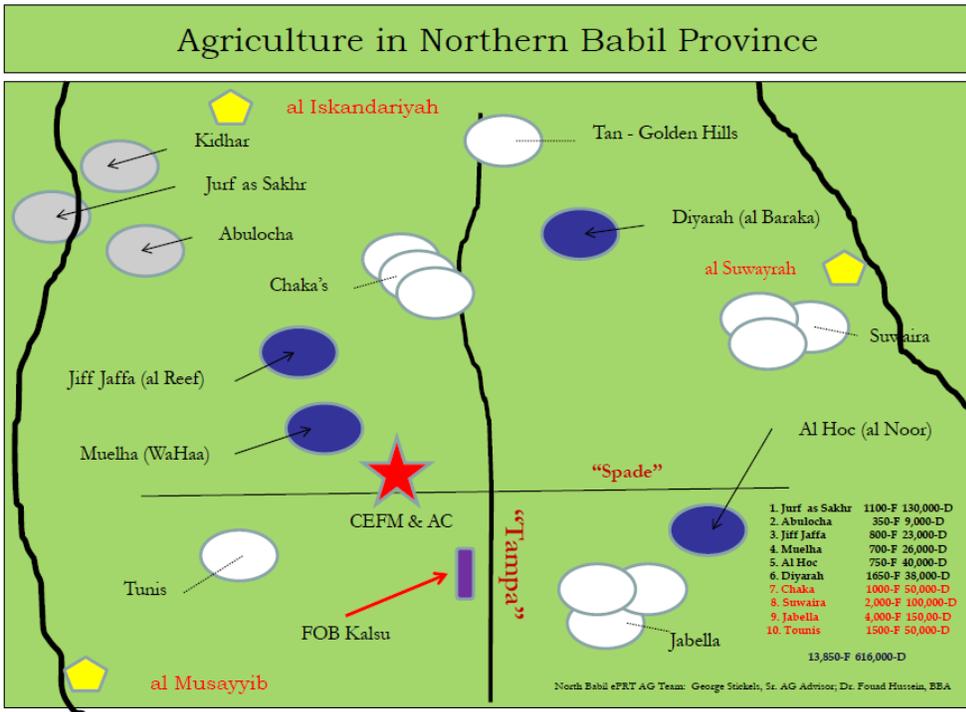
The CEFM will initially employ 31 full time workers; traders (20) will average three administrative personnel and six to seven porters each and retail stalls will employ an estimated 50 directly. Indirectly the market will support some 375 households; some 2,000 people. As the CEFM evolves, value-added activities and ancillary businesses will develop in and around the market, creating additional employment and income generating opportunities.

The Central Euphrates river valley is well-endowed with agricultural resources that include fertile soils, access to water from two major river systems (the Euphrates and the Tigris), and extensive irrigation potential. The primary limiting factors for land use in agriculture are high summer-time temperatures, water availability (in the form of either rainfall or river flow), and the problem of salinity control in the alluvial plains of the Euphrates and Tigris Rivers.

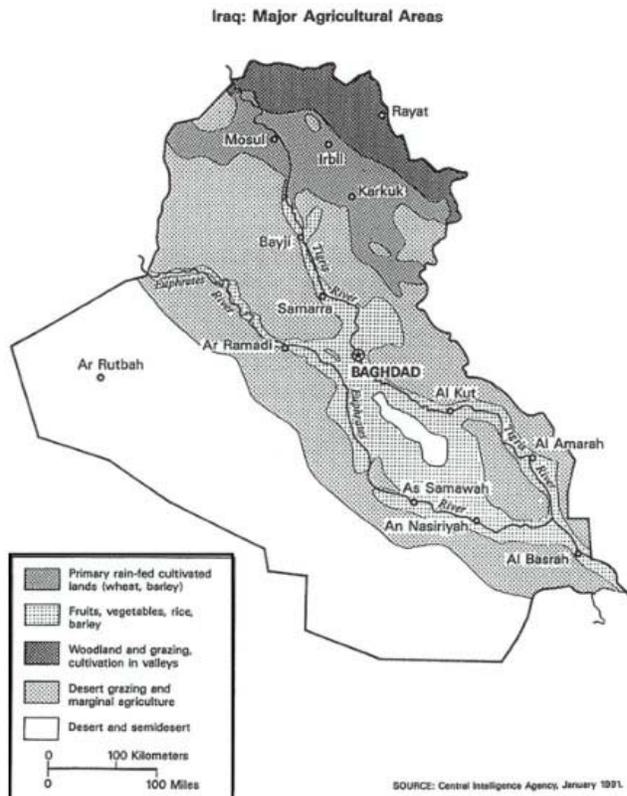
A production assessment to estimate potential throughput has been completed. The assessment seen in **Annex 1 Production Information** demonstrates that there is more than sufficient production in the area to supply the CEFM.

Map A shows the location of the CEFM in relation to the four partner and 12 other agriculture associations, main population centers, and the main north-south highway. **Map B** illustrates the principal vegetable and fruit production areas in Iraq.

Map A



Map B



Strategic Planning

Strategic planning is the tool used in matching the strengths of a business to available opportunities. It provides a clear understanding of the business - its strengths and weaknesses in the context it seeks to operate in - and develops a clear mission, goals, and objectives. The business's strategy is built on this planning.

An initial managerial and technical assessment of the CEFM and associations was carried out to provide a starting point for developing the CEFM as a business. The assessment was a survey completed by the board members and contained managerial, administrative, and technical categories. Members rated themselves and their organizations. This provided a snapshot of where their strengths and weaknesses were in relation to what they envisioned the CEFM to be. Results of the survey are in **Annex 2** Results of Managerial and Technical Survey.

One of the first steps of strategic planning, and identified as a priority in the survey, is to identify the underlying purpose for which the business exists: its vision and mission. The vision is the concept of what the business really wants to be. It captures the imagination of the company and provides a focus for efforts and activities. It can answer questions about the business and describes characteristics of the CEFM's business in the future. The mission describes what the business does and the customers it serves.

SWOT Analysis is an effective method of identifying the Strengths and Weaknesses of the CEFM, at a specific point in time, and examines the opportunities and challenges it faces. The objective of this was to identify changes that will benefit the market. This was then analyzed in terms of the key results identified in the mission statement.

The result of the strategic planning exercises brought the CEFM board members together with a common vision and a strategy to achieve it.

Vision and Mission

Vision

The Central Euphrates Farmers Market and Agriculture Center will be an agribusiness and learning center of excellence focused on the profitable, progressive, and sustainable trade of quality agribusiness products. The Central Euphrates Framers Market and Agriculture Center will be a respected, responsible neighbor and an asset to our community. The Central Euphrates Farmers Market and Agriculture Center will provide the opportunity for our children and neighbors to participate in the development of agriculture in the North Babil region.

Goal/Mission

The primary goal of the CEFM is to provide financial and social benefits through the development of the agriculture and agro-industrial sectors.

The social goal of the market is to support farmers, and by extension farm families, by conducting training courses and providing access to improved production/harvest and post-

harvest technologies and a viable market. Revenues from the CEFM will be invested in development projects which will support the local agricultural society, such as cold storage, fruit and vegetable packaging and processing, milk collecting and processing, and other projects that provide employment and income generating opportunities. The members of the CEFM board are tasked to promote market development activities to local, national and international business persons to attract investment in CEFM-related projects including imported products and the export of CEFM products with the aim of generating revenues for CEFM development.

Following is the result of the SWOT exercise and the basic strategy framework for developing a business approach to the CEFM.

SWOT

	<p>Strengths</p> <ol style="list-style-type: none"> 1. Suppliers are experienced farmers and have productive assets 2. Location (close to suppliers, major transport route, offers expansion/complementary opportunity to traders) 3. Modern facilities with utilities 4. Training center, dormitory, security 5. Irrigation – water availability/canals 6. Alliance with GOI and USG 7. Responsive board of directors 8. Ethnic composition favors stability 9. Bylaws, contractual mechanisms for tenants 10. Labor availability 11. Committees formed to deal with issues 12. Improved security (checkpoint 17) and CEFM security detail 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. New to operating a wholesale market (everyone) 2. Cash flow uncertain (unforeseen expenses) 3. Meet once per week (management experience) 4. Suppliers level of technology (in terms of competing with imports) 5. Lack of strategic, business, operational, etc. plans; lack of accounting system 6. No cold storage (commercial) 7. Lack of market information (to base value added production on through pricing/marketing decisions, etc.) 8. CEFM not registered – cannot legally open
<p>Opportunities</p> <ol style="list-style-type: none"> 1. Other markets nearby (market growth) 2. Opportunity to provide differentiated products services (imports, 3. Linkages with GOI extension services (technologies and inputs) 4. Niche market opportunities – high-value; Iraq-grown preference 5. Use of facilities for revenue generation 6. Value added processing (packaging, quality standards, ((innovations)) 7. Branding for Iraqi-produced products 8. Capacity building resources available through networking with BDE/PRT 9. CEFM trading reduces farmer costs 	<p>Strategy Strengths/Weaknesses</p> <p>Promote expansion of nearby wholesale markets through differentiation not direct competition with existing traders.</p> <p>Utilize market information, extension services and CEFM facilities to take advantage of productive assets (i.e. CEFM facility, irrigation, etc.) and train association farmers to supply quality, value-added products as per buyers' standards.</p>	<p>Strategy Weaknesses/Opportunities</p> <p>Obtain administrative and technical market information from traders</p> <p>Leverage association with BDE, PRT and other resources to obtain administrative and technical capacity building training</p> <p>Conduct assessments and utilize portion of revenues to develop complementary value adding activities</p>
<p>Threats</p> <ol style="list-style-type: none"> 1. Competition (other markets, collusion) 2. High relative cost of operation (utilities) 3. Uncontrollable climatic conditions 4. Corruption 5. Pests and diseases 6. Imports (competition) 7. No cash base or line of credit (how to manage operating costs and invest in capital improvements?) 8. Changing GOI policies (e.g. association law changing, government intervention in prices, laws e.g. assn) 9. Input availability, prices and quality 10. Members selling outside of CEFM 11. Security 12. Soil issues - salinity 	<p>Strategy Strengths/ Threats</p> <p>Promote CEFM to existing traders for expansion to reduce potential collusion</p> <p>Take advantage of relationship with GOI to promote polices</p> <p>Promote, through associations, new irrigation and productive technologies to mitigate drought impact and reduce soil salinity</p> <p>Utilize board members influence to strengthen associations capacity and use CEFM as input procurement organization</p>	<p>Strategy Weaknesses/Threats</p> <p>Develop business and operations plans with focus on profitability and long-term sustainability</p> <p>Identify strategic business alliances for investment</p>

Market

Market Size and Characteristics

Conducting in-depth market assessments in Iraq is difficult due to security issues. Wholesale market walks were carried out in Karbala and Al-Hillah. Retail markets were visited in Haswa, Mahaweel, Inkanderyia (these markets also sell small wholesale volumes), and other local markets. Numerous discussions were held with the CEFM management board, which is composed of farmers and intermediaries who trade in wholesale markets. Additional market information captured by Team Borlaug and the USAID INMA project was used to assess market characteristics.

Wholesale produce markets in Iraq are a mix of local and imported products. Most imported products come from Iran, Jordan, and Syria, although it is not uncommon to see products from Lebanon, United States, Turkey, China, Pakistan, Chile, Ecuador, and Egypt. Products, such as bananas, that are not produced in the region come via container ship through Kuwait's port. Imported products arrive in refrigerated and unrefrigerated transport at wholesale markets where trailers are parked until the products are sold to retail vendors, usually within four or five days; at which point the quality of more perishable products is significantly diminished. Imports are handled by brokers or partners of local merchants who generally charge 20-25% commission. Retail buyers come from surrounding markets, buy two or three crates of produce (up to 150 kilograms), sell it and return to buy more when they run low. Retailers, as a rule, do not use refrigeration, opting for smaller lots that can be turned over in a few days. Most transactions are cash but some are advanced on credit. In wholesale markets standard size (40 foot) refrigerated containers, renting for about US\$500.00 per month, are the primary source of refrigeration. Retail markup is generally based on prevailing wholesale prices, and typically prices run from 30%-100% more than wholesale price (daily wholesale price information for Iraq and international market supplying Iraq can be purchased online at www.anka-iraq.com). The CEFM's principal competitors are the Hillah, Karbala, and Baghdad wholesale markets.

Product quality differs, premium quality commanding a better price, but overall it's poor especially for more perishable products. Quality also varies by market location and clientele; upscale markets and supermarkets in urban areas have better quality products. Products are generally sold loose, by weight, but there are some prepackaged in retail ready containers. Of note is the value customers put on Iraq-produced products, which can run 20-25% greater than imported products of the same or lesser quality.

Most of the wholesale markets are owned by municipalities and located in urban settings where transport congestion and waste disposal are issues, the utilities deficient, and security a challenge. Stalls are rented to traders. Characteristically wholesale markets are antiquated, lacking product packing and handling technologies, services, and utilities and generally significantly reduce product quality, leading to significant losses resulting in reduced prices paid to farmers. Post harvest handling needs to begin at farm level but until wholesales improve farmers maintaining product quality will not receive a premium for their efforts. It has been noted in all market assessments that handling and transport is responsible for reduced quality and that the closer the supplier was to the market the higher the quality. Retail buyers are reported to shop around wholesale markets for price and quality and do not have a particular allegiance to

specific vendors.

Products are sold on consignment or by commission (5-10%). Local produce arrives in large plastic bags, loose in truck beds, or in over-packed containers. The majority of products are damaged. Imported products are more likely to be packed in vegetable boxes or crates. Traders often establish an input advance program for farmers to ensure an adequate supply of product and influence the quality and variety of product.

Traders and municipal and provincial government officials report the wholesale produce trade is expanding as a function of increased consumer demand. All retailers indicated that sales were good, all products were available but that there is an unfulfilled demand for Iraqi-produced products. Urban markets are not easily expanded and investment usually on the part of local or provincial governments for new or expanding wholesale markets is not budgeted. All municipal and provincial government offices have provided written support for the CEFM.

Strategy Approach - Competitive Approach

The short-term strategy is for the CEFM to establish its core wholesale capabilities managerially, operationally and financially; focus on profit not expansion. This will be done focusing on building its core capacity, wholesale produce trade, and associated services. With improved managerial capacity, a capital base, better knowledge of the value chain, and collection and assessment of market information, the CEFM will expand into value-adding activities to include; defining its product mix towards high value products, cold storage, extension training and demonstration, and value-added processing targeting niche markets. This will be based on assessment of the technical feasibility and financial viability. CEFM start up and expansion is diagramed in **Chart A and B** below.

Managing the Competition

The CEFM, as a start up business and new wholesale market entrant should first seek to promote itself as complementary to its competitors, not in direct competition with them, leveraging its differentiation (**see Table A**) from other wholesale markets, and attracting traders to expand into the CEFM but not to abandon markets where they currently trade. Competitors are well established and have sufficient capital to win a product supply price war. Exactly how competitors react remains a question but a negative reaction may be mitigated by promoting the CEFM's complementing competitors ongoing operations instead of being perceived as a threat in direct competition with them.

Traders demand for produce is increasing, especially for quality locally grown products. The CEFM's proximity to product supply (farms and transport routes), compared to other wholesale markets, needs to be taken advantage of. To do this the CEFM should work closely with its partner associations' membership to coordinate production and ensure supply. This information will be advertised to potential bidders. The first step, organizing partner agriculture associations has been taken. Additional work needs to be done in strengthening these groups to ensure they see the CEFM as the market where they can obtain market information, inputs, fair prices, and one in which they want to trade. This will also be a function of individual traders building business relations with local farmers and their organizations to ensure an increasing supply of

local products.

The CEFM is strategically sited in the region most suited to vegetable and fruit production in Iraq. The location is right off Route 1, the main north-south highway (Mosul to Baghdad to Basra) and convenient for traders to receive, consolidate and ship local and imported products. Imported products will be part of the product mix. The CEFM bylaws (**Annex 3: CEFM bylaws**) require tenants to gain approval from the board for trading in imports. This is needed as the primary reason for the CEFM is to promote local agriculture, however at the same time imported products are required by traders. Consumers demand produce year round and local crop cycles cannot meet this need. Over time the strategy is to understand consumer preferences in upscale and institutional markets and target association production towards those products. There is a demand for Iraqi-produced products and locally-grown more perishable crops will be of better quality than imports, even those shipped in refrigerated containers. The desired strategy is to for traders to satisfy client needs with a mix of local products and imports with the CEFM building its capacity for the value-added, high value, market segment. To avoid any conflict between the traders and CEFM for product, the CEFM needs to work with its core group of farmers to identify which crops are most profitably grown, integrate buyer standards with production practices to meet those standards, and focus on those while traders continue to work with lesser quality products.

One important selling point is that the CEFM can present itself as a business that demonstrates sound management and technical capability. The facility and strategic, business, and operations plans coupled with dedicated managers will be attractive to partnerships or business relationships

Table A

Market Differentiation

- Strategic Location and Easy Access (Intersection of Tampa and Spade)
- 40 Wholesale Stalls: 20 @ 110 square meters (11 x 10 meters)
- Space for expansion
- 29 Offices/retail Stalls: 2 @ 40; 2@ 25 and 25 @ 20 square meters square meters
- Restaurant and Coffee Shop (concession to be auctioned)
- Refrigerated Cold Room (8x15.5 meter)
- Electrical and Water Service at Every Stall (electrical generator and grid)
- Modern Facilities and Offices
- Management committees for tenant issue resolution
- Training and Meeting Room
- Comprehensive Security
- Ample Parking
- Prayer Room
- Reinforced Concrete Pad for Refrigerated Trucks
- Modern Restrooms and Showers
- Utilities included in rental cost

Chart A

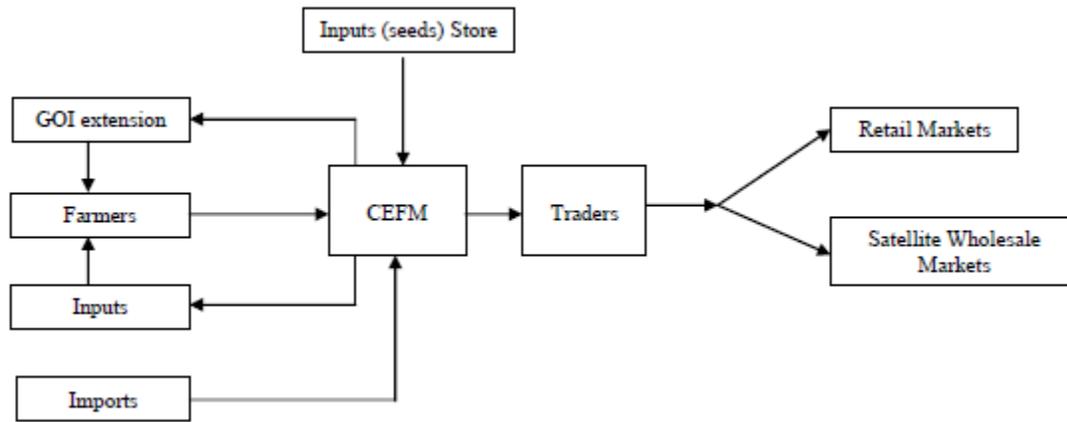
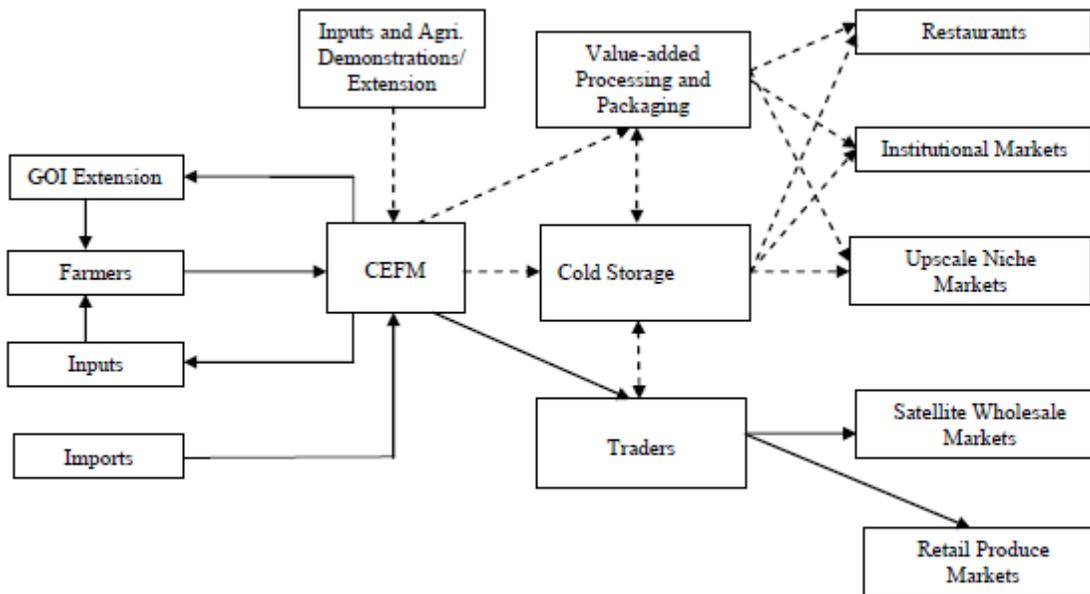


Chart B



Key risk areas (year 1):

Working capital shortage; management capacity; security issues; unforeseen capital expenditures; distractions (technical and financial) from strengthening core capabilities; water availability; climate; inadequate extension services; retail base will take time to develop; corruption

Key success factors:

Short-term (1 year) – generate sufficient revenues from stall rental and associated enterprises to operate profitably; strengthen management capacity (operational and administrative); develop supplier/vendor client base; begin developing capital base; identify value-adding enterprises and associated extension activities for diversification; differentiate services from competitors; strengthen linkages between CEFM and GOI – Ministry of Agriculture/extension office (extension in all aspects of value chain) and identify market-specific and agriculture-specific policies issues that need to be supported by GOI (extension, energy costs, inputs, etc.)

Medium-term (2-4 years) – develop additional revenue generating enterprises that enhance client satisfaction; continue to build capital base; diversify appropriately through opportunity assessment into value-added strategies; develop on-site extension services; develop crop and enterprise budgets for niche market opportunities; secure investors (non-shareholding partners); promote policy uses with GOI

Long-term (5 years) – capital asset development; integration of market information with value chain actors; maintain/expand share in niche markets; develop ancillary businesses in CEFM area of influence; promote policy issues with GOI

Objectives: (year 1)

Year one objectives will mitigate year one risks and establish the foundation for subsequent years' success factors.

- Finalize construction, equipping and access road
- Develop advertising for stall auction
- Promote stall rental for auction – auction in mid-April
- Strengthen administrative and operational management capacity (priority – accounting system and day-to-day operations) – this will be accomplished through operations and accounting training provided by a PRT grant and PRT/Division staff. Additional capacity development has been offered by INMA.
- Secure adequate working capital – this is expected to be earned through the auction and additionally through a better understanding of operational costs. Working capital requirements are defined in the annual budget and cash flow and future expansion. Working capital needs to be monitored by the board and the accounting system will enable this.
- Strengthen linkages with GOI extension service – good relations exist between the CEFM

and Ministry of Agriculture but government services are limited, however the CEFM training facility can be used by public and private service providers, which can pay for the use of the facility with cash or in-kind resources.

- Initiate and develop buyer/vendor relationships between the CEFM and retail vendors in target market segments, specifically supermarkets, institutions such as hospitals, and restaurants; work with CEFM traders to integrate their market standards into the production practices of association members using marginal analysis to identify what the financial impact of these changes are.
- Identify opportunities and finalize plans for value-added revenue generation activities within six months of opening.
- Begin capacity building for agriculture associations – technical and managerial capacity.
- Explore development of a high-value retail strategy and cold storage.

Shortage of working capital is the primary cause for business failure. In the case of the CEFM's working capital, which is dependent on the stall auction, the board has identified the following options it will evaluate and employ to address this issue.

- Operate at partial capacity reducing costs (salaries except for security), and other variable costs) and continue to build the business. The sheiks have voted to receive reduced or no salary depending on the outcome of the auction and other revenue generating activities.
- Apply for a loan; personal loans or loans from the associations to the business; use the CEFM as collateral and approach a formal lender
- Develop prospectus for partner/investor; revenue streams will be more certain after the auction. With that information the CEFM will be in a position to develop a business prospectus to approach partners and lenders.
- Rent facility to an individual or group of operators – or another market.

Stall Pricing

Pricing the stalls is more art than science. There is only one wholesale market in Iraq that is privately owned, although a few are said to have some level of private investment. The rest are government owned. It is difficult to know what the true costs are and level of subsidies, if any, are provided, although services in those markets are of lesser quality than the CEFM, making it difficult to price stalls/services. That said, stalls in Karbala, Hillah and Baghdad rent for more than US\$100,000 per year. Additionally, the CEFM board has interviewed and provided tours to wholesale traders who have expressed interest in renting stalls. They in turn have provided recommendations on operation of the market and hinted at prices they are willing to pay. Given this, there are essentially three approaches that need to be considered in setting a floor price for the auction that is not over-or-under priced for the market but meet a desired profit goal.

- Establishing a high price to maximize profits (this strategy is generally used to recover high development costs or to maximize profits before competitors enter the market). What happens if renters decide the CEFM is making too much profit?
- Setting a low price (compared to the competition) on one or more products/services to make a quick sale bringing in bidders, to support other revenue generating sources, and still make a sufficient profit; knowing it is difficult to raise prices going forward

- Price the same as competitors (if all costs and benefits are understood). The challenge then becomes to determine how to lower your costs so you can produce a higher profit than your competitors.
- Promotional allowance could be considered but with an understanding that this should be only for the first year to prove to traders that the CEFM is a viable facility for them to trade at.

These considerations are merged with questions on bidders' perception of value, or

- How do bidders perceive what they get for their money?
- What do they earn or save renting CEFM stalls?
- Do they gain any competitive advantage from renting a CEFM stall?
- Is it more convenient to rent then trying to develop a similar operation?
- What are the other choices they have?
- What does the competition charge and what do traders receive for that price?

Other services such as gate fees, restaurant concession, cold storage rental, refrigerated truck parking, car parking and the like are priced similarly.

One other consideration is the length of the rental agreement. Potential bidders that have come to tour the CEFM have mentioned that they wanted an agreement of five years, which was stated to be SOP. In discussions with the board, a five year agreement was considered to be too long as the actual operating costs are estimated but uncertain and capital investments with associated financing are expected but also uncertain. Also, it was believed that such an agreement would favor the renter not the CEFM. The CEFM board agreed to a one year agreement, in which time operating and additional investment costs would be understood and a three year agreement would be auctioned after year one. When this is decided the board will change the rental agreement to include an increase in rental agreement to include a clause to reflect inflation and increase the cost by a percentage based on the volume of throughput per renter/trader. If the trader achieves a predetermined volume of input rent will be increased by the agreed upon percent. Throughput will be captured by the stock receipts and trader receipts completed by each lot that enters and is auctioned at the CEFM.

Chart C

Conservative Stall Rental Rate
Wholesale @ US\$15,000/year; Retail @ US\$5,000/year
10% of Karbala Rate
Net Profit

CEFM Tenant Occupancy

		100	75	50
Percent Increase in Base Rental Price		4,409,000	(14,459,000)	(24,459,000)
	25%	14,409,000	(6,959,000)	(19,459,000)
	50%	24,409,000	541,000	(14,459,000)
	100%	44,409,000	15,541,000	(4,459,000)
	200%	84,409,000	45,541,000	(2,254,500)
	300%	124,409,000	75,541,000	17,745,500
Expenses (+ 15% Buffer) - Revenues				

The above chart uses revenues and expenses from the estimated first year budget and compares the cost of stall rentals to the occupancy rate for the stalls. Stall rental represents 75% of the expected revenues in year one. All other revenue sources are unchanged. The base rental price is 10% of the known price in Karbala. Expenses include a 15% buffer over estimated costs. There are no operating loan costs.

Stall Auction

The auction for wholesale, retail, and offices will generate up to 75% of the CEFM's revenues and working capital in the first year. The revenue generation falls heavily on the auction in part because banks do not typically lend working capital, the board will not use the facility as collateral and has expressed an unwillingness to invite a partner in the initial start up, and, not all the sheiks or participating associations have or will invest available cash (investment by one of two would strain the relationship between the groups). Therefore stall rental is crucial and a substantial amount of work has gone into it.

There are two methods to auctioning the facilities; silent and public and a six-month deposit will be required by tenants. These two approaches were put forward to the board; a public bid has been chosen. In general the rationale for a sealed bid is to avoid collusion however it is a more complex process and not common in Iraq. The rules for these approaches are **Silent and Public Auction Rules** are seen in **Annex 4: Silent and Public Auction Rules**. A professional auctioneer will be hired. Stalls will be numbered and will be auctioned one at a time, starting with the outside wholesale stalls. The restaurant concession will be auctioned separately. Another aspect that needs to be resolved is dealing with temporary traders which may be a source of revenue during certain peak harvest times of the year. Price and length of time are the primary considerations but this must be resolved and entered in the auction rules and/or rental agreement before advertising for the auction. This may also be an issue that can be addressed after the first year of operations and before the second or three year agreement auction depending on interest.

Several items have been developed to facilitate the auction; setting a floor price, tenants' agreement, and advertising.

The floor price was dependent on developing a cash flow from the annual budget. As mentioned above estimates on breakeven have been completed and the auction will determine the prevailing price, given no collusion between bidders.

Once the stalls are auctioned a renters' agreement will be signed. The agreement will be for one year with a two year option. Increases for years two and three will be either tied to inflation, an agreed percent increase based on volume of sales, or some other mutually agreed indicator. A full listing of obligations for the CEFM and renters is seen in **Annex 5 Stall Rental Agreement**.

Advertising

Print, television and radio advertisement were discussed and board members contacted many wholesale traders they do business with. Formal media promotion was decided against and distribution of flyers chosen as the vehicle for promotion (**Annex 6: CEFM Auction Flyer**). The CEFM board has since reevaluated its position on advertisement and will explore television, billboards, and radio. The Regional Embassy Office has offered to use its offices to approach two radio stations and broadcast advertisements for the auction. Professional assistance in developing advertisements will be sought.

Expansion Plans (cold storage and value-added processing)

There have been numerous ideas and discussions as to what investment activity should follow establishment of the wholesale operation; cold storage, processing and packaging, plant nursery, slaughterhouse, dairy processing, etc.

Expansion into other revenue-generating activities will be built on an assessment of their technical feasibility and economic viability. The accounting system developed is key to tracking and evaluating the financial position of the CEFM and its investment capital, and demonstrating to potential partners that the CEFM is capable of managing its finances. Two likely scenarios are discussed; cold storage and value-added processing.

Cold storage

Cold storage was evaluated by a private consultant and considered unfeasible. The consultant's conclusion was based on a 45 minute visit to the CEFM, evaluated in terms of efficiency of product flow and offered no economic assessment and although such an investment may be questionable it is worth considering outside of the consultation parameters. A short-term capital investment may be in the CEFM's best interest if it is economically viable and fits into CEFM expansion plans, versus an activity that requires considerable coordination with numerous stakeholders, substantial investment, and takes three to five years to realize. These are decisions that will have to be made and cold storage is presented as an example of the questions that have to be asked and answered by the board before any investment is made.

One cold storage cost of particular importance is energy, mainly electricity. The cost is significant and is central in determining competitiveness both nationally and with imports. This utility is more expensive in Iraq than its neighbors.

The following questions regarding cold storage are posed to give CEFM management an idea of the information such an investment decision requires.

Products

- What are the products that will be held in storage?
- What is the peak volume of each product that can be expected at varying prices for cold storage and handling?
- What is the total volume of each product that can be expected at varying prices for cold storage and handling?
- How long will be the products remain in the facility or what is the throughput rate from the facility that can be expected at varying prices for cold storage and handling?
- Where is the market for the products held in storage?
- Are transportation connections adequate for getting the buyer's product to market in a timely manner, and to meet customers' needs?
- What is the transportation cost to get these products to market?
- Are there local competitors to the cold storage facility?
- Who are the competitors of potential users of the facility? What advantages or disadvantages do they have in the marketplace? How do product prices compare with local suppliers?
- In addition to produce are there other products that may be held in the facility, such as products for local vendors? Other agricultural products? What is the volume of each product that can be expected at varying prices for cold storage and handling?

Sizing the Facility

Throughput information collected for the market analysis is essential for sizing the facility. However, the facility cannot be sized to meet peak demand since the resulting capital and operating costs will not be sustainable. This task in the feasibility analysis must consider the following factors:

- Sizing and Capacity
- Technology and Equipment
- Management and Staffing
- Location and Infrastructure
- Costs
- Management and Staffing

Costs

In addition to developing a facility that is the correct size for the market, the feasibility analysis must have a preliminary design concept to provide sufficient information for estimating the capital and operating cost of the plant. The technology and equipment used for refrigeration should be described, as well as materials handling, racks, and other items. Decisions on these items will affect the capacity of a facility and the efficiency of operations.

- Finance
- Pricing for use and services

Risks

There are a number of risk factors that a cold storage facility may face. These include:

- Financial – what if revenue projections are not met? What is the cost of providing security that foreign competitors do not have to pay?
- Operational – inability to retain trained employees at wages paid
- Market – bankruptcy or closure of a major user
- Construction – cost overruns
- Environmental – Hazard Analysis Critical Control Point (HACCP) shortcomings

Transition to High-value Niche Markets

It is expected that the consolidation of fresh markets will continue, as is the trend in the rest of the world and Iraq. Not every small-scale market will be absorbed but in urban areas this is a fact that needs to be taken advantage of by the CEFM. These consolidated markets are moving towards a set of buyer product standards and centralized procurement and distribution systems which favor specialized, preferred wholesalers. Some of the standards for such markets are more demanding than other national standards. Wholesalers are better suited to respond to changing buyer standards which include quality, food safety, and packaging. In general this approach streamlines the system reducing transaction costs through scale and aggregating volume, enhancing consistent quality through efficient supply chain and buyer/vendor communications, and ensuring standards are met efficiently. CEFM's niche will be defined by its management being proactive in terms of identifying diversification opportunities, assessing the technical feasibility and financial viability, finding new ways to utilize its existing assets, promoting diversified new services for a wide range of clients (banana ripening), broadening their target markets to include supermarkets, institutions, hotels, etc., streamlining procurement services, calling upon farmers to specialize, and, if needed, entering a business relationship with partners.

Value-added Products

Transitioning to high-value niche markets is one other expansion strategy that will be considered. Lower production costs and higher productivity are generally the strategy used for small scale farmers but this generally favors larger producers. Product differentiation, high-value, and associated branding are the best options for association producers and the CEFM. In the initial phase the CEFM will focus on developing its core technical and managerial capabilities and profitability. However, the CEFM is in a good position to work with its traders, who will provide market information on prices, standards, and logistics, and begin to shift away from competition with imports, focusing on specific products. The CEFM will identify market segments in the higher-end supermarkets, local fresh markets and institutional markets and focus on retail opportunities for product transformation and packaging. CEFM will direct its resources to production and procurement of local Iraqi products that are profitable. Most of these will be more perishable than similar imports. At this time these include tomato, cucumber, eggplant,

lettuce, potato, etc (**Annex 7: List of Vegetables**). There will be a degree of parity in competitors' products but this is where the CEFM brand/quality will be crucial. Advertising will also be crucial and this cost must be incorporated into the decision making process. The CEFM will diversify from its traders not supplant them.

As mentioned, the CEFM must first acquire knowledge on market segments. The first level will be data collection of CEFM produce throughput. This will identify what products are in most demand and where their destination is. More detailed market information can be collected in target markets and with specific vendors through implementation of a market survey instrument. In the case of specific vendors all information on transaction and other fees and services, price and non-price such as slotting fee, should be captured and included. **Annex 8: Market Information Survey** has been provided to and discussed with the sheiks.

An important piece to the strategy is working with the GOI agriculture extension service. Although ostensibly willing to cooperate, the agriculture extension service has significant limitations and the actual value they can add is questionable, but worth exploring. Other resources are also possible such as INMA but this project too has demonstrated limitations. Future collaborators will include the EU and individual nations bilateral development support with the GOI. In short, whatever resources are available should be explored but the CEFM should start with market information identifying potential products for high value markets, develop a series of crop budgets to establish the true production - harvest costs and productivity. A series of "what if" analyses can be done on paper instead of trial and error under improved technologies and inputs to evaluate different scales of operations, inputs, effort, equipment/machinery and market conditions. This is a common approach from which practical demonstrations can be carried out at the CEFM, which will have a ready group of farmers (CEFM suppliers) to disseminate the information to. This information can later be passed to import suppliers to try to provide consistent products to buyers or with other farmer organizations in Iraq that have different production seasons.

Branding

Declining prices, competition from imports, changing consumer preferences, all require alternative production and marketing strategies. One strategy is to develop a brand, but first the feasibility of the brand needs to be assessed and confirmed. The CEFM will work to break away from commodity production and to develop more lucrative value-added and niche markets. To facilitate this, the CEFM will develop a CEFM brand.

Developing a brand will require the CEFM to assess the potential size of the market, how many suppliers can be sustained and strategize on how to protect the market against competitors that would eventually eliminate any long-term ability to command higher profits.

Identifying, developing and maintaining a share of niche markets is an ongoing process. This process will be a function of market information from trading in the market and quality locally grown products, develop an awareness of the quality of the product first by differentiating quality characteristics including labeling and packaging, that gives and promotes the products awareness to retailers and consumers, establish a loyal consumer base work with the farmers'

associations to pass production, harvest and post-harvest on to them. Significant resources are required to develop the products and markets for a brand.

A logo was developed by the FOB Kalsu PsyOps Company. This logo is one of the first steps in developing a brand. A less detailed logo should be developed for printing on boxes.

Annex 9: Logo

Business Operations

Auction of Produce and Data Collection

It is not uncommon to have a number of sale methods operating at the same market. A morning produce auction will take place at the CEFM and a price for each product set for the day. The sales method is based on local custom and the type of produce is being sold.

Traders and market staff are fully aware of prevailing prices in national wholesale markets. This aims to attract a large number of buyers who wish to purchase goods at a competitive price.

The auction system has the advantage that it can avoid the development of wholesalers' cartels and can facilitate the sales of a large number of very small-scale lots. This auction method means that the auctioneer starts at a minimum price, usually bearing some relation to the price prevailing at the previous day's auction or other wholesale price information and quality standards. If there is no bid, the lot is withdrawn from the sale. It may be taken away from the market or be sold by the farmer or trader on a private treaty basis for the best possible price, bearing in mind the supply and current price prevailing at the time.

When bidding starts with the opening price by a trader at the auction, other bidders will compete in the bidding process until the final bid. The final bidder becomes the owner of the produce and the price is the prevailing price for that product for the day. For their services traders receive a commission. One concern expressed by potential traders is farmers selling their produce on nearby highways to traders working outside of the auction. It will be the strength of the associations, in terms of their organizational capacity, and the return they get over the sales price, through disbursement of profits made by the CEFM, that will help control this. The CEFM can enforce rules on the land it owns but Association members will police the local area for farmers selling outside of the auction. Local laws need to be checked to see if there are any regulations that preclude sales of goods on roadways.

Produce Auction Rules

A series of rules developed in a CEFM Wholesale Produce Auction Guide will regulate the daily auction process. These include:

- Policies For Produce Auction Buyers;
- Policies For Produce Auction Sellers;
- Produce Record / Stock Receipt; and,
- Packing Standards for the CEFM Wholesale Produce Auction.

Packing standards will not be initially enforced as the market seeks to attract volume. Also, although grades do exist they are not well understood or precise. That said, the basic grades (1-3) will be reported on for data collection. Practically, grades and standards should be based on buyers' preferences – based on profits not government or compliance with government specifications - aside from health aspects. As the CEFM develops it will set standards that will require pre-classification before products enter the market. There will be more demand for top quality product and better graded products in the future and this will be directly related to physical facilities for sorting, packing, and transport.

These are attached in **Annex 10: Produce Auction Rules, Data Collection, Stock Tickets and Grading and Packing Standards Example.**

Data Collection

Data collection forms and stock tickets have been developed (**Annex 10**). Sellers are required to register with the CEFM and will receive a seller number. Upon entering the CEFM all produce specifics will be recorded as per the stock ticket. This information will be entered into a database by the accounting staff. Data information will be used to justify any increases in rental contract prices, improve farmers' production strategies, and develop value-adding strategies by the CEFM.

Market rules

At peak hours wholesale markets are occupied by wholesale and retail traders, food concessions, farmers, truck drivers, CEFM employees, and the general public buying in the market. For the market to operate efficiently, impartially, to reduce conflicts and the need to resolve them, rules are required. Rules will be written in tenant agreements and posted on the walls. Rules and operation procedures must be in accordance with other GOI laws, e.g. commercial laws regarding the recording of transactions.

Market rules (some of which are included in the text of the rental agreement) state that to ensure efficient market operation regulations shall be amended by the board, from time to time, as needed. Decisions on market rules will be made in collaboration with the market stall renters and farmers to mutually benefit all parties. Any decision of the board will be given through a public notice to the all tenants and suppliers in the market.

Note: a complaint procedure should be considered in the event that one tenant infringes on the rights of another – authority has been delegated to the operations manager to make immediate decisions. The CEFM has three management committees one of which is designed to address issues that cannot be resolved by the operations manager. The market reserves to right to amend market rules with proper notification to tenants.

Below are categories of rules that are detailed in **Annex 11: General Market Operation Rules.**

- General recommendation for inclusion in the Rental Agreement
- Special service fees
- Rental or lease fees for use of facilities

- Fees for services provided not covered by rental fees
- Special fees - traders
- General Operations – considerations for market rules – produce handling/sorting/picking, loading, common space, containers and packing, volumes, space outside of market
- Business hours
- Vehicle movement and parking - traffic control plan
- Utilities
- Compliance with standard weights and measures
- Monitoring of market activities- receipts/transactions
- Other – investors/partners

Management/staffing Management Board – Management Committees

The management team includes nine sheiks that are well-respected and connected local leaders, representatives of the Agriculture Associations with experience in agriculture production and marketing (wholesale); day-to-day operations manager; human resource manager; and an accountant and assistant.

The General Manager, Mr. Aamer Amir has substantial experience in managing government operations and human resources. He has participated in all meetings and buyers conferences, worked with the contractor in the construction phase of the CEFM and has received training from the manger of the Al-Awa wholesale market in Baghdad. It should be noted that there are few experienced wholesale operation managers in Iraq. It is not just a matter of hiring one away from another operation, the existing ones are fully employed subsequently a combination of training and the sheiks experience will be sufficient to begin successful operations. (**Annex 12: General Manager Responsibilities**)

Market management will have the assistance of the contractor Al-Sawari for preventative maintenance and repairs. Maintenance personnel will be trained in basic preventative maintenance and repairs for the cold storage system, water treatment system, electrical and plumbing, and air conditioners.

Security guards are former SOI and have been providing security for the construction of the facility and surrounding area for three years.

The chief accountant and assistant have BAs in accounting and have a collective 25 years in government and small business accounting. They have received training on the accounting system developed and installed by Division personnel.

CEFM’s attorney, Dr. Al-Baaj, is an experienced and well-respected attorney in Babil Providence. Al-Baaj also works for INMA as a small business legal expert.

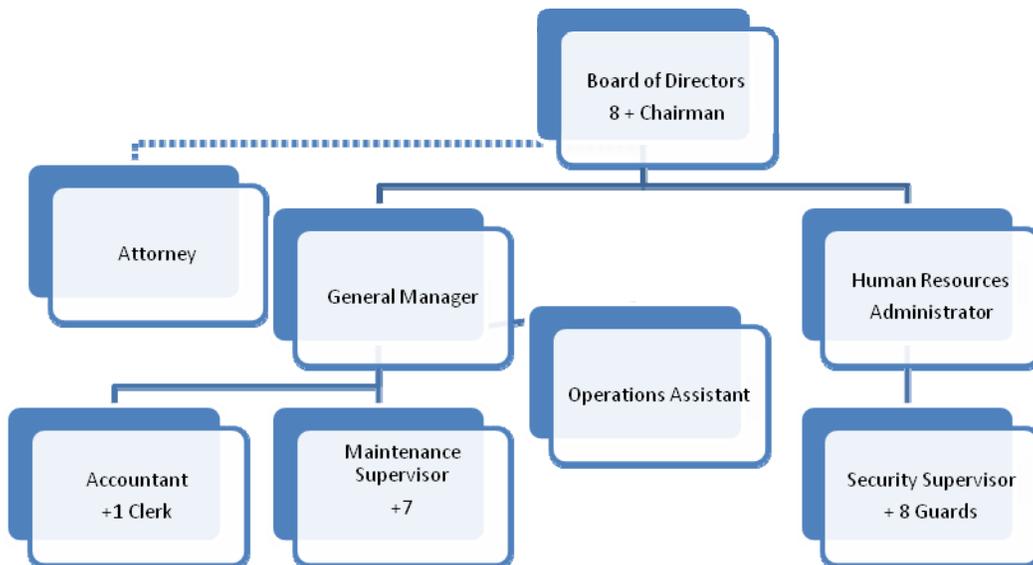
Acknowledging the sheiks’ experience in wholesale produce marketing and given the inexperience of the operations manager the traditional business relationship between the board and day-to-day management will be, initially, indistinct. The board will be involved in day-to-day operations however, this is not negative. In western business importance is placed on board

composition; it is more diverse, strengthening the technical and managerial weaknesses of a board with less expertise. However there is a formal relationship between board members and sources of expertise (banking, legal, and technical) not inherent to the nine board members that will provide guidance. For example the board has an attorney that will be on call and has relationships with bankers and government officials. Additionally, market tenants will have access to the board through management committees that will provide an additional network of expertise.

The board accepts liability if the CEFM fails, which is simply not in their interest. This has been underestimated by many and is the “ace in the hole”.

Established management committees: Reconciliation; Tenant Management and Dispute Resolution and Security, Financial Expenditure; Business Development; and Price Monitoring will decide value-added investment and product import strategies.

Staffing market operation is identified below in the organizational chart. It is important to note that traders will provide their own porters and administrators.



Dotted line denotes available as needed

Operations training

The CEFM is operation intensive and to avoid many of the operational pitfalls an experienced manager is essential. The position was advertised and numerous applications were received and reviewed. None of the applicants had prior experience in wholesale produce marketing. Since there are only about 40 produce wholesale operations in Iraq that have a throughput of more than 70 tons per day, the dearth of experienced personnel in this area of expertise was not surprising. The best candidate was selected and has numerous managerial strengths but the need for additional training in wholesale produce operations was recognized. Several proposals were made through Brigade QRF and Babil PRT mechanisms for sending the board and the manager to Jordan for hands-on training but were rejected.

FOB Kalsu/PRT advisors identified Mr. Faiq Tewfiq Kadhim, manager of the private Baghdad Cooperative Wholesale Market, known as Baghdad Al-Alwa, to provide training. The market is adjacent to the main wholesale market in central Iraq, the Al Rasheed, which had a throughput of more than 300 metric tons per day. The Al-Alwa market operates 51 stalls has a throughput of around 250 metric tons of produce per day including imported product from neighboring countries.

The CEFM manager, Mr. Amer Amir will receive hands-on training on practical wholesale market operations and management at the Al-Alwa market after which Mr. Faiq will work with Amir and the CEFM management board to ensure operations at the CEFM are efficient and cost effective.

CEFM board members have traded in wholesale markets and understand the general process, however as with any business, there are the tricks of the trade, that when explained in a hands-on way, facilitate operations to run more smoothly avoiding unnecessary problems. This investment will facilitate efficiency and by extension reduce costs and help ensure the success of the CEFM. Furthermore the clients of the Al-Alwa market have demonstrated interest in the CEFM and are probable future investors in CEFM activities; this training will enhance the relationship and understanding of the two potential partners.

Accounting System

A specialized accounting program was developed by CPT Jack Nicholson and LCDR Albert Smith, both experienced small business finance and accounting experts, utilizing Excel. Other software was considered but due to a lack of technical support, the complexity in terms of configuring it to the needs of the market, limited adaptability for the market, and only basic computer skills of the accountants made Excel a better choice. It is expected that the CEFM will grow out of the accounting program within a few years. What is important in the short term is that the program is built, installed and will provide crucial financial information to the CEFM. The CEFM has two accountants that are very experienced and competent.

The program is very user friendly and provides daily financial information that rolls up into weekly, monthly and yearly sales reports and the PL. It is built around a budget (revenues, salaries and service expenditures), which is linked to the PL. Entries in the budget can be changed to reflect the final prices of the stall rentals. There is a separate labor sheet, linked to the

budget, that can be adjusted, or override the budget. This will be useful as labor is the greatest expenditure and will need to be adjusted if there is a cash flow shortage.

A Daily Sales Report (DSR) (all sales items, petty cash reimbursement, miscellaneous income and shows the total cash deposit for the day) broken into 13 periods of 28 days each, links to a Master Sales Report (MSR) rolling up the DSRs items from days to weeks to mid-periods to months, and can be expanded as needed. The MSR links to the PL. An Invoice Package (all disbursements written with checks disaggregated into 28 day periods) links to the General Ledger, broken down into detailed cost centers. The petty cash register (PC), updated daily, is linked to the DSR, which funds the PC reimbursement, is linked to the GL. The GL is linked to the PL.

The CEFM needs to build a capital base. It will allocate a percentage of profits to be shared between the four associations and the CEFM. A percentage of profits will be allocated to building a capital base. Also, a minimum percentage of profits from, for example, cold storage, will be set, regardless of the sales, for savings. These line items can be broken down into investment categories such as cold storage, new equipment, or savings for other expansion activities. This amount will be illustrated as a line on the PL.

This system enables the board to get daily, weekly, monthly, and yearly snapshots of the financial position of the CEFM and make informed financial decisions. Examples of the above accounting sheets are in **Annex 13: Examples of Accounting System Sheets**.

The accounting system has the advantage of allowing the board to review the estimated annual budget and cash flow and compare it to actual figures. With this information management can adjust expenditures to lower variable costs or decide on investment strategies, with accurate information in a timely manner. The system is also linked to the stock tickets for produce data collection, as described below, to facilitate the collection of important information for CEFM's expansion. Produce data collection will also be used to increase year two and three rental options.

Training on the above system was provided to the accountants and demonstrated to the board.

Financial Projections

The CEFM was funded by the US Government. It has no debt and is expected to earn a profit in year one. Profitability for the CEFM is dependent on stall rental. As indicated above a floor price was set for the stalls. A series of cash flow scenarios were developed and the true amount of profit will be a function of the stall rental results. Stall rental agreement require renters to pay six months in advance. This will provide sufficient working capital and immediately after the auction budget figures in the accounting program will be updated. In the event expected revenues are not earned through the auction options outlined in the Objective (year 1) section above will be exercised. Following are two financial projections. The first, Chart D, is a worksheet that calculates breakeven prices of various combinations of stalls rented. There are outside wholesale trading stalls and interior offices/retail stalls. The worksheet does not include revenues generated from non-stall sources. Using the expenses in the yearly budget Scenario 1 illustrates that if the

20 exterior wholesale and 24 of the 29 interior offices/stalls are rented the average yearly rental breakeven price is US\$6,758: Scenario 2; calculates the breakeven price of US\$14,867 if the 20 external wholesale stalls and no interior offices/stalls are rented: and, Scenario 3 calculates the breakeven price of US\$12,389 if only 25 of the 29 interior are rented. Given the prevailing prices for competitors' wholesale stall rental these calculations project that the CEFM can be profitable in year one.

Chart E illustrates a straight line cash flow using the expected budget figures. This scenario projects a net profit of US\$230,000 in year 1.

Chart D

Exchange Rate IDR to US\$

1130:1

**CURRENCY IN
MILLIONS OF IDR**

Scenario 1: INTERNAL AND EXTERNAL STALLS RENTED AT AUCTION

Static Inputs

Total Number of External Stalls		20	
Total Number of Internal Stalls		24	
Total Salaries Per Year	\$233,628	IDR 264.00	IDR 264,000,000.00
Total Service Expenditure Per Year	\$63,717	IDR 72.00	IDR 72,000,000.00
Total Fixed Costs	\$297,345	IDR 336.00	IDR 336,000,000.00

Constraints and References

Outputs

Price to Break Even	\$6,758	IDR 7.64	IDR 7,636,363.64
Projected Revenues	\$297,345	IDR 336.00	IDR 336,000,000.00
Resulting Net Profit	\$0	IDR 0.00	IDR 0.00

Scenario 2: ONLY EXTERNAL STALLS RENTED AT AUCTION

Static Inputs

Total Number of External Stalls		20	
Total Salaries Per Year	\$233,628	IDR 264.00	IDR 264,000,000.00
Total Service Expenditure Per Year	\$63,717	IDR 72.00	IDR 72,000,000.00
Total Fixed Costs	\$297,345	IDR 336.00	IDR 336,000,000.00

Constraints and References

Outputs

Price to Break Even	\$14,867	IDR 16.80	IDR 16,800,000.00
Projected Revenues	\$297,345	IDR 336.00	IDR 336,000,000.00
Resulting Net Profit	\$0	IDR 0.00	IDR 0.00

Scenario 3: ONLY INTERNAL STALLS RENTED AT AUCTION

Static Inputs

Total Number of Internal Stalls		25	
Total Salaries Per Year	\$233,628	IDR 264.00	IDR 264,000,000.00
Total Service Expenditure Per Year	\$63,717	IDR 72.00	IDR 72,000,000.00
Total Fixed Costs	\$297,345	IDR 336.00	IDR 336,000,000.00

Constraints and References

Outputs

Price to Break Even	\$12,389	IDR 14.00	IDR 14,000,000.00
Projected Revenues	\$309,735	IDR 350.00	IDR 350,000,000.00
Resulting Net Profit	\$12,389	IDR 14.00	IDR 14,000,000.00

Chart E

Straight Line Cash Flow

Revenues :

#	Revenues	Quantity	Price in ID per Month	May	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March	April	Total / Yr
1	External wholesale	20	1,250,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	300,000,000
2	Internal stalls	24	625,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	180,000,000
3	Cafeteria	1	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	10,000,000
4	Bus Trucks park	1	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	833,333	10,000,000
5	Vehicles Park	30/Day	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	36,000,000
6	Small Retail stalls	4	500,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	24,000,000
7	Cold Room and Refue Parking	1	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	3,000,000
8	Cold Room and Refue Parking	1	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	3,000,000
Total				7,541,667	47,166,667	566,000,000										

Expenditure (Salaries) :

#	Expenditure	Quantity	Monthly Salary ID	May	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March	April	Total / Yr
1	Board Salaries	9	1,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	108,000,000
2	CEFM Manager	1	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	12,000,000
3	Accounting Manager	1	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	12,000,000
4	Lawyer	1	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	12,000,000
5	Maintenance Manager	1	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	9,000,000
6	Security Manager	1	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	9,000,000
7	Human Resource Manager	1	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000
8	Accountant Assistance	1	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000
9	Guards	8	500,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	48,000,000
10	Service Workers	4	500,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	24,000,000
11	Maintenance Workers	2	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	12,000,000
12	Cold Store Manager	1	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000
Total				22,000,000	264,000,000											

Expenditure (Services):

#	Expenditure Details	Quantity	Per Month	May	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March	April	Total / Yr	
1	Electricity	1	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000	
2	Generators + Fuel	1	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	12,000,000	
3	Transportation & subsistains	1	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000	
4	Maintenance & Repair	1	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	12,000,000	
5	Supplies	1	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000	
6	Use and Depreciation	1	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	18,000,000	
7	Waste Removal	1	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000	
8	Water	1	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000	
Total				6,000,000	72,000,000												

Revenues :	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	47,166,667	566,000,000
Expenditure (Salaries) :	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	264,000,000
Expenditure (Services):	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	72,000,000
Net Revenues																
Gain/Loss	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	19,166,667	230,000,000
Cumulative Gain/Loss	19,166,667	38,333,333	57,500,000	76,666,667	95,833,333	115,000,000	134,166,667	153,333,333	172,500,000	191,666,667	210,833,333	230,000,000				

Non-cash flow information

- A. Sales Volume
- B. Accounts Receivable - End of Month
- C. Bad Debt - End of Month
- D. Inventory on Hand N/A
- E. Accounts Payable - End of Month
- F. Depreciation

Business Combinations

Mergers, joint ventures, consolidations, acquisitions, strategic alliances, associations, and other combinations of business entities can be entered to raise funds for the business. Also, use of joint ventures and alliances between businesses are a means of reducing costs and maintaining ownership. Most of these arrangements are contractual, but no standard contract terms exist for all industries. The advantages of these joint ventures and alliances is that the business can finance certain services or production operations by sharing expertise, assets, expenses, and risk without necessarily incurring cash debt or trading equity.

For the CEFM a strategic alliance could consist of a simple “business relationship” with customers, suppliers or competitors; negotiating a better price for inputs using a label on a CEFM-branded product that includes the supplier's/partners’ trademark. Also, promoting an alliance between buyers and farmers can be a means to minimize costs.

When considering strategic partners, the CEFM could benefit from partners that add value, not just money. For instance, a business association with a well-recognized industry name can generate immediate credibility, which can be good for advertising and marketing. The board’s networking ability will play a major role in locating and investigating strategic partnering opportunities.

Financing

Financing can be obtained through various means. Potential business partners need to be confident they are dealing with a professional organization. The underpinning to this whether a start up or existing business is presentation as a well-managed operation. An important component of presentation is demonstrating that the business has invested in developing a capital base. It is recommended, and set up for in the accounting program, that a percentage of the net profits from sales, after distribution of funds to the associations, be dedicated to a separate investment fund. Another option discussed is that the four associations deposit US\$20,000 each in an interest bearing bank account. It would earn nominal interest but the cash would be on hand it needed.

A brief overview of the basic types of financing may be helpful in understanding which options might be most attractive and realistically available to a particular business. Typically, financing is categorized into two basic types: the first is debt financing - borrowing money that is to be repaid over a period of time, usually with interest. The lender does not gain an ownership interest in your business and your obligations are limited to repaying the loan. Some form of guarantee from the associations may be required, which is another reason for their capacity building. One of the key relationships that the CEFM should strengthen is the relationship between the buyers and the associations. This should be a focus of the PRT going forward. The second is equity financing - an exchange of money for a share of ownership in the business ownership. With equity financing the CEFM would be able to obtain funds without indebting itself or having to repay a specific amount of money over time. The major disadvantage is the dilution of ownership interests and the possible loss of control that may accompany a sharing of ownership with additional investors. A brief on how to develop a business financial proposal is seen in **(Annex 14: How to Develop a Business Financial Proposal)**.

Appendices

Annex 1 Production Information - Economic Data in Tables and Charts

Data Shown in the Tables and Charts that Follow Were Collected from the Four AG Associations Who Are Participating in the CEFM Project

Supply Table Number 1													
Vegetables													
AG Association Name	Al- Reef (Jif Jaffa) (Tillable Land 23,000 Donum)			Al Baraka (Dyiarah) (Tillable Land 38,000 Donum)		Al Wahaa (Muelha) (Tillable Land 26,000 Donum)		Sheik Taha (Tillable Land 40,000 Donum)		Total Area Planted (Donum)	Total Expected Production (Ton)	Total Tillable Land (Donum)	Percent Tillable Land Planted
Commodity	Area Planted (Donum)	Yield per Donum (kg)	Expected Production (Ton)	Area Planted (Donum)	Expected Production (Ton)	Area Planted (Donum)	Expected Production (Ton)	Area Planted (Donum)	Expected Production (Ton)				
Potatoes	1000	1000	1000	1000	1000	500	500	500	500	3000	3000	127,000	2.36
Cucumbers	100	1000	100	1000	1000	50	50	700	700	1850	1850		1.46
Okra	200	200	40	1500	300	50	10	700	140	2450	490		1.93
Lettuce	150	1000	150	200	200	30	30	200	200	580	580		0.46
Roman Beans	200	500	100	3000	1500	150	75	150	75	3500	1750		2.76
Tomatoes	400	7500	3000	1650	12375	100	750	200	1500	2350	17625		1.85
Zucchini	100	500	50	1000	500	15	7.5	100	50	1215	608		0.96
Eggplant	300	3000	900	2000	6000	200	600	800	2400	3300	9900		2.60
Peppers	750	250	187.5	1000	250	10	2.5	150	37.5	1910	478		1.50
Green Beans	25	500	12.5	500	250	50	25	50	25	625	313		0.49
Total	3225			12850		1155		3550		20780			16.36

Supply Table Number 2													
Grains, Oilseeds & Grasses													
AG Association	Al- Reef (Jif Jaffa)			Al Baraka (Dyiarah)		Al Wahaa (Muelha)		Sheik Taha		Total Area Planted (Donum)	Total Expected Production (Ton)	Total Tillable Land (Donum)	Percent Tillable Land Planted
Commodity	Area Planted (Donum)	Yield per Donum (kg)	Expected Production (Ton)	Area Planted (Donum)	Expected Production (Ton)	Area Planted (Donum)	Expected Production (Ton)	Area Planted (Donum)	Expected Production (Ton)				
Yellow Corn	5000	1000	5000	6000	6000	10000	10000	3000	3000	24000	24000	127,000	18.90
Corn For Animals	2000	500	1000	1400	700	1500	750	1500	750	6400	3200		5.04
Oats	150	400	60	200	80	140	56	120	48	610	244		0.48
Sesame Seeds	1000	400	400	1250	500	1300	520	1000	400	4550	1820		3.58
Wheat	6000	1000	6000	12000	12000	10000	10000	15000	15000	43000	43000		33.86
Barley	4000	1000	4000	7000	7000	7000	7000	15000	15000	33000	33000		25.98
Alfalfa	3000	300	900	2400	720	2200	660	1500	450	9100	2730		7.17
Total	21150			30250		32140		37120		120660			95.01

Supply Table Number 3													
Fruit													
AG Association Name	Al- Reef (Jif Jaffa)			Al Baraka (Dyara)		Al Wahaa (Muelha)		Sheik Taha		Total Area Planted (Donum)	Total Expected Production (Ton)	Total Tillable Land (Donum)	Percent Tillable Land Planted
Commodity	Area Planted (Donum)	Yield per Donum (kg)	Expected Production (Ton)	Area Planted (Donum)	Expected Production (Ton)	Area Planted (Donum)	Expected Production (Ton)	Area Planted (Donum)	Expected Production (Ton)				
Dates	350	4000	1400	3000	12000	2000	8000	400	1600	5750	23000	127,000	4.53
Watermelon	1000	2000	2000	2000	4000	1500	3000	1500	3000	6000	12000		4.72
Honeydew	750	1000	750	1500	1500	1500	1500	1000	1000	4750	4750		3.74
Cantaloupe	200	500	100	600	300	500	250	1000	500	2300	1150		1.81
Total	2300			7100		5500		3900		18800			14.80

Supply Table Number 4								
Livestock, Fish Farms, Bee Keepers and Dairy								
AG Association Name	Head of Sheep	Chickens (Broilers & Layers)	Head of Goats	Fish Farms	Honey Bee Keepers	Head of Dairy Cattle	Lactating Dairy Cows (65%) of Total	Ave Production per Cow in 150 Day Lactation = 1,200 kg (Production Below in Metric Tons)
Al-Wahaa	40,000	20000	20000	100	3	16,000	10400	12480
Al-Baraka	15000	5000	7500	5	0	12000	7800	9360
Al-Reef	60000	7000	15000	0	0	40000	26000	31200
Skeik Taha	35,000	13,000	1000	6	5	9000	5850	7020
Total	150,000	45,000	43,500	111	8	77,000	50050	60060

Statistical Calculations for Central Euphrates Provinces with Major Agricultural Production -- Average Production Season 120-150 Days

Babil Province Supply & Demand in Metric Tons						
(Demand for Grains Includes Its Use for Animal Feed)						
Supply-Demand Table Number 5						
Province	Population	Commodity	(1) Total Expected Production (Ton) (Supply)	(2) Consumption (kg/day)	(3) Demand Based on Average Consumption (kg/day)	(4) Percent (1) / (3)
Babil	1,408,730	Potatoes	6550	0.200	42262	15.5
		Tomatoes	17625	0.200	42262	41.7
		Eggplant	9900	0.125	21131	46.9
		Dates	23000	0.200	42262	54.4
		Watermelon	12000	0.250	42262	28.4
		Honeydew	4750	0.250	42262	11.2
		Yellow Corn	24000	1.000	169048	14.2
		Wheat	43000	1.200	617024	7.0
		Barley	33000	1.300	668442	4.9
		Milk	60,060	0.300	154256	38.9

Consumption & Production Season		
Table Number 6		
Commodity	Per Capita Consumption (kg/day)	Production Season (Days)
Potatoes	0.200	150
Tomatoes	0.200	150
Eggplant	0.125	120
Dates	0.200	150
Watermelon	0.250	120
Honeydew	0.250	120
Yellow Corn	0.100	120
Wheat	0.600	365
Barley	0.500	365
Milk	0.300	150

Note: "Demand" Data in Table Number 5 for Babil Province Was Calculated Using the Methodology Below

Step 1: Average Consumption per capita per day = 0.200 kg

Step 2: Production Season = 150 days (Step 1 X Step 2) 0.200 X 150 = 30 kg.

Step 3: Babil population = 1,408,730 (Step 2 X Step 3) 30 X 1,408,730 = 4,224,900/1000 = 4224.900 Tons

Percent of Total Usable Land Planted By Commodity

Table Number 7

Commodity	Total Tillable Land (Donum)	Total Planted Land	Percent Tillable Land Planted
Grains	127000	120660	95.01
Vegetables	127000	20780	16.36
Fruits	127000	18800	14.80

Supply Chart I -- Total Expected "Primary" Vegetable Production

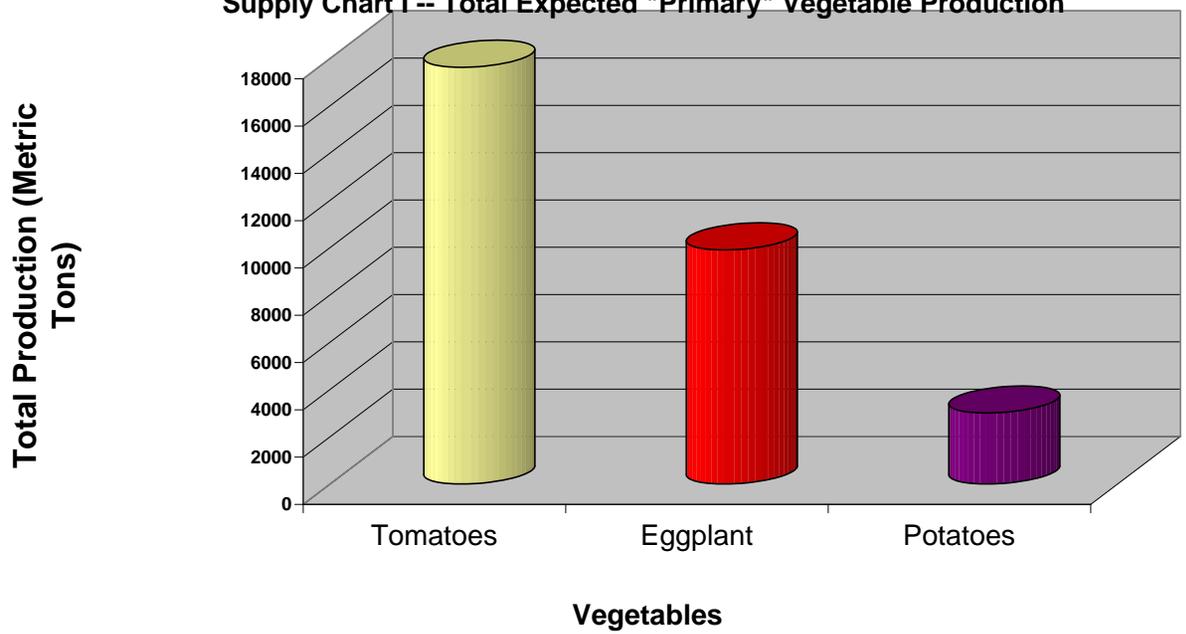


Chart I Production

Tomatoes	17625
Eggplant	9900
Potatoes	3000

Chart I displays total production for the three primary vegetables represented in Tomatoes (17,625), Eggplant (9,900), and Potatoes (2,8500) in Metric Tons. The maximum contribution of Tomatoes was from Diyarrah at 12,375 MT.

Total Production
(Metric Tons)

Supply Chart II -- Total Expected "Secondary" Vegetable Production

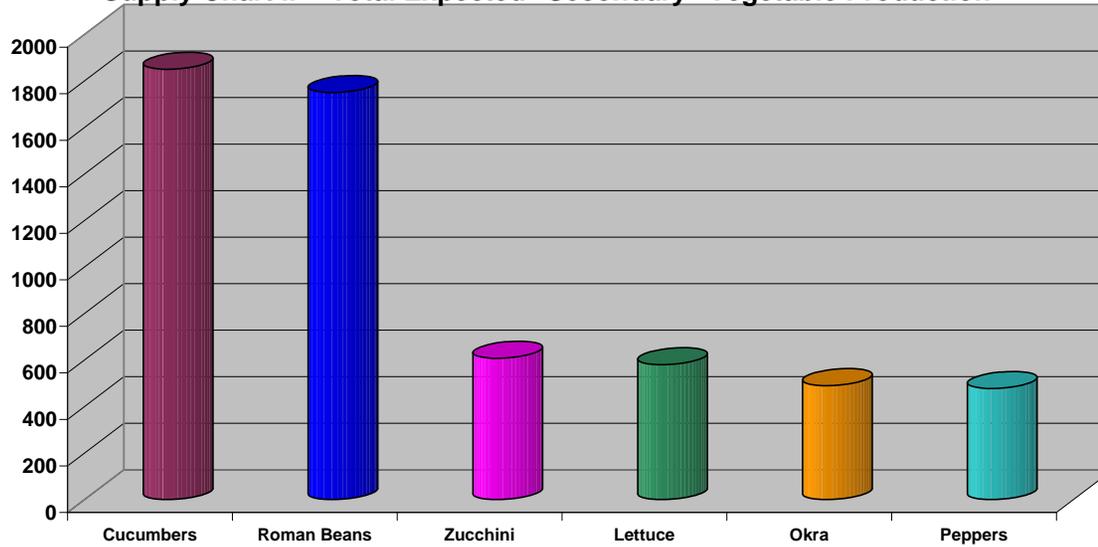
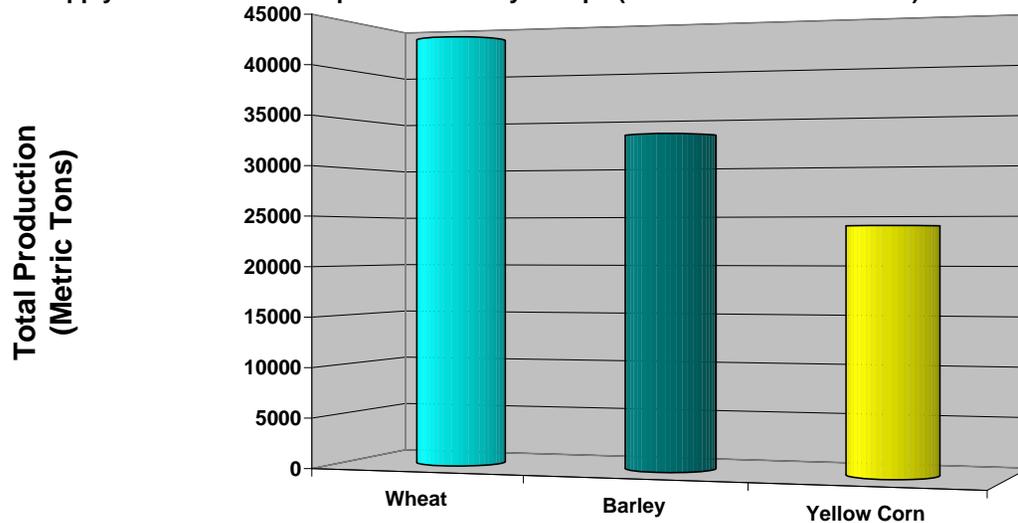


Chart II Production

Cucumbers	1850
Roman Beans	1750
Zucchini	608
Lettuce	580
Okra	490
Peppers	478

Chart II displays total production of the six secondary vegetables represented in Roman Beans (1,750), Cucumbers (1,850), Zucchini (608), Lettuce (580), Peppers (478), and Okra (490) in Metric Tons.

Supply Chart III -- Total Expected "Primary" Crops (Grains/Oilseeds/Grasses) Production



Total Production
(Metric Tons)

Chart III Production

Wheat	43000
Barley	33000
Yellow Corn	24000

Chart III displays total production of the three major crops represented in Wheat (43,000), Barley (33,000), and Yellow Corn (24,000) in Metric Tons.

Supply Chart IV -- Total Expected "Secondary" Crops (Grains/Oilseeds/Grasses) Production

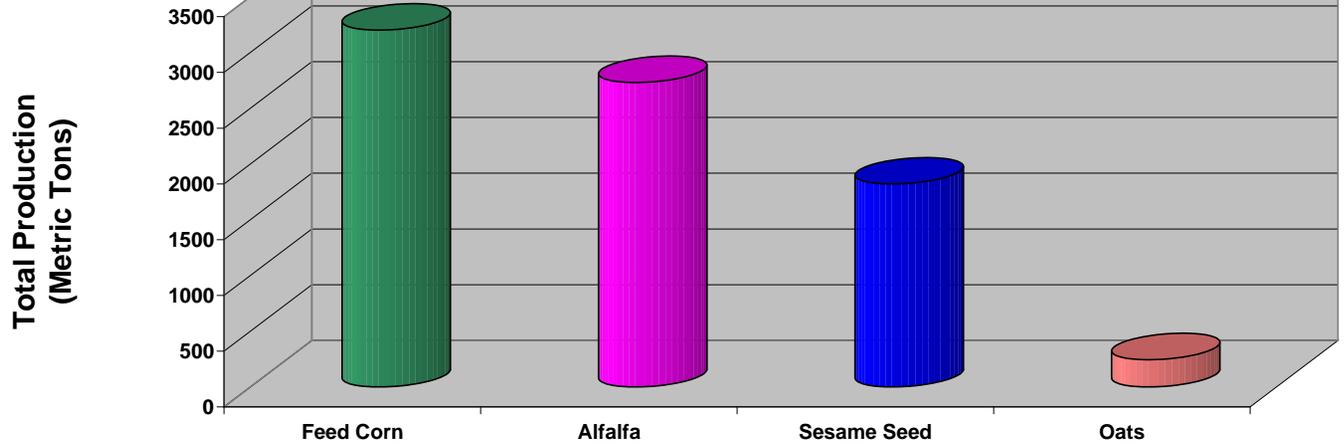


Chart IV Production	
Feed Corn	3200
Alfalfa	2730
Sesame Seed	1820
Oats	244

Chart IV displays total production of the four secondary crops represented in Corn for Animals (3,200), Alfalfa (2,730), Sesame Seeds (1820), and Oats (244) in Metric Tons.

Supply Chart V -- Total Expected Fruit Production

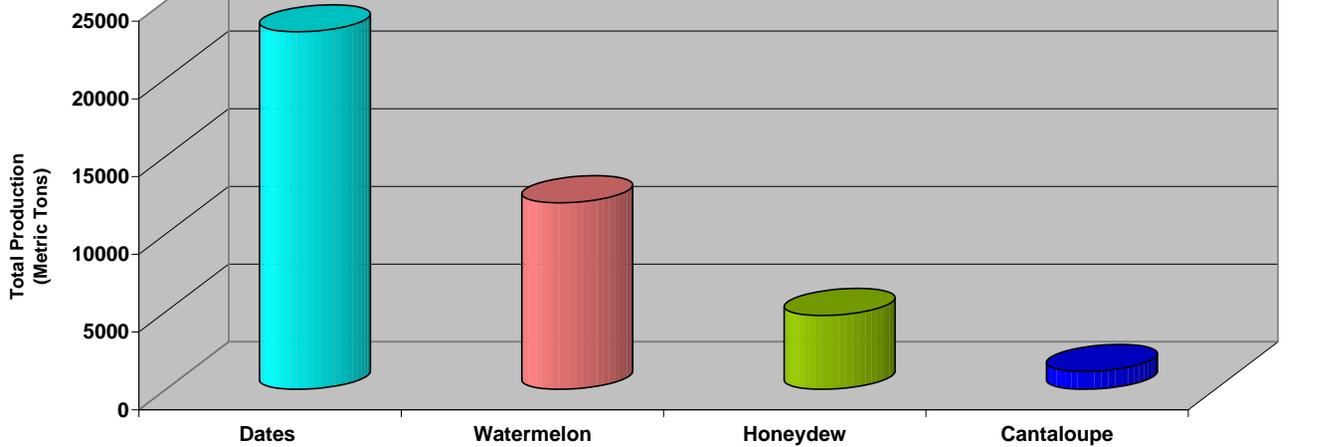


Chart V Production	
Dates	23000
Watermelon	12000
Honeydew	4750
Cantaloupe	1150

Chart V displays total production of the four major fruits represented in Dates (23,000), Watermelon (12,000), Honeydew (4,750) and Cantaloupe (1150) in Metric Tons.

Supply Chart VI -- Livestock per AG Association

Number of Animals

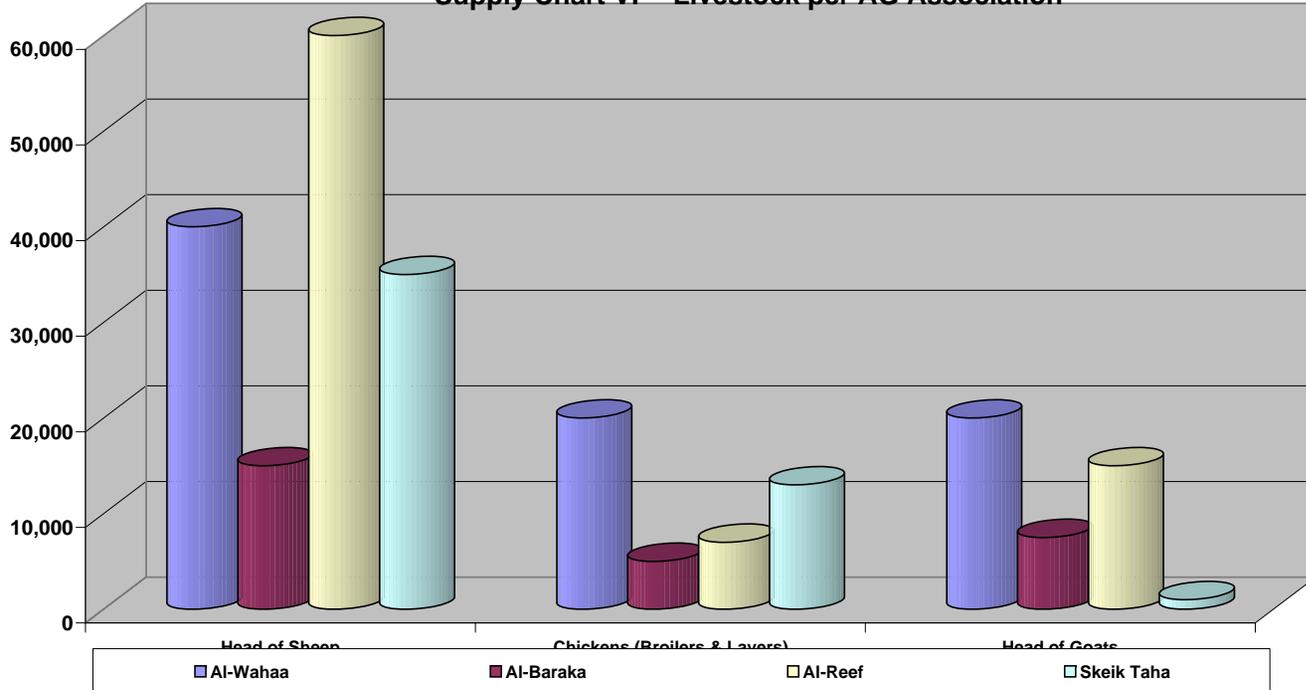


Chart VI displays the head of livestock in the four participating AG Associations.

Supply Chart VII -- All Livestock

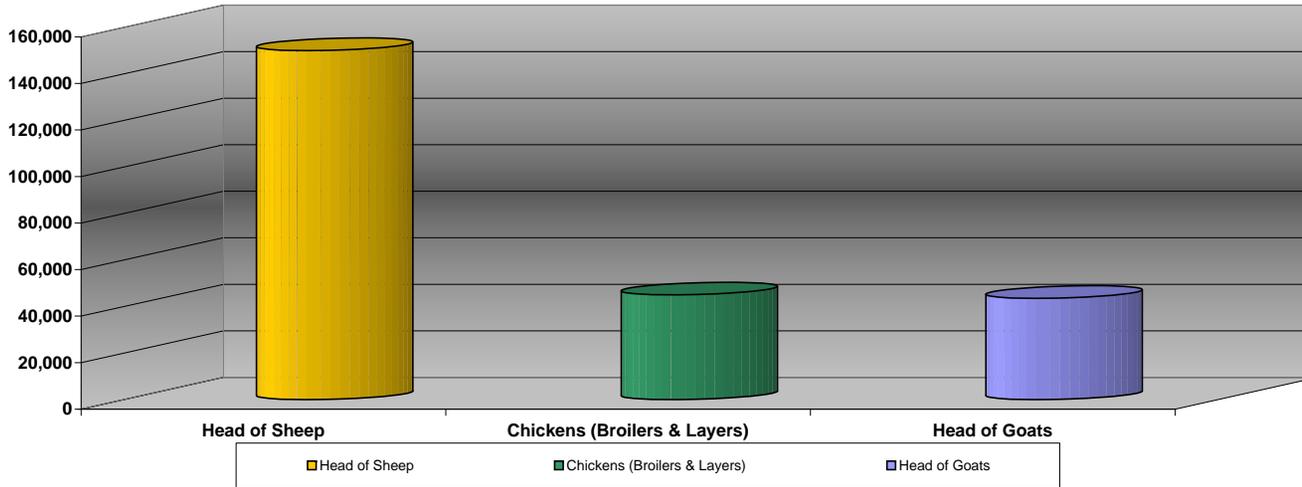


Chart VII Displays all livestock represented in Sheep (150,000), Cows (77,000), Goats (43,000) and Chickens (45,000).

Supply Chart VIII -- Milk Production from Dairy Cattle

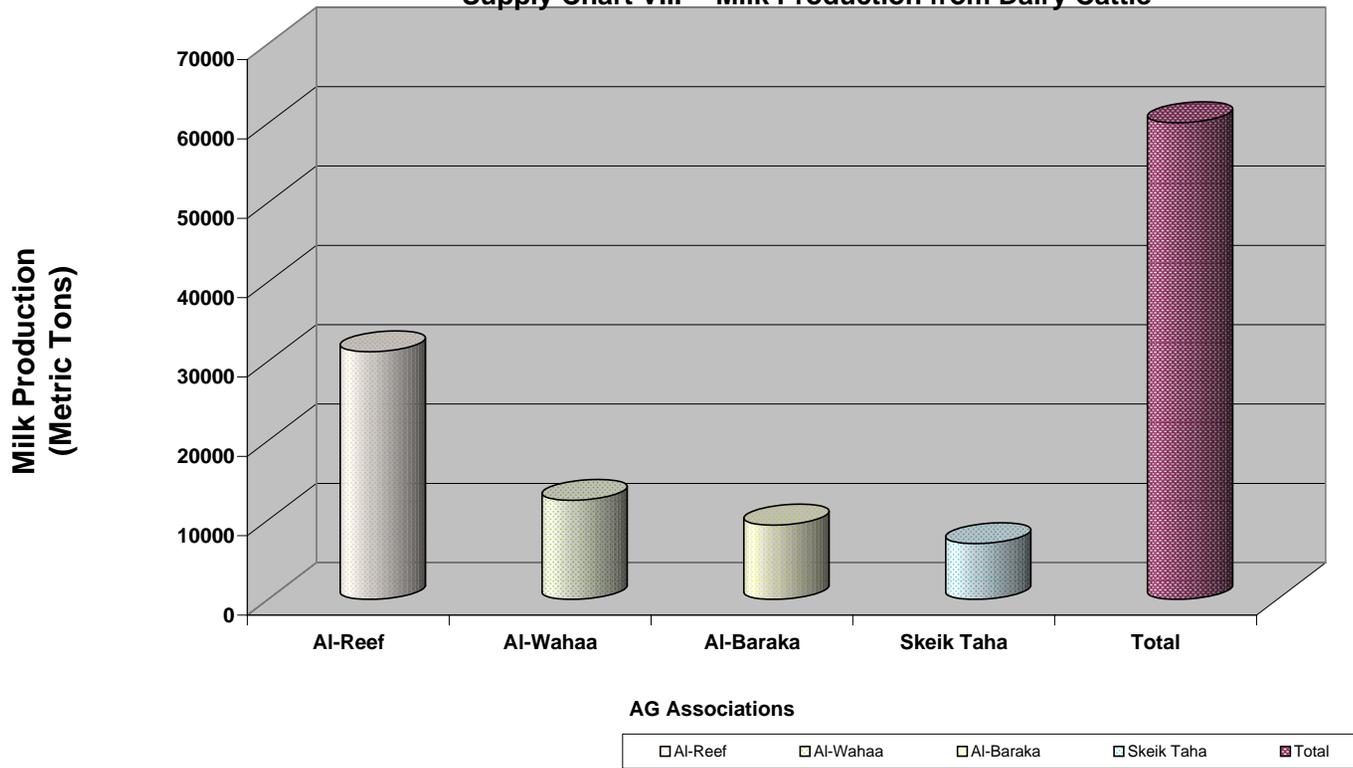


Chart VIII Milk Production	
Al-Reef	31200
Al-Wahaa	12480
Al-Baraka	9360
Skeik Taha	7020
Total	60060

Chart VIII displays total dairy cattle Milk Production at 60,060 Metric Tons. Minimum Milk Production was represented at (7,020) tons from Skeik Taha, and Maximum Milk Production was represented at (31,480) tons from Al Reef. But no collection center exists that allows transport of this product to a processing site. Therefore a milk collection center is urgently needed in the area in order to maximize area milk use and increase area dairy farmer's income.

Chart IX -- Total Tillable Land (Donums) That is Planted by Commodity

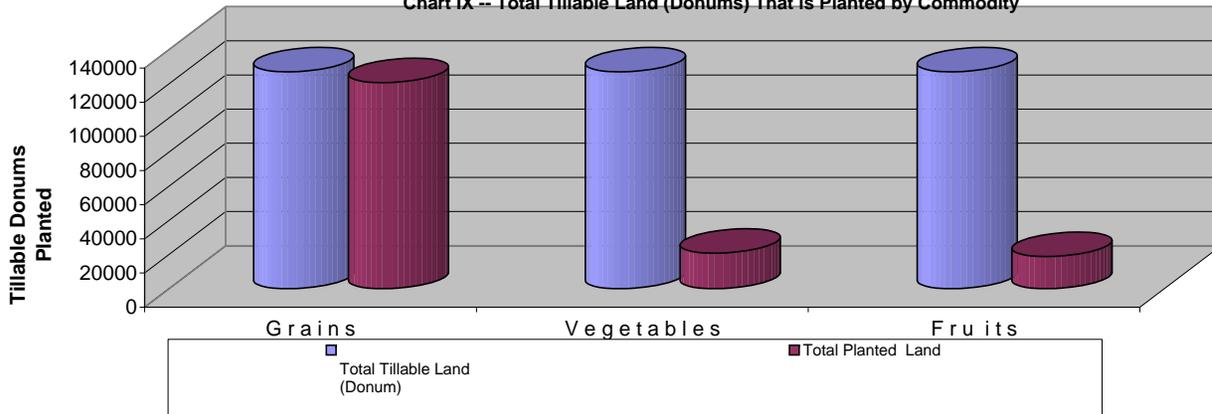


Chart IX Land Use		
Total Tillable Land (Donum)	Total Planted Land	Percent Tillable Land Planted
127000	120660	95.00787402
127000	20780	16.36220472
127000	18800	14.80314961

The data in **Table Number 7** and **Chart IX** indicate that the percentage of Land Planted to produce Grains, Oilseeds and Grasses was approximately 95% of the Total Tillable Land.

Using the Babil Province population data in **Table Number 5**, an estimated Demand Curve can be built and compared with an expected Supply Curve (expected production) to estimate Excess Demand in the CEFM area of Babil Province.

Data in **Chart X** represents the "Supply" from the CEFM's area and the "Demand" in Metric Tons for Babil Province only.

The Maximum Supply (contribution) from the CEFM's area represented in Dates was about 54.4% of the total Demand of Babil Province, while the Minimum Supply represented in Barley was about 4.9% of the Total Demand of Babil Province.

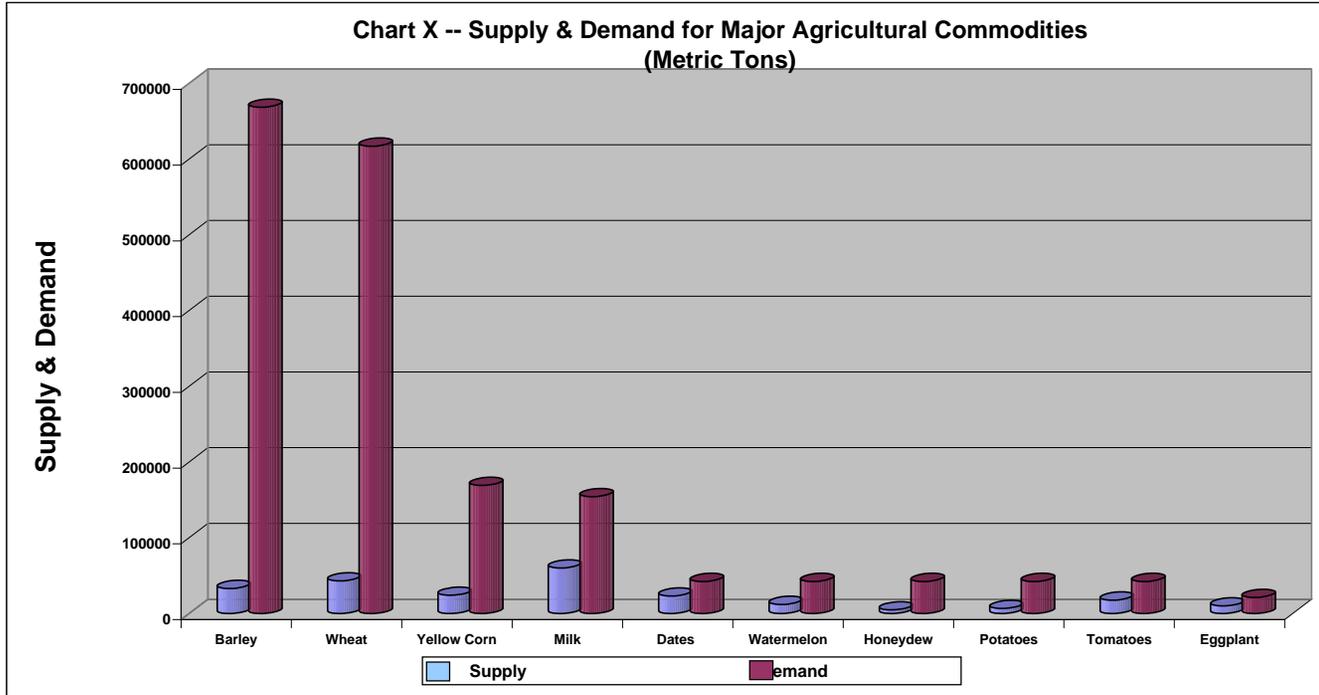


Chart X Supply & Demand			
Barley	33000	668442	4.94
Wheat	43000	617024	6.97
Yellow Corn	24000	169048	14.20
Milk	60,060	154255.94	38.94
Dates	23000	42262	54.42
Watermelon	12000	42262	28.39
Honeydew	4750	42262	11.24
Potatoes	6550	42262	15.50
Tomatoes	17625	42262	41.70
Eggplant	9900	21131	46.85

Chart IX indicates that in Babil Province "Total Market Supply" of all major commodities produced by AG Associations were below "Total Market Demand". This excess demand supports the need for the area to expand its production by utilizing more land and improved farming practices.

ANNEX 3 CEFM BYLAWS

CENTRAL EUPHRATES FARMERS MARKET & AGRICULTURAL CENTER

“Bylaws of Central Euphrates Farmers Market & Agricultural Center”

Article (1)

Name of Market

Name of Market Central Euphrates Farmers Market

Address: Babil Province, Nahiya Al-Iskandaryah, Mualha, District 10 Property number 4/12

Article (2) **Ownership**

Central Euphrates Farmers Market is a marketplace for marketing of agricultural and animal produces. The market has its own entity, financial and administrative independence. The founders of the center are the following listed Ag. Associations:

- 1- Al-Waha Organization for Agricultural development.
- 2- Al-Noor Organization for Agricultural development.
- 3- Al-Reif Organization for Agricultural development.
- 4- Arz Al-Baraka Organization for Agricultural development.

The management board consists from following persons:

- 1- Chairman: Khudair ‘Aliwiyi ‘Abd Al-Hassan from Al-Waha Organization for Agricultural development.
- 2- Deputy Chairman: l’sma’ail Dayeh Aliwiyi from Al-Noor Organization for Agricultural development.
- 3- Member: Zyad Taha Madab from Al-Noor Organization for Agricultural development.
- 4- Member: ‘Umran Hashim Hassan from Al-Waha Organization for Agricultural development.
- 5- Member: Khudair ‘Abdallah ‘Unayd from Al-Waha Organization for Agricultural development.
- 6- Member: Hamid Mirza Hatrush from Al-Reif Organization for Agricultural development.
- 7- Member: Khalid Shaya’a Abd Al-Hassan from Al-Reif Organization for Agricultural development.

- 8- Member: Jasim Muhammad Muhsin from Arz Al-Baraka Organization for Agricultural development.
- 9- Member: Hatam Hassun 'Alawi from Arz Al-Baraka Organization for Agricultural development.

Article (3) Objectives

- a. To enable the agricultural community in Babil Province to take a positive step to find an evolutionary and developed agricultural market to improve the agricultural and animal husbandry sector.
- b. Direct the efforts and utilize the agricultural and animal produce potential
- c. Create jobs opportunities and to reduce unemployment in the region.
- d. To create skilled employees to boost the economy and agriculture in the region.
- e. To deliver agricultural and animal produce to and from the surrounding areas and to assist in prosperity of trade and business.
- f. To improve the marketing chain of the food, agricultural & animal produce in the province.

Article (4) Means to Achieve the Goals

- a. Administration of market in a cooperative and collaborative way will provide employment opportunities to the members of agricultural associations and all concerned agricultural nongovernmental organizations "NGOs".
- b. Opening the market and recruit staff and maintenance workers to the market and to train them adequately.
- c. Open evolutionary training courses in the field of: Agricultural and Animal Products, Computers, Business Administration, Marketing, Internet and accounting.
- d. To recruit and employ veterinarian "doctor" for veterinary clinic of the Market as well as to oversee the cleaning, hygiene and health situation of livestock that will be sold at the market.
- e. Supervise and monitor the butcher shops and the type of the tools that used as well as the food stores and sale of live animals.

- f. Provide security for the market in coordination with security forces.
- g. Held meetings at Agriculture extension center with the farmers and the employee of the market to raise awareness and guidance.

Article (5) **Conditions of Discipline and firing**

Membership will be terminated from Central Euphrates Farmers Market & Agricultural Center in the following cases

- a. At the request of the member to resign and approved by Board of Directors.
- b. If the member dose not paid fees for one year.
- c. Invalidation of non-governmental organization member of the founder of the market or suspending by the non-governmental organization for violating the law.
- d. Cancellation of the market.

Article (6) **Organization Structure**

First: General Assembly

- a. General assembly consists of all the founder members of the Agricultural NGO associations that met the specifications listed in the Article (2) and officially registered in the records of the market.
- b. The annual routine meeting of the market will be held in the place and time that determined by the management board and the board must notify the members forty five (45) days ahead of the date set for meeting.
- c. The chairman of the Board can call for the general assembly meeting at an extraordinary case or if $\frac{1}{4}$ of the management board call for this meeting or in case of $\frac{3}{4}$ of registered members of the general assembly request for a meeting. In this case a notification of all the members is required prior of date of the convention.

Authorities of General Assembly

- a. General Assembly is the highest authority in the market. It has the right to discuss all administrative, financial and operational procedures of the market and take appropriate decisions for all issues raised from any committees, operation manager or from the management board of the market.

- b. General Assembly has the right to assess, review and evaluates the activities of the market and to address the weakness points of the board and to make proper advise to avoid that in the future.
- c. Announcing the reports of General Assembly to all members of the market.
- d. The general assembly is adopting method of public disclosure and in full transparency at its discussions.

Second: Authority of the Management Board

- a. The Management Board is the responsible of supervising the market activities and operation and how these will meet the bylaws and the other instructions of the market.
- b. The Management Board meetings will be once every fifteen (15) days.
- c. The Management Board is selected by an election as per electoral records.
- d. The Management Board is working and overseeing the market issues to achieve the benefit of its members as per the market bylaws. In this regard the Management Board should perform all its duties that stipulated and approved by General Assembly annual meeting that requires the implementation of the policies and the programs of the market. The Management Board is subjected to the rules of the market
- e. .
- f. The decisions making of Management will be determine by the majority. When the votes are equal the resolution which the chairman voted with will be taken.
- g. If any member of the management board not attending three consecutive meetings without valid excuse, the management board has the right to adopt a resolution of his/her dismissal. A notification of the dismissal resolution should be send to him/her.
- h. In case of a vacancy occurred at the management board, the vacancy to be filled from one of reserved members.

Duties of Management Board

The Management Board of the market will perform the following:

- a. To prepare and present the annual report for all the activities and future plans of the market at the general assembly meeting
- b. The policy-making and structural framework of the market are subjected to the approval of General Assembly.
- c. Preparation of rules and regulation of the market.
- d. To accept donations or voluntary contributions, funding, grants and financial assistance for the market.
- e. Obtaining loans for the benefit of the market and savings the market funds as well as of allocating of the expenditure as per the annual budget adoption.
- f. Defining the authorities of the spending or expenditure and contracting of the Chairman of the management board and the accounting manager and any other executive department of the market.
- g. The management board is responsible of delegate some of its authorities to the Chairman of the Board or any other executive department of the market.
- h. Configuration of final market budget attached with external auditor report that will be submitted for the approval of the general assembly.
- i. The management board has authority to form other committees as required for the business and these committees required to submit their reports to the management board.
- j. The management board assigns the operation manager, financing manager / Accounting manager and an attorney with authority of representing and defending the market at court house or any legal department.

Third - The authority of management board chairman:

- a- Represents the market at any international or foreign organization or at any Iraqi official institutes or non official institutes.
- b- Will be responsible of all managerial, financial and technical operations as per the authorities provided to him by the management board of the market.
- c- Implement the decision or the regulations issued by the management board.
- d- Signing all the documents and the communications letters that required for managing the market businesses.

- e- Hiring all the staff required for the market as per specification and regulation issued by the management board of the market.
- f- Prepare the yearly budget for the next fiscal year before 30 of November of each year.
- g- Present the annual budget report to the management board of the market.
- h- Present the last year final budget report to the management board before February of next year.

Fourth - The authority of deputy of the management board:

The deputy of management board has the right of signing instead of the chairman absentee in the following areas:

- a. In any internal communications.
- b. Vacations
- c. Authority on signing any spend document up to 50,000 ID.
- d. Prepare meeting minutes.

Fifth- The mechanization of the meetings:

- a- The general assembly meeting will be determine by 2/3 of registered members
- b- In case of the attendees is less than the quota mentioned above in item (a); the majority of attendees in that meeting has right to set another meeting to different time with condition of verbally notify all the members 10 days prior to the new date of the meeting.
- c- In case of fulfilling the item listed above in (b); the attendees of this meeting will consider official and considered meeting the coda. There will be no right of any objections by the absentees on any decisions being taken in that meeting.

Sixth - The mechanism of the election:

- a- Determination of the date and time of the election will be through notifications issued to all the members.
- b- The election will result of selection of the management board and the chairman of the board and his deputy.
- c- Every member has the right to be a candidate of any of above position in this bylaw.
- d- An attorney will supervise the election process and must be a member of Iraqi attorney federation with a valid (ID) identification card.

- e- A list of the attendees will be taken and to check their membership validation for any unpaid membership fee.
- f- Determination of the time and place of the voting and the end time of the voting.

Seventh - The mechanism of decision making

The decision making at the management board will be base on majority voting of the members and in case of if 50 to 50 voting occurred at any decision; the decision will be passed when the chairman vote with one of the side he takes.

Eighth- The mechanism of the modification of the bylaws

The modification of the bylaws is allowed when two third of the management board agreed with condition of official notification within a (30) days.

Article (7) Source of funding

In order for the market to achieve its goals it will depend on the funding resources that consist of donations, government or nongovernment grants, or donation from foreign organizations without conditions, membership fees and from the future revenue.

Article (8) Record keeping

The market will use the following records:

- a. The membership records that includes detailed information per each member.
- b. A record that documents all the management board meeting minutes and all its decisions
- c. An accounting record of all the costs and revenues and any other accounting records deemed necessary
- d. A record documenting all inventories and furniture
- e. Any record that management board of market will determine necessary
- f. All management board procedures or regulations will be electronically documented by computers.

Annex 4a: Public Auction Rules

A competitively priced floor price has been set. The CEFM will reject any offer less than the floor price. The floor price will be placed in a stamped, sealed envelope in the CEFM designated office one week prior to the auction – April 20, 2009.

A tour of the CEFM and copy of the renters' agreement will be provided to interested bidders on the following dates: April 10, 15 and 18, 2009 at 11am.

The auction will be held on April 20 at 10am.

The auction will be a public auction. An agent employed by the CEFM will conduct the auction.

Each wholesale and retail stall to be auctioned will be numbered. Each stall will be offered publically and the highest bidder for each stall will be awarded the rental agreement.

Wholesale stalls will be auctioned first followed by retail stalls.

Individual bidders may bid for no more than three (3) exterior stalls and two (2) interior stalls.

The highest bidders for a specific stall size will be awarded until all stalls, of that specific size are awarded. Bidders not awarded stalls will have the option of bidding on stalls that are not awarded at a second round of auction. The floor price will be the same.

Immediately after bidding the stall the successful bidder will be required to register in person on the spot in his/her own name as tenant of the stall bid and to pay the deposit and rent amount and one month's security deposit in the designated CEFM bank account.

The CEFM will open for business 7 days after the winning bids are awarded.

If the successful bid of any stall becomes null and void for some specific reasons, the auctioneer will immediately put up the stall for re-auction. Persons who are unsuccessful in bidding a particular stall in the first attempt are requested to wait until the deposit and rent of the stall have been paid and registration of the stall has been completed, or else they will miss the chance of bidding the stall when it is put up for re-auction.

To provide one more chance for the bidders who have not decided to offer bid in the first round of the auction, a second but last round of auction for the unbidded stalls will be held immediately after completion of the first round auction. The auctioneer will announce such arrangement before conducting the first round auction.

A bid by a person, who is deemed ineligible from bidding for any stall, shall become null and void even if the bid is accepted.

The CEFM reserves the right to cancel the auction in the event any extreme incident occurs.

Annex 4b: Sealed Bid Auction Rules

A competitively priced floor price has been set. The CEFM will reject any offer less than the floor price. The floor price will be placed in a stamped sealed envelope in the CEFM designated office one week prior to the auction – March X, 2009.

A tour of the CEFM and copy of the rental agreement will be provided to interested bidders on the following dates: XX, XX, 2009 at 11am

All stalls will be numbered and bidders must bid on specific stalls

Deposit required with sealed bids - 50,000 Iraqi Dinars

Bids will be accepted beginning April X, 2009 at 9am

Bidders, or their designated representatives, must deliver sealed bid to (address)

Bids shall be made for a specific size stall

Individual bidders may submit bids for up to two (2) trading stalls (exterior) and (2) interior stalls. Bidders must note sizes of interior stalls

Bids must contain the bidders name, address, copy of GOI identification, stall size bid on and bid amount in Iraqi Dinars

A check or cash deposit of in the name of the CEFM must be

Upon receipt of the sealed envelope, a CEFM officer will date and register the sealed bid envelope

Bids will not be accepted any later than April X, 2009 at 5pm

Bids will be opened at 5:30pm April X, 2009

Each bid will be opened in the presence of the bidder, or designated representative, CEFM officers and witnesses by XX (third party). All bids will remain confidential.

The highest bidders for a specific stall size will be awarded until all stalls, of that specific size are awarded. Bidders not awarded stalls will have the option of bidding on stalls that are not awarded on the same date at a second auction. The floor price will be the same

Winning bidders will be announced the day bids are opened by 6:30pm

Bidders have 24 hours to deposit one half the offered amounts in the designated CEFM bank account

The CEFM will open for business 7 days after the winning bids are awarded

Licensee _____
Licensor _____

CENTRAL EUPHRATES FARMERS MARKET LEASE AGREEMENT

This Lease Agreement (“Agreement”) is entered into between the **Central Euphrates Farmers Market (“CEFM” or “Landlord”)**, and _____ as

“**Tenant**,” and pertains to the following space and premises (the “**Premises**”) located in the Central Euphrates Farmers Market in Muelha (the “**Market**”), “**Stall**” refers to any permanent space (stall within the main market building or bongo space that is leased to the Tenant as described in the diagram attached to this Agreement as **Exhibit A** (the “**Market Diagram**”).

IN CONSIDERATION of the mutual promises and obligations contained in this Agreement, the receipt and sufficiency of which consideration is hereby acknowledged, CEFM hereby grants to Tenant the revocable right to temporarily occupy and use the Premises, and Tenant accepts the same, on the following terms and conditions:

1. **Term:** The term of this Agreement shall commence on _____, at the time of auction at the CEFM and shall end 365 days on _____, 2009 (**the “Term”**).
2. **Annual Fee:** The **Annual Fee** for Stall _____ will be determined by the winning bid at the time of auction and this shall constitute the only payment required for Stall _____ during the Term of this Agreement and under the conditions set forth in this Agreement.

The Annual Fee shall be due quarterly and payable in Iraqi dinar as follows: 25% within 48 hrs of time of signing the contract and 25% at the beginning of each quarter thereafter. The term of each quarter will be determined by adding three month periods beginning on the date of the first payment; for example, if the first payment is made on Jan 15, 2009, the following payments will be due on April 15th, July 15th and Oct 15th. Failure to pay one quarter of the auction price in full, in cash and in Iraqi dinar, within 48 hours of the signing of the contract shall constitute a breach of this Agreement and CEFM shall be permitted to sell auction Stall _____ at its earliest convenience at the time and place designated by CEFM. A security deposit equal to one twelfth of the total annual rental fee will be paid at the time of the first rental payment. The security deposit is to cover any expenses associated with repair and clean up of the stall that is above and beyond what is considered as normal wear and tear.

Any and all portions of the Annual Fee are **non-refundable**.

3. **Renewal:** Any renewal of the Term of this Agreement, or entering into a new rental Agreement will be at the discretion of CEFM. There is no expectation of or obligation to renew the Term of this Agreement.

Renewal of the Agreement shall be determined at auction conducted by CEFM, or its agents, and shall be subject to the conditions of Paragraph 2 above at the time and place designated by

CEFM. In the event of renewal, Tenant shall execute a new Agreement for the new 365 day period.

4. Use of Premises:

(a) Tenant's use of the Premises shall be restricted to the designated business hours as determined by the management.

(b) Tenant's use of the Premises shall be limited to the sale of products described in the Regulations of the CEFM **OR** subject to the approval of the Manager of CEFM.

Tenant shall operate his business in accordance with all laws and regulations of the Government of Iraq.

Tenant agrees to offer no other products for sale without the advance written consent of the manager of the CEFM (the "Manager").

All products offered for sale by Tenant shall be subject to approval of the CEFM Management.

Carrying firearms within the confines of the CEFM is strictly prohibited. The Management reserves the right to search all Tenants and their agents and remove any firearms found to be in their possession.

Tenant agrees not to sell any products which Tenant believes violate the terms and conditions of this Agreement.

The dispensing and sale of cooked and/or processed food products is prohibited unless expressed written approval is obtained of the Management.

Tenants shall park his vehicles in assigned areas in accordance with the directions of the CEFM Manager. One free vehicle parking spot per stall is supplied. All other vehicles will pay the entrance fee and must be parked in the public parking lot. Tenant will maintain his stall in a clean and orderly state during business hours and shall remove at the close of each business day, all refuse and litter from Stall _____ and place them in approved trash bag and deposit it in the designated trash collection receptacle. Any arrangements to dispose of spoiled or damaged produce must be approved by the Management.

Waste containers located in public areas on the premises of the CEFM are for the use of the general public and shall not be used by wholesale vendors.

Vendors occupying the wholesale sales area of the CEFM shall take all reasonable precautions to prevent motor vehicle lubricants and fluids from leaking onto the paved areas or parking lots. In the case of any spillage, the tenant will be responsible for clean up.

Tenant shall not operate his business so as to impede or interrupt wholesale and retail sales of the CEFM or disrupt any customers, other vendors or employees of the CEFM.

Tenant recognizes that CEFM has a legitimate business purpose in regulating the sale of produce and all other items for sale so as to maintain the viability of the CEFM for other vendors within CEFM, and to promote a wider variety of products being offered for sale at the CEFM.

5. Transferability of Interest by Tenant: Tenant shall not be permitted to sublet, assign or transfer any rights or interests under this Agreement.

6. Relocation: Notwithstanding anything contained in this Agreement to the contrary, CEFM reserves the right, at any time during the term of this Agreement, to relocate Tenant to another space within the CEFM at the Landlord's sole discretion. Any costs associated with said relocation will be covered by the Management.

7. Maintenance, Repairs and Alteration. Tenant has inspected the premises and accepts the premises in the present condition. CEFM shall maintain the grounds, all common, common buildings and parking lots. However, Tenant shall assist, on a daily basis, in maintaining the property in a clean and neat condition by removing all litter or debris left by its employees or customers and upon the termination of this agreement, FARMERS shall surrender the property in as good condition as received. Improvements to the facilities by the tenants can be made only with expressed written authorization by the Management. Any improvements that cannot be removed from the premises shall become a part of the premises and remain after the termination of this agreement.

8. Right of Inspection: Landlord reserves the right to enter upon the premises of Stall____ to inspect the premises or for any other lawful purpose arising from the ownership of the leased premises, so long as it does not interfere with the rights of Tenant as provided in this lease.

9. Insurance: Tenant agrees to provide personal liability insurance covering Tenant's business operations, inventory and employees at the CEFM. The CEFM agrees to provide general fire and damage coverage for the premises.

Tenant shall provide a certificate of such insurance to the Management to evidence this insurance coverage.

10. Indemnification: Tenant agrees to save, hold harmless and indemnify CEFM as Landlord, its agents and employees, from and against any and all liabilities, claims, demands, expenses, fines, penalties, suits, proceedings, actions and causes of action of any and every kind and nature arising out of or in any way connected with Tenant's use or occupancy of the Premises, or any of Tenant's activities in the CEFM, or those of Tenant's agents, contractors, employees, customers or any other person invited to the Premises of the CEFM while in or on the Premises and/or the CEFM.

Tenant agrees that no individual, officer, employee or agent of CEFM shall have any personal liability with respect to any of the provisions of this Agreement. Under no circumstance shall Tenant have a claim or cause of action against any individual member of the Management Board,

officer, employee or agent of CFFM with respect to any breach of this Agreement by CFFM as Landlord, or for any injury or damage sustained by Tenant, its employees, contractors, agents, customers or invitees arising out of or in connection with Licensee occupying and/or operating a [wholesale] business at the Premises or in the Market. This provision shall inure to the benefit of Licensor, its successors and assigns and their respective principals.

11. Arbitration: In the case of any disputes between Tenants and customers, the Management will act as an honorary arbitrator to resolve said disputes. If resolution is not achieved, the parties will then need to seek legal resolution.

12. Termination: Landlord shall be entitled to terminate this Agreement, whereupon Tenant agrees to immediately vacate the Stall _____, in the event Landlord provides notice of termination as set forth below, without the need for any formal written notice.

The grounds for termination are as follows:

- (a) Failure to pay the Auction Fee described in paragraph 2;
- (b) Failure to abide by the other terms and obligations contained in this Agreement;
- (c) Failure to be open for business for two or more consecutive weeks during the 365 day term of this Agreement.

At the expiration of the Term of this Agreement, or in the event of termination by Landlord, Tenant shall vacate Stall _____ in good condition and deliver to CEFM in its original condition. Any cost incurred in clean up or repair beyond that associated with normal wear and tear shall be deducted from the security deposit.

Tenant shall promptly remove all of Tenant's personal property, equipment and inventory and produce items in Stall_____. Upon Tenant's failure to do so, Landlord shall remove all of Tenant's property, equipment and and inventory from the Premises and have them delivered to Tenant, placed in storage at Tenant's expense or discarded, at Landlord's sole discretion.

All perishable items will be disposed of as Landlord deems appropriate, without compensation to Tenant.

Tenant acknowledges and agrees that Landlord shall have no liability to Tenant, for any damages, loss of business, or otherwise, for terminating this Agreement in accordance with the terms set forth above.

13. Violation of Agreement: If Tenant shall violate any of the terms of this agreement, or shall willfully or maliciously do injury to the leased premises, Landlord shall have the right to immediately re-enter the premises and take possession without notice to Tenant. This remedy shall be in addition to any other legal remedies available to Landlord.

14. Assignment by Landlord: The parties agree that Landlord may assign all of its rights, title and interest under this Agreement at any time without any express consent being required by Tenant. In the event of assignment, Landlord will provide notice to Tenant that the Agreement has been assigned, transferred or conveyed.

15. **Notices:** All notices required to be delivered by Landlord to Tenant shall be effectively made when hand-delivered to Tenant at Stall_____ at CEFM.

THE PARTIES have executed this Agreement as of the dates set forth below.

CENTRAL EUPHRATES FARMERS MARKET: _____
Date

TENANT: _____:
Date

WITNESS: _____



إعلان

تعلن إدارة سوق وادي الفرات الأوسط للتسويق الزراعي عن رغبتها في تأجير المكاتب الداخلية والخارجية والساحات والمطعم عن طريق المزايمة العلنية في موقعها الكائن في منطقة المويلحة قرب الخط الدولي السريع في تمام الساعة العاشرة صباحاً من يوم الإثنين الموافق 20 / 04 / 2009، فعلى جميع الراغبين بالإشتراك في المزايمة العلنية الحضور في الزمان والمكان المعينين مستصحبين معهم التأمينات القانونية البالغة قدرها 20% من قيمة الإيجار والتي سوف تدفع عند رسو المزايمة والمستمسكات الرسمية (هوية الأحوال المدنية + شهادة الجنسية العراقية + البطاقة التموينية + بطاقة السكن). للمزيد من المعلومات يرجى مراجعة إدارة السوق والحصول على نسخة من شروط المزايمة العلنية والإطلاع عليها.

إدارة سوق وادي الفرات الأوسط للتسويق الزراعي

Annex 7: List of Vegetables – Planting and Harvesting Times for CEFM Suppliers

Northern Babil Province Planting and Harvest Dates				
Commodity		Planted	Harvested	
<u>Vegetables</u>	<u>Winter Grown Under Plastic Except Potatoes Lettuce R Beans</u>	Eggplant	October	April
		Peppers	October	April
		Cucumbers	December	February
		Zucchini	October	January
		Tomatoes	October	December
		Potatoes (Field)	October	January
		Lettuce (Field)	September	March
		Roman Beans (Field)	October	March
	<u>Summer Grown In the Open Field</u>	Eggplant	March	June
		Peppers	March	June
		Cucumbers	August	December
		Zucchini	April	June
		Tomatoes	February	August
		Okra	March	June
Green Beans		March	May	
Potatoes	February	May		
<u>Grains Oilseeds Grasses</u>	Wheat	November	June	
	Barley	November	May	
	Oats (Double Cropped)	Mar & Sept	June & Dec	
	Sesame Seeds (Double Cropped)	Mar & Sept	June & Dec	
	Yellow Corn (Sweet)	August	December	
	Feed Corn	August	December	
	Cotton	Not Grown in northern Babil Province		
	Rice	Not Grown in northern Babil Province		
Alfalfa	One Planting Lasts 3 Years			
<u>Fruit</u>	Watermelon	Mid March	Mid May	
	Honeydew Melon	Mid March	Mid May	
	Cantaloupe	Mid March	Mid May	
<u>Dates</u>	In Flower	Spray Time	Harvest	
	March	April & May	Sept, Oct, Nov	

Annex 8

Market Survey – Babil PRT (get to know the clients and competition and build the results into a strategic expansion)

Market Name	Date	Location

1. Type of market seller: (check both if applicable)

Wholesale market (sell bulk)	Retail (smaller quantities to individuals)	Street vendor (informal cart-type seller)	Other

2. What products are available? Note other non-agricultural products – cloths, electronics and, if possible, ask what sells the most

	tomato	onion	eggplant	potato	okra	roman beans	peppers	date	water melon	honey dew melon	lettuce leaf	lettuce romaine	banana	orange	grape	apple	other

Notes:

3. How and where do you buy the vegetables, what is the distribution network – local = N Babil; national, imported? From where (Wholesale, volume, as is or are they improved?) Who are the suppliers?

From where	tomato	onion	eggplant	potato	okra	roman beans	peppers	date	water melon	honey dew melon	lettuce leaf	lettuce romaine	banana	orange	grape	apple	other
local																	
Nat'l																	
Import																	
volume																	
month																	

Notes:

4. How are the products sold **volume (weight in Kg.); bulk (wholesale) or retail;**

	tomato	onion	eggplant	potato	okra	roman beans	peppers	date	water melon	honey dew melon	lettuce leaf	lettuce romaine	banana	orange	grape	apple	other
Vol. / (wt)																	
bulk																	
retail																	

Notes:

How are the products sold (presentation) – packing

loose																	
sack																	
box																	
crate																	

Notes:

What price are they sold at?

	tomato	onion	eggplant	potato	okra	roman beans	peppers	date	water melon	honey dew melon	lettuce leaf	lettuce romaine	banana	orange	grape	apple	other
Price																	
bulk																	
retail																	

Notes:

5. Ask what is the range of qualities available (**grade 1, 2, 3, 4**) –ask what the clients look or ask for? (colors, sizes, physical properties, packaging/packing materials, technical aspects, varieties, etc.)? **Under any product enter specific attributes - such as a specific variety of produce**

	tomato	onion	eggplant	potato	okra	roman beans	peppers	date	water melon	honey dew melon	lettuce leaf	lettuce romaine	banana	orange	grape	apple	other
Grade																	
Size																	
variety																	
Other																	

Notes: (special aspects)

6. What quality is bought most often (generally preferred/demanded - percent of each)?

	tomato	onion	eggplant	potato	okra	roman beans	peppers	date	water melon	honey dew melon	lettuce leaf	lettuce romaine	banana	orange	grape	apple	other
Grade																	
%																	
Other																	

Notes:

7. Is there "value added" to the products: leaf trimming, processing, packaging, etc. [some modification to the product that makes its price greater?

	tomato	onion	eggplant	potato	okra	roman beans	peppers	date	water melon	honey dew melon	lettuce leaf	lettuce romaine	banana	orange	grape	apple	other
Trim																	
other																	

Notes:

8. Who buys these products (your customers) – women (W), men (M), young (Y), old (O); income wealthy, middle class poor (W M P)?
[enter letter]

	tomato	onion	eggplant	potato	okra	roman beans	peppers	date	water melon	honey dew melon	lettuce leaf	lettuce romaine	banana	orange	grape	apple	other

Notes:

9. Have or are buyer preferences (products sold) changing, what has changed and why? Is this likely to change or has it always been the same?

10. Is there any specific seasonal demand for products? Are there times of the year when it is not available? (spring **SP**, summer **SU** fall **F**, winter **W**)? [Are there certain times of the year when more is sold; holidays, bridal, birth, winter, summer; (current and future trends)?

	tomato	onion	eggplant	potato	okra	roman beans	peppers	date	water melon	honey dew melon	lettuce leaf	lettuce romaine	banana	orange	grape	apple	other
high demand																	
un-avail																	

Notes:

11. What do consumers buy when a specific product it is not available?

12. Do you have produce that is unsold at the end of the day; losses?

	tomato	onion	eggplant	potato	okra	roman beans	peppers	date	water melon	honey dew melon	lettuce leaf	lettuce romaine	banana	orange	grape	apple	other
Left over																	
lost																	

Notes:

13. Is there cold storage available, if not would you use it if it was available?

Yes (what is the cost?)	no	would use	would not use

14. Do buyers prefer local/national or imported produce, what is the difference in quality, price, etc.

15. Do or would clients pay more for the same product in the off-season if it were imported?

16. Are there any specialty or niche markets that exist or might open up – any trends you see?

17. What would you recommend so you could make more sales? What would entice buyers to pay more?

18. What is the sales area like - size; positive and negative aspects of the market: (traffic vehicle and pedestrian, clean, dirty, large, small, other - e.g. lighting)?

19. What services does the market provide to vendors - buyers?

20. What services are lacking?

21. If you were to make changes what would you change; what would draw more buyers to the market?
22. Is it difficult to become a vendor in this market? Are there any government or market-specific regulations that need to be met?
23. Are there any input problems such as packaging, crates, other supplies?
24. How much US dollars (1USD = 1,000 Iraqi dinars) do you pay for this stall / area? **[if there is resistance ask for a range]**

Dollar amount _____

0-500	500-1000	1000-5000	5000-10,000	10,000-20,000	20,000-40,000	40,000-60,000	60,000-80,000	80,000-100,000

Notes:

25. Are there customs, transit fees, and marketing restrictions imposed at the market?
26. Are there any specific importer requirements; conditions of product acceptance and availability of requisite compliance testing facilities?
27. What are the methods, general practices, standard packaging used in the target import market; international regulations or standards on packaging?
28. What are the material and technical specifications most demanded by importers?
29. Who are your competitors
30. What are the international and local practices, standard ordering procedures (ex., sample basis, catalogues, visits to the producer, importer specifications, etc)?
31. What are the customary methods of payment and conditions (ex., cash, invoice, Letter of Credit, 30/60/90 day irrevocable, etc.)?
32. Are there foreign sellers or are all sellers local?
33. Are there any problems with pesticides or other quality issues?
34. What are the import formalities?
35. How is it shipped: volume, packing, consolidates loads?
36. Where is it delivered to? Where do you buy it?
37. What are the historical production, consumption, import and export data for each selected fresh fruit and vegetables in North Babil, with projections of future growth.
38. What are the product demand trends over the last 3 to 5 years; retail sales, consumer expenditures, etc.?
39. Provide a list of importers, distributors, possible partners
40. List contact information of major buyers of fresh fruit and vegetables in each of the targeted market areas and their product demand
41. List of all sources with contact information used in this assignment

Annex 9



Annex 10

CEFM Wholesale
Produce Auction Guide

Policies For Produce Auction Buyers

1. Buyers must register at the CEFM office for a buyer's identification number.
2. Registry consists of a buyer's name, company name, address, e-mail (if any) and telephone number.
3. Buyer's number is to be used whenever a purchase is made at the auction and is to be displayed for the auctioneer's view.
4. The buyer is responsible for the inspection of quality and grading of produce offered for sale and will place bids accordingly.
5. All items are sold as is, where is, unless otherwise stated by the auctioneer.
6. Buyers will not have the option of splitting lots.
7. There will be absolutely no wholesale transactions of any kind permitted on the market property except through the auction. Pooling (sharing purchase of lots by several buyers) by buyers is forbidden.
8. In a situation where the seller has misrepresented the quality of his product by deceptive packing, the Operations Manager or Board Committee shall serve as arbitrator in negotiating settlement.
9. Buyer is responsible for loading his produce onto his vehicle after purchase is made.
10. Buyer shall remove from the premises all produce purchased on the day of sale, unless authorized by CEFM management (cold storage). The CEFM will not be responsible for any produce not removed immediately after sale.
11. Buyer shall pay in full for all produce purchased as per agreement between buyers and sellers after the sale or trading is complete.
12. Any announcement made on the day of sale shall take precedence over previously printed/distributed information.
13. By registering for a buyer's number the buyer agrees to the terms set forth above.

Policies for Produce Auction Sellers

1. Sellers must register at the office of the CEFM for a seller's identification number.
2. Registry consists of seller's name, address, and (if any) telephone number.
3. Seller's number must be used on all lots of produce offered for sale at the CEFM.
4. Seller is responsible for unloading, stacking and labeling his produce.
5. Seller is responsible for the proper grading and packaging of his produce to the standards set by the CEFM.
6. The CEFM reserves the right to refuse to sell any produce of inferior or very poor quality. Definition of inferior or very poor quality produce is defined by the CEFM
7. Where a clear misrepresentation of quality of produce has been made by the seller, the

CEFM reserves the right to withhold payment until proper restitution has been made by the seller.

8. Cash will be issued in payment for produce sold at the CEFM Auction by the end of the day the sale is made. Payment can be received by the seller at the office of the buyer.

9. Seller shall pack his produce in a new or good used box or container (bag). Produce packed in non-vegetable boxes or container not suitable for the merchandise is not acceptable.

10. Sellers shall not split lots of the same grading onto several carts or pallets.

11. Single boxes: Anything less than two full boxes will be sold on tables.

Sellers must complete ticket when entering the market

12. By registering for a seller's identification number the buyer agrees to the terms set forth above.

Produce Tagging Example

ALL PRODUCE MUST BE TAGGED with the following information:

1. Seller I.D. numbers.
2. Number of boxes or units to be sold.
3. Written description.

Use one tag for each product.

WHEN YOU ARRIVE AT THE AUCTION FOR THE FIRST TIME:

- Come to the office to register and receive a seller number.
- Box sales - unload in auction pavilion.
- Unload onto carts or pallets, identify carts or pallets with seller's number, amount and description.

FARMERS - PLEASE NOTE:

- Read your "Packing Standards" carefully.
- Your "Seller's number" will be permanent.
- Be certain to label #2 produce as #2

Stock Label (applied to individual containers or lots)

Date/Ticket #

Farmer ID:

Product:

Grade:

Number of Boxes:

Produce Record / stock receipt (filled out by gate staff and given to sellers and office)

Date: _____
 Farmer ID: _____
 Buyer ID: _____
 Time: _____

Product Description:	Grade	Box Count	Total Weight	Price/Kg
Comments				

Destination market: _____

Vehicle Type: _____

Imported Products:

Country	Commodity	Grade	Packing	Price
Comments				

Packing Standards for the CEFM Wholesale Produce Auction

Board should provide information on what grading and packing standards are required (if any) for the market. Following is an example of packing standards.

Please grade and pack your produce according to these standards.

Vegetable Packing Standards

Tomatoes

Use only 20 lb 2 layer boxes. Note: 10# (1 layer) boxes can be used until your supply is gone, fill the box completely full and tight.

All boxes must be full with a tight pack. Grade for size and color. No stems.

.....Extra large 2 7/8" to 3 1/2"

.....Large 2 1/2" to 2 7/8"

.....Medium 2 1/4" to 2 1/2"

.....Small 2 1/8" to 2 1/4"

Ask for more tomato grading information at the auction office.

Cherry tomatoes: Fill to level full. Pick at pink or solid red.

Cucumbers

Pack exactly 24 in a 24 count cucumber box. If the count per box is not exactly 24 then pack in standard 1/2 bu box. #2 Cucumbers are defined as crooked, blemished, yellow bellies and undersized.

Eggplants

Pack in 1 1/9 bu. boxes. #1's should have no scars or misshapen fruit. Baby, White, or Japanese can go in 1/2 bu. boxes

Watermelons

Grade for size and uniformity. Sell in bins or loose on wagons. Must be counted. State variety on tag.

FOUR TYPES OF PRODUCE AUCTION SALES:

1. Drive through

- Minimum 10 boxes. Lesser quantities use carts or pallets.
- 50 or fewer small melons sell as one lot of mixed sizes.
- 25 or fewer watermelons or pumpkins sell as one lot of mixed sizes.
- Make one display of the same grade and size instead of multiple lots of the same grade and size.

2. Pallet & bin lots

- Minimum 6 boxes.
- 50 or fewer cantaloupes sell as one lot of mixed sizes.
- 25 or fewer watermelons or pumpkins sell as one lot of mixed sizes.

The following are more related to occasional sellers that will have smaller amounts of produce and may not be frequent sellers at the market. Board needs to decide how much to charge the occasional seller, e.g. commission on price of goods sold.

3. Cart lots

- Minimum 2 boxes. Maximum of 5 boxes.

4. Table Lots

- Anything less than 2 full boxes.
- Do not sell items of very low or zero value.

Market Operating Rules

There will be wholesale and retail traders, food concessions, farmers, truck drivers, CEFM employees and general public in the market. For the market to operate efficiently, impartially and to reduce conflicts, and the need to resolve them, the following points are offered for consideration – accept or reject any.

Note: all rules and operation procedures must be in accordance with other GOI laws, especially commercial law – e.g. recording of transactions

Market Rules will be published and/or included in the rental agreement.

General recommendation for inclusion in the Rental Agreement

Market rules (or text in the rental agreement) should state that to ensure efficient market operation regulations shall be amended by the board from time to time. Decision will be made in collaboration with the market stall renters and farmers to mutually benefit all parties. Any decision of the board will be given through a public notice to the all tenants and suppliers in the market.

Note: a complaint procedure should be considered in the event that one tenant infringes on the rights of another – delegation of authority to the operations manager to make immediate decisions. This is part of the market rules.

Special service fees

Fees for services need to be set at a level necessary to generate sufficient working capital and recover investment. There are always unforeseen capital investment and other variable cost expenditures that need to be budgeted for. It is uncertain that there will be sufficient operating capital generated by the stall auction. It is difficult to assess or increase fees after the market begins operation.

A schedule of fees and services needs to be decided on before the market opens. If there are decisions made on any of the below there should be a schedule or list of fees and charges documented.

The following points are offered for consideration:

Rental or lease fees for various facilities;

- Cold storage – fee or separate contract for cold room use. The question is whether to rent the whole room or rent space by square meter - note that the cold room can not be packed solid, walkways and room for air circulation are needed which will reduce the actual amount of space that can be used for cooling or storing produce.
- Use of space owned by the CEFM outside of the walls or inside the walls for value added activities sorting, packing, sales not conducted in the retail area.
- Restaurant and coffee shop – decide on minimum rental price

Fees for services provided that not covered by rental fees

- Excessive electricity use or special cleaning or garbage collection;
- Fees that can be offered by and charged for - produce grading fees loading and unloading services, telephone, fax, e-mail, etc.
- Tractor, fork lift or pallet jacks provided by the market

Entry fees for buyers/suppliers (if any)

Vehicle entry fees (if any); parking for more than one vehicle per stall renter

Special fees

- Daily, weekly or monthly traders – will the CEFM allow for daily, weekly or monthly traders for example before holidays or religious festivals (will conflict with renters)
- Advertisement – fee or regulate what type of advertisement can be used and where

General Operations – considerations for market rules (these are detailed but based on their experience the board members might see some that are worth implementing)

Produce handling – Stocking and display includes the unloading, movement between wholesalers, loading, stocking and display, and sorting of produce. To minimize confusion and inefficiencies - specify that between certain hours (usually the formal trading hours) no wholesaler may stack or store produce outside his allocated selling floor space or warehouse space.

Specify that produce which has been sold and is being delivered to trucks or other vehicles must be moved directly from the allocated space or warehouse to the vehicle and must not be stored or left outside the section, in passageways, on loading ramps or on the market pavement area.

Loading - Specify that larger vehicles (specified by size) must be loaded by the authorized service provider (this could be traders' workers or workers employed by the CEFM and a fee charged). This is to minimize loading time and optimize use of the loading ramps/docks

Mark (painted lines or written notice), floor space so each trader understands and complies with market space regulations on space rented.

Sorting or picking-over - In nearly all markets some produce arrives which require sorting, this creates garbage problems. Specify that this be done in a designated area.

Containers and produce packing - Decide if produce entering the market must be in certain size or type containers (boxes, cartons or bags). If brought in loose or not in very small or large containers unloading and loading can be time consuming and cause congestion. Although 5 kilograms of garlic is a reasonably significant quantity and 5

kilograms of watermelon can be one melon it is best to have one regulation that covers all.

Specific volumes to be traded – avoid conflict between wholesale operations and retail operations. Recommend consideration of specific volume to differ between the two and avoid public congesting wholesale area and regulate public to keep out of the area during certain hours.

Control of space outside of the market – parking of refrigerated trucks that seek to avoid the inside parking fee; set up of small stands that will compete with the inside paying renters – set aside area for non-agricultural retail sales in the area owned by the market and charge a fee.

Business hours

Hours for delivery and collection of produce can not conflict with security and market cleaning operations as well as regulating the traffic to provide orderly operations such as avoiding inefficiencies between farmers delivering produce and traders vehicles that load and transport produce out of the market, and the general public whose vehicles can obstruct commercial operators, and to allow for orderly entry and exit in the event of emergencies.

Hours for specific wholesalers – to minimize traffic congestion e.g. decide if delivery of fish to be allowed at the same time as produce.

Separate rules for hours of entry or operation may be developed for ancillary services such as cafes, restaurants, cold stores, pre-packing plants, sorting or picking-over areas, warehouses, ripening rooms and other service areas

Vehicle movement and parking - traffic control plan

Markets should have a traffic control plan aimed at ensuring public safety, efficiency of produce handling, and optimal use of pavement and parking areas. The plan should address:

- hours and procedures for entry of vehicles with loads
- designated unloading areas
- duration farmers' and buyers' vehicles may park in loading dock/ramp areas and the time by which they should leave these areas
- exit routes for vehicles which have brought produce to the market
- entry and parking of wholesalers' and staff vehicles including refrigerated units
- entry of empty vehicles wanting to collect produce
- entry and parking for cars and vehicles of the general public
- parking fees, if any
- hours of exit of vehicles, if market is to be closed for cleaning
- inspection of vehicles entering and leaving to ensure appropriate documentation
- vehicles and equipment, such as forklifts for movement in the market and creation of special roadways/alleyways for forklift movement

- security plan for entrance of vehicles and persons

Utilities

Regulate the use of utilities provided by the CEFM – electrical load for each stall: specify number of appliances such as refrigerators freezers and the like charged extra as they will use more electricity. The aim is to prevent the over loading of circuits and over use of electricity

Compliance with standard weights and measures

- Provide criteria for quality or grade standards so that all buyers and sellers are informed
- Specify and regulations for human health, and plant and animal pests and disease

Monitoring of market activities

Markets usually require that licensed wholesalers supply daily information to them on quantities traded and highest, lowest and most frequent prices for various commodities

Will this be a requirement? If so decide what is required

- Example decide if a receipt must be issued to the supplier/farmer indicating date, type of produce, description, (including grade standard), quantity, price agreed to or paid and any deductions agreed by the two parties (e.g. when the wholesaler has been asked to pay for freight costs);
- Example a docket or invoice must be supplied to the buyer showing the date, produce supplied, quantity, price paid and other costs as agreed (e.g. delivery costs);

Other

The board has talked about investors/partners. Question - if another entity such as the Ministry of Agriculture or investor was to provide funds or enter a joint venture this could require that the partner have a seat on the board to ensure their investment was used as per their intent. This may be a valid amendment to the bylaws, either now or in the future. Board should be aware of this.

Annex 12

CEFM Manager - Duties

Report to the CEFM Board of Directors on major issues for effective market management

The CEFM has developed operation regulations and procedures for renters, daily produce auction, collection of price/volume, information, etc. The market operation rules state the CEFM reserves the right to, in collaboration with the market stall renters and farmers, modify market regulations/policies/procedures to mutually benefit all parties; and, that any decision of the board will be given through a public notice to the all tenants and suppliers in the market.

In the start up phase modifications may be identified and the correct manner in which to address them is for the board of directors to make decisions based on information compiled by the day-to-day manager.

There should be a board meeting once per month however initially once per week or twice per month may be necessary until start up operations smooth out. An agenda for a board of directors meeting would normally include:

Managers' report: A report on market operations highlighting problem areas and areas for decision or policy. It should advise of progress in the implementation of previous decisions.

Financial report: A report showing for the period (month or quarter), income and expenditure compared to budget and, as required, a profit and loss statement, annual accounts and any loan proposals or debt reports. The board may request a list of all payments in the month/period.

Capital expenditure: Proposals on new capital expenditure.

Market tenancies (renters): A summary of the current situation, proposals for changes, transfers, etc.

Market operations: Any matter which needs to be raised on market hours, market access, traffic, parking, produce handling, cleaning, etc.

Matters for policy/board decision: A memo for each issue that requires a decision by the board should be prepared to give details of:

- What issues needs to be considered
- Background information on the present policy, the problem identified, the legal position, the financial costs involved
- The options available

- Recommendation by management giving reasons for the option selected and possible consequences of the proposed decision.

Day-to-day activities: Oversight of services provided to renters: electricity, water, cleaning and garbage collection, communications (telephone, fax, e-mail, and internal communications). Operations of the CEFM such as warehousing management (loading and unloading and general movement of produce), management of cold storage room

Traffic Flow: Oversee flow of vehicular traffic in and out of the CEFM as per General Market Rules maintaining a safe work and trading environment

Facilities Management: Develop and ensure preventative maintenance procedures and identification of who is responsible for maintenance and repairs are carried out – generators, refrigeration system, plumbing, lighting and electrical systems, etc., contingency plans if something breaks down – back-up system – and maintaining inventory of essential spare parts

Enforcement of Market Rules: Enforce market rules for safe and efficient operation

Annex 13

- 13A Daily Sales Report
- 13B Master Sales Report
- 13C Invoice Package
- 13D General Ledger
- 13E Profit and Loss
- 13F Sample Vouchers

**CEFM
FORECASTED PROFIT AND LOSS STATEMENT**

LINE #	DESCRIPTION	ACCT #	Budget	%	MID	%	EOP	%
SALES								
1	EXTERNAL STALL RENTAL		1500000	44.6%	0.00	-	0.00	-
2	INSIDE STALLS		750000	22.3%	0.00	-	0.00	-
3	CAFETERIA RENTAL		833333	2.5%	0.00	-	0.00	-
4	TRAILER TRUCK PARK		833333	2.5%	0.00	-	0.00	-
5	CAR PARK		300000	8.9%	0.00	-	0.00	-
6	CEFM ASSN RETAIL		600000	17.8%	0.00	-	0.00	-
7	COLD ROOM		250000	0.7%	0.00	-	0.00	-
8	REFER TRUCK PARKING		250000	0.7%	0.00	-	0.00	-
9								
10								
	TOTAL SALES -		33666667	100.0%	0.00	-	0.00	-

CONTROLLABLE EXPENSES:

DIRECT STAFF PAYROLL								
11	BOARD SALARIES		900000	26.7%	0.00	-	0.00	-
12	CEFM MANAGER		100000	3.0%	0.00	-	0.00	-
13	ACCOUNTANT MGR		100000	3.0%	0.00	-	0.00	-
14	LAWYER		100000	3.0%	0.00	-	0.00	-
15	MAINTENANCE MANAGER		750000	2.2%	0.00	-	0.00	-
16	SECURITY MANAGER		750000	2.2%	0.00	-	0.00	-
17	HUMAN RESOURCE		500000	0.0%	0.00	-	0.00	-
18	ACCOUNTANT ASST		500000	0.0%	0.00	-	0.00	-
19	GUARDS		400000	0.0%	0.00	-	0.00	-
20	SERVICE WORKERS		200000	0.0%	0.00	-	0.00	-
21	MAINTENANCE WORKERS		100000	0.0%	0.00	-	0.00	-
22	STORAGE MANAGER		500000	0.0%	0.00	-	0.00	-
23								
24	TOTAL DIRECT STAFF PAYROLL		22000000	65.3%	0.00	-	0.00	-

FORECASTED PROFIT AND LOSS

LINE #	DESCRIPTION	ACCT #	BUDGETED	%	TOTAL	%	DIFFERENCE	%
DIRECT CONTROLLABLE								
39	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
40	Office Supplies	1002		0.0%	\$0.00	-	0.00	-
41	Office Supplies	1003		0.0%	\$0.00	-	0.00	-
42	Office Supplies	1004		0.0%	\$0.00	-	0.00	-
43	Office Supplies	1005		0.0%	\$0.00	-	0.00	-
44	Office Supplies	1006		0.0%	\$0.00	-	0.00	-
45	Office Supplies	1007		0.0%	\$0.00	-	0.00	-
46	Office Supplies	1008		0.0%	\$0.00	-	0.00	-
55	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
56	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
57	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
58	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
59	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
60	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
61	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
62	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
63	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
64	Office Supplies	1001			\$0.00	-	0.00	-
65	Office Supplies	1001			\$0.00	-	0.00	-
66	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
67	Office Supplies	1001			\$0.00	-	0.00	-
68	Office Supplies	1001			\$0.00	-	0.00	-
69	Office Supplies	1001		0.0%	\$0.00	-	0.00	-
							0.00	
70	TOTAL DIRECT CONTROL -		0	0.0%	\$0.00	-	0.00	-

OTHER CONTROLLABLE

71	OFFICE SUPPLIES/POSTAGE	6420	0	0.0%	\$0.00	-	0.00	-
72	BANK SERVICES	6080	0	0.0%	\$0.00	-	0.00	-
73	Dues/ Membership	6130	0	0.0%	\$0.00	-	0.00	-
74	CASH OVER/SHORT		0	0.0%	#REF!	-	#REF!	-
75	BAD CHECK/CHARGE		0	0.0%	\$0.00	-	10.00	-
76			0	0.0%	\$0.00	-	0.00	-
77	CHARITY CONTRIBUTIONS	6110	0	0.0%	\$0.00	-	0.00	-
78	OTHER		0	0.0%	\$0.00	-	0.00	-
79	OTHER		0	0.0%	#REF!	-	#REF!	-
80	TOTAL OTHER CONTROL COST -		0	0.0%	#REF!	-	#REF!	-
80	TOTAL CONTROL EXPENSES -		#REF!	#REF!	#REF!	-	#REF!	-
81	GAMES, CIGS & PHONE		0	0.0%	\$0.00	-	0.00	-
82	CONTROLLABLE INCOME (TCI) -		#REF!	#REF!	#REF!	-	#REF!	-

FIXED AND UNCONTROLLABLE

MANAGER INSURANCE	6260		0.0%	\$0.00	-	0.00	-
BUSINESS INSURANCE	6250		0.0%	\$0.00	-	0.00	-
RENT	6500		0.0%	\$0.00	-	0.00	-
			0.0%	\$0.00	-	0.00	-
LICENSE & PERMITS	6350		0.0%	\$0.00	-	0.00	-
			0.0%	\$0.00	-	0.00	-
PROPERTY TAXES			0.0%	\$0.00	-	0.00	-
OUTSIDE ACCOUNTING FEES	6310		0.0%	\$0.00	-	0.00	-
PAYROLL PROCESSING FEES	6430		0.0%	\$0.00	-	0.00	-
LEGAL FEES	6300		0.0%	\$0.00	-	0.00	-
INTEREST	7600		0.0%	\$0.00	-	0.00	-
OTHER FIXED COST			0.0%	\$0.00	-	0.00	-
ROYALTY FEES			0.0%	\$0.00	-	\$0	-
MGT. FEES			0.0%	\$0.00	-	\$0	-
TOTAL FIXED AND UNCONTROLLABLE COST			0.0%	\$0.00	-	0.00	-
NET EARNING (LOSS)							-

**CEFM
Receipt Voucher**

Received From: _____
Amount: _____
Date Received: _____

Cash Wire Transfer
Other

Description: _____

Account Code

Amount

Prepared by: _____ Date: _____

Approved by: _____ Date: _____

CEFM
Journal Voucher

Date: _____

Parties Involved _____

Description: _____

	<u>Account Code</u>	<u>Amount</u>
Debit	_____	_____
	_____	_____
	_____	_____
Credit	_____	_____
	_____	_____
	_____	_____

Prepared by: _____ Date: _____

Approved by: _____ Date: _____

CEFM

Disbursement Voucher

Paid to: _____
Amount: _____
Check #: _____ Date of Check: _____

Description: _____

Account Code

Amount

Total: _____

Prepared by: _____ Date: _____

Approved by: _____ Date: _____

**CEFM
Petty Cash Voucher**

Payee: _____ Amount: _____

Nature of Expense: _____

Project/Core: _____

Received By: _____

<u>Account Code</u>	<u>Amount</u>
_____	_____
_____	_____
_____	_____
	Total: _____

Petty Cash Custodian: _____ Date: _____

Petty Cash Ledger

Date	Petty Cash Voucher #	Type of Expense	Amount	Staff Member	Account Code (optional)	Running Balance
		Opening Balance				XXX
	1					
	2					
	3					
	4					
	5					
	6					
	7					
	8					
	9					
	10					
	11					
	12					
	13					
	14					
	15					
	16					
	17					
	18					
	19					
	20					
		Ending Balance				YYY
		Replenishment				ZZZ
		Opening Balance				Imprest #

**CEFM
Cashier's Slip**

Received From: _____

Description: _____

Payer's Signature and Date: _____

Cashier's Signature and Date: _____

Account Code

Project Number

Amount

Note: Original should be given to the payer. The first carbon copy is given to the Chief Accountant along with the cash or check received from the payer. The second carbon copy is left attached to the booklet and is the Cashier's record of the funds s/he has handled.

Sample Payroll Slip

Staff Name: _____

Pay Period: _____ through _____

	Amount
Base Salary	_____
Overtime	_____
Allowances	_____
_____	_____
_____	_____
Other Benefits	_____
_____	_____
_____	_____
Deductions	_____
_____	_____
_____	_____
Social Security Withheld	_____
Taxes Withheld	_____
Net Payment to Staff Member	_____

Received by: _____ Date: _____

Contribution to Social Security
Taxes (as appropriate) _____

Annex 14

Business Financing Proposal

Finance is essential for any business and good business financial proposal is needed for any type of business combination. The following is taken from Lawrence Flanagan's book, *The Money Connection: Where and How to Apply for Business Loans and Venture Capital*.

A brief history of the company, the funding needed, a detailed explanation of how the proceeds will be used and repaid (if a loan), complete information about the company's facilities, equipment, technology, products and/or services, production capabilities, markets, competition, sales strategies, management, employees and company goals. It should also include pro forma financial projections for at least three years of operation, together with the company's current financial statements and tax returns for the past three years - if it has such a history.

Such a proposal is important for two reasons:

1. For any business seeking financing, most lenders and investors require a well-thought-out financing proposal, which is usually a modified or condensed version of a company's current business plan.

Although some components of a business plan cannot be included in a public stock offering prospectus (i.e., financial projections), it is not unusual for private investors or a bank to request the more detailed business plan and financial projections for review.

2. For any start-up or existing company, whether financing is needed or not, a current business/financial plan will help keep the enterprise on track. One of the leading reasons why businesses fail is because their managers did not develop or follow a plan. When prepared each year, complete with monthly goals, a sound business plan can serve as a valuable monitoring tool for all areas of any company.

There are many forms a business financing proposal can take, but in terms of a loan or equity financing, it should include the components listed below.

1. A Summary. This should be brief, no more than two to five pages long, and provide the following:

- The name, address and telephone number of the business and contact person.
- The purpose for requesting the loan or investments and the amount required.
- A brief description of the company's history, facilities, equipment, products, services or project.
- A brief description of the company's markets, competition and sale strategies.
- A brief description of management's expertise and background.
- A brief description of how the funds requested, once received, will be used.
- A short paragraph about the company's goals.

The summary is nothing more than a condensed version of the more detailed financing proposal. Very often, it is mailed to a prospective lender or investor, along with a cover letter, to determine if there is an interest in the company or project. When submitted with a formal proposal, the

summary is intended to give the reader a quick overview and encourage a thorough overview of the proposal, prospectus or circular itself.

2. **The Company.** This opening section of the proposal should fully describe the historical development of the company. Include its formal name; legal structure (sole proprietorship, partnership or corporation); significant changes in ownership; business industry; its products and/or services (or those planned); acquisitions and subsidiaries (if any) and the dates when they occurred.

Include your investment and percentage of ownership plus that of others and each owner's role in the formation and operation of the company. If you are seeking financing for a non-operating business in the development stage, give as many of the above details as possible, and fully explain the investment you and/or others intend to contribute to the enterprise.

3. **Products and Services.** In this section, provide information about the company's products and/or services or those it proposes to offer. Include inventories in stock or to be purchased; their costs; current or estimated production costs; selling prices, and briefly present a sales forecast for the next three years.

When possible, list some of your suppliers and any credit terms they may offer. A good way to approach this subject is to present all of the information you would want to know about the products or services of a company if it was asking you for money.

4. **Use of Proceeds.** When financing is needed to fund a new business or a project, use this section to describe how the money will be used (product development, inventories equipment, marketing, working capital, etc.), complete with cost figures for each line item. Be sure the funds requested are adequate to finance the business start-up or expansion planned.

If you are requesting a loan, explain the repayment schedule desired and refer the reader to the Cash Flow Projections to demonstrate how the loan will be repaid, with interest, in context with the company's other operating expenses. This is important because all lenders want to know when and how they are going to be repaid.

5. **Marketing.** This important section must provide the details concerning your marketing, advertising and sales plans - complete with projected sales and annual expenses for each product or service to be offered.

Include any marketing research and analysis data that will support your sales projections. Describe who your competitors are and explain how the company will be able to compete favorably in the marketplace. One of the major reasons for turning down a financing request is because the proposal submitted did not include a viable sales and marketing plan.

Be honest and reasonable in your forecasts and forget about smoke and mirrors because just about everyone in the business of providing loans and venture capital will instantly recognize a "wild-eyed projection" when they see it.

6. **Management.** In this section, discuss the company's management, their individual job responsibilities, employment histories and education. Resumes may be submitted with your proposal, but they should be limited to one page or less for each manager. Include each manager's current or projected salary for at least three years plus any other forms of intended compensation. Fully describe any additions in management you are planning for the near future and the compensation to be paid.

Explain CEFM Participation

7. Ownership. Furnish the names, addresses and business affiliations of all principal owners of the company's stock or those who have an equity interest in the business. Explain the degree in which these individuals are involved in the company's management. Also include the names and addresses of the board of directors (if incorporated), and their areas of expertise. Describe the amount of stock (common or preferred shares) authorized (if incorporated), and the number of shares issued and outstanding.

If the enterprise is in the development stage, present the details about the planned ownership, and, if you are seeking a loan, include a personal financial statement (assets less liabilities) for each individual who will own equity in the company.

8. Technology. Describe the technical aspects of your products or services and mention any patents or copyrights you or the company may own. Include any new technology you intend to develop in the near future and the associated costs. If you own the rights to or intend to purchase a unique technology, this is the section where the complete details should be disclosed.

9. Employees. On a spread sheet, list all employees of the business by job and tabulate the projected wages and benefits to be paid for each individual over a three-year period. Always indicate the total number of employees the company plans to employ for each year (both full-time and part-time), because a number of federal and state loan programs use this information to determine the total loan amount they can provide. In some cases, this loan limit is \$10,000 to \$15,000 per job created or retained.

10. Facilities and Equipment. Provide a brief description of the company's offices, building, warehouse, store or other facilities; the type of construction (wood frame, concrete or steel); size of the space in square feet; mortgage or lease and utility costs, and describe any equipment now owned or that you intend to purchase. If new facilities and equipment are required, describe the company's needs fully, together with the costs.

11. Supporting Reference Information. In this section, list the names, addresses and telephone numbers of your business and personal banker, business credit references, legal counsel, accountant and auditor (if you have one). By furnishing this information up front, you will speed up the financing decision you are waiting for.

Financials

12. Business Financials. When seeking a business loan or private venture capital, your plan must include pro forma (projected) financial statements for up to three years into the future. The statements normally required are a balance sheet, profit and loss statement, sales forecast, inventory schedule and a cash flow forecast for each year of operation.

If your company has an operating history, submit the above pro formas together with your business financial statements (audited or unaudited) for the previous three years and copies of the

company's tax returns. Some lenders and private investors may also want to see your personal tax returns for the same period and a copy of your current business plan.

You may wish to include other items with your proposal, such as drawings, photographs of the facilities, equipment, products, etc., but when possible, attempt to keep the total document length to 50 pages or less. One way to view this short proposal philosophy is to imagine a desk piled high with 100 deals or more, and your job was to read and evaluate each one! It is only human nature to select the thin ones first.

If your proposal is easy to read, factual and contains the information required by a lender or investor, it does not have to be a book to gain a favorable response. Although some may argue the point, my advice is to keep it brief unless the project is exceptionally large and warrants the detail.

The other exception would be if you are asked to submit a copy of your business plan with the proposal. In this event, the business plan (usually a separate document), should include considerably more detail about how and when you expect to attain your business goals together with the same financial provided in the proposal.

Consider double spacing the text for easy reading (however, the financial projections are not double spaced). Number each page and include a table of contents for quick reference to the individual sections. Make several copies of your proposal for submission to prospective lenders and/or venture capital companies and keep the original in a safe place.

Simplicity

Fancy covers or jackets are not required. Substance is important.

Always enclose a cover letter with each proposal you mail, and use first class postage to ensure safe and prompt delivery.

It usually takes from two to three weeks to get an answer to a loan/investment inquiry letter and up to six weeks when a complete proposal is submitted. If you don't hear from the prospective source within that time frame, it's okay to call and politely inquire about the status of your request. No news is not necessarily bad news. It could mean they are seriously considering your proposal!

Incidentally, there is nothing wrong with mailing an inquiry letter or the proposal to several prospects at one time. Some states do limit the number of private placement prospectuses one can mail in a calendar year when they offer a company's shares of stock in exchange for funds, but this requirement does not apply to loan or investment inquiries when you are simply trying to determine if there is an interest in your company or a project that needs financing.

If you are searching for a loan but will consider an equity investment, be sure to state this in your inquiry letter and your proposal. A lender may decide not to give you a loan but might know of someone else who is looking for an investment opportunity. If you mention that you are willing to consider all options to properly finance your business, you could receive a referral to another source. Remember, you have to ask for referrals to get them.