

# Participant Guarantee System Farmers Group Handbook

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**PARDI**



**This Handbook has been prepared for use by Participant Guarantee System (PGS) Farmers Groups in association with the Pacific Agribusiness Research Initiative (PARDI) and in particular with the PARDI PGS Project listed below, and farmers in the Sigatoka Valley and Koronivia area, Fiji.**

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# PGS

## GROUP HANDBOOK

### What is a PGS?

A **Participant Guarantee System (PGS)** is a quality assurance system promoting production of premium quality produce, and market arrangements that are reliable, consistent and volume requirements.

A **PGS Farmers Group** is: a group of 12-15 farmers (or more) run in the Fiji context as a registered Limited Liability Company with shareholding owned by a group of farmers who sell their collective produce for good prices. It is a business, owned by the farmers, who are members.

**Values:** PGS Groups are based on the values of high standards, self-help, self-reliance, democracy, equality, and on the ethical values of honesty, openness, and caring for one another and others.

**Principles:** These principles are guidelines which PGS Groups use to put their values into practice. They involve **commitment (by all members) to a set of PGS standards**. PGS Groups aim to produce premium (highest quality) products, such as tomatoes, and sell them for a premium price. These standards will mean the marketing follows the following principles:

- ◆ **Consistency:** The products will be graded, packaged in the right containers, and be the same every time.
- ◆ **Reliability:** The marketing arrangements will be made with the buyers, and will be followed every time. That means if the delivery is required at 8am every Tuesday, it will be done at 8am every Tuesday, without fail!
- ◆ **Volume:** If it is agreed that 100 kgs will be delivered, that is what will be delivered, not 90 and not 110g (allow for wastage).
- ◆ **Voluntary and open membership** – anyone living in the area of the PGS Group, willing to accept the responsibilities of membership and to follow the rules of the PGS Group can join as a Member without gender, social, racial, or political barriers.

- ◆ **Democratic Member Control** – Members have a Company structure and actively decide what they will do with the guidance of the elected Executive Members who are in turn under the direction of the rest of the Members. In PGS Groups each Member, including the President, Treasurer and Secretary, has equal voting rights (one vote per Member) without considering the amount of money deposited or their position as an officer bearer or Director in the PGS Group.
- ◆ **Non-Profit Making Organisation** – the PGS Group is a **business** and a registered company which tries to make additional profit for each member. There are no shareholders, and the business does not make a profit for the Company. Any funds that are retained by the business are used for activities or items requested by the PGS Group Members within the requirements of the rules (Articles of Association). Surplus funds may be distributed to Members or may be retained in the accounts of the PGS Group for the purposes stated in the rules.
- ◆ **Members' Economic Participation** - all Members contribute to the money and the production of the PGS Group when they join and together control the money of their PGS Group.
- ◆ **Education, Training and Information** - PGS Groups can provide education and training for their Members.
- ◆ **Cooperation among PGS Groups** - PGS Groups serve their Members most effectively and may strengthen the group marketing movement by working together through local, national, regional and international structures.
- ◆ **Concern for community** - PGS Groups work for the sustainable development of their communities through policies approved by their Members.

## Conditions for Success

- ◆ **Trust** - The group works on **trust**. If the trust is broken, it is very hard to build it again and the group can fail. Trust is built on openness, honesty and consistent behaviour of the members and the Executive Committee.
- ◆ **Planning** - Proper assessment and planning (business plan, feasibility study) of the endeavour is essential and realistic risk management must be undertaken. An outline Business Plan is found in **Annex 1**.
- ◆ **Transparency** - Transparency and clear communication is essential, especially in financial activities.
- ◆ **Good management** - This is essential, especially good financial management.
- ◆ **Good advice** - The group needs sound, experienced advisors and competent guidance especially in the early years of its establishment. This will come from the PGS Project, business support services and Coordinators.
- ◆ **Adequate capital** - Many groups fail because they do not have enough money to buy the crop and finance the sales cycle.

## Benefits of PGS Groups

- ◆ **Improved bargaining power** for selling and buying - due to larger amounts of produce for sale, farmers can get better prices.
- ◆ **The produce can be sold direct** to resorts, like the Fijian. This avoids the middleman and results in better prices.
- ◆ **Bulk delivery** makes access to market easier and cheaper. Transport can be cheaper.
- ◆ **Bulk buying of inputs** such as fertilisers, which are resold to members at low prices.
- ◆ **Reduced costs of production** per unit of produce due to cheaper costs of inputs and thus increased income.
- ◆ **Bigger market opportunities** - potential for value addition by processing and offering better grades and quality.
- ◆ **Improved products /services** - access to improved facilities and equipment owned by the group, such as grading machines and packing sheds.
- ◆ **Members will have part ownership** of a business that aims to make money for them.

## Costs of PGS Farmers Groups

- ◆ A PGS Group is a business, and business is not free! The Members must pay some money for their membership, and agree to give some of the money from the sale of their products to the PGS Group for

‘working capital’ which is needed to pay for the running of the business, for costs such as transport, buying boxes, and paying for service providers.

- ◆ Members must agree and follow Group decisions. They must agree to sell product through the PGS Group. Many decisions, i.e. such as where to buy inputs, at what price and where they will sell their product, will be decided as a Group.
- ◆ Office bearers, i.e. President and Treasurer, and the Members, have to give time for decision taking processes, General Meetings, marketing arrangements and other group work.
- ◆ Members may need to give time for conflict management (conflicts are normal, but need to be dealt with before they become serious). This all requires work (usually unpaid).

## Setting up a PGS Group – Ten Steps

### STEP ONE: Be organised and have a Formation

**Meeting.** The minimum number of adult Members required to form a PGS Group is ten, but it is better if it is fifteen. Less may cause problems with inadequate product and management. It is the requirement for a registered company to have ten. They must be Fijian citizens over the age of 18.

Common problems and needs must be talked about (i.e. marketing assistance). A **core group** should be organised to do the initial paper work. They may be three people who might later become the executive in the positions of President, Secretary and Treasurer.

The **first step** after the group decide they want to form is to hold a meeting, prepare a list of the names of people who are interested in becoming Members, their addresses, each individual tax identification number and signature. The PGS Group Formulation Meeting will vote to confirm that the members agree to go ahead.

**Second** they must decide on a name for their group, such as “(Village) PGS Farmers Group”. Based on a resolution that is written, they must state their intention to form a PGS Group the name of the Group, and the name and signature or mark of each Member to show that they agree with the resolution statement.

**STEP TWO: Elect Office Bearers/Directors:** The positions of President, Secretary and Treasurer must be filled by calling for nominations, which must be seconded, then a vote taken unless there is only one nomination for each position, in which case the person nominated is elected straight away, unopposed. The President is the Chairman of the Board or Executive. Other positions such as Adviser can be created.

**STEP THREE: Prepare a Brief Business Plan.** A Business Plan is essential to improve the chances of success. The Coordinator and core Group should draft the Plan. The Plan will have a planting calendar, which shows how much each Member agrees to plant so the right amounts are available, week-by-week. (See the Business Plan outline attached in **Annex 1**)

**STEP FOUR: Draft Rules.** Write the Rules. These are the requirements governing the operation of the PGS Group and must be passed (See Model Rules in **Annex 2**). These are different to the Articles of Association.

**STEP FIVE: Collect Membership Funds.** Collect money to purchase shares (as a membership fee) from each PGS Group Member as a contribution to the Group which is put into the Group bank account. This should be a reasonable sum, such as at least fifty dollars (Fj\$50).

**STEP SIX: Open the Bank Account** (write up in the cash book). Place the funds in the bank account (it may be necessary to wait until the Company has been established so the Tax File Number is available).

**STEP SEVEN: Outline Organisation.** Every PGS Group must have a Board of Directors and Members to run its affairs:

- **General Meetings** - each PGS Group Member is able to call for a General Meeting. At these meetings, plans and ideas are discussed, rules are approved and major decisions are made.
- **Board of Directors (“the Board”)** - is responsible for the Group’s day-to-day affairs. There are usually three Directors, a President, a Secretary and a Treasurer, elected by the Members. Their powers and jobs are found in the Rules (Annex 2).

**STEP EIGHT: Register the PGS Group as a Company:** The Company is registered through an accountant and becomes legally recognised. This means the PGS Group can enter contracts and trade in the name of the PGS Group, which is important for the Group brand.

**STEP NINE: Prepare the PGS Group Records and Books of Account:** Each PGS Group must maintain the following Records and keep them open for Members to see any reasonable time, which are then seen as “transparent” or open and honest accounts and records.

A copy of the Objects and Articles of Association and Rules of the PGS Group/ Company.

A register (list) of members.

The record of the meetings (Minutes) of the Board and General Body Meetings

The PGS Group’s books of accounts, such as Cash Book and Members Accounts

The Stock Control Books, showing the produce of the members in and out.

(See Module 1 of PGS Group Training for details of Books of Account – available from PGS Project).

**STEP TEN: Run the Business;** Every PGS Group is a **business** and must be operated to make a profit. Everything that the business does must be oriented to do this. Training will be needed, and long term support from Business Support Services (BSS) may be agreed, which the PGS Group must pay for. (See **BSS Handbook**).

## A Different Model

The model for most farmers’ marketing groups, including Cooperatives, will have the same kind of requirements such as group marketing, election of office bearers, transparent accounting and records, members meetings, bank accounts etc. But our PGS Group is **different**. We know that Farmers Groups and Cooperatives often fail after a year or two. We have to learn from these failures. Why did they fail? We know that there are five things that make the PGS Group different, as follows.

### 1. It is a Company

It is a Limited Liability Company. This type of Company is a **business** owned by the members, which can do all the things a person can do, but as a group. If the Company has a financial failure, each member may have to contribute only a small amount, such as Fj \$20, and their liability (how much they have to pay) is limited to this fee. That means they can never lose their assets such as their farm. Cooperatives have generally not proved suitable in the Pacific islands, as the money sometimes disappears.

### 2. No Credit!

We know that many farmers groups and cooperatives have failed because the farmers were given loans. Some farmers joined the group only to get a loan, which was not repaid. This is the wrong motivation. Our PGS Groups are to make a business which will make a profit and give the farmers better prices for their farm products. That is the motivation. Not loans or handouts.

### 3. Business is not for free!

To start a business requires money. The farmer members, who are the owners of the business, will have to put money into the PGS GROUP Bank Account. What for? To pay for the things the PGS GROUP need for their business, like boxes and transport and BSS. Business can make a profit, but it can make a loss if it is not run well. But without enough money it will surely fail. Where does the money come from? From the farmers who are members! They are the **owners** of the business.

## 4. Ongoing Support from Business Support Services

We know that usually, about half of the Farmers Groups that are formed fail a year or so after donors leave and support is withdrawn. So, we propose incorporating business support services for many years beyond Group formation. Ideally, business support services will come from the Group's local community, so they will know the customs and language, and will be trusted more readily. They will be trained to give support in bookkeeping, management and community audits.

## 5. Community Audits

We know that many farmers groups fail because there is financial mismanagement, or even stealing. Do how to prevent this? Transparent reporting is important in every group, but there is one more thing we can do. One way that has helped to prevent it elsewhere is by running community audits.

What is a community audit? This when a few of the members go to the Treasurer (together with the PGS Coordinator, Extension Officer or BSS person who can explain the bookkeeping) and check the financial records and Stock Control Book. They must ask questions and be clear about every amount of money that is in the Books (Cash Book, Members Accounts, Delivery Dockets, and every record that is kept). This will help the Treasurer to be careful with correct bookkeeping and member's money.

## NOTE: PGS Farmers Groups Are Not The Answer to Every Problem.

PGS Farmers Groups can help with many things, but they are not the answer to every problem.

## Rights and Duties of a Member

Any Member of a PGS Group has the **duty** to follow the Rules of the PGS Group, and the right too:

- ◆ Participate in the activities of the PGS Group
- ◆ Be elected as an office bearer and to participate personally in the management of the PGS Group
- ◆ Vote and elect office bearers and the Board of the Company
- ◆ Attend meetings and contribute to the General Meeting, study the minutes, and if necessary, call for a special session of the Members withdraw membership and/or seek re-admission.

## Termination of Membership

Membership in a PGS Group can be terminated by one or more of the following:

- ◆ A member can resign, giving thirty days of notice to the Executive.
- ◆ Death, insanity or permanent disability that will prevent participation in the PGS Group.
- ◆ Removal by majority vote of Executive Committee if a member has broken the Rules of the PGS Group, or actively or passively caused harm to the interest or welfare of the PGS Group, or failed to comply with their obligations or failed to provide produce to the PGS Group or be involved for a period fixed by the Executive Committee.
- ◆ Except in cases of death, insanity or permanent disability the termination of membership means that the former Member forfeits all rights but money due, contributions and fees may be repaid.
- ◆ The termination order must be confirmed by the Members. The implementation process of the termination of membership will be incorporated into the Rules
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  - The termination order must be confirmed by the Members. The implementation process of the termination of membership will be incorporated into the Rules.

## Governance

### General Meeting and Annual General Meeting

The General Meeting (GM) is the main governing meeting of the PGS Group and consists of all Members. Members will meet at least once a year in a General Meeting and Special General Meetings can be called whenever needed. Unless otherwise specified in the Rules, the quorum (minimum number) for any General Meeting is the presence of simple majority (more than 50%) of all qualified Members. Usually the President will call GMs, but ordinary Members may also call a GM.

At the Annual General Meeting (AGM) Members elect all office bearers, approves their terms of reference (responsibilities), adopts and amends the Rules, reviews and approves the work of the Executive Board and (if

applicable) their employed staff. It reviews and accepts the annual plan, budget and reports, approves the business plan and in particular any major investments (the limit for “major” being defined in the Rules). All decisions taken in a GM require a two-thirds majority of the Members present and voting.

## Executive Board (Board of Directors)

The Executive Board provides leadership of the PGS Group. It usually consists of three members who are elected by the members for three years, with the possibility for re-election. The President, Secretary and Treasurer are automatically Directors and members of this Executive Board. The Executive Board works together with the Members to develop the business plan, the annual work-plan, manage funds and monitor and evaluate the regular activities of the PGS Group. They may make sure an annual audit is done by an Auditor, although this is not essential. It maintains and increases the member base and ensures proper maintenance of records. It appoints and employs staff if and as required and appropriate for the respective business/activity.

The Board must meet regularly, at least twice a year. Special Board meetings can be held if called by the President or the majority of the Executive Board members. Decisions are taken by simple majority (> 50%) of the Board members, unless set otherwise in the rules.

## Other Committees (not essential)

Other Committees for different roles may be established in a PGS Group. These are decided by the General Body, and listed in the Rules. If they are required by the PGS Group, they may be formed. A short description of their structure, roles and functions is given below. The Rules of any PGS Group may include more detail and specific functions of the committees as needed.

The **Election Committee** consists of three members, elected by the members for two years, with possibility for re-election. It schedules, organises and conducts the election of the office bearers, ensures timely information about elections, monitors and ensures strict compliance with the election procedures, maintains transparency and fairness during elections and in case of doubt, investigates and reassesses the results and conducts a re-election if needed.

The **Education and Training Committee** consists of three members: the President or vice-President (if any) as chair and two qualified members that have been appointed by Executive Committee. This committee identifies training needs and demands of members and staff, plans and/or implements and arranges such training and educational activities through collaboration with and request to the concerned sectors.

For this it can make use of 50% of the PGS Group Education and Training Fund ( if one is established).

## Office Bearers (Directors)

The office Bearers in a PGS Group are the President, the Vice-President (if any), the Treasurer, the Secretary and any other member of the Executive Committee and the committees (if any). All office bearers of a PGS Group are elected by the GM from amongst its members. Any member is eligible to be elected as an office bearer. The Directors have legal responsibility for the running of the Company. The election normally takes place during the GM.

An office bearer can stand for re-election. However, the members of committees shall not be elected for more than two consecutive terms (four years in a row), if so decided and stated in the Articles.

If a member of the Executive Committee who bears a specific responsibility is dismissed or dies, the President may give his/her responsibilities to another member of the Executive Committee until the election of a new Member can take place during the next General Body meeting. If the particular Member who dies is the President, the Vice-President (if any) will run that job until a replacement is elected. If there is no Vice-President, the Office will remain vacant until there is an election by the Members in a GM.

The **election procedures** are as follows:

- ◆ A candidate or candidates are nominated for each of the open positions
- ◆ Election takes place by secret ballot
- ◆ One vote per position per Member
- ◆ Simple majority wins
- ◆ In case of tie between two leading candidates, there will be a second round of voting
- ◆ In case of second tie, lots will be drawn for the decision

If there is only one candidate after reasonable notice, he or she shall be declared elected unopposed.

## Roles and Responsibilities of the Directors

### The President

Qualities of the President:

- ◆ Literate and numerate
- ◆ Trustworthy and faithful
- ◆ Able to mobilize PGS Farmers Group Members
- ◆ Honest

- ◆ Able to give time to the PGS Farmers Group
- ◆ Acceptable to the PGS Farmers Group Members

#### Responsibilities of the President

- ◆ Should chair all PGS Farmers Group meetings in normal and in emergency condition.
- ◆ Undertake mutual consultation to enable the preparation of agenda of PGS Farmers Group meetings.
- ◆ Sign all resolutions passed by the PGS Farmers Group with the Secretary.
- ◆ Coordinate the technical and non-technical aspects of the Company, to ensure the business aspects are being properly run.
- ◆ To develop the PGS Farmers Group linkages with markets, other Institutes and NGO's where appropriate
- ◆ Maintain a check on the PGS Farmers Group records from time to time especially prior to the monthly meeting.
- ◆ Ensure the Articles of Association and appropriate laws of Fiji are followed during the meeting, and in operation of the PGS Farmers group.
- ◆ To encourage unity and joint interest within the PGS Farmers Group members.

## Secretary

#### Qualities of Secretary:

- ◆ Literate
- ◆ Prepared to work for the PGS Farmers Group
- ◆ Honest and acceptable to other PGS Farmers Group members
- ◆ Trustworthy and faithful
- ◆ Capable of undertaking the requirements of the work of the Secretary.

#### Responsibilities of the Secretary:

- ◆ Every action and decision of every PGS Farmers Group meeting must be recorded in the Company Minutes.
- ◆ The financial contributions of the PGS Farmers Group members must be maintained in the Cash Book and Members Accounts.
- ◆ Any financial contribution to the PGS Farmers Group from whatever source should be made known to other PGS Farmers Group members.
- ◆ During each meeting the minutes of the previous meeting, it is required that the minutes of the previous meeting are read out to the Members present.

#### Record Keeping Role of the Secretary:

In addition, the Secretary must maintain and hold open for inspection by any Member:

- ◆ The PGS Farmers Group Membership Register, Attendance Register
- ◆ The PGS Farmers Group records including:
- ◆ PGS Farmers Group Articles, Objects and Constitution
- ◆ PGS Farmers Group By-Laws
- ◆ PGS Farmers Group Business Plans
- ◆ Resolution Forms and other such forms as are required for the business of the PGS Farmers Group.

## Treasurer

#### Personal Qualities of the Treasurer

- ◆ Literate and numerate
- ◆ Reputable - i.e. honest, act with integrity
- ◆ Willing to maintain the Group's financial assets
- ◆ Willing to always keep the financial records up-to-date.

#### Responsibilities of the Treasurer

The Treasurer must maintain the financial records and financial control of the PGS Farmers Group, including but not limited to:

- ◆ The Financial contribution Register
- ◆ The Cash Book
- ◆ Members Accounts
- ◆ Stock Control Books
- ◆ The PGS Farmers Group Bank Account
- ◆ Receipts and invoices and other evidence of expenditure.

*Note, the Treasurer must maintain the accounts and financial records and hold them ready for inspection by members at any reasonable time*

## Rules

#### Must include in the minimum the following provisions:

1. The name and the address of the PGS Group;
2. The objectives (Objects) of the PGS Group and the common bond of interests of Members;
3. The overall system of governance:
  - ◆ structural arrangement of responsibilities and accountabilities
  - ◆ checks and balances
  - ◆ key elected officials
  - ◆ reporting system

4. The names and postal addresses of original Members
5. The list of names of Members of the Executive Committee; and
6. The amount of its share capital payment.

**The Rules give the internal organisation and management of the PGS Groups. They must include in the minimum the following:**

7. Membership: kinds, qualifications, duties and responsibilities, and termination;
8. Members: powers, composition and quorum, voting system, meetings, agenda and minutes of meeting;
9. Board and Committees: powers and responsibilities, composition and qualifications of members and officials; meetings, agenda and minutes of meetings;
10. Privileges of PGS Groups;
11. System of mediation and settling of disputes between members;
12. Financial management: capital, property, and funds; accounting and auditing, allocation and distribution of net savings;
13. Other provisions: mode of amendment or revision of Rules; commencement of PGS Group.
14. A model Articles (Rules) for a PGS Group is provided in the Annex 2. It should be adjusted to meet the needs of each PGS Group.
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## Management of Funds

Where does the money come from? It comes from the members and from sale of members produce in the following ways and is held in the PGS Group Bank account:

- ◆ **Share Capital:** Must come from each Member. This is like the membership fee. The amount to be paid by each Member is decided by the General Body and is in the Rules. It should be a meaningful amount like Fj \$100- or Fj \$50.
- ◆ **Members Contributions from Sales:** Each Member will agree to have 10% taken out from the sale of his/her product that the PGS Group sells. The actual percentage is set by the Members. The money goes into the PGS Group Bank Account to be used as working capital. **If money is short when the PGS Group starts up** the Members can think about selling half the crop to the commission agent, and take the sale amount and use it to pay for the costs of the first PGS Group sale.
- ◆ **Fines:** People who break the PGS Group Rules may have to pay a fine. The fines must be limited to a



reasonable level, which is agreed by the Members at a general meeting.

- ◆ **Other funds from the PGS Group Members:** Capital may be contributed by Members. At the beginning of the PGS Group, money to run the business is short and extra funds can be given by some Members to help with working capital. It can be repaid after the first trading cycle.
- ◆ **Other funding- not from within the PGS Group:** Here we have to be very careful. But under careful control we may allow finances coming from external sources in some cases – such as advances from middlemen; depending on the availability of funds and ability of Executive Committee to mobilize them. Prior approval from the Board must be obtained BEFORE getting such funds.

## What is the money to run the PGS Group Business called?

- ◆ **Working Capital:** This money is used to pay for the PGS Group's business operations. This money pays for things like boxes and transport of the produce to market, and the BSS. In case of dissolution of the PGS Group, this fund will be divided amongst Members. There must be sufficient money available for working capital, as set out in the business plan, to allow the PGS Group to operate.

## Conflict Resolution

**Conflicts are a normal part of life** in PGS Groups and can happen among Members. If handled properly, they can have a positive effect on the development of the PGS Groups and involved parties.

The approach for the conflicts at all levels is to try and solve the problem/issue, if necessary with the help of a mediator.



# Annex 1 Business Plan (For One Year)

- General description** of the business; use the description of the business that was written at the Business Formulation Workshop, or the Memorandum and Articles of Association. We can add a goal and long-term vision and a strategy.
- Resources**- what resources are needed? How/where, at what price and under what conditions will the group get them?
  - ◆ Infrastructure (buildings, land, animals)
  - ◆ Inputs (materials, tools), labour (own, hired);
  - ◆ Know-how (knowledge, skills and attitudes).
- Production Plan and Cost of Production** – What does the group intend to produce and when?

**Planting Calendar or Planting Schedule** – If every farmer plants all their land at the same time we will have too much production to sell. So we need to plan how many bed and what size each farmer will plant intervals such as each fortnight. This will help prevent oversupply.

- ◆ How much does each farmer members produce? When is the harvest that they will sell? And when will each one plant and how much? We need a detailed plan for the year, showing the overlapping planting and production schedule for each member.
- ◆ What is the expected **cost of production**?

Cost of Production = Variable Costs plus Fixed Costs:

- Variable Costs (also called unit-level costs): costs that vary with the amount of produce or the number of units produced. In the agricultural production in general all of them are directly due to the production of the given product. For example: inputs (seed, fertilizer, fungicide, boxes), hired labour.
- Fixed Costs (also called Indirect Costs): costs that are independent of the quantity produced or that are not exclusively used for the production of the given product or/and are not paid for in monetary terms. For example: machinery depreciation, own labor (not always), interest payments

- Marketing Plan** – This answers the questions how, where and to whom the group intends to sell its product and at what price.
  - ◆ Market analysis (is there enough demand? How will it develop? Which Resorts or other outlets will take the produce? Is/will there be competition? Is there potential for adding value – e.g. packaging, drying)
  - ◆ Product (what, in what form and how packaged)
  - ◆ Place (where is the product sold at present/in the future? What are transport costs to get there? Is there a need for sales persons?)

- ◆ Price (expected highest and lowest price)
  - ◆ Promotion (how to advertise, if needed).
- Management/Organisation Plan** – who will manage the business? Records, accounts, marketing contracts.... Are skills for production and management available with the group members or to be obtained/hired? What kind of development of the business is foreseen in the future?
  - Finance and Investment Plan**- How much money/funds does the business need to start up and to run, where does the PGS Group get it from? (own savings?) on what conditions? How is the liquidity of the business?
    - ◆ Cash flow calculation – how much cash do I expect to have at hand at every month of the year. Is this enough to pay the bills/expenditures in the respective month/period of the year? How much working capital do I need to be able to do so? **A month by month cash flow Budget is needed.**
    - ◆ Capital investments needed for buildings, equipment, etc. (including one-time investments and reserve savings needed to replace equipment etc. after some time)?
  - Calculation of Net Profit** of proposed business venture. What is a **realistic surplus** that can be expected? There are two ways to calculate the profit/loss:

Total income  <i>(Can be of one production branch only or of overall business)</i>	Variable/ Direct costs
	Fixed/Indirect costs
	<b>Surplus</b>

- ◆ a). **Surplus/Loss** = Total income – cost of production\* – other costs\*\*
  - \* Cost of Production = variable costs + fixed costs (true for agricultural production)
- Analysis of Risks and Preconditions.**
    - ◆ **Risks:** Indicate what could happen to make the business impossible (e.g. disease outbreak in the tomatoes and sales of fruit not allowed, local supply not sufficient) and how you intend to minimize these risks or their effect on your business.
    - ◆ **Preconditions:** what are the minimum conditions must be fulfilled to make the venture possible at all (e.g. availability of good quality packaging on the market; road access ready by time of start of business....) and can they be met, how?



## Annex 2 Model Rules

### 1. Title and Registered Postal Address

The .....PGS Farmers Group is hereby constituted and is registered under the Companies Act as a Limited Liability Company.

The Company's postal address is (must be a PO Box Number) .....

### 2. Objects and Purpose

The Objects of the .....PGS Farmers Group are .....

### 3. Details of the PGS Farmers Group

The .....PGS Farmers Group is a private group of farmers who agree to form a Company which is a PGS Group for the marketing of their produce, and to make a profit.

Its scope of business is .....(eg to sell vegetables at a profit)

Its area of operation is .....(Location)

### 4. Overall System of Governance

The .....PGS Farmers Group is governed by the Members at a General Meeting or Special General Meeting, which elects a Board composed of .... members (minimum 3, max 10).

The members of the Executive Committee may form the following committees:

Finance & audit;

Election; and,

Education and Training.

The names and addresses of the PGS Group Members and the elected Members of the Board are listed in Annex 1 of the Rules.

The detailed roles and responsibilities of these Board Members are provided in the Articles (Rules).

### 5. Members Shareholding

Each Member shall contribute a minimum of Fj\$.... (decided by GM) to purchase one share to the Farmer Marketing Collective capital and shall receive (a) certificate(s) issued by the PGS Group.

### 6. Membership

Every Fijian citizen who has reached age of majority (18 yrs), is permanently living in the operating area of the .....PGS Group can become a Member upon written application to the Board - with the following exceptions: individuals absent from the operating area or living elsewhere, individuals serving a term after being convicted of crime, individuals who are already a member of any other PGS Group. A household can have a maximum of five members in a single PGS Group.

Each Member must act according to the Rules and must provide production input for the PGS Farmers Group.

A membership fee may be levied yearly (by the General Meeting) to pay for the services rendered by the PGS Group. This fee is not refundable and does not earn interest.

The liability of the Members towards the PGS Farmers Group is limited to the amount of their personal share.

The membership can be terminated:

- by resignation, giving thirty days of notice to the Board;
- by death or insanity; or,
- by majority vote of the in case of failure of the member to comply with his/her obligations, resulting in the member being expelled from the group.

In case of termination of the membership other than by death, insanity or permanent disability the member or his/her heirs forfeit all his/her rights and claims, including contributions and fees paid.

Fines for non-compliance with the rules and duties specified are levied from defaulting Members as follows:.....

## 7. General Meeting (GM)

The General Meeting (GM) will meet at least once a year. Additional (special) GMs can be called whenever needed.

The President is the Chairperson for the GM, unless he/she is absent in which case the Vice-President (if any) or other nominee will take the Chair.

The Board calls for the GM at least ... days in advance, giving members the detail of the agenda as well as time and place of the meeting.

The quorum for the GM is usually the simple majority of all members personally present, plus one Member (minimum requirement – the PGS Group can decide to have a higher quorum).

Decisions taken in a GM require a simple majority of the Members present and voting.

Every Member has one vote for each issue that is brought to the vote.

The agenda of the first Annual GM (AGM) is (this is a set of examples, additions can be made):

- Rules of attendance and determination of the quorum.
- Presentation and approval of the agenda.
- Election of the President and the other members of the Board (when necessary).
- Accept and/or modify the Objectives or Rules – if needed.
- Approval of the terms of reference for any committees that may be formed, other than the Board.
- Presentation and approval of the yearly report and the yearly accounts.
- Self-evaluation of the internal performance (suggestion).
- Presentation and approval the business plan and the budget.
- Information and decision on mayor investments.
- Decision on amount and collection of membership fee.
- Questions and suggestions.
- Next AGM or GM and tentative date.

The agenda of an ordinary (monthly) GM is a minimum of:

- Reading the previous minutes and information on the actions taken
- Reports by Treasurer, Secretary, President (Directors)
- Any matters which may be raised by members for discussion.

Resolutions

Setting date and agenda for the next GM.

The Secretary will prepare the minutes of the AGM and GM meetings and distribute them within ..... weeks after the meeting.

## 8. Board

The Board of Directors, is composed of President, Secretary, Treasurer and ....members if any (min. three max ten) elected by the GM. (additional Board members can be such as Assistant Treasurer, Deputy President etc).

The members of the Board are elected for a period of (three?) years, and can be re-elected [up to ....terms only.]

The Board is headed by the President. It is responsible for the smooth running of the PGS Farmers Group Company and activities. The Board can contract a manager for the purpose of running the Company under the Direction of the Board.

## 9. Conciliation of disputes between members

The conciliation of disputes will follow the following rules:

- ◆ For disputes between Members the Board acts as mediators and, if the conflict cannot be handled, files a case with the local court.
- ◆ For disputes between the members and (the) office bearers, a committee of Members, appointed by the Board, will act as mediator and, if dispute cannot be solved, can suggest to the Board to file a case with the Court.
- ◆ For disputes between the PGS Group and outside Organisations, the Board shall act as mediator and can refer the case to court, if needed.

## 10. Resource management

The PGS Group will follow the accounting system and framework as specified in the training which is given to office bearers. At the closure of the financial year, the Board may contract an external auditor to audit the accounts. Any audited financial statements are presented to the GM for approval and information. Items that can be included in the Articles:

- ◆ All expenses and sales must be authorized by the Board, headed by the Treasurer. The Treasurer can be given authority to make payments up to Fj\$....
- ◆ The bank account will must be operated jointly by two members of the Board. The Treasurer submits a consolidated financial statement to the President every month.

If a manager was appointed:

The Manager can approve and disburse the operational cost for staff salaries and operational expenses up to a limit of Fj \$..... ]

The Board has the power to decide on the use an investment of funds up to a limit of .....

The operational costs of the PGs Group are not to exceed a ceiling of Fj \$..... per year/month.

The PGS Group may generate additional funds from within the PGS Group and from outside of the PGS Group, but may not obtain loans or credit outside of the membership.

A Working Capital Fund is to be established and operated by the PGS Group. In particular this means:

- ◆ The working capital will be built up by payment of 10% of gross sales contributed by each member each time sales pay-ments are made. These funds will be taken by the Treasurer from each Member and placed in the PGS Bank Ac-count,
- ◆ The Working Capital Fund will be build up with a minimum of 10% of the net surplus of the PGS Group each year. In case of dissolution of the PGS Group this fund will be distributed to each Member in proportion to his/her contribu-tion – decision by the Board). The Working Capital Fund will be used to fund trading operations.
- ◆ The ..... Optional Fund (not compulsory, but if established, name and purpose must be mentioned here) will receive ..... (max 10%) of the net-surplus of the PGS Group each year.

## 11. Commencement

The .....PGS Farmers Group shall commence its activities under these Objectives and Rules on the..... day of .....

## 12. Dissolution

Voluntary dissolution of the PGS Farmers Group may be carried out by a two thirds vote of the GM called for that purpose, if the dissolution does not affect the rights of any creditor having claims against it and if all assets have been sold and the Working Capital Fund duly used.

Involuntary dissolution can be imposed on the PGS Group as per the provisions made in the laws of Pakistan about insolvency.

## 13. Amendments and modifications of the Rules

Amendments to and modifications of the Rules must be accepted by .... (Example: .two thirds of all the Members of the PGS Farmers Group). [This point can only be decided upon, if it has been mentioned in the agenda of the invitation to the GM]

Passed on .....(date).

Signed:..... (President)

Signed.....





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Australian Government  
Australian Centre for  
International Agricultural Research

**PARDI**