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ENTERPRISE

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INSERT

1 hour 30 minutes

READ THESE INSTRUCTIONS FIRST

This Insert contains the case study for use when answering the questions.

Anything the candidate writes on this Insert will **not** be marked.

This document consists of **3** printed pages and **1** blank page.



The beekeeper co-operative

Background

Pablo has been collecting honey from the family beehives since he was a boy. He gave the honey to friends and family as presents. He noticed that people were always asking for extra jars of honey.

Three years ago he started keeping more bees and selling the honey at local markets. He was happy to earn extra income by doing something he enjoyed. His wild flower honey was very popular with customers.

Pablo did not know about the legal issues affecting the production and selling of food. He did not realise that he might be breaking laws and regulations by selling the honey.

Success

During the last year demand for the honey had increased a lot. Pablo had become a successful entrepreneur.

Pablo was now producing more honey, but he could not keep up with demand. On one occasion he was unable to meet an order for his honey, which resulted in a letter of complaint from an unhappy customer. Pablo had to ask another beekeeper, his friend Kelechi, to help him to supply more honey.

Pablo and Kelechi realised that there were many advantages of working together. As a single supplier they could also buy raw materials, such as jars and labels, cheaply in larger quantities. They could also share the workload as they each had very different skills. This could help their enterprise.

Growth

Pablo and Kelechi were interviewed by a local newspaper for an article about young entrepreneurs. After the interview a national food supplier, NF Foods, began to show an interest in their product. The friends were excited about the opportunity, but realised that they could not sell to such a large organisation unless they could produce more honey.

Pablo and Kelechi had very limited finances. They could not afford to purchase large amounts of honey from other beekeepers. Spending too much money could cause a cash flow deficit.

They thought that a bank loan could be a big risk for their enterprise. Kelechi suggested that they ask some of the other beekeepers in the area to join their enterprise and help them to produce the large amounts of honey needed. This would be a solution to their supply problems. It would also help other beekeepers in the area to find a market for their honey.

A meeting was arranged with local beekeepers to discuss the suggestion. At the meeting Pablo and Kelechi proposed that they all form a partnership. The beekeepers liked the idea of working together, but were concerned about entering into a partnership as they would lose some of their independence.

Pablo and Kelechi decided they could not provide NF Foods with honey. Then Pablo saw a newspaper article about a successful farmer co-operative. Members were independent beekeepers who supplied some of their honey to the farmer co-operative. Each beekeeper was an equal member in the co-operative. Pablo suggested to Kelechi that they arrange another meeting with the beekeepers to discuss the possibility of setting up such a co-operative in their local area. The co-operative would be better able to provide NF Foods with the honey it required. At this meeting six beekeepers agreed to form a co-operative with Pablo and Kelechi.

The Future

Starting as a co-operative, the beekeepers will produce and market their honey. The profits will be shared among the members.

Pablo has arranged to meet with a representative of NF Foods to negotiate an agreement to sell the co-operative's honey. In preparation for this meeting he has spoken to his and Kelechi's suppliers of jars and labels about possible credit arrangements for the co-operative. These suppliers were willing to offer credit terms to the co-operative as they wanted to expand their business.

To meet the proposed level of production, a storage area will be needed. Kelechi has found a suitable building which is available for sale. Purchasing this building could involve the investment of a large sum of money.

The members have called the first meeting of the beekeeper co-operative to discuss the future. While Kelechi finds out more about the financial records, Pablo writes the agenda for the meeting.

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