

## Sample Feasibility Study Outline

Developed from Material From Matson Consulting Feasibility studies Process

[www.MatsonConsult.com](http://www.MatsonConsult.com)

The following is a scheme of ideas that could be considered for a feasibility study.

A. Issues to consider before preparing feasibility study.

### 1. The Need for the project

Product or service for the project

What is the essence of the project. The group should be able to define the mission of the project in one or two concise statements. There can be more than one idea in which the group is interested. They can conduct pre-feasibility studies on these to help them decide with which they will continue planning.

Comparative advantage

What should be the focus of the project? What is the market demanding and what do producers do well? What is the advantage of local producers in the total market picture?

a. History and distinctive characteristics of industry for the project

International-industry  
National-industry  
Regional-industry  
Local area-industry

### 2. Membership Base and volume of product

(Usually through a recommended producer survey)

Support commitment by: producers, community and potential lenders.

Volume: number and size of existing producers and possibility of expansion.

- a. Production history and experience in production of the commodities to be handled by the cooperative.
- b. Similar products with which the producers have experience. Could these be potential future products for the cooperative.

General assessment of benefits to producers and the community:

a. Has the community had experience with other cooperatives? Have they been (un) successful, if so Why?

b. Other assessments of the group or the project that could be

critical to projects success or failure.

### 3. Need for cooperative in light of findings above.



This section is to re-evaluate the chances for success, keep in mind that it has NOT already been determined that the feasibility study should be made. How can a cooperative work to join the market needs with what the producers do well?

- a. What kinds of services are needed?.Is need felt by people who will use the cooperative, or is it being forced upon them by outside promoters

#### 4. Market Size

Marketing: Size of market area for:

- a. Inputs-raw materials supply area
- b. Outputs-market outlets: major competitors and their market shares and degree of competition: monopoly to perfect competition.

Competition: (*Who are the major players and where are they going with their production*)

- a. local
- b. regional
- c. national
- d. international
- e. organizing cooperative
- f. physical facilities
- g. operating and commodity

#### 5. financing member's production

Mergers or consolidations:

how to handle assets, stock transfers, liabilities, and member and director representation. (*Who else does this process. What other possibilities exist for achieving the objective of the group.*)

#### 6. Organizational Needs:

Capital needs : and possible Sources of Capital

Where will the funding for the project come from?

(at this stage hard to define exactly, give a range)

How much money will the cooperative need to operate? Where will this money be allocated? When in the developmental process will it be needed?

This is commonly divided into two classes: risk capital and debt capital.

- a. members
  - common stock:
  - preferred stock
  - membership fees
  - per unit retains
- b. bank loans
- c. outside investors –preferred stock
- d. debenture bonds
- e. delaying producer payments
- f. revenue or pollution control tax exempt bonds
- g. grants
- h. government loans and guarantees



7. Internal legal matters

What documents or agreements will the cooperative need to organize itself to function as an organization?

- a. bylaws
- b. membership agreements/contracts
- c. other contracts--pooling
- d. legal obligations of board members
- e. insurance

8. External legal matters:

- a. articles of incorporation
- b. state and national licenses
- c. environmental permits (EPA)
- d. code and inspection certificates
- e. zoning permits
- f. others

Facilities needed:

These will depend on the decision to purchase, build or lease the facilities. One use of the pre-feasibility is to compare the costs of these different options. To review the cost the group should develop capital assets budget with established lives of depreciable assets specified.

Transportation: raw materials, selling finished product, other locational or market considerations.

Management: Spell out methods of operation for the board of directors and management (written policies). What skills will the cooperative require of a management team? Is skilled management readily available? What will this management cost? Can producers pay enough to attract good personnel? What will it cost?

Budgeting and finance:

What will the economics of the project look like once the project has been implemented?

- a. balance sheet--minimum 3 years
- b. operating statements
- c. source and use of funds
- d. cash flow--month to month and annual

8. Identify current and potential buyers and barriers to entry to new markets for this venture--

- a. Who are our current customers for the venture?
- b. Who could be our potential customers?
- c. What are the barriers to these new markets? Such as:  
Price, Quality, Location/logistics/transportation costs, Consistency of supply, Availability, and Segmentation of variety
- d. Governmental regulations (Local, State, and Federal)?



9. Identify current distribution channels and challenges for target markets and provide recommendations for developing new distribution channels and overcoming existing difficulties –
  - a. What are the current distribution channels and problems with these channels?
  - b. How do these relate to newly identified markets?
  - c. How can the problems be addressed/resolved?
  - d. What are the new distribution channels?
  - e. How will distribution channels differ for the new markets?
  - f. What are the challenges for the new distribution channels?
  - g.
- 10 Determine the economic feasibility of the product, setting out the potential benefits, costs, risks, equipment needs, transportation facilities, and governmental issues relevant to the project –
  7.
    - a. What is the benefit of the venture? Including increased market share or increased price/profitability for small scale hog producers (in WV and surrounding areas)
    - b. What is the cost associated to the venture? From several aspects including: Financial, Production, Marketing, Extra equipment needs, Associated transportation costs, Maintaining relevant records (paper trail, and Quality control issues.

Basically the key feasibility questions are. **Is there a net monetary gain for the participation in this venture; and is the monetary gain worth the extra effort**