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MATRIC NO: 18/SMS09/069

COURSE CODE: AFE 202

DEPARTMENT: IRD

**Question**

Prepare a business plan on a chosen agricultural enterprise following the guideline in the note.

 **AGRICULTURAL ENTREPRENEURSHIP**

**Definition**

Agricultural entrepreneurship is the activity of seeking new opportunities for the development of agriculture and agribusiness enterprises as distinct from management. It involves an analysis of the current challenges with a view to identifying innovative ideas that can lead to the development of new processes, technologies, markets and products that will serve as the solutions to the current problem. It is a process of bearing a non-insurable risk to achieve business objectives.

  **I’ll be using GREENWAY FARMS as my agricultural enterprise**

**EXECUTIVE SUMMARY:**

Greenway Farms LLC is dedicated to sustainable, profitable and unique agricultural products. Our mission is to produce and grow quality, specialty greens, baby vegetables and fruits to supply local restaurants and consumers on the Eastern Shore of Maryland. The goals include high quality products to sell both wholesale and retail. Production methods include new technology utilizing sustainable agriculture and best management practices. There’s hope to increase production by 20% and sales by 30% in the next five years.

Greenway Farms is owned and operated by John and Mary Green. The farm is 25 acres and has two round style greenhouses for production and to reduce production risk. The Green family has been farming for 2 years and is relatively new to the industry even though John grew up on a grain and dairy farm. The enterprise is a part-time venture since John and Mary both work off the farm. Mary teaches school and plans on doing much of the selling and marketing during summer vacation. John helps on the production side as well as daughter Julie who plans to take over the farm in 10 years. Through market research it is evident that consumers are interested in high end speciality products. There is a move toward health and local that will benefit our operation. Some limitations include time and labour to devote to the operation and being new growers we are still learning. Our advantage is the specialty aspect as well as season extension.

 Greenway Farms has a net worth of $154,484. Our income statement and cash flow for 2009 is negative due to capital expenditures, start-up costs and low production. Over time these are expected to increase with the addition of fruit production and increased greens and vegetable production.

Greenway Farms is a family business and employs daughter Julie. Seasonal or custom help has been hired on an as needed basis.

 **MISSION**

Greenway Farms is a special place. The mission of the farm it to provide unique and wholesome produce that is enjoyable and sustainable. They work harmoniously with nature and the land to grow quality, specialty vegetables and fruit to supply local restaurants and consumers on the Eastern Shore of Maryland.

 **GOALS**

\* Grow high quality specialty greens, baby vegetables and fruits for wholesale and retail markets.

 \* Production methods are economically feasible as well as utilizing sustainable agriculture and best management practices.

 \* Increase production from 300 cases a year to 600 cases for greens and produce 9,000 pints of raspberries in the next two years. We will also begin a specialty vegetable enterprise.

\* Increase sales from $4,000 to $8,000 for greens and begin marketing raspberries at $3 a pint in the next two years.

\* The Greens will attend courses on production and management to increase profitability. Julie Green will be the main source of labour. Seasonal help may be hired for markets or greenhouse work.

 **Assets/Contracts**

They currently have a 30-year mortgage on both the residence and farm and have 22 years left of payment. The current off farm jobs and farm income pay for the mortgage. They have no written marketing agreements and all previous land leases were terminated. Assets are listed with the balance sheet in the resource section.

 **Insurance**

They currently carry a farm insurance policy for structures on the farm. They are not enrolled in crop insurance program. As the farm expands to fresh market they will investigate product liability insurance. The family has health insurance through Mary's off farm job. Autos are insured.

 **Estate Plan/Will**

Currently Mary and John are the owner and operators. Julie has shown interest in helping and taking over the farm business once she is out of college. She will acquire the farm assets and business while Justin will receive compensation for his portion. They have a written will and estate plan which outlines the fair division of the estate including land, life insurance and assets.

 **PRODUCTION SITUATION**

The farm includes 25 acres, 1 acre includes the high tunnels, 7 acres in crop production, 6 acres are in conservation, 2 acres are the residence and 6 are in pastures. There are two separate water sources; one well supplies the residence and one well supplies livestock and high tunnels.

 The livestock are raised as a hobby and are not currently part of the farm enterprise. The high tunnels are round style high tunnels 26'W x 12'H x 48'L. High tunnels elevate temperatures over a period of time and offer protection from rain, wind, insects, birds and disease. They help to extend our marketing season by having crops early and late in the year.

 The high tunnels are for growing specialty greens and operating at a 40% production level. Varieties available include baby or micro greens and mesclun mixes. They are also experimenting with baby vegetables, such as squash and mini melons and fruits such as blackberries and raspberries.

 **FORMULATE A FARM STRATEGY**

Step 1: Information Gathering and Market Research

 Market Research Tools:

Demographic information through the US Census and observation.

 **Results of Market Research:**

\* There are approximately 85,000 people in a 60 miles’ radius of the farm. With a growing population.

 \* The average family size is 2.5 and the median household income is over 41,000.

 \* 83% have graduated high school and 27% have a bachelor's degree

\* 78% are white and 18% are black.

 \* There are over 25 chain grocery stores and 8 specialty grocers

 \* During market season there are 7 farmer’s markets (5 are Saturday markets, 2 are Wednesday markets)

 \* Restaurants in the area include 15 fine dining areas and 22 chain restaurants.

Step 2: S.W.O.T. Analysis

 **S**trengths

 **W**eaknesses

 **O**pportunities

 **T**hreats

**Strengths and Weaknesses - Evaluation of the Internal Environment**

 **Internal Strengths of the Farm Business:**

\* Devotion to the farm business

\* Off farm income is helpful for start of the farm enterprise

\* Well known in the community and reputation for quality

\* Commitment to quality and success

\* Land area and capacity with good soils

\* New high tunnels with technology

\* Attend trainings and workshops for management and production

\* Ability to extend the growing season and control disease

**Internal Weaknesses of the Farm Business:**

\* Do not have some of the machinery

\* Lack of farm experience and new to farm production

\* Off farm jobs take precedence over farm

\* Time and labour are an issue at peak time

\* Transportation and delivery to restaurants have been an issue of time and money

\* Finances are limited due to property purchase and start-up costs

\* New growers entering the market

**External Threats of the Farm Business:**

\* Local Farms are Competitors

\* Consumer tastes and preferences vary

\* Disposable income of consumers and what they are willing to pay for fruits and salad mixes

\* Distribution costs

\* Product liability insurance are required for the farmer’s markets and by some restaurants

**External Opportunities of the Farm Business:**

\* Local food movement is growing

\* Promotion of Farmers Markets and coupon programs by state

\* Food cooking movement

\* Lack of quality specialty vegetables at food chains

\* Chain stores shelf life of fruits are very short and lack flavour

**Step 3**: Creating alternative plans of action and identifying areas of competitive advantage.

 Plan of Action - Internal Strengths and External Opportunities:

Options

 Wholesale - Advantages are committed buyer, set price and product. Disadvantages are price, labour and quantity.

Pick your own - Advantages are more income and less labour needed. Disadvantages are liability and privacy.

Restaurants - Advantages are dedicated buyer and large quantities. Disadvantages are labour, delivery and preferences of the restaurant.

Community supported agriculture - Advantages are money received early, risk is spread and customers are known. Disadvantages are the need for diverse crops, delivery and labour.

Farmers markets - Advantages are more income, little preparation to sell and market. Disadvantages labour and competition.

**Why Other Businesses are Not Copying the Product(s):**

Greenway Farm's offers a very specialized product that other businesses may not have the time or labour to grow. They are also using high tunnels which are a relatively new production practice. Fruit production generally takes a few years to get to full production and takes start up time and money. In addition, the marketing relationship that we create with restaurants will not be easily copied. They will work to provide customer service and prompt delivery to get repeat buyers and brand loyalty.

**Customers Value Product(s) Because:**

Customers will value the quality and consistent freshness and taste of the product. The products are not available elsewhere. The will offer convenient delivery, ease of ordering and uniqueness. They will be the first in the spring and last in the fall to have products available.

**Step 4**: **Selecting the best plan that fits your overall farm mission.**

 **My Overall Farm Strategy:**

Overall Greenway Farm's will produce high quality local products that will become known for their freshness and taste. They will keep with industry trends and grow the newest varieties of specialty greens and baby vegetables for restaurants and farmer’s markets. The farm will also expand our fruit production growing raspberries and blackberries to extend the market season. They will offer niche products capitalizing on the local movement and interest in unique crops.

 They are committed to the farm business and a quality product. Greenway Farms is limited by time and labour. Delivery schedules will have to be well planned due to one vehicle and cost of fuel. Mary and Julie will provide much of the marketing (Mary is a teacher and has summers off). The market is currently interested in local products and there is a lack of specialty items in chain stores. Greenway Farms will capitalize on this market trend. They will have to price carefully due to disposable income of consumers and distribution costs.

 **MARKETING SITUATION**

**Market Research and Target Markets:**

\* There are approximately 85,000 people in a 60-mile radius of the farm. With a growing population.

\* The average family size is 2.5 and the median household income is over 41,000.

\* 83% have graduated high school and 27% have a bachelor's degree

\* 78% are white and 18% are black.

\* More families are health conscious and seeking healthy foods.

\* Promotion of 5 a day and the new food pyramid.

\* Increasing interest in local foods and resources.

\* Informal survey of restaurants for products and pricing - Restaurants indicted a large interest in year-round greens for salads. They also indicated an interest in broccoli, asparagus and peppers. There was also a strong interest in quality small fruits. Most restaurants would pay a 10-20% premium for fresh products.

TARGET MARKET - Healthy families and high end restaurants interested in locally grown produce. The majority will be ages 30-55, well-educated and live in the town or suburb. They are conscious of buying locally and sustantainable

 **Reach Target Markets by:**

Healthy families will be reached through farm market sales. Greenway Farms will have a weekly spot at the local farmer’s market which is located in the county seat and in the downtown area. We will attend when our products are available selling salad mixes and our fruits. High end restaurants will be reached through marketing and samples provided to the restaurants. Targeted restaurants will be fine dining locations. They will make personal visits to the restaurant to show the product and discuss options for sales and delivery. Sales will begin with 3 - 5 restaurants due to labour and time constraints. They will travel to restaurants within 30 miles of the farm provided that it is financially feasible.

 **ENTERPRISE ANALYSIS AND PLAN**

An enterprise analysis has been completed for both the current enterprises and possible future enterprises.

 **SUMMARY FOR 2009**

 **GREENS: (1&1/2 greenhouse plus 1/2 acre outside)**

INCOME = $7,875.00 VARIABLE COST = $2,306.91 FIXED COST = $4,623.19 NET INCOME = $944.90

 **BERRIES ESTABLISHMENT (3 acres outside plus 1 house)**

 INCOME = 0 VARIABLE COST = $6,016.46 FIXED COST = $3,464.71 NET INCOME = $-9,481.17

 **BERRIES ESTABLISHED YEAR 2 (3 acres outside plus 1 house**)

 INCOME = $28,800.00 VARIABLE COST = $10,575.73 FIXED COST = $3,464.71 NET INCOME = $14,759.56

 **SPECIALTY VEGETABLES (2 acres and 1/2 house)**

INCOME = $18,900.00 VARIABLE COST = $8,679.85 FIXED COST = $3,675.09 NET INCOME = $6,545.06

 **IMPLEMENTATION STRATEGY**

**Production**:

In order to implement this business plan Greenway Farms will follow 3-year production plan which details production and marketing details for each month. See attached timeline. They will also need to purchase product liability insurance.

**Marketing:**

A detailed marketing budget has been created. They will create a logo, signage and packaging for our products. In order to move forward we will work with a local company to design and print our marketing materials. They will also start talking to restaurants and doing follow ups to generate interest in products.

**Human Resources:**

Primary labour will be provided by the immediate family. They have access to neighbourhood youth that we can recruit to help on a seasonal basis. They may need to hire part time labour as the business expands. There needed to have the ability to custom hire major machinery or tillage operations.

**Finance/Accounting:**

A projected cash flow and income statements have been completed. They will meet with our bank and establish a separate farm account and line of credit for input purchases. The farm accounts will be kept through QuickBooks software.

**Management Summary**

The project manager has 10 years of experience in the vegetable industry.

 **Personnel Plan**

The personnel plan includes the project manager, who will oversee all design and construction of the greenway facilities, and a consultant specializing in hydroponics. Wages for the agricultural laborers who will tend the produce are included in the Sales Forecast table as part of the direct unit costs.

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| --- |
| **PERSONNEL PLAN** |
|  | **YEAR 1** | **YEAR 2** | **YEAR 3** | **YEAR 4** | **YEAR 5** |
| Project manager | R420,000 | R420,000 | R453,600 | R489,888 | R529,079 |
| Consultant | R60,000 | R63,000 | R66,150 | R69,457 | R72,930 |
| **TOTAL PEOPLE** | **2** | **2** | **2** | **2** | **2** |
| Total Payroll | R480,000 | R483,000 | R519,750 | R559,345 | R602,009 |

 **REFERENCE**

"Definition of Agriculture". State of Maine. Archived from the original on 23 March 2012. Retrieved 6 May 2013.

"Farming". British Museum. Archived from the original on 16 June 2016. Retrieved 15 June 2016.

Greenway farms Wikipedia visitchattanooga.com/listing/greenway-farms/1344/.com