

DIDEN DAIRY FARM LTD

**A BUSINESS PLAN FOR THE DEVELOPMENT OF A  
DIDEN DAIRY FARM ESTABLISHMENT AT SAPELE,  
DELTA STATE, NIGERIA BY DIDEN VENTURES**

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28/4/2020

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

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**ASSIGNMENT IN FOOD PRODUCTION AND HEALTH AWARENESS**

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

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The undersigned reader acknowledges that the information provided in this business plan is a confidential intellectual property. The reader does not disclose any information of this business plan to a third party without the express written permission of the promoters of the business.

Signature:

Name:

Date:

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INTRODUCTION

A business plan, as defined by Entrepreneur, is a written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement.

## **PROJECT DESCRIPTION**

Dairy farming is a livestock farming business that involves the rearing of cattle for specifically for milk production. Dairy farming can also involve the production of other dairy products aside milk. These other products include cheese, butter, etc. Although dairy cattle farming are not yet popular in Nigeria, you can tap into this business opportunity to generate lots of money. The prospect of dairy production in Nigeria is really great owing to many reasons of which I will be mentioning just a few. Dairy cattle production in Nigeria is very profitable and lucrative.

Cattle milk consumption is very high in Nigeria, hence the reason you should invest your money in dairy cattle farming business. There is no doubt that dairy cattle farming business requires lots of money, time, labour, and other resources; but the high returns on investment is worth the sacrifice. Milk and milk products like butter, cheese, etc are consumed in Nigeria without any rejection. With the current population of Nigeria placed at about 180 million, there is a large customer base for your dairy farming business.

Establishing a new dairy farm is a very significant financial and time commitment which requires detailed planning and management. the business will produce about 1,200,000 pounds of milk.

Our mission is to produce high quality milk in a way that provides an adequate income for our family. The purpose of this business plan is three-fold:

1. It is intended to serve as a farm operating and asset transfer guide during a period of transferring ownership of my cattle and machinery to my son Mike and also to guide us operationally during the period of expanding the farm"s herd size over the next 3 years.
2. It is also intended to support any requests for financing by Bill in

2008 and by Mike in 2009 and subsequent years.

3. It is further intended to outline specific goals, benchmarks for success, and action step timelines which will guide us with our planned improvements to facilities, implementation of improved management practices, increased herd production and net income goals over the plan period.

The business will provide economic opportunities, the product will create market access and increase income of farmers and sellers, It will also generate satisfactory returns of sponsors and investors.

The industry provides a means of livelihood for a significant proportion of rural pastoral families in the sub humid and semi-arid ecological zones of Nigeria. According to FAO (1988), an estimated 183 thousand rural households derived some income from the dairy industry in 1986. The industry, through commercial dairy processing plants and marketing segments, provides employment and value. Currently, however, very few of the 63 known processing plants are operating. Those that are still functioning operate at less than 20% of capacity. At present, the market has been taken over by 'cottage' outfits that process and market yoghurt in urban areas. Most of these use milk powder to produce yoghurt. Consequently, the dairy industry, through which better nutrition can be provided to the citizens, was given adequate attention in these development plans. In some selected areas, the government established dairy farms with local and imported breeds of cattle. In addition, milk collection centres including mobile collection points were established.

## **EXECUTIVE SUMMARY**

DIDEN Dairy Farms, LLC is a registered and world class dairy farms company that will be based in the outskirts of Sapele, Delta state, Nigeria. We have done our detailed market research and feasibility studies and we were able to secure a hundred acres of land to build our dairy farming business.

Our dairy farms business is a going to be standard one hence will be involved in commercial breeding of cows, oxen, bulls, bullocks, steers, heifers and calf et al for the main aim of producing raw milk in

commercial quantities. We will also be involved in boarding services, breeding services, dairy support services, livestock health services, farrier services, and shearing services et al.

Diden Dairy Farms, LLC is well positioned to become one of the leading brands in the dairy farms industry in Nigeria , which is why we have been able to source for the best hands and equipment to run the business.

We have put process and strategies in place that will help us employ best practices when it comes to producing raw milk in commercial quantities and conforming to the rules and regulation as required by the regulating bodies in Nigeria

### **SPONSORSHIP**

Diden Dairy Farms, LLC is a private registered dairy farms company that is owned and managed by DIDEN VENTURES and is immediate family members. The company will be fully and single handedly financed by the owner – Hon Micheal Diden and his immediate family members at least for a period of time

This project is sponsored by DIDEN VENTURES; this organization is directed by HON Michael Diden who is promoting the funding and investment in new businesses. The DIDEN VENTURE also has a department of Agriculture ventures who will have managerial responsibilities

### **MANAGEMENT**

As a matter of fact, profit-sharing arrangement will be made available to all our senior management staff and it will be based on their performance for a period of five years or more as agreed by the management of the dairy farms. In view of the above, we have decided to hire qualified and competent hands to occupy the following positions. Below is the business structure of Diden Dairy Farms, LLC;

- Chief Operating Officer
- General Dairy Farm Manager
- Administrator / Accountant
- Sales and Marketing Executive
- Farm / Field Employees

- Front Desk Officer

The management will consist of board of directors. This will make up of the shareholders and members of the cooperatives. The director of the board will be in charge of the management of the cooperate business, regulating members and obligations. Collectively, we feel that we possess adequate farm management skills (financial, livestock, crops, and equipment/ building management) to succeed in the dairy business. There are managing positions for milking of the cows, the book keeping, herd health records and heifer raising, crop management responsibilities.

## **TECHNICAL ASSISTANCE**

DIDEN VENTURES has working relationship with National Livestock Project Division (NLPD) which has seized the opportunity provided by this development to initiate a pilot dairy co-operation programme and an apex organisation, the Kaduna Federation of Milk Producers' Co-operative Association Limited, which trades under the name MILCOPAL, has been established. MILCOPAL is responsible for the procurement, transportation, processing and marketing of milk on behalf of all the registered co-operative societies. The board of the federation, made up of all the chairpersons of the various societies including the Managing Director of the federation, is responsible for fixing the price of milk. The enterprise have relationship with Delta state government and its Ministry of Agriculture. DIDEN ventures also have links with commercial banks and will approach one for loan. The venture has working relationship in the industry eg Obasanjo farms

## **MARKET AND SALES**

It is a known fact that the reason why some dairy farms hardly make good profits is their inability to sell off their raw milk and other dairy products to a larger market. In view of that, we decided to set up a standard meat and milk processing and packing plant to help us maximize profits.

Over and above, we have perfected our sale and marketing strategies first by networking with agriculture merchants and companies that rely on raw materials from the dairy farms industry who are likely to refer



become our customers.

Our farm produces milk, dairy replacements, corn silage and hay. We market our fluid milk production through Agri-Mark. We will sell our bull calves locally, and usually have a modest amount of hay sales to local horse owners. We can also sometimes trade hay for sawdust bedding. This is another very important aspect of your dairy cattle farming business establishment. At this point, you draft means to package and market your milk and other dairy products. For successful sales, you really need to attractively package and brand your dairy products. In the packaging of your milk and other dairy products, you have to do it in a way that it will be very portable for easy movement from one place to another.

Aside from packaging your dairy products very well, you need to have a very good marketing strategy to sell your products. Join the association of Dairy farmers in Nigeria to protect your business. You should also be eager to try new things that will promote your dairy cattle farming business in Nigeria

Seasonal variation in the supply and marketing of milk and other dairy products poses a serious challenge to MILCOPAL. In the rainy season when feeds and water are available, productivity of the animals increases substantially and more milk is available to be supplied by the various societies. Unfortunately, as indicated in Figure 2, demand for milk and other dairy products is lowest during the rainy season..

Market orientation domestic; south, west, east and north Nigeria

## **COMPETITION ANALYSIS**

As a matter of fact, entrepreneurs are encouraged by the government to embrace commercial farming / dairy farming. This is so because part of the success of any nation is her ability to cultivate her own food and also export foods to other nations of the world.

Another competitive advantage that we are bringing to the industry is the fact that we have designed our business in such a way that we will operate an all – round standard dairy farms that will be involved in diverse areas such as animal rearing and meat and milk processing and packaging plant. With this, we will be able to take advantage of all the available opportunities within the industry.

In 1990, Nigeria had an estimated human population of 86 million based on the figures released by the National Population Commission. With a yearly growth rate of 2.5%, the population is expected to reach 112.75 million by the year 2001. Based on the 1990 figures, Nigeria imported about 512.3 thousand tonnes of liquid milk equivalent. With an estimated 278.9 thousand tonnes of local production in the market, the total milk supply in 1990 was about 791.3 thousand tonnes, giving a per capita consumption of 9.17 kg/year. As prices, income and education are major factors dictating the demand for milk and milk products in Nigeria, demand will likely increase and more pressure will be brought to bear on the system and the government to satisfy the increase in demand. However, it is unlikely that the nation will continue to have foreign exchange to expend on imports of dairy products. The structural adjustment programme will continue to curtail most forms of importation including the import of dairy products. This point underscores the necessity and urgency for developing local dairy resources so that most of the population can have access to milk and milk products. The prospect of dairy production in Nigeria is really great owing to many reasons of which I will be mentioning just a few. Dairy cattle production in Nigeria is very profitable and lucrative.

The cattle population of the state is estimated at 1.007 million head. More than 90% of these are owned and managed by traditional, semi-settled pastoralists (RIM 1992). The cattle, mostly Bunaji, are managed and milked by the men; however, the women, who usually use the proceeds for the financing of household expenditures, carry out the processing and marketing of milk and dairy products

## **TARIFF AND IMPORT RESTRICTION**

Forex restriction on food importation of agricultural equipment will favour the project. Nigeria has remained a net importer of livestock and livestock products. Restrictions placed on imports of animal products and foodstuffs in the 1980s coupled with the introduction of the Structural Adjustment Programme (SAP), which saw a massive devaluation of the Nigerian currency, initially reduced the importation of meat and dairy products. However, during the period 1995 to 1999, expenditure on the importation of food and live animals has tended to

increase. Recent statistics on the importation of dairy products in Nigeria are not easy to come by. However, devaluation of the local currency has significantly reduced the importation of milk powder and butter oil on which the local dairy plants depended. The large number of closed dairy plants throughout the country provides evidence of this problem (CBN 1999)

## **MARKET POTENTIAL**

As prices, income and education are major factors dictating the demand for milk and milk products in Nigeria, demand will likely increase and more pressure will be brought to bear on the system and the government to satisfy the increase in demand. It is clear, however, that over the last decade the supply of meat, milk and eggs has failed to keep pace with the increasing population. Somehow, the price elasticity of dairy products has not effectively affected demand. The supply of animal products has been declining over the past two decades, while demand has been increasing, as a result of increases in population and urbanisation. Consequently, Nigeria has remained a net importer of livestock and livestock products

The gap between supply and demand for dairy products is widening as a result of increases in population and urbanisation. Consequently local collection, processing and marketing of milk is becoming increasingly competitive. The World Bank and the National Livestock Project Division (NLPD) seized the opportunity provided by this development to initiate a pilot dairy co-operation programme. There is a strong demand of milk and milk products in Nigeria , also a high consumption of these products

## **PROFITABILITY**

Cattle milk consumption is very high in Nigeria, hence the reason you should invest your money in dairy cattle farming business. There is no doubt that dairy cattle farming business requires lots of money, time, labor, and other resources; but the high returns on investment is worth the sacrifice. Dairy farming is a livestock farming business that involves the rearing of cattle for specifically for milk production. Dairy farming can also involve the production of other dairy products aside milk. These other products include cheese, butter, etc. Although dairy cattle farming is not yet popular in Nigeria, you can tap into this business opportunity to

generate lots of money. There is also a high demand in the dry season leading in high profit

They go as far as establishing a standard milk and beef processing company in line with their core business. It is a means of maximizing profits and increasing source of revenue generation. It is a known fact that the reason why some dairy farms hardly make good profits is their inability to sell off their raw milk and other dairy products to a larger market. In view of that, we decided to set up a standard meat and milk processing and packing plant to help us maximize profits

### **TECHNICAL FEASIBILITY**

The production (of milk and milk products ) are technical feasible. In terms of technology which involves milking of cows and processing . the procedures are simple. The equipments and experst are available This pastoral herd is the most important source of domestic milk in Nigeria. Only a few imported cattle breeds such as Friesians and Brown Swiss, and their crosses are being kept in experimental milk production farms owned by government agencies. A number of dairy-processing plants exist in different parts of the country

We will be buying a feed mixer wagon and will begin feeding a TMR in early '08. We will have our forage crops analyzed and will work closely with our grain sales representative to ensure that our cows are getting a balanced ration to maintain herd health and increase productivi we need to update the facilities where we milk and house the cattle. We are currently milking the cows "in shifts." This is very time consuming and labor intensive. We believe that by creating a better milking facility (step- up parlor), we will be more efficient. We hope to be able to milk more cows without increasing our labor requirements. We also need to provide an affordable solution to our current lack of housing for part of the milking herd. After weighing all options, it has been decided that the best short term solution is to construct a 45" X 96" hoop barn structure to cover the existing barn yard and the feed bunks. It is anticipated that the capital improvements will adequately improve milking efficiencies and cow comfort for our dairy herd during this expansion period. Our long term goals for facilities include building a modern 120+ cow free stall barn with a milking parlour. In order to have the net cash flow to

finance this we need to increase our herd size and production.

## **LONG TERM GOAL**

Our long term goals for facilities include building a modern 120+ cow free stall barn with a milking parlour. In order to have the net cash flow to finance this we need to increase our herd size and production. Diden Dairy Farms, LLC is a dairy farms company that intend starting small in Sapele delta state, but hope to grow big in order to compete favourably with leading dairy farms in the industry both in the Nigeria and on a global stage.

## **GOVERNMENT SUPPORT AND REGULATION**

FrieslandCampina WAMCO Nigeria is an affiliate of Royal FrieslandCampina in the Netherlands one of the largest dairy cooperative in the world. The Company has a formalized business strategy to explicitly include the Dairy Development Programme as an important building block focusing on programmes that enable farmers in developing countries to improve the quantity and quality of dairy production.

In Nigeria, FrieslandCampina WAMCO 's (FCWAMCO) Dairy Development Programme (DDP) is targeted towards supporting the Federal Government's initiative of improving dairy farming in Nigeria with the main aim of sourcing raw milk material from local producers

The Nigerian Minister of Agriculture & Rural Development Chief Audu Ogbeh and an agricultural delegation from Nigeria visited the Netherlands on 26 and 27 May 2016 to learn more about the Dutch dairy sector and FrieslandCampina in particular.

During the first day the Minister visited FrieslandCampina in Leeuwarden where the minister and FrieslandCampina's CEO discussed the long standing relation between FrieslandCampina and Nigeria and the role our company would like to continue to play in the market and in developing the dairy sector in Nigeria. The highlight of the meeting was the signing of a memorandum of understanding to start the Farmer2Farmer programme in Nigeria as part of the Dairy Development Programme.

## **PROJECT TIMELINE**

This project will be completed in matters of 1-2 years depending of availability of capital, labour and other resources.

### ESTIMATED PROJECT COST AND REVENUE

ITEM	DESCRIPTION	ACTUAL
Stock	165 lactating cows N1300	N5,000,000
Reseeding of farm	70 heifers @ N120.000 117 ha, one pass till, sow, roll + grass seed + fertiliser	N1,010,500 N148,589
Fencing	20,000 @ 00.9/m	N200,000
Water supply	40 water troughs + 7 km water pipe laid + water store+ Boring the well	N1,200,00
Infrastructure	Stand off pad, Earthen bank tank, Roadways, Site work, Gate, Tank fencing, Bark Mulch, Head feed, Calf shed, Gates, Yarding	N3,000,000
Milking parlour	30 unit herring bone shed + dairy + collecting yard and office, wiring, plumbing, heating	N500,000
Silage Slab	Silage bases	N21,000
Feed bin		N14,000
Electricity supply	3 phase transformer + connection fee	N150,000
Machinery	Jeeps and tractor	N2,000,000
Labour	Labour from Start to December	N300,000
Planning	Drawings + site assessment + mapping + planning application + council development fee	N200,000

Office	Computer, farm package, phone connection, broadband etc	N3,000,000
Company	Set up plus legal	N150,000
Contingency	10 % allowance to allow for unexpected costs that may arise	N300,000
TOTAL		N17,194,089

### **Livestock (9/07)**

95 Holstein dairy cows

20 Bred heifers

50 Open heifers/Yearlings/Weaned calves

9 Calves

2 Bulls

### **EQUIPMENTS**

<b>ITEM</b>	<b>MODEL</b>	<b>COST</b>
<b>Tractor w/ loader</b>	<b>Case/IH 5140</b>	<b>N600,000</b>
<b>Tractor</b>	<b>IH 1466</b>	<b>N500,000</b>
<b>Manure Spreader</b>	<b>NH 185</b>	<b>N50,000</b>
<b>Plows</b>	<b>Plows IH 3 bottom</b>	<b>N40,000</b>
<b>Disc Harrows</b>	<b>230</b>	<b>N32,000</b>

<b>Corn Planter</b>	<b>Case/IH 900</b>	<b>N23,000</b>
<b>Seeder Brillion</b>		<b>N15,000</b>
<b>Disc Mower</b>	<b>Kuhn 302</b>	<b>N6,000</b>
<b>Dump Wagon</b>		<b>N15,000</b>
<b>Silage Truck</b>	<b>IH 1983</b>	<b>N20,000</b>
<b>Hay Rake</b>	<b>NH 256</b>	<b>N20,000</b>
<b>F Cattle Trailer</b>		<b>N27,000</b>
<b>TOTAL</b>		<b>N1,348,000</b>

## **BUILDING**

<b>BUILDING</b>	<b>SIZE</b>	<b>ESTIMATED COST</b>
<b>Main House</b>	<b>2952</b>	<b>N900,000</b>
<b>Detached Garage</b>	<b>23"x27"</b>	<b>N450,000</b>
<b>Shed</b>	<b>11"x22</b>	<b>N250,000</b>
<b>Barn (2 storey)</b>	<b>41"x100"</b>	<b>N400,000</b>
<b>Barn (1 storey)</b>	<b>15"x50"</b>	<b>N650,000</b>
<b>Milk House</b>	<b>22"x24"</b>	<b>N450,000</b>
<b>Quonset Building</b>	<b>38"x72"</b>	<b>N210,000</b>
<b>Shed</b>	<b>12"x53"</b>	<b>N100,000</b>
<b>House</b>	<b>1248</b>	<b>N90,000</b>



<b>Mobile Home</b>		<b>N50,000</b>
<b>TOTAL</b>		<b>N3,550,000</b>

#### TOTAL REVENU/ NETWORTH

<b>ITEMS</b>	<b>N17,194,089</b>
<b>EQUIPMENTS</b>	<b>N1,348,000</b>
<b>BUILDING</b>	<b>N3,550,000</b>
<b>ET AL</b>	<b>N5,000,000</b>
<b>TOTAL</b>	<b>N27,092,089</b>

#### CONCLUSION

Diden Dairy Farms, LLC will make sure that the right foundation, structures and processes are put in place to ensure that our staff welfare are well taken of. Our company's corporate culture is designed to drive our business to greater heights and training and re – training of our workforce is at the top burner.

This project will be carried out by DIDEN VENTURES