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DEPARTMENT: INTERNATIONAL RELATIONS AND DIPLOMACY

Prepare a business plan on a chosen agricultural enterprise following the guideline in the note. spiral bind and submit upon resumption. Minimum of five pages, times new roman size 12 with double spacing. Send the soft copy to me to view.

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 involve 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.

Using as my agricultural enterprise

Executive Summary

Introduction

FynbosFarm will be a project built around a highly successful businessman and the development and training of skilled and semi-skilled staff in the hydroponics and instant turf market. The project aim is to carry out intensive and high turnover production, off a small area, while providing work and leadership experience for local women.

The company is a combination of cutting edge, high quality, efficient food technology and production. It is committed to the improvement of taste in vegetables and excellent quality and nutritional value. The company will provide education, experience and research in the hydroponic field. It has the experience and extensive knowledge of well-known grower Mike Shelly as a consultant. This project will be KZN-based, and will supply vegetables for the national and international markets, and instant turf for the local market.

Products

The 4 main crops to be grown will be instant turf, long life tomatoes, cucumbers, and coloured peppers.

*Tomatoes: 4ha under plastic which will produce 2100 000 kgs per year

*Cucumbers: 1ha under plastic which will produce 205 000 kgs per year

*Peppers: 1ha under plastic which will produce 250 000 kgs per year

*Turf: 30ha in the open

Technical feasibility

The company will seek contact with local and international companies in order to learn about and acquire new hybrids of vegetables that are hardier and grow faster in our local climate. These and other available species and systems will be constantly tracked. In addition to the above, the company will seek contacts at universities and researchers that are involved in greens, and will continue the quest for the best flavoured, large, and firm vegetable throughout the year.

Future product plans

In the future the company would like to explore the possibility of flower production. FynbosFarm believes this to be a high revenue venture, which, if successful, could become our number one endeavour.

We are also considering the production of bananas. Currently there is a huge shortage of bananas, and the selling price has been above average for the past 2 years.

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 hydroponics 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.

Market and sales

Market Analysis Summary

In an era of big-box food stores, when 4 major grocery chains control the purchase of vegetables, the proliferation of open air markets has come out of nowhere, giving more consumers an option to purchase fresh vegetables. Such markets include retailers such as Fruit and Veg City and VegExpress. FynbosFarm will not only supply the major supermarkets, but also the markets mentioned above.

With these trends in mind, FynbosFarm will also concentrate on wholesale live vegetable markets that sell hydroponic produce, fresh farmers' markets, and export to neighbouring states and international markets.

Market Segmentation

For the purposes of this plan, we are focusing on retail outlets and VegCity shops within 45 miles of our location.

MARKET ANALYSIS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5		
Potential Customers						Growth	
Retail outlets	25%	100	125	156	195	244	24.98%
vegcities	10%	20	22	24	26	29	9.73%
Other	25%	50	63	79	99	124	25.49%
Total	23.62%	170	210	259	320	397	23.62%

Target Market Segment Strategy

The target customers include the major retail outlets and export markets for the vegetables.

The target customers for instant lawn include nursery and garden centres, landscapers, and private customers.

Sales Strategy

At FynbosFarm, the sales process is primarily the same for vegetables as it is for instant turf, in that both products will be mainly sold through wholesale marketing. Shipments of vegetables will be transported in refrigerated trucks as per orders, and instant turf will be palletized on open back trucks as per orders.

Sales Forecast

We expect to have exceptional sales in the first year. Our direct unit costs include the costs for the agricultural labor force who will tend and manage the vegetables and turf, including incentives and bonuses. These costs are roughly 35% of all direct costs each month.

Industry Analysis: The hydroponic industry is still fairly new in the S.A. market, in terms of research and the number of completely developed farms. The biggest negative is the start-up costs to erect a fully state-of-the-art project. Therefore, if a project is going to be developed, two major factors need to be taken into account.

Selected Markets. Due to high quality, vegetables must be sold retail outlets, etc. to retrieve highest price.

Project size. The project must be able to supply produce all year round; if not, retail outlets will not be interested.

The Industry is still small, and therefore a project of this magnitude will create interest among all the major veg outlet markets.

Competition Analysis

FynbosFarm aims to be the biggest growers of hydroponics in the KZN region. At present there are very few big growers, minimizing the competition. The advantage of hydroponics on a large

scale is the availability to produce vegetables all year round in large quantities. This immediately becomes a positive factor with major retail outlets and exporters.

Marketing Strategy

FynbosFarm will market and supply its products to the selected outlets aggressively, focusing at first on local markets, and then on export options. We will emphasize the reliable year-round output of our climate-controlled hydroponics facilities, as well as the ability to produce in-demand, non-native vegetables.

Marketing for turf will take place with direct contact between FynbosFarm and regional greenhouses and landscapers.

The company will also eventually develop a website and advertise on the Internet, although these future marketing avenues are not included in this plan.

Company Summary: FynbosFarm will be a partnership of successful businessmen developing a small farm into a highly productive hydroponics and instant turf project.

Hydroponics is the growing of high-quality vegetables in high-tech, multi-span greenhouses. The produce is grown in 15L bags with a medium used to support the root system. The plants are automatically fed nutrients through irrigation systems. The plants are grown in the best suitable growing conditions, which allows each plant to produce the maximum fruit possible.

Instant turf will be grown out in open field production. The turf will be irrigated via overhead spray units, using the run-off fertilizer from the multispan tunnels. This fertilizer is highly effective and will provide all the requirements the instant turf will require. The turf will be cut and sold by the square meter, and is harvested with a sod cutter.

The company will concentrate on the production of tomatoes, peppers and cucumbers in the tunnels, and in time will pursue more selective vegetables and the fresh cut flower market.

Company Ownership :FynbosFarm is owned jointly by its two founders, one of whom will serve as the project manager.

*Estimated project cost and Revenue

***Financial Plan**

The financial plan is outlined in the following tables and charts. With initial loans, we can construct the hydroponics facilities and begin crop development. Based on the high demand for these products, we expect solid sales in the first year, with improving margins.

Start-up Funding

FynbosFarm needs to fund its start-up requirements. The owner will provide personal investment, and is seeking long-term borrowing, using as collateral two other successful agricultural ventures he owns.

***START-UP FUNDING**

Start-up Expenses to Fund	R793,753
Start-up Assets to Fund	R20,005,000
TOTAL FUNDING REQUIRED	R20,798,753
Assets	
Non-cash Assets from Start-up	R20,000,000
Cash Requirements from Start-up	R18,000,000
Additional Cash Raised	R0
Cash Balance on Starting Date	R5,000
TOTAL ASSETS	R20,005,000
Liabilities and Capital	
Liabilities	
Current Borrowing	R0
Long-term Liabilities	R18,000,000

Accounts Payable (Outstanding Bills) R0

Other Current Liabilities (interest-free) R0

TOTAL LIABILITIES R18,000,000

Capital

Planned Investment

Owners R2,798,753

Investor R0

Additional Investment Requirement R0

TOTAL PLANNED INVESTMENT R2,798,753

Loss at Start-up (Start-up Expenses) (R793,753)

TOTAL CAPITAL R2,005,000

TOTAL CAPITAL AND LIABILITIES R20,005,000

Total Funding R20,798,753

***Important Assumptions**

We assume:

Steady demand for these products

No major climate change that would make these products easier to grow without hydroponics in this area

***Break-even Analysis**

Based upon our monthly fixed costs we need to sell the number units, shown below, each month to break-even. Given the high demand for these products and our expertise in this industry, we

should exceed this amount even in the first month of the plan, after our initial start-up period for construction and first crop growth.

BREAK-EVEN ANALYSIS

Monthly Units Break-even 57,047

Monthly Revenue Break-even R261,511

Assumptions:

Average Per-Unit Revenue R4.58

Average Per-Unit Variable Cost R2.28

Estimated Monthly Fixed Cost R131,388

***Projected Profit and Loss**

The following table and charts show our projected Profit and Loss statement. Monthly details for the first year can be found in the appendix.

PRO FORMA PROFIT AND LOSS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales	R12,400,000	R11,255,000	R14,630,000	R12,690,000	R16,335,000
Direct Cost of Sales	R6,170,000	R5,583,500	R7,267,000	R6,293,000	R8,111,500
Other Costs of Sales	R0	R0	R0	R0	R0
TOTAL COST OF SALES	R6,170,000	R5,583,500	R7,267,000	R6,293,000	R8,111,500
Gross Margin	R6,230,000	R5,671,500	R7,363,000	R6,397,000	R8,223,500
Gross Margin %	50.24%	50.39%	50.33%	50.41%	50.34%
Expenses					

Payroll	R480,000	R483,000	R519,750	R559,345	R602,009
Marketing/Promotion	R10,000	R10,500	R11,025	R11,025	R12,860
Depreciation	R666,660	R666,700	R666,700	R666,700	R666,700
H.P.s	R120,000	R120,600	R121,203	R121,203	R120,600
Fuel	R100,000	R105,000	R110,250	R115,726	R121,550
maintenance	R20,000	R21,000	R22,050	R23,153	R24,310
Payroll Taxes	R0	R0	R0	R0	R0
Other	R180,000	R189,000	R198,450	R208,373	R218,719
Total Operating Expenses		R1,576,660	R1,595,800	R1,649,428	R1,706,407
		R1,766,748			
Profit Before Interest and Taxes		R4,653,340	R4,075,700	R5,713,572	R4,690,593
		R6,456,752			
EBITDA	R5,320,000	R4,742,400	R6,380,272	R5,357,293	R7,123,452
Interest Expense	R1,759,750	R1,663,000	R1,550,500	R1,413,000	R1,138,000
Taxes Incurred	R868,077	R723,810	R1,248,922	R983,278	R1,595,626
Net Profit	R2,025,513	R1,688,890	R2,914,150	R2,294,315	R3,723,126
Net Profit/Sales	16.33%	15.01%	19.92%	18.08%	22.79%

In conclusion, the project is technically feasible and commercially viable. The objective of this project is to establish an intensive farm, producing high-quality produce for both the national and international market year round. Mission

FynbosFarm is a KZN-based company with a two-fold mission:

to produce high quality, nutritional, and flavourful vegetables for consumption in both local and international markets to create opportunities for leadership and highly productive teamwork for local women who work on the farm.

The women working on the farm will be organized into intensive work groups, and each group will be paid incentives on production and performances, in addition to the standard wages.

Keys to Success

Efficiently, projects of this magnitude in the KZN region. Experience in the vegetable industry goes back to 1996.