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18/SMS09/057

AFE 202

Question

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

### Executive summary

Kumbah farms is an existing farm dedicated to the production of botanical perennials. Botanical Bounty has been formed as an Anambra-based Limited Liability Corp. (L.L.C.) located outside of Awka, Anambra.

Kumbah farms is working hard to become a leading producer of botanical plants for the natural supplement industry as well as plant nurseries. By leveraging a well thought out business plan executed by a skilled management team, Kumbah farm will generate over in export \$216,000 in year three sales.

### Keys to Success

Kumbah farms has identified three keys that will be instrumental in their success. The first is the implementation of strict financial controls. By having the proper controls, production efficiency will be maximised.

Profits are a by product of satisfying customers, not the other way around.

### Products

Botanical Bounty is a 10 acre farm that concentrates on the growing of botanical medicinals. Botanical Bounty has chosen five plant species that have significant market demand as well being well suited for growth in the Willamette River Valley.

Botanical Bounty will feature:

Echinacea – an immune system booster

Ginseng – a source of energy

St John's Wort – for mild depression

Skullcap- for inflammation

Ginger – a stomach soother.

### Market

Kumbah farms has three distinct customers: Supplement companies, processors of botanicals for supplement companies, and nurseries that resell the plants. The first two customers purchase the plants for use in their products which they ultimately sell to the end consumer.

The market for natural supplements is quite exciting. Surveys show that over 158 million consumers (over 55% of Nigerian population) use dietary supplements. An estimated 115.3 million consumers buy vitamins and minerals for themselves, and 55.8 million purchase them for other members of their family, including children.

Consumer surveys consistently find that nearly half of all Nigerian now use herbs – a statistic

that is particularly remarkable when we realise that today's herbal products industry is just over a quarter century old.

### Management Team

Kumbah farms will be lead by the husband and wife team of Mike and Susan Mbah. David brings a wealth of business and project management skills to the company. While working at Dngote group , Mike was responsible for the successful launch and market lead capture of Dangote group's driving directions section. Utilising these skills, David will be responsible for the business operations of the farm.

Sue, with a background of plant biology will be the driving force of the operation, growing the highest active ingredient content plants in the country. Additionally, because of her wealth of knowledge, she will be the leader of the sales department.

### Financial Plan

Kumbah farm began as a hobby for I (Mike) and Susan two years ago. Over the last two years they have worked out all of the bugs related to production. Additionally, they are now quite hungry to succeed, creating one of the premier botanical perennial farms in the country.

To finance our growth and full-time production, we need to purchase \$35,000 worth of new equipment as long-term assets. To that end, we are seeking a \$100,000 10-year loan.

Sales forecasts conservatively indicate that \$190,000 revenue will be generated in year two, rising to \$216,000 the following year.

### Objectives

The Kumbah farms has identified several objectives for the business:

Become a leading supplier of botanical perennials for the health/vitamin industry.

Reach the point of sustainable profitability.

Enjoy work while making a good living.

### Mission

It is Kumbah farm's mission to become the leading provider of botanical perennials to the health/vitamin industry worldwide. This will be accomplished by providing quality plants at fair prices while exceeding customer's expectations.

### Keys to Success

Kumbah farms will adhere to three keys that will be instrumental in its success:

Strict financial controls.

The never ending pursuit of the highest concentration of botanicals in every plant.

Ensuring that all customer's needs are met and they are satisfied with the purchased products.

### Company Summary

kumbah Farm is an Anambra based based perennial farm that grows a variety of botanical medicinal perennials. The company has been formed as an Anambra based L.L.C. The farm has been in existence for two years now, initially operating as a hobby as rather than a profit producing business.

## Company History

Kumbah farms has been in operation for two years. Initially it was started as a hobby where Susan could use her plant biology skills while covering some of the costs. Mbah's were able to achieve this lifestyle due to a windfall that I received as a result of exercised stock options. After the second year, the Mbah's decided that although they had the money to live on for many years, it would be irresponsible to needlessly spend it so they got serious about the business and made a concerted effort to become profitable.

Kumbah farms has chosen Awka as an ideal place to grow perennials. Kumbah Farms has 10 acres of land which they use for production

## Company Ownership

Kumbah farms is an Anambra L.L.C. owned by I Mike and Susan Mbah. The L.L.C. business formation has been chosen as a strategic way to shield the Nealons from personal liability. Kumbah farms offers a range of botanical perennials (plants where the root structure remains, allowing the plant to regrow every year). Botanical perennials were chosen for two main reasons. The first is the medicinal value that they offer, therefore the plants have a positive contribution to society by improving people's health. The second reason is that the market for medicinal herbs is a very strong industry with excellent growth, ensuring demand for their plants.

Kumbah farms will offer the following excellent:

### Ginseng ginseng

Ginseng stimulates and increases endocrine activity in the body. Promotes a mild increase in metabolic activity and relaxes heart and artery movements. Stimulates the medulla centres and relaxes the central nervous system.

### St. John's Wort st-johns-wort

St. John's Wort has been used as a medicinal for thousands of years, but has only recently been studied for its medicinal value.

Now proven to have many highly active compounds including rutin, pectin, choline, sitosterol, hypericin and pseudohypericin. The flowers and leaves are medicinal as analgesic, antiseptic, antispasmodic, aromatic, astringent, cholagogue, digestive, diuretic, expectorant, nervine, resolvent, stimulant, vermifuge and vulnerary.

Some compounds of the plant have been shown to have potent anti-retroviral activity without serious side effects and they are being researched in the treatment of AIDS.

### Skullcap Skullcap

Skullcap is a powerful medicinal herb, it is used in alternative medicine as an anti-inflammatory, abortifacient, antispasmodic, slightly astringent, emmenagogue, febrifuge, nervine, sedative and strongly tonic.

Some valuable constituents found in the plant are scutellarin, catalpol, other volatile oils, bitter iridoids and tannins. Scientific studies are proving this to be a valuable plant in many areas for mental disorders.

Skullcap is used in the treatment of a wide range of nervous conditions including epilepsy, insomnia, hysteria, anxiety, delirium tremens, withdrawal from barbiturates and tranquilisers.

## Ginger ginger

Ginger roots and dried herb are medicinal and edible, it has a spicy, hot, crispy, taste and can be eaten fresh in small quantities in salads, used as a relish, a condiment, or made into a sauce for meat, especially good on chicken, or used to make ginger candy.

Widely used as an alternative medicine ginger contains the valuable constituent aristolochic acid, scientific study shows it to have anti-inflammatory, antiviral, antitumor activity, cures warts in some cases and is a broad-spectrum antibacterial and antifungal.

Kumbah farms sells these excellent perennials in plant form for the botanicals to be extracted by their customers. Botanical Bounty concentrates on producing the healthiest plants which have the highest concentration of active botanicals.

## Market Analysis Summary

Kumbah farms has identified three main customer groups: supplement companies; botanical processors; and other nurseries. The customer segments are distinct enough to be able to target each one differently.

The industry that Kumbah farms produces for has been undergoing consolidation for several years now. Kumbah farms will be able to serve the industry by leveraging their competitive edge of healthy, potent plants.

### Market Segmentation

Kumbah farms has identified three different target market segments which they will sell to:

#### Supplement Companies

This customer group manufactures botanical supplements for their own label products.

The companies purchase the plants and extract the active ingredients and transform them into sellable products for their own brand. There are a handful of large companies that operate in this market space.

Ten years ago there were many different ones but through consolidation the industry has grown in size but decreased in the number of different players.

#### Processors

These customers purchase the the plants, extract the botanicals and either sell the concentrated botanicals to the end producers or they themselves produce the supplement and sell the final product to other companies for their private label products.

In essence they are the subcontractor for the supplement companies. These companies therefore are one layer within the manufacturing system and do not sell to the end consumer. They act as a supplier/processor for the retail brands.

#### Other Nurseries/Garden Centres

This customer group purchases the plants which they in turn sell at retail to the individual end consumer. The typical consumer is a health conscious individual who is interested in either extracting the botanical from the plant immediately or growing the plant in their own garden for future use.

#### Target Market Segment Strategy

Kumbah farms has chosen the three market segments based on the consistent demand for botanical extracts. While there are other potential customers, they are smaller, less consistent in terms of demand, and more difficult to reach.

The supplement companies, processors, and to a smaller degree the nurseries are attractive customers due to their consistent demand and typical long-term contract needs. There is significant value to these customers for a grower to consistently offer the same high level of active botanicals in each plant and to be able to meet the needs of large volume, long duration contracts.

#### Competition and Buying Patterns

As mentioned previously, competition takes two forms, farms similar in size and production capacity to Kumbah farms and megafarms. The similarly sized farms range in size from 5-30 acres. The number of different herbs grown varies from a handful to upwards of 50.

The choice of plants grown is based on owner preference as well as location and the ability of the local growing conditions to support the different plants.

On the other end of spectrum is the megafarm. These farms have a similar range of species cultivated, however they differ greatly in production capacity. These farms are huge, typically not less than 100 acres, peaking at 300 acres. These growers however are few number.

The buying patterns of the different customers are typically based on these variables:

Price

Availability

Ability to deliver consistently on long-term contracts

Significant % of active ingredients

Consistency