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| HYSON AGRICULTURE COOPÉRATION LTD.  BUSINESS STRATEGY  6/24/2020  ONWUKA HOUSEHOLD |

CHIDI MILESTONE MIRACLE

18/ENG01/005

GST212

INTRODUCTION TO ENTREPRENEURSHIP ASSIGNMENT

TABLE OF CONTENTS

1. EXECUTIVE SUMMIA 3
2. MISSION & GOALS 4
3. BACKGROUND INFORMATION 5
4. LEGAL AND CONTRACTUAL SITUATION 6
5. PRODUCTION SITUATION 6
6. FORMULATE A FARM STRATEGY 7
7. ENTREPRISE ANALYSIS AND PLAN 13
8. IMPLEMENTATION STARTEGY 15
9. FARM BUSINESS POSITION AND DUTIES 15
10. BUILDING AND FACILITY EQUIPMENT 16
11. EXIT STRATEGY 17

EXECUTIVE SUMMARY

Hyson agriculture coopération ltd. 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 Part of Nigeria. Our goals include high quality

products to sell both wholesale and retail. Production methods include new technology utilizing

sustainable agriculture and best management practices. We hope to increase production by 20%

and sales by 30% in the next five years.

Hyson agriculture coopération ltd. is owned and operated by Chidi and Mileston Onwuka. The farm is 25 acres and has

two round style greenhouses for production and to reduce production risk. The Onwuka family has

been farming for 2 years and is relatively new to the industry even though Chidi grew up on a grain

and dairy farm. The enterprise is a part-time venture since Chidi and Mia both work off the farm.

Mia teaches school and plans on doing much of the selling and marketing during summer

vacation. Chidi helps on the production side as well as son Micheal 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 labor to devote to the operation and being new growers we are still learning. Our

advantage is the specialty aspect as well as season extension.

Hyson agriculture coopération ltd. has a net worth of 60,423,326.92 Naira. 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.

Hyson agriculture coopération ltd. is a family business and employs son Micheal. Seasonal or custom help has

been hired on an as needed basis.

MISSION

Hyson agriculture coopération ltd. is a special place. The mission of our farm it to provide unique and wholesome

produce that is enjoyable and sustainable. We work harmoniously with nature and the land to grow

quality, specialty vegetables and fruit to supply local restaurants and consumers on the Eastern

Parts of Nigeria.

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

mangoes in the next two years. We will also begin a specialty vegetable enterprise.

\* Increase sales from 18,564,520 Naira to 3,1829,040 Naira 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. Micheal

Green will be the main source of labor. Seasonal help may be hired for markets or greenhouse

work.

BACKGROUND INFORMATION

BUSINESS NAME: Hyson agriculture coopération ltd.

BUSINESS ADDRESS: Term Site, Igbodo okehi etche Rivers state.

EMAIL ADDRESS: [hysonagricltd@hyysoncoop.com](mailto:hysonagricltd@hyysoncoop.com)

WEB ADDRESS: hysonagricucturecooperationltd.com

BUSINESS PHONE NO: 07054257656

TYPE OF OWNERSHIP: Partnership

BUSINESS ADVISORS

ACCOUNTANT: Number & sons Acc, Emeka onwuka

GRA, ph Rivers State

070 967 78954

ATTORNEY: Legal Services, Anthony Orji

Plantation City, Warri, Rivers State

081 5746 4789

BANK: Farmers Bank, Faith Chidi

Etche, Rivers State

07096778956

OTHERS : Farm Insurance Inc, Agbajogu Ifeoma

( ie insurance agent) Onitsha, Rivers State

080 6785 5678

BACKGROUND INFORMATION

I, Chidi Onwuka grew up on a grain and dairy farm. I am currently employed as a full time salesman at an auto parts store and my wife of 28 years, Mia, is a teacher at the local school. We have a child, Micheal (19). Our family had interests in starting a farm market enterprise and purchased 25 acres in 2012. It was our dream to have a farm and grow specialty products. We purchased the farm to enjoy rural living and to provide additional income however we donot expect the farm to pay the mortgage.

For the past five years we rented the farm for field crop production. In 2018 we began the farm operation Hyson agriculture coopération ltd.. We purchased and built two premium round style 26'W x 12'H x48'L high tunnels. One tunnel is used for greens and other specialty vegetables grown in gutters. The other tunnel focuses on bramble production. A very small crop of greens and vegetables were harvested in 2018 and 2019.

We are planning to expand the farm operation. Production in the current greenhouses can be increased as well as adding 2 to 3 more greenhouses in the next five years. The additional acreage is in conservation programs, woodland and pasture for our horses and beef cows. Mia and I plan to retire from our off farm jobs in 10 years and will transfer the farm operation over to our son, Micheal to operate full time. We plan to assist her with labor and farm operations.

LEGAL AND CONTRACTUAL SITUATION

1. ASSETS/ CONTRACTS: We currently have a 30 year mortgage on both our residence and farm and have 22 years left of payment. Our current off farm jobs and farm income pay for the mortgage. We have no written marketing agreements and all previous land leases were terminated. Assets are listed with the balance sheet in the resource section.
2. INSURANCE: We currently carry a farm insurance policy for structures on the farm. We are not enrolled in crop insurance program. As the farm expands to fresh market we will investigate product liability insurance. Our family has health insurance through Mia's off farm job. Auto's are insured.
3. ESTATE PLAN/WILL: Currently Mia and I are the owner and operators. Micheal 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 Milestone will receive compensation for his portion. We have a written will and estate plan which outlines the fair division of the estate including land, life insurance and assets.
4. RETIREMENT: Mia and I both have 401K's through our current jobs. We contribute extra to it on a yearly basis. We are planning to run the operation for the next 10-15 years before turning the business over to Micheal.
5. CONSERVATION/ENVIRONMENTAL: The farm has a Soil Conservation Plan, established buffers and filter strips through the local Soil Conservation District CREP Program. We also have a nutrient management plan written by the imo State University Cooperative Extension. Hyson agriculture coopération ltd. is dedicated to environmentally sustainable management practices.
6. OTHER: We hire custom work for the farm as needed due to machinery and equipment cost and maintenance.

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. We are also experimenting with baby vegetables, such as squash and mini melons and fruits such as blackberries and raspberries. We continue to research varieties and the market for new varieties and production techniques. We use minimal inputs and utilize our nutrient management plan to be more efficient. We also use scouting and IPM for pest and disease control.

See the Production Plan in the Appendix.

FORMULATE A FARM STARTEGY

***STEP 1: INFORMATION GATHERING AND MARKET RESEARCH***

***Market Research Tools***: Demographic Information through the Nigerian Census and observation.

*Results of market search*: \* 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 igbos and 18% are other tribes.

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

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

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

Key Industry Trends: \* More families are health conscious and seeking healthy foods.

\* Salads and specialty salads have become very popular menu items. Demand has also increased for baby vegetables and microgreens.

\* Restaurants and consumers are seeking local food. Local food movement is the fastest in the US.

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

\* Increasing interest in local foods and resources.

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

Strengths

Weaknesses

Opportunities

Threats

***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 labor 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

***Threats and Opportunities- Evaluation of the External Environment***

*Competitor Analysis:*

Competitor#1:

NAME: Bayview Farms

PRODUCT OFFERINGS: Seasonal Vegetables and fruits.

PROMOTIONAL ACTIVITIES: Farm market.

LOCATION OF COMPANY: 15 miles away.

COMPETITIVE ADVANTAGES: Have on farm market location to sell at, on a very busy road.

MARKET SHARE: 5%

Competitor #2:

NAME: Call Produce Distributor

PRODUCT OFFERINGS: variety of specialty produce and farm items

PROMOTIONAL ACTIVITIES: sells and delivers to local restaurants. restaurants place weekly orders

LOCATION OF COMPANY: 90 miles away.

COMPETITIVE ADVANTAGES: market to restaurants on an order basis, access to many local products

MARKET SHARE: 25%

Competitor #4:

NAME: Montgomery Farms

PRODUCT OFFERINGS; Fruits

PROMOTIONAL OFFERINGS: Pick your own.

LOCATION OF COMPANY: 18miles away

COMPETITIVE ADVANTAGES: Customers can come to farm and pick their fruits and vegetables

MARKET SHARE: 3%

Competitor #5:

NAME: Fairview Farms

PRODUCT OFFERINGS: Organic Vegetables including greens.

PROMOTIONAL ACTIVITES: Sell at Farmer’s Market.

LOCATION OF COMPANY: 30miles away

COMPETITIVE ADVANTAGES: Organic labeling and have started high tunnel production

MARKET SHARE: 2%

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 farmers markets and by some restaurants

External Opportunites 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 flavor

S.W.O.T ANALYSIS SUMMARY

*Internal strengths*

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\* Well known in the community and reputation for quality

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*External Threats*

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***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, labor and quantity.

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

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

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

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

***Things to think about***

*The Farm’s competitive advantage*:

Greenway's plan of action will use season extension and specialty items, greens and berries, to provide a unique product to local consumers and fine dining restaurants. We will focus on high quality products available when others are not such as early and late in the season. Our products will be fresher, local and of higher quality than distributors. We will be able to form marketing relationships with restaurants and consumers earlier by using season extension techniques. Our farm will be the first at the market to have salad mixes and berries. Products are grown locally on a family farm.

Why Other Businesses are not copying the Product(s):

Hyson agriculture coopération ltd.'s offers a very specialized product that other businesses may not have the time or labor to grow. We 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 our marketing relationship that we create with restaurants will not be easily copied. We will work to provide customer service and prompt delivery to get repeat buyers and brand loyalty.

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

*My Overall farm strategy*:

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

We are committed to the farm business and a quality product. Hyson agriculture coopération ltd. is limited by time and labor. Delivery schedules will have to be well planned due to one vehicle and cost of fuel. Mia and Micheal will provide much of the marketing (Mia 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. We will have to price carefully due to disposable income of consumers and distribution costs.

ENTREPRISE ANALYSIS AND PLAN

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

See full enterprise budgets attached in the appendix.

SUMMARY FOR 2012

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

INCOME =2,844,843.75 Naira

VARIABLE COST = 833,371.24 naira

FIXED COST = 1,671,283,18 naira

NET INCOME = 341,581,35 naira

BERRIES ESTABLISHMENT (3 acres outside plus 1 house)

INCOME = 0

VARIABLE COST = 2,174,950.29 naira

FIXED COST = 1,252,492.66 naira

NET INCOME = 3,427,442.96 naira

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

INCOME = 10,411,200 naira

VARIABLE COST = 3,823,126.40 naira

FIXED COST = 1,252,492.66 naira

NET INCOME = 5,335,580.94 naira

SPECIALTY VEGETABLES (2 acres and 1/2 house)

INCOME = 6.832,350 naira

VARIABLE COST = 3,137,765.78

FIXED COST = 1,328,545.04 naira

NET INCOME = 2,366,039.19 naira

IMPLEMENTATION STRATEGY

*Production*: In order to implement this business plan Hyson agriculture coopération ltd. will follow 3 year production plan which details production and marketing details for each month. See attached timeline. We will also need to purchase product liability insurance.

*Management*: Management decisions will be made by Chidi and Mia. Mia has primary responsibility for managing the marketing to restaurants and farm markets. Chidi focuses on production aspects including the high tunnels. As the farm expands Micheal will be more involved in the farm operation. Micheal and Mia will also attend a local community college workshop on QuickBooks and business management.

*Marketing*; A detailed marketing budget has been created. We 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. We will also start talking to restaurants and doing follow ups to generate interest in products.

*Human Resources*: priMia abor will be provided by the immediate family. We have access to neighborhood youth that we can recruit to help on a seasonal basis. We may need to hire part time labor as the business expands. Were needed we have the ability to custom hire major machinery or tillage operations.

*Finance/ Accounting*: A projected cash flow and income statements have been completed. We 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.

FARM BUSINESS POSITIONS AND DUTIES

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Positon/Name*** | ***Responsibilities*** | ***Skills/Talents*** | ***Salary/wages*** | ***Work schedule*** |
| Chidi Onwuka  Owner/Manager | Day to day production duties | Production, soils, varieties | Profit sharing | Part time, year round |
| Michael Onwuka  Owner/manager | Day to day business activities | Computers, banks, taxes and insurance | Profit sharing | Part time, year round, deliveries in summertime |
| Mia Onwuka  employee | Assist in production, labor and marketing | Web design, software, nutrient management | Profit sharing , 30% of proceeds | Part time, bookkeeping |
| Seasonal | Sell at farmer’s markets, help with production | Personable and trustworthy | 500 naira an hour | Part time and seasonal |

BULIDING AND FACILITY EQUIPMENT

|  |  |
| --- | --- |
| ***Physical Resources*** | ***Description of Resource and use*** |
| Land | 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. The soil types are very good for  agricultural production and we are zoned Ag. |
| Livestock | We have 6 horses and 15 cows that are raised as a hobby. |
| Equipment | We have a 44 horsepower tractor that is used for mowing, tilling and work around the farm. Attachments to the tractor include a mower, tiller, spray equipment and loader. We also own  purchased a used air blast sprayer and irrigation equipment. As the farm expands we would like to  purchase a delivery van, walk in refrigerator box and a packing line for the greens. |
| Facilities | We have a horse barn with 4 stalls and a small livestock run in shed. We have 2 high tunnels for  production and a pole building for storage and packing. |
| Transportation | We currently have a 4 trailers that is used for farm work, deliveries and farmers markets. We  hope to purchase a delivery van in the next 2 years. |
| Expertise | Chidi and Micheal have expertise in the farm operation and have been following new research. Mia has expertise in business management skills and organization. Micheal has expertise in marketing, pricing, selling to consumers and web development. |

EXIT STRATEGY

We would like to retire in 10 years and turn the farm over to our son Micheal. We have decided not to put more than $60,000 of our cash reserves at risk at anytime in the farm business. We want to work as a family unit for decision making regarding crops, enterprises, marketing and finances.

We plan to invest in the farm business and hope to have a positive cash flow in 5 years. If not we will reevaluate our business practices, market and product. At that time we will decide to keep the farm in production or not.