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**Poultry House Project CC**

OVERVIEW

Poultry House Project CC is a community based project that was conceptualised by three passionate, committed and enthusiastic social entrepreneurs. This exciting project is the brainchild of Thando, Tsegofatso and Pearl. Poultry House Project CC was set up to promote the creation of jobs, women and youth empowerment, economic development and poverty alleviation. It features key stakeholders such as the youth and women, members and workers of the project, customers, suppliers and the wider community. The project will specialise in the production and sale of eggs. The project will essentially purchase ‘ready to lay’ pullets and raise them through their productive cycle. The project members have already identified a suitable location for the project and have entered into discussions in connection with leasing a farm. The project shall be based in the outskirts of Rustenburg (North West Province), South Africa.

THE BUSINESS OPPORTUNITY

The members of the project have realised that there is great demand for eggs by hotels, bed and breakfast providers, guest houses, holiday resorts and other related entities. These entities usually procure their eggs from as far as Ventersdorp and are inconvenienced financially as well as time wise by transportation activities and their associated costs and risks. There are currently few reliable egg producers and suppliers based in the outskirts of Rustenburg.

Poultry House Project CC wishes to exploit the opportunities presented by engaging in the production and sale of eggs. This shall be by means of purchasing ready to lay pullets, which shall be kept and nourished at the premises of the project during the productive phase of their lifespan. The eggs produced shall be collected, sorted, packaged and thereafter sold and distributed to the target market of the project - which primarily encompasses, small to medium sized hospitality related entities.

THE MARKET

The identified key segments for the project include, individual and corporate consumer market segments. In terms of similarities, both individual and corporate clients seek the health and taste benefits of eggs. They regard eggs as an excellent source of protein, which is at times an alternative to red or white meat. As for the differences, the quantities required and purchased by corporate clients supersedes that of individuals. The corporate market segment is more lucrative as compared to the individual consumer market segment. This is attributed to the fact that the segment has a greater growth rate, growth potential and is more profitable.

THE TARGET MARKET

The selection of a lucrative market is imperative to the success of Poultry House Project CC. Key factors were considered prior to selecting a lucrative market for the project. These encompass profitability, growth, growth potential, size of the market, risks associated with the market and the capacity of the business to serve the selected market. The proposed target market for Poultry House Project CC shall be primarily composed of consumers within the corporate arena. The business will target resorts; essentially the customers shall emanate from bed and breakfast providers, guest houses, mine kitchens and hostels, tertiary institutions as well as small scale and emerging community stores within the outskirts of Rustenburg. The project shall primarily target hospitality businesses near Sun City as well as attraction centers such as Pilanesberg National Park. Additionally, the project shall strive to secure contracts to supply eggs to prominent hotels on a regular basis.

THE COMPETITION

The market is composed of both direct and indirect competitors. Direct competitions will emanate from small scale poultry farms in close proximity to the business. These include Phokeng Poultry Farm and other small scale commercial farmers. The project will face indirect competitors from well established players such as Rainbow Chickens, OBC Chickens, Chubby Chicks, Supreme Poultry, California Chickens, Big Chicken Company and other premier commercial farmers.

THE COMPETITIVE STRATEGIES

In terms of competitive advantages, the project will focus on having a thorough understanding of the needs and preferences of the customers. The business will strive to ensure that it has a better understanding of the customer’s needs and preferences as compared to its direct and indirect competitors. Meeting the expectations of customers will be a key priority for the business. Efficient and effective marketing will be important to drive the sales and profits of Poultry House Project CC. Emphasis will be placed on establishing a strong brand for the project that provides an excellent positioning for the project.

THE MANAGEMENT TEAM

The Close Corporation is made up of a strong management team of three committed and dedicated women. They will share various roles and responsibilities in the identified business functions such as marketing, human resources, operations, finance and many more. The three members will represent the ownership of the project but specific management and operational functions will be given to each member. One of the three members will be given the responsibility of the overall management of the project and will report to the other members who will act like a board.

THE FINANCIAL PLAN

The project will require R2 394 500 in total in order to finance its capital asset requirements (R1 067 000) as well as its working capital (R578 000 – includes funds for feed). The main requisitions shall include: poultry houses for layers, feeding systems, a delivery van, feed, vaccines, medicine, office furniture, equipment, fixtures and fittings and much more.

SWOT ANALYSIS

STRENGTHS

The shared values of the project members with particular reference to teamwork, commitment and perseverance

The strong participative and democratic style of leadership demonstrated by the members of the project

The business management skills of the project members

The managing members of the project are energetic, knowledgeable, creative and enthusiastic

WEAKNESSES

The lack of advanced financial management skills

The lack of a comprehensive understanding of the strategic planning framework

Lack of trained human resource in the field of poultry farming and livestock disease prevention and control

The lack of a comprehensive marketing strategy and plan

The lack of funding to procure equipment and other assets

The low owners contribution as compared to the amount requested from external funders

OPPORTUNITIES

The opportunities in terms of ownership and procurement presented by AgriBEE

The opportunities in terms of skills development by means of training presented by AgrSETA

The Utilisation of Information Technology to enhance the front Office and back office operations as well as key areas such as processing, marketing and distribution

Technologies such as solar energy will be an opportunity for the project as there is potential for a 24.8% increase in electricity prices by Eskom

Access to funding programmes such as Mafisa and the National Empowerment fund

The increasing per capita consumption of eggs

The increasing population of South Africa and double income families will be an opportunity for the business

The reduced interest rates will mean lower costs incurred as a result of borrowed money

Government support of the Poultry Industry as it is one of the industries that is considered to be ‘feeding the nation’

Increased emphasis on women and youth as demonstrated by financial and non-financial support by agencies such as The National Youth Development Agency.

Increased small business support as demonstrated by the increase in small business support forums, Small Enterprise Development agency and many more

The opportunity to supply government institutions such as prisons, collages, departments and other government units will be an opportunity for the business

THREATS

Compliance with various acts and laws such as the Livestock Improvement Act, Occupational Health and Safety Act, Labour Relations Act and the Basic Conditions of Employment Act

The threat from well-established competitors such as Chubby Chicks, Rainbow Chicken and many more

The threat from rising electricity prices. Eskom shall increase electricity prices by at least 24.8%, this is a threat to the project as its operations will be more costly and thus force the project to pass on the additional costs to consumers. This is a threat to the project as it has potential to result in reduced sales and profits

Indirect competition from distant emerging commercial and subsistence farmers and other small players in the industry

The intensity of rivalry amongst players

The threat from suppliers – in the case of feed, there is a threat of rising feed costs

The threat from substitutes or alternative protein rich food

The threat from changes in customer preferences as well as the fact that eggs are generic products that customers can buy from other food stores

STRATEGIC FOCUS

VISION

The vision of the project is to be a women and youth empowerment community project that is renowned for promoting a healthy well balanced eating within the society

MISSION

To contribute towards promoting good health and vitality as well as empowering women and youth and ultimately adding value to the lives of all the stakeholders of the project

VALUES AND PRINCIPLES

Values and principles shall guide the actions of the members of the project and form the very essence of the culture of the project. They include,

Respect and value for stakeholders as well as establishing long term value laden relationships in order to realise mutual growth based upon mutual trust

The fostering of a corporate culture that enhances individual creativity, innovation and teamwork

The provision of excellent working conditions in terms of health and safety for the employees and other business stakeholders

Integrity, honesty and understanding that success depends upon unswerving adherence to the standards and principles of the project

The creation of value for clients by valuing their opinions and ensuring quality poultry products

Productivity in terms of being results driven and materialising value added achievements

Being efficiency in operations and other areas of the business

Working together in harmony as a team and cultivating a team spirit oriented business culture

Customer centric: this is a core value for the project as it strives to understand the needs and preferences of its customers and superseding their expectations

PROJECT STRATEGIES

LONG TERM STRATEGIES

Expansion and diversification through the formation of strategic relationships and strengthening relationships with strategic alliances. This will be aimed at establishing at least two more poultry farms within the district. Diversification will focus at moving into the broiler and day old chick industry

Enter new markets such as the export market

MEDIUM TERM STRATEGIES

Focus on competitiveness by striving to achieve the desired positioning in the market

Focus on customer intimacy and process efficiency

Focus on niche markets

Focus on quality

Grow the market share of the project by understanding the needs and expectations of the customers better than the competitors

SHORT TERM STRATEGIES

Formalise the organisational structure

Standardization of processes and procedures

Training and development of staff

FINANCIAL STRATEGIES

Enhance the profitability of the business by setting a sales mix that results in the most profitable contribution margin

Minimise operating expenses by monitoring against the budget on a weekly and monthly basis

Minimise the bad debts by having a strict debt issue and collection policy

MARKETING STRATEGIES

Improve awareness of the project by advancing publicity, having presence on the internet by developing a website and other marketing efforts

Improve the competitiveness of the project by implementing market intelligence initiatives such as improving the competitive advantages of the business, studying the competition, conducting market surveys and being more customer intimate

Improve the image of the business by branding the business and its products as well as provide excellent customer service and delivering promptly

OPERATIONAL STRATEGIES

Improve the efficiency of operations by ensuring that tasks are completed timely and that process and procedures are evaluated so as to eliminate redundancies in workflow

Improve operations by standardizing processes

Employ technology

Regular audits in processes

Improve health and safety for the customers and employees by conducting regular audits to ensure that all health and safety related regulations and standards are being met

HUMAN RESOURCE STRATEGIES

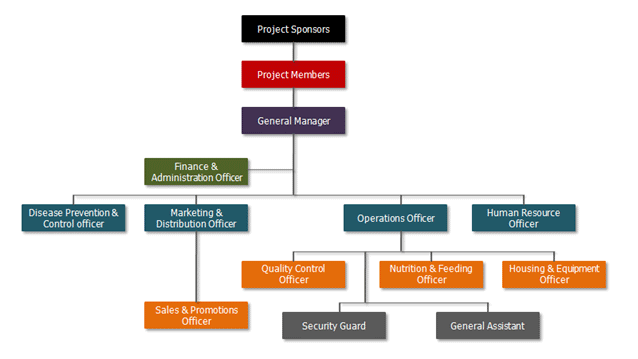
Improve the skills, knowledge and competencies of the members and employees of the project and eliminate the risks associated with the loss of key man in the project by providing on going skills development and training.

Employ a performance management system

Align the values of the individuals to team values

ORGANISATIONAL STRUCTURE

The following graph depicts the proposed organisational structure of Poultry House Project CC. This organisational structure is expected to change when the business starts expanding and diversifying its product base



MARKETING PLAN

The marketing efforts will focus on identifying and understanding the ever changing needs and preferences of the customers in order to satisfy them. The marketing mix will drive the customer value proposition of the project. The following is an account on the product, promotion, place and packaging that will be applied to the selected market segment.

PRODUCT

Egg

The main products of the project shall be the eggs produced by the layer birds. The project will strive to improve the quality of the eggs produced and sold by providing the right nutrition and environment condition for the layers. Other products to be sold by the project will include the manure resulting from chicken droppings. Manure is a desirable fertilizer that is highly sought after by farmers and flower growers. Additionally, the project will sell layers (cull hens) that become unproductive (around 70 -110 weeks). Cull hens are considered to be a delicacy for most consumers and as such, the business will be in position to sell these at lucrative prices.

RISKS ANALYSIS

Discussed below are the key risks and issues likely to face Poultry House Project CC. An account on the possible mitigation efforts is also given.

Financial Risk

In terms of the financial risk, this emanates from the fact that the owners’ contribution is less compared to the funds required from potential investors. Hence, the gearing ratio is therefore not as desirable. To mitigate this risk, the project members shall strive to reinvest at least 60% of the profits into the business so as to improve the gearing ratio. The project will strive for a good return on investment. In the first year of operation, employee costs will be minimised so as to ensure that this risk is minimised.

Market Risk

There is a potential market risk in terms of competition from well-established poultry farms and suppliers such as Rainbow Chickens, OBC Chickens, and Chubby Chicks. Poultry House Project CC will have to compete for market share with these established businesses. To mitigate this, the business will focus on a specific market segment and strive to understand the customers better than the competitors.

Human Resource Risk

The project will require skilled, knowledgeable and competent staff in significant areas such as business management, financial management, costing, entrepreneurship and technical aspects relating to raising layers and egg production management. It will be important for the owners, management and employees to be well trained. Moreover, a loss of key personnel is likely to affect the business adversely. To mitigate this risk, the business will promote and cultivate a culture of sharing knowledge and skills amongst the members and employees. The business will approach agencies such as SEDA for business training sessions. The project will also be part of agriculture related training facilitated by AgriSETA, the Department of Agriculture or The Southern Africa Poultry Association.

Economic Risk

Another risk facing Poultry House Project CC is an economic risk. On a global level, there is currently an economic recession (declining at present), as such the unemployment rate has gone up meaning that few people have buying power and the fact that consumers have tighter budgets as compared excellent financial years such as the year 2007. Furthermore, an economic risk may emanate from the high electricity charges should Eskom go ahead with the 24.8% hike currently subject to discussions. This may ultimately outlook high inflation that renders expenditure items and other costs to be expensive. The depreciating rand is also a factor to consider as it also affects prices of procurements such as vaccines, medicines and imported feed supplies. This risk is external and out of the control of the business. There will be likelihood to implement energy saving measures such as the use of energy saving bulbs. Poultry House Project CC will look into alternative energy sources such as solar power and wind mills. The business will strive to not pass on the costs to consumers as it understands that affordability is one of the key success factors in the poultry industry.

Event Risk or Risk of Disease Outbreaks

There is a risk of outbreak of diseases that could adversely affect the products of the project. When poultry is kept intensively, the risk of disease is very high for the mere reason that the birds are too close to each other. If proper vaccination programmes are not followed the business could suffer major financial losses. It is important that a proper vaccination programme is followed. The vaccination will minimize the threat of diseases. Personnel will ensure that the birds are monitored for diseases and that the chicken housing are kept clean and secure from other event risks.