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## **BUSINESS PLAN FOR FARMERS GROUP OF COMPANIES**

### **Executive Summary**

#### **Introduction**

Farmers Group is being formed from the acquisition of two successful vegetable farms, Green Acres Vegetable Farm and Mobile Farmers Vegetable Farm. The latter has long-researched horticultural and agronomic techniques, as well as compost and soil blending technology now being promoted by the NAERLS, the ARCN the NAIC, and other government agencies.

The company is a combination of cutting edge, highest quality, and efficient food technology and production. It is committed to the improvement of food taste and nutritional quality. It is being founded to build upon an extensive array of biological and horticultural education, experience, and the research of its founders. This is further coupled with the experience of Nneji Ifeanyi, the current manager of Mobile Farmers Vegetable Farm, and consultation with the present owner of Green Acres Vegetable Farm.

#### **The Company**

Farmers Group is a Lagos-based company, located in Eti-Osa, whose mission is to provide high quality, nutritional, and flavorful vegetables and strawberries for consumption in both near and remote regions of Nigeria. Additionally the company will provide high quality planting materials for use nationwide.

Farmers Group is the buyout and merger of two successful vegetable farms. The idea behind the business is to provide healthy and delicious vegetables and fruit to the public. In addition to

vegetables and fruits, the company plans to produce and market manure compost garden amendment products.

Farmers Group's management team is led by Mr. Nneji Ifeanyi as Business Manager, who has extensive knowledge of the industry. The company expects to employ five temporary employees during the equipment re-location phase, four employees on a permanent basis, and three part-time employees.

### **Products**

Farmers Group plans to concentrate on vegetables as its primary product. This includes growing carrots, romaine lettuce, leeks, red onions, summer squash, spinach, pumpkins, winter squash, globe beets, and winter greens. The company's farm will have a capacity sufficient to produce in excess of 200,000 lbs. of vegetables per year.

The company plans to utilize traditional and more advanced plant technologies to produce new cultivars of strawberries and lima beans with locally-adapted superior characteristics for the Gulf-South growing area.

This strategy will allow Farmers Group to produce crops during most of the year and will allow double cultivation of the greenhouses with almost no additional heating necessary in the winter months.

### **The Market**

Over the past decade the market for organic food has grown by 15% to 20% and every year 40% of Nigerian consumers occasionally reach for something labeled organic. Sales for organic foods are expected to top ₦11 billion this year. Sales by farmers' markets have increased by 79% since 1994, to 3,137 markets in all 36 states, and the number of farmers who sell at them has more than tripled to 67,000. About three million Nigerian a week now get their fresh food directly from the farmers who grew it. This makes for an excellent environment for an industry participant such as Farmers Group that is willing to compete in a niche market and be first to the market with new products.

### **Financial Considerations**

The company is seeking ₦8,300,000 in both short-term and long-term loans to finance the purchase of Farmers Group's new farm, upgrade the facilities, and cover start-up expenses and first year losses. It is estimated that the company will begin to make a profit in Year 2 of operations. The company does not expect to have any cash flow problems during the first four years of operations.

### **Mission**

Farmers Group is a Lagos-based company, whose mission is to provide high quality, nutritional, and flavorful vegetables and strawberries for consumption in both near and remote regions of Nigeria. Additionally the company will provide high quality planting materials for use nationwide.

### **Company Summary**

Farmers Group is the buyout and merger of two successful vegetable farms. The idea behind the business is to provide healthy and delicious vegetables and fruit to the public. In addition to vegetables and fruits, the company plans to produce and market manure compost garden amendment products.

### **Start-up Summary**

Projected revenues for Year 1 to Year 5 are ₦4,000,000 ₦8,500,000 ₦50,000,000 ₦70,800,000 and ₦82,500,000 respectively. Additionally the company estimates that once fully operational, income per product, per annum would be as follows; vegetable (₦50,000,000) manure (₦20,000,000) and horticulture (₦10,000,000).

### **Start-up**

<i>Start-up</i>	
Requirements	
Start-up Expenses	
Legal	₦1,900,000
Facilities modification	₦3,000,000
Seed	₦600,000
Organic Herbicides/Pesticides	₦5,000,000
Consultants	₦2,500,000
Insurance	₦1,000,000
Research and development	₦2,500,000
Expensed equipment	₦2,500,000

Other	₦5,000,000
Total Start-up Expenses	₦6,840,600
Start-up Assets	
Cash Required	₦2,450,400
Start-up Inventory	₦1,500,000
Other Current Assets	₦2,500,000
Long-term Assets	₦5,000,000
Total Assets	₦10,145,400
Total Requirements	₦100,830,000

### **Management Summary**

Farmers Group's management team is led by Mr. Nneji Ifeanyi, Business Manager, and the current manager of Mobile Farmers Vegetable Farm, who has extensive knowledge of the industry and has been tracking vegetable trends for 30 years.

The company's management philosophy is based on responsibility and mutual respect. Farmers Group has an environment and structure that encourages productivity and respect for customers and fellow employees.

### **Management Team**

Management will be responsible for supervising and participating in the daily operations of the facility. Management consists of:

- Nneji Ifeanyi, Business Manager, Full Time
- Taiwo Olawolu, Executive Director, Full Time
- Tobi Adedoja, Management Trainee, 3/4 Time
- Victor Chukwu, Management Trainee, 1/4 Time

### **Personnel Plan**

Overall, Farmers Group will have 12 personnel. The company expects to employ 5 temporary employees during the equipment re-location phase, 4 employees on a permanent basis, and 3 part-time employees.

## Daily Maintenance

This group will consist of the following:

- Henry Taiwo, Logistical Engineer, Full Time
- Sarah Nnam, Heavy Equipment, Full Time
- Michael Imasuen, Welder, 1/2 Time

## Contract Personnel

They will be utilized initially for the moving and setting up of the vegetable farm, greenhouses, and the building of the manure composting facility.

## Personnel

<i>Personnel Plan</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Business Manager	₦25,000	₦30,000	₦30,000	₦30,000	₦30,000
Executive Director	₦25,000	₦30,000	₦30,000	₦30,000	₦30,000
Manager Trainee	₦9,000	₦6,000	₦6,000	₦6,000	₦6,000
Manager Trainee	₦4,000	₦6,000	₦6,000	₦6,000	₦6,000
Logistic engineer	₦18,000	₦18,000	₦18,000	₦18,000	₦18,000
Heavy equipment	₦18,000	₦18,000	₦18,000	₦18,000	₦18,000
Welder	₦3,500	₦3,000	₦3,000	₦3,000	₦3,000
Contract workers	₦15,000	₦0	₦0	₦0	₦0
Total People	7	7	7	7	7
<b>Total Payroll</b>	₦117,500	₦111,000	₦111,000	₦111,000	₦111,000

## Company Locations and Facilities

The farm is located in Epe area approximately 4.5 miles outside of Ajah.

The operation will utilize:

- One large greenhouse, enclosing the vegetable area.
- Horticultural greenhouse.

- Filters, water treatment devices.
- Backwash facilities.
- Outdoor vegetable facilities.
- Business office building.

An additional portion of the operation will be the manure composting facility. Local and regional dairy operations have trouble with manure accumulations, and the company hopes to enter into contracts in removing the manure. Farmers Group will then turn this into a saleable product. The company plans to supply the region's nursery outlets with a top-quality, premium garden and soil amendment product for area horticulture.

### **Products**

While at Mobile Farmers Vegetable Farm Nneji Ifeanyi, steadily used and experimented with compost and fertilized with manure of different kinds. The most important things with manure usage is to eliminate the viable weed seed drawback by thoroughly composting the manure, to add enough cellulose on product to bring it to the proper ratio and to bring its water content to proper levels. A properly composted manure product has no seeds that will germinate and proliferate in it. Additionally, a properly composted manure product has something a chemically formulated synthetic fertilizer does not have: enzymes. Enzymes are critical for producing a truly nutritious and superior flavored product. Research has shown that the superior flavor of a fruit or vegetable is closely related to vitamin content and folic acid content in green vegetables.

The state-of-the-art vegetable equipment starting up in the new location utilizes revolutionary harvest designs that:

- Allow faster, longer growth
- Cut the harvest labor by over 80%
- Cut the harvest time and by so doing:
  - Decrease loss in weight gain, and
  - Eliminate weight loss from shock.

### **Product Description**

#### **Vegetables**

Farmers Group's first line of production will be the green vegetable and red vegetable. During the summer months Farmers Group will be growing carrots, romaine lettuce, leeks, red onions, summer squash, and spinach. In the fall, production will center on pumpkins, winter squash, globe beets and winter greens. With the growth of the popular organic food niche, and the federal government's new organic labeling policy, Farmers Group will focus its produce on the intermediate organic label. This means that approximately 70% of the food production process will be organic and all foods produced by Farmers Group will be eligible for the "contains

organic ingredients" label. The company's farm will have a capacity sufficient to produce in excess of 200,000 lbs. of vegetables per year.

### **Strawberries**

The company's more technical horticultural aspects include efforts to utilize traditional and more advanced plant technologies to produce new cultivars of crops such as strawberries and lima beans with locally-adapted superior characteristics for the Gulf-South growing area. Flavor, disease resistance, adaptability to green-house culture, fall and winter season production are factors being combined in greens cultivation to tap into the ₦2.99 pint berry market of the fall and winter.

Farmers Group's strategy is a combination of the two technologies during the cool winter months which will allow the utilization of normally wasted space in the greenhouses for the high price winter greens production. This will allow double cultivation of the greenhouses with almost no additional heating necessary in this climate.

### **Technical Assistance**

The company is currently seeking contact with UNILAG and LASU in order to learn about and acquire new hybrids of strawberries and vegetables that are hardier and grow faster in our local microclimates. These and other available species and systems will be constantly tracked.

In addition to the above, the company is seeking contacts at Universities in Italy and Germany that are involved in greens, and will continue the quest for the best flavored, large, and firm fall and winter strawberries.

Currently, Farmers Group is conducting research to test certain clay-sand-manure mixture levels to obtain better, cheaper bedding and agronomic soil mixtures that are more effective than the standard used in the industry in Alabama (Pine bark mulch-composted).

### **Future Products**

In the meantime, the company would like to explore the possibilities of crayfish production. Farmers Group believes this to be a high revenue venture with retail prices running in excess of ₦15.00 per Kg in most places. The company also believes that if crayfish production is successful then it could become the number one endeavor of Farmers Group.

Currently there is a defunct fish farming production facility with all the necessary capital equipment approximately two miles from the current farm. Purchase of this facility would allow Farmers Group to begin production and to capitalize on this higher margin product. What makes this most attractive is the two ventures have significant joint cost potential, allowing for a reduction in marginal costs for all products and creation of real economies of scale that would provide Farmers Group with a competitive advantage.

## **Market Analysis Summary**

At a time when eating has become a political statement, the government is paying up to ₦19 billion a year to subsidize commodity crops in a glutted global market. Federal officials say that nearly 40% of all farm income now comes directly from government subsidies, and the farm bill signed by President Muhammadu Buhari this year will pay ₦190 billion over 10 years, which includes ₦83 billion in new spending. However, there are two market niches that are growing at an amazing rate, the organic market and the simple farmers' market.

The organic market provides less than 2% of the nation's food supply and takes up less than 1% of its cropland. But organic farms are flourishing as never before. Over the past decade the market for organic food has grown by 15 to 20% and every year 40% of Nigerian consumers occasionally reach for something labeled organic. Sales for organic foods are expected to top ₦11 billion this year. Conglomerates as big as Heinz and General Mills are now launching or buying organic lines and selling them in mainstream supermarkets.\*

With no subsidies and no middle men, farmers' markets have increased by 79% since 1994, to 3,137 markets in all 50 states, and the number of farmers who sell at them has more than tripled to 67,000, the Agriculture Department has reported. About three million Nigerians a week now get their fresh food directly from the farmers who grew it. "Right now, green markets are growing faster than anything in agriculture," said Dr. Steven Nwosu, a farm economist at UNILAG and the author of three books on the subject.

These numbers, of course, represent a very thin slice of the big pie of national food. Farmers' markets reported about ₦1 billion in sales last year, compared with more than ₦200 billion in overall farm revenue. Barely 3% of the nation's two million farmers sell some of what they grow directly to consumers.

But in an era of big-box food stores, when 10 major grocery chains control the purchase of 50% of fresh food, the proliferation of open-air markets has come out of nowhere, giving more consumers an option and allowing many small farmers to stay in business.\*\*

With these trends in mind, Farmers Groups will concentrate on:

- Wholesale live vegetable markets nationwide that sell organic produce.
- Fresh farmers' markets.
- Fall and winter greens market.
- Nursery outlets selling composted manure.

## **Market Segmentation**

The target customers include oriental vegetable markets demanding organic and semi-organic green vegetables, vegetable processors, and private individual buyers through direct selling and farmers markets. The company will continue to service the existing customers of the purchased vegetable farms. In its greens production the company will target virtually all main food outlets. The company plans to use the Internet as one of its marketing channels in the future.

The company's target customers will be as follows:



**Vegetables:**

- Oriental vegetable markets demanding organic and semi-organic vegetables.
- Vegetable processors.
- People approaching the farm.
- Roadside stands and farmers' markets.

**Product-Bagged Manure:**

- Nursery and Garden Centers.
- Private customers approaching facility.
- Bulk customers.

**Target Market Segment Strategy**

The Market Analysis table shown below reflects the total number of potential customers for Farmers Group. The number of Oriental markets and vegetable processors represent national estimates of industry participants, whereas the number of individual buyers represents the estimated annual number of individuals that will be driving by the farm.

**Market Analysis**

<i>Market Analysis</i>		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Vegetable processors	3%	5,000	5,150	5,305	5,464	5,628	3.00%
Oriental vegetable markets	1%	25,000	25,250	25,503	25,758	26,016	1.00%
Individual buyers	5%	300,000	315,000	330,750	347,288	364,652	5.00%
<b>Total</b>	4.68%	330,000	345,400	361,558	378,510	396,296	4.68%

## **Industry Analysis**

Lagos State is one of the premier farming areas of Nigeria. This creates an intensely competitive environment with a large number of industry participants. Since almost all of the produce is considered to be commodities, and large scale buyers are more consolidated than the farmers themselves, overall margins are small and rivalries for wholesaler contracts are strong. Competitive threats come from three main segments:

- Imported vegetables of lower quality.>
- Mississippi pound raised vegetables.
- Lagos vegetable producers.

## **Strategy and Implementation Summary**

The Farmers Group strategy is to profitably and efficiently utilize present and future agricultural technology in the production of vegetables. The company, by acquiring an existing profitable vegetable farm with all the necessary custom-innovated equipment, will gain a significant industry advantage. Additional application and utilization of horticultural technology in the production of strawberries will allow double utilization of the climate controlled portion of the overhead. Farmers Group hopes to consolidate considerable goodwill already created by exercising the option of not adding another high-production facility to the present supply-demand scenario.

The company's goals in the first year are to:

- Prepare the future site.
- Relocate and expand Green Acres vegetable system and get it operational.
- Integrate greens culture into the system.
- Have the composting system in full production by early spring of the second year.

The company's long-term plan is to phase out whichever products are least lucrative and replace them with products that are practical and cost efficient.

## **Sales Strategy**

Farmers Group will initially market and supply its products to target customers. The company is further exploring marketing opportunities on the Internet. To this extent, the company would like to set up a website to market its products.

The company will utilize aggressive advertising strategies to further market its products. These strategies include the promotion of products through the sponsoring of spots on cooking shows and exhibitions, and also engaging prominent chefs to help promote this fledgling industry.

The company sets its pricing based on market rates as far as vegetable products are concerned.

Farmers Group's pricing for strawberries will exceed the average market price for the following reasons:

- Taste sampling at outlets will be encouraged.
- Unparalleled flavor superiority will addict greens tasters.
- Promotion of pesticide-free, fumigant-free cultural techniques of soil, environment, ozone, and health-friendly production techniques.
- At Farmers Group, the sales process is primarily the same for vegetables as it is for composting products, in that both products will be mainly sold through wholesale marketing. As in the past, live shipments will be delivered by contract carriers in special oxygenated tanks carrying 8,000 vegetables or more, and will be continued as demanded. Farmers Group's bagged manure products will be delivered and unloaded in sizable wholesale quantities by the pallet.
- Smaller, more local orders will significantly increase the overall sales when the 300-450 live vegetables carrying tank system is put into service late in 2018 or early in 2019.
- The company's average sales cycle from first contact to closing of the sale is approximately 3 to 12 days for vegetable products. Farmers Group plans to shorten this cycle. Furthermore, the company estimates that from first contact to sale conclusion, the cycle for fresh strawberries will run 3 days or less. Composted products sale cycle should run from 3 to 12 days.
- Direct sales contacts of vegetable markets by delivery personnel, as well as cold calling by telephone of potential market outlets, will also be employed.

### Sales Forecast

<i>Sales Forecast</i>					
	Year 1	Year 2	Year 3	Year 4	Year 5
Sales					
Sales	₱575,000	₱700,000	₱850,000	₱889,100	₱927,331
Other	₱0	₱0	₱0	₱0	₱0
<b>Total Sales</b>	<b>₱575,000</b>	<b>₱700,000</b>	<b>₱850,000</b>	<b>₱889,100</b>	<b>₱927,331</b>
Direct Cost of Sales					
Sales	₱391,000	₱478,100	₱578,850	₱601,032	₱627,803
Other	₱0	₱0	₱0	₱0	₱0
<b>Subtotal Direct Cost of Sales</b>	<b>₱391,000</b>	<b>₱478,100</b>	<b>₱578,850</b>	<b>₱601,032</b>	<b>₱627,803</b>

## **Government Support and Regulation**

The Company conforms to the economic diversification objective of the government. It also supports foreign exchange and import reduction conservation of government. It creates economic opportunities, market access, and improved income for farmers and support food security objective of government. The Company will benefit from government intervention fund in the agriculture sector. The project will also benefit from the favourable policy of zero duty for agricultural and equipment import. Restriction of forex for all food products will also widen market opportunity. The project will contribute significantly to employment, output increase, stable price and stable exchange rate.

## **Start-up Funding**

### **Funding Requirements and Uses**

The company is seeking to raise of ₦830,000 for the purpose of financing the acquisition of the Green Acres Vegetable Farm and Mobile Farmers Vegetable Farm, facilities modifications, equipment, and funding operating expenses. Another ₦1,000,000 will be invested in the company by its four co-owners. The following is a breakdown of how the funds will be used:

<b>Breakdown of Use of Funds</b>	
<b>Acquisition:</b>	
Property	₦1,300,000
Equipment System	₦400,000
<b>Sub-total</b>	<b>₦1,700,000</b>
<b>Operating Expenses:</b>	
Salaries	₦80,000
Marketing and promotion	₦10,000
Other operating expenses	₦10,000
<b>Sub-total</b>	<b>₦100,000</b>
<b>Total</b>	<b>₦1,800,000</b>

## Start-up Funding

<i>Start-up Funding</i>	
Start-up Expenses to Fund	¥684,600
Start-up Assets to Fund	¥1,145,400
Total Funding Required	¥1,830,000
Assets	
Non-cash Assets from Start-up	¥900,000
Cash Requirements from Start-up	¥245,400
Additional Cash Raised	¥0
Cash Balance on Starting Date	¥245,400
Total Assets	¥1,145,400
Liabilities and Capital	
Liabilities	
Current Borrowing	¥400,000
Long-term Liabilities	¥400,000
Accounts Payable (Outstanding Bills)	¥30,000
Other Current Liabilities (interest-free)	¥0
Total Liabilities	¥830,000
Capital	
Planned Investment	
Investor 1	¥250,000

Investor 2	₱250,000
Investor 3	₱250,000
Investor 4	₱250,000
Other	₱0
Additional Investment Requirement	₱0
Total Planned Investment	₱1,000,000
Loss at Start-up (Start-up Expenses)	(₱684,600)
Total Capital	₱315,400
Total Capital and Liabilities	₱1,145,400
<b>Total Funding</b>	<b>₱1,830,000</b>

### **Important Assumptions**

#### **Nature and Limitation of Projections**

This financial projection is based on sales volume at the levels described in the sales forecast section and presents, to the best of management's knowledge, the company's expected assets, liabilities, capital, and revenues and expenses. The projections reflect management's judgment of the expected conditions and its expected course of action given the hypothetical assumptions.

#### **Nature of Operations**

The company is in the business of vegetable farming, greens cultivation, and composting. The company expects to be operating in 2000.

#### **Revenues**

The company's revenue is derived primarily from the sale of vegetables, strawberries, and bagged composted manure products.

**Expenses**

The company's expenses are primarily those of salaries, utilities, and insurance costs. Other expenses are based on management's estimates and industry averages.

**Conclusion**

The Company's plan is technically feasible and commercially viable. It is therefore recommended for funding.