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**DEPARTMENT:
MECHANICAL
ENGINEERING**

**COURSE CODE:
AFE 202**

COURSE: FOOD PRODUCTION AND HEALTH AWARENESS

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

Enterprise; Dairy Farming.

OBJECTIVES:

Dairy farming practice is that safe, quality milk should be produced from healthy animals using management practices that are sustainable from an animal welfare, social, economic and environmental perspective.

To achieve this objective, dairy farmers should apply good practice in the following areas:

- animal health;
- milking hygiene;

- nutrition (feed and water);
- animal welfare;
- environment; and
- socio-economic management.

1. ANIMAL HEALTH

Animals that produce milk need to be healthy and an effective health care programme should be in place.

2. MILKING HYGIENE

Milk should be harvested and stored under hygienic conditions. Equipment used to harvest and store milk should be suitable and well maintained.

3. NUTRITION (FEED AND WATER)

Animals need to be fed and watered with products of suitable quality and safety.

4. ANIMAL WELFARE

Animals should be kept according to the following 'five freedoms':

- Freedom from thirst, hunger and malnutrition
- Freedom from discomfort

- Freedom from pain, injury and disease
- Freedom from fear
- Freedom to engage in relatively normal patterns of animal behavior

5. ENVIRONMENT

Milk production should be managed in balance with the local environment surrounding the farm.

6. SOCIO-ECONOMIC MANAGEMENT

Dairy farming provides economic and social benefits to farmers and their wider communities.

Good dairy farming practice can also help to manage the social and economic risks to the enterprise.

OVERVIEW;

There are several business opportunities available in the agricultural industry and dairy farming is one of them. One good thing about the agriculture industry is that there is market for all the produce from the industry. A dairy farm is of course a thriving and profitable business because of usefulness of beef and milk. People eat beef, drink their milk, and use their fur and skin. With cattle milk, cheese can be made, along with other dairy products.

Companies in the dairy farms industry primarily raise cattle for milk. Although this industry basically engage in the sale of raw milk and excludes the production of drinkable fluid milk and

processed dairy products like butter, cheese and powdered milk, some dairy farms can still go ahead to accommodate other related business within the industry as long as they have the capacity to do so.

In recent time, the price of raw milk has been highly volatile, resulting to fluctuations in revenue for the Dairy Farms industry. For example, in 2011, the price of milk bounced back from the recession and pushed up by increasing global demand, resulting to appreciable growth in revenue generation. It was projected that in 2016, an oversupply of dairy products is expected to cause revenue to drop further in the industry.

However, despite all the volatility, the industry is expected to experience appreciable growth going forward. For the time being, the price of cattle feed, which typically makes up about half of the average dairy farm's total expenses, has been nose diving as far back as 2014, significantly strengthening industry profit margins.

The Dairy Farms Industry is indeed a large industry and pretty much active in countries such as United States of America, Israel, Argentina, Holland, Egypt, China, Germany, Turkey and Nigeria et al. There is no single dairy farm company that has dominate market share in the industry hence smaller dairy farms business can successfully make profits.

Statistics has it that in the United States of America alone, there are about 42,536 registered and licensed dairy farms business responsible for employing about 345,672 and the industry rakes in a whooping sum of \$47 billion annually. The industry is projected to enjoy 1.3 percent annual growth.

As an aspiring entrepreneur who is looking towards leveraging on the agriculture industry to generate huge income, then one of your best bet is to start dairy farms business. Dairy farms business is all about mass – breeding of cattle (cows, oxen, bulls, bullocks, steers, heifers and calf et al) for the sole aim of generating raw milk in commercial quantities and of course making profits.

Just like any other business, if you are able to conduct your market research and feasibility studies before launching your dairy farms, you are more likely not going to struggle to sell your raw milk and other dairy products because there are loads of people out there who eat beef, drink milk and industries that make use of byproducts from cattle in manufacturing their products.

Lastly, there are few barriers to entry into the dairy farms industry. Usually, all inputs are readily available. In the nearest future, players in this industry may face the highest costs associated with accessing technology, especially in relation to genetic modification engineering in livestock breeding.

So also, intellectual property rights protecting new inventions and technology may mean that new entrepreneurs coming into the industry will need to pay license fees and this of course will cause increase in the start – up fee for starting a dairy farm cum cattle rearing business.

IMPORTANCE;

1. Milk Increases Food Security, Nutrition and Incomes

Dairy farming is an important way for farmers to increase their earnings and access to more nutritious food for their families. While subsistence dairy farming provides not only fresh milk and a source of basic income, value-added products, such as yogurt and cheese, provide a higher source of revenue. Through local technical support, USADF works with producer groups to find ways to add value to products so farmers can earn a living wage.

2. Dairy Farming Empowers Women

In Africa, dairy farming is a major source of income for women. Tending cows allows women to stay close to the household and local village while maintaining their status as income-earners for their families. In Uganda,

3. High Demand for Locally Produced Milk

In many African communities, there is a strong demand for milk that is produced locally. In countries like Zimbabwe, which imports over half its milk each year, demand for fresh dairy products significantly outstrips domestic production and supply.

These are the areas we will concentrate on in our dairy farms business. If need arises we will definitely add more related animal breeding services to our list;

- Milking dairy cattle
- Dairy support services

- Dairy cattle farming
- Farrier services
- Sale and export of cotton wool and other dairy products
- Sale of Cattle and milk
- Sale of processed meat (beef) / can – beef (Processed Dairy foods, and can beef et al)
- Shearing services
- Dairy farming related consultancy and advisory services

Roles and Responsibilities

Chief Operating Officer:

- Increases management's effectiveness by recruiting, selecting, orienting, training, coaching, counselling, and disciplining managers; communicating values, strategies, and objectives; assigning accountabilities; planning, monitoring, and appraising job results; developing incentives; developing a climate for offering information and opinions; providing educational opportunities.
- Responsible for providing direction for the business
- Creates, communicates, and implements the organization's vision, mission, and overall direction – i.e. leading the development and implementation of the overall organization's strategy.
- Responsible for signing checks and documents on behalf of the company
- Evaluates the success of the organization

General Dairy Farm Manager

- Responsible for the planning, management and coordinating all farm activities across the various sections on behalf of the organization
- Supervise other section manager
- Ensures compliance during project executions
- Provides advice on the management of farming activities across all section
- Responsible for carrying out risk assessment
- Uses IT systems and software to keep track of people and progress of the growth of cattle
- Responsible for overseeing the accounting, costing and sale of raw milk and other dairy products
- Represent the organization's interest at various stakeholders meetings
- Ensures that dairy farm goals desired result are achieved, the most efficient resources (manpower, equipment, tools and chemicals et al) are utilized and different interests involved are satisfied. Responsible for preparing financial reports, budgets, and financial statements for the organization
- Oversee the smooth running of the daily farming activities across the various farming sections.

Administrator / Accountant

- Responsible for overseeing the smooth running of HR and administrative tasks for the organization

- Defines job positions for recruitment and managing interviewing process
- Carries out staff induction for new team members
- Responsible for training, evaluation and assessment of employees
- Responsible for preparing financial reports, budgets, and financial statements for the organization
- Responsible for financial forecasting and risks analysis.
- Responsible for developing and managing financial systems and policies
- Responsible for administering payrolls
- Ensures compliance with taxation legislation
- Handles all financial transactions for the farms
- Serves as internal auditor for the farms

Sales and Marketing Officer

- Identifies, prioritizes, and reaches out to new partners, and business opportunities et al
- Identifies development opportunities; follows up on development leads and contacts; participates in the structuring and financing of new business
- Writes winning proposal documents, negotiate fees and rates in line with company policy
- Responsible for handling business research, market surveys and feasibility studies for clients
- Responsible for supervising implementation, advocate for the customer's needs, and communicate with clients

- Develops, executes and evaluates new plans for expanding increase sales
- Documents all customer contact and information
- Represents the company in strategic meetings
- Helps to increase sales and growth for the company

Field Workers / Contract Staff

- Responsible for milking cattle as instructed by the general dairy farms manager
- Responsible for feeding cattle and other livestock as instructed by the supervisor
- Responsible for cleaning the cattle ranch
- Change the water in the water trough / trench as instructed by the supervisor on a regular basis
- Handles farm implements and machines as instructed by the section manager / supervisor
- Assist in handling the breeding of cattle
- Carries out task in line with the stated job description
- Assist in transport working tools and equipment from the dairy farm and back to the designated store room
- Handles any other duties as assigned by the dairy farm manager

Client Service Executive / Front Desk Officer

- Welcomes guests and clients by greeting them in person or on the telephone; answering or directing inquiries.

- Ensures that all contacts with clients (e-mail, walk-In centre, SMS or phone) provides the client with a personalized customer service experience of the highest level
- Through interaction with clients on the phone, uses every opportunity to build client's interest in the company's products and services
- Manages administrative duties assigned by the cattle ranch manager in an effective and timely manner
- Consistently stays abreast of any new information on the company's products, promotional campaigns etc. to ensure accurate and helpful information is supplied to clients
- Receives parcels / documents for the company
- Distributes mails in the organization
- Handles any other duties as assigned my the line manager
- **Strength:**

Our strength as a cattle rearing business is the fact that we have healthy relationships with loads of major players (agriculture merchants) in the dairy farms industry; both suppliers and buyers of raw milk in commercial quantity within and outside of the United States.

We have some of the latest cattle rearing machines; tools and equipment that will help us breed our cattle (cows, oxen, bulls, bullocks, steers, heifers and calf et al) in commercial quantities with less stress. Aside from our relationship (network) and equipment, we can confidently boast that we have some the most experienced hands in the dairy farms industry under our payroll.

- **Weakness:**

Our weakness could be that we are a new dairy farms business in the United States and we may not have the required cash to pump into the publicity of our business. We are aware of this and from our projection will overcome this weakness with time and turn it to a major advantage for the business.

- **Opportunities:**

The opportunities that are available to us cannot be quantified. The fact that almost everybody in the world drinks milk and dairy farms products makes the business highly marketable. We know that there are loads of homeowners, businesses and industries that will source for raw milk and other dairy products both in the United States of America and other parts of the world. We are well positioned to take advantage of these opportunities as they come our way.

- **Threat:**

Some of the threats and challenges that we are likely going to face when we start our own dairy farms are global economic downturn that can impact negatively on household spending, bad weather cum natural disasters (draughts, epidemics), unfavorable government policies and the arrival of a competitor (a dairy farm or even cattle rearing farm that are also into production of raw milk) within same location.

There is hardly anything you can do as regards this threats and challenges other than to be optimistic that things will continue to work for your good.

MARKET ANALYSIS

- **Market Trends**

A close study of the dairy farming industry shows that most dairy farms that has the capacity do not just concentrate in the commercial production of raw milk for households and businesses that are involved in the production of fluid milk products, cheese, dry, condensed and evaporated milk, creamery butter and yogurt et al.

They go as far as establishing a standard milk and beef processing company in line with their core business. It is a means of maximizing profits and increasing source of revenue generation.

Despite the fact that dairy farm has been in existence since time immemorial, that does not in any way make the industry to be over saturated; dairy farmers are exploring new technology to continue to improve raw milk production processes and also meat and milk preservation and packaging process. The fact that there is always a ready market for raw milk and other dairy products makes the business ever green.

Lastly, one of the notable trends in dairy farms industry is that with the recent advancement in technology dairy farmers can now improve the various breeds of the animals they are breeding so as to increase the quantity of milk they produce per time.

As a matter of fact, it is now easier for dairy farmers to comfortably import the kind of breed of domestic animal they want to breed from any country of their choice and also advancement in technology has made it easier to cross – breed different animal.

Our Target Market

As expected, the target market of those who are the end consumer of dairy farms produce and also those who benefits from the business value chain of the agriculture industry is all encompassing; it is far – reaching. Every household consumes produce from livestock farms be it meat, milk, and the skin (leather) used for bags, belts and shoes production et al.

So also a large chunk of manufacturing companies depends on dairy farms for some of their raw materials. In essence a dairy farmer should be able to sell his or her raw milk and other dairy products to as many people as possible.

We will ensure that we position our business to attract consumers of raw milk and other dairy products not just in the United States of America alone but also other parts of the world which is why we will be exporting some of our dairy farm produce either in raw form or processed form to other countries of the world.

Our Competitive Advantage

From experience, entrepreneurs are known to flock towards an industry that is known to generate consistent income which is why there are more dairy farms in the United States of America and of course in most parts of the world.

As a matter of fact, entrepreneurs are encouraged by the government to embrace commercial farming / dairy farming. This is so because part of the success of any nation is her ability to cultivate her own food and also export foods to other nations of the world.

SALES AND MARKETING STRATEGY

It is a known fact that the reason why some dairy farms hardly make good profits is their inability to sell off their raw milk and other dairy products to a larger market. In view of that, we decided to set up a standard meat and milk processing and packing plant to help us maximize profits.

Over and above, we have perfected our sale and marketing strategies first by networking with agriculture merchants and companies that rely on raw materials from the dairy farms industry who are likely to refer become our customers.

- Introduce our business by sending introductory letters alongside our brochure to stakeholders in the agriculture industry, companies that rely on the dairy farms industry for their raw materials, hotels and restaurants and agriculture produce merchant et al.
- Advertise our business in agro – allied and food related magazines and websites
- List our dairy farms on yellow pages ads (local directories)
- Attend related agriculture and food expos, seminars, and business fairs et al
- Leverage on the internet to promote our business
- Engage in direct marketing
- Encourage the use of word of mouth marketing (referrals)

Sources of Income

In essence we are not going to rely only on the sale of raw milk and other dairy products to generate income for the business. Below are the sources we intend exploring to generate income

- Milking dairy cattle
- Dairy support services
- Dairy cattle farming
- Farrier services
- Sale and export of cotton wool and other dairy products
- Sale of Cattle and milk
- Sale of processed meat (beef) / can – beef (Processed Dairy foods, and can beef et al)
- Shearing services
- Dairy farming related consultancy and advisory services

Sales Forecast

From the survey conducted, we were able to discover that the sales generated by a dairy farm depends on the size and capacity of the dairy farms and of course the network of the business.

We have perfected our sales and marketing strategies and we are set to hit the ground running and we are quite optimistic that we will meet or even surpass our set sales target of generating enough income / profits from the year of operations and build the business from survival to sustainability.

We have been able to critically examine the dairy farms industry and we have analysed our chances in the industry and we have been able to come up with the following sales forecast.

The sales projection is based on information gathered on the field and some workable assumptions as well with respect to the nature of dairy farms business that we run.

- **First Fiscal Year-:** \$250,000
- **Second Fiscal Year-:** \$650,000
- **Third Fiscal Year-:** \$900,000

N.B: This projection is done based on what is obtainable in the industry and with the assumption that there won't be any major economic meltdown that can impact negatively on household spending, bad weather cum natural disasters (draughts, epidemics), and unfavourable government policies.

- **Our Pricing Strategy**

We are fully aware that some of the key factors that will help us sell our raw milk and other dairy farm products at the right price that will guarantee that us making profits is dependent on our strategy while some of the factors are beyond our control.

For example, if the climatic condition is unfavourable and if there is natural disaster in the location where we have our dairy farm, then it will directly affect the prices of our raw milk and other dairy farm products.

The truth is that, if we want to get the right pricing structure for our raw milk and other dairy products, then we must ensure that we choose a good location for our dairy farms, choose a good breed that will guarantee steady and multiple breeding (prolific breeds), cut the cost of running our farm to the barest minimum

And of course try as much as possible to attract buyer to our farm as against taking our raw milk and other dairy products to the market to source for buyers; with this, we would have

successfully eliminate the cost of transporting the goods to the market and other logistics that can impact on our operational cost.

We are quite aware that one of the easiest means of penetrating the market and acquiring loads of customers for all our raw milk and other dairy products is to sell them at competitive prices hence we will do all we can to ensure that the prices of our produce are going to be what other dairy farms and even commercial livestock farmers who are into the sale of raw milk would look towards beating.

One thing is certain, the nature of dairy farms business we are involved in makes it possible for farmers to place prices for their raw milk and other dairy products based on their discretion without following the benchmark in the industry. The truth is that it is one of the means of avoiding running into loss. The easier you sell off your raw milk and other dairy products the better for your business.

- **Payment Options**
- Payment via bank transfer
- Payment with cash
- Payment via online bank transfer
- Payment via check
- Payment via bank draft
- Payment via mobile money

In view of the above, we have chosen banking platforms that will enable our client make payment for farm produces purchase without any stress on their part. Our bank account numbers will be made available on our website and promotional materials to clients who may want to deposit cash or make online transfer for our raw milk and other dairy products.

Publicity and Advertising Strategy

Any business that wants to grow beyond the corner of the street or the city they are operating from must be ready and willing to utilize every available means (both conventional and non – conventional means) to advertise and promote the business. We intend growing our business which is why we have perfected plans to build our brand via every available means.

We know that it is important to create strategies that will help us boost our brand awareness and to create a corporate identity for our cattle rearing business. Below are the platforms we want to leverage on to boost our dairy farms brand and to promote and advertise our business;

- Place adverts on both print (newspapers and magazines) and electronic media platforms
- Sponsor relevant community based events / programs
- Leverage on the internet and social media platforms like; Instagram, Facebook , twitter, YouTube, Google + et al to promote our business
- Install our Bill Boards on strategic locations all around Pierre – South Dakota
- Engage in road show from time to time in targeted neighbourhoods
- Distribute our fliers and handbills in target areas

- Contact corporate organizations and residence in our target areas by calling them up and informing them of Columbus & Sons Dairy Farms, LLC and the dairy farm produce we sell
- List our dairy farms in local directories / yellow pages
- Advertise our dairy farms in our official website and employ strategies that will help us pull traffic to the site.
- Ensure that all our staff members wear our branded shirts and all our vehicles and trucks are well branded with our company logo et al.

Financial Projections and Costing

When it comes to calculating the cost of starting a dairy farm, there are some key factors that should serve as a guide. The capacity of the raw milk to be produced per time and other related dairy products will determines the total cost of setting up the business.

Besides, in setting up any business, the amount or cost will depend on the approach and scale you want to undertake. If you intend to go big by renting / leasing a big facility, then you would need a good amount of capital as you would need to ensure that your employees are well taken care of, and that your facility is conducive enough for workers to be creative and productive.

This means that the start-up can either be low or high depending on your goals, vision and aspirations for your business. The tools and equipment that will be used are nearly the same cost everywhere, and any difference in prices would be minimal and can be overlooked.

As for the detailed cost analysis for starting a dairy farms business; it might differ in other countries due to the value of their money. Below are some of the basic areas we will spend our start – up capital in setting up our dairy farms;

- The Total Fee for incorporating the Business (dairy farm) in United States of America – **\$750.**
- The amount needed to acquire / lease a dairy farm land – **\$50,000**
- The amount required for preparing the farm land (cattle ranch / dairy farm) – **\$50,000**
- Legal expenses for obtaining licenses and permits as well as the accounting services (software, P.O.S machines and other software) – **\$3,300.**
- Marketing promotion expenses for the grand opening of Columbus & Sons Dairy Farms, LLC in the amount of **\$3,500** and as well as flyer printing (2,000 flyers at \$0.04 per copy) for the total amount of **\$3,580.**
- The total cost for hiring Business Consultant – **\$2,500.**
- The total cost for payment of insurance policy covers (general liability, workers' compensation and property casualty) coverage at a total premium – **\$9,400**
- The amount required for the purchase of the first set of cattle – **\$10,000**
- The cost for acquiring the required working tools and equipment and milking machines et al– **\$50,000**
- Operational cost for the first 3 months (salaries of employees, payments of bills et al) – **\$60,000**
- The Cost of Launching an official Website – **\$600**
- Additional Expenditure (Business cards, Signage, Adverts and Promotions et al) – **\$2,000**

Sustainability and Expansion Strategy

The future of a business lies in the numbers of loyal customers that they have the capacity and competence of the employees, their investment strategy and the business structure. If all of these factors are missing from a business (company), then it won't be too long before the business close shop.

We know that one of the ways of gaining approval and winning customers over is to sell our raw milk and other dairy products a little bit cheaper than what is obtainable in the market and we are well prepared to survive on lower profit margin for a while. As a matter of fact, profit-sharing arrangement will be made available to all our management staff and it will be based on their performance for a period of six years or more. We know that if that is put in place, we will be able to successfully hire and retain the best hands we can get in the industry; they will be more committed to help us build the business of our dreams.

Check List / Milestone

- Business Name Availability Check: **Completed**
- Business Registration: **Completed**
- Opening of Corporate Bank Accounts: **Completed**
- Securing Point of Sales (POS) Machines: **Completed**
- Opening Mobile Money Accounts: **Completed**
- Opening Online Payment Platforms: **Completed**
- Application and Obtaining Tax Payer's ID: **In Progress**
- Application for business license and permit: **Completed**

- Purchase of Insurance for the Business: **Completed**
- Leasing of farm land and building of standard dairy farm: **In Progress**
- Conducting Feasibility Studies: **Completed**
- Generating capital from family members: **Completed**
- Applications for Loan from the bank: **In Progress**
- Writing of Business Plan: **Completed**
- Drafting of Employee's Handbook: **Completed**
- Drafting of Contract Documents and other relevant Legal Documents: **In Progress**
- Design of The Company's Logo: **Completed**
- Graphic Designs and Printing of Packaging Marketing / Promotional Materials: **In Progress**
- Recruitment of employees: **In Progress**
- Purchase of the Needed furniture, racks, shelves, computers, electronic appliances, office appliances and CCTV: **In progress**
- Creating Official Website for the Company: **In Progress**
- Creating Awareness for the business both online and around the community: **In Progress**
- Health and Safety and Fire Safety Arrangement (License): **Secured**
- Opening party / launching party planning: **In Progress**
- Compilation of our list of products that will be available in our dairy farms: **Completed**
- Establishing business relationship with vendors – key players and merchant in the industry: **In Progress**

