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AFE 202

Pharmacology

QUESTION

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

ANSWER

Introduction

A business plan is a written document that extensively outlines what a business is, where it is going, and how it will get there. The plan outlines in specific terms the financial objectives of the business and how it will position itself to achieve those goals in the context of the present market environment. A business plan is an indispensable tool to attract capital. A plan contains what is intended and how it will be done. A plan has to involve WHY, WHAT, WHERE, WHEN, HOW and HOW MUCH. Writing a plan forces you to look deep at the idea and how you will turn it into a business, it also helps to recognize areas that need adjustments. A business plan should be written by the entrepreneur more so, some experts may be involved such as Accountants, Marketing and Management Consultants, Engineer. A business plan is an extension of an individual's desires, goals, philosophies, skills and abilities, If the entrepreneur is not directly involved then it cannot be an effective business plan. The changing world of technology offers new opportunities for entrepreneurs to be able to access information for many business activities efficiently, expediently, and for a little cost, the internet can be very useful in terms of industry analysis, competitor analysis, and measurement of market potential. The internet also provides an avenue for marketing in terms of creation of home page and website. It also enhances the opportunities to reach potential customers and creates a platform to access competitors' website to gain more knowledge about their strategy in the market place anonymously. There are a few very good reasons to put together a business plan which include:

- A business plan provides structure to thinking and helps make sure all grounds are covered.
- A business plan helps to provide direction by making the individual define where they want to take the venture and what they want out of it.
- A business plan urges the individual to think about the future.
- A business plan serves as a good communication tool.

BUSINESS PLAN FOR DEE FARMS.

Prepared by: A & T Consultants.

For: DEE Poultry Farms.

Note: This is to acknowledge that the information provided by DEE farms, kaduna state in the business plan is unique to this business and confidential therefore, anyone reading this plan is not to discuss the information in this business plan without permission.

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Executive Summary

DEE farms will be world renowned for the best poultry products and services. We will provide high quality poultry meat and eggs of different varieties. We will be exporting not just dressed chicken and eggs but also different types of live birds. Due to our size and capacity we will service not just the end users to provide table meat and eggs but also a host of other poultry farms and other industries. We have carried out a very thorough feasibility study on a wide range of poultry products and have carefully studied different business models for this business. In view of this we have only adapted the best model for not just for our business but also to enable us serve other industries well. Our handpicked business strategies adequately address the issues of quality as it relates to the genetic makeup of different bird species and hatchery technologies to make sure that only the best and finest bird products are out from our farm. It is important to note that we cannot achieve such a feat without highly trained and qualified hands on deck. That is why we will put up laboratories and hatcheries. As mentioned earlier, this is to help us to achieve great results and give the best quality. Our well trained professionals take into consideration every little detail. Yes, you heard me right, every little detail because we have a reputation to create. DEE farms sits on two hundred hectares of land on the outskirts of kaduna state, Nigeria. From there we service the whole of kaduna and the a few other states. We have also carried out a detailed market research to enable us to address the different problems peculiar to different environments.

Especially when it comes to live birds, we have researched that different climatic conditions have various health implications on birds. That is why we will invest a fortune in research to raise genetically modified disease resistant bird species which could also adapt easily to different climatic conditions. The increasing awareness of the health implications of red meat makes people globally to opt for poultry meat, which is healthier to consume. This single factor will spike the demand for poultry products.

Industry Analysis

This project will form part of the Poultry Industry and the greater Agricultural Industry of Nigeria. The Poultry industry is threefold as it is divided into the following sub-industries:

- Egg Production Industry
- The Broiler Industry
- The Day-Old Chick Supply Industry

The specific industry that the project will make direct and valuable contribution to will be the Egg Production Industry. Poultry Association of Nigeria (PAN) represents farmers making contribution to the Poultry Industry at large and is responsible for promoting, coordinating and contributing to the welfare of the Poultry Industry in Nigeria. The Poultry Industry is highly regarded in Nigeria as it is an industry that makes significant contribution towards 'feeding the nation'. The Poultry Industry provides 61.4% of animal protein consumed in Nigeria. The industry has gone through some changes in the past as a result of the Agricultural Industry being deregulated. This saw a reduction in production, lower margins in the early supply chain and a greater share of returns in the retail sector for most agricultural products. Recent studies have shown that the consumption of eggs is increasing steadily, the increase in consumption is anticipated to grow in future. Moreover, of the total egg production output, 65-70% is consumed in the household sector, while 30-40% of consumption is attributed to food service, industrial and commercial uses. Some Key issues that may be influencing the productivity of the industry include the following:

- Poultry related diseases such as Newcastle Disease and Avian Influenza.
- Urbanization.
- Redistribution of land.
- Imports posing great competition to local players.
- Raw material prices.
- Applicable product standards and regulations.
- Food safety certification.

Market Analysis

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. The main products of the project will 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 dressed chicken, live birds and 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.

Human Resources

Projected staff strength

	Year 1	Year 2	Year 3	Year 4	Year 5
Manager	2	2	2	2	2
Marketing Officer	4	4	4	8	8
Accountant	2	2	2	2	2
Operators	4	4	8	8	8
Packers	4	4	6	6	6
Cleaners	4	4	4	4	4
Security	4	4	4	4	4

Projected Total Compensation Package per annum.

Staff	Packages
Manager	400,000
Marketing Officer	350,000
Accountant	300,000
Operators	250,000
Packers	200,000
Cleaners	100,000
Security	70,000

Production Plan

After training, feeding and treating the birds for some weeks, the layers start egg production after 20-21 weeks, which means that we will start the supply and distribution after a few weeks. The broilers however take a lesser period of time to mature, they take 6-8 weeks and they are slaughtered, hung upside for blood drain, then defeathered using hot water. After they are cut open to remove waste products and the internal organs that can cause decay. The legs and head are then cut off and they are packaged, ready for supply and distribution. The live birds however are hatched at the hatchery and are immediately supplied and distributed. With this distribution strategy, we will supply 12,000 packages daily using 4 shifts of 6hrs each with 1hr break.

Organizational Plan

The form of ownership shall be private limited liability. It enhances the personality of the organization. A formal organizational structure demonstrating clear lines of communicating and reporting needs to be drawn up. This shall be accompanied by an account on the roles and responsibilities of each person in the team. At present, the project has a chairperson, accountants and managers. A recommended formal organizational structure and an account on roles and responsibilities have been provided in this business plan.

Risk Accessibility

In terms of the financial risk, this originates 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 minimized so as to ensure that this risk is minimized. There is a potential market risk in terms of competition from well-established poultry farms and suppliers, DEE poultry farm 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. This 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. Another risk that might face DEE poultry farms 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. The depreciating rand is also a factor to consider as it also affects prices of

procurement 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. DEE Poultry farm 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. 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 programs are not followed the business could suffer major financial losses. It is important that a proper vaccination program 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.

Financial Plan

The company intends to raise an amount of approximately 750,000,000 of seed capital. 250,000,000 has already been committed by management.

Current Capital Structure

Shares Authorized	Shares Issued
15,000,000 common	1,500,000 common
1,000,000 preferred	0 preferred

Current Shareholders:

Aisha Olatokun	300,000shares
Emmanuella emakpor	300,000 shares
Onjewu Claire	300,000 shares
Emmanuella Ibanga	300,000 shares

For 750,000,000, the investing party will receive 750,000 preferred shares, or 33.3% of the company. Preferred shares will include senior debt and anti-dilution provisions as negotiated.

Utilization of Proceeds:

Working capital

The proceeds from the offer will be used to fund the working capital requirements of the company (and its subsidiary and associated companies, if any).

Acquisition of assets

Land & building, plant & machinery, and other fixed assets will be purchased as and when deemed necessary to maximize the profits of the company

Cashflows incidental to the normal business operations of the company.

Funds will be used for the purpose of business operations of the company.

The most likely exit afforded investors will be through acquisition. If the company's actual operational and financial results are in any reasonable range of the projected results herein, the company will become an attractive asset to an acquisitive competitor or larger medical device company. No particular competitor or company is thought to be more likely than another to be interested.

Exceptional results would enhance the DEEbrand name and financial position, making new product development and the likelihood of new product success more plausible. In this scenario, the opportunity to raise capital and provide an investment exit to shareholders becomes more likely.

Projected Profit and Loss

Barring any unforeseen circumstances, DEE's poultry farms is anticipated to break-even by Year 3 of operations. Profits for the company in subsequent years will accelerate with the increase in anticipated sales volume.

Projected Cash Flow

It will be noted that the company's cash flow will be steadily declining for the first year of operations. This is expected due to large capital investments and initial slow sales. the company has calculated its financial plan so that it will have enough cash from investors and debt to survive until profitability reaches acceptable levels.

