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**MATRIC NUM: 18/SMS01/015**

**DEPARTMENT: ECONOMICS**

ASSIGNMENT

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

Answer

Outline

* Executive summary
* Company summary
* Products
* Market analysis summary
* Strategy and implementation summary
* Management summary
* Conclusion

**`EXECUTIVE SUMMARY**

Botanical farm is an existing farm dedicated to the production of botanical perennials. Botanical farm is working hard to become a leading producer of botanical plants for the natural supplement industry as well as plant nurseries. By leveraging a well thought out business plan executed by a skilled management team, Botanical farm will generate over 77,760,000 naira in year three sales.

Botanical farm is a 10 acre farm that concentrates on the growing of botanical medicinals. Botanical farm has chosen five plant species that have significant market demand as well being well suited for growth in the Willamette River Valley. Botanical farm will feature: Echinacea - an immune system booster; Ginseng - a source of energy; St John's Wort - for mild depression; Skullcap- for inflammation; and Ginger - a stomach soother.

Botanical farm has three distinct customers: supplement companies, processors of botanicals for supplement companies, and nurseries that resell the plants. The first two customers purchase the plants for use in their products which they ultimately sell to the end consumer.

Consumer surveys consistently find that nearly half of all Nigerians now use herbs - a statistic that is particularly remarkable when we realize that today's herbal products industry is just over a quarter century old.

Botanical farm will be lead by Mr and Mrs idowu. Mr Idowu brings a wealth of business and project management skills to the company. Mrs Idowu, with a background of plant biology will be the driving force of the operation, growing the highest active ingredient content plants in the country. Additionally, because of her wealth of knowledge, she will be the leader of the sales department. Over the last two years they have worked out all of the bugs related to production.

To finance our growth and full-time production, we need to purchase 12,600,000 naira worth of new equipment as long-term assets. To that end, we are seeking a 3,600,000 10-year loan. Sales forecasts conservatively indicate that 68,400,000 naira revenue will be generated in year two, rising to 77,760,000 naira the following year.

The Botanical farm has identified several objectives for the business:

1. Become a leading supplier of botanical perennials for the health/vitamin industry.
2. Reach the point of sustainable profitability.
3. Enjoy work while making a good living

It is Botanical farm's mission to become the leading provider of botanical perennials to the health/vitamin industry. This will be accomplished by providing quality plants at fair prices while exceeding customer's expectations.

**COMPANY SUMARRY**

Botanical farm has been in operation for two years. Initially it was started as a hobby where Mrs Idowu could use her plant biology skills while covering some of the costs. The Idowu's were able to achieve this lifestyle due to a windfall that Mr Idowu received as a result of exercised stock options. After the second year, the Idowu's decided that although they had the money to live on for many years, it would be irresponsible to needlessly spend it so they got serious about the business and made a concerted effort to become profitable.

**Past performance**

2000(naira) 2001(naira) 2002(naira)

Sales 0 16,200,000 16,740,000

Gross margin 0 12,960,000 13,172,400

Gross margin % 0.00% 28,800.00% 28,328.4%

Operating expenses 0 27,000,000 26,640,000

Balance sheet

|  |  |  |  |
| --- | --- | --- | --- |
| Balance Sheet |  |  |  |
|  | 2000(naira) | 2001(naira) | 2002(naira) |
| Current Assets |  |  |  |
| Cash | 0 | 18,000,000 | 12,600,000 |
| Accounts Receivable | 0 | 3,240,000 | 2,880,000 |
| Other Current Assets | 0 | 1,080,000 | 1,440,000 |
| **Total Current Assets** | **0** | **22,320,000** | **16,920,000** |
| Long-term Assets |  |  |  |
| Long-term Assets | 0 | 12,600,000 | 12,600,000 |
| Accumulated Depreciation | 0 | 2,520,000 | 2,520,000 |
| **Total Long-term Assets** | **0** | **10,080,000** | **10,080,000** |
| Total Assets | 0 | 32,400,000 | 27,000,000 |
| Current Liabilities |  |  |  |
| Accounts Payable | 0 | 4,320,000 | 4,712,400 |
| Current Borrowing | 0 | 0 | 0 |
| Other Current Liabilities (interest free) | 0 | 0 | 0 |
| **Total Current Liabilities** | **0** | **4,320,000** | **4,712,400** |
| Long-term Liabilities | 0 | 0 | 0 |
| **Total Liabilities** | **0** | **4,320,000** | **4,712,400** |
| Paid-in Capital | 0 | 0 | 0 |
| Retained Earnings | 0 | 28,080,000 | 22,287,600 |
| Earnings | 0 | 0 | 0 |
| **Total Capital** | **0** | **28,080,000** | **22,287,600** |
| Total Capital and Liabilities | 0 | 32,400,000 | 27,000,000 |
| Other Inputs |  |  |  |
| Payment Days | 0 | 0 | 0 |
| Sales on Credit | 0 | 0 | 0 |
| Receivables Turnover | 0.00 | 0.00 | 0.00 |

COMPANY OWNERSHIP

Botanical farm is owned by Mr and Mrs Idowu. The business formation has been chosen as a strategic way to shield the Idowus from personal liability.

**PRODUCTS**

Botanical farm offers a range of botanical perennials (plants where the root structure remains, allowing the plant to re-grow every year). Botanical perennials were chosen for two main reasons. The first is the medicinal value that they offer. Therefore the plants have a positive contribution to society by improving people's health. The second reason is that the market for medicinal herbs is a very strong industry with excellent growth, ensuring demand for their plants.

Botanical farm sells these; Ginger, ginseng, skullcap, Echinacea and St.John’s wort, excellent perennials in plant form for the botanicals to be extracted by their customers. Botanical farm concentrates on producing the healthiest plants which have the highest concentration of active botanicals.

Widely used as an alternative medicine ginger contains the valuable constituent aristolochic acid, scientific study shows it to have anti-inflammatory, antiviral, antitumor activity, cures warts in some cases and is a broad-spectrum antibacterial and antifungal. Skullcap is used in the treatment of a wide range of nervous conditions including epilepsy, insomnia, hysteria, anxiety, delirium tremens, withdrawal from barbiturates and tranquilizers. Ginseng stimulates and increases endocrine activity in the body. Promotes a mild increase in metabolic activity and relaxes heart and artery movements. Stimulates the medulla centers and relaxes the central nervous system. Echinacea has been used for years in alternative medicine to support the immune system, and to purify the blood, especially during season changes and during the cold and flu season. The flowers and leaves of St.John wort are medicinal as analgesic, antiseptic, antispasmodic, aromatic, astringent, digestive, diuretic, expectorant, stimulants, vulnerary, etc.

**MARKET ANALYSIS SUMMARY**

Botanical farm has identified three different target market segments which they will sell to:

* Supplement companies
* Processors
* Other nurseries/Garden centers

Supplement companies

This customer group manufactures botanical supplements for their own label products. The companies purchase the plants and extract the active ingredients and transform them into sellable products for their own brand.

Processors

These customers purchase the plants, extract the botanicals and either sell the concentrated botanicals to the end producers or they produce the supplement and sell the final product to other companies for their private label products. They act as a supplier/processor for the retail brands.

Other Nurseries/Garden Centers

This customer group purchases the plants which they in turn sell at retail to the individual end consumer. The typical consumer is a health conscious individual who is interested in either extracting the botanical from the plant immediately or growing the plant in their own garden for future use.

TARGET MARKET SEGMENT STRATEGY

Botanical farm has chosen 3 market segments based on the consistent demand for botanical extracts. While there are other potential customers, they are smaller, less consistent in terms of demand, and more difficult to reach. The supplement companies, processors, and to a smaller degree the nurseries are attractive customers due to their consistent demand and typical long-term contract needs. There is significant value to these customers for a grower to consistently offer the same high level of active botanicals in each plant and to be able to meet the needs of large volume, long duration contracts.

INDUSTRY ANALYSIS

The botanical perennial growing market is typically concentrated in several regions around Nigeria which have optimum growing conditions. While there are a couple mega farms, on the whole, 78% of the Nigerian production comes from growers with 5-20 acres of land. Approximately 23% of botanical extracts are grown abroad and imported into Nigeria. Reasons for botanical growth abroad is typically based on the type of herb and its ability to grow better in the respective region.

SUPPLEMENT MARKET

Surveys show that over 158 million consumers (over 55% of the Nigeria population) use dietary supplements. An estimated 115.3 million consumers buy vitamins and minerals for themselves, and 55.8 million purchase them for other members of their family, including children.

The basic reason cited for dietary supplement growth is the desire for self-care. Consumers use dietary supplement products to help them achieve their self-care goals that arise out of a sense of alienation from the established health care system. They also use supplements for very specific medicinal purposes such as treating and preventing serious illnesses, colds, and the flu; increasing mental sharpness; and alleviating depression.

The five main channels of distribution are: consumer-direct (includes direct mail/catalog, direct from sales representatives, multi-level marketing, Internet & infomercial/direct from television); food, drug, mass-market stores, health and natural food stores, healthcare professionals and practitioners, others.

Channel of Distribution % of $ Sales

|  |  |
| --- | --- |
| Consumer-direct | 42% |
| Food, drug, mass-market stores | 30% |
| Health & natural food stores | 20% |
| Healthcare professionals / practitioners | 4% |
| Other | 4% |

**STRATEGY AND** **IMPLEMENTATION SUMMARY**

Botanical farm will leverage their competitive edge in order to gain significant market share. Their competitive edge is their ability to consistently produce plants with high active botanical percentages as well as a high ratio of healthy plants (sellable).

The marketing strategy will have the objective of raising awareness and visibility of their industry-leading percentages of active botanicals. The strategy will communicate the fact that Botanical farm’s plants will yield a significantly higher amount of botanicals measured per plant.

The sales strategy, in addition to reinforcing the competitive edge, will seek to qualify leads by concentrating on Botanical farm’s ability to perform reliably on long-term contracts, becoming a stable supplier to the larger companies that need a steady supply stream.

**Marketing Strategy**

The marketing strategy will be based on generating awareness and visibility of Botanical farm and their ability to produce the highest percentages of botanicals. The strategy will rely on several different forms of communication. The main form is participation in the numerous trade shows for the industry. The trade shows are where everyone from the industry gathers to meet and transact business. It is a wonderful place to network as well as learn about new developments in the industry. The second form of communication will be the use of advertisements. The main venues for advertisements will be industry trade magazines. The trade magazines are a well read source of information that buyers and sellers refer to for many different transactions.

SALES STRATEGY

Botanical farm’s sales strategy efforts will focus on identifying qualified leads and turning them into paying customers. The main sales effort that Botanical farm will undertake is the reinforcement of the fact that Botanical farm’s plants have the industry's highest percentage of botanicals. This will be quite appealing to the buyers as this is exactly what they want, more botanicals per plant. In addition to selling the buyers on Botanical farm’s competitive edge of potent plants, there will be an emphasis on Botanical farm’s ability to perform on long-term contracts. Botanical farm recognizes that the transactions should not be thought of as individual sales, but as long-term relationships. This is a reasonable assumption based on the fact that the customers are in the business of utilizing botanicals, that they will continually have the need for the botanicals, and that it is far less expensive to establish a relationship with one vendor than to continually have to find new vendors that can meet their needs.

SALES FORECAST

The sales forecast indicates that growth will be slow but steady. Growth will be slow because of the time and effort needed to develop the customers. Production is not the slowing element as Botanical farm has been in production for a couple of years. Granted they were not producing at the same level, or for that matter with the same goal of business efficiency, but nonetheless they will be able to reasonably raise production to meet the sales needs. During the wet months of the year, the forecast reflects a tapering of sales as production will fall during these months. There will however be some sales and production which will be moved inside to the greenhouses.

There are a few risks that could have a negative impact on sales. The first is weather. Plants are dependants on the weather. A poor growing season will have a serious effect on production. This risk is spread amongst all of the producers of the specific region meaning the weather risk is imposed on everyone, generally not a specific farmer. Another risk that could affect sales is some sort of pest that could unexpectedly negatively affect the crops. By planting multiple botanicals and choosing them based on their heartiness relative to the growing climate, Botanical farm is able to minimize these risks as much as possible.

Total sales

2003 – 30,542,040

2004 – 68,700,600

2005 – 77,980,680

### Milestones

The value of Botanical farm’s milestones is in creating a set of measurable activities that will be achievable goals. The achievement of the milestones will be closely monitored and the assigned person will be held accountable for hitting the milestones.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Milestones | | | | | |
| Milestone | Start Date | End Date | Budget | Manager | Department |
| Business plan completion | 1/1/2003 | 2/1/2003 | 0 | Mr Idowu | Strategic planning |
| First large contract | 1/1/2003 | 4/30/2003 | 0 | Mrs Idowu | Sales |
| $100K in revenue | 1/1/2003 | 4/4/2004 | 0 | Mrs Idowu | Sales |
| Profitability | 1/1/2003 | 7/30/2004 | 0 | Mr Idowu | Operations |
| **Totals** |  |  | **0** |  |  |

**MANAGEMENT SUMMARY**

PERSONNEL PLAN

* **Mr Idowu:** Operations including vendor relations, accounting, and some growing responsibility.
* **Mrs Idowu:** Head grower and sales. As head grower she is responsible for supervising, scheduling plant production, the cutting schedules, crop selection, growing schedules, fertilizer selection and application schedules, irrigation system development, and pest control. Because Mrs Idowu has the technical knowledge regarding the plants and their industry leading botanical concentrations, she will be in charge of sales which will include qualifying leads as well as participating in the final negotiations and account management.
* **Grower:** Mrs Idowu will have the assistance of a full-time grower in order to allow her to meet her sales responsibilities.
* **Laborers:** The laborer positions will be seasonal as there is more work required in the summer months, however, there will always be some laborers on staff throughout the year. Some of the responsibilities of the laborers are soil tilling, compost distribution, plant collections and trimming.

**FINANCIAL PLAN**

### Important Assumptions

The following table details important Financial Assumption

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **General Assumptions** | | | | | | |
|  | 2003 | | | 2004 | | 2005 |
| Plan Month | 1 | | | 2 | | 3 |
| Current Interest Rate | 10.00% | | | 10.00% | | 10.00% |
| Long-term Interest Rate | 4.00% | | | 4.00% | | 4.00% |
| Tax Rate | 30.00% | | | 30.00% | | 30.00% |
| Other | 0 | | | 0 | | 0 |
|  |  | | |  | |  |
|  |  | | |  | |  |
| **Break-even Analysis** | | | | |
| Monthly Revenue Break-even | | | 4,957,200 | |
| **Assumptions:** | |  | | |
| Average Percent Variable Cost | | 8% | | |
| Estimated Monthly Fixed Cost | | 4,585,320 | | |

**Pro Forma Profit and Loss**

Total cost of sales

2003 – 2,290,680

2004 – 5,152,680

2005 – 5,848,560

Net profit/sales

2003 - -92.2%

2004 – 4.51%

2005 – 9.29%

**PRO FORMA CASH FLOW**

Subtotal cash from operations

2003 – 28,722,600

2004 – 62,829,000

2005 – 76,552,920

Subtotal cash received

2003 – 64,722,600

2004 – 62,829,000

2005 – 76,552,920

Subtotal spent on operations

2003 – 59,160,600

2004 – 62,378,280

2005 – 67,945,320

Subtotal cash spent

2003 – 73,560,600

2004 – 65,258,280

2005 – 71,548,920

Cash balance

2003 – 3,762,000

2004 – 1,332,720

2005 – 6,336,360

**Pro Forma Profit and Loss**

2003 2004 2005

Total current asset 9,901,440 14,343,760 19,775,520

Total long-term assets 20,161,440 17,642,880 15,124,320

**Total assets 30,062,880 30,986,640 34,899,840**

Subtotal current liabilities 1,755,360 2,463,120 2,733,480

Total liabilities 35,955,360 33,788,120 30,453,480

Total capital (5,892,480) (2,796,480) 4,446,360

**Total liabilities and capital 30,062,880 30,986,640 34,899,840**

**CONCLUSION**

**Keys to Success**

Botanical Bounty will adhere to three keys that will be instrumental in its success:

1. Strict financial controls.
2. The never ending pursuit of the highest concentration of botanicals in every plant.
3. Ensuring that all customers needs are met and they are satisfied with the purchased products.