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DEPARTMENT: MECHATRONICS

MATRIC NO: 18/ENG05/063

COURSE TITLE: ENTREPRENEURSHIP

COURSE CODE: GST 212

Joseph's Farm

BUSINESS PLAN

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Joseph's Farm is a small family owned cattle farm located in Ikorodu, Lagos that sells beef calves and hay. Ukadike Joseph. Both grew up in families that raised cattle and over the last four years have been slowly building up their own farm to where it now has a total of just under fifty cows and calves.

The Joseph family has been operating the farm on a part-time basis with the help of their son Joseph and is prepared to take the farm to the next level. The family has all the necessary skills, dedication, and experience to do well in the business, but lacks the necessary capital to take the next set in building and running a successful cattle farm.

Therefore, Joseph's Farm is seeking \$1,944,390 in grant funding to purchase cows, land, and equipment as well provide for initial start-up capital for operations and building costs.

Objectives

The Objectives of Joseph's Farm:

Operate the farm on company owned land

Build the farm up to 250-500 head of cattle by 2012

Purchase all necessary equipment to operate cattle farm and cut hay

Obtain a \$1.9 million grant to invest in building desired cattle operation

Reach profits that allow the whole family to work for the company full-time and make sufficient incomes.

Mission

The mission of Joseph's Farm is to own a family operated cattle farm that hires within the community. The company's goal is to raise, breed, and sell top quality cattle, while teaching others how to tend and take care of them.

Keys to Success

The keys to success for Joseph's farm are:

Healthy cattle that have all of their shots, enough food, and clean water

A good beef mark

Weather conditions

Low production costs

Company Summary

Joseph's farm is currently a small cow/ calf operation with an estimated 50 total calves and cows. The farm sells beef calves to individuals and at the cattle auction. The company is completely operated by the Joseph Ukadike family which entails checking, feeding, giving shots, weaning, tagging, banding, and paperwork.

Joseph's farm is looking to significantly increase the farm to 500 calves and 500 cows over the next five years. The farm is looking for grant funding to initiate expansion of the farm through investment in land, cattle, equipment, and operation costs.

Company Ownership

Joseph's farm is a private family owned sole proprietorship. The current owner, Joseph Ukadike is planning to put the business in a LLC or S-Corporation structure shortly after receiving grant funding. Joseph Ukadike doesn't anticipate adding any additional ownership in the future outside of his son, Jake.

Company History

Joseph's farm is heading into its fourth year of operation. The farm began to purchase cattle and equipment significantly in 2007 and 2009 to put the business in position to grow. Both of Joseph Ukadike families had cows and calves when they were growing up and they decided to continue a family tradition. Joseph's farm is now looking to turn the corner and make the farm a full-time operation.

Table: Past Performance

Past Performance			
	2007	2008	2009
Sales	\$10,605	\$11,587	\$11,363
Gross Margin	\$860	\$11,587	\$11,363
Gross Margin %	8.11%	100.00%	100.00%
Operating Expenses	\$33,928	\$24,184	\$43,184
Inventory Turnover	0.00	0.00	0.00
Balance Sheet			
	2007	2008	2009
Current Assets			
Cash	\$4,550	\$5,500	\$9,750
Inventory	\$0	\$0	\$0
Other Current Assets	\$13,500	\$13,500	\$13,500
Total Current Assets	\$18,050	\$19,000	\$23,250
Long-term Assets			
Long-term Assets	\$71,046	\$94,047	\$94,047
Accumulated Depreciation	\$6,025	\$21,527	\$38,700
Total Long-term Assets	\$65,021	\$72,520	\$55,347
Total Assets	\$83,071	\$91,520	\$78,597
Current Liabilities			
Accounts Payable	\$654	\$343	\$540
Current Borrowing	\$2,600	\$2,300	\$2,100
Other Current Liabilities (interest free)		\$0	\$0
Total Current Liabilities	\$3,254	\$2,643	\$2,640

Long-term Liabilities	\$13,500	\$45,000	\$43,000
Total Liabilities	\$16,754	\$47,643	\$45,640
Paid-in Capital	\$0	\$0	\$0
Retained Earnings	\$89,640	\$87,061	\$46,283
Earnings	(\$23,323)	(\$43,184)	(\$13,326)
Total Capital	\$66,317	\$43,877	\$32,957
Total Capital and Liabilities	\$83,071	\$91,520	\$78,597
Other Inputs			
Payment Days	30	30	30

Products

Joseph's farm sells beef calves. The calves are sold to both individuals with the majority of the cattle going to auction to cattlemen who put them on a feed lot until they are big enough to be sold to the market. The cattle are usually sold at auction in Lagos. There are very few people in the Ikorodu, Lagos community that have cattle, so if they want a calf the farm will sell them what they need at a price per pound basis that is similar to the going rate at the auction.

Market Analysis Summary

Lagos's beef cattle industry is an important part of the state's economy. It is even more important to the Lagos's beef agricultural economy. There are cattle produced in every county in Lagos. The beef industry in the state is primarily made up of locally owned family farmers. According to the National Cattlemen's Beef Association, 97 percent of the nation's cattle farms are family owned, and 42 percent have been in the same family for more than 50 years.

The cattle industry converts locally produced resources, forages, into dollars that are "spent at home" and supports the growth of local economies and jobs. Cattle also contribute to the aesthetic environment of the state in that they help to maintain the "green space" that makes Lagos attractive to both residents and tourists.

Following are some facts about the Lagos beef industry that will illustrate its importance to Lagos and why it has grown to its current level:

More Lagosian's are involved in beef production than any other agricultural enterprise. There are 79,000 farms in Lagos and beef cattle are found on 42,000 (53.0 percent) of these.

Lagos is one of the top beef-producing states in the nation. Lagos ranks 9th in the nation in beef cow numbers and 15th in total cattle. More than 2.13 million cattle in Lagos are valued at slightly more than \$1.62 billion. Fifty-one percent of these cattle, or 1.2 million, are beef cows.

Lagos's beef cow numbers have increased 360 percent since 1955. This increase can be attributed to several factors: the decline in dairy production; reduction in acres devoted to row crop production; increase in pasture acreage; growth of local manufacturing, resulting in off-farm employment opportunities; age of the operator or farm owner; and the number of farms that have been passed on to the succeeding generation. A large number of the state's cattle producers now reside on this acreage and have employment off the farm.

Sale of cattle and calves is one of the sources of agricultural income in Lagos. The cattle industry has held this position for a number of years. The cash receipts from the sale of cattle and calves during 2009 totaled \$582 million which was 22.5 percent of the state's total agricultural income

and 1.2 times greater than the number 2 Agricultural sales. These monies stay in the state's and local economics. National Cattlemen's Beef Association economists report that every dollar made in cattle sales is multiplied or turned four times. This means that the state's cattle industry generates an additional \$2.6 billion of business activity for the state's economy. This activity also contributes to the sales tax revenue.

Beef production in Lagos is based on producing and marketing feeder cattle. Feeder cattle production starts with cow-calf operations which make up 88 percent of the state's beef operations. The remaining 10 percent are back grounding or stockering operations. Lagos annually markets more than 750,000 feeder calves to backgrounding operations and feedlots, primarily in the Midwest and High Plains areas of the country.

Market Segmentation

The cattle market is a commodities based market. Prices are determined on market demand basis. According to the Nigerian Department of Agriculture Economic Research Service, the retail equivalent value of Nigeria beef industry as remained between \$70-75 throughout the last five years and beef production has reduced slightly to just over 26 billion pounds annually (2009).

The cattle market constantly fluctuates, but is and will continue to be a staple commodity with steady demand. Large cattle farms face the most uncertainties, due to the effect price drops and increase in feeding costs have on their return that is based on a low margin/ high demand basis.

Table: Market Analysis

Market Analysis							
		2010	2011	2012	2013	2014	
Potential Customers	Growth						CAGR
Cattle in Lagos State	1%	1,000,000	1,010,000	1,020,100	1,030,301	1,040,604	1.00%

Cattle in Ogun State Farms	10%	500	550	605	666	733	10.04%
Total	1.01%	1,000,500	1,010,550	1,020,705	1,030,967	1,041,337	1.01%

Target Market Segment Strategy

Joseph's farm will focus on selling beef calves from the farm and hay production. These are optimal revenue producing streams for the farm and will utilize the family's operating resources. The farm will maximize the use of running the farming operation on land that will be purchased by the far to minimize operating costs and create an asset for the farm.

Joseph Ukadike comes from a family in the cattle business and will only be expanding the volume previously performed by the family. Additionally the farm will have their son, Jake involved on full-time basis cutting and baling hay, which will be the farms secondary revenue source.

Industry Analysis

Beef cattle production in Lagos is based on inventory of beef cows. Lagos is one of the top producing states in the nation. Lagos ranks ninth in beef cow numbers and is one of the top four states in cow-calf operations. Of the states of the Western Nigerian, only Lagos has more cattle.

Beef cattle are produced on 51% of the farms in Lagos. Of 42,000 plus beef cattle farms most are small operations: 37,000 farms have 1-49 beef cows, 4100 have 50-99, 1375 have 100-500 and 25 have more than 500 beef cows.

Competition and Buying Patterns

Joseph's farm sells beef calves and hay of high quality to various buyers. In the last few years no one predicted the severity of the market correction and certainly no one predicted all of the ramifications across world economies and markets. Lagos consumers do not have as much disposable income to spend on beef steaks. Consumers saw their 401K plans lose 40% of its

value and many saw the value of their homes decrease. Some suddenly found themselves in the unemployment lines. Many were forced to cut back on their purchases. This reduced the demand for beef. More uncertainty in markets tended to lower prices. Retailers were and continue to be unsure of what consumers will buy, and so they tend to reduce their purchases from wholesalers. Processors do not want to be stuck with large inventories that they might not be able to sell, so they tend to cut back on large purchases of commodities. This uncertainty in the marketing channel further reduces demand for most commodities.

The reality is that the beef industry has lost a tremendous amount of equity in the last few years. All of the factors that got us in the present condition are still with us. We may be reaching a time when many lenders will cease to finance these struggling operations and they will be forced to liquidate.

Strategy and Implementation Summary

The focus on delivering high quality is the farm's strategy. Its method of implementation is simply a reliance on the farm's reputation for delivering the best quality in a forthright manner.

SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the farm, and describes the opportunities and threats facing Joseph's farm

Strengths

Joseph's Farm has strength in that it sells a high quality beef calves and hay of high quality to various buyers

Family owned and operated

High level of experience in industry

Selling stable commodity

Weaknesses

The cattle market is based on the commodities market. It's a guess what the market will do. Speculation is based on past years. If the demand for beef drops, imports increase or dairy industry reacts to the market pressure, beef prices will drop dramatically. The assumption is the demand for beef will continue.

Opportunities

The focus on delivering high quality is an opportunity for the Joseph's Farm in that there is always a market for the very best. There is also opportunity within its reputation for delivering the best quality in a forthright manner.

Threats

If the demand for beef drops, imports increase or dairy industry reacts to the market pressure, beef prices will drop dramatically. The assumption is that the demand for beef will continue.

Competitive Edge

With high input cost, Joseph's Farm continually refines and evaluates how resources are allocated. The farm is family owned and operated, which allows for fluctuation and latitude in duties and operation assignments.

Additionally, farm will utilize its own land to reduce expensive rent costs and have an asset that gives the farm additionally value and equity.

Marketing Strategy

The marketing strategy is to deliver high quality beef and a reliance on the Joseph's Farm reputation for delivering the best quality in a forthright manner.

Sales Strategy

Joseph's farm will continue to sell beef cattle to locals as well as to the commodities auction market. The farm will have beef calves sold at the Joseph's farm in Lagos. Additionally, the farm will utilize whole sale buyers that will come to the farm to buy cattle at auction pricing. There are also additional auctions throughout Lagos that can be utilized to sell cattle.

Pricing is dependent upon the commodities market and subject to the law of supply and demand.

Sales Forecast

Joseph's farm anticipates a sharp increase in sales in 2011 and 2012. The farm is currently focusing on scaling up the size of the farm in 2010 and preparing for productive years ahead.