

## BUSINESS PLAN FOR THE CULTIVATION OF ANNUAL CROPS



## **INTRODUCTION:**

**HACEM-SL LIMITED** has an Agriculture Sector which is an Agro-business enterprise that established for the primary purpose of providing high quality agricultural produce to customers in Sierra Leone and overseas. The enterprise has a potential to gain reputation for offering quality rice seeds, sorghum seed, groundnut seeds, tubers, fruits, cocoa and coffee varieties that provide great value to farmers in in-land valley swamp, mangrove swamps and upland. The Company will also supply fertilizers to farmers to improve their productivities. It will add value to agricultural produce for both local and international markets.

Our operational area will be in the Northern Region and North-west Region, which have amongst the largest area of arable land in the country and with the fastest growing international market in the sub-region for improved varieties of rice, sorghum, groundnut and other agricultural produce. The Company will therefore, be in a good position to capture a significant portion of the local and international market for our agricultural produce, since it will introduce new and better performing varieties and market strategies.

The Company will differentiate itself from other suppliers through lower pricing and unique promotional techniques. By specializing in just a few of the most popular varieties, the Company will gain access to the largest segment of a growing market for our agricultural produce of higher demand. This tightly focused approach will also make it easier for the Company to establish and attain the position of a seed industry leader and value addition of produce in the supply chain. The Company is projected to return a profit margin of 30% in its very first year of operations, due in a large part to the size of the market, a competitive price for seeds, added-value foodstuff and the relatively low investment required to begin operations. The profit that is generated will be used for reinvestment in the business.

New and experienced business owners, regardless of history or current situation, can benefit from business planning. As experienced producers and entrepreneurs, we develop a business plan to map out a transition from conventional to organic production management; expand our operations; incorporate more family members or partners into our business; add value to our existing operation through product processing, direct sales or cooperative marketing and services.

As experienced Entrepreneurs, supporting Agriculture, Education, Health and Construction, our business planning can help us identify management tasks and financing options that are compatible with our long-term personal, environmental, economic, and community values. Business planning is an on-going, problem-solving process that can identify business challenges and opportunities that apply to our marketing, operations, human resources and finances, and develop strategic objectives to move the business beyond its current situation toward future business vision.

We use this Business Plan to:

- Make regular or seasonal marketing, operations, human resources and finance decisions.
- Pursue long-term personal, economic, environmental and community goals.
- Develop a business profile for communicating within or outside family members, potential business partners, lenders and customers.

Stakeholders of our business include family members, employees, partners, donors, renters, other producers, landlords, customers, resource organizations, input dealers, lenders, community members, and veterinarians or other technical experts. These critical stakeholders are considered as our “planning team.

Our primary planning objective is to attract potential Business Partners or Financing Agencies, while our secondary planning is to use the plan as a guide to seasonal operations. On this background, the Business Plan will focus on fleshing out our business vision, its financial feasibility, and a marketing description of our final products or services as well as focusing on the practical aspects of its implementation.

## **STRATEGY**

The project’s strategy is based on delivering a strong customer value proposition in a niche market. We are looking to offer our operational area and its surrounding areas a new choice in farming and Agro-business options. We are building our marketing infrastructure so that we can eventually reach more customers with the same quality offering all over the world. We

focus on satisfying the needs of low-to middle class residents and customers located inside or outside our operational areas.

## **OPERATIONAL PLAN**

Based on a survey of farmers in Northern Region and North-West Regions, it has been determined that the current total annual requirement for rice seed is about 25,000 tons, sorghum seed is 10,000 tons for groundnut seed is 20,000 tons and 15 tons for other produce. Most farmers use older varieties and use their own farm-saved seeds. This own-seed is of poor quality and the varieties are mixed. There is, therefore, a persistent high demand for quality seeds of new varieties, for which the farmers are prepared to pay higher prices.

The Company plans to enter the market and sells a total of 10,500 tons, 5,300 tons and 6,000 tons and 5,000 tons of certified seed respectively of new rice, groundnut, sorghum and other varieties in the first two seasons of operation and increasing this gradually to a combined total of about 50,000 tons by the fifth year. For this, we will secure some land and the Business will also sign contract with growers and produce most of the seed on their own lands. The company will also embark on value-addition on our produce for domestic and international markets.

The Company will need initial capital to construct stores with sufficient office space, and buy furniture, a seed cleaning plant, a transport van, motor cycles, computers and printer, and mobile telephones, etc. In addition, the business will require sufficient working capital to buy necessary inputs (foundation seed, fertilizer, herbicides, packaging materials and seed treatment chemical), to purchase raw seed from contract growers, to undertake post-harvest operations and to meet other day-to-day expenses. It will provide start-up funds required, and will need to raise a long-term bank loan for the rest of the amount required.

In the first year, the Company will select key farmers who are already knowledgeable in seed production to grow foundation seed of new rice, sorghum, groundnut, species and tuber varieties on contract. One of the company members will be an experienced Agronomist who will closely supervise the field operations and coordinate raw seed purchases at harvest time, and the other employee will be an expert on value-addition of agricultural produce. An

intensive training program will be organized for all selected growers prior to their involvement in the program. A vigorous campaign will also be mounted to promote the quality of the company seed in the farming communities so as to capture a good proportion of the seed market and maintain a core of loyal clients. In subsequent years, the company will embark on the cultivation of these foundation seeds for large scale production.

The Company will carry out the following key operations:

1. Selecting key farmers knowledgeable in seed production to grow foundation seeds
2. Embarking on farming activities to grow different varieties of crops
3. Purchasing raw certified seed from its contract growers
4. Cleaning, packaging, treatment and storage of the seed
5. Seed distribution, marketing and sales
6. Fertilizer distribution, marketing and sales
7. Purchasing and selling other agricultural produce
8. Exporting quality seeds and value-added agricultural produce

The various components of each operation and the estimated costs are outlined in the financial plan.

## **FINANCIAL PLAN**

According to our conservative estimates, Company is expected to maintain a healthy financial position over the next five years. Our main concern will be to have sufficient cash on hand to meet our payment obligations and be prepared for unexpected needs of cash. Our conservative projections indicate that our business is able to generate positive cash flows and sufficient cash reserves. The ratio analysis clearly shows that the company financial position is expected to remain strong, as measured by its liquidity, long-term solvency, and cash flow adequacy ratios. The company's profitability, as measured by its profitability ratios, is excellent, and will gradually increase over the next five years. This performance will probably be rewarded by a higher market price when the company decides to go public.

The Financial Plan discusses the finances we will need and expect. As part of the overall financial plan, are costs, sales and profit plans, which should show, estimate or discuss the

- Costs element
- Sales element
- Profit element
- Financial statements
- Accounting records

This plan outlines the amount of money the company will need to cover both its startup and operating costs, and how much income the business expects to generate after sales of its first batch of its produce and other foodstuffs

The total establishment and first season operational costs of the company will amount to a substantial amount as summarized in the following table below.

ITEM	Quantity	Unit Cost (\$)	Total Cost (\$)
<b>MACHINERY AND EQUIPMENT COST (FIXED COST)</b>			
• Seed cleaner ( for different seeds)	2	2,500	5,000
• Transport van	1	40,000	40,000
• Motor bike	2	1,000	2,000
• Trailer	2	60,000	120,000
• Computer and printer	4	1,000	4,000
• Stores	4	15,000	60,000
• Labelers (for different seeds)	5	1,500	7,500
• Furniture (e.g. chairs, tables, etc.)	10	50	500
• Fixtures (e.g. drying floor, etc.)	1	2,000	2,000
<b>Sub-total machinery and equipment</b>			<b>241,000</b>
<b>ADMINISTRATIVE CHARGES ( FIXED COST)</b>			
• Office space (Building)	1	15,000	15,000
• Office supplies ( stationeries, files, staplers, ink, etc)	-	1,000	1,000

• Salary for permanent employees	5	2,000	10,000
• Salary for casual workers	20	200	4,000
• Van Operation (Fuel, maintenance, etc.)	1	1,000	1,000
• Promotion and marketing	-	500	500
<b>Sub-total administrative cost</b>			<b>31,500</b>
<b>Grand total fixed cost</b>			<b>145,500</b>
<b>SEED PRODUCTION COST(VARIABLE COST)</b>			
• Producing tones for raw rice seeds from our farms	100tonnes	100	10,000
• Producing tones for raw sorghum seeds from our farms	50tonnes	50	2,500
• Producing tones of raw groundnut seeds from our farms	20tonne	150	600
• Producing tones of raw tubers from our farms	30tones	25	750
• Producing vegetables (chillies)	5tonnes	50	2,500
• Processing tones of rice seeds	100tonnes	20	2,000
• Processing of tonnes of Sorghum	50tonne	20	1,000
• Processing tones of tubers	30tonnes	20	600
• Processing tones of groundnut seeds	20tonnes	20	400
• Processing tones of vegetables	5tonnes	20	100
• Rice seed treatment, bags and storage costs	100tonnes	10	1,000
• Sorghum treatment, bags and storage costs	50tonnes	10	500
• Tubers treatment, bags and storage costs	30tonnes	10	300
• Groundnut seed treatment, bags and storage costs	20tonnes	10	200
• vegetables treatment, bags and storage costs	5tonnes	10	50

<b>Total cost for seed Production</b>			<b>22,500</b>
<b>SEED MULTIPLICATION COST (VARIABLE COST) FROM OUR APPROVED CUSTOMERS/GROWERS</b>			
• Buying tones for raw rice seeds	50tonnes	200	10,000
• Buying tones of raw groundnut seeds	10tonnes	300	3,000
• Buying tones of raw tubers	10tonnes	100	1,000
• Buying of vegetables (Chilies)	3tonnes	300	9,000
• Processing tones of rice seeds	50tonnes	20	1,000
• Processing tones of vegetables	3tonne	20	600
• Processing tones of groundnut seeds	10tonnes	20	200
• Rice seed treatment, bags and storage costs	50tonnes	10	500
• Tubers treatment, bags and storage costs	10tonnes	10	100
• Groundnut seed treatment, bags and storage costs	10tonnes	10	100
<b>Sub-total for seed multiplication</b>			<b>25,500</b>
<b>COST OF FERTILIZER AND OTHER CHEMICALS (Variable Cost)</b>			
• Cost of NPK fertilizer	5tonnes	1,000	5,000
• Cost of Urea fertilizer	5tonnes	1,000	5,000
• Cost of Potash fertilizer	5tonnes	1,000	5,000
• Cost of seed and tuber treatment chemicals	1tonnes	1,000	1,000
<b>TOTAL</b>			<b>16,000</b>
<b>PACKING MATERIALS</b>			
• Cost of empty bags and labels	15,640	1	15, 640
<b>Sub-total of variable cost for seed multiplication</b>			<b>72,140</b>
<b>GRAND TOTAL COST (Initial Cost for Year 1)</b>			<b>356,140</b>
<b>SALES OF PROCESSED SEEDS</b>			



• Sales of processed rice seeds	150tonnes	400	60,000
• Sales of processed sorghum	50tonnes	300	15,000
• Sales of processed tubers	40tonnes	200	8,000
• Sales of processed groundnut seeds	30tonnes	400	12,000
• Sales of processed chilies/pepper	8tonnes	500	4,000
<b>Total sales of processed rice, groundnut seeds, pepper and tubers</b>			<b>99,000</b>
<b>SALES OF FERTILIZER</b>			
• Sales of NPK fertilizer	5tonnes	2,000	10,000
• Sales of Urea fertilizer	5tonnes	2,000	10,000
• Sales of Potash fertilizer	5tonnes	2,000	10,000
• Sales of seed and tuber treatment chemicals	1tonnes	2,000	2,000
<b>Total sales of fertilizers</b>			<b>32,000</b>

On the basis of annual production cost including depreciation, the Company will earn a net profit/ margin of 30%.

The cash flow on the next page is planned on the basis of the operational plan of the company during the first two cropping seasons of rice, sorghum, groundnut seed, tuber and vegetable production

### CASH FLOW

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Beginning cash position</b>															
<b>Cash received</b>															
Sales of rice															
Sales of Sorghum															
Sales of tubers															

Sales of groundnut															
Sales of vegetables															
<b>Total cash received</b>															
<b>Cash paid out</b>															
Purchasing rice seeds from growers															
Purchasing sorghum from growers															
Purchasing tubers seeds from growers															
Purchasing groundnut seeds from growers															
Purchasing vegetables from growers															
Processing															
Seed treatment															
Office supplies															
Wages and salaries															
Van operation															
Promotion and marketing															
<b>Total cash paid out</b>															
<b>NET CASH IN HAND</b>															
Cash at end of month/Year															

**Note:** a similar cash flow will be developed for other agricultural produce

**HACEM-SL LIMITED** will record and present all its financial transactions in suitable and acceptable manner that will be used for monitoring and control. Account statements will be prepared periodically to measure performance in terms of profit or loss that is being generated and what actions could be taken.

A forecast profit and loss account for the Company at the end of Year 1 indicates a good pre-tax profit of 40% from its operations. The cash flow forecast will be analyzed on a monthly basis to show cash balance. These statements show that we will have more than sufficient cash that will be required to put its planned operations into effect and to also meet its capital needs.

### **MARKETING AND SALES PLAN**

Any marketing strategy comprises four basic elements referred to as the four 'Ps' namely **PRODUCT, PRICE, PLACE and PROMOTION.**

The Company will offer better quality seeds than other suppliers in the market, but sell at a more reasonable price in comparison with the prevailing price. It will charge significantly less for its seeds and foodstuff than other companies because of its lower overhead expenses and fewer employees it will engage.

As part of this strategy, the company will promote its seed in the farming communities using a preferred mode of word-of-mouth advertising. This is also in line with a recent survey by the Agricultural Extension Department, which shows that most of the seed-buying farmers in the area typically prefer close and direct relationships with the seed supplier. Its sales staff will, therefore, approach the farmers in person in order to identify their seed needs and how to satisfy them.

The company will sell or supply most of its seed through dealers in strategic rural locations who have direct dealings with farmers. The preferred dealers will, therefore, be traders selling general goods, agro-chemicals and farm tools, and who also provide farmers with credit facilities. The enterprise will popularize its brand image in the form of three attractive spikes of rice, groundnut and tubers which will be promoted vigorously.

### **MANAGEMENT PLAN**

Management Plan explains the organizational and management structure of the enterprise, the hiring and personnel procedures, and how the business will be managed on a day-to-day basis.

The Company plans to keep wage and salary expenses low, at least initially. To achieve this objective, all management positions will be occupied by the group enterprise members who fortunately possess the relevant qualifications and experience. The remaining staff will be daily waged workers, and casual laborers who will be hired during the busy periods.

Our management is expected to use resources wisely, operate profitably, pay debts, and abide by laws and regulations. Our management philosophy is based on team work, responsibility, and mutual respect. People who work at this company would want to be part of our team because we operate in an environment that encourages creativity, diversity, growth, and performance.

With a small number of employees, it will encourage dynamic teamwork and open access with no bureaucratic hindrance. The business will use its profit to provide attractive working conditions and appropriate incentives that will keep its dedicated staff in the enterprise.

## **CONCLUSIONS**

The Company will endeavor to attain leadership in the supply of improved rice, sorghum and groundnut seed and foodstuffs in Sierra Leone. The pursuit of high quality will be the driving force in the business. To achieve this, the Company will use the dedication, experience and skill of its members in key technical and management positions. Extensive promotional activity will help to ensure that company's customers perceive that they are receiving the best quality seed and foodstuffs, on time, and at a reasonable price.

The future of the improved rice, sorghum and groundnut seeds industry and deals local foodstuffs in Sierra Leone looks bright, and the company is poised and positioned to take advantage of this commercial opportunity.

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