

**UNIVERSITY OF NIGERIA NSUKKA**

**FACULTY OF THE SOCIAL SCIENCES**

**DEPARTMENT OF RELIGION AND CULTURAL STUDIES**

**TOPIC:**

**HONEY PRODUCTION**

**A BUSINESS PLAN**

**SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT OF THE  
COURSE CODE: (CEDR342)**

**BY**

**NWEZE PASCHAL IKEDICHUKWU**

**REG. NO: 2014/196361**

**LECTURERS: DR. MRS C. T. NWAOGA**

**JULY, 2017**

## **PART 1**

### **EXECUTIVE SUMMARY**

#### **NAME OF BUSINESS**

**CRYSTAL HONEY BUSINESS ENTERPRISE.**

#### **LEGAL FORM OF BUSINESS**

It is a general partnership owned by five individuals

#### **Contact Address**

No 4, Ogbete Street Enugu

**Telephone:** 08133876803 or 08133978031   **E-Mail:** [honeycrystal@gmail.com](mailto:honeycrystal@gmail.com)

#### **TYPE OF BUSINESS**

It is a manufacturing business.

#### **CONCISE DESCRIPTION OF BUSINESS IDEA**

##### **PRODUCT**

The demand for honey in Nigeria has seen a recent upsurge because individuals recently realized its benefits. However, despite this upsurge in demand, the supply of honey to Nigerians is still comparatively low. It is in view of this that we decided to add our quota in honey production. This business has quick turnover, little or no risk and it is highly profitable. Our honey will be totally unadulterated.

##### **CUSTOMERS**

Our customers include Households, hospitals, manufacturing industries, confectionaries, and drug industries amongst others.

##### **OWNERS**

Nweze Paschal - General Manager. B.sc in Public Administration. 5years working experience.

Shedrack Anuforo- the Public Relations manager. B.sc in Information Technology. 3years working experience. Shedrack is in charge of our website designing as well as management. This because he has undergone training in Web Development and Graphics.

uduakobong Efiong- Production Manager. B.sc in Animal Science. 2years working experience

Chidinma Attah – Sales Manager. M.sc in Marketing. 3years working experience.

Uduakobong Akpan - the Accounting Manager. M.sc in Banking and Finance. 7years working experience.

**Number of jobs to be created:** 10jobs

### **Start-Up Capital**

1	Investment(equipment, machinery and others)	2,727,500
2	Working capital	6,48000
	Total	3,426,500

### **Sources of Capital**

Owners' capital... 1000000

Bank loan..... 3000000

Total..... 4000000

### **Profitability**

<b>Year 1</b>	2,584,500
<b>Year 2</b>	5,296,710
<b>Year 3</b>	5,775,270

## PART III

### THE MARKET

The market for honey produce is expanding in Nigeria. This is because of its curative and medicinal purposes. It will be sold in Enugu because of the middle class who are health conscious, in Lagos because of its industries and in Kano because of the Moslem population.

### SALES AND MARKET ANALYSIS

Percentage of sales is 75% to 100% output. Since the demand for honey in Nigeria is not yet met. The market share of our firm is fairly impressive.

### KEY COMPETITORS

#### Indirect Competition

Business type	Competition type	Strengths	Weaknesses
Louis sugar	Indirect	Readily available and affordable	Health implications
Syrups	Indirect	Affordable and easy to produce	Cannot be preserved for a long time
Sweeteners	Indirect	Affordable	Health implications

#### Direct Competition

Competitor	Strengths	Weaknesses	Other attributes
AI industry	Sponsor from government of Nigeria and USAID. Sell unadulterated honey	Do not sell in small packages	
Local farmers	Technical knowledge of honey production	Sometimes sell adulterated honey, lack of a good packaging method	

### SWOT ANALYSIS

## Strengths

The location of the farm is strength. It is located close to Enugu city thus a ready market. Our partnership comprises of people who are competent in management, website designing, ICT and administration. This will help boost the image of the firm and also in advertising our produce.

## Weaknesses

One major weakness is how to deliver our product to customers around Nigeria and reduce cost. Also inability to get modern apiculture equipment is a major weakness. Finally Nigerians are skeptical about purchasing from startup companies in fear of purchasing adulterated honey.

## Opportunities

The farm is located in an area with nectar bearing flowers that will enhance production. Also other products from bees such as beeswax, propolis, and royal jelly amongst others will be harvested and sold to industries in Nigeria that need them. This will reduce importation of these products and boost our sales and invariably our income.

We will organize seminars on beekeeping and also try to meet the unmet demand for honey. This will add to our income.

## Threats

Competition with already established industries, changes in weather, and diseases

## DEMAND AND SUPPLY ANALYSIS AND ESTIMATING INITIAL INSTALLED CAPACITY

Details	Size (number in tonnes)
Potential demand to be served	80000
Less 30% existing customers	24000
Available market (in the absence of expansion and high entry wall)	560000
Less 10% due to possible expansion of existing competitors and entrant of new ones	5600
Available market	50400
Less 5% due to error in estimation	2520
Available demand /qualified market/ demand supply gap	47880

Initial installed capacity at most 60% of available market	
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## MARKETING PLAN

### Market Segmentation

Our classes of customers include;

Household such as Muslims and health conscious middle class people. They are price insensitive. They see honey as a necessity. To be found in Lagos and Enugu

Hospitals also demand for demand for honey in treatment of their patients. They are price sensitive

Manufacturing industries such as drug industries which are used to produce children syrup and blood tonic. They are price sensitive.

### Target Market

The firm will focus mainly on manufacturing industries; hospitals will be the main customers, while households and hospitals will be seen secondary customers

### Description of the Edge of Product or Product Range Of Services

Product/service	1
Denomination/product line	Honey
Specification(i.e. size, colour, and quality)	Litres, kilograms , brown colour and unadulterated
Packaging	Bottles, satchets, gallons
After sales service	Delivery

## Marketing Plan Price

Product/service	1
How much are customers willing to pay	Highest average lowest 1500 1200 1000
Competitors	Highest average lowest 1500 1300 1200
My price	1200
Reasons for setting my price	Since it is a new business, low price will attract customers
Margin for discount	Yes

### MARKET POSITIONING STRATEGY

The firm is new thus it will have low competitive stance. Although through reduction of price, sale of unadulterated honey, publication of periodicals that advertise our product and the benefits that come from the consumption of honey as well as the location of the farm and market the firm will compete favorably. We will also create wristbands to promote our firm and make it a household name. The packaging will be in different sizes to ensure affordability by the masses. The packaging will also be colourful and attractive.

Marketing mix implementation tools

Advertising message that will target the masses especially the health conscious masses. For example ;

Honey makes you healthy

Honey makes you happy

Honey for a healthy life

For pricing the standard price for honey is 1500 for a litre but we will sell for 1200

Advertising will be done on face book and social media. This is only possible because one of the partners is proficient in ICT.

The sale will be done through an office in Enugu and our delivery agents will deliver to hospitals and industries. We will waybill to other parts of the nation.

### **Channel of distribution**

We will sell to individuals, retailers and wholesalers

### **Reason for Choosing This Way of Distribution**

Individuals that require honey can get it with ease from the office in Enugu which will be centrally located close to market. While retailers and wholesalers will reach households better. This will allow quick sales of the product.

### **Start Up Promotion**

The firm will publish periodicals that will publish the importance of honey. It will cost #15,000.

We will announce on the radio which will cost #5000 per day.

We will also announce in church bulletins which will cost #10,000

We will use posters to create awareness

We will use word of mouth to publicize

### **Alliance**

This business will form alliance with the beekeepers association in Enugu. This will allow the firm to get information about the best and emerging methods of bee keeping. It will allow us to get better marketing skills.



## PART IV

### TECHNICAL ANALYSIS

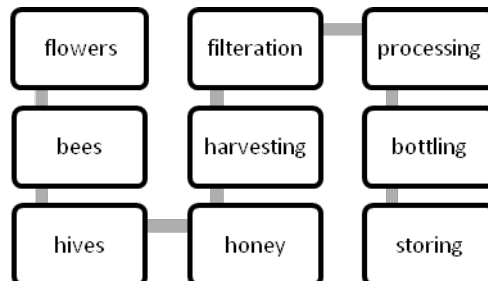
#### Production Plan

The project is about production of quality and unadulterated honey. This business is a medium scale business that is capital as well as labour intensive. Manual labour and machineries will be used in the business.

#### PRODUCTION PROCESS

The beehives will be located in a farmland that has nectar bearing flowers. These bees will be allowed to produce honey on their own and after this the honey will be harvested using bee smoker. The bee smoker will prevent the bees from stinging during harvest. The honey extractor is used to separate the impurities from the harvested honey. The filtered honey will then be boiled and allowed to cool before packaging.

#### THE PRODUCTION FLOW CHART



#### PRODUCTION SCHEDULE

		Projected production schedule		
		Targeted output	Raw input sugar	Raw input 2 water
1	Jan	Nil	To taste	As needed
2	Feb	Nil	To taste	As needed

3	Mar	Nil	To taste	As needed
4	April		To taste	As needed
5	May		To taste	As needed
6	June		To taste	As needed
7	July		To taste	As needed
8	Aug		To taste	As needed
9	Sep		To taste	As needed
10	Oct		To taste	As needed
11	Nov		To taste	As needed
12	Dec	5000tonnes	To taste	As needed
Year 2				
1	Jan		To taste	As needed
2	Feb		To taste	As needed
3	Mar		To taste	As needed
4	Apr		To taste	As needed
5	May		To taste	As needed
6	Jun		To taste	As needed
7	July	3000tonnes	To taste	As needed
8	Aug		To taste	As needed
9	Sep		To taste	As needed
10	Oct		To taste	As needed
11	Nov		To taste	As needed
12	Dec	3000tonnes	To taste	As needed
Yr 3				
1	Jan		To taste	As needed
2	Feb		To taste	As needed
3	Mar		To taste	As needed
4	Apr		To taste	As needed
5	May		To taste	As needed
6	June		To taste	As needed
7	Jul	5000tonnes	To taste	As needed
8	Aug		To taste	As needed
9	Sep		To taste	As needed
10	Oct		To taste	As needed
11	Nov		To taste	As needed
12	Dec	3000tonnes	To taste	As needed

## MACHINERY, EQUIPMENT AND OTHER REQUIREMENTS

S/N	Investment(equipment and others)	Qty	lifespan	Other comment
1	Land	1 plot	No expiration	
2	Building	2	30years	
3	Delivery van	1	10years	
4	Hives	300	7years	
5	Bee smoker	8	4years	
6	Generator	1	5years	
7	Honey extractor	4	6years	
8	Protective clothing	6	3years	
9	Long boots	4	2years	
10	Packaging machine	1	12years	
11	Water plastic tank	1	15years	
12	Knife	10	1year	
13	Weighing scale	8	5years	
14				

### Technology

The firm will use the langstroth hive because of its durability ease of access when harvesting honey unlike the top bar hive. We will use electrical honey extractor to ensure ease of production. The packaging machine will make our product appear attractive to buyers.

**Quality Assurance and Standardization:** we will produce unadulterated honey by not mixing it with other sweeteners. The honey will be processed and packaged under hygienic conditions.

**Management and Organizational Structure:** the business is a general partnership owned by;

Nweze Paschal

Shedrack Anuforo

Uduakobong Efiang-

Chidinma Attah-

Uduakobong Akpan

Consultant is Mr. Okoro Felix, the owner of *agro allied group of companies*.

## Management Team

Nweze Paschal - General Manager. B.sc in Public Administration. 5years working experience.

Shedrack Anuforo- the Public Relations manager. B.sc in Information Technology. 3years working experience. Shedrack is in charge of our website designing as well as management.

Uduakobong Efiang- Production Manager. B.sc in Animal Science. 2years working experience

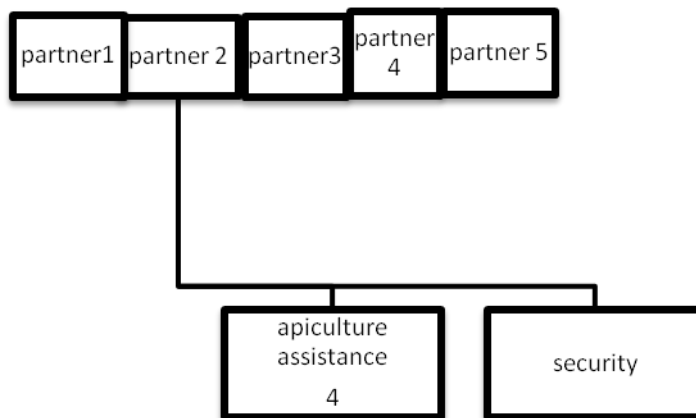
Chidinma Attah – Sales Manager. M.sc in Marketing. 3years working experience.

Uduakobong Akpan - the Accounting Manager. M.sc in Banking and Finance. 7years working experience.

## Future Management Needs

The firm might have need for a customer service unit in future. We may require a resource person who will help run our beekeeping tutorial/seminar centre.

## ORGANIZATIONAL STRUCTURE



## The Personnel Plan (Staffing and Salary Structure)

S/N	Position	No. of staff	Salary per staff per month	Total annual salary
1	General manager/administrative manager	1	30,000	300000
2	Public relations manager	1	30,000	300000
3	Accounting manager	1	30,000	300000
4	Production manager	1	30,000	300000
5	Marketing manager	1	30,000	300000
6	Apiculture assistants	4	10,000	384,000
7	Security	1	8,000	72,000
				1956000

### EXTERNAL SUPPORT (OUT SOURCING)

We will outsource delivery of our products around Nigeria to commercial transporters. We will also seek professional and beekeeping advice from the beekeepers association. Publication of our periodicals and other news media will also be outsourced

### ORGANIZATION'S VALUES AND NORMS

To ensure that increasing demand for quality honey is met in Nigeria

To ensure steady, quick and easy access to product

To treat employees with dignity and respect and pay them when due

To treat customers as the first priority

To ensure customers are not cheated by selling quality products

## PART V

### Legal Issues

The firm operates based on its deeds of partnership which spells out the roles and entitlement of each partner. We also have a trademark number and logo which will distinguish our product from others. The number is 22333589OV as issued by Nigeria trademark organization.

### Regulatory and Environmental Issues

**Regulatory Issues:** the firm is registered with the Nigerian standard organization. It also registered with NAFDAC to ensure quality control. The firm will comply with every regulating laws of Nigeria.

**Environmental Issues:** the only effect of bee on the environment is stinging. Hence our farm is situated far from people's dwellings.

## FINANCIALS

S/N	Investment (Equipment and others)	Qty	Unit cost	Total cost
1	Land	1 plot	100,000	100,000
2	Building	2	150,000	300,000
3	Long boots	4	1500	6000
4	Small knife	10	150	1500
5	Honey extractor	4	7000	28000
6	Bee smoker	8	1000	8000
7	Protective clothing	6	2000	12000
8	Delivery van	1	750000	750000
9				
10	Water tank	1	50,000	50,000
11	Generator	1	45000	450000
12	Hives	300	4500	1350000
13	Packaging machine	1	35,000	35,000
14	Weighing scale	8	1500	120000
<b>Total investment</b>				2727500

## Sales Plan

	Year 1	Year 2	Year 3
Product	Honey	honey	Honey
Product quantity/volume	5000litres	6000litres	8000litres
Price per unit	1300	1300	1400
Sales	6500000	7800000	11200000

## Cost Plan

	Year 1	Year 2	Year 3
Product	Honey	honey	Honey
Product quantity/volume	5000litres	6000litres	8000litres
Cost per unit	500	700	900
Cost of raw inputs	2500000	4200000	7200000

## Local Raw Materials and Other Inputs

Items	Unit cost	Current quantity required annum	Proposed after expansion	source
Water	10,000	50litres	70litres	market
Sugar	5,000	1000kilograms	1500kilograms	Market
Bees hive	5,000	5000hives	7000hives	Existing beekeepers

## General Cost of Administration

Item	Current for existing projects only	Proposed for new/expansion projects
Rents and rates	6000	7400
Traveling expenses	36000	42000
Stationary and sundry expenses	4800	9000
Vehicle running expenses	180,000	200000
Insurance	30,000	42,000
Professional fee	15,000	Nil
Others. Apiculture training	47,000	Nil

TOTAL	162800	136400
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### Preliminary and Pre-Operating Expenses

Item	Amount
Company incorporation	25000
Preparation for business plan/f.s.	9000
Tutorial on beekeeping and research	15000
TOTAL	49000

### WORKING CAPITAL PROJECTION

WORKING CAPITAL ITEMS	Year 0	Year 1	Year 2	Year 3
Stock of raw materials #1	50,000	50,000	65,000	80,000
Stock of raw materials#2	70,000	70,000	77,000	120,000
Stock of raw materials#3	140,000	140,000	155,000	175,000
Utilities	120,000	120,000	180,000	200,000
Salaries/wages	384000	384000	4320000	528000
Debtors		64,000	100,000	155,000
Less creditors	80,000	80,000	125000	175,000
Working capital	648000	778000	945200	113310
Increase/ decrease in working capital		130000	167200	187910

### Start- Up Capital Needed

S/N	Item of expenditure	Amount
1	Fixed asset investment	2727500
2	Working capital	648000
3	Pre-operating expenses	51,000
	Initial total investment outlay	3426500

### Financing Plan

S/N	Source of fund	Amount
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1	Owner's capital	1000000
2	Bank loan	3000000
		4000000

### Loan Repayment and Interest Schedule

Year	Loan balance B/d	Interest	Loan repayment	Loan balance c/f
	A	B	C	D
1	3000000	30,000	-	3000000
2	3000000	90,000	1700000	1300000
3	1,300,000	13000	1300000	Nil

### SCHEDULE OF DEPRECIATION

S/N	Item of depreciation	Initial value	Scrap value	Life span	Depreciation
1	Long boots	8000	Nil	4yrs	2000
2	Protective clothing	12000	Nil	3yrs	4000
3	Delivery van	750000	200000	10yrs	50000
4	Generator	45000	12000	5yrs	6600
5	Honey extractor	28000	9000	6yrs	2000
6	Bee smoker	8000	1600	4yrs	1600
7	Small knife	1500	500	1yr	500
8	Water tank	50000	30000	15yrs	2000
9	Weighing scale	8000	2000	3years	2000
	Total depreciation				68700

### FINAL ACCOUNTS PROJECTION

Estimate of profit and loss account for the first three years			
Particulars	Year 1	Year 2	Year 3
Sales	3900000	6900000	750,0000
Others			
<b>Net Sales</b>	3900000	6900000	750,0000
<b>Less Expenses</b>			
Cost of raw materials	350000	450,000	472,000
Salaries	456000	528000	588000
Rent	6000	7400	12000

Telephone	12000	20,000	25,000
Electricity	36000	48,000	50,000
Advertising	70,000	85,000	120,000
Insurance	300000	300,000	500,000
Entertainment			
Legal	25,000	25,000	30,000
Office supplies	20,000	22,000	28,000
Motor vehicle maintenance	180,000	200,000	225000
<b>Total expenses</b>	<b>1,160,000</b>	<b>1,390,400</b>	<b>1,567,000</b>
<b>Profit before tax</b>	<b>2740000</b>	<b>5509600</b>	<b>5933,000</b>
Less interest	60000	90,000	30,000
<b>profit after interest</b>	<b>2680000</b>	<b>5419600</b>	<b>5,903,000</b>
Less tax	268000	54190	59030
<b>Profit after tax</b>	<b>2653200</b>	<b>5365410</b>	<b>5843970</b>
Less depreciation	68700	68700	68700
<b>Net profit</b>	<b>2,584,500</b>	<b>5,296,710</b>	<b>5775,270</b>
<b>Appropriation</b>			
Dividend	Nil	Nil	Nil
Retained earnings	2,584,500	5,296,710	5,775,270

<b>Cash flow projection</b>			
	Year 1	Year 2	Year 3
<b>Cash in</b>			
Bank loan	3000000	3000000	
Sales income	3900000	6900000	7500000
Other income			
<b>Total cash in</b>	<b>6900000</b>	<b>9,900,000</b>	<b>10,500,000</b>
<b>Cash out</b>			
Admin. Outgoing	115800	173,700	231,600
Cost of goods	648000	945200	1133110
Marketing	48000	96,000	120,000
Interest expenses	30,000	60,000	72,000
Loan repayment	1700000	1300000	
<b>Total cash out</b>	<b>841,800</b>	<b>2129700</b>	<b>2,856,710</b>
<b>Net cash flow</b>	<b>7,741,800</b>	<b>101,129,700</b>	<b>13,356,710</b>
Opening cash balance			
Closing cash balance			

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### BALANCE OF SHEET

<b>Balance sheet assets</b>	<b>Start date Year 0</b>	<b>Year End Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Fixed assets</b>				
Land, machinery and others	2727500	2727500	2727500	2727500
Less cum. Dep.	68700	68700	68700	68700
<b>Total fixed assets (A)</b>	26588400	26588400	2864900	2933600
<b>Current assets</b>				
Cash (use as balancing item)				
Debtors	80,000	80,000	100000	155000
Stock	36,000	36,000	450,000	472500
<b>Total current assets</b>	440,000	440,000	550,000	627500
<b>Total assets</b>	3098800	3098800	3414900	3561100
<b>Liabilities</b>				
<b>Current liabilities</b>				
Creditors	75,000	75,000	125,000	150,000
Accrued expenses	35,000	35,000	51,000	60,000
Overdraft	Nil	Nil	Nil	Nil
Short term loan	Nil	Nil	Nil	Nil
<b>Total current liabilities</b>	110,000	110,000	176,000	210000
Capital employed	2988800	2988800	3238,900	35401000
<b>Long term liabilities</b>				
Long term loan	3000000	3000000	1300000	Nil
<b>Total long term liabilities</b>	3000000	3000000	1300000	Nil
<b>Long + short term liabilities</b>	3098000	3098000	1476000	210000
<b>Shareholders' equity</b>	3110000	3110000	1938900	35401000
Retained profits	908000	908000	3414900	35401000
<b>Total liabilities</b>	3200800	3200800	3414900	35611000

## Risk Analysis, Contingency Plan and Exit Strategy

<b>Risks</b>	<b>Mitigants</b>
Sting by bees	Use of protective clothing
Bees can leave the hive	Proper supervision of hive and adequate feeding supplements. Avoid noisy area.
Bees may be attacked by disease and become unproductive	Constant evaluation of hive and ensuring that the queen bee is productive, else introduction of a new queen bee to the hive. Engaging the services of a veterinarian. When a hive becomes unproductive, we will introduce a new queen bee

### **CONTINGENCY PLAN AND EXIT STRATEGY**

There is no exit strategy. There will be a buy-off or diversification. In the case of a buy off we will share the profits among ourselves.

### **PART VIII**

#### **ECONOMIC JUSTIFICATION**

It will create more jobs, feed other manufacturing industries, and reduce Nigeria's dependence on imported Bee products. It will help in diversification of Nigeria economy.

#### **COMMERCIAL VIABILITY**

The business is high viable because the demand for honey is yet to be met in Nigeria. It also has few competitions as beekeeping is an underdeveloped area.

#### **CONCLUSION AND RECOMMENDATIONS**

The business is highly profitable and less time consuming as well less expensive to operate. It will allow the owners the chance to diversify into other business areas. However, it is only expensive to operate on a large scale. Therefore, this business should be funded.