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**DEPARTMENT OF RELIGION AND CULTURAL
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TOPIC: POULTRY FARM

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CHAPTER ONE

Executive Summary

- The following report and recommendation relates to the proposed FARMS venture to establish a poultry farm for the production of live chicken, frozen chicken and eggs.
- The proposed project is to be fully implemented with an investment of 5.0 million (five Million Naira),made up N2.0 million in fixed capital and N3.0 million in working capital.
- The company's vision is "to be a major player in the poultry industry, contributing to the nutritional needs of Nigerians in a sustainable way by 2013.
- The proposed project will be located at Ikeja, Lagos .
- Based on our market survey, a needy market exists for the planned business.
- The financial projects reveal a good level of liquidity and stability, The projected turnover for 2011,and 2013 respectively, is N7,565,050, N9,078060, N10,893,672 operating profit in 2011 is N673,350 increasingly to N1,712,340 in2012 and N3,313,340 in 2013.
- The funding requirement is N4, 000,000; as the promoters are committing N1, 000,000 to the project.
- This project has been subjected to SWOT and risk analysis and appropriate risk mitigants preferred.

- The company's competitive edge is the management's rich industry knowledge and proactive orientation.
- The profitability indicators as extracted from the projections embodied in this plan are as follow

	2011	2012	2013
Turnover(N)	7,565,050	9,078,060	10,893,672
Operating Net profit(N)	673,350	1,712,342	3,313,340
Return on Turnover(sales)(N)	8.9	18.86	30.41
Return on Equity (owner's contribution)	67.33	171.23	331.33
Return on total Investment	13.46	34.26	66.26

• **Conclusion and Recommendation**

From the point of view of the analysis of our findings, the proposed project is found to be technically feasible, financially viable and economically desirable.

The project offers good investment benefits; we therefore, recommended it for funding and implementation.

CHAPTER TWO

BACKGROUND

2.1 INTRODUCTION

P&G poultry is a farm focused on both egg and meat production that provides for a large market range. It is based in Lagos, at Ikeja. The founder,

Mbah Promise Nnenna has noticed the health implication of red meat and she is creating a business to meet the increased demand for white meat and eggs. Chickens happen to be a great source of white meat and are also largely known for egg production. The founder is not only interested in meeting the demands of the customers; she also plans to create utmost satisfaction for these customers. She also wants to use this business as a means of creating employment within the community it is based in and to contribute to the economy of the country. This is a business that plans on distributing eggs and chicken to restaurants, home delivery food centers, hotels, schools, clubs bakery and catering businesses and supermarkets. The founder also plan on doing this at very affordable prices.

2.2 VISION AND MISSION

Vision: To be a key player in the poultry industry, contributing to the nutritional needs of Nigerians in a sustainable way.

Mission: To carry out effective poultry farming, producing healthy live chickens that are good for human consumption, while creating jobs, wealth, reducing poverty and meeting customers need.

2.3 OWNERSHIP OF THE ENTERPRISES

The proposed business is owned by Mbah Promise Nnenna, a student of the Department of Religion, University of Nigeria, Nsukka. Mbah Promise Nnenna has been deeply involved in the poultry farm in order to contribute to the nutritional needs of Nigerians.

2.4 LEGAL STATUS

P&G poultry farm and its entire process are in the verge of being registered with the Corporate Affairs Commission (CAC) under the name P&G poultry farm (Nigeria).

2.5 LOCATION AND FACILITIES

The planned poultry farm is located at Ikeja, Lagos. My choice of location was informed by the following criteria

- Availability of adequate security
- Availability of good road network

- Availability of a well-structured building

The facilities to be deployed at the location are

- A layer grow out facility
- A hatchery unit and table eggs production unit
 - A broiler grow out facility

2.6 PRODUCTS/SERVICES

The products of the business under consideration are eggs and chicken. I will package appropriate customer friendly delivery services for customers who may desire home or place of business delivery services.

2.7 BUSINESS STRATEGY

To ensure the attainment of my vision and mission I shall adopt a business strategy weaved around the following platform:

- Multiple revenue model
- High product quality backed by strong customer care
- Penetrating pricing
- Aggressive marketing campaign and demand stimulation

This strategy will help us gain a comfortable and sustainable market share, at start, while we will continually look at our strategy as we watch the market dynamics and operating environment.

2.8 KEY SUCCESS FACTORS

The key success factors for P&G poultry farm (Nigeria) are:

- Having previous experience in the business, which makes her to have good knowledge about the business.
- Possess adequate technical skill in inducing or positioning of different species of birds.
- Ability to indicate symptoms of illness or infections and ability to treat them adequately.

CHAPTER THREE

3.0 MARKET, CLIENTS AND COMPETITORS

3.1 NATURE AND SIZE OF THE MARKET

The market for poultry products in Nigeria is wide and growing. There is increasing demand for poultry product even from industrial uses in the P&G poultry farm in particular. This has created unmet supply gap.

There are no restrictions on entry into the market .The pricing pattern is more of less standardized nationwide, while there are several small and unstructured producers with few large players. For P&G poultry farm (Nigeria), we are focusing on the North and East as our target market.

3.2 TARGET CLIENTS

Our target clients are, the Test Food Shops, Hotels, Restaurants, caterers, traders and Families.

P&G poultry farm, will keep its nose pressed on these customer groups meeting their needs in a most appealing and customer-focused manner.

3.3 KEY COMPETITORS AN PLAYERS

The practice of rearing chickens in large quantity has not been given the desired attention in South West Nigeria. Most poultry farmers operate at micro and small level with production just enough to meet their needs and a small quantity sold to few individual customers.

Some of the key players in the South West, our target market are:

- Obasanjo Forms-Otta
- I.I.T.A. Agric Industry Ltd

The presence of these key players will not pose any threat to P&G poultry farm (Nigeria), as we are entering the market as a structured, proactive and focused player.

3.4 PRODUCTION PROCESS

The production process starts with POL (point-of-lay), these are birds in their fourteen to twenty weeks of age, (birds often start dropping their first egg from 22weeks to 24weeks of age). Advantage of acquiring point-of-lay birds is the reduced risk. Prices of POL at press time ranges from N750 to N950/bird. In budgeting for feeding, a bag cost about N2, 200 today and could feed 100birds for 3 days. A bird at good lay point generate between N6 to N10/day as gross profit. This means that a flock of 100 laying birds could generate N800 profit per day, and

about N24,000/month hence by implication 500 birds could generate N120,000/month. At the end of the 54 to 72 weeks of lay, the spent layers would be sold for nearly the equivalent amount with which the POL is purchased. With the broilers, we buy day old chicks that will mature into live chickens in 8 weeks after which another batch of day old chicks will be bought.

3.5 SERVICE DELIVERY

- Our service delivery will be structured with an eye on surpassing customers' expectation. The departure point of our service delivery is ensuring high quality products.

Customer-Friendly delivery and support services will be packaged to ensure customer retention and market growth.

3.6 QUALITY ASSURANCE

Our desire for profitability will not overshadow our focus on quality. To ensure strict quality assurance compliance, P&G poultry farm (Nigeria) shall take the following steps-

- Ensure that the chickens are fed with the appropriate feed formula
- Checkmate incidence of diseases on chicken.
- Reduce the use of unkempt and dirty water.

3.7 DEMAND/SUPPLY ANALYSIS

From the market survey carried out by us, we harvested an existing business opportunity, hence proposed business.

The survey showed that a huge demand supply gap exists. This is currently responsible for the increase in the selling price of poultry products.

3.8 TECHNOLOGY

A good technical infrastructure would lead to better production and hence lower costs. Technology will also mean more effective business marketing and 10KVA Generator set will be acquired. The use of PC will enable us build a data on our customers, demand, sales operating expenses databank and market trends. This will enhance effective management of the firm.

3.9 COMPETITIVE EDGE

Our core competitive edge is the management rich knowledge of the industry and proactive orientation. While P&G poultry farm (Nigeria) has nothing to contend with the unstructured micro and small producers, in the market, through proactive orientation, we shall identify the weaknesses of the key players and exploit such.

3.10 MARKET NEEDS AND CUSTOMER DYNAMICS

P&G poultry farm (Nigeria) will continually scan the operating environment in order to identify changing market needs and address the customer dynamics.

4.0 MARKET PLAN

4.1 MARKETING PLAN TO BE ADOPTED

P&G poultry farm is entering the market as a structured player and has to identify and exploit the weakness of the key players in order to reap a comfortable market share.

Core area of focus in our marketing plan is:

- Aggressive awareness creation and marketing campaign
- Attractive pricing policy to stimulate demand
- Direct delivery services to our customers
- Discount offer to bulk buyers.

4.2 PROMOTION AND DISTRIBUTION STRATEGY

P&G poultry farm will mount an aggressive awareness campaign to draw potential customers attention to our presence. We will make use of handbills, flyers, posters to reach out to both corporate and individual customers.

As the business grows, improved publicity approach will be adopted – print and electronic media will be put to good use.

On the distribution strategy, we plan to adopt the following approach:

- Direct sales to hotels, restaurant, fast food outfit
- Sales to dealers
- Direct sales to individuals small buyers
- Appointment of distributors with sales outfits.

4.3 ALLIANCES

At start-up, we do not intend to go into alliance with any organization; however, as the business grows consideration could be giving to alliance arrangement depending on market dynamics.

4.4 MARKET POSITIONING

P&G poultry farm will position itself as structured proactive and focus poultry. The enterprise will create a peculiar leading edge profile for itself. In general, we will want to be seen by our customers, competitors, business partners and general public as”

- A reliable provider of quality products/services
- A quick, flexible and proactive market player
- A transparent, responsible and customer-focused producer.

4.5 SERVICE DELIVERY STRATEGY

To ensure that we capture and retain comfortable market share, we plan to adopt service delivery strategy that will be appealing to our customers:

- Customers care service will be emphasized
- After sales follow-up efforts will be carried out to feel the pulse of customers satisfaction
- We will adopt an image branding package for bulk breaking sales
- We shall develop a data bank on our customers to enable us monitor their need, dynamics and expectations.

4.6 SWOT ANALYSIS

In order to have a comprehensive project analysis and assessment, we have subjected this proposal to a SWOT analysis.

- Strengths
- P&G poultry farm is managed by a management with rich industry knowledge and proactive orientation
- The centrality of our location gives us high market visibility
- The enterprise is entering the market as a structured player

We will build on these strengths

- Weaknesses

- The global financial meltdown may affect start up demand for our product
- The material for making their food may be affected by inflation which can negatively affect the stock and operations.

We will address these weaknesses through aggressive marketing, fair pricing, customer care and continuous check on the health of the workers.

- Opportunities

- Expansion into large scale production by products (cracked egg shells for some detergent and fertilizer)
- There are opportunities for exporting our products in the ECOWAS countries and world market.

- Threats

- Increased competition due to the entry of more structured producers
- Government policy that may negatively affect the industry
- Introduction of new and mandatory regulations. To check these threats, the farm will continuously emphasize high quality product, strong customer care and innovative practice to retain existing customers and grow the market share.

On the government policy, we will proactively keep abreast of government policies and continuously scan the operating environment to checkmate possible threats.

4.7 PROJECTED SALES

Based on our demand estimation, we give the following sales projections:

S/NO	Revenue Base	2011	2012	2013
1	Two week old chicken	7,411,950	8,894,340	10,673,208
2	Frozen chicken	93,100	111,720	134,064
3	Live chicken	60,000	72,000	86,400
	Total	7,565,030	9,078,060	10,983,667s

CHAPTER FIVE

5.0 ORGANIZATION AND MANAGEMENT

5.1 ORGANIZATION STRUCTURE

P&G poultry farm is a sole proprietorship business and as a start-up enterprise, will adopt a slim organizational structure to check excessive payroll cost.

The day to day running of the farm will be undertaken by the promoter, as the Chief Executive Officer assisted by the Farm Officer and the Finance/Admin Officer. As the business grows, appropriate effects will be made to hair more hand to the need of the business.

5.2 SHAREHOLDERS AND DIRECTORS

P&G poultry farm is a sole proprietorship business

Registered with corporate affairs commission under business name, to this extent, the promoters is the sole owner. There are no shareholders or directors.

5.3 MANAGEMENT TEAM

The enterprise will be managed by the promoter, Mrs Mbah, Promise Nnenna a student of Religion and cultural studies from the University of Nigeria Nsukka. She has had vast and rich experience in poultry industry. She will be supported by the Farm Officer and the Finance/Admin Officer. These two positions will be held by good hands with qualification of ordinary diploma in Animal Science and Accounting/Business management respectively.

5.4 EXTERNAL SUPPORT

P&G poultry farm is discussing with a consulting firm that focuses on business development and support services, to offer us over a period of three years, strong management and support services, this management we believe will give the poultry strong foundational management culture to be built upon as the enterprise grows.

5.5 PERSONNEL PLAN

The personnel plan of Rock Ventures, at start-up will be as follows:

S/NO	Position	No	Annual remuneration	Total
1	Chief Executive Officer	1	960,000	960,000
2	Farm Officer	1	480,000	480,000
3	Finance/Admin Officer	1	480,000	480,000
4	Farm Attendant	2	180,000	360,000
	Total			2,280,000

5.6 VALUES AND NORMS OF THE ENTERPRISE

To ensure a sustainable and strong market presence and in order to drive our visions, P&G poultry farm shall adopt the following norms and values:

- To strive to do the best for the benefit of our customers
- To be transparent and uphold integrity in our dealings
- To see our employees as our most valuable assets

- To do our business within the ambit of the law of the nations
- To be ethical in our dealings.

CHAPTER SIX

6.0 LEGAL, REGULATION, SOCIAL, AND ENVIRONMENTAL ISSUES

6.1 P&G poultry farm: Has undertaken a legality check on the proposed business.

The enterprise has been duly registered with the Corporate Affair Commission, under the business name registration.

6.2 REGULATION ISSUES

The enterprise will comply with all relevant regulatory requirements – hand gloves, nose-masks and fire extinguishers will be provided. Necessary business premise permits will be secured. Relevant taxes and levies to the state and local government shall be paid as and when due.

6.3 SOCIAL ISSUES

The establishment of the planned enterprise will generate a lot of social benefits:

- Jobs and wealth creation
- People empowerment and poverty reduction
- Support to the development agenda of vision 2020 and the millennium development goals(MDGs)
- Check rural urban migration and enhance rural industrialization.

6.4 ENVIRONMENTAL ISSUES

P&G poultry farm will run an environmental friendly business. The poultry will be neat appropriately and regularly disinfected.

In summary, the poultry will be run in ways that enhance environmental sustainability.

CHAPTER SEVEN

7.0 FINANCIAL PLAN

7.1 PROJECT COST

The total project is estimated at N5, 000,000 made up of N2, 000,000 in fixed capital and N3, 000,000 in working capital.

Fixed capital (details)

Land and building	800,000
Cages	735,000
Generating set	150,000
Water tank	90,000
Computer system	120,000
Business registration	5,000
Business plan development	<u>100,000</u>
	<u>2,000,000</u>
Working capital	3,000,000
Total project cost	<u>5,000,000</u>

7.2 FUNDING PLAN

The total project cost of N5, 000,000 is proposed to be funded in the following structure:

Equity	Term	Total
N	N	N

Owner's condition	1,000,000	-	1,000,000
	<u>4,000,000</u>		<u>4,000,000</u>
	<u>1,000,000</u>	<u>4,000,000</u>	<u>5,000,000</u>

7.3 FUNDING REQUIREMENT

The funding requirement for this project is N4, 000,000 as the promoter (entrepreneur) is committing N1,000,000 into the project.

7.4 P&G POULTRY FARM

Projected income statement

	2011	2012	2013
Turnover	7,565,060	9,078,060	10,893,672
Cost of sales	(3,378,200)	(3,716,020)	(4,087,622)
Gross margin	4,186,850	5,362,040	6,806,050
Less: Expenses salaries and allowances	2,286,000	2,394,000	2,513,700
Transport and travelling	240,000	252,000	264,600
Telephone and postages	72,000	75,600	79,380
Interests on loan	600,000	600,000	300,000
Depreciation	189,500	189,500	189,500
Electricity/gas	60,000	63,000	66,150
Administrative expenses	72,000	75,600	79,380
Total operating expenses	(3,513,500)	(3,649,700)	(3,492,710)
Net operating projects	673,350	1,712,340	3,313,340

7.5 P&G POULTRY FARM

Projected cash flow statement

Cash flows	Pre- operational	2011	2012	2013
Cash inflows				
owners contribution (Equity)	-	1,000,000	-	-
Loan capital	-	4,000,000	-	-
Sales revenue	-	7,565,050	9,078,060	10,983,672
(Turnover)pre-operational	105,000	-	-	-
Total cash inflows	105,000	12,565,050	9,078,060	10,893,672
(cash outflow)pre-operational expenses	-	-	-	-
Fixed assets Acquisition	-	1,895,000	-	-
Cost of sales	-	3,378,200	3,716,020	4,087,622
Operating				

expenses(less dep.)	-	3,324,000	3,460,200	3,303,210
Stock replacement	-	202,055	512,702	994,002
Loan repayment	-	-	2,000,000	2,000,000
Total cash outflow	(105,000)	(8,799,205)	(9,689,922)	(10,384,834)
Net cash flow	-	3,765,845	(611,862)	508,838
Opening cash balance	-	-	3,765,845	3,153,983
Closing cash balance	-	3,765,845	3,153,983	3,662,821

7.6 P&G POULTRY FARM

Projected balance sheet

Capital employed	2011	2012	2013
Less depreciation	(189,500)	(189,500)	(189,500)
Net book value	1,705,500	1,516,000	1,326,500
Current assets			
Balance in hand and at bank	(3,765,845)	(3,153,983)	3,662,821
Stock of chicken	202,005	513,702	994,002
Less current liabilities	3,967,850	3,667,685	4,656,823
Outstanding loan balance	(4,000,000)	(2,000,000)	-
Net current assets	(32,150)	1,667,685	4,656,823

	1,673,350	3,183,685	5,983,323
Financed by:			
Owners' equity	1,000,000	1,000,000	1,000,000
Retained profit	763,350	2, 183,685	4,983,323
Owners funds	1,673,350	3,183,685	5,983,323

• P&G POULTRY FARM

Profitability Analysis

The aim of this phase is to draw the investor's attention to the viability of the project a shown below:

	2011	2012	2013
Turnover(N)	7,565,050	9,078,060	10,893,672
Operating net profit(N)	763,350	1,712,340	3,313,340
Return on turnover(sales)N	8.9	18.86	30.41
Return on equity(owners contribution)	67.33	171.23	331.33
Return on total investment	13.46	34.26	66.26

• P&G POULTRY FARM

BREAK EVEN ANALYSIS

$$BEP = FC$$

1-VC

Where BEP = Breakeven point

S FC = fixed cost

VC = variable cost

S = sales (Turnover)

1 = constant

	Fixed cost	Variable cost
Sales & Allowance	2,280,000	-
Transport & Travelling	-	240,000
Telephone & Postages	-	72,000
Interest on loan	600,000	-
Depreciation	189,500	-
Electricity/gas	-	600,000
Admin. Expenses	72,000	-
Total	3,141,500	372,000

But substitution, BEP = $\frac{FC}{1 - VC}$

$1 - VC$

N3, 141,500

$$\begin{aligned}
 & \text{S} && \underline{1-372,000} \\
 & && 7,565,050 \\
 & \underline{372,000} & = & \underline{0.049} \\
 & 7,565,050 & & \\
 & 1-0.049 & = & 0.951 \\
 & \text{N3, 141,500} & & \\
 & 0.951 = & \text{N3, 303,364}
 \end{aligned}$$

Interpretation: Out of the 1st year turnover of N7,565,050, the enterprise will break-even at the sales level of N3,303,364 or 43% of the year's turnover. This shows that the project is highly viable as it will begin to turn profit after just 43% of the annual sales have been made.

CHAPTER EIGHT

8.0 RISK ANALYSIS, CONTINGENCY PLAN AND EXIT STRATEGY

8.1 RISK ANALYSIS AND MITIGANTS

This project has been subjected to risk analysis, some inherent risks identified an appropriate mitigants preferred to avoid the planned business being disrupted.

	Identified risks	Mitigants
1	Disease Outbreak	Proper vaccination and good sanitary measures
2	Power Outage	Provision of Generating Set
3	Shortage of food	Proper stock and supplier relationship management
4	Inadequate start-up demand	A multiple revenue model has been adopted.
5	Shortage of water supply	Adequate water storage arrangement has been made
6	Stiff competition due to entry of more structured players	Strong and continuous marketing campaign, customer care and high product quality emphasis.

8.2 CONTINGENCY PLAN

We are aware that the projections embodied in his plan are based on a number of assumptions. These assumptions are subject to deviations that impact the outcome.

To this extent we have made some contingency plans:

- Increase in production/operating costs: Where there is an increase in the production/operating costs, we plan to adopt strong cost control measures, to keep the operating results in line.
- Low Demand: Where the demand for our products turns to be below the projections, we plan to adopt the below the projections, we plan to adopt the following measures:
 - Offer discounts to bulk buyers
 - Initiate slight price reduction
 - Mount aggressive marketing campaign to stimulate demand.
 - Enter in alliance in order to have sales outlets.

8.3 EXIT STRATEGY

The exit strategy open to any investor to the project is prompt pay-off of the procured loan or buying off any shares held by the investor, we plan to achieve this strategy through careful and efficient cash flows management. On our part, we do not intend to exit the business; rather expansion and diversification will be pursued when the business attains a suitable growth posture.

CHAPTER NINE

- **OTHER**
- **CONSIDERATIONS, CONCLUSION/RECOMMENDATION**

9.1 ECONOMIC JUSTIFICATION

From our analysis, the planned project has been found economically justifiable in that it creates job, wealth, reduces poverty and empowers people. The project is also conforming to the spirit of vision 2020, the natural economic empowerment and development strategy (NEEDS) as well as the millennium development goals (MDG's).

9.2 COMMERCIAL VIABILITY

The commercial viability of the project needs not be over stressed, as we have shown through the projections, a conservative but impressive cash flows, turnover and profit line.

9.3 CONCLUSION /RECOMMENDATION

From the point of view of our analysis and findings, the proposed project is found to be technically feasible, financially viable and economically desirable. The

project offers good investment benefits to both the promoter and investors. We therefore have no hesitation in recommending the project for funding and implementation.

APPENDICES

DEMAND ESTIMATION

- We assumed that there are 200,000 families within our target market who will demand poultry products.
- That each family will spend an average of N3, 000 annually on chicken.
- Therefore, total industry demand = 60,000x N3,000 = N180, 000,000
- Assumed commercial poultry farm, including P&G poultry farm = 20 (within our target market).
- Therefore, annual demand for each farm = N9,000,000
- As a start-up in the industry, we subjected food World's annual demand to 17.645% reduction = N9,000,000 less 17.645% of N9,000,000

- The year 1 (2011) demand (sales for chicken = N9,000,000 = N1,588,050 = N7,411,950
- We also estimated sales of empty food bags in 2011 to be N93, 100 and sales of two week old chicken to be N60, 000 in 2011.
- Each of this demand group is estimated to increase by 20% annually.

Year	Beginning of the principal	Interest	Loan repayment	Loan balance (year End)
2011	4,000,000	600,000	-	4,000,000
2012	4,000,000	600,000	2,000,000	2,000,000
2013	2,000,000	300,000	2,000,000	-

DEPRECIATION SCHEDULE

S/N	Fixed Assets Item	Cost	Scrap value	Depr. value	Life value	Annual Depr.
		N	N	N	N	N
1	Land & Building	800,000	-	800,000	10	80,000
2	Cages	735,000	-	735,000	10	73,500
3	Gen set	150,000	-	150,000	10	15,000
4	Water Tank	90,000	-	90,000	10	9,000
5	Computer set	120,000	-	120,000	10	12,000
Total						<u>189,500</u>

Note: For purposes of this project appraisal we have taken the life span of the Fixed Assets as 10 years, while no scrap value is provided for.