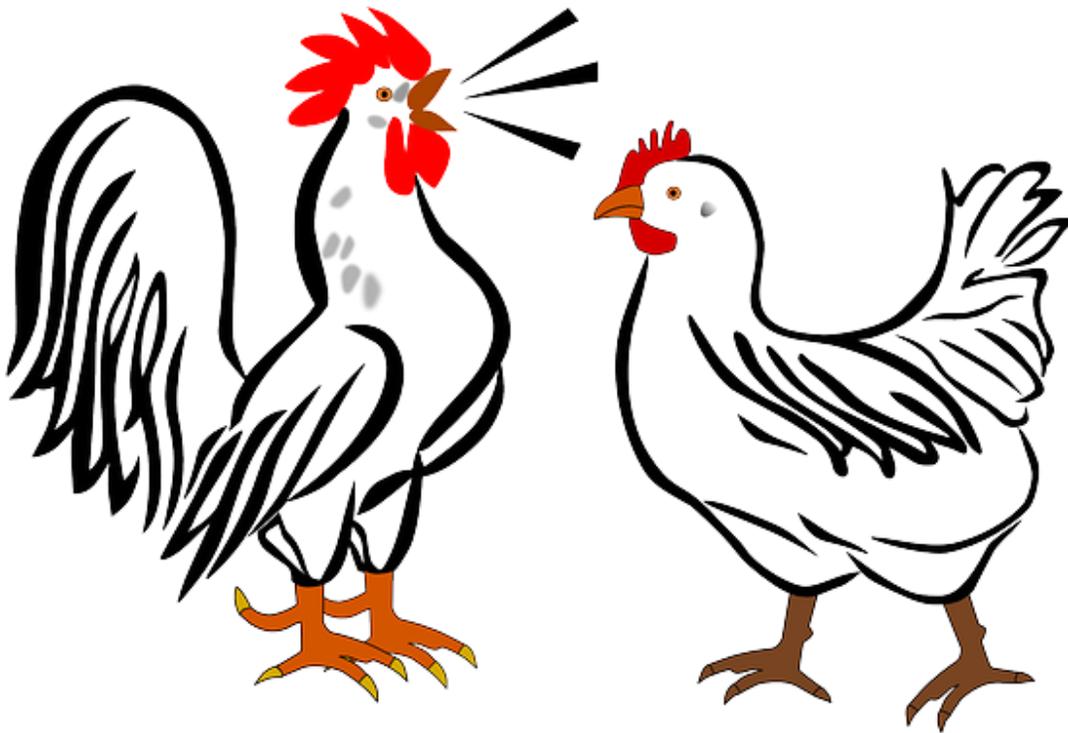


USAPHO INKUKU

# BUSINESS PLAN FOR USAPHO INKUKU

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## **EXECUTIVE SUMMARY**

Usapho Inkuku is a farm focused on meat production that provides for a large market range. It also produces manure as a by-product. It is based in Kokstad, KwaZulu-Natal. The founders have noticed the health implication of red meat and are creating a business to meet the increased demand for white meat. Chickens happen to be a great source of white meat and are also largely known for egg production. The persons who have come together to start this business are Elizabeth and Benjamin.

Not only are the founders interested in meeting the demands of the customer, we also plan to create utmost satisfaction for these customers. The founders also want 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. We plan on provide products with quality and maintain this supply efficiently. This is a partnership business that plans on distributing chicken's to butcheries, home delivery, rural areas , schools, communities and resellers. We also plan on doing this at very affordable prices.

This business plan is meant to articulate the vision and future of our poultry. We also hope that it will serve as a guideline for the firm's employees to move towards the goal of the poultry.

Not only do we offer products, but we offer services as well. We plan on providing home delivery services to customers.

1000 on a 7day basis (Weekly) chickens would be optimum for the initial operation of the business. Production site is in Kokstad KwaZulu-Natal, plenty open space, road connection, water availability and immediate access to a productive market. Investment in this business shall be allocated to the following purposes: buying chickens. Fifty percent gross margin is expected within 6 months of its operations withholding the chances of any accidental or unexpected incidence and we hope to obtain the breakeven point within 2 years.

We have considered the risks, financial, health and technology wisely.

### **Poultry farm Objectives**

Usapho Inkuku will measure its success by its ability to achieve the following objectives:

- Becoming the "Best and most hygienic poultry producer in the area" complying by the national standards for food.
- Turn in profits from the first six months of operations.
- Maintain 50% gross margin ratio.
- Winning the hearts and tastes of our beloved customers

### **Poultry farm Mission**

Usapho Inkuku mission is to provide customers with quality, fresh, and valuable products. To respect all employees and enable everyone to have a say in company affairs. Quality and service are our number one priority. To provide investors with opportunities to receive a nice return on investment and high-quality growth. To contribute to the community through physical and social programs. Usapho Inkuku intends to have the largest poultry farm products. We plan to increase and expand our production of chicken's to challenge the ever growing demand for chicken products. The nutritious and protein rich products from our farm would always be the first choice of our consumers.

### **Our keys to success**

Usapho Inkuku will follow these principles in order to achieve success in its market:

- State of art cage framework accommodating optimum number of chickens with lessened possible hazards.
- Diverse slaughters network, market chain management, optimum inventory level and 'customer is king' policy.
- Hygienic poultry house environment.

## **COMPANY SUMMARY**

### **Location and facilities**

We are trading from this spot because is it a great place to reach our target market. We think the population base is large enough for our business and it has a stable economic base that promotes a healthy environment for the poultry. Also we think it is a spot that could tap a healthy workforce. We also considered pedestrian traffic and we think a large percentage of them are potential customers. We plan on having a good parking space and sufficient security in our working site to create a safe environment for the customers.

Our facilities will include a broiler grow out facility, a chicken house for the Cornish chicken's. T The production cycle will be made up of 50% broilers and 50% Cornish. The broilers grow out

facility will be a deep litter system. Both systems require adequate housing and feeding and drinking equipment's.

### **Contact Information**

We can be contacted through our contact details:

Elizabeth- 062 654 2814

: Benji- 066 329 0623

### **INDUSTRY ANALYSIS**

Poultry industry in the last 40 years has shown dramatic changes in both domestic and international environments. Those environmental forces included are classified into 2 categories: the internal forces and external forces. Internal and external forces include:

1. Poultry industry competitors: When the company have few competitors, it is more likely to get more profit.
2. Supplier dynamics: Suppliers of raw materials to the poultry companies are the ones that affect the costs of poultry products. If there is development of new market and technology, the price of raw materials will remain low.
3. Opportunities: The first opportunity is that there is small number of large scale poultry farmers, and the other ones are small scale business farmers. So this will make businessmen to vertically integrate in the poultry business

### **Challenges facing the poultry industry**

Poultry farming has some challenges that need to be attended to with vigor. Below are some of the common challenges that are faced by poultry farmers:

Death of chickens: In poultry, one or many chickens usually die because of their fragile nature and the weather they are living in. Some factors such as heat and overcrowding causing that death can be controllable.

Diseases: Pneumonia and other minor diseases are among problems faced by poultry farmers, but this problem can be solved by seeking a veterinary doctor.

### **START-UP SUMMARY**

Start-up expenses for Usapho Inkuku include initial insurance payments covering both general liability and product liability, pre-launch marketing to cover flyers, a direct mail campaign, and advertisements on social media, the development of a website for customer interaction.

### **Poultry farm start up costs**

Items	Costs
Printer Cartridges x3	645
Internet	1000
Bakkie	6500
Total	8145.00

Equipments	Cost
Feeders and drinkers	3000
Crates x 20	5300
Chicken Plucker	6500
Total equipment	14800.00

## **POULTRY FARM PRODUCTS**

### **Product description**

We plan to take pride in the uncompromising quality of our products. Usapho Inkuku shall produce high quality, contaminant-free chickens to satisfy the taste of our beloved costumers. The products shall be distributed into a number of distributors – butcheries, rural areas, communities and in the company’s own retail space for easy access for marketing agents and consumers. In brief our products are;

- Main products
  - a) Live chickens
  - b) Slaughtered chickens
- By-products
  - a) Pigs/piglets
  - b) Eggs

### **Future products**

We have big plans for the future. We plan on supplying eggs. Another thing we have planned for the future is the sale of processed chicken meat and gizzards.

### **Service Description**

We plan on servicing our customers by providing home delivery in the Kokstad area, surrounding areas will pay a delivery fee, depending on the amount of chickens ordered.

### **Future services**

In the future, we plan on producing eggs. Sold at R1.13c per egg.

## **PRODUCTION SUMMARY**

### **Production plan**

In our poultry, we are planning to keep 1000 chickens weekly for meat. Up to 300-400 chickens will be sold daily, choice of slaughtered or sold live. Our production target is to reduce cost of production by at least 20% in the next 3 years.

### **Production costs**

Our fixed costs include

- Insurance payments covering both general liability and product liability,
- Area of about one plot will be allocated for the farm;
- Materials for office and store furniture, shelving, a computer, phone system, and tools.

Raw materials used include

- Broilers
- Cornish
- Water, Feed

### **Production labor**

#### **Cost of labor**

<b>Labor</b>	<b>Salary</b>
Cleaner/feeder	5000
Total salary	5000

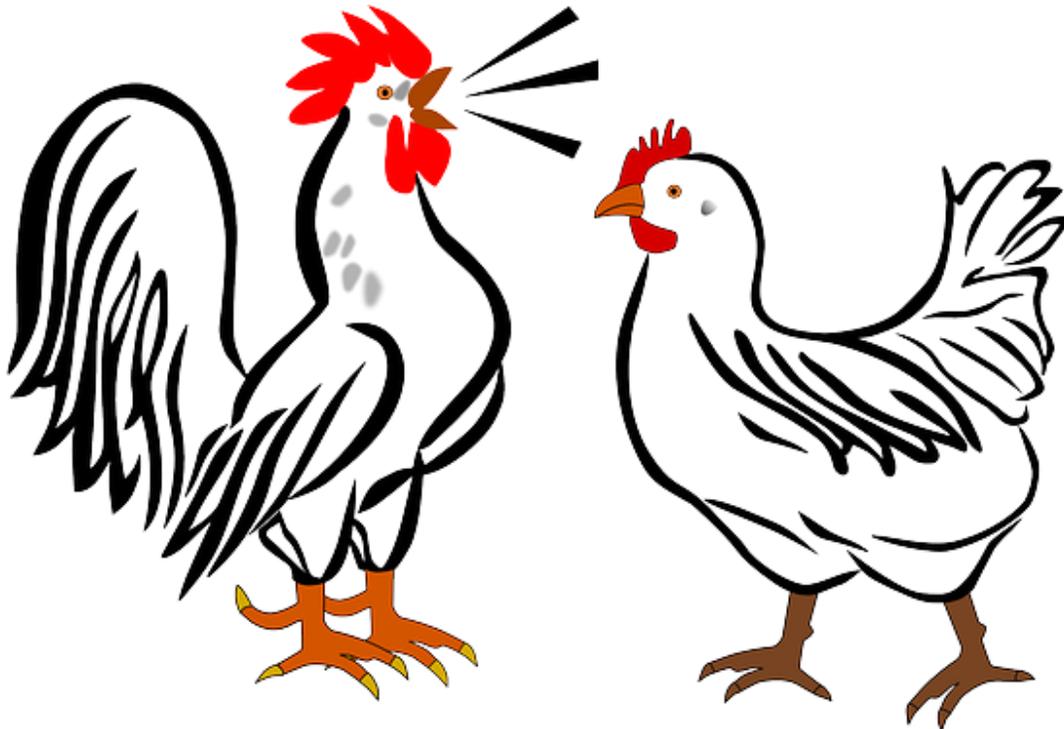
### **Production process**

We are starting with broiler and Cornish, these are birds in their 5 weeks to 8-10 weeks of Age. . In budgeting for feeding, a bag of SG 2 Epol Broiler cost about R246.00 today and could feed 100 chickens. Chickens are sold immediately on arrival, reducing price of feed.

With the broilers, we purchase 5 week old chicken ready for the market.

### **Production systems**

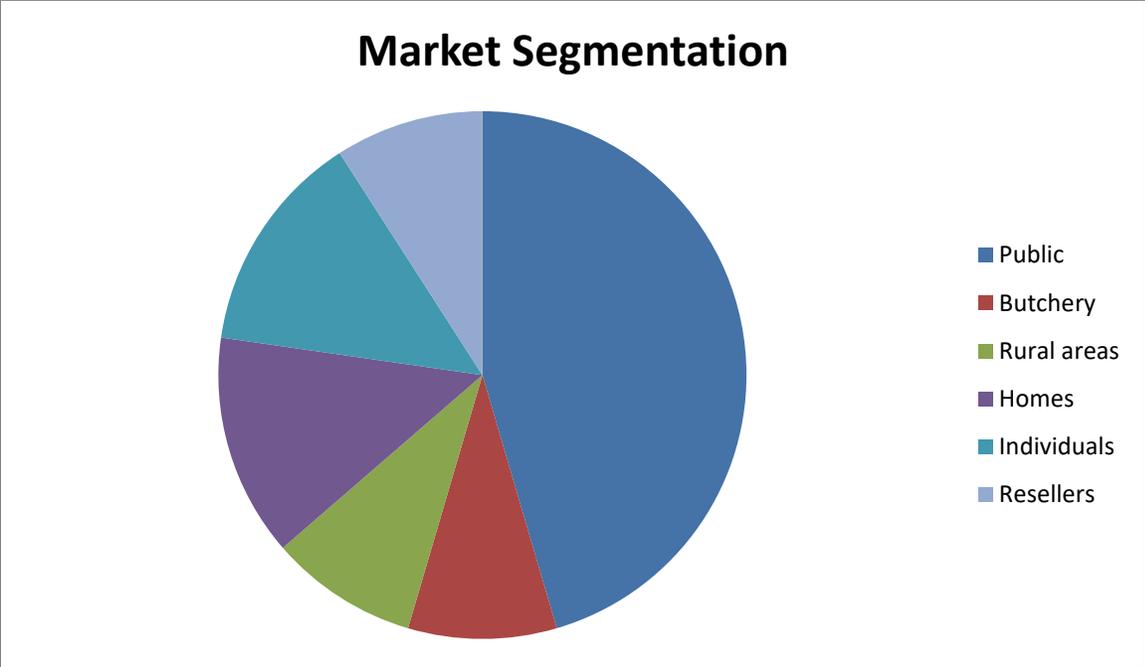
There are two main production systems in South Africa. Laying breeds and dual-purpose breeds



## **MARKET ANALYSIS SUMMARY**

### **Market segmentation**

During the market segmentation, we found out that nearly everybody eats eggs and meat, so we are targeting the whole market, individuals, homes and firms that eat chickens in large and small quantities. Specifically there is a high demand for live chickens for home consumption or as gifts during festivals like Christmas, Traditions, New Year, Easter etc.



**Target market segment strategy**

Individuals are a small sector in the market segmentation. They are a pretty large group but they buy a relatively small quantity.

The part of the market that we hope to supply large amount. We have strategically placed our site close to these industries. They are butcheries, towns in and around Kokstad KwaZulu-Natal, resellers, home delivery, retail shops and the public.

Another part of our target market that will order our products in medium quantities are the homes that will require our home delivery.

The parts of our target market interested in live chickens are small scale poultry farmers and festive individuals. We have considered the needs of each section of the target markets and we plan on meeting these needs effectively.

**Market trends**

While some countries are reputed to be important exporters of poultry products, Kokstad has a problem of meeting its local demand of poultry products as the cost of a chicken varies between R100-R150 excluding the amount needed for fuel.

But the poultry market has seen more favorable times since the independence in 1960, peaking in 1982 with 40 million commercially reared birds.

In the poultry business now, most of the products supply comes from the informal farmers with holdings of 50-700 birds. But then there are the “big guns” especially in the southern part of the country, good examples being RCL foods.

### **Competition**

Competition is not so keen in the markets, however it still exists. The reasons are;

- Poultry products are not branded products; hence what usually matters is effective positioning and timing.
- Poultry market is not crowded, it's a seller's market.
- Most poultry produce are sold through informal channels. Competition is usually found within local products and imported ones.

However, this is an increasing business in terms of number of people who are doing it. Our competitors include those who sell meat and eggs. Although those competitors are available, a large number of people still lacking essential food components, which are proteins. There are poultry farmers; however, many of them are backyard farmers, small scale and their production is too low to satisfy the demand of customers. The demand is high for live birds and eggs either for consumption or for gift in the time of Christmas, New Year, Easter, etc. The products of poultry are also needed in fast food business which engages in the sale of products like chicken, eggs bronze, etc. After having a look and analyzing this scenario we decided to come in this industry to solve problem of malnutrition in our population. Therefore, to achieve a breakthrough in our business we will be using our motto “customer is the king.” This means that everything we will be doing is basically to satisfy the needs of our customers.

### **Business competitive edge**

Our strength over its competitors is firstly based on the fact that we are not entering this business to make much money. We are entering this industry to solve the present problem that our population is facing. We are here to provide quality affordable chicken products. We saw that some of our competitors are seasonal they only produce their chicken at a given period of time. We won't work like that, Usapho Inkuku will always be ready to provide chicken and hopefully eggs very soon. We know the importance of time and know that people have many and varying activities; knowing all that we will be delivering our products to the customer's door. Through our motto “customer is the king” we will have an ever fast delivery. The other factor that will help us to have success over our competitors is to motivate our employees and helping them to improve their way of living, this will help our employees to be focused on their

work and provide better services to their customers. We expected our business to grow and start working at national level and this will be achieved through hardworking of management team and efficiency and effective use of materials and time is the key to be successful over our competitors.

### **Marketing strategy**

Usapho Inkuku will strive for the production of products with the highest quality and we plan on employing the following strategies. Our location puts us in proximity of a major community and surrounding areas, butcheries, schools with campuses and home delivery, we will be supplying to. We would also make contracts with hawkers in markets to sell our live and slaughtered chickens. We would also make contracts with retail shops for constant supply of slaughtered chickens at intervals.

### **Pricing and Promotion strategy**

The price of the chicken would range from R70 up to R100 depending on the size and quality. These prices would also vary depending on the existing market price of poultry meat. As we compete with other poultries, we will promote our products through advertisements with the aid of streamers and pamphlets. We can also make our business known through recommendations and connections with well-known businessmen in the locality. We will also make our products and service known in the newspapers.

### **Web strategy**

Usapho Inkuku will also have a website will all the information on our products and services. We know a site or two where we can place online advertisements and we would also make mentions of our poultry in online newspapers.

### **Sales strategy**

- Better farm management practice
- Recycling wastes as fertilizer
- “consumer is king” policy
- Keeping up with new technology for production efficiency

## **MANAGEMENT SUMMARY**

### **Management team**

The management team is simply the partner in this business. They are Elizabeth and Benji.

1. Cleaner

## 2. Driver

### INTERNAL ENVIRONMENTAL ANALYSIS

#### SWOT ANALYSIS

SWOT stands for strength, weakness, opportunities and threats and we have made an analysis in each case.

##### Strength

- Produce high quality chickens
- Relatively good infrastructure systems
- Good marketing system
- Chickens are not seasonal products and can be eaten any time of the year
- In this area, the poultry business hasn't been over-exploited
- Poultry are environmentally friendly

##### Weakness

- Capital intensive. Starting a poultry business requires a large capital funding.

##### Opportunities

- Expansion into large scale production of by products(eggs)
- Export to neighboring towns
- A large and successful poultry will ensure food security

##### Threats

- More competition
- Avian diseases
- High feed ingredients prices
- Threat of import of frozen chicken

### EXTERNAL ENVIRONMENTAL ANALYSIS

**Socio-cultural** – Eating habits of our consumers will definitely affect our business. Also, the success of restaurants and other firms that order our products will indirectly affect our business.

**Technological** - A good technical infrastructure would lead to better production and hence lower costs. Technology will also mean more effective business marketing.

**Economic** – Economic trends such as demand and supply will determine the sustenance and profitability of the business. Also inflation rates will affect the way we pay our employees and the price of the product.

**Political** – This will include government policies concerning inspection by the ministry of health and organizations.

## **FINANCIAL PLAN**

In every project found. We have to pass through the financed process. This have to do with the starting of business, whether the personal income used or term loans from banks. In our business, the financing structure and ways of doing it is like the path below.

1) Equity contribution: this cover the land we are using for the poultry, and also the facilities in the building.

2) Personal income which will be used to start-up the operations, plucker equipment and other equipment's needed for the poultry.

### **Projected Income statement**

<u>Income</u>	1 <sup>st</sup> year	2 <sup>nd</sup> Year	3 <sup>rd</sup> year
Live chicken Sales	3000000	3000000	3000500
Total income	3000000	3000000	3000500
<u>Expenses</u>			
Chicken purchase	1848000	1848000	1849000
Insurance	36000	36000	36000
Internet	12000	12000	12000
Labor	60000	61200	65000
Total expenses	1956000	1957200	1962000

### **Cash flow analysis**

No	Particulars	Monthly
1	Costs:	
2	Recurring Costs:	
A	Cost of chickens x3500	R154 000
B	Insurance	R3,000.00

C	Labor	R5000.00
D	Internet	R1000.00
	Total	R155000.00
5	Sale of live chickens	R350000.00
b	Computer and printer	R1000.00

Tax to be paid is 10% of the net profit.

### **Records management**

As to records management, each project will have a record book on which information on the number of stocked live birds, slaughtered and deaths are recorded. Record keeping will help us to budget accurately and make informed decisions about the poultry. The records will contain information such as

- All feeds consumed and purchased
- Number of chickens purchased
- Deaths and causes
- Vaccination and other veterinary requisites expenses
- Labor and other variable costs
- Water and feed intake daily.

### **RISK ASSESSMENT**

#### **Financial risks**

- Changes in our pricing policies or that of our competitors
- Fluctuation in revenue from distributors and retailers
- Timing of costs related to acquisitions or payments

#### **Health risks**

Contagious disease and virus outbreak is very deadly; if one of the chickens should catch the disease, all of them will be affected and if it's not recognized and treated early it will lead to the death of all the chickens which is a great loss for the business. And also some of the diseases are also contagious to human not just between the chickens which will affect the workers and also those that eat it.

Disease prevalence varies from one area to the other. The problems that may trigger disease conditions are direct sunlight. All these conditions will be avoided to the best of our abilities.

Another thing we considered during the risk assessment is the mortality of the chickens which is inevitable since we are dealing with living things. This can be managed with good management and has been calculated to range between 5-10%.

### **Technological risks**

Technology is good but they also have their disadvantages. The cost for electricity is also not easy and some electric problems can lead to fire outrage and burn the building causing the loss of assets and perhaps the entire business.

### **Contingency plans**

As we considered these risks we have also made contingency plans for unprecedented events or occurrences. As per the health risks, we will have plans with a veterinary doctor that will have regular checkups with the chickens while giving them the best environmental conditions. Another contingency plan we will make is insurance that will protect our assets. One of the risks we have to face mentioned earlier, the occurrence of a fire outrage will be curbed by placing fire extinguishers at strategic places. And in case of financial crises, we may have to resort to getting loans.