Horti Nigeria

BUILDING A SUSTAINABLE & INCLUSIVE HORTICULTURE SECTOR

BUSINESS PLAN DEVELOPMENT

Manual for Horticulture Value Chain SMEs

Kingdom of the Netherlands

IFDC Developing Agriculture from the Ground Up

EAST-WEST SEED KNOWLEDGE TRANSFER

WAGENINGEN UNIVERSITY & RESEARCH

KIT INSTITUTE

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PREFACE ON HORTINIGERIA

1.1 Context

The Embassy of the Kingdom of the Netherlands in Nigeria (EKN) acknowledges that in the horticulture sector, substantial opportunities exist for increased resilience of households, given the huge numbers of workers (including women and youths) employed therein. Accordingly, in 2021 the EKN unveiled HortiNigeria, a four-year program, which aims to enhance the productivity and income of 60,000 smallholder farmers (50% youth and 40% women) through agronomic practices that are eco-efficient.

In four states of Nigeria (Kaduna and Kano in the north-west and Ogun and Oyo in the south-west), HortiNigeria is being implemented by the International Fertilizer Development Center (IFDC) and its consortium partners East-West Seed Knowledge Transfer (EWS-KT), Wageningen University & Research (WUR) and KIT Royal Institute.

HortiNigeria would also sustainably expand cultivated land by 15,000 hectares, promote innovations and regional diversifications to reduce seasonal risks faced by 2,000 entrepreneurial farmers, increase access to finance for 50 agro-SMEs, enhance sector coordination and facilitate 200 business-to-business linkages. The program concentrates on tomato, okra, onion, and pepper value chains in the domestic markets, and its implementation is occurring through four components as follows:

1. Increasing Productivity and Incomes in Kaduna and Kano States;
2. Piloting Production Systems Innovations and Regional Diversification in Ogun and Oyo States;
3. Increasing Access to Finance for SMEs and
4. Enhancing Sector Coordination and Business-to-Business Linkages.

1.2. The Need for Capacity Building

HortiNigeria recognizes that access to finance is a tipping point necessary for smallholder farmers (SHF) and other value chain actors (VCAs) if they are to sustainably adopt eco-efficient practices and innovations and expand to wider markets. This would occur if the targeted VCAs get into the formal financial network, where opportunities abound for injection of capital from usually, commercial sources.

One key requirement for an enterprise seeking for funds, is that the promoters should be able to develop basic proposals that give, not only an overall view of the business, but also, details of all interrelated activities and how they fit into the operating environment, particularly in relation to the prospects of sustainable business growth.

This document on the development of business plans is the third of three training manuals
Unless otherwise specifically referenced, all photographs contained in the manuals were originally taken by (and belong to) Yusuf Haliru & Associates Limited.

2. Training on Development of Business Plans

2.1. Objectives of the Training

This training has two main objectives, namely:

- To equip participants with knowledge of what prospective investors look-out for, in a business plan and
- To enlighten the participants on the key components of a typical business plan

2.2. Expected Outcomes

After the training, the participants are expected to have a reasonable understanding of:

(a) The need for preparing business plans
(b) How far-off (or near to) they have been in formally recognizing important features of their businesses
(c) How to draw-up a simple business plan and
(d) Areas in which they had fallen short in their previous attempts to develop business plans

2.3. Guide on Proceedings

Developing a business plan is a technical activity; so also, is the process of disseminating skills to SMEs on how to prepare their business plans. The latter is even more technical when the capacity building event entails interacting with groups of VCAs consisting of those who may never have written a business plan and those who have carried-out the activity up to various levels and under different circumstances.

It is recommended that the facilitator should proceed as follows:

First use the introductory parts (up till Section 2.5) to make participants understand that almost every decision made with regard to committing resources into an activity involves some form of planning. It would also stimulate the participants to think about the issue of responsibility; i.e., who should prepare the business plan.

Second, discuss the various contents of a typical business plan. In view of the heavy content of this section, the facilitator must endeavour to continuously bring in examples that are easily understood, horticulture-related, ecologically-considerate and gender-friendly.

Third, facilitate the exercise on preparation of business plans through the learning-by-doing concept, such that contributions from the audience are used in developing the business plan; s/he also needs to encourage questions as the groups of participants work on developing their business plans.

2.4. The Business Plan Defined

Guide: the facilitator is to ask two pertinent questions, to evoke contributions from the audience	1. Ask the participants if anyone has previously: Embarked on expansion of any aspect of his/her business? For clarity, an aspect of their business includes: • Buying a sprayer • Expanding cultivated land • Acquiring seeds of a newly introduced tomato variety • Linking-up with a community-owned drying platform • Acquiring a vehicle for transportation of output • Renting a shop in the vegetables trading market etc
Guide: the facilitator is to ask two pertinent questions, to evoke contributions from the audience	2. Started a whole new business of any kind? The above questions have a broad purpose – to encourage the participants to recognize that every activity involves commitment of time, funds, energy and other resources, with the objective of attaining certain outputs. While the first question is broken down into smaller sub-units of activities, the 2nd question underscores the fact that at some point in time, almost everyone either started a business afresh or experienced the first day of taking over an existing business. In general, therefore, participants are to realize that many entrepreneurs may not have consciously written a plan on what they wanted to do, how they were going to do it and what they expected to

	gain, given the opportunities around them and the challenges they may face. Even sub-consciously, many people almost always have an idea of the what, why, when and expectation in regards of a tiny, small, medium, large or very large business decision.

2.5. Who should develop the business plan?

There is no right or wrong answer to this question; facilitator should only lead participants through the discussion session. Let the audience begin to shape their thoughts in this regard	Who Should Develop the Business Plan? • Board of Directors (in the case of limited liability companies)? • Top Management who are in-charge of the day-to-day administration of the affairs of the business? • Accountant who is directly involved in book-keeping and handling the finances of the company? • External support of consultants? • The main promoter of the business in case of an SME? No particular feedback is the best fit

3. Contents of a Typical Business Plan

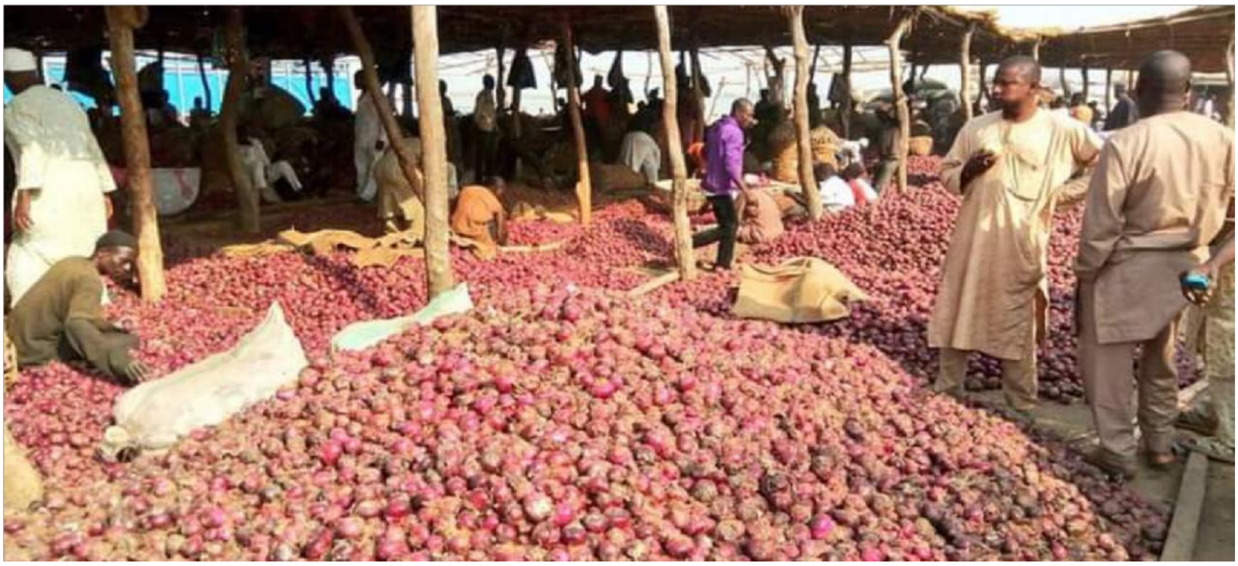
Traditional business plan format

You might prefer a traditional business plan format if you're very detail oriented, want a comprehensive plan, or plan to request financing from traditional sources.

When you write your business plan, you don't have to stick to the exact business plan outline. Instead, use the sections that make the most sense for your business and your needs. Traditional business plans use some combination of these nine sections

Executive Summary

This section usually appears first in the business plan but usually be the one to be written last i.e. after every section of the business plan is concluded. This is because it is the summary of the key components of the business plan. Summary of the business plan to approx. 1.5 pages	Briefly tell your reader what your company is and why it will be successful. Include your mission statement, your product or service, and basic information about your company's leadership team, employees, and location. You should also include financial information and high-level growth plans if you plan to ask for financing.



3.1. Background

This is the introductory section of the business plan. It tells the reader the first few things everyone wishes to know about.	• Intent of the Business Plan – this is more like an opening line; an introductory statement that describes what the document is about. • Brief description of the business value chain and roles of the company in the value.

3.2 Company Description

Company description provide detailed information about your company.	Detail information of the company. • Vision & Mission Statement • Principal Members • Legal Structure Detail of the problems the business solves. Be specific, and list out the consumers, organization, or businesses the company plans to serve. Explain the competitive advantages that will make the business a success. For example, experts in the team; perfect business location; as well as emphasizing the company strengths.

3.3 Market Analysis

- Industry Analysis (Agro value chain)

After analysing business own sector follow on with a market analysis of business own customers and your planned market success (sales volume, turnover, market share and profit). Thus, Market segmentation involves dividing up the overall market according to certain criteria into groups of purchasers (customers) which show homogeneous structures with regard to their purchasing behaviour.	Market analysis is all about analysing the sector and the market of the business target group. Divide the market into segments for this. There are various possibilities available, including the following as examples: **Geographical segmentation:** In this case you limit your activities to a particular region, e,g, within a radius of 150 km of your headquarters or all the companies in a particular sector in your state. **Socio-demographic segmentation:** You act according to the classic criteria of age, sex, family status, company size. **Socio-economic segmentation:** In this case you divide them up according to profession, income, size of household etc. Ú **Behaviour-oriented segmentation:** Criteria such as similar customer benefit or identical purchasing behaviour are often used here. These segmentation criteria can be selected as you wish as long as they ensure that, firstly, the number of customers in each segment and their behaviour can be determined and, secondly, that they can be reached with the same sales strategy. Determine the potential turnover for each segment according to a timeframe which you should determine.

3.4 Competitive Analysis

This sector will support a good understanding of business industry outlook and target market.	Competitive research will show you what other businesses are doing and what their strengths are. During the conduct of market research, look for trends and themes so that you are able to provide answer to the following questions: • What do successful competitors do? • Why does it work? • Can you do it better? Now's the time to answer these questions.

3.5 Marketing and Sales Strategy

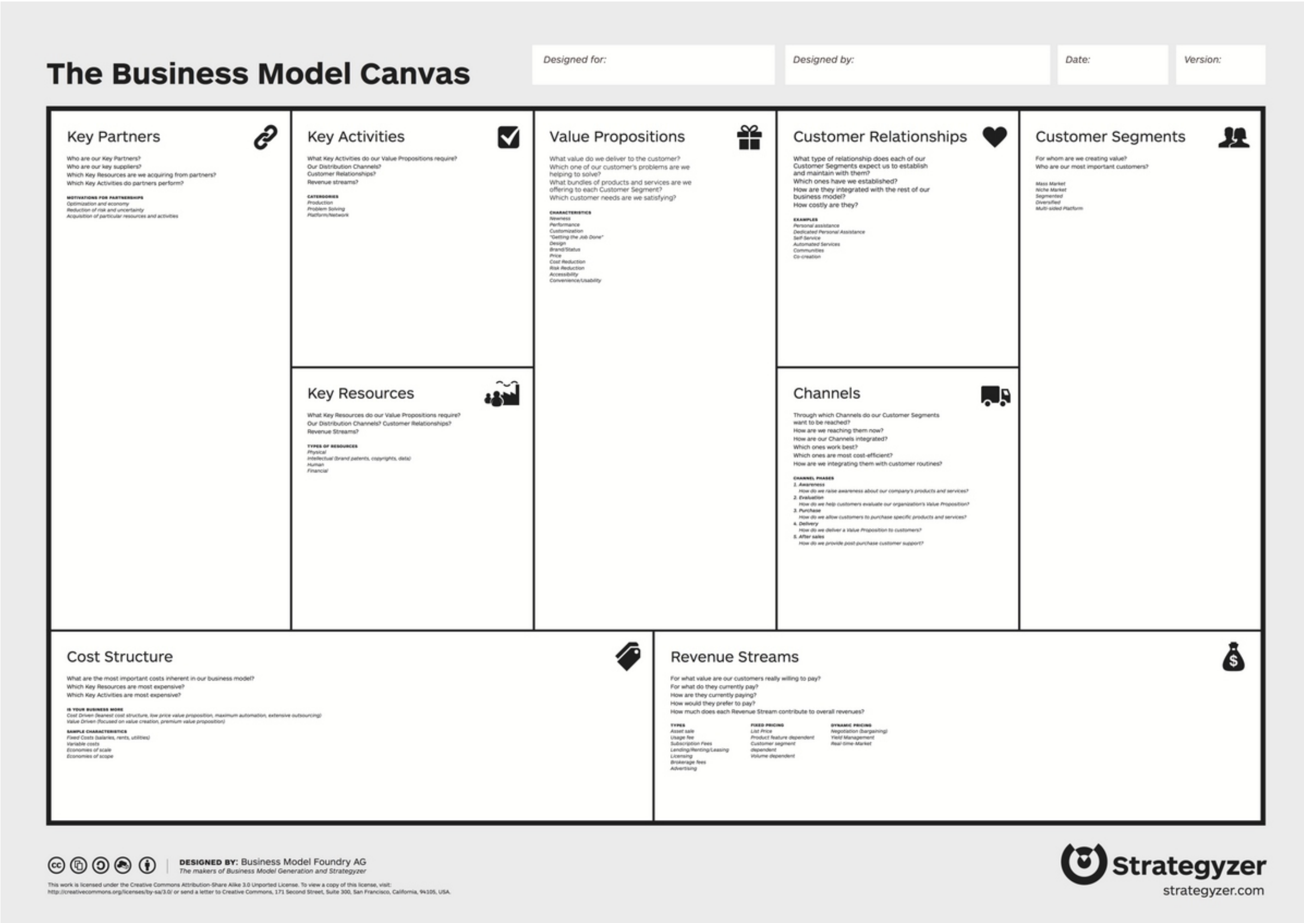
Your goal in this section is to describe how you'll attract and retain customers.	There's no single way to approach a marketing strategy. A company marketing strategy should evolve and change to fit it unique needs. However, the marketing and sales strategy should describe how a sale will actually happen. For example: • Names the distribution channels you have planned and takes into account the costs which will be incurred. • Show how you see the structure of your sales developing. • Explain the requirements for the number, qualifications and motivation of your sales staff- Who will take care of initial contacts? Who will work out and write offers or quotes? Who will carry out negotiations with customers and make decisions? Will you have to give contracts to external sales experts or will you and your team take care of these tasks yourself? If you look into the future and see that your planned company growth is achievable, you might have to take on more staff. Note: The business managers should refer to this section later when they will make financial projections, so make sure to thoroughly describe a complete marketing and sales strategies.

3.5 Organizational Structure

This section tell your readers how your company will be structured and who will run it.	Undre the organization structure of a business plan, a company is expected to present the following items: • Describe the legal structure of the company. • State whether the company have or intend to incorporate a business as a C or an S corporation, form a general or limited partnership, or if you're a sole proprietor or LLC. • Use an organizational chart to lay out who's in charge of what in the company. • Show how each person's unique experience will contribute to the success of the business venture. • Consider including resumes and CVs of key members of the business team.

3.6 Business models

Lean startup format



You might prefer a lean startup format if you want to explain or start your business quickly, your business is relatively simple, or you plan to regularly change and refine your business plan.

Lean startup formats are charts that use only a handful of elements to describe your company's value proposition, infrastructure, customers, and finances. They're useful for visualizing trade-offs and fundamental facts about your company.

There are many versions of lean startup templates, but one of the oldest and most well-known is the Business Model Canvas, developed by Alex Osterwalder. You can search the web to find free templates of the Business Model Canvas, or other versions, to build your business plan.

We'll discuss the nine components of the Business Model Canvas version here.

<u>Key partnerships</u>

Note the other businesses or services you'll work with to run your business. Think about suppliers, manufacturers, subcontractors and similar strategic partners.

<u>Key activities</u>

List the ways your business will gain a competitive advantage. Highlight things like selling direct to consumers, or using technology to tap into the sharing economy.

<u>Key resources</u>

List any resource you'll leverage to create value for your customer. Your most important assets could include staff, capital, or intellectual property. Don't forget to leverage business resources that might be available to women, veterans, Native Americans, and HUBZone businesses.

<u>Value proposition</u>

Make a clear and compelling statement about the unique value your company brings to the market.

<u>Customer relationships</u>

Describe how customers will interact with your business. Is it automated or personal? In person or online? Think through the customer experience from start to finish.

<u>Customer segments</u>

Be specific when you name your target market. Your business won't be for everybody, so it's important to have a clear sense of who your business will serve.

<u>Channels</u>

List the most important ways you'll talk to your customers. Most businesses use a mix of channels and optimize them over time.

<u>Cost structure</u>

Will your company focus on reducing cost or maximizing value? Define your strategy, then list the most significant costs you'll face pursuing it.

<u>Revenue streams</u>

Explain how your company will actually make money. Some examples are direct sales, memberships fees, and selling advertising space. If your company has multiple revenue streams, list them all.

3.7 Service or Product Line

Describe what you sell or what service you offer	Under this section of the business plan, a business owner is expected to present the followings: • Explain how the business will benefit your customers. • What the product lifecycle looks like. • Share your plans for intellectual property, like copyright or patent filings. • If you're doing research and development for your service or product, explain it in detail.

3.8 Financial Plan

This chapter shows you how to check whether your business concept is financially affordable and profitable.	To help get you started, take another look at what you expect to pay yourself and then begin with your cost planning. Think about the various costs of your enterprise: premises (rent, electricity, gas, telephone, cleaning etc.), staff, machines and / or vehicles, technical equipment etc. Work out which will be one-off costs and which will be recurring costs. You may need to get quotes from suppliers and service providers. You probably expect a certain growth rate over the next few years. What effect will your planned rate of growth have on turnover, staff and space? All of these factors, along with their estimated cost, have to be compiled and put in the relevant tables of finances. The following financial plan should be considered while developing a business plan: Planning Your Staff Costs Think about how many and what type of staff you would like to employ. Note that you will have to employ more people as your company becomes successful and grows. Put together a detailed human resources plan for the first five business years. Include how many staff you want to employ in which posts and how much they will earn. Investment And Depreciation Plan Your Investment and Depreciation Plan lists all investments with their corresponding depreciation. Depreciation is the planned or unplanned decrease in value of items of property. The rate of depreciation depends on the estimated useful life of the item. Note: On the basis of various information provided under financial plan you will be able to work out the accounts for the next five years. If you have no previous experience of Financial Planning, it is worth approaching a business development consultant for advice. Remember that many business ideas fail simply due to poor Financial Planning. The best thing to do is get someone on board who has experience

3.9 Financial Projections

Supplement your funding request with financial projections. Your goal is to convince the reader that your business is stable and will be a financial success.	Provide a prospective financial outlook for the next five years. Include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, be even more specific and use quarterly — or even monthly — projections. Make sure to clearly explain your projections, and match them to your funding requests. <u>Profitability Plan</u> A profitability calculation (sales forecast and budgeting) will help you to establish whether your venture is really worthwhile, in other words, whether it will be profitable. A five-year plan compares your expected sales with your expected costs. The more your sales exceed costs, the greater the earnings or profitability of your company. This calculation is a major component of the financial forecasts which you will use to convince your financial backers of the economic viability of your venture. <u>Cash Flow Forecast</u> The Cash Flow Forecast requires a detailed plan of sales and costs (Profitability Plan). An accurate Cash Flow Forecast will indicate the solvency of your company for a given period. The Cash Flow Forecast compares your expected cash inflows with all cash outflows. Bear in mind that, just because an invoice has been written or received, this does not mean that you have the money in your cash box, or that you have paid your bill. The only transactions which are relevant to the Cash Flow Forecast are those which have actually been settled to date. The Cash Flow Forecast therefore includes only those transactions which directly lead to a change in the cash and cash equivalents; depreciation, accruals and company-produced additions to plant and equipment are not included. <u>Note</u>: If your business is already established, include income statements, and sheets for the last three to five years. If you have other collateral you could put against a loan, make sure to list it now. This is a great place to use graphs and charts to tell the financial story of your business.

3.10 Risk Analysis

This section will provide a reader with information regarding possible external negative factors operating within the business environment and how the business owners will develop mitigating plans against such threats to the business in the future.	Any commercial venture is associated with some degree of risk that is featured as high or low. some of the risks are insurable while some are not. Insurable Risk Risks related to unexpected losses arising from incidents as fire out breaks, burglary etc are generally regarded as insurable. the operation of production companies requires skilled labours that are trained to operate and maintain the installed equipment. therefore, after necessary training, there might not be too much fear of danger at production sites. However, business managers are advised to take necessary insurance covers, including group, personal accident of workers, because there may be many equipment with moving parts that can cause accident. Non-Insurable Risk These are risks that cannot be insured by any insurance company. Such risks as discussed below: Spear part Problems: every project that will require the use of machinery and equipment with inadequate source of spear part availability is bound to fold up at best time of production capacity. Machineries and equipment problems: It is undeniable that non performing machineries can ruin business. Management Problem: It has been identified that good management skills is a solid foundation for every business that must succeed. Lack of it can crumble the business within a short time. Marketing Problem: The success of any commercial venture hangs on the ability of the venture to sale its products at reasonable prices. Government Policies: Constitute a major concern to every existing industry. Adoption of strategies is meritable to be able to accommodate government policies. Business managers are advised to implement measures that will mitigate against the occurrence of such risk during the course of business operations.

3.11 Sustainability and CSR

This section will reflect on different business sustainability strategies including those that will support the protection of our environment, business community and equitable participation in business governance and management system.	In recent years, Environmental, Social and Governance (ESG) considerations have become increasingly important for businesses. ESG pillar consist of environmental pillar, social pillar and governance pillar. **The environmental pillar** evaluates a company's efforts to preserve the environment, including attempts to mitigate climate change and reduce carbon emissions, manage pollution and waste generated during the production process, utilize energy efficiently, and water and focusing on biodiversity and deforestation. **The social pillar** encapsulates how a company views people and connections. Customer satisfaction, upholding data privacy and security, taking into account gender and diversity, employee involvement, community relations, and human rights and labour standards are all included. The study on impact of social pillar on firm performance study by several scholar found mixed results. **The governance pillar** discusses guidelines for managing a business. It addresses board composition, audit committee structure, bribery and corruption prevention, executive remuneration, lobbying, political contributions, and whistleblower programmers. Businesses that prioritize ESG are seen as moral, well-run and more prepared for long-term success.

4.0 Group Exercise

1. This exercise would help participants to imbibe (and apply) knowledge from previous group exercises in the HortiNigeria training activities.
2. Break into groups, select an aspect of the horticulture value chain and develop a simple business plan

Notes to the Facilitator:

I. The groups should be encouraged to ask questions while attempting to develop their business plans. They may not complete the entire exercise, but it should be obvious that the participants had practiced most of our discussions during the training events.

II. While the contents of this manual may not necessarily be completely covered during the training, it is expected that participants would be using the manual as reference material.

III. A tomato drying & powder business has been used here; during the training, the facilitator is expected to highlight the equivalents of certain items or activities, had other value chain activities been under consideration.

IV. Participants need to be advised that sometimes it helps to get the views or guidance of the party for whose attention the business plan is being developed. For example, a bank may be highly interested in a particular section of the plan; therefore, such preferences must be specially considered while preparing the business plan.

Young retailers jointly aggregating fresh onions in Igabi LGA of Kaduna State, preparatory to supplying major buyers in Lagos State. Selection, sorting and grading of tomatoes concluded at Danmagaji Packing House in Zaria LGA, Kaduna State. The product, properly packed in plastic crates and awaiting to Mile 12 Market and Agege in Lagos State. Deteriorating fruits have been isolated and sold-off to retailers right there at the packing house. Photo by Yusuf Haliru & Associates

Female youth on her tomato farm Birnin Yero. Kaduna State. She sees relevance in financial projections: by Yusuf Haliru &

TRAINING MANUAL FOR HORTICULTURE VALUE CHAIN SMEs ON WRITING OF BUSINESS PLANS

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