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FACULTY OF BUSINESS MANAGEMENT

EXECUTIVE MASTERS OF BUSINESS ADMINISTRATION (EMBA 8)

APPLIED BUSINESS PROJECT

**Developing A Business Plan For Business Expansion : A
Study Of Syarikat Agro Bestari Sdn Bhd**

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Table of Content

| | PAGE |
|---|----------------|
| Executive Summary | 2-3 |
| Chapter 1: Introduction | 4 |
| 1.1 Background | 5 - 6 |
| 1.2 Problem Statement | 6 - 7 |
| 1.3 Objectives | 7 |
| Chapter 2 : Background Of Study | 8 |
| 2.1 Poultry Industry | 9-10 |
| 2.2 Prospect Of Halal Food Market | 11-14 |
| 2.3 Business Plan | 15 |
| Chapter 3 : Methodology | 16-20 |
| Chapter 4 : Analysis Of Current Situation | 21 |
| 4.1 Marketing | 22 - 23 |
| 4.2 Production | 24-28 |
| 4.3 Administration | 29-34 |
| 4.4 Finance | 35 - 36 |
| Chapter 5 : Recommendations & Conclusion | 37 |
| 5.1 Marketing | 38-39 |
| 5.2 Production | 40 |
| 5.3 Administration | 41-47 |
| 5.4 Finance | 48 |
| Conclusion | 49 |
| Bibliography | 50-52 |
| Appendices | 53 - 54 |

EXECUTIVE SUMMARY

AGRO Bestari Sdn. Bhd. or ABSB is a company which involved in processing and supplying *halal* frozen chicken known as broilers to Federal Government department in Kuching, Sibul, Kapit and Baram.

The rationale of conducting this study is to rise up the current situation encountered by the ABSB. The ultimate constrictions that needs to be highlighted is the production space constraint that has resulted difficulties in obtaining *Halal* certificate from the authorized body prior to meeting current market demand to cater public consumption. So, the company had decided to expand its capacity through relocating to a new bigger premise in Matang area.

The objectives of this study are to partner with the company in preparing a business plan to apply for a sufficient fund from the financial institutions. The study has come up with a business plan that is primarily focusing on the relocation of ABSB current premise.

The study is limited to the non – homogenous groups in terms of educational background and job specification. The population of the study is rather small. It is proposed that all of the respective staffs, officers, supervisors, managers and the CEO himself shall be included in the study's samples. The main instruments used in this study comprised of both primary and secondary data collection mainly through unstructured questionnaires, interviews and observations.

The analysis of the study is based on marketing, production, administration and financial situation of the current aspect of ABSB; ABSB is considered as one of the small players in the poultry industry which is enjoying not more than 1% of the market share. The plant relocation program is expected to increase ABSB's market share from 3 to 5 percent share within 3 years of the implementation (2010-2012).

In terms of production, it is shown that currently ABSB is facing problems with insufficient supply of live birds due to the high cost of rearing. As a result, it has caused the company to operate below the capacity apart from the current limited area of production plant which is not tactical for business expansion and easy access by the customers and suppliers.

1.1 BACKGROUND

Malaysia has one of the highest per capita consumption rates in the world for chicken of 32 kg¹. In order to meet the local poultry demand, domestic poultry market had produced 904 thousands metric tons chicken meat in 2005. There are about 2,500 broiler farms producing over 400 million birds. The largest broiler operation can house about 300,000 broilers while small operators house about 5,000 broilers in one farm. This productivity measures are very close to global standards.

Chicken frankfurters, cocktail sausages, burgers and nuggets that were exclusively imported before, are now locally produced. Major players invest heavily on brand names for their processed products such as Ayamas (by Ayamas Food Corporation), Ayam Dindings (Dindings Poultry), and Farm's Best (Sinmah Food Industries). Local processed products command about 90% of the market and it is difficult for imported processed chicken products to compete on the basis of price.

With Malaysia's aim to become a *halal* food hub, the poultry industry is well positioned to supply *halal* processed poultry to other Islamic countries and Muslim consumers worldwide. Most Malaysian approved foreign plants consist of abattoirs supplying raw materials for manufacturing needs. Every two to three years, the Department of Veterinary Services and the Islamic Development Department (JAKIM) inspect and approve U.S. abattoirs and further processed plants for the exports of Malaysia's *halal* products.

The corporate responsibility of meat and poultry producers is to keep the environment around their plants clean. To accomplish this, the industry players have to follow a number of environmental rules and regulations. For example, prevention of air pollution is becoming the main concern of the industry. Hence, the operators have to be cautious about the fuel that they are using and apply for a legal permit that is required for operating purpose.

The major rule includes animal feedings operations and agriculture operations where animal are raised in specific locations. The farm and feeding operations are required to have a nutrient management plan to ensure that waste water and manure management is effective. Environmental regulations are considered very important by meat and poultry industry, especially issues like spill prevention control and countermeasures.

The study is based on Syarikat Agro Bestari Sdn Bhd (ABSB) which involves in processing and supplying *halal* frozen chicken known as broilers to Federal Government department in Kuching, Sibul, Kapit and Baram areas such as schools, prisons and hospitals.

¹ Malaysia Poultry and Products Annual 2006

2.1 POULTRY INDUSTRY

Globally, production of poultry meat approached 70 million metric tons (MT) in 2000 with an average annual growth rate of 5.3% during the last four decades. US, China, European Union (EU), and Brazil are the primary poultry producers, with a combined output of 65% from the total poultry meat production in 2000.

Worldwide, chicken (primarily broilers, which also include spent breeder hens and males, and spent table egg layers) continues to be the most popular poultry meat. Broiler meat production in 2001 is estimated at 70% of total poultry meat production (or about 43 million metric tons).

The poultry sector of the global meat supply has experienced a dynamic growth in production, consumption, and trade since the mid 1980's (Vink, 1999), primarily paralleling to the economic prosperity in developing countries. Most of the growth in production is attributed to the intensification of production, vertical integration of the industry, relatively low feed prices, and further processing. Poultry meat and eggs continue to be the most efficient and economical way to convert feed grains to animal protein. International trade in poultry products now exceeds 6 million MT, with US exports reaching 18% of its total production (2.9 million MT) in 2001 (NCC, 2001).

The major export markets for US poultry are Russia, Hong Kong, and China. Broiler supply and demand is expected to grow more internationally, especially for frozen whole birds, parts, paws, bone-in-leg quarters, and boneless dark meat, driven primarily by large fast-food chains (Aylward, 2000).

The demand for animal protein tends to be income-elastic and in accordance with the Gross Domestic Product (GDP). In the next decade, poultry meat consumption is expected to increase significantly in Asia with an estimated GDP of 6.6, as compared to the developed economies (2.8), the transitional economies (3.7), and the world (3.5).

Poultry products are in demand in all parts of the world. When there are no religious or cultural barriers, poultry meat usually takes consumer preference (Van der Sluis, 2001). Poultry meat also enjoys popularity in developed markets, due to its lower price and perceived safety and health advantages compared to other meat sources (FAS, 2001).

In Asia the poultry industry is one of the fastest growing livestock sectors, where rising incomes have been associated with the shift from vegetable to a meat based protein diet on the global scale and as the regional population continues to expand. Asia's consumption of chicken constituted almost 32 percent of the world's output (16.3 million tones) in 1998.