

Financial Plan: Establishing a Dairy Products Company

Introduction:

In this plan, we dig into the financial aspects of the company. These aspects include initial costs, budgeting, and revenue streams. The company niche has been specified in the beginning with milk as its core product.

Course Structure:

The finance course structure is designed to keep the stakeholders informed with the essential knowledge and skills to manage the finances of the company. The following are skills required for financial management of the company.

1. Financial Accounting Basics
2. Cost Analysis and Management Accounting
3. Capital Budgeting and Investment Analysis
4. Risk Management and Control
5. Budgeting and Forecasting
6. Financial Reporting
7. Financial Management
8. Taxation
9. Audit and Assurance

Initial Cost of Setup:

1. Market Research & Feasibility Study:

This cost includes market analysis and research to understand the competition and demand. This could range from Rs.100,000 to Rs.200,000.

2. Business Registration & Licensing:

Costs for registering company and getting licenses may range from PKR 50,000 to PKR 200,000 which includes Company Registration, FBR Registration & Health Department License.

3. Facility:

Purchasing or leasing land, building and laboratory facilities could range from PKR 5 million to onwards as per your business plan.

4. Equipment & Machinery:

Costs for milking machines, pasteurizers, quality inspection machines, refrigeration units, packaging equipment, and vehicles could vary from Rs. 2 million to Rs. 20 million, depending on the scale of operations.

5. Raw Materials:

Initial inventory such as dairy animals, feed, vaccines, and supplies could cost between Rs. 500,000 to Rs. 10 million.

6. Labor Costs:

Salaries for farmhands, milkers, technicians, administrative staff, and management could range from Rs. 500,000 to Rs. 5 million annually, depending on the size of the operation.

7. Utilities:

Costs for electricity, water, and heating/cooling may vary depending on the location and scale of the facility, ranging from Rs. 100,000 to Rs. 500,000 monthly.

8. Packaging & Labeling:

Costs for packaging materials and labels may range from Rs. 100,000 to Rs. 1 million, depending on the quantity and quality required.

9. Marketing & Advertising:

Budgeting for marketing materials, advertising campaigns, and hiring marketing professionals might cost between Rs. 200,000 and Rs. 2 million per year.

10. Contingency Fund:

It's advisable to set aside around 10% to 20% of the total budget for unexpected expenses, emergencies, or fluctuations in the market.

Total Initial Cost of Setup:

The total initial cost for setting up a dairy products company in Pakistan could range from PKR 10 million to PKR 80 million or more, depending on various factors such as the scale of operations, location, quality of equipment, and regulatory requirements.

Budgeting the Product:

Budgeting the product includes all the expenses and costs as well as keeping in mind the profitability and sustainable growth of the business or company. It has the following expenses included in it.

Production Expenses:

Costs related to dairy herd management, including feed, veterinary care, and breeding come under the production expenses. It also includes expenses for milk production plant, equipment maintenance, and utilities. The expenses of quality testing and salaries of food scientists and biotechnologists are also included in the production expenses.

Supply Chain and Distribution Costs:

It contains all the transportation and logistics expenses for collecting raw milk from farms and delivering finished products to retailers or distributors. Moreover, inventory management costs, including storage and handling of milk products.

Marketing and Promotion:

Budget for advertising, branding, and promotional activities to increase market value of the products, to create demand and to attract customers. Also, investment in market research and product development to meet consumer demands these costs incur.

Operational Overheads:

These include administrative expenses such as salaries, wages, and benefits for employees involved in production, sales, and administration. Costs for office rent, utilities, insurance, and other overhead expenses.

Note: These costs may vary according to the location and current market standings and situations.

All these expenses are added to the unit cost of the product as well as the certain percentage of profit for the development and growth of the company.

Revenue Stream and Structure:

The primary stream of revenue for the business will be the income generated from the sales of the products along with diversified streams of revenue. This can be from Business to Business or Business to Customer.

Milk Sales:

The primary product is the milk which will grab the most percentage of sales. The pricing of all the products, including milk, will depend upon the milk quantity, volume of sales and market demand.

Dairy Products Sales:

This will include the sales of products which are formed by processing milk such as cheese, cream, flavored milk, butter, and yogurt.

Membership and Loyalty Programs:

Income from subscription-based services or membership programs offering regular delivery of dairy products directly to consumers. Building customer loyalty and recurring revenue streams through subscription models. This thing may be difficult to implement in this niche but is certainly helpful for the increase of revenue.

Distribution Channels:

Sales through various distribution channels, including supermarkets, retail stores, online platforms such as Daraz, shopify, and food service establishments. Moreover, partnerships with distributors and retailers to expand market reach and increase sales volume.

Export Sales:

Revenue from exporting dairy products to international markets, capitalizing on global demand and market opportunities. Compliance with international trade regulations and quality standards to access foreign markets will also benefit the economy of the country as well as the market value of the company.

Conclusion:

The Revenue Structure encompasses the various streams from where potential revenue can be generated. It includes both traditional and innovative ways of selling. By diversifying and innovating the revenue sources, the company maximizes the profitability and long-term financial sustainability.