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A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A FOUR HUNDRED HECTARES RICE PLANTATION AND ESTABLISHMENT OF 100 BAGS OF RICE PER DAY, AT TRINITY FARM SAPELE, DELTA STATE, NIGERIA BY WILLIAMS AJAYI AND CONSULTANCY CONFIDENTIALITY AGREEMENT

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Upon request, this document is to be immediately returned to the promoters of the proposed business

Signature: Esievo M.O

Name: Esievo Mirabelle Ogheneruemu

Date: 23/06/2008

Executive Summary/ Project Description

This business plan examines the feasibility of and indeed economic viability of the development of a 400 hectares rice plantation in Sapele by Trinity farm

BUSINESS DESCRIPTION

Rice farming is the business of growing rice in large quantities for sale and consumption. This will basically involve planting, growing and harvesting rice in large expanse of land commercially.

VISION

To become one of the top biggest Rice farm in the West Africa.

MISSION

To provide an acceptable and healthy source of Rice for human consumption while creating employment opportunities for Nigerians.

BUSINESS OVERVIEW

If you are looking for lucrative business ideas in Nigeria, you need to seriously consider entering the rice farming business – which is undoubtedly the most profitable business in the Nigerian agricultural sector. Rice farming business in Nigeria is set to grow year-on-year. Annually, Nigerians consume around 5.5 million tonnes of rice, of which 3.6 million tonnes are locally produced – mostly by farmers for personal consumption. Currently, we spend roughly ₦365bn per year importing the remaining 1.9 million tonnes, because local production is unable to satisfy the huge demand for rice in Nigeria. This is great news for entrepreneurs in Nigeria, as it presents legitimate money making opportunities. This figure also makes Nigeria the world's largest importer of rice. So there is a genuine demand, and genuine opportunities for entrepreneurs and businesses in Nigeria.

Considering the fact that Nigeria has a huge market for rice, you have the chance to invest in the farming, processing, and sale of rice. You can equip your business to cultivate and harvest rice, construct rice mills for milling and processing, or working within wholesale distribution. The avenues and opportunities are endless.

Regardless of what area you choose to specialize in, it is essential that you understand the cultivation and harvesting process, so that you can recognize if you are working with low or high quality product.

SPONSORSHIP

The project is sponsored by MISS ESIEVO MIRABELLE, an accountant and owner of Trinity farm. Miss Esievo Mirabelle is promoting the productivity of smallholder farmers in Sapele by donating both financial support and equipments. Williams Ajayi and consultancy will be responsible for the management consultancy of the projects.

MANAGEMENT

The success of a Rice production business is greatly influenced by the management of the farm. The aim is to produce as much healthy and good looking rice as possible over the cycle of production. An increase of over 300% can be projected within a space of 4 years if farm is well managed.

This quality management team lies in their expertise and devotion.

The farm manager

This should be experienced personnel who must have a basic training in Rice farming with proficient skill in hatchery and tendering of small fingerlings and juveniles.

There will be two helpers, a male and a female, to assist in all the departments of our operations, from nursery to the sales aspect

Accountant/Admin

This should be an experienced staff with basic knowledge of stock inventory and bookkeeping. The accountant will be responsible for interfacing with clients/customers to guarantee satisfaction and accountability.

Marketer with proficient skill in harvesting and sales will be hired as need arises

Security officer will also be required for 24 hours watch, depending on the location of the farm.

• RECORDS MANAGEMENT

Records management

Both the farm manager and Accountant would have a record book on which information on the area that is cultivated. Record keeping helps the farmer to budget accurately and make informed decisions about the project.

The following records would be adequately kept.

- State of the soil (acidity)
- High yield variety rice specie
- The right fertilizer and the application
- Good weed control and at the proper time
- Time of cultivation (Early Cultivation)
- Proper Irrigation
- Labor and other variable cost.

TECHNICAL ASSISTANCE

In rice farming, the projected income also depends on the capital that is invested. The bigger the capital investment, the bigger the profits will be. If you start with huge capital, the returns on investment will be bigger, and faster due to having more efficient and

effective machinery, storage and processes that can help you take advantage of opportunities, and high demand.

Despite this, due to Nigeria's agricultural transformation agenda there is a rapid growth and competitive edge that is emerging in smaller mills. This can be linked to the increase in the amount of rice paddies being produced. Nigerian entrepreneurs and rice farmers are no longer in doubt that rice farming is a profitable business.

The big rice market in Nigeria, and the high costs and duties related with importing rice, make local production highly attractive. The Nigerian government has also introduced favorable incentives in order to promote local production. This has benefited local areas, for example, In Ekiti State, the small millers are starting operations with improved small scale equipment, growing at an estimated rate of about 10 to 15 new small mills per annum and mostly targeting the niche market of Ofada and Igbemo local rice.

INDUSTRY OVERVIEW

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Investment in Rice Farming in Nigeria

This area has huge potential when the richest man in Africa, Alioike Dangote, states that he plans to invest \$1 billion in modern integrated rice mills and commercial rice farming in

Nigeria. He has already acquired about 150,000 hectares of farming land in five of the states of Nigeria.

On a large scale, if you invest around \$14 million in Nigeria today on an integrated rice mill, there will be 42 – 50% internal rate of return on your investment. You will need exactly a couple of years to return this investment amount.

But on a smaller scale, if you only spend \$10 thousand on your rice farming business in Nigeria, you can get a 25-30% ROI within 1 ½ years from the time you float your venture. Rice farming is undoubtedly one of the most profitable and lucrative business ideas in Nigeria.

As a wholesaler or distributor, you can obtain a bag of rice for ₦8,000 – ₦8,100 or possibly at a lower rate from your suppliers. A 110-pound (50 kg) bag of rice sells for any between ₦10,000 to ₦12,000 in Nigeria today. If you supply 50 rice bags in a single day at this rate, you will make a profit of $4000 \times 50 = ₦200,000$. Due to the instability of market price, the price can be higher or lower at any time

TARGET MARKET

- Industrial users that utilizes the products for export purposes.
- Wholesalers within the state
- Market women and hotels around the business locality
- Event planners
- Restaurants and Hotels

MARKETING PLAN

The business will employ several marketing strategies. However, initial marketing activities will be streamlined to affordable and effective marketing activities. Initial activities will include the following

- Negotiating of supply contract with restaurants
- Word of mouth advertisement to individuals /families
- Religious platforms and social clubs
- Internet, mobile media, websites and social media
- sponsorship of events in community
- handbills and banners

-Radio adverts

In addition to the above, services of the available modern fish driers will be contracted to make smoked fishes to serve as varieties.

Tariff And Importation Restriction.

This study critically examined the negative effects of importation of rice on the Nigerian economy. The study also took a look at various import policies embarked upon by the Nigerian government as inconsistency in policy is a major hurdle to long term investment in the rice sub-sector. Nigeria spends billions of Naira on annual basis to import rice with its attendant depletion of the nation's foreign reserves and this study analyzed that this negative trend can be reversed as there are a lot of opportunities in the rice sector that will not only help the country to achieve self-sufficiency in rice production, but also transform the country from a net importer to an exporter of rice. In order to meet local demand, right investment has to be made in production, milling and grading (especially in the production of excellent quality rice that can replace imported rice), marketing, road infrastructure etc. It is recommended that farm inputs (fertilizers, improved quality seeds, pesticides etc.) should be heavily subsidized by the government at different levels as timely access to inputs can significantly raise the level of production and also lead to an increase in the quantity and quality of yield. Also, there has to be a consistent and business friendly government policy in the rice sub-sector in order to encourage investors. Keywords: Consumption; opportunities; policies; production; systems; tariff

COMPETITION AND UNIQUENESS/COMPETITIVE ADVANTAGE

Major competitors in rice farming business are the importers of rice and co-farmers. As in many other small scale businesses, rice farming has become an all and sundry enterprise due to the relatively low entry. Competition exists at every level both from big players and small scale businesses.

Sales in business can however be guaranteed by having a spectacular unique selling point. Uniqueness lies in providing quality rice at very affordable prices with an outstanding distribution and delivery plan powered by an excellent customer service.

A major competitive advantage is the Location of the farm in the central highly populated areas of the city will guarantee access to fertilizers and other materials needed. It will also

make delivery and customer service easier. Use of personal landed properties and buildings will help reduce cost greatly to be considered as an advantage.

RISK FACTORS AND MITIGATION

- Payback period of 6 months; a small scale startup other sources of revenue will be engaged while business is still budding
- Requires skillful Labor - adequate hands will be employed
- Pest and Insects which can cause massive loss - clean and hygienic environment will be strictly maintained and neat
- Lack of support from the government - proper business planning based on personal funding will be done without reliance on government input
- High start-up capital - Accurate financial analysis will be carried out to maintain proper cash flow.

Technical Feasibility

Rice milling is the process that helps in removal of hulls and bran's from paddy grains to produce polished rice. Rice is rich in genetic diversity with thousands of varieties grown throughout the world. Rice has been one of man's most important foods. Today, this unique grain helps sustain two-thirds of the world's population. It is life for thousands of millions of people. It is deeply embedded in the cultural heritage of their societies. About four-fifths of the world's rice are produced by small-scale farmers and are consumed locally.

Rice is the seed of the monocot plants *Oryza sativa* (Asian rice) or *Oryza glaberrima* (African rice). As a cereal grain, it is the most widely consumed staple food for a large part of the world's human population, especially in Asia. It is the grain with the second-highest worldwide production, after maize (corn), according to data for 2010.

Rice is a vital food material for more than half of the world's population, the importance of which as a food crop has been increasing with increase in population.

Five million metric tons of rice, amounting to about 100 million 50kg bags of rice, is consumed yearly in the country, figures from the Nigeria Export Promotion Council (NEPC) have indicated.

The figures show that 2.1 million metric tons of rice is imported into the country yearly. Cheap rice imports have continued to take a larger share of the market, while local variants struggle.

This cheapness of imported rice is, in spite of the recent 10 per cent import duty and 100 per cent levy imposed on it by the Federal Government, in January. The price of imported rice is still lower than the local one, due to the adequate infrastructure for farmers in the foreign rice producing countries, and subsidies on rice production by foreign governments. It is estimated that Nigeria's rice consumption is projected to reach 35 million tons by 2050, from five million tons, rising at the rate of seven per cent yearly.

There is high demand for rice in Nigeria. With a population of over 165 million people and an estimated national population growth rate of 5.7% per annum, an average economic growth rate of 3.5% per annum in the past five {5} years, Nigeria has a large market for rice. This report examines the financial viability of establishing a paddy rice processing plant in Nigeria. Apart from Abakiliki rice, in Nigeria today, some states produce paddy rice in abundance. Some of these states are Enugu, Anambra, Abia, Imo, Kwara, Edo, Ogun, Ondo, Cross River State and some Northern States such as Sokoto, Taraba etc

Due the landing cost of imported rice in Nigeria and that of the raw material { paddy rice}, it important the investor site the plant very close to the raw material and market in order to reduce cost.

The installed capacity of the proposed factory is 20 tons of paddy rice per hour and the plant is expected to operate at 70% capacity of the installed capacity.

Government, Support And Regulation

Government introduction of a new Tariff regime and Levy on imported rice as well as the various incentives put forward for rice farmers, millers and investors are steps in the right direction and are highly commendable.

- We are confident of the success derivable from these policies hence we seek to repeat the essence of the policy for some of us that may have forgotten.

“Federal Ministry of Finance Circular Reference No. BD/FP/TT/50/1/99 of 8th July, 2014 gave investors with Rice Milling Capacity and Verifiable Backward Integration Programme 10% duty rate and 20% levy while pure Rice Traders are to pay 10% duty rate and 60% levy”

From July, 2014 when the rice policy was introduced till date, RICE MILLERS have imported 615,019.59 Metric Tonnes of rice while RICE TRADERS have imported 233,768.57 Metric Tonnes of rice.

- The Service noted in the process that rather than investors with milling capacity bringing in husked brown rice for processing for value addition, they engage in the importation of wholly milled rice.

Environment Of Rice Farming In Nigeria

Rice is one of the cultures that prefers a swampy land with high water holding capacity. Choice of land really matters in the rice production in Nigeria. Rice farmers in Nigeria prefer to select ecological zones, traditional rice cultivating states, lands with high water capacity or swampy lands.

Moreover, a good rice farmer also analyzes soil before starting the planting process. It means that you may need to survey thoroughly for a land you want to take. Remember, that the first harvest will show your business direction.

Rice cultivation in Nigeria demands land preparation. The climate conditions give you a possibility to prepare your land for rice production from November to February. It's dry season in Nigeria, so you should prepare your land before raining season comes.

Remove bushes and other weeds that can't help your rice to grow. You can also apply fertilizer for better rice production. Fertilizers should be only organic and applied in right quantities. You may also consult an agriculture specialist for the matter of fertilizers.

Rice is one of the most popular products in Nigeria! It's inseparable part of the diet for almost every Nigeria. Nigerian citizens consume around six million tons of rice every year. Around 70% of this rice quantity is locally produced.

Local production is unable to satisfy a high demand for rice, so the Nigerian Government is forced to import around 1.8 million tons of rice every year and spends around 365 billion Naira. It means that the business opportunities for rice production in Nigeria are endless. Local production can't satisfy even local demands of the market. So, even if you concentrate your attention only on the local market you still will be in a win-win situation.

Project Timeline

The project will be completed within 6 months preferably between November 2019 and April 2020 because land clearing is mostly done in dry season

Estimated Project Cost and Revenue

Fixed Cost

(A) Land Clearing

Activity	Qty	₺	K
Land clearing	1 hectare	300,000	00
Cross cutting	1 hectare	30,000	00
Rome ploughing	1 hectare	70,000	00
Sub total	1 hectare	400,000	00
Total	400 hectares	160,000,000	00

(B) Equipment

Name	Qty	Model	USD	₺	K
Tractor	1	YTO-904(90hp)	26,550	9,558,000	00
Disc harrow	1	IBJ- 3.0	5,750	2,070,000	00
Sub soiler	1	IS- 200G	5,250	1,890,000	00
Rice planter	1	NSP-6W	8,000	2,880,000	00
Tripper	1	7CX-8T	10,650	3,834,000	00
Combined harvester	1	4YZ-6	108,000	38,880,000	00
Boom sprayer	1	3W-1000L-18	8,880	3,196,800	00
Front loader	1	TZ10D	8,440	3,038,400	00
Sub total			181,520	65,347,200	00

(C) Vehicle

Type	Model	Qty	₺	K
Pick up truck	Hilux	2	40,000,000	00

(D) Irrigation

Type	Model	Qty	USD	₺	K
Hose reel	40-440MT	1	29,150	10,494,000	00

Operating Cost

Working capital		
	₺	K
Ploughing/Ha	17,000	00
Harrowing/Ha	12,000	00
Sub total	29,000	00
For 400 Ha	11,600,000	00
Mechanization and storage	110,000	00
For 400 Ha	44,000,000	00
Input/Ha	92,750	00
For 400 Ha	37,100,000	00
Area yield insurance	14,500	00
Produce aggregation	7,450	00
Geo spatial service	3,550	00
Sub total	25,500	00
For 400 Ha	10,200,000	00
Interest per hectare	25,000	00
For 400 Ha	10,000,000	00
Total cost per hectare	255,450	00
Total cost for 400 hectare	102,180,000	00
Loan principle and interest (cost per hectare)	270,000	00
Total for 400 Ha	108,000,000	00

Irritating cost for 400Ha(excluding fixed cost)	26,000,000	00
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Amortization

	N	K
Land clearing amortization (per hectare)	40,000	00
Land clearing amortization (400 hectares)	13,000,000	00

Revenue

Yield per hectare 100 bags@N18,000 per bag		
	N	K
Revenue per hectare	1,800,000	00
For 400 Ha	720,000,000	00
Net revenue for 400 Ha(without amortization)	612,000,000	00
Net revenue with amortization (400 Ha clearing)	599,000,000	00
2 nd production cycle		
Net revenue	586,000,000	00
Net revenue with amortization (400Ha land)		00
Annual Net Revenue (1 st +2 nd cycle)	1,185,000,000	00

Funding Mechanism

Trinity farm will provide 400Ha of cleared farmland around the university and lease it to members of the cooperative. Trinity farm will also lease 6,000MT capacity silo as equity contribution

Equity investor to provide equity for equipment and vehicles purchase

Where possible equity investor to provide equity for working capital or otherwise secure loan at the rate of 9% through government intervention window at the Bank of Agriculture, Bank of Industry and Commercial banks.

Conclusion

The project is technically feasible and commercially viable. It is therefore recommended for funding.