**Business plan for Groundnut seed plantation and Groundnut oil extraction on Adoara Farms**

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**18/LAW01/054**

**A BUSINESS PLAN FOR THE DEVELOPMENT OF A SIX HUNDRED HECTARES GROUNDNUT PLANTATION AND ESTABLISHMENT OF 40 TONNES PER DAY CAPACITY GROUNDNUT OIL EXTRACTION PLANTATION AT ADAORA FARMS LTD, IKORODU, LAGOS STATE, NIGERIA BY BADMUS AND BAKO AGRIBUSINESS VENTURES AND CONSULTANCY CONFIDENTIALITY AGREEMENT**

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**Executive Summary/ Project Description**

This business plan examines the possibility of and economic capability of the development of a 600hectares groundnut plantation and the establishment of a groundnut oil extraction plant in Ikorodu, Lagos at Adaora Farms LTD with Adaora Farmer’s Cooperative Limited. The farm will produce about 1,400tonnes of groundnut in a production cycle. The groundnut oil extraction plant will process about 6,400tonnes of groundnut seed into edible groundnut oil, groundnut seed for livestock industry and groundnut sludge for soap, cosmetics and paint industry. There is high domestic demand for these products because of the community’s huge population and production constraints leading to shortage of the commodity. Production is currently popular in the East and South East with Imo state as the lead producer. Nigeria imports significant quantity of groundnut seed in order to augment domestic shortages.

This project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire groundnut to be processed will be obtained locally through direct production, contract farming in Lagos state and direct purchase from smallholder farmers in other production areas. The project will create market access, improve income of farmers and contribute significantly to food security. It will also generate satisfactory returns for sponsors and investors.

**SPONSORSHIP, MANAGEMENT AND TECHNICAL ISSUES**

* **Sponsorship**: The project is sponsored by Chief Kolade Badmus, a profound personality in the business world and the Chief Executive Officer (CEO) of Merger Landing Assurance (MLA) Company. Chief Kolade Badmus is promoting the productivity of smallholder farmers in Lagos state through Adaora Farmer’s Cooperative Limited. The farm has at the forefront of its practice experts with many years of experience in the project being proposed. Badmus and Bako Agribusiness Ventures & Consultancy will be responsible for the management consultancy of the projects.
* **Management**: The management will comprise of a democratically elected Board of Directors at the apex of the organization structure. This will be made up of shareholders and member of the cooperative who have stake in the survival, growth and profitability of the business as well as distinguished agribusiness professionals of proven integrity and vast experience in the project area. The prime objective of the board will be to give strategic directions and policies that will ensure long term success of the organization. The board will ensure that the organization complies with all standards set by regulatory authorities. The Managing Director shall be responsible for the co-ordination of the day to day management of the cooperative business. He is accountable to the Board of Directors. He will mobilize organization resources to achieve set goals. He will manage business risks and focus on wealth creation.
* **Technical Issues**: The managing board of the farm has a working relationship with International Institute of Tropical Agriculture, Ibadan (IITA) through an executed MOU. IITA has mandate in groundnut production and processing and will provide technical assistance in this regard. The managing board of the farm also has a working relationship with the Bank of Agriculture (BOA) and are collaborating on Chief Kolade Badmus Annual Agric Expo where the mogul appreciates Lagos Farmers through monetary award to the best three farmers in each local government area of the thirty seven (37) Local Government Area in Lagos State and the overall best farmer in the state. Bank of Agriculture has agreed to finance production of the 600hectares of groundnut through a loan at 15% interest rate (anchor borrower’s scheme) given to the cooperative. The managing board of the farm will fund the processing factory and access finance for the groundnut oil extraction equipment from the Bank of Industry (BOI) at the rate of 10%. The cooperative will also seek grant from the United State Africa Development Foundation (USADF). The managing board of the farm has relationship with commercial banks and will approach one for loan to clear the land which will be leased to members of the cooperative.

The managing board of the farm also has a working relationship with the Lagos State Government, Lagos State Ministry of Agric, Farmers’ Union, Agric Cooperatives and individual farmers. The board will get technical support from this relationship in the area of production through contract farming or out grower scheme. The board has working relationships with and connections to industry players in the project area who will off take products through a purchase and sale contract agreement. They include Flour Mill of Nigeria Limited, Obasanjo Farms Ltd, Animal Care, Amo Farms, Farm Support and others. The groundnut oil will be sold through cooperatives and other distribution channels. The groundnut sludge will be sold to players in the paints and cosmetics industry

**MARKET AND SALES**

Market orientation: domestic- South West & South East, Nigeria

Market Share: 10% niche market in South West, South East Nigeria

Users of Products: edible oil for human, groundnut seed for the livestock industry, groundnut sludge for paint and cosmetics industries in South East.

Imo State alone produced 50% of national output between 1999 and 2019. Enugu State followed with 37% of national output within the period. Edo, Rivers, Ebonyi, Anambra and Abia produced 9% and below in the period. The seven state mentioned above produced 96% of national output within the period. The only places where significant production took place in South West, Nigeria was in Saki West local government in Oyo State and Akure North local government in Ondo State. Based on this above analysis, competition in terms of production in South West, Nigeria is non- existent Compare to the demand for produce. Forex restriction on food importation and zero duty on imported agricultural equipment will favour the project under consideration. There is strong demand for groundnut seed and groundnut derivatives in the Southern part of Nigeria. The state of infrastructure though not perfect still supports production and trade within Nigeria.

Weather, biological, chemical, physical and environmental factors such as temperature, sunlight, water, air, soil conditions, varieties of seed, pests, diseases, price fluctuations and other risks e.g. cow invasion on the farm could affect yield and profitability. However, technical, scientific and financial based solutions will be employed to hedge against risks and safeguard profit. Irrigation option will be factored in to ensure two cycle of production in a year.

**TECHNICAL FEASIBILITY, RESOURCES AND ENVIROMENT**

The projects: production of groundnut seed and groundnut oil extraction are technically feasible. In terms of technology, which involve the crushing of groundnut seed and extraction of oil, the industrial processes are simple and a specialist in oil extraction with more than 20years experience is part of our team. The needed equipment for oil extraction is readily available and our experts have hand on experience in the usage and maintenance of the equipment. On the groundnut production, we have specialists in mechanization, irrigation, farm management, crop production, weed science, market development, agric extension and accounting as part of our management team. We also have specialists in quality control as part of our management team. The state of infrastructure around the farm and generally in Lagos is adequate and suitable for the location of the farm for efficient production, processing and marketing. Raw materials as said earlier will be produced and sourced locally. The major competitors in the South West are Grand Cereals and JOF with the Grand groundnut oil brand and Executive Chef Brand. Grand Cereal has an installed capacity of 150tonnes per day in Lagos and 100tonnes per day in Jos. While JOF has a capacity of 120tonnes per day in Akure, Adaora farms will target a market function and penetrate through cooperative societies to make our brand popular. From our analysis, integration of production and processing will give us a competitive advantage. We are implementing our project using best international practices suitable for production, sustainable production and due consideration for the environment. Although some degree of deforestation will occur, the Environmental Impact Assessment (EIA) report shows little or no damage to the environment as it relates to the issue of climate change. Organic fertilizers will be substituted for chemical fertilizer within three years of farm operations.

**GOVERNMENT SUPPORT AND REGULATION**

The project conforms to the economic diversification objective of the government. It also supports foreign exchange and import reduction conservation of government. It creates economic opportunities, market access, and improved income for farmers and support food security objective of government. The project will benefit from government intervention fund in the agricultural sector. The project will also benefit from the favourable policy of zero duty for agricultural and equipment import. Restriction of Forex for all food products will also widen market opportunity. The project will contribute significantly to employment, output increase, stable price and stable exchange rate.

**TIMELINES OF PROJECT**

The project will be completed within six months preferably between October, 2020 and March, 2020 because land clearing is mostly done in the dry season.

**ESTIMATED PROJECT COSTS AND REVENUE**

Fixed costs:

1. Land clearing

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **Quantity** | **₦** | **K** |
| Land Clearing | 2Hectare | 260,000 | 00 |
| Cross cutting | 2Hectare | 40,000 | 00 |
| Rome ploughing | 3Hectare | 150,000 | 00 |
| **Sub total** | 1Hectare | **450,000** | **00** |
| **Total** | 600 Hectare | **270,000,000** | **00** |

1. Equipment

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **Quantity** | **MODEL** | **USD** | **₦** | **K** |
| Tractor | 2 | YTO-904(90hp) | 48,900 | 17,604,000 | 00 |
| Disc harrow | 1 | IBJ- 3.0 | 3,520 | 1,267,200 | 00 |
| Sub soiler | 1 | IS-200G | 3,250 | 1,170,000 | 00 |
| groundnut seeder | 2 | 2BFY-6C | 9,900 | 3,564,000 | 00 |
| Tripper | 1 | 7CX-8T | 9,450 | 3,402,000 | 00 |
| Combine Harvester | 1 | 4YZ-6 | 103,500 | 37,260,000 | 00 |
| Boom sprayer | 1 | 3W-1000L-18 | 6,950 | 2,502,000 | 00 |
| Front loader | 2 | TZ10D | 13,900 | 2,365,200 | 00 |
| **Sub total** |  |  | **199,370** | **69,134,400** | **00** |

1. Vehicle

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Type** | **Model** | **Quantity** | | **₦** | **K** |
| Pickup Truck | HILUX | 2 | 30,000,000 | | 00 |

1. Irrigation

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Type** | **Quantity** | **Model** | **USD** | **₦** | **K** |
| Hose Reel | 1 | 140 – 440MT | 28,186 | 1,0146,960 | 00 |

**Operating cost**

|  |  |  |
| --- | --- | --- |
| **Working Capital** | **₦** | **K** |
| Ploughing/Ha | 30,000 | 00 |
| Harrowing/Ha | 15,000 | 00 |
| Sub total | 45,000 | 00 |
| For 600 Ha | 20,000,000 | 00 |
| Mechanization and storage | 150,000 | 00 |
| For 600Ha | 45,000,000 | 00 |
| Input / Ha | 115,850 | 00 |
| For 600Ha | 36,730,000 | 00 |
| Area yield insurance | 20,500 | 00 |
| Produce aggregation | 15,500 | 00 |
| Geo Spatial Service | 7,500 | 00 |
| Sub total | 43,500 | 00 |
| For 600Ha | 9,400,000 | 00 |
| Interest per hectare | 22,079 | 25 |
| For 600Ha | 8,831,700 | 00 |
| Total cost per hectare | 245,325 | 00 |
| Total cost for 600Ha | 119,961,700 | 00 |
| Loan principal and interest (cost per Hectare) | 267,404 | 25 |
| Total for 600Ha | 106,961,700 | 00 |
| Irrigation cost for 600Ha | 24,018,120 | 00 |

|  |  |  |
| --- | --- | --- |
| **Amortization** | **₦** | **K** |
| Land clearing amortization (per hectare) | 30,000 | : 00 |
| Land clearing amortization (400hectare) | 12,000,000 | : 00 |

**Revenue**

|  |  |  |
| --- | --- | --- |
| **Yield per hectare 3tonnes@ ₦145000 per tonne** | **₦** | **K** |
| Revenue per hectare | 435,000 | 00 |
| For 600Ha | 174,000,000 | 00 |
| Net revenue for 600Ha(without amortization) | 67,038,300 | 00 |
| Net revenue with amortization(600ha clearing) | 55,038,300 | 00 |
| 2nd Production Cycle |  |  |
| Net revenue | 43,020,180 | 00 |
| Net revenue with amortization(600ha land) |  |  |
| Annual Net Revenue ( 1st + 2nd Cycle) | 98,058,480 | 00 |

**FUNDING MECHANISM:**

Adaora farms will provide 600Ha of cleared farmland around the farm and lease it to members of the cooperative. Adaora farms will also lease 8,000MT 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 15% 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.