A BUSINESS PLAN FOR THE DEVELOPMENT OF A FIVE HUNDRED HECTARES COCOA PLANTATION AND COCOA PROCESSING PLANT IN IBADAN BY BELLO AGRIC & CONSULTANCY LTD AGREEMENT.

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EXECUTIVE SUMMARY

This business plan will examine the feasibility and the economic impact of a 1500-hectare cocoa plantation in Ibadan. The plantation will produce about 1200 tonnes of cocoa per production circle. The cocoa processing plant will process about 100000 tonnes of cocoa into cocoa powder, chocolate and into cocoa butter. There is a high demand for cocoa and its products especially Nigerian cocoa because of its distinctive aroma. Nigeria is the fourth highest exporter of cocoa but there aren’t many cocoa processing industries in Nigeria.

The establishment of this industry will create economic opportunities and significantly boost the export rate of cocoa products from Nigeria. Cocoa will still be bought from smaller cocoa plantations in order to meet up with the cocoa processing plant capacity. Cocoa and its by-products will be exported. It will also bring back satisfactory profits to investors and sponsors.

SPONSORSHIP

The project is sponsored by Olusegun Obasanjo, owner of Obasanjo farms and the Federal Ministry of Agriculture. The overall consultancy of the project will be done by Bello Agric & Consultancy Ltd.

MANAGEMENT

The management will consist of a Board of Directors handpicked by Olusegun Obasanjo himself. This will be made up of stakeholders in the business, who have invested in the profitability of the business and also have previous experience with agribusiness or have a link to a previous successful agribusiness. It will also consist of various elite professionals in the field of agribusiness. The board’s main purpose is to find new and adequate strategies that will ensure the prosperity and longevity of the organization. The board will also make sure that the organization adheres to the rules and standards set down by the regulatory authorities.

The managing director will be Olusegun Obasanjo himself, he will oversee the day to day management and coordination of activities. He will be accountable for the Board of Directors and have the final say in decision making; wealth creation and the mobilization of organization resources.

TECHNICAL ASSISTANCE

The organization has a mutual relationship with CAN (Cocoa Association of Nigeria) and IFAMA (International Food and Agribusiness Management Association. NEPC (Nigerian Export Promotion Council) will help boost the export rates as they are certified and experienced. CAN will provide technical assistance in the area of cocoa processing and production.

The BOA has agreed to give a loan with 5% interest.

The organization will work closely with IFAMA and hold yearly Agric expos for Nigerian farmers in all the thirty-six states where small time farmers are appreciated and given monetary benefits or technical assistance.

The organization also has relationships with the Agricultural Economics Society (AES), Tropical Agricultural Association (TAA) and International Cocoa Organization (ICCO). Theses organizations will provide technical support through outsourcing by contact farming.

The NBMA (National Biosafety Management Agency) will ascertain the safety and viability of the produce that is harvested.

Other industries in the trade have linkages with the organization and will take products through a purchase and sale agreement. They are Berveek Limited, Ideal Riksu Global Limited, Tosmega Cocoa Nigeria Limited and Remedy Crown Investment.

The cocoa powder and cocoa beans will be sold through cooperatives and various distribution channels.

MARKET AND SALES

Market orientation: domestic; South West, South-South, Nigeria

Market Share: 6.5% niche market in South West, Nigeria.

Users of Products: Beans for coffee, powder for sweets and chocolate, butter for cosmetics.

COMPETIITION ANALYSIS

Cocoa farming in Nigeria is predominantly carried out by small scale farmers who have outdated skills and limited access to finance and technology. The top growing states Ondo, Ogun, Osun, Oyo and Ekiti account for 60% of the cocoa production in Nigeria and make up at least 30% of the total cocoa export.

 In Nigeria about 80% of cocoa that is produced is exported and the other 20% is processed into powder, butter, cake etc. Nigeria is yet to fully capitalize on cocoa production. Based on this analysis competition in terms of raw cocoa product is fairly high, but competition in terms of processed cocoa is non-existent.

TARIFF AND IMPORT RESTRICTION

Forex restriction on cocoa related products and zero duty on imported agricultural equipment will favour the project under consideration.

MARKET POTENTIAL

Nigeria is the second highest exporter of cocoa. There is a strong demand for Nigerian cocoa and its products in an outside of Nigeria because of its distinctive aroma and features. The state of infrastructure, though not perfect still supports trade within an outside Nigeria.

PROFITABILITY

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. birds attacking the crops 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 FEASIBILLITY

The project is technically feasible. The soil in Ibadan is very fertile, the location and surrounding of the infrastructure is very good for efficient production, processing and farming. We have experts in irrigation, biosafety, cocoa production, market development and account on our managerial team. Raw materials will be produced locally and sourced locally too.

In terms of technology, all machines are ready to be bought and we have experts who have manned these machines for mor than fifteen years on our managerial team. The machines are going to be bought from a trusted vendor of top-class cocoa processing machines.

We don’t really have any major competition here in Ibadan, the competition is mostly small-scale farmers. We will buy cocoa from these small-scale farmers and process into cocoa powder.

The NBMA (National Biosafety Management Agency) will work closely with us in order to ensure we have top notch quality products; this will help to raise our credibility and will give us a competitive in the market.

GOVERNMENT SUPPORT AND REGULATIONS

The project will adhere 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, improved income for farmers and support food security objective of government. 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.

PROJECT TIMELINE

The project will be completed within 2 years, preferably between September 2020 to September 2022.

ESTIMATED PROJECT COST AND REVENUE

1.LAND CLEARING

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **QTY** | **₦** | **K** |
| Land Clearing | 1Hectare | 230,000 | 00 |
| Cross cutting | 1Hectare | 20,000 | 00 |
| Rome ploughing | 1Hectare | 50,000 | 00 |
| **Sub total** | 1Hectare | **300,000** | **00** |
| **Total** | 1500 Hectare | **450000000** | **00** |

2.EQUIPMENT

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **QTY** | **MODEL** | **USD** | **₦** | **K** |
| Tractor | 2 | YTO-904(90hp) | 24,450  | 8,802,000  | 00 |
| Disc harrow  | 2 | IBJ- 3.0  | 3,520  | 1,267,200  | 00 |
| Sub soiler  | 2 | IS-200G  | 3,250  | 1,170,000  | 00 |
| Cocoa seeder  | 2 | 2BFY-6C  | 4,950  | 1,782,000  | 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  | 1 | TZ10D | 6,570  | 2,365,200  | 00 |
| Roasting Machine | 2 | ALM | 5000 | 1,802,500 | 00 |
| Powder Making Machine | 1 | WSF | 10000 | 3605000 | 00 |
| Grinding Machine | 2 | SS304 | 5000 | 1,802,500 | 00 |
| Bean Peeling Machine  | 2 | CGPT-300 | 3000 | 1,081,500 | 00 |
| **SUB TOTAL**  |  |  | **185640**  |  **66,9223,220** | **00** |
| **TOTAL** |  |  | **190810** | **68,787,005** | **00** |

3.VEHICLE

**Type Model QTY ₦ K**

|  |  |  |  |
| --- | --- | --- | --- |
|  **Pick-up Truck**  |  **HILUX**  | **4** | **60,000,000 : 00** |

4.IRRIGATION

**Type QTY Model USD ₦ K**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Hose Reel** |  **3**  |  **140 – 440MT** |  **84558** |  **30,83,159 : 00** |

5.OPERATING COST

|  |  |  |
| --- | --- | --- |
| **Working Capital** |  |  |
|  |  **₦**  | **K** |
| Ploughing/Ha |  15,000  | 00 |
| Harrowing/Ha  |  10,000  | 00 |
| Sub total  |  25,000 | 00 |
| **For 1500 Ha** |  **37,500,000**  |  **00** |
| Mechanization and storage |  105,000  |  00 |
| **For 1500 Ha** |  **157,500,000** |  **00** |
| Input / Ha  |  91,825 |  00 |
| **For 1500 Ha** |  **137,737,500** |  **00** |
| Area yield insurance |  13,500 |  00 |
| Produce aggregation |  5,500 | 00 |
| Geo Spatial Service |  4,500 |  00 |
| Sub total  |  23,500 |  00 |
| **For 1500 Ha** |  **332,784,500** |  **00**  |
| Interest per hectare |  22,079 |  25 |
| **For 1500Ha** |  **33,118,500** |  **00**  |
| Total cost per hectare |  245,325 |  00 |
| **Total cost for 1500 Ha** |  **367,987,500** | **00** |
| Loan principal and interest (cost per Hectare) |  267,404 | 25 |
| **Total for 1500 Ha** |  **401,106,000** |  **00**  |
| **Irrigation cost for 1500 Ha (excluding fixed cost)** |  **90,067,950** | **00** |

6. AMORTIZATION

**₦ K**

|  |  |
| --- | --- |
| **Land clearing amortization (per hectare)** |  **30,000 : 00**  |
| **Land clearing amortization (1500 hectare)**  |  **45,000,000 : 00** |

REVENUE

|  |  |
| --- | --- |
| **Yield per hectare 0.8 tonnes@ ₦826,266 per tonne** |  |
|  |  **₦ K** |
| **Revenue per hectare** |  **661,012 : 08** |
| **For 1500 Ha** |  **991,519,200 : 00** |
| **Net revenue for 1500Ha (without amortization)** |  **590,413,200 : 00** |
| **Net revenue with amortization (400ha clearing)** |  **545,413,200 : 00** |
| **2nd Production Cycle** |  |
| **Net revenue** |  **500,320,200 : 00** |
| **Net revenue with amortization (400ha land)** |  **455,320,200** |
| **Annual Net Revenue (1st + 2nd Cycle)**  |  **1,000,733,400 : 00**  |

FUNDUNG MECHANISM

The Federal Government will provide 1500 Ha of cleared farmland in Ibadan and lease it to members of the cooperative. Olusegun Obasanjo Farms will also lease 10,000MT 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 6% 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.