**NAME: ADENIJI OLUWATOSIN OMOWUMI**

**MATRIC NUMBER: 18/LAW01/012**

**COURSE TITLE: INTRODUCTION OF AGRICULTRAL SCIENCE AND FOOD SECURITY**

**COURSE TITLE: AFE 202**

**ASSIGNMENT:**

Prepare a business plan on a chosen agricultural enterprise following the guideline in the note. Spiral bind and submitted upon resumption. Minimum of five pages, times new roman, size 12 with double line spacing.

**MAUVE Agricultural Firm**

A FEASIBILTY REPORT/BUSINESS PLAN FOR THE DEVELOPMENT OF A FIVE HUNDRED HECTARES FOR CASHEW PLANTATION AND ESTABLISHMENT OF 30 TONNES PER DAY CAPACITY CASHEW NUT EXTRATION PLANT AT OBASANJO PLANTATION FARM, LAGOS STATE NIGERIA BY MAUVE AGRICULTURAL FIRM.

The undersigned reader acknowledges that the information provided in this business plan is a confidential intellectual property; therefore the reader agrees not to disclose it to a third party without the express written permission of the promoters of the proposed business.

It is acknowledged by the reader that information furnished in this business plan is in all respect confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by the reader, may cause serious harm or damage to the promoters of the proposed business.

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

**Signature:**

**Name:**

**Date:**

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**EXECUTIVE SUMMARY/ PROJECT DESCRIPTION:**

This analyses describes the feasibility of the agricultural advancement in the development of a 500hectares in Cashew Plantation in Obasanjo Plantation Farm located in Ekiti. This plan will improve Nigeria economy drastically, Nigeria is not a country key in the production of Cashew. Producing Cashew Nuts in Nigeria will improve the economic value, create economic employment opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire Cashew to be processed will be sourced locally through direct production, contract farming in Ekiti State and direct purchase from small holder 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 sponsors and investors. The production is aimed at increasing the agricultural viability in Nigeria.

Mauve Agricultural Firm is known to invest in the plantation of agricultural products like Soya beans for the extraction of soya oil, poultry for the domestic supply of egg. Cashew production is one of the agricultural products that are not really invested in which explains the scarcity of the goods in Nigeria market. Producing it will increase the supply in the domestic market. Based on the huge population and production, failure is not an option.

**Sponsorship**

The project is sponsored by Dangote Group. The Dangote Group is a Nigerian Multinational Industrial conglomerate, founded in West Africa and one of the largest on the African continent. The group employs more than 30,000 people, generating revenue in excess of US$ 4.1 billion in 2017. Dangote Cement, the largest cement production company in Africa, with a market capitalization of almost US$ 14 billion on the Nigeria Stock Exchange. Dangote Sugar is another major subsidiary of Dangote Group, competing with Bua Refinery Ltd. and Golden Sugar Co. Dangote Sugar is the largest sugar refining company in sub-Saharan Africa. The Group is also involved with the production of Salt, Flour, Steel, Oil and gas and Packaging.

**Management**

The management will comprise of a democratically elected Board of Directors at the apex of the organisation structure which shall consists of officials from the Dangote Group, Obasanjo Plantation Farm, and Mauve Agricultural Firm. This will be made up of shareholders and members for the three different organizations, 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 complied with all standards set by regulatory authorities. The Managing Director/President 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 assistance**

Chief Olusegun Obasanjo, he is the owner of Obasanjo Plantation Farm, he is also known as a retired army officer, and politician. Based on the owner’s achievements, it has working relationship with Maizube Farms. Maizube Farms is owned by General Abulsalami Abubakar, who is also known for his military and political career. The Company is consider as one of the most stable sources of animal and crop products and it will provide technical assistance in this aspect. Mauve Agricultural Firm is also going to be working hand-in-hand with the National Cashew Association of Nigeria (NCAN). Mauve Agricultural Firm also has a working relationship with BOA (Bank of Agriculture) and we are collaborating on the company’s Annual Agric Expo where the company appreciate Ekiti Farmers through monetary award to the best 3farmers in each local government area of the 16 L.G.A in Ekiti State and the overall best farmer in the state. Bank of Agriculture has agreed to finance production of the 500hectares of cashew through a loan at 11% interest rate (anchor borrower’s scheme) given to the Company.

The Company will fund the processing factory and access finance for the Cashew nut extraction, equipment from BOI (Bank of Industry) at the rate of 12%. The Company will also seek grant from United State Africa Development Foundation (USADF). The Company has relationship with commercial banks and will approach one for loan to clear the land which will be leased to members of the Farm. The Company has a working relationship with Ekiti State Government, Ekiti State Ministry of Agric, Farmers’ Union, Agric Cooperatives and individual farmers. The company will get technical support from this relationship in the area of production through contract farming or out grower scheme.

The company has working relationships with and linkages 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, Animal Care, Amo Farms, Farm Support and others. The cashew nuts will be sold through cooperatives and other distribution channels.

**Market & Sales**

Market orientation: domestic; North Central and North East, Nigeria

Market Share: 15% niche market in North Central, North East Nigeria

Users of Products: Available to all persons.

**Competition Analyses**

Cashew is widely grown in the Southern States. Cashew is grown in 19 States, Abia, Anambra, Akwa Ibom, Benue, Cross River, Delta, Ebonyi, Edo, Ekiti, Imo, Kogi, Niger, Nassarwa, Ogun, Osun, Oyo, Taraba and Kwara. Based on this above analysis, competition in terms of production in Northern part of the country, Nigeria is non- existent Compare to the demand for produce.

**Tariff and Import Restriction**

Forex restriction on food importation and zero duty on imported agricultural equipment will favour the project under consideration.

**Market Potential**

There is strong demand for cashew and cashew nuts derivatives in the Northern part of Nigeria. The state of infrastructure though not perfect still supports production and trade within 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. cow invading 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**

The projects (production of cashew and cashew nut extraction) are technically feasible. In terms of technology, which involve the crushing of cashew seed and extraction of nuts, the industrial processes are simple and a specialist in nuts extraction with more than 20years experience is part of our team. The needed equipment for nuts extraction are readily available and our experts have hand on experience in the usage and maintenance of the equipment.

On the cashew 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 Company and generally in Ekiti is adequate and suitable for the location of the farm/firm for efficient production, processing and marketing. Raw materials will be produced and sourced locally. We are implementing our project using best international practices, sustainable production and due consideration for the environment. Although some degree of deforestation will occur, the EIA (Environmental Impact Assessment) report shows little or no damage to the environment as it relates to the issue of climate change. Organic fertilizer will be substituted for chemical fertilizer within three years of farm operations.

**Government Support and Regulation**

The project conform 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 agriculture 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.

**Project Timeline**

The project will be completed within 10months preferably January, 2021 to October, 2021 because land clearing is mostly done in the dry season.

**Estimated Project Costs and Revenue**

**Fixed Cost**

1. **Land Clearing**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **QTY** | **#** | **K** |
| Land Clearing | 1 Hectare | 280,000 | 00 |
| Cross Cutting | 1 Hectare | 50,000 | 00 |
| Rome Ploughing | 1 Hectare | 70,000 | 00 |
| **Sub total** | **1 Hectare** | **400,000** | **00** |
| **Total** | **500 Hectare** | **2,000,000** | **00** |

1. **Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **QTY** | **Model** | **USD** | **#** | **K** |
| Tractor | 1 | YTO-904(90hp) | 24,450 | 8,802,000 | 00 |
| Disc harrow | 1 | IBJ-3.0 | 3,520 | 1,267,200 | 00 |
| Sub Soiler | 1 | IS-200G | 3,250 | 1,170,00 | 00 |
| Soy Seeder | 1 | 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-1000LY8 | 6,950 | 2,502,000 | 00 |
| Front loader | 1 | TZ10D | 6,570 | 2,365,200 | 00 |
| **Sub total** | **1** |  | **159,390** | **57,380,400** | **00** |

1. **Vehicle**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Type** | **Model** | **QTY** | **#** | **K** |
| **Pickup Truck** | **HILUX** | **2** | **30,000,000** | **00** |

1. **Irrigation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Type** | **QTY** | **Model** | **USD** | **#** | **K** |
| **Hose Reel** | **1** | **140-440MT** | **28,186** | **1,014,960** | **00** |

**Operating Costs**

|  |  |  |
| --- | --- | --- |
| **Working Capital** |  |  |
|  | # | K |
| Ploughing/Ha | 20,000 | 00 |
| Harrowing/Ha | 12,000 | 00 |
| Subtotal | 32,000 | 00 |
| **For 500 Ha** | **16,000,000** | **00** |
| Mechanization and Storage | 120,000 | 00 |
| **For 500 Ha** | **60,000,000** | **00** |
| Area yield Insurance | 15,000 | 00 |
| Produce aggregation | 6,000 | 00 |
| Geo Spatial Service | 5,000 | 00 |
| Sub total | 26,000 | 00 |
| **For 500 Ha** | **13,000,000** | **00** |
| Interest per hectare | 34,500 | 30 |
| **For 500 Ha** | **17,250,000** | **00** |
| Total cost per hectare | 305,450 | 00 |
| **Total cost for 500 Ha** | **152,725,000** | **00** |
| Loan principal and interest ( cost per Hectare) | 339,950 | 00 |
| **Total for 500 Ha** | **169,975,000** | **00** |
| **Irrigation cost for 500 Ha (excluding fixed cost)** | **30,670,980** | **00** |

**Amortization**

|  |  |  |
| --- | --- | --- |
|  | **#** | **K** |
| **Land capital amortization (per hectare)** | **50,000** | **00** |
| **Land capital amortization (500 hectare)** | **25,000,000** | **00** |

**Revenue**

|  |  |  |
| --- | --- | --- |
| **Yield per hectare 5tonnes@ #165,000 per tonne** | | |
|  | **#** | **K** |
| **Revenue per hectare** | **825,000** | **00** |
| **For 500 Ha** | **412,500,000** | **00** |
| **Net revenue for 500Ha (without amortization)** | **76,789,000** | **00** |
| **Net revenue with amortization (500Ha clearing)** | **54,980,000** | **00** |
| **2nd production cycle** |  |  |
| **Net revenue** | **63,689,400** | **00** |
| **Net revenue with amortization (500 Ha land)** |  | **00** |
| **Annual Net Revenue (1st + 2nd cycle)** | **118,669,400** | **00** |

**Currency conversion rate: #360.00 to 1USD**

**Funding Mechanism**

Mauve will provide 500Ha of cleared farmland around the university and lease it to members of the Obasanjo Plantation Farm. 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 12% 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.