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COLLEGE: LAW

DEPARTMENT:LAW

COURSE CODE: AFE 202

COURSE TITTLE: FOOD PRODUCTION AND HEALTH AWARENESS

ASSIGNMENT

Prepare a business plan on a chosen agricultural enterprise following the guide line in the note.

Spiral band and submit upon resumption. Minimum of five page, times new Roman font size twelve with double spacing. Send the soft copy to be reviewed.

A FEASIBILITY REPORT( BUSINESS PLAN ) FOR THE DEVELOPMENT OF A FIVE HUNDRED HECTARES COCOA PLANTATION AND ESTABLISHMENT OF 35 TONNES PER DAY CAPACITY COCOA POWDER EXTRACTION PLANT AT HOLY TRINITY PARISH COCOA PLANTATION, OWERRI, IMO STATE, NIGERIA BY EMEKA AGRICULTURAL BUSINESS VENTURES AND CONSULTANCY CONFIDENTIALITY AGREEMENT.

This document is highly confidential to the the reader and he or she is to make sure that the information available in this document should not be shared with any third party as it 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.



Mrs Emeka Katrina

21/03/2020

EXECUTIVE SUMMARY/ BRIEF OF THE PROJECT DESCRIPTION

This business plan examines the feasibility of and indeed economic viability of the development of a 500 hectares cocoa plantation and the establishment of a cocoa powder extraction plant in owerri by Holy trinity parish Farmer’s Cooperative Society Limited. The farm will produce about 1,500tonnes of cocoa powder in a production cycle. The cocoa seed extraction plant will process about 5000tonnes of cocoa powder into edible cocoa powder, coffee for brewery and cosmetics industries.. There is high domestic demand for these products because of our huge population and production constraints leading to shortage of the commodity. Nigeria imports significant quantity of cocoa products and its derivatives to augment domestic shortages.

The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire cocoa to be processed will be sourced locally through direct production, contract farming in Imo 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

The project is sponsored by Pastor Clinton Uzoma the pastor of Holy Trinity parish in collaboration with his parishioners. He promotes the productivity of small scale farmers by granting them loans for their farms. The parish has a lot of Eligible farmers and individuals who are experts with many years of experience in the project being proposed. Emeka agricultural business 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 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

The parish has working relationship with the ministry of agriculture imo state through an executed MOU. The ministry of agriculture has a mandate in Cocoa powder production and processing and will provide technical assistance in this regard. The Parish also has a working relationship with BOA (Bank of Agriculture) . Bank of Agriculture has agreed to finance production of the 500hectares of cocoa through a loan at 7% interest rate (anchor borrower’s scheme) given to the cooperative.

The parish will fund the processing factory and access finance for the cocoa seed extraction equipment from BOI (Bank of Industry) at the rate of 7%. The University 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 Parish has a working relationship with Imo State Government, Imo state Ministry of Agric, Farmers’ Union, Agric Cooperatives and individual farmers. The university will get technical support from this relationship in the area of production through contract farming or outgrower scheme.

The soya oil will be sold through cooperatives and other distribution channels.

MARKET AND SALES

Market orientation: domestic; East & South East, Nigeria

Market Share: 8% of markets in the east and south east

Users of Products: brewery industries around Nigeria especially in the East

COMPETITION ANALYSIS

In the East, Enugu state has produced up to 30% of cocoa powder, even Abia state has produced up to 23% of cocoa powder in the east. In the south east the have been no production of cocoa powder above 15%. Based on this above analysis, competition in terms of production in East, 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 cocoa and cocoa derivatives in the Eastern part of Nigeria. The state of infrastructure though not perfect still supports production and trade within Nigeria.

PROFITABILITY

Some factors like the 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 cocoa seeds and cocoa powder extraction) are technically feasible. In terms of technology, which involve the crushing of cocoa seed and extraction of powder, the industrial processes are simple and a specialist in powder uextraction with more than 20years experience is part of our team. The needed equipment for powder extraction are readily available and our experts have hand on experience in the usage and maintenance of the equipment.

On the cocoa 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 Parish and generally in Imo 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

This has to deal with the government support and policies regulating this business structure.

The project conform with 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 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 8 months preferably between November 2019 to June 2020 because drying the cocoa fruits and turning them into cocoa powder requires to be done in the dry season.

ESTIMATED PROJECT COSTS AND REVENUE

**Fixed Cost**

1. **Land clearing**

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Quantity | Naira | Kobo |
| Land clearing | **1 hectare** | **300,000** | **00** |
| Cross cutting | **I h**ectare | **22,000** | **00** |
| Romeploughing | **1 hectare** | **17,000** | **00** |
| **Sub total** | 1 hectare | **339,000** | **00** |
| **Total** | 500 hectares | **150,000,000** | **00** |

1. **Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name | Qty | Model | USD | Naira | Kobo |
| Tractor | 1 | YTO-904 | 24,450 | 8,802,000 | 00 |
| Disc harrow | 1 | IBJ-3.0 | 3,520 | 1,267,200 | 00 |
| Cocoa seeder | 1 | 2BFY-6C | 4,950 | 1,782,000 | 00 |
| Tripper | 1 | 7CX-8T | 9,450 | 3,402,000 | 00 |
| Combine harvesters | 1 | 4YZ-6 | 103,500 | 37,260,000 | 00 |
| Boom sprayer | 1 | 3W-1000L-18 | 6,950 | 2,502,00 | 00 |
| Fronts loader | 1 | TZ10D | 6,570 | 2,365,200 | 00 |
| Sub total |  |  | 159,390 | 57,380,400 | 00 |

1. **Vehicle**

|  |  |  |  |
| --- | --- | --- | --- |
| **Type** | Model | Qty | Naira |
| Pick up truck | Hilux | 2 | 30,000,000 |

1. **Irrigation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Type | Qty | Model | USD | Naira |
| Hose Reel | 1 | 140-440OMT | 28,186 | 1,0146,960 |

1. **Operating cost**

|  |  |  |
| --- | --- | --- |
| **Working capital** | Naira | Kobo |
| Ploughing hectare | 17,000 | 00 |
| Harrowing hectare | 15,000 | 00 |
| Sub total | 32,000 | 00 |
| **For 500hectare** | 16,000,000 | 00 |
| Mechanization and storage | 120,000 | 00 |
| **For 500 hectare** | 60,000,000 | 00 |
| Input hectare | 100,000 | 00 |
| **For 500 hectare** | **50,000,000** | **00** |
| Area yield insurance | 20,000 | **00** |
| Purchase aggregation | **6,000** | **00** |
| Geo spécial service | **5,000** | **00** |
| Sub total | **31,000** | **00** |
| **For 500 hectare** | **15,500,000** | **00** |
| Interest per hectare | **30,000** | **00** |
| **For 500 hectares** | **15,000,000** | **00** |
| Total cost per hectare | **300,000** | **00** |
| **Total cost for 5000 hectare** | **150,000,000** | **00** |
| Loan, principal and interest ( cost per hectare) | **200,000** | **00** |
| **Total for 500 hectares** | **100,000,000** | **00** |
| Irrigation cost for 500 hectares excluding fixed cost | **24,825,000** | **00** |

1. **Amortization**

|  |  |  |
| --- | --- | --- |
| **Function** | **Naira** | **Kobo** |
| Land clearing amortization( per hectare) | **25,000** | **00** |
| **Land clearing amortization (500 hectare)** | **12,500,000** | **00** |

1. **Revenue**

|  |  |  |
| --- | --- | --- |
| Yield per hectare for 500 hectare at 150000 per tonne | Naira | Kobo |
| Revenue per hectare | 500,000 | 00 |
| **For 500 hectares** | 250,000,000 | 00 |
| Net revenue for 500 hectares without amortization | 70,850,000 | 00 |
| Net revenue for 500 hectares with amortization( clearing ) | 62,000,000 | 00 |
| 2nd production cycle |  | 00 |
| Net revenue | 49,050,000 | 00 |
| Net revenue with amortization for 500 hectares |  | 00 |
| Annual net revenue for the 1st and 2nd cycles | 111,050,000 | 00 |

FUNDING MECHANISM

Holy trinity parish will provide 400 hectare of cleared farmland around the parish and lease it to members of the cooperative. It will also lease 7,000MT 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 other commercial banks.

Conclusion

The cocoa project is feasible and viable. It will require your funding.