NAME : AYINDE MISTURA AJOKE

LEVEL : 200

DEPARTMENT : NURSING

COURSE CODE : AFE 202

QUESTION :

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

CASSAVA

A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A SIX HUNDRED HECTARES CASSAVA PLANTATION AND ESTABLISHMENT OF 30 TONNES PER DAY CAPACITY CASSAVA FLAKES EXTRACTION PLANT AT AFE BABALOLA UNIVERSITY FARM, ADO EKITI, EKITI STATE, NIGERIA BY MISTURA AGRIBUSINESS VENTURES.

**Executive Summary/ Project Description**

This business plan examines the feasibility of and indeed economic viability of the development of 600hectares cassava plantation and the establishment of a cassava extraction plant in Ado Ekiti by Afe Babalola University and Afe Babalola Farmer’s Cooperative Society Limited. The farm will produce about 1,400tonnes of cassava in a production cycle. The cassava flakes extraction plant will process about 4,400tonnes of cassava into edible cassava flakes for livestock industry. There is high domestic demand for these products because of our huge population. Production is currently popular in the West and East.

The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire soya to be processed will be sourced locally through direct production, contract farming in Ekiti 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 Aare Afe Babalola, the founder of AfeBabalola University. Aare Afe Babalola is encouraging the productivity of smallholder farmers in Ado Ekiti through the Afe Babalola Farmer’s Cooperative Limited. Mistura Agribusiness Ventures 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 university has working relationship with IITA (International Institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has mandate in Cassava production and processing and will provide technical assistance in this regard. The University also has a working relationship with BOA (Bank of Agriculture) and we are collaborating on Aare AfeBabalola Annual Agric Expo where the founder 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 600hectares of cassava through a loan at 9% interest rate given to the cooperative

The university will fund the processing factory and access finance for the cassava extraction equipment from BOI (Bank of Industry) at the rate of 9% . 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 University has a working relationship with Ekiti State Government, Ekiti 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 university has working relationships with and linkages to industry players in the project area who will offtake products through a purchase and sale contract agreement. They include Flour Mill of Nigeria Limited, Obasanjo Farms Ltd. The cassava will be sold through cooperatives and other distribution channels.

**Market and Sales**

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

Market Share: 5% niche market in South West, South East Nigeria

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

**Competition analysis**

Ogun State alone produced 50% of national output between 2000 and 2017. Imo State followed with 23% of national output within the period. Lagos, Oyo, Adamawa, Enugu and Osun produced 5% and below in the period. The seven state mentioned above produced 92% of national output within the period. The only places where significant production took place in North, Nigeria was in Saki Kaduna and Katsina. Based on this above analysis, competition in terms of production in North, 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 cassava and cassava 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 cassava and cassava flakes extraction) are technically feasible. In terms of technology, which involve the crushing of cassava and extraction of flakes, the industrial processes are simple and a specialist in cassava extraction with more than 15years experience is part of our team. The needed equipment for cassava extraction are readily available and our experts have hand on experience in the usage and maintenance of the equipment.

On the cassava production, we have specialists in mechanization, irrigation, farm management, crop production, 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 University 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.

The major competitor in the North is GRAND CEREALS. Grand Cereal has an installed capacity of 140tonnes per day in Kaduna and 160tonnes per day in Katsina, ABUAD farms will target a market niche and penetrate through cooperative societies to make our brand popular. From our analysis, integration of production and processing will give us a competitive advantage. 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 with the economic diversification objective of the government. It also supports foreign exchange and import reduction conservation of government. It creates economic opportunities, 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. The project will contribute significantly to employment, output increase, stable price and stable exchange rate.

**Project Timeline**

The project will be completed within 6months preferably between October,2019 to March, 2020 because land clearing is mostly done in the dry season.

**7.0 Estimated Project Costs and Revenue**

**Fixed Cost**

1. **Land Clearing**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **QTY** | **₦** | **K** |
| Land Clearing | 2Hectare | 200,000 | 00 |
| Cross cutting | 2Hectare | 10,000 | 00 |
| Rome ploughing | 1Hectare | 70,000 | 00 |
| **Sub total** | 1Hectare | **280,000** | **00** |
| **Total** | 600 Hectare | **168,000,000** | **00** |

**(B) Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **Q TY** | **MODEL** | **USD** | **₦** | **K** |
| Tractor | 1 | YTO-904(90hp) | 24,000 | 9,600,000 | 00 |
| Disc harrow | 1 | IBJ- 3.0 | 3,000 | 1,200,000 | 00 |
| Sub soiler | 1 | IS-200G | 3,500 | 1,400,000 | 00 |
| Soy seeder | 1 | 2BFY-6C | 5000 | 2,000,000 | 00 |
| Tripper | 1 | 7CX-8T | 10,000 | 400,000 | 00 |
| Combine Harvester | 1 | 4YZ-6 | 10,500 | 4,200,000 | 00 |
| Boom sprayer | 1 | 3W-1000L-18 | 7000 | 2,800,000 | 00 |
| Front loader | 1 | TZ10D | 6,500 | 2,600,000 | 00 |
| **Sub total** |  |  | **69,500** | **24,200,000** | **00** |

**(C) Vehicle**

**Type Model QTY ₦ K**

|  |  |  |  |
| --- | --- | --- | --- |
| **Pick up Truck** | **HILUX** | **2** | **30,000,000 : 00** |

1. **Irrigation**

**Type QTY Model USD ₦ K**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Hose Reel** | **1** | **140 – 440MT** | **28,186** | **1,0146,960 : 00** |

**Operating Cost**

|  |  |  |
| --- | --- | --- |
| **Working Capital** |  |  |
|  | **₦** | **K** |
| Ploughing/Ha | 25,000 | 00 |
| Harrowing/Ha | 10,000 | 00 |
| Sub total | 35,000 | 00 |
| **For 600 Ha** | **21,000,000** | **00** |
| Mechanization and storage | 120,000 | 00 |
| **For 600Ha** | **72,000,000** | **00** |
| Input / Ha | 91,000 | 00 |
| **For 600Ha** | **54,600,000** | **00** |
| Area yield insurance | 10,000 | 00 |
| Produce aggregation | 5,000 | 00 |
| Geo Spatial Service | 5,000 | 00 |
| Sub total | 20,000 | 00 |
| **For 600Ha** | **12,000,000** | **00** |
| Interest per hectare | 22,000 | 25 |
| **For 600Ha** | **13,200,000** | **00** |
| Total cost per hectare | 245,000 | 00 |
| **Total cost for 600Ha** | **147,000,000** | **00** |
| Loan principal and interest (cost per Hectare) | 260,000 | 25 |
| **Total for 600Ha** | **156,000,000** | **00** |
| **Irrigation cost for 600Ha (excluding fixed cost)** | **30,000,000** | **00** |

**Amortization**

**₦ K**

|  |  |
| --- | --- |
| **Land clearing amortization (per hectare)** | **30,000 : 00** |
| **Land clearing amortization (600hectare)** | **18,000,000 : 00** |

**REVENUE**

|  |  |
| --- | --- |
| **Yield per hectare 3tonnes@ ₦145000 per tonne** |  |
|  | **₦ K** |
| **Revenue per hectare** | **400,000 : 00** |
| **For 600Ha** | **240,000,000 : 00** |
| **Net revenue for 600Ha(without amortization)** | **75,000,000 : 00** |
| **Net revenue with amortization(600ha clearing)** | **65,500,000 : 00** |
| **2nd Production Cycle** |  |
| **Net revenue** | **45,600,000 : 00** |
| **Net revenue with amortization(600ha land)** |  |
| **Annual Net Revenue ( 1st + 2nd Cycle)** | **111 , 100 , 000 : 00** |

**Currency conversion rate:₦400.00 to 1USD**

**Funding Mechanism**

ABUAD will provide 600Ha of cleared farmland around the university and lease it to members of the cooperative. ABUAD 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 9% through government intervention window at the Bank of Agriculture, Bank of Industry and Commercial banks.

**Conclusion**

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