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COURSE NAME: AGRIC AND FOOD SECURITY

COURSE CODE: AFE 202

COLLEGE: LAW

DEPARTMENT: LAW

**BUSINESS DESCRIPTION OF COCOA FARMING AND PROCESSING BUSINESS**

 **PLAN IN NIGERIA**

Business: COCOA FARMING AND PROCESSING

Industry: AGRICULTURE

Company: Dorzor Integrated and Logistics Services (DILS) Farming Cooperative

**Non-Disclosure and Confidentiality Agreement**

The undersigned (‘Recipient’), hereby agrees that all financial and other information (“Information”) that is, has and will receive concerning Dorzor Integrated and Logistic Services (DILS) is confidential and will not be disclosed to any other individual or entity without prior written consent.

The Information shall remain the property of DILS and shall be returned to Dorzor promptly at its request together with all copies made thereof.

Recipient acknowledges that no remedy of law may be adequate to compensate DILS for a violation of this Agreement and Recipient hereby agrees that in addition to any other legal or other rights that may be available in the event of a breach hereunder, DILS may seek equitable relief to enforce this agreement in any court of competent jurisdiction.

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 Date Signature of recipient

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10. **Exclusive Summary:**

This business plan examines the feasibility of and indeed economic viability of the development of a 400hectares cocoa plantation and the establishment of chocolate extraction plant in Rivers State by Dorzor Integrated and Logistics Services and Dorzor Farmer’s Cooperative Society Limited. The farm will produce about 1,200tonnes of cocoa beans in a production cycle. The chocolate extraction plant will process about 4,200tonnes of cocoa beans into chocolate, cocoa solids, cocoa butter, cake and chocolate liquor. There is high domestic demand for these products because of our huge population and production constraints leading to shortage of the commodity. Production is currently popular in the North Central and North West with Benue State and Kaduna as the lead producers. Nigeria imports significant quantity of soya beans and its derivatives to augment domestic shortage.

Our product and service:

DORZOR Cocoa is a new processing plant that is based in Khana Local Government, Rivers State. We specialize in the Farming, Production, Processing, Packaging of Cocoa beans into cocoa liquor, cocoa butter, cocoa powder, chocolate, cocoa tea, etc.



1.1 **Business Objectives**

* To offer high-quality services and wonderful experience at a reasonable price
* To create products who primary goal is to exceed customer’s expectations
* To achieve net profit of $60000 in four years
* To boost image awareness by establishing baseline customer satisfaction of 100%

**1.2 Mission Statement**

Our mission is to ensure that we do not lose sight of our vision. This would do by getting the best equipment and machinery possible and ensuring we meet the needs of our existing as well as potential clients.

**1.3 Keys to success**

* Building trust with clients
* A group of experienced staffs with a broad range of speciality areas that complement each other
* Large facility space with visibility
1. **Sponsorship**

The project is sponsored by the Saro-Naenwi Family, a legal luminary and founders of Dorzor Integrated and Logistics Services (DILS). The Saro-Naenwi Family is promoting the productivity of smallholder farmers in Khana Local Government through the Dorzor Farmer’s Cooperative Limited. The company has over thirty year experience in business management, business start-up dynamics, financial management of business and overall business growth and development. The Company has a good knowledge of Agriculture and experts with many years of experience in the project being proposed. Jagi Agribusiness Ventures & Consultancy will be responsible for the management consultancy of the projects.

**2.1 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. The team has brought to the board;

* Educational skill and practical experience in Cocoa
* Capacity to consistently provide outstanding service
* Quality processed product and good understanding of the market trend
* Our staff brings operational marketing and promotional skills to the business

**2.2 Technical Assistance**

The company has working relationship with IITA (International Institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has mandate in Cocoa production and processing and will provide technical assistance in this regard. The Company also has a working relationship with BOA (Bank of Agriculture). Bank of Agriculture has agreed to finance production of the 400hectares of cocoa through a loan at 9% interest rate (anchor borrower’s scheme) given to the cooperative

The company will fund the processing factory and access finance for the chocolate extraction equipment from BOI (Bank of Industry) at the rate of 9%. The cooperative 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 cooperative.

The Company has a working relationship with Rivers State Government, Rivers State Ministry of Agriculture, Farmers’ Union, Agricultural 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.

1. **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 chocolate, cocoa liquor, cocoa butter for human, cocoa husk for the livestock feed industry and soap making for cosmetics industries.

**3.1 Competition analysis**

People buy from us because of the following reasons:

* Availability of a large scale with high visibility and foot traffic
* Efficient and strong distribution network
* Core experienced and highly qualified staffs
* Fair and best possible prices and discount offers

**3.2 Tariff and Import Restriction**

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

**3.3 Market Potential**

There is strong demand for cocoa and cocoa derivatives in the Southern part of Nigeria. The state of infrastructure though not perfect still supports production and trade within Nigeria.

**3.4 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.

1. **Technical Feasibility**

The projects (production of cocoa and chocolate extraction) are technically feasible. In terms of technology, which involve the crushing of cocoa seed and extraction of chocolate, the industrial processes are simple and a specialist in chocolate extraction with more than 20years experience is part of our team. The needed equipment for chocolate 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, agricultural 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 Rivers 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 competitors in the South West are NESTLE and Executive BORNVITA. NESTLE has an installed capacity of 150tonnes per day in Lagos and 100tonnes per day in Port-Harcourt While BORNVITA has a capacity of 120tonnes per day in Warri, Dorzor 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.

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.

1. **Government Support and Regulation**

The project, conforms 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.

1. **Project Timeline**

The project will be completed within 4 months preferably, between May, 2020, to August, 2021 because the crops will grow faster due to the rain, that is, in the raining season.

1. **Estimated Project Costs and Revenue**

**7.1 Fixed Cost**

1. **Land Clearing**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **QTY** | **₦** | **K** |
| Land Clearing | 1Hectare | 400,000 | 00 |
| Cross cutting | 1Hectare | 40,000 | 00 |
| Rome ploughing | 1Hectare | 60,000 | 00 |
| **Sub total** | 1Hectare | **500,000** | **00** |
| **Total** | 400 Hectare | **200,000,000** | **00** |

**(B) Equipment**

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **QTY** | **₦** | **K** |
| Tractor | 1 | 8,802,000  | 00 |
| scale  | 1 | 1,267,200  | 00 |
| Storage tanks  | 1 | 1,170,000  | 00 |
| spindle mill | 1 | 1,782,000  | 00 |
| pumps | 1 | 3,402,000  | 00 |
| roaster  | 1 | 37,260,000  | 00 |
| Winnowing plant | 1 | 2,502,000  | 00 |
| Pre-treatment dryer | 1 | 2,365,200  | 00 |
| Cleaning machine | 4 | 5,000,000  | 00 |
| bucket | 100 | 200,000 | 00 |
| Elevator screw conveyor | 20 | 4,000,000 | 00 |
| Dosing device | 5 | 1,000,000 | 00 |
| Plougher | 2 | 500,000 |  |
| Filter unit | 5 | 2,000,000 | 00 |
| Normal sacks | 500 | 500,000 | 00 |
| Heavy duty sacks | 250 | 750,000 | 00 |
| **Sum-total** |  | **38,966,400** | **00** |

**(C) Vehicle**

 **Type Model QTY ₦ K**

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

**(D) Irrigation**

 **Type QTY Model USD ₦ K**

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

**Operating Cost**

|  |  |  |
| --- | --- | --- |
| **Working Capital** |  |  |
|  |  **₦**  | **K** |
| Ploughing/Ha |  15,000  | 00 |
| Harrowing/Ha  |  10,000  | 00 |
| Sub total  |  25,000 | 00 |
| **For 400 Ha** |  **20,000,000**  |  **00** |
| Mechanization and storage |  105,000  |  00 |
| **For 400Ha** |  **42,000,000** |  **00** |
| Input / Ha  |  91,825 |  00 |
| **For 400Ha** |  **36,730,000** |  **00** |
| Area yield insurance |  13,500 |  00 |
| Produce aggregation |  5,500 | 00 |
| Geo Spatial Service |  4,500 |  00 |
| Sub total  |  23,500 |  00 |
| **For 400Ha** |  **9,400,000** |  **00**  |
| Interest per hectare |  22,079 |  25 |
| **For 400Ha** |  **8,831,700**  |  **00**  |
| Total cost per hectare |  245,325 |  00 |
| **Total cost for 400Ha** |  **98,130,000**  | **00** |
| Loan principal and interest (cost per Hectare) |  267,404 | 25 |
| **Total for 400Ha** |  **106,961,700** |  **00**  |
| **Irrigation cost for 400Ha (excluding fixed cost)** |  **24,018,120** | **00** |

**Amortization**

 **₦ K**

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

 **7.2 REVENUE**

|  |  |
| --- | --- |
| **Yield per hectare 3tonnes@ ₦145000 per tonne** |  |
|  |  **₦ K** |
| **Revenue per hectare** |  **435,000 : 00**  |
| **For 400Ha** |  **174,000,000 : 00** |
| **Net revenue for 400Ha(without amortization)** |  **67,038,300 : 00** |
| **Net revenue with amortization(400ha clearing)** |  **55,038,300 : 00** |
| **2nd Production Cycle** |  |
| **Net revenue** |  **43,020,180 : 00** |
| **Net revenue with amortization(400ha land)** |  |
| **Annual Net Revenue ( 1st + 2nd Cycle)**  |  **98,058,480 : 00**  |

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

1. **Funding Mechanism**

Rivers State will provide 400Ha of cleared farmland around the town hall Khana local government and lease it to members of the cooperative. Rivers State will also lease 6,000MT 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.

1. **Conclusion**

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