**A BUSINESS PLAN FOR THE DEVELOPMENT OF A NINE HUNDRED HECTARE COCOA PLANTATION AND ESTABLISHMENT OF 45 TONNES PER DAY CHOCOLATE EXTRACTION PLANT AT LEBILE FARMS, OKITIPUPA, ONDO STATE BY AGRI-CORP LTD CONFIDENTIALITY AGREEMENT.**

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

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

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

\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_

 Signature Date

1. EXECUTIVE SUMMARY

The business plan examines the feasibility and economic viability of the development of a 900-hectare Cocoa plantation at Lebile Farms and the establishment of a Chocolate extraction plant in Okitipupa by Agro-Corp. The farm will produce about 2,400 tonnes in its production cycle. The Cocoa extraction plant will produce 5,400 tonnes of Cocoa into edible Chocolate, Cocoa extract for beverages companies such as Milo, Bournvita etc. There is high domestic demand for these products due to the large population and production constraints leading to shortage of the commodity. Production is currently popular in the South West with Ondo and Ogun state as the lead producers. Nigeria imports significantly amount of Cocoa and its derivatives to domestic shortages.

The proposed project will create economic opportunities, positively impact people and help conserve scarce foreign exchange. The entire Cocoa to be processed will be sourced locally through direct production, contract farming in Ondo and Ogun state and direct purchase form 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 satisfactorily returns for sponsors and investors.

1. SPONSORSHIP

The project is sponsored by Mr. Walter Ayodele, CEO of AgroVision. Mr. Walter Ayodele is promoting the purchase of mechanized farming equipment and crop storage facilities and the productivity of smallholder farmers in Ondo state through the Ondo State Farmers’ Association (O.S.F.A). The Company has a Resource department along with Experts with many years of experience in the project is being proposed. Agro-Corp Ventures and Consultancy will be responsible for the management consultancy of the projects.

1. MANAGEMENT

The management will compromise of a democratically elected Board of Directors at the apex of the Organization’s structure. This will be made up of shareholders and members of the cooperative who have stakes 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 chief objective of the board will be to give strategic directions and policies which will ensure long-term success of the Organization. The board will ensure that the organization complies with all standards set by regulatory authorities.

The Managing Director/President shall be responsible for the co-ordination of day-to-day management of the cooperative business. He is accountable to the Board; he will mobilize the Organization’s resources to achieve set goals. He will manage business risks and focus on wealth creation.

1. TECHNICAL ASSISTANCE

The farm has a working relationship with IITA (International institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has a mandate in Cocoa bean production and processing and will provide technical assistance in this regard. The Farm also has a working relationship with BOA (Bank of Agriculture) and is collaborating on Agro-Corp Annual Agric Expo where the farmers in Ondo state are appreciate by the company and its numerous sponsors through monetary awards to the best 3 Farmers in each of the Local government area of the 18 L.G.A in Ondo state and the Overall best Farmer in the state. Bank of Agriculture has agreed to finance production of the 900 hectares of Cocoa through a loan at 9% interest rate (anchor borrower’s scheme) given to the cooperative.

The Farm will fund the processing factory and access finance for the Cocoa bean extraction equipment for the BOI (Bank of Industry) at the rate of 9%. The Cooperative will also seek grants from the United States Africa Development Foundation (USADF). The Farm 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 Farm has a working relationship with Ondo state government, Ondo state Ministry of Agriculture, Farmer’s Union, Agric Cooperatives and Individual farmers. The Farm will get technical support from this relationship in the area through contract farming or out-grower scheme.

The Farm has working relationships and links to Industry players in the project area who will offtake products through a purchase or sale agreement. They include; Flour Mill Nigeria ltd, Ota Farms ltd, Animal Care, Farm Support and others. The Chocolate and Cocoa Extract will be sold through cooperatives and other distribution channels. The Cocoa Oil will be sold to cosmetic stores nationwide

1. MARKET SALES

Market Orientation: Domestic; South West Nigeria

Market Share: 5% niche market in South West Nigeria

Uses of Products: Edible chocolate for Human consumption, Cocoa extract for beverages, Cocoa oil for cosmetic stores in the South West.

1. COMPETITION ANALYSIS

Ondo state alone produced 55% of national output between 1999 and 2016. Ogun state followed with 38% of national output within the period. The places where significant production took place in South west, Nigeria where in Ilaje West L.G.A in Ondo state and Saki West L.G.A in Oyo state. Based on this analysis, competition in terms of production in South West, Nigeria is non-existent compared to the demand for produce.

1. TARIFF & IMPORTATION RESTRICTION

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

1. MARKET POTENTIAL

There is a strong demand for Cocoa bean and its derivatives, especially in Southern part of Nigeria where most beverage-making factories are situated. The state of infrastructure still supports trade within Nigeria.

1. PROFITABILITY

Biological, Chemical, Physical and Environmental factors such as weather, temperature, sunlight, soil condition, varieties of seed, pests, diseases, price fluctuations and other risks e.g. could affect yield and profitability. However, technical, scientific and financial based solutions will be employed to hedge risks and safeguard profit.

1. TECHNICAL FEASEBILITY

The projects (production of Cocoa bean and chocolate and cocoa oil extract) are technically feasible. In terms of technology, which involves the crushing of cocoa beans and extraction of cocoa oil and chocolate extract, the industrial processes are simple and a Specialist in oil extraction with more than 20 years’ experience is part of our team. The needed equipment for oil extraction are readily available and our experts have hand on experience on 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 Farm and generally in Ondo is adequate and suitable for the location of the firm for efficient production, processing and marketing. Raw materials will be produced and sourced locally.

We are implementing our project using the best international practices, sustainable production and due consideration for the environment. Although some form of deforestation will occur, the EIA (Environmental Impact Agency) report shows little or no damage to the environment as it relates to the issues of climate change. Organic fertilizer will be substituted for chemical fertilizer within three years of farm operations.

1. GOVERNMENT SUPPORT & REGULATION

The project conforms with the economic diversification objective of the Federal 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. The project will 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 6 months preferably between December, 2019 to May 2020 because land clearing is mostly done in dry season.

12.1 Estimated Project Cost and Revenue

**Fixed Cost**

1. **LAND CLEARING**

|  |  |  |  |
| --- | --- | --- | --- |
| **ACTIVTY** | **QTY** | **₦** | **K** |
| Land Clearing | 1Hectare | 340,000 | 00 |
| Cross cutting | 1Hectare | 40,000 | 00 |
| Rome ploughing | 1Hectare | 60,000 | 00 |
| **Sub total** | 1Hectare | **440,000** | **00** |
| **Total** | 900 Hectare | **396,000,000** | **00** |

**(B) 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  | 1,170,000  | 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-1000L-18  | 6,950  | 2,502,000  | 00 |
| Front loader  | 1 | TZ10D | 6,570  | 2,365,200  | 00 |
| **Sub total**  |  |  | **159,390**  | **57,380,400**  | **00** |

**(C) Vehicle**

**Type Model QTY ₦ K**

|  |  |  |  |
| --- | --- | --- | --- |
|  **Pick up Truck**  |  **HILUX**  | **10** | **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 |  135,000  | 00 |
| Harrowing/Ha  |  90,000  | 00 |
| Sub total  |  225,000 | 00 |
| **For 900 Ha** |  **202,500,000**  |  **00** |
| Mechanization and storage |  105,000  |  00 |
| **For 900Ha** |  **42,000,000** |  **00** |
| Input / Ha  |  91,825 |  00 |
| **For 900Ha** |  **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 900Ha** |  **9,400,000** |  **00**  |
| Interest per hectare |  22,079 |  25 |
| **For 900Ha** |  **8,831,700**  |  **00**  |
| Total cost per hectare |  245,325 |  00 |
| **Total cost for 900Ha** |  **98,130,000**  | **00** |
| Loan principal and interest (cost per Hectare) |  267,404 | 25 |
| **Total for 900Ha** |  **106,961,700** |  **00**  |
| **Irrigation cost for 900Ha (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** |

 **REVENUE**

|  |  |
| --- | --- |
| **Yield per hectare 3tonnes@ ₦145000 per tonne** |  |
|  |  **₦ K** |
| **Revenue per hectare** |  **435,000 : 00**  |
| **For 900Ha** |  **174,000,000 : 00** |
| **Net revenue for 900Ha(without amortization)** |  **67,038,300 : 00** |
| **Net revenue with amortization(900Ha clearing)** |  **55,038,300 : 00** |
| **2nd Production Cycle** |  |
| **Net revenue** |  **43,020,180 : 00** |
| **Net revenue with amortization(900Ha land)** |  |
| **Annual Net Revenue ( 1st + 2nd Cycle)**  |  **98,058,480 : 00**  |

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

1. Funding Mechanism

Lebile Farms will provide 900Ha of cleared farmland around the university and lease it to members of the cooperative. Lebile Farms 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.