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**A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A SIX HUNDRED HECTARES COCOA PLANTATION AND ESTABLISHMENT OF 30 TONNES PER DAY CAPACITY GROUNDNUT OIL EXTRACTION PLANT BY MR BEN'S FARM, EPE, LAGOS STATE, NIGERIA AND TOP DOG KUTI FARMING ENTERPRISE CONFIDENTIALITY AGREEMENT**

**AGREEMENT**

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.

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**Executive Summary/ Project Description**

This business plan examines the feasibility of and indeed economic viability of the development of a 600hectares Cocoa plantation and the establishment of a groundnut oil extraction plant in Lagos by MR BEN'S FARM, EPE, LAGOS STATE, NIGERIA AND TOP DOG KUTI FARMING ENTERPRISE. The farm will produce about 3,200tonnes of soya beans in a production cycle. The groundnut oil extraction plant will process about 6000tonnes of groundnut into edible groundnut oil. 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.

The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire groundnut to be processed will be sourced locally through direct production, contract farming in Lagos 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 PATILAD Groundnut oil, a start-up firm involved in the processing, production and distribution of quality and affordable groundnut oil, groundnut cake and other groundnut oil derivatives. Day Adetiloye, Adebayo Tijani and other investors are promoting the productivity of smallholder farmers in Lagos through the PATILAD Groundnut oil industry. TOP DOG KUTI FARMING ENTERPRISE 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**

PATILDA Groundnut oil has working relationship with Vmorviab Company Limited through an executed MOU. Vmorviab has mandate in groundnut production and processing and will provide technical assistance in this regard. The University also has a working relationship with BOA (Bank of Agriculture). Bank of Agriculture has agreed to finance production of the 600hectares of groundnut through a loan at 6% interest rate (anchor borrower's scheme) given to the cooperative

The company will fund the processing factory and access finance for the groundnut oil extraction equipment from BOI (Bank of Industry) at the rate of 5%. 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 Lagos State Government, Lagos 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 offtake products through a purchase and sale contract agreement. They include Flour Mill of Nigeria Limited, Obasanjo Farms Ltd, Animal Care, Amo Farms, Farm Support and others. The groundnut oil will be sold through cooperatives and other distribution channels.

### **Market and Sales**

Market orientation: domestic; North West & North Central, Nigeria

Market Share: 8% niche market in North West, North Central Nigeria

Users of Products: edible oil for human, groundnut cake and other groundnut oil derivatives

### **Competition analysis**

Kano State alone produced 44% of national output between 1999 and 2017. Benue State followed with 27% of national output within the period. Taraba, Plateau, Niger and Katsina produced 6% and below in the period. The six states mentioned above produced 94% of national output within the period. The only places where significant production took place in South West, Nigeria was in Saki West L.G.A. in Oyo State and Akure North L.G.A. in Ondo State. Based on this above analysis, competition in terms of production in South West, Nigeria is non-existent compared 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 groundnut and groundnut derivatives in the Southern 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 groundnut and groundnut oil extraction) are technically feasible. In terms of technology, which involve the crushing of groundnut seed and extraction of oil, the industrial processes are simple and a specialist in oil extraction with more than 20years experience is part of our team. The needed equipment for oil extraction are readily available and our experts have hand on experience in the usage and maintenance of the equipment.

On the groundnut 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 generally in Lagos 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 GRAND CEREALS and JOF with the Grand Soya oil brand and Executive Chef Brand. Grand Cereal has an installed capacity of 150tonnes per day in Lagos and 100tonnes per day in Jos While JOF has a capacity of 120tonnes per day in Akure, TOP DOG KUTI FARMING ENTERPRISES 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.

## 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 6months preferably between March, 2019 to October, 2020 because land clearing is mostly done in the dry season.

## Estimated Project Costs and Revenue

### Fixed Cost

#### Land Clearing

Activity	QTY	₦	K
Land Clearing	1Hectare	250,000	00
Cross cutting	1Hectare	50,000	00
Rome ploughing	1Hectare	50,000	00
<b>Sub total</b>	1Hectare	<b>350,000</b>	<b>00</b>
<b>Total</b>	600 Hectare	<b>210,000,000</b>	<b>00</b>

### Equipment

Name	QTY	MODEL	USD	₦	K
Tractor	1	YTO-904(90hp)	25,000	9,000,000	00
Disc harrow	1	IBJ- 3.0	2,400	864,000	00
Sub soiler	1	IS-200G	4,250	1,530,000	00

Soy seeder	1	2BFY-6C	5,000	1,800,000	00
Tripper	1	7CX-8T	10,000	3,600,000	00
Combine Harvester	1	4YZ-6	103,500	37,260,000	00
Boom sprayer	1	3W-1000L-18	7,000	2,520,000	00
Front loader	1	TZ10D	6,000	2,160,000	00
<b>Sub total</b>			<b>163,150</b>	<b>58,734,000</b>	<b>00</b>

### Vehicle

Type	Model	QTY	₱	K
Pickup Truck	HILUX	2	25,000,000	: 00

### Irrigation

Type	QTY	Model	USD	₱	K
Hose Reel	1	140 – 440MT	30,000	10,800,960	: 00

### Operating Cost

Working Capital	₱	K
Ploughing/Ha	20,000	00
Harrowing/Ha	15,000	00
Sub total	30,000	00
<b>For 400 Ha</b>	<b>10,000,000</b>	<b>00</b>
Mechanization and storage	105,000	00
<b>For 400Ha</b>	<b>42,000,000</b>	<b>00</b>

Input / Ha	91,825	00
<b>For 400Ha</b>	<b>36,730,000</b>	<b>00</b>
Area yield insurance	13,500	00
Produce aggregation	5,500	00
Geo Spatial Service	4,500	00
Sub total	23,500	00
<b>For 400Ha</b>	<b>9,400,000</b>	<b>00</b>
Interest per hectare	22,079	25
<b>For 400Ha</b>	<b>8,831,700</b>	<b>00</b>
Total cost per hectare	245,325	00
<b>Total cost for 400Ha</b>	<b>98,130,000</b>	<b>00</b>
Loan principal and interest (cost per Hectare)	267,404	25
<b>Total for 400Ha</b>	<b>106,961,700</b>	<b>00</b>
<b>Irrigation cost for 400Ha (excluding fixed cost)</b>	<b>24,018,120</b>	<b>00</b>

### Amortization

	₦	K
<b>Land clearing amortization (per hectare)</b>	<b>40,000</b>	<b>: 00</b>
<b>Land clearing amortization (400hectare)</b>	<b>12,520,000</b>	<b>: 00</b>

### REVENUE

<b>Yield per hectare 3tonnes@ ₦145000 per tonne</b>	
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	₦	K
<b>Revenue per hectare</b>	<b>435,000</b>	<b>: 00</b>
<b>For 400Ha</b>	<b>174,000,000</b>	<b>: 00</b>
<b>Net revenue for 400Ha(without amortization)</b>	<b>67,038,300</b>	<b>: 00</b>
<b>Net revenue with amortization(400ha clearing)</b>	<b>60,040,300</b>	<b>: 00</b>
<b>2<sup>nd</sup> Production Cycle</b>		
<b>Net revenue</b>	<b>50,020,160</b>	<b>: 00</b>
<b>Net revenue with amortization(400ha land)</b>		
<b>Annual Net Revenue ( 1<sup>st</sup> + 2<sup>nd</sup> Cycle)</b>	<b>110,060,460</b>	<b>: 00</b>

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

### **Funding Mechanism**

PATILAD will provide 400Ha of cleared farmland around the university and lease it to members of the cooperative. PATILAD 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.

### **Conclusion**

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

