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A REASONABLE REPORT/ BUSINESS PLAN FOR THE DEVELOPMENT OF A NINE HUNDRED HECTARES OF YAM PLANTATION AT ALEGHE CROPS AND ANIMAL FARM LAGOS STATE, NIGERIA BY ALEGHE CROPS INDUSTRY AND ALMOND FARMERS COOPERATIVE SOCIETY LIMITED.

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.

Upon request, this document is to be immediately returned 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 900 hectares yam plantation and the establishment of a yam processing plant in Lagos by Aleghe crops industry and Almond Nigeria PLC. The farm will produce about 5,000 grams of yam in a production cycle. The yam processing plant will process about 3,200 grams of yam into edible yam flour, corn meal and yam cake for livestock. 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-western states with Kaduna state as the lead producer. . Nigeria imports significant quantity of yam 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 yam 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 Almond Nigeria PLC. Almond Nig. PLC. Is promoting the productivity of smallholder farmers in Nigeria through the Almond’s agricultural entrepreneurship program which is in partnership with International Fertilizer Development Centre (IFDC).

 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

Almond Nigeria PLC has a working relationship with IITA (International Institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has mandate in Yam production and processing and will provide technical assistance in this regard. Almond Nigeria PLC also has a working relationship with BOA (Bank of Agriculture), the Bank of Agriculture has agreed to finance production of the 900 hectares of Yam through a loan at 9% interest rate (anchor borrower’s scheme) given to the cooperative industry.

Almond Nigeria PLC will fund the processing factory and access finance for the Corn flour 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). Almond Nigeria PLC has relationship with commercial banks and will approach one for loan to clear the land which will be leased to members of the cooperative. Almond Nigeria plc. has a working relationship with Lagos State Government, Lagos State Ministry of Agricultural, Farmers’ Union, Agricultural Cooperatives and individual farmers. Almond Nigeria plc. Will get technical support from this relationship in the area of production through contract farming or out grower scheme. Almond Nigeria plc. Has working relationships with and linkages to industry players in the project area who will off take products through a purchase and sale contract agreement. They include Flour Mill of Nigeria Limited, Obasanjo Farms Ltd, Animal Care, Ammo Farms, Farm Support and others. The corn flour will be sold through cooperatives and other distribution channels. The yam starch will be sold to players in the paints and cosmetics industry.

Market and Sales

Market orientation: domestic; North-east & south-East, Nigeria

Market Share: 5% for market in south-east, North-East Nigeria

Users of Products: edible yam flour, corn meal and yam cake for livestock, yam starch for paint and cosmetics industries in South East.

Competition analysis

Benue state alone produced 54% of national output between1984 and 2018. Kaduna State followed with 27% of national output within the period. Taraba, Plateau and Adamawa state produced 6% and below in the period. The five state 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 Compare to the demand for produce.

 Tariff and Import Restriction

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

 Market Potential

There is strong demand for yam and yam 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 at least two cycle of production in a year.

 Technical Feasibility

The projects (production of yam and yam starch extraction) are technically feasible.  In terms of technology, which involve the crushing of yam seed and extraction of starch, the industrial processes are simple and a specialist in starch extraction with more than up to 20years experience is part of our team. The needed equipment for starch extraction are readily available and our experts have hand on experience in the usage and maintenance of the equipment. On the yam 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 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 OLA-OLA yam flour and ADF with the Grand Vegetable oil brand and Executive Chef Brand. OLA-OLA has an installed capacity of 200 grams per day in Abuja and 150grams per day in Maiduguri, While ADF has a capacity of 130grams per day in Akure, Cadbury farms will target a market niche and penetrate through cooperative societies to make our brand more 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 agricultural sector.  The project will also benefit from the favorable policy of zero duty for agriculturalultural 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 February, 2019 to October, 2020 because land clearing is mostly done in the dry season.

Estimated Project Costs and Revenue

Fixed Cost

1. Land Clearing

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | QTY | ₦ | K |
| Land Clearing | 2 Hectares | 340,000 | 00 |
| Cross Cutting | 2 Hectares | 50,000 | 00 |
| Rome ploughing | 2 Hectares | 70,000 | 00 |
| Sub Total | 2 Hectares | 460,000 | 00 |
| Total | 900 Hectares | 414,000,000 | 00 |

1. Equipment

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| NAME | | QTY | | MODEL | USD | | ₦ | K |
| Tractor | | 2 | | BMW-764 (100hp) | 30,000 | | 10,000,000 | 00 |
| Disc Harrow | | 1 | | IBJ-2.8 | 4,000 | | 2,380,000 | 00 |
| Sub Soiler | | 2 | | IS-350G | 5,200 | | 3,000,000 | 00 |
| Soy Seeder | | 2 | | 2BFY-7C | 5,000 | | 3,520,000 | 00 |
| Tripper | | 1 | | 7CX-8T | 8,500 | | 3,500,000 | 00 |
| Combine Harvester | | 1 | | 4YZ-6 | 120,000 | | 40,000,000 | 00 |
| Boom Sprayer | | 1 | | 3W-1200L-18 | 7,000 | | 3,000,000 | 00 |
| Front loader | 1 | | TZ10D | | | 7,200 | 2,500,000 | 00 |
| SUB TOTAL |  | |  | | | 186,900 | 64,400,000 | 00 |

(C) Vehicle

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| TYPE | MODEL | QTY | ₦ | K |
| Pick-up truck | Hilux | 3 | 40,000,000 | 00 |

(D) Irrigation

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| TYPE | QTY | MODEL | USD | ₦ | K |
| Hose Reel | 1 | 140-440MT | 30,000 | 10,800,000 | 00 |

Operating Cost

|  |  |  |
| --- | --- | --- |
| WORKING CAPITAL | ₦ | K |
| Ploughing/Ha | 20,000 | 00 |
| Harrowing/Ha | 15,000 | 00 |
| Sub Total | 30,000 | 00 |
| **For 400Ha** | **15,000,000** | **00** |
| Mechanization and Storage | 120,000 | 00 |
| **For 400Ha** | **50,000,000** | **00** |
| Input/Ha | 100,000 | 00 |
| **For 400Ha** | **40,000,000** | **00** |
| Area yield insurance | 15,000 | 00 |
| Produce aggregation | 6,000 | 00 |
| Geo spatial service | 5,000 | 00 |
| Sub Total | 26,000 | 00 |
| **For 400Ha** | **10,000,000** | **00** |
| Interest per hectare | 25,000 | 25 |
| **For 400Ha** | **9,000,000** | **00** |
| Total cost per hectare | 250,000 | 00 |
| **Total cost for 400Ha** | **124,000,000** | **00** |
| Loan principal and interest (cost per Hectare) | 270,000 | 25 |
| **Total for 400Ha** | **120,000,000** | **00** |
| **Irrigation cost for 400Ha (excluding fixed cost)** | **25,000,000** | **00** |

Amortization

|  |  |  |
| --- | --- | --- |
|  | ₦ | K |
| Land clearing amortization (per hectare) | 35,000 | 00 |
| Land clearing amortization (500 hectare) | 13,000,000 | 00 |

REVENUE

|  |  |  |
| --- | --- | --- |
| YIELD PER HECTARE 10GRAMS @ ₦150,000 | ₦ | K |
| Revenue per hectare | 450,000 | 00 |
| For 400Ha | 180,000,000 | 00 |
| Net revenue for 400Ha (without amortization) | 68,500,000 | 00 |
| Net revenue for amortization (400Ha | 58,600,000 | 00 |
| 2nd Production cycle |  |  |
| Net revenue | 45,000,000 | 00 |
| Net revenue with amortization (400Ha land) |  |  |
| Annual net revenue (1st + 2nd Cycle) | 100,000,000 | 00 |

Currency conversion rate: ₦360.00 to 1USD

 Funding Mechanism

CADBURY will provide 400Ha of cleared farmland around the industry and lease it to members of the cooperative. CADBURY 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 technically feasible and commercially viable. It is therefore recommended for funding.