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**COLLEGE: LAW**

**LEVEL: 200**

**COURSE CODE: AFE 202**

**ASSIGNMENT**

**Prepare a business plan on a chosen agricultural enterprise following the guideline in the note. Minimum of five pages, times new roman size 12 with double spacing. Send the soft copy to me to view.**

 **A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A HUNDRED HECTARES RICE PLANTATION AND ESTABLISHMENT OF 3 TONNES OF RICE PER HECTARE AT AFE BABALOLA UNIVERSITY FARM, ADO EKITI, EKITI STATE, NIGERIA BY ADEYEMI AGRIBUSINESS VENTURES AND CONSULTANCY CONFIDENTIALITY 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

Signature:

Name:

Date:

**CONTENTS OF A FEASIBILITY REPORT**

1. Executive Summary/ Brief Description of the Project
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7. Estimated Project Cost and Revenue
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10. **Executive Summary/ Project Description**

 This business plan aims at examining the feasibility of the development of a 100 hectares of rice farming and milling in Ado Ekiti- Ekiti state by Afe Babalola University and Afe Babalola Farmer’s Cooperative Society Limited. Although we intend starting out on a small scale by cultivating rice 100 hectares of land then grow the business to 1000 hectares of land and also exporting our rice to other countries in Africa and the world at large. 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 with Ebonyi State as the lead producers. The major cultivating area for rice are Ogun, Enugu, Ebonyi, Kano, Kebbi, Nassarawa, Ekiti, Gombe, Niger, Anambra, Niger and Kogi. Nigeria imports significant quantity of rice and its derivatives to augment domestic shortages.

 We will at all times demonstrate our commitment to sustainability as a business. By actively participating in our communities and integrating sustainable business practices whenever possible. We will ensure that we hold ourselves accountable to the highest standards by meeting our customers’ needs precisely and completely. The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. This 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.

1. **SPONSORSHIP**

 The project is sponsored by Aare Afe Babalola, a legal luminary and founder of Afe Babalola University. Aare Afe Babalola is promoting the productivity of smallholder farmers in Ado Ekiti through the Afe Babalola Farmer’s Cooperative Limited. The University has a Department of Agriculture and experts with many years of experience in the project being proposed. Adeyemi Agribusiness Ventures & Consultancy will be responsible for the management consultancy of the projects.

**MANAGEMENT**

 The management will consist of a democratically elected Board of Directors at the apex of the organization structure. We have the Chief Operating Officer, General Farm Manger, Administrator/Accountant, Rice Cultivation Manager/supervisor, Rice Processing and Packaging Manager, Sales and Marketing Executive. We also have others, Field Employees, Front Desk Officer and other staff. They will be qualified, honest, dedicated, hardworking and ready to work and help us build a prosperous business that will benefit all the stake holders. 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/ chief operating officer 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. The cooperative has a working relationship with BOA (Bank of Agriculture) and we are collaborating on Aare Afe Babalola 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 100hectares of rice through a loan at 9% interest rate (anchor borrower’s scheme) given to the cooperative.

 The university will fund the processing factory and access finance for the rice cultivating 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 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 out grower scheme. RIFAN (Rice Farmers Association of Nigeria) has objective of supporting their members on production, processing and marketing of rice as well as the possibility of supplying inputs at low prices.

1. **MARKET and SALES**

Market orientation: domestic; South West, Northern Nigeria and some parts of South East.

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

Users of Products: edible rice for human.

**COMPETITION ANALYSIS**

 Kaduna State alone produced 22% of national output between 2000-2003. Niger State followed with 16% of national output within the period, Benue State 10% and Taraba State 7%. Based on this above analysis, competition in terms of production in the North which is extending to the south east.

**TARIFF and IMPORT RESTRICTION**

 Nigeria, has employed various trade policy instruments such as tariff, import restriction, and outright ban on rice import at various times. Forex restriction on food importation and zero duty on imported agricultural equipment will favour the project under consideration.

**MARKET POTENTIAL**

 There is a strong demand for rice in every part of Nigeria. The state of infrastructure though not perfect still supports production and trade within Nigeria.

**PROFITABILITY**

 Profitability may be examined in at least three ways: profitability across rice-based production systems, profitability in relation to other crops and in terms of technology adoption of rice farmers. Rice has been quite profitable in Nigeria. However, domestic rice is not as profitable as it would have been if there were no stiff competitions from imported rice.

1. **TECHNICAL FEASBILITY**

 The projects (production of rice) are technically feasible. In terms of technology, which involve rice production and milling the industrial processes are simple and a specialist in rice production with more than 10years experience is part of our team. The needed equipment for milling are readily available and our experts have hand on experience in the usage and maintenance of the equipment.

 On the rice 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 University and generally in Ekiti is adequate and suitable for the location of the farm/firm for efficient production, processing and marketing. Raw materials

 The major competitors in the North are Olam rice and UMZA rice. 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.

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 current presidential initiative on rice promotes the policy of providing the enabling environment for private sector-led rice production. The new initiative on rice production, processing and export is therefore laying solid foundation for sustainable rice production and development in Nigeria. A lot still needs to be done in order to make rice production and processing in Nigeria to become internationally competitive especially under zero tariff regimes. In order to achieve success government policies on agricultural inputs especially with respect to fertilizers, credit, improved seeds and equipment availability needs to be revisited.

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, market access, and improved income for farmers and support food security objective of government. 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 6months preferably between November, 2020 to March, 2021 because land clearing is best done in the dry season.

1. **ESTIMATED PROJECT COSTS and REVENUE**

**FIXED COST**

1. **LAND CLEARING**

|  |  |  |  |
| --- | --- | --- | --- |
| **ACTIVITY** | **QTY** | **₦** | **K** |
| Land clearing | 1 hectare | 100,000 | 00 |
| Cross cutting | 1 hectare | 15,000 | 00 |
| Rome ploughing | 1 hectare | 50,000 | 00 |
| SUB TOTAL | 1 hectare | **300,000** | 00 |
| **TOTAL**  | **100 HECTARE**  | **30,000,000** | 00 |

1. **EQUIPMENT**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **NAME** | **QTY** | **MODEL** | **USD** | **₦** | **K** |
| Tractor  | 1 | YTO-904(90hp) | 24,450  | 8,802,000  | 00 |
| Plough | 1 |  |  | 1,250,000 | 00 |
|  |  |  |  |  |  |
| Combine Harvester  | 1 | 4YZ-6  | 103,500  | 37,260,000  | 00 |
| Planter | 1 |  |  | 350,000 | 00 |
| Plastic Mulch Layer |  | MODEL 85 |  |  | 00 |
| Transplanter | 1 | BTT-6300 |  | 100,000 | 00 |
| Mower | 2 | 147 Lawn Mower |  | 200,00 | 00 |
| Rice destoner | 1 |  |  | 380,000 | 00 |
| Wheel Barrow | 3 |  Prestar |  | 9.500 | 00 |
| Disc harrow | 1 | IBJ- 3.0 | 3,520 | 1,267,200 | 00 |
| Boom sprayer | 1 | 3W-1000L-18  | 6,950  | 2,502,000  | 00 |
| SUB TOTAL  |  |  |  | 18,586,700 | 00 |

**(C) Vehicle**

**Type Model QTY ₦ K**

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

1. **IRRAGATION/MECHANIZATION**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| TYPE | **QTY** | **MODEL/BRAND** | **USD** | **₦** | **K** |
| Knapsack sprayer | 1 | CP-15 |  | 7,000 | 00 |
| Water Pump | 1 | TIGER |  | 34,000 | 00 |
| 5M intake | 3 |  |  | 3,600 | 00 |
| Tubewell | 1 | TBD |  | 20,000 | 00 |
| 10M outlet | 2 |  |  | 700 | 00 |
| TOTAL |  |  |  | 72,500 | 00 |

1. **OPERATING COST**

|  |  |  |
| --- | --- | --- |
| WORKING CAPITAL |  **₦**  | **K** |
| Plouging | 15,000 | 00 |
| Harrowing | 15,000 | 00 |
| Aggregation | 5,000 | 00 |
| Planting | 3,000 | 00 |
| Harvesting | 8,000 | 00 |
| Threshing/Bagging | 12,000 | 00 |
| Transportation | 10,000 | 00 |
| Spraying | 3,000 | 00 |
| SUB TOTAL | 71000 |  |
| **TOTAL FOR 100HA** | **6,100,000** |  |
| Interest per hectare |  22,079 |  25 |
| **For 100Ha** |  **2,207,900**  |  **00**  |
| Total cost per hectare |  245,325 |  00 |
| **Total cost for 100Ha** |  **24,532,500**  | **00** |
| Loan principal and interest (cost per Hectare) |  267,404 | 25 |
| **Total for 100Ha** |  **26,740,400** |  **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 (100hectare)**  |  **3,000,000 : 00** |

 **REVENUE**

|  |  |
| --- | --- |
| **Yield per hectare 3tonnes@ ₦145000 per tonne** |  |
|  |  **₦ K** |
| **Revenue per hectare** |  **435,000 : 00**  |
| **For 100Ha** |  **43,500,000 : 00** |
| **Net revenue for 100Ha(without amortization)** |  **16,759,600 : 00** |
| **Net revenue with amortization(400ha clearing)** |  **13,759,600 : 00** |
| **2nd Production Cycle** |  |

1. **Funding Mechanism**

ABUAD will provide 100Ha of cleared farmland around the university and lease it to members of the cooperative.

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.

**IN CONCLUSION:** The project is technically feasible and commercially viable. It is therefore recommended for funding.

**REFERENCES**

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