

NAME: Eko James ofuowoicho

DEPARTMENT: ACCOUNTING

18/SMS02/019

AFE 202

Prepare a business plan on a chosen Agricultural enterprise following the guideline in the note.

A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A FOUR HUNDRED HECTARES SOYABEAN PLANTATION AND ESTABLISHMENT OF 50TONNES PER DAY CAPACITY SOYA OIL EXTRACTION PLANT AT DAMATEN FARM NIGERIA BY TOYOM 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: EMMANUEL K

Name: EMMANUEL LAWSON

Date: 19/05/2004

Executive Summary/ Project Description

This business plan examines the feasibility of and indeed economic viability of the development of a 400hectares soya beans plantation and the establishment of a soya beans oil extraction plant in DAMATEN Limited. The farm will produce about 2,000tonnes of soya beans in a production cycle. The soya oil extraction plant will process about 4,200tonnes of soya beans into edible soya oil, soya cake for livestock industry and soya sludge for soap, cosmetics and paint industry. 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 shortages.

The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire soya to be processed will be sourced locally through direct production, contract farming in Ekiti 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 MR LAWSON, a legal luminary and founder of Afe Babalola University. MR LAWSON is promoting the productivity of smallholder farmers in Ado Ekiti through the DAMATEN Limited. The University has a Department of Agriculture and experts

with many years of experience in the project being proposed. Toyom Agribusiness Ventures & Consultancy 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 Partners

The university has working relationship with IITA (International Institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has mandate in Soya beans production and processing and will provide technical assistance in this regard. The business also have a relationship with BOA (Bank of Agriculture) and we are collaborating on MR LAWSON 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 PLATEAU state and the overall best farmer in the state. Bank of Agriculture has agreed to finance production of the 400hectares of soya through a loan at 9% interest rate (anchor borrower's scheme) given to the cooperative

Market and Sales

Market orientation: domestic; South West & South East, Nigeria

Market Share: 6% niche market in South West, South East Nigeria

Users of Products: edible oil for human, soya cake for the livestock industry, soya sludge for paint and cosmetics industries in South East.

Government Support and Regulation

The projects (production of soyabean and soya oil extraction) are technically feasible. In terms of technology, which involve the crushing of soyabean seed and extraction of oil, the industrial processes are simple and a specialist in oil extraction with more than 10years 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 soyabean 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 nd generally in jos

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 1,150tonnes per day in Lagos and 2000tonnes per day in Jos While JOF has a capacity of 120tonnes per day in Akure, DAMATEN 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.

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, 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 November, 2014 to April, 2015because land clearing is mostly done in the dry season.

A] Land Clearing

Activity	QTY	₦	K
Land Clearing	2Hectare	250,000	00
Cross cutting	2Hectare	50,000	00
Rome ploughing	2Hectare	50,000	00

Sub total	2Hectare	350,000	00
Total	400 Hectare	140,000,000	00

B) Equipment

Name	QTY	MODEL	USD	₺	K
Tractor	1	YTO-904(90hp)	26,520	9,547,000	00
Disc harrow	1	IBJ- 3.0	3,300	1,080,000	00
Sub soiler	1	IS-200G	4,000	1,440,000	00
Soy seeder	1	2BFY-6C	4,950	1,782,000	00
Tripper	1	7CX-8T	9,980	3,592,800	00
Combine Harvester	1	4YZ-6	100,500	36,180,000	00
Boom sprayer	1	3W-1000L-18	6,200	2,232,000	00
Front loader	1	TZ10D	6,999	2,519,640	00
Sub total			162,449	58,373,440	00

(C) Vehicle

Type Model QTY ₺ K

Pick up Truck	HILUX	5	100,000,000	: 00
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Irrigation

Type QTY Model USD ₺ K

Hose Reel	1	140 – 440MT	30,000	10,800,000	: 00
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Operating Cost

Working Capital		
	₦	K
Ploughing/Ha	150,000	00
Harrowing/Ha	100,000	00
Sub total	85,000	00
For 400 Ha	17,000,000	00
Mechanization and storage	195,000	00
For 400Ha	50,000,000	00
Input / Ha	91,000	00
For 400Ha	39,730,000	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	10,400,000	00
Interest per hectare	22,079	25
For 400Ha	8,831,700	00

Total cost per hectare	245,325	00
Total cost for 400Ha	90,130,000	00
Loan principal and interest (cost per Hectare)	267,404	25
Total for 400Ha	206,860,000	00
Irrigation cost for 400Ha (excluding fixed cost)	35,018,120	00

Amortization

₱ K

Land clearing amortization (per hectare)	60,000	: 00
Land clearing amortization (400hectare)	24,000,000	: 00

REVENUE

Yield per hectare 3tonnes@ ₱145000 per tonne		
	₱	K
Revenue per hectare	500,000	: 00
For 400Ha	200,000,000	: 00
Net revenue for 400Ha(without amortization)	70,038,300	: 00

Net revenue with amortization(400ha clearing)	60,038,300 : 00
2nd Production Cycle	
Net revenue	80,020,180 : 00
Net revenue with amortization(400ha land)	
Annual Net Revenue (1st + 2nd Cycle)	100,058,480 : 00

Currency conversion rate: ₦360.00 to 1USD