**ADEMOLA ANOINTING OLUWAFUNMILOLA**

**18/ LAW01/011**

**AFE202 ASSIGNMENT**

**23RD April, 2020**

**Question**

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

By way of introduction, a business plan is a decision making tool that takes the form of a formal document. It states ones business goals, why you think you can achieve them, and lays out your plan for doing so. A farm business plan is a great organizational and business tool that you can use for a variety of purposes. This work focuses on a business plan on an oil palm agricultural enterprise.

**A BUSINESS PLAN FOR THE DEVELOPMENT OF A FOUR HUNDRED HECTARES OF OIL PALM PLANTATION AND ESTABLISHMENT OF 20 TONNES PER DAY CAPACITY PALM OIL EXTRACTION PLANT AT OATVANA FARM NIGERIA LIMITED, OKPE, DELTA STATE, NIGERIA BY GRACIOUS AGRIBUSINESS VENTURES AND CONSULTANCY**

**Executive Summary/ Project Description**

This business plan focuses on the feasibility and economic viability of the development of a 400hectares oil palm plantation and the establishment of a palm oil extraction plant in Okpe by Miss Ademola Anointing and Oatvana Farmer’s Cooperative Society Limited. Oatvana farm will produce about 2000 tonnes of oil palm fruit in a production cycle. The palm oil extraction plant will process about 5000 tonnes of oil palm into edible palm oil, soap, cosmetics, lubricating greases for surfaces and also margarine, cookies, bread for the confectionary industry. There is high domestic demand for these products due to our huge population and production constraints leading to shortage of the commodity. Production is currently popular in the South- South and South East, in states like Akwa Ibom, Abia, Rivers, Edo, Imo, Ondo, Bayelsa, Cross River and Delta State. Akwa ibom and Delta state are the lead producers in Nigeria. Nigeria imports significant quantity of oil palm fruit and its derivatives to augment domestic shortages.

This proposed project will increase economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire oil palm to be processed will be sourced locally through direct production, contract farming in Delta 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 will be sponsored by Hon. Austin Chikezie, the commissioner of Agriculture and natural resources in Delta State. Honourable Austin Chikezie is dedicated to promoting the productivity of agricultural activities and giving support to smallholder farmers in Delta state. Gracious 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 main 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**

Miss Ademola Anointing has working relationship with NIFOR (National Institute for Oil Palm Research) whose mandate in oil palm production and processing and will provide technical assistance in this regard. Also, she has a working relationship and collaborating with NIOP (National Institute of Oilseed Products) and BOA (Bank of Agriculture). Bank of Agriculture has agreed to finance production of the 400hectares of oil palm through a loan at 7% interest rate (anchor borrower’s scheme) given to the cooperative.

Miss Ademola Anointing will fund the processing factory which has equipments like palm oil sterilizer, thresher, digester, presser and clarification. Also, access finance for the palm oil extraction equipment from BOI (Bank of Industry) at the rate of 7%. She also have a working relationship with National centre for Agriculture Mechanization (NCAM) which will help to give support to the machineries that will be required for this project and she will get technical support from this relationship in the area of production through contract farming or out grower scheme. Miss Ademola Anointing also has working relationship with IITA (International Institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has mandate in oil palm production and processing and will provide technical assistance in this regard.

**Market and Sales**

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

Market Share: 5% niche market in North East, North West Nigeria

Users of Products: edible oil for human, soap, lubricating greases for surfaces and margarine, cookies, bread for the confectionary industry and cosmetics industries in North West.

**Competition analysis**

Akwa Ibom alone has produced 31.4% of national output between1999 and 2017. Delta State followed with 21.56% of national output within the period. The only places where significant production took place in South West, Nigeria was in Akure North L.G.A in Ondo State. Based on this above analysis, competition in terms of production in North East, 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 favour the project under consideration.

**Market Potential**

There is strong demand for oil palm and oil palm derivatives in the Northern 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 oil palm and palm oil extraction) are technically feasible. In terms of technology, which involve the crushing of oil palm seed and extraction of oil, the industrial processes are simple and a specialist in oil extraction with more than 23years experience is part of our team. The needed equipment for oil extraction is readily available and our experts have hand on experience in the usage and maintenance of the equipment. On the oil palm 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 Delta is adequate and suitable for the location of the farm for efficient production, processing and marketing. Raw materials will be produced and sourced locally.

The major competitors are in the South- South and are Okomu oil, Presco, UAC (Tiger Brands), Olam, Pz Willmar. Okomu oil and Presco have fresh fruit and has an installed capacity of 100tonnes per day in Edo. Oatvana 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.

**Government Support and Regulation**

According to the ministry of agriculture, national food production grew by 21 million metric tonnes between 2011 and 2014, leading to sharp reduction in food imports and Nigeria’s food import declined from US$21.2 billion in 2011 to US$4.23 billion in 2013.The Nigerian president launched the Anchor Borrowers Programme (ABP), an initiative of the Central Bank of Nigeria which links over 600,000 smallholder farmers with reputable large scale processors with a view to increasing agricultural outputs including oil palm and improving capacity utilization of integrated mills. The president’s long term goal is to return Nigeria to being a net exporter of palm oil. One of the social intervention programmes planned by the government of Nigeria involves feeding primary school children between ages of 5and 13 years under the National School Feeding Programme. To achieve this, it has contracted companies to produce biscuits for an estimated 25 million children. Since palm oil is an ingredient used in making biscuit, this programme is expected to provide a boost to the domestic palm oil industry. The government is now focusing on increasing the area under oil palm cultivation and also to improve the yield per unit area. The government is taking conscious strong measures to revive the industry. It has rolled up its sleeves to increase considerably the land under cultivation and also is all set to increase the per hectare production. The target is to increase production to meet the domestic demand and curtail imports, in the near to medium term.

In order words, this project conforms 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 and 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 7months, preferably between November, 2020 and June, 2021 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 | 1Hectare | 240,000 | 00 |
| Cross cutting | 1Hectare | 30,000 | 00 |
| Rome ploughing | 1Hectare | 50,000 | 00 |
| **Sub total** | 1Hectare | **320,000** | **00** |
| **Total** | 400 Hectare | **128,000,000** | **00** |

**(B) Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **QTY** | **MODEL** | **USD** | **₦** | **K** |
| Tractor | 1 | YTO-904(90hp) | 24,450 | 8,802,000 | 00 |
| Palm nut cracker | 1 | TK-02 | 2,750 | 999,000 | 00 |
| Palm oil filter | 1 | XMY,6LB | 3000 | 1,080,000 | 00 |
| Disc harrow | 1 | IBJ- 3.0 | 3,520 | 1,267,200 | 00 |
| Spindle press | 1 | PYZ series | 2,500 | 900,000 | 00 |
| Palm oil sterilizer | 1 | DT100 | 4,500 | 1,620,000 | 00 |
| Palm oil thresher | 1 | 20-300T/D | 5000 | 1,800,000 | 00 |
| Palm oil digester | 1 | FTM20 | 9,500 | 3,420,000 | 00 |
| Boom sprayer | 1 | 3W-1000L-18 | 6,950 | 2,502,000 | 00 |
| **Sub total** |  |  | 62,170 | 20,932,200 | **00** |

**(C) Vehicle**

**Type Model QTY ₦ K**

|  |  |  |  |
| --- | --- | --- | --- |
| **Pickup Truck** | **HILUX** | **2** | **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 | 15,000 | 00 |
| Harrowing/Ha | 10,000 | 00 |
| Sub total | 25,000 | 00 |
| **For 400 Ha** | **10,000,000** | **00** |
| Mechanization and storage | 105,000 | 00 |
| **For 400Ha** | **42,000,000** | **00** |
| Input / Ha | 91,825 | 00 |
| **For 300Ha** | **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 400Ha** | **9,400,000** | **00** |
| Interest per hectare | 22,079 | 25 |
| **For 400Ha** | **8,831,700** | **00** |
| Total cost per hectare | 245,325 | 00 |
| **Total cost for 400Ha** | **98,130,000** | **00** |
| Loan principal and interest (cost per Hectare) | 267,404 | 25 |
| **Total for 400Ha** | **106,961,700** | **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 (400hectare)** | **12 ,000,000 : 00** |

|  |  |
| --- | --- |
| **Yield per hectare 3tonnes@ ₦145000 per tonne** |  |
|  | **₦ K** |
| **Revenue per hectare** | **435,000 : 00** |
| **For 400Ha** | **174,000,000 : 00** |
| **Net revenue for 400Ha(without amortization)** | **67,038,300 : 00** |
| **Net revenue with amortization(400ha clearing)** | **55,038,300 : 00** |
| **2nd Production Cycle** |  |
| **Net revenue** | **43,020,180 : 00** |
| **Net revenue with amortization(400ha land)** |  |
| **Annual Net Revenue ( 1st + 2nd Cycle)** | **98,058,480 : 00** |

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

**Funding Mechanism**

Miss Ademola Anointing will provide 400Hectares of cleared farmland around the farm and lease it to members of the cooperative. Equity investor will 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.

Reference

* X-raying the Nigerian palm oil sector derived from <https://www.pwc.com/ng/en/publications/x-raying-the-nigerian-palm-oil-sector.html>
* Oil palm production in Nigeria| Agriculture Nigeria derived from https://www.agriculturenigeria.com/production/crop-production/general-crops/oil-palm/