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18/MHS01/087

AFE 202

A BUSINESS PLAN ON AN AGRICULTURAL ENTERPRISE

Name: NUELLA’S FARM

Date: April 26, 2020.

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**Executive summary**

This business plan examines the feasibility of and indeed economic viability of the development of a 2.4 million hectares oil palm plantation and the establishment of a palm oil extraction plant in Abakaliki by Asibor Osemhanhu Immanuella and Nuella farmer’s cooperative society limited. The farm will produce about 1,200 tonnes of oil palm in a production cycle. The palm oil extraction plant will process about 4,200 tonnes of oil palm into edible palm oil, vegetable oil, banga soup and palm sludge for soap and cosmetics 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 south East zone and Niger Delta areas consisting mainly of Imo and Akwa ibom.

Our vision is to create economic opportunities, impact positively on the people, make oil readily available to the general public, to control flooding and erosion and help conserve scarce foreign exchange. The entire oil palm to be processed will be sourced locally through direct production, contract farming in Ebonyi state and directly purchase from small holder 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**

This project is sponsored by International fund for agricultural development(IFAD) and Niger Delta Development Commission(NDDC) is promoting the productivity of small farm holders in Ebonyi state through Nuella farmer’s cooperative limited. IFAD will be responsible for the management consultancy of the project.

**Management**

The management will comprise of the recruitment of competent man-power to man the various departments. People to be employed include agronomists, farm managers who are agricultural economists concerned with the distribution and production of farm produce. Skilled and unskilled workers will be hired to help manage the farm and ensure success. The prime objective of the manager will be to give strategic directions and policies that that will ensure long term success of the organization. The manager will ensure that the organization complied with all standards set by the authorities.

The MD will be responsible for the coordination of the daily activities of the cooperative business. He will mobilize organization resources to achieve set goals. He will manage business risks and focus on wealth creation.

**Technical assistance**

The farm has working relationship with Okomu oil palm company ,PRESCO oil palm, National Institute for Oil palm Research(NIFOR) and International institute for tropical agriculture(IITA), Ibadan. Okomu oil palm company has mandate in oil palm production and processing will provide technical assistance in this regard. The farm also has a working relationship with Bank of Agriculture and we are appreciating Ebonyi farmers through monetary award to the best farmers in each local government area in Ebonyi state and the overall best farmer in the state. Bank of Agriculture has agreed to finance production of the 2.4 million hectares of oil palm through a loan at 9% interest rate given to the cooperative.

The essence of these technical partners is to enhance the cultivation, enhancements of fruits, production and marketing.

The farm 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 farm has a working relationship with Ebonyi state government, Ebonyi state ministry of Agric farmers’union, Agric cooperatives and individual farmers. The farm will get technical support from this relationship in the area of production through contract farming or outgrower scheme. The palm oil will be sold through cooperatives and other distribution channels.

**Market and sales**

Market orientation: Domestic; south East and Niger Delta, Nigeria

Market share: 5% niche market in South East, Niger Delta Nigeria

Users of products: Edible oil for humans, Edible fruits for birds, soya sludge for the cosmetic industry in the South East.

Aggressive advert through electronic and print media like SMS and social media to pass information

One on One information to enlighten people about your product

Using Promo( price of two for three products).

**Competition analysis**

Edo state alone produced 54% of national output between 2005 and 2020. Imo state followed with 27% of national output within the period. Enugu, Ondo, Ekiti, Delta and Oyo produced 6% and below in the period. The seven states mentioned above produced 94% of national output within the period. The only places were significant production took place in the South was in Esan south East L.G.A in Edo state. Based on this above analysis, the competition in terms of production in south, Nigeria is non-existent compared to the demand for produce.

**Tariff and Import restrictions**

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

**Market potential**

There is a strong demand for oil palm and oil palm produce in the south eastern part of Nigeria. This state of infrastructure supports production and trade from all parts of Nigeria.

**Profitability**

Natural hazards, weather, biological, chemical, physical and environmental factors such as temperature, drought, fire hazard, water, air, pests and diseases, price fluctuations and other risk factors could affect and yield profitability. However, technical, scientific and financial based solutions will be employed to ward off risks and safe guard profits.

**Technical feasibility**

In terms of technology which involves the milling of the oil palm seeds and extraction of oil, the industrial processes are simple and a specialist in oil extraction with more than 20 years is part of the team. The needed equipment’s are readily available and our experts have quite the experience when it comes to handling and maintaining such equipment.

We have specialists in mechanization, irrigation, farm management, crop production, weed science, market development, agric extension and accounting as part of our management team. Raw materials will be produced and sourced daily. Nuella’s farm will target a market niche and penetrate through cooperative societies to make our brand popular. From analysis,our biggest competitor is Okomu oil palm PLC. Integration of production and processing will give us a competitive advantage. We are implementing our project using international practices, sustainable production and due consideration for the environment. Although some degree of deforestation will occur, report shows little or no damage to the environment as it relates to the issue of climate change. Organic fertilizer and manure will be substituted for chemical fertilizer within three years of farm operations.

**Government support and regulation**

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 contribute significantly to employment, output increase, stable price and stable exchange rate. The project will benefit from the government intervention fund in the agriculture sector.

**Project timeline**

The project will be completed within 8 months preferably between April 2020 to December 2020 because land clearing is mostly done in the dry season.

Estimated project costs and revenue

**Land clearing**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **Qty** | # | **K** |
| Land clearing | 100 hectares | 830,000 | 00 |
| Cross cutting | 100 hectares | 50,000 | 00 |
| Rome ploughing | 2 hectares | 80,000 | 00 |
| Sub total | 2 hectares | 960,000 | 00 |
| Total | 2.4 million hectares | 1,920,000 | 00 |

**Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name | Quantity | Model | USD | # | K |
| Tractor | 1 | YTO-904(90hp) | 24,450 | 8,802,000 | 00 |
| Disk harrow | 1 | IBJ-3.0 | 3,250 | 1,267,200 | 00 |
| Sub soiler | 1 | IS-200G | 3,250 | 1,170,000 | 00 |
| Tripper | 1 | TCX-8T | 9,450 | 3,402,000 | 00 |
| Combine harvester | 1 | 4YZ-6 | 103,500 | 37,260,000 | 00 |
| Boom sprayer | 1 | 3W-1000L-18 | 6,950 | 2,502,000 | 00 |
| Front loader | 1 | TZ10D | 6,570 | 2,365,200 | 00 |
| subtotal |  |  | 157,420 | 56,768,400 | 00 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Vehicle**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | Type | Model | Qty | # | K | | Pick up truck | HILUX | 2 | 30,000,000 | 00 |   **Irrigation**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Type | Qty | Model | USD | # | K | | Hose reel | **1** | **140-440MT** | **28,186** | 10,146,960 | **00** | | | |
|  |
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|  |  |  |
| --- | --- | --- |
| Working Capital | # | K |
| Ploughing/ Ha | 15,000 | 00 |
| Harrowing/ Ha | 10,000 | 00 |
| Subtotal | 25,000 | 00 |
| For 400 Ha | 10,000,000 | 00 |
| Mechanization and storage | 105,000 | 00 |
| For 400 Ha | 42,000,000 | 00 |
| Input/Ha | 91,825 | 00 |
| For 400 Ha | 36,730,000 | 00 |
| Area yield insurance | 13,500 | 00 |
| Produce aggregation | 5,500 | 00 |
| Geo spatial service | 4,500 | 00 |
| subtotal | 23,500 | 00 |
| For 400 Ha | 9,400,000 | 00 |
| Interest per hectare | 22,079 | 25 |
| For 400 Ha | 8,831,700 | 00 |
| Total cost per hectare | 245,325 | 00 |
| Total cost for 400 Ha | 98,130,000 | 00 |
| Loan principle and interest( per hectare) | 267,404 | 25 |
| Total for 400 Ha | 106,961,700 | 00 |
| Irrigation cost for 400 Ha( excluding fixed cost | 24,018,120 | 00 |
| AMORTIZATION  Land clearing amortization (per hectare) | 300,000 | 00 |
| Land clearing amortization( per hectare) | 12,000,000 | 00 |

Revenue

Yield per hectare 3 tonnes @ 145,000 per tonne

|  |  |  |
| --- | --- | --- |
|  | # | K |
| Revenue per hectare | 435,000 | 00 |
| For 400 Ha | 174,000,000 | 00 |
| Net revenue for 400 Ha( without amortization) | 67,038,306 | 00 |
| Net Revenue with amortization( 400Ha clearing) | 55,038,300 | 00 |

2nd Pr0duction cycle

|  |  |  |
| --- | --- | --- |
|  | # | K |
| Net Revenue |  |  |
| Net revenue with amortization( 400Ha) | 43,020,180 | 00 |
| Annual net revenue( 1st + 2nd cycle) | 98,058,480 | 00 |

Funding

From my gathered savings overtime and from members of the family, I will provide about 9 % of the loan to establish a successful farmland business.

Conclusion

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