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MATRIC NO.: 18/LAW01/100

We have been in close contact with the CommodAfrica, and other Cocoa production enterprises and we have also consulted a large number of them on the projection strategy, sales, importation and exportation strategy and have developed a firm plan.

An agreement have also been reached with industry players in the project area who will offtake products through a purchase and sale contract agreement, they include Cargill, Olam , Barry Callebaut. The Cocoa will be sold through cooperatives and other distribution channels.

**Market and Sales**

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

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

**Competition analysis**

Ondo State alone produced 44% of national output between1999 and 2017. Kaduna State followed with 27% of national output within the period. Taraba, Plateau, Kano, Niger and katsina produced 6% and below in the period. The seven 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 favour the project under consideration.

**Market Potential**

There is strong demand for Cocoa 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 two cycle of production in a year.

**Technical Feasibility**

The projects (production of Cocoa nd soya oil extraction) are technically feasible. In terms of technology, which involve the crushing of Cocoa eed and extraction of oil, the industrial processes are simple and a specialist in oil extraction with more than 20years 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 Cocoa roduction, 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 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 150tonnes per day in Lagos and 100tonnes per day in Jos While JOF has a capacity of 120tonnes per day in Akure, 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.

**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 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 June, 2019 to April, 2020 because land clearing is mostly done in the dry season.

**7.0 Estimated Project Costs and Revenue**

**Fixed Cost**

1. **Land Clearing**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **QTY** | **₦** | **K** |
| Land Clearing | 1Hectare | 230,000 | 00 |
| Cross cutting | 1Hectare | 20,000 | 00 |
| Rome ploughing | 1Hectare | 50,000 | 00 |
| **Sub total** | 1Hectare | **300,000** | **00** |
| **Total** | 400 Hectare | **120,000,000** | **00** |

**(B) Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **QTY** | **MODEL** | **USD** | **₦** | **K** |
| Tractor | 1 | YTO-904(90hp) | 24,450 | 8,802,000 | 00 |
| Disc harrow | 1 | IBJ- 3.0 | 3,520 | 1,267,200 | 00 |
| Sub soiler | 1 | IS-200G | 3,250 | 1,170,000 | 00 |
| Soy seeder | 1 | 2BFY-6C | 4,950 | 1,782,000 | 00 |
| Tripper | 1 | 7CX-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 |
| **Sub total** |  |  | **159,390** | **57,380,400** | **00** |

**(C) Vehicle**

**Type Model QTY ₦ K**

|  |  |  |  |
| --- | --- | --- | --- |
| **Pick up 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 400Ha** | **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** |

**REVENUE**

|  |  |
| --- | --- |
| **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**

DEE JONES PETROLEUM AND GAS will provide 400Ha of cleared farmland and lease it to members of the cooperative. DEE JONES will also lease 6,000MT 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.