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DEPARTMENT: ECONOMICS

COURSE CODE: AFE 202

COURSE: FOOD AND HEALTH SECURITY

 Assignment

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

 Answer

FEASIBILITY REPORT/BUSINESS PLAN FOR THE DEVELOPMENT OF SIX HUUNDRED HECTARES COCOA PRODUCTION AND PROCESSING FARM AND PACKAGING OF COCOA BEANS INTO COCOA LIQUOR, COCOA BUTTER, COCOA POWDER, ETC. FOR PATILAD AGRIC BUSINESS LTD FARMS, EJIRO LGA EKITI STATE NIGERIA BY DARIVY CONSULTING.

Executive summary/brief description

This business plan establishes the feasibility of and economic viability of a six hundred hectares’ cocoa production and processing farm in Ijero LGA by DARIVY AGRIC BUSINESS LTD FARMS. The farm will produce about 1.5-2 tons of cocoa per hectares for each production cycle. Cocoa plant is a small, evergreen tree (usually between 13 to 26 feet tall) that grows exclusively in the deep tropical regions of the world. The dried, green beans are cleaned, roasted, weighed and stored and processed as clean raw material, the beans are subjected to a thermal treatment under high pressure at a temperature of 220 degrees so that all bacteria are destroyed. This is followed by bean toasting, during which the moisture is extracted. There is a high domestic demand for this products because it is use to produce most of our beverages. it is one of the fastest selling agricultural product, being that it widely consumed since it is a major raw material for most of our beverages asides other manufactured goods. It is widely recognized as the gold mine of the agricultural industry and is seen as one of the most important agricultural economically agricultural products. cocoa is sold all over the world to satisfy the huge demand that is constantly on the rise.

We also intend to invest massively in the welfare of our employees so that their productivity rate results in a healthy bottom line for the company. We have plans in place to provide excellent customer service to all customers so as to keep having repeat business with them, ensure that we listen closely to their complaints and resolve them in a timely manner. We would also listen to suggestions and tips that would help promote the business to ensure a successful business.

The proposed project provides employment, to sizeable number of people both directly and indirectly and it is an important source of raw materials, as well as source of revenue to governments of cocoa producing states. The projects in terms of foreign exchange earnings, no single agricultural export commodity has earned more than cocoa. It is clear that a large and sustainable market exist for cocoa cultivation and production in Nigeria, and we are fully prepared to maximize this opportunity for our business growth. Also knowing how important the human resources are to any business, we intend to get the best by not only hiring those who would be the best fit for the various roles but also those who we know will be able to project our visions positively internally and externally.

Sponsorship

The project is sponsored by Adeleke Oreoluwa Anu who has 12 yrs. of experience having worked in a cocoa manufacturing company and will bring his vast experience to bear in this business. He is an experienced businessman and entrepreneur. He has B.Sc. in soil science as well as a master’s degree from a prestigious business school, in partner with Mr. Dayo Adetiloye, he has over 15 years’ experience in business management, financial management of business and overall business growth and development. He is an alumnus of Enterprise Development Center (EDC) of the Lagos Business School (LBS), Pan African University (PAU). Poland Agribusiness Ventures Consultancy will be responsible for the management consultancy of the projects.

Management

Considering the importance of building a solid business and how seriously we regard our business structure, we have hired competent and dedicated staff that would occupy the following management positions and would be able to understand how our business works and are willing and committed to ensuring we are able to achieve all our set goals and objectives.

Management team

\* Chief Executive Officer

\* Human Resources and Admin Manager

\* Food Technologist

\* Accountant/Cashier

Supporting Staff:

\* Marketing and Sales Team

\* Purchasing Officer

\* Customer Service Executives

\* Store Manager

\* Delivery Drivers

\* Cleaner

Additionally, in our bid to ensure we run a standard cocoa seed processing & marketing business, we have engaged the services of the finest of business consultant- Poland Agribusiness Ventures Consultancy, to look through our business concept note and determine how best suited for us to run a standard cocoa bean processing & marketing business. And, to also determine how favorably we can compete with other similar businesses around us.

Therefore, in collaboration with our consultants, we took stock of our strengths, weaknesses, opportunities and threats. These have enabled us to understand how we are likely to survive not only in our industry here in Ekiti but also all over Nigeria as well.

Technical Assistance

The company has working relationship with IITA (International Institute of Tropical Agriculture, Ibadan). It helps to get expert advice from the researchers on site on how best to cultivate cocoa, what resources you need and what methods to employ, it also has working relationship with Bank of Agriculture Iyin, Ekiti state. We have a generous level of accessibility to the BOA loan with high level of adequacy in terms of the volume of the loan granted to the farmers. Also the farm has a relationship with Quick soft microfinance bank, and will get technical support from their agricultural credit guarantee scheme with their flexible repayment structure and low interest rate. The farmers would be trained effectively on how best to use the equipment and machinery required in the cocoa production and also how to fight against major cocoa diseases, for example mirids causes severe damage particularly during dry spells and to trees already weakened by swollen shoot and by spraying of insecticides it would prevent damages to the cocoa production.

Other technical assistance includes the provision of equipment such as the cocoa bean roasting machine, cocoa bean peeling machine, cocoa grinding machine, etc. to help the farmers achieve a successful production. Provision of labor intensive manual techniques would also be used in preventing the cocoa trees from pests and diseases and there would be a search for environmentally acceptable bio-control technique being pursued for a matter of urgency.

The technical assistance programme is expected to take two years, after which farmers can expect an estimated 45% increase in per hectare productivity.

Market and Sales

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

Market share: 45% market in South West, South East Nigeria

Users of Products: It is a highly nutritious food for human, medical benefits for people, imported cocoa powder for cakes or desserts, cocoa products are used for beverage production and cosmetics, bye-products are used for organic fertilizers and feed for ruminant animals in the livestock industries in South East.

Competition Analysis

Competitors for Darivy Cocoa Farm includes renown agricultural produce marketer in and around Ekiti state. Darivy Cocoa Farm’s competitive edge includes the use of modern production techniques and equipment which turns out high quality products, excellent customer service, the expertise of its founders, etc.

Competitors Analysis

Our four major competitive advantages are:

* Availability of a large facility space with high visibility and foot traffic.
* Efficient and strong distribution network.
* Core experienced and highly qualified staffs.
* Fair and best possible prices and discount offers.

Tariff and import restriction

Tariff and import restriction on food importation of agricultural products would favor the project under consideration.

Market Potential

Cocoa is sold all over the world to satisfy the huge demand that is constantly on the rise. The contributions of cocoa to the nation’s economic development are vast and have been reported by many authors. In terms of foreign exchange earnings, no single agricultural export commodity has earned more than cocoa. With respect to employment, the cocoa sub-sector still offers quite a sizeable number of people employment, both directly and indirectly. Cocoa is an important source of raw materials, as well as source of revenue to governments of cocoa producing states.

Because of its importance, the federal government’s concerns of diversifying the export base of the nations has placed cocoa in the center stage as the most important export tree crop. However, over the years, it has become evident and ever so glaring that the viability of cocoa cultivation has been underutilized and all but completely neglected. Prior to the oil boom, cocoa was recognized as one of the main stays of the Nigerian economy. Cocoa production in Nigeria witnessed a down trend after 1971 season, when its export declined to 216,000 metric tons in sss1976, and 150,000 metric tons in 1986, therefore reducing the country’s market share to about 6% and to the fifth largest producer to date.

Though cocoa farming might not be at the peak in Nigeria yet any farmer who decides to look closely at the sector will realize the boundless opportunities that lie in cocoa farming. There is a lots of money to be made from cocoa farming and presently the sector seems totally untapped and underutilized.

Profitability

The benefits of our products and services helps us in achieving a successful and profitable business.

* Availability of several varieties of goods and products meeting the need of a wide range of class of people.
* Provision of quality products and friendly service.
* Excellent customer care services.
* Fair and lowest price possible.

Some other factors are the climate condition, biological, chemical, good environment, price fluctuations, cost for land tenure, pest and diseases etc. For example, animals invading the farm would cause an inverse effect on the profit. Different types of solutions would however be employed to reduce the risks and increase profit.

Technical Feasibility Resources and Environment

The products (production and processing farm and extraction of cocoa liquor, cocoa butter and cocoa powder from cocoa beans) are feasible. In extracting cocoa liquor, cocoa butter and cocoa powder from cocoa beans seeds we have bought a lots of equipment such as the cocoa beans grinding machine, cocoa beans peeling machine, cocoa beans roasting machine, etc. We would also have employed experienced staffs that has gone through lots of training, has at least 15 yrs. of working experience and is able to handle the equipment effectively. we have specialists in roasting, grinding, winnowing, pressing, drying and bagging, etc. We also have specialists in food technologist as part of our management team.

On the production and processing of the cocoa beans, we would have a suitable location for equitable distribution of resources, goods and services for efficient production. The raw materials would be sourced for locally and internationally. The cocoa processing must be done by the workers because machine could destroy or cause damage to the tree or the clusters of flowers and pods that grow from the trunk.

Our major competitors in the south west are the RIVERS FARM and JKC. The Rivers Farm produce up to 200,000 tons per day in Osun and 180,000 tons in Ibadan while JKC has the capacity to produce 160,000 per day in Ondo. In order for our farm/company to be popular we must be able to increase the output of cocoa we produce per day and must target a particular market or state to advertise our brand or farm.

Government Support and Regulation

 Cocoa production is a major foreign exchange earner, the source of income of farmers, job creation for farmers to encourage agribusiness and agro-industry and regional development. The government help in providing efficient equipment and resources for the cocoa farmers. The government prevents the farms from experiencing low levels of mechanization, low and declining yields due to inconsistent production patterns, disease and pest attack, etc. They provide income to the low earnings farmers. The project aims at increasing the numbers of jobs, particularly at the rural communities as a result of cocoa production and processing. Employment figures within the industry should increase with increase in productivity as well as lead to increases in incomes. Nigeria becoming the third largest cocoa producer in west Africa has helped benefit from the government intervention fund with other national, international and big investors currently at all levels to improve yields, quantity and quality. The tariff imposed on cocoa is currently at 30% presently in the country. The project would however ensure a stable price, exchange rate, inflation rate and increase in output and employment.

Project Timeline

The project will be completed within 2 years preferably between April 2020 to April 2022 because the land clearing needs to be done before planting cocoa seedlings and the clearing is mostly done during dry season.

Estimated Project Costs and Revenue

ITEM Amount(N) Total Amount (N K)

Total Revenue 1,754,187.16

Less variable costs

Costs of planting materials 143,968.57

Wages 850,072.57

Pesticides costs per annum 11,856.57

Transport expenses 10,674.00

Marketing cost/ICT/packaging 5,705.53

Total variable costs 1,022,277.24

Gross margin 1,748,681.63

Less fixed costs

Rent on land 97,721.43

Depreciation of fixed assets (farm tools) 2,308.91

Taxes and levies 14,468.57

Total fixed costs 114,498.91

Net farm income 1,634,182.72

Capital Requirement for Cocoa Beans

An initial capital involvement of N60,000,000 due to the procurement of the cocoa equipment been purchased and planting of the cocoa trees and processing systems. It will also show the business generating income of N7,500,000 in the first year while the second and third year will yield a net income of 10,650,000 and 16,240,000 respectively. The research variables show that this income will be sustainable over the next three years. DARIVY AGRIC BUSINESS LTD FARM hopes that the business would have expanded by the third year. The enlargement of our business will the subject of the next business plan.

Funding Mechanism

DARIVY AGRIC BUSINESS LTD FARM would secure loan at the rate of 15% through government intervention at the Bank of Agriculture(BOA). Where there is a possible equity investor provide for working capital there would no longer need for a loan.

Conclusion

The project is technically feasible and economically viable. Therefore, it is recommended for funding.