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COURSE NAME: INTRODUCTION TO AGRICULTURAL SCIENCE AND FOOD SECURITY

COURSE TITLE: AFE 202

QUESTION

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

Answer

A FEASIBILTY REPORT/BUSINESS PLAN FOR THE DEVELOPMENT OF A TWO HUNDRED HECTARES MAIZE PLANTATION AND ESTABLISHMENT OF 10 TONNES PER DAY CAPACITY CORN OIL EXTRACTION PLANT AT AFE BABALOLA UNIVERSITY FARM, ADO EKITI, EKITI STATE, NIGERIA BY RHO 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 having the permission of the promoters of the proposed business.

It is acknowledged by the reader that information in this business plan is in all respect confidential in nature, other than information which is in the public through other means and that any disclosure or use of the 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.

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10. **Executive Summary/Project Description**

This business plan examines the feasibility of and indeed economic viability of the development of a 200hectares maize plantation and the establishment of corn oil extraction plant in Ado Ekiti by Afe Babalola. The farm will produce about 1,500tonnes of maize in a production cycle. The corn oil extraction plant will process about 2,100 of maize into edible corn oil, corn sauce, corn starch, corn steep liquor, corn syrup used for confectionaries, cornmeal, semovita etc. there is high domestic demand for these products because of our large population and constraints on the production leading to shortage of the commodity. Production is prevailing in North West with Kaduna, Taraba, Bornu, etc. as the lead producers. Nigeria imports significant quantity of maize and its derivatives to augment domestic shortages.

The proposed project will impact positively on the people, create economic opportunities, and help conserve foreign exchange. The entire maize 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 improve the income of farmers, create market access and contribute significantly to food security. It will also generate satisfactory returns for investors and sponsors.

1. **Sponsorship**

The project is sponsored by Aare Afe Babalola, a great farmer and founder of Afe Babalola University. Aare Afe Babalola is promoting the productivity of small farmers in Ado-Ekiti through the Afe Babalola Farmer’s Cooperative Limited. The University has a Department of Agriculture and experts with many years of experience in the project being proposed. RHO Agribusiness Ventures and Consultancy will be responsible for the management consultancy of the projects.

* **Management**

The management will comprise of an elected Board of Directors of the apex of the organization structure. The primary aim 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 complies with all standards set by regulatory authorities. This will be made up of shareholders, including distinguished agribusiness professionals of proven integrity and vast experience in the project area. The Managing Director shall be responsible for the co-ordination of the day to day management of the business. He is accountable to the Board of Directors; he will manage organization resources to achieve set goals. He will also manage business risks and focus on wealth creation.

* **Technical Assistance**

The University has working relationship with International Institute of Tropical Agriculture, Ibadan (IITA) through an executed Memorandum of Understanding (MOU). The University also has a working relationship with Bank of Agriculture (BOA). Bank of Agriculture has agreed to finance production of the 200hectares of maize through a loan at 9% interest rate (anchor borrower’s scheme) given to the university. The University will fund the processing factory and access finance for the corn oil extraction equipment from Bank of Industry (BOI) at the rate of 9%. Grant will also be sought from United State Africa Development Foundation (USAD).

The University has relationship with commercial banks and will approach one for loan to clear the land. It also has a working relationship with Ekiti State Government, Ekiti State Ministry of Agriculture, Farmers’ Union, Agricultural Cooperatives and individual farmers. The University will get technical support from this relationship in the area of production through contract farming.

The University has working relationships with and linkages to industry players in the project area who will offtake products through a purchase and sale contract agreement. They include Flour Mill Nigeria Limited, Obasanjo Farms Ltd, Amo Farms and so forth. The corn oil will be sold through cooperatives and other distribution channels.

1. **Market Sales**

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

Market Share: 10% niche market in South West, South East Nigeria

Users of Products: edible oil for human; corn oil for biodiesel, oleochemicals; maize is an important ingredient in animal feed, etc.

* **Competition Analysis**

Kaduna is the top state producing maize in Nigeria. As of 2005, production of maize in Kaduna accounts for 15.66% of Nigeria’s production of maize. Kaduna, Taraba, Bornu, Plateau and Niger are the top 5 states in Nigeria producing maize and they together account for 44.71% of it. The production in South West is not up to this. Based on this analysis, competition in terms of production in South West is low compared to the demand for the produce.

* **Tariff and Import Restriction**

Foreign exchange restriction on food exportation and zero duty on agricultural equipment will favour the project under consideration.

* **Market Potential**

There is strong demand for maize and maize derivatives in the Southern part of Nigeria. There is still support for production and trade within Nigeria.

* **Profitability**

Physical, chemical, biological, weather and environmental factors such as diseases, pests, varieties of seed, water, soil conditions, temperature, price fluctuations and other risks could affect yield and profitability. However, technical, scientific, and financial based solutions will be employed to reduce such risks and safeguard profit. Irrigation option will be factored to ensure two cycle of production in a year.

1. **Technical Feasibility**

The projects (production of maize and corn oil extraction) are technically feasible. In terms of technology, the industrial processes for extracting corn oil are simple and a specialist in oil extraction with more than 15years experience is part of our team. The needed equipment for corn oil extraction are readily available and our experts have years of experience in the usage and maintenance of the equipment.

On the maize production, we have specialists in mechanization, weed science, farm management, irrigation, crop production, market development, agricultural extension and accounting as part of our management team. The state of infrastructure around the University and widely in Ekiti State is adequate for the location of the farm and firm for efficient production, processing and marketing. Raw materials will be produced and sourced locally.

The major competitor in the South West is GRAND CEREALS. Grand Cereal has a capacity of 200tonnes per day in Akure. ABUAD farms will target a market niche and penetrate through cooperative societies to make our brand popular. From the analysis we made, production and processing will give us a competitive advantage.

We are implementing our project using sustainable production and due consideration for the environment. Although some degree of deforestation may occur, the Environment Impact Assessment (EIA) report shows little or no damage to the environment as it relates to the issue of climate change.

1. **Government Support and Regulation**

The project conforms to the economic diversification objective of the government. It creates economic opportunities, market access, improved income for farmers and support food security objective of government. It also supports foreign exchange and import reduction conservation of government. The project will benefit from government intervention fund in the agriculture sector. It will also benefit from the favourable policy of zero duty for agricultural equipment import. The project will contribute significantly to output increase, employment, stable price and stable exchange rate.

1. **Project Timeline**

The project will be completed within 6 months, preferably in between November, 2020 to April, 2021.

1. **Estimated Project Cost and Revenue**

**Fixed Cost**

1. **Land Clearing**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **QTY** | **₦** | **K** |
| Land Clearing | 1Hectares | 200,000 | 00 |
| Cross Cutting | 1Hectares | 20,000 | 00 |
| Ploughing | 1Hectares | 30,000 | 00 |
| Sub total | 1Hectares | **250,000** | **00** |
| Total | 200Hectares | **50,000,000** | **00** |

1. **Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **QTY** | **Model** | **USD** | **₦** | **K** |
| Tractor | 1 | YTO-904(90hp) | 24,500 | 9,555,000 | 00 |
| Combine Harvester | 1 | 4YZ-6 | 104,000 | 40,560,000 | 00 |
| Tripper | 1 | 7CX-8T | 9,500 | 3,705,000 | 00 |
| Boom Sprayer | 1 | 3W-1000L-18 | 7,000 | 2,730,000 | 00 |
| Soy Seeder | 1 | 2BFY-6C | 5,000 | 1,950,000 | 00 |
| Disc Harrow | 1 | IBJ-3.0 | 3,550 | 1,384,500 | 00 |
| Sub Soiler | 1 | IS-200G | 3,300 | 1,287,000 | 00 |
| Front Loader | 1 | TZ10D | 6,600 | 2,574,000 | 00 |
| Sub Total |  |  | **163,450** | **63,745,500** | **00** |

1. **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 | **28,200** | **10,998,000 : 00** |

**Operating Cost**

|  |  |  |
| --- | --- | --- |
| **Working Capital** |  |  |
|  | **₦** | **K** |
| Harrowing/Ha | 10,000 | 00 |
| Ploughing/Ha | 10,000 | 00 |
| Sub total | 20,000 | 00 |
| **For 200 Ha** | **4,000,000** | **00** |
| Mechanization and Storage | 110,000 | 00 |
| **For 200Ha** | **22,000,000** | **00** |
| Input/Ha | 92,000 | 00 |
| **For 200Ha** | **18,400,000** | **00** |
| Produce Aggregation | 6,000 | 00 |
| Area yield insurance | 14,000 | 00 |
| Geo Spatial Service | 5,000 | 00 |
| Sub Total | 25,000 | 00 |
| **For 200Ha** | **5,000,000** | **00** |
| Interest per hectare | 22,100 | 00 |
| **For 200Ha** | **4,420,000** | **00** |
| Total cost per hectare | 247,000 | 00 |
| **Total cost for 200Ha** | **49,400,000** | **00** |
| Loan principal and interest (cost per hectare) | 269,100 | 00 |
| **Total for 200Ha** | **53,820,000** | **00** |
| **Irrigation cost for 200Ha (excluding fixed cost)** | **24,100,000** | **00** |

**Amortization**

**₦ K**

|  |  |
| --- | --- |
| Land clearing amortization (per hectare) | 25,000 : 00 |
| **Land clearing amortization (200 hectare)** | **5,000,000 : 00** |

**Revenue**

|  |  |
| --- | --- |
| **Yield per hectare 3tonnes@ ₦150,000 per tonne** |  |
|  | **₦ K** |
| **Revenue per hectare** | **1,125,000 : 00** |
| **For 200Ha** | **225,000,000 : 00** |
| **Net revenue for 200Ha(without amortization)** | **171,180,000 : 00** |
| **Net revenue with amortization (200Ha clearing)** | **166,180,000 : 00** |
| **2nd Production Cycle** |  |
| **Net revenue** | **147,080,000 : 00** |
| **Net revenue with amortization (200Ha land)** |  |
| **Annual Net Revenue(1st and 2nd Cycle)** | **313,260,000 : 00** |

**Currency conversion rate: ₦390 to 1 USD.**

1. **Funding Mechanism**

ABUAD will provide 200Ha of cleared farmland and 6,000MT capacity silo as equity contribution. Investors will provide funds to purchase equipment and vehicles. Where possible, investors will provide funds for working capital or otherwise secure loan at the rate of 9% through government intervention window at the Bank of Industry, Bank of Agriculture and Commercial Banks.

1. **Conclusion**

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

Reference

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