DAVELLA AGRICULTURAL BUSINESS LIMITED

Project:

A BUSINESS PLAN FOR THE DEVELOPMENT OF A TWO HUNDRED HECTARES OF CASSAVA PLANTATION AT AFE BABALOLA UNIVERSITY FARM, ADO EKITI, EKITI STATE, NIGERIA BY DAVELLA AGRICULTURAL BUSINESS LIMITED

A BUSINESS PLAN FOR THE DEVELOPMENT OF A TWO HUNDRED HECTARES OF CASSAVA PLANTATION AT AFE BABALOLA UNIVERSITY FARM, ADO EKITI, EKITI STATE, NIGERIA BY DAVELLA AGRICULTURAL BUSINESS LIMITED 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 the express written permission of the promoters of the proposed business.

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

Signature:

Name:

Date:

CONTENTS OF A FEASIBILITY REPORT

1. Executive Summary/ Brief Description of the Project

2. Sponsorship, Management and Technical Assistance

3. Market and Sales

4. Technical Feasibility, Resources and Environment

5. Government Support and Regulation

6. Timelines of Projects

7. Estimated Project Cost and Revenue

8. Funding Mechanism

9. Conclusion

Executive Summary/ Project description

This business plan examines the feasibility of an indeed economic viability of the development of a 200 hectares cassava plantation in Ado Ekiti by Afe Babalola University and Afe Babalola Farmer’s Cooperative Society Limited. The farm will produce about 2000 tonnes of cassava in a production cycle. There is high domestic demand for these products because of our huge population and production.

The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire cassava 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 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 is sponsored by Aare Afe Babalola, a legal luminary and founder of Afe Babalola University. Aare Afe Babalola is promoting the productivity of smallholder 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. Davella Agricultural Business Limited 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 prime 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

The university has working relationship with the Federal College of Agriculture, Ibadan through an executed MOU. The College has mandate in Cassava production and will provide technical assistance in this regard. The University also has a working relationship with BOA (Bank of Agriculture) and we are collaborating on Aare Afe Babalola Annual Agric Expo where the founder appreciate Ekiti Farmers through monetary award to the best 3 farmers in each local government area of the 16 L.G.A in Ekiti State and the overall best farmer in the state. Bank of Agriculture has agreed to finance production of the 200 hectares of Cassava through a loan at 9% interest rate (anchor borrower’s scheme) given to the cooperative.

The cooperative will also seek grant from United State Africa Development Foundation (USADF). The University 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 University has a working relationship with Ekiti State Government, Ekiti State Ministry of Agric, Farmers’ Union, Agric Cooperatives and individual farmers. The university will get technical support from this relationship in the area of production through contract farming or out grower scheme.

The university has working relationships with and linkages to industry players in the project area who will off take products through a purchase and sale contract agreement. They include Flour Mill of Nigeria Limited, Obasanjo Farms Ltd, Animal Care, Ammo Farms, Farm Support and others.

Market and Sales

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

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

Users of Products: edible for humans and animals, paper, fabrics and building material for industries

Competition analysis

Benue 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 favor the project under consideration.

Market Potential

There is a high demand for cassava all around Nigeria and Africa. Cassava is one of the agricultural products that are largely consumed in Africa.

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. pests infecting and affecting 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 a cycle or two of production in a year.

Technical Feasibility

The projects are technically feasible. Cassava requires less labor than all other staple crops (21% in working days as compared to maize, yam and rice). However, it requires considerable postharvest labor because the roots are highly perishable and must be processed into a storable form soon after harvest.

Government Support and Regulation

The 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. The project will also benefit from the favorable 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 8 months preferably between Marchs to November 2025.

Estimated Project Costs and Revenue

Fixed Cost

(A)Land Clearing

|  |  |  |  |
| --- | --- | --- | --- |
| Activity  | QTY | ₦ | K  |
| Land clearing  | 1 hectare | 115,000 | 00 |
| Rome ploughing  | 1 hectare | 25,000 | 00 |
| Total  | 200 hectare  | 145,000 | 00 |

(B) Equipment

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name  | QTY | Model  | USD | ₦ | K  |
| Tractor  | 1 | John Deere 509EN Tractor | 43,632  |  16,803,232  | 00 |
| Combine harvester  | 1 | 4LZ-5  | 13,500  | 5,199,020  | 00 |
| Total  |  |  | 57,132 | 22,002,252 | 00 |

(C) Vehicle

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Type  | QTY | Model  | ₦ | K  |
| Pick-up Truck  | 3 | Mercedes-Benz Actros 2841 | 20,102,859 | 00 |

(D) Irrigation

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Type | QTY | Model | USD | ₦ : K |
| Hose Reel | 2 | ELEY Standing Hose Reel Model 1042 | 188.99 | 145,564 : 00 |

Operating Cost

|  |  |  |
| --- | --- | --- |
| Working Capital |  |  |
|  |  ₦  | K |
| Ploughing/Ha |  7,500  | 00 |
| Harrowing/Ha  |  5,000  | 00 |
| Sub total  |  12,500 | 00 |
| For 200 Ha |  25,000,000  |  00 |
| Mechanization and storage |  52,500  |  00 |
| For 200Ha |  21,000,000 |  00 |
| Input / Ha  |  45,912 |  00 |
| For 200Ha |  18,365,000 |  00 |
| Area yield insurance |  6,750 |  00 |
| Produce aggregation |  2,750 | 00 |
| Geo Spatial Service |  2,250 |  00 |
| Sub total  |  11,750 |  00 |
| For 200Ha |  4,700,000 |  00  |
| Interest per hectare |  11,039 |  15 |
| For 200Ha |  4,415,850  |  00  |
| Total cost per hectare |  122,662 |  00 |
| Total cost for 200Ha |  49,065,000  | 00 |
| Loan principal and interest (cost per Hectare) |  53,480 | 15 |
| Total for 200Ha |  53,480,850 |  00  |
| Irrigation cost for 200Ha (excluding fixed cost) |  12,009,060 | 00 |

Amortization

 ₦ K

|  |  |
| --- | --- |
| Land clearing amortization (per hectare) |  15,000 : 00  |
| Land clearing amortization (200hectare)  |  6,000,000 : 00 |

REVENUE

|  |  |
| --- | --- |
| Yield per hectare 21/2tonnes@ ₦72,500 per tonne |  |
|  |  ₦ K |
| Revenue per hectare |  217,500 : 00  |
| For 200Ha |  87,000,000 : 00 |
| Net revenue for 200Ha(without amortization) |  33,519,150 : 00 |
| Net revenue with amortization(200ha clearing) |  27,519,150 : 00 |
| 2nd Production Cycle |  |
| Net revenue |  21,510,090 : 00 |
| Net revenue with amortization(200ha land) |  |
| Annual Net Revenue ( 1st + 2nd Cycle)  |  49,025,240 : 00  |

 Conversation rate: 385.11 naira to 1 USD

Funding Mechanism

ABUAD will provide 200Ha of cleared farmland around the university and lease it to members of the cooperative. ABUAD will also lease 5,000MT 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.