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Level: 200level

Course:Food security

A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A FOUR
HUNDRED HECTARES CASSAVA PLANTATION AND ESTABLISHMENT OF 24 TONNES
PER DAY CAPACITY GARRI EXTRACTION AT AFE BABALOLA UNIVERSITY FARM,
ADO EKITI ,EKITI STATE , NIGERIA BY OMIZU AGRIBUSINESS VENTURES
AND CONSULTANCY CONFIDENTIAL AGREEMENT

Executive summary/project Description

This business plan examines the feasibility of and indeed economic viability of the development of a 400hectares cassava plantation and the establishment of a garri extraction plant in Ado Ekiti by Afe Babalola University and Afe Babalola Farmer's Cooperative Society Limited. The total capacity is 24 tons per day and 7 200 tons per year of high-grade cassava starch with a moisture content of 10-12 percent.

Our mechanized cassava /garri takes away the drudgery faced by local producers in the village,

hence providing quality garri that has low moisture content, low sand content and acceptable level of cyanide content approved by NAFDAC and other regulatory bodies in the country. Cassava/garri is a sort after food staple in the country consumed by majority populace of the country, people consume garri by making it with hot water eating it as Eba or pouring cold water in it and adding condiments. Cassava /staple is a common food consumed by all classes in the society irrespective of their socioeconomic class and culture. Our branded garri will bring customers to our point of sale because of quality in our production and packaging.

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. Omizu Agribusiness Ventures & Consultancy will be responsible for the management consultancy of the projects.

Management

Chief Operating Officer

Administrator / Accountant

Laundry Starch and Animal Feeds Production Plant Manager

Sales and Marketing Executive

Field Employees

Front Desk Officer

Chief Operating Officer:

Increases management's effectiveness by recruiting, selecting, orienting, training, coaching, counseling, and disciplining managers; communicating values, strategies, and objectives; assigning accountabilities; planning, monitoring, and appraising job results; developing incentives; developing a climate for offering information and opinions; providing educational opportunities.

Creates and implements the organization's vision, mission, and overall direction – i.e. leading the development and implementation of the overall organization's strategy.

Responsible for fixing prices and signing business deals

Administrator/Accountant

Responsible for overseeing the smooth running of HR and administrative tasks for the organization

Defining job positions for recruitment and managing interviewing process

Carries out staff induction for new team members

Responsible for training, evaluation and assessment of employees

Responsible for preparing financial reports, budgets, and financial statements for the organization

Laundry Starch and Animal Feed Production Manager/Supervisor

Responsible for managing the laundry starch and animal feed production plant

Supervises other workers within the department

Works closely with the CEO to achieve the organizations' goals and objectives

Sales and Marketing Officer

Recognizes and reaches out to new partners, and business opportunities et al

Identifies development opportunities; follows up on development leads and contacts; participates in

the structuring and financing of projects; assures the completion of relevant projects.

Writes winning proposal documents, negotiate fees and rates in line with company policy

Responsible for handling business research, market surveys and feasibility studies for clients

Field Workers/Contract Staff

Responsible for preparing the cassava that are to be processed

Responsible for operating the cassava processing machine

Backs up in loading and unloading raw materials and finished goods

Client Service Executive/Front Desk Officer

Welcomes guests and clients to the farm by greeting them in person or on the telephone; answering or directing inquiries.

Ensures that all contacts with clients (e-mail, walk-In center, SMS or phone) provides the client with a personalized customer service experience of the highest level

Through interaction with clients on the phone, uses every opportunity to build client's interest in the company's products and services

Technical assistance

The university will fund the processing factory and access finance for the cassava processing equipment from BOI (Bank of Industry) at the rate of 9% . 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 outgrower scheme.

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 of Nigeria Limited, Obasanjo Farms Ltd, Animal Care, Amo Farms, Farm Support and others.

Market and Sale

- sources of income

Omizu cassava processing co. is in the cassava processing line of business for the purpose of maximizing profits hence we have decided to explore all the available opportunities within the industry to achieve our corporate goals and objectives.

Below are the sources we intend exploring to generate income for Omizu Cassava Processing Co.

Production and sale of cassava flakes and tapioca

Production and sale of laundry starch and animal feeds.

Production and sale of animal feeds

Production and sale of biofuel

Competition analysis

About 87% of the interviewed consumers indicated that most of the fresh cassava roots consumed at household level are obtained from open market retailers in urban areas. These urban retailers are mostly women who sell small quantities of cassava roots, mostly by heaps. Each heap consists of 3

to 5 roots, weights 1.5 to 2.2 kg and, at the time of the survey, was sold at about UGX 2,000 to 3,000, respectively (therefore about 1,350 UGX/Kg).

Sources of fresh cassava that is supplied to Kampala include Masindi, Kiryandongo, Kigumba, Bweyale, Karuma, Lira, Apac, Luweero, Mityana, Masaka, Hoima, Kibaale, Mubende, Kyegegwa, Kyenjojo, Jinja, Kayunga, Mukono among others. About 60% of cassava sold in Kampala originates from western Uganda, 20% from central, 15% from northern and 5% from eastern regions.

Tariff and Import Restriction

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

Market potentials

There are numerous industrial uses of the crop such as cassava chips, flour, starch, and cassava leaves which all have high export demand. The Nigeria's comparative advantage in production of cassava are favourable factors. Cassava can be substituted as feed ingredient for corn and other grains without any negative effect on poultry and piggery.

The 20% cassava flour success in bread and bakery sectors of Nigeria under the ATA- Agricultural Transformation Agenda of the Federal Government of Nigeria has created a new wave. Despite the fact that many Nigerian women process cassava for a living, the new window of opportunities for export of cassava products have heightened cassava potentials in the national economy.

The Agricultural Development programme (ADPs) is probably one of the boldest attempt by the Federal Government of Nigeria to pursue an integrated rural development on relatively long term basis (Eboh et al., 1995). The system is based on the premise that only combined efforts applied

almost simultaneously can reduce the problems of low farmers' productivity, income and provide over 90 percent of gross Domestic food supplies (Akubiulo, 2008).

Cassava is one major root crops in Nigeria and with the presidential initiative on cassava in 2002 (Ezechinma,2006) and the Agricultural Transformation Agenda of the government in 2012, there has been an increased awareness and demand for the crop. In 2005, Nigeria was the largest producer of cassava in the world with 38 million metric tons. This represents an increase of 100% from the 1990 production of 19 million metric tons (FAO, 2006). Cassava's ability to produce food under marginal conditions has made it a popular crop of Africa's poor resource farmers who are unable to invest in fertilizer or pesticides.

Profitability

The business was found to be profitable with total revenue of 174,231.81k, average profit of 54,069.57k and gross margin of 62,449.11k per hectare. The analysis result revealed that net return of the farmers is affected positively by the use of fertilizer, price per cassava truck and the total revenue. 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.

Technical Feasibility

The projects (production of cassava and garri processing) are technically feasible. In terms of technology, which involve the crushing of cassava tubers and garri processing , the industrial processes are simple and a specialist in processing garri with more than 15years experience is part of our team. The needed equipment for garri processing are readily available and our experts have

hand on experience in the usage and maintenance of the equipment.

On the cassava production, we have specialists in mechanization, irrigation, farm management, crop production, weed science, market development, agricextension 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 or efficient production, processing and marketing. Raw materials will be produced and sourced locally.

We are implementing our project using best international practices, sustainable production and due consideration for the environment. Organic fertilizer will be substituted for chemical fertilizer within three years of farm operations.

Government Support and Regulation

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. It also supports foreign exchange and import reduction conservation of government. Provision of Credit facilities to a farmer: This is done by granting of loans through agricultural banks. However, the loans granted to farmers are repayable.

Project Timeline

The project will last be completed within six months preferably between September 2019 to April 2020

Because land clearing is mostly done in dry seasons.

Estimated project cost and revenue

Fixed and Variable Costs

Fixed Cost	N	N
1ton/hr stainless steel Grater	480,000	
Pressers (more than 10bags at a time)	150,000	
Stainless steel fryers	260,000	
Generator	150,000	
Borehole	500,000	
Two 2,500L tanks	80,000	
Scaffolding	40,000	
Farm house construction	150,000	
Total Fixed Cost	1,810,000	
		1,810,000
Variable Costs		
Cassava Cuttings for 2 hectares	50,000	
5 bags of fertilizer	33,000	

Agro-chemicals	19,500	
Fuel	32,625	
Salary (Manager / annum)	360,000	
Salary (2 processors/annum)	480,000	
Salary (2 Permanent labourers/ annum)	400,000	
Total Variable Cost	1,375,125	
		1,375,125
TOTAL COSTS		3,185,125

Inputs	Type	Qty needed/ha.	Qty needed/ 2ha	Unit cost N	Total cost N
Fertilizer	NPK 15:15:15	150kg	300kg	5,500	33,000
Soil improvement chemical	Super gro	2.5L	5L	15,000	15,000
Insecticide	DD force	1.5L	3L	45,000	4,500

Cassava cuttings	TMS 419	25 bunches	50 bunches	1,000 / bunch	50,000
Fuel	PMS	3L / day	225L / 75days	32,625	32,625
TOTAL					135,125

Labour input (per annum)

Labour Required	Quantity	Cost / person / annum N	Total N
Farm manager	1	360,000	360,000
Permanent farm assistants	2	200,000	400,000
Processors	2	240,000	480,000
TOTAL			1,240,000

Productive Asset Requirements

ITEMS	Quantity	Unit Cost N	Total N
1ton/hr stainless steel Grater	1	480,000	480,000
Pressers	1	150,000	150,000
Generator	1	150,000	150,000

Stainless steel fryers	1	260,000	260,000
Borehole	1	500,000	500,000
Tanks	2	40,000	80,000
Scaffolding	1	40,000	40,000
Farm house	1	150,000	150,000
TOTAL			1,810,000

Summary of Cost Estimate

Description of Activity	Cost Estimates N	Remark
Labour requirement	1,240,000	§ Farm manager § Farm assistants § Processors
Input support	135,125	§ Fertilizer § Insecticides § Super gro § TMS 419 § Fuel
Productive assets	1,810,000	· 1ton/hr

		stainless steel Grater · Pressers · Generator · Fryers · Borehole · Tanks · Scaffolding · Farm house
TOTAL	3,185,125	

Funding Mechanism

ABUAD will provide 400Ha of cleared farmland around the university and lease it to members of the cooperative.

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

This study analyzed the gross margin and the returns on investment for small-scale cassava growers linked with

the Nestlé-IITA cassava starch value chain project, and consequently compared the outcomes with

the potential

performance being predicted for the registered farmers. The results show that there is a yawning gap in

profitability and returns on investment between the actual and potential for the cassava enterprises.

Ultimately,

this gap needs to be closed as a key step towards realization of the full benefits of self-sufficiency and economic

sustainability through investment in the value chain. While price instability remains an unresolved issue due to

the uniqueness of the cassava crop, inability of farmers to achieve optimal yields is the major contributor to poor

performance of the cassava industry. Aside from being very susceptible, the enterprise is also becoming capital

intensive, with continuously-increasing cost of production necessitated by the general inflationary trend in the

economy. The farmers should be guided through the adoption and use of the recommended package of practices

to promote yield and increase return on investment. Arguably, the application of the package would lead to a

slight increase in the production cost, but the marginal gain more than compensates for the additional

investment.

