

NAME: Shutti Aishat Olansile

MATRIC NO: 18/MHS02/178

COLLEGE: Medicine and Health Sciences

DEPARTMENT: Nursing

COURSE CODE: AFE 202

A BUSINESS PLAN FOR THE DEVELOPMENT OF FOUR HUNDRED HECTARES OF
OIL PALM PLANTATION AND ESTABLISHMENT OF 20 TONNES PER DAY CAPACITY
OF PALM OIL EXTRACTION PLANT AT TUNS FARM, EKITI STATE BY APRITAB
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 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:

EXECUTIVE SUMMARY/ PROJECT DESCRIPTION

This business plan examines the feasibility of and indeed economic viability of a 400 hectares oil palm plantation and the establishment of a palm oil extraction plant in Ekiti state by Tuns farm and Fiwasaye Cooperative Society Limited. The farm will produce about 1,200 tonnes of oil palm in a production cycle. The palm oil extraction plant will process about 4,200 tonnes of oil palm into edible palm oil, palm sludge for traditional soaps and fertilizers and palm cake in the feed industry. There is high domestic demand for these products because of our huge population and production constraints leading to shortage of the commodity. Production is currently popular in the South East and South Zones with Akwa Ibom and Abia as the lead producers. Nigeria imports significant quantity of oil palm and its derivatives to augment domestic shortages.

The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire oil palm 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 Fiwasaye Farmer's Cooperative Limited. The University has a Department of Agriculture and experts with many years of experience in the project being proposed. Apritab

Agribusiness ventures and consultancy will be responsible for the management of consultancy of the project.

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 IITA (International Institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has mandate in oil palm production and processing 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 3farmers 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 400hectares of oil palm through a loan at 9% interest rate (anchor borrower's scheme) given to the cooperative

The university will fund the processing factory and access finance for the palm oil extraction 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 out grower 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. The palm oil will be sold through cooperatives and other distribution channels. The palm sludge and cake will be sold to players in the feed industry.

MARKET AND SALES

Market orientation: domestic; South West & North Central, Nigeria

Market Share: 5% niche market in South West & North Central, Nigeria

Users of Products: edible oil for human, palm cake for the livestock industry, palm sludge for feed industry in North Central, Nigeria.

COMPETITION ANALYSIS

Akwa Ibom State alone produced 44% of national output between 1999 and 2017. Abia State followed with 27% of national output within the period. Rivers, Edo, Imo, Ondo, Bayelsa, Cross River and Delta produced 6% and below in the period. The seven states mentioned above produced 94% of national output within the period. The only place where significant production took place in South West, Nigeria was in 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 oil palm and oil palm derivatives in the South West 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 cycles of production in a year.

TECHNICAL FEASIBILITY

The projects (production of oil palm and palm oil extraction) are technically feasible. In terms of technology, which involve the crushing of the oil palm 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 oil palm production, 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 Farm 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 Zionbim Farminex Nig Ltd and The Ahamefulas: Palm permutations. 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 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 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 April, 2020 to September, 2020 because land clearing is mostly done in the dry season.

Estimated Project Costs and Revenue

Fixed Cost

(A) 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 |
| seeder | 1 | 2BFY-6C | 5,550 | 1,998,000 | 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 | | | 163,240 | 58,766,400 | 00 |

(C) VEHICLES

| Type | Model | QTY | ₦ | K |
|----------------------|--------------|------------|-------------------|-------------|
| Pick-up Truck | HILUX | 2 | 30,000,000 | : 00 |

(D) 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

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