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**MATRIC NO: 18/LAW01/094**

**COURSE CODE: AFE 202**

**COURSE TITLE: FOOD PRODUCTON AND HEALTH AWARENESS**

**LECTURER(S): MR. SALAMI ABDULRASHEED, MR. OLUWASUSI JOHN TOYIN**

**QUESTION**

**Prepare a business plan on a chosen agricultural enterprise following the guideline in the note. spiral bind and submit upon resumption. Minimum of five pages, times new roman size 12 with double spacing.**

**A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A TWO HUNDRED HECTARES SUGARCANE PLANTATION AND ESTABLISHMENT OF 30 TONNES PER DAY CAPACITY SUGAR EXTRACTION PLANT AT SWEET TOOTH FARMS, ABUJA, FCT, NIGERIA AND FEMI’S FARM ENTERPRISE 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 the development of a 200 hectares sugarcane plantation and extraction in Abuja by SWEET TOOTH FARM, ABUJA, FCT, NIGERIA AND FEMI’S FARM ENTERPRISE AGREEMENT**.** The farm will produce about 2,200tonnes of sugarcanes in a production cycle. The sugar extraction plant will process about 4000tonnes of sugarcane into edible sugar. There is a high demand for these domestic product due to our huge population and production constraints leading to shortage of the commodity. Production is currently popular in East, West and South West.

The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The sugarcane to be processed will be sourced locally through direct production, contract farming in Abuja 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 Obinna Tuth, founder and owner of Sweet Tooth Farms, a reputable sugarcane production and sugar extraction farm and enterprise which is involved in the distribution and availability of affordable sugar and its various derivatives. Mosunmola Umoru, Joseph Ukpong and other investors are promoting the productivity of smallholder farmers in Abuja through the SWEET TOOTH sugar industry. FEMI’S FARM ENTREPRISE will be responsible for the management 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**

SWEET TOOTH sugar has working relationship with Doux Company Limited through an executed MOU. Doux has mandate in sugar production and processing and will provide technical assistance in this regard. Sweet Tooth also has a working relationship with BOA (Bank of Agriculture). Bank of Agriculture has agreed to finance production of the 200hectares of sugarcane through a loan at 6% interest rate (anchor borrower’s scheme) given to the cooperative.

The company will fund the processing factory and access finance for the sugar extraction equipment from BOI (Bank of Industry) at the rate of 5%. The cooperative will also seek grant from United State Africa Development Foundation (USADF). The company has a relationship with commercial banks and will approach one for loan to clear the land which will be leased to members of the cooperative.

The company has a working relationship with the Farmers Association of Nigeria, Abuja, Agricultural Cooperatives and individual farmers. The company will get technical support from this relationship in the area of production through contract farming or out grower scheme.

The company 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, Farm Support and others. The sugar will be sold through cooperatives and other distribution channels.

**Market and Sales**

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

Market Share: 6% niche market in West, South West, and Nigeria

Users of Products: edible sugar for human consumption and other derivatives

**Competition analysis**

Ondo State alone produced 44% of national output between 1989 and 2016. Oyo State followed with 27% of national output within the period. Kogi, Ogun, Lagos, Abeokuta and Ekiti 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 North, Nigeria was in Kano State and Katsina State.

**Market Potential**

There is strong demand for sugar and its derivatives in the Western part 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 cycle of production in a year.

**Technical Feasibility**

The projects (production of sugarcane and sugar extraction) are technically feasible. In terms of technology, which involve the crushing of sugarcane and extraction of sugar, the industrial processes are simple and a specialist in extraction with more than 20 years of experience is part of our team. The needed equipment for sugar derivation are readily available and our experts have hands on experience in the usage and maintenance of the equipment.

On the sugarcane production, we have specialists in mechanization, irrigation, farm management, crop production, weed science, market development, 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 generally in Abuja 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.

FEMI’S FARM ENTERPRISE 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 the periods of October, 2019 to March, 2020 because land clearing is mostly done in the dry season.

**Estimated Project Costs and Revenue**

**Fixed Cost**

1. **Land Clearing**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **QTY** | **₦** | **K** |
| **Land Clearing** | **1Hectare** | **200,000** | **00** |
| **Cross cutting** | **1Hectare** | **20,000** | **00** |
| **Rome ploughing** | **1Hectare** | **20,000** | **00** |
| **Sub total** | **1Hectare** | **240,000** | **00** |
| **Total** | **200 Hectare** | **480,000,000** | **00** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **QTY** | **MODEL** | **USD** | **₦** | **K** |
| **Tractor** | **1** | **YTO-904(90hp)** | **20,450**  | **7,362,000**  | **00** |
| **Disc harrow**  | **1** | **IBJ- 3.0**  | **3,020**  | **1,087,200**  | **00** |
| **Sub soiler**  | **1** | **IS-200G**  | **3,050**  | **1,098,000**  | **00** |
| **Sugarcane seeder**  | **1** | **2BFY-6C**  | **4,000**  | **1,440,000**  | **00** |
| **Tripper** | **1** | **7CX-8T**  | **9,400**  | **3,384,000**  | **00** |
|  **Combine Harvester**  | **1** | **4YZ-6**  | **102,500**  | **36,900,000**  | **00** |
| **Boom sprayer** | **1** | **3W-1000L-18**  | **6,000**  | **2,160,000**  | **00** |
| **Front loader**  | **1** | **TZ10D** | **6,500**  | **2,340,000**  | **00** |
| **Sub total**  |  |  | **154,920**  | **55,771,200**  | **00** |

**(B) Equipment**

**(C) Vehicle**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Type** | **Model** | **Qty** | **N** | **K** |
| **Pickup Truck** | **HILUX** | **2** | **25,000,000** | **00** |

1. **Irrigation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Type**  | **QTY** | **Model** | **USD** | **N** | **K** |
| **Hose Reel** | **1** | **140-400MT** | **25,185** | **9,066,600** | **00** |

**Operating Cost**

|  |  |  |
| --- | --- | --- |
| **Working Capital** |  |  |
|  |  **₦**  | **K** |
| **Ploughing/Ha** |  **20,000**  | **00** |
| **Harrowing/Ha**  |  **15,000**  | **00** |
| **Sub total**  |  **35,000** | **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)** |  **40,000 : 00**  |
| **Land clearing amortization (400hectare)**  |  **12,500,000 : 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**

SWEETH TOOTH will provide 200hec of cleared farmland around FEMI’S FARM and lease it to members of the cooperative. SWEETH TOOTH will also lease 3,000MT 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.