

NAME: AFABOR AARON

DEPT: PETROLEUM ENGINEERING

MATRIC NO: 18/ENG07/001

COURSE: AFE 202

BUSINESS PLAN FOR A

POULTRY

FARM INVESTMENT

Project: Production of Broiler chicken

Location: Agbarho road opposite Eco bank

BUSINESS OVVNERSHIP

Type of Ownership:- Sole Proprietorship.

Date of Completion:- 25th march

2000, Place of Birth:- Delta state

EDUCATIONAL BACKGROUND

Tertiary Education: Afe babalola university ado Ekiti

Secondary Education: Technical high school delta state

OUR GOAL

To connect various agro based industry in the country by opening up online marketing and consultancy services to enable ease of consumer's reach whilst involving in practical agriculture through field cultivation.

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MISSION STATEMENT

To be a world class online agricultural marketing and consulting firm known among agro based producers in Nigeria and around the world whilst sustaining the health of the Nation through production of high quality agricultural products.

VISION STATEMENT

Be the pioneering enterprise in online agro market research whilst sustaining our position as the highest producer and distributor of agricultural products to meet global need and especially in Nigeria

1.0 INTRODUCTION

With the increasing demand for poultry products such as turkey and other related birds in the market, many

suppliers of the product for some years now have been experiencing pressure on the need for them to beef up resources and Increase production.

For some years before the discovery of oil, the agricultural industry was the main stay of Nigeria's economy. The oil boom led to the general substitution of exportation of agric products in Nigeria for importation due to the inability of our farmers to meet the demand in the local market. To a large extent, such practices have affected our Gross domestic Product considering the negative effect of importation on our economy and to a large extent there was an increase in unemployment because 85% of Nigerians were thought to be involved in agriculture initially.

Global demand for poultry product is in the excess of 39million tones. It was estimated that by year 2000, poultry was the most widely consumed meat in the world. Of the approximately 170M tons of meat currently produced annually around the world, is pork, 29% beef and 22% poultry (FAO, 2001). As a result of this, commercial poultry production in Nigeria needs to be broadened. Aside ensuring that Nigeria would stop being a dumping ground for all categories of such products that may be harmful to people's health, expanding the poultry business would create job for our teaming youths and in the long run have a positive effect on our Nation's gross domestic product whilst increasing our national reserves as a result of the generation of foreign exchange.

Presently, there is need for the government to invest heavily in agriculture in order to encourage more participation through the introduction of subsidies and credits. Provision of research laboratories including introduction of technology to ensure increased production and improved yield, is necessary.

Aside the beauty of the poultry industry experienced if the business is running fine on a good note without any challenges, the industry in recent time have also being faced with so many unanticipated challenges like the outbreak of the avian influenza viruses that made many poultry farmers record great losses. Market challenges can be very' tasking too. Before the birds are matured, a market survey ought to have been done but due to inadequacy of labour and funds many farmers hardly

undergo such measure and this may lead to loss of funds through unprofitable sales processes. The management of the poultry is also a big change because without a manager with the knowledge of the enterprise, there may be total shut down of the business. Theft is also a big problem and also attack by other predators on the farm. Though, with good management practices and commitment, many of these problems can be curtailed.

11. AFABORS FARMS INTEREST IN THE PROJECT

This proposal aims at establishing a poultry farm at Ughelli North Local Government area of Agbarho, Delta State. Precisely, the farm is located within Ekwere village inside Okopoko. Our farm is a 5 acre land area in

which about 2 acre out of it has been designated for the purpose of raising the poultry birds.

We have proposed to start with 500 day old broilers which will be ran three times within a year for three years after which the establishment can be expanded further across the acreage. After the first three years of practice, we hope to increase the number of birds to about three thousand per year depending on the feasibility of the present research.

Presently, we are focusing on the production of 1,500 broiler chicken within a year in three cycles. The various investment finances needed for this project has been explained further in the subsequent pages bothering on the cost implication of the project, the estimated accrued revenue and profit after which the project feasibility is

determined through calculation of the Net Present Value of the project, the benefit/cost ratio of the project and the internal rate of return of the project.

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1.2 EXECUTIVE SUMMARY

The objective of this study is to continuously produced market sized broiler chickens of 1,500 within a year without much loss whilst reducing costs yearly and maintaining stable revenue for subsequent years within the constraints of our budget.

The approach to be embraced is a stringent method of record keeping and management staff discipline through responsive adherence to our objective. The cost incurred aside the already existing farm land and office space that

serves as a direct sales outlet is about one million five hundred and forty thousand in the first year with an accrued revenue of three hundred and eighty three thousand, Profit of about one million eight hundred and forty three thousand in the first year. Subsequent year also recorded an improved revenue and cost.

The discounted factor is the present bank lending rate in Nigeria as approved by the CBN in January 2016. Since the Net Present Value of this project is positive, according to the condition put in place for every Agricultural project, this poultry project is therefore worth embarking on. The benefit cost ratio on the other hand must be greater than one for such an agricultural project to be worth embarking on. The Benefit/cost ratio

= Discounted Revenue/Discounted Cost B/C RATIO-

$7,124,598/2953,745.7 = 2.41$.

The project is expected to span through three years after which further expansion is embarked upon. Most risk involvement in the project could be theft in the farm and nonchalant attitude towards embracing proper management practices.

2.0 PRODUCTION PROCESS AND ASSESSMENT

Production is structured in an all-in-all out method.

Three cycles of production will be embarked in a year, each cycle taking 15weeks (12weeks of production and 3weeks downtime period each).

Production is to be started on a small scale with 500 day old chicks (DOC) which will be run in three cycles within a year. Within the first 2years of small broiler production, the farm will be expanded to medium scale production. In after 3years, production IS structured to be in large scale.

2.1 MARKET AND MARKETING ASSESSMENT

Target markets are eateries such as Mr Biggs & Tantalizer, Hotels and open market. Market approach would be done by informing stakeholders of the target markets on regular basis as well as distribution of fliers and posters. Direct sales could also be achieved through refrigeration and sales through scaling in our of Office osubi opposite A&A filling station. Our online market

platform would also be an advantage to projecting and boosting our sales.

2.2 FINANCIAL ASSESSMENT

2.21 PROJECT COST & FINANCING

1st year Feasibility Study

Cost of Fixed Assets

Land: 5acre of farm Land and survey registration N550,000.00 (achieved)

Building Structure (Poultry House)N300, 000.00

Total cost of fixed assets N250, 000

Cost of Farm Implements N150,000

Feeders, 20pieces @ N 250/feederN5,000.00

Drinkers 20pieces @ N300/drinkerN6,000.00

Heater5 @ N5000 eachN25,000.00

Thermometers 2pieces@ N2 ,500 eachN5,000.00

Buckets 4pieces@N750/bucket N3,000.00

Total = N1,294,000

WORKING CAPITAL

Cost of birds

Cost of Birds(DOC)/cycle: 500 birds@ N120/birdsx3 cycle

N180,000.00 4.

Cost of feeds/cycle

Starter Feeds 30bags@ N2,000/bag N60,000.00

x3

Finishers Feeds 30bags@ # N45,000.00

1500/bag x3

Total N105,000.00

Cost of wood shaving

N 500/bag @ 5	N 7,500.00
bagsx3cycle	
Cost of utilities	
Power/Electricity one 6.5kva	N65,000.00
Generator @	
Water for Farm Activities by	N20,000.00
Local well digging	
1.5 horse power submersible	N35,000.00
pump	
2 Surface Tank @25.000	N 50,000.00
each	
Laying of pipes and taps	N 20,000.00
Plumbing works charges	N 10,000.00
Cost of 2 field abour@15,000	N 360,000.00
each per year	

Total	N565,000.00
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Selling and distribution
expenses

Cost of Fliers 1,000 fliers @ N10/	N10,000.00
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flier

200 posters @ #100/poster	N20,000.00
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Miscellaneous and phone calls	N 50,000/annum
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Total	N80,000.00
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Administrative expenses

Papers for record keeping	N 1,200.00
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Iroll@	(achieved)
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Small size printer	N8,000.00
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(achieved)

Repair and maintenance	N50,000.QO/year_
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	Total	N59,200.00
Medication and vaccination		
Antibiotics x3cycles		N6,000.00
Vaccines(Newscastle and Infection bursal disease) x3cycles		
		N9,000.00
Dewormer		N3,600.00
Disinfectants		<u>N3 600.00</u>
	Total	<u>N22 200.00</u>
GRAND TOTAL COST		
Cost of fixed Assets		N1,250,000.00
Cost of farm implements	N 27,000.00	
Cost of working capital	N852,000.00	

Selling and	N80,000.00
Distribution cost	
Medication and	N22,200.00
Vaccination	
Administrative Expenses	N59,200.00
Medication and Vaccination	N22,200.00
Grand Total	N2,290,000.00

An office sales outlet already exists for direct sales marketing. And if the already acquired cost of farm land is deducted from the total cost, we would have incurred NI, f

SALES REALIZATION AND PROFIT

Assume 10% mortality rate of birds at each cycle. 10% of 500birds/cycle= 150 birds.

No of live birds for sale= 1,350 birds sales of

1,350birds@ N2,500/birds - N3,375,000./annum

Sales of 60 used feed sack@ #50 each

N3,000 Sales of poultry waste as manure

N5,000

Gross Total N3,383,000.00

Profit — Total revenue- total cost

$3,383,000 - 1,540,400 = \text{N}1,843,000.00$

2.22 SECOND YEAR PROJECT COST FINANCING

2 nd year Feasibility Study

Cost of Fixed Assets

There will be no cost

implication this year Cost of

Farm Implements

There will be no cost implication this year

WORKING CAPITAL

Cost of birds

Cost of birds(DOC)/cycle: 500 birds@ N 120/birdsx3 cycle

N180,000.00

Cost of feeds/cycle

Starter Feeds 30bags@ N60,000.00

N2,000/bag x3

Finishers Feeds 30bags@ # N45,000.00

1500/bag x3

Total N105,000.00

Cost of wood shaving

N 500/bag @ 5bagsx3 cycle N 7,500.00

Cost of utilities

Cost of 2 field abour@20,000 each N360,000.00

per year

Selling and distribution

expenses

Cost of Fliers 1,000 fliers @ N10/ flier N10,000.00

200 posters @ #100/poster N20,000.00

Miscellaneous and phone calls N
50,000/annum

Total N80,000.00

Administrative expenses

Papers for record keeping 1 roll @ N 1,200.00 (achieved)

Repair and maintenance N50,000.00/year_

Total N59,200.00

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Medication and vaccination

Antibiotics x3cycle N6,000.00

Vaccines(Newcastle and Infection bursal disease)

x3cycles

N9,000.00

Dewormer

N3,600.00

Disinfectants

N3.600.00

Total

N22.200.00

GRAND TOTAL COST

Cost of fixed Assets

Cost of farm implements

Cost of working capital N847,000.00

Selling and Distribution cost N80,000.00

Medication and Vaccination N22,200.00

Administrative Expenses N59,200.00

Medication and Vaccination N22,200.00

Grand Total N805,900.00

SALES REALIZATION AND PROFIT

Assume 10% mortality rate of birds at each cycle. 10%
of 500birds/cycle= 150 birds.

No of live birds for sale— 1,350 birds

Sales of ,350birds@ N2,500/birds = N3,375,000./annum

Sales of 60 used feed sack@ #50 each

N3,000 Sales of poultry waste as

manure N5,000

Gross Total N3,383,000.00

Profit = Total revenue. total cost

3,383,000 - 805,900 - N2,577,

2.23 THIRD YEAR PROJECT COST FINANCING

3 rd year Feasibiliö' Study

Cost of Fixed Assets

There will be no cost implication this year

Cost of Farm Implements Replacements

Feeders 20pieces @ N 200/ feeder N4,000.00

Drinkers 20pieces @ N200/drinker N4,000.00

Heater10heaters @ N 1500 each N15,000.00

Thermometers 2pieces@ NI ,000 eachN2,000.00

Buckets 4pieces@N500/bucket N2,000.00

Total 000.00

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Cost of birds

Cost of birds(DOC)/cycle: 500 birds@ N 120/birdsx3 cycle

N180,000.00

Cost of feeds/cycle

Starter Feeds 30bags@	N60,000.00
N2,000/bag x3	
Finishers Feeds 30bags@	N45,000.00
#1500/bag x3	
Total	N105,000.00

Cost of wood shaving

N 500/bag @ 5bagsx3 cycle	N 7,500.00
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Cost of utilities

Cost of 2 field labour@20,000 each per N360,000.00
year

Selling and distribution expenses

Cost of Fliers 1,000fliers@N10/flier	N10,000.00
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200 posters @ #100/poster	N20,000.00
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Miscellaneous and phone calls	N50,000/annum
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Total	N80,000.00
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Administrative expenses

Papers for record keeping Iroll@ N1,200.00

Repair and maintenance N50,000.00/year_

Total N59,200.00

Medication and vaccination

Antibiotics x3cycles N6,000.00

Vaccines(Newcastle and Infection bursal disease)

x3cycles N9,000.00

Dewormer N3,600.00

Disinfectants N3.600.00

Total N22,200.00

GRAND TOTAL COST

Cost of fixed Assets

Cost of farm implements N27,000.00

Cost of working capital N652,500.00

Selling and Distribution cost	N80,000.00
Medication and Vaccination	N22,200.00
Administrative Expenses	N59,200.00
Grand Total	N840,900.00

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SALES REALIZATION AND PROFIT

Assume 10% mortality rate of birds at each cycle. 10% of 500birds/cycle— 150 birds.

No of live birds for sale— 1,350 birds

Sales of 1,350birds@ N2,500/birds = N 3,375,000 ./annum

Sales of 60 used feed sack@ #50 each N3,000

Sales of poultry waste as manure N5,000

Gross Total N3,383,000.00

Profit = Total revenue- total cost

$$3,383,000 - 840,900 = \text{N}2,542,100$$

3.0 EVALUATION OF THE PROJECT

Expected costs and returns for a 1,500 Poultry' birds in a year

3.1 TABLE-I

Year	Cost(N)	Revenue(N)	Profit(N)
1			
		3,383,000.00	1,843,000.00
2	805,900.00	3,383,000.00	2,577, 100.00
3	840,900.00	2,522, 100.00	

Estimated Discount cash flow and Analysis for the
Poultry Farm

3.2 TABLE-2

Year	Incremental Benefit (t9N)	Discount Factor@20%	Net Present	Discounted Cost	Discounted Revenue
1		0.8330		559,294.6	
2	2,522,	0.6940			
3	100.00	0.5790		486,881.1	1,958,757
				2,953,745.7	7,124,598

The discounted factor is the present bank lending rate in

Nigeria as approved by the CBN in January 2016.

Since the Net Present Value of this project is positive,

according to the condition put in place for every

Agricultural project, this poultry project is therefore

worth embarking on. The benefit cost ratio on the other

hand must be greater than one for such an agricultural

project to be worth embarking on.

The Benefit/cost ratio Discounted Revenue/Discounted

Cost

B/C RATIO= $7,24,598/2953,745.7=2.41$.

9.

Estimating the Internal Rate of Return for the Poultry

Farm

3.3 TABLE-3

year	Discounted	Net Present Value	Discounted factor	Net Present
1	0.833		0.667	1,229,281
2	0.694	1,788,507.4	0.444	1, 144,232.4
3	0.579		0.296	746,541.6 120,055

8.

IRR— Lower Discount Rate+ (Difference between the
two Discount rate) x (NPV @lower discount
rate/Absolute Difference Between the two NPV)

$$\text{IRR} = \frac{20 + 50 - 20 \times (4,784,022.3 / 7,904,077.3)}{20 + 30 \times (0.605)} = 30.26\%$$

IRR- 30.26%

Since the present interest rate in banks is 20% and this project has an internal rate of return of 30.26%, it means the project or business is profitable. It means for every NI invested, the investor will receive N 1.30k after paying 20k to the lender, he will be better off by 10k.

The project evaluated thus far, is therefore good enough to be embarked upon considering its positive response to the present value, its favourable benefit cost ratio of 2.41 greater than one and its internal rate of return of 30.26% after an interest on funds loan to the project was 20%.