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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.

ANSWER

A BUSINESS PLAN FOR THE DEVELOPMENT OF A TWO HUNDRED HECTARES HERB AND SPICE PLANTATION AND ESTABLISHMENT OF 10 TONNES PER DAY CAPACITY HARVESTING AT TONGA FARMS, IKORODU, LAGOS STATE, NIGERIA BY PELBUM AGRIBUSINESS VENTURES AND CONSULTANCY CONFIDENTIALITY AGREEMENT

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Name:

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Executive Summary/ Project Description

This business plan examines the feasibility of and indeed economic viability of the development of a 200hectares herb and spice plantation and the establishment of 10 tonnes per day capacity harvesting at Tonga farms, Ikorodu, Lagos state, Nigeria by Tonga Farmer's Cooperative Society Limited.

The farm will produce about 600tonnes of herbs and spice in a production cycle. The harvester will process about 2,100tonnes of Flat and curly leaved Parsley ,Pepper, Ginger, Garlic, Curry, Chives, Dill, Caraway, Anise, Thyme, Rosemary, Coriander, Cilantro, Peppermint, Bay leaf, Mint, Lavender, Lemon balm, African basil and Stevia. There is high domestic demand for these products because of our huge population and production constraints leading to shortage of the commodity. Nigeria imports significant quantity of these herb and spice to augment domestic shortages.

The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The herb harvesting will be sourced locally and the direct production, contract farming in Lagos 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 CEO Bill Kenneths of Farmsponsor which is an Agricultural-tech company that leverages on technology to create an inclusive platform where everyone can be involved in agriculture with each farm cycle running for 12 weeks. Pelbum Agribusiness Ventures & Consultancy 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

Technical assistance for our farm expansion plan is to be sourced from private equity sponsors, who are interested in a medium-term investment of five years with a minimum equity contribution of N1, 000,000 per sponsor.

This debt finance would be serviced by Farmsponsor for five years at the following rates. First Year 17% first six months & 20% second six months, second Year 22% first six months & 25% second six months, third Year 25% first six month & 25% second six month, fourth Year 28% first six month & 28% second six month, fifth Year 30% first six month & 30% second six month. Giving private sponsors a return of 250% in five years. At the end of this period, a debt-equity swap option is open to private sponsors to convert all debt to an equity stake, giving private sponsors ownership interest in Globetrot Farmsponsor Nigeria Limited.

Farmsponsor being the major sponsor is affiliated with Organisations and Banks like SunTrust Bank, First Bank, Sterling Bank, Polaris Bank, Leadway Assurance.

Market and Sales

Market orientation: domestic; Indigenous to West, East, North and South of Nigeria

Market Share: 10% niche market in Nigeria

Users of Products: There are three types of customers for herbs: restaurants, retailers, and consumers. Selling directly to consumers is the most profitable, but also provides the least steady income. Retailers typically offer the lowest per pound price, but are often willing to buy out an entire harvest. Restaurants usually offer a better price than a retailer, but less than a consumer.

Competition analysis

Most states produce herbs and spices as it is more localized in relation to national output. The only places where significant production took place is in Northern Nigeria. Also the production volume of herbs and spices in Nigeria are produced locally with no focus on the international market. Acquiring preservation technologies is important as 40-60 percent of herbs and spices go to waste.

Based on this above analysis, competition in terms of production in Nigeria is lacking compared 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 herbs and spices in all parts of Nigeria as most households mostly make use of these products. The state of infrastructure though not perfect still supports production and trade within Nigeria.

Profitability

The herb farm will greatly improve their profits by creating value-added products from the herbs. Dried herb pillows, herbal teas, soaps, and candles are all high profit items which are easy to make and sell well. Herb farms who are able to get certified as organic can charge more for every product they sell.

Technical Feasibility

The projects (harvesting of herbs and spices) are technically feasible. In terms of technology, which involve the use of harvesters and mechanization farming, the industrial processes are simple and a botanist works with us with experience of over ten years also currently working as an Applied Biology senior lecturer at Covenant University. The needed equipment are readily available and our experts have hand on experience in the usage and maintenance of the equipment. We have specialists in mechanization, irrigation, farm management, crop production, weed science, market development, agriculture 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 Tonga farms and generally in Lagos 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. 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 November, 2020 to April, 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	5000m ²	115,000	00
Cross cutting	5000m ²	10,000	00
Rome ploughing	5000m ²	25,000	00
Sub total	5000m ²	150,000	00
Total	200 Hectare	60,000,000	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

Soy seeder	1	2BFY-6C	4,950	1,782,000	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			159,390	57,380,400	00

(C) Vehicle

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 200 Ha	5,000,000	00
Mechanization and storage	105,000	00
For 200Ha	21,000,000	00

Input / Ha	91,825	00
For 200Ha	18,365,000	00
Area yield insurance	13,500	00
Produce aggregation	5,500	00
Geo Spatial Service	4,500	00
Sub total	23,500	00
For 200Ha	4,700,000	00
Interest per hectare	22,079	25
For 200Ha	4,415,800	00
Total cost per hectare	245,325	00
Total cost for 200Ha	49,065,000	00
Loan principal and interest (cost per Hectare)	267,404	25
Total for 200Ha	53,480,800	00
Irrigation cost for 200Ha (excluding fixed cost)	12,009,060	00

Amortization

	₱	K
Land clearing amortization (per hectare)	30,000	: 00
Land clearing amortization (200hectare)	6,000,000	: 00

REVENUE

Yield per hectare 1.5tonnes@ ₦72500 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)	49,029,240 : 00

Currency conversion rate: ₦360.00 to 1USD

Funding Mechanism

TONGA farms will provide 200Ha of cleared farmland around the area 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 through Farmsponsor.

Conclusion

The project is technically feasible and commercially viable. It is therefore recommended for funding.