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**OLATUNJI MARY OLUWATOYOSI**

**PREPARE A BUSINESS PLAN ON A CHOSEN AGRICULTURAL ENTERPRISE FOLLOWING THE GUIDELINES OF THE NOTE**.

**A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A FOUR HUNDRED HECTARES PEANUT PLANTATION AND ESTABLISHMENT OF 20 TONNES PER DAY CAPACITY PEANUT OIL EXTRACTION PLANT AT UKPABIO CHUKWUDILIM FARMS, BENIN CITY, EDO STATE, NIGERIA BY VEMARY AGRIBUSINESS VENTURES AND CONSULTANCY CONFIDENTIALITY AGREEMENT.**

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**Executive Summary/ Project Description**

This business plan examines the feasibility and indeed economic viability of the development of a 400 hectares beans plantation and the establishment of a beans oil extraction plant in Benin City by Ukpabio Chukwudilim Farms. The farm will produce about 1,200tonnes of peanuts in a production cycle. The peanut oil extraction plant will process about 4,200tonnes of peanuts into edible peanut oil, peanut laxatives, shampoos, peanut dyes, insecticides and so much more. 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 South and South East with Edo, Delta and Abia as the lead producers.

The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire peanut to be processed will be sourced locally through direct production, contract farming in Edo 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 Ukpabio Chukwudilim, a Chartered Accountant and founder of Ukpabio and Sons organizations. Ukpabio Chukwudilim is promoting the productivity of smallholder farmers in Benin City through the Ukpabio and Sons organizations. The organization has a training centre and experts with many years of experience in the project being proposed. Vemary 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**

The organization has working relationship with IITA (International Institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has mandate in peanut production and processing and will provide technical assistance in this regard. Bank of Agriculture has agreed to finance production of the 400hectares of peanut through a loan at 9% interest rate (anchor borrower’s scheme) given to the cooperative.

The organization will fund the processing factory and access finance for the peanut 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 organization also 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 organization has a working relationship with Edo State Government, Edo State Ministry of Agriculture, Farmers’ Union, Agric Cooperatives and individual farmers. The organization will get technical support from this relationship in the area of production through contract farming or out grower scheme.

The organization has working relationships with and linkages to industry players in the project area who will off take products through a purchase and sale contract agreement. They include Honeywell Flour Mill Plc, Okesile Farms Ltd, Farm Support and others. The peanut oil will be sold through cooperatives and other distribution channels.

**Market and Sales**

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

Market Share: 5% niche market in North West, North East Nigeria

Users of Products: edible oil for human, peanut cake for the livestock industry, peanut skin for antioxidants, shampoos, insecticide, explosives, biodiesel fuel and so on.

**Competition analysis**

Kano state produced most of the national output from the 1900. Kaduna, Taraba, Bauchi, Borno and Adamawa are also groundnut producing states. The six state mentioned above produced 83-88% of national output within the period. 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 favor the project under consideration.

**Market Potential**

There is strong demand for peanut and peanut derivatives in the Northern 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 peanut and peanut oil extraction) are technically feasible.  In terms of technology, which involve the crushing of peanuts and extraction of oil, the industrial processes are simple and a specialist in oil extraction with more than 15 years 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 peanut 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 organization and generally in Edo 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 JOY FOODS and POWER OIL with the Grand Peanut oil brand. Joy Foods has an installed capacity of 150tonnes per day in Ogun and 100tonnes per day in Adamawa, while Power Oil has a capacity of 120tonnes per day in Abia, Ukpabio Chukwudilim 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 conforms 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 favorable 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, 2021 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 | 300,000 | 00 |
| Cross cutting | 1Hectare | 50,000 | 00 |
| Rome ploughing | 1Hectare | 50,000 | 00 |
| **Sub total** | 1Hectare | **400,000** | **00** |
| **Total** | 400 Hectare | **160,000,000** | **00** |

**(B) Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **QTY** | **MODEL** | **USD** | **₦** | **K** |
| **Tractor** | 1 | **FBP-129(70hp)** | 30,450     | 10,962,000        | 00 |
| **Disc harrow** | 1 | **GRJ- 6.0** | 3,450   | 1,242,000       | 00 |
| **Sub soiler** | 1 | **GJ-400P** | 6,250     | 2,250,000       | 00 |
| **Soy seeder** | 1 | **3YFB-8P** | 7,950     | 2,862,000       | 00 |
| **Tripper** | 1 | **8PY-5N** | 3,450      | 1,242,000       | 00 |
| **Combine Harvester** | 1 | **3GF-0** | 107,000     | 38,520,000         | 00 |
| **Boom sprayer** | 1 | **1N-1000B-14** | 8,900       | 3,204,000        | 00 |
| **Front loader** | 1 | **HG12C** | 7,570       | 2,725,200        | 00 |
| **Sub total** |   |   | **175,020** | **63,007,200** | **00** |

**(C) Vehicle**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **TYPE** | **MODEL** | **QTY** | **₦** | **TOTAL(₦)** | **K** |
| **Pick up Truck** | **FORD** | **2** | **30,000,000** | **60,000,000** | **00** |

**(D) Irrigation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **TYPE** | **QTY** | **MODEL** | **USD** | **₦** | **K** |
| **Hose Reel** | **1** | **680 – 567ZA** | **28,000** | **10,080,000**  | **00** |

**Operating Cost**

|  |  |  |  |
| --- | --- | --- | --- |
| **Working Capital** | **₦** | K |  |
| **Ploughing/Ha** | **20,000** | **00** |  |
| **Harrowing/Ha** | **15,000** | **00** |  |
| **Sub total** | **35,000** | **00** |  |
| **For 400 Ha** | **14,000,000** | **00** |  |
| **Mechanization and storage** | **100,000** | **00** |  |
| **For 400Ha** | **40,000,000** | **00** |  |
| **Input / Ha** | **92,000** | **00** |  |
| **For 400Ha** | **36,800,00** | **00** |  |
| **Area yield insurance** | **14,000** | **00** |  |
| **Produce aggregation** | **5,000** | **00** |  |
| **Geo Spatial Service** | **6,000** | **00** |  |
| **Sub total** | **25,000** | **00** |  |
| **For 400Ha** | **10,000,000** | **00** |  |
| **Interest per hectare** | **25,000** | **00** |  |
| **For 400Ha** | **10,000,000** | **00** |  |
| **Total cost per hectare** | **245,325** | **00** |  |
| **Total cost for 400Ha** | **98,130,00** | **00** |  |
| **Loan principal and interest (cost per Hectare)** | **267,404** | **00** |  |
| **Total for 400Ha** | **106,961,700** | **25** |  |
| **Irrigation cost for 400Ha (excluding fixed cost)** | **24,018,120** | **00** |  |

**Amortization**

|  |  |  |
| --- | --- | --- |
|  | **₦** | **K** |
| **Land clearing amortization (per hectare)** | **50,000** | **00** |
| **Land clearing amortization (400hectare)** | **20,000,000** | **00** |

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**REVENUE**

|  |  |  |
| --- | --- | --- |
| **Yield per hectare 3tonnes@ ₦145000 per tonne** |   |  |
|   | **₦**  | **K** |
| **Revenue per hectare** | **500,000** | **00** |
| **For 400Ha** | **200,000,000** | **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)** | **98,050** | **00** |

**Currency conversion rate: ₦360.00 to 1USD**

**Funding Mechanism**

Ukpabio Chukwudilim will provide 400Ha of cleared farmland around the organization and lease it to members of the cooperative. Ukpabio Chukwudilim will also lease 8,000MT 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.