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A BUSINESS PLAN FOR IFEDAPO AGRICULTURAL ENTERPRISE

A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A SIX HUNDRED HECTRE COCOA PLANTATION AND ESTABLISHMENT OF 30 TONNES PER DAY CAPACITY COCOA BEAN EXTRACTION PLANT AT OBANSANJO FARMS, OGUN STATE, NIGERIA BY IFEDAPO AGRICULTURAL ENTERPRISE AND CONSULTANCY CONFIDENTIALITY AGREEMENT

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Executive Summary/ Project Description

This business plan examines the feasibility of and indeed economic viability of the development of a 600hectares cocoa plantation and the establishment of cocoa bean extraction plant at Obasanjo Farms by Ifedapo Agricultural Enterprise. The farm will produce about 1,500tonnes of cocoa in a production cycle. The cocoa extraction plant will process about 4,900tonnes of cocoa into edible cocoa powder, chocolate, animal feed, medicinal purposes ,for the country. 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 North Central and North West with Benue State and Kaduna as the lead producers. Nigeria imports significant quantity of cocoa 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 cocoa to be processed will be sourced locally through direct production, contract farming in Ogun 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 Chief Olusegun Obasanjo, the former president of the country who now has a very huge and successful agricultural business. Chief Olusegun Obasanjo is promoting the productivity of cocoa in Ogun State. This cocoa plantation will be a branch of the farm as the farm has branches all over the state so we have decided to place the plantation at Owode since it has a huge land space. Ifedapo Agricultural Enterprise will be responsible for the management 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 farm has working relationship with IITA (International Institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has mandate in Cocoa production and processing and will provide technical assistance in this regard. The farm also has a working relationship with BOA (Bank of Agriculture) and we are collaborating on Chief Olusegun Obasanjo Annual Agric Expo where the former president appreciate Ogun Farmers through monetary award to the best 3farmers in each local government area of the 16 L.G.A in Ogun State and the overall best farmer in the state. Bank of Agriculture has agreed to finance production of the 600hectares of cocoa through a loan at 9% interest rate (anchor borrower’s scheme) given to the farm

The farm will fund the processing factory and access finance for the cocoa extraction equipment from BOI (Bank of Industry) at the rate of 9% . The farm will also seek grant from United State Africa Development Foundation(USADF). The farm has relationship with commercial banks and will approach one for loan to clear the land which will be leased to the farm.

The farm has a working relationship with Ogun State Government, Ogun State Ministry of Agric, Farmers’ Union, Agric Cooperatives and individual farmers. The farm will get technical support from this relationship in the area of production through contract farming or outgrower scheme.

The farm 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 Animal Care, Amo Farms, Farm Support and others. The cocoa powder will be sold through cooperatives and other distribution channels.

Market and Sales

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

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

Users of Products: edible chocolate and cocoa powder for human, animal feed, medicinal purposes, and drinks in South East.

Competition analysis

Benue State alone produced 44% of national output between1999 and 2017. Kaduna State followed with 27% of national output within the period. Taraba, Plateau, Kano, Niger and katsina 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 South West, Nigeria was in Saki West L.G.A. in Oyo State and 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 cocoa and cocoa derivatives in the Southern 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 cocoa and cocoa bean extraction) are technically feasible. In terms of technology, which involve the crushing of cocoa seed and extraction of cocoa powder, the industrial processes are simple and a specialist in cocoa extraction with more than 20years experience is part of our team. The needed equipment for cocoa extraction are readily available and our experts have hand on experience in the usage and maintenance of the equipment.

On the cocoa powder 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 Ogun 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 GRAND CEREALS and JOF with the cocoa brand and Executive Chef brand. Grand Cereal has an installed capacity of 150tonnes per day in Lagos and 100tonnes per day in Jos While JOF has a capacity of 120tonnes per day in Akure, Obasanjo 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 with the economic diversification objective of the government. It also supports foreign exchange and import reduction conservation of government. It creates economic opportunities, market access, 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 November, 2019 to April, 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 | 230,000 | 00 |
| Cross cutting | 1Hectare | 20,000 | 00 |
| Rome ploughing | 1Hectare | 50,000 | 00 |
| **Sub total** | 1Hectare | **300,000** | **00** |
| **Total** | 600 Hectare | **180,000,000** | **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 |
| cocoa 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** |

1. **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 600 Ha** |  **15,000,000**  |  **00** |
| Mechanization and storage |  105,000  |  00 |
| **For 600Ha** |  **63,000,000** |  **00** |
| Input / Ha  |  91,825 |  00 |
| **For 600Ha** |  **55,095,000** |  **00** |
| Area yield insurance |  13,500 |  00 |
| Produce aggregation |  5,500 | 00 |
| Geo Spatial Service |  4,500 |  00 |
| Sub total  |  23,500 |  00 |
| **For 600Ha** |  **14,100,000** |  **00**  |
| Interest per hectare |  22,079 |  25 |
| **For 600Ha** |  **13,247,400**  |  **00**  |
| Total cost per hectare |  245,325 |  00 |
| **Total cost for 600Ha** |  **147,195,000**  | **00** |
| Loan principal and interest (cost per Hectare) |  267,404 | 25 |
| **Total for 600Ha** |  **160,442,400** |  **00**  |
| **Irrigation cost for 600Ha (excluding fixed cost)** |  **34,018,120** | **00** |

**Amortization**

 **₦ K**

|  |  |
| --- | --- |
| **Land clearing amortization (per hectare)** |  **30,000 : 00**  |
| **Land clearing amortization (600hectare)**  |  **18,000,000 : 00** |

 **REVENUE**

|  |  |
| --- | --- |
| **Yield per hectare 3tonnes@ ₦145000 per tonne** |  |
|  |  **₦ K** |
| **Revenue per hectare** |  **435,000 : 00**  |
| **For 600Ha** |  **261,000,000 : 00** |
| **Net revenue for 600Ha(without amortization)** |  **87,038,300 : 00** |
| **Net revenue with amortization(400ha clearing)** |  **68,038,300 : 00** |
| **2nd Production Cycle** |  |
| **Net revenue** |  **43,020,180 : 00** |
| **Net revenue with amortization(600ha land)** |  |
| **Annual Net Revenue ( 1st + 2nd Cycle)**  |  **98,058,480 : 00**  |

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

Funding Mechanism

Obasanjo farms will provide 600Ha of cleared farmland around owode. The farm will also provide 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.