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MATRIC NO: 18/SMS05/004

DEPT: BANKING AND FINANCE

LEVEL: 200 LEVEL

COLLEGE: SMS

COURSE TITLE: FOOD PRODUCTION AND HEALTH AWARENESS

COURSE CODE: AFE 202

FEASIBILITY REPORT/BUSINESS PLAN FOR THE DEVELOPMENT OF 400 HUNDRED HECTARES RICE PRODUCTION AND PROCESSING FARM AND RICE MILL FOR BESTER AGRIC BUSINESS LTD BY BESTER CONSULTANCY.

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: DESTINY U.E

Name: EZEKIEL SOMINA

Date: 19/05/2009

**Executive summary/brief description**

This business plan establishes the feasibility of and economic viability of a five hundred hectares rice production and processing farm in Kachia LGA by BESTER AGRIC BUSINESS LTD. The farm will produce about 3-6 tons of rice per hectare for each production cycle. Rice is an economical and cultural important food crop and it is a staple food consumed by many households in Nigeria. We have done our research and we have been able to secure a well situated and suitable farmland to start our commercial rice farming business.

Our commercial rice farming business is going to be standard commercial rice farm hence will be involved in both commercial rice cultivation and processing and packaging of rice. We will be involved in both organic commercial rice farming and non – organic commercial rice farming.

We have put plans in place that will help us launch a standard and world – class rice processing and packaging plant within the first three years of officially running Bester farms. We will process and package rice and ensure that they flood the market both in the Kaduna State and in other parts of the country.

We want to compete with the best in the industry which is why aside from the fact that we’ve secured the required farming land and most of the farming equipment and machines, we have also hired some key employees who are currently undergoing training so as to be able to fit into the ideal picture of the 21st century commercial rice farming and rice processing and packaging workforce that we want to build.

We are in the commercial rice farming business because we want to leverage on the vast opportunities available in the commercial farming industry, to contribute our quota in growing the economy, in national food production, raw materials production for industries, to export agriculture produce and to make profit.

**Sponsorship**

Bester Farms is a family business that will be owned and managed by Mr. Somina.

Bester consulting will be responsible for the management consultancy of the projects.

**Management**

We are aware of the importance of building a solid business structure, in view of that we have hired competent and qualified hands to occupy the following positions of management; Chief Operating Officer, General Farm Manager, Administrator / Accountant, Rice Cultivation Manager / Supervisor, Rice Processing and Packaging Manager, Sales and Marketing Executive, Field Employees, Front Desk Officer.

The management team will be headed by the chief operating officer whose main role will be to Increase management’s effectiveness by recruiting, selecting, orienting, training, coaching, counseling, and disciplining managers; communicating values, strategies, and objectives; assigning accountabilities; planning, monitoring, and appraising job results; developing incentives; developing a climate for offering information and opinions; providing educational opportunities.

**Technical Assistance**

The farm has a working relationship with Bank of Agriculture Kaduna, Kaduna state. We have a generous level of accessibility to the BOA loan with high level of adequacy in terms of the volume of the loan granted to the farmers. Also the Farm has a relationship with BIPC microfinance bank, and will get technical support from their agricultural credit guarantee scheme with their flexible repayment structure and low interest rate. An initial soil analysis will be taken, so they only use the necessary amounts of fertilizers. Farmers would also be trained in correct use of pesticides using an Integrated Pest Management system. This approach uses pesticides only when necessary, so may be more cost-effective and environmentally friendly than other current methods.

Other improvements include efficient use of water and proper drainage, and the proper use of crop rotation to break the life cycle of pests and diseases. In addition to these techniques, our farmers would also be trained to grow seeds which are resistant to pests and disease while potentially giving higher yields.

The technical assistance program is expected to take three years, after which farmers can expect an estimated 54% increase in per hectare productivity.

**Market and Sales**

Our high quality long, medium or short grain rice will sell at one thousand naira ($2.8) per mudu of 2.0 kg weight, while a mudu (2.0kg) of medium quality rice will be sold at seven hundred naira($2.0).Although we will strive to achieve the best quality.

**Competition Analysis**

Our major competitive advantages are;

* We will provide excellent pocket friendly prices and largest selection of rice varieties
* We strive to provide excellent distribution prices and online ordering for our rice
* sale of high quality locally produced rice produced using the best agricultural practice
* Our Ability to handle all manner of rice milling equipment and tools,
* Our ability to produce rice in large quantities.
* Ability to cover wide range of customers demand all at the same time.

**Market potential**

The demand for rice has grown significantly over the last 20 years due to changes in consumer dietary pattern and population growth. In line with the diversification drive of the current administration as well as in fulfillment of one of its cardinal pillars of food security, it is expected that the government will continue to prioritize activities within the Agriculture sector through targeted policies to attract investments.

Globally, rice is a staple food to over 50% of people, providing over 19% of global human per capita energy. Human consumption accounts for about 78% of global production while the balance serves other uses such as feed.

Rice is one of the major staple foods in Nigeria, consumed across all geo-political zones and socioeconomic classes in Nigeria. Only about 57% of the 6.7 million metric tons of rice consumed in Nigeria annually is locally produced, leading to a supply deficit of about 3 million metric tons.

With rapid growth in the country’s population which is estimated to exceed 200 million by 2019, it is expected that the demand for rice will be sustained and increased in the foreseeable future.

**Technical feasibility resources and environment**

We will be using the water saving rice technology. It involves intermittent irrigation, use of healthy seedlings, hand leveling of the farm, line planting and improved weeding.

Basically, rice fields do not need to be flooded with water all week round to give better yields. Farmers are also trained to level their farms before planting seedlings to ensure an even flow of water into the farm. In the technology rice seedlings are transplanted to the fields at three weeks instead of the usual five. This would save a lot of time and resources.

We also have an integrated rice milling equipment that goes well with our double iron roller rice mill production line can process paddy into national standard rice just in one process. It can produce rice 15 ton/day. Good quality, best price as well as professional technical support.

**Government support and regulation**

Rice production occurs in all agro-ecological zones in Nigeria with the middle belt enjoying a comparative advantage in production over the other parts of the country. The potential benefits of rice production and processing in this industry will affect all the key players and stakeholders, including paddy farmers, paddy traders, rice millers, rice processors, de-stoners, rice traders, transporters, citizens, government and international donors. The overarching strategic goals within this industry includes:

To increase Nigeria’s market share of the domestic consumption from the current 40% to over 100% within 3 years. This import substitution strategy means Nigeria should attain self-sufficiency in rice. Self-sufficiency in rice production is expected to contribute significantly to food security in Nigeria. • This project aims at increasing the number of jobs, particularly at the rural communities as a result of rice production and processing. Employment figures within the industry should increase with increase in productivity as well as lead to increases in incomes. • As the nation moves from being a rice-deficit nation to a rice-surplus nation (with production out-stripping consumption), Nigeria should hopefully become a net exporter of rice. With this the project will benefit from government intervention fund with other national, international and donor initiatives currently at all levels to improve yields, quantity and quality. The present government policy on rice is an opportunity for the farmers to improve their fortunes through increased rice production. Tariff on rice is currently at 110% (according to recent newspaper reports). The effect is already evident with a declining volume of imported rice caused by attendant increase in price of rice.

**Project Timeliness**

The cycle of rice is 190 days and the harvest seasons lasts up for about 30 days in mid-September to October.

**Estimated Project Cost and Revenue**

|  |  |
| --- | --- |
| **Project summary** | **Total cost** |
| Land  Building  Plant and machinery  Furniture and fixture  Office equipment  Vehicles  **Pre operating Expenses**  Contingencies  Initial working capital  Total project cost  **Project Economics**  Bank 40%  Equity 60%  Total financing 100% | 6,000,000  21,359,272  9,859,950  200,000  375,000  2,039,000  770,000  106,890  29,086,402  69,796,514  2,918,606  41,877,908  69796,514 |

**Capital Requirement for Rice mill**

An initial capital involvement of N25, 000,000 due to the procurement of the milling equipment and setting up of the mill plants and processing systems. It also shows that this business will be generating a net income of N6, 500,000.00 in the first year while the second and the third year will yield a net income of N9, 750,000.00 and N12, 340,000.00 respectively.

The research variables show that this income stream will be sustainable over the next three years. BESTER AGROBUSINESS LTD FARMS hopes to expand the business by enlarging its operation after the third year. Our expansion plan will be the subject of our next business plan.

**Funding mechanism**

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. 50% of total capital we take as long term loans from financial institutions and 50% from own sources.

**Conclusion**

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