**ASSIGNMENT**

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**BUSINESS PLAN FOR THE DEVELOPMENT OF A 200 HECTARES FOR RICE PLANTATION/PROCESSING AT AFE BABALOLA UNIVERSITY FARM, ADO EKITI, EKITI STATE, NIGERIA BY GLOTAM AGRICBUSINESS VENTURES AND CONSULTANCY AND CONFIDENTIALITY AGREEMENT**

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**Executive Summary/ Project Description**

This business plan is a start-up business plan to cover both local and international processed and

unprocessed rice farming,milling and supplies business activities.it is concerned about the

development of a 200 hectares rice plantation and processing in Ado Ekiti by Afe Babalola University

and Afe Babalola Farmer’s Cooperative Society Limited. The farm is estimated to produce about 1000 tonnes of Rice in a production cycle. The Rice mill proccessing will process about 1000tonnes of Rice that will be of high quality and processed to be of World standard.the demand of rice is high because of the border closure which has stopped the importation of foreign Rice.Nigeria being the largest nation in Africa presently consumes about 5 million MT of polished Rice annually and about 36% of the Rice were imported.the statistics released and was made known to the public by the federal ministry of Agriculture and rural development (FMARD),1.8 million metric tons(MT)of polished Rice valued at N660 billon was imported into the country in 2014.The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The Rice are to be processed will be sourced locally through direct production, contract farming in Ekiti 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.Glotam Rice Farm is aimed at producing sufficient bags of Rice weighed in 25kg and 50kg to meet up the demand and consumption of Rice both in local and international communities.over the years,Nigeria rice consumption has been massively increasing and the number one reason is because rice is one of the major types of Foods which almost every Nigerian takes.every year,Nigerians consume about 5.5 million tons of Rice.but only 3.6 million tons are locally produced.

**Sponsorship**

This great project is sponsored by Tamaphet Nigeria Limited,Federal ministry of Agriculture and rural development and PES splendor.their aims are ensured in promoting the productivity of smallholder farmers in Ado Ekiti through the Afe Babalola Farmer’s Cooperative Limited. The University has a Department of Agriculture and experts with many years of experience in the project being proposed. Glotam Rice Farm will be responsible for the management and consultancy of the project.

**Management**

The success of a Rice production business is greatly influenced by the management of the farm.the main aim is to produce as much healthy and good looking rice as possible..the management comprises of highly educated personnel in the field of Rice farming and processing. This is 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 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 and job creation.

**Technical Assistance**

Glotam Rice Farm has a working relationship with BOA (Bank of Agriculture) and we are collaborating on Aare Afe Babalola Annual Agric Expo where the founder of Afe Babalola University appreciates Ekiti Farmers through monetary award to farmers in all local government area of the 16 L.G.A in Ekiti State and the overall best farmer in the state. Bank of Agriculture has agreed to finance production of the 200hectares of Rice producrion and processing through a loan at 5% interest rate (anchor borrower’s scheme) given to the cooperative.

The university will fund the processing factory and access finance for the production and processing of Rice equipment from BOI (Bank of Industry) at the rate of 5% .The cooperative will also seek grant from United State Africa Development Foundation(USADF). The Enterprise has an existing relationship with commercial banks and this will put all workers of the farm into load at a lower rate Glotam Rice farm has a working relationship with different money rendering organizations for its smooth running and also Agric Cooperatives and individual farmers are inlvolved. The cooperative will get technical support from this relationship in the area of production through contract farming or out grower scheme.The cooperative 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 Flour Mill of Nigeria Limited, Edo state RicecFarm,Delta State Rice Farm and cooperative

**Market and Sales**

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

Market Share: 6% niche market in North East, South East,South west,Nigeria

Users of Products: Rice liquor for human consumption,, soya sludge for paint and cosmetics industries in South East.

**Competition analysis:**

Rice production in Nigeria has been going on in some selected states in the country.about 29 states are engaged in the cultivation or Rice as part of the plan of the plan of the federal government to make the nation an agricultural zone for the production of Rice in the World.Kebbi state produces about 9.9 million tons of rice annually and this is competing to Glotam Rice Farm.followed by Borno State which estimately produces 8.5 million tons of Rice for human consumption.Kano state has so far done well in the production and processing of Rice for the past three years with the aim of supplying 6 million tons of Rice to consumers.other states’ rice farms which are competing include Kaduna,Jigawa, Plateau,Adamawa, Niger and River states. The six statez mentioned above produce 5 million tons of Rice each annually to satisfy national demand.The only places where significant production takes place in South Southt, Nigeria was River State and Ovia North L.G.A in Edo State. Based on this above analysis, competition in terms of production in South West, Nigeria is non- existent Compare to the demand for production

**Tariff and Import Restriction**

Forex restriction on food importation and zero duty on imported agricultural equipment will favour the project under consideration.moreover,the closure of border has a great contribution towards Rice plantation and processing in Nigeria.

**Market Potential**

There is strong demand for Rice,since it is the undoubtedly the most consumed staple meal in the World.it’s also the oldest known food that is consumed World wide. The state of infrastructure and unavailability of locally made equipment still affects production efficiency in 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.calculation of profitability to determine market potential can use some elements.

ROI- Return on investment

ROS- Return on sales

RONA- Return on net assets

ROCE- Return on capital employed

**Technical** **Feasibility**

The projects are technically feasible. In terms of technology, the industrial processes are simple and we have people that are up to the task with more than 20years experience that are in our team. The needed equipment to use and process the rice are readily available and our experts have hand on experience in the usage and maintenance of the equipment. On the Rice production, we have specialists in mechanization, irrigation, farm management, crop production, weed science, market development, agric extension and accounting as a part of our management team. The state of infrastructure around the Church and generally in Delta 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 deforestation will occur, the report shows little or 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 operation in terms of mill processing

**Government Support and Regulation**

The project conforms with the economic diversification objective of the government. It also supports foreign exchange and import reduction conservation of the government. It creates economic opportunities, market access, improved income for farmers and support food security objective of the government. The project will benefit from the 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 four years preferably between October, 2019 to October, 2024

Estimated Project Costs and Revenue

Fixed Cost

1. Land Clearing

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Qty | **₦** | K |
| Land clearing | 1Hectare | 230000 | 00 |
| Cross cutting | 1Hectare | 20000 | 00 |
| Rome ploughing  | 1Hectare | 50000 | 00 |
| Sub total | 1Hectare | 300000 | 00 |
| Total | 200Hectare | 120000000 | 00 |

1. **Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name | Qty | Model | USD | **₦** | K |
| Tractor | 1 | YYO-904(90how)2 | 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 |
| Tripper | 1 | 7CX-8T | 4,950 | 1,782,000 | 00 |
| Combine havester | 1 | 4YZ-6 | 9,450 | 3,402,00 | 00 |
| Boom sprayer | 1 | 3W-1000L-18 | 103,500 | 37,260,000 | 00 |
| Soy seeder | 1 | 2BFY-6C | 6,950 | 2,502,000 | 00 |
| Front loader | 1 | TZ10D | 6,570 | 2,365,200 | 00 |
| Sub total | 1 |  | 159,390 | 57,380,400 | 00 |

1. **Vehicle**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Type | Model | Qty | **₦** | K |
| Pick up truck | Hilux | 2 | 30000000 | 00 |

**(D)Irrigation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Type  | Qty | Model | USD | **₦** | K |
| Hose Reel | 1 | 140-440MT | 28,186 | 10146,960 | 00 |

**(E)Operating cost**

|  |  |  |
| --- | --- | --- |
| Working capital |  |  |
|  | **₦** | **K** |
| Ploughing/Ha | 15000 | 00 |
| Harrowing/Ha | 10,000 | 00 |
| Sub total | 25,000 | 00 |
| **For 200Ha** | 10,000,000 | 00 |
| Mechanization and storage | 105,000 | 00 |
| **For 200Ha** | 42,000,000 | 00 |
| Input/Ha | 91,825 | 00 |
| **For 200Ha** | 36,730,000 | 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** | 9,400,000 | 00 |
| Interest per Hectare | 22,079 | 25 |
| **For 200Ha** | 8,831,700 | 00 |
| Total cost for **200Ha** | 98,130,000 | 00 |
| Loan principal and interest (cost per Hectare) | 267,404 | 25 |
| Total for 200**Ha** | 106,961,700 | 00 |
| Irrigation cost for **200Ha(**excluding fixed cost) | 24,018,120 | 00 |

**Amortization**

|  |  |  |
| --- | --- | --- |
| Land clearing amortization(per Hectare) | 30,000 | 00 |
| Land clearing amortization | 12,000,000 | 00 |

**Revenue**

|  |  |  |
| --- | --- | --- |
| Yield per Hectare Three tons@ ₦145000 per tonne |  |  |
|  | **₦** | **K** |
| Revenue per Hectare | 435,00 | 00 |
| **For 200Ha** | 174,000,00 | 00 |
| Net Revenue for **200Ha**(without amortization) | 174,000,000 | 00 |
| Net revenue with amortization(**200Ha** clearing) | 55,038,300 | 00 |
| 2nd Production Cycle |  |  |
| Net revenue | 43,020,180 | 00 |
| Net revenue with amortization (**200Ha)** |  |  |
| Annual Net Revenue(1+2 cycle) | 98,058,480 | 00 |

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

**Funding mechanism**

ABUAD will make a provision of 200Ha of cleared farmland around the university and lease it to members of the cooperative. ABUAD will also lease 6,000MT capacity silo as equity contribution Equity investor to provide equity for equipment and vehicles purchase Where possible equity.the cooperative

**Conclusion**

This project is a welcome development at all levels.a project that will be a limelight in terms of production and procession of Rice in the agricultural sector by driving the economy of this nation.therefore,it’s highly recommended for funding to accomplish its mission and vision.has an agreement with the Bank of industry to loan its development and exapnsion at the rate of 5%.