



AFE BABALOLA UNIVERSITY ADO-EKITI, EKITI STATE

Food Security and Health Awareness (AFE 202)

Business Plan for “Good Grain Wheat Farming Enterprise”



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18/ENG05/056

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INTRODUCTION

Wheat processing in the country isn't much of a familiar ground. Although all Nigerians still patronise a wide variety of foods and goods gotten from milled wheat such as biscuits, bread, cookies, noodles, cereals, pasta and many more. Even in the Northern parts of the country, where it is produced, Wheat is used to make local delicacies such as Dan Wake and Fura (which is eaten alongside local yoghurt or milk).

As man cannot do without flour in a day, it's needless to say how important wheat is to our diet. The exchange rate having increased has caused a lot of disruption in our economy which greatly increased the price of every food that has wheat/wheat flour as part of the ingredient.

The tropic climate that is predominantly hot at the north of the equator results in the unviability of the wheat seed, but things have changed for good, with scientific breakthroughs that guarantees us of pure breed wheat farming in Nigeria. As Nigeria's agriculture minister reports recently that Nigeria has finally broken the wheat jinx, as we now have improved wheat seeds that can withstand high temperatures and thrive in Sub-Sahara African soil.

Wheat import is about 4 million Metric Tonnes per annum and estimated to grow at an alarming rate of 5% per annum. At this rate, the country will be importing 10 million MT of wheat annually by 2030, spending \$15 billion on wheat imports alone. Such over-dependence on imported wheat will pose significant risks to Nigeria's future growth. Nigeria must grow a lot more of its own wheat and reduce the national, economic and political risks from depending on other nations for our food supply. Today, we are reviving hope for Nigeria to produce its own wheat and free itself from decades of dependence on imported wheat.

Executive Summary

Good Grain Farms is a commercial import-substituting farm that plays a strategic role in reducing the volume of metric tonnes of wheat and grains that are imported into the country annually. Good Grain Farms is based in The Federal Republic of Nigeria. The farm is located in Chikun Local Government Area of Kaduna State as the land is suitable for wheat farming with a 500-hectare land dedicated to wheat and other grains farming.

Farming method is intended to be mechanized as we strive to produce commercial quantities of the crops. The farm will also have a processing and packaging facility. Our goal is national cereal self-sufficiency and to produce quality products to competitive favourably with top producers.

Our marketing strategy is aimed at local and international markets. Good Grain Farms will have secured machinery, farming equipment and experienced staff to boost production. The staff will undergo periodic training to develop new skill and competitiveness.

We will offer welfare packages and incentives for staff. This is intended to drive production and produce high quality grain. We intend to become one of the leading producers of wheat in West-Africa.

Our Services

Good Grain Farms Incorporated is a commercial farm with world class facilities. Our products include wheat, sorghum and barley in commercial quantities. Our business involves production of raw materials in commercial quantity. We will operate a packaging and processing unit to meet international and domestic market standards.

Vision

To become one of Nigeria's top grain producers by 2023 and reduce national wheat import by 85%.

Products

We will operate a farm and operate a standard processing and packaging plant. The farm product we will grow are soft/hard red wheat and white wheat. Other products include different types of wheat, oats, barley, rye, sorghum and durum.

Sponsorship

The farm is financed and owned by Khalifa Shuaib and family along with a group of investors, shareholders and bank loans. The farm is directed and managed by Khalifa Shuaib along with long-time friend Taiwo Adedeji who has extensive knowledge in grain production and a bachelor's degree in Agricultural Science. Other experienced agro-allied specialists that were also hired.

Business Structure

We are aware of the importance of building a solid business structure that can support the picture of the kind of world class business we want to own, this is why we are committed to only hire the best hands in and around Kaduna.

At Good Grain Farms, we will ensure that we hire people that are qualified, hardworking, dedicated, customer centric and are ready to work to help us build a prosperous business that will benefit all our stakeholders (the owners, workforce, and customers).

A board of directors will be established and will comprise of shareholders and individuals who bare risk of the business. 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. In view of the above, Good Grain Farms have decided to hire qualified and competent hands to occupy the following positions;

- Chief Operating Officer
- General Farm Manager
- Administrator/Accountant
- Wheat, Barley and Sorghum Cultivation Manager/Supervisor
- Wheat, Barley and Sorghum Processing and Packaging Plant Manager
- Sales and Marketing Executive
- Field Employees
- Front Desk Officer

The Chief Operating Officer 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 Support

With the financial support from my family, investors and loans granted from the Bank of Agriculture (BOA) we will be making use of the factors of production we pulled in with their help. The Shuaib family 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 Hybrid Feeds, Flour Mill of Nigeria Limited, Olam Farms, Animal Care, and others. The soya oil will be sold through cooperatives and other distribution channels. The wheat chaff will be sold to players in the Animal feeds industry as it is indigestible by humans.

Market and Sales

Market orientation: domestic; entire Northern region and Southwest

Market share: 6% niche market in North and Southwest, Nigeria

Users of production: Beverage companies, Bakeries, Breweries and human consumption;

Used in livestock feeds; wheat starch can be used in making paper, adhesive, cosmetics and pharmaceutical products.

Competition Analysis

Total food-grain consumption (wheat, maize, sorghum and rice) decreased by 1.2 Mt in 2011-2013. Local consumption of wheat, and rice marginally increased by 191,000 and 500,000 t respectively in 2011-2013, that of maize and sorghum decreased by 1.5 Mt and 350,000 t respectively at the same period. About 76% of the total food grain consumption was produced locally in 2011/2012 while 73% was produced locally in 2012/2013. In 2011/2012, only 0.023% of wheat and 53.3% of rice was locally produced while 0.022% and 52.5% was produced in 2012/2013. The short fall in supply was met through importation. In 2018, wheat importation jumped by a 31% due to low local production of the grain. We intend to take advantage of this high demand low local supply of wheat with the belief that if we produce high quality, more cost-efficient grain substitutes to imported counterparts, our enterprise can thrive.

People will buy from us because of the following reasons:

- High quality, nutritional, and farm certified products
- Year-round availability of our customers' choicest whole wheat farm in a large capacity volume
- Fresh and highly hygienic and well-packaged wheat
- Excellent customer care services
- Fair and best possible prices and discount offers

Our three major competitive advantages are:

1. Provision of high quality, nutritional, and farm certified products
2. Expected Year-round availability of our produce
3. Fair and best possible prices and discount offers

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 wheat and wheat derivatives across the country. 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 and locusts 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

Wheat farming is highly technically feasible. The needed machines and tools for wheat production are readily available and our experts have hand on experience in the usage and maintenance of the equipment.

On the wheat 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 Gawgwada local government area 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 conforms 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 7 months between September and March for benefits of low humidity that aids land clearing during that period.

Estimated Project Costs and Revenue

Fixed Cost

1.) Land Clearing

Activity	QTY	₱	K
Land Clearing	1Hectare	250,000	00
Cross cutting	1Hectare	22,000	00
Rome ploughing	1Hectare	41,000	00
Sub total	1Hectare	313,000	00
Total	500 Hectare	156,500,000	00

2.) Equipment

Name	QTY	MODEL	USD	₱	K
Silo	7	ADMIX 2550 CU FT Stainless steel silo	175,000	63,087,500	00
Pruning equipment	Lots		2,000	721,000	00
Seed trays	Lots	10 1/2" x10 1/12"x 2 1/4" Wheatgrass Seed Trays	1,000	360,500	00

Vacuum sealing machine	2	Henkelman Polar 2-95 LL Vacuum Packaging Machine	32,000	11,536,000	02
Tractor	1	LovolTractor (130Hp)	41,608.88	15,000,000	00
Combine harvester	1	John Deere C120	55,000	19,827,500	03
Drying machine	1	5H-KB-15	23,000	8,291,500	01
Sub total			329,608.88	118,824,001	41

3.) Vehicle

Type	Model	QTY	₱	K
Pick up Truck	HILUX	4	60,000,000	: 00

4.) 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 500 Ha	12,500,000	00
Mechanization and storage	105,000	00
For 500Ha	53,500,000	00
Input / Ha	91,825	00
For 500Ha	45,912,500	00
Area yield insurance	13,500	00
Produce aggregation	5,500	00
Geo Spatial Service	4,500	00
Sub total	23,500	00
For 500Ha	11,750,000	00
Interest per hectare	22,079	25

For 500Ha	11,039,500	25
Total cost per hectare	245,325	00
Total cost for 500Ha	122,662,500	00
Loan principal and interest (cost per Hectare)	267,404	25
Total for 500Ha	133,702,000	25
Irrigation cost for 500Ha (excluding fixed cost)	30,022,650	00

Amortization

	₦	K
Land Clearing Amortization (pHa)	30,000	00
Land clearing amortization (500hectare)	15,000,000	00

REVENUE

Yield per hectare 4.5 tonnes at ₦87,352 per tonne (as at April 2020)	
	₦ K
Revenue per hectare	393,084 : 00
For 500Ha	196,542,000 : 00
Net revenue for 500Ha (without amortization)	77,718,000 : 00
Net revenue with amortization (500ha clearing)	65,718,000 : 00
2nd Production Cycle	
Net revenue	51,367,869 : 00
Net revenue with amortization (500ha land)	
Annual Net Revenue (1st + 2nd Cycle)	117,085,869 : 00

Currency conversion rate: ₦390.00 to 1USD (April 2020)

Funding Mechanism

The 500Ha of land, silos, and other heavy machinery will be bought with money from the Shuaib family, money from investors and loans at the rate of 10.5% from the Bank of Agriculture, Bank of Industry and commercial banks. Part of the start-up capital required will also be obtained through sale of shares.

Conclusion

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