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**COURSE TITLE: FOOD PRODUCTION AND HEALTH AWARENESS**

**COURSE CODE: AFE202**

**TITLE: A BUSINESS PLAN FOR THE DEVELOPMENT OF WHEAT, OATS AND  
MAIZE PRODUCTION**

**A FEASIBILITY REPORT/BUSINESS PLAN FOR THE ESTABLISHMENT OF A TWO  
HUNDRED HECTARES MAIZE AND WHEAT PLANTATION AND A GRAIN  
EXTRACTION FACTORY AT THE CEREAL FARMS, TORONTO, CANADA BY JC  
OBODO FARM GROUP LIMITED**

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#### **EXECUTIVE SUMMARY AND BRIEF DESCRIPTION OF THE PROJECT**

JC Obodo Farm Group Limited (JCO) is an exciting new company that meets an unsatiated need for quality cereals and wheat flour. The close proximity to Lagos metropolitan city, known for its large market ensures a steady flow of customers. JCO is a start-up grower and distributor of

exotic grains for Cereal manufacturing industries, bakeries, restaurants and individual consumers. JCO also has partnerships with the popular NASCO GROUP responsible for producing biscuits, cornflakes among other food products, which has received a lot of flour, grains, oats and other cereal semi-finished products from various branches of JCO since its recent inception. JCO has many up-coming branches over the country with its headquarters located in Garki, Abuja. JCO's objectives are to develop a product-based company whose goal is to exceed customer's expectations, increase production efficiency by 10% a year, and lastly, and develop a sustainable farm business, able to survive off their cash flow.

**Products**

JCO will sell a spring mix of refined flour, grains and oats. These products will include but are not limited to: wheat flour, oat flour, maize flour, maize grains, and oats. These grains and flour are grown for use in baking of pasteries such as bread, cookies, cakes, meat pies. They are also used like maize flour in the production of swallow, and can be used in the production of cereals, purchased by the end consumer as well as by bakeries and restaurants who then serve it to their patrons.

***Start-up Summary***

JC Obodo Farm Group Limited'S start-up costs will include all the equipment needed for the farm, factory and home office, the construction of the warehouse and all the necessary equipment, and other essentials for growing.

The home office equipment will be the largest chunk of the start-up expenses. This equipment includes a computer system, fax machine, office supplies, cellular phone, and pager. The computer should have at least a 500 mega-hertz Celeron/Pentium processor, 64 megabytes of RAM (preferably 128), 6 gigabyte hard drive, and a rewritable CD-ROM for backing up the system. The home office will also require a few pieces of furniture such as a desk, chair, and book shelf to transform a standard room into an office. Lastly, an additional land phone line will be required.

The warehouse will need the following equipment: a 25' x 100' warehouse structure made out of poly carbonate, a ventilation system, a heater, a mister system, supplemental lighting, fertilizer injector, pruners, pots, trays, soil, seeds, and assorted chemicals.

Please note that of the \$25,300 of long-term assets, \$20,000 will be depreciated straight line for 27.5 years (real estate) and the remaining \$5,300 will be depreciated on a seven-year straight-line schedule.

Table: Start-up

<i>Start-up</i>	

Requirements	
Start-up Expenses	
Legal	\$300
Stationery	\$200
Insurance	\$200
Utilities Upgrades	\$150
Rent	\$250
Expensed Computer Equipment	\$3,500
Other	\$500
Total Start-up Expenses	\$5,100
Start-up Assets	
Cash Required	\$34,700
Start-up Inventory	\$0
Other Current Assets	\$500
Long-term Assets	\$25,300
Total Assets	\$60,500
<b>Total Requirements</b>	<b>\$65,600</b>

Chart: Start-up

### Start-up

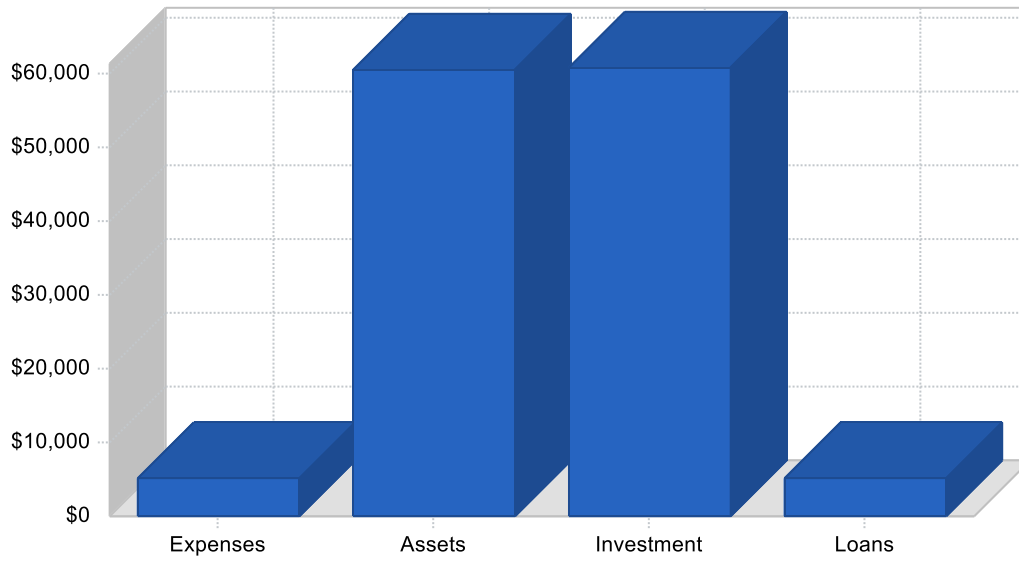


Table: Start-up Funding

<i>Start-up Funding</i>	
Start-up Expenses to Fund	\$5,100
Start-up Assets to Fund	\$60,500
Total Funding Required	\$65,600
Assets	
Non-cash Assets from Start-up	\$25,800
Cash Requirements from Start-up	\$34,700
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$34,700
Total Assets	\$60,500
Liabilities and Capital	
Liabilities	
Current Borrowing	\$5,000
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$5,000
Capital	
Planned Investment	
Joseph Obodo	\$50,000

Investor 2	\$10,000
Other	\$0
Additional Investment Requirement	\$600
Total Planned Investment	\$60,600
Loss at Start-up (Start-up Expenses)	(\$5,100)
Total Capital	\$55,500
Total Capital and Liabilities	\$60,500
<b>Total Funding</b>	<b>\$65,600</b>

## **SPONSORSHIP, MANAGEMENT AND TECHNICAL PARTNERS**

### **Sponsorship**

JC Obodo Farm Group Limited (JCO) will be a Limited Liability Company with Joseph as the current Manager as the founder with the cooperation of a board of directors. Joseph will be funding the installation of the new farm branch with a \$50,000 worth investment of his own. An additional \$10,000 will be invested by a US-based family member O.G.Obodo with exit/repayment initially scheduled for year five.

### **Management**

JCO is led by Joseph Chijioke Obodo. Joseph initially got his start in growing while working at a greenhouse. After college, Joseph went to work for a large Cereals and Oats company. This experience is what solidified Joseph's desire to continue working in an agricultural capacity. Soon after his experience at the Willamette Seed Company he decided to enroll in Oregon State University's Master of Horticulture Program. Joseph's Masters provided him with requisite detail and skills to develop his own farm business.

## **MARKET AND SALES**

### **The Market**

JCO has decided to target these distinct market segments, Industrial producers, Bakeries, Restaurants and individual consumers. The Industrial customers will purchase grains and flour from JCO at the Tuesday and Saturday Farmer's Market. This segment is growing at 12% and has 12,000 potential customers. The second segment is local bakeries/restaurants and end consumers. This market is smaller at only 28 potential customers, but is more consistent in demand throughout the year.

### Market Analysis Summary

JCO will be focusing on these distinct users of grains and flour, industrial producers, and restaurants. The consumer market is seasonal so we will have production shifts during the consumer off season and all of the production will go toward wholesale restaurant distribution. During the spring and the summer JCO will be serving both the consumer markets through farmer market stands and the restaurants through direct distribution.

### Market Segmentation

JCO has these distinct customers:

1. **Individual Consumers.** This group of people buy grains and flour primarily for end consumption. It can be used for making various home-made pastries. The grains such as corn grains can also be used for making pap. There are also other customers who purchase it for wholesale businesses and retail businesses.
2. **Industrial Producers.** These set use the grains and flour for processing into finished goods such as the popular cereals used for breakfast for children. They can also produce other products such as oat meals, pap, and even soft drinks.
3. **Restaurants and Bakeries.** Not all restaurants serve the exotic African local dishes, generally it is a restaurant of fine dining that serves these dishes. To be even more specific, it is typically the local restaurants owned by small-scale sole proprietors as opposed to nicer high-class restaurants that appreciates the African dish. For whatever reason (probably attributable to demand of their customers), the high-class restaurants, tend to serve dishes such as Jollof and Fried Rice, Spaghetti etc. Despite this, these high-class restaurants become important patrons as to demand for pastries which are primarily prepared with flour. The restaurants are all year-round customers which is helpful to balance the seasonal demand of individual consumers (group 1 above). Another advantage of having the restaurants as a customer is that even though they get a better price, JCO has a long-term contract with them which helps out in terms of stability.

Table: Market Analysis

<i>Market Analysis</i>					
	Year 1	Year 2	Year 3	Year 4	Year 5



Potential Customers	Growth						CAGR
Individual Consumers	12%	12,000	13,440	15,053	16,859	18,882	12.00%
Restaurants & Bakeries	8%	28	30	32	35	38	7.93%
Other	0%	0	0	0	0	0	0.00%
<b>Total</b>	<b>11.99%</b>	<b>12,028</b>	<b>13,470</b>	<b>15,085</b>	<b>16,894</b>	<b>18,920</b>	<b>11.99%</b>

### **TECHNICAL FEASIBILITY, PROJECT ENGINEERING, RESOURCES AND ENVIRONMENT**

The technical feasibility corresponds to the certainty to which the business based on certain evaluations and standards is plausible and can be implemented and trust-worthy of generating profit.

- Financial Plan

The following sections will outline the important financial information.

- Important Assumptions

The following table highlights some of the important financial assumptions.

Table: General Assumptions

<i>General Assumptions</i>			
	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	25.42%	25.00%	25.42%
<b>Other</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 7.2 Break-even Analysis

The Break-even Analysis below indicates the monthly sales needed to break even.

Chart: Break-even Analysis

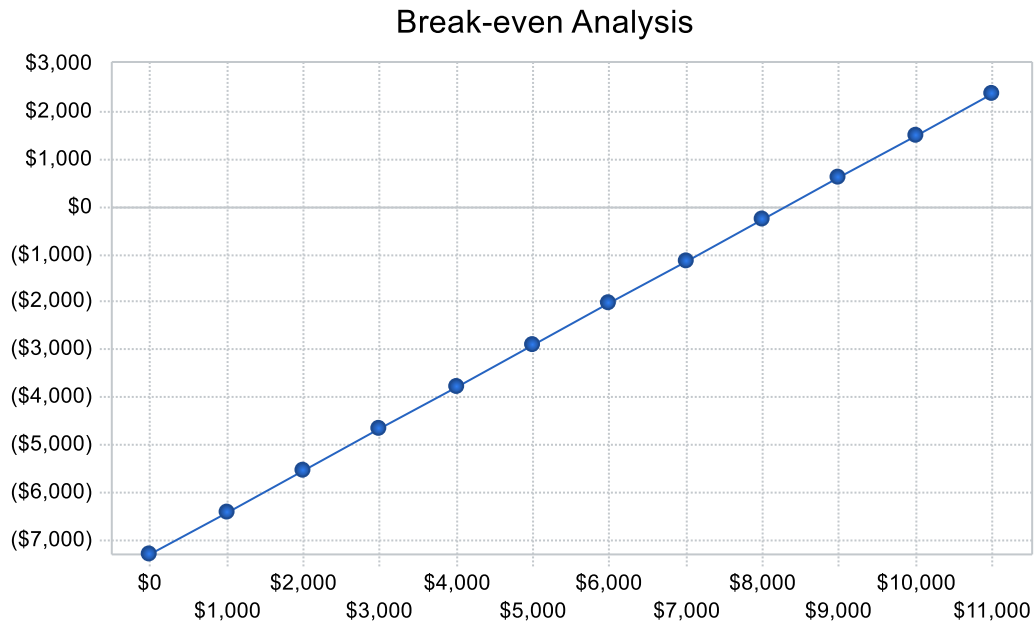


Table: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	\$8,294
Assumptions:	
Average Percent Variable Cost	12%
<b>Estimated Monthly Fixed Cost</b>	<b>\$7,299</b>

### 7.3 Projected Profit and Loss

The following table will indicate projected profit and loss. Our losses at start-up are evident, as is the turn of the corner in July when we become profitable.

Chart: Profit Monthly

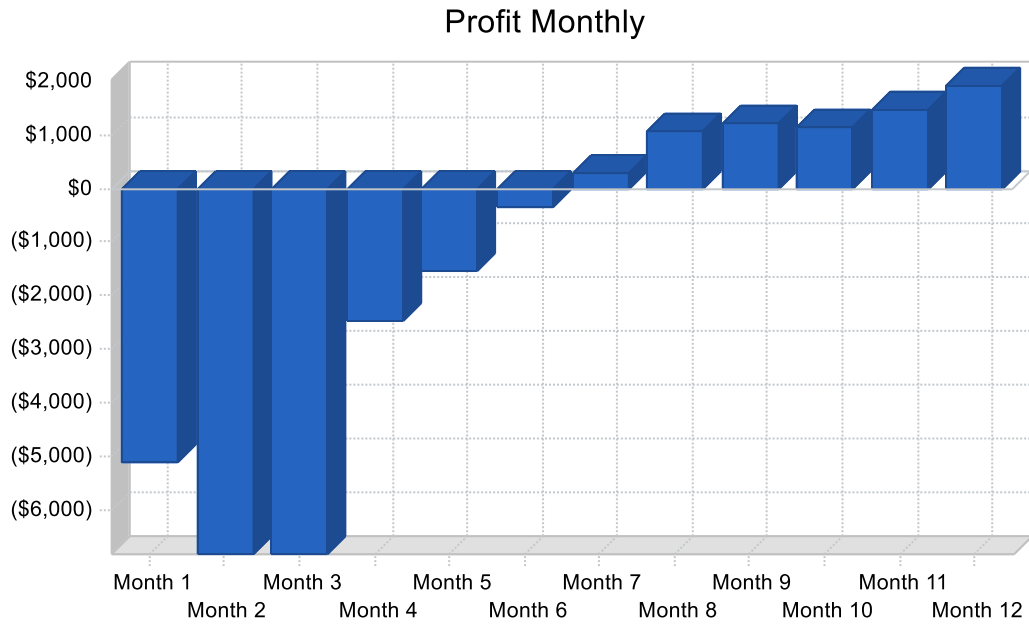


Chart: Profit Yearly

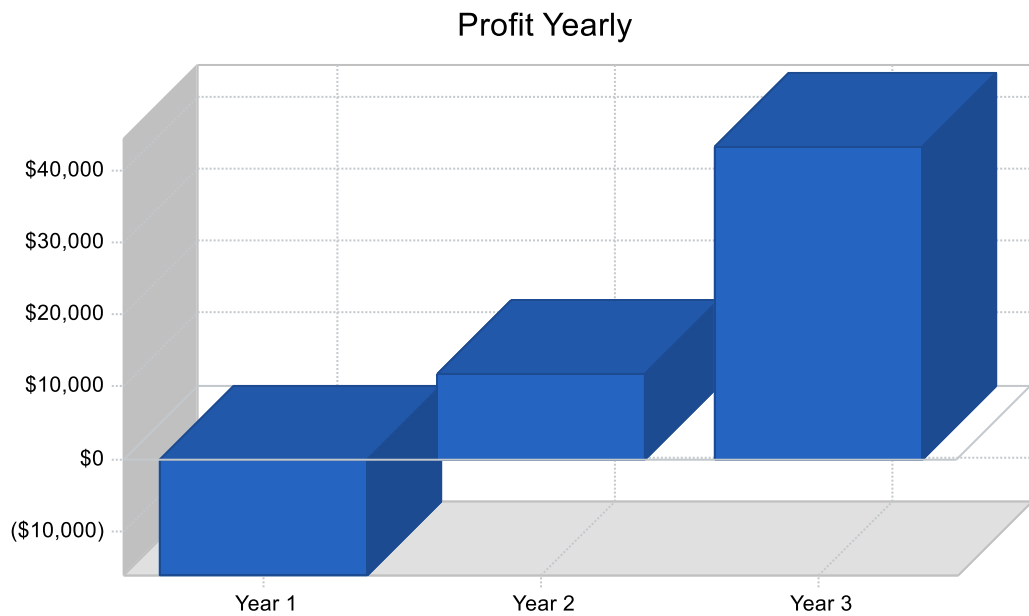


Chart: Gross Margin Monthly

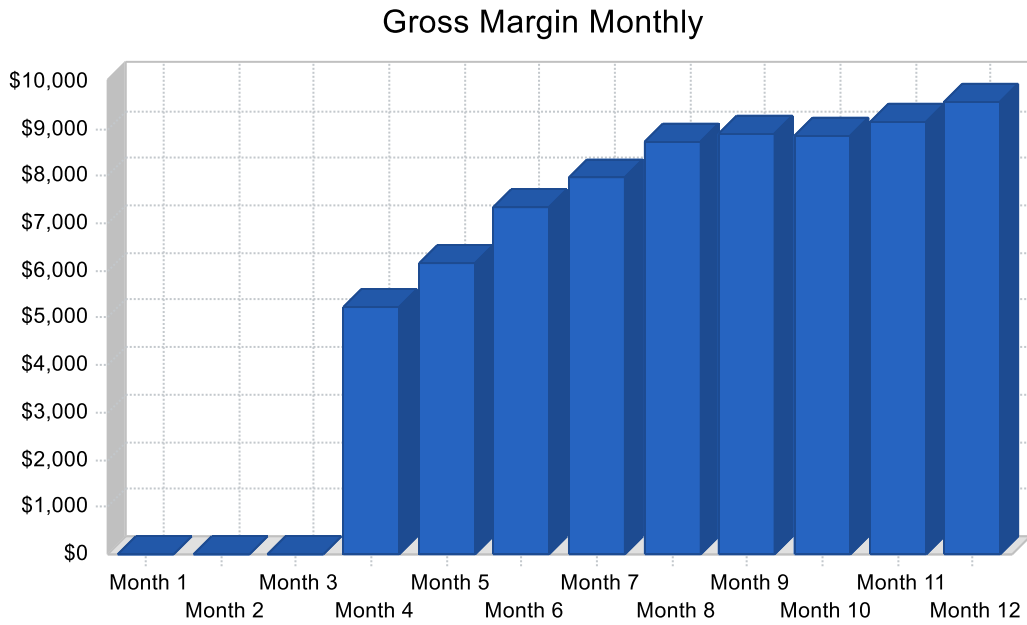


Chart: Gross Margin Yearly

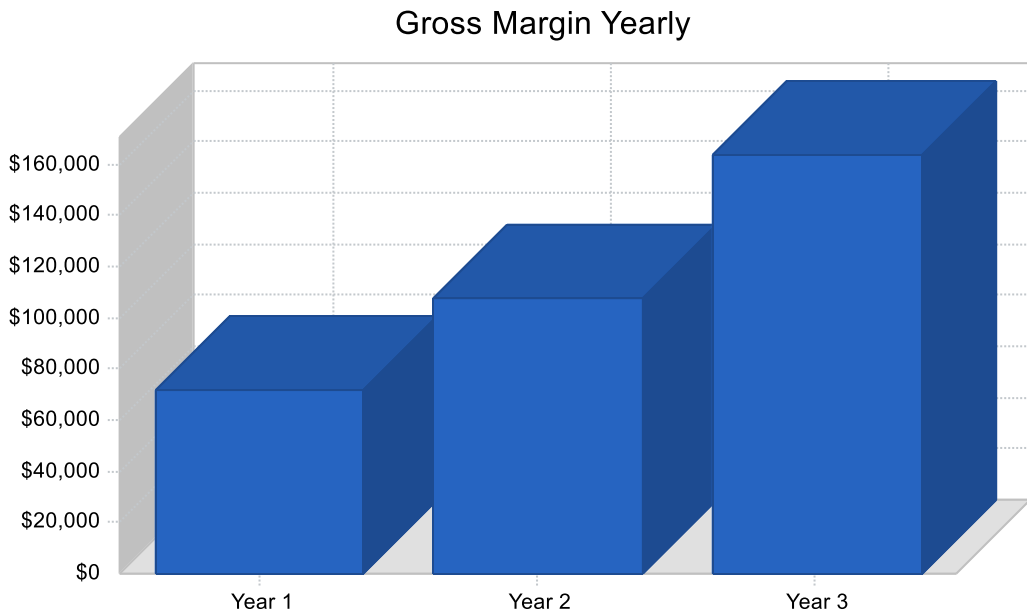


Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	Year 1	Year 2	Year 3
Sales	\$81,712	\$122,500	\$185,682
Direct Cost of Sales	\$9,805	\$14,700	\$22,282
Other	\$0	\$0	\$0
Total Cost of Sales	\$9,805	\$14,700	\$22,282
Gross Margin	\$71,906	\$107,800	\$163,400
Gross Margin %	88.00%	88.00%	88.00%
Expenses			
Payroll	\$64,050	\$68,000	\$79,500
Sales and Marketing and Other Expenses	\$0	\$0	\$0
Depreciation	\$2,532	\$2,532	\$2,532
Leased Equipment	\$0	\$0	\$0
Utilities	\$3,000	\$3,000	\$3,000
Insurance	\$2,400	\$2,400	\$2,400
Rent	\$6,000	\$6,000	\$6,000
Payroll Taxes	\$9,608	\$10,200	\$11,925
Other	\$0	\$0	\$0
Total Operating Expenses	\$87,590	\$92,132	\$105,357
Profit Before Interest and Taxes	(\$15,683)	\$15,668	\$58,043

EBITDA	(\$13,151)	\$18,200	\$60,575
Interest Expense	\$370	\$140	(\$20)
Taxes Incurred	\$0	\$3,882	\$14,758
Net Profit	(\$16,053)	\$11,646	\$43,305
<b>Net Profit/Sales</b>	-19.65%	9.51%	23.32%

The above figures attest to the profitability and proficiency of the business. The project also has a special advocate for environment protection. In the founding of the factory, the company has a hired a consultant engineer to carry out an Environmental Impact Assessment (EIA) to ensure that all practices meet the standard.

### **CONCLUSION**

We believe that the above report as to the summary of the project, its description, projected profitability, financial plan, market analysis and strategic measures attest to its feasibility and its trust-worthiness of being successful.

