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A FEASIBILITY REPORT FOR THE PRODUCTION OF A TWO HUNDRED HECTARES PALM OIL PLANTATION AND ESTABLISHMENT OF 10 TONNES PER DAY CAPACITY CASHEW EXTRACTION PLANT AT NOVA'S FARM, LEKKI, LAGOS STATE, NIGERIA BY ETAS STOCK FARM INDUSTRY AND CONSULTANCY CONFIDENTIALITY AGREEMENT

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Signature:

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Date:

Executive Summary/ Project Description

This business plan examines the feasibility of, indeed economic viability of the development of a 200hectares cashew plantation, and the production of a palm oil extraction plant in Lekki by EtAS STOCK FARM INDUSTRY. The farm will produce about 1,200tonnes of palm oil in a production cycle. The palm oil extraction will process about 4,200tonnes of palm oil into edible palm oil, palm fruits for livestock industry and palm wine for consumption, among several benefits. 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 Akwa-Ibom, Abia, Rivers, Edo, Imo, Ondo and Bayelsa as the lead producers. Nigeria imports significant quantity of palm produce 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 palm fruits to be processed will be sourced locally through direct production, contract farming in Lagos 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 aided by ETAS STOCK. ETAS STOCK is promoting the productivity of smallholder farmers in Lekki through the ETAS STOCK Cooperative Limited. The organisation has experts with many years of experience in the project being proposed. ETAS STOCK Farm Industry will be responsible for the management consultancy of the projects.

Management

The management will consist 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 professionals of proven integrity and vast experience in the project area. The major aim 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 shall be responsible for the co-ordination of the mundane management of the cooperative business. He is accountable to the Board of Directors; in addition, will mobilize organization resources to achieve set goals and manage business risks and focus on wealth creation.

Technical Assistance

The organisation has working relationship with IITA (International Institute of Tropical Agriculture, Abuja) through an executed MOU. IITA has mandate in Palm oil production and processing and will provide technical assistance in this regard. The Farm equally has a working relationship with BOA (Bank of Agriculture) and we are collaborating on Nova's Farm annual Agric Expo where the managers appreciate Lagos Farmers through monetary award to the best 10 farmers in each local government area of the 16 L.G.A in Lagos State. Bank of Agriculture has agreed to finance production of the 200hectares of Palm produce through a loan at 9% interest rate (anchor borrower's scheme) given to the cooperative.

The farm will fund the processing factory and access finance for the cashew extraction equipment from BOI (Bank of Industry) at the rate of 9%. The cooperative 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 members of the cooperative.

The organisation has a working relationship with Lagos State Government, Lagos State Ministry of Agric, Farmers' Union, Agric Cooperatives and individual farmers. The farm will also get technical support from this relationship in the area of production through contract farming or out grower scheme.

Market and Sales

Market orientation: domestic; East, South- East

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

Users of Products: edible oil for human, palm fruits for the livestock industry, and wine for adult consumption.

Competition analysis

Imo State alone produced 44% of national output between 2006 and 2016. Abia State followed with 27% of national output within the period. Rivers and Enugu produced 6% and below in the period. The states mentioned above produced 94% of national output within the period. The only places where significant production took place in East, Nigeria.

Based on this above analysis, competition in terms of production in East, 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 palm produce and its derivatives in the Eastern 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 cashew and palm oil extraction) are technically feasible. In terms of technology, which involve the crushing of palm seed and extraction of oil, the industrial processes are simple and a specialist in oil extraction with more than 20 years experience is part of our team. The needed equipment for oil extraction are readily available and our experts have hands on experience in the usage and maintenance of the equipment.

On the cashew production, we have specialists in mechanization, irrigation, farm management, crop production, weed science, market development, agronomy 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 Lagos 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.

Government Support and Regulation

The project conforms to the economic diversification objective of the government. It also supports foreign exchange and import reduction conservation of government. It creates economic opportunities, market access, and improved income for farmers and supports 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 6 months preferably between June 2020 to December, 2020 because land clearing is mostly done in the dry season.

7.0 Estimated Project Costs and Revenue

Fixed Cost

(A) 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	200 Hectare	120,000,000	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
Palm 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

(D) Irrigation

Type	QTY	Model	USD	₦	K
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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 200 Ha	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 per hectare	245,325	00		
Total cost for 200Ha	98,130,000	00		
Loan principal and interest (cost per Hectare)			267,404	25
Total for 200Ha	106,961,700	00		
Irrigation cost for 200Ha (excluding fixed cost)			24,018,120	00

Amortization

	₺	K
Land clearing amortization (per hectare)	30,000	: 00
Land clearing amortization (200hectare)	12,000,000	: 00

REVENUE

Yield per hectare 3tonnes@ ₺145000 per tonne

	₺	K		
Revenue per hectare	435,000	: 00		
For 200Ha	174,000,000	: 00		
Net revenue for 200Ha(without amortization)	67,038,300	: 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 land)				
Annual Net Revenue (1st + 2nd Cycle)	98,058,480	: 00		

Currency conversion rate:₺360.00 to 1USD

Funding Mechanism

ETAS STOCK will provide 200Ha of cleared farmland around the farm and lease it to members of the cooperative. The farm will also lease 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.

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