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Course: PHS212

ASSIGNMENT

Prepare a business plan on a chosen agricultural enterprise following the guideline in the note. Minimum of 5 pages. Times New Roman, size 12 with double line spacing

ANSWER

A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A SIX HUNDRED HECTARES TOBACCO PLANTATION AT FEDERAL UNIVERSITY OF PETROLEUM RESOURCES FARM, WARRI, DELTA STATE, NIGERIA BY SALEWA AGRIBUSINESS VENTURES AND CONSULTANCY CONFIDENTIALITY AGREEMENT

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: E.O.

Name: ERHUEN OSAIUKE

Date: 25th April, 2020

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Executive Summary/ Project Description

This business plan examines the feasibility of and indeed economic viability of the development of a 600 hectares tobacco plantation in Warri by Federal University of Petroleum Resources and their Farmer's Cooperative Society Limited. The farm will produce about 15,000tonnes of tobacco in a production cycle. 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 the North Central and North West with Benue State and Kaduna as the lead producers. Nigeria imports significant quantity of Tobacco 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 tobacco to be processed will be sourced locally through direct production, contract farming in Delta 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 sponsored by H.R.H. Alhaji Attahiru Mohammed Ahmad CON, Emir of Zamfara, Chancellor of Federal University of Petroleum Resources. H.R.H. Alhaji Attahiru is promoting the productivity of smallholder farmers in Warri through the H.R.H. Alhaji Attahiru Farmer's Cooperative Limited. The University has a Department of Agriculture and experts with many years of experience in the project being proposed. Salewa Agribusiness Ventures & Consultancy will be responsible for the management consultancy of the projects.

Management

The management will comprise 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 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 term 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 creation.

Technical Assistance

The university has working relationship with IITA (International Institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has mandate in tobacco production and processing and will provide technical assistance in this regard. The University also has a working relationship with BOA (Bank of Agriculture) and we are collaborating on Aare H.R.H. Alhaji Attahiru Annual Agric Expo where the chancellor appreciate Delta Farmers through monetary award to the best 5 farmers in each local government area of the 25 L.G.A In Delta State and the overall best farmer in the state. Bank of Agriculture has agreed to finance production of the

600hectares of soya through a loan at 9% interest rate (anchor borrower's scheme) given to the cooperative

The University has a working relationship with Delta State Government, Delta State Ministry of Agric, Farmers' Union, Agric Cooperatives and individual farmers. The university will get technical support from this relationship in the area of production through contract farming or outgrower scheme.

The university 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, Obasanjo Farms Ltd, Animal Care, Amo Farms, Farm Support and others. The tobacco sludge will be sold to players in the paints and cosmetics industry.

Market and Sales

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

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

Users of Products: edible oil for human, soya cake for the livestock industry, soya sludge for paint and cosmetics industries in South East.

Competition analysis

Benue State alone produced 44% of national output between 1999 and 2017. Kaduna State followed with 27% of national output within the period. Taraba, Plateau, Kano, Niger and Katsina produced 6% and below in the period. The seven state mentioned above produced 94%

of national output within the period. The only places where significant production took place in South West, Nigeria was in Saki West L.G.A. in Oyo State and Akure North L.G.A in Ondo State. Based on this above analysis, competition in terms of production in South West, 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 tobacco derivatives in the Southern 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 tobacco) are technically feasible. On the soyabean 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 University 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 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 conform 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, and 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 6months preferably between November, 2019 to April, 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	400 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
Soy 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
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Pick up Truck	HILUX	2	30,000,000	: 00
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(D) Irrigation

Type	QTY	Model	USD	₦	K
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Hose Reel	1	140 – 440MT	28,186	1,0146,960	: 00
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Operating Cost

Working Capital		
	₦	K
Ploughing/Ha	15,000	00
Harrowing/Ha	10,000	00
Sub total	25,000	00
For 600 Ha	10,000,000	00
Mechanization and storage	105,000	00
For 600Ha	42,000,000	00
Input / Ha	91,825	00
For 600Ha	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 600Ha	9,400,000	00
Interest per hectare	22,079	25

For 600Ha	8,831,700	00
Total cost per hectare	245,325	00
Total cost for 600Ha	98,130,000	00
Loan principal and interest (cost per Hectare)	267,404	25
Total for 600Ha	106,961,700	00
Irrigation cost for 600Ha (excluding fixed cost)	24,018,120	00

Amortization

N K

Land clearing amortization (per hectare)	30,000	: 00
Land clearing amortization (600hectare)	12,000,000	: 00

REVENUE

Yield per hectare 3tonnes@ N145000 per tonne		
	N	K
Revenue per hectare	435,000	: 00
For 600Ha	174,000,000	: 00
Net revenue for 600Ha(without amortization)	67,038,300	: 00
Net revenue with amortization(600ha	55,038,300	: 00

clearing)	
2 nd Production Cycle	
Net revenue	43,020,180 : 00
Net revenue with amortization(400ha land)	
Annual Net Revenue (1 st + 2 nd Cycle)	98,058,480 : 00

Currency conversion rate: ₦360.00 to 1USD

Funding Mechanism

FUPRE will provide 600Ha of cleared farmland around the university and lease it to members of the cooperative. FUPRE 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.

