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DEPARTMENT: INTERNATIONAL RELATIONS AND  
DIPLOMACY

QUESTION: Prepare a business plan on chosen agricultural enterprises.

**A BUSINESS PLAN FOR THE DEVELOPMENT OF A TWO HUNDRED HECTARE  
COCOA PLANTATION AND ESTABLISHMENT OF 45 TONNES PER DAY  
CHOCOLATE EXTRACTION PLANT AT TOBI FARMS, IKEJA, LAGOS STATE BY  
AGRI-CORP LTD.**

1. EXECUTIVE SUMMARY

The business plan examines the feasibility and economic viability of the development of a 900-hectare Cocoa plantation at Tobi Farms and the establishment of a Chocolate extraction plant in IKEJA by Agro-Corp. The farm will produce about 2,400 tonnes in its production cycle. The Cocoa extraction plant will produce 5,400 tonnes of Cocoa into edible Chocolate, Cocoa extract for beverages companies such as Milo, Bournvita etc. There is high domestic demand for these products due to the large population and production constraints leading to shortage of the commodity. Production is currently popular in the South West with Lagos and Ogun state as the lead producers. Nigeria imports significantly amount of Cocoa and its derivatives to domestic shortages.

The proposed project will create economic opportunities, positively impact people and help conserve scarce foreign exchange. The entire Cocoa to be processed will be sourced locally through direct production, contract farming in Lagos and Ogun 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 satisfactorily returns for sponsors and investors.

## 2. SPONSORSHIP

The project is sponsored by Mr. Samuel Ayomide, CEO of Agro Vision. Mr. Samuel Ayomide is promoting the purchase of mechanized farming equipment and crop storage facilities and the productivity of smallholder farmers in Lagos state through the Lagos State Farmers' Association (L.S.F.A). The Company has a Resource department along with Experts with many years of experience in the project is being proposed. Agro-Corp Ventures and Consultancy will be responsible for the management consultancy of the projects.

## 3. MANAGEMENT

The management will comprise of a democratically elected Board of Directors at the apex of the Organization's structure. This will be made up of shareholders and members of the cooperative who have stakes 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 chief objective of the board will be to give strategic directions and policies which will ensure long-term success of the Organization. The board will ensure that the organization complies with all standards set by regulatory authorities.

The Managing Director shall be responsible for the co-ordination of day-to-day management of the cooperative business. He is accountable to the Board; he will mobilize the Organization's resources to achieve set goals. He will manage business risks and focus on wealth creation.

## 4. TECHNICAL ASSISTANCE

The farm has a working relationship with IITA (International institute of Tropical Agriculture, Ibadan) through an executed MOU. IITA has a mandate in Cocoa bean production and processing and will provide technical assistance in this regard. The Farm also has a working relationship with BOA (Bank of Agriculture) and is collaborating on Agro-Corp Annual Agric Expo where the farmers in Lagos state are appreciate by the company and its numerous sponsors through monetary awards to the best 3 Farmers in each of the Local government area of the 20 L.G.A in Lagos state and the Overall best Farmer in the state. Bank of Agriculture has agreed to finance production of the 900 hectares of Cocoa 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 Cocoa bean extraction equipment for the BOI (Bank of Industry) at the rate of 9%. The Cooperative will also seek grants from the United States 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 Farm has a working relationship with Lagos state government, Lagos state Ministry of Agriculture, Farmer's Union, Agric Cooperatives and Individual farmers. The Farm will get technical support from this relationship in the area through contract farming or out-grower scheme.

The Farm has working relationships and links to Industry players in the project area who will off take products through a purchase or sale agreement. They include; Flour Mill Nigeria ltd, Ota Farms ltd, Animal Care, Farm Support and others. The Chocolate and Cocoa Extract will be sold

through cooperatives and other distribution channels. The Cocoa Oil will be sold to cosmetic stores nationwide

## 5. MARKET SALES

Market Orientation: Domestic; South West Nigeria

Market Share: 5% niche market in South West Nigeria

Uses of Products: Edible chocolate for Human consumption, Cocoa extract for beverages, Cocoa oil for cosmetic stores in the South West.

## 6. COMPETITION ANALYSIS

Lagos state alone produced 55% of national output between 1999 and 2016. Ogun state followed with 38% of national output within the period. Based on this analysis, competition in terms of production in South West, Nigeria is non-existent compared to the demand for produce.

## 7. TARIFF & IMPORTATION RESTRICTION

Forex restriction on food importation and zero duty on imported agricultural equipment will favour the project under consideration.

## 8. MARKET POTENTIAL

There is a strong demand for Cocoa bean and its derivatives, especially in Southern part of Nigeria where most beverage-making factories are situated. The state of infrastructure still supports trade within Nigeria.

#### 9. PROFITABILITY

Biological, Chemical, Physical and Environmental factors such as weather, temperature, sunlight, soil condition, varieties of seed, pests, diseases, price fluctuations and other risks e.g. could affect yield and profitability. However, technical, scientific and financial based solutions will be employed to hedge risks and safeguard profit.

#### 10. TECHNICAL FEASEBILITY

The projects (production of Cocoa bean and chocolate and cocoa oil extract) are technically feasible. In terms of technology, which involves the crushing of cocoa beans and extraction of cocoa oil and chocolate extract, 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 is readily available and our experts have hand on experience on the usage and maintenance of the equipment.

On the Cocoa 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 Farm and generally in Lagos is adequate and suitable for the location of the firm for efficient production, processing and marketing. Raw materials will be produced and sourced locally.

We are implementing our project using the best international practices, sustainable production and due consideration for the environment. Although some form of deforestation will occur, the EIA (Environmental Impact Agency) report shows little or no damage to the environment as it relates to the issues of climate change. Organic fertilizer will be substituted for chemical fertilizer within three years of farm operations.

## 11. GOVERNMENT SUPPORT & REGULATION

The project conforms to the economic diversification objective of the Federal 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. The project will benefit from the favorable 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.

## 12. PROJECT TIMELINE

The project will be completed within 6 months preferably between December, 2019 to May 2020 because land clearing is mostly done in dry season.

### 12.1 Estimated Project Cost and Revenue

#### **Fixed Cost**

##### **(A) LAND CLEARING**

<b>ACTIVITY</b>	<b>QTY</b>	<b>₺</b>	<b>K</b>
Land Clearing	1Hectare	340,000	00
Cross cutting	1Hectare	40,000	00
Rome ploughing	1Hectare	60,000	00
<b>Sub total</b>	1Hectare	<b>440,000</b>	<b>00</b>
<b>Total</b>	200 Hectare	<b>396,000,000</b>	<b>00</b>

**(B) Equipment**

<b>Name</b>	<b>QTY</b>	<b>MODEL</b>	<b>USD</b>	<b>₺</b>	<b>K</b>
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
<b>Sub total</b>			<b>159,390</b>	<b>57,380,400</b>	<b>00</b>

**(C) Vehicle**



Type	Model	QTY	₱	K
Pick-up Truck	HILUX	10	30,000,000	00

**(D) Irrigation**

Type	USD	QTY	Model	₱	K
Hose reel	28,186	1	140-440MT	1,0146,960	00

**Operating Cost**

Working Capital		
	₱	K
Ploughing/Ha	135,000	00
Harrowing/Ha	90,000	00
Sub total	225,000	00
<b>For 200 Ha</b>	<b>202,500,000</b>	<b>00</b>
Mechanization and storage	105,000	00
<b>For 200Ha</b>	<b>42,000,000</b>	<b>00</b>

Input / Ha	91,825	00
<b>For 200Ha</b>	<b>36,730,000</b>	<b>00</b>
Area yield insurance	13,500	00
Produce aggregation	5,500	00
Geo Spatial Service	4,500	00
Sub total	23,500	00
<b>For 200Ha</b>	<b>9,400,000</b>	<b>00</b>
Interest per hectare	22,079	25
<b>For 200Ha</b>	<b>8,831,700</b>	<b>00</b>
Total cost per hectare	245,325	00
<b>Total cost for 200Ha</b>	<b>98,130,000</b>	<b>00</b>
Loan principal and interest (cost per Hectare)	267,404	25
<b>Total for 200Ha</b>	<b>106,961,700</b>	<b>00</b>
<b>Irrigation cost for 200Ha (excluding fixed cost)</b>	<b>24,018,120</b>	<b>00</b>

## Amortization

	₦	K
Land clearing amortization (per hectare)	30,000	00
Land clearing amortization (100hectare)	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
2 <sup>nd</sup> Production Cycle	
Net revenue	43,020,180      :        00
Net revenue with amortization(200Ha land)	

<b>Annual Net Revenue ( 1<sup>st</sup> + 2<sup>nd</sup> Cycle)</b>	<b>98,058,480 : 00</b>
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**Currency conversion rate: ₦360.00 to 1USD**

### 13. Funding Mechanism

Tobi Farms will provide 900Ha of cleared farmland around the university and lease it to members of the cooperative. Tobi Farms 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.

### 14. Conclusion

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