A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A FOUR HUNDRED HECTARES MAIZE PLANTATION AT THE FUTI YOLA FARM, YOLA, ADAMAWA STATE, NIGERIA.

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Upon request, this document is to be immediately returned to the promoters of the proposed business

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Date: 5TH MAY 2020

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Executive Summary

This business plan examines the feasibility of and indeed economic viability of the development of a 400hectares maize plantation. The farm will produce about 2,500tonnes of maize 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.

The proposed project will create economic opportunities, impact positively on the people and help conserve scarce foreign exchange. The entire maize to be processed will be sourced locally through direct production, contract farming in Adamawa 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 FUTI Yola University. FUTI Yola is promoting the productivity of smallholder farmers in Yola through the Adamawa Farmer's Cooperative Limited. The University has a Department of Agriculture and experts with many years of experience in the project being proposed.

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 a working relationship with BOA (Bank of Agriculture). Bank of Agriculture has agreed to finance production of the 400hectares of maize through a loan at 9% interest rate (anchor borrower's scheme) given to the cooperative

The university will fund the processing factory and access finance for the maize grinding 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 University 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 University has a working relationship with Adamawa State Government, Adamawa 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 out grower scheme.

The university has working relationships with and linkages to industry players in the project area who will off take 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 maize flour will be sold through cooperatives and other distribution channels.

Market and Sales

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

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

Users of Products: maize flour company.

Competition analysis

kano State alone produced 44% of national output between1999 and 2017. Kaduna State followed with 27% of national output within the period. Taraba, Plateau, Kano and katsina produced 6% and below in the period. The six states mentioned above produced 94% of national output within the period.

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 maize and maize derivatives in the northern 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. herdsmen and their cows 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 three cycles of production in a year.

Technical Feasibility

The projects (production of maize and maize flour are technically feasible. In terms of technology, which involves the crushing of maize, the industrial processes are simple with more than 20years experience is part of our team. The needed equipment for grinding the maize are readily available and our experts have hand on experience in the usage and maintenance of the equipment.

On the maize 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 Adamawa 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.

The major competitors in the North East is Zea mays L. FUTI Yola farms will target a market niche and penetrate through cooperative societies to make our brand popular. From our analysis, integration of production and processing will give us a competitive advantage.

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, 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 october, 2020 to April, 2021 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	300,000	00
Cross cutting	1Hectare	10,000	00

Rome ploughing	1Hectare	70,000	00
Sub total	1Hectare	**380,000**	**00**
Total	400 Hectare	**152,000,000**	**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**
Pick up Truck	**HILUX**	**2**	**30,000,000**	**: 00**

(D) Irrigation

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

Operating Cost

Working Capital		
	₦	**K**
Ploughing/Ha	25,000	00
Harrowing/Ha	15,000	00
Sub total	25,000	00
For 400 Ha	**15,000,000**	**00**
Mechanization and storage	150,000	00
For 400Ha	**42,000,000**	**00**
Input / Ha	91,825	00
For 400Ha	**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 400Ha	**9,400,000**	**00**
Interest per hectare	22,079	25
For 400Ha	**8,831,700**	**00**
Total cost per hectare	245,325	00
Total cost for 400Ha	**98,130,000**	**00**
Loan principal and interest (cost per Hectare)	267,404	25
Total for 400Ha	**256,961,700**	**00**
Irrigation cost for 400Ha (excluding fixed cost)	**24,018,120**	**00**

Amortization

	₦ K
Land clearing amortization (per hectare)	**40,000 : 00**
Land clearing amortization (400hectare)	**16,000,000 : 00**

REVENUE

Yield per hectare 3tonnes@ ₦145000 per tonne	
	₦ K
Revenue per hectare	**435,000 : 00**
For 400Ha	**174,000,000 : 00**
Net revenue for 400Ha(without amortization)	**67,038,300 : 00**
Net revenue with amortization(400ha clearing)	**75,038,300 : 00**
2nd Production Cycle	
Net revenue	**43,020,180 : 00**
Net revenue with amortization(400ha land)	
Annual Net Revenue (1st + 2nd + 3rd Cycle)	**152,058,480 : 00**

Currency conversion rate:₦380.00 to 1USD

Funding Mechanism

FUTI Yola will provide 400Ha of cleared farmland around the university and lease it to members of the cooperative. FUTI Yola will also lease 6,000MT capacity silo as equity

contribution. Equity investor to provide equity for equipment and vehicles purchase and 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.