

NAME: UDONSI VICTOR

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A FEASIBILITY REPORT / BUSINESS PLAN FOR THE DEVELOPMENT OF A FISH AND SEAFOOD AQUACULTURE INDUSTRY AND ESTABLISHMENT OF 150 BARRELS PER DAY CAPACITY FISH OIL EXTRACTION PLANT AT UDONSI VICTOR FISH AND SEAFOOD AQUACULTURE, LLC PORT HARCOURT, RIVERS STATE, NIGERIA BY DREAMWORLD AGRIBUSINESS VENTURES AND CONSULTANCY CONFIDENTIALITY AGREEMENT

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Executive Summary/ Project Description

This business plan examines the feasibility of and indeed economic viability of the development of a fish and seafood aquaculture and the establishment of a fish oil extraction plant in Port Harcourt by Udonsi Victor and Udonsi Victor Fish and Seafood aquaculture, LL. The farm will produce 15 different species of fish in a production cycle. The fish oil extraction plant will extract about 150 barrels of fish oil. 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 soya beans 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 fishes to be bred will be sourced locally through direct production, contract farming in Rivers 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 Dr Fidelis Michael, a legal luminary and founder of Goodwill Fishery LTD. Udonsi Victor is promoting the productivity of smallholder farmers in Port Harcourt through the Udonsi Victor Farmer's Cooperative Limited. The Cooperation has experts with many years of experience in the project being proposed. Dreamworld 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 Cooperation has working relationship with SVIA (St Vincent Institute of Agriculture, Ibadan) through an executed MOU. SVIA has mandate in fish production and processing and will provide technical assistance in this regard. The Cooperation also has a working relationship with BOA (Bank of Agriculture) and we are collaborating on Udonsi Victor Annual Agric Expo where the founder appreciate Rivers State Farmers through monetary award to the best 3 farmers in each local government area of Rivers State and the overall best farmer in the state. Bank of Agriculture has agreed to finance breeding of the 15 different species of fish through a loan at 9% interest rate (anchor borrower's scheme) given to the cooperative

The Cooperation will fund the processing factory and access finance for the fish oil extraction process from BOI (Bank of Industry) at the rate of 9% . The cooperation will also seek grant from United State Africa Development Foundation(USADF). The Cooperation 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 Cooperation has a working relationship with Rivers State Government, Rivers State Ministry of Agric, Farmers' Union, Agric Cooperatives and individual farmers. The Cooperation will get technical support from this

relationship in the area of production through contract farming or out grower scheme.

The Cooperation 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 fish oil and seafood will be sold through cooperatives and other distribution channels.

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, seafood for the food and restaurant industry.

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 states mentioned above produced 94% of national output within the period. The only places where significant production took place in South South, Nigeria was in Abi L.G.A. in Cross River State and Ekeremor L.G.A. in Bayelsa State. Based on this above analysis, competition in terms of production in South South, Nigeria is non-existent compared 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 fish and fish 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 (breeding of fishes and fish oil extraction) are technically feasible. In terms of technology, which involves the extraction of oil, the industrial processes are simple and a specialist in oil extraction with more than 20years experience is part of our team. The needed equipment for oil extraction are readily available and our experts have hand on experience in the usage and maintenance of the equipment.

On the fish breeding, 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 in Port Harcourt 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 South South are KRIS LUCI FISHERY and ADAMS SEAWORLD with the Kris Luci fish oil brand and Executive Chef brand. Kris Luci produces about 14 barrels of fish oil per day in Cross River While ADAMS SEAWORLD produces about 13 barrels of fish oil per day in Bayelsa, UDONSI VICTOR FISH AND SEAFOOD AQUACULTURE, LLC 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.

Government Support and Regulation

The project conforms 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 6 months preferably between May, 2019 to November, 2020.

Estimated Project Costs and Revenue

Construction cost estimate for this 400 m² paddy pond is obtained as follows:

Item	Unit	Number of units	Cost per unit (US\$)	Cost of item (US\$)
Site clearing	m ²	400	0.25	100.00
Top soil removal/storage (0.20 m)	m ³	80	2.50	200.00
Earthwork				
• pond dikes (80 m x 2.50 m ²)	m ³	200	1.60	320.00
• feeder canal (50 m x 0.10 m ²)	m ³	5	1.60	8.00
• drainage canal (20 m x 0.10 m ²)	m ³	2	1.60	3.20
• transport on 5 m average	m ³ -m	1000	0.0012	1.20
• compaction	m ³	200	1.00	200.00

• finishing: forming/planting	m ²	160	0.50	80.00
Monk tower structure	m ³	0.34	103.40	35.16
Monk pipeline	m	5	1.70	8.50
Inlet pipe	m	1	1.40	1.40
Construction cost of pond				957.46
Contingencies (approx. 10%)				95.75
Total cost estimate				1053.21

Currency Conversion rate: ₦360.00 to 1USD

Funding Mechanism

UDONSI VICTOR FISH AND SEAFOOD AQUACULTURE, LLC will provide 400Ha of cleared farmland around the site and lease it to members of the cooperative. UDONSI VICTOR, LLC will also lease 6,000MT capacity barrels 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.

