

UNIVERSITY OF NIGERIA, NSUKKA

FACULTY OF THE SOCIAL SCIENCE

**DEPARTMENT OF PUBLIC ADMINISTRATION AND
LOCAL GOVERNMENT**

**TOPIC:
A FEASIBILITY STUDY ON THE PROPOSED PROJECT
OF CORNFLAKES PRODUCTION**

**BUSINESS PLAN OF CORNFLAKES PRODUCTION
WRITTEN IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE COURSE: CEDR 342
(BUSINESS DEVELOPMENT AND MANAGEMENT)**

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2015.204190**

LECTURER: DR. (MRS.) NWAOGA, T.C.

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PART ONE

1.10 EXECUTIVE SUMMARY

1.11 The following report and recommendations relate to the proposal by Jackson

Cornflakes Enterprise to establish a cornflakes production business precisely.

1.12 Jackson Cornflakes Enterprise is not yet legal binding.

1.13 The proposed project will be located at No 20 University, road, Nsukka, Enugu

State

1.14 Tel.: 08038470813 E-mail segwuma@gmail.com

1.15 This business is mainly production business.

1.16 A. The business entails the production of cornflakes

B. The customers of this proposed business would be both families and single

especially students who use cornflake products

Egwuma Samson Ojiakor Owner

1.17 This business is creating job for more than five people.

1.18 The proposed project is to be fully implemented with an investment of

start-up capital of N 950,000. Made up of N600,000 fixed capital and

N350,000, working capital.

1.19 The start-up capital needed for this business is N950,000, N300,000 would be

contributed by the owner and N650,000 collected from the bank as a loan.

1.110 The profitability indicators as extracted from the projections embodied in this

plan are as follows

Indicators	Year 1	Year 2	Year 3
Turnover	2,697,000	2,966,700	3,263,370
Net operating profit	152,000	214,700	281,670
Return on equity	50.7	71.6	93.9

or owner's control			
Return on total investment	16	22.6	29.7

PART TWO

2.10 GENERAL INTRODUCTION

2.11 Background

Nigerian agriculture is characterized by considerable regional and crop diversity. Analysis of this sector, particularly the food sub-sector is fraught with serious data problems. However, the available statistics provide a broad overview of development in agriculture upon which we can make some broad generalizations about its role in economic development and structural change in Nigeria.

In the 1960s, the agricultural sector was the most important in terms of contributions to domestic production, employment and foreign exchange earnings. The situation remained almost the same three decades later with the exception that it is no longer the principal foreign exchange earner, a role now being played by oil.

The sector remained stagnant during the oil boom decades of the 1970s, and this accounted largely for the declining share of its contributions. The trend in the share of agriculture in the GDP show a substantial variation and long-term decline from 60% in the early 1960s through 48.8% in the 1970s and 22% in the 1980s. Unstable and often inappropriate economic policies (of pricing trade and exchange

rate), the relative neglect of the sector and the negative impact of oil boom were also important factors responsible for the decline in its contributions.

On its diversity, Nigerian agriculture features tree and food crops, forestry, livestock and fisheries. In 1993 at 1984 constant factor cost, crops (major source of food) accounted for about 30% of the Gross Domestic Products (GDP), livestock about 5%, forestry and wildlife about 1.3% and fisheries accounted about 1.2%.

One of the food crops grown in Nigeria is maize. Nigeria has an annual maize production in excess of 1 million metric tons and ranges as the ten largest producers in the world and this study examines the investment opportunity in establishing cornflakes production plant in Nigeria.

The project profile is the production of cornflakes in small-scale in Nigeria. The project can be planned to produce a minimum of 5 tons of packed cornflakes for 275 days in a year in a single or double shifts operating at 70 percent capacity and then at 80 percent in the second year and at 90 percent in the third year.

Currently, cornflakes are consumed by a proportion of middle and upper income groups of the urban Nigerian population. Statistics revealed a high demand for cornflakes is increasing in Nigeria.

2.12 Vision Statement

Our vision is to see a situation where this business is known to every part of the state in Nigeria and even outside. We want to produce cornflake products large

enough for exports. Our main purpose will be producing high quality cornflake meal at a great value.

2.13 Mission Statement

Our main goal is to be one of the most successful cornflakes production firms in Nigeria and Africa at large.

2.14 The Company

The name of this company is Jackson Cornflake Enterprises. It has not yet been registered as a company.

2.15 Products and Service Offered

The product of the business cornflake products of different sizes.

2.16 Legal Form and Ownership of the Enterprise

This business belongs to Egwuma Samson Ojiakor. The business is yet to be registered.

2.17 Location of the Business

The business shall be located at No 20 University Road Nsukka, Enugu State. This is because of the availability of some factors that can aid the growth of the business such as large market, cheap labour, cheap materials and power supply, cheap transportation and communication system.

2.18 Business Strategy

As well trained entrepreneurs, we are going to employ the following strategies;

- (i) Price penetration strategy
- (ii) A very good customer service
- (iii) We will deliver our goods to our customers, free of charge.

2.19 Key Success Factor

We will employ the following factors:

- (i) We will be dedicated, focused and committed to the day to day running of the business.
- (ii) Employment of skilled personnel to ensure qualitative and quantitative, effective and efficient production and delivery of goods and services
- (iii) Bulk buying of necessary materials like knitting bags, point protector, row counters, stitch markers, tape measure, scissors, needle gauge, among others.
- (iv) A functional generator to supplement and maintain constant power supply.
- (v) Constant motivation of our workforce through incentives to ensure continued commitment.

PART THREE

THE MARKET

3.10 Nature, Location, size and Attribute Analysis

Bead making business is an extensive one. cornflake products are in high demand because is of its great importance among women and students. Since the business shall be located in Nsukka, Enugu State, We are looking at a population of 1 million people because it's an urban area and University town. It's going to be lucrative. The consumers' taste about Cornflakes products is very high in this region so, selling these products won't be a problem.

3.11 Key Competitors and Competitive Advantage

a. Direct Competition

Competitor	Strengths	Weakness	Other attributes

c. COMPETITION EDGE

A lot of factors are in favour of our firm. They are:

- (i) Availability of knitting materials at cheap rate
- (ii) Cheap labour
- (iii) Constant power supply
- (iv) Skillful and committed workforce.

3.12 SWOT Analysis of the Business Idea Include:

1. Strengths:

- i. **Huge Demand:** The demand for the products will be high and this would puzzle the management of the industry to produce more which would make the industry very strong in production.
- ii. **Availability of Raw Materials:** Since the major raw materials for production of cornflakes are local made, the availability of the raw materials will be high.
- iii. **Simplicity of Idea:** The ideal for starting the industry is sterner from its simplicity and consumed by large percentage of the population. And this would make the customers to understand the style adopted by the management.
- iv. **Easy to acquire technical skill and management:** The technical skills needed for the production of cornflakes is easy because basic education can be qualification for it. Also management quality of the business is obtainable everywhere.

2. Weaknesses:

The weakness of the industry includes:

- i. **Considerable Competition:** Due to the huge demand for the product and its availability, the productive will be highly competitive and this is one of the weaknesses to the product.
- ii. **Production Process is Strenuous:** The production process of the business is strenuous because it require series of steps before the final product is produced.

- iii. **Perishability of the Product:** The only point the product could be perishable is when adequate storage facilities for the business. Whenever the product is fried, it will guarantee proper preservation.

3. Opportunities:

- i. **Funding:** Due to the high demand for the business and its platability, financial institutions will easily grant loans for the management of the industry.
- ii. **Environment:** conducive environment will be granted to the industry by the local government authority through construction of assessable roads, provision of electricity, creation of market for the product and extension of rural electrification to the area.

4. Threats:

- i. **Down-turn in Economy:** The current global economic meltdown, the economy will not be impressive and this affect the paying back of the borrowed money they had promised to payback.

PART FOUR

4.10 Marketing Plan

4.11 Marketing Segmentation

This product is targeted towards mainly the urban dwellers because of the location. This is because their taste for knitted fabrics is high. We shall also target the rural dwellers, especially the Royal sect of the rural settings.

4.12 Target Market

Our knitted products are targeted towards affluent elites especially classic men and women in Enugu and Enugu State at large. We also target Royal houses, chief, Kingmakers, among others.

4.13 Description of the Edge of Product or Product range of service

Products/Service	1	2
Denomination/Product line	Cornflakes products in bags	
Specification (i.e size, colour and quality)	Big, medium, small bags	
Packaging	Attractive containers for packaging	
After sales service	Delivery at door step	

4.14 Market Positioning Strategy

The business is going to offer a wide range of products and services with quality guaranteed. Our Cornflakes are superior and they take cognizance of our consumers' taste needs as well. This strategy will make us stand out among our competitors because we would be the only one providing such vital services.

4.15 Marketing Mix Implementation Tools

Our branding we be so unique and draws the attention of consumers. Our price will also be affordable and goods delivered personally.

4.16 Channel of Distribution

Our chain of distribution shall be in two ways. First is as wholesalers and two as individuals. We shall sell to individuals and as time goes on, we sell in wholesale still maintaining the individual status.

The reason for using this chain of distribution is to meet customers individually by creating a cordial relationship with them and by selling in wholesale to meet up with competition and to increase sales.

4.17 Start-up Promotion

Jackson Cornflakes Enterprises is a fairly new business hence there is need for awareness. This awareness would be done through radio jingles, pages on networking websites such as twitter, whatsapp and facebook, handbills, fliers, posters, banners and billboards will also be employed. Also it will be through church announcement, ceremonies, among others.

4.18 Alliances

“We don’t plan any form of alliance, until our business is established and grounded”.

PART 5

TECHNICAL ANALYSIS

5.00 Production Plan

5.11 The Project

The project is a medium scale business which will entails many hands in executing and achieving the enterprise’s goals. The business is also labour-intensive.

5.12 Technology

“As starters, we are going to employ manual technology but as the business grows, We will mechanize the process.”

5.13 Quality Assurance and Standardization

Our business is going to observe all quality control measures as approved by government agency. Products shall be properly checked and certified before being delivered to the customers.

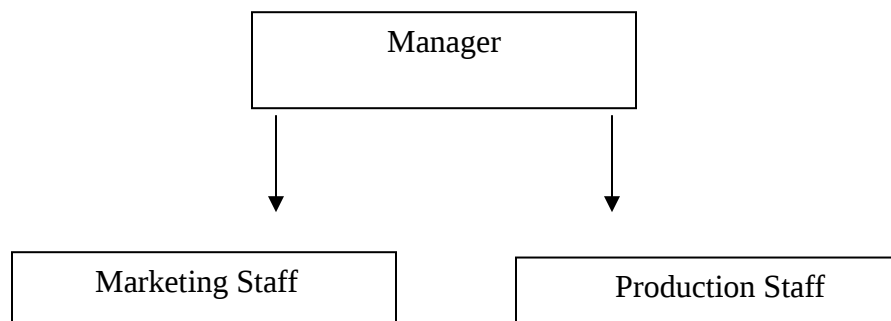
5.14 Management and Organizational Structure

The key promoter is Egwuma Samson Ojiakor

5.15 Management Team

The management team is made up of the owner who is also the manager, two production staff and two marketing staff.

5.16 Organisational Structure



5.17 The Personnel Plan (Staffing and Salary Structure)

	Position	Salary	Yearly salary
1	Manager	N15,000	N180,000
2	Production staff 1	N10,000	N120,000
3	Production staff 11	N10,000	N120,000
4	Marketing staff 1	N8,000	N96,000
5	Marketing staff 11	N8,000	N96,000

5.18 External Support

We intend to have supports from the Entrepreneurship Development Center (EDC) who shall continue to guide this business unto growth.

5.19 Organization's Values and Norms

- (a) To strive to conduct the business within the ambit of government regulations.
- (b) To strive to do the best for the customers
- (c) To produce quality goods and services delivery that will generate value to the end users
- (d) To see our employees as our most valuable assets
- (e) To be socially and economically responsible to our community.

PART SIX

6.10 LEGAL, REGULATORY, SOCIAL AND ENVIRONMENTAL ISSUES

6.11 Legal Issues

The business shall be called Jackson Cornflakes Enterprises

6.12 Regulatory Issues

There is no stringent regulation as regards to Cornflake production in the country. However, if discovered, any regulatory policy that is hoped to help the business operation will be observed strictly.

6.13 Social Issues

Social issues of this project are as follows:

- Creation of employment
- Advancement of wealth creation and poverty reduction in line with the millennium development goals

6.14 Environmental Issues

Proper environmental care will be ensured through constant disposal of waste generated from the production materials. This is to maintain a healthy atmosphere for the inhabitant of the immediate environment.

PART SEVEN

7.10 FINANCIAL PLAN

7.11 Project Cost

The proposed project is to be fully established with an investment of nine hundred and fifty thousand naira (N 950,000). The project is broken down into N600,000, fixed capital and N350,000, working capital.

BREAK DOWN OF FIXED CAPITAL

Rent	N200,000
Vehicle	N200,000
Furniture and fittings	N30,000
Generator set (1)	N50,000
G.P Tank (1)	N100,000
Miscellaneous	N20,000
Total fixed capital	N600,000

BREAKDOWN OF WORKING CAPITAL

Cornflakes Materials	N100,000 (on an interval purchase of 4 months)
Milling Machine	N150,000
Petrol	N100,000
Total working capital	N350,000
Total project cost	N950,000

7.12 Funding Plan and Statement

THE TOTAL PROJECT COST IS PLANNED TO BE FUNDED AS FOLLOWS:

Owners contribution	N300,000
Loan capital	N650,000
Total N950,000	

7.13 Funding Requirement

The funding requirement of this project is N650,000 since the promoter is committing N300,000

INTEREST AND LOAN REPAYMENT (AT 10% INTEREST)

Year	Principal	Repayment	Interest	Loan balance
1	600,000	200,000	60,000	N400,000
2	400,000	200,000	40,000	N200,000
3	200,000	200,000	20,000	-

DEPRECIATION

S/N	Asset item	Cost	Sctap value	Life span	Amount
1	Vehicle	N200,000	N95,000	10	10,500
2	Generator	N50,000	N20,000	10	3000
3	G.P.Tank	N30,000	N10,000	10	2000

N280,000

Total depreciation

N15,000

7.14 Projected Income Statement

Turn over	2016	2017	2018
Less operating expenses	2,697,000	2,966,700	3,263,370

Cornflakes materials	N100,000	N110,000	N121,000
Cornflake Machine	N150,000	N165,000	N181,500
Petrol	N100,000	N110,000	N 121,000
Salaries	N1,920,000	N2,112,000	N2,323,200
Rent	N200,000	N200,000	N200,000
Depreciation	N15,500	N15,500	N15,500
Interest on loan	N60,000	N40,000	N20,000
Total operating expenses	N2,545,000	N2,752,000	N2,981,700
Net operating profit	N152,000	N214,700	N281,670

7.15 Projected Cashflows Statement

CASH- INFLOWS	2016	2017	2018
Owner's contribution	300,000	-	-
Loan from bank	650,000	-	-
Revenue (sales)	2,697,000	2,966,700	3,263,370
Total cash	3,647,000	2,966,700	3,263,370

inflows (A)			
CASH OUT FLOWS			
Operating expenses (less depreciation & rents 2017 and 2018)	2,530,000	2,537,000	2,766,700
Loan repayment	200,000	200,000	200,000
Total cash outflow (b)	2,730,000	2,737,000	2,966,700
Net cash flows (A-B)	917,000	229,700	296,670
Opening CSH balance	-	917,000	1,008,700
Closing cash balance	917,000	1,008,700	1,109,570

7.16 Projected Balance Sheet

CAPITAL EMPLOYED	2016	2017	2018
Fixed asset	600,000	600,000	600,000
Less: depreciation	15,500	31,000	46,500
	584500	569000	553500
Current assets			
Balance at bank and in hand	917000	1,008,700	1,109,570
Prepayment (rent)	400,000	200,000	-
	1,317,000	1,208,700	1,109,570

Less: creditor (bank loan)	400,000	200,000	-
FINANCED BY			
Owner's capital	300,000	300,000	300,000
Retained profit	617,000	708,700	809,570
Owner's funds	917,000	1,008,700	1,109,570

7.17 Profitability Analysis

YEAR 1

$$(1) \text{ Owners contribution} = \frac{\text{operating profit} \times 100}{\text{Owners capital}} = \frac{152,000 \times 100}{300,000} = 50.7\%$$

$$(ii) \text{ Total investment} = \frac{\text{operatives profit} \times 100}{\text{Total project cost}} = \frac{152,000 \times 100}{950,000} = 16\%$$

YEAR 11

$$(i) \text{ Owner's contribution} = \frac{214,700 \times 100}{300,000} = 71.6\%$$

$$(ii) \text{ Total investment} = \frac{214,700 \times 100}{950,000} = 22.6\%$$

YEAR 111

$$(i) \text{ Total investment} = \frac{281670 \times 100}{300,000} = 93.9\%$$

$$(ii) \text{ Total investment} = \frac{281670 \times 100}{950,000} = 29.7\%$$

Indicators	2016	2017	2018
Turnover	(N) 2,697,000	2,966,700	3,263,370
Net operating profit (N)	152,000	214,700	281,670
Return on equity	50.7	71.6	93.9
Return on total investment	16	22.6	29.7

7.18 Break Even Point

$$\text{Formular of B.E.P} = \frac{FC}{I - Vc} \times S$$

Where FC=fixed cost

VC=variable cost

S=sales/turnover/revenue

I =constant

	FC	VC
Salary	1920 000	
Rent		
Loan interest	20,000	
Depreciation	15,500	
Fuel		100,000
Knitting machine		150,000
Knitting materials		100,000

Total	1,955,500	350000
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Applying the formular. $1,955,500 \frac{1-350000}{2,697000} = 1,955,500 \frac{1-0.130}{0.81}$

$$= \frac{1,955,500}{0.81}$$

$$= \text{N}224,770.1$$

PART EIGHT

8.10 Risk Analysis, Contingency Plan AND Exit Strategy

8.11 RISK ANALYSIS AND MITIGANTS

Below are risk analysis and mitigants peculiar to by business

S/N	IDENTIFIED RISK	MITIGANTS
1	Knitted fabrics could get torn while on transit	One of our production officer is an expert who helps to package knitted fabrics well for transit
2	Motor/car accidents or fire accidents	The services of a driver who is also a mechanic will be employed. Fire extinguishers will be placed in many places in the farm.
3	Epileptic power supply	The services of a stand by generator is applauded
4	Competition	High quality products shall continuously be provided and good customer care must be maintained.

8.12 Contingency Plan

The following are our business contingency

- (a) Price reduction: this will be used to stimulate demand.
- (b) Quality discounts: this will motivate customers to buy in large quantities
- (c) Demand stimulation effort showing awareness creation

- (d) Forming strong customer bonds and customer relationship management (CRM)
- (e) Effective customer care, satisfaction and retention

8.13 Exit Strategy

This business will generate enough cash flows to pay off the agency and interest as at when due to ensure a smooth exit of the investor from the business without resorting to litigation after this. The business will still have enough cash to continue its operations. The owner does not intend to exit rather; we will expand and diversify for long term survival and profitability.

PART NINE

9.10 Other Considerations, Conclusion and Recommendation

9.11 ECONOMIC JUSTIFICATION

This business is economically justifiable because it creates employment, wealth, leads to reduction in poverty and encourages value orientation and people's empowerment. It also provides materials for local industries and as well support and thus help to improve agricultural industries.

9.12 Commercial Viability

The result of our analysis shows that this project is commercially viable in the sense that it generates adequate cash flows and good profitability return or profit to pay off its indebtedness and still expand, diversify and achieve long term survival and profitability.

9.13 Conclusion and Recommendation

Based on the point of view of the analysis of our findings, the proposed project is found to be technically feasible, commercially viable, and economically desirable.

The project offers good investment benefit. We therefore, highly recommend it for funding and implementation.