

UNIVERSITY OF NIGERIA, NSUKKA

FACULTY OF AGRICULTURE

DEPARTMENT OF HOME SCIENCE, NUTRITION AND DIETETICS

**TOPIC
PALM OIL PRODUCTION**

**AN
ASSIGNMENT PREPARED IN PARTIAL FULLFILMENT FOR THE
REQUIREMENT OF THE COURSE (CED 342) BUSINESS
DEVELOPMENT AND MANAGEMENT.**

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CHAPTER ONE

EXECUTIVE SUMMARY

- 1.1** These report and recommendation relate to the proposed PALM OIL INDUSTRY which is a palm oil production factory.
- 1.2** The proposed will cost one million (1,500,000 naira) only to be fully flagged off. The amount consists of 1,200,000 fixed capital and 300,000 working capital.
- 1.3** The vision of the company is to meet the demand of the teeming population of palm oil users with quality product at affordable price.
- 1.4** The proposed project will be located at Enugu-Ezike in Nsukka in Enugu State.
- 1.5** A ready and reliable market exists for the business based on research and survey.
- 1.6** The financial projection shows a good level of liquidity and flexibility. The turnover of the project for the first, second and third years of operation are ₦8,500,000, 10,250,000 and 12,800,000 respectively while the net profit in that order are 3,500,500, 4,925,550, 5,100,600 and 3,750,400.

1.7The requirement for funding the business is N950 000 (Nine Hundred and fifty thousand) by the owner.

1.8The advantage of the company over other competitions are the owners knowledge on business acquired from centre for Entrepreneurship Development Research (CEDR) and her knowledge of Food Technology and Nutrition..

CHAPTER TWO

BACKGROUND

2.0 Introduction To the Planned Business:

The business is based on the production of palm Oil and packaging from palm fruit. It will be located in Enugwu- Ezike in Nsukka, Enugu State. This area is blessed with abundant palm trees with relatively very cheap labour and some basic amenities like good road, electricity and water etc. The area is also peaceful for any type of business.

2.1 Vision and Mission

Vision: To establish a firm that will be among the leading companies in the Agricultural industry of the World providing unseasonable raw materials for industries and quality product for domestic uses.

Mission: To satisfy every investor by the volume of return and prestige and to create employment for our citizens especially the youths.

2.2 Ownership of the Enterprise.

The enterprise is to be owned by all who have invested into it. It shared according to the volume of investment of every investor.

2.3. Legal Status (its Registration)

It will be registered as soon as the number of investors needed to meet the capital requirement is realized. Meanwhile a legal adviser may be guiding any commitment pending the time for full and proper registration with the corporate affairs commission.

2.4 Location of the Planned Business and Facilities.

It will be located at Enugu-Ezike in Nsukka, Enugu State. Facilities needed include land and a factory which house some machines for the processing of the palm fruit. A truck for carrying few materials to the factory and product to the market will also be needed. Then a borehole for source of water and stand by high power generator will be provided.

2.5 Products

They include palm and paraffin oil (major primary products).
The spent chaff and cracked nut (secondary products). Brooms, mats and local black soap (tertiary products).

2.6 Business Strategy

I will make use of price reduction, proper packaging, and wide range jingles advertisement and quality product to win my customers.

2.7 Revenue Base

Revenue is basically from investors or otherwise lending from commercial institutions. Otherwise lending from commercial institutions will be allowed.

CHAPTER THREE

MARKETING AND CLIENTS

3.0 Nature and Size

The demand for palm product in South East Nigeria and the whole of the country is much and has no limit for any entrepreneurs who venture into the business.

3.1 Target Customers

Palm oil is a household material and its allied product is widely accepted in many industries across the nation and beyond; such as soap and other cosmetic industry.

3.2 Key Competitors

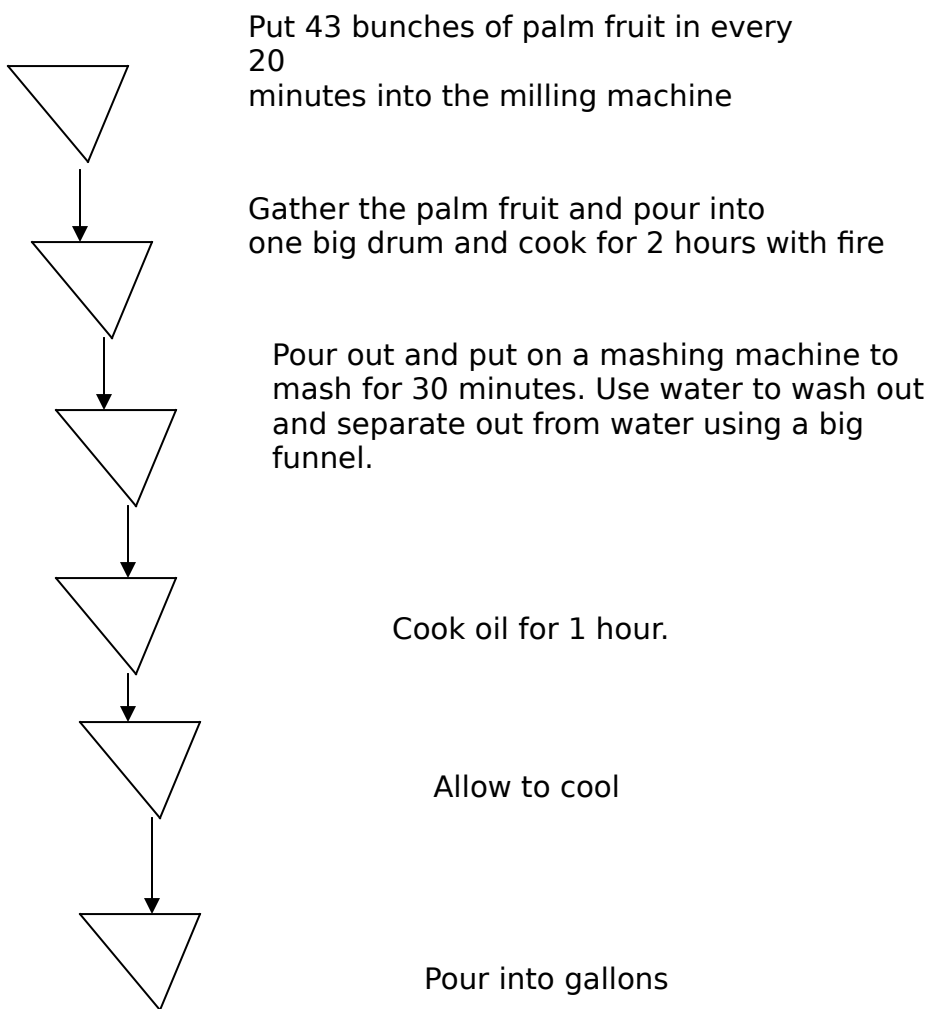
Around South Eastern Nigeria, the key competitors are mainly small scale palm oil producers in various villages and other Hoarders. Their unsteady activities in sales may affect the business but with my experience in CEDR, I believe I have an edge over them based on product packaging, advertising and other marketing strategies.

3.3 Proposed production plan for Palm Oil Industry.

Quantity of palm fruits	Duration	30 (litres no of gallons of oil produced	Unit price	Total turn over
40	Daily	4	3500	14,000
200	Weekly	50	3500	175,000
800	Monthly	200	3500	700.00
9600	Annually	2400	3500	840,000

The average of 85 palm fruit could be processed by machine in every 8 hours. The annual turnover is expected to increase by the rate of 10% in the succeeding year

3.4 PRODUCTION PROCESS



3.5 Service Delivery

As an under-graduate who have attended CEDR, I will employ all the tools of effective marketing to make my customers happy.

3.6 Quality Assurance

In operating Nature Palm Industry, I will employ my knowledge of quality control in foods to market ahead of any oil biology palm industry in quality, hygiene and packaging

3.7 Demand / Supply Analysis

Nigeria has a population of about 140,000,000 people and almost everybody cooks with palm oil. Our yearly output is estimated at 9600 gallons in the first year of production. And an average Nigeria home uses about 4 gallons of 20 litres palm oil yearly.

That means our oil will be available for only

$$\frac{9600}{4} \text{ gallons} = 2,400 \text{ families}$$

Families in a year which is far less than the 14,000,000 families distributed in 140,000,000 people.

Therefore the demand is even greater than the supply if such company is 1000 in Nigeria

2nd year turnover will increase by 10%

$$\frac{8,400,000}{1} \times \frac{10}{100} = 840,000$$

In 2nd year 8, 400,000 + 840, 000 = 9,240,000

In 3rd year $\frac{9240000}{1} \times \frac{10}{100} = 9240000 + 9244,000$
 $= 10164000.$

3.8 Technology

Technology is based on locally fabricated machines which are easy to fix and repair. With time, foreign ones will be purchased for efficiency.

3.9 Competitive Edge

With my experience as a graduate of Food Technology and an undergraduate of Human Nutrition and Dietetics and my experience in CEDR I can make the best palm oil there is after been tested ,tried and proven,I think I will give my competitors a run for their money.

CHAPTER FOUR

MARKETING PLAN

4.0 Promotion Strategy

Promotion will be done annually especially during festive seasons to encourage existing customers and attract new ones. It could be in form of a draw or a slash in price.

4.1 Marketing Strategy:

Through promotion and advertisement, I export the business to attract more customers. Also good customer care service with functional customers care line will be available to attend to the complaints of customers.

4.2 Marketing Positioning:

By launching product in the market and maintaining the quality intend to give this business a home favorite name in the industry.

CHAPTER FIVE

MAINTENANCE, ORGANIZATION AND OWNERSHIP

5.0 Share Holders / Directors:

The investors shall be considered share holders of the company and directors but the managing directors will be the initiators of the idea who are part of the share holders. But the highest shareholder will be the chairman of the company. Other directors in the various department of the company shall be by employment which must be properly advertised and the rest selected.

The chairman shall lead the board of directors which are made up of shareholders and the various directors and shall regulate them and democratically and diplomatically make a decision in all meetings.

The managing director shall work for the best of the Company working firmly in line with the decisions and idea of the board of directors though can make decision where necessary for the smooth running of the company.

5.1 External Support

Loan may be collected from commercial institutions where the board of directors consider important from the advice of the managing director.

5.2 Personnel Plan

Organize fund structure: It ranges in descending order from Chairman, Managing Directors, Directors, Staff (according to year or promotion). The number of employees will depend on the expensive of the business but for starting up the business will have the followings:

S/NO	POSITION	NO	NO PER MONTH	PER ANNUM
1	Owner	1	80,000	960,000
2	Production manager	1	30,000	360,000
3	Marketing officer	1	30,000	360,000
4	Labourers	4	12,000	576,000
				N1,680,576

N.B The same in 2nd year

But in 3rd year of existence.

It will increase with 20,000 for the owner, 10,000 for others except laborer whose own will increase by ₦3,000

5.3 Value and Norm of the Enterprise:

The company shall operate with the good operating procedures (GOP) and the General manufacturing practice (GMP) which can be obtained in any part of the world.

CHAPTER SIX

LEGAL, ENVIRONMENTAL, SOCIAL AND REGULATORY ISSUES

6.0 Legal Issues

The business will be registered as a limited partnership. It will also have a trade mark and will be known by the business name.

6.1 Environmental issues:

Most of the product of palm oil production and paraffin oil production are used for various needs such as livestock feed and fuel. Those used for fuel are Bio – fuels. It will not cause any harm in our environmental.

6.2 Social Issues:

The business will provide jobs for many citizens. It will continue to employ more graduates as it grows speedily. This will help reduce the rate of unemployment drastically. The duties and tax to be generated from the business will act as a revenue and foreign exchange earner to the government. It will also favour the country's balance of payment.

6.3 Regulatory Issues.

The rules and regulations as stipulated in the company's rules and the industries and environment act of the country will be strictly adhered to. Anybody who tries to violate that will face some stipulated punishment which may include less of job or ownership.

CHAPTER SEVEN

RISK ANALYSIS, CONTINGENCY PLAN, AND STRATEGY

7.0 Risk Analysis

The business is likely to face shortage of raw materials supply as a result of seasonal trend or over supply of raw material which will lead to a drastic decrease in price. This problem will be dealt with by harnessing the season of excess supply to produce as much palm oil as possible. This could be stored and gradually be distributed evenly to maintain constancy in product supply to the market. Palm nut will be channeled to producing paraffin oil.

7.1 Social Analysis

SWOT is an Acronym for strength, weakness, opportunity and threats.

The strengths of the business is the fact that it is always at high demand and poses no threat to the environment but its weakness is that it is seasonal in raw material supply and it may be difficult to convince people to buy on mechanically produced palm oil for cooking many preferred ones made through the old fashioned method.

The opportunities of the business are much for a country with such a large population. All I need is hard work and creativity to make it through the business.

The threat to the business remains its weakness as listed above.

7.2 **Exist Strategy**

In case of problem, it is easy to sell off the factory and its components and pay off.

CHAPTER EIGHT

FINANCIAL PLAN FOR NATURE PALM INDUSTRY

The proposed cost of the profits full implementation is two million naira (N2, 000,000) only. The project is detailed into fixed capital and working capital.

8.0 Break Down of Fixed Capital

Structure (Building)	= #5000,000
Well	= #70,000
Pumping Machine	= #20,000
Machine	= #2000,000
Iron drums	= #30,000
Total	= #820,000

Break Down of Working Capital

Fire wood	= #20,000
Palm fruits	= #100,000
Payment and miscellaneous	= #60,000
Total	= #180,000

8.1 Funding Plan or structure

The funding is owner's contribution of 3000,000 and agency loan (CBN) or any financial institution of 700, 000.

8.2 Projected Income Statement of Nature Palm Industry

	2010	2011	2012
	N	N	N
Turnover	8,400,000	9240000	10,164000
Cost of sales	216,000	2376,000	2,613,000
Gross profit	6240,000	6864000	7550400

8.2 Operation Expenses

Salary and allowances	1680570,	1650570,	2880,000
Electricity	50,000,	60,000,	60,000
Transport	300,00	300,00	300,00
Loan interest	70,000	30,000	0.000
Depreciation	100,000	30,000,	40,000
Telephone/postage	30,000	30,000	40,000
Advert	15,000	40,000	70,000
Fuel	100,000	100,000	150,000
Total expenses	2,246,570	2,341,570	3,800,000
Net profit	3993430	4522430	3750400

8.3 Depreciation Schedule

Item	Cost	Scale value	Depreciation	Time	Annual
Structure	500,000	50,000	450,000	10 years	45000
Pumping machine	20,000	2,000	18,000	3 years	6,000
Operating machine	200,000	50,000	150,000	5 years	30,000
Runs	30,000	5,000	25,000	5 years	5,000

8.5 Nature Palm Industry profitability Analysis

Year 1 Return on owners contribution (Equity)

$$\frac{\text{Net profit}}{\text{Owners contributions}} \times \frac{100}{1} = \frac{3993430}{300,000} \times \frac{100}{1} = 1331.1\%$$

$$\text{Return on total investment} \frac{3993430}{1,000,000} \times \frac{100}{1} = 399.3\%$$

2nd year

Return on owners contribution (equity)

$$\frac{4522430}{300000} \times \frac{100}{1} = 1507.5\%$$

Return on total investment

$$\frac{4522430}{1000000} \times \frac{100}{1} = 452.2\%$$

3rd year

Return on owner's contribution (Equity)

$$\frac{3750,4000}{1000000} \times \frac{100}{1} = 1250.1\%$$

8.6 Nature Palm Industry

Production Cash Flow Statement

	Year one	Year two	Year three
Cash in flow			
Owners contribution	3000,000	-	-
Agency loan (CBN) or any	700,000	-	-

investor			
Total sales (turn over)	2,160,000	2,376,000	7,550,400
A total cash	3,160,000	2,376,000	7550,400

Inflow			
Cash out flows	Year one	Year two	Year three
Fixed asset acquisition	820,000	-	-
Cost of sales	2,160,00	2,376,000	2,613,600
Operating expenses (less depreciation)			-

8.7 Nature Palm Industry projected balance sheet.

Capital employed	Year one	Year two	Year three
Fixed asset (cost)	820,000	820,000	820,000
Less depreciation	643,000	1,286,000	2,572,000
Net book value	177000	466000	-1752000

CHAPTER NINE

OTHER CONSIDERATION AND CONCLUSION

9.0 Conclusion:

In terms of economic justification, the project offers a very appealing benefit to the agricultural industry. The country's economy and the society at large are through its income generation product availability, quality assurance, employment creation and revenue generation. This business is another oil well, gold mine or diamond mine for prospective investors as it has anything to make one make whatever he invested in many folds even without any technical contribution.

Therefore, I recommend everybody who likes self and general development to invest in this enterprise and I assure you it will yield more than you ever expected.

9.1 Commercial Viability

In terms of profit, it will not take more than a year to release any investment on the business. It has a very wide and accepted market.

Appendix: Organogram