

**UNIVERSITY OF NIGERIA, NSUKKA**

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GOVERNMENT**

**TOPIC:  
RICE PRODUCTION**

***A BUSINESS PLAN***

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# **OLYE RICE PRODUCTION BUSINESS**

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## CHAPTER ONE

### 1.0 Executive Summary

1.1 The following report and recommendation relate to the proposal by Emma Enterprises to establish a rice production business at Hill-Top, Nsukka, Enugu State.

1.2 The project would require a start-up capital of ₦28,760 made up of ₦2170 for fixed assets and ₦7060 for working capital

1.3 The enterprises vision is to be the most productive rice producing business in Nsukka Local Government Area of Enugu.

1.4 The project will be located at Hill-Top because of its easy access to target market (University of Nigeria, Nsukka) from that location.

1.5 A huge market is available for the business to serve.

1.6 The financial projections show that the project would be financially stable and liquid by the time it begins. The sales figures stand at ₦1,780 for year 1, year 2, and year 3 respectively. Also the profits after tax are: (₦858), ₦2096 and ₦2,650 for year, 1, year 2, and year 3 respectively.

From the point of view of the analysis of our findings, the proposed project is found to be technically feasible, financially viable, and economically desirable. Thus, the project offers good investment benefits and is therefore highly recommended for implementation.

## **CHAPTER TWO**

### **2.0 Introduction**

The planned Emma Rice Production Business is the result of strong industry and needs assessment studies undertaken in University of Nigeria, Nsukka Eastern Zone of Nigeria, particularly Enugu by the promoters of this project. The studies reveal that there is high demand for rice while there are few establishments to meet this demand.

### **2.1 Vision**

To be the most outstanding producer of all kinds of rice in South East of Nigeria, particularly University of Nigeria, Nsukka in Enugu State.

### **2.2 Mission**

To market all kinds of rice, using the best marketing strategies bearing customers needs and wants (satisfaction) at heart.

### **2.3 Key success factors**

The key success factors are:

- a. The use of the most durable and reliable machines in producing the rice.
- b. The main promoter has undergone training in entrepreneurship
- c. Existence of reliable market outlets.

### **2.4 Inherent Risk**

1. Fear of power failure.

2. Will the implementation of this project attract more entrants to the business to compete with?
3. The plans to use reliable mitigates of checkmate these identified risks.

## **2.5 Business Ownership**

The business is a sole proprietorship wholly owned and managed by Emma Enterprises.

## **2.6 Locational Factors**

The food and hotel business is located at Hill-Top Nsukka. What formed the choices of this location are:

1. Its existence in the markets in Nsukka will make it easy to access open air environment for display
2. Availability of little competition so as to improve
3. Existence and ease of market access.
4. Availability of and reliable customers (target market)

## **2.7 Available Market**

Information from survey shows that about 80% of Nsukka prefer eating locally produced rice.



## **CHAPTER THREE**

Emma Rice Production Business will provide the following products:

- Delicious local rice
- Other types of rice

### **3.1 Product Description**

This will include all kinds of rice

### **3.2 Costing**

The costing of the products of the Business is mainly built around two major cost items, they are:

- i. Buying of the equipments as it includes transportation
- ii. Improving their quality

### **3.3 Market Demand**

Emma Rice Production Business is located at Hill-Top in Nsukka which is within the corners of University of Nigeria, Nsukka.

### **3.4 Projected Annual Demand of Target Market in Nsukka and its environs (2010- 2013)**

About 40 rice producing business centres were demanded yearly in Nsukka and its environments for the past 4 years. This figure is expected to grow with the growth in population. This, since population growth rate in the area hovers around 25% to 3.25 for about 5 years now, it seems rational to expect that the

demand for porkers will grow with at least a growth rate 1/2% for the next three years. (See table 3).

**Table 3: Projected Annual Demand for Food and Hotel Business in Nsukka and its environs (2010- 2013)**

<b>Adjustment</b>	<b>Demand – Supply Gap</b>
Estimated average annual demand	40600
Less 35% of supplies of existing rice producing business in the area	14210
Less 20% due to expansion of rice producing business and establishment of new ones	26390 5280
Less 5% estimate error	21110 1100
Estimated demand-supply gap anticipated annual establishment of rice producing business establishments	20010 500

However, the plan is to produce about 5 rice producing business yearly (the installed capacity). This represents about 2.5% of the total demand-supply gap of Rice Business. Thus, it is assumed that selling produce will not be a problem.

## **CHAPTER FOUR**

### **Market, Customers and Competitors**

#### **4.0 Market Analysis**

Emma Rice Production Business has an exciting business opportunity since there is a huge market for it in Nsukka and its environs. The increase in the population of potential and prospective buyers regarding the establishment of restaurants, hotels, canteens, e.t.c. in Nsukka.

#### **4.1 Customers/Market Segmentation**

The following are the classes of customers for Rice Production Business:

- a. Staffs and students of University of Nigeria Nsukka, who want to minimize expenses, but admire quality.
- b. Business men/women, who seek to satisfy their stomach with the best services.

## **CHAPTER FIVE**

### **5.0 Marketing Plan**

There are no major Rice Production Businesses in Nsukka area, hence there is complete absence of standard Rice Producing Business that can really put up commendable competition. Therefore, if Emma Rice Production Business commences operations as planned, it will be a market leader in no distant time.

### **5.1 Promotion Strategy**

Emma Rice Production Business will embark on an aggressive awareness campaign to enlighten staff and students of University of Nigeria, Nsukka of the existence of such business. This will make the demand for food to really increase. To do this, Emma Rice Production Business plans to use fliers, outreach, radio and also television programmes.

### **5.2 Marketing Strategy**

To maintain uniqueness and fast flow of buying and selling, Emma Rice Production Business will buy the normal equipments, and then use them to produce the rice.

Emma Rice Production Business will also sell with trade discounts and cash discounts thus to attract and maintain customers.

Faithful customers can buy on credit – as this can increase buying when demand is made, the products can be supplied to the customer's house/office.

Emma Rice Production Business will be giving free gifts to customers every month to make them feel motivated to buy more.

### 5.3 Market Positioning

Emma Rice Production Business will position itself as the prime-mover and market leader in the Food and Hotel Business in Nsukka and its environs. The business will create peculiar leading edge profile for itself. The under stated is how the firm will want to be seen by its customers, competitors and the general public.

- As a provider of the most tasty and delicious rice
- As a business that has the customers' interest, in the forms of quality, satisfaction, pricing and delivery, at heart
- As a trust worthy provider of consistent supplier of snacks of all kinds.

### 5.4 Projected Sales

	<b>Sales from Hotel Managers</b>	<b>Sales from Owners of Restaurants</b>	<b>Total Sales (₦)</b>
Year 1	83000	95000	178000
Year 2	290400	297000	587400
Year 3	319440	326700	646140

Note: To push sales, 2% discount is given to regular customers

## **CHAPTER SIX**

### **Technical Analysis, Management and Organization**

#### **6.0 Technical Analysis**

Bagging materials are cheaper in Ogige Market. Thus profit can be maximized if they are bought in bulk from there.

#### **6.1 Management and Organization**

As bags are cheaper in Ogige Market, the dishes will come to their best quality and can be appreciated by customers and consumers as it will satisfy their wants and profit will be maximized.

##### **6.1.1 Owner/Manager**

Emma Rice Production Business (TRPB) is a sole proprietorship. It is wholly owned by Emma Enterprises, who is the sole owner of the enterprise, she will manage the affairs of the enterprise. Emma Enterprise is a trained business educator and as such, has enough basic knowledge of financial management which she is expected to utilize in running the business.

To help in the day to day management of the business, some other good hands will be hired. The plan is that the hired hands will compliment Mr. Peter, especially in the area of technical know-how in buying. Table 7 shows the staff and management compliments of the Emma Enterprises.

**Table 7: Management and Labour Compliments**

S/N	Positions	No. of Staff	Annual Salary per Staff (₦)	Total (₦)
1	Proprietor	1	360,000	360,000
2	Firm Assistants	3	120,000	36,000
3	Typist/Cashier	1	132,000	132,000
4	Security Men	2	72,000	144,000
	Ass 5% Fringe Benefits			996,000 50,000
	<b>Grand Total</b>			<b>1,046,000</b>

Figure 1 below shows the organizational structure of the farm

### **6.3 External Support**

Emma Rice Production Business is discussing with the Nsukka Small and Medium Enterprises (SME) centre to offer, over a period of years, strong management and business support service. Also the business will access support on technical issues from the Entrepreneurship Development Centre where the proprietor received training on entrepreneurship.

### **6.4 Value and Norms of the Company**

Emma Rice Production Business plans to adopt the following norms and values:

- a. To offer the best for the benefit of her customer.
- b. To uphold her integrity always
- c. To see her employees as her most valuable assets

- d. To always be available to her customers.
- e. To do her business within the federal, state and local government laws.



## **CHAPTER SEVEN**

### **Legal, Environmental, Social and Regulatory Issues**

#### **7.0 Legal Issues**

Emma Rice Production Business plans to commence commercial operations as a sole proprietorship. Such that, it is just enough to register the business name with the appropriate department at the Local Government headquarters. No special licenses are required for the operation of such business; however, every attempt will be made to get all necessary permit and licenses.

#### **7.1 Environmental**

Pollution could pose an environmental challenge if certain precautions are not taken especially with respect to waste disposal. It is the plan of the business to dig a very septic tank/suck-away for all wastes from the hotel.

#### **7.2 Social**

The implementation of the project will bring about social and economic benefits to the society in the following ways.

1. It will create new jobs
2. It will bring about wealth creation and poverty reduction

#### **7.3 Regulatory**

The Rice Production business will comply with all environmental regulations, as well as all relevant industrial safety regulatory requirements.

## CHAPTER EIGHT

### 8.0 Risk Analysis

This project has been subjected to risk analysis and some inherent risks identified and appropriate mitigants preferred to avoid the business being disrupted (see table 8).

**Table 8: Identified Risk and their Mitigants**

<b>Identified Risks</b>	<b>Mitigants</b>
Possibility of Inflation	The service of insurance
Inadequate start-up demand	Aggressive promotion and advertising campaigns

### 8.1 SWOT Analysis

A SWOT analysis carried out on the project reveals the following:

#### 8.1.1 Strength

- The location of the Business makes it to have easy access to its targeted customers.
- The goods are of high quality
- The enterprise can easily expand

The Enterprise will build on these strengths.

#### 8.1.2 Weakness

- Initial problems of raising adequate capital for the project anticipated

- The proprietor has limited experience and expertise in high levels of accounting.

Emma Rice Production Business plans to address these weaknesses through hiring of skilled accountants and auditors hands, and retaining the services of experts in the enterprise.

### **8.1.3 Opportunities**

- Currently, there is no quality rice production business around Nsukka environs. Therefore, Emma Rice Production Business if established, will grow rapidly.
- Everybody need quality rice, with less cost thus, many customers can easily be generated.

### **8.1.4 Threats**

- Increased competition due to the entry of more managers of such business.
- Low initial demand

To checkmate these threats, the enterprise will mount aggressive awareness campaign and other promotions that will portray Emma Rice Production Business as another good supply of standard quality rice, especially for hotel and restaurant consumption.

## **8.2 Exit Strategy**

No exit is planned, rather diversification will be pursued.

## CHAPTER NINE

### Company Financial

#### 9.1 Summary of Project Cost

The total cost of the project is ₦3, 16000 this is made up of ₦2, 17000 in fixed capital and ₦95, 000 in working capital

#### 9.2 Fixed Capital Investments

Emma Rice Production Business is located at Hill-Top, near University of Nigeria, Nsukka on a land area of about 5 standard plots of 60” x 120”. Table 9 shows the fixed capital investment required for the project.

**Table 9: Fixed Capital Investments**

S/N	Detail	Quantity	Unit price (₦)	Total amount (₦)
1	Shop Allowance	1	20000	80000
2	Bags	4	25000	25000
4	Basins	1	5000	5000
5	Trowels		100	2000
	Delivery van	3	75000	75000
6	Space Allocation	15	150	15000
7	Area collection	2	160	16000
8	Security	20	1200	194600 24000
9	Generator	2	1200	2400
	Sub Total B			24400
	<b>Grand Total (A + B)</b>			<b>217000</b>

### 9.3 Utilities

The business is located in a place that is not connected to sources of water and electricity; as such water will be supplied for bathing and washing by commercial water supply tankers, while generator will be used for lightening in order to see, and other things.

### 9.4 Other Expenses

There are other expenses expected to be incurred in the course of running the business. Table 10 shows the other expenses expected to be incurred.

**Table 10: Other operating expenses**

<b>Type of expense</b>	<b>Year 1(₦)</b>	<b>Year 2(₦)</b>	<b>Year 3 (₦)</b>
Vehicle maintenance	10000	10500	11000
Transport	30,00	3150	3300
Public Relation/Advert	9000	9450	9900
Miscellaneous	5000	5250	5360
Total	27000	28350	29560

### 9.5 Working Capital Forecast

To arrive at the working capital needed for the business, the following assumptions are made:

- Cost prices of items increase annually by 25 except for items mentioned under other operating expenses which grow by 5%.
- Selling prices of stocks increase annually by 10%
- Trade credits are given and taken to and from deserving customers respectively.
- It is expected that goods are disposed off at the market as scheduled.

## 9.6 Total Required Investment Outlay (Required start-up capital)

Table 11 shows the total investment outlay required to execute the project

**Table 11: Total Start-Up Capital Required**

S/N	Capital items	Amount (₦)
1	Bagging equipments and others	21700
2	Working capital requirement	70600
	Total	287600

## 9.7 Financial plan

To finance the required investment outlay, the proprietor plans to raise an equity capital of N95000 while ₦2, 21000 will be borrowed from the bank.

## 9.8 Loan repayment schedule and interest paid.

It is expected that the loan would attract an interest of 10% and that funds are available to pay monthly interest as well as scheduled repayments of the principal amount.

## CHAPTER TEN

### 10.0 Financial Analysis

The project comes out of the gestation period in 9 months and even by that time the sales for the month stood at ₦445, 000.000. By the end of the first year (of which there was only 4 months of selling activities) the sales was ₦178000000 and this is expected to grow up to ₦587400000 and ₦646200000 respectively for the second and the third years.

### 10.1 Profitability analysis

Relevant key profitability ratios for the first three years are shown here under.

	<b>Year 1(4months)</b>	<b>Year 2</b>	<b>Year 3</b>
Profit after Tax	(85300)	20960	26500
% return on turn over	N/A	36.04	41.43
% return on equity	N/A	101.45	99.40
% return on investment	N/A	72.88	92.14

### 10.2 Cash flow projection

By the second year of operation when the business has fully matured the cash flow position is as shown below

<b>Year 2</b>	<b>Year 3</b>
24600	66800



### **10.3 Projected Balance Sheet**

For the three years period, it was shown that share holders' fund grew on the average (see table below)

<b>Years of operation</b>	<b>Year 1 (N)</b>	<b>Year 2 (N)</b>	<b>Year 3 (N)</b>
Shareholders' fund	(25500)	267100	26660

### **11.0 Other considerations and Conclusion**

#### **11.1 Economic Justification**

From the view point of our study and analysis of the findings made, the project offers good benefits to the promoter, and the economy. Wealth will be created even as jobs are also created. These are consistent with the Federal and State Government Policy on entrepreneurship, wealth and job creation.

#### **11.2 Commercial viability**

The commercial viability of the project is very clear. The project has been found to be commercially viable, having shown through projections, an impressive sales, profits and cash flow positions.

### **11.3 Conclusion**

Therefore, the project is highly recommended both finding and implementing, as it relates its establishment and management.