

UNIVERSITY OF NIGERIA, NSUKKA

**FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF POLITICAL SCIENCE**

TOPIC:

OIL PALM PRODUCTION

A BUSINESS PLAN

**SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT
FOR THE COURSE: CED 342
(BUSINESS DEVELOPMENT AND MANAGEMENT)**

BY

**EZEA CHUKWUEMEKA M
2014/194513**

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

JULY, 2017

PART I

EXECUTIVE SUMMARY

1.1 Below is a report and recommendation for the proposed **LIFE OIL-PALM PLANTATION** owned and managed by **MESKANA ENTERPRISES** which is expected to locate at **Obukpa in Nsukka Local Government, Enugu State.**

1.2 The proposed project is to be fully implemented with a start – up capital of **₦14,268,283.00**, with **₦ 6,435,000.00** to be incorporated into fixed assets and **₦7,413,283.00** in the working capital, while the pre – operating expenses is to be allocated **₦420,000.00** of the total start –up capital.

1.3 The company’s vision is “to make most efficient use of resources available and produce a reliable and high-quality Oil Palm Trees , and in the nearest future, have the best-selling of Palm Oil and Palm Trees in Enugu State.

1.4 The proposed project will be located at Obukpa town, in Enugu State, because of the vast of land found there at cheap rate.

1.5 The financial projections reveal a good level of liquidity and stability. The projected turnover for year 1, year 2, year 3 respectively are **₦1,040,750**, **₦1,940,749.99** and **₦11,047,750**. The profit after tax for year 1, 2 and 3 respectively are also **₦13,226,500.00**, **₦22,651,076.13** and **₦31,056,336.13** respectively. The above cash inflow is encouraging for the three years.

1.6 The company’s competitive edge lies in its ability to produce the best quality using cost – effective and efficient techniques.

1.7 The profitability indicators at extracted from the projections embodies in the plan are as follows;

Table 1: Projected Profitability Indicators

Indicators	Year 1	Year 2	Year 3
Turnover ₦	3,055,200	3,360,720	3,696,792
Profit before Int. and Tax ₦	19,695,000	32,938,900	44,682,678
Profit after tax ₦	1,040,750	1,940,749.99	11,047,750
Return on owner's contribution %	1,040,750	1,940,749.99	11,047,750
Return on total investment %	1,040,750	1,940,749.99	11,047,750

1.8 CONCLUSION AND RECOMMENDATION

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. The project offers good investment benefits. We recommend it for funding and implementation.

PART II

GENERAL INTRODUCTION

2.0 Background

Red Oil Palm tree is one of the most useful plant in the world. Nothing in Palm trees that is not useful, from their fruit to the palm frond, everything is used for one thing or the other that brings benefit to man. The use of red oil palm fruits to extract edible and useful red oil has been in practice all over the world for many centuries.

Almost the entire economy of countries such as Malaysia depends on Palm oil exportation. Making the country one of the biggest player in the palm oil industry, account for the estimated 5% of global productions. Malaysia is currently producing more than 20 million tonnes of Palm oil and holds the second largest palm oil producer position in the world.

One funny truth is that Malaysia we are talking about actually got their palm fruit from Nigeria who used to be the origin of this product and one of the biggest producer in the past. What really happened tot his sector of viable agriculture in Nigeria? If the wealth of a nation could depend on this product, does that not tell you the amount of revenue in palm oil plantation business?.

Palm Oil is the red Oil extract from the oil palm fruit “**Elaeis guineensis**” while palm kernel oil is also derived from the seed of the same oil palm fruit. Palm oil is the best cooking oil in the world due to its low content of cholesterol. It is a healthy cooking oil more healthy than the vegetable oil in the market.

Palm oil is sold both in the local and international markets. If you have good quantity of palm oil, selling it is never a problem because it is a product that always in high demands. A good palm oil plantation is capable of producing thousands of tonnes of palm oil in a year that can be sold for million naira in the local market or exported to overseas and sell for foreign currency.

I ask why are Nigerians shying away from this goldmine?. The main reason most Nigerian farmers are not paying attention to oil palm plantation is because they think that palm trees takes so many years to mature to the point of production, therefore they are not ready to wait. That is total ignorance, there are varieties of palm tree that starts producing just two years after planting.



This means, if you start your own palm plantation this year, you could start harvesting your palm produce in two years time. If that is the case, then what are you waiting for? I want to start planting oil palm tree now and let's see how it goes in two years.



2.1 VISION

To be an outstanding producer of large tonnes of quality Palm Oil at the end of 2020 in Nsukka in Enugu North.

2.2 MISSION

To produce large tonnes of quality Palm Oil that will stand to meet the demand of the general public and firms that needs Palm Oil.

2.3 OWNERSHIP OF THE ENTERPRISE

Eagles-Wing is the name of the business and it is a sole proprietorship belonging to Mr. Chukwuemeka and Family.

It is to be located along No. 4 Eluagu Road in Obukpa Town, Nsukka Local Government of Enugu State.

2.4 Products or services offered

Production of large tonnes of quality Palm Oil. There are other people producing but I aim at dominating them. It is not a new business but it is hard to operate.

2.5 LEGAL STATUS

The business is one man business is not owned by many persons.

No view of registering the business now but hope to do that in the nearest future depending on the progression.

2.6 LOCATION OF THE BUSINESS

1. The site is located along No. 4 Eluagu Road Obukpa Nsukka.
2. The place has moisture and the land is reach.

3. It is close to the road for easy transportation.
4. Few Competitors
5. Cheap Labour
6. High demand for fruits

2.7 INDUSTRY TREND AND ANALYSIS

1. The business will specialize in mass production of the products.
2. Raising big and viable palm trees with high breeding vigor.
3. Applying manure to achieve maximum site

2.8 BUSINESS STRATEGY

I have many strategies in view to help the business thrive.

- Selection of good specie
- Regular supply of Palm trees
- Discounting prices to customers
- Supplying the products to customers
- Giving souvenir at the end of the year

2.9 KEY SUCCESS FACTORS

1. To reduce the rate of importation of Palm Oil.
2. To produce large tonnes of quality Palm Oil which will serve the increasing populace.

PART III

THE MARKET

3.1: NATURE, LOCATION, SIZE AND ATTRIBUTE ANALYSIS:

The proposed Oil-Palm Plantation would be located at Enugu state. I would like to expand the business in no due time and get to other states across the country.

3.2: Sales and Market Share Analysis:

As for the market share, information about this can only be available when the sales must have kicked off. The projected sales for the three – year period is estimated to be 105,000.

3.3: key competitors and competitive advantage:

a. Direct competition

Immaculate heart	Good specie	Limited land
Loges	Good specie	Limited land.
O'white	Enough land	Bad specie

3.4 SWOT ANALYSIS

S- Strength of our business: the strength of our business is the large land mass, and the use of good specie of Palm Trees, as well as workers who has good public relations.

W-Weakness: Presently, the weakness lies in our inexperience, but this would be overcome in the nearest future.

O-opportunity: the absence of commercial producer of large tonnes of quality Palm Oil in that area.

T-Threats: our threat is that the weather might fluctuate and we wouldn't have a bountiful harvest.

3.5 Products

Large tonnes of quality Palm Oil

3.6 Product Description

It will be a Palm Oil of high quality

3.7 Costing

The proposed business has its costs divided into:

- i. fixed assets investments
- ii. working capital
- iii. pre –operating expenses

3.8 Market demand:

It was located in Enugu state does not mean that here is the best place for it but it is because of land, but by the help of farm van we will distribute it to where ever we want in south east.

3.9 Projected Annual demand for the three years

The projected annual demand for year 1, year 2 and year 3 respectively are estimated to be 80,000, 95,000 and 100,000 respectively.

3.10 Estimated Demand – supply Gap of Palm trees farming in Enugu State and its environs.

Table 2: Projected demand – supply gap of Palm Oil farmers

Adjustment	Demand – Supply gap
Estimated average annual demand	32,750,000
Less 25% of existing supplies of Cosmetics, detergents and Candles in the area	8,187,500
Less 18% due to expansion of existing Cosmetics, detergents and Candles factories and establishment of new ones	24,562,500
Less 3% estimate error	4,421,250
	20,141,250
Estimated demand – supply gap	604,237.5
Anticipated annual production of Cosmetics, detergents and Candles	19,537,012.5
	275,000

However, the plan is to produce about 500,000 tonnes of Palm Oil yearly.

PART IV

MARKET, CUSTOMERS AND COMPETITORS

4.0 MARKET ANALYSIS

Meskana Oil Palm Plantation has an exciting business opportunity since it has few competitors to compete with the business at inception. Secondly there are many markets for it in south east like okirika in Port Harcourt, Ariari in Aba, ogbe-ete in Enugu, main market Onitsha and Ogige Market Nsukka and the rest of them.

4.1 Customers, Market Segmentation, and attributes

This business has no segmentation in customers that patronize us. It is open to all class of human beings.

4.2 Description of the product or product range of service.

Table 3: product range of service

Denomination /product line	
After sale service	The after sales service may range from giving listening ear to any complaint to contacting of the customers to know when next they would be interested in the service.

4.3: Marketing plan price

Table 4: schedule for marketing plan price

Product/Service	1	2				
How much customers are willing to pay	<u>Highest</u> N/A	<u>Average</u> N/A	<u>Lowest</u> N/A	<u>Highes</u> t N/A	<u>Average</u> N/A	<u>Lowest</u> N/A
The competitors' price						
My price	₦500	₦500	₦500	₦500	₦500	₦500
Reason for selling my price	This is the price at which I would be able to cover my cost.					
Margin of discount						

4.4. Market Positioning Strategy:

Though the firm has not really gotten all it takes to fight all its competitors, but hopes to do so soon. Therefore, I intend using my best strategies to change the market to a standard that would allow for more competition since competition enhances productivity, profitability and economic growth.

4.5 Channel of distribution

The channels of distribution at the start will include

1. Individuals.
2. Retailers
3. Wholesalers

But as time goes on, selling in units to individuals would be discarded.

4.6 Start – up promotion:

The key start – up promotion would be incentive to buy to the people by placing a cheaper price at first in order to penetrate the market very well, after which the price would be fixed at the desired one by the company.

Others include the use of public media such as (1) radio houses, (2) T.V stations, (3) posters and (4) fliers. (5) Personal contacts.

PART V:
TECHNICAL ANALYSIS

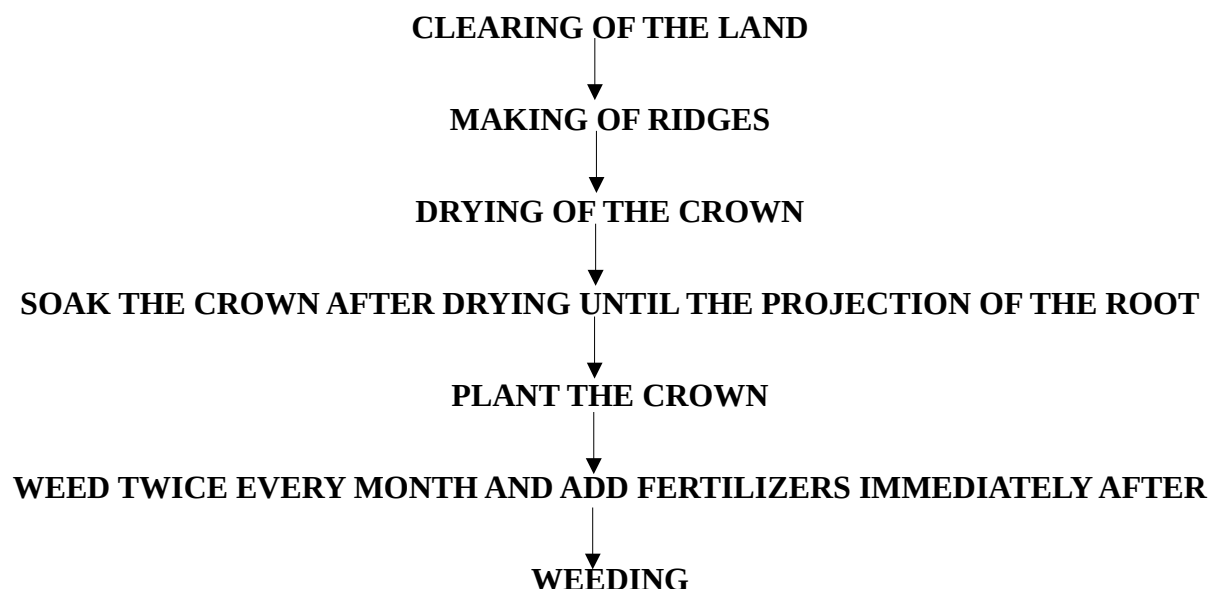
5.1 Production plan:

5.11 The project:

- Commercial Palm Oil

The production shall be a commercial production, and it would be capital – intensive.

5.2 Production Process: the production process should follow the procedure to be itemised below:



5.3 The production schedule: Below is the production schedule to be adopted by the firm

Table 5: the projected production schedule

Projected production schedule					
		Targeted output	Raw input 1	Raw input 2	Other raw inputs.
1	Year1	3,500,000	Fertilizers	Crown	_____
2	Year2	4,000,000	50 bags (50 kg)	2 full lorry	Desired qty.
3	Year3	5,000,000	70 bag (50 kg)	2 ½ lorry	Desired qty.

5.4: Machinery, Equipment, and other requirements.

Table 6: schedule on required machinery and equipment

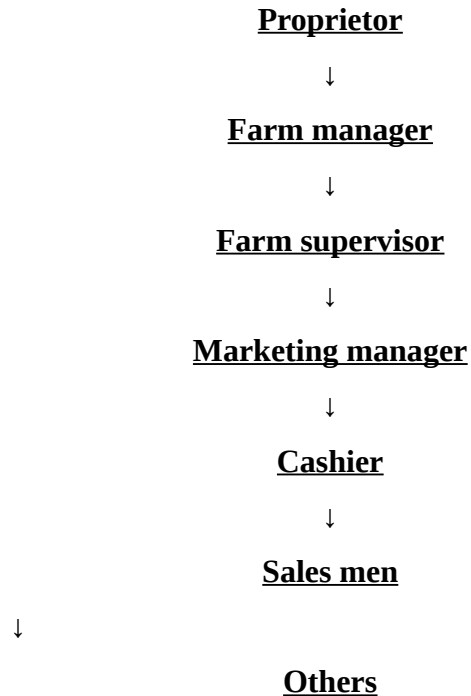
s/n	Investment (Equipment and others)	Qty.	Life span
1	Land	20plots	40 years
2	Building	1	40 years
4	Equipment and machine		
I	Multi-purpose Tractor	1	10
II	Sprayer	1	10
III	Delivery van	3	10
IV	Cultivator	1	10

5.5 Quality assurance and standardization:

There is going to be efficient and effective monitoring of the farming process so as to ensure production of quality Palm Oil that people could rely heavily upon. By so doing, quality and standardization of the products is assured.

PART VI:
MANAGEMENT AND ORGANISATIONAL STRUCTURE

6.1 Management Team



6.2 The personnel plan (staffing and salary structure)

Table 7: Personnel staffing plan schedule

S/n	Position	No. of staff	Salary per staff per month	Total annual salary
1	Proprietor	1	150,000	1,800,000
2	farm manager	1	70,000	840,000
3	Marketing manager	1	50,000	600,000
4	farm supervisor	1	30,000	360,000
5	Drivers	3	10,000	360,000
6	Sales men	12	5,000	720,000
7	Cashier	1	25,000	300,000
8	Security men	2	3,000	72,000
	Sub – total			5,052,000
	5% fringe benefits			291,000
	GRAND TOTAL			5,343,600

6.3 Organisation's values and norms

The farm is going to hold in high esteem and uphold ethics and morality. The organisation is going to operate in accordance with the ethics of the business environment, so as to gain acceptance and support from the people. In terms of morality, hospitality and cheerfulness of both the male and female workers would be under constant check.

These all would help to uphold the integrity of the company, and by so doing, make the company acceptable by law and by the operating legal system.

PART VII:

7.1 LEGAL, REGULATORY, SOCIAL, AND ENVIRONMENTAL ISSUES

7.2 Legal Issues:

The only legal issue that binds the business is that of the Nigerian land use act of 1999 that binds all farming activities in the country.

7.3 Regulatory and Environmental Issues

A. Regulatory Issues:

In Nigeria there is no regulatory body in charge of farming activities in the country.

B. Environmental Issues

- i. The only noticeable environmental issue is deforestation done in that region during clearing of the land.

PART VIII

8.0 FINANCIALS

8.11 The Equipment, Machinery, and other things needed to produce the product

Table 8: Equipment, machinery and others cost

S/n	Investment (equipment and others)	Qty.	Unit cost (₦)	Total cost(₦)
1	Land		200000	4,000,000
2	Building			500,000
4	Equipment and machine			
I	Multi-purpose tractor	1	900,000	900,000
II	Sprayer	1	370,000	370,000
III	Delivery van	3	105,000	315,000
IV	Cultivator	1	350,000	350,000
TOTAL INVESTMENT			₦6,435,000	

8.1 Sales plan

Table 9: the sales plan of the proposed Oil-Palm Plantation.

	Year 1	Year 2	Year 3
Product			
Product qty. (volume)	80,000	95,000	100,000
Price per unit	250	350	450
Sales	20,000,00	33,250,000	45,000,000

8.2 Cost plan

Table 10: The cost plan of the proposed Oil-Palm Plantation.

	Year 1	Year 2	Year 3
Product			
Raw material volume	160,000	190,000	240,000
Cost per unit (₦)	100	105	110
Cost of raw inputs (₦)	16,000,000	19,950,000	26,400,000

8.3 General Cost of Administration

Table 11: schedule of the general Administration cost

Items	Proposed (₦)
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Telephone	50,000
Stationery expenses	20,000
Vehicle maintenance	70,000
Advertising	10,000
Tractor and other machinery maintenance	155,000
TOTAL	305,000

8.4 Preliminary and pre – operating expenses

Table 12: the schedule for preliminary and pre – operating expenses

Land agent fee	150,000
Consultations	250,000
Preparation of business plan	20,000
TOTAL	420,000

8.5 Working Capital Projection

Table 13: the schedule of working capital projection for the proposed Oil-Palm Plantation.

Working capital items	Year 0	Year 1	Year 2	Year 3
Stock of raw – materials (4 months)	5,333,333.33	5,333,333.33	16,650,000	8,800,000
Provision for utilities (3 months)	38,750	38,750	38,750	38,750
Salaries (4 months)	2,041,200	2,041,200	2,041,200	2,041,200
Debtors (3 months provision)	NIL	5,000,000	8,312,500	11,250,000
Working capital b/4 creditors	741,328	12,413,283	27,042,450	22,129,950
Less creditors	NIL	2,666,666.67	3,325,000	4,400,000
Working capital	741,328	9,746,616	273,717,450	17,729,950
Increase/decrease in working capital	NIL	9,005,288	263,970,834	(255,987,500)

8.6 Start-up Capital Needed

Table 14: Start – up capital schedule

S/n	Item of expenditure	Amount (₦)
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1	Fixed asset investment	6,435,000
2	Working capital	7,413,283
3	Pre – operating expenses	420,000
Initial total investment outlay		14,268,283

8.7 Financing Plan

Table 15: financing plan schedule

S/n	Source of fund	Amount (₦)
1	Owner's capital	10,268,283
2	Bank loan	4,000,000
TOTAL		14,268,283

8.8 Loan repayment and Interest payment Schedule

Table 16: loan repayment and interest payment schedule

Year	Loan Bal. A	Interest B = r(A)	Annual Instalment C	Loan Repayment D=C-B	Loan Bal. c/f E=A-D
0	4,000,000	N/A	N/A	N/A	400,000
1	4,000,000	800,000	1,898,901.099	1,098,901.099	2,901,098.901
2	2,901,098.901	580,219.7802	1,898,901.099	1,318,681.319	1,582,417.582
3	1,582,417.582	316,483.5164	1,898,901.099	1,582,417.583	NIL

$$PV = \frac{A}{r} [1 - (1+r)^{-n}] \text{ where } r = 20\% \text{ or } 0.2\%$$

8.9 Schedule of Depreciation

Table 17: Depreciation Schedule

S/n	Item of depreciation	Initial value	Scrap value	Life span	Depreciation
1	Land	4,000,000	25,000	40 years	500,000
2	Building	500,000	45,000	40 years	200,000
4	Tractor	900,000	11,250	10 years	112,500
5	Sprayer	370,000	17,500	10 years	175,000
6	Delivery van	315,000	37,500	10 years	375,000
7	Cultivator	350,000	12,125	10 years	121,250
					940,750

8.9.1 Financial Accounts Projection

Table 18: Estimate of profit and loss account for the first three years

Particulars	Year 1	Year 2	Year 3
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Sales	20,000,000	33,250,000	45,000,000
Net sales	20,000,000	33,250,000	45,000,000
Less expenses			
Telephone	50,000	51,000	52,020
Stationery exp.	20,000	20,400	20,808
Vehicle maintenance	70,000	71,400	72,828
Tractor and other machinery maintenance	155,000	161,000	167,000
Advertising	10,000	10,200	10,404
Total expenses	305,000	311,000	317,322
Profit b/4 tax and int.	19,695,000	32,938,900	44,682,678
Less interest	800,000	580,219.7802	316,483.5164
Profit after int.	18,895,000	32,358,680.22	44,366,194.48
Taxable profit	18,895,000	32,358,680.22	44,366,194.48
Less tax (30%)	5,668,500	9,704,604.066	13,309,858.35
Profit after tax	13,226,500	22,651,076.15	31,056,336.13
Less annual depreciation	12,185,750	20,710,326.15	2,008,586.15
Net profit	10,040,750	1,940,479.99	11,047,750

8.9.2 Cash flow projection

Table 19: cash flow projection for the proposed business

	Year 0 (R)	Year 1 (R)	Year 2 (R)	Year 3 (R)
Cash –in				
Bank loan	4,000,000	NIL	NIL	NIL
Sales income	NIL	20,000,000	33,250,000	45,250,000
Equity	10,268,283	NIL	NIL	NIL
Total cash – in	14,268,283	20,000,000	33,250,000	45,250,000
Cash – out				
Admin outgoings	NIL	235,000	239,700	244,494
Cost of goods	NIL	16,000,000	19,950,000	26,400,000
Interest exp.	NIL	800,000	580,219.7802	316,485.5164
Loan repayment	NIL	1,098,901.099	1,318,618.319	1,582,417.583
Initial investment	14,268,283	NIL	NIL	NIL
Salaries	NIL	6,123,600	6,123,600	6,123,600
Dividends	NIL	520,375	970,374.995	5,523,875
Total cash – out	14,268,283	24,777,876.1	29,182,513.09	40,190,872.1
Net cash flow	NIL	(4,777,876.1)	40,067,486,1	5,059,127.9
Opening cash bal.	NIL	NIL	(4,777,876.1)	(710,389.19)
Closing cash bal.	NIL	(4,777,876.1)	(710,389.19)	4,348,738.71

PART VII

RISK ANALYSIS, CONTINGENCY PLAN, AND EXIT STRATEGY

9.1 Risk Contingent Analysis

S/N	Risks	Mitigants
1.	Inadequate start-up demand	Aggressive promotion and advertising campaigns
2.	Unexpected adverse events	Appropriate insurance policy will be taken
3.	High unexpected entrance of many competitors.	Continuous aggressive marketing

9.2 Contingency Plan & Ext Strategy

The business would be sold since the equipments can easily be used for other things.

Part VIII

10.1 Other Consideration and Conclusion

10.2 Economic Justification

- a) It will provide job for more than 20 persons
- b) It will contribute more than 9,000,000 to Gross capital
- c) It will contribute more than N407million to the GDP in the next three years.

10.3 Commercial Viability

The project is very profitable. The liquidity positions are: 17, 487,781, N24,762,312, N120,745, 289 for year 1, and 3 respectively. Equally share holders' net worth will from 10,000,000 operation to 55,602,350 at the inception of business by the third year of operation.

10.4 Conclusion and Recommendation:

Having taken cognizance of the technical feasibility and commercial viability of the project, it is highly recommended for implementation and funding.