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A BUSINESS PLAN
SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE COURSE
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(CED342)

TOPIC:
PLANTATION BUSINESS (PALM TREE)

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TABLE OF CONTENTS

1.0 EXECUTIVE SUMMARY

2.0 INTRODUCTION

- Mission
- Vision
- Key Success Factors
- Inherent Risks
- Business Ownership
- Location Factor
- Available Market

3.0 PRODUCTS

- Product Description
- Costing
- Marketing Demand
- Estimated Demand-Supply Gap in Ede-Oballa Nsukka

4.0 MARKET, CUSTOMERS AND COMPETITION

- Market Analysis
- Customer/Market Segmentation

5.0 MARKETING PLAN

- Promotion Strategy
- Marketing Strategy
- Marketing Positioning
- Projected Sales

6.0 TECHNICAL, ANALYSIS, MANAGEMENT AND ORGANIZATION

- Technical Analysis
- Schedule of Operation
- Management and Organization
- External Support
- Values and Norms of the Enterprise

7.0 LEGAL, ENVIRONMENTAL, SOCIAL AND REGULATORY ISSUES

- Legal Issues
- Environmental Issues
- Social Issues
- Regulatory Issues

8.0 RISK ANALYSIS

- SWOT Analysis

9.0 COMPANY FINANCING

- Summary of Project Cost
- Fixed Capital Investment
- Utility
- Other Expenses
- Working Capital Projection
- Total Required Investment Outlay (Require Start-Up Fund)
- Financial Plan
- Loan Repayment Schedule and Interest Paid
- Forecast of Profit and Loss
- Cash Flow Projection
- Balance Sheet Projection
- Financial Analysis

- Profitably Analysis

10.0 CASH FLOW PROJECTION

- Other Considerations and Conclusion
- Commercial Viability
- Conclusion

Appendices

- Approvals
- Licences
- Organogram
- Performance Invoice
- Assumption Behind the Figures

PAUL PLANTATION BUSINESS PLAN (Oil Palm)

Part 1

1.0 Executive Summary

1.1 The following report and recommendation relate to the proposal by Paul Plantation Business to establish a plantation enterprise in Ede-Oballa Nsukka.

1.2 The project would require a start up capital of N8100000, made up of N7610000 for fixed capital and N500000 for working capital.

1.3 The enterprise vision is to be an outstanding supplier of Oil in the whole of Ede-Oballa and beyond,

1.4 The enterprise will be located in Nsukka and Ede-Oballa precisely because the area is viable for the target population.

1.5 A large market is available for the business to thrive.

1.6 The financial projection of the business shows that the project would financially stable and smooth by the time it matures. The sales figures for each year respectively are: year 1-N800000, year 2-N800000 and year 3-N800000. However, the profit after expenses on labour would be: N500000 in each year respectively.

1.7 The competitive advantage of the business is in its ability to effectively produce and ensure the supply of oil across the community and beyond.

1.8 Below is the profitable measure of the business:

Table 1

	Year 1 (N)	Year 2 (N)	Year 3 (N)
Turn Over	800000	800000	100000000
Profit before cost of labour	800000	800000	100000000
Profit after cost of labour	500000	500000	500000
Return on Sales	N/A	120000000	150000000
Return on Equity	N/A	600000	600000
Return on Investment	N/A	600000	750000

From the above analysis, the project is said to be feasible, financially viable and economically desirable. The project is of good investment benefit, and is highly recommended for execution.

PART II

2.0 INTRODUCTION

This proposed oil plantation business is born out of the rate at which people make a demand for oil in Ede-Oballa community and beyond as a result of some needs assessments undertaken in relation to this excess demand. The studies shows that there is a high demand of oil among people while the current supply rate is way below the rate at which people make a demand for it. The demand for oil in the aforementioned community has led to the fact that most people have bought some machine which processes oil fruits for the people. This is why this oil plantation will surely be of much economic benefit.

2.1 VISION

To be the most outstanding supplier of oil in the whole of the aforementioned community and beyond.

2.2 MISSION

To process and ensure effective supply of oil the public in the most reasonable and affordable rate.

2.3 Key Success Factors

The key success factors are:

- a. The precession and sales of oil
- b. The sales of palm kernel after extraction of oil
- c. The possible sales of palm leaves
- d. The breaking and sales of palm kernel shells
- e. Sales of palm kernel oil

2.4 INHERENT RISKS

- a. there is insufficient resources to cover all the aspects of the project.
- b. lack of water supply for process the oil as oil precession is one thing that requires enough water.

2.5 BUSINESS ownership

The business is a sole proprietorship wholly owned and managed by Eze, Paul.

2.6 LOCATION FACTOR

The business is located in Ede-Oballa Nsukka. What prompted the choice of the location are:

- a. Its nearness to the target market in terms of site.
- b. Availability of cheap and competent labour.
- c. Availability of land to contain the expansion of the project.
- d. There is also good network of road to enable conveyance of the products to the market.

2.7 AVAILABLE MARKET

There are certainly a great number of people trooping in and out of the market to demand for oil of which the rate of demand is way above the number available to make desirable sales and delivery to the people. There is also a certain day of the week when oil and other market goods are said to be brought and sold in the market, like wise other nearby communities. This provides a good opportunity for effective implementation of the project.

PART III

3.0 PRODUCTS

This oil plantation business will produce the following products:

- a. Oil
- b. Cracked kernel shell
- c. Kernel(seeds)

3.1 PRODUCT DESCRIPTION

- Oil
Palm oil is naturally reddish in colour because of high beta-carotene content. It is one of the fewest highly saturated vegetable fats and semisolid at room temperature. Palm oil is a common cooking ingredient. It also used in commercial food industries. It is also useful in processing certain types of edibles. It can serve as a raw material for the production of soap, washing powder and other products.
- Cracked kernel shell
This is used by commercial or home cooks as fuel.
- Kernel (seed)
This is a raw material for oil which also serves as a cooking ingredient and used for the production of certain creams.

3.2 COSTING

The costing of the procession of this oil will be based on these major areas:

- Extraction of oil
- Procession of oil
- Cooking of oil

- Extraction

The activities involved in the extraction of oil is very cumbersome and requires enough labour together with enough machines to make it easy.

➤ **Procession**

This is where the major work lies. This will also require a lot of labour to undertake. It is in the course of grinding that oil is extracted and then processed to get it ready for cooking.

➤ **Cooking**

The activity which brings about the processed oil ready for use in terms of cooking and other activities. To achieve this, there will be required a large number of big cooking pots.

Table 1 below shows the component equipment or machines for oil procession and there relative costs

Table 2

	Number	Amount	Total
Palm oil pressing machine	20	700000	700000
Large oil cooking pots	20	700000	700000
Fuel		600000	600000
Miscellaneous		50000	50000
Total			7610000

3.3 MARKET DEMAND

This oil plantation business is located at Ede-Oballa in Nsukka inNsulla local Government Area where there is said to be a reasonably high demand on red oil. Information on the business shows that there is always a greater number of people from the aforementioned community and beyond who come to buy oil especially on the weekly days which it is meant to be sold in large quantity from

different sellers. Based on the analysis on ground, the high demand for oil is not in doubt and has been on the increase.

3.4 ESTIMATED DEMAND-SUPPLY GAP IN EDE-OBALLA, NSUKKA

Based on the analysis got from the survey, the gap between demand and supply in Ede-Oballa, Nsukka on oil is very visible.

Out of the entire population making demand on palm oil, about 40% of the demand is met. This could be as a result of the insufficient quantity brought for sales and also is the fact that the prices for oil at times are too high that it affects demand and supply.

PART IV

MARKET, CUSTOMERS AND COMPETIONS

4.1 MARKET ANALYSIS

This plantation business has a good business opportunity giving the fact that there is huge market for oil in Nsukka. The fact that there no one operating on this project is a good opportunity to explore and exploit the chances of making progress and gains while rendering good services to the people.

4.1 CUSTOMERS/MARKET SEGEMENTATION

The following are the classes of customers for the oil:

- Households: these are people who demand or buy oil for their home use.
- There are those that buy in large quantity to resell to others for their own profits.
- There are also people who engage in commercial cooking or restaurant business who also make demands of oil for their businesses.
- These aforementioned categorys of people can also make demands on kernel shell, especially for commercial cooks.
- There would be individuals who make demands for kernel for further productions of oil from kernel and creams.

This plantations business to be managed by Paul will surely ensure the articulation of an effective marketing strategy to render effective services to the potential customers.

PART V

➤ MARKETING PLAN

There is no one currently operating on this level of palm oil production. Therefore, there is no much competition envisages. If this oil palm plantation is operated, it will not only be very outstanding but very effective.

5.1 PROMOTION STRATEGY

Paul plantation business will surely engage in a very effective awareness strategy to ensure that the public will be aware of the enterprise. This I have planned to actualize by reaching out to people, giving out flyers and making announcements through friends to create massive awareness on the enterprise.

5.2 MARKETING STRATEGY

This enterprise will surely be an active one in the market. I have decided to engage the business in an effective and competitive market price. There is also going to be a rational price system that will make the business going and thriving. The products will always ready and available for supply and available to meet the market demand.

5.3 MARKET POSTIONING

The position of this enterprise in the market standard will surely be on an outstanding level. It will surely be on the top of the market. This enterprise will meet the following standard:

- Always ready and available to the people.
- A provider and supplier of oil in an always available standard
- As a tested and trusted enterprise.

Table 3

5.4 PROJECTED SALES

	Sales from oil	Sales from kernel	Sales from kernel shell	Total
Year 1	800000	600000	400000	1800000
Year 2	900000	600000	400000	1900000
Year 3	100000	600000	400000	1100000

PART VI

TECHNICAL ANALYSIS, MANAGEMENT AND ORGANISATION

➤ TECHNICAL ANALYSIS

Oil plantation is one business that yields effectively and efficiently. One palm tree can bear up to three (3) to four (4) or even five (5) palm heads on it. I have planned to start with five hundred (500) palm trees in there premature state. This will be nurtured and properly taken care of till they grow and mature to produce palm fruits. When these are harvested and processed, I will be sure to have enough of oil and other products to serve the market demands.

6.1 SCHEDULE OF OPERATION

I have decided to start with five hundred (500) trees. These will be gotten when they are still small in growth and planted. It can take up to five to seven years to fully grow and mature to start producing palm fruits.

When this is due, out of the five hundred trees, I will be sure to get approximately, 1, 500 palm heads from the whole of the trees.

When these are gotten and processed, it will yield large quantity of oil and a lot of kernel for market demands.

These activities will require a lot of efforts, care and treatment to ensure that they are healthy and very productive.

6.2 MANAGEMENT AND ORGANISATION

6.2.1 Owner/Manager

This oil plantation is a sole proprietorship. It will be owned by Eze, Paul and be managed by Him as well. Eze, Paul has had a reasonable experience and knowledge about the operation of this type of enterprise as well as the financial management aspect of the business.

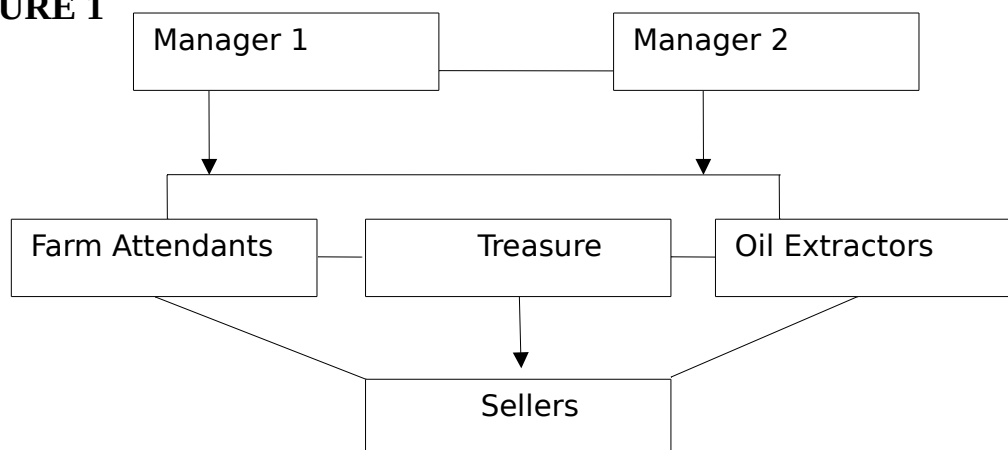
To facilitate the operation of this, the help and assistance of other professional hands will be sought and hired. These hired personnel will assist in the technical operation of the business in the financial and operational aspects.

Table 4

Management and Labour Compliments

S/N	Position	NO of staff	Annual salary per staff (N)	Total (N)
1	Manager	2	120000	240000
2	Farm Attendant	5	120000	600000
3	Oil extractor	15	150000	150000
4	Sellers	5	50000	500000
Grand Total				1490000

Figure 1 below shows the organisational structure of the plantation enterprise.

FIGURE 1**6.3 EXTERNAL SUPPORT**

Paul has gone to meet with some persons of high prestige in the community to see how they can pick interest in the enterprise and possibly give their own material and financial supports. Paul has also met with some professionals in the same field of enterprise to acquire technical and operational knowledge on how best to run the business and stand above unforeseen and future possible challenges.

6.4 VALUES AND NORMS OF THE ENTERPRISE

- a. To do this business with the cooperation of the community leaders.
- b. To proceed with integrity.
- c. To be always responsive and available to the customers.
- d. To offer the best to the customers.
- e. To treat the workers with value and recognition.

PART VII

LEGAL, ENVIRONMENTAL, SOCIAL, AND REGULATORY ISSUES

➤ LEGAL ISSUES

This oil plantation enterprise is going to be a sole proprietorship. As regards this, there is actually no special licence needed or required to run the

business, but nevertheless, every effort will be made to obtain all the necessary permit to operate the business.

7.1 ENVIRONMENTAL ISSUE

Oil plantation does not environmentally hazardous and as such does not pose any environmental challenge to the public environment. Nevertheless, efforts will be made to ensure that the business will never constitute any environmental challenge and wastes and weeds coming from the operations of the business will be properly disposed.

7.2 SOCIAL ISSUES

This oil plantation will certainly bring about a lot of social and economic benefits to the larger society. This will be in the following ways:

- It will create new job for the people
- It will lead to poverty reduction
- It will bring about wealth creation
- It will help facilitate development in the community

7.3 REGULATORY ISSUE

This enterprise will certainly comply with all the industrial regulatory requirements and other environmental regulations.

PART VIII

➤ RISK ANALYSIS

The business has been subjected to a proper risk analysis and efforts have been made to identify measures through which the identified risks could be nipped in the bud.

Table 5 below shows the identified risks and their measures of control

Table 5

Identified Risks and Measures of Control

Identified Risks	Measures of Control
Inadequate water supply	To build a big water reservoir to contain water during rainy season
Inadequate start-up demand	To make an effective awareness campaign
Some trees may not survive due to weather or climatic conditions	To ensure that all trees would be well nurtured and necessary manure added to enhance the growth and survival of the trees

8.1 SWOT ANALYSIS

A SWOT analysis carried out in relation to the project shows the followings:

1.1 Strength.

- The location of the business is good to make an effective reach to the market as there is close proximity between the location and the target market.
- The increasing demand for oil, in relation to the business location makes it viable and outstanding.

The business will be built on these strengths.

1.2 Weakness.

- One of the weaknesses facing this enterprise is the inability to come up with sufficient fund to boost the business.
- The manager does not have all the ideas and knowledge to fully manage the enterprise.
- Not having sufficient and available water supply to facilitate the operations and processions of the business.

These weaknesses have been taken and efforts made to engage the services of experts to enhance the operations, build a big reservoir to contain raining water and reach out to people for financial supports.

1.3 Opportunities

- There is currently no individual operating on such level in relation to oil plantation.
- There is really high demand on oil and the supply from available sellers is not commensurate to the rate of demand.

Paul has decided to explore these opportunities to facilitate the operations of the enterprise.

1.4 Threats.

- Low initial capital
- The ability to convince people to patronise the business.
- Increased competition among the people on the supply of oil.

To take care of these threats, the enterprise will ensure effective awareness campaign to inform the public on the enterprise and operates effectively to meet with the market demands.

2 EXIT STRATEGY

There is really no exit plan made on the operation of the enterprise, the operations are going to be diversified.

PART IX

COMPANY FINANCIAL

9.1 SUMMARY OF PROJECT COST

The total cost of the project is N10335000. This is made up of N8835000 of fixed capital and N1500000 of working capital.

9.2 FIXED CAPITAL INVESTMENTS

Paul oil plantation enterprise will be located in Ede-Oballa in Nsukka Local Government. This is sited in an area where there is easy access to good and motor able area. The table below shows the fixed capital investment required for the project.

Table 6

S/N	Detail	Qty	Unit price (N)	Total amount (N)
1	Land	1	800000	800000
2	Premature palm trees	500	250	125000
3	Oil pressing machines	20	150000	3000000
4	Oil cooking pots	20	800	160000
5	Reservoir	1	300000	300000
6	Big water tanks	5	15000	750000
7	Reservoir	2	1200000	240000
8	Machete	20	300	600000
9	Fuel (Firewood)			700000
Grand total =				8835000

9.3 UTILITY

The Paul Oil Plantation Enterprise is sited at a place where there is no source of water. As a result of this, the operations of this enterprise will require the services of commercial water supply.

Below is the estimated expenses projected to be incurred for the water services:

Table 7 Expenses on Utility Projected

Utility	Year 1	Year 2	Year 3
Water	500000	300000	200000
Total	500000	300000	200000

9.4 OTHER EXPENSES

There are other expenses expected to be incurred while running the business. The table below shows the possible expenses:

Table 8: Other Operating Expenses

Types of expenses	Year 1	Year 2	Year 3
Flyers	5000		
Vehicle Maintenance	300000	300000	300000
Maintenance of oil pressing machines	700000	700000	700000
Miscellaneous	50000	300000	200000
Total	1055000	1300000	1200000

9.5 WORKING CAPITAL PROJECTION

The following assumption is made in relation to the working capital:

a. Cost of Labour:

i. Cutting of palm fruits

ii. Extraction of palm fruits from the palm heads

iii. Processing of oil and cooking of oil

iv. Sales

The table below shows the projected working capital.

Table 9 Working Capital Projection

Working capital areas	Year 1	Year 2	Year 3
Cost of labour			
Cutting of palm fruits	200000	100000	100000
Extraction of	150000	150000	150000

palm fruits from the palm head			
Processing and cooking of oil	150000	150000	150000
Sales	50000	50000	50000

9.6 TOTAL REQUIRED INVESTMENT OUTLAY (REQUIRED START-UP FUND)

Table 10 below shows the total investment outlay for the execution of the project:

Table 10 Total Start-Up Capital Required.

S/N		Amount
1	Machines, Equipment and others	7610000
2	Working Capital Required	800000
	Total	8110000

9.7 FINANCIAL PLAN

In order to finance the needed investment outlay, the manager plans to raise an equity capital of N600000, while N9750000 would be borrowed from the bank. The table below shows the financing plan.

Table 11: Financing Plan.

Source	Amount
Equity contribution	600000
Bank loan	9750000
Total	10335000

9.8 LOAN REPAYMENT SCHEDULE AND INTEREST PAID

It is expected that certain amount of interest would be paid on monthly bases in relation to the loan gotten. the table below shows the interest and payment schedule.

Table 12: Interest and Payment Schedule.

Year	Loan	Repayment	Interest	Loan balance
1	9750000	Nil	800000	9750000
2	4000000	800000	100000	9250000
3	1500000	700000	400000	Nil

It is worthy of note that payment would begin from the Second year of the life of the business after the years of maturity of the palm trees as there would be one month moratorium since sales would start by the end of the processing year.

9.9 FORECAST OF PROFIT AND LOSS

Particulars	Year 1 (N)	Year 2 (N)	Year 3 (N)
Expected sales	800000	900000	900000
Less 1%	15000	1000	12000
Net sales	1500000	1700000	1800000
Expenses			
Cost of oil procession	1500000	1550000	1600000
Utility	500000	300000	200000
Other expenses	350000	200000	150000
Sales and wages	550000	450000	350000
Total expenses	2900000	2500000	2300000
Profit before payments	1200000	1200000	1300000
Profit after payments	520000	620000	630000
Net profit	520000	620000	630000
Retained earnings	520000	620000	630000
Dividend	Nil	Nil	500000

9.10 CASH FLOW PROJECTION

Cash in:	Year 1 (N)	Year 2 (N)	Year 3 (N)
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Equity	600000		
Bank loan	9750000		
Net profit		1200000	1200000
Total cash in	10350000	1200000	1200000
Cash out			
Equipment and others	7610000		
Working capital	500000		
Increase/Decrease in cash		600000	650000
Loan repayment		800000	100000
Dividend		400000	400000
Increase/Decrease in cash			1200000
Total cash out	8110000	1400000	1700000

9.11 BALANCE SHEET PROJECTION

	Year 1 (N)	Year 2 (N)	Year 3 (N)
Fixed assets:	8835000	8835000	8835000
Machinery, Equity & others			
Net Fixed Assets	120000000	1000000	110000000
Current Assets		800000	800000
Stock of Materials	400000	450000	400000
Operating Bal B/F Debtors	350000	400000	400000
Total of Current Assets	750000	1650000	1600000
Total Assets	800000	450000	500000
Long Term Liabilities:			
Capital (Equity)	600000	600000	600000
Retained earnings	700000	800000	800000
Bank Loan	9750000	400000	1500000
Total of Long Term Liabilities	300000	450000	400000
Current Liabilities			
Loan Repayment Creditors	150000	150000	800000 120000

Debtors			400000
Total of Current Liabilities	300000	250000	100000
Total Liabilities	2000000	2500000	300000

9.12 FINANCIAL ANALYSIS

The business will operate and come out of the gestation period in six (5)-seven (7) months. As the business grows, there would be a growth or increase in sales from the period of maturity gearing towards N1500000, N2000000 and N220000000 respectively in each year

9.13 PROFITABILITY ANALYSIS

The following table shows the profitability ratio in the first three (3) years of the project.

Table 13

	Period of first year	Period of second year	Period of third year
Profit after repayment of loan	800000	800000	900000
% Return on Turn over	N/A	80.04	70.45
% Return on Equity	N/A	202.45	150.35
% Return on Investment	N/A	88.70	90.99

PART X

10.0 CASH FLOW PROJECTION

When the business must have overcome the gestation stages and get at the year of harvest, the cash flow positions are shown below:

Year 2	Year 3
800000	800000

This shows that the business will do well to produce and generate enough funds to meet up with the maturing obligations as from the second year of operations.

10.1 OTHER CONSIDERATIONS AND CONCLUSION

10.1.1 Economic Justification

From the view and analysis carried out on the business, the project is going to be of much social and economic benefit. It surely will bring about wealth creation and more job opportunities. It will surely be in consonance with the industrial rules and regulations.

10.1.2 COMMERCIAL VIABILITY

The enterprise would be highly commercially viable as shown in the projections above. The enterprise would be of enticing and easy flowing sales, profit and cash flow positions.

10.1.3 CONCLUSION

Considering the findings and implementation of the project, the project is, therefore, highly recommended.

Appendices

- Approvals
- Licences
- Organogram
- Performance Invoice
- Assumption Behind the Figures