

**UNIVERSITY OF NIGERIA, NSUKKA**  
**FACULTY OF SOCIAL SCIENCES**  
**DEPARTMENT OF RELIGION AND CULTURAL STUDIES**

**TOPIC:**  
**PALM PLANTATION AND OIL PRODUCTION**

**AN ASSIGNMENT**  
**SUBMITTED IN PARTIAL FULFILLMENT FOR**  
**COURSE/CODE: CEDR 342**  
**(BUSINESS CREATION AND GROWTH)**

**BY:**  
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## CHAPTER ONE

### INTRODUCTION

The abundance of palm oil plantation in different local government areas in Nigeria makes it a good site for establishing the palm oil mill. The proposed palm oil mill will be called UGOBIZ oil mill. The oil mill will focus on the production of palm oil, palm kernel oil and the palm kernel proceeds needed for the making of soaps, pomade and even snacks.

Therefore, my business meets a need and demand for the provision of high quality and unadulterated hygienically prepared palm oil produce, and the demand for cheaper and locally produced unadulterated hygienically prepared palm oil for our teeming population. The demand for increased production and consumption of high quality locally produced unadulterated hygienically prepared palm oil produce. I am in this business because I have great interest in palm oil. I also desire to produce this produces at a quantity that will meet local demands. I have also discovered an unsatisfied market in my area. I have great passion for self-reliance and creating job opportunities.

The objective Palm Oil Production and Processing Business plan in Nigeria will constantly grow in sales in 12 months. To generate customer satisfaction so that at least 60% of our customer base is repeat business. To provide high quality locally produced unadulterated hygienically prepared palm oil produce at reasonable prices with exemplary services.

### **Mission and objectives**

There is currently a revolution going on in the agricultural industry, not only in Nigeria but all over the world. Food is an important necessity of life and the world governments cannot allow food shortage as it might lead to crisis. If there is any better time to start a business in the agriculture sector, that time is now. The oil palm tree is one of the most useful trees ever known. Every part of the tree – from its fruit to its leaves and trunk, and to its sap – is used for one

thing or the other. While the fruits are processed into palm oil and palm kernel oil, the fronds (leaves ) are used for roofing houses in rural areas and camps, and the sap (palm wine ) is a refreshing drink taken in many parts of Africa.

Palm oil is red in color and is used for domestic cooking in many countries. It is also used in the production of soaps and cosmetics, just like palm kernel oil, which is made from the same fruit.

If you live in a country like Nigeria, Ghana, etc; where red palm oil is in huge demand domestically and industrially, you can make huge profits by starting an oil palm plantation. Read on to find out what you need to know and do to start an oil palm plantation.

### **Our Goal for the Palm Oil Production and Processing Business plan in Nigeria:**

- To provide high quality locally produced unadulterated hygienically prepared palm oil produce at reasonable prices with exemplary services.
- To be a one stop farm in the South East for high quality locally produced unadulterated hygienically prepared palm oil produce in Nigeria.
- To have trained over 500 trainees in 12 month.
- Our Vision for the Palm Oil Production and Processing Business plan in Nigeria.
- To provide high quality locally produced unadulterated hygienically prepared palm oil produce in Nigeria at affordable cost.
- To exceed the customers' expectations by providing quality products and services in a loving and caring way.

### **Keys to succeed**

Dayo Adetiloye (B Agric, MBA, and PMP): Has over 12 years' experience in the industry. He is an alumnus of Enterprise Development Centre (EDC) of the Lagos Business School (LBS), Pan Atlantic University (PAU), He also has a Bachelor's degree in Agriculture with specialization soil science with masters in business administration. He is a project management professional. He has business development skill and a strategist, he can give a strategic partner.

Mastering the professional low-cost management techniques for cultivating and processing rice and been able to consistently provide good commendation from our customers. Also interpersonal relationships with customers will also paved way for them to trust us to provide them high quality locally produced red oil.

### **The problem statement and solution**

Those industries that uses this palm kernel oil as their raw materials to produce edible vegetable oils, soaps and creams finds it difficult going into the remote areas or villages where palm kernel nuts can be gotten in large quantities in which can be used to produce their raw materials. This is because most of the operators of those industries are foreigners, thereby they finds it difficult and dangerous going into the villages to source for palm kernel nuts. The livestock owners who makes use of the palm kernel cake (PKC) as animal feeds for their livestock cannot on their own go ahead to produce those palm kernel cakes, this is because for them to produce those palm kernel cakes, they need to own a palm kernel oil production factory, in which will seem so difficult, cumbersome and expensive for them to embark on. So as regarding the fact that they cannot produce feeds because they don't have the palm kernel oil factory or machineries, they go about everyday in search of these palm kernel cakes for their livestock. Being unable to get these feed and on time might thereby cause malnutrition or death to the livestock.

### **Solutions**

UGOBIZ resources will be going to those typical villages or remote areas that those foreigners couldn't go to source palm kernel nuts, bring it to the city where the factory is located, crush the palm kernel nuts and extract the crude palm kernel oil and sludge for those industries to access the raw materials for their production with ease or without fears of going into the typical villages or remote areas of the country. We will also deliver to those livestock owners who uses our palm kernel cake as their poultry feeds, thereby relieving them of the

pain and the inability to own a palm kernel oil crushing machine just for the purpose of getting their animal feeds.

## **CHAPTER TWO**

## **BUSINESS DESCRIPTION**

As started in the introductory page, the name of the enterprise is UGOBIZ oil mill. Is a partnership business owned by group of 5 individuals in collaboration with the different communities in Nigeria? The communities will be the major source of raw material for the mill. The major materials are the palm tree plantation. Thought the community have abundant palm oil plantation which is part of its natural endowment, the company will establish improved breeds or species that can produce palm fruits very fast. This is to ensure constant production of the palm products.

### **Acquisition of land and preparation for plantation**

Buy the seedlings that you will plant. Although you have the option of growing the seeds yourself, this takes time and you may end up with low yield seedlings. A seedling sells for N150 in Nigeria (about \$1). You will need at least 1000 seedlings for a plantation of moderate size.

Plant the seedling on the already prepared land. Ensure that there is adequate spacing between the plants. Without adequate spacing, the roots will interfere with each other, leading to limited growth and low yield. The best spacing is 8-9 meters between any two plants.

Weed the farm and apply fertilizer to the plants at intervals. This interval varies with quality of the soil and the rate at which weeds grow around the plants. You will need to get an expert's recommendation for this.

How long does it take to start harvesting?

Your first harvest will be around two years after planting your seedlings. So, if you have the capital and other requirements, now is the best time to invest into your future by starting an oil palm plantation.

### **Business environment**

The plots of land proposed for the establishment of UGOBIZ oil mill is located at Nigerian communities.

### **Palm Oil Processing Plant:**

While there are palm oil farmers and buyers, there're also the palm oil processors. These businesses are those that process the fruits to various forms for use in households, factories, and more.

Large mills can be used to process the palm fruits into palm oil with little human effort. This saves both time and energy for the farmers and the processors.

Although there are more traditional ways to process the palm fruits into palm oil, using modern machinery makes the effort seamless, and speeds up the entire process.

You could either purchase the palm oil mills for rent to various farmers and processors who need it's use, or you could purchase your own palm fruits from the farmers directly, process them with your mills, then prepare them for export, or sell them to the final consumers in the cities and villages. This method maximises your profits, and enables you to completely control the time your products make it to the market.

### **Stages of palm oil making**

The following stage in palm oil making using the old pattern includes the following:

- a. First stage: the palm will be cut from the tree in a bunk.
- b. Second stage: cut if from the tree and after few days it will be selected
- c. Third stage: cook the selected ones with a very big pot.
- d. The fourth stage: pound in a big mortar.
- e. The Fifth stage: sieve out the oil and turn it into a container

f. The sixth stage: package the container and the oil is ready for sale

### **Materials and Machines**

Materials and Machines for Palm Oil Production and Processing Business plan in Nigeria describing the main materials, equipment or expertise that you will need to create your product or service. State their availability, location and price. Provide any additional relevant information. Digestion of the fruit: digestion is the process of releasing the palm oil in the fruit through the rupture or breaking down the oil bearing cells.

**Machines:** Palm oil seedlings, hectares land, organic fertilizer, sustainable water source, plough, seed planter, sickle/harvester, Packaging machine, knives, wheelbarrows, basins, weighing scales, stand-by generator sacks and nylons for packaging, Sealing machine.

### **The various business ideas and opportunities in palm oil production:**

**Bulk Purchase & Resale of Palm Oil Products:** In this model, the palm oil trader purchases palm oil products when the prices are low; usually during the harvest season between March and May, stocks the palm oil products, then resells them during the off-harvest season. During this period, the supply of the commodity in the market is relatively low, and as scarcity kicks in, the price of the palm oil products begin to rise, then you can reap larger returns on your investment; sometimes around slightly over 100%. But periodically, it states that the palm oil products can be bought from local farmers during the harvest period, and preserved in various storage facilities, before they're eventually, transported for resale in the cities, or other communities.

Palm oil products purchased for resale, could also be exported to various locations such as China, and Singapore, to mention a few.

The business opportunities that lie in the palm oil business sector in



Africa is vast and wide because, far lesser growth and processing of palm oil products in a commercial scale happen in the region than expected. This large empty demand for more producers advertises a great opportunity for would-be agricultural entrepreneurs to take advantage of. With an abundance of rain, more than adequate sunshine, and largely fertile soil in the African continent, growing and processing palm oil products can only get a lot better. When the oil palms are cultivated, the fruits are crushed to produce palm oil. The white inner kernel inside the seed of the palm oil fruit can be further crushed to produce palm kernel oil, which has hundreds of uses.

Before you start a palm oil plantation, it's important you know that it would require significant investment, the right fertile farmland to grow your palm trees, and a patient mind because the Return On Investment (ROI) is far in the future. These various business opportunities in the palm oil business industry can be a benchmark for any entrepreneur aspiring to invest in agriculture, to start off with.

## **CHAPTER THREE**

## MARKETING ANALYSIS

The palm oil mill has a very good prospect for surviving in the raw material markets for industries. Firstly, most of the small skill industries in different communities will patronize the mill industries, hotel, palm kernel oil and palm oil sellers in the area; can buy directly from **UGOBIZ OIL** in bulk. Secondly, the various soap cosmetics and food industry within the community; they can come to Ugobiz oil mill for the raw materials. Industries in Aba, Enugu and Port Harcourt can easily locate the mill and buy the products. This will thereby reduce the transport cost. Ugobiz mill will increase the production and sale of palm products in its environments. This will result to increase in profit and profitability since there are no too many competitors in the South East region market. The cost of production will be low because most of the staff will be recruited from the community and the source of raw materials for the mill is gotten from the natural endowment within the environments.

## MARKET SEGMENTATION AND ACTIONS

**Marketing segmentation:** Our markets in this industry are being segmented into three which are namely:

The palm kernel oil market segment

The palm kernel cake market segment

The palm kernel sludge market segment.

As regards to our market segmentation, some of the customers' needs in all the markets are homogenous while some are different. Those customers in the palm kernel oil market segment have some atom of homogeneity needs with those customers in the palm kernel sludge market. Meanwhile between those our customers in the palm kernel oil and palm kernel cake market segments their needs are different.

**Marketing actions:** In marketing the firm's products to its different market segments, the firm will undertake on the following actions.

The firm will engage in prospecting customers through the owners of those factories which uses our end products or through their marketing/purchasing managers. We can also prospect our customers through agents.

We will be informing our customers through our various or multiple channels of communication about the availability of our products after the production process.

## MARKET SIZE, STRUCTURE AND GROWTH

Going by a recently concluded detailed research, presents a detailed analysis which shows that demand and supply gap is currently estimated to be between 500,000 metric tons to 600,00 metric tons per annual. An estimate also shows that Nigeria requires about 1,200,000 tons of vegetable oils to meet up to the national requirements for food and non food uses.

From a detailed analysis of the sector, total palm kernel oil and palm kernel product per annum is currently about 74.000 tons even though the ban on crude palm kernel oil importation into the country was lifted in the year 2008, yet it has not bridged the gap. So we can see that with this demand and supply gap, it opens up more business opportunities for investors and business owners in the sector.

## PRODUCTION PLAN

What are the requirements for starting an oil palm plantation?

Though it may not sound like a business, due to the “plantation” tag. But the truth is that, an oil palm plantation is a business, and you should regard it as such. This means starting it requires the same input factors that other business require, which are land, labor, and capital. We will now discuss each of these factors.

1. **Land:** Since you are starting an oil palm plantation, you will definitely need

a large expanse of land. This can range from few plots to hectares of land, depending on what you are able to obtain.

The first important factor to consider when acquiring land for your oil palm plantation is the soil. Is it fertile? Would it be suitable for growing oil palm trees? If you are in doubt over the quality of the soil, then have it examined by experts. This is very important, for obvious reasons. After acquiring a piece of land, you will need to prepare it well for the plantation. It is highly recommended that you use tractors to pulverize and loosen the soil and remove hard roots in preparation for palm seeding.

In addition, since your land will be your production factory, so to say, it must be located where buyers can easily assess it. Although you can easily find lands with good soils for oil palm cultivation, you should choose one that is motorable, since most of your buyers will use large vehicles to convey oil palm fruits from the farm to the sites of processing.

2. **Labor;** though you may not need to hire permanent staff, you will need to hire individuals to assist you with each stage involved in starting an oil palm plantation. For example, you will need to hire laborers or a tractor operator for the land clearing process. You will also need to hire laborers for the planting process. And each time you need to harvest, you will need to hire laborers to handle the task for you.

3. **Capital;** this refers to the money required to start the business. This includes the cost of acquiring land – either by buying or renting, the cost of hiring workers, the cost of maintaining the farm, and the cost of purchasing the seedlings that you will be starting with.

The Steps Involved;

Having discussed the requirements for starting an oil palm plantation, we will now look at the steps involved in starting an oil palm plantation.

CAPACITY TO PRODUCE ON A LARGE SCALE

Our experience in the industry bring competence and credibility

My staff brings operational, marketing and promotional skills to the business

The Management experience I have gained for the Palm Oil Production and Processing Business plan in Nigeria

With over 7 years' experience in the Palm Oil Production and processing business, I've being able to master the professional low-cost management techniques for cultivating and processing rice and been able to consistently provide good commendation from our customers.

Also interpersonal relationships with customers will also paved way for them to trust us to provide them high quality locally produced rice.

My managerial skills has also helped in putting together a workforce for over 7 years, which will also help me to raise a team work in most aspect of the company.

## **CHAPTER FOUR**

## FINANCIAL PLAN

The establishment of this mill industry will cost about ten millions, five hundred thousand (N10,500, 000), since the project is a community based project the will bring about development in Nigeria, there would not be any financial spending for land acquisition; the community will be willing to give out one of community's land for the project. The only money needed for the land acquisition is about N300, 000 for compensating the owners of the land before the community takes over the ownership of the land.

### Project Estimate:

- 1 compensation given to the owner of the of land
- 2 Erecting of industrial building
- 3 Acquisition of machines and equipment
- 4 Payment of the workers for the first three months
- 5 Palm plantation and cultivation cost
- 6 Miscellaneous

### Grand total:

Interest rate = N 60%

NPV =  $\sum_{t=0}^n \frac{C_t}{(1+r)^t}$

(in millions "000")

Year 0	Year 1	Year 2
(16,750)	12,500	14,500

$$NPV = 12,500(1+60\%)^{-1} + 14,500(1+60\%)^{-2} - 16,750$$

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$$= 12,500(1+60\%)^{-1} + 14,500(1+60\%)^{-2} - 16,750$$

$$= \frac{12,500}{1.6} + \frac{14,500}{1.6^2} - 16,750$$

$$= 7,812.5 + 5,703.125 - 16,750$$

$$= 1.6 \quad 1.6^2 \quad 1.6^5$$

$$7812.5 + 5703.125$$

2670.1 + 1734.9

NPV= N 5,000

### **Conceptualization:**

The proposed palm oil mill in different communities will be a very big industry specialized in the production of palm product such as; palm oil, palm kernel oil, palm kernel powder and other by-products from palm, which subsidiary industries can use as raw materials for their production. Up to 100 tons of palm oil will be ready for sales and distribution on daily basis. Having established business contact with most of the soap cosmetics, and beverage industries in Aba, Port Harcourt, Enugu, Onitsha, Kano, Kaduna, Lagos, Abuja etc., the mill will be distributed to them at any quantity they want.

### **MANAGEMENT PLAN AND ORGANIZATION**

The management team works hard to increase the sales, market shares and profit by understanding the customer and the competition. The team is collectively building cohesive marketing strategies for the products and creating maximum impact. The business is partnership between five people and these people collectively run the business.

1. **Mr. A:** A gentleman with class business mogul. He is a well skilled manager, with his vast experience in management and entrepreneurship he assumes the post of the manager. His knowledge will efficiently and effectively manage the industry.
2. **Mrs B:** An elegant lady and a B.Sc holder in management and M.sc in any of the federal universities, she legally takes the role of assistant manager. Her experience and skill when applied will take the industry to a great height.
3. **Mr. C:** the business guru, versatile in the aspect of business, takes the position of the production manager. His skills are for the development of the industrial products.

4. **Mr. D:** with his educational background and qualification on accounting and finance, his skills will be needed in recording the business operation and analyzing the financial prospect, being the financial manager.

5. **Mr. E:** A business oriented lady, with vast experience in marketing who has superb social communicative endowment, will assume the position of the marketing manager.

With this team, I believe the collective efforts will take the industry to great heights, enabling we to have mark power in the industry.

#### MARKETING PLAN:

UGOBIZ oil mill have a team of good marketers and sales forces who will create public awareness of the mill's product would be communicated to the public through advertisement, public relations, sale promotion and publicity. There will be proficient marketing professionals recruited for this purpose again, the industry will make use of customer based pricing one of its principle strategy. It will also emphasize of quantity discount as a pricing strategy also. The industry will make us of sales representatives and agents instead middlemen to avoid hoarding of the products, excessive price hike and lower customer's satisfaction. The plan is to also attract and secure my youth entrepreneurship scheme programme (YES-P) loan facility with the Bank of industry (BOi) for the venture.

The factory produces palm kernel oil and palm kernel cake as its main product. Palm kernel oil is a main raw material in the production of edible vegetable oil and palm kernel cake is a major raw material in the production of assorted animal feeds.

The proposed installation capacity of the factory is about 480 metric tons of palm kernel oil per annum and about 660 metric tons of palm kernel cake per annum. Also about 68 metric tons per annum of a minor product called palm kernel oil sludge is also being produced. An estimated and conservative sales



revenue of N60,000,000 will be generated in the first three years of operation and will grow steadily at a yearly average.

Subsequently, the projections contained here in are authentic and will be used as the budget for the business.

## PROFIT AND LOSS PROJECTION

As the world's attention stays heavily focused on energy and technology, the few entrepreneurs who focus on large scale agriculture are reaping good profits from their investments. The agricultural business ecosystem is widespread, because of the hundreds and possibly thousands of various crop types that can be grown and sold as an income stream.

In the lot of these possible agricultural segments lies a profitable niche that only a few would dare venture into. This is the palm oil business.

Growing, buying, and selling palm oil products is a highly profitable agricultural business for any new and existing farmer, or agriculture entrepreneur to venture into. The potential in this venture makes the palm oil business one of the largest income streams for the eastern part of Nigeria, and several other developing countries in the world.

This detailed business plan for a palm oil business, will show you how to grow, buy, and sell palm oil products in Nigeria, India, or anywhere else in the world.

Palm oil products have diverse uses in various parts of the world, and come in different forms such as; red palm oil, groundnut palm oil, and several others.

Palm oil products can be used in the pharmaceutical and cosmetic industry, and in the production of water treatment products and drilling fluids. It is also used in the production of lubricants, soaps, candles, detergents, as feedstock for biodiesel, and as an alternative to various mineral oils used in power stations.

Aside from products that cannot be used in any edible form, palm oil products can be used in making margarine, condensed milk, ice cream, preparation of

meals, and various other edible commodities.

These diverse uses and high demand for palm oil products, contribute to the high growth of the palm oil business industry in various parts of the world.

## OWNERSHIP OF THE BUSINESS

The Management experience I have gained for the Palm Oil Production and Processing Business plan in Nigeria with great aspiration and ambition to strive in the Palm Oil Production and processing business, I have been able to master the professional low-cost management techniques for cultivating and processing rice and been able to consistently provide good commendation from our customers. Also interpersonal relationships with customers will also paved way for them to trust us to provide them high quality locally produced rice.

My managerial skills has also helped in putting together a workforce for over 7 years, which will also help me to raise a team work in most aspect of the company. Having this unique plan, I am hereby the CEO of the company overseeing the day to day activities of the business and would the name UGOBIZ oil mill to be the name of my company.

## **Conclusion:**

It is clear from the foregoing that the proposed oil mill in different communities

in South Eastern Nigeria is an attempt to promote human development project in the area, create employment opportunities for the youths and create means of generating more revenue for the communities. Hence, it is clear that the proposal presents a new dimension of development.