The One-Pager Business Plan (Cocoa Production)

The One-Pager Business Plan is presented in bite-size and easy-to-understand language. It highlights the basic insights and considerations that help you decide if and how to engage in agricultural ventures.

Cocoa in the World

According to FAO stat 2022, Côte d'Ivoire is the world's top producer of cocoa beans. The production of cocoa beans in Côte d'Ivoire was 2.23 million tonnes, accounting for 37.96% of the world's production of cocoa beans. The world's total production of cocoa beans was estimated at 5.87 million t in 2022.

Cocoa in Nigeria

Nigeria is a leading player in the global cocoa industry. We are the fourth largest producer, covering a 6.5% share of global production. The production is projected to grow by 4% per annum in the coming years. We are, with over 700 million USD, also the fourth largest exporter of cocoa beans worldwide.

Cocoa Value Chain

Government Aid, Multilateral, etc.

Seed, Fertiliser services, etc.

You-Farm Labour Services, etc.

Manufacturer, Marketing dist. Export, etc.

Industry Consumer, Export Trader etc.

Calendar Pattern for Cocoa Production in Nigeria

● Start ● End

Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Field Preparation	●		●									
Planting				●		●						
Weeding				●						●		
Fertiliser App				●						●		
Harvest				●		●				●		●
Processing	●					●	●					●

SWOT Analysis

STRENGTH: Available base resources of land, labour and technical know-how, well known in local and international markets

WEAKNESS: Financing new entrants may be difficult. Cocoa farming is a long-term investment.

OPPORTUNITY: A growing market with an increase in population.

THREAT: Global economic downturn, bad weather cum natural disasters (droughts, epidemics), and the arrival of a competitor through processed imported cocoa powder.

PESTLE Analysis

POLITICAL: Agricultural transformation policies to encourage more farmers to produce cocoa..

ECONOMIC: Economic reforms and a growing market for cocoa seed exports.

SOCIAL: Strong agricultural base and popularity of cocoa.

TECHNOLOGY: Low-complexity technology for medium-holders, mechanisation and a good spread of digital technology for information and extension.

LEGAL: Relative ease of doing farming business, as little to no licenses or regulation are required.

ENVIRONMENT: Suitable geography, availability of natural resources for the production of cocoa.

Technical Consideration

Research and planning are essential in cocoa farming in order to understand the required best practice. Identify the regions and locations best suited for cocoa production, as cocoa requires a high amount of annual rainfall between 900 mm and 1600 mm. It is preferable to use legally purchased land, as cocoa has a long lifespan of about 30-40 years. Source for quality grafted seedlings from a research institute. Before planting, dig a pit of 20 cm x 20 cm x 20 cm sizes at 3 m x 3 m spacing, and when it is opened, mix manure, and manure is mixed and placed in the pit. This will give a plant population of 1111 plants/hectare. It is recommended that planting be started during the early rains in May to ensure maximum tree survival, and irrigation should be provided during the dry season, especially when the cocoa has not fully established. It is required to interplant cocoa with crops such as plantain with the plantain spacing of 6m x 6m to provide shade to the young cocoa plant until it has been fully established. Cocoa may produce fruit at 3-5 years after planting if the trees are raised from grafted plants. The cocoa tree should be pruned lightly after harvesting to allow new vegetative flushes and to get rid of dead wood. Apply fertiliser based on the soil test result and fertiliser schedule.

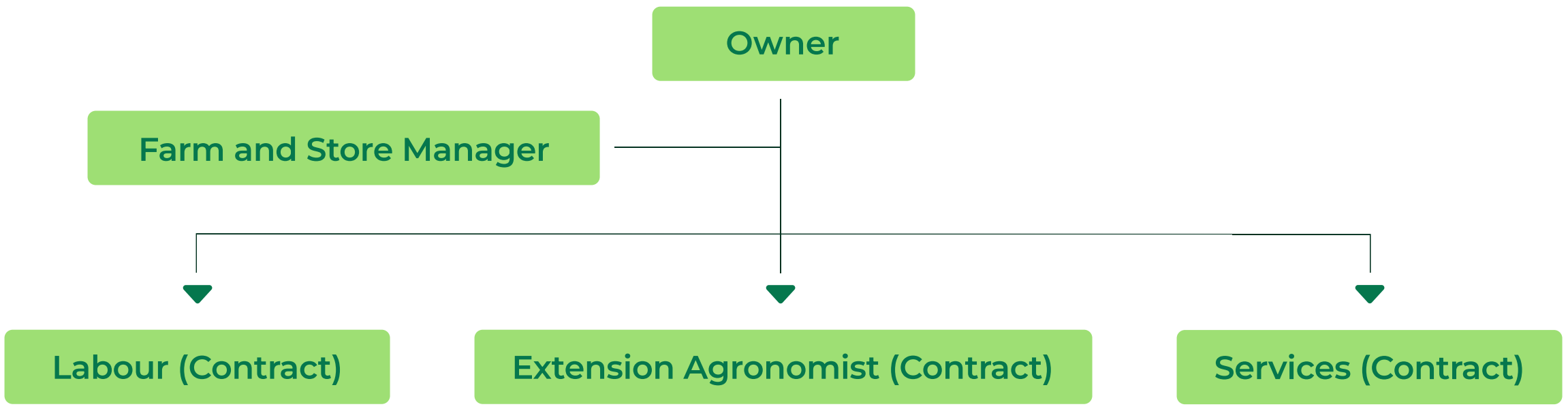
Marketing and Distribution

Raw cocoa can be sold as fruits (which carry the nut) or whole nuts. It can also be processed into various finished products such as nuts, oil, etc. The market sale and distribution are based on the channel adopted by the farmers. **The target markets/ channels** include:

- Online customers
- Exporter
- Agriculture merchants (wholesalers and retailers)

Operations

A medium-holder farm can be managed with a lean operational framework of not more than 5 people, mostly contracts with little overhead cost. Most administrative tools for such tasks as bookkeeping, project management and reporting can be sourced freely.



As farms grow, headcount may increase; however, it is advised to keep operations lean and overhead low by using contract workers for most of the farm tasks while growing capacity in managerial areas.

Risk

Cocoa production at a medium scale is presented with a few risks that can be mitigated with low-complexity considerations and actions.

Environment

Unfavourable environments such as land issues, insecurity or poor relationships with the host community

Mitigant

Ensure the land is purchased legally. Plan community engagement and carry the community along. Give them jobs if possible. Establish farms in safe areas.

High Probability

Technical

Technical

Mitigant

Obtain cocoa farming knowledge, work with extension agronomist and join communities of cocoa grower to exchange information.

Low Probability

Pest & Diseases

Outbreak of pests and diseases

Mitigant

Apply pre and post-emergence herbicides, pesticides and use the right pest integration management.

Medium Probability

Climate

Drought or flood

Mitigant

Use an area that is suitable ecologically for cocoa production. Avoid flood-prone areas and use irrigation when necessary.

High Probability

Finance

Lack of adequate finance or availability of funds as and when required

Mitigant

Ensure financing is secured before cultivation commences. Keep proper book and management system to demonstrate capability and capacity to financiers.

Medium Probability

Market

Market rejection of cocoa

Mitigant

Ensure good-quality cocoa nuts are produced by using good agronomic practices and good technical management for drying and storing of cocoa nuts.

Low Probability

Pricing

Negative price movement

Mitigant

Obtain forward contract with off taker and work with aggregating association or commodity board to ensure cocoa stability.

Medium Probability

Economics of Production (June 2024)

AgroMall Market Survey

Description	Activities	Unit	Quantity	Cost/unit	Amount(₦)
Land Value/ Land Preparation					
Land Acquisition	Land Purchase	Ha	1	700,000	700,000
Land Preparation	Ploughing	Ha	1	70,000	70,000
	Harrowing	Ha	1	67,000	67,000
Plantation Establishment	Planting	Ha	3	10,000	30,000
Inputs Needed					
1111 grafted seedlings at 3m x 3m	Grafted seedlings/seeds	Ha	1,111	800	888,800
Use 500g per stand and apply twice a year	Fertiliser(NPK)	Ha	11	35,000	385,000
Spray at any sign of outbreak	Pesticides	Ha	5	5,500	27,500

3litres/ha for 3 spray/ year	Herbicides	Ha	12	6,000	72,000
Labour Requirement					
	Prunning labour	Ha	2	10,000	20,000
3litres/ha for 3 spray/ year	Weeding (spraying)	Ha	12	8,000	96,000
Spray at any sign of outbreak	Pesticides spraying (labour)	Ha	2	8,000	16,000
	Fertilizer app (Labour)	Ha	6	8,000	48,000
Harvesting					
Fruiting starts between 3-5 years after seedlings transplanting	Cocoa fruit plugging and beans extraction		1111	500	555,500
Beans fermentation	Processing and drying				
Logistics within farm	logistics		1111	300	333,300
Logistics					100,000
Total Variable Cost (TVC)					3,409,100
Insurance				3.0%	102,273
Cost of funds				10.0%	10,227
Total cost of production					**3,419,327**

Note: The prices of input quoted in this EoP are subject to change as prices of goods are on the increase.
It is advised that capital expenditure is avoided at this stage and all capabilities are sourced as services.
Labour and services costs vary per state or region and are amortized per hectare.

Profitability of Production (May 2024)

AgroMall Market Survey

Description	Parameter	Unit	Quantity	Amount
Fruiting starts 3-5 years after planting the seedlings. Each cocoa stand is expected to produce an average of 2 kg of cocoa beans per tree after 3-5 years. 1111 trees will give 2 kg x 1111 of cocoa beans per hectare. An average of 2,222kg cocoa beans per hectare after 5 years of planting.	Total cost of production/ha			3,419,327
	Expected yield/1111 stands/ha (Kg)	1 Ha	2,222 kg	2,222
	Market Price/fruit (NGN)			8,000
	Expected revenue/ ha (NGN)			17,776,000
	Margin/ha (NGN			14,356,673
	Return on Investment(ROI) %			420%
	Capital Turnover (CTO) (%)			81

Salaries and operating expenses are amortised per hectare.

Profitability can move widely with commodity price movements.

Funding

There are funding sources for medium-scale cocoa farming if capacity and capability are demonstrated.

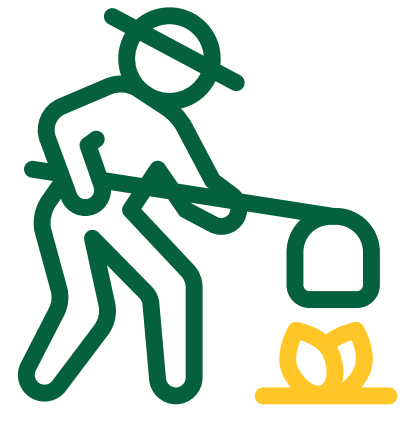
Typical funding sources from formal financial institutions include:

- **Out growers**
- **Investors and partnerships**
- **Grants**
- **Development interventions**
- **Banks: Microfinance and commercial**

Funding considerations will require that feasibility and viability are demonstrated; some track record in agriculture will also support a positive funding outlook.

Who is Suited for This?

Anyone interested in agriculture who can create time for farming will do well in cocoa farming if they put their mind, heart, and effort into it. The best-suited are agriculture students, graduates, professional farmers, side hustle farmers, and enthusiasts.



Consideration Score

- Viability - **HIGH**
- Feasibility - **HIGH**
- Profitability - **HIGH**
- Ease of entry - **HIGH**
- Aggregate Risk - **MEDIUM**
- Probability for Growth - **HIGH**
- Resilience and Sustainability - **HIGH**
- Aggregate Consideration Score - **HIGH**

Conclusion

Cocoa cultivation is a technically feasible and financially viable business venture.