

Processing Of Oil Palm Seed (Fresh Fruit Bunch) to Produce Palm Oil, Palm Kernel Oil and Palm Kernel Cake in Nigeria, the Feasibility Report.

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Abstracts

Until the late 1970's when hydrocarbon was discovered in commercial quantity in Oloibiri, present day Bayelsa state, Agriculture remained the mainstay of the economy contributing over 90% of the Gross Domestic Product (GDP) of the country as against the less than 40% it now contributes with crop production accounting for an estimated 85%, livestock 10% and the balance made up by fisheries and forestry.

Oil palm in Nigeria grows in the coastal belt which varies in depth from 100 to 150 miles and a riverine belt which follows the valleys of the Niger and Benue for a distance of about 450 miles from the sea. The main palm oil producing states includes Ogun, Ondo, Oyo, Edo, Cross River, Anambra, Enugu, Imo, Abia, Ekiti, Akwa-Ibom, Delta and Rivers.

Palm oil forms an important part of the local diet in Nigeria because animal fats such as milk and butter are hardly consumed. It is used both as a cooking material and as an ingredient in soups, sauces and a variety of local dishes. Consequently, there had long been a thriving market for palm oil both within the main areas of production in eastern and western Nigeria and between these regions and the non-palm oil producing northern region.

Palm kernel oil {PKO} is an important and cheap source of oil for soap manufacturers ,bio-fuel, cooking oil, vegetable ghee, Shortenings, Margarine, CBS,CBE, ice cream, dough, creaming, coating, and other specialty fats while palm kernel cakes are used in animal feed production. The market for Palm Kernel Oil (PKO) is very large. About 80% of all the edible vegetable oil consumed in Nigeria is made from refined palm kernel oil.

In Nigeria, the major buyers of palm kernel oil are vegetable oil refineries and soap making companies and our focus would be on vegetable oil refineries and soap making companies. We shall narrow down to vegetable oil refineries since their demand is far above supply.

It is estimated that only about 75% of the demand for palm kernel oil by local vegetable oil refineries and soap making companies is being met in Nigeria.

Extensive market research has revealed that palm oil, palm kernel oil {PKO} and palm kernel cake are everyday goods used by individuals as well as Industries. Thus, the market is ongoing and is not dependent on economic cycles and can be described as a FMCG (fast-moving consumer goods) commodity market.

This report seeks to examine the financial viability or otherwise of establishing a oil palm seed processing plant in Nigeria which involves the sourcing of fresh fruit bunch {FFB} and processing same to yield palm oil, palm kernel oil and cake.

The production capacity of the proposed business is eight {8} tons per day and the required startup capital estimate of the business is N 11,020,000.00 and it would be funded from 30% equity N 3,306,000.00 and 70% loan N 7,714,000.00. The loan would be used to finance our purchase and installation of the production plant and the working capital.

We expect the business to generate a net profit after tax of N 13,198,508.34 and N 14,031,269.7 in the first and second year with the repayment plan of two {2} years with moratorium period of two {2} months. The assumed interest rate for the loan is 25%.

The total manpower required to run the business is about twenty {29} persons comprising of 10 Skilled and 19 Unskilled workers and the day to day management of the business would be handled by the managing director.

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