



RC 1159089

Plot 1, Road 11, Ikota Villa Estate, Lekki Peninsula, Lagos, Nigeria.

info@wemsagro.com
www.wemagro.com

“WEMS RICE PROJECT”

“assuring food security through sustainable and intensified farming practices.”

Mission Statement.

For further information, please contact:

Chairman/CEO
Rotimi Wemimo Akinsola
Wems Agro Companies Limited
Mobile: +234-8034048534
E-mail: rwa@wemsagro.com

Managing Director
Joseph Ndubisi Nwadukwe
Wems Agro Companies Limited
Mobile: +234- 8185271076
Email: jnn@wemsagro.com

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ABOUT US

Wems Agro Companies Limited (WEMS) is a specialized agribusiness service provider registered with the corporate affairs commission (CAC) in Nigeria, with RC 1159089. Its core business is development and optimization of farming enterprises through farmer partnership schemes.

Wems provides farm development and crop marketing with immediate focus on rice farming and its distribution. Other crops under development include maize, fruit, vegetable, teak & livestock farming.

Wems was founded in 2013, following years of Nigeria's over-reliance on imported rice. It must be emphasized that rice is the most important crop for food in Nigeria, and should be planted on over 70% of its agricultural land area. With ongoing reforms in the agricultural sector, promotion of high-yielding rice varieties and application of advanced rice farming techniques, rice production in Nigeria will soar and importation will no longer be attractive to rice merchants.

Wems has modeled a sustainable and profitable farming scheme having identified approximately twenty-five thousand (25,000) hectares of arable land in Akotogbo town, Irele local government area of Ondo state, Nigeria for its farming enterprise. A Memorandum of Understanding/Agreement on the use of the lands has been executed between Wems and Land-Owners; a group of five (5) prominent families of Akotogbo, duly represented by their heads of family, thus;

	FAMILIES	HEADS
1.	ABAJOLU FAMILY	MR. BAMIDALE OBAJOLU
2.	IDEHEN FAMILY	MR. AKINTADE IDEHEN
3.	OKITI OGAN FAMILY	MR. OKE IGBEKELE
4.	OBANOR FAMILY	MR. JOSEPH OBANOR
5.	OGORO FAMILY	MR. SIMON OGORO

The Chairman and CEO of Wems Agro Companies Limited, Rotimi Wemimo Akinsola is a recognized and successful rice merchant having been an importer of milled rice from Thailand for years, and has been involved in a number of bulk supplies to governments and cooperative societies including his quarterly supply contract of 250,000 bags (50kg) of parboiled long grain rice to Civil Awareness and Empowerment Initiative (CAEI). Other directors include Managing Director, Joseph Nwadukwe, a seasoned business developer and investment relations adviser; Director for public affairs and government relations, Chief Tayo Akintade, recognized as a leading exporter and transporter of food crops with over 30 years experience in rice transportation, wood exportation and water production and distribution. All three are actively involved in the day-to-day management of the company.

EXECUTIVE SUMMARY

Wems Rice Project is a model rice farm developed by Wems Agro Companies Limited in partnership with Chinese farmers/technology. The Project is planned to yield 5.6 tons of processed rice from 7 tons of paddy rice cultivated per hectare. The first phase will involve the cultivation of 5,000 hectares with 3 harvests within a year under a 5 years development plan, the period a total of 169,680 tons of processed rice will be realized; an estimated revenue of N20.36bn.

Projection Table/Income Simulation:

Yr	Ha	Ton/ha	Hvt/Yr	Tons/Yr x 50kg bags	No. of Bags x Rate (N6k)	Amount (=N=)
Yr1	100	5.6	3	1,680 x 20	33,600 x 6,000	201,600,000
Yr2	500	5.6	3	8,400 x 20	168,000 x 6,000	1,008,000,000
Yr3	1,500	5.6	3	25,200 x 20	504,000 x 6,000	3,024,000,000
Yr4	3,000	5.6	3	50,400 x 20	1,008,000 x 6,000	6,048,000,000
Yr5	5,000	5.6	3	84,000 x 20	1,680,000 x 6,000	10,080,000,000
	TOTAL		15	169,680 x 20	3,393,600 x 6,000	=N=20,361,600,000

Background:

Back in October 2012, the Nigerian government said it was considering effectively doubling the import tariff for milled rice, starting January 1, 2013. The USDA Post confirms in a report dated 6th February, 2013 that the government has implemented this change, even after the worst flooding in 50 years destroyed about 400,000 hectares of agricultural land according to the government (local media put the figure at closer to 1.9 million hectares), including rice areas. The Government of Nigeria is still planning to ban rice imports by 2015.

Nigeria's import tariffs for brown and milled rice are based on a flat price. The price was raised earlier in 2012 from \$639 per ton to \$699 per ton and then recently reduced to \$673 per ton for the last quarter of 2012, meaning that no matter the actual cost of the imported rice, duties and levies will be calculated using this flat price.

Previously, since July 1, 2012 there was 30% import levy on imported brown rice and a 10% duty (40% total effective rate on brown rice) and 50% import levy on polished rice and a 10% duty (60% total effective rate on polished rice). Now there is a 100% import levy and 10% duty rate (110% effective rate) on polished rice.

While the increased import costs may dampen official imports and will raise consumer costs, it's less clear if they will support the nation's rice sector which is in need of more help than just protectionist measures. The USDA reports that the rise in tariffs has spurred more illegal cross border imports from Benin and Cameroon and stockpiling of rice ahead of more tariff increases.

Now, rice grows all across Nigeria; hence self-sufficiency is highly possible. Nigeria struggles to grow enough rice to meet demand but lacks the technology to mill the rice it does produce to

compete with imported rice. Hence, the opportunity been exploited by **Wems Agro Companies Limited**.

Akotogbo Town

Akotogbo, in Irele local government area, Ondo state, Nigeria has a population of about 3,000 inhabitants, with most of its land still virgin or uncultivated. Approximately 5% of Akotogbo town is inhabited and been used for farming and recording yields in yam, cassava, plantain, maize, palm kernels etc. The town is both accessible by road and by water (Oluwa river, Owena river and via the Atlantic Ocean).

Akotogbo can be described as the most suitable site for rice farming due to its all year round water sustainable terrain. This feature ensures high productivity because the submerged roots easily extract needed nutrients from the water. Flooded rice, also known as lowland rice, is grown in paddies, which are fields that contain water enclosed by low walls of earth called bunds. Paddy rice fed by rainfall alone accounts for about 50% of all rice grown worldwide while paddies flooded by a combination of rainfall and irrigation provide about 35% of rice produced worldwide. As Akotogbo is blessed with this combination, the land could yield 8 tons or more of rice per hectare.

The farm land of Akotogbo is blessed with the composite requirements for effective rice farming; *rivers, 1,200 mm evenly distributed rainfall, flat terrain, including the vital nutrients, nitrogen and phosphorus*. The entire land is believed to be free of government acquisition, its being independently tested for its fertility by WEMS with the assistance of the agricultural research department of FUTA. The land identified for Wems Rice Project certainly requires a registered instrument and gazette from the good government of Ondo state to enable the developers attract the investors.



The Opportunity

With the world's rice market becoming highly volatile, Nigeria still spends about N356 billion on about 2 million MT of imported rice annually, making it the second largest

Abstract: Under the GON's intervention measures to help farmers, each farmer is supposed to get three bags of paddy rice and a bag of fertilizer free of charge. Furthermore, the state governments in rice-growing areas (mostly central region) would assist ascertain the value of land; engage in land clearings as well as issue certificates of occupancy to affected land owners to encourage the production of rice. Land owners and local communities renting their land for rice production and other farming activities would also enjoy continuous compensation from the state government throughout the period the land is under cultivation. In addition, state governments would also receive rice mill plants.

importer of rice in the world. Thailand, which is Nigeria's largest supplier, has increased the price of rice by over 50%, even after the worst flooding in 50 years destroyed about 400,000 hectares (local media put the figure at closer to 1.9 million hectares) of agricultural land including rice areas. With all these, The FGN is still planning to ban rice imports by 2015.

Imported milled rice are not more nutritious, they are expensive, attract huge import duty and levy, and most critically, as a class, the largest single contributors to smuggled commodities into Nigerian borders. Amongst all, imported milled rice creates an auction on the cost value of domestically produced rice, despite the absence of import duty and levy on the locally produced rice.

What is clearly required, therefore, are the same quality parboiled long grain rice, with same shape as Thailand export standard-5% broken, but utilizing mechanized harvesters, threshers and winnowers, adequate storage facilities, par-boilers, and most especially, the arable land with sufficient nitrogen and phosphorus such as that already identified at Akotogbo.

The Business:

Wems Rice is been introduced not only to provide the direct alternative to imported milled rice, but also to produce, process and to package 1kg, 2kg, 5kg, 10kg, 20kg retail packs of affordable good quality rice under a valued micro-credit scheme for market women and men, otherwise known as the **Wems Proprietary Solution (WPS)**. With such a highly valued promotion package, Wems exploits a significant commercial advantage (multilevel marketing) never experienced before in rice marketing.

WPS:

Wems Proprietary Solution is a cautious conclusion that microcredit can indeed make a significant contribution to market women and men's empowerment, provided that such practices are well adapted to their economic and social entourage, and singularly to the diverse demands of unemployed local women.

Investment Proposal

The proposal is made therefore to solicit and engage the Ondo state government to provide enabling investment environment to include; the issuance of pertinent permits, carrying out the 25,000 hectares survey, securing the land with a registered instrument, land clearing, temporary accommodation, transportation and security for WEMS expatriates.

As aforementioned, 15% of net profit realized from the venture can be retained by the state government for its participation.

Moreso, WEMS will invest N326m providing for all the Company's cash requirements through to the settlement of existing crops on the land, soil tests, consolidating investment



partnerships, developing farm houses, offices, utility vehicles and general logistics. This will be followed by additional investment of N430m to be used for the paddy and irrigation scheme developments, 300 tons of rice seedling and labour.



The investment package as a whole will involve N3.256bn during the 5 years development plan on 5,000ha provided the listed milestones are achieved, thus de-risking the investment. A detailed 5 years financial forecast has been prepared which projects revenues at the end of the period at **N20, 361,600,000.00** and an operating income (before production cost, interest and tax) at **N17, 105, 600,000.**

FINANCIAL PLAN

Year	0	1	2	3	4	5
	=N=Billion	=N=Billion	=N=Billion	=N=Billion	=N=Billion	=N=Billion
EQUITY						3.256
ASSETS/LAND (0 ha -5,000 ha)	0	.150	.750	2.250	4.500	7.500

EXPECTED RESULTS

Year	0	1	2	3	4	5
		=N=Billion	=N=Billion	=N=Billion	=N=Billion	=N=Billion
TURNOVER	0	.201.6	1.008	3.024	6.048	10.080
GROSS TURNOVER						20.361.600
PROFIT	0	.84	.420	1.260	2.520	4.200
TOTAL PROFIT						8.484

BUDGETED COST

ITEM	=N=
Pre-MOU Expenses	50,000,000.00
Crop Settlement Cost	50,000,000.00
Utility Vehicles, Offices, Farm House, etc	71,000,000.00
Implementation Cost	155,000,000.00
Clearing (Machinery, Equipment & Labour)	1,600,000,000.00
COO, Survey, Gazette, etc	900,000,000.00
Operational Cost (management, seeds, etc)	430,000,000.00
TOTAL INVESTMENT COST	3,256,000,000.00

OPERATING EXPENSES AT YEAR 5

ITEM	ANNUALLY	MONTHLY
	=N=	=N=
Directors' Allowance	25,000,000	2,083,333
Salaries and Wages	30,000,000	2,500,000
Transport & Travelling	3,500,000	291,667
Telephone Bill	1,092,000	91,000
Generator Expenses	628,000	52,333
Tractors and Farm equipment Repairs	13,000,000	1,083,333
Vehicle Repair & Maintenance	2,840,000	236,667

Electricity and power	2,250,000	187,500
License & Fees	1,193,000	99,417
Stationeries	578,000	48,167
Cleaning & toiletries	299,000	24,917
Training & Development	5,219,000	434,917
Office Expenses	522,000	43,500
Office Equipment Repair & Maintenance.	301,000	25,083
Bank Charges & Commissions	244,000	20,333
Depreciation	<u>37,500,000</u>	3,125,000
TOTAL EXPENSES	124,166,000	10,347,167

Disclaimer (WEMS INVESTMENT PROPOSAL)

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