

OOLA LOLIM LTD

Business Plan

Overview

Oola Lolim Ltd, which was incorporated in 2011, is a partnership between Dr Samuel Oola & family and Jim Middleton & family. Dr Oola is the registered owner of Plot 57, Block 4 in Nwoya District, being 1,400 hectares running from Lolim Railway station to the River Aswa. Having recognised that he did not have the capital or large scale farming expertise to fully develop this land, Dr Oola decided to look for a strategic partner to assist him in developing a mechanised arable farm.

Since the end of the LRA (Lord's Resistance Army) insurgency Dr Oola has been trying to re-establish the farming enterprise, but limited capital has meant that this has only been possible on a very small acreage. Jim Middleton had since 2010 been farming in Amuru District, adjacent to the River Ome, but with unresolved land title issues, it was difficult to make the necessary investment into the infrastructure that was required to expand operations beyond 250 acres. For this reason he was looking for alternative land.

Work began on the land around 1st July 2011, with 200 acres of land being cleared, ploughed and planted with maize before mid August. By the first season of 2013 the area has increased to 600 acres, with a further 600 already prepared for planting in the second season

The farm will be run to maximise efficiency and lower costs by using following methods:

- Use of large tractors and equipment to maximise field efficiency
- Producing optimum soil structure and chemical balance, though use of fertiliser, lime and micro-nutrients.
- Use of strip till, minimum tillage and no-till technologies to reduce crop establishment costs, soil erosion and moisture loss
- Use of satellite technology to monitor yields and provide variable rate inputs, over individual fields.
- Install crop drying, storage and processing facilities, to enable the whole crop to be stored safely to allow sale at optimum prices.

Longer term the company plans to introduce contract farming services for other land owners in the area. This service will be tailored to individual farmers requirement's, but can include all operations and aspects of crop management, from land clearance to post harvest storage.

Market Summary

The worldwide rise in food prices has highlighted an imbalance in the supply and demands of agricultural products. On average, a near doubling of food prices since 2005 have made another 100 million people go hungry in a world where already one billion people are starving. Experts predict this

price increase to last for ten to twenty years as ever increasing demand from emerging economies like India and China will continue to put pressure on the supply side. It is against this background that Uganda now has a whole host of opportunities in the agricultural sector.

Oola Lolim Ltd will concentrate on growing field scale non-perishable crops, with maize as the primary crop, which will be rotated with Soya beans and possibly rice. The crop rotation will be reviewed on a regular basis and crops will be selected dependent on profitability. Other possible crops include sunflower, sorghum, simsim, cassava, ground nuts and field beans.

Business development

The company currently has sufficient equipment to cultivate, plant and harvest around 500 acres. Details of this equipment are listed in the appendix. The company has also erected a 432m² store to facilitate the harvest in December 2011. In the longer term this building will become a machinery store and workshop for the farm, once the proper grain storage has been installed.

The next expansion phase for the project will see additional equipment purchased to increase the production capacity to approximately 1,200 acres of crops each season. In addition grain drying and storage silos will be erected to store 3,300 tonnes. These will have to be in place before July 2012, to cope with the harvest then, and should be sufficiently large enough to also accommodate the harvests during 2013, after which it will need to be expanded.

The directors have the funds in place to finance the initial expansion, but future expansion will be financed from retained profits and external financing. As the profitability of the enterprise will be dependent on varying commodity prices, this will have a direct impact on the rate at which the company can expand. For purposes of the cash flow projection, price stability at current levels has been assumed. While we do expect that commodity prices are likely to rise over the next 5-10 years, this is likely to be balanced to a large extent by an increase in input prices. The cash flow forecast has used a conservative yield of 2 tonnes per acre of maize, whereas we expect to soon achieve 3t/acre and our long term goal is for a farm average of 4 t/acre. An increase in yield from 2 to 3 t/acre would nearly triple the total profits over the 5 year period to Sh20bn.

The whole project is commercially viable, however the directors will be looking at various grant aid options that are available for Northern Uganda, as this will enable more rapid completion and expansion of their long term goals.

Environmental considerations

The company takes their environmental responsibilities very seriously. A copy of the company's environmental policy is attached. In essence good farming practices go hand in hand with a sound environmental policy.

While the land at Lolim is generally open savannah grass land with very few trees, it will be necessary to remove some of these to facilitate machinery operations. The company plans to plant approximately 100ha with trees being a mix of commercial and indigenous species.

Socio-economic development.

Lolim has very little development and virtually no commercial activity. As the company is promoting mechanised farming, it will only employ limited numbers of people directly. When fully developed it will require approximately 50 full time employees. One of the long term goals of the company is to include sufficient spare capacity in the grain storage and processing facility to provide a ready market for small local farmers. One of the major problems faced by producers of all sizes is post harvest storage, forcing many to sell at a low price immediately after harvest or suffer losses due to poor storage. The company would also provide support to small scale producers in terms of contracting services, agronomy advice and supply of good quality inputs. Investment in this side of the project will only be possible once our own farm is fully developed.

Summary

In less than 2 years since beginning operations Oola Lolim Ltd has proven that it has the equipment, capital and skills to establish a commercial farm, and within a year we expect to be the second largest farming operation in Nwoya district. While there are many challenges ahead, we believe the opportunities available for commercial farming are very good.