

VEGGIE FOODS LIMITED

**BUSINESS PLAN FOR
CULTIVATION, BUYING, CLEANING, DISTRIBUTION OF
PACKAGED SESAME, GROUNDNUTS AND SUNFLOWER ALSO
PRODUCTION OF EDIBLE OILS AND PEANUT BUTTER**

FIVE YEARS BUSINESS PLAN

FROM 2021-2025



Contact Information;

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Dar es Salaam

JANUARY, 2021

CORPORATE INFORMATION

Registration Number: 101665

Business Activity : Cultivation, Buying, Cleaning, Distribution of Packaged Groundnuts, Sesame and sunflower Also processing of cooking oil and peanut butter for selling in the local and regional markets.

Shareholders:

Name	Address	shares
Subramani Ravivarma	P. O. Box 7784, Dar es salaam	2,800
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1.0 EXECUTIVE SUMMARY

Veggie Foods Limited is private company limited by shares registered in Tanzania with the main purpose to engage in Cultivation, buying, cleaning, processing and distribution of agricultural products. Currently, the company has embarked on establishing a project aimed at processing of groundnuts, sesame, and sunflower for production of edible oils and peanut butter. This business plan was prepared to establish the viability of the edible oils processing in Tanzania and guide the procurement, operational and marketing activities of the project. The plan establishes a strategic framework that provides a focus, direction and most importantly a common language that acts as a guide for all production, marketing/brand activities creating cohesive strategic alignment between the company mission, vision and goals. There is a growing demand in the country as imports of edible oils and peanut butter keeps on rising year after year. Reports indicates a current demand of 500,000 tonnes of edible oils, costing about US\$ 294 million per year. The demand is projected to raise to 700,000 tonnes by the year 2030. This project wants to utilise this opportunity by establishing modern processing facilities utilising locally available agricultural inputs to process health cooking oils and peanuts butter that will cater for the rising demand in the country and substantially contribute to the economy and employment creation in the country.

The company requires a total of **USD 584,295** that will be used to purchase equipment, raw materials, and cover some operational costs at the beginning of the project. The financial analysis indicates the feasibility of the project as the company will be able to recover all the invested capital within first two years of operations and start making substantial profits from the third year on wards. The financing of the project is expected to be 500% equity financing and 50% Loan from commercial banks. The project expects to employ at least 40 persons, majority being Tanzanians who shall be directly employed by the project, the project expects to create more than 100 indirect jobs through sales and commissioning agreements with local traders.

1.1 Vision, Mission and Core Values

Vision

Our vision is to emerge as the best practitioner in production, processing of edible oils for the local and foreign markets.

Mission

Our mission is to provide professional commercial processing and production through modern facilities and clean environment for cleaning and production of high quality edible oils and peanut butter from groundnuts, sesame and sunflower and high quality export products.

Core Values

Quality – We strive to perform at an excellent level in everything we do. We are reliable. We are committed to producing and delivering products to the highest standard possible every time.

Teamwork - We work together collectively to achieve our common vision and goals.

Honesty & Integrity - We are truthful and our actions are consistent with our words. We are honest and direct in all of our communications.

Respect & Dignity - We demonstrate respect for and appropriate loyalty towards our customers, colleagues and suppliers.

Innovation & Improvement -We drive change and challenge the status quo to exceed our customers' expectation.

Safety – We are committed to the safety, wellbeing and security of the business, facilities, people whom we serve and our employees.

1.2 Project Location

The project is located at Plot No. 59/1 Block 'A' in Dodoma Municipality with a size of 8382 square meters. The site is owned by Veggie Foods Limited vide a certificate of occupancy number 34240. The area has been surveyed by a survey plan number 46816. The area is accessible by road and has direct access to electricity and water

necessary for the factory to operate. The facility has government approval for the kind of factory we want to establish and it is easily accessible and we are deliberate about that to facilitate easy movement of raw materials and finished products.

1.3 Implementation Period

The project is expected to commence on 1st March, 2021. The project area has already been rented and prepared for the plant to be installed. The project shall be implemented in two phases. Phase one shall include preliminary stages such as site acquisition, construction, plant installation and procurement of beginning raw materials. These processes will commence in March, 2021 to December, 2021. Phase two shall include activities for project expansion such as construction of a more production facilities, new equipment purchases and installation. The activities in phase two shall commence in January, 2022 through to the rest of the project. The installation of machinery and equipment and start of production is described in the following Table.

Table 1.1: Implementation Schedule

NO.	ACTIVITIES	PHASE ONE (MARCH 2021-DEC, 2021)		PHASE TWO	
		Mar 2021-June. 2021	July-Dec.2021	Jan-Dec 2022	Jan 2022-2025
1	Leasing and site preparations and resource Mobilisation				
2	Preparation of project facilities				
4	Installation of machines and equipment; Procurement of raw materials.				
5	Production starts				
6	Procurement of machinery and Installation (Phase 2)				

1.4 Project Objective: Agriculture

Our objective is to engage in Agriculture by cultivating cash crops (groundnuts, sesame, and sunflower) on our acquired land in Dodoma. The land is located at Plot No. 59/1 Block 'A' in Dodoma Municipality with a size of 8,382 square meters. The farm, which will also be used as project location, is owned by Veggie Foods Limited

with a certificate of occupancy number 34240. The company plans to use this land for both farming and office but later the company will hire farms in other regions for cultivation of the said cash crops. In addition, Veggie Foods Limited will engage in business of buying, cleaning, processing and distribution of agricultural products to cater for the need of both domestic and international markets. We are also in business to make profits and at the same time to give our customers value for their money; we want to give people and businesses who patronize us the opportunity to be part of the success story of our business and serve the rising demand in the country and nearby markets. Notably the business will focus on the following specific objectives;

- (i) To ensure availability and reliability of high-quality cooking oils and peanut butter of different type and size.
 - To generate sufficient income through sales to meet the needs of the owners and tax revenues to the government.
 - To expand to a large edible oil manufacturing company and diversified products including peanut butter and animal seed cakes in Tanzania.
 - Conduct research and development in the edible oil manufacturing industry by capitalizing on the use of locally available materials so as to benefit the community at large.
- (ii) To employ at least 40 people and improve livelihood to the community and join hands with the government to reduce unemployment level in the country.

1.5. Project components and costs

The project is still at the initial stages; require some investments in terms of fixed assets, labour and materials. The Project has already obtained required documentations to allow its implementations. Some preliminary costs such as paying rent and grounds works where a processing plant shall be installed has started. The details of the requirements are explained in Table 1.2 below.

Table 1.2: Project Requirements (US\$)

Type of Investment	Cost/Unit	Source of Fund
1.0 Land & Buildings		Equity
Land Acquisition	50,000	
Preliminary ground works	5,000	
Construction and partitioning	16,595	
Ware House	100,000	
Total Land & Buildings	171,595	
2.0 Plant Machinery		
2.1 Plant and Machinery	60,000	
2.1 Installation Cost	5,200	
Total Machinery	65,200	
3.0 Office Equipment		
3.1 Computer Set	800	
3.2 ACs	1,500	
3.3 Furniture & Fixtures	1,200	
3.4 Printer, Telephone & Fax	500	
Total Office Equipment	4,000	
4.0 Motor Vehicles		
4.1 Pick-up (3.5 ton)	20,000	
Total Vehicles	20,000	
Total Investment	260,795	
4.0 Working Capital		Loans
4.1 Raw Materials	134,500	
4.2 Direct labour	158,400	
4.3 Production Overheads	30,600	
Total working Capital	323,500	
Total Project Requirements	584,295	

2.0 BUSINESS DESCRIPTION

The major sources of edible oil in Tanzania include sunflower, oil palm, groundnuts, sesame, soya beans and cotton. Reports indicate that sunflower, groundnuts and sesame as the leading edible oil producing value chains per unit area, worldwide. Oilseeds are produced in almost all regions in Tanzania. The major crop for edible oil production in Tanzania is the sunflower because it can be grown in most parts of the country as it is drought resistant, less susceptible to diseases and cheaper to cultivate compared to other oilseeds crops. However, production of sunflower remains low and benefits from its value chain have not been adequately realized. Demand for vegetable oil is at least growing with the rate of population growth. The production of oilseeds in Tanzania mainly focuses on ground nuts (40%), sunflower (36%), sesame (15%), cotton (8%), and palm oil (1%).

The project shall focus on cleaning and segregating farm produce of sesame, groundnuts and sunflower for local distribution.

2.1 Sunflower

Sunflower oil is of vegetable origin and is obtained from the fatty kernels of sunflowers. Cold-pressed crude oil is light yellow, hot-pressed crude oil has a brown colour and refined oil is colourless. Sunflower oil is high-quality edible oil. The best oil is produced from shelled kernels. Sunflower oil supplies more Vitamin E than any other vegetable oil. It is a combination of monounsaturated and polyunsaturated fats with low saturated fat levels. The oil content of the seed ranges from 22% to 36% (average, 28%): the kernel contains 45–55% oil. Sunflower oil is commonly used in food as frying oil, and in cosmetic formulations as an emollient. The expressed oil is of light amber colour with a mild and pleasant flavour; refined oil is pale yellow. Refining losses are low and the oil has good keeping qualities with light tendency for flavour

Sunflower oil is considered high-quality oil and is more expensive than other oils such as soybean oil. Food processors use the oil for frying foods (including potato chips), in salad and cooking oil, margarine, and dairy substitutes. The majority of the sunflower oil supply is mid-oleic, which does not require hydrogenation. Mid-oleic oil has no trans fats, low monounsaturated fat, and a neutral taste. It is also more durable

than most other vegetable oils when used in industrial frying. These qualities make food processors willing to pay a premium for sunflower seed oil over soybean oil¹.

2.2 Sesame

Sesame is grown primarily for its oil-rich seeds, which come in a variety of colors, from cream-white to charcoal-black. seed is used whole in cooking for its rich nutty flavour (although such heating damages their healthful polyunsaturated fats), and also yields sesame oil. Sesame seeds are sometimes added to breads, including bagels and the tops of hamburgers buns. Sesame seeds may be baked into crackers, often in the form of sticks. Sesame seeds are also sprinkled onto some sushi style foods. Whole seeds are found in many salads and baked snacks.

Veggie Foods Limited strive to provide high-quality Tanzania sesame oil to the local and export markets. The company will source the raw materials for processing Tanzania sesame oil from the country. Tanzania sesame oil comes from the plant of the same name that thrives in the south, east, central and south-western parts. So important has the oil become that some of the south-eastern farmers are cutting new swathes of land to grow the lucrative crop. The leading export destination for the country is Japan. The production method of the yellowish-brown vegetable oil is cold pressing.

The use of sesame oil extends further than just cooking. It acts as a source of cosmetic and perfume ingredients. The health benefits of the oil include lowering blood pressure and keeping the heart healthy. It is also a tonic against depression. Besides, it has high vitamin E and antioxidant content that helps to cure cancer. We will source sesame seeds for oil production from the southeast and southwest, particularly Lindi and Mtwara. We will also have supplies from Mbeya, Tanga, Morogoro, Ruvuma, and Rukwa. We will process the purchased sesame using cold presses and other processing equipment while our packing system is fully automated. We offer processed oil in various flexible quantities that suit customers' needs.

¹ USDA Economic Research Service (last updated, June 07, 2016) Sunflower seed Production History, Production Practices, Processing, Trade, and Consumption. <http://www.ers.usda.gov/topics/crops/soybeans-oil-crops/sunflowerseed.aspx#Consumption>

2.3 Groundnuts

According to Food and Agriculture Organisation (FAO,2018), Tanzania produced 940,000 tonnes of groundnuts making it the tenth oilseeds producer in the world. Nut oils consumption has greatly increased, making its production and processing rise worldwide.

Groundnut oil is also known as peanut oil or Arachis oil, is a mild-tasting vegetable oil expressed from groundnut kernels. Groundnut oil is generally used in cooking, including frying, basting, and the manufacture of margarine and shortenings. Groundnut oil is light yellow transparent edible oil with clear colour and lecture, pleasant fragrance and good taste is relatively easy to digest. The principal raw material essential for the production of groundnut oil is groundnut seed. These will be sourced locally in Dodoma and nearby regions mainly Singida, Iringa and Mbeya.

Groundnuts or peanuts are a popular source of food throughout the world. And the groundnut oil, however, can be used for cooking, they can be used as a shortening or as a base for confectioneries and they can be used to make peanut butter. Groundnut kernel contains 45 to 55% of oil. The Groundnut oil obtained from the kernel is yellow to greenish-yellow in colour. The meal is a very important component of feeds for poultry and cattle. Groundnut oil is an organic material oil that derived from peanuts, noted to have the aroma and taste of its parent legume.

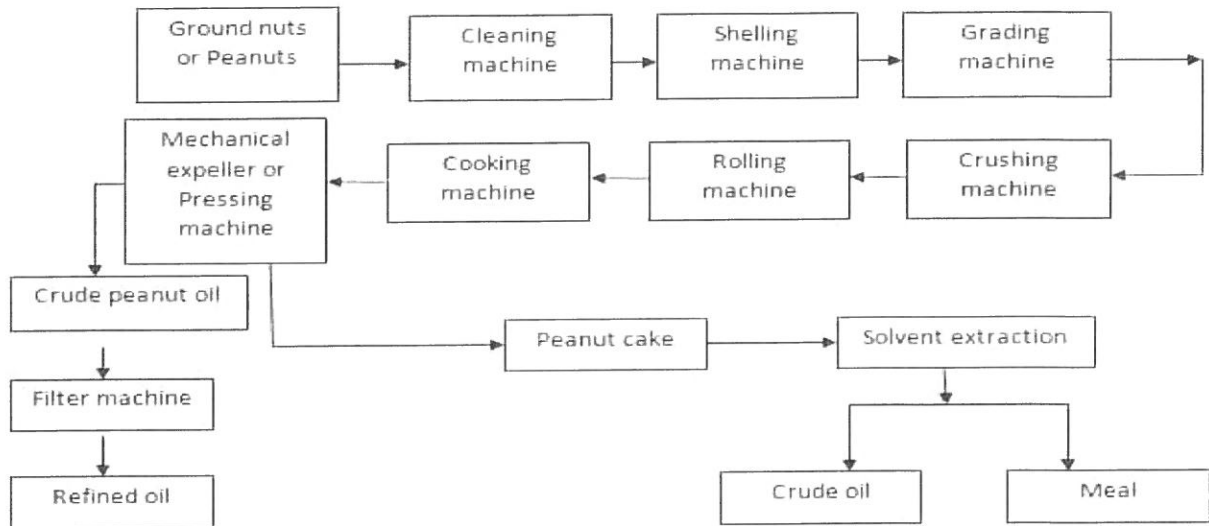
Groundnut oils are extracted by using a solvent like hexane, while aromatic oils are extracted with different methods including steam distillation and the cold pressing method. In all of these options, the goal of extraction is to produce pure oil free from contaminants and traces of the original plant material. The seed gives 44.5 to 50% oil, 50-55% meal. However, other required raw materials for Groundnut oil production are caustic soda, bleaching earth, and packaging consumables.

Groundnut oil extraction process:

Groundnut oil processing process, based on mechanical pressing technology, is normally grouped into three stages they are groundnut seeds preparation, groundnut pressing, and rude groundnut oil refining. The complete Groundnut oil extraction process can ensure the nutrition, flavour, safety, and fragrance of peanut oil. The

different stages of Groundnut oil extraction process mainly composed of cleaning, shelling, grading, crushing, rolling, steaming or cooking, pressing, filtering and refining.

The groundnuts processing for oil extraction is aided by the following diagram.



Groundnut Oil Processing Flowchart.

3.0 BUSINESS ENVIRONMENT

The business may be affected by factors beyond owner’s control, and these need to be taken into account before making any investment decision. The company has considered many opportunities and challenges that may arise out of the expected changes. Thus, analysis of business environment key factors is paramount to this plan in order to determine external factors and how they are likely to affect the project.

Economically; Tanzania is now experiencing economic growth whereby the purchasing power of people is increasing and people’s interactions is increasing as trade grows in the East African Region. The country is highly improving business environment to encourage investors in various sectors where agro-processing in one of the leading sectors which attracts the intention of the government in reducing post-harvest loss and improve livelihood of local farmers. The burning issue currently is the rate of inflation and continuous fall in domestic currency this would lead to increased

cost of production as the price of fuels are rising. Issues like Common Market for the East Community are opening up business performance and later opportunities for exportation which necessitates expansion of production.

Politically; the political environment is conducive for the business operations. The current government regime is in support of industries. There have been adequate policies to support the industrial sectors as echoed in the National Development Vision 2025 (VISION 2025) which recognizes the leading role of the industrial sector in the process of transforming Tanzania's economy to a self-sustainable semi-industrial one by 2025. The Sustainable Industrial Development Policy 1996-2020 (SIDP) declared the government's decision to phase the public sector out of productive activities and allow the private sector to become the principal vehicle for economic growth.

Social-Cultural: The social aspect focuses on the forces within the society. Family, friends, colleagues, neighbours and the media are social factors. These factors can affect our attitudes, opinions and interests. So, it can impact sales of products and revenues earned. There is no doubt that the society is continually changing. The tastes and preferences are a great example of this change for the Tanzanian culture. Most of Tanzanians currently are willing to pay a premium price for a product that satisfies their expectations. Demographically, the country is increasing in population where currently the country is estimated to have over 55 million people. The increase in population necessitates increase in products and services.

Technological factors: Technological factors are variables that are being used for evaluating available alternatives with respect to technological capabilities. Our company consider it as an important tool for improving operations and functions. Technological factors are one of various external environment factors that affect businesses greatly and are also an integral component of the **PESTLE analysis**. In the present scenario, utmost dependence on equipment, technological factors can have more effect on business operation and success globally than ever before. Furthermore, development of technology has also introduced digital marketing strategies through which companies are able to sell their products and services. Even the research and development R&D divisions in companies have changed its way of functioning and more advanced techniques in the development of products and

services have been introduced only through technological advancements. *Veggie Foods Limited* is constantly looking for development and updates within the technological environment. In this way, we do not only improve our operations but, we will also be well aware of business transformational phase. We will derive ground breaking strategies to grow exponentially.

4.0 MARKET ANALYSIS

The objective of market assessment is to determine demand level and whether the company shall be able to capture some of the market share. Also, the project shall determine methods of production, market size, pricing methods and competitors' analysis. Key stakeholders in the food industry and the cooking oil market are focusing on product differentiation by offering innovative, better quality and affordable products. *Veggie Foods Limited* is aware of all the market forces that are surrounding the edible oil business. We will utilise all reasonable means to ensure that our products meet the global standards and be able to sustain competition.

4.1 TARGET MARKETS AND THEIR CHARACTERISTICS

When it comes to selling agricultural products, we will focus on the demand both local and regional buyers who craves for high quality and cleared products, not just raw farm produces. In essence, our target market can't be restricted to just a group of people or organization, but all those who reside in our target market locations. In view of that, we have conducted our market research and we have ideas of what our target market is expecting from us. We are in business to engage in the production and wholesale distribution of sunflower oil to the following groups of organizations;

- Households who make use of healthy edible vegetable oil for cooking
- Restaurants and canteens that make use of vegetable oil for cooking
- Small scale businesses that make use of edible vegetable oil as part of their raw material.
- Animal feed processors who use seedcakes as raw materials for their production.

4.2 Market Size

The market for edible oils is promising in Tanzania. Our feasibility field survey indicates that, the market is poised to keep on growing as population grows. Highest demand comes from local traders. The production is expected to be done throughout the year leading to a total production of **24,000 litres of cooking oils** per month. This amount is expected to generate total revenue of **US\$ 55,400 per month that is 664,800** per annum. Table 4.1 below summarises the expected demand for the business during the first year of the project.

Table 4.1: Expected Demand of Edible Oils (US\$)

S/ N	Potential Customer	Quantity demanded (litres)/mont h	Price per litre	Estimated Value/month	Annual Value
1	Wholesalers	8,000	2	16,000	192,000
2	Retailers	3,000	2.4	7,200	86,400
3	Direct sales	7,000	2.6	18,200	218,400
4	Local distribution	6,000	2.5	15,000	180,000
	Total	24,000		56,400	676,800

4.3 SWOT ANALYSIS

Veggie Foods Limited has conducted a thorough SWOT analysis that will help us achieve our business goals and objectives. This is the summary of the SWOT analysis that was conducted. The analysis is carried out to assess the strength that the business can leverage on, and then assess its weaknesses that need to be improved. In this part also potential opportunities are identified and how the business can utilize these opportunities. Lastly, the business has identified potential threats and challenges that are likely to face the business and the workable mitigation plans.

Strengths: Part of what is going to count as positives *Veggie Foods Limited* is the vast experience and knowledge of our management team; we have people on board and the company intend to hire people who are highly experienced and who understand how to grow business from the scratch to profitability. So also, our distribution network and of course our excellent customer service culture will definitely count as a strong strength for the business.

Weakness: A major weakness that may count against us is the fact that we are still at infancy stage of manufacturing plants in the country; and we don't have the financial capacity to engage in the kind of publicity that we intend giving the business.

Opportunities: Limited modern edible oil processing plants in the country opens up a huge opportunity to our business. We only need to position our business to take advantage of the existing market of edible oils and peanut butter and also to create

our own new market. We know that it is going to require hard work, but we are determined to achieve it.

Challenges/Threats: We are quite aware that just like any other business, one of the major threats that we are likely going to face is economic downturn and unfavourable government policies. It is a fact that economic downturn affects purchasing power. Another threat that may likely confront us is the likelihood of other companies to start manufacture of ball pens in similar locations where we are. However, we understand on how to position ourselves in the market, at the same time making sure that our products meet the demand requirements.

4.4 Marketing, Distribution and Communication Strategy

Various methods of marketing mix will be used to curb the existing and potential weaknesses and challenges/threats while utilizing the arising opportunities and leveraging on the key strengths of the company.

Pricing: The objectives of price strategy depend on a number of factors such as business economic and marketing objectives. Price setting can be based on cost or market based. With demand and competition orientation concepts, a fair price can be set which customers are willing to pay at the same time covers operational costs with some profit margin. Our products will be competitively priced in relation to the dictates of the market. Due to the introductory nature of our products we intend to implement a penetration pricing strategy which will ensure that potential customers are not frightened away by our prices, up until our products are appreciated and fully operational. In this case our products will be priced a bit cheaper. However, this will dictate that our costs are prudently kept so as to ensure our financial goals come to fruition.

Distribution: *Veggie Foods Limited* has arranged to start operations by looking at the most convenient market segment. The main targeted market is selling the products to identified wholesalers in all selected regions. This helps to save time and cost of establishing shops at the start. After production expansion, distribution shall be done through a hired car distributed monthly and regular follow-up shall be made. While for other customer segments, online marketing shall be fully applied to contact potential

customers and make orders online. However, the company shall mainly focus to engage agents for distribution (wholesaler) in strategic regions such as Dar es Salaam, Mwanza, Dodoma, Kigoma, Mbeya and Arusha.

Promotion: A word of mouth has been the major promotion strategy for the business. This strategy is cheap and the product can effectively describe itself as it is clean and self-sufficient. The company shall make use of the trade fair and exhibitions in the country that will help to promote the products. The company will also be printing t-shirts and fliers as a communication strategy and promotional tools. The official website/ blog will be launched and maintained by outsourcing IT technicians. This strategy will help to promote the company in foreign market. The expected marketing expenses amounts to TZS 2,070,000 (US\$ 900) per annum as summarized in Table 4.2.

Table 4.2 Marketing expenses

S/N	Promotional tool	Qty	Price per unit (Tshs)	Amount per Year (Tshs)
1	T-shirts	20	16,000	320,000
2	Fliers	500	500	250,000
3	Trade exhibition costs		Lampsum	1,000,000
4	Website			500,000
	Total			2,070,000

5.0 OPERATIONAL PLAN

5.1 Long Term Operation Plan

The project is expected to be operated through two main departments; the finance and administration one hand; and operation and marketing on the other. The Finance and Administration department is responsible for all administrative and personnel issues; while the operation and production department is responsible for field operations and technical aspects of the business and marketing activities. The operations manager is a skilled salaried employee who work day to day to achieve plant preset targets. On the other hand the Finance and Administrative Manager will lead the strategic plans and make sure they correspond to available operational environment. The operational plan is associated with production costs as well as materials required as inputs in the production process.

5.3 Labour Requirements

Labour is one of the most important inputs in any industrial enterprise. The proposed plant will require both skilled and unskilled labour who will be Tanzanians. Table 5.1 indicates labour required amounts to US\$ 13,200 per month that is US\$ 158,400 per year.

Table 5.1: Labour Requirement (US\$)

Description	Qty	Local	Unit price \$	Monthly Salary	Annual Salary
		Foreign		\$	\$
Managing Director	1	Local	1,500.00	1,500.00	18,000.00
Operations					
Operations (Quality, Machines, Purchasing, Sales)	4	Foreign	1,000.00	1,000.00	12,000.00
Section Operators	10	Local	150.00	1,500.00	18,000.00
Casual labourers	5	Local	100.00	500.00	6,000.00
Maintenance Department					
Maintenance Manager	1	Foreign	700.00	700.00	8,400.00
Safety & Health Officer	1	Local	500	500.00	6,000.00
Electricians	2	Local	300	600.00	7,200.00
Finance & Administration Department					
Human Resources Manager	1	Local	700.00	700.00	8,400.00
Assistant Personnel Officer	1	Local	500.00	500.00	6,000.00
Procurement Officer	1	Local	500.00	500.00	6,000.00

IT Officer	1	Local	500.00	500.00	6,000.00
Personal Secretary	1	Local	200.00	200.00	2,400.00
Office Attendants	2	Local	150.00	300.00	3,600.00
Drivers	2	Local	200.00	400.00	4,800.00
Security Officer	3	Local	100.00	300.00	3,600.00
Finance Department					
Finance Controller	1	Local	800.00	800.00	9,600.00
Accountant	1	Local	700.00	700.00	8,400.00
Cashiers	1	Local	400.00	400.00	4,800.00
Store keeper	1	Local	300.00	300.00	3,600.00
Marketing Department					
Marketing manager	1	Local	700.00	700.00	8,400.00
Sales Officers	2	Local	300.00	600.00	7,200.00
Total	40			13,200.00	158,400.00

5.4 Raw Materials Requirements

The project requires raw materials that will be sourced within the country and other nearby countries through imports. The project intends to procure raw materials every 3 months, thus annual material requirements amounts to **USD 252,000**.

Table 5.2: Raw Materials Requirements per Month (US\$)

Type of raw materials	Price/Consign ment	Amount per year (4 times)
Sunflower seeds	28,000	112,000
Ground nuts	20,000	80,000
Sesame	3000	12,000
Packaging materials (200,000 pcs	8500	34,000
Other materials 1000 pcs	3500	14,000
Total Purchases	63,000	252,000

5.5 Production Overheads

Production overheads covers costs such as utilities for water and electricity, postage and telephone, maintenance and other costs directly associated with production. Table 5.3 shows production overheads amounting to US\$ 2,550 per month that is US\$ 30,600 per year.

Table 5.3: Production Overheads (US\$)

Item	Monthly Expenses	Estimated Annual Costs
Postage& Telephone	100	1,200
Electricity bills	300	3,600
Water bills	150	1,800
Maintenance Costs	1,000	12,000
Rent	500	6,000
Others	500	6,000
Total Costs	2,550	30,600

5.6 Total production Cost

The estimated total production cost is US\$ 441,000 per annum as shown in Table 5.4 below. The raw materials are purchased 4 times a year, thus materials per consignment amounts to US\$ 63,000, therefore annual costs totals to US\$ 252,000. The costs labour and production overheads are calculated on monthly basis.

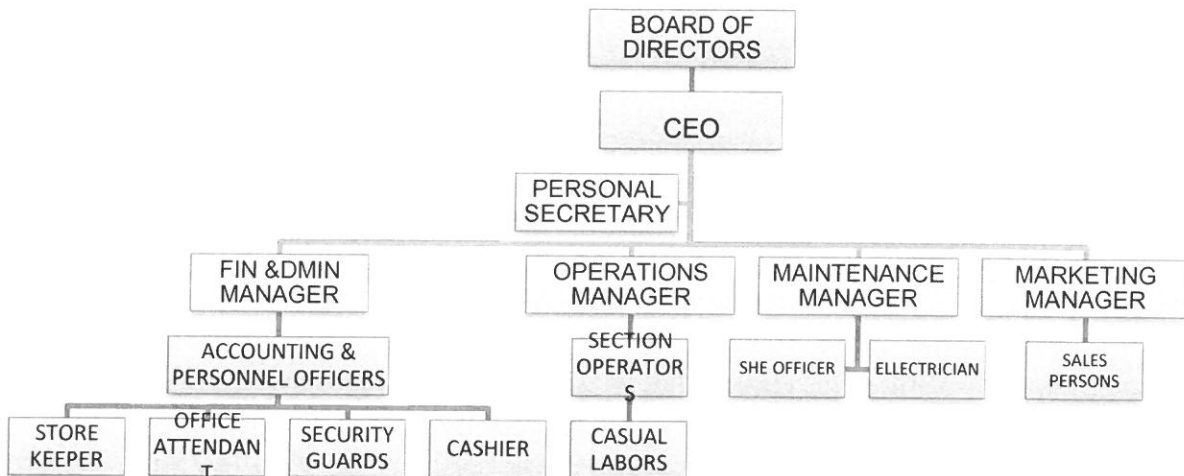
Table 5.4: Total Production Cost (US\$)

Item	Expenses/Month/Consignment	Estimated Annual Cost
Raw materials	63,000	252,000
Direct labour	13,200	158,400
Production Overheads	2,550	30,600
Total Costs	78,750	441,000

6.0 MANAGEMENT PLAN

The management structure of **Veggie Foods Limited** will be headed by the CEO who shall be overseeing all company's operations on daily basis. The Operations Manager shall be responsible for day-to-day production and operations and manage all staff under his/her line. The Finance and Administrative Manager shall be responsible for all administrative duties and finances and supervises all personnel under his/her line; The Marketing Manager shall be responsible for daily operations, sales and engaging casual workers at different levels when needed. The engineering and maintenance manager shall be responsible for technical issues of the plant. The following figure illustrates the organisation structure of the company.

Figure 6.1: Organization Chart



7.0 FINANCIAL PLAN

7.1 Financial Assumption

Several assumptions were made and considered in the preparation of this financial plan and projection. The assumptions are based on professional judgment, economic trends and current financial market environment. These are as noted below;

- (i) The focus market shall be domestic market through wholesalers, retailers, direct sales and later to other countries through exports;
- (ii) All sales will take place throughout the month and billing will be done at the end of the month;
- (iii) The annual sales is projected to grow by 5% per annum;
- (iv) Depreciation will be charged on straight line method to allocate the cost of each value over its estimated useful life. The rates to be used are as follows;

(a) Buildings	5%
(b) Furniture & Fittings	10%
(c) Equipment	10%
(d) Motor vehicles	20%

The financial assumptions will also include issues on credit sales, payments of interest rates, taxes and other levies. From the beginning, we recognize that payment terms and hence collection days are critical, but not a factor we can influence easily. At least we are planning on the problem, and dealing with it. Interest rates, tax rates, and personnel burden are based on conservative assumptions. Some of the more important underlying assumptions are:

- We assume a strong economy, without major recession.
- We assume, of course, that there are no unforeseen changes in economic policy to make our service immediately obsolete or unwanted.
- We assume an inflation rate of 5% yearly.
- Maintenance costs 5% of Property Plant and Equipment
- Corporate tax is 30% of Net Income

7.2 Sources of Funds

The project financing shall come from owners' equity. The owners have already committed some funds into the project to the tune of used for paying rent and preliminary costs of the project.

7.3 Profitability Analysis

The project profitability analysis indicate that the project will be able to generate substantial amounts of profits throughout the project, table 7.1 summarizes the profit analysis for 5 years.

Table 7.1: Profit Projections (US\$)

Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEARS 5
Sales	664,800	698,040	732,942	769,589	808,069
Total production cost	614,000	642,000	575,300	512,500	540,500
Profit Margin (Loss)	50,800	56,040	157,642	257,089	267,569

7.3 Operating Expenses

The following table shows the projected operating costs for five years. All expenses reflect an annual inflation rate of 5% annually.

Table 7.2 Operating Expenses

Expenses	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing expenses	900	945	992	1,042	1,094
Bank Charges	522	548	576	604	634
Insurance	8,060	8,463	8,886	9,330	9,797
Office expenses	1,045	1,097	1,152	1,210	1,270
Permits and Licenses	435	457	480	504	529
Vehicle expenses	3,480	3,654	3,837	4,029	4,230
Professional fees	2,608	2,738	2,875	3,019	3,170
Provisional for bad & doubtful debts	3,670	3,854	4,046	4,248	4,461
Depreciations	15,250	16,012	16,813	17,653	18,536
Miscellaneous expenses	2,100	2,205	2,315	2,431	2,553
Total	38,070	39,973	41,972	44,070	46,274

7.4 The Projected Income Statements

The Projected income statements for five years indicate that the project shall be able to generate substantial amounts of profits as detailed below.

Table 7.3 Projected Income Statements for five years

Description	Year 1	Year 2	Year 3	Year 4	Year 5
	US\$	US\$	US\$	US\$	US\$
Total sales	664,800	698,040	732,942	769,589	808,069
Less Cost of sales:	614,000	642,000	575,300	512,500	540,500
Gross Profit	50,800	56,040	157,642	257,089	267,569
Less Operating Expenses	38,070	39,973	41,972	44,070	46,274
<i>Earnings before Interest and Tax (EBIT)</i>	<i>12,730</i>	<i>16,067</i>	<i>115,670</i>	<i>213,019</i>	<i>221,295</i>
Less Loan interest	0	0	0	0	0
<i>Earnings Before Tax</i>	<i>12,730</i>	<i>16,067</i>	<i>115,670</i>	<i>213,019</i>	<i>221,295</i>
Less TAX 30%	3,819	4,820	34,701	63,906	66,389
NET PROFIT/ (Loss)	8,911	11,247	80,969	149,113	154,907
Dividend 30%	2,673	3,374	24,291	44,734	46,472
Retained Earnings	6,238	7,873	56,678	104,379	108,435

7.5 Projected Balance Sheet

The Projected balance sheet for five years indicates the capacity of the project to finance its operations throughout the projected period as shown in Table 7.4.

Table 7.4 Projected Balance Sheet for Five Years

DESCRIPTIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	US\$	US\$	US\$	US\$	US\$
NON-CURRENT ASSETS					
Land& Buildings	171,595	220,515	219,489	218,515	217,589
Machinery & Equipment	69,200	91,530	82,377	74,139	66,725
Motor vehicles	20,000	16,000	12,800	10,240	8,192
Total Non-Current Assets	260,795	328,045	314,666	302,894	292,506
Stocks	77,750	58,440	59,284	52,500	53,100
Debtors & Prepayments	69,750	40,950	41,500	45,400	36,700
Cash and Bank balance	125,000	120,096	156,000	135,000	145,000
Total Current Assets	272,500	219,486	256,784	232,900	234,800
TOTAL ASSETS	533,295	547,531	571,450	535,794	527,306
Share Capital	4,350	4,350	4,350	4,350	4,350
Additions	411,507	418,697	433,806	397,565	381,703
Retained Earnings	91,008	95,558	100,336	105,353	110,621
Total Equity	506,865	518,605	538,492	507,268	496,674
Bank loan	-	-	-	0	0
Total Non-Current Liability	-	-	0	0	0
Trade Creditors and Accruals	12,500	14,300	17,600	12,400	13,700
Taxation	13,930	14,626	15,358	16,126	16,932
Total Current Liabilities	26,430	28,926	32,958	28,526	30,632
Total Liability & Equity	533,295	547,531	571,450	535,794	527,306

7.6 Projected Cash Flows

The projected cash flows for five years indicates that the project shall be able to maintain sufficient cash required to meet all operational needs as shown in Table 7.5.

Table 7.5 Cash Flow Projections for Five Years

DESCRIPTIONS	Year 1	Year 2	Year 3	Year 4	Year 5
	US\$	US\$	US\$	US\$	US\$
Cash from operations:					
Profits before tax	185,730	195,017	204,768	215,006	225,756
Adjustments for non-cash items:					
Depreciations	-15,250	-16,012	-16,813	-17,653	-18,536
Change in Working Capital:					
Receivables	-69,750	-40,950	-41,500	-87,400	-36,700
Trade payables & Accruals	12,500	14,300	17,600	12,400	13,700
Total	113,230	152,355	164,055	122,353	184,220
Tax payments	-13,930	-27,518	-38,579	-51,161	-65,437
Total Cash Inflow from Operating Activities	99,300	124,837	125,476	71,192	118,783
Cash from investing activities:					
Purchase of property, plant & equipment	-	-88787	-46571	-47041	-61374
Net Cash Outflow From Investing Activities	143,295	36,050	78,905	24,151	57,409
Cash from financing activities:					
Dividends	-39,003	-40,954	-43,001	-45,151	-47,409
Change in cash & cash equivalent	-	-4,904	35,904	-21,000	10,000
<i>Beginning Cash Balance</i>	307,298	125,000	120,096	156,000	135,000
<i>Ending Cash Balance</i>	125,000	120,096	156,000	135,000	145,000

7.7 Break-even Analysis

A **break-even analysis** is a financial tool which helps to determine at what stage a company, or a new service or a product, will be profitable. In other words, it's a financial calculation for determining the number of products or services a company should sell to cover its costs (particularly fixed costs). Break-even analysis (or break-even point) was calculated to determine how much of a good or service need to be sold in order to cover the total fixed costs. Table 7.6 indicates the break-even analysis.

Obtained as; $Break\text{-}even\ analysis\ in\ units = \frac{fixed\ costs}{(sales\ price\ per\ unit - variable\ cost\ per\ unit)}$

Table 7.6: Break-Even Analysis

Description	Unit	Value
Total Sales in year 1	US\$	664,800
Total Volume in Year 1	cartons	24,000
Sales/per unit	US\$	27.7
Fixed cost	US\$	181,365
Variable cost	US\$	441,000
Variable cost/unit	US\$	18.375
Beak-even units	Cartons	71,292.23
Break-even sales	US\$	1,974,794.64

The financial analysis indicates that the break-even point will be reached within the second year and the project will start making substantial profits in the following years. The break-even sale is US\$ 1,974,794.65 which could be realised in the third year of the project.

7.8 Internal Rate of Return (IRR%)

The proposed project is expected to have an IRR of **30.27%** over its projected operational period of five years. This IRR is much higher than the cost of the borrowed funds from financial institutions. This implies even with borrowed funds the project is an attractive investment proposition.

Table 7.7: Internal Rate of Return

	Outlay	-584,295
	NPBT Yr 1	223,800
	NPBT Yr 2	234,990
	NPBT Yr 3	246,740
	NPBTYr 4	259,076
	NPBTYr 5	272,030
IRR		30.27%

Table 7.8: Projected results

Item	Value
Total investment (US\$)	584,295
Payback period	2 year; 10 months
IRR	30.27%
Break-even revenue (US\$)	1,974,794.65

8.0 ECONOMIC ASPECTS

8.1 National economic and social Benefits

The economic and social impact of establishing the proposed project to Tanzania is expected to be positive. This positive impact is expected to be direct and indirect as explained below:

(i) Direct economic impact

Direct positive economic impact is expected to come from three factors, namely,

- (a) Tax payments to the government
- (b) Foreign currency savings,
- (c) Employment opportunities generation; 40 direct jobs expected to be created (35 locals and 5 Foreigners).
- (d) Technology transfer.

(ii) Indirect economic (job creation)

In addition to the direct employment opportunities that the proposed project is expected to generate, its operations are expected to boost operations of their distributors and suppliers of goods/services that the project will need to sustain its operations. With the increase in the activities of these suppliers, there is great likelihood that the increase will create additional employment opportunities in their businesses.

(iii) Corporate Social Responsibility

The project is also expected to operate as a responsible corporate citizen by fulfilling some of its corporate responsibilities such as assisting some of the disadvantage communities by way of donations, starting from the communities living near the factory.

(iv) Employment Opportunity to Women

Increase employment opportunities to women by giving good prices especially in cleaning and handling of products, hence improve household livelihoods.

9.0 conclusion

The financial analysis in this plan indicates a positive growth and ability of the project to recover initial investments and make substantial profits in the successive years. The objectives indicated in this plan are likely to be met; hence it is feasible undertaking this project. In addition, the community where the project will operate is likely to benefit from employment created through provision of locally made edible oils and peanut butter at a reasonable price and thus create more indirect jobs to all stakeholders engaged in the purchase and sell of company's products. The project is also expected to benefit the society through social corporate responsibility activities of the company; and most importantly; the government will get taxes from the project and help to contribute to countries economic growth strategies.

9.1 Recommendation

We are highly encouraged to undertake this project, due to the fact that it has proven to have great potentials of meeting the locally available demand and foreign markets as well. The financial analysis also shows a significant contribution of the to the country's economic activities through employment creation and raising tax revenues to the government. Various stakeholders both from the public and private sector are highly requested to support this project at whatever capacity that may make this project a success.