

# SUPER FEO MILLING COMPANY LIMITE

The Business Plan

for

Animal feed & Maize Milling

and

packaging

Prepared for:

SUPER FEO MILLING COMPANY LIMITED

Date: January, 2020

## 1.0 Executive Summary

Animal feed and Maize milling is a very important process in post-production, as this is when the husk and bran layers are removed to then produce edible white rice or Maize that free of impurities. However, milling is usually dependent on the preference of the customers, which would invariably affect how many milling processes would have to go through to get Maize for human consumption or animal feed .

Milling businesses have grown over the years in Tanzania and this is due to the fact that rice is the cereals grains is staple food of most countries of the world, and is grown almost every farmer in Tanzania and in Africa in general. Fortunately, since there hasn't been large investment in value, this is a business that would continue to boom for a long time.

According to official data in 2017, cereal production for United Republic of Tanzania was 10.1 million metric tons. Cereal production of United Republic of Tanzania increased from 985,114 metric tons in 1968 to 10.1 million metric tons in 2017 growing at an average annual rate of 7.01%. Annual rice production has doubled to an average of about 2,229,071 tons for 2015/2016 and total consumption was estimated to be 976,925 tonnes, therefore there was over surplus of 1,252,146 tonnes of rice , and Tanzania has a potential of exporting the surplus to neighboring countries where there is great demand for rice.

The milling production is one that can help in employing several hands that would help boost the economy and also help increase the per capita income of those employed as well as their dependants. Even though this is a profitable business to

go into, it is also very competitive as more entrepreneurs are seeing the benefit this sort of business poses as a worthwhile investment.

Current world maize production is about 10.14 billion metric tons The United States (US is the largest producer, producing over 30 % followed by China 21% and Brazil 7.9 %, Africa produces around 7 % of the total world production. Two-thirds of all Africa maize comes from eastern and southern Africa. In sub-Saharan Africa, (SSA) maize is the most important cereal crop and staple food for about 1.2 billion people and occupy a third of the cultivated area. Maize accounts for over 30 % lower-house income and contributes 60 % of dietary calories and 50 % of protein intake .Tanzania is a major maize producer in Sub-Saharan Africa. In the last five decades, Tanzania has ranked among the top 25 maize producing countries in the world. Currently ranked 1, 4, and 19 top maize producing countries in East Africa

#### 1.1 **Legal Status**

SUPER FEO MILLING COMPANY LIMITED is a private limited liability company registered in Tanzania with Certificate of Incorporation No.141726927 dated 21<sup>st</sup> May 2020

The shareholders are all international business practitioners with diverse professional majoring in agribusiness in Tanzania:-

Share Holders	% of Share	Nationality	Date of Birth
Super Feo Enterprises Limited P. O. Box 310, Songea, Ruvuma Tel: +255754973863 Email: <a href="mailto:godwinsolar@gmail.com">godwinsolar@gmail.com</a>	55	Tanzania	
Godwin David Msigwa P. O. Box 14612, Songea, Ruvuma	10	Tanzania	22 <sup>nd</sup> Nov 1984
Guo Hai Building No.9, Room No.36, Nanyang Road No.299, Jinshui District, Zhengzhou City. China. Tel: +8651983978050 Email: <a href="mailto:jhisung@gmail.com">jhisung@gmail.com</a>	25	China	23 <sup>rd</sup> Nov 1977
Chinese Centre for the Promotion of Investment Development & Trade in Tanzania Limited	10	Tanzania	

SUPER FEO MILLING COMPANY LIMITED is a business that is legally registered and planning to be involved in agribusiness in Tanzania

## **1.2 Location**

The Animal feed and Maize milling and Packaging plant to be located at **Plot No.6,Block b,Namanditi, Songea Municipal, Ruvuma , Tanzania**

## **1.3 Mission Statement**

Animal feed and Maize milling with customized services

## **1.4 Vision Statement**

To be a leading company in Animal feed and Maize milling and packaging within the East Africa

## **1.5 Audited Reports**

SUPER FEO MILLING COMPANY LIMITED is audited by a local reputable auditing firm based in Tanzania.

## **1.6 Company Values**

- Competitive
- Efficiency

## **1.7 Study Objective**

To assess the viability of the project economically, socially, legally for any legal requirement registration in Tanzania

## **2.0 Products and Services**

Local demand for high quality processed maize flour is still very strong that call for more players in the processing industries," he said adding that, some of the packed

maize flour in the market is of very low quality for human consumption, most of the food processors deploy unhygienic ways in the processing food commodities like maize flour.

The project will be a one-stop for animal feed and Maize in Tanzania, the following services will be offered:

- i. Milling of animal feed and Maize depending on the specification of the individual client. The company caters largely to producers and sometimes wholesalers because they know what the market needs are.
- ii. Packaging and branding
- iii. Provide storage facilities as well.

Due to the fact that the market is not only profitable but competitive as well, the company strives to always give quality service to our customers, this we do by listening to their requirements and also passing along advices and tips that might best make them become better, while also listening for suggestions to improve our business as well. Our mill production business premises are in a location that is convenient for our customers to get to as well as our employees as well.

### **2.1 Hours of Operation and capacity**

The working hours of operation will really depend on working load available but not less than 16hrs per day.

The company is planning to set up a facility for Animal feed and Maize milling of 50 tons per day.

## 2.2 Management Structure

The project will be managed by Board of Directors and Management team to be recruited based on skills and competence. Both directors have a cumulative business experience that spans over 15 years in the industry, and this will help bring the needed experience required to run this business

The company is planning to employ permanent employees 95 and temporary depending with work load available.

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	1	15	20	36
Men	4	25	30	59
<b>TOTAL</b>	<b>5</b>	<b>40</b>	<b>50</b>	<b>95</b>

## 2.3 Machines Technology and Capacity Limit

The project developer is negotiating with **Machinery Company** from China and India, the machine using **High Quality Stainless Steel Auto Parboiling Mill Machine Plant (AMP)** to be purchased, the machines will have milling capacity of 50tons per day animal feed and Maize each and ( , milling, polishing, and packaging. With the proposed area, the capacity limit would depend on the available . For future, the company is planning to expand the milling depending on the demand in other regions.

## 2.6 Competition

There are other companies in Tanzania that do provide similar services provided by SUPER FEO MILLING COMPANY LIMITED, the project is expecting to face stiff competition from current rice milling and packaging companies

Most mills have a capacity of 5 to 20 tonnes of paddy per day and these probably account for in excess of 90 percent of milling operations. The larger millers — up to 120 tonnes per day — generally operate for about five months in each year. Small mills generally produce inferior rice of 'standard' quality (30—50 percent broken) whereas larger mills produce 'Grade One' rice with less than 15 percent broken grains

The company is expecting to face stiff completion from other market players such as:

1. Bakhresa
2. Azania
3. Coastal Millers
4. AP & AP
5. Agro Processing and Allied Products Ltd
6. Hill Animal Feeds
7. Mult Animal Feeds
8. Mitunda Animal Feeds
9. Best Animal Feeds
10. Tabhoka Quality Mills
11. Nanyuki Animal Feeds
12. Matutu Animal Feeds
13. Mama Kuku Feeds
14. Lengesha Animal Feeds
15. Kerege Animal Feeds
16. Best Animal Feeds

17. C \$ C Animal Feeds
18. Amani Chicks
19. Mhega Investment
20. Steve Animal Feeds
21. Brand Poultry
22. Mkojela Animal Feeds
23. BM Animal Feeds
24. Mkombozi Animal Feeds
25. Suma JKT
26. Tanfeeds
27. Falcon Animal Feeds Ltd
28. Quality Feeds
29. Rich Animal Feeds
30. Lenny Animal Feeds
31. Kiluvia Millers
32. Kimvuli Animal Feeds
33. Kitunda Animal Feeds
34. JM Animal Feeds
35. Apia Animal Feeds
36. A To Z Animal Feeds
37. Nassad Animal Feeds
38. Shaloom Animal Feeds
39. Energy Chicken Feeds
40. Others

## **2.7 Company Strength**

What makes SUPER FEO MILLING COMPANY LIMITED different from other companies providing the same services will be;

- i. We constantly seek for ways, by which our services can be improved, from our milling machines and storage facilities to our customer services and

even our price rates. We also do not compromise on integrity as we adhere strictly to the company's corporate culture.

- ii. In increasing our customer retention, we are fully aware of the importance of loyal customers and how they help grow the bottom line of a business. We have several strategies in place for our loyal customers especially those who help refer new customers to SUPER FEO MILLING COMPANY LIMITED.
- iii. Our customers will also be constantly informed of changes carried out as well as receive tips from us as we plan on seriously engaging them through our website and social media platforms, even as we intend to deploy customer management software that will help ensure that our customer database is up to standard.
- iv. Location to among top four grains region producers in Tanzania

Based on these advantages, SUPER FEO MILLING COMPANY LIMITED will be based on quality, affordable, reliability and added serviced to be provided to clients.

The great firm's assets are better quality services, customized services, flexibility, commitment and affordable cost.

## **2.8 The Opportunity**

Ddespite of competition from low cost producing countries, there is an increasing market share for Tanzania maize flour in Zambia, Malawi, Uganda, Kenya the

Democratic Republic of Congo, Rwanda, Burundi, Tanzania is planning to carter 70% of maize flour demand for mentioned countries.

There is currently only very limited branding. Supermarkets are a recent urban arrival in Tanzania and only a small part of food retailing takes place through them (perhaps only 10—15 percent in Dar es Salaam, and even less in other urban centers). The scale of operations is still small and most outlets have limited storage facilities. The food service market is an important end user of maize flour and comprises several subsectors including traditional stalls and cafes selling cooked 'street' food, fast food outlets modelled on the American style (only in Dar es Salaam and other large cities), as well as western style restaurants, hotels and resorts. Institutional markets include the military, hospitals and educational establishments. SUPER FEO MILLING COMPANY LIMITED is planning to come and bridge the gape

### **3.0 Marketing Strategy**

The most important part of my marketing strategy is word of mouth and referrals. SUPER FEO MILLING COMPANY LIMITED is planning to have very close connections with wholesalers, farmers, distributors and final used, etc., so with some e-mails and phone calls, the word would start to spread about the services provided by SUPER FEO MILLING COMPANY LIMITED.

The second part of our marketing strategy is in relation to online presence. The company will post advertisements on local advertising sites and magazines because they are affordable and effective in communicating the message to

potential customers. The company will design its own simple website that will appear when potential customers search for maize flour and animal feed in Tanzania.

The third part of our marketing strategy is to hang posters in places that our target market would be.

### 3.3 Risk Analysis

The main critical variable in this business is the availability of unprocessed grains from farmers, cheap and low quality imported animal feed and Maize from Asia. To manage this risk, the company will focus much effort on promotion of service provided by the company.

### 3.4 Feasibility

Using the base case projections, SUPER FEO MILLING COMPANY LIMITED will turn a healthy profit and will offer good owner's compensation every year in its existence. The return on investment is definitely acceptable, and the business is quite low risk. I would say that opening this business is worth the risk.

## 4.0 Project Investment Cost

The estimated capital investment cost of the project is US \$ 2m

### SUPER FEO MILLING COMPANY LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	70,000.00
Machinery & Equipment	800,000.00
Motor Vehicles	200,000.00

Furniture & Fixtures	4,000.00
Pre exp	10,000.00
Others	40,000.00
Working Capital	876,000.00
<b>TOTAL</b>	<b>2,000,000.00</b>

For the project to be a reality a total investment amounting to US \$2 is needed

### 5.0 Financing Pattern

The project will be financed foreign loan by 50% being US \$1,000,000 and the remaining by shareholders contributions

### 6.0 Financial Analysis

#### 6.1 Considerations and Assumptions:

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight line method to depreciate the project's capital items has been applied.

It is assumed that the major raw material will be procured from local market. Textiles products will be manufactured at the factory. Revenues have been conservatively estimated based on experience of the promoters and trends in the industry.

## 6.2 Financial Statements:

### 6.3 Projected Sales Revenue

For projection purposes, it is assumed that the economic life of the project is five years, and that production commence from the first year of operation.

SUPER FEO MILLING COMPANY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT " US \$"

	1	2	3	4	5	6	7	8
Revenue	9,000,000	9,450,000	9,472,500	9,473,625	9,473,681	9,473,684	9,473,684	9,473,684

### 6.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US \$**901,740** in first year to US \$ **7,559,460** in the 8 year

SUPER FEO MILLING COMPANY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT

	1	2	3	4	5	6	7	8
Revenue	9,000,000	9,450,000	9,472,500	9,473,625	9,473,681	9,473,684	9,473,684	9,473,684
Operating costs	7,650,000	8,032,500	8,051,625	8,052,581	8,052,629	8,052,631	8,052,632	8,052,632
Profit before Depreciation & Interest	1,350,000	1,417,500	1,420,875	1,421,044	1,421,052	1,421,053	1,421,053	1,421,053
Interest		80,000	60,000	40,000	20,000	0	0	-
Depreciation	61,800	61,800	61,800	61,800	61,800	61,800	61,800	61,800
Net Profit	1,288,200	1,355,700	1,359,075	1,359,244	1,359,252	1,359,253	1,359,253	1,359,253
Tax (30%)	386,460	406,710	407,723	407,773	407,776	407,776	407,776	407,776
Profit After Tax	901,740	948,990	951,353	951,471	951,477	951,477	951,477	951,477
Accumulated Profit	901,740	1,850,730	2,802,083	3,753,553	4,705,030	5,656,506	6,607,983	7,559,460

## 6.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year1 US\$ 424,000 of operation to the 8th year US \$3,440,127

SUPER FEO MILLING COMPANY LIMITED PROJECTED CASH FLOW US\$

	-	1	2	3	4	5	6	7	8
<b>SOURCES:</b>									
Profit before interest and depreciation	-	1,350,000	1,417,500	1,420,875	1,421,044	1,421,052	1,421,053	1,421,053	1,421,0
Equity	1,000,000	-	-	-	-				
Loan	1,000,000								
<b>Total Sources</b>	<b>2,000,000</b>	<b>1,350,000</b>	<b>1,417,500</b>	<b>1,420,875</b>	<b>1,421,044</b>	<b>1,421,052</b>	<b>1,421,053</b>	<b>1,421,053</b>	<b>1,421,053</b>
<b>Applications:</b>									
Capital expenditure	1,074,000	-	-	-	-	-			
working Capital & Others	926,000	926,000	926,000	926,000	926,000	926,000	926,000	926,000	926,000
Cash	-	424,000	491,500	494,875	495,041	495,052	495,053	495,053	49,553
Tax	-	386,460	406,710	407,723	407,773	407,776	407,776	407,776	407,7
<b>Sub total</b>	<b>2,000,000</b>	<b>1,350,000</b>	<b>1,417,500</b>	<b>1,420,875</b>	<b>1,421,041</b>	<b>1,421,052</b>	<b>1,421,053</b>	<b>1,421,053</b>	<b>975,553</b>
<b>Total applications</b>	<b>2,000,000</b>	<b>1,350,000</b>	<b>1,417,500</b>	<b>1,420,875</b>	<b>1,421,041</b>	<b>1,421,052</b>	<b>1,421,053</b>	<b>1,421,053</b>	<b>975,553</b>
Accumulated cash		424,000	915,500	1,410,375	1,905,416	2,400,468	2,895,521	3,390,574	3,440,127

## 6.6 Projected Balance Sheet

This is shown in the financial statements. The shareholder's equity increases from year1 US\$ 1,000,000 of operation to the 8th year US \$35,337,085

SUPER FEO MILLING COMPANY LIMITED PROJECTED BALANCE SHEET US\$

	-	1	2	3	4	5	6	7	8
<b>Fixed Assets</b>	-								
Opening balance	-	1,074,000	1,332,200	1,700,400	1,788,600	2,191,800	2,130,000	2,068,200	2,006,400
<b>Total Long-term Assets</b>	-	1,074,000	1,332,200	1,700,400	1,788,600	2,191,800	2,130,000	2,068,200	2,006,400
<b>Less depreciation</b>	-	61,800	61,800	61,800	61,800	61,800	61,800	61,800	61,800
<b>Closing balance</b>	-	1,012,200	1,270,400	1,638,600	1,726,800	2,130,000	2,068,200	2,006,400	1,944,600
Working capital	926,000	926,000	926,000	926,000	926,000	926,000	926,000	926,000	926,000
Accumulated cash	-	424,000	915,500	1,410,375	1,905,416	2,400,468	2,895,521	3,390,574	3,440,127
<b>Total assets</b>	<b>926,000</b>	<b>2,362,200</b>	<b>3,111,900</b>	<b>3,974,975</b>	<b>4,558,216</b>	<b>5,456,468</b>	<b>5,889,721</b>	<b>6,322,974</b>	<b>6,310,727</b>
Financed by									
Loan	1,000,000	750,000	500,000	250,000					
Equity	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Accumulated Net profit	-	901,740	1,850,730	2,802,083	3,753,553	4,705,030	5,656,506	6,607,983	7,559,460
Total equity	2,000,000	1,651,740	4,002,470	7,054,553	10,808,106	15,513,136	21,169,642	27,777,625	35,337,085
<b>Total equity and debts</b>	<b>2,000,000</b>	<b>1,651,740</b>	<b>4,002,470</b>	<b>7,054,553</b>	<b>10,808,106</b>	<b>15,513,136</b>	<b>21,169,642</b>	<b>27,777,625</b>	<b>35,337,085</b>

## 6.7 Projected PAYBACK PERIOD

The initial investment cost for is US\$2,000,000 while accumulated profit at third year is US \$2,987,483.00, which is greater than the total initial investment by US \$ 987,483

SUPER FEO MILLING COMPANY LIMITED PROJECTED PAYBACK PERIOD US\$

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	901,740	61,800	963,540.00	963,540.00
2	948,990	61,800	1,010,790.00	1,974,330.00
3	951,353	61,800	1,013,153.00	2,987,483.00
4	951,471	61,800	1,013,271.00	4,000,754.00
	3,753,554	247,200		

## 7.0 ECONOMIC ASPECTS

Implementation of this project will have the following social and economic values

- Value addition for local grains produce.
- The project will involve transfer of technology.
- The project will create employment for 95 people on permanent contract basis as well as on temporary bases.
- It will create more business opportunities to local famers.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.

## 8.0 IMPLEMENTATION

Project implementation is expected to be relatively very short once project has been approved by relevant authorities:-

	<b>ACTIVITY</b>	<b>PERIOD</b>
1	Processing TIC Certificate of Incentive	January 2020
2	Ordering of plant and machineries and Vehicles	April –June 2020
3	Arrival of Plant, Machinery and Vehicles	September 2020
4	Assembling and fixing machines	November-January 2021
5	Testing machines	February 2021
6	Commercial production	April 2021

## 9.0 Conclusion and Recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.