

GREEN TANGANYIKA CO. LIMITED

BUSINESS PLAN FOR UNDERTAKING MIXED FARMING PROJECT



Prepared by:
FRELO Consults limited
P.O. Box 5822, MOB: +255 754 501 568
DAR ES SALAAM

October, 2020

Table of Contents.

1. Executive Summary	4
Project Overview	4
Market Assessment	4
Financial Appraisal	5
Implementation	5
Conclusions	5
Disclaimer	6
2. The Project, Sponsors & Management	7
Project Profile	7
Project Objectives and contents.....	8
Project sponsors	8
Project Management	9
3. An Overview on Tanzania Transport Se.....	9
Transport Sector in Tanzania.....	9
Transportation Policy, vision and objectives in Tanzania.....	9
Green Tanganyika Co. limited.....	9
Conclusion.....	10
4. Market Assessment	11
Demand for Transportation services in Tanzania.....	11
Competition	12
Company Strengths.....	12
Conclusions.....	13
5. Financial Analysis	13
Methodology and key Assumptions	13
Profitability and Fund flows.....	14
Investment Analysis	16
Conclusion	17
6. Implementation	17
Financing	19
Construction	19
Marketing	20
Operations	20
7. Conclusions	20
Project's Feasibility	20

Financial Performance20

8. Recommendations.....21

Appendices i – x

1. Executive Summary

1.1 Project Overview

Green Tanganyika Co. limited is a locally registered foreign owned Company. The Company is incorporated under Section 15 of the Companies Act No. 12 of 2012 and holds a Certificate of Incorporation No. 143620085 issued on 17th September, 2020. Its Offices will be situated at House No. 19, Plot No. 1, Block No. 31, Sikukuu/Amani Street, Kariakoo Area, Ilala District, Dar es Salaam, Tanzania.

The company vision is to undertake Mixed Farming Projects in Tanzania, especially in Southern Highland Regions including Ruvuma, Rukwa, Mbeya and Njombe Regions. The project management further aims at indulging in extensive maize farming in Ruvuma, Rukwa and Mbeya Regions as well as Avocados in Njombe Region. It is further envisaged that the project output will mainly be for export markets especially China and other countries in Far East.

The Proprietors are aiming at making the project take a leading role in the provision of high quality agro products including maize and avocados to both the domestic and foreign market that complies with national and international standards, social ethics and environmental requirements. It further has the mission of delivering on site extra support service solutions to small holder farmers through applying expertise, specialist knowledge and experience in meeting customer-varied challenges.

The concept of extending the transmission poles supply project for both power and telecommunication requirements is very crucial at the moment as the nation is striving to distribute power national widely and especially at the village level which triggers for rapidly growing demand in poles in the country.

The company investment team has been looking for opportunities to utilize the available sources of financing, banks in particular, to meet its intended supplies to both the local and foreign market.

The Government on the other hand also recognizes the crucial importance of the farming activities for food security and national economy as a source of food, raw material, income and employment pool for all age groups especially to people living in rural areas. The Government and its Authorities also recognizes the importance of other services geared at facilitating the growth of agricultural sector including agro machinery, equipment, tools, accessories and other inputs supply as well as other supports services necessary in extending agro production in the country.

Green Tanganyika Co. limited is a company with established good clientele, based on extensive experience its management has through working in Tanzania's machinery and vehicle parts supplies for some years now. An integration of the extensive experience, knowhow and high quality parts to ensure customers most competitive services.

The project focuses on supplying agricultural products for both domestic and foreign market and enhance Government efforts to strike development balance between rural and urban Tanzania. The project is therefore expected to boost farming activities in focus areas, at the same time it is expected to have a considerable impact on small, medium and large-scale farming practitioners in the country. It will therefore, supplement the income and savings of the rural areas dwellers and help increasing the agro processing, agro-based manufacturing and agro export activity output in the country and help meeting the ever-increasing demand for food and fruits at affordable prices especially for small and medium scale local buyers. Therefore, apart from improving the income generated from agricultural activities, it will widen the chances of making Tanzania become one of the leading exporters of maize and avocados in the World.

The projected is intended to be a giant Investment, with an estimated Investment Capital of US \$ 2,942,900 Million which will be provided by the existing shareholders in terms of equity and a Bank Loan, projected at a 1:2 ratio.

1.2 Market Assessment.

In recent years, the demands for agricultural products has been growing, as the demand has equally been increasingly getting high. On the other hand, the supply of agro products especially grains, including maize has been indispensable as a potential market for maize flower is increasingly becoming ensured.

At the same time the Government efforts to ensure efficient supply of staple grains has been equally becoming tense as enhanced by the involvement of the private sector in supplying the same. This gives Green Tanganyika Co. limited an assurance for a wide growing market for agro products locally and abroad.

Further, the current increase in demand for food based especially grains in in respect to an increase in size of population which is now estimated at more than 50 million people. coupled.

Therefore, the project management focus at increasing its production capacity for it to legitimize its relevance both to the proprietors and the general public at large.

1.3 Financial Appraisal

The project's financial projections have been prepared over the period of three years. As afore mentioned, a long-term bank loan is expected to be sought during the initial stage of the project implementation period.

1.4 Implementation

It is expected that the project will be implemented in three-year period that will involve securing for finance, acquisition of necessary registrations and licensing necessary for agricultural projects.

1.5 Conclusion.

The project is developed by Green Tanganyika Co. limited; a locally registered company. The viability of the project is not limited to only on the readily market for transmission poles but more indeed on the intention of the Project Management to support Government efforts by increase agricultural productivity for high quality agro products at affordable prices and timely supplies.

The demand for agricultural products, especially grains as mentioned earlier is on high now than ever before as regards to tremendous Government initiatives for ensuring food security. This makes the project, relevant in the country as it will enhance the current Government efforts to enhance the food security in the country hence serve both livelihood and the economy.

The financial returns from the project are therefore is expected to be adequate to reflect the conservative approach to revenues and associated cost projections, as well as long-term view by the project sponsors.

The project creates employment to 87 Tanzanians who otherwise could not have secured employment. It also develops skills to the employees on a continuous basis that will have a multiplier effect and associated demand for support services. It is further expected that extra jobs will be created in the period of 3 Years. More over employments will be created in form of temporary worker to engage in various farming, constructions work including extension officers, casual workers, agro machinery technicians and operators, electrical engineers

and many others informal employees as well as distributors of inputs and related services.

2. The Project, Sponsors and Management.

2.1 Project profile

The company Green Tanganyika Co. limited was established in 2020 as a company limited by shares. The company was incorporated in Tanzania on 17th September 2020 under the Certificate of Incorporation No. 143620085. The core business of the company is to undertake farming activities in the Southern Highlands regions of Tanzania.

Green Tanganyika Co. Ltd, is a company with established good clientele, giving top range of farming activities in Tanzania. An integration of the management extensive experience, know-how and quality products guarantees clients the most comprehensive supplies.

2.2 Project objectives and content.

The Project is expected to undertake maize and avocados farming projects that will specifically provide top-quality agro products and enhance Tanzania's agro exports. The company will engage highly experienced agronomists in the fields of farming and apply modern agro machineries and equipment for high efficiency and productivity.

Using the best and experienced work force, Green Tanganyika Co. Ltd aspires to provide unique solutions and new level of unbeatable supplies in the field of agriculture.

2.3 Project Sponsors.

Green Tanganyika Co. limited sponsors the project. Major shareholders of the project are :-

- Mr. Hao Wu 44 % Shares
- Mr. Sisi Li 20 % Shares
- Guangyao Li 16 % Shares

It is expected that the sponsors of the project will contribute 100% of the planned project investment cost. At an estimated US\$. 2,942,900-investment cost the contribution will be as follows.

Table (i) Investment cost.

Contributor	Equity in US \$	Loan	Shares in %age
Mr. Hao Wu, P .O. Box 25598, DAR ES SALAAM	1,294,876	NIL	44%
Mrs. Sisi Li, Wenzhou, Room No.701 2 Block, ZHEJIANG, CHINA	588,580	NIL	20%
Mr. Guangyao Li, Wenzhou, Guanzhuo, Room No. D 308, ZHENJIANG, CHINA	470,864	NIL	16%
Total Equity	2,354,320	NIL	80%
Loan to be sought (Unallotted shares)	NIL	588,580.00	20%
Total Investment Capital	2,942,900		

2.4 Project Management

2.4.1 Directors' Profile

The first directors of the project are expected to include: -

- Mr. Hao Wu
- Mrs.Sisi Li
- Mr. Guangyao Li

Name: Mr. Hao Wu

He is an experienced and skilled manager whose competence in the field of vehicle engineering activities is reckoned and has considerable impact upon the project development plans. He is as well, a qualified operational manager who will be involved in running day to day affairs of the project ranging from technical, civil, marketing, finance to personnel administration.

Name: Mrs. Sisi Li

She has over fifteen (15) years' experience in the fields of agro Mechanics activities as well as transportation management. She is quite industrious and full of vision for the intended project. She has worked in management capacities in a number of organizations in Tanzania and abroad. She is currently one of the senior directors with the Green Tanganyika Co. Ltd. Her educational and work experience in the management, technical field experience coupled with his super analytical and problem-solving skills makes her a real force for the project's future development and expansion strategies.

Further, Green Tanganyika Co. limited will be engaging in a team of professionals in the day to day works in the office and field operations. Its excellent customer relations based on innovativeness, quality, reliability, competitive pricing and outstanding after sales service is to complement with the team's competent and well-trained member of staff, engineers and technicians to make services provided superb.

Name: Mr. Guangyao Li

He has over fifteen (15) years' experience in the fields of agricultural activities as well as transportation management. In green Tanganyika Co. Limited he is expected to play the role of technical field advisor. He is also expected to take charge of all field works.

Un allotted shares:

The company has 20% equivalent to US \$ 588, 580 of its shares left un allotted. The company intends to sell these shares or take a soft loan to raise its investment capital.

Therefore, it is expected that the project investment capital from proprietor's equity to be US \$ 2, 354,, 320 and Bank loan to be US \$ 588,580.

3. An Overview on Tanzania's agriculture Sector

3.1. Introduction

Tanzania has a rich natural resource for agricultural development. The country has 94.5 million hectares of land of which 44 million hectares are classified as arable, but only 24% of the arable land is under cultivation. Of the 50 million hectares, suitable for livestock, only 26 million hectares is under use while the rest cannot be accessed mainly due to tsetse fly infestation. It has the third largest livestock population in Africa after Sudan and Ethiopia. About 29.4 million hectares are assessed as potential for irrigation, of which 2.3 and 4.8 million hectares are regarded as high and medium potential, respectively.

Although it has been on the increase and has doubled over the past 10 years, the area under irrigation by 2013 was 450,392 hectares which is less than 20 percent of the high potential area for irrigation and less than five percent of the cultivated land. Though the country is well endowed with a high potential base for agriculture development, there is only a small quantity of large-scale commercial farms in the sector. Agricultural production is dominated by smallholders. They represent most of the rural families, however notably, half of them are commercial, not subsistence, in that they sell from a minimum of one-quarter of their output to typically half or more in the local community.

Moreover, Tanzania is an emerging economy with high growth potential. Whilst the economy is relatively diversified, a number of opportunities remain untapped in many sectors including agriculture. The Agriculture sector is the driving force of the country's economy; therefore, the need to develop it is of paramount importance for food production, poverty eradication, and growth in other sectors.

3.2 Government initiatives toward Development in Agriculture

The Tanzania Government has adopted the Agricultural Sector Development Strategy (ASDS), which sets the framework for attaining sector objectives and targets. The Agricultural Sector Development Programme (ASDP), framework and process document, developed jointly by five Agricultural Sector Lead Ministries (ASLM), provides an overall framework and process for implementing ASDS. Through the document, agricultural development activities at national level are aligned to strategic plans of line ministries while activities at district level implemented by Local Government Authorities (LGAs) based on Districts

Agricultural Development Plans (DADPs) which are part of the broader district plans (DDPs).

In line with the ASDP, the Government and Development partners are working together in formulating a consolidated set of interventions in support of the ASDP. An increased proportion of future development partners support to agricultural sector development is proposed to be provided through the ASDP Basket Fund.

3.3 The contribution of Agriculture in Economy

Agriculture remains the largest sector in the economy and hence its performance has the significant effect on output and corresponding income and poverty levels. The Sector accounts for about half of DGP and exports and its importance are amplified through backward and forward linkages effects. It accounts for about 70% of rural household incomes while food crops accounts for 65% of agricultural GDP and cash crops accounts for about 10%.

Increasing growth, reducing food insecurity, and accelerating poverty reduction particularly in rural areas requires an increase in agricultural productivity, higher value addition, and improved producer price incentives. Such increase requires a consolidation and continuation of long-term reforms particularly with respect to markets, institutions and investments. Greater emphasis is needed on improved institutional functioning and service delivery, technology adoption, infrastructure development and greater commercialization among stakeholders.

While Tanzania's economy has steadily grown over the past decade, over 28 percent of Tanzania's population lives on less than \$1.90 a day (World Bank, 2011). Malnutrition remains high. Over 34 percent of children under age five are stunted and nearly 45 percent of women of reproductive age are anemic. To help Tanzania achieve the second Sustainable Development Goal—to end hunger, promote sustainable agriculture, and achieve food security and improved nutrition—USAID is working closely with the country to address these challenges.

Tanzania's agriculture sector—which contributes nearly one-third of the country's GDP and employs 75 percent of the population—has the potential to increase incomes and improve livelihoods. Feed the Future - the United States Government's global hunger and food security initiative - supports plans, led by Tanzania, to reduce poverty and improve nutrition.

Tanzania is focusing on agriculture as a means to achieve economic growth. Its plans incorporate private sector engagement including the Southern Agricultural Growth Corridor of Tanzania initiative, a public-private partnership to increase agricultural business investments in the country's southern corridor.

Furthermore, private sector investment and policy initiatives improve the business enabling environment to promote agricultural growth. Research activities conducted in partnership with local institutions help build the capacity necessary for long-term agricultural development.

3.4 Policy Environment

Tanzania has a rich natural resource for agricultural development. The country has 94.5 million hectares of land of which 44 million hectares are classified as arable, but only 24% of the arable land is under cultivation. Of the 50 million hectares, suitable for livestock, only 26 million hectares is under use while the rest cannot be accessed mainly due to tsetse fly infestation. It has the third largest livestock population in Africa after Sudan and Ethiopia. About 29.4 million hectares are assessed as potential for irrigation, of which 2.3 and 4.8 million hectares are regarded as high and medium potential, respectively. Although it has been on the increase and has doubled over the past 10 years, the area under irrigation by 2013 was 450,392 hectares which is less than 20 percent of the high potential area for irrigation and less than five percent of the cultivated land. Though the country is well endowed with a high potential base for agriculture development, there is only a small quantity of large-scale commercial farms in the sector. Agricultural production is dominated by smallholders. They represent most of the rural families, however notably, half of them are commercial, not subsistence, in that they sell from a minimum of one-quarter of their output to typically half or more in the local community.

Macro-economic improvements if sustained, agricultural sector interventions and investment will continue to play a significant role in determining agricultural incentives and growth. While macroeconomic policy interventions have positive effect on prices for key export crops (tobacco, tea and cotton) indicating that key sectoral policies did little to improve export price incentives. From mid-90's there has been changes in marketing institutions in favour of major export crops resulting into producers to earn higher share of the export price.

On the other hand, agricultural productivity has improved but not the level of achieving the desired growth targets. Although, agricultural (land) productivity growth in Tanzania has been higher than the sub-Saharan aggregate, it lags behind other regions of the World. Agricultural growth has varied across food crops, cash crop and livestock. Within food crops, maize is the most important cereal as it accounts for over 20% of total agricultural GDP, followed by rice/paddy, beans, cassava, sorghum and wheat. As for cash crops the most important crop by export value was coffee, cashew, cotton, tobacco and tea.

Tanzanian agriculture has experienced rapid changes in policy direction and priorities during the last 50 years, i.e. within the life span of many farmers, pastoralists and farm workers in the countryside. State support for white settler farming in the colonial era epitomized the 1940s and 1950s, in contrast to state promotion of indigenous smallholder farming and parastatal large farms during the late '60s and early '70s. The early '80s consisted of a breakdown in state services and policy direction, whereas economic liberalization based on 'free market' principles characterize the period beginning in the late '80s to the present. Support has shifted from the smallholder peasant sector back to the largescale commercial sector of agriculture production, which is now in the hands of foreign companies, along with private farmers (both foreign and national). The development - and under-development - of agriculture has had a major impact on household food security of women and men, given the reliance of the majority of Tanzanians on household agriculture (cultivation and livestock-keeping) for their livelihoods. In turn, its growth depends on patterns of investment and growth in other sectors. During the colonial era, there was minimal investment in indigenous smallholder agriculture, and no effort to develop manufacturing, services and other sectors.

3.5 Performance of maize and avocados

3.5.1 Maize

Maize is the staple food for the majority of Tanzanians. Most maize is produced by small-scale farmers and is usually grown under low input, rain fed conditions. It is both a subsistence and a cash crop. The maize value chain is fragmented and poorly coordinated. There are many layers and inefficient connections between producers and consumers. Trust, reliable information systems and the benefits of economies of scale are not well established. The result is considerable uncertainty, which discourages investment by both resource-poor, risk-averse small-scale farmers and commercial investors. There is little market 'pull' to stimulate improvement. As a result, up to 80 percent of all maize is consumed within the producing households. Changes are needed to help millions of small scale

farmers – who currently make little or no profit from maize – become profitable. In 2011, an estimated 6.59 million metric tons (MT) of maize was grown in Tanzania. Of that,

It is the one of the most important food crops in Tanzania, it comprises 45% of the cultivated area. Though Tanzania is the largest producer of maize in East Africa, the country still faces lots of challenges of achieving full business potential. The country has ranked among the top 25 maize producing countries in the world in the last two decades. The production of maize accounts for more than 70 percent of the cereal produced in the country.

Maize producers in Tanzania do not fully reap from existing trade opportunities, because sometimes their products do not meet standards for quality. To upgrade the quality of maize it takes effort of all players in the maize value chain, starting with farmers. If farmers do not supply maize of good quality, it takes processors a lot of money and effort to improve the quality at a later stage. To be competitive in the regional and global agro-market, Tanzania needs to improve the quality of maize products by creating awareness on standards, invest in technology, equipment and training and building capacity along the value chain.

Further, Tanzania has the potential to become the granary of East Africa due to the growing demand in neighbouring countries and a transportation advantage for supplying maize to Kenya and to the market in the Horn of Africa. Moreover, Tanzania has large and relatively underutilized natural resources. Still 76 percent of the arable land, suitable for agriculture, is not cultivated. If Tanzania encourages the cultivation of arable land, it can expand its maize production and export its surplus.

3.5.2 Avocados

The horticulture industry in Tanzania is the fastest growing sub-sector within the agricultural sector with an annual average growth of between 9 to 12% per annum, employing more than 2 million people. The industry is dominated by smallholder farmers with less than 2 hectares of land.

Avocados, sometimes referred to as the ‘green gold of Tanzania’, avocados are the new rising star in the country. While only some seven years ago domestic production was close to zero, the crop has now become a key export for Tanzania, making the country one of the leading African avocado exporters, preceded only by [South Africa](#) and [Kenya](#).

Commercial production only started in 2007, when Africado introduced Hass to Kilimanjaro at its own orchards after which the company has worked closely with local smallholders, distributing avocado seedlings, training about good agricultural practices and providing market access.

The outgrower programme currently encompasses around 2000 local farmers, creating employment and income to thousands of people in the area. The company has, for instance, received an international GlobalGAP certification for safe and sustainable agricultural practices. In 2016, its outgrower programme also became G.A.P. Award winner as the second African company.

With new development operations it is expected that the number of jobs may double and provide employment particularly for women. From the point of view of the Siha district and of the whole of Tanzania, Africado promotes responsible agricultural and employment practices, and generate export income, strengthening the balance of current payments of the country.

According to a report by *The Citizen Tanzania*, the improved performance is attributed to the investments undertaken by the Tanzanian government and the country's private sector horticultural apex body, Taha. One of the notable projects undertaken is the establishment of a state-of-the-art facility in Njombe where farmers can store their fresh produce and is also a hub to connect with buyers. Taha data shows that over 10,000 farmers in the country are involved in avocado production, triggering its export surge by 380 per cent in a span of five years.

3.6 Project competitiveness

The project main advantage is that its management's commitment in the field will be crucial as compared to competitors.

It is expected that Green Tanganyika Co. limited farming project to be one of its own in the country and will have advantage as it will help transforming the local community in southern highland adopting modern farming techniques and serving as their customer base.

Further, the company has a proven effective measure against environmentally friendly use of machines it is going to provide in the country, thus the project will gain community and government acceptability and support.

3.7. Company strengths

The main advantages of Green Tanganyika upon competitors are the following:

- Green Tanganyika's proprietors have commitment to venture through in the field based on the determination, experience and established competitive advantage;
- Green Tanganyika has acquired a plot of which they have documents on;
- Green Tanganyika has a readily existing market within the country and outside Tanzania.
- Capacity of producing 180 tons of maize per annum.

3.5. Conclusions

It is evident that the project will be of substantial importance to the country, people and to the company, as it will have a comparative price, environmental, multiplicity and economic edge to the community, agricultural sector, its proprietors and the nation at large.

4.0. Market assessment

4.1 Maize

Maize is the key staple food crop in several Sub-Saharan Africa countries (SSA) and you cannot separate food security and maize. In Tanzania, maize is the widely grown staple crop produced by 4.5 million farm households representing about 82% of all Tanzanian farmers (KI, 2011; NBS, 2014). It is mostly produced by smallholder farmers at the subsistence level and consumed by the majority (90%) of Tanzanian population (NBS, 2014). The crop constitutes for about 45% of total arable land, generating for about 50% of rural cash income (USAID, 2010, World Bank, 2012). Essentially, Tanzania produces white maize which is used for self-consumption and some being sold to the market. Conversely, the maize production sector in Tanzania exhibits a very low productivity and supply, even with improved seeds (Smale et al., 2011). This argument had revealed in the agricultural surveys conducted by NBS in 2008 and 2014 that, the average annual maize yield for the country is 1.3 ton per hectare. This productivity is very far from that of South Africa and world average maize yields which stands at 2.7 and 4.3 ton per hectare respectively (FAO, 2009; Urassa, 2010).

The production of maize in Africa is expected to register a CAGR of 3.2% during the forecast period, 2020-2025. Africa consumes 30% of the maize produced in the world, with Sub-Saharan Africa alone accounting for 21% of the consumption. Around 14 countries of Sub-Saharan Africa consume 85-95% of maize as their staple food. Africa is more inclined toward white maize consumption, with a consumption share of around 90%. Thus, white maize gets a premium price in Africa. Africa accounts for almost 6.5% of global maize production. Most of the maize is produced in rain-fed areas. However, it is also grown in the drought and famine conditions in Africa. The total harvested area under maize in Africa was around 38.7 million hectares in 2018. Nigeria is the largest producer of maize in Africa, followed by South Africa.

The price of maize in Africa increased by 57% compared to the previous years. This price hike was expected due to El Niño's impact on African maize. Many countries, like Botswana, Namibia, Lesotho, Swaziland, and Zimbabwe, are producing marginal maize stocks. The consumption by these countries is heavily dependent on imports. Based on the severity of El Niño's impact, the price of maize is likely to go up from 33% to 85% in 2018-19.

A series of generic issues impact on the maize value chain and create concerns across the board for agricultural growth. These include land tenure, land

administration and land-use planning; local production taxes ('cesses'); corruption; a difficult business environment; inadequate rural infrastructure; high transport costs; difficult access to affordable finance; limited trade opportunities, and periodic export bans. There are also some important maize-specific issues, which include: availability of suitable varieties; availability of seed; management of soil nutrients and soil moisture; maize markets and market information; and processing capacity and efficiency. The result is a background of considerable uncertainty, which discourages investment by both resource-poor, risk-averse farmers, as well as large-scale commercial investors. Aware of these problems, the private sector is working to play a stronger and more organized role in agricultural development.

4.2 Avocado

In a span of five years, avocado exports from Tanzania have gained traction with the country fetching US\$12 million from 2019 exports attributed to the rise in volume from 1,877 tonnes in 2014 to 9,000 tonnes in 2019 according to data from, the Tanzania Horticultural Association (Taha).

Large part of avocados are exported to Europe as its consumption of avocados is one million tonnes a year with the World Avocado Organisation (WAO) predicting a growth rate of 50 per cent of between 500,000 and 700,000 tonnes for Europe in the next ten years.

Further, according to Transparency Market Research (TMR), the global avocado market was valued at US\$13.64 bn in 2018 and is predicted to attain an overall value of US\$21.56 bn by 2026.

4.3 Company strengths

Green Tanganyika is expected that throughout its life will be triumphant basing on the following aspects:-

- High technical expertise, which will be maintained through constant training;
- Competent and skilled management;
- Quality Services at optimum costs, ensured through continuous improvement, coupled with quality assurance commitment.
- Capacity to produce 1500 tons of avocados per annum.

4.4 Conclusions

Tanzania offers a potential market for maize and avocados as regards to the demand that is on increase. Green Tanganyika Co. limited is committed to make sure that it widens its network coverage and improve the existing quality of food crops sold within Tanzania, the entire East Africa and World at large. It is expected therefore that more Tanzanians will now be able to access reliable and affordable maize and avocados.

5. Financial Analysis

5.1 Methodology and Key Assumptions

Key assumptions:

- Investment Capital will be US \$. 2,942,900
- Exchange rate taken as Tshs. 2300 per US Dollar.
- Depreciation on Fixed assets to be calculated at 25% r.b. on Motor Vehicle, 12.5% s.l. on Plant and Machinery, 10% r.b. on Furniture and Fittings, and 5% s.l. on land and Building.
- Corporate tax to be charged at 30% of Income before tax.
- Salary and wages to increase by 5% annually.
- Social security contribution to be calculated at 20% of the monthly payroll costs.
- Revenues and Operating expenses to grow at 2% p.a.
- The **project production capacity** in maize to be 180 tons and 1500 tons of avocados per annum

5.2 Profitability and Fund Flows

5.2.1 Operating Costs.

The project is expected to incur operating costs such as Salary and Wages for Permanent and Casual employees, Social Security contribution and Other Operating costs.

5.2.1.1. Salary and Wages

The project is expected to employ about 87 personnel and pay about US\$ 28,150 per month i.e. US\$ 328,800 towards their salaries. Table (iv) clearly shows the analysis on payroll expenses of the project.

Table (iv) Salary and Wages

Figures in US \$					
No	Employee Designation	No	Salary Rate in US \$	Salary/Month	Salary/Annun in TZS
1	Director General	1	1,500	1,500	18,000
2	Director Finance & Administration	1	1,500	1,500	18,000
3	General Manager	1	1,000	1000	12000
4	Chief Agronomist	1	1,000	1000	12000
5	Operations Manager	2	800	1600	19200

6	Agro - machinery Operators	2	800	1600	19,200
7	Mechanical Engineers	2	800	1600	19,200
8	Maintenance Supervisors	4	600	2400	19,200
9	Field Extension Officers	7	400	2800	19,200
10	Supervisors	2	350	700	19,200
11	Accountant	1	600	600	19,200
12	Accounts Assistant	2	250	500	19,200
13	Drivers	40	200	8000	19,200
14	Mechanics	10	200	2000	19,200
15	Secretary	1	150	150	19,200
16	Guards	4	150	600	19,200
19	Attendants	3	100	300	19,200
20	Cleaners	3	100	300	19,200
	Total Taxable Salary & Wages	87	10,500	28,150	328,800

5.2.1.2. Other operating costs.

The project also is expected to incur various other operating costs, including motor vehicle and other equipment repair and maintenance, Fuel and lubricants, uniform and gear, electricity power, office general expenses, legal and professional expenses, medical expenses and other administrative expenses. The total other monthly expenditure are estimated at US \$ 1,600 i.e. TZS. 619,200 as shown in the table (v) below.

Table (v): Other Operating Costs

No	Cost element	Expenses/Month in US \$.	Expenses/Annun
(i)	Electricity power	2,000	24,000
(ii)	Printing and Stationery	750	9,000
(iii)	Telecommunication	750	9,000
(iv)	Fuel, Oil \$ Lubricants	15,000	180,000
(v)	Insurance	8500	102,000
(vi)	Legal and Professional Fees	200	2,400
(vii)	Office and General	500	6,000

	expenses		
(viii)	Promotion Expense	300	3,600
(ix)	Motor vehicles Repair & Maintenance(To grow at 5%p.a)	13,000	156,000
(x)	Medical Expenses	2,000	24,000
(xi)	Repair and Maintenance Equipment	1,500	18,000
(xii)	Other Admin Expenses	1,500	18,000
(xiii)	Miscellaneous Expenses	300	3,600
xiv)	Uniform and gear	5300	63,600
	Total other expenses	51,600	619,200

5.2.2. Revenue estimates.

It is expected to generate revenue of about US \$ 2,570,000 during Year I, US \$ 2,621,400 in Year II and US \$ 2,673,828 in Year III. See Table (v) below.

Table (vi) Revenue Estimates

Description/ Activity	Revenue Estimates in US \$
Projected sales from Maize yields	1,950,000
Projected sales from Avocado yields	585,000
Revenue from equipment Leasing	10,000
Revenue from Higher purchase	25,000
Total Revenue	2,570,000

5.3 Investment Analysis

The project is estimated to have an investment capital of US \$ **2,942,900** mainly accounted for by land and Building that will cost US \$ 1,181,000 i.e. 40.13% of the Investment capital, followed by Motor Vehicles that will account for US\$ 1,085,000 equivalents to 36.87% and Machinery and equipment that will amount to US \$ 472,000 while Pre- Operational expenses are projected at US \$ 98,000 and Working Capital US \$ 60,000 respectively.

Table (vii) Investment Analysis.

Activity	Total in	2020	2021	2022
	US \$			
1. Land and Building				
Land acquisition	150,000	100,000	50,000	0
Land development works	240,000	200,000	40,000	0
Warehouse 1	250,000	150,000	75,000	25000
Workers House 2	356,000	230,000	120,000	6,000
Office 1	135,000	100,000	30,000	5000
Civil works	50,000	30,000	20,000	0
(a) Total (land & building)	1,181,000	810,000	335,000	36,000
2. Machinery and Equipment				
Tractors 4 @ 45000	180,000	125,000	25,000	30000
Planters 4 @ 7000	28000	14000	7000	7000
Harrows 4 @ 8000	32000	24000	8000	0
Combine harvester 1 @ 135000	135,000	0	135000	0
Generators 30KW 3 pcs @7000	21,000	7000	14000	0
Folk lift 2 @ 7500	15,000	0	0	15,000
Carriers 2 @ 7000	14000	7000	7000	0
Firefighting equipment	10,000	5,000	5,000	0
Chain saw 5 @ 3500	17500	10500	7000	0
Other Tools (assorted)	20,000	10,000	10,000	0

(b) Total (Mach. & Equip)	472,500	202,500	218,000	52,000
3. Motor Vehicles				
Water Bosser 1 @ 12000	12000	12000	0	0
Fusso 2 @23000	46000	23000	23000	0
Surveillance Pickups 3 #@ US \$ 15,000	45000	30000	15,000	0
Canter Trucks 3Tons 3@ 15000	45000	30000	15000	0
(c) Total (Motor Vehicle)	1,085,000	430,000	435,000	220,000
4. Furniture and Fittings				
Desk tops 10 @ 800	8,000	4000	4,000	0
Printer 4 @ 350	1,400	0	700	700
Internet connection	5,000	0	5,000	
Office Furniture (Assorted)	27,000	0	20,000	7,000
Fire Proof Safes	5,000	0	5,000	
Total Furniture & Fittings	46,400	4,000	34,700	7,700
5. Preoperational Expenses.				
Recruitment expenses	20,000	5,000	5,000	10,000
Immigration Expenses	23,000	2,000	6,500	14,500
Office running Expenses	12,000	2,000	5,000	5,000
Stationery	5,000	1,000	2,000	2,000
Licenses	3,500	3,500	0	0
TIC Registration	4,000	4,000	0	0
Business plan/Legal & Secretarial	3,500	3,500	0	0
Protective gear/safety clothing	8,000	2,000	5,000	1,000

Transport Charges	9,000	2,000	5,000	2,000
Advertisement Expenses	10,000		10,000	
Total Preoperational Expenses	98,000	25,000	38,500	34,500
6. Working Capital				
Cash in Bank	30,000	10,000	10,000	10,000
Cash in Hand	30,000	10,000	10,000	10,000
Total Working Capital	60,000	20,000	20,000	20,000
Grand Total Investment	2,942,900	1,491,500	1,081,200	370,200

Capital

As mentioned above, the total Investment Capital of the project will be US\$ 2,942,900 which will comprise of US\$ 2,784,900 Fixed Assets i.e. 94.63% of total Investment capital. While Pre operational expenses will account for US\$ 98,000, Working capital is expected at US\$ 60,000.

5.3.1 Financing

The project will be financed by the Green Tanganyika Co. Limited's shareholders are expected to contribute 80% (i.e TZS. 2,354,320 Million) of the Investment Capital finance in terms of equity and bank loan will account for the rest 20 % although no loan is expected to be sought at the initial stages of the project implementation.

5.4 Conclusions

As mentioned earlier, the project will be financed through owner's equity and no bank loan is to be sought at this level. The Total Investment capital will be US 2.942 Million be attributed more by Land & Building, Machinery & Equipment, Motor Vehicles and Furniture & Fittings; that accounts for about 89.4% of the total Investment Capital. On the other hand, Motor vehicles alone are expected to account for about 40.13% of the entire capital to be invested. While Pre-Operational Expenses and Working Capital will account for about 2% that will include both cash in hand and cash at Bank.

6. Implementation Strategy.

As earlier mentioned the project is expected to be implemented in three years.

The first year will be spent in acquiring, registering and transferring of land. Leveling and site development will also be done in year I will be spent on putting up structures and laying down some ground works including farms preparation.

6.1 Construction

No major construction work is expected to be undertaken by the project. Major construction works are expected to be done during year 1 where by staff houses, a warehouse and office will be constructed in songea. In year II it is expected that more farming activities will be undertaken at njombe region for avocados.

6.2 Marketing

The focus of the project is on Tanzania particularly, Green Tanganyika Co. limited.

The Tanzanian market, constitute of a primary market for the project's products although it is expected that 95 percent of avocados and 70 percent of maize will be exported.

6.3 Operations

The project is expected to be wholly operated in Tanzania. The proprietors are expected to provide expertise, machinery, finance, Managerial and all other technical support to the project. On the other hand, contracting service providers will be sourced to provide expertise to ensure the operation of the project goes adjacent with the company goals. The local community is expected to be involved in levels of management and operations throughout the project implementation period.

6.4 Conclusions

The project is expected to be implemented in three years' period whereby year I will spent on putting the structures and farms preparations and planting. Major constructions are expected to take place during year I too. Year II will be spent on increasing acreage especially on avocado farm in Njombe region and strengthening export operations. In year III the project will be in full operation.

7. Conclusion

7.1 Project Feasibility

In all aspects, the project is feasible, sustainable and beneficial not only to the investors but also to the ultimate consumers and the general public as a whole. With the increasing need for transportation services, Green Tanganyika Co. limited referring to the increasing need for high quality cargo handling services in the country, the need for a sustainable relatively cheaper supplement for shipping reliability is of vital importance. In full consideration of the national Transportation Policy that aims at establishing an efficient communication production, distribution and end - use systems in a sound and sustainable manner.

Further, with the increasing worldwide outcry for sustainability and affordability of transportation services for all, and Government's efforts to ensure better, sustainable and affordable communication facilities to rural areas where the majority Tanzanians live, SMM has come out with the lasting transmission poles supplyservices solution for the people in Tanzania and neighboring countries by seeking an extension for its project.

7.2 Financial Performance

According to the projections it evident that the project will be profitable and it has very minimal risks to stake holders funds, the community and the nation at large. Therefore, basing on the Projected Financial statements and Fund Flow Statement the Project is worth implemented and is financially feasible.

8. Recommendations

Provided all other aspects and factors remain substantially constant, it is strongly recommended that the project be implemented with immediate effect.

Further, it is recommended that the company applies for an extension to the Certificate of Incentives with the Tanzania Investment Centre (TIC), with the view of benefiting from investment incentives and protection given to potential investors like *Green Tanganyika Co. limited*, as the statutory provides under The Tanzania Investment Act, 1997.

**GREEN TANGANYIKA CO. LIMITED
INVESTMENT COST ESTIMATES**

Figures in US \$.

ITEM	ESTIMATED INVESTMENT	1	2	3
Land and Buildings	1,181,000	810,000	335,000	36,000
Machinery and Equipment	472,500	202,500	218,000	52,000
Motor Vehicles	1,085,000	430,000	435,000	220,000
Furniture & Fittings	46,400	4,000	34,700	7,700
Pre - Operating Costs	98,000	25,000	38,500	34,500
Initial Working Capital	60,000	20,000	20,000	20,000
TOTAL PROJECT INVESTMENT	2,942,900	1,491,500	1,081,200	370,200

Estimates at current market prices

Appendix ii

GREEN TANGANYIKA CO. LIMITED DEPRECIATION SCHEDULE FOR 10 YEARS OF OPERATION

Figure in US

\$.

Description	0	1	2	3	4	5	6	7	8	9	10
Land and Building 5% s.l.	1,181,000	59050	59050	59050	59050	59050	59050	59050	59050	590050	59050
Plant and Machinery 12.5% r.b.	472,500	59062.5	51679.6875	45219.727	39567.2607	34621.3531	30293.684	26506.9735	23193.60182	20294.4016	17757.6014
Motor Vehicle 25% s.l.	1,085,000	271250	271250	271250	271250	271250	271250	271250	271250	271250	271250
Furniture & Fittings 10% r.b.	46,400	4640	4176	3758.4	3382.56	3044.304	2739.8736	2465.88624	2219.297616	1997.36785	1797.63107
Total	2,784,900	394,003	386,156	379,278	373,250	367,966	363,334	359,273	355,713	883,592	349,855

**GREEN TANGANYIKA CO. LIMITED
WAGES AND SALARY**

Figures in US \$

No	Employee Designation		Salary Rate in US \$	Salary/Month	1	2	3	4	5	6	7	8	9	10
1	Director General	1	1,500	1,500	18,000	18075	18150	19050	19953.75	20861.25	21813.75	22811.438	23854.5	24945.188
2	Director Finance & Administration	1	1,500	1,500	18,000	18075	18150	10187.597	10391.349	10599.176	10811.159	11027.382	11247.93	11472.889
3	General Manager	1	1000	1,200	14,400	14450	14510	15230	15952.5	16678	17439.5	18237.125	19071.025	19943
4	Chief Engineer	1	1,000	1000	14,400	14450	14500	15220	15942.5	16667.5	17428.5	18225.625	19059	19930.425
5	Manager	4	800	3,200	6000	6040	6200	6500	6802	7112	7437	7777.1	8132.7	8504.55
6	Electrical Engineers	2	800	1,600	9600	9640	9720	10200	10682	11168	11678	12212.1	12770.5	13354.4
7	Mechanical Engineers	2	800	1,600	9600	9640	9720	10200	10682	11168	11678	12212.1	12770.5	13354.4
8	Accountant	2	600	1,200	14400	14430	14490	15210	15931.5	16656	17416.5	18213.075	19045.875	19916.7
8	Maintenance Supervisors	4	600	2,400	14400	14430	14550	15270	15991.5	16719	17482.5	18282.075	19118.025	19992.15
9	Technicians (Mechanical/ Electrical)	7	400	2,800	2820	2840	2980	3121	3263	3412	3568.05	3731.2	3901.8	4080.2025
10	Supervisor	2	350	700	8400	8417.5	8452.5	8872.5	9293.375	9716	10159.625	10624.294	11110.094	11618.075
11	Accountant	2	250	500	6000	6012.5	6037.5	6337.5	6638.125	6940	7256.875	7588.7813	7935.7813	8298.625
12	Field Attendants	40	200	8000	96000	96010	96410	101210	106010.5	110831	115891.5	121192.03	126733.58	132528.15
14	Mechanics	10	200	2,000	7200	7210	7310	7670	8030.5	8396	8779.5	9181.025	9600.825	10039.8
15	Secretary	1	150	150	1800	1807.5	1815	1905	1995.375	2086.125	2181.375	2281.1438	2385.45	2494.5188
16	Guards	4	150	1,500	18000	18007.5	18082.5	18982.5	19882.875	20787	21736.125	22730.269	23769.619	24856.425
19	Attendants	3	100	300	3600	3605	3620	3800	3980.25	4161.25	4351.25	4550.2625	4758.325	4975.8875
20	Cleaners	4	100	400	4800	4805	4825	5065	5305.25	5546.5	5799.75	6065.0125	6342.3375	6632.325
	Total Taxable Salary & Wages			31,550	267,420	267,945	269,523	274,031	286,728	299,505	312,909	326,942	341,608	356,938

**GREEN TANGANYIKA CO. LIMITED
OTHER OPERATING EXPENSES**

Figures in US \$

	Cost element	Monthly Expenses	1	2	3	4	5	6	7	8	9	10
(i)	Heat and lightning	1100	142800	145656	148569.12	151540.5	154571.31	157662.74	160815.99	164032.31	167312.96	170604.48
(iii)	Printing and Stationery	2500	6,000	6120	6242.4	6367.248	6494.593	6624.4848	6756.9745	6892.114	7029.9563	7171.8675
(iv)	Telecommunication	2000	6,000	6120	6242.4	6367.248	6494.593	6624.4848	6756.9745	6892.114	7029.9563	7171.8675
(v)	Fuel, Oil & Lubricants	20000	24,000	24480	24969.6	25468.992	25978.372	26497.939	27027.898	27568.456	28119.825	28691.744
(vi)	Insurance	1250	3,000	3060	3121.2	3183.624	3247.2965	3312.2424	3378.4873	3446.057	3514.9781	3585.0994
(vii)	Legal and Professional Fees	100	500	510	520.2	530.604	541.21608	552.0404	563.08121	574.34283	585.82969	597.56706
(viii)	Up keep & Housekeeping	800	10000	10200	10404	10612.08	10824.322	11040.808	11261.624	11486.857	11716.594	11950.831
(ix)	Office and General expenses	600	8,000	8160	8323.2	8489.664	8659.4573	8832.6464	9009.2994	9189.4853	9373.275	9560.7096
(x)	Sales promotion	2500	20000	20400	20808	21224.16	21648.643	22081.616	22523.248	22973.713	23433.188	23892.711

(xii)	Motor vehicles Repair & Maintenance	3000	36,000	36720	37454.4	38203.488	38967.558	39746.909	40541.847	41352.684	42179.738	4
(xiii)	Medical Expenses	2000	24,000	24480	24969.6	25468.992	25978.372	26497.939	27027.898	27568.456	28119.825	2
(xiv)	Repair and Maintenance Equipment	2500	30000	30600	31212	31836.24	32472.965	33122.424	33784.873	34460.57	35149.781	3
(xv)	Administrative	2000	25000	25500	26010	26530.2	27060.804	27602.02	28154.06	28717.142	29291.485	2
(xvi)	Miscellaneous Expenses	400	5000	5100	5202	5306.04	5412.1608	5520.404	5630.8121	5743.4283	5858.2969	5
(xvii)	Uniform and gear	2000	2,500	2550	2601	2653.02	2706.0804	2760.202	2815.406	2871.7142	2929.1485	2
	Total expenses other	29733.33	356,800	363936	371214.72	378639.01	386211.79	393936.03	401814.75	409851.05	418048.07	4

GREEN TANGANYIKA CO. LIMITED SOCIAL SECURITY CONTRIBUTION SCHEDULE.

Figure in US \$.

Year	1	2	3	4	5	6	7	8	9	10
Activity	Assumption: Social Security Contribution is calculated at 20% Monthly Wages and Salary									
Total Slary and Wages	267420	267945	269523	274031	286728	299505	312909	326942	341608	356938
Social Sec. Cont.	53484	53589	53905	54806	57346	59901	62582	65388	68322	71388
Total SS Cont.	10697	10718	10781	10961	11469	11980	12516	13078	13664	14278

**GREEN TANGANYIKA CO. LIMITED
SALARIES AND WAGES**

Figure in US \$

Year	1	2	3	4	5	6	7	8	9	10
Gross Salary	267420	267945	269523	274031	286728	299505	312909	326942	341608	356938
Sub Total	267420	267420	269523	274031	286728	299505	312909	326942	341608	356938
<i>Less S.S.Cont.20%</i>	53,484	53,589	53,905	54,806	57,346	59,901	62,582	65,388	68,322	71,388
Net Sal & Wages	213,936	213,831	215,618	219,225	229,383	239,604	250,327	261,554	273,286	285,550

GREEN TANGANYIKA CO. LIMITED
TOTAL OPERATING COSTS

Figures in US \$.

Expenditure	1	2	3	4	5	6	7	8	9	10
Net Salary & Wages	213,936	213,831	215,618	219,225	229,383	239,604	250,327	261,554	273,286	285,550
Social Security Contribution	53,484	53,589	53,905	54,806	57,346	59,901	62,582	65,388	68,322	71,388
Non Taxable Payroll costs	3,960	3,960	3,960	3,960	3,960	3,960	3,960	3,960	3,960	3,960
Other major operating costs	356,800	363,936	371,214.7	378,639	386,211.8	393,936	401,814.8	409,851.1	418,048.1	426,409
Total operating cost	628,180	635,316	644,698	656,630	676,901	697,401	718,684	740,753	763,616	787,307

Values at the Current prices (2005)

GREEN TANGANYIKA CO. LIMITED
REVENUE ESTIMATES SCHEDULE

Figures in US \$

Description	1	2	3	4	5	6	7	8	9	10
	Assumption: Revenues are expected to grow by 2% per year									
Net Sales	2,570,000	2621400	2673828	2727305	2781851	2837488	2894237	2952122	3011165	3071388
Total Revenue	2,570,000	2621400	2673828	2727305	2781851	2837488	2894237	2952122	3011165	3071388

Appendix ix

**GREEN TANGANYIKA CO. LIMITED
PROJECTED PROFIT AND LOSS STATEMENT**

Figures in US \$.

Description	1	2	3	4	5	6	7	8	9	10
Projected Revenues	2,570,000	2621400	2673828	2727305	2781851	2837488	2894237	2952122	3011165	3071388
Less: Operating Expenses	628,180	635,316	644,698	656,630	676,901	697,401	718,684	740,753	763,616	787,307
Operating Profit	1,941,820	1,986,084	2,029,130	2,070,675	2,104,950	2,140,087	2,175,553	2,211,369	2,247,549	2,284,081
Less: Depreciation	394,003	386,156	379,278	373,250	367,966	363,334	359,273	355,713	883,592	349,855
Profit/Loss Before Tax	1,547,818	1,599,928	1,649,852	1,697,425	1,736,984	1,776,753	1,816,280	1,855,656	1,363,957	1,934,226
<i>Taxation 30%</i>	<i>464,345</i>	<i>479,978</i>	<i>494,956</i>	<i>509,228</i>	<i>521,095</i>	<i>533,026</i>	<i>544,884</i>	<i>556,697</i>	<i>409,187</i>	<i>580,268</i>
Profit/Loss after Tax	1,083,472	1,119,950	1,154,896	1,188,198	1,215,889	1,243,727	1,271,396	1,298,959	954,770	1,353,958
Opening Balance	0	1,083,472	2,203,422	3,358,318	4,546,516	5,762,405	7,006,132	8,277,528	9,576,487	10,531,257
Net Profit/Loss	1,083,472	2,203,422	3,358,318	4,546,516	5,762,405	7,006,132	8,277,528	9,576,487	10,531,257	11,885,215

Appendix x

**GREEN TANGANYIKA CO. LIMITED
PROJECTED CASH FLOW STATEMENT**

Figures in US \$

Description	1	2	3	4	5	6	7	8	9	10
CASH INFLOW										
CASH INFLOW										
CASH INFLOW	1,547,818	1,599,928	1,649,852	1,697,425	1,736,984	1,776,753	1,816,280	1,855,656	1,363,957	1,934,226
CASH INFLOW	394,003	386,156	379,278	373,250	367,966	363,334	359,273	355,713	883,592	349,855
CASH INFLOW	1,941,820	1,986,084	2,029,130	2,070,675	2,104,950	2,140,087	2,175,553	2,211,369	2,247,549	2,284,081
CASH OUTFLOW										
Taxation	464,345	479,978	494,956	509,228	521,095	533,026	544,884	556,697	409,187	580,268
Net Cash Outflow	1,477,475	1,506,106	1,534,174	1,561,447	1,583,855	1,607,061	1,630,669	1,654,672	1,838,362	1,703,813
Opening Balance	0	1,477,475	2,983,580	4,517,754	6,079,201	7,663,056	9,270,117	10,900,786	12,555,458	14,393,820
Cummulative cash Balance	1,477,475	2,983,580	4,517,754	6,079,201	7,663,056	9,270,117	10,900,786	12,555,458	14,393,820	16,097,633