

Confidential Business Plan

May 2021



Spice Project Bio – Farming/Trading

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Important Notice

Purpose of the Proposal

This Confidential Investment Proposal (the “Proposal”) has been prepared by Viridium Tanzania Ltd (hereinafter referred to as the “Company” or “VTL”) for the sole purpose of providing certain information with regard to acquiring investment status with Tanzania Investment Centre (TIC) in order for the company to be involved in the processing and trading of spices.

Any estimates and projections included in this Proposal have been prepared by the Company on the basis of recent historical information and assumptions which, in its opinion, are believed to be reasonable but which may or may not prove correct.

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1 Executive Summary

Description of Business

The business will be to process and trade in conventional and organic spices. The primary focus is cardamom (Ellettaria Cardamomom) from Tanzania as well cloves (Syzygium aromaticum)

Acquisition of Agri-ventures Tanzania Ltd assets

Viridium Tanzania Ltd will acquire all tangible and intangible assets that belong to Agri-Ventures Tanzania Ltd (AVTL) for \$223,500. Current AVTL employees will be fully employed by Viridium Tanzania Ltd due to their experience and understanding of the value chain.

The Market:

95% of sales will be for export, the balance will be for local sales .

Growth Potential:

The global seasoning and spices industry is forecasted to experience a CAGR of 6% from 2019-2023 to reach a value of US \$ 30.4 Billion by 2023.

Sales & Profit Forecast:

The following is the profit forecast before tax for first Five years:

	Year 1 (FY22)	Year 2 (FY23)	Year 3 (FY24)	Year 4 (FY25)	Year 5 (FY26)
Profit Per Annum	\$54,629	\$404,139	\$709,387	\$994,425	\$1,312,685

Financial Requirements:

The business will require operating capital of USD 4,860,000 to start and run the business for the first two years. Year 1 would require USD 1,428,026 and then year 2 USD 3,432,326. Year 3 onwards the business will be self-supporting utilising a USD 6,299,232 facility for working capital.

Utilisation of Finances:

The finances will be used for initial capital outlay, acquisition and expansion plan amounting to USD 340,323 and assist with the working capital as per above in Financial Requirements section.

Where will you source your funding from:

The funds for acquisition of assets from Agri-Ventures Tanzania LTD (AVTL) will come from a loan of USD 223,500. Additional CAPEX for the 3 Year Expansion plan is USD303,146.

List of Critical Issues for the Success of the Project:

The key success factors are:

- Marketing – Continue working with the International Trade Centre (ITC), who connect us with international buyers as well as partially financing trips to international food and spice fairs around the world.
- Machinery- Using the right driers is the key to achieving good yields and the correct colour.
- Stock- Having adequate 30-day stock durations is favourable for customers as they pay against warehouse receipt system.
- Cash Flow – cash flow must be accurate and monitored. Therefore, it is important that the budget is accurate, and the expenditure only approved once Marketing and Sales are at acceptable levels.
- Management – employing the current Agri-ventures Tanzania ltd (AVTL) team who understand the value chain as well as acquiring all their assets
- Board Supervision – the Board will have to be involved initially to get more of an understanding of the industry and to add their valuable input due to their vast experience in agriculture and trading.

2 Enterprise Description

2.1 Business Concept

While Tanzania is endowed with the natural ecological and climatic conditions for cultivation/development of spice crop production and exports, its global market share has declined. This is against a substantial increase in global demand, with Tanzania being in the unfortunate position of not having serious investors in this sector and many spices being smuggled to neighbouring countries, namely Kenya & Uganda. The Tanzanian spice value chain remains over-dependent on subsistence agriculture and methods resulting in constraints to competitiveness and diversification. This status quo represents a significant opportunity to us. Through a development plan we aim to reform these loosely coordinated & fragmented spice value chains into highly organised structures. Utilising economies of scale; increased production capacities, organic certification, and increased quality for high-value export in wholesale form.

2.2 Cardamom

The idea of trading cardamom came to light when it was realised that Tanzania produces over 1,000mt of dry cardamom, but to a low-quality, non-exportable, standard. Export quality cardamom requires an intense green colour, which can only be achieved using specialised driers, as opposed to the sun curing method which results in a yellow colour. Cardamom is currently only produced on a large scale in India, Indonesia, and Guatemala, and due to the high domestic requirements in India and Indonesia, Guatemala dominates the global export market. Combined with the fact that Saudi Arabia (20% of the market) has banned the importation of Indian cardamom due to pesticide levels, a sizeable opportunity exists to expand top-quality cardamom production in Tanzania.

2.3 Clove

Tanzania produces between 4,000 to 8,000mt of clove per year. The size and taste of clove is preferred by consumers, but demand has declined due to quality issues, as there are no proper cleaning facilities.

3 Product Description

Cardamom is used for flavouring in food, essential oils, and therapeutic and pharmaceuticals uses.

After drying, cardamom is left with an average yield of 17%, broken down into the following:

- Premium green colour 6.5mm and above: 15%
- Green colour below 6.5mm: 1%
- Yellow colour: 1%

3.1 Premium green colour cardamom 6.5mm and above

This is the highest grade of cardamom. The size of the cardamom is measured by its width and must be bright green. It is the most sought-after form by international traders due to its strong taste and aroma.



3.2 Green colour cardamom below 6.5mm

This product is mostly consumed by the lower end market as size and colour are not a major factor.

3.3 Yellow Cardamom

Also known as MYQ (Mixed Yellow Cardamom), it is obtained by sun drying the raw cardamom. This is the lowest of all grades and is used in the grinding industry or for seed dehulling.



3.4 Cardamom Seed

This is produced mostly for pharmaceutical purposes as well as the coffee industry. The process involves dehulling, meaning the outer cover is removed to expose the seeds inside the pod.



3.5 Clove

Clove is graded into 3 grades from highest to lowest CG1, CG2 and CG3, the most common grade is CG3. The current machinery we plan to purchase can produce CG2 cloves that fetches a higher price on the market and is favoured in the food and cigarette industry.



4 Industry Analysis

4.1 Overview

Guatemala, India, and Indonesia are the major producing countries in the world, and account for 85% of total production. The major consuming countries are Saudi Arabia, UAE, Egypt, Jordan, countries of the EU, United States, Pakistan, and Japan. There has been steady growth in cardamom output in the major producing countries for the last five decades – from 20,000mt in 1970 to 141,000mt in 2019. This trend is expected to continue.

Due to high levels of domestic demand and cost of production in India and Indonesia, Guatemala has come to dominate the export market, accounting for approximately 70-80% of the total value between 2013-2019. In 2020, Guatemala accounted for 96% of the \$1.1bn world export market.

Year	Import volume (mt)	Value ('000 USD)	Growth rate on value
2013	39,515	314,220	-
2014	50,261	367,876	17%
2015	51,203	443,676	21%
2016	46,133	340,834	-23%
2017	47,889	481,585	41%
2018	N/A	548,440	14%
2019	N/A	739,960	35%
2020	64,879	1,064,000	44%

4.2 Pricing

Pricing varies substantially according to the quality and form of the product. Yellow Cardamom will trade for less than \$10/kg, and good quality green cardamom routinely trades at a slightly higher price. The larger and more intensely green the pods are, the higher the price.

5 Competition Analysis

5.1 Competition

Cardamom:

There is only one small trader in the market called Katika Africa. They produce around 3mt of cardamom a year, mostly for the Syrian market, and their product is of low green quality. There are no other competitors in the industry. The few other companies that have tried, failed to produce the desired green colour, and closed.

Clove:

On mainland Tanzania there are some traders that buy clove for domestic use in small quantities. We would look at increasing the volume by working closely with farmers until such time there is sufficient volume for export

5.2 Pricing Policies

For Cardamom, no specific price strategy exists as Tanzania is considered a new origin. Currently, pricing levels are based on the Indian and Guatemalan markets.

5.3 Market Share

According to official production figures, Tanzania produces 733mt per year (2019). In year 3 we are confident to be able to export around 235 metric tons from Tanzania. With the entry of an International buyer like Viridium utilising well designed structures to engage with small scale farmers, production of cardamom can be stimulated to much higher levels.

6 SWOT Analysis

6.1 Strengths

- First and only company that can produce premium green cardamom in Tanzania.
- Production is de facto organic. 248 of AVTL farmers are organically certified by Control Union – the systems, software, and material currently in place will allow for a further 500 farmers to be certified.
- Both clove and cardamom have a shelf life of 2 years.
- Payment terms are cash against documents.
- Strong existing customer base.
- ISO22000 certification to be done
- All training of cardamom farmers on GAP to be co financed by ITC ,NABC (Netherlands African Business Council) and Viridium

6.2 Weaknesses

- Seasonal work – as both cardamom and clove are only available 9 months of the year.
- Logistics – most of the cardamom is from high altitude areas and accessibility can sometimes be a challenge.
- Both crops are dependent on foreign markets.

6.3 Opportunities

- Tanzania also produces other spices such as vanilla, cinnamon, chilli and black pepper making diversification easy, as the same farmer can grow a variety of spices.
- Spice plantations can last over 100 years and a carbon offset program could be investigated, as plants and trees are not cut down during this period. Furthermore, cardamom, cinnamon, and black pepper are grown under a forest canopy, so farmers being obligated to protect the forests.
- Packaging and wholesale to retailers in world markets.
- Expanding into essential oils using the same spices for aromatherapy, flavouring and perfume industry.

6.4 Threats

- Unnecessary beurocracy
- Failed crop due to weather or disease

7 Marketing Sub-Plan

7.1 The Product

Product features are:

- Organic by default.
- Perceived top quality by international standards.
- Beneficial to the environment and sustainable.

7.2 The Customer

Majority of the customers are international companies, the product is sold in wholesale form. This will be done through international brokers.

7.3 The Place

All spices will be processed and stored from a warehouse in Morogoro before being exported.

7.4 The Method

International Trade Centre (ITC)

ITC is a joint agency of the WTO and the UN. Its main mandate is expanding trade opportunities with the aim of fostering sustainable development. This includes technical support as well as market linkages. There are various regional development initiatives under ITC, such as SITA and MARKUP, that are focused on encouraging economic growth in the East African Community by supporting increased exports of agribusiness.

ITC will continue supporting the company through different ways, including:

- Partially financing trips to large food fairs in Europe such as Food & Ingredients (France), Biofach (Germany) and SIAL (France) as well as the International Spice Conference in India. This includes booth placement and B2B.
- Introductions to various customers.
- Write ups on the company shared with thousands of viewers via their website www.voiceofsita.com
- A documentary on the company that will be shared with potential clients.

Netherlands African Business Council (NABC)

NABC is a 400 strong member, non-profit, organisation established by Heineken in 1946 that supports trade and investment between the private sector in the Netherlands and African Businesses. This includes trade missions as well as technical support.

Website enquiries

The current website www.agri-ventures.com will be rebranded to the chosen name by Viridium. This is for continuation of the good flow of enquiries received, leading to actual sales.

8 Operations Sub-Plan

8.1 Areas of Production

Cardamom:

There are five areas that produce cardamom in Tanzania (Kilindi, Turiani, Amani, Ileje and Mwaya) these five areas are highly favourable for growing cardamom. Currently Viridium will be present in three of those areas (Kilindi, Turiani and Amani) and work in an area with a radius of approximately 150km. The other two areas are untouched with a decent amount of cardamom which will be included in phase two of the program.



ITC and NABC started training farmers on GAP-Good Agricultural practices as well as fully financing and subsidising nurseries. This enables farmers to purchase seedlings at low prices for planting. Lack of technical assistance and the high price of seedlings has historically been a barrier of entry. These schemes are now encouraging farmers to plant more.



Buying Process:

Initially all raw cardamom purchases will be from Turiani, Kilindi and Amani. A farmer will notify the field supervisors that their product is ready to be harvested, a field supervisor will then visit the field to make sure the pods are mature enough for harvest. Once he/she has approved this, the following day the farmer organises labour for picking. All raw product is then brought to a temporary collection point where the field supervisor does all necessary weighing, bucket count and quality checks before paying the farmer either via mobile money transfer, bank transfer or cash. Volumes per day depend on the size of the farm and how many pickers they have. A picker can pick around 32.5 Kgs per day. The raw form of the product is then transported overnight to the processing centre in 1mt loads. These three areas can produce around 5,000mt of raw cardamom per year.

Clove:

All clove will be purchased from buying centres set up by Viridium Tanzania Ltd .

8.2 Processing Centre

Cardamom whole:

All machinery will be based in Morogoro due its proximity to the growing areas and Dar Es Salaam. The raw form cardamom is purchased from farmers and taken to the processing facility where it will be mechanically dried and graded.





Cardamom seed:

Dehulling is the process of removing the outer layer of the cardamom (husk) to gain access to the seed. This is performed using an impact huller, the resultant product is then screen graded and passed through an air classifier. Yellow cardamom is the only product used for dehulling due to its relatively low price and because the outer colour does not affect the quality of the seed. The product is packed into 25kg PP bags for export.



Organic certification:

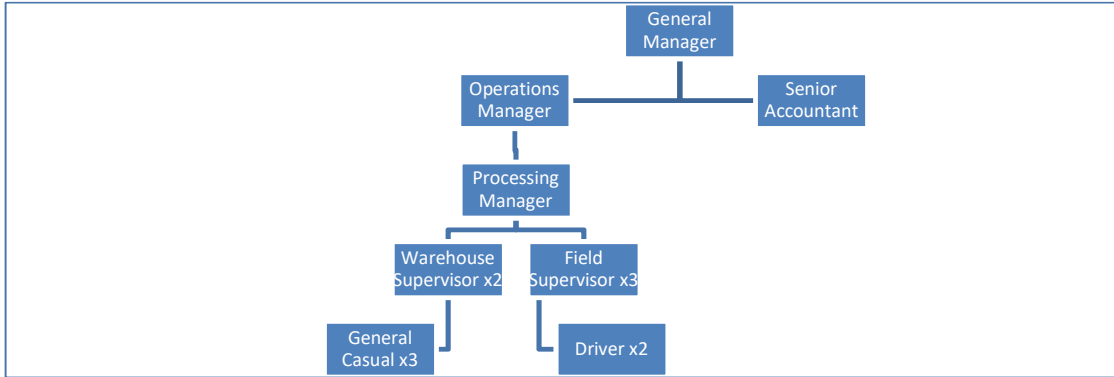
The warehouse in Morogoro will have a secluded area that will be designated only for organically certified products to avoid any cross contamination.

8.3 Capital Plan

Capital Breakdown	Total Capital Required	Life of Asset	Depr. Per Annum Year 1	Depr. Per Annum Year 2	Depr. Per Annum Year 3
	\$	Years	\$	\$	\$
Current Factory Equipment					
Full clove stainless steel cleaning line	19,000	5	3,800	3,800	3,800
Cinnamon & cardamom cleaning lines	37,000	5	7,400	7,400	7,400
Cardamom Driers, polishers (full set)	29,800	5	5,960	5,960	5,960
Weight and scale systems	8,230	5	1,646	1,646	1,646
33 KVA generator	12,500	5	2,500	2,500	2,500
Additional Factory Equipment - Expansion					
Additional Cardamom driers , graders, washers and polishers	179,446	5	35,889	35,889	35,889
Cardamom dehuller line for seed cleaning	43,200	5	8,640	8,640	8,640
Total Factory Equipment	329,176		65,835	65,835	65,835
Administration					
Office furniture	3,834	5	767	767	767
Toyota Land Cruisers	64,000	5	12,800	12,800	12,800
Motorbikes	4,000	5	800	800	800
Additional Administration - Expansion					
Motorbikes	5,500	5	1,100	1,100	1,100
Toyota Land Cruiser	75,000	5	15,000	15,000	15,000
Total Administration	152,334		15,467	15,467	15,467
Total Capital Requirement	481,510				
Value on Organically Certified Farmers licensing	45,136	5	9,027	9,027	9,027
Total	526,646		90,329	90,329	90,329

9 Human Resources Sub-Plan

9.1 Company Personnel Structure



9.2 Management Structure

The management will be led by the General Manger with an Operations Manager, Processing Manager and senior accountant reporting to him/her.

9.3 Personnel Overview

The project intends on employing 14 permanent staff and 24 seasonal staff that will be employed for 9 months of the year. This does not include the 60 casuals that will be employed by the famers in collaboration with Viridium for the picking of the cardamom.

10 The Budget

10.1 Cash Flow

	Year 1 (FY 22)	Year 2 (FY 23)	Year 3 (FY 24)	Year 4 (FY 25)	Year 5 (FY 26)
Revenue					
Cloves	411,280	1,285,250	2,570,500	3,084,600	3,701,520
Cardamom (Wet to Green Colour)	1,233,540	2,834,650	3,660,125	4,392,150	5,236,740
Cardamom (Yellow to seed)	338,100	563,500	2,028,600	2,434,320	2,921,184
Total Net Revenue	1,982,920	4,683,400	8,259,225	9,911,070	11,859,444
Cost of Goods Sold	1,428,026	3,432,326	6,299,232	7,416,803	8,760,976
Gross Profit	554,894	1,251,074	1,959,993	2,494,267	3,098,468
Overhead Expenses	124,476	136,924	150,616	165,678	182,246
Salaries and Wages	119,893	131,882	145,071	159,578	175,535
Earnings Before Interest & Taxes	310,525	982,268	1,664,307	2,169,012	2,740,687
Depreciation	90,329	90,329	90,329	90,329	90,329
Interest - 8,5%	142,154	314,596	560,568	658,075	775,094
Tax	23,413	173,203	304,023	426,182	562,579
	255,895	578,128	954,920	1,174,586	1,428,003
NET PROFIT	54,629	404,139	709,387	994,425	1,312,685
NET CASH FLOW	144,958	494,469	799,716	1,084,755	1,403,014

The cash flow shows the project will generate USD 3,926,911 over the 5-year period. This cash generation has also considered the interest payable on the loan. The cash flow excludes any VAT implications – Revenue and Costs are all excluding VAT.

Tax payable has also been considered, being a cash out flow from year 1 onwards. The post-tax generation of the project is USD 3,475,265.

The business will be a strong cash generation entity with reserves to self-fund any future expansion.

10.2 Cash Flow Management

Monthly costs and cash utilisation will be monitored and compared to the budget and variances will be monitored and adjusted accordingly.

Financial Sub-Plan

10.3 Direct Costs

The following are direct costs that the business plan has covered:

- Raw Material Cost – Procuring and buying from stakeholders.
- Factory Running Costs – Utilities, including electricity, water and maintenance.
- Packaging Material – Material required to pack the finished product.
- Personnel Costs – Costs of employees as per proposed organogram and payroll
- Shipping – Transport of finished product to the market via Dar port

10.4 Funding

The finances will be used for initial capital outlay, acquisition and expansion plan amounting to USD 526,646 and assist with the working capital as per above in Financial Requirements section.

The business will require operating capital of USD 4,860,000 to start and run the business for the first two years. Year 1 would require USD 1,428,026 and then year 2 USD 3,432,326. Year 3 onwards the business will be self-supporting utilising a USD 6,299,232 facility for working capital.

10.5 Management Accounts

The accounts will be prepared in terms of Good Accounting Practise and will be audited annually by reputable auditors.

11 Selected Options and Critical Measures

11.1 Critical Success Factors

The following are a list of factors the business needs to achieve to make this project a success:

- Purchase all tangible and intangible fixed assets from AVTL.
- Retain the current team from AVTL.
- Rebrand AVTL to Viridium.
- Order the additional cardamom lines from India.
- Negotiate industrial rates for electricity with Tanesco.
- Train additional staff on the driers.

12 Milestone Schedule

12.1 Milestones Defined

- Purchase all tangible and intangible fixed assets from AVTL by May end 2021.
- Move all equipment to Morogoro by May 2021.
- Rebrand AVTL to Viridium by May 2021.
- Order the additional cardamom lines from India to arrive in June 2021.
- Get ready to purchase & process cardamom from main season starting June 2021
- Achieve ISO22000 certification by September 2021.
- Register an additional 500 farmers for organic certification by October 2021.
- Start operating in Mwaya and Ileje (Kilimanjaro & Mbeya Regions) by January 2022.
- Achieve sales of 171,500 kg (All products) by end March 2022.