

GREAT KIGERA COMPANY LIMITED



**BUSINESS PLAN
FOR
CATTLE, GOAT AND SHEEP FATTENING FOR BEEF AND DAIRY
PROCESSING PROJECT**

FIVE YEARS FROM 2021-2025

Prepared by;
EJAGA JOSEPH MAHAMBA
Postal code 12104,
Dar es salaam.

Email: ejaga2000@gmail.com
Phone: 0767317496

July,2021

TABLE OF CONTENTS

| | |
|--|----|
| TABLE OF CONTENTS | 1 |
| BUSINESS INFORMATION | 3 |
| 1.0 Executive Summary | 4 |
| 1.1 Project Location | 5 |
| 1.2 Implementation Period | 5 |
| 1.3 Project Objectives | 5 |
| 1.4. Project components and costs | 6 |
| 1.5 Project Benefits | 6 |
| 2.0 Business Description | 7 |
| 2.3 Key Success Factors | 7 |
| 3.0 BUSINESS ENVIRONMENT | 8 |
| 4.0 MARKET ASSESSMENT | 9 |
| 4.1 TARGET MARKETS AND THEIR CHARACTERISTICS | 10 |
| 4.1.1 Marketing Strategies | 10 |
| 4.1.2 Promotion | 11 |
| 4.2 Market Size | 11 |
| Table 4.2: Demand Projections in USD | 11 |
| 4.3 Usage Rate | 12 |
| 4.4 Income Levels | 12 |
| 4.5 COMPETITORS ANALYSIS | 12 |
| 4.6 SWOT ANALYSIS | 13 |
| 4.7 Marketing, Distribution and Communication Strategy | 14 |
| 5.0 OPERATIONAL PLAN | 15 |
| 5.1 Long Term Operation Plan | 15 |
| 5.2 Labour Requirements | 15 |
| 5.3 Raw Materials Requirements | 16 |
| 5.4 Production Overheads | 17 |
| 5.5 Total production Cost | 17 |
| 6.0 MANAGEMENT PLAN | 18 |
| 7.0 RISK ASSESSMENT AND KEY ASSUMPTIONS | 19 |

| | |
|---|----|
| 7.1 Competition | 19 |
| 7.2 Price changes | 19 |
| 8.0 FINANCIAL PLAN | 19 |
| 8.1 Financial Assumption | 19 |
| 8.2 Sources of Funds | 20 |
| 8.3 Profitability Analysis | 20 |
| 8.4 Operating Expenses | 21 |
| 8.5 Projected Income Statement | 21 |
| 8.6 Projected Balance Sheet | 22 |
| 8.7 Projected Cash Flows | 23 |
| 9.0 ECONOMIC ASPECTS | 24 |
| 9.1 National economic and social Benefits | 24 |
| 10. Conclusion | 25 |

BUSINESS INFORMATION

Registration Number: 152463286

Business Activity : Cattle fattening for beef and dairy processing.

shareholders:

| Name | Address | shares |
|----------------------------|---------------------------------------|---------------|
| 1.Ejaga Joseph Mahamba | P.O.BOX 60256 Dar es salaam, Tanzania | 80, 000 |
| 2.Anester Julius Maira | P.O.BOX 60256 Dar es salaam, Tanzania | 10,000 |
| 3.Boniphace Joseph Mahamba | P.O.BOX 60256 Dar es salaam, Tanzania | 10,000 |

Registered Office & Address:

Tanzania, Dar Es Salaam Region, District Ilala, Ward Kimanga, Postal code 12104,
Ilala kata ya kimanga Mtaa wa Tembo Mgwaza karibu na Makaburi

Email: ejaga2000@gmail.com

Phone: 0767317496

1.0 Executive Summary

Ranching business is among the key sectors that build up agriculture which is the main economic pillar of the country. Commercial ranching has emerged to be of great importance nowadays not only as a means to ensure maximum profits but also environmental protection through economic utilization of a minimum space for high quality products from modern animal keeping methods. In the view of these facts, *Great Kigera Company Ltd* embarked on establishment of the ranching farms for the sake of raising and fattening livestock such as cattle, goats and sheep for production of high quality beef and milk to be sold within the country and foreign markets.

This business plan has been prepared to establish the viability of the targeted products and guide the procurement, operational and marketing activities of the project. The plan establishes a strategic framework that provides a focus, direction and most importantly a common language that acts as a guide for all production, marketing/brand activities creating cohesive strategic alignment between the company mission, vision and goals. The project wants to establish modern farms in Morogoro region where the project has acquired adequate land sufficient for the project (3,000 acres) with projections to raise 3,000 Boran breed, 1,000 goats and 1,000 sheep per annum. Currently, the company has 600 Boran cattle at the site. The planned activities will cater for the rising demand and substantially contribute to the economy and employment creation in the country.

The company requires a total of **USD 1,379,979** that will be used to purchase agricultural machineries and equipment, land and buildings, cattle, raw materials and labour cost at the beginning of the project. The financial analysis indicates the feasibility of the project as the company will be able to recover all the invested capital within first two years of operations and start making substantial profits from the third year on wards. The financing of the project is expected to be 100% equity. The project expects to employ at least 38 persons, majority being Tanzanians who shall be directly employed by the project, the project expects to create more than 100 indirect jobs through sales and commissioning agreements with local traders.

1.1 Project Location

The business is planned to operate in Mvomero and Mkono wa Mara areas in Morogoro region with outlet markets in Morogoro and Dar es Salaam as a processing and distribution centres, respectively.

1.2 Implementation Period

The project is already operational but the expansion is planned to commence in July, 2021. The project shall be implemented through already acquired land (2,000 acres) and hired farms (1,000 acres). Phase one shall involve activities ranging from acquisition of own farms for the project, clearing, construction of farm facilities and hiring farms for grazing. Phase two involves activities ranging from production and project expansion. The detailed plan of the implementation programme is indicated in table 1.1.

Table 1.1: Implementation Schedule

| DESCRIPTION | | PHASE ONE | | PHASE TWO | | | |
|-------------|--|------------------|--------------|---------------|---------------|-----------|----------------|
| No. | Activities | July-August 2021 | Aug-Dec,2021 | Nov-Dec, 2021 | Jan-Dec. 2022 | Year 2022 | Year 2023-2025 |
| 1 | Land hiring & preparation | | | | | | |
| 2 | Construction of buildings and farm facilities | | | | | | |
| 3 | Purchasing of cattle, feedstock, chemicals | | | | | | |
| 4 | Beef processing/packaging/selling | | | | | | |
| 5 | Project expansion (milk processing facilities and meat products) | | | | | | |

1.3 Project Objectives

The core objectives of the business are to provide viable commercial ranching through livestock fattening for production of high quality beef and milk to serve the rising demand in the country and nearby markets. Notably the company will focus on the following specific objectives;

- To ensure availability and reliability of high quality products through professionalism commercial ranching business.

- To generate sufficient income through ranch farming to serve the needs of the proprietors and tax revenues to the government.
- To expand to professional beef and milk exportation.
- Conduct research and consultancy in animal science and husbandry for the sustainability of the business and benefit the community at large.
- To employ at least 40 people and improve livelihood to the community and join hands with the government efforts to reduce the level of unemployment.

1.4. Project components and costs

The project is still at the initial stages of expansion; require some investments in terms of fixed assets, labour and materials. The Project has already obtained required documentations to allow its implementations. Some preliminary costs such as purchases pf land and renting and purchase of starting Boran bred cattle about 600 animals has already started. The details of the requirements are explained in Table 2 below.

Table 2: Project Requirements (US\$)

| Type of Investment | Unit | Qty | Cost |
|--------------------------------------|-------|---------|------------------|
| Land Acquisition | Acres | 2000 | 38,462 |
| Farm hiring cost | Acres | 1000 | 2,564 |
| Buildings | Nos | 2 | 100,000 |
| Machinery & Equipment | Pcs | 30 | 300,000 |
| Motor vehicles | Pcs | 5 | 150,000 |
| Furniture & Fixtures | Pcs | lumpsum | 20,453 |
| Raw Materials | Pcs | Lumpsum | 663,500 |
| Labour | Nos | 38 | 105,000 |
| Total Investment Requirements | | | 1,379,979 |

1.5 Project Benefits

Implementation of the project will have economic and social benefits to the firm and the country at large notably:

- The project will improve food supply security to the community;
- The project will increase employment opportunities;

- The project will improve value addition through utilizing locally produced cereal crops and thus improve the incomes of local farmers;
- The project will reduce post-harvest loss through agro-processing and add value to the products for high incomes.
- The project will also attract foreign exchange through export of products

2.0 Business Description

The company has embarked on commercial ranching by raising and fattening of Livestock, specifically cattle, goat and sheep. The business commenced by purchasing land and hiring farms with 600 boran cattle to start with. The business expects to purchase more bred of boran to reach to 3000 herds of cattle during the first year of operation. Its main targeted product is commercial beef and dairy products as well as other by products such as skin and manure. Another expected product is 1 year steers and heifers (cross breed). Milk processing will require packaging and labelling costs and cold centre (storage tank).

Vision: To emerge as the best practitioner in farm production, processing and exporting in the country and nearby markets.

Mission: To provide professional commercial ranching through cattle fattening in a modern and clean environment for production of high quality beef and milk.

Core Values: The business believes in the following as its core values;

- Customer orientation: We place the customer at the centre of everything we do.
- Integrity: We are committed to working honestly, ethically, transparently and fairly.
- Responsiveness: We are responsive to, and proactively seek to address the needs of the community we serve. We are dedicated to improvement and delivering customer focused services.
- Safety: We are committed to the safety, wellbeing and security of the products, customers and our employees.

2.3 Key Success Factors

Great Kigera Company Ltd is owned and managed by multiple skilled persons. The owners have wide experience working in both public and private entities; they all have profound business knowledge obtained from high learning institutions. In addition, the Managing Director has acquired exposures through travelling in various parts of the world and expert in relevant skills and experience in the areas of marketing, accounting and general management which is a key success factor in managing the project. Marketing skills shall be employed in assessing customer's needs and production of high quality products to satisfy these needs. Another key success factor is that; the project will be utilizing locally breeds of cattle that are locally grown.

3.0 BUSINESS ENVIRONMENT

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

Economically; Tanzania is now experiencing economic growth whereby the purchasing power of people is increasing and people's interactions is increasing as trade grows in the East Africa and SADC regions. The country is highly improving business environment to encourage investors in various sectors where agriculture is one of the leading sector which attracts the intention of the government in reducing post-harvest loss and improve livelihood of local farmers. The burning issue currently is the rate of inflation and continuous fall in domestic currency this would lead to increased cost of production as the price of fuels are rising. Issues like Common Market for the East Community are opening up business performance and later opportunities for exportation which necessitates expansion of production.

Politically; the political environment is conducive for the business operations. The current government regime is in support of agribusiness. There have been adequate policies to support agricultural and industrial sectors as echoed in the National

Development Vision 2025 (VISION 2025) which recognizes the leading role of the industrial sector in the process of transforming Tanzania's economy to a self-sustainable semi-industrial one by 2025. The Sustainable Industrial Development Policy 1996-2020 (SIDP) declared the government's decision to phase the public sector out of productive activities and allow the private sector to become the principal vehicle for economic growth.

Social-Cultural: The social aspect focuses on the forces within the society. Family, friends, colleagues, neighbours and the media are social factors. These factors can affect our attitudes, opinions and interests. So, it can impact sales of products and revenues earned. There is no doubt that the society is continually changing. The tastes and preferences are a great example of this change for the Tanzanian culture. Most of Tanzanians currently are willing to pay a premium price for a product that satisfies their expectations. Demographically, the country is increasing in population where currently the country is estimated to have over 59 million people. The increase in population necessitates increase in products and services.

Technological factors: Technological factors are variables that are being used for evaluating available alternatives with respect to technological capabilities. Our company consider it as an important tool for improving operations and functions. Technological factors are one of various external environment factors that affect businesses greatly and are also an integral component of the **PESTLE analysis**. In the present scenario, utmost dependence on equipment, technological factors can have more effect on business operation and success globally than ever before. Furthermore, development of technology has also introduced digital marketing strategies through which companies are able to sell their products and services. Even the research and development R&D divisions in companies have changed its way of functioning and more advanced techniques in the development of products and services have been introduced only through technological advancements. *Great Kigera Company Ltd* is constantly looking for development and updates within the technological environment. In this way, we do not only improve our operations but, we will also be well aware of business transformational phase. We will derive ground-breaking strategies to grow exponentially.

4.0 MARKET ASSESSMENT

There is a growing demand for agricultural products in the country and foreign markets. Agriculture in Tanzania is the source of livelihood for the majority of the population, employing around 68% of the total employed population while contributing to 34% of total GDP.

This project will utilise the prevailing opportunities and utilise modern farming techniques to ensure high yield and quality of products that meets the market demands. This section determines demand level and whether the company shall be able to capture some of the market share. Also, the project shall determine methods of production, market size, pricing methods and competitors' analysis. Key stakeholders in the food industry and the cooking oil market are focusing on product differentiation by offering innovative, better quality and affordable products. *Great Kigera company Limited* is aware of all the market forces that are surrounding the agricultural products and livestock business. We will utilise all reasonable means to ensure that our products meet the required standards and be able to sustain competition.

4.1 TARGET MARKETS AND THEIR CHARACTERISTICS

When it comes to selling agricultural products especially livestock products, there is indeed a wide range of available customers. In essence, our target market can't be restricted to just a group of people or organization, but all those who reside in our target market locations. In view of that, we have conducted our market research and we have ideas of what our target market is expecting from us. We are in business to engage in the production and distribution of agricultural products and livestock to the following groups of organizations;

- Local traders of agricultural and livestock commodities.
- Dairy processors that make use of milk as main part of their raw materials.
- Slaughter houses and butcheries
- Direct Consumers

4.1.1 Marketing Strategies

Both skimming and penetration strategies will be used alternately. That is charging low price and offering a high value product then later pricing high. This in one way

will attract more customers both price sensitive consumers and high value consumers from competitors. The firm will use a short term incentive that is discounts for customers who buy in large quantities.

4.1.2 Promotion

Trade shows / exhibitions will be used by the firm to promote its product. This will enable the project to find new sales leads, contact customers, introduce new products, meet new customer, sell more to present customers and educate customers. This helps our firm to reach many prospects and those who are not reached through our sales forces.

The project will make advertisement of the available products via a number of media such as social media which has emerged to be a powerful tool to reach many people nowadays. Other means shall be leaflets, and mails through internet. Different procedures of promotion will be applied, which are providing complementary to new and credit customers; visiting of customers; and making contact with potential customers. All these activities will be associated with costs. Some of the included costs are as in table 4.1.

Table 4. 1: Marketing Expenses and Marketing Budget (USD)

| Description | Cost per Month (\$) | Annual Cost (\$) |
|-----------------------|---------------------|------------------|
| Advertising | 500 | 6,000 |
| Distribution Expenses | 1,000 | 12,000 |
| Total | 1,500 | 18,000 |

4.2 Market Size

Our feasibility field survey indicates that; the market is poised to keep on growing as population grows. Highest demand comes from local traders. The expected revenue is **US\$ 912,000** per annum. Table 4.2 below summarises the expected demand for the business during the first year of the project.

Table 4.2: Demand Projections in USD

| Description | Unit | QTY | Price per | Sales/month (\$) | Sales/year (\$) |
|-------------|------|-----|-----------|------------------|-----------------|
| | | | | | |

| | | | unit | | |
|--------------|--------|--------|------|---------------|----------------|
| Milk | Litres | 60,000 | 0.50 | 30,000 | 360,000 |
| F1 Heifer | Nos | 100 | 210 | 21,000 | 252,000 |
| F1 Steer | Nos | 100 | 250 | 25,000 | 300,000 |
| Total | | | | 76,000 | 912,000 |

4.3 Usage Rate

Milk and beef product is used frequently as food for day to day consumption in most of the areas. Milk can further be processed into secondary foods. Sausages are as well manufactured from beef and therefore can be stored for quite long time. By products such as manure is used to supplement natural fertilizers in modern agriculture. Animal skin is used widely to produce bags/ handbags, shoes, belts, wallets and ornaments. Milk is a raw material for production of widely accepted international foods such as cakes and breads.

4.4 Income Levels

Milk and beef consumption cut across all income earners. Institutions are expected to trade in bigger quantities while individuals are expected to be retail customers. Whole sale saves operational cost and thus preferred. Retail sale attract costs and administration support. The business expects to contract with Institutions so as to manage costs easily.

4.5 COMPETITORS ANALYSIS

Milk and beef is common product in Tanzania and nearby markets. However, it has been trading in local and non-scientific methodologies. There are widely spread local farmers who are not organized in groups and they depend on producing milk products to support living expenses. Cross breeding live animal competition is almost not available. Farmers and surrounding ranches who mainly keep local breeds i.e. Ankole have not yet satisfied the market.

Competitive Advantages;

- *Technology* – The packaging of milk will provide a new look and stylish in processed milk business. Artificial insemination of modified breed will result in modern (F2) cross breed.

- *Safety and cleanliness* – The product is harvested by modern tools and well stored in milk tanks. Beef product and live sale will come from cross breed of boran and ankole species.
- *Certification* – The project will embark in the processing and packaging of milk. The packaged milk product will be tested and get certification from TMDA and TBS for assurance to customers.

4.6 SWOT ANALYSIS

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

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

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

Opportunities: Rising in population and regional trade arrangements opens up a huge opportunity to our business. We only need to position our business to take advantage of the existing market to create our own new market. We know that it is going to require hard work, but we are determined to achieve it. The availability of

milk market and beef requirement are both unfilled gaps in current farming business in Tanzania.

Challenges/Threats: We are quite aware that just like any other business, one of the major threats that we are likely going to face is economic downturn and unfavourable government policies. It is a fact that economic downturn affects purchasing power. Another threat that may likely confront us is the likelihood of other companies to establish similar businesses where we are. However, we understand on how to position ourselves in the market, at the same time making sure that our products meet the demand requirements. Other challenges include availability of tropical animal diseases and climate change which may harm the operation of the business. However, vaccination, water dams at the farm is key solutions to the challenges.

4.7 Marketing, Distribution and Communication Strategy

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

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

Distribution: *Great Kigera Company Ltd* has arranged to start operations by looking at the most convenient market segment. The main targeted market is selling the products to identified consumers in all selected regions. Distribution shall be done through company vehicles distributed monthly and regular follow-up shall be made.

While for other customer segments, online marketing shall be fully applied to contact potential customers and make orders online. However, the company shall mainly focus to supply to butcheries and dairy processing industries for milk.

Promotion: A word of mouth has been the major promotion strategy for the business. This strategy is cheap and the product can effectively describe itself as it is clean and self-sufficient. The company shall make use of the trade fair and exhibitions in the country that will help to promote the products. The company will also be printing t-shirts and fliers as a communication strategy and promotional tools. The official website/ blog will be launched and maintained by outsourcing IT technicians. This strategy will help to promote the company in foreign market.

5.0 OPERATIONAL PLAN

For effective run of the business, the operations will involve buying breeders from local farmers surrounding the farm. This phase will involve production through natural mating (Bull) and Artificial Insemination. Treatment and upkeep activities will be done to improve the quality of products.

5.1 Long Term Operation Plan

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

5.2 Labour Requirements

Labour is one of the most important inputs in any enterprise. The project will require both skilled and unskilled labour who will be Tanzanians. Table 5.1 indicates labour required amounts to US\$ 8,750 per month that is US\$ 105,000 per year.

Table 5.1 Direct Labor Costs

| Description | Qty | Unit price \$ | Monthl | Annual |
|--|-----------|---------------|-----------------|-------------------|
| | | | y Salary | Salary |
| | | | \$ | \$ |
| Managing Director | 1 | 1,500.00 | 1,500.00 | 18,000.00 |
| Operations | | | | |
| Farm Manager | 1 | 1,000.00 | 1,000.00 | 12,000.00 |
| Section Supervisors | 5 | 150 | 750.00 | 9,000.00 |
| Casual labourers | 15 | 100 | 1,500.00 | 18,000.00 |
| Maintenance Department | | | | |
| Mechanic | 1 | 700 | 700.00 | 8,400.00 |
| Finance & Administration Department | | | | |
| Accounting & Personnel Officer | 1 | 500 | 500.00 | 6,000.00 |
| Cashier & Store Keeper | 1 | 300 | 300.00 | 3,600.00 |
| Store Keeper | 1 | 300 | 300.00 | 3,600.00 |
| Personal Secretary | 1 | 200 | 200.00 | 2,400.00 |
| Drivers & machine operators | 6 | 200 | 1,200.00 | 14,400.00 |
| Security Officer | 2 | 100 | 200.00 | 2,400.00 |
| Marketing Department | | | | |
| Sales Officers | 2 | 300 | 600.00 | 7,200.00 |
| Total | 37 | | 8,750.00 | 105,000.00 |

Therefore, direct labour cost that include the cost of all persons involved in production and sales amounts to US\$ 8,750 per month that is US\$ 105,000 per annum.

5.3 Raw Materials Requirements

The project requires raw materials that will be sourced within the country and other nearby countries through imports. About 2,000 cattle shall be purchased annually and kept in the ranch for fattening and treatment before the products goes to the market. The purchase if cattle shall be in line with feedstock including maize brans, sunflower seedcakes and molasses. Purchases shall also include artificial insemination tools, drugs and minerals. The project intends to procure raw materials every 3 months, thus annul material requirements amounts to USD 663,500.

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

| Type of raw materials | Unit | Qty | Price (\$) | Amount per year (\$) |
|-------------------------------|---------|------|------------|----------------------|
| Heifers | Nos | 1000 | 150 | 150,000 |
| Boran Steers | Nos | 1000 | 150 | 150,000 |
| Maize bran | Tons | 10 | 15,000 | 150,000 |
| Sunflower seedcakes | Tons | 10 | 16,000 | 160,000 |
| Artificial insemination tools | Lampsum | 100 | 100 | 10,000 |
| Mineral blocks | Tons | 1 | 5,000 | 5,000 |
| Vaccine | Nos | 3000 | 10 | 30,000 |
| Packaging materials | Lampsum | 100 | 85 | 8,500 |
| Total Purchases | | | | 663,500 |

5.4 Production Overheads

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

Table 5.3: Production Overheads (US\$)

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

5.5 Total production Cost

The estimated total production cost is US\$ 799,100 per annum as shown in Table 5.4 below. The raw materials are purchased 4 times a year, thus materials per

consignment amounts to US\$ 165,875, therefore annual costs total to US\$ 663,500. The costs labour and production overheads are calculated on monthly basis.

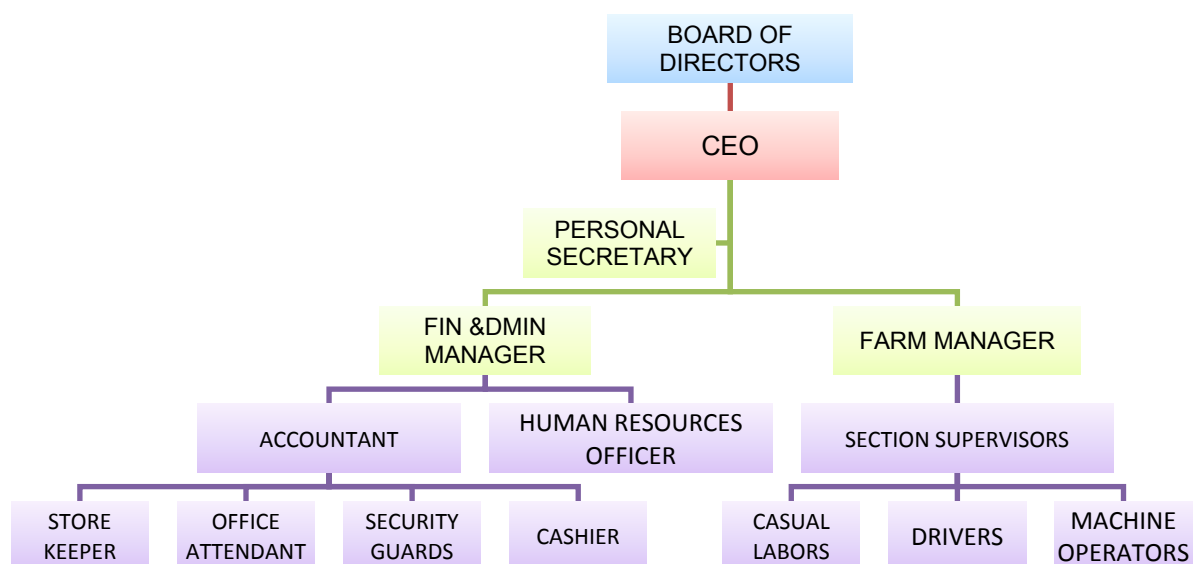
Table 5.4: Total Production Cost (US\$)

| Item | Expenses/Month/Consignment | Estimated Annual Cost |
|----------------------|----------------------------|-----------------------|
| Raw materials | 165,875 | 663,500 |
| Direct labour | 8,750 | 105,000 |
| Production Overheads | 2,550 | 30,600 |
| Total Costs | 177,175 | 799,100 |

6.0 MANAGEMENT PLAN

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

Figure 6.1: Organization Chart



7.0 RISK ASSESSMENT AND KEY ASSUMPTIONS

7.1 Competition

The business intends to charge fair prices in relation to other competitors. The pricing method will depend on cost of production and competitors pricing. Sometime may fail to supply more to the project requirement. To solve this problem, the business has planned to have different sources of raw materials.

7.2 Price changes

The project is affected by economic parameters such as inflation rate, consumer price index, recession etc. Due to inflation, cost of materials has been projected to rise by 5% for each year. Bulk purchases shall be maintained. In this regards, the purchase of raw materials is expected to be done within first six months of the harvest season that is from June-December. The revenue is projected to grow by 5% per year.

8.0 FINANCIAL PLAN

8.1 Financial Assumption

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

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

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

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

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

8.2 Sources of Funds

The project financing shall come from owners' equity. The owners have already committed some funds into the project for land acquisition and preliminary costs of the project.

8.3 Profitability Analysis

The project profitability analysis indicates that the project will be able to generate substantial amounts of profits throughout the project, table 8.1 summarizes the profit analysis for 5 years.

Table 8.1: Profit Projections (US\$)

| Year | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEARS 5 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Sales | 912,000 | 957,600 | 1,005,480 | 1,055,754 | 1,108,542 |
| Total production cost | 799,100 | 839,055 | 881,008 | 925,058 | 971,311 |
| Profit Margin (Loss) | 112,900 | 118,545 | 124,472 | 130,696 | 137,231 |

8.4 Operating Expenses

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

Table 8.2 Operating Expenses

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

8.5 Projected Income Statement

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

Table 8.3: Project Income Statements for Five Years

| Description | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|----------------|----------------|----------------|----------------|----------------|
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| Sales | 912,000 | 957,600 | 1,005,480 | 1,055,754 | 1,108,542 |
| Total production cost | 799,100 | 839,055 | 881,008 | 925,058 | 971,311 |
| Profit Margin (Loss) | 112,900 | 118,545 | 124,472 | 130,696 | 137,231 |
| Less Operating Expenses | 38,070 | 39,973 | 41,972 | 44,070 | 46,274 |
| <i>Earnings before Interest and Tax (EBIT)</i> | <i>74,830</i> | <i>78,572</i> | <i>82,500</i> | <i>86,626</i> | <i>90,957</i> |
| Less Loan interest | 0 | 0 | 0 | 0 | 0 |
| <i>Earnings Before Tax</i> | <i>74,830</i> | <i>78,572</i> | <i>82,500</i> | <i>86,626</i> | <i>90,957</i> |
| Less TAX 30% | 22,449 | 23,572 | 24,750 | 25,988 | 27,287 |
| NET PROFIT/ (Loss) | 52,381 | 55,000 | 57,750 | 60,638 | 63,670 |
| Dividend 30% | 15,714 | 16,500 | 17,325 | 18,191 | 19,101 |
| Retained Earnings | 36,667 | 38,500 | 40,425 | 42,447 | 44,569 |

8.6 Projected Balance Sheet

The Projected balance sheet for five years indicates the capacity of the project to finance its operations throughout the projected period as shown in Table 8.3.

Table 8.3 Projected Balance Sheet for Five Years

| DESCRIPTIONS | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
|---------------------------------|----------------|----------------|------------------|----------------|----------------|
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| NON-CURRENT ASSETS | | | | | |
| Land & Buildings | 141,026 | 220,515 | 219,489 | 218,515 | 217,589 |
| Machinery & Equipment | 300,000 | 391,530 | 482,377 | 474,139 | 466,725 |
| Motor vehicles | 150,000 | 120,000 | 90,000 | 60,000 | 30,000 |
| Total Non-Current Assets | 591,026 | 732,045 | 791,866 | 752,654 | 714,314 |
| Stocks | 77,750 | 58,440 | 59,284 | 52,500 | 53,100 |
| Debtors & Prepayments | 69,750 | 40,950 | 41,500 | 45,400 | 36,700 |
| Cash and Bank balance | 125,000 | 120,096 | 156,000 | 135,000 | 145,000 |
| Total Current Assets | 272,500 | 219,486 | 256,784 | 232,900 | 234,800 |
| TOTAL ASSETS | 863,526 | 951,531 | 1,048,650 | 985,554 | 949,114 |
| Share Capital | 427,350 | 427,350 | 427,350 | 427,350 | 427,350 |
| Additions | 373,079 | 356,755 | 447,917 | 426,091 | 412,335 |

| | | | | | |
|-------------------------------------|----------------|----------------|------------------|----------------|----------------|
| Retained Earnings | 36,667 | 38,500 | 40,425 | 42,447 | 44,569 |
| Total Equity | 837,096 | 822,605 | 915,692 | 895,888 | 884,254 |
| Bank loan | - | - | - | 0 | 0 |
| Total Non-Current Liability | - | - | 0 | 0 | 0 |
| Trade Creditors and Accruals | 12,500 | 114,300 | 117,600 | 73,540 | 47,928 |
| Taxation | 13,930 | 14,626 | 15,358 | 16,126 | 16,932 |
| Total Current Liabilities | 26,430 | 128,926 | 132,958 | 89,666 | 64,860 |
| Total Liability & Equity | 863,526 | 951,531 | 1,048,650 | 985,554 | 949,114 |

8.7 Projected Cash Flows

The projected cash flows for five years indicates that the project shall be able to maintain sufficient cash required to meet all operational needs as shown in Table 8.4.

Table 8.4 Cash Flow Projections for Five Years

| DESCRIPTIONS | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|----------------|----------------|----------------|---------------|----------------|
| | <u>US\$</u> | <u>US\$</u> | <u>US\$</u> | <u>US\$</u> | <u>US\$</u> |
| Cash from operations: | | | | | |
| Profits before tax | 74,830 | 78,572 | 82,500 | 86,626 | 90,957 |
| Adjustments for non-cash items: | | | | | |
| Depreciations | -15,250 | -16,012 | -16,813 | -17,653 | -18,536 |
| Change in Working Capital: | | | | | |
| Receivables | -69,750 | -40,950 | -41,500 | -87,400 | -36,700 |
| Trade payables & Accruals | 12,500 | 114,300 | 117,600 | 73,540 | 67,928 |
| Total | 2,330 | 135,910 | 141,787 | 55,113 | 103,649 |
| Tax payments | -13,930 | -27,518 | -38,579 | -51,161 | -65,437 |
| Total Cash Inflow | -11,600 | 108,392 | 103,208 | 3,952 | 38,212 |

| | | | | | |
|---|-----------------|----------------|----------------|----------------|----------------|
| from Operating Activities | | | | | |
| Cash from investing activities: | | | | | |
| Purchase of property, plant & equipment | - 300,000 | - 96,796 | - 49,979 | - 6,760 | - 9,111 |
| Net Cash Outflow From Investing Activities | -311,600 | 11,596 | 53,229 | -2,808 | 29,101 |
| Cash from financing activities: | | | | | |
| Dividends | -15,714 | -16,500 | -17,325 | -18,191 | -19,101 |
| Change in cash & cash equivalent | -327,314 | -4,904 | 35,904 | -21,000 | 10,000 |
| <i>Beginning Cash Balance</i> | 452,314 | 125,000 | 120,096 | 156,000 | 135,000 |
| <i>Ending Cash Balance</i> | 125,000 | 120,096 | 156,000 | 135,000 | 145,000 |

9.0 ECONOMIC ASPECTS

9.1 National economic and social Benefits

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

(i) Direct economic impact

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

- (a) Tax payments to the government
- (b) Foreign currency savings,
- (c) Employment opportunities generation; 38 direct jobs expected to be created.
- (d) Technology transfer.

(ii) Indirect economic (job creation)

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

(iii)Corporate Social Responsibility

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

10. CONCLUSION

The financial analysis indicates that the project will be able to recover all the costs within the project and keep on making substantial profits in subsequent years. The risk-return assessment shows that the project is worth undertaking it. The owners are committed to fund the project by equity. Upon completion, the project will be able to employ at least 38 local staff and hence accelerate the current government efforts in reduction of unemployment levels. The project will also bring positive contribution to the country's economic growth through taxes in various forms and CSR contributions to the community where the project operates.