

## **EA FRUITS FARMS & COMPANY LIMITED**



*Fresh local produce, beyond just healthy*

### **BUSINESS PLAN FOR AGGREGATION, PROCESSING AND DISTRIBUTION OF FRESH FRUITS, VEGETABLES & RICE**

**PROJECT PERIOD: FIVE YEARS  
FROM 2021-2025**

**Contact Information;**

Joseph Nicas Lukoa  
P.O. Box 1634  
DAR ES SALAAM

**JULY, 2021**

## CORPORATE INFORMATION

**Registration Number:** 103228  
**Business License :** 3546100  
**Business Activity :** Aggregation, Processing and Distribution of Agricultural Products

### Shareholders:

Name	Address	shares
Elia Timotheo Festo	P.O. BOX 8386, Dar es salaam	414,000
Adelina Simon Shayo	P.O. BOX 8386, Dar es salaam	185,000
Fledge Series LLC	P.O. BOX 8386, Dar es salaam	6,000
Winfrida Anajoyce Nshangeki	P.O. BOX 8386, Dar es salaam	10,000
Umunthu Investment Company	P.O. BOX 8386, Dar es salaam	335,000
Finca International, Inc	P.O. BOX 8386, Dar es salaam	33,500
Elea Foundation for Ethics in Globalization	P.O. BOX 8386, Dar es salaam	40,000

### Registered Office & Address:

P.O. BOX 1634,  
Dar es salaam

**Physical Address:** Plot No. 62, Block 14, Mabwepande Area, Kinondoni District

## TABLE OF CONTENTS

### Table of Contents

CORPORATE INFORMATION .....	2
1.0 EXECUTIVE SUMMARY .....	5
1.1 Vision, Mission and Core Values.....	6
1.2 Project Location .....	6
1.3 Implementation Period .....	7
1.4 Project Objectives.....	8
1.5. Project components and costs.....	8
2.0 BUSINESS DESCRIPTION .....	9
3.0 BUSINESS ENVIRONMENT .....	10
4.0 MARKET ANALYSIS.....	12
4.3 Market Size.....	14
4.3 SWOT ANALYSIS .....	14
4.4 Marketing, Distribution and Communication Strategy .....	15
5.0 OPERATIONAL PLAN.....	17
5.1 Long Term Operation Plan.....	17
5.3 Labour Requirements .....	17
5.4 Raw Materials Requirements.....	18
5.5 Production Overheads .....	18
5.6 Total production Cost.....	19
6.0 MANAGEMENT PLAN.....	19
7.0 FINANCIAL PLAN .....	20
7.1 Financial Assumption.....	20
7.2 Sources of Funds .....	21
7.3 Profitability Analysis .....	21
7.3 Operating Expenses.....	21
7.4 The Projected Income Statements.....	22
7.5 Projected Balance Sheet.....	23
7.6 Projected Cash Flows .....	25
8.0 ECONOMIC ASPECTS .....	26
8.1 National economic and social Benefits.....	26
9.0 conclusion.....	26

9.1 Recommendation ..... 27

## 1.0 EXECUTIVE SUMMARY

**EA Fruits Farm & Company Ltd** is a private company limited by shares registered in Tanzania with the main purpose to engage in aggregation, processing and distribution of agricultural products. Currently, the company has embarked on establishing a project aimed at processing and distribution of fruits, vegetables and rice. 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.

Agriculture is a key economic sector in Tanzania, representing 29.1 percent of the country's Gross Domestic Product (GDP) and over 65% of the productive workforce. There is a growing demand of agricultural products as they provide basic necessity of life that every creature on earth depend on it for survival. This project wants to utilise the prevailing opportunity of readily available agricultural produce in the country and add value through processing, packaging and distribution to various markets within and outside the country. The planned activities will cater for the rising demand in the country and substantially contribute to the economy and employment creation in the country.

The company requires a total of **USD 1,171,129** that will be used to purchase machineries and equipment, land and buildings, raw materials and operational cost at the beginning of the project. The annual capacity of the project is expected to be 10,000 tons of fresh fruits, vegetables and rice. 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 80% equity financing and 20% debt financing through soft loans from commercial banks. The project expects to employ at least 100 Tanzanians and 1 foreigner, the project expects to

create more than 100 indirect jobs through sales and commissioning agreements with local traders.

## **1.1 Vision, Mission and Core Values**

### **Vision**

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

### **Mission**

Our mission is to provide professional commercial farming and processing through modern facilities and clean environment for production of high-quality agricultural products.

### **Core Values**

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

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

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

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

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

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

## **1.2 Project Location**

The project is located at Plot No. 62 Block 14, Mabwepande area in Kinondoni District in Dar es salaam region. The site is owned by *EA Fruits Farm & Company Ltd*. The area is accessible by road and has direct access to electricity and water necessary for the farms to operate. The facility has government approval for the kind

of business we want to establish and it is easily accessible and we are deliberate about that to facilitate easy movement of raw materials and finished products.

### 1.3 Implementation Period

The project is expected to commence on 1<sup>st</sup> August, 2021. The project office and some office equipment have already been prepared. The project shall be implemented in two phases. Phase one shall include preliminary stages such as site preparations, construction, office installation and procurement of machineries and equipment and raw materials. Phase two shall include activities for project expansion such as construction of more production facilities, new equipment purchases and installation. The activities in phase two shall commence in January, 2023 through the rest of the project. The installation of machinery and equipment and start of production is described in the following Table.

**Table 1: Implementation Schedule**

DESCRIPTION		PHASE ONE (August 2021 - Dec. 2022)				PHASE TWO (JAN 2023- -2025)
No.	Activities	August, 2021	Sept, -Dec 2021	Jan-June, 2022	July-Dec. 2022	Year 2023 -2025
1	Site preparation, procurement of machinery and equipment and raw materials					
2	Aggregation and sorting					
5	Processing, packaging & distribution					
6	Procurement and installation of processing plant, machinery and equipment.					

#### **1.4 Project Objectives**

The focus of the project is to aggregate, process and distribution of agricultural products mainly fruits, vegetables and rice. The products are expected to be sold within the domestic and foreign markets. The products are expected to meet the rising demand in Dar es Salaam, other regions and nearby countries such as Kenya, South Sudan, Comoro and Madagascar islands. We are also in business to make profits and at the same time to give our customers value for their money; we want to give people and businesses who patronize us the opportunity to be part of the success story of our business. Notably the business will focus on the following specific objectives;

- To ensure availability and reliability of high-quality agricultural products.
- To employ at least 100 people and improve livelihood to the community through improved products and services.
- To generate sufficient income through sales to meet the needs of the owners and tax revenues to the government.
- To expand to a large food processing industry with diversified products from cereal crops, vegetables and fruits.

#### **1.5. Project components and costs**

The project is still at the initial stages; require some investments in terms of fixed assets, labour and materials. The Project has already obtained required documentations to allow its implementation. Some preliminary costs such as site preparations, grounds work where a processing plant shall be installed has started. The details of the requirements are explained in Table 2.

**Table 2: Project Requirements (US\$)**

Type of Investment	Qty	Cost/Unit	Value (\$)
<b>1.0 Land &amp; Buildings</b>			
1.1 Land Acquisition	1	87,000	87,000
1.2 Buildings	2	25,000	50,000
<b>Sub-total Land &amp; Buildings</b>			<b>137,000</b>
<b>2.0 Machinery &amp; Equipment</b>			
2.1 Irrigation systems	1	42,553	42,553
2.2 Produce sorting, Cleaning and Grading Machines	2	21,277	42,553
2.3 Cold Rooms	1	14,894	14,894
2.4 Pallets	200	106	21,277
2.5 Jerks	10	2,128	21,277
2.6 Weigh scales	5	2,553	12,766
2.7 Forklifts	2	10,638	21,277
2.8 Crates	200	319	63,830
<b>Sub-Total Machinery &amp; Equipment</b>			<b>240,426</b>
<b>3.0 Furniture &amp; Fittings (several pcs)</b>	<b>1</b>	<b>21,277</b>	<b>21,277</b>
<b>4.0 Motor Vehicles</b>			
4.1 Trucks	5	59,574	297,872
4.2 Other motor vehicles	2	21,277	42,553
<b>Sub-Total Motor Vehicles</b>			<b>340,426</b>
<b>Total Investment cost</b>			<b>739,129</b>
<b>Raw Materials</b>			<b>252,000</b>
<b>Labour</b>			<b>180,000</b>
<b>Total Cost</b>			<b>1,171,129</b>

## 2.0 BUSINESS DESCRIPTION

The project aims at processing, packaging and distribution of high-quality fruits, vegetables and rice. Packaged products of different sizes shall be produced, packaged and well labeled. This project shall be located at Mabwepande, Kinondoni area in Dar es Salaam city. The target market shall include supermarkets, individuals, boarding schools, hospitals and retail shops in Dar es salaam. The products were selected due to high yield as they are mostly demanded in the country and foreign markets as well.

## **2.1 Fruits and Vegetables**

A large variety of fruits and vegetables shall be produced. The most important fruits include mangoes, oranges, pineapples, passion fruits, bananas, avocados, jackfruits, papayas, peaches, pears, guavas and grapes. The main vegetables include tomatoes, okra and chilies.

## **2.3 Key Success Factors**

**EA Fruits Farm & Company Ltd** is owned and managed by multiple skilled persons. The owners have wide experience working in the business environment; 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. He is an 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 organic products that are locally grown without the application of genetically modified seeds.

## **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 sectors which attracts the intention of the government in reducing post-harvest loss and improve livelihood of local farmers. The burning issue currently is the rate of inflation and continuous fall in domestic currency this would lead to increased cost of production as the price of fuels are rising. Issues like Common

Market for the East Community are opening up business performance and later opportunities for exportation which necessitates expansion of production.

*Politically;* the political environment is conducive for the business operations. The current government regime is in support of industries. There have been adequate policies to support 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. *EA Fruits Farm & 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 ANALYSIS**

There is a growing demand for agricultural products in the country and foreign markets. Reports shows that, the Tanzania grains market is expected to register a CAGR of 4.2% for the forecast period (2020-2025). 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. *EA Fruits Farm & Company Ltd* 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 Markets for Fruits and Vegetables**

The growing health consciousness among Tanzanian consumers has resulted in consumers spending more on healthier foods such as fruits and vegetables. Health complications, such as weakening of the immune system and Vitamin-C deficiency along with bleeding gums, have encouraged the country's people to include healthier alternatives like fruits and vegetables in their diets.

#### **4.1.1 Growing Export Markets**

Fruit and vegetable exports from Tanzania have been growing in the past few years, becoming a leading sub-sector that drives the agricultural sector's growth. The rising awareness targeting the export toward demanding markets helped the farmers increase the quality standards of their vegetables, making them highly profitable.

#### **4.2 Rice Demand and Consumption**

Rice is used almost entirely as a human food. On average, about 30 percent of rice is consumed by producing households. Almost all the remained is absorbed into the domestic market, with consumption being highest in larger urban areas. In September 2018, the Government of Tanzania suspended imports of rice on the basis that while the country's annual demand for rice was 900,000 tonnes, local production in the same year reached 2.2 million tonnes.

Dar es Salaam is the principal end-market for about 60 percent of consumption, with Mbeya and Morogoro the main sources of supply. Tanzanians generally prefer aromatic rice and most consumers purchase loose rice from traditional street retailers or farmers' markets. Supermarkets selling pre-packed rice are, as yet, just a small part of the food retail industry. Consumers tend to shift from maize, cassava and sorghum to rice (for boiling) and wheat (as bakery products) as they become urbanized and as incomes rise. In the first decade of the twenty-first century, rice consumption increased from 20.5 kg (in 2001) to 25.4 kg (in 2011) per person per year. Demand for rice in Tanzania tripled in 2020, and a substantial and growing deficit rose from 1.15 million tonnes in 2009 to 2.84 million tonnes in 2020. These trends are expected to continue to 2025.

#### **4.3 TARGET MARKETS AND THEIR CHARACTERISTICS**

When it comes to selling agricultural products especially maize and beans, fruits and livestock, 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 wholesale distribution of agricultural products and livestock to the following groups of organizations;

- Individual consumers and institutional buyers such as schools, hotels, restaurants and hospitals.
- Local traders of agricultural commodities.
- Large organizations that buy cereals in bulk for storage and distribution to their networks
- Food processors that make use of agricultural products as part of their raw materials.
- Animal feed processors who use agricultural produce for their production.

### 4.3 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 production is expected to be done two times for season of 6 months each. The expected revenue is **US\$ 664,800** per annum. Table 4.1 below summarises the expected demand for the business during the first year of the project.

**Table 4.1: Expected Demand (US\$)**

Descriptions	Units	Qty	Price per unit	Sales/Month	Sales per year
Fruits & Vegetables	Tons	20	1,200	24,000	288,000
Rice	Tons	50	628	31,400	376,800
<b>Total</b>					<b>664,800</b>

### 4.3 SWOT ANALYSIS

**EA Fruits Farm & 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 *EA Fruits Farm & 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 production and manufacturing plants in the country; and we don't have the financial capacity to engage in the kind of publicity that we intend giving the business.

**Opportunities:** 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.

**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.

#### **4.4 Marketing, Distribution and Communication Strategy**

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

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

**Distribution:** *EA Fruits Farm & 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 wholesalers in all selected regions. This helps to save time and cost of establishing shops at the start. After production expansion, distribution shall be done through 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 engage agents for distribution (wholesaler) in strategic regions such as Dar es Salaam, Mwanza, Dodoma, Mtwara, Mbeya and Arusha.

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

## 5.0 OPERATIONAL PLAN

### 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.

### 5.3 Labour Requirements

Labour is one of the most important inputs in any industrial enterprise. The proposed plant will require both skilled and unskilled labour who will be Tanzanians. Table 5.1 indicates labour required amounts to US\$ 15,000 per month that is US\$ 180,000 per year.

**Table 5.1: Labour Requirement (US\$)**

Description	Qty	Unit price \$	Monthly Salary	Annual Salary
			\$	\$
Managing Director	1	1,500	1,500	18,000
<b>Operations</b>				
Operations Manager	1	600	600	7,200
Section Supervisors	5	150	1,500	18,000
Casual labourers	80	100	8,000	96,000
<b>Maintenance Department</b>				
Mechanic	1	700	700	8,400
<b>Finance &amp; Administration Department</b>				
Human Resources Officer	1	700	700	8,400
Accountant	1	500	500	6,000
Cashier				
Store Keeper				
Personal Secretary	1	200	200	2,400
Drivers & machine operators	6	200	400	4,800

Security Officer	2	100	300	3,600
<b>Marketing Department</b>				
Sales Officers	2	300	600	7,200
<b>Total</b>	<b>101</b>		<b>15,000</b>	<b>180,000</b>

#### 5.4 Raw Materials Requirements

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

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

Type of raw materials	Unit	Qty	Price/unit	Amount per year
Fruits & Vegetables	Tons	100	1,120	112,000
Rice	Tons	200	425	85,000
Packaging materials	Pcs	200,000	0.17	34,000
Other materials ( for cleaning, sorting, labeling)	Pcs	100,000	0.21	21,000
<b>Total Purchases</b>				<b>252,000</b>

#### 5.5 Production Overheads

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

**Table 5.3: Production Overheads (US\$)**

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

## 5.6 Total production Cost

The estimated total production cost is US\$ 462,600 per annum as shown in Table 5.4 below. The costs of materials, labour and production overheads are calculated on monthly basis.

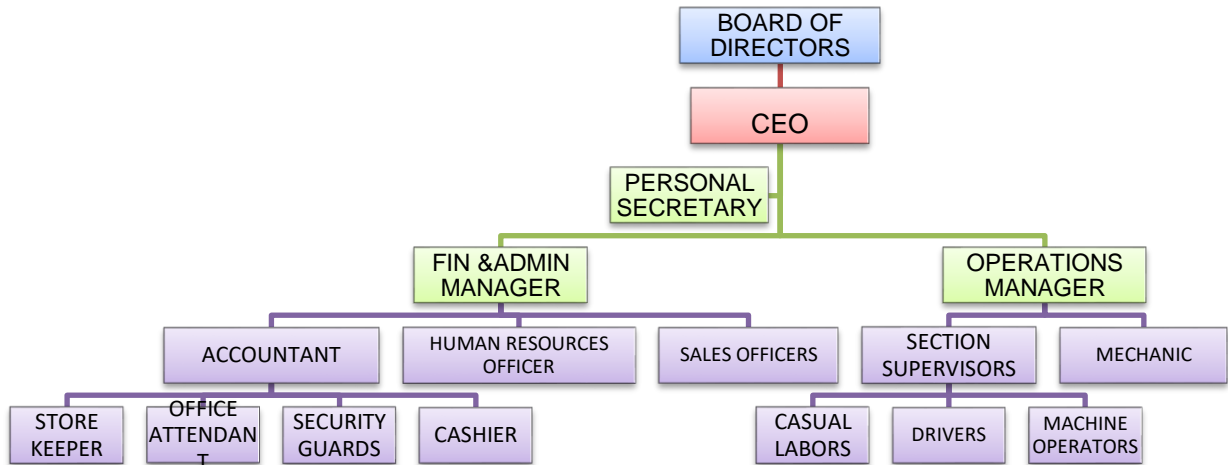
**Table 5.4: Total Production Cost (US\$)**

Item	Expenses/Month	Estimated Annual Cost
Raw materials	21,000	252,000
Direct labour	15,000	180,000
Production Overheads	2,550	30,600
<b>Total Costs</b>	<b>38,550</b>	<b>462,600</b>

## 6.0 MANAGEMENT PLAN

The management structure of **EA Fruits Farm & 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 FINANCIAL PLAN

### 7.1 Financial Assumption

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

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

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

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

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

## 7.2 Sources of Funds

The project financing shall come from owners' equity by 80%, while 20% is expected to come from debt financing through bank loan. The owners have already committed some funds into the project for site preparation and preliminary costs of the project.

## 7.3 Profitability Analysis

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

**Table 7.1: Profit Projections (US\$)**

Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEARS 5
Sales	664,800	698,040	732,942	769,589	808,069
Total production cost	462,600	463,050	486,203	510,513	536,038
<b>Profit Margin (Loss)</b>	<b>202,200</b>	<b>234,990</b>	<b>246,739</b>	<b>259,076</b>	<b>272,031</b>

## 7.3 Operating Expenses

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

**Table 7.2 Operating Expenses**

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

**7.4 The Projected Income Statements**

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

**Table 7.3 Projected Income Statements for five years**

Description	Year 1	Year 2	Year 3	Year 4	Year 5
	US\$	US\$	US\$	US\$	US\$
Total sales	664,800	698,040	732,942	769,589	808,069
Less Cost of sales:	462,600	463,050	486,203	510,513	536,038
<b>Gross Profit</b>	<b>202,200</b>	<b>234,990</b>	<b>246,739</b>	<b>259,076</b>	<b>272,031</b>
Less Operating Expenses	38,070	39,973	41,972	44,070	46,274
<i>Earnings before Interest and Tax (EBIT)</i>	<i>164,130</i>	<i>195,017</i>	<i>204,767</i>	<i>215,006</i>	<i>225,757</i>
Less Loan interest	21983	21983	21983	21983	21983
<i>Earnings Before Tax</i>	<i>142,147</i>	<i>173,034</i>	<i>182,784</i>	<i>193,023</i>	<i>203,774</i>
Less TAX 30%	42,644	51,910	54,835	57,907	61,132
<b>NET PROFIT/ (Loss)</b>	<b>99,503</b>	<b>121,124</b>	<b>127,949</b>	<b>135,116</b>	<b>158,029</b>
Dividend 30%	29,851	36,337	38,385	40,535	47,409
<b>Retained Earnings</b>	<b>69,652</b>	<b>84,787</b>	<b>89,564</b>	<b>94,581</b>	<b>110,620</b>

### 7.5 Projected Balance Sheet

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

**Table 7.4 Projected Balance Sheet for Five Years**

DESCRIPTIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	US\$	US\$	US\$	US\$	US\$
NON-CURRENT ASSETS					
Land& Buildings	137,000	120,515	219,489	218,515	354,589
Machinery & Equipment	69,200	91,530	82,377	74,139	66,725
Motor vehicles	340,426	272,340	204,255	136,170	68,085
<b>Total Non-Current Assets</b>	<b>474,626</b>	<b>484,385</b>	<b>506,121</b>	<b>428,824</b>	<b>489,399</b>
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	176,556	204,332	163,348	166,212	211,475
<b>Total Current Assets</b>	<b>324,056</b>	<b>303,722</b>	<b>264,132</b>	<b>264,112</b>	<b>301,275</b>
<b>TOTAL ASSETS</b>	<b>798,682</b>	<b>788,107</b>	<b>770,253</b>	<b>692,936</b>	<b>790,674</b>
Share Capital	42,553	42,553	42,553	42,553	42,553
Additions	411,507	418,697	433,806	397,565	381,703
Retained Earnings	69,652	84,787	89,564	94,581	110,620
<b>Total Equity</b>	<b>523,712</b>	<b>546,037</b>	<b>565,923</b>	<b>534,699</b>	<b>534,876</b>
Bank loan	219,826	175,860.48	131,895.36	87,930.24	43,965.12
Total Non-Current Liability	219,826	175,860	131,895	87,930	43,965
Trade Creditors and Accruals	12,500	14,300	17,600	12,400	13,700
Taxation	42,644	51,910	54,835	57,907	61,132
<b>Total Current Liabilities</b>	<b>274,970</b>	<b>242,071</b>	<b>204,331</b>	<b>158,237</b>	<b>118,797</b>
<b>Total Liability &amp; Equity</b>	<b>798,682</b>	<b>788,107</b>	<b>770,254</b>	<b>692,936</b>	<b>653,674</b>



## 7.6 Projected Cash Flows

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

**Table 7.5 Cash Flow Projections for Five Years**

DESCRIPTIONS	Year 1	Year 2	Year 3	Year 4	Year 5
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<b>Cash from operations:</b>					
Profits before tax	142,147	173,034	182,784	193,023	203,774
<b>Adjustments for non-cash items:</b>					
Depreciations	-15,250	-16,012	-16,813	-17,653	-18,536
<b>Change in Working Capital:</b>					
Receivables	-69,750	-40,950	-41,500	-87,400	-36,700
Trade payables & Accruals	12,500	14,300	17,600	12,400	70,945
<b>Total</b>	<b>69,647</b>	<b>130,372</b>	<b>142,071</b>	<b>100,370</b>	<b>219,483</b>
Tax payments	-13,930	-27,518	-38,579	-9,930	-65,437
<b>Total Cash Inflow from Operating Activities</b>	<b>55,717</b>	<b>102,854</b>	<b>103,492</b>	<b>90,440</b>	<b>154,046</b>
<b>Cash from investing activities:</b>					
Purchase of property, plant & equipment	-474,626	-38,741	-106,091	-47,041	-61,374
<b>Net Cash Outflow from Investing Activities</b>	<b>-418,909</b>	<b>64,113</b>	<b>-2,599</b>	<b>43,399</b>	<b>92,672</b>
<b>Cash from financing activities:</b>					
Dividends	-29,851	-36,337	-38,385	-40,535	-47,409
<b>Change in cash &amp; cash equivalent</b>	<b>-448,759</b>	<b>27,776</b>	<b>-40,984</b>	<b>2,864</b>	<b>45,263</b>
<i>Beginning Cash Balance</i>	<b>625,315</b>	<b>176,556</b>	<b>204,332</b>	<b>163,348</b>	<b>166,212</b>
<i>Ending Cash Balance</i>	<b>176,556</b>	<b>204,332</b>	<b>163,348</b>	<b>166,212</b>	<b>211,475</b>

## **8.0 ECONOMIC ASPECTS**

### **8.1 National economic and social Benefits**

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

#### **(i) Direct economic impact**

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

- (a) Tax payments to the government
- (b) Foreign currency savings,
- (c) Employment opportunities generation; 100 direct jobs expected to be created to Tanzanians.
- (d) Technology transfer.

#### **(ii) Indirect economic (job creation)**

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

#### **(iii) Corporate Social Responsibility**

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

## **9.0 CONCLUSION**

The financial analysis in this plan indicates a positive growth and ability of the project to recover initial investments and make substantial profits in the successive years. The objectives indicated in this plan are likely to be met; hence it is feasible

undertaking this project. In addition, the community where the project will operate is likely to benefit from employment created through provision of locally made edible oils and peanut butter at a reasonable price and thus create more indirect jobs to all stakeholders engaged in the purchase and sell of company's products. The project is also expected to benefit the society through social corporate responsibility activities of the company; and most importantly; the government will get taxes from the project and help to contribute to countries economic growth strategies.

### **9.1 Recommendation**

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