

TIC APPLICATION

Business Plan „Food Processing / Mobile Bakery“ (2021 – 2024)

1. Introduction and Challenges of the Sector

The join the food family mobile bakeries offer tasty, nutritious, and durable bread and other pastries which are reliably available every day to everyone at a reasonable price.

Simply put, we sell locally produced bread. Important is the cooperation with local business partners.

One bakery set up has two containers (container A (40-foot) and container B (40-foot)) which will be the production hub. Container A is for baking and Container B is equipped with sanitary facilities and storage space. As of now (pilot phase with one bakery) container A is being manufactured in Germany. The pilot container B will already be built/assembled in Tanzania by a specialized container equipping company in Dar es Salaam. In the future, all containers A+B will be manufactured and assembled in Tanzania. This will reduce the initial bakery costs significantly from €120,000.00 to €85,000.00 per bakery unit. Only four key types of machinery will be imported.

Like a franchise system, the containers are looked after and managed by the local business partner. This also includes product selection, maintenance, and staffing.

Operations, production, management, and sales will be carried out locally at the respective location in Tanzania by Tanzanians. **The pilot phase will start in Q3/2021. The first mobile bakery will be set up in Babati.** With European machinery and local Tanzanian staff, quality bread will be baked and sold locally in the initial phase, starting in December 2021.

In the medium term, 20-30 containers are to be installed and staffed after proof of concept across Tanzania in midsized towns. Moving from North to South.



Figure 1: a mobile bakery set up (container building in process).

In November 2020, an in-depth survey was conducted, and the following cities were visited:

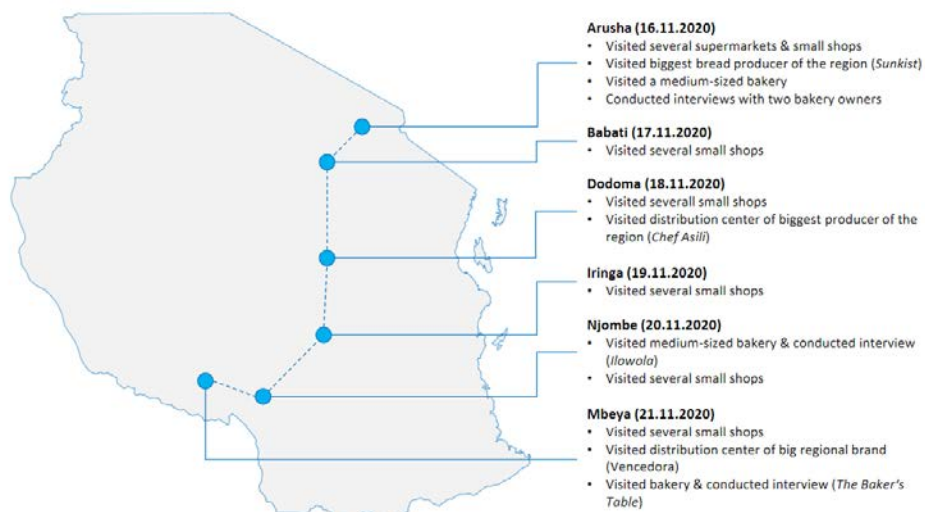


Figure 2: Cities visited in November 2020.

Key findings from the market research are listed below:

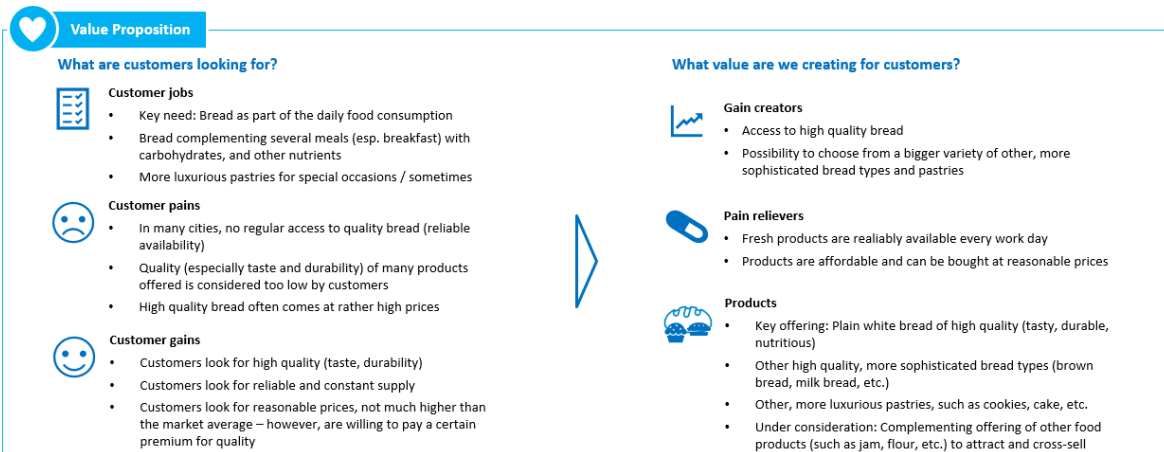


Figure 3: What are customers looking for?

The representative market analysis of November 2020 revealed: **there is demand for high-quality bread in Tanzania which is not being met on a reliable basis in many cities across Tanzania.** There are local bread suppliers across Tanzania. However, they largely suffer from outdated machinery which leads to frequent breakdowns resulting in poor bread quality and massive energy and power waste.



Figure 4: example of poor quality and inefficient machinery (dough mixer, slicing machine and oven) in Tanzania. Pictures taken during the field study in November 2020.

Equipped with high-quality machinery and a professional bakery setup, the local business partner is guaranteed to bake great quality and daily fresh bread in their town.



Figure 5: these four high quality machines, imported from Europe, will be used in our bakeries.

These four bakery machines will be imported. Their gross value is about € 40,000.00.

2. Objectives/Goals

Aims: To support and empower Family Entrepreneurs who want to grow their business professionally by avoiding high investment risk and providing proven business models and services with access to finance, high-quality technology and professional business network advantages unlike a family entrepreneur on its own.

Empower in mid-term local high-quality farming by obtaining raw materials (wheat, yeast, etc.) from the region.

Ensure nutritional and high-quality food supply to any Tanzanian.

3. Products and brand values

In the pilot phase, the bread will be the main product. All kinds of variants of bread and pastry will be baked in the future. The food process unit is not limited to pastry only. Due to enormous post-harvest losses, juice, jam and other natural processed food will be in consideration in mid-term.

Our brand is based on the core values:

- ✓ Outstanding quality and taste
- ✓ Locally produced
- ✓ Daily fresh
- ✓ Affordable good nutrition

4. Operations and Marketing plan / Business Model

Operations, production, management, and sales will be carried out locally at the respective location in Tanzania by Tanzanians. The pilot phase will start in Q3/2021. A first mobile bakery (in a container) will be set up in Babati. With European machinery and local staff, quality bread will be baked and sold locally starting in December 2021 at below location in Babati with **Jorsin Ltd.** as franchise partner and owner of the plot. In below designed plot you will also find contacts and location.

GENERAL NOTICE

1. ALL DIMENSIONS ARE IN MILLIMETRES
2. ALL DIMENSIONS AND INSTRUCTIONS TO BE VERIFIED ON SITE.
3. DO NOT MEASURE ON SKETCH, SCALE TO BE USED IS INDICATED BELOW.

PROJECT TITLE

PROPOSED BUSINESS CENTRE TO BE BUILT ON PLOT NO 371 IN BABAT TOWN.

CLIENT

JORSIN COMPANY LIMITED

DRAWING TITLE

3D VIEWS

DRAWN BY

C.J.PANGANI

SCALE

1:100

DATE

JULY 2021

Mobile: 0752210967

Email: chrishinapangani@gmail.com



Bread will be produced in containers and then taken to the everyday stores (Duka) in the region. From there, consumers can buy loaves of bread.

In the medium term, several containers are to be installed across Tanzania in midsized towns. Moving from North to South.

A sustainable brand-building strategy is needed that starts from scratch. We can have the opportunity to create something new and convince consumers of our product through our brand and to retain them in the long term.

We see the project split into two phases. Phase I is the pilot phase. Here we will only need a local strategy and measures in the respective cities. After a positively evaluated pilot phase, we will move on to phase II. In the years, the number of bakeries will be increased, and we will act on a regional/national level.

At each funnel stage, the consumer should positively identify with our brand. No channel is excluded. From OOH to radio and social media, we will play all channels.

Within the first three years, we calculate a marketing budget of USD 40,000 – USD 80,000 including agency salary, media, and production. A retainer agreement is also possible.

5. Management

The mobile bakery will be set up as a franchise system as shown in the figure: “operation’s concept”. JFF will buy and import the machinery, take care of the overall marketing strategy, legal requirements, raw material supply, staff training and maintenance. JFF will have one business coordinator and one technical coordinator in the pilot phase with the potential to increase. All operational duties such as production (baking), distribution, sales, location, and staffing will be handled by the local business partner. He/she will have a team of at least three production staff (bakers), one supervisor/manager and two to three distribution/sales staff. The local business partner can have the opportunity to run more than one mobile bakery.

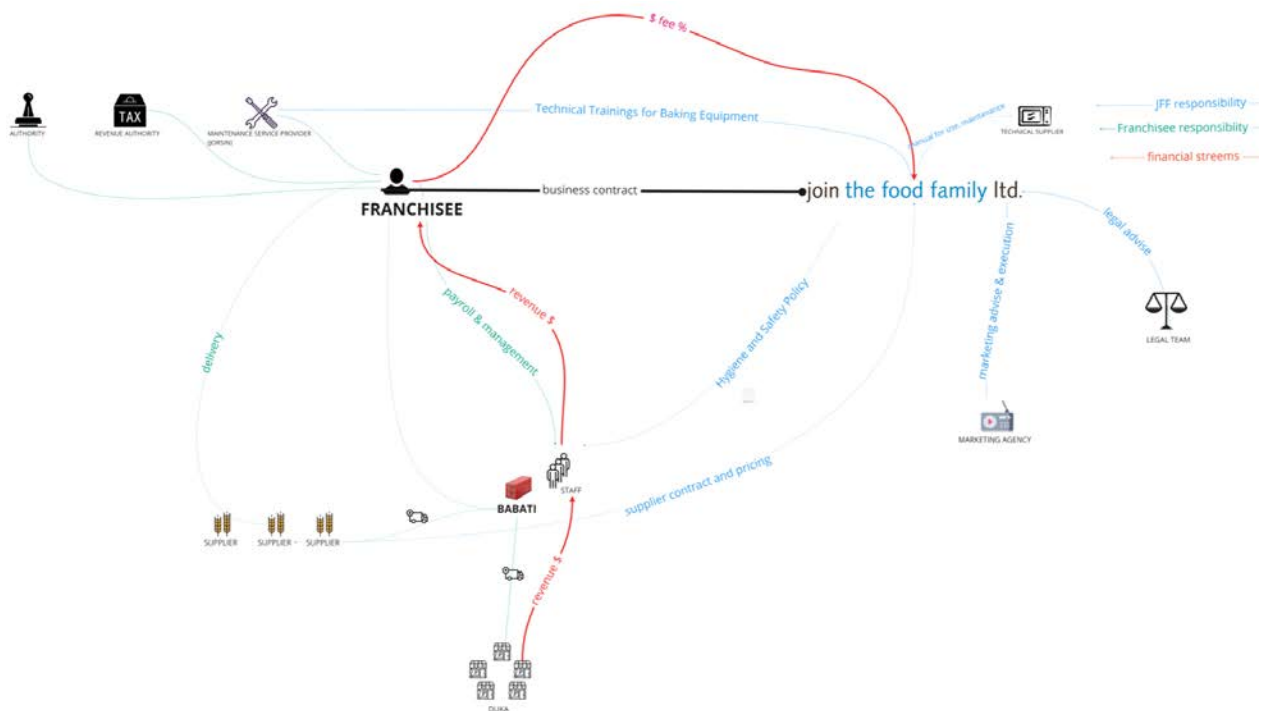


Figure 6: : operation's concept

6. Finance

JFF sees the *mobile bakery* food processing unit as a start to several food processing opportunities which will add revenues to the JFF's income.

The following cost calculation scenarios are based on the presumption of producing 260 days/year, selling up to 1,000 pieces of 1kg white bread daily to a retail price of TZS 1,900.00.

The business partner shall operationally break even within the first year of operations for one bakery unit. Every JFF Bakery Container needs to be amortised within expected 5 year depreciation period including financing costs through adequate franchise container fees paid by the Entrepreneur to JFF. Revenues and franchise fees are currently subject to change. Selling different sizes, types of bread/pastry will increase the margin and therefore income of both the business partner and JFF.

For this first set of Container (A+B) in Babati including general overhead cost we will need to finance in 2021 approximately **EUR 150,000** (USD 180,000) through an increase in the new W.W.W. GmbH & Co. KG loan as described on page 9 under "Dairy / Financial Plan". So, the **total new loan for our Dairy and the Bakery Business in 11/2021** to be BOT registered will be **increased to EUR 800,000** = USD 940,000 (680 Dairy + 260 Bakery) at 3 per cent interest rate and full repayment in 2025 with equal quarterly tranches.

BAKERY_Investment Breakdown 2021
in kUSD

as attachment to page 5 of TIC form on BAKERY

category	as per 30-06-2021	still to be invested	TOTAL	comment
Land / building	0	0	0	only rented head office in Arusha; local investments to be done by the entrepreneurial franchise partners
Plant / equipment	0	350	350	payment in 11/2021 of first pilot bakery kUSD 180 (bakery container from Germany + sanitary / storage container) in Babati; further 2 locally produced containers @ kUSD 85 each ; future containers to be pre-financed by impact investors and later also by franchise fees
Vehicles	0	10	10	only one vehicle for pilot; otherwise no own vehicles needed; bread distribution by partners' vehicles
Furniture, IT, ...	0	9	9	for 5+ staff
Pre-expenses	41	18	59	legal, auditor, consulting, ...
Others	0	25	25	workshops, trainings, QM at entrepreneurs,...
TOTAL	41	412	453	41 paid already; kEUR 150 (kUSD 180) coming from new W.W.W loan in 12/2021; further 22 coming from 2021 / beginning 2022 net profits from JFF sales of pet products = third business unit!); investment of future bakeries to be pre-financed by impact investor loans and then re-financing by franchise fees as for 2022-2024

Working Capital	as @ 30-06-2021	expected ave. 2022	expected ave. 2023-2024	comment
cash	0	0	30	as of 2023 expected cash, coming from generated loans and franchise fees minus investments
accounts	0	20	20	account receivables minus payable
stock	0	30	30	only purchase of raw materials like flour and wear and tear equipment for repair + maintenance; remaining is directly with franchise partners on their books
TOTAL	0	50	80	

TOTAL INVEST BREAKDOWN **503**

Future financing as of Q3/2022 will be provided by “**impact investors**” from Europe. We are already in contact with possible investors. An investor package for 10 containers with the option on additional 20 containers until Dec. 2024 will be designed and negotiated in 2022, after successfully running and marketing the first pilot containers.

The figures for 2021 are related to the Babati pilot containers. Due to included one-time costs during the pilot and due to the outfitting of later containers in TZ (instead of Germany as for the pilot containers), the shown initial costs will be reduced by approximately 25-30%.

Below business plan shows investment, other cost as well as income from franchise fees as well as loans coming from impact investors for the years 2021-2024:

Plan 2021 - 2024

investment	other cost (training, QM, ...)	income from franchise fees	internat. funds / loans	funding source
180	63	0	243	other: 41 done + 22 new JFF ; 180 W.W.W*
330	160	116	374	116 income; 260 W.W.W* + 114 impact invest.
880	190	348	722	Impact investors
880	80	580	380	Impact investors
2.270	493	1.044	1.719	
pilot 180 (import EU); others 110 each	focus on capacity building and product development	29 / bakery p.a.	1.200 from impact investors for Q3/2022-12/2024	* 440 (= kEUR 370) in 11/ 2021 as new inter-company loan; total planned expenses by mid 2022 = kUSD 503

So, in the event of 20 containers during planning period we will require financial inflow of USD 1.2 million by impact investors between Q3/2022 and 12/2024.

Please find below detailed calculations for the cost and income projections per container bakery for our franchise partners as well as the JFF company:

Cost projections

Key assumptions

Direct material	Price / kg (TZS)	EUR	Requirements in g per unit					Total requirements
			White bread 0,9 kg	White bread 450g	White bread 250g	Brown bread 500g	Brown bread 250g	
White flour	1,160.00 TZS	0.42 €	540.0	270.0	150.0	140.0	70.0	556701.03
Brown flour	900.00 TZS	0.32 €	0.0	0.0	0.0	70.0	35.0	0.00
Sugar	1,160.00 TZS	0.42 €	2.7	1.4	0.8	0.0	0.0	2783.51
Salt	650.00 TZS	0.23 €	9.0	4.5	2.5	2.5	1.3	9278.35
Yeast	7,800.00 TZS	2.81 €	6.0	3.1	1.7	5.0	2.5	6216.49
Oil	4,425.00 TZS	1.59 €	13.5	6.8	3.8	3.4	1.7	13917.53
Perservatives	10,500.00 TZS	3.78 €	4.5	2.3	1.3	2.5	1.3	4639.18
Cake flour	1,600.00 TZS	0.58 €	0.0	0.0	0.0	0.0	0.0	0.00
Margarine	3,200.00 TZS	1.15 €	0.0	0.0	0.0	0.0	0.0	0.00
Milk powder	31,200.00 TZS	11.23 €	0.0	0.0	0.0	0.0	0.0	0.00
-	- TZS	- €	0.0	0.0	0.0	0.0	0.0	0.00
-	- TZS	- €	0.0	0.0	0.0	0.0	0.0	0.00
-	- TZS	- €	0.0	0.0	0.0	0.0	0.0	0.00
Packaging	50.00 TZS	0.02 €	1000.0	1000.0	1000.0	1000.0	1000.0	1000000.00
Total costs per Unit in TZS			839.40 TZS	445.05 TZS	269.70 TZS	357.32 TZS	203.66 TZS	
Total costs per Unit in EUR			0.30 €	0.16 €	0.10 €	0.13 €	0.07 €	
Net contribution margin per Unit in TZS			718.60 TZS	374.95 TZS	140.31 TZS	462.68 TZS	206.34 TZS	
Net contribution margin per Unit in EUR			0.26 €	0.13 €	0.05 €	0.17 €	0.07 €	

Direct Labor (Production + Distrib.)	TZS	EUR
Wage per month	420,000.00 TZS	151.20 €
No. of workers	5.00	

Wages (Non-Production)	TZS	EUR
Wage per month	840,000.00 TZS	302.40 €
No. of workers	1.00	

Indirect Manufacturing Costs	Price TZS	EUR	Requirements per day	Adjust price
Electricity	240.00 TZS per kwh	0.09 €	300.00 kwh	< >
Water	- TZS per l	- €	0.00 l	< >
Other	- TZS assumpt	- €		

% of products sold	97%
% of products waste	3%

Franchise fee charged (% of operating)	25%
--	-----

Income Tax Rate	5%
-----------------	----

VAT Rate	18%
----------	-----

Useful life of PPE in years	5.00
-----------------------------	------

Figure 7: Key assumptions of the pilot phase

Daily operating costs	Other	Investment
Cost of Goods Manufactured	Annual General and Administrative Expenses	PPE
Direct Materials	TZS	EUR
White flour	20,000.00 TZS	7.20 €
Brown flour	- TZS	- €
Sugar	JFF Employee overhead	- TZS
Salt	- TZS	- €
Yeast	Total General and Administrative Expenses	20,000.00 TZS
Oil		7.20 €
Perservatives	Health check	26,900.00 €
Cake flour	Marketing	4,900.00 €
Margarine	JFF Employee overhead	11,400.00 €
Milk powder	- TZS	2,700.00 €
-	- TZS	3,000.00 €
-	- TZS	2,700.00 €
-	- TZS	8,333,333.33 TZS
Packaging	- TZS	1,000.00 €
Total Direct Materials	- TZS	52,000.00 €
Direct Labor	- TZS	144,444,444.44 TZS
Indirect Manufacturing Costs	- TZS	10,000.00 €
Electricity	- TZS	27,777,777.78 TZS
Water	- TZS	27,777,777.78 TZS
Other	- TZS	27,777,777.78 TZS
Total Indirect Manufacturing Co	- TZS	27,777,777.78 TZS
	- TZS	4,000.00 €
Total Cost of Goods Manufactur		135,900.00 €
		Useful Life (Years)
Total wages		5.00
		Annual Depreciation
Total daily operating costs		27,180.00 €
		75,500,000.00 TZS
Annual operating costs		
Operating days / year	260	
Total daily operating costs	1,187,818.04 TZS	427.61 €
Total annual operating costs	308,832,690.72 TZS	111,179.77 €
VAT Expense (daily)	342,000.00 TZS	123.12 €
Total annual VAT Expense	88,920,000.00 TZS	32,011.20 €

Figure 8: Daily operating costs of the pilot phase

Income statement projections

Annual Income Statement

	TZS	EUR
Revenue	494,000,000.00 TZS	177,840.00 €
VAT Expense	88,920,000.00 TZS	32,011.20 €
Cost of Goods Manufactured	264,264,910.00 TZS	95,135.37 €
Gross profit	140,815,090.00 TZS	50,693.43 €
Wages	38,220,000.00 TZS	13,759.20 €
General and administrative expenses	20,000.00 TZS	7.20 €
Depreciation	75,500,000.00 TZS	27,180.00 €
Operating income	27,075,090.00 TZS	9,747.03 €
Franchise Fee	6,768,772.50 TZS	2,436.76 €
Income tax expense	1,015,315.88 TZS	365.51 €
Profit after tax	19,291,001.63 TZS	6,944.76 €

Monthly Income Statement

	TZS	EUR
Revenue	41,166,666.67 TZS	14,820.00 €
VAT Expense	7,410,000.00 TZS	2,667.60 €
Cost of Goods Manufactured	22,022,075.83 TZS	7,927.95 €
Gross profit	11,734,590.83 TZS	4,224.45 €
Wages	3,185,000.00 TZS	1,146.60 €
General and administrative expenses	1,666.67 TZS	0.60 €
Depreciation	6,291,666.67 TZS	2,265.00 €
Operating income	2,256,257.50 TZS	812.25 €
Franchise Fee	564,064.38 TZS	203.06 €
Income tax expense	84,609.66 TZS	30.46 €
Profit after tax	1,607,583.47 TZS	578.73 €

Figure 9: Income statement of the business partner in the pilot phase

Basic assumptions		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6+
# bakeries	1						
Franchise fee charged	25% of operating income	9,747.03 €	9,747.03 €	9,747.03 €	9,747.03 €	9,747.03 €	36,927.03 €
Interest rate	5% of investment	2,436.76 €	2,436.76 €	2,436.76 €	2,436.76 €	2,436.76 €	28,154.70 €
Current annual fee revenue (without refinancing cash flow)	2,436.76 €						
Forecast		25%	25%	25%	25%	25%	10%
Fee charged		9,747.03 €	9,747.03 €	9,747.03 €	9,747.03 €	9,747.03 €	36,927.03 €
Operating income		2,436.76 €	2,436.76 €	2,436.76 €	2,436.76 €	2,436.76 €	28,154.70 €
Fee revenue per bakery		2,436.76 €	2,436.76 €	2,436.76 €	2,436.76 €	2,436.76 €	28,154.70 €
Total annual revenue (without refinancing cash flow)		2,436.76 €	2,436.76 €	2,436.76 €	2,436.76 €	2,436.76 €	28,154.70 €
Fee charged (incl. Refinance)		29,616.76 €	29,616.76 €	29,616.76 €	29,616.76 €	29,616.76 €	28,154.70 €
Interest expense		6,795.00 €	6,795.00 €	6,795.00 €	6,795.00 €	6,795.00 €	

Figure 10: Income statement of JFF in the pilot phase.

Basic assumptions		Forecast year	1	2	3	4	5	6	7	8	9	10
Investment per bakery	90,000.00 €		1	3	8	8	10	0	0	0	0	0
Profit per bakery	26,000.00 €		1	4	12	20	30	30	30	30	30	30
Franchise fee first 5 years	25%		1	4	12	20	30	29	26	18	10	0
Franchise fee after 5 years	10%											
Interest rate	7%											
Refinance amount		18,000.00 €	72,000.00 €	216,000.00 €	360,000.00 €	540,000.00 €	522,000.00 €	468,000.00 €	324,000.00 €	180,000.00 €	-	€
Franchise revenue		6,500.00 €	26,000.00 €	78,000.00 €	130,000.00 €	195,000.00 €	209,100.00 €	251,400.00 €	364,200.00 €	477,000.00 €	618,000.00 €	618,000.00 €
Total operating cash flow		24,500.00 €	98,000.00 €	294,000.00 €	490,000.00 €	735,000.00 €	731,100.00 €	719,400.00 €	688,200.00 €	657,000.00 €	657,000.00 €	618,000.00 €
Interest expense		6,300.00 €	25,200.00 €	75,600.00 €	126,000.00 €	189,000.00 €	182,700.00 €	163,800.00 €	113,400.00 €	63,000.00 €	-	€
JFF operating costs		20,000.00 €	20,000.00 €	20,000.00 €	20,000.00 €	20,000.00 €	20,000.00 €	20,000.00 €	20,000.00 €	20,000.00 €	20,000.00 €	20,000.00 €
JFF profit		- 19,800.00 €	- 19,200.00 €	- 17,600.00 €	- 16,000.00 €	- 14,000.00 €	6,400.00 €	67,600.00 €	230,800.00 €	394,000.00 €	394,000.00 €	398,000.00 €

Figure 11: Forecast JFF bakery income; break even after year 5.

Job Creation in TZ in 2021 - 2024 for the JFF BU "Bakery"

Employer	Job Profile	# qualified jobs
JFF	MD	
	Sales & Market. Mgr.	1
	Specialist	1
	Admin / Acc.	
	Client Support Officer	3
	MD	
	Stock manager	
	stock keeper	
Jorsin & Facility management	security, ...	
	MD	15
	On-farm consult.	
	Tech Operators	15
	Bakers	120
Entrepreneurs	Distributors	60
	Trainees (TVET)	30
	Tech Operators	4
Container Outfitter	Admin / Acc.	2
	Total	245

Additional staff:**Legal & Acc. Services**

in Part-time

Biz Partners / Service Providers

50

partly existing already

Agents/Consult.

5

in Part-time

**Directly and indirectly JFF with ist Business Unit
"Food Processing / Bakery" is creating 250 - 300
qualified jobs in TZ within 3.5 years**