

AVOAFRICA TZ LIMITED



BUSINESS PLAN FOR AGGREGATION, PROCESSING AND DISTRIBUTION OF AVOCADO & OTHER FRUITS

PROJECT PERIOD: FIVE YEARS

FROM 2022-2026

Contact Information;

Avoafrica TZ Limited

P.O. Box 67

NJOMBE

Phone: +255 747 003333

Email: finance@avoafricatz.com

AUGUST, 2021

CORPORATE INFORMATION

Registration Number: 152383398

Business Activity : Aggregation, Processing, packaging and marketing of fruits and vegetables including avocados and other fruits for export including value added activities.

Shareholders:

Name	Address	shares
Asif Amin Muhammad	Tilisuru House no.3, Kitisuru road, Nairobi, Kenya	6,000
Mihingo Mwangi	A21, Kangundo road, Nairobi, Kenya	4,000

Registered Office & Address:

P.O. BOX 67,
Njombe

Physical Address: Njombe, Tanzania

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
2.1 Fruits and Vegetables	9
2.2 Key Success Factors	10
3.0 BUSINESS ENVIRONMENT.....	12
4.0 MARKET ANALYSIS	13
4.2 TARGET MARKETS AND THEIR CHARACTERISTICS	14
4.2.1 Market Size	15
4.3 SWOT ANALYSIS	15
4.4 Marketing, Distribution and Communication Strategy	16
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	19
5.6 Total production Cost.....	19
6.0 MANAGEMENT PLAN.....	20
7.0 FINANCIAL PLAN	21
7.1 Financial Assumption.....	21
7.2 Sources of Funds	22
7.3 Profitability Analysis	22
7.3 Operating Expenses	22
7.4 The Projected Income Statements	23
7.5 Projected Balance Sheet.....	24
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

AVOAFRICA TZ Limited is a private company limited by shares registered in Tanzania with the main purpose to engage in aggregation, processing and distribution of agricultural products, particularly Avocados. We are a sister company to **Keitt Exporters Limited** based in Nairobi Kenya which is the leading exporter and importer of fruits and vegetables to Europe and the Middle East for over a decade now. Currently, after buying and processing avocados in Kenya, the company has embarked on establishing a project in Njombe region aimed at growing, aggregation, processing and distribution of the same. 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, employing around 68% of the total employed population while contributing to 34% of total GDP. 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 fruits 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 would invest approximately **USD 1,510,000** that will be used for set up costs, land preparations and buildings, machineries and equipment at the beginning of the project. The total cost when added with working capital, labour and raw materials is estimated to be **USD \$4,000,000**. The annual capacity of the project is expected to be 2,300 tons of fresh fruits, equivalent to 100 containers. 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 60%

equity financing and 40% debt financing through soft loans from commercial banks. The project expects to employ at least 150 Tanzanians and 10 foreigners, the project expects to create more than 200 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 leading company in production, processing and distribution of agricultural products mainly fruits and vegetables for the local and foreign markets.

Mission

Our mission is to provide professional commercial farming and processing of fruits and vegetables through;

- Maintaining the highest quality standards for our products.
- Providing the best customer service possible.
- Promoting an inclusive workplace and help the community

Core Values

- **Customer orientation:** we care about our customer's needs, as well as fulfil their orders and exceed their expectations.
- **Integrity:** among our values we defend honesty, credibility and equity.
- **Quality product:** the quality product is essential for the correct working in the company.
- **Teamwork:** promote the collaboration between our workers, giving the best of each one and assuming responsibilities to reach a common goal.
- **Welfare of society:** One of our priorities is giving value to our producer and society in general, due to it is vital for our company's trajectory.
- **Environmental Awareness:** The environmental preservation is important; therefore, we are continuously developing internal policies that reduce our impact.

1.2 Project Location

The project is located in Njombe region. We have not secured land yet but we are in a process to acquire 10 acres in one of the villages in Njombe. The area is accessible by road and has direct access to electricity and water will be acquired for necessary

for business operations. 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 in January, 2022. The project office in Dar es Salaam 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 leasing of more land, 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 (Jan 2022 - Dec. 2022)				PHASE TWO (JAN 2023-
No.	Activities	Au-Dec 2021	Jan-Mar 2022	April-June 2022	July-Aug, 2022	Sept-Dec. 2022	Year 2023 - 2026
1	Land leasing and paperwork						
1	Site preparation, procurement of machinery and equipment and raw materials						
2	Aggregation and sorting						
5	Processing, packaging & distribution						
6	Lease of additional acres of land						
7	Procurement and installation of processing plant, machinery and equipment.						

1.4 Project Objectives

The company's objective is to be the leading exporter of fresh fruits and vegetables, frozen fruits and vegetables, processed fruits and vegetables, and fruits and vegetable oils. The company intends to encourage and implement modern practices that add value to the agricultural products supply chain.

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 export markets such as Kenya, Europe and Middle East. 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 150 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 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 company intends to lease more land about 2,000 acres in 2022 through 2026. The details of the requirements are explained in Table 2.

Table 2: Project Requirements (US\$)

Type of Investment	Qty	Cost/Unit	Value (\$)
1.0 Land & Buildings			
1.1 Land acquisition and Preparation	1	15,000	15,000
1.2 Buildings	2	150,000	300,000
Sub-total Land & Buildings			315,000
2.0 Machinery & Equipment			
2.1 Avocado processing line	1	450,000	450,000
2.2 Cold room units	2	150,000	300,000
2.3 Other Machinery and Equipment	1	100,000	100,000
Sub-Total Machinery & Equipment			850,000
3.0 Furniture & Fittings (several pcs)	1	20,000	20,000
4.0 Motor Vehicles			
4.1 Trucks	5	55,000	275,000
4.2 Other motor vehicles	2	25,000	50,000
Sub-Total Motor Vehicles			325,000
Total Investment cost			1,510,000
Raw Materials			2,388,000
Labour			180,000
Total Cost			4,078,000

2.0 BUSINESS DESCRIPTION

The project aims at growing, aggregating, processing, packaging and distribution of high-quality fruits, and vegetables. Fruits and vegetable products shall be produced, packaged and well labeled. The main target market shall be exports to Europe and middle east; while some quantities shall be sold locally to supermarkets. 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;

Fruits Range

Avocado, Apple Mango, Ngowe Mango, Tommy Artkin Mango, Sabeen Mango, Keitt Mango, Kent Mango, Custard Apple, Passion and Papaya.

Figure 1: Avocados & Other fruits



Vegetables Range

French Beans (fine/extra fine), Mangetout Peas, Sugar Snap Peas, Garden Peas, Baby Corn, Broccoli, Assorted Herb, Passion Fruit.

2.2 Key Success Factors

AVOAFRICA TZ Limited is owned and managed by multiple skilled persons. The owners have wide experience working in the agribusiness sector; 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. The management team compose of experts in various fields mainly agribusiness and marketing. 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.

2.2.1 Set up

We are self-sufficient in handling every trading activity as we have our own in-house consignment handling systems, ranging from packaging, transportation, warehousing, documentation to forwarding and shipping etc. Avoafrica TZ Ltd is proud to have a wide network of suppliers, distributors and marketing professionals across the globe. The strength of the capable workforce has been a huge asset for the company. The Plant and warehouse of the company will be well regulated with separate provisions for the storage of different grades of fruits and vegetables.

2.3.2 Quality Control

In addition to its own farms, Avoafrica TZ Limited will work with a net of affiliated independent farmers. We will offer advice and technical assistance to affiliated small farmers who form part of the company's supply network. To maintain the quality of our produce, we fund the purchase of fertilizers to our affiliated independent farmers. The company has offered stable employment to farmers in a sector where their income and employment are otherwise tenuous. When the farmers sell their harvest at Avoafrica TZ Limited central offices, the fruits and vegetables are classified according to their size, texture, and ripeness, which must then pass quality controls before being carefully packaged and distributed. The manual selection and classification of the produce is done by the company's own experts and guarantees the highest levels of quality. The company plans to deploy modern machines for processing and packaging of avocados.

Seed Selection: All the fruits and vegetables that Avoafrica offer have been classified according to their potential freshness and flavor even before they are planted. We acquire only the guaranteed, best seeds of the highest quality.

2.3.3 Export Philosophy

Our export philosophy is based on two pillars – speed and vigilance, allowing the company to guarantee the maximum freshness and quality of its products in the export market. We monitor each step of the production, procurement, and distribution process, a rarity in a sector where these steps are normally relegated to different companies. The speedy transport and distribution, always via refrigerated compartments, provides an additional guarantee of the quality and freshness of its fruits and vegetables.

The main objective of the company is to serve our customers at a level that meets, or exceeds their expectations. We operate our business in a manner that our customers would like, based on their needs and desires with respect to providing safe products of premium quality in commercially adequate quantities that we procure them from. We lay high emphasis on the quality. We carry out stringent pre-shipment inspection

of products to assure quality, quantity and packing. Besides, we are equipped with spacious storerooms with cold room facility that enables us to hold huge stocks and thus meet all kinds of market demands.

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. *AVOAFRICA TZ Limited* 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. Agriculture in Tanzania is the source of livelihood for the majority of the population. 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 avocado market are focusing on product differentiation by offering innovative, better quality and affordable products. *AVOAFRICA TZ Limited* is aware of all the market forces that are surrounding the agricultural products due to its experience in the business for the past 7 years in Tanzania. 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 TARGET MARKETS AND THEIR CHARACTERISTICS

Market is not a problem for us as through our sister company, Keitt, we have been selling avocados for many years and the demand is still high. When it comes to selling agricultural products especially fruits and vegetables, 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 to the following groups of organizations;

- Individual consumers and institutional buyers such as super markets, hotels and schools.
- Local traders of agricultural commodities.
- Large organizations that buy in bulk for storage and distribution to their networks

- Food processors that make use of agricultural products as part of their raw materials.

4.2.1 Market Size

Our feasibility field survey indicates that; the market is poised to keep on growing as population grows. Highest demand comes from foreign markets. The production is expected to be done two times for season of 6 months each. The expected revenue is **US\$ 2,388,000** 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/year	Price per unit	Sales per year
Avocadoes	Tons	2000	1,050	2,100,000
Other fruits	Tons	300	960	288,000
Total		2300		2,388,000

4.3 SWOT ANALYSIS

AVOAFRICA TZ Limited 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 *AVOAFRICA TZ Limited* 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. AVOA AFRICA had huge experience in working with farmers in Iringa, Njombe and Mbeya region with huge network of stakeholders in the avocado value chain. The relationship with farmers is excellent. 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 a new company at early stage of agricultural production and manufacturing plants in the country; and we could take a financially cautious approach to engage in the kind of publicity that we intend to give 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: *AVOAFRICA TZ Limited* has arranged to start operations by looking at the most convenient market segment. The main targeted market is selling the products to our current clients in the EU and Middle East. 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.

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	100	1,000	12,000
Operations				
Operations Manager	1	600	600	7,200
Plant Supervisors	5	150	1,500	18,000
Casual labourers	139	61	8,500	101,998
Maintenance Department				
Mechanic	1	700	700	8,400
Finance & Administration Department				
Human Resources Officer	1	700	700	8,400
Accountant	1	500	500	6,000
Store Keeper	1	300	300	3,600
Personal Secretary	1	200	200	2,400
Drivers & machine operators	6	200	400	4,800
Security Officer	2	100	300	3,600
Marketing Department				
Sales Officer	1	300	300	3,600
Total	160		15,000	180,000

5.4 Raw Materials Requirements

The project requires raw materials that will be sourced within the country in Iringa, Njombe and Mbeya regions. The project intends to procure raw materials every 3 months, depending on season, thus annual material requirements amounts to USD 1.487.500.

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

Type of raw materials	Unit	Qty	Price/unit	Amount per year
Avocadoes	Tons	2000	650	1,300,000
Other fruits	Tons	300	425	127,500
Packaging materials	Pcs	200,000	0.2	40,000
Other materials (for cleaning, sorting, labeling)	Pcs	100,000	0.2	20,000
Total Purchases				1,487,500

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\$ 7,000 per month that is US\$ 84,000 per year.

Table 5.3: Production Overheads (US\$)

Item	Monthly Expenses	Estimated Annual Costs
Postage& Telephone	200	2,400
Electricity bills	1000	12,000
Water bills	300	3,600
Maintenance Costs	4000	48,000
Others	1500	18,000
Total Costs	7,000	84,000

5.6 Total production Cost

The estimated total production cost is US\$ 1,751,500 per annum as shown in Table 5.4 below. The costs of materials, labour and production overheads are calculated on monthly basis.

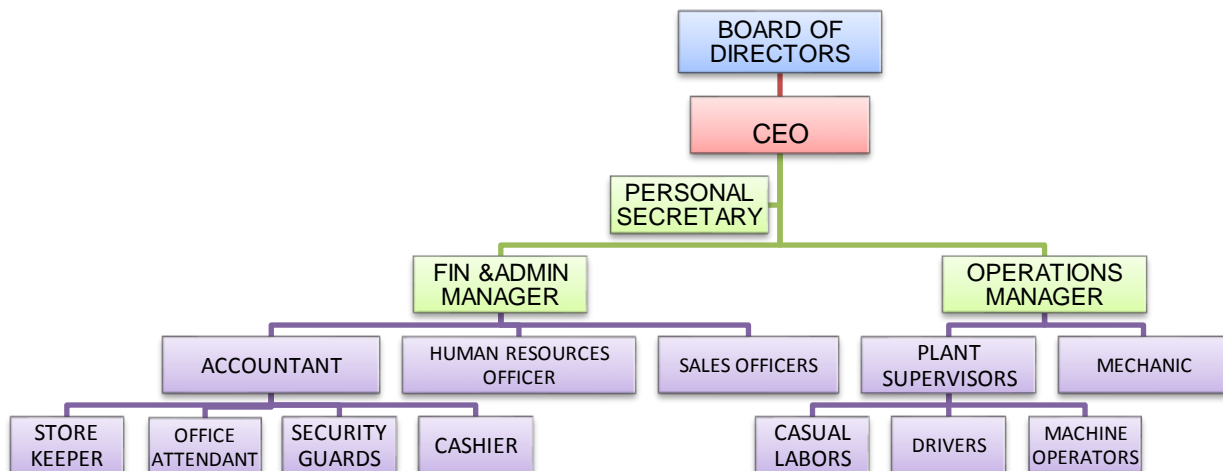
Table 5.4: Total Production Cost (US\$)

Item	Expenses/Month	Estimated Annual Cost
Raw materials	123,958	1,487,500
Direct labour	15,000	180,000
Production Overheads	7,000	84,000
Total Costs	145,958	1,751,500

6.0 MANAGEMENT PLAN

The management structure of **AVOAFRICA TZ Limited** 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 are 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 50%, 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	2,388,000	2,507,400	2,632,770	2,764,409	2,902,629
Total production cost	1,751,500	1,839,075	1,931,029	2,027,580	2,128,959
Profit Margin (Loss)	636,500	668,325	701,741	736,829	773,670

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	2,000	2,100	2,205	2,315	2,431
Bank Charges	1,500	1,575	1,654	1,736	1,823
Insurance	8,060	8,463	8,886	9,330	9,797
Office expenses	1,500	1,575	1,654	1,736	1,823
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	30,500	32,025	33,626	35,308	37,073
Depreciations	152,000	152,000	456,000	456,000	456,000
Miscellaneous expenses	2,100	2,205	2,315	2,431	2,553
Total	204,183	206,792	513,532	516,409	519,429

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	2,388,000	2,507,400	2,632,770	2,764,409	2,902,629
Less Cost of sales:	1,751,500	1,839,075	1,931,029	2,027,580	2,128,959
Gross Profit	636,500	668,325	701,741	736,829	773,670
Less Operating Expenses	204,183	206,792	513,532	516,409	519,429
<i>Earnings before Interest and Tax (EBIT)</i>	<i>432,317</i>	<i>461,533</i>	<i>188,209</i>	<i>220,420</i>	<i>254,240</i>
Less Loan interest	135,900	135,900	135,900	135,900	135,900
<i>Earnings Before Tax</i>	<i>296,417</i>	<i>173,034</i>	<i>182,784</i>	<i>193,023</i>	<i>203,774</i>
Less TAX 30%	88,925	51,910	54,835	57,907	61,132
NET PROFIT/ (Loss)	207,492	121,124	127,949	135,116	142,642
Dividend 30%	62,248	36,337	38,385	40,535	42,793
Retained Earnings	145,244	84,787	89,564	94,581	99,849

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	315,000	299,250	567,000	850,500	756,000
Machinery &Equipment	850,000	765,000	680,000	595,000	510,000
Motor vehicles	325,000	260,000	195,000	130,000	65,000
Total Non-Current Assets	1,490,000	1,324,250	1,442,000	1,575,500	1,331,000
Stocks	55,000	60,000	56,000	52,500	53,100
Debtors & Prepayments	12,500	40,950	41,500	45,400	36,700
Cash and Bank balance	205,000	230,000	215,000	206,000	211,475
Total Current Assets	272,500	330,950	312,500	303,900	301,275
TOTAL ASSETS	1,762,500	1,655,200	1,754,500	1,879,400	1,632,275
Share Capital	200,000	200,000	200,000	200,000	200,000
Additions	862,112	804,203	892,501	1,014,512	757,594
Retained Earnings	145,244	84,787	89,564	94,581	99,849
Total Equity	1,207,356	1,088,990	1,182,065	1,309,093	1,057,443
Bank loan	755,000	619,100	483,200	347,300	211,400
Total Non-Current Liability	755,000	619,100	483,200	347,300	211,400
Trade Creditors and Accruals	512,500	514,300	517,600	512,400	513,700
Taxation	42,644	51,910	54,835	57,907	61,132
Total Current Liabilities	555,144	566,210	572,435	570,307	574,832
Total Liability & Equity	1,762,500	1,655,200	1,754,500	1,879,400	1,632,275

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
	US\$	US\$	US\$	US\$	US\$
Cash from operations:					
Profits before tax	296,417	173,034	182,784	193,023	203,774
Adjustments for non-cash items:					
Depreciations	152,000	152,000	456,000	456,000	456,000
Change in Working Capital:					
Receivables	-12,500	-178,087	-183,164	-103,981	-111,319
Trade payables & Accruals	804,941	14,300	17,600	12,400	70,945
Total	1,240,858	161,247	473,220	557,442	619,400
Tax payments	-88,925	-51,910	-54,835	-57,907	-61,132
Total Cash Inflow from Operating Activities	1,151,933	109,337	418,385	499,535	558,268
Cash from investing activities:					
Purchase of property, plant & equipment	1,510,000	48,000	365,000	450,000	510,000
Net Cash Outflow From Investing Activities	-358,067	61,337	53,385	49,535	48,268
Cash from financing activities:					
Dividends	-62,248	-36,337	-38,385	-40,535	-42,793
Change in cash & cash equivalent	-420,315	25,000	15,000	9,000	5,475
<i>Beginning Cash Balance</i>	625,315	205,000	230,000	215,000	206,000
<i>Ending Cash Balance</i>	205,000	230,000	215,000	206,000	211,475

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; 150 direct jobs expected to be created to Tanzanians.
- (d) Technology and knowledge transfer
- (e) Income generation to farmers through contract farming

(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 grown fruits and vegetables 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.