

LIALE FARM ESTATES COMPANY LIMITED

BUSINESS PLAN FOR COFFEE PLANTATION PROJECT

PREPARED FOR:

LIALE FARM ESTATES COMPANY LIMITED
P.O. Box 419
MBINGA

1.0. EXECUTIVE SUMMARY

The shareholders of LIALE FARM ESTATES COMPANY LIMITED have resolved to establish a coffee plantation project. The projects will be for farming coffee trees and harvesting coffee beans which will be half processed and sold to local or international buyers. To legalize all this and in order for them to operate profitably professionally and legally, they approached our firm and assigned us to do the following:-

- To write a bankable feasibility study reports will show cost and revenue of PHASES II, III & IV.
- To amend write and fill all key Legal and administrative documents connected to the Village Title.
- To fill register and pay for registration fees certificate of Incentive and all other related documents to relevant offices.
- To apply for capital deemed capital goods to Tanzania Revenue Authority and lastly to
- Assist them to plan how to operate profitably professionally but within the ambit of law among others.

2.0. PROJECT CONCEPT AND CAPACITY

The directors of this company among others plan in Phases II & III to do the following:-

- To purchase a land for farming
- To construct spacious warehouses.
- To order a new standby generator which will be used during blackouts.
- To order a spacious motor vehicle (special) .
- To construct a spacious office block which will accommodate administrative block, managers office, directors board room e.t.c. and lastly

- To recruit more professionals in this field to enable the project to operate professionally.

All this will be possible once the said project will be registered and issued with certificate of Incentive. – We have no doubt to this as we plan to present a detailed business plan in this respect which will be supported with all key legal and administrative documents.

2.1. LEGAL STRUCTURE

In phase 1 the project was and still is operating within the ambit of law to prove this fact the company is a holder of the following key legal and administrative documents:-

- Memorandum and articles of Association.
- Certificate of Incorporation
- Tax Identification Number
- Insurance Documents
- Valuation Report
- Land Documents.
- A board resolution among others.

All these are annexed together with the feasibility study report under Annexed B” and of course they form part of this study/

2.2. THE INVESTMENT

Total investment cost of this project has been projected to cost USD 909,000. The project will be fully financed by foreign equity. Details of all this are as per Appendix 1 in this feasibility study report.

2.3. MARKET SEGMENTS

The market in Coast region is unlimited this is due to the fact that booming for industries and easy to find other markets like in Eastern Zone, Central Zone and neighboring countries, the hub of agriculture in the Tanzania especially in neighboring zone there is population of about 20 million people who took meat and other various crops. There is more than 290 tourist hotels in near by zone and Central Zone especially Dodoma is a strategic located as one of the market place expected, this prove the fact that the establishment programme of this project will meet a ready market in this respect. All this is debated in details in the main report.

2.4. FINANCIAL AND OTHER RELATED ISSUES

In this project document we have taken trouble to compute key financial figures among them they include that of:-

- The Investment Pattern
- The Project cash Flow statement
- Projected Profit and Loss Statement
- Projected Balance Sheet Statement
- Depreciation Schedule and Lastly
- The Internal Rate of Return

All the above mentioned computations prove both the profitability and viability of this project – details of all this are debated under para 6.0 -6.6 in this feasibility study report and the same are supported from “Appendex 1 – 7”

2.5. CONCLUSION

Going by facts and figures in this project document one can easily conclude that the project was and still is viable. Profitable socially accepted and with a lot of social impact together with other multiplying issues.

2.0 MAIN REPORT

2.1 BACKGROUND INFORMATION

As stated in the Executive Summary, the new shareholders of this company have decided to establish this project for coffee plantation

To reach to this decision they have approached our firm and have assigned us to do the following:-

- To write a detailed feasibility study report and present the same to Tanzania Investment Centre policy and to the Tanzania Investment Act, 1997.
- To write a bankable business plan and present the same to Tanzania Investment Centre in order to apply for Certificate of Incentive.
- Once all this is done they have assigned us to update all key legal and administrative documents and lastly apply for exemption of all capital deemed capital goods to Tanzania Revenue Authority once the Certificate of Incentive is granted.

2.2 PROJECT CONCEPT

Key issues connected to the establishment of this project is to capitalize on the wide market connected to this business – another issue which the shareholders of this company want to achieve is to improve quality of their products they also plan to increase the number of staff by employing well motivated staff – all these efforts will increase productivity at the farm and of course increase market share to the advantage of the promoters of this project.

2.3 PROJECT STRUCTURE AND TECHNOLOGY

The company plan to start with farming various short term crops, which will be sold to various nearby market and some products will be for export. The company will import new and modern equipment's for farming of various crops.

The company aims to register a coffee plantation project which will also have CPUs and full process for coffee beans to be exported or for local market

The Company also aims to import fabricated warehouse from South Africa.

2.3 LEGAL STRUCTURE

All key legal and administrative documents connected to this project are in order the same are listed serially under para 1.2 above, as stated in the executive summary all are annexed together with this study and form part of this study.

3.1 MARKET SEGMENTS

Markets connected to this projects can be illustrated as under.

3.2 DISTRIBUTION CHANNELS

The company have its our van which time and again is used to distribute the produces to the customers. It has been planned in this phase after the approval Tanzania Investment Centre to buy vehicle which will be dealing with customers who are located away from Ruvuma e.g. Mbeya, Songwe Dodoma, Dar es Salaam and neighboring countries such as Kenya, Zambia, Congo and Malawi – to date one can conclude that all channels of distribution of their products are operating efficiently.

3.4 SWOT ANALYSIS

We have tasted the marketability of the entire project based on a professional approach (SWOT ANALYSIS) the result if this approach have revealed the following basis facts:-

Strength

Strength of this project is backed by several policies e.g. Agriculture Policy of Tanzania, the Investment Policy among others. The location of the project is another added advantage.

Weakness

The project is affected both by capital budget and partially with operational budget, besides the fact that the company is enjoying an overdraft from one of financial institution here in Ruvuma Region the current interest rate changed time and again affects smooth running of the project. The shareholders cum directors of this company have resolved and decided to apply for term loan from in order to diffuse the financial gap currently experienced in the company cash flow.

Opportunities

Due to the fact that the project is located in the heart of tourism industry, the opportunities connected to this project are unlimited – to cap it all, the economic performance of Ruvuma, Dodoma, Dar es Salaam, Tanga and other neighboring countries added advantage and indeed it is an opportunity to promoters of this project.

Threats

There are investors in Dar es Salaam, Arusha and Moshi especially foreign investors who have established coffee shops from abroad and from South Africa and sometimes from East African region, this might pose a threat to this business. We expect the government will take proper action to safeguard the local market which create a lot of multiplying effects to the government of United Republic. Based on the aforementioned analysis one can easily conclude that

the project stand a better chance of proving to be both profitable and sustainable.

Demand

Figures in this feasibility study report prove that demand of coffee beans override the levels of supply.

Supply at the Farm

Supply of coffee beans is steady throught the year as the promoters of this project have professional plans of rotation once the 1st stock of is sold another stock is ready for sale this approach si capable of maintaining the supply of coffee bean for twelve months.

4.0 JUSTIFICATION OF THIS PROJECT

4.1 WHY THE PROJECT

The project in question is important to the economy, the locality where this project is located is also important for people and indeed to all Tanzanians as there is a lot of spiral over effect both socially and economically.

4.2 THE AGRICULTURE POLICY

The ministry agriculture have its own policy, among key issues connected to this policy is to encourage projects of this nature. - This being the case we expect and believe that the shareholders of this company will be supported not only by the government but also by Tanzania Investment Centre all the above mentioned facts justify why this project need to be supported and financed of course after it has been registered with Tanzania Investment Centre.

5.0 EMPLOYMENT, MANAGEMENT AND CONTROL

5.1 THE ADMINISTRATION SET UP & EMPLOYMENT

The management of this company is guided by official policies (management and accounting). All staff are well motivated and are guided by the following administrative structure. The project expect to have ten direct employees and more than 50 casual labours.

5.2 ACCOUNTS DEPARTMENT

At the farm the accounts department is properly guided by a registered chief accountant, the chief accountant is a member of NBAA and he is time and again assisted by well motivated staff in stores, purchases department and in the accounts department. The chief accountant has a duty of preparing daily, weekly, monthly and yearly and reports all this prove the administration live of command in the accounts department to be very effective.

5.3 STORES AND REPORTING SYSTEM

The stores is managed by a celebrated storekeeper who is conversant with stores accounting, as it has been the case with the chief accountant he also reports to the board daily, weekly, monthly and yearly this proves that store accounting is water tight to guarantee a tight stores accounting.

5.4 INTERNAL AUDITOR AND EXTERNAL AUDITORS

Internal auditors are assigned to monitor internal control of all business transaction of the company external auditors are assigned to prepare final accounts in conformity to the National Board of accounts and Auditors Act and of course they work closely with Tanzania Revenue Authority.

5.5 THE BOARD

The board of directors is the policy maker of the entire organization the board is also the watchdog of the company.

6.0 PROJECTED COST AND REVENUE OF THE PROJECT

6.1 ASSUMPTION

When we were computing the annexed financial statements we assumed as follow:-

- Tourism industry will continue to boom in the southern circuit.
- Peace and tranquility will continue to be maintained in Tanzania.
- The economy of Tanzania will stabilize and will continue to grow positively.

6.2 THE INVESTMENT PATTERN

The investment pattern is as per appendix 1 in this feasibility study report the ratio of contribution has been projected to be at the ratio of 33% 67% respective – What has been shown as equity include total investment made so far at face value, a detailed valuation report tells it all.

6.3 PROJECTED CASH FLOW STATEMENT

Projected cash flow statement is as per appendix 2 in this feasibility study report the cash flow is positive thought the trading period save for year 3 and year 6 this is so due to an element of the investment of plant and equipment of course repair and maintenance of buildings.

6.5 PROJECTED PROFIT & LOSS STATEMENT

Projected profit and loss statement are annexed under appendix 4. The figures show profitability through the trading period.

6.6 PROJECTED BALANCE SHEET

The projected balance sheet is annexed under appendix 5 in this feasibility study report. The annexed balance sheet prove the viability of this project.

6.7 PROJECTED DEPRECIATION SCHEDULE

The projected depreciation schedule is annexed under appendix 6 we have taken trouble to compute all this in order to alert the management to plan for a profession replacement of fixed asset in their official fixed asset register.

6.8 PROJECTED INTERNAL RATE OF RETURN

This project is related to farming/ agriculture or projects like animal husbandry the I.R.R at the rate of 19.5% to us is favorable.

7.1 ENVIRONMENT ISSUES AND OTHER HEALTH HAZARDS

The management expect to employ experts in this respect as the result we don't expect any health hazards to affect smooth running of the entire project.

7.2 OTHER BALUE ADDED ISSUES

A lot of people will benefit once this project will be expanded to accommodate phase 11 & 111. Farmers, professionals and villages surrounding the area, shops of spares, petrol stations to name but few are among indirect beneficiaries of this projects.

7.3 IMPLEMENTATION SCHEDULE

The company has already purchase land in Ruvuma. December 2021 the company will Import some machines which will expected to reach on March 2022. The installation process will finish before May 2022, and startup of project will be expecting to be on June 2022.

7.6 CONCLUSION

The project is viable, profitable and sustainable as it has social political and economic impact to the country and that it is in line with a lot of policies and of course it is in line with the economic vision 2025, we thus recommend the project to be registered by TRA, assisted by government officials and financed by financial institution.

FINANCIAL STATEMENTS

INVESTMENT BREAKDOWN

PARTICULAR				AMOUNTS USD	
Land and Buildings				265,000	
Plant & Machines				290,000	
Motor Vehicles				203,000	
Furniture & Fixtures				10,000	
Pre Expenses				10,000	
Working Capital				131,000	
TOTAL				909,000	

FIXED ASSETS SCHEDULE

NAME OF ASSETS			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings			265,000	251,750	238,500	225,250	212,000
Plant & Machines			290,000	232,000	174,000	116,000	58,000
Motor Vehicle			203,000	188,000	173,000	158,000	143,000
Furniture & Fixtures			10,000	8,750	40,000	35,000	30,000
Total			768,000	680,500	625,500	534,250	443,000
Depreciation			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings			13,250	13,250	13,250	13,250	13,250
Plant & Machines			58,000	58,000	58,000	58,000	58,000
Motor Vehicles			15,000	15,000	15,000	15,000	15,000
Furniture & Fixtures			1,250	1,250	1,250	1,250	1,250
ANNUAL DEPRECIATION			87,500	87,500	87,500	87,500	87,500
CLOSING FIXED ASSETS			680,500	593,000	538,000	446,750	355,500

OTHER OPERATING COST

Other Operations Cost		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Motor Vehicle running expens		24,000	24,400	24,800	25,200	25,600
Salaries and Wages		21,000	23,100	25,410	27,951	30,746
Administrative Overhead Costs		14,000	15,400	16,940	18,634	20,497
Utility Costs		12,000	13,200	14,520	15,972	17,569
Interest on Loan		56,000	61,600	67,760	74,536	81,990
Communication Exepnses		4,000	4,400	4,840	5,324	5,856
Total Costs		131,000	142,100	154,270	167,617	182,259

PROJECT BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets	768,000	680,500	625,500	534,250	443,000
Long term Assets					
Depreciation	87,500	87,500	87,500	87,500	87,500
Total long term assets	680,500	593,000	538,000	446,750	355,500
Current Assets					
Cash	406,100	684,700	979,050	1,292,735	1,625,723
Account Receivable	105,000	110,250	216,535	421,763	527,628
Inventory	214,710	376,383	438,469	402,292	467,493
Total Current Assets	141,000	141,000	141,000	141,000	141,000
Total Assets	821,500	734,000	679,000	587,750	496,500
Current Liabilities					
Accounts Payable	84,000	88,200	92,610	97,241	102,103
Other Current Liablit	70,000	73,500	77,175	81,034	85,085
Subtotal Current Liabi	154,000	1,616,700	169,785	178,274	187,188
Long term Liabilities					
Long term Liabilitie	1,820,000	1,820,000	1,820,000	1,820,000	1,820.00
Total Liabiities	680,500	593,000	538,000	446,750	355,500
Net Assets	820,810	877,633	951,268	1,044,516	1,157,656
Captil and Reserves					
Owners Contribution	780,000	780,000	780,000	780,000	780,000
Retained Earning	40,810	97,633	171,268	264,516	377,656
Total Capital	821,500	734,000	679,000	587,750	496,500

PROJECTED INCOME STATEMENT

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR5
Sales Revenue		1,630,000	1,956,000	2,347,200	2,816,640	3,379,968
Cost of Sales		326,000	326,000	326,000	326,000	326,000
Gross Profit		1,304,000	1,630,000	2,021,200	2,490,640	3,053,968
Operating Expenses						
Administrative Overhead						
Costs		105,000	106,050	107,111	108,182	109,263
Motor Vehicle running		5000	5,050	5,101	5,152	5,203
Expenses		8,000	8,080	8,161	8,242	8,325
Salaries and Wages		78,000	78,780	79,568	80,363	81,167
Depreciation		81,000	81,810	82,628	83,454	84,289
Marketing Costs		6,500	6,565	6,631	6,697	6,764
Utility Costs		10,500	10,605	10,711	10,818	10,926
Insurance		10,000	10,100	10,201	10,303	10,406
Interest on Loan		12,200	12,322	12,445	12,570	12,695
Communication		1,750	1,768	1,785	1,803	1,821
Total Expenses		207,950	210,030	212,130	214,251	216,394
Profit before Tax		1,096,050	1,419,971	1,809,070	2,276,389	2,837,574
Tax (30%)		328,815	425,991	542,721	682,917	851,272
Profit After Tax		767,235	993,979	1,266,349	1,593,472	1,986,302