

ENZA ZADEN AFRICA LIMITED



BUSINESS PLAN FOR THE NEW INVESTMENT AND REHABILITATION OF EXISTING SEED PRODUCTION FACILITY BY CONSTRUCTION OF SOPHISTICATED HIGH TECH GREENHOUSES, PURCHASE OF PRODUCTION OF SEED RELATED EQUIPMENTS.

**Enza Zaden Africa Limited,
P. O. Box 2750,
Arusha - Tanzania**

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1.0 EXECUTIVE SUMMARY OF PROJECT OBJECTIVE

This study was done to determine the feasibility of conducting a new investment manufacturing project under high tech condition for seed production and processing for high quality hybrid vegetables of the farm by Enza Zaden Africa Limited Company registered under the laws of the United Republic of Tanzania having its registered offices in Arusha, Tanzania.

The company is focused on production of Hybrid vegetable seeds and supporting related agricultural activities. This analysis has showed that there is still a large potential in the vegetable agricultural industry that is not being fully utilized.

This analysis includes a review of the market and agricultural activities in light of the recent global changes and challenges, the efficiency and quality of services provided by the company. It is apparent that events in the world today have a direct bearing on the rhythm and vibe of the business of the company and hence an ardent need to expand the services offered by the company so as to accommodate new challenges.

From the market research carried, the agricultural sector remains the key sector in economic growth of United Republic of Tanzania. The government has taken steps to encourage private companies to participate in the agricultural industry which is obviously the most depended sector in the country.

1.1 Investment Cost:

The additional Investment is estimated to cost **EURO 6,602,000** when will be fully completed.

1.2 Sources of finance:

The Investment will be financed by Parent company Enza Zaden Beheer B.V.

1.3 Employment opportunities:

The Company will employ an additional of 150 employees after the implementation of the expansion. 80% employees are women. This will result in a total of 450 Tanzanians (Female 315 and Male 135) working with the company and shall create several indirect employment opportunities to other Tanzanians.

1.4 Implementation Period:

The project is initiated by receiving supplier quotes and orders placed and current application is for new investment to utilise the available land and current project shall be implemented over a period of Two years starting from the current year.

1.5 Investment Profitability:

The Investment is viable as an Internal Rate of Return on Investment shows a healthy rate of over 7.5 % and a short payback period of 12 years only.

1.6 Conclusion and recommendation:

The Investment is economically viable, socially desirable, and environmentally friendly, hence it is recommended for approval and implementation. Enza Zaden Africa has been paid various taxes for past 5 years as below mentioned table;

Particulars	2017	2018	2019	2020	2021
P.A.Y.E	320,680,238	274,347,987	275,315,943	322,691,550	309,258,027
S.D.L	51,737,156	43,245,767	46,761,077	53,731,288	52,023,113
W.H.T	115,913,333	193,946,132	173,610,907	183,751,443	187,948,208
Corporate Tax	216,000,000	388,510,699	180,000,000	337,881,598	310,208,596
Customs & Import Duties	155,955,273	46,426,472	90,608,285	172,491,737	195,420,658
W.C.F	13,280,252	20,126,591	18,757,595	20,728,237	18,532,853
Service Levy	21,711,692	37,658,126	37,658,126	32,925,594	33,188,437
NSSF Employer 10%	189,826,126	201,010,863	200,757,423	236,965,638	258,959,355
N.H.I.F	55,006,604	68,227,437	74,552,389	85,223,395	97,953,532
Total Contribution in TZS	1,140,110,674	1,273,500,072	1,098,021,744	1,446,390,481	1,463,492,779

By bringing the new investment in the country under TIC, we do expect to pay additional taxes approximately **TZS.250 million** each financial year extra to the various Tanzania government institutions.

2.0 INVESTOR PROFILE

M/s ENZA ZADEN AFRICA LTD was incorporated as a limited company established on 25TH February 2003 under the certificate of incorporation No: 45437 (a copy enclosed for your ready reference) with a main objective of engaging in the business of production of Hybrid vegetable seeds and production of plant seedlings.

This study and application is being placed before you for the purpose of investment for manufacturing project under high tech condition for seed production and processing for high quality hybrid vegetables of the farm additional of the existing business under TIC umbrella.

The company is focused on production of Vegetable Seeds and supporting related agricultural activities. Our market studies and past experience has showed that there is a large untapped potential in vegetable agriculture industry and that events in the world today have direct bearing on the rhythm and vibe of business of the company and hence ardent need to expand the services offered by the company and the company strongly feels it can achieve its goal under TIC umbrella which could take the role of a catalyst.

The company has two share holders as below:

- **Enza Zaden Beheer B.V, Hailing ie, 1602, DB EnKhuizen, The Netherlands.**
We invite you to visit the website at www.enzazaden.com for the full profile of the promoter and the major share holder of the company.
- **Triachem (T) Limited of Post box 2750, Arusha,** Tanzania who has been in the business of trading of seeds and has presence in the Tanzanian markets over a decade.

Enza Zaden Beheer b.v. (ENZA) was founded in 1938 by Jacob Mazereeuw in Enkhuizen, the Nether Lands. Today, ENZA is a worldwide leading and high quality breeding company of vegetable seed varieties with 17 Research Stations in 11 countries, 21 Commercial Subsidiaries in 21 countries, 1 R&D and Commercial Joint Venture in Indonesia and 1 Seed Production Joint Venture in Arusha, Tanzania and 1 Seed Production station in Argentina. ENZA has introduced many innovations. The source of popular Campari tomato, the prize winning Sweetgreen pepper and the promising Eazyleaf lettuce varieties, all originated from ENZA.

One of the pertinent business challenges of ENZA is to meet the ever-growing demand for high quality vegetable seeds of newly developed varieties to introduce in the international market in time. Vegetable seed production is a labor intensive and time-consuming activity, on average for fruit crops of 10 months. Majority of the current vegetable seed production facilities of ENZA, worldwide, do not offer possibilities for year-round seed deliveries due to seasons and therefore fixed sowing periods.

To mitigate this challenge, in 2003, ENZA has entered into a joint venture with Triachem (T) Limited, Tanzania to set up Vegetable Seed Production facility in Arusha, Tanzania. Enza Zaden Africa Limited (**EZTZ**) is established through this joint venture to produce high quality vegetable seeds for new varieties,

export seeds to ENZA. However, the current production capacity of EZTZ is not helping to meet the current demand and in some cases is not helping to compete with cost prices of other growers in the competitive international market. ENZA is now contemplating with an option either to increase current production capacity of EZTZ in the coming 4-5 years or to establish another Vegetable Seed Production facility in Uganda or Kenya, similar to the one in Tanzania.

About the Facility:

- a. The facility for the company is located at plot # 104 on Nelson Mandela Road in Arusha as the climate and required sources found to be ideal for achieving the objective of producing high quality hybrid seeds.
- b. 2. The facility at Plot # 104 is of 6-hectare farm with a first-class construction and has over 50,000 square meter area under greenhouses with all modern facilities to produce a high quality seeds.
- c. The scope for further new investment to over 18,000 square meter area for which the proposed investment for over next two years is detailed below.
- d. Currently employee strength stands at 300 Permanent employees. The proposed new investment shall cover another 150 Permanent employees which will make a total of 450 workforce from the local community.

3.0 INVESTMENT COSTS

3.1 Investment structure

The current investment is purely for development and new investment of the capacity from current 50,000 square meters of greenhouse growing space to over 68,000 square meters area. 80% of the proposed investment is going to be spent on green houses and the equipment's and machinery required.

3.2 Investment Financing:

The Investment of Euro **6,602,000** shall be financed by Enza Zaden Beheer B.V to the Enza Zaden Africa Ltd by the loan agreement with repayment option of 12 years period. Please refer our loan agreement.

3.3 Investment Capacity:

The Investment will increase company operating efficiency and capacity by 30%. The company will increase its turnover from the current levels by an average of over by 100% with in next three years from now.

The proposed area shall be ready fully operational by the end of year 2024. The utilization of the additional capacity is going to be totally booked by our customers as we go on to invest and develop the existing area in our farm.

3.4 Investment Impact:

This additional investment into Tanzania will have the following impact:

- a) Additions to foreign exchange Euros € 1,200,000 (TSH: 3.12 Billion) every year.
- b) Creates employment for 150 permanent Tanzanians - more than 80% are women. In addition to the permanent workers, an additional 100 casual employees will be employees during peak seasons. Further many labors are needed during the expansion period.
- c) Access to use innovative and latest technology, information systems and know-how help to gain unique knowledge in vegetable seed production.

The intention to export the entire seed production to Holland and from there it is distributed all over the World, which will have a positive development effect on Tanzania. Export earnings will flow to the country, which will have a positive impact on the foreign exchange reserve. It is Enza Zaden's plan to reinvest a large part of its profits from this project into expanding the production facilities in order to increase supply. This will make a backward integration in terms of investing in agriculture

The project is expected to create a large number of jobs, since a lot of manual work is carrying out in the project. Enza Zaden Tanzania expects to employ more employees up to an approximately 340 permanent employees. In line with the building up of expertise facilitating the production of more complicated seed production it is intention to expand the number of green houses and thus also the number of employees.

The access to staff with experience within the agro sector is good in Tanzania. However, the skills of the employees will be upgraded in order to match the type of requirements that Enza Zaden Tanzania need in terms of production technique and quality control. It is a focal point for Enza Zaden Tanzania to establish local competencies and to transfer of know-how and technology.

3.5 Sales Revenue:

It is estimated that at full capacity of the Investment the company will be able to generate over above **Euro 5 million to 6 million** per annum from its activities.

4.0 PROCESS AND QUALITY CONTROL AND RISK ANALYSIS

4.1 Process

The following are the standard techniques / process in use at EZTZ for hybrid vegetable seed production:

Crop management:

- Planting season
- Soil and location
- Female to male parent ratio
- Synchronizing sowing and planting
- Stagger planting
- Transplanting
- Staking and pruning
- Purity of the parental lines

Emasculation and pollination:

- Emasculation
- Pollen collection
- Pollination
- Post-pollination cultural management

Harvesting, seed extraction and processing:

- Harvesting
- Seed extraction and processing
- Seed drying
- Quality testing

4.2 Quality Control

Good Seed and Plant Practices (GSPP) is an international, transparent business chain system. GSPP ensures that the production site's quality management system, work methods and information supply comply with the GSPP standard.

The GSPP standard is based on the state-of-the-art knowledge and will be evaluated yearly. Experts from the industry and research institutes are consulted to assure that the GSPP standard is up to date. Verification by audit organizations ensures availability of healthy seeds and plants as well as reliable quality information per production site, per entity or per lot/batch.

4.3 The four risk factors:

a) Water

Management of a production site must assure that the water is free from contamination. If needed, the water is disinfected.

b) People

Wherever there is a risk of contamination of products by personnel, visitors or technicians, people have to change clothes or wear protective clothing before entering the production area. Everybody must wash his or her hands with disinfection soap before entering the production area.

c) Propagation material

All propagation material must be produced by the GSPP standard. If the material is not GSPP accredited, the production area needs to be separated by hygienic measures from other parts of the site where GSPP accredited material is growing.

d) Materials

The risk of carrying in harmful organisms needs to be assessed by risk analysis. Depending on that analysis, materials (like machines, trays, potting soil etc) can be classified as safe or not safe. If materials are not safe, they must be disinfected before entering the production area.

5.0 PROJECT LAND USE & IMPLEMENTATION

5.1 Project Land use

The project will be located on plot 104 at Enza Zaden Africa area, Nduruma, in Meru Region. The Company has expending an area of 2.0 Acres of Land.

Based on physical inspection of the proposed site, the availability of basic and essential industrial infrastructure is largely in place as indicated in the summary assessment below:

Required Infrastructure	Available	Need to be established
Electricity Power supply	√	
Greenhouse structure to the project site	√	
Clean Water system to the project site	√	
Sewerage system to the project site	√	
Main Road Connecting Zone and Truck Road	√	
ICT Connectivity (Fiber Optic)	√	
Internal Road network within the project site	√	

The proposed site is supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line. As part of an alternative power supply, the company will buy a heavy-duty power generator that will be connected for standby power supply. In the new investment plan, the company plans to install and use solar power for administration and other miscellaneous activities and not processing activities.

The proposed site has a reliable water supply connected to the Pangani Water Basin Urban Water Supply & Sewerage Authority line.

The proposed project site is located within the centre of Arusha and Meru region with access to by tarmac roads.

As for communication system, mobile tower operators (service providers) are available near the project area are such as Vodacom, Tigo, Airtel and Halotel. The particular business communication system with external world/entities is expected to improve once the company becomes operational.

Sewerage system is available for this project. As for effluent coming out the project operations, the Company will recycle effluent water by using high technology.

5.2 Implementation Schedule

The Enza Zaden extension project is located on an area of 1.8 Acres.

Key infrastructure is available like onsite roads, Systems of power, water and sewerage system. Onsite common infrastructure on this Business Plan refers to facilities that will facilitate smooth operations of the processing factory which include but not limited to Parking Areas, Power Networks and Substation, Sewerage Lines, Septic Tanks, Fencing, Gate and Lighting. The land use plan will be as follows:

Land Use	Area (Acres)	Percentage
Processing Facility	1.45	80%
Raw Materials and Finished goods Storage area	0.15	08%
Green area	0.20	12%
Total	1.80	100%

The project will be developed in one phase within two-year time frame once TIC license approved.

5.3 Equipment

The new investment and upgrade will require the equipment to be utilized in its daily activities as per the list enclosed. Refer to the requested exemption list annexed with application.

6.0 MAN POWER REQUIREMENT AND ORGANIZATION STRUCTURE

6.1 Management Summary

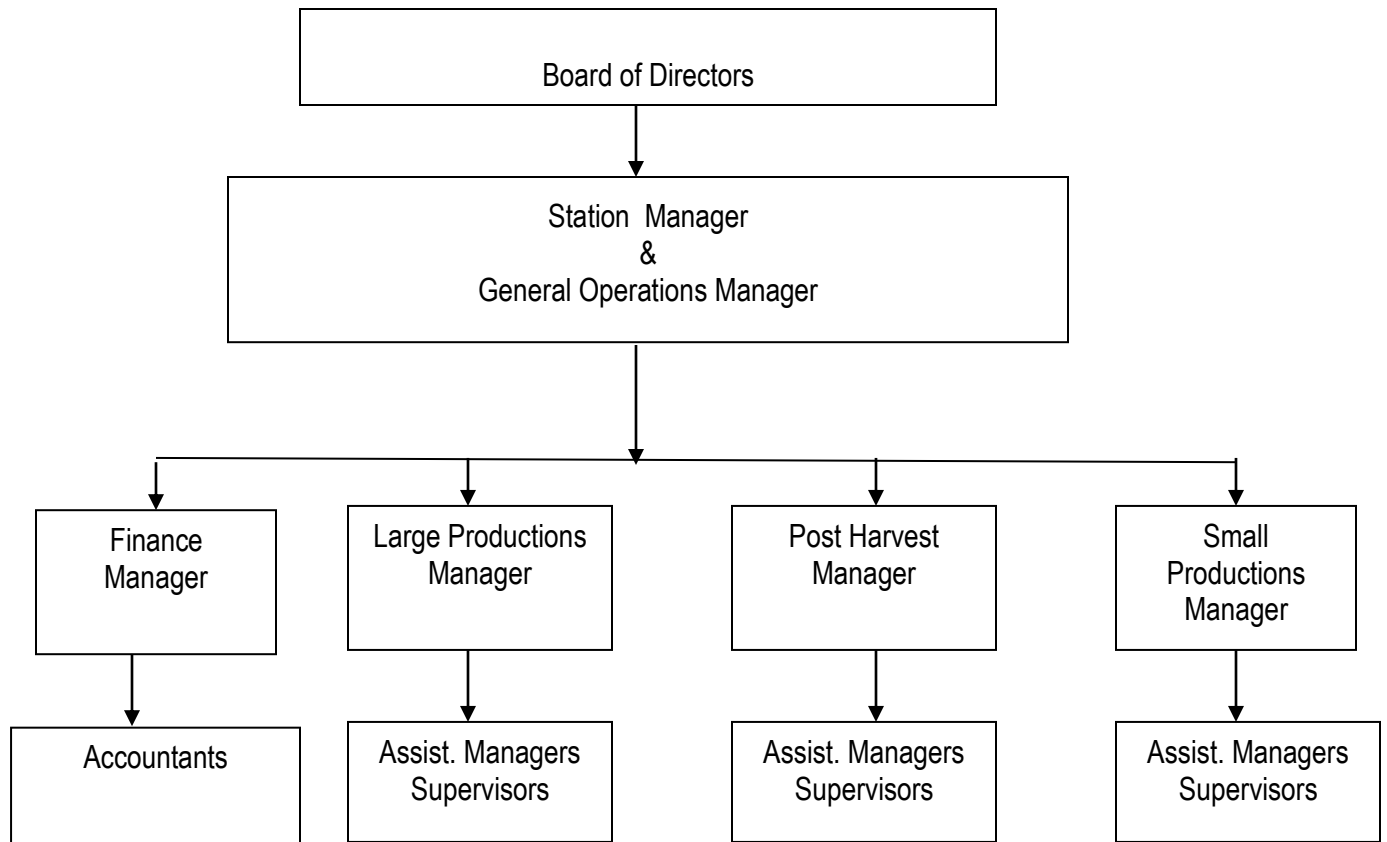
The company's management has been kept at a minimum level in order to reduce overheads. However the company and its employees work collectively and cooperate in management duties and decision making. It is important for each member of the team within the company to effectively dispose his or her duties in the company. It is a prerequisite for all employees of the company to have sufficient experience, knowledge and ability to work under intense pressure and a challenging environment.

6.2 Organization

The management philosophy of the company is based on responsibility and mutual respect. The Company maintains an environment that stimulates productivity and emphasizes respect for customers and fellow employees. The company structure is linear, which lends the staff responsibilities and decision making power.

The company shall, as a result of the investment program, employ approximately an additional of 150 employees resulting in a total of **450 employees** which includes **5 expatriates and 445 locals**. The management of the company shall consist of the Board of Directors, Station Manager, Operational General Manager, Production Manager, Human Resource Manager, Post Harvest Manager, and Finance and Administration Manager. The Staff shall include an accountants, Technical Staffs, Personal Secretaries, Drivers and Office Attendants.

ORGANIZATION CHART



6.3 TRAINING

There will be periodical in house training for all employees of the company. Most of the managers will be sending for training and familiarization with the parent company in The Netherlands. In the past four years we have send already 10 managers, and this year a new manager will be going for training in The Netherlands.

However full time high level training is one of the priorities of the company geared towards the improvement of the quality of the services offered by the company and facilitate the employees with new skills and knowledge.

7.0 ECONOMIC BENEFITS OF THE INVESTMENT

The Investment thereafter shall have the following economic benefits;

- 7.1 The government will earn extra revenue in the form of taxes to be deducted from the income generated by the company.
- 7.2 The Investment will bring in the valuable foreign exchange as a result of company's export operations.
- 7.3 The Investment will lead to creation of a cost effective structure that shall enable the company to generate additional profits throughout the year.
- 7.4 The company shall employ an additional of **150** employees.
- 7.5 The Investment shall lead to provision of practical training to employees along with high tech machinery knowledge from international professionals.
- 7.6 Upgrade of the general infrastructure and results in creased capacity by over 40% of the company.

8.0 SOURCE FO RAW MATERIALS

The International market for seeds has a need for a flexible production that has a short lead-time and where larger quantities can be handled. Enza Zaden Tanzania are demanding high quality products, that is why it is important to ensure that the right raw materials are being processed and that a thorough quality control is being carried out before, during and after the production. The Seeds produced needs to be always consistent of high quality!

9.0 TECHNOLOGYS

Enza Aden Africa is in the business for the last 18 years has ample expertise with the support of promoter and shareholder, Enza Zaden Beheer B.V, Holland who are in this business since over 80 years and their branches in over 36 countries worldwide sharing the new techniques in producing the pathogen free and healthy seeds required by the customers all over the world.

The company has the state of the art of technology in irrigation and seed cleaning and plant care.

10.0 FINANCIALS.

The progress of the company has been steady and encouraging to its promoters and shareholders.

The company with the current upgrades could reach to the new heights for the years to come and

The expansion plan would certainly be the key factor. For your records, down below are the figures

For the past three years.

Year	Sales - Export	Sales – domestic	Operating Profits /
	(Value in ‘000” of Tzs)	(Value in ‘000” of Tzs)	(Value in ‘000” of Tzs)
2018	10,451,563	0	1,562,574
2019	9,077,966	0	420,772
2020	11,161,861	0	1,780,390
2021	11,207,952	0	1,622,883

Box 1

Why Agriculture is Critical to Poverty Reduction

According to the latest (1991/92) Household Budget Survey in Tanzania, the majority of the poor are found in rural areas, where agriculture is the mainstay of livelihoods. Agriculture, as defined in this report, has such a dominant role in the economy that it is the most critical of the sectors that have been identified as the *priority poverty reduction sectors* in the PRSP. In the long run, commercializing smallholder agriculture and accelerating its growth rate are critical in pulling the majority of the rural poor out of abject poverty. The ASDS lays the foundation stones for this long run objective but also proposes interventions with a more immediate impact on rural poverty alleviation through diversified and increased production and productivity of smallholder agriculture.

The investment climate which has improved over a period has been encouraging despite some signs of adversity but, we at Enza foresee a lot of improvement and hence going for expansion.;

The Financial projections for the next 5 years looks very healthy backed up by cash flow which depicts the investment to be feasible as the exports shall rise by over 50%.

10.1 Projected Profit and Loss Accounts

Projected Profit and Loss accounts statement is annexed with the even header.

Profitability evaluation of the Investment presented indicates that the Investment will realize fairly high profits throughout the period under review. An operating profit should be realized during the first year, and shall continue to increase onwards.

Profits generated as a result of the Investment should enable the company to have a very healthy reserve which encourages the promoters / investors and enhance the operations in the future years to come.

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
Total Revenue	€ 1,200,000	€ 1,212,000	€ 1,224,120	€ 1,236,361	€ 1,248,725
cost of raw materials	€ 216,000	€ 218,160	€ 220,342	€ 222,545	€ 224,771
Depreciation Costs	€ 660,260	€ 660,260	€ 660,260	€ 660,260	€ 660,260
Other Direct Costs	€ 70,000	€ 77,000	€ 84,700	€ 93,170	€ 102,487
Profit (Loss) before interest and Taxes	€ 253,740	€ 256,580	€ 258,818	€ 260,386	€ 261,208
Interest Expense	€ 132,000	€ 120,000	€ 110,000	€ 100,000	€ 90,000
Corporate Income Tax	€ 36,522	€ 40,974	€ 44,646	€ 48,116	€ 51,362
NET PROFIT (LOSS)	€ 85,218	€ 95,606	€ 104,173	€ 112,270	€ 119,845
Net Profit/Sales	7%	8%	9%	9%	10%
Internal Rate of Return (IRR)	15%				
Payback Period (year)	12				

10.2 Projected Cash flow

Refer to the Annexure with even header:

The Investment will be able to generate enough cash to meet its obligation including financing any capital expenditure during the investment period. Refer to the below summary sheet of cash flows which shows that positive inflows dominate the cash out flow right from first year.

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
Profit (Loss) before interest and Taxes	€ 253,740	€ 256,580	€ 258,818	€ 260,386	€ 261,208
Interest Expense	-€ 132,000	-€ 120,000	-€ 110,000	-€ 100,000	-€ 90,000
Corporate Income Tax	-€ 36,522	-€ 40,974	-€ 44,646	-€ 48,116	-€ 51,362
Addback Depreciation	€ 660,260	€ 660,260	€ 660,260	€ 660,260	€ 660,260
Net Cash Flow	€ 745,478	€ 755,866	€ 764,433	€ 772,530	€ 780,105
Loan Repayment	€ 500,000	€ 500,000	€ 500,000	€ 500,000	€ 500,000
Liquidity for this project	€ 245,478	€ 255,866	€ 264,433	€ 272,530	€ 280,105

10.3 Payback Period

Normal payback period for the project will be *Twelve* years. This period is acceptable for an agricultural investment project.

10.4 Financial Performance & Balance sheet

In spite of our enthusiasm about expansion of our existing facility in Tanzania, we have tried to have conservative expectations about the performance of the project. However, we are very pleased with the budget we put together, since it lives up to the expectation of the investors and we are confident that we can meet these goals with our business setup.

The study assesses the liquidity of the Investment further and presents highly attractive balance sheets throughout the period under review. While the current Liabilities of the Investment will be covered adequately by current assets, the balance sheet indicates favorable state of affairs of the company throughout the projected period.

11.0 EXPORT MARKET

The entire produce is meant for exports. All the exports would be at current to Holland to the parent company from where the products are being further exported to all over the world. As such till now, all our sales have been exports to Europe.

12.0 MARKET STRATEGY

Our basic strategy is to maintain high quality as per the requirement of the customer and at the time they are required and at the place the produce is required.

The seeds are produced under GSPP conditions which has always assured market for the produce.

13.0 ENVIRONMENTAL IMPACT ASSESSMENT

To insure good practice for the environment the company did preliminary Environmental Impact Assessment, however very special care is being taken in order to prevent any hazard to the environment.

14.0 CORPORATE SOCIAL RESPONSIBILITY (CSR) SUPPORT BY ENZA ZADEN AFRICA LTD

Enza Zaden Africa Ltd has enthusiasm to support Local University students by giving training on high-tech agricultural equipment's and moderate crop technologies. Currently university of Daressalaam, Sokoine University of Agricultural Tanageru Livestock Training Institute etc., students are getting benefit to learn at our farms. Furthermore, Enza Zaden Africa has created and given employment of 5 Sibusiso Centre students. The work of the Sibusiso Centre is concentrated on children from birth -18 years who are mentally disabled. A number of these children are also physically disabled

15.0 CONCLUSION

ENZA ZADEN has been making it's presence felt in Tanzania for the past 19 years with sound back up of shareholders, have decided to march ahead for the new investment manufacturing project under high tech condition for seed production and processing for high quality hybrid vegetables of the farm where we still have the additional land for development for the increasing demands of the market.

We request your kind cooperation and approval for to go ahead since we find the investment is economically and financially sound and environmentally is required to make Tanzania / Arusha a little more greener.

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both Agro Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the Agricultural highbred plant as prescribed in this business plan have shown that the project is commercially viable. Nonetheless, ENZA ZADEN AFRICA LIMITED through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available.

The development of the ENZA ZADEN AFRICA LTD is designed to take advantages of the current Tanzanian market-oriented reforms. The Project will be developed and established to accelerate the industrialization process.

The development of this hybrid seed processing plant will be funded by our Enza Zaden BV Netherlands. The company acting through its various shareholders and structures will provide the initial risk capital and complete it with debt to total EURO 6.602.600 million. The company will fund the development of the project structure to include extra building, business offices, bulk storage facilities, high level solar systems, high tech green houses and all kinds of business infrastructure as stated on this business plan.

The Investment is economically viable, financially sound, socially desirable and environmentally friendly, hence it is proposed to be approved and implemented.