ORGANO AFRICA (T) LIMITED BUSINESS PLAN

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Submitted to

for

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Disclaimer

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Confidentiality Statement

All parties privy to this Business Plan are reminded that all content and discussions associated with information contained with this document is to be treated with strict confidentiality.

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1. Executive Summary

a) Business Overview

Organo Africa (T) Limited seeks to implement "Sustainable and Inclusive Sunflower Value Chain Development" (SIS-VC) Project that aims to establish, modernize, diversify and expand its sunflower oil processing business in order to make the company competitiveness in local and export markets. The project will focus on the production of crude and double-refined sunflower oils through investment on up-to-date and efficient sunflower oil processing technology, improving inbound and outbound logistic infrastructures, expanding both factory warehousing and raw materials collection centers capacities as well as improving the quality and availability of raw material supply through development of stronger vertical linkages between small scale sunflower farmers and the company. The relationship to be built between farmers and the company will focus more on organizing farmers into groups (Agricultural and Marketing Cooperative Societies (AMCOS), build their capacities on proper sunflower farming by improving their skills on good agronomic (GAP) and post-harvest handling practices (PHHP) but also improving gender equity and equality through encouraging more women and youths to participate in sunflower farming (gender inclusiveness).

Introduction and implementation of SIS-VC project is also a response to a long thought vision and conviction of the company. SIS-VC project is equally expected to serve various districts communities within the country in terms of employment creation (especially unemployed youths and women), good and reliable market to poor small scale farmers, environment conservation through the applied technologies and climate smart agriculture practices; contribute in filling country acute shortage of health edible oil but also providing various services to the community like maize flour milling, capacity building on proper farming practice, improving access to quality and improved inputs like seeds just to mention a few.

The company will collaborate with local government (District Council) through the use of government extension officers in the field to identify and train farmers on proper agronomic activities, and post-harvest treatment of sunflower seeds. Through this collaboration, the company will organize farmers into groups where it works with two Agricultural and Marketing Cooperative Societies (AMCOS) with over 400 sunflower farmers. These AMCOS are expected to have at least 10000 sunflower farmers, who will be able to supply enough raw materials to the factory after the installations are completed in the next 5 years. Apart from 400 farmers the company works with through AMCOS, Company will also serve as a dependable spot market for many more sunflower farmers from various districts of the country.

The plant will have a cold-pressing capacity of 500 MT per day of crude oil, a refining capacity of 500 MT per day of double-refined oil and a solvent extraction of 500MT per day. Capacity utilization will be maintained at 50% and the plant will be operational for five days a week. This will result in a monthly production of 461,538 liters of crude oil, 692,307 liters of double-refined oil and 2813 MT of seed cake. Through the double refining process, Organo Africa (T) Limited will also fortify the oil with vitamin A that will help to increase the shelf life of the oil products whilst also enhancing the nutritional value of the products to help address the malnutrition plight in Dodoma Region and neighbours.

Organo Africa (T) Ltd intends will reach customers by having well designed marketing strategies, which will include product differentiation for the different segments of the market based on income levels.

b) Investment Opportunity

i. Financial Projections

Based on the projections (outlined in detail in the Financial Model), the project will yield annual profits of over USD 4.6 Million on average per annum, resulting in a total investment payback of 15 years after first 5 years grace period. These profits have taken into account various assumptions tied to production capacity, cost of raw materials, market pricing and other financial indicators.

ii. Investment requirements

The total investment requirements for the project are USD 21.7 Million. This investment will be achieved by the share capital infusion and by securing a term loan and other lines from a bank or financial institution. This investment will be done in stages.

The project being documented here consists of the entire value chain:

- Inbound logistics of sunflower seeds will be organised in order to secure ample supply of raw material. Preliminary costs for inbound logistics have been estimated.
- Land needs to be identified and secured, factory equipment, buildings and storage facilities needs to be constructed.
- Required outbound logistics have been specified and preliminary cost estimates have been produced as well as sales channels being identified. Key to making a success of this project is the market entry strategy, pricing policy and the ability to obtain retail shelf space combined with an ad campaign (discussed in the next section).

2. The Economy at a Glance[1] [2]

a) Overall Outlook

Tanzania's GDP is forecasted to average 6.0% per year in 2022-23. This growth trend reflects relatively sturdy domestic demand as well as growth in the construction and service sectors as well as planned public investments in infrastructure. Manufacturing is also expected to continue registering steady growth, aided by a more reliable power supply, the availability of domestic gas, Tanzania's growing integration into regional markets and more emphasis in industrialization drive by the current government.

Growth in GDP is expected to be sustained in the medium to long term, underpinned by continued regional integration, serving as a transit route for the three landlocked EAC countries, Burundi, Rwanda and Uganda. Uganda and Rwanda in particularly are expected to generate considerable business for Tanzania, as they will grow at a robust rate over the coming years.

[1] Deloitte. Tanzania Economic Outlook 2019. The Story Behind the Numbers.
[2] African Development Bank. African Economic Outlook (AEO) 2019.

Agriculture remains the mainstay of the economy, employing the majority of the workforce, but the sector is plagued by infrastructure gaps and low productivity. Despite Tanzania's impressive macroeconomic achievements, growth is not sufficiently broad based, and poverty levels remain high. A recent household budget survey indicates that 28.2% of Tanzanians are poor, and poverty remains more prevalent in rural than in urban areas.

b) Monetary Policy

i. Inflation

According to EIU, inflation will average 3.3% in 2022, well below the central bank's medium-term target of 5%, with the effects of continuing depreciation of the Tanzanian shilling (TZS) offset by the impact of lower oil and subdued food prices. Inflation is expected to return to the 5-7% range in 2023-25 as fiscal policy is tightened and the introduction of the Bank of Tanzania's (BoT) planned inflation targeting regime to bolster the effectiveness of monetary policy. A relatively stable inflation environment bodes well for future investment planning and consumption, which would spur demand for credit from corporates and individuals.

ii. Lending rates

Lending rates in Tanzania are primarily driven by liquidity requirements of major corporations and government institutions, and to a lesser degree, monetary policy which is in turn driven by inflationary pressures. In the long-term, the Tanzania Bank Lending Rate is projected to trend around 14.93 percent in 2021. Bank Lending Rate in Tanzania increased to 15.27 percent in May from 14.61 percent in April of 2019. Bank Lending Rate in Tanzania averaged 12.88 percent from 2003 until 2019, reaching an all-time high of 17.91 percent in September of 2017 and a record low of 7.53 percent in March of 2004. 91 Day T-bill rates increased from 8.1% in August 2018 to peak at 10% in November 2018. According to BoT this was as a result of increased demand for domestic financing of the 2015/16 budget following delays in the disbursement of program assistance and realization of non-concessional borrowing. Savings rate remained stable over the past as well at around 3.4% between August 2020 and January 2021.

iii. Exchange rates

The Tanzanian shilling (TZS) will experience a much less rapid pace of depreciation in 2021 than in 2020 as it benefits from positive balance of payments dynamics and improved local sentiment. According to BMI research, tighter monetary conditions by BoT will also offer support for the Tanzanian shilling. BoT hiked the statutory minimum reserve ratio (its primary monetary policy tool) to 10% from 8% in May 2019. The Tanzanian shilling is also poised to benefit from an improved political environment and greater policy certainty over the near term.

c) Fiscal Policy

Tanzania has continued to maintain a healthy fiscal position, keeping the deficit at sustainable levels and managing expenditure growth in line with the broad objective of sustaining macroeconomic stability. In the medium term, the fiscal deficit is projected to be maintained at around 5-6% of GDP, while expenditures and government net lending are projected at around 25% of GDP, in line with targets of the Policy Support Instrument programme. Financing uncertainties are a common theme due to delayed disbursements of budget support funds by development partners, partly resulting in the frontloading of government domestic borrowing to finance development projects.

d) Spatial Inclusion

Spatial inclusion remains problematic in Tanzania, mainly due to regional disparities. The poorer regions are predominantly rural and their economies are much less diversified. Agriculture is the main economic sector in these areas, with low productivity and low-paying employment. As a result, per capita incomes in these regions are less than half that of Dar-es-Salaam, the wealthiest area. And the poverty rate is eight times higher than in Dar-es-Salaam. To increase spatial inclusion, Tanzania needs to boost earning opportunities for the rural population, mainly through improved productivity in agriculture supported by rural infrastructure investments, particularly rural roads, and improved overall connectivity between rural and urban areas.

e) Urbanization

Urbanization has become a major development challenge in Tanzania. In the city of Dar-es-Salaam and other major cities, unemployment is higher than in the rural areas, basic infrastructure (roads, electricity, water, bus transit, etc.) have become highly insufficient to meet the demands of users and there is inadequate provision of recreational facilities, sewage systems, water drainage channels and environmental protection. Planned residential areas are rare, although land itself is in abundance. Intra-city transportation presents a serious challenge to commuters due to poor road networks and the absence of intra-city mass rail transport systems. A comprehensive and co-ordinated "Urban Development and Management Policy" is under preparation and success in finalizing and implementing the policy will be a big achievement for the new government.

3. Industry Analysis

a) Industry Overview - The Edible Oil Market in Tanzania

Tanzania's total edible oils consumption is estimated at 570,000 MT per annum of which 64% is palm oil, 30% sunflower, and 2% cottonseed, and rest is all other type of imported oil. Total domestic production of edible oils is estimated at 210,000MT, with sunflower production accounting for 83%, cottonseed 5%, and palm 2%. All other edible oils together constitute 10% of national production. Current growth rate for Tanzania national edible oils consumption is projected at 7%, and is mostly attributed to a growing population, along with increased incomes and changing tastes (Balchini, N et al (2018).

According to the study carried out recently by Dalberg (2018), the sunflower value chain is primed for new interventions to boost production and meet this increasing demand. Based on the study findings sunflower oil production in Tanzania can be boosted easily by the use of higher-yielding seeds and better agricultural methods. This increase in sunflower production can be supported by further investments in the industrialization of this value chain as well. Four investment approaches can be pursued in this value chain:

i. Process crude oil for domestic consumers by crushing sunflower seed procured through contract farming. Potential market size of TZS 500 Billion (About $220 Million); requires low capital expenditure and consistent seed supply
ii. Process crude oil for domestic refiners by crushing sunflower seed produced through vertical integration. Potential market size of TZS 120 Billion (about $53 Millions); requires consistent seed supply and large volumes of crude to refiners

iii. Process refined oil for domestic consumers by refining local crushers' seedcake. Potential market size of TZS 250Billions (about $110 Millions); requires solvent extraction and sale of de-oiled cake.
iv. Process organic oil for global markets (organic virgin oil and organic refined).
v. Potential global market size of TZS 2 Trillion (about $878 Millions); makes the most of the current production process that is already organic.

As presented earlier sunflower oil has the highest domestic production volume in Tanzania and is the second most-consumed edible oil in Tanzania accounting for 30% share of total country edible oil consumption. As of 2016 sunflower oil domestic demand accounted for 172,000 MT and growing at 5% per annum the trend which is projected to be maintained in the next 10 years (BOT, 2017, Dalberg, 2018). Local production of unrefined crude sunflower oil, most of which is produced in the Central Corridor of Tanzania. Small producers and processors, most of which lack the technical and financial capability to run efficient and profitable operations (resulting in weak horizontal and vertical linkages in the value chain), in turn primarily dominate this.

Consumption of sunflower oil is especially driven by its perceived health benefits, where crude sunflower oil is considered healthier than refined palm oil. Crude sunflower oil constitutes 75% of sunflower consumption, cantered in the production areas (largely the Central Zone/Central corridor regions) where it is most easily available. The current market size for crude sunflower oil is currently estimated at 139,000 MT and the outlook looks very positive as there is strong growth potential where palm oil is being substituted, limited by supply currently (Dalberg, 2018). Current refined sunflower oil demand market size is estimated at 46,000 MT (10% of total domestic edible oils consumption). The outlook demand for refined sunflower looks a bit weaker, but expected to grow in line with the growth of a richer, urban population in Tanzania (ibid). Recent market research conducted by Salisali (2017), indicates that the main customers in Tanzania for refined sunflower tend to urban consumers seeking the health benefits of refined oil and/or have preference for odourless and clear oil for household use. Due to its high price, it is typically not used for industrial or commercial uses.

Also the Sunflower filtered crude oil is in high and heavy demand from the European and American markets due to its unique healthy properties.

Despite the abundance of raw materials (i.e. sunflower seeds) for processing, companies dealing with edible oil extraction and supply in Tanzania are few and underperforming. The underperformance of many oil-processing firms is a result of inadequate capital for purchase of bulk stock of seeds that can be processed when seeds are scarce, low quantity and quality of oils processed, and competition with imported edible oils.

b) Farmer Interaction

The local edible oil industry is still in an immature stage and needs to develop stronger vertical linkages between farmers and processors. With assistance from development agencies, farmers are gradually forming producer groups to enhance their bargaining power and to access credit. Processors are also forming local associations and national organizations, such as the Tanzania Edible Oil Seeds Association (TEOSA) and Tanzania Sunflower Oil Processors Association (TASUPA), which have been formed to represent registered processors. These associations have the potential to fulfil a need to coordinate the value chain going forward by providing a platform for all stakeholders.

At the farm level, low yields are largely due to the use of recycled seeds that are genetically degenerate. This is being alleviated to some extent with the production of Quality Declared Seed (QDS) of improved varieties that are grown under the supervision of local District Councils and are subsequently distributed through agro dealer networks. The fact that oilseeds are classified as minor crops in Tanzania has resulted in less regulatory and financial support and attention being given to them compared to other food crops.

A critical success factor for improving the quality and availability of raw material supply will be the formation of registered farmer producer groups as viable business entities. These could eventually transform into limited companies that would form the basis for the commercialization of agriculture in line with government policy. For sustainability of production within a farming system, it will be necessary to promote the practice of Conservation Agriculture, and also the possibility of additional income generating activities such as apiculture and the introduction of soya into the crop rotation which would enhance fertility as well as diversifying risk. This latter would also provide processors with additional supplies of oilseed for extraction, opening a new market up for farmers/producers.

Support services, especially from the public sector, are weak due to very low operational capacity because of budget constraints and staff shortages. This is especially true of R&D, extension services and of the application and regulation of quality standards. However, this also provides a potential opportunity for the private sector to undertake these roles on contract to government or directly to processors, both of which may require external support. The provision of reliable and up-to-date statistics is a major weakness that requires addressing and would greatly improve the sector's capabilities and performance. Furthermore, it is worth noting that the general business environment in Tanzania presents various risks and challenges, which are further compounded by the specific industry risk described above.

c) Processor Level Capacity Development

To provide the consumer with a product of the required standard, further investment is required in refining facilities in the areas of both technical and human resource. Available data indicates that processors are operating at below break-even level for oil at both price and volume levels. This in turn, implies the need for processors to cooperate in order to obtain the economies of scale necessary for profitable refining operations that will qualify for investment finance.

While the farm and input component to a processing business is one of the most critical in determining the success of a processor, both from consideration of the capacity of the output as well as the quality of the output, the actual processing operations themselves cannot be ignored. One of the key considerations to take into account is whether the processor will utilize a more manual labour or technology driven approach, a decision which rests of critical variables such as:

- Labour costs
- Technology availability
- Technology complexity
- Human resource expertise
- Target scale of production
- End market

The framework for agriculture processors in Tanzania is fairly underdeveloped. Little investment and policy support has been provided to enhance what may be considered one of the most critical variables required to drive growth in agriculture – value addition. The ability for the agriculture industry to not only produce raw inputs from farming is tremendously important, but to subsequently process these inputs into value added products is what ultimately determines a country's growth capabilities.

It is important to recognize, furthermore, that an attractive processor environment is dependent upon various considerations. These include:

- Local infrastructure
    - Electricity (Energy)
    - Roads (Local Transport)
    - Ports and Air (International Transport)
- Political Environment
- Economic Environment
- Support Service Availability

The more enhanced each of the above functions are, the more robust the processor sector can be.

d) Sunflower Value Chain

Many of the actors in the sunflower value chain occupy more than one role. For instance, some farmers are processors, retailers, some processors are also retailers, and traders of crushing seeds and many traders have their seed crushed for oil, which they then retail whilst the processor keeps the cake as payment or else takes cash. Thus, a farmer may sell seeds to either a trader or a processor (or both). A trader may sell seed to a processor, or may have the seed processed into oil for on-selling as retail or wholesale (or both). A processor may buy seed directly from farmers or from traders, and sell the oil either as retail or wholesale to traders as well as selling cake.

This mixture of roles across the value chain has driven various inefficiencies whereby rather than an individual or business focusing on the development of one key core competency, they are required to develop cross skill sets in order to survive in a disorganized market. This is one of the primary drivers of the ability of imported product to successful compete with locally produced goods – the above inefficiencies not only drive down the capacity and quality of output, they generally create an inefficient cost structure in the value chain.

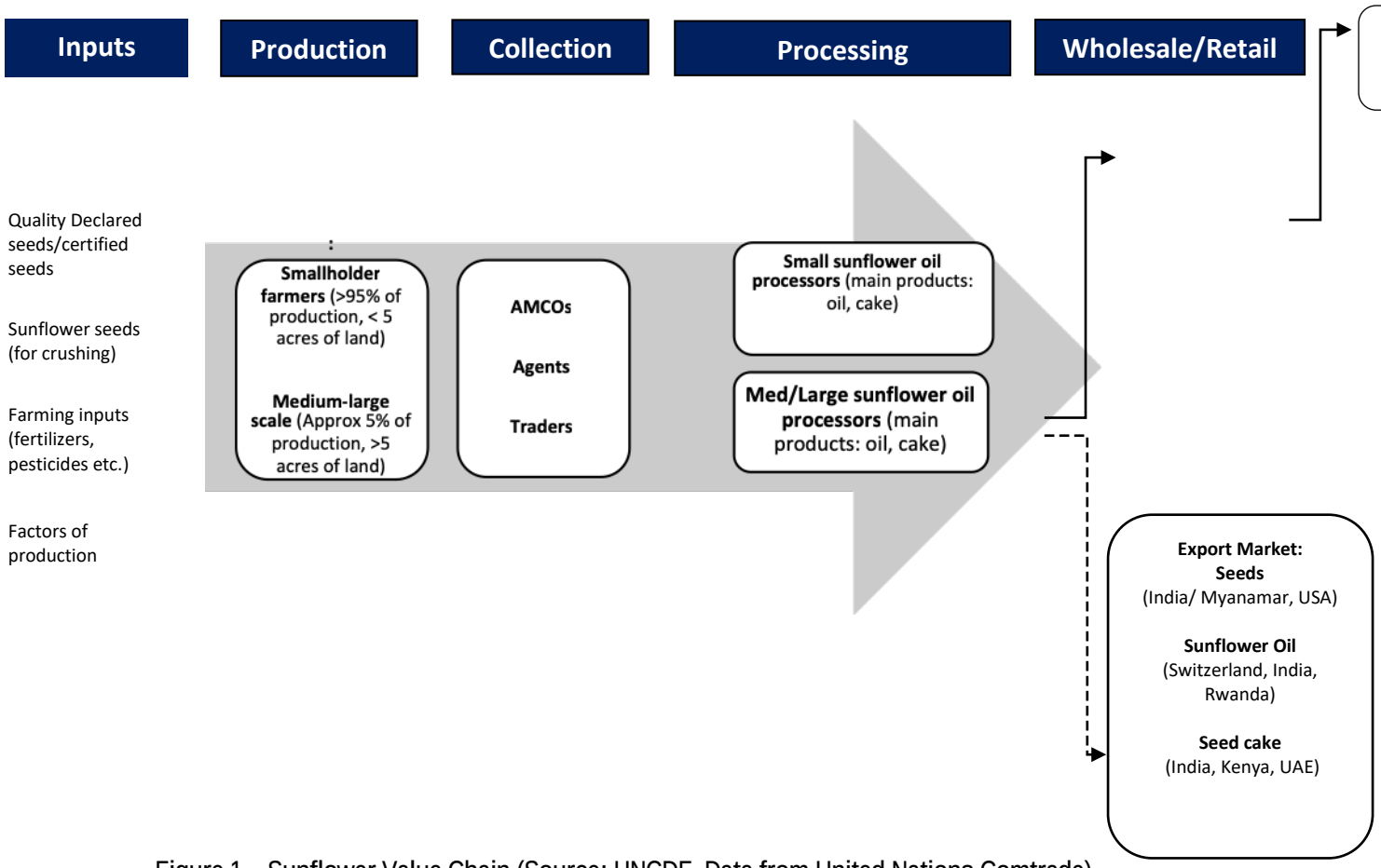

Figure 1 – Sunflower Value Chain (Source: UNCDF. Data from United Nations Comtrade)

Inputs - Sunflower Value Chain

- Reliable supply and quality of inputs are essential for the efficient production of quality sunflower seeds.
- Key inputs for production include seeds (quality and an availability of sufficient volume), tools and farm equipment, fertilizer, pesticides and insecticides, labour, land, water and irrigation, as well as capital. As will be described later in this document, there are key challenges to access inputs at the village and district level.
- The majority of farmers use either their own, often recycled, traditional seed varieties, or else improved seeds (both OPV and Hybrid) distributed by either the only public seed company (Agricultural Seed Agency (ASA) or private seed companies like By Trade Company Limited, Sunflower Development Company (SDC), The African Seed Company, traders, cooperatives, the District Agricultural and Livestock Development Office, and non-governmental organizations.
- Oil mills, refineries and solvent extractions plants also require key inputs such as machines, technology, processing chemicals, trained labour, qualified management staff and working capital. These inputs are relatively easily available to Tanzanian processors, even if there are certain challenges in accessing chemicals and modern machines.

Production - Sunflower Value Chain

- Sunflower seed is fast becoming a popular cash crop in the United Republic of Tanzania. Smallholder farmers, who account for 95% of the producers, dominate its production. Their small plots of land of less than five acres characterize them, and most often lack mechanized farming techniques.
- Medium-scale farmers with 5–100 acres of land make up 4% of the sector and usually rely on rented farming equipment, such as tractors for ploughing. Only 1% of Tanzanian sunflower producers can be classified as large-scale farmers. These are the only ones who also own their own mechanized equipment and tools, and manage more than 100 acres of land. The majority of sunflower seed production is a result of production from small shareholder farmers.
- In much of the country, particularly among smallholder farmers, sunflower seeds are often grown as an intercrop with maize, sorghum and cowpeas (among others), as opposed to being cultivated alone, which is the case for the large-scale growers. Sunflower production mostly relies on family labor, particularly in the case of the smallholder farmer. Hired labor is mostly used in large-scale operations.

Harvesting and Post-Harvest - Sunflower Value Chain

- Harvesting is primarily performed manually for smallholder farmers, usually between May and September, depending on the region. Once harvested by smallholder farmers, the crop is sold to local traders, both small and large, at the farm or local market; to the Agriculture Marketing Cooperatives Societies (AMCOS) and to agents operating on behalf of local processors; or it is sold directly to smaller processors. The medium- and larger-scale farmers usually harvest mechanically and sell their seeds directly to large oilseed processors, skipping the middlemen altogether.

- Correct postharvest handling and appropriate storage facilities are necessary to maintain quality and minimize losses of harvested seeds. Smallholder farmers rarely have adequate storage facilities. The difficulty of adequately storing sunflower seeds puts pressure on these farmers to sell their crop rapidly after harvest.
- Nevertheless, losses are inevitable and smallholder farmers experience the highest percentage of postharvest losses, with approximately 10% postharvest losses, an amount that shrinks to around 5% for medium-scale farmers and to around 3% for larger-scale producers.

Processing and Refining - Sunflower Value Chain

- Processors obtain the seed via traders and cooperatives or directly from the farmers themselves, depending on volume of production and logistics requirements. The availability of crushing equipment is considered adequate in the United Republic of Tanzania, with easy access to Chinese or Indian technology. There are various type of processing in the United Republic of Tanzania. A processor can only crush the seeds without refining; crush and complete first refining; or crush and complete first and second refining. A processor can also only provide the crushing service (toll processing), with the oil and cake handed back to the trader or farmer who will sell it directly.
- It is estimated that the smaller oil processors currently use just above 20% of their capacity, while the large oilseed processors are using between 25% and 40% of their installed capacity

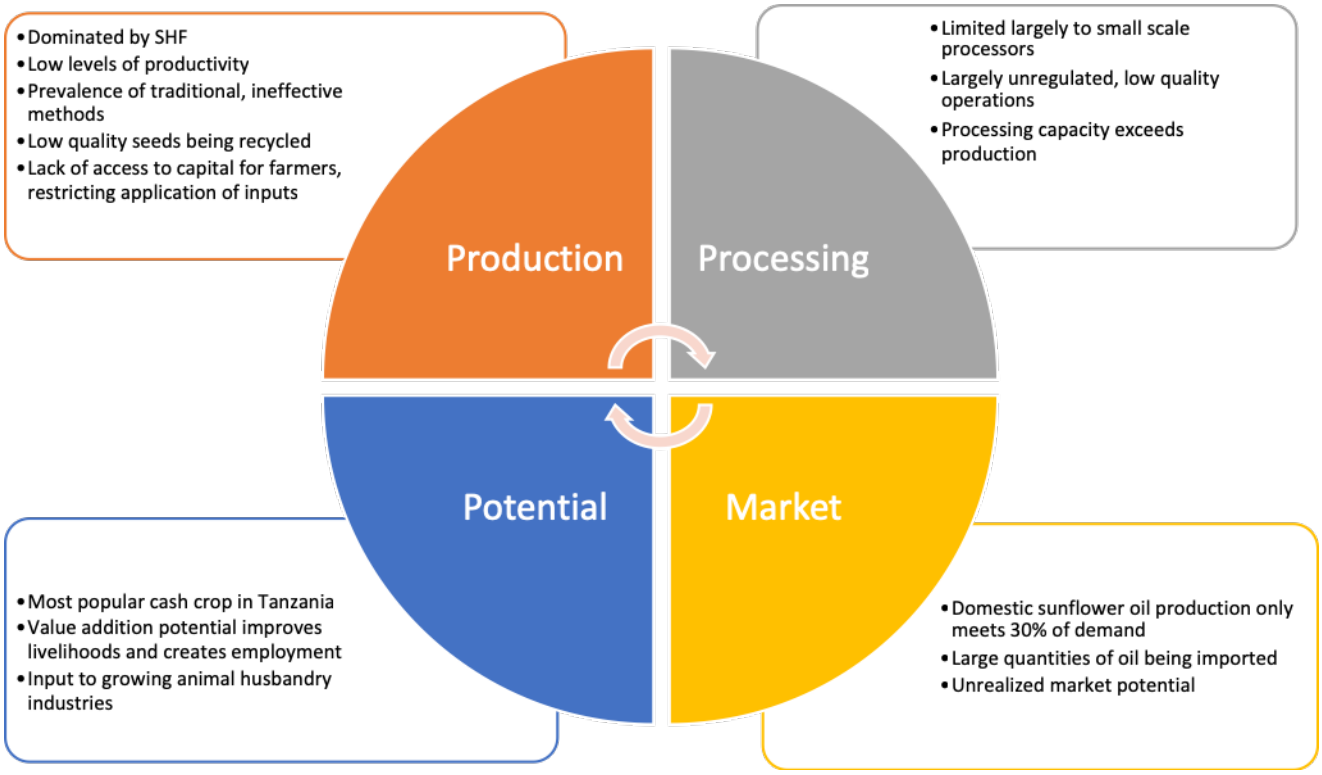

Figure 2 – Characteristics of the Sunflower Value Chain (Source: Adapted from SAGCOT)

e) Legislative and Regulatory Environment

Strategies and Policies

Seed production and certification in Tanzania is governed by the Seed Production Act 2003, amended in 2007, and administered by the Ministry of Agriculture, Food Security, and Cooperatives. There are currently 20 registered entities in Tanzania whose work is being monitored by TOSCI (Tanzania Official Seed Multiplication Institute). Other important regulatory bodies in the edible oil sector include Tanzania Bureau of Standards (TBS), and Tanzania Foods and Drugs Authority (TFDA), which its mandate on food regulation will from next year will be handled over to TBS.

Figure 3: Strategies and Policies

Strategy/Policy	Objectives
The Agriculture and Livestock Policy of 1997	• Improving food security and alleviating poverty, while promoting integrated and sustainable use and management of natural resources such as land, soil, water and vegetation.
The Agriculture Sector Development Strategy	• The main tool the Government uses to coordinate and monitor agricultural development and to incorporate national reforms. • It aims to achieve a sustained annual agricultural growth rate of 5%, mainly through a transformation from subsistence to commercial agriculture.
The National Horticulture Development Strategy	• Provides a roadmap for transforming the sector through seven pillars of strategic initiatives, which include the promotion of horticulture; expanding long-term financing and investment; addressing land, policy and infrastructure bottlenecks; expanding the production base and improving quality; strengthening industry linkages; and mobilizing human resources
The Kilimo Kwanza initiative of 2009	• The initiative is driven by the private sector and aims to modernize agriculture through better access to fertilizer, tractors, power tillers, seeds and other agricultural inputs; better access to markets, extension services and payments systems; improved supply chain management; and access to training for farmers
The National Development Vision 2025	• Transform the country's economy from a low productivity agricultural economy to a semi-industrialized one, led by modernized and highly productive agricultural activities which are effectively integrated and supported by the necessary industrial and service activities in rural and urban areas

Laws and Acts

Laws and Acts	Objectives
The Seeds Act of 2003, amended in 2007	• Governs seed production and certification in the United Republic of Tanzania. • It controls and regulates all standards related to agricultural seeds, and established the National Seeds Committee
The Fertilizers Act of 2009	• Regulate the manufacturing, importation, exportation, sale and use of agricultural fertilizers • The Act established the Tanzania Fertilizer Regulatory Authority (TFRA) and introduced registration and licenses for all involved in the fertilizer or fertilizer supplements sector
The Produce Export Act of 2002	• Provides for the grading, inspection, regulation and preparation of produce to be exported from the United Republic of Tanzania

The Tanzania Food, Drugs and Cosmetics Act of 2003	• Regulate food and other manufactured or imported products • The Act establishes the Tanzania Food and Drugs Authority (TFDA) as the executive agency for controlling the quality and safety of food, drugs, poisons and cosmetics; and regulating the importation, manufacturing, labelling, storage, promotion and general distribution of these items
The Atomic Energy Act of 2003	• All food imports and exports in the United Republic of Tanzania must be tested for radiation by the Commission and obtain a radioactivity analysis certificate, which must demonstrate that the goods are radiation-free for their successful import or export
The Cooperatives Society Act in 2003, amended in 2013	• Supports the formation, constitution, registration and operation of cooperative societies and promotes cooperative development

Figure 4: Laws and Acts

Standards and Regulations

The Tanzania Bureau of Standards (TBS) has issued several standards and specifications that are important for the sunflower sector. TBS standards are applicable to a product which has an impact on the national economy, or health and safety of the environment.

Standards and regulations	Objectives
TZS 50:2014	• Prescribes the requirements and the methods of sampling and testing for edible sunflower oil obtained from seeds of Helianthus annulus and intended for human consumption

Other related standards, which are also harmonized at the regional level through the East African Community (EAC), include, but are not limited to, the following:

Standards and regulations	Objectives
TZS 54:2010: Animal and vegetable fats and oils – sampling (EAS 291:2002)	• Describes methods of sampling crude or processed animal and vegetable fats and oils, whatever the origin and whether liquid or solid. It also describes the apparatus used for this process.
EAS 299:2002: Edible sunflower oil — specification	• Prescribes the specification and test methods for edible sunflower oil intended for human consumption. The standard does not apply to sunflower oil, which must be subject to further processing in order to render it suitable for human consumption.
TZS 1322:2010: Oils and fats – sampling and test methods – purity tests	• This standard lays down the requirements for packaging and labelling of foods. (ICS: 67.020)
TZS 1336:2010: Animal and vegetable fats and oils – determination of insoluble impurities content (EAS 312:2002)	• Specifies a method for the determination of the insoluble impurities content of animal and vegetable fats and oils.
TZS 538:1999: Packaging and labelling of foods	• This standard lays down the requirements for packaging and labelling of foods. (ICS: 67.020)

Figure 5: Standards and regulations

4. Supply

a) Expected Supply of Raw Material

One of Organo Africa (T) Limited competitive advantages will be that the company will be able to tap into an existing supply of sunflower seeds that can be utilized to immediately start production. Through the proximity of the factory to farmers and extensive farmer mobilization efforts undertaken by the company, the company will access to various AMCOs (with more than 400 farmers) and to 3000 other farmers from various villages in various Districts. In the next few years, the company will be accessing many farmers[3], who will be registered and contracted by Organo Africa (T) Limited through contract farming arrangements.

i. Initiatives to Support Farmers

Under the business modernization, diversification and farmer's mobilization programme, which is also known as "Sustainable and Inclusive Sunflower Value Chain Development (SIS-VC Project" Organo Africa (T) Ltd seeks to improve the way it works with sunflower farmers through various initiatives which are meant to transform the way they cultivate and produce sunflower seeds.

The SIM VC project will focus on the production of crude and double-refined sunflower oils through increased investment on up-to-date and efficient sunflower oil processing technology, improving inbound and outbound logistic infrastructures, expanding both factory warehousing and raw materials collection centres capacities as well as improving the quality and availability of raw material supply through development of stronger vertical linkages between small scale sunflower farmers and the company.

The relationship to be built between farmers and the company will focus more on organizing farmers into groups (Agricultural and Marketing Cooperative Societies (AMCOS), build their capacities on proper sunflower farming by improving their skills on good agronomic (GAP) and post-harvest handling practices (PHHP) but also improving gender equity and equality through encouraging more women and youths to participate in sunflower farming (gender inclusiveness).

Introduction and implementation of SIS-VC project is also a response to a long thought vision and conviction of the company to give back to community. SIS-VC project is equally expected to serve various districts communities in terms of employment creation (especially unemployed youths and women), good and reliable market to poor small scale farmers, environment conservation through the applied technologies and climate smart agriculture practices, contribute in filling country acute shortage of health edible oil but also providing various services to the community like maize flour milling, capacity building on proper farming, improving access to quality and improved inputs like seeds just to mention a few.

ii. How Organo Africa (T) Ltd benefits from Supporting Farmers through SIS-VC Project

Through various capacity building and input access services to farmers under SIS-VC project, in return, the company will be able to get sufficient good quality raw materials from these farmers. Since the quantity to be sourced from these farmers will be concentrated in one area, the company will benefit from economy of scale emanating from collective aggregation and hence significantly cutting down transaction costs related with collection and supply of raw materials from farmers.

[3] The neighboring districts are Chemba and Chamwino (Dodoma region) and Kiteto and Babati (Manyara region)

The real gain from these farmer support initiatives however lies in the fact that Organo Africa (T) Ltd ultimately has access to seeds with a relatively higher oil content (those which are a product of the planted improved seeds – QDS, certified seeds and hybrid), thereby generating more revenue per bag compared to similar seeds with a lower oil content.

iii. Raw Material Supply - Summary

The expected supply of sunflower seeds from the existing farmer base and the ones to be recruited later is sufficient to meet the capacity requirements of the new factory.

b) Seasonality of Sunflower Seeds

At the commencement of a new harvest season (March to April of every year), sunflower seeds are in surplus and have a price range of between TZS 45,000 ($ 19.5) – TZS 48,000 ($21) per bag (65kg). As time passes, and after the early buyers and speculators of sunflower seeds have procured most of the available sunflower seeds stock, sharp increments in the price of seeds are experienced. Towards the end of a harvest season (September - October), prices tend to be between TZS 60,000 ($26) – TZS 68,000 ($30) per bag, making it less economical to procure seeds and sell processed crude or refined oil.

Organo Africa (T) Ltd will deploy a procurement strategy whereby they increase their purchasing of sunflower seeds during the seasons of lower pricing/higher supply and only purchase as needed during the months of higher pricing/lower supply. Organo Africa (T) Ltd has considered the physical requirements for storage capacity in their planning.

c) Collection Centres for Sunflower Seeds

In order to reduce costs Organo Africa (T) Limited will establish few big collection centres in few locations. Organo Africa (T) Limited is expecting to complement the collection and storage capacity by utilizing government-owned or privately owned warehouses for storage needs. These warehouses are strategically located near the farmers, in or in close proximity to all the villages, the company is going to work. These warehouses will be utilized to manage the seasonality concerns and allow Organo Africa (T) Limited to purchase large amounts of sunflower seeds during the appropriate seasons. Details on the warehouses are as provided below:

Rent per Unit (Annual)	USD 450
Storage Capacity per Unit	4,000 – 8,000 bags (260MT -520MT)
Security Costs per Unit (Monthly)	USD 70
Distance from factory to closest/farthest warehouse	60km – 100km

Figure 6: Collection Centres

d) Raw Material Management

Capitalizing on the availability of government warehouses in the villages that supply raw material to Organo Africa (T) Limited and the storage capacity of the factory's warehouse, Organo Africa (T) Limited will have ample storage space for sunflower seeds.

5. Processing

a) Location

Location of the Factory

It is proposed that the factory will be located in Dar-Es-Salalm or nearby area

b) Sunflower Oil Processing Technology

Organo Africa (T) Limited has placed requests for proposals with large oil refinery manufacturers from India and the equipment will be purchased from a reputable manufacturer of edible oil processing technologies, and the equipment will assemble on site.

c) The Process – from Sunflower Seeds to Sunflower Oil[4]

Sunflower oils are cold-pressed. This method, which entails minimal processing, produces a light, flavourful oil suitable for some cooking needs. Sunflower oil production involves cleaning the seeds, grinding them, pressing and extracting the crude oil from them, and further refining. In extracting the oil, a volatile hydrocarbon such as hexane is used as a solvent to extract the oil.

Cleaning and Grinding

Incoming oil seeds are passed over magnets to remove any trace of metal before being de-hulled. The de-hulled seeds are then ground into coarse meal to provide more surface area to be pressed. Mechanized grooved rollers or hammer mills crush the material to the proper consistency. The meal is then heated to facilitate the extraction of the oil. While this procedure allows more oil to be pressed out, more impurities are also released with the oil, and these must be removed before the oil can be deemed edible.

Pressing

The heated meal is then fed continuously into a screw press, which increases the pressure progressively as the meal passes through a slotted barrel. Pressure generally increases from 68,950 to 206,850 kilopascals as the oil is squeezed out through the slots in the barrel, and is recovered.

Extracting additional oil with solvents

After the oil has been recovered from the screw press, the oil cake remaining in the press is processed by solvent extraction to attain the maximum yield. A volatile hydrocarbon (most commonly hexane) dissolves the oil out of the oil cake, is then distilled out of the oil and passes through the matter, to be collected at the bottom.

Refining the Oil

The oil is next refined to remove colour, odour, and bitterness. Refining consists of heating the oil to between 40 and 85 °C and mixing an alkaline substance such as sodium hydroxide or sodium carbonate with it.

[4] Agribusiness handbook for Sunflower Crude and Refined Oils. Food and Agriculture Organization (FAO).

Oils are also degummed at this time by treating them with water heated to between 85 and 95 °C steam, or water with acid. The gums, most of which are phosphatides, precipitate out, and the dregs are removed by centrifuge.

Oil that will be heated (for use in cooking) is then bleached by filtering it through fuller's earth, activated carbon, or activated clays that absorb certain pigmented material from the oil. By contrast, oil that will undergo refrigeration (because it is intended for salad dressing, for example) is winterized – rapidly chilled and filtered to remove waxes. This procedure ensures that the oil will not partially solidify in the refrigerator.

Finally, the oil is deodorized. In this process, steam is passed over hot oil in a vacuum at between 225 and 250 °C, thus allowing the volatile taste and odour components to distil from the oil. Typically, citric acid at 1% is also added to oil after deodorization to inactivate trace metals that might promote oxidation within the oil and hence shorten its shelf life.

By-Products/Waste

The most obvious by-product of the oil-making process is oil seed cake. Most kinds of seed cake are used to make animal feed and low-grade fertilizer; others are simply disposed of.

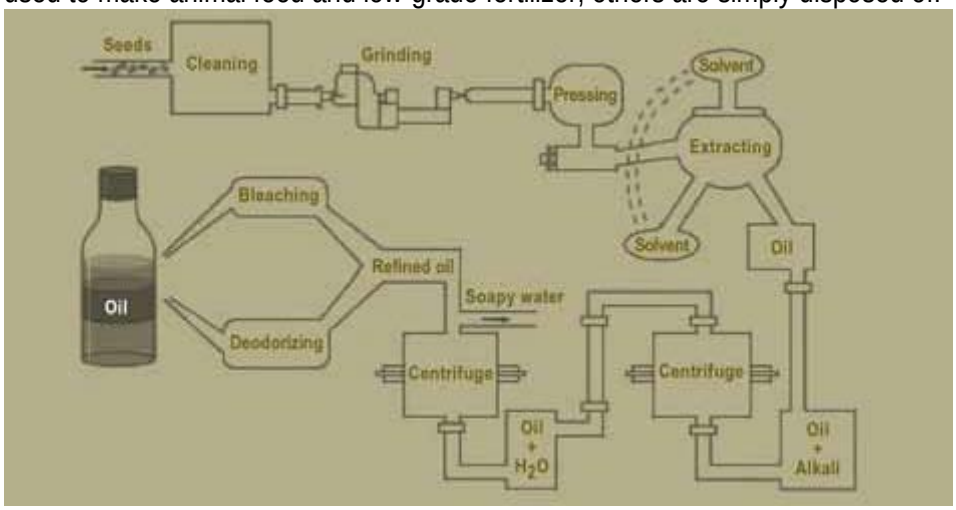

Figure 10 - Oil Processing – From seeds to crude and refined oil (Source: FAO Handbook)

Figure 11 - Oil Refinery Plant (Source: KMEC Engineering)

6. Market

a) Target Market

Organo Africa (T) Limited intends to reach out its customers by having well-designed marketing and promotion strategies which will include product differentiation for the different segments of the market (based on income levels). The Company will mainly target low, middle to high-income consumers in urban areas who consume large oil quantities (i.e.1 litres, 3 Litres, 5 litres, 10 litres, and 20 litres) at each purchase. Low-income earners will be targeted by utilizing low volume packaging (i.e. 200ml, 500ml and 1000ml).

According to market study by SNV and Rural Livelihood Development Company (RLDC 2012), more than 70% of the sunflower oil produced and available in the Tanzanian market is not refined. Consumption of sunflower oil is especially driven by its perceived health benefits, where crude sunflower oil is considered healthier than refined palm oil. Crude sunflower oil constitutes 75% of sunflower consumption, cantered in the production areas (largely the Central Zone/Central corridor regions) where it is most easily available. The current market size for crude sunflower oil is currently estimated at 139,000 MT and the outlook looks very positive as there is strong growth potential where palm oil is being substituted, limited by supply currently (Dalberg, 2018). Current refined sunflower oil demand market size is estimated at 46,000 MT (10% of total domestic edible oils consumption). The outlook demand for refined sunflower looks a bit weaker, but expected to grow in line with the growth of a richer, urban population in Tanzania (*ibid*). Recent market research conducted by Salisali (2017), indicates that the main customers in Tanzania for refined sunflower tend to be urban consumers seeking the health benefits of refined oil and/or have preference for odourless and clear oil for household use. Due to its high price, it is typically not used for industrial or commercial uses. Furthermore, sunflower oil is preferred more by the consumers than other cooking oil like palm and cotton oil because it has more health benefits as the oil is cholesterol free. From this, it may be deduced that there is ample demand and that scale of operation (economies of scale) is a key success factor.

b) Products

While branding and pricing for the double refined oil have not been finalized yet, in the first year Organo Africa (T) Limited expects to produce both crude oil and refined sunflower oil in the ratio of 40% to 60% (respectively). In subsequent years, sales will tilt more towards refined oil as Organo Africa (T) Limited establishes its brand in the double refined oil space and develops its distribution networks. The crude and refined oil will be sold in different size packages of 1 litre, 2 litres, 5 litres, 10 litres and 20 litres in the different target markets.
Sunflower seeds produce three products:

- Oil for human consumption and industrial use
- Cake (by-product in the seed pressing process) for high protein animal feeds
- Soap stock for industrial use in the production of soap

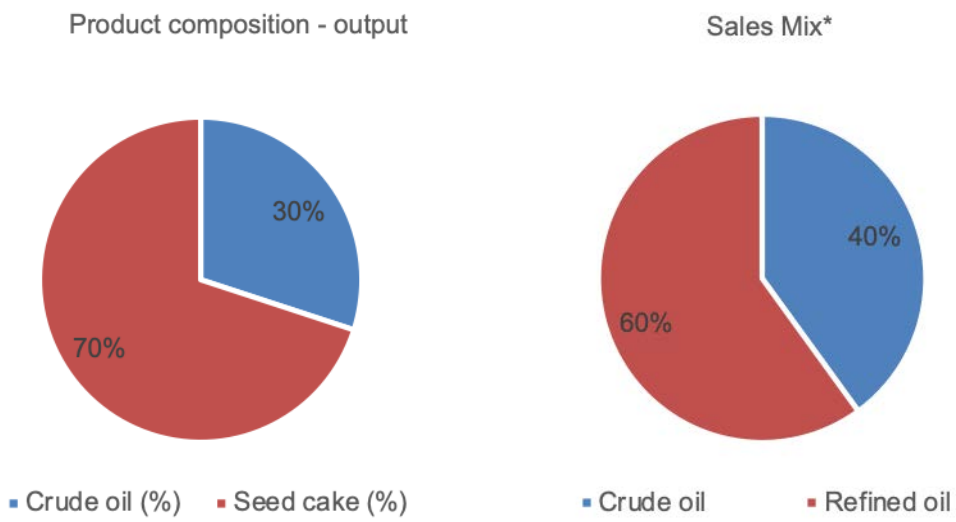

Figure 12 - Product Composition (Post Pressing) and Sales Mix

c) Competition

In terms of competition Tanzania consumers typically choose between refined sunflower (locally produced and imported) and refined palm oil. Locally refined sunflower oil is mainly sold in large stores, supermarkets and street mini supermarkets in urban centres. It is more expensive than other locally refined oils (palm and cotton), but cheaper than imported refined sunflower oil (and most other imported oils in general). Though locally refined sunflower is cheaper than imported brands (the latter is 40% more expensive on average than the former), locally refined sunflower oil nevertheless competes with these brands in the market, especially with those that have better packaging/branding (hence perceived to be of higher quality) and have been in the market longer, and thus developed a brand loyalty.

Moreover, a few large industrial scale processors who import crude palm oil, which they then fully refine in compliance with required TBS standards, dominate the competition landscape in Tanzania. Local production of unrefined crude sunflower oil is mostly done in the Central Corridor. This is dominated by small producers and processors who lack the technical and financial capability to run their operations efficiently and profitably resulting in weak horizontal and vertical linkages in the value chain.

Organo Africa (T) Limited will distribute its product throughout Tanzania, from its factory in Dar area and also three depots will be established in Dodoma, Arusha and Tanga Cities as well as Iringa and Njombe Municipals. Organo Africa (T) Limited expects to mainly face competition from, Sunshine Industrial Ltd (Sunbelt) a Chinese double refiner based in Dodoma and control premium refined sunflower oil in Dodoma and Dar es Salaam, Mount Meru Millers (Sunola & Singida Sunflower Oil), who currently control the market for double refined oil in Dodoma, Singida and Arusha, and Murzah Oil Mills (Sundrop), who is the major double refined oil producer in Dar es Salaam. Also, smaller processors like Glory Farm (Heshima ya Jiko) - Dodoma, Kahama Oil Mills (Sunkom) -Kibaigwa and Pyxus Agriculture Tanzania Limited (Dodoma) have recently ventured into the refined oil business.

Future competition could emerge from other main crude oil producers in the region such as Kindai oil Mill, Three Sisters Oil Mills, Jackma Enterprises Limited, Dodoma Sunflower and other small millers who collectively make up for about 80% of the crude oil sales.

d) Pricing and Positioning

From a pricing perspective, Organo Africa (T) Limited will be positioned next to a market leader – Mount Meru Millers Ltd and in Dar es Salaam will be priced at a discount to Murzah Oil Mills. The sunflower oil business is a high volume, margin business. Consistency in production and distribution will develop Organo Africa (T) Limited's brand and reputation, especially in the market for double refined oil.

Company	Product	Quantity (litres)	Price in TZS[5]	Implied price per litre
Crude oil				
Kindai Oil Mill	Kindai Sunflower Oil	5	16,500 ($ 7.2)	3,500 ($1.52)
Three Sisters	Three Sisters Sunflower Oil	5	16,500 ($7.2)	3,500 ($1.52)
Jackma Enterprises	Sunshine Sunflower Oil	5	16,500 ($7.2)	3,500 ($1.52)
Glory Farm	Heshima ya Jiko	5	16,500 ($7.2)	3, 500 ($1.52)
Refined Oil (Double Refined)				
Mount Meru Millers	Singida Oil	5	20,000 ($8.7)	4,000 ($1.74)
Mount Meru Millers	Sunola	5	22,000 ($9.6)	4,500 ($1.96)
Murzah Oil Millls	Sundrops	5	23,000 ($10)	5,000 ($2.2)
Sunshine Industrial Ltd	Sunbelt	5	25,000 ($10.7)	6,000 ($2.61)

Figure 13 - Sunflower Oil Prices in Dodoma

* Prices as of July 2019, beginning of harvest season. Sunflower oil prices are seasonal and tend to fall during the onset of harvest season while peaking between December and March of each year

e) Sales, Marketing and Distribution Strategy

Organo Africa (T) Limited's marketing efforts will be led by an experienced marketing manager who will be hired prior to the commencement of operations. A job description has been established and can be provided upon request. Organo Africa (T) Limited will use a combination of retail and wholesale channels to market its crude and refined oil.

[5] 1 USD is equivalent to TZS 2300

Organo Africa (T) Limited has set up its retail shop/outlet for sunflower oil in the main road, near the factory for walk-in and pass by customers. It is expected that the factory shop will mostly serve the low income customers in country, who have a preference for crude sunflower oil.

Wholesalers have already been identified and the plan is to have exclusive wholesalers in Dar-es-salaam, Arusha/Moshi and Dodoma. No formal contact has been made with the wholesalers despite interest being shown by various wholesalers to purchase both oil and seedcake based on off-take agreements.

The biggest clients for seed cake are based in Kenya and have a constant recurring order of seed cake every year. With an installation of a solvent extraction plant , Organo Africa (T) Limited will be extracting oil from the cakes produced in the factory and sell the de-oiled cakes to customers (animal feed manufacturers) in Dar and abroad. Organo Africa (T) Limited is also in the process of negotiating an off-take contract with an Indian based company for the sale of de-oiled seed cake. In order to feed the planned solvent extraction plant, Organo Africa (T) Limited is also prepared to buy oiled cakes from other small sunflower oil producers

f) Branding

Organo Africa (T) Limited is in the process of finalizing branding requirements of its products. This is especially relevant for double-refined oil which will be sold in major cities including Dar es salaam, Arusha, Kilimanjaro, Dodoma, Morogoro, Iringa, Mbeya and Njombe where branding plays a key role in the purchase decision by consumers.

7. Financials

A detailed financial model has been provided alongside this Business Plan. In addition, projected annual financial statements are provided in Financial Analysis Sheet.

a) Capital Expenditure

Total project completion costs are currently estimated at USD 42,682,231. Key elements that make up these costs are:

- Acquisition of a complete pressing and refinery line including a 500 MTPD oil expellers, 600MTPD seed cleaning and de hulling plant, a 250MTPD refinery unit, water boiling system, packaging machine & bottle extruder (bottling and packaging unit);
- Acquisition of Solvent Extraction Plant with a processing capacity of 500MTPD
- Acquisition of weigh bridge and genera handling equipment's e.g forklifts
- Acquisition of workshop equipment e.g lathe machine, fit and turner, milling machine etc
- Construction of a warehouses for storing seeds, oiled and de-oiled cakes (3 godowns, one with 3500sqm and two, each with 2000sqm)
- Construction of workshop building for vehicles/trucks and oil processing equipment maintenance and a store(500sqm)
- Constructions of 10 sunflower seeds collection centers at ward level (800sqm each, which is equivalent to 8000sqm)
- Construction of office building, rest apartments, staff housing and boundary wall
- Acquisition of inbound and outbound logistics vehicles that will transport the sunflower seeds from farming villages to the factory and the expected volume of refined oil from Organo Africa (T) Ltd factory to wholesalers in Dodoma, Arusha/Moshi and Dar Es Salaam but also local transport (30MT capacity Trucks – 6 units, 7MT capacity trucks – 10 units, 2-3MT capacity minitrucks 4 units, staff buses -2 units, office pool cars – 4 units, Directors Cars – 2 units).
- Installation costs, taxes and port handling costs of the abovementioned items;
- Water Bore hole, pumps, storage tanks etc
- Establishing commercial sunflower farming in 200 acres to be used as a demo farm to large scale farmers but also as alternative sources of raw materials
- Capacity building to at least 10,000 sunflower farmers on GPAs, Climate Smart Agriculture and application of quality seeds, the exercise will go hand in hand with establishment of 20 AMCOS
- Construction of 3 silos for storing the sunflower seed with capacity of 10000 MT each
- Construction of Oil Storage tanks with the capacity of storing around 30000 MT of crude and refined oil

The table below highlights the summary of the investment requirements for the expansion progress, which will provide a daily production capacity of 250MT of crude oil, 100MT Solvent extraction and 150MT of double refined sunflower oil to Organo Africa (T) Company Limited. A detailed breakdown of project costs is provided in Appendix A (figure A2)

Uses	Total Cost (USD)	Proposed Owner's Contribution USD	Loan/Funding Amount (USD)
Land and Buildings	10,377,883	6,377,883	4,000,000
Building & Structures Buildings	9,358,660	2,000,000	7,358,660
Plants, Machinery & Equipment	11,845,600	-	11,845,600
Vehicles	1,008,400		1,008,400
Working Capital	9,304,348	2,304,348	7,000,000
Farming and Farmers Capacity Building	250,000		250,000
Outstanding Loan			
Furniture, Fixtures Taxes, Transportation, Port handling, Plants Erection Costs	537,340		537,340
Total	42,682,231	10,377,883	32,304,338

Figure 14- Sources and Used of Funds (USD)

b) Production and Revenue Projections

Organo Africa (T) Limited will carry out production activities for throughout the year. Production of crude oil is based on a processing capacity of 500 MT of seeds per day and a flat utilization rate of 50% (250 MT of seeds per day).

The resulting production forecasts will require at least 3750MT of seeds per month and result in production of 1,153,846 Litres of total crude oil per month. Out of this, 60% (692,307 litres)[6] will be further refined as double refined oil and 40% will be sold directly as crude oil (461,538 litres). The 3750 MT of sunflower seed production will result in 2588 MT of seed cake production, which means in a month 2588 MT of oiled cake will be produced.

The below table summarizes the monthly production forecasts for Organo Africa (T) (no volume growth escalation assumptions have been made):

[6] Conversion rate of crude oil to refined oil is 1:0.9

Product	Monthly Output	Unit
Crude Oil	461,538	Litres
Double Refined Oil	692,307	Litres
Seed Cake	2,588,000	KG

Figure 15- Monthly Output by Organo Africa (T)

A sales mix assumption of 60% refined oil to 40% crude oil has been applied throughout the forecast. The actual sales mix will likely tilt more towards refined oil over time but we remain conservative by maintaining our initial assumption of a constant 60:40 ratio. The project revenues resulting from the above production are as follows:

Product	Monthly Output	Unit	Yearly Output	Price per unit in $	Total revenue per year ($)
Crude Oil	461,538	Litres	5,538,456	1.88	10,412,297.28
Double Refined Oil	692,307	Litres	8,307,684	2.02	16,781,521.68
Seed Cake	2,588,000	KG	31,056,000	0.45	13,975,200.00
Total					41,169,018.96

Figure 16- Annual Revenue by Product Type

Figure 17- Projected Products Production – CHECK REFERENCE FROM THE FINANCIAL ANALYSIS

Figure 18- Projected Annual Revenue by Product Type in USD - CHECK REFERENCE FROM THE FINANCIAL ANALYSIS

c) Operating Costs

Raw Material Costs

Organo Africa (T) Limited shall procure raw materials from the existing farmer base in the all Districts, and the procurement of the seeds represents the largest operating costs to the business.

Owing to the seasonality of supply of sunflower seeds, prices of a bag of sunflower seeds (65kg) range from around USD 20 at the commencement of a new harvest season, to around USD 30 at the end of a harvest season.

Input	Annual Requirement	Unit	Annual Expenditure (USD)
Sunflower Seeds	900,000	Bag	25
Other Raw Materials	3	General	105

Figure 19- Annual Cost of Sales

For the purposes of our financial projections, we have assumed a unit cost of USD 25 per bag of sunflower seeds, escalated by inflation on an annual basis. The chart below shows projected a breakdown of raw material costs and cost of sales vs other operating expenditure.

Figure 20- Analysis of Cost of Sales - CHECK REFERENCE FROM THE FINANCIAL ANALYSIS

Figure 21- Cost of Sales Vs Other Operating expenditure - CHECK REFERENCE FROM THE FINANCIAL ANALYSIS

Other Expenditure

Outside of raw material purchases, the largest cost component of operating expenditure over the forecast period is cleaning costs. Staff costs have been estimated based on the newly proposed staff structure. Staff costs include SDL (6%) and social security contributions (10%).

Farmer mobilizations costs also form a significant part of the operating expenditure. The costs are based number of the target number of farmers for contract farming, average land size per farmer, quantity of seeds per acre and cost of seeds.

Electricity costs have been projected based on the power ratings of the pressing, refinery and solvent lines, working days per annum, machine utilization and electricity costs per kwh.

All unit costs are based on actual market prices.

d) Profitability

Based on the projections (outlined in detail in the Financial Model), the project will yield annual profits of over USD 4.6 Million on average per annum, resulting in a total investment payback of 5 years. These profits have considered various assumptions tied to production capacity, cost of raw materials, market pricing and other financial indicators.

The table below provides a high-level analysis of annual profitability of Organo Africa (T) in its first five year of full operations:

Item	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue (USD)	18,756,518.00	22,507,822.00	26,259,125.00	37,513,036.00	37,513,036.00
Net Profit*(USD)	1,199,908.00	2,278,236.00	3,147,999.00	4,134,394.00	4,149,485.00

Figure 24 – Profitability in year 1

* Profitability at its lowest point in year 1 and 2 due to significant (non-recurring) farmer mobilization costs.

e) Financial Management

Organo Africa (T) Limited will hire an experienced Chief Financial Officer (CFO) to oversee the financial management function of the company.

An assessment of financial risks will be undertaken by the CFO which will enable Organo Africa (T) Limited to identify the areas that they feel are at risk within the Company. Policies and procedures for each of those areas will be established, and controls will be put in place.

The Company will hire a reputable audit firm to review and determine the adequacy of controls to mitigate or protect Organo Africa (T) Limited from the financial risks, or if there are weaknesses or gaps that need to be addressed and corrected.

8. Investment Structure

a) Shareholding Structure

Organo Africa (T) Limited is a Limited Liability Company, registered on 3^{1st} of March 2010 under Companies Act of 2002 of Tanzania with Registration Number 75692.

The shareholders of Organo Africa (T) Limited are as below

b) Management Structure

Organo Africa (T) Limited management is made up of three functional departments, which are finance and administration, factory operations and sales and marketing. The advantage of a functional structure is that individuals are dedicated to a single function that clearly define roles, vision, mission and expectations of the company.

The Board with an assistance from the Chief Executive Officer (CEO) is the overall overseer of the business and its strategic direction. CEO with a close assistance from the three heads of departments is administratively responsible for day-to-day company business operations and its strategic growth. Organo Africa (T) Limited organization structure consists of Chief Executive Officer (CEO), Head of Finance and Administration, Head of Factory Operations and Head of Sales and Marketing. All financial and administration issues are overseen by the head of finance and administration. All factory operations, which include procurement of raw materials, sunflower oil processing, quality assurance, and factory as well as plants operations and maintenances are taken care by the head of factory operation. Head of sales and marketing is responsible for products promotion, marketing and sale.

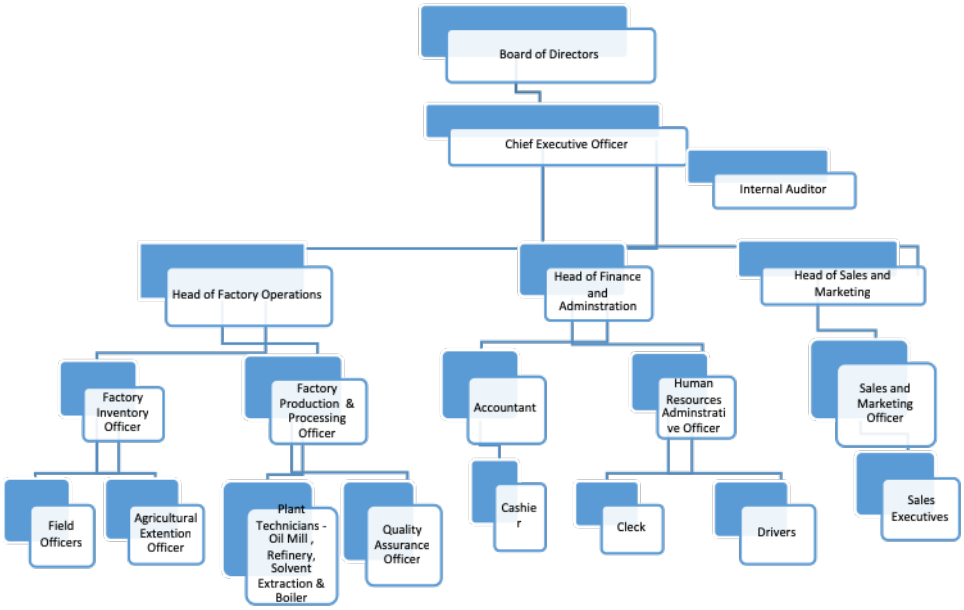

Figure 25 Organo Africa (T) Ltd Organiosation Structure

c) Financing Structure

Organo Africa (T) Limited is seeking to leverage the investment already made by the majority shareholder and raise funds based on asset collateralization and the future cash flow projections of the business operations.

Capital Structure	Amount (USD)	%
Debt	32,304,348.00	75.69%
Equity	10,377,883.00	24.31%
Total	42,682,231.00	100%

Figure 25 - Financing structure

Organo Africa (T) Limited is seeking loan funding in the order of magnitude of 76% of total costs (i.e. USD 32,304,348.00). This loan is expected to have a tenor of 20 years (inclusive of five years grace period for principal repayments) and a competitive interest rate.

Figure 26 - ORGANO AFRICA (T) – Cash Flow Available for Debt Service Vs Debt Service Requirements

The project, even when using conservative production and revenue parameters, is in a position to easily service the loan taken out.

d) Collateral/Security

In order to provide security for the debt investor, Organo Africa (T) will offer adequate collateral as and when required

Figure 27 – Collateral

9. Risk Analysis

In this section, Organo Africa (T) aims to illustrate the key risk areas and how the Company intends to mitigate these risks.

Risk	Explanation	Mitigation
Product Acceptance	Edible oils are consumer products, where customer preference is as dependent on skillful marketing as it is on correct pricing and the delivery of consistent quality.	Organo Africa (T) Ltd aims to get all of these systemic elements right and understand that it is easier to disappoint than to delight a customer. The significantly high operational costs in our financial projections should indicate that we plan on building a business for the long-term.
Quality, Security and Quantity of Supply	A key risk for any agro-processing business is the consistency of quality supply in the required quantities	This is mitigated in that Organo Africa (T) Ltd has contracted over 4,000 farmers to supply the factory. The farmers receive support from the Company in terms of quality seeds and training on best farming methods
Affordability and Pricing	Investigations into consumer behaviour show that edible oil products are all priced within a fairly narrow range. New market entrants start at an affordable price below the market leader for a short while	Organo Africa (T) Ltd has chosen this price in its model. As Organo Africa (T) Ltd's reputation increases, the Company aims to price at par with the market leader
Ability to Attract Skilled Management	Running a medium sized refinery plant can fail, because of lack of skill	Organo Africa (T) Ltd is acutely aware of this risk and plans to engage experienced and qualified people.
Long Price War	It is clearly possible that the competitive landscape forces Organo Africa (T) into reducing prices and thus lower profits. Seasonal price wars are also common as market participants offload prior season inventory	Organo Africa (T) Ltd, however, in a position where its dividend policy to shareholders is flexible allowing the Company to sustain a continued price war
Inflation	Consumer products especially those with inelastic demand are known to struggle with rising production costs caused by inflation. This problem is compounded by the inability of producers to pass on inflation to consumers.	Inflation risk adequately accounted for in the financial model

Figure 28 – Risk and Mitigation

10. Next Steps

a) Permits and Approvals

ORGANO AFRICA (T) will require permits and license for statutory compliance purposes. Such permits include the Environmental Impact Assessment (EIA) approval from the National Environmental Management Council, permits from Tanzania Foods and Drugs Authority (TFDA) and Tanzania Bureau of Standards (TBS), land rights approvals and construction permits from relevant authorities.

Permit	Status	Remarks
Certification of Incorporation of Project Company	Completed	
Taxpayer Identification Number	Applied	
Business License	Applied	
EIA certificate by NEMC	To be initiated	.
TBS Approvals	To be initiated	
TFDA Premises Registration	To be initiated	
TFDA Food Registration	To be initiated	
GCLA Licence for various Chemicals Storage and transports	To be initiated	
Osho Certification for various parameters	To be Initiated	

Figure 28 – Permits and Approvals

b) Timeline

The timeline for completion of the project is highly dependent on the availability of funding and obtainment of necessary permits and approvals.

c) Next Steps

A financial model and a business plan that support the propositions made here supplement this Business Plan. We are aware of the limitations imposed by the length of this document, which is only intended to elicit interest and to invite interested financial institutions to review all other documentation available. Our financial model is available for inspection.

We wish to reiterate that we are looking for a debt provider, willing to work with us and watch us grow over the next decades. In the short term, we want to engage with interested financial institutions that are able to provide us with indicative terms for the total funding required.

We thank you for taking the time to go through this document and look forward to making contact with you soonest.