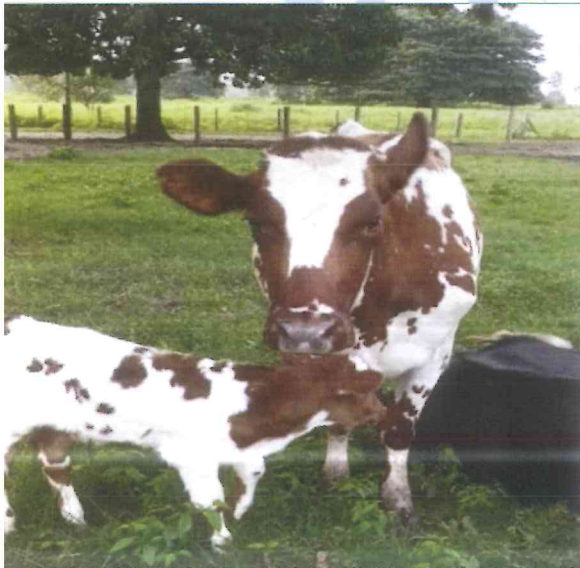




BUSINESS PLAN

OVERLAND FARM LIMITED

ESTABLISHMENT
OF
DIARY FARM
PRODUCTION



PROJECT SUMMARY

- 1.1 **APPLICANT** : OVERLAND FARMS LIMITED
- 1.2 **NATURE OF PROJECT** : DIARY FARMING
- 1.3 **PROJECT SPONSOR** : OVERLAND FARMS LIMITED
- 1.4 **DATE OF INCORPORATION** : 31ST MARCH 2021
- 1.5 **PROJECT LOCATION** : FARMS No.23 ISUPILO VILLAHR, IFUNDA, IRINGA REGION
- 1.6 **CAPACITY** : 500,000 LITRES OF MILK PER YEAR
- 1.7 **PRICE** :US\$0.9 PER LITRE
- 1.8 **OBJECTIVE** : APPLYING TIC CERTIFICATE
- 1.9 **LOAN AMOUNT** : US\$ 300,000
- 1.10 **INTEREST RATE** :8%
- 1.11 **REPAYMENT PERIOD** : 4 YEARS
- 

2.1 EXECUTIVE SUMMARY

Description of the Company

OVERLAND FARMS LIMITED is locally Company incorporated under Company Act of 2002, with certificate of incorporation **No. 151402259** dated 31st March 2021.

The company share capital is Tsh 2,000,000,000/= divided into 200,000 shares of Tanzania Shillings of 10,000

OVERLAND FARMS LIMITED Project is planning to involve purchase the following:

- Barbed wire, high tensile smooth wire or electric fencing.
- Cows drinking equipment, Cow handling equipment
- Feeding equipment, buckets & pails, slaughtering equipment,
- Milking equipment, storage tanks, storage containers
- Milk processing equipment, Milk packaging machines
- Livestock trailer, and manure spreader
- Purchasing irrigation systems
- Purchasing generators
- Purchasing Farming Machines
- Purchasing trucks, pick up, backhoe, motorbikes, tractors
- Purchasing cold rooms,
- Purchasing excavators and weighbridges
- Purchasing slaughtering equipment
- Purchasing Grass Balers Machines
- Purchasing various building materials like warehouse steel structures etc.

Project document presents proposals by **OVERLAND FARMS LIMITED**, a locally registered company the project promoters are confident of mobilizing financial resources through owners' equity of **US\$210,000** and loan from financial institution **US\$300,000**

This study is a guiding tool for establishing dairy farming project and will be presented to TIC for obtaining certificate of incentives to facilitate smooth implementation of the project.

2.2 Project Location

The project will be located at Farm No.23 Isupilo Village, Ifunda, Iringa Region, **Tanzania**

2.3 The Project Sponsors

OVERLAND FARMS LIMITED will be sponsoring this project. The Company is jointly owned by three shareholders from Lebanon.

| Name of shareholder | %Share | Nationality |
|---|---------------|--------------------|
| Ebrahim Faisal Edha P. O. Box 5055, Dar es Salaam, Tanzania | 1.25 | Tanzania |
| Faisal Edha Awadh P. O. Box 5055, E Salaam- Dar Tanzania s | 1.25 | Tanzania |
| Unallotted shares | 97.5 | |

2.4 The Project Objectives

The project main objectives are:

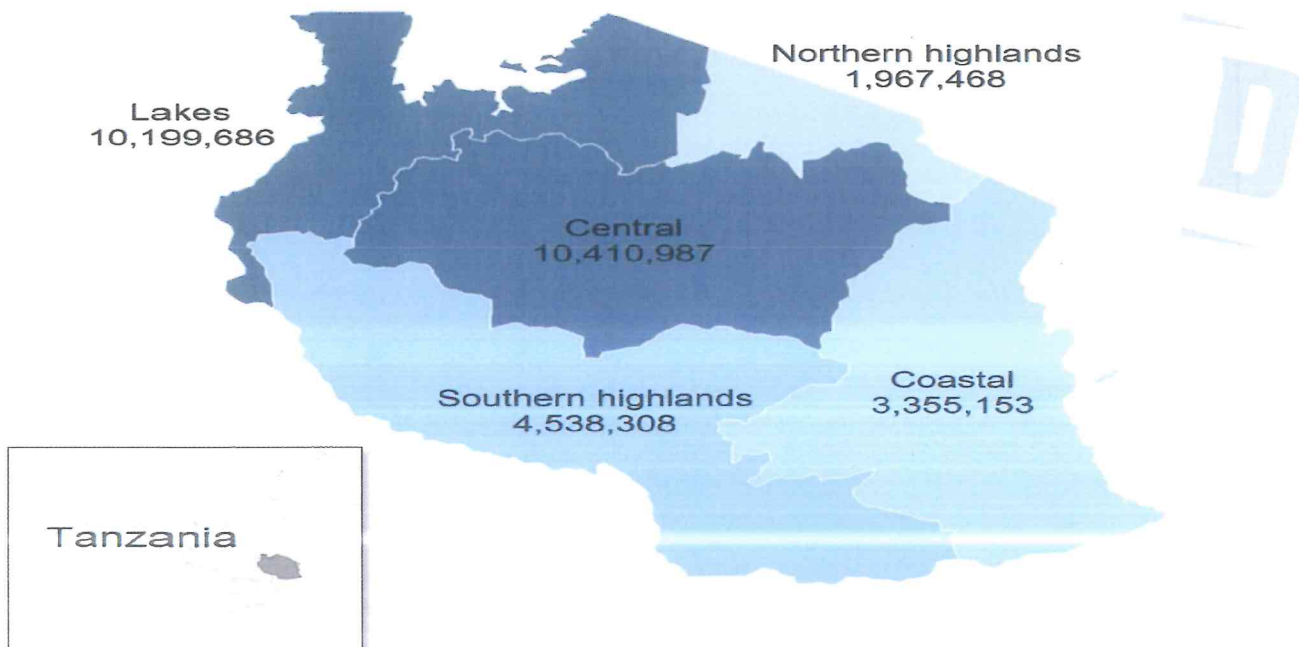
- Livestock keeping
- Milk production
- Milk processing and packaging
- Processed milk distribution

2.5 Objective of Study

The purpose of this study is to work out the project viability technically and financially.

2.6 Tanzania cattle population

Most cattle in Tanzania are indigenous zebu breeds, which are used for meat, savings and draught power as well as milk production.



Cattle population (number of heads) by agricultural zone (Ministry of Agriculture 2018)

Tanzania cattle population by breed (*Ministry of Agriculture 2018*)

| Cattle breed | Number (heads) | % of total |
|----------------|----------------|------------|
| Indigenous | 30,062,560 | 98.7 |
| Improved dairy | 239,227 | 0.8 |
| Improved beef | 169,820 | 0.6 |

3.1 TYPES OF DAIRY PRODUCTION SYSTEMS

3.2 TRADITIONAL MEAT-MILK

- Large herds of local cattle in pastoral & agro-pastoral areas. Grazing of natural pastures, communal land and crop residues.
- Small amount of milk produced by large numbers of dual-purpose cattle.
- Milk is consumed by the household or sold through informal markets.
- Highly seasonal production.

3.3 IMPROVED FAMILY & SPECIALIZED DAIRY

- Ranges from smallholders with 2-3 cows to large, commercial-scale farms.
- Concentrated in highland and coastal areas.
- Intensive production systems based on cut and carry cultivated forage with minimal grazing. Feed is from crop residues, cultivated fodder and communal land.
- More likely to include improved and crossbred cattle breeds.
- Most milk is sold into formal value chains.

3.4 VALUE CHAINS & MARKET SYSTEMS

- 97% of milk in Tanzania is consumed by the producer's household or marketed locally through informal value chains, with no processing.
- Formal value chains supply processed milk and dairy products to consumers in urban and peri-urban markets.
- Dairy processing and collection centres are concentrated in the lake, northern coastal and highland regions.

3.5 MILK YIELDS

- Average national milk yields are around 2000 kg/cow/year.
- There are large variations in milk yields between farms and production systems. Yields are influenced by a range of factors including breed, nutrition, animal health and animal management.

Milk yields of the top 10% of cows (left) and households (right) compared to the other 90% (LSMS survey 2014-15)

4.1 ISSUES AFFECTING MILK PRODUCTION

Farm scale

- Seasonal feed shortages (natural grasses, crop residues)
- Decreased land area available for grazing
- Cost and variable quality of purchased concentrate feeds

- Genetic potential of cattle breeds currently used
- Inappropriate breeds for local conditions
- Cost and access to artificial insemination services
- Diseases that cause mortality or affect reproduction

5.0 LIVESTOCK KEEPING PROJECT

The project will involve of improved dairy cows which produce between 5 and 15 litres per day. The company plans to start with 350 of improved dairy cows.

4.0 Project Management and Manpower requirements

For efficient planning, managing and running of project activities, the company will be under managing director assisted by Directors of Administration and Finance, Director of Farms, Production and Technology Development, Director of Business Development and Marketing. The project management will be answerable to board of directors who will be responsible for policy issues. **OVERLAND FARMS LIMITED** will create employments of **64** employees.

| Employment | Foreign Skilled | Local Skilled | Local Unskilled | Total |
|------------|-----------------|---------------|-----------------|-------|
| Women | 2 | 4 | 10 | 16 |
| Men | 8 | 4 | 36 | 48 |
| TOTAL | 10 | 8 | 46 | 64 |

It is estimated that one person will take care of at least 6 cows

5.1 Project capacity

- The project is projecting to engage at least 334 improved cows,
- One cow to produce at least ten litres of milk per day,
- An average milk to be produced for 30days for five months per year
- 500,000 litres of milk for 5months per year
- One litre to cost US\$ 0.90

6.1 Targeted Markets.

The targeted market of the project is domestic and the larger part will be for international market where the company has already established market

6.2 Supply and Competition

The project is not expecting to face any competition within and outside the country, taking the fact that there is high demand for milk produces in Tanzania market and neighboring countries

6.3 Monitoring and Evaluation

The Management has full commitment to ensuring good quality of milk from **OVERLAND FARMS LIMITED** use of new technology in agriculture and value addition will be more emphasized. Thus, the management philosophy is through business process, management will strive to ensure compliance to standards and quality of produce.

7.1 Project Investment Cost

The estimated capital investment cost of the project is US\$ 510,000 out of which US\$ 300,000 will be loan from financial institutions, the project to be implemented in phases.

OVERLAND FARMS LIMITED COST STRUCTURE

| PARTICULAR | US\$ |
|-----------------------|-------------------|
| Land and Buildings | 70,000.00 |
| Machinery & Equipment | 120,000.00 |
| Motor Vehicles | 100,000.00 |
| Furniture & Fixtures | 5,000.00 |
| Others | 75,000.00 |
| Working Capital | 140,000.00 |
| TOTAL | 510,000.00 |

7.2 Financing Pattern

The project will be financed by equity **US\$ 210,000** and loan **US\$ 300,000**, the cost of loan is projected to be 8% and to be repaid with 4 years.

7.3 Project Operating Costs

In order to realize its intended objective, the project will have to meet the operating costs which is estimated to 65% of total revenue.

7.0 Aspect of Project Sustainability

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The peace and tranquility that exists in Tanzania is another aspect of assured business sustainability.

8.0 **Monitoring and Evaluation**

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth operation.

9.1 **Financial Analysis**

9.2 **Considerations and Assumptions:**

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied.

Revenues have been conservatively estimated based on experience of the promoters and trends in the dairy industry.

9.3 **Financial Statements:**

9.4 **Projected school Revenue**

For projection purposes, it is assumed that the economic life of the project is 6 years, and that revenue from project commence from the first year of operation. **Refer appendix (II)**

9.5 **Projected Profit and Loss Statement**

The Income and Expenditure Statement shows the projected income for the 6 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US\$ in first year **US\$70,316 to US\$311,260** in the 6year, **for the details refer appendix (III)**

9.6 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from 1st year, accumulated cash flow grows from **US 127,365.00** in the 1st year, to **US\$800,214** in 6th year, **for the details refer appendix (IV)**

9.7 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Total shareholders' equity increases from first year from **US\$ 210,000** up to **US\$ 348,031.14** 6th year of project operation, **for the details refer appendix (V)**

9.8 Projected payback period

Total investment is US\$ **510,000** cash accumulation in year 4 is **US\$ 613,363** which is more than the initial investment by US\$ **US\$ 103,363**, the project payback Period is within 4years,

The project has a relatively short payback period. It is remarkably impressing for a big project being recovered within 4 Years, **for the details refer appendix (VI)**

9.9 Projected Risks

Since the project will be using irrigation scheme; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability and global changes affect agribusiness global market

10.0 Implementation

Project implementation is expected to be relatively very short once TIC approval is received. Currently, the company is finalizing land leasing in Iringa and other region where there will be distribution center

11.1 Economic Aspect of the Project

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

(i) Employment Opportunities

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that **OVERLAND FARMS LIMITED** is going to provide additional employment of **64** people. This is a significant contribution coming from investors.

(ii) Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax, VAT, Pay as you earn etc during the project's 7 years covered under our project review.

12.1 Conclusion & Recommendation

12.2 Conclusion

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to **64** people.
- (iii) The project is an encouraging sign to prove that we have investors who have confidence with Tanzania and are ready to invest such large sums of investment despite the odds of the sector in question.

12.3 Recommendation

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implement and be given all the support required by all the concerned Government, Ministries and Agencies, including the Tanzania Revenue Authority, TRA, and the Tanzania Investment Centre – (TIC). The project deserves this support because of its viability, since it is technical feasible, economically viable and socially acceptable.

APPENDIX I

OVERLAND FARMS LIMITED COST STRUCTURE

| PARTICULAR | US\$ |
|-----------------------|-------------------|
| Land and Buildings | 70,000.00 |
| Machinery & Equipment | 120,000.00 |
| Motor Vehicles | 100,000.00 |
| Furniture & Fixtures | 5,000.00 |
| Pre exp | 0.00 |
| Others | 75,000.00 |
| Working Capital | 140,000.00 |
| TOTAL | 510,000.00 |

APPENDIX II

OVERLAND FARMS LIMITED FIXED ASSETS SCHEDULE (US\$)

| NAME OF ASSETS | 1 | 2 | 3 | 4 | 5 | 6 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|
| Land and Buildings | 70,000 | 68,600 | 67,228 | 65,883 | 64,566 | 63,274 |
| Machinery, Tools & Equipment | 120,000 | 90,000 | 60,000 | 30,000 | 0 | 30,000 |
| Motor Vehicles | 100,000 | 80,000 | 64,000 | 51,200 | 40,960 | 32,768 |
| Furniture & Fixtures | 5,000 | 4,500 | 4,050 | 3,645 | 3,281 | 2,952 |
| Total | 295,000 | 243,100 | 195,278 | 150,728 | 108,806 | 68,995 |
| DEPRECIATION | 1 | 2 | 3 | 4 | 5 | 6 |
| Land and buildings | 1,400 | 1,372 | 1,345 | 1,318 | 1,291 | 1,265 |
| Machinery tools & Equipment | 17,148 | 12,861 | 8,574 | 4,287 | 0 | -4,287 |
| Motor Vehicles | 20,000 | 16,000 | 12,800 | 10,240 | 8,192 | 6,554 |
| Furniture & Fixtures | 500 | 450 | 405 | 365 | 328 | 295 |
| ANNUAL DEPRECIATION | 39,048 | 30,683 | 23,124 | 16,209 | 9,811 | 3,827 |

APPENDIX III

OVERLAND FARMS LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT" US \$"

| | 1 | 2 | 3 | 4 | 5 | 6 |
|---------------------------------------|------------|------------|------------|------------|------------|------------|
| Revenue | 450,000.00 | 472,500.00 | 496,125.00 | 520,931.25 | 546,977.81 | 574,326.70 |
| Cost of Sales | 292,500.00 | 307,125.00 | 322,481.25 | 338,605.31 | 355,535.58 | 373,312.36 |
| Profit before Depreciation & Interest | 157,500.00 | 165,375.00 | 173,643.75 | 182,325.94 | 191,442.23 | 201,014.35 |
| Interest | 18000 | 13500 | 9000 | 4500 | - | - |
| Depreciation | 39,048 | 30,683 | 23,124 | 16,209 | 9,811 | 3,827 |
| Gross Profit | 100,452.00 | 121,192.00 | 141,519.75 | 161,616.94 | 181,631.23 | 197,187.35 |
| Tax (30%) | 30,135.60 | 36,357.60 | 42,455.93 | 48,485.08 | 54,489.37 | 59,156.20 |
| Profit After Tax | 70,316.40 | 84,834.40 | 99,063.83 | 113,131.86 | 127,141.86 | 138,031.14 |
| Accumulated Profit | 70,316.00 | 106,673.60 | 149,129.53 | 197,614.61 | 252,103.98 | 311,260.18 |

APPENDIX IV

OVERLAND FARMS LIMITED PROJECTED CASH FLOW US\$

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| SOURCES: | | | | | | | |
| Profit before interest and depreciation | 0 | 157,500.00 | 165,375.00 | 173,643.75 | 182,325.94 | 191,442.23 | 201,014.35 |
| Equity | 210,000.00 | | | | | | |
| Loan | 300,000.00 | | | | | | |
| Total Sources | 510,000.00 | 157,500.00 | 165,375.00 | 173,643.75 | 182,325.94 | 191,442.23 | 201,014.35 |
| Applications: | | | | | | | |
| Capital expenditure | 295,000.00 | - | - | - | - | - | - |
| working Capital & Others | 215,000.00 | - | - | - | - | - | - |
| Cash | 0 | 127365 | 129,018.00 | 131,180.00 | 133,840.00 | 136,953.00 | 141858 |
| Tax | - | 30,135.60 | 36,357.60 | 42,455.93 | 48,485.08 | 54,489.37 | 59,156.20 |
| Sub total | 510,000.00 | 157,500.60 | 165,375.60 | 173,635.93 | 182,325.08 | 191,442.37 | 201,014.20 |
| Total applications | 510,000.00 | 157,500.60 | 165,375.60 | 173,635.93 | 182,325.08 | 191,442.37 | 201,014.20 |
| Accumulated cash | | 127,365.00 | 256,383.00 | 387,563.00 | 521,403.00 | 658,356.00 | 800,214.00 |

APPENDIX V

OVERLAND FARMS LIMITED PROJECTED BALANCE SHEET US \$

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
|-------------------------------|------------|------------|------------|------------|------------|------------|--------------|
| Fixed Assets | | | | | | | |
| Opening Balance | - | 295,000 | 243,100 | 195,278 | 150,728 | 108,806 | 68,995 |
| Total Long-term Assets | - | 295,000.00 | 243,100.00 | 195,278.00 | 150,728.00 | 108,806.00 | 68,995.00 |
| Less depreciation | - | - | - | - | - | - | - |
| Closing Balance | - | 295,000.00 | 243,100.00 | 195,278.00 | 150,728.00 | 108,806.00 | 68,995.00 |
| Working Capital | 215,000.00 | 215,000.00 | 215,000.00 | 215,000.00 | 215,000.00 | 215,000.00 | 215,000.00 |
| Accumulated Cash | - | 127,365.00 | 256,383.00 | 387,563.00 | 521,403.00 | 658,356.00 | 800,214.00 |
| Total assets | 215,000.00 | 637,365.00 | 714,483.00 | 797,841.00 | 887,131.00 | 982,162.00 | 1,084,209.00 |
| Financed by | | | | | | | |
| Equity | 210,000 | 210,000 | 210,000.00 | 210,000.00 | 210,000.00 | 210,000.00 | 210,000.00 |
| Net profit | - | 70,316.40 | 84,834.40 | 99,063.83 | 113,131.86 | 127,141.86 | 138,031.14 |
| Total equity | 210,000.00 | 280,316.40 | 294,834.40 | 309,063.83 | 323,131.86 | 337,141.86 | 348,031.14 |
| Loan | - | 300,000 | 225,000 | 150,000 | 75,000 | 0 | 0 |
| Total debts | - | 300,000.00 | 225,000.00 | 150,000.00 | 75,000.00 | - | - |
| Total equity and debts | 210,000.00 | 580,316.40 | 519,834.40 | 459,063.83 | 398,131.86 | 337,141.86 | 348,031.14 |



APPENDIX VI

OVERLAND FARMS LIMITED PAYBACK PERIOD

| Year | Profit After Tax | Depreciation | Total Cash Flow | Accumulated Cash Flow |
|-------------|-------------------------|---------------------|------------------------|------------------------------|
| 1 | 70,316.40 | 39,048 | 109,364.40 | 109,364.40 |
| 2 | 84,834.40 | 30,683.00 | 115,517.40 | 224,881.80 |
| 3 | 99,063.83 | 23,124.00 | 122,187.83 | 347,069.63 |
| 4 | 113,131.86 | 16,209.00 | 129,340.86 | 476,410.49 |
| 5 | 127,141.86 | 9,811.00 | 136,952.86 | 613,363.35 |