A PROPOSED BUSINESS PLAN FOR SUNFLOWER SEED PRODUCTION PROJECT

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EXECUTIVE SUMMARY

ALFARDAWS INVESTMENT LIMITED is company registered and licensed to perform business of commercial Agricultural Production in Tanzania. The company has acquired 1700 acres of land at Ikungi Singida for sunflower farming, seedling production and sunflower oil production so as to exploit the market opportunities on local and the international markets. The project aims to increase the production and supply up 3400 tons of sunflower seeds corresponding to 850 tons of sunflower oil per year for Tanzania and export markets. It will also create 200 employments to young men and women.

Today, the sunflower industry in Tanzania employs over 100,000 people, with a total production of about 1,340 tons of oil seed per year. Farmers participating in the Sunflower value chain include those engaged in planting Sunflower for home production, smallholders in estates and smallholders growing Sunflower as a cash crop in non-estate areas.

The country is increasing its Sunflower production with the objective to reach at least 7000 metric tons by 2025. FAO indicates that demand for new products made from Sunflower has been growing at a very fast rate in the world market over the past decade. Tanzania has a unique position as it has comparative and competitive advantages in Sunflower, such as the weather, soil and human capital which is a catalyst to the growth of the industry.

Due to this increase in Sunflower production demand, the company intends to establish commercial Sunflower production farm for massive production of Sunflower seeds. It intends to establish 1700 acres of Sunflower production farm in Singida region. The Company has already acquired the land through the Local Government of the Ikungi District Council.

The project requires USD 3 million cover start-up costs including machinery, land and operational costs. The company is assured of the finance from a sister company in Dubai by way of a soft loan facility to finance this project

1.0. INTRODUCTION

1.2 Project Description

The project is about Sunflower farming and Seedling production in Ikungi, Singida Region for the purpose of selling seed and production of sunflower oil. Currently due to increased demand of Sunflower oil, the company will commence 1700 hectares farm of Sunflower in Tanga region for the purpose of producing Sunflower fibers so as to exploit the market opportunities on the international markets. The project aims to increase the production and supply up 4000 tons of Sunflower fibers per year in Tanzania and on export markets. It will also create 100 employments to young men and women

1.3. Project location

The project will be located at Ifuna Ward of Ikungi District, Singida region. It has a suitable agro-ecology for Sunflower Production.

1.4: Business Management

The project will be managed by the company managerial staff. The company will also hire other staff that will assist the company to run daily activities of farm.

1.5. Project Mission Statement

The goal of project is to commercially produce, supply and capitalize the demand Sunflower seed and oil in Tanzania in terms of quality and quantity.

1.6. Strategic Goals

i) To expand the production and supply of Sunflower seeds in Tanzania

ii) To attract more buyers in the country by providing quality Sunflower seeds for sunflower oild production

iii) To expand Sunflower oil business in Tanzania

1.7. Strategic Objectives

i) To commence Sunflower production on 1700 acres of land

ii) To increase sales to USD 2.6 million per year

iii) To reach production of up 3400 tons of sunflower seed equivalent to 850 tons of sunflower oil per year

2.0 MARKETING PLAN AND COMPETITION

2.1 Sales Trends in the Sesame production industry in Tanzania

Sunflower production in Tanzania is predominated by small scale farmers, and medium producers sunflower seeds/oil mainly for local and few for export.

2.2. Industry Analysis

The Sunflower industry in Tanzania employs over 100,000 people, with a total production of about 1,340 tons of sunflower seeds per year. Farmers participating in the Sunflower value chain include those engaged in planting Sunflower for consumption, smallholders in estates and smallholders growing Sunflower as a cash crop in non-estate areas. The country is increasing its Sunflower production with the objective to reach 5,000 metric tons by 2025.

2.3 Market Analysis

There is increase in Sunflower seed demand in export market. The rise of export is a result of improvement in international Sunflower market due to rise in the increase in utilization of Sunflower oil especially in China, Saudi Arabia, Spain, India, Egypt, Germany, Japan, and Morocco due to the scarcity caused by COVID19 effect and the war of Russia and Ukraine. FAO indicates that demand for new products made from Sunflower has been growing at a very fast rate in the world market over the past decade. Tanzania has a unique position as it has comparative and competitive advantages in Sunflower, such as the weather, soil and human capital which is a catalyst to the growth of the industry.

The global and local market for sunflower seen and oil is eminent. The Country's annual demand of oil seed is 5,800 metric tones but the production is only 1,340 tones. The Country's annual demand for cooking oil is 600,000 metric tones but the production is 290,000 tones only leaving a deficiency of 310,000 metric tones. Our company is determined to bridge the gap.

2.7 Competitive Analysis

Because of the increase of demand of Sunflower seeds and oil there are a large number of farmers who are dedicated in Sunflower farming. There more than 20 companies operating in medium and large-scale farming and more than 7000 small scale farmers. Although there are large number of farmers, the production still lower as compared to the demand. Most of these farmers have adopted a local traditional method which cause low and poor yield. The business will practice good Sunflower production practice by using modern farming and irrigation system.

By so doing, the business will produce more and quality Sunflower seed that will surpass in competition situation

2.8 Overall Strategy**:** The overall marketing strategy for the next 10 years is to continue to grow and improve Sunflower production while trying to capture many buyers of seed and oil. The planned new farm will produce quality and more Sunflower seed to attract international buyers.

2.9: Pricing Strategy**:** The produce will be sold according to price on the market. However, the business will not depend on market price but will try to negotiate with buyers regarding on increment of price with the quality of products

2.10: Promotion Strategy: The business will promote its products to customers through: social media, regular newspaper advertisements focusing on wholesales products; promotional flyers and radio announcements, social media and a word of the mouth

2.11: Distribution Strategy: Primary distribution of Sunflower seeds will be direct to our buyers in case of exporters sales will be done at the farm gate

3.SWOT ANALYSIS

SWOT analysis has been done for this project. Strengths and Opportunities available in this project overweight the Weaknesses and threats can occur. The SWOT analysis is discussed below.

Table 1: SWOT Analysis

STRENGTH	***OPPORTUNITIES***
1. Plentiful presence of inputs required for Sunflower production e.g suitable varieties, land, fertilizers 2. Raise of demand of Sunflower seeds. There a rise of international market demand 3. The farm is located in Tanga which is a suitable agro-ecology for Sunflower farming 4. Sunflower is less affected by pests and disease.	1) Increase of value in export markets translating to increase demand for Sunflower fibers 2) Availability port infrastructures in Tanga, Dar Es Salaam and Mombasa facilitates shipping of Sunflower seeds to export markets 3) Wide range of application of Sunflower fibers such as building materials, textile and others 4) Rising research and development in

5. There easier connection networks with buyers 6. Long term investment with high return, less production cost	Sunflower production
WEAKNESSES	***THREATS***
1. The company is new in this farming 2. The company does not have its own land, it will lease from Sunflower Authority Board	1. Availability of other natural seed with superior natural properties 2. Stringent government regulations in some economies 3. Changes of export policy 4. Fluctuation of prices which is unpredicted

4.0 PROJECT RISKS AND RISK MANAGEMENT

The project has several risks that have been analysed. The risks are discussed below with mitigation measures. The measures if taken properly will assure proper running of the project and bring about the expected results expected.

Table 2: Risks and Management

RISK FACTOR	DISCIPTION OF RISK	RATING OF RISK	MITIGATION MEASURES
GOVERNANCE AND POLICIES	Change of land-owning policies	Moderate	To have flexible business strategies so that if the land owning polices change it may not affect farm production. In addition, in long run the business should aim at other projects such as exporting
	Change of tax policy on land, farm inputs and farm produce	Moderate	To reduce production cost and increase the selling price whenever necessary.
	Change of exporting policy e.g. exporting barriers or imposing high taxes on exports.	Moderate	To reduce production and have a means of storing seed in a transition period
PRODUCTION AND	Low rainfall may result into low	Moderate	Modern irrigation system will be used all the time.

RISK FACTOR	DISCIPTION OF RISK	RATING OF RISK	MITIGATION MEASURES
TECHNICAL DESIGN	productivity		
	Diseases. Outbreaks of diseases and pests Equipment. There may be a serious breakdown of equipment that may result into delayed production or harvesting.	Low Moderate	To adhere to integrated pest management practices. Applying pesticides in recommended basis to prevent plants from pest attacks Using warranted equipment and also ensuring that the equipment is maintained and serviced on regular basis
	Poor record keeping and data management and hence failure to determine the overall performance of the farm.	High	Improve on use of available technology for record keeping and capacity building.
MARKETING	Cost of production. There may be increased input cost and same time low yields.	Moderate	To have a contract with suppliers so that the immediate fluctuations of input price will not affect the business.
	Unexpected lowering of Sunflower seed on international market	Moderate	To have contracts with wholesalers and find opportunities in other emerging markets.
	Failure to establish robust financial management systems	Moderate	Establish strong financial control systems including segregation of duties.
HUMAN AND PERSONAL RISK	Accident, illness and Death may affect the performance of individual in the project.	Moderate	To have emergency contingency plan in place for immediate deployment of alternative including establishing risk cash saving account that will be used to hire during emergency situation.
	Lack of	High	Hiring the right people and ensure

RISK FACTOR	DISCIPTION OF RISK	RATING OF RISK	MITIGATION MEASURES
	commitment and trust among the staff managing the farm,		that there is an effective performance and monitoring system including feedback system to improve trust including giving credit to staff who performs well, making staff interest a priority and also to make them comfortable to admit in case of mistakes and errors.

5.0 FINANCIAL PLAN

5:1 Budget of the Project

The project requires USD 3million **to** cover start-up costs including machinery, land, working capital and operational costs as Stipulated in table 3 below;

Table 3: Project Budget

S/N	Description	Total (USD)
	Auto Pivot Irrigation System	100,000
	Excavator (Bulldozer)	125,000
	Tractors	250,000
	Trucks	75,000
	Pick ups	60,000
	Generator	25,000
	Office building	20,000
	Officer furniture and other facilities	20,000
	Worker's protective gears	10,000
	Workshop Buildings	75,000
	Stores	60,000
	Land lease	120,000
	Operation costs	145,300
	Working costs	1,810,350.00
	Emergency fund	104,350

	TOTAL	**3,000,000**

5.2 Sources of fund

The project will be financed by acquiring a loan from director's trading company in Dubai United Arab Emirates. Directors are ready to use the company assets and personal assets as collateral to access the finances for this project

5.2 The financial analysis

The financial analysis is shown in the cash flow statement and the income statement (the statement of profit or loss and other comprehensive income).

5.3 Project worthiness and sensitivity

The financial and economic feasibility of the project is evaluated by using its Net Present Value (NPV), the Internal Rate of Return (IRR), Cost Benefit Ratio (B/C ratio) and Pay Back Period.

5.3.1 Net Present Value (NPV)

At the discount rate of 18%, the net present value of the project is USD **854,424.38.** Since this value is positive, it entails that the business is financially and economic profitable and viable as shown in Appendix 1. The positive NPV signifies the net benefit over and above the compensation for time and risk.

5.3.2 The Internal Rate of Return (IRR)

The IRR has two possible economic interpretations, it represents the rate of return on the unrecovered investment balance in the project and also IRR is the rate of return earned on the initial investment made in the project. From this project, the IRR is 24.10% where the common interest rate is 18%. This IRR is greater than the interest rate which implies that it is worth to invest in this project because the return on investment and profit of the business is higher than the Bank interest rate. This also shows this project is viable (Appendix 1).

5.3.3 Cost Benefit Ratio (B/C ratio)

This project shows that, the B/C ratio is **1.3,** since this ratio is greater than one, it signifies that the project is economically profitable, hence the project is viable and worth for investment. The B/C ratio is shown in **appendix 1.**

5.3.4 Pay Back Period (PBP)

This is non-discounted measure of project worthiness. PBP is the length of time required to recover the initial cash outlay on the project. From this project, the discounted payback period is 4.4 years. According to the PBP criterion, the shorter the Payback Period, the more the desirable the project, so by having 4.4 years payback period, this project is more desirable.

APPENDIX 1: CASH FLOW STATEMENT

Cost	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed cost	1,044,350				-419,840
Working capital	1,810,350.00	50,000.00	51,310.00	51,825.00	52,340.00
Operation cost	145,300	145,910	146,450	147,100	147,650
Total cost	**3,000,000**	**195,910**	**197,760**	**198,925**	**-219,850**
Discounting factor	**0.847457627**	**0.71818443**	**0.608630428**	**0.515788872**	**0.437109216**
Discounted amount	**2,542,372.88**	**140,699.51**	**120,362.75**	**102,603.30**	**-96,098.46**
Sum	**2,809,940**				
BENEFIT					
Revenue	**0**	**0**	**1,950,000**	**2,600,000**	**2,600,000**
Cash flow	**-3,000,000**	**-195,910**	**1,752,240**	**2,401,075**	**2,819,850**
Discounted Revenue	**0**	**0**	**1186829.335**	**1341051.067**	**1136483.962**

B/C ratio: 1.3, IRR: 24.10%; **NPV: 854,424.38; Discounted Payback period: 4.4 years**

APPENDIX 2: **INCOME STATEMENT**

COSTS	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
FIXED COSTS	**1,044,350**				
Working capital	1,810,350.00	50,000.00	51,310.00	51,825.00	52,340.00
Operation expenses	**145,300**	**145,910**	**146,450**	**147,100**	**147,650**
Total	**3,000,000**	**195,910**	**197,760**	**198,925**	**199,990**
Sum of expenses	**3,792,585**				
INCOME					
Selling Sunflower seeds	**0**	**1,950,000**	**1,950,000**	**2,600,000**	**2,600,000**
Sum of Gross income	**7,150,000**				
Net income without taxes	**-3,000,000**	**1,752,240**	**1,752,240**	**2,401,075**	**2,400,010**
Sum Net Income (Net profit)	**3,357,415**				

APPENDIX 3: FIXED COST: LAND, MCHINERY AND EQUIPMENT COSTS

S/N	Description	Specifications	Quantity	Price (USD)	Total (USD)
	Pivot Irrigation system	40 tons/shift(8hrs)	4	25,000	100,000
	EXCAVATOR	Bulldozer	1	125,000	125,000
	Tractors	New holland, 4WD	5	50,000	250,000
	Trucks	SCANIA	5	25,000	75,000
	Pick ups	TOYOTA HILUS	3	20,000	60,000
	Generator	CAT	5	5000	25,000
	Office building	One building with officers	1	20,000	20,000
	Officer furniture and other facilities	Tables, chairs, computers		20,000	20,000
	Worker's protective gears	Overalls, gumboots, gloves, mask etc		10,000	10,000
	Workshop Buildings		3	25,000	75,000
	Stores		3	20,000	60,000
	Land Purchase	1700 acres	1	120,000	120,000
	Emergency fund	This money usually left to cover unexpected expenses during the project			104,350
	TOTAL				1,044,350

APPENDIX 4: OPERATION COST

Description	Year 1 (USD)	Year 2 (USD)	Year 3 (USD)	Year 4 (USD)	Year 5 (USD)
Manpower	95,000	95,000	95,000	95,000	95,000
Telephone expense	6,000	6,200	6,300	6,400	6,500
Stationery expense	1,500	1,510	1,550	1,600	1,650
Transport cost	9,000	9,100	9,200	9,300	9,400
Maintenance	18,000	18,100	18,200	18,300	18,400
Marketing Programs	9,800	9,900	10,000	10,200	10,300
Miscellaneous	6,000	6,100	6,200	6,300	6,400
TOTAL	**145,300**	**145,910**	**146,450**	**147,100**	**147,650**

APPENDIX 5: MANPOWER COST

Personnel	Quantity	Year 1 (USD)	Year 2 (USD	Year 3 (USD)	Year 4 (USD)	Year 5 (USD)
General Farm manager	1	10,000	10,500	11,000	11,500	12,000
Agronomists	2	10,000	10,500	11,000	11,500	12,000
Financial officers	2	14,000	14,500	15,000	15,500	16,000
Agricultural officers	10	40,000	40,500	41,000	41,500	42,000
Marketing officers	2	9000	9500	10,000	10,500	11,000
Farm operations managers	3	12,000	12,500	13,000	13,500	14,000
TOTAL		**95,000**	**98,000**	**101,000**	**104,000**	**107,000**

APPENDIX 6: Working Capital on 1000 Acres

Description	Quantity	Cost per unit	Year 1 (USD)	Year 2 (USD)	Year 3 (USD)	Year 4 (USD)	Year 5 (USD)
Land clearing	1000 hectares	USD 500	500,000.00				
Land ploughing	1000 hectares	USD 100	100,000.00				
Harrowing	1000 hectares	USD 100	100,000.00				
Layout	1000hectares	USD 100	100,000.00				
Lime	350tons	USD 130 per 5 tones	9,100.00				
Application of lime	50 hectares	USD 25	1,250.00				
Fertilizers (TSP)		USD 100 per acre	100,000.00				
Suckers		USD 700 per acre	700,000.00				
Planting		USD 50	50,000.00				
Transport of suckers		USD 100	100,000.00				
Weed management		USD 50	50,000.00	50,000.00	50,500.00	51,000.00	51,500.00
Harvesting of Sunflower		USD 200			205.00	210.00	215.00
Transport of Sunflower		USD 300			300.00	305.00	310.00
Processing of Sunflower		USD 300			305.00	310.00	315.00
TOTAL			1,810,350.00	50,000.00	51,310.00	51,825.00	52,340.00

APPENDIX 7: DEPRECIATION OF FIXED ASSETS

DEPRECIATION OF FIXED ASSETS BY USING DECLINING BALANCE METHOD				
ASSETS	**YEARS**			
	YEAR 1 (USD)	**YEAR 2 (USD)**	**YEAR3 (USD**	
ASSETS				
Initial value	**820,000**	**656,000**	**524,800**	
Depreciation rate	**20%**	**20%**	**20%**	
Annual depreciation	**164,000**	**131,200**	**104,960**	
Remaining balance	**656,000**	**524,8000**	**419,840**	
Salvage value				**419,840**

APEENDIX 8: REVENUES

Description	Unit	Quantity	Price/unit (USD/TON)	YEAR 2 (USD)	YEAR 3 (USD)	YEAR 4 (USD)
Sunflower seedS	TONS	1500	1300	1,950,000		
Sunflower seedS	TONS	2000	1300		2,600,000	
Sunflower FIBERS	TONS	2000	13000			2,600,000
TOTAL						

ASSUMPTION:

1: 1 hectare will produce 1.5 tons of Sunflower fibers in second year making a total of 1500 tons of Sunflower for 1000 hectares

2: At third year, the produce will increase to 2 tons per ton, making a total of 2000 of Sunflower seed for 1000 hectares

3: At the fourth and so year the production will be steady with a total output of 2 tons per hectare making a total of 2000 tons for 1000 hectares

4: The current price of Sunflower seed is USD 1300 per ton