

**BACKBONE TANZANIA COMPANY
LIMITED**

BUSINESS PLAN

FOR

POULTRY FARM & HATCHING

1.0 INTRODUCTION

The poultry sector in Tanzania is emerging steadily both in indigenous and exotic (broiler and layers) chicken. Demand for local chickens remains high mainly due to the preferred taste of the chickens among Tanzanians and the generally trusted methods of raising the birds, and the domestic market for exotic chicken and eggs is likely to keep growing, as eating habits are changing, especially in urban areas, and the economy is growing. The current population of chickens is estimated at 72 million of which 40 million are indigenous chicken and the remaining 32 million are exotic poultry, which include 24 million broilers and 8 million layers. Among the existing 4.7 million agricultural households in Tanzania, 3.7 million households keep chicken. Despite availability of ample land for growing grains and soya to provide enough raw materials for chicken feeds, the commercialization of the poultry sector is lagging behind due to unorganized markets for poultry and poultry products, unreliable supply of day-old chicks (DOCs), lack of reliable supply of quality poultry feeds, high veterinary and poultry feed costs and lack of poultry processing industries. The poultry sector is also suffering from chaotic and unorganized distribution system and lack of third-party logistics cold chain for poultry and poultry products' movements from farm to consumers. Due to underdeveloped production (hatchery technologies) and processing equipment and technologies such as modern abattoirs and slaughterhouses, Tanzania has remained net importer of poultry parent stock (fertilised eggs and DOCs) and significant volume of processed poultry products. Tanzania also imports soymeal and other key additives for poultry feed, poultry production and processing equipment, and veterinary products. Tanzania imports parent stock and fertilised eggs mainly from the Netherlands, Kenya, France, Zambia, Great Britain, and India. Due to limited, consistent supply of quality poultry products,.

The potential of poultry sector in Tanzania therefore has remained untapped which opens opportunities for investments to revamp the sector and related

industries. The emerging investment opportunities along the poultry value chain and related industries are highlighted

Key areas for investment in the poultry sector of Tanzania

Investment area Description Priority

- Animal feed technologies (pelleting technologies, extrusion of soybeans, other efficient feed processing technologies)
- Warehousing and grain silos management
- Breeding – crossbreed chicken
- Building on the on-going R&D by ACGG
- Producing parent and grandparent stock
- Hatchery Farms • Importing parent stock, grandparent stock, and at times fertilised eggs
- Producing and distributing day-old chicks (DOCs)
- Integrated Poultry Farms (including, hatchery, production & processing)
- Importing parent stock, grandparent stock, and fertilised eggs
- Producing and distribution of day-old chicks (DOCs)
- Production of broilers and layers
- Processing of poultry products
- Distribution of poultry products
- Third-Party logistics (3PL) cold chain
- Cold transportation and storage along the poultry food chain etc

More and more Tanzanians are consuming chicken and eggs every year. The increasing demand offers many opportunities for companies looking to invest in the poultry sector in Tanzania. Currently the sector is growing slow, and in order to support this growth and to identify where the main opportunities lie for Dutch companies, the Embassy of the Kingdom of the Netherlands commissioned a quick scan of the poultry sector. This study provides Dutch businesses willing to invest in the sector with useful insights such as its current status, challenges, opportunities

and facts & figures related to the different production areas in Tanzania, a stakeholder analysis, and information on the different subsectors.

The Poultry Subsector in Tanzania consists of approximately 72 million chickens, emerging steadily both in indigenous and exotic chicken. With changing eating habits in urban areas and a growing economy the domestic market for exotic chicken and eggs is likely to keep expanding.

Markets could be better organized, supply of quality feed and day-old chicks could be stabilized and veterinary costs remain high. Also, improvements could be made by developing processing industries and by improving the sector's distribution system and installing a third-part logistics cold chain for the movement of poultry and poultry products from the farms to consumers

1.2 Business opportunities

Until date, the potential of the poultry sector in Tanzania has remained untapped, which opens opportunities for investments to revamp the sector and related industries. The Tanzanian poultry sector is ripe for investment with opportunities ranging from input supply all the way across the value chain to retailing and exporting.

2.0 PROJECT OVERVIEW

2.1. The Industry ownership and share distribution

BACKBONE TANZANIA COMPANY LIMITED is a limited liability company, registered in Tanzania under certificate of incorporation No.139990 issued on the 18th December 2017. The project is located at **Plot No.34& 20, Block L Mbwawa, Kibahatowship, Coast Region**. the company plan to apply for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

The initial Authorized Share Capital of the company is Tshs 4,800,000,000/= divided into 1000 ordinary shares of Tshs 4,800,000 each and the company have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights privileges, restrictions or conditions. Unless the conditions of issues shall otherwise expressly declare, every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the registered Articles or Association. The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table below.

Company Ownership and Principal Shareholders

Shareholder's Name	No. of Shares	
MING ZHUANG	0.1	CHINA
LINYI BACKBONE FEED MILL COMPANY LIMITED	99.9	CHINA

2.2. Project Description

This investment plan has been prepared by BACKBONE TANZANIA COMPANY LIMITED for the company's Implementation programme in establishing and operating a modern poultry farm which include hatchery. The implementation of the proposed poultry farm project is aimed at extensive production of poultry products like eggs, chicken meat and parent stock to meet the growing market demand for local and export.

The modern Poultry farm raises parental hybrid stock of broilers and layer chicks to produce the day old chicks for broiler meat chickens and eggs for commercial purposes to people who rear the broilers and layers. And Also the project rear the day old chicks to produce eggs and broiler meat chickens and at maturity will be sold to the local and export market.

The plan has been prepared to give an analysis of the financial and other resources required for the expansion of the intended poultry farm project and also assess its economic viability and commercial viability for presentation to the company's promoters (shareholders) for allocation of funds and machinery as well as equipment to supplement the equity contribution.

2.3 Company's Background

The company was incorporated with a prime objective of establishing and operating a modern poultry farm which include hatchery and feed mill. The company determines to increase production capacity of poultry products by increasing and at the same time improve the quality of company's products. And the main purpose of the project proposal is to expand the production capacity to correspond with the growing demand of eggs and poultry meat which is increasing day by day. The quality of company's poultry products will guarantee customer satisfaction in this implementation programme.

It is on the basis of the above reasons the management has thought it is prudent to establish and operate the proposed poultry farm project by procuring and install modern incubators, feed mill, veterinary supplies, and use of new rearing methods. Hence the poultry farm project is estimated at USD 2,000,000. The estimated capital investment cost of USD 2,000,000 will be on new and modern incubators, machinery, equipment, veterinary supplies, feed, utility vehicles and other expenses.

2.4. Project Cost & Financing Pattern

The proposed integrated project is estimated to cost a total of US\$ 2,000,000 which is 50% own equity contribution of the project, and the remaining will be sourced from financial institution total loan debt of US\$1,000,000. The project will be implemented within 5 years

2.4. Business Plan Objectives

The objectives of this study are two-fold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program. First, it will be as a road map for running of the proposed projects. The project promoters have commissioned a reputable engineering and project planning consulting firm to advice on detailed technical and economic evaluation

of the project and in determining its viability. As the report will be used to raise debt financing for the project, it is tailored to meet standard requirements of financial institutions in the region.

Secondly, it is meant to facilitate the application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

2.5. Product: Demand and Market Analysis

There is an extensive market to absorb all the company's poultry products like eggs and broiler chicken meat, the broilers and layer day old chicks produced in the establishment programme as the market is growing day by day.

The eggs and chicken meat are the healthy food due to high protein in them and have big market to Supermarkets, hotels, schools; homes etc and they are eaten in different occasions. The day old chicks & chicken feed are badly needed by the farmers who rear the chickens.

A recent survey undertaken by the company has realized that there is high demand for quality eggs and broiler chicken meat, the broilers and layer day old chicks produced and the chicken feed. Goodwill, quality and promptness are the factors which make the project to dominate the market. There are a number of poultry farm and importers of day old chicks who can compete with the company's poultry products.

The company's also expect to export the poultry products to the neighboring countries especially in this establishment programme

3.0 Submission

BACKBONE TANZANIA COMPANY LIMITED wishes to submit its Investment plan and application to the Tanzania Investment Centre its proposal for registration and award of certificate of incentives in the establishment programme, which enables the project to enjoy import duty and VAT exemption on project's Capital/ Deemed capital goods.

4.0 Economic & Healthy Reasons

Positive economic growth which had been registered in Tanzania, have attracted more investments in the country, which resulted an increase in purchasing power of people, hence increase in demand for poultry products like eggs and chicken meat. Supermarkets, Hotels, colleges, homes, and special occasions are among the targeted markets.

The local and foreign farmers in their poultry keeping project have to purchase broilers & layers day old chicks and chicken feed from the modern poultry farm.

The demand for eggs and chickens is high due to high nutrients and proteins which in found in them.

5.0 Competition/Market

There are a number of importers of poultry products in Tanzania and few local poultry farm & feed producers still the supply is not enough compared to the level of demand. And some are producing the poultry products with poor quality and weight due to giving the chickens wrong & low quality feed.

However, the company expects to dominate the local and export market because the project ensures the high quality of eggs, chicken meat, day old chicks (broilers & layers) and chicken feed. Other factors are goodwill and promptness.

6.0 Promotion & Advertisement

In this establishment programme, the modern poultry farm/ feed project knowing that advertisement forms part of the marketing strategy especially in promoting the poultry business.

The proposed project will be embarked upon in the newspapers, street banners and later on in the televisions in a manner benefiting the promotional role of any company or private institutions.

7.0 Business Strategy

In order to meet increase the production capacity, the growing demand and high quality poultry products, the management of the company will develop and implement the following business strategies which will capture and dominate the market.

8.0 Environmental Impact

The Poultry Farm project is environmental friendly and will have no negative impact on environment. It does not produce any harmful waste products at the result of its poultry farm/ feed mill activities. The manure will be well stored and sold to local farmers.

9.0 Marketing Organization

BACKBONE TANZANIA COMPANY LIMITED; will produce products and sell at wholesale level to a local and international market. The importers from the neighboring countries will be expected to orders for their requirements to the company by mails, phones, and their orders will be sent to country of their destinations, but arrangements can also be made for the promoters to deliver directly to importer from Kenya, Uganda, Rwanda and South Sudan. Likewise, local buyers are expected to collect their requirements of the various products for

the produced products, but the promoters will be flexible to deliver the goods on demand.

10.0 Pricing strategy

The basis for pricing has been from observations and data collected from various parts of Tanzania, market behavior of raw materials and by- products, production costs and profit margins. Packaging will be done in good quality material, the pricing has been estimated at annual sales increase of 5% and this should allow a very high standard of packing. The industry after making a marketing research has come with the following proposed prices status; price per chicken 1.45 US\$ and production capacity is **1.910,204 chickens per year**

11.0. Project Location

The project will be developed at BACKBONE TANZANIA COMPANY LIMITED compound, the project is located at **Plot No.34& 20, Block L, Mbwawa, Kibaha township, Coast Region.** 40km from Dar es Salaam. For economic benefit, related industries can be constructed to the same areas as there is a room to establish other plants.

11.1. Project Site analysis

Based on physical inspection of the proposed site, the availability of basic and essential industrial infrastructure such transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out and they were satisfactory for factory establishment. The realization of the project development requires successful completion of a number of necessary activities and facilities to enable a successful development of the project. The project location is already installed necessary utilities such as reliable supplies of energy, water, transportation, telecommunications services, waste disposal and other services are in place.

12.0 . Project Financing

The project costs, including fixed costs (machinery, equipment, building renovations, motor vehicles, office furniture and equipment and pre-operation expenses will be financed by a shareholders and loan facilities will be imposed to this project. The project promoters are planning to finance project cost in the following pattern:

12.1 Project Implementation

Full implementation of the project is planned to take place by end of July 2024 and all machines has been ordered for importation from abroad.

13.0 Employment

The whole process of production lines is looking at providing direct employment to at least 40 permanent jobs on full implementation and operation of the project. Thereafter most of the production supervision will be taken over by local Tanzanians who by then will be expected to have acquired adequate experience in the operations and management of the project.

13.1. Recruitment

Recruitment of the 40 persons will be carried out by giving first preference to ex-technician from our local technical institutes such as Vocation Education Training Authority "VETA" and existing employees of the company, based on demonstration of skills and aptitude basis and their willingness to work for BACKBONE TANZANIA COMPANY LIMITED. Careful methodology is being worked out by a competent management consultant who will set the job descriptions etc. To ensure that the right caliber is recruited. Recruitment of expatriate personnel will be carried out in consultation with the relevant authorities in Government and the collaborating agencies.

13.2. Training and the use of Consultants

The Company plans to initially carry out on the job training for most of the technical staff by India expert (depending on the source of technology) to be

dispatched to the project site by the suppliers of the plant which will be specified under sales agreement. Later on, the maintenance staff will be sponsored to go on field trips outside the country with the manufacturers of the machinery in China so as to familiarize themselves with the operations of the plant and machinery. In general the company will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational materials will be subsidized or paid for to motivate the workers to develop themselves

Whereas the company will endeavor to obtain the best talents to fill the permanent posts in the organization, it is intended where necessary, to continue with the policy of hiring out some specialized skills by way of consultants. Alternatively, those skills not required throughout the year will be left to Consultants. These include legal counsels, systems and management consultants. To ensure efficient and scientific management, operational manuals will be prepared for the core functions of the company.

13.43 Organization and Management

The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses. The Board of Directors formulates policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

All the production line will have its own management under which the day to day leader/management of each production line will be vested in the management team headed by a Production Manager. The Production Manager is to be assisted by qualified and experienced personnel. The Production Managers will report to a General Manager who will be directly responsible to the Board of Directors.

14.0. Financial Analysis

14.1 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, it is assumed to be 10% annual depreciation.

It is assumed that the major building raw material will be procured from local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the industry.

5 years financial projections have been worked out

14.2 Financial Statements:

14.3 Projected Revenue

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from business commence from the first year of operation.

BACKBONE TANZANIA COMPANY LIMITED PROJECTED REVENUE (US\$)

	1	2	3	4	5
-					
Revenue	2,808,000.00	2,948,400.00	3,095,820.00	3,250,611.00	3,413,141.55

14.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life.

Accumulated after tax profits grow from. US \$ 524,720 in first year to US \$ 3,413,141.55 in the 5th year,

BACKBONE TANZANIA COMPANY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

-	1	2	3	4	5
Revenue	2,808,000.00	2,948,400.00	3,095,820.00	3,250,611.00	3,413,141.55
Operating Expenses:	1,965,600.00	2,063,880.00	2,167,074.00	2,275,427.70	2,389,199.09
Gross Profit Before Interest and Depreciation	842,400.00	884,520.00	928,746.00	975,183.30	1,023,942.47
Interest	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Depreciation	32,800.00	32,800.00	32,800.00	32,800.00	32,800.00
Gross Profit	749,600.00	791,720.00	835,946.00	882,383.30	931,142.47
Tax (30%)	224,880.00	237,516.00	250,783.80	264,714.99	279,342.74
Profit After Tax	524,720.00	554,204.00	585,162.20	617,668.31	651,799.73
Accumulated Profit	524,720.00	1,078,924.00	1,664,086.20	2,281,754.51	2,933,554.24

14.5 Projected Cash Flows

This is shown in the Projected Cash Flows Statement, They indicate that the project will meet its entire financial obligation, the Accumulated cash flow in the first year US\$617,520 and grow up to US\$ 3,397,554.24 in 5th year,

BACKBONE TANZANIA COMPANY LIMITED PROJECTED CASH FLOW US\$

	0	1	2	3	4	5
SOURCES:						
Profit before interest and depreciation	-	842,400.00	884,520.00	928,746.00	975,183.30	1,023,942.47
Equity	1,000,000.00					
Loan	1,000,000.00					
Total Sources	2,000,000.00	842,400.00	884,520.00	928,746.00	975,183.30	1,023,942.47
Applications:						
Capital expenditure	1,730,000.00		-	-	-	-
working Capital &Others	270,000.00					
Cash	0	617,520.00	647,004.00	677,962.20	710,468.31	744,599.73
Tax	-	224,880.00	237,516.00	250,783.80	264,714.99	279,342.74
Sub total	2,000,000.00	842,400.00	884,520.00	928,746.00	975,183.30	1,023,942.47
Total applications	2,000,000.00	842,400.00	884,520.00	928,746.00	975,183.30	1,023,942.47
Accumulated cash		617,520.00	1,264,524.00	1,942,486.20	2,652,954.51	3,397,554.24

14.5 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under appendix IV total owners' equity of the project increases from US\$ in 1,000,000 at the end of first year of operation to US \$ 3,933,554 at the end of in 5th year.

BACKBONE TANZANIA COMPANY PROJECTED BALANCE SHEET US \$

Fixed Assets	-					
Opening balance	-	1,730,000.00	1,697,200.00	1,664,400.00	1,638,350.00	1,612,300.00
Total Long-term Assets	-	1,730,000.00	1,697,200.00	1,664,400.00	1,638,350.00	1,612,300.00
Less depreciation	-	32,800.00	32,800.00	32,800.00	32,800.00	32,800.00
Closing balance	-	1,697,200.00	1,664,400.00	1,631,600.00	1,605,550.00	1,579,500.00
Working capital	270,000.00	270,000.00	270,000.00	270,000.00	270,000.00	270,000.00
Accumulated cash	-	617,520.00	1,264,524.00	1,942,486.20	2,652,954.51	3,397,554.24
Total assets	270,000.00	2,584,720.00	3,198,924.00	3,844,086.20	4,528,504.51	5,247,054.24
Financed by						
Equity	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Accumulated profit	-	524,720	1,078,924.00	1,664,086	2,281,755	2,933,554
Total equity	1,000,000.00	1,524,720.00	2,078,924.00	2,664,086.20	3,281,754.51	3,933,554.24
Bank Loan	1,000,000.00	800,000.00	600,000.00	400,000.00	200,000.00	-
Total debts	1,000,000.00	600,000.00	600,000.00	400,000.00	200,000.00	-
Total equity and debts	2,000,000.00	2,124,720.00	2,678,924.00	3,064,086.20	3,481,754.51	3,933,554.24

14.6 Projected payback period

Total investment is US \$ 2,000,000, cash accumulation in year 4 is US\$. 2,589,434 which is US\$ 589,434 more than the initial investment costs, the project payback Period is within 4 years,

BACKBONE TANZANIA COMPANY PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	524720	32,800.00	557,520.00	734,000.00
2	554,204.00	32,800.00	587,004.00	1,321,004.00
3	585,162.20	32,800.00	617,962.20	1,938,966.20
4	617,668.31	32,800.00	650,468.31	2,589,434.51
5	651799.7255	32,800.00	684,599.73	3,274,034.24

14.7 Projected loan repayment

Total loan is US \$ 1,000,000, to be repaid with 5years with interest of 6%,

BACKBONE TANZANIA COMPANY PROJECTED LOAN REPAYMENT

Year	principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
1	200,000.00	60,000.00	260,000.00	1,000,000.00
2	200,000.00	60,000.00	260,000.00	800,000.00
3	200,000.00	60,000.00	260,000.00	600,000.00
4	200,000.00	60,000.00	260,000.00	400,000.00
5	200,000.00	60,000.00	260,000.00	200,000.00

14.8 Project investment cost

The project on completion been estimated to cost

INVESTMENT COST US\$	
Land and Buildings	500,000.00
Machinery & Equipment	1,030,000.00
Motor Vehicles	150,000.00
Furniture & Fixtures	5,000.00
Pre exp	20,000.00
Others	15,000.00
Working Capital	280,000.00
TOTAL	2,000,000.00

14.8 Projected Risks

This is a animal feeds manufacturing investment; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability occurs the project is more likely to prosper very fast for a very long period

15.0. Economic and Social Aspects

The project is also likely to have a positive impact on the economy as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also has potential for substantial exporting to foreign markets especially to neighboring countries in the Great Lakes Region. In summary the following table will show impact investment index framework

Benefits

- Increased sales to the Utility Companies providing services of electricity, water and sewerage, telecommunications;
- Increased business transacted by local banks and institutions providing financial services;
- Business opportunities for local entrepreneurs in market distribution channels,

- Business opportunities to contractors and sub-contractors during the minor construction phase;
- Increased regional intra-trade and international trade due to better infrastructure facility and links to markets;
- Increase of technology transfer & expertise to local employed staff,
- Capital spends in local economy over 2,000,000US\$ and
- Contribution to GDP growth through increased economic activities

Based on the Impact Investment Index analysis, the company can develop projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, BACKBONE TANZANIA COMPANY LIMITED will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

16.0. Concluding Remarks and Way Forward

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the fruit processing plant as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, BACKBONE TANZANIA COMPANY LIMITED through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis results show that when the construction of Animal feeds plant facility is financed 50% by shareholders and 50 long term loan. The payback period for the project is estimated at 4 years, which is within the range for this type of investment. Sensitivity analysis results also favor the project. Financial analysis for the project has shown feasible returns, based on the investment scope and the assumptions taken in this Business Plan.

16.2 Conclusive Remarks and Way Forward

The development of this Animal feeds plant will be funded owners' equity and long term loan. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 1,000,000US\$. The company will fund the development of the factory, before the Company engages into the development of this project as a private enterprises, it needs to accomplish the pre development activities to make way for the development of the designated project

