

**SUDAFRIC AGRICULTURE LIMITED**

P.O. BOX 8623  
DAR ES SALAM.

Feasibility Study Report

On

ESTABLISHING AND OPERATING A LARGE SCALE  
MIXED FARMING PROJECT  
AND AGRO PROCESING

IN

LIMAMU VILLAGE, NAMTOMBO DISRTICT -  
RUVUMA, TANZANIA

Prepared by:

SUDAFRIC AGRICULTURE LIMITED

P.O.BOX 8623

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## **0.1 INTRODUCTION**

This feasibility study report is being prepared for **M/S SUDAFRIC AGRICULTURE LIMITED. of P.O. Box 8623 Limamu Village, Namtombo District - Ruvuma, Tanzania** hereinafter referred to as SAL. SAL has undertaken a project to venture into business as dealers in, general suppliers, general merchants, traders and suppliers of all kinds of goods and products, supplier of all kinds of agricultural products, industrial products and food processors and stuff.

The purpose of this study is to assess the commercial viability and operational feasibility of the project being undertaken by SAL. Most of the data has been compiled by the promoters' own research and study in Tanzania and is first hand information. The financials have also been worked out on the basis of market and cost information provided by the promoters of the project.

This report has additionally deliberated upon the social and related economic benefits (net) that will accrue to the nation and has given adequate weight age for the same in the conclusion & recommendation paragraph.

## **02. COMPANY DETAILS:**

Registration:

M/s SAL has been registered with the Registrar of Companies on 18<sup>th</sup> of September 2023 as a limited liability company. The Authorized share capital of the company is same as the paid-up share capital. The registration number of the company is 168643152

## **OBJECT CLAUSE:**

“To carry on the aforesaid business and either in connection with or distinct and separate business the business of importers and exporters of food of all kinds. To acquire by purchase, own, lease or otherwise land for purpose of building industries and factories in order to meet the company’s demand.”

Other object clauses include the business of import and export of commodities, to acquire by purchase, own, lease manufacturing companies dealing with general farm producers and all kinds of foodstuffs

## **Promoters/Shareholders & Directors:**

The Shareholders of SAL are as under:

<b>Name of the Share Holder</b>	<b>Nationality</b>	<b>% Holding</b>
KENNEDY KIPNUSU	KENYAN	95%
ENNEA RAPHAEL KONGA	TANZANIAN	5%

The first directors of the company are:

- 01. KENNEDY KIPNUSU**
- 02. ENNEA RAPHAEL KONGA**

## **Location of the Proposed Factory:**

The site for the factory shall be in Limamu Village, Namtombo District - Ruvuma Region. Since the project is concerned with Large Scale Mixed Farming, It has been estimated that to begin with the operations 200 acres of land will be required.

**Registered Office Address:**

4<sup>TH</sup> FLOOR  
MOYO PLAZA – ILALA  
DAR ES SALAAM

**03. THE PROJECT:**

The basic purpose of the entire project is to add value to the abundantly available inputs, which have hitherto not been adequately exploited. The project will create more wealth for the nation and shall endeavor to bring in more prosperity and economic independence.

SAL is interested in venturing into this area, as they are confident about their latest technology and manufacturing process. SAL is sure to process high agri processing e.g maize, wheat, soya , potatoes etc out of the so considered inferior quality mills.

The project will create nearly 100 employment opportunities directly and more than that indirectly. Apart from adding to the wealth of the nation, it shall also increase the purchasing power of the community thereby leading to an overall increase in demand for other construction products, which shall in turn lead to better economy conditions.

The project shall bring in plant and machinery from outside the country and shall eventually train the local population in the running of the milling project. The project will thus contribute towards the manufacturing sector of the economy. As per the latest findings of CTI (confederation of Tanzanian Industries), manufacturing contributes less than 10% of contribution towards this sector which is very much welcome by the government. The manufacturing process being undertaken shall also ensure that value addition is being done within the country, which is added advantage.

#### **04. PROJECT LOCATION & INPUTS:-**

Since the project is related to agri processing etc., which is an outcome of specialized processes, carried out milling business, the project location preferably has to be near to the raw materials region. A part from the very fact that the project requires lot of agricultural inputs related issues also dictate the location of such projects as being nearer to the source of raw materials.

The promoters reportedly carried out a survey of various regions in Tanzania where such project can be established with minimal obstacles. Their study led them to the Limamu Village, Namtombo Disrtict - Ruvuma region, it also has advantages in terms of availability of adequate local manpower, power and roads also, Besides it is easily approachable

Limamu Village, Namtombo Disrtict - Ruvuma also prove to be one of the most important markets relatively better infrastructure and also being quite near to the main market.

Promoters have identified more than 200 acres of land, The plots or areas identified are outside the municipal limits. Such location has resulted into relatively cheaper land with very easy access to the city infrastructure. The promoters have made necessary contracts with the District Land Development Office and have received confirmation about availability of the envisaged plot of land. As of now some 9.48 acres of land has already been taken on 33 years lease. In other words availability of adequate land, which is so crucial for the success of such project, has been more or less tied up. Such situation provides the project with an edge as compared to others in similar lines.

The local authorities have assured the promoters about adequate supply of power and water, which is required for the successful running of the business. Power

requirement has been estimated at 1,100 h.p. With 24 hours running.

#### 0.5 **THE MARKET DEMAND:-**

Agri processing inputs form the core product line of this project are all sourced from agricultural. These products are being used in domestic use.

Tanzania as a country has been enjoying a steady economic growth rate of nearly 4.5% to 5% for last more than 5 years and that has resulted into spurt of demand for quality agri processing. The demand has been more pronounced in the basic necessity sector. Agri processing sector have also shown impressive growth. The products of SAL form the basic for domestic use. It is used in all stages of milling. It is useful in the initial stage and once the agricultural is completed it is required for interior domestic use and for creation of useful attachments.

From marketing angle, apart from the points noted above, this project enjoyed a distinct advantage. There are certain international standards in which the dimensions are available for traders, manufacturers, and of Proprietors, promoters, financiers, concessionaries, commercial agents and advisers of and for commercial, however SAL envisaged producing high quality agri processing in various kinds, which can suit the requirements of local and International populace. This strategy shall provide the project with an additional marketing edge compared to imports, the first edge being lower prices. SAL believes that creation of non-standard size shall not only make it more viable/profitable but will in long run also ensure maximum utilization of available resources.

SAL promoters firmly believe that they will not encounter any major hurdle in marketing their products. Some time will definitely be required as the product boast of being import substitute and the products are not meant for direct

consumption (which imply that they are being sold to an intermediary). However in long run SAL promoters and management are very much sure about the successful operation of the project.

## **06. PROMOTERS & MANAGEMENT:-**

The importance of well-informed promoters and professional management can never be over estimated for successful implementation of the any project. It is said that well – informed promoter and professional management can make even a not so viable project otherwise and vice-a-versa.

## **07. MANUFACTURING PROCESS & TECHNOLOGY:-**

The factory to be put-up for agri processing e.g wheat, maize, beans, soya beans, potatoes etc. for human consumption, shall be a very simple and target oriented. This will not only ensure that the initial set – up cost of the project will be minimal but will also enable SAL to increase the factory will maintain a very large open space to accommodate the storage of crop productions received in form of finish product waiting for further processing. In other words, the factory will be consuming a very large area of land.

The project envisages the following:

- ◆ Food Production
- ◆ Agri processing.
- ◆ To invest and deal with money.
- ◆ To sell, lease, mortgage or otherwise dispose of the property;
- ◆ To receive money on deposit, with or without allowance.
- ◆ Agro-Mechanics training.

The manufacturing process is briefly described as under:

Agris and Food crops from the earmarked area from the source are brought to the factory and put into the mills form. This is done in order to ensure that there are no end cracks. This process thus reduces loss of yield. This process assumes more importance in case of this project due to the fact that the agris envisaged to be utilized here is of very inferior quality. As per the study of the promoters the species expected to be utilized have never been utilized up till now in the country. There are nearly 15 such varieties and barring for one or two none of these species have been commercially exploited. In a way this is also one of the edge of this project.

SAL envisages manufacturing of all the varieties of Agris and Food Crops in varying types such as beans, maize, French beans, coffee, pyrethium, cocoa and other cereals. In addition to these types SAL shall also produce other types as per local market demand beans and maize which is movable in the local market, and therefore the same type will be made available for the entire market. Then the same is taken to the milling machines and milled. The finished agris and crops further checked piece-by-piece by the final checking authority and an OK Seal and the brand name is affixed & the agris and crops are ready for the market.

## **08. MANPOWER:-**

Although the project of agri processing and other allied food related for human consumptions will require lot of automatic machines, lot of manpower especially at lower end shall be required to carry out preparatory processes as well as for quick movement within the factory premises

SAL will hire one expatriate to oversee the operations supported by 53 local workers. Workers will be guided and trained by the expatriate technical experts to run machines. Organization hierarchy shall be as under:-

**a. Top level**

Chairman cum Managing Director  
General Manager

**b. Middle Level**

Production Manager  
Chief Engineer  
Finance Manager  
Marketing Manager

**c. Lower Level**

Production Supervisors  
Personnel and Administrative Officer  
Accounts Officer.  
Sales Officer

SAL shall endeavor to promote local staff as much as possible to ensure better employment opportunities to the local populace. However it shall always ensure that efficiency of the unit is kept intact.

SAL shall run simultaneously a small in-house training house, where the experts will provide training to the new recruits before they are put on the jobs for on-job training. SAL believes that a motivated and skilled manpower can for sure bring in immense benefits to the industry and can ensure peaceful co-existence of all concerned.

## 09. COST OF THE PROJECT & MEANS OF FINANCE:-

### A. Cost of the Project:-

<b>Sr. NO.</b>	<b>Details</b>	<b>US \$</b>
1	Land & Building	1,000,000
2.	Plant & Machinery	350,000
3.	Furniture, Computers & Fixtures	20,000
4.	Vehicles	30,000
5.	Pre-operating Costs	50,000
6.	Others	400,000
7.	Working capital	150,000
	<b>Total Cost of the Project</b>	<b>2,000,000</b>

### B. Means of Finance:-

<b>Sr. NO.</b>	<b>Details</b>	<b>US \$</b>
1	Equity Funds	1,000,000
2	Promoters' Loan	1,000,000
	Total Means of finance	2,00,000

The total cost of the project consisting of both the phases has been estimated at **US \$ 2,000,000** As can be seen from the above chart, majority of the expenses involved will be on Land and Factory Building. at 50%. Besides considerable money will be required in the starting up of the unit which has been grouped under the head pre-operating and initial working capital costs.

Phase I will be implemented within a span of three months and the second and the final phase will be completed within a span of nearly 21 months from the date of the completion of the first phase.

Building will be a simple structure based on pillars with sidewalls open to facilitate future expansions. The height of the factory shed will be 15 feet. A small training house and a rest room for the workers will also be constructed.

**DETAILS OF PLANT & MACHINERY TO BE IMPORTED IS AS UNDER:-**

<b>Sr. NO.</b>	<b>Description</b>
01	Cranes – Two nos.
02	Fork Lifts – Two nos.
03	Electrical Hoist
04	Agri Miller
05	Food Processors
06	7 Tones Lorry
07	Tipping Trucks 7 Tones
08	Dumper
9	Food and Vegetable processors.
10	Fruit Packer
11	Can Processor
12	Water Pump
13	Standby Generator

Three in-house utility vehicles will be needed to transport the finished goods from the factory to the buyers' place and also for moving the crops within the factory premises wherever required.

Office furniture will be bare minimum and so will be computers (may be three sets). Telephone lines; fax line and Internet line will be kept handy at the factory to ensure speedy and cheap communication.

Pre-operating costs will take care of the preliminary expenses, initial survey and travel costs including accommodation charges, professional charges for preparation of reports etc and shall also cover for the initial

joining costs of various key personnel till the real operations commence.

Initial working capital shall include the money required to bring in enough quantity of Food crops and other cereals, spend for the revenue expenses for the process carried out on them and the financing of other revenue costs till the time money starts flowing back from the debtors for the goods sold to them on credit.

The promoters of SAL are in possession of required finances and are committed to put in the same as and when required. The initial capital has been created at 550,000 usa dollars and balance amount will be treated as loan from promoters, interest free.

## **10. PROJECT IMPLEMENTATION SCHEDULE:-**

As has been stated in the earlier paragraphs the entire project will be implemented in two phases within a period of 24 months. The first phase is expected to be completed within a span of nearly two to three months and the next phase is expected to be completed in another 21 months. The initial capacity shall be 100 cubic meters a day and after completion of the second phase the manufacturing capacity shall be 450 cubic meters a day.

Considering October 2005 as the first month, the first phase is expected to be completed by February 2006 and commercial operations expected from June 2006. Where as the increased production form 100 cubic meters a day to 450 cubic meters as day will be achieved gradually, however optimum capacity will be reached within 24 months.

The project implementation schedule is shown in form of a table hereunder : (PHASE I).

Sr. No	Activity	Completion Period
01	Company Formation, Registering with statutory authorities, like Income tax, VAT NSSF, etc., securing TIC certificate of incentive Industrial license etc.	September & October 2023
02	Site identification, purchasing the same, designing of plant layout and commencing of construction of factory shed.	September & October 2023
03	Order placement for various machineries, recruitment of key personnel.	November & December 2023
04	Installation of Machines	January & February 2024
05	Procurement of agris for initial trial runs as also for future.	March & April 2024
06	Commencement of Trial Runs	June 2024
07	Commencement of commercial Operations.	Jully 2024

The project implementation schedule is shown in form of a table hereunder (PHASE II)

<b>Sr. NO.</b>	<b>Activity</b>	<b>Completion Period</b>
01	Site Mobilization & Factory Construction	Oct. 2024 & November 2024
02	Factory Shed Complete & Plant Layout finalized for implementation.	November 2024 & December 2024
03	Order placement for various machineries, recruitment of key personnel	January 2025 & February 2025.
04	Installation of Plant & Machines	March/April 2025
05	Procurement of granite stones for initial trial runs and plant commissioning.	April/May 2025
06	Commencement of Trial Runs	May/June 2025
07	Commencement of Commercial Operations.	May/June 2025.

The second phase implementation will begin immediately after twelve months and it is expected that within a span of another nine months major expansion as envisaged will be completed. Improvements will be introduced in the next phase based on the experiences of the first phase.

## **11. PROJECT FINANCIALS:-**

### **11.01 Assumptions**

- a) The rate of one US \$ is equal to T.shs 2,550/=
- b) Required labor force will be available
- c) Required permits will be granted within the limited time schedule to ensure implementation as per schedule.
- d) The first phase will be operational within a span of three months.
- e) The second phase will taken nearly 21 months to complete after the start of first year and will increase the capacity to 450 cubic tones per day.
- f) Total investment will be US \$ 2,000,000
- g) The project will have own finance
- h) Land will be available on lease in future as and when required.
- i) Import duty exemption and deferment of VAT will be available on import of plant and machinery.

### **11.02 PROJECTED FIVE YEARS PROFITABILITY STATEMENTS**

As can be seen from the enclosed projected profitability statement, the company will not earn profits in the first year where the operations are to run only for six months, however there will be cash- profits.

The company will attain a turnover of US \$ 0.62 million in first six months; will go up to US \$ 0.240 millions in the next years and from third year of operation will remain steady at US \$ 1.580 millions.

The profits will start coming from the 2<sup>nd</sup> year of operations. From the year 4 and onwards the annual profits will be in the range of US \$ 1.0 million and above. The project enjoys a payback period of 5 years.

The company will be earning gross profit @ 6% and net profit of nearly 2.5%. For a very large project, like this a net profit of 2% is quite reasonable. Government will earn lot of revenues due to such high turnover.

Selling costs have been assumed at 2% of the sales and other overheads have been assumed not to cross US \$ 50,000 a month including manpower costs.

Depreciation has been provided as per the prevailing income tax rates. Further full depreciation has been provided on assets purchased during the year. Separate schedules are attached with this report for calculation of depreciation.

### **11.03 PROJECTED FIVE YEARS BALANCE SHEET**

The enclosed balance sheet shows a very sound position of the company. The current assets ratio is in excess of 1.2 from the beginning and by the year 5 it reaches 2.

Inventory will be maintained only for a period of one week. The reason being the plant is going to be located in the close proximity of Food crops.

Creditors will be outstanding for a period of 15 days and suppliers of services will be paid at the expiry of one month.

### **11.04 PROJECTED FIVE YEARS FUNDS FLOW STATEMENTS:-**

As can be seen from the appended projected funds flow statement the company will be financed by the promoter's own funds. In the initial year (2005) the investment will be of US \$ 700,000/= and by the year 2006 total investment of US \$ 1,500,000/= will be completed.

Operating profits will be ploughed in to the business. Once the operations are steadied from the year 2026, the annual

contribution of operational profits shall be turn the tune of US \$ 900,000/=

Depending on the surplus available, promoters loan will be re-paid. As can be seen the company shall be in a position to commence repayment or promoters' loan by the year 2026.

As the operations will grow, the net working capital requirement will also grow. As can be seen the increase in net current assets will be from US \$ 90,000/= (year 2025) to US \$ 680,000/= (year 2026).

The company assumes to maintain a positive cash balance of US \$ 25,000/= to US \$ 50,000/=.

#### **11.05 PROJECTED FIVE YEARS TAXATION SCHEDULE:-**

The company will enjoy tax incentives as per the governing laws of the country. It will have taxable profits only from the year 2026 and will then onwards contribute to the exchequer in excess of US \$ 150,000/= in the first year and then onwards in excess of US \$ 340,000/= The company may reduce its tax burden by investing or expanding its operations and in either case the country benefits.

#### **12. SOCIAL & DEVELOPMENT BENEFITS:-**

Generally it is presumed that a project for packing of food crops will result mills making. Whilst this is true to a very larger extent, it should be noted that this project plans not to acquire more and more land even for manufacturing.

#### **◆ Employment creation**

As has been observed earlier this project will provide direct employment opportunities to more than 50 locals

inclusive of skilled, semi- skilled and un-skilled class. One expatriate will also be employed as per the requirement of the project.

This direct employment of more than 50 individuals will generate indirect employment for more than 100 individuals. In nutshell it can be concluded that this project will have a very positive impact on the level of employment in the country and will be welcome change.

◆ **Transfer of technology**

This project being a manufacturing project will usher in the country technology. Although the technology is simple the advantages to the country are quite significant. The country will get the advantage of value addition due to such incoming technology. Further the country can reduce its dependence on imports for the finished products manufactured by this project. Local employees will get on-the-job training from the experts (expatriate) employed and in long run will improve the technical competence of the local population.

◆ ***Contribution to the exchequer.***

This project will contribute substantially to the society in general and to the exchequer in particular. As has been observed the total turnover at 100% utilization will be in the range of US \$ 24 million. This will result into VAT outflow of substantial amounts. Besides the company will be contributing tremendously in terms of PAYE and NSSF. In addition the company will also be contributing in terms of corporate taxation from the year 2006 onwards.

◆ ***Positive cascading impact on the nation's economy.***

This project will have overall positive impact on the society. It will not only save the precious foreign currency reserves of the country by producing import substitute products, and by exporting the final product, but will also

generate direct employment to more than 53 individuals and will provide means of livelihood to more than 100 individuals. The cascading positive impact on the society will be too great. This project will lead to creation of national wealth. Its contribution to the exchequer will also be quite significant in terms of NSSF, PAYE, VAT and direct taxation apart from skills and development levy.

One more advantage of this project is its location. Since it is located at Limamu Village, Namtombo District - Ruvuma, which is not fully developed, will get more opportunities to commercially expand and develop. This project will thus result into regional development. This project will thus hold the government to further its own objective of promoting regional development.

### **13. Conclusion & Recommendation:-**

The foregoing write-up indicates following benefits to the country, which in turn pleads for immediate acceptance of this project as a feasible project.

- ◆ The country will get a manufacturing unit, which will add to its scarce manufacturing base. As on date the country's manufacturing base is very low with contribution of 9% to the GDP and thereby making the economy pre-dominantly agriculture oriented.
- ◆ The project will bring in latest technology in the relevant field and will ensure training or development of skilled labour force in the country. The labour force will get on – job training and will thus make them more and more competent.
- ◆ The project when implemented in full over a period of 24 months will ensure that there will be a direct flow of foreign currency in the country to the tune of US \$ 300,000/= which is considerable by any standard.

- ◆ The project will lead to regional development besides Upanga - as it will be located in Limamu Village, Namtombo District - Ruvuma Region. This advantage has many other advantages running parallel. There will be tremendous boost to the economic development in the region. It will arrest migration of individuals and will also alleviate the problem of congestion and concentration of working force in Limamu Village, Namtombo District - Ruvuma region.
  
- ◆ It will provide cascading positive impact on the economic situation in Limamu Village, Namtombo District - Ruvuma region and other neighboring regions.

There are many other benefits direct and indirect of this project and therefore we conclude that this project is feasible technically as well as economically.