

PALO TANZANIA LIMITED

BUSINESS PLAN

for

**For Coffee Plantation
in Mbinga**

Drawn by

MWAKAZI BUSINESSS CONSULTANTS

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SUMMARY OF PALO TANZANIA LIMITED COFFEE PROJECT

DESCRIPTION

Owners : Palo Tanzania Limited
Directors: Mr. Longinus Orestes Komba
Mr. Paulo Orestes Komba
Contact person : Mr. Longinus Orestes Komba
Contact no. : +255 714 419 341
Email : coffeeproject@palotanzania.co.tz
palotanzanialtd@gmail.com
Region: Ruvuma , District : Mbinga
Localation: Mbinga,
Area : Nsenga, Kitanda Ward
Property : 50 Acres
Latitude : S 1053'55.19292``
Longitude : E 35.5'52.98792
Mean annual Rainfall : 717mm per annum
Distance from nearest : 15 km from Mbinga Town
Estimate Budget : Tshs 500,000,000

1: INTRODUCTION

Palo Tanzania Limited owner and promoter of this project has a vision to promote rural agriculture and thus creating a continuous sustainable amount of jobs while benefiting the vicinity small coffee farmers too.

Mbingā where the project is located has excellent soil and well suited for growing commercialized Arabica coffee.

The project is aligned to the Tanzanian Employment, Growth and Development Plan AGENDA 2030.

- Poverty alleviation to people in the rural nodes
- Provide a sustainable income base to the

poorest of the poor

- Build in the project plan substantial capacity building and skills development
- Adhere to Governments Green Economy by utilizing the Green Resources as a sustainable commercial asset
- Persevere of our nature and environment for our future generations.
- Create sustainable job opportunities and create wealth for hundreds of the people in the rural areas.
- The establishment of a processing coffee plant from green to RTD Coffee(Ready To drink) will enable small formers get a secured market for their coffee.

The project will start off initially as a purely agricultural job creation initiative. This will entail cutting down, clearing the bushes, uprooting trees, ploughing the and of course planting seedlings. This will involve mechanical equipment and casual labour to a bigger extend.

Second phase of the project will to install processing coffee machine which will be adding value to the coffee gotten from own forms and neighbouring farms.

Our Vision

To popularize Improved rural livelihoods and sustainable food systems in Mbinga

Our Mission

To promote agro-ecological principles and rural entrepreneurship through capacity development and be a catalyst in increasing incomes of Mbinga farmers.

1:1 Objective of the project;

The purpose of the plan is to outline the critical requirements necessary to make project more viable, sustainable and improve the living conditions of the owners, employees and the nearby community.

Coffee is a capital intensive enterprise and need careful management to ensure good yields and return on the investment. It cost between Tshs 45,000/ha to maintain a good Coffee crop, especially with export market demands. On average a good Coffee crop should yield between 500g – 15000g per tree and the first harvest should be in the coming 18 month from now.

This business plan therefore covers the requirements for these inputs and proposes a long-term sustainable finance model for this farm.

This report is also compiled to provide an implementation plan for the proposed business and acquire required funding from relevant funders and partners.

2: NATURAL RESOURCE ASSESSMENT

2.1 CLIMATIC RESOURCE ASSESSMENT

Palo Tanzania Limited 50 Acres are demarcated area of land, throughout which there are recurring patterns of topography, soils, vegetation and climate. Climatic factors, primarily rainfall and temperature, are the main criteria used in the delineation of the BRU's. Climate data which is gathered from weather stations in Mbinga will be attached elsewhere.

Rainfall

Mean 717

Temperature

Mean 20.8 : Max 29.5: Min¹²~~19~~

Rainfall

The above table indicates that the project is situated in an area within the main annual rainfall of 717mm. Coffee requires 850 to 1,500 mm of rainfall over the season.

Under irrigation, the total water, including rainfall used by the crop, is 1,550 mm in the area. The projects around this area rely on irrigation for crop production. The project has an irrigation system that pumps water from river source Nsenga, which is a perennial river.

Temperature

The mean annual temperature of the project is 20.8 °C. The maximum temperature usually experienced during hotter months is 35 °C. These temperatures are quite moderate, and pose no limitations to the production of

coffee. However, it needs to be noted that coffee is a warm season annual crop and need slightly higher temperature for most part of the growing season. Low temperatures tend to retard growth and delay maturity and cutting cycle. Optimum growth requires a mean daily temperature of 22-30°C with high solar radiation. For ripening, temperatures of 10-20°C are necessary to reduce vegetative growth and increase the sugar content. The daily mean minimum temperature for June/July should be at least 5°C and the mean annual temperature 18°C and above.

The temperature regime indicates that the project temperatures reasonable meet the requirements for a good crop.

2.2. SOIL RESOURCE ASSESSMENT

The soils are well-drained to moderately drain. Chemical fertility of the soil was not determined. It is a standard practice that each coffee project do a soil test every three years to ensure that the level; fertilizer application on the coffee is within optimum level.

2.3. LAND PRODUCTION POTENTIAL

The Bio Resource programme or Model designed by the Natural Resource Section at Mbinga Ministry of Agricultural utilize climate, soil and management resources to determine the potential yields of the different field crops.

2:4: YIELDS

Potential yields for Coffee per tree

There is good potential to grow coffee in the area provided there is irrigation to supplement water supply from the rainfall. The potential is over 15kg/tree, however average production figures in the area is around 12kg/tree. There is therefore room for improvement from the resource base point of view.

The yield of coffee as well is also below the potential of the area and the project. Production figures indicates yields of 15kg/tree, whilst the average in the area is 12kg/tree. There is also room for improvements in this regard.

Good yields of coffee are, between 200-15000gm per tree in a year corresponding to 25 to 40 tons per ha per year;

The potential to achieve good or economical yields exists, but the whole coffee land(50 Acres) need to be re-established to realise the true potential. Parallel to this, good management and agronomic practices are entrenched to ensure consistent yields for at least the first harvesting seasons.

2.4 WATER RESOURCE ASSESSMENT

The project is deficient with facilities to supply water. Water on the project is required for the coffee trees and human consumption too.

To address this there is a dug well and built high rise tank for irrigation incase rainfall is not sufficient.

3. PHYSICAL PLAN

3.1 CURRENT LAND-USE AND INFRASTRUCTURE

The project has over 17,992 coffee trees as the main productive enterprises.

TOTAL 50 Acres

3.2 CURRENT INFRASTRUCTURE

The project has no building, toilets and storeroom; these facilities will be required in future. Project buildings form a critical part of support in the operations.

Electricity will be connected soon to run pumps

3.3 PROPOSED LAND-USE

The interventions required on the project will not alter the current land use, but will improve the cropping potential of the current enterprises. Therefore, the proposed actions are necessary to address the current state of the project and improve overall productivity.

This business plan is particularly focused on the short-term intervention of supplying fertilizer and chemicals for maintenance of the coffee crop in the 2023/24 financial year.

4. COFFEE MANAGEMENT PLAN

4.1. Coffee

Coffee is a warm season crop and an important contributor to the GDP. It is a profitable crop, although, the returns per ha/annum are not as attractive as vegetable crops. This limitation is offset by the reliability of the market and stability of the market price and production costs. However, the risks associated with coffee are minimal.

Coffee requires a long, warm summer growing season with a high incidence of radiation and adequate moisture, followed by a dry, sunny and fairly cold but frostfree winter ripening and harvesting period.

A good management plan therefore seeks to take advantage of the bioclimatic resources of the project, mitigate against limitations posed by natural resources. In the case of this project, the climatic resources are not a limitation, and the soils ranges from low to moderate potential. The successful production of coffee therefore hinges on integrating the bioclimatic resources with sound agronomic principles. The agronomic practices include the use of the right variety for the right field, land preparation, fertilization, planting; weed control, disease control and proper harvesting.

4:2 Choosing the right Variety

The choice of a right variety for a specific field is crucial as different varieties perform differently on different soils. Varieties are proclaimed in the Government Gazette. It is illegal to cultivate unlisted varieties. Varieties permitted for planting for each area are reviewed annually. Use of certified clean seedlings will minimize systemic root rot infection.

Economic factors to consider in the variety choice:

- Germination and coffee quality;
- Tolerance of drought and resistance to pests and diseases;
- Response to herbicide tolerance;
- Premature flowering and canopy development;
- Age of harvesting and yield ability; and
- Pruning and rationing ability.

4:3 Land preparation

- Ripping vs. deep plough vs. minimum till
- Ridging Fertilization
- Hand planting
- Topdressing

4:4 Weed control

- mechanical and
- chemical
- Pest and Disease control

- Ripening of coffee

4:5 Maintenance

- Drains/waterways
- Harvesting
- Coffee quality (low ash)
- Pruning Annual replant (10%)
- Fallow

4.6 Mechanization

There are critical activities for farm mechanization practices that should be performed for example disking, ploughing, planting, fertilization, etc which require a provisioning plan. Due to complexity of agricultural business there are some project machinery that are mandatory to have on your project while other services can be contracted or hired depending on requirements for sustainable and viable farm business management e.g. considering both physical farm production and economics.

4:7 Workshop Management

Every project should have a working area where tools, project equipment, oils, grease, tyres, tubes, etc need to be kept. Breakdowns always occur on the project during operations, therefore a workshop need to be maintained and managed. Tractor & Equipment Maintenance

A farm without a tractor and equipment is considered as land and only becomes a farm when it has machinery and equipment to farm with. These assets need to be kept in good and working condition through regular and scheduled service and general maintenance. Palo Coffee project to purchase all the required equipment to run the project smoothly

5. HUMAN RESOURCES & SKILLS DEVELOPMENT PLAN

5.1. Skills

Capacity building is an on-going process and farmers need to continually update themselves on latest trends and innovations to do business better. Therefore a set of capacity building courses will be required to sustain the knowledge base and also empower other members of the project as well as the project workers Therefore a set of capacity building courses will be required to sustain the knowledge base and also empower other members of the project and the project

workers.

5.2. Skills Development Programme

Skills development is considered a critical component of any thriving business. Therefore to address the shortcomings and development gaps as identified during skills audit, the following courses need to be incorporated as part of the projects annual plans:

Most of these courses are offered at the project's site. These can be sought through Mwakazi Business Consultants of whom we have Memorandum of Understanding with them.

- Coffee production
- Value chain in coffee
- Branding & export markets
- HACCP
- Environmental regulations

6: LEGAL FRAMEWORK

No	Government Authorities	Certificate Number
1	Brela – Certificate of Incorporation	162817876
2	TRA- TIN	162-817-876
3	Mbinga- Business License	

7: MANAGEMENT

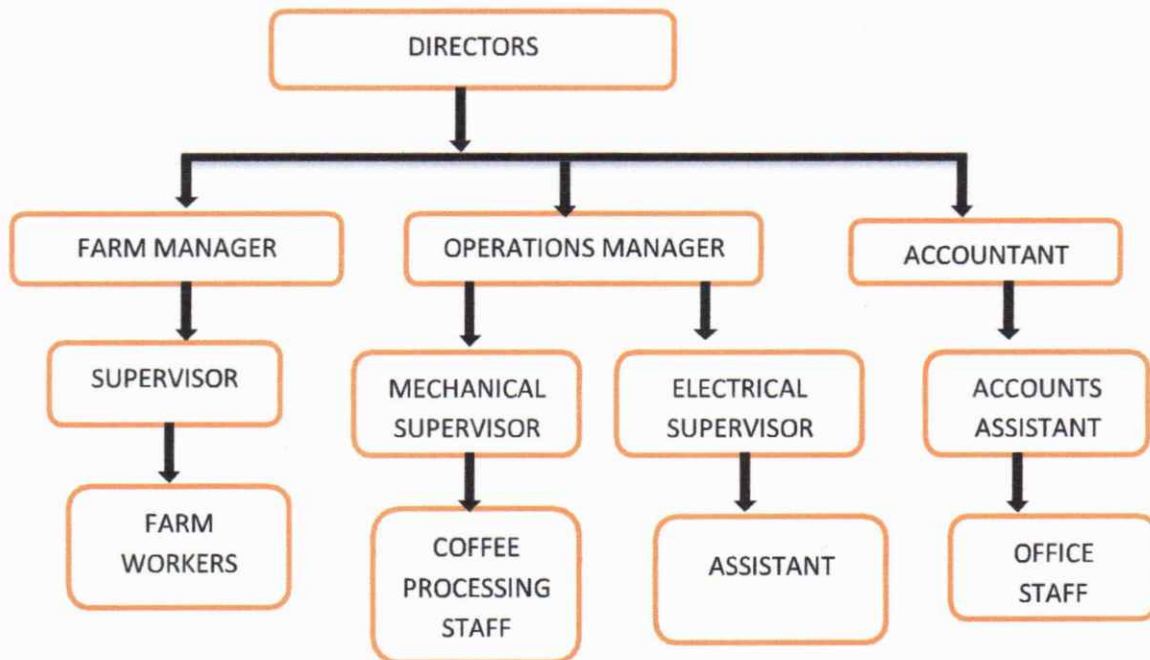
Palo Tanzania Limited have signed a Memorandum of Understanding with Mwakazi Business Consultants for Management and Kimuli Agricultural Marketing Co-operative Society Limited for supervision management which will include a performance agreement.

Mwakazi Business Consultants will take the strategic lead in the final planning and implementation of the project. They have a long relationship with Palo Tanzania Limited Directors in this field of Mngement, whereas Kimuli Agricultural Marketing Society Limited to receive and market Palo Coffee and other input supervions.

Below is the Management Structure of Palo Tanzania Ltd.

PALO TANZANIA LIMITED

MANAGEMENT STRUCTURE



PALO TANZANIA LIMITED

HUMAN RESOURCES

No	POSITION	NUMBER	QUALIFICATIONS	SALARY
1	FARM MANAGER	ONE	Degree/Dip in Agriculture	450,000
2	OPERATIONS MANAGER	ONE	Degree/Dip in Mechanical engineering	450,000
3	ACCOUNTANT	ONE	Degree/Dip in Accountancy	450,000
4	GENERAL WORKERS	SIX	Form Four Leavers	185,000
5	CASUAL LABOURERS	TEN	ANY LEVEL	150,000

8. PROJECT EVALUATION AND MENTORING

Mwakazi Business Consultants and the co-operative society would be the mentor of this project.

From time to time Palo Tanzania limited can seek any guidance on matters of project management and development.

9. MARKETING PLAN

9.1. Coffee

It is the grower's responsibility to deliver the crop to the cooperative and the Co-op will take the responsibility to market it.

The Palo Tanzania limited Coffee project delivers coffee to Kimuli Agricultural Marketing Co-operative Society limited. All the harvesting operations are done manually with the assistance of seasonal labourers due to lack of necessary machinery and equipment to do it. Transport to Kimuli is done through the road transport.

9.2. Coffee

The coffee industry in Tanzania is primarily export directed, with very little imports.

On average, 80% of the total coffee production is exported, 20% is roasted locally and consumed as drink. Exports account for 80% of the total value of production.

Coffee is mainly grown for export market and is therefore exposed to global competition and market factors. Maintaining a good position in the market demands high coffee quality and keeping abreast with changes in world market trends.

Palo Coffee to be exported later once they have installed own coffee processing plant through an export agent and also sell locally through wholesale shops dotting the whole country.

10. PROJECT EVALUATION AND MENTORING

Mwakazi Business Consultants and the co-operative society would be the mentor of this project.

From time to time Palo Tanzania limited can seek any guidance on matters of project management and development.

11. RISK ASSESSMENT/SWOT ANALYSIS

- Fire breaks will be made to prevent fire damages since the business is close to other farmers.
- Insurance for the crop coffee

12: IMPLEMENTATION PROCESS

Implementing Process is attached below

No	PARTICULARS	DATE OF IMPLEMENTATION	REMARKS
1	Company Registration		
2	Securing TIN number from TRA		
3	Securing Necessary Business Licenses		
4	Registration of the project with Tanzania Invest Centre		
5	Land Purchase and necessary registration		
6	Land Cultivation		
7	Installing of Irrigation System		
8	Planting of the coffee tree		
9	Weeding		
10	Harvesting of the coffee cherries & Delivering to Kimuli		
11	Purchasing of necessary Equipment		
12	Purchasing of Coffee processing Machinery		
13	Installing of the coffee Machinery		
14	Marketing of the RTD coffee		

13: FINANCIALS

Financial Need

The project would need financial assistance as a loan for the first 3 years after which the project will become self-sustainable.

The funding which is needed from banks for the first 3 years will be for operational and implementation costs of setting up a processing plant thus adding value to the coffee as the capital expenditure and training.

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BUDGET AND CASH FORECAST – 2023 TO 2027

ADD 000

PARTICULARS	TOTAL	2023	2024	2025	2026	2027
A: INCOME - INFLOW						
Sales of Coffee Cherries to Kimuli Co-operative @ 1451/kg	1,030,078	-	78,481	951,597	-	-
Sales of RTD (Ready To Drink) Coffee @ 28,500/Kg	4,625,265	-	-	-	2,312,632	2,312,633
Directors Investment	300,000	220,000	80,000	-	-	-
Bank Loan/ Grant	500,000			500,000		
TOTAL INCOME	6,455,243	220,000	158,481	1,451,497	2,312,632	2,312,633
B: EXPENDITURE - OUTFLOW						
1) Capital						
Land Purchase	16,000	16,000				
Buildings	600,000			450,000	150,000	
Ploughing Machinery/ Excavators	45,000	45,000				
Irrigation System	42,000	18,000	24,000			
Seedlings 81,800 - 50 Acres	1,000	240	760			
Tractor	55,000		55,000			
Lorries Two, each @ 124,000	248,000			124,000	124,000	
Coffee Processing Machinery	165,000			165,000		
Coffee Roasting & Packaging	70,000			70,000		
Directors Cars Two each @ 149,000	298,000			149,000	149,000	
Furniture & Office Equipment	6,000	3,000	3,000			
Workshop Equipment/Tools	10,000	5,400	4,600			
TOTAL CAPITAL	1,556,000	87,640	79,760	958,000	423,000	
2) Production Costs						
Cutting & Land Preparation	30,000	14,000	16,000			
Planting & Chemicals	180,000	36,000	36,000	36,000	36,000	36,000
TOTAL PRODUCTION COSTS	210,000	50,000	52,000	36,000	36,000	36,000
3) Operating Costs						
Salaries	83,520	12,000	24,000	15,840	15,840	15,840
Transportation	27,600	4,800	5,400	6,600	5,400	5,400
Communication / Telephone	15,000	1,800	2,400	3,600	3,600	3,600
Insurance	14,400	1,200	2,400	3,600	3,600	3,600
Utilities Water & Electricity	54,200	80	120	18,000	18,000	18,000
Audit Fees	15,000	3,000	3,000	3,000	3,000	3,000
Machinery Maintenance	120,000	10,000	15,000	30,000	30,000	35,000
TOTAL OPERATING COSTS	329,720	32,980	52,400	79,440	79,440	84,440
4) Loan Repayment	680,000	-	-	226,000	227,000	227,000
5) PROFIT AND LOSS	3,679,523	49,380	(25,679)	126,378	1,547,192	1,965,193

PALO TANZANIA LIMITED

INCOME FORECAST

PARTICULARS	TOTAL	2023	2024	2025	2026	2027
Sales of Coffee Cherries @ 1454/kg	1,029,978,704	-	78,481,104	951,497,600	-	-
Sales of Coffee Roasted (Ready To Drink)	4,625,265,000				2,312,632,500	2,312,632,500
Directors Investment	200,000,000	120,000,000	80,000,000			
Bank loan	500,000,000			500,000,000	-	-
TOTAL INCOME	6,355,243,704	120,000,000	80,000,000	1,451,497,600	2,312,632,500	2,312,632,500

PARTICULARS	2023	2024	2025	2026	2027
Number of Coffee Trees planted	17,992	17,992	81,800	81,800	81,800
Production of Coffee Cherries- Kg	-	53,976	654,400	654,400 Kg	654,400 Kg
Yields 1 tree 3kg(Starting) - 8kg (fully)					
Roasted Coffee losses 38% of its weight				81,145Kg	81,145 Kg

NB

5kg of Cherries is equivalent to 1kg of Dried Coffee Bean

During roasting 1kg losses 38% of its weight, this is equivalent to 620g of roasted RTD (Ready To Drink).

Roasted Coffee Dust 1 Kg is selling at Tshs28,500 before packaging.

14: CONCLUSION

Palo Tanzania Limited adheres to Governments call to create;

- **Sustainable jobs in the rural areas,**
- **projects to align themselves to the Green Economy**
- **Capacity building to ensure self-sustainability,**
- **Skills development in the appropriate technical field,**
- **Alleviate poverty and create wealth on a sustainable**

basis in the rural communities.

The project is much viable as envisaged by reports above and will benefit a lot of people in Mbinga and the vicinity.

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COFFEE PROCESSING GREEN TO DRIED COFFEE BEANS



PALO TANZANIA LIMITED

COFFEE PROCESSING GREEN TO RTD (READY TO DRINK)

