



Executive Director

12th May 2023

Tanzania Investment Centre

Shabaan Robert Street

DAR ES SALAAM

Dear Sir,

PROGRESS REPORT AS END OF APRIL 2023: STRATEGIC PROJECT TO ESTABLISH LARGE SCALE AGRICULTURE FOR OIL SEED PRODUCTION INVOLVING OUTGROWERS , OWN FARMING AND MEGA OIL SEED MILLING PLANT.

Mount Meru Millers Ltd (MMML) in year 2013 was granted Certificate of Incentive and later granted status of Strategic Investor with a Performance Contract ending December 2022, signed between MMML and the Government of Republic of Tanzania represented by Tanzania Investment Centre(TIC). While MMML was to invest total of USD 136.6 million towards the project, Government promised incentives which MMML partially enjoyed in realizing achievements shown.

The Project was to be implemented in three (3) phases from 2013 until end 2022; below is the implementation status in tabular form until end April 2023 reflecting targets in each phase, amount invested, challenges which hindered 100% achievement and proposed solution to these.

TARGET	PHASE	STATUS(achievement)	CHALLENGES	NEW INCENTIVES REQUEST	Suggested solution to challenges
MMML to invest total capital of US \$39.5 million to construct buildings, installation of plant and factory machinery to international standards by end of 2015	ONE 2013/2015	Buildings done. State-of-art factory installed; operational since end 2014. We invested USD 45.5m on phase 1	Factory can process 700 tons of oil seeds per day; but doing average of 280 tons per day. Insufficient oil seeds.	-	Quality seeds with higher harvest per acre be available to farmers.

Set-up an outgrower scheme involving 30,000 farmers by Dec 2015	ONE	32,000 outgrowers were involved end 2015	-	Agreed incentives be honored to achieve 100,000 and beyond in 2022	Fourteen (14) Agricultural extension officers employed
Process a total of 60,000 tons of seeds annually to yield 18,000,000 Lts edible oil	ONE	Average of 82,800 tons seeds processed annually getting average 24,840,000 Lts edible oil	Not enough seed harvests to process	Seeds with high oil yield + high yield per acre required.	Excess capacity observed
MMM to invest additional US\$36.35m by end 2020 to expand + upgrade factory, buildings/land and utilities.	TWO 2016/2020	Additional US\$19.20 invested on high tech Rosedown press machine, Construction of silos with 40,000 tons seeds/ seed meal capacity. Acquisition of land for expansion of factory done adjacent to factory.	Due to denial/dispute of incentives by TRA, further investment was held.	Present incentives be honored and additional investment will be made	Incentives in the Performance contract be honored and we shall further invest per signed Contract.
Set-up a 15,000 ha integrated irrigated core farm which will add 90,000 tons of oil seed annually	TWO	Not done	Land not allocated.	-	If implementation period is extended as requested; incentives per signed Contract honored, core farm will be set
Expansion of out-grower scheme to 60,000 farmers	TWO	25,000 farmers integrated in the out-grower scheme end 2020	Due to denial/disputed incentives, further	Honoring of performance contract is important to progress	-

			investment was held		
Set up a 5MW Green source power generation plant	TWO	Not done	5 ha land at radius of 15km not acquired	-	-
Expand outgrower scheme to 100,000 farmers Factory to process 300,000 tons of seeds annually to get 120,000,000 Lts edible oil	THREE 2021/22 THREE	Further investment held while sorting out with Government Factory has capacity of 255,000-360,000 tons per yr since 2016 to get 89,250,000 Lts-126,000,000 Lts edible oil	Crucial incentive held. Not enough seeds harvest to utilize capacity of factory	Honoring of incentives per Contract is important Honoring of incentives as per performance contract important. Quality seeds be available to farmers	-
Establishment of Soap manufacturing plant in Singida	BEYOND LAST PHASE Jan- August 2023	Soap Plant machines imported March 2023. Material for construction imported from March 2023 Expecting to invest USD 14.8m	Our request for extension of implementation period of project not answered since Sept 2022. As result no exemption on imported material granted	Since it was part of the project 2013-2022 we request extension of the incentives	-
Employ 150 staff on a full time basis	2013-2022	105 permanent employment	-	-	More employment opportunities

and 400 casual laborers		Up to 460 casual laborers on peak season			will be available if incentives not disputed or denied.
Guarantee 100% off take-of seed harvest in the out grower scheme	2013-2022	Uptake of seed to farmers in out grower scheme 100% done. Training through our Agricultural extension officers; distribution of sowing seeds done	Denial of incentives or dispute affected distribution of farm inputs. Also affected mapping and cleaning of land	Incentives provided on the Contract be honored	-
Government to exempt whole of import duty , VAT, and excise duty on building material for construction of factory & storage facility		Exemption enjoyed on 2013-14; later 25% of import duty had to be paid and full VAT had to be paid	Our financial projection adversely affected	We request 2013 agreement on full duty and VAT exemption be maintained when we are expanding the factory	-
Government to exempt all duty, VAT and excise duty on agricultural, irrigation equipment; plant and machinery		15,000 ha for core farming not yet; therefore no agricultural + irrigation equipment imported. Plant and machinery imported duty and VAT exempted	Changes of tax laws affected amounts of import duty and VAT exempted on imports of deemed capital goods	-	-
Govt to exempt all import duty, excise duty and VAT on 75 non-utility		Due to change of law on non-utility vehicles we didn't enjoy this incentive	Changes of law and Policy are implemented regardless of when	We wish 2013 position on this incentive be maintained	Cars especially pickups, Motor cycles are important for core farming and

vehicles 250 units motor cycles			contract was entered		agriculture extension services.
Government to exempt excise duty, road toll and fuel levy on 5.45 million Lts of Diesel each year by issuing GN each yr.		Only one GN issued in 2014 for 5.45 million Lts. We used 0.468 million Lts only out of 5.45m ; however, TRA disputed and demanded all taxes on the 0.468m Lts	Throughout implementation period, we didn't enjoy this incentive.	-	Matter on taxes demanded by TRA on 0.468 million Lts is with Tax Appeal machinery.
Permission to recruit expatriate staff beyond the minimum quota	2013-2022	We enjoyed this incentive	-	-	-
Charge zero rate VAT on edible oil MMM produces using local oil seed harvests	2013-2022	Disputed by TRA; instead raised VAT assessment 18.52 billion up to May 2018.	No VAT refund claim paid since July 2015 because TRA don't honor zero rate said on contract	GN now be issued retrospectively	VAT refund is crucial and therefore zero rate be honored by TRA to unlock the dilemma

FUTURE FORECAST

- Since the Government is desirous in solving our challenges, MMML is determined to invest the balance amount of USD 78.0m remaining out of USD136.6m
- MMML intend to implement and complete the 2013 Signed Performance contract in order to realize benefits expected by both parties.
- MMML started on April 2023 to import Soap Plant making machines and during May 2023 will import De-waxing machine + other Capex with expectation of getting import tax relief as strategic investor.
- Due to lapse of time, prices of imports for the project have changed and MMML in the course of implementation may submit additional list of imports to match with changes of technology and price.

Submitted for your kind consideration



A handwritten signature in black ink, appearing to be 'J. J.', is written over a horizontal dotted line.

AUTHORISED SIGNATORY

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