

TUKO POA LTD BUSINESS PLAN



Tanzania, 2023 –2028

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The Executive Summary

Today, one of the main global challenges is how to ensure food security for a world growing population whilst ensuring long term sustainable development. According to the FAO, food production will need to grow by 70% to feed world population which is projected at 9% billion by 2050.

Further trends like increasing urban population, shift of lifestyle and diet patterns of the rising middle class in emerging economies along with climate change put considerable pressure strain on the planet's resources, declining fresh water resources and biodiversity, loss of fertile land, etc. Consequently there is a need for an integrated and innovative approach to the global effort of ensuring sustainable food production and consumption.

(Nellemann et al. 2009; World Economic Forum 2009; FAO/OECD).

The National strategy is a policy framework that will assist with strengthening the harvesting, post-harvest handling, trade, storage, and marketing within staple crop value chains in Rwanda, in an effort to improve markets and linkages for farmers, and reduce post-harvest losses. The Strategy's fundamental vision to reduce food insecurity through an efficient post-harvest private sector system delivering staple foods to the people of Tanzania, has been guided by the Government of Tanzania's vision. The Government of Tanzania has clearly prioritized the development of the agriculture sector as a means of reducing poverty, which is predominantly focused in the rural areas, and of driving economic growth.

Staple foods are critical because rural populations are disproportionately affected by food insecurity, and farmers retain a portion of their production for household consumption. Staple crops are a useful rotation crop in a farmer's production system, and can contribute to household income. These crops are also what the farmers best know how to grow and sell, and therefore provide familiarity as they

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gradually move to newer, higher potential (and higher risk) crops. It is important to note that commodity markets are inherently risky, difficult, and competitive. To capture income potential from increased productivity and production competitiveness, which are fundamental drivers to sustainability of farmer technology adoption, market linkages and supply chain efficiency must also receive investment and prioritization.

The National strategy will support farmers capture income potential from increased productivity and competitiveness resulting from complimentary investments. This requires engagement across ministries, institutions, agencies and stakeholders along the supply chain resulting in a “win- win” for producers, trade, industry and processing, and consumers.

Commercial perspectives and market facilitation are critical for regionally competitive staples value chains. The private sector, which includes all value chain actors (from farmers to retailers), is best positioned to be the driver of improved efficiencies, increased investment, and economic growth. The government should provide the enabling environment and soft infrastructure for private sector development and operation, supportive of competition and market efficiency; investment in public infrastructure including roads to reduce costs in reaching markets; and provide a predictable and transparent policy and regulatory framework.

National Crops Strategy Objectives

By focusing on post-harvest development, the National crops strategy aims at:

- Strengthening food security among rural staple crop producers.
- Improving consumer access to safe and affordable food.
- Supporting the private sector to invest in strengthening the competitiveness of the staple crop value and supply chain.
- Improving efficiency and decrease marketing costs along the staple crop value chain.

Agricultural Sector Development Programme Phase II (ASDP TWO)

Tanzania is among the developing nations targeting to become middle income country by 2025 as provided in the Tanzania Development Vision 2025. The Agricultural Sector contributes significantly to the socio-economic growth of Tanzania. The smallholder farmers (including livestock and fishery) dominate production, with more than 90% of cultivated land. The sector provides about 65% of employment; provides livelihood to more than 70% of population, 30% of GDP; 30% of exports and 65% of inputs to the industrial sector (URT 2014).

The government through Agriculture Sector Lead Ministries (ASLMs) in collaboration with other stakeholders has formulated the Agricultural Sector Development Programme phase two (ASDP II). This is a ten-years programme (2017/2018–2027/2028) that will be implemented in two (2) phases each divided into five-year implementation period. The First Phase will start in 2017/2018 – 2022/2023. The program is a follow up to the ASDP I implemented from 2006/2007 to 2013/2014.

The aim of ASDP II is to address critical constraints and challenges to sector performance and to speed up agriculture GDP, improve growth of smallholder incomes and ensure food security and nutrition by 2025. The programme builds on and strengthens successful investments under ASDP-1, consistent with the long-term and medium-term policy frameworks, the sector development strategy developed in Agricultural Sector Development Strategy (ASDS,2001), the signed sector investment plan (Tanzania Agriculture and Food Security Investment Plan - TAFSIP, 2011), the revised ASDS-II (2015) and key lessons learned from ASDP-1 implementation.



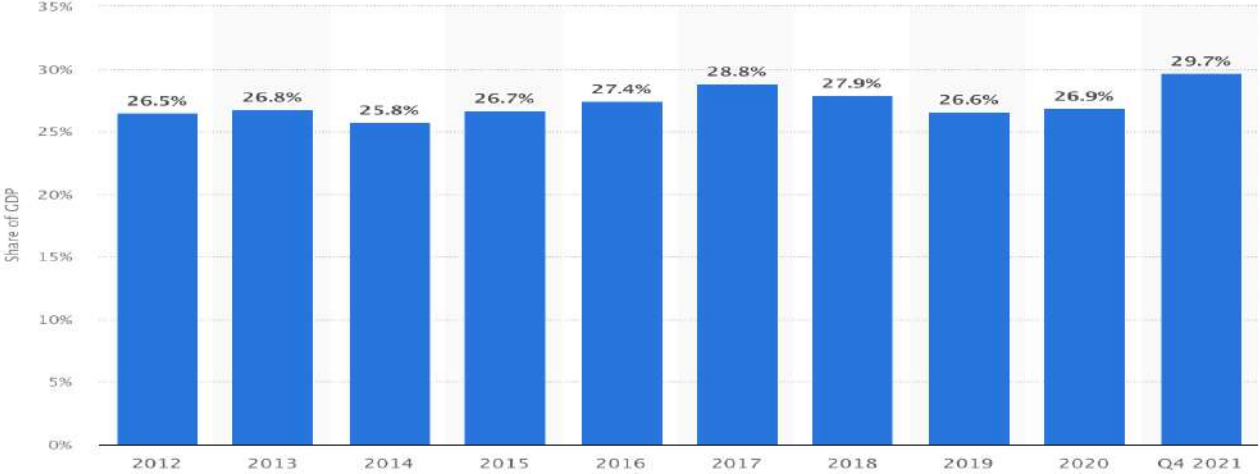
Tanzania Agriculture Map



Agriculture is the main part of Tanzania's economy. As of 2016, Tanzania had over 44 million hectares of arable land with only 33 percent of this amount in cultivation. Almost 70 percent of the poor population live in rural areas, and almost all of them are involved in the farming sector. Land is a vital asset in ensuring food security, and among the nine main food crops in Tanzania are maize, sorghum, millet, rice, wheat, beans, cassava, potatoes, and bananas. The agricultural industry makes a large contribution to the country's foreign exchange earnings, with more than US\$1 billion in earnings from cash crop exports. The 8 main cash crops are as follows: coffee, maize, rice, sisal, cashew nuts, tea, cotton, tobacco.

Enhancing producers' access to, and linkages with, markets

Agriculture employs over 65% of the population, contributes 30% to the GDP, and is the main earner of foreign exchange in Tanzania. Because of this important economic role, the agriculture sector holds a strategic position within the Government of Tanzania. The fundamental objective of becoming a middle-income country by 2017 - 2028 is founded on critical pillars including a private sector-led economy, a productive and market oriented agriculture sector, and regional economic integration with a liberal trade regime. These pillars are particularly important grounding in the development of sub-sector development strategies and implementation plans.



Share of agriculture in the Gross Domestic Product (GDP) of Tanzania from 2012 to Q4 2021

Movement supply and ownership

TUKO POA LTD is wholly owned by a foreign company, the founders have many years of experience in working and building a business in the agricultural sector with more than 20 years of experience in the processing of agricultural products and the aggregation of agricultural processes. Experience in the management of warehouses, farming sectors, growing various crops and packaging.

TUKO POA LTD have held many negotiations in various farms, cooperatives, small farmers and established preliminary friendly and mutually beneficial partnerships, providing people with employment opportunities and joint work. TUKO POA LTD also began to work closely with agribusinesses in Tanzania and interact with local regulatory departments in the agricultural sector.

History and purpose of the Project

TUKO POA LTD was founded on the realization that rice, corn produce in Tanzania generally do not have sufficient local capacity to process, store agricultural products, namely paddy rice, corn and meet the required grinding standards. As a result of this

situation, the main focus of TUKO POA LTD was directed precisely to the organization of warehousing, high-quality processing, packaging and proper interaction with farm enterprises in the region. This was the focus of the main goal of establishing and developing TUKO POA LTD in the Chimala region, Mbeya.

NRDS in Tanzania

In Tanzania, rice is the second most important food and commercial crop after maize with significant national importance as a source of employment, income, and food security for millions of rural households. The country has a rapidly growing population and a political ambition to sustain rice self-sufficiency, with a margin to export to neighboring countries in the region, through raising productivity and expanding production to areas with high potential for rice production.



The country is the second largest producer of rice in Eastern and Southern Africa after Madagascar. In 2017/18, rice was cultivated on 1.1 million ha. with total production of 2.2 million tons of milled rice. About 71, 20, and 9 percent of rice cultivation takes place under rainfed lowland, upland, and irrigated conditions, respectively.

Tanzania's National Rice Development Strategy (NRDS), which was endorsed by the government in 2008, envisions progressively transforming the existing subsistence-dominated rice sub-sector into a commercially viable production system, with the aim of sustaining the national self sufficiency and contributing to the regional self-sufficiency, becoming a market leader in the region. The government is now finalizing of their NRDS 2019-2030.

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Our customers

We have held preliminary negotiations in the Mbeya and Songwe region, our potential clients are many large, medium and even small farmers, and we successfully communicate with them. In these regions and throughout East Africa, the demand for rice, corn, soybeans, beans is growing day by day. It's against above background that the company has an argent need of acquiring the factory to facilitate in the processing of rice as the main product to reduce on losses and meet the standard required by the customers.

Partnership and Beneficiaries

TUKO POA LTD has formed mutually beneficial partnerships with the surrounding local communities through availing employment opportunities to the people. From the project, it's expected that the produce will be used to get quality food for the community and the country in general provide for future food requirements that has been an issue.



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Current high rice prices the project will greatly assure a stable supply. Similarly, more local landowners would be able to farm with the project and getting better and high yielding grain varieties. This will stimulate the local economy and improve the surround communities.

Source of commodities

TUKO POA LTD plans to purchase rice, corn, beans and soybeans, as well as other necessary commodities from various farmers in Mbeya and Songwe districts. The company's suppliers will essentially be farmers' cooperatives.

Production capacity of the plant

At full capacity, the plant processes 8MT per hour and can work 16-20 hours in twoshifts (Day and night) including intake, cleaning, drying, and re-bagging and storage facilities.

Total estimated production capacity per year is calculated as follows

1. Working two shifts = 16Hours
2. At least 6 days a week
3. Approximately 11 months a year considering external factors that can stop production at some point
4. Production capacity per hour = 8MTs

Thus $3,5\text{MT} \times 16\text{hrs} \times 6\text{ days} \times 4\text{ weeks} \times 11\text{ Months} = 14,784\text{ MTs per year}$

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This business plan shows the amount of Investment in this project in the amount of 1,257,250,000 Tshs, which is equivalent to 535,000 US dollars, which will be used as Investment Capital, namely the purchase of land for the construction of warehouses for storage and processing, for equipment and other infrastructure and operations (paddy rice processing plant and other equipment) as detailed in the project brief below.

The projected investments:

DESCRIPTION	TSH	USD
Land	55,000,000	23,405
Architectural design, engineering	21,104,411	8,980
Administrative Cost	65,487,700	27,868
PADDY WAREHOUSE WITH PROCESSING UNITY BLOCK 01 - 2400m2	441,887,000	188,037
OFFICE BLOCK	41,091,000	17,485
Other buildings	207,120,175	88,136
Rice processing FACTORY	290,366,000	123,560
Purchase of small equipment	68,512,300	29,155
COMPACTED GRAVEL ROADS and Parking yards	32,566,000	13,857
Other payments	34,115,414	14,517
TOTAL	1,257,250,000	535,000

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Paddy rice processing scheme:

Raw Rice → Paddy Cleaner → Destoner → Paddy Peeler → Paddy Separator → Rice Whitener → Water Polisher → Rice Grader → Color Sorter → Packing



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Features of Paddy Rice Processing Factory



Cleaned Paddy



Whitening



Polishing

- The use of professional equipment for the production of rice is the key to obtaining a high quality product.
- Each rice processing link is closely coordinated, so the productivity of rice processing is high and the proportion of broken rice is low.
- The paddy rice processing plant we are about to use will bring effective benefits to both farmers and processors.

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Project vision

- Project goal:

Development of a sustainable supply chain to bring most productive farming practices and in-time delivery of highest quality organic product to the local market.

- The Company plans to reach the level of processing more than 30,000 tons of paddy rice per year:

- 10 000 MT – 2023
- 15 000 MT – 2024
- 20 000 MT – 2025
- 25 000 MT – 2026
- 30 000 MT – 2027

- Processing over 100,000 tons of paddy rice in 5 years of operation.

Investment requirement

- Capital and operating investments will amount to \$535,000 USD
- Project capital investments are \$492,615 USD:
 - 2023 – \$492,615 USD
- Working capital is \$500,000 USD

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Working capital requirements

Up to 70% of required investment is needed for working capital in amount of up to \$500,000 USD, including:

Procurement of paddy rice (95%) – \$475,000 USD for first 4 months volumes or 6000 tons of paddy rice

12 months period calculation is based on:

- 4 months purchase, warehousing
- 12 months processing and sale

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Sales and projections

2023

Cash flows (general)												
Year	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023
Month	1	2	3	4	5	6	7	8	9	10	11	12
Period	1	2	3	4	5	6	7	8	9	10	11	12
EBITDA trading				(20,300.00)	(153,249.14)	(828.62)	(75,457.24)	16,464.13	746,326.72	191,821.38	142,741.03	55,241.03
EBITDA production	-	-	-	-	-	-	-	-	-	-	-	-
CAPEX	-	-	-	(30,000)	(37,000)	(25,000)	-	-	(139,530)	(203,750)	(117,500)	(225,000)
Getting a loan from a shareholder				400,000								
Repayment of a loan to a shareholder												(400,000)
Obtaining a loan from a bank (after the completion of the warehouse)												
Bank loan repayment												
Cash flow	-	-	-	349,700	(190,249)	(25,829)	(75,457)	16,464	806,797	(11,929)	25,241	(569,759)
Accumulated cash flow	-	-	-	349,700	159,451	133,622	58,165	74,629	681,426	669,497	694,738	124,979

2024

Cash flows (general)												
Year	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024
Month	1	2	3	4	5	6	7	8	9	10	11	12
Period	13	14	15	16	17	18	19	20	21	22	23	24
EBITDA trading	184,280.34	15,805.34	(42,189.31)	(186,667.93)	(884,191.39)	629,710.33	1,067,210.33	936,710.33	2,031,353.44	397,342.76	299,182.07	317,741.03
EBITDA production	-	(16,100.00)	(16,100.00)	221,192.68	350,307.36	292,146.48	292,146.48	350,307.36	300,290.24	221,192.68	128,718.74	128,718.74
CAPEX	-	-	-	-	-	-	-	-	-	-	-	-
Getting a loan from a shareholder												
Repayment of a loan to a shareholder												
Obtaining a loan from a bank (after the completion of the warehouse)			500,000									
Bank loan repayment				(56,247)	(56,247)	(56,247)	(56,247)	(56,247)	(56,247)	(56,247)	(56,247)	(56,247)
Cash flow	184,280	(295)	441,711	(21,723)	(590,131)	665,609	1,303,109	1,230,770	2,275,396	562,288	371,653	390,212
Accumulated cash flow	309,260	308,965	750,676	728,953	138,822	1,004,431	2,307,541	3,538,311	5,813,707	6,375,996	6,747,649	7,137,861

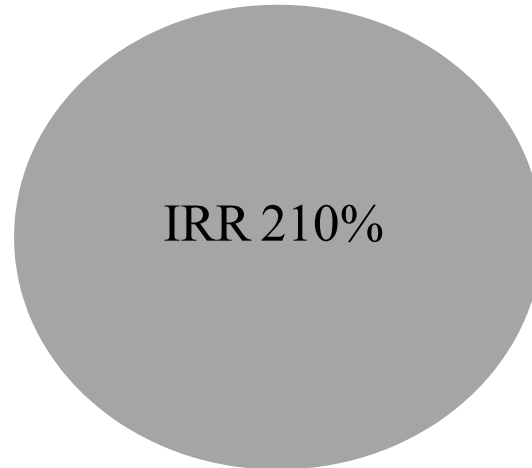
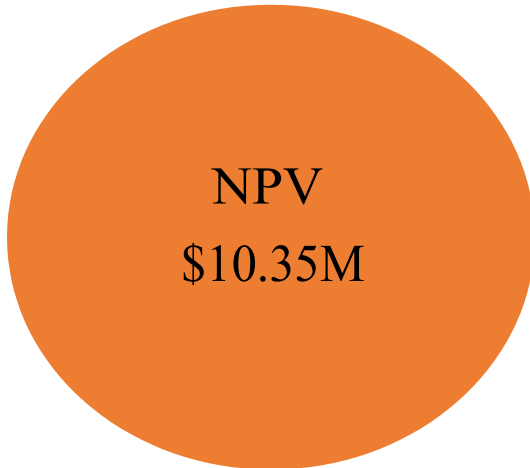
2025

Cash flows (general)												
Year	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025
Month	1	2	3	4	5	6	7	8	9	10	11	12
Period	25	26	27	28	29	30	31	32	33	34	35	36
EBITDA trading	184,280.34	15,805.34	(42,189.31)	(186,667.93)	(1,163,289.67)	1,067,210.33	1,067,210.33	936,710.33	2,031,353.44	397,342.76	299,182.07	317,741.03
EBITDA production	128,718.74	102,546.34	102,546.34	221,192.68	350,307.36	292,146.48	292,146.48	350,307.36	300,290.24	221,192.68	128,718.74	128,718.74
CAPEX	-	-	-	-	-	-	-	-	-	-	-	-
Getting a loan from a shareholder												
Repayment of a loan to a shareholder												
Obtaining a loan from a bank (after the completion of the warehouse)												
Bank loan repayment	(55,037)											
Cash flow	257,963	118,352	60,357	34,525	(812,982)	1,359,357	1,359,357	1,287,018	2,331,644	618,636	427,901	446,460
Accumulated cash flow	7,395,824	7,514,176	7,574,533	7,609,058	6,796,075	8,155,432	9,514,789	10,801,807	13,133,450	13,751,986	14,179,886	14,626,346

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Investment effectiveness



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Conclusions on the implementation of the Project

Conclusions and discussions:

- 1) Integration, direct and long-term agreements with farmers are necessary.
- 2) When describing sales volumes, it is necessary to focus on the secured sales volume, and not on the technical data of the equipment.
- 3) The sales forecast must be built on the basis of a marketing research of the market, where the industry, market players, market capacity, prices, consumer preferences are analyzed in detail.
- 4) When planning the volume of sales should be aware of seasonality. Ignoring seasonality in this case will lead to an incorrect financing schedule, and possibly a shortage of funds during a period of low demand.
- 5) In terms of economic indicators, this project has a positive and profitable trend. The launch of such a project in the Mbeya region is necessary, local residents of Tanzania will be employed, and tax revenues to the regional budget will be paid. During the harvest period and throughout the year, warehouses and processing facilities of TUKO POA LTD will operate.
- 6) TUKO POA LTD will try to develop other agricultural business lines in the region and in the whole country in the future. In the future, there is the idea of organizing supplies and direct interaction with farmers, a fertilizer, harvesting equipment and other programs.

Our coordinates:



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