

BUSINESS PLAN

OF

2024



PERES POULTRY FARM

COMPANY LIMITED

4/6/2024

BUSINESS PLAN FOR CHICKEN LOVER'S (POULTRY FARMING)

1. Executive summary:

The demand of Chicken meat is increasing rapidly, hence Broiler production business become one of the most popular and income generating business in Tanzania. Due to high level of profit margin and turnover Peres Poultry farm plans to establish its business up to 100% capacity. For that it needs total of TZS 1.367 billion funds and will be financed through self financing. The Farm will calculate and analyze various financial indicators to make decision regarding financing and investing activities.

The project Positive NPV TZS 174.9 million, IRR= 18.2% Payback period is 4 years & BCR is greater than 1. These all indicators show that investing in this project is profitable and value adding hence the Farm is concluded to expand the business as per business plan.

2. History Of Poultry Farming In Tanzania

Chicken is one of the most popular avian species in Tanzania societies. It provides cheap protein from the meat and eggs. According to statistical information on Tanzania agriculture, thousands of fowl are present in the country and chicken meat is consumed in the country. As poultry birds are non-ruminant: they mainly depend on crop grain (concentrate feed). First improved poultry were introduced in Tanzania by the Government.

Government of Tanzania has given emphasis on poultry sector with a vision of increasing employment opportunities to support the poverty reduction of national target through promoting commercialization, industrialization and making poultry business more competitive in domestic as well as international.

The average hatcheries in Tanzania are less efficient as compared to India. Chick mortality rate and feed consumption per bird are higher while egg production per hen and hatchability are lower in Tanzania hatcheries than in Indian hatcheries. The commercial poultry industry in Tanzania is growing at a rate of about 15.0% per annum involving over 30 thousand farm families directly and indirectly involved.

The most important purpose of chicken keeping was cash income from the sales of chickens in the village. In poultry industry feed represents about 70.0 percent of the total cost and feed quality of the available feed in the market is often inconsistent. The opportunities of direct and indirect employment have been a great help to the largely unemployed population.

The popularity of chicken meat is increasing among the people due to increasing awareness on nutritional value of meat among the consumers and increasing income level. The market price of chicken meat is determined by supply and demand of live poultry. There is a growing gap between supply and demand. The main objectives of this plan were to find out the opportunities of poultry enterprises, its market situation and to recommend the appropriate policy for sustainable poultry farming.

3. Scope of Poultry Farming In Tanzania

Poultry farming has a big scope and marketing opportunities in Tanzania. The commercial poultry industry in Tanzania is growing at a rate of about 15.0% per annum involving over 30.0 thousand farm families directly and indirectly involved. The poultry marketing is also increased day by day due to changed food habit of eating meat and egg. The average hatcheries in Tanzania are less efficient as compared to India. Chick mortality rate and feed consumption per bird are higher while egg production per hen and hatchability are lower in Tanzania hatcheries. The global average chicken meat consumption is 12kg per person, while average per capita egg consumption is 153 units annually, according to the Food and Agriculture Organization of the United Nations.

Tanzania's poultry industry has an annual turnover of relating to producing chicken meat, eggs, chicks and Sales of chicken manure.

4. Introduction of Peres Poultry Farm

- **Introduction:**

Peres Poultry Farm is a limited company farm that has been established recently this year. The Directors of Peres Poultry are Mr Peres Butoyi and Tumaini Peres at the time of establishment. The business has two office locations:-

- Iringa, the farm is located at the region of Iringa with 17 Acres of Land and this will be used special for production of raw materials
- Chamazi area Dar es Salaam, here is where will be used as headquarter and also will be the area for production of chicks and chicken foods.

It will operate smoothly with high level of business growth.

- **Corporate Vision:** To become one of the largest poultry farm in Tanzania by providing healthy Chick product at reasonable cost.
- **Mission:** To produce large number of healthy chicks and chicken foods at cheaper cost and distribute to all parts of Tanzania with competitive and reasonable price.
- **Objective:** Our main objective is to produce large number of quality chicks and chicken foods at a reasonable price. We want fair profit for the owners and reward the place to work for employees. We believe in fair competition through customer satisfaction.

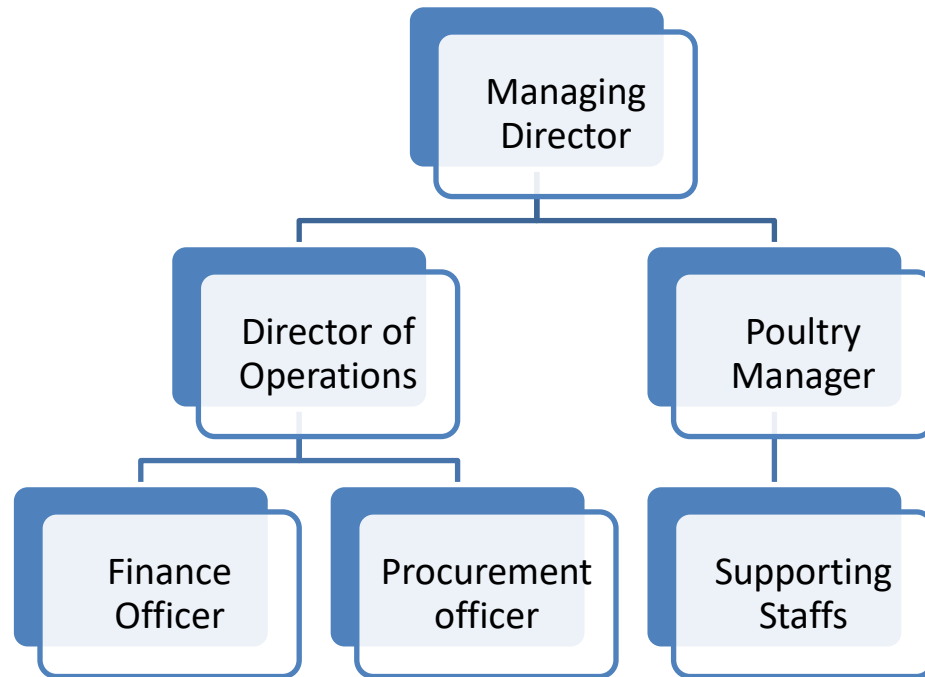
5. Legal Status: Peres Poultry Farm has been registered in the office of Business Registration and Licensing Agency at Dar es Salaam on 3rd June, 2024 with registration number 175218270. It is also registered with Tanzania Revenue Authority with TIN 175-218-270

6. Organization Structure, Building and Civil Structure

The owners of this business are Mr. Peres Butoyi and Tumaini Peres and they own the business in the share distribution of 40% and 20%.

For starting the expectation is to have about 20 Staff under top to down management style whereby the Managing Director will be the in charge of day to day activities.

The Organization Structure of Peres Poultry Farm is as follows.



- 7. Climate & Location:** Location of the business is affected by the nature and types of business. This Poultry Farm is located both in Dar es Salaam and Iringa regions. There is sufficient water and electricity supply and cheap labor cost. The farm Location is perfect from every aspect.

8. Financial Plan:

Although the farm will be financially sound due to higher level of business growth it needs more funds to operate the business accordingly.

10.1 Source of Finance: Total requirement of the project is TZS 1.367 Billion as shown in the below table.

S/N	ITEMS	AMOUNT (TZS)
A	FIXED ASSET INVESTMENT	
1	Land & Land Development	225,763,300
2	Building & Civil Works	483,985,400
3	Machineries & Equipments	163,857,400
4	Furniture & Office Equipments	43,450,000
5	Vehicles	85,850,000
6	Pre-Operating Expenses	98,750,000
B	WOKING CAPITAL INVESTMENT	265,751,300
	Total	1,367,407,400

To analyse financial aspect of this project, the following financial indicators are elaborated:-

10.2 Profit & Loss Estimation: The Farm will operate at above breakeven point from the beginning. Estimated Gross Profit of the farm at 100% capacity. Net Profit to Sales Ratio is estimated to be 16% in average stipulating that the business has high net profit margin.

10.3 Working Capital Estimation: Average working capital requirement is estimated to be TZS 265 million. While operating at full 100% capacity the working capital requirement.

10.4 Financial Indicators for /measuring Project worth

- **Payback Period:** Simple Payback Period for the project Finance is calculated as 4.15 Years that is acceptable period for the bank as period of term loan is for % years and even revolving loan can be renewed up to 5 years. Hence we can say the farm has capacity to repay all there bank loans with in 4.15 Years.
- **Break Even Point:** Break Even Point of the Farm is 29% ie the farm will be in surplus if it produce broiler more that 29% of its total capacity.

The farm's BEP is more sensitive to sales rather than change in fixed cost and variable cost. If Fixed cost is increased by 10% BEP will be at 32% of production. it will be 44% if variable cost is increased by 10%.

If sales unit is reduced by 10% then the BEP in percentage will be 52%.

- **Net Present Value (NPV):** Net present value of the farm is positive Rs 4.9 million which stipulates that the farm has positive cash flow at present price. The Project having positive NPV will be selected and regarded as value adding project of financing. In other words, If NPV is positive, it means that the cash inflows from a capital investment will yield a return excess of the cost of capital and so the project should be undertaken.
- **Internal Rate of Return:** The internal rate of return IRR is that rate of return, which the project is expected to achieve. it is discounted rate at which NPV will be Zero. The Project having greater IRR that Target rate of return, the project should be undertaken and accepted. This Farm has IRR 18.2% i.e. more than target rate of return 16% and also greater that Bank Interest Rate 10.5%.
- **Benefit Cost Ratio:** If BCR is 1 it means the farm's cash flows NPV is Zero, the farm having greater BCR ratio than 1 is regarded as more profitable. Peres Poultry farm will have BCR of 1.14 that means it will be profitable to invest in this project.
After analysing various financial indicator ie NPV, IRR, BCR, BEP, PL, we reached to the conclusion to invest in the Peres Poultry farm for further expansion to utilize its 100% capacity.

The Business Plan covers the following details:-

(i) **CLEAR STATEMENT OF THE INVESTMENT OBJECTIVE,
SECTOR AND PRODUCTS**

The demand of Chicken meat is increasing rapidly, hence Broiler production business become one of the most popular and income generating business in Tanzania

The project will assure basic food security for the people and improve national standards of nutrition by increasing output, quality and availability of food commodities mainly poultry products.

The Project is within the Livestock Industry and the main products will be production of chicks and chicken foods.

(ii) **INVESTMENT COSTS AND SOURCES OF FINANCES
INVESTMENT COST**

The Investment Cost of the Project is as shown in the below table:-

S/N	ITEMS	AMOUNT (TZS)
A	FIXED ASSET INVESTMENT	
1	Land & Land Development	225,763,300
2	Building & Civil Works	483,985,400
3	Machineries & Equipments	163,857,400
4	Furniture & Office Equipments	43,450,000
5	Vehicles	85,850,000
6	Pre-Operating Expenses	98,750,000
B	WOKING CAPITAL INVESTMENT	265,751,300
	Total	1,367,407,400

SOURCES OF FINANCES

The total Investment Cost will be financed through self financing.

(iii) JOB CREATION

Poultry contributes a lot to the livelihoods of poor people and 70 percent of those employed in the sector are women. Poultry, including dairy and other animal products, creates cash and in-kind incomes and enables savings for future needs. It can also provide transport of produce, fuel and people as well as inputs for crop production (traction power and manure). As a result, the sector plays a major part in reducing poverty, improving resilience as well as combating food insecurity and malnutrition.

Demand for Poultry products is expected to rise as a result of projected growth rates in world population, growing incomes and urbanization. Poultry production is indeed one of the fastest-growing sectors in agriculture and it offers employment opportunities along numerous animal production value chains. It also generates jobs in related sectors including transport, trade, feed and input provision as well as veterinary services. Gainful and productive employment opportunities can also be derived from value-enhancing activities in Poultry. Due to limited requirements in capital investment and land ownership, particularly short cycle species production (small ruminants, poultry, dairy, etc.) present unique prospects for the rural poor, particularly women and youth, to benefit from surging demands for animal products.

Yet, some employment challenges in the Poultry sector remain and need to be overcome. For instance, small-scale Poultry production is sometimes characterized by low productivity levels and incomes. This is often the result of limited access to technologies, infrastructure, credit, land, technical know-how and training on husbandry techniques, which can lead to poor animal health and limited use of genetic potential.

Other sources of risk include high economic insecurity, no or limited access to social protection and a prevalence of underemployment due to seasonality of demand and supply. In addition, children from poor rural households may be required to take care of animals, which can expose them to hazardous activities or hinder their ability to pursue an education. Women and youth with no access to capital also often engage in Poultry-related activities as unpaid family workers. Finally, when patriarchal ownership patterns dominate, women may not have access to or control over income derived from Poultry activities.

(iv) INVESTMENT FUNDS EXPENDITURE BREAKDOWN

The Investment funds expenditure breakdown is as shown below:-

S/N	ITEMS	AMOUNT (TZS)
A	FIXED ASSET INVESTMENT	
1	Land & Land Development	225,763,300
2	Building & Civil Works	483,985,400
3	Machineries & Equipments	163,857,400
4	Furniture & Office Equipments	43,450,000
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B	WOKING CAPITAL INVESTMENT	265,751,300
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(v) SOURCES OF SUPPLY OF INPUTS

- Cereals and cereal byproducts: Cereals in feed may include wheat, corn, sorghum, barley or rye. ...
- Protein: Chickens readily eat insects because they are omnivores and need protein for nutrition. ...
- Fat: In chicken feed, fats or oils are added.

(vi) MARKETING PLAN

A well-designed marketing plan is an essential component to any successful business's overall business strategy. A marketing plan helps business owners identify target customers, understand the current market, build brand identity and awareness, and align marketing tactics with business goals. An effective marketing plan becomes the roadmap to gaining more customers and improving the success of the company.

We shall use the following steps for our strategic marketing plan:-

Step 1: To align our marketing goals with overall company objectives.

Step 2: To Research the market.

Step 3: To Do the SWOT analysis.

Step 4: To Determine our "marketing mix"

Step 5: To Set a budget.

Step 6: To Pick a PM tool.

Step 7: To Review and update.

(vii) **IMPLEMENTATION SCHEDULE**

Informatization can effectively improve the production and management efficiency in the poultry farming process. In this project, a management system will be designed to realize the acquisition, transmission, storage, and management of information, and upload the data to the cloud database to increase the flexibility and scalability of the system. On the basis of realizing production management functions, the system also incorporates an office management module, thus forming a complete data chain in production activities, so as to conduct farming data mining and accurate traceability in the next stage of the work. In particular, the system also adds poultry disease detection module supports to achieve the purpose of healthy farming. The research provides an information management plan for the intensive poultry farming model, and the designed management system may be the starting point of a future intelligent poultry farming management system based on cloud services and big data technology.

(viii) **FINANCIAL PROJECTION FOR AT LEAST 5 YEARS**

**PROJECTED STATEMENT OF FINANCIAL POSITION FOR THE YEAR
2024-2028**

DESCRIPTION	2028	2027	2026	2025	2024
	TSHS	TSHS	TSHS	TSHS	TSHS
NON CURRENT ASSETS (NET)	828,565,796	943,373,593	1,087,890,798	925,937,182	852,441,679
CURRENT ASSETS					
Inventories	993,623,759	879,710,584	792,085,065	524,680,819	226,914,031
Trade Receivables/Prepayments	398,083,677	306,218,213	235,552,472	181,194,209	142,672,605
Cash in Hand and Bank	2,247,578,267	1,205,307,731	398,943,810	310,137,792	283,414,781
Total Current Assets	3,639,285,703	2,391,236,529	1,426,581,346	1,016,012,820	653,001,417
TOTAL ASSETS	4,467,851,499	3,334,610,121	2,514,472,144	1,941,950,002	1,505,443,096
EQUITY & LIABILITIES					
EQUITY					
Capital	1,300,000,000	1,300,000,000	1,300,000,000	1,300,000,000	1,300,000,000
Retained Earnings	3,142,815,693	2,013,746,729	1,195,550,145	627,453,807	194,291,817
Total Equity	4,442,815,693	3,313,746,729	2,495,550,145	1,927,453,807	1,494,291,817
LIABILITIES					
Non-current liabilities	-	-	-	-	-
Current Liabilities					
Trade Payables	10,657,880	10,657,880	10,657,880	8,987,650	7,569,300
Accrued Tax	14,377,926	10,205,512	8,264,119	5,508,546	3,581,979
Total Current Liabilities	25,035,806	20,863,392	18,921,999	14,496,196	11,151,279
Total Liabilities	25,035,806	20,863,392	18,921,999	14,496,196	11,151,279
TOTAL EQUITY & LIABILITIES	4,467,851,499	3,334,610,121	2,514,472,144	1,941,950,002	1,505,443,096

PROJECTED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR 2024-2028

DESCRIPTIONS	2028	2027	2026	2025	2024
	TSHS	TSHS	TSHS	TSHS	TSHS
Revenues	4,777,004,123	3,674,618,556	2,826,629,659	2,174,330,507	1,712,071,265
Cost Cost	2,961,742,556	2,278,263,505	1,752,510,388	1,348,084,914	1,061,484,184
Gross Profit	1,815,261,567	1,396,355,051	1,074,119,270	826,245,592	650,587,081
Expenses:					
Operating Expenses	49,637,771	45,125,247	41,022,952	37,293,592	33,903,266
Interest on Loan	3,574,621	3,574,622	3,574,623	15,683,547	13,258,746
Depreciation	114,807,797	144,517,205	183,669,784	120,179,897	85,663,428
Total Expenses	168,020,189	193,217,074	228,267,358	173,157,037	132,825,440
Profit Before tax	1,647,241,377	1,203,137,977	845,851,912	653,088,556	517,761,641
Income Tax	(494,172,413)	(360,941,393)	(253,755,574)	(195,926,567)	(155,328,492)
Profit After Tax	1,153,068,964	842,196,584	592,096,338	457,161,989	362,433,149

(ix) CAPACITY OF THE PROJECT

The project is expected to have the capacity of producing one million chicks per annum for starting and will keep on growing year after year.