

# BUSINESS PLAN FOR ER KANG TANZANIA COMPANY LIMITED

*AGRO PROCESSING PLANT FRO EXPORT  
WITHIN BWM SEZ*



PREPARED BY ER KANG, JUNE 2024

## EXECUTIVE SUMMARY

This Business Plan provides a preview of the market size and potential investment opportunities available in ER KANG and how these factors have potential to contribute to the successful establishment and operationalization of the proposed agro processing plant within Benjamin William Mkapa Special Economic Zone. The Business Plan narrates an over view of the proposed project in terms of its location, description of value addition process and the entire supply chain management system. On the part of supply chain, the Business plain explains about the use of out growers and contract farming as a strategy to mitigate supply constrain risky. The main objective of this plan is to add value to the overall value added-products of various cereals that would otherwise be traded as raw commodities.. The consumption of processed agro products as food is increasing globally every year. This means that farmers on the supply chain, as well as agro processing plants on the value addition platform, can produce an enormous amount of agro food products to their core business. This growing demand, is considered as one of the supply gap that the food industry is facing globally today. This project therefore will significantly contribute in addressing such a gap. The Business Plan further indicates the project key performance values and SWOC analysis. Although this Business Plan does not in any way serve as a guarantee for success, but the results of the indicative values and the analysis provide a basis for determining the project future goals and for identifying strategies and initiatives that would be required to implement, develop and operate the project with all viability ratios. Most of the information contained in this report emanated from the investors own business research initiatives. Depending on the nature of this investment, ER KANG expect to conduct further relevant studies including crop specific feasibility studies and environmental impact assessment for detailed information and compliance; and develop their respective business strategies. This Business Plan is confident that the project will be able to capture a sizable share of the international market in UAE, Sultanate of Oman, Gulf and Asian countries, particularly China. With competitive pricing of ER KANG food processed products, high quality and efficient delivery services, the company is expected to effectively conquer the existing and potential buyers in the International market.

*CHAPTER ONE*  
*PROJECT BACKGROUND*  
*INFORMATION*

## The Company

The promoter of the proposed project is M/s ER KANG TANZANIA COMPANY LIMITED. It is a Tanzanian company registered in the United Republic of Tanzania with Certificate of Incorporation Number 175423621 of 11<sup>th</sup> June 2024. The office of the Company is located in Dar es Salaam, Ilala Municipal, Buguruni Area. The objectives for which the company is established, among others is to carry on the business of mechanized agriculture through out grower scheme, and consequently undertake value additional processes by using high environmentally friendly technology to end up with value added products of peanut oil, sesame oil and sweet potatoes starch.

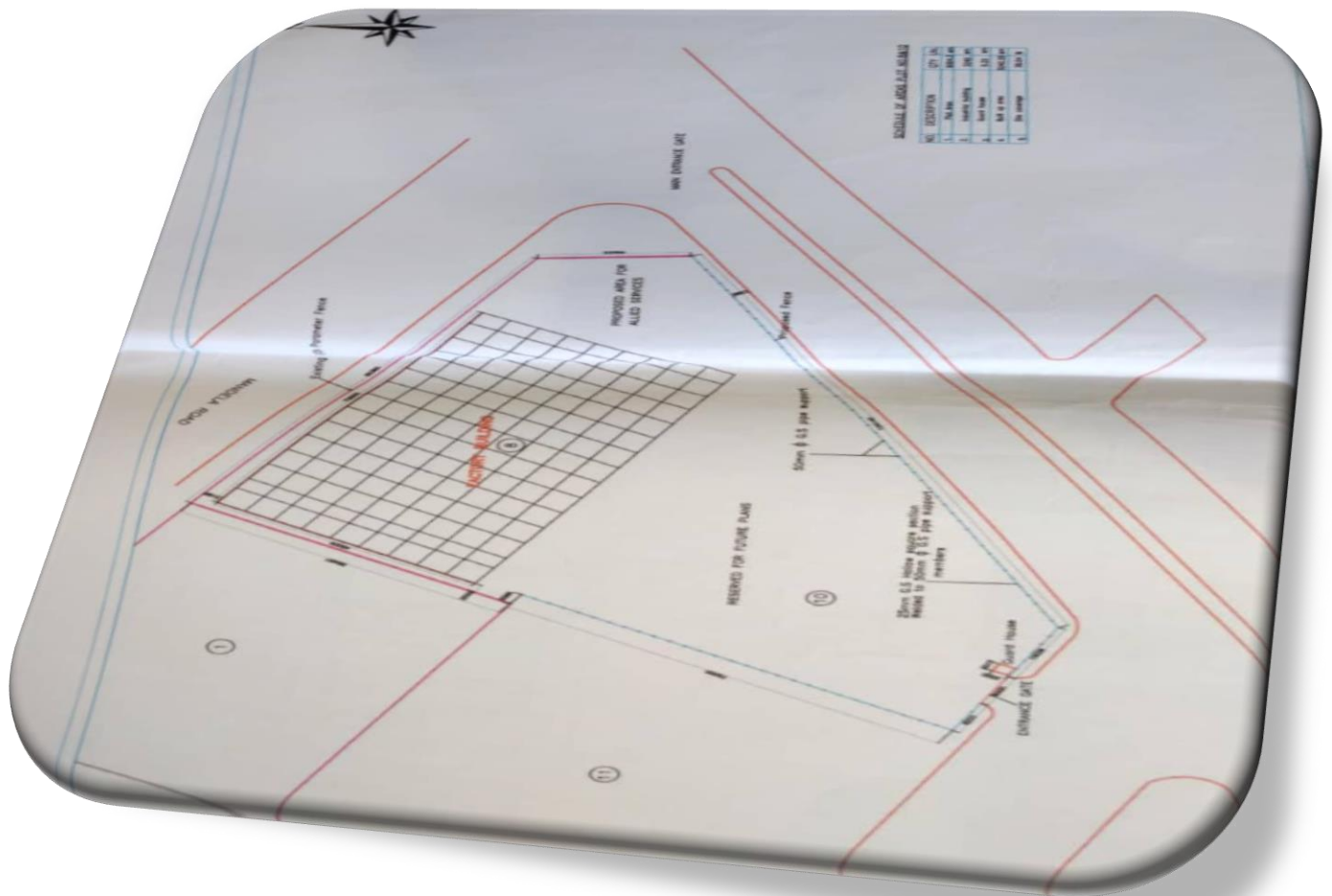
The authorized share capital of the Company at the date of registration of this Memorandum of Association is Tanzanian Shillings Five Billion and Four Hundred Million (TZS. 5,400,000,000/=) divided into 100 ordinary shares of TZS Fifty Four Million (TZS. 54,000,000/=) each with power for the Company to increase or reduce such capital and to divide the shares in the capital for the time being, whether original or increased, in different classes, and to attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the Articles or Association registered herewith.

S/No.	Shareholder's Name	Address	Number of Shares
1.	Hunan ER KANG (HK) Company Limited	Room 703, KOWLOON Building 555, NATHAN Road, Kowloon, HONG KONG	90
2.	XUEYUN WU	Po Box 31191, DAR ES SALAAM	10

## Project Location and Infrastructure Analysis

### Location

In line with the above stated objective, the Company has determined to embark in agro-business activities and ultimately, to set up the an ulti modern Agro-Export Processing plant within Benjamin William Mkapa Special Economic Zone in Pots No. 8 and 10 bearing 9000 square meters for particular agro-produces found in Tanzania.

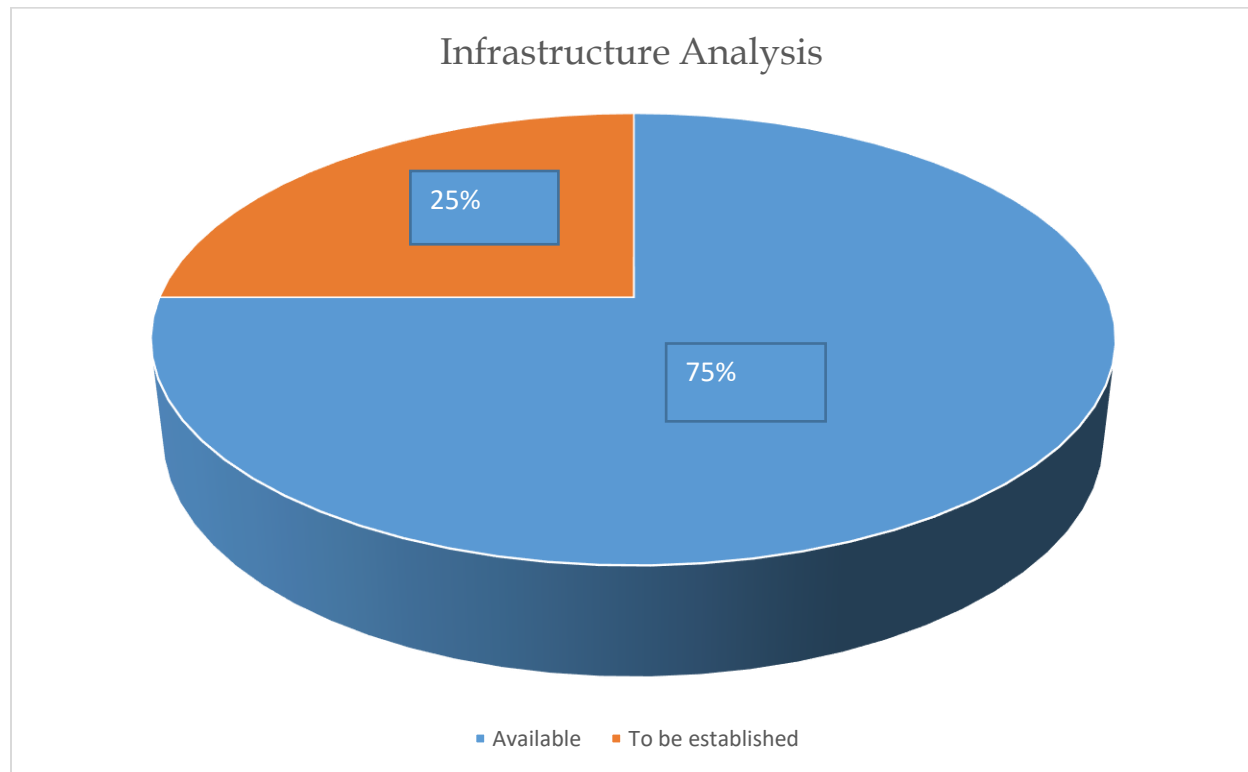


### Infrastructure Analysis

The following table below gives a simple assessment of the current infrastructure situation which can support the project to take over quickly. The table shows what is actually available on ground and what need to developed to support the project take off.

S/n	Required Infrastructure	Available	Need to be established
1.	Electricity Power supply	√	
2.	Gas outlet to the project site		√
3.	Clean Water system to the project site	√	
4.	Sewerage system to the project site		√
5.	Main Road Connecting Zone and Truck Road	√	
6.	ICT Connectivity (Fibre Optic)	√	
7.	Internal Road network within the project site	√	
8.	Factory Warehouses	√	

**Pie Chart illustration of Infrastructure readiness to support start up of the project**



### Project Supply chain Analysis

The plan of ER KANG is to develop an Agro-Export Process eco system linked with innovative financing and operation models allowing smallholders participation (out-grower schemes and nucleus farming) of neighborhood agriculture. The rationale behind the out-grower scheme is the fact that, the proposed dedicated processing plant, capacity and technology need enough supply raw materials produce from agriculture to feed the plant sustainably. Thus, it is paramount to work together with neighboring agricultural for supply of raw materials to the plant. The Company will arrange and agree with agro communities under contract farming. The target is as follow:-

Place	Size of Land in Ha.	, Product, Crops and Volume
Dodoma, and Singida	2,000	<b><u>Peanut oil production</u></b> To be planned as per crop calendar and cropping pattern under contract farming to supply agricultural raw materials. This arrangement requires an annual raw materials supply of 250,000 tons of peanut kernels.
Lindi, Mkuranga and Kilwa	3,000	<b><u>Sesame oil production</u></b> Contract farming with village communities to supply related raw materials, particularly raw sesame. This arrangement requires an annual raw materials supply of 60,000 tons of raw sesame.
Morogoro, and Handeni	6,000	<b><u>Sweet potato starch production</u></b> Contract farming with village communities to supply related raw materials, particularly raw sweet potatoes. This arrangement requires an annual raw materials supply of 300,000 tons of raw sesame.

### **Rationale of the out grower system**

Successful takeoff of the project will increase investments in agri-businesses and ultimately improves livelihoods, health, nutrition and education to the farmers' communities of the United Republic of Tanzania. To this end, ER KANG is very keen on establishment of a sustainable smallholder out-grower program, therefore, the need to link the value addition platform (market) with the supply chain (farmers) and other key relevant stakeholders under groups of the likes of (e.g. Microfinances, Banks, SACCOS etc.) The experience indicates that in order to develop a sustainable scheme, delivering a range of benefits to smallholders, such as, upfront investment is required (e.g. access to inputs, finance, training and markets). Whilst the expectation is for these schemes to cover their costs once up and running, the potential stakeholder(s) will provide grant/finance and expertise in the initial design, launch and roll-out of smallholder programs. The role of potential stakeholder is to support the value addition facility with this initial investment through managing and funding the following activities:

- a) Designing smallholder schemes, including conducting background studies and defining the core components of the scheme (e.g. structure, participants, commercial terms);
- b) Assisting enterprises in rolling out the schemes, including funding the initial operational costs of the schemes until they have achieved sufficient scale to be sustainable (e.g. salaries and equipment);
- c) Supporting enterprises in running demonstration plots and training programs for farmers to improve agronomic techniques, demonstrating benefits of modern inputs and trialing new technologies (e.g. mobile technologies, micro-insurance); and
- d) Providing technical assistance to develop information technology systems to manage out-grower schemes and track their impacts.

The target is to have economic sustainable out-grower scheme. This will be achieved through selecting profitable enterprises, sound financial planning, proactive marketing, and good management. The bottom line is that the farmer needs good financial planning tools and the willingness to follow financial management plan. This approach requires that costs never rise to the level of anticipated income – thus preserving a profit. This potent financial planning process empowers people to make decisions that are simultaneously good for the environment, the local community, and the bottom line. The holistic financial plan provides a roadmap to help people navigate through their financial year, assured that the profit will be there at year's end.

This means that the company will have the advantage of having a large network and availability of raw materials from the mentioned areas such that prospect for obtaining raw material supply from farmers locally is ensured once the company commence with business operations. The company is set to make long term business agreement with out growers to supply raw material to the factory facility within BWM SEZ. The project also delves into providing an alternative solution to the global climatic changes with respect to application of high, simple and appropriate irrigation technology.

### Project Investment Values

Based on the Impact Investment Index analysis, the company can develop projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with legislation requirements. In this regard therefore, ER KANG will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

Project Investment values		
Performance Area	Quantitative Indicator	Remarks
<b>Investment Capital</b>	Total investment capital, CAPEX and OPEX US\$ 27 million	Substantial amount of capital invested into the domestic economy
<b>Export earnings</b>	Indicative Annual Export sales US\$ 16 million	Increased foreign earnings
<b>Job requirements</b>	Job creation before expansion after three years DIRECT TANZANIAN JOBS 120	Reasonable number of direct job created to local Tanzanians with direct impact on poverty reduction through enhanced income generation
<b>Technology applied</b>	High Tech Environmentally friendly machinery	Applied technology which is free from environmental pollution
<b>Enhanced growth to the domestic economy</b>	Amount of bills paid to electricity, water, telecommunications , port charges	Increased sales to the Utility Companies providing services of electricity, water and sewerage, telecommunications;

## Project SWOC Analysis

The SWOC (Strengths, Weaknesses, Opportunities and Challenges) analysis provides a quantitative and qualitative review of internal strengths and weaknesses and their relationship with external challenges and opportunities for the proposed project. The results of the analysis provide a basis for determining the project future goals and for identifying strategies and initiatives that would be required to implement, develop and operate the project with all viability ratios. The matrix below summarizes the project strengths, weaknesses, opportunities and threats.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>(a) Close proximity with Dar es salaam port through Nelson Mandela Highway previously known as port access.</li> <li>(b) Locating within Benjamin William Mkapa Special Economic Zone which will serve as an import/export hub for industrial and agro processing operations</li> <li>(c) Preferential operational facilitation services under One Stop Service Center Model and incentives scheme enshrined in the EPZ Legislation</li> <li>(d) Political will, the government's legal and policy framework support development of the project</li> </ul>	<ul style="list-style-type: none"> <li>(a) Inadequate ICT system in place thus hindering effective, efficient and speed communication.</li> <li>(b) The infrastructure in Tanzania in terms of energy security is still unstable. National blackouts are common phenomena, proving to be a major bottleneck for industrial development</li> </ul>
Opportunities	Challenges
<ul style="list-style-type: none"> <li>(a) Strategic location of Tanzania which is a hub for international business</li> <li>(b) Political and macroeconomic stability of the country</li> <li>(c) Goodwill and support from the Government and the parent ministry;</li> </ul>	<ul style="list-style-type: none"> <li>(a) High cost of doing business due to inefficiencies in the infrastructure system e.g. electricity, roads and air;</li> <li>(b) Lack of industrial linkages between research institutions and investors in the agriculture sector;</li> <li>(c) Regional competition from other countries investment and markets.</li> </ul>

*CHAPTER TWO*

*PROJECT CONCEPTUAL EXPORT*

*PLAN*

### Analysis of the Export Plan

The major factor in the profitability of ER KANG is the ability to provide quality products and efficient services to the market. Based on qualified and experienced management and staff, the project will be able to capture a sizable share of the international market in UAE, Sultanate of Oman, Gulf and Asian countries, particularly China. With competitive pricing of ER KANG products, high quality and efficient delivery services, the company is expected to effectively conquer the existing and potential buyers in the International market. Even though there are an appreciative number of companies processing various cereal crops for sale in the International market, there is still a substantial amount of agro processed products being demanded in UAE, China, Sultanate of Oman, and Asia. Careful analysis will be undertaken to compare processed cereals and services offered by current suppliers of processed agro products which are regarded as competitors to ER KANG so that appropriate measures regarding a better product mix may be offered by the company as an initial step in market penetration. As we were moving towards developing the Export Plan, the company kept in mind that the contents of the plan is able to provide answers to the following type of questions as illustrated on the matrix here below:

S/n	Questions	Targeted Countries	Marketing Remarks based on selected sectors
1.	Where do you want to export?	UAE, Sultanate of Oman, India and China	<ul style="list-style-type: none"> <li>All markets are undersupplied due to market access control measures like quotas and ISO standards</li> <li>Target and focus on super markets distribution and supply system management.</li> <li>Big and branded Global companies procuring bulky and wholesale processed food staffs and edible oils</li> </ul>
2.	Why do you want to export to the markets you chose?		
3.	What do you want to export?		
4.	How much business you expect to do in what period of time?		
5.	How are you going to go about exporting		

## Marketing Plan Development Model, A focus to International Market

### Internal Analysis (Company)

The above marketing model has been used as a gravity of the developed Export Plan of the company.

In order to make the best of ER KANG strengths and improve the weaknesses, the export plan begins with an analysis of the competitive capacities of the company in relation to the foreign markets in order to achieve profit maximization. The following matrix shows 48 the competitive capacities assessment as part of the Internal Analysis of the company.

### Competitive Capacities Assessment Matrix

	Competitive Capacities	Assessment
	Geographical location of the company	Strength
	Available production capacity	Strength
	Level of Technology	Strength
	Financial resources for current capital	Strength
	Financial resources for foreign investments	Strength
	International experience of human resources	Strength
	Commercial network and contacts abroad	Strength
	Knowledge of languages	Weakness
	Corporate and brand image	Strength
	Motivation towards going International	Strength
	Decision making	Strength

## External Analysis

In this Export Plan, the external analysis done by ER KANG involved identification of the economy, policies and social trends which may affect the International evolution of the food agro processing Industry. Under general circumstances, the company does not have any capacity to influence such trends. Nevertheless, the analysis focuses on understanding what the trends consist of, if the trend is negative, it implies that it constitutes a threat, something which the company has to confront. In the event that the trend is positive, the implication is that there is an opportunity to make the most of it. Global trends in International business are influenced by multiple factors. Internet is among the factors which may affect the companies in so many ways. In some cases companies are using Information Technology to improve their operations in foreign markets. Consolidation of emerging countries, Asia, China and UAE increases the level of competitiveness and prosperity hence the countries are now priority targets especially in processed cereals and consumer food products. Likewise International agreements have dismantled barriers to trade. Even though this creates a potential opportunity in increasing the accessibility to international markets for the exporter, this could also be a threat for other companies which are not capable to maintain a position in the domestic market and are increasingly more open to competition from foreign companies. The following matrix shows the environmental and sector factor assessment as part of the External Analysis of the company.

### External Analysis (Industry)

Environmental and Sector Factors	Assessment
Technical barriers to International Trade	Threat
Economic Integration of countries (EU, NAFTA, ASEAN)	Opportunity
Use of internet for international business	Opportunity
Improvement of the international business	Opportunity
Level of business maturity of the international markets	Opportunity
Appearance of emerging giant agro processing companies	Threat
Appearance of emerging markets as consumers	Opportunity
Concentrations of ownership of the companies	Opportunity
Increasing power of retail	Opportunity
Appearance of new agro processed products	Threat
Changes in consumer behavior	Threat
	Threat

## **Marketing Strategies**

### **Customer Focused Solution**

ER KANG will constantly search for ways to make improvements to their products and services and enhance relationships with suppliers and customers. The business world moves very quickly, in the spirit of this pace, the company will develop ongoing relationships with their key stakeholders that are serious and positive. The company will make meaningful contributions to the success of those customers. The best way to build these key relationships to best-practice level is on a base of trust and shared communication. ER KANG will focus on customer's operations from a business process perspective. The company will always keep abreast in understanding and responding to the constantly changing needs of our customers. The focus here is to understand the broader market and the entire value chain, and not just the customer. The total market environment has a direct impact on our customer's business needs and prospects. This will include factors such as, new trends in society, new products offered in other industries, supplier trends and developments, the general economic and the political climate. The company will look at the broader perspective, and factor in how those changes may impact on their customers in the future. ER KANG will survey customers frequently for ideas and opinions. This strategy goes further than determining customer satisfaction, it also take seriously their suggestions and ideas on how best the company can improve the offered services. While as many means of communication as possible should be used, the most effective way to achieve this is to Know Your Customer (KYC).

### **Service delivery models**

ER KANG will use the Service Delivery Model to ensure that client's services are fully met to support their productivity in the park. Service delivery models describe the practical implementation of utility supply service provisions as part of a service delivery approach. They provide agreed legal and institutional frameworks for delivering a service, including commonly understood and accepted roles for actors involved in the development and provision of the products to the market. The company will ensure that the type of physical infrastructure used to deliver the processed products is available for the standard for levels of service to be provided. Service delivery models are thus an integral part of a service delivery approach. Supporting the further development and strengthening of service delivery models that provide reliable and timely supply, is a key area of focus for ER KANG.

### **Assessment of the Export Plan**

From the above analysis, the following are the most important things that ELIYA FOODS OVERSEAS LIMITED will take into account in order to execute effetely this Export Plan.

1.	Sufficient production capacity to sustain an increase in demand in foreign commercial activities
2.	Level of technology and quality which allows the company to take on the emerging markets successfully
3.	Flexibility to adapt the products to the needs of certain foreign markets
4.	Financial resources to finance the current capital of the international operations
5.	Knowledge and information about foreign markets and the way to create an international commercial network

*CHAPTER THREE*  
*RISK ANALYSIS AND MANAGEMENT*

## **RISK ANALYSIS**

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the Southern and Industrial Park Investment Limited Company. The Company's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Company's management responsibilities

### **Macroeconomic risk analysis**

Since early 1986, the government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved. However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, health facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

### **Financial Risk Analysis**

Funds availability still remain to be a determinant factor in the quality of the project and progress related to its smooth implementation. The supply of fund in time for the construction of the project is a potential risk factor. Therefore, there is a need to have preliminary preparations of fund before commencement of construction to ensure smooth of the progress of the project.

#### **(a) Exchange rate**

Exchange rate risk refers to the life of a loan, direct or indirect result of the borrower's income subject to the risk of loss due to currency fluctuations. Currencies in circulation in the United Republic of Tanzania are the Tanzania shilling and the dollar. In recent years the Tanzanian shilling against U.S dollar has tended to drop. In the past two years, an annual depreciation of about 10%, while in exchanging U.S dollar for Yuan the depreciated has dropped by about 3% annually in the past five years – implying that basically the exchange rate risk is at a controllable range.

**(b) Interest rate**

Interest rate risk is the risk of a company's profitability or value due to change in interest rates. From 1993, the Central Bank of Tanzania has fully implemented the liberalization of interest rates, and took effective measure to control the overall interest rate. If Tanzania's overall economic situation does not change much, fluctuation in interest rate will not be barriers to capital flows during operations.

**(c) Profit remittances, exchange rate risk analysis**

From 1991, the Bank of Tanzania has taken a series of action to gradually relax the controls on foreign exchange transaction, and adopted a freer exchange rate policy. Foreign exchange or export faces very little foreign exchange restrictions but it involves a lot of paperwork. Inefficiencies will cause a certain degree of uncertainty project.

**Other Potential External Risks**

- a) Deficiencies in vital services (power, water, waste disposal) - adequacy and consistent availability of these services are issues of concern to investors;
- b) Government may not provide needed services timely (tax clearance, permits, certificates) - the issues here are bureaucracy and negligence among government officials;
- c) Lack of effective demand of products - tenants may leave the park;
- d) Insufficient numbers of new park tenants;
- e) Discharges of toxic materials into waterways or onto surrounding land, leakage of contaminants into aquifers, or toxic contamination of park workers

**Mitigating Potential Risks**

The development of a large and complex project such as ER KANG is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

*CHAPTER FOUR*

*CONCLUDING REMARKS AND WAY  
FORWARD*

### Evidence of project viability based on Investment Values and SWOC Analysis

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the investment values, the proposed investment options in the proposed processing plant as prescribed on this business plan have shown that the project is commercially viable. Nonetheless ER KANG, through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available.

### Policy Framework Support

S/n	Existing Legal/Policy Framework	Rules and Regulations Section/Theme	Summary of the Section/ Theme/Objective
1.	Special Economic Zone Act	Part Two Establishment of Special Economic Zones Section 7 (a)	Special Economic Zones may include one or more of the following areas; (a) Industrial parks
2.	The FYDP II 2016/17-2020/21	The Theme and Objectives of the Plan	The Theme of FYDP II is ' <i>Nurturing Industrialization for Economic Transformation and Human Development</i> '  The objective No. 1 of the FYDP II is to build a base for transforming Tanzania into a semi industrial nation by 2025
3.	Tanzania Development Vision 2025 TDV 2025	Aspiration of the Vision	The vision aspires to have Tanzania transformed into a middle income and semi industrialized Nation by 2025
4.	The CCM Manifesto 2015-2020	Section 32 (g) and Section 33	<u>Section 32 (g)</u> Emphasize to earmark areas designated as Special Economic Zones all over the country. <u>Section 33</u> Continue instructing and supervising the Government to successful implement the Sustainable Industrial

S/n	Existing Legal/Policy Framework	Rules and Regulations Section/Theme	Summary of the Section/ Theme/Objective
			Development Policy (SIDP 1996-2020)
5.	Sustainable Industrial Development Policy (SIDP 1996-2020)	Mission of the Policy	The SIDP Mission, part (b) ' <i>To enhance sustainable development of the industrial sector</i> '
6.	Integrated Industrial Development Strategy 2011-2025	Vision of the Strategy	To build an internationally competitive business environment through development of industrial clusters and infrastructure development to make the industrial sector a real engine of economic growth.

### Conclusive Remarks and Way Forward

The development of this processing plant will be funded by private financing initiative. The company acting through its various shareholders and structures will provide the initial risk capital amounting to \$ 27 million. The company will fund the development of the project structure to include substantial renovation on the acquired facility on Plots No. 8 & 10 within BWM SEZ and the factory building on the open space. Before the Company engages into the development of this project as a private enterprise, it needs to accomplish the pre development activities to make way for the development of the designated project. The company has to accomplish the following;

a) Apply for EPZ Developers License at EPZA

The company by using this Business Plan and other required supporting documents will apply for the EPZ Developers License at the Export Processing Zones Authority.

b) Conduct Environmental Impact Assessment.

The company will engage a consultant to conduct EIA in order to ensure that environmental and possibly other sustainability aspects are considered effectively in policy, plan and project development. The EIA Directive aims at introducing systematic assessment of the environmental effects of strategic land use related plans and programs. It typically applies to regional and local, development, waste and transport plans, within the country. EIA ensures that

plans and programmes take into consideration the environmental effects they cause.

c) Structural drawings and request of building permit from EPZA

The company has already engaged a firm to prepare a structural renovation design. The drawings include all vital service facilities and whenever possible, the ongoing process of design of the facility is consultative in so much that it allow and incorporate ideas from experienced professionals from the industry. The accomplished drawings shall be submitted to EPZA for approval and issuance of building permit.