

BUSINESS PLAN

PROJECT EXPANSION AT TIC

3/15/2024
MBOSHO COFFEE COMPANY LIMITED
Moshi, Kilimanjaro

1.0 EXECUTIVE SUMMARY

This is a proposal for expansion of a project owned and operated by Mbosho Coffee Company Limited, a company that farms macadamia, coffee and other products. The company has been farming macadamia but now it is developing a factory for processing of the farmed macadamia. This factory will be the first ever in Tanzania.

Through a visceral assessment of the company's position the promoters have decided to extend the investment to processing and production of high quality macadamia and oil. The planned capital for this expansion is USD 600,000. The factory will be processing 200 tons of macadamia per year.

The expansion will add 35 direct and 150 indirect jobs. It will also contribute to the public and private sectors in various forms. All it needs is an extension status so it can enjoy the incentives necessary for smooth kick starting of the project.

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2.0 INTRODUCTION

2.1 The Company

Mbosho Coffee Co Ltd is a company incorporated in Tanzania and issued with certificate of incorporation No. 85537 of 30th August 2011. For tax purposes the company is also registered and issued with TIN 114 873 969.

The Authorized Share Capital of the company is TSH 1,000,000,000/= divided into 10,000 Ordinary Shares of TSH 100,000/= each. The authorized share capital is equivalent to about USD 390,000. Of all the authorized shares only 150 have been taken. Tables 2.1 and 2.2 give details on shareholding.

Table 2.1 Details on Authorized Shares

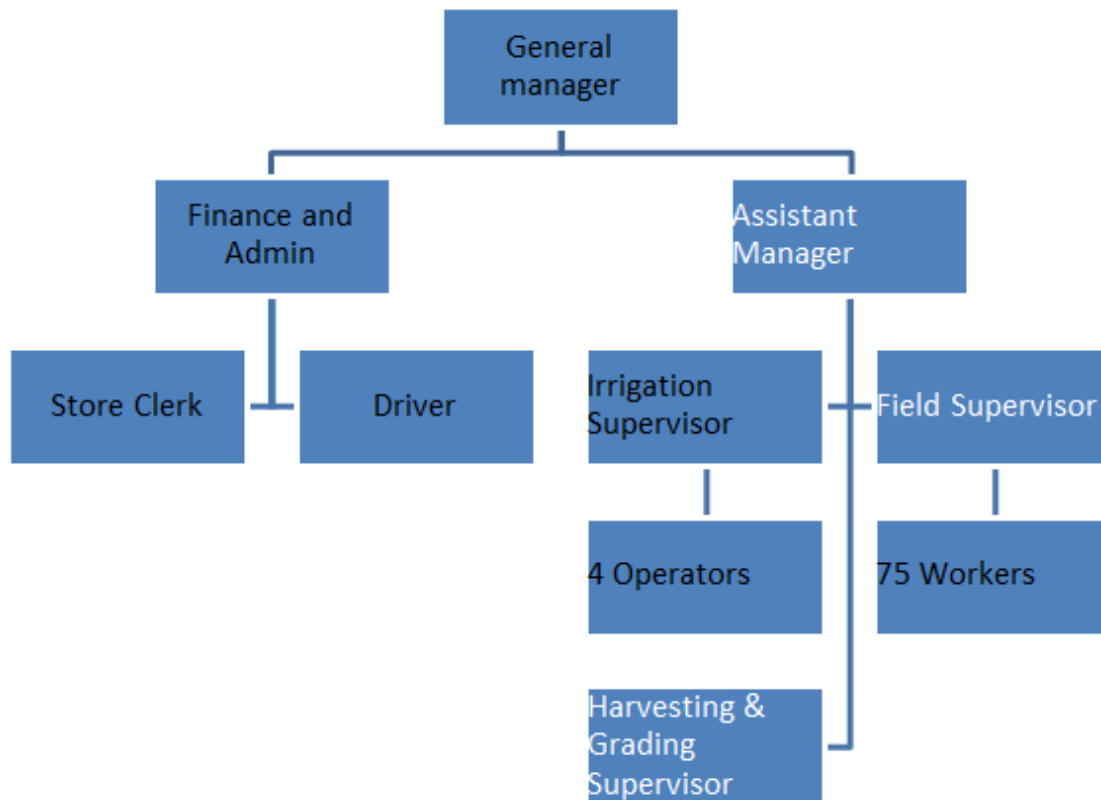
Shareholder	No. of Shares	% Share
James Richard Douglas Powell	100	1.00%
Elizabeth Anne Deacon	50	0.50%
Unissued Shares	9,850	98.50%
TOTAL	10,000	100.00%

Table 2.2 Shareholding Structure for the Issued Shares

Shareholder	Nationality	Shares Taken	Shareholding
James Richard Douglas Powell	British	100	66.67%
Elizabeth Ann Deacon	British	50	33.33%
TOTAL		150	100.00%

Mbosho Coffee Co Ltd's organization chart is presented under figure 2.1 below

Figure 2.1 Company Organization Chart



2.2 The Project

The purpose of this business plan is to present an expansion proposal to the growing of 100 hectares of coffee and macadamia nuts on Mbosho Uwao Estate, situated in the Kilimanjaro Region of Tanzania. This is a vertically integrated project involving the planting, growing, processing, and packing of these products to local and foreign markets. This planned expansion is aimed at incorporation of the processing facility into the project.

The project is situated 40 km west of Moshi town in Hai District, Kilimanjaro Region of Tanzania. Its altitude is 1200m AMSL. With annual rainfall of around 800mm, Mbosho Estate is ideally situated for the production of coffee and Macadamia Nuts. Maximum temperatures are around 30 °C with seasonal highs recorded between December and March. Minimum temperatures range from 12°C -15°C. Seasonal rains fall between October – December, and March – May.

Topographically the Estate has a south facing aspect, with gently sloping ridges providing good drainage. The gross area available to the investor is 130 acres, of which 100 ha is suitable for cultivation. The rest is steep and suitable for conservation and as water catchment areas.

2.3 The Original Business

The objectives of the project have been twofold:

- i) To rehabilitate and replant the coffee plantation on Mbosho Uwao Estate
- ii) To develop a macadamia project to become the pilot project for macadamia production in Tanzania.

The company has filled the total arable area. It has developed seedlings-producing nurseries to cater for the requirement the. The nurseries produce 50,000 coffee seedlings per year and 6,000 macadamia seedlings per year. The coffee is planted on the contours using conservation planting techniques which assist with water conservation and the prevention of erosion.

2.4 The Product and the Market

The product of focus in this business plan is macadamia. The company intends to process the macadamia NIS to produce final products for export. The targeted market for the product is China and South Africa. As for the raw materials, the company will import the machineries that are not produced in Tanzania, but it will source raw materials from Tanzania only.



3.0 THE EXPANSION

3.1 Preamble

This is an expansion proposal to the already registered project belonging to Mbosho Coffee Company Limited. The company has established standalone projects of coffee and macadamia farming. The expansion is aimed at creating another standalone project – the one of macadamia nuts processing. So far, there is no macadamia processing plant here in Tanzania and Mbosho is moving to establish the first ever macadamia processing factory in the country. Establishment of this factory is aimed at making Mbosho Coffee Company the leading exporter of high-quality macadamia nuts, processed products and oil.

3.2 Project Financing

This expansion will inject an additional USD 600,000 capital into the project. The investment will comprise of buildings and machineries as detailed under Table 5.1 below. A local loan will account for 60% of the additional capital while foreign equity will amount to 40% of the capital.

Details	Amount	Percentage
Local		
Equity	-	0.00%
Loan	360,000	60.00%
<i>Sub-total</i>	360,000	60.00%
Foreign		
Equity	240,000	40.00%
Loan	-	0.00%
<i>Sub-total</i>	240,000	40.00%
GRAND TOTAL	600,000	100.00%

3.3 Investment Plan

The additional capital will finance the expansion by paying for the additional items given below. Most of the amount will cover plant and machineries for the macadamia processing plant.

ITEMS	FINANCING IN USD
Land & Buildings	110,000.00
Plant & Machineries	356,000.00
Vehicles	-
Furniture & Fittings	30,000.00
Pre Expenses	60,000.00
Others	24,000.00
Working Capital	20,000.00
TOTAL	600,000.00
FIXED CAPITAL	580,000.00
WORKING CAPITAL	20,000.00

3.4 Implementation Plan

Implementation of the expansion of the project will involve acquisition of assets over the first two years of the expansion. Most of the investment will be done during the first year as shown in the table below.

INVESTMENT BREAKDOWN		INVESTMENT PLAN					TOTAL INVESTMENT
ITEMS	FINANCING IN USD	Y1	Y2	Y3	Y4	Y5	
Land & Buildings	110,000.00	80,000	30,000				110,000
Plant & Machineries	356,000.00	290,000	66,000				356,000
Vehicles	-						-
Furniture & Fittings	30,000.00	30,000					30,000
Pre Expenses	60,000.00	60,000					60,000
Others	24,000.00	24,000					24,000
Working Capital	20,000.00	20,000					20,000
TOTAL	600,000.00	504,000	96,000	-	-	-	600,000
FIXED CAPITAL	580,000.00						
WORKING CAPITAL	20,000.00						
CAPITAL ADDITIONS		504,000	96,000	-	-	-	600,000

3.5 Project Manning

So far the project has employed a total of 168 people, a number which includes 1 MD, 1 Farm Manager, 1 Finance and Administration Personnel, 5 Supervisors, 10 Supporting Staff, and 150 Unskilled Workers.

The expansion will add 35 direct jobs as shown in the table below. Also, the project expects to create about 150 indirect jobs following this expansion.

CATEGORY	MALE	FEMALE	TOTAL
Local	9	24	33
Foreign	2	0	2
TOTAL	11	24	35

Detailed information on the direct jobs to be created following this expansion is given in the table below.

CATEGORIES	LOCAL		FOREIGN		NUMBER
	Male	Female	Male	Female	
Plant Supervisors	1	1	1	0	3
Plant Operators	2	0	1	0	3
Unskilled Workers	6	23	0	0	29
TOTALS	9	24	2	0	35

3.6 Market Analysis

This sub-section focuses on the market aspects of the expansion. It analyzes the global local and regional markets for macadamia. It also covers SWOCT analysis of the company within the context of Tanzanian market.

The Market

Although there are a few small producers of macadamia nuts, there is no macadamia industry in Tanzania. In contrast, the two neighboring countries, Kenya and Malawi produce 15,000 tons and 7,000 tons respectively of nut in shell per year. Kenya

produces in the region of 10% of world production, 70% of which is produced by the small-scale sector.

Macadamia nuts are globally, vastly undersupplied. Due to this factor, the market experiences fluctuations in terms of supply and demand. The resulting volatility acts as a disincentive to potential markets that require consistent supply. According to figures presented by the South African Macadamia Production Association the increase in world production was estimated to be in the region of 5.2% year on year to 2020. This equates to an increase of over 100% taking world production from 26,000 tons in 2006 to 61,000 tons in 2020.

Due to the increase in global demand, this significant increase in production was not expected to greatly reduce volatility. Year-on-year demand is expected to grow by 8-10%.

Globally, Australia and South Africa alone produce 50% of the world macadamia production. By value, the 5 biggest exporters of macadamia nuts are South Africa, Australia, Kenya, mainland China and the Netherlands. Collectively, that cohort of major suppliers sold 81.2% of all shelled and unshelled macadamias exported during 2022 as measured by value. Applying a continental perspective, countries in Africa supplied the highest dollar worth of exported macadamia nuts during 2022 with shipments valued at \$442.1 million or 52.5% of the global total. In second place were exporters in Oceania (26.7%) led by Australia, trailed by international sellers in Asia (7.7%), Europe (6.2%), Latin America (3.8%) excluding Mexico but including the Caribbean, then North America (3.1%) mostly the United States of America (www.worldstopexports.com).

In terms of imports, the 5 leading importers of macadamia nuts in 2022 were the United States of America, mainland China, Germany, Japan and the Netherlands. Combined, that quintet of top import countries bought almost three-quarters (74.4%) of globally imported macadamia nuts as measured by dollar value. These percentages suggest exporters of macadamia nuts (81.2% for the corresponding top 5 exporters) is a more concentrated group compared to more than 100 importing countries, islands

and territories. Specifically, the top 5 importers accounted for a smaller portion of its world total for imported macadamia nuts at 74.4%.

As for global imports of macadamia nuts distributed by continent, 53% of macadamia nuts purchased on international markets was delivered to customers in Asia. In second place were importers in North America (24.7%), Europe (18.6%), Africa (3.3%), Latin America (0.2%), then Oceania (also 0.2%) led by Australia.

Macadamia Market size was valued at USD 1.45 billion in 2021 and is poised to grow from USD 1.58 billion in 2022 to USD 3.42 billion by 2031, growing at a CAGR of 9.3% in the forecast period (2024-2031).

SWOCT Analysis

INTERNAL ANALYSIS	
<i>STRENGTHS</i>	<i>WEAKNESSES</i>
<ul style="list-style-type: none"> ⇒ Assured supply of raw materials (macadamia nuts) intra-organizationally ⇒ Availability of the capital due to financial muscle of the promoters of the expansion ⇒ The company is experienced in the business of macadamia as the promoters have dealt with the product in Zimbabwe. ⇒ Best quality rootstock. 	<ul style="list-style-type: none"> ⇒ The company has not been able to grab a sizeable land across the country in order to develop itself as the only giant in the product in Tanzania in the future
ENVIRONMENTAL ANALYSIS	
<i>OPPORTUNITIES</i>	<i>CHALLENGES</i>
<ul style="list-style-type: none"> ⇒ Assured supply of raw materials inter-organizationally – from out growers ⇒ Connectivity of the plant/ project to the airport of KIA and to the Sea Ports of Dar es Salaam and Tanga is assured. ⇒ Well developed software infrastructure: internet, mobile phone, digitalized banking and currency, etc. 	<ul style="list-style-type: none"> ⇒ Possibility of new companies venturing into the business of processing macadamia nuts ⇒ Established processing plants are operating in the neighboring country of Kenya within the EAC area
	<i>THREATS</i>

<ul style="list-style-type: none"> ⇒ Market stability for the product ⇒ The global and regional markets for macadamia is expanding ⇒ Oil extraction from non-exportable fruit 	<ul style="list-style-type: none"> toward commercial farming and other businesses in the country ⇒ Cumbersome business procedures ⇒ Power cuts
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3.7 Financial Projections

Processing Cost

The project expects to be processing 200 metric tons of macadamia per annum. Focusing on macadamia alone, assuming a 4% annual inflation and a starting processing cost per MT of USD 0.75, the projected processing costs are as shown in the table below.

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Annual Processing of Macadamia NIS in MT	200	200	200	200	200
Processing cost per MT (4% inflation)	0.75	0.78	0.81	0.84	0.88
Projected Processing Cost	150	156	162	169	175

Sales Projections

Assuming 99% sales on the existing stock and a 4% inflation sales are expected to rise over the first five years as shown in the table below.

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Annual Production in MT	180	180	180	180	180
Tonnage Sales (99% of the stock)	178	180	178	180	178
Price Per Ton (4% Inflation)	3	3.12	3.24	3.37	3.51
Total Sales Revenue (USD)	534,600	561,544	578,281	607,306	625,530

Cost of Sales

Assuming a transfer price of USD 0.9 per kilogram costs of sales will be as shown in the table below

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Sales in MT	178	180	178	180	178
Transfer Price of Raw SIN (USD 0.9 per kg)	900	936	973	1,012	1,053
Total Processing Costs	160,380	168,463	173,484	182,192	187,659

Projected Gross Profit

Gross profit is expected to grow over the years starting from USD 374,220 in the first year to USD 437,871 in year 5.

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Sales	534,600	561,544	578,281	607,306	625,530
Cost of Sales	160,380	168,463	173,484	182,192	187,659
Gross Profit/ (Loss)	374,220	393,081	404,797	425,114	437,871

Projected Income Statement

Over the first five years of expansion the project is expected to enjoy positive retained earnings as shown in the table below. This will be attributed to the rarity of the product and the subsequent increase in demand for macadamia in the global market.

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Total Sales	534,600	561,544	578,281	607,306	625,530
Less: Cost of Sales	160,380	168,463	173,484	182,192	187,659
Gross Profit	374,220	393,081	404,797	425,114	437,871
Less: Operating Expenses					

	70,712	57,101	67,436	68,216	81,781
EBIT	303,508	335,980	337,361	356,898	356,091
Less: Loan Interest	23,400	23,400	23,400	23,400	23,400
EBT	280,108	312,580	313,961	333,498	332,691
Less: Taxes (30%)	84,032	93,774	94,188	100,049	99,807
Net Profit/(Loss)	196,076	218,806	219,773	233,449	232,883
Dividend (20%)	39,215	43,761	43,955	46,690	46,577
Retained Earnings	156,860	175,045	175,818	186,759	186,307

3.8 Expansion Rationale

This expansion, if granted, will be of benefit to the economy of Tanzania. It will also benefit other economies which are in need of the highly scarce product. For the economy of Tanzania the project will add 35 new direct jobs and about 150 indirect jobs. It will pay taxes to the government, money to supplier firms/ SMEs including out grower families. Also, it will support local banks by procuring their services and by securing a loan from them it will support their business. The rationale is detailed in the table below.

Details	Years					
	Y1	Y2	Y3	Y4	Y5	TOTALS
Total Production Cost	160,380	168,463	173,484	182,192	187,659	872,178
Total Operating Expenses	70,712	57,101	67,436	68,216	81,781	345,245
Income Tax	84,032	93,774	94,188	100,049	99,807	471,851
VAT on Sales	106,920	112,309	115,656	121,461	125,106	581,452
Provision for CSR	314	350	352	374	373	1,762
TOTALS	422,358	431,997	451,116	472,292	494,725	2,272,489
SUMMARIES						
To the Government						

	190,952	206,083	209,845	221,511	224,913	1,053,304
To the Private Sector (SMEs)	231,092	225,564	240,920	250,408	269,440	1,217,424
To the Society (CSR)	314	350	352	374	373	1,762
TOTALS	422,358	431,997	451,116	472,292	494,725	2,272,489

If operations roll-out as planned the Government will earn USD 1.053 million in form of taxes (Income tax and VAT) at the company's level. Other streams of taxes will be generated from supplier SMEs and traders as the goods cross hands.

The private sector will enjoy the incomes of about USD 1.22 million in terms of the costs of production incurred by the company. The banks also will enjoy a good business in the form of interest on loan they extend to the project.

The community can enjoy from the CSR program of the company.

4.0 CONCLUSION

This is a viable project. It is an expansion as it adds another standalone activity within the prior registered macadamia project. The registered project involved macadamia and other products farming. This one aims to develop a macadamia processing plant within the original project. The aim of this business plan is to present the project and seek extension status in order to provide a soft landing for our project.

5.0 ANNEXES

Loan Details

DETAILS	LOAN SECURED	INTEREST RATE	ANNUAL PRINCIPAL REPAYMENT	ANNUAL PAYBACK (PRINCIPAL + INTEREST)					TOTAL
				Y1	Y2	Y3	Y4	Y5	
Local Loan	180,000	0.13	36,000	59,400	59,400	59,400	59,400	59,400	297,000
Foreign Loan	-	0.14	-	-	-	-	-	-	-
TOTAL PRINCIPAL LOAN			36,000	59,400	59,400	59,400	59,400	59,400	297,000

ANNUAL INTEREST DETAILS

DETAILS	LOAN SECURED	INTEREST RATE	ANNUAL PRINCIPAL REPAYMENT	ANNUAL INTEREST PAYBACK					TOTAL
				Y1	Y2	Y3	Y4	Y5	
Local Loan	180,000	0.13	36,000	23,400	23,400	23,400	23,400	23,400	117,000
Foreign Loan	-	0.14	-	-	-	-	-	-	-
TOTAL INTEREST ON LOAN			36,000	23,400	23,400	23,400	23,400	23,400	117,000
TOTAL REPAYMENT				82,800	82,800	82,800	82,800	82,800	414,000