

HARSHO MILLING COMPANY LTD

A Business Plan

For

HATCHERY AND BREEDER

KILIMANJARO

**THE PURPOSE OF THE HATCHERY AND BREEDER BUSINESS PLAN IS TO
OUTLINE A CLEAR STRATEGY FOR PRODUCING HIGH-QUALITY CHICKS AND
SUPPORTING THE GROWTH OF THE POULTRY INDUSTRY**

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1.0 Executive Summary

1.1 Project Overview

Harsho Milling Company Limited, established in 2015, is a rapidly growing manufacturer of animal feeds in Tanzania. The company specializes in producing animal feed in the form of mash and pellets, with a notable emphasis on a variety of products catering to different animals such as broilers, fish, rabbits, horses, and pigs. The company is part of the Harsho Group, which also includes Harsho Packaging Company Limited and Harsho Trading Company Limited.

1.2 Project Concept

The hatchery and breeder project aims to establish a sustainable and efficient system for breeding and producing livestock, with a focus on poultry. By leveraging existing expertise in manufacturing animal feed, the project seeks to support local farmers by providing high-quality chicks, enabling them to meet the demand for poultry in Tanzania.

Chick Production Strategy The primary goal is to ensure the production of healthy and well-grown chicks. To achieve this, Harsho Milling Company Limited employs several key strategies, **Modern Incubation Equipment** Harsho Milling uses state-of-the-art incubation technology to ensure chicks hatch on time and at the desired quality level. This approach maximizes efficiency and reduces the risk of failed hatches.

Quality Animal Feed Given the company's background in producing high-quality animal feed, the chicks are nourished with top-notch feed from the start, promoting their health and growth, **Quality Control** Harsho Milling invests in rigorous quality control processes, including health checks and growth monitoring, to ensure that the chicks sold to customers meet the highest standards. This helps ensure that customers receive robust chicks that can thrive in their operations.

Research and Development The project also focuses on scientific research into livestock breeding to continuously improve the quality of the chicks and ensure the use of the best breeding practices, **Customer Support** Harsho Milling provides customer support services, including advice on best practices for poultry farming, farm planning, and disease control. This additional support helps customers maximize their productivity and success.

Through these approaches, the hatchery and breeder project at Harsho Milling Company Limited is dedicated to providing high-quality chicks that meet the needs of the poultry market in Tanzania. By offering superior chicks, the company helps reduce production costs and increase profitability for farmers, contributing to the growth of the poultry industry in Tanzania.

1.3 Operational Benefits

The hatchery and breeder project aims to produce high-quality chicks efficiently and cost-effectively. By using advanced incubation technology and strict quality control, the hatchery ensures a consistent and reliable supply of healthy chicks. The project invests in biosecurity measures to reduce disease risks and offers customer support and training to help farmers succeed. These efforts lead to better chick quality, lower production costs, and a more sustainable poultry industry.

1.4 Management Background

The project is led by Mr. Harold Alfayo Shoo, the Managing Director of Harsho Milling Limited. Mr. Shoo is an experienced business professional with a background in Information Technology and Business Administration. He has established multiple successful businesses within the Harsho Group and is actively involved in industry associations, providing him with extensive connections and industry knowledge.

The project is also supported by MaryGrace Shoo, a career Business Administrator with extensive experience in managing subsidiary companies within Harsho Trading Company. Her background in business administration and sales and marketing adds significant value to the project's leadership.

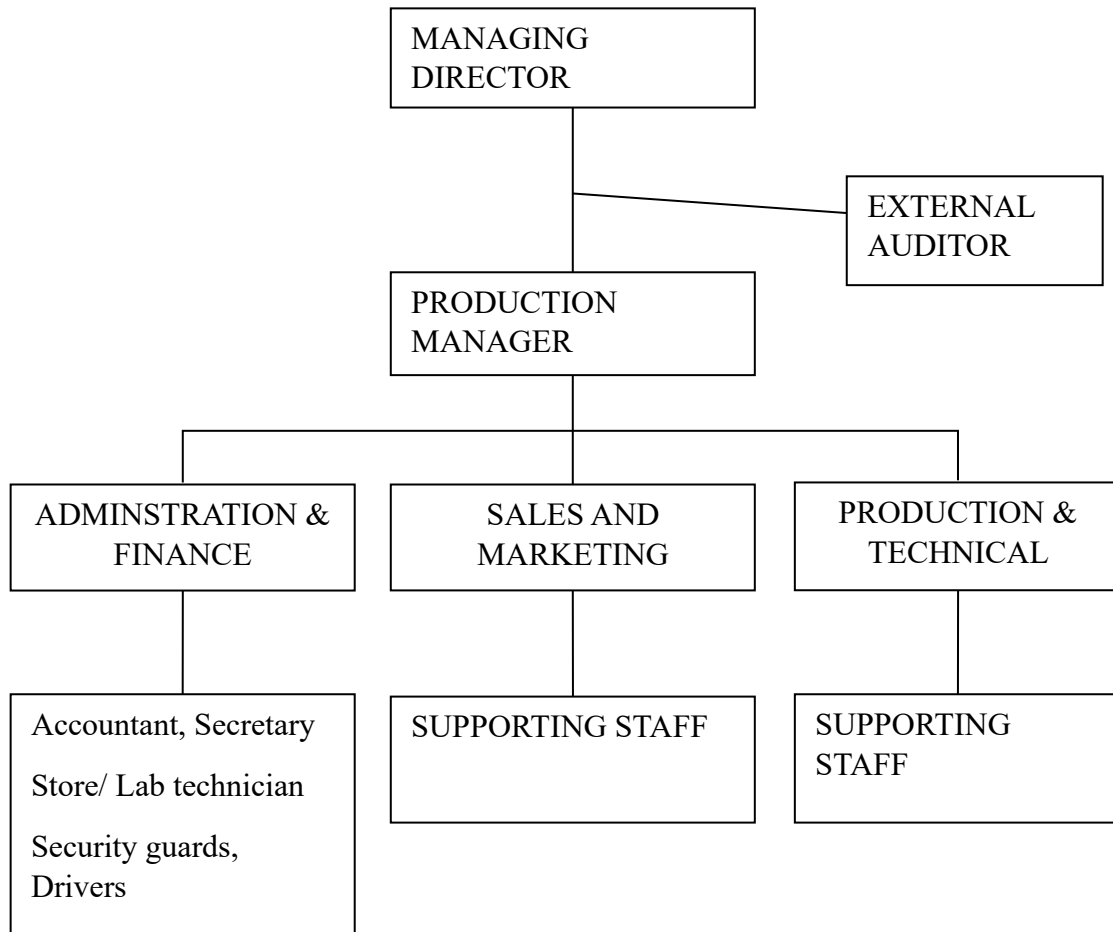
1.5 Vision, Mission, and Goal

The **vision** for this project is to support small and medium-sized farmers in Tanzania by providing them with a sustainable market for maize, which will be stored in the Silo plant, ensuring a reliable supply of raw materials for feed production.

The **mission** is to maintain high-quality storage facilities and compete favorably with other products in the market.

The **goal** is to increase and secure income for local farmers by providing them with affordable and effective storage facilities, thereby reducing post-harvest losses and vulnerability.

2.0 PROJECT STRUCTURE



2.1 Hatchery Plant Manager

The Hatchery Plant Manager oversees the daily operations of the hatchery, ensuring the effective management of all processes, equipment, and personnel. This role is responsible for implementing policies and procedures to maintain safety, productivity, and quality standards. The Hatchery Plant Manager coordinates with other team members to ensure a smooth workflow from incubation to chick distribution.

2.2 Hatchery Plant Operator

The Hatchery Plant Operator is responsible for the daily operations of the hatchery, including setting up equipment, maintaining hygiene standards, and ensuring production processes meet quality and safety regulations. Specific responsibilities include:

2.2.1 Incubation Specialist

- Monitors and manages the incubation process, ensuring proper temperature and humidity levels.
- Oversees the hatching process and assists in removing chicks from incubators.
- Ensures incubators are cleaned and sanitized according to regulations.

2.2.2 Maintenance Technician

- Maintains and repairs hatchery equipment, such as incubators, brooders, and ventilation systems.
- Conducts routine inspections to ensure equipment is operating safely and efficiently.
- Works with the Electrician to resolve electrical issues within the hatchery.

2.2.3 Quality Control Technician

- Monitors the health and quality of chicks to ensure they meet industry standards.
- Conducts tests and inspections to identify any defects or deviations from specifications.
- Recommends adjustments to improve quality and safety in the hatchery.

2.2.4 Hatchery Accountant

- Manages the financial aspects of the hatchery, including budgeting, forecasting, and financial reporting.
- Ensures payroll is processed accurately and in compliance with tax regulations.
- Provides financial analysis and risk assessment to management.

2.2.5 Hatchery Driver

- Transports chicks and other hatchery products to customers and distribution centers.
- Ensures safety compliance during transportation, including proper vehicle inspections and adherence to regulations.

- Assists with loading and unloading of chicks, maintaining a logbook of driving activities, and coordinating routes according to delivery schedules.

2.3 Sales and Marketing

In a hatchery and breeder operation, the Sales and Marketing team is responsible for promoting and selling chicks, eggs, and other related products to clients such as farmers, distributors, and retailers. The team can be organized into two groups, each with distinct responsibilities:

Group One: Sales and Business Development

- **Responsibilities:**
 - Identifies new business opportunities and partnerships to expand the hatchery's market reach.
 - Conducts market research to understand customer needs, trends, and competitor activities.
 - Maintains relationships with existing clients and seeks to attract new ones.
 - Coordinates internal and external sources of information to support marketing strategies.
 - Supervises the implementation of marketing campaigns and customer communication efforts.
- **Roles:**
 - **Sales Manager:** Leads the sales team and develops sales strategies to meet revenue targets.
 - **Business Development Executive:** Identifies and pursues new business opportunities and partnerships.
 - **Marketing Coordinator:** Assists in planning and executing marketing campaigns and customer outreach.

Group Two: Customer Relations and Distribution

- **Responsibilities:**
 - Establishes and manages distribution channels to deliver chicks and other products to customers.
 - Coordinates with customers to understand their requirements and ensure customer satisfaction.
 - Sets pricing strategies that reflect market conditions and customer demand.

- Organizes logistics for product delivery and collects feedback from customers to improve services.
- **Roles:**
 - **Customer Relations Manager:** Handles customer communications and ensures customer satisfaction.
 - **Logistics Coordinator:** Manages transportation and distribution of products to customers.
 - **Sales Support Specialist:** Provides administrative support to the sales team and coordinates with other departments to ensure smooth operations.

2.4 Security

In a hatchery and breeder operation, the Security team is responsible for safeguarding the premises, personnel, and equipment to ensure a safe and secure environment. Security personnel need to be vigilant in monitoring the property and managing access points to prevent unauthorized entry and ensure safety.

- **Responsibilities:**
 - Patrols the property and monitors surveillance equipment to ensure the safety and security of the hatchery.
 - Inspects buildings, equipment, and access points to prevent unauthorized access or theft.
 - Coordinates with emergency services and sounds alarms when necessary.
 - Maintains a secure environment by controlling entry and checking credentials.
- **Roles:**
 - **Security Supervisor:** Leads the security team and ensures the implementation of security protocols.
 - **Security Guard:** Patrols the property, monitors surveillance equipment, and inspects access points.

3.0 MARKET ANALYSIS

3.1 Target Market

For a hatchery and breeder operation, the target market includes farmers, livestock breeders, distributors, and retailers dealing with livestock-related products. In Tanzania, the poultry sector is growing, with many farmers needing high-quality chicks to support their poultry production for the meat and egg markets.

3.2 Demand for Chicks and Market Needs

In Tanzania, there is a significant demand for chicks due to the growth in the poultry farming sector. Customers requiring chicks include small-scale farmers, medium-scale breeders, and large poultry farms. The growth in poultry farming is driven by changes in consumer preferences and the increasing demand for protein from chicken meat and eggs.

Thus, hatchery and breeder operations aim to supply high-quality chicks to meet this demand. Effective production methods, quality control, and research and development are crucial to ensure the quality of the chicks and the sustainable growth of this sector.

3.3 Competition in the Hatchery and Breeder Market

The hatchery and breeder sector faces competition from other companies producing chicks. This competition is fueled by the need for high-quality chicks, competitive pricing, and customer service. Companies must improve the quality of their products and services to gain a competitive edge in the market.

Companies engaged in hatchery and breeder activities can improve their competitiveness by focusing on the following:

- **Quality of Chicks:** Providing healthy chicks that grow quickly and are disease-resistant.
- **Customer Service:** Offering customer support, including advice on breeding and disease control.
- **Competitive Pricing:** Ensuring that prices are competitive to attract more customers.
- **Distribution Networks:** Having efficient distribution channels to deliver chicks to customers.

Therefore, companies need to understand customer needs, market trends, and competition to maintain a strong position in the hatchery and breeder sector.

3.4 Pricing Strategies and Sales Growth

In the hatchery and breeder market, competitive pricing is essential to attract customers and grow sales. Companies need to set pricing strategies based on production costs, competition, and customer demand.

Companies can use strategies such as:

- **Special Pricing for Bulk Orders:** Offering discounts for customers who purchase chicks in bulk.
- **Advertising and Promotions:** Running advertising campaigns and offering special deals to attract new customers.
- **Long-term Contracts:** Establishing long-term agreements with key customers to ensure steady sales.

By implementing these strategies, companies can increase sales and ensure sustainable growth in the hatchery and breeder sector.

4.0 PROJECT ASSESSMENT BY SWOT ANALYSIS

SWOT analysis helps evaluate the strengths, weaknesses, opportunities, and threats in a hatchery and breeder project. It guides strategic decisions, allowing a company to enhance its strengths, minimize weaknesses, seize opportunities, and reduce threats from the business environment

Strength	Weakness
<ul style="list-style-type: none"> ➤ Strong management team with industry experience. ➤ Effective sales and marketing strategy. ➤ Creativity and innovation in breeding practices. ➤ Positive company reputation. 	<ul style="list-style-type: none"> ➤ Inadequate capita for expansion and technology. ➤ Inadequate technical skill ➤ High energy costs affecting efficiency. ➤ Inadequate technical skills for hatchery operations
Opportunities	Threat
<ul style="list-style-type: none"> ➤ Growing market demand for poultry in Tanzania. ➤ Enhanced technology and production processes. ➤ Waste reduction strategies for improved sustainability. ➤ Increased production and technologies ➤ Collaboration with local farmers for a stronger supply chain. 	<ul style="list-style-type: none"> ➤ Power outages disrupting incubation processes. ➤ Competitors with better distribution channels. ➤ Political and social changes affecting market conditions. ➤ Intense competition from other hatcheries with advanced technology.

4.1 Outcome Institution review

Harsho Milling Company Management is ready to undertake specific initiatives review to capitalize on the strengths above; take advantages of the existing opportunities, investment capital remains to be one single factor at the fulcrum of success in the maize project. In uncertain occurrence of high threat, the company is well positioned from merger with sisters' companies such Harsho Packaging Company and Harsho Trading Company to enhance performance and visibility of the silo project.

5.0 FINANCING AND BUDGETING ANALYSIS

5.1 Budget Information

The estimated cost of the hatchery and breeder project is TZS 12,644,393,000. Harsho Milling Company has TZS 3,466,393,000 in equity, which has been used to construct the hatchery facilities, acquire equipment, and ensure compliance with regulatory requirements. To complete the project, an additional TZS 9,178,000,000 is required from external financing sources. This external funding will be used to cover operating costs, procure breeding stock, set up necessary infrastructure, and manage logistics for distribution.

5.2 Financing Plan

The project is funded through a combination of equity and external financing. The project promoters, including the directors and shareholders of Harsho Milling Company, have contributed TZS 3,466,393,000 (27.41% of the total cost) through equity. This equity has been used to build the hatchery, set up breeding facilities, and purchase critical equipment. The external financing of TZS 9,178,000,000 (72.59% of the total cost) will be used to cover operational costs, purchase raw materials, and manage distribution channels.

The financing plan covers the following key aspects:

- **Equity Contribution:** This comprises 27.41% of the total budget, providing a strong foundation for the project. The equity covers the primary costs of constructing the hatchery and acquiring essential equipment.
- **External Financing:** This amounts to 72.59% of the total budget, focusing on operational costs, additional equipment, and expansion needs.

Here's the breakdown of the funding sources:

Source	Amount (TZS)	Percentage
Equity	3,466,393,000	27.41%
Funds	9,178,000,000	72.59%
Total	12,644,393,000	100%

This external funding will help in scaling the hatchery and breeder operation by enabling the purchase of high-quality breeding stock, setting up distribution channels, and expanding operations to meet the growing demand for chicks and other related products.

5.3 Projected Financial Statements

Projected Income Statement for Hatchery and Breeder Operations

Income Statement	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue (Sales)	5,000,000,000	6,000,000,000	6,800,000,000	7,480,000,000	8,028,400,000
Growth Rate		20%	13.33%	10%	7.33%
COGS (60%)	3,000,000,000	3,600,000,000	4,080,000,000	4,488,000,000	4,817,040,000
Gross Profit	2,000,000,000	2,400,000,000	2,720,000,000	2,992,000,000	3,211,360,000
Operating Expenses (20%)	1,000,000,000	1,200,000,000	1,360,000,000	1,496,000,000	1,605,680,000
Depreciation	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Operating Income (EBIT)	800,000,000	1,000,000,000	1,160,000,000	1,296,000,000	1,405,680,000
Interest Expense	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Pre-Tax Income	700,000,000	900,000,000	1,060,000,000	1,196,000,000	1,305,680,000
Tax Expense (30%)	210,000,000	270,000,000	318,000,000	358,800,000	391,704,000
Net Income	490,000,000	630,000,000	742,000,000	837,200,000	913,976,000

Projected Balance Sheet for Hatchery and Breeder Operations

Balance Sheet	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets	5,000,000,000	6,000,000,000	6,800,000,000	7,480,000,000	8,028,400,000
Fixed Assets	7,644,393,000	7,444,393,000	7,244,393,000	7,044,393,000	6,844,393,000
Total Assets	12,644,393,000	13,444,393,000	14,044,393,000	14,524,393,000	14,872,793,000
Liabilities and Equity					
Current Liabilities	1,000,000,000	1,200,000,000	1,360,000,000	1,496,000,000	1,605,680,000
Long-term Debt	9,178,000,000	9,078,000,000	8,978,000,000	8,878,000,000	8,778,000,000
Total Liabilities	10,178,000,000	10,278,000,000	10,338,000,000	10,374,000,000	10,383,680,000
Equity					
Share Capital	3,466,393,000	3,466,393,000	3,466,393,000	3,466,393,000	3,466,393,000
Retained Earnings	490,000,000	1,120,000,000	1,862,000,000	2,699,200,000	3,613,176,000
Total Equity	3,956,393,000	4,586,393,000	5,328,393,000	6,165,593,000	7,079,569,000
Total Liabilities and Equity	12,644,393,000	13,444,393,000	14,044,393,000	14,524,393,000	14,872,793,000

Projected Cash Flow Statement for Hatchery and Breeder Operations

Cash Flow Statement	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Activities					
Net Income	490,000,000	630,000,000	742,000,000	837,200,000	913,976,000
Depreciation	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Change in Working Capital	200,000,000	200,000,000	160,000,000	136,000,000	109,680,000
Net Cash from Operating Activities	890,000,000	1,030,000,000	1,102,000,000	1,173,200,000	1,223,656,000
Investing Activities					
Capital Expenditures (CapEx)	(400,000,000)	(400,000,000)	(400,000,000)	(400,000,000)	(400,000,000)
Net Cash from Investing Activities	(400,000,000)	(400,000,000)	(400,000,000)	(400,000,000)	(400,000,000)
Financing Activities					
Change in Long-term Debt	(100,000,000)	(100,000,000)	(100,000,000)	(100,000,000)	(100,000,000)
Net Cash from Financing Activities	(100,000,000)	(100,000,000)	(100,000,000)	(100,000,000)	(100,000,000)
Net Change in Cash	390,000,000	530,000,000	602,000,000	673,200,000	723,656,000
Beginning Cash Balance	1,000,000,000	1,390,000,000	1,920,000,000	2,522,000,000	3,195,200,000
Ending Cash Balance	1,390,000,000	1,920,000,000	2,522,000,000	3,195,200,000	3,918,856,000

Summary

Harsho Milling Company is well-positioned to undertake the hatchery and breeder operations with a balanced mix of equity and external financing. The projected financial statements illustrate the viability and expected growth of the project, demonstrating a solid foundation and potential for sustainable profitability.

6.0 Economic and Social Benefit

The hatchery and breeder project can generate a range of economic and social benefits for the community and the broader economy. Here's how these benefits manifest in the context of a hatchery and breeder operation:

- **Boosting Local Livestock Industry**
A successful hatchery and breeder project contributes to the local livestock industry by providing a reliable source of high-quality chicks. This enhances the productivity of poultry farmers, leading to increased production of eggs and poultry meat. A robust livestock industry contributes to the overall economic growth of the region.
- **Job Creation and Skill Development**
The project creates job opportunities in the hatchery, breeding, and distribution sectors. It also fosters skill development by offering training programs for employees and local farmers, promoting knowledge transfer and capacity building in the community.
- **Enhancing Food Security**
By ensuring a steady supply of chicks to poultry farmers, the project supports food security. Increased poultry production leads to a consistent supply of eggs and meat, helping to meet the protein needs of the population. This contributes to improved nutrition and food stability.
- **Supporting Small-Scale Farmers**
The hatchery and breeder project can create partnerships with small-scale farmers, providing them with a reliable source of chicks for their operations. This support helps farmers improve their income, leading to poverty alleviation and economic empowerment at the grassroots level.
- **Reducing Costs and Increasing Efficiency**
Efficient breeding and hatchery operations can lead to cost savings for both the project and the farmers. By implementing advanced technologies and efficient distribution systems, the project can reduce operational costs, allowing for competitive pricing. This cost-effectiveness benefits both the business and its customers.
- **Promoting Innovation and Technological Advancement**
A successful hatchery and breeder project can drive innovation in the livestock industry. By adopting advanced breeding techniques, incubation technology, and quality control measures, the project can set an example for other businesses in the sector. This fosters a culture of innovation and continuous improvement.
- **Environmental Benefits**
The project can promote sustainable practices, such as reducing waste and ensuring proper biosecurity measures. This focus on sustainability helps minimize the environmental impact of the hatchery and breeder operations, contributing to a cleaner and healthier ecosystem.

7.0 Expected Impact of Our Project

The hatchery and breeder project are anticipated to bring substantial benefits to the poultry industry, local economies, and surrounding communities. By producing a consistent supply of high-quality chicks, the project supports the growth and expansion of poultry farming in the region. This steady production will allow poultry farmers to increase output, leading to higher availability of eggs and poultry meat, which directly contributes to food security and improved nutrition for the local population.

A significant impact of the project will be the stabilization of poultry prices. With a consistent supply of chicks, fluctuations in the market can be reduced, benefiting both producers and consumers. This stability in pricing helps create a more reliable and balanced poultry industry, allowing farmers to plan their production with greater certainty and ensuring consumers have access to affordable poultry products.

Job creation is another crucial outcome, with the project generating employment opportunities in production, distribution, and sales. This creates business opportunities for suppliers, transporters, and other related sectors, promoting local economic growth and helping to reduce poverty. Moreover, increased income for small-scale farmers and traders can be achieved through this project, providing them with a reliable source of chicks to support their operations. The support given to farmers will encourage them to expand their businesses, leading to more stable and prosperous rural economies.

Lastly, the hatchery and breeder project encourage innovation and technology adoption within the poultry industry. By integrating advanced breeding techniques and efficient incubation technology, the project sets a benchmark for other businesses in the sector. This focus on innovation leads to continuous improvement and knowledge sharing, fostering a more dynamic and competitive market. This benefits not only the project itself but also other players in the industry, driving the overall growth and sustainability of the poultry sector.

8.0 Conclusion and Recommendation

Hatchery and breeder projects are vital for the growth and sustainability of the poultry industry. They provide consistent and high-quality sources of chicks, supporting the broader agricultural sector. While these projects require substantial investment in technology, infrastructure, and skilled personnel, they offer significant benefits in terms of food security, job creation, and economic growth.

To maximize the positive impact of the project, the following recommendations are made:

- **Investment in Technology and Infrastructure:** Continued investment in advanced breeding technology and infrastructure is essential for consistent production of high-quality chicks.
- **Training and Skill Development:** Providing training and development programs for staff and local farmers ensures the sustainability of the project and promotes knowledge sharing.
- **Collaborations and Partnerships:** Building strong partnerships with farmers, suppliers, and distributors fosters a robust and efficient supply chain.
- **Focus on Sustainability and Biosecurity:** Implementing sustainable practices and strict biosecurity measures helps maintain the health of the chicks and minimizes environmental impact.