

DANADANA LIMITED

**BUSINESS PLAN FOR
AVOCADO PLANTATION PROJECT**

PREPARED FOR:

DANADANA LIMITED
P.O. Box 356
SUMBAWANGA

1.0. EXECUTIVE SUMMARY

The shareholders of DANADANA LIMITED have resolved to establish Avocado plantation project. The projects will be for farming avocado trees and harvesting avocado fruits which will be sorted, graded and packed for local or international buyers. To legalize all this and in order for them to operate profitably professionally and legally, they approached our firm and assigned us to do the following:-

- To write a bankable feasibility study reports will show cost and revenue of PHASES II, III & IV.
- To amend write and fill all key Legal and administrative documents connected to the Village Title.
- To fill register and pay for registration fees certificate of Incentive and all other related documents to relevant offices.
- To apply for capital deemed capital goods to Tanzania Revenue Authority and lastly to
- Assist them to plan how to operate profitably professionally but within the ambit of law among others.

2.0. PROJECT CONCEPT AND CAPACITY

The directors of this company among others plan in Phases II & III to do the following:-

- To purchase a land for farming
- To construct spacious warehouses.
- To order a new standby generator which will be used during blackouts.
- To order a spacious motor vehicle (special).
- To construct a spacious office block which will accommodate administrative block, managers office, directors board room e.t.c. and lastly
- To recruit more professionals in this field to enable the project to operate professionally.

All this will be possible once the said project will be registered and issued with certificate of Incentive. – We have no doubt to this as we plan to present a detailed business plan in this respect which will be supported with all key legal and administrative documents.

2.1. LEGAL STRUCTURE

In phase 1 the project was and still is operating within the ambit of law to prove this fact the company is a holder of the following key legal and administrative documents:-

- Memorandum and articles of Association.
- Certificate of Incorporation
- Tax Identification Number
- Insurance Documents
- Valuation Report
- Land Documents.
- A board resolution among others.

All these are annexed together with the feasibility study report under Annexed B” and of course they form part of this study/

2.2. THE INVESTMENT

Total investment cost of this project has been projected to cost **USD 1,030,000**. The project will be fully financed by foreign equity. Details of all this are as per Appendix 1 in this feasibility study report.

2.3. MARKET SEGMENTS

The market for Avocado fruits and other fruits is unlimited this is due to the fact that booming for industries and easy to find other markets like in Western Countries, East Africa and other continents as Asia and America, the hub of agriculture in the Tanzania especially in Southern highland zone there is population of about 800

people who plants avocados and other horticulture crops. Due to seasonality, Africa has been the most producer of horticulture crops especially avocados to world market, and best producer for organic avocados fruits.

2.4. FINANCIAL AND OTHER RELATED ISSUES

In this project document we have taken trouble to compute key financial figures among them they include that of:-

- The Investment Pattern
- The Project cash Flow statement
- Projected Profit and Loss Statement
- Projected Balance Sheet Statement
- Depreciation Schedule and Lastly
- The Internal Rate of Return

All the above mentioned computations prove both the profitability and viability of this project – details of all this are debated under para 6.0 -6.6 in this feasibility study report and the same are supported from “Appendex 1 – 7”

2.5. CONCLUSION

Going by facts and figures in this project document one can easily conclude that the project was and still is viable. Profitable socially accepted and with a lot of social impact together with other multiplying issues.

3.0 MAIN REPORT

3.1 BACKGROUND INFORMATION

As stated in the Executive Summary, the new shareholders of this company have decided to establish this project for avocado plantation

To reach to this decision they have approached our firm and have assigned us to do the following:-

- To write a detailed feasibility study report and present the same to Tanzania Investment Centre policy and to the Tanzania Investment Act, 1997.
- To write a bankable business plan and present the same to Tanzania Investment Centre in order to apply for Certificate of Incentive.
- Once all this is done they have assigned us to update all key legal and administrative documents and lastly apply for exemption of all capital deemed capital goods to Tanzania Revenue Authority once the Certificate of Incentive is granted.

3.2 PROJECT CONCEPT

Key issues connected to the establishment of this project is to capitalize on the wide market connected to this business – another issue which the shareholders of this company want to achieve is to improve quality of their products they also plan to increase the number of staff by employing well motivated staff – all these efforts will increase productivity at the farm and of course increase market share to the advantage of the promoters of this project.

3.3 PROJECT STRUCTURE AND TECHNOLOGY

The company plan to start with farming various short term crops, which will be sold to various nearby market and some products will be for export. The company will import new and modern equipment's for farming of various crops.

The company aims to register a coffee plantation project which will also have CPUs and full process for coffee beans to be exported or for local market

The Company also aims to import fabricated warehouse from South Africa.

2.3 LEGAL STRUCTURE

All key legal and administrative documents connected to this project are in order the same are listed serially under para 1.2 above, as stated in the executive summary all are annexed together with this study and form part of this study.

3.1 MARKET SEGMENTS

Markets connected to this projects can be illustrated as under.

3.2 DISTRIBUTION CHANNELS

The company have its plan which time and again is used to distribute the produces to the customers and export through their selected agencies. It has been planned in this phase after the approval Tanzania Investment Centre to buy vehicle which will be dealing with customers who are located away from Ruvuma e.g. Mbeya, Songwe Dodoma, Dar es Salaam and neighboring countries such as Kenya, Zambia, Congo and Malawi – to date one can conclude that all channels of distribution of their products are operating efficiently.

3.4 SWOT ANALYSIS

We have tasted the marketability of the entire project based on a professional approach (SWOT ANALYSIS) the result if this approach have revealed the following basis facts:-

Strength

Strength of this project is backed by several policies e.g. Agriculture Policy of Tanzania, the Investment Policy among others. The location of the project is another added advantage.

Weakness

The project is affected both by capital budget and partially with operational budget, besides the fact that the company is enjoying an overdraft from one of financial institution here in Ruvuma Region the current interest rate changed time and again affects smooth running of the project. The shareholders cum directors of this company have resolved and decided to apply for term loan from in order to diffuse the financial gap currently experienced in the company cash flow.

Opportunities

Due to the fact that the project is located in the heart of tourism industry, the opportunities connected to this project are unlimited – to cap it all, the economic performance of Ruvuma, Dodoma, Dar es Salaam, Tanga and other neighboring countries added advantage and indeed it is an opportunity to promoters of this project.

Threats

There are investors in Dar es Salaam, Arusha and Moshi especially foreign investors who have established avocado farm and other related horticulture products and sells to abroad and from South Africa and sometimes from East African region, this might pose a threat to this business. We expect the government will take proper action to safeguard the local market which crate a lot of multiplying effects to the government of United Republic. Based on the aforementioned analysis one can easily conclude that the project stand a better chance of proving to be both profitable and sustainable.

Demand

Figures in this feasibility study report prove that demand of avocado fruits override the levels of supply.

Supply at the Farm

Supply of avocado has been steady throughout the year as the promoters of this project have professional plans of rotation once the 1st stock of is sold another stock is ready for sale this approach is capable of maintaining the supply of avocado in a year.

4.0 JUSTIFICATION OF THIS PROJECT

4.1 WHY THE PROJECT

The project in question is important to the economy, the locality where this project is located is also important for people and indeed to all Tanzanians as there is a lot of spiral over effect both socially and economically.

Avocado Production in Tanzania

There is data inconsistency among different sources, data from the districts that were visited do not add up to the data reported by the Ministry of Agriculture, Food Security and Cooperative (MAFC) of Tanzania. During 2018, avocados earned the country some \$8.6 million. Avocados are increasingly becoming Tanzania's green gold, with Tanzania Horticultural Association (TAHA) figures showing that the country produces about 7,000 tonnes of the fruit annually. Commercial production/export of avocados is dominated by Rungwe Avocado Company Ltd and Africado Ltd, which is based in Siha District, Kilimanjaro region. The two companies jointly produce more than 5,000 Tons per year.

World Avocados Production

In 2017, world production of avocados was 5.9 million Tons, led by Mexico with 34% (2.01 million Tons) of the total (Fig. 3). Other major producers were Dominican Republic, Peru, Indonesia, and Colombia, together producing 30% of the world total. In 2018, the US Department of Agriculture estimated that 231,028 hectares (570,880 acres) in total were under cultivation for avocado production in Mexico, a 6% increase over the previous year, and that 2 million Tons would be exported. The Mexican state of Michoacán is the world leader in avocado production, accounting for 80% of all Mexican output . Most Mexican growers produce the Hass variety due to its high demand worldwide and longer shelf life.

4.2 THE AGRICULTURE POLICY

The Ministry of agriculture have its own policy, among key issues connected to this policy is to encourage projects of this nature. - This being the case we expect and believe that the shareholders of this company will be supported not only by the government but also by Tanzania Investment Centre all the above mentioned facts justify why this project need to be supported and financed of course after it has been registered with Tanzania Investment Centre.

Global Exports

Worldwide, avocados exports by country totaled US\$5.7 billion in 2018. That dollar value reflects an 86.4% increase for all avocados shippers over the five-year period starting in 2014. Year over year, the value of exported avocados slowed by -4.5% from 2017 to 2018.

Noted for their smooth texture, avocados have a distinct and subtle flavor used in savory and sweet dishes around the globe. These pear-shaped berries have a high fat content and are popular in vegetarian recipes as a meat-substitute in

sandwiches and salads. Among continents, North American countries generated the strongest international sales for

avocados during 2018 with shipments valued at \$2.6 billion or 44.9% of the worldwide total. In second place were European exporters at 25.8% while 20.7% of globally shipped avocados originated from Latin America excluding Mexico but including the Caribbean. Smaller percentages came from Africa (5.3%), Asia (1.8%) and Oceania (1.4%) dominated by New Zealand and Australia.

The following are the 15 countries that exported the highest dollar value worth of avocados

during 2018: -

- Mexico: US\$2.4 billion (41.8% of total exported avocados)
- Netherlands: \$904.2 million (15.8%)
- Peru: \$722.3 million (12.6%)
- Spain: \$346.9 million (6.1%)
- Chile: \$323.2 million (5.6%)
- United States: \$179.6 million (3.1%)
- Kenya: \$119.1 million (2.1%)
- South Africa: \$116.7 million (2%)
- New Zealand: \$71.4 million (1.2%)
- Colombia: \$62.7 million (1.1%)
- France: \$62.2 million (1.1%)
- Israel: \$59.8 million (1%)

- Dominican Republic: \$59 million (1%)
- Morocco: \$56.7 million (1%)
- Germany: \$53.2 million (0.9%)

By value, the listed 15 countries shipped 96.5% of all avocado's exports in 2018.

Among the top exporters, the fastest-growing avocados exporters since 2014 were:

Colombia (up 1,656%), Morocco (up 324.5%), Kenya (up 221.1%) and Germany (up 203.5%).

Two top countries posted declines in their exported avocados sales namely Israel (down -29.6%) and New Zealand (down -27.9%).

5.0 EMPLOYMENT, MANAGEMENT AND CONTROL

5.1 THE ADMINISTRATION SET UP & EMPLOYMENT

The management of this company is guided by official policies (management and accounting). All staff are well motivated and are guided by the following administrative structure. The project expect to have ten direct employees and more than 50 casual labours.

5.2 ACCOUNTS DEPARTMENT

At the farm the accounts department is properly guided by a registered chief accountant, the chief accountant is a member of NBAA and he is time and again assisted by well motivated staff in stores, purchases department and in the accounts department. The chief accountant has a duty of preparing daily, weekly, monthly and yearly and reports all this prove the administration live of command in the accounts department to be very effective.

5.3 STORES AND REPORTING SYSTEM

The stores is managed by a celebrated storekeeper who is conversant with stores accounting, as it has been the case with the chief accountant he also reports to the board daily, weekly, monthly and yearly this proves that store accounting is water tight to guarantee a tight stores accounting.

5.4 INTERNAL AUDITOR AND EXTERNAL AUDITORS

Internal auditors are assigned to monitor internal control of all business transaction of the company external auditors are assigned to prepare final accounts in conformity to the National Board of accounts and Auditors Act and of course they work closely with Tanzania Revenue Authority.

5.5 THE BOARD

The board of directors is the policy maker of the entire organization the board is also the watchdog of the company.

6.0 PROJECTED COST AND REVENUE OF THE PROJECT

6.1 ASSUMPTION

When we were computing the annexed financial statements we assumed as follow:-

- Tourism industry will continue to boom in the southern circuit.
- Peace and tranquility will continue to be maintained in Tanzania.
- The economy of Tanzania will stabilize and will continue to grow positively.

6.2 THE INVESTMENT PATTERN

The investment pattern is as per appendix 1 in this feasibility study report the ratio of contribution has been projected to be at the ratio of 33% 67% respective – What

has been shown as equity include total investment made so far at face value, a detailed valuation report tells it all.

6.3 PROJECTED CASH FLOW STATEMENT

Projected cash flow statement is as per appendix 2 in this feasibility study report the cash flow is positive thought the trading period save for year 3 and year 6 this is so due to an element of the investment of plant and equipment of course repair and maintenance of buildings.

6.5 PROJECTED PROFIT & LOSS STATEMENT

Projected profit and loss statement are annexed under appendix 4. The figures show profitability through the trading period.

6.6 PROJECTED BALANCE SHEET

The projected balance sheet is annexed under appendix 5 in this feasibility study report. The annexed balance sheet prove the viability of this project.

6.7 PROJECTED DEPRECIATION SCHEDULE

The projected depreciation schedule is annexed under appendix 6 we have taken trouble to compute all this in order to alert the management to plan for a profession replacement of fixed asset in their official fixed asset register.

6.8 PROJECTED INTERNAL RATE OF RETURN

This project is related to farming/ agriculture or projects like animal husbandry the I.R.R at the rate of 19.5% to us is favorable.

7.1 ENVIRONMENT ISSUES AND OTHER HEALTH HAZARDS

The management expect to employ experts in this respect as the result we don't expect any health hazards to affect smooth running of the entire project.

7.2 OTHER BALUE ADDED ISSUES

A lot of people will benefit once this project will be expanded to accommodate phase 11 & 111. Farmers, professionals and villages surrounding the area, shops of spares, petrol stations to name but few are among indirect beneficiaries of this projects.

7.3 IMPLEMENTATION SCHEDULE

The company has already purchase land in Ruvuma. April 2022 the company will Import some machines which will expected to reach on May 2022. The installation process will finish before July 2022, and startup of project will be expecting to be on Aug 2022.

7.6 CONCLUSION

The project is viable, profitable and sustainable as it has social political and economic impact to the country and that it is in line with a lot of policies and of course it is in line with the economic vision 2025, we thus recommend the project to be registered by TRA, assisted by government officials and financed by financial institution.

FINANCIAL STATEMENTS

INVESTMENT BREAKDOWN	
PARTICULAR	AMOUNTS USD
Land and Buildings	350,000
Plant & Machines	260,000
Motor Vehicles	100,000
Furniture & Fixtures	10,000
Pre Expenses	10,000
Working Capital	300,000
TOTAL	1,030,000

FIXED ASSETS SCHEDULE

NAME OF ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings	350,000	332,500	315,000	297,500	280,000
Plant & Machines	260,000	208,000	156,000	104,000	52,000
Motor Vehicle	100,000	95,000	90,000	85,000	80,000
Furniture & Fixtures	10,000	8,750	40,000	35,000	30,000
Total	720,000	644,250	601,000	521,500	442,000
Depreciation	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings	17,500	17,500	17,500	17,500	17,500
Plant & Machines	52,000	52,000	52,000	52,000	52,000
Motor Vehicles	5,000	5,000	5,000	5,000	5,000
Furniture & Fixtures	1,250	1,250	1,250	1,250	1,250
ANNUAL DEPRECIATION	75,750	75,750	75,750	75,750	75,750
CLOSING FIXED ASSETS	644,250	568,500	525,250	445,750	366,250

OTHER OPERATING COST

OTHER OPERATING COST

Other Operations Cost	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Motor Vehicle running expens	45,000	45,400	45,800	46,200	46,600
	135,00	148,50	163,35		
Salaries and Wages	0	0	0	179,68 5	197,65 4
		105,60	116,16		
Administrative Overhead Costs	96,000	0	0	127,77 6	140,55 4
Utility Costs	20,000	22,000	24,200	26,620	29,282
Interest on Loan	0	0	0	0	0
Communication Exepnses	4,000	4,400	4,840	5,324	5,856
Total Costs	300,00 0	325,90 0	354,35 0	385,60 5	419,94 6

PROJECT BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets	720,000	644,250	601,000	521,500	442,000
Long term Assets					
Depreciation	75,750	75,750	75,750	75,750	75,750
Total long term assets	644,250	568,500	525,250	445,750	366,250
Current Assets					
Cash	406,100	684,700	979,050	1,292,735	1,625,723
Account Receivable	105,000	110,250	216,535	421,763	527,628
Inventory	214,710	376,383	438,469	402,292	467,493
Total Current Assets	310,000	310,000	310,000	310,000	310,000
Total Assets	954,250	878,500	835,250	755,750	676,250
Current Liabilities					
Accounts Payable	84,000	88,200	92,610	97,241	102,103
Other Current Liabilities	70,000	73,500	77,175	81,034	85,085
Subtotal Current Liabilities	154,000	1,616,700	169,785	178,274	187,188
Long term Liabilities					
Long term Liabilities	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000
Total Liabilities	644,250	568,500	525,250	445,750	366,250
Net Assets	820,810	877,633	951,268	1,044,516	1,157,656
Capital and Reserves					
Owners Contribution	780,000	780,000	780,000	780,000	780,000
Retained Earnings	40,810	97,633	171,268	264,516	377,656
Total Capital	954,250	878,500	835,250	755,750	676,250

PROJECTED INCOME STATEMENT

			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEARS5
Sales Revenue			630,000	756,000	907,200	1,088,640	1,306,368
Cost of Sales			126,000	126,000	126,000	126,000	126,000
Gross Profit			504,000	630,000	781,200	962,640	1,180,368
Operating Expenses							
Administrative Overhead							
Costs			105,000	106,050	107,111	108,182	109,263
Motor Vehicle running Expenses			5,000	5,050	5,101	5,152	5,203
Salaries and Wages			8,000	8,080	8,161	8,242	8,325
Depreciation			78,000	78,780	79,568	80,363	81,167
Marketing Costs			81,000	81,810	82,628	83,454	84,289
Utility Costs			6,500	6,565	6,631	6,697	6,764
Insurance			10,500	10,605	10,711	10,818	10,926
Interest on Loan			10,000	10,100	10,201	10,303	10,406
Communication			12,200	12,322	12,445	12,570	12,695
			1,750	1,768	1,785	1,803	1,821
Total Expenses			207,950	210,030	212,130	214,251	216,394
Profit before Tax			296,050	419,971	569,070	748,389	963,974
Tax (30%)			207,235	293,979	398,349	523,872	674,782
Profit After Tax			88,815	125,991	170,721	224,517	289,192

