

BUSINESS PLAN FOR GRAPES PROCESSING FACTORY

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BUSINESS EXECUTIVE SUMMARY

Agriculture is the mainstay of the Tanzanian economy contributing about 24.1 percent of GDP, 30 percent of export earnings, and employing about 77.5 percent of the labor force. During the past decade, the agricultural sector grew at an average rate of 4.35 percent. The rate of growth in agriculture is higher than the average annual population growth rate of 2.6 percent, implying growth in incomes. However, the average agricultural growth rate of 4.4 percent is insufficient to lead to significant wealth creation and alleviation of poverty, due to the relatively low level of agricultural development, which, requires an annual agricultural growth rate of about 6 to 8 percent.

Dodoma is the main region in Tanzania where grapes are grown. According to data compiled by the Dodoma regional agricultural office, in the 2014/15 season there were about 4,810 acres (1,924 ha) under grape production in the region. The total annual production was about 10,800 tons (2015), equal to an average yield of 2.25 tons per acre. The grape production trend in Dodoma, which has steadily increased over the last 5 years, partially due to the increased processing capacity of local processors.

The recent introduction of smaller, more affordable processors, such as HOMCO and Kana Grapes wine, have also given farmers incentive to produce grapes. As more processing options become available to farmers, production will increase, as farmers are able to respond to the demand, as influenced by the price received. Aside from price, farmers consider many other factors to determine profitability of grape farming, including the costs of water resource management, inputs, transport and labor.

Profitability is strongly tied to price. While the typical price for raw grapes ranges between TZS 500/= to TZS 1,300/= per kg, traders offer relatively higher prices i.e. TZS 800/= to 1,300/= per kg. However, traders are the ones to grade produce, only take high-grade grapes,

while processors will take everything in the vineyard. Because traders will not buy their entire crop, farmers prefer to work with processors. In spite of this, payment delays from processors have discouraged farmers as sometimes it takes up to six months to be paid. Bulk wine offers attractive prices i.e. TZS 2,500/= to TZS 6000/= depending on the quality of grapes. Therefore, training is vital for small processors to ensure they meet standards

Based on empirical observation and market research, the Kana Grapes Wine (K.G.W) has discovered considerable revenue-generating opportunities in the agricultural/agribusiness sector, due to exponential increase in population (currently, 410,000) in the central zone (Dodoma region and nearby regions) stemming from the shift of the Central Government and other parastatal entities from Dar Es Salaam to the new capital of Dodoma. In short, the Kana Grapes Wine (K.G.W) recognizes that the marked demographic and socioeconomic transformation in the central zone will invariably, foster demand for high-quality raw and value-added agricultural products including grapes products.

The Kana Grapes Wine (K.G.W)

Deogratus Mapunda and Sarah Mwasindila of P.O. Box 393 Dodoma are among the potential and experienced grapes farmers in Mkonze of Dodoma, they have more than 7 years of ground experience in grapes production with their average farms which identifies them as a medium scaled grapes producers in the area. The expertise and experience they have in grapes farming can vividly tell a story about the passion they have into this subsector despite of the existing bottlenecks major being the sustainable and reliable market.

Key Business Leadership

Deogratus Mapunda and Sarah Mwasindila: Founders

Mr. Deogratus Mapunda and Sarah Mwasindila operate their business as a sole proprietorship. They employ and supervise staff with respect to performing daily project operational activities.

Business Location

Grapes Processing Factory headquarters is in Central Zone of Tanzania (Dodoma), however, the plant operations target to serve both regions as well as outsiders. Mkonze is very strategic to locate the grapes processing factory as the place is a major producer of grapes for more than 40% of the grapes produced in Dodoma region. The land tenure supports production superb and testier grapes of different varieties ranging from table to wine grapes which fits into both local and international markets with favourable price.

Financial Forecasts

The proposed investment cost is 622,750,000/=. Approximately 80% of these funds will be utilized as capital investment, while the remaining 20% will be used as working capital. Hitherto, the business owners have contributed TZS 477,000,000/= as owner's equity, in terms of owned assets.

The proposed funding amount of TZS 664,750,000/= will be contributed as TZS 42,000,000/= initial working capital and the remaining amount of TZS 622,750,000 will be financed as capital expenditure from a leading financial Institution (Tanzania Agricultural Development Bank, TADB) in the form of additional assets and working capital.

INTRODUCTION

Background Information

The business will be established by Kana Grapes Wine who is Mr. Deogratus Mapunda and Sarah Mwasindila expect to start early in season 2023 as the "GRAPES PROCESSING FACTORY". This is a medium scale industry which will be dealing with the buying and processing of a varieties of grapes products produced in Mkonze -Dodoma. The business also will be acting as a source of market to different grapes producers because these are key raw materials that will be used by the industry hence the industry will provide income to various people who are engaging in grapes production.

1.1. Kana Grapes Wine Profile

Deogratus Mapunda and Sarah Mwasindila of P.O. Box 393 Dodoma, are among the potential and experienced grapes farmers in Mkonze area of Dodoma, they have more than 7 years of ground experience in grapes production with their average farms which identifies them as a medium scaled grapes producers in the area. The expertise and experience the have in grapes farming can vividly tell a story about the passion they have into this subsector despite of the existing bottlenecks major being the sustainable and reliable market. They own construction company which known as DESAM Construction LTD.

The authorised share capital of the company is TZS 100 million, divided into 1,000 shares of TZS 100,000 each. The company is completely owned by Tanzanians as per table below:

Table 1: distribution of shares

S/n	Name of Shareholder	Number of shares	Percentage Ownership
1	Deogratus Mark Mapunda	600	60%
2	Sarah Steven Mwasindila	200	20%
3	Walii Ally Mfinanga	100	10%
4	Unsubscribed	100	10%
	Total.	1,000	100%

1.2.0 Key KGW Properties

- A total of 27 acres farm in Mkonze area full developed with a grape farming activity.
- A Commercial warehouse with factory Building, located in the Mkonze at Dodoma City

1.3. Location

The proposed location of KGW Grapes Processing Factory headquarters is in Central Zone of Tanzania (Dodoma), however, the plant operations targets to serve both regions as well as outsiders. Mkonze is very strategic to locate the grapes processing factory as the place is a major producer of grapes for more than 40% of the grapes produced in Dodoma region. The land tenure supports production superb and testier grapes of different varieties ranging from table to wine grapes which fits into both local and international markets with favourable price.

1.4. Vision and Mission Statement

1.4.1 The Vision Statement of the Business

Kana Grapes Wine Grapes Processing Factory is envisioning to be a greater grapes processing industry in the country and save the market demands of grapes and grapes products.

1.4.2 The Mission Statement of the Business

The Mission of this factory is centred on maximizing the opportunities for the grape processing industry to meet growing domestic and global market demand of grapes products while increasing farmers' environmental and economic sustainability.

1.5. Keys to Success

- Meeting orders promptly: The industry will meet its orders promptly, supported by the organization's proximity to the main target market as well as having a distribution plan.
- Accessing adequate supply of high-quality grapes: The industry shall work with other farmers to build their capacity to produce and distribute high quality grapes.
- Supplying high quality bulk wine: The industry will carefully monitor quality standards as provided by TBS and ensure best production processes are followed.
- Receiving adequate orders and making distribution timely: The industry will establish a reliable network of buyers, to market and generate sufficient orders for the bulk wine produced.

1.6. Legal Status

Mr. Deogratus Mapunda and Sarah Mwasindila operate their business as a sole proprietorship. They employ and supervise staff with respect to performing daily project operational activities. However, as the business grows the KGW will legalize the business into more legal form as it might be deemed at a particular moment.

1.7. Promoter's Past Financial Performance

Table 1 below, shows a summary of the promoter's business income for the 3-year period of 2020, 2021 and 2022. **Table 1** show a marked increase in income due to proper project and business management.

Table 2: 3-Year Summarized Income

Description	2020	2021	2022
Sales		43,200,000	125,250,000
Expenses		28,331,400	99,225,000
Profit Bef. Tax		14,868,600	26,025,000

1.8. Purpose and Needs Statement of the Investment

Mr. Deogratus Mapunda is involved in operations and his farm has 31 acres under grapes and other crops production. The farm is installed with supportive grapes farming facilities, including water system for sustainable production. The existing production project is sufficiently performing because the products (raw grapes) are received in a lucrative market. Indeed, because of proper production management and efficient performance, the demand for the farm's products have significantly increased. However, the raw grapes market is unreliable and at some point, does not offer profitable prices compared to what can be earned from the value-added grapes products mentioning grapes juice and wine. Consequently, we have determined that the success in expanding into the market of value-added products suggests the need to pursue expansion, in terms of investment and operational activities, as well as employing machineries for processing raw grapes to grapes value added products. Accordingly, Mapunda has opted to venture in grapes processing to make grapes juice, wine and offer grapes processing facility leasing to fellow farmers, to avoid dependence on a raw grapes market which is unstable most of the time and thereby, minimize the risks of perishability nature of grapes. The KGW from his farms produces about 3-5 tons of raw grapes a season per acres.

To achieve this goal, Mr. Mapunda is requesting a financial support from (Tanzania Agricultural Development, TADB) to consider a loan request for the indicated amount, as the optimal strategy to venture into grapes processing and expand grapes business lines not only to him but surrounding farmers as well, moreover the expansion venture will be an option to create more employment opportunities to different community groups – especially, youths and women. In sum, the promoter is requesting funds for developing a comprehensive factory setup, which includes: 1) full furnishing processing factory; 2) procuring and installing processing plant; and 3) supporting operational activities to full operational of the proposed expansion project.

2. PROJECT TARGET PRODUCTS AND SERVICES

2.1. Primary Products

Under this proposed project, the KGW prioritizes into grapes processing to make Grapes Juice and Bulk Wine.

2.2.1. Grapes Juice/Bulk Wine

Grape juice is obtained from crushing and blending grapes into a liquid. The juice is often sold in stores or fermented and made into wine, brandy, or vinegar. Grape juice that has been pasteurized, removing any naturally occurring yeast, will not ferment if kept sterile, and thus contains no alcohol. In the wine industry, grape juice that contains 7–23% of pulp, skins, stems, and seeds is often referred to as "must". The most common grape juice is purple and made from Concord grapes, while white grape juice is commonly made from white grapes, both of which are varieties of native grapes. Hot filling is traditionally used to package grape juice. In this process, grape juice is heated to a minimum of 77-82 °C using a heat exchanger before the juice is poured into preheated containers made of materials such as glass or newer, heat resistant plastics. The target is to produce about **500,000 Liters** of grapes juice in a year in the coming five years.

The grapes juice compose crucial nutritional materials including but not limited to: -

- Protein: 0.72 g
- Vitamin B6: 7% 0.086 mg
- Vitamin C: 4% 3.2 mg
- Vitamin E: 1% 0.19 mg

2.1.2. Wine

Wine is an alcoholic drink typically made from fermented grapes. Yeast consumes sugar in the grapes and converts it to ethanol and carbon dioxide, releasing heat in the process. Different varieties of grapes and strains of yeasts are major factors in different styles of the wine. These differences result from the complex interactions between the biochemical development of the grape, the reactions involved in fermentation, the grape's growing environment (terroir), and the wine production process. Many countries enact legal appellations intended to define styles and qualities of wine. These typically restrict the geographical origin and permitted varieties of grapes, as well as other aspects of wine production.

Table 3: Wine Nutritional Values

Nutritional value per 100 g (3.5 oz)	
Energy	355 kJ (85 kcal)
Carbohydrates	2.6 g
Sugars	0.6 g
Fat	0.0 g
Protein	0.1 g
Other constituents	Quantity
Alcohol (ethanol)	10.6 g
10.6 g alcohol is 13% vol. 100 g wine is approximately 100 ml (3.4 fl oz.) Sugar and alcohol content can vary.	
<ul style="list-style-type: none">• Units• μg = micrograms • mg = milligrams	

- IU = International units

Source: USDA Food Data Central

The target is start to produce about **100,000 Litters** of wine a year and increase production based on the demand.

2.2. Offered Services

KGW will be offering a processing facility leasing services at fee to a capable and willing grapes producer who wish to add value to their produced grapes but they are lacking the working machineries. This service will cutter for individual farmers, group of farmers as well AMCOS, the service will be properly arranged so that will not compromise the promoters' operational activities. The target is to serve for processing of about **100,000 Litters** from surrounding farmers a year and with time to increase to **500,000 Litters**.

3. INDUSTRY AND MARKET ANALYSIS

3.1. Tanzanian Grapes Subsector Overview

In Tanzania, grape is produced in Dodoma, as one of the biggest cash crops in the region. Grape production is the main stay for many farmers in Dodoma Municipal and the nearby districts of Chamwino and Kongwa. The urban Dodoma produces 70% of the grapes and rural Dodoma produces 30%. This crop has multi-usage such that it can be eaten raw or can be used for making jam, juice, jelly, wine, grape seed-extracts, raisins, vinegar and grape -seed oil. This crop is considered as a symbol crop for Dodoma region. Grapes were introduced to Dodoma by the missionaries 1960.

The first small wineries were started in Bihawana and Hombolo missions. These wineries produced communal wine for church purposes only. Historically, grape production in Dodoma can be traced back to 1963 when the Isanga prison, the oldest prison started growing grapevine. In this year the Isanga prison started with only four acres and three years later the crop was gradually introduced to the five villages namely Mpunguzi, Msalato, Nala, Nkulabi and Mundemu. Subsequently, the National Service Camp at Makutupora - Dodoma accepted the idea thus increasing the acreage and the yields rising high from the grapes to be consumed fresh as table grapes to wine production. The first government institution to invest much in wine production was Isanga prison which prompted the construction of a winery plant in 1969. This company was very famous in Africa and later became the sole buyer of grapes from farmers for wine processing. The establishments of a Makutupora research Centre to determine appropriate types of grapes of wines and encouraged more and more farmers to come forward and open grape farms (<http://www.google.com> 25th March, 2014). ¹ SNV Tanzania a report on fresh fruits, 2005”

3.2. Global Grapes Crop Overview

Grape is one of the world's largest fruits crops with approximately 67.5 million tons produced each year. Grape grows best in the Mediterranean type of climate with long relatively dry summers and mild winters. Worldwide, Grape is mainly meant for wine production however, a certain portion is dried into raisins and a major part is marketed yearly as fresh fruit, making table grapes one of the world's prominent fresh fruits crops. In US the consumption of fresh grapes has increased from 2.9 pounds per person in 1970 to 7.9 pounds in 2009. Moreover, grape is the most important and economical garden fruit crop in the world. In the year 2012, the US and Canadian market, price for fresh grapes jumped to \$1,340 per tons compared to those prices last peaked at \$986 per tons in 2006.

3.3. Challenges of Grapes Subsector in Tanzania

Regardless of potentiality of grapes, small holder grape growers in Tanzania are facing production, processing, and marketing problems such as inadequate product quality, few processing plants or winery industry, low price, low incentives, low output, unreliable rainfall, insufficient agricultural extension services, shortage of buying posts, late payment, low labor productivity, poor infrastructure and poor-harvest management. Sometimes, some market actors violate set standard units of weights and product grades.

As a result, farmers ending up having unreliable markets and receive low price for their produced grapes. Lack of common price hinder the development of this crop in Tanzania, as most of the business operators tends to provide the buying price (Price Maker) for themselves in such a way that the grape growers

(Price Taker) continue to be enslaved and being poor. Glover and Kusterer (1990) argued that the market practices out of contract farming, buyer of crops can hold a monopoly position and exploit small-

growers. Furthermore, investors especially wine processing industries purchase grapes from smallholder farmers on credit basis, hence money value of their produces keep on depreciating from period of harvesting to the time farmers receive money and due to that, most of the grape farmers are living in very poor life. In this case smallholder farmers produce grapes without being certain of the market.

During the grapes season, it is a common to see women carrying dishes, boxes and plastic basins moving around in the Municipal streets selling their grapes. Such kind of business practices will not provide much profit to grape growers in order to reduce poverty for these farmers. These practices will not make grape farmers move forward or change their life standards, instead having only survival needs of life. Emana and Gebremedhin (2007) argued that poor production handling and packing, imperfect pricing systems, and lack of transparency in market information are also among the impediments in the agricultural production and marketing. The Ministry of Industry, Trade and Marketing (MITM, 2008) argues that market constraints of smallholder farming were weak legal and regulatory framework on agricultural marketing; weak institutional set-up dealing with agricultural marketing; inadequate marketing research; inadequate marketing linkage; and inadequate capacities to utilize opportunities emerging in the domestic, regional and international markets and including preferential markets.

² Khoshroo A. et al., 2013

³ Economic Research Service (ESR), 2009

⁴ Shahraki, Dahmardeh and Karbasi, 2012

⁵ National Agricultural Statistic Services (NASS), 2013

⁶ MITM, 2008; and MAFC, 2006

4. COMPETITION AND SWOT ANALYSIS

4.1. Competition

Most of grapes produced in Tanzania come from small-scale farmers with plot sizes of 0.1 to 2.0 ha. Also, the region is occupied by more than 30 SMEs processors most of processors. Thus, the bulk wine will be distributed to potential customers who are small and medium scale winery industries to processors of different varieties of grapes wine by adding further processes within the country and outside. These clients include ALKO Vintage, TDL, CETAWICO and other 30 SMEs in Dodoma Region.

Below Table shows the names of competitors and their position in the market.

Table 4: Existing Competitors List

SN	Name of Organization	Product Type	Market Size	Strength	Weakness
1	Alco Vintage Dodoma	Varieties of wines and bulk wine	Country wise but mainly central corridor regions	<ul style="list-style-type: none"> • Set of Skills • Utilities and production capabilities (Technology) • Image/positioning • Capital • Sells 	<input type="checkbox"/> Market size not covering many regions.

2	Tully's	Varieties of wines and bulk wine		Set of Skills Utilities and production capabilities (Technology) Image/positioning Capital Sells	<input type="checkbox"/> Market size not covering many regions.
3	Hombolo Mleche Company (HOMC)	Varieties of wines and bulk wine	Dodoma Municipal (Alco vintage) (Average of 40,000 Litres per year)	<ul style="list-style-type: none"> • Skills • Experience in bulk wine business 	<ul style="list-style-type: none"> • Market size, targeting only one customer • Low technology
4	Uwazamam	Bulk wine	Dodoma City	<ul style="list-style-type: none"> • Skills • Experience in bulk wine business 	<ul style="list-style-type: none"> • Market size, targeting only one customer • Low technology

4.2. Competitive Advantage

Despite of the strength of the direct and indirect competitors, promoter still stand a better chance of winning the market and create a significant market share. Producing high-quality and standard products have consistently been the key factor for winning the rivals in the market, also, our focus is to produce quality products at affordable price to all

customers of different income levels. The KGW has the outstanding experience in grapes value chain, he will utilize his expertise to produce distinguished grapes value added products. Recently a KGW has leased a processing machine/facility and he has already commenced the processing activities which gives him a hands-on experience to master the grapes processing business as well.

4.3. SWOT Analysis

Table 5: SWOT Analysis

STRENGTHS	WEAKNESS
<ul style="list-style-type: none"> • Market intelligence/ having knowledge of market and market players (including competitors) in the region and countrywide such as Alco Vintage, Hombolo, • Availability of finished building for the factory • KGW and his management team commitment to achieve its Mission • Access to available of raw materials • Reliable and proven technology. • Strict conformation to environmental standards. • Team of expert professionals of related field. 	<ul style="list-style-type: none"> • Lack of sufficient capital especially machinery capital compared to most of competitors. Thus, is why KGW applying for loan and will continue applying for loans and to increase capital • Irregular supply of raw materials may occur due to climate change.
OPPORTUNITIES	THREATS/CHALLENGES

<ul style="list-style-type: none"> • There are about 1,000 small holder farmers in Mkonze area where the factory is intending to be located. Thus, the KGW plans to utilize their production effectively. • Availability of grape wine processing industries in Dodoma. • High demand of grape wines on Local and International Market. 	<ul style="list-style-type: none"> <input type="checkbox"/> Change of climatic <input type="checkbox"/> conditions Rising costs of farm inputs and electricity <input type="checkbox"/> Political instability may cause pose risks in expansion and business. <input type="checkbox"/> Shortage of regular power supply. Unavailability of raw materials due to natural disasters and climate change. Sudden interruption in the machines. <input type="checkbox"/> Change in technology. <input type="checkbox"/> Foreign products.
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5. TECHNICAL AND OPERATION PLAN

5.1. Standard Production Process

Production and Operation Process-make/buy, products, environmental considerations. For the production of internationally acceptable grape juice, grape wines and grape brandy and also to pass the Tanzania Bureau of Standards (TBS) certification the following are pre-condition which will be met by the factory:-

- (i). Good quality grapes free from severe infection of powdery/brown mildew and insects must be used. Farmers will be educated on the importance of good grape husbandry;
- (ii). The technology of bulk wine making should be such that it guarantees cleanliness and the right timing;
- (iii). Scientific analysis of grape wine must be done. This will be done at the analytical laboratory for research and product adjustment and a software package will be developed.
- (iv). The grapes will be collected and processed within twenty-four hours.

A promoter will deploy relevant technology from Italy for bulk wine processing including crusher, motorized presser, pump, Tanks and spiral



Figure 1: Grapes Crusher



Figure 2: Fermentation Tanks

5.2. Required Company Permits/Licenses to Operate

According to Tanzania policies, there are various rules and regulations required for a company to legally operate and conduct its production activities within the country. In particular, some of the key required licenses include:

- Businesses must be registered at the Business Registration and Licensing Agency (BRELA) and/or Local Government Authority depending on the opted legal form of the business.
- Businesses must be registered at the Tanzania Revenue Authority (TRA) as tax payer.
- Businesses must have a business license from Locality District Officer (LGA).
- Businesses must be registered at the National Environment Management Council (NEMC) for ensuring environment protections operations.

Currently, the promoter has all the required licenses to operate the company in Tanzania.

(All operational activities are implemented based on Conceptualize Action Plan as Indicated in Annex 1)

5.3. Procedures for Wine Production

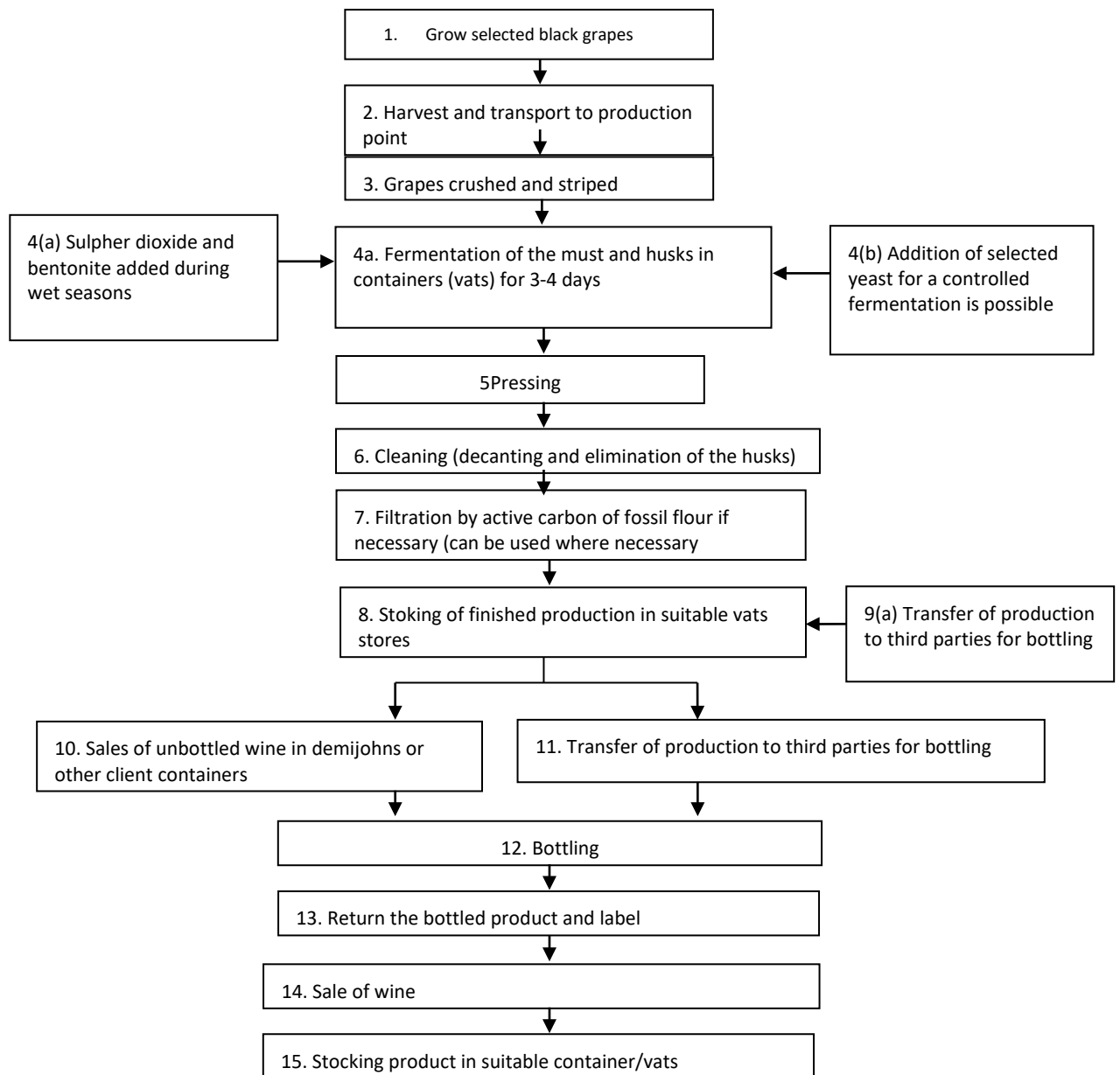


Figure 3: Procedures for Wine Production chart

The production processes are geared towards the following objectives:

- (i). Ensure juice and wine brandy are processed
- (ii). Ensure meeting quality standards
- (iii). Reduce wastage of materials and manpower
- (iv). Determine the timing of grape juice production with a view to balancing the workloads in the work sequence immediately that follows.

5.4. Management Plan

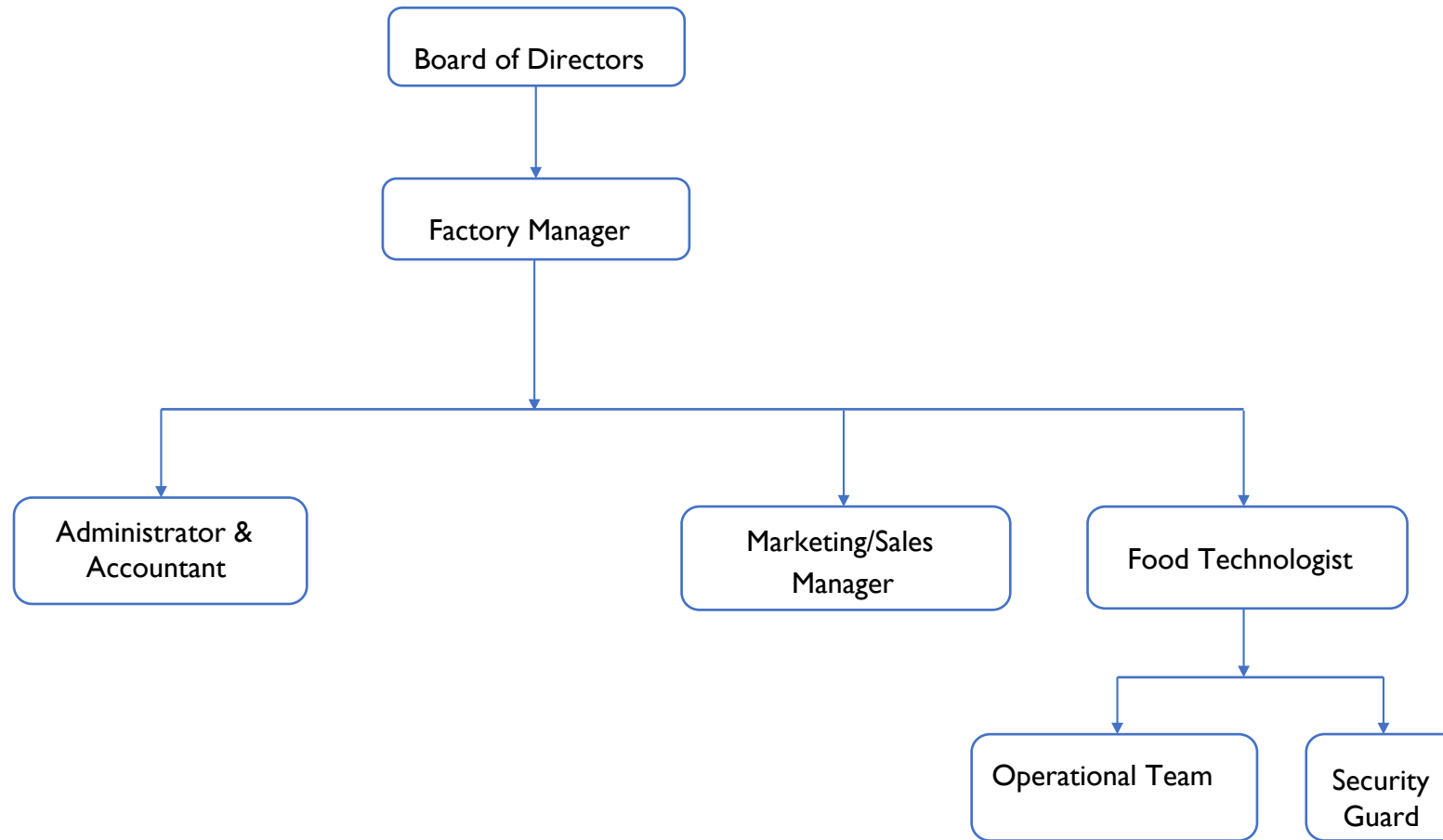


Figure 4: Management structure

PROJECT IMPLEMENTATION SCHEDULE

Table 6: Project implementation schedule

Activity	M- 1	M- 2	M- 3	M- 4	M- 5	M- 6	M-7	M-8	M-9	M-10	M-11	M-12
All Required permit and Licenses												
Finishing of Processing Factory												
Processing machineries Procurement												
Processing Machineries Installations and setup												
Testing and Commissioning												
Full of processed Products												
Project M & E												

6. MARKET AND MARKETING PLAN

6.1. The Market Definition

The business will target SMEs of all income levels, from small scale wine makers/processors to large scale in Dodoma region and other central corridor regions.

6.2. Forecasted Market Size and Trends

Currently the Ministry of Agriculture estimates to have about 10,000 grape growers in Dodoma Region who produce about 1,000 tons of raw grapes per year which makes a total of 750,000 liters of bulk wine per year. Dodoma Municipal produces 70% and Chamwino District produces 30% of total production. Currently there are about 30 Small and Medium Enterprises producing grapes wine in Dodoma Region. A KGW to have 2% market share at the first year and will increase yearly due to product uniqueness and growing demand.

6.3. Promotion and Customer Reaching Strategy

At this level, KGW targeted customers are basically wine producers of all levels in Dodoma region, central corridor regions and eventually the whole of Tanzania.

Customer awareness will be created through targeted marketing, advertisement and inviting targeted customers to witness production process. A special marketing program will involve offering special discount to wholesalers and retailers who will be able to take bigger quantities of bulk wine. We will concentrate on the unserved market segment, from low to large scale wine processors in the country.

Proper distribution techniques will be deployed including taking orders through phones and emails to suppliers and large-scale processors who procure large quantities of bulk wine.

Different promotion strategies will be adopted for the sake of advertising; we shall use media such as newspaper, local radio stations, brochures, and TV shows as well as various social medias such as Facebook, WhatsApp, tweeter and Instagram. Products will be promoted in various Agriculture and non-agricultural shows such as Saba Saba, Nane Nane exhibitions and in farmer’s trainings/workshops. Sales literature such as posters and brochures will be distributed to processors throughout the country via Agriculture education and extension Officers and other organizations.

6.4. Products and Services Pricing Strategy

Market environment and competitiveness have been key factors in determining the pricing strategy. The business is determined to ensure that the return on investment is robust and break-even is achieved within a short period of time.

Table 7: Offered Product and Service Price List

S/No.	ITEM-DESCRIPTION	UNITS	UNIT SELLING PRICE (TZS)
1	Grapes Juice/Bulk Wine	Litter	4,000
2	Processed Wine	Litter	5,000
3	Processing Facility Renting	Litter	2,000

6.5. Products Distribution

The firm targets to go for both:

- Business-to-business (B2B) distribution which occurs between a producer and customers (regional and local farmers and processors, wholesales and/or commission agents etc.) of grapes products and wine juice needed for further processing to be a wine and selling to the

final consumers or manufacturer of various finished products through agreed contracts.

- Business-to-consumer (B2C) distribution which occurs between the producer and the final user (restaurants, hotels, and specialized supermarkets services) mainly for wine product.

The KGW plans to use its trucks to distribute the products to the destination's markets at certain agreed delivery costs.

7. FINANCIAL PLAN

7.1 Key Economic Assumptions

Table 8: Key economic assumptions

Assumptions	2023	2024	2025	2026	2027
Description/Years	2023	2024	2025	2026	2027
General Assumptions					
Economic Assumptions					
Business Expansion	5%	5%	5%	5%	5%
Inflation rate	3%	3%	3%	3%	3%
Exchange rate (USD/TZS)	2,350	2,396	2,445	2,560	2,657
Taxation					
Corporate Tax	30%	30%	30%	30%	30%
Value added Tax	18%	18%	18%	18%	18%
Depreciation:					
Land and Buildings	3%	3%	3%	3%	3%
Plant & Machine	13%	13%	13%	13%	13%
Motor vehicle	25%	25%	25%	25%	25%
Furniture	13%	13%	13%	13%	13%
Operating					
Stock	90 Days	90 Days	90 Days	90 Days	90 Days
Debtors (collection)	30 Days	30 Days	30 Days	30 Days	30 Days
Creditors (payment)	1 Day	1 Day	1 Day	1 Day	1 Day
Days in a year	365 Days	365 Days	365 Days	365 Days	365 Days

Additional Economic Assumptions:

1. Discount Rate/Capital Cost – 18%
2. All purchase and Payment are made locally and Foreign currency.

7.2 Cost Estimations and Projections

Below are the list of required facilities and corresponding costs, the items to be purchased based on local currency.

List of the proposed items to be financed:

- Finishing processing factory
- Machinery Set (Crusher, Pressing, Filling Pump and Transfer pump)
- Storage tanks
- Fermentation tanks
- Bottling line.

Table 9: Cost details as indicated in the table below.

		INVESTMENT CAPITAL				
	ITEM -DESCRIPTION	QTY	EXISTING ASSET/FACILITIES		ADDITIONAL ASSET/FACILITIES	TOTAL INVESTMENT
			Owners Equity	Additional Equity	Bank Loan	
A	LAND AND BUILDINGS					
1	FACTORY LAND		30,000,000			30,000,000
2	FACTORY BUILDINGS		365,000,000		200,000,000	565,000,000
3	FARM LAND (BOREHOLE 27 ACRES GRAP		96,000,000		29,400,000	125,400,000
4	STANDBY GENERATOR				27,000,000	27,000,000
	Sub-total		410,000,000		256,400,000	747,400,000
B	PLANT AND MACHINERIES					
1	Machineries	Complete set			82,900,000	82,900,000
	Storage Tanks		15,000,000		160,000,000	175,000,000
	Fermentation Tanks				3,450,000	3,450,000
	Sub-total		15,000,000		246,350,000	261,350,000
C	FURNITURES					
1	Office Tables and Chairs			12,000,000		
	Sub-total			12,000,000		
D	Initial Working Capital		52,000,000		120,000,000	172,000,000
	Sub-total		52,000,000		120,000,000	172,000,000
	TOTAL		477,000,000	12,000,000	622,750,000	1,180,750,000

7.3 Direct Cost and Indirect Cost:

These include cost of raw materials, Labor, overhead expenses which include wages and salaries packaging materials, branding, and advertising rent, administrative and other related cost.

Table 10: Direct cost and indirect costs

COST CALCULATION												
Particulars/Months	Mnth 1	Mnth 2	Mnth 3	Mnth 4	Mnth 5	Mnth 6	Month 7	Mnth 8	Mnth 9	Mnth 10	Mnth 11	Mnth 12
DIRECT COST CALCULATIONS												
Purchase of raw Grapes	60,000	60,000										
Packaging Materials	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Administrative	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Marketing/Advertisement	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
Wages, and salaries (3% of total revenue)	7,350	7,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350
Utilities Electricity (2% of total revenue)	5,000	5,000	500	500	500	500	500	500	500	500	500	500
Miscellaneous Cost	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
TOTAL	84,850	84,850	16,350	16,350	16,350	16,350	16,350	16,350	16,350	16,350	16,350	16,350

7.4 Funds Requirement and Sources

The proposed investment cost is TZS 674,750,000. Approximately 80% of these funds will be utilized as capital investment, while the remaining 10% will be used as working capital. Hitherto, the business owners have contributed TZS 64,000,000 as owner's equity, in terms of working capital. The proposed funding amount of TZS 622,750,000 will be contributed as TZS 64,000,000/= initial working capital and the remaining amount of TZS 622,750,000 will be financed as capital expenditure from a leading financial Institution (Tanzania Agricultural Development Bank, TADB) in the form of additional assets and working capital.

The projected annual revenue is for the first year of business operations is TZS

350,750,000. Financial Analysis indicates that the project has a Net Present Value (NPV) of 171,593,097 TZS and an annualized Internal Rate of Return (IRR) of 33% at a 18% discount rate. By pursuing a combination of funding sources, the organization will be in a better position to meet all of its financial obligations, since there will be adequate financial resources to finance the planned activities within the timeframe.

7.5. Funds' Utilization

The funds will be utilized as follows: 80% for capital investments, (i.e., purchasing investment items such as machineries) while the remaining 20% will be allocated as working capital to finance operation activities.

7.4. Debt Repayment Plan

The repayment of debt will be made after the harvesting season (within 4 months). Both principal and accrued interest will be repaid at the same time, with a requested grace period of 8 months. Based on the required debt, the repayment will be completed within four years of operations.

7.5. Revenue Streams

Currently the business is making money from the grapes processed products and offered service sales to the target customers and target costing pricing strategy. As the business grows the streams of income will increase. As such, the goal is to venture into more value addition processing of different grapes products.

8. BUSINESS IMPACT TO THE COMMUNITY

The firm envisioned to impact the community at large in various settings for bringing both community economic prosperity and enhancing food security.

A KGW is ought to bring the following benefits to the community and the country economy as a whole;

- The business has a greater potential in contributing to poverty reduction through job creation, as the production techniques/technologies employed are partly labour intensive, more unemployed groups who are mainly youths and women have opportunity of being employed and increase their basic incomes.
- The business has a greater potential in contributing to reducing postharvest losses and grapes wastes through assurance of effective markets of grapes products at the local and regional levels whereby most of producers will be selling their raw grapes to the firm for processing.
- Tanzania especially Dodoma has abundant places with excellent weather conditions for the sector which guarantees benefits to more rural people. Grapes Processing Factory Impact is looking into providing a platform for local producers and small-scale farmers to benefits through contract farming and market assurance for feeding the huge fetched available markets of grapes and grapes wine juice.
- A KGW is looking into hosting several capacity building programs to different grapes producing groups of the community not limited to processing technical skills trainings, marketing and branding training, industry field tours etc. for providing a vast of learning experiences to beneficiaries in improving their industry processes and experience hence creating vibrant industrial and grapes subsector in Tanzania.

9. CONCLUSIONS AND RECOMMENDATIONS

9.1. Recommendation

It is strongly recommended that, promoter has to follow the strategic advice explained in this business plan, especially when it comes to operational plans and firm management requirements and hygiene to ensure efficient and effective productivity with high quality.

9.2. Conclusion

The financial and technical analysis shows that, it is viable to undertake grapes processing business in the proposed area. It is therefore recommended that a four-year term loan of **TZS 622,750,000/-** with a grace period of at least 12 months to be granted to **Mr. DESAM CONSTRUCTION LIMITED** for investing in a proposed venture.

10. ANNEX: ADDITIONAL DETAILS

Annex 1: Projected Income Statement (Profit and Loss) (000)

PROJECTED PROFIT AND LOSS STATEMENT:					
Particulars/ Year	Year1	Year2	Year3	Year4	Year5
Total Revenue	350,000	420,000	520,000	700,000	735,000
Less: Cost of Goods	135,000	144,000	159,999	277,333	294,666
Gross Profit	215,000	276,000	360,001	422,667	440,334
Less: Indirect Costs	75,250	124,200	144,000	169,067	176,134
Net Profit Before Interest & Tax	139,750	151,800	216,001	253,600	264,200
Less: Financial Costs: interest on short term loan for W/C	20,160	23,400	23,400	27,000	30,600
Less: Financial Costs: interest on term loan	64,590	58,131	46,505	23,252	11,626
Less: Capital Costs/Depreciation	45,837	45,837	45,837	45,837	45,837
Net Profit Before Tax	9,163	24,432	100,259	157,510	176,136
Taxation (30%)	2,749	7,330	50,216	56,313	61,629
Net Profit After Tax	6,414	100,383	117,170	131,396	143,801
Net Profit/(Loss) b/f	-	106,797	223,967	355,363	499,164
Retained Profit	6,414	106,797	223,967	355,363	499,164

Annex 2: Projected Financial Cashflow

PROJECTED CASH FLOW STATEMENT:						
Particulars/ Year	Year1	Year2	Year3	Year4	Year5	Total
INFLOWS:						
Net Profit Before Tax	9,163	24,432	100,259	157,510	176,136	467,500
Depreciation cost	45,837	45,837	45,837	45,837	45,837	229,187
Existing Investment	450,243	-	-	-	-	450,243
Shareholders equity	63,245	72,732	83,642	96,188	110,616	426,422
Term Loans	538,250	-	-	-	-	538,250
Total Inflows	1,103,989	135,672	199,660	252,282	279,749	2,111,602
OUTFLOWS:						
Investments & Re-Investments	538,250	52,000	0	0	0	590,250
Loan Repayment (Term Loan)	53,820	134,562	134,562	134,562	134,562	592,068
Income Tax	2,749	7,330	30,078	47,253	52,841	140,250
Total outflows	594,819	193,892	164,640	181,815	187,403	1,322,568
Net Cashflow	509,171	(58,220)	35,021	70,467	92,346	648,784
Balance b/f	509,171	450,950	485,971	556,438	648,784	
Closing Balance	509,171	450,950	485,971	556,438	648,784	

Annex 3: PROJECTED BALANCE SHEET (000)

PROJECTED BALANCE SHEET:					
Particulars/ Year	Year1	Year2	Year3	Year4	Year5
FIXED ASSETS:					
Land and Buildings	605,325	696,124	800,542	920,624	1,058,717
Machinery and storage Tanks	345,560	311,004	279,904	251,913	226,722
Furniture	12,674	10,519	8,731	7,421	6,308
Net Fixed Assets	963,559	1,017,647	1,089,177	1,179,958	1,291,747
CURRENT ASSETS:					
Cash	84,351	94,332	110,288	132,282	276,062
Working Capital	112,000	130,000	155,000	250,000	300,000
Total Current Assets	196,351	224,332	265,288	382,282	576,062
Total Net Assets	1,159,910	1,241,979	1,354,465	1,562,240	1,867,809
FINANCING:					
Share holders equity	455,352	78,000	92,000	127,000	148,000
Retained Earnings	-	23,321	45,232	67,457	78,523
Loan	538,250	112,000	130,000	155,000	250,000
Total Financing	993,602	183,321	227,232	289,457	406,523

ANNEX 4: FINANCING PLAN

The following are the financing plan of the Project.

		INVESTMENT CAPITAL				
	ITEM -DESCRIPTION	QTY	EXISTING ASSET/FACILITIES		ADDITIONAL ASSET/FACILITIES	TOTAL INVESTMENT
			Owners Equity	Additional Equity	Bank Loan	
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4	STANDBY GENERATOR				27,000,000	27,000,000
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B	PLANT AND MACHINERIES					
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	Fermentation Tanks				3,450,000	3,450,000
	Sub-total		15,000,000		246,350,000	261,350,000
C	FURNITURES					
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	Sub-total			12,000,000		
D	Initial Working Capital		52,000,000		120,000,000	172,000,000
	Sub-total		52,000,000		120,000,000	172,000,000
	TOTAL		477,000,000	12,000,000	622,750,000	1,180,750,000