

BUSINESS PLAN
BY
TAYLOR WINCH (TANZANIA) LIMITED
FOR
CERTIFICATE OF INCENTIVES IN COFFEE PRODUCTION AND EXPORT
TO BE SUBMITTED TO
TANZANIA INVESTMENT CENTER

Prepared by:
TAYLOR WINCH (TANZANIA) LTD
P. O. Box 524
Moshi, Tanzania

1.0 EXECUTIVE SUMMARY

1.1 Project Concept

The project aims to establish a company engaged in sourcing, processing, and exporting high-quality Arabica coffee from Tanzania. In addition to coffee export, the company provides essential technical assistance to coffee growers and operate a cutting-edge coffee quality laboratory. To facilitate and support this initiative, the company seeks certification of incentives from the Tanzania Investment Center (TIC).

Project shall be carried out by **TAYLOR WINCH (TANZANIA) LTD**, a locally registered company with Certificate of Registration No. 24151 dated 09th August 1993. The project promoters or investors are confident of mobilizing financial resources through shareholders contribution and loans—if required.

1.2 Location

The project will be located at Vikindu, within Mkuranga District in Pwani Region, Tanzania.

1.3 The Sponsors

TAYLOR WINCH (TANZANIA) LTD will be sponsoring this project. The Company is currently jointly owned by two shareholders.

Shareholders	% of Share	Nationality
VOLCAFE LIMITED	99.999%	Switzerland
ED & F MAN COMMODITIES LTD	0.0001%	England

1.4 Objects of the Company

The company main business objectives include but not limited to the following.

- **Arabica Coffee Export:** Establish a Arabica supply chain for sourcing, processing, and exporting Tanzanian Arabica coffee beans to international markets, focusing on premium quality and sustainable practices.

- **Technical Assistance:** Provide coffee growers with training, resources, and expertise to enhance the quality and yield of their coffee crops while promoting sustainable agricultural practices.
- **Coffee Quality Lab:** Operate a state-of-the-art coffee quality laboratory for quality assessment, research, and development to maintain high-quality standards and promote Tanzanian coffee globally.
- **Economic Development:** Contribute to the local economy by creating job opportunities, improving coffee farmers' livelihoods, and generating foreign exchange earnings through coffee exports.
- **Sustainability:** Promote environmentally friendly practices in coffee cultivation and processing, emphasizing fair trade principles and social responsibility.

1.5 Formation and Legal Status

The Company was registered on 09th August 1993 under Tanzanian Laws and issued with the Certificate of Incorporation. No. 4151

1.6 Objective of Study

The purpose of this study is to work out the technical and commercial details and financial viability of a coffee project.

1.7 Overview of the Coffee Production

Tanzania is renowned for its coffee production, particularly its high-quality Arabica beans. Coffee cultivation has a significant impact on the country's economy and is a vital source of income for many Tanzanian farmers. Here's an overview of coffee production in Tanzania:

Arabica and Robusta Coffee: Tanzania primarily produces Arabica coffee, known for its premium quality and distinct flavour profiles. Robusta coffee is also cultivated in some regions, mainly in the western part of the country, but on a smaller scale compared to Arabica.

Geographical Diversity: Coffee is grown in various regions, including Kilimanjaro, Mbeya, Arusha, and Manyara, each offering unique growing conditions and flavour profiles. Kilimanjaro coffee, in particular, is highly regarded for its bright acidity and excellent cup quality.

Smallholder Farming: The majority of coffee farms in Tanzania are smallholder farms, with individual farmers or cooperatives cultivating coffee on relatively small plots of land.

Harvesting and Processing: Coffee cherries are typically handpicked, and both wet and dry processing methods are employed. Wet processing is common for Arabica coffee, resulting in cleaner, brighter flavors. Dry processing is often used for Robusta coffee.

Export Markets: Tanzanian coffee is exported to various international markets, with Europe, the United States, and Japan being significant buyers. The country has established a reputation for producing specialty and single-origin coffees.

Challenges: Despite its potential, the Tanzanian coffee industry faces challenges such as fluctuating coffee prices, aging coffee trees, and the need for improved infrastructure and most recently the EU Deforestation rules . Efforts are being made to address these challenges through government initiatives and international partnerships.

Sustainability and Certification: Many Tanzanian coffee producers engage in sustainable and organic farming practices. Various certifications, such as Fair Trade and Rainforest Alliance, are obtained to promote ethical and environmentally friendly coffee production.

Economic Impact: Coffee production contributes significantly to Tanzania's economy by providing income to farmers and supporting livelihoods in rural areas. The sector also plays a role in foreign exchange earnings through coffee exports.

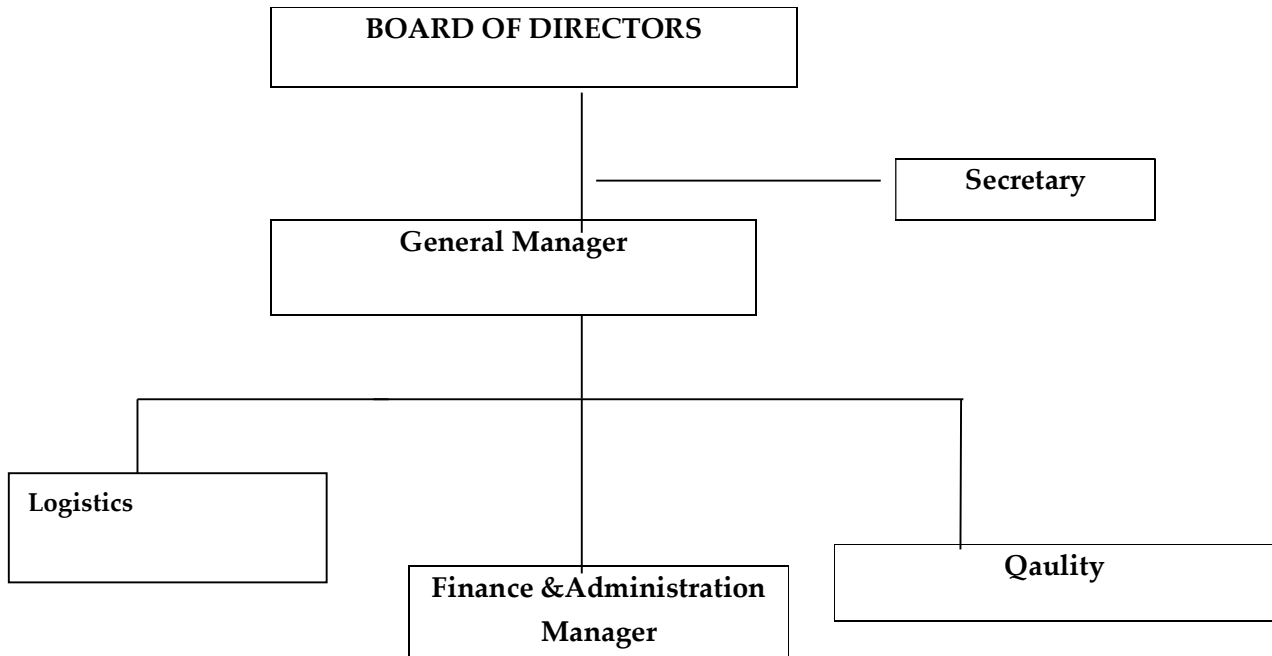
1.8 Project Management and Manpower

The Company will be under the Management with vast experience in managing various coffee production and export, the overall in charge regarding policy and business strategy will be responsible with Board of Directors. General Manager will be assisted by properly trained managers in areas of Sales and Marketing, Finance, Administration and Operations, who will together comprise the management team.

1.9 The summary of employees is as following

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	1	6	3	10
Men	1	11	7	19
TOTAL				29

1.10 Proposed Organization Chart



1.11 Project Description

The company is aware that significant measures have been taken to liberalize the Tanzania economy so that to encourage private sector to take a lead in Tanzania economic growth. The Government of Tanzania embarked on adjustment program to give the private sector the leading role. It is in view of the above; **TAYLOR WINCH (TANZANIA) LTD** came up with a proposal foster coffee production and increase export volume. Certification from TIC will provide tax incentives, investment protection, and other benefits to support the project's growth. These incentives will be critical for infrastructure development, equipment acquisition, and capacity building.

1.12 Targeted Markets

While a significant portion of Tanzanian coffee is exported, there is also a growing domestic market. Coffee consumption within Tanzania is increasing, especially in urban areas where coffee shops and cafes are on the rise. Tanzania is exploring opportunities to International Specialty Coffee Market such as Northern America, Europe, Japan and the emerging market such as China and India, where coffee consumption is growing due to changing consumer preferences and a rising middle class.

1.13 Supply and Competition

The proposed project will compete with other high-end coffee producers and exporters in Moshi and neighbouring region serving the same target. **TAYLOR WINCH (TANZANIA) LTD** is the top three exporter of coffee in Tanzania and there is no other company in Vikindu that has invested in similar business.

1.14 Market Strategy

We are planning to deploy personal selling is the most effective method for marketing training and emphasize quality, authenticity, sustainability, and engagement with consumers who value premium, ethically sourced coffee. By effectively communicating these elements and strategically targeting the right markets, **TAYLOR WINCH (TANZANIA) LTD** can build a strong brand and expand their global reach. Target marketing in all types of media and publicity will support and enhance personal selling. The project will use internet for advertising to potential customers in the world.

1.15 Pricing

The company pricing policy for the project will be based on the service cost and competition levels considering various variables namely:

- Service positioning
- Gain market share from competitors
- Stimulating and increasing demand and
- Achieving profitability and liquidity financial performance goals.

The price will mostly be driven by th NYC market offering daily which is factored in the coffee Auctions

1.16 Monitoring and Evaluation

The Management has full commitment to ensuring good use of the resourced and sustainable environment and wellbeing of the community with which they do business. Thus, the management philosophy is through business process, managers will strive to ensure compliance to standards and safety of products and customers they serve as well as observing the national laws.

1.17 Project Investment Cost

The estimated capital investment cost of the project is USD 1,600,000

PARTICULAR	USD
Land and Buildings	1,600,000
Pre expenses	100,000
Working Capital	7,200,000
TOTAL	

1.18 Project Operating Costs

In order to realize its intended objective, the project will have to meet operating costs which has been budgeted to cost \$1,200,000 annually , the cost will include the followings, Salaries and Wages, training running Expenses, Insurance: Marketing cost, Depreciation cost, Pension contribution, Communication cost, administrative cost, Maintenance cost, Loan interest, Donation etc.

1.19 Aspect of Project Sustainability

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The growing of coffee production sector and economic activities in Tanzania gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

1.20 Monitoring and Evaluation

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

1.21 Financial Analysis (Considerations and Assumptions)

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied. Revenues have been conservatively estimated based on experience of the promoters and trends in the hospitality industry.

1.22 Financial Statements

For projection purposes, it is assumed that the economic life of the project is over 15 years, and the estimated revenue from coffee annually estimated to be \$13m

1.23 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from USD 300,000 in first year to USD 1,000,000 in the 5th year.

1.24 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year one, i.e. USD (1,600,000) of operation to USD 1,270,000 the 10th year.

1.25 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Net worth of the shareholders equity increases from USD 142,000 in the first year of operation to USD 1,123,000 in the fifteenth year.

1.26 Projected Payback Period

Total investment is USD 1,600,000 cash accumulation in 5th year net is USD 1,800,000 which is more than the initial investment by USD 1,600,000 the project payback Period is 10 years. The company is committed to the growth of the coffee sector and is positive on the market hence willing to invest.

1.27 Projected loan repayments

The loan borrowed from financial institution is expected to be fully paid within 10 years of projection operation with interest of Usd 560,000

1.28 Projected Risks

The coffee industry is subject to significant price volatility due to various factors, including changes in supply and demand, weather conditions, currency exchange rates, and geopolitical events. Fluctuations in coffee prices can impact the company's revenue and profitability. Unless a change in the country's political and economic stability occurs, the project is more likely to prosper very fast for a very long period.

1.29 Economic Aspects

Implementation of this project will have the following social and economic values

- The project will increase the quality of coffee production and export in the country
- The project will create employment for 50 people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local suppliers and transporters, which will also have a trickledown effect in the environmental issues.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will have transfer of knowledge and skills to coffee production industry as far as managing of a big project.

1.30 Implementation

The coffee production and export project will be implemented over a timeline spanning several phases, each with specific objectives and milestones. The project timeline is as follows:

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	November 2023

1.31 Conclusion and recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently. We therefore recommend that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 2022.

TAYLOR WINCH (TANZANIA) LTD
PROJECTED INCOME & EXPENDITURE STATEMENT (USD'000)

	1	2	3	4	5	Total
Revenue	2,232,000	2,412,000	2,016,000	1,926,000	1,800,000	10,386,000
Operating Expenses	1,319,705	1,390,121	1,215,039	1,235,621	1,034,749	6,195,235
Profit Before Depreciation & Interest	912,295	1,021,879	800,961	690,379	765,251	4,190,765
Interest	100,000	93,333	86,667	80,000	73,333	433,333
Depreciation	32,000	32,000	32,000	32,000	32,000	160,000
Profit before Tax	780,295	896,546	682,295	578,379	659,917	3,597,431
Tax 30%	234,089	268,964	204,688	0	197,975	905,716
Profit after Tax	546,207	627,582	477,606	578,379	461,942	2,691,716

TAYLOR WINCH (TANZANIA) LTD

PROJECTED CASH FLOW (USD)

	0	1	2	3	4	5
Profit Before Depreciation & Interest		912,295	1,021,879	800,961	690,379	765,251
Equity	5,055,048	5,273,531	5,524,563	5,715,606	5,946,957	6,131,734
Loan	1,506,532	10,020,721	7,437,438	2,760,159	1,136,635	728,295
Total Sources	6,561,580	15,294,252	12,962,001	8,475,765	7,083,592	6,860,029
Application						
Capital Expenditure	1,600,000					
Working capital and Others	3,659,580	14,364,528	11,755,728	7,082,928	5,443,728	5,043,000
Cash	1,302,000	929,724	1,206,273	1,392,837	1,639,864	1,817,029
Tax	0	234,089	268,964	204,688	0	197,975
Sub Total	6,561,580	15,294,252	12,962,001	8,475,765	7,083,592	6,860,029
Accumulated Cash	1,302,000	929,724	1,206,273	1,392,837	1,639,864	1,817,029
	1,302,000	(372,276)	276,549	186,564	247,027	177,165

TAYLOR WINCH (TANZANIA)LTD
PROJECTED BALANCE SHEET (USD)

Fixed Assets	0	1	2	3	4	5
Opening balance	1,477,934.00	3,077,934.00	3,077,934.00	3,077,934.00	3,077,934.00	3,077,934.00
Total Long-term Assets	1,477,934.00	3,077,934.00	3,077,934.00	3,077,934.00	3,077,934.00	3,077,934.00
Less depreciation	1,080,782.00	1,154,930.00	1,229,078.00	1,303,226.00	1,377,374.00	1,451,522.00
Closing balance	397,152.00	1,923,004.00	1,848,856.00	1,774,708.00	1,700,560.00	1,626,412.00
Working capital	4,862,428.00	12,769,248.02	10,064,938.49	5,125,268.27	3,429,637.32	2,801,843.82
Accumulated cash	1,302,000.00	929,724.02	1,206,273.18	1,392,836.90	1,639,864.15	1,817,029.40
Total assets	6,561,580.00	15,621,976.03	13,120,067.66	8,292,813.17	6,770,061.47	6,245,285.23
Financed by						
Equity	5,055,048.00	5,055,048.00	5,055,048.00	5,055,048.00	5,055,048.00	5,055,048.00
Net profit		546,206.69	627,581.94	477,606.20	578,378.75	461,942.09
Total equity	5,055,048.00	5,601,254.69	5,682,629.94	5,532,654.20	5,633,426.75	5,516,990.09
Long term loan	1,506,532.00	10,020,721.34	7,437,437.73	2,760,158.97	1,136,634.72	728,295.13
Total debts	1,506,532.00	10,020,721.34	7,437,437.73	2,760,158.97	1,136,634.72	728,295.13
Total equity and debts	6,561,580.00	15,621,976.03	13,120,067.66	8,292,813.17	6,770,061.47	6,245,285.23

TAYLOR WINCH (TANZANIA) LIMITED
PROJECTED PAY BACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	546,207	32,000	929,724	929,724
2	627,582	32000	276,549	1,206,273
3	477,606	32000	186,564	1,392,837
4	578,379	32000	247,027	1,639,864
5	461,942	32000	177,165	1,817,029

TAYLOR WINCH (TANZANIA) LTD
PROJECTED LOAN REPAYMENTS

Repayments USD				
Year	principal	Loan Interest (10 %)	Total Amount Paid	Loan Balance
0	1,000,000.00			1,000,000.00
1		100,000.00	190,000.00	910,000.00
2		90,000.00	180,000.00	920,000.00
3		80,000.00	170,000.00	830,000.00
4		70,000.00	107,000.00	793,000.00
5		60,000.00	106,000.00	747,000.00