

LUKOSI HASS FARMS LIMITED

BUSINESS PLAN

FOR

ESTABLISHMENT OF OVOCADO FARM AND AVOCADO PACK HOUSE FACILITY

1.0. EXECUTIVE SUMMARY

1.1 Project Concept

LUKOSI HASS FARMS LIMITED is a company incorporated in Tanzania with Certificate of Incorporation No. 139542215 dated 23rd July, 2019, the company is specializing in avocado farming.

The board of directors had worked in this field for several years and had established multiple business contacts which will help the company pick up major business contract

The project promoters are confident of mobilizing financial resources through owners' equity by US\$1.455,000 and the remaining US \$1,000,000 will be sourced from local financial institutions.

1.2 Location

The project will be located at **Ipalamwa Village, Ukwega Ward, Kilolo District**

1.3 The Sponsors

LUKOSI HASS FARMS LIMITED will be sponsoring this project. The Company is jointly owned by three shareholders

Name of shareholders	% Ownership	Nationality
ERSAL YAZICI	37.5	TURK
VINTAN WILLGIS MBIRO	25	TANZANIA
ABDULLAH POLAT	37.5	GERMANY

1.4 The Company Objectives

The company main business objective is setting up Avocado farm and Avocado Pack House facility

1.5 Objective of Study

The purpose of this study is to work out the project viability technically and financially of a project for setting up Avocado farm and Avocado Pack House facility

1.6 Mission

The company's mission is to be successful by effectively utilizing the philosophies of high quality, advanced techniques, and customer service.

1.7 Keys to Success

It is important that the company continues to provide superb customer service and fast delivery. At the same time, the company's further success will depend on securing new customers in the served market niches.

2.0 Project Management and Manpower requirements

The project will under management of **LUKOSI HASS FARMS LIMITED** management who have more than twenty-five in the field assisted by 20 employees.

LUKOSI HASS FARMS LIMITED has a management team with direct knowledge of the industry, extensive research experience, and unique administrative skills. The company's management team consists of people with broad backgrounds in production of ethanol using sugar molasses, maize and cassava as raw materials

2.1 Project description

The project target to produce and package fresh fruits for European and Asian market where the demand for avocado is increasing by day. LUKOSI HASS FARMS LIMITED will be exporting of cryogenically processed and frozen fruits with higher shelf life of up to six months.

2.2 Background

Tanzania produces an average of 190,000 tons of avocado fruits per year. It is the third major producer in Africa after South Africa and Kenya and the 19th country in the world. Other major producers in the world are Mexico, Peru, Chile, Spain, U.S.A, Dominican Republic, Colombia, France, Belgium, New Zealand and Morocco. Avocado fruit is used as food as well as raw material for production of oil, cosmetics, food paste and supplements.

About fifty percent of Avocados produced in Tanzania are of Fuerte type, followed by Hass which is produced by thirty percent. Other varieties such as X-Ikulu, Zutano, Dulu, X-Muna, Tonnage, Mwaikokyesa; and improved ones like Gem, Bacon, Nabal, Pinkerton, DUSA and Carmen are produced by twenty Percent. Hass type is mostly preferred in foreign markets due a number of attributes which boosts its marketability. The said attributes include high yield, oil content, rich flavor, longer shelf life due to rough outer skin and resilience in logistics.

In Tanzania, avocados are grown in middle and highland areas with cool temperatures ranging from 10Centigrade to 23 Centigrade, 600 to 3000 heights above sea level and rainfall ranging from 600 to 1600mm. They are mostly grown in Arusha, Kilimanjaro,

Mbeya, Songwe and Njombe. Other producing Regions are Kagera, Kigoma, Rukwa, Tanga, Manyara and Ruvuma. About Ninety per cent is produced by small scale farmers and ten percent by large scale commercial farmers

The main harvest season in the Southern Highlands Zone (Mbeya, Iringa, Rukwa, Njombe and Ruvuma Regions) is from March to May while the low season is from January to February. On the other hand, in the Northern Zone the main harvest season is from June to September and the low one is from December to January. These harvest periods offer a comparative advantage over other producing countries since most of them are in off season during those seasons, with an exception of Mexico, Peru and Chile

2.3 Avocado Sorting and Grading

Avocados are graded according to level of maturity, size codes and weight. Grade one is classified as follows:

Type	Size	Maturity of Dry matter content)	Weight
Hass	16-20	21%	>80 grams
Fuerte	14-16	20%	>123 grams

Avocados are also classified as: –

Extra Class

This is of a superior quality with shining shape, clear color, free from sun scorch and disease, scarred tissue, not ripened and does not show any pressure points.

Class I

This class consists of medium quality avocados which do not qualify for the Extra Class.

Class II

This class includes avocados which do not qualify for inclusion in the higher classes but satisfy the minimum requirements specified above.

2.4 Packaging

Avocados are packed in special Four Kilogram (4kg) die cut boxes. They are arranged in 250 – 276 cartons per pallet and 20 pallets fits in 40 feet container which is equivalent to 22.08 tons so as to meet logistic requirements.

All packaging materials for export adhere to the Codex General Standard for the Labeling of Prepackaged Foods or Regulation (EU) No. 1169/2011.

2.5 Markets for Tanzania Avocados

Tanzania Avocado Production Growing 20% Annually, Set to Double to 2.29M Tons & USD 2.8B by 2036 as Horticulture Leads Agricultural Exports, Tanzania's avocado exports have surged 74% to 26,826 tons worth USD 77.3 million. With 20% annual growth

Farmers sell Avocados to individual buyers (at farm gate prices), exporting companies, AMCOS and industries (for value addition). There are three business models currently being used:

- i. Integrated nucleus farm and out-grower scheme, this is the dominant model used by the exporting companies;

- ii. Producer association exporter model, this is where the association negotiates the whole transaction on behalf of the members;
- iii. Exporting Companies with commercial farms and contract farmers—they harvest pack and export direct. About 85 per cent of avocados in the country are exported to European Countries like France, Netherlands, and United Kingdom; and the remaining to Kenya, Zambia, South Africa, China, Japan, Hong Kong, Saudi Arabia and Qatar.

2.6 Export Procedures and Documentations

The following are the key documents that are necessary during exportation of avocados: –

- i. Buying documents (packing list, Invoice, airway/ship bill)
- ii. Export License from Business Registration and Licensing Agency (BRELA)
- iii. Export Permit from the Ministry of Agriculture
- iv. Quality and Standard Analysis Report/Certificate from Tanzania Bureau of Standards (TBS)
- v. Certificate of Radioactivity Analysis from Tanzania Atomic Energy Commission (TAEC)
- vi. Certificate of Origin from Tanzania Chamber of Commerce, Industries, and Agriculture (TCCIA)
- vii. Phytosanitary Certificate from the Ministry of Agriculture
- viii. Global Gap Certificate for the EU market from Global G.A.P Certified Agencies

3.0 Target Market Segment Strategy

Europe remains Tanzania’s primary market for avocados, accounting for 40% of exports, followed by India (30%), the Middle East (19%), and other markets including South Africa, Kenya, and China (11%).

The Indian market offers particularly favorable conditions for Tanzanian exporters, with shorter shipping times of 12–14 days, and Tanzania benefiting from duty exemptions, while competitors like Kenya face a 30% customs duty on CIF value.

Our market research shows that these customer segments are the most demanding in terms of the quality of products, constant supply and delivery. LUKOSI HASS FARMS LIMITED is particularly strong in these areas and will utilize our capacities to serve these clients.

4.1 Industry Participants

Competitive threats come from other countries who export the same products such as

Avocado production by country (tonnes)

Country/region	2022	2021	2020	2019	2018	2017	2016
Mexico (Cultivation in)	2,592,581	2,442,945	2,393,849	2,300,889	2,184,663	2,029,886	1,889,354
Colombia	1,090,664	979,618	829,147	535,021	445,075	308,166	294,389
Peru	866,457	776,651	672,232	571,992	504,840	466,796	455,394
Dominican Republic	737,201	634,368	620,087	665,652	644,603	637,688	601,349
Kenya	458,439	416,803	322,556	264,032	233,933	217,688	176,045
Indonesia	389,000	526,000	669,000	461,613	410,084	363,157	304,983
Brazil	338,238	300,874	267,059	242,723	236,177	212,873	196,545

Country/region	2022	2021	2020	2019	2018	2017	2016
Vietnam	210,595	213,007	158,889	110,520	77,874		
Israel	189,667	165,000	147,000	138,766	131,720	110,000	101,500
Haiti	173,507	170,000	171,984	198,976	254,825	300,031	352,139
Chile	168,010	169,004	161,218	151,527	135,000	200,000	179,000
Ethiopia	167,884	193,400	245,336	104,492	84,794	81,432	64,982
United States	142,340	136,750	187,433	122,670	168,530	170,260	125,237
Guatemala	138,964	135,671	132,909	128,422	134,353	127,480	122,184
China	135,860	124,780	115,620	106,830	113,121	113,740	115,970
Venezuela	128,611	129,798	128,694	130,109	118,017	143,229	130,635
Spain	105,930	116,770	99,070	97,730	89,590	92,936	91,509
South Africa	103,602	82,677	84,775	83,623	127,568	63,045	89,546
Morocco	98,720	82,369	69,940	54,576	51,170	41,695	42,256
Malawi	94,096	93,839	93,543	93,286	92,239	97,358	86,769
Australia	86,171	85,986	77,295	79,533	63,486	56,501	67,600

4.2 Competition and Buying Patterns

LUKOSI HASS FARMS LIMITED believes that our customers choose our products based on the following criteria:

- Affordability
- Quality.
- Availability
- Customer service and support.

4.3 Value Proposition

LUKOSI HASS FARMS LIMITED's products and services offer the following advantages to customers.

- Delivery. We provide on-time delivery, thereby reducing customer inventory and providing them with overall cost reduction.
- Quality. The products we supply are of high quality and have attributes that enable customers to carry out their business functions.

- Price. Our products competitively priced, thus helping customers control their own bottom line.

4.4 Competitive Edge

LUKOSI HASS FARMS LIMITED has several highly significant competitive advantages:

- The harvesting season.
- Strategic location
- Customer service and support.
- Quality of products

4.5 Market Needs

Each of the served segment's market needs are shaped by the desire to procure quality products at reasonable prices. LUKOSI HASS FARMS LIMITED is in the position to offer just that to our clientele, and we understand that our products must help our clients to better add value to their own end customers.

4.6 Market Strategy

According to expert, personal selling is the most effective method for marketing. The project will use all types of media and publicity will support and enhance personal selling. The project will use internet and print media for advertising.

The market strategy is to capitalize on our expertise by positioning the company to acquire strategic companies within the industry. The company's goal in the next year is to secure more business. The

company's goal in the next five years is to continue with our "value added" scheme and increase our market share at least by 5%.

4.7 Pricing

The 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
- Achieving profitability and liquidity financial performance goals
- Approximate wholesale price range for Tanzania avocados is between US\$ 0.31 and US\$ 1.97 per kilogram Equivalent to US\$1,500 per ton, taking the average of US\$1.5 per Kg
- Projected production 2500 tons per year

5.0 SWOT ANALYSIS

5.1 Strengths

- Established Markets in the EU and the GCC states
- Long history of exporting horticulture produces
- Proximity to the GCC states
- Good climate that allows regular annual yields
- Exporters experienced in out-grower management
- Strong government support
- Good air connections with Europe and the GCC

5.2 Weaknesses

- Poor sea freight connections
- Long shipping times

- Poor post-harvest management
- Lack of discipline in the cool-chain & the supply chain
- Too many opportunist exporters (reputation risks)
- Long transport time from established pack-houses to sea ports

5.3 Opportunities

- Consumption is increasing in the UK and in Europe
- Increasing demand by joining the Peruvian and other exporters in generic promotion
- Embrace “organic” and Fairtrade to take advantage of the opportunity for higher returns
- Consolidate the production base to form larger marketing organizations to capitalize on EU importers preference for dealing with larger organizations to guarantee supply
- Introduce effective discipline throughout the supply and marketing chains to establish a reputation for quality and management excellence
- Through effective training improve post-harvest management to satisfy importers requirements

5.4 Threats

- Increased competition from well-organized South American efficient and low-cost exporters
- Increased competition from USA shippers now operating in Europe
- Threat from new suppliers denied entry to the USA because of fruit fly diverting exports to Europe
- Imports from Dominican Republic to USA have recently been banned and the country may target Europe as an alternative market

- The Dominican Republic has established a reputation for “organic” produce and may dominate the “organic” avocado market in UK
- Resurgence of Israeli exports to EU
- Australian exporters targeting the GCC states
- Asian fruit fly *Bactrocera invadens* if found prevalent in Kenya could result in an EU ban

6.0 Monitoring and Evaluation

The Management has full commitment to ensuring good use of the resources and sustainable environment. Thus, the management philosophy is through business process, the company will strive to ensure compliance to standards and safety.

6.1 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 avocado industry, economic growth and rise of purchasing power gives LUKOSI HASS FARMS LIMITED assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

6.2 Projected Risks

This is an avocado industry investment; no major risks have been identified for this kind of project so far. 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.

7.0 Project Investment Cost

The estimated capital investment cost of the project is **US \$1,335,000** as shown in the schedule below:

LUKOSI HASS FARMS LIMITED PROJECTED INVESTMENT COST US\$

Land and Buildings	400,000
Machinery & Equipment	1,200,000
Motor Vehicles	150,000
Furniture & Fixtures	5,000
Pre exp	20,000
Others	80,000
Working Capital	600,000
TOTAL	2,455,000

7.1 Financing Pattern

The project will be financed by equity by US\$1,455,000 and the remaining US\$ 1,000,000 to be sourced from financial institutions

7.2 Projected Project Operating Costs

In order to realize its intended objective, the project will have to meet the operating costs which is estimated to be 65% of the total annual revenue.

7.3 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, it is assumed to be 10% annual depreciation

Revenues have been conservatively estimated based on experience of the promoters and trends in the industry.

7.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 10 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from **US \$ 837,900** in first year to **US \$ 4,784,424** in the 5th year, refer appendix II

7.5 Projected Cash Flows

This is shown in the Projected Cash Flows Statement in appendix II. They indicate that the project will meet its entire financial obligation, the Accumulated cash flow in the first year **US\$ 953,400** and grow up to **US\$ 5,201,924** in 5th year, refer appendix III

7.5 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under appendix IV total owners' equity of the project increases from **US\$1,455,000** at the end of first year of operation to **US \$ 5,119,424** at the end of in 5th year. Therefore; balance sheets depict a healthy financial, refer appendix IV

7.6 Projected payback period

Total investment is **US \$ 2,455,000** cash accumulation in year 3 is **US\$ 2,985,909** which is more than the initial investment costs, the project payback Period is within 3 years, refer appendix V

8.0. Economic Aspects

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

- The project is an ideal option for utilization of the existing market
- The project will significantly contribute in increase of quality avocado products available in Tanzania
- The project will create direct employment for 25 people on permanent contract basis leave alone temporary employees.
- It will create more business opportunities to local suppliers, which will also have a trickledown effect in the Tanzania economy as whole.
- It will generate substantial revenue to the government in the form of corporate tax paid, value-added tax and pay as you earn etc.
- The project will have transfer of knowledge and skills as far as avocado farming and pack house industry

9.0 Implementation Schedule

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of serviced furnished apartment will be completed within two years: –

LUKOSI HASS FARMS LIMITED PROJECT IMPLEMENTATION

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	July 2025
2	Construction	October 2025– October 2028
3	Procurement furniture and other facilities	December 2028
4	Recruitment	January 2030
5	Testing business and in house training	January – April 2030
6	Commercial operations	May 2030

10.0 Conclusion and Recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended 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 and Special Economic Zones Authority Act.

LUKOSI HASS FARMS LIMITED COST STRUCTURE US\$

Land and Buildings	400,000
Machinery & Equipment	1,200,000
Motor Vehicles	150,000
Furniture & Fixtures	5,000
Pre exp	20,000
Others	80,000
Working Capital	600,000
TOTAL	2,455,000

LUKOSI HASS FARMS LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5
Revenue	3,750,000	3,937,500	4,134,375	4,341,094	4,558,148
Operating Expenses:	2,437,500	2,559,375	2,687,344	2,821,711	2,962,796
Profit before Depreciation &Interest	1,312,500	1,378,125	1,447,031	1,519,383	1,595,352
Interest	80,000	64,000	48,000	32,000	16,000
Depreciation	35,500	35,500	35,500	35,500	35,500
Gross Profit	1,197,000	1,278,625	1,363,531	1,451,883	1,543,852
Tax (30%)	359,100	383,588	409,059	435,565	463,156
Profit After Tax	837,900	895,038	954,472	1,016,318	1,080,696
Accumulated Profit	837,900	1,732,938	2,687,409	3,703,727	4,784,424

LUKOSI HASS FARMS LIMITED PROJECTED CASH FLOW US\$

SOURCES:		1	2	3	4	5
Profit before interest and depreciation	-	970,200	1,018,710	1,069,646	1,123,128	1,179,284
Equity	335,000					
Loan	1,000,000					
Total Sources	1,335,000	970,200	1,018,710	1,069,646	1,123,128	1,179,284
Applications:						
Capital expenditure	985,000	-	-	-	-	-
working Capital &Others	350,000					
Cash	-	708,990	738,147	769,002	801,639	836,149
Tax	-	261,210	280,563	300,644	321,488	343,135
Sub total	1,335,000	970,200	1,018,710	1,069,646	1,123,128	1,179,284
Total applications	1,335,000	970,200	1,018,710	1,069,646	1,123,128	1,179,284
Accumulated cash		708,990	1,447,137	2,216,139	3,017,778	3,853,927

LUKOSI HASS FARMS LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets		1	2	3	4	5
Opening balance	-	1,755,000	1,719,500	1,684,000	1,648,500	1,613,000
Additions	-					
Total Long-term Assets	-	1,755,000	1,719,500	1,684,000	1,648,500	1,613,000
Less depreciation	-	35,500	35,500	35,500	35,500	35,500
Closing balance	-	1,719,500	1,684,000	1,648,500	1,613,000	1,577,500
Working capital	700,000	700,000	700,000	700,000	700,000	700,000
Accumulated cash	-	708,990	1,447,137	2,216,139	3,017,778	3,853,927
Total assets	700,000	3,128,490	3,831,137	4,564,639	5,330,778	6,131,427
Financed by						
Equity	1,455,000	335,000	335,000	335,000	335,000	335,000
Accumulated profit	-	837,900	1,732,938	2,687,409	3,703,727	4,784,424
Total equity	1,455,000	1,172,900	2,067,938	3,022,409	4,038,727	5,119,424
Long term loan	1,000,000	800,000	600,000	400,000	200,000	-
Bank overdraft	-	-	-	-	-	-
Total debts	1,000,000	800,000	600,000	400,000	200,000	-
Total equity and debts	2,455,000	1,972,900	2,667,938	3,422,409	4,238,727	5,119,424

LUKOSI HASS FARMS LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Year	principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
1	200,000.00	80,000.00	280,000.00	1,000,000.00
2	200,000.00	64,000.00	264,000.00	800,000.00
3	200,000.00	48,000.00	248,000.00	600,000.00
4	200,000.00	32,000.00	232,000.00	400,000.00
5	200,000.00	16,000.00	216,000.00	200,000.00

LUKOSI HASS FARMS LIMITED PROJECTED FIXED ASSETS US\$

NAME OF ASSETS	1	2	3	4	5
Land And Buildings	400,000	392,000	384,000	376,000	368,000
Machinery, Tools & Equipment	1,200,000	1,188,000	1,176,000	1,164,000	1,152,000
Motor Vehicles	150,000	135,000	120,000	105,000	90,000
Furniture & Fixtures	5,000	4,500	4,000	3,500	3,000
Total	1,755,000	1,719,500	1,684,000	1,648,500	1,613,000
DEPRECIATION	1	2	3	4	5
Land and buildings	8,000	8,000.00	8,000.00	8,000.00	8,000.00
Machinery tools & Equipment	12,000	12,000.00	12,000.00	12,000.00	12,000.00
Motor Vehicles	15,000	15,000	15,000	15,000	15,000
Furniture & Fixtures	500	500.00	500.00	500.00	500.00
ANNUAL DEPRECIATION	35,500	35,500	35,500	35,500	35,500