

TOMATO PRODUCTION AND PROCESSING

MOZAMBIQUE, GAZA, CHOCKWE, CHILEMBENE



Maputo, January 2020

PROJECT LOCATION

Mozambique

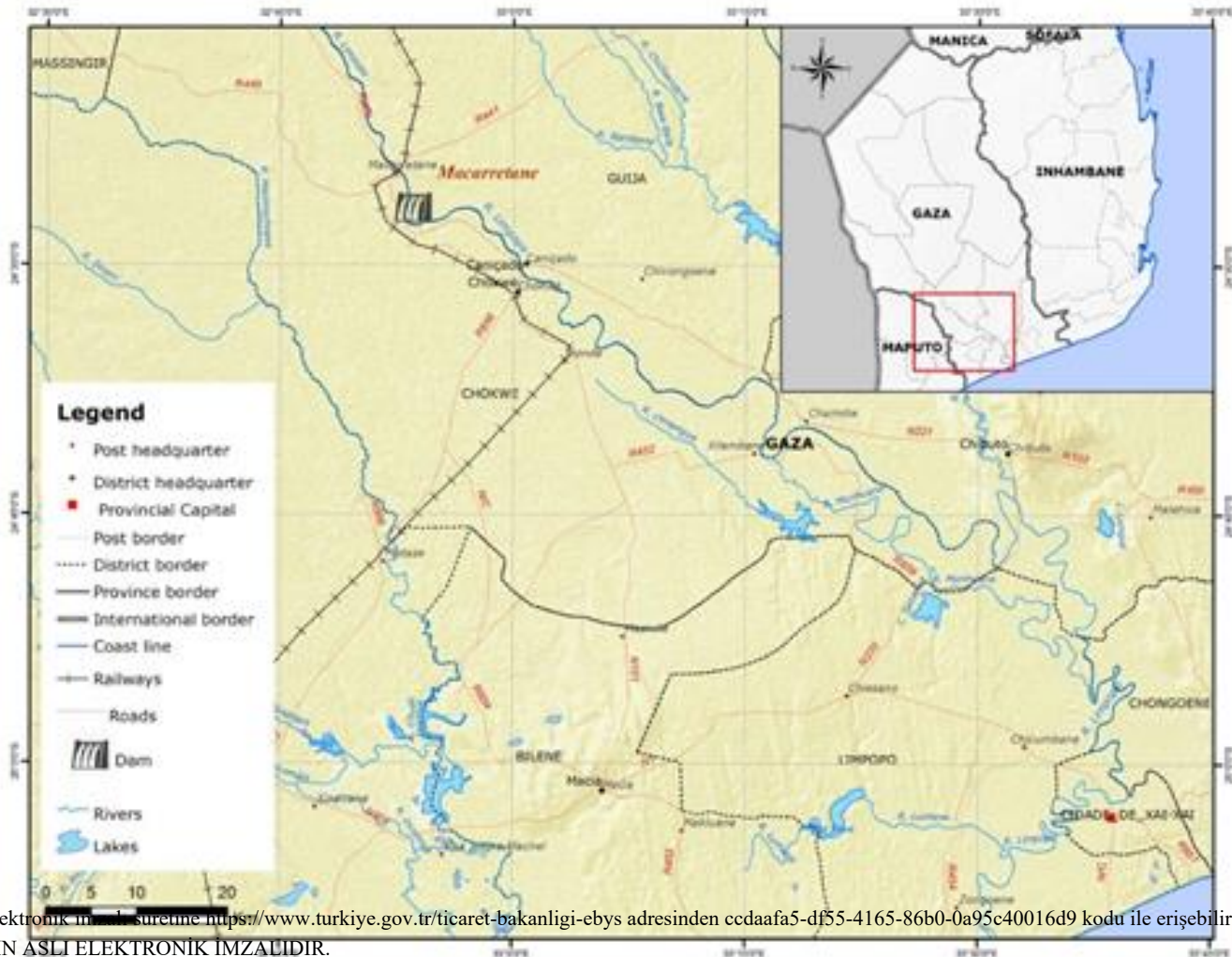


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BELGENİN ASLI ELEKTRONİK İMZALIDIR.

PROJECT LOCATION (Cont.)

Location: Chilembene, Chockwe District, Gaza, Mozambique

Distance from Maputo (Capital): aprox. 220 Km



KEY STAFF AND RESPONSABILITIES

- **Gregorio Tiago Januario (Director):**

- ❖ is the mentor and will be the general coordinator of all agriculture and industrial activities. Will be the liaison person and coordinator among the equipment suppliers, civil works contractors, training team from the main equipment suppliers and know how transfer to national employees.

- ❖ The main promoter of this project has been involved for more than 20 years in processing of fruits and vegetables to produce jams, alcohol, canned vegetables, etc.

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KEY STAFF AND RESPONSABILITIES (Cont.)

- **Carlos Barnabe Zandamela (Agriculture Adviser):**

- ❖ to advise the board of directors on all matters related to agriculture production and irrigation scheme. Also he will coordinate the selection process for all specialists and agriculture workers needed for the project.
- ❖ His long experience in working with communities in the Chockwe irrigation scheme where the project is located, will be critical in assisting the project with liaison with the smallholders farmers and to advise on the best outgrowing strategy to be implemented with the local small farmers for the benefit of the project and to the communities.

PROJECT OBJECTIVES

- Produce and Process fresh tomato into tomato paste
- **Specific Objective (1)**
 - ❖ Agriculture production of tomato, fruits and vegetables in the own land (700 hectares).
 - ❖ Outgrowing of tomato, corn, beans and wheat through the small farmers (additional of 4,300 Hectare)
 - ❖ Buy 500 Tons of fresh tomato / day as raw material.
- **Specific Objective (2)**
 - ❖ Process fresh tomato into tomato paste (60-80 Tons/ day)
 - ❖ Make canned vegetables and fruit pulp
- **Specific Objective (3)**
 - ❖ Sell the tomato paste, fresh tomato, corn, beans and wheat in the national, regional and international markets
 - ❖ Sell the canned vegetables and fruit pulp to local market.

PROJECT IMPACT

- Contribution to the commercial balance of the country, through imports replacement (reduction) and increase in the exports.
- The plant will minimize loss of fresh tomato from the local farmers and communities which happens every year because of lack of refrigeration facilities for the fresh tomato.
- Positive impact to beneficiaries, including the local small farmers and families: 6,000 people (Women 3 600 and Youth 4,800).
- The smallholder farmers will be trained to grow high quality and high yield tomato to supply the factory. They will increase their household income and life quality: 200 small farmers, representing 1 000 people (Women 600 and Youth 500).

PROJECT IMPACT (Cont. 1)

- Their sons and daughters will get employment in the processing side and in the mechanized agriculture on the lands belonging to the project.
- The project will promote good education, entertainment and health for local communities and for the plant and agriculture workers in particular.
- Tomato is rich in antioxidants and one tablespoon has 3% to 6% of recommended daily value of iron, potassium and B vitamins.
- All tomato paste consumed in Mozambique is imported and with high cost, mainly for the poor. The project will provide access to tomato paste to much more people at affordable prices.

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*BELGENİN ASLI ELEKTRONİK İMZALIDIR.

PROJECT IMPACT (Cont. 2)

- The plant will add value to the local raw material allowing good selling prices to the local small farmers, contributing to household income improvement.
- The local employment to be generated by the project will also benefit the local communities and will increase their life standard. The project will employ around 1,000 people (of which 200 direct employments). Also, expects 2,000 employments created in the out growers side.
- The local communities will benefit from high quality tomato paste for their food security and with increased income they will be able to buy other high quality food products to improve their food dietary and health.

PROJECT IMPACT (Cont.3) GENDER AND ENVIROMENTAL

- The project has **strong gender impact**. Besides the involvement of women in all its value chain, including in the management positions, the project is owned by Women in 20%.
- The **environmental management plan** will be part of the ESIA being elaborated. All possible negative or positive impacts will be accurately assessed at that stage.
- One of the mitigation strategies consists in the wastewater treatment and solid waste recycling to be reused in the operations. The project will include a composting facility that will transform the different waste into natural/ organic fertilizers in order to minimize the use of chemicals.

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BELGENİN ASLI ELEKTRONİK İMZALIDIR.

PRODUCTS AND SERVICES

- The project will produce fresh tomato, with rotation crops: corn, beans and wheat.
- Around 500 Tons of fresh tomato/ day (90,000 Tons/ Year) will be processed into tomato paste to generate around 12,600 Tons/ year (70 Tons/ day) of output.
- The project will produce packages, consisting of cans, sachets, drums, etc. The tomato paste will be packaged and sold mainly in cans and drums.
- The national sales will represent 10%-20% of the total sales and other 80%-90% for export in the neighbor countries in the SADC region and other countries in Africa and other continents.
- The project will also provide transport and logistics services

THE MARKET

- The investment in production and processing of tomato paste is a very big opportunity as the country does not have any Tomato Processing Plant. All tomato paste consumed in Mozambique is imported.
- The competition will be almost zero, only foreseeing imports which we expect to overcome along the time as there will be a shift from imports to domestic purchase by the current main importers.
- The local market absorption is very high as all the country is consuming imported tomato paste at very high prices. Also, the international market is available and we expect to supply Southern Africa and other continents.

7. MARKET ANALYSIS (Cont.):

- The regional market in Southern Africa Region (SADC) is promising.
- The majority of SADC countries depend on imports of both fresh tomato and tomato paste and other byproducts.
- South Africa (SA) is importing majority of the tomato paste from China and Italy. It packages it in cans and sachets and exports back to SADC.
- SA is also importer of Fresh Tomato for processing mainly from Italy and Zimbabwe.
- The other crops (corn, beans and wheat) has large demand in both national and regional markets. The World Food Program (WFP) is one of the largest buyer of corn and beans for their emergency programs across the world.

Financial Projections

- Total Project Investment Plan

INVESTMENT AND FUNDING PLAN

- All figures are in US Dollar

Description	Total	%	Equity	Loans
Tomato Processing	23,364,420	63%	6,100,000	17,293,220
Buildings	6,400,000		5,000,000	1,400,000
Equipment	15,350,000			15,350,000
Intangible Assets	1,125,000		581,780	543,220
Working Capital	489,420		518,220	-
Agriculture equipment	9,500,000	26%	1,000,000	8,500,000
Transport	1,250,000	3%	1,250,000	
Packaging production equipment	3,000,000	8%	2,547,966	452,034
TOTAL	37,114,420	100%	10,897,966	26,245,254
			29%	71%

Financial Projections

- Agriculture Production

INVESTMENT AND FUNDING PLAN

Description	Total Value
TANGIBLE ASSETS	8,371,800
Buildings	2,250,000
Equipment	6,121,800
INTANGIBLE ASSETS	625,000
WORKING CAPITAL	503,200
TOTAL INVESTMENT	9,500,000

DEBT SERVICE

Description	
Loan amount	8,500,000
Interest Rate	3.0%
Tenor/ Term	15
Grace Period (Years)	3
Payment (PMT) (Average/ Year)	734,142
Interest (Average/ Year)	167,476
Capital Repayment (Average/ Year)	566,667

REMUNERATION OF EQUITY PARTNERS

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Description	
Equity Injected	1,000,000
Entrance Premium (5%) - Year 1	50,000
Remuneration (8%) - Year 1 to Year 15	80,000
Exit Premium (5%) - Year 15	50,000

INCOME STATEMENT

Description	Average/ Year	% of Sales
Revenues	16,016,066	100%
Cost of Sales	8,004,949	50%
Gross Margin	8,011,117	50%
Other Costs	2,171,051	14%
EBITDA	5,840,065	36%
Amortizations and Depreciations	169,833	1%
EBIT	5,670,232	35%
Loan Interest	167,476	1%
Remuneration of Equity	0	0%
Earnings Before Tax	5,502,756	34%
Tax	1,570,605	10%
Net Profit	3,932,151	25%

CASH FLOW STATEMENT

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Description	Average/ Year	% of Sales
Operating Cash Flow	4,269,460	27%
Cash Flow from Investments	599,787	-4%
Cash Flow from Financing	100,809	-1%
<i>Cash and Equivalents</i>	3,568,865	22%
Opening Cash and Equivalents Balance	22,757,294	142%
<i>Closing Cash and Equivalents Balance</i>	26,326,159	164%

FEASIBILITY INDICATORS AND RATIOS



Internal Rate of Return (IRR)	34%	> DR
Net Present Value (NPV)	25,151,417	> 0
Profitability Margin (PM)	25%	> 0%
Payback (Years)	4	< 15
Gross Profit Margin	50%	Average/ Year
Net Profit Margin	25%	Average/ Year
ROA	13%	Average/ Year
ROE	34%	Average/ Year

Financial Projections

- Tomato Processing

INVESTMENT AND FUNDING PLAN

Description	Total Value
TANGIBLE ASSETS	21,750,000
Buildings	6,400,000
Equipment	15,350,000
INTANGIBLE ASSETS	1,125,000
WORKING CAPITAL	489,420
TOTAL INVESTMENT	23,364,420

DEBT SERVICE

Description	
Loan amount	17,264,420
Interest Rate	3.0%
Tenor/ Term	15
Grace Period (Years)	3
Payment (PMT) (Average/ Year)	1,491,122
Interest (Average/ Year)	340,161
Capital Repayment (Average/ Year)	1,150,961

REMUNERATION OF EQUITY PARTNERS

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Description	
Equity Injected	1,100,000
Entrance Premium (5%) - Year 1	55,000
Remuneration (8%) - Year 1 to Year 15	88,000
Exit Premium (5%) - Year 15	55,000

INCOME STATEMENT



Description	Average/ Year	% of Sales
Revenues	13,509,072	100%
Cost of Sales	6,785,233	50%
Gross Margin	6,723,839	50%
Other Costs	1,090,016	8%
EBITDA	5,633,824	42%
Amortizations and Depreciations	264,333	2%
EBIT	5,369,490	40%
Loan Interest	340,161	3%
Remuneration of Equity	0	0%
Earnings Before Tax	5,029,329	37%
Tax	1,428,569	11%
Net Profit	3,600,760	27%

CASH FLOW STATEMENT

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Description	Average/ Year	% of Sales
Operating Cash Flow	4,205,254	31%
Cash Flow from Investments	1,525,000	-11%
Cash Flow from Financing	66,506	0%
<i>Cash and Equivalents</i>	2,746,760	20%
Opening Cash and Equivalents Balance	19,054,460	141%
<i>Closing Cash and Equivalents Balance</i>	21,801,221	161%

FEASIBILITY INDICATORS AND RATIOS



Internal Rate of Return (IRR)	15%	> DR
Net Present Value (NPV)	13,962,476	> 0
Profitability Margin (PM)	7%	> 0%
Payback (Years)	10	< 15
Gross Profit Margin	50%	Average/ Year
Net Profit Margin	27%	Average/ Year
ROA	9%	Average/ Year
ROE	15%	Average/ Year

CONCLUSIONS

- The project is technically, economically and financially feasible, since it presents viability indicators within the acceptable parameters.
- The project presents systematically positive net incomes; it adds value to its proponents through a positive net present value and recovers the investment within the project time horizon.
- Taking into account the fiscal benefits (import duties exemptions and corporate income tax reduction via tax credits and accelerated amortizations, etc.) that the project will enjoy, the project will become even stronger and economical and financially viable and stable.

CONTACTS

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THANK YOU!

MUITO OBRIGADO!