

ZAMBIA TOMATO PROCESSING PROJECT



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I. Executive Summary

The Zambia Tomato Processing Project (ZTPP) entails the establishment of a modern tomato processing plant in Monze in the Southern Province of Zambia and collection depots countrywide at a **total cost of US\$5 million**. The processing plant will produce an average of **10,000 tonnes of tomato paste** per annum, that will be sold in the local, regional and international markets. The ZTPP falls under the agro processing sub sector, within the Manufacturing Sector, which is one of the priority sectors in Zambia. The Government of the Republic of Zambia (GRZ), through the Zambia Development Agency (ZDA) Act No 11 of 2006, has put in place both fiscal and non-fiscal incentives and measures in a bid to attract Foreign Direct Investment (FDI) in Zambia.

The main driver of the ZTPP is the increasing demand for tomato paste in the global market, arising from the increase in population growth and the general rise in consumer interest in tomato products due to their health benefits. Tomato paste is one of the essential cooking ingredients, which is consumed by a large number of people worldwide hence an increase in population results in a rise in its demand. Overtime, consumer tastes have also evolved, with more inclination towards healthy foodstuffs such as tomatoes.

Tomato is one of the most important crops in Zambia grown in large quantities both commercially and on small-scale. Therefore, the supply of fresh tomatoes to the processing plant will not be a challenge. ZTPP will sign supply contracts with various tomato farmers nationwide. Supply contracts with small-scale farmers will be signed under out grower scheme arrangements through various **Small-Scale Farmer Clusters**. This is intended to ensure a steady supply of fresh tomatoes to the processing plant. The contracted farmers would be required to deliver tomatoes to strategic designated collection points. The collection points will be installed with high tech storage facilities for preservation of collected tomatoes. This is intended to guarantee the supply of tomatoes to the processing plant even during off-season periods, to ensure continuous processing through out the year.

The timing of the establishment of ZTPP is appropriate given that the GRZ policies are supportive for FDI, labour is readily available and affordable and there are numerous fiscal and non-fiscal incentives that investors in the agro processing sub sector would access.

In order to establish and operationalize the project, Private Investors are invited to invest US\$5 million for 100% shares in ZTPP in the form of Equity Finance. GRZ, through the Ministry of Trade Commerce and Industry (MTCI), ZDA and Ministry of Agriculture and Livestock (MAL) will facilitate the investment and assist the Investor to establish the ZTPP. The establishment of ZTPP will be **completed and commissioned within 12 months.**

Once operational, ZTPP is projected to generate an **average annual turnover of US\$11 million** during the first five years. The net profit margin is projected to increase from 11% in year 1 to 20% in year 5. The Internal Rate of Return (IRR) is projected to be **30%** and the payback period is estimated to be **5** years.

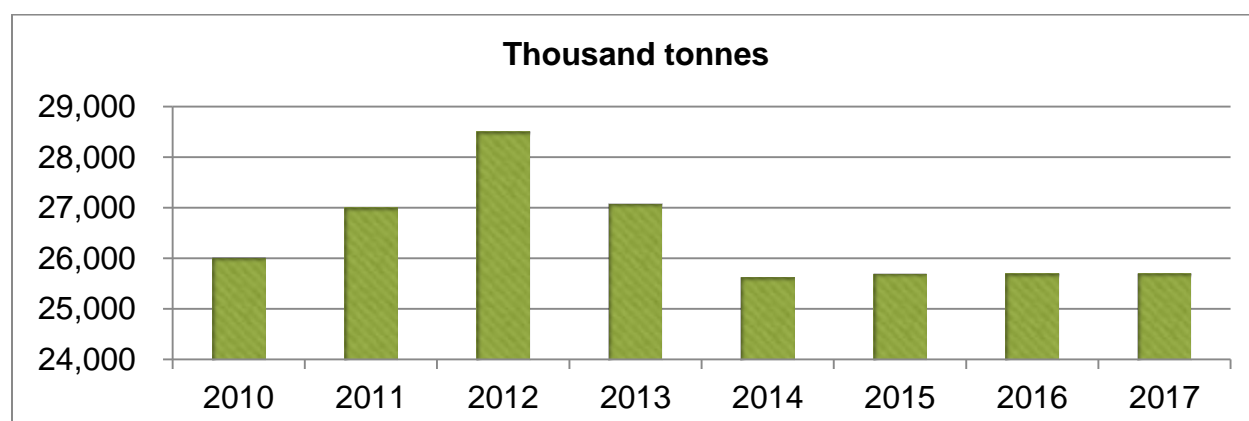
II. Project Description

A. Background and Overview

The ZTPP is primarily dependent on the availability of large quantities of tomatoes at affordable prices in every part of Zambia. Tomatoes are grown through out the year in Zambia. However, highest yields are obtained in the dry season under irrigation and lowest during the rainy season from end of October to the end of March.

According to **Food and Agriculture Organisation Corporate Statistical Database (FAOSTAT) of the United Nations** Report 2017, the production of tomatoes in Zambia, has been fluctuating between 25,000 tonnes and 28,000 tonnes per annum between 2010 and 2017 as shown on Fig 1 below.

Fig 1: Tomato Production Levels in Zambia



Source: FAOSTAT Report 2017

The production by small-scale farmers has been unstable and affected by poor cultivation techniques, diseases and harmful insects. Some small-scale farmers have also not consistently produced tomatoes because of high post harvest losses due to inadequate processing facilities in Zambia. This presents an opportunity for Private Investors to set up a processing plant that will turn tomatoes into paste and help farmers minimize post harvest losses, since tomatoes that would otherwise rot would be used to make value added products. Tomato paste requires a large quantity of tomatoes to

make. Tomatoes contain approximately 95% water and 5% solids or sugar. Therefore in order to produce 10,000 tonnes of tomato paste, a lot of tomatoes are required.

The ZTPP is largely driven by the lucrative investment opportunities that tomato processing presents to investors, given the increase in the global demand for tomato paste.

B. Product/service description

The ZTPP processing plant will use fresh tomatoes to produce tomato paste for the local, regional and international markets. Large quantities of tomatoes globally are processed into tomato paste, which is subsequently used as an ingredient in many food products, sauces, mainly soups and ketchup.

There are two type of tomato paste, namely **Hot Break (HB)** and **Cold Break (CB)**, and they are used to make different end products. The difference between the two types of tomato paste arises because of the way they are processed.

Hot Break Tomato Paste

In order to make HB tomato paste, the fresh tomatoes are heated immediately after chopping to a very high temperature (ranging from 85 to 95 degrees Celsius). HB paste is usually used for ketchup and different types of tomato sauce requiring a 28% - 30% of solid material (also known as Brix).

Cold Break Tomato Paste

CB tomato paste requires the fresh chopped tomatoes to be heated at a lower temperature (ranging from 65% to 75% degrees Celsius). CB paste is mainly used for triple concentrate paste at 36% to 38% Brix and it is packaged for domestic use.

ZTPP will produce both HB and CB in proportion that are in line with target market demand and requirements. The packaging will also depend on the requirements in various markets, with packaging for the local market done in small containers whilst that

for the regional and international markets will be in the form of bulky packaging in large containers. In the first five years, ZCPP will focus on the processing of tomato paste only, with a possibility of expanding into processing of other value added tomato products in the future.

Tomatoes are a major source of the antioxidant lycopene, which has been linked to many health benefits, including reduced risk of heart disease and cancer. Tomatoes are a great source of vitamin C, potassium, folate and vitamin K.

C. Project delivery and plan

Project delivery

The ZTPP will be implemented through a Special Purpose Vehicle (**the Company**), which will be owned by Private Investors or a single Private Investor. The first step towards the project delivery is the incorporation of the Company, with the Patents & Companies Registration Agency (PACRA).

This will be followed by registration with Zambia Revenue Authority (ZRA) for tax identification number and obtaining of all relevant permits to operate a tomato processing plant. This process normally takes two to four weeks. It is therefore imperative for all legal incorporation documents and licenses and permits for the Company to be in place before the project is operationalized.

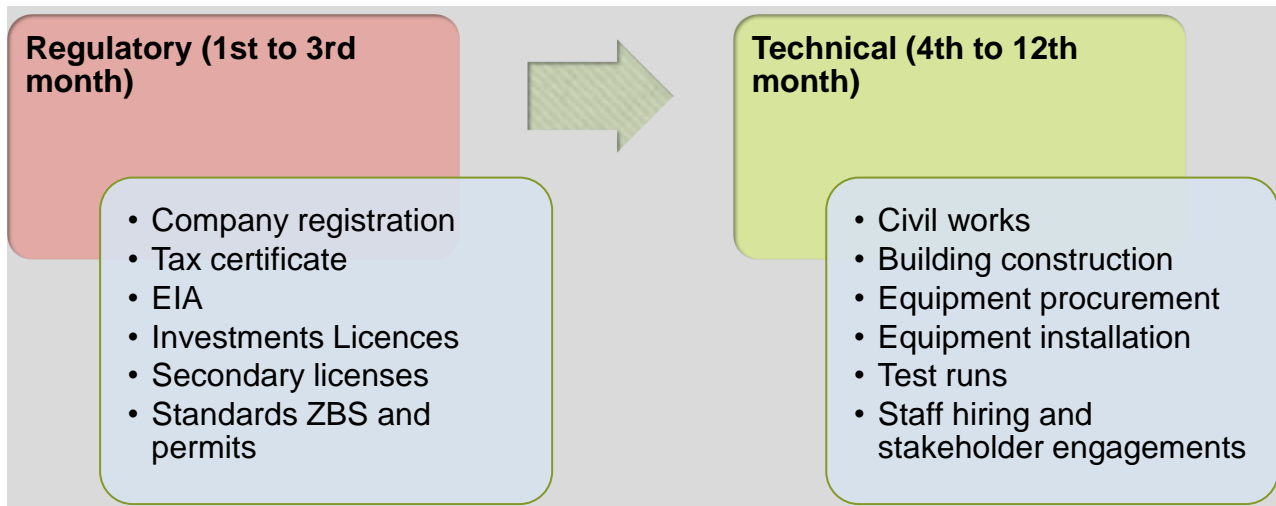
The ZDA will also play a part in facilitating the delivery of the project through the issuance of an Investment Licence to the company. In order to access certain incentives such as tax exemptions and rebates, a company registered in Zambia is required to obtain an investment licence from ZDA.

Zambia has stringent regulations pertaining to the environmental issues. The regulatory authority charged with the responsibility of protecting the environment called the Zambia Environmental Management Agency (ZEMA) has to give a no objection decision

towards the implementation of the project. Therefore, an Environmental Impact Assessment (EIA) has to be undertaken prior to the actual project implementation. The EIA is an assessment of the impact of the project on the environment particularly pollution of the water and air before physical implementation can commence.

The project delivery plan will be split into two phases, with phase one focusing on the incorporation of the Special Purpose Vehicle and all project legal and regulatory matters while phase two will focus on technical construction matters, staffing and commissioning of the plant. The two phases and their respective time lines are illustrated in Fig 2 below

Fig 2: Project Implementation phases and time lines



The production process will commence after 12 months and when the commissioning of the processing plant is complete after an Investor has been found.

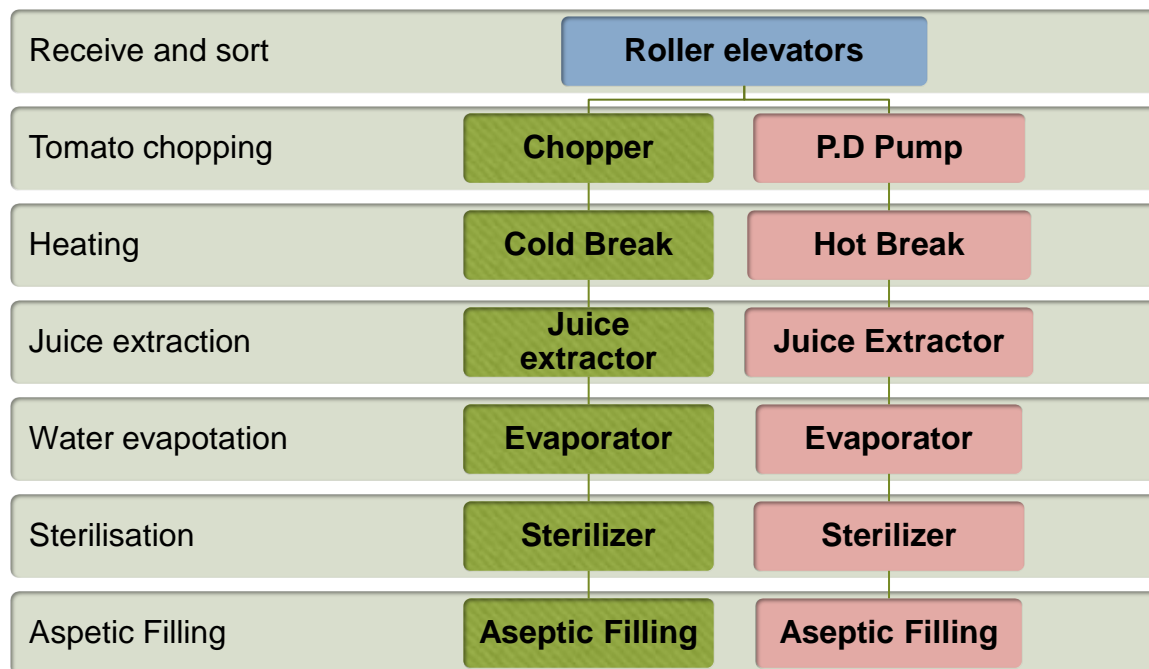
D. Technology and equipment considerations

The processing of tomato paste is energy and capital intensive and it requires a constant supply of fresh tomatoes and the processing line should constantly operate at maximum capacity. If the production capacity drops below a certain minimum threshold, or even production is not taking place all day every day, then production has to stop completely to allow for cleaning of all machinery. Stopping production is costly and it can lead to a lot of wastage of tomatoes, especially with regard to the tomatoes in the

facility in various stages of production. The ZTPP will install a modern tomato production line that is energy efficient and environmentally friendly.

The production of tomato paste involves various stages ranging from, receiving of fresh tomatoes, sorting, chopping, heating process, juice extraction, evaporation, sterilization and aseptic packaging. The ZTPP will have two distinct tomato paste processing lines, one for processing Cold Break Paste and another one for Hot Break Paste. The ZTPP tomato paste process line that would be installed as well as the requisite technology and equipment is summarized in Fig 3 below.

Fig 3: Tomato Paste Production Line and Equipment



- **Receive and sort** – Fresh tomatoes are delivered at the processing plant, rinsed with a lot of water and then roller elevators convey them to the sorting station for sorting and grading.
- **Chopping** – Tomatoes suitable for processing are pumped to the chopping stations where they are chopped to produce pulp.
- **Heating** – The pulp is pre-heated to 65 – 75 degrees Celsius for CB processes or to 85 – 95 degrees Celsius for HB processing.

- **Juice extraction** – The pulp (consisting of fibre, juice, skin and seeds) is then pumped through an extraction unit composed of a pulper and a refiner (these are essentially large sieves). Based on customer requirements, these mesh screens will allow more or less solid material to pass through to make a coarser or smoother product respectively. Typically 95% of the pulp makes it through both screens. The remaining 5% comprised of fibre, skin and seeds, considered waste is transported out of the facility to be sold as cattle feed. At this point, the refined juice is collected in a large holding tank, which constantly feeds the evaporator.
- **Evaporation** – Evaporation is the most energy intensive step of the whole process. This is where the waste is extracted and the juice that is still only 5% solid becomes 28% to 36% concentrated tomato paste. The evaporator automatically regulates juice intake and finished concentrate output. The operator only has to be set the Brix value on the evaporator's control panel to determine the level of concentration. As the juice inside the evaporator passes through different stages, its concentration gradually increases until the required density is obtained in the final "finisher" stage. The entire concentration/evaporation process takes place under vacuum conditions at temperatures significantly below 100 degrees Celsius.
- **Aseptic filling** – The finished product will be packaged using aseptic bags, so that the product in the evaporator never comes into contact with air until it reaches the customers. The concentrate is sent from the evaporator directly to an aseptic tank – it is then pumped at a high pressure through the aseptic sterilizer –cooler to aseptic filler where it is filled into large – pre sterilized aseptic bags.

E. Key staff of the project

The key staff members that will oversee the project implementation and setting up of the ZTPP are shown on Fig 4 below.

Fig 4: Key Project Implementation Staff

Job Title	Institution	Key Responsibilities
Project Coordinator	ZDA	To ensure the successful implementation of the project and coordinate with all stakeholders.
Investments & Finance Expert	ZDA	To appraise the investment and assess the viability of the project and its returns to investors.
Legal Expert	GRZ	To advise on all legal documentation and agreements including incorporation of the company.
Trade Expert	MCIT	To ensure that all trade facilitation documents are in place, including advise on applicable incentives.
Tomato Processing Expert	Private Sector	To ensure that all industry norms and standards are adhered to and to enforce quality controls.
Tomato Sector Expert	Private Sector	To coordinate with all relevant institutions in the tomato sub sector and liaise with key stakeholders.

The key staff of the project will work closely with the GRZ to ensure that the project accesses all necessary incentives to facilitate its smooth implementation. After the successful implementation of the project at the end of the project delivery period of 12 months, the Key Project Implementation Staff will hand over the project to the Private Investor and withdraw their active participation in the project going forward. However, as and when necessary they will be available on an occasional basis to offer guidance, advice and assistance to the Private Investor when required.

F. Location and subsidiaries

The Tomato processing plant will be located in Monze in Southern Province of Zambia in order for the ZTPP to benefit from some incentives. Monze is a designated area for investment promotion and hence any firm that establishes a plant in Monze qualifies for some incentives such as a reduction in corporate income tax to 30% instead of 35%.

Fig 5 below shows the location of Monze on the Southern Province.

Fig 5: Location of Monze on the Map of Zambia



Monze is a strategic location for the project because it is close to Lusaka and Choma and it can be easily accessed from all provinces of Zambia. The road and rail infrastructure that connects Monze to Lusaka and other major towns in Zambia is well developed, sufficient and in good condition. For exports markets, the location in Monze makes it convenient to transport processed products to the regional and international markets through the port of Beira (Mozambique), Dar-Es-Salaam (Tanzania), Durban (South Africa) and Welvis Bay (Namibia).

In addition, ZTPP will establish collection depots with cold storage facilities, nationwide to facilitate the efficient and cost effective collection of fresh tomatoes for processing.

G. Organizational structure and staffing

The company will have a flat organizational structure that facilitates efficiency in terms of decision-making as shown on Fig 6 below.

Fig 6: Organisational chart



Overall, the organizational structure of the company will entail the creation of four departments as itemized below.

- **Office of the Managing Director** – This will include the Managing Director and Personal Assistants.
- **Finance Department** – The Director Budget and Finance will head the department.
- **Operations & Trade Department** – The Director Operations & Trade will head the department. This is the largest department and it will include the Production and Trade, Sales and Marketing units. The drivers and casual workers will fall under this department.
- **Administration Department** – The Director Administration will head the department and it will include procurement and human resources units.

Overall, the project will employ an estimated 150 full time staff spread across various departments as shown on Fig 7 below.

Fig 7: Number of Employees per Department

Divisions	Number of Staff
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Office of the Managing Director	4
Finance Department	8
Operations & Trade Department	100
Administration Department	38
Total	150

Social and Economic Impact

In addition to the full time employees, it is anticipated that the ZTPP will indirectly empower a large population of men, women and youth mostly in rural areas through the tomato production value chain. ZTPP will provide a guaranteed market for producers and suppliers of tomatoes thereby leading to an increase in their disposable income and improvements in their standards of living. In urban areas, employment will be created for those involved in the distribution of processed tomato products.

The ZTPP will also contribute to the rise in the Gross Domestic Product (GDP) and to inflows of foreign currency from processed tomato exports. The project will therefore have a significant social and economic impact in Zambia.

H. Legal structure

A Private Limited Company will be incorporated in accordance with the **Companies Act (No.26 of 1994) of the Republic of Zambia**. The company will have its own appropriate governance structure, which will include the Board of Directors and Management. The constitution of the board shall include representatives from the respective Private Investors. The powers of the directors as well as voting rights, together with all other standard legal covenants shall be contained in the company's Articles of Association.

In addition, if the project involves more than one Private Investor, all Private Investors involved will negotiate and sign a Shareholders' Agreement, in line with Standard Practice.

ZTPP will be a 100% privately driven project with GRZ providing support in terms of ensuring that the investment conditions and legal frameworks are conducive for doing business in Zambia.

III. The Investment Opportunity

A. The Investment proposal

The ZTPP involves the establishment of a modern Tomato processing plant in Monze, in the Southern Province, and collection depots nationwide. The project will take advantage of the excess supply of tomatoes in Zambia to produce high quality tomato paste for the local, regional and international markets.

The ZTPP will address the existing and rising global demand for processed tomato products. There is a ready and existing market with unmet demand for processed tomato products locally, regionally and internationally.

GRZ will allocate 10 acres of land in Monze, under a state lease for 99 years for the establishment of the processing plant. In addition, GRZ will also facilitate the allocation of land in strategic sites nationwide for setting up of tomato collection depots. The Private Investors will be expected to meet the cost of construction, acquisition and installations of the processing plant and all other project development costs. The total estimated costs for operationalizing the project are US\$5 million. The Private Investors will therefore be required to inject cash equity of US\$5 million in order to operationalize the project.

Zambia, as an investment destination, offers many advantages to the private investors. Some of the advantages of investing in a tomato processing plant in Zambia include the following:

- **Abundance of raw materials** – Tomatoes are available in large quantities and at affordable prices in every Province of Zambia.
- **Political stability and functioning democracy** – Generally, Zambia is a politically stable and democratic country, with stable and predictable government policies.

- **Access to regional and international markets** – The Investors will have access to regional and international markets through bilateral agreements that Zambia has entered into such as the African Growth and Opportunity Act (AGOA), Tripartite Free Trade Area (FTA), aFcta and membership to the Regional Economic Communities such as the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC).
- **Ease of doing business** – Zambia was ranked 4th in both COMESA and SADC regions and 6th in Sub-Saharan Africa, according to the World Bank Ease of Doing Business Report of 2019. This means that Investors are able to implement their investment projects hassle free and with great ease.

In addition to the numerous advantages offered by Zambia, Private Investors will also benefit from both fiscal and non-fiscal incentives associated with setting up a tomato processing plant as outlined in Fig 8 below:-

Fig 8: Benefits and incentives of establishing a cashew

Fiscal Incentives	Non Fiscal Incentives
<ul style="list-style-type: none"> • Accelerated rate of depreciation on capital equipment and machinery • 100% duty exemption on capital equipment and machinery for five years • No restrictions on funds repatriation • Low corporate income tax 	<ul style="list-style-type: none"> • Facilitation of exports by GRZ through trade agreements and linkages • Free facilitation of application of permits by GRZ • Free facilitation of application of secondary licenses through ZDA • Free assistance on registrations for utility bills

The ZTPP presents a lucrative opportunity to the investors because of the increasing demand and high prices for processed tomato products globally. It offers attractive returns, with an IRR of 30% and high growth prospects and expansion into the production of other high value processed tomato products, in the future.

B. Required financing

The total cost for the project is **US\$5 million** and the Private Investors are expected to provide equity finance. The breakdown of the US\$5 million total project investment is shown on Fig 9 below:-

Fig 9: Breakdown in the use of funds and investment

Description	Amount (US\$)
Company registration, license fees, Environmental impact Assessment fees and other project establishment fees	100,000
Construction materials and payments for land lease and to main contractors of buildings and tomato processing plant infrastructure	2,200,000
Purchase of processing equipment and installations, vehicles, tomato processing plant and office furniture and equipment.	2,000,000
Working capital for purchase of fresh tomatoes and other raw materials and operational expenditure items.	700,000
Total Cash Required	5,000,000

C. Profit analysis summary

The Project will start generating profit from the first year of operation, with **net profit margins** rising from **11%** in year 1 to **20%** in year 5 and **IRR of 30%**. The project **Pay Back Period is 5 years** and **Net Present Value (NPV) of US\$4,365,519**

The **Discounted Cash Flow (DCF) valuation of the project is US\$22,570,000**, using a discount rate of 12%, which is the average cost of funds in Zambia. Commercial banks in Zambia are currently charging interest rate around 12% per annum on United States Dollar denominated loans.

IV. Market Analysis

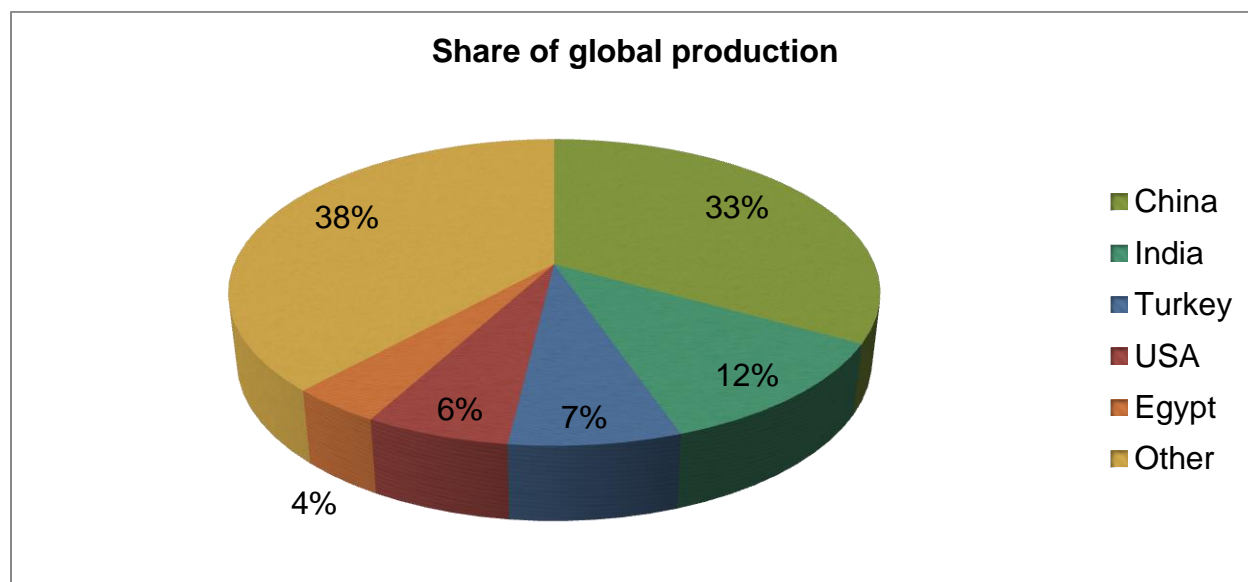
A. High-level Industry Analysis

1. Tomato production levels and trend

According to the **Index Box Report on Tomatoes, Market Analysis, Forecast, Size, Trends and Insights- 2019**, the amount of tomatoes produced globally has been increasing steadily over time from 137 million tonnes in 2017 to 188 million tonnes in 2018. It is projected that the tomato industry is likely to see a steady growth in the immediate future, underpinned by rising demand for tomato products.

China is the largest producer of tomatoes in the world, followed by India and Turkey. Fig 10 shows the share of global tomato production per country.

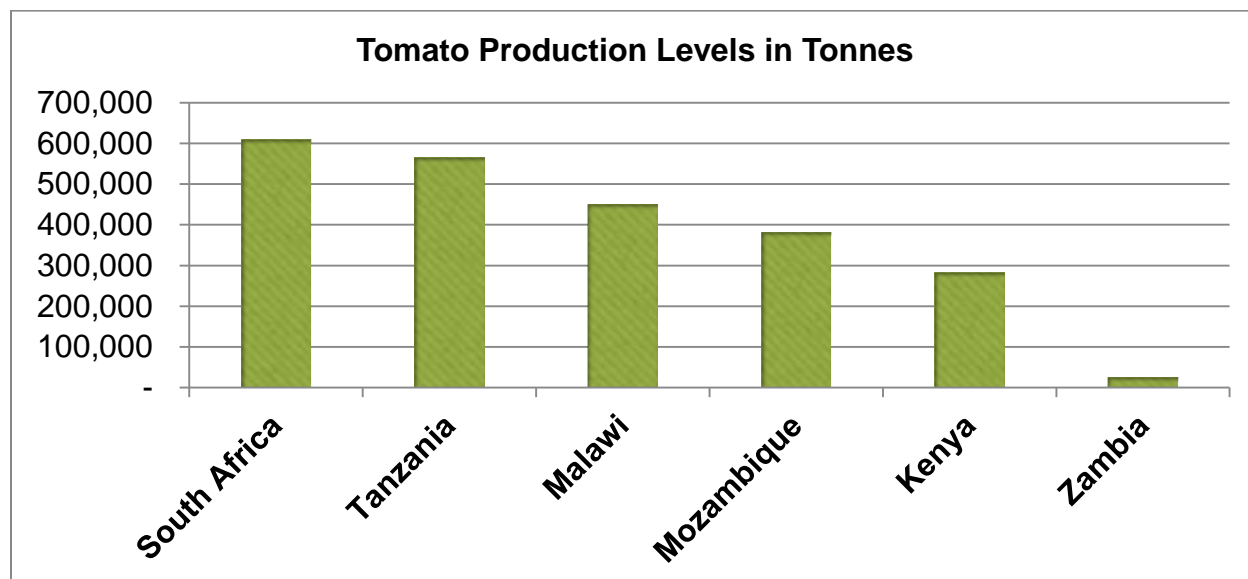
Fig 10: Share of global tomato production per country



Source: FAOSTAT Report 2017

In the Eastern and Southern Africa Region, South Africa is the dominant producer of tomatoes and tomato processed products, followed by Tanzania and Malawi as shown on Fig 11 below.

Fig 11: Tomato Production Levels in the Eastern and Southern Africa Region



Source: FAOSTAT Report 2017

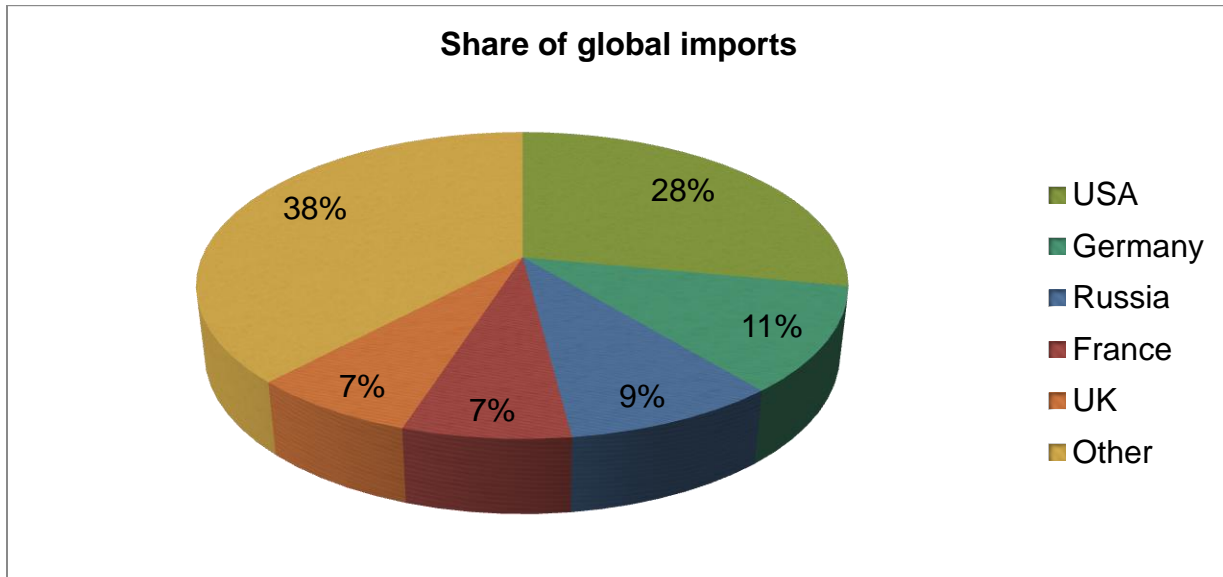
Zambia's production levels compared to other countries in the region is very small. This is mainly because farmers have been shying away from producing large quantities of tomatoes because of high post harvest losses occasioned by the lack of adequate processing facilities.

2. Tomato demand levels and trend

According to **Index Box Report on Tomatoes, Market Analysis, Forecast, Size, Trends and Insights- 2019**, the global tomato market revenue amounted to US\$190.4 billion in 2018, rising by 6.5% against the previous year. In 2018, the amount of tomatoes imported worldwide stood at 6.8 million tonnes growing by 4.7% against the previous year. In value terms, tomato imports amounted to US\$9 billion in 2018. The total import value increased at an average annual rate of +2.1% over the period from 2007 to 2018. Average tomato paste import prices stood at US\$1,331 per tonne in 2018.

In terms of consumption and imports, USA leads the market, followed by Germany and Russia. Fig 12 below shows the share of global tomato imports per country.

Fig 12: Share of global imports



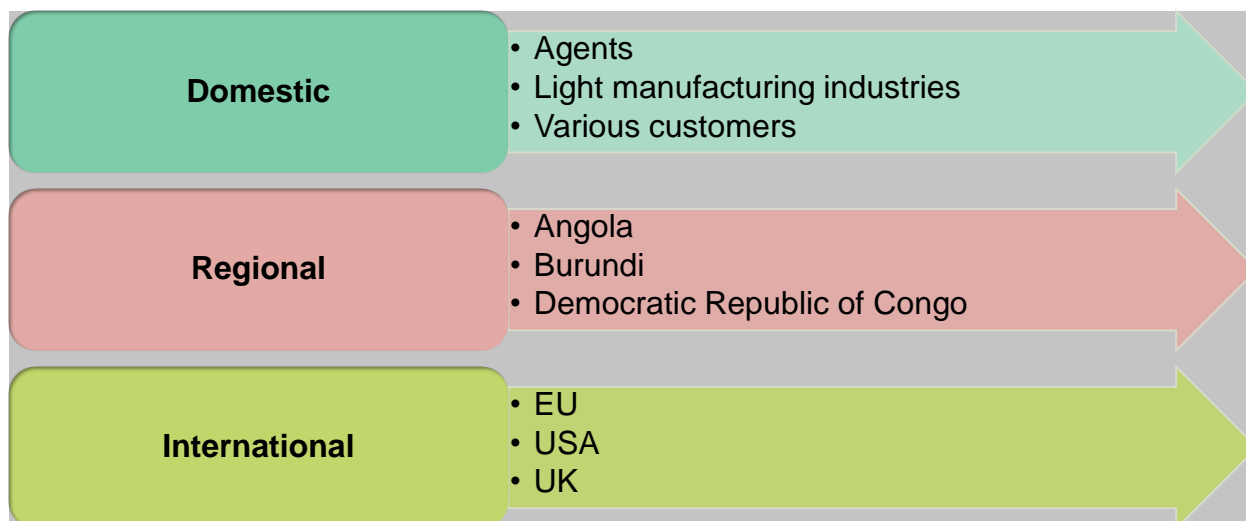
Source: World Atlas Report 2018

The market for tomato products has been growing steadily and it is expected to continue given the increasing awareness on the health benefits associated with tomato products. This rising demand for tomato products is creating a wide range of opportunities for Investors to invest in tomato processing and to capitalize on the growing unmet demand from customers worldwide.

B. Target Market of the project

The target market for ZTPP`s products is divided into three segments, namely domestic, regional and international as shown on Fig 13 below:

Fig 13: Target market segments



1. Domestic

The domestic market includes light industries in the food processing sector in Zambia that use tomato paste to produce tomato juice, sauce and other value added tomato products. It also includes various consumers who demand tomato paste for personal consumption as well as agents and traders who will buy tomato paste for resale. The domestic market is small and still at its infancy and estimated to be around 5,000 tonnes per annum and the annually growth rate is estimated to be around 2%. This is mainly because there are few light food processing industries in Zambia that process tomato paste into high value tomato products. In addition, most of the tomatoes in Zambia are consumed in their fresh and unprocessed form, as part of relish. Therefore, ZTPP will mainly focus on regional and international markets that will account for more than 80% (8,000 tonnes) of its output, with the remaining 20% (2,000 tonnes) being earmarked for the domestic market.

2. Regional

The ZTPP intends to sell 4,000 tonnes out of its 10,000 tonnes of annual output to the regional market. On the regional market, focus will be on exports to wholesalers and agents in countries in Sub Sahara Africa that have large population sizes and consume large volumes of tomato products such as Angola, Burundi and Democratic Republic of Congo. The size of the target regional market is estimated to be 150,000 tonnes per annum and its growth rate is estimated to be 3% per annum. Some of these countries

share national borders with Zambia and in terms of logistics it will be fairly easy to export the processed tomato products. In addition Zambia already has some bilateral trading arrangements with these countries and they are also part of the COMESA and SADC Region.

3. International

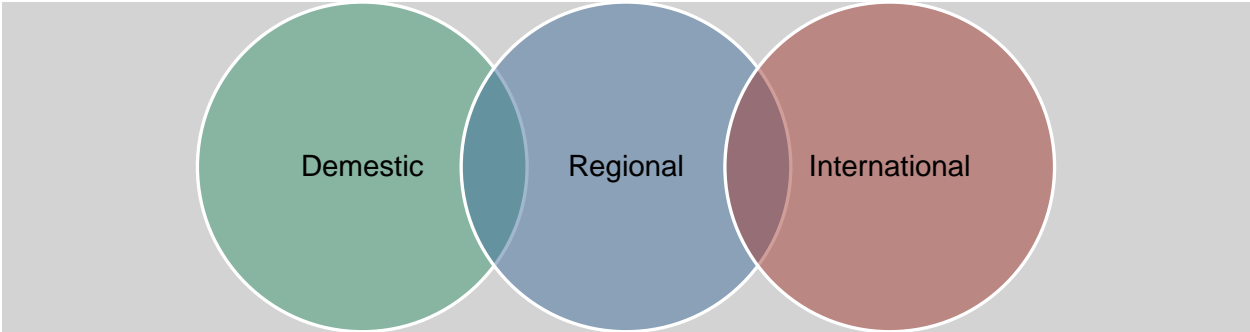
The ZTPP intends to sell 4,000 tonnes out of its 10,000 tonnes of annual output to the international market. On the international market, ZTPP will focus on wholesalers and Agents in EU countries that import high volumes of tomatoes, USA and the UK. The international market for tomato paste is very large and it is currently estimated to be in excess of 3,223,883 tonnes per annum, with an annual growth rate of 2%, according to **TomatoNews.com**, an industry website dedicated to the international trade of tomato and tomato products.

The ZTPP will target a very small percentage of the regional and international markets. This is because it will only export about 8,000 tonnes annually compared to demand levels of 150,000 tonnes and 19.4 million tonnes in the regional and international markets respectively.

C. Competition

The Competitors of the ZTPP are divided into three groups namely, Domestic, Regional and International competitors as shown on Fig 14:

Fig 14: Competitor Segments



Local Competitors

The local competitors are small companies that process tomatoes using small and unsophisticated processing plants such as the New Apostolic Church Relief Organisation, Fallsway Food Plant and Chankwakwa Limited. Their combined production capacity is estimated to be around 1,500 tonnes of processed tomatoes per year. Imports of tomato paste from South Africa and other regional countries are also direct competitors to the ZTPP.

The main weakness of the local competitors is that they do not use advanced technology for processing tomatoes and their capacities are small and hence they do not benefit from large economies of scale.

ZTPP will capitalize on large economies of scale and the linkages to be created in the entire tomato production value chain ranging from collaborations with suppliers of fresh tomatoes to strategic links with distributors, to produce high quality processed tomato paste for marketing at a competitive price to the customers.

Regional and International Competitors

The Regional competitors are mainly large companies in the African Region with major competitors being from Egypt, Tunisia and South Africa.

International competitors include suppliers of processed tomato paste from all over the world who export tomato paste to the ZTPP's target market.

The main strength of Regional and International competitors is their advanced processing plants, which result in high levels of efficiency, high quality products and competitive prices. Most of them are also large companies that enjoy economies of scale and hence they can afford to charge competitive prices for their products. In addition, they have established strong international distribution networks and branding for their products.

In order to compete effectively with competitors on the local, regional and international markets, the project will acquire and install state of art modern processing plant and pay particular attention to the quality of its products. The main differentiation strategy for the project will be anchored on quality of the products.

D. Target Market Strategy

The target market strategy is tailored to cater for the local market and the regional and international markets as outlined below.

1. Local Market Strategy

On the local market, the ZTPP will distribute its products directly to Light Manufacturing Industries in the Food Industry as well as brokers/ agents and directly to the mass market through supermarkets and retail outlets.

Supply and distribution agreements will be signed with specific supermarkets for the supply of products and payment terms and conditions agreed upon.

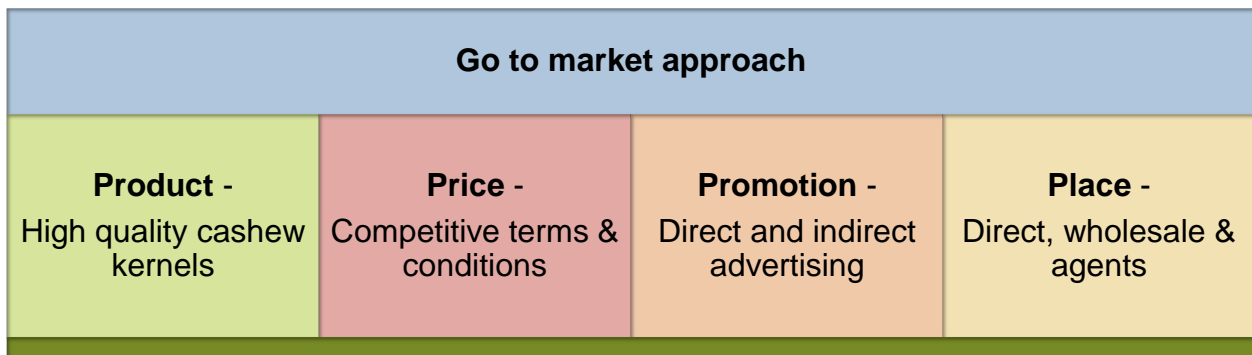
2. Regional and International Markets Strategy

On the regional and international markets, the project will target mainly wholesale customers and brokers/agents. Off take agreements will be signed with customers and processed tomato paste will be packaged to meet their respective specifications.

E. Go-to-market approach

The ZTPP's will be a member of renowned international organisation in the tomato sector such as the International Mediterranean Tomato Organisation (Amitom) based in France and the World Processing Tomato Council (WPTC), which is a Tomato Industry Governing Body. The WPTC host members from all over the world and it holds bi-annual conferences that bring together all stakeholders in the tomato paste industry. The ZTPP would capitalize on the platforms provided by WPTC and Amitom to take its products to the global market through a go to market approach and marketing strategies that primarily focus on the Product, Price, Promotion and Place as illustrated in Fig 15 below:

Fig 15: Market Approach Focus



(i) Product

The tomato paste will be of very high and consistent quality. Both CB and HB Tomato paste will be produced to meet the different needs and tastes of various customers.

(ii) Price

The products will be priced competitively in line with international prices. According to Statistica Report 2020, the current average wholesale price of tomato paste worldwide is **US\$1,350 per tonne**. This is the average price that was used to prepare the financial projections for the ZTPP. Prices vary in different countries depending on the quality and specifications of tomato paste as well as other economic conditions. Favorable payment terms (payment within 30 days from invoice date) will be negotiated and agreed with

larger customers. The payment policy to be adopted by ZTPP will be all-inclusive because different customers prefer payment options as it suits them but at the same time, ZTPP will ensure that it abides by the standard international financial rules and regulations.

(iii) Promotion

Different promotion strategies such as direct marketing, sales promotion and advertising will be used. The sales of processed products will be conducted via a combination of personal sales efforts through direct marketing and selected brokers/agents. The use of brokers and agents will be pronounced during the first year of production in order to enable the project to penetrate the market and build a large customer base. In the future, from the second year onwards, the use of brokers and agents will be minimized because this strategy tends to reduce the products` profit margins. Some of the specific promotion strategies will include, classic advertising, public relations, direct marketing and classic branding.

(iv) Place

The products will be distributed widely and extensively to the target markets through direct distribution channels as well as wholesalers and agents.

F. Risk analysis

The main risks that can threaten the project and their mitigation solutions are outlined on Fig 16 below.

Fig 16: Main Risks

Risk	Probability of Occurrence	Impact on Project	Mitigation Solution	Responsible Party for Mitigation
Low availability or production of tomatoes	Low	High	Sign agreements with various tomato farmers nationwide	Company
Disruptions in distribution chain and collection points	Low	High	Implement an efficient distribution and collection network	

Poor quality of fresh tomatoes due to diseases and pests	Medium	Medium	Capacity building of selected tomato farmers with supply contracts.	Company
Low levels of demand and decline in prices	Low	High	Signing off take and future contracts with major buyers can mitigate this.	Company
High competition due to lack of barriers to entry	Medium	Medium	Establishing a large modern technology processing plant, which will produce competitively, can mitigate this.	Company

V. Financial projections

The project's financial projections are based on the following fundamental assumptions;-

- (a) Year 1 refers to the first twelve months after completing the construction and commissioning of the processing plant. The period during which construction works are undertaken is considered as year Zero.
- (b) During the first year production is low as the company establishes itself in the market. Thereafter, production increases steadily over time in line with the rise in the awareness of the ZTPP's products by customers.
- (c) Out of the total production, 80% will be for the export market and 20% for the domestic market as shown on Fig 17 below.
- (d) The average prices and direct costs are as shown on Fig 18 below.

Fig 17: Target market quantities

Target Market	Year 1	Year 2	Year 3	Year 4	Year 5
Quantity	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
Export	5,600	6,000	6,400	7,200	8,000
Domestic	1,400	1,500	1,600	1,800	2,000
Total	7,000	7,500	8,000	9,000	10,000

The increase in volumes of production is based on the processing plant's production capacity and in line with the projected demand levels for ZTPP's products in the respective target markets as well as the current sizes of the target markets.

Fig 17: Average price and direct costs of production

Market	Unit Cost per tonne	Unit Selling Price per tonne
	US\$	US\$
Export	650	1,350
Domestic	600	1,275

The price in the domestic market is lower than in the export market because of differences in packaging and transportation costs.

Fig 19: Projected Profit and Loss Statement

Projected Profit & Loss Statement	Year 1	Year 2	Year 3	Year 4	Year 5
All figures in USD	US\$	US\$	US\$	US\$	US\$
Revenue from sales	\$9,345,000	\$10,012,500	\$10,680,000	\$12,015,000	\$13,350,000
Cost of Goods Sold (COGS)	(\$4,480,000)	(\$4,800,000)	(\$5,120,000)	(\$5,760,000)	(\$6,400,000)
Gross operating profit	\$4,865,000	\$5,212,500	\$5,560,000	\$6,255,000	\$6,950,000
<i>Gross operating profit margin</i>	52%	52%	52%	52%	52%
Salaries	(\$949,250)	(\$995,585)	(\$1,042,308)	(\$1,115,933)	(\$1,189,661)
Fixed costs (Sales, General & Administration)	(\$1,910,000)	(\$1,273,250)	(\$1,510,000)	(\$1,524,500)	(\$1,510,000)
Net operating profit (EBITDA)*	\$2,005,750	\$2,943,665	\$3,007,692	\$3,614,567	\$4,250,339
<i>EBITDA margin</i>	21%	29%	28%	30%	32%
Depreciation	(\$593,750)	(\$1,039,063)	(\$794,922)	(\$627,441)	(\$486,206)
Earnings before Interest & Tax (EBIT)	\$1,412,000	\$1,904,603	\$2,212,770	\$2,987,126	\$3,764,133
Tax due	(\$423,600)	(\$571,381)	(\$663,831)	(\$896,138)	(\$1,129,240)
Net Earnings	\$988,400	\$1,333,222	\$1,548,939	\$2,090,988	\$2,634,893
<i>Net Profit margin</i>	11%	13%	15%	17%	20%

Retained earnings will be invested in the expansion of the plant after five years to produce other value added products.

Fig 20: Projected Balance Sheet

Projected Balance Sheet	Year 1	Year 2	Year 3	Year 4	Year 5
All figures are in USD	US\$	US\$	US\$	US\$	US\$
ASSETS					
Current Assets					
Cash in bank	\$502,835	\$2,747,311	\$4,838,364	\$7,176,177	\$10,041,659
Accounts Receivable	\$2,157,534	\$2,311,644	\$2,465,753	\$2,773,973	\$3,082,192
Total current assets	\$2,660,369	\$5,058,955	\$7,304,117	\$9,950,149	\$13,123,851
Long Term Assets					
Property, Plant, Machinery & Equipment	\$4,156,250	\$3,117,188	\$2,447,266	\$1,944,824	\$1,458,618
Total long term assets	\$4,156,250	\$3,117,188	\$2,447,266	\$1,944,824	\$1,458,618
TOTAL ASSETS	\$6,816,619	\$8,176,142	\$9,751,383	\$11,894,973	\$14,582,469
LIABILITIES					
Current Liabilities					
Accounts Payable	\$368,219	\$394,521	\$420,822	\$473,425	\$526,027
Long Term Liabilities					
Long term debt	\$0	\$0	\$0	\$0	\$0
TOTAL LIABILITIES	\$368,219	\$394,521	\$420,822	\$473,425	\$526,027
SHAREHOLDER FUNDS (EQUITY)					
Paid in capital	\$5,460,000	\$5,460,000	\$5,460,000	\$5,460,000	\$5,460,000
Retained earnings	\$988,400	\$2,321,622	\$3,870,561	\$5,961,549	\$8,596,442
TOTAL SHAREHOLDER FUNDS	\$6,448,400	\$7,781,622	\$9,330,561	\$11,421,549	\$14,056,442
TOTAL LIABILITIES + EQUITY	\$6,816,619	\$8,176,142	\$9,751,383	\$11,894,973	\$14,582,469

Fig 21: Projected Cash Flow Statement

Cash Flow Statement	Year 1	Year 2	Year 3	Year 4	Year 5
All figures in USD	US\$	US\$	US\$	US\$	US\$
Cash Flow from Operations					
Net Operating Profit (EBITDA)	\$2,005,750	\$2,943,665	\$3,007,692	\$3,614,567	\$4,250,339
Change in Working Capital					
(Increase) / decrease in accounts receivable	(\$2,157,534)	(\$154,110)	(\$154,110)	(\$308,219)	(\$308,219)
Increase / (decrease) in accounts payable	\$368,219	\$26,301	\$26,301	\$52,603	\$52,603
Net change in working capital	(\$1,789,315)	(\$127,808)	(\$127,808)	(\$255,616)	(\$255,616)
Tax	(\$423,600)	(\$571,381)	(\$663,831)	(\$896,138)	(\$1,129,240)
Total cash flow from Operations	(\$207,165)	\$2,244,476	\$2,216,053	\$2,462,813	\$2,865,483
Cash Flow from Investing					
Sale of assets	\$0	\$0	\$0	\$0	\$0
Capital expenditure	(\$4,750,000)	\$0	(\$125,000)	(\$125,000)	\$0
Total cash flow from Investing	(\$4,750,000)	\$0	(\$125,000)	(\$125,000)	\$0
Net cashflow before finance	(\$4,957,165)	\$2,244,476	\$2,091,053	\$2,337,813	\$2,865,483
Cash Flow from Financing					
Equity in	\$5,460,000	\$0	\$0	\$0	\$0
Dividends paid	\$0	\$0	\$0	\$0	\$0
Total cash flow from Financing	\$5,460,000	\$0	\$0	\$0	\$0
Total Cash Flow	\$502,835	\$2,244,476	\$2,091,053	\$2,337,813	\$2,865,483
Cash in Bank at year end	\$502,835	\$2,747,311	\$4,838,364	\$7,176,177	\$10,041,659

