

BUSINESS PLAN
for
For Avocado and Mango Value
chain in the Vhembe District



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Background

Project promoters had a vision to promote rural agriculture for Vhembe District

Creating a continuous sustainable amount of jobs while benefiting the poorest of the poor.



Identified the top grafting of the existing fruit trees, Avocados & Mangoes, growing at the homes of people living in the rural areas, where the soil is excellent and well suited for commercializing the trees.

Background- continue

The project is aligned to the Limpopo Employment, Growth and Development Plan (LEGDP) for 2009 to 2014

- Poverty alleviation to people in the rural nodes
- Provide a sustainable income base to the poorest of the poor
- Build in the project plan substantial capacity building and skills development



Background- continue

The project is aligned to the Limpopo Employment, Growth and Development Plan (LEGDP) for 2009 to 2014

- Adhere to Governments Green Economy by utilizing the Green Resources as a sustainable commercial asset
- Persevere of our nature and environment for our future generations.
- Create sustainable 131 job opportunities and create wealth for hundreds of the people in the rural areas.

Background- continue

- Top grafting of existing avocado and mango trees, home grown not productive for commercial uses.
- By top grafting - commercially productive varieties
- Creating sustainable jobs from the start of the project.
- The project will start off initially as a purely agricultural job creation initiative.
- This will entail cutting down and top grafting the commercially non-productive trees and creating self-sustainable agricultural project.



Background- continue

Objective of the project;

- Homestead trees productive to create an income for the poor families
- Identified varieties for the export markets and commercial oil production.
- Create employment and use the multiplier effect through the value chain
- Skills transfer for a sustainable commercial venture
- Capacity building
- Contribute to the Green Economy
- Poverty alleviation



Background- continue

Social Profile of the Region

The 33% of the households earning less than R1000 per month

60% of the households earn less than R2500 per month.

Communities depending very strongly on Government with 51% of the economic contribution is for Community Services.

2006	RSA	Limpopo	Vhembe
1 Agriculture	2.7%	4.4%	5.3%
2 Mining	7.9%	26.8%	3.5%
3 Manufacturing	18.2%	4.5%	5.7%
4 Electricity	2.2%	3.3%	2.0%
5 Construction	2.6%	3.0%	3.7%
6 Trade	13.9%	13.4%	13.3%
7 Transport	9.5%	4.7%	5.4%
8 Finance	22.0%	8.0%	9.8%
9 Community services	21.0%	31.8%	51.4%
Total Industries	100.0%	100.0%	100.0%

Economic contribution per sector for the region

Source: Global Insight

Background- continue

Justification

Benefit to beneficiaries:

Income base:

	Year 4	Year 5	Year 6	Year 7	Year 8
NP/Loss - Main Co-op	1 301 586	1 377 483	1 633 254	1 964 139	2 115 210
NP/Loss - Village Co-op's	151 852	160 706	190 546	229 150	246 775
Annual Income for Villages	12 983 400	13 740 300	16 291 350	19 592 550	21 099 600
Total Benefit to beneficiaries	15 890 275	16 816 679	19 938 951	23 979 127	25 823 569

131 Jobs

Skills development

Capacity Building

Utilize natural resources more productively

Green Economy

Project Vision

The project vision is to create wealth to the people from their existing resource base of avocado and mango trees.

Project Mission

The project mission is to turn a million unproductive fruit trees in community homesteads to productive commercial viable fruit trees in the next ten years.



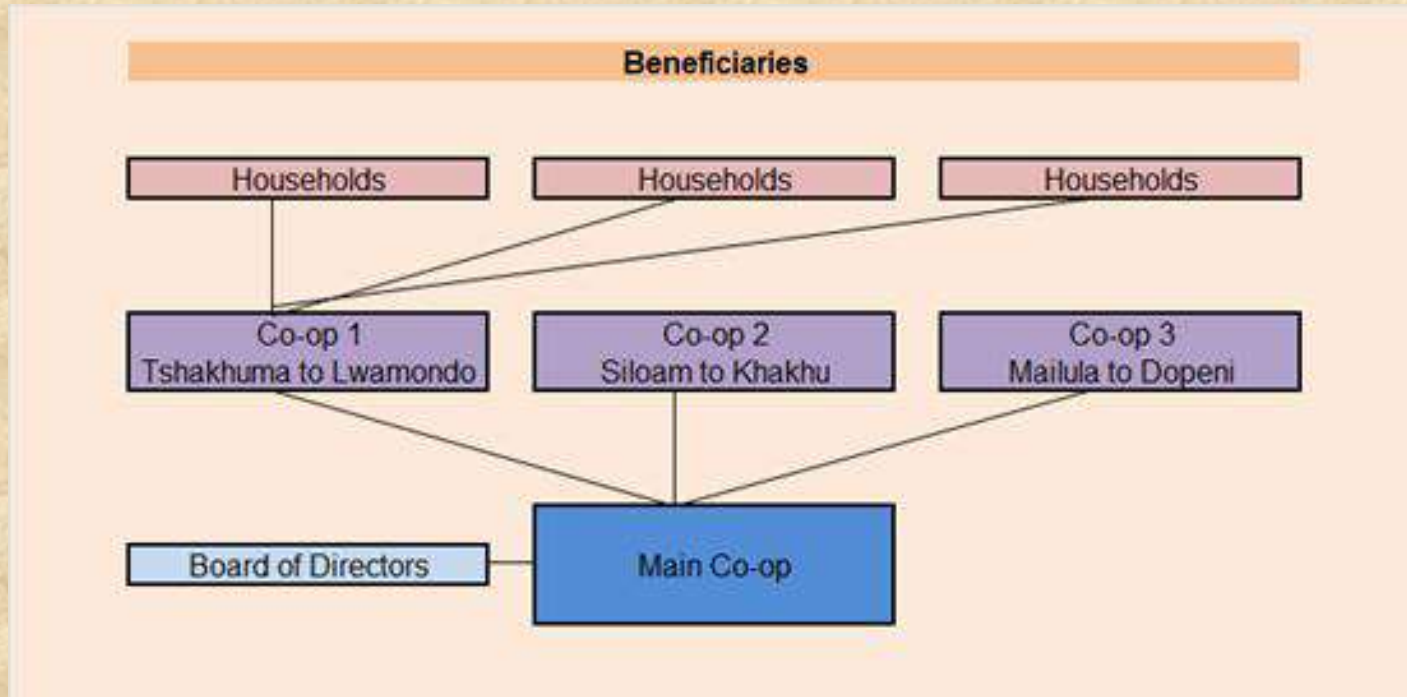
Financial Need

	Total	Year 1	Year 2	Year 3
NP/Loss - Main Co-op	-26 346 695	-7 864 123	-9 975 066	-8 507 506
NP/Loss - Village Co-op's	-1 623 606	-509 990	-540 590	-573 025
Capex - Capital costs	-11 062 950	-6 862 950	-4 200 000	
Annual Income in co-op	-39 033 250	-15 237 063	-14 715 656	-9 080 532

The project would need Government assistance for the first 3 years after which the project will become self-sustainable. The funding which is needed from Government is for the first 3 years operational and implementation cost as well as the capital expenditure and training.

Governance

Legal Framework



Main Co-op will be directed by the Board of Directors which will have representatives from:

Village Co-operatives

Project Promoters and Managers

Private Sector

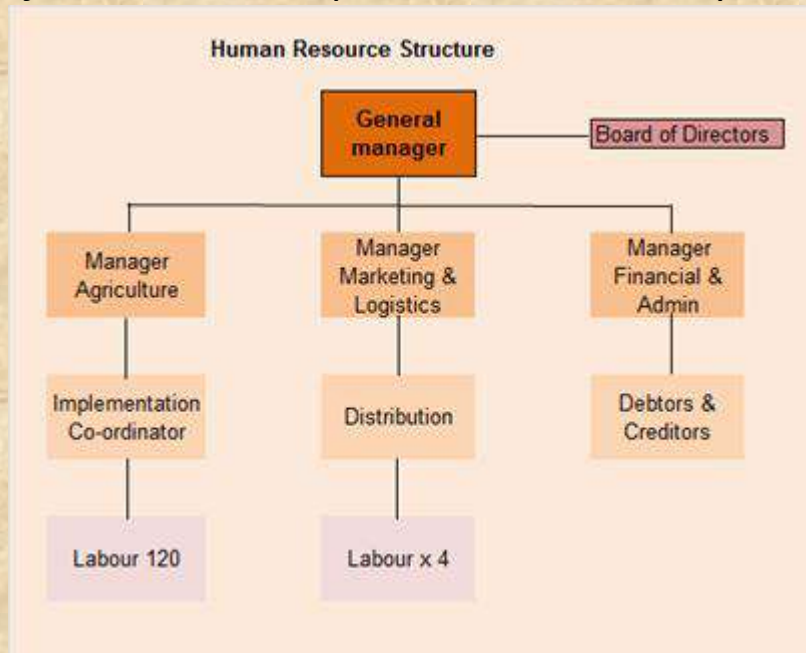
Department of Agriculture

Management

The project promoters will sign a management agreement with the Main Co-op which will include a performance agreement.

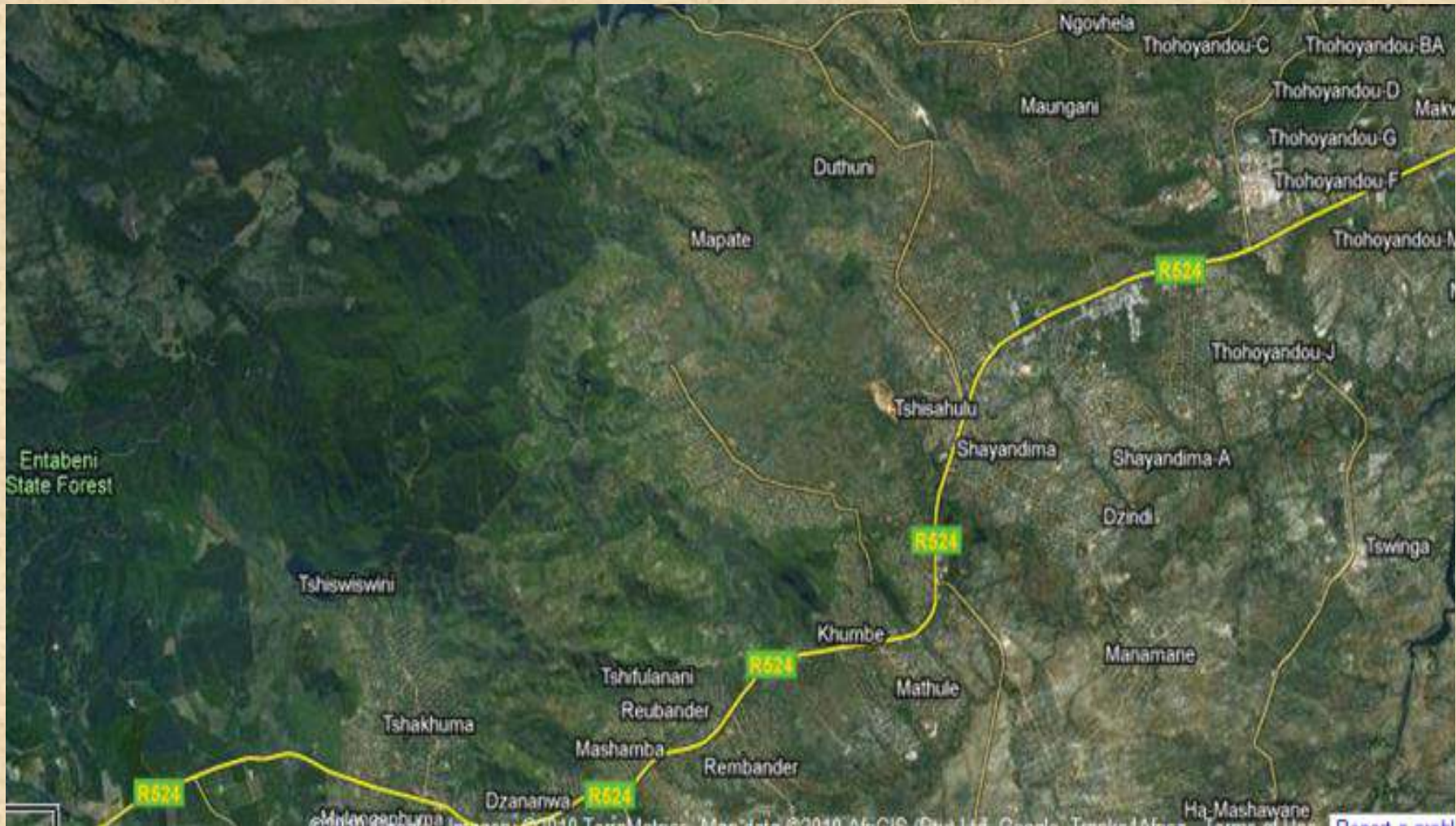
Specialised Oil will take the strategic lead in the final planning and implementation of the project. They have a long relationship with the communities in the region and active in the avocado and mango industry for the last 40 years.

Specialised Oil's have strong business experience, systems and technical skills in place to drive the project with the implementation and operating the project.



Location

The project is located at Tshakuma and Tsianda which were identified where the project should start. The villages are about 70km from the town of Makhado and about 30km from Thohoyandou.



Implementing Process

Community members identifying mango and avocado trees in their respective communities.

Step 1 Tree being cut at chest height



Step 2 wait about 3 months for new shoots



Implementing Process

Step three is to graft new varieties onto the new shoots



Implementing Process

Within a year the new grafted variety is growing strong on the old unproductive tree



Implementing Process

The implementation will take place with 24 teams with 3 workers in each team that do the cutting of the trees. These teams can do 8 trees per day. With 260 days per annum they will cut 49920 trees per annum.

A team of 24 workers will each do the grafting of new varieties on the new shoots and will each do 8 trees per day which will cover 49920 trees cut.

The spraying in the second year will be done by 24 workers and the same for the third year.

Labour		
Duties	No of groups	No of workers
Cutting down a tree		
3 Workers per group	24	72
Grafting		
1 Worker per group	24	24
Spraying		
1 Worker per group	24	24
Total employed		120

Financials

CAPITAL REQUIREMENTS AND BUDGETED CASH FLOW									
Main Co-operation	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Turnover					21 693 100	22 958 050	27 220 900	32 735 650	35 253 500
Cost of Sales					15 185 170	16 070 635	19 054 630	22 914 955	24 677 450
Gross Profit					6 507 930	6 887 415	8 166 270	9 820 695	10 576 050
Operational Cost		4 371 347	4 633 628	4 911 645	5 206 344	5 509 932	6 533 016	7 856 556	8 460 840
Admin		218 567	231 681	245 582	260 317	275 497	326 651	392 828	423 042
Audit fees		43 713	46 336	49 116	52 063	55 099	65 330	78 566	84 608
Marketing		218 567	231 681	245 582	260 317	275 497	326 651	392 828	423 042
Bank charges		87 427	92 673	98 233	104 127	110 199	130 660	157 131	169 217
Insurance		87 427	92 673	98 233	104 127	110 199	130 660	157 131	169 217
Electricity		218 567	231 681	245 582	260 317	275 497	326 651	392 828	423 042
Telephone		262 281	278 018	294 699	312 381	330 596	391 981	471 393	507 650
Transport		1 180 264	1 251 079	1 326 144	1 405 713	1 487 682	1 763 914	2 121 270	2 284 427
Salaries		1 748 539	1 853 451	1 964 658	2 082 538	2 203 973	2 613 206	3 142 622	3 384 336
Maintenance		305 994	324 354	343 815	364 444	385 695	457 311	549 959	592 259
Production Costs		3 492 776	5 341 438	3 595 861					
Cutting Down - Running cost		1 098 240	1 098 240						
Grafting cost		675 916	675 916						
Spraying - Chemicals			147 763	295 526					
Spraying - Running cost			549 120	1 098 240					
Maintenance - Chainsaw		111 820	111 820						
Maintenance - Handsaw		85 363	85 363						
Maintenance - Spraying			36 441	72 883					
Wages - Cutting down trees		1 217 050	1 217 050						
Wages - Grafting		304 387	405 850	101 462					
Wages - Spraying			1 013 875	2 027 750					
Net Profit	-26 346 695	-7 864 123	-9 975 066	-8 507 506	1 301 586	1 377 483	1 633 254	1 964 139	2 115 210

Financials

Village Co-operation	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Turnover					15 185 170	16 070 635	19 054 630	22 914 955	24 677 450
Cost of Sales					14 425 912	15 267 103	18 101 899	21 769 207	23 443 578
Gross Profit					759 259	803 532	952 732	1 145 748	1 233 873
Operational cost		509 990	540 590	573 025	607 407	642 825	762 185	916 598	987 098
Admin		25 500	27 029	28 651	30 370	32 141	38 109	45 830	49 355
Audit fees		5 100	5 406	5 730	6 074	6 428	7 622	9 166	9 871
Marketing		25 500	27 029	28 651	30 370	32 141	38 109	45 830	49 355
Bank charges		5 100	5 406	5 730	6 074	6 428	7 622	9 166	9 871
Insurance		10 200	10 812	11 461	12 148	12 857	15 244	18 332	19 742
Electricity		25 500	27 029	28 651	30 370	32 141	38 109	45 830	49 355
Telephone		30 599	32 435	34 382	36 444	38 570	45 731	54 996	59 226
Transport		142 797	151 365	160 447	170 074	179 991	213 412	256 647	276 387
Salaries		203 996	216 236	229 210	242 963	257 130	304 874	366 639	394 839
Maintenance		35 699	37 841	40 112	42 518	44 998	53 353	64 162	69 097
Net Profit	-1 623 606	-509 990	-540 590	-573 025	151 852	160 706	190 546	229 150	246 775

Financials

Capex	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Capital on initiation		-5 262 950	-3 600 000						
Chain Saws		158 400							
Spraying Knapsack		199 200							
Protective Clothing		115 350							
Skills Development		3 600 000	3 600 000						
3 Buildings		600 000							
4 Office Furniture		80 000							
Vehicle		250 000							
3 Motor Bikes		60 000							
4 Computers		80 000							
4 Computer Software		120 000							
Nursery		-1 600 000	-600 000						
Start up cost		1 000 000							
Running cost		600 000	600 000						
Capital to inject	-11 062 950	-6 862 950	-4 200 000						
GRAND TOTAL	-39 033 250								
	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
NP/Loss - Main Co-op	-26 346 695	-7 864 123	-9 975 066	-8 507 506	1 301 586	1 377 483	1 633 254	1 964 139	2 115 210
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Capex - Capital costs	-11 062 950	-6 862 950	-4 200 000						
Annual Income in co-op	-39 033 250	-15 237 063	-14 715 656	-9 080 532	1 453 438	1 538 189	1 823 800	2 193 289	2 361 985
Annual Income for Villages					12 983 400	13 740 300	16 291 350	19 592 550	21 099 600

Conclusion

Adhere to Governments call to create;

- Sustainable jobs in the rural areas,
- projects to align themselves to the Green Economy
- Capacity building to ensure self-sustainability,
- Skills development in the appropriate technical field,
- Alleviate poverty and create wealth on a sustainable basis in the rural communities.

The project requests in this light Government to fund the project to the benefit of the people.

Way Forward

Actions:

Project promoters:

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Actions Government:

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Thank You