

Business Plan

Khariep Fish Factory

May 2012

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1. EXECUTIVE SUMMARY

1.1. Ownership of the Project

Xhariiep Fish Factory was established in 2012 and is owned by Xhariiep Fish Farmers Association (40%), Management Company (40%) and Econofish/Government (20%). The company was established to beneficiate the fish harvest produced by fish farmers in the Province of the Free State. This is the initiative of the Department of Agriculture and Rural Development to fast track food security, poverty alleviation, rural development and job creation.

1.2. Other participating Associates

Kopanong Local Municipality in conjunction with Xhariiep District Municipality donated two hectares of land for the development of the fish processing factory. The Department of Agriculture and Rural Development in the Free State Province, funded the establishment while been assisted by Econofish Industries and their associates in operationalizing the initiative.

1.3. Developmental costs

The funding of the plant is broken down as follows:

Development of property

Equipment and Machinery

Initial working and operating capital

Administration and marketing

Training, supervision and monitoring

1.4. Purpose of the initiative

Food security is increasingly a much debated subject all over the world. The world is looking at innovations that will make this mammoth task achievable. While we acknowledge inequalities that exist in the entire globe, we should also acknowledge that food costs are reaching rocket heights. These trends leave underdeveloped and developing nation with little options regarding food security.

South Africa is no different from this world phenomenon. Elements such as global warming, poverty, unemployment and sky rocketing inflation are contributory factors to this problem. We have noted in recent years that government is launching strategies for rural development. In not so long period, the president of the country is edging the business sector to participate in the job creation drive. It is off course a well known fact that agriculture is the corner stone of our economy. According to Statistics SA' data released on the 22 February 2011 the economy of the country is growing by 4.4%.The major drivers for the growth being mining and agriculture. The report indicates growth in agriculture of 12.5%.

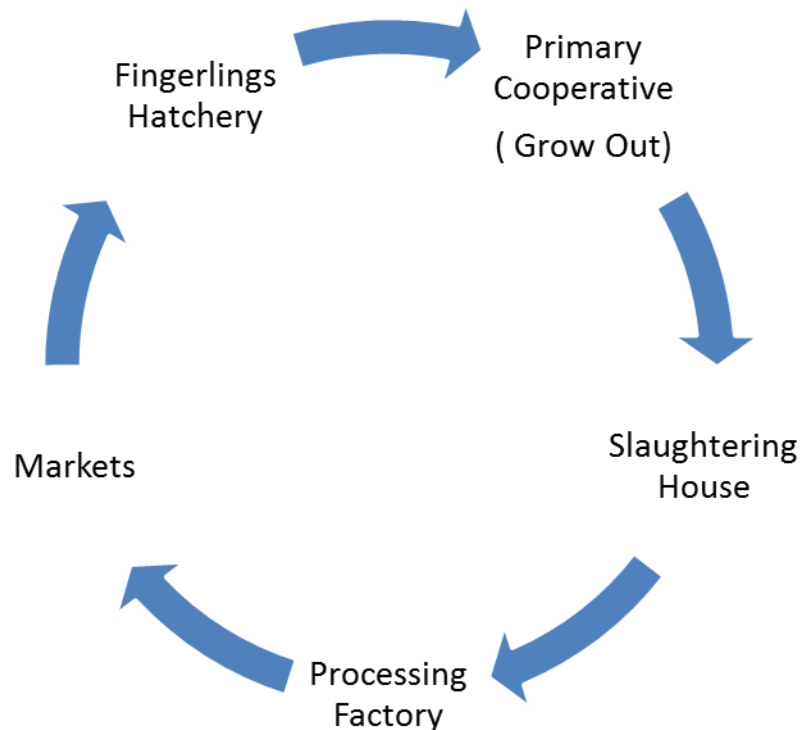
1.5. The Aquaculture development

The Department in partnership with Econofish Industries and other associates conducted a study in the Xhariep District after which a Xhariep District Aquaculture Master Plan was developed. The master plan covers the following areas:

- The results of the research
- Breeding of fish
- Establishment of Grow-out fish plants
- Establishment of fish processing plant
- Capacity Building
- Marketing and Distribution

Reference is also given to a document that provides for identified aquaculture zones in the Free State that will form part of the roll-out of this project.

2. Supply Chain of Production for the purpose of this project



2.1. Stage One: Breeding and Supply of fingerlings

The supply of fingerlings for catfish and tilapia will be obtained from the following sources:

- Gariiep Dam Chinese/ SA hatchery
- Gariiep Old hatchery – Operated by Econofish

- Bothaville Breeding Station – Operated by NAMPO Secondary School
- University of Limpopo Breeding Station
- Any other private breeder

2.2.Stage Two: Supply of fish for Slaughtering

Different species will be supplied by the following dependencies:

- Existing fish plants in Zastron, Koffiefontein, Bethulie, Petrusburg, Fauriesmith and Koffiefontein
- Existing facility at NAMPO
- Existing fish farms in and around South Africa
- Informal fish harvesters

2.3.Stage Three: Processing of fish products

Fish products will then be processed at Xhariep Fish Factories and such products will include but not limited to:

- Canned fish
- Fish Fillets
- Fish Cakes
- Smoked fish
- Fish Patties
- Fish nuggets
- Fish fingers

Other by-products such as heads, intestines and tails will be beneficiated to produce fish meals. Catfish skins will be exported for the production of hand bags and other stuff. All products will be packaged at the processing plant

2.4.Stage Four: Marketing and Distribution of finished goods

Finished products will be distributed from the plant by own staff and others by logistics companies. Targeted markets include amongst others; chain stores, government institutions, community project, etc.

Pre operation contracts will be concluded on behalf of Xhariep Fish Factory by the appointed implementing agent.

3. Market Research and Analysis

3.1. Local usage of catfish

Catfish is an indigenous species in the province and is found in all rivers running through the province. As a result of its presence, catfish is generally harvested by formal and informal harvesters. According to the study conducted by Gels Legacy Academy, it was found that locals in Xhariep district use to a greater extent catfish meals. There are however skeptical locals who associate the species to superstitious beliefs.

Several catfish tasting sessions were held in Qwaqwa, Botshabelo, Sp and Gariep Dam. The catfish products were acceptable to persons in all classes. Catfish products such as fried fillets,

fish cakes and fish mince were appreciated by the majority.

3.2. Tilapia

Tilapia is generally a red listed species in the Free State. This is very popular fish in the northern provinces and is accepted in general as a fish meal. Even though tilapia is listed in the province, its products are found in all retail stores. Therefore, tilapia is not foreign to the South African consumers.

3.3. Trout

Trout is a very prestigious meal and is used in major restaurants and sold in all chain stores. The product is also exported to the European Union on a large scale. Trout will be harvested from the eastern part of the Free State in conjunction with existing fish farmers.

3.4. Other Spices

All other consumable spices farmed and harvested in the province will be processed at the plant and be distributed as per demand.

4. Market Readiness

The market has already been identified at the following institutions and companies:

- Department of Correctional Services
- Department of Health
- Massmart Chain Stores
- Durban Fisheries

A marketing official is tasked with the duty to conclude pre- production contract and such will be concluded before the end of June 2013.

5. The Plant drawings

5.1. Area summary in meters

Processing Plant	20 x 30 meters
Processing area	15 x 15 meters
Cold Storage	15 x 6 meters
Store Room	10 x 3,7 meters

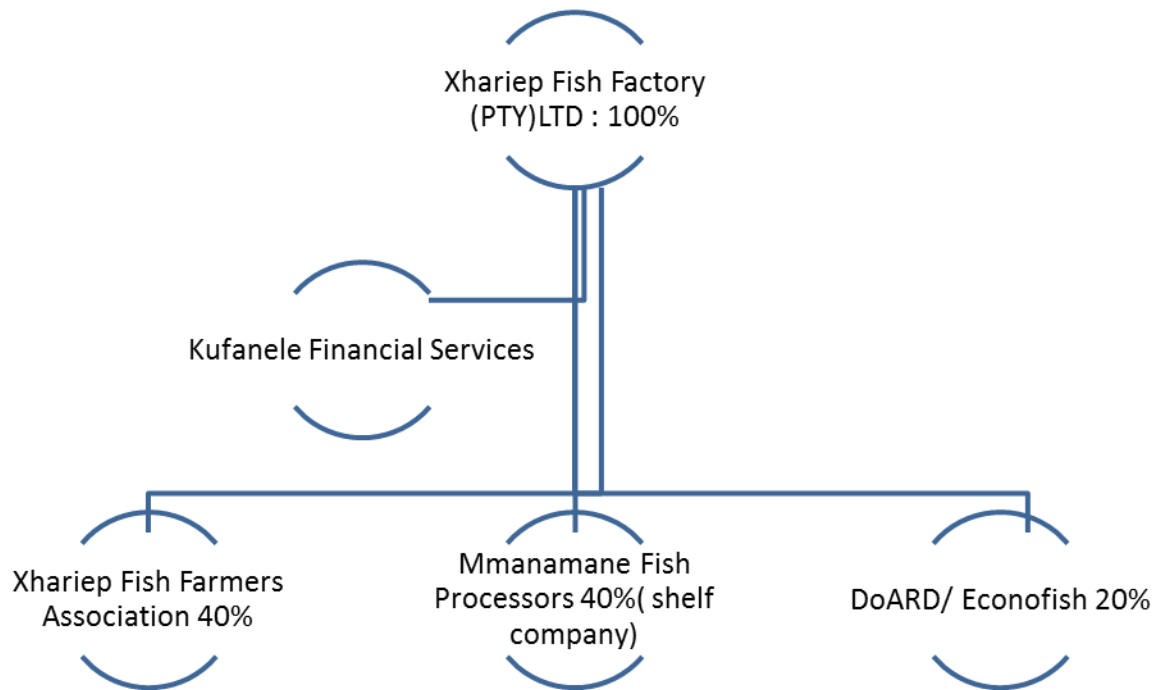
5.2. Features in detail: See attached drawing

- 5x Offices
- 1x Store Rooms
- 3x Cold Storage
- 1x Processing Area
- 1x Packaging Room
- 1x Staff Room
- 2x Ablution Facilities
- 2x Packing Bays

6. BUSINESS DETAILS

Full Name	Xhariiep Fisheries
Company Registration	
Postal address	
Street address	
Web address	
CEO & Contact person	
Contact details	
Cell	
Tel:	
Fax:	
e-mail	
Ownership	Xhariiep Fish Fisheries
Management	
Establishment funding requirement	R 15 000 000.00
Purpose of funding	
Industry Sector	Agriculture
Geographic location	Xhariiep District – Free State Province
Employment potential	17 permanent and 30 seasonal
Bank details	
Bank	
Branch	
Branch code	
Account No	
List of beneficiaries	

7. Company Structure



Xhariep Fisheries will be configured as follows:

- Secondary Cooperatives 40%
- Management Company 40%
- DoARD? Econofish 40%

The entire administration and production will be assigned to the Management Company. The company structure to be established before 30 June 2013. Such requires top management decision

8. Management Company Responsibilities

1.1. The Management Company

Government will appoint a management company that will run the affairs of the main company. The responsibilities of the management company shall include but not limited to the following:

- **Provide expertise to process a variety of fish products in the factory**
- **Run day to day business of the company**

- **Market and distribute fish products to the markets.**
- **Manage financial affairs of the company**
- **Report to board of directors in accordance with company laws of the land.**
- **Development of human capital**

The management company shall bring all necessary expertise to run this type of enterprise to ensure profitability and mass employment creation.

The management company should be in the position to hand over management to a local entity after five years; after which they can provide guidance for the period they will agree with government. They will hold 40% which will be funded by government in exchange of expertise

9. Financial Management.

Kufanele Financial Services to be appointed to set up all company structures, governance and financial management systems

10. Employment Opportunities

Permanent staff compliment is as follows:

Personnel	Number
Manager	1
Administration clerk	1
Operator	2
Security	1
	5

11. SWOT ANALYSIS

	Description	Notes
14.1. Strengths		
14.1.1. Location	One plant per municipal area	This gives an advantage in marketing.

14.1.2. Contacts	In business and government	It gives an entry into government support and references.
14.1.3. BEE	Ownership and management are 100% black, giving the business a high BEE status.	This can provide preferential treatment from both government and corporates.
14.1.4. Enthusiasm	The owner is enthusiastic and will everything in power to make this venture successful.	With track record this creates a large positive driving force towards success.
14.2. Weaknesses		
14.2.1. Financial acumen	The member had had financial management training but inadequate implementation opportunities and therefore has limited financial management skills.	Will go for further training and appoint a reputable financial consultant. This will improve her skills.
14.2.2. Small	Both the business and the plant are relatively small.	This gives the pitfalls of smaller businesses but can also act as a positive influence by giving exclusivity.
14.2.3. Limited financial resources	The member has limited financial resources.	A relatively large debt will have to provide funding. However, budgets show that this debt can be serviced without problems
14.3. Opportunities		
14.3.1. Food security	Population needs to be fed	Government support
14.3.2. Fish and chips outlets	Spread in all towns and villages	This will be used as a focus in marketing.
14.3.3. Proximity to markets	Built next to towns/cities	This will also be a focus point in marketing.

14.4. Threats		
14.4.1. Crime	Facility need tight security	The provision of good 24 hour security is a high priority.
114.4.2. Economy	The downturn in the economy has necessarily had an impact on businesses	It would seem that the economy has bottomed out and that makes it an ideal time to enter the economy.
7.4.3. Foreign currency	Export opportunities to be explored.	By quoting rates in Rand the correct income is assured. A lower value for the Rand can have a positive affect as it would make our prices more affordable for foreign consumers.

12. Financials

15.1. Assumptions

In the financial analysis the following were assumed

That feed supply will be consistent and that growth ratios will remain in tact

All transactions will be made on cash and delivery basis

Fish sales will go up by 14% every year

That dividends will accrue from year three

15.2 Viability

Key figures:

Years	yr 1	yr 2	yr 3	yr 4	yr 5
Turn over	699, 996	990,000	1,170,000	1,350,000	1,530,000

Cost of sales	521,750	570,000	612,200	912,200	1,086,900
Contributions	-	-	-	-	-
Gross Profit	178,246	420,000	557,800	437,800	443,100
Profit before tax	178,246	420,000	420,000	437,800	443,100
Total assets Excl. cash	1,244, 000	1,141,750	1,065,062	1,007,547	964,4106

13. . Risks in the business

16.1. Water suitability

The fish farming model introduced by Econofish Industries is an indoor reticulation system, where water circulate to avoid algae and pneumonia. The filters keep the water clean throughout the production process.

Solar panels are installed to keep water at an appropriate temperature throughout the year. This enables constant growth of fish. As production takes place in an enclosed environment, foreign elements are kept out of the plant.

16.2. Stock Control

The plant is secured by a security fence and therefore theft and shrinkage is minimized. The plant will also be physically manned by a security guard for 24 hours every day. Predators like birds and snakes will not have access to the inside of the plant.

16.3. Cannibalization Threat

Catfish is cannibalistic by nature, however the Econofish Industries solution provides for the keeping of the same size of fish in the same tank. At no given point will bigger fish be kept in the same tank with the smaller fish.

16.4. Markets and capacity building

Catfish, due to its content of protein is the way to go for food security in the world. Due to modern healthy living style, catfish is forever going to be the answer in providing high 3 omega and 6 omega fatty acids. The process of canning the fish is also underway.

Econofish will provide training and after care for the period of 24 months to assist the grower with management and marketing. Econofish will buy back 40% of fish for the first 24 months so that the grower can learn the ropes while producing

14. Annexures

- 14.1. Cash Flow Projections
- 14.2. Drawings
- 14.3. Production table

