



KEI SUB COUNTY-RODO RICE PRODUCERS  
COOPERATIVE SOCIETY LIMITED

# BUSINESS PLAN

INNOCENT MUNO



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**KRORIP's objective**

is to build a commercially viable cooperative centered on the members primary producers and then market the member rice output in premium formal market channels.

# 1 Executive Summary

Kei Sub County-Rodo Rice Producer Cooperative Society Limited (KRORIP Co-op Ltd) incorporated in September 2020 as primary multipurpose cooperative, under the overriding principles of the cooperative statutes of 1991, the Cooperative Regulation of 1992, and the Bye-laws under the provision of section 5 of the Co-operative Societies Act (Amended) 2016 with registration number P.12462/RC with over 159 registered farmers at the grassroots level engaged in agricultural production operating in seven clusters of producer groups which were previously VSLA groups and rice farming located in Avanga parish, Kei Sub County Yumbe District. The key economic activity of the cooperative members is to produce rice for the market. The objective is to build a commercially viable cooperative centered on the members primary producers and then market the member rice output in premium formal market channels.

The integrated business model enables the cooperative in which all stages of production, processing/packaging and marketing covered in-house by the Society and its members, with a clear division of roles and responsibilities among members, farmer groups and the cooperative. This business model enables the KRORIP to control all stages in the value chain and offer producers a rice purchase price above the national average. The value propositions are to deliver high quality, high yielding, and climate-resilient seed to our farmers and provide a reliable, consistent supply of high-quality rice to our clients. The target potential domestic market estimated at over 41 million people nationwide, with over 1million consumers within Yumbe district, and over 5million within the West Nile region, and other parts of the country, WFP, Tilda the regional and international markets of South Sudan, DRC & Rwanda.

The overall objective is to create a competitive business model needed to deliver the business, social and welfare objectives of the cooperatives. The Cooperative will reach at least 450 farmers targeting 500 acres of rice. At a production rate of between 1000-1600Kg/acres, targeting production of up to 32,000MT of rice annually. The objective is to grow the Coops. Revenue to an estimated 35million Uganda shillings by 2025. The sales and marketing objectives to achieve a sales volume of 5,000MT for the first year to the end of the 5 years and achieve an estimated 40% market share of the next 60 months.

In line with the business plan 2020-2025, KRORIP Co-op Ltd projected 250 million shillings, for both capital expenditure and working capital in ensuring that operation is at the

optimum level from production to marketing for a period of 3-5years, the society investment expects to invest its funds amounting to 70 million and seeking 180 million in external support. The business financial viability is projected at 18.2%% profitability and a 44.3%% increase in gross profit margins through efficiency gains every year, achieve an estimated 18% financial self-sufficiency by the next 5 years. The venture will immediately create over 1500 new jobs at farmers' level, 30 and 10 at the value addition and distributor levels respectively in the 5 years representing around UGX 100 million per year in salaries, commission fees, in the West Nile community, promote other farmer-owned enterprises, and increase both the quality and quantity of agricultural yields through a hub of agricultural-related services (farmer education, Agro inputs, credit, transport, micro processing and other agro services).

The cooperative has atleast 3 competent volunteers for daily operations. The society envisions its success through good governance (competent and qualified board members) and by recruiting more competent and retaining key staff members to maintain continuity of customer relationships in the business operation. The effectiveness of the board and staff will be enhanced through capacity building programs i.e. Board and Staff orientation programs, Staff and Board advanced Programs as well as the general members, BoD and Its Sub Committees, Management personnel. Staff will be recruited gradually depending on the expansion of operations. The board will be committed to developing a management team so that it can focus more on policy formulation and advisory roles. This will result in 10 competent staff employed within the plan period. The future of a business lies in the numbers of loyal customers and farmer members that they have the capacity and competence of the employees, their investment strategy, and the business structure. KRORIP Coop Ltd is to build a business that will survive off its cash flow without the need for injecting finance from external sources once the business is officially running. We know that one of the ways of gaining approval and winning customers over is to produce, process and market our wide range of good rice and rice products and well packaged processed rice from different rice production brands a little bit cheaper than what is obtainable in the market and we are well prepared to survive on the lower profit margin for a while.

Kei Sub County-Rodo Rice Producers cooperative society

## 2 The Cooperative Description

limited (KRORP Co-op Ltd) is newly formed and registered in 2020, under the overriding principles of the cooperative statutes of 1991, the Cooperative Regulation of 1992, and the Byelaws under the provision of section 5 of the Cooperative Societies Act of 1960 when the society was registered under the Cooperative law with registration number, P.12462/RCS.

KRORP Co-op Ltd is a registered primary Multi-purpose cooperative society with over 210 farmers at the grassroots level engaged in agricultural production. KRORP Co-op Ltd is one of the producers of rice and is seeking to expand its products to enable it access to multiple markets locally, regionally and at the international level.

KRORP Co-op Ltd is in rice production, processing, and marketing organisation, located in the North-Western part of Uganda. We also deliver carefully selected rice from our partner farmers. Our focus is on providing a high-quality natural product, at a fair price, delivered on time. KRORP Co-op Ltd's floral source speciality rice is sold in consumer-oriented packaging, gift packs and bulk containers. We will operate on the domestic market and on the external one, too.

The non-members within the community are even making the sale of their rice produce through the society because of the high bargaining power that we have exhibited. The Society intends to evolve to a higher-level farmers organization in the next three years that is why currently 7 small farmers groups pay membership to the society.

### 1.1 Location of the cooperative offices

The KRORP Co-op Ltd is in Yumbe district in the North-Western part of Uganda and operates in Kei Sub County with main offices in Avanga Parish. The Co-op membership is currently organized in Clusters, each cluster consists of producer groups and there are seven clusters with a total membership of 210 members. The current clusters are; **1) Ada producer group, 2) Nidro producer group, 3) Warakala, 3) Amaecora, 4) Kidia, 5) Ayikochi and 6) Avanga.** KRORP Co-op Ltd established a fully-fledged rice value chain system, we have attracted huge attention from the organizations due to high-quality products and a competitive level of bulking that can hardly be seen in Yumbe District the entire West Nile.

### 1.2 The cooperative strategic statements.

Our Vision statement: Is to be a preferred member-based cooperative enterprise in improving income and food security of smallholder farmers for enhanced quality wellbeing in the West Nile region.

The Mission Statement: To become the most preferred members-based rice farmers cooperative enterprise in West Nile through high production and improved productivity by promoting the latest technologies, networking, partnership, and marketing members produce collectively and profitably.

Strategic goal: Contribute to sustainable incomes among the member farmers through support to increased production and productivity, processing collective access to inputs, better-paying markets for the cooperative's products to improve member livelihoods.

#### Cooperative Objectives

1. To build the capacity of members and governance structures of the cooperative through membership education, sensitization to achieve better welfare by end of 2025.
2. To support market-oriented farming among members and increase member production and farm productivity by facilitating access to quality and affordable inputs, technologies, and credit for production.
3. To organize, facilitate and support collective marketing among members and build market linkages integrating warehouse receipting, bulking and storage management.
4. To process and add value to members' produce to explore high-value markets and attract premium prices from the cooperative's products.
5. To promote and participate in business and development partnerships beneficial to the advancements of the cooperatives market-driven business model and realization of the cooperative objectives

**Business Objectives:** KRORP business objective is to be competitive in the regional market for rice and build recognizable rice and Agro-commodity brand, a well-governed and vibrant member cooperative. The Cooperatives business objectives for the period 2021-2025 are listed below.

**Production Objective:** To achieve a total rice acreage of 5,000 MT annually with at least a per capita of 2.5 to 15 acres and yields of 1,600kg of rice per year/acre by 2025. This will be achieved through growing the cooperative membership to 450 and have an annual production of 6,400MT by 2025.

**Marketing objective:** Build the capacity and position of KRROP Co-operative as a respected producer of rice and increase the visibility of our brand as the leading regional rice brand. By producing and marketing 1,766MT of rice and maintain a sales growth rate of at least 20% per year ending 2025,

**Profitability Objective:** To achieve annual profit earnings of Ugx 70m from the sale of rice and related by-products by 2023 and an average annual return on investment of 35% per year.

### **Social Objectives**

To provide psycho-social support to the Co-operative's vulnerable members and support community social development programs in health, education, and livelihood improvement.

- Create an estimated 1,840 jobs along the value chain (labour and service) based jobs resulting in average annual wage earnings of Ugx 12.7 million per year over the next 5 years.
- Strengthen the food security among cooperative members by encouraging them to retain at least 20% of the rice produced each year.

## **1.3 Membership base**

The cooperative membership is from 7 farmer groups/clusters and each group has an average of 30 members (male & female) making a total membership-based of 159 members. The society is addressing the needs of members and expects membership to increase to over 300 in the next three years and would embark on youth and women mobilization to form 60% of the membership turn the underutilized land to full production.

## **1.4 Governance system**

KRORP Co-op Ltd is democratically governed through cooperative rules and regulations, bye-laws, and standard operating procedures. The Board of directors and supervisory committees are elected from its members basing on and reputation and during the annual general assembly. The supreme authority is vested in the general meeting of the members at which every member has a right to attend and to vote on all questions. The governance system of our cooperative is based on cooperative principles whereby each member has one vote only, which he or she exercises in person and not by proxy irrespective of the shares held.

## **1.5 Level(s) of operation**

KRORP Co-op Ltd operates as a primary producer society within Yumbe District, Kei Sub-county, Avanga as the head office. The cooperative expects by 2025 the cooperative expects to extend operation to all the West Nile districts with projection to go nations wide.

## **1.6 Type of services provided to members**

The members of the cooperative society have access to affordable specialised services in ensuring cost-effectiveness and efficiencies of farmer members capacity to increase farm production and productivity, these services include

- Supply high-quality farm (certified & tested) inputs at reasonable prices to members.
- Farmers' produce trading- bulking, processing, marketing, and selling members products-ranging from facilitating sales of members products at the first handler level, to wholesaling, retailing, and exporting.
- Provide specialized services such as tractor services, farm extension, drying, or trucking.
- Financing ranging from share savings mobilisations, credit facilities, farm insurances.



## 3 ■ The Business Description

The Cooperative through farmer members produces and trade-in Rice (input supply, production, assembling, processing, and trading). The target markets for rice are local and regional. Besides Rice the Coop. is also working to identify additional enterprises that can be commercially promoted among members to expand the income opportunities of the members and business portfolio of the coop.

The Co-operative supplies members with farm inputs and supports them with specialized extension and equipment services for rice production. In the short and medium-term, the Co-operative sources and provide vivacious farm inputs, and crop management finance and technical expertise to boost productivity and acreage of the members.

The farmers' harvests are bulked in designated collection satellite stores in their respective groups. The Co-operative collects the rice paddy from the group farmers' collection centres and transports the central processing unit/ stores, where it is cleaned, milled, graded, and bagged before putting it to the market. The cooperative is seeking to invest in a grain warehouse with a capacity of 35,000 MT with state-of-the-art rice processing equipment.

The Co-operative is working to strengthen its supply chain and production capacity to position itself to take on forward contracts from large scale rice buyers and retailers as part of its growth strategy. The supply chain which is anchored on the members' participation and development strategy is pinpointed on building a vibrant smallholder farmer membership base as the primary producers and suppliers to the Co-operative.

Driven by the preceding statements the management and leadership of the cooperative in partnership with their development partners have put together this in a 5-year business plan for guided growth.

### **Purpose of the Business Plan**

The business plan is intended to guide the growth and investment activities of the Co-operative over the next three years ending (2025). It will be a tool for decision making, mobilizing investment capital and member mobilization.

### **Statement of commitment**

The KROP Cooperative business plan is a decision tool, developed by the management of the Co-operative and approved by the general assembly. This document shall be a principal guide to all be business and socio-economic

operations of KROP Cooperative and each member of staff and the Co-operative will work towards its full implementation.

### **Business Growth and Investment Strategy.**

KROP Cooperative recognizes that growth opportunities are greater and more sustainable by being consistent in the market. The Co-operative Market strategy in the next three years is to penetrate the selected market segments by ensuring sustained production and supply of our rice brand. KROP Cooperative has identified the business needs and challenges faced by these segments and three critical performance variables to realize big wins.

- Consistent and quality (low level of broken and no stones) products. Stones and broken rice are key pricing attributes for traders and the market considers important.
- Excellence in contract performance when dealing with institutional buyers and trade markets.
- Reliability and continuity in supply.

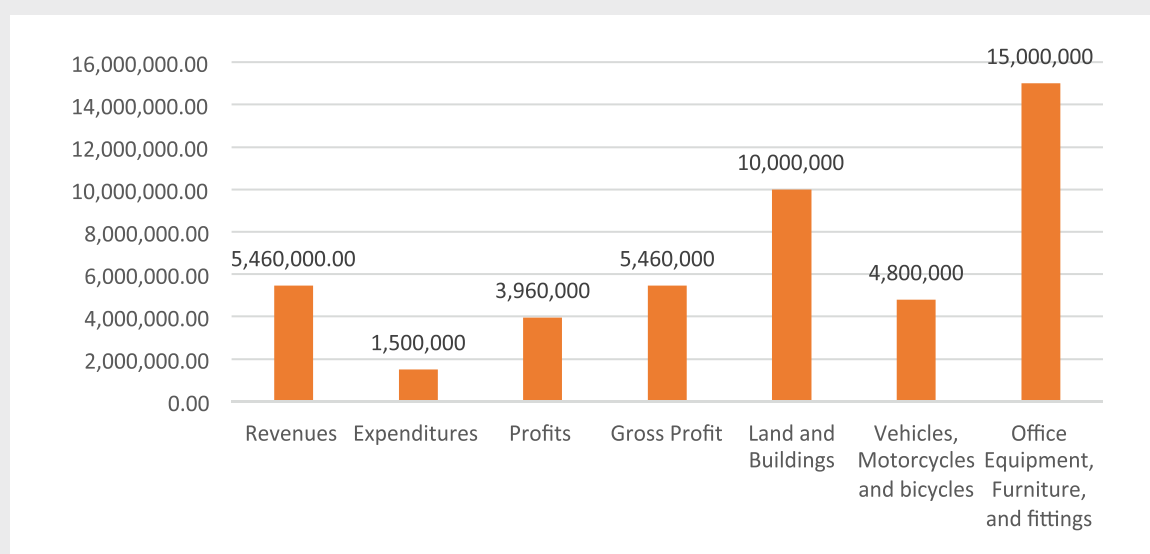
To deliver on these three performance variables KROP Cooperative will do the following.

1. Build a strong and loyal membership to produce for the target market segments; the Co-operative will put in place membership recruitment, retention and loyalty strategy.
2. Ensure quality assurance and quality management strategy and introduce an affordable pricing plan to motivate our target customers.
3. Carry out organizational development to restructure and reorganize the roles and responsibilities of staff in the Co-operative to create capacity competencies to compete in these market segments.

These actions are integral to the business growth strategy of KROP Cooperative to build a reputation as a reliable supplier for institutional, contract suppliers and retails customers. The Co-operative will also trade in complementary enterprises selected to strengthen the business model. These complimentary enterprises shall be handled on an opportunity basis and at the request of our customers.

### **Past Performance**

In the last year 2020 the Co-operative registered positive trading results as presented in fig. 2 below, however sales revenues and profits dropped in 2016 as a result of poor weather which affected production.

**Figure 1** Pass Business Performance**Table 1.** summary of business performance for 2020

S/N	Items	2019	2020 (UGX)
1	Revenues		5,460,000
2	Expenditures		1,500,000
3	Profits		3,960,000
4	Gross Profit		5,460,000
<b>Assets</b>			
4	Land and Buildings		10,000,000
6	Vehicles, Motorcycles, and bicycles		4,800,000
	Office Equipment, Furniture, and fittings		15,000,000

The cooperatives first real trading took place in 2020, when the bulking and collective marketing was launched. The initial success is the demonstration of the potential business opportunities for organized marketing by KROP Co-op.

### 3.1 Business model and value proposition

The cooperative business model is integrated into which all stages of production, processing/packaging and marketing are covered in-house by the KRORP, with a clear division of roles and responsibilities among members, farmer groups and the cooperative. This business model enables the KRORP to control all stages in the value chain and offer producers a rice purchase price above the national average.

The Value prepositions- KROP Co-operative is committed to delivering high quality, high yielding, and climate-resilient seed to our farmers and provide a reliable, consistent supply of high-quality rice to our clients.

### 3.2 Product / Service

The co-operative society offers bundled services for members and products to clients while focusing on the production of rice and other selected enterprises as the main commercial products. The main product the society offers to the market is processed nutritious rice packaged to food-grade standards as presented in the table.5

**Table 2. Products of KROP CO-OP**

Product	Pack Sizes
Grade 1 milled and polished Rice (free from stones, sorted with less than 30% broken grain)	100 kgs, 50kgs, 25 kgs, 10kgs and 5kgs
Grade 2 Milled and polished Rice (50-60% broken rice free of stones)	100kgs and 50kgs
Rice Bran	100kgs
Rice husk	100kgs

Our rice products provide the highest health benefits derived from the vitamins and minerals as a food item fit for human consumption.

### Key Success Factors (KSF)

The success of the KRRROP Business Model and Plan is hinged on paying attention to some key success factors which will determine the level of performance envisaged in the business plan. Table 5 below highlights the major areas of factors and key factors for success.

### Key Success Factors for the Co-operative's Business

1. Use of quality planting materials
2. Good land preparation and soil fertility management
3. Customer and partner relationship management
4. Member participation, commitment, loyalty & tangible benefit, & profit sharing
5. Building profitable marketing, handling, and distribution networks.

### Existing Business opportunities

Rice presents a significant business opportunity at all levels of the value chain. Critical systemic issues at the production, processing and marketing levels have limited the competitiveness of the rice sub-sector in Uganda. Rice is a highly marketable food crop that commands good market demand and at the same time an important food security staple food making it a high-value dual-purpose food crop. The World Food Program has spent a total of \$147m in the period 2018-2020 to purchase food rations for refugees and asylum seekers in Uganda.

The recent shift towards cash transfer as an alternative to in-kind food rations is intended to stimulate the local economy by making cash available to refugees to buy their food. Rice once a preserve of the urban communities and often eaten on mainly festive days is now a mainstay on the table both in the rural and urban settlements. It appeals equally to the local communities of West Nile, the refugee community, migrant workers, and expatriates in the country. The major consumers of rice besides households are institutional consumers like schools and feeding institutions (programs), the hospitality industry (hotels, restaurants, and roadside food

eateries). The majority of these buy their rice from the local retailers, wholesalers, and contract suppliers.

At the national level, there is a 60% gap is met by imports in urban areas, in rural and peri-urban communities the deficit in supply is more apparent. In the West Nile, part of the rural and peri-urban demand is met by cross-border supplies from Congo. Further insecurity in Southern Sudan and Eastern DRC has provided an additional market for Ugandan rice, it is estimated that 70,000MT of rice in Uganda is exported or re-exported to these countries. Currently, rice process facilities in West Nile are limited, there is a rice haulier in the Odramacaku border which is now used by local and cross-border farmers to add value to their rice and sell it at a better price.

The relatively low surplus has made competition insignificant in the rice sub-sector in the region, the relatively high gross margins across all stages of the chain provide a key opportunity for maximizing returns if MSMEs invested in improved management practices as well as run efficient businesses and supply chains. Both the absolute figures and range of gross margins achieved by actors across the chain are good and provide some level of flexibility for making improvements. Indicative gross margins are in the range of UGX 1,250,000-2,250,000/ha/season, depending on the production technology used and the resulting productivity (Kraybill and Kidoido 2009). The use of improved seed varieties and best practices can triple profitability. Uganda is the worst regional performer in terms of rice yields but is the second-highest producer.

The weakest links in the rice sub-sector are those that involve individual farmers and producer organizations, in either direction of the chain. However, linkages involving out-grower schemes are reported to be strong thus, the strongest supply chains are those that link input providers in out-grower schemes and leading off-takers. In concerning the services, there are existing linkages between all service providers and core actors of the value chain. The notable weak linkages are between extension services, research and development and the core actors of the Value Chain. However, despite existing linkages with providers of financial services, technology and Business Development Services, the suitability of the available services, ability to pay and ease of access remained the main constraints. Currently, there is a strong drive to increase rice production and this drive is supported by several organizations and projects.

In West Nile, the rice trade is dominated by informal trade arrangements between buyers (Hawkers/middlemen) and producers with more formal trade transactions occurring among the institutional traders and the importers. The rural markets dominated by producers and local retail markets (both informal) dominated by hawkers account for about 25% of rice traded in Uganda. The wholesale market channels are driven by rural aggregators who sell milled rice to urban wholesalers.

### 3.3 Market structure and analysis

The population growth in Uganda is unsustainable at a rate of 3.0% one of the highest in the world and calls for an increase in food production to avert challenges of food shortages. The situation in West Nile is further complicated by the population explosion resulting from the refugee influx which has increased demand for food and food prices. The region is increasingly becoming dependent on food supplies from other regions and imports from cross border sources. Rice has become a very important food security and staple for most urban communities in West Nile, it is increasingly becoming important in the rural communities as well. The region has for long depended on imported rice supplied from importers based in Kampala and other major towns as well as local production from neighbouring districts of Lira, Nwoya, Gulu and Amuru. Significant supplies also come from the Democratic Republic of Congo.

The introduction of the NRICA series and other upland varieties has resulted in increased adoption of rice production in many districts that traditionally never used to produce rice including districts in the West Nile. Rice farming is beginning to pick in Yumbe district and other parts of West Nile like Rhino Camp in Arua and Moyo district responding to the demand and growing market opportunities and food security and income needs of rural households.

The major trading hubs for Ugandan produced rice are Mbale, Butaleja, Namutumba, Iganga, Gulu, Lira, Nwoya, Soroti and Pallisa are major rice trading hubs in eastern and Northern Uganda. About 70% of the rice produced in the eastern

districts of Butaleja and Bugiri ends up in the trading hubs and warehouses in Kampala and Jinja.

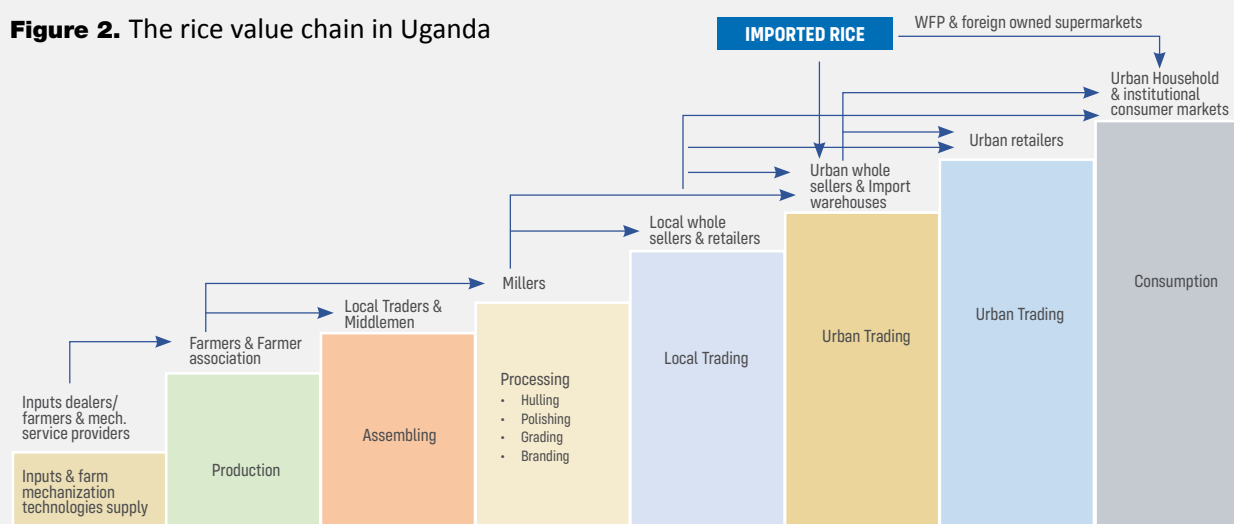
The retail price of rice is variable across the country, imported rice from Vietnam, Pakistan, Indonesia, and Cambodia is priced at an average of UGX 2,500-3,000 per kg, which is lower than the locally produced rice which retails at an average of UGX 3,000-4000. Premium imported brands like the Basmati rice retail at an average UGX 6500-8500 per kg, local rice retail at an average of UGX2,500 compared to the highest-priced local brand “Super rice”. The average import price for a kg of ordinary rice brands estimated from URA import data is UGX1, 168 compared to the average unit cost of production for a kg of local rice which is UGX1, 560, making it less competitive in the marketplace.

The postharvest and handling and processing technologies used in milling further make Uganda’s rice less competitive at home and in the regional markets. Generally, in Uganda aromatic rice varieties like “Super” attract premium prices and are preferred to non-aromatic varieties. Bulging quality is preferred to the non-bulging type, non -sticky is preferred to sticky types while unbroken rice is preferred to the broken rice. These properties also influence the pricing of rice for both local and imported brands.

#### The Structure of the rice value chain

The EAC Partner States identified rice in the list of sensitive products with potentials for domestic production and cross-border trade. It is considered that the Importation of such products from outside the EAC could negatively affect domestic production and the development of the regional capacity to produce. The partner states agreed that the items would attract rates of over 25 per cent tariff and, in some cases, a mixture of specific duty and ad valorem rates (according to value). In rice is grown mainly by small scale farmers as well as large scale farmers in some places and schemes like the tilde rice scheme. The eastern, southern, and northern regions are the leading producers due to the presence of lowland with high moisture content throughout the growing season and the introduction of upland varieties. The structure of the rice value chain in Uganda is illustrated in fig.1 below.

**Figure 2. The rice value chain in Uganda**





In Uganda there are three rice production systems namely: (i) rain-fed lowland, (ii) irrigated low-land and (iii) upland production systems. Producers are categorized into three as follows: (i) small-scale forming 80% of farmers employed in the production of rice cultivating less than 2 hectares of land using rudimentary technologies, (ii) medium-scale producers cultivating 2-6 hectares of land and account for 15% of the rice producers, and (iii) large scale farmers who cultivate over 6 hectares of the land and account for 5% of the people employed in rice production. However, large scale producers contribute a large proportion of rice produced in Uganda due to higher productivity per unit of land and labour employed.

In terms of productivity, the trend has been positively changing from 1,489MT in 1999 to 2,605MT in 2018, this can be increased further through the multiplication and distribution of improved foundation seed, mechanization of rice production, efficient irrigation infrastructure and provision of extension services. For the yields, the national yield per ha (kg/ha) is at 2,600MT, the yield potential is between 2,000-3,600MT thus a yield gap of 38%.

This value chain structure is similar in West Nile supplemented by cross boarder small scale traders. The country generally has experienced growth in production in the last two decades largely because of an increase in acreage, yields per acre continue to be very low at 800-1500 MT per acre of milled rice compared to neighbouring countries that achieve 3,000-4,000MT milled rice per acre. The production growth is a result of a sustained push by the government, development partners and donor-supported project activity. The growth of Uganda's rice production has contributed to greater

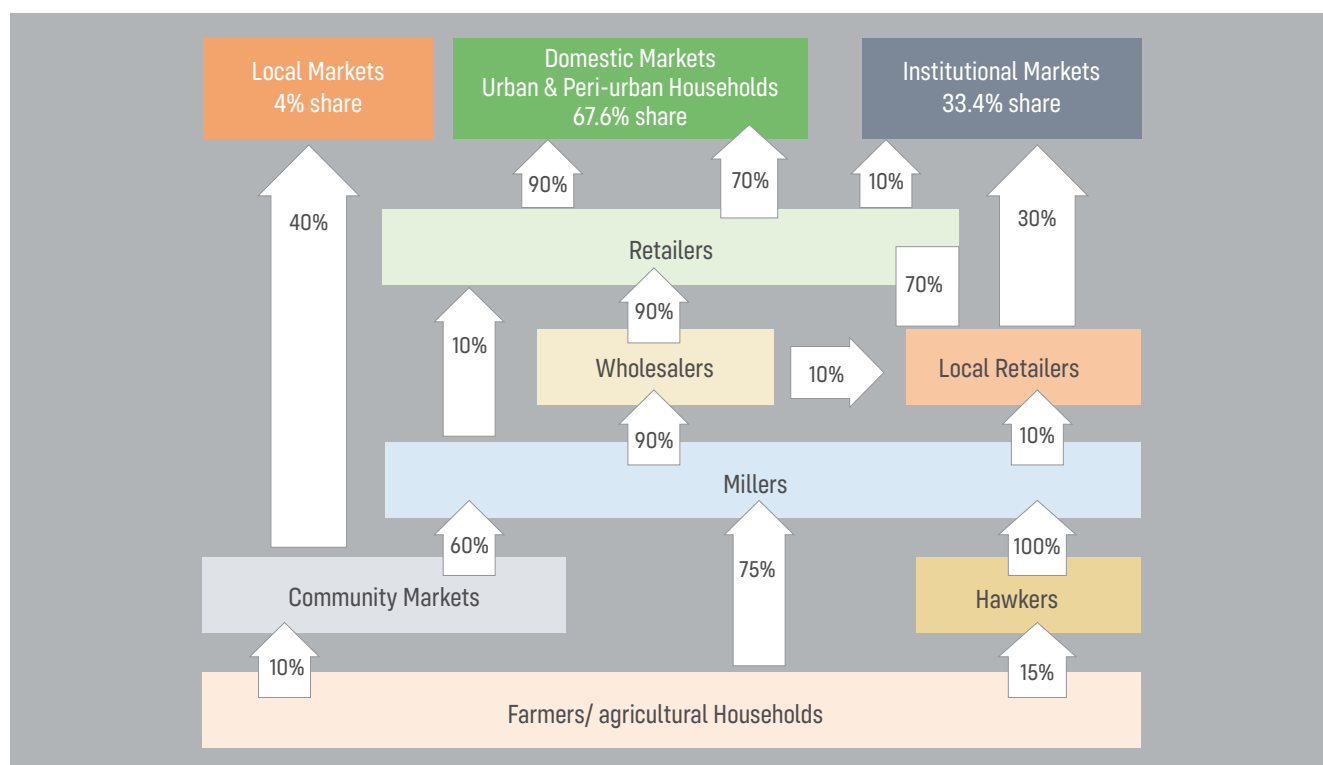
food security and a reduction in rice imports. For instance, according to the Ugandan government, rice imports dropped between 2005 and 2008. The current production of rice is estimated at 237,000MT. The MAAIF and other stakeholders in the rice value chain are implementing several interventions intend to increase national rice production to 680,000MT annually to achieve national self-sufficiency in rice production.

### The domestic rice market structure

Rice is grown for two reasons: one for family income by smallholder farmers and two for for-profit by commercial farmers. It's estimated that only 10% of the rice grown by smallholder farmers is retained for consumption by the households with the remaining 90% being sold to generate household income (The JP management & Africare Uganda 2011). The rice grown by the smallholder farmers is marketed both in rural and urban areas. Typical consumer preferences are guided by the rice characteristics i.e., aromatic to non-aromatic rice, sticky to non-sticky, unbroken to broken and bulging after cooking to rice that does not bulge, white milled rice to brown rice.

Besides domestic production rice is also imported to supplement the local production. By end of 2008, rice was the third-highest import by value into the country amounting to US\$ 90 million. Despite some exports, Uganda remains a net importer of rice. Much of the local rice production is consumed within the country with limited quantities exported to the regional markets mainly by commercial producers like Tilda. A sub-sector map of the market flows of rice produced at smallholder levels is illustrated in Fig.2 below;

**Figure 3. The Domestic rice structure**



There are four major trading levels for rice: 1) The retail trade, 2) The local wholesale trade, 3) the Urban wholesalers and 4) the Import wholesalers.

**Table 3.** Characteristics of the trade actors.

Level	Trading Characteristics	Target clientele	Sources of stock supplies
<b>Retailers</b>	<ul style="list-style-type: none"> <li>• Buy from local and urban wholesalers</li> <li>• Tend to buy from the wholesaler across the street</li> <li>• Sometimes buy stock delivered at their doorstep by rural assemblers</li> <li>• Pay cash for stocks and have limited or no access to credit supplies</li> <li>• Stocking rate between 2-5 bags @ 100kgs at a time</li> </ul>	<ul style="list-style-type: none"> <li>• Households</li> <li>• Hotel and restaurant operators</li> <li>• Local food /eating houses</li> </ul>	Local
<b>Local Wholesalers assemblers</b>	<ul style="list-style-type: none"> <li>• Buy from local millers/farmers at the mills for local rice</li> <li>• Buy from import wholesalers for imported brands</li> <li>• Have limited access to credit supply facilities</li> <li>• Build strong bonds with farmers and millers</li> <li>• May extend advance payments to farmers on a case-by-case basis, or pre-finance production activities of farmers.</li> <li>• Pay cash for stocks purchased, buy both milled and rice paddy/brown rice</li> </ul>	<ul style="list-style-type: none"> <li>• Local institutions like especially; schools, Retailers, Urban wholesalers</li> </ul>	Local
<b>Urban Wholesalers</b>	<ul style="list-style-type: none"> <li>• Buy from local wholesalers/ assemblers and millers for local varieties</li> <li>• Most operate in major towns like Jinja, Kampala and, Lira and Mbale.</li> <li>• Buy from import wholesalers for imported brands</li> <li>• Have some access to credit supplies from both the importers and local wholesalers</li> <li>• Operate on both formal and informal trade relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Similar in many aspects to rural retailers, except they carry larger stock volumes and include imported brands in their stock</li> <li>• Local wholesalers dealing in imported rice brands</li> <li>• Urban and peri-urban Retailers</li> <li>• Large Hotels and restaurants</li> <li>• Government institutions like schools, prisons, police, hospitals</li> <li>• Humanitarian organizations like WFP, NGOs</li> </ul>	Local
<b>Import Wholesalers</b>	<ul style="list-style-type: none"> <li>• Large corporate businesses importing rice in large volumes</li> <li>• Major imports come from Pakistan, India and Vietnam</li> <li>• Own major warehouses in Kampala and Jinja.</li> <li>• Operate on formal trade relationships with the supply end (exporters from the country of origin).</li> <li>• Local trading relationships are often ad-hoc and guided by transactional relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Urban wholesalers based in major towns across the country.</li> </ul>	<ul style="list-style-type: none"> <li>• India</li> <li>• Pakistan</li> <li>• Vietnam</li> <li>• Cambodia</li> <li>• Indonesia</li> <li>• Bangladesh</li> <li>• Thailand</li> </ul>

### 3.3.1 Target market and customer base

The target market segments for KROP Cooperative in the next three years will be.

- i. The institutional markets i.e., schools
- ii. The retail markets
- iii. The business (Hospitality) Markets

The Cooperative focus is to engage in market development activities to build inroads into these target markets by establishing key sales outlets or appointing agents in strategic markets to ease access to the cooperative's products and establish itself as a key member of the rice supply chain in these markets. Yumbe district population alone is over 1 million people and the rice production are still at its infant stages. The undefined target markets to the local communities of West Nile, the refugee community, migrant workers, and expatriates in the country. The major consumers of rice besides households are institutional consumers like schools and feeding institutions (programs), the hospitality industry (hotels, restaurants, and roadside food eateries). The majority of these buy their rice from the local retailers, wholesalers, and contract suppliers.

### 3.3.2 Market size and potential

At a 3.0% population growth rate in Uganda with a national population standing at 41 million (UBOS 2019/2020), to meet the growing food demands this calls for an increase in food production to avert challenges of food shortages by also increasing farmer participation by almost 70%. The situation in Yumbe and other districts in the West Nile is further complicated by the population explosion resulting from the refugee influx of over 270,000 refugees in Bidibidi refugee settlement, coupled with the host population brings a total population to 1 million people which has increased demand for food and food prices. The region is increasingly becoming dependent on food supplies from other regions and imports from cross border sources. Rice in particular has become a very important food security and staple for most urban communities in West Nile, it is increasingly becoming important in the rural communities as well. The region also has a market potential to supply neighbouring countries like the Democratic Republic of Congo and South Sudan that is devastated by war and low agricultural activities.

In Uganda, the demand for rice is estimated to grow by 3.4% annually, but production is growing at a much slower rate, with nearly 60% of all the rice consumed imported into the country. This trend shows that the major rice-producing countries in Asia have limited capacity to increase production, future production growth will come from continents like Africa which have unexploited rice production potential.

Rice is the second most-produced cereal in the world after maize, the United States Department of Agriculture (USDA)

estimates that the world Rice Production in 2019 was 755.4 Million MT of paddy approximately 491.1 Million MT of milled rice. This represents a marginal increase of 1.0% in rice production around the globe. India and China account for 59% of world production and African production represents 6% of the world output.

Rice is now becoming increasingly popular in Africa and the continent is estimated to supplement its production through imports worthy of \$15 billion annually to cover the supply gap. The rice export market is highly concentrated with the top five rice exporters accounting for 80% of the global rice trade. Of the five top exporters, four (Thailand, India, Vietnam, and Pakistan) are from Asia. The middle east and Africa are the fastest-growing export markets with the imports in these regions doubling from 10 million to 20 million tons in the past decade alone (<http://irri.org/rice-today/trends-inglobal-rice-trade>).

### 3.3.3 Competitor analysis

In West Nile, the production, postharvest handling, and processing technologies used in the rice sub-sector i.e. milling further make Uganda's rice less competitive at home and in the regional markets. However, commercial corporate organizations like Tilda- import wholesaler as a large corporate business importing rice in large volumes from Pakistan, India and Vietnam etc. owns major warehouses in Kampala and Jinja, operate on formal trade relationships with the supply end (exporters from the country of origin). The middlemen, Local trading relationships are often ad-hoc and guided by transactional relationships and out-growers affiliated to commercial millers like Eastern millers in Tororo, Kingdom rice in Kampala and Upland millers in Jinja. They target urban wholesalers based in major towns across the country like Yumbe & Arua.

### 3.3.4 Competitive advantage

KROP Co-op Ltd has relative competitive advantages over competitors in both the informal and formal markets. I.e., members' loyalty oriented and provide reliable payment for produce to member-supplier-farmers as trading produce in the informal is time-consuming and unpredictable for many private dealers.

The farmer members benefit from ownership through purchase of co-operative shares hence receipt of dividends from the profits, existing partnership with key development and social stakeholders thus economies of scale and opportunity for multiple funding. KROP Co-op Ltd.'s membership structure gives farmers an equity stake in the business and allows them to control the business, ensuring that their needs are met. We always have contract farming models with our farmers and besides, pay extra on quality members' produce and also facilitate their production process that makes lifelong partners.

### 3.4 Marketing and distribution

Rice being food is a universal need but for the sake of making business sense the Co-operative targets institutional i.e., Schools, UNWFP, Supermarkets, retail buyers and business (hospitality) market segments. These are markets with high

volume or steady consistent uptake. KROP Cooperative flagship product is rice and may from time to time integrate selected enterprises targeted at expanding our product portfolio and market offering. The KROP product targeting is as listed in the table. Below.

**Table 4. Products for selected Market Segments**

Market Segment	Products Planned
Institutional market	Rice in 50kgs bags designed for contract supplies servicing institutional contracts. Rice with low breakage levels free of stones and foreign matter.
Retail Market	Rice in 100kgs and 50 kgs bags targeting peri-urban and urban retailers servicing the household's consumer market. The business markets in the hospitality sector.

Specific Strategic marketing actions would include

- Support farmers through the provision of discounted cost inputs to reduce the unit cost of production.
- Strengthen organizational capacity to deliver extension services to increase farmers productivity
- Strengthen organization systems to achieve transparency and accountability to members, recruit, built commitment and loyalty to build an efficient and reliable supply chain.
- Build a recognizable brand based on product reliability, consistency, and timely availability to achieve brand visibility and customer loyalty.
- Engage in customer relationship building and engage in forwarding contract and supply contract or agency agreements.
- Mobilize financial and other resources from internal and external sources, to finance production and marketing operations, build and maintain a skilled personnel team and a vibrant member-based supply chain.

signages, place of worship announcements, word of mouth, radios and digital marketing media when required.

**Market Positioning:** The Cooperative is currently active in the market but has not made any deliberate and conscious effort to position itself in this market segment. It aims to adopt a geographical and product type position approach to define its market segment and use affordability and real-time availability as part of its positioning.

**The KROP Cooperative Positioning Statement:** We deliver rice of good quality in real-time at affordable prices for greater health and profitability to the consumers of our rice and business clients respectively.

**Marketing Slogan:** *"Buying KROP rice, means true enjoyment from your money"*

**Value Proposition:** KROP Co-operative is committed to delivering high quality, high yielding, and climate-resilient seed to our farmers and provides a reliable, consistent supply of high-quality rice to our clients.

KROP Cooperative will adopt the tailor-made promotional approach for each markets segment targeted

#### 3.4.1 Marketing & Communication

The cooperative will explore less expensive and cost-effective means of reaching its customers these will not be limited to

**Table 5. Promotion and Branding Strategy**

Promotional Mix	Branding Strategy
<ul style="list-style-type: none"> <li>• Personal selling through direct buyer contacts and meetings</li> <li>• Participation in regional trade fairs</li> <li>• Establish stock points in strategic locations</li> <li>• Participate in stakeholder events</li> <li>• Infographic Brochures and information networks</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt standardized packaging i.e 100kgs, 50kgs, 25kgs</li> <li>• Use label/branded packaging material</li> <li>• Apply accurate labelling</li> <li>• Develop a value proposition and positioning statement</li> <li>• Develop a marketing slogan and print it on all labels</li> </ul>



The KROP Cooperative is built on the principles of personal selling to engage with potential customers. Market strategy is to penetrate the regional markets by offering consistent and quality products, excellence in contract performance and building member loyalty through improved member welfare and livelihood by creating greater livelihood opportunities.

### 3.4.2 Distribution

In the interim the Cooperative encourages the walk-in customers and big buyers to pick up the goods from KROP Cooperative's central warehouse in Avanga Parish, Kei Subcounty as the distribution mechanism is being set. Thereafter the cooperative will use direct delivery of goods to buyers stores and ex-warehouse deliveries where buyers will be able to pay extra to cover the transportation cost.

### 3.4.3 Sales

For marketing efficiency and cost-effectiveness, KRORP Co-op Ltd will sell its products to big formal institutions in addition to the small local buyers. This kind of marketing could reduce the risks associated with dependency on one single buyer and maintaining competitive prices for product suppliers. Management will use its best efforts to attract the most competitive buyer that offers the best price and creates the most value for shareholders and members. MoUs and sale agreements will be adopted with consistent big buyers.

**Sales Strategy:** We plan to approach our prospects for their initial consultation, interrupting the standard practice in our industry carrying products to customers. This approach will help differentiate us and allow us to properly conduct presentations that highlight our process and showcase. This

approach also shows that we have a very professional staff and process- something that also differentiates us from much of the competition.

**Table 6. Sales Promotional Strategy**

Market	Promotional Approach
Institutional Markets	Branded packaging, Personal contacts and client meetings, Tendering, Trade fairs, Field days
Retail and hospitality markets	Branded packaging, Personal contacts, establish stock points in major towns, Building retailer networks

**Sales Promotion plan:** KROP will adopt a customized promotional approach to tailor the promotional mix to each client category targeted. The KROP Cooperative sales promotion will be built on the principles of personal selling to engage with potential customers. Market strategy is to penetrate the regional markets by offering consistent and quality products, excellence in contract performance and building member loyalty through improved member welfare and livelihood by creating greater livelihood opportunities.

**Sales Forecast:** Even though the rice business is possible all year long, many customers still see it as seasonal. The sales forecast reflects this as our sales rise and fall. Rice production/farming is usually a three to the four-month job. Value addition takes a shorter time and usually involves processing, branding etc. Revenue from this business usually comes in instalments as some customers can pay in at least one to three months from delivery of the product.

**Table 7. Sales Plan and Projections for Rice**

Product	Projected Sales (MT)					Accumulated Sales
	2021	2022	2023	2024	2025	
<b>Proportion</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	<b>40%</b>	<b>28%</b>
Contract Suppliers and Institutional customers	3,536	78,585	318,377	507,546	596,908	1,504,952
<b>Proportion</b>	<b>90%</b>	<b>80%</b>	<b>70%</b>	<b>60%</b>	<b>60%</b>	<b>72%</b>
Urban Retailers and Wholesalers	31,824	353,633	955,130	1,141,979	1,343,043	3,825,609
<b>Sub total</b>	<b>35,360</b>	<b>432,218</b>	<b>1,273,506</b>	<b>1,649,525</b>	<b>1,939,951</b>	<b>5,330,561</b>

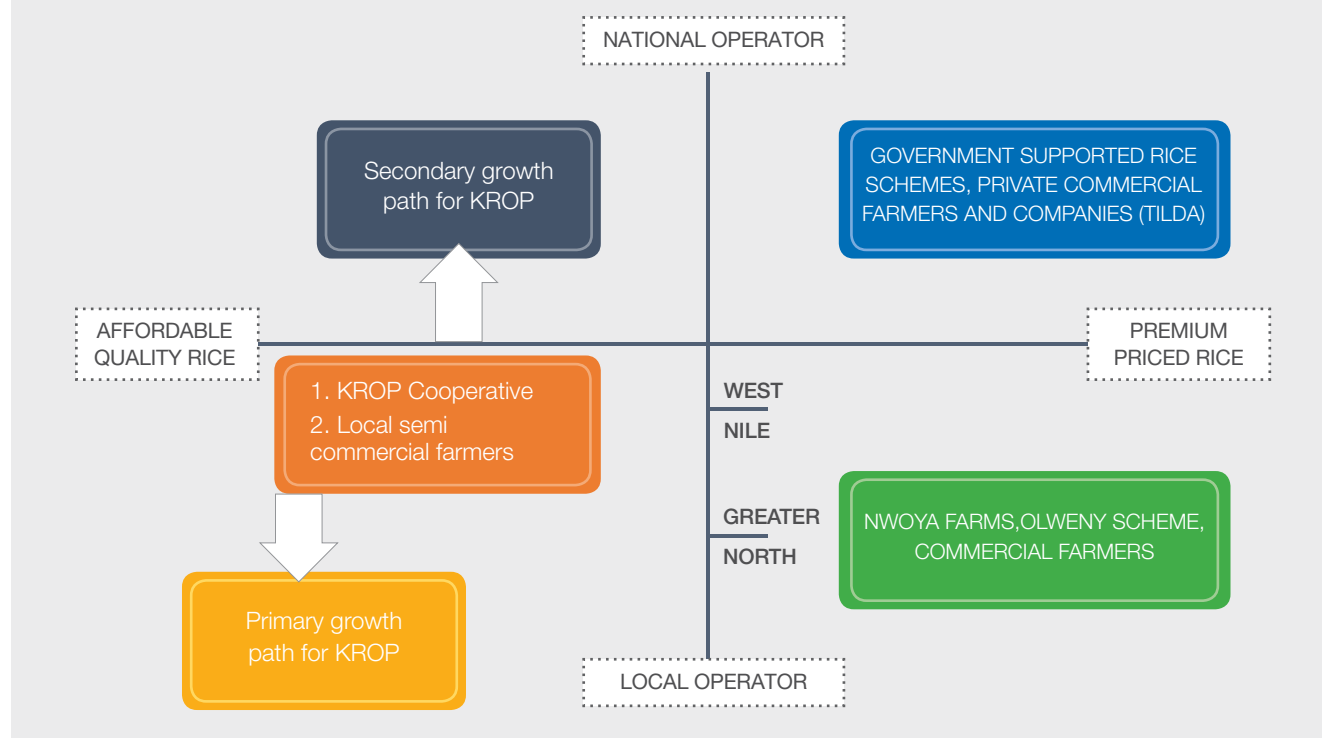
**Table 8. Sales Plan and Projections for Bran**

Product	Projected Sales (MT)				Accumulated Sales (MT)
	2021	2022	2023	2024	
Local livestock farmers	2,856	31,736	85,717	102,485	120,530
Briquette Makers	16,184	179,839	485,728	580,750	683,001
<b>Total Projected Sales</b>	<b>19,040</b>	<b>211,575</b>	<b>571,445</b>	<b>683,235</b>	<b>803,531</b>

## Proposed the Market Segment Positioning Strategy Matrix

In line with the positioning statement, KROP Co-operative intends to be active in the local and regional market in West Nile. The key positioning attributes for KROP Cooperative will be affordability and geographical coverage with a focus on availability and accessibility aspects to ensure its positioning advantage is established.

**Figure 4.** The Market Position Map of firms in the Seed sub-sector.



## 3.5 Production process & development strategy

KROP Cooperative is a primary producer and marketing society, will mainly market products from its members, who constitute the core of its supply chain. By mobilizing its members to produce rice paddy and the selected enterprises and provide production support services for Co-operative selected enterprises. The production strategy is the basis of building the desired competitive advantage. It aims to ensure the Co-operative sufficiently differentiates its products and performance standards from its competitors to establish a clear and sustainable differential advantage.

### The Production Strategy

The Cooperative's overall product strategy is to focus on strengthening members' capacity and mobilizing their produce paddy rice. The Co-operative through its farmer

support structures and extension team works with farmers to synchronize production to ensure coordinated harvest and marketing cycles.

### Specific Strategic Actions

KROP Cooperative will take the following strategic actions to ensure that members produce the required quantities of produce and observe the quality standards and synchronized production schedules.

- Train and build the entrepreneurial (agri-perineural) capacity of members to do farming as a business and transition to a market mindset.
- Coordinate the procurement of inputs for better productivity (yield) per acre and product quality.
- Train and support members to adopt and apply best agronomic practices as a strategy to increase farm productivity, reduce the unit cost of production and increase labour efficiency.

- Build commitment and loyalty from members, mobilize financially (through internal savings and external grants/ borrowing) and other resources to support members production activities and members welfare and benefit programs.
- Support farmers through the provision of discounted cost inputs to reduce the unit cost of production.
- Strengthen organizational capacity to deliver extension services to increase farmers productivity

### Production Management plan

The production plan to operationalize this strategy will be.

- Identify and register members interested in the production of rice in each season.
- Determine expected acreage, the source for input suppliers and negotiate bulk purchase terms and procure inputs to take advantage of quantity discounts, ensure the quality of inputs and harmonize the planting timeline and harvest timeline.
- Provide extension and technical advisory services to the farmers to promote good agronomic practices (GAP) and increase productivity, improve harvest techniques and post-harvest handling.
- Mobilize resources and facilitate production activities of members through production financing, support mechanization activities and commitment building.

There are two production seasons in the year, the first season is from March to June (Season I) and the second season starts from July-October (Season II).

### Production Financing Strategy

- KROP Cooperative seeks to support members in each of the 7 farmer groups to access production finance from credit institutions.
- Build internal capacity to finance member production by introducing a mandatory member saving scheme to mobilize finance for production.
- Each member is required to save 2% of their sales proceeds deducted at the source from the cooperative.
- Negotiate forward contracts and pre-financing arrangements with buyers to support farmer activities.

### Supply Chain and Procurement Strategy

KROP Cooperative supply chain strategy is to collect good quality rice paddy from its farmer members who form the core of the supply chain. The Co-operative expects to recover 50-60% of the high-grade rice paddy. The Co-operative addresses competition at the supply chain level by negotiating and forming building market linkages with key distribution channel actors in the region to guarantee the market for the cooperative's products. The objective is to neutralize the effect and financial strength of middlemen and rural traders who are the major competitors at the farmgate level.

The Cooperative uses existing agreements with institutional and bulk buyers to secure pre-financing to strengthen the financial capacity of the Co-operative to advance cash to members in support of bulking for value addition. Leveraging Cooperative's financial capability is a strategy to strengthen our competitiveness at the supply chain level. In the short term, farmers demand cash payment for produce at the farm-gate and buyers that can afford to pay cash to become more competitive in procuring from farmers.

The following critical supply chain management actions will be performed.

- Source for short-term trade finance through a combination of grants, trade advances from buyers and credit finance from lending institutions for procurement of produce.
- Develop a quality assurance plan at the farm gate level to address quality management challenges at harvest, postharvest and storage handling of produce. The farmers in each location are facilitated to bulk their produce in selected collection points where quality inspection is done, and primary cleaning and grading are done.
- Establish satellite collection centres at the community level for aggregation/bulking of the produce before picking up and delivery to the Cooperative central stores.
- Equip the satellite collection centres with weighing scales, moisture meters and bagging materials to ensure good product handling and collection.
- Train the area or group bulking and marketing committees in quality management, product grading, record keeping, maintenance, product storage and phytosanitary management to eliminate storage and handling loss at the satellite centres.

**Table 9. Projected Master Production Plan 2021 -2025**

Year	2021	2022	2023	2024	2025	Notes
Target acreage (Rice)	50	630	1,760	2,260	2,760	In 2020-2021 each farmer planted at least 2.5 acres and from 2022-25 each farmer is expected by the cooperative to plant at least 5 acres and above.
No. of farmers to enrol	152	252	352	452	552	
Projected output (800kg/acre)	40,000	504,000	1,408,000	1,808,000	2,208,000	
Household retention (20%)	8,000	100,800	281,600	361,600	441,600	
Marketable Surplus (MT)	32,000	403,200	1,126,400	1,446,400	1,766,400	

### 3.6 The suppliers and raw materials

- Credit Purchase Financing – for this type of financing to be successful, the trust and reputation of SMEs need to be established with their suppliers.
- Village assemblers buy paddy rice from smallholder

producers and sell it to processors. Producer-trader relationships are often strong, with inputs or credit advanced by the buyers on a trust basis. Although producer organisations exist, they only perform aggregation functions to sell unprocessed paddy to millers and traders.

**Table 10. suppliers & raw materials**

No	Suppliers	Raw materials
1	Input suppliers	East African seed, Pearl seed, FICA seeds, Rhino Seeds etc.
2	Tractor/ Agritech suppliers	Yumbe DFA, Harvest Agro-works And Engineering Ltd
3	Financial services providers	Centenary Bank, Post bank, Vision Fund
4	Agri-Insurance suppliers	

### 3.7 Cooperative structure

The management structure of KRORP Coop. Society is consistent with the Co-operative Societies Act (Amended) 2016. The AGM is the topmost decision-making body and seats at least once a year. The AGM appoints the executive who forms the board of the cooperative and is made up of 9 elected members with at least one female member.

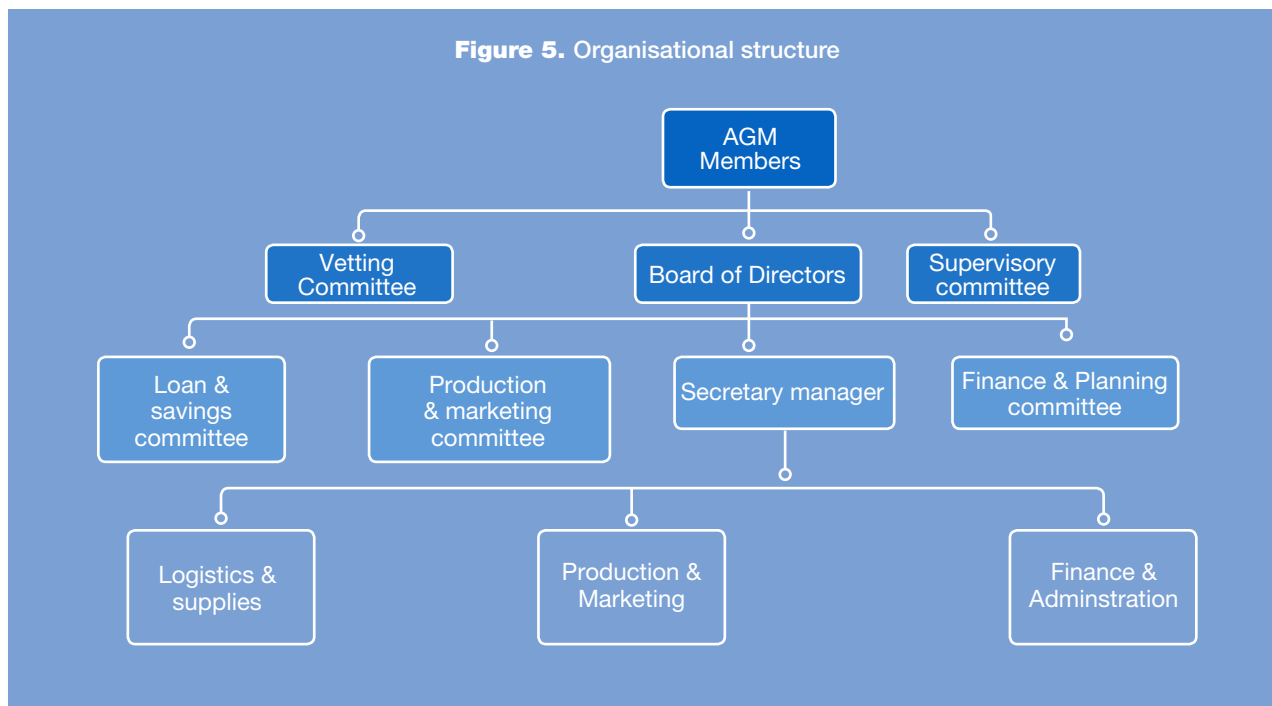
The board is responsible for developing the strategic direction of the Co-operative Society, propose policies to

govern the society, implement the decisions of the AGM and perform an oversight function over the management of the Co-operative. The Secretariate is the seat of the management team and is led by the Manager who is an ex-officio member of the board.

The Implementation of the business plan will be the responsibility of the cooperative board. The board will be supported by the management team at the secretariat. The management team is headed by the Secretary Manager, working with a team of 3 senior secretariat staff.



## KROP Cooperative Organizational Structure



**Table 11. List management committee**

S/N	Name	Experience	Position
1	Lopia Samuel	A grade certificate primary teacher	Chairman
2	Driciru Peninnah	Farmers and grade primary teacher	Vice-Chairman
3	Guma Siraji Juma	Farmer and a primary teacher	Treasurer
4	Kana Richard	Farmers	Member
5	Atim Cissy Ogwal	Farmers	Member
6	Eceru Emily	Farmers	Member
7	Apiru Gift	Farmers	Member
8	Matua Richard	Farmers	Member
9	Akujo Margret	Farmers	Member

### 3.7.1 Management

KRORP Co-op Ltd also has a management staff that is full time and are responsible for the day to day running of the businesses. This management is recruited and paid by KRORP Co-op Ltd. The Society also gets management support from development partners to boost the staff' professional performance and efficiency in running the enterprises as well as offering services to the farmers in form of technical assistance, co-operative development, extension and agronomy services as well as business development services.

The Management team charged with the day-to-day running of the Co-operative Society's business is made up of the following personnel.

1. The Secretary Manager: heads the secretariat and management team and reports directly to the board. The general manager is responsible for implementing the business plans, work plans and policies approved by the board and the General Assembly and oversees the operational business of the Co-operative and is accountable for the realization of the business goals, supervise the management, field teams and is responsible for fostering good business relationships between the Co-operative customers, the members, and the partners. The general manager supports the board in resource mobilization and is the chief steward of the Co-operative's financial and other resources.

2. The Sales and Marketing Officer; reporting to the general manager, is the public relations officer of the Co-operative. Responsible for ensuring that the Co-operative has a good working relationship with its stakeholders, contract performance and customer care standards are met, supporting the senior management, Marketing manager and production manager to negotiate MOUs and business contracts. He is also responsible for marketing activities, looking for markets and buyers of the Co-operative's products and in collaboration with the production manager and the client relationship manager negotiate forward contract production arrangements and other business contracts.
3. The Production Officer: is responsible for supporting and coordinating the activities of the KROP members to produce for the Co-operative. The production manager is the chief quality assurance officer of the Co-operative's and ensures that farmers receive the good seed, production support services and proper harvest and post-harvest management skills. The production manager is also responsible for coordinating and supervising the activities of the village agents and extension workers.
4. The Finance & Administration officer; responsible for the financial and administrative operations of the Co-operative. The accountant is responsible for revenue collection, effecting payments following policy and reporting on financial and administrative matters. Supervises the stores assistant and the field procurement team to ensure proper use of the Co-operative's finances.
5. Storekeeper (to be recruited) the storekeeper will be in charge of the stores of the cooperative and ensure all stocks which include cooperatives assets, bulked rice and processed rice is stored in good condition, maintain accurate stores records, and ensure good stores management principles such as FIFO.
6. Other key employees of the Co-operative include the machine and plant operators, drivers, and Porters.

### Proposed Personnel Compensation Plan

KROP aims to revise staff salaries upwards by the second year of implementation of this Business Plan based on expected good first-year performance to provide an extra incentive to staff to work. The cooperative will continue to revise salaries guided by the organizations' financial performance until we reach competitive salary levels.

**Table 12. Proposed Personnel Compensation Plan**

S/N	Position	Number	Salary Per Head/ Month	Total Salary Bill
1.	Secretary manager	1	350,000	4,200,000
2.	Sales and Marketing Officer	1	250,000	3,000,000
3.	Production Officer	1	250,000	3,000,000
4.	Finance and Admin. Officer	1	250,000	3,000,000
5.	Store and warehouse officer	1	200,000	2400,000
<b>Total Monthly and Annual salary bill</b>			<b>1,300,000</b>	<b>15,600,000</b>

### 3.7.2 Legal status

KROP Co-op Ltd is governed under the overriding authority of the Cooperative Societies Act cap 112 and Cooperative Regulations 1993 under the Constitution of the Republic of Uganda to which reference shall be made in case of doubt. It is particularly operating under the model Byelaws of Multipurpose Cooperative Societies in Uganda.

### 3.7.3 Partners and sponsors

KROP Coop. Society has in the past received support from several developments partners and expects to continue to engage with key partners to support the implementation of this business plan. The major partners worked with in the last three years are indicated in table 3 below.

**Table 13: Partners & sponsors**

Stakeholder	Nature of Support	Period of engagement	Key Activity supported	Grant Given
AFARD	Capacity Building	2019-2021	Construction of warehouse & Machine house.	95,000,000
CEDIL Uganda	Technical assistance	2020-2021	Cooperative Enterprise System Development.	
Yumbe DLG	Legal Compliance	2021	Professional & Oversight support.	

## 3.8 Risks and mitigation plan

**Table 14 : Risk Assurance plan**

No	Risk	Mitigating Measures (included in the various Business activities)	Impact of the risk occurs	Likelihood of occurrence
1	<p>Production risks</p> <p>Attacks from pests, diseases, natural disasters, and management failures may cause drops in primary production.</p>	<ul style="list-style-type: none"> <li>• Monitor the status of production and quality of product</li> <li>• Experts provide product recommendations and solutions to failure. Producers apply disaster risk reduction tools developed by the project.</li> </ul>		
	<p>In the poorly developed seed sector, the informal seed system accounts for an estimated 87% of the planted seed. The total demand for grain crop seeds is estimated at approximately 110,580 MT, while total sales from the formal seed market account for only 12,000 MT. about 30-40% of the seeds/inputs in the market is counterfeit</p> <p>The agricultural sector is mostly rain-fed which leaves the farmers at the risk of weather hazards and climate change; therefore, the drought has affected the highest number of people in West Nile Uganda.</p>	<p>Procure from certified dealers and also become a member of UNADA</p> <p>Initiatives related to weather risk have been driven by the insurance sector, the introduction of weather-based risk insurance (Kungula Agroinsurance by the consortium of companies) has witnessed some early success</p>		Medium
2	<p>Post-harvest risks</p> <p>The lack of sufficient storage capacity, both at the farm level and the crop trading system, leads to high losses for farmers due to attacks from pests and animals. Uganda has 550,000 metric tonnes (MT) of storage capacity, but the estimated demand for storage facilities totals 2.3 million MT.</p> <p>In 2012 alone an estimated 18.3% of cereal production was lost in post-production activities</p>	<p>Improving the value chain for inputs and developing low-cost storage options for farmers is critical</p>		Medium
3.	<p>Marketing risks</p> <p>The sector experiences high price fluctuations on account of weather conditions, low level of stocks, low level of organization of producers in the value chain, and segmentation of regional and domestic markets. Farmers are exposed to both inter-annual and intra-annual price volatility. Yet the country lacks price stabilization instruments</p>	<p>Raising awareness about the risk is very critical, will integrate risk management into the core extension messages to help farmers understand how they can reduce, transfer or cope with risks</p>		Medium

No	Risk	Mitigating Measures (included in the various Business activities)	Impact of the risk occurs	Likelihood of occurrence
	Prices and demand for products of the selected value chains dwindle. Dependence on international market prices. Higher-quality and higher-value products may only be marketable to a smaller portion of more wealthy consumers.	<ul style="list-style-type: none"> <li>• Introduction of cost-effective production and processing operations, increasing efficiency in value chain organization and overall</li> <li>• Marketing study and market testing</li> <li>• Marketing campaign</li> </ul>		
4.	Management Risks: Due to its position as the driving force behind the Union management, the efficient and effective functioning of the Cooperative is critical. As such, a dysfunctional organization characterized by internal squabbles or corruption poses a credible risk	<ul style="list-style-type: none"> <li>• The overall number of primary societies' members and level of participation in the organization; the overall number of independent farmer's organizations in the area in question.</li> <li>• Proper elections are held to elect a Board of Directors. Required level of qualifications of executive and full Boards – education, common language, experience in cooperative, leadership experience, ethical behaviours in terms of balancing the demands of constituent farmers and business development – in addition to getting elected</li> </ul>		Low
5	Organizational risks: Producer groups do not attain organizational maturity	<ul style="list-style-type: none"> <li>• Careful choice of producer groups</li> <li>• Administrative skills and business plan development.</li> <li>• Training and coaching on organizational development.</li> </ul>		
6	Quality risk: Producers and processors do not attain adequate product quality and products cannot be sold on the market	<ul style="list-style-type: none"> <li>• Choice of production and processing equipment</li> <li>• Quality control system. Training and coaching on quality.</li> <li>• Development of protocols that ensure quality</li> </ul>	Medium	Medium
7	Capital Risk: Insufficient capital available to undertake the value addition processes required to meet output objectives. Financial institutions, donors, and other potential investment sources are resistant to expanded exposure in the food and agriculture sector.	<ul style="list-style-type: none"> <li>• Careful financial planning in the inception phase</li> <li>• Study of the financial market and existing financing schemes.</li> <li>• Adequate reporting of results achieved in the selected value chains.</li> <li>• Continues demonstration of the high potential of the food and agriculture sector.</li> </ul>	Low	Medium
8	Value Chain Cooperation Risk: Value chain actors are unable to perceive or unwilling to pursue mutually beneficial relationships due to lack of trust, flexibility, and other similar reasons.	<ul style="list-style-type: none"> <li>• Demonstrate the advantage of value chain cooperation to the different actors engaged</li> <li>• Training and coaching on the economic benefits of functioning value chains.</li> </ul>	Medium	Medium



### 3.9 SWOT analysis

#### Internal Analysis of KROP Co-operative

The success of KROP Co-operative is dependent upon a proper alignment of its resources, strength, and the right market opportunities.

**Table 15: SWOT Analysis**

Strength	Implication for Competitiveness	Market Opportunity	Potential Risks	Opportunity Exploited
A high number of registered members is estimated at 2,000 members by 2024.	Can master the capacity to produce a large quantity of rice through the members' production scheme	Potential to target the local smallholder farmers as out-growers besides the members to establish a dominant position in the local rice supply market	Failure to establish a viable and respected production plan and win member commitment can affect the cooperatives business model and ability to establish a functional rice production, marketing, and distribution system.	Demand is growing faster than supply.
Establishment of a Good and Large warehouse facilities	KROP can produce, store and make rice available in real-time to our customers and increase earnings to the member and local smallholder farmers.	KROP can take advantage of peak demand in the market especially around festive seasons which occur during the off-production periods.	Failure to manage storage can compromise the business model of KROP and result in loss of confidence from members and the customers	Create a competitive advantage through effective demand management
Well qualified staff with local knowledge	The majority of the staff are technically qualified and competent to supervise rice production among the members	This is likely to increase the level of compliance with the production requirements for rice.	The risk of losing competent and experienced staff to rival businesses or companies will reduce KROP ability to meet compliance standards	Good understanding of the market needs for effective demand management.
Availability of Tractors for land opening	KROP can leverage the capacity of its rice producers through technical support to open more land areas in time for planting.	Potential to reduce unit labour costs and increase the return on labour among the rice producers of KROP, reach higher acreage and benefit from economies of scale and strong market demand.	Poor planning of tractors deployments and maintenance costs erase the benefits of tractor service.	The rapid expansion of acreage to increase production volumes and reduce unit costs of production.
<b>Weaknesses</b>				
Low member commitment and activity	The rate of adoption of rice production techniques and technology will be below. Few members may enrol for rice production which may impact projected production and sales levels	Members not committed to a cause can compromise the quality of the rice produced.	Poor quality of seed and damage to the organizations brand.  Failure to adopt recommended practices can also expose the cooperatives rice production program to the negative effects of climate change.	Set strict guidelines for enrolment in rice production and support compliance with appropriate incentive packages to motivate compliance.
Low level of staff time committed to the organizations business	Less time committed to supervision of production among the members and growers	Poor management and reduced yields from rice fields leading to loss of sales	Loss of potential revenues and profits	Review the staff remuneration plan to have more time committed to the cooperatives business.
Low financial capacity	Failure to meet the short-term production financing for members in rice production and purchase of rice leading to members selling it as grain.	Loss of market competitiveness and competitive advantage as a result of reduced loyalty from rice producers.	Members may quit rice production leading to failure to recoup the cost of training	Find flexible financing sources to meet the short-term and long-term financing needs of the rice program.

**Table 16: External environmental analysis**

Technological Situational Factors	Economic Situational Factors
<ul style="list-style-type: none"> <li>• Availability of mechanization technologies (Positive factor)</li> <li>• High-cost farm Mechanization (negative factor)</li> <li>• Technological obsolescence (Negative factor)</li> <li>• Inferior technologies in the local market (Negative factor).</li> </ul>	<ul style="list-style-type: none"> <li>• Price fluctuation (Positive and negative factors)</li> <li>• Climate variations (Positive and negative factors)</li> <li>• Market size (Positive factor)</li> <li>• Improving public infrastructure (Positive factor)</li> <li>• Poor business climate due to pandemic shocks</li> </ul>
Political Factors	Socio-Economic Situational Factors
<ul style="list-style-type: none"> <li>• Effects of government programs like OWC (Positive and negative factors).</li> <li>• Favourable Local government policies (Positive factor)</li> <li>• High local taxation (Negative factor)</li> <li>• Government subsidies through productivity enhancement programs and availability of grants (Positive factor).</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of land and land ownership systems (Positive factors).</li> <li>• Readily available labour (Positive factors).</li> <li>• Several NGOs actively supporting production and market access (Positive factor).</li> <li>• Community and inter-community Land conflicts (Negative factor).</li> </ul>

### 3.10 Price breakdown of your product/service

#### Pricing Strategy

The Co-operative will adopt a market lead Pricing Strategy using the going rate complemented with a discount structure designed to incentivize the target markets. This approach is considered competitive by benchmarking with competitor prices on a going rate basis. KROP Cooperative will then add a premium to the going rate for quality and volume performance excellence.

**Table 17: Price breakdown**

Product lines	Units (metric tonnes)	Sales price per unit	COGS per unit	Margin per unit
Rice Grade 1	235,755	3,000	1,200	1,800
Rice Grade 2	157,170	2,500	1,200	1,300
Rice Bran	31,736	500	-	500
Rice Husks	179,835	100	-	100

*\*\*Unit of measures are Kgs and Uganda shillings*

### 3.11 Investment Plan

The cooperative intends to invest Ugx 250,000,000 over the next three years, the planned investments include rice hulling machinery, a warehouse and machine house plus the related facilities. The Investment Plan for the next three years is summarized below.

## A - Finance needed

**Table 18: Financial investment plan**

Start.up Expenses Year 1 (Starting Baance Sheet)

Fixed Assets	Amount	Depreciation (years)	Notes
Land for construction (Ware & Machine houses)	34,000,000	Not Deprecated	Land already available
Buildings ( Storage & Machine house, Drying yard)	45,000,000	20	Construction for rice processing
Equipment (Rice huller, Threshers, etc)	35,000,000	7	Additional equipment required
Furniture and Fixtures	5,000,000	5	Office equipment
Transport (Tricycle & Motorcycle)	40,000,000	5	Office & Field collection
Generator 6.5 KV	20,00,0000	5	Power the office and machines
Total Fixed Assets	USH 179,000,000		

Operating Capital	Amount	Notes
Pre-opening Salaries and Wages	4,000,000	
Prepaid Insurance Premiums	2,000,000	
Inventory	2,000,000	Paddy rice socked on credit
Legal and Accounthug Fees	15,000,000	
Utility Deposits	11,000,000	
Supplies	10,000,000	
Advertising and Promotions	5,000,000	
Licenses	7,000,000	
Other Initial start-up costs	10,000,000	
Working Capital (Cash on hand)	5,000,000	
Total Operating Capital	71,000,000	
Total Required Funds	250,000,000	

Sources of Funding	Percentage	Total	Loan Rate	Term in Months
Owner's Equity	28	70,000,000		
Outside Investors	72	180,000.000		

**Table 19: Working capital Plan for Rice purchase (Ugx)**

Year	1	2	3	4	5
	2021	2022	2023	2024	2025
Stock (finished goods)	57,120,000	695,175,000	2,122,510,000	2,537,730,000	2,984,540,000
<b>Total Working Capital in kind</b>	<b>57,120,000</b>	<b>695,175,000</b>	<b>2,122,510,000</b>	<b>2,537,730,000</b>	<b>2,984,540,000</b>
Accounts Receivables (20%)	(11,424,000)	(139,035,000)	(424,502,000)	(507,546,000)	(596,908,000)
Accounts Payable (30%)	17,136,000	208,552,500	636,753,000	761,319,000	895,362,000
Total Financial Working Capital	5,712,000	69,517,500	212,251,000	253,773,000	298,454,000
<b>Total Working Capital</b>	<b>62,832,000</b>	<b>764,692,500</b>	<b>2,334,761,000</b>	<b>2,791,503,000</b>	<b>3,282,994,000</b>

**Table 20: Investment Financing Plan**

Source	Total Cost	2021	2022	2023
Grants	100,000,000	100,000,000	135,000,000	-
Member contributions	20,000,000	25,000,000	25,000,000	-
Sales profits and Commissions	80,000,000	12,471,104	109,353,461	251,162,290
Buyer and Supplier Advances	50,000,000	10,000,000	50,000,000	90,000,000
	<b>250,000,000</b>	<b>147,471,104</b>	<b>319,353,461</b>	<b>341,162,290</b>

**B - Strategies of securing the required capital?**

1.explain what kind of relationship you have with this financier and what has already been agreed on).

**Capital ALREADY invested in the company**

Name of organisation/individual	Type of finance	Ugx
Members' Contributions	Own contribution*	20,000,000
	Equity**	
	Loan	
AFARD	Other, please specify: Grants	95,000,000
<b>TOTAL INVESTMENT ALREADY DONE:</b>		<b>115,000,000</b>

**Capital still needed (the total here must be the same amount as the total 'A - Finance needed' )**

Name of organisation/individual (if known)	Type of finance	Ugx
Members' contributions	Own contribution*	70,000,000
Government	Equity** - Development Projects	80,000,000
	Loan	
AFARD	Other, please specify: Grants	100,000,000
<b>TOTAL INVESTMENT STILL NEEDED:</b>		<b>250,000,000</b>

*\*In some cases, confusion may arise regarding the own contribution, especially when a company has already been established:*

The KROP Cooperative financial model will be hinged on three financing approaches for the Co-operative's business operation.

## 4 The Financial Plan

It consists of trade financing from financial institutions, member savings (SACCO) and buyer advances, grant financing from development partners and programs, trading profits and member subscriptions

### General Financial Assumptions

The Business plan financial projections are based on the general assumptions stated in table 11a as well as specific assumptions highlighted where necessary.

**Table 21: General Financial Assumptions**

Year	2021	2022	2023	Annual Average
Commercial Interest Rate	20%	24%	28%	24%
Required Rate of Return	30%	30%	30%	30%
Inflationary Rate	10%	12%	12%	11.3%
The proportion of produce collectively marketed from total farmer production	60%	60%	60%	60%

**Table 22: Strategy for Mobilizing Financial Resources**

Sources	Strategy	Risks and Assumptions
<b>1. Internal financing</b>		
a) Retained Profits	<ul style="list-style-type: none"> <li>Retain 60% of profits generated from trading activities and invest in the Co-operative's business operations</li> </ul>	<ul style="list-style-type: none"> <li>That the Co-operative will be able to run and turn in profits</li> <li>The members shall positively respond to the marketing initiatives of the Co-operative</li> </ul>
b) Member's savings	<ul style="list-style-type: none"> <li>Enrol members into Co-operative savings, loan and investment and scheme</li> <li>Start a member's mandatory savings &amp; investment scheme, 2% of the members' income earned through the Co-operative sales will be deducted for savings</li> </ul>	<ul style="list-style-type: none"> <li>Members will voluntarily sign up for the scheme</li> <li>The Co-operative will build capacity to manage a fast-growing savings and investment fund.</li> </ul>
c) Member annual subscriptions	<ul style="list-style-type: none"> <li>Members will be encouraged to pay up their annual subscription to benefit from the full range of the Co-operative's initiatives and services</li> </ul>	<ul style="list-style-type: none"> <li>The campaign to encourage members does not get perceived as discriminatory to members who fail to meet their obligation.</li> </ul>
<b>2, External Financing</b>		
a) Grants	<ul style="list-style-type: none"> <li>Identify partners with projects supporting Cooperative business models and agribusiness development</li> <li>Prepare grant proposals for funding to implement the cooperatives agribusiness</li> <li>Coordinate with government programs like OWC to provide input grants to members</li> </ul>	<ul style="list-style-type: none"> <li>The Co-operative will continue to build a strong partnership with development partners through transparent and accountable operations through periodic audits and reporting.</li> </ul>
b) Farmer Credit	<ul style="list-style-type: none"> <li>Encourage members to bulk and wait to be paid after the Co-operative has made the sales and received payments</li> </ul>	<ul style="list-style-type: none"> <li>70% of members will be responsive to the Co-operative's call and accept to wait for payments</li> <li>The cooperative will be able to find some trade finance to buy in cash or make some advance payment to farmers with an urgent need for cash</li> </ul>
c) Commercial credit	<ul style="list-style-type: none"> <li>Seek bank loans and find sources for collateral security</li> <li>Negotiate guaranteed agricultural loans for members</li> <li>Audit statements</li> </ul>	<ul style="list-style-type: none"> <li>Members do not default on loans acquired and guaranteed by the cooperative.</li> <li>Members can sell the produce from these financing actions through the Co-operative.</li> </ul>



## Business Plan Viability

The feasibility of this Cooperative business plan indicates that the business plan is viable and has a net present value of UGX 320,178,286. The IRR of return is 56%, which is higher than the Co-operative's desired annual return on investment (ROI) of 30%. The IRR and NPV were calculated using the market discount rate of 24% as the discounting rate for the cash flows.

## Financial Controls and Accountability

Financial controls and accountability procedures will be laid down to ensure proper management of the Co-operative's resources. These controls will include bank account reconciliation's, cheques signatory guides, internal and

external audit, payment vouchers, monthly activity reporting, budgeting and budget control, responsibility accounting, maintaining proper books of accounts and profitability reporting. The Co-operative will professionalize its financial management, accountability, and reporting procedures by setting and implementing accounting policies, follow the international accounting standards and follow reporting schedules to members, grant providers and stakeholders/ partners. To achieve this, the cooperative will strengthen the financial, operations and management functions of the Co-operative.

## Tax Strategy

The Co-operative will contribute revenue to the local government in form of average local tax estimated at UGX 2,643,816 annually and an unspecified amount in indirect taxes.

## Investment Viability Indicators

### Break-even analysis Year 1

**Table 23:** Break even analysis

Gross Margin % of sales	Total
Gross margin	501,916,350
Total sales	1,134,101,500
<b>Gross Margin/Total Sales</b>	<b>0</b>
Total fixed Expenditure	
Payroll	112,346,000
Operating expenses	64,590,000
<b>Operating + payroll</b>	<b>176,936,000</b>
Breaking sales in Dollars (Annual)	
Gross margin % of sales	44.3%
Total Fixed Expenses	176,936,000
<b>Yearly Breakeven Amount</b>	<b>399,794,474</b>
<b>Monthly Breakeven Amount</b>	<b>33,316,206</b>
Breakeven period	

**Table 24: Financial ratios**

Ratios	Year One	Year Two	Year Three
Liquidity			
Current Ratio	0.0	0.0	0.0
Quick Ratio	0.0	0.0	0.0
Safety			
Debt to Equity Ratio	0.0	0.0	0.0
Debt-Service Coverage Ratio - DSC	0.0	0.0	0.0
Profitability			
Sales Growth	0.0%	10.0%	10.0%
COGS to Sales	55.7%	55.7%	55.7%
Gross Profit Margin	44.3%	44.3%	44.3%
SG&A to Sales	13.8%	13.9%	15.1%
Net Profit Margin	18.2%	18.4%	17.8%
Return on Equity (ROE)	47.2%	34.5%	26.8%
Return on Assets	47.2%	34.5%	26.8%
Owner's Compensation to Sales	0.5%	0.5%	0.6%
Efficiency			
Days in Receivables	0.0	0.0	0.0
Accounts Receivable Turnover	0.0	0.0	0.0
Days in Inventory	2.5	2.5	21
Inventory Turnover	143.7	158.0	173.9
Sales to Total Assets	2.6	1.9	

## 4.1 Budgeting Sheet

Start-up Expenses Year 1 (Starting Balance Sheet)

Fixed Assets	Amount	Depreciation (years)	Notes
Land for construction (Ware & Machine houses)	34,000,000	Not Depreciated	Land already available
Buildings ( Storage & Machine house, Drying yard)	45,000,000	20	Construction for rice processing
Equipment (Rice huller, Threshers, etc)	35,000,000	7	Additional equipment required
Furniture and Fixtures	5,000,000	5	Office equipment
Transport (Tricycle & Motorcycle)	40,000,000	5	Office & Field collection
Generator 6.5 KV	20,00,0000	5	Power the office and machines
Total Fixed Assets	US\$ 179,000,000		

Operating Capital	Amount	Notes
Pre-opening Salaries and Wages	4,000,000	
Prepaid Insurance Premiums	2,000,000	
Inventory	2,000,000	Paddy rice socked on credit
Legal and Accountthug Fees	15,000,000	
Utility Deposits	11,000,000	
Supplies	10,000,000	
Advertising and Promotions	5,000,000	
Licenses	7,000,000	
Other Initial start-up costs	10,000,000	
Working Capital (Cash on hand)	5,000,000	
Total Operating Capital	71,000,000	
Total Required Funds	250,000,000	

## 4.2 Fixed Asset Purchases

Fixed Assets	Amount	Depreciation (years)	Notes
Land for construction (Ware & Machine houses)	34,000,000	Not Deprecated	Land already available
Buildings ( Storage & Machine house, Drying yard)	45,000,000	20	Construction for rice processing
Equipment (Rice huller, Threshers, etc)	35,000,000	7	Additional equipment required
Furniture and Fixtures	5,000,000	5	Office equipment
Transport (Tricycle & Motorcycle)	40,000,000	5	Office & Field collection
Generator 6.5 KV	20,00,0000	5	Power the office and machines
Total Fixed Assets	US\$ 179,000,000		

### 4.3 Cash Flows

Cash Flow Forecast Year 1													
	January	February	March	April	May	June	July	August	September	October	November	December	Totals
Beginning Balance	5,000,000	16,563,583	44,614,867	56,335,540	85,627,373	110,149,207	114,362,240	143,844,073	174,095,907	179,255,940	212,227,773	241,409,757	
Cash Inflows													
Cash Sales	58,857,500	94,510,500	110,850,000	100,500,000	87,700,000	100,500,000	100,600,000	101,400,000	109,160,000	109,700,000	101,933,500	58,450,000	1,134,101,500
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Inflows	58,857,500	94,510,500	110,850,000	100,500,000	87,700,000	100,500,000	100,600,000	101,400,000	109,160,000	109,700,000	101,933,500	58,450,000	1,134,101,500
Cash Outflows													
Investing Activities													
New Fixed Asset Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional Inventory	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,400,000
Cost of Goods Sold	32,385,750	51,551,000	62,010,000	56,300,000	48,270,000	56,300,000	56,210,000	56,240,000	61,010,000	61,820,000	57,840,350	32,245,000	632,185,150
Operating Activities													
Operating Expenses	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	44,340,000
Payroll	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	112,346,000
Taxes	-	-	22,211,160	-	-	25,078,800	-	-	28,021,800	-	-	22,182,345	97,494,105
Financing Activities													
Loan Payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Owners Distribution	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	18,000,000
Dividends Paid	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000	1,812,000
Total Cash Outflows	47,293,917	66,459,217	99,129,327	71,208,167	63,178,167	96,286,967	71,118,167	71,148,167	103,939,967	76,728,167	72,751,517	69,335,512	908,577,255
Net Cash Flows	11,563,583	28,051,283	11,720,673	29,291,833	24,521,833	42,213,033	29,481,833	30,251,833	5,160,033	32,971,833	29,181,983	10,885,512	225,524,245
Operating Cash Balance	16,563,583	44,614,867	56,335,540	85,627,373	110,149,207	114,362,240	143,844,073	174,095,907	179,255,940	212,227,773	241,409,757	230,524,245	
Line of Credit Drawdown	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	16,563,583	44,614,867	56,335,540	85,627,373	110,149,207	114,362,240	143,844,073	174,095,907	179,255,940	212,227,773	241,409,757	230,524,245	
Line of Credit Balance	-	-	-	-	-	-	-	-	-	-	-	-	-

### Cash Flow Forecast Years 1-3

	Year 1 Totals	Year 2 Totals	Year 3 Totals
Beginning Balance			
Cash Inflows			
Cash Sales	1,134,101,500	1,247,511,650	1,372,262,815
Accounts Receivable	-	-	-
Total Cash Inflows	1,134,101,500	1,247,511,650	1,372,262,815
Cash Outflows			
Investing Activities			
New Fixed Asset Purchases	-	-	-
Additional Inventory	2,400,000	-	-
Cost of Goods Sold	632,185,150	695,403,665	764,944,032
Operating Activities			
Operating Expenses	44,340,000	45,799,800	47,309,874
Payroll	112,346,000	127,076,596	160,077,518
Taxes	97,494,105		113,904,417
Financing Activities			
Loan Payments	-	-	-
Owners Distribution	18,000,000	-	-
Dividends Paid	1,812,000	-	-
Total Cash Outflows	908,577,255	868,280,061	1,086,235,841
Net Cash Flows	225,524,245	379,231,589	286,026,974
Operating Cash Balance			
Line of Credit Drawdown	-	-	-
Ending Cash Balance			
Line of Credit Balance			



#### 4.4 Profit and Loss Statement

Income Statement Year 1	January	February	March	April	May	June	July	August	September	October	November	December	Annual Totals
<b>Revenue</b>													
Rice Grade 1	30,000,000	66,000,000	63,000,000	60,000,000	60,000,000	60,000,000	66,000,000	69,000,000	72,000,000	67,500,000	57,000,000	36,000,000	706,500,000
Rice Grade 2	35,000,000	25,000,000	43,750,000	37,500,000	35,000,000	35,000,000	32,500,000	30,000,000	35,000,000	40,000,000	42,500,000	20,000,000	393,750,000
Rice Bran	2,857,500	2,510,500	3,500,000	2,000,000	1,500,000	1,000,000	1,000,000	1,000,000	500,000	500,000	500,000	500,000	15,848,000
Rice Husks	1,000,000	1,000,000	1,400,000	1,000,000	1,700,000	2,000,000	1,100,000	1,400,000	1,600,000	1,700,000	1,933,500	1,950,000	17,983,500
<b>Total Revenue</b>	<b>58,857,500</b>	<b>94,510,500</b>	<b>110,850,000</b>	<b>100,500,000</b>	<b>87,700,000</b>	<b>100,500,000</b>	<b>100,500,000</b>	<b>101,400,000</b>	<b>109,100,000</b>	<b>109,700,000</b>	<b>101,933,500</b>	<b>58,450,000</b>	<b>1,134,161,500</b>
<b>Cost of Goods Sold</b>													
Rice Grade 1	16,000,000	35,200,000	33,400,000	32,000,000	32,000,000	32,000,000	35,200,000	36,800,000	38,400,000	36,000,000	30,400,000	19,200,000	376,800,000
Rice Grade 2	16,500,000	16,000,000	28,000,000	24,000,000	16,500,000	24,000,000	20,800,000	19,200,000	22,400,000	25,600,000	27,200,000	12,800,000	252,000,000
Rice Bran	285,750	251,050	350,000	200,000	100,000	100,000	100,000	100,000	50,000	50,000	50,000	50,000	1,586,800
Rice Husks	100,000	100,000	160,000	100,000	170,000	200,000	110,000	140,000	160,000	170,000	193,350	195,000	1,798,350
<b>Total Cost of Goods Sold</b>	<b>32,385,750</b>	<b>51,551,050</b>	<b>62,010,000</b>	<b>56,300,000</b>	<b>48,270,000</b>	<b>56,300,000</b>	<b>56,210,000</b>	<b>56,240,000</b>	<b>61,610,000</b>	<b>61,820,000</b>	<b>57,843,350</b>	<b>32,245,000</b>	<b>632,185,150</b>
<b>Gross Margin</b>	<b>26,471,750</b>	<b>42,959,450</b>	<b>48,840,000</b>	<b>44,200,000</b>	<b>39,430,000</b>	<b>44,200,000</b>	<b>44,290,000</b>	<b>45,160,000</b>	<b>47,490,000</b>	<b>47,880,000</b>	<b>44,090,150</b>	<b>26,205,000</b>	<b>501,916,350</b>
<b>Payroll</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>9,362,167</b>	<b>112,346,500</b>
<b>Operating Expenses</b>													
Advertising	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,600,000
Car and Truck Expenses	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000
Commissions and Fees	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,400,000
Contract Labor (Not included in payroll)	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	1,440,000
Insurance (other than health)	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	720,000
Legal and Professional Services	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,400,000
Licenses	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	1,080,000
Office Expense	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	900,000
Rent or Lease -- Vehicles, Machinery, Equipment	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000
Rent or Lease -- Other Business Property	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000
Repairs and Maintenance	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	3,000,000
Supplies	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	3,000,000
Travel, Meals and Entertainment	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,200,000
Utilities	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000
<b>Miscellaneous</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>600,000</b>
<b>Total Operating Expenses</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>3,695,000</b>	<b>44,340,000</b>
<b>Income (Before Other Expenses)</b>	<b>13,414,583</b>	<b>29,302,283</b>	<b>35,782,833</b>	<b>31,142,833</b>	<b>26,372,833</b>	<b>31,142,833</b>	<b>31,142,833</b>	<b>32,102,833</b>	<b>35,032,833</b>	<b>34,832,833</b>	<b>31,032,983</b>	<b>13,147,833</b>	<b>345,230,350</b>
<b>Other Expenses</b>													
Amortized Startup Expenses	1,777,778	1,777,778	1,777,778	1,777,778	1,777,778	1,777,778	1,777,778	1,777,778	1,777,778	1,777,778	1,777,778	1,777,778	21,333,333
Depreciation	1,687,500	1,687,500	1,687,500	1,687,500	1,687,500	1,687,500	1,687,500	1,687,500	1,687,500	1,687,500	1,687,500	1,687,500	20,250,000
<b>Total Other Expenses</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>3,465,278</b>	<b>41,583,333</b>
<b>Net Income Before Income Tax</b>	<b>9,949,306</b>	<b>26,437,006</b>	<b>32,317,556</b>	<b>27,677,556</b>	<b>22,907,556</b>	<b>27,677,556</b>	<b>27,677,556</b>	<b>28,637,556</b>	<b>31,567,556</b>	<b>31,357,556</b>	<b>27,567,706</b>	<b>9,482,556</b>	<b>303,647,617</b>
<b>Income Tax</b>	<b>3,518,125</b>	<b>8,464,435</b>	<b>10,228,600</b>	<b>8,836,600</b>	<b>7,405,600</b>	<b>8,836,600</b>	<b>8,893,600</b>	<b>9,124,600</b>	<b>10,003,600</b>	<b>9,940,600</b>	<b>8,893,600</b>	<b>3,438,100</b>	<b>97,494,105</b>
<b>Net Profit/Loss</b>	<b>6,431,181</b>	<b>17,972,571</b>	<b>22,088,956</b>	<b>18,840,956</b>	<b>15,501,956</b>	<b>18,840,956</b>	<b>18,773,956</b>	<b>19,512,956</b>	<b>21,563,956</b>	<b>21,416,956</b>	<b>18,764,061</b>	<b>6,244,456</b>	<b>206,152,912</b>

Income Statement Years 1-3						
Revenue	2021		2022		2023	
Rice Grade 1	706,500,000		777,150,000		854,865,000	
Rice Grade 2	393,750,000		433,125,000		476,437,500	
Rice Bran	15,868,000		17,454,800		19,200,280	
Rice Husks	17,983,500		19,781,850		21,760,035	
Total Revenue	1,134,101,500		1,247,511,650		1,372,262,815	100%
Cost of Goods Sold						
Rice Grade 1	376,800,000		414,480,000		455,928,000	
Rice Grade 2	252,000,000		277,200,000		304,920,000	
Rice Bran	1,586,800		1,745,480		1,920,028	
Rice Husks	1,798,350		1,978,185		2,176,004	
Total Cost of Goods Sold	632,185,150	56%	695,403,665	56%	764,944,032	56%
Gross Margin	501,916,350	44%	552,107,985	44%	607,318,784	44%
Payroll	112,346,000		127,076,596		160,077,518	
Operating Expenses						
Advertising	3,600,000		3,708,000		3,819,240	
Car and Truck Expenses	6,000,000		6,180,000		6,365,400	
Commissions and Fees	2,400,000		2,520,000		2,646,000	
Contract Labor (Not included in payroll)	1,440,000		1,483,200		1,527,696	
Insurance (other than health)	720,000		741,600		763,848	
Legal and Professional Services	2,400,000		2,472,000		2,546,160	
Licenses	1,080,000		1,134,000		1,190,700	
Office Expense	900,000		927,000		954,810	
Rent or Lease -- Vehicles, Machinery, Equipment	6,000,000		6,180,000		6,365,400	
Rent or Lease -- Other Business Property	6,000,000		6,180,000		6,365,400	
Repairs and Maintenance	3,000,000		3,150,000		3,307,500	
Supplies	3,000,000		3,090,000		3,182,700	
Travel, Meals and Entertainment	1,200,000		1,236,000		1,273,080	
Utilities	6,000,000		6,180,000		6,365,400	
Miscellaneous	600,000		618,000		636,540	
Total Operating Expenses	44,340,000	4%	45,799,800	4%	47,309,874	3%
Income (Before Other Expenses)	345,230,350	30%	379,231,589	30%	399,931,391	29%
Other Expenses						
Amortized Start-up Expenses	21,333,333		21,333,333		21,333,333	
Depreciation	20,250,000		20,250,000		20,250,000	
Interest						
Commercial Loan	-		-		-	
Commercial Mortgage	-		-		-	
Other Bank Debt	-		-		-	
Bad Debt Expense	-		-		-	
Total Other Expenses	41,583,333	0	41,583,333	0	41,583,333	3%
Net Income Before Income Tax	303,647,017	0	337,648,255	0	358,348,058	26%
Income Tax	97,494,105		107,694,477		113,904,417	
Net Income/Loss	206,152,912	0	229,953,779	0	244,443,641	18%

## 4.5 Balance Sheet

Balance Sheet Years 1-3			
ASSETS	2021	2022	2023
Current Assets			
Cash	230,524,245	502,061,357	788,088,331
Accounts Receivable	-	-	-
Inventory	4,400,000	4,400,000	4,400,000
Prepaid Expenses	36,000,000	18,000,000	-
Other Initial Costs	6,666,667	3,333,333	-
Total Current Assets	277,590,912	527,794,690	792,488,331
Fixed Assets			
Land	34,000,000	34,000,000	34,000,000
Buildings	45,000,000	45,000,000	45,000,000
Leasehold Improvements	-	-	-
Equipment	35,000,000	35,000,000	35,000,000
Furniture and Fixtures	5,000,000	5,000,000	5,000,000
Vehicles	40,000,000	40,000,000	40,000,000
Other	20,000,000	20,000,000	20,000,000
Total Fixed Assets	179,000,000	179,000,000	179,000,000
(Less Accumulated Depreciation)	20,250,000	40,500,000	60,750,000
Total Assets	436,340,911	666,294,690	910,738,330
LIABILITIES & EQUITY			
Liabilities			
Accounts Payable	-	-	-
Commercial Loan Balance	-	-	-
Commercial Mortgage Balance	-	-	-
Other Bank Debt Balance	-	-	-
Line of Credit Balance	-	-	-
Total Liabilities	-	-	-
Equity			
Common Stock	250,000,000	250,000,000	250,000,000
Retained Earnings	206,152,912	436,106,690	680,550,331
Dividends Dispersed/Owners Draw	19,812,000	19,812,000	19,812,000
Total Equity	436,340,912	666,294,690	910,738,331
Total Liabilities and Equity	436,340,911	666,294,690	910,738,330
Balance sheet in or out of balance?	-	-	-
	Balanced!	Balanced!	Balanced!

## 4.6 Planning

### Farm Production Projections

Year	2021	2,022	2,023	2,024	2,025
Target acreage (Rice)	50	630	1,760	2,260	2,760
No. of farmers to enroll	152	252	352	452	552
Projected output (800kg/acre)	40,000	504,000	1,408,000	1,808,000	2,208,000
Household retention (20%)	8,000	100,800	281,600	361,600	441,600
Marketable Surplus paddy (MT)	32,000	403,200	1,126,400	1,446,400	1,766,400
Risk adjusted scenario (avg yield drop@40%) drop in marketable surplus	32,000	403,000	1,126,000	1,446,000	1,766,000
Paddy Purchases from Non-members	22,400	201,500	506,700	506,100	529,800
Total Paddy received	54,400	604,500	1,632,700	1,952,100	2,295,800
fulltime equivalent of 1.5 per acre	33	420	1,173	1,507	1,840

### Milling Assumptions

Year	2021	2,022	2,023	2,024	2,025
Milling output @ extraction rate	65%	65%	65%	65%	65%
Rice Grade 1 (60%)	21,216	235,755	636,753	761,319	895,362
Rice grade 2 (40%)	14,144	157,170	424,502	507,546	596,908
Bran (15%)	2,856	31,736	85,717	102,485	120,530
Husk (85%)	16,184	179,839	485,728	580,750	683,001

### Price and Marketing Assumptions

Year	2021	2022	2023	2024	2025
Sales price Rice Grade 1 (35%) per MT	2,600	2,500	2,500	2,600	2,600
Sales Price Rice grade 2 (30%) per MT	2,500	2,200	2,300	2,300	2,300
Sales Price Bran (10%) per MT	500	500	550	550	550
Sales Price Husk (25%) per MT	100	100	110	110	110

### Procurement and operational Assumptions

Year	2021	2022	2023	2024	2025
Milling cost per kg of Paddy per MT	100	100	120	140	140
Cost of Paddy per MT (Members)	1,100	1,200	1,400	1,400	1,400
Cost of Paddy per MT (Non-Members)	1,000	1,100	1,200	1,200	1,200



## 5 ■ The Development Impact

### 5.1 Local economic impact of the business

**Job and employment creation-** The cooperative created direct employment to ten (10) skilled who were previously unemployed and about 30 unskilled members of the community who earned income below the poverty wage levels. Overall employment spin-offs of the cooperative business model for suppliers, and buyers, distributors, and sales agents, it is estimated that the farm level production activities supported will create a total of 1, 840 jobs across the production and supply chain, at the rate of 1.5 jobs per acre planted.

**Government tax revenue-** The Co-operative will contribute to the local revenues through local tax contributions estimated totalling UGX 13,219,079m for the period 2021-2025. The local taxes will mainly come from produce tax and trading levies paid to the local government. The coop. will also pay several indirect taxes through trading and payroll activity.

### 5.2 Local social impact of the business's products or services

**Knowledge & Skills developed-** Increased access to education (knowledge & skills) through members' education and training in all aspects of agriculture and cooperative enterprise development.

**A healthier environment-** The most significant social benefit of the project will result from the multiplier effect it will

create. It is expected that the Cooperative business model will advance new farm technologies and good agronomic practices in the local communities, through bridging the gap between technology development, transfer and adoption and advancing climate-smart and resilient technologies.

**Social wellbeing ensured-** Improved quality of living standards (access to food, health, and housing) (example: mosquito nets, which have a clear positive effect on the health of the local population). KRORIP Cooperative society is a membership organization with a vision of improving the livelihoods of the members and the local communities. The Cooperative business model is community-centred is expected to deliver significant social benefits at the community and organizational level.

KROP Cooperative society is a membership organization with a vision of improving the livelihoods of the members and the local communities. The Cooperative business model is community-centred is expected to deliver significant social benefits at the community and organizational level. The Co-operative will provide direct employment to ten (10) skilled and about 30 unskilled members of the community.

The most significant social benefit of the project will result from the multiplier effect it will create. It is expected that the Cooperative business model will advance new farm technologies and good agronomic practices in the local communities, through bridging the gap between technology development, transfer and adoption and advancing climate-smart and resilient technologies.



# Annexes

## Financing Plan

Source	Total Cost	2021	2022	2023	2024	2025
Grants	100,000,000	100,000,000	135,000,000	-	-	-
Member contributions	20,000,000	25,000,000	25,000,000	-	-	-
Sales profits & Commissions	80,000,000	12,471,104	109,353,461	251,162,290	-	-
Buyer & Supplier Advances	50,000,000	10,000,000	50,000,000	90,000,000	-	-
<b>TOTAL Financing</b>	<b>250,000,000</b>	<b>147,471,104</b>	<b>319,353,461</b>	<b>341,162,290</b>	<b>-</b>	<b>-</b>

## 1. Projected Payroll

Payroll Year I																	
	Number of Owners (Employees)	Average Hourly Pay (to 2 decimal places)	Estimated Hrs./Week (per person)	Estimated Pay/Month (Total)	January	February	March	April	May	June	July	August	September	October	November	December	Annual Totals
Employee Types																	
Management (Owner(s))	1	2,500	40	433,333	433,333	433,333	433,333	433,333	433,333	433,333	433,333	433,333	433,333	433,333	433,333	433,333	5,200,000
Full-Time Employees	3	3,000	45	1,755,000	1,755,000	1,755,000	1,755,000	1,755,000	1,755,000	1,755,000	1,755,000	1,755,000	1,755,000	1,755,000	1,755,000	1,755,000	21,060,000
Part-Time Employees	7	2,800	45	3,822,000	3,822,000	3,822,000	3,822,000	3,822,000	3,822,000	3,822,000	3,822,000	3,822,000	3,822,000	3,822,000	3,822,000	3,822,000	45,864,000
Independent Contractors	2	2,000	20	346,667	346,667	346,667	346,667	346,667	346,667	346,667	346,667	346,667	346,667	346,667	346,667	346,667	4,160,000
Total Salaries and Wages	13	US\$10,300	150	6,357,000	6,357,000	6,357,000	6,357,000	6,357,000	6,357,000	6,357,000	6,357,000	6,357,000	6,357,000	6,357,000	6,357,000	6,357,000	76,284,000
		Percentage of Salary/Wage		Estimated Taxes & Benefits/Month													
Payroll Taxes and Benefits	Wage Base Limit			(Total)	January	February	March	April	May	June	July	August	September	October	November	December	Annual Totals
National Social Security	--	10%		601,033	601,033	601,033	601,033	601,033	601,033	601,033	601,033	601,033	601,033	601,033	601,033	601,033	7,212,400
Value Added Tax (VAT)	--	18%		1,081,860	1,081,860	1,081,860	1,081,860	1,081,860	1,081,860	1,081,860	1,081,860	1,081,860	1,081,860	1,081,860	1,081,860	1,081,860	12,982,320
Pay As You Earn Tax	--	20%		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Income Tax	--	30%		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee Pension Programs	--	3%		180,310	180,310	180,310	180,310	180,310	180,310	180,310	180,310	180,310	180,310	180,310	180,310	180,310	2,163,720
Worker's Compensation	--	15%		901,550	901,550	901,550	901,550	901,550	901,550	901,550	901,550	901,550	901,550	901,550	901,550	901,550	10,818,600
Employee Health Insurance	--	2%		120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	1,442,480
Other Employee Benefit Programs	--	2%		120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	120,207	1,442,480
Total Payroll Taxes and Benefits		100%		3,005,167	3,005,167	3,005,167	3,005,167	3,005,167	3,005,167	3,005,167	3,005,167	3,005,167	3,005,167	3,005,167	3,005,167	3,005,167	36,062,000
Total Salaries and Related Expenses				9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	112,346,000

Payroll Years I-3					
Employee Types	Year I Totals	Growth Rate I to 2	Second Year	Growth Rate 2 to 3	Third Year
Management (Owner(s))	5,200,000	0	6,240,000	0	8,112,000
Full-Time Employees	21,060,000	0	25,272,000	0	32,853,600
Part-Time Employees	45,864,000	0	50,450,400	0	65,585,520
Independent Contractors	4,160,000	0	4,284,800	0	4,413,344
Total Salaries and Wages	76,284,000		86,247,200		110,964,464
Payroll Taxes and Benefits					
National Social Security	7,212,400	0	8,654,880	0	11,251,344
Value Added Tax (VAT)	12,982,320	0	15,578,784	0	20,252,419
Pay As You Earn Tax	-	0	-	0	-
Corporate Income Tax	-	0	-	0	-
Employee Pension Programs	2,163,720	0	2,380,092	0	2,856,110
Worker's Compensation	10,818,600	0	11,143,158	0	11,477,453
Employee Health Insurance	1,442,480	0	1,485,754	0	1,530,327
Other Employee Benefit Programs	1,442,480	0	1,586,728	0	1,745,401
Total Payroll Taxes and Benefits	36,062,000		40,829,396		49,113,054
Total Salaries and Related Expenses	112,346,000		127,076,596		160,077,518







## Operation Cost project

[illegible]

Operating Expenses Years 1-3					
Line Item	2021	Growth Rate 1 to 2	2022	Growth Rate 2 to 3	2023
Advertising	3,600,000	3.0%	3,708,000	3.0%	3,819,240
Car and Truck Expenses	6,000,000	3.0%	6,180,000	3.0%	6,365,400
Commissions and Fees	2,400,000	5.0%	2,520,000	5.0%	2,646,000
Contract Labor (Not included in payroll)	1,440,000	3.0%	1,483,200	3.0%	1,527,696
Insurance (other than health)	720,000	3.0%	741,600	3.0%	763,848
Legal and Professional Services	2,400,000	3.0%	2,472,000	3.0%	2,546,160
Licenses	1,080,000	5.0%	1,134,000	5.0%	1,190,700
Office Expense	900,000	3.0%	927,000	3.0%	954,810
Rent or Lease -- Vehicles, Machinery, Equipment	6,000,000	3.0%	6,180,000	3.0%	6,365,400
Rent or Lease -- Other Business Property	6,000,000	3.0%	6,180,000	3.0%	6,365,400
Repairs and Maintenance	3,000,000	5.0%	3,150,000	5.0%	3,307,500
Supplies	3,000,000	3.0%	3,090,000	3.0%	3,182,700
Travel, Meals and Entertainment	1,200,000	3.0%	1,236,000	3.0%	1,273,080
Utilities	6,000,000	3.0%	6,180,000	3.0%	6,365,400
Miscellaneous	600,000	3.0%	618,000	3.0%	636,540
Total Expenses	44,340,000		45,799,800		47,309,874
Other Expenses					
Depreciation	20,250,000		20,250,000		20,250,000
Interest					
Commercial Loan	-		-		-
Commercial Mortgage	-		-		-
Other Debt	-		-		-
Bad Debt Expense	-				
Total Other Expenses	20,250,000		20,250,000		20,250,000
Total Operating Expenses	64,590,000		66,049,800		67,559,874

Cash Flow Forecast Year 1													
	January	February	March	April	May	June	July	August	September	October	November	December	Totals
Beginning Balance	5,000,000	16,563,583	44,614,867	56,335,540	85,627,373	110,149,207	114,362,240	143,844,073	174,095,907	179,255,940	212,227,773	241,409,757	
Cash Inflows													
Cash Sales	58,857,500	94,510,500	110,850,000	100,500,000	87,700,000	100,500,000	100,600,000	101,400,000	109,100,000	109,700,000	101,933,500	58,450,000	1,134,101,500
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Inflows	58,857,500	94,510,500	110,850,000	100,500,000	87,700,000	100,500,000	100,600,000	101,400,000	109,100,000	109,700,000	101,933,500	58,450,000	1,134,101,500
Cash Outflows													
Investing Activities													
New Fixed Asset Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional Inventory	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,400,000
Cost of Goods Sold	32,385,750	51,551,050	62,010,000	56,300,000	48,270,000	56,300,000	56,210,000	56,240,000	61,010,000	61,820,000	57,843,350	32,245,000	632,185,150
Operating Activities													
Operating Expenses	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	3,695,000	44,340,000
Payroll	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	9,362,167	112,346,000
Taxes	-	-	22,211,160	-	-	25,078,800	-	-	28,021,800	-	-	22,182,345	97,494,105
Financing Activities													
Loan Payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Owners Distribution	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	18,000,000
Dividends Paid	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000	151,000	1,812,000
Total Cash Outflows	47,297,917	66,459,217	99,129,327	71,208,167	63,178,167	96,286,967	71,118,167	71,148,167	103,939,967	76,728,167	72,751,517	69,335,512	908,577,255
Net Cash Flows	11,563,583	28,051,283	11,720,673	29,291,833	24,521,833	4,213,033	29,481,833	30,251,833	5,160,033	32,971,833	29,181,983	10,885,512	225,524,245
Operating Cash Balance	16,563,583	44,614,867	56,335,540	85,627,373	110,149,207	114,362,240	143,844,073	174,095,907	179,255,940	212,227,773	241,409,757	230,524,245	
Line of Credit Drawdown	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	16,563,583	44,614,867	56,335,540	85,627,373	110,149,207	114,362,240	143,844,073	174,095,907	179,255,940	212,227,773	241,409,757	230,524,245	
Line of Credit Balance	-	-	-	-	-	-	-	-	-	-	-	-	-



	Cash Flow Forecast Years 1-3		
	Year 1 Totals	Year 2 Totals	Year 3 Totals
Beginning Balance			
Cash Inflows			
Cash Sales	1,134,101,500	1,247,511,650	1,372,262,815
Accounts Receivable	-	-	-
Total Cash Inflows	1,134,101,500	1,247,511,650	1,372,262,815
Cash Outflows			
Investing Activities			
New Fixed Asset Purch	-	-	-
Additional Inventory	2,400,000	-	-
Cost of Goods Sold	632,185,150	695,403,665	764,944,032
Operating Activities			
Operating Expenses	44,340,000	45,799,800	47,309,874
Payroll	112,346,000	127,076,596	160,077,518
Taxes	97,494,105		113,904,417
Financing Activities			
Loan Payments	-	-	-
Owners Distribution	18,000,000	-	-
Dividends Paid	1,812,000	-	-
Total Cash Outflows	908,577,255	868,280,061	1,086,235,841
Net Cash Flows	225,524,245	379,231,589	286,026,974
Operating Cash Balance			
Line of Credit Drawdown	-	-	-
Ending Cash Balance			
Line of Credit Balance			

Income Statement Years 1-3						
Revenue	2021		2022		2023	
Rice Grade 1	706,500,000		777,150,000		854,865,000	
Rice Grade 2	393,750,000		433,125,000		476,437,500	
Rice Bran	15,868,000		17,454,800		19,200,280	
Rice Husks	17,983,500		19,781,850		21,760,035	
Total Revenue	1,134,101,500	1	1,247,511,650	1	1,372,262,815	100%
Cost of Goods Sold						
Rice Grade 1	376,800,000		414,480,000		455,928,000	
Rice Grade 2	252,000,000		277,200,000		304,920,000	
Rice Bran	1,586,800		1,745,480		1,920,028	
Rice Husks	1,798,350		1,978,185		2,176,004	
Total Cost of Goods Sold	632,185,150	56%	695,403,665	56%	764,944,032	56%
Gross Margin	501,916,350	44%	552,107,985	44%	607,318,784	44%
Payroll	112,346,000		127,076,596		160,077,518	
Operating Expenses						
Advertising	3,600,000		3,708,000		3,819,240	
Car and Truck Expenses	6,000,000		6,180,000		6,365,400	
Commissions and Fees	2,400,000		2,520,000		2,646,000	
Contract Labor (Not included in payroll)	1,440,000		1,483,200		1,527,696	
Insurance (other than health)	720,000		741,600		763,848	
Legal and Professional Services	2,400,000		2,472,000		2,546,160	
Licenses	1,080,000		1,134,000		1,190,700	
Office Expense	900,000		927,000		954,810	
Rent or Lease -- Vehicles, Machinery, Equipment	6,000,000		6,180,000		6,365,400	
Rent or Lease -- Other Business Property	6,000,000		6,180,000		6,365,400	
Repairs and Maintenance	3,000,000		3,150,000		3,307,500	
Supplies	3,000,000		3,090,000		3,182,700	
Travel, Meals and Entertainment	1,200,000		1,236,000		1,273,080	
Utilities	6,000,000		6,180,000		6,365,400	
Miscellaneous	600,000		618,000		636,540	
Total Operating Expenses	44,340,000	4%	45,799,800	4%	47,309,874	3%
Income (Before Other Expenses)	345,230,350	30%	379,231,589	30%	399,931,391	29%
Other Expenses						
Amortized Start-up Expenses	21,333,333		21,333,333		21,333,333	
Depreciation	20,250,000		20,250,000		20,250,000	
Interest						
Commercial Loan	-		-		-	
Commercial Mortgage	-		-		-	
Other Bank Debt	-		-		-	
Bad Debt Expense	-		-		-	
Total Other Expenses	41,583,333	0	41,583,333	0	41,583,333	3%
Net Income Before Income Tax	303,647,017	0	337,648,255	0	358,348,058	26%
Income Tax	97,494,105		107,694,477		113,904,417	
Net Income/Loss	206,152,912	0	229,953,779	0	244,443,641	18%

Diagnostic Tools - Year I		
General Financing Assumptions	Value	Findings
Owner's Cash Injection into the Business	28.0%	Owner's injection is reasonable
Cash Request as percent of Total Required Funds	2.0%	Cash request seems reasonable with respect to total request
Loan Assumptions	Value	Findings
Commercial Loan Interest rate	9.0%	Interest rate seems reasonable
Commercial Loan Term in Months	84	Loan term seems within range for this type of loan
Commercial Mortgage Interest rate	9.0%	Interest rate seems reasonable
Commercial Mortgage Term in Months	240	Loan term seems within range for this type of loan
Debt-Service Coverage	0.0%	Calculated loan payments relative to operating profit seem reasonable
Income Statement	Value	Findings
Gross Margin as a Percent of Sales	44.3%	Gross margin percentage seems reasonable
Owner's Compensation Lower Limit Check	5,200,000	An owner's compensation amount has been established
Owner's Compensation Upper Limit Check	2.5%	Owner's compensation seems reasonable
Advertising Expense Levels as a Percent of Sales	0.3%	Advertising as a percent of sales may be too low
Profitability Levels	206,152,912	The business is showing a profit
Profitability as a Percent of Sales	18.2%	The projection does not seem highly unreasonable
Cash Flow Statement	Value	Findings
Desired Operating cash Flow Levels	-	The financial projection provides the desired level of cash flow
Line of Credit Drawdowns	-	The business doesn't seem to require a line of credit
Accounts Receivable Ratio to Sales	0.0%	Accounts receivable amount as a percent of sales seems reasonable
Balance Sheet	Value	Findings
Does the Year I Balance Sheet Balance?	-	The balance sheet does balance
Debt to Equity Ratio	0.0%	Very comfortable
Breakeven Analysis	Value	Findings
Do Sales Exceed the Breakeven Level?	734,307,026	The sales projection exceeds the projected break-even sales level









