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## Business Planning to Establish Small and Medium Sized Processing Units in Sub-Saharan Africa: Experiences from Case Studies in Rwanda and Tanzania

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### Abstract

Small and medium scale processing enterprises in the Sub-Saharan African agricultural sector serve various purposes: Adding value to raw products and thus increasing small farmers' income, entering alternative markets for food and agri-industrial products, providing off farm income in rural areas, and capacity building for processing activities on global markets.

Business planning requires assessment of the technical and financial issues of the processing plant, but also of output markets, the related raw material supply and factor markets, and of different financing options.

Output markets doubtlessly play an important role in the business planning. Here, it is important to assess the size of the expected market both presently and in the future, and to separate market segments according to products and buyers. Apart from ordinary markets, institutional markets like food relief programs or the public sector are gaining importance in Sub-Saharan Africa. These markets have to be specifically targeted and the enterprise designed accordingly. Market size, as well as its development over time, sets the parameters for the enterprise's capacity's requirements and utilisation and also determines its financial viability.

For the raw material supply there are various options like markets, outgrowers' schemes, farmers associations etc, with different related transaction costs, as raw material supply is subject to seasonality, risk, and opportunities for other cropping activities. The same holds for factor supply, in particular labour, which is subject to constraints from many other socio-economic activities in rural areas.

Finance options are evaluated for profitability and risk, looking at different credit conditions offered by public and private banks, concerning — apart from interest rates — annuities, flexibility of paybacks, and collaterals. Short payback periods and early break-evens are crucial because such agro-enterprises operate in a risky agricultural environment, where time plays a more important role than in developed economies.

The study exemplifies the above mentioned issues by quantitative and qualitative information from two business planning exercises, one of them a soybean processing plant in Rwanda, the other a cassava processing plant in Tanzania.

**Keywords:** Agro-enterprise development, business planning, Rwanda, Tanzania

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