

## **A Business Concept Proposal**

**Project Title:** Sugar Cane Muscovado Sugar Processing Plant Business

**Estimated Budget:** USD 5,556,000

**Projected ROI:** 5-years from the start of full-swing operation

**Projected Income:** 70% per annum

**Date of Implementation:** January 2, 2021

**Date of Operation:** July 2021

### **Proponent:**

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## **Executive Summary**

Sugar cane production and processing can be trace back in the earliest civilization, it is one of the oldest and biggest business industries that the world have. In most tropical countries, they produce much compared to those in cold countries because sugar cane plants grow better and sweeter in tropical countries, while other countries have to import their sugar cane base sweetener.

Kalinga Province of Cordillera Administrative Region (CAR) in the northern part of the Philippines is a producer of Sugar Cane since 1960's up to the present. In one municipality alone, when consolidated, sugar cane farmers may have over 300 hectares of sugar cane plantation. They sell their produce to a sugar-cane manufacturing plant in the neighboring provinces for processing of sugar and ethanol. Kalinga province itself doesn't have a processing plant for sugar and ethanol yet they have vast supplies of sugar cane plantation.

Due to the growing market demand on "Muscovado Sugar" from Sugar Cane plant, it is a strategic business and venue to set-up a Sugar Cane processing plant for Muscovado Sugar. The demand on Muscovado Sugar among the others such as "washed-sugars" or "synthetic" sweeteners became so high due to health issues and change of lifestyles. Muscovado sugar were found to be healthier than the other processed sugars or sweeteners, it is lower in sugars, cholesterol and richer in nutrients, while the other are opposite. Also, the growing coffee and beverages restaurants and milk tea stations integrates

muscovado sugar in their drinks which attracts more health-conscious customers.

Kalinga Province can produce much Sugar Cane all-year-round and that supplies will not be a problem. Local farmers in the province will be encourage to plant more Sugar Cane among other in-demand high-valued crops, if a sugar cane “Muscovado” processing plant is present near them. And that their produce will be bought a little bit higher compared to the existing buyer in the neighboring province. Also, the local government will surely be happy and welcome such development in their localities.

The buying, processing and marketing of processed Sugar Cane into a “Muscovado” healthy sugar has big market for local and for export. The quality of Sugar Cane in Kalinga Province can compete with the other provinces planting Sugar Cane in terms of quality and quantity. Also, farmers in Kalinga, in general, started using organic fertilizers in the last five years in their plants, including sugar cane farmers. This also put value in their farming practices, getting rid of chemical-based fertilizers and pesticides, which ensures healthier food.

The farmgate price of Sugar Cane vary from P2.00-3.00 per kilo but when processed into Muscovado, it will be more than 10 times higher.

KOFAM is in direct contact of these Sugar Cane farmers and that some of them are member of KOFAM last 2-3 years ago. And that, they are committed to sell it to KOFAM their farm-harvest if a Sugar Cane Processing Plant be establish and operated near them.

KOFAM mechanized processing plant for Sugar Cane into Muscovado can mass produce with export quality, packaging and bigger markets overseas which motivates the farmers to produce more. Thus, investing in this Muscovado Sugar Processing Plant brings life to farmers in Kalinga Province and even to the neighboring provinces with sugar cane plantations.

Moreover, KOFAM teams has the capabilities to do so in terms of ground-level relationship with producers, technical know-how in business operations, market developments, and in generating income as a whole. Thus, investments assured with returns and income.

## General Objective:

To buy 1-hectare property in a strategic place, constructs and set-ups highly Mechanized Processing Plant for Muscovado Sugar with Storage and Creates markets local and overseas.

## Specific Objectives

1. To buy 1-hectare of land property in a strategic place in the Municipality of Rizal, Province of Kalinga of Cordillera Administrative Region.
2. To Construct a Processing Plant Facility and Storage and set-up required machines and equipment for Muscovado Sugar processing with complete packaging system.
3. To create and establish KOFAM local and export marketing system.
4. To purchase needed delivery trucks for logistics, transporting of harvested Sugar Cane and delivery of finished products to local markets and nearby seaports for exports.
5. To set-up administrative team in the processing plant to take care of all administrative concerns.

## Projected Expenses for the Whole Business Developments:

Purchase of 1-hectare Property @ 3,000/SQM----	PHP 30,000,000.00
Building Constructions -----	50,000,000.00
Machine/Equipment -----	50,000,000.00
Delivery Trucks (4 units) -----	14,000,000.00
Warehouse lifter (2 units) -----	5,000,000.00
Service Vehicle (2 unit) -----	3,800,000.00
Capital Outlay (fund in buying Sugar Cane)-----	30,000,000.00
Marketing Cost -----	2,000,000.00
Administrative Cost -----	2,000,000.00
Sundries -----	1,000,000.00
<b>TOTAL -----</b>	<b>PHP 187,800,000.00</b>

## Annual Projected Gross Income from Business:

From the capital outlay of PHP 30,000,000.00 to use in purchasing harvested sugar cane from farm gate will generate incomes as projected in the computation below:

**Sample:**

The price of per kilo in the farm gate will be USD 0.03 in average (from months of January to December) and will be sell at the average of USD 2.0 per kilo of finished product)

<b>Capital Outlay:</b>	<b>USD 600,000</b>
Farmgate Price:	USD 0.10 per kg
No. of kilos Purchased:	3,000,000 kg
Less (60% decreased from cleaning and processing):	1,600,000 kg
Total No. of Kilos (40%Processed & package):	1,400,000 kg
Average Wholesale Price/kilo for local & export	USD 2.00
<b>TOTAL Annual Gross Income:</b>	<b>USD 2,800,000</b>
<b>TOTAL Annual Net Income (40%):</b>	<b>USD 1,120,000</b>

Sample computations here were quoted based on the lowest price. Actual incomes may vary based on actual purchase and sells most especially if local and export price is higher than what was quoted here.

**Schedule of Strategic Activities:**

Year	Activities	Q1	Q2	Q3	Q4
2020	<b>Phase 1:</b> Meeting with RTN and RP Connect then Submission, Review, Adjustments and approval of Project Proposal and contract signing				Jan 2-15
	Availability of Funds and contract signing				Jan 16-30
2021	<b>Phase 2:</b> Scouting and buying of property, Building constructions (storage, admin. & marketing office, water & electricity, CCTV, parking, guard, etc.)	Feb. to July			
	Purchase and installations of equipment, machines and stalls for storage,		May to June		
	Purchase of delivery trucks, warehouse lifter and service vehicles		May		

	<b>Phase 3:</b> Hiring of skilled employees, training orientations		May-June		
	Marketing Development and Staff, Admin/Operation Manuals, Etc.		June-July		
	<b>Meetings and Signing of Contracts</b> with Sugar Cane Farmers	Feb to May			
	Grand Opening Day (Opening Ceremony)			Sept 29	
	<b>Phase 4:</b> Start of Full -blast buying, processing and marketing operations			Oct. onwards	
	<b>Phase 6:</b> Weekly and Monthly Progress Monitoring and Evaluation			Oct. onwards	
2022	<b>Phase 7:</b> Start Payment of Loan and interest			July onwards	
2025	<b>Phase 8:</b> Completion of Payment of Loan				Dec.
2026	<b>Phase 9:</b> Expansion of Products and Services	February onwards			

### **Return of Investments:**

Based on the sample computation above, the projected gross and net income shows that the ROI can be achieved in 4-5 years' time starting from the date of its full-swing operations.

### **Project Outputs, Outcomes and Impact:**

The Muscovado Sugar Processing Plant business project is seen to contribute economic development among Sugar Cane producers in Kalinga Province including its neighboring provinces who produces sugar cane. KOFAM Muscovado Processing Plant and storage presence in the place can serve as an option for farmers to sell their produce with a higher value due to KOFAM incomparable offers and services to sugar cane farmers.

Sugar cane growers will also be empowered in their planting practices by integrating KOFAM organic fertilizers for their Sugar Cane plants with better and healthier produce.

## **Summary**

KOFAM Muscovado Processing Plant and buying and selling capacity shall bring excitement and accessibility to farmers in the province and region. They will be encouraged further to plant and produce quality sugar cane because they are confident that their farm produce will be disposed with a better offer from the company.