

The project offers an attractive investment opportunity with an estimated Internal Rate of Return (IRR) of 36%, a Pay Back Period of 4 years, a Discounted Cash Flow (DCF) valuation of US\$31.9 million (using a discount rate of 12%) and a Net Present Value (NPV) of US\$6.6 million.

After five years of operation, there is scope to maximise returns on investments on the project by venturing into the production of other honey related products such as beeswax, propolis and industrial honey, in order to take advantage of the entire honey value chain.

Social and Economic Impact

The project has positive social externalities through reducing poverty by indirectly empowering a large population of people mostly in rural areas who are involved in the beekeeping and honey production value chain. In addition, people involved in the honey subsector will benefit through access to annual training, capacity building and increased productivity arising from use of modern technology in beekeeping and honey harvesting.



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INVESTMENT PROJECT PROPOSAL

Name of project: Zambia Natural Honey Processing

Country: Zambia



Overview

The Government of the Republic of Zambia (GRZ) is inviting Private Investors to establish a modern natural organic honey, processing project that falls under Light Manufacturing Industry Sector, which is classified as a priority sub sector. The processing plant will produce an average of 5,000 tonnes of natural organic honey per annum. The plant will be constructed on 20 acres of land located at the Lusaka South Multi-Facility Economic Zone (LS-MFEZ) and hence the project will benefit from both fiscal and non-fiscal incentives that are associated with investing at the LS-MFEZ site. The total investment that is required to operationalize the project is US\$5 million. The Private Investors will be expected to meet the entire project costs of US\$5 million through injecting cash equity in the project. GRZ, LS-MFEZ and other Government Agencies will assist the Private Investors to establish the project, through various forms of interventions. The project will be implemented through an Investments Company that will be wholly owned by Private Investors. The project will take 12 months to operationalize.

The Product

The project will produce natural organic honey, using raw comb honey, which is produced in large quantities in Zambia. The honey will be pure, light coloured and with a mild taste.

The Market

The natural organic honey will be distributed to the domestic market in Zambia (60%) and regional markets in Angola, Botswana, Democratic Republic of Congo, Namibia and South Africa (10%). About 30% of the honey will also be exported to international markets in China, European Union, France, Germany and Italy. There is a general increase of about 2% annually in the demand for honey on

Key Facts	
Name of Project	Zambia Natural Honey Processing
Country of Operations	Zambia
Headquarters	HQ: LS-MFEZ Lusaka.
Contact	Partnership for Investment & Growth in Africa (PIGA) Zambia Development Agency Privatization House, Nasser Road, Lusaka Tel: +260 962146223
Current Status of Project	Green Field
Sector	Light Manufacturing – agro processing
Proposed Legal Structure	Private Investments Company
Partners	Private Investors Company
Project Value	USD 5,000,000
Proposed Investment Structure	
Proposed Investment Amount	USD 5,000,000
Type of Investment	Private Equity
Type of Investor Needed	Private Equity Investors
Use of Proceeds	The funds from the Private Investors will be used to finance the construction of a honey processing plant and buildings and purchase of modern honey processing equipment, vehicles and to finance working capital.

the domestic, regional and international markets mainly driven by health considerations. Honey has medicinal uses and it is considered as a healthy substitute to sugar hence the ever-increasing demand globally by 2% annually. The trend is expected to continue in the foreseeable future.

The Competition

The competitors to the project include local Zambian companies such as Forest Fruits, Mpundu Wild Honey, and Adcoms as well as regional and international organic honey processors. At a regional level, the main competitors are from South Africa and Botswana.

The main differentiation strategy for the project will be anchored on the high quality of the organic honey produced.

Project Staff

- **Project Coordinator** – from ZDA.
- **Investments and Finance Expert** – from ZDA
- **Legal Expert** – from GRZ
- **Trade Expert** – from Ministry of Commerce Industry and Trade.
- **Honey Production Expert** – from Private Sector.
- **Honey Sector Expert** – from Honey Sector Regulatory body.

Investment Proposal

The Zambia Natural Honey Project is soliciting for cash equity of US\$ 5 million for the establishment of a modern, state of art processing plant at the LS-MFEZ, in Lusaka, that will produce natural organic honey for the domestic, regional and international markets.

The money will be utilised to meet the construction costs of the factory buildings, acquisition of processing plant, equipment, machinery, vehicles and working capital to pay for raw comb honey, inputs, salaries and other operational costs. The investment is in the form of equity finance in an Investments Company that will manage and run the project.

Profit Analysis

The project will start generating profits from the first year of operation, with net profit margins ranging from 12% in year one to 25% in year five.



Fig 1. Source of honey



Fig 2. Bee hives



Fig 3. Raw comb honey



Fig 4. Processed natural honey