There is a growing demand from the 1.8 million inhabitants of the Tete province in Mozambique for processed potato products such as chips and crisps.

With no local industry for the production of potato chips and crisps, there is an open door for investors and entrepreneurs to step in and take advantage of growing these products locally. This business plan presents the opportunity to start a potato chips and/or crisps production plant, using local products and sell locally to stimulate the economy.
Crisps production will begin with a full production line that produces 168 kg of crisps daily, packaged in 125 gr individual bags.

**INVESTMENT COSTS**

- The financial costs required to begin the large scale frozen chips plant is estimated at 15-16 million MZN to fully construct the facility and provide a working capital until the profits can fully cover costs in the third project year.

One suggested financing mode for a chips production facility is for the investor to finance 100% of the total costs where all fixed assets will be paid in the second year. This investment has an anticipated PBP of 4 years, a discounted NPV of 6,883,000 and an IRR of 62.2% over 5 years.

A separate financing option is to cover 25% of the investment with a grant that will be disbursed in the second project year. This financing scheme has an anticipated PBP of 3 years, a discounted NPV of 9,914,000 MZN and an IRR of 124.6% over 5 years.

- Once the frozen chip factory reaches the goal of 70% output production by the fifth year, the Net cash flow will be 6,004,000 MZN per year.

**RISKS**

- The demand of some potential customers for chips may vary in the future. This could exert pressure on the profitability of the business in the medium-term. To mitigate this risk, it is proposed to expand the customer base.

- Locally produced crisps will compete directly with imported products that have a strong position in the current market. The business opportunity takes this into account and focuses on building capacity as the acceptance from the market increases. For this reason, the crisps production facility will begin on a small-scale with possibilities for scaling up in the future.

- The year-round supply of potatoes makes the businesses possible. Therefore, close involvement with the production process must be taken into account.

**OPPORTUNITIES**

- The growing consumption of chips and crisps in the Tete province is satisfied by imports from South Africa and there currently are no commercial or cottage industries providing processed potatoes to the region. This reveals a gap in the market where a profitable investment is possible.

- Tete city alone demands 3.5 tons of frozen chips daily and the mining industry an additional 1.5 tons daily. This provides a market opportunity to provide 5 tons per day of processed potato chips. As for crisps, the demand is unknown, however, it must be substantial as crisps are found abundantly.

- The project plan is to create a frozen chips production facility that initially produces 3.34 tonnes of frozen French fries per day, operates at 16 hours per day and 300 days per year. This will meet current demands and is scalable as this is only 70% output of the production facility.