The current value chain of the dairy sector in Mozambique is constrained, the enabling infrastructure is also poorly developed.

There is a clear demand for dairy products in Mozambique, as the import from milk and milk products from surrounding countries is high and local production and processing is limited.

A small amount of dairy consumption is based on local production. This creates an interesting opportunity for the development and investment in the dairy value chain. The construction and set-up of a dairy processing plant is one of these interesting opportunities.

Do you need more information? No problem. The extended business plan for dairy processing and other business opportunities in aquaculture, potato, dairy, poultry, fish feed factory, tilapia cage farming and cold chains can be requested from the Zambezi Valley Development Agency (ZVDA). These have been prepared by Wageningen University & Research/CDI, the Netherlands.

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This business plan is to construct a dairy processing plant with a capacity up to 10,000 liters of milk per day. Current facilities in other provinces can only process 2,000 liters per day.

There is growing demand for dairy products and current dairy production in Mozambique is very limited. The country presently depends heavily on expensive imports. The government wishes to improve local milk production and thus avoid further dependence on imports. A dairy processing dairy plant is an essential element of this process.

Currently there are no other dairy processors in the provinces of Tete and Zambezia; and only very few in Manica and Sofala. A processing facility will be able to meet the rising demand for milk products and provide a high quality product that is produced locally for the local market. A good quality local product should be able to replace current imports.

A plant will focus on producing pasteurized milk and yoghurt, which are currently not available from the local market, as all of the products are imported.

**INVESTMENT COSTS**

- An initial investment of US$ 825,000 is required to build a dairy processing plant (US$750,000) and provide working capital (US$75,000) for the first year.

  - Production will start at 10% capacity and will be scaled up to 50% by year 6. Although production at the initial stage is limited, the business model is already profitable in the second year; average profits over a 10 year time period are 1.2 million per year.

  - It is assumed that the project will be 100% equity financed, thus providing an IRR of 43% over 10 years and a PBP of 4.31 years.

  - The other financing options involve either using a 50% grant or a 25% grant and 25% debt. These options have and IRR of 68% and 53% and a PBP of 3.35 and 3.9 respectively. In all cases the payback is less than 4.5 years.

**RISKS**

- A significant risk for this investment opportunity is the acquisition of land in Mozambique as it can, at times, be a lengthy bureaucratic process. However, the Zambezi Valley Development Agency (ZVDA) can play an important facilitating role for potential investors to ensure a smooth start-up phase.

  - A second issue is the poor power supply, which would severely affect dairy processing. Therefore, this investment has considered investing in a large generator to counteract this possibility.

  - Another risk to the value chain as a whole is the potential outbreak of various cattle related diseases that will influence the quality and supply of raw milk. Training and capacity building for the small-scale farmers will be an essential element in the chain.