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**SALT INDUSTRY – SOUTHERN REGION OF SAVE**

## Feasibility Study

PROGRESS REPORT

This Progress Report is divided in two sections: (i) the first one covers the market survey undertaken to perceive the motivations that shape and condition the salt market and the (ii) second presents a financial perspective of the industry in view of the findings of the market survey.

This study started on the March 2001 and completed on July of 2001. The report covers this period.

**I. MARKET RESEARCH**1. Methodology

The study was undertaken through the search of secondary sources of information in various institutions and past and current literature.

Although the information provided through the means identified above were reasonable in quality and quantity, the team also undertook to visit saltpans located in the outskirts of Maputo and other up North but within the South Region of Mozambique. Places visited were Maputo, Matola and Boane, all in Maputo Province and Quissico and Nova Mambone, in Inhambane.

The visits and interviews to the managers of the saltpans allowed a deeper understanding of how salt industry operates its characteristics, specifics about operations and finally the constraints the industry face.

Finally to complete the circle of information sources, in Maputo area interviews were conducted with the wholesalers and retailers of salt who explained details about the distribution network and particulars about the sale of the product.

2. Sources of the market study2.1. Collection of information

The first thing the team did was to understand the importance of salt in human meals and in health. Also the history of salt as a traditional activity in Mozambique would allow Austral to have an insight of the importance and reasons for the irregular location of saltpans across the country. As already indicated, sources of information included statistics prior to independence, data collected from the saltpans' business association and recent consultancy reports.

Below is the list of organizations visited and type of information collected:

Secondary data

- (a) Austral – The study for the privatization of Extrasal, a parastatal salt plant belonging to the Government. Year 1988
- (b) National History Archives – History of Mozambique. Year
- (c) National Library – Commercial Yearbook of Mozambique. 1973
- (d) Salt pans Business Association – various documents in the library. Year
- (e) Library of the Portuguese Embassy – History of Portuguese Discoveries. Year
- (f) Ministry of Health – National Directorate of Public Health
  - Needs of iodine in the treatment of goiter (hypertrophy of thyroid)
  - Areas of large incidence of goiter in the provinces of Tete and Niassa
  - Prophylaxis of goiter – iodine
  - Salt as the conventional way to take iodine

Primary data

- (g) Salt manufactures of Maputo, Matola and Boane

<b>Saltpan</b>	<b>Interviewee</b>
Matola Rio	Mr. Wan Pone
Raio Solar	Mr. Thomas Willian
Matola C	Mr. Thomas Willian
Zacarias	Mr. Zacarias Fernandes
Fragoso	Eng. Fernando Fragoso
Anacleto	Mr. António Anacleto
Afrisal	Dr. Nelson Camal

- (h) Salt manufactures in Quissico and Nova Mambone – Inhambane

<b>Saltpan</b>	<b>Interviewee</b>
Reman	Mr. Abdulreman Sumara
Zacarias	Sr Zacarias Chibobo
Consolata	Priests Tavares and Amadeu
Tamel	Mr. Tomás
Patrício	Mr. Patrício

- (i) Wholesalers

The downstream of the industry are distribution and selling channels due to the constraints caused mainly by lack of transportation and roads infrastructures. Therefore interviews were undertaken only to companies based in Maputo but a preference was to those having branches located in other provinces of Mozambique.

<b>Company</b>	<b>Interviewee</b>
Grupo Sal	Ms. Radha and Mr. Patel
Armazéns Mambo	Mr. Abdul
Daelta Trading	Mr. Carimo
Armazéns Sambo	Mr. Momad
Armazéns Globo	Mr. Hali

(j) Retailers

In order to close the circle of the information source an analysis of the consumer prices of salt in the city of Maputo (which conditions the prices of the entire country) needed to be done. Therefore the following outlets were interviewed:

<b>Supermarkets</b>	<b>Grocer' Shops</b>	<b>Markets</b>
Shoprite	Flôr da Avenidas	Jenete
Inter Franca	Mínho	Central
Luz	Bairro do Triunfo	Do Povo
Vosso Supermercado	Potuense	Estrela Vermelha
LM	Portugal	Mandela

### 3. Conclusions

The time required to finalize this study was longer than predicted in the bidding documents. However site visits to Maputo outskirts took exactly the period foreseen in the initial workplan.

The visits to the North of Maputo were affected by a thunderstorm that extended the total period of stay by one day.

## **II. FEASIBILITY STUDY**

### **1. Objectives**

The main objectives of this study were the following:

- (a) To choice of the economic parameters for better projection of financial figures
- (b) Undertake a SWOT analysis, including risks of the project
- (c) Analysis of the economic and financial feasibility of the scenarios of the proposed strategy for the development of this business.

### **2. Methodology**

#### **2.1. Market research**

The survey was detailed in full in the chapter above and allowed provision of key information about the analysis of (i) market access; (ii) demand; (iii) supply; (iv) market trends, and (v) provisional sales.

#### **2.2. Operations**

The interviews with the managers of the saltpans allowed the collection of data about the industry including the prices of all production factors in current prices. Companies' financial statements were crucial to determine the operation' costs and the costs of the manpower. This exercise resulted in the fowling:

- Project budget, registration of ownership and buildings, machinery and equipment.
- Statement of provisional costs
- Depreciation statement
- Debt service plan (loans, depreciation, interest and periods of depreciation)
- Projected sales

#### **2.3. Investment and costs**

The above statements will result from the summaries of the following calculations:

- Gross and net operating results
- Gross operating surplus
- Profitability of the net assets
- Profitability of gross and net operating results
- Self-financing capabilities
- Financial profitability
- Liquidity

- Ability to service debts
- Return on equity
- Decision about the viability of the project

The last calculation results from an analysis about the viability of the project' conception and the economical and financial feasibility of the project.

However, the criteria for the determination of the feasibility of this project will be based on the following ratios:

- Net Present Value of the project;
- Internal Rate of Return of the project and;
- The Time Required for the Return on Investment

#### 2.4. Validation of the data

Once the feasibility analysis of each of the studies were completed, the team met the managers of the saltpans respectively to certify if the all information included in the reports was accurate or not and to validate mutually agreed elements.

Finally the findings were presented to Unido (in the presence of the managers of all the saltpans) and clarifications were provided about the methodology and steps to be followed next in order to obtain financial loans.