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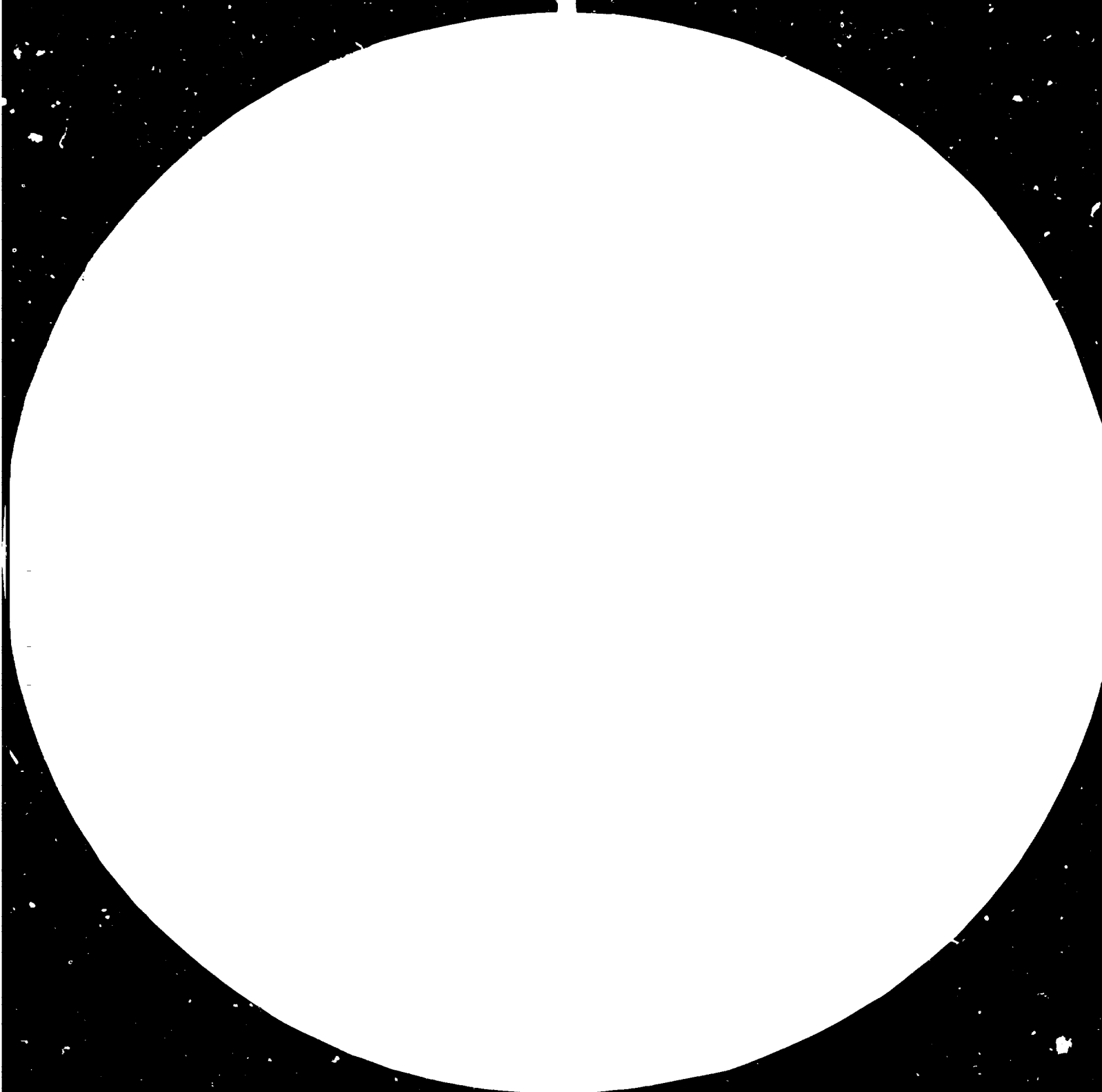
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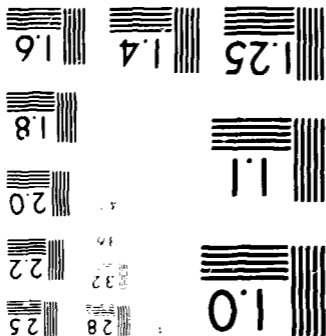
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DP/ID/SER.A/378
7 September 1982
English

Kenya ASSISTANCE TO THE UPLANDS BACON FACTORY.

SI/KEN/81/801

KENYA

Technical report: Assessment of the plant's technical
and economic operation *

Prepared for the Government of the Republic of Kenya
by the United Nations Industrial Development Organization,
acting as executing agency for the United Nations Development Programme

Based on the work of Louis L. Crawford, meat industry technologist

United Nations Industrial Development Organization
Vienna

60319

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I SUMMARY

Within the project Assistance to the Uplands Bacon Factory (SI/KEN/81/801) the Meat Industry Technologist was engaged, originally for a period of six months. The purpose of the project was to assist in improving technical, technological and economic operation of the Uplands Bacon Factory.

The duration of the assignment was reduced to five months and split into two parts, and an additional meat industry economist was engaged to look into economic, financial, accounting and similar aspects of the plant's operation.

The principle conclusions are as follows:

- (a) Uplands Bacon Factory is still operating only by the grace of its creditors, primarily the Government and has no hope of changing this situation without influx of capital or relief from indebtedness to the Government.
- (b) Uplands has the best physical plant for pigs in all of Africa north of Zambia, has little need immediately for huge physical capital investments, has a good management, and a muchly reduced staff of trained workers all of which are a valuable asset to Kenya and thus every attempt should be made in continuing to operate this company using these facilities and staff.
- (c) Due to instigation of 5 points of the six recommended and strict controls the company has changed from losing US\$ 40,000 monthly to breaking even and showing a little profit over the past three months which is proof of the new management programs success.
- (d) The break even point has been reduced from over 2200 pigs per month to less than 1500 pigs per month but the input is seriously hampered due to a severe shortage of pigs caused by the low prices last October. The present input of 1000 pigs per month is still too small in spite of the belt tightening to expect a profit.
- (e) The farm was set up as a separate entity and is in the process of an orderly expansion towards goals of utilizing all 150 acres available for agriculture and making profit of over K. Sh. 900,000 annually. Half of the profit or more to be reinvested in the farm.

- (f) It is recommended that the Government trade all present loans for corporate stock and taking over ownership not just control and that they let the present management operate for two years at least with a maximum amount of flexibility for personnel selection, pricing, production etc. but control through the Board only major items such as i.e. unusual credit, satellite plants, general distribution.
- (g) Further it is recommended that the UNDP, with the Government of Kenya support an approximate US\$ 100,000 three year technical assistance programme.
- (h) It is recommended that lease of plant facilities and satellite slaughtering be considered in detail.
- (i) It is also recommended that the management of maintenance be improved.

II INTRODUCTION

1. Background

In 1980, studies by an independent Dutch company and the FAO of the UN indicated some of the many problems of Uplands Bacon Factory and their suggested solutions, but neither showed the desperate situation of the Company or suggested the real deep changes. Later, in March 1981, the Kanyan Government recognized that the Company was in very bad financial trouble and needed emergency help. UNIDO provided this technical assistance at the request of the Ministry of Finance under an SIS agreement.

The main duties of the meat industry technologist were to make an assessment of the plant's technical and economic operation, including its organization, management, financing, raw material supply, marketing, etc. and assist in implementing recommendations aimed at improving overall technical and economic operation of the plant.

Original contribution to the project was US\$ 40,800 for the provision of a meat industry technologist for a period of six months. This was subsequently increased to US\$ 51,500 in order to provide services of a meat industry economist for a period of two months, whose report has been submitted separately.

2. Objectives

According to the project document, the immediate objectives of the

project were to assist the Uplands Bacon Factory at Uplands, in modernizing its technological processes, replacing some outdated and worn-out machinery, improving the general organization and utilization of installed capacities, diversifying production and improving the quality of products.

During the project implementation it appeared, however, that the emphasis should be placed on the action aimed at reducing financial losses and thus saving the plant from bankruptcy.

III CONCLUSIONS

The Company is being driven immediately to total bankruptcy by the one distributor refusing to pay K. Sh. 1.5 million as owed.

1. Factory

- (a) Uplands is bankrupt and exists because of the creditors but is breaking even on a monthly basis after averaging US\$ 40,000 monthly losses previously.
- (b) Uplands has an excellent plant with the need of about US\$ 80,000 of repair parts, but no new major capital buildings or equipment.
- (c) Uplands is a viable corporation if the Six Point Programme to increase profits is continued.
- (d) the present break-even point is about 1500 hogs per month with a kill rate averaging slightly over 1100 pigs per month during February, March and April of 1982.
- (e) The following Six Point Programme is being used except for point v) which is a necessity for total success.
 - (i) Raise pig prices about 40% to increase input;
 - (ii) Raise selling prices about 13% average;
 - (iii) Reduce permanent staff to 180 total for piggery and plant;
 - (iv) Close Mombasa and Nairobi depot and lease out; appoint distributors and sell on a cash basis.
 - (v) Reduce other fixed overheads by 25%;
 - (vi) Reduce/modify total loans to zero to the Government by selling stock or wiping out debts.

These points must be continuously monitored and updated.

2. Farm

The farm at present is only using about 20% of the land available for agriculture purpose. For detailed report on the farm development see special board report.

- (a) The farm is earning a profit as is of about K.Sh. 40,000 per month, but it should be more than double this if fully developed to a potential of over 150 acres.
- (b) The farm when fully developed should have a net profit of about K.Sh. 900,000 per year with a balance of crops of trees and vegetables and pigs and milk cows.

IV RECOMMENDATIONS

1. Factory

- (a) It is recommended that the six point programme of self-improvement be continued with vigor.
- (b) It is recommended that the maintenance programme be monitored more closely by top management and more maintenance be planned and of a preventive nature.
- (c) It is recommended that serious consideration be given to the satellite slaughterhouse programme plan to be situated in Kitale and Nyeri (see appendix for general specifications). If appropriate partners can be found for joint ownership the programme is highly desirable, and recommended.

2. Farm

It is recommended that as recently set up; the farm must be continued to operate as a separate entity from the factory and if it is necessary to dissolve the factory as an operating function the farm should survive as a profitable parastatal.

- (a) It is recommended that the farm should be expanded to utilize most of the land rapidly as possible as per the recommendations in detail of the separate report.
- (b) It is recommended that half of the profits of the farm should be used for expansion and land and facility improvement at least for the next five years or until it is fully "improved".

- (c) It is recommended that the farm continue as a teaching guide and stimulus to the pig producers.

3. Future Action

- (a) It is recommended that UNDP and the Kenya Government proceed with the US\$ 100,000 plus, three year assistance programme for Uplands as outlined in a separate document if the drainage of funds by distributors and other sources can be stopped.
- (b) It is recommended that the Kenya Government buys US\$ 3,000,000 of stock in the Uplands Bacon Factory so that there would be an influx of capital to pay off all the present debts to the Government.
- (c) It is recommended that the Ministry encourage the present Chairman of the Board to continue his excellent work with Uplands, and appoint the present General Manager a Managing Director in order to give continuity and corporate strength to the Board.
- (d) It is recommended that the Board act objectively on only those matters which are their right and not hamper or restrict the actions of the Company officers in such matters as prices, employees to discharge, distributors etc. and that they should act as a lobbyist for Uplands in the Government a communicant for the pig producers, and in major policy matters.
- (e) It is recommended that the Government sell the bacon factory itself keeping the farm as a parastatal, if it's unable to keep others from draining capital by various unethical means out of the company as has happened so often in the past. If the Government does not put money into the company or the distributor pay the K.Sh. 1.5 million debt the doors should be closed and reopened with a private party ownership with present management and reduced staff. The facility should be used as it is valuable to the country.

V RESULTS

Proof of the benefit of the actions taken is the fact that the company since December, 1981, has broken even and if more pigs become available will make a profit. Furthermore, the break-even point has been lowered from 2200 hogs per month to about 1500 per month.

- (a) Instituting of the following programmes has resulted in the rather remarkable rapid turn around and improvement in the company in 8 months and cut losses to nil from Kf 250,000 annually.
- (i) Reduced labour from 500 employees to less than 200.
 - (ii) Raised pig prices twice.
 - (iii) Raised consumer prices to reflect higher costs.
 - (iv) Gave incentives for pig procurement.
 - (v) Closed Mombasa and Nairobi Depots.
 - (vi) Changed to distributorship sales on cash basis.
 - (vii) Hired UNIDO Accountant to: Revise bookkeeping systems, train present Chief Accountant and bring books up to date.
 - (viii) Reduced by more than US\$ 20,000 monthly manufacturing overheads, by stopping oil burning for steam boiler, cutting electrical consumption, cutting maintenance costs and gasoline consumption for autos and cutting singeing costs.
 - (ix) Reduced manufacturing cost by putting conveyor for sausage packing, slowing down speed of dressing conveyor and cutting conveyor to allow for continuous operations, revised curing pumping methods.
 - (x) Separated farm operations into a profit centre and cut mortality by using passive solar heat and lighting in farrowing pens, as well as separate runt pens.
 - (xi) Helped set credit standards.
 - (xii) Set clean up and maintenance policy and programme especially for water and steam saving.
 - (xiii) Developed farm utilization and rejuvenation expansion programme and reforestation of stripped areas.
 - (xiv) Established initial design standards and costs for a satellite slaughterhouse (see appendix).
 - (xv) Relocated physical facilities for consolidation of accounting department.
 - (xvi) Helped design capital expenditure budget for next year and 3 years hence.
 - (xvii) Developed "significant data monthly report".

(b) Programmes still to be accomplished

- (i) Help solve the present loan problem by helping to guide the Government to eliminate the US\$ 3,000,000 loan to company by purchase of the company stock in exchange for the debt.
- (ii) Help devise a plan that would eliminate as much as possible the unethical draining off of capital.
- (iii) Help devise a final farm expansion development programme and put into action.
- (iv) Help devise a final satellite slaughter plant plans and building, and put out for tenders in a new site.
- (v) Help improve and put into action the maintenance of the plant.

VI DISCUSSION AND EVALUATION

Uplands has shown real and rapid improvement by its own efforts in the last 6 months - the six point programme of operations is the key to improvement and the specific smaller operations objectives is the tool which is used to reach this goal. The ship is not being finely tuned but rapidly pumped up to float. The management and Uplands personnel have shown real effort, and with proper help from the Board is convincing the Government to refinance Uplands.

The guide for picking of programmes has been to find the most effective changes that can be made to increase productivity in a short time without an expenditure of unavailable capital.

All of the objectives have been instituted, and all but the refinancing have shown at least 80% progress to the final goal. Many programmes were actually finished in the last 6 months'.

The co-operation and speed at which these objectives were instituted and action taken to reach the desired goals was no less than astounding. Where delays were caused, it usually was for lack of capital, lack of parts locally, or lack of urgency by third parties. Only in the area of refinancing and collections little progress has been made and unfortunately, these are more important than all the other objectives put together.

Most of the problems are being solved except the big ones of refinancing and collections these still must be done in the next few months

or the plant will fall behind again due to burdens of interest and lack of ability to pay suppliers, and emergency financing will again be necessary. Every time Uplands cannot pay for its pigs or produce meat, it helps set up competition and Uplands sinks deeper. The results of these some 25 programmes that have been instituted is evidenced by the 300 workers reduction, the US\$ 12,000 savings in over-head, the turn around of losses to profits, and the lowering of the breakeven point by 700 pigs per month.

1. Programme Changes and Other Considerations

Right from the beginning it became apparent the seriousness and urgency of the problems with Uplands and within the first few weeks many of the corrective steps were taken. It was obvious that accounting help was needed to give a correct impression of where the company stood and to train a new Chief Accountant. Two months time was taken from the meat technologist and put into the Account aid and the programme enlarged to five a total of 4 months spread out to help train the Chief Accountant.

Also as protection to the farm and to encourage expansion profits and usage, the piggery-farm was made into a separate cost centre and accounting unit, which required time. This subtle but significant change may prove to be the most helpful in the long run of any changes made. Furthermore, it allows for flexibility if part of the Uplands complex must be spun off for political reasons and operated as a private entity.

2. Present Operations

With the staff cuts the plant is operating with a relatively small labour force. This is not to be interpreted that with a weekly kill of 400 to 500 pigs the total could not be reduced by 15% further, but this would take time and considerable fine tuning of the plant and processes which is not warranted at this time when some immediate far more serious problems lurk.

In general, the plant and processes are operating quite well and demand is strong for the products. Maintenance is poor and must be improved by more careful planning and more management attention.

The major problems that are extremely serious are the lack of pigs which is being corrected by higher producer prices, and, therefore, more piglets for feeding. The major trouble is that there is an 8 to 9 month lag between the low and the increase. An attempt is being made

to buy dressed pigs and to possible custome slaughter for Farmers' Choice in order to keep the plant operating at a reasonable level. It is expected that this low pig production situation will change in 4 months and that Uplands can weather this storm. However, more serious and certainly more urgent is the distributorship problem with on distributorship owing Uplands 1.5 million shillings. It is doubtful whether the responsible parties are aware of the pressure this lack of payment is causing Uplands and the political consequences it could have. By the end of the first week in June Uplands will be unable to pay for some of its pigs or its wages. Either is disastrous and the beginning of the end of Uplands as a parastatal.

Uplands should, immediately, through proper channels inform the President of the situation the urgency and its consequences. In addition, it is important for Uplands to seek legal advice and go through all its present files pertaining to the errant distributor so that a complete knowledge of its position is known.

It is clear that Uplands could shift distributors within a week and not lose business. The present distributor wants to give up Mombasa and there are others capable who want to distribute for Uplands both in Mombasa and Nairobi.

3. Future Considerations

Deep consideration should be given to:

- Satellite slaughterhouse.
- Co-operation with "Farmers Choice".
- Parastatal operation of Uplands.
- Maintenance Programme.

- (a) At this time it looks as though simple slaughterhouse in Nyeri and Kitale make good sense. With slaughtering about 100 pigs per week and shipping about 80 to 90 per week to Uplands it would be possible to reduce shipping costs and stimulate pig production with higher prices. In the appendix is a suggested sample drawing of the minimum type needed. It would be suitable for export except to the EEC and the U.S. which are seldom available anyway. There must be some way of tying together for mutual benefit the common interest of the satellite and the factory as supplier of raw material and processor. Perhaps, a partial ownership by Uplands is appropriate.

- (b) There are several areas of co-operation with Farmers' Choice that would be mutually beneficial to Uplands and F.C. If Uplands custom slaughtered for F.C. it would give F.C. an export possibility which would help maintain pig prices when the local market could not support the supply. It would give the consumer a more sanitary better inspected product and give Uplands better utilization at a lower cost to its facilities. There is a possibility that Uplands could pick up and process F.C.'s bones and offal and that Uplands could make meat pies in its unused facilities for F.C. At present F.C. is interested in further discussions; but wants to protect its independence, flexibility, and agility to react to commercial situations.
- (c) The whole question of Uplands as a parastatal should be re-evaluated. It is highly possible that the plant should be leased to a private party, and operated as a private factory with the Government collecting taxes and lease-rent. It should only be sold or leased as an operating entity with many of the key staff remaining. It is obvious from the past history as well as the present that the practice of removing capital by unethical means must be stopped as it is doing Uplands in. It is amazing Uplands has lasted this long with the number of problems threatening its existence. The farm could remain as well as the rent collecting function so in essence the parastatal would remain in existence but would merely lease out its facilities to a private party on a long term basis with option to buy.
- (c) The present maintenance of the plant is not adequate for keeping the plant going properly especially with increased production over the 300 pigs per week at present. More planning, more preventive maintenance and more supervision by the Production Manager and the General Manager are needed.

These four rather crucial areas need much further work and help from outside the Uplands staff. The simple technical assistance programme as outlined in the Appendix could provide this. Furthermore follow-up of the programmes started are especially needed in particular the farm expansion programme and the accounting systems work and educational aspects of the presence of two part time specialists.

DATE: MAY 1982
FROM: LOUIS L. CRAWFORD - MEAT INDUSTRY TECHNOLOGIST
UNDP
TO: UPLANDS BOARD OF DIRECTORS
SUBJECT: UPLANDS BACON FARM DEVELOPMENT PROGRAMME

PURPOSE: The purpose of this final report is to evaluate the present usage of the 240 acres of property owned by Uplands and to recommend future development or distribution of the land.

CONCLUSIONS.

1. Of the 240 acres of land the following
a is the usage at present.

Factory	25
Factory Workers Camp	25
Management Camp	25
School	8
	<u>83</u> a

- b. Remaining for Agriculture 157 a
Used for Piggery 12
Used for Potatoes 14

c. Unused at present 131 a

- d. More than half the land is undeveloped and should be used to produce products and profits through agriculture.

2. As per the map outlined and based on the soil climate market and Technological conditions the following areas are available and could best be allotted approximately as follows:

Piggery	12a
Cultivation of Vegetables	60 a
Trees and Paddock Mixed	45 a
Maize	20 a
Grass Paddock	20 a
Experimental vegetables (Camp Land)	4 a

See Data Section for detail profits.

3. If all recommendations were accepted and put into practice the net profit before taxes would look as follows:-

<u>Acres</u>	<u>Net Profit K.Sh.</u>	<u>Long Term Cash outlay K.Sh.</u>
45 a Trees	100,000	
40 No. Cows	238,000	210,000
12 a Pigs @ 4000 level	375,000	40,000
60 a Vegetables	150,000	-
20 a Maize	40,000	-
20 a Grass	6,000	-

	<u>Net Profit</u> K.Sh.	<u>Long Term</u> <u>Cash Outlay</u> K.Sh.
4 a Experimental Vegetables	5,000	40,000
TOTAL	<u>914,000 K.Sh.</u>	340,000
		Common 300,000
		Tractor
		<u>Total 600,000</u>

RECOMMENDATIONS:

1. a. It is recommended that the number of pigs be increased from 3300 to 4000 with out any increase in buildings or property but with a negative cash flow of

42,000 K.Sh.	Purchase 30 sows
<u>638,000</u>	Feed for additional Pigs

680,000 K.Sh. (This would be returned on sale on pigs)

but with an additional 7000K.Sh./month net profit or 84000 K.Sh./Yr. for an increase of profits of about 20% per month, and with a pay off on the borrowed capital for expansion of less than 7 months.
 - b. If the pig raising conditions remain similar to the present for 10 months the piggery should be increased to a population of 5500 pigs with an additional investment of 65000 S for 80 additional new sows and 3 new houses for weaners and pregnant sows. This increase would improve profits of the farm by 1000£./month and have a less than 32 month pay off with borrowed capital.
 2. It is recommended that a friesan dairy heard of 20 cows in calf be purchased and milk be produced and sold locally as well as to K.M.C. For an investment of 240,000 K.Sh. in cows stanchions shed and fencing the project should conservatively gross 200,000/Yr. for the first 5 years and net 110,000/Yr. and when there is a stable herd of 40 cows milking at all time this should double. Not counting interest on investment this return on investment is about 2 years.
- The land (85a) allocated for cows feed/fodder and trees would support a dairy herd of 80 milking cows plus dry cows heiffers and young male calves. This would give an annual net profit of over 450,000 K.Sh.

3. It is recommended that 6 acres of trees (Eucalyptus Salignus) or more to be planted on 15' centers or about 200 per acre and to maintain 45a of trees and grass pasture on the front 55 acres of hilly land so marked on the map. This maintains the wood supply for the packing house, cost practically no money to plant requires little maintenance and saves the plant 60,000£. annually in oil cost or makes for the farm a gross profit of 100,000 K.Sh. or net of 80,000 K.Sh. year which is not equivalent to vegetables in yield per acre per year because of the long growth cycle but the land is primarily only suitable for cattle and wood. The trees are planted far apart in order to grow faster and allow grass to grow uninhibited by the trees in fact counting the fertilizing from the cattle the two crops are cymbiotic.
4. It is recommended that 40.a be planted in potatoes and 20.a in cabbage twice a year for an annual net yield of 80,000 K.Sh. for the potatoes and 72,000 K.Sh. for the cabbage for a total yield at K.Sh. 152,000 annually with practically zero cash outlay except for a very short 2 months period.
5. It is recommended that 4a between the piggery and the camp site be irrigated and off season vegetables such as cauliflower, egg plant, zucchini, braccoli and carrots be experimented with for price and yield. It would be expected to breakeven for the 1st year and make a small profit thereafter.
6. It is recommended that 20 acres of maize be planted twice a year to feed the fodder to the dairy cattle, the net profit should be about 1,000 K.Sh. per crop or 40,000 K.Sh. per year, with no long term investment except for the tractor to be shared.
7. It is recommended that the farms set aside 50% of all net profits for expanding into the above recommended programs as rapidly as capital is available and when this program is completed the pig raising and milk production expanded to a second stage. If the expansion could be based on borrowed capital, it is still highly profitable, and an attempt to borrowing should be made in order to speed up development of the farms.

DATA:

1 MILK COWS - Profit or Loss after stabilizing herd at 40 milking

<u>Gross Income</u>	K.Sh.
40 cows: Avg./day 365 days at 2.5 K.Sh/1	365000
101 /day each	
Cull Cow: 350 Kg. at 10 K.Sh./Kg x 5	11500
Calf Male: 400 x 20	8000
Manure: 400 cows	4500
	<hr/>
Total Gross	K.Sh.395000

Costs Yearly

Rearing 500 K.Sh./heifer x 20 heifers	10000
Concentrate 400 K.Sh./animal x 60 animals	24000
Minerals 250 K.Sh./animal x 60 animals	15000
Wages 9 men x 1000 K.Sh./m x 12 m	48000
Forage 1600 kg x 50/kg	1000
Management Fee	20000
Depreciation 240000 at 10%	29000
Repairs	10000
Chemicals	5000
	<hr/>

Total Costs Yearly K.Sh. 157000

Yearly Net Profit 238000 K.Sh.

2 Pigs: Have been averaging over 4 months since prices were raised a net profit of about 100 K.Sh./pig thus with shipment of 3750 pigs per year estimated from a 4000 pig unit.

DATA:

3	<u>POTATOES</u> (40a Projected)	
	<u>GROSS INCOME:</u> per acre	<u>K.Sh.</u>
	80 bags at 80 K.Sh./bag	6400
	<u>VARIABLE COSTS:</u>	
	Ploughing 4 hrs at 100 K.Sh./hr.	400
	Harrowing 3 hrs at 100 K.Sh./hr.	300
	Seed 1000 Kg at 1.30 K.Sh./Kg	1300
	Fertilizer (DAP) 250 Kg at 200 K.Sh./50 Kg bag	1000
	Insecticide 2 b at 80 K.Sh./L	160
	Fungicide 6 Kg at 54 K.Sh./L	324
	Wages 650 mtt at 1.50 K.Sh./ml	915
	Sacks 80 at 6.00 K.Sh./bag	480
	Transport 30 at 5.00 K.Sh./bag	400
	Total Costs Variable	5384 K.Sh.
	Approx. Net/a	1000 K.Sh.
	2 Crops/Year/a	2000 K.Sh.
	Total Net for Farm Potatoes 40 a	80000 K.Sh.

DATA

4

CABBAGE (20 a Projected)

GROSS INCOME: per acre

8000 Kg at .65 Kg 5200

VARIABLE COSTS:

Ploughing	4 hrs. at 100 K.Sh./hr.	400
Harrowing	3 hrs. at 100 K.Sh./hr.	300
Seed	.20 Kg at 200 K.Sh./Kg	40
Fertilizer <u>CAN</u>	250 Kg at 120 K.Sh./bag	310
<u>DSP</u>	100 Kg at 120 K.Sh./bag	240
Manure	4 tons at 50 K.Sh./ton	200
Insecticide		
Malathion	4 l at 40 K.Sh./L	160
Fungicide Dithane		200
Wages Casuals		1200
Misc.		200

Total Variable Cost 3350

Total Net/Crop K.Sh./a 1850

20 acres 37000

2 crops/year K.Sh. 74000

DATA

5

MAIZE

<u>GROSS INCOME:</u>	Fodder 1200 Kg at .50 K.Sh./Kg	600
	20 bags at 130 K.Sh./bag	2600
		<u>3200</u>

VARIABLE COSTS:

Ploughing	4 hrs. at 100 K.Sh./hr.	400
Harrowing	3 hrs. at 100 K.Sh./hr.	300
Seed	10 Kg at 5.5 K.Sh./Kg approx.	60
Fertilizer <u>SSP</u>	100 Kg at 80 K.Sh./bag	160
	<u>ASN</u> 100 Kg at 120 K.Sh./bag	240
Insectice		
<u>Didinae</u>	4 Kg at 3 K.Sh./Kg	12
<u>Malathion</u>	6 Kg at 2 K.Sh./Kg	12
Wages	600 mtt at 1.50 K.Sh./mh	900
Transport		<u>100</u>
		2184

Net Profit per acre	1000
2 crops/year	2000
20 a	4000

DATA

6 TREES

1250 Trees Yield 2500 m³

Wood cost cut & Delivered 100 K.Sh./M³

Can buy from Forestry Dept. at 40 K.Sh./M³ U Cut

Minimum Wood Cost 40 x 2500 = 10,000 K.Sh.
Plus Hauling

So farm sell to Factory at: 100,000 K.Sh.

Factory pick up at farm

7. GRASS: 20 a @ 300 K.Sh./ a 6000

8. Experimental Vegetables estimated Net Profit 5000

Gross Profit 10000 K.Sh. for 4 a

DATA

CAPITAL INVESTMENT

1. DAIRY UNIT

20 milk cows with calf	100000
Repair rebuild present shed + Stanchions	60000
Fencing 4.000 m	80000

K.Sh. 240000

2. PIG UNIT + INCREASE TO 5500 PIGS

1 Weaner house 200 m ²	200000
2 Pregnant Sow Houses 200m ²	200000
100 New Sows	250000

K.Sh. 650000

3. VEGETABLE UNIT

Irrigation for 4 acres 40,000

Common Tractor

John Deere 40 hp 4 wheel drive plus rototiller + spray unit	K.Sh. 300,000
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DISCUSSION:

There are 3 main points that need to be made to clarify the reasons behind the recommendations; in order to be brief, all other points are not mentioned or they are obvious.

1. There are many different scenarios that could be considered for the use of the farm and most of them were considered in depth. The ones recommended are thought to give the most profit for the least invested capital taking into consideration the markets, politics, climate, soils and technical factors.
2. It is obvious that the profit picture is highly volatile due to politics, supply and demand, and weather conditions. A change, as what happened in the last 5 months in pig prices, can change the profit in pigs from 300£. per month to a loss - the same with milk or potato prices. Flexibility is therefore need in farm management planning.
3. Because of the fluctuations of profit, weather conditions, and politics, monocropping is a bad idea. It is desirable to have multiple crops and species of animals in order to act as insurance in case of detrimental conditions to one crop. The old farm adage "Do not put all your eggs in one basket" is very true in Kenyan farming today.

M E M O

DATE : May 20 1982
PROJECT : SI/KEN/81/801 UPLANDS BACON FACTORY
FROM : Louis L. Crawford - Meat Industry Technologist -
UNDP
TO : UNDP
SUBJECT : TRAINING PROGRAMME FOR UPLANDS

PURPOSE : The purpose of this note is to clarify the previous report on this subject of May 10 1982 and suggest an alternative.

STATEMENT : The previous report is the maximum amount of training that is recommended and that could be absorbed by the Uplands staff. The minimum amount that is absolutely needed and should be provided, if the distributorship problems can be overcome is:

1. Meat Technologist 3 man months on 2 visits for two to three years.
2. Meat economist c.p. 3 days per month for two years.

LOUIS L. CRAWFORD



UNITED NATIONS
DEVELOPMENT PROGRAMME
NAIROBI, KENYA

INTER-OFFICE MEMORANDUM

To: Mr E. Zagorin, O-1-C Date: 26 May 1962
From: G. Bekele, SIDFA File No. UNIDO 1.19
Subject: Uplands Bacon Factory - SI/WH/31/331

As you are well aware UNIDO has been providing Special Industrial Service assistance to Uplands Bacon Factory since October 1961 to improve technical, technological, economic and management operations of the factory. Thus providing very much needed assistance to save the factory from total collapse. You know very well that SID assistance is only provided to save emergency situation and what has been achieved will be completely lost if further assistance is not provided to consolidate and maintain that which has been achieved by this emergency assistance and it is vitally important to extend the assistance for at least until the end of 1964. The only way to do this, if possible, is to finance it through IFF.

The meat technologist, Mr Crawford's short-term assignment is coming to an end at the end of this month. He has proposed a training programme and survival assistance for Uplands Bacon Factory. You will find herewith attached a copy of that proposal. Due to the financial constraint it may be difficult to implement that proposal, therefore, I have worked out, in consultation with Mr Crawford, a small-scale project proposal just to be able to maintain the momentum of operational activities of the factory by strengthening through training the management, technical and operational capabilities. Please find attached the modified project proposal for your kind consideration.

EXTENSION OF TECHNICAL ASSISTANCE TO
UPLANDS BACON FACTORY
DP/KEN/./...

Training Programme to keep going the improvement in management and operation of the factory which is brought about by the UNIDO emergency assistance SI/KEN/01/001.

The object is to provide a much needed minimal training programme - on-the-job training and fellowship to certain key personnel who are mostly new to their jobs.

To carry out this effectively and economically it is necessary to have the services of the meat technologist, Mr Crawford, on a split mission twice a year for six weeks each time for two years starting from March 1963.

In order to provide job training to the Chief Accountant and the personnel of that section to maintain the improvement of the financial control and recording system of the company it is necessary to secure the services of the meat industry economist specialist in accounting from locally based chartered accountant to visit Uplands Bacon Factory once every week for two years starting March 1963.

The positions which require strengthening by training and guidance are:

- Plant Manager
- Chief Accountant/Company Secretary
- Production Manager
- Chief Maintenance Engineer
- Farm Manager and 1 Assistant.

Outline of Programme

Position of Employee

General Manager

Training Programme

2 months fellowship in US University management training programme and on-the-job training to be provided by meat technologist .

Chief Accountant/Company Secretary

Specific accounting courses in one of the local institutions leading to passing levels 3 and 4 of the chartered accountant exams and job training from the specialist on accounting one day per week.

Position of Employee

Training Program

Production Manager

One month study tours of pork packing plants in England, Holland and Denmark to broaden present background in operations

Chief Maintenance Engineer

One month study tours jointly with Production Manager to determine exact maintenance procedures, book-keeping and preventive work required in the meat packing field

Hog Procurement Manager

Three men are required to be trained by the present manager in the buying of hogs to help relieve him in this activity and to carry out extension services to help farmers produce more pigs.

In all these training programs the inputs from the meat technologist and the specialist in accounting are very important.

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

PROJECT BUDGET

Country: Kenya
 Project Number: 82/1117/.../...
 Project Title: Assistance to Uplands Bacon Factory

PROJECT PERSONNEL	Total		1983		1984	
	m/a	\$	m/a	\$	m/a	\$
11. <u>Experts</u>						
11-01 Meat Industry Technologist	6	36,000	3	18,000	3	18,000
11-99 Sub-total	6	36,000	3	18,000	3	18,000
15 Experts Travel		10,000		5,000		5,000
16 Other Personnel Costs						
17-01 Locally hired experts	3	15,000	1.5	7,500	1.5	7,500
19 Total Personnel Component	9	61,000	4.5	30,500	4.5	30,500
30. <u>TRAINING</u>						
31 Fellowships	2	10,000	2	10,000		
32 Study Tour	2	8,000			2	8,000
39 Total Training Component	4	18,000	2	10,000	2	8,000
40 <u>EQUIPMENT</u>						
49 Total Equipment Component		4,000		2,000		2,000
50 <u>MISCELLANEOUS</u>						
52 Reports		3,000		1,500		1,500
59 Total Miscellaneous Component		3,000		1,500		1,500
99 GRAND TOTAL		68,000		44,000		42,000

CONTROL FUNCTIONS OF THE GENERAL MANAGER

ESSENTIAL

<u>Documents or Information to be submitted</u>	<u>G.M.'s Responsibility</u>	<u>Frequency</u>
1. Management Salaries payroll, prepared and signed by Chief Accountant	Review and sign	Monthly
2. Ageing analysis of Trade Debtors highlighting amounts over 2 months old and/or over designated credit limits	Inquire into balances over 2 months old or over credit limits. Particular attention to be paid to any customers supposedly on a "cash basis".	Monthly
3. Management Accounts, together with detailed report by C.A.	Review and discuss with C.A.	Monthly
4. Production analysis with note of number of pigs killed and corresponding yield.	Review and discuss with Production Manager if necessary.	Weekly
5. Sales invoice set for each customer to be granted credit, accompanied by debtors ledger card.	Sign copy Sales invoice, if within credit limit, as authority to grant credit	As necessary (All credit Sales)
6. Purchase requisitions where orders to be over K.Sh. 30,000/-	Sign requisition as authority to place order	As necessary (all orders over 30,000)
7. Cheques	Countersign	As necessary
8. Livestock reconciliation showing details of births and deaths during month	Discuss with P.U. Manager if necessary with particular attention paid to high death rates	Monthly
9. Request to sell fixed assets form, stating name of prospective purchaser and price offered	Sign as authority to sell	As necessary (all asset sales)

CONTROL FUNCTIONS OF GENERAL MANAGER

RECOMMENDED: (in addition to "Essential" functions)

The following checks should be made at irregular intervals at least twice a year and as often as is considered necessary:

1. Request ageing analysis of debtors, which is prepared monthly, and check area totals with General Ledger Control Account balances per accounts 401.39-401.95.
2. Request list of trade creditors and pig producers balances, which are prepared monthly, and check total agrees with General Ledger Control Accounts 601 and 602 respectively.
3. Request any bank reconciliation and check the balances noted per the cash book and bank statement are in agreement with those records.
4. Visit cash office (after 4 pm) and ensure cash on hand is in agreement with Cash Book balance and is recorded correctly on "Cash Count" sheet. Sign this sheet as acknowledgement of check. (This visit could be done, if preferred, with Chief Accountant).
5. Request summary schedule of fixed assets movements, prepared monthly, and check closing balances to General Ledger Accounts 701-7 and 752-7.
6. Request detailed physical stock sheets, for either stores, meatstocks, livestock or pig feeds and check total agrees to Balance Sheet per Management Accounts.
7. Request non-management payroll and review it.

INFORMATION AND SCHEDULES TO BE PRESENTED TO CHIEF ACCOUNTANT MONTHLY

DETAILS

C.A.'s RESPONSIBILITY

I DEBTORS

Ageing Analysis of Trade Debtors together with a typed area summary, the totals of each area agreeing with the General Ledger Control Accounts 401.39 - 401.95.

Check area totals of debtors list to summary and check summary to General Ledger balances. Sign Debtors list against each area total.

II CREDITORS

List of Trade Creditors, the total of which agrees with the General Ledger Control a/c 601. (Initially, this list should also show an ageing analysis of creditors similar to that prepared for Debtors).

Agree total of creditors list to General Ledger a/c and sign list.

III CASH AND BANK

i) No 1 a/c Bank Reconciliation which reconciles bank statement balance to both No 1 a/c Cash Book and General Ledger a/c 501.

ii) Salaries Bank a/c Bank reconciliation which reconciles bank statement balance to both No 2 a/c Cash Book and General Ledger a/c 502

iii) Pig Purchases Bank a/c reconciliation which reconciles bank statement to both cash book and General Ledger a/c 505.

iv) Petty Cash Book

See (iii)

Check cash book, bank statement and general ledger balances to reconciliation. Scrutinise reconciliation for correctness and sign it.

Check balance agrees with General Ledger a/c 511 and initial against petty cash book balance.

IV FIXED ASSETS

i) Summary of Fixed Asset movements for month showing opening N.B.V. Additions, Disposals, Depreciation and closing N.B.V. for various categories of fixed assets.

Agree opening and closing N.B.V. to General Ledger a/c 701-7 and 752-7.

FIXED ASSETS (Cont'd)

- ii) List of Additions
- iii) List of Disposals showing Original Cost, Depreciation, N.B.V., Proceeds and Gain/Loss on Disposals.

v STOCKS

- i) Detailed listing of physical count and valuation of meat stocks.
- ii) Detailed listing of general stores valuations per store cards.
- iii) Summary of other stocks, including livestock and pig feed stocks.
- iv) Detailed listings of physical counts and valuations of other stocks, per (iii) above.

UPLANDS PIG UNIT

- i) Pig Unit Income and Expenditure a/c.
- ii) Reconciliation of Feeds used in month.
- iii) Reconciliation of Drugs used in month.
- iv) Veterinary certificates for each pig death during month.
- v) Livestock reconciliation, showing details of quantities of opening pigs, births, deaths and closing pigs.

NYERI PIG FEEDS DEPOT

- i) List of closing quantities and valuations of pig feeds stocks.
- ii) Reconciliation of opening stocks Purchases and Sales for month to arrive at closing stock per (i) above.

C. A's RESPONSIBILITY

Agree total to summary of movements

Check closing N.B.V. agrees with summary of movements.

Compare with General Ledger accounts 230-306, obtain explanation for significant variations and incorporate into monthly accounts. Sign listing.

Check summary figures agree with detailed listings and incorporate into monthly accounts. Sign summary.

Agree to trial balance and adjust as necessary. Check opening stock and timing differences in reconciliations to previous month's reconciliations. Sign reconciliations.

Agree total deaths per certificates to livestock reconciliation.

Agree opening pigs to previous month's reconciliation and closing pigs' to current months livestock sheets. Sign reconciliation.

Agree total with reconciliator per (ii) below, and adjust trial balance accordingly. Sign list.

Agree opening Stock to previous months reconciliation, Purchases and Sales to General Ledger a/cs 104.90 and 228.90 respectively, and closing stock to physical stock list. Sign reconciliation.

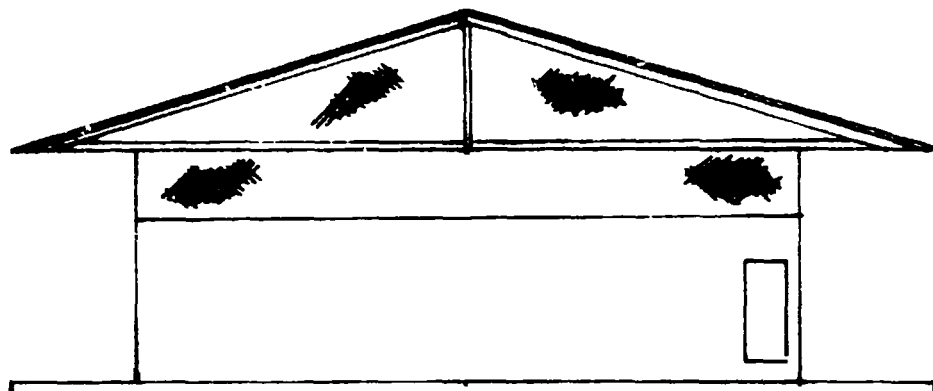
PAYROLL - NON - MANAGEMENT

- | | |
|---|--|
| i) Payroll. | Scrutinise for reasonableness and sign. |
| ii) Journal voucher showing necessary payroll postings. | Agree amounts with payroll and sign voucher. |

UPLANDS BACON FACTORY KENYA

SPECIFICATIONS FOR SATELLITE SLAUGHTERHOUSE

- 1) Land: Minimum 1 1/2 to 2 a - level or slightly sloped
- 2) Drainage: To sewer or stream
- 3) Water: 6000 gal/day potable preferred or 2000 of potable and 4000 non potable.
- 4) Electricity: 75 KW maximum 20 KW minimum.
- 5) Buildings: See Plans Brick or stone plastered and tiled if available- Floors slope 1/4" foot - sewers outside building- Screen and louver top 1 meter have seperate building for office and meat market-retail if needed.



END VIEW

SECTION 1

HAIR
SUMP

BLOOD
SUMP

GAM

DEHAIR

SCALD

STICK

RESTRAIN

PENS

PENS COVERED

DATE:
MAY 82

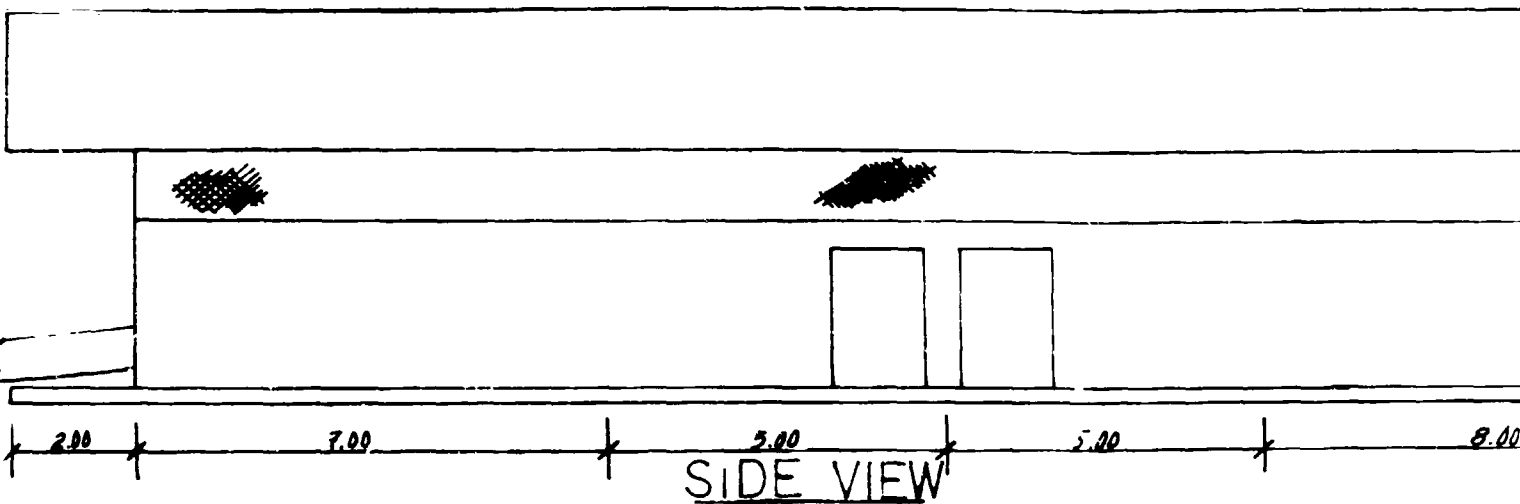
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L.L.C.

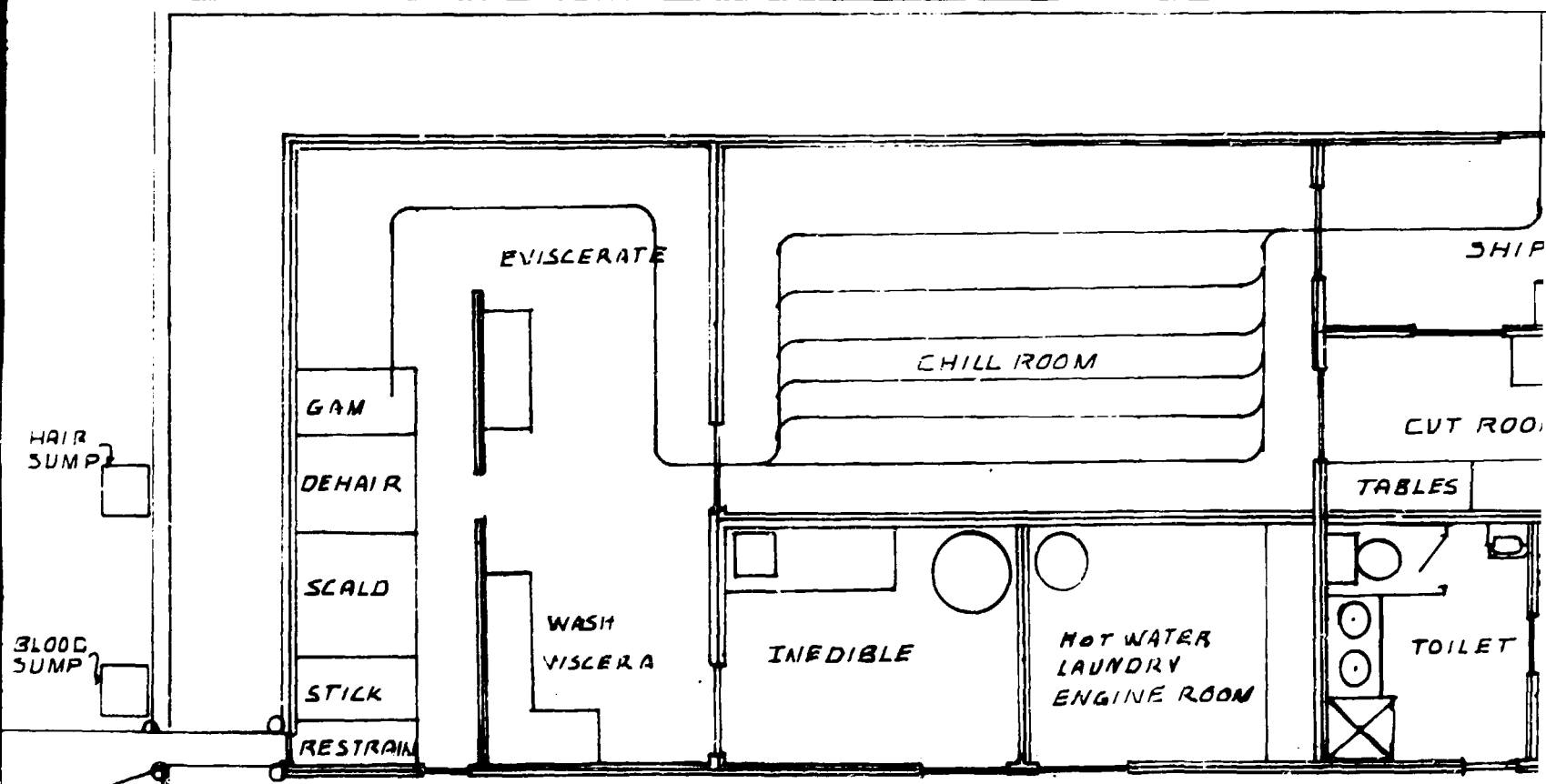
FOR: UNITED NATIONS INDUSTRIAL
DEVELOPMENT ORGANIZATION

TITLE: SA
UPLANDS

2.00
1.00
3.50
0.30



SIDE VIEW



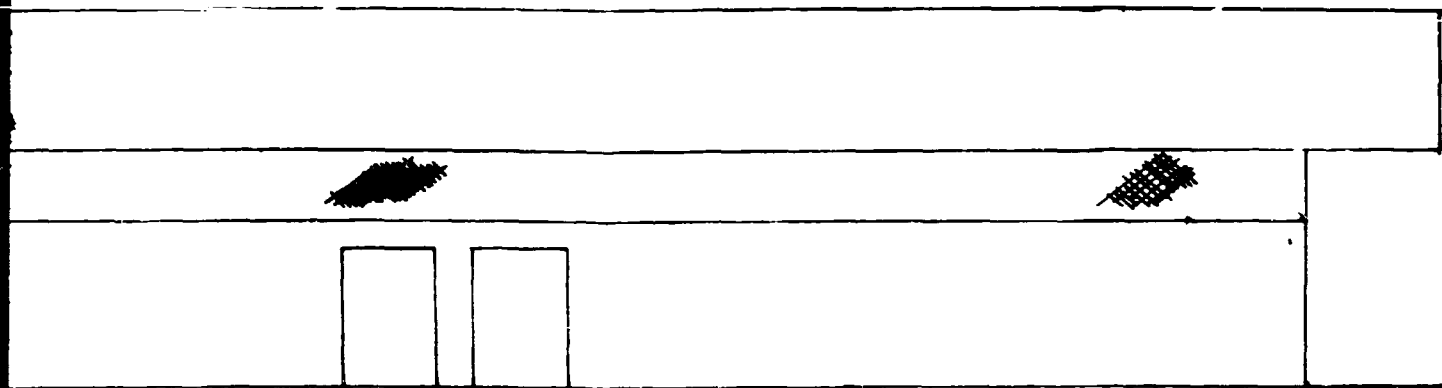
PLAN VIEW

ATIONS INDUSTRIAL
T ORGANIZATION

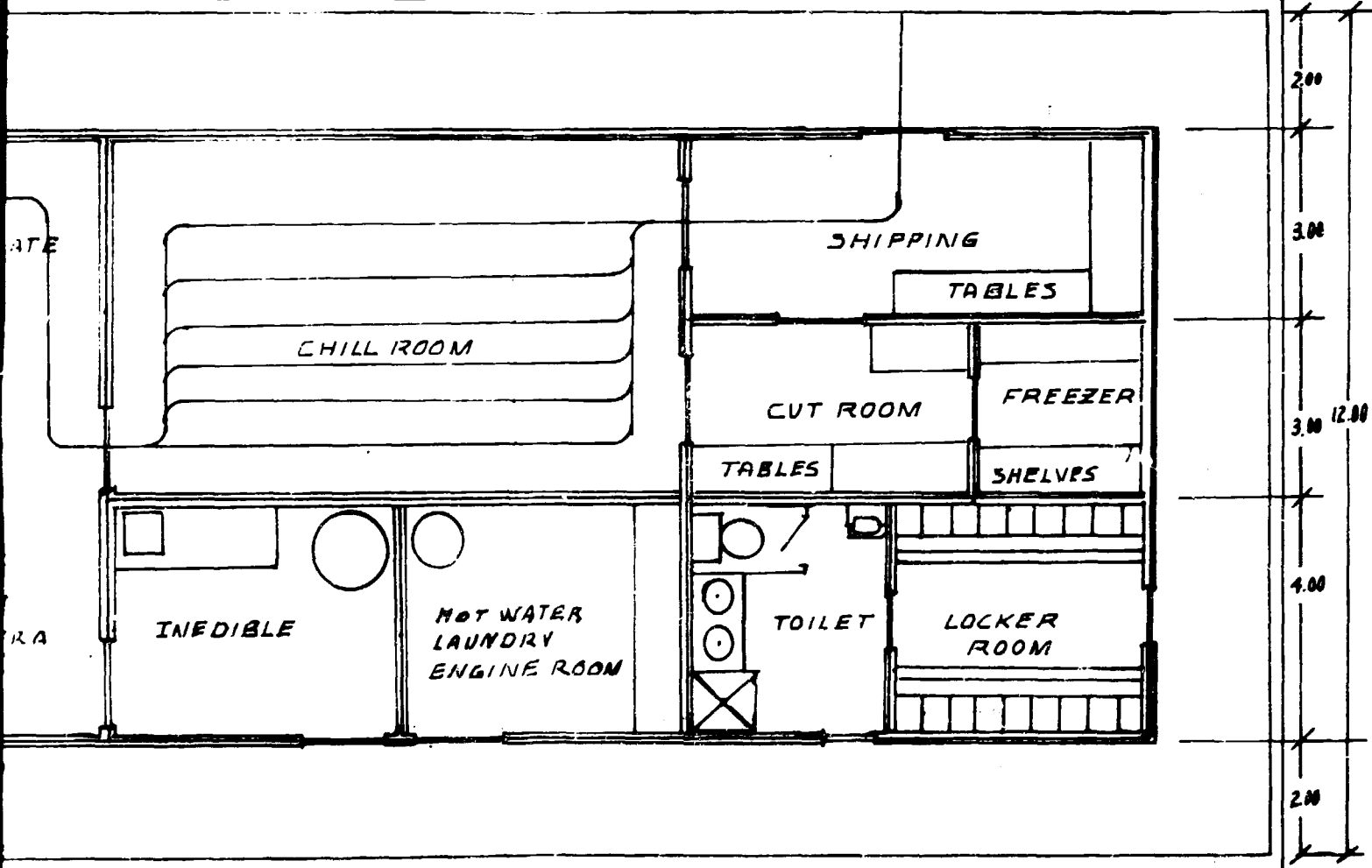
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UPLANDS BACON FACTORY KENYA

SUBJECT:
PLAN & ELEVATIONS 100

SECTION 2



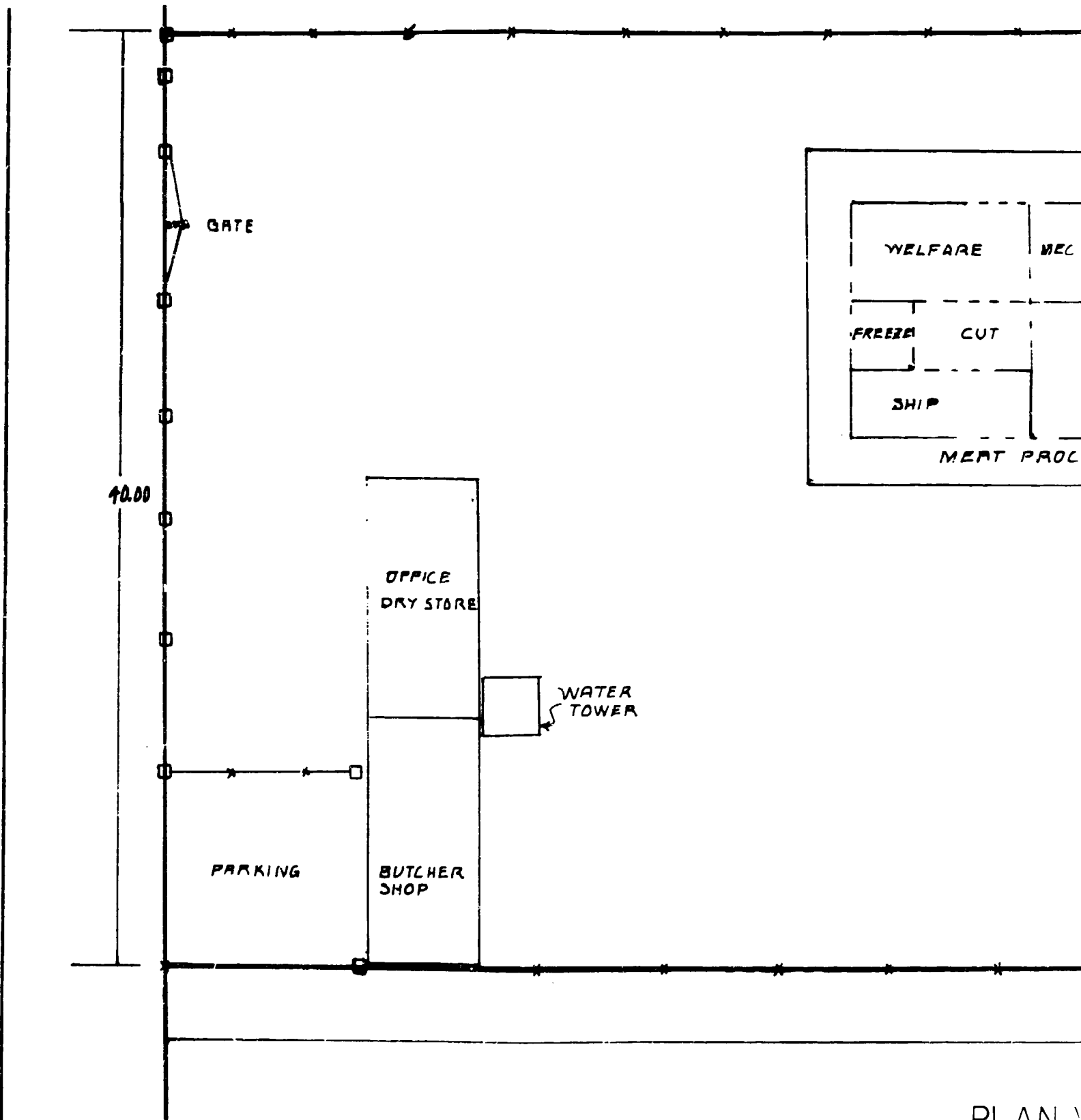
5.00 5.00 8.00 2.00
 SIDE VIEW



PLAN VIEW

THE PIG PROCESSING PLANT ON FACTORY KENYA	SUBJECT: PLAN & ELEVATIONS 100 PIGS PER DAY	DRAWING NO: A1
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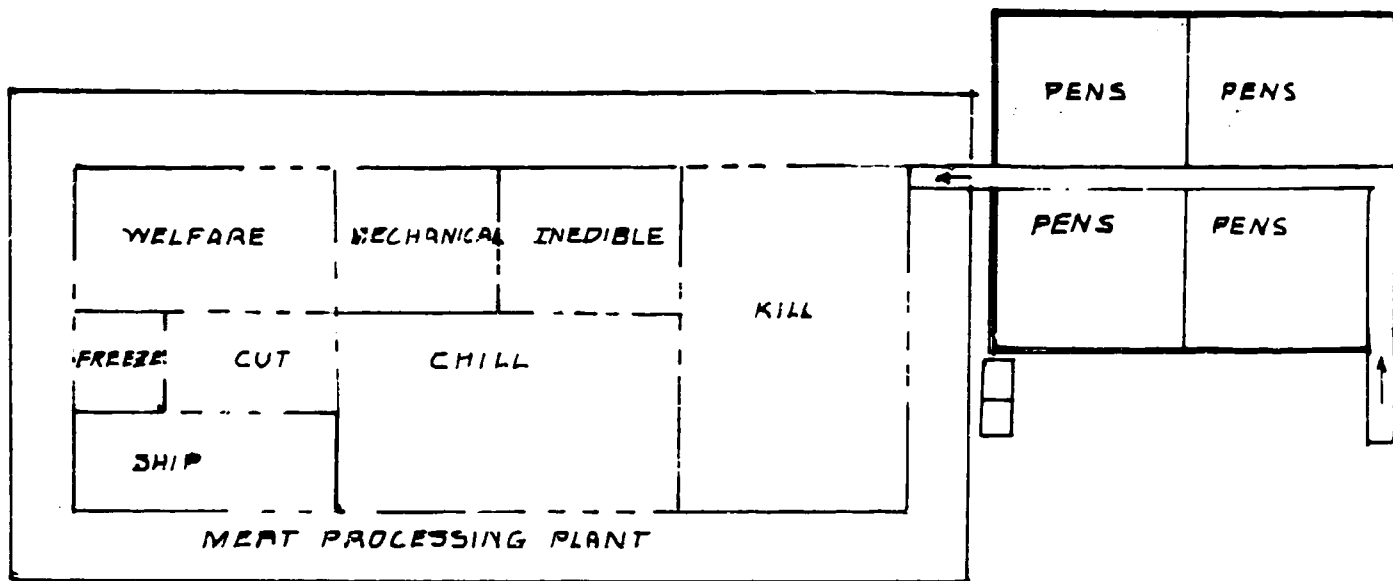
SECTION 3



PLAN

DATE: MAY '82	SCALE: 1:200	DRAWN BY: LLC	FOR: UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION	TITLE UPLA
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SECTION 1



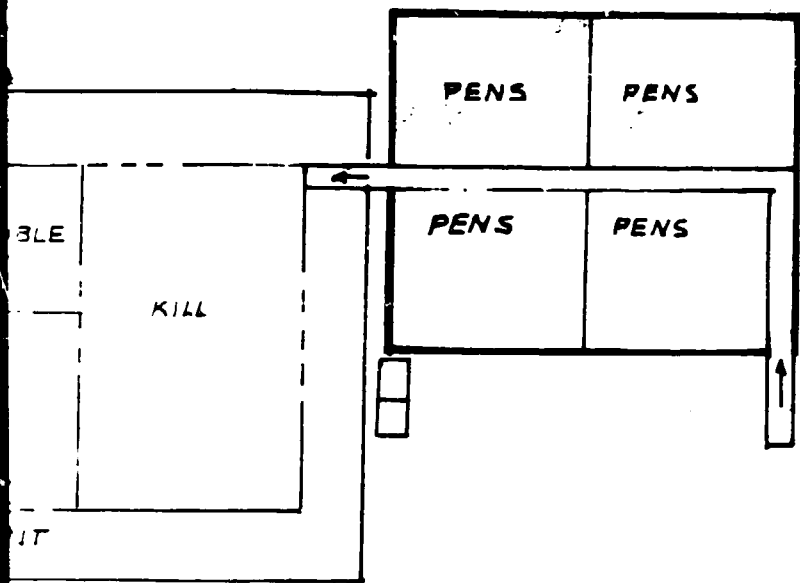
PLAN VIEW

UNITED NATIONS INDUSTRIAL
DEVELOPMENT ORGANIZATION

TITLE: SATELITE PIG PROCESSING PLANT
UPLANDS BACON FACTORY KENYA

SUBJECT:
TYPICAL PLOT

SECTION 2



ANAEROBIC
POND
6.00 X 6.00 M²

AEROBIC
POND 35.00 X
35.00 X
6.00 D

→ 120.00

PIG PROCESSING PLANT
FACTORY KENYA

SUBJECT:
TYPICAL PLOT PLAN - 100 PIGS PER DAY

DRAWING NO.
A2

SECTION 3



