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PROJECT NO. US/UT/RAF/91/173

20403

DIAGNOSTIC STUDY

OF

BREAD LIMITED
JINJA, UGANDA

FINAL REPORT

BANGALORE - INDIA JUNE 1993

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UNIDO CONTRACT NO. 92/081

PROJECT NO. US/UT/RAF/91/173

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REHABILITATION OF INDUSTRIAL ENTERPRISES IN EAST AFRICA

REPORT ON BREAD LIMITED JINJA, UGANDA

PREPARED BY:

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INDIA

DATE OF REPORT: JULY 1993

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SYNOPSIS

Bread Limited (BL) in Jinja, Uganda was one of the units selected for study in consultation with the Ugandan Ministry of Commerce, Industries and Cooperatives. After 40 man-days of study, and rendering direct assistance, Amarnath Kamath & Co., Management Consultants, are of the opinion that **BL can be turned around successfully.**

Factors that support this conclusion are:

1.0 BL has a good product which is well accepted in a growing market.

2.0 BL has good plant and machinery, motivated work-force and sound management. Uganda Grain Milling Corporation (UGMC), the holding company, provides substantial management support.

3.0 East African Development Bank (EADB), to whom a large amount is due, have been apprised of the direct assistance rendered by the Consultants to BL and of the positive response of the management and workers to the rehabilitation programme suggested by them. They have expressed their willingness to consider restructuring the outstanding loans and a proposal has been presented by the UGMC management for taking over the term loan liability of BL.

4.0 The plant at BL requires minor modifications and additions to enhance slicing/bagging capacity.

A. **Activities in the short term to improve profitability**

1.0 Change packaging from wax paper to polyethylene bags.

2.0 Utilise the 47 tonnes of "Premium loaf" wax paper in stock.

3.0 Procure slicer/baggers & phase out existing slicer - wax paper wrappers.

4.0 Improve the wheat flour transfer system from UML to BL and reduce costs.

5.0 Stop usage of corrugated boxes for second level packing and change to wire mesh or plastic crates.

6.0 Modify the boiler oil feed system as suggested by the technical consultant.

7.0 Shift maintenance spares from UML to BL stores to ensure ready accessibility during emergencies.

8.0 Improve plant hygiene and personnel hygiene.

9.0 Introduce a 1,000 gms. bread pack.

B. **Activities in the medium / long term toimprove profitability**

1.0 Shift marketing department to Kampala and, if possible, privatise marketing completely through dealers/stockists.

2.0 Decentralise all decision making to the officers of BL. Implement a suggestion system in the plant.

3.0 Develop new products which can improve overall profitability.

4.0 As a long term strategy it is preferable to develop wheat cultivation in Uganda. UGMC is taking up the development of wheat cultivation through a ADB sponsored project.

5.0 The possibility of commissioning the pneumatic conveying system of wheat flour from UGMC to BL plant should be investigated. Earlier proposals received indicated an investment of $ US 180,000 for this.

C. **Financial gains of the programme in short & medium term**

* Savings by using poly-lined polyethylene sacks for transferring wheat flour from UGMC to BL - USh. 25 million/year.

* Savings by scrapping cardboard cartons and using plastic crates or wire crates - USh. 150 million/year.

* Savings by improving the oil transfer and oil supply system to the boilers (this reduces plant breakdowns due to boiler breakdowns and improves production) - USh. 100 million/year.

* Savings by the use of existing redundant stock of 'Premium' loaf wax packaging paper for packing 'Sweet ' loaf - USh. 150 million/year.

* Savings by restructuring the loan package after its take over by UGMC (savings in exchange loss on an outstanding of 1.75 million SDR by 1993 - at 10% deterioration of exchange rate) - USh. 300 million/year.

* Savings by adding slicer/baggers and changing from wax packing to polyethylene packing - USh. 300 million/year.

The financial analysis on a medium term indicates that on the budgeted turnover for 1994-95 the company can gain as follows:

in million USh.

	1993-94 Budgeted figures	Cost reduction	1993-94 Improved figures
Turnover	6013		6013
Raw material	4803	675	4128
Variable margin	1210		1885
Sundry income	331		331
Production exp.	273	50	223
Administration	456	300	156
Marketing exp.	26		26
UGMC fees	201		201
Operating Profit	585		1610

I. EXECUTIVE SUMMARY

GENERAL

Bread Limited (BL), a public sector undertaking (parastatal), is a subsidiary of Uganda Grain Milling Corporation (UGMC). UGMC holds 75% of BL's equity of USh. 96,000 (Presently equal to US$ 76.80) while Development Finance Corporation of Uganda (DFCU) holds the balance 25% of BL's equity.

BL commenced production in 1967. To meet growing demand, a second baking line was added in 1972. The unit closed in 1983 due to mismanagement and reopened only in August 1990.

In December 1990, responding to changes in consumer tastes, BL introduced "Sweet Loaf" replacing "Premium Loaf". This sudden, unplanned change rendered redundant, 47 tonnes of wax wrapping paper, already printed "Premium Loaf".

SIGNIFICANT FINDINGS

Our diagnostic study revealed the following:

1. BL continues to pack loaves with expensive imported wax paper, instead of cheaper polypropylene/polyethylene bags.

2. Packaged loaves are despatched in limited life corrugated boxes instead of reusable and longer lasting, plastic or metal bins.

3. Demand for bread in sliced form was not envisaged at the planning stage and it is now found that the slicing capacity does not match the baking capacity. This restricts production and delays the despatch of bread. Consequently, fresh loaves reach customers outside Jinja area, only the following day.

BOTTLENECKS

Functioning of engineering and marketing departments were found operationally lacking. Frequent production breakdowns arose mainly due to poor design of fuel oil supply system to boilers. The TC designed a more efficient oil supply system.

The marketing department mainly looks after despatch and distribution neglecting other marketing functions. In-house market surveys reveal that the generic brand name for BL products, "Tip-Top", sports a good brand image and the market could easily absorb upto one hundred thousand loaves of Tip-Top bread per day. BL's average production of about twenty five thousand loaves per day gives scope for competition to enter.

FINANCIAL SITUATION

In 1990, BL availed a loan of SDR 780,700 from the East African Development Bank for the purchase of spares and additional bread pans. By December 1992, the EADB loan burden had increased to USh. 2.08 billion, 30% of which was due to exchange deterioration. To avoid further exchange loss, Amarnath Kamath & Co. recommended that UGMC buy out the loan from EADB and recover the amount from BL over 7 years. The UGMC Board has, at its recent meeting, approved the taking over of the EADB loan and has asked the management to start discussions with EADB for restructuring and rescheduling the loan which has to be otherwise cleared by June 1995. In turn, it has agreed to give BL time upto June 1998 to reimburse the amount in monthly instalments.

BL's corporate plan (Annexure VI) indicates its ability to repay the loan and interest to UGMC.

SUMMARY OF MAJOR RECOMMENDATIONS

1. Change packaging from wax paper to polyethylene bags.

2. Utilise the 47 tonnes of redundant "Premium Loaf" wax paper in stock, for institutional and local sales.

3. Purchase combined slicer-baggers (for polyethylene bags); phase out existing slicer-wax paper wrappers.

4. Improve flour transfer system from UML to BL to reduce costs.

5. Replace corrugated boxes with wire mesh or plastic crates; the latter have longer life. Gross margins will increase, despite initial costs of procuring metal or plastic crates.

6. Modify the boiler oil feed system as suggested by the TC.

7. Shift location of maintenance spares from UML to BL stores to ensure ready accessibility during emergencies.

8. Improve plant and personnel hygiene.

9. Develop new products to improve profitability, e.g., introduce 1,000 gms. loaves.

10. Shift marketing department to Kampala, the main demand centre.

11. Privatise marketing through dealers/stockists.

12. Decentralise decision making from UGMC to officers at BL.

13. Implement a suggestion system in the plant.

14. As a long term strategy, encourage the development of wheat cultivation in Uganda.

ACTION TAKEN BY CONSULTANTS

a. A proposal for supply of semi-automatic slicer/baggers from India has been sent to BL which is under active consideration. Installation of these machines should help relieve the bottleneck in the slicing and packing department. BL will then be able to deliver fresher bread in the market besides being able to increase production substantially.

b. Samples of polyethylene bags being used for packing bread in India have been procured and sent to BL.

c. The Technical Consultant has submitted detailed drawings for modification of the oil feed system to the boilers. Orders have since been placed for the items needed to carry out this modification.

d. The Technical Consultant is a member of the packaging committee, to supervise the shift in packaging systems (wax paper to polyethylene bags).

e. Alternate systems for conveying flour are being studied.

SHORT TERM GAINS

* Savings by using poly-lined polyethylene sacks for transferring wheat flour from UML to BL - USh. 25 million/year.

* Savings by replacing cardboard cartons with plastic or wire crates - USh. 150 million/year.

* Improving the oil transfer and supply system to the boilers (this reduces plant breakdowns due to boiler breakdowns and improves production) - USh. 100 million/year.

* Use of 'Premium' loaf wax packaging paper for packing 'Sweet loaf' - USh. 150 million.

MEDIUM TERM GAINS

* By restructuring the loan package: UGMC taking over the loans (savings in exchange loss considering an outstanding of 1.75 million SDR by end 1993), at 10% deterioration of exchange rate - USh. 300 million/year.

* By adding slicer/baggers and changing from wax packing to polyethylene packing - USh. 300 million/year.

CONCLUSION

As a consumer item, bread has a ready and growing market. Bread Limited has a good factory and a well motivated work force. BL can be turned around successfully by implementing the recommendations outlined above.

UGMC's decision to take over the EADB loan after negotiations will go a long way in making BL a viable enterprise.

II. PREAMBLE

INTRODUCTION

On October 9, 1992, Messrs. Amarnath Kamath & Co., Management Consultants, signed contract no. 92/081 with UNIDO, in Vienna, to provide services for carrying out a project entitled **"REHABILITATION OF INDUSTRIAL ENTERPRISES"** in the East African countries of Tanzania, Uganda & Zambia.

The objectives of the project are:

a) To advice the Government of each country and the selected enterprises, in short and medium term, on measures to rehabilitate them and to provide direct assistance during the diagnostic analysis.

b) To encourage and define possibilities and means for enterprise to enterprise co-operation between the industrial enterprises audited and similar enterprises in India for transfer of technology and technical assistance.

The following is the scope of work, objective-wise:

1. Objective (a)

i) Diagnostic reports to be prepared for the enterprises audited and extend adhoc direct assistance to them.

ii) Provision of direct assistance to improve management systems and productivity of manpower and equipment in the enterprises.

2. Objective (b)

A report to be prepared containing:

i) the approach and procedures for maintaining enterprise to enterprise cooperation between the industrial enterprises in East Africa and industrial enterprises in India.

ii) a list of opportunities of enterprise to enterprise cooperation identified during the implementation of the project.

A progress report and a draft final report have been submitted, documenting the activities of our consultants. This is the final report of the study undertaken by us in Bread Limited.

III. CONSULTING METHODOLOGY

Mr A. Kamath, Chief Executive, Messrs. Amarnath Kamath & Co., Bangalore, India and Mr P.D. Shenoy, Senior Consultant (SC), visited the Bread Limited factory at Jinja, Uganda on November 10, 1992. The SC visited the factory again between November 30 and December 3, 1992, to study operations. Following his visit, questionnaires were issued to finance, marketing, production, engineering and stores. A "study note" was submitted to the Acting Assistant Bakery Manager (copies of related correspondence may be found in Appendix I).

A management committee meeting was held on December 2, 1992 with executives from Uganda Grain Millers Corporation (UGMC), the holding group of Bread Limited, in attendance. Important issues were discussed and work targets fixed at this meeting (see Appendix III to VI for minutes of all management committee meetings). The Team Leader, a Technical Consultant (TC) and the SC returned to the factory on December 15, 23, 30 & 31, 1992. Their visit on January 13, 1993 was to conclude the diagnostic study. As a member of the Packaging committee, the TC returned twice thereafter: on January 27 and February 10, 1993, for scheduled meetings of the committee.

Mr A. Kamath and Mr C.R. Seetharam, Team Leader, returned to Uganda on May 14, 1993. They presented the draft final report to UNIDO and Ministry officials in Kampala on May 17, 1993 and to Bread Limited officials at Jinja on May 19, 1993. The updates, observations and comments received on the draft final report have been incorporated in this final report.

IV. BACKGROUND

1.0 COUNTRY BACKGROUND - UGANDA

1.1 Demographic outline

Uganda is a landlocked country lying astride the Equator, more than 2,000 Kms. from the Indian Ocean. The total area of the country is about 241,000 square Kms. (roughly comparable with the size of U.K.), but this area includes about 44,000 square Kms. of inland water. Preliminary results from the 1991 census measured the population at 16.6 million. UN estimates point to a total of 18.8 million. in mid-1990. With a crude birth rate of about 49 per 1,000 and a crude death rate of 18 per 1,000, the annual growth rate exceeds 3 percent. Only about 11 percent of the population is classed as urban. Kampala dominates the urban hierarchy with a population of 773,400 followed by Jinja with about 60,000. Ugandan society is therefore overwhelmingly rural and population distribution tends to be a reflection of agricultural potential. Rural densities are generally less than 100 per square Km. and they fall as low as 12 per square Km. in some areas, notably in the semi-arid Karamoja region in the north east. Most people are concentrated in a wide band around the shores of Lake Victoria, from the Kenyan border in the east to the Tanzanian and Rwandan borders in the south west where rainfall is the highest and most reliable. However, as a result of the unsettled conditions of recent years, thousands of people have been displaced, and some relatively fertile areas (such as the Luwerol region) have yet to be resettled.

1.2 Structure of the economy

The economy is dominated by the agricultural sector which accounted for around 50 per cent of GDP in 1988, over 95 per cent of exports, 40 per cent of government revenues and over 89 per cent of the working population. Most farmers are engaged in subsistence production on very small holdings with the total output from these holdings being greater than that in commercial agriculture. Official data on the sectoral origin of GDP divides the economy into a "monetary" and a "non-monetary" sector. The latter includes subsistence agriculture, forestry, fishing and hunting and part of construction. The non-monetary sector's share of GDP has started to decline; it fell from 48 per cent to 46 per cent between 1983 and 1988. Table 1 shows the sectoral origin of GDP at factor cost for 1983 and 1988. After agriculture, services at nearly 24 per cent (including government) came next in 1988. Manufacturing accounted for less than 5 per cent.

The results of a national manpower survey undertaken by the government with the financial and technical support of UNDP and ILO indicate that the formal sector of Uganda employed only 378,227 persons in January 1988. This represents only about 5 per cent of the total working population. About 53,000 persons are employed in industry.

Table 1: Sectoral origin of GDP at factor cost

(USh. millions and percentages, at 1987 prices)

	1983 USh. million	%	1988 USh. million	%
Monetary economy				
Agriculture	46794	27.3	49649	26.4
Forestry and fishing	1595	0.9	2007	1.1
Mining and quarrying	46	0.03	33	0.04
Manufacturing	7020	4.0	8267	4.4
Electricity	111	0.07	115	0.06
Construction	1550	0.9	1992	1.1
Commerce	18332	10.7	21571	11.5
Transport and communications	3818	2.2	5348	2.8
General Government	4121	2.4	4331	2.3
Miscellaneous services	422	0.2	536	0.3
Rents	3869	2.3	4780	2.5
Education and health	2047	1.2	3084	1.6
Total	89725	52.2	101713	54.1
Non-monetary economy				
Agriculture	76538	44.5	79456	42.2
Forestry, fishing & hunting	975	0.6	1546	0.8
Construction	235	0.1	269	0.2
Owner occupied dwellings	4455	2.6	5115	2.7
Total	82203	47.8	86386	45.9
GDP at factor cost	171928	100.0	188099	100.0

Source: Statistical Bulletin No. GDP/1, Gross Domestic Product Uganda 1982-88 (Statistics Department, Ministry of Planning and Economic Development, December 1989)

1.3 Currency

The value of the shilling was severely affected by the political instability and economic mismanagement during the Amin years and their aftermath. Between 1981 and 1986 the official exchange rate fell from USh. 78 = \$ 1 to USh. 1,450 = \$ 1, a devaluation of almost 2,000 per cent in only five years.

In May 1987 a new currency unit was introduced with an effective devaluation of 76 per cent. The new Ugandan shilling (NUSh.) has a domestic value of 100 old shillings (USh.). However, even at its initial rate of NUSh. 60 = \$ 1 the currency was still considerably overvalued and further devaluations were forced upon the authorities, which progressively lowered the dollar value of the shilling to NUSh. 200 in March 1989. Since then, under pressure from the International Monetary Fund (IMF), the rate was being adjusted on a regular basis. Because of the acute shortage of foreign exchange there was a buoyant parallel/black market in hard currencies, with rates typically two or three times higher than the official rate. In June 1990, in an attempt to gain some control over this parallel market, the government introduced a system of authorised forex bureaux. By April 1991 the difference between the official and parallel rates had fallen to 30%.

Table 2: Average exchange rate (NUSh. per US\$)

1983	1984	1985	1986	1987
1.54	3.60	6.72	14.00	42.80
1988	1989	1990	1991	1992
106.14	223.09	428.85	1300	1250

The NUSh was created in May 1987 and was equivalent to 100 old shillings. For the sake of comparability, all exchange rates in the table are shown in terms of the new currency.

Source: IMF, International Financial Statistics.

1.4 Macro-economic conditions generally

The Government of Uganda is committed to liberalizing the economy in the context of a structural adjustment programme agreed to with the IMF and the World Bank. Through its Economic Recovery Programme, the Government of Uganda has committed itself to three principal goals:

1. to bring about internal financial stability and lower the rate of inflation;
2. to reduce external account imbalances; and
3. to promote economic growth.

The Government has taken several steps towards these goals. In July 1990, the government legalized the parallel foreign exchange market by sanctioning private foreign exchange bureaux. The Government is moving toward a unified market determined exchange rate. In 1991 the Government passed the Ugandan Investment Code. The stated objective of the Code is to promote, facilitate and monitor both foreign and domestic investment in Uganda by rationalizing the various procedures for investment approval and introducing incentives for investors. A central feature of the Ugandan Investment Code was the establishment of the Uganda Investment Authority which was designed as a "one stop shop" for investors. The Uganda Investment Authority is charged with securing all licenses, authorizations and permits required on behalf of all investors, providing all requisite investment information to investors and assisting potential investors to identify and establish investment projects in Uganda.

1.5 Economic reforms

Taking the period of the economic reform programme as a whole, significant progress has been made in the battle against inflation. As measured by the year on year change in the Kampala Consumer Price Index, inflation fell from 243 percent in 1987/88 to 29 percent in 1990/91. As inflation fell, it became possible to restore positive real interest rates at relatively lower nominal rates. The impact of positive real interest rates on the structure of monetary assets holdings was remarkably strong, with time and savings deposits rising from 9.8 percent of broad money in June 1989 to 16.3 percent in June 1991. However, rising inflation during 1991/92 has led to some slippage in the policy of positive real interest rates.

The annual inflation rate is currently running at 63 percent per annum on year-on-year basis in June 1992, which compares with 25 percent in October 1991, 29 percent in November 1991, 32 percent in December 1991, 41 percent in February 1992, 49 percent in March 1992, 59 percent in April 1992 and 66 percent in May 1992 as measured by the Kampala Consumer Price Index. Signs of a downturn in inflation are apparent, with marked reductions in monthly price increases in Kampala. The monthly increase in the Consumer Price Index for Kampala has been 1.3 percent in October 1991, 3.9 percent in November 1991, 3.0 percent in December 1991, 6.1 percent in January 1992, 6.6 percent in February 1992, 8.1 percent in March 1992, 10.5 percent in April 1992, 4.8 percent in May 1992 and minus 0.5 percent in June 1992. This downturn is also reflected in the Consumer Price Indices for Jinja and Mbale.

The Uganda Investment Authority which offers one-stop services to the investors (local and foreign) has become fully operational. Progress in attracting investors has been very encouraging. Over the first eleven months of the Authority's operations to end May 1992, a total of 647 applications forms were issued, out of which 175 were returned to the Authority, duly completed. Of these roughly 40 percent were local, 20 percent joint venture and 40 percent foreign. Investment licenses were issued to 80 approved projects with a planned investment value of about US $200 millions. Half of these approved projects are already under implementation. The Authority has also carried out a number of investment promotion seminars locally in the districts of Kampala, Jinja, Mbarara, Kabale, Kasese and Kabarole aimed at creating investor awareness concerning the critical need for fresh investments.

1.6 Reform of public enterprises (PE)

The reform programme for industrial PEs must be seen against the background of a multiplicity of constraints facing the industrial sector that have built up since the onset of political instability and economic mismanagement in the early 1970's.

In the beginning, industrial enterprises suffered from a combination of mismanagement, equipment failures due to lack of foreign exchange to import spare parts and raw materials. Subsequently, the situation deteriorated even more seriously due to lack of skilled management.

To reverse the situation a recovery programme was introduced between 1982 and 1984 which gave special emphasis to rebuilding the industrial sector. The main focus of the programme was on physical rehabilitation of the industrial enterprises. Despite some degree of success and improvement in the economy as a whole, industrial activity continued to be slow and stagnant. Besides the lack of foreign exchange, the fundamental problem in this situation was the lack of technical and managerial capability. The poor performance could also be attributed to:

a. an organisation structure that embodies a multiplicity of ministries without the necessary competence and capacity to exercise effective control;

b. the failure of the recovery programmes to address the management problem;

c. and the slow and difficult process of improving the low morale.

The present enterprise reform programme is a departure from past attempts at outright physical rehabilitation and involves divestiture, privatisation and improvement of the organisation structure as well as the improvement of those industrial enterprises that will remain in the public sector.

1.7 PIES component in public enterprise project (PEP)

In 1988, Government realised the urgent need to restructure the Public Enterprise (PE) sector as part of its economic recovery programme. A Public Enterprise Project (PEP) consisting of Public Enterprise Secretariat (PES), Public Industrial Enterprises Secretariat (PIES) and Uganda Development Corporation (UDC) were set up with a three pronged objective:

1. To institute reforms in the sector policy and legislative framework and strengthen sector administration and enterprise management;

2. To initiate an overall program of rehabilitation and rationalisation of all PEs; and

3. To implement a programme of restructuring, divestiture and liquidation of selected PEs.

The specific purpose for setting up PIES was to meet the need for a top-level advisory body to the Ministry of Industry and Technology (MOIT) for implementation of reforms in the industrial parastatals (public sector undertakings). The MOIT had neither the staff nor the organisational capacity to properly assess the industrial sector in terms of identifying enterprises that have the potential economic and financial strength. Moreover, the implementation of a rationalisation and rehabilitation programme required a wide range of diverse skills and expertise that the MOIT did not possess.

2.0 COMPANY BACKGROUND

2.1 Introduction

Bread Limited (BL), a subsidiary of the Uganda Grain Milling Company Limited (UGMC), is located in the same compound as Uganda Millers Limited (UML), another UGMC subsidiary, at 1/7 Tobacco Road, Jinja. BL was established on August 30, 1966 with a modest equity capital of USh. 2,000. The present equity capital of BL is USh. 96,000: UGMC holds 75% and DFCU (Development Finance Corporation of Uganda) owns the balance 25%. The construction of the bakery was started in April 1967 and was completed in December 1967, when production commenced. The bakery was expanded in 1972 and was closed in 1983 due to mismanagement resulting in unprofitable operations. The bakery was restarted in September 1990, after availing a loan from East African Development Bank (EADB) for refurbishing equipment, purchasing spares and bread pans.

2.2 Products

BL was producing 'Premium' brand bread and scones before the unit was shut down in 1983. The bread loaves were sold under the brand name "TIP TOP", which was well established in the market.

During the shut down period, consumers tastes shifted to sweet bread. After 1990, when the Company restarted, it was forced to manufacture sweet bread. The production of Premium bread, which is less sweet, was phased out by 1991. The scone manufacturing line has also been functioning, intermittently.

2.3 Market

In Uganda, bread is not a common man's staple food. Cassava (Tapioca), Matooke (steamed raw banana) and Posho (baked maize meal) form the staple diet. Bread is generally consumed in urban and semi urban areas, mostly by middle and high income households. Kampala and Entebbe together account for 75% of the market. Jinja takes the second position. The market is dominated by 500 gms. sweet loaves, both sliced and unsliced. Demand for sweet loaves in 250 gms. and 1,000 gms. sizes exists. BL holds the dominant position in the market for 250 gms. loaves, but is yet to commence production of 1,000 gms. loaves. The plan for the production of 1,000 gms. loaves is being implemented and bread pans have already been ordered from UK. As the demand for other types of bread, viz. salty loaves, fruit bread and scones is meagre, their production has been phased out.

V. DIAGNOSTIC STUDY

1.0 RAW MATERIALS

The details of raw materials with their cost as of November 1992, sources of their purchase and their monthly requirements at the present level of production are given in the following tables:

Table 1: Cost of raw materials

	Rate in USh. per Kg/Lt/Pc
Wheat flour	708
Sugar	869
Yeast	2,723
Salt	500
Acetic acid	3,118
Ondina oil	3,102
Cooking oil	1,400
Egg yellow	15,000
Magimix	5,464
Diesel	760
Furnace oil	330
Wrapping supplies	3,553
Polyethylene bags for bread	13
Polyethylene bags for scones	21
Cartons for 500 gms. loaves	895
Cartons for 250 gms. loaves	788
Cartons for scones	665
Special Baker's fat	1,706

Table 2: Sources of the above:

Wheat flour	Uganda Millers Ltd.
Sugar	Kakira Sugar Works (1985) (U) Food & Beverages Ltd..
Yeast	S. I. Le Saffre, France
Salt	Charles Kawuki, Kenya
Acetic acid	Orbit Chemical Ind. Ltd.
Ondina oil	Shell (U) Ltd.
Cooking oil	Mukwano Enterprises Ltd. (U)
Egg yellow	Group Procurement Ltd., Kenya
Magimix	S. I. Le-Saffre, France
Diesel	Shell (U) Ltd.
Furnace oil	Shell (U) Ltd.
Wrapping supplies	Group Procurement Ltd.
Polyethylene bags	Group Procurement Ltd.
Cartons	Mulbox Ltd., Jinja
Special Baker's Fat	Brithal Michoma (Holland)
Wrapping supplies	Printpak (U) Ltd.

Table 3: Monthly requirements of some raw materials

Wheat flour	220,000 kgs.
Sugar	21,955 kgs.
Yeast	808 kgs.
Acetic acid	262 lts.
Ondina oil	89 kgs.
Cooking oil	576 kgs.

Wheat flour is supplied by UML and there is no difficulty in procuring. Sugar is available from Kakira Sugar Works and Lugazi Sugar Works, both of which are close to the bakery, roughly at a distance of 15 kms. and 25 kms., respectively. Yeast and improvers are purchased from Le Saffre of France. Baker's Fat is imported from Brithal Michoma of Holland.

Material consumption has been worked out after taking flour as the base. As the Company moved from 'Premium' bread to 'Sweet' bread production, the consumption of sugar and fat increased as is clear in the following table:

Table 4: MATERIAL CONSUMPTION PER UNIT OF PRODUCT

PRODUCT : BREAD

Materials	Year 1990		Year 1991	
	Kgs.	Ratio	Kgs.	Ratio
Flour	1,118,100	Base	2,100,000	Base
Yeast	5,637	0.005041	9,600	0.004571
Baker's fat	19,000	0.016993	44,000	0.020952
GMS Improver	15,123	0.013525	38,000	0.018095
Sugar	54,618	0.048848	165,200	0.078666

2.0 CAPACITY UTILISATION AND PRODUCTION

The bakery has the capacity to produce about 28,000,000 loaves, per annum. However, production was as under:

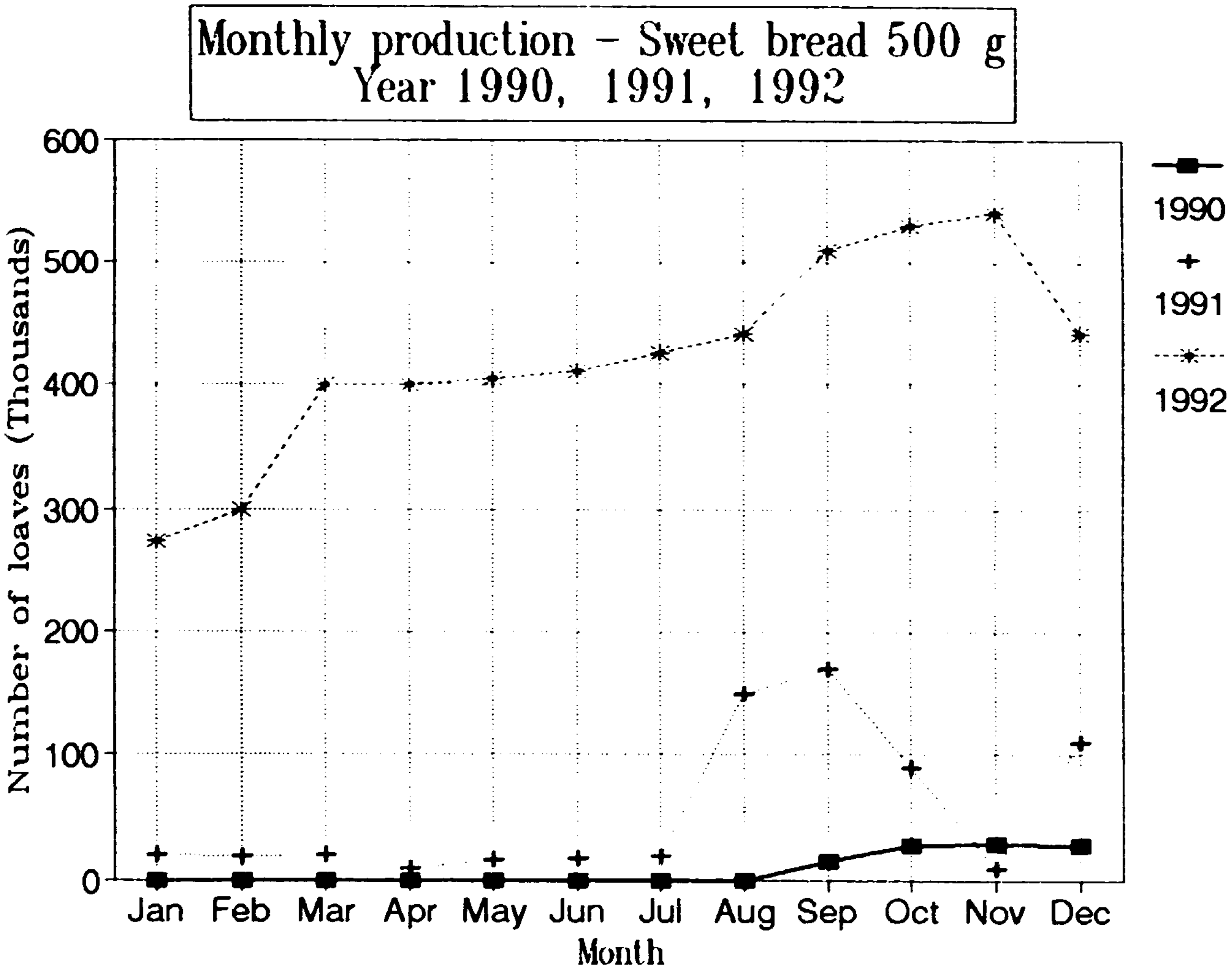
Table 5:Production & capacity utilisation:

Year	No. of loaves	Capacity
1990	3,129,144	11.1%
1991	5,226,191	18.6%
1992	6,242,257	22.3%

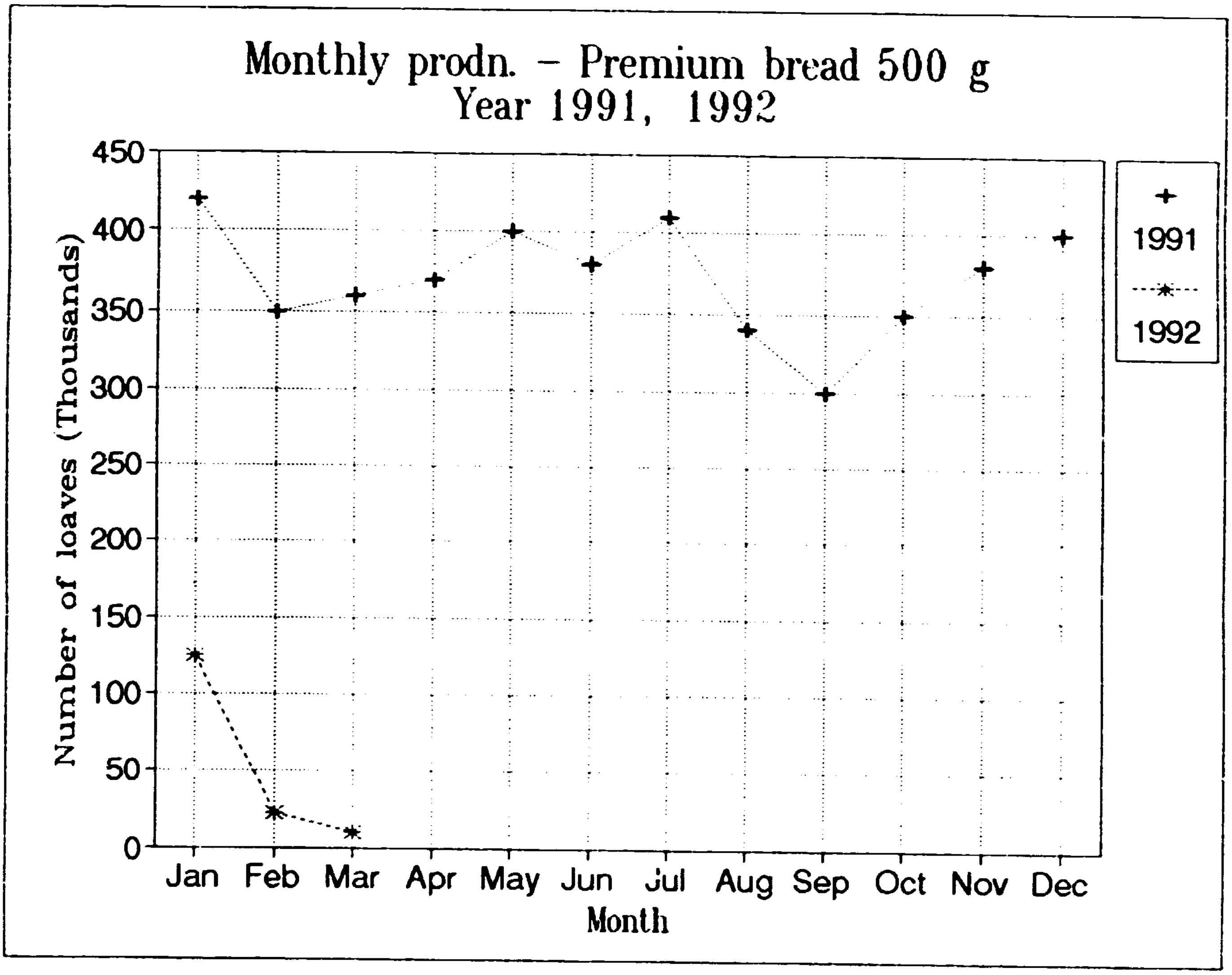
The bakery operates for 312 days per year, on a single shift basis, with weekly off on Saturday. Production averages 25,000 loaves of bread per shift, representing 25% utilisation of capacity. The bakery scaled several peaks in production, especially on the eve of Christmas & New year. During the study the bakery produced 70,000 loaves on December 31, 1992. The details of monthly production of various types of bread from 1990 are given in graphical form, overleaf.

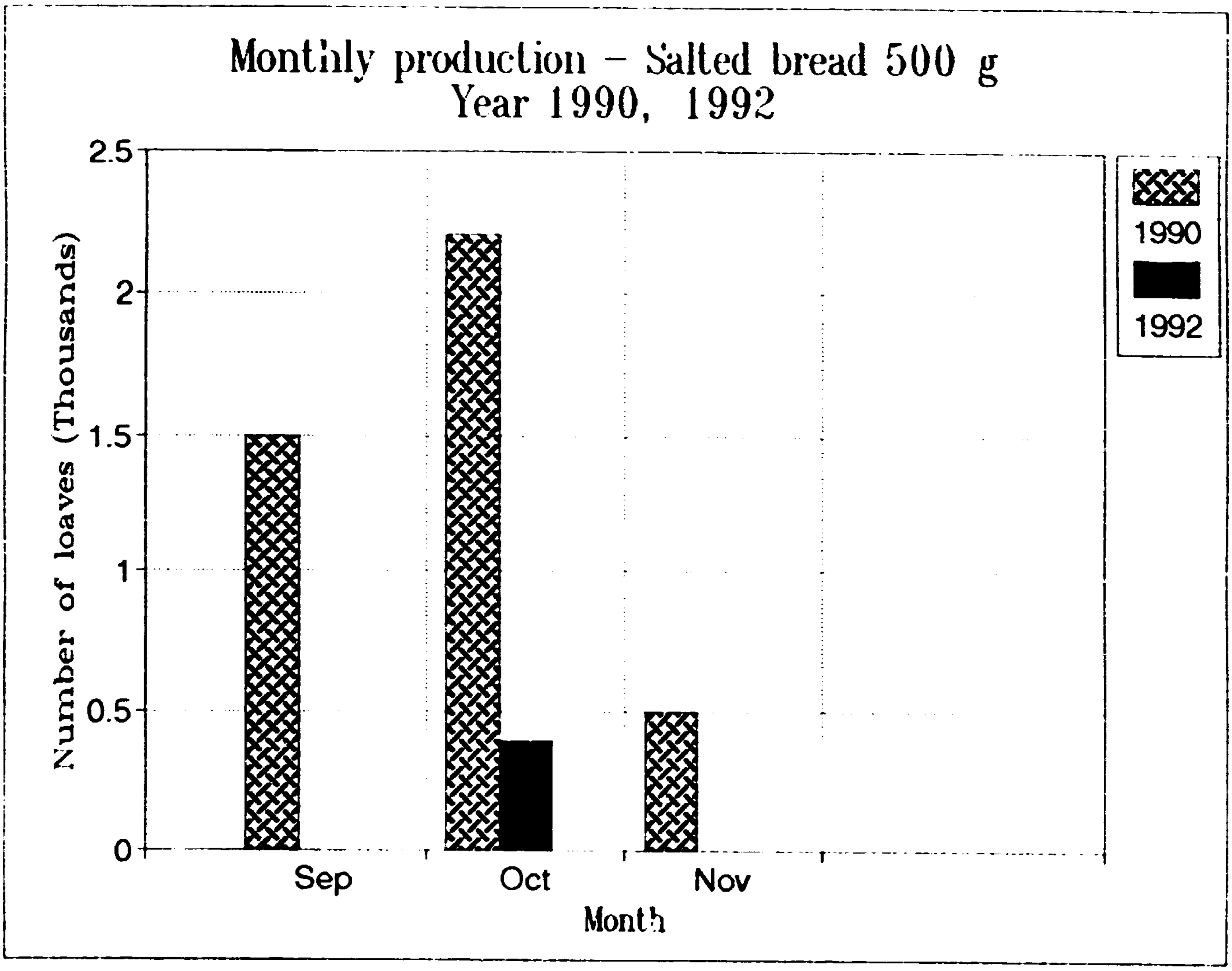
2.1 Process

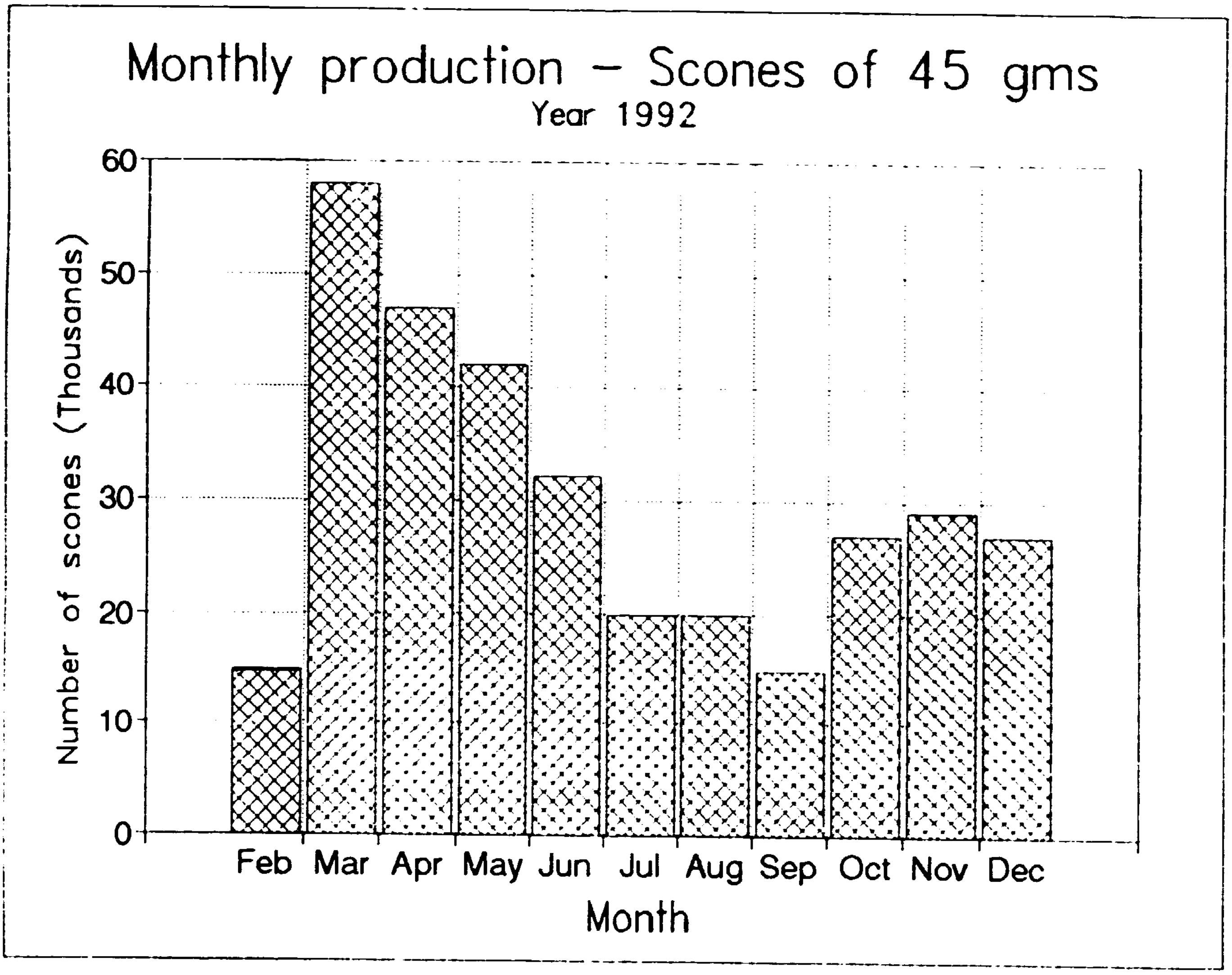
The factory operates on the bulk fermentation system. It takes three hours to prepare the dough and a further four hours for proving, baking, cooling, slicing, wrapping and packing. A brief process flow chart and a detailed flow chart are attached in Annexure-II. The layout of the factory is given in Annexure II-A.

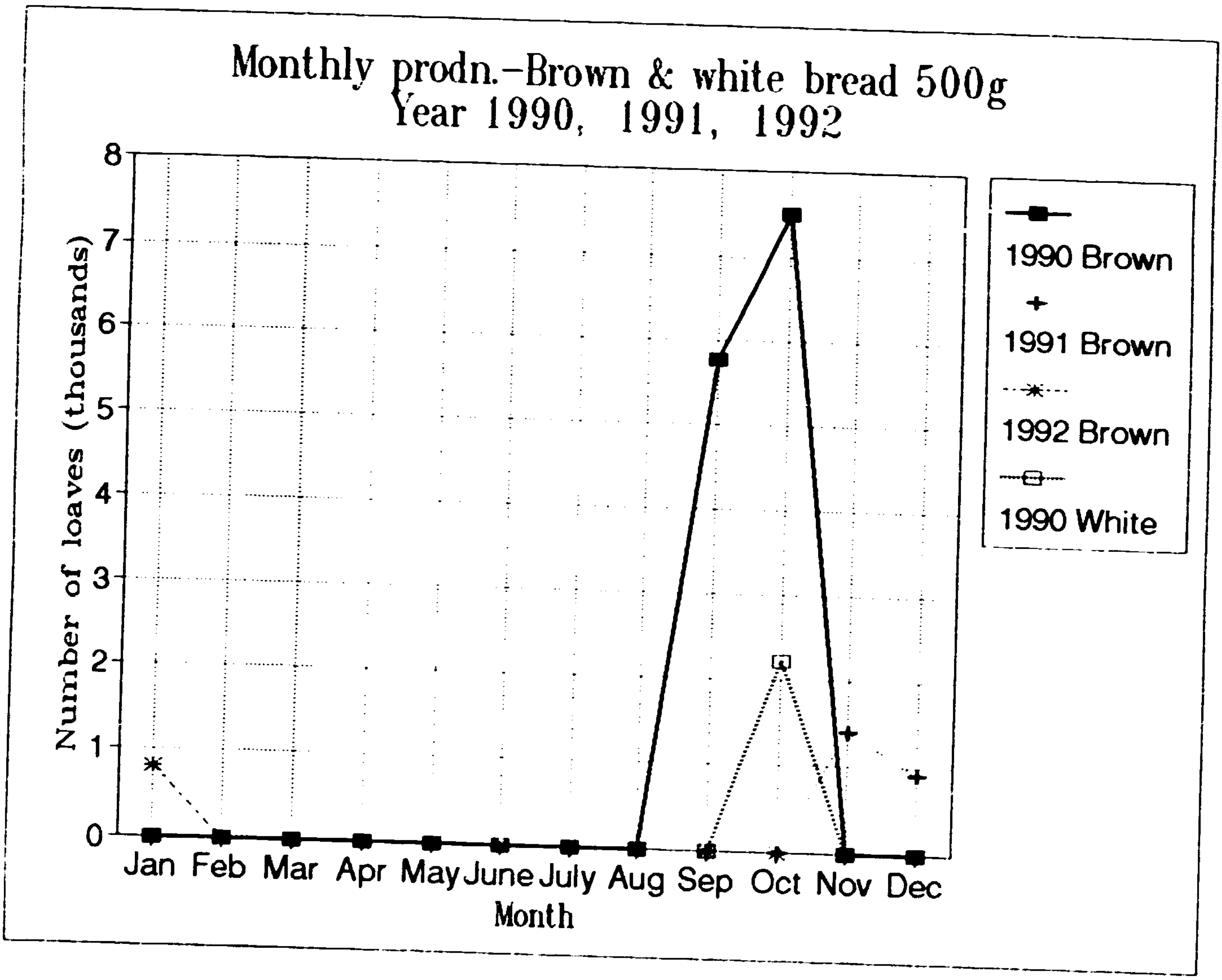


Monthly production - Sweet bread 500 g
Year 1990, 1991, 1992
Number of loaves (Thousands)
600
500
400
300
200
100
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Month
1990
1991
1992

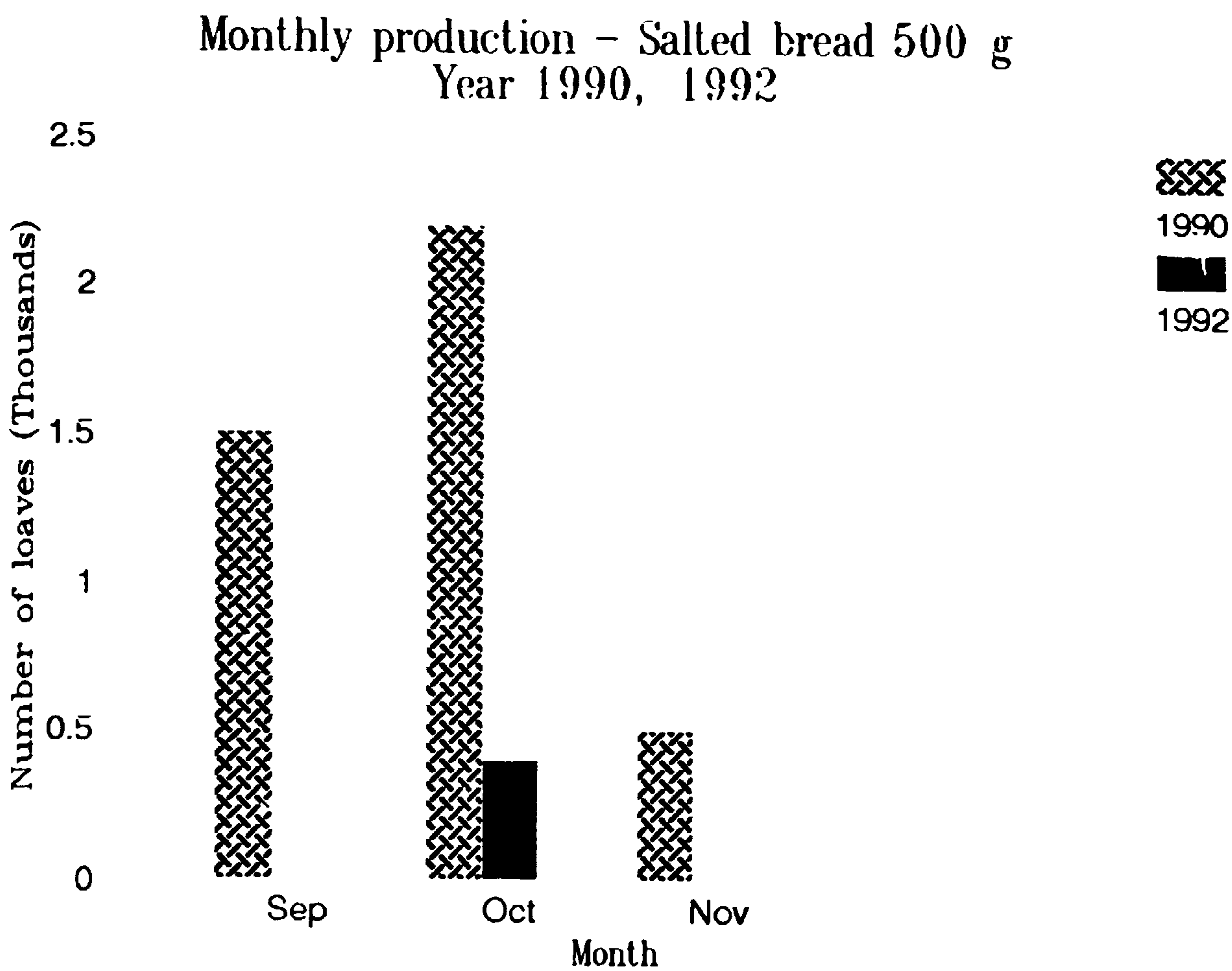

Monthly prodn. – Premium bread 500 g
Year 1991, 1992
Number of loaves (Thousands)
450
400
350
300
250
200
150
100
50
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Month
1991
1992


Monthly production - Salted bread 500 g
Year 1990, 1992
Number of loaves (Thousands)
2.5
2
1.5
1
0.5
0
Sep
Oct
Nov
Month
1990
1992


Monthly production - Scones of 45 gms
Year 1992
Number of scones (Thousands)
60
50
40
30
20
10
0
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Month



Monthly prodn.-Brown & white bread 500g
Year 1990, 1991, 1992
Number of loaves (thousands)
0
1
2
3
4
5
6
7
8
Jan
Feb
Mar
Apr
May
June
July
Aug
Sep
Oct
Nov
Dec
Month
1990 Brown
1991 Brown
1992 Brown
1990 White


Monthly production - Salted bread 500 g
Year 1990, 1992
Number of loaves (Thousands)
2.5
2
1.5
1
0.5
0
Sep
Oct
Nov
Month
1990
1992

2.2 Technology

Most of the machinery for the bakery was supplied by Spooner Limited of Ikley, Yorkshire, U.K. between 1967 and 1972. The technology is appropriate, and well supported by technical service from the suppliers. The baking line installed in 1972 has been reconditioned using the EADB loan.

The bakery consists of the following process lines (Detailed listing of plant is given in Annexure - IIIA):

* Three RVK and three Artofix mixing units
* Four Winkler scone making machines
* Two Spooner automatic baking lines
* One Spooner bread cooler
* Three Fongrove bread wrapping machines and one slicer/wrapper.

2.3 Utilities

BL requires power, water and steam to operate the bakery. Electrical power is supplied by the utility company. In case of power failure, UGMC's diesel generator is used. Good quality water is available from Jinja Municipality. To generate steam, BL operates three boilers, run on fuel oil. During this study boiler No. 3 was opened for major servicing. Parts from this boiler have been cannibalised to keep the other boilers in working condition. Annexure IIIB lists the spares urgently required for this boiler.

3.0 MARKETING

3.1 Market supply

There are a large number of bakeries in Uganda, most of them in the small scale sector. Total national annual demand is estimated at 60 million loaves, each weighing 500 gms. Current national production is estimated at 51 million loaves per year with most bakeries operating at about 50 to 75% of their installed capacities. Kampala and Entebbe consume 65% of the bread produced. BL has an annual capacity to manufacture 28 million loaves of 500 gms. Presently, the unit is operating at 20 to 25% of its capacity.

The list of major suppliers in some of the major towns are:

Kampala: Tip Top, Hot Loaf, Confectionery, Ntake, Super Magati, Bachelors, Baffolo.

Jinja: Tip Top, Hot Loaf, Premium and United from Kenya

Masaka: Tip Top, Hot Loaf, Confectionery, Ntake, Super Magati, Bachelors, Baffolo.

Mbale/Tororo/Busia: Tip Top, Jubilee and from Kenya - Picnic, Premium, United and Sun Crest.

Table 6: Installed capacities of major suppliers:

Bakery	Capacity in Kgs. of Wheat Flour (Daily)
Hot Loaf	6,000
Ntake	3,000
New Friends	2,800
Bweyinda	2,000
Katwe	1,500
Bachelors	1,500
Sabagwira	1,200
Pearland Delicacies	1,200
Nsambu	1,000
Kamuli Bakery	600
Ndugwa	500
Nkiiko sweet bread	500
New Jubilee	500
Tuwereza	400
City Bakery & Confectionery	200
Africa Basic Foods	100
Batambuze	100
Seseko	100

Table 7: Summary of installed capacities by area:

	Kgs. flour/day
Kampala District	49,300
Mpigi District	10,000
Masaka	2,750
Luwero	900
Jinja - Njeru (excluding BL)	3,800
Lugazi - Mukono	1,300
Kamuli - Iganga	1,450
Mbale/Tororo	3,150
	72,650

Table 8: Sales figures since Tip Top was relaunched:

1990 = 3,039,739 loaves
1991 = 5,228,663 loaves
1992 = 6,242,257 loaves & 279,619 scones
1993* = 2,963,942 loaves & 104,356 scones
* January to April

Though there has been increase in sales, the industry is faced with low market growth. Consumption is mostly in urban areas.

3.2 Market demand

ELASTICITY OF DEMAND

The ex-bakery price of 500 gms. and 250 gms. sweet loaf is USh. 500 and USh. 250, respectively. The scones are sold at USh. 650 for 14 scones of 40 gms., each. The demand for the sweet loaf is fairly good whereas the demand for scones is declining. The demand is very sensitive to the price because of the low customer base and the availability of cheaper alternatives.

Demand also falls whenever the margin for the traders decreases. The demand for scones drastically decreased when the price was raised. This is because the price for scones, nationwide, is fixed at USh. 50 a ban. The widespread poverty makes the demand for bread very price elastic. Bread is not consumed at every meal as in developed countries. It is consumed as a luxury food with tea or soft drinks. This explains the popularity of sweet bread in Uganda. During periods of maize harvest the demand decreases with high demand usually between December and April.

CUSTOMER PROFILE

The distributors and retailers for bread are mostly poor businessmen with little capital. They carry the bread on bicycles and Makenke wheel barrows. This explains why an attempt to give higher credit results in bad debts; the customers disappear and take up other more profitable business. There are a few rich distributors who employ cyclists for carrying bread to other retailers. Such distributors are relatively few and ask for monopoly rights in their areas.

There are very few institutions who buy bread. Schools and hospitals normally buy damaged bread to give to their students or their patients, otherwise most of BL's customers are retailers and distributors.

Table 9: Region-wise demand for Tip Top:

Kampala	-	50%
Jinja	-	24%
Mbale/Tororo/Busia	-	10%
Masaka	-	5%
Iganga	-	5%
Kamuli	-	2%
Kayunga	-	2.5%
Palisa/Budaka	-	1.5%

EXPORT POSSIBILITIES

Given the distribution costs, Kenya is the only country to which the Company can export bread.

BL's bread is sold at Busia border at USh. 500 per loaf of 500 gms. Currently, BL is not able to export any bread.

THREATS FORM IMPORTS

Government policy is to liberalise exports and imports. In the Eastern region a lot of Kenyan bread affects BL's sales. About 6,000 loaves of 500 gms., each, are smuggled into Uganda daily through Rwakaka, Busia, Malaba and Suguru (Iganga route). The Kenyan bread is cheaper than Tip Top but is reported to be of poor quality. Bread from Kenya is available in Jinja at about USh. 300 per loaf of 500 gms.

Table 10: Current bread prices of competitors

(In USh.)

	1000 gms.	500 gms.	Scones	250 gms.	Retail price for 500 gms.
1. Ndugwa	-	350=	35=	-	550=
2. Hot Loaf	1000=	480=	48=	-	600=
3. United (Kenya)	-	300=	-	-	350=
4. Sun Crest (Kenya)	-	250=	-	-	350=
5. Batambuze	-	350=	-	-	550=
6. Hamani	-	350=	-	150=	550=
7. A-Z	-	400=	35=	175=	-
8. Sesako	-	350=	35=	175=	-
9. Confectionery	-	350=	30=	-	-
10. NAVA	-	350=	40=	-	
11. Konyalebo	-	150=	-	-	
12. Jubilee (Mbale)	-	450=	40=	-	500=

3.3 Pricing and distribution

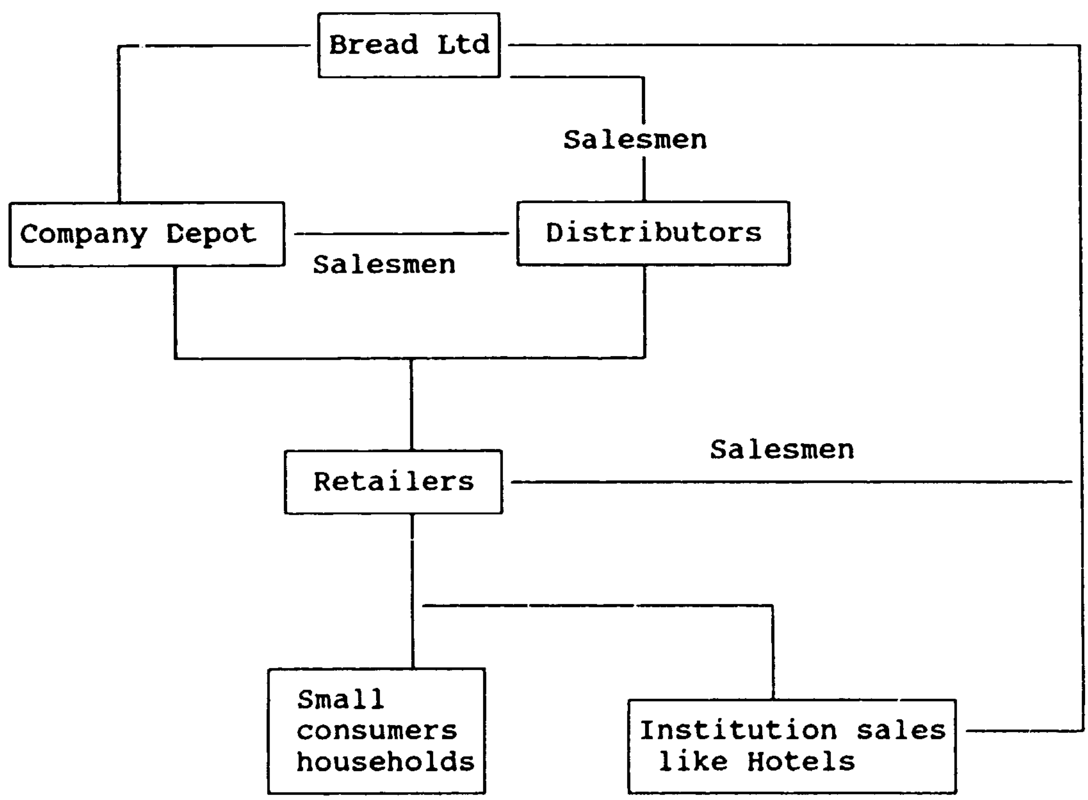
The ex-bakery price of 500 gms. and 250 gms. Sweet loaf is USh. 500 (increased to USh. 550 in February 1993) & USh. 250, respectively. Scones, in packets of 14 scones of 40 gms. each, are sold at USh. 650 per packet. The demand for Sweet loaf is fairly good whereas the demand for scones is declining. The competition comes from licenced bakeries like Hot Loaf, Sugar Mugati, Beauton Bakery, Home Pride, Bachelors, Nec Enterprises, Fadica Quality Foods, Ntaka Bakery and Bweyinda Bakery and a large number of unlicenced small producers. A small quantity of bread is also smuggled into the country in the border areas.

The distribution of bread is done from a sales counter in the bakery premises as well as through Company depots and licenced agents at Kampala, Masaka, Mbarara, Entebbe and Mbale. The Company has four trucks and two pick-ups which beautifully exhibit the Company's products.

Distribution channels of BL

The distribution channel is kept as short as possible so that customers get fresh bread. BL sells mainly to agents and retailers. Agents who are far away from Jinja are supplied by the Company's vans. Those near the depots and the main factory take direct delivery.

A diagram of the distribution channels is presented below:



3.4 Product profile of BL

Tip Top was relaunched towards the middle of 1990 and was well received in Jinja, Kampala, Masaka, Mbale, Iganga, Tororo and Entebbe with the Premium 500 gms. pack capturing much of the market. In 1991, poor quality and failure to deliver sliced bread reduced the market. The introduction of Sweet bread, to meet changed consumer preference, once again helped in reviving the market.

Presently, there is a need to produce more sliced bread. Costs and selling prices need to be reduced as many of the competitors undercut Tip Top. The distribution in Kampala needs to be intensified as many areas are not being tapped due to lack of distribution vans. One more van was introduced in end December. The quality of bread is good and the bread is never underweight as is reported to be the case with competitors brands. The bread is attractively packed and is delivered in handy cartons.

Sales problems encountered by the management:

1. Perishable product & distance from Kampala, the major market.
2. Imports flooding the eastern region.
3. Low demand for scones.
4. Inadequate market research.
5. Severe competition from other bakeries.
6. Availability of substitutes for the product. (eg. Cassava, yams, maize, etc.).

The Company should reintroduce Premium bread after improving its quality. Small quantities have been introduced in the eastern region with promising results. Scones have a large potential.

Table 11: Comparative prices for scones are given below in USh.:

Bakery	No. of bans	Ex-factory
Ndugwa	10	350
Hot Loaf	10	480
A - Z	10	350
Sesako	10	350
Nava	12	400
Jubilee	10	400

Tip Top scones are sold at USh. 650 for 14 bans. The retail price for each scone has settled at USh. 50 during 1992 and any attempt to push it upwards has been rejected by the market. Tip Top sweet 500 gms. loaves have been welcomed by the market. The 250 gms. loaf is also liked and there is a possibility of increasing its price as there is not much competition in this category.

The perception of customers regarding quality and packing of BL loaves is very good. However, the packing is proving to be too expensive and there is need to introduce polyethylene bags for all types of bread. This will require complete cooling of the bread if quality is not to be affected especially by water drops that form when the bread is not properly cooled and packed in polyethylene bags.

Most of the competitors have tried as much as possible to copy the quality of Tip Top. When BL introduced sweet bread and scones, the competitors followed suit. However, the competitors also produce cakes, cookies and some premium bread. BL also has an edge over many competitors since the product is of better quality and proper weight.

3.5 Positioning of competitors products

Kenyan bread, i.e., Sun Crest, United, Picnic are cheaper but they lack quality and a well organised distribution system. The competition is felt only in the Eastern Region (Busia, Tororo, Mbale, Jinja).

Hot Loaf manufactures and supplies bread at a lower cost. It imports wheat flour which is cheaper than UML wheat flour and this reduces the cost of production. The product is wrapped in polyethylene bags which costs less than wax paper packing. Cartons are not used for packing the bread packets. It is situated right in Kampala, which is the main market, and therefore incurs lower distribution costs. The disadvantage is that bread baked with imported flour very often does not have as good a flavour as that baked with UML flour. Hot Loaf has also diversified more than Tip Top and manufactures cakes, cookies and 1,000 gms. loaves.

3.6 Pricing

The price of bread has been rising due to inflation and rising production costs. There have been significant increases in fuel prices and wheat flour prices. Ex-factory price for Tip Top - 500 gms. loaves was increased from USh. 450 to 480 to 540 and then decreased to 500. The decrease has been the result of cost cutting. One day's credit is being given to customers, subject to a maximum of USh. 300,000. In some cases, up-country customers have exceeded this limit and there have been some bad debts. BL's dealers also extend credit and have a similar problem. Discounts could be offered to customers who buy in bulk and collect the bread from the factory.

4.0 COSTING

The cost sheets for 500 gms. sweet loaf, 250 gms. sweet loaf and scones, were prepared as of November 30, 1992 and are given in Annexure - IV.

5.0 ANALYSIS OF ANNUAL ACCOUNTS

BALANCE SHEET ANALYSIS

VALUE IN USh.

	As at 31.12.91	As at 31.12.90	As at 31.12.89	As at 31.07.88	As at 31.07.87
Fixed assets	367,769,813	431,791,256	7,117,201	8,336,287	9,196,818
Fixed assets in transit	-	-	14,177,252	-	-
Intangible assets	3,227	3,227	3,227	3,227	3,227
	367,773,040	431,794,483	21,297,680	8,339,514	9,200,045
Current assets:					
Stocks	313,160,433	128,270,642	28,104,234	180,017	80,353
Receivables	190,804,348	101,480,906	2,750,290	70,674	340,041
Bank balances and cash	166,176,168	292,394,918	105,170	8,103	-
	670,140,949	522,146,466	30,959,694	258,794	420,394
Less: Current liabilities	658,832,048	333,153,122	2,408,996	1,978,681	1,632,977
	11,308,901	188,993,344	28,550,698	(1,719,887)	(1,212,583)
Net assets	379,081,941	620,787,827	49,848,378	6,619,627	7,987,462
Less: Liabilities:					
Long term loans	8,411	8,411	8,339	8,339	8,339
EADB loans	798,988,264	587,465,383	-	-	-
Amounts falling due outside 1 year	367,234,855	155,085,335	63,182,736	2,062,222	1,070,208
	1166,231,530	742,559,129	63,191,075	2,070,561	1,078,547
NET WORTH	(787,149,589)	(121,771,302)	(13,342,697)	4,549,066	6,908,915
Represented by:					
Share capital	96,000	96,000	96,000	96,000	96,000
Reserves	10,859,264	10,859,264	10,859,264	10,859,264	10,859,264
Accumulated losses	(798,104,853)	(132,726,566)	(24,297,961)	(6,406,198)	(4,046,349)
	(787,149,589)	(121,771,302)	(13,342,697)	4,549,066	6,908,915

PROFIT & LOSS ACCOUNT ANALYSIS

VALUE IN USh.

	Year ended 31.12.91	Year ended 31.12.90	Year ended 31.12.89
Gross sales	1,729,306,096	922,322,226	-
Sundry incomes	10,675,016	10,685,191	2,815,085
	1,739,981,112	933,007,417	2,815,085
Manufacturing expenses	1,389,792,279	723,776,277	-
Administrative expenses	210,054,091	124,583,120	19,487,762
Interest	281,049,702	42,891,338	-
Depreciation	64,021,443	18,899,724	1,219,086
Foreign exchange risk exposure	460,441,884	131,285,563	-
	2,405,359,399	1,041,436,022	20,706,848
Loss for the year/period	665,378,287	108,428,605	17,891,763
Loss b/fd	132,726,566	24,297,961	6,406,198
Loss carried to Balance Sheet	798,104,853	132,726,566	24,297,961

SUMMARY OF FIXED ASSETS & DEPRECIATION CLAIMED

In USh.

	Value as at 31.12.91	Accumulated depreciation	Net book value
Land & buildings	3,075,950	490,958	2,584,992
Plant & machinery	369,071,595	52,817,188	316,254,407
Furniture, fittings & equipment	28,078,478	12,312,207	15,766,271
Motor vehicles	54 265,636	21,101,493	33,164,143
	401,178,588	90,278,752	367,769,813

STATEMENT OF ACCUMULATED LOSSES

In USh.

For the year period/ ended	Brought forward loss	Loss for the year/ period	Carried forward loss
July 31, 1986	1,175,547	962,059	2,137,606
July 31, 1987	2,137,606	1,908,743	4,046,349
July 31, 1988	4,046,349	2,359,849	6,406,198
December 31, 1989	6,406,198	17,891,763	24,297,961
December 31, 1990	24,297,961	108,428,605	132,726,566
December 31, 1991	132,726,566	665,378,287	798,104,853

DUES TO HOLDING COMPANY:

As at	USh.
31.07.1987	1,070,208
31.07.1988	2,062,222
31.12.1989	63,182,736
31.12.1990	155,085,335
31.12.1991	367,234,855

VALUE OF PLANT & MACHINERY AND AMOUNT SPENT ON MAINTENANCE

	Value of machinery installed	Amount spent on repairs & maintenance
	USh.	USh.
Purchased prior to August 1, 1986	7,097,000	-
Year ended July 31, 1987	-	224,510
Year ended July 31, 1988	-	200,787
Period ended Dec. 31, 1989	-	12,051,936
Year ended Dec. 31, 1990	443,573,779	12,565,791
Year ended Dec. 31, 1991	-	10,657,234

PARTICULARS OF EXPENDITURE INCURRED PRIOR TO COMMENCEMENT OF SALES IN AUGUST 1990

	For the 17 mths. to Dec. 31, 90	For the year ended July 31, 1988	For the year ended July 31, 1987	For the year ended July 31, 1986	Accumulated losses
	USh.	USh.	USh.	USh.	USh.
Sundry consumable stores	756,314	-	-	-	-
Administrative expenses	18,731,448	1,622,815	1,236,218	207,016	
Depreciation	1,219,086	860,531	860,531	860,531	
	20,706,848	2,483,346	2,096,749	1,067,547	
Loss for the period/year	17,891,763	2,359,849	1,908,743	962,059	23,122,414
Accumulated losses up to July 31, 1985					1,175,547
Accumulated losses up to December 31, 1989					24,297,961

MANAGEMENT OF ACCOUNTS RECEIVABLE

	For the year 1991	For the year 1990 *
	USh.	USh.
Year ended Dec. 31, 1990	443,573,779	12,565,791
Gross sales	1,729,306,096	922,322,226
Debtors as at year end	95,931,219	101,480,906
Average gross sales per month during the year	144,108,841	184,464,445
Debtors position equivalent to number of days sales	20	16

* Note: 1990 operations are for 5 months only.

5.1 Budgeting:

Table 12: Production and sales statistics for 1991

	Budget		Actuals	
	Loaves Qty.	Value USh. '000'	Loaves Qty.	Value USh. '000'
Production	12,480,000	3,831,360	5,226,191	1,635,402
Sales	12,480,000	4,243,200	5,209,012	1,717,172

The above figures indicate that the budgeting has not been based on the realities of the situation. Possibly, the targets set were over-ambitious. Generally, BL bakes bread on the basis of the orders it receives from the depots. Hence, there will be no gap between production and sales.

In 1990 (August to December), the actuals are pretty close to the budgeted figures.

Table 13: Production and Sales statistics - August- December 1990

BUDGET		ACTUALS	
Loaves Qty.	Value (USh.)	Loaves Qty.	Value (USh.)
Production:			
3,150,000	913,500,000	3,129,114	889,588,687
Sales:			
3,150,000	960,750,000	3,039,542	924,572,926

6.0 Borrowings

Kenya Shs. 900,000 were borrowed in March 1968 as a long term loan from Sofar Investments Ltd. (SIL). Kenyan Shs. 502,918 were still due in 1986 before currency reform in Uganda. As per the Board note prepared on April 26, 1993 the final dues to SIL comes to US$ 56,893 and the Board has agreed to pay this amount provided SIL releases the mortgage on BL properties.

6.1 EADB Loan - SDR 780,700

The loan was granted in 1989 and utilised in 1990. The rate of interest on this loan is 14%, per annum. Total utilisation is SDR 766,677. The loan details are given in Annexure V.

SDR 35,422 was utilised for importing bread pans. Manufacture of bread pans does not require a high level of technology. They could have been manufactured in Uganda itself. This would have given jobs to the local people and provided benefits to the local industry. In future, import of such items may be discouraged. In fact, Bread Limited is contemplating introduction of 1,000 gms. sweet loaf in the market and plans to procure the bread pans, locally.

Wax wrapping supplies were procured by utilising SDR 42,062.50. It has been recommended elsewhere in this report that the usage of this expensive mode of packing bread be discontinued.

A huge sum of SDR 115,637.43 was utilised on the slicer/wrapper machine. As it has been recommended that the use of waxed wrapping paper be discontinued, the wrapping machine becomes superfluous.

If the management finally accepts the recommendations of the Consultants, then once the existing supplies of waxed paper are exhausted this machine may be disposed off to the best advantage of Bread Limited.

The impact of the interest rates and more than that the crisis in the forex situation resulting in huge exchange losses on external borrowings have totally upset the financial position of the Company.

Accordingly, this issue needs to be handled with care and utmost urgency. Unless the loan is repaid early, the arrears of interest, interest on interest and falling value of the Uganda shillings vis-a-vis SDR will make the problem of repayment unsurmountable.

VI. ANALYSIS OF WEAK AREAS & SUGGESTED REHABILITATION

1.0 WEAK AREAS:

The weak areas in Bread Ltd. have already been indicated earlier. They are being listed again for review before discussing the rehabilitation package proposed/implemented:

PRODUCTION

* Capacity utilisation
* Packaging systems
* Wheat flour transfer system
* Production planning for peak demand periods
* Bottleneck on bread slicing and packing
* Plant hygiene and personnel hygiene
* Development of new products

MAINTENANCE

* Inefficient boiler operation
* Maintenance o_ spares
* Organisation of the maintenance department

FINANCE

* Servicing the loan package
* Equity holding
* Product pricing
* Costing systems and control on material yield
* Collection of outstandings and deposits from distributors

MATERIALS

* Inventory levels
* Plant store and maintenance spares

HUMAN RESOURCES

* Technical manpower
* Staff strength and organisation
* Suggestion scheme
* Incentive scheme

2.0 PRODUCTION DEPARTMENT:

2.1 Capacity utilisation:

The capacity utilisation of the plant normally varies between 25 and 30%. However, in the weeks before Christmas and New Year (December 23 to 31) the plant was operated at 75% capacity, on a 2 shift basis. The main bottleneck was the bread slicer/packer. The bread section can produce 6,000-6,500 loaves per hour whereas the slicer can handle only 1,500-1,800 loaves per hour. Unsliced bread had, therefore, to be despatched to cope with the demand. The slicer also suffers from frequent breakdowns and the packer often spoils packing material. The bottleneck on the slicer delays the despatch of bread. If production commences at 6 A.M. the bread is ready for slicing by 12 noon. It takes almost 5 hours to slice 1 truck load of bread. By the time the bread is sliced and packed it is too late for despatch on that day, as the trucks do not operate after dark for security reasons. Bread, therefore, reaches the customer only on the following day. This reduces the shelf life of the bread and there are chances of fungus growth on the bread. Pending removal of the bottleneck in slicing/ packing, the shift timings should be reviewed to ensure that the customer gets fresh bread.

2.2 Packaging systems

The 500 gms. loaf is packed in wax paper while the 250 gms. loaf and sccnes are packed in polyethylene bags. All the products are then packed in corrugated cartons before despatch. The Company used to manufacture "Premium Loaf" earlier which was phased out after the plant was restarted in 1990 and manufacture of "Sweet Loaf" was taken up. About 47 tonnes of wax packaging material for "Premium Loaf" is lying unused whereas fresh packaging for "Sweat Loaf" continues to be procured.

The SC suggested the following changes:

- "Premium Loaf" wax paper could be used after putting a "Sweet Loaf" sticker. The marketing department could initially supply bread in Jinja and surrounding areas by over writing "Sweet" on the packages with a pen. The Company stands to save USh. 150 million as a result. The packaging will last for 4 months.

- Phasing out of waxed wrapping paper in the next 5 months and changeover to polyethylene bags. Wax paper costs USh. 35 per loaf whereas polyethylene bags cost USh. 15 per loaf. These bags would also be more suitable for manual packing. This would save almost USh. 0.5 million/day (25,000 loaves x USh. 20) or USh. 150 million/year. Samples have been ordered and test marketing should commence by February 15.

- Use of corrugated cartons costs the Company USh. 15 per loaf. It was suggested that loaves could instead be despatched in plastic crates or wire mesh baskets. This will result in a saving of another USh. 10, per loaf even though an initial investment of USh. 150 million. (30,000 crates x USh. 5000 per crate) would be required for procuring 30,000 plastic crates. This amount can be recovered by way of deposits. BL has a stock of 300 plastic crates and a large number of metal stands with wire crates. Some more of them may have to be bought.

2.3 Wheat flour transfer systems

UGMC sends wheat flour from its mill to Bread Ltd. packed in Multi wall paper bags. These bags cannot be used even twice as they get damaged easily. The cost of each such bag is USh. 840 and it is sold as scrap at USh. 75 per bag. The transfer is made in trucks. Loading in UGMC, unloading in Bread Ltd., shifting to the first floor and opening of bags for charging damages the bags. Polyethylene poly-sacks, if used, can be reused several times. The transfer of wheat flour should be done using non-destructible containers. Though a pneumatic conveying system was installed for this purpose in 1976 it has still not been commissioned. The management has been asked to take a decision either to commission this system or to scrap it. If there is a bulk transfer system it can save the Company almost USh. 40 per loaf or USh. 25 million, per year.

2.4 Production planning for peak demand periods

The SC pointed out that the Company had not at all planned for the Christmas and the New Year week end demand for bread. There was considerable scope for increasing production. The production in the week beginning December 20 was initially increased to 40,000 loaves per day and ultimately to 65,000 loaves per day. Even this was not sufficient and market prices for 2 day old bread on December 26/27 increased to USh. 900 from the normal price of USh. 550 (Production was stopped on 23rd evening and continued on 24th due to slicer under capacity).

2.5 Bottleneck on bread slicing and packing

Connected with timely despatch of bread and production planning is the extremely low capacity of the slicer cum packer. The SC suggested that the Company should immediately take a decision to procure slicers cum baggers for increasing capacity to at least 150 loaves per minute. For proper despatch schedules the slicers/baggers should complete packing of one truck load of bread in less than 1 hour.

2.6 Plant hygiene and worker hygiene

Employees handle dough and bread with bare hands at various stages. It has been suggested that all the workers near the equipment wear caps and hand gloves. Similarly, all the employees are taking a wash only after the shift is over. They should be allowed to enter the shop floor only after a bath.

2.7 Development of new products

The production department has fairly well motivated bakery trainees. They were ready to accept the idea of taking up the manufacture of alternate products like cakes & 1,000 gms. loaves along with scones. However, there is a limitation on the oven capacity since the bread production has to run every day. Scones are being manufactured at irregular intervals depending on market demand.

3.0 MAINTENANCE:

3.1 Inefficient boiler operations

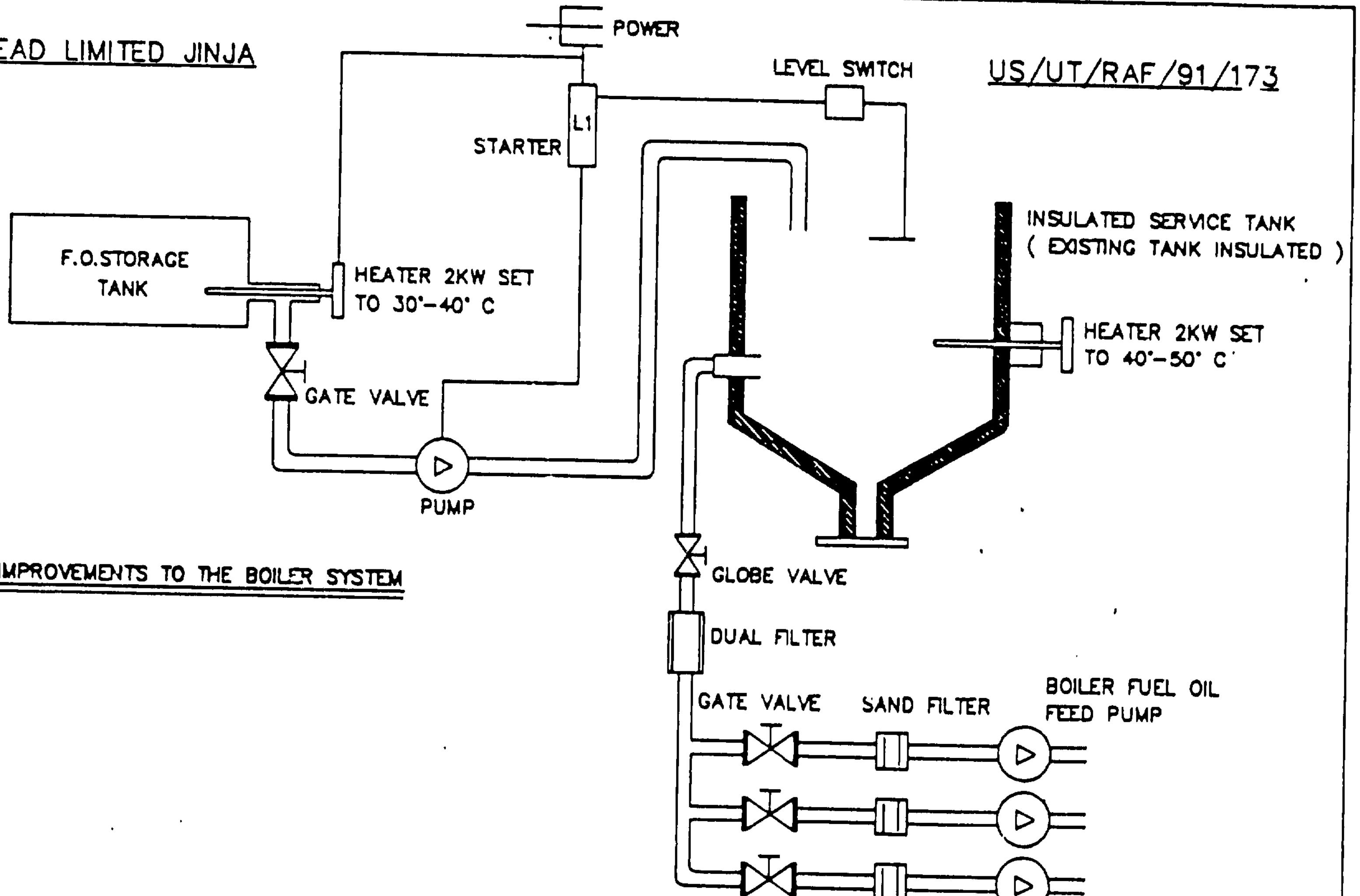
The Company has 3 boilers of which one was under servicing and inspection during the study. The plant can operate with only one boiler. However, the poor fuel supply system chokes the pre-filters, frequently. The technical consultant designed a new fuel supply system which could be put into operation with a small investment of USH. 2 million. The fuel pipe lines from the furnace oil storage tank to the service tank had burst in a number of places. The furnace oil becomes thick in the cold and chokes the pipes and when the pressure pump is turned on the pipe tends to burst. With the fuel supply system design given overleaf there should be no problems, in future. It has also been suggested that a spare pump be kept for the boiler feed water system. It was pointed out that most of the breakdowns were due to the poor performance of the boilers. If reliability is built into the system the Company should get 30 days of extra production, every year. The Chief Engineer accepted the design and quotations for the modification work have since been received.

3.2 Maintenance of spares

The store maintains very few consumables and non-essential spares, in a disorderly fashion. The store is hardly visited by any of the maintenance and accounts (designated as stores in charge) personnel. On the advice of the consultants, the store was properly re-arranged giving it a better look. The task of stock taking, consequently, became simpler. During emergencies or breakdowns the spares have to be requisitioned from the UGMC

BREAD LIMITED JINJA

US/UT/RAF/91/173



IMPROVEMENTS TO THE BOILER SYSTEM

store and this wastes time because of the distance and the procedures involved. Based on experience, Bread Ltd. was asked to make a list of essential spares which could be kept in the store near the plant.

3.3 Organisation of the maintenance department

The plant at Bread Ltd. is fairly old and needs thorough preventive maintenance. The performance of the maintenance personnel should be improved considerably for which the maintenance department needs to be better organised.

4.0 FINANCE:

4.1 Servicing the EADB loan package

Bread Ltd. is not able to service the EADB loan of SDR 749,596.87 availed by it (Details given in Annexure). By December 1992, the loan burden had increased to USh. 2.08 billion, 30% of which was due to exchange deterioration. Only a sum of US $ 22,218.53 (equivalent of SDR 17,080.27) had been repaid as of September 30, 1992. The annual repayments and interest are USh. 200 million and USh. 300 million, respectively. In fact, the exchange loss due to the appreciation of SDR against USh. was USh. 760 million. It was suggested in the meeting on December 31, 1992 that UGMC should look into the possibility of repaying this loan and collecting it on an annualised basis, at the same interest rates, from Bread Ltd. The UGMC Board has, at its recent meeting, approved the taking over of the EADB loan and has asked the management to start discussions with EADB for restructuring and rescheduling the loan which has to be otherwise cleared by June 1995. In turn, it has agreed to give BL time upto June 1998 to reimburse the amount to it, in monthly instalments. BL's corporate plan (Annexure VI) indicates its ability to repay the loan and interest to UGMC.

4.2 Equity holdings

The equity in Bread Ltd. is held by UGMC and DFCU. Given the turnover and fixed assets of the Company and the loans outstanding, the equity component is very low. It is necessary to pump in fresh capital. However, the net worth of the Company at present is negative.

4.3 Product pricing

The cost calculations for the main products were checked and have been shown in Annexure-IV. The SC pointed out that the price of scones needs to be reduced to improve its marketability. Similarly, it was found that the 250 gms. loaf was underpriced and there was a likelihood of cash loss at its present selling price. With the implementation of process and packaging changes the price of the 500 gms. loaf can be reduced slightly to increase market share. Most of the competitors products are priced USh. 50 to 100 lower than "TIP-TOP".

4.4 Costing system and control on material yield

The Company does not have a costing system. It is essential to introduce costing systems so that proper controls can be had over the cost of production. Besides material yield the other factors to be monitored are labour productivity and energy utilisation.

4.5 Collection of outstandings and deposits from distributors

The marketing department had collected deposits from retailers/dealers in 1990 when the loaf prices were lower. However, the prices have increased but the deposits have not been increased, proportionately. The collection of dues should be given the highest priority. It is estimated that bad debts to the tune of USh. 20 million might have to be written off. Instead of giving credit for 1 day, the Company should collect one day delivery deposit in advance. There appears to be no discipline in the management of credit sales.

5.0 MATERIALS:

5.1 Inventory levels

	Quantity	Rate USh.	Value USh.	Period
Wheat flour	25,500 kgs.	708	18,054.000	0.1 month
Wrapping supplies	73,870 kgs.	2,536	187,334,320	5 months
Polythene bags	1,997,400 nos.	16	31,958,400	7 months
Cartons	37,116 kgs.	853	31,659,948	3 months
Furnace oil	4,644 lts.	330	1,532,520	0.2 months
Diesel	9,185 lts.	760	6,980,600	0.4 months
Instant yeast	3,245 kgs.	2,723	8,836,135	3 months
Acetic acid	1,454 kgs.	3,118	4,533,572	3 months
Magimix	6,475 kgs.	5,644	36,544,900	3 months
Bakers fat	950 kgs.	1,706	1,620,700	0.2 months
Sugar	2,262 kgs.	870	19,67,940	0.3 months
Salt	5,000 kgs.	500	2,500,000	6 months

High inventory levels are maintained for wrapping supplies (5 months), polyethylene bags (7 months), cartons (3 months), Acetic acid (3 months), Magimix (3 months) and salt (6 months). For imported items, it is adequate if inventory levels of 3 or 4 months are maintained. For locally made items like corrugated cartons it should suffice if inventory levels of 15 days are maintained. The inventory level for special Baker's Fat imported from Brithal Michoma of Holland is inadequate at 0.2 months. By rationalising the inventory levels and following a proper economic reorder level, costs can be cut down substantially. Both wax paper packaging (for 500 gms. loaf) and polyethylene packaging (for 250 gms. loaf) are imported from Kenya. The minimum order quantity for any packaging material is fairly large (10 tonnes) and the Company is saddled with about 60 to 70 tonnes of packaging material (including 47 tonnes of waxed paper with "Premium" logo). Similarly, the quantity of corrugated boxes stocked is also very high. As the corrugated boxes are produced by Mulbox Ltd. at Jinja itself, the necessity of maintaining a large inventory of corrugated boxes could not be satisfactorily explained. A rough estimate of the value of packaging material in stock would be USh. 250 million.

5.2 <u>Plant store and maintenance spares</u>

The plant store maintains a fairly good stock of production inputs. However, the stores records are not up to date. Maintenance/plant spares are not kept in this store. All such items are maintained in the UGMC store. There is no proper system of materials' control. The Senior Accountant is designated for stores control but he has not taken his responsibilities seriously.

6.0 HUMAN RESOURCES:

6.1 Technical manpower

The bakery division is fairly well managed and the quality of product is good (probably the best in Uganda). The Assistant Bakery Manager and the shift supervisors are well trained. The importance of plant cleanliness and personal hygiene needs to be impressed on the operators.

6.2 Staff strength and organisation

At present around 70 employees are working for Bread Limited. They include officers, supervisory staff, sales staff, shop floor employees, office staff, etc. Organisation chart of UGMC and BL is given in Annexure VII.

The day to day management is looked after by the Acting Assistant Bakery Manager who holds a B.Sc.(Agri) degree and is trained in quality control. She is assisted by the Senior Accountant, a commerce graduate, and a Marketing and Sales Officer who is also a commerce graduate. These officers though functionally working under the Asst. Bakery Manager, also report to their respective heads of departments in UGMC. The officers of BL are directly under the control of UGMC and most of them are in fact transferable from one unit to another. UGMC is a policy making body and it is responsible for taking major decisions and implementing them. There is considerable scope for delegation and decentralisation of powers and functions with a view to make the officers in charge of BL more result oriented and accountable. In the first instance there is an urgent need for information sharing exercises both horizontal and vertical to be carried out between UGMC and BL and at all levels in BL, itself.

6.3 Suggestion scheme

The suggestion scheme depends on the principle that each worker has intelligence and he acquires special skills during his tenure in the organisation. The employees acquire very intimate knowledge of the work which they are performing. Every employee should be encouraged to make suggestions to improve the working of the Company. These suggestions should be scrutinised by a committee headed by the Bakery Manager. The suggestion may relate inter alia to improvement in quality, reduction of cost, increase in sales, improvement in work process, reduction of man-hours, etc. Such of those suggestions which are accepted and implemented to the advantage of the Company should be rewarded. Rewards in cash or in kind along with a nicely printed and framed certificate should be presented to the employees during an annual function of the Company at the hands of a dignitary. Suggestion schemes are corner stones of the celebrated principle of employee participation in management.

At present there is no suggestion scheme in the bakery. A draft suggestion scheme for adoption at BL was prepared and presented to the UGMC management on December 31, 1992.

6.4 Incentive scheme

An incentive scheme which is applicable to all the units of UGMC is in existence according to which every employee gets a fixed monthly quota of wheat flour. This is converted into cash and paid as such. This is not linked to productivity. This needs to be replaced by a scheme linked to increase in productivity without resulting in any pecuniary losses to the employees so as to avoid resistance to change.

VII. CONCLUSION

1. Future

Given the fact that bread is a consumer item with a ready and growing market and that Bread Ltd. has a good plant and a motivated work force, it is our firm view that it can be turned around successfully by implementing the suggestions outlined above.

BL has good scope of improving its performance since the product 'Tip-Top' is of good quality and is well accepted in the market. The production facilities (even though unbalanced at the slicing and packing end) are of good quality and the production staff and workers are well trained.

2. Rehabilitation programme

Highlights of the rehabilitation effort are presented through copies of letters and meeting minutes given in Appendix I to III.

The major highlights are:

* Change packaging from wax paper to polyethylene bags.
* Utilise the 47 tonnes of "Premium loaf" wax paper in stock.
* Procure slicer/baggers & phase out existing slicer - wax paper wrappers.
* Improve the wheat flour transfer system from UML to BL and reduce costs.
* Stop usage of corrugated boxes for second level packing and change to wire mesh or plastic crates.

* Modify the boiler oil feed system as suggested by the technical consultant.

* Shift maintenance spares from UML to BL stores to ensure ready accessibility during emergencies.

* Improve plant hygiene and personnel hygiene.

* Develop new products which can improve overall profitability.

* Introduce 1,000 gms. bread.

* Shift marketing department to Kampala and, if possible, privatise marketing completely through dealers/stockists.

* Decentralise all decision making to the officers of BL.

* Implement a suggestion system in the plant.

* As a long term strategy it is preferable to develop wheat cultivation in Uganda. UGMC is taking up the development of wheat cultivation through a ADB sponsored project.

3. Financial liability

Bread Ltd.'s survival hinges on one crucial issue viz., the capacity of UGMC to take over the loan of Bread Ltd. and to negotiate with EADB on restructuring and repaying the loan. Once this is finalised, UGMC & Bread Ltd. can enter into a formal agreement specifying the terms and conditions on which the assistance is rendered. If this is not taken care of on a priority basis, Bread Ltd. has no future though it is viable on all other counts. The current EADB liability of USh. 2.08 billion will go on ballooning. It is, therefore, crucial to ensure freezing of the EADB loan & arrive at a mutually acceptable repayment plan. The UGMC Board has, at its recent meeting, approved the taking over of the EADB loan and has asked the management to start discussions with EADB for restructuring and rescheduling the loan which has to be otherwise cleared by June 1995. In turn, it has agreed to give BL time upto June 1998 to reimburse the amount to it, in monthly instalments. The corporate plan for BL for the next six years clearly shows that BL is capable of repaying the loans and interest to UGMC.

4. Unfinished installation

The possibility of commissioning the pneumatic conveying system of wheat flour from UGMC to BL plant should be investigated. Earlier proposals received indicated a further investment of US$ 180,000 for this.

5. Action taken by consultants

* Proposals for semi automatic slicer/baggers have been procured in India and sent to the Company. Feedback is awaited.

* Different types of polyethylene bags have been procured and sent as samples.

* The Technical Consultant has given detailed drawings for modification of the oil feed system to the boilers and quotations for this job have since been obtained by BL.

* The Technical Consultant attended meetings of the committee set up for changing the packaging system.

* Alternate systems for conveying wheat flour are being looked into.

6.0 Financial gains of rehabilitation programme

Short and medium term financial gains based on consultants suggestions:

6.1 Short term gains:

* Savings by using poly-lined polyethylene sacks for transferring wheat flour from UGMC to BL - USh. 25 million/year.

* Savings by scrapping cardboard cartons and using plastic crates or wire crates - USh. 150 million/year.

* Improving the oil transfer and oil supply system to the boilers (this reduces plant breakdowns due to boiler breakdowns and improves production) - USh. 100 million/year.

* Use of 'Premium' loaf wax packaging paper for packing 'Sweet' loaf - USh. 150 million/year.

6.2 Medium term gains:

* By restructuring the loan package and UGMC taking over the loans (savings in exchange loss even if we consider an outstanding of 1.75 million SDR, by 1993) - at 10% deterioration of exchange rate - USh. 300 million/year.

* By adding slicer/baggers and changing from wax packing to polyethylene packing - USh. 300 million/year.

ACKNOWLEDGEMENTS

There are a few persons whose unstinted support throughout the course of the diagnostic study has been of immense value, without which it would not have been possible to complete the study within the prescribed time scheme. We wish to place on record the services rendered by -

Ms. Assey L. N. Mukasa - Managing Director

Mr. John B. Kasiisiri - Personnel and Administration Manager

Ms. M. Winnifred Auma - Ag. Bakery Manager

Our gratitude is also due to the members of staff and workers of Bread Ltd., who gave their time and assistance, whenever required.

Our sincere appreciation, for the continuous guidance and encouragement given by the UNIDO Country Director, Mr. George Tabah and Programme Officer, Mr. Koenraad Goekint.

Grateful thanks are due to many of the officials in Government and financial institutions whose cooperation and assistance has contributed significantly in getting the information required for the preparation of this report.

July, 1993 AMARNATH KAMATH & CO.

ANNEXURES

LIST OF ANNEXURES

ANNEXURE I

LIST OF PRINCIPAL ORGANIZATIONS, COMPANIES AND PERSONS CONTACTED BY M/S AMARNATH KAMATH & CO.

Organization/Company	Person(s) met
Ministry of Planning and Economic Development	Mr. E. Tumusiime-Mutebile Permanent Secretary
Ministry of Industry and Technology	Ms. Kinalwa Permanent Secretary
	Mr. T. Langoya Commissioner for Industry
	Mr. Martin Onyach Olla Senior Industrial Officer
PIES	Mr. Herbert Iga
UNDP/UNIDO	Mr. T. Teshome Resident Representative
	Mr. George Tabah Country Director
	Mr. Koenraad Goekint Programme Officer
The Uganda Grain Milling Company Limited Jinja-Uganda	Ms. Assey L.N. Mukasa Managing Director
	Mr. John B. Kasiisiri Personnel and Administration Manager
	Mr. Charles Rwaribwije Chief Engineer
	Mr. R. Engena Purchasing Manager
	Mr. J.B.K. Lee-Ogong Financial Controller
	Mr. P.R. Mukiibi Ag. Financial Controller
	Mr. J.M. Wakikowa Marketing Manager
	Mr. Samuel Mayega Ag. Marketing Manager

ANNEXURE I (2)

Bread Limited
Jinja, Uganda

Ms. M. Winnifred Auma
Ag. Bakery Manager

Mr. Isaac Namukoy
Bakery Trainee

Mr. J. Malinga
Sr. Accountant

Mr. Edward Kiweewa
Sr. Accounts Assistant

Mr. Mulono Noah
Workshop Foreman

Mr. H. Kitimbo
Depot Supervisor

Mr. Seruwagi
Driver/Salesman

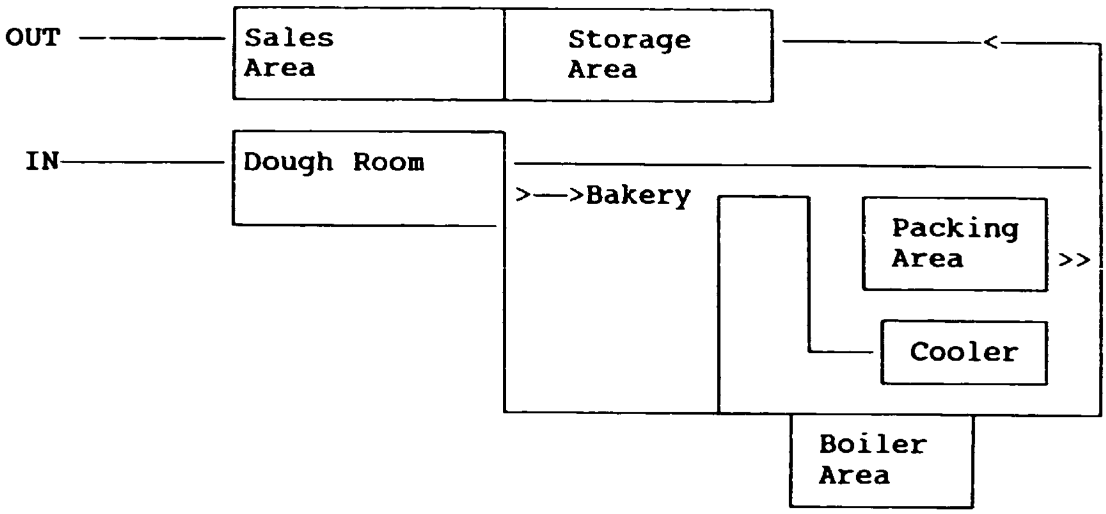
Mr. P.S. Sabiiti
Driver/Salesman

Mr. S. Akabwai
Driver/Salesman

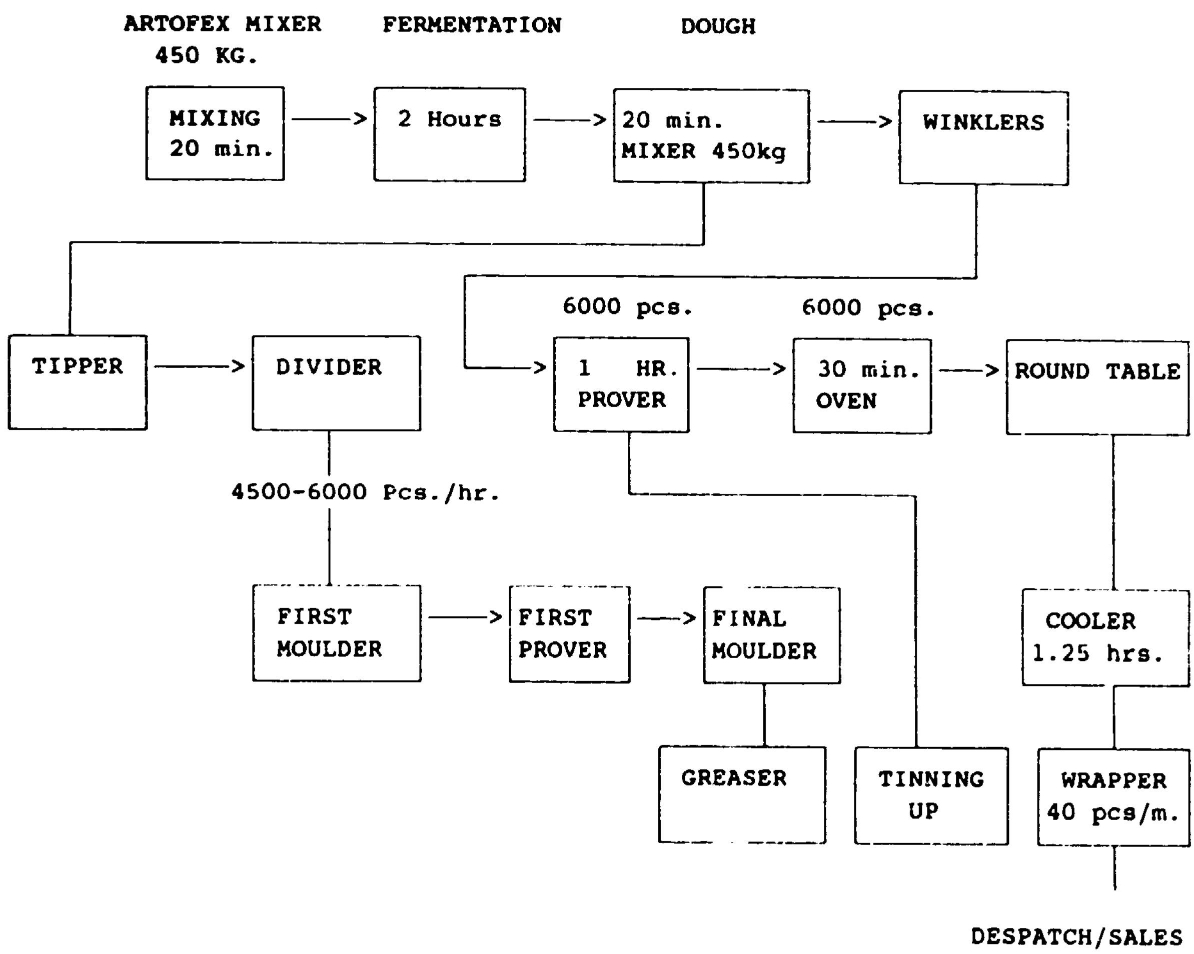
Mr. E. Mbidde
Marketing/Sales Officer

ANNEXURE II

SUMMARISED PLANT LAYOUT

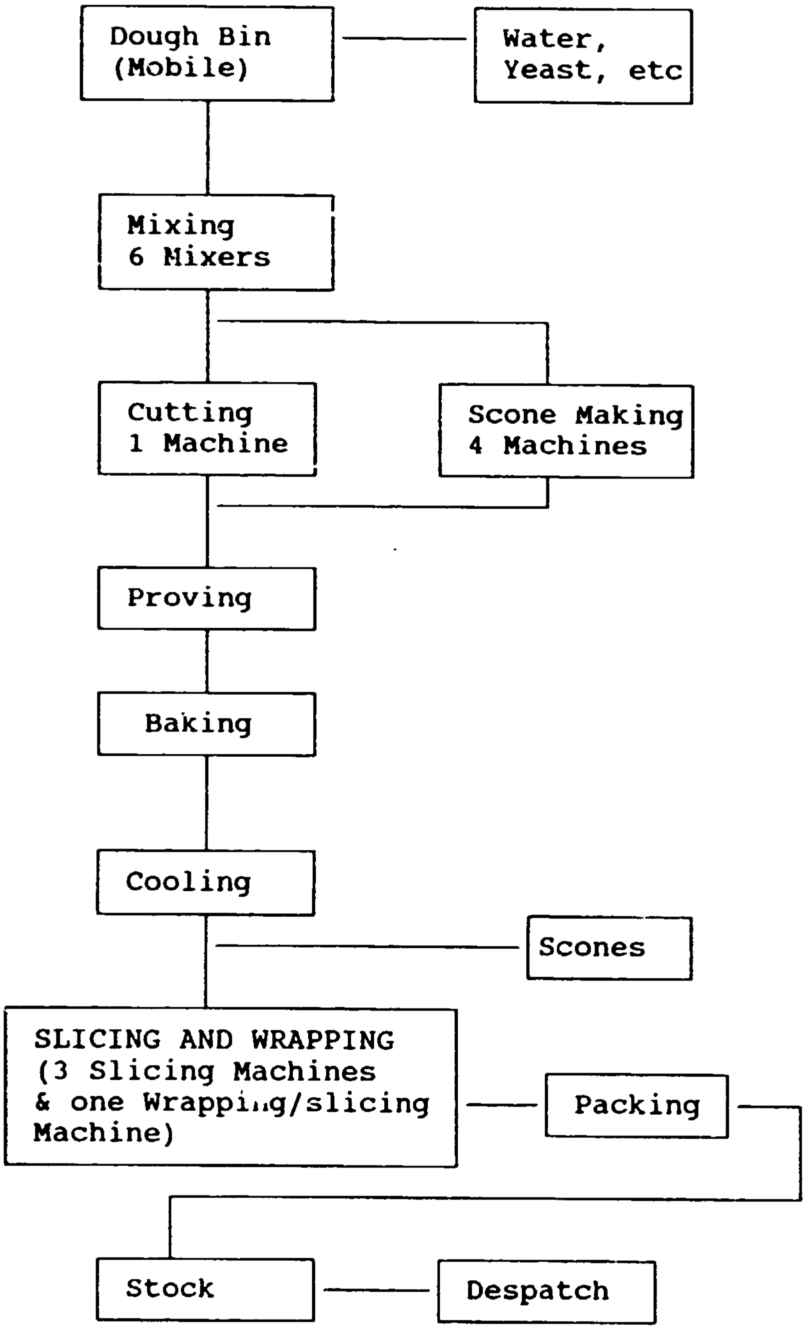


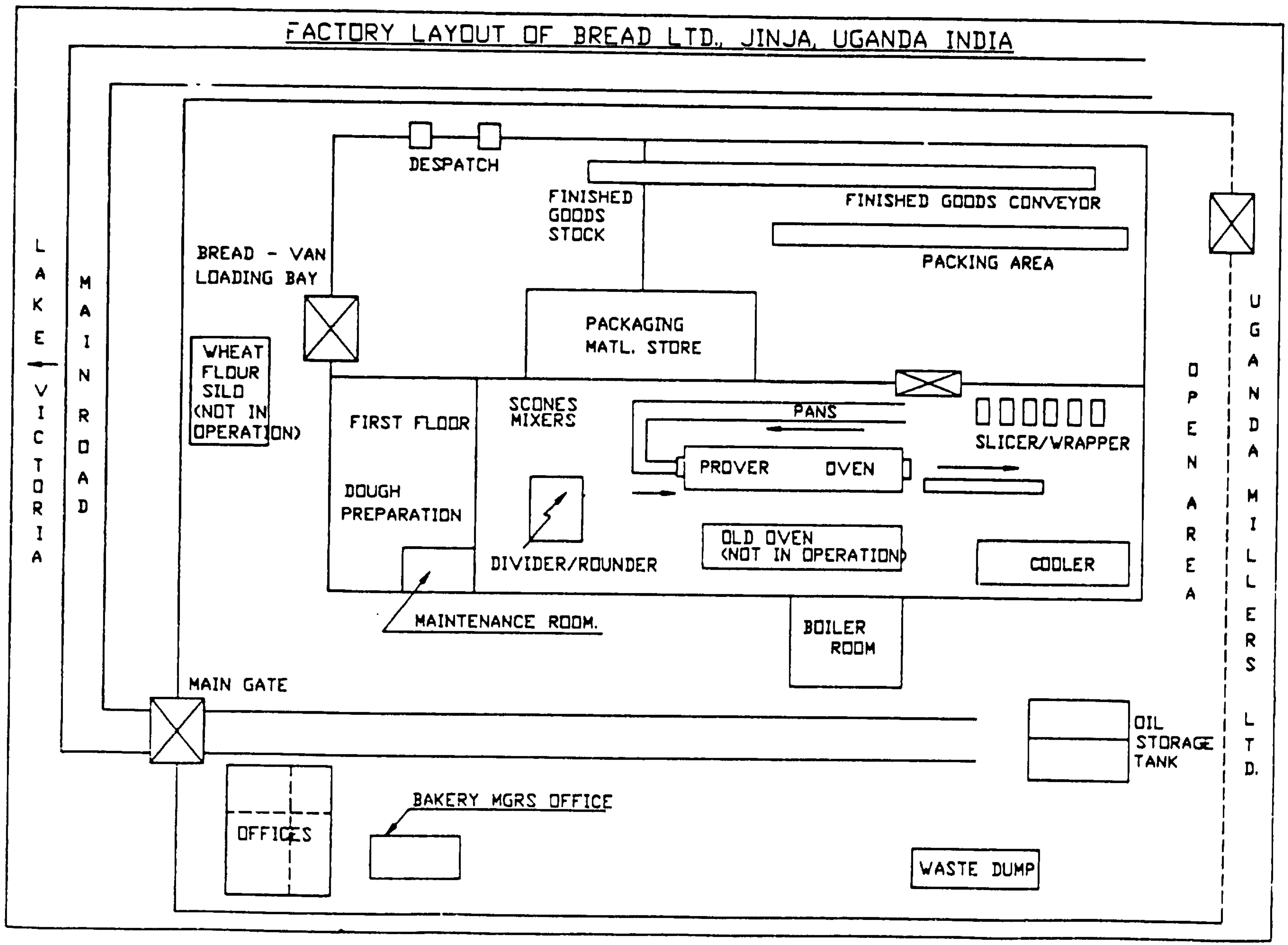
SIMPLIFIED BAKING PROCESS WITH CAPACITY



ANNEXURE II (2)

DETAILED FLOW DIAGRAM




FACTORY LAYOUT OF BREAD LTD., JINJA, UGANDA INDIA
DESPATCH
FINISHED GOODS STOCK
FINISHED GOODS CONVEYOR
PACKING AREA
BREAD - VAN LOADING BAY
PACKAGING MATL. STORE
WHEAT FLOUR SILO (NOT IN OPERATION)
FIRST FLOOR
SCONES MIXERS
PANS
SLICER/WRAPPER
PROVER
OVEN
DOUGH PREPARATION
DIVIDER/ROUNDER
OLD OVEN (NOT IN OPERATION)
COOLER
MAINTENANCE ROOM.
BOILER ROOM
MAIN GATE
OIL STORAGE TANK
BAKERY MGRS OFFICE
OFFICES
WASTE DUMP
LAKE VICTORIA
MAIN ROAD
OPEN AREA
UGANDA MILLERS LTD.

ANNEXURE IIIA

MACHINERY/EQUIPMENT IN BREAD LTD.

Operational m/cs	Nos.	Remarks
1. Artofex mixers, 450 kg. dough	2	
2. Dough box tipping machine	1	
3. Dough bowls, 450 kg	17	
4. Divider, 6000 pcs per hour	1	
5. First moulder	1	
6. First prover of eight pockets	1	
7. Second moulder	1	
8. Batch conveyor	1	
9. Second prover,6000 pcs/hr	1	
10. Oven 6000 pcs/hr	1	
11. Turn table	1	
12. Blower (air)	1	
13. Bread cooler	1	
14. Slice/wrapper 45 loaves/min	1	
15. Wrapper 30 loaves/min	1	
16. Conveyors	3	
17. Boilers	2	
18. Air compressor	2	
19. Cold room	1	
20. Sack elevator	1	
21. Winklers	2	

Non-Operational m/cs	Nos.	Remarks
1. Prover (2nd)	1	Scrap
2. Oven	1	Scrap
3. RUK mixers	3	2 repairable
4. Artofex mixer	1	Repairable
5. Overhead crane	1	Repairable
6. Bulk storage	1	Blower (four) missing
7. Wrappers	2	Could be repairable but spares are not available
8. Flour blowline	1	Was not commissioned - no electronic weighers
9. Winklers	2	Repairable but no spares
10. Boiler (Perkins)	1	Repairable

ANNEXURE IIIB

MAJOR SPARES/EQUIPMENT NECESSARY FOR TURN-AROUND OF BREAD LIMITED

1. BOILER SECTION

			USh.
(a) Modification of the Boiler Fuel Feed Line			
i)	One	Electric starter	150,000
ii)	One	Level switch (mercury)	50,000
iii)	Two	Immersion heaters 2KW	100,000
iv)	One	Insulated service fuel tank	1,000,000
v)	100 Mts.	Electric cable score, 15mm square	400,000
vi)	Two	Dual filters	60,000
(b) Other Boiler requirements			
i)	One	Feed pump complete with 2HP motor, 2800 rpm	2,500,000
ii)	Six	Nozzles 4.5 x 60 degree	30,000
iii)	Six	Nozzles 5.5 x 60 degree	30,000
iv)	One	Complete burner head	5,000,000
v)	One	Satronic programmer	600,000
vi)	One	Ignition transformer 240V to 10,000V. (AC)	200,000
vii)	Three	Fuel filters	90,000
viii)	Two	Fuel pumps	1,400,000
ix)	50 Kgs.	Fire cement	100,000
x)	50 nos.	Fire bricks	100,000
xi)	40 Lts.	Polysolve water treatment	300,000
xii)	51	Sodium silicate	100,000
xiii)	2 nos.	Sheets of steam gaskets 3' x 6' x 1/8"	100,000
		Sub-total	12,310,000

2. DOUGH ROOM

(a) Artofex tipper			
i)	Three	Limit switches	15,000
ii)	One	Pair of tipping gears	100,000
(b) Cold room			
i)	One	Filter dryer	70,000
ii)	10 Kgs.	Compressor gas	150,000
iii)	One	Pressure gauge	50,000
		Sub-total	385,000

3. PROVER & OVEN SECTION

(a) Prover

			USh.
i)	One	Air compressor	1,500,000
ii)	One	Oil spraying M/C for baking tins	500,000
iii)	60l	Chain lubricant	200,000

(b) Oven

i)	Twelve	Overload Units Assorted Sizes	480,000
ii)	20kg	Graphite Lubricant	200,000

(c) Moulder (2nd)

i)	One	Set of six moulding rollers	600,000
ii)	One	Driving motor	300,000

(d) Transport

i)	Four	Geared motors 2 (One HP) 2 (3 HP)	600,000
		Sub-total	4,380,000

4. WRAPPING SECTION

i)	One	Complete automatic slicer/ bag loader	150,000,000
ii)	One	Semi-manual shop slicer/bagger	30,000,000
iii)	One	Driving motor pulley (slicer)	50,000
iv)	Two	Driving belts (slicer)	60,000
v)	Two	Driving belts (wrapper)	60,000
vi)	Two	Side arm brackets	300,000
		Sub-Total	180,470,000

SUMMARY

1.	Boiler section	12,310,000
2.	Dough room	385,000
3.	Prover oven section	4,380,000
4.	Wrapping section	180,470,000
	Total	197,545,000

ANNEXURE IV

STANDARD MATERIALS COSTING FOR

SWEET LOAF 250 GMS. AS ON 30-11-92

For manufacture of 1640 loaves of sweet loaf of **250 gms**

MATERIALS CHARGED/BATCH	QTY.	PRICE USh.	COST USh.
a) Flour	300 Kgs.	708	212,400
b) Other ingredients:			
Sugar	30 Kgs.	869	26,070
Yeast	1 Kg.	2,723	2,723
Salt	2.5 Kgs.	500	1,250
S.B. Fat	4 Kgs.	1,600	6,400
Acetic acid	0.5 Lt.	3,118	1,559
Ondina oil	0.25 Kg.	3,101	775
Cotton seed oil	0.25 Kg.	1,400	350
c) Utilities			
Diesel	24 Lts.	760	18,240
Furnace oil & electricity	12 Lts.	330	3,960
d) Cartons	21 Pcs.	788	16,548
Polyethylene bags	1640 Pcs.	13	21,730

Therefore, cost per sweet loaf of 250 gms would be as under:

	USh.
a. Flour	129.51
b. Other ingredients	23.86
c. Polyethylene bags	13.25
d. Cartons	10.09
e. Utilities	13.55
	190.26
Administration cost allocated	38.37
Total cost	228.63

ANNEXURE IV (2)

STANDARD MATERIALS COSTING FOR

PRODUCT SWEET LOAF - 500 GMS. AS ON 30-11-92

For manufacture of 840 loaves of sweet loaf of **500 gms**

MATERIALS CHARGED/BATCH	QTY.	PRICE USh.	COST USh.
a) Flour	300 Kgs.	708	212,400
b) Other ingredients:			
Sugar	31 Kgs.	820	25,420
Yeast	1 Kg.	2,723	2,723
Salt	2 Kgs.	260	520
S. B. fat	6 Kgs.	1,486	8914
Acetic acid	0.5 Kg	3,118	1,559
Ondina oil	0.5 Kg	3,595	1,798
Cotton seed oil	0.25 Kg	656	164
c) Utilities:			
Diesel	27 Lts	680	18,360
Furnace oil	22 Lts	340	7,480
d) Cartons	21 Pcs	1,045	21,953
e) Wrapping supplies	8.6 Kgs	2,970	25,542

Therefore, cost per sweet loaf of 500 gms would be as under:

	U. Sh.
a. Flour	252.86
b. Other ingredients	48.93
c. Wax wrapper	30.41
d. Cartons	26.14
e. Utilities	30.77
	389.11
Administration cost allocated	37.07
Total cost	426.18

ANNEXURE IV (3)

STANDARD MATERIALS COSTING FOR SCONES - 30-11-92

For manufacture of 750 packets of scones (each packet with 14 scones)

MATERIALS CHARGED/BATCH	QTY.	PRICE USh.	COST USh.
Flour	300 Kgs.	708	212,400
Sugar	36 Kgs.	880	31,680
Yeast	1.8 Kgs.	2,723	4,901
Salt	2.5 Kgs.	500	1,250
Magmix	1.5 Kgs.	5,464	8,196
S.B. fat	6.5 Kgs.	1,600	10,400
Acetic acid	0.5 Lt.	3,118	1,559
Cotton seed oil	1 Lt.	1,400	1,400
Egg yellow	0.1 Kg.	25,500	2,500
Diesel	24 Lts.	760	18,240
Furnace oil and electricity	20 Lts.	330	6,600
Cartons	31 Pcs.	826	25,609
Polyethylene bags	750 Pcs.	21	15,750

Therefore, cost per packet of Scones would be as under:

	U. Sh.
a. Flour	283.20
b. Other ingredients	82.58
c. Polyethylene bags & cartons	55.15
d. Utilities	33.12
	454.05
Administration cost allocated	38.31
Total cost	492.36

ANNEXURE V

UTILISATION OF EADB LOAN - SDR 780,700

Item purchased	L/C Currency	Currency of Disbursement	SDR Equivalent
Prover, oven, conveyor	StP 343,372.18	StP343,372.18	461,489.36
Bread pans	StP 35,422	StP 35,422	44,056.17
Machinery	StP 32,537.71	StP 32,537.71	40,604.08
Wrapper machine/ Slicer	StP 115,637.43	Yen27,146,367	150,337.99
Wrapping supplies	StP 42,062.50	FF 403,968.25	53,109.27
Subsistence for Commonwealth Team	StP 12,937.50	USD 22,218.53	17,080.27

Yearly instalments of principal and interest are detailed below:

Currency of repayment	Yearly principal	Yearly interest
Sterling Pound	StP 102,832.00	StP 115,687.66
Yen	Yen 6,786,591.74	Yen 8,551,105.62
French franc (FF)	FF 100,992.06	FF 126,250.00

Amounts overdue (In arrears) as at 30-9-92 Portion drawn in StP

Instalments in arrears	StP	256,080.00
Interest on installments in arrears	StP	19,023.92
Interest in arrears	StP	228,031.12
Interest on interest in arrears	StP	21,430.90

Portion drawn in FF

Instalment in arrears	FF	252,480.15
Interest on instalments in arrears	FF	18,683.53
Interest in arrears	FF	12,288.73
Interest on interest in arrears	FF	3,387.59

Portion in JPY

Instalments in arrears	JPY	16,966,479.35
Interest on instalments in arrears	JPY	1,255,519.00
Interest in arrears	JPY	10,958,117.83
Interest on interest in arrears	JPY	1,013,626.00

Loan still outstanding is SDR 749,596.87 equivalent, to the following currencies of repayment

StP	411,331.89
Yen	27,146,367.00
FF	403,968.25

Payments already made in USD $ 22,218.53 equivalent to 17,080.27 SDR. The loan is being repaid by Bread Limited. UGMC has stood guarantee for repayment.

ANNEXURE VI

CORPORATE PLAN 1993 TO 1997

Year	Loaves per month	Loaves per year in '000	Prodn. cost per loaf U.SH	Prodn. cost total value per year U.SH '000
PRODUCTION				
1993	720,000	8,640	518.31	4,478,216
1994	864,000	10,368	552.92	5,732,720
1995	1,036,800	12,442	593.23	7,380,853
1996	1,244,160	14,930	639.16	9,542,676
1997	1,492,992	17,916	691.22	12,383,840

Year	Saleable loaves per month	Saleable loaves per year in '000	Selling Price per loaf	Sales value per year U.Sh'000
SALES				
1993	720,000	8,640	550	4,752,000
1994	864,000	10,368	580	6,013,440
1995	1,036,800	12,442	630	7,838,460
1996	1,244,160	14,930	685	10,227,050
1997	1,492,992	17,916	750	13,437,000

ANNEXURE VI (2)

CORPORATE PLAN FOR THE 5 YEARS ENDING ON 31.12.1997

(1992 FIGURES USED AS BASE YEAR)

Sl. no.	GROSS	1992	1993	1994	1995	1996	1997
1.	Production per day	20,000	27,692	33,230	39,876	47,852	57,422
2.	Projected production of loaves	6,240,000	8,640,000	10,368,000	12,441,600	14,929,920	17,915,904
		USh.	USh.	USh.	USh.	USh.	USh.
3.	Projected unit price	500	550	580	630	685	750
4.	Projected total sales revenue (in '000)	3,120,000	4,752,000	6,013,440	7,838,460	10,227,050	13,437,000
5.	Less cost of raw materials (in '000)	2,388,976	3,638,477	4,802,769	6,339,617	8,368,220	11,046,050
6.	Variable margin (4-6) (Gross profit)(in '000)	731,024	1,113,523	1,210,671	1,498,843	1,858,830	2,390,950
7.	Add: Sundry income (in '000)	177,000	251,000	331,300	333,700	363,800	376,600
8.	Production expenses increase of 10% p.a. (in '000)	225,382	247,900	272,700	299,980	329,980	363,000
9.	Administration expenses increased of 5% p.a. (in '000)	413,638	434,320	456,040	478,840	502,800	528,000
10.	Marketing expenses increase of 20% p.a. (in '000)	*	21,700	26,040	31,250	37,500	44,900
11.	Total operating expenses (8+9+10) (in '000)	639,020	703,920	754,780	810,070	870,280	935,900
12.	Operating margin (6+7-11) (in '000)	269,004	660,603	787,191	1,022,473	1,352,350	1,831,650
13.	UGMC management fee (in '000)	108,681	157,519	201,211	262,416	341,676	446,800
14.	Operating profit (in '000)	160,323	503,084	585,980	760,057	1,010,674	1,384,850
15.	Percentage profit on sales before tax	5.14%	10.59%	9.74%	9.7%	9.88%	10.31%

* For 1992 included in administration expenses

ANNEXURE VI (3)

CORPORATE PLAN: PROJECTED EXPENSES

GROSS	1992 USh'000	1993 USh'000	1994 USh'000	1995 USh'000	1996 USh'000	1997 USh'000
Marketing expenses	-	21,700	26,040	31,250	37,500	44,900
Management agency fees - UGMC	108,681	157,519	201,211	262,416	341,676	446,800
Marketing and sales promotion	7,500	7,875	8,268	8,680	9,120	9,570
Selling & distribution expenses	8,000	8,400	8,820	9,260	9,725	10,210
Audit fees and expenses	5,000	5,250	5,510	5,790	6,070	6,390
Printing, postage & stationery	3,500	3,675	3,860	4,050	4,255	4,465
Bank charges	2,400	2,520	2,640	2,778	2,920	3,060
Kampala depot expenses	6,000	6,300	6,615	6,945	7,290	7,660
Loan interest	223,498	234,670	246,405	258,725	271,665	285,245
Workers' meals	3,000	3.150	3,305	3,470	3,650	3,830
Workers' ration	79,600	83,580	87,760	92,145	96,755	101,590
Bicycle allowance	460	480	505	535	560	585
Rent receivable	(1,200)	(1,260)	(1,320)	(1,390)	(1,450)	(1,540)
Legal expenses	1,000	1,050	1,100	1,155	1,215	1,280
Staff training	4,320	4,535	4,766	5,000	5,250	5,510
Staff housing & house allowance	9,600	10,080	10,580	11,115	11,665	12,250
Licences	300	315	330	345	365	385
Telephones, telex and telegrams	18,000	18,900	19,845	20,835	21,880	22,970
Medical expenses	2,400	2,520	2,645	2,770	2,920	3,065
Motor vehicle expenses	30,000	31,500	33,075	34,730	36,465	38,285
Donation & free issues	4,200	4,410	4,630	4,860	5,105	5,360
Security	720	755	790	830	875	915
Overseas staff subsistence	1,500	1,575	1,650	1,735	1,820	1,915
Bonus, gratuity and awards	3,840	4,040	4,261	4,477	4,680	5,000
	522,319	613,539	683,291	772,506	881,976	1,019,700

ANNEXURE VI(4)

CORPORATE PLAN

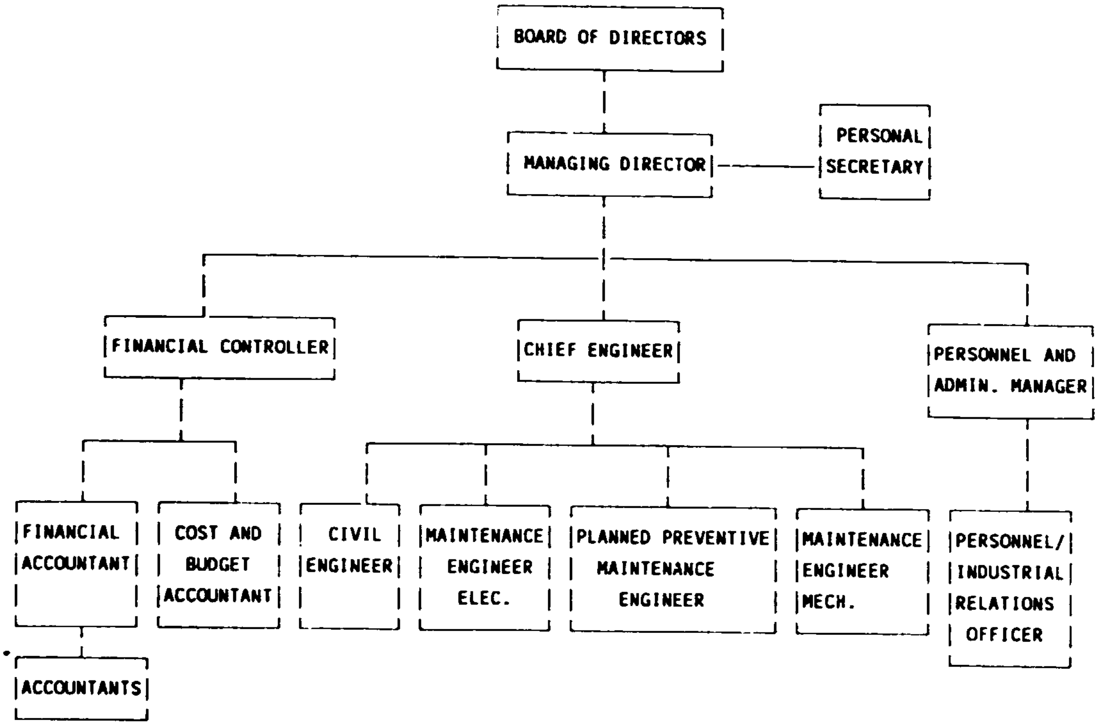
PROJECTED FACTORY EXPENSES FOR THE 5 YEARS 1993-1997

DETAILS OF EXPENSES	1992 USh'000	1993 USh'000	1994 USh'000	1995 USh'000	1996 USh'000	1997 USh'000
Electricity	20,600	22,660	24,926	27,420	30,160	33,170
Water	18,000	19,800	21,780	23,960	26,360	28,980
Ground rent	4	4	5	5	6	6
Rates	2,520	2,770	3,050	3,350	3,690	4,060
Salaries and wages	28,200	31,020	34,120	37,530	41,280	45,410
Repairs: Buildings & premises	2,640	2,900	3,190	3,520	3,865	4,250
Repairs: Plant & machinery	8,000	8,800	9,680	10,650	11,710	12,880
Sundry consumable stores	1,800	1,980	2,180	2,395	2,640	2,898
Insurances	21,000	23,100	25,410	27,950	30,740	33,820
Uniforms and cleaning	9,000	9,900	10,890	11,980	13,180	14,490
Travelling and subsistence	7,200	7,920	8,710	9,580	10,540	11,590
Sundry expenses	7,000	7,700	8,470	9,317	10,248	11,270
Depreciation	71,600	78,760	86,630	95,300	104,830	115,310
Damages	18,000	19,800	21,780	23,960	26,360	28,980
Generator expenses	9,600	10,560	11,610	12,770	14,050	15,480
Commitment fees payable on EADB-SDR loan	218	226	269	293	321	406
Total factory expenses	225,382	247,900	272,700	299,980	329,980	363,000

ANNEXURE VI

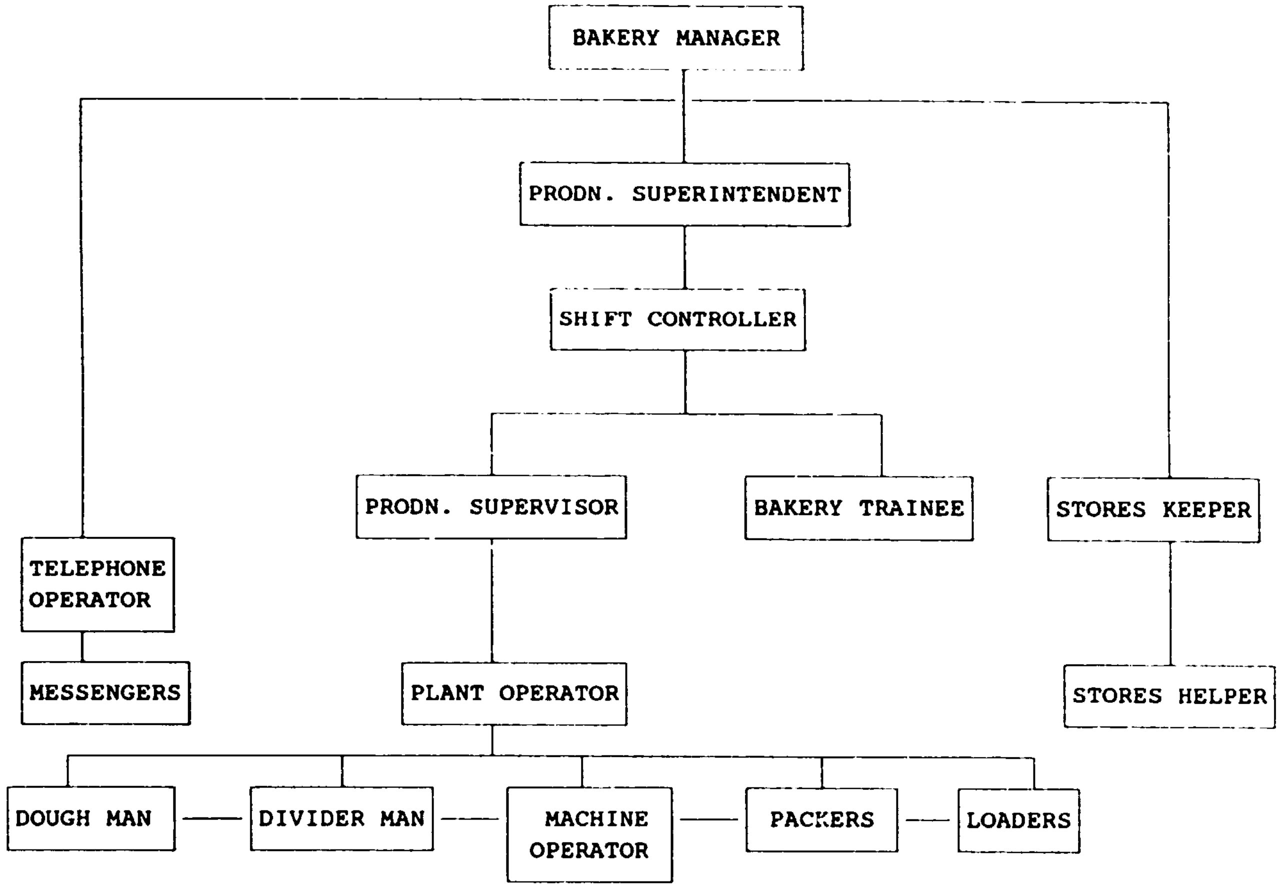
ORGANISATION CHART OF UGMC LIMITED

PERTAINING TO BREAD LIMITED



ANNEXURE VI (2)

ORGANISATION CHART OF BREAD LIMITED



APPENDICES

LIST OF APPENDICES

APPENDIX I

EXTRACTS FROM THE LETTER DATED DECEMBER 3, 1992 ADDRESSED TO THE ACTING BAKERY MANAGER BY THE SENIOR CONSULTANT IN THE MATTER OF PRODUCT PRICING

The cost sheet for scones drawn up on 30.11.92 indicates that the cost of production of scones is UShs. 492.36 and if 15% profit is added thereto, it amounts to UShs. 566.22. At present, scones are being sold at UShs. 650. As there is a steep fall in demand for scones at this price you may explore the possibility of reducing their price to between UShs. 580 and 600.

Similarly, the cost of the 250 gms. sweet loaf on 30.11.92 was UShs. 229. There appears to be less competition for this bread and, you may examine the possibility of increasing its price to UShs. 270 or 280 from 250, at present.

The cost of the 500 gms. loaf on 10.6.92 was UShs. 459. The present cost may please be calculated to review its pricing.

Note: For costing details please refer to Annexure IV 1, 2 & 3 attached to this report.

EXTRACTS FROM THE LETTER DATED JANUARY 13, 1993 ADDRESSED TO THE ACTING BAKERY MANAGER BY THE TECHNICAL CONSULTANT IN THE MATTER PHASING OUT WAXED WRAPPING PAPER AND OTHER ISSUES

As waxed wrapping paper is very expensive, its use may be phased out. Further purchase of waxed wrapping paper may be stopped. Instead, polyethyelene wrapping bags may be purchased to pack 500 gms. loaves for which necessary orders may be placed.

Simultaneously, an order may be placed to buy two semi-manual shop slicers by the UGMC.

APPENDIX II

REPORT ON THE FINDINGS OF THE SUB-COMMITTEE SELECTED BY MAC EMBERS ON 11.11.92 TO LOOK INTO THE FEASIBILITY AND VIABILITY OF BREAD LTD. CHANGING FROM USING WAXED WRAPPING PAPER FOR 500 GM LOAVES LEADING TO THE PURCHASE OF A NEW SLICER WRAPPER TO USING POLYTHENE BAGS LEADING TO THE PURCHASE OF A SLICER BAGGER

1. INTRODUCTION :

The issue of whether Bread Ltd. should purchase a slicer wrapper or slicer bagger has been pending for a long time. The sub-committee was selected with a view to providing the management committee with adequate information to arrive at a decision. The committee consisted of five members, Purchasing Manager, Ag. Chief Engineer, Ag. Financial Controller, Ag. Marketing/Sales Manager, Ag. Asst. Bakery Manager and the Cost Accountant/Ag. Mill Manager-UMI.

2. The above committee met in the Conference room on 19.11.92 at 9.00 a.m. The Ag. Chief Engineer did not attend the meeting due to some sudden and urgent matters which came up at the last minute. Also in attendance were the Mill Managers of UFL and UML.

3. The committee noted that the slicer wrapper versus slicer bagger was a long standing issue. Various advantages and disadvantages were cited for both the slicer wrapper and the slicer bagger. These appear below:

4. Advantages of slicer wrapper/waxed wrapping paper

a. Is a long standing trade mark for Bread Ltd. and is acceptable to customers.
b. Is unique in appearance and also hygienic.
c. Is difficult to adulterate.

5. Disadvantages of slicer wrapper/waxed wrapping paper

a. The wrapping machine is expensive. A new one will cost UShs. 300,000,000 while maintaining the existing ones is almost impossible for want of spares.

b. Waxed wrapper paper is expensive. It costs USh. 35 to wrap one loaf of 500 gms. whereas polyethyelene bags would cost only about UShs. 15. The cost of wax paper is expected to increase due to shortages of potential suppliers, while the cost of polyethyelene bags might go down due to competition in the market.

c. There is high level of wastage involved when the wrapper doesn't seal well.

d. The consumer cannot see what he is buying. This encourages sale of stale bread especially in the absence of a date coding machine.

6. Advantages of slicer bagger/polyethyelene bags

a. The slicer bagger machine is much cheaper than the slicer wrapper.

b. Polyethyelene bags are much cheaper too and would cost about USh. 15 per loaf of 500 gms. The cost of these bags is expected to go down with the likelihood of local manufacturers starting polyethyelene business in Uganda.

c. A variety of cheap models are available.

d. The customer sees what he is buying and this avoids trading in stale bread.

7. Disadvantages of slicer bagger/polyethyelene bags

a. The bread can be adulterated.

8. After considering the advantages and disadvantages of the two types of wrapping, the committee decided that bread of 500 gms. size, wrapped in polyethyelene, should be put on the market along side bread wrapped in waxed wrapping paper so that the response of the market can be determined. This is to be done as soon as possible. The polyethyelene bag will have the Tip-Top trade marks, labels and the colour shade of the existing bread brands. The committee noted that the Company is already marketing scones and 250 gms. loaves in polyethyelene bags and also plans to market 1,000 gms. loaves in polyethyelene bags. The decision to pack and market 500 gms. loaves in polyethyelene bags is, therefore, not a new market concept.

APPENDIX III

MINUTES OF THE MEETING HELD WITH UGMC MANAGEMENT AND THE SENIOR CONSULTANT ON WEDNESDAY, DECEMBER 2, 1992 AT 10.00 A.M.

PRESENT :	Mr. J.B. Kasiisiri	-Ag. Managing Director (Chairman)
	Mr. R. Engena	-Purchasing Manager
	Mr. P.R. Mukiibi	-Ag. Financial Controller
	Mr. S. Mayega	-Ag. Marketing/Sales Manager
	Mr. P.D. Shenoy	-Senior Consultant
	Ms. M.W. Auma	-Secretary

The Chairman introduced Mr. Shenoy and asked him to elaborate on his mission to Bread Limited.

Mr. Shenoy told the meeting that his mission was to study three loss making enterprises in Uganda and diagonise the causes for their sickness.

He told the meeting that after his brief stay in Bread Ltd. and after a study of the processes he had some suggestions to make for reducing costs and improving sales. He went ahead to elaborate these suggestions.

Unused waxed wrapping paper

Mr. Shenoy informed the meeting that he had found about 47,000 Kgs. of unused waxed paper for 'Premium' sliced and unsliced bread which could be utilised to wrap sweet bread, with slight modifications, e.g. Each loaf could have a rubber stamp or a sticker or a thin paper roll reading 'Sweetbread' instead of 'Premium'. The exercise would result in saving about USh. 150,000,000. The Ag. Managing Director welcomed the suggestion.

The Purchasing Manager, the Ag. Marketing/Sales Manager and the Ag. Asst. Bakery Manager were assigned to look into the costs and the practicability of the above exercise with a view to implementing the suggestion.

Phasing out waxed wrapping paper

Mr. Shenoy informed the meeting that the use of waxed paper for wrapping loaves had been discontinued in most countries as it was expensive. Most countries now use polyethylene bags.

He told the meeting that waxed paper costs USh. 35 per loaf of 500 gms. size whereas polyethylene bags would cost only USh. 13 per loaf of the same size.

He, therefore, suggested that waxed paper be phased out gradually and after using up the current stocks no more waxed paper should be ordered. The meeting agreed with Mr. Shenoy's suggestion.

Use of plastic crates or wire mesh containers

Mr. Shenoy informed the meeting that USh. 15 per loaf was being spent on corrugated cartons (assuming a return circulation of 3 times is achieved). This money would be saved if the Company used plastic or wire mesh crates which can be reused hundreds of times.

He also suggested that a deposit amounting to the cost of the crates should be taken from every buyer and the money refunded if the crates are returned.

The meeting agreed that the 300 plastic crates in the store should be experimented on within Jinja to assess the workability of the exercise. However, it was noted that this would require that bread is distributed by the Company to the agents at their places. The Ag. Financial Controller, Ag. Marketing/Sales Manager and Ag. Asst. Bakery Manager were assigned to look into the suggestion keeping in mind the added initial costs involved.

A sample of wire mesh crates was also to be obtained.

Catering for the demand during Christmas

Mr. Shenoy asked the meeting if any special arrangements had been made to cater for Christmas period with the aim of diversifying production to boost sales.

The meeting informed him that this had been planned for.

Credit facilities for Bread Ltd.

Since Uganda Miller Ltd. is making profit, Mr. Shenoy suggested UML offer a longer credit period of two months or more for supply of flour to Bread Ltd.

The Ag. Financial Controller was asked to look into the feasibility of the above credit period.

Quality of bread/supplying fresh bread to customers

Mr. Shenoy informed the meeting that bread baked on a particular day reaches the consumers on the following day. He emphasized that efforts should be made to see that bread reaches the agents on the same day it is baked. The Ag. Marketing/Sales Manager and Ag. Asst. Bakery Manager were asked to look into this.

Cleanliness in the bakery

Mr. Shenoy informed the meeting that although the bakery was clean the worker's overalls were not always clean. The possibility of increasing the number of overalls and caps was to be considered. It was noticed that the workers were wearing the same clothing twice due to non availability of washed overalls. The workers should be advised to wear caps, he said.

Reviewing of prices

Mr. Shenoy suggested that prices should be reviewed at least once every two months. The meeting agreed to this suggestion.

Reusing polyethylene bags from UML

Mr. Shenoy suggested that a saving could be made if polyethylene bags in which wheat flour is sent from UML to Bread Ltd. could be re-used as many times as possible.

The suggestion was accepted by the meeting. Credit notes were to be issued to off-set the cost of the bags.

The above suggestions would result in a cost reduction of USh. 42 per loaf.

Improving the marketing of scones

Mr. Shenoy pointed out that the demand for scones had dropped to almost zero due to the high price of USh. 650. He suggested that scones be sold at UShs. 600 at which price it would still contribute to the profit as per the recent costing. The meeting agreed that the suggestion be experimented upon.

Sale of damaged bread

Mr. Shenoy informed the meeting that damaged bread was being sold at too low a price, i.e. at half the cost of good bread. He suggested increasing the price of such bread.

However, the meeting noted that damaged bread was being sold only to schools, hospitals and destitute homes and was a form of donation to these institutions. The meeting, therefore, agreed to maintain the old price.

Introduction of a suggestion Scheme

Mr. Shenoy suggested that employees should be encouraged to gi suggestions which if found beneficial should result in a reward to the employee. He promised to prepare a draft of a proposed suggestion scheme on his next visit.

Increase in capacity utilization

Mr. Shenoy suggested the following could result in increased capacity utilization for Bread Ltd.:-

(a) Aggressive marketing,
(b) Making bread affordable to majority of people,
(c) Cultivation of wheat locally resulting in reduction of production costs.

APPENDIX IV

MINUTES OF THE MANAGEMENT MEETING HELD ON DECEMBER 2, 1992
AT 2.30 P.M. IN THE BAKERY MANAGER'S OFFICE

PRESENT :	Ms. M.W. Auma	-Ag. Asst. Bakery Manager
	Mr. P.D. Shenoy	-Senior Consultant
	Mr. S. Mayega	-Ag. Marketing/Sales Manager
	Mr. H. Kitimbo	-Depot Supervisor-Kampala Depot.
	Mr. Seruwagi	-Driver/Salesman-Kampala Depot
	Mr. P.S. Sabiiti	-Driver/Salesman-Kampala Depot
	Mr. S. Akabwai	-Driver/Salesman-Jinja
	Ms. E. Mbidde	-Marketing/Sales Officer-BL (Secretary)
	Mr. P.K. Milani	-Mill Manager

Ms. Auma welcomed the members and informed them that this was a very important meeting aimed at finding means and ways of reducing cost of production and improving profitability at Bread Ltd.

Mr. Shenoy made the following suggestions:

1. **Ensure early distribution of bread in Kampala:**

It was pointed out that bread usually reaches the Kampala market quite late (from 2.00 p.m. onwards). This results in loss of market as the competitors would have already supplied their products in the area, earlier.

It was suggested that loading of vehicles should henceforth be done at night so that by 8.00 a.m., at the latest, bread will be available at the Kampala depot.

To make this possible, it was suggested that the Delivery Supervisors should work in shifts, one should work during the night while the other during the day. The Marketing/Sales Officer was requested to draw up a programme/shift time-table. The timely delivery of bread will increase sales, Mr. Shenoy felt.

2. **Introduction of polyethylene packing material:**

It was noted that waxed wrapping paper/material is very expensive and yet it opens up easily, resulting in the bread getting damaged. Mr. Shenoy recommended introduction of polyethylene packing material, which can keep bread in a good saleable condition and is also cheaper. This will lower production costs of bread.

3. **Improving the distribution network in Kampala:**

It was pointed out that one vehicle/Driver-Salesman could not tap the entire Kampala market. It was suggested that a second lorry (UPN 872) could also be used for delivering bread in Kampala. A Driver and a Turnman would have to be be recruited to operate the vehicle (UPN 872).

4. Diminishing demand for Scones:

It was noted that the demand for scones had been declining as the present price of scones(USh. 650) was not competitive. Many new producers of scones had come-up with lower priced scones.

The cost of production of scones added up to USh. 492.36. It was recommended that a packet of scones should be sold at USh. 600.

5. Revision of the price of 250 gms. bread:

It was pointed out that the present price of 250 gms. bread at USh. 250 was very low. The competition in this segment was not much. It was recommended that a loaf of 250 gms. size be sold at USh. 275.

6. Maintain the price of 500 gms. bread:

It was noted that the cost of producing a 500 gms. loaf was USh. 459. It was agreed that the current price of the 500 gms. loaf was comfortable.

7. Introduction of plastic containers:

It was observed that the Company was spending a lot of money on paper cartons and yet some of these cartons especially the 250 gms. cartons were cumbersome to handle. It was recommended that plastic containers of the relevant dimension should be introduced alongside the paper cartons which could be gradually phased out.

8. Christmas time demand:

The Depot Supervisor-Kampala was requested to solicit orders from agents so as to enable the Ag. Bakery Manager to estimate production required for the Christmas week.

9. Introduction of 1,000 gms. loaf:

It was decided that a 1,000 gms. loaf should be introduced. This loaf should be packed in polyethylene paper and sold at USh. 975 as the Company will be saving on the cost of packing material and labour.

10. Introduction of Cakes during Christmas:

It was decided to examine whether the marketing personnel can sell cakes in Kampala during Christmas period. This idea was not discussed at length and will be taken up later.

11. Suggestions:

It was suggested that the costing of all the brands of bread should be done at monthly intervals and their prices reviewed.

APPENDIX V

MINUTES OF THE MEETING HELD BETWEEN UGMC MANAGEMENT AND THE TEAM OF CONSULTANTS ON THURSDAY, DECEMBER 31, 1992 AT 3.00 P.M. IN THE UGMC CONFERENCE ROOM

PRESENT:		
	Mr. J.B. Kasiisiri	-Ag. Managing Director
	Mr. R. Engena	-Purchasing Manager
	Mr. C. Rwaribwije	-Chief Engineer
	Mr. P.R. Mukiibi	-Ag. Financial Controller
	Mr. S. Mayega	-Ag. Marketing/Sales Manager
	Mr. J. Malinga	-Senior Accountant - BL
	Ms. M.W. Auma	-Secretary
	Mr. P.D. Shenoy	-UNIDO Consultant
	Mr. C.R. Seetharam	-UNIDO Consultant
	Mr. T.P. Pai	-UNIDO Consultant

Mr. J.B. Kasiisiri, Ag. Managing Director took the chair. He opened the meeting by welcoming all those present and asked Mr. Shenoy to introduce the Consultants who had joined him, Mr. Seetharam and Mr. Pai.

The Chairman informed Mr. Shenoy that the terms of reference for the rehabilitation of Bread Ltd. had not been received by UGMC, as yet.

Mr. Shenoy referred the Chairman to Mr. George Tabah of UNIDO or Mr. Martin Onyachi Olla of the Ministry of Industry for the terms of reference.

Unused waxed wrapping paper

The meeting noted that the previous suggestion of using Premium waxed paper to wrap Sweet bread had not been implemented.

The team which had been selected to look into the practicability of the exercise had not even met. The Chairman asked the team which consisted of Purchasing Manager, Ag. Marketing/Sales Manager and Ag. Asst. Bakery Manager to convene and submit their recommendations by 20.01.93. The Chief Engineer was added to the team. Mr. Pai was to represent the Consultants.

Phasing out the use of waxed wrapping paper

As previously agreed the meeting again saw the need to phase out waxed paper. The technicality of doing this was also to be handled by the same team.

Use of plastic and or wire mesh cartons

It was agreed that a meeting be held between the Company's agents in Jinja and Ag. Marketing/Sales Manager and Ag. Asst. Bakery Manager to educate the agents on the use of plastic crates before they could be put in circulation. The meeting noted that each of the available 300 crates cost Shs. 14,343. The meeting was informed that similar crates could be supplied by Toothbrush (U) Ltd provided an order for about 3000 crates was placed and BL bought their own mould. The Purchasing Manager was asked to look into possible sources of wire mesh cartons.

The meeting also agreed that 250 gms. loaf and scones which are packed in polyethyelene bags be packed in polyethyelene sacks the way Hot Loaf is now doing.

Christmas sales

The meeting noted with concern that the Christmas sales had not been fully exploited.

Credit facilities for Bread Ltd.

The meeting was informed that this was not an issue since Bread Ltd. owed UML Shs. 600M accumulated over several months.

Quality Bread/supply of fresh bread to customers

The meeting noted that customers were still not receiving fresh bread. Having only one slicer was identified as being a major contributory factor to consumers not receiving fresh bread. The sub-committee was asked to look into the technical aspects of the second slicer.

Cleanliness in the bakery

The meeting was informed that each worker would be provided with 3 overalls and 2 caps to enhance the cleanliness of all bakery personnel. It was further agreed that Ovenmen and Bread Packers be provided with washable gloves.

Reviewing of prices

The meeting was informed that new prices for scones would be implemented on 4.1.93.

Re-using polyethyelene bags from UML

The meeting was informed that the suggestion had already been implemented on an experimental basis.

Improving the marketing of scones

The meeting was informed that the revised prices for scones effective from 4.1.93 would boost the sales.

Sale of damaged bread

There was nothing to report.

Introduction of suggestion scheme

A draft plan was handed over to the Ag. Managing Director/Personnel & Admin. Manager at the meeting.

Increase of capacity utilisation by aggressive marketing

Mr. Shenoy informed the meeting that the Marketing/Sales Office for Bread Ltd. was mislocated. It should be where the main market is, i.e. in Kampala.

The Ag. Marketing/Sales Manager was asked to submit proposals pertaining to having the office shifted to Kampala.

Production figures for 1992

Mr. Shenoy informed the meeting that capacity utilisation of Bread Ltd. had progressively improved having been about 12% in February to about 20% in October, 1992. This was supported by production figures. He hoped this increase would continue further to 50%.

E.A.D.B. Loan

Mr. Shenoy informed the meeting that presently Bread Ltd. could not even service the above loan. He offered two possible solutions:

1. To merge Bread Ltd. and UGMC so that the losses of Bread Ltd. could be offset by the profits of UGMC.

2. For UGMC to pay off the loan. Bread Ltd. would then pay back the money to UGMC over a reasonable period of time.

Both suggestions were not acceptable to the members present at the meeting because they were policy issues.

Boiler improvement

Mr. Pai suggested changes which if implemented would result in better boiler performance. These changes include heating up the furnace oil in both the storage tank and the service tank. The Chief Engineer was asked to take necessary steps.

Wheat growing

The Chairman informed the Consultants that a Wheat Growing Project was already in existence.

Delegation of power

On this issue the Chairman informed the Consultants that delegation was not wholesale as there are decisions which could only be taken by UGMC and not Unit Managers. In the case of Bread Ltd. he felt that the Ag. Asst. Bakery Manager had adequate powers to manage the bakery.

Baking tins for 1,000 gms. loaves

Mr. Shenoy suggested that the necessary tins should be bought locally in order to cut down on costs. The Purchasing Manager was asked to look into this.

APPENDIX VI

MINUTES OF THE MEETING OF THE FACT FINDING COMMITTEE ON REHABILITATION OF BREAD LTD. HELD ON JANUARY 11, 1993 IN THE CONFERENCE ROOM AT 9.00 A.M.

PRESENT:	Mr. R. Engena	-Purchasing Manager (in chair)
	Mr. C. Rwaribwije	-Chief Engineer - Member
	Mr. S. Mayega	-Ag. Marketing/Sales Manager - Member
	Ms. M.W. Auma	-Ag. Asst. Bakery Manager (Secretary)

The Chairman welcomed everybody to the meeting and went straight to the Agenda.

The Committee noted that the suggestions made by the UNIDO Consultants were good but the rate at which implementation was expected was too fast and was likely to land the Company into problems.

The Committee reviewed the suggestions put forward for reusing Premium waxed paper, i.e. use of stickers and writing on the wrapped loaves with marker pens. Both suggestions were found to be impractical. The slicer wrapper has been reduced to a moderate speed of 35 loaves per minute. Even if the speed was reduced further it would still be difficult to fit the writing or use of stickers on the loaves in the wrapping and conveying system. Moreover each sticker was costing about USh. 14 which comes to an expense of UShs.35M for the total number of stickers required.

The Committee, therefore, agreed that authority to use Premium paper for Sweet bread be obtained from Bureau of Standards after which with advertising on radio, television and newspapers the wrapping paper could be used as it is.

Ag. Marketing/Sales Manager was asked to handle the advertising part.

Phasing out of waxed paper

The Committee agreed that timing, acceptability and machinery were key factors in phasing out of waxed paper; the three factors all have to be just right.

The meeting strongly recommended that waxed paper should not be phased out till a polyethyelene bagging system had been put in place.

This will require that a slicer bagger be purchased and commissioned. It will then work along side the waxed paper wrapper but with reduced amounts of waxed paper being used. The Committee hoped that eventually the polyethyelene bags would dominate and replace the waxed paper.

The Committee further suggested that facilities for making polyethyelene bags with imprints on the paper could be obtained so that the work is done here. This would make the paper much cheaper.

Purchase of slicer/bagger

The Committee agreed that since the Company had finally decided to purchase a slicer bagger, more information should be obtained about the appropriate type of machine to buy.

The Purchasing Manager and Chief Engineer were asked to liaise and come up with an appropriate machine.

The Committee also recommended that AGM visits other bakeries like Elliot in Kenya to see how new wrapping technology is being utilised.

Spares for the scones winklers

The Purchasing Manager informed the meeting that he was having difficulties in corresponding with the suppliers of Winkler spares. The Committee noted that the winklers were in poor state because of lack of spares.

While on the issue of spares the Committee noted that the note of UNIDO in the rehabilitation of Bread Ltd. was not quite clear since UNIDO Consultants have suggested that spares should be kept to a minimum (not exceeding US$ 50,000).

The Committee recommended that a request should be put to UNIDO to finance the purchase of a slicer/bagger since this is currently the most critical item.

Corrugated cartons/plastic crates

The Committee was informed that the system of payment of deposit for corrugated cardboard cartons had been implemented.

The use of plastic crates had however not taken off due to resistance from Jinja agents where the experiment was supposed to have started.

The Committee however noted that when use of crates takes off more vehicles will be required in order to be able to deliver the bread to consumers and for the return of the cartons.