



Invest in Lesotho's **Herbs, Spices and Aromatic Plants Sector.**

LESOTHO

Lesotho's pristine mountain environment, low labour costs and access to global markets favour investment in growing and processing herbs, spices and aromatic plants for export.



I n v e s t i n L e s o t h o



Herbs & Spices

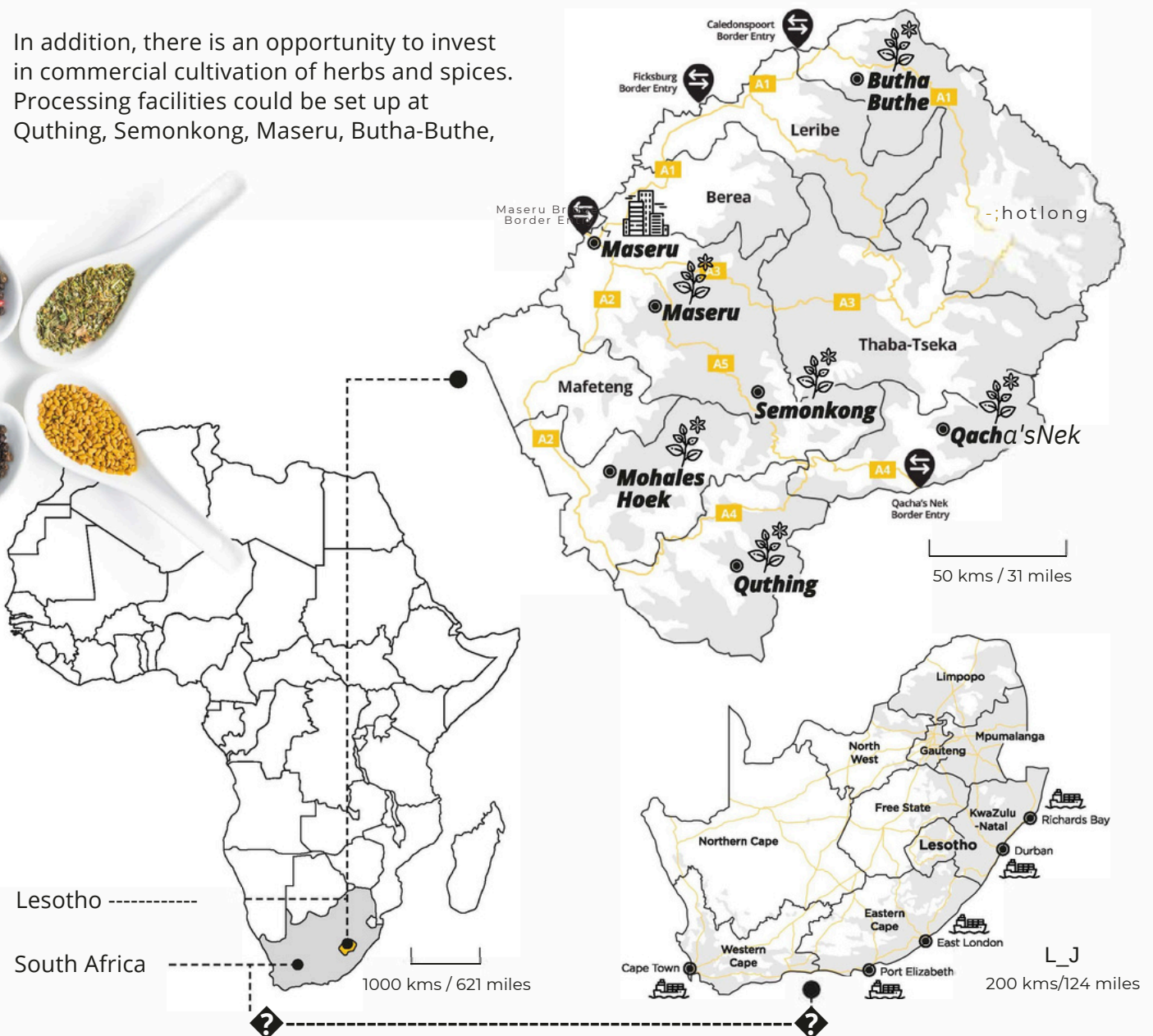


Introduction

As global demand for herbs (including aromatic plants) and spices increases, this project involves boosting local cultivation by small farmers through the establishment of processing facilities in Lesotho.

Mohales Hoek and Qacha's Nek. Processed herbs and spices could be exported to the region now and to major markets once health standards are met.

In addition, there is an opportunity to invest in commercial cultivation of herbs and spices. Processing facilities could be set up at Quthing, Semonkong, Maseru, Butha-Buthe,



- GLOBAL DEMAND
- PRISTINE MOUNTAIN ENVIRONMENT
- COMMERCIAL CULTIVATION OF HERBS AND SPICES

Strengths & Opportunities

Lesotho's mountainous terrain and climate favour the cultivation of herbs and spices. There is considerable potential to grow high quality varieties thanks to clean air, unpolluted water and elevated land that permit improved disease-resistance.

COMMERCIALLY,
LESOTHO PRODUCES AROUND

18

OUT OF A POTENTIAL
32 VARIETIES OF HERBS
AND SPICES

Products include:

- Spices such as paprika, chilli and saffron.
- Herbs such as sweet basil, coriander, curled parsley, rosemary, thyme, artemesia and rose hip.

There is an opportunity to expand production and widen the range of herbs and spices by investing in local processing facilities for small scale producers to sell their product to.

Investment opportunities include:

- Drying/milling/grinding and packing facilities
- Freight forwarding
- Inspection and certification

There are also opportunities to invest in commercial farming - foreign investors can own land provided that local investors retain a 20% stake.

Lesotho is a predominantly agrarian country.

ABOUT

60%

OF HOUSEHOLDS

have plots smaller than one hectare that can be utilised to increase production of herbs and spices. The rural workforce is steeped in agriculture. Cultivating herbs and spices is labour-intensive. Lesotho has the required labour at a very reasonable cost compared to other countries. However, on the job training and mentoring will be needed to up-skill labour for the production and processing of herbs and spices.

The Lesotho government is implementing land tenure reforms to ensure efficient distribution of productive land and discourage corruption.

Tax incentives: the Lesotho government levies a corporate income tax of just 10% on farms and agro-processing firms. It also subsidises agricultural inputs, in order to encourage production, depending on the agro-ecological characteristics of each zone.

This project would align with SDGs 1, 2, 8, 9, 10 and 15.



Herbs & Spices



Strengths & Opportunities

A demand for healthy food has created an opportunity for Lesotho to enter the herbs and spices market due to supply shortages.

Good bilateral relations with South Africa and membership of regional bodies such as SADC and SACU, give Lesotho tariff free access to regional export markets.

Membership of AUDA-NEPAD potentially allows Lesotho to benefit from its programmes aimed at strengthening capacity in key areas such as food and nutrition, energy, water, infrastructure, information and communication technology and digital economy, natural resource governance, climate change and institutional and human capital development and innovation.

Lesotho's geographical position and good road connections with South Africa permit short lead times and reasonable costs to transport produce from the Maseru area to Johannesburg, Cape town and Durban (the port of dispatch for exports by sea). Some processed herbs and spices are AGOA eligible, meaning that they could be exported tariff-free to the USA provided that health standards are met.

These include:

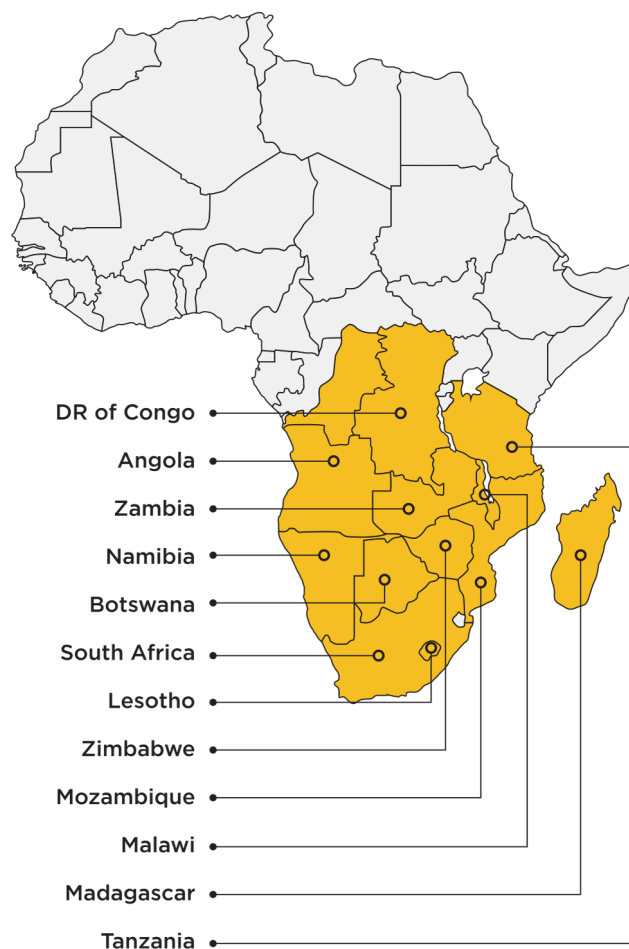
- Saffron
- Chilli
- Paprika
- Thyme
- Coriander
- Parsley

Under the EU-SADC EPA, Lesotho also has tariff-free access to the EU for its agricultural exports (again subject to health standards being met).

Products Include:

- Basil and coriander seeds
- Saffron
- Thyme
- Chilli peppers
- Lavender oil

SADC COUNTRIES



- GLOBAL DEMAND
- PRISTINE MOUNTAIN ENVIRONMENT
- COMMERCIAL CULTIVATION OF HERBS AND SPICES



Possible site for growing herbs and spices.



Herbs & Spices



Financial Analysis

TOTAL INVESTMENT

A total investment of approximately:

LSL* 4m

comprising fixed assets of LSL 3.85m and initial working capital of LSL 150k will be required for the establishment of the herbs and spices processing enterprise. The graphs below illustrate a financially viable operation with the opportunity expected to generate a profit throughout its operational life.



Green Paprika Crop.

In addition to the positive NPV and IRR, the initial investment cost of the project is expected to be fully recovered in a little over 9 years. The investment opportunity also responds favourably to the country's developmental objectives through its positive socio-economic impact in terms of employment creation, economic agglomeration and potential forex earning opportunities.

NET PROFIT

The enterprise's annual net profit after tax increases from approximately

LSL 400k

in year 1 to approximately:

LSL 1.4m

in year 10. Similarly, the projected cash flows of the envisaged project indicate that it will generate positive net cash flows throughout the 10-year operational period.

NET PROFIT



YEAR 1

LSL 400k

NET PROFIT



YEAR 10

LSL 1.4m

* 1 LSL = 1 ZAR

15 LSL = 1 USD (as of April 2021)

- GLOBAL DEMAND
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Financial Analysis

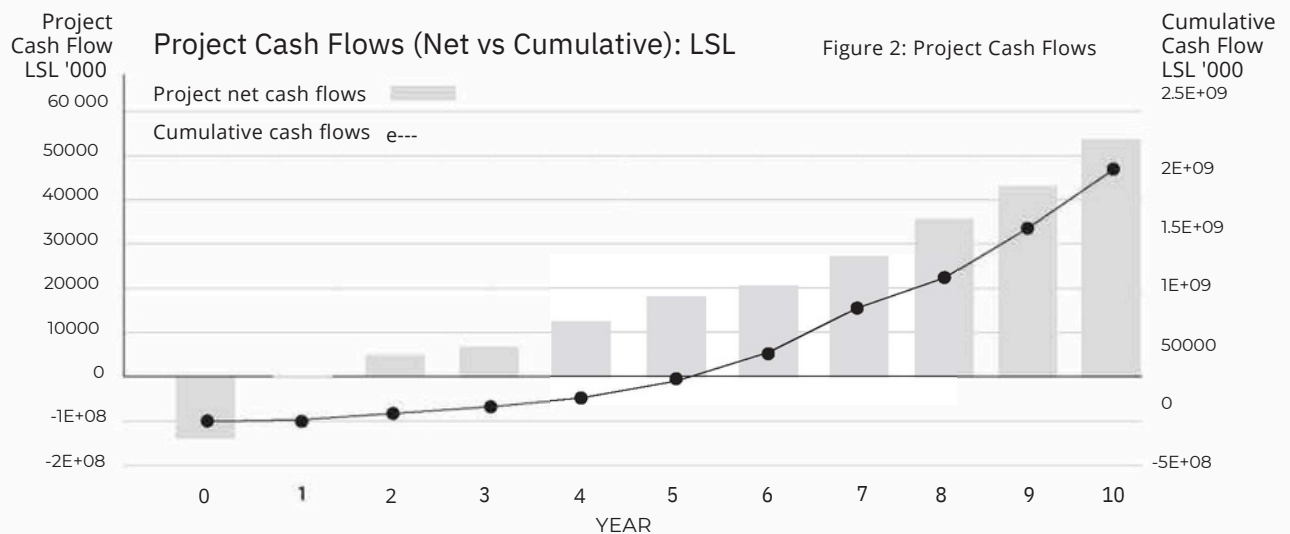


Table 1: Investment Indicators

The projected future cash flows generated by the enterprise are discounted at a rate of 10%. The outcome of the discounted cash flow analysis is summarized in Table 1.

Net present value (NPV)	LSL 1.14m
Discounted payback period	9.04 years
Internal rate of return (IRR)	15.11%
Profitability index (PI)	1

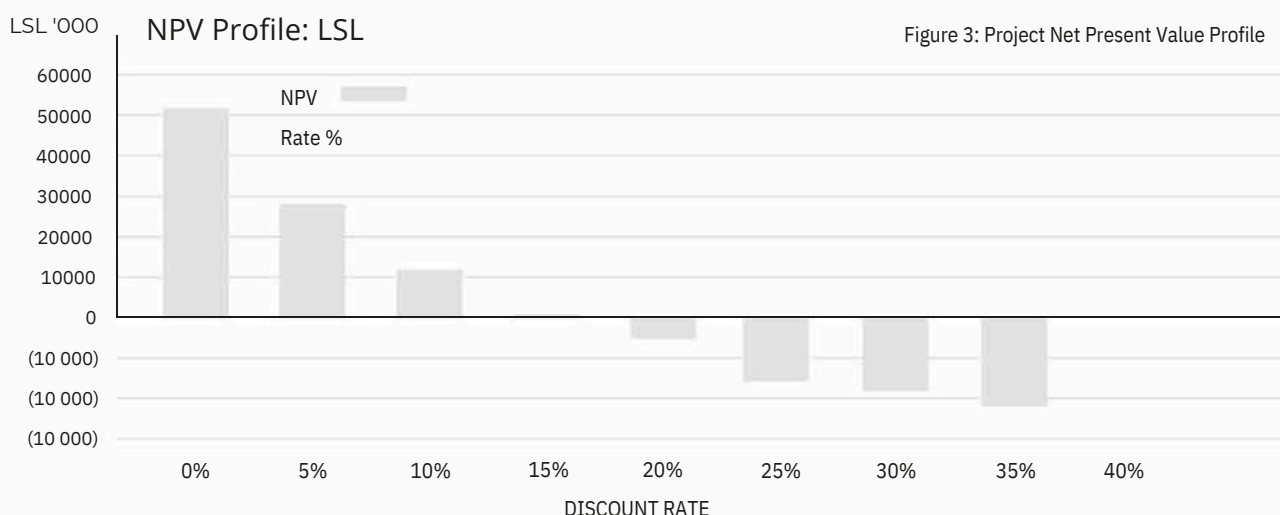


Herbs & Spices



Financial Analysis

The positive NPV and corresponding IRR of 15.11% highlighting the financial viability of the herbs and spices processing investment opportunity.



Possible site for herbs and spices.



Coriander crop.

NOTE

The financial analysis of the herbs and spices investment opportunity is computed over a ten year period. Revenue and expenditure projections are in line with industry growth prospects and market potential and have been informed by and benchmarked against industry standards and norms. In addition, assumptions relating to inflation, depreciation and salvage value and company tax have been worked out based on the existing laws and directives of the country. The figures above represent high level estimates

as of January 2021 and are not derived from a full feasibility study. Investors are advised to conduct their own due diligence.

For more information please contact:

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