



Business Model

Supply of Livestock Feed Supplements Shaya Women's Sheep Fattening Cooperative, Ethiopia

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Table of Contents

Executive Plan	3
Mission, Objectives and Keys to Success	3
Mission.....	3
Vision.....	3
Core values	3
Objectives	3
Keys to success	3
Summary of the Enterprise	4
Product	4
Ownership	4
Operational Strategy	4
Marketing Strategy	4
Market Analysis	5
Demand.....	5
Market segmentation	5
Industry Analysis	6
SWOT Analysis	6
PEST Analysis	7
Financial Statements	7
Start-up costs	7
Income statement.....	8
Risk Analysis	9
Potential Sources of Finance	10
Business Model Canvas	13

Executive Plan

In most countries, agricultural inputs are mainly sold by private sector businesses. Lack of livestock production inputs is a core problem particularly for livestock farmers in Ethiopia. This is due to the limited number of entrepreneurs engaged in the production and sale of livestock inputs. Shaya Women's cooperative intend to undertake the supply of commercial feed supplements needed by livestock producers. The main products will be mineral blocks, salt licks, and commercial concentrate mix. The cooperative will act as a distributor for producers and wholesalers located in Jimma and the capital city, Addis Ababa. Through direct marketing, the feed supplements will be supplied to local markets and farms.

With a start-up capital of 100,000 ETB, at least 40,000 ETB profit can be generated by the end of the second year.

Mission, Objectives and Keys to Success

Mission

Encouraging women farmers to engage in improving sheep fattening practices and related business opportunities along the sheep value chain.

Vision

- Create local business opportunities, growth and community impact by empowering female youth to produce and trade in feed and feed supplements.
- To encourage gender equity in local business opportunities.

Core values

- Knowledge sharing
- Social responsibility
- Teamwork
- Passion

Objectives

- Encourage women to get into the input supply business.
- Supply feed supplements that include salt lick, a mineral block and concentrate mix.
- Creation of jobs with the expansion of the cooperative.

Keys to success

- Identify the needs of female members of youth groups for improved sheep fattening practices.
- Link with wholesale input suppliers in Jimma/Addis Ababa.
- Entrepreneurship and business skill development.

Summary of the Enterprise

The sheep fattening input supply business is a legally registered entity owned and managed by Shaya Women's cooperative.

Product

The main products will be feed supplements in form of high-quality salt licks, mineral blocks, and commercial concentrates. The inputs will be sourced from producers and input wholesales in Jimma town and the capital city, Addis Ababa. In addition to inputs, the cooperative will offer training on how to use the inputs.

Ownership

The ownership comprises members of the cooperative, who are young women.

A cooperative is an autonomous association of people who come together voluntarily and who are contractually obliged to conduct a profitable business together. Each partner is responsible for the management of the company, shares an equal share in the profit or loss, unless the articles of association provide otherwise, and is liable for all debts of the company. This partnership is relatively inexpensive to set up and operate. It is advisable to establish the partnership with a formal written partnership agreement.

The advantage of a cooperative is that it is easier to get the start-up capital because all partners contribute to the start-up capital. If 2 or more of the partners are actively involved in the business, there is benefit of skill diversification. The combined skills, experience and knowledge can provide better service to the business.

Operational Strategy

The improved fattening input supplier women's cooperative will supply the salt licks, mineral blocks which have very high demand from livestock farmers. The cooperative will make linkages with producers and wholesale suppliers who distribute inputs to the entire country. The women's cooperative will sell the inputs from shed located in local markets. The sheds will be provided by the local Village (*kebele*) administrative at a fee.

Marketing Strategy

The cooperative will endeavor to quickly raise awareness of the availability of salt licks, mineral blocks and commercial concentrates. To be successful in inputs supply business, a large number of customers are needed; farmers, cooperative members and private companies. The marketing strategy is based on the marketing mix, which are the 4 Ps of marketing; product, price, promotion and place.

Product

Farmers primarily need feed supplements such as salt licks, mineral blocks and commercial concentrate feed mixes to most livestock species. Training on the use of these supplements will be provided for specific livestock species.

Price

The recent cooperative proclamation gives cooperatives and groups a tax-free advantage, thus inputs will be sold at affordable price to the communities.

Promotion

Improving and maintaining good relations with households and members of the community will be crucial to achieve projected growth in market share in the target market. Cooperative members must be active in the community, participating in farmer meetings, local markets and sponsoring community center events for families and residents.

Place

Inputs will be sold in local market sheds rented by the cooperative. The shed will be near livestock selling centres.

Market Analysis

Demand

Quality and quantity of agricultural inputs is the core problem in animal production and productivity. The government is currently enforcing zero grazing cut and carry systems of livestock feeding, although the costs of feed supplements and equipment are very high.

Market segmentation

Community-Based Breeding Program (CBBP) members

The community-based sheep breeding program has more than 2000 members who are committed to using a full production package, mostly improved feed, to meet nutritional needs to achieve full potential of breeding rams. The internal statutes of the cooperative stipulate that all members must plant only improved crop varieties in their backyard.

Sheep Fattening Youth groups

Youth and women's groups who engage in market-oriented sheep fattening. The groups target festivals and holidays, so they fatten the rams three times a year during wet and dry seasons. For their business success, the groups and cooperatives demand improved feed.

Farmers in the community

Farmers who are not members of the CBBP get involved in dairy milk production and draft bulls.

Private sectors

Private farms of dairy, fattening, sheep and goat production

Development organizations

There are NGOs and government development organizations that buy feed supplements and distribute them to beneficiary livestock farmers.

Industry Analysis

Small scale production

Due to the increasing demand for animal products, private or smallholder livestock production for commercial purposes is now emerging.

SWOT Analysis

Strength

- Since there is no other feed supplement supplier, the uniqueness of the products will prompt all farmers/producers to buy from the youth cooperative.
- The point of sale is in a local market and forage farm which is suitable for farmers.
- Strong commitment and leadership of the young women members of the cooperative.
- Delivery of high-quality feed supplements with additional training on their optimal use.

Weakness

- Lack of capital: The entire startup budget and land comes from young women.
- Limited knowledge on types of feed supplements.
- Shortage of storage for large quantities of inputs.

Opportunities

- Sheep production areas are well known. Most of the farmers are potential customers.
- High demand for fattening rams from youth cooperatives.
- High profitable margin of the fattening business.

Threats

- Increasing competition in technology and capital

PEST Analysis

This business may be influenced by political, economic, social and technological factors. Below are external factors that can affect the business and the assumptions made in creating this business plan.

Political

Changes in regulations affecting the agricultural sector, especially seed production, would affect the business. New legal provisions could lead to violations of the law or to new administrative burdens. Government tax policies would affect the company's business. If the government increases taxes on companies, it would hurt the company's profitability. Changes in labor laws and safety regulations, particularly those relating to agriculture, would affect the way our company does business. We expect political stability in the country to continue and do not expect the government to make any significant changes to regulations.

Economic

Interest rates would affect the cost of capital; the interest rate is directly related to the cost of capital. The rate of inflation determines employee remuneration and has a direct impact on the price of the products. Economic trends serve as an indicator of the sustainability and profitability of the company in our city and help to decide on the marketing strategy. Economic growth in Ethiopia's economy would mean more business for industry as the economy becomes more active and more people receive higher disposable income.

Social

It is assumed that the population growth in Ethiopia will continue. That means more potential customers and greater demand. It is expected that the current government and non-governmental health campaigns raise people's health awareness and lead to a reduction in the number of illnesses, resulting in a healthier workforce.

Technological

Technological improvements can lead to the production of more efficient feed. A good technical infrastructure would lead to better production, procurement and distribution logistics, resulting in reduced wastage and lower costs.

Financial Statements

Start-up costs

The cooperative will supply 5 quintals (Qt) salt, 200 mineral blocks and 18 Qt of commercial concentrate mix within the first year. These quantities will meet the demand from one market, which supplies one village with a population of approximately 300 livestock farming households for one year.

Item	Quantity	Unit price (ETB)	Total (ETB)
Inputs			
Salt lick	5 Qt	50	25,000
Mineral block	200 blocks	100	20,000
Concentrate mix	18 Qt	2500	45,000
Input total			90,000
Car rent from Addis Ababa to Bonga	459 km		10,000
Wage on transport	25 Qt	20	500
Store rent for 1 year	12 months	111.7	1,340
Operation cost			1,500
Grand Total			103,340

1USD=47.87 ETB (December 2021); 1 Qt = 100kg

Selling Price

The selling price was topped up by 30 ETB relative to the purchasing price of salt lick and mineral block. The selling price of concentrate mix was topped up by 300 ETB per quintal (100 kg).

Items	Quantity	Unit price (ETB)	Total (ETB)
Salt lick	5 Qt	80	40,000
Mineral block	200 pics	130	26,000
Concentrate	18 Qt	2800	50,400
Total			116,400

1Qt=100kg

Income statement

The net profit from selling the supplements after deduction of cost of goods sold and operating expenses, the net profit of year 1 is 12,770 ETB and 140,000 after 5 years. The projection is to sell to 2 additional markets each year, therefore the first year will target 1 market, the second year will target 3 markets, the third year will target 5 markets which are equivalent to targeting the entire district of Adiyoo Woreda. The fourth-year will target 7 markets and the fifth year will target 2 districts, comprising 9 markets. Related to increments of production cost, the revenue and net profit increments are projected by 5% per annum.

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue - salt lick	40,000	42,000	44,100	46,305	48,620
Revenue - mineral block	26,000	27,300	28,665	30,098	31,603
Revenue - commercial concentrate	50,400	52,920	55,566	58,344	61,261
Total Revenue	116,400	122,220	128,331	134,747	141,484
Start-up costs	103,340	108,507	113,932	119,628	125,610
Cost of goods sold (transportation and labour)	150	157	165	173	182
Operating Expenses					
Marketing & promotion	140	147	154	162	170
Profit	12,770	13,408	14,078	14,782	15,522
No. of markets	1	3	5	7	9
Net Profit	12,770	40,226	70,395	103,480	139,698

USD=47.87 ETB (December 2021)

Risk Analysis

The following risks could have an impact on the feed inputs supply business, financial position, or results of operations. Additional risks and uncertainties that are currently unknown or that are currently considered to be immaterial could also have a material adverse effect on the business, financial, or earnings position.

Fluctuations in the price of feed supplements

The production and pricing of these products are determined by constantly changing market forces of supply and demand over which there is limited or no control. Fluctuations in production costs have a direct impact on gross margin and profitability. Additionally, if prices increase to offset higher costs, lower demand for the products would ensue and sales volumes plummet.

New or stricter government regulations could impose material costs and affect the business

Changes in laws or regulations that impose additional regulatory requirements on the business could increase the cost of doing business or restrict activities, thereby, adversely affecting operations.

Risk and mitigatory measures

Financial risks

- Good debtor's management
- Credit arrangements with suppliers
- Effective cost controls

Management risks

- Sound financial management
- Management board and functional organogram

- Good planning – finance, marketing, operations

Business risks

- Adequate funding
- Effective and accurately aligned marketing strategies
- Action plans – updates, follow ups and feedback
- Networking with stakeholders – competitors and suppliers.
- Diversification

Market risks

- Good marketing strategy
- Competitive pricing.
- Quality products

Operational risks

- Checks and balances to curb deficiencies in internal control systems
- Set high standards
- Control and risk self-assessment to detect errors and acts of frauds
- Self-training and development
- Regular internal and independent audits

Liquidity risks

- Operate under a well-defined budget
- Loan capital
- Arrange credit with suppliers where necessary

Legal/compliance

- Comply with material rules, regulations, and laws
- All agreements should have legal backing

Cooperative governance

- Transparency
- Integrity

Potential Sources of Finance

Equity Financing

Personal Savings: Not everyone has savings, but when one does, they are at a good place to start. The timeframe for starting a business can range from six months to a year. Starting a business means sacrifice and one has to limit costly lifestyles as much as possible and save the money. It is important to have a savings plan. Save a certain percentage e.g. 20% of your salary or income as start-up capital for your company. Open a savings account with a reputable bank. Be disciplined.

Debt Financing

Borrowing involves borrowing from creditors with the requirement to repay the borrowed capital plus interest at a certain future date. For the creditors (who lend funds to the company), the interest on the loan amount to the borrower is the reward for providing the debt financing.

Debt financing may be secured or unsecured. Secured debt has collateral (a valuable asset which the lender can attach to satisfy the loan in case of default by the borrower). Conversely, unsecured debt does not have collateral and places the lender in a less secure position relative to repayment in case of default.

Debt financing (loans) may be short term or long term in their repayment schedules.

Generally, short-term debt is used to finance current activities such as operations while long-term debt is used to finance assets such as buildings and equipment.

Micro finance Banks and other commercial lenders

Banks and other commercial lenders are popular sources of business financing. Most lenders require a solid business plan, positive track record, and plenty of collateral. These are usually hard to come by for a start-up business. Once the business is underway and profit and loss statements, cash flows budgets, and net worth statements are provided, the company may be able to borrow additional funds. Borrowing money from micro-financial institutions to start a business is not advisable as their interest rates are high and unsustainable.

Tips on applying for a loan

1. Look objectively into the future of the company. What is funding needed for? Is short term or long-term financing required? How will the money needed to repay the loan be raised?
2. A loan should be sought for with confidence. A business proposition is sold and the lender should make a profit if they loan you the money. The lender must be convinced that he is not taking a great deal of risk. Risk management plans should be provided.
3. Check that the bank is ready to lend money for the securities on offer. A proper application including a business plan should be drawn up
4. The following information must be collected for an application:
 - How much money is needed?
 - What type of loan is desired?
 - When will the money be needed?
 - What will the money be used for?
 - How will the loan be repaid? Copies of any negotiated contracts should be presented. Include estimated income and all expenses. How long should be loan period be?
 - What collateral is required in return for the loan? Independent and realistic assessments of the assets on offer should be sought.

- Personal information should include age, education, experience and personal worth, and a statement about personal financial needs. Funds required to cover living expenses at the start your business should be considered.
- Information about the company should be included in the business plan. A brief history of the company, future plans, and accounts for the current and past year if it is an existing company, and a cash flow forecast for both existing and new companies.
- Include information about existing funds and individual shares. List assets and liabilities, bank balances and other deposits or investments.
- What is the previous credit history? What other existing obligations are there? List all loans, hire purchase and leasing contracts.

Business Model Canvas

