Business Model

Sheep Fattening
for
Youth Cooperatives in Doyogena, Ethiopia

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Executive Plan
Sheep fattening in Ethiopia has been recognized as a potentially profitable activity that increases the incomes of smallholders. It is practiced on various scales by small-scale farmers, suburban and urban and cooperative fattening farms. The International Center for Agricultural Research in Dry Areas (ICARDA), in close cooperation with regional agricultural research institutes and partners, implements improved sheep fattening methods and technologies with an entrepreneurial lens in Ethiopia. The project aims to improve the income of rural farmers from sheep fattening. Sheep farming is one of the lucrative commercial businesses in Ethiopia. The youth have been encouraged to undertake collective action to fatten rams for sale as well as participate in related entrepreneurial opportunities along the sheep value chain. The main products of sheep fattening are fattened rams. In Doyogena, the cooperative members fatten rams individually and sell them collectively through direct marketing on the local market.
Financial forecasts by sheep fattening cooperatives in Doyogena have shown that an initial investment of ETB 65,000 ETB (USD 1360) is required to set up a profitable sheep fattening business. In one year, a fattening cooperative will make 121,800 (USD 2544) from the sale of sheep. This suggests that sheep fattening is a business venture with great potential to increase income and employment opportunities for youth and women.
Introduction

Mission
The mission is to provide well-fattened Doyogena sheep to local and other larger markets and customers, and to become a competitor in the sheep market.

Vision
- Economic empowerment of youth through fattening.
- Creating job opportunities for unemployed youth and women by expanding into other areas along the sheep value chain.
- Provision of good quality fattened rams to meet the market demand.

Core values
- Collective action
- Common interest
- Experience sharing
- Mindset for change

Objectives
- To deliver high-quality fattened sheep to local and regional markets.
- To benefit the community by creating employment opportunities for young people, including young women.
- To improve income by expanding into three new kebeles within Doyogena District.

Keys to success
- Huge demand in the local and international export market.
- Government interest in supporting emerging sheep production and fattening entrepreneurs.
- Willingness to receive financial support from microfinance institutions.
- Continuous support of capacity development programs for the development of entrepreneurial skills and basic financial literacy by international and local non-governmental organizations.
Summary of the Enterprise
Sheep Fattening Youth Cooperatives in Doyogena are legally registered cooperatives that produce and sell well-fattened Doyogena rams. High quality Doyogena sheep are the sole product of the cooperatives. A cooperative is a self-governing organization wholly owned and controlled by its members. A cooperative is an autonomous group of people who voluntarily come together to realize their common economic, social, and cultural needs and goals in a democratically run joint venture. Self-help, personal responsibility, democracy, equality, justice, and solidarity are ideals on which cooperatives are built. Cooperative members believe in the ethical qualities of honesty, openness, social responsibility and caring for others. A cooperative is a company that benefits its members primarily through marketing activities such as buying inputs and selling products and distributing the benefactor income generated by those transactions in exchange for equity, ownership, membership control and governance.

Sheep fattening
Sheep fattening is the feeding of nutrient-rich feed to stimulate rapid growth and fat deposition to achieve targeted carcass growth and quality. Sheep can be used in such systems as they can easily adapt to high-intensity production systems in feedlots. A sheep fattening program aims to achieve the highest growth rate and carcass yield in the shortest possible time (75-90 days) and to increase production per unit of resource. Sheep fattening has proven to be profitable as it generates fast economic returns and allows the business to expand rapidly. Programs by governments and NGOs to attract unemployed youth to sheep fattening in both rural and urban areas by organizing them into groups in the form of cooperatives are becoming popular.

Sheep fattening has long been considered a worthwhile undertaking because it:

▪ has lower investment costs than the fattening of large ruminants
▪ has faster economic returns
▪ it requires less effort, space and manpower
▪ has reduced associated risks
▪ there is huge demand for fattened rams

Selection of sheep for fattening
Before buying, one should have the ability and knowledge to choose the most suitable ram to fatten, as this ultimately determines performance, productivity, and profit. When choosing rams for fattening, the sheep, husbandry, and management as well as its feed, nutrition and feeding practices should be considered:
Part 1: The sheep and sheep husbandry

Health Condition: When buying a ram, one should examine the animal carefully, without disturbing it, in order to observe its behavior. These include restlessness, alertness, aggressiveness, tremors, breathing condition (normal or stressed), and normal movement. A closer examination of the nose (to check for discharge), mouth (to check for bad breath, abnormal salivation, ulcers around the lips, gums, tongue), and eyes (to check for discharge). The skin should be examined for spots or swelling. Only vigilant rams without one of the above-mentioned indications should be purchased for fattening.

Body condition: Weighing the sheep can reflect the condition of the sheep, but sometimes the body weight does not reflect the condition of the animal, i.e. an animal with a large physique may have a higher body weight with low body reserves than another animal with a small physique but plenty of reserves. Very thin/emaciated and fat/larger rams should be avoided. Rams with average body condition (neither emaciated nor greasy) are preferable, as they respond faster to feeding and achieve better yields within a short time than fat rams, which are already at well fed. Assessing the condition of a sheep can be done simply visually or by touching the body parts in the lumbar area, rib cage and sternum. Very thin and emaciated animals often take a long time to recover.

Breed: The selection of breed types for fattening is mainly based on the breed available in a particular location. This applies to rural smallholders, small-town, suburban and cooperative sheep fatteners. Many lack knowledge of other breeds of sheep. There is currently no breed in Ethiopia that is preferred nationwide because of its superior value in terms of production, quality traits or fattening potential.

Age: In Ethiopia there is no uniform age for sheep fattening for small-scale farmers. However, to meet market demand, it is advisable to select sheep for fattening between 6 and 12 months. Very young and older rams are not suitable for fattening, as younger rams (<6 months old) use the ingested feed for growth rather than meat accumulation and older bucks have very poor feed efficiency. A sheep's dentition is a good indication of its age.

Sheep husbandry is an interesting activity in sheep rearing and/or fattening operation. After fattening rams are selected and purchased, it is important to understand the following management practices.

Quarantine: Newly purchased rams should be kept separate for a few days to help identify any disease problems that were not apparent when they were purchased. If symptoms appear during this time, it is important to treat them as soon as possible.

Deworming and vaccination: Rams need to be dewormed from any internal and external parasites and vaccinated to prevent the possibility of any infectious disease. Dewormed and vaccinated rams perform better during fattening period. This process should be done with the assistance of veterinary technicians. In sheep fattening, the infestation of roundworms, tapeworms, and lungworms can cause heavy financial loss, therefore, deworming should always be carried out at the beginning of fattening period.
Castration: Castration, which is the removal of testicles from the rams, is done to make animals docile, grow faster and fatter. When it comes to fattening, faster weight gain and fat accumulation is imperative since animals are not for mating. When castrating rams, it is important to use modern methods with the help of professionals. Some farmers use traditional methods that can cause serious damage to the testicles, which can lead to the death of the ram. To avoid unnecessary breeding, sheep must be castrated earlier than 3 weeks.

Housing System: As very social animals, sheep must always be transported and housed in groups or at least in pairs so that they can always see each other. Without this social contact, sheep can quickly become troubled and desperate. If necessary, sheep can be briefly held in front of a full-length mirror in order not to make the isolation stress a problem, but it must be emphasized that this is only a short-term solution (a few hours maximum). Keeping fattening sheep in a separate house/shed is advisable. In general, the purpose of housing includes protecting from climatic stress (extreme heat, cold, rain, wind, etc.), thus creating an environment suitable for the animals’ physiological state; Providing protection against losses by predators and theft; and making management easier and saving labor. To avoid additional costs, the barn can be built with locally available materials (wood, clay), but it should be clean, well ventilated (to remove heat, moisture and pollutants so the animals stay cool, dry and clean) and disinfected regularly. In the fattening operation, the animals should efficiently convert the feed to the market weight. Therefore, the size should avoid unnecessary movements of the animals during the fattening period and allow them only limited movement. The space requirement per animal is approx. 2 m².

Part 2. Feeds, feeding and nutrition
The amount and composition of the feedstuffs should be appropriate to the nutritional requirements. The feed must also meet interrelated behavioral and physiological factors. Ruminants have cyclical activities that create the need for water, food and rest for the rumination and digestive processes. Sheep employ an impressive array of behavioral adaptations to their herbivorous lifestyle. The main sources of feed for fattening sheep are roughage, agro-industrial by-products, local brewery by-products, leftovers from the household and screenings from grain.

Roughages: These are bulky feeds containing relatively large amounts of poorly digestible material, that is, more than 18% crude fibre. They can be of two categories, namely dry and succulent based upon their moisture content. The common roughages for fattening sheep are natural pasture, crop residues, green forage chops and hay. The level and utilization of these roughages vary depending on the localities, crops grown in the area and availability. Crop residues are fibrous materials that are by-products of crop cultivation. Crop residues have low crude protein content in the range of 3–13% of the dry matter. Crop residues are becoming increasingly important as sources of roughage in feedlots. Major field crops produce large quantities of crop residues (straws, stovers and haulms) in addition to grain. These include cereal straws (e.g. tef, wheat, barley, maize, sorghum etc.), grain legume haulms (e.g. haricot beans, field peas, chickpeas, lentils, groundnut etc.).
**Concentrates:** A feed or feed mixture which has high amounts of protein, carbohydrates and fat, contains less than 18% crude fibre and is usually low in moisture. Concentrates are rich in either energy or protein and are thus expensive. Agro-industrial by-products from the processing of agricultural produce such as wheat bran, oilseeds, sugarcane and citrus, and those from slaughterhouses during the slaughter and processing of livestock are examples of feed concentrates. In comparison to crop residues, these products have a high concentration of useful nutrients and are highly digestable. The feeding value of such by-products varies considerably.

Nutrition is referred as the process of providing and obtaining the food necessary for the health and growth of sheep. It plays the major role in overall productivity, health and well-being of fattening sheep; thus, it is important for fatteners to give top priority to nutritional management. Even if, nutritional requirement of fattening sheep varies with age, body weight and condition, there are five major categories of nutrients that are required by sheep. These include water, energy, protein, vitamins and minerals.

**Water:** Water is a major component of the animal's body and is influenced by several factors such as species, age and nutritional conditions. Animals are more sensitive to lack of water than to food. If the water intake is restricted, the first sign is reduced feed intake. Because water intake is severely restricted, weight loss is rapid and the body becomes dehydrated. Water quality is extremely important and can affect the animal's feed intake and animal health. Low quality water normally results in reduced water and feed consumption. The three sources of water are drinking water, water contained in foods and metabolic water.

**Energy:** Every cell in sheep tissues requires energy supplying nutrients to stay alive. Additional energy is required to enable each cell to develop and grow. Cells in tissues and organs such as the brain, kidney, heart and lungs need energy to keep the whole animal alive and functioning, even if it is not growing, e.g. energy to pump blood and air into the lungs and for other muscular movements. Additional energy is required to enable the rams to increase muscle mass (growth of meat), or to support pregnancy and lactation.

**Protein:** Cells not only need continuous energy-supplying substrates, but also a constant need for amino acids to produce their proteins. All cells continuously synthesize new proteins from amino acids. Proteins are the main components of organs and muscles. Protein deficiency is also a major problem. When an animal is deprived of energy, a lack of protein in its diet makes the condition worse. Protein supplementation is often wrongly recommended when it comes to increasing total energy intake (carbohydrates and fats).

**Minerals:** Minerals are essential and therefore must be provided in adequate amounts in the diet. Periods of rapid growth, pregnancy and lactation increase the demand for essential minerals. Mineral deficiencies are more likely in some situations than in others but can be difficult to diagnose. They have three functions: Calcium and phosphorous are the main constituents of bones, teeth, and other organs. Minerals are present as electrolytes in body fluids and soft tissues and trace elements are
integral components of certain enzymes and other important compounds. These trace elements serve as activators of enzymes.

Fattening sheep derive most of their mineral nutrients from forages and the concentrate feeds they consume. The concentrations of minerals in forages depends upon the following factors: Species of plant, composition of the soil where plant is growing, stage of maturity, climatic conditions and agricultural treatments such as fertilizer and irrigation. Macro minerals include calcium, phosphorus, sodium, potassium, chlorine, sulphur, and magnesium. Micro minerals include iron, copper, cobalt, manganese, zinc, iodine, selenium, molybdenum, and others.

Vitamins: Vitamins are required by animals in small amounts for normal body functions, maintenance, growth, health, and production, they regulate the use of major nutrients. Vitamins must be provided to animals for many metabolic reactions within cells. If the vitamins are not available, biochemical reactions cannot take place and symptoms such as loss of appetite, poor appearance, reduced growth, and feed utilization may occur.

Part 3: Sheep management

Disease management: Sheep disease management is an important task for fatteners to improve the health, welfare and productivity of sheep under fattening. This can be achieved through a clear disease management plan geared towards continuous improvement of health and disease control methods appropriate for sheep fattening operations.

Sheep monitoring and record keeping: As a sheep producer/fattener it is a must to inspect your sheep regularly for signs of disease or any abnormalities, thus you will be able to maximize the health and productivity of your firm. During inspection of your sheep keep in mind the normal and abnormal behaviour of sheep.

- Good behaviour includes alertness, free movement and active feeding and rumination
- Bad behaviour and disease signs include lameness, abscesses, wounds or injuries, abnormal posture or behaviour, diarrhoea, persistent coughing, rapid loss of body weight and loss of appetite

In addition to inspection, it is important to keep records of overall health related information, like the type of disease, date and method of treatment, type and quantity of medicine used and type of sheep treated.

Prevention and Control: Disease prevention and control are the other most important management practices for fattening farm health improvement. It involves the procedures through which risk factors or sheep with diseases are treated to prevent disease from spreading or occurring. The most important prevention and control methods for sheep fattening include proper hygiene, proper vaccination, deworming, good nutrition, quarantine and culling.
Operational Strategy
The cooperative will operate collectively as a group to handle all operations. The major tasks of the cooperative are the whole fattening process i.e. feeding and watering of rams, cleaning of shed, treatment of sick animals and other husbandry practices. There are options that allow individual members to fatten rams in their homesteads. Other activities will be done by selected leadership and management committee from the cooperative. Some of the committee members include chairperson, secretary, treasurer, string committee chairperson, string committee secretary, string committee member, training and campaign chairperson, training and campaign member.

Marketing Strategy
The marketing strategy will be based on the marketing mix, which consists of the 4 Ps of marketing, namely product (service), price, advertisement and place (sales).

<table>
<thead>
<tr>
<th>Product</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cooperative will provide a good quality Doyogena sheep.</td>
<td>The cooperative will set a reasonable price by studying the market and analysing the cost of production.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Promotion</th>
<th>Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cooperative will promote its product through open field days, media and magazines.</td>
<td>The target distribution locations will be based on demand. Currently product will be sold at Doyogena and Hossana markets.</td>
</tr>
</tbody>
</table>

Market Analysis
Demand
In Ethiopia and particularly in Doyogena area sheep meat has a huge demand, especially during the festive seasons.

Market segmentation
Individual Consumers: These are direct consumers of sheep meat. During festive seasons and any other days for personal ceremonies fattened sheep will be sold.

Butcheries: There are no private slaughterhouses that supply sheep meat to the community. But there are government slaughterhouses where hotel owners slaughter their sheep. This is done both to control the meat quality and for public safety reasons. In Doyogena, private butcheries only supply cattle meat (beef). Thus, customers receive only finished sheep meat from hotels and restaurants.
Hotels and restaurants: Hotels and restaurants are the main suppliers of sheep meat to the local community in the form of finished meat. They do not supply raw sheep meat. Hotel and restaurants are regular buyers of sheep in the Doyogena market. Hotels sell finished meat (wet, kikil, and roasted meat) to individual consumers and, of course, they sell the finished meat in the hotel restaurant. On average, hotels sell one sheep per day. Sometimes on a market day they will sell two sheep.

Traders (small, large): There are two large dealers and seven smaller dealers in Doyogena. The big traders buy animals from small traders and collectors and transport sheep to the central market (Addis Ababa). Small traders buy sheep from collectors and from the surrounding local (rural markets) known locally as gulit (which means small market). A large dealer can buy 150 to 160 animals per week. Dealers have their regular suppliers (small dealers) and can pay top prices. Traders get good quality sheep at lower prices on market day at 5:07 a.m. Traders must consider quality parameters when buying sheep. They take into account the age of the animals, with preference for yearlings. The main months for buying sheep are June and July.

Collectors: Collectors buy small ruminants from the surrounding local (rural) markets and supply them to both small traders and large traders. There are more collectors than there are large traders and small traders together. Around Doyogena there are about fifteen sheep collectors. They collect sheep from the surrounding local markets, mainly around Doyogena, Hossana, Duna, Fandida, Kosha and Homacho.

Industry Analysis

Medium scale producers
This includes large commercial sheep farming operations that are well organized and financed. The commercial operation is geared towards maximizing profit and has specific production goals. In Ethiopia, however, there are less than 5 such producers nationwide.

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

SWOT Analysis

Strength
- Increased productivity of the cooperative.
- Increased skill and knowledge on fattening, entrepreneurship, and business skills.
- Delivery of quality sheep.
- Strong commitment and leadership of the cooperative.
Weakness
- Limited availability of improved forage and high costs of commercial concentrates.
- Small land size for fodder production.
- Limited capacity to meet export demand.

Opportunities
- Increasing demand for sheep meat.
- Several holidays and ceremonies.
- High profitable of the fattening business
- The government is very interested in the economic development of the youth.

Threats
- Competition and manipulation of the market by brokers.

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: Emerging regulations on cooperative organization and development are affecting the cooperative sector. New legal provisions could lead to violations of the law or to new administrative burdens. Changes in labor laws and safety regulations, particularly those relating to agriculture, would affect the cooperatives business. We expect political stability in the country to continue and do not expect the government to make any significant changes to regulations.

Economic: Initial capital will be affected by the higher interest rate of MFIs. The price of feeds determines the cost of production. Moreover, the continuous increment in feed cost will alter the business process.

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 campaigns will raise awareness and more people will take up sheep fattening.

Technological: Improved sheep fattening technologies can lead to the supply of good quality sheep. A good technical infrastructure would lead to better production, procurement and distribution resulting in reduced wastage and lower costs.
### Financial Statements

#### Direct costs

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Type of Input</th>
<th>Unit</th>
<th>Quantity</th>
<th>Unit Price</th>
<th>Total Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sheep</td>
<td>number</td>
<td>40</td>
<td>2,900</td>
<td>116,000</td>
</tr>
<tr>
<td>2</td>
<td>Concentrate</td>
<td>Quintal</td>
<td>20</td>
<td>2,000</td>
<td>40,000</td>
</tr>
<tr>
<td>3</td>
<td>Crop Residue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,000</td>
</tr>
<tr>
<td>4</td>
<td>Vet service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,000</td>
</tr>
</tbody>
</table>

1 USD = 47.87 ETB (December 2021)

#### Indirect costs

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Unit</th>
<th>Quantity</th>
<th>Unit Price</th>
<th>Total Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recording book</td>
<td>2</td>
<td>150</td>
<td>300</td>
</tr>
<tr>
<td>2</td>
<td>Trough</td>
<td>40</td>
<td>150</td>
<td>6,000</td>
</tr>
<tr>
<td>3</td>
<td>Income tax</td>
<td>Percentage</td>
<td></td>
<td>2,700</td>
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</table>

1 USD = 47.87 ETB (December 2021)

#### Sales Income (ETB)

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Type of product</th>
<th>Unit</th>
<th>Quantity</th>
<th>Unit Price</th>
<th>Total Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sheep Sales</td>
<td>Number</td>
<td>40</td>
<td>12,000</td>
<td>480,000</td>
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</tbody>
</table>

1 USD = 47.87 ETB (December 2021)

#### Final Revenue (ETB)

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Overall Summary</th>
<th>Total Amount</th>
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<tbody>
<tr>
<td>1</td>
<td>Direct costs</td>
<td>167,000</td>
</tr>
<tr>
<td>2</td>
<td>Indirect costs</td>
<td>9,000</td>
</tr>
<tr>
<td>3</td>
<td>Sales income</td>
<td>480,000</td>
</tr>
<tr>
<td>4</td>
<td>Revenue</td>
<td>304,000</td>
</tr>
<tr>
<td>5</td>
<td>Tax (2%)</td>
<td>6,080</td>
</tr>
<tr>
<td>6</td>
<td>Profit</td>
<td>260,876</td>
</tr>
<tr>
<td>7</td>
<td>Contingency (30%)</td>
<td>89,376</td>
</tr>
<tr>
<td>8</td>
<td>Profit distribution</td>
<td>208,544</td>
</tr>
</tbody>
</table>

1 USD = 47.87 ETB (December 2021)
Three years financial forecast (ETB)

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Overall Summary</th>
<th>Year I</th>
<th>Year II</th>
<th>Year III</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Direct costs</td>
<td>167,000</td>
<td>245,000</td>
<td>323,000</td>
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<tr>
<td>2</td>
<td>Indirect costs</td>
<td>9,000</td>
<td>12,150</td>
<td>15,300</td>
</tr>
<tr>
<td>3</td>
<td>Sales income</td>
<td>480,000</td>
<td>720,000</td>
<td>960,000</td>
</tr>
<tr>
<td>4</td>
<td>Revenue</td>
<td>304,000</td>
<td>462,850</td>
<td>621,700</td>
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<tr>
<td>5</td>
<td>Tax (2%)</td>
<td>6,080</td>
<td>9,257</td>
<td>12,434</td>
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<tr>
<td>6</td>
<td>Profit</td>
<td>260,876</td>
<td>453,593</td>
<td>609,266</td>
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<tr>
<td>7</td>
<td>Contingency (30%)</td>
<td>89,376</td>
<td>1,360,77.9</td>
<td>1,827,79.8</td>
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<tr>
<td>8</td>
<td>Profit distribution</td>
<td>208,544</td>
<td>3,175,15.1</td>
<td>4,264,86.2</td>
</tr>
</tbody>
</table>

1USD=47.87 ETB (December 2021)

**Risk Analysis**

Market orientation in sheep fattening is challenged with risks and uncertainties in the production and the market. Production risks are limited while economic and market related risks play vital role in the fattening operation.

**Production:** Production downtimes can occur on the one hand due to technical, socio-economic and political circumstances and on the other hand due to natural disasters and the associated risks. Sheep diseases are an important source of danger in fattening operations. Some farmers face personal risks related to their health and that of their families and the availability of labor.

**Market orientation:** Market orientation is fundamentally challenged with the risks and uncertainties of the market. The price seasonality risk is viewed as a major source of risk. The market information gap is another important risk that affects profits from the sale of fattened rams. Whoever has up-to-date, reliable, and valid market information achieves better prices with the same quality of the fattened animals. The source of the market information for the cooperatives comes from a variety of sources (dealers, brokers, other cooperatives, and rural development offices) and the validity of the information is sometimes questionable.

**Attitude:** The individual members of the cooperative also differ in their goals and risk attitudes. Selecting risk management decisions and practices is a five-step process: farmers gain knowledge of their own context, risk identification, risk analysis, risk assessment and choosing the most appropriate option to avoid, prevent or control the risks.
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

<table>
<thead>
<tr>
<th>Problem</th>
<th>Solution</th>
<th>Unique Value Proposition</th>
<th>Customer Segment</th>
</tr>
</thead>
</table>
| ▪ Poor market linkage  
▪ Poor bargaining power  
▪ Poor input access and provision  
▪ Limited skill & knowledge | - Collective fattening and marketing | Supply of quality product with reasonable price | Traders, butcheries, hotels and direct consumers |

<table>
<thead>
<tr>
<th>Existing Alternatives</th>
<th>Key Metrics</th>
<th>High level Concept</th>
<th>Channels</th>
</tr>
</thead>
</table>
| ▪ Improved fattening skill & technology  
▪ Cooperative fattening | ▪ Quality fattened sheep  
▪ No of trained members | Job creation opportunity & sustainable financial security | Direct channels |

<table>
<thead>
<tr>
<th>Cost Structure</th>
<th>Revenue Stream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feed cost, financial recording and taxation</td>
<td>Profit from sheep sales, members transaction payment, saving</td>
</tr>
</tbody>
</table>
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