

Amaranth for Africa

GEEBIZ Competition 2010



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Executive Summary

In this business plan, we have analyzed the key market factors that affect the processing of amaranth seeds in Kenya to help raise the economic and social development of women in Kenya. In this proposal it is our intent to explore the challenges and opportunities that Amaranth for Africa (AFA) will need to consider while developing our strategies to start a microfranchise system and to overcome the competitors currently established in the market. AFA's business model is similar to that of Honey Care Africa because it is a proven business model that has successfully alleviated several thousand Kenyans from poverty while still being profitable. AFA's model differs slightly in that we plan on selling the oil to manufacturers rather than processing it ourselves for retail sale. This would require more upfront capital and the retail market is much riskier than acting as a wholesaler to cosmetic manufacturers.

Business Overview

Amaranth for Africa is a micro franchisor that employs women franchisees to plant and harvest amaranth. AFA will act as a guaranteed market for the amaranth seeds harvested by Kenyan women. AFA will collect the seeds and pay cash on the spot to the women. The seeds will then be transported to a facility in Kenya where they will be chemically processed to produce amaranth oil. This oil is extremely valuable and sells retail for \$25 an ounce. At a whole sale price, distributors are selling to manufacturers at \$6-\$8 an ounce. With our business model and means of production we can significantly reduce the cost to produce the oil and sell for less than market value. Our end consumer will be large, high-end cosmetic manufacturers who will use our oil in the manufacturing of their products for consumers.

Objectives/Goals

Amaranth for Africa's main objective is to train women that fall below the poverty line in Kenya to become franchisees and produce amaranth seeds that we will then buy from them. We will take the purchased seeds and process them for their precious oil, which we will then sell to various manufacturers around the world. To achieve this we have social, environmental, and financial objectives.

Social Goals

- To decrease unemployment rates among women in Kenya: We will measure this by the number of women that we put to work at a livable wage, which we plan to be 1.0% of the women under the poverty line by year five.
- To increase the standard of living among women in Kenya: We will measure this by the number of women who live above the poverty line, which is currently at an income of about \$237.25 a year.
- To increase the amount of nutrient-rich food in Kenya: We will measure this by the number of plants that the women produce, which can then be used as food once they sell the seeds to AFA.
- To be able to scale up our company: We will measure this by the number countries we enter and start AFA in after we are successful in Kenya.



Environmental Goals

- To decrease the number of Sperm Whales that are killed each year for their oil: We will measure this by the decrease in the number of Sperm Whales that are poached for their oil each year.
- To increase the richness and productivity of the soil in Kenya: We will measure this by the number of square feet of soil that becomes useful for growing amaranth once it has been cultivated.

Financial Goals

- To become sustainable: We will measure this by our ability to make enough money to pay off our franchisees and continue the growth of our business.
- To create a return on investment: We will measure this by our ability to pay back our investors and create a profit for ourselves.
- To produce and sell the oil in the high-end cosmetic markets: We will measure this by the amount of oil we sell to these premium cosmetic companies.

The Product

Amaranth is 1) easily harvested, 2) produces a lot of fruits (and thus seeds) which will be used to produce amaranth oil, 3) highly tolerant of arid environments which are typical of most subtropical and some tropical regions (like Kenya), and 4) contain large amounts of complete proteins and essential amino acids, such as lysine. Due to its weedy life history, amaranth grains grow very rapidly and their large seedheads can weigh up to 1 kilogram and contain one-half million seeds.



It is because of this reputation that plant has been overlooked during the last 100 years by large agricultural companies. It is also seen as a difficult plant to harvest because it is a plant that cannot be mass harvested with machinery. It needs to be handled by hand and physical labor. It is because of these reasons that amaranth has not been made a mainstream product like its sister plant Quinoa.

The amaranth oil has the following benefits: Improvement of circulatory system, increase in energy, lessening of pain, improved skin, less wrinkles, control of chronic disease, control of arthritis, control of allergies, control of diabetes, control of asthma, control of candidacies, healing of burns, healing of infections & skin lesions, reduction of various symptoms of cancer, increase in white blood cells, increase in the excretion of mercury, clearing of eczema and many more.

It is our intention to only purchase the seeds from the franchisees and allow for them to use the several other by-products of the plant for consumption or to sell on the open market for additional revenue. The by-products consist of the leaves, stems and the stock of the plant.

Market Analysis of Kenya

Kenya has a free enterprise economy and the strongest industrial base in the eastern and central African region. Kenya therefore, has about 40% of the total East African Community population of about 80 million people. It is thus, a sizeable market apart from being a strategic investment, tourist and trading location. It has easy access to various export markets such as the Common Market for Eastern and Southern Africa (COMESA), the rest of Africa, Asia, the Middle East and Europe.

As a member of several commercial and economic organizations, Kenya is a safe and secure place to do business. These organizations include the World Trade Organisation (WTO); the United Nations Conference on Trade and Development (UNCTAD); the African, Caribbean and Pacific/European Unions (ACP/EU) Cotonou Agreement, the International Monetary Fund; the World Bank, the Multilateral Investment Guarantee Agency; and the African Trade Insurance Agency among others

The drawing of a business plan and the first hurdles to get underway are the procedures required to incorporate and register the new firm before we can legally operate. There is a twelve step process that is straightforward and affordable.

Target market

The target market for social development of women is the women who are unemployed and below the poverty line in Kenya. The target market is women between the age of 21- 35 years old who are willing to work and want to increase their standard of living. Based on population and unemployment estimates in Kenya, the size of the target market is roughly 2.5 million women.

Processing the oil from amaranth seeds in Kenya also helps greatly in cost savings by allowing AFA cheap setup and labor costs in the third world country. It also helps in socio-development of the women and the economy as whole as well. Generally, Kenyan women depend solely on the earnings of their husbands to survive. As a result, they and their family (which is commonly very large) usually live far below the poverty line. They have ample time, since they are usually at home chatting with friends or sleeping and they are physically healthy with useful strength and energy. They are also always eager and willing to do work that can bring them some extra income, which is why they are a perfect match for AFA.



- There are many challenges which they are facing i.e. lack of necessary skills, the fact that they are poor, and that they have no tools. The market is also quite precarious and there is no reliable storage or processing facilities.
- Skills acquisition: we teach them how to raise amaranth plants.
- We provide necessary inputs (seeds, tools, etc) for them at a set price.
- Supervision and monitoring, especially when they're just starting after training.

Competitors

Lozmak Co

Ukraine

Manufacturer

Lozmak is a manufacturer of amaranth oil for the purpose of being used in beverages, cultures, enzymes & yeast, and food additives.

Shree Vaibhav Corporation

India

Manufacturer

Shree Vaibhav Corporation is an India based multi-national exporter. They manufacture and offer a wide assortment of natural whole seed spices, natural fine ground/powder spices, natural whole oil seeds, natural oil flour, natural grains, herbs, cosmetics and guar gum split's/powder.

Amaranth Cosmetics Co., Ltd.

Korea

Manufacturer

Amaranth Cosmetics specializes in the manufacture and export of cosmetic products made with amaranth oil. The company produces an extensive range of skin care and hair care products as well as wide variety of cosmetics.

AMR Amaranth a.s.

Czech Republic

Manufacturer

AMR Amaranth specializes in the utilization of amaranth grain and similar pseudo-cereals, fractionalization of amaranth flour and hemp, production of amaranth oil, fiber and protein rich fractions. The company is a producer of food supplements, functional foods and gluten-free products based on amaranth and similar plants.

Competitive Advantage

AFA has an advantage over these four competitors for multiple reasons. We are dedicated solely to the amaranth plant so we can focus all of our attention on maximizing our production of its prized oil. We also provide a triple bottom line that not only supports AFA's financial gains, but also provides for the environment and women living below the poverty line in Kenya. Additionally, we are also able to charge a lower price per ounce for our amaranth oil than our competitors because we have an efficient process of growing, manufacturing, and transporting our plants and oil that we control.

Risks and Barriers

There are a few risks and barriers for AFA in entering this market, but we have a solid approach to mitigate all of these obstacles. One of the barriers of entering the Kenyan market is not being accepted by the women of Kenya that we would like to do business with. We will diminish this risk through our relationships with NGO's that are already trusted by the Kenyan women. Another risk that we face is our franchisees either not following or not understanding our procedures for raising the amaranth plants. We will reduce this risk by having local representatives continuously monitoring our franchisees and being available for help whenever it is needed. We also face the risk of cosmetic companies not wanting to buy the amaranth they use from AFA. We will alleviate this risk by selling our amaranth oil for less than our competitors due to the low cost of producing the oil in Kenya. AFA has done a thorough job of mitigating the risks associated with entering Kenya so there is no reason why we should not be able to succeed.

Business Strategy

Our overall business strategy is to recruit and train 1.0% of the women in Kenya that are below the poverty line and accomplish our triple bottom line. With this in mind, we understand that following a very similar business model to that of Honey Care of Africa is appropriate.

Marketing & Sales

In order to obtain our desired market share and reach out to 25,000 women below the poverty line, AFA will have to create relationships with NGO's that are already established in the rural communities. Some of these NGO's are World Bank Group, International Finance Corporations, Europe Union, Aga Khan Foundation, and several others that have a strong presence in Kenya. By developing our relationships with these NGO's we can leverage their influence over these communities by introducing our micro franchise system and educating them on the benefits of harvesting amaranth. This will have to be done in large gatherings to maximize our time in reaching the greatest number of women in a given area. We will provide samples of the plant and oil to share with the women interested in the franchise opportunity so they can taste the plant and understand the benefits

they receive from the plant. More importantly, we will explain to them that they can make a good income to raise their standard of living as well as provide nutrient rich food to their family and community. There will be no mainstream marketing or advertising used in our campaigns which will help minimize costs and reach our target market more effectively.

Once a woman has decided she wants to become a franchisee she enters our sales process and must be qualified before she can attend training and purchase the initial equipment and supplies. We require these women to be above the age of 21, have children, and be making less than \$240 a year. We enforce these qualifications to ensure that we stay true to our primary social goals. A local representative who is paid an hourly wage by AFA will travel town-to-town to help educate the women on steps they need to take in order to become a franchisee. This includes educating them about training, how much it costs, how they can subsidize their training tuitions and where training will be located. Once training is complete they will purchase the supplies they need to get started for approximately \$30, which is at cost. This includes soil, drip irrigation system, seeds, shovel, training manual, bucket, bags to store the seeds, and a strainer. After the sales process is complete a representative will come by at the end of every month to collect the seeds and pay cash for them on the spot.

AFA will spend an entire month in heavily populated areas to conduct these educational meetings, recruit franchisees and train them and see them off to a good start. This is our action plan in the beginning to prevent us from spreading our limited resources too thin and it will also help these women get started the right way with our assistance.

Sales

Contracting the oil before production is the only way to guarantee a market to sell the oil to. This is how AFA will make money and be profitable. It will be up to us to convince cosmetic manufacturers and other corporate consumers of amaranth oil to purchase our Kenyan produced amaranth oil before the seeds are bought and processed. This will be simple because our means of productions will be controlled and it will limit the risk of impurities being included in the final oil by-product. This ensures the highest quality of oil that is produced. We can also provide competitive rates in comparison to the current amaranth oil producers in the market. Our costs will be lower than our competitors because the price we pay for the seeds from the Kenyans is far less expensive because we do not have the cost of land, machinery, and paid employees.

As said before, we notice the sales opportunity in the cosmetic industry. The cosmetic industry plays a significant role in the economy. The industry is stable and has been growing since the 1950s. From 1970 to 1990 cosmetics have gained the extensive development through per capita consumption. The current 2009 retail sales of the cosmetic industry amount to about \$14.5 billion. During the 2009 crisis the industry segment was also affected, which proved cosmetics are not resistant to economic developments. The prices were stable for several years, but considering the crisis, most companies need to assess their business to retain competitiveness. However, prediction for 2010 to 2013 is favorable and forecast sales grow to 3%. Currently more than 700 growing cosmetic companies are competing in the market. Additionally, there are also market leaders that dominate the cosmetic industry. Consequently, it creates stiff and intensifying competition especially to those smaller companies that market leaders are putting pressure on. According to these findings, if cosmetics companies want to keep their advantage position they need to focus on new niches. This proves to be very successful especially for smaller companies who struggle with industry leaders. With production of the amaranth oil, we believe we can offer cosmetic companies a product which could change their strategy, increase their competitive advantage and give them international recognition.

Franchisee Training

Amaranth for Africa assumes the responsibility of training its franchisee women to ensure that the amaranth plants are properly maintained and seed production is maximized. The curriculum of this training has the following key components:

- The ecology and biology of amaranth
- How to make the plants productive
- How to harvest the seeds
- How to solve problems related to the amaranth plants and seed production.



AFA provides written material for the trainees as well as basic pictorial reference material that precisely summarize some of the key aspects of the training. It also provides its own amaranth plants and other teaching aids for the training sessions. Once it has put together a group of 20 women, training commences and lasts three days. AFA has also adapted its training approach to make it more hands-on due to the low literacy level of many of these women. We also provide training in the local dialect of the women in addition to the standard courses in English and Kiswahili.

AFA will offer some of the most experienced training instructors in the region that are very familiar with amaranth plants. We will initially have a master trainer come in to lead the training courses and eventually plan to hire some of our most successful trainees to lead future training sessions for additional income. Training one woman will cost approximately \$30.

Financials

The financial forecast for the next two and half years is below starting in July 2010. Three items will stand out when reviewing these financials 1) Revenue is expected to grow exponentially due to the amount of outreach to more and more women entrepreneurs becoming franchisees 2) AFA will be paying out more to these women than AFA will make in annual profit. This is aligned with our social goal of providing these women with a substantial income to raise their standard of living. 3) The gross profit margins are level at ~20%. This is because we noticed that in order to pay back investors and provide opportunity for expansion we need to be making a 20% profit.

Year	Revenue	Women Franchisees	Total Money Paid Out	Expenses	Profit	GPM
2010	\$51,975.00	150	-\$15,159.38	-\$26,853.75	\$9,961.88	19.17%
2011	\$641,025.00	1000	-\$186,965.63	-\$331,196.25	\$122,863.13	19.17%
2012	\$2,395,800.00	3000	-\$698,775.00	-\$1,237,830.00	\$459,195.00	19.17%

These numbers are explained below:

Amaranth Plants per Franchisee	100.00
Seeds produced per plant (lb)	0.25
Percent of plants of harvested	0.33
Oil produced per plant (Fl Oz.)	1.00
Price paid out per lb of seeds	(\$3.50)
Income per Fl Oz of oil	\$3.00
Variable cost per Fl Oz of oil	(\$1.55)

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