

# KARITEINNOVATE

...Empowering Indigenous Farmers, Women and Youths Involved in Shea Nut Production

Global  
Enterprise  
Experience

Team 1

EMPOWERING INDIGENOUS  
FARMERS, WOMEN AND  
YOUTHS IN NORTHERN  
GHANA INVOLVED IN SHEA  
NUT PRODUCTION

## Highlights:

*In our proposal, we have:*

- *An extremely low cost solution.*
- *An experienced management team comprised of motivated and knowledgeable people.*
- *Communication with some of the top NGOs in the world including the World Bank and the FAO, as well as the United Nations itself.*
- *A Social Return on Investment (SROI) of \$8 billion by 2020.*

## Team Members

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## **Executive Summary**

- **KariteInnovate** will empower indigenous groups of Northern Ghana to profit from their predominant trade of extracting butter from the Shea nuts of the Karite tree.
- In Ghana presently there are a few large companies who essentially exploit local farmers' Shea butter processing by setting up large butter extracting plants which operate at much higher efficiency, shutting out the farmers from the market.
- We would build an innovative and profitable business around Shea nuts and their butter, which will solve the issue by enabling farmers to pull back profits from the large enterprises.
- We will achieve this by education. While the people (especially women) of Northern Ghana already have a general understanding of the collection and processing of the butter and nuts, they lack the skills required to successfully run a business around it that will make them money.
- **KariteInnovate** will use mobile technology including simple, low cost cell phones, coupled with radio programmes, to advise the rural farmers on how to achieve a profitable operation. While the infrastructure of the area is under-developed, we have discovered that there is enough to warrant such a scheme.
- Initially, the farmers will sell to the more developed Southern Ghana, but in the long-term we hope they can incorporate other parts of Sub-Saharan Africa as well. Our research discovered that this plan could work well in Nigeria, which has advanced technology infrastructure and a similar climate.
- In this way, our proposal clearly fosters indigenous development.

## **Background**

For the foreseeable future, reducing poverty in Africa will depend largely on stimulating agricultural growth. Northern Ghana has the Karite Tree from which they extract Shea nuts, and this has been their major source of livelihood. Yet, with this large amount of Karite Trees, the people still languish in abject poverty and hunger. The Shea nut is currently its third most highly exported agricultural product. However, the production of Shea nuts for national and export sales remains much less extensive than it could be.

Ghana is one of the more developed countries in Africa. The southern part is next to the coast in the Gulf of Guinea and much more developed economically and technologically than its northern counterpart. Lake Volta winds its way around the southeast and the Akosombo Dam provides hydroelectric power to Ghana and West Africa. The north lies in the trans-African environmental belt called the Sudanian Savanna. This is tropical savanna which stretches from Senegal on the West Coast to Ethiopia in the East. The Karite tree grows naturally in the climate of the Sudanian Savanna, so our proposal won't require extensive and costly introduction of the tree into a new ecosystem.

Northern Ghana is unfortunately under-developed, so local farmers do not have the ability to mass-produce and sell the Shea butter, amongst other crops and products (including cocoa). Instead, there exist large companies such as Blue Mont Ghana and Bosbel Industries who can achieve much higher productivity rates and unintentionally 'exploit' the local farmers. There is one large city in the north. This is Tamale, the third largest city in Ghana.

There are several indigenous groups in Ghana. These include the Akan, the Ewe, the Mole-Dagbane, the Guan and the Ga-Adangbe (in no particular order). The Mole-Dagabane live primarily in the north, and so are the focus group of the proposal. They and make up roughly 16% of Ghana's population. Apparently their traditions are passed down orally, so there is little written evidence on them. The other indigenous groups live in the south and east.

## **Product and Service Description**

**The Karite Tree:** The Karite tree, also known as the Shea tree, is highly valued in Africa. Shea Butter from the tree is world renowned for its exceptional moisturizing and skin softening effects. Shea Butter also has traditionally been used for its anti-irritant and sunscreen properties. Organic Shea Butter is a skin conditioning agent that coats the skin with a fine film, thereby diminishing water loss and leaving the skin softened and protected.

The Karite tree is unique in that it cannot be cultivated as we know it. The tree grows up to 60 feet and can live up to 300 years, being most active in June and July. Amongst the women who gather and process its fruit, the Karite tree is known as 'the Tree of Life'. It takes 25 years before it starts to produce fruit, which looks similar to a large plum. The nuts from the tree are what Shea butter is extracted from.

**KariteInnovate Cooperatives:** *KariteInnovate* will form these Shea nut farmers into cooperatives that we can assist with micro-credit or small loans to purchase items like wellington boots, torches, rain coats and so on.



This is necessary as the nut picking mostly happens at dawn and thus poses the danger of snake bites and other dangers of the wild. By forming cooperatives, we will strengthen their negotiation position and thus help them secure better deals. By offering them micro-credit or small loans, we can help them hold onto their nuts until off season when the quality of nuts will have improved. This again will help them secure better deals from Shea butter exporters.

We will also form cooperatives from the women who are involved, so they can extract more Shea butter in less time. Here, these women will no longer be responsible for all steps of the production process. Instead, each woman will be assigned to work on a specific stage: cultivation of the Karite; preparation of the raw material for extraction; oil extraction; further processing of the Karite butter depending on its anticipated end use; and packaging. These women will be given flexible working hours and be organized into teams.

**KariteInnovate Centers:** Information is power they say! *KariteInnovate* will create information centers in Northern Ghana. The following activities will take place at *KariteInnovate* Centers:

1. By following Shea butter industry trends, *KariteInnovate* will be in a position to offer advice to these women on best practices for Shea butter extraction and processing. This way, we can help them improve both the quality and quantity of their yields.
2. Education of indigenous women on best practices in the Shea nut industry, e.g. how to improve yields, better ways of storing their nuts, Shea nuts trade dynamics. . Oftentimes these indigenous people are so willing to improve their ways of approaching their business, but they simply do not know how. And sometimes they are completely ignorant about other approaches that could make them more efficient and productive.
3. Setting up of small-scale Shea nuts processing centers/factories so that more Shea butter can be extracted in less time with better quality.
4. Innovating and improving upon the quality of current products of Shea nuts e.g. Shea butter, cooking oil etc. This would increase its appeal to the international community.
5. Helping women to improve their life standards and financial status by working with Karite.
6. Helping with the forming of the cooperatives, strengthening their negotiation position.
7. Dedicated staff at *KariteInnovate* centers fielding enquiries if farmers/women they need specific help that may not be obtainable via SMS or Radio.

## Mobile Applications:



KariteInnovate will develop the following applications for affordable phones (which will cost less than \$20). These applications will first be developed in two local languages: the Mole-Dagbani language family and the Dagomba language. They are:

1. **Learn Karite:** This will help the farmers learn about the Karite tree, including harvesting and processing. It will also help the women learn about Shea butter extraction. It will also use an interactive way of learning to help them make smart decisions about the sale of their produce. This will also include a constantly updated 'frequently asked question' section.
2. **Karite Stock Manager:** This application will allow the farmers to keep stock of their Shea nuts. It will also allow the women to keep stock of the amount of Shea butter that is extracted per day, as well as the income generated from the sale of Shea butter. It will also teach them how to carry out bargaining process. Youths who will assist with the selling of the Shea butter will also make use of the application to keep record of the sales. The Marketing Strategy is explained in a latter part of this report.

## Value Proposition

Our value proposition is unique and has three facets:

- **Financial Value Proposition**

*Essentially the main thrust of the proposal. KartieInnovate will enable indigenous groups to make more profits from their Shea butter trade, protecting them from exploitative tendencies. It also includes education in the dynamics of the business, further improving their profitability. Farmers will be able to keep themselves up-to-date on the latest developments.*

- **Social Value Proposition**

*KariteInnovate will provide the opportunity to the local people to improve their well-being. By granting them the chance to participate in decisions which will affect their future, they will be able to improve their lives completely. The economic position of the local people will not only be enhanced through the generated income, but also through the technical and organizational skills they will acquire.*

- **Environmental Value Proposition:**

*The general public, as well as farmers, will be educated about environmental sustainability. This will occur on the mobile radio programmes as well as through KariteInnovate centres. "The Shea tree is protected and it is illegal to pick unripe nuts (mature nuts fall to the ground). The availability of other cheap energy sources often leads to abusive cutting of the trees for firewood, while farmers sometimes burn them to clear land for farming." Our project will preserve the wild forests because the Karite tree flourishes best in the wild and is not easily cultivated.*



## **Competitive Analysis**

For any business potential worth exploring, there is sure to be other players already in the industry making fervent plans to launch their ideas. Taking cognisance of this fact, *KariteInnovate* took time to research the industry, in order to identify possible competitors, key players (such as policy makers, regularity bodies) and potential partners (with whom deals can be created for mutual benefits). Based on knowledge of the industry, we then crafted a competitive strategy so we can be ahead of the game.

<p><b>Direct Competitors</b></p> <p>The direct competitors are companies that are in some way organizing or training the local women to improve on their Shea butter extraction capabilities and/or capacities.</p>	<p><b>Indirect Competitors</b></p> <p>This category of competitors is principally involved in the export of unrefined Shea butter or even the raw nuts. Some of them have set up medium to large Shea butter extraction plants mostly in the city centers of the regions in Northern Ghana and take their stock of Shea nuts from the hinterlands.</p>
<p><b>Naasakle:</b> Naasakle (pronounced Nah-sah-klay), deals in Shea butter and Shea butter products available through-out the world. Although Naasakle is mainly involved in the trade of Shea butter and its products, it also supports some 700 women through various groups in the Northern Region of Ghana. Examples of women groups supported include the Suhuyini Women’s Association, the Damongo Christian Mother’s Association and the Ngangwuni Women's Association. Naasakle’s goal is to promote the economic interests of its members in order to alleviate poverty and to empower these women to improve their lives. Naasakle has accomplished these goals by paying all workers fair wages and teaching the women new production efficiencies.</p>	<p><b>Blue Mont Trading (Ghana) Limited (BMT):</b> Blue Mont is a UK-Ghana company, and is principally involved in the extracting Shea butter for export to international markets. Its modus operandi is to hoard the nuts during bumper harvest and bag them out of the country during off season, definitely at higher prices. Although Blue Mont Ghana already has an extraction plant in Tamale and plans to stop exportation of the raw nuts, the indigenous folk are not better off since the same market dynamics are still at play.</p>
<p><b>Shea Butter Market:</b> Shea Butter Market is based in Mill Bay, British Columbia, Canada and is into the manufacturing of all natural skin care products made with certified organic, fair trade compliant Shea butter. Shea Butter Market purchases the Shea Butter directly from the Tapko Widow's Group, which harvest the Shea Nuts and processes them into Shea Butter using traditional methods that have been passed down over centuries. They are paid a premium price and 2% of net profits from Shea Butter Market are donated to their micro-credit project , helping them to help themselves. Helping women and families from northern Ghana has been a focus of Shea Butter Market right from the start.</p>	<p><b>Bosbel Industries Ltd:</b> Bosbel Vegetable Oils Limited is one of Ghana's largest Shea butter production and export companies that processes up to 2,400 metric tones of Shea nuts annually for export, with a maximum capacity of 3,600 metric tonnes. After milling the nuts, the oil is extracted, filtered and filled into one-tonne clip boxes or 22-tonne tanks for shipment.</p>

## **Our Competitive Advantage**

This is the first time that the recent proliferation of the mobile phone in Northern Ghana will be taken advantage of to help farmers, women and youths involved in Shea nut processing and extraction. We shall first of all identify all the splinter groups (e.g. Tung- Teiya Shea Butter Extraction Women’s Association (TUSEWA), Damango Christian Mothers Association, The Suhuyini Women’s association, The Ngangwuni Womens Association, Takpo Women) in the Upper West, Upper East and Northern regions of Ghana that are involved Shea butter extraction.

We will enter into dialogue with these groups, hopefully tailoring Mobile SMS and Radio programmes to provide them with relevant information about their trade. With the numerical strength of these indigenous groups and with the support (both technological and commercial) of *KariteInnovate*, they would have a common voice with which to bargain for the sale of their produce.

### **Target Market Analysis**

The Northern sector of the Ghana covers approximately two-thirds of the country's land. Over 900,000 women in Northern Ghana are involved in the collection of 130,000 tones of Shea nuts creating a business that benefits over 2 million people. The three regions of the Northern Ghana which constitute about 41 % of Ghana's total land area have been described as a potential Shea plantation (due to their location in the Sudanian Savanna, a natural growth region of Shea trees). Ghana currently produces some 45,000mt of Shea nuts and generates about \$30m in foreign exchange annually with the potential to reach \$90m. Ghana is world's second largest exporter of the Shea products, behind their northern neighbour, Burkina Faso. This shows that there is high demand for Shea butter and other non-butter products of the Shea nut locally in all of Ghana and internationally. We are targeting 1000 Farmers and 2000 Women in our first year.

### **Marketing Strategy**

KariteInnovate will be marketing the product to larger-volume buyers. Women workers will be paid according to the task and their availability. Our marketing plan will include:

**KariteInnovate Kiosks:** Kiosks will be created to display and to sell the product. For some clients, products will be delivered at the workplace or at home and payments of such orders will be collected at the end of each month. To guarantee the women's income, they will take turns doing the work and are paid on a per-task basis. Our activities will be spread throughout Northern Ghana.

**KariteInnovate Mobile Applications and Radio Programmes:** The present poverty level will not allow the farmers to afford GPRS enabled phones (2G phones). However, cheaper phones (for less than \$20) will be available and will work with the SMS technology. The two main cell phone companies in Ghana, Vodafone Ghana and MTN have provided coverage in the north, giving people in the area the ability to send and receive SMS (text messages).

### **Financial Plan**

According to our financial forecast a positive net income is going to be generated in the coming four years. The expected initial expenses would be **\$158,600**, 20% of which will be financed through NGOs while the rest (\$126,880) will be financed through private or government loans, allowances or donations. We are targeting 1000 farmers and 2000 women in our first year and we are pursuing a 100% growth rate of this number every year till the fourth year. They will be paid **\$800** in total per month and **\$9,600** respectively per year. Programme administrators are going to be employed but they will not be paid since the team members will volunteer for this position. The salary of the account manager who will be responsible for the accounting in the two centers would be **\$500**. The first year **\$60,000** will be spent on special tools for the farmers. Computers and Internet Facilities for the centers will cost **\$1000** and the cost of the radio program will be **\$20,000**. Further initial costs would be generated by the mobile phone cost (**\$60,000**). We are still expecting costs that will occur constantly each year such as the radio programme costs equal to **\$20,000** per year. **The net profit will be increasing from year to year.** We estimated that a woman is going to produce **\$30 kg** of Shea butter per month which means that **360Kg** per year will be produced by a single woman. The targeted price of a kilo of Shea butter would cost you **10 cents**. We further targeted that each year sales would increase with **15%**. See the tables below:

		Type of payment
# of volunteer workers	8	
# of centers	2	
# of mobile phones	3000	
# of program administrators	8	
# of employees (women)	2000	
# of employees (farmers)	1000	
Cost per mobile phone	\$20	one time investment
Monthly wage of a volunteer worker	\$100	constant through the years
wage of administrative worker per month	\$0	constant through the years
account manager wage per month	\$500	constant through the years
cost of tools per farmers and women per year	\$20	initial investment/only for first year
cost of pcs and internet facility	\$1,000	initial investment/only for first year
cost of radio program	\$20,000	per year
transportation (car)	\$2,000	one time payment

Shea butter production of:	single woman per:	Price
2000 women per	month 30kg	\$3
	year 360kg	\$36
2000 women per	month 60000 kg	\$6,000
	year 720000kg	\$72,000

  

# of employees	women farmers	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year	4 <sup>th</sup> Year
		Total	2000	4000	8000
	farmers	1000	2000	4000	8000
	Total	3000	6000	12000	24000

### Income Statement

	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year	4 <sup>th</sup> Year
<b>Revenue</b>				
NGOs initial capital contribution	\$31,720			
Loans/Donations/Allowances	\$126,880			
Shea Nut Butter Sells		\$72,000	\$82,800	\$95,220
<b>Total Revenue</b>	<b>\$158,600</b>	<b>\$72,000</b>	<b>\$82,800</b>	<b>\$95,220</b>
<b>Costs</b>				
<u>General &amp; Administration Costs</u>				
Mobile Phone Cost	\$60,000			
Cost of Tools per Farmer	\$60,000			
Pcs and Internet Facility Costs	\$1,000			
Radio Program Cost	\$20,000	\$20,000	\$20,000	\$20,000
Semi-used Car	\$2,000			
<b>Total General &amp; Administrative Costs</b>	<b>\$143,000</b>	<b>\$20,000</b>	<b>\$20,000</b>	<b>\$20,000</b>
<u>Labor costs</u>				
Volunteer Worker Wage Cost	\$9,600	\$9,600	\$9,600	\$9,600
Account Manager wage cost	\$6,000	\$6,000	\$6,000	\$6,000
<b>Total Labor Cost</b>	<b>\$15,600</b>	<b>\$15,600</b>	<b>\$15,600</b>	<b>\$15,600</b>
<b>Total Cost</b>	<b>\$158,600</b>	<b>\$35,600</b>	<b>\$35,600</b>	<b>\$35,600</b>
<b>Net Profit</b>		<b>\$0</b>	<b>\$47,200</b>	<b>\$59,620</b>



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