

# Business Opportunity

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## Poultry Feed Concentrate Import and Distribution

2017-08

### 1 Objective

The objective of this document is to highlight the business opportunity present for new players for the import and distribution of poultry feed concentrate.

### 2 Background

#### 2.1 SOBA<sup>1</sup>

This market research and business opportunity development has been led by SOBA. SOBA's objective is to establish a sound basis and shared understanding of poultry sector investment opportunity in Sierra Leone. Ultimately, SOBA aims to improve the efficiency and effectiveness of poultry production and processing in Sierra Leone.

#### 2.2 Poultry Context

The poultry sector in Sierra Leone is emergent. A survey last year by SOBA<sup>2</sup> revealed that the total capacity of poultry farms was 151,000 hens. A more recent estimate of the sector ascertains that the present capacity is closer to 200,000 hens<sup>3</sup>. The hens are kept on farms of varying sizes. There are 3-4 farms with a capacity of more than 20,000 hens, some farms have a capacity of 5,000 to 20,000 hens, but most farms have less than 5,000 hens. The total current estimated number of farmers is 100.

This capacity does not satisfy the country's demand for eggs. The market is dominated by imports from Europe, India, and other countries. Previous surveys<sup>4</sup> have concluded that 14 million eggs are imported into Sierra Leone every month, which accounts for 2/3 of the total egg consumption. These imports represent a considerable foreign exchange expenditure; currently imported eggs are more expensive than locally-produced options.

Sierra Leone is potentially capable of meeting demand requirements with locally produced options. This is particularly the case if production inputs, namely feed inputs, are readily available at a manageable cost.

#### 2.3 Current situation: Concentrate

Poultry feed represents 65-70% of the total cost of commercial egg production. The main ingredient in feed is maize, which is produced at a minor scale in Sierra Leone, and the other main ingredient is concentrate. Maize is not a staple food and it is largely grown as an intercrop, while its other uses aren't well known. Therefore, consistent local supply of maize is problematic. To counteract maize supply issues, farmers are importing maize from neighboring countries. Additional solutions being explored are importing complete feed from Europe, and the possibility of using alternative ingredients instead of maize, such as cassava or pigeon peas.

Poultry farmers currently obtain their feed by purchasing poultry feed concentrate in bulk from a distributor and getting other ingredients, such as maize, wheat bran, rice bran, and/or cassava from other traders or

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<sup>1</sup> Sierra Leone Opportunities for Business Action (SOBA) is a private sector development programme that uses a market systems approach to facilitate pro-poor economic growth in Sierra Leone. The programme collaborates with private sector businesses in three primary areas: (1) sustainable energy, (2) agriculture, (3) professional services and entrepreneurship markets, to trial and to scale innovative and inclusive business practices that reduce poverty and improve economic opportunities for poor women and men.

<sup>2</sup> SOBA Poultry farmers baseline study report (2016)

<sup>3</sup> MDS Poultry – primary source communication with SOBA team

<sup>4</sup> SOBA Poultry market overview and recommendation (2017)

farmers. Feed quality varies from farm to farm, as there is no standard feed formula or mixing procedure and limited expertise.

Currently, most feed concentrates are imported from the Netherlands. The main supplier is [Koudijs Feeds](#), which supplies directly to the larger farms. [Havens Feed and Concentrate](#) and Ken Trading are minor suppliers of poultry feed concentrate.

Presently, the major supplier, Koudijs Feed, is delivering poultry feed concentrate at a price of €10,750 for a container of 19.2 tonnes, including transport costs. The customs and clearing cost is \$1,250 USD per container. Taken together, **the overall cost of poultry feed concentrate is approximately €630 per tonne.**

Distributors currently sell Koudijs Feed 20% concentrate at a local price of 310,000 Leones per 50 kg bag. This equates to 6,200,000 Leones per tonne, and a resulting gross margin of approximately 15%. Havens 20% poultry feed concentrate is sold at 280,000 Leones per 50 kg bag<sup>5</sup>.

Two additional poultry feed concentrate suppliers have been identified by SOBA. [TN Hifeed](#) from the Netherlands and [Nuscience](#), from Belgium. TN Hifeed recommends a 25% concentrate at a price of €600 per tonne, carriage and insurance paid, to Freetown. Nuscience provides two options: 20% concentrate at €565 per tonne, and 22.5% concentrate at €530 per tonne.

A summary of poultry feed concentrate suppliers can be found in Appendix I.

## 2.4 Competition:

Within Sierra Leone, the following companies resell concentrate – while some are consistent suppliers, others are irregular and unreliable.

*Table 1. Major competitors in the poultry feed concentrate import and distribution sector*

Competitor	Concentrate Supplier	Sells complete feed?
Lanark Trading	Koudijs Feeds	No
Yele	Koudijs Feeds	Yes
Leecon	Koudijs Feeds	No
Sierra Akker	Koudijs Feeds	No
Pajah	Havens Feed	No

## 2.5 Problem:

A major constraint of the current poultry sector is the availability, quality, and high cost of poultry feed concentrate. The following problems have been identified:

- Intermittent or unreliable access to concentrate inhibits production, which necessitates predictable and quality feed inputs/complete feed in order to maximize production cycle efficiency.
- Farmers are forced to use unacceptable and unreliable products, like fish, in their feed, which is detrimental to production.
- Distrust regarding both quality and availability of concentrate limits willingness to invest in poultry rearing.
- The cost of feed accounts for the majority (70%) of the costs of poultry production<sup>6</sup>. High costs of feed in Sierra Leone inhibits production.

<sup>5</sup> The quality of Koudijs and Havens poultry feed concentrate declared in their specifications is slightly different. Koudijs' concentrate has a higher amino acid and crude protein content, and Havens has higher energy.

<sup>6</sup> SOBA Poultry Farmers Baseline Study Report (June 2016)

### 3 Opportunity

#### 3.1 Opportunity Description

This context and problem presents a strong business opportunity for the importation and distribution of poultry feed concentrate. A market gap and a strong forecasted future demand<sup>7</sup> and few extant poultry concentrate importers means that a new player is poised to enter the market.

To satisfy the current number of commercial poultry farms, it is estimated that there is a demand of 1,500 tonnes of 20% concentrate that needs to be imported every year. The current actual estimate for poultry feed concentrate imports is 1,000 tonnes annually. So, the actual market is estimated to be about 500 tonnes underserved, which has forced some farmers to replace part of the recommended quantity of concentrate with fish products to reduce costs. However, this is at the expense of the quality of the final feed and is not recommended. If farmers can be convinced to replace fish products with high quality concentrate the effective market size is 500 metric tonnes per year.

Additionally, SOBA estimates that the market will grow by 10% in 2017, and continue at least this pace of growth in the near-term. Moreover, if economies of scale enable cost-reduction, the number of poultry farmers willing to increase the size of flocks in production or new farmers willing to enter the sector could be significant.

Based on the current market size there is room for at least one new entrant for the import and distribution of poultry feed concentrate in 2017.

The unit for importing concentrate is a container load of approximately 20 metric tonnes. The utilization period for concentrate is limited due to the shelf-life of vitamins. Therefore, a minimum turnover for a new importer and distributor should be approximately 250 tonnes per year. **SOBA recommends that a new entrant imports a minimum of one 19.2 tonne container of poultry feed concentrate per month, which totals to 230.4 tonnes per year.**

The SOBA poultry expert recommends that a new poultry feed concentrate distributor imports the Nuscience brand, because of the high price-to-quality ratio of their product.

#### 3.2 Revenue Model

<b>Revenue</b>	Tonnes of concentrate (yearly)	Sale price (Leones/tonne)	Revenue (Leones)
	230.4	6,000,000	<b>1,382,400,000</b>

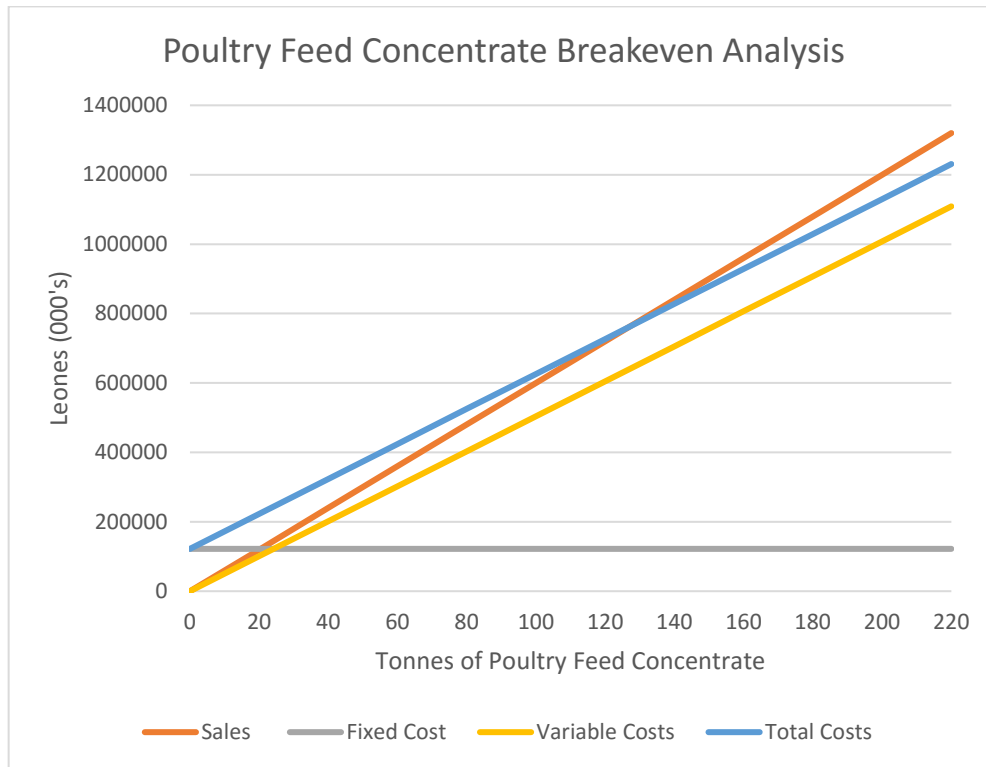
<b>Cost of Goods Sold</b>	Tonnes of concentrate (yearly)	Costs (Leones/tonne)	Total Cost of Good Sold (Leones)
	230.4	5,040,000	<b>1,161,216,000</b>

**Gross Profit      221,184,000**

<sup>7</sup> SOBA Poultry Expert Estimate of 10% YoY

### 3.3 Breakeven Analysis

Figure 1 – Poultry feed concentrate breakeven analysis graph



The required sales of poultry feed concentrate to break even is **127 tonnes per year**.

The required sales of poultry feed concentrate to make a 16% gross margin is **230.4 tonnes per year**.

### 3.4 Required Investment

- Warehouse and office space
- Capital for initial orders and working capital
- Distribution network
- Marketing: establishing and growing key farm clients

## 4 Next Steps

### 4.1 Traction and Validation Roadmap

- Engagement with Nuscience<sup>8</sup>
- Negotiation on price and shipping terms with Nuscience
- Outreach to poultry farmers and compiling a customer base for orders (Appendix II)
- Distribution planning

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<sup>8</sup> See Appendix I for contact information

- Marketing and Sales planning<sup>9</sup>

## 5 Additional Opportunities

This business case does not include the significant potential of additionally importing feed concentrate for other farm animals, such as pigs, sheep, goats, and cattle.

Poultry feed concentrate import and distribution could be combined with the import and distribution of day-old-chicks and/or veterinary medicines and vaccines<sup>10</sup>.

Apart from importing and distributing poultry feed concentrates, this business opportunity could also include the aggregation and distribution other feed ingredients. These ingredients could be by-products of the food industry (wheat bran and rice bran), cassava and pigeon peas.

This business opportunity is based on the supply of poultry feed concentrate to layer hens only. Another poultry line is broiler meat for which concentrates are also applicable. This is also a nascent industry and is currently dominated by Sierra Akker. As this industry grows, however, there could be an opportunity for the acquisition of market share.

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<sup>9</sup> See Branding and Marketing Business Basics series, available from SOBA

<sup>10</sup> See Business Case – Poultry Veterinary Medicines and Vaccines, available from SOBA.

## Appendix I – Poultry Feed Suppliers

Supplier	Location	% Concentrate	Price per tonne <sup>1</sup>	Local Selling Price (50kg bag)	Currently Sold in Sierra Leone	Contact	Phone	Website
Koudijs Feed	Netherlands	20%	€630	Le 310,000	Yes	Bernard Klassen	+31 646224767	www.koudijs.com
Havens	Netherlands	20%		Le 280,000	Yes		+31 478 638 238	www.havens.eu
Ken Trading	Netherlands				Yes			
TN HiFeed	Netherlands	25%	€670		No	Niels Smid	+31 6 40993097	www.trouwnutritionhifeed.com
Nuscience	Belgium	20%	€630		No	Jo De Pandelear	+32 472 47 36 30	www.nusciencegoup.com
Nuscience	Belgium	22.5%	€600		No	Jo De Pandelear	+32 472 47 36 30	www.nusciencegoup.com

<sup>1</sup> Includes shipping, customs, and duty to Freetown

## Appendix II – Database of Major Sierra Leone Poultry Farms

	<b>Name of Poultry Company</b>	<b>Location</b>	<b>Phone Number</b>
1	Pujeh Business Enterprise	Wilberforce, Sierra Leone	076665209
2	Affia Poultry	Kabal	076671207
3	Big Things Poultry	Makeni	078882777
4	Glorious Poultry	Mile 91	077826210
5	Jan & Sank	Mile 91	078404822
6	Memsors Pride	Mile 91	088858808
7	Maji's Poultry	Bo	076163790
8	Breat Construction Company	Ogoo Farm	079544565
9	Macho Poultry	Sumbuya	076673800
10	Dr Jalloh	Off Lumpa Road, Waterloo	076601845
11	Francis Poultry	Makeni	076268259
12	Pa Wurie	Masantigie	076610131
13	Anita Samson	Hastings	077797217
14	Janga Enterprises	Off Newton	076330610
15	Mr. Sesay	Waterloo	076542200
16	Mustapha PMB	Devil Hole	076675111
17	Johnie Elber	Newton Four Mile	088354658
18	Family Poultry	Bo	
19	Wanword Enterprise	Babardorie Lumley, Sierra Leone	076601244
20	Q and A Poultry	Regent Road Lumley, Sierra Leone	076603275
21	Rogers Right Poultry	Godrich, Sierra Leone	030657796
22	Noldred Enterprise	Godrich, Sierra Leone	078230130
23	Green Field	Adonkia, Sierra Leone	076602001
24	Sheku Enterprise	Hamilton, Sierra Leone	099992656
25	Glenis Enterprise	Hamilton, Sierra Leone	076512122
26	Lamrana Poultry	Hamilton, Sierra Leone	076149686
27	Momoh Enterprise	Hamilton, Sierra Leone	030160914
28	Eat Small Small Poultry Farm	Mambo, Sierra Leone	078344304
29	Dorays Poultry	Colegiate School Road, Sierra Leone	076622545
30	Suzlald Enterprise	Majay Town, Sierra Leone	076774171
31	Ayoub Enterprise	Murray Town, Sierra Leone	076661273
32	Wilmacs Poultry Farm	New England Ville, Sierra Leone	076627027

33	Shawee Enterprise	Kissy, Sierra Leone	077394555
34	Rely Force Enterprise	Wellington Old Road, Sierra Leone	076200576
35	Yele Poultry Farm	Allen Town, Sierra Leone	078287545
36	MDS Ascendant Farms	Rokel, Sierra Leone	076923650/076300299
37	Malcolm Enterprise	Pentagon Off Old Rd Rokel, Sierra Leone	077337786
38	Bokum Poultry Enterprise	Old Rail Way Line, Rokel, Sierra Leone	030579681
39	Ya Marie Agro Enterprise	Old Rail Way Line, Rokel, Sierra Leone	077613401
40	Sierra Leone Poultry	Yams Farm Wharf, Sierra Leone	078180170
41	Jamka Poultry Enterprise	Hastings Maston Street, Sierra Leone	077679703
42	Ace Home Farm	Upper Hastings, Sierra Leone	077797217
43	Thomas Poultry Farm	Maroon Town Hastings Quarry, Sierra Leone	079134877
44	Jojo Poultry Farm	Kosso Town, Sierra Leone	076619115
45	Salmaranth Poultry	Upper Kosso Town, Sierra Leone	077648388
46	Technical Poultry Enterprise	Mongegba Grafton, Sierra Leone	076768156
47	Sallie Business Enterprise	Regent Road, Sierra Leone	079751197
48	Sylrose Enterprise	Regent, Sierra Leone	076576113
49	Sugar Loaf Enterprise	Regent, Sierra Leone	076623304
50	Florict Agricultural and General Enterprise	Gloucester, Sierra Leone	076672673
51	Freddy Right Enterprise	Gloucester, Sierra Leone	078833995
52	Ledema Fofanah Enterprise	Gloucester, Sierra Leone	076391425
53	Dolish Poultry Farm	Gloucester, Sierra Leone	088610859
54	Sierra Akker	Sumbuya F/T Highway, Sierra Leone	076759882
55	Djanta poultry Enterprise	Sumbuya F/T Highway, Sierra Leone	088202598
56	Borah Poultry	Konta Line Makoloh, Sierra Leone	076673800
57	Brizza Poultry	Six Mile, Waterloo-Masiaka Hwy, Sierra Leone	078921422
58	Alrassin Poultry	Newton, Old Road, Sierra Leone	076792350
59	African Pride Poultry Farm	Kpoubu, Newton, Sierra Leone	076330610
60	United Poultry Farm	Newton, Sierra Leone	088354658
61	SABI	Newton, Kattu Town, Sierra Leone	076931610
62	Lemon Poultry Ent	Newton, Sierra Leone	077731629



63	Rogberay Farmers Development	Rogberay, Off Newton, Sierra Leone	077943736
64	Roseleneh Business Enterprise	Rogberay, Off Newton, Sierra Leone	078178644
65	Degania Poultry Farm	Modonkeh Rd, Coker Town, Off Newton Rogberay, Off Newton, Sierra Leone	088586689
66	Munu Poultry Enterprise	Modonkeh Rd, Coker Town, Off Newton Rogberay, Off Newton, Sierra Leone	
67	Farm for Business Ent	Mondonkeh, Sierra Leone	076706795
68	Bakmon Poultry Ent	Mabrun off Newton, Sierra Leone	077897511
69	Lanark Trading Company	Bah Drive, 4 Mile Newton Area, Waterloo	076535338
70	Abdul Kamara Ent	Three mile bah drive, Waterloo- Masiaka Highway, Sierra Leone	030327822
71	Nyandehun Poultry	Nyandehun Fofu, Sierra Leone	088945191
72	Saidu Poultry Ent	Masorie, Off Camp junction, Sierra Leone	077724694
73	A C Wurie Poultry Ent	Masantigie, Off Paloko, Sierra Leone	076610131
74	Mac's Poultry Farm	Joe town off Camp Junction, Sierra Leone	088622308
75	Pajah and I J SL Limited	Lumley/Joe Town Off Camp Junction	076585874
76	Salay Burn Ent.	Joe town off Camp Junction, Sierra Leone	077591272
77	Jabex Ent	Campbell Town, Sierra Leone	076603973
78	Free Town Store Ent	Cole town, Sierra Leone	077328355
79	Leecon Poultry Enterprises	Kamara Lane Benguema Road/ Macdonald, Sierra Leone	076686526
80	We Yone Poultry	Off Samuel town, Benguema Rd, Sierra Leone	077257459
81	Kerry Town Poultry	Kerry Town, Sierra Leone	076360604
82	Dimol Poultry Farm	Kerry Town, Sierra Leone	076727738
83	Ayo Carney Poultry Farm	During Town, Sierra Leone	079466427
84	Aminata Poultry Ent	Fire Mambo, Old York Road, Waterloo, Sierra Leone	
85	Augusta Tucker Ent	36 Hartshorn Street, Waterloo, Sierra Leone	077639587
86	Yayah Jabbie Ent	24 Pike Street, Ibo Town, Waterloo, Sierra Leone	076542200

87	Abdul Kargbo poultry	White Stone, Waterloo Highway, Sierra Leone	077248426
88	Bayo Poultry Ent	Upper Deep Eye Water off Quarry, Sierra Leone	077456887
89	A and A Poultry	Lower Deep eye Water, Sierra Leone	076675111