

# Business Plan

## Matta Paung Ku Producer Organisation

### Ma Yin Village, Myeik Township

Producer Organisation offering local  
manufactured animal feed and input supply shop

August 2020

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#### 1. Introduction and background to the Producer Organisation

Ma Yin village is located in the Ma Zaw village track about 43 miles away from Myeik Township. The village is accessible from the junction of the East part of Ma Zaw Pyin Gyi Road. The major livelihood in the village is seasonal highland crop farming and subsistence pig rearing. Some households are also engaged in subsistence paddy production in the nearby surrounding villages.

Traditionally, the villagers raise indigenous pigs as a savings mechanism to cover household expenses, debt and unexpected expenses such as funerals and other personal emergencies.

Typically, these pigs are raised with minimal production costs as they are fed with household food waste and little to no housing. Lack of coordination among the villagers resulted in high transportation costs of commercial feed from Myeik Township. Villagers did not venture into hybrid pig production because of high feeding cost, lack of investment in proper shelter and in adequate access to animal health workers and lack of knowledge in raising hybrid pigs.

The Matta Paung Ku produce group was initiated in November 2018 by the TRRILD project with the support of World Vision Project Staff. A few months after being constituted as a producer group, the decision was taken to collectively purchase inputs in bulk from the Myeik Township. Within the first 6 months, the group transacted approximately 15000 kg of feed with a value of 12,500,000 of MMK. Realising this opportunity, we decided to expand the PG business to an input retail shop servicing our members and non-members in the surrounding villages (see appendix 2). Due to our hard work, commitment, unity and functionality, our PG was prioritised as a candidate Producer Organisation by the TRRILD project in January 2019. Since then, we have hosted many exposure visits to share our experience with other TRRILD producer groups (see appendix 2).

Due to our collective success, we have successfully lobbied for improved road access to our village from the local authorities. This has facilitated the growth of our business as it has become more accessible for customers. Our producer group and members have also benefited significantly from technical support from World Vision in terms of business training and hybrid pig production training. Currently, we have two animal health workers in our PG providing vaccination and ear tagging services to our members.

We acknowledge that developing this enterprise plan is essential for our future plans as we seek to engage our members, business partners, donors and formal lenders. In addition, this plan will assist us in understanding the investments required, the associated risks associated and the expected returns and benefits for the PG and its members. In the remainder of this enterprise plan, we present a concept note of our proposed business strategy, the institutional arrangements that will support our strategy, a one-page business canvas and a forecasted cash flow.

## 2. Concept note

### Concept Note proposals of Matta Paung Ku Producer Organisation (Ma Yin village)

	This column to be filled out by the directors.
<b>Name of producer group:</b>	<b>Matta Paung Ku Producer Organisation</b>
<b>Address of the producer group Village/Township:</b>	<b>Mazaw Village Tract, Ma Yin Village, Myeik Township.</b>
<b>Contact name(s) for this application:</b> <i>(Director(s) of the producer group)</i>	<b>Naw Jue May</b> (Leader) <b>Naw Salnar Htoo</b> (Secretary)
<b>Number of directors</b>	6 persons
<b>Contact numbers:</b> <i>(Chairman, secretary)</i>	<b>Naw Jue May</b> 09 898276271 (Leader) <b>Naw Salnar Htoo</b> 09 262346971 (Secretary)

<b>E-mail address of a contact person:</b> <i>(Where plausible)</i>	Nil		
<b>Number of registered members</b>	42 persons	Males: 1	Females: 41
<b>Proposal description</b>	<p>After realizing the benefits of our collective feed purchasing and selling arrangement, we took the decision to expand our input retail shop and to explore the production of animal feed using locally sourced raw materials.</p> <p>The technical training and support provided by World Vision through the TRRILD project has boosted the confidence of our members to produce hybrid pigs. Some members have invested in improved housing and hybrid pigs and currently depend on inputs from the retail shop to feed their pigs. Generally, feed cost represents approximately 60% of their production costs. Producing animal feed with locally sourced ingredients will result in lower feed costs, and increased profitability for our members. Non-members in the surrounding villages will also benefit from this lower feed cost.</p> <p>In addition to the local feed, the input shop will also supply commercial feed, medication and other essential inputs to our customers. It is our hope that one day we will also supply fertilizer and pesticides to our customers. In summary our proposal focuses on:</p> <ul style="list-style-type: none"> <li>• Animal feed mixing using local ingredients</li> <li>• Expansion of input retail shop</li> </ul>		
<b>Initial process</b>	<ul style="list-style-type: none"> <li>• To develop the enterprise plan</li> <li>• To calculate the profitability of the enterprise</li> <li>• To identify and assigning the duties to members</li> <li>• Determine investment required and method of financing the enterprise plan</li> <li>• To introduce Institutional arrangements to support the enterprise plan</li> <li>• To start the arrangement for expanding input shop</li> <li>• Purchase of feed mixing equipment and pilot first batch of animal feed</li> </ul>		
<b>What resources are needed to achieve the objectives?</b>	<ul style="list-style-type: none"> <li>• Land identification to construct input retail shop</li> <li>• Construction materials (to build retail shop)</li> <li>• Tools and feed mixing equipment</li> <li>• Trained Feed mixing training</li> <li>• Technical support</li> <li>• Supplies (opening stock- feed, fertilisers and other inputs for the shop and feed mixing)</li> <li>• Inputs of raw materials (corn/summer dried fish available around Myeik)</li> <li>• Weighing scales</li> <li>• Grinder</li> <li>• Engine</li> </ul>		
<b>Management and maintenance</b>	Matta Paung Ku producers' Organisation BODs and Chairperson.		
<b>Important partnership stakeholders</b>	World Vision Myanmar, Feed suppliers, Livestock breeding and veterinary Department, Slaughtering houses (licensees), (who are working for the slaughtering houses).		
<b>How will the producer group finance this proposal?</b>	From members (%)	Loan capital (%)	Grants contribution (%)
	48% 3,060,000 MMK	0%	52% 3,360,000 MMK

<b>Use of funds</b>	The total investment required to implement this plan is MMK 6,420,000. This initial investment will cover the costs associated with expanding the input retail shop, feed mixing equipment and initial opening stock. If this proposal is approved, the group is expecting to commence expansion of the retail shop in and feed mixing operation in January – February 2021.
<b>Proposed share capital</b> <b>(For more details, see Institutional arrangements in Section 3)</b>	<p>Total Investment: 6,420,000 MMK</p> <p>Share issue price: 20,000 MMK</p> <p>Debt capital: 0%</p> <p>Grant capital: 3,360,000 MMK (52%)</p> <p>Member contribution: 3,060,000 MMK (48%)</p> <p><u>Distribution of benefits</u></p> <p>Discount system, members with:</p> <ul style="list-style-type: none"> <li>• Less than 4 shares no discount</li> <li>• 4-6 shares, lowest discount</li> <li>• 7-9 shares, intermediate discount</li> <li>• More than 10 shares, highest discount</li> </ul> <p>Dividends are also distributed to members based on their shareholding.</p>

### 3. Proposed institutional arrangements

**Proposed business:** Animal feed mixing and input retail facility

**Value proposition:** reducing members’ production costs by retailing quality inputs at an affordable price and producing animal feed using locally sourced ingredients

**Investment requirement:** Fixed investment to expand input supply shop for storage and feed mixing equipment (may need a concrete pad plus wall on one side with covered partitions to separate and protect bulk ingredients from rain damage)

**Source(s) of capital:** Equity capital contributed by members (including any grants made to members by the Project) and debt capital.

**Capital instrument:** Tradable equity shares with price discounts linked to the number of shares purchased. Larger investors who buy more shares will benefit from larger price discounts on inputs purchased from the PO. If the BoD agrees to sell shares to non-member investors, these shares will be identical to those purchased by members but they will not entitle non-members to attend or cast votes at general meetings called by the PO.

**Assumptions/Conditions:**

- Members of the PO are willing and able to invest the equity capital needed to implement a viable business plan.
- POs will be mentored to administer the share system and its associated price discounts
- Price discounts will be attached to the retail value of any purchase made by a shareholder, where the retail value is based on prices that a non-shareholding customer would have to pay.

- Price discounts are determined by the level of investment, not the volume or frequency of actual transactions. The expectation is that larger patrons will purchase more shares as they stand to benefit more from the larger price discounts conferred by larger shareholdings.
- The total number of shares issued is contingent on the level of equity capital required to finance the assets required to implement a viable business plan. The BoD will decide on the total number and initial price of shares issued, and will establish the price discounts that shareholders qualify for depending on the number of shares they own.
- Equity shares and their associated price discounts can be transacted between members and with new members, but the price discounts cannot be leased or lent to other members or non-members.
- At the end of the financial year, at the BoD's discretion, dividends will be distributed based on shareholding.

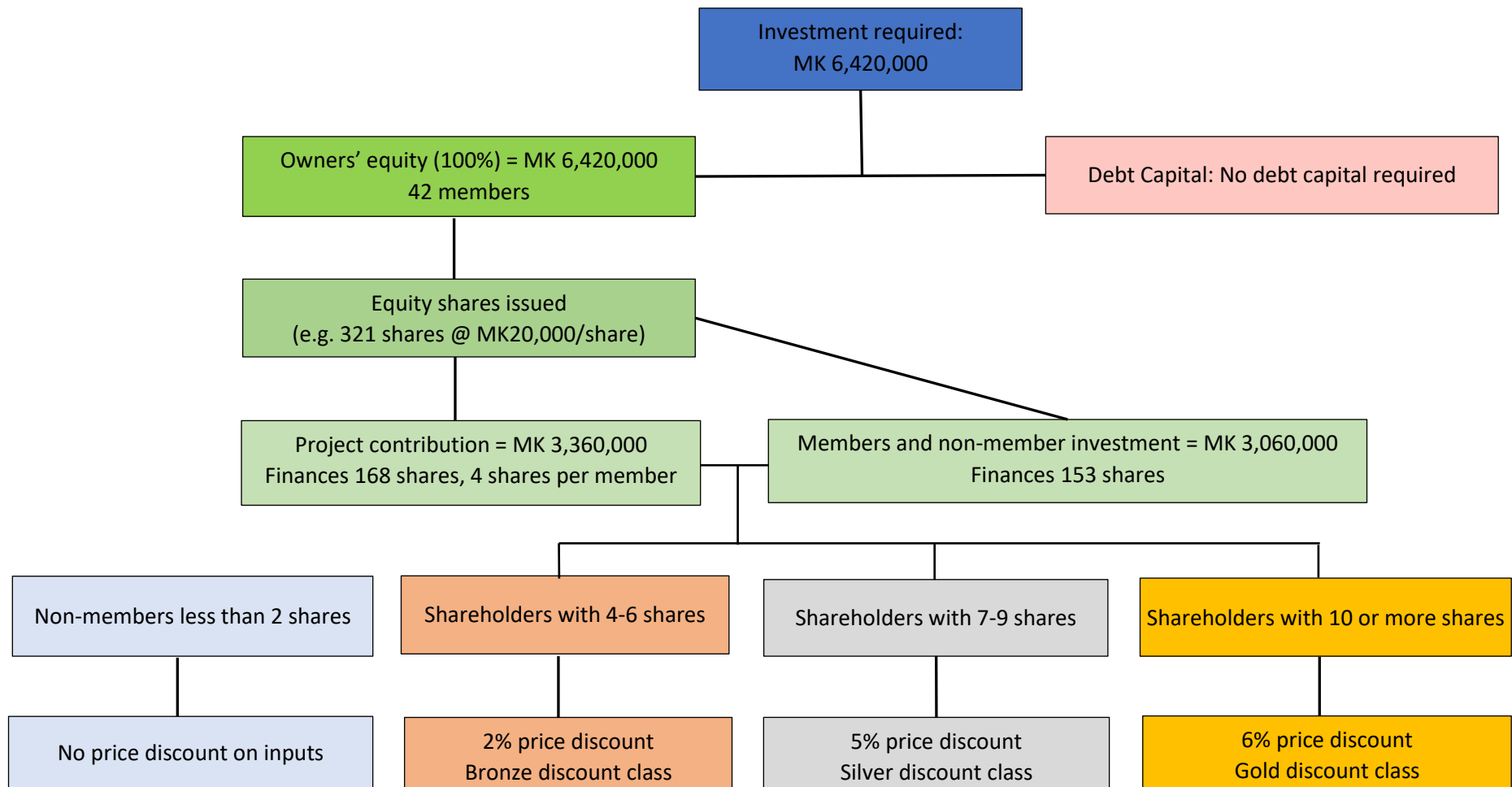
### An illustrative example

To illustrate the proposed share system, consider an investment of MK 6,420,000 in infrastructure and equipment. This example builds on the informal rules created by Ma Yin directors to finance their earlier investment in the input retail business. To raise equity capital worth MK 6,420,000, the PO issues 321 shares at a share issue price of MK 20,000 per share. The project funds 4 shares per member to ensure that even the poorest of the PO's 42 registered members has a beneficial interest in its assets. This equates to a total of  $(4 \times 42) = 168$  shares that cost the project MK 3,360,000 in grant funding. That leaves the PO with 153 shares to sell in order to raise the remaining MK 3,060,000 of equity capital. On average, each of the 42 members would have to buy an additional 3-4 shares to meet the remaining equity requirement.

To encourage members to buy these shares, the BoD decides that ownership of at least 10 shares will qualify the shareholder for a substantial discount, say 6%, on the amount that a non-shareholder would be charged for inputs. Similarly, the BoD sets an intermediate discount of 5% for members who own at least 7 shares, and a modest discount of 2% for shareholders who own at least 4 shares. This means that all of the PO's members will qualify for the modest discount as the project's grant provides each member with 4 shares. Non-members, however, will have to buy at least 4 shares to qualify for the base discount. The shop can adjust their retail prices to cover costs, just as they do now, but the price discounts will have to be small enough to maintain profitability. As a further incentive to buy shares, any profits distributed by the BoD at the end of the PO's financial year, will be returned to shareholders as a dividend paid equally on each and every share. Larger shareholders therefore stand to benefit more from price discounts and dividend payments. Figure 1 over-page presents a visual summary of this example.

Continuing the example, if the weighted average mark-up on wholesale prices inclusive of transport costs to a non-shareholder is charged 15%, then the maximum discount rate may confer a 6% discount on the retail prices, (reducing the mark-up on the wholesale price to 9%). The intermediate discount may confer a discount of 5% on retail prices (reducing the mark-up on wholesale prices to 10%), and the lowest discount may confer a discount of only 2% (reducing the mark-up on wholesale prices to 13%). **The prices and discounts used in this example are not recommendations. In reality the BoD must set prices for inputs and the discount rates.** The price of inputs may be changed by the BoD to ensure that payments made by users cover the wholesale costs of inputs and transportation, but the discount rates set by the BoD when the shares are issued should not be changed as this will disadvantage some members relative to others.

To get their price discount from the PO's retail shop, shareholders must present a personalised card that is colour coded to show what level of discount they are entitled to receive. For example, owners of 10 or more shares get a gold card, owners of 7 shares get a silver card, and all other owners with 4 or more shares get a bronze card. Members and new members can buy, but not hire or borrow, these cards from other members who are willing to sell their equity shares. For example, a member who is expanding his farming operation and who owns only three shares, could buy 2 or 3 more shares from other shareholders who may be cutting back on production. The buyer and seller would then register the share transaction with the PO, the share register and individual share certificate would be updated, and the two parties would be issued with new personalised cards reflecting their amended shareholding. Clearly there would be a fee attached to these transactions to cover the costs of recording transactions and issuing new cards. See example illustrated in Figure 1.



**Figure 1: Illustrative example of share system with price discounts for inputs**

## 4. Business canvas for Matta Paung Ku Producer Organisation

Matta Paung Ku Producer Organisation's business model canvas (Ma Yin Village)		Designed for: (Ma Yin Village)	Designed by: Matta Paung Ku's BoC	Date:	Version:
Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments	
<ul style="list-style-type: none"> <li>PG members (equity, customers)</li> <li>World Vision (technical advice)</li> <li>Thant Zin Nyi Naung Feed Supplier (Myeik)</li> <li>Htun Animal inputs and technical providing service (Myeik)</li> <li>La Pyae animal inputs shop (Myeik)</li> <li>Livestock Breeding and Veterinary Department</li> <li>Transportation service providers</li> </ul>	<ul style="list-style-type: none"> <li>Credit sales for customers</li> <li>Livestock extension eervice</li> <li>Provide market linkage for pig selling</li> <li>Production of animal feed</li> <li>Input retail</li> </ul>	<ul style="list-style-type: none"> <li>Improving members' profitability by providing pig feed with lower price mention with retail/wholesale prices from Myeik Township.</li> <li>Provide gienuine quality credit sales for customers</li> <li>Convenient one stop shop for animal and farming needs</li> <li>Providing free livestock extension service and market linkage.</li> </ul>	<ul style="list-style-type: none"> <li>Value to all customers.</li> <li>Price discounts.</li> <li>In terms of pig selling market linkage, prioritizely linking to shareholders pigs during low demad periods.</li> <li>Providing door to door service if require.</li> </ul>	<ul style="list-style-type: none"> <li>PG members</li> <li>Non-members</li> <li>Farmers, villagers.....</li> </ul>	
	Key Resources		Channels		
	<ul style="list-style-type: none"> <li>Capital</li> <li>Management committee (BOD)</li> <li>Weighing machine</li> <li>Feed mixing machine/equipment</li> <li>Electricity</li> <li>Laptop for systemetic accounting system</li> </ul>		<ul style="list-style-type: none"> <li>Word of mouth</li> <li>Field visit</li> <li>Advertize the business during S4T meeting, team meeting, training, etc.</li> <li>Viber group</li> </ul>		
Cost Structure			Revenue Streams		
<b>Operations cost:</b> <ul style="list-style-type: none"> <li>Cost of raw material</li> <li>Electricity,</li> <li>Labor</li> <li>Transportation</li> </ul>	<b>Admin cost</b> 5.3 %of total sales 120000 MMK <u>Breakdown</u> 1.9 % for Accountant (40000 MMK) 0.8 % for Treasurer (20000 MMK) 2.6 % for shopkeeper and sales representative (60000 MMK)	<b>Discount:</b> Larger investors get higher discounts on the cost of inputs purchased. <ul style="list-style-type: none"> <li>Holding 10 or more shares</li> <li>Holding 7 to 9 shares</li> <li>Holding 4 to 6 shares</li> </ul>	<ul style="list-style-type: none"> <li>Selling pig feed and other inputs</li> </ul>		

## 5. Financial projections

1. Sale forecast Plans, 2. Profit and Loss Plans and 3. Cashflow Plans



Cahs flow Myanmar  
(Myeik) - Pigs - Feed - Feed Making Busin