Business Opportunities in the Production of Beauty Cosmetics from Agricultural Products

A project co-funded by the European Union

BIC ETHIOPIA
AFRICAN BUSINESS INCUBATOR COMMUNITIES

Study developed by:

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Abbreviations

The following abbreviations are used in the report:

AAU: Addis Ababa University

AACCSA: Addis Ababa Chamber of Commerce and Sectorial Association

ASDS: American Society for Dermatologic Surgery

BLA: Bulgarian Lavender Association

CAGR: Compound Annual Growth Rate

EDRI: Ethiopian Development Research Institute

EEA: European Environment Agency

EFDA: Ethiopian Food and Drug Authority

EHPA: Ethiopian Herbal Products Association

EIAR: Ethiopian Institute of Agricultural Research

ETB: Ethiopian Birr

GSA: Global Shea Alliance

IGA: Income Generating Activity

IPCC: Intergovernmental Panel on Climate Change

MoA: Ministry of Agriculture

MoE: Ministry of Education

MoF: Ministry of Finance

MoTI: Ministry of Trade and Industry

MoTT: Ministry of Industry and Trade

MSMEs: Micro, Small, and Medium Enterprises

NABARD: National Bank for Agriculture and Rural Development

NGOs: Non-Governmental Organizations

R&D: Research and Development

SHGs: Self-Help Groups

SMEs:	Small and Medium-sized Enterprises
UNCTAD:	United Nations Conference on Trade and Development
UNDP:	United Nations Development Programme
UNIDO:	United Nations Industrial Development Organization
USD:	United States Dollar
VC:	Value Chain
VCD:	Value Chain Development
WIPO:	World Intellectual Property Organization

BIC ETHIOPIA
AFRICAN BUSINESS INCUBATOR COMMUNITIES

01: Project background and introduction

BIC Ethiopia targets strengthening the incubation ecosystem for entrepreneurs and micro, small and medium-sized enterprises (MSMEs) active in agri-tech and agri-business in Ethiopia. Key challenges addressed are sustainability of business models for incubators, quality of business support services, availability of services outside Addis Ababa, access to finance for MSMEs and strengthening the relevant regulative framework supporting start-ups. There is a specific focus to expand services beyond Addis Ababa to also cover secondary cities and rural Ethiopia to support geographically inclusive growth.

The project aims to address these bottlenecks in the Ethiopian startup ecosystem by working with fifteen (15) selected existing and newly established incubators and by supporting them in developing sustainable and technically sound business models. The incubators are thus enabled to better support start-ups and MSMEs in agricultural technology and agribusiness to improve market access, generate higher incomes and create jobs.

The action is implemented by a consortium of five organisations, led by sequa gGmbH, a German non-profit specialist in private sector development in low-income markets, active internationally since 1991 and in Ethiopia since 2002. The Addis Chamber of Commerce and Sectoral Associations capitalises on its reach-out to 50,000 SME members and its experience to shape national policies in favour of the private sector. adelphi gGmBH and GrowthAfrica Foundation contribute their vast experience in curriculum development towards start-ups, entrepreneurs, the capacity building of incubation hubs and acceleration programmes, and access to finance strategies. icehawassa, a national grassroots innovation centre, and the Ethiopia-focused foundation Menschen für Menschen (MfM) establish, expand, and manage incubation centres in the southern and northern regions.

BIC Ethiopia also works with the Ethiopian Association of Startup Ecosystem (EASE) and the regional network BIC Africa. The former is currently being established by private, academic, and non-profit incubators to serve as a network and discussion forum for incubation centres in Ethiopia, while the latter is a regional network supporting business incubators in Africa to excel and spark a wide impact in society.

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02: Executive Summary

Ethiopia's cosmetics industry demonstrates significant potential through its rich biodiversity, cultural heritage, and growing consumer interest in natural products. However, systemic challenges including technological gaps, regulatory ambiguity, and infrastructural deficits hinder scalability. Addressing these issues requires coordinated efforts between policymakers, researchers, and industry stakeholders, alongside increased investment in education and training to build a skilled workforce. Through fostering an environment, that supports innovation and sustainability, Ethiopia can position itself as a leader in the natural cosmetics market.

This report examines the significant business opportunity in Ethiopia for producing beauty cosmetics from agricultural products. Ethiopia's rich agricultural biodiversity, coupled with a growing domestic demand for natural and organic beauty products, creates a fertile ground for this industry. The report highlights the potential for utilizing locally sourced ingredients like black cumin and various plant extracts to create unique and marketable cosmetic products. It also explores the potential for export, leveraging Ethiopia's trade agreements and the global demand for ethically sourced and sustainable beauty products.

Key business opportunities include the utilization of local ingredients, which allows entrepreneurs to explore the potential of agricultural products like black cumin and shea butter in cosmetic formulations. Additionally, there is export potential as Ethiopia can leverage its trade agreements to access international markets for naturally sourced cosmetics. The growing consumer demand for sustainability aligns product offerings with the preference for clean and sustainable beauty products.

However, challenges remain, such as technological, management and regulatory gaps that need to be addressed. The lack of clear guidelines of product standardization, operational efficiency and modern production techniques can hinder product quality, productivity and market access. Moreover, inadequate access to financing poses a significant barrier, emphasizing the necessity for improved funding mechanisms that support small and medium-sized enterprises (SMEs). These financial resources are crucial for enhancing production capabilities, enabling consistent sourcing of raw materials, and optimizing distribution channels.

To capitalize on these opportunities and address the existing challenges, actionable recommendations for young entrepreneurs include developing comprehensive business plans that outline strategies for effectively leveraging local agricultural resources in cosmetic production. It is essential to prioritize quality and certification by investing in robust quality control measures and obtaining necessary certifications to enhance marketability and competitiveness. Additionally, establishing partnerships with local farmers, suppliers, and educational institutions can create sustainable sourcing networks and bolster production capabilities. Entrepreneurs should also seek innovative financing solutions to secure the necessary funding for operational improvements and modern production techniques, ensuring they can meet market demands effectively.

Furthermore, young entrepreneurs should innovate their marketing strategies by utilizing digital platforms and social media to promote brand awareness and connect with consumers seeking natural and organic products. Engaging in continuous learning to stay informed about market trends and consumer preferences will enable entrepreneurs to adapt their product offerings accordingly.

03: Background of the project

Cosmetics encompass a wide array of products designed for personal care and enhancement, typically applied to the face and body to cleanse, beautify, or alter appearance. They include items such as makeup, skincare, fragrances, and hair products (Draelos, 2016). Cosmetics are defined as substances or preparations intended to be applied on various external parts of the human body with the purpose of cleaning, perfuming, changing appearance, correcting body odors, protecting or keeping those body parts in good condition. These substances include perfumes, skin creams, lotions, deodorants, makeup, hair preparations, and others (EFMHACA, 2014; Getachew & Tewelde, 2018) and widely used by every socioeconomic class of human beings (Amasa et al., 2012).

The use of cosmetics for beautification or appearance enhancement is a widespread human behavior observed across diverse cultures throughout history, serving various social and personal purposes (Bilal et al., 2016). In Western society, however, majorly women are perform the self-adornment, with facial cosmetics being one of the most common practices. This behavior is supported by the multi-billions pound global cosmetics industry. Women mentioned various reasons why they are using cosmetics/makeup, ranging from concern about facial appearance, conformity to social norms, self-consciousness in public settings, and a desire to appear more confident and assertive to others. People who use makeup are often perceived as healthier, wealthier, more competent, likable, trustworthy, prestigious, and assertive. Cosmetics also known to enhance social perception, influence the behavior of others, especially men, who tip higher amounts and with greater frequency to waiters wearing cosmetics, and are more likely to approach wearers in the environment. It is likely that the effect of cosmetics on social perceptions is brought about by the increase in attractiveness it confers to faces, which is now a well-documented effect. Studies show that cosmetics function by adjusting sex-related facial coloration, improving skin uniformity, and altering color signals related to traits like health and age (Jones & Kramer, 2016).

In recent years, the beauty and cosmetics industry is constantly evolving with new formulations, trends, and marketing strategies often driven by consumer demand for efficacy, safety, and ethical sourcing. It has experienced a significant shift in consumer preferences with a growing demand for clean, natural and sustainable products both globally and locally (Getachew & Tewelde, 2018). Plant-based products are increasingly popular choices in modern markets. Many facial creams, soaps, shower gels and oils (including those used for massage, hair growth and so forth) are increasingly relying on natural products from forests (FAO, 2020). Among plant-based products, consumers increasingly seek beauty cosmetics derived from agricultural sources as they are perceived to be more environmental friendly, healthier, and aligned with ethical values. This trend presents a unique opportunity for entrepreneurs to explore the manufacturing of beauty cosmetics using agricultural resources (Barros & Barros, 2020).

To get the most out of it on this market, it is crucial to conduct a comprehensive study to evaluate the potential and business opportunities in the production of beauty cosmetics from agricultural products. This current project was aimed to investigate the business opportunity potential in utilizing agricultural resources as raw materials for beauty cosmetic formulations. By exploring this market, the study can provide valuable insights, findings, ideas, and recommendations for novice entrepreneurs seeking to enter the beauty and cosmetics industry. The study has focused on understanding the market dynamics, consumer preferences, and industry trends related to natural

and sustainable beauty cosmetics. It has assessed the availability and suitability of agricultural products as raw materials, examining their properties, benefits, and potential challenges in formulation and production processes. Additionally, the study has explored the regulatory landscape, supply chain considerations, and potential partnerships within the agricultural and beauty cosmetic industries.

The findings of this study will contribute to the development of innovative practices within the beauty and cosmetics industry in Ethiopia. The insights gained will assist entrepreneurs, investors, and industry stakeholders in making informed decisions regarding the production and marketing of beauty cosmetics derived from agricultural resources.

04: Rationale of the study

Ethiopia, known for its rich agricultural resources that can be utilized as a diverse range of inputs and natural ingredients for beauty and cosmetics products formulations. These include plant extracts, essential oils, herbs, and traditional ingredients with significant cosmetic properties (Aburjai & Natsheh, 2003). For instance, Ethiopian honey, avocado oil, and coffee bean extracts are just a few examples of agricultural products that can be incorporated into cosmetics (Ferreira et al., 2022). The utilization of these locally sourced ingredients not only supports sustainable practices but also promotes the growth of the agricultural sector. On the other hand, the beauty and cosmetics industry has indicated a growing demand for natural and sustainable products, driven by changing consumer preferences globally and locally. This presents a significant opportunity for entrepreneurs to explore the manufacturing of beauty cosmetics using agricultural resources. To capitalize on this market trend, it is essential to conduct a comprehensive study to assess the potential of producing beauty cosmetics from agricultural products. This study aims to investigate the utilization of agricultural resources as raw materials for beauty cosmetic formulations and identify the business opportunities that arise from this approach. By exploring this market segment, the study can provide valuable insights, findings, and recommendations that offer information and advice for novice entrepreneurs entering the industry.

With the understanding of the above facts and by conducting this study, entrepreneurs, investors, and industry stakeholders will have access to valuable information that can help their decision-making processes. The study will contribute to the development of innovative practices within the beauty and cosmetics industry, highlighting the potential of agricultural resources and empowering entrepreneurs to seize the business opportunities in producing beauty cosmetics from these sources.

05: Objectives of the study

General Objectives

- Explore and identify business opportunities in the production of beauty cosmetics from agricultural products, providing valuable business information for young innovators in this sector.

- Provide an overview of the beauty cosmetics industry with a focus on products derived from agricultural sources, emphasizing the role of innovative production methods and sustainable sourcing.
- Highlight the importance of conducting a comprehensive study to explore opportunities within the beauty cosmetics sector, specifically tailored to empower young entrepreneurs in creating organic and environmentally friendly products.

Specific Objectives:

- Conduct an extensive study of the value chain associated with producing beauty cosmetics from agricultural products, considering sourcing, processing, and packaging.
- Identify and analyze business opportunities within the beauty cosmetics industry, with a strategic focus on creating pathways for young entrepreneurs to develop sustainable and eco-friendly products.
- Evaluate the current state of production practices for beauty cosmetics from agricultural sources and assess their potential for entrepreneurial ventures, emphasizing sustainability and market trends.
- Develop practical recommendations and guidelines to assist young entrepreneurs in establishing startups within the beauty cosmetics sector, emphasizing sustainable practices and innovative packaging solutions.

06: Scope of Work

a. Value Chain Analysis

- Map the complete value chain associated with the production of beauty cosmetics from agricultural products.
- Identify key stakeholders and potential entry points for young entrepreneurs in the beauty cosmetics production industry.

b. Market Trends and Consumer Preferences

- Investigate current market trends in packaging, specifically for beauty cosmetics derived from agricultural sources.
- Analyze consumer preferences and their impact on entrepreneurial opportunities in the beauty cosmetics production sector.

c. Entrepreneurial Opportunities

- Identify specific niches and gaps within the beauty cosmetics production sector suitable for startups.
- Assess the feasibility and success factors for young entrepreneurs, considering the unique aspects of beauty cosmetics from agricultural products.

d. Guidelines for Startup Empowerment

- Develop comprehensive guidelines and recommendations tailored for young entrepreneurs aiming to establish startups in the beauty cosmetics production sector.
- Include insights on funding options, regulatory considerations, and sustainable practices.

07: Methods of the study

07.01: Desktop study

Desktop Reviewing/research: A desktop review was conducted to assess business opportunities in producing beauty cosmetics from agricultural products, examining existing practices and market conditions. Data sources include exports; imports, consumption, trade figures, and industry documents obtained online or from professional organizations were used. This desk review could give a secondary data analysis, followed by a primary research phase to refine findings. The study aims to identify opportunities, key constraints, and solutions within national and regional contexts, focusing on production, marketing, value chain, and competitiveness.

Benchmarking study was conducted and success stories compiled within and outside countries through literature which can be exemplary and successful in cosmetics industries in general and cosmetics production from agricultural produces in particular and thereby relevant lessons has included in the final report. The study team as an intervention mechanism or AACCSA advocacy has recommended such lessons.

07.02: Stakeholders' identification

The study identified and actively engaged major stakeholders for consultations, interviews, and key informant discussions to gather their views, opinions, and concerns. Their views, opinions and concerns were noted during the study. The consultation has provided an opportunity to learn and share the prominent information in the area about the project.

07.03: Conducting Case study

This study has included a case study, selecting two representative small and medium-sized cosmetic companies that utilize agricultural products and have demonstrated notable success. The study was conducted a detailed analysis of their operational efficiency, investment status, market exploration trends, and overall performance to gain a comprehensive understanding of their operations within the existing industrial environment. The findings are expected to provide valuable insights for industry participants and serve as a reference for future decision-making.

07.04: Data collection

07.04.01: Data type/source

The study was employed a mixed-methods approach to data collection, utilizing both primary and secondary sources.

07.04.02: Primary data collection

Primary data were collected through in-depth interviews, consultations with resource persons, focus group discussions, and surveys administered to relevant organizations.

Key informants Interview: Interviews with firms, stakeholders, and individuals were conducted through telephone or face-to-face methods for convenience. These interviews aim to gather insights on product movement, value chain actors' capacities, information sharing, trust levels, and learning sources. They can also identify opportunities, constraints, and service gaps affecting the competitiveness of the value chain of the industry at local, regional, and national levels.

Questionnaire: Structured and standardized questionnaires were prepared and distributed to respondents to collect data for the study.

Focus Group Discussion: A method used alongside individual interviews to explore concepts, generate ideas, and identify differences in opinions among stakeholder groups involved in similar activities. Groups of 4–7 individuals performing similar roles engage in guided discussions to capture social interactions and decision-making processes that might be overlooked in structured interviews.

Field Visit/Observational Study: The study team conducts visits to companies around Addis Ababa that are engaged in business activities related to the specified commodities and products.

07.04.03: Secondary Data collection

Secondary data were collected through extensive document analysis of published and unpublished study materials, national and international organizations such Database, annual reports, magazines, newsletters, workshops, and proceedings in addition to desk review.

07.05: Method of analysis

Quantitative analysis was conducted to evaluate the sector/commodity by examining value-added distribution, profitability, productivity, production capacity, and benchmarking against competitors. Data collection involved multiple instruments, and responses were analyzed descriptively using software tools like SPSS and STATA.

Key informant interviews, rapid observations, and focus group discussions were analyzed qualitatively using content analysis and thematic analysis.

08: Overview of the agricultural produces for beauty cosmetics industry in Ethiopia

The cosmetics industry in Ethiopia is undergoing significant growth and modernization, driven by evolving consumer preferences, urbanization, changing lifestyles, and increasing purchasing

power. Regulatory frameworks, notably enforced by the Ethiopian Food and Drug Authority (EFDA) to ensure product safety and quality of beauty and personal care products has also contribution for this shift. The development of beauty and cosmetics industry offers opportunities for local entrepreneurs and global brands, contributing to economic diversification, job creation, and community empowerment. Understanding Ethiopian beauty preferences, shaped by climate, culture, and lifestyle, is essential for success. This dynamic, lucrative, innovative, and fast-paced sector presents both opportunities and challenges for businesses in beauty and personal care (Gebre, 2024).

The cosmetic industry manufactures and distributes cosmetic products used daily by millions of consumers. The industry has been initially focused on necessities like soap, shampoo, and hair oil, and as time changed, the industry has expanded to include a wide array of products such as perfume, deodorant, color cosmetics, skincare, haircare, and toiletries. The formulations involve thousands of chemical compounds, with global production and consumption exceeding thousands of tons annually (Mondello et al., 2024).

Ethiopia is known with an immense biodiversity in its flora composition and unique agro-climatic conditions, is home to a variety of agricultural products that are increasingly being utilized in the cosmetics industry. The country produces a range of natural ingredients, including essential oils, herbs, and plant extracts, which are integral to the formulation of cosmetics (Ethiopian Coffee and Tea Authority, 2021). The use of plants is as old as human kind and in the coming years, the market will see many new products containing natural oils and herbs. Plants were once the main source and foundation of all cosmetics, before methods were discovered of synthesizing substances with similar properties. Herbal 'total extracts' as well as 'selective extracts' are used in cosmetics. Total extracts are applied mainly according to the historical tradition of their use. On the other hand, selective extracts are employed more by reason of investigation into their specific activity (Aburjai & Natsheh, 2003). For instance, Ethiopia is one of the largest producers of coffee in Africa, and coffee oil, derived from the beans, is gaining popularity in skincare products due to its antioxidant properties. According to the Ethiopian Coffee and Tea Authority, the country produced approximately 7 million bags of coffee in the 2020/2021 season, highlighting the potential for coffee-derived cosmetic ingredients (Abdalla et al., 2024), Ethiopian Coffee and Tea Authority, 2021).

In addition to coffee, other agricultural products such as shea butter, sesame oil, and various herbs are also significant in the cosmetics sector. Shea butter, sourced from the nuts of the shea tree, is widely used for its moisturizing properties and is a staple in many cosmetic formulations. Ethiopia's shea tree population is estimated to cover around 1.5 million hectares, primarily in the southern regions, providing a sustainable source for cosmetic manufacturers (FAO, 2020). Furthermore, sesame oil, extracted from sesame seeds, is known for its emollient properties and is often included in skin and hair care products. The country produced approximately 200,000 tons of sesame seeds in 2020, making it one of the top producers globally (FAO, 2020).

Countless cosmetic products are available, each with a unique combination of components. A typical product will contain anything from 15 to 50 ingredients as shown in Figure 1.

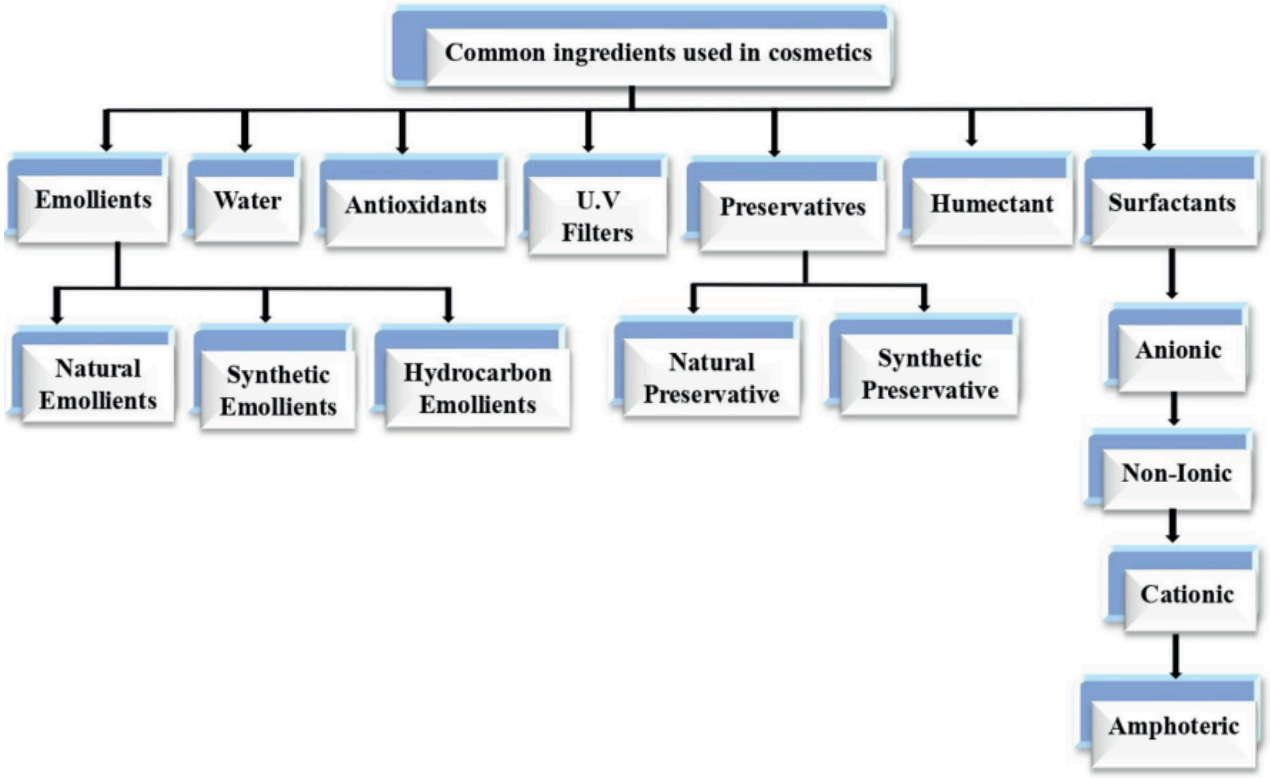

Figure 1: Common ingredients used in cosmetics
Source : (Sharma et al., 2023)

The growing interest in natural and organic cosmetics has opened new avenues for Ethiopian agricultural products in the global market. With increasing consumer demand for sustainable and ethically sourced ingredients, Ethiopian farmers and producers are well positioned to capitalize on this trend. The Ethiopian government has been supportive of this sector, promoting initiatives to enhance the quality and export potential of these agricultural products. The global cosmetics market size was valued at approximately USD 311.23 in 2024 and is anticipated to grow to USD 519.15 billion by 2033, with a CAGR of 5.83% over the forecast period (2025–2033). Ethiopia's unique agricultural offerings could play a significant role in this growth, providing economic opportunities for local communities and sustainable products for consumers worldwide (Statista, 2024).

The use of cosmetic and beauty products derived from forests has a history dating back more than 6 000 years. Traditional beauty products were almost invariably derived from plant, animal or surface mineral sources, including many forest products. However, today, the vast majority of ingredients in commercially available cosmetics are synthetic compounds mainly derived from petroleum and natural gas. Nonetheless, plant-based products are becoming increasingly popular choices in modern markets. Many facial creams, soaps, shower gels and oils are increasingly relying on natural products from forests. There is significant potential for products derived from forests to capture an increased share of the global beauty and cosmetic market, the value of which was estimated at USD 460 billion in 2014 and is expected to grow rapidly to USD 675 billion by 2020 (FAO, 2020).

08.01: Economic importance of beauty cosmetics industry

The beauty cosmetics industry in Ethiopia is facing significant challenges due to economic constraints and socio-political unrest, which affect its growth prospects. However, it is projected to grow by 4.53% from 2024 to 2028, aiming for a market volume of approximately US$677.50 million by 2028. This indicates potential economic importance in terms of job creation, revenue generation, and supporting local businesses.

The beauty cosmetics industry in Ethiopia is emerging as a significant contributor to the country's economy, driven by both local demand and export potential. As consumer awareness of personal care and beauty products increases, the market for cosmetics is expanding rapidly. According to a report by Research and Markets, the Ethiopian cosmetics market was valued at approximately USD 200 million in 2020 and is projected to grow at a compound annual growth rate (CAGR) of 7.5% through 2025 (Research and Markets, 2021). A rising middle classes, urbanization, and changing consumer preferences towards natural and organic products, which are abundant in Ethiopia due to its rich biodiversity, fuel this growth. The local production of cosmetics not only meets domestic needs but also opens avenues for export, enhancing foreign exchange earnings.

Moreover, the beauty cosmetics industry plays a crucial role in job creation and empowerment, particularly for women. Many small and medium-sized enterprises (SMEs) in Ethiopia are involved in the production of cosmetics, often utilizing locally sourced ingredients such as shea butter, essential oils, and herbal extracts. This not only supports local agriculture but also provides employment opportunities in rural areas, where women are often the primary beneficiaries. According to the International Trade Centre, the cosmetics sector has the potential to create thousands of jobs, particularly in manufacturing, marketing, and distribution (International Trade Centre, 2020). By fostering entrepreneurship and supporting local businesses, the beauty cosmetics industry contributes to economic development and poverty alleviation in Ethiopia, making it a vital sector for the country's future growth.

08.02: Production overview of beauty cosmetics

The production of beauty cosmetics in Ethiopia has witnessed significant growth in recent years, driven by a combination of local demand, the availability of natural resources, and a burgeoning interest in organic and sustainable products. The country is endowed with a rich diversity of flora, which provides a wide array of raw materials for cosmetic formulations. Key ingredients such as shea butter, coffee oil, and various essential oils are sourced from local agricultural practices, allowing manufacturers to create products that are not only appealing to domestic consumers but also competitive in international markets. According to the Ethiopian Investment Commission, the cosmetics sector is recognized as a priority area for investment, with the government actively promoting initiatives to enhance production capabilities and improve quality standards (Ethiopian Investment Commission, 2021). This focus on local sourcing not only supports the economy but also aligns with global trends favoring natural and organic cosmetics.

A mix of small-scale artisans and larger manufacturing companies characterizes the production landscape in Ethiopia. Many local producers emphasize traditional methods and natural ingredients, which resonate with consumers seeking authenticity and sustainability. For instance, small enterprises often produce handmade soaps, lotions, and hair care products using indigenous

plants and herbs, tapping into the growing market for artisanal and organic cosmetics. Larger companies, on the other hand, are increasingly investing in modern production facilities and technology to scale up their operations and meet the rising demand. The Ethiopian Chamber of Commerce and Sectorial Associations reported that the cosmetics industry has the potential to create thousands of jobs, particularly for women, who are often involved in both production and sales (Ethiopian Chamber of Commerce, 2020). This dual approach of combining traditional practices with modern manufacturing techniques is crucial for the sector's growth and sustainability.

Despite the promising outlook, the beauty cosmetics industry in Ethiopia faces several challenges that need to be addressed to fully realize its potential. Issues such as limited access to finance, inadequate infrastructure, and regulatory hurdles can hinder the growth of both small and large producers. Additionally, there is a need for capacity building and training programs to enhance the skills of workers in the industry, ensuring that they can meet international quality standards. The Ethiopian government, in collaboration with various stakeholders, is working to create a more conducive environment for the cosmetics industry by improving regulatory frameworks and providing support for research and development. According to a report by the United Nations Conference on Trade and Development (UNCTAD), enhancing the competitiveness of the cosmetics sector could significantly contribute to Ethiopia's economic diversification and resilience (UNCTAD, 2020). By addressing these challenges and leveraging its unique resources, Ethiopia has the potential to establish itself as a key player in the global beauty cosmetics market.

In Ethiopian Agricultural Research Institute indicated that herbs covered 134,541 ha of land have in 2015 in the three major regions of the country: Amhara, Oromia and SNNPR. Table 1 below gives an overview of some product of beauty cosmetics from agricultural inputs in Ethiopia, estimated production per year as extracted from different sources. Accordingly, the total annual production volume of beauty cosmetic from agricultural inputs for five consecutive years (2019, 2020, 2021, 2022 and 2023) has estimated to be over 72.083, 47.42, 34.86, 69.04 and 70.97 tons respectively (Table 1). It is noted that the data is a rough estimate based on the discussions made with referees, literatures and magazine documents, companies' annual production report and experts within the sector. The production rate decreased from 2019 to 2021 and then increased again to 2023. This might be due to the increasing consumer preference for beauty cosmetic products, especially in urban areas.

Table 1: Production of inputs for beauty cosmetics in raw material type from 2019-2023

Product Type	2019 Qty (kg)	2020 Qty (kg)	2021 Qty (kg)	2022 Qty (kg)	2023 Qty (kg)
Hair Care					
Black Cumin Hair Food 90gm	12,570	5,820	144	45,925	33,858.5
Neem Hair Food	528	24	12	530	1,231

Table 1: Production of inputs for beauty cosmetics in raw material type from 2019-2023

Product Type	2019 Qty (kg)	2020 Qty (kg)	2021 Qty (kg)	2022 Qty (kg)	2023 Qty (kg)
Black Cumin Hair Oil	235	643	1,608	1,246	872
Myrtus Oil	1,206	437	444	432	654
Rosemary Oil	6,488	2,251	120	1,235	867
Garlic Hair Oil	54	871	166	4,230	653
Argan Hair Food	378	150	30	245	1,256
Argan Oil	4,615	882	132	345	654
Neem Hair Oil	4,813	1,494	54	1,250	1,245
Red Onion Hair Oil	2,454	1,243	120	125	853
Carrot Hair Oil	872	1,476	1,381	346	7,654
Aloe Vera Oil	6,839	7,968	1,354	2,179	12,238
Olive Oil 250ml	11,556	609,683.4	14,491	676,884.22	2,009
Skin Care					
Black C Soap	1,235	435	21,669	5,636	564.5
Garlic Soap	345	654	816	848	756.7
Sulfar Soap	154	323	1,104	763.5	354
Myrrh Soap 100gm	1,234	675	394	254.9	346.7
Eucalyptus	12,410	5,340	126	643	762.6

Table 1: Production of inputs for beauty cosmetics in raw material type from 2019-2023

Product Type	2019 Qty (kg)	2020 Qty (kg)	2021 Qty (kg)	2022 Qty (kg)	2023 Qty (kg)
Soap					
Eucalyptus Oil	387.22	219	41.35	123	562.6
Black Cumin Oil	3,710.14	2,029.72	3,134.56	254	743.3

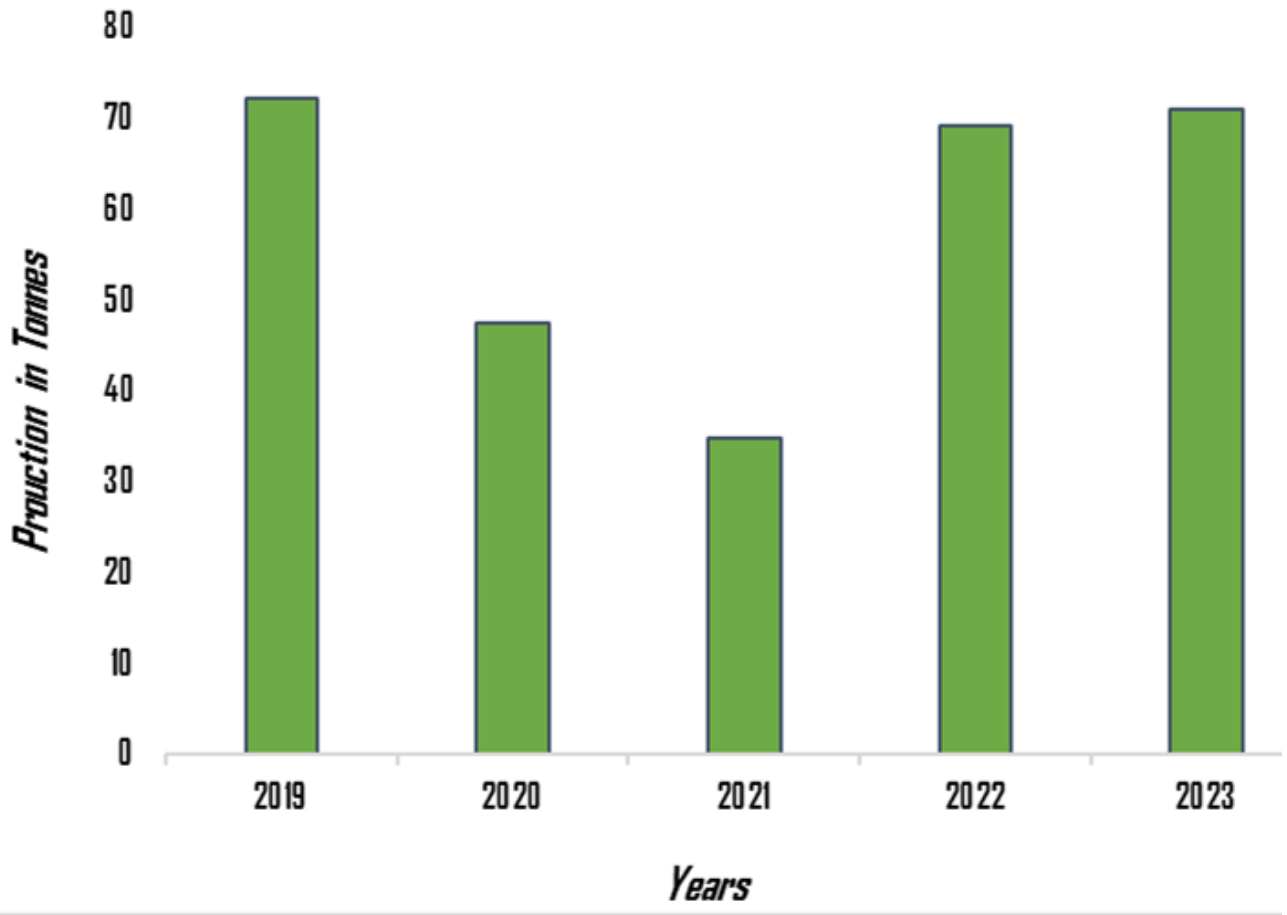

Figure 2: Total production of inputs for beauty cosmetics for the years (2019-2023)

08.03: Market overview of beauty cosmetics

The global beauty cosmetics industry has been experiencing significant growth, driven by increasing consumer awareness and demand for personal care products. In 2023, the market size was estimated at USD 295.95 Billion and is expected to grow at a compound annual growth rate

(CAGR) of 6.1% from 2024 to 2030. This growth is fueled by the rising popularity of skincare, haircare, and color cosmetics, especially among millennials who prioritize personal grooming as part of their daily routines. Additionally, the introduction of natural, non-toxic, and organic ingredients has further expanded the market, catering to eco-conscious consumers.

In Ethiopia, the cosmetics market is also on the rise, with projected revenues reaching USD 599.20 million by 2025. The market is expected to grow at an annual rate of 3.76% from 2025 to 2029. The demand for natural and organic products inspired by traditional Ethiopian beauty rituals is driving this growth. However, the market faces challenges such as limited local production and heavy reliance on imports, which can increase prices for consumers. Despite these challenges, the increasing presence of international and local brands is contributing to the sector's expansion. Table 2 summarizes the total sales volume of beauty cosmetics.

Table 2: Sales volume of beauty cosmetics in 2019-2023
Source: Ethiopian custom commission authority (2019 – 2023)

Product Type	2019 (ETB)	2020 (ETB)	2021 (ETB)	2022 (ETB)	2023 (ETB)
Hair Care					
Black Cumin Hair Food 90gm	202,599.32	127,803.38	3,443.12	1,179,295.90	908,025.50
Neem Hair Food	20,201.28	918.24	459.13	46,623.00	122,130.80
Black Cumin Hair Oil	16,920.00	48,546.50	123,925.26	102,670.00	72,463.20
Myrtus Oil	86,832.00	32,556.50	33,594.80	36,288.00	55,328.40
Rosemary Oil	225,219.03	178,642.65	9,787.30	100,728.00	70,713.20

Table 2: Sales volume of beauty cosmetics in 2019-2023
Source: Ethiopian custom commission authority (2019 – 2023)

Product Type	2019 (ETB)	2020 (ETB)	2021 (ETB)	2022 (ETB)	2023 (ETB)
Garlic Hair Oil	2,592.54	71,033.91	12,119.17	308,820.00	47,673.60
Argan Hair Food	8,207.28	4,820.82	653.17	5,334.22	27,346.10
Argan Oil	187,255.40	71,686.97	10,653.88	27,845.40	52,785.10
Neem Hair Oil	188,338.08	120,506.12	4,460.85	103,260.00	102,847.00
Red Onion Hair Oil	6,201,117.90	1,889,360.00	313,069.59	326,114.00	2,225,403.00
Carrot Hair Oil	62,784.00	108,043.20	107,633.80	26,966.90	596,545.00
Aloe Vera Oil	328,923.84	422,478.23	64,298.56	116,093.10	611,085.30
Olive Oil 250ml	11,556.00	609,683.40	14,491.00	676,884.22	2,009.00
Skin Care					

Table 2: Sales volume of beauty cosmetics in 2019-2023
Source: Ethiopian custom commission authority (2019 – 2023)

Product Type	2019 (ETB)	2020 (ETB)	2021 (ETB)	2022 (ETB)	2023 (ETB)
Black C Soap	36,058.60	12,699.00	632,832.83	164,608.70	16,499.00
Garlic Soap	9,145.40	17,348.50	21,652.09	22,513.20	20,091.60
Sulfar Soap	5,201.90	10,924.40	37,356.20	25,846.70	11,991.30
Myrrh Soap 100gm	40,842.30	22,340.70	13,043.29	8,450.40	11,490.40
Eucalyptus Soap	208,652.70	141,892.50	4,188.47	21,386.50	25,363.20
Eucalyptus Oil	1,558,964.50	953,454.50	171,087.12	508,928.90	2,327,790.80
Black Cumin Oil	5,075,690.50	2,987,776.30	4,833,841.63	391,708.40	1,146,264.60

08.03.01: Export of essential oil and beauty cosmetics products from 2019-2023

Ethiopia Exports of essential oils, perfumes, cosmetics, was US$914.3 Thousand during 2023, according to the United Nations COMTRADE database on international trade. The overall export earning of Ethiopia from herbs and essential oils seems low. Over 90% of Ethiopian fresh herbs

are exported to the EU, primarily to UK, the Netherlands and Germany. A report by ITC in 2019 indicated that the country exported 3.2 million USD.

The major essential oils and beauty cosmetics extracted in Ethiopia are from Eucalyptus, black cumin, Lemongrass, Mint and Rosemary. In addition, there are also companies like Terra PLC, Hayat cosmo industry, Gate-farm international plc and Agri ceft plc are also exporting. On the other hand, evidences suggest that Ariti Herbal also export to a smaller extent to EU and North America. Otherwise, the local production is primary meant for domestic market. The data from ERCA also revealed that the country still imported over 90,000 kg of essential oil in 2017 and the overall trend has been increasing from 2019–2023. According to the custom commission authority data, the essential oils and beauty cosmetics export was shown in the order US$ 1,350,921.6, 1,853,896.0, 2,272,038.4, 878,047.9 and 790,908.1 respectively from 2019-2023. Similarly, at the same period, the amount or quantity/tone of the essential oils and beauty cosmetics export 16877.12, 32724.36, 29615.12, 22086.56 and 8482.2 respectively (Table 3). However, sales and production volume increased until 2021 but declined in the following years (Figure 1 A&B), possibly due to currency inflation and political instability in the country.

No	Company name	Products	2019		2020		2021		2022		2023	
			Qty per tone	Dollar	Qty per tone	Dollar	Qty per tone	Dollar	Qty per tone	Dollar	Qty per tone	Dollar
1	Zenith Gebs Eshet	Hair care and skin care	160	330,389.2	403.92	801,720.0	475.85	808,250.0	372.5	596000	356.1	605345
2	Docomo Oil plc	Essential oil	3	858,369.1	2.4	707,230.0	3.89	869,500.0	0	0	0	0
3	Hayat Cosmetics	Black cumin oil	1.2	63,637.9	-	-	0.184	9,758.4	0.86	48294.1	0	0
4	Gate farm International PLC	Black cumin oil	0.92	22,987.2	6.04	165,880.0	12.2	348,556.0	3.2	70928	5.1	118158.8
5	Small scale manufacturer	Essential Oil, Roze oils , black cumin oils	16712	75,538.2	32312	179,066.0	29123	235,974.0	21710	162825.8	8121	67404.3

No	Company name	Products	2019		2020		2021		2022		2023	
		Total	16,877.12	1,350,921.6	32,724.36	1,853,896.0	29,615.12	2,272,038.4 s	22,086.56	878,047.9	8,482.2	790,908.1

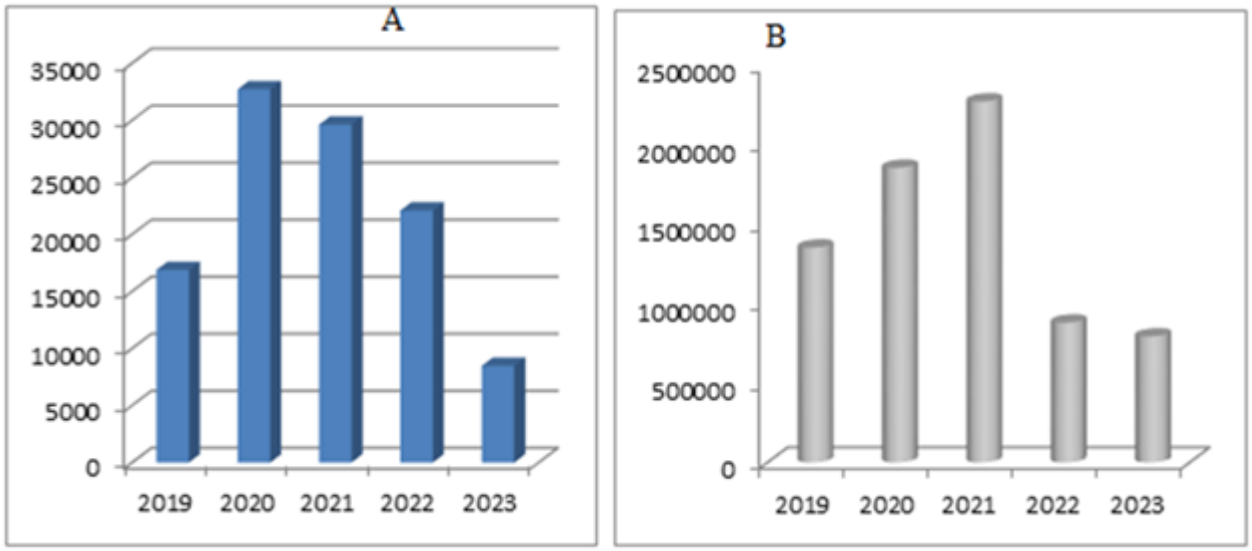

Figure 3: Export volume in tons (A) and export sales in US$ (B)
Source: Armauer Hansen Research Institute (2019 – 2023)

Major top export destination countries of essential oils and beauty cosmetics from Ethiopia are as indicated in Figure 3. Côte d'Ivoire (47%) was importing greater than the other destination countries, Germany is following Côte d'Ivoire and importing 19% of essential oils and beauty cosmetics from Ethiopia.

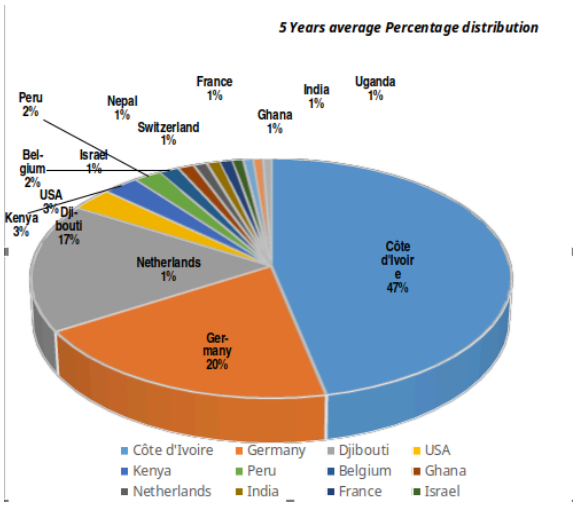

Figure 4: Five years average distribution of export of essential oils and cosmetics from Ethiopia by destination country

08.03.02: Import of essential oil and beauty cosmetics products from 2019-2023.

Between 2021 and 2022, Ethiopia imported $476,000 worth of essential oils, ranking 130th globally. According to the United Nations COMTRADE database, Ethiopia's imports of essential oils, perfumes, cosmetics, and toiletries reached $79.67 million in 2023. Data obtained from the Armauer Hansen Research Institute indicates that the quantity of imported essential oils and beauty cosmetics to Ethiopia peaked at 432.2 tons in 2019 and then declined in 2020 and 2021. Thus, there is substantial demand for essential oils and beauty cosmetics in the Ethiopian market, with imports being vital in fulfilling consumer needs. Figure 4 illustrates the import trends for these products in Ethiopia from 2017 to 2021.

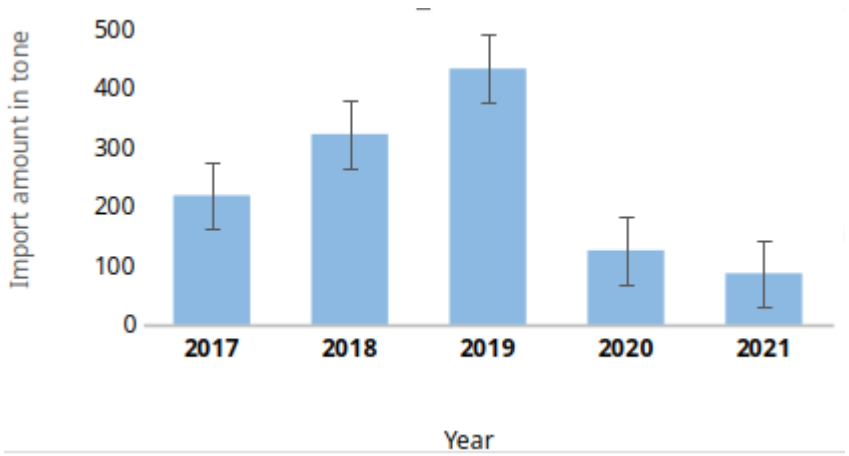

Figure 5: Import of essential oil and herbal cosmetics
Source: Armauer Hansen Research Institute

The primary sources of these imports were China, United Arab Emirates, South Africa, France, Germany, Kenya, India, USA, Côte d'Ivoire, Indonesia, Pakistan, Canada, Türkiye, Italy, and Saudi Arabia during this period. China is playing the leading role and then UAE is the following country exporting beauty and cosmetics to Ethiopia.

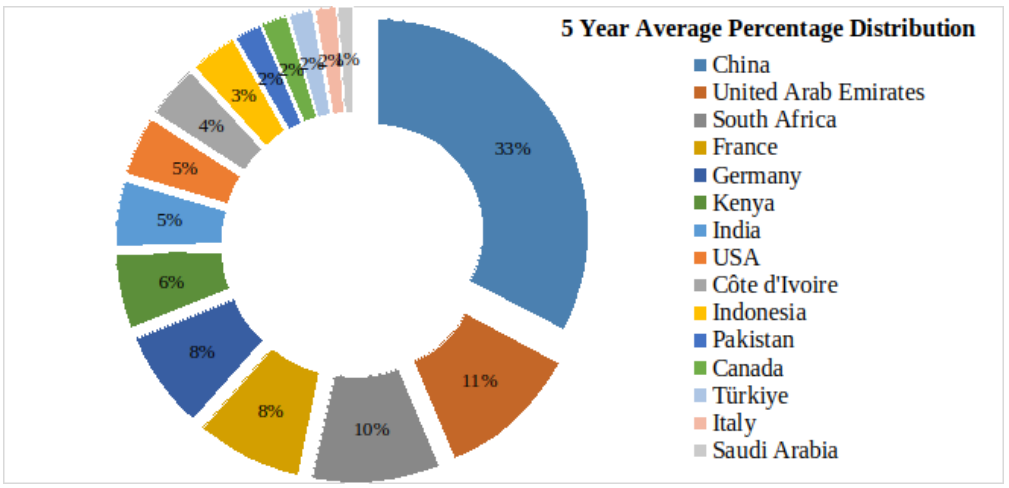

Figure 6: Five years average Import percentage distribution by the source country

09: Value Chain Analysis

09.01: Value Chain Description

The value chain analysis in the cosmetics industry serves as a strategic framework to identify opportunities for enhancing business performance and achieving a competitive advantage. This involves a thorough evaluation of each step in the industry's value chain, enabling an understanding of how value is created for customers. The analysis encompasses both primary and support activities (as depicted in Figure 3), focusing on opportunities and constraints that can be addressed to improve and upgrade the overall value chain.

The primary activities in the cosmetics value chain are pivotal to creating a competitive advantage and ensuring product quality. Input supplies such as improved seed, farming technologies are essential for the production of the agricultural inputs for the cosmetic processors. Processors raw material sourcing is also foundational, with local farmers and suppliers providing essential ingredients such as herbs used in cosmetic formulations; establishing strong partnerships with these suppliers ensures a consistent and reliable supply of high-quality materials, while a focus on organic and sustainable sourcing enhances product differentiation and attracts environmentally conscious consumers. Moreover, in the processing and manufacturing stage, establishing production facilities that comply with quality standards is crucial, as refining manufacturing processes is necessary to guarantee product safety and efficacy. Continuous research and development (R&D) fosters innovation, enabling the creation of formulations that align with emerging consumer trends, particularly the increasing demand for natural and organic products.

Packaging also plays a significant role; utilizing sustainable packaging solutions not only meets global sustainability trends but also enhances brand reputation among eco-minded consumers. Distribution logistics must be efficient to ensure timely delivery to wholesalers, retailers, and export markets, facilitating access to target consumers. A multi-channel sales approach, encompassing online platforms, retail partnerships, and direct-to-consumer strategies, broadens market reach and maximizes sales opportunities. Lastly, effective marketing and sales strategies are essential; creating a strong brand identity that resonates with the target audience is crucial for differentiation in a crowded market, while leveraging social media and influencer marketing can significantly enhance brand visibility and foster consumer loyalty, ultimately driving sales and growth in the cosmetics sector. Consequently, retailers and distributors are crucial in the value chain as they connect manufacturers with consumers. Building strong relationships with these entities can enhance market reach and facilitate effective distribution strategies.

Support activities in the cosmetics value chain are essential for maintaining operational efficiency and ensuring sustainable business growth. Effective accounting and financial management are critical as they enable businesses to track costs, revenues, and overall profitability. This involves developing comprehensive budgets that allocate resources strategically across marketing, production, and distribution activities, ensuring that funds are utilized efficiently to maximize returns and support informed decision-making. Business administration plays a significant role in enhancing productivity through efficient administrative practices; this includes human resource

management, which focuses on recruiting, training, and retaining skilled employees, as well as supply chain coordination to ensure that materials and products flow smoothly between suppliers and customers. Moreover, exemplary customer service creates a positive experience that fosters loyalty and repeat business.

Legal services are equally vital, as they ensure compliance with a multitude of local and international regulations governing cosmetic products. This legal support assists businesses in navigating complex issues related to product safety, labeling requirements, and intellectual property rights, thereby safeguarding the company's interests and protecting its innovations. Together, these support activities create a robust framework that enhances the overall effectiveness and competitiveness of the cosmetics business

Stakeholders along the value chain in the cosmetics industry play crucial roles in fostering growth, innovation, and sustainability. Government agencies are pivotal, providing essential support through regulatory frameworks that ensure compliance with safety and quality standards, thereby protecting consumers and enhancing industry credibility. They also offer funding opportunities and training programs aimed at empowering small entrepreneurs, facilitating their access to resources necessary for establishing and expanding their businesses. Non-governmental organizations (NGOs) contribute significantly by supporting capacity-building initiatives, which help local producers enhance their skills and gain access to new markets. These organizations often provide valuable training, resources, and networking opportunities that empower entrepreneurs to navigate challenges and seize opportunities in the competitive cosmetics landscape. Research institutions collaborate with industry players to drive innovation in product development, yielding new formulations and sustainable practices that can significantly improve product offerings and market competitiveness. Furthermore, industry associations serve as vital conduits for guidance, advocacy, and networking opportunities among entrepreneurs. They facilitate knowledge sharing and provide platforms for collaborative initiatives that connect various stakeholders within the cosmetics sector. Collectively, these stakeholders create a synergistic ecosystem that supports the growth and sustainability of the cosmetics industry, enabling it to respond effectively to market demands and consumer preferences.

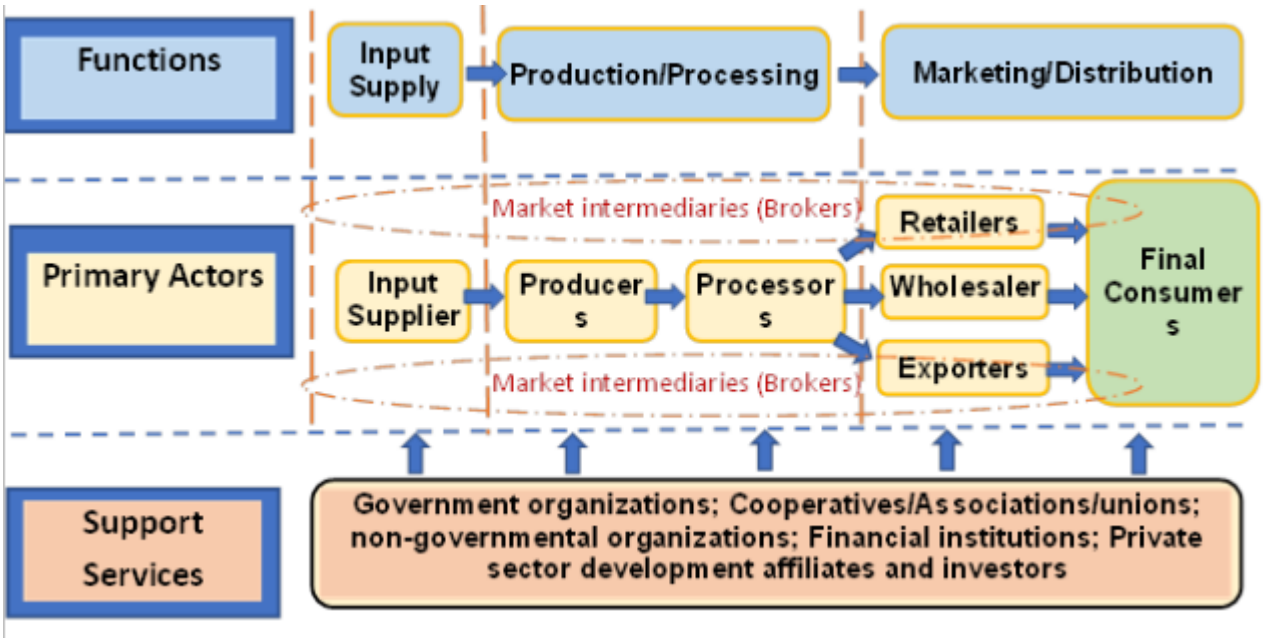

Figure 7: Value Chain Mapping for Beauty Cosmetics Products
Source: Own construction

09.02: Market Segmentations in the Natural cosmetics Value Chains:

Generally, natural or organic ingredient cosmetic markets assume different segmentations based on the category of product types or final consumers. Among the main market segmentations in this regard are: Product category segmentation (as: Color cosmetic, Skin care, Hair care and Fragrance cosmetic products); segmentation by Distribution Channels (as: Supermarkets & Hypermarkets, Specialty stores, Online/offline channels and Other channel products (Convenience stores–including Drug Stores, Brand Outlets, etc.) and segmentation by End-user type (as: Men, Women, geographic preferences).

09.02.01: Sourcing Agricultural Products

Sourcing organic or natural ingredients for the production and marketing of beauty cosmetics products involves identifying and selecting agricultural raw materials or inputs such as herbal, aromatic and beauty ingredients and their suppliers required in the overall value chain development in general and for the production and processing purpose in particular. This sourcing task in the value chain analysis is fundamental in identifying pertinent areas for value chain upgrading and ultimately developing the market system as whole.

The sourcing process or getting the appropriate suppliers of ingredients; in this case, should be carefully examined in view of optimum value chain performances encompassing competitiveness aspects, product quality assurance and customer satisfaction. In the case of getting the right sources of ingredients for production of nature-based beauty cosmetics, mainly two sourcing types are identified in this study as ‘direct sourcing’ from individual suppliers (farmers) of agricultural ingredients and ‘indirect sourcing’ – where these raw materials are sourced through local collectors and brokers or intermediaries. The former practice is more preferred to the second approach due to better chances in cost effectiveness, input quality control and better producer-buyer relationship and trust. A third –‘hybrid sourcing’ scenario, is the most practiced sourcing type observed as reported by case study research participants – where both direct and indirect sourcing are used.

From a different sourcing perspective, agricultural beauty cosmetic ingredients are sourced from both individual and farmer group suppliers (as types of suppliers) and sourcing from nearer or distant sources - from proximity to raw material supply, production and processing.

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09.02.02: Beauty Products Processing Techniques

In the value chain of beauty cosmetic product development, the processing phase generally undergoes various activities and techniques. The processing may differ based on the prevailing consumer preferences and the business viability. Pertaining this, six basic steps have to be considered while bringing these products to the final consumer. These include:

1. Creating Product Brief: involving outlining of the business case, general product specifications and how the item will be presented to the target user – which should encompass, among others, such information as product category, function, color, odor, texture, size etc.
2. Perfect the Product Formulation: contemplating on the formula, fine-tune ingredient levels and decide on the best manufacturing process as per the specifications outlined,
3. Source the Raw Materials or Ingredient Sourcing: next, follows identifying and acquiring raw material from different sources needed for the manufacturing process.
4. Design the Packaging : with due attention to final consumers' preferences and designing an attractive and impressing packaging process is vital for ensuring product acceptance and product use.
5. Test Quality and Compliance requirements: For successful product marketing, the product's quality standards should be tested and check compliances with social, environmental, legal compliance requirements – both from local and global market perspectives.
6. Validating the Final Product: as a final step, the product should be validated officially either by internal or external evaluators as an approval process. Further, Filling and Packaging of the finished products with necessary labeling and making final quality controls in the form of random samples and distributing to the appropriate distribution channel are also among important steps in manufacturing process.

09.02.03: Trading and Packaging Solutions

From the perspective of the agriculture-originated beauty cosmetics product value chain, the concept of 'trading and packaging solutions' refers to a value chain-related service that encompasses both the trading aspect of buying and selling organic raw materials or ingredients used in the production or processing of cosmetic products, as well as providing the necessary packaging materials and expertise to ensure that the products are adequately protected and effectively presented for transportation and sale.

Such kinds of services are believed to be typically important in such industries as cosmetics and personal care, food and beverages, pharmaceuticals, etc. Using these services in the value chain

functions and activities is very crucial to harness the expertise embodied in service providers, cost optimizations from trading negotiations, efficient marketing, and brand enhancements.

From 'trading and packaging' point of view, the sourcing, production, processing and distribution activities in the beauty cosmetic value chain are generally found to be poor from the case studies of this research. Such poor performances are explained by such features as: inconsistent and informal input sourcing, poor packaging selections, poor or inadequate support system in the value chain ladder – including logistics support and financial resource supports etc.

09.03: Business Opportunities for MSMEs

In recent days, the value chains in cosmetics and personal/beauty care products are believed to growing rapidly in local and global markets with evolving demands for personal grooming products. Literatures uphold the idea that the value chain ladder in beauty products is mostly dominated by female actors – who run MSMEs. For instance, according to TRALAC's (Stuart, J. 2023) insight on beauty cosmetics trade, the sector is featured by "female dominant ownership" of MSME enterprises … and this dominance of 'full female ownership' is taken to suggest "that the cosmetics and personal care sector is a viable field for female entrepreneurs, probably due to the nature of the client base for the product and product-specific knowledge patterns".

According to same survey, the most prevalent entity size is the 'small' category which are often retail-oriented or service-based businesses. The 'micro' category also shows significant representation, which might reflect the ease of starting small-scale operations within this sector. The report has also noted existence of a tendency towards smaller enterprise sizes. Generally, the report sheds an important light that [Stuart. J. (2023)] the cosmetics and personal care products value chain in Africa holds significant potential for growth and value addition, not least because the nature of the product is more 'home-grown' than many other products imported into Africa.

The growing worldwide trend towards 'Afro-centric' cosmetics, which use traditional African ingredients and cater to local preferences, underpins a wider marketing opportunity for such home-based and organic agricultural herbal, aromatic and beauty ingredients to invite small farmers and MSMEs to aggressively engage in the industry.

10: Identification of Business Opportunities

10.01: Market Trends and Consumer Preferences

Recent insights into cosmetics market uphold a promising future for cosmetics that is forecasted to exhibit 9.8% CAGR from 2024 to 2032. It is also indicated that the skincare segment is expected to hold a significant cosmetics market share during the forecast period as a vast majority of the population uses skincare products daily as compared to hair care products. For instance, according to the 'Consumer Survey on Cosmetic Dermatologic Procedures 2018' conducted by the American Society for Dermatologic Surgery (ASDS), about 80% of consumers spent more than USD 100 per month on skincare products in the U.S. There is also a rising consumer preference toward organic and therapeutic formulations that accelerated research & development activities among manufacturers to seek novel ingredients that can attract consumers. According to the Soil

Association, retail sales of organic health and beauty products in the U.K. reached USD 182.94 million in 2022, up from USD 38.90 million in 2012. Moreover, there is a general notion that products formulated with naturally derived ingredients are gaining more popularity across the globe owing to their safe and non-toxic nature. Demand for eco-friendly products is expected to grow in the future owing to increasing awareness regarding sustainability among the population. This awareness is rising as clients are being exposed to more information on the adverse effects of synthetic chemicals on their health and the environment.

According to the 'Organic Beauty and Wellbeing Market' report published in the Soil Association Certification report, the organic personal care market in the U.K. witnessed a growth rate of 7% in 2018. Additionally, consumer preference is shifting toward vegan products that do not contain any ingredient derived from animals. Furthermore, manufacturers are also focusing on providing sustainable packaging solutions, such as paper-based, degradable, and refillable packaging options to attract more users and reduce their carbon footprint.

According to Global Cosmetics Market Size & Outlook, 2023-2030, the cosmetics industry worldwide is expected to reach a projected revenue of US$ 445,977.7 million by 2030. A compound annual growth rate of 6% is expected of the worldwide cosmetics industry from 2024 to 2030. In terms of segment, skin care accounted for a revenue of USD 128,029.1 million in 2023. Hair Care is the most lucrative product segment registering the fastest growth during the forecast period. In terms of region, Asia Pacific was the largest revenue generating market in 2023. Country-wise, South Africa is expected to register the highest CAGR from 2024 to 2030. The following figure illustrates these scenarios:

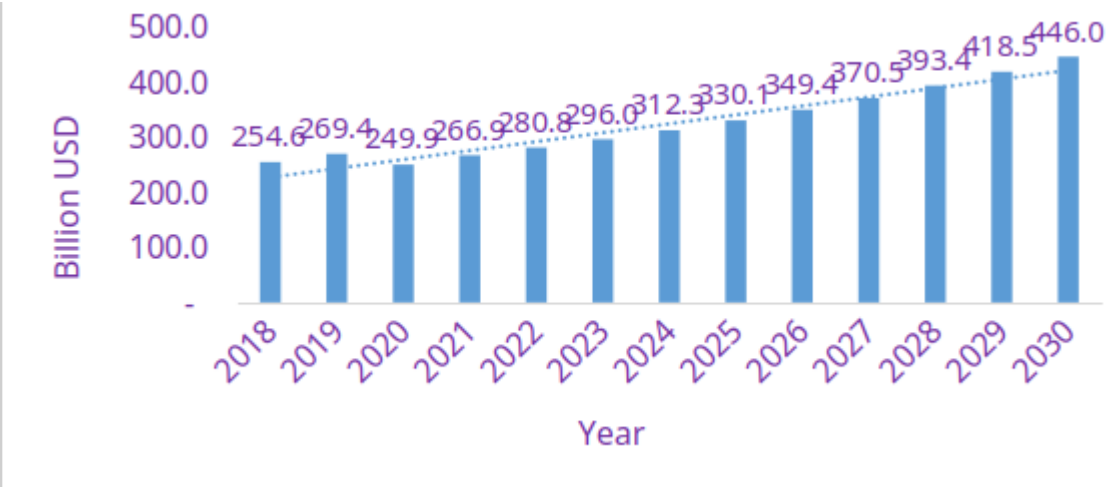

Figure 8: Global cosmetics market, 2018-2030 (Billion USD)
Source: https://www.grandviewresearch.com/horizon/outlook/cosmetics-market-size/global

Similarly, other key industry trends showed that in terms of revenue, the North America accounted for 23.8% of the global cosmetics market in 2023; by country, China is projected to lead the global market in terms of revenue in 2030, and South Africa is the fastest growing regional market and is projected to reach USD 2,915.2 million by 2030. The North America market has grown at a strong rate in recent years due to the higher spending power of the regional population and high demand for luxury products. From the personal care and beauty cosmetics perspectives; according to

Stuart. J. (2023), trade relationships for the industry is evidenced by several patterns in the aggregate value chain directional data as indicated hereunder:

- Major African hubs (South Africa, Nigeria, and Mauritius) account for 85% of the exports of cosmetics and personal care products made with intermediate goods sourced from out of Africa.
- Major non-Africa originators (India, South Korea, and Thailand) account for 84% of intermediate value finally exported by African exporters of cosmetics and personal care products.
- Smaller countries (Eswatini, Malawi, Ethiopia, Cameroon, Botswana, Congo (DRC), Liberia, Lesotho, Ghana, Tanzania, and Senegal) all import intermediate value from more than one non-African country.

Worth mentioning, organic based beauty cosmetics production and marketing is getting an important and scaling recognition by quite a large number of consumers following rising awareness of side-effects of synthetic products and accessing surgical options–which gives it greater marketing opportunity as parallel to the hampered growth due to limited demand due to the adverse health effects and toxicities.

Hence, owing to the above-mentioned dynamics and other supporting factors like - availability of arable land, existence of energetic and job seeking young population, and political commitments by the government, this study envisages higher potential for women and youth employment along the various activities of value chain -either as input suppliers, organic ingredients/raw material producers/suppliers, processors and distributors.

The 'home-grown macroeconomic reform' initiatives by the government to enhance export-oriented production and manufacturing strategy as well as governments commitment in the skills development and job creation (either individually or in groups) perspectives reinforce harnessing this opportunity.

10.02: Gaps in the Current Market

Despite the various envisaged potentials and market opportunities, herbal, aromatic and beauty cosmetic production and marketing value chains face multifaceted challenges. The general value chain related gaps relate mainly to: resource constraints, technological, managerial and organizational capacity gaps, and coordination & market linkage limitations; the followings are some of specific value chain related ones:

- A small farmer owned and fragmented farming system that limits the large-scale and commercial oriented production of agricultural products as ingredient for beauty cosmetic manufacturing,
- Fluctuations in market irregularity resulted from lack of well-established cosmetics supply and demand dynamics arising from lack of market information and awareness,
- Absence of appropriate and strong coordination system across the value chain actors – both primary and supporting services
- Limited awareness of the government and financial sector for aromatic plants/herbs and essential oils sector.

- In regards to financial resourcing for product value chain upgrading and standardization, there are limitations in accessing resources in the form of arable land, financial loan and credit from government and other support services.
- Lack of standard packaging, marking and labeling materials.
- Absence and unaffordability of advanced technologies and processing machineries in the value chain
- Unhealthy value chain competition with informal and synthetic products
- Limited technologies on post-harvest processing and handling facilities
- Limited experience and lack of legal framework for out grower system
- From raw material sourcing perspective, there are limitations in supply of bio-fertilizer supplies for the production and further processing (i.e., value addition) of agricultural raw materials

Generally, from value chain perspectives, the cosmetics industry is encountering many challenges and shows gaps in the faces of changing market trends, supply chain drawbacks, and environmental concerns.

10.03: Potential Product Ideas

Having considered all the potentials and gaps in the beauty cosmetics value chain, future value chain development and customer satisfaction calls for due attention for noble ideas to realize the different objectives identified in this study. Such noble ideas for improving product development are expected to base on addressing prevailing challenges and making putting such efforts in a sustainable, integrated and inclusive framework. Therefore, potential product ideas to scale up the value chain performances and achieve the ultimate goals in creating job opportunities for the youth value chain participants include such ideas; among others, as:

- Policy and strategy support from the government side to develop the industry through strategic and focused investment to promote the home-grown export oriented production system.
- Shifting to high market potential organic sourced products targeting specially skincare products with advanced ingredients like peptides or stem cells, personalized cosmetics based on individual skin analysis, sustainable and ethically sourced beauty products

From other similar researches (Stuart, J. 2023), suggested product development ideas include:

- From distribution perspective, innovative delivery systems like micro-needling patches, color cosmetics with inclusive shade ranges, and products addressing niche concerns like scalp health or men's grooming with specialized formulations; all while prioritizing natural ingredients, clean beauty standards, and eco-friendly packaging.
- Enhancing manufacturing capabilities, leveraging regulatory harmonization, and distribution efficiency.
- Engaging in sourcing production of personalized beauty products differentiated by customer category
- Engaging on better delivery systems that will not compromise quality and customer satisfaction.

- Focus on sustainability issues through use of recycled materials, refillable containers, or minimal packaging to reduce environmental impact and clean beauty products.
- Due emphasis to 'ethical sourcing' to ensuring ingredients are sourced responsibly and ethically.

10.04: Project Startup Resource Need

Pertaining to the promising potentials and opportunities, and given all the prerequisites are fulfilled for immediate investment startups a preliminary initial investment cost is estimated for the proposed young entrepreneurs' value chain development in the beauty cosmetics industry. Hence, a total of 14.7 million Birr (i.e., USD 0.12 Million USD) is projected to be required as a start-up budget for the various operational and capital financial needs for the first year (Preliminary cost details are annexed in annex A).

10.05: Value Chain Development Entry Points

As this cosmetic value chain, development initiative tries to enable young entrepreneurs to participate in the market system competitively and sustainably, a duly structured entry plan needs to be formulated. With all the value chain features understood - including defining of the value chain, analyzing VC activities, functions, and actors; identifying pertinent challenges, opportunities as well as associated remedial recommendations set in place, the next step is to properly plan to address the 'how?' aspects of strategies to implement and achieve the stipulated objectives. This strategic value chain entry plan, which has already started with this study, which explored the overall value chain dynamics per se, foresees how young entrepreneurs can pursue and implement an upgraded value chain to competitively operate in the market.

Though the different milestones in the overall VC analysis (such as product identification, insights into challenges, gaps and opportunities, VC mapping, etc.) are thematically considered as part of the VCD plan process, the entry plan; in this case, it is opted for starting with setting the required strategies and other planning features to be considered as entry points. From this perspective, the following section outlines some pertinent issues to be considered in furthering and practically implement the value chain development intervention commensurate with the objectives.

10.05.01: Value Chain Development Entry Framework

The VCD entry plan springs from a conceptual and relational framework that explains the activities, processes as well as the relationships embodied in the VC dynamics. As illustrated in the figure below, this framework is believed to build on three fundamental dimensions as: A) Process, product or volume improvement dimension, B) Functional improvement dimension and C) Value chain coordination dimension (represented by dotted small circles in the fig.). Hence, the proposed cosmetic VC development entry plan presupposes such strategic issues that should be interlinked and reinforcing to support the young entrepreneurs to actively participate in the production and marketing. It also capitalizes the need for aligning institutional and economic framework towards enhanced youth centered cosmetic value chain.

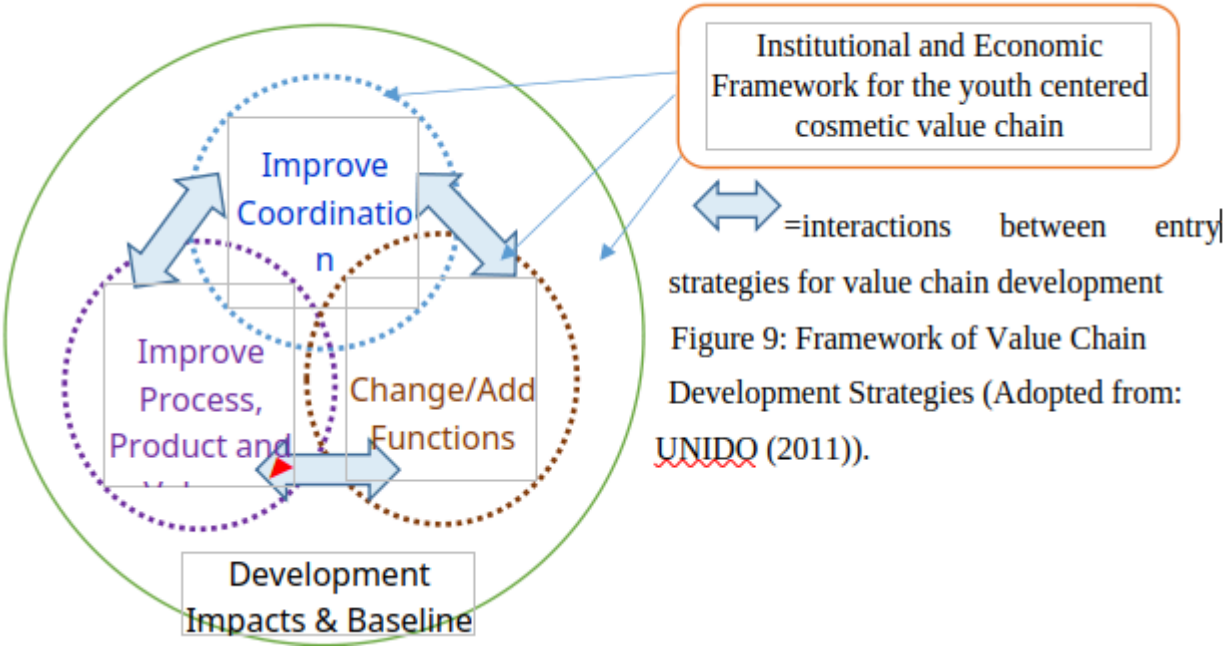

Figure 9: Framework of Value Chain Development Strategies (Adopted from: UNIDO (2011)).

10.05.02: Cosmetic VC upgrading entry points

For the youth centered cosmetic VC chain upgrading, actors need to acquire the necessary capabilities and networking to scale up their competitiveness by engaging in more value adding activities across the value chain ladder. In this regard, the following table presents some of proposed entry points to operationalize the cosmetic VC development in line with the respective upgrading entry dimensions and activities/functions.

VCD Entry Dimension	VC Activities/ Functions	Engagement for young entrepreneurs (Action initiation points)
General Considerations	All activities / functions	• Identify and organize (list) young entrepreneurs interested in the business in different areas where organic cosmetic product activities are widely practices • Setup the necessary institutional arrangement for startup i.e., decide on business modality – either individual or group form,

VCD Entry Dimension	VC Activities/ Functions	Engagement for young entrepreneurs (Action initiation points)
		fulfilment of regulatory requirements, etc. • Identify and collaborate with potential raw material collectors/ processors. • Prepare gap assessments to bridge knowhow gaps for competitiveness in the farming/marketing Acquire the necessary working premises (farm land for cultivation and forest sources, storages, shops, offices, etc. - as appropriate) • Arrange for acquiring financial resources from relevant support services. • Review and apply best practices elsewhere in respective activities and functions
Product Upgrading	Sourcing Raw Materials	• Identify/list quality raw material ingredients from agricultural origins. • Regularly supplying quality raw materials
	Organic Product Farming	• Identify types of organic products to be cultivated/ collected in collaboration with relevant stakeholders • Improve agronomic practices to scale up yields (in both quality & quantity) through improved planting techniques, farm equipment, irrigation infrastructure – as appropriate.
Process upgrading	Processing [Semi/Full]	• Acquire appropriate technologies for cosmetic product processing – like for extraction, filtration, drying, distillation, pressing, milling, sieving etc. • Make prior planning for

VCD Entry Dimension	VC Activities/ Functions	Engagement for young entrepreneurs (Action initiation points)
		efficient product processing through minimizing possible wastages
	Product Packaging and Labelling	• Identify and acquire appropriate packaging technologies for the cosmetic products • The label on a cosmetic usually contains a list of cosmetic raw materials used for its production • List down the necessary information types to be disclosed for marketing
Distribution/Redistribution	Product Distribution (Retail Trading)	• Setup the necessary institutional arrangement for trading service -including complying investment and regulatory requirements, etc. • Identify and collaborate with potential stores, processors, consumers; make contract arrangement with potential partners (both upstream and downstream). • Make additional and periodic market assessments in local and global markets
Technical Dimension	Technical Competence	Acquire the necessary technical knowhow for digital marketing, market segmentation, producing, using and disseminating market information; business administration and management, etc.
Value Chain Support	Support to VCD	• Identify potential institutions (for sourcing financial resources), technical & vocational training institutions (for capacity building), • Collaborate with other

VCD Entry Dimension	VC Activities/ Functions	Engagement for young entrepreneurs (Action initiation points)
		administrative, regulatory bodies and development organizations (like government offices, CSOs, NGOs, VCD task force, etc.) for facilitating advocacy, resource supply, capacity building etc. • Launching project initiation and validation workshops as well as preparing VC development promotional events • Establish a strong M&E framework.

For the implementation of this entry plan it is advised that policymakers and youth entrepreneur affiliate groups need to give focused assistance and start with creating favorable conditions through such issues as – advocating on the rationale for engaging young entrepreneurs, assisting on market research & development, facilitating on enabling environment and; understanding and proactively taking measures against barriers to entry.

10.06: Steps to effectuate the Value Chain Development entry plan

As operational plan, the entry points need a phased approach such that the following activities should be put into action in tandem.

1. Taking this stage as intervention design phase, it is suggested that a responsible (or any VCD coordinating) body needs to start with reviewing and evaluating the appropriateness and sufficiency of strategies proposed in this study - to realize subsequent implementation plans. Need also arises for making policy appraisals to support the VCD – at sectoral or sub-sectoral level.
2. Prove the appropriate technical knowhow and competencies for upgrading and competitively participate in the cosmetic VC production/marketing are duly planned and implemented.
3. Ensure/check whether all concerned stakeholders are aware and actively engage with commitment and continuity to realize intervention objectives. This also calls for seeking and ensuring a stronger public-private partnerships and collaboration with VCD affiliated NGOs
4. Plan and secure the necessary financial, physical, and human resources as well as institutional setups (including youth clusters, contract transactions, coordination, and networking, etc.). This involves leveraging the plan into action with the necessary investment in infrastructure, training, or technology, etc.- to operationalize project activities

5. Establish a system of continuous monitoring and evaluation to track whether the VCD dynamics is in line with intervention objectives. Tracking and be vigilant to the progress of the value chain development project and measuring its impact.

To summarize these VCD operational entry points, devising the following model would be more helpful for a generalized and clearer understanding:

Implementation			**Results**	
Inputs	**Activities**	**Outputs**	**Outcomes**	**Impact**
• Budget • Staff • Local counterparts • Trainers • Training tools • Partnership • Facilities • Equipment • Supplies • Technical expertise	• Involve in VCD Research & Analysis [Done] • Designing & implementing VCD plan [Entry Point] • Capacity building [Entry Point] • Monitoring and evaluation [Entry Point]	• Research & analysis findings recommendations reports • Design & implementation [Developed Entry Points] • Capacity building [Produced manuals, capacitated project members] • Monitoring and evaluation [Operational M&E system and periodic reports, etc.]	• Macro Level [relating to national and global market transactions affecting consumer demand satisfaction in organic cosmetic products. Also, includes policy/strategy aspects to be affected with implementation of this entry plan] • Sector Level: [VCD in the cosmetic sector is likely to positively affect the agricultural, industrial, and service sectors with a backward and forward linkage effects] • Micro/Project Level: [with VCD intervention, young entrepreneur led cosmetic VC will bring more skills,	• Better Households' living standard due to secured job opportunity; hence, reduced poverty. • Environment and human nutrition /health friendly cosmetic product supply

Implementation			Results	
Inputs	Activities	Outputs	Outcomes	Impact
			market competitiveness, enhanced product quality and volume, etc.].	

10.07: VCD Funding Sources Preliminary Guideline

For upgrading the VC in cosmetic products production and marketing, young entrepreneurs and other coordinating partners need to identify various funding sources - from either government or private financial intermediation institutions – either in the form of commercial loans, grants revolving funds. Further, up on business maturity, the project is expected to be self-financed by product sales and from own savings schemes.

The two major concerns to consider in securing funding resources for the VCD are identifying service providers and complying with the necessary procedures to get the fund. The following points outline some of the necessary steps and considerations for acquiring financial resources to initiate the VCD:

1. Identifying potential financial intermediation institutions like commercial banks, development banks, microfinance institutions, foundations, corporate social responsibility programs (by private investors), NGOs, community groups, private investors, operating in and around the project vicinity
2. Understand funding source requirements by different funding sources and make appropriate research on the financial service provision procedures and legal frameworks to secure the necessary funding.

While these are basic steps to be followed, it should be noted that business-initiating partners are expected to:

- Show their eligibility and legitimacy for acquiring the needed funds through financial regulation compliance.
- Preparation of funding proposals for various sources both from domestic and international sources with the help of coordinating bodies. [NB: Funding proposals should be prepared based on the funding request templates to be filled by respective funding agencies as appropriate.]
- develop a well-structured project budget administration system to run the project smoothly and aligned to project objectives
- establish a strong financial M&E system and make regular financial reports to ensure business viability and continuity.

11: Evaluation of Current Practices in the Ethiopian Cosmetics Industry

11.01: Assessment of Existing Production Practices

Ethiopia's cosmetics industry is in its nascent stages but is rapidly expanding, driven by increasing consumer demand for natural products and government-led agro-processing initiatives. A junction between traditional rural practices and emerging urban enterprises, each reflecting unique cultural and economic contexts, characterizes the sector.

11.01.01: Traditional Practices

In rural areas, communities predominantly rely on indigenous knowledge to produce cosmetics from agricultural by-products. Traditional practices involve the use of locally available plants, which have been utilized for generations. For instance, neem leaves (Azadirachta indica) are boiled to create antiseptic lotions, while cold-pressed moringa oil (Moringa stenopetala) is extracted for use in moisturizing creams (Abebe & Kebede, 2020). These methods are deeply rooted in cultural heritage and sustainability but often suffer from a lack of standardization and formal training, limiting their scalability and consistency. Interviews with experts from the Ethiopian Food and Drug Administration (EFDA) indicate that many of these traditional products lack proper documentation and quality control, making it challenging to compete in both local and international markets (EFDA, 2022).

11.01.02: Urban SMEs and Semi-Mechanized Production

In urban centers like Addis Ababa and Hawassa, small and medium enterprises (SMEs) are increasingly adopting semi-mechanized production processes. Notable players in this space include Hayat Cosmo Industry PLC and Gate Farm International PLC. Hayat Cosmo specializes in the extraction of natural oils and the production of herbal cosmetics, utilizing locally sourced materials like black cumin and eucalyptus to manufacture a diverse range of products, including herbal soaps and oils. Gate Farm International focuses on producing high-quality Nigella sativa oil, leveraging its agricultural expertise to cater to both local and international markets (Girma, 2022). However, despite their growth, the level of mechanization in these SMEs remains limited. A 2022 survey by the Ministry of Trade and Industry (MoTI) indicated that only 15% of cosmetic SMEs utilize modern machinery, with the majority still relying on manual labor for production (MoTI, 2022). Interviews with owners of these companies reveal that while there is interest in upgrading machinery, the high costs associated with modern equipment pose significant barriers to expansion and efficiency.

11.01.03: Research and Sustainable Practices

Research and sustainability efforts are increasingly being integrated into the cosmetics sector. The Ethiopian Institute of Agricultural Research (EIAR) has initiated pilot projects focused on essential

oil extraction from crops like citronella and eucalyptus. However, the high costs of specialized equipment and a lack of trained personnel hinder the widespread adoption of these technologies (EIAR, 2021). Sustainability practices are gaining traction, particularly among cooperatives. For example, women's groups in the Oromia region, supported by organizations like Farm Africa, engage in the organic farming of aloe vera (Aloe vera) and calendula (Calendula officinalis), steering clear of synthetic pesticides and promoting environmentally friendly practices (Farm Africa, 2020). The Ethiopian Herbal Products Association (EHPA) actively promotes eco-friendly packaging using recycled materials, which is vital for enhancing the sustainability of the sector (EHPA, 2023). Despite these advancements, many producers lack certifications such as Ecocert or COSMOS, which are critical for accessing larger international markets. During interviews, stakeholders expressed the need for training in certification processes to enhance marketability and competitiveness (EFDA experts, personal communication, March 2023).

11.01.04: Technological Gaps

Technological gaps remain a significant challenge in the Ethiopian cosmetics industry. Research institutions like Addis Ababa University (AAU) are exploring advanced extraction methods, such as ultrasound-assisted techniques, which promise to improve efficiency and product quality. However, most producers still rely on rudimentary tools like manual grinders and traditional extraction methods, compromising product consistency and quality (MoTI, 2022). Industry experts noted that while some companies are beginning to adopt better equipment and practices, the cost barrier continues to be a significant obstacle (EFDA experts, personal communication, March 2023).

11.02: Challenges and Barriers to Entry

The cosmetics sector in Ethiopia faces several challenges and barriers that hinder its growth. Economic and infrastructural constraints are among the most significant impediments. High startup costs and inadequate infrastructure stifle growth, making it difficult for new entrants to establish viable businesses. A 2021 study by the Ethiopian Development Research Institute (EDRI) found that 70% of cosmetic startups fail within two years due to insufficient capital (EDRI, 2021). Unreliable electricity supply and limited cold storage facilities further complicate production, particularly in rural areas, where power outages can halt production for extended periods (World Bank, 2020). Management at Gate Farm International reported that inconsistent electricity supply has led to increased operational costs and production delays, affecting their ability to meet market demands (personal communication with management, February 2023).

11.02.01: Regulatory Ambiguity

Regulatory ambiguity also poses significant challenges for local producers. The EFDA has not established clear guidelines for natural cosmetics, leading to compliance uncertainties. This lack of clear regulations can limit market access and hinder competitiveness (EFDA, 2022). Furthermore, obtaining organic certification is often prohibitively expensive; partnerships with international bodies like ECOCERT are necessary for compliance but frequently unaffordable for local producers (EHPA, 2023). During interviews, stakeholders highlighted the need for clearer regulatory frameworks to facilitate compliance and encourage local production (EFDA experts, personal communication, March 2023).

11.02.02: Supply Chain Inefficiencies

Supply chain inefficiencies further complicate the industry landscape. Seasonal variability in raw material availability significantly affects production capabilities. For example, moringa yields decline during dry seasons, disrupting supply chains and production schedules (Abate et al., 2019). Additionally, poor post-harvest handling practices contribute to significant waste; a case study in the Amhara Region indicated that 40% of aloe vera harvests are lost due to inadequate handling and storage practices (Farm Africa, 2020). Interviews with local farmers revealed that lack of training in post-harvest techniques exacerbates these challenges, leading to further economic losses (EFDA experts, personal communication, March 2023).

11.02.03: Market Competition

Market competition presents another substantial barrier for local producers. They face stiff competition from imported synthetic cosmetics, which benefit from tax incentives under Ethiopia's import policies (Ministry of Finance [MoF, 2021). Imported products are often cheaper and marketed more aggressively, leading to consumer preferences for established international brands. Urban consumers frequently perceive natural products as less effective, which poses additional challenges for local brands. Hayat Cosmo noted this consumer bias during interviews, suggesting that marketing strategies need to focus on educating consumers about the benefits and efficacy of natural products (personal communication with management, January 2023).

11.02.04: Workforce Shortages

Finally, there is a notable shortage of trained personnel in cosmetic science and production. While AAU offers chemistry programs, specialized training in cosmetic formulation is rare. A report by the Ministry of Education (MoE) in 2021 indicated that only 5% of technical schools provide modules on agro-processing for cosmetics (MoE, 2021). Both Hayat Cosmo and Gate Farm International expressed concerns about the lack of skilled labor, which hampers their ability to innovate and expand (personal interviews, January-February 2023).

12: Conducting case study on locally selected companies

12.01: Introduction

Studying Gate Farm International PLC and Hayat Cosmo Industry PLC together provides valuable insights into the integration of agricultural products in the beauty cosmetics sector. Both companies exemplify pioneering approaches and justifiable practices, making them ideal subjects for understanding how agriculture can enhance cosmetic offerings.

These companies were selected not only for their leadership in utilizing agricultural inputs in cosmetics but also based on recommendations from experts at EFAD. Additionally, their profiles were evaluated for representativeness and alignment with the research objectives.

12.02: Profile of Case Study Companies

12.02.01: Gate Farm International PLC

Company Background

Gate Farm International PLC, established in 1997, is located in Sebeta, Ethiopia. With a long history in the marketing of agro-commodities, the company has honed its focus on producing high-quality Nigella Sativa Oil, commonly known as Black Seed Oil. Leveraging its extensive experience in the agricultural sector, Gate Farm has positioned itself as a premier producer and exporter of this valuable oil, known for its numerous health and cosmetic benefits. The company's commitment to quality and purity is evident in its rigorous sourcing and production processes.

Gate Farm International PLC plays a vital role in the beauty cosmetics market by specializing in Black Cumin Oil, a product celebrated for its nourishing and restorative properties. This oil is utilized in various cosmetic formulations, catering to consumers seeking natural and effective skincare solutions. By focusing on the product line, the company ensures consistent and sustained production, making its Black Seed Oil a sought-after ingredient in the beauty industry.

Gate Farm's ability to export its products to different countries demonstrates its strong market presence and recognition in the global cosmetics industry. This can be taken to be its key strength.

12.02.02: Hayat Cosmo Industry PLC

Company Background

Hayat Cosmo Industry PLC, established in 2005 and located in Addis Ababa, Ethiopia, specializes in the extraction of natural oils and the production of traditional herbal cosmetics. The company produces a variety of products, including Black Cumin Oil, Eucalyptus Essential Oil, Black Soap, and Eucalyptus Soap, all derived from raw materials sourced from Northern Ethiopia, particularly northern areas like Gondar and south eastern regions such as Bale. This focus on local sourcing not only supports the regional economy but also ensures the use of high-quality, natural ingredients.

Hayat Cosmo Industry PLC effectively integrates agricultural raw materials into its product offerings, utilizing a range of natural oils and herbal extracts. The inclusion of ingredients such as Black Cumin Oil and Eucalyptus Essential Oil highlights the company's commitment to harnessing the benefits of traditional herbal knowledge. By sourcing materials from local farms, Hayat Cosmo not only promotes sustainability but also enhances the efficacy of its products through the use of high-quality, region-specific ingredients.

The company's key strengths lie in its technological advancements and effective consumer engagement strategies. Hayat Cosmo employs modern extraction techniques to ensure the potency and quality of its oils and herbal products. Additionally, the company utilizes digital marketing and social media to connect with consumers, fostering brand loyalty and increasing

market visibility. This proactive approach enables Hayat Cosmo to adapt to consumer preferences and trends in the beauty industry.

In summary, both Gate Farm International PLC and Hayat Cosmo Industry PLC exemplify the successful integration of agricultural products in the beauty cosmetics sector, each leveraging their unique strengths to meet market demands and promote sustainability.

12.03: Input Supply of the case companies

Gate Farm International PLC is a pivotal player in Ethiopia's production of Nigella Sativa Oil, commonly referred to as Black Seed Oil. The company sources its primary raw material, black cumin seeds, from local farmers in regions such as Gondar and Bale. These farmers, often smallholders, employ sustainable agricultural practices that enhance the quality of the seeds. However, the supply of black cumin seeds is subject to several challenges. Seasonal variations in crop yields, exacerbated by climate change, can lead to significant fluctuations in availability, which may hinder the company's ability to meet production targets. Additionally, competition from informal markets poses a risk, as some farmers may opt to sell their seeds to buyers offering higher prices, putting Gate Farm at risk of potential supply shortages.

On the other hand, Hayat Cosmo Industry PLC specializes in the extraction of black cumin oil and the production of various traditional herbal products. Similar to Gate Farm, Hayat Cosmo sources its raw materials, including black cumin seeds and eucalyptus leaves, from local farmers in Northern Ethiopia. This strategy not only supports the regional economy but also ensures the procurement of high-quality, natural ingredients. The supply of agricultural raw materials for Hayat Cosmo is also susceptible to seasonal fluctuations and environmental factors that affect crop yields. Moreover, competition from informal markets can lead to challenges in securing consistent supplies, as some farmers may prioritize sales to buyers offering better prices. To mitigate these risks, Hayat Cosmo maintains strong relationships with its suppliers and continuously evaluates its sourcing strategies, purchasing black cumin seeds at a rate of 75 birr per kilogram.

12.04: Processing Operations and Technology

Both companies utilize advanced processing techniques to extract and refine their products. Gate Farm specializes in cold-press extraction, a method that preserves the natural properties of Nigella Sativa Oil, ensuring a high-quality output. The company has a production capacity of 1,000 tons of black cumin oil per year but currently operates at about 75% utilization. This capacity is contingent upon the continuous availability of raw materials and operational efficiencies. However, the processing stage generates waste, primarily from residual seeds and impurities, with losses estimated at 5% to 10%. These challenges underscore the importance of effective planning and resource management to optimize production.

Conversely, Hayat Cosmo employs both modern extraction technology and traditional techniques to produce herbal cosmetics, including black cumin oil and eucalyptus essential oil. The company's processing operations generate approximately 8% to 12% in waste, which is common in herbal extraction. With a production capacity of 500 tons per year and a current utilization rate of around 70%, Hayat Cosmo faces similar challenges in terms of raw material availability and operational

efficiency. Both companies encounter power interruptions, especially outside Addis Ababa, which necessitate the use of generators, thereby increasing production costs. Furthermore, limited availability of spare parts complicates maintenance and operational efficiency for both firms.

12.05: Marketing and Distribution

Marketing and distribution are crucial components of both companies' business strategies. Gate Farm employs a multi-faceted marketing approach that includes digital marketing and partnerships with various wholesalers and retailers. Its products are available in health food stores, pharmacies, and online marketplaces, ensuring accessibility for consumers interested in natural and organic products. Despite a generally strong local market presence, Gate Farm faces significant competition from lower-grade imported cosmetics, which affects pricing and market competitiveness. The international market, particularly in Europe and the Middle East, presents additional challenges, including issues with packaging quality that hinder successful exports to markets like Dubai.

Hayat Cosmo also implements a comprehensive marketing strategy, utilizing both traditional advertising and digital platforms to reach a wide audience. The company emphasizes the natural and traditional aspects of its products, appealing to health-conscious consumers. Its distribution strategy involves partnerships with local retailers, pharmacies, and health food stores, as well as exploring online sales channels to enhance product accessibility. However, the company faces stiff competition from international players, particularly from Egypt, Pakistan, and India, which benefit from mass production and strong government support in the cosmetics sector. This competition, combined with challenges such as fluctuating raw material prices and limited access to financial resources, complicates the companies' efforts to expand their market presence.

12.06: Challenges Faced by the Case Companies

Introduction

Despite their strong foundations, both Gate Farm International PLC and Hayat Cosmo Industry PLC face numerous challenges that impact their operations across the value chain. These challenges range from supply chain complications to processing and quality control issues, ultimately affecting their marketing and distribution strategies.

12.06.01: Supply Chain Challenges

Both companies experience significant supply chain challenges. Seasonal variations in crop yields due to environmental factors can lead to inconsistencies in raw material availability, making it difficult to maintain production levels. Competition from informal markets complicates matters further, as farmers may prioritize higher offers from informal buyers over long-term contracts with established companies, creating a risk of supply shortages. Additionally, fluctuating prices for black cumin seeds, influenced by market conditions and broker activities, add complexity to their supply chains. Limited access to financial resources hampers both companies' ability to procure necessary imported materials, such as packaging and paraffin, further complicating their operational capabilities.

12.06.02: Processing and Quality Control Challenges

Processing operations for both companies are fraught with challenges. Each company generates waste during extraction, reducing overall profitability. Power interruptions, particularly outside urban centers, necessitate the use of generators, increasing operational costs. The limited availability of spare parts complicates maintenance, resulting in potential downtime that affects production efficiency. Quality control is another concern; the lack of national certification bodies for organic products limits the ability to obtain necessary certifications, hindering market access and competitiveness. Moreover, fluctuations in raw material quality due to environmental factors can impact the consistency of final products, challenging their reputations.

12.06.03: Marketing and Distribution Challenges

In marketing and distribution, both companies face intense competition from lower-grade imported cosmetics, threatening their market positioning. Gate Farm has also experienced issues with its product range, having to cease production of certain items due to lack of demand. While both companies have established digital marketing strategies, they struggle with brand recognition and differentiation, especially in international markets. Despite recognition by international organizations like the German Import Promotion Desk, the absence of local certification bodies affects their competitiveness. Both companies must navigate these challenges to maintain their market presence and capitalize on emerging trends in the beauty and wellness sectors.

12.06.04: Proposed Solutions to Overcome Identified Challenges

To address the myriad challenges faced by Gate Farm International PLC and Hayat Cosmo Industry PLC, a multifaceted approach is essential. Firstly, establishing contracts with farmers that include price stability measures can ensure a consistent supply of raw materials, mitigating the impact of seasonal variations and competition from informal markets. Strengthening relationships through cooperative models will enable the companies to secure better prices and guaranteed purchases, further reducing reliance on informal buyers. Additionally, direct purchasing agreements with farmers can help stabilize fluctuating prices for black cumin seeds.

To enhance financial capabilities, both companies should seek partnerships with financial institutions to create tailored financing options that can support the procurement of necessary imported materials. Developing cooperative structures will facilitate direct engagement between producers and manufacturers, thereby improving supply chain efficiency. Collaborative efforts among stakeholders in the supply chain can also enhance coordination and communication.

In terms of processing and quality control, investing in renewable energy sources, such as solar panels, can reduce operational costs related to power interruptions. Building relationships with multiple suppliers for spare parts will ensure availability and minimize downtime during maintenance. To combat skill shortages, companies should develop training programs in collaboration with educational institutions, focusing on critical areas like formulation and quality testing.

For quality assurance, collaborating with international certification organizations will help establish a framework for local product certification, enhancing market credibility. Establishing partnerships with universities or research institutions will also enable the development of in-house testing and quality analysis capabilities, addressing the lack of quality testing laboratory facilities.

In the marketing and distribution realm, differentiation through branding and targeted marketing campaigns is essential to counteract competition from lower-grade imported cosmetics. Advocating for stricter regulations against illegal trade will protect legitimate businesses from market price disruptions caused by illegal producers. Investing in quality packaging solutions will address export challenges, particularly for markets like Dubai, while developing strategic partnerships with local governments can bolster support for the cosmetics industry against international competitors.

Finally, focusing on obtaining necessary certifications will facilitate access to new markets, overcoming barriers related to quality and certification. Engaging in dialogue with government agencies will raise awareness of the specific challenges faced by the industry, advocating for tailored support services. By implementing these proposed solutions, both companies can enhance their competitiveness and ensure sustainable growth in the future.

Table 5: Challenges and Proposed Solutions for the Case Companies

Category	Challenges	Recommended Solutions
Input Supply	Seasonal variations in crop yields affecting raw material availability.	Implement contracts with farmers that include price stability measures to encourage consistent supply regardless of seasonal changes.
	Competition from informal markets leading to supply shortages.	Strengthen relationships with local farmers through cooperative models that provide better prices and guaranteed purchases to reduce reliance on informal markets.
	Fluctuating prices for black cumin seeds due to market dynamics and broker activities.	Establish direct purchasing agreements with farmers to stabilize prices and reduce costs associated with intermediaries.
	High raw material input cost fluctuations, particularly for cumin, with brokers increasing prices significantly.	Develop a pricing strategy that allows for flexibility based on market conditions, and explore bulk purchasing to mitigate costs.

Table 5: Challenges and Proposed Solutions for the Case Companies

Category	Challenges	Recommended Solutions
	Limited access to financial resources for procuring imported materials.	Seek partnerships with financial institutions to create tailored financing options for agricultural producers and suppliers.
	Lack of direct links to farmers or raw input producers.	Create cooperative structures or networks that facilitate direct engagement between producers and manufacturers, enhancing supply chain efficiency.
	Weak linkages along the supply chain complicating operations.	Foster collaboration among stakeholders in the supply chain to improve coordination and communication.
Processing Operations	Power interruptions increasing operational costs due to reliance on generators.	Explore renewable energy sources, such as solar panels, to decrease dependency on the grid and lower overall energy costs.
	Limited availability of spare parts complicating maintenance.	Build relationships with multiple suppliers for spare parts to ensure availability and reduce downtime in production.
	Skill shortages in formulation, quality testing, and agro-processing.	Develop training programs in collaboration with educational institutions to enhance workforce skills in critical areas.
Quality Control	Lack of national certification bodies for organic products hindering market access.	Collaborate with international certification organizations to establish a framework for local product certification, enhancing credibility in the market.
	The lack of quality testing laboratory facilities and analysis service providers	Establish partnerships with universities or research institutions to develop

Table 5: Challenges and Proposed Solutions for the Case Companies

Category	Challenges	Recommended Solutions
	specifically for this sector hampers product quality assurance and negatively impacts market access.	in-house testing and quality analysis capabilities for enhanced quality assurance within the industry.
	Fluctuations in raw material quality affecting product consistency.	Implement strict quality control protocols at multiple stages of production, including testing raw materials upon arrival and during processing.
Marketing and Distribution	Intense competition from lower-grade imported cosmetics affecting pricing and market positioning.	Differentiate products through branding and marketing that emphasize quality, sustainability, and local sourcing, targeting health-conscious consumers.
	Illegal producers and traders affecting the market price of legal manufacturers and overall competitiveness.	Advocate for stricter regulations and enforcement against illegal trade to protect legitimate businesses.
	Export challenges related to packaging quality, particularly for the Dubai market.	Invest in quality packaging solutions to meet international standards and requirements for export markets.
	International market competition from countries like Egypt, Pakistan, and India, which benefit from mass production and government support.	Develop strategic partnerships with local governments to advocate for support for the cosmetics industry, enhancing competitiveness against international rivals.
	Lack of brand recognition and differentiation in international markets.	Invest in targeted marketing campaigns and participate in international trade fairs to increase visibility and establish a strong brand presence in new markets.
Company Growth Limitations	Difficulty in accessing new markets because of certification and quality barriers.	Focus on obtaining necessary certifications and improving product quality to meet international standards,

Table 5: Challenges and Proposed Solutions for the Case Companies

Category	Challenges	Recommended Solutions
		thereby easing entry into new markets.
	Limited awareness and lack of common understanding among government support organizations regarding industry needs.	Engage in dialogue with government agencies to raise awareness of the specific challenges faced by the industry, advocating for tailored support services to meet those needs.
Support Service Challenges	Limited access to quality analysis service providers for product testing and certification.	Establish partnerships with local universities or research institutions to develop in-house quality testing capabilities or collaborate on research initiatives.
	Government bureaucratic problems at the woreda level hindering operational efficiency.	Advocate for simplification of bureaucratic processes and improved support for agricultural and manufacturing sectors at the local government level.
	Security issues leading to fluctuations in input supply and raw material costs.	Engage with local authorities to enhance security measures for supply chains, ensuring safer transportation and reduced costs associated with security risks.

12.07: Lessons, comparative analysis and recommendations for startups

The case studies of Gate Farm International PLC and Hayat Cosmo Industry PLC offer valuable lessons for youth entrepreneurs in Ethiopia's beauty cosmetics sector; though a deeper comparative analysis could better highlight best practices and pitfalls. Both companies demonstrate the importance of leveraging local agricultural resources, but their differing approaches to technology, marketing, and supply chain management provide critical insights for startups.

12.07.01: Youth Entrepreneurship Lessons

Gate Farm and Hayat Cosmo underscore the importance of integrating local agricultural inputs into cosmetics production. By sourcing raw materials like black cumin seeds and eucalyptus leaves from Ethiopian farmers, both companies reduce costs and promote sustainability—a strategy youth-led startups can emulate. However, challenges such as seasonal supply fluctuations and competition from informal markets reveal the need for formalized farmer contracts and cooperative models to stabilize input availability and pricing. For instance, Hayat Cosmo's direct purchasing agreements with farmers (at 75 ETB/kg) offer a replicable model for startups to secure consistent supplies while supporting rural economies.

The case studies also highlight the critical role of technology and certification. While Hayat Cosmo successfully blends traditional herbal knowledge with modern extraction techniques and digital marketing, Gate Farm struggles with export barriers due to inadequate packaging and lack of organic certifications. Youth entrepreneurs can learn from these contrasts: adopting scalable technologies (e.g., solar drying, blockchain traceability) and prioritizing certifications (e.g., USDA Organic) are essential for accessing premium markets. Startups should also invest in digital platforms, as Hayat Cosmo's social media engagement demonstrates its effectiveness in building brand loyalty among health-conscious consumers.

12.07.02: Comparative Analysis: Successes vs. Struggles

Gate Farm's reliance on unstable local sourcing and informal markets contrasts sharply with Hayat Cosmo's strategic farmer partnerships and bulk pricing strategies. While Gate Farm faces export rejections due to poor packaging, Hayat Cosmo differentiates itself through storytelling around traditional ingredients and modern quality control. This divergence underscores the importance of niche branding and export-grade packaging for startups aiming to compete globally.

Hayat Cosmo's hybrid model—combining heritage ingredients with advanced extraction methods—proves more resilient against competition from mass-produced imports. In contrast, Gate Farm's limited focus on certification and quality testing hampers its market reach. For youth entrepreneurs, this highlights the need to prioritize partnerships with universities or certification bodies to build credibility.

12.07.03: Recommendations for Startups

To thrive, youth-led ventures should formalize supply chains through farmer cooperatives, adopt cost-sharing models for certifications, and invest in renewable energy to mitigate operational disruptions. Emulating Hayat Cosmo's digital marketing strategies and hybrid tech-tradition approach can help startups carve niches in crowded markets. Conversely, avoiding Gate Farm's pitfalls—such as neglecting certifications or underestimating packaging quality—is critical. Advocacy for government support to streamline bureaucratic processes and combat illegal trade will further enable startups to scale sustainably. Through learning from these case studies, young entrepreneurs can navigate Ethiopia's cosmetics sector with strategies that balance local heritage, innovation, and global market demands.

13: Case Studies from Africa, Asia, and Europe

Introduction

The case studies of Shea Butter Cosmetics in Ghana, neem-based cosmetics in India, and lavender essential oils in Bulgaria were selected to highlight how small-scale farming and artisanal processing of locally abundant crops can drive inclusive economic growth, particularly for youth entrepreneurs. Each case underscores the transformative potential of leveraging regionally available agricultural resources: Shea Butter, neem and lavender, which thrive in challenging climates and require minimal inputs, making them ideal for replication in countries like Ethiopia, where similar crops (e.g., shea butter, neem, and aromatic herbs) are underutilized yet widely accessible.

a. Case Study 1: Africa – Shea Butter Cosmetics in Ghana

In Ghana, the production of shea butter from the nuts of the shea tree (Vitellaria paradoxa) exemplifies a successful synergy of cultural heritage, agricultural innovation, and sustainable business practices. For centuries, shea butter has been a cornerstone of beauty and skincare routines in West Africa, prized for its moisturizing, anti-inflammatory, and healing properties (Global Shea Alliance [GSA], 2021). Traditionally handcrafted by women in rural communities, this golden-hued fat is extracted from shea nuts through labor-intensive methods passed down through generations. In recent decades, however, women-led cooperatives in northern Ghana have transformed this local resource into a globally traded commodity, positioning Ghana as the world's second-largest exporter of shea butter after Nigeria (Grand View Research, 2023).

The shea nuts are harvested from wild shea trees, which thrive in the savannah regions of northern Ghana. These trees grow organically without artificial irrigation or fertilizers, making the nuts a naturally sustainable raw material (GSA, 2021). The processing of shea butter involves cold-pressing the nuts to retain bioactive compounds such as vitamins A and E, catechins, and fatty acids like oleic and stearic acid, which are highly sought after in the cosmetics industry for their skin-nourishing and anti-aging benefits. This method contrasts with industrial refining, which uses heat and chemicals that degrade nutritional value (Grand View Research, 2023). To ensure ethical and eco-friendly practices, many cooperatives adhere to Fairtrade certification standards, which mandate fair wages for women collectors, reforestation programs to protect shea tree populations, and bans on child labor. For instance, the Global Shea Alliance (GSA), a nonprofit organization, has partnered with Ghanaian cooperatives to plant over 10 million shea trees since 2011, combating desertification and promoting biodiversity in the region (GSA, 2021).

Key players in this sector include the Savanna Fruits Company, a Ghanaian social enterprise collaborating with over 10,000 women across 120 cooperatives. The company produces organic, unrefined shea butter for premium international brands like L'Occitane and The Body Shop, generating annual revenues exceeding $15 million (GSA, 2021). Another innovator, Nilotica Naturals, targets niche markets by marketing shea butter infused with indigenous botanicals like moringa and baobab, emphasizing Ghanaian cultural identity through eco-conscious packaging

and storytelling. These enterprises have significantly boosted Ghana's shea butter exports to Europe, North America, and Asia, contributing to a global market valued at $2.5 billion in 2023 (Grand View Research, 2023).

The socioeconomic impact is profound. Over 1 million women in northern Ghana, many of whom previously relied on subsistence farming, now earn stable incomes through shea butter production, enabling them to invest in education, healthcare, and small businesses (UN Women, 2020). A 2020 UN Women report highlighted that cooperative membership has increased women's decision-making power in households and communities, challenging traditional gender roles. Environmentally, agroforestry practices promoted by the GSA have improved soil fertility and reduced deforestation rates, with shea trees acting as carbon sinks to mitigate climate change (GSA, 2021).

However, challenges persist. Erratic rainfall and rising temperatures, linked to climate change, have reduced shea nut yields by up to 50% in some areas, as noted in a 2022 IPCC report (Intergovernmental Panel on Climate Change [IPCC], 2022). Additionally, synthetic alternatives like petroleum-based moisturizers threaten market share due to their lower cost and longer shelf life (Grand View Research, 2023). To address these issues, Ghanaian producers are investing in climate-smart agriculture, such as drought-resistant shea tree varieties, and pursuing certifications like USDA Organic to differentiate their products in competitive markets (IPCC, 2022).

Bulgaria's Rose Valley, globally renowned for its rose oil production, has recently seen a surge in lavender (Lavandula angustifolia) cultivation, particularly among small-scale farmers in the Balkan Mountains. These farmers, operating family-run distilleries, have carved a niche in producing high-quality lavender essential oils for luxury cosmetics, blending traditional methods with sustainable practices. Lavender thrives on terraced plots in regions like Karlovo and Sredna Gora, where the Mediterranean climate and well-drained soils create ideal growing conditions (Bulgarian Lavender Association [BLA], 2023). Historically overshadowed by rose cultivation, lavender has gained prominence due to its lower water requirements and rising demand for natural skincare ingredients, positioning Bulgaria as a key player in Europe's artisanal essential oil market.

b. Case Study 2: Asia – Neem-Based Cosmetics in India

Neem (Azadirachta indica), a cornerstone of Ayurvedic medicine, has been integral to India's traditional health and beauty practices for centuries. Its antimicrobial and anti-inflammatory properties, documented in ancient texts like the Charaka Samhita, have been validated by modern science, particularly its efficacy in treating dermatological conditions such as acne (Subapriya & Nagini, 2005; Costa et al., 2021). Rural communities in India have long harnessed neem for pesticidal soaps, creams, and hair oils, a practice revitalized by small-scale enterprises in Tamil Nadu and Gujarat. These enterprises combine traditional knowledge with sustainable methods, sourcing neem seeds and leaves from village trees and smallholder farms to meet growing global demand for chemical-free cosmetics.

Processing neem involves cold-pressing seeds to extract oil rich in azadirachtin, a potent compound with demonstrated anti-acne and antifungal effects (Costa et al., 2021), while leaves are distilled into neem water for shampoos and toners. Women's self-help groups (SHGs), supported by organizations like the National Bank for Agriculture and Rural Development (NABARD, 2020),

drive this value chain using manual oil presses and solar-powered distilleries. These technologies reduce carbon footprints and create localized employment, empowering over 10,000 rural women in collection, processing, and marketing roles (UNDP India, 2022). Neem's drought resilience and soil-enhancing properties further align with ecological sustainability, making it a keystone species in agroforestry systems (Schmutterer, 1990).

Key market players include Biotique, which sources neem oil from more than 200 small farms and exports "Bio Neem" products to 25 countries, and Dharma Rural Innovations, a Gujarat-based cooperative producing neem soap bars for domestic and international markets. The global cosmetics market size was estimated at USD 295.95 billion in 2023 and is expected to grow at a CAGR of 6.1% from 2024 to 2030 (Grand View Research, 2023). Neem-based products, distributed through Ayurvedic stores and exported to Europe and the Middle East, capitalize on this demand. Environmentally, partnerships with farms have reduced synthetic pesticide use by 30%, promoting integrated pest management (CEEW, 2021).

However, challenges persist. Seasonal seed availability limits year-round production, while corporate brands often dilute neem content, undermining product integrity. Additionally, the 1995 European Patent Office controversy, where a neem-based fungicide patent was revoked due to India's evidence of traditional prior use, underscores ongoing tensions around biopiracy and intellectual property rights (WIPO, 1997). Despite these hurdles, India's neem industry exemplifies how traditional knowledge, coupled with sustainable processing, can foster inclusive economic growth, ecological resilience, and cultural preservation.

c. Case Study 3: Europe – Lavender Essential Oils in Bulgaria

The cultivation and processing of lavender in Bulgaria are deeply rooted in small-scale, organic practices. Farms averaging 2–5 hectares, often family-owned for generations, prioritize sustainability by avoiding synthetic pesticides to preserve soil health and support pollinators like bees, which are critical to local biodiversity (European Commission, 2021). Processing begins with hand-harvesting blooms at peak oil content in mid-summer, followed by steam distillation using portable copper stills—a 19th-century method that yields 1–1.5 liters of essential oil per 100 kg of flowers (BLA, 2023). Byproducts such as hydrosols (floral water) are repurposed into facial mists, ensuring a zero-waste process. Micro-distilleries produce 10–50 liters of oil annually, maintaining traceability and artisanal quality for niche skincare brands (BLA, 2023).

Key players like Ethereal Oils, a family-run distillery in Karlovo, and Balkan Botanicals, a cooperative marketing DIY skincare kits, drive the industry's growth. These enterprises emphasize transparency, with some adopting blockchain technology to verify organic certification (Balkan Botanicals, 2022). Over 70% of Bulgaria's lavender oil is exported to EU cosmetics brands, while agritourism initiatives attract 15,000+ visitors annually to lavender farms, offering workshops and seasonal harvest experiences (EU Agri-Tourism Report, 2022). This dual revenue stream—exports and tourism—has revitalized rural economies, with farms generating €8,000–€15,000 annually (EU Agri-Tourism Report, 2022).

Economically, lavender farming has injected vitality into depopulated rural areas. Youth engagement in agriculture has increased by 25% since 2018, reversing decades of urban migration (Ministry of Agriculture, Bulgaria, 2023). Environmentally, lavender's deep root systems

reduce soil erosion by up to 45% on sloped terrains, while its flowers support bee populations critical for regional apiculture (European Environment Agency [EEA], 2020). A 2022 study found that lavender fields in Sredna Gora sequester 2.5 tons of CO_2 per hectare annually, contributing to Bulgaria's climate mitigation efforts (EEA, 2020).

Despite its success, the industry faces significant challenges. Hand-harvesting lavender is labor-intensive, with seasonal labor costs consuming 30–40% of profits (BLA, 2023). Price volatility driven by competition from French lavender—which benefits from larger subsidies—forces Bulgarian farmers to rely on premium branding to maintain margins. Organic certification, while a market advantage, requires annual investments of €3,000–€5,000, straining smallholders (Ministry of Agriculture, Bulgaria, 2023).

Bulgaria's lavender industry demonstrates how small-scale, artisanal production can thrive in high-end markets by leveraging tradition, sustainability, and agritourism. By preserving heritage methods while adopting eco-certification and digital marketing, farmers have turned a regional crop into a global commodity, fostering rural resilience.

Conclusions on the regional case studies

In conclusion, the case studies of shea butter cosmetics in Ghana, neem-based cosmetics in India, and lavender essential oils in Bulgaria illustrate the significant impact of small-scale farming and artisanal processing on inclusive economic growth, particularly for youth entrepreneurs. Each region leverages locally abundant crops: shea, neem, and lavender, transforming them into valuable commodities through sustainable practices and community empowerment.

In Ghana, the shea butter industry has not only provided stable incomes for over a million women but has also fostered environmental conservation through reforestation efforts. Similarly, India's neem industry exemplifies the integration of traditional knowledge and sustainable processing, promoting ecological resilience while addressing modern market demands. Meanwhile, Bulgaria's lavender sector showcases how artisanal production, coupled with agritourism, can revitalize rural economies and engage youth in agriculture and cosmetics products processing

Despite the successes, challenges such as climate change, market volatility, and the need for certification remain. However, the experiences from these case studies highlight a replicable model for other countries, particularly Ethiopia, where similar underutilized crops can be harnessed to drive economic growth and empower local communities. Through focusing on sustainable practices and emphasizing the cultural significance of these crops, nations can foster a thriving agricultural sector that benefits both people and the planet.

14: Conclusion

14.01: Summary of Findings

Ethiopia's cosmetics industry demonstrates significant potential through its rich biodiversity, cultural heritage, and growing consumer interest in natural products. However, systemic challenges—including technological gaps, regulatory ambiguity, and infrastructural deficits—hinder

scalability. Addressing these issues requires coordinated efforts between policymakers, researchers, and industry stakeholders, alongside increased investment in education and training to build a skilled workforce. By fostering an environment, that supports innovation and sustainability, Ethiopia can position itself as a leader in the natural cosmetics market.

From the beauty cosmetics value chain perspective, the industry is showing an evolving market trend in the world market that encourages value chain upgrading to cope with and stay competitive while meeting local and external consumer demands.

Despite the various envisaged potentials and market opportunities, the herbal, aromatic and beauty cosmetic value chain face multifaceted challenges. The general value chain related gaps relate mainly to resource constraints, technological, managerial and coordination problems.

From global value chain analysis, research findings indicate that support for cosmetics and personal care product MSMEs in general and female-owned MSMEs in particular could strengthen African value-chain development. It is concluded that supporting the sector would involve prioritizing MSMEs in industrial policy strategy and addressing the requirements of female-owned businesses.

The case study of Gate Farm International PLC and Hayat Cosmo Industry PLC provides valuable insights into the integration of agricultural products within the beauty cosmetics sector. Both companies exemplify innovative approaches and effective practices that highlight the potential benefits of leveraging agricultural inputs in cosmetic formulations. While they have successfully established themselves in the market, they also face significant challenges, including supply chain disruptions, processing inefficiencies, and intense competition from lower-grade imports.

By adopting the proposed solutions, such as strengthening supply chain relationships, investing in renewable energy, and enhancing quality control measures, both companies can navigate these challenges more effectively. Furthermore, fostering collaborations with financial institutions and educational partners can support their operational and workforce development needs. As they work to implement these strategies, Gate Farm and Hayat Cosmo are well-positioned to enhance their market presence, promote sustainability, and ensure long-term growth in the dynamic beauty industry. This case study not only underscores their achievements but also serves as a roadmap for other companies looking to integrate agricultural products into their offerings, contributing to a more sustainable and innovative cosmetics sector.

14.02: Implications for Young Entrepreneurs

The various issues discussed so far regarding value chain in beauty cosmetics production and marketing have an important implication while concerned with youth engagement or participation – as youth-inclusive or young entrepreneurs led value chain. In this regard, FAO's publication strongly upholds that 'putting youth first and identifying decent employment and income earning opportunities for female and male youth requires understanding and information beyond the "usual" set of criteria that would be applied in Value Chain selection. Therefore, it is recommended that practitioners follow a proven and field-tested selection approach with the modification and introduction of specific criteria and thinking that focuses on youth and decent work dimensions." (Cruickshank, D., et. al (2022)). Sticking to this remark, this research draws some pertinent

implications for young value chain entrepreneurs in the cosmetics industry. These implications include:

- Evolving global cosmetics market dynamics towards organic sourced beauty products is a good opportunity as a pool factor for the young labor force to be enthusiastically engage in the production and marketing activities – both for local and international consumers.
- The young labor force should coordinate/collaborate with support service providers from government and private sector development initiatives preferably through team approach for better competitive performance and bargaining power through being ready for and acquiring the necessary education and skills, accessing to productive resources/services, etc.

Young entrepreneurs may face particular social and economic challenges and the constraints that impact their actions, decisions and self-agency act as push factors towards entering or participating in such agriculture or nature sourced value chains – as proposed by this research objectives.

Study results revealed young entrepreneurs are lacking adequate support services from all stakeholders and hence, a focused intervention is fundamental to the value chain development – from the private and public sector stakeholders. International best practices in upgrading value chains suggest due emphasis be given mainly to quality sourcing, good managerial practices, and customer centric production approach.

15: Recommendations and Guidelines

15.01: Recommendations for Entrepreneurs

Based on the value chain analysis and the gaps identified therein, entrepreneurs across the cosmetics value chains are recommended to:

- Closely work with value chain support service providers and collaborate with product promotion agents and influencers at all stages of the value chain
- Focus on compliance to quality standards that meet consumer expectations
- Periodically upgrade the technical capabilities of actors in value chain - in line with changing industrial dynamics of global value chain.Relating to gaps observed product sourcing, entrepreneurs need to focus on prioritizing sustainable and organic sourcing that also encompasses and encourages youth-based raw material sourcing and involvement across other the value chain activities–preferably encouraging group-based value chain participation and MSMEs focused business development.
- Following the evolving market dynamics and promising prospects for organic cosmetic ingredients, entrepreneurs should invest in value chain upgrading research and development activities. This should also encompass scaling up product outreach through digital platforms and ‘Buy Ethiopian Organic’ cosmetics promotions.

15.02: Best Practices for Sustainable Production

For a better value chain development in nature-based beauty cosmetics production and marketing, various literature and business undertakings suggested the following points as best practices to be practiced to curb various challenges prevailing in the cosmetic value chains and harness potential marketing opportunities. In this regard, countries like South Africa and Egypt are said to have established relatively robust manufacturing bases for cosmetics. (Stuart, J (2023)).

- Understanding the target audience/customers through researching the market to know the competitors and target customers' demographics, preferences, and concerns.
- Maintaining quality through careful compliance to regulations to ensure products are safe to use by complying with all relevant regulations and standards – both in domestic and international markets. This should also include planned investment in R&D to continuously improve products to meet customer demands and emerging trends; and build quality brands.
- Building brand awareness: through used of social media and other digital platforms including influencers who share brand's values and have an engaged community.
- Manage customer reviews such that positive reviews can enhance brand's reputation
- Write clear product descriptions: Making sure product descriptions are easy to understand and informative.
- Use good manufacturing practices that involve implementing a robust ingredient testing program, proper equipment maintenance and calibration – such that machines should be regularly cleaned and calibrated to ensure they work properly and keep product quality high. (Brugh, A. (2023)).

15.03: Support Systems for Young Entrepreneurs

Currently, support services as it refers to 'infrastructure, services, and organizational mechanisms that facilitate the smooth functioning of the beauty cosmetic value chain' is found to be inefficient and non-effective. Hence, for the young entrepreneurs in the cosmetics production and marketing to effectively and efficiently engage in the value chain upgrading, provision of appropriate support services by all affiliated stakeholders is vital. Such support services include facilitation of technological resources, provision of important logistics such as transportation services, warehousing, provisioning financial resource that take smoother business startup considerations, capacity building through agricultural/industrial focused extension system and training, and establishing and continuous provision of market information that updates prevailing market dynamics - both from local and global perspectives. Lack of coordination among cosmetic value chain actors being the other constraint, this study suggests young entrepreneurs should collaborate and coordinate across value chains for smoother and competitive performance.

A detailed and Structured Practical Guide for Young Entrepreneurs in the Production of Beauty Cosmetics from Agricultural Products in Ethiopia is included in Appendix I.

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17: Appendix I: Guideline for Young Entrepreneurs

Structured Practical Guide for Young Entrepreneurs in the Production of Beauty Cosmetics from Agricultural Products in Ethiopia

I. Introduction

This structured practical guide is developed specifically for young entrepreneurs who aspire to enter and succeed in the beauty cosmetics industry by utilizing locally sourced agricultural products. The Ethiopian landscape presents a unique opportunity for innovation and growth, particularly as global trends increasingly favor natural and sustainable cosmetics. This guide provides a comprehensive roadmap that includes detailed steps for securing funding, implementing sustainable packaging solutions, developing skills and capacity. and exploring export opportunities. Through focusing on local agricultural resources and sustainable practices, young entrepreneurs can not only build viable businesses but also contribute to community development and environmental conservation. The following sections will equip you with the knowledge and tools necessary to navigate the challenges and leverage the opportunities within this dynamic market.

II. Funding Sources

a. Government Grants

- **Research Available Grants:**

Begin by exploring the various programs offered by government Ministerial offices including Ministry of Industry, Ministry of Innovation and technology, and Ministry of Trade and Regional Integration aimed at supporting small and medium enterprises (SMEs). Check their official website and local offices for announcements about grants specifically designed for start-ups in the agricultural and cosmetics sectors. These programs often seek to stimulate economic growth and enhance employment opportunities.

Many regional governments have specific initiatives to promote local industries. Reach out to local government offices to inquire about grants or funding programs tailored for young entrepreneurs in the beauty and agricultural sectors.

Look into grants provided by NGOs and international organizations that focus on agricultural development and women's empowerment. Organizations such as UNIDO frequently offer funding opportunities for projects that promote sustainable practices and support local communities. Explore their websites for open calls for proposals and application guidelines.

Application Process:

Prepare a Comprehensive Business Plan that comprises market analysis, production processes, financial analysis and expected outcomes

Conduct thorough research to identify your target market, competition, and consumer trends in the beauty cosmetics sector. Include data on the demand for natural and locally produced cosmetics.

Detail the steps involved in sourcing agricultural products, production, quality control, and distribution. Highlight any innovative practices that set your business apart.

Clearly articulate the anticipated social and economic impacts of your business, such as job creation, community engagement, and contributions to local agriculture.

Carefully read the grant's objectives and criteria. Ensure that your business plan emphasizes how your venture will promote local agriculture, enhance economic development, and create job opportunities for youth. Tailor your application to resonate with the goals of the funding body.

b. Private Investors

Identify Potential Investors:

Get involved in local business incubators and entrepreneurship forums. Events such as Ethiopian Startup Week and initiatives by the Ethiopian Entrepreneurship Development Center provide excellent networking opportunities. Engage with mentors, entrepreneurs, and investors to build relationships and gain insights into securing funding.

Angel Investors and Venture Capitalists who have shown interest in sustainable businesses or agricultural initiatives. Prepare a list of potential investors and tailor your approach to align with their investment philosophies. Consider platforms like Ethiopian Business Network to connect with potential investors.

Pitch Preparation:

Develop a Compelling Pitch:

Clearly outline how your business will operate, emphasizing the unique aspects of using local agricultural products. Highlight your value proposition and what differentiates you from competitors.

Illustrate how your business will create jobs, particularly for young people, and contribute to community development.

Include detailed financial forecasts that demonstrate the viability and growth potential of your business. Present data on projected revenues, expenses, and profitability over the next 3-5 years.

Discuss how you plan to scale your business, whether through product diversification, market expansion, or partnerships. Investors want to see a clear path for growth and a return on their investment.

c. Crowd funding

Choose a Platform:

Research crowdfunding platforms that cater specifically to African entrepreneurs. Each platform has its own audience and fee structure, so choose one that aligns with your goals.

Campaign Strategy:

Construct a compelling narrative that captures your journey as an entrepreneur and your passion for using local agricultural products. Explain the problem your business addresses and how it benefits the community.

Use high-quality images and videos to highlight your products, the production process, and the agricultural sources. Visual storytelling can significantly enhance engagement and attract backers.

Set Clear Funding Goals:

Determine how much money you need to raise and how it will be used (e.g., product development, marketing, operational costs).

Offer attractive rewards for different funding levels, such as samples of your cosmetics, exclusive early access to products, or branded merchandise. This not only incentivizes contributions but also builds community around your brand.

III. Sustainable Packaging Solutions

a. Research Sustainable Options

Identify Materials:

Look for biodegradable or recyclable packaging materials available in Ethiopia, such as locally produced paper or bamboo packaging.

Explore partnerships with local manufacturers of eco-friendly packaging.

b. Design Considerations

Ensure that your packaging protects the product while being user-friendly and visually appealing. Consider traditional Ethiopian aesthetics in your design.

Incorporate local cultural elements into your packaging to resonate with consumers. Highlight the natural and organic qualities of your products.

c. Implementation

Assess the costs of sustainable packaging options compared to conventional materials. Look for subsidies or incentives for using eco-friendly materials from local government programs.

Use marketing materials to educate consumers about the benefits of sustainable packaging and how it contributes to environmental conservation.

IV. Export Potential and Trade Agreements

a. Market Research

Research markets in Europe, North America, and the Middle East where there is a demand for natural and organic beauty products.

Familiarize yourself with international standards for cosmetics, such as the EU Cosmetics Regulation and ensure compliance with Ethiopian export regulations.

b. Trade Agreements

Investigate trade agreements that Ethiopia is part of, such as the African Continental Free Trade Area, which can facilitate access to other African markets.

Prepare all necessary export documentation, including invoices, certificates of origin, and product safety certificates. Consult with local trade offices for guidance.

c. Distribution Channels

Identify potential distributors in target markets who specialize in beauty products. Use platforms like Alibaba to explore international distribution options.

Develop a logistics plan those accounts for transportation methods, costs, and delivery timelines. Use local shipping companies familiar with international shipping regulations.

Skills Development and Capacity Building

Investing in skills development and capacity building is essential for sustaining growth and improving operational efficiency. Entrepreneurs should focus on:

Participate in workshops and training sessions on business management, marketing, production techniques, and quality assurance. This can enhance the entrepreneurial skills needed to navigate challenges effectively.

Seek mentorship from experienced professionals in the cosmetics industry. Joining local business networks and associations can provide valuable connections, resources, and support.

Collaborate with universities and vocational training centers to access resources, research, and training programs. This collaboration can help in developing innovative products and improving business practices.

Conclusion

In conclusion, the beauty cosmetics industry in Ethiopia holds significant potential for young entrepreneurs willing to harness local agricultural products and innovate responsibly. This guide has outlined essential funding sources, including government grants, private investments, and

crowdfunding, providing practical strategies for securing the necessary financial support. Additionally, the emphasis on sustainable packaging solutions and exploration of export opportunities highlights the importance of aligning business practices with global sustainability trends. By following the steps outlined in this guide, entrepreneurs can establish successful businesses that not only thrive in the marketplace but also promote social responsibility, job creation, and environmental stewardship. As you embark on this entrepreneurial journey, remember that your efforts can lead to positive change in your community and contribute to the broader economic development of Ethiopia. Embrace the challenges ahead with determination and creativity, and let your passion for beauty and agriculture drive your success.

17.01: Annex A: Preliminary Start-up financial plan for Youth Entrepreneurs in Beauty Cosmetics Value Chain Development.

Project Name: AACSA Youth IGA Support in Beauty Cosmetics Production and Marketing
Youth Group Name: "…..... Area Beauty Cosmetics Production & Marketing Youth Association"
Year Of Establishment: 2025
Exchange Rate of Birr to USD (Average) [1 USD = 126.4888 ETB, cash selling price]

ITEM	Quantity Needed	Average Cost (Rate) of Cost Items (Birr)	UNIT	Number/ Qtty of Units	Total Expense (Birr)	Total Expense (USD)
LABOR [Lump Sum]						
Manager	1	20,000.0	month	12	240,000.0	1,897.4
Production Manager	1	15,000.0	month	12	180,000.0	1,423.1
Administrator/Finance Head	1	13,500.0	month	12	162,000.0	1,280.7

ITEM	Quantity Needed	Average Cost (Rate) of Cost Items (Birr)	UNIT	Number/ Qtty of Units	Total Expense (Birr)	Total Expense (USD)
Accountant (2)	1	85,000.0	month	12	1,020,000.0	8,064.0
Secretary	2	7,500.0	month	24	180,000.0	1,423.1
Marketing Officer	1	8,000.0	month	12	96,000.0	759.0
Chemist	1	10,000.0	month	12	120,000.0	948.7
Store Keeper	1	6,500.0	month	12	78,000.0	616.7
Technician	1	6,000.0	month	12	72,000.0	569.2
Supervisor	2	7,800.0	month	24	187,200.0	1,480.0
Operators	10	6,500.0	month	120	780,000.0	6,166.6
Daily Laborers	20	2,000.0	month	240	480,000.0	3,794.8
Cleaners	1	2,000.0	month	12	24,000.0	189.7

ITEM	Quantity Needed	Average Cost (Rate) of Cost Items (Birr)	UNIT	Number/ Qtty of Units	Total Expense (Birr)	Total Expense (USD)
Driver	2	4,500.0	month	24	108,000.0	853.8
Guards	6	3,500.0	month	72	252,000.0	1,992.3
Sub-total_LABOUR REQUIREMENT	51.0	197,800.0			3,979,200.0	31,458.9
Initial Capital Investment (Lump Sum)						
Land Rent					96,000.0	759.0
Building and civil works					600,000.0	4,743.5
Office equipment					50,000.0	395.3
Vehicles					1,500,000.0	11,858.8
Plant machinery & equipment					950,000.0	7,510.5

ITEM	Quantity Needed	Average Cost (Rate) of Cost Items (Birr)	UNIT	Number/ Qtty of Units	Total Expense (Birr)	Total Expense (USD)
Total fixed investment cost					***3,196,000.0***	***25,267.1***
Pre-production capital expenditure*					159,800.0	1,263.4
Total initial investment					***3,355,800.0***	***26,530.4***
Working capital at full capacity					864,834.0	6,837.2
Sub-total_INITIAL CAPITAL INVESTMENT (LUMP SUM)					4,220,634.0	33,367.6
MATERIAL AND UTILITY REQUIREMENTS						
Plastic Drum (30kg capacity)	4,000.00				900,000.0	7,115.3

ITEM	Quantity Needed	Average Cost (Rate) of Cost Items (Birr)	UNIT	Number/ Qtty of Units	Total Expense (Birr)	Total Expense (USD)
Total Material Cost (Lump sum)					900,000.0	7,115.3
Utility						
Electricity	68,220		kwh		57,521.0	454.8
Furnace Oil	460,000		lit		4,220,000.0	33,362.6
Water	10,000		m3		26,500.0	209.5
Total Utility Cost					4,304,021.0	34,026.9
Subtotal_MATERIAL AND UTILITY REQUIREMENTS					5,204,021.0	41,142.1
TOTAL COST					**13,403,855.0**	**105,968.7**
Contingency (10%)	Allowance				1,340,385.5	10,596.9

ITEM	Quantity Needed	Average Cost (Rate) of Cost Items (Birr)	UNIT	Number/ Qtty of Units	Total Expense (Birr)	Total Expense (USD)
GRAND TOTAL COST					14,744,240.5	116,565.6

Annex B: List of import and export Country Sources to essential oils and beauty cosmetics

List of essential oils and beauty cosmetics import Country Sources to Ethiopia (USD)

Import country source	year					Average	Percentage Distribution
	2023	2022	2021	2020	2019		
China	1,736,588	2,173,994	1,612,357	1,622,515	4,273,432	2,283,777.20	32.74
United Arab Emirates	1,022,045	916,122	515,791	591,344	757,985	760,657.40	10.90
South Africa	556,218	1,178,372	538,434	308,109	802,698	676,766.20	9.70
France	1,014,448	433,037	330,354	441,132	586,469	561,088.00	8.04
Germany	667,871	931,319	511,186	255,443	263,377	525,839.20	7.54
Kenya	343,722	255,906	978,096	125,260	298,486	400,294.00	5.74
India	384,011	323,792	277,395	428,935	291,332	341,093.00	4.89
USA	332,532	281,787	303,662	406,267	251,950	315,239.60	4.52

Import country source	year					Average	Percentage Distribution
	2023	2022	2021	2020	2019		
Côte d'Ivoire	426,531	261,932	198,785	307,854	233,420	285,704.40	4.10
Indonesia	188,838	229,651	278,484	286,694	231,540	243,041.40	3.48
Pakistan	154,821	33,939	202,208	174,245	119,732	136,989.00	1.96
Canada	177,906	73,080	109,131	245,513	59,111	132,948.20	1.91
Türkiye	64,586	133,612	89,052	15,328	317,147	123,945.00	1.78
Italy	179,283	127,311	76,745	98,266	64,896	109,300.20	1.57
Saudi Arabia	161,172	115,984	41,055	53,273	22,298	78,756.40	1.13
						6,975,439.20	**100.00**

List of essential oils and beauty cosmetics export Country Sources from Ethiopia (USD)

list of Export Country Destination	year					Average	Percentage Distribution
	2023	2022	2021	2020	2019		
Côte d'Ivoire	0	0	79,121	0	0	15,824	46.67
Germany	6,890	1,133	3,372	944	20,789	6,626	19.54
Djibouti	4,645	5,534	6,324	7,728	5,343	5,915	17.45

list of Export Country Destination	year					Average	Percentage Distribution
	2023	2022	2021	2020	2019		
USA	423	403	1,110	774	2,567	1,055	3.11
Kenya	2,920	748	314	370	231	917	2.70
Peru	0	3,379	0	0	0	676	1.99
Belgium	0	978	2	5	1,585	514	1.52
Ghana	1,545	397	0	0	90	406	1.20
Netherlands	0	0	1,436	295	0	346	1.02
India	359	77	1,089	0	150	335	0.99
France	578	290	597	16	94	315	0.93
Israel	240	0	1,143	0	0	277	0.82
Switzerland	159	50	432	0	617	252	0.74
Uganda	1,206	0	0	0	0	241	0.71
Nepal	0	1,029	0	0	0	206	0.61
						33,904	**100.00**

17.02: Annex B: List of Companies used for data collection

No.	Company name	Location	Contact
1	Hayat Cosmo Industry Plc	Addis Ababa	hayataddis@yahoo.com
2	Gate Farm International plc	Sebeta	rayanalimuslah@gmail.com
3	Zenith Gebis Eshet	Addis Ababa	zenith@ethionet.et
4	Universe Pharmaceutical PLC	Addis Ababa	0911789379
5	Terra Private Limeted Company	Debre Birhan	0911227753
6	Bella pharmaceuticals Industry	Addis Ababa	marthateklu@gmail.com
7	Unique UFA chemical industry PLC	Sulta	0911623092
8	Chaka cosmetic	Addis Ababa	
9	Teflen Industry and trading PLC	Addis Ababa	0929903383
10	Fast pharma industry	Sendafa	0911079444
11	Laset cosmetic plc	Dukem	lasante@ethionet.et
12	Ethiopian Coffee and Tea Authority	Addis Ababa	0926241764(Ato Moges) 0910437887(W/ro Abeba)
13	Ethiopian Food and beverage research and development center	Addis Ababa	0910787809(Ato Bekele)
14	Armauer Hansen Research Institute (Pharmaceutical Directorate)	Addis Ababa	0953990049 (Fiseha)

18: Contact details

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