

Notes from 8/9/11 Call Between GiveWell and MANA

GiveWell: Alexander Berger

MANA Nutrition: David Todd Harmon, Strategy & Sustainability, and Jennifer Humphrey, Accountability and Transparency

GW: What do you do?

We manufacture ready-to-use therapeutic foods (RUTF). We're also looking to begin creating other food products. We just finalized a new formulation, which we should begin manufacturing before the end of the year. That new product is ready-to-use supplementary food (RUSF), which is meant for children suffering from moderate malnutrition.

GW: Do you ever donate food or only sell it?

We generally sell our food to cover costs. We reinvest whatever profits we make in the company as directed by our board.

We do seek donations in order to provide product to delivery partners who may not have RUTF budgeted but have the capacity to distribute it. We recently launched a small campaign for donations to be able to provide in-kind donated product to medical professionals in Guatemala and Somalia. That product hasn't been delivered yet, but it will be in the next month or two.

GW: How long does it take to get a product to its destination?

We can get something to Guatemala in just a couple of weeks. Most of our customers handle the shipping themselves, so the logistics can vary based on their timeline. One of our recent customers flew the product to South Sudan in a matter of just days.

GW: Who do you sell the products to?

We currently sell RUTF to a foundation in Guatemala called SANA, a foundation with connections to the Guatemalan Vice President. We've also sold a small volume to Samaritan's Purse and Mercy Ships. Our hope is to supply global leaders in the procurement and distribution of RUTF. UNICEF and most recently USAID, procure and coordinate distribution of RUTF on a large scale.

GW: How much are you producing right now?

In July we were targeting 35 metric tons. We're just getting off the ground right now. Our capacity is up closer to 400 MT a month, with more machines coming online. By the end of the year/early next year we want to be able to make 1000MT a month, or enough RUTF for over 75,000 children. That's capacity, not actual production. I need customers to transform capacity into sales in fulfilling our ultimate goal of providing ready-to-use foods for malnourished children.

GW: When did you start production?

We started test runs in May 2011. We then sold a bit of product, changed our production line, had our facility audited, and made it through some key gates toward full-scale production.

GW: Do you license the Plumpynut formula from Nutriset?

We do not use the Plumpynut formula.

GW: Do you ever not sell your products to an organization because you're not confident they will use them effectively?

Yes, and we're still trying to further develop that criteria. RUTF is controlled and treated like a medicine, so we verify that a partner has trained medical staff on the ground to ensure that they will be able to distribute RUTF appropriately. We would also like to coordinate with other producers of RUTF to best serve severely malnourished children.

GW: How do you determine that your partners have competent medical personnel?

We have only a few partners, since we just began producing, that it's been easy. Many of the larger buyers of RUTF monitor their distribution partners, which makes it easier for us. And in the past, we asked the purchasers about their staff capacity and credentials to verify their ability to properly administer RUTF. We also help to create field manuals to help our partners make sure that the RUTF is administered properly.

GW: Can you tell me about any cases where you didn't sell it?

Yes. We've had mission and church groups call, and we've inquired to evidence that they had the expertise needed to administer RUTF. In cases where they do not have the ability to do so, we've asked them to get back in touch once we've developed an RUSF product and other products, that are likely more appropriate for their needs.

GW: How was MANA founded?

Our founder, Mark, was briefed on Capitol Hill when he was working there as an Africa specialist. UNICEF representatives were on the Hill talking not only about RUTF, but about various programs and efforts that could perhaps be supported by US government funds. RUTF, was just one of the things on a list, but the idea and the concept inspired Mark to dig deeper. As he learned, he began to see that a U.S. producer could potentially bring costs down and stabilize production. Moreover, a non-profit US based supplier could not only meet surge demands that come from natural disasters and emergencies but could partner with local producers to meet day to day, projected needs. In the past, up to 80% of the market was supplied by a single supplier, and it's a fragile supply chain. MANA was established to try and stabilize the supply, seek innovative solutions moving forward and strive toward cost-effective solutions.

GW: What's the distribution of your funding across sources (e.g. foundations, sales, individuals)?

The bulk of it has come through social enterprise loans from foundations thus far. The payoff for them is kids served. Almost all of our funding has come through that channel. Donations account for less than 10%, and sales are just picking up. In the future, we anticipate that sales represent the vast majority of our revenue.

GW: Why manufacture in the U.S. rather than in Africa?

We are firmly in support of African production and the idea that local communities should feed local people. That's the long-term, sustainable answer. Yet we are pragmatists as well. The idea of making a product locally is much more romantic than the reality, today. The reality means we have to work backward through supply chains so that each aspect, each ingredient is locally available. It's not imperative that 100% of a product be made from locally sourced ingredients and materials, but at present we are seeing that most African-based production facilities are unable to even get local peanuts due to peanut supply issues. U.S. production is meant to serve as low-cost, efficient, quick-surge solution, but it's for emergencies. Local production will eventually be a much more sustainable business solution, so we're trying to do both. That's why we are committed to Rwanda and developing a model there of local production that actually works and is sustainable.

GW: Why is U.S. production less expensive?

The previous answer touched on this, but the bottom line is that Global RUTF specifications require high quality commodities, which, due to food safety and quality issues, are a lot easier to source consistently in the developed world. I am not aware of any local producers able to buy all their commodities locally. They're importing some, or even all, of them from the developed world. I don't think most of them even buy the bulk of their commodities locally. The huge problems with high Aflatoxins in peanuts have caused many African producers to call us and ask if they can source peanuts from us! Locally sourced, local production is a long-term goal that MANA is working alongside others to accomplish, and in the meantime MANA is committed to an affordable US based option. Labor is where local production is usually cheaper, but so much of our product cost is commodities, so local producers don't always gain much in overhead costs either.

GW: Where do you get your commodities?

We have a strategic partner across from our factory that produces peanut paste, and they have been giving us guidance. Individuals within that organization have been supporting us, they've been giving us affordable peanut paste, and occasionally they've been giving us gifts in kind. Our relationship is more friendly than formal. In addition we are working with all of our ingredients...sugar, milk, oil... our goal is to have suppliers who believe in our mission and who offer us the best prices they can. We don't expect suppliers to give us commodities or sell them at a loss, but we hope to find suppliers that are eager to partner with us in our humanitarian mission.

GW: Do you perform quality audits of your products?

We have an internal quality assurance team that ensures we produce safe and quality products. We have also gone through external inspections/audits from governing bodies and potential customers. Food safety is our priority and we have been fortunate to have global experts in food safety as advisors and mentors. We have had advice and support from several friends in the food manufacturing industry and have hired consultants to help us ensure we offer products held to the highest quality and safety standards.

GW: What is the shelf life of your products?

For RUTF, it is 24 months. Many large purchasers of RUTF require accelerated shelf life studies. Being a new company, we have to use that data, versus real time shelf life data, but we have been around since 2009, and the products we made in September 2009 and September 2010 have done well. We are confident based on the accelerated shelf life studies and our ongoing shelf life studies that our product meets or exceeds a two year shelf life.

GW: You said Nutriset is for-profit. Might someone approach you for product just because your price is lower?

We want to be clear that MANA pursuing a bunch of donations today that artificially lower our price aren't helping the market in the long term. We want to be competitive, which will help drive prices down. So while our distinction with the United States government is as a 501(c)3, we are still committed to keeping basic business principles. Our commitment as a non-profit is to have an independent board that objectively looks to improve the lives of malnourished children and their families and direct MANA accordingly.

GW: Do you know how your prices compare to Nutriset's?

It depends on the Euro and the dollar trade. We're competitive, but commodities have skyrocketed in prices over the past year, and the prices will have to go up. Peanuts and milk prices have both gone up a lot, which diminishes the cost savings for many local producers whose advantage is often affordable labor. We'll be competitive on price from an early stage of production. However, we really do not enjoy any structural advantages because we are American based. We don't get discounted milk or peanuts from US government subsidies as we have heard others insinuate.

GW: How have you chosen where to donate the RUTF?

Relationships we've developed have been key. Guatemala is a great example. We met the VP and his chief of staff in Houston based on a connection we had who had connections with Guatemala. Their foundation, SANA, knew of children in need of RUTF, had the ability to responsibly distribute it and were able to benefit from our donation. We are actively seeking more relationships like this with credible partners who have the confidence of local ministries of health.

We strive to make new relationships by being engaged with thought leaders in malnutrition and development. Longer term, we'd like to engage ministers of health in different countries to get a picture of excess need. Existing RUTF budgets meet some of the need but we want to be creative in developing ways to meet the additional need.

GW: What would you use donations for at this point?

We have an array of opportunities for donors. Overall, we are working to increase the footprint of these ready-to-use foods across the globe to see that more malnourished children are treated. We want to empower individual donors participate in the procurement and distribution of these foods as well as participating in the development of local producers.

MANA has partnerships with organizations that responsibly distribute ready-to-use foods that could use additional product, and we want to connect those interested in MANA to the needs of these partners and the families they work with. We also want to increase our efforts in developing local production sites. We have a facility in Kigali, Rwanda that we are seeking donations to help get into production. We've had several donations already and are along in the process. Additional funding would allow us to begin production in early 2012.