



Alumni Spotlight

Essien Ita

MAB Class of 2003
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by Cristina Mansfield

The Alumni Spotlight focuses on an MAB alum and is written by Cristina Mansfield, a 2004 graduate.

Lessons Learned in owning a chemical distribution company...

Essien Ita completed undergraduate studies in mathematics and natural sciences, but his career path eventually lead him to the food industry. When he enrolled in K-State's MAB program he was a Regional Sales Manager for Kraft, covering a territory from New Jersey to South Carolina. "I loved the industry and loved working at Kraft, but I have had the itch to work for myself since I was a child." After completing his thesis on *Lessons Learned in Operating a Niche Aroma Chemical Distribution Company*, he started looking for a business to purchase.

In reviewing the financial statements of Melchem, Inc., a distributor of fine and specialty chemicals for the flavor and fragrance industry, Essien thought he had found a diamond in the rough. The small family-owned New Jersey business was not a typical distribution company but more of a broker, relying on U.S.-based companies to buy and re-sell products from manufacturing countries. Melchem, Inc. had limited coverage, for example buying supplies from East Coast companies to sell in the Midwest. "The profit margin was only pennies per kilo, a very small profit margin."

Essien purchased the business with the intent of establishing direct relations with firms in China and India, two primary chemical manufacturing exporting countries. During the first year he made no major changes, but simply observed how the company functioned. Then he began to implement a plan to reduce the product listing and increase the number of high volume customers.

When he bought the company, Melchem, Inc. had a 200-plus product listing. Eventually he trimmed it to the 15 main products demanded by customers. The company was also

selling to everyone: almost 99% of its customers were very small outfits that purchased only 1-2 drums at a time. "We wanted sales volume to be high and profit margins to be low, but not that low." He slowly pruned the smaller customers and recruited larger ones in, including Proctor and Gamble, Colgate, Shell Oil, McCormick, and Quest International.

Essien encountered a number of obstacles along the way. First, he tried to break into direct purchasing of chemicals and worked with a Chinese manufacturer. But the process was complicated and it took months for the U.S. buyer to test the sample and inform Melchem that the product was not an adequate chemical footprint match. It could take up to a year for the Chinese manufacturer to rework the

product, a process that might need to be repeated yet again. Essien started to think he lacked the capital to finance what could be a long-term process.

One large U.S. buyer suggested that Melchem, Inc. work with one of their existing suppliers. Essien decided to follow their advice even though he was hesitant. His instincts would turn out to be right. Even though the volume of sales increased, Melchem, Inc.'s profit margin continued to be very low compared to the 40% made by the importers - too low to be sustainable. Although he informed the

Chemical footprints:

A chemical manufacturer can actually create a footprint of its product. Take a common chemical like helium. One can actually create a specific type of helium by adding some other elements. Once integrated, these elements are there forever. The competition cannot match the footprint because it is difficult to figure out. To do that you need to get a sample and test it. Even if you identify the components, you need to figure out how the chemical was processed (e.g. production temperature and purification and homogenizing processes).

U.S. firm of his dilemma, they did not prove responsive and offered him no guidance. Essien realized that the buyer was more interested in Melchem, Inc.'s minority-owned status than they were in his cost-saving ideas.

He also failed to convince chemical companies of the need for a newer

distribution model. To illustrate, he contrasts the slow-paced change in the chemical industry to the fast-paced changes in IT, where suppliers locate their distribution points close to the manufacturing sites. "A company like Dell only pays when they use the inventory." Essien had observed that chemical manufacturing sites in New Jersey were overloaded with



Essien Ita (right) speaks with Class of 2009 student Clair Doan (left) at the March 2007 MAB campus session. Ita was one of three industry guest speakers during the week.

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Lessons learned... continued on next page

In the NEWS...

Alan Lana, class of 2004, is now an Intelligence Analyst for CRA Inc. at the Governor's Office of Homeland Security, State Terrorism Threat Assessment Center in CA.

Kelly Huenink, class of 2001, has left her position with Colorado Corn and is now self-employed as a Partner in an agricultural accounting firm. She also serves as the Operations and Finance Manager for a large farm/ranch in Hudson, CO.

Stephen Olson, class of 2009, and his wife, are expecting the birth of a baby girl in November.

Oussama Alaoui, class of 2005, was selected by the Australian government to represent Morocco on the Council for Australia-Arab Relations (CAAR). The trade council will be comprised of 22 members from different countries.

Emmanuel Foko, class of 2008, has joined General Mills, Inc. as an Operations Team Leader. He and his family have relocated from California to Reed City, MI.

Sara Sellers, class of 2007, is developing her own company, Ideal Management, in Morocco. She is working in Inner Mongolia, China on a dairy beef feedlot project.

Travis Gullickson, class of 2005, and his wife, Erica, announce the birth of their daughter, Lillian Frances. Lillian was born on July 20. She weighed 6 lbs, 1 oz and was 19.5" long.

Nate Broders, class of 2006, has taken a new position as Manager of the Distillers Grain Division of Hansen-Mueller Co. in Omaha, NE.

Lon Frahm, class of 2002, has been appointed by Kansas Governor Kathleen Sebelius to serve a four-year term on the Kansas Arts Commission.

Chris Simms, class of 2009, has been selected as a finalist for the Virginia Farm Bureau Federation 2007 Young Farmers Excellence in Agriculture Award. He will be competing in the State finals in November.

Elizabeth Conzo, class of 2009, is transferring to Deere's market research group in Kansas City, KS. Her new position is Market Analyst.

Cathy Forshee, alumni, is now an Instructional Technologist Specialist working with Title III, in addition to teaching economics courses for Cloud County Community College in Concordia, KS.

Marcella Warner, class of 2008, has been promoted to Associate Professor and Agriculture Department Head at Dodge City Community College, Dodge City, KS. She oversees the department, teaching, advising, and management of a 150 acre Soils Lab and 110 acre Live Animal Lab.

Misty Fuller, class of 2008, announces the birth of her son, Preston Douglas, on Thursday, June 21.

Cristina Mansfield, alumni, is designing an anti-corruption training workshop for trainers in Phnom Penh, Cambodia. She presented the workshop in September.

Jacob Harmon, class of 2009, has accepted a Sales position with Sands Level and Tool in Neodesha, KS. The company is owned by Kraft Tool Co.

Lessons learned... cont'd from previous page

supplies and hardly had enough room for manufacturing. He wanted to implement the IT model in the chemical industry by warehousing raw materials and finished products, freeing up the manufacturer to do what they do best. He also presented the idea of having distribution points in foreign countries and was ready to partner with a third-country distribution partner. But large firms move slowly, "by the time they get to your suggestion, you are \$500,000 dollars in the hole."

Coming to the realization that he needed to recoup some of his investment, Essien closed the company in mid-2007. "If I had more capital, I could have stayed in longer, but the ending would have probably been the same. I figured I should use what was left of my capital to follow my own intuition."

What did he learn from this very valuable experience? First, that he did not want to be classified as a minority-owned firm. "People tend to keep you in that classification and not listen to you as someone who has great ideas about saving

money... When you register as minority-owned, you attract precisely the people who want to use you as a rubber stamp." Second, he wanted an audience that would listen to him. "The problem is attitude and size - the companies are so big and so focused on their products, that it is hard to get them to move on something that they feel is down the pipeline. They lack vision."

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About the MAB program, Essien says, "You learn more than agriculture, you learn about how agriculture fits into everything. How agricultural inputs affect the American family. The MAB enabled me to think at a fundamental level."

Essien currently works as an energy broker with Wellpoint Energy, a new company he owns, based in Austin, Texas importing crude oil from West Africa. "I learned a lot from the experience, however, and do not regret it. I learned that you have to take chances, and the best education comes from experience." He also listens to his intuition more.