

# AGRIBUSINESS AFRICA: The 2SCALE Project newsletter



BoP INNOVATION CENTER  
DEVELOP ▶ LEARN ▶ ACCELERATE

Base of the Pyramid Innovation Center  
[www.bopinc.org](http://www.bopinc.org)



International Centre  
for development oriented Research  
in Agriculture  
[www.icra-edu.org](http://www.icra-edu.org)



International Fertilizer Development Center  
[www.ifdc.org](http://www.ifdc.org)



## AFRICA WORKS

Africa is open for business. Can European businesses, local entrepreneurs and smallholder farmers all benefit?

2SCALE participated in the Africa Works! conference held in Leiden, the Netherlands, in October. There were 750 participants from governments, industry and NGOs. The speakers included Lilianne Ploumen, Netherlands Minister for Foreign Trade and Development Cooperation; Julia Duncan-Cassell, Liberia's Minister of Gender and Development; Miguel Pestana, Vice-President, Unilever; Ruerd Ruben, member of 2SCALE's advisory committee and a host of other experts.

The meeting offered a platform for business networking, as well as practical advice (through mini-workshops and seminars) on a range of issues – risk management... [continued on page 3]

OCTOBER-DECEMBER 2014

## MILLION DOLLAR MAIZE

Guts Agro, a processing firm in Ethiopia, will buy maize and soybeans worth \$ 1.2 million from 13 2SCALE clusters this season.

In October, the company signed contracts with two farmer cooperative unions, Sidama Elto for maize and Hunde Chewaka for soybeans. The harvest has begun, and will be completed in early January. The company will pay \$ 250,000 in advance to help farmers meet the costs of collection, grading and delivery.

2SCALE's role was to link the company with farmer groups, and (in partnership with the local office of agriculture) train farmers and extension staff. Training programs in November and December focused on post-harvest handling methods to reduce wastage and storage losses in maize.

A 'cascade' approach was used: 140 government extension agents received special coaching, and then trained 430 'model' farmers. Each model

farmer trained five neighbors. The program reached more than 2,600 maize farmers in November and December.

Maize and soya from 2SCALE clusters will be used to produce low-cost baby food... a high-protein corn-soya blend never before manufactured in Ethiopia. Guts Agro has expanded its factory and purchased new packaging equipment. 2SCALE will complement these investments with a grant of 1.2 million Ethiopian Birr (\$ 60,000) for product development, marketing and distribution (e.g. carts for vendors who will transport the product to low-income areas). Production trials are almost complete, and the first batch of baby food will arrive in the market in early 2015. ■

▼ Protein for babies, profits for farmers. Trial production of corn-soya foods at Guts Agro.





## CHOOSING THE RIGHT PARTNER

2SCALE is a pan-African experiment in how to build profit-driven agribusinesses while meeting development objectives. The key is to choose the right partners – a combination of large multinational firms, small-scale African entrepreneurs and smallholder farmers.

Experts nominated by the Netherlands Ministry of Foreign Affairs (which funds the project) evaluated the process of partner selection and negotiation of terms and agreements. They interacted with 2SCALE field teams, farmer groups and business partners in Ghana and Kenya in November. The report, prepared by the Partnerships Resource Centre and ratified by the Project Advisory Committee, provides new insights.

The experts sought to answer such questions as: How to identify partners? How to ensure that large and small firms work together for the benefit of smallholder farmers? What role should the project team play (broker, mentor, strategic advisor)? How to deepen and scale out these partnerships?

There have been some major successes. In Togo, maize farmers were linked to poultry producers, and have expanded from white maize to yellow maize and soybean for poultry feed. In Benin, a fruit processing company is significantly expanding capacity and creating a market for hundreds of pineapple farmers, thanks to an \$ 800,000 bank loan facilitated by 2SCALE.

But there's always room for improvement. Decisions are continuously being made

## SAY CHEESE!

The Project Advisory Committee visited Eldoville Dairies (a key 2SCALE partner in Kenya) in November. Eldoville buys fresh milk from more than 1,000 smallholder farmers, and processes it into high-quality cheese and yogurt. It recently introduced flavored whey, a by-product from cheese processing, targeted at low-income consumers. Nearly two-thirds of Eldoville staff are women.

2SCALE experts have helped the company introduce new forage varieties that will improve animal nutrition and increase milk yields; and IT tools to increase business efficiency, e.g. monitoring milk deliveries, calculating payments, generating monthly statements. ■

▲ *Lucy Karuga (left), founder of Eldoville Dairies, with Monique Calon, Senior Policy Advisor, Netherlands Ministry of Foreign Affairs.*



and negotiated at different levels in every partnership. 2SCALE aims to support informed decision-making based on a proper understanding of the competitive environment. Market studies (several completed, others ongoing or planned) are a first step. In 2015, these will be complemented, as recommended,

by strengthening the 'theories of change' methodology underpinning 2SCALE's approach to inclusive agribusiness. ■

*Above: Eldoville produces dairy products as well as fruit juices and packaged fresh vegetables. Top left: Paulus Verschuren, PAC Chair, packages yogurt at the Eldoville plant.*

[Continued from page 1] ...in complex or unfamiliar business environments, tax laws, financial packages, and the use of IT in agricultural value chains.

2SCALE business partners shared their experiences during a special session. AACE Foods, which works with 2SCALE farmer groups in Nigeria, has expanded from simple sourcing of fresh produce to formal contracting, electronic payment and other innovations.

Onu Ekpa of AACE Foods explains: "Through 2SCALE we have direct access to farmers, control over the varieties grown and the drying and storage methods used. So the overall quality of our supply chain improves." ■



## ONE HUNDRED LOANS, ZILLIONS OF PEPPERS



## BUSINESS MEETS DEVELOPMENT

2SCALE-Kenya business partners met in Nairobi in October to share experiences and identify new areas of business. Twelve private firms participated, with interests ranging from grain trading to dairy, horticulture, seeds, soil analysis, even solar energy. Following the meeting, a number of firms are planning new initiatives or expanding current ones. Informal discussions have been held on scaling up mobile soil analysis labs, introducing low-cost milk products and testing new potato varieties.

Participants included the Netherlands-based Inclusive Business Fund, which provides financing (medium-term loans ranging from €100,000 to €1 million), financial consulting and links to business networks. 2SCALE teams have assisted a number of companies to identify funding opportunities, and prepare and submit business plans to the fund.

Ruth Kinoti, CEO of Shalem Investments, liked the approach. "Thank you for focusing on businesses. For many years, development NGOs focused on aid – but it is business, not charity, that will benefit us in the long term." ■

A few months ago, a new initiative was launched to help small-scale farmers in Nigeria obtain bank loans without collateral. Today, the loans are being repaid on or ahead of schedule. This approach, known as tripartite contract financing, is tailored for farmer groups that have a guaranteed market (formal contract with a buyer) but lack working capital. 2SCALE negotiates with a financial institution to provide short-term loans. The bank pays the farmers directly and recovers the loan from the contracted buyer.

LAPO Microfinance Bank provided a loan of 10 million Naira (\$60,000) to be shared by 100 members of the Pampaida chili producers' group in northern Nigeria. The loan was based on a supply contract between the group and AACE Foods, a processing firm in Lagos. Farmers received the loans ahead of the planting season. They were able to purchase seeds, pesticides and

fertilizers, hire labor, and harvest and deliver 20 tons of chilies to AACE Foods.

No collateral was required; AACE Foods guaranteed the loan. Farmers repay 20 percent directly to LAPO Bank soon after the harvest, when they receive payment. AACE Foods repays the remaining 80 percent over 8 months, as the processed chilies are sold. A number of farmers have already repaid their 20 percent, ahead of schedule.

Bako John, a chili farmer for 20 years, says this season was among the best ever. "First we received training. Then 2SCALE linked us to AACE Foods and helped us to negotiate contracts. This year we got loans. Because I was able to buy inputs at the right time, I harvested more than half a ton of chilies – even though part of the field was damaged by floods." ■





▲ Women farmers learn about drip irrigation.

## THE INVISIBLE WOMAN

Women play a key role in agricultural value chains in Africa. But their opportunities to access credit, learn about new technologies or build assets remain severely limited. The main reasons are socio-cultural. In addition, not many development organizations have succeeded in mainstreaming gender into their activities; interventions targeted at women remain ad hoc or sporadic.

2SCALE is different. Nearly 40 percent of our farmer-partners are women. Project implementation is designed to be gender

sensitive at every step, from the selection of farmer groups to the design of training programs and choice of technologies scaled out. Work plans specify quantitative gender targets that are continuously monitored.

Field teams have been trained, with introductory programs followed by intensive coaching conducted by gender specialists, most recently, in Ghana and Nigeria in November and December.

A practical toolkit was developed, in collaboration with the Royal Tropical Institute (KIT). The toolkit, which uses a 'gender lens' to analyze business ideas for actual and potential gender/power issues, is now used to evaluate business proposals and to encourage women's

participation in community-level planning and budgeting meetings.

- ▶ In Kenya, more than 5,000 farmers grow a new cash crop known as Stevia. This expansion was driven by women, who manage the nurseries and process the harvest.
- ▶ In Mali, an onion cooperative (1,020 members, of whom 860 are women) uses new varieties and improved husbandry to improve yields and quality. Sales in 2014 were more than \$ 250,000.
- ▶ In Burkina Faso, a women's rice-processing cooperative has grown from 80 to 400 members, and has contracts with several bulk buyers including the national food security agency. ■

## POTATO PARTNERS

A new partnership with two commercial firms is creating opportunities for potato farmers in Mozambique. Formal agreements, work plans and budgets are in place. Field operations began in December, when the first fields were planted.

The two firms will contribute nearly 65 percent of the expenditure, in addition to a \$ 2 million investment in a new processing plant. The partners are Montesco, which will provide seed potatoes and farmer training; and potato-

crisp maker C&B Farm Fresh, which will buy from 2SCALE farmer groups. The companies' assessment of market potential has been so positive that plans have expanded considerably.

Partners are exploring funding options to acquire irrigation systems (costing about \$ 6,000 per hectare), water pumps and tractors that will be jointly owned by the community or farmer groups.

Because potato fields are small, typically a quarter-hectare, farmers formed 'blocks' of 25 hectares. Blocks create economies of scale,

and make mechanization, training, logistics and aggregation more efficient. The first four blocks (150 farmers, 100 hectares) have been planted. Next season, this will double to eight blocks, with 200 hectares and 300 farmers.

'Lead' farmer Orlindo Vareta is excited by the possibilities. "This area is good for potatoes, but we were not using the right seeds or the right methods. Now we are working in groups and using best practices. I am confident that yields will increase by at least 100 percent." ■