

AGRIBUSINESS AFRICA: The 2SCALE Project newsletter



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EDITORIAL

Welcome to the first issue of the 2SCALE project newsletter. With activities covering 12 countries and a range of commodities and value chains, we're breaking new ground every day. This newsletter, to be published quarterly, will help keep our partners and stakeholders updated about progress, new initiatives and forthcoming events.

Feedback would be appreciated. Please send us your views, photographs of project activities, and any news you'd like to share.

— Arno Maatman, Chief of Party

CHILIES — A BIRD'S EYE VIEW

More than 5,000 small-scale farmers in coastal Kenya have signed contracts with a large private firm to produce chilies for export to Europe. The key to this partnership – mediated by 2SCALE – is the use of low-cost, water-efficient drip irrigation systems to guarantee high quality, yields and profits in an area with poor rainfall.

The exporter, Equator Kenya Ltd, specializes in the famous African Bird's Eye chili. It procures fresh chilies from its contracted farmers, processes them and exports dried chili.

With proper management, a 200 square meter plot with 500 chili plants can generate revenues of KSh 60,000 (\$ 700) from a total investment of KSh 32,450 (inputs + labor, but excluding cost of the drip irrigation kit). The profit margin is a healthy 46 percent, rising to over 90 percent when only family labor is used.

Equator Kenya required a stable supply of high-quality fresh chilies. Their approach was to first offer financial incentives to encourage farmers to use drip irrigation, and then to progressively move towards a subsidy-free, profit-driven situation. The first 160 kits were distributed



free, in March 2012. Recipients increased their production by 54 percent, from 1.3 kg to 2 kg per plant. In the second phase starting in July 2013, 500 more farmers received subsidized drip irrigation kits through a public-private partnership with the Micro Enterprises Support Programme Trust.

The third phase (ongoing) introduced a credit program in partnership with Equity Bank, one of the largest private banks in the country. The bank provided loans to over 1,500 farmers to buy drip irrigation kits. Equator guaranteed repayment through its production contracts.



WHAT FOOD, AT WHAT PRICE?

Insights from a study of base-of-the-pyramid (BoP) households in Ghana and Kenya are helping to design strategies to deliver low-cost, high-quality food products to the poorest consumers.

The study, led by 2SCALE partner BoP Inc., was conducted between March and July 2013. Researchers interviewed more than 1,500 people in the two countries – rural and urban consumers, wholesalers, retailers, processors and others.

One challenge was the lack of reliable data. Another was differences in consumer preference between countries, even between different regions in each country. Nevertheless, the study provided insights that can be applied (with an understanding of the local situation) to BoP populations in a number of African countries.

Consider some results from Kenya. Which is the most important factor in food purchase decisions? Forty-two percent of BoP consumers said price was critical. Next in importance was convenience (the availability of food nearby); nutritional value was considered far less important.

More than half the consumers surveyed said they buy food more than once a day, spending 50-200 KSh each time. Purchases are done in small portions – sometimes as small as a single slice of bread, a spoon of sugar, or half a spoon of cooking oil, each of which costs one Kenyan shilling (about 1.1 US cents).

Only one-fourth of respondents in rural Kenya, and one-third in urban areas, had eaten meat or fruits during the previous week.

Purchase of ready-to-eat food is surprisingly common: 79 percent of urban and peri-urban BoP households, and 54 percent of rural households in Kenya buy cooked or partly cooked food for home consumption. Clearly, there is an opportunity to offer new products to this group of consumers.

Only one-fourth of Kenyan respondents in rural areas, and one-third in urban areas,

had eaten meat or fruits during the week prior to the survey. But the findings also suggest that opportunities to promote more healthy, balanced diets may be better than previously thought.

The study identified several opportunities for 2SCALE agribusiness clusters. For example, producing food for sale to school feeding programs, which reach close to 1.5 million children in Ghana and Kenya. Or new technologies for rice production – 2SCALE is already introducing innovations to increase yields and reduce production costs. Or vegetables, where project partners are introducing simple processing methods to produce dried vegetables for sale. Or soya products – soya chunks, weaning foods, soya flour, soymilk – that could substitute for expensive meat.

These findings have been widely shared. At stakeholder meetings in July, traders, processors and other partners in both countries worked with representatives of 2SCALE agribusiness clusters to discuss action plans based on the results of the study.

Business plans have been developed for a number of initiatives – production of ‘fortified’ sorghum flour, linking street fruit vendors with reliable fruit supplies, processing tomato and citrus juice, and many more.

NIGERIAN PASTORALISTS GO COMMERCIAL

In Nigeria, dairy giant FrieslandCampina is sourcing milk from traditional Fulani pastoralists for the first time. Fulani communities, mobilized and trained by ZSCALE, now supply more than 7,000 liters of fresh milk per day. Two milk collection centers have been established, where the milk is tested, bulked, pasteurized, chilled and trucked to the FrieslandCampina Wamco processing plant. Both centers are operating at almost full capacity; additional centers are being planned. Five pilot dairy farms have been set up – on Fulani land, with the local communities sharing costs – to showcase best practices in herd management, animal nutrition and veterinary care.

Cattle owners are using practices introduced by ZSCALE: hygienic milking procedures to prevent spoilage, enrichment of rice straw with urea and molasses to increase energy and protein content, and supplemental feeding to maintain milk yields during the dry season. These technologies are not provided free – farmers are investing, in cash or in kind.



Cows that gave less than 2 liters of milk per day now give 3.5 liters, as a result of feed supplementation. Profitability per lactating animal has increased by nearly 80 percent.

Over 350 milk producers and extension agents have been trained. Community-based livestock workers have been recruited, trained and deployed. A business support organization works closely with Fulani communities, providing mentoring and technical advice.

Success is attracting other private sector partners. For example, Mueller Ltd recently submitted a proposal for investment in cold chain logistics: supply and maintenance of milk tanks, training and technical support. The idea is to use Mueller's expertise – in collaboration with local firms and other partners – to establish a series of fully-equipped milk collection centers.

COACHING THE COACHES

Agribusiness coaches for ZSCALE Kenya are now fully equipped, after intensive training during the quarter July-September. They are working with farmers, produce buyers and other partners to make sure all elements are in place for the cropping season that begins in November.

Every ZSCALE agribusiness cluster has a coach who provides year-round guidance and monitoring. Coaches are trained by specialized trainers contracted by the project. The first round of coach-training in East Africa was conducted in Nakuru, Kenya, in July. Three days of intensive training were followed by two months of field assignments, and finally a review workshop in September, to share experiences and lessons learnt from the field. Eleven coaches from across the country participated.

"The training program was a real experience," said Nicholas Rono, a coach from Nandi Hills in



the Rift Valley. "We learnt exactly what we had to do – in practice, not just theory."

Coaches have now completed the rigorous preparatory process for ABC development: value chain mapping and gap analysis to ensure that budgets are accurate, production technologies and inputs are in place, and targets are met.

ZSCALE staff were present throughout the training, but they provided only back-up support. The entire program (logistics, curriculum design, implementation, follow-up) was handled by the trainers, who themselves had been trained earlier by a team from the International Centre for development oriented Research in Agriculture (ICRA).

SOYABEANS IN BENIN

2SCALE's soyabean partnerships in Benin were showcased at an international workshop held in Accra in July, organized by the Platform for African-European Partnership in Agricultural Research for Development. 2SCALE supports a consortium that delivers improved production technologies, provides training, and links groups of small-scale soyabean farmers to reliable buyers who offer fair prices. The workshop recommendations specifically recognize the 2SCALE approach, which uses public-private partnerships to develop agribusiness clusters (for details, visit <http://paepard.blogspot.com/>).



PROJECT GRANTS DISBURSED

2SCALE provides initial funding support to establish agribusiness clusters and value chain partnerships, and train farmers on production techniques, enterprise management and other areas. Grants are awarded to business 'champions' and business support service providers; and in some cases for the establishment of demonstration plots.

As of September 2013, first tranches of 153 grants have been disbursed in 10 countries: Benin, Burkina Faso, Ghana, Kenya, Mali, Niger, Nigeria, South Sudan, Togo and Uganda. The total value of these grants is over \$ 1.2 million. Each grant will be disbursed in three or more tranches.

In all, 145 agribusiness clusters and value chain partnerships in 10 countries are now fully operational. Many others have been established and have developed work plans that will be implemented in the coming season. Grant disbursement to these clusters is ongoing.

NATIONAL ADVISORY COMMITTEES FORMED

In each country, a National Advisory Committee of public and private sector experts provides advice on cluster portfolio development and supports the integration of 2SCALE activities into national strategies. Advisory Committees have been formed in six countries: Benin, Ghana, Kenya, Mali, Nigeria and South Sudan.

FORTHCOMING EVENTS

- ▶ **Vegetable field days, October-November 2013.** Field days at 25 sites in Benin, Ghana, Nigeria and Mali, where farmers, extension agents, traders and processors will assess the performance of improved vegetable seed varieties from 2SCALE partner East West Seed International.
- ▶ **National Advisory Committee meetings, September-November.** Meetings in Benin, Ghana, Mali and Nigeria will enable advisory committees in each country to review project progress and offer guidance on future plans.
- ▶ **Stakeholder conferences on the soyabean and vegetable industries, Ghana, October 2013.** The conferences will bring industry players together to discuss value chain constraints relating to supply, institutional support, governance and other areas.
- ▶ **9th Regional BDS Conference, Kenya, November 2013.** The conference combines a training workshop and a knowledge sharing forum for industry leaders, sector experts and policy makers. The aim is to strengthen market development, value chain analysis and promotion across a range of crops.
- ▶ **Selection of business ideas, October-December 2013.** Mobilizing and selecting business ideas from local entrepreneurs in Benin, Ghana and Mali, with a focus on women-led enterprises and processing/trading activities.