

RESTORING THE LIFELINE OF FARMERS: THE RURAL AGRODEALER RESTOCKING PROJECT ZIMBABWE

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Country: Zimbabwe

Sector: Agriculture

CHALLENGE

Zimbabwe's recent socio-economic challenges have affected the country's agricultural sector, which in years gone by provided the bulk of food and raw materials for industry in the Southern African region. Agricultural output and productivity dropped to record lows (250 kg/ha yield for maize) leading to severe food shortages. In the 2008-2009 farming season about 7 million people relied on food aid in the country for 3 months or more (FAO, 2009).

One reason for low productivity, particularly by smallholder communal farmers is the inability to access agro inputs. Before 2000 inputs were widely available in most urban centres and there were sufficient outlets and credit to ensure competitive pricing and purchasing power. Rural shops (agrodealers) purchased inputs from urban manufacturing, wholesale or retail outlets to stock their stores on a cash or credit basis. However subsequent economic decline caused distortions in the whole chain and affected the viability of the agro input business even in major cities. Farmers have become increasingly reliant on government and donor-funded, free input distribution ("under the tree" hand outs) which ignored agrodealer stores and the agro input economy. This has resulted in donor dependency and destruction of the traditional (agrodealer) marketing channels. Free input distribution is not sustainable and is based on a 'one size fits all' approach without taking into consideration farmers' free choice and preferences.

The Rural Agrodealer Restocking Project (RARP) was a pilot project by SNV designed to test the appropriateness of market-driven input distribution methods by encouraging wholesalers to place consignment stock of agricultural inputs into rural agrodealer shops. From the onset it was recognised that:

- Rural agrodealers lacked the financial capacity to stock their stores;
- Suppliers and wholesalers, firstly, would have low financial capacity to support agrodealers; and secondly, would be averse to agrodealer financing in the absence of guarantees, as rural retailers were seen as high risk investments.
- It was unclear whether there would be sufficient cash available in the rural areas to purchase inputs, and the disruptive effects of free handouts on purchasing habits of farmers could not be determined.

CLIENTS

Clients of RARP included the agro input wholesalers and rural agrodealers. Wholesale companies were assisted with an insurance scheme to take away part of the risk to do business with rural agrodealers. They were assisted in thinking about sustainable long term links between themselves and the rural shopkeepers. A total of 9 wholesale companies were invited to submit business proposals, out of which 3 companies, Redstar Corporation, Green House and Produtrade, were selected.

Rural agrodealers in the programme were assisted with retail business training, as well as basic agronomy information, in order to orient farmers on best practices in input application. A total of 58 rural agrodealers were engaged by the wholesalers including Red Star (40), Greenhouse (15) and Produtrade (3).

METHOD / SNV INTERVENTION

RARP encouraged suppliers of agricultural inputs to place consignment stock in rural retail outlets by mitigating risks through the provision of insurance. In order to improve the efficiency of the retail outlets, business training was provided to the rural agrodealers. Selected retailers were used to provide agricultural extension support to farmers by the demoplot approach. Geographical coverage was left to the wholesaler to decide as part of their business model.

Consignment Stock Insurance

The insurance covered risks associated with storage, loss during transportation, theft, non-repayment by agrodealers once stock was sold, and recall of stock which has not been sold.

Wholesale companies turned out to be the most appropriate partners in RARP as they were able to supply the outlets with the required basket of varied agricultural inputs. **The total cost of insuring three companies, each with four policies, for a total stocking value of USD 450,000 was USD 12,500 for a six month period, or 2.8% of the value of the inputs.** A commercial insurance company was selected to provide the insurance. Funding was provided by FAO, Dutch Embassy and CordAid.

The basic RARP model was made up of the following elements:

- 1) Wholesalers negotiated consignment stock with suppliers (fertilizers, seeds, chemicals) to be placed in dealer stores under insurance
- 2) Dealers sold on a cash basis to farmers, and receive a commission
- 3) Wholesalers retrieved cash from agrodealers when they did bi-weekly stocktaking
- 4) SNV provided capacity building through local organisations to wholesalers and agrodealers and was responsible for overall project management



The Red Star model involved distribution of inputs from existing branches in KweKwe, Kadoma, Mount Darwin and Murehwa to agrodealer stores on a credit basis.

Greenhouse pioneered a new model focused on existing and new outlets in Mashonaland Central and delivered stock to agrodealers from their central warehouse in Harare. They included an output marketing model where agrodealers acted as buying agents and purchased maize and other commodities. The model included an efficient delivery scheme for inputs and collection of commodities from the dealers using a fixed transport route.

Produtrade was mainly interested in purchasing commodities through setting up Trading Posts: a 40 ft sea container outfitted to hold agroinputs for sale and as storage for purchase of maize. Inputs were also centrally purchased and stored in Harare.

Wholesalers were assisted in agrodealer selection and interviews, based on a selection checklist. The careful selection of trustworthy shop keepers proved to be a critical successfactor.

Agrodealer Business Training

School of Excellence (SoE) is a consultancy company which has specialised in retail training, normally for SPAR supermarket franchise holders. SoE was contracted by SNV to conduct a business training needs assessment and develop a curriculum to train the 58 agrodealers in the programme.



Amai Flora Jambawo (Tichaedza Store, Mount Darwin) displays the record keeping books that she started after attending the business training course

Judging from comments by both participants and wholesalers the programme was quite a success:

"The difference between before and after the business training is like 'night and day. Store owners are now correctly merchandising and labelling their stores'"observed, Mark Selby of Greenhouse.

"We learnt how important it is to pack our shelves correctly, keep our stores neat and to greet our customers" said Joseph Chisekereni, Chipoyera Store, Chiweshe.

Agricultural Extension Support

An additional objective of RARP was to ensure that farmers received agricultural extension support at the store. Each of the 58 agrodealers received fifty "Crop Management Guide" and "Crop production posters". These publications were printed in the local language and focused on good agricultural practices of the smallholder crops of maize, sorghum, millet, groundnuts and cowpeas. Posters were distributed which dealers displayed on the wall of their shops.

Funding

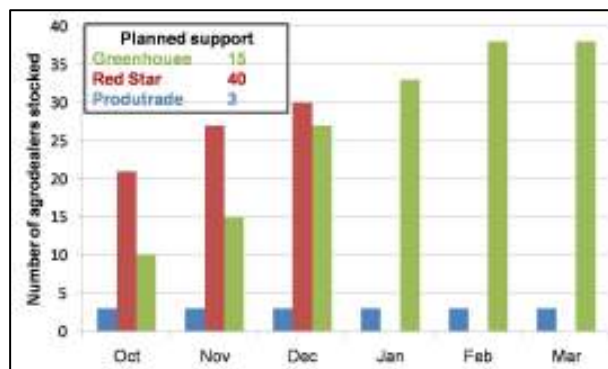
RARP received contributions from FAO, CORDAID, Dutch Embassy and DfID while SNV invested advisory time.

Rural Outreach

Figure 1 shows the progression of stores stocked and destocked between October 2009 and March 2010. Produtrade had an early start and commenced trading at two of the stores before the start of insurance cover on 1 October. Stocking of Greenhouse agrodealers progressed steadily and by mid-November the company had fulfilled its compliment of 15 stores. Motivated by initial success, strong agrodealer demand and a need to increase the economies of scale, the company decided to continue to expand and had stocked 38 stores by 31 March. Red Star was slow to start and by 31 December had partially stocked 30 of the 40 stores that it had applied to have insured. In January 2010 the company decided to pull out of RARP due to operational difficulties. Its "credit model" as opposed to consignment proved to be complicated for agricultural inputs.

OUTCOMES

Cumulative number of agrodealers participating in RARP



Access to Inputs

A total of 23 tons of seed and 600 tons of fertilizers with a total value of USD 390,000 were sold after completion of RARP at March 31 2010.

Volumes (tons) of seeds and fertilizers stocked and sold by agrodealers at 31 March 2010

Wholesaler	Seed (tons)		Compound fertilizer (tons)		Topdressing fertilizer (tons)		Value of inputs (USD)	
	Supplied	Sold	Supplied	Sold	Supplied	Sold	Sold	Stocked
Red Star	12.9	4.1	39.7	23.1	4.1	3.1	27,966	59,948
Greenhouse	38.7	13.0	136.5	116.6	320.3	233.0	232,903	340,216
Produtrade	13.0	6.2	82.4	80.6	145.2	145.1	127,030	128,925
Total	64.5	23.2	258.6	220.2	469.6	381.2	387,899	538,050

Generally retail margins were in the 10-15% range. Red Star prices varied between locations whereas Greenhouse stocks in all stores were the same price irrespective of location, which meant that far away located rural stores were as competitive as urban stores.

Utilisation of Insurance

Only 2 small claims (around 2000 USD in total) were made under the Recall Policy to transport unsold inputs back into Harare in January 2010. No insurance claims were made due to agrodealer default. This proved that all participating agrodealers were trustworthy business people and that doing business with these stores is actually low risk.

IMPACT

Access to Inputs

RARP contributed significantly to farmer access to agricultural inputs. With an estimated inputs value of US\$ 75 required per family of 6, based on a value of inputs sold of US\$388,000 it can be concluded that over 5,000 households or 30,000 people were supported by RARP.

"Farmers are very happy with the prices. They no longer have to travel to Mt. Darwin or Harare to buy their inputs". Flora Jambawo

Watson Mtizwa, S. Moyana Store, Masembura Communal Area

Watson (23) and his brother were orphaned in 1994 and raised by their grandmother. His small business was little more than a tuck shop when Greenhouse first visited in October and he was struggling to pay his monthly US\$ 50 to rent the shop. He was unable to obtain credit terms from Harare wholesalers who required evidence that he would be able to repay them.

There has been a revolutionary change since the first Greenhouse stocking event took place in November. His stockholding has increased significantly and he is able to sell inputs more cheaply than his competitors.

"With cheaper inputs I can challenge all the shops", Watson said with pride.

Watson benefited greatly from the business training programme and the store was tidy with well labelled stock. He believes that farmers have cash and that it was only limited supply of stock that was preventing greater sales. As was the case with the other stores, the shortage of top-dressing fertilizer was constraining business.

Watson has also shown a great deal of innovation in sales promotion. He places fertilizer bags on the main road to attract the attention of passing traffic and is encouraging customers to increase their purchases by offering free stationary for larger sales. When sales of the AgriSeeds OPV maize were low because it a new brand, he established a plot at the back of the store to demonstrate the potential to his customers.

"I am happy because of the programme; otherwise I was going broke".

Watson Mtizwa

Output Marketing

Without market access farmers are not be able to generate income from farming. Two wholesale companies incorporated output marketing in their business models. The Produtrade model operating out of 3 strategically located containers was able to make purchases up to 100 tons of maize per week per trading post representing a value over USD 25,000.

Greenhouse developed an output marketing component in December when it became apparent that:

- Farmers do not have access to profitable markets;
- Cash shortages were limiting input sales.

The company coordinated the bulking of maize at agrodealer stores and by the end of the month had facilitated sales of 120 tons maize.



Watson Mtizwa

Upscaling Opportunities

SNV Zimbabwe is in the process upscaling the pilot project by assisting in the creation and reinstatement of sustainable commercial input and output marketing channels and services to 500 agrodealers and 200,000 farmers throughout eight provinces in Zimbabwe.

The model provides an alternative for free hand out distributions via NGOs.

- There can be little doubt that this pilot programme illustrated the considerable potential to leverage private sector investment into agro-input distribution. The relatively small insurance investment of USD 12,500 mobilised resources for nearly US\$545,000. This potential should be exploited by future programmes that aim to restore traditional input distribution mechanisms. However it should be recognised that local suppliers have limited capacity to finance consignment stocking systems.
- There is considerable evidence that many communal farmers have sufficient cash resources to make input purchases if they are available and the prices are competitive. The total value of inputs sold was US\$387,899 as at March 31, 2010. For those households with cash constraints a voucher programme can be used to subsidise inputs and make them available via the dealers.
- All the wholesalers were also providing fast moving consumer goods, as the retailers were selling general merchandise as their main business. This will also ensure sustainability for agrodealers off the agricultural season.
- Retail training was very beneficial and should be increased, including a coaching component built in as an embedded service of the wholesaler to his retailers.
- The experience of RARP and other programmes involving agrodealers (e.g. CARE's AGENT programme) has shown that agrodealer default is low when good selection and training are done.
- The programme illustrated that wholesalers have different capacities to adapt to the emerging economic environment in Zimbabwe with Red Star making a loss and Greenhouse and Produtrade making a profit.
- Consignment stocking systems will be more efficient if agrodealers are strategically located along a single supply route.
- Output marketing activities complement wholesaler business. The considerable synergy between input and output marketing should be fully exploited in future programmes.

- Start and end date of Assignment: Start: August 2009 – July 2010
- Composition of team: SNV 2 staff / 2 LCBs: Floranature and School of Excellence
- Number of PP-days: 146
- Involved partnerships: FAO, EKN, CORDAID
- Resource mobilisation: 50.000 Euro for Capacity Development (LCBs)
- Total Financial resources invested: 88.000 Euro