



# Business as **UNUSUAL** the 2SCALE project

## Highlights 2013

2SCALE consortium

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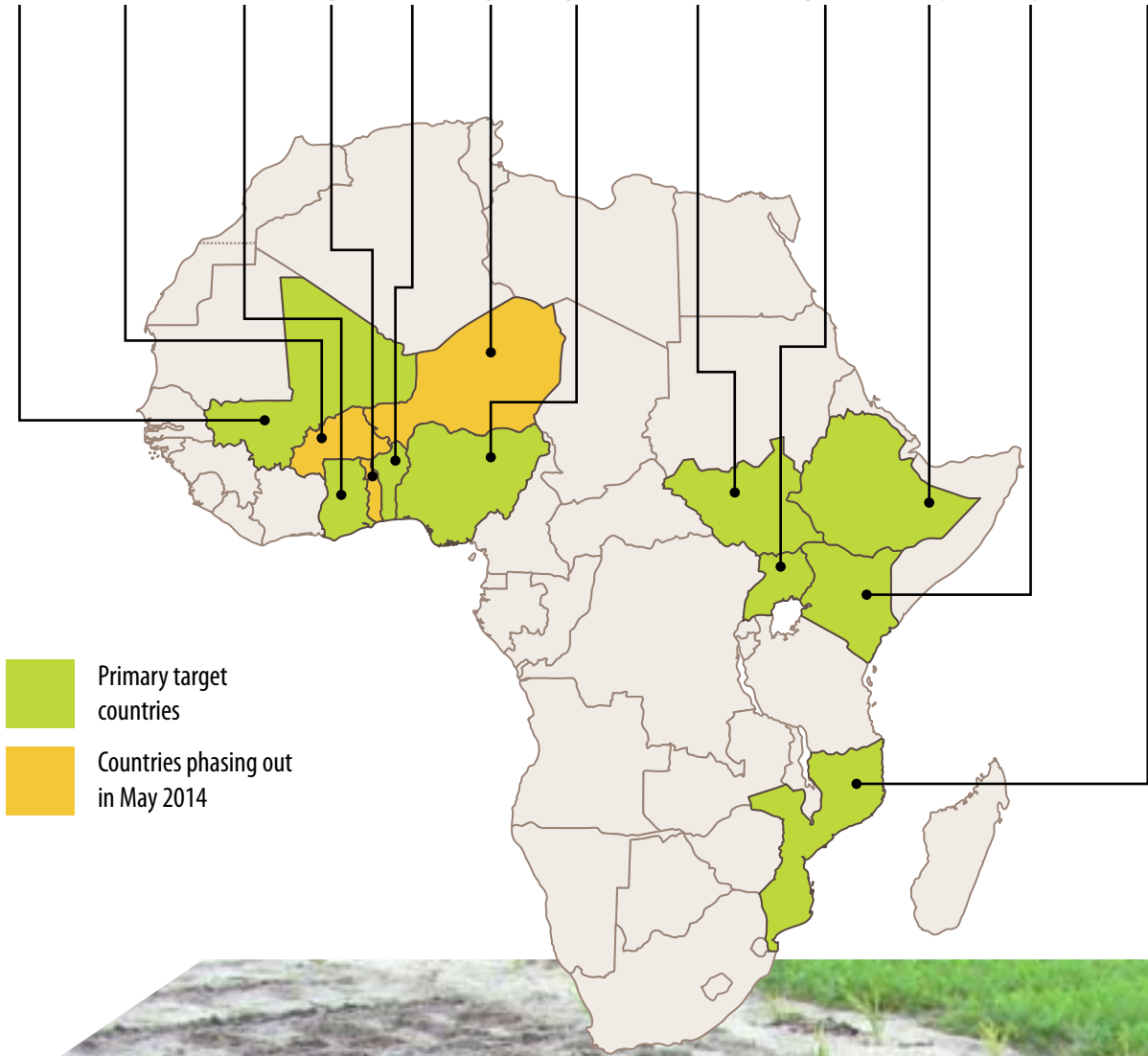


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Ministry of Foreign Affairs of the  
Netherlands

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*Introducing new tomato varieties – demonstration plot in Benin*

# BUILDING AGRIBUSINESS

**S**mallholder farming doesn't have to be subsistence farming. Many smallholders in Africa grow crops for sale, but in limited quantities. With some assistance, they can improve their farming methods, increase crop yields, and work with agri-businesses for mutual benefit. As the 2SCALE project has shown, creating these partnerships can enable farmers and entrepreneurs to grow together.

The Netherlands-funded 2SCALE project was launched in June 2012. By December 2013, 192 agribusiness 'clusters' were operational in 10 countries, involving 390,000 farmers – of whom 38 percent are women. A total of 1,025 private firms, from small-scale to multinational, are buying farm produce from or selling agricultural inputs to 2SCALE clusters.

## WHERE WE WORK

2SCALE is funded by the Directorate General for International Cooperation (DGIS) of the Netherlands Ministry of Foreign Affairs. Activities cover 12 countries: Benin, Burkina Faso, Ethiopia, Ghana, Kenya, Mali, Mozambique, Niger, Nigeria, South Sudan, Togo and Uganda. Eight of the twelve are Dutch partner countries, i.e. priorities for government development assistance. A ninth country, Nigeria, is the biggest agricultural market in the region. Three countries (Burkina Faso, Niger, Togo) were included for a limited 2-year period. Previous agribusiness projects by 2SCALE partners have been successful in these countries, and it was anticipated they could provide lessons for other target countries.

## OBJECTIVES

- **Goal:** Improve rural livelihoods and food and nutrition security in Africa.
- **Strategic objective:** Develop a portfolio of 500 robust and viable agribusiness clusters and value chains in nine target countries in sub-Saharan Africa, supplying food to regional, national and local markets and base-of-the-pyramid consumers.

2SCALE also complements bilateral activities supported by the Dutch embassies in various countries. In each of these countries, project work plans are aligned with the embassy's strategy for development assistance.

## PARTNERS

2SCALE is a consortium of three partners: the International Fertilizer Development Center (IFDC), BoP Innovation Center (BoPInc.) and the International Centre for development oriented Research in Agriculture (ICRA). Each partner focuses on its special area of expertise – IFDC on field implementation and agribusiness development, BoPInc. on low-income consumers and on linkages with Dutch companies, and ICRA on building local capacity.



What makes this project unique is the level of private sector investment. We're targeting 100 percent co-investment, where every donor dollar is matched by a private sector dollar, contributed by companies, farmers and local entrepreneurs in cash or in kind (materials, facilities, staff time).

## STRATEGY

Smallholder farmers and small-scale entrepreneurs face significant barriers to market participation. 2SCALE uses a market-driven approach to break down these barriers, and empower these groups to participate fully in commercial value chains. In addition to innovations in technology and institutions, 2SCALE builds their capacity to understand the value chain and respond to changes in the market, to stay competitive.

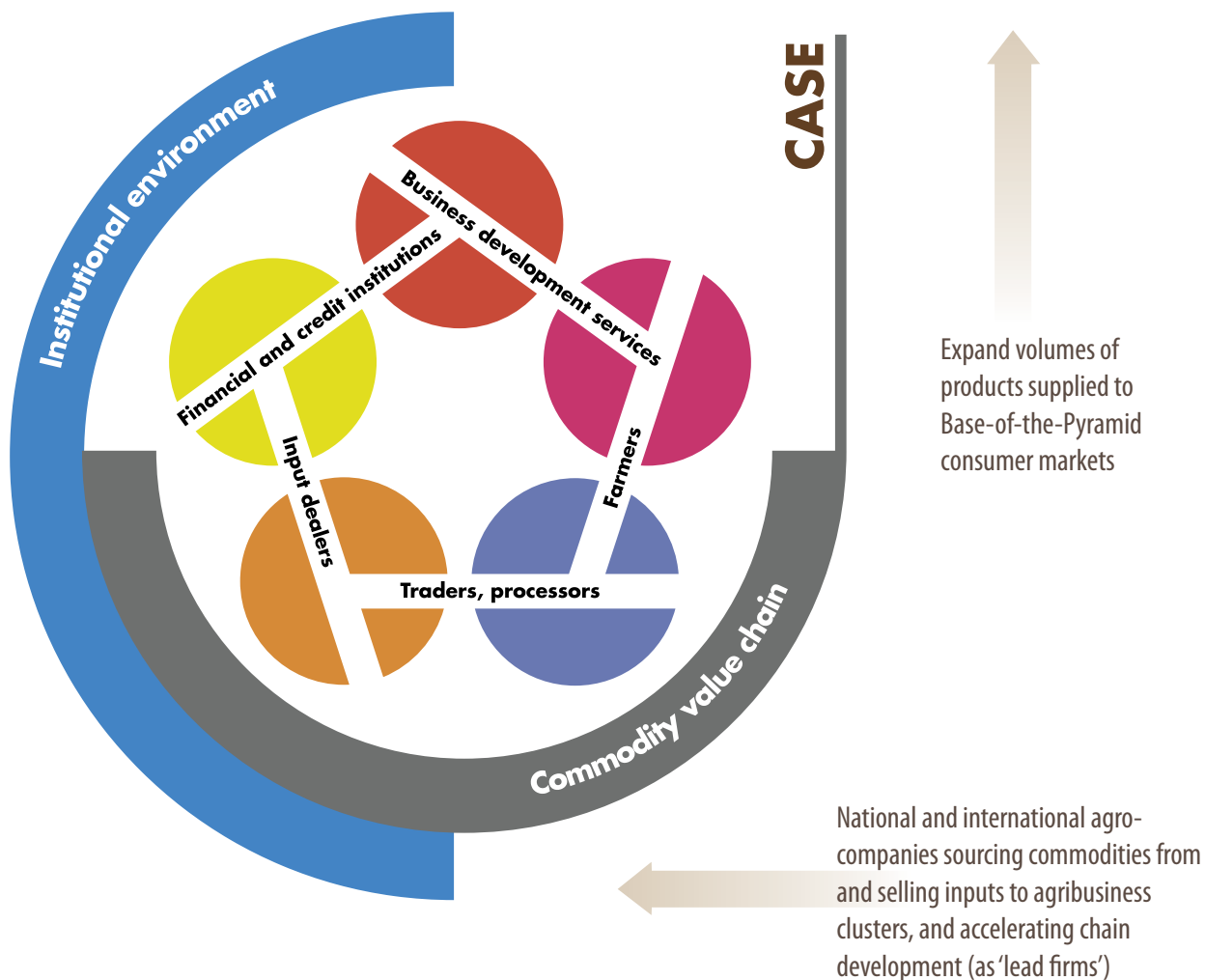
The project strategy is based on two elements: the CASE approach for agribusiness development and public-private partnerships (PPPs) for implementation. The CASE approach combines several elements – agribusiness clusters, value chain linkages, enabling business environments – to build competitiveness and integrate smallholder farmers into commercial agriculture.

Field staff in each country work with trainers and coaches to mobilize and train farmer groups, and build agribusiness clusters comprising farmers, buyers, input suppliers, business support services, banks... all the partners required for a sound business relationship.

Advisory committees comprising experts from industry, the development sector, government ministries and research centers provide advice, guide program design and monitor progress. The Netherlands embassy in each country provides support in technical expertise, business linkages and other areas.



*Sesame in Ethiopia – higher yields, bigger harvests*



## THE CASE APPROACH

CASE (Competitive Agribusiness Systems and Enterprises) is an effective, proven methodology to integrate smallholder farmers into commercial value chains at different levels: local, national, regional, even global. It strengthens the capacity of farmers and small agribusinesses to competitively produce a product for a target market, and to overcome risks and market barriers with training and support from Business Support Services (BSSs) and financial institutions.

CASE uses local, tailor-made strategies to create new clusters and expand existing ones. It does not stipulate a specific entry point. Anyone in the local value chain (producer, trader, processor etc) can be the driving force behind an agribusiness cluster. The aim is to enhance the capacity of smallholder farmers and enterprises to:

- Plan and act collectively to improve productivity and competitiveness
- Innovate, adapt to changes in the business environment

- Access credit and information, develop sustainable relationships with BSSs and financial institutions
- Access and compete on national and regional markets, including BoP markets
- Develop sustainable relationships with larger companies to accelerate value chain development
- Influence the institutional agribusiness environment within which they operate.

Scaling up agribusiness clusters requires much more than coordinated action at local level. It depends on the potential of related value chains and end-user (consumer) markets. 2SCALE works with medium- and large-scale agro-food enterprises to realize this potential; in particular with 'lead firms' that are looking to source from local producers.

2SCALE is also using the CASE approach to expand the types and volumes of products supplied to BoP consumers.





*African Bird's Eye chili – farmers love it because exporters do*

## Chillies: 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 chillies 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 chillies 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 chillies. Their approach was to first offer financial incentives to encourage farmers to use drip irrigation, and then progressively move towards a subsidy-free situation.*

*The first 160 kits were distributed free, in March 2012. Recipients increased 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 partnership with 2SCALE and local NGOs.*

*In the third phase (ongoing), the project helped introduce a credit program in partnership with Dutch NGO Solidaridad. Farmers receive the kits on credit, at a one-third subsidy. Repayment is done through chili deliveries, and goes into a fund to assist more farmers. More than 1,500 farmers have purchased drip kits – and we expect this number to exceed 5,000 in the next 2 years.*





*Stevia – a new cash crop for Kenya*

## Viable, Inclusive, Competitive

*The 2SCALE approach is unique, for two reasons. First, it mobilizes proposals from business actors – farmer groups, small and medium scale enterprises, larger companies, i.e. everyone who is willing and able to invest in inclusive business. This promotes ownership, which is essential to trigger sustainable, transformative change.*

*Second, it focuses on a limited set of product/commodity groups, selected in consultation with industry representatives, embassies and other stakeholders. This enables scaling, allowing the partnership to quickly expand to larger numbers of smallholder farmers. Product groups are chosen based on their growth potential, leading to the development of value chains that are both inclusive and competitive.*

## PORTFOLIO GROWTH

During 2013 the project received 251 business proposals from local entrepreneurs in six countries, from which 50 proposals were selected for project support. Other proposals were received (and funded) from larger private firms, to expand existing cluster networks. Once a business idea is selected, a Diagnostic and Design (D&D) workshop is held, where cluster actors jointly develop action plans and budgets. During 2013, 28 D&D workshops were held in eight countries. Grants of €1.12 million were committed to clusters to support implementation of their work plans: €624,556 for 135 clusters in West Africa and €491,915 for 57 clusters in East and Southern Africa.

The proposals selected in 2013 cover a range of crops: sorghum, maize, rice, cassava, potatoes, sesame, soybeans, vegetables, fruits, dairy, mushrooms. A few examples are given below.

- **Ethiopia.** Sorghum-sesame, introducing sorghum as rotation crop into sesame production systems, in partnership with the Sesame Business Network. Involves 19 farm cooperatives, potentially reaching over 200,000 farmers.
- **Ghana.** Mango and pineapple, with HPW Fresh & Dry Ltd, a processing and export firm. Action plans developed to strengthen procurement, involving 942 mango farmers and 745 pineapple farmers.
- **Kenya.** Two new clusters led by farmer cooperatives: the Ithiru Community SACCO Society (cabbages, chilies) and the Kangai Banana Growers Association (fruits and vegetables). The first harvests were successful, and both cooperatives will expand to more crops next season.

- **Mali.** A new maize cluster in Kadiolo, led by a local aggregator who supplies to poultry farmers and one of the country's largest processors, Moulins du Sahel. The partnership has cemented aggregator-farmer relationships, leading to larger, more stable supplies.
- **Nigeria.** Three new dairy clusters, expanding the partnership with FrieslandCampina Wamco (dairy processor) and Mueller (equipment manufacturer). Ten new vegetable clusters linked to EWIT, Rijk Zwaan and Bakker Brothers as seed suppliers and AACE Foods and Long Cottage as vegetable buyers.

## BUSINESS SUPPORT AND TRAINING

Clusters receive training and back-up support round the year, from Business Support Services (BSSs) contracted by the project. These are typically grassroots NGOs or consultants with specialized skills. A single BSS may serve multiple clusters. In 2013, 72 BSSs were selected and contracted in seven countries. All active project clusters are now linked to a BSS. To ensure that grants were effectively used, project staff provided support to BSSs on technical issues as well as funds management and reporting. In addition, a detailed monitoring exercise was conducted to evaluate the performance of all BSSs in nine countries.



*Processing oranges for juice, Ghana*





*Fulani milk producers in Nigeria now have bank accounts and receive payments by e-transfer*

## **Milk Producers Open a Bank Account for the First Time**

*FrieslandCampina Wamco, Nigeria's largest dairy producer, buys fresh milk from Fulani communities. Producers were paid in cash, twice a week, at the milk collection centers. In August 2013, armed robbers attacked the car transporting the money and escaped with several million Naira. FrieslandCampina decided to stop cash payments and use electronic transfers instead.*

*But the Fulani did not have bank accounts and were reluctant to open any, for two reasons. They were traditionally nomadic, and they did not trust financial institutions. They knew little about how a bank operates, or about the benefits of having an account.*

*FrieslandCampina asked for 2SCALE's assistance in convincing the Fulani to open bank accounts, either individually or collectively. In September, just weeks after the robbery, we began a sensitization campaign to explain the benefits of a safe, transparent electronic payment system. Three financial institutions (BOA, First Bank and Ipapo)*

*were identified as potential partners. They presented their products and procedures to the communities. After much discussion – and considerable advocacy by 2SCALE – First Bank agreed to halve its opening fees. BOA committed to grant loans as soon as savings reached 20 percent of the loan amount. They also proposed to open a new banking outlet close to a milk collection center, which would operate twice a week.*

*Despite strong initial resistance, a dozen Fulani in each cluster agreed to open accounts and act as intermediates for family members (especially women) who did not have accounts. 2SCALE assisted them with the paperwork.*

*We're continuing the sensitization campaign, especially in new communities. Our goal is to ensure that every milk producer in every cluster is paid electronically. That will make transfers quick, easy and risk-free. It will also allow account holders to access other bank services, such as credit for buying animal feed.*





***New varieties, better management, better coordination among onion producers in Mali***

## **Onions: Big Business for Small Producers**

*Technology, training, linkages and organizational support from 2SCALE is helping smallholder farmers in Mali capitalize on the booming market for onions.*

*Demand for onions is increasing rapidly, but farmers' incomes are not. A sector analysis identified three key constraints: poor quality varieties, lack of collective action and poor market linkages.*

*"The variety we were using could not be stored for long periods, so we had to sell immediately after harvest, when prices are low," explains Daman Keita, President of the onion cooperative in Bancoumana. "Also, we were not working together. We were all harvesting and selling at the same time, so prices were very low."*

*The first step was organization. "We agreed that we should build a strong Union to coordinate production, so that all producers do not arrive in the market at the same time. Thanks to 2SCALE, today we are able to coordinate market deliveries not just within the Union but in all the villages around."*

*The Union Mandé Jigi (meaning Hope for Mandé) now includes 1,020 producers of whom 860 are women. In 2014, they aim to sell 600 tons of onions, earning revenues of 120 million FCFA (€ 180,000).*

*2SCALE training programs on crop and soil fertility management target 2,000 farmers. New onion varieties are being introduced, such as the robust, early-maturing Prema, which is suited to rainy-season cultivation (the traditional variety does poorly under wet conditions). In the villages of Diola, Balandougu, Niantiguila and Ouolodo, 2SCALE agribusiness clusters are testing Prema as well as new varieties of tomato, pepper and papaya in collaboration with 2SCALE partner East West Seeds. Learning centers have been established for training and dissemination.*

*Future plans include the introduction of low-cost irrigation equipment, enabling farmers to grow vegetables outside the current four- to five-month season. "If we can get loans to buy an irrigation system, there will be no off-season," says farmer Alfred Mariko. "Then we will be able to compete even with vegetables from Europe and North Africa."*





*Private firms are keen to invest in horticulture, potato, poultry and other areas*

## **Business Meets Development**

**Utrecht, April 2013.** A high-profile meeting with Dutch business leaders and policy makers has stirred interest from the private sector. Dutch firms are keen to collaborate with 2SCALE in potato (high-yielding varieties), horticulture (seeds, greenhouse technology), agro-logistics, livestock/dairy/poultry (incubators, processing equipment) and other areas. Follow-up discussions are helping to translate investment possibilities into formal agreements.

Lilianne Ploumen, Netherlands Minister for Trade and Development Cooperation, delivered the keynote address. "Local small and medium enterprises are increasingly involved in African agriculture and agribusiness," she said. "The Dutch private sector should encourage this growth, and link with these local firms for mutual benefit. The 2SCALE project offers a platform to build such partnerships. I hope 2SCALE will show how business and development can go hand in hand. And I look forward to visiting examples of successful partnerships developed by the project."

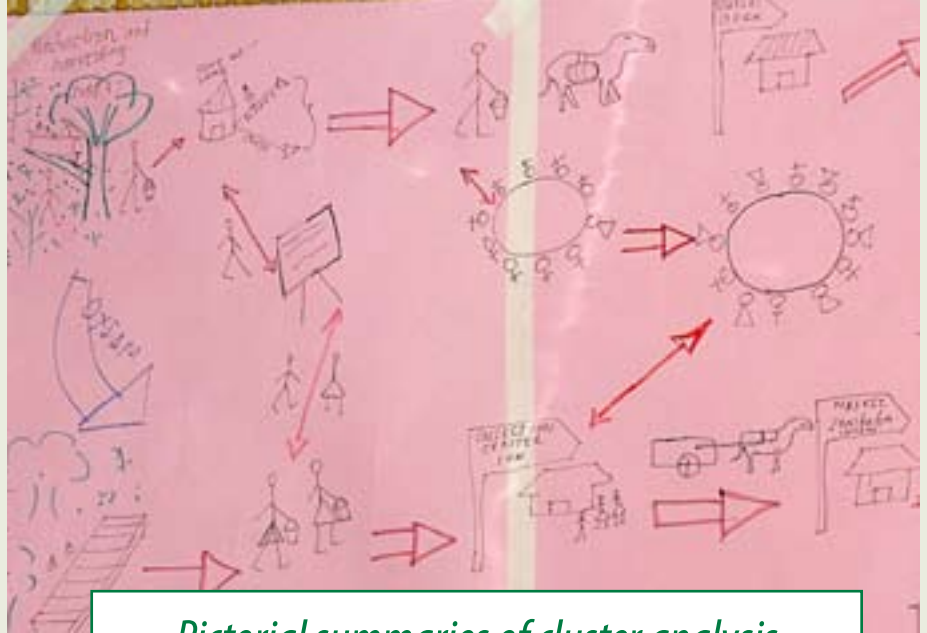
The meeting attracted over 100 participants including members of two Topsector boards, mandated by the Dutch government to stimulate private investment in high-priority sectors of the economy; and senior managers from at least 48 companies ranging from medium-scale to multinational.

One company head commented: "We can smell the business opportunities in Africa – but we don't know where to start." Several firms sought 2SCALE partnerships to provide market information as well as linkages with aggregators and other value chain actors. Small and medium-sized firms were particularly keen to engage with 2SCALE, because they lacked the resources and experience to identify reliable local partners.

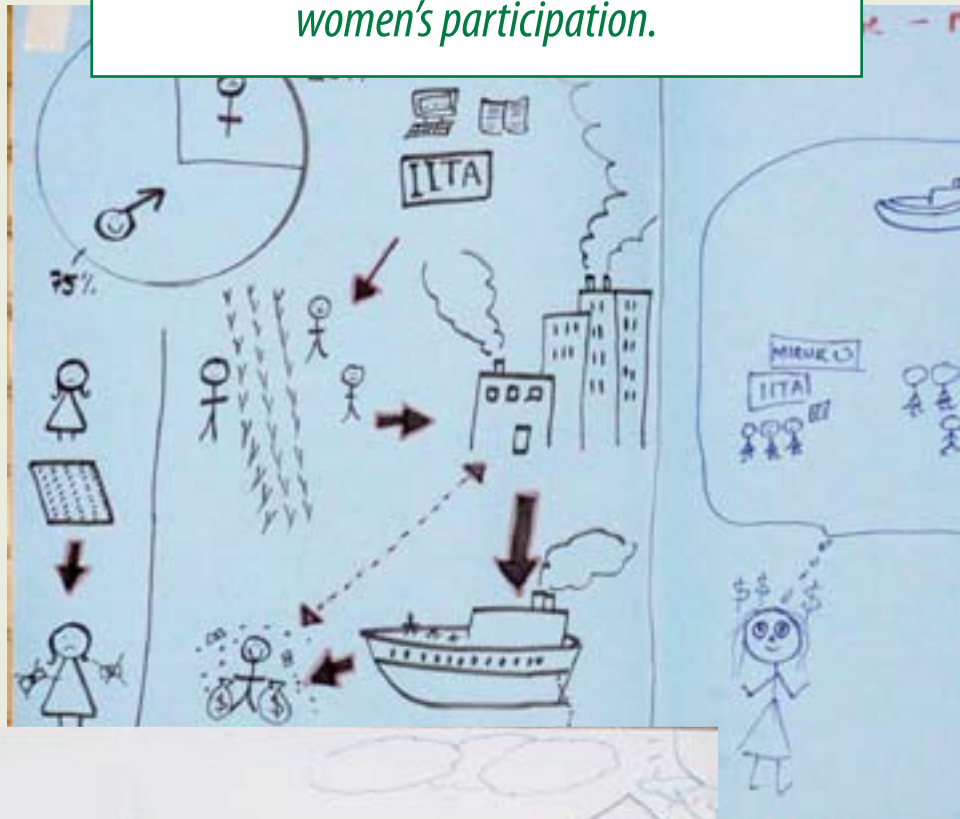
## Empowering Women

Close to 40 percent of 2SCALE cluster actors are women; we make special efforts to encourage their participation in both crop production and value addition (processing).

Two four-day gender training workshops were held for 2SCALE staff in Cotonou, Benin (April) and Nairobi, Kenya (June 2013), facilitated by experts from ICRA and the Royal Tropical Institute (KIT). Participants analyzed 2SCALE clusters to understand how to integrate gender considerations into project design and implementation. They explored a toolkit, developed by KIT and ICRA, which provides tools to analyze business ideas for actual and potential gender/power issues, guidelines on selection of business proposals and suggestions for organizing D&D workshops where work plans and budgets are developed.



*Pictorial summaries of cluster analysis helped visualize how implementation procedures can be modified to encourage women's participation.*







***Bank officers visit a 2SCALE cluster to discuss new farmer-friendly financial products***

## MONITORING PROGRESS

Monitoring and evaluation (M&E) is critical. It helps measure progress, identify weaknesses, and (when results are good) convince partners to increase their level of investment. Our primary M&E tool is a web-based platform known as mFarms, developed by Ghanaian IT firm and customized to 2SCALE's requirements. The platform contains profiles of cluster and value chain actors, progress in relation to agribusiness targets, and other parameters.

We've dispensed with traditional paper-based methods. Instead, data are collected by program staff and partners (e.g. coaches, trainers, private firms) using both web and mobile phone applications. The data are uploaded to the mFarms platform for centralized storage and analysis by the project's M&E team. All partners have access to the reports generated.

During 2013, we invested considerable resources in training project staff and partners on the use of mFarms. Field teams now use mFarms as routine practice. A total of 62 Android mobile phones have been distributed to coaches for data collection at cluster level.

The project also used a variety of other methods – including unannounced visits – to monitor the performance of agribusiness clusters, coaches and BSSs, and handling of funds by grantees. In 2013, this monitoring was done for all clusters in nine countries; the remaining three countries will be done in 2014. In addition, we evaluated which clusters had the best (and worst) potential for scaling out; and which ones were strong enough to function without 2SCALE support. This evaluation was done by cluster actors themselves, and by project staff. The cluster portfolio for 2014 is being refined accordingly.

In some areas, activities have been scaled down or halted due to security concerns. These include six clusters in northern Mali and several clusters in Gombe, Jigawa, Kano and Katsina states in Nigeria.

# PRIVATE INVESTORS BUY IN

**P**private sector participation in 2SCALE expanded significantly in 2013. Partnership agreements were drafted and/or formalized with 15 private firms. Joint activities are ongoing in nine countries, covering a range of food and cash crops, as well as seeds, dairy, food processing and other areas.

**AACE Foods**, a Nigerian company, processes spices, vegetables and staples for the Nigerian market. The partnership agreement has been signed, identifying target areas, commodities and clusters. Field activities began with ginger during the pre-project phase (2011) and expanded in 2013 to hot pepper, alligator pepper, maize and soybeans.

**Advanta Seeds**, an Indian-based company, partners with 2SCALE in several countries. In Nigeria, Advanta will provide seeds for fodder crops (for milk producers involved in the dairy development program), rice (in collaboration with Kohath) and maize (new clusters). Joint field activities have been initiated and a formal agreement will be developed in 2014. In Mali, partnerships are being explored for sorghum, maize and rice. In Uganda, Advanta is linked to 2SCALE sorghum clusters to introduce hybrid varieties; to Nile Breweries (which buys sorghum from the clusters); and to the National Research Station for performance trials. In Niger the company is linked to 2SCALE clusters for rice, sorghum, tomato and other vegetables. Similar partnerships have been developed in Ethiopia, Kenya and Mozambique.

**Angaza Prime Services**. This partnership in Kenya focuses on agro-input delivery to ten 2SCALE clusters producing fruits and vegetables. It uses a franchise model

typically involving local agro-dealers to deliver inputs to smallholder farmers, facilitate their access to micro-credit, and offer a platform for produce aggregation and sale.

**DADTCO**, a Dutch firm, works with 2SCALE to commercialize cassava production in Mozambique. The partnership, currently targeting two clusters and over 4,000 smallholders, uses DADTCO's mobile processing unit, aggregating fresh cassava roots near the point of production and processing it into cake. A formal agreement with DADTCO has been drafted and will be signed in 2014.

**Doreo Partners** invests venture capital in agribusinesses in Nigeria. It introduced a franchise business model called Babban Gona ('great farm' in Hausa) for maize production. The franchise aims at achieving economies of scale to efficiently deliver training, credit, extension support, output aggregation, storage and marketing support to smallholders. Collaboration began in 2013 with a maize cluster in Kaduna state. A partnership agreement will be developed in 2014.

**Equator Kenya**, a Dutch-owned Kenyan firm, purchases, processes and exports spices. It partners with 2SCALE clusters producing chili and paprika, and (through 2SCALE linkages to other partners) has introduced drip irrigation and other innovations such as fertilizer blends tailored to crop/soil requirements, and safe pesticides, now available in small, affordable packs. More than 1,500 farmers have purchased drip irrigation kits.

**Ferm O Feed**, a Netherlands-based producer of organic fertilizers, partners with 2SCALE to develop a distribution network in West Africa. Its Fertiplus fertilizer could substitute mineral fertilizers on vegetable and fruit crops,





*Private-sector partners are helping to introduce 'barrier plastic' for weed control*

whether organic or conventional. Samples are being field-tested in vegetable learning plots in Benin and Nigeria. Results are expected by mid-2014, after which a formal agreement will be developed.

**HPW Fresh & Dry**, a subsidiary of a Swiss firm, purchases tropical fruit from Ghanaian smallholders and exports fresh and dried products to Europe. HPW requested support to strengthen its procurement of mango and pineapple. In November 2013, 2SCALE facilitated the development of action plans in collaboration with 942 mango farmers and 745 pineapple farmers. A partnership agreement will be elaborated in 2014.

**Long Cottage Agro-Ventures**, a young Nigerian company supported by Syngenta, was set up as a nucleus farm and aims to supply fresh vegetables to supermarkets in southwest Nigeria. It requested 2SCALE support to develop an outgrower scheme for vegetables, beginning with tomato. Field activities with project clusters have begun.

**Moulins du Sahel**, the second biggest grain mill in Mali, sells maize, millet and wheat flour to the World Food Program, the Red Cross and other large buyers. It currently imports most of its raw materials but is looking to source locally, provided Malian farmers can meet quality and price requirements. A pilot was initiated with the Beleco maize cluster for 500 tons of maize. Depending on the results (expected in early 2014), the company will finalize plans for local sourcing and a partnership agreement with 2SCALE.

**Mueller** is the market leader in milk cooling tanks in the Netherlands. It also exports new and used equipment,

and designs and installs milk collection centers for developing countries. In 2013 Mueller signed a MoU with FrieslandCampina Wamco in Nigeria to provide expertise, equipment and service support for setting up milk collection/cooling points. Mueller will partner with 2SCALE to select and train local firms to install and service equipment for the dairy development program, and in the longer term, other equipment for the Nigerian food industry. Joint field activities have begun. The partnership agreement has been finalized and is expected to be signed in early 2014.

**PureCircle** is the world's largest producer of Stevia, a low-calorie natural sweetener. Partnership with 2SCALE has helped introduce this highly profitable cash crop to new areas in Kenya and expand the company's farmer base to over 4,000 smallholders. Stevia, formerly restricted to one small region, has expanded to four new areas in the Rift Valley and the foothills of Mount Kenya.

**Rijk Zwaan**, a Dutch company producing hybrid vegetable seeds, collaborates with 2SCALE in Benin, Ghana, Nigeria and Mali directly, and in Kenya through its agent Kenya Highland Seeds. The partnership, launched in 2012, includes provision of seeds, farmer training through learning plots, and field trials to evaluate the performance and market prospects for its proprietary varieties.

# PROMOTING INNOVATION

**2** **SCALE helps** foster innovation – in technologies, processes, institutional arrangements and policy. Examples include high-yielding varieties, drip irrigation, low-cost mechanization and many more.

In 2013, 130 clusters implemented ‘action-research’ programs to test and scale out innovations. In Nigeria, feed supplementation and other cattle husbandry methods have increased milk volume by 70 percent and substantially reduced unit production costs. In Kenya, over 5,000 farmers have adopted drip irrigation technology in chili production. In Benin, a local entrepreneur is fabricating low-cost fertilizer briquetting machines even without project funding.

## ■ **Fertilizer deep placement**

Fertilizer deep placement increases yields by 10 to 15 percent while reducing fertilizer consumption by up to one-third. This innovation is being introduced in irrigated rice areas in Kenya. Demonstration plots and farmer training programs have helped increase rice yields by up to 100 percent. In 2014 we expect to form new clusters with 10,000 farmers using deep placement to grow high-quality aromatic rice.

## ■ **Rhizobium inoculation**

Yields of legume crops can be substantially increased by ‘inoculating’ plants with Rhizobium bacteria – cheap, effective and environmentally friendly. Rhizobium inoculants are being tested at 15 sites in Uganda, with material provided by the National Research Centre. In 2014, the technology will be rolled out to more areas in Uganda – and also in Ethiopia, Ghana and Nigeria, where farmer training programs have begun.

## ■ **Crop index insurance**

A new, simplified method of crop insurance is being scaled out in Benin and Mali, in partnership with PlaNet Guarantee. Compensation is paid when a measurable parameter (in this case evapo-transpiration) exceeds a threshold value. The process is transparent and minimizes disputes about compensation levels. More than 400 maize farmers purchased insurance in 2013. Significant expansion is planned for 2014, with new clusters and new financial products added, and payment of premiums made easier.





*Fertilizer deep placement in rice – higher yields with less fertilizer*

# TARGETING THE POOR

**2** **SCALE focuses** not only on smallholder farmers but also on low-income consumers, the so-called 'base of the pyramid' (BoP). Some BoP households benefit directly, being members of agribusiness clusters. Many more benefit indirectly: a number of clusters target the BoP market, delivering nutritious, affordable food products for the poor. A series of studies in 2013 (coordinated by BoPInc) have laid the foundation for future BoP-oriented activities. Market research in Kenya and Ghana provided insights on food consumption patterns, attitudes to new products, and the factors that drive purchasing decisions. The differences notwithstanding, there were similarities in BoP consumption patterns across countries – which means large potential market opportunities. Similar studies were completed in Ethiopia (data being analyzed) and Benin, where two pilot programs will be rolled out in 2014. One program will promote soybean as a new ingredient in traditional *goussi*. The other will use field trials and demonstrations to promote the cultivation of *kangkong* (water spinach), a highly nutritious vegetable popular in Southeast Asia but new to Africa.

Business meetings in Ghana, Kenya and Nigeria helped identify opportunities to link 2SCALE clusters to BoP consumers. At least 25 clusters are interested in producing dried vegetables, soya meat substitutes, Moringa-fortified foods and other products for the BoP market. Following the meetings, these clusters have developed action plans for 2014. A scoping exercise was conducted with two processing firms in Kenya, to test demand for two products: peeled pre-cut potatoes and pre-cooked fortified flour. The findings (potential volumes, preferred packaging, delivery options) are now being applied by the firms for pilot marketing efforts in 2014.

Guidelines were developed to help clusters and private firms target BoP markets. The guidelines explain the challenges, and the potential solutions, in terms of the four As: Availability, Affordability, Acceptability and Awareness.





## What Food, at What Price?

*Insights from a study of 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 BoPInc., was conducted between March and July 2013. Researchers interviewed more than 1,500 people – rural and urban consumers, wholesalers, retailers, processors and others. Clearly, there were differences in consumer preference between countries, even between different regions in each country. Nevertheless, the study provided insights that can be applied in a number of African countries.*

*Consider some results from Kenya. Which is the most important factor in food purchase decisions? Price, according to 42 percent of BoP consumers. 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). 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 1.5 million children in Ghana and Kenya. Or new technologies for rice production – 2SCALE has introduced a suite of innovations to increase yield and reduce production costs. Or vegetables: we're introducing simple processing methods to produce dried vegetables for sale. Or soya products – soya chunks, weaning foods, soya flour, soy milk – that could substitute for expensive meat.*

*At stakeholder meetings in July, traders and processors worked with representatives of 2SCALE clusters to develop concrete plans. Business plans have been developed for a number of initiatives – production of 'fortified' sorghum flour, linking street fruit vendors with reliable fruit suppliers, processing tomato and citrus juice, and many more.*

# BUILDING CAPACITY

**F**or farmers to integrate into commercial markets, they must understand the value chain and their competitive advantages. They must have (or develop) the capacity to explore other channel options, to innovate – and above all, to develop local networks. That is why 2SCALE focuses on much more than farmer training.

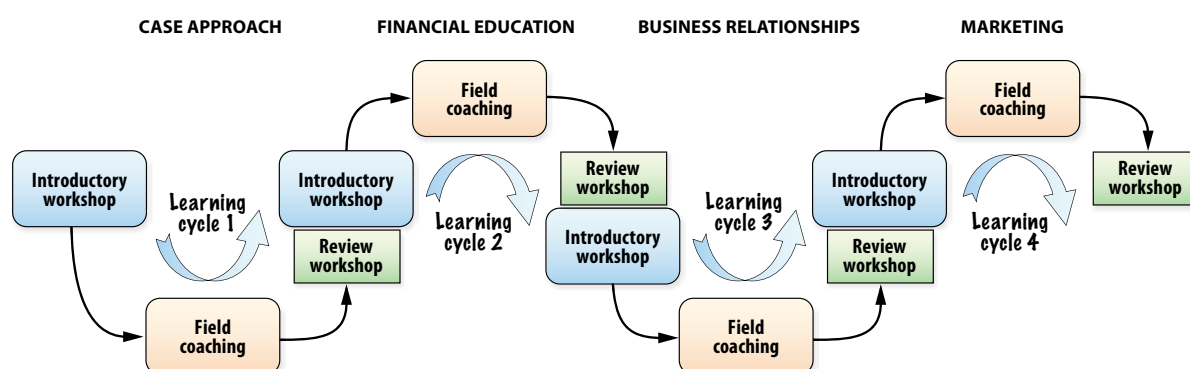
The project works with two groups. Farmers (cluster members) learn about innovations: new technologies, credit schemes, crop insurance. Agribusiness coaches and BSSs receive broader training, covering technologies as well as enterprise management, finance, marketing and other areas. Farmer training is conducted mostly by 2SCALE technical field staff. Training for coaches and BSSs is conducted by specialized trainers, who are trained and supervised by ICRA experts.

In 2012, BSSs and coaches were identified for six countries.

In 2013, this process was completed for the remaining three countries, Ethiopia, Mozambique and South Sudan; 68 coaches are now on board. Over 100 potential training organizations were identified, from which 12 were contracted in Benin, Kenya, Ghana, Mali, Nigeria and Uganda. The trainers participated in Training-of-Trainers workshops in Benin, Ethiopia, Ghana, Kenya and Uganda; and subsequently organized 19 learning workshops and 123 individual one-day field coaching for coaches.

Four learning modules were developed: the CASE approach, financial education, business relationships and marketing. Each module includes a detailed facilitators' guide, exercises and reference material. Three videos were produced as training tools. One video illustrates value chains, competitiveness and other concepts, using 2SCALE clusters as examples. Two others focus on the dairy partnership in Nigeria, showing how business relationships create opportunities.

The project also developed a process for the certification of trainers and coaches, involving regular assessments against standardized criteria. Trainers are assessed by ICRA and the 'trainees', i.e. agribusiness coaches. Coaches are assessed by the trainers and cluster actors. The goal is to develop a pool of 20 certified trainers and 120 certified coaches in nine countries.







## How to Expand Your Business Without a Loan

*Hajiya walks into a classroom where her fellow chili pepper producers (members of the Uguwan Kanawa Cooperative Society in Nigeria) have gathered for a coaching session. The subject: financial education.*

*Mark, the cluster coach, begins by provoking them. Farmers do not need any extra money, he claims. Everyone protests loudly. Then Mark explains... How can pepper producers make money without taking a loan from the bank?*

*He helps the farmers create an illustrative budget. Together, they figure out (i) how much they spend on labor, (ii) other production costs per hectare, and (iii) revenue and profits per hectare. The numbers suggest that chili farming is profitable. But the farmers say the profits are insufficient.*

*Mark understands that effective coaching is not simply lecturing, but guiding farmers in problem solving. He works with the group to find new ways of cutting costs. Hajiya has an idea: withhold 12 sacks of peppers per hectare (the usual harvest is 20-30 sacks) and sell these 12 sacks later in*

*the year, when prices are higher. The others agree that this would substantially increase profits, but say this increase would still not be enough.*

*Any other options? Mark helps the group see that labor constitutes about 30% of the production cost. He asks them to consider reinstating jamiya, the system of labor exchange.*

*The group refuses. Jamiya had been unsuccessful in the past, mainly because farmers had 'defaulted', i.e. refused to provide labor for their neighbor's farm after having received assistance themselves.*

*Mark proposes an insurance plan to prevent this. Defaulters will have to pay a sum of money for the amount of labor previously agreed, plus interest. The interest will go into a group bank*

*account. Unanimously, the farmers agree that this plan could help them reach their financial goals.*

*As Hajiya says, "We learnt that we don't need bank loans to expand our businesses. We can do it ourselves if someone shows the way."*

*2SCALE coaches do not prescribe solutions – they work with farmers to help them problem-solve.*



*Rhizobium technologies for soybean, Nigeria*

## ***Hands-on Training***

*Practical field training is the key. Coaches, 2SCALE staff and lead firm experts supervise – but it is the farmers themselves who experiment with new technologies, often adapting practices to suit local needs.*



*Low-cost drip irrigation, Mali*





*Use of plastic mulch, Mali*

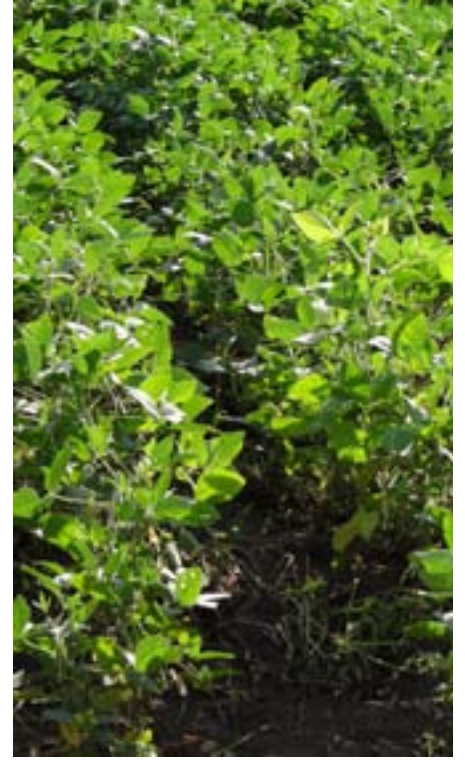


*Artificial insemination, Nigeria*



*Preparing a compost pit, Ghana*





2SCALE

Toward Sustainable Clusters in Agribusiness through Learning in Entrepreneurship

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