Local network building for inclusive agribusiness development

**KEY MESSAGE**

Investing in the building of networks of local actors is instrumental in the realization of durable, inclusive agricultural agribusiness. Such local network building requires co-investment of public and private resources initially. Once established, inclusive agribusiness partnerships can autonomously sustain local networks.

**Introduction**

2SCALE establishes public-private partnerships (PPPs) as a means to support inclusive agribusiness models, which contribute in a lasting manner to rural economic development, food and nutrition security and poverty reduction. The fast-growing food market in the countries where 2SCALE operates provides tremendous opportunity for economic development. Agribusiness development holds great potential for rural poverty reduction in this environment of growing demand for, and turn-over of, agricultural produce. However, the capacity for agribusiness partnerships to have a significant effect on poverty reduction depends on the specific terms and configuration of that partnership.
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The approach that 2SCALE uses for the development of inclusive agribusiness relationships centers around the formation of agribusiness clusters (ABCs). An ABC is a multi-actor network operating at grassroots level. It involves all local actors that are in some way connected to a particular commodity, and who are seeking solutions to their input, production, processing and marketing problems and opportunities for improving their competitiveness and collective performance. Both value chain actors (input dealers, farmers, processors, traders, etc.) and service providers (transporters, credit providers, extension service providers, researchers, business service providers, etc.) can be part of an ABC.

This chapter presents the principles, objectives and process of ABC development, describes the roles of coaches in the process, and debates how ABCs can be sustained over time.

ABC objectives

As a general objective, ABCs must assure the competitiveness of agribusiness partners from a locality or geographical area in the wider market. In the ABC, the interests of agricultural producers, local traders, processors, transporters and service providers converge. To develop and maintain a competitive edge in the larger market, collaboration between the ABC actors is essential. The ABC may also include the local brokers, who are often accused of unreasonable rent-seeking, and are excluded in value chain development programs (Box 1). ABC development is facilitated by 2SCALE around a specific crop and its derived products, to assure that the ABC participants have a joint interest, and a clear focus.

To realize and maintain a competitive edge in the wider market, ABCs pursue five specific objectives:

- **Mahamane Toure | Yellow Maize, Mali**
Empowerment of the local actors for fair and equitable agribusiness;
Co-innovation to address problems and seize opportunities;
Establishment of effective business relations for output marketing;
Improving access to inputs;
Improving access to services.

The desired state of an ABC, after an intervention by 2SCALE, is to have the capacity to pursue these objectives autonomously, without external support.

**Empowerment of the local actors**

The empowerment of local actors is the primary objective in building ABCs. When local actors are collaborating closely, they have more clout in the wider agribusiness arena. Their combined production represents a significant market, and as a group they are much more able to negotiate rewarding agribusiness deals. For example, in Mali, maize producers and community-based traders, united in an ABC, were able to negotiate the pricing mechanism used for the procurement of their yellow maize (Box 2). Another instance of local actor empowerment can be found in Nigeria, where an ABC was formed around cassava in order to supply the cassava trading and processing company, Psaltry (Paper 5). Local transport unions, together with the ABC actors, identified indiscriminate and non-regulated taxation at police road-blocks of their vehicles loaded with cassava roots as a major constraint, because of the unpredictability of the costs, as well as the delays it causes in

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**BOX 1 | VEGETABLE BROKERS BECOME PARTNERS IN THE ABC**

Brokers and middlemen have a bad reputation in Kenya. Nonetheless, they are critical in many value chains involving smallholder farmers. Bulk buyers do not collect produce from individual farms (or even cooperatives) because the quantities offered are usually small. Instead, brokers identify smallholders offering produce, and buy from the farm-gate on behalf of traders bulking the produce. Brokers provide a much-needed service, and they have unique skills, such as knowledge of the local market, flexibility, and often a long-term relationship with the community. But they make a living from the margin between buying and selling, and are skilled negotiators. This gives brokers a bad reputation, as they ‘reap where they didn’t sow’.

KIAMA, a vegetable producing and trading cooperative in central Kenya, grows cabbages, kale, pepper, tomatoes and other vegetables for the Nairobi market. Like other small cooperatives, they relied on brokers for their marketing. When working on the creation of a vegetable ABC, the actors identified several brokers whom they were working with on an ad hoc basis, and asked them to join the ABC.

As a result of the ABC seeking to develop the local vegetable sector, they have renegotiated their terms of trade related to terere (amaranthus). The cooperative members agreed to sell exclusively to the selected brokers. In addition, they developed a production calendar to assure a stable supply throughout the year. The brokers on their part agreed to collect produce from the farm gate, at a 40% premium compared to the farm gate price offered by brokers before and a 20% premium compared to the local market price. The agreement triggered an increase in production and sales. In six months, the members sold more than 40 tons of terere, a four-fold increase compared to the previous year.

To the farmers, the catalyst was price. Previously, the members had to choose between selling their terere at the farm gate for KSh 20/kg, and transporting it to the nearest market, 30 km away, and selling for KSh 24/kg. Neither option was attractive. Currently, producers get KSh 28/kg at the farm gate on average, and the brokers benefit from a year-round supply of good quality terere. Though no written formal contract has been signed, the agreement is still in effect.

Mary Munyutha is smiling all the way to the bank. After two rounds of sales (terere can be planted, harvested and sold, all within a 1.5-month cycle), her production has increased five times and enabled her to install a drip irrigation system. She plans to double the terere garden again in 2017, and to experiment with new crops such as pepino melon, which has a growing niche market among health-conscious Nairobi consumers.
transportation. Jointly, they have managed to persuade the local police to reduce such ‘informal taxations’ paid at checkpoints, and to replace them with a formal, predictable levy, for which they receive a sticker on their windscreen (Box 3).

**Co-innovation to address problems and seize opportunities**

The second objective of ABCs is co-innovation. The ABC needs to create the capacity to effectively respond to changing circumstances and emerging opportunities, to maintain and possibly increase competitiveness in the larger market. The ABCs focus mainly on innovation that affects the profitability and efficiency of their operations at grassroots level. However, this does not mean that the ideas for innovation originate exclusively from within the local network. On the contrary, through their organization the ABCs obtain better access to innovative ideas from outside their own community, by building a network of people and organizations, with knowledge and expertise of interest to their agribusinesses.

In Ethiopia, for example, vegetable producers in the Rift Valley collectively failed to be competitive in the market (Paper 12). But by effectively linking with outside expertise from Agriterra and the Ethiopian Institute for Agricultural Research, ABCs in Abosa, Adami Tukli, Dugda and Meki Batu were able to professionalize their production technologies. As a result they reduced their production costs per unit product by 28%, which made them competitive in the market.

The ultimate objective is to build a resilient local agribusiness network, which can respond to the inevitable changes in market realities. The citrus partnership in Ghana offers an example of an effective response to a shifting market: in this case, ABCs were able to overcome the abrupt insolvency of their single most important buyer, and seek alternative buyers for their oranges, and thus continue profitable production (Box 4).

Facilitated identification of constraints and opportunities for change is just the start. What is most essential is joint experimentation and piloting solutions. The improvement of production practices by vegetable farmers in the Rift Valley in Ethiopia, for example, was the result of testing and adapting improved production technologies that were proposed by researchers (Paper 12).

The process of joint experimentation and piloting serves a double purpose. The first objective is to address a particular problem, and to experiment with possible solutions. Of equal importance, however, is the effectiveness of joint action as a tool for building trust between local actors, and to strengthen the functioning of ABCs. It offers a reason to come together and learn from each other. As such, a pilot with the aim of solving one particular problem can become the starting point for the identification and initiation of actions around the next opportunity for change. The joint interests and proximity of the actors are essential ingredients for effective trust-building and business development.

**BOX 2 | YELLOW MAIZE IN MALI**

In the first season of contracted yellow maize supply by producer organizations to Nama & Sons’ (SONAF), the local market price for yellow maize rose above the contracted price. In response, the leaders of three producer organizations (Kignan, Ktiorni and M’pégnesso) from the Sikasso region approached SONAF to negotiate, and they managed to agree on a price increase on behalf of all 10 producer organizations that were united in the ABC. In addition, they adjusted the contract conditions for the next season, to assure that the pricing would take into consideration fluctuations of prices in the market (Paper 4).

**BOX 3 | CASSAVA CLUSTER NEGOTIATING WITH THE POLICE IN NIGERIA**

As a result of capacity strengthening and empowerment activities in the Psaltry cassava partnership in Nigeria (Chapter 5), local transport unions acting within their local ABCs were able to persuade the local police authorities to eliminate extortions from cassava trucks using local routes. A modest fixed levy for each vehicle was agreed, for which a sticker could be obtained to place on the windscreen of the car, indicating that the vehicle had paid the levy. This is a landmark achievement, which has contributed to a reduction in the transport costs of cassava, as well as speedy delivery before the tubers spoil. This benefit has been shared with farmers through a reduction in the charges for cassava transport.
Co-innovation by ABCs does not develop automatically. It is a process, which requires a trusted facilitator with the ability to understand and connect the different actors. Particularly at the outset of ABC formation, time investment in the facilitation process is significant.

And even once ABCs are established, facilitation will remain necessary, albeit at a lower level of intensity. ABCs must therefore find a way to accommodate the costs of this facilitation, in order to assure their own continuity.

BOX 4  CITRUS PARTNERSHIP IN GHANA: EMPOWERED CLUSTERS RESILIENT TO A SUDDEN CHANGE IN MARKETS

In 2015, Fruittiland, the principle buyer and processor of citrus fruit from farmers in Central, Eastern and Ashanti regions in Ghana, faced delays in securing funds for factory operations. In December 2015, at the beginning of the harvest season, the company announced the suspension of its operations until further notice. This decision threatened to break down the Fairtrade and conventional citrus juice value chains built up over four years, and to deprive over 3,800 citrus farmers from a market. The producers urgently needed to assure an alternative buyer for their produce.

2SCALE facilitated a ‘diagnostic and design’ workshop with actors from eight citrus ABCs, including farmers, business support service (BSS) providers and other partners. The objective was to help citrus clusters develop a strategy to target other conventional and Fairtrade markets. With support from the Dutch juice buyers, Verbruggen Juice and Fair Trade Original, an agreement was brokered with another Ghanaian processing firm, Pinora. Through the ABC structure the situation could be explained to farmers, farmers were re-engaged in the Fairtrade certification process, and groups of professional pesticide sprayers, transporters and other local partners were mobilized to initiate business relationships with Pinora. On its side, Pinora committed to provide training and extension services, and signed citrus purchase contracts for 300 tons of fruits in 2016 (Paper 8).
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Realization of business relations for effective output marketing
The third objective of ABCs is to seek the creation of inclusive agribusiness relations, which benefit the local actors. While ABCs are centered on farmers and their organizations, other actors also have an important role. Creating new – and improving existing – business relations locally within the ABC, and with buyers outside of the ABC, is one of the key objectives of the ABCs. Such business relations can be local, as is the case with soybean ABCs in Benin (Box 5), but they can also engage national, or even international level buyers.

Improving access to inputs
The fourth objective of ABCs is to improve access to inputs through improved business relations with suppliers. Local input dealers are deliberately included as partners in the clusters. The input suppliers have a direct economic interest to improve their offer, to better respond to farmer demand. Through ABCs demand and supply for inputs can be better coordinated, and solutions devised where the appropriate inputs are not available. In Ethiopia, for example, farmers of a sorghum ABC managed to negotiate access to the sorghum variety they wanted to plant (Box 6). Similarly, in Ghana, soybean farmers learned that they could improve their productivity through the use of Rhizobium inoculants; however, the inoculants were not available for purchase in the country. Through the ABC, a willing input supplier was identified who spotted a business opportunity in developing the commercial importation and distribution of Rhizobium inoculants, and in the longer run, local production of the Rhizobium inoculants. In Kenya, rice ABCs have been instrumental in providing access to briquettes of urea fertilizer for deep placement, and to blended fertilizers for basal application.

**BOX 5 | LOCAL AGRIBUSINESS PARTNERSHIP DEVELOPMENT: SOYBEAN IN BENIN**

In central and southern Benin, soybean production seemed a promising alternative source of revenue for smallholder producers, to substitute cotton production on unproductive, depleted soils. Soybean ABCs were formulated with the aim of supplying FLUDOR and Société des Huileries du Bénin (SHB), soybean oil processors. After one year it became apparent that the processors could not pay a remunerative price for the soybean, and harbored no ambition to enhance inclusion of smallholder producers in the value chain. Instead, the ABCs triggered a partnership between soybean producers and women’s groups who process soybean into soybean cheese and kebabs for the local base of the pyramid (BoP) market, as a healthy and affordable alternative for meat. Now incorporated into the ABC, these local processors have become an essential component of the partnership. 2SCALE worked with the farmers on good agricultural practices, access to improved soybean varieties, access to *Rhizobium* inoculum and the development of business relations with women’s groups (Paper 2).

**BOX 6 | ACCESS TO INPUTS IN ETHIOPIA; PREFERRED SORGHUM VARIETY**

Sesame ABCs in Dansha, Setit Humera and Metema have worked on improving revenue from their rotational sorghum crop. They tested different sorghum varieties released by the Ethiopian Institute of Agricultural Research (EIAR), and identified the white sorghum variety ‘Deber’ as their preference, because of its dual purpose, both as ingredient in the main staple food *inger*, as well as an ingredient in industrial beer brewing.

To obtain access to quality seed of this particular variety, the ABCs had to lobby at state level, because seed allocation to farmer cooperatives is usually decided centrally by the regional agricultural board, and varieties are allocated to farmer cooperatives randomly, without paying attention to variety preference.

Currently, the cooperative unions, which are represented in the ABCs, are supplying an estimated 3,000 tons of sorghum annually to Meta Abo brewery, a subsidiary of Diageo, in Ethiopia. Sorghum has become a remunerative rotation crop for sesame, making the farming system more sustainable (Paper 12).
Access to services
The fifth ABC objective is to facilitate access to services. Through the organization of actors in ABCs, access to desired agricultural services becomes easier. Local service providers are part of the ABC, and linkages to non-local services is facilitated by an ABC's status as a local multi-stakeholder network, rather than as individual producers or as a farmer group or cooperative. Soybean processors in Benin, for example, obtained access to training on improved processing technology to make soybean cheese (Chapter 2). This was made possible through the ABC, which included local service providers with the right network. In Ethiopia, specialized spray service provision was developed as a result of the identified ineffective crop protection in vegetable production by the ABC (Box 7).

Financial inclusion can also be improved through the ABCs. By providing access to a larger number of clients, the ABCs constitute a platform for financial institutes to offer their services. The structure of ABCs, which aim at testing and adapting solutions, situates them as a good partner for financial institutions seeking to innovate and tailor their services to farmers. In Mali, farmers obtained input credit for yellow maize production based on the supply contract they had agreed with the buyer. The negotiations for access to credit were facilitated through the ABC (Box 8).

Agribusiness cluster (ABC) coach
2SCALE’s support to the emergence of ABCs is a facilitated multi-stakeholder process, which is tailor-made, building on a series of generic steps (Figure 20). The process starts by inviting the submission of business ideas, through different channels. 2SCALE screens the applications and selects the ideas that qualify. After further field cross-checks and exchanges with the champion, 2SCALE initiates the process to support the formation of ABCs, built around the champions. This includes the following steps:

- Identifying and inviting stakeholders that could play a role in the cluster;
- Assessing the efficiency, competitiveness and market penetration of the product(s) related to the business idea proposed by the agribusiness champion;
- Identifying major challenges and possible solutions;
- Articulating a common understanding of local actors' business constraints and opportunities;
- Developing and implementing a yearly cluster action plan (CAP);
- Monitoring and evaluating the implementation of the CAP, and its adjustments;
- Developing a multi-year strategic plan for the ABC.

BOX 7 | ACCESS TO SERVICES: SPRAY SERVICE PROVISION IN ETHIOPIA

In Meki Batu, Ethiopia, the vegetable ABC identified ineffective weed and insect control as a major constraint in production. An associated challenge was that crop protection chemicals were applied by farmers or laborers without any training in effective and safe application. Through 2SCALE, the ABC received support from Crop Life Ethiopia. Motivated jobless youths who had completed high school were trained, and 15 qualified as specialist spray service providers, and are now providing professional crop protection services to farmers in the area (Paper 12).

BOX 8 | ACCESS TO INPUTS ON CREDIT BY YELLOW MAIZE FARMERS IN MALI

Inaccessibility to inputs posed a constraint for a yellow maize ABC in Mali, because production without the appropriate inputs resulted in poor quality, and therefore unprofitable, produce. Together with the National Bank for Agricultural Development (BNDA), a tailor-made value chain credit scheme was devised to ensure access to inputs for yellow maize farmers.

Based on a yellow maize supply contract between farmer organizations and SONAF (the maize off-taker), BNDA is providing input credit. It is paying the input supplier for the delivery of the inputs to the farmers. The credit is paid back to the bank through SONAF, which withholds the amount due by the farmer organization, which then settles the outstanding credit with the individual farmers. This credit system has contributed to the intensification of production, and the volume of yellow maize produced and traded to SONAF has increased from 8,000 to 28,000 tons in three years (Paper 4).
To facilitate the consecutive processes of ABC development, an agribusiness coach is identified by 2SCALE. The coach is a process facilitator, who, on a part-time basis, supports the ABC in its establishment and development. The interventions and tasks expected from the coaches include:

- Facilitation of ABC meetings;
- Facilitation of stakeholder interaction for co-innovation, through experiential learning and action-research;
- Facilitation of market relations for outputs, and inputs;
- Technical capacity building, in crop production, post-harvest management or processing;
- Soft skill capacity building on topics such as economic analysis, marketing, and monitoring-evaluation;
- Broker access to knowledge, by seeking information and involving outside expertise where required.

Support for the coach
A coach is locally selected, and can be from a local farmer organization, from an agribusiness firm (input dealer, trader, processor) or from a support organization (extension, research, local government, consultant or non-governmental organization (NGO)). Background and education, experience and proven competence, availability, and equally important, proximity to the cluster location are the key criteria for coach selection.

A coach should have the capacity to listen, observe, ask the right questions and stimulate analysis and reflection, while portraying a neutral attitude. Solutions and ideas should come from the actors themselves, rather than being imposed by the coach. A coach facilitates decision-making processes among the different actors and stimulate the actors in the reflection on, and documentation of, their experiences. A good agribusiness coach should be communicative, service-oriented and innovative, with good facilitation skills. In addition, a coach needs to be pro-active in seeking linkages and networking opportunities for the ABC, outside of the local community. Beyond these key qualifications, diversity among coaches (in terms of gender, age, professional background, ethnicity, etc.) enriches exchanges among them and the generation of innovative coaching options.

The selected coaches will require capacity strengthening in order to effectively contribute to, and assume their responsibilities within, the ABC. 2SCALE has developed an intensive training and mentoring process for the coaches. Capacity strengthening plans are designed for coaches, which are tailored to the specific needs of the ABC they are supporting. These plans comprise a staggered set of learning cycles (Figure 21). Each learning cycle consists of three steps:

1. **A workshop**, grouping the coaches intervening in the same crop, to introduce new concepts, tools, ideas and principles. At the end of the workshop, the terms of reference for a specific field assignment are developed.
2. **An individual field assignment**, in which the coach practices the learnings from the workshop, under mentoring by 2SCALE.
3. **A review session**, grouping the coaches to review the experiences of the field assignment and draw lessons. This session is combined with the workshop for the next learning cycle.
Learning topics include:

**Inter-actor issues, such as:** competition, collaboration and competitive playing fields; building business relationships; finance (education and services); warehouse receipt systems; negotiation and contract development; and loyalty building between lead firms and ABCs.

**Actor-specific issues, such as:** business plan development; cost of production — including options for cost reduction; market prospection; product specification; brand development; product promotion; and branding. And for producer organizations: setup/membership, functions, and legal aspects; and collective marketing and business planning.
Remuneration of coaches
To ensure the continued motivation of the ABC coaches, a modest form of remuneration is essential. Initially, at the outset of an ABC’s development, the role of the coach is more intensive, and 2SCALE pays coaches a modest allowance for the specific facilitation of ABC meeting sessions. In West Africa, for example, the coaches receive payment for day-long coaching sessions, varying between €25 and €40, depending on the country. Each year three to four such coaching sessions are organized for each ABC. Further day-to-day support to the ABC development is not specifically paid. To assure continuity of the coaching beyond the timespan of the 2SCALE intervention, establishment of some form of payment of the coaches for their services by the ABC members themselves must occur (Box 9).

BOX 9 | PAYMENTS OF COACHES
In Ethiopia, the coaches are staff of farmer cooperatives or farmer cooperative unions. It has been negotiated with the farmers’ cooperative unions that the payment of the coaches by 2SCALE will gradually be taken over by the unions. In the first year of their engagement, 100% of the coaching fee is paid by 2SCALE; this falls to 70% in the second year and 50% in the third year. In the fourth year, payment for the coach is the full responsibility of the farmer union and the ABC.

In the Shalem partnership in Kenya (Chapter 5), coaches were from farmer organizations and worked on a voluntary basis, only receiving transport, airtime and lunch allowance on the days they facilitated a session. In 2016, 2SCALE organized training in group formation and dynamics for the coaches, in order to build trust, financial literacy and their networking capacity, in addition to sorghum production practices. The coaches then provided the same training service to farmers, free of charge, which was not deemed sustainable. To reward the coaches for their efforts, they were given approval to aggregate sorghum from the groups they were engaging with at a commission of KSh 1/kg.

Lucy Kairuthi, who is a coach for five farmer groups, managed to aggregate 130 t of sorghum, earning KSh 130,000 in commission. She proudly attributes this to 2SCALE’s interventions, which armed her with the requisite skills and insights in interaction with farmers and the ability to earn their trust. This has become a great motivation for coaches to continue their activities.

Several other options to pay for coaching services were identified by ABC actors. In Benin, for instance, a levy on each kilogram of pineapple supplied by producer organizations to the processing company, Fruittiland, contributes to a fund that is used to pay for services from 27 technicians and coaches (Paper 7).
Embedding coaches
At the outset of the program, coaches were selected from local NGOs, public services and local consultancy firms. However, it was observed that the turn-over among these coaches was very high, and their dedication to the success of the ABCs was not sufficient. These external coaches were essentially outsiders, and had no direct economic stake in the success of the ABCs. In response, 2SCALE started identifying internal coaches with a more direct economic interest in the success of the ABCs. Coaches were selected from producer organizations, input dealers and traders or their associations, or from processors. Although these coaches had, at least initially, less developed facilitation skills than the external coaches, they have shown to be more reliable in terms of continuity and dedication. A disadvantage is that they are not neutral, since they represent a specific stakeholder in the chain. As such, it is important to not rely too heavily on these coaches for the facilitation of direct economic negotiations between actors.

Lessons learned
ABCs are an essential element in the building of inclusive agribusiness partnerships. They empower local actors, facilitate co-innovation to maintain a competitive edge, support the realization of business relations and are instrumental in improving access to inputs and services. The initiation and continued existence of ABCs requires facilitation. Facilitation of an ABC itself requires a variety of skills which no single person will have, and training and mentoring of coaches is needed. Continuity of facilitation by the same coach is essential at the start of an ABC.

The selection of dedicated coaches is critical, and ways to remunerate them should be anticipated and agreed upon — particularly during an ABC’s formative stages — in order to avoid coach personnel changes before the ABC is stable enough to survive. With a direct economic interest, internal coaches are less prone to high turn-over when compared with external coaches. Internal coaches do, however, require more capacity building, and cannot be expected to be entirely neutral. The modest public or program resource investment in coaches is necessary to get ABCs established and functioning. In the long-term, the cost of remuneration of coaches needs to be integrated into the overall cost structure of the value chain.

Finally, it is important to recognize and respond to internal friction and difficulties emerging within the ABC, to be able to respond with targeted capacity strengthening that gives the actors the ability to address the issues that emerge.

2SCALE manages public-private partnerships (PPPs) for inclusive agri-business in Africa. Partnership agreements are developed with companies with inclusive business agendas. 2SCALE offers support services to companies, farmer groups and other relevant stakeholders — enabling them to produce, transform and supply quality food products to local, national and regional markets, including Base of the Pyramid consumers. 2SCALE strengthens the capacity of grassroots and value chain actors, supports innovation and coordinated action, and improves skills to assure effective participation in markets. The focus countries of the programme are Benin, Ethiopia, Ghana, Ivory Coast, Kenya, Mali, Mozambique, Nigeria and Uganda.

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