

Best Practice in Rice Value Chain

Business driven linkages amongst rice value chain actors in Ethiopia

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1. GENERAL DESCRIPTION OF THE BEST PRACTICE



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1. General Description of the Best Practice (1) Summary Information

<Basic Information of the Best Practice>

Country	Ethiopia
Area of intervention in value chain	Integration of value chain actors
Mode of Intervention	Project (Ethiopian Driving Growth through Enterprise and Trade; EDGET)
Implementer	Mennonite Economic Development Associates (MEDA)
Partner Organization(s)/ Institution(s)	Canadian International Development Agency (CIDA), Ethiopian Regional Bureau of Agriculture in Amhara and SNNPR



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General Description of the Best Practice (2) Background

- Rice production is currently dominated by smallholder farmers with shabby market orientation
 - Most of the rice processors are located in small towns in production areas and operate in small scales with low capacity processing machineries
- ↓
- Business operations of processors and input suppliers remain below optimal capacity and/or without expansion, because of inadequate supply of paddy (processors) and inputs (farmers)
- ↓
- MEDA provides business-based support to strengthen linkages between farmers, input suppliers, processors and mainstream rice markets



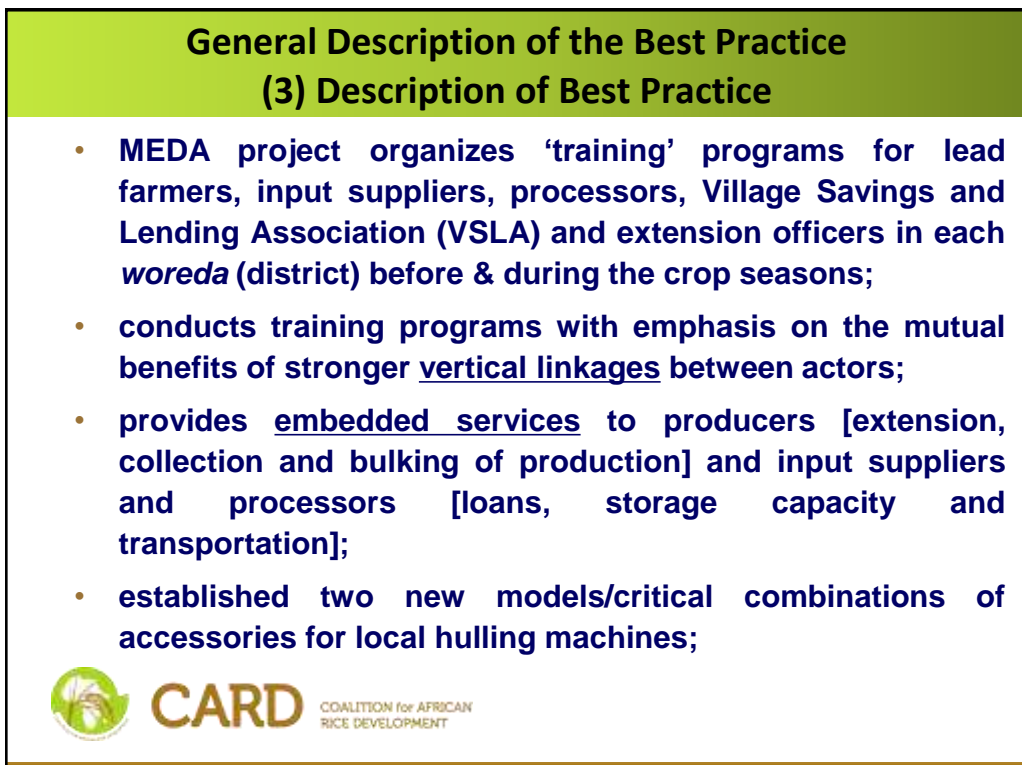
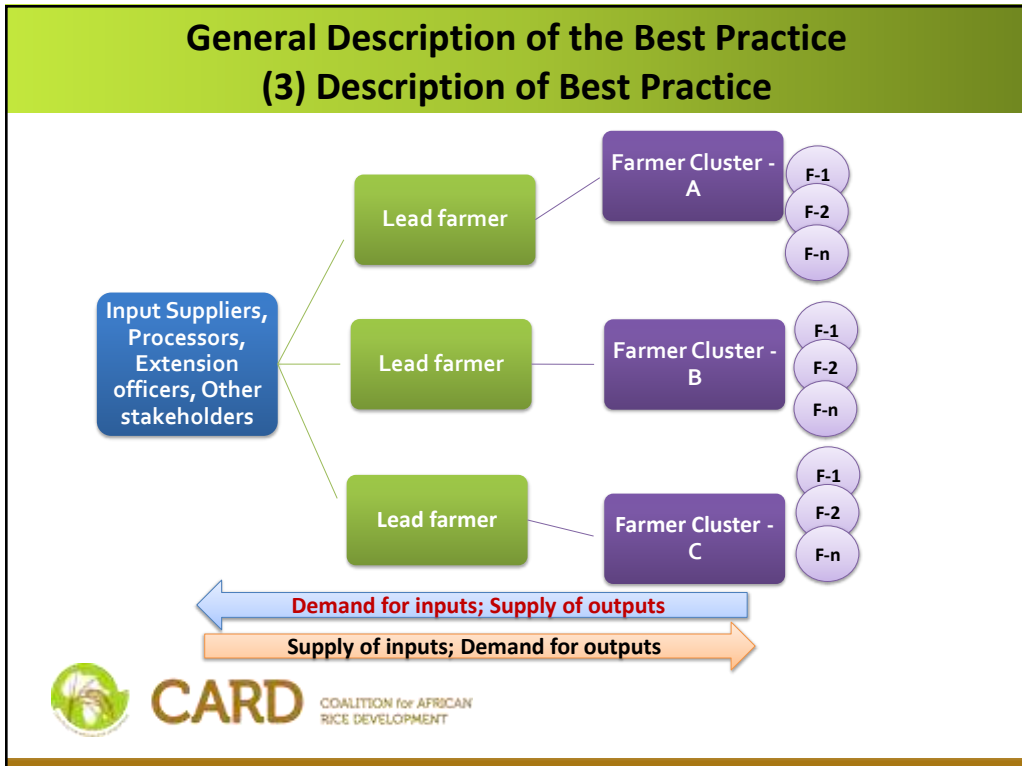
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General Description of the Best Practice (3) Description of Best Practice

- MEDA project establishes 'farmer clusters' in rice production areas;
- An *ad hoc committee*, involving farmer representatives, local leaders and administrative staff in each cluster, selects a 'lead farmer' (*liaison point*);
- The project identifies visionary and enterprising input suppliers and processors to work with each of the cluster;
- Lead farmers communicate with input suppliers and processors on their consolidated demand for inputs and supply of paddy



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General Description of the Best Practice

(3) Description of Best Practice

- offers cost sharing and loan guarantee (maximum 50%) to promote accessing of finance from local financial institutions;
- identified companies that import and retail processing machineries, accessories and spare parts and connect them with local processors for better access to parts and maintenance services;
- helps processors upgrade their processing machineries; increase the amount of paddy purchased and expand their processing business;
- organizes women's groups and trained in processing parboiled rice, and
- provides technical assistance in packaging and marketing



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General Description of the Best Practice

(3) Description of Best Practice

Summary of EDGET Project in Ethiopia (Jan 2011 – Dec 2015; 5 years)

Project Purpose	Increasing income of rice farmers by 50% through facilitating access to growing markets, enhanced production techniques, appropriate technologies, improved input supplies, and affordable support services including finance
Output 1	Farmer orientation & client's selection and familiarization
Output 2	Increased access to improved inputs and extension services
Output 3	Improved infrastructure for processors
Output 4	Improved access to information about local rice
Output 5	Financial services for value chain actors
Inputs	Technical assistance through training, needs assessment and processing Organization of value chain actors through embedded services Financial assistance to processors and seed producers Monitoring and evaluation of rice value chain



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2. IMPACTS OF THE BEST PRACTICE



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2. IMPACTS of the Best Practice

- 131 farmer clusters (involving 8000 individual rice farmers) were formed by the project (as of Aug 2013),
- these farmer clusters are linked with a total of 88 processors
- Clusters produced a total of 18.3 tons of quality declared seeds, and sold them through clusters

Variety	2010 (formal seed production by rice farmers)	2012	
		Produced within farmer clusters (by 57 farmers)	Sales (purchase) within farmer clusters
X-Jigna	0	13.25	5.0
NERICA 4	0	4.95	3.6



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2. IMPACTS of the Best Practice

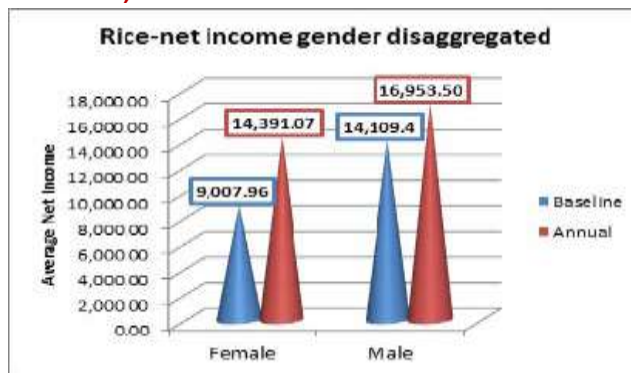
- Increased access to finance/investments:-
 - ❑ 50 new Village Savings and Lending Associations (VSLA) covering 50 clusters [551 male & 206 female rice growers] are established in the past 2 years
 - ❑ 2 new processors (serving 11 clusters) have accessed finance from EDGET innovation fund (EIF)
 - ❑ 4 processors (serving 14 clusters) upgraded their milling capacities through microfinance institutions, project and self through cost sharing (15:15:70)
 - ❑ 2 processors (covering 9 other clusters) participated in the Tanzania visit and training under the project



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2. IMPACTS of the Best Practice

- Increased the incomes of rice farmers (as of Aug 2013; baseline: 2010)



Average annual income of:-

- ❑ Female rice farmers increased by 5383.11 ETB;
- ❑ Male clients increased by 2844.1 ETB



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2. IMPACTS of the Best Practice

- Enhanced competitiveness of local rice:
 - ❑ the project has branded the “local parboiled brown rice” grown in the project areas as “**Addis Rice**”
 - ❑ **Addis Rice** has gained market acceptance - the demand is rapidly rising in the super markets in Addis Ababa and other towns
 - ❑ Five leading processors under the project have increased their aggregated throughput by 350%, from 1,000 tons to 3,500 tons
 - ❑ the market demand for Addis Rice presently exceeds supply capacity



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3. SUCCESS FACTORS



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3. Success Factors

(1) Business-based linkages

- business motivation as an ‘underlying driving force’
- less dependence on continued intervention by project
- enhances the sustainability of linkages between actors

(2) Participatory selection of liaison points

- the project engages both ends of the value chain
 - ‘lead farmers’ are selected jointly by the ad hoc committee of the local farmers and processors in a given cluster
- reinforcement of the linkage activities;
- renders stability to the linkage process



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3. Success Factors

(3) Engagement of public- and private stakeholders through cost sharing

- Involves research institutes and extension officers from regional bureau of agriculture in its capacity building programs on the basis of:
 - cost-sharing for training programs and
 - explicit sharing of credits of project achievements
- Guarantee funds (up to 50%) for the millers who purchase the new combination of milling machines



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3. Success Factors

(4) Consumer demands and branding of local rice

- Conducted national survey:- established that the consumers prefer local rice grains (table rice) and local rice flour that can be mixed with teff flour (*injera*; traditional bread)
- Brands the locally produced, parboiled and processed brown rice which can also be consumed as table rice as '*Addis Rice*'
 - helped improve the competitiveness of local rice;
 - enhanced its market demand; and
 - energized linkages between value chain actors



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3. Success Factors

(5) Synergy with other interventions in the project sites

- Capacity building:-
 - Farmer Research Groups II by Japan International Cooperation Agency (JICA) and
 - Sasakawa Global 2000 (SG 2000) by Sasakawa Africa Association (SAA)
- Infrastructure:-
 - Irrigation & Drainage work over 20,000 Ha by World Bank



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4. SCALABILITY ASSESSMENT



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4. Scalability Assessment

Ideas	Business-driven linkages along rice value chain
	Ethiopians Driving Growth, Entrepreneurship and Trade (EDGET)
	Proven to be effective in Ethiopia
Vision	The Scale (the number of farmer clusters, processors and the ratio) will depend on the number of rice producers in the country who do not have <u>direct access</u> to markets, as well as market demand for rice, policy priority on commercial rice production, and available financial resources
Drivers	<p>Leadership: Government, Value chain actors</p> <p>Demand for the market linkages: Farmers organizations, visionary rural entrepreneurs (processors, traders, input suppliers), and financial institutions.</p> <p>Incentives: Viable paddy markets for producers, viable rice markets for traders and processors, and input markets for input suppliers</p> <p>Champions/External Catalysts: MEDA/CIDA</p>



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4. Scalability Assessment

Space	
Fiscal/ Financial	Financial capacity of public sector:- Although most of the long-term investments are to be borne by private stakeholders (processors, suppliers, financial service providers and farmers), <u>routine budget for liaison meetings and capacity building</u> needs to be covered by local/national public institutions
Natural Resource/ Environmental	Favorable agro-climatic ecosystems that provide competitive advantages for commercial (<u>surplus</u>) rice production and marketing
Policy	National policies that encourage proactive <u>participation of private stakeholders</u> in value chain development; Deregulated and transparent <u>pricing policies</u> for farm inputs and paddy for the sustainable linkages of stakeholders; Supportive policies for micro finance institutions and public/ private banks in rural areas for agriculture development and <u>existence</u> of operational financial service providers in rural areas



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4. Scalability Assessment

Space	
Capacity	<u>Technical</u> capacities on production and processing; <u>business management skills</u> ; collective bargaining/negotiation skills of producers; <u>marketing skills</u> and; organizational capacities of local institutions in providing training and monitoring & evaluation of linkages → the capacity space can be created in partnership with development partners who can provide technical backstopping in respective areas
Political	National political support for private sector-led rice development; local political support; <u>no interference</u> in identifying lead/model farmers; liaising on the basis of common interests of the rice producing farmers in the given cluster
Cultural	Consumer demand for locally produced rice (<u>competitive features</u> such as color, aroma, taste, price, etc.) should exist in the targeted countries
Partnership	Partnership space exists in most Sub-Saharan African countries, with local governments, micro financial institutions, input suppliers, processors and other private <u>value chain actors</u> ; and with development partners evincing interests in private sector development and/or market-oriented development

5. CONCLUSION



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5. Conclusion

Successful scaling out of the project themes in other CARD member countries will require ;

- policies are implemented to encourage:-
 - private sector participation;
 - market determined prices for farm inputs and outputs;
 - accessibility to financial products for small and medium rural agricultural;
 - conducive market environment where private actors can actively run their business



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5. Conclusion

- the local rice production is:-
 - market-oriented;
 - have clear and proven competitive advantages in the mainstream markets (consumer-preferred features such as price, grain color, taste, aroma)
- clustering of producers and selection of lead farmers, input suppliers and processors are free of political interferences
- the local/national public institutions collaborate and constantly invigorate the integration process through capacity building of the actors



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THANK YOU



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