

Best Practice in Rice Value Chain

Capital Injection (Start-up fund) for Agro-input Retail Outlets in Rwanda

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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	Rwanda
Area of intervention in value chain	Agro-input supply chain
Mode of Intervention	Project (Rwanda Agro-Dealer Development; RADD)
Implementer	International Fertilizer Development Center (IFDC)
Partner Organization(s)/ Institution(s)	Rwanda Fertilizer Association, Agro-dealers, Soil Health Program of Alliance for a Green Revolution in Africa (AGRA)



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General Description of the Best Practice (2) Background

- 'Supply' of inputs is mostly done by government or donor-based subsidy programs via rice cooperatives
- No stable business opportunities for suppliers, and competition with cooperatives
- Not sufficient input dealers in rural areas, and cooperatives cannot cover all production areas
- Therefore, farmers do not have access to input suppliers in many rural areas, in the absence of interventions/projects
- International Fertilizer Development Center (IFDC) introduced Rwanda Agro-Dealer Development (RADD) Project along with CATALIST (Catalyze Accelerated Agricultural Intensification for Social and Environmental Stability) and PReFER (Privatization of Rwanda's Fertilizer Import and Distribution System)



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

The project (RADD)

- identifies potential rural entrepreneurs who are interested in establishing agro-dealer outlets, yet have good financial- and technical credibility and have good rapport with farmers' cooperatives;
- provides training on financial- and business management, fertilizer procurement/sourcing and distribution;
- provides information on establishing agro-dealer business opportunities
- encourages entrepreneurs to apply for financial support from local financial institutions



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General Description of the Best Practice

(3) Description of Best Practice

- assists applicants (potential agro-dealers) prepare business plans and coordinates with local financial institutions
- offers a risk-sharing fund (grant) to the successful applicant; → the agro-dealer reinvests the sales turn-over and sustains business operations
- provides technical back-stopping
- helps agro-dealer set up 'demonstration plots' (to promote sales) in the neighborhood in collaboration with CATALIST project;
- provides linkages with importers, other public/donor programs, Rwanda Fertilizer Association



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General Description of the Best Practice

(3) Description of Best Practice

Summary of RADD Project in Uganda (Jan 2010 – May 2013: 3 years)

Project Purpose	To address <u>supply-side agro-input issues</u> by building the capacity of Rwanda's agro-dealers
Output 1	Generation of interest in agriculture sector development by <u>supporting private investments</u> in agro-input import and distribution
Output 2	Development of agro-dealer <u>network</u> in conjunction with the expansion of the Rwanda Fertilizer Association (RFA)
Output 3	<u>Advocacy</u> on enabling environment for privatization of Rwanda's fertilizer import and distribution system
Inputs	Technical support and demonstration Training for agro-dealers on business management Information technology (IT)/decision support



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2. IMPACTS OF THE BEST PRACTICE



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2. IMPACTS of the Best Practice

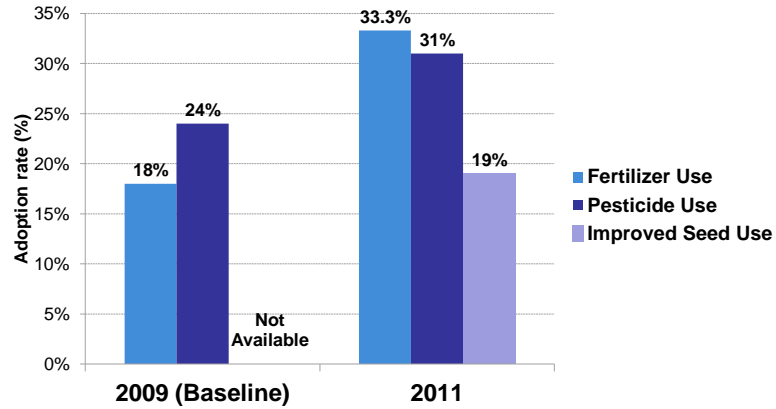
- A total of 490 potential agro-dealers trained on input supply chain logistics, inventory and finance
- About 120 (24.4%) clients had set up agro-input shops
- The agro-dealers serve about 800,000 farmers and had supplied 39,935 metric tons of fertilizers in 2011
- Increased sales of fertilizers by 200%, of seeds by 135% and of pesticides by 85%
- Reduced losses/degradation of inputs by 90% through improved storage mechanisms



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2. IMPACTS of the Best Practice

- **Increased adoption of fertilizers, pesticides and improved seeds by farmers**



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3. SUCCESS FACTORS



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3. Success Factors

(1) Conducive policies and programs for promotion of farm input use

- Government programs (CIP) promotes fertilizer use
- IFDC helped CIP implement 'subsidy vouchers'
- Increased demand for fertilizers

(2) Synergy with other program/projects

- CATALIST (Catalyze Accelerated Agricultural Intensification for Social and Environmental Stability) establishes the fertilizer recommendations and fertilizer use efficiency through participatory demonstrations in the same sites
- IFDC's PReFER (Privatization of Rwanda's Fertilizer Import and Distribution System) streamlines fertilizer procurement, distribution and marketing



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3. Success Factors

(3) Increased access to financial services through partnership with local financial institutions

- encouraged the participation of private banks in related agro-input business and logistics such as importation, procurement and transportation
- Expanded business opportunity for financial institutions

(4) Linkage with stakeholders

- Works with Rwanda Fertilizer Association (RFA), a platform for stakeholders (importers, stockists, distributors, government R&E agencies, farmers association)
- Engages financial institutions (public- and private banks), development partners (USAID, AGRA), researchers, extension officers and farmers



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3. Success Factors

(5) Assists capacity building in:-

- **business- and managerial skills on banking, book-keeping, procurement/sourcing and distribution of fertilizer built confidence amongst agro-dealers**
- **IT tools:- online orders, mobile communication modes, inventorying, decision making, collective procurement,**

(6) Promotion of farm inputs through demonstration plots

- **demonstration plots created awareness on the efficiency of fertilizers, pesticides and improved seeds**
- **supported the sales at agro-dealer shops**



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4. SCALABILITY ASSESSMENT



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4. Scalability Assessment

Ideas	Start-up assistance to potential rural agro-dealers
	International Fertilizer Development Center (IFDC) Proven to be effective in Rwanda
Vision	Appropriate scale is determined by the countries' <u>physical accessibility</u> in rice producing areas, <u>political vision</u> , <u>priority</u> given to farm inputs, <u>market</u> for inputs, <u>financial capacity</u> of government and farm households
Drivers	<p>Governments: Governments can be a strong driver since they are aware, in most countries, of importance of increasing the use of farm inputs through improved access</p> <p>Demand for rice: Increased demand of rice in African markets gives pressure to increase rice production. Given the limited land resources and the high costs involved in farm land expansion, increasing usually yield calls for increased use of farm inputs. This is especially so for commercialized rice farming area, since market oriented farming requires more inputs than subsistence farming.</p> <p>Private sector: Increased use of farm inputs expands business opportunity for agro-dealers and banks financially supporting agro-dealers.</p> <p>Champions/External Catalysts: IFDC, AGRA, USAID and other development partners /institutions who support private sector led agriculture development</p> <p>Incentives: Public/government's input distribution and subsidy programs enhance use of farm inputs, thus can be driving force if they are implemented with private agro-dealers</p>

4. Scalability Assessment

Space	
Fiscal/ Financial	Since the utilization of private- and public banks is the key for this best practice, required financial space is not too big. As long as <u>local banks are willing to invest in agro-input dealerships</u> , financial space for scaling up can be created in partnership with donors and development partners
Natural Resource/ Environmental	Scaling up of this best practice does not require natural resource space. However, for sustainability of input use, appropriate <u>recommendation of farm inputs</u> application should be made according to respective environment/ natural/ climatic contexts in which rice is produced
Policy	There exists policy space for scaling up this best practice in most CARD countries because improved <u>productivity</u> is one of the first priorities for rice development in all countries, and also important role of <u>private stakeholders</u> in value chain has been increasingly recognized. It is also important to note that policies on <u>interest rates</u> , <u>import tariff regulations</u> for fertilizers & agro-chemicals, regulation of <u>standards and certifications</u> , and <u>transparent pricing mechanisms</u> as well as rice trading need be preferable for increasing domestic rice production



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4. Scalability Assessment

Space	
Capacity	<p>Institutional and human resource capacities <u>in technical and managerial areas</u> are prerequisites for scaling up</p> <p>→ this space can be created with support from development partners</p> <p>Rural infrastructures such as feeder roads and storage spaces for agro-dealers</p>
Market	<p>Market space with <u>substantial demand</u> for farm inputs</p> <p>→ this space can be created through various efforts (e.g. subsidy program on farm inputs) which can increase purchasing power/opportunity of farmers and thus expand the market for farm inputs</p>
Political	<p>The government of target countries should have political support to <u>private sector-led agriculture development, as well as investment on commercial agriculture</u></p> <p>→ In countries where input subsidy programs are implemented, political space for scaling up is bigger</p>
Cultural	<p>Commercial farmers tend to invest more on farm inputs than subsistence farmers</p> <p>→ scaling up this best practice is more feasible in areas where <u>market oriented farming</u> prevails</p>
Partnership	<p>Space for partnership with IRRI, Africa Rice, IFDC, AGRA, Africa Fertilizer Agribusiness Partnership (AFAP), Tropical Soil Biology and Fertility (CIAT), Finance institutions and other DPs which support private sector led agriculture development</p>

5. CONCLUSION



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5. Conclusion

Critical Conditions to scale up the practice of Start-up assistance to potential rural agro-dealers in Rwanda to other CARD countries;

- **Involvement of public- and private banks in financing and linking the existing stakeholders is the key of this best practice**
- **Government's commitment to support private sector-led agriculture development**



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5. Conclusion

- **Appropriate fiscal- and monetary policies to support market-oriented domestic rice production**
 - **Interest rates for both sellers and buyers**
 - **Import tariffs on fertilizers, pesticides**
 - **Consistent trading policy on rice import**
- **Basic market- and transport infrastructures**
 - **Feeder roads**
 - **Storage facilities**



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THANK YOU



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