Business solutions to value chain linkages in rice sector

A SUCCESS STORY FROM ETHIOPIA

ETHIOPIANS DRIVING GROWTH THROUGH ENTERPRISE AND TRADE (EDGET);
A MENNONITE ECONOMIC DEVELOPMENT ASSOCIATES (MEDA) PROJECT

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Coalition for African Rice Development
## Project Description

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Ethiopians Driving Growth through Enterprise and Trade (EDGET)</th>
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</thead>
<tbody>
<tr>
<td>Implementers</td>
<td>Mennonite Economic Development Associates (MEDA) Partners:- SOS Sahel, WISE, MCDP, ACSI</td>
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<td>Goal</td>
<td>Increase incomes of rice farmers by 50% through facilitating affordable business solutions</td>
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<td>Objectives</td>
<td>‘Market-driven value chain development’ through:-</td>
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<td>• improved production techniques,</td>
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<td>• enhanced access to appropriate technologies,</td>
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<td>• improved input supplies,</td>
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<td>• support services, including finance</td>
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<td>Scopes</td>
<td>Production enhancement, Post-harvest handling, Market linkage</td>
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<td>Project Sites</td>
<td>Libokemkem and Fogera in Amhara Region and Gurafarda in SNNPR</td>
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</table>
| Expected Outputs | • Producers acquire **improved production capacity** through sustainable and quality support services and enhanced access to new local and export markets  
• Commercial service providers deliver **profitable services and products** to smallholder farmers and consumers |
Constraints to Rice Producers

- Small landholdings – rice producers in project sites own an average land size of 0.58 Ha
- Organization/Collectiveness of producers (horizontal)
- Poor linkages with other value chain actors and supporters (vertical)
- Lack of access to quality seeds
- Low herbicide and pesticide usage
- Poor knowledge of good agricultural practices
- Vulnerability to Climate Change (drought and floods)
- Inadequate value chain services (finance, extension, research)
- Poor streamlining of output markets (paddy/milled rice)
- Growing penetration of cheap, imported rice in local markets
Constraints to Private Sector

Small and Medium Rural Enterprises suffer from:-

• Poor processing technology
• No quality control systems
• Lack of access to finance
• Inadequate electricity
• Lack of branding – poor perception of local rice
• Negotiating Ability
• Support Services (Innovation, Training)
• Uncertain cash flow
• Low turnover
Approaches

Markets
- Marketing strategy
  - New market opportunities
  - Local market focus

Processors
- Upgrading processing equipment
  - Trust building with producer
  - Embedded service provision

Lead-farmers
- Leadership
  - Mode of selection (through processor)
  - Collective marketing

Farmer clusters
- Transfer of knowledge & Skills
  - Sustainable input market
  - Engagement of private and public (research, extension)
Approaches

Input Suppliers, Processors, Extension Officers, Researchers

Demand for inputs; Supply of outputs

Supply of inputs; Demand for outputs
Revenue from rice farming increased significantly

### Rice Yield (Quintals/Ha)

- **Fogera**: Baseline - 65, Project Sites - 70
- **Libo**: Baseline - 50, Project Sites - 60
- **Amhara**: Baseline - 45, Project Sites - 50

### Annual Net Income from Rice Farming (Birr)

- **Amhara**
  - Male: Baseline - 18,000, Project Sites - 20,000
  - Female: Baseline - 10,000, Project Sites - 12,000

- **SNNPR**
  - Male: Baseline - 12,000, Project Sites - 14,000
  - Female: Baseline - 8,000, Project Sites - 10,000
### Sustainable business solutions: Supply of quality rice seeds

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<tr>
<th>Issue</th>
<th>Solution</th>
<th>Intervention</th>
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<tr>
<td>Lack of quality seed supply</td>
<td>Out grower-led farmer seed multiplication</td>
<td>Out growers coordinate the multiplication of seeds of market preferred varieties for sale to other farmers in the cluster(s) and regional seed enterprises</td>
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</table>
Seed supply, demand and trade have improved

- A committee from Woreda Marketing and Cooperative Promotion Office has been established to analyze physical purity of the seed and germination test before it is distributed.
- Commercial service providers, with capacity to produce seed responded to the Innovation Fund solicitation, along with a participating miller interested in collecting and distributing Nerica-4 seed.
- Seeds produced in project sites are now in greater demand in other rice producing regions.
## Sustainable business solutions: Increasing access to input and output markets

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| Low usage and low supply of inputs | Markets for Input suppliers and processors reinforced | • Interlinked and guaranteed lending agreement through local private bank for input suppliers and processors with low risks  
• Purchasers communicate quality standards and verification equipment to processors as an embedded service  
• EDGET Innovation funds for mechanization, value addition |
Sustainable business solutions: Rice processing capacity

**Issue**
Rural entrepreneurship suffers from lack of finance

**Solution**
Processors have access to credit services to purchase new equipment

**Interventions**
- Facilitate finance for purchasing equipments by financial providers, either under a quasi-lease arrangement or with a sizeable down payment by the processor
- Facilitate training for mechanics in installation and maintenance
- Training on parboiling, packaging, grading and marketing
- Linking machinery/spare parts suppliers with millers in project site
Sustainable business solutions: Rice processing

- Processors selected for upgrading single-pass mills to combined processing machine (de-stoner, de-husker, polisher and sorter)
- Different equipments/options presented for selection
- Processors are supported to upgrade electric power and to improve the hygiene of the facility.
- Training delivered on standards and grades of Ethiopian rice
Sustainable business solutions: Promotion of local rice

Issue
Delusions and poor perception of locally produced rice

Solution
Ethiopian low and middle income consumers have access to information about local rice through promotional campaigns

Intervention
• Processors and other value chain actors cost-share promotional campaigns with the project to create demand for and improve perceptions of Ethiopian rice among target market segments
• Branding of locally produced, parboiled rice as ‘Addis Rice’ in supermarkets
Sustainable business solutions: Branding of local rice

- Annual 'Rice trade fairs' in Amhara and SNNPR promotes local rice and encourages linkages between processors, wholesalers, traders and rice consumers
- Aggregated sales of local rice in supermarkets in Addis Ababa increased by 350% per annum
- Local parboiled “Addis Rice” air-shipped to Addis (more than 200kg/week) and sold in supermarkets
**Sustainable business solutions**

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<td>Financial and</td>
<td>Assured income opportunities created</td>
<td>• Input firms use a lead farmer business model to extend their outreach to rural areas and increase sales among smallholder rice farmers</td>
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<td>weather uncertainties</td>
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<td>• Pilot innovative insurance products with other stakeholders and financial institutions</td>
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Sustainable business solutions: Access to finance for value chain actors

**Issue**
Lack of rural financing mechanisms

**Solution**
Organized saving and reinvesting in rice production and other profitable rural enterprises

**Intervention**
- Facilitates formation of Village Savings and Loan Association (VSLA) – self managed savings and investing group of farmers;
- On an average; 50 VSLAs (551 men + 206 women) per year
- Average value of loan disbursed by VSLAs = 72,963 Birr per year
Access and Volume of credit for rice farmers increased
Success Factors

Coherent engagement of the private actors along the rice value chain

Chain operators
input suppliers, producers, traders, processors, wholesalers, retailers and consumers

Chain supporters
service delivery agency, NGO’s, business service providers

Chain enablers
terms of trade, working context, regional and woreda bureaus, private banks
Success Factors

Business-based linkages
- business (profit) motivation as an underlying driving force
- less dependence on continued intervention by project
- enhances the sustainability of linkages between actors

Participatory selection of liaison points
- ‘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 through local administration
- technical backstopping renders stability to the linkage process
- the project engages the entire spectrum (production through consumption) of the value chain
Success Factors

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

Consumer demands and branding of local rice
• Conducted national survey; established that the consumers prefer local rice and rice flour that can be mixed with Teff flour
• Brands locally produced, parboiled and processed brown rice which can also be consumed as table rice as ‘Addis Rice’
• Enhanced market demand and competitiveness
Success Factors

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
Thank you