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3.3 Examples of Good Practice



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Engaging the Power of the Private Sector for Development

Case study on Premium Foods Ltd, Kumasi, Ghana.

Peter Trenchard

Private Sector Development Forum

July 8-12, 2013



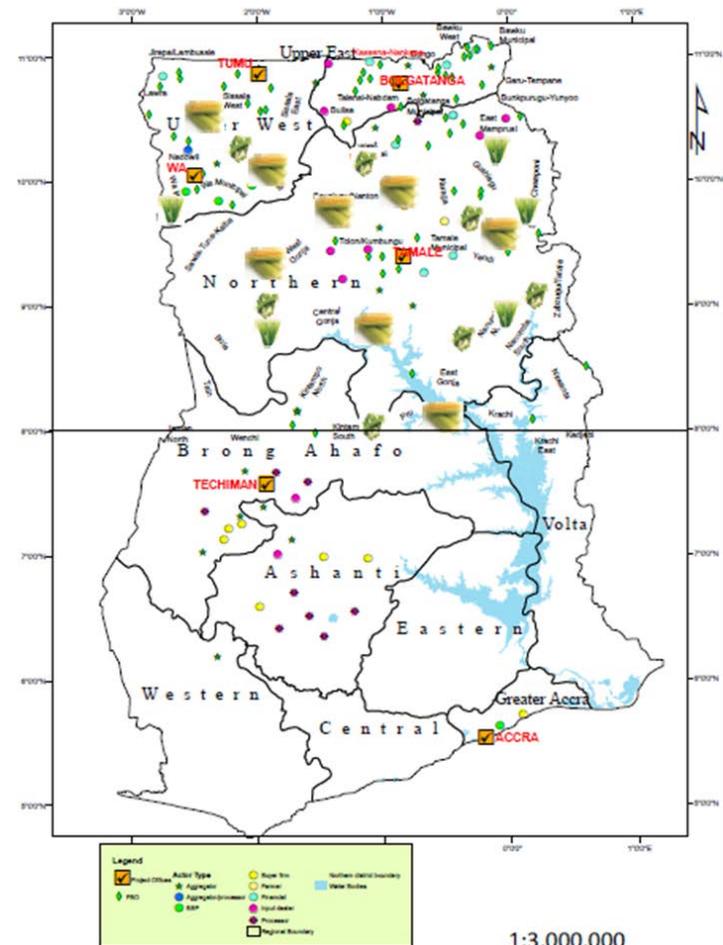
USAID/ADVANCE at a glance

4 year value chain project using a market facilitation approach

Focus on maize, soy and rice

Working through 127 nucleus farmers to reach over 30,000 smallholder farmers

Engaging viable private sector firms to invest in the value chains





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Brief profile of Premium Foods, LTD

25,000Mt capacity grain processing plant

Employs 45 permanent staff and over 600 casual laborers every year

3 year Strategic Plan (*Go Farming*) to reach 25,000 smallholders by 2015

Improves quality of maize, rice and soya by providing post-harvest and storage facilities to smallholder farmers





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Why is Premium Foods Investing?

Operations were inhibited by:

- Unstable prices of raw materials (grains)
- Inconsistent quality and irregular supply of raw material
- Positive returns on investment





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Where is PFL investing?

Premium Foods' Strategic Plan aims at penetrating the rice market

Direct investment in 25 nucleus farmers

Tono Rice Irrigation Scheme

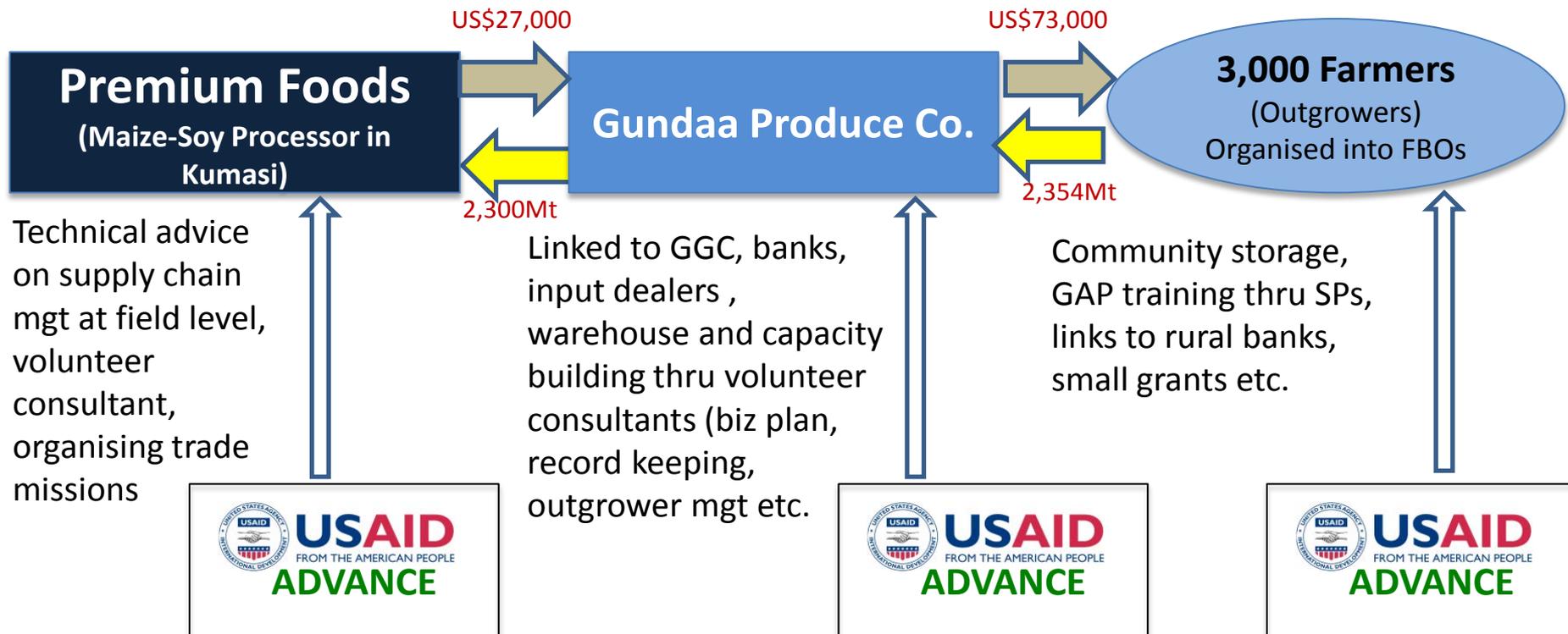
Botanga Irrigation Scheme

Replicating Gundaa Produce Company's Outgrower Model in the rice sector

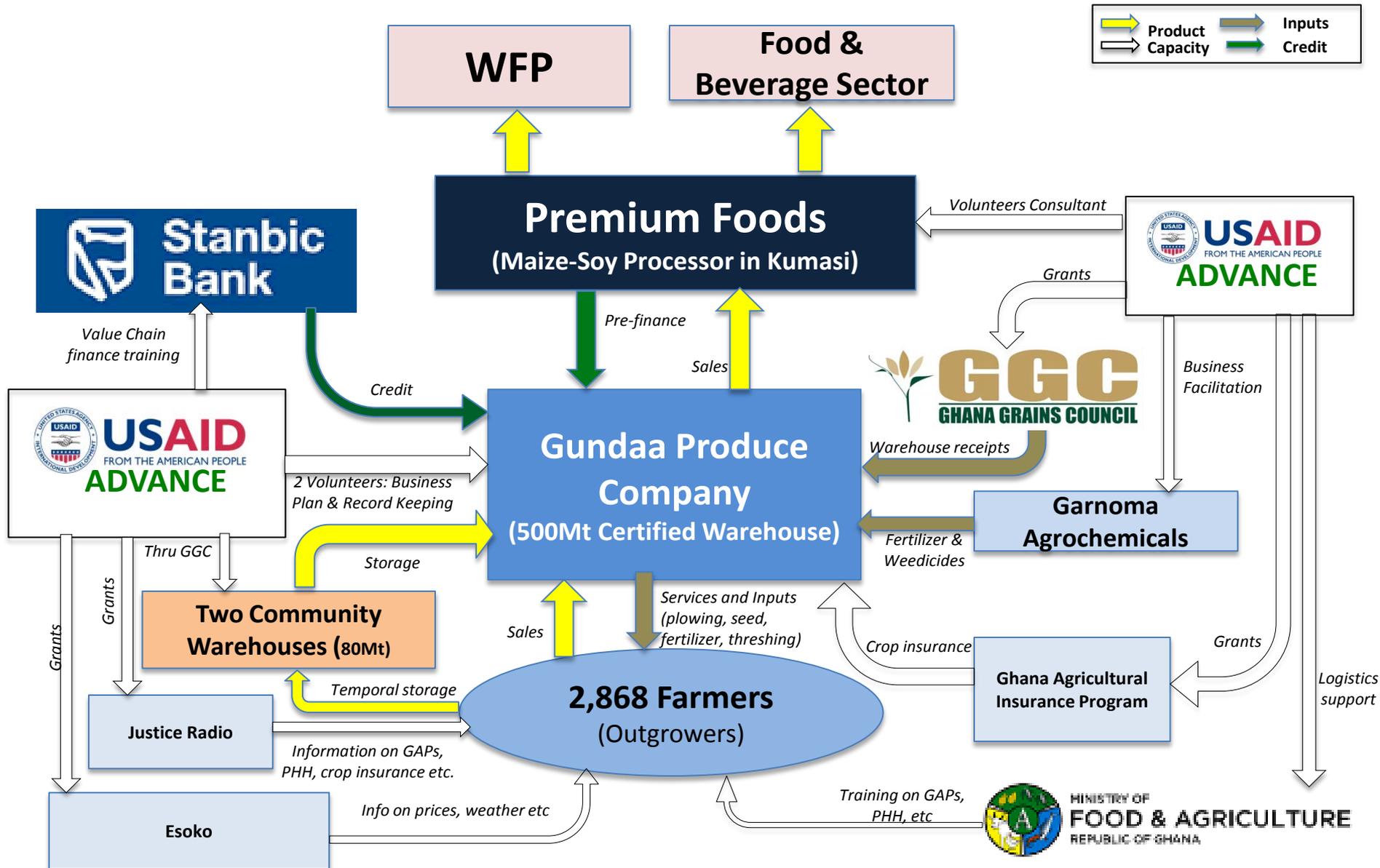


How is Premium Foods Investing?

The example of Gundaa Produce Co.



Gundaa Produce Company





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How is side selling averted?

- Providing incentives to nucleus farmers and out growers
- Allowing for other market channels
- Creating long-term partnerships
- Staying in close touch with farmers
- Flexibility in dealing with farmers



Smallholder farmers receive production and marketing information through voice SMS



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Two Year Developmental Impact



Introduction of standard weights and measurements

- 4 to 9 Nucleus Farmers
- 4,500 to 8,500 small holders
- 1,500 to 5,000 Mt in purchases from smallholders
- 2,000 to 10,500 acres cultivated by smallholders

Plus:

- Reduced post harvest losses
- Increased access to mechanization services and inputs
- Improved quality of products



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USAID/ADVANCE Gender Impact

Commodity	Yield (Mt/Ha)		Gross margin (US\$/Ha)	
	Male	Female	Male	Female
Maize	2.1	2.6	487	588
Rice	2.5	2.9	587	641
Soybean	1.1	1.3	557	484



***Working with Lead Firms to Improve
Value Chain Competitiveness and
Generate Sustainable Impact for MSMEs***

July 2013

Presented by:
Frank Lusby

Working with Lead Firms

- Lead Firms are companies that
 - have a large number of commercial linkages to MSMEs
 - promote integration of MSMEs into value chains
 - provide MSMEs products, services, and support
- Impact generated is sustainable
- Result in systemic impact



Tools for Working with Lead Firms

Initial LF Identification

- ✓ VC analysis
- ✓ Newspaper ad
- ✓ LF Expressions of Interest

Structured Interview

- ✓ Structured Interview with LFs
- ✓ Initial Due Diligence

Invitation for Application

- ✓ Applications from LFs

Due Diligence and Planning

- ✓ Site visits
- ✓ Inquiries

Agreements to Support LF Initiatives

- ✓ MOUs / Addendums
- ✓ Strategic planning
- ✓ Capacity building
- ✓ Monitoring

AFE Support of Bangladeshi Seed Companies

Based on initiatives proposed by the companies, AFE Bangladesh supported them to:

- Develop innovative promotional tools for seed sales
- Build the capacity of their breeder staff to develop new hybrid varieties
- Source new varieties of vegetable seed and germplasm
- Attend international vegetable breeders conference
- Participate in lateral learning between companies
- Introduce mini-packets to reach marginal farmers and homestead gardeners

Lal Teer Seed Company

➤ Profile

- Largest private seed company in Bangladesh
- Currently marketing 131 varieties of 33 vegetable crops (55 hybrid)
- Also produce rice, maize, cotton, flower, jute and potato seeds
- R&D Department has 16 qualified breeders
- They work with over 6,000 contract growers

➤ Objective of their Initiative (*proposed in response to AFE Invitation for Applications*)

- Develop vegetable seed mini-packets to expand sale of seed to farmers in remote rural areas thereby increasing market share;
- Demonstrate the quality of their seed thereby increasing future sales;
- Reduce adulteration of their commercial packets

Lal Teer Seed Company

- Facilitation: the following activities were conducted by Lal Teer with technical and cost share support from AFE Bangladesh:
 - Develop business plan for vegetable seed mini-packets
 - Conduct market survey to identify demand for vegetable varieties
 - Conduct exposure visit to source new seed varieties from foreign sources
 - Redesign packaging to promote mini-packet sales and prevent adulteration
 - Pilot new distribution channels targeted to remote rural consumers
 - Develop promotional materials including posters, leaflets, and display boards
 - Conduct promotional activities for distributors, retailers, and producers
 - Analyze sales data and trends from initial seasons

Developmental Impacts

- Over 2,000,000 seed packets sold to approximately 450,000 farmers (90% below the upper poverty line and 35% below the lower poverty line)
- Estimated \$10 million in additional income for poor households
- Increased nutritional benefits (through greater consumption of vegetables)





Illustrative Principles and Good Practice of Working with Lead Firms

- **Design support and facilitation activities based on initiatives proposed by Lead Firms**
- **Development project should stay out of commercial, intermediary, or negotiation roles in the VC**
- **Support to LFs should be based on:**
 - interventions/initiatives LFs would not do otherwise on their own
 - developing and expanding mutually beneficial relationships with MSMEs
 - helping LFs reduce or mitigate risk
 - providing incentives for LFs to take on new initiatives
 - building capacity to carry out proposed interventions
- **Interventions should lead to sustainable impact & benefits for MSMEs that LFs transact with**



Thank-you

For more information on Action for Enterprise or our Value Chain / Working with Lead Firm training programs contact:

www.actionforenterprise.org

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Applying the Market Development Approach

Private Sector Led Agricultural Growth Project in Mozambique

Case Study in Poultry Feed Value Chain Outsourcing



InovAgro – Public Private Partnership Driven Agricultural Growth



- Swiss Development Cooperation (SDC) financed program – 3 year pilot with 6 year follow-on, ~\$1 mn/yr
- Focused in 3 poorest provinces of Northern Mozambique
- Formal commercial actors are potential entry points and partners for pro-poor growth.
- Partnerships must link market systems and the poor (without creating dependencies)

King Frango and the Deal



King Frango :

- produces 25000 chicks/week
- needed to guarantee 5,000 mt of soya per annum for feed to fuel growth
- ready to invest but lack of knowledge re outgrower scheme
- After many discussions, InovAgro put an offer on the table:
 - Provide TA to advise King Frango's OG team,
 - Cost sharing of the staff for the OG team
 - Logistical assistance with access to inputs

Outgrower scheme



Grants

Advice

Advice



King Frango Hatchery

African Century Lioma

Farmer Groups
(~20 farmers each)

Service markets



Guarantee

Breeder Seed

Credit

Inputs

prototypes

Equipment

How is side selling averted?



- Take a long-term partnership perspective
- Establish a flexible pricing system
- Buyer must ensure sufficient cash is on hand to meet financial commitments
- Close monitoring: engaging regularly with farmers, make them feel part of the program and identify issues early on;

Development Impact Farmer Level



- 1476 different farmers benefitted to date
- Year 1, farmer yields exceeded expectations (900 kg/ha) by up to 80% to 1.527 mt/ha (**maximum**)
- Year 2, **average** yield has been 1.874 mt/ha
- Farmers understand the benefits to accessing and paying market rates for services

Development Impact: Systemic Market Level



- Financial services for farmers at commercial rates

CREDIT	Year 1	Year 2
Volume loans	487	644
Value	\$ 88,532	\$ 135,728

- Development of a seed delivery system

Seed	Year 1	Year 2
Volume (tons)	108	80
# local suppliers	0	3
Price per kg of C1	\$ 1.67	\$ 1.38

- Farmers purchasing farm mechanization services
 - Plowing services
 - Threshing Services



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3.3 Examples of Good Practice

Questions?