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# MARKET LINKAGES INITIATIVE

## LESSONS LEARNED AND IMPLICATIONS FOR FOOD SECURITY



**CARANA**  
CORPORATION

September 19, 2012

# TODAY'S PRESENTATION

- MLI project activities and impact.
- Lessons learned about integrating smallholders in commercial value chains.
- Key questions and broader considerations for future activities tackling food security.

# MLI PROJECT LESSONS LEARNED PURPOSE

- CARANA undertook an internal assessment of key lessons learned on MLI, a pilot project.
- We want to share lessons learned with USAID and other development stakeholders interested in food security issues and challenges.

# MLI PROJECT GOALS AND APPROACH

**Goal** Promote growth in food staples and food security by integrating smallholder producers into national and regional markets and storage systems

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**Scope** Two years, 6 countries in eastern Africa

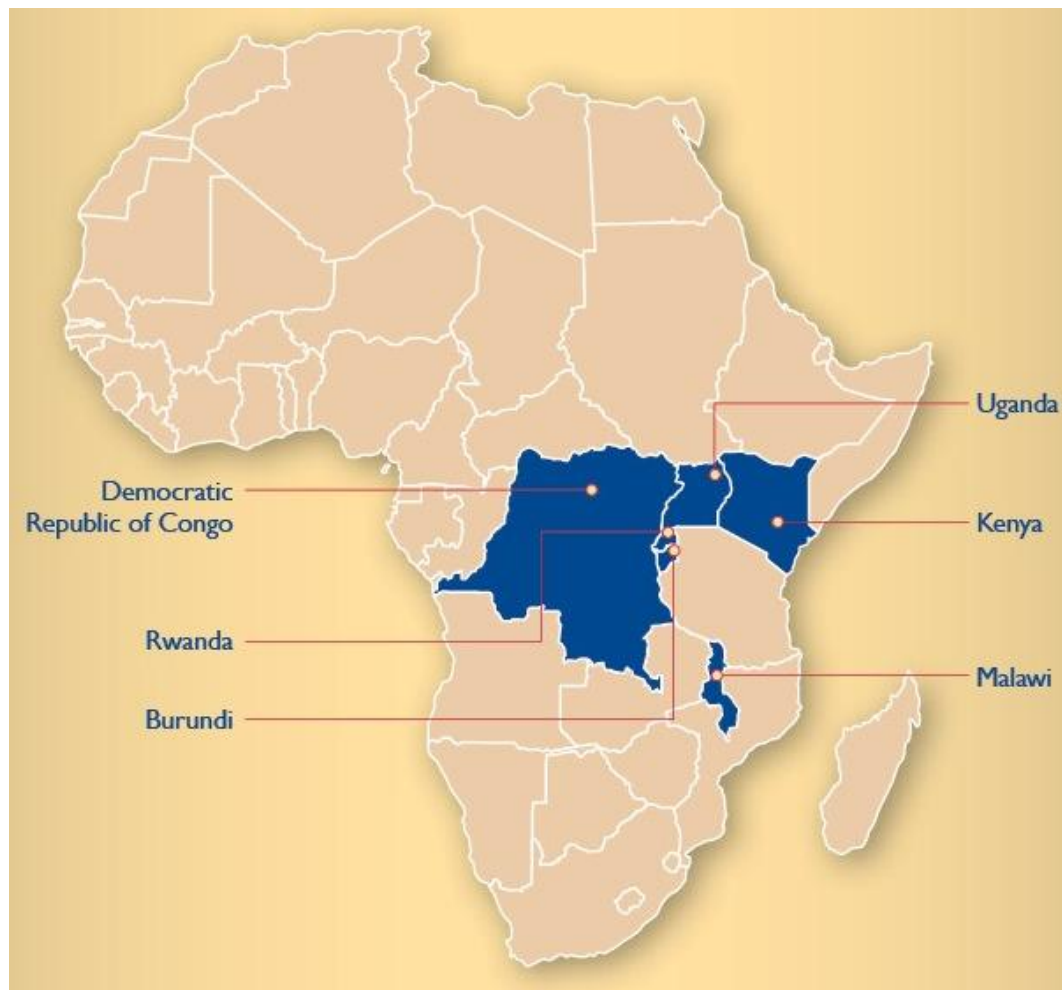
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**Approach** Taking a value chain approach, MLI identified and helped overcome key bottlenecks between smallholders and commercial markets

# OVERALL MLI DEVELOPMENT HYPOTHESIS

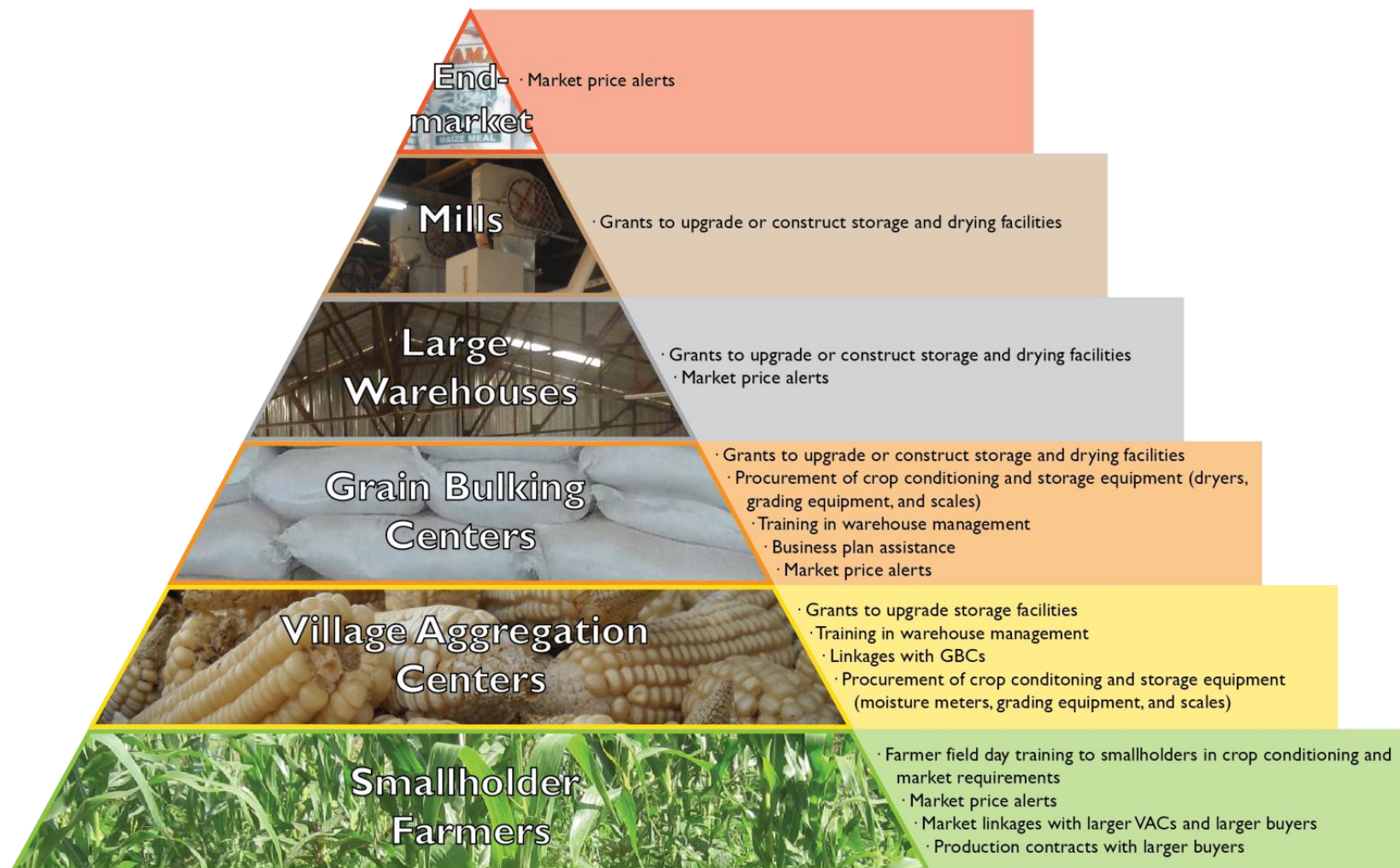
*By stimulating investments and backward linkages in commercial grain markets, we create a powerful “pull-through effect,” spurring more commercialization of smallholder staple food production – and increasing regional and national food security.*

# COUNTRIES WHERE MLI OPERATED





# MLI ACTIVITIES WITHIN THE STAPLE VALUE CHAIN



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# CORE MLI ACTIVITIES

- Train smallholders in pre-storage crop conditioning.
- Improve storage facilities and services through co-investment grants funding construction/upgrading of 30 Grain Bulking Centers and 485 Village Aggregation Centers.
- Train in warehouse management and business plan preparation.
- Supply equipment for efficient storage (particularly at GBCs and VACs).
- Support integration of smallholder surpluses into storage services.



# FOUR KEY QUESTIONS ABOUT MLI IMPACT

1. How much private investment was mobilized?
2. Did grain storage practices improve?
3. Did product quality improve?
4. How well were smallholders integrated into commercial value chains?

# I. HOW MUCH PRIVATE INVESTMENT WAS MOBILIZED?

## Baseline situation:

**Access to SME finance is difficult across the MLI region, constraining growth.**

- GBCs and VACs traditionally used own capital, or collateral-based bank loans, to finance growth.
- High costs of commercial bank loans (18-25%) limited investment in storage equipment, sector growth.
- Grants and inventory financing for GBCs & VACs was extremely rare.

# I. HOW MUCH PRIVATE INVESTMENT WAS MOBILIZED?

## Project interventions:

**Co-investment grants required matching funds, mobilizing considerable access to finance.**

- Construction and upgrading of GBCs, VACs and grading rooms.
- Equipment for efficient storage, particularly at GBCs and VACs.

# I. HOW MUCH PRIVATE INVESTMENT WAS MOBILIZED?

## Outcome:

### MLI private capital mobilized

# of MLI grants with cost shares	Total MLI grants	Total co-investment contributions	Ratio of private investment to MLI grant
32	\$ 4 M	\$ 5.7 M	1.43

#### LESSON LEARNED:

Strategic grants mobilize private investment and bank financing for grain storage

## 2. DID PRODUCT QUALITY IMPROVE?

### Baseline situation:

**Poor crop conditioning yields heavy post-harvest losses. (5-7%)**

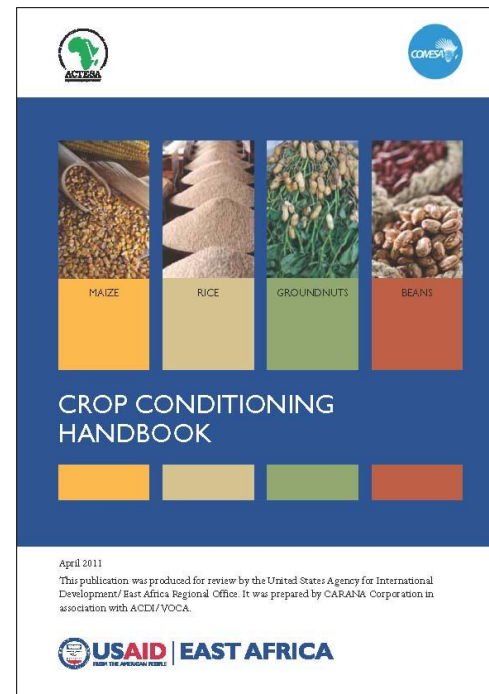
- Grain not sufficiently dried (average 15-18% moisture).
- Grain often dried on ground or floor, becoming contaminated with dirt and insects.



## 2. DID PRODUCT QUALITY IMPROVE?

### Project interventions:

- Training for nearly 35,000 farmers, reinforced by buyers' presence at training sessions
- *Crop Conditioning Handbook* distributed.
- Through grants, introduced shellers, threshers, cleaning tables, mobile solar dryers and moisture meters.





## 2. DID PRODUCT QUALITY IMPROVE?

### Outcome:

#### Reduced farm losses (now 2-3%).

- Better quality (less dirt/broken grain, moisture content < 14%).
- Grain dried by sun on tarps, tables, platforms, or in electric dryers.



#### LESSON LEARNED:

Practical crop conditioning training, reinforced by buyers' presence and targeted equipment purchases, can improve grain quality.

*"The capacity development by traders and farmers, especially in crop conditioning, has had a clear impact in the quality of grain... The improvement in grain quality was in fact to the presence of grain traders or their agents at crop conditioning sessions."*

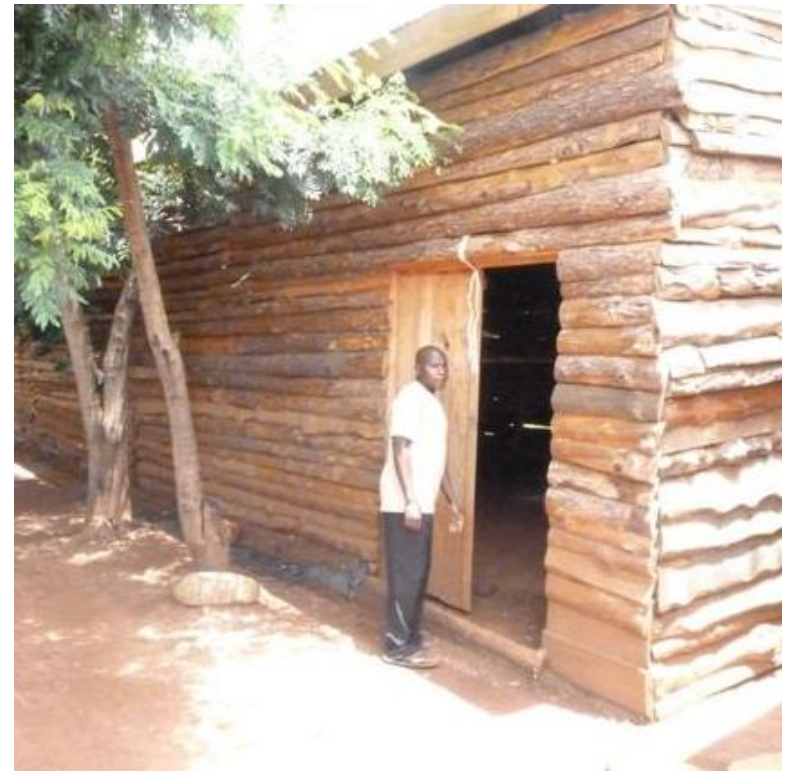
MLI USAID External Evaluation Report by Weidemann Associates, September 2011

# 3. HAVE GRAIN STORAGE PRACTICES IMPROVED?

## Baseline situation:

**GBCs and VACs had limited training in warehouse management.**

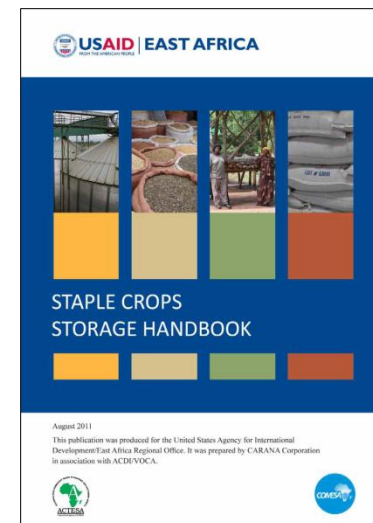
- Warehouses had poor ventilation and limited equipment (pallets, scales, grading equipment).
- Storage losses at GBC level averaged 4%.



# 3. HAVE GRAIN STORAGE PRACTICES IMPROVED?

## Project interventions:

- Training for VAC and GBC operators in crop grading and warehouse management.
- *Storage Management Manual* distributed to grantees and partners.
- Business development plans prepared with GBCs.
- Grants for storage and drying.



# 3. HAVE GRAIN STORAGE PRACTICES IMPROVED?

## Outcome:

- Volume of grains in stakeholder storage systems increased from 60,000 tons to 107,000 tons.
- Post-harvest losses at GBC storage centers dropped to 1-2%.
- Increased bank confidence and lending to the GBCs.



### LESSON LEARNED:

Storage management practices and PHL can be improved through a mix of TA and grants



# 4. HOW WELL HAVE SMALLHOLDERS BEEN INTEGRATED INTO COMMERCIAL VALUE CHAINS?

## Baseline situation:

**Limited trust between sellers and buyers.**

- Commercial grain traders dismissed as exploitative.
- Few written contracts (spot market sales).
- Farmers have limited knowledge of market requirements and price information.
- Numerous intermediaries in marketing chain.



# 4. HOW WELL HAVE SMALLHOLDERS BEEN INTEGRATED INTO COMMERCIAL VALUE CHAINS?

## Project interventions

- Develop GBCs and VACs along trading corridors.
- Assist smallholders' contracts with WFP.
- Introduce Esoko SMS platform in Malawi.
- Introduce receipts system, platform scales, moisture meters.
- Encourage VACs to post prices daily.



CHITSOSA TRADING COMPANY P.O. BOX 142, MADISI									
Commodity Receipts-Market Linkages Initiative									
Farmer's Name	Account No	Mobile Number	GBC/VAC Code	GBC/VAC Code	Grade	Receipt No			
2852						2852			
Address/Village	Sex	Gross Mass	M.C.V.	Test mass	Warehouse Charges				
Date	Grain & Variety	No of bags	Bag Mass	Defective %	E.W	Refunds	Pay Rate		
Farmer's Signature	Received by	Graded by	Net Mass	S.M.A	Stack No	Manager's Signature			
Implemented by WFP funded by USAID									



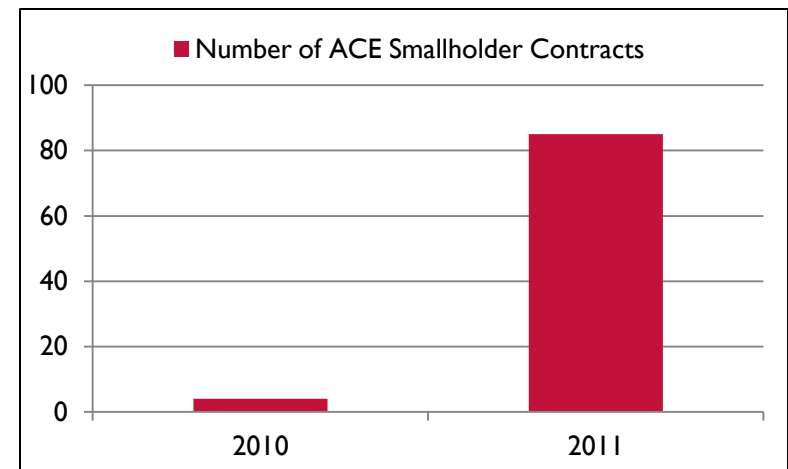


# 4. HOW WELL HAVE SMALLHOLDERS BEEN INTEGRATED INTO COMMERCIAL VALUE CHAINS?

## Outcome:

### Increased volume flowing from smallholders to VACs and GBCs.

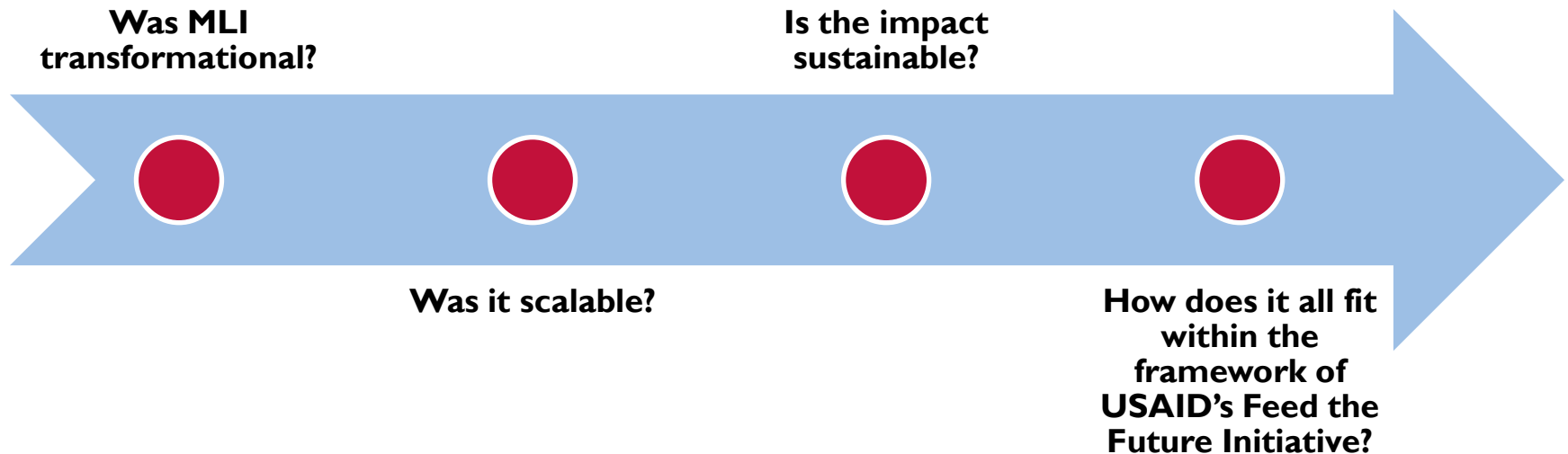
- Numerous smallholders' contracts with WFP P4P; two other large buyers have production contracts with smallholders.
- Three buyers introduced *crop insurance*, a shared risk mechanism with farmers.
- Explosive growth in Malawi smallholder commercial contracts facilitated by the Esoko platform.



### LESSON LEARNED:

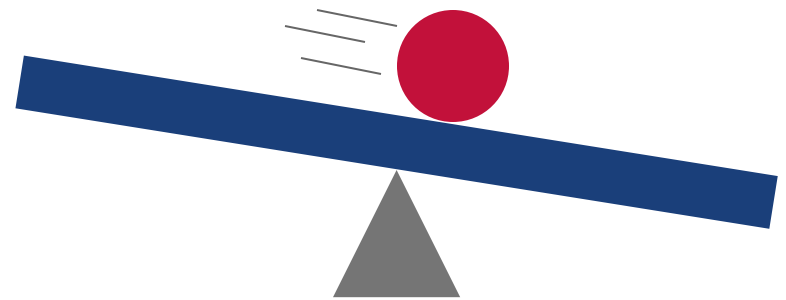
SMS, WFP P4P, WRS, commodity exchanges, and production contracts accelerate smallholder sales in commercial markets

# CONCLUSIONS AND IMPLICATIONS FOR FUTURE FOOD SECURITY PROGRAMS



# SCALE UP AND REPLICATE MLI APPROACH

- **Identify sufficient traders.**  
Numerous applicants who did not receive MLI grants could be eligible for future grants programs by allowing more time to implement, or adjusting cost-share requirements.
- **Scaling along the value chain.**  
When other producer groups see the benefits of first-mover activities, they want to join the network. At tipping point, adoption of new storage and marketing system takes over.



# SCALE UP AND REPLICATE MLI APPROACH

- **Deepen the TA.** Business development plans, warehouse management, training assistance, and longer-term mentoring of grantees and partners.
- **Expand financing.** Informational outreach to banks, MFIs, and insurance companies. Integrate with Warehouse Receipts Schemes. Microfinance could help farmer groups buy crop conditioning equipment.
- **Roll out SMS model of market linkages and price alerts.** Proven, powerful, cost-effective means to connect smallholders and commercial traders.



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