



Developing Private Sector Input Supply Systems

Seminar Presentation

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Zachary Baquet:

Good morning, everyone. Thank you for joining us today. My name is Zachary Baquet. I am the Knowledge Management Specialist for the Bureau for Food Security. And welcome to the first Ag Sector Council of 2013. We are glad to have you back.

These sessions are sponsored as part of the Feed the Future initiative by the Bureau for Food Security – USAID’s Bureau for Food Security. And we are implemented through the Knowledge-Driven Microenterprise Development project today.

So welcome to today’s session, Developing Private Sector Input Supply Systems. I will give a brief introduction to speakers in a moment, but just some general ground rules. Please silence or turn off cell phones before we get started. During session, hold questions until the end. This is primarily so that people online have the opportunity to hear the questions that are being asked, because if you don’t have a mic you can’t be heard. And when asking questions during the Q&A, please state name and organization before asking your question.

With that I’ve got a few little pieces to announce. So I wanted to highlight, some of you might have noticed that we’ve upgraded Agrilinks. I hope that you’re finding it useful/worthwhile. I’d say check it out more. We now have a media gallery that has quite a lot of items to select from. Let’s see. So there are around 94 videos on your YouTube channel. I’m forgetting what are the full-on stats; I just read them briefly this morning. But there’s something like 34 audio downloads, MP3s to listen to. And this is also all the screencasts for all the past Ag Sector Councils that you can take in as well. So I would recommend that you please check it out and let us know what you think. All of those, if you join Agrilinks, can be commented upon.

Upcoming Agrilinks sessions and sort of Twitter chats to look forward to. We’re still trying to finalize our Twitter chat for February. It will probably be on ag education. We’re working in collaboration with the Sambhram collaborative research support program on that one. Towards the end of February we’re going to have the Ag Sector Council is going to be the 20th. Yeah. So February 20th and it’s going to be on where sort of our missed ag sector council for October, I believe, because of the snowstorm, on climate change and its impact on ag extension and advisory services. So please look forward for that one.

With that, also one other announcement. Or two, actually. I’d like to give something of a shout out or kudos to the FACET project with FHI 360, who had a webinar on input supplies recently. For those of you online, you’ll be able to find the link in one of the link pods on the online room. And if you go to the resource page or the event page for this event on

Agrilinks you'll be able to find that resource as well. So please check those out.

In addition, we just recently had a blog post given to us by – or supplied by Dan Norell with World Vision. It's on the *Integrating Very Poor Producers Into Value Chains*, a field guide that was recently developed with the FHI 360, USAID, and World Vision. They are doing a webinar on this field guide on February 21st, 9:00 AM. It will be from 9:00 AM to 10:30. And so look for the link in the post on the Agrilinks blog, and you can also contact Dan, whose e-mail address is in the link as well.

And with all of that, I'll move on to some quick introductions for our speakers. Our first speaker today is going to be Douglas T. Nelson with CropLife America. Douglas is Executive Vice President, General Counselor, and Secretary of CropLife America, the not-for-profit trade organization representing the major manufacturers, formulators, and distributors of crop protection and pest control products. He is also vice chair of CropLife Foundation and serves as an adjunct professor at Johns Hopkins University Graduate School of Arts and Sciences.

Also speaking today is Patrick Norrell with CNFA. He is an international development professional with over 13 years of project management experience in both field implementation and home office oversight of interventions ranging from matching grants to training capacity-building and volunteer-based technical services. He is currently serving as CNFA's Vice President of Program Development, leading CNFA's new business development, recruiting, and communications efforts in addition to overseeing CNFA's global input supply initiatives.

And we are very excited to have Dinnah Kapiza joining us, who will be presenting from Malawi, is a CNFA-certified agro-dealer in Malawi. She is a mother of ten and owns four successful rural input supply shops that form a critical linkage between Malawi and small holder farmers and output markets. Kapiza enrolled with CNFA in July 2002 to receive training in business management through the Malawi Agro-dealer Support program.

And with that I welcome our speakers and hand it over to them.

Douglas T. Nelson: Great. Is this on? Yep, it is.

Thank you very much, Zach. And first off I want to thank Feed the Future and USAID for inviting me to this; this is quite an impressive list of webinar attendees we have, and of course you in the room also. As Zach said, I'm Doug Nelson with CropLife America, which is the ag chem and the ag biotech trade association here in town. And I want to talk about

what I think is the final frontier; this is in a sense bringing the green revolution to the rest of the world. We've had the green revolution in most of the developed world, but we still haven't fully – the populations of a lot of the developing world still haven't totally benefited from the new modern agriculture that increases productivity and makes our lives obviously much more rewarding.

Let's take a quick look at a run through statistics. This is the story in the U.S. The story in the U.S. is back in 1930s, etc. the average U.S. farmer fed about 10 people. Today the average is over – the average farmer feeds over 155 people. Why is that? How is that?

Well, it's first off the yields. Look at this – this is USDA statistics coming out of the normal survey they do every year. Corn yields have gone from 20 bushels an acre in 1930 up to about 162. Wheat yields have increased dramatically, milk production, etc., and this is true for everything. And in this audience I don't think – I'm preaching to the converted; you already know these statistics, you know this success story. This is just the U.S.

We also have as a result of this success, as a result of three major elements in crop protection, which is what I want to stress for a little bit. First off, insecticides. And we all know the story of how when you grow crops, if you do not protect them from insects you are going to lose. And these are the statistics on the losses that you would potentially have without insecticides. In some sense you could lose 93-percent of your apple crop, 61-percent of your orange crop, etc. No need to dwell on these too strongly, but without this it doesn't matter that you've successfully grown the crop, you will lose it to your competitors. Our competitors are obviously the rest of the animal and insect world.

With weeds we've had a phenomenal success story. This is just corn. And we have statistics from USDA on all the other crops in America. You can see normal corn production really went along pretty well flat for a very long time, until we started introducing, and in this case the charts show you hybrids, fertilizers, 2,4-D, atrazine, and eventually up to the Roundup Ready products, which again, I assume everyone in this audience and on the phone is pretty well aware of. The sky isn't the limit obviously, but it's quite amazing. And this production has been the same in soybeans and, you know, in some sense it's been in wheat and other – made rice and other major products.

I want to talk about this miracle, this miracle of modern agriculture. This has been, you know, available to us and of course, the main proponent of that, Norman Borlaug, who just died two years ago, is the result of innovation in modern science, innovation in crop protection products, innovation in fertilizer production, innovation in hybrid seeds, and of

course, in distribution of those products to the appropriate recipients, to the farmers.

I want to talk about normally the fact that we need to protect that innovation, we have to promote that innovation. Obviously as a lawyer I've had a lot of discussion about patents and intellectual property. I don't want to stress that too much, but patents have been vital in this industry and will continue to be vital. But the thing that really is important is as opposed to if you go out and invent a better mousetrap, you go to the patent office, you get a patent, you're able to sell that product. Let's say you get the patent in three years, third year you're able to go out and sell that product. You have patent life protection for another 17 years under the global patent laws that the U.S. has now adopted.

Unfortunately, in the ag chem. And also in the ag biotech, and true also of the pharmaceutical industry, when you go out and you invent a better compound, a better herbicide, a fungicide, or insecticide, you can go to the same patent office and try to get your patent. You get your patent let's say in three years. You're not then able to sell, because we are introducing a product into the environment that has potential danger. Like any pharmaceutical, any ag chem. Or hybrid seed has some risk. And so what we need to do is get "a registration." You need to register the product. You have to make sure that the national authorities test it to make sure that it's safe and efficacious. In our case, in the U.S. we go to the EPA. If it's a drug you go to the FDA.

And in our case I just want to give you a brief synopsis of what happens. It takes on average 1 molecule in 140,000 to make it from lab to label. And we perform over 170 tests, which the EPA reviews, to make sure that the product is safe and efficacious. And this time range takes us on average at least ten years. So remember, you got your patent in three, then you take another ten years to get a license to sell. So as a result your patent life is very limited in the ag chem., biotech, and pharmaceutical industries, because at the most you probably only have about seven years of patent life left.

This is also not inexpensive. So I just want to make sure everyone knows the average cost of these tests, and you can see there: chemistry, biology, tox tests, epidemiology test. The average cost in today's market for ag chem products is about \$256 million. And as a result, the CropLife companies that I help represent spend a disproportionate share of their money on R&D, as you can well imagine. It's the R to research the new compounds and it's the D to develop those compounds and get EPA approval. And as you can see, we've been spending fortunes every year to do this, to make sure we have the right compounds to help farmers grow their crops.

These are not just U.S. EPA requirements; we also make sure that all these products conform. We have Codex Alimentarius food standard laws, we have treaties like the POP and PIC treaty. We have the Sanitary and Phytosanitary Agreement under WTO, etc. These are all agreements which specify rules, regulations that we have to make sure the products are safe and efficacious.

Same thing, we have to make sure they're not counterfeit. And I think this could be a whole program on the potential of counterfeit pesticides. And particularly when we talk about Sub-Saharan Africa. The real danger of people trying to get products much cheaper because, you know, you really are at a risk. And we have terrible examples of farmers, you know, buying the wrong thing, thinking they're getting a registered certified product and not being able to do that, and as a result, tremendous loss. And we have all kinds of training programs going on, we have spraying trainers, people to identify products that are not counterfeit, etc.

For this audience too, one of the things that we're trying to propose is that perhaps a donation, USAID and other, when they donate money to be able to enable farmers in developing areas to buy products, to buy crop protection, hybrid seed, fertilizer, that perhaps that aid donation grant should be contingent on the farmer buying some legal non-counterfeit products so that they don't race the risks, etc.

We've also instituted a very large vicarious liability program, which is a way of all farmers, all purchasers, consumers to know your supplier, know your customer, and as a result of which that helps prevent. We don't seem to have a counterfeit problem in the United States. You know, somebody's probably going to correct me there, but we don't have a major one because the nature of the supply chain, manufacturers are – CropLife members, manufacture and formulate the products. We sell to major distributors, who might also do some formulation. And the distributors sell to very reputable retailers. They know the retailer; they go down to their store. If something happens on the field after they've sprayed their products, they go back to the retailer and they say, "What happened?" The retailer goes and walks the field, checks what's going on, figures out a solution, and the problem hopefully is solved. You don't buy from a fly-by-night salesperson in the U.S. This is some of the risks that I'm sure both CNFA and others are going to talk about in areas where people do not have that established input chain to rely on.

We also have done in counterfeiting, just to let you know, certain shipping lines, shipped from China in particular, where most of the counterfeits come, to Africa and the rest. First off into Europe and then distribute the products. We have started suing the shipping lines, saying, "You're

shipping known counterfeit. Do you really know what's on your bill of lading?" etc. Anyway, more than enough to give you a large discussion.

Our eight major companies in the CropLife family are these. They're pretty familiar to Americans to say the least. We have a crop protection global network of ag chem trade associations, and as you'll see – it's very little hard to see, but Africa and the Middle East we have over 18 national associations in these respective countries, in Asia over 13. So these are national or sometimes regional associations. We also have a global biotech network of companies and trade associations, AfricaBio, and is very big in Africa. And just to give you a quick idea of what's happened with biotech with hybrid seeds, genetically modified seeds, we've had phenomenal uptake around the world. Obviously the developed world has really absorbed them in great extent. You can see the millions of acres. And now the developing world is picking up, where the farmers are seeing the value in this.

Let's talk very briefly, this is a much truncated discussion here, but very briefly about South Saharan Africa, where I know we wanted to focus our discussion. Obviously the number of countries and potential farms and crops is huge, but the average farm-holder is pretty small, to say the least. And yet they too are going to be able to benefit from modern agriculture, from modern agricultural products.

Here is typical yields of maize, rice, sorghum, and groundnut from comparing Africa to the global picture. And when we've gone in and done experimental plots, which we have, with our products and with fertilizer, the yields can double easily without any problem. And these are peer-reviewed – the statistics, everything we're talking about, the rest of this comes from peer-reviewed literature.

Obviously, let's just take herbicide impact. Hand-weeding is still the predominant weed control practice in Africa, and, you know, most of the labor is involved in hand-weeding. I always love with American audiences, I always ask, especially when there's lots of young people in the audience, "Why do we have a summer vacation in the U.S.?" And people don't realize, yeah, they had summer vacation because all of you, especially teenagers, would have been out there weeding our farms. And we don't do that anymore. So everyone can stay on their iPods, etc. instead of out weeding and doing back-breaking labor. The structural problems with your spine and the rest is bending over eight hours a day, hand-weeding is extensive. And of course the majority of the labor is women who do this, who then do not – who aren't going to school and not getting an education, I guess.

We've got wonderful photos. I've got tons of these showing the difference between treated versus non-treated fields. You can see all the weeds here as opposed to the weeds that are gone. We've treated fields, treated by herbicides. Same kind of things. The yields go up when you herbicide treat. There's 53-percent on this peer-reviewed report of maize, but 94-percent in beans. And you can imagine the weeding time that this takes.

Some of the statistics in the Cameroon; we reduced labor by 12 days for each hectare of cost by 50-percent and the yield went up dramatically. A lot of other peer-reviewed responses. In Kenya the same thing, chemical weeding was one-third the cost of two hand weedings. Same thing in Kenya and Uganda; it was a net benefit to the local farmer by, you know, almost, you know, 80-percent in this case. And the yields have increased dramatically. This was from a CARE project in Zambia just last year.

Increasing use of herbicides, of course you need more fertilizer; your things are growing pretty well, and they indicated, you know, it also helped use hybrid seeds. So as a result I think it's quite clear that it's a major benefit. Herbicide adoption has been a major benefit in those areas we've been able to introduce it. And, you know, obviously it has freed up a lot of people from the back-breaking labor and allowed in particular women, the story of success of women being able to get now education, go to school, as opposed to being the laborers on the farms has been quite a successful story.

So I know I've overextended my time briefly. I thank you, thank you very much.

Patrick Norrell:

Thanks very much to Agrilinks and USAID for the opportunity to be here today. I'm particularly honored to be alongside Doug and Ms. Dinnah Kapiza on the panel. I think Doug did a very good job of making the case for how quality inputs responsibly used can benefit agricultural production and food security in the developing world. Of course, Ms. Dinnah Kapiza is going to give us a firsthand account of what it's like doing the business of retail input supply.

So my role for CNFA is to talk a little bit about what we as a development organization do to create that missing link, the retail distribution system between the high-performance technologies and knowledge of the global input supply manufacturers and the small holder farmers that need to put them into practice.

CNFA's approach is – we call them farm service centers, machinery service centers, agro-dealers. The name we use and the exact nature of the businesses is tailored depending on the countries that we work in. So

while a lot of this presentation is going to talk about the differences between these models, I would first like to discuss some of the similarities. One thing that is common to all the work we do in developing retail input supply is the basis of developing the business of serving small holders. So the key clients for all of our retail input supply efforts are small holders, and our goal is to increase small holder productivity and incomes, but also to demonstrate that it can be a profitable and sustainable business to service small holders.

We sort of talk about three different models, and the three would be the general Eastern European model; we'll see examples from Moldova and Georgia today in this presentation. The Afghanistan model, which is slightly different and more keyed to wholesale input supply, and then of course the Africa agro-dealer model, which I think will be probably the most broadly known among the audience, both online and here in the room.

In all cases these models, farm store networks, agro-dealers, farm service centers, are really based on five pillars. They are intended to be a one-stop shop for a small holder farmer, everything a farmer needs under one roof. And the five broad categories of services that we like to talk about in developing these are: input supply, including veterinary and crop inputs; training and information, a privately-funded source of extension services for farmers; services, which may include machinery services, veterinary services, storage, transport, primary processing services; credit, most often crop cycle credit, with inputs fronted at the beginning of the planting season and payment received after harvest at the end; and output marketing, because these business are retail input supply businesses dealing with hundreds of thousands of farmers, they know their needs, they know their production patterns, and they are in a good position not only to provide them the upfront services and input supply and production, but also to take their output at the end of the season and serve as aggregators and form linkages to cash markets.

Let's begin with Moldova. The USAID-funded farm store program in Moldova was one of our earliest forays into developing input supply businesses. These were village-based one-stop shop small holder farmers. Now the context of Moldova, as we will see later with Georgia, is a little bit different. The small holder farmers suffer all the same constraints, capital constraints, lack of knowledge, lack of access to markets, lack of available input suppliers in their communities, but a little bit different due to the post-Communist nature of redevelopment; privatization, creation of a new class of small farmers, and the redevelopment, as opposed to development, if we look at Africa.

What we did is find local entrepreneurs, conduct a competitive business plan program. We accepted more than 400 applications for this program. And eventually, over the course of the program, funded 85 stores. There were grants ranging from \$20,000.00 to \$50,000.00 with a one-to-one matching requirement. So for every dollar of USAID funds invested in each project, local entrepreneurs had to invest a dollar of their own. We also coupled that investment of donor resources into these businesses with intensive business management and technical training. This was a very hands-on program in terms of our mentoring and technical assistance to the entrepreneurs to make the most of the grant they had received and of their own sizable one-to-one matching investment in these businesses.

In the middle, again here, you see the five types of activities: input supply, machinery services, output marketing, access to credit, training and information. In the end the network grew to annual sales of \$9 million network-wide and more than 900,000 farmers served. Taken as a whole, this network is the largest source of agricultural goods and services in the country. And we're pleased to say as of 2012, now eight years beyond the end of that program, 60 of the 85 stores are still operational. We'd love to have a perfect record, but 60 out of 85 eight years down we think is pretty good.

Here's just another look at the numbers. 3,900 clients per store, 761 new jobs created. 2004, the last year of the program, you see the figure I'm referring to of \$9.2 million in network-wide sales, a cumulative total approaching \$20 million over the four-year life of the program. And the one on the – the box on the right is an interesting one; I don't know if you guys can even see it in the back of the room. In 2001 the average monthly inventory per farm store was about \$4,500.00. By 2004 the average monthly inventory had grown to \$16,000.00. Now how did we help these small retail businesses, each of which was averaging about \$50,000.00 a year in annual turnover and multiple turns of inventory per year to grow to that size – to that type of inventory base and to expand their sales so much?

The key thing we did was develop an input supply wholesale buying cooperative called AgriStock. All of the farm stores bought in as members. USAID also made a significant investment in technical assistance and in investment in assets for the cooperative to get off the ground, with the members largely providing the working capital they needed to be able to buy in bulk to import plant protection products, seeds, and particularly fertilizer. Moldova is a very small market, largely forgotten by most of the – even the Ukrainian and Soviet input suppliers. So in order to really get the attention of those wholesale suppliers, to get volume discounts, to be able to get trade credit, to be able to bring down

the cost to their farm store members and in turn to farmers, they needed to pool the demands of the farm stores.

Now AgriStock has gone from \$800,000.00 in sales in 2003, in its first year of creation, to \$17 million in sales in 2001. It's got more than 100 members up from 15 that originally founded it, serves about 800,000 farmers a year. It has added output marketing activities, in addition to wholesale input supply, and if we said the network of farm service centers taken as a whole would be the largest source of agricultural goods and services in Moldova, AgriStock as a single entity is the largest source of agricultural goods and services in Moldova. It's a real success story and it's cooperatively owned and it was a big investment by USAID in making this happen.

For Georgia, which we started a little bit later, we took the farm store model of Moldova and we adapted it a little bit. I mentioned earlier that the farm store model was a village-based model, very localized, in communities of 5,000 to 8,000 people in most cases, serving maybe 1,500 to 2,000 farmers. Therefore each business unit was very small, in truth averaging about \$50,000.00 a year in annual turnover. We learned a lesson from that model, because I think with 85 stores in Moldova we probably over-saturated that market. That's a country about the size of Maryland. Georgia is about twice the size, and through the Millennium Challenge-funded agribusiness development activity, we ended up doing 33 similar locations. These were placed, though, in towns, with a much broader market coverage, usually administrative centers that had a reason for people to be coming and going through these towns anyway, so they could serve farmers even in far-flung communities.

Averaging about 5,000 farmers per location, and these were about double the size of the Moldova farm stores in annual turnover, about \$100,000.00 a year. At the risk of repeating myself, I'll note the input supply, veterinary supplies and services, machinery services, training and information, market information, and output marketing services. Again, one-stop shop, everything under one roof. And when I say "training and information" I would like to pause for a minute and note that we required for all of these locations to have a qualified agronomist and veterinarian on staff at all times. So these are consultative professionals that are able to advise customers that come in on what product to use, how to use it safely, what to do with empty containers. They can go to the field and make diagnoses in the field. They can also conduct seminar-style or classroom-style trainings in the farm service centers.

If you look at the pictures at the bottom you get the exterior, the interior showroom views, and then the far right is a look at one of the farm service center training rooms. Every farm store and farm service center, in

addition to having the professional staff onboard, has a training room built into the store, with a reference library and a good venue for conducting these training sessions to farms.

Three-hundred fifty new rural jobs created as a result of this initiative, \$2.7 million in increased net revenue to the businesses we supported. And most importantly, \$11.2 million in goods and services sold to more than 100,000 clients.

One of the things we learned through the Georgia experience was not just how to make – how to ideally size these retail businesses and this operating environment so that they could maximize profitability and reach to small holders, but also to adapt machinery services. It's the same business concept; it's serving small holders. The machinery service centers funded by USAID through the Access to Mechanization program were three to five-unit machinery centers with a full range of implements tailored to the nature of agricultural production in that community, and providing fee-based custom machinery services to small holders who otherwise would never be able to buy a tractor. Same basic business of high volume, low individual transaction size, with small holder farmers.

Just to highlight some of the results, I'll touch on what I think is the most important one here, which is \$6.1 million in increased annual income of the small scale farmers that were able to benefit from these machinery services. That's due to improved productivity from timely planting, plowing, fertilizer and plant protection application, and harvesting. But also due to the ability to put more land into production because of the availability of machinery and not needing to work it by hand.

Now Afghanistan is a different model. You'll recognize the pictures, things look the same, but it's obviously a very different operating environment. What we did in Afghanistan was to develop largely wholesale businesses based in provincial capitals. Most of these were existing input supply operations, usually serving fertilizer. So again, grants-driven, matching enterprise grants-driven. We helped them to establish retail locations with showrooms with professional consultative staff on-hand in major provincial capitals to capture retail business coming through these major cities. But they also serve as regional wholesalers on a hub and spoke model with village-level agro-dealers and sales representatives that are taking their product and getting it out into the hands directly of small holders. So a dual wholesale/retail role for these guys. Much bigger operations.

Here you get a look at the geographic spread. We did the program in two phases; the blue is simply the first phase, the green is the second.

The number from here to highlight is centers that were open over the entire life of the program, four full years. We're looking at \$1.53 million in annual sales. These are very big operations, dwarfing anything that we had done before in Moldova or in Georgia. And again, only 17 of them established nationwide. I think of the operating model of Afghanistan, this model was easier to understand and much more workable.

Now Africa is a different beast. Growing population, as we all know. Very underutilized agricultural land, in fact, much of it not available for farming, unfortunately. Only 6-percent irrigated. Extremely low productivity. While small holders suffer from low productivity in most countries in the developing world, it's particularly acute in Africa, and even more difficult in Africa than in other environments where we work, is the lack of access. Of course, this plays a direct role in food security and in nutrition for Africa in a way that also would not be true in the countries we've discussed previously.

So you see the issues: access, is there an agro-dealer locally available? How close is the agro-dealer, proximity? Extension services, is it just a sales clerk who hands them the bottle they ask for and then may or may not be there the next day when they come back to ask questions? Do farmers know the value of using improved inputs? A lot of awareness creation necessary, and all with the goal of improving ag productivity and farmer revenues.

So CNFA's model in Africa is significantly different. Before, in the examples I've shown you before it was grants-driven, it was investment-driven, it was CNFA heavily directly involved in technical assistance, hand-holding of the entrepreneurs that we were supporting, something akin to planting seedlings. Our approach in the Africa agro-dealer model is much more akin to releasing spores that will continue to generate large numbers of agro-dealers across a large area years after the program ends.

CNFA agro-dealer model is not necessarily grants-driven. It began with mapping and surveying exercises, training of commercial trainers. The trainers then go out and sell the business management and technical training for a fee, making it sustainable, giving them a motivation to continue training. Certification, industry-recognized certification of agro-dealers. Some matching grants, very small ones, usually for facility repair, but the most important thing that we did was a credit guarantee program. So with an industry-recognized certification an agro-dealer is able to qualify for trade credit from an input supplier or for a loan from a lending institution or bank or micro finance institution, coupled with the kind of farmer outreach activities to build demand, and of course policy, advocacy, and linkages to output markets.

Just briefly on the mapping and surveying, sort of a census so that we know where the demand is and which areas are under-served. This is an example of our Ghana project, where we undertook an extensive mapping exercise to determine our focus area. Training of commercial trainers; CNFA has a standardized business training curriculum, advanced business management training, basic business management training, and technical training. And we have now in seven countries across Africa trained commercial trainers like these, who are usually vocational or technical school professors, ag extension agents, to be able to deliver the training on an ongoing basis for a fee.

Then the certification. Upon completing at least the basic business management and technical training agro-dealers receive a certificate, which we work in all these countries to be recognized by local wholesale suppliers, by local governments. As I said, in some cases small grants. This is a good example of what a grant might go for, just to rehabilitate a basic facility, nothing fancy. And very small grants, \$1,500.00 we may be talking about.

Most important part being the credit guarantee. This is what has really allowed agro-dealers to get started from zero with low capital requirements, get their shops open and get inventory on the shelves. Because the credit guarantee program provides a 50-percent guarantee for goods supplied on credit from wholesalers or a 50-percent guarantee for commercial loans that they obtain to buy inventory. We've actually been able to leverage guarantee funds six to one. So for every dollar put up in credit guarantee, we've been able to get \$6.00 in inventory into and through agro-dealers to small holder farmers.

Demonstration activities, of course farmers everywhere in the world, they don't believe it until they see it. Demonstration activities are no more or less important in Africa than any country where we work there. The key marketing activity – this is not training for a charitable purpose; this is under the idea that a well-educated farmer that selects the right product and uses it appropriately and gets a good result becomes a return customer year after year after year. It's investing in a long-term relationship between the retailer and the farmer.

Policy agro-dealers are very small individual businesses; they need a favorable operating environment in which to be able to grow. We have built agro-dealer associations now in six countries in Africa. And output marketing, again, they serve as an ideal platform for receipt, aggregation, storage, primary processing, including milling or drying, and linkages to cash markets.

Here are some pictures of Kenya agro-dealers. And here are some results; I think they are compelling. Seven-thousand agro-dealers trained and certified in five countries. We've since added a country to this list. That's \$170 million in sales of goods and services among these 7,000 agro-dealers. Three million farming households buying these products, which represent together 17 million people. Now these are relatively small programs in five countries over a period of five years, but I think the spread effect, the magnified impact of this really stands out. And of course at a cost of about \$0.98 per beneficiary.

Now looking forward, we have an interesting opportunity in Ethiopia, and there are many new initiatives going on, but this is one that I found worth mentioning. I think we're reaching the point where the agro-dealer is no longer a new concept, not only CNFA, but other organizations have established agro-dealer networks in many countries, and it's increasingly common to see your village-level agro-dealer with a 10-square-meter shop and a couple of shelves full of plant protection products in many, many African villages. What we're trying to do now, and we have the opportunity to do with USAID funding for the Ethiopia Commercial Farm Service Program, is fuse the farm service center model that we have developed in Eastern Europe and Afghanistan, with the very simple agro-dealer model, which we promoted through previous programs in Africa. In other words, a full-service retail location, not just with input supply, but service with the sale, with trained consultants on hand to answer farmer questions; with an organized farmer outreach program in order to be able to build demand and develop a loyal client base; with the full repertoire of goods and services, veterinary supplies and services, crop inputs, machinery services, transport, spraying services; businesses of significant size to be able to offer credit; and of course, with significant infrastructure to be able to serve as platforms for output marketing.

This is just underway since October. We are expecting to establish six of these hybrid African farm service center in Ethiopia. This will be grants-driven, matching grants-driven, but again, with the competitive business plan process through which CNFA carefully invests USAID resources with a one-to-one match with Ethiopian entrepreneurs. We are expecting to generate \$354,000.00 in Ethiopian private sector matching investment to make this initiative a reality.

So with that I'll conclude. Thank you very much.

Zachary Baquet: And with that we're going to hand it over to Dinnah. Are you on the line?

Dinnah Kapiza: Yeah, I am on the line. Can you hear me?

Zachary Baquet: Yes, we can hear you. Thank you for joining us. Would you like to give your presentation or give your talk, please?

Dinnah Kapiza: Okay. Thanks very much. In the first place I would like to thank CNFA and USAID for providing me this opportunity to talk a little about the benefits of the private sector input supply chain in order to enhance food security and reduce poverty in Malawi.

So access to farm inputs and utilization of farm inputs is another thing altogether. It was a nightmare in Malawi before the year 2000, when I was trained as an agro-dealer. So in brief I should say if we wanted to access farm inputs or to reduce hunger and poverty we need to make inputs available to all small holder farmers and provide economic empowerment to the small and medium business people.

A good example is Malawi. In Malawi the government has put in place an enabling environment where there is this system of agro-dealers, and I happen to be one of the agro-dealers. And I have been trained by CNFA, and after the training I brought _____ to the supply companies with, of course, the 50-percent guarantee from CNFA. That's why I always thank CNFA for putting me into that line.

So we as agro-dealers trained – we are very close to the village. We are right in the rural setting, where most of the farmers are. For example, in Malawi most of these things were usually found for about 60 kilometers from where the seasoned farmers is. So we agro-dealers are very close to the farmers, we are right in their midst, and we are able to provide these farm inputs closer to their homes. So which means the gap between this these big supply companies and the small-scale farmer has been closed because agro-dealers are in between; they are able to supply the little, little things. And you can see in my shop, I have small packets of seeds. It's difficult for a small-scale farmer to travel about 60 kilometers just to buy a 1 kilogram pack of maize or a 5 kilogram pack of fertilizer. So as you can see here, that small-scale farmers are benefiting so much.

Now I want you to know what is the role of the agro-dealers. The agro-dealer's role is to provide farm inputs to the farmer, provide technical information on the product use and handling, and to provide a ready market for farmers. As you can see, that's my warehouse. I am into input and output marketing; I provide the market for the small-scale farmer. They cannot travel in long distances. We conduct demonstration _____, we conduct soil testing. These helps the small-scale farmer to determine what type of fertilizer to use on each type of soil.

So then sustainability in this program if the _____ are trained and they are right in the villages where people are. So that's how the people benefit

from that. Most of the small-scale farmers acquire new technologies through the agro-dealer. For example, there is a recent new technology in what they call crop visantillage. We use that to farmers and we explain to them the use of crop protection through this, the use of herbicides, so that at least the time for weeding should be reduced to the small-scale farmer. Now what have been the results?

The results have been many. The small-scale farmers, because of the closeness of the agro-dealer supplying farm inputs, you can see that they have bumper yields. And the good thing is we work with everybody in the rural setting. So their bumper yields has been reduced poverty, used for their livelihoods, improved – they can also afford to build some good houses, iron-roofed houses, and send their children to school, and their children are healthy because they have good, nutritious food. All this has been due to the engagement of the private sector into the agriculture sector.

Now because there is that private sector, which is the agro-dealer network, the government is able to do other pressing issues without worrying about hunger. This program is really sustainable. Here in – a very good example that I can show that this is sustainable, I have a group of women. There are about 15 women who I have just given them some groundnuts. They are growing the groundnuts, 15kg for each human, and they will give me back about 30kg. And I want that _____ - the one that they have given me, to bring – to give back to the other members so that more women should benefit from that.

And another example, as you can see, there is that man, who is disabled. That man has been able to construct a small house with money from the sales that he is using from his small house – it's about a quarter-acre. And he's using that and he's using the herbicides through the technologies that we offer to them. And we offer a lot of things to these people; we train them how to use the herbicides. And my son is one of them going around, trying to help them with me.

So women, if they can be empowered, even disabled people, if they can be very empowered, I'm sure Africa can really enhance the green revolution. As a woman entrepreneur I urge all businesswomen and women from across the value food chain to take funding seriously and continue unleashing their productive capabilities. Government and donors must help entrepreneurs and farmers to have access to land ____ us, but that – that is another, another hindrance. Most of the people who grow food are women, and most of them are widows with orphans. Unfortunately, access to land is very difficult. They should have access to improved techniques, enabling policies, and linking them, of course, to markets. These are the surest ways to unleashing their capabilities. If we are

empowered we can improve our economies and eradicate hunger in Africa.

So the private sector is very important and it needs to be supported. Here I appreciate what CNFA's matching grant did. I have a warehouse; it was through Agri CNFA matching grant. I managed to purchase a three-ton lorry, which is really helping me to purchase goods from a little longer. It also helps me during the buying and selling of farm inputs; I can go to the village, buy the farm inputs, carry it in one of my – on my lorry. And my warehouse, I'm talking to the women, some people have good associations in their villages. We wondered when the prices are low they should be able to keep their produce in my warehouse, then when the prices go up they can sell in a box. Because there are just very few, it is difficult for them to get higher prices for their produce. So that's why I encourage them and I go to them and I have provided them with all the advice so that by the end of the day they can be able to keep the produce in my warehouse.

Thanks to CNFA and Agri for giving me that opportunity. Now with USAID I also thank them very much for enabling me to be in this room today and giving out my presentation. I thank you very much. Thank you.