

SNAPSHOTS ON FARM ENTERPRISE ADVISORY SERVICES

Dynamic private sector extension for farmers in Northern Ghana



The Market Development Programme for Northern Ghana (MADE) aims to foster the growth of local agribusinesses in order to provide smallholder farmers (SHFs) with bundled inputs and services that can be used to effectively boost their productivity and improve their livelihoods. As a private sector-led solution, MADE's Farm Enterprise Advisor (FEA) delivery model is fundamentally different from public sector extension. It provides practical door-to-door, field-by-field supervision of the delivery and use of diverse products and services.

There is no 'rule book' for the implementation of the FEA delivery model, and this may be its strength. MADE's 31 lead agribusinesses and 31 support enterprises – which hire 315 FEAs and reach 86,000 SHFs across the Northern Savannah Ecological Zone – respond to their own contexts and enhance their particular capabilities with MADE support. The approaches adopted in relation to sustainability, risk management, revenue and cost management, recruitment and incentivisation are the result of the dynamic generated by their business models, the outreach characteristics of their out-growers and the specific roles and responsibilities that the FEAs are given.

The following snapshots highlight the different paths to success of the FEA delivery model, following an assessment of six of MADE's partner agribusinesses and three of its support enterprises. These nine businesses vary substantially in scale and specialisation, but they have all demonstrated impressive gains, which are at least partly attributable to this model. Turnover has increased substantially, with a corresponding boost in the numbers of SHFs serviced and FEAs employed. Recovery rates have

also increased, in many cases by 60% to 90% or higher in a very short time. Agribusinesses have diversified: some owners were previously SHFs, others focused solely on providing seed inputs, but many have now vertically integrated to provide inputs and services to SHFs all the way from seed to harvest.

Risk management

Most agribusinesses operate a group lending model with their SHFs to reduce risk of default. They also carry out detailed due diligence and background checks before taking on new SHFs and use a progressive lending model wherein farmers receive support over an increasing land area depending on performance and capacity. One of the six selected agribusinesses implements a socially progressive model targeting more marginalised, harder-to-reach communities with the added outreach expense offset by the lowered risk of working with farmers who are unlikely to sell their produce to anyone else.

Agribusinesses vary in the degree to which they prescribe that farms use the inputs and services they supply. The timing of products and services is critical for agribusinesses coordinating thousands of SHFs, and FEAs are expected to spend a significant amount of time in the field to ensure that SHFs get the right inputs and services at the right time, as well as knowledge on how to use them correctly. Lead SHFs play a vital role in forecasting what services and inputs are needed and coordinating deliveries.

Ultimately, maintaining a relationship over the long term is more important than short-term credit recovery, particularly when factors beyond the control of SHFs affect their ability to repay loans. Some agribusinesses go the extra mile to secure the trust of their SHFs by purchasing surplus crops from them at slightly higher market prices.

Revenue generation and financial management

Agribusinesses have adopted a broad range of measures to access working capital, manage costs and maximise revenue streams across a market in which cashflow can be a challenge. Most have secured loan facilities through banks and other financial institutions. Others have benefited from grants, have negotiated credit lines with their commercial suppliers, or made use of overdraft facilities, warehouse receipt finance or invoice discounting.

Different strategies are employed to make the most of the harvest. Smaller agribusinesses may supplement agricultural sales with non-farm products such as handicrafts. Larger businesses may store up to 80% of harvested produce to maximise revenue across the year, as prices vary considerably, but this depends on demand and the risks involved in post-harvest storage. Processing for higher-value sales is also being practiced. While some businesses combine field and shop sales, others sell their entire harvest to a single buyer, even sourcing additional produce from agents to sell on at a margin.

In relation to SHFs, agribusinesses may ask for partial down payments for inputs, or operate a recovery-only model (though tractors may be provided on a pay-as-you-go basis). Vertically integrated companies can usually afford to subsidise products and services delivered to SHFs. Those agribusinesses with the capacity to grade produce by quality, using a certification scheme, can secure higher prices.

FEA recruitment and incentivisation

Agribusinesses seek to recruit FEAs with a passion for farming, over and above formal qualifications (though these are also taken into consideration). Local community networks are important, but some agribusinesses feel that the social capital of a lead SHF is sufficient. SHFs were found to have greater trust in female FEAs, who also boosted recovery rates, but only a small proportion recruited were women – a mere 39 out of 315 FEAs working for MADE's lead partners.

Unfortunately, recruitment is problematic across the board. Agriculture is not considered a modern profession by young people. What's more, those trained at agricultural colleges are not necessarily prepared for FEA work that

encompasses farm business management and marketing. Most graduates prefer to work as public extension workers with a stable income. If agribusinesses offer commission-based incentives to compensate, these are often at the discretion of owners. Some businesses offer further incentives such as non-monetary payments (e.g. farmland to grow crops, roofing material) or the use of company motorbikes.

Sustainability strategies

The progressive reduction in MADE support provided to meet part of the operational costs of the FEA service presents both a risk and an opportunity for agribusinesses. Subsidisation by MADE has allowed owners to expand their services to SHFs. Despite the profits accrued from better yields and recovery rates, most agribusinesses still feel that they cannot afford FEAs at the rates paid to public extension agents. Sustainability strategies include reducing fixed costs and replacing them with commission incentives, including supporting FEAs to set up their own farms and to become nucleus farmers working with large clusters of SHFs. Some businesses are committed to re-investing profits so they can maintain and scale up FEA services.

Agribusinesses are also targeting SHFs, for instance by supporting vegetable as well as cereal crop production, and helping lead farmers carry out FEA tasks. Non-farming activities such as cloth- and basket-weaving are being considered, and some businesses have added a small service fee (e.g. per bag of fertiliser) to recover some of the costs of the phase-out of MADE support.

MADE partners confirmed that since the introduction of the FEA model, demand for FEA services has expanded and exceeds supply. This indicates strongly that the model as well as its interpretation by agribusinesses has been successful – farmers have seen the benefits of the FEA approach and are willing to pay for it, now and in the future. Further downstream within the value chain, traders, buyers and wholesalers who demand greater consistency, quantity and quality of supply also see the value of advisory services delivered close to the point of production. While not all of MADE's agribusiness partners will be able to sustain the FEA delivery model, the range of strategies being deployed suggest that the gains realised through the programme will be widely adopted and the role of private sector extension services firmly established over the coming years.



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