

Baseline study

JANUARY - JUNE 2014



**Africa
Agribusiness
Academy**

The Africa Agribusiness Academy is a business platform boosting the development of small and medium scale agribusiness firms in Africa. This platform brings together a core group of successful African agri-food entrepreneurs who provide role models and business opportunities for a new generation. The sharing of knowledge, experience and opportunities creates momentum for businessmen and women, who are willing to take risks and develop their entrepreneurial skills.

The AA Academy is supported by Wageningen UR (University & Research centre) in the Netherlands and the Sokoine University of Agriculture, Department of Agricultural Economics and Agribusiness (DAEA/SUA) in Tanzania.

Next to the members own contributions, both financial and in-kind, the Academy receives funding from national and international (agri-) businesses, both African and Dutch government agencies, the Wageningen Ambassadors, the Dutch Ministry of Foreign Affairs (DGIS), and from private sponsors.



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Baseline study

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Context and methodology

In 2013, when AAA started upscaling its pilot phase, a methodology for Monitoring & Evaluation (M&E) was developed with the AAA members. Performing a baseline field study was one of the key activities of this M&E System.

AAA chose to do this baseline study in the first three countries they started in: Uganda, Kenya and Tanzania. The analytical framework has been developed based on the AAA result chain - output - outcome - impact logic. The questionnaires for AAA members, farmers and focus groups of farmers have been developed at the beginning of 2014.

In march and april 2014 interviews were conducted with 26 AAA members (16 pilot phase members, and 10 upscaling phase members) and 27 farmers (18 pilot, 9 upscaling) from whom they source or to whom they supply.

Other information was gathered based on desk studies, reports and minutes of AAA events and activities.

All this has been integrated in the final AAA Baseline Report.

Scope, limitations and bias of this baseline

AAA decided not to interview non member SME network as a control group, but instead to use those upscaling phase members who recently became members as a kind of control group. Also the 16 AAA members of the pilot phase that were interviewed, were generally the most innovative and active entrepreneurs. On the farmer level, the interviewed farmers were mostly the lead / model farmers, which also affects the results.

This means the results of this baseline study are not representative of the whole AAA community, but they offer still a very good insight of the situation of AAA members at the start of the project and the issues and progress of the pilot phase.

Abbreviations:

SME = Small and Medium Enterprise
CoP = Communities of Practice
PMC = Product Market Combinations
NGO = Non-Governmental Organization

This brochure offers a selection of the findings and insights gathered in the AAA Baseline Report, which you can find here: www.aa-academy.org



OUTPUT

OUTPUT 1

A dynamic SME network (business clubs, BCs) in each country with an increasing number of active members in an increasing number of countries

OUTPUT 2

Increased numbers and quality of Communities of Practice

OUTPUT 3

High-quality training, PMC, coaching, and advice provided to and by members

OUTPUT 4

Well-functioning (effective and efficient) resource centre

OUTPUT 5*

Training, PMC, coaching, and advice provided to non-members (public domain)

OUTCOME

OUTCOME 1

Increased SME business growth among AAA members (W/M)

OUTCOME 2

A recognized and legitimate AAA (W/M)

OUTCOME 3*

Increased SME business growth of non-SME member

IMPACT

IMPACT 1

Improved food security among small-scale farmers who are sourcing to or supplied by AAA Members in Countries X, Y, and Z (W/M)

IMPACT 2

Vibrant SME sector: Governments, Financiers and NGOs create opportunities in the agribusiness SME sector



* Information for output 5 and outcome 3 will be gathered in 2015; interventions will start end 2015

AAA members

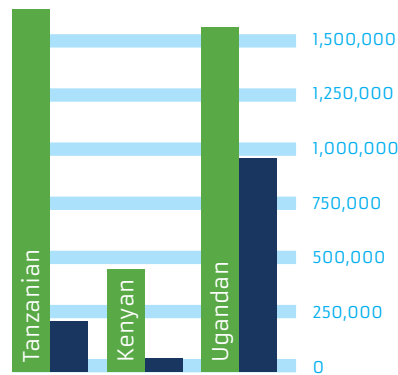
Company details

Most of the companies were established between 1998 and 2006. In fact, they were often established 3 or 4 years before being registered. Logos and brands were not registered for 95% of the companies.

Turnover

There is huge variation in the turnover of members, ranging from USD 80,000 to 2 million dollars.

This is partly due to the sample selection, but is also because differently sized businesses became members of AAA.



Average turnover of AAA members in 2013 (in \$)

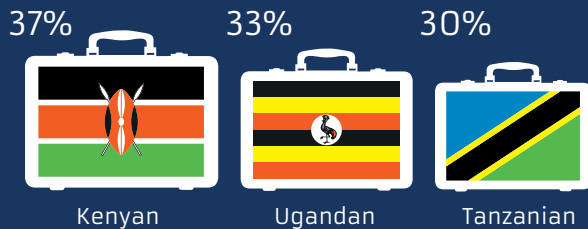
■ members pilot
■ members upscaling

Type of suppliers

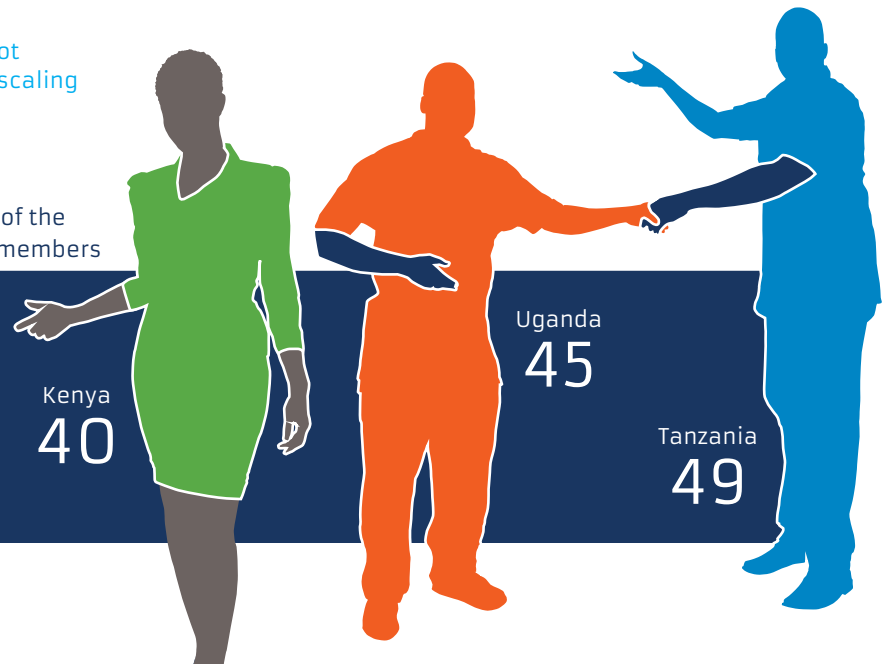
The definition of “small” varies per sector and type of business. Also, some of the firms source to small / medium / large scale farmers.

Most of the members work with a combination of different types of farmers. And often next to direct sourcing from farmers, the members have their own plot of land. Next to this, half of the companies trade also with brokers / traders and or other processors.

Nationality of AAA members



Average age of the interviewed members

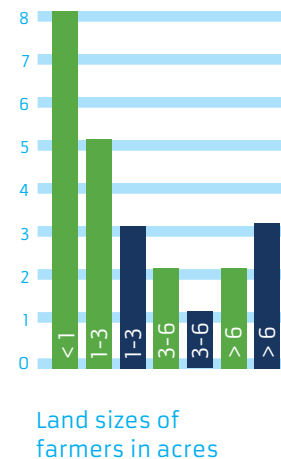
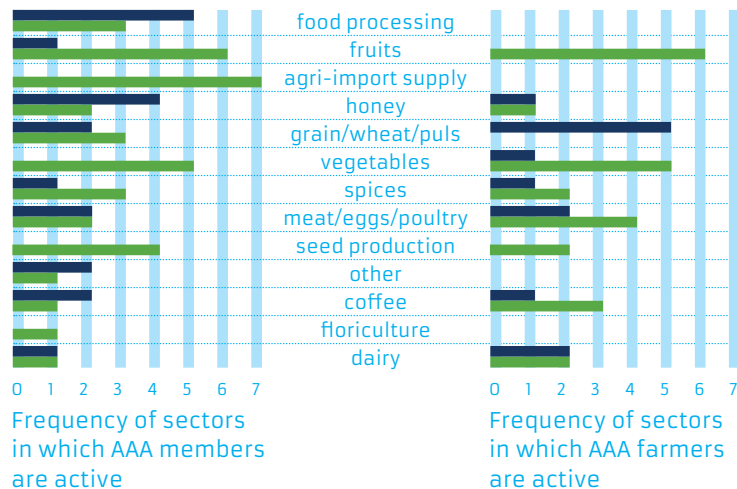


■ members pilot
 ■ members upscaling

Farmers

Characteristics of farmers interviewed

A total of 27 farmers were interviewed, 18 were connected to AAA members of the pilot phase (14 men, 4 women) and 9 Farmers were connected to AAA members of the upscaling phase (8 men, 1 woman).



Type of suppliers

- Small holder
- Medium holder
- Broker

68%
19%
14%

The average amount of cattle and plants farmers own, is:

Chicken between: 100 - 400
 Beehives between: 1 - 10
 Pigs between: 10 - 50
 Coffee trees / vanilla plants: 50 - 100

Output 1

8

Number of registered country chapters (limited companies)

During 2013 and 2014, three country chapters - Uganda, Tanzania, and Kenya - have been registered as limited companies, besides the mother company in Uganda. The country chapters in Ethiopia and Rwanda are expected to be registered at the end of 2014.

By the end of 2014, 50 new SMEs became member; the majority of which are business associates of the pilot phase members.

AAA members appreciate face-to-face contact, and, as successful businesspeople, they have tight schedules. For that reason, we have now initiated zonal gatherings. In Tanzania, there are three regions: Arusha, Dar es Salaam, and Dodoma. In Uganda, the regions are Arua/Lira and Kampala. In Kenya, the regions are Nairobi, Meru, and Nakuru.

Organized meetings of country chapters, business clubs, and workshops. About 25 - 30 members were present at each event

2010 - 11

Kick-off Workshop Arusha
Launch Event Dar es Salaam
Wageningen workshop
Country & CoP meeting Kenya
Country & CoP meeting Uganda
Country & CoP meeting Tanzania
Regional Event Kampala

2012

Business plan writeshop I
Business plan writeshop II
Country chapter meeting Kenya
Country chapter meeting Uganda
Country chapter meeting Tanzania
Scoping mission Ethiopia

2013

Business Plan writeshop
Regional Meeting Addis
Country chapter meeting Kenya
Country chapter meeting Uganda
Country chapter meeting Tanzania
Scoping mission Rwanda

2014

Country Chapter meeting Tanzania
Country Chapter meeting Kenya
Country Chapter meeting Uganda
Business Plan writeshop Addis
Country chapter meeting Ethiopia
Country chapter meeting Rwanda

Output 2

CoPs and the increase in the number of (active) CoP members (W/M)

In the pilot phase, AAA built its activities surrounding three main Communities of Practice (CoPs): Entrepreneurship, Finance, and Partnerships. In the upscaling phase three sectoral CoPs have been initiated so far in the fields of Honey, Seed, and Dairy.



Output 3

Demand for trainings

Among the topics most in demand for training are: business plans, financial management, product knowledge, diversification, branding, marketing, processing improvements, packaging & labeling, export, organizing farmers and venture capital.

Number and type of coaches or trainers

AAA works with a diverse range of coaches and trainers. In in the business planning training the AAA works with qualified members from the PO team as trainers. In other areas, such as branding and packaging or financial management systems, external local consultants were hired.

Over the past two years, the AAA PO team has also coached four successful AAA members who are now officially coaching and training other members and non-members.

Output 4

Website / resource centre

The AA Academy Resource Centre (www.aa-academy.org), is a combination of a website, a discussion platform, a member database and a library. It also offers private groups for peer review, where members place their business plans and coaches provide support and advice.

Statistics from March to June 2014 show there were over 10,000 page views from over 1,600 users, of which 45% come from Africa.



Output 5

Training, PMC, coaching, and advice provided to non-members / public domain will start end 2015

Conclusions & recommendations

- AAA members participate actively at networks and training events. There is willingness to become a coach for others as long as they get an effective return.
- The Country Leads with secretariat and communication officer should find out from each member what their network opportunities are and the viability of finance window. Also, the AAA members should themselves share these opportunities.
- The BP training is fulfilling one of the most desired needs; but other opportunities should also be thought of as not all the members reach this AECF level. The request is to provide BP trainings fit for different levels and different sized companies.
- Peer to peer support and coaching should become norm and thus should be well facilitated and strengthened, based on the qualities of the members. Some are strong on product diversification, others are strong on branding, etc.
- The resource portal is not yet well used. More interactive tools will be tailored to the members. An AAA face book group will start soon.
- The CoP members would like much more interaction, stimulated by CLs and CoP leaders.



Outcome 1

Business growth

With the interventions AAA is implementing it aims to stimulate business growth of AAA members.

Turnover

The turnover, both per product and total, was requested, and all the members were very open about their turnover. There is a huge variation in the turnover of members, ranging from USD 80,000 to 2 million dollars.* Most of the members mention an increase of 20 - 40%, also the upscaling members mention an increase. As the chart shows, almost all companies expect an increase in turnover.

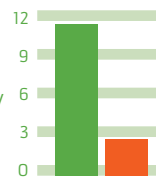
Business with one of the other AAA members or other partners

All the members have business relations with national companies for part of the processing, selling and buying. Some have also international contacts (only a few because of AAA). The pie chart gives an overview of the kind of business relations and partnerships with other regional, national or international companies.

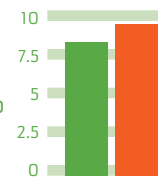
Access to finance

61% of the AAA members received funding from banks and funding agencies. Almost half of the pilot phase members got access to finance with the support of AAA. 60% of the members have external funding, most of these with very high interest rates of 24%. And again, this could be biased due to the sampling of a big part of the successful SMEs for this baseline.

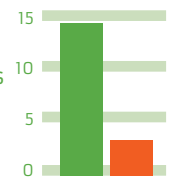
Members receiving funding from banks/funding agencies



Role of AAA in getting access to finance



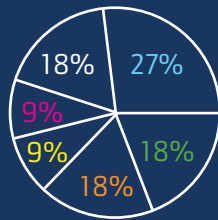
Business relations/partnerships with other members



■ yes
■ no

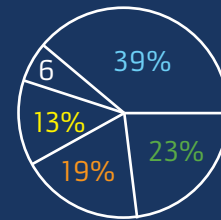
Expected turnover (\$) in 2014 for the AAA members' businesses*

- < 100,000
- > 2 million
- 1-2 million
- 600,000-1 million
- 300,000
- -200,000
- 100,000
- -300,000



Business relations/partnerships with other companies

- National
- None
- Dutch
- International
- Regional



Most frequently mentioned reasons for increases in turnover

Rank	Reason	Frequency
1	Diversification	14
2	Customers	9
3	AAA Support	7
4	Product quality	5
5	Market price	5

* We started out with a group of successful business leaders to establish AAA and that they may be overrepresented in the sample.

Outcome 2

Conclusions & recommendations

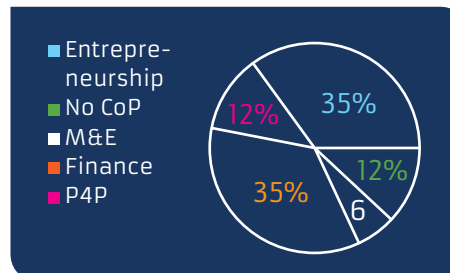
- Most of the AAA members have business relations with other AAA members and say they would like much more contact with AAA member companies who are in the same sector and in another place.
- They all would like to have access to much more business opportunity companies. Increase the brokering / matchmaking role between members and members and international companies.
- Most of the AAA members work with other networks in agribusiness (TAHA, APF, UN, Danish, GiZ, participation at trade missions, etc). AAA should look for more collaboration with these kind of organisations.
- AAA members have different needs for support in order to grow more effectively - training in BP, Branding, Finance & Management, Product innovation etc.

Recognized and legitimate AAA

The AAA members are participating partly active in the CoPs: Entrepreneurship, Finance and P4P. The dynamics around sectoral issues e.g. Dairy, Seed and Honey are much more due to a collective interest and possibilities for deal making. Stimulation and dynamics will be strengthened by creating more win win possibilities through focussed visits, link to trainings.

Membership is stimulated to become more actively involved, but also here more input will be given to. AAA is becoming more and more recognised as a network for exchange and support.

Participation of AAA members in CoPs



Conclusions & recommendations

Not all the members participated in the AAA business plan training, and only some members actually obtained finance. Most members think that the business plan training is good, but that it should be better tailored to their needs.

The brokering role should be much more active. All the members refer to AAA when they are at conferences.

All AAA members report a willingness to act as coaches and to share costs in the beginning. Paying for training by investing in transport could be an option, but when considering paying for everything, AAA members had questions about quality, time investment, and so on.

Outcome 3

Increased SME business growth of non-SME members
Interventions will start end 2015



Impact 1

Food security for farmers

In the long term AAA is aiming for the improvement of food security for small-scale farmers that are sourcing to AAA Members. The baseline study aimed to collect some facts about the farmers the AAA members are working with.

AAA members working with small holders

- AAA members provide farmers with:
- Training / technical advice (in GAP)
 - Inputs, other than seed
 - Farmers receive the Seed but have the obligation to sell the harvest / output to the company
 - Credit on advanced inputs and

- materials: farmers pay back after the harvest
- Social services (schooling, health): 10%
- Link to other markets / customers
- Some farmers even become themselves businesses - broilers / hatchery chicken / pigs.

Income and yield of farmers

13 of the 18 farmers of the pilot phase and 8 of the 9 farmers of the upscaling phase experienced an increase in yield.

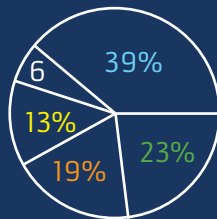
Almost all of the 18 farmers in the pilot phase reported that their income increased in comparison with the preceding year, only one farmer

reported that there was no change in income. Two farmers reported a sharp decrease in income (40 and 50%) due to depletion of land and dryness

The farmers indicated that they invest their income (increase in income) in multiple areas. 30% (16 members) indicated they spend extra funds on schooling, 31% (17 members) on housing, 6% spends their additional income on luxury assets (new car, motorcycle) and 21% reinvests their income in production and land purchase.

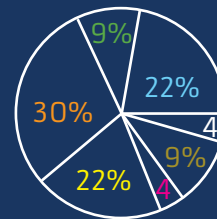
Reason for increases in productivity

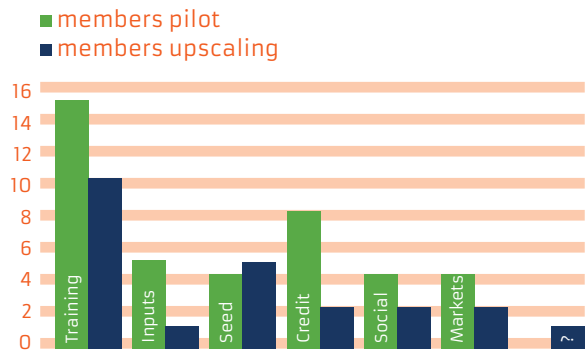
- Purchase tools
- Increase labour
- Membership networks
- Training GAP
- Higher quality seed



Reason for increases in income

- Higher prices
- More clients
- Increase in productivity
- Training
- Differentiation
- Membership networks
- Other

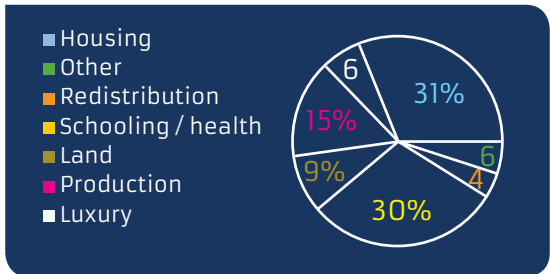




Services offered by AAA members



Main investments of farmers



Conclusions & recommendations

- All the AAA members work with a combination of smallholders, medium and large holders and sourcing from their own farms; therefore AAA members contribute definitely to the improved food security of certain regions where their sourcing comes from. It is the combination of working with small, medium and large farmers which keeps the AAA members profitably running their businesses.
- Better insight in the improvement of the food security of farmers linked to the AAA members is needed. Some in-depth action research is planned for in order to analyze the relationship between AAA members business increase and the improvement of food security of the farmers they supply or source from. The M&E staff of the support office of AAA will start working with students in each country in collaboration with the M&E assistant. So national University collaboration in each country should be strengthened.
- For certain AAA members the number of small holders they work with is limited, due to lack of investment possibilities. Also finding the right business models to work with smallholders is another issue.
- The definition of smallholders differs, depending on the business and the sector.
- Some companies don't source from small holders but have an impact by supplying services, medicaments and seeds to a big number of these smallholders (e.g. Dryland Seed / Farmer Support).
- Most companies provide technical advice. The extent to which they can provide this via their own extension officers has its limits. Government does not really provide this advice.
- Because the market demands better quality, our AAA members acquire better inputs. Through training and exchange some of these inputs were improved.

Impact 2

Vibrant SME Sector

The second long term aim of AAA is in creating a vibrant SME sector, through creating opportunities with governments, financiers and NGOs.

Bottlenecks for the SME sector

As the chart shows, the majority of AAA members mention having challenges with government or financial policies. One in 3 members is even constrained by both. High interest (20 - 24%) rates were mentioned frequently by members and sometimes even the lack of banks.

Examples of constraints

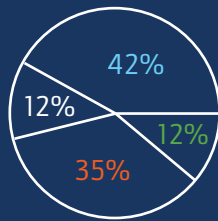
- Trade-related constraints (import taxes)
- Corruption practices (e.g. road blocks from the police etc, obtaining licenses)
- Limited access to finances by banks, IMFs or other agencies
- Licensing/permit constraints
- Infrastructure constraints: bad roads, high costs of water (lack of water) and electricity, difficulties at the borders, road blocks,
- High interest rates
- Cartels
- Unreliable payments by supermarkets and clients
- High number of agencies to pass through to reach minimum standards. Government policies:

- bureaucratic, low capacity / skills of extension workers, unorganized system to get licenses (members would like a one stop shop!)
- Good quality machinery, spare parts and skilled labor to repair / handle and to manage.
- Vet services are very weak; no transparency when there are outbreaks
- Subsidized inputs by government disturb the market.

Nearly all members are active in certain international networks, national sector associations and women networks. A few companies are very active at the commercial chamber. Some members are active at the APF networks of Uganda, Kenya and Tanzania.

Constraints in policies

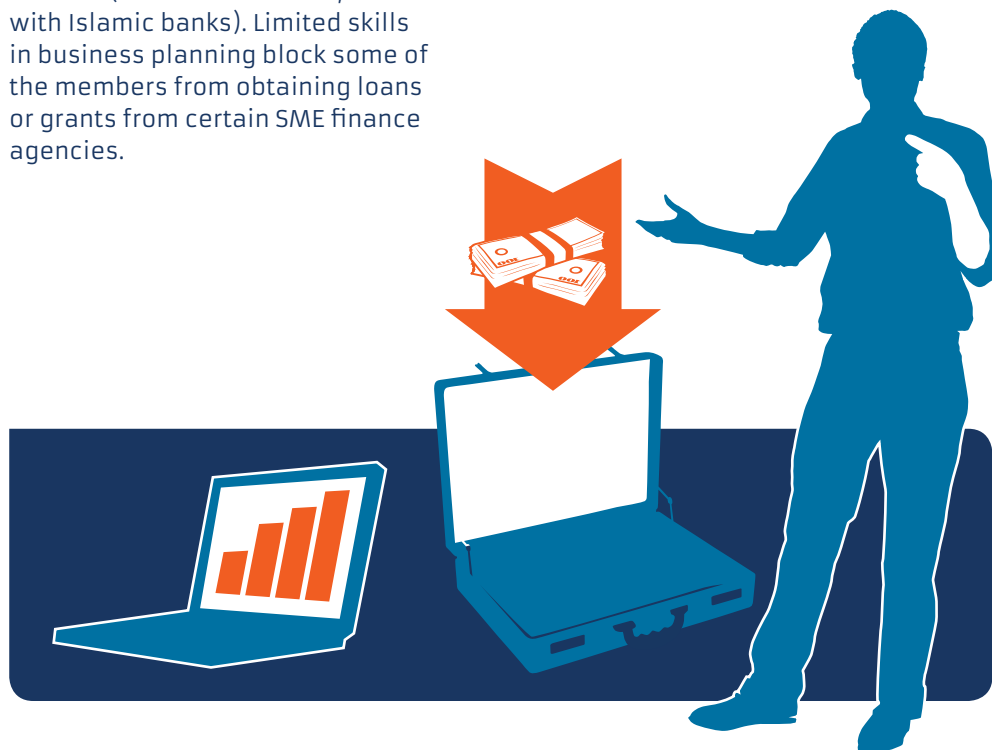
- Finance
- None
- Both
- Government



Commercial loans: opportunities and challenges

Most members have received grants or have small loans with a national bank. All the members started with their own capital, and also started very small. However, the biggest challenge is to find loans with a reasonable level of interest (or with no interest, as with Islamic banks). Limited skills in business planning block some of the members from obtaining loans or grants from certain SME finance agencies.

There are increasingly many grants available for the SME sector, but these also require sound business plans (BPs) and careful investment. Trade relations between countries are opening up more, and different opportunities for financing are opening up, especially for SMEs working with small holders.



Conclusions & Recommendations

- Nearly all members are active in certain international networks, national sector associations and women networks. Promoting AAA besides promoting their own company, some AAA members are doing very well. But this lobby and advocacy role could be further stimulated by the CCs and via the activities of the CoPs.
- The funding possibilities via grants, funds and banks are on one hand challenging but on the other hand more windows are opening up and should be looked into. One adviser of the support office of AAA will look into this aspect more. Also the CoP finance has been implementing a cross border trade study, highlighting certain opportunities for the AAA members to work on.
- Aftercare with the business plans is another aspect which demands some focus, taken into account the implementation of the business plans after having obtained a loan.



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