

Improving the agricultural inputs market to work better for smallholder farmers in Ethiopia

A case study of Harvest General Trading (HGT) and their partnership with the UKAid-funded Land Investment for Transformation (LIFT) programme

April 2019

The UK Aid funded Land Investment for Transformation (LIFT) programme works with the Government of Ethiopia to deliver Second Level Land Certificates (SLLC) to smallholder farmers and to improve the functioning of its Rural Land Administration System (RLAS).

The improved land tenure security for smallholder farmers is expected to lead to an increase in demand and more investment in sustainable agricultural inputs and practices.

In Ethiopia, 85% of the population is rural and relies either directly or indirectly on subsistence and partially-commercial agriculture. Many smallholder farmers strive to move away from subsistence farming towards competitive, market-oriented farming and the LIFT programme is working with them to leverage opportunities to do just this. Much like smallholder farmers worldwide, Ethiopian farmers face challenges with access to quality inputs, instability in financial markets and underdeveloped output markets, which further limit their productivity and competitiveness.

“ Restricted supply of quality vegetable seeds resulting from underdeveloped supply channels is one of the bottlenecks for farmers looking to increase productivity and household incomes. Collaboration with input retailers allows input suppliers such as HGT to reach smallholder farmers in the most efficient way possible. This collaboration will also benefit farmers through a reduction in purchase prices and improvements in traceability.”

Ms. Azmera Mesfin, Director, Harvest General Trading



Demonstrating the performance of improved vegetable seeds for the wider farm community

One of LIFT's interventions focusses on improving access to agricultural inputs and technologies to increase productivity and incomes through wider use of environmentally sustainable, safe and profitable inputs and practices. Since 2016, LIFT has worked with several Ethiopian input and technology suppliers that share a vision to diversify their distribution and sales models into Ethiopia's rural areas.

Smallholder farmers currently rely on primary cooperatives, cooperative unions and, most significantly, informal markets to access agricultural inputs and seeds. The informal markets expose farmers to poor quality products in general and seeds in particular, which results in significantly low yields and even no yield in some cases. The informal markets may also introduce hazardous weed seeds. The use of informal markets poses a big challenge to the development of a competitive private sector that is able to develop distributions and sales networks across all rural areas. Additionally, most input suppliers usually market their inputs at government or NGO auctions where they can sell large quantities. As a result, many do not seek out opportunities to expand their market, leaving an untapped smallholder farmer customer base.

Supporting agricultural input suppliers and creating buy-in for business and marketing behavioural change – The case of Harvest General Trading

Harvest General Trading (HGT) was established in 2000 in Addis Ababa with a mission to increase the accessibility and availability of high-quality inputs for smallholder farmers in Ethiopia. Specialising in vegetable seeds, HGT imports, wholesales, and retails an array of inputs including pesticides and agricultural tools. HGT collaborates with reputable international agricultural input suppliers from the Netherlands, Italy, India and China.

Until 2016 HGT relied on a business model primarily focussed on supplying large, institutional buyers in the public sector, international NGOs and larger private farms. It had entered the retail market with the introduction of four shops in Addis Ababa serving both peri-urban farmers and regional agricultural inputs' retailers.

Continuous and increased demand from regional buyers in 2016 prompted HGT to develop a new business model which would allow them to better reach smallholder farmers in under-served rural areas of Ethiopia. However, the perceived dangers of such an innovative approach and the actual financial risk meant that implementing this new business model was challenging – a pattern regularly observed with inputs suppliers across the sector. This created an opportunity for the LIFT programme to establish a risk-sharing partnership with HGT.

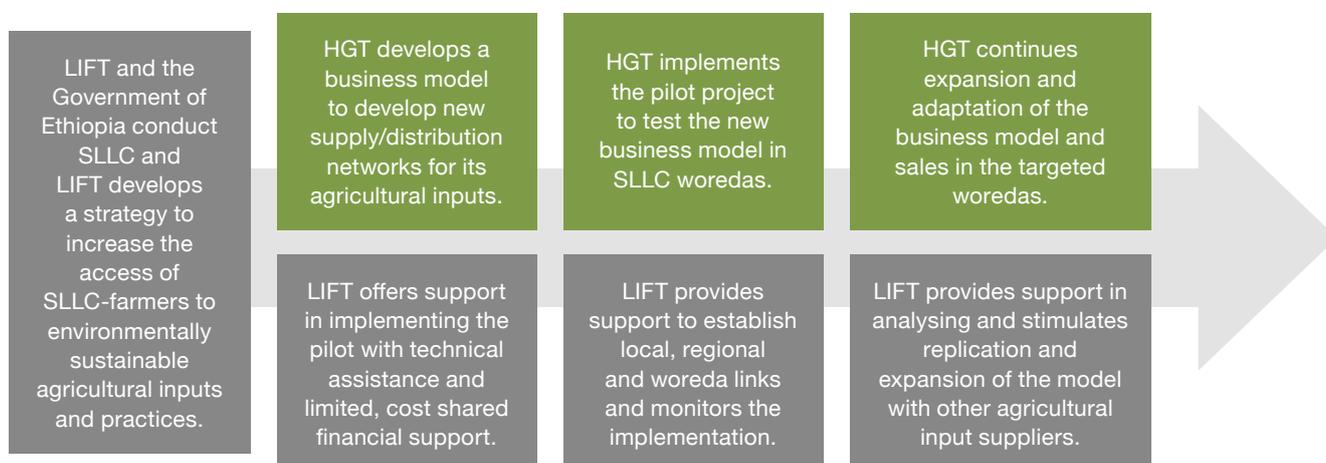
In June 2017, LIFT and HGT set out to test the feasibility of implementing an *input distribution model via woreda (district) level agri-retailers* in ten woredas in Oromia, Amhara, SNNP and Tigray Regions. This partnership

included technical assistance to formulate the activities for this pilot; establish business links with local input retailers and public extension services; short term technical support at the management-level; and a cost-shared grant focused on raising awareness and knowledge amongst smallholder farmers and public extension officers of hybrid seeds.

“ The marketing strategy designed with this project is to make quality vegetable seeds available in adequate amounts to retailers in the different woredas. As a first step we are establishing demand through field demonstrations and field days, and identifying potential local distributors. Doing this allows the farmers to obtain our products at an accessible price and reaching the woreda-level retailers is the most efficient path to the farmers. Also, educating these dealers about our products and appropriate usage is extremely advantageous as they are in daily contact with the farmers.”

Ms. Azmera Mesfin, Director, HGT

These pilot activities were wide-reaching and included: setting up demonstration plots, awareness raising, capacity building for retailers and farmers, production and disseminating educational and marketing materials, and the signing of distribution agreements with local agricultural input suppliers.



The success of these activities has been notable, resulting in:



The sale of **2.1m ETB** of wholesale agricultural inputs in the targeted woredas in 2017/2018 representing a 10% sales increase in seeds and small-scale farming tools for HGT.



Memorandum of understanding and/or distribution agreements signed across 28 woreda-based agricultural retail shops – almost **200% higher** than originally anticipated.



The extensive delivery of training and technical assistance to **150+** input retailers, extension workers and model farmers.



The successful creation of **43 demonstration plots** with diverse crops using HGT inputs. The production of manuals for famers, extension workers, input retailers and farmers.

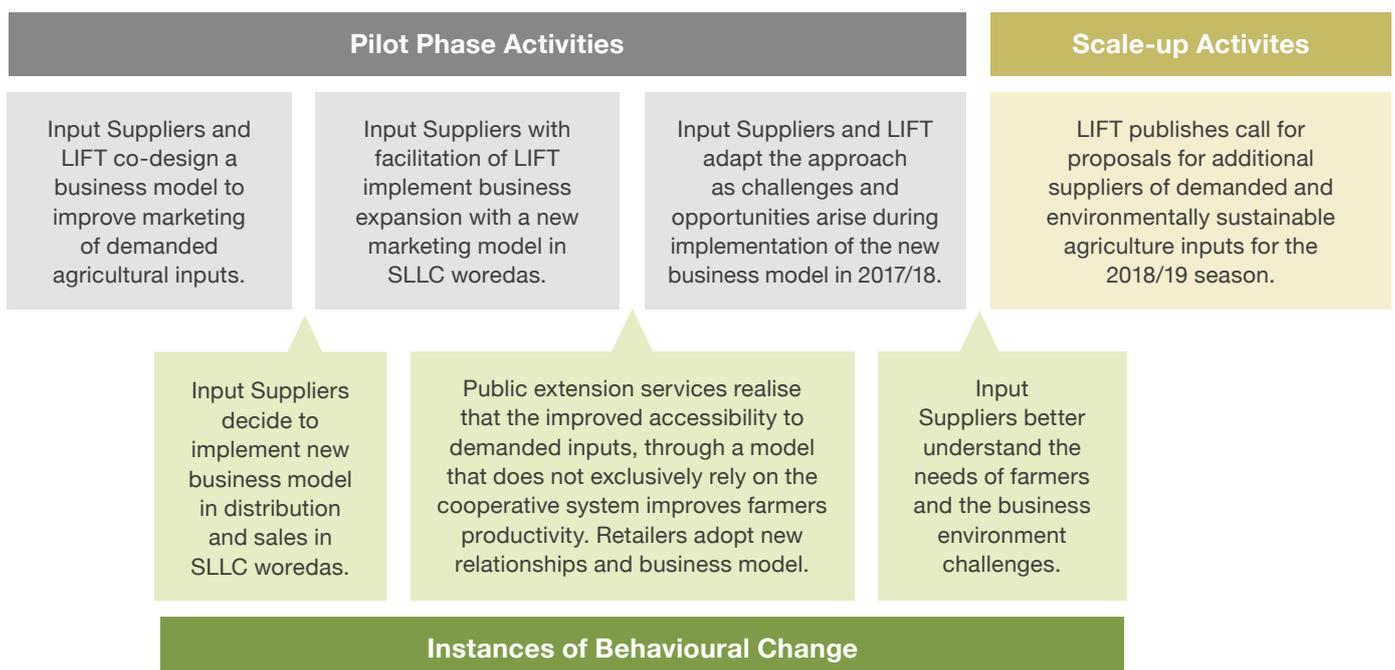
Impact and behavioural change

During the 2017/18 season, LIFT monitored the success of HGT's new business model. The new model accounted for a healthy increase of HGT sales to rural input retailers (around 10–15% on average). This meant that farmers had regular access to improved and cheaper inputs, allowing them to invest more productively. The model also provided a good lesson learning opportunity for the wider application of continuous expansion business models that input suppliers – in collaboration with directly contracted input retailers – should pursue. It is expected that average sales will increase by 20% during the 2018/19 production season.

“ The farmers need quality agricultural inputs such as seeds, to increase productivity. These inputs should be readily available, affordable, timely, and come with appropriate instructions for use. Finding inputs locally and at the right time is very important during production season when we are extremely busy with field work.”

Oromia SLLC Farmer

HGT's new business model has also prompted instances of behavioural change amongst relevant market actors:



Looking ahead, scaling up

The initial results of the HGT pilot have been extremely positive. LIFT's engagement has allowed input suppliers to better manage the risk of expanding into rural areas and has created the right incentives to allow them expand in a commercially sustainable manner. LIFT's engagement is allowing input suppliers realise that despite the challenges, it makes commercial sense to ensure that their products become available in rural areas. At the same time, this has a significant impact on farmers, who can now access better quality, improved inputs and extension support on time and at affordable prices.

After this initial pilot with Harvest General Trading, LIFT has launched additional pilots with input producers such as Aybar Engineering, AMIO Engineering, Hamlin Trading and Eshot. Inputs that are being promoted include certified vegetable seeds, environmentally safe crop protection products, tools and equipment for small-scale farming operations, small-scale irrigation equipment, farm machinery, and organic fertilisers.



Tomato harvest from a demo plot in Tigray region

LIFT's main contribution during the 2017/18 agricultural season included facilitating the establishment of new rural distribution networks, building linkages with the local input retailers, ensuring training and awareness of input retailers and farmers, and enhancing the capacity of public extension offices. LIFT was also monitoring and evaluating the different business expansion models to ensure progress was recorded, challenges addressed, and best practices in performance management were followed.

LIFT continues to support the development of new innovative solutions that address smallholder demands at scale through its open call for proposals.

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LIFT is a UK-Aid funded project implemented by a consortium led by DAI Europe that includes Nathan Associates, NIRAS and GIRDC. The EEU component is implemented by Nathan Associates.



Ministry of Agriculture

