

FUTURE BUILDING

USING EXISTING ASSETS TO IMPROVE RURAL LIVES IN NORTHERN NIGERIA



Propcom



Mai-karfi

THE PROBLEM

Although maize prices can vary by as much as 44%, between harvest and hungry seasons, four major factors force Northern Nigerian **smallholder farmers (SHF)** to accept the offered price for their maize.



A SOLUTION

AFEX created and implemented an Electronic Warehousing Receipt System (**EWRS**) which envisaged a commodity exchange market for SHF to sell grain throughout the year, to a range of buyers.

Propcom Mai-karfi, seeking market-based opportunities to increase SHF incomes, partnered with **AFEX** Commodities Exchange Limited and facilitated a private sector intervention to help mitigate these factors.



THE ENVISAGED EXCHANGE MARKET WOULD:

- create 'savings' from unsold grain
- allow farmers to sell grain at **more favourable times**
- generate a **tradeable receipt** for wide-ranging purchases

TESTING & ADAPTING

For the commodity exchange market to function, farmers first needed to view their grain as a tradeable commodity.

TO ACHIEVE THIS AFEX FOCUSED ON:

- helping farmers access **safe storage facilities** giving them greater control over selling their grain
- monitoring and facilitating the **selling process**
- working to prevent a **farm gate glut** while increasing **SHF incomes**.

WITH THE SUPPORT OF THE **FEDERAL MINISTRY OF AGRICULTURE** AFEX RENTED DORMANT STATE STORAGE FACILITIES, SAVING SET-UP TIME AND COST.

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On initial rollout, it became clear there was **insufficient grain** to support an all-year, supralocal, grain exchange market.

Also, the available grain was often too high in moisture and poor in quality, with too much foreign material in the harvested yield.

Farmers needed the right inputs and knowledge to **increase the quantity and quality of their grain**.

Two solutions were to provide

- a) access to high-quality fertiliser to increase yield, and,
- b) training on Good Agricultural Practice (**GAP**), especially in post-harvest processing.



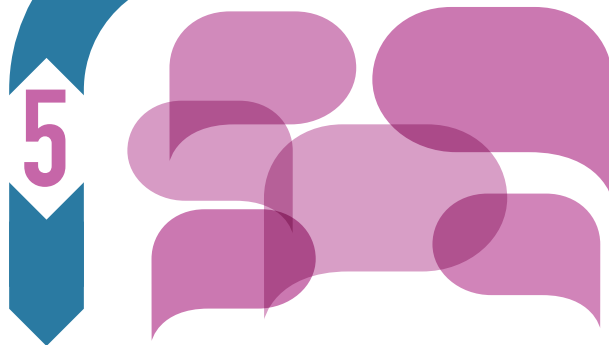
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APPLYING THIS LEARNING

In the first year **AFEX** with **Propcom Mai-karfi** support, adapted their model and incentivised and partnered with private sector actors to equip farmers with these critical inputs and skills.



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Together, these actors created a **safe storage scheme** providing SHF access to fertiliser, finance and GAP training.

Outreach officers publicise this scheme amongst the smallholder farm community and register interested farmers, advising them on GAP.

FINDINGS

80,000 FARMERS RECEIVED MATERIAL ABOUT THE SCHEME

120,000 FARMERS KNOW OF THE AFEX SCHEME

REACH OF SCHEME

500,000 FARMERS TO BE REACHED IN 4 YEARS

3,000,000 = 3,000,000 METRIC TONS OF GRAIN TO BE REACHED IN 5 YEARS

BENEFITS REPORTED BY FARMERS

- Grain sold at more **favourable times**
- **30-40% income increase** per bag of grain
- Improved **living standards**
- Improved children's **nutrition and education**
- Positive impact on **social standing**
- Diversified assets - **property, livestock, transport vehicles** - improving their overall resilience

PARTICIPATING FARMERS CAN NOW ACCESS:

- **SECURE STORAGE**
- **FINANCE FOR OTHER FARM INVESTMENTS**
- **GAP TRAINING**

Farmers have been particularly **attracted to accessing credit for fertiliser**, previously unavailable to farms of this size.

At one point, **the fertiliser demand outstripped the agreed line of credit and the available fertiliser.**

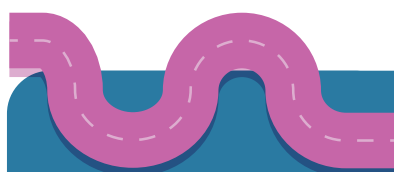
To safeguard the scheme's reputation, it must be ensured that the business model has the capacity to cater for increased fertiliser demand.



PROGRESS MADE BY THE STORAGE SCHEME

- **Decreased vulnerability** to seasonal and production shocks
- **Increased opportunities** for SHF to be price-makers
- Moved toward **limiting the effect of thin markets**
- **Forged links between industry actors**, who might increase support to SHF

CHALLENGES



DISTANCE BETWEEN THE FARM AND STORAGE FACILITY

Despite efforts to make the distances reasonable, many farmers note the long distances and cost of transporting their grain to the storage facility. AFEX are exploring a village aggregator model to overcome this challenge.



MISALIGNMENT BETWEEN AFEX'S GOAL AND WHY FARMERS PARTICIPATE

Many farmers have yet to understand the value of an exchange market that offers flexibility in stock management, wider sales opportunities and greater influence over the greed price. Currently, many farmers don't perceive AFEX as a trade facilitator but rather as a fertiliser supplier and a grain purchaser.



MISSING STEPS FOR AN EWRS COMMODITY EXCHANGE

Despite positively impacting SHF lives, the storage scheme has not yet solidified the foundation for an EWRS commodity exchange. Concrete regulatory changes are required for the EWRS scheme to grow and expand.