

Enhancing access to dairy inputs

The role of agro-input dealers

SNV-EDGET
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Farmers need reliable access to high-quality inputs, product information, services and new technologies to increase their productivity and earn a decent income from dairy farming. At the start of the EDGET project, most dairy farmers in the three regions of Amhara, Oromia and Southern Nations, Nationalities and Peoples' Region (SNNPR) had limited access to such services. Agricultural services providers were mainly located in the larger town centres and offered a limited range of products that were often too expensive for most farmers to afford.

It was therefore essential for EDGET to bridge this gap by supporting a network of service providers to link dairy farmers to essential inputs and services. The project opted for a market-based solution: working with a network of agro-input dealers – either private entrepreneurs or cooperatives – who could purchase agricultural inputs in bulk, making it easier for farmers to purchase these inputs at the local level. This approach was essential in achieving EDGET's overall objective of increasing farmers' income and sustaining dairy farming as a business once the EDGET project was phased out.

What did EDGET do?

In the first two years of the project, EDGET was directly involved in supplying inputs to farmers. The project sourced and bought bulk supplies of key inputs, such as forage crop seeds and planting material, and delivered these to farmers free of charge. From 2015 onwards, EDGET gradually began to channel these inputs through private agro-input dealers.

This process entailed a number of key steps.

Mapping of agro-input demand and supply

In the first quarter of 2015 EDGET conducted a study in the three project regions aimed at collecting information on dairy farmer demands and identifying potential agro-input dealers and manufacturers. All agro-input dealers identified in the mapping were invited to respond to a call for proposals. In order to widen the pool of service providers, a number

of shops that had not yet acquired the official agro-dealer trade certificate were also invited to participate.

EDGET, in collaboration with the woreda (district) Livestock Offices selected 50 agro-input dealers representing each of the woredas served by the project.

In the case of one woreda for which it was not possible to find a partner, a dealer in the neighbouring woreda provided the agro-input services.

The criteria used for the selection included sales volume, location and distance to the market. The size and quality of the shop, capitalisation, and available storage facilities, were also considered. Dealers who already possessed a licence for supplying agro-inputs were preferred.

Supporting the establishment of agro-input dealers

Following the identification of qualified agro-input dealers, EDGET signed a contract with each dealer. EDGET's role included: providing management training and coaching; helping the agro-input dealers to establish links with suppliers and dairy farmers; and facilitating the process of acquiring a trade licence if needed. Furthermore, EDGET provided the agro-input dealers with shop materials such as display tables, shelves, wall paints, banners, signboards and uniforms for their staff. In total EDGET invested approximately ETB 50,000 (around US\$2,150) per dealer.

In return, agro-input dealers committed themselves to supplying EDGET-supported dairy farmers with high-quality inputs such standard concentrate feed, special calf feed formulas, specially developed containers for hygienic milk handling (Milking and Transportation System – MTS) and other inputs for dairy farming. Some of these products, such as improved calf feed and MTS, were specially promoted by the project (see Practice Briefs focusing on these topics).



Sign outside an agro-input store. EDGET supported agro-input dealers to market their services

Facilitating agro-input services to farmers

In order to build linkages between dairy farmers and the newly established network of agro-input dealers, EDGET provided farmers vouchers, on a one-off basis, to enable them to get an initial set of inputs for free at their local agro-input dealer. The agro-input dealers would also explain how to use the products. It was expected that this experience would motivate farmers to continue procuring these inputs from the shop.

Facilitating broader market linkages

EDGET convened business-to-business (B2B) meetings at regional and national level, bringing together importers, wholesalers, manufacturers, dealers, micro-finance institutions and other dairy stakeholders. These events have proved to be instrumental in establishing links among market actors. EDGET expects that this intervention will help lay the foundation for concrete business partnerships that can contribute towards the upgrading of the entire dairy value chain.

Key Results

Sales of new inputs

According to data collected from agro-input dealers, a total of 18,316 farmers in Oromia and Amhara regions benefitted from agro-input supplies. A smaller number of farmers also received advisory services (1021 farmers) and credit (826 farmers).

Table 1 (see page 3) summarises sales data on 28 agro-input dealers supported by EDGET. The data was collected in mid-2017 and covered the volume and value

Figure 1: Farmers' feedback on agro-input services



of the sales of inputs supplied by the project during the period July 2016 to June 2017.

While detailed figures about net income are not available, the fact that some of the agro-input dealers subsequently invested in opening retail outlets in remote kebeles (villages) within their woredas could indicate that the project helped to open up new business opportunities and strengthen the agro-input supply chain.

Client satisfaction

In 2017, EDGET carried out a client satisfaction survey among 48 farmer households in the three regions.

The findings showed that farmers preferred to buy inputs from agro-input dealers supported by the project because they offered a reliable supply of quality products at a reasonable price, and also stocked a wider range of products than other dealers. Another important reason was accessibility. According to an EDGET household survey,

Table 1: Input sales by agro-input dealers

	Amhara		Oromia		SNNPR		Total	
	Volume	Value (million ETB)	Volume	Value (million ETB)	Volume	Value (million ETB)	Volume	Value (million ETB)
Inputs	9,400	7.717	8,055	4.521	3,466	1.961	20,927	14.199
Animal feed (quintals)	907	0.033	5,600	0.248	2,370	0.029	3,277	0.309
Molasses (Litres)	1,239	0.108	-	-	800	0.022	2,039	0.131
Effective Microorganisms (EM) in litres	1,382	5.706	-	-	-	0.008	1,382	5.714
Forage seed (kg)	446	0.347	-	-	-	-	446	0.347
Farm tools and equipment (#)								
Feed additives (kg)	54	0.005	-	-	-	-	54	0.005
Veterinary drugs				0.150		-		0.150
							Total value	ETB 22.508 million US\$968,000

NB: Sales from products that were not directly related to the EDGET project, such as herbicides, pesticides and fertilisers, are not included.

the average distance travelled by farmers decreased 39 km to 13 km in Amhara region and from 8 km to 5 km in SNNPR. A few households indicated that they chose EDGET-supported dealers because they provided credit and advisory services, which was a direct result of EDGET's capacity building support for agro-input dealers. This enabled farmers to get advice on the use of products at the point of sale, or through follow-up trainings at the village level.



Some agro-input dealers are providing follow up advice to farmers

Strengthening the agro-input supply chain

EDGET's support to agro-input dealers led to additional benefits that help confirm that market-centred approaches have the potential to strengthen the agro-input supply chain. For example, a number of dealers supported by the project have diversified the range of products and services that

they offer to farmers. Recognising the high demand for animal feed, agro-input dealers in Farta and Adea woredas of Amhara and Oromia regions, respectively, invested in their own feed manufacturing technology to tap this lucrative business opportunity.

Other added-value services included provided by some agro-input dealers included providing credit to farmers and participating in extension sessions to advise farmers on the use of various inputs. Six of the 50 EDGET-supported dealers also provide veterinary services to farmers. A number of private agro-input dealers from Debre Libanos, Arsi Negele, Adaba and Adea woredas have established milk collection centres supplied by local farmers.

Profile of an agro-input dealer: Altaseb Mekebeb

Altaseb Mekebeb is an agro-input dealer based in Farta woreda of Amhara region. For more than a decade after starting his small-scale input supply service in 2004, Altaseb did not make much profit from his shop, which mainly stocked forage and vegetable seeds.

His situation changed in 2015 when he successfully applied for support from the EDGET project. This enabled him to upgrade his shop and attend basic training in record keeping, customer handling and business management.

"The support I got from SNV-EDGET project helped me resolve various problems that I had in building my business," says Altaseb.

Altaseb was able to expand his range of supplies to include concentrate feed for calves, MTS containers and other products in high demand among dairy farmers. He also began to attend national B2B sessions organised by EDGET, which has enabled him to gain new knowledge and skills, and establish links with larger input producers and suppliers. The business has expanded from four to more than 14 staff. To tap the growing demand for animal feed, Altaseb plans to invest more than ETB 20 million (around US\$860,000) to construct an animal feed processing plant.

More information: Practice Brief 5 in this series features two female agro-input dealers supported by the EDGET project.

The EDGET Project

Enhancing Dairy Sector Growth in Ethiopia (EDGET) is a five-year dairy development project implemented in 51 woredas (districts) in the three regional states of Oromia, Amhara, and the Southern Nations, Nationalities and Peoples' Region (SNNPR). The overall goal of the project is to contribute to enhance the livelihood of 65,000 smallholder farmer households through improved dairy production and marketing. The specific goals of the project are to: (i) to double the income of smallholder households from dairy production, and (ii) improve the nutritional status of children, particularly in the first 1,000 days of their lives, through consumption of milk products.

EDGET also seeks to complement the significant investments made by the Government of Ethiopia to promote the contribution of the dairy sector to the country's economic development.

EDGET is implemented by SNV-Netherlands Development Organisation, Ethiopia, and funded by the Embassy of the Kingdom of the Netherlands. It builds on the work of previous Dutch-funded dairy sector programmes, including the Business Organisations and Access to Markets (BOAM) programme (2005-2011) and the Market-linked Innovation for Dairy Development (MIDD) programme (2011-2012).

For more information, please visit the project website at: www.snv.org/project/enhancing-dairy-sector-growth-ethiopia

Lessons learnt

In providing support to agro-input dealers, EDGET aimed to ensure that, wherever possible, the supply of inputs was carried out by actors within the value chain. This was considered to be a more sustainable option than the prevailing practice among governmental and non-governmental programmes in which inputs and services are paid for with public funds and distributed by livestock offices. By not reflecting the true costs of dairy inputs and services, such subsidised input supply schemes make it more difficult to develop a private sector supply chain.

Some of the examples highlighted above indicate the potential of EDGET's market-led approach. The spontaneous diversification of activities deployed by agro-input dealers further suggests that investing in the strengthening of the supply chain has even more potential than expected. Two key lessons emerge from this experience.

First, agro-input dealers may help provide context-specific solutions to persistent bottlenecks in the dairy value chain. For example, where it is hard for farmers to organise milk collection groups, agro-input dealers may have the capacity to establish a milk collection centre. Agro-input dealers could also help bridge the gap in veterinary services, as is the case with Kenya's agro-vet business model. Agro-input dealers may also be in a position to provide access to credit for farmers as part of their business relationship.

A second lesson learnt is that a wider range of actors – not only agro-input stores – should be engaged as service providers to dairy farmers. For example, providers of veterinary or AI services may be well positioned to combine their existing services with the provision of agro-input supplies.

These two lessons need to be factored into future engagements with agro-input dealers and other private partners. In particular, it is essential to further develop EDGET's Dairy Input Demand and Supply Mapping, which is usually carried out prior to issuing a call to suppliers of agro-inputs and services. It is proposed that the mapping could also:

- Assess prospective applicants' capacity to take extra measures to reach out to dairy farmers in remote areas, for example through establishing retail outlets or working with agents in different parts of a woreda. This is because distance to the nearest agro-input dealer was highlighted a major obstacle by respondents to the client satisfaction survey.
- Identify a range of other dairy-sector services that may be in short supply within a specific woreda. These could include extension, veterinary and AI services, farmer credit or milk collection. Through a more holistic analysis, support projects can help identify opportunities to offer agro-input services, while filling other gaps in the market.
- Invite a broader cross-section of value chain actors to offer agro-input services. These could include providers of complementary services such as veterinary and AI services with the capacity to supply agro-inputs as well.

Agro-input dealers may help provide context-specific solutions to persistent bottlenecks in the dairy value chain.



Moreover, to make the business model complete in a specific local setting, a broader selection of scarce supplies should be considered and not just dairy agro-inputs.

THE SNV-EDGET PROJECT LEARNING SERIES

Practice Briefs

- Improved income from dairy farming
- Improved forage development
- Supplementary calf feeding
- Extension
- Gender
- Cooperatives
- Agro-input dealers
- Hygienic milk production and marketing
- A synthesis of lessons learnt from the EDGET project (2013-2017)

A set of longer farmer stories is also available.

Once published, all publications in this series will be available online via the following link: www.snv.org/project/enhancing-dairy-sector-growth-ethiopia/

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