



Adapt for Impact: The Evolution of the Village-based Agro-dealer Network in Tanzania's Lake Zone

Supporting hard-to-reach farming communities to raise agricultural productivity, boost profits and improve lives

Most people in Tanzania's Lake Zone depend on agriculture for their livelihoods. But in one of the country's poorest and least fertile regions, agricultural productivity has stagnated in recent decades. For example, the region's 350,000+ farmers growing cotton realise average yields of just 354kg per hectare (vs. 1,000kg per hectare in West Africa). The causes include the irregular supply of agricultural inputs in rural areas and poor cultivation practices that exhaust soils. Following economic liberalisation in the early 1990s, Tanzania's extension system and input market have largely failed to support farmers, with institutional weaknesses inhibiting the delivery of public services and the coordination of private actors.

In 2014, Gatsby Africa's Cotton Sector Development Programme (CSDP) began to build a network of village-based agro-dealers (VBAs) in a bid to enervise the extension system and inputs market in the Lake Zone. Acting as a link between town-based input suppliers and hard-to-reach farming communities, VBAs sell yield-enhancing products to smallholders – such as improved seed, herbicides and fertiliser – and advise on their effective use. CSDP has cultivated a thriving market from scratch by supporting VBAs with business advice, regulatory requirements and supplier relationships: the network now comprises 545 shops which turned an estimated profit of more than \$6.5 million in 2018. Crucially, these shops serve approximately 160,000

545 VBAs made an estimated profit of more than \$6.5 million in 2018

customers who are reaping the benefits: the programme estimates farmers collectively made an extra \$7.5 million last season by increasing their maize yields through the goods and services of VBAs.

This paper explores the network's evolution, impact and future.

Determined to ensure smallholder access to affordable inputs, CSDP set-up the VBA network in 2014 in response to challenges and having learned from failure

Before 2014, CSDP explored other options for disseminating agricultural inputs and advice throughout the Lake Zone, but these faced challenges.

In 2010/11, CSDP launched the Lead Farmer Training Programme to raise awareness of conservation agriculture – a suite of best practices that includes soil management techniques and the proper application of agrochemicals. Lead Farmers were selected based on their farming experience

and good reputation among peers, and recompensed for transport costs as they attended five distinct training modules. After training, Lead Farmers were sent home with an input package and encouraged to set-up quarter-acre demo plots so they could train their neighbours.

The assumption was that Lead Farmers would help to catalyse a change of farming practices across the Lake Zone, but an evaluation in 2013 suggested this was unlikely. Adoption rates were much lower than anticipated: less than half of the 2,700 Lead Farmers fully applied what they had learned on their own farms and only 5,000 smallholders in total experimented with aspects of conservation agriculture.

Interviews with Lead Farmers and villagers revealed the problem was two-fold. First, the intervention stimulated demand for inputs without addressing supply side constraints, so even if a farmer was convinced of the benefit of, say, using herbicides rather than weeding, they were simply unable to buy the agrochemical locally and try it out. Second, there were limited tangible incentives for Lead Farmers to instruct fellow farmers on what they had learned, meaning they had little reason to persevere when they encountered resistance to change (as one Lead Farmer remembers, “people fight with you about using fertiliser”). Based on this evidence, CSDP was compelled to conclude that the grant-funded Lead Farmer Training Programme would not sustainably serve as a means of boosting farmers’ yields and incomes.

CSDP reached this conclusion at a time when its “plan A” – of implementing contract farming across the cotton sector – was being downscaled in the face of significant political challenges. While CSDP had helped ensure 292,000 cotton farmers received inputs and extension services from licensed ginners under contract farming in 2011/12, high-level support for the arrangement was revoked abruptly. In response, CSDP decided to continue advocating for contract farming in supportive districts while reviewing alternative options for impacting smallholders’ lives.

As such, in late 2013 CSDP decided to transform the group of Lead Farmers into a network of VBAs with a strong commercial interest in generating and meeting local demand for inputs and advice across all crops. Recognising that Lead Farmers had limited incentives to share what they had learned, CSDP believed that a market-led approach would have a better chance of driving farmer adoption of best agricultural practices over the long-term. This pivot showcased CSDP’s ability to learn by doing and then adapt its theory of change as a result.



“Before I started my business, I had little food or money and limited business skills – now I have invested in my own farm, have a house with 6 rooms and have attended relevant trainings. I am now trusted by the local community.”

Adamu M, Shinyanga

CSDP is helping VBAs to formalise and expand their businesses – and this is transforming lives

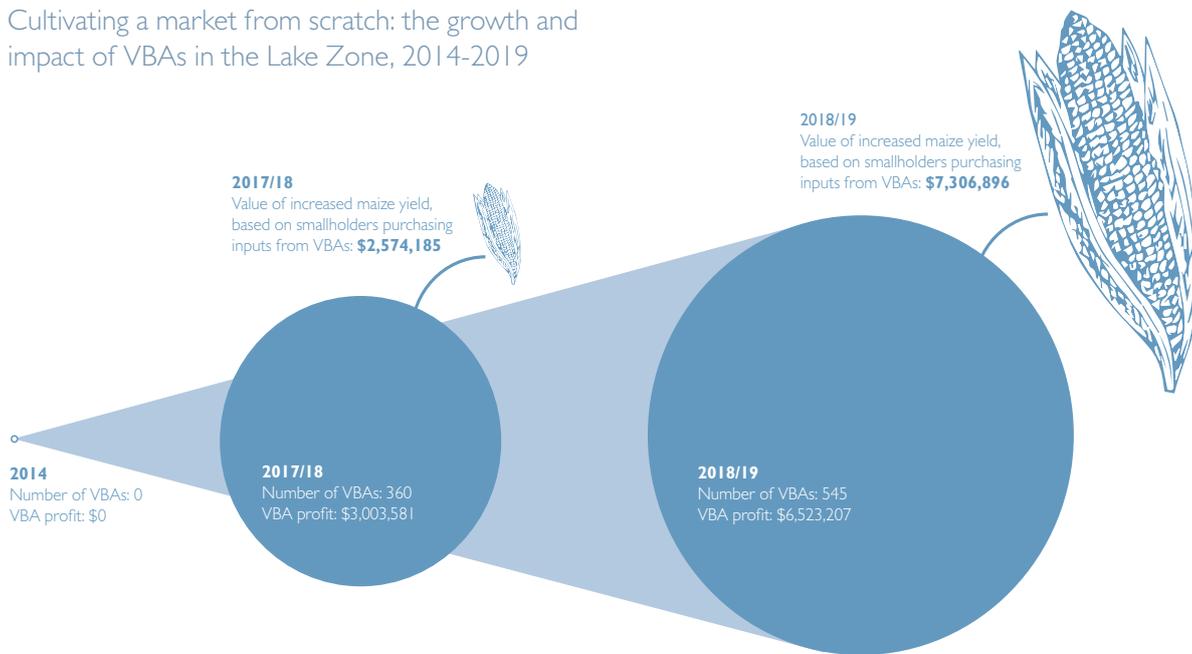
In 2014, CSDP started encouraging Lead Farmers to set up small input businesses in their villages which – to be viable – catered to the needs of all rain-fed crops grown locally. Selling small input starter packs to Lead Farmers at cost, CSDP sought to establish who had the entrepreneurial acumen to return a profit and reinvest. Less than half of the Lead Farmers were able to grasp the opportunity, mainly because they had originally been selected due to their farming – rather than business – skills. Consequently, CSDP began identifying entrepreneurial individuals from further afield with the requisite capital; training them on conservation agriculture; and supporting them in starting up as VBAs.

Within a year, some 1,000 entrepreneurs had kickstarted informal operations, with the vast majority simply buying inputs from the back of trucks and selling them from their homes. Unable to adequately support such a large and disparate group, CSDP strategically allocated its resources, focusing on the small subset of entrepreneurs who had managed to open shops and were willing to pay for business training (delivered by KUSI Consulting). This initial training covered the basics of stock management, recordkeeping and sending / receiving payments via mobile phone.

Over the years, CSDP has supported hundreds of VBAs on their journeys of formalisation and expansion, including by:

- Brokering relationships between VBAs and high-quality input suppliers by inviting sales reps from multiple firms to demonstration days in rural areas
- Advising VBAs on effective business management and ensuring VBAs know their obligations on tax plus licensing requirements
- Connecting VBAs to local service providers (such as tractor owners) so VBAs can advertise them to farmers and benefit from commissions
- Facilitating the formation and registration of saving & lending groups among VBAs located in the same district
- Linking VBAs to the relevant regulatory authorities and helping organise mandatory trainings on the safe handling and proper use of fertiliser (with the Tanzania Fertilizer Regulatory Authority), seed (with the Tanzania Official Seed Certification Institute) and pesticide (with the Tropical Pesticides Research Institute)

Cultivating a market from scratch: the growth and impact of VBAs in the Lake Zone, 2014-2019



Editha in Bukombe has turned \$170 of starting capital in 2015 into just over \$30,000 today

To monitor the network’s progress – and that of the VBAs – CSDP now employs four Business Advisors, who are allocated eight districts each and visit five VBAs a day. Equipped with a tablet computer, Business Advisors can pull up individual VBA profiles on CSDP’s database (“V-BASE”), which, among other things, displays notes from previous meetings and exhibits a flag if, say, a VBA’s business licence is set to expire. Most importantly, the digital profile contains the VBA’s purchasing and sales trends, enabling Business Advisors to understand whether or not the business is growing and to recommend specific improvements. At the end of one-to-one consultations, Business Advisors take photos of the VBA’s sales and purchasing ledger books – distributed by CSDP – and then submit these up-to-date records to “V-BASE” for analysis. While many VBAs were introduced to recordkeeping by CSDP, most now eagerly fill their ledger books, recognising the importance of knowing what prices suppliers offer; who their customers are; and what products sell at different stages in the season.

The mood among CSDP’s network of VBAs is buoyant and optimistic. A survey conducted earlier this year revealed that 91% of shop owners are satisfied with CSDP’s support, with high appreciation of the mentoring and networking opportunities, plus the changed perceptions of government authorities toward their businesses.

The positivity stems largely from the businesses’ strong performance, with a majority of VBAs stating that profits are rising year-on-year and their product base has expanded significantly over time. In some cases, the numbers are striking: Editha in Bukombe has turned \$170 of starting capital in 2015 into just over \$30,000 today.

As a cornerstone of their success, most VBAs point to the training certificates that adorn their shops and say that advising farmers properly on product use is critical for repeat business. For example, Fastenes in Sengerema now employs



“You can see the impact we are having at a low level. You’re seeing crowding in and you’re seeing people growing their businesses. VBAs are happy to wake up every morning – they are not waiting on CSDP for anything.”

David Wozemba, Deputy Director of Farmer Support Services, CSDP - Gatsby Africa

an ex-government extension officer to ensure smallholders are well informed about products at the point-of-sale, and Bundala in Bukombe has bought a motorbike which he uses to inspect the farms of customers post-sale. The commitment of VBAs to undertake training and educate customers is being noticed by other actors in the input supply chain: a representative from East African Seed commended the handling skills of the VBAs supported by CSDP, noting that “they are not like the rest [of agro-dealers]”.

By enabling VBAs to prosper, CSDP is having a positive impact on their lives while boosting the yields of those smallholders who can now access quality inputs locally and get the right advice on how to use them effectively. VBAs say they are using the profits to afford basic necessities for their families; cover school and college tuition fees for their siblings; build new homes or renovate existing ones; invest in livestock or vegetable farms; and start saving money in banks. Moreover, there are signs that enhancing smallholder access to inputs and advice is stimulating a virtuous cycle, as farmers use their augmented incomes to invest further in their plots.

Looking to the future

Most VBAs now have thriving businesses that would continue to prosper without CSDP support, although its withdrawal from the market system would inevitably slow the network’s rate of formalisation and expansion. Most VBAs appear to be confident about the future, with some planning on opening another branch, employing a shop assistant or shifting from retailing to wholesaling. Encouraged by the considerable margins, VBAs say they would recommend the line of business to other budding entrepreneurs in the region.

In terms of the cotton sector, at present just 16% of the Lake Zone’s farmers are procuring cotton inputs from the VBA network. However, given that cotton inputs have been distributed by the Tanzania Cotton Board (TCB) in recent years, this is a notable achievement. The full potential of the VBA network in the cotton sector will only become clear should ginneries or the TCB curb their provision of inputs in future seasons.

VBAs are constrained by the general volatility of the cotton market, as their customers rely on cash generated by the crop to buy inputs. Thus, when the cotton harvest fails, the sales of VBAs drop and smallholders are doubly affected, as they cannot then invest in enhancing the yields of their other crops. VBAs are constrained by other factors too, including the considerable distances they must travel to buy inputs and the fact that they can only buy relatively small quantities of products at any one time – either because they are short on cash or limited by how much they can carry home on the bus.



Having recognised the need for greater coordination among VBAs, CSDP is now encouraging entrepreneurs to join district associations and the national Tanzania Agro-Dealers Cooperative Society (TADCOS). While district associations can negotiate deals with input suppliers, transport firms and finance institutions, TADCOS are offering members an opportunity to have their voices heard in political fora (Japhet Hasunga MP, Minister of Agriculture, attended its AGM in September 2019). This is already having an impact: after VBAs recently expressed their disquiet about the high cost of regulatory trainings and permits, TADCOS was granted permission to combine the trainings on fertiliser, seeds and pesticides into one and deliver this to members for free over the course of a week.

While CSDP continues to promote coordination of this kind, it is also exploring how to build the network into a sustainable and growing source of inputs and advice to fill the remaining gaps of access in the Lake Zone. This will certainly involve engaging more with district associations and TADCOS, but also commercial actors such as banks and input distributors.

CSDP is also exploring whether experienced commercial firms might take over its own responsibilities in the market system. Pointing to the rapid growth of the network and drawing on the market data stored in “V-BASE”, CSDP can present a strong business case to potential investors, including a number of possible revenue streams (e.g. charging membership fees, intermediating bulk transactions between VBAs and suppliers, organising training / networking events). Crucially, however, a newcomer’s objectives must align with the developmental vision of CSDP, which is set on improving the quantity, quality and affordability of inputs across the Lake Zone and ensuring the dissemination of best agricultural practices to maximise the impact on farmers’ lives.