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The Newsletter of PrOpCom | Making Nigerian Agricultural Markets Work for the Poor

PrOpCom

Making Nigerian Agricultural Markets Work for the Poor

Kano Rice Business Group aims to improve the business of rice in Kano **1**

NACRDB loans to women parboilers – a success story **2**

Women parboilers and processors get together to network and exchange ideas **2**

Fertiliser subsidy not reaching farmers in Adamawa State **3**

Village promoters benefit from fast-track pilot fertiliser training by FIPS Africa and Notore Ltd **3**

Kano Rice Business Group aims to improve the business of rice in Kano

The rice value chain in Nigeria faces several challenges, ranging from insufficient incentives for local producers and an inability to compete with higher quality imported rice, through to inadequate regulatory and policy frameworks, which, if improved, would stimulate the growth of the sector.

Kano is the main centre for rice processing in Nigeria. As a major rice hub with the largest grain market – not only in Nigeria but also in the whole West African sub-region – the potential of Kano’s Dawanau market cannot be underestimated.

Despite this importance, rice stakeholders in Kano have historically had no platform to engage with the government on policy, or with their fellowstakeholders. The need for public-private engagement becomes more critical with the development of a rice policy in which the Kano state government has shown strong commitment. It was obvious that such a platform was vital to increase much-needed private sector investment in the rice industry. Thus, in the last quarter of 2009, PrOpCom facilitated a rice stakeholders meeting in Kano to create such a platform – the Kano Rice Business Group (KRBG) – for stakeholders to share their concerns amongst themselves and with the government. The KRBG is a platform



Dignitaries and stakeholders at the Kano Rice Exhibition and launch of Kano Rice Business Group



for sharing information, networking and advocacy on critical issues that affect the sector. The group includes private sector stakeholders from the rice industry, including women parboilers, rice farmers, financial institutions, rice millers, agro-input suppliers and agro-equipment fabricators. The objective of the group is to advocate and guide government activities in order to

Continued on page 2

create a suitable business environment for its stakeholders.

Stakeholders who showed interest in the idea held an initial meeting on the 25th March 2010 to set the objectives of the rice network. They agreed that the group will lead advocacy campaigns and conduct sensitisation programmes. In addition, it will lobby the government, private sector organisations and relevant stakeholders to provide an enabling environment to stimulate economic growth, job creation and the formulation of a framework for a market-led rice sector in the country. Plans to build the capacity of the stakeholders for advocacy roles are currently under way.

The Kano State Agricultural and Rural Development Authority (KNARDA) has promised to support the KRBG's growth into a viable network within the rice sector. KRBG also has the endorsement of the Abuja Securities and Commodity Exchange (ASCE), a government regulatory body on commodity trading, which provides a secretariat for the association in its Kano branch office.

The enthusiasm demonstrated by the government and the commodity regulatory body culminated in the formal launch of KRBG on 27th April 2010 at the ASCE secretariat in Kano. Both government institutions were actively involved. Among the dignitaries in attendance were the State's Commissioner of Commerce, Industry and Cooperatives, Alhaji Ahmad Ibrahim Yakassai; the Coordinator of Commercial Agriculture for Kano, Alhaji Mohammad Badawi; and Alhaji Sabiu Hamza of ASCE.

As part of the launch, members of the KRBG elected an executive committee to pilot its affairs. Alhaji Turadu Dantata, Chairman of TADCO Nigeria Limited, emerged as the new chairman of the business group. Members of the KRBG showcased their services and products to encourage patronage amongst the group. One hundred and eleven members participated in the exhibition, including women parboilers, rice farmers, processors, input suppliers, equipment fabricators, tractor-hiring services, ASCE, KNARDA and the Ministry of Commerce.

NACRDB loans to women parboilers – a success story

PrOpCom has been working to develop the parboiling sector of the Kano rice industry since 2008. Between November 2008 and June 2009, N46 million was loaned to 527 women parboilers in six rice clusters, enabling them to progress from parboiling on a contract basis to purchasing paddy for parboiling and selling the rice themselves. The loans have to be paid back within an agreed 18-month period.

By the end of September 2009 – within half the tenure – 65% of the groups had completed their repayments, while the others are still repaying within the stipulated 18-month period. At present, the loan repayments are ongoing and there have been no defaulters within the tenure of the loans.

One group in Tudun Wada paid off its loans within 10 months and has already secured another loan with 20 additional parboilers receiving N4 million. This brings the total to N50 million distributed to 547 women.

The success story of the loan repayments was related to the Executive Director for Business Development of the Nigerian Agricultural Cooperatives & Rural Development Bank (NACRDB), Alhaji Waziri H. Ahmadu, during a courtesy visit by PrOpCom's Programme Manager, Mr Julian Peach and the Managing Director of TADCO Nigeria Ltd, Alhaji Turadu Dantata, to the bank's headquarters in Kaduna on 31st March 2010. Also in attendance was NACRDB's Zonal Manager in Kano, Alhaji Tukur, whose branch administered the loans.

In response, the Executive Director expressed the bank's appreciation to the women parboilers and PrOpCom for the collaboration, noting that the project is a viable platform for increasing agricultural productivity and actualising the food security agenda of the government. He said it provided an excellent example of working towards eradication of poverty through investment in agriculture.

Women parboilers and processors get together to network and exchange ideas

PrOpCom conducted a Social Network Analysis (SNA) of its parboiling intervention in Kano State to assess its impact on the beneficiaries. The exercise was undertaken in February 2010 by Net-Map Consultants. The SNA study examined the



Hajiya Amina Mustapha, presenting the findings of the SNA Report to the Kano Women Parboilers' Stakeholders' Forum



Participants at a workshop on the Kano rice parboilers' SNA process

network map of the parboilers before and after PrOpCom's intervention. It identified the relevant actors in the sector and highlighted their various roles. The study also examined the influence of the more informal links.

To disseminate the findings of the SNA and get feedback, PrOpCom organised a stakeholders' meeting for the women parboilers and processors in Kano on 23rd March 2010. A total of 148 participants from six clusters – Chiromawa, Garko, Karfi, Kura, Tambuwara and Tudun Wada – attended the meeting. Following the meeting the findings were presented in the Hausa language by Hajia Amina Mustapha.

Although the event targeted women, their male counterparts – rice millers and traders – were not left out. The event benefited all stakeholders since it provided an opportunity for parboilers and processors to meet and exchange information. The workshop included a brainstorming session on the challenges faced by women parboilers and traders in rice businesses. These included the high cost of paddy, lack of access to the market due to cultural practices, and an inability to get a premium price for the improved quality rice.

The SNA revealed a key impact resulting from PrOpCom's intervention. This was the formation of groups of women parboilers, which increased opportunities for members to support one another and

increase their social capital as key partners in the rice value chain. The women also engaged in other joint activities that enhanced their businesses through economies of scale.

Women within the groups helped each other with their businesses and exchanged critical information, with some groups pooling their commodities (rice) to secure higher prices (this happened in Tamburawa). In Kura, groups clubbed together to host social events, and the parboilers in Tudun Wada were able to pay back their loans ahead of time.

PrOpCom's intervention in the Kura-Kano corridor opened a window of opportunity for 547 women processors belonging to the six clusters of 46 cooperative groups in the state. These women processors became employers of labour, increased their incomes and gained respect from their husbands due to their changed economic status.

As a result of participating in the stakeholders' network meeting, three millers noted that they had gained better understanding on why and how their businesses are important to those of the women parboilers and vice versa.

One of them said: "If the women are to meet the quest for improved quality of rice, we will need de-stoners, good milling machines to play our own roles well."

Fertiliser subsidy not reaching farmers in Adamawa State

In December 2009, the Adamawa State Government invited PrOpCom to Yola to discuss how they might work together to support local agricultural development. The discussions involved the State Governor, Alhaji Murtala Nyako, and top government officers together with the PrOpCom team, and demonstrated the government's interest in helping farmers gain access to fertiliser. PrOpCom was asked to assist the government in a review of the state fertiliser policy, with the aim of improving the availability of fertiliser, which will help increase agricultural productivity, raise incomes and reduce poverty.

PrOpCom responded by proposing a quick survey to assess the effectiveness of the government's current fertiliser distribution system with a view to providing the state with policy options if needed. The survey revealed that:

- on average, farmers were able to access only 30% of the 700 kg they require each year
- most of the farmers (82%) sourced fertiliser directly from the open market

Village promoters benefit from fast-track pilot fertiliser training by FIPS Africa and Notore Ltd

Many small-scale farmers lack the skills they need to apply fertiliser correctly, being unaware of the ideal concentration to use on their crop and the best way to apply it. To address this lack of knowledge, Notore Chemicals Nigeria Limited, an indigenous fertiliser production company, decided they would improve their service

- only 11% of government-subsidised fertiliser reached the farmers
- the government-subsidised fertiliser supply reached farmers very late in the growing season.

Put simply, the total supply of fertiliser (from both private sector and government) left around 70% of farmers' demand unmet. Worse still, most of the subsidised fertiliser (about 89%) was captured by unintended beneficiaries and later re-sold to farmers at an almost open market price.

These findings were presented at a fertiliser stakeholders' forum in February 2010, in which the Governor, his senior team and the business community participated. Several stakeholders, including the state Permanent Secretary in the Ministry of Agriculture, Dr. Louis Mandama, applauded the findings and suggested a review of the current distribution system. The state government has subsequently demonstrated its commitment to increasing fertiliser availability by reviewing and diversifying its distribution networks. It is expected that public distribution will be less wasteful in 2010,

and greater quantities of subsidised fertiliser will reach the farmers.

Another survey will be undertaken later in 2010 to assess the level of change arising from the reform. The government has also agreed to invite private fertiliser producers officially to set up distribution networks in the state so as to bridge the huge demand–supply gap. It is hoped that the government may then formalise this arrangement into a new policy that will liberalise the market and ensure farmers can access the fertiliser they need to support and improve their livelihoods.



The Adamawa State Governor, Alhaji Murtala Nyako (standing), with other dignitaries, addressing the Fertiliser Stakeholders forum in Yola, Adamawa State

to farmers by supplying advice on fertiliser use in addition to the fertiliser itself.

PrOpCom introduced Notore to Farm Input Promotions (FIPS) Africa, a non-profit organisation based in Kenya, and facilitated a partnership between the two. FIPS gave Notore technical advice on how to promote its fertiliser and the training of village promoters or private extension agents on effective fertiliser usage. The idea was that Notore would develop village-level input promoters or private extension agents who would retail fertiliser at farm gates and train farmers in good agricultural practices (specifically fertiliser application) through demonstration plots. In addition, they would make it easier

for small-scale farmers to buy fertiliser in small affordable quantities without the risk of adulteration by introducing a 1 kg bag. Village promoters will transfer the skills gained to other farmers in the communities within the project's targeted areas whilst also selling Notore's fertiliser.

The expected impact/outcomes were:

- stronger input distribution systems
- improved and privately-run farm advisory services
- access to fertiliser in small (1 kg) packs that are more affordable.

Notore and FIPS Africa reached a formal agreement to work together in October 2009 and, in November, set up a fast-track

pilot scheme in two states (Katsina and Niger). Here, they conducted a training programme for prospective village promoters to quickly test new products, packaging, promotion and distribution channels before the major production season.

Impact assessments were carried out in February and March 2010 to monitor changes in the market. The success, while modest in scale (only 12,500 farmers were reached), generated valuable lessons. In addition, secondary studies suggest that proper application of fertiliser in the right amounts can boost yields by up to 20%.



Farmers and village promoters apply fertiliser to the crop at a farm demonstration site during FIPS/Notore training in Kastina State

Based on the results of the pilot study, Notore set itself a target of 20% (70,000 metric tonnes) of its 2011 sales to be in small (1 kg) packs. To achieve this they have scaled up the programme to 15 target areas across 12 states in the 2010 farming season, namely Benue, Katsina and Niger States (two target areas each) and Adamawa, Borno, Kaduna, Kano, Kebbi, Kogi, Oyo, Sokoto and Taraba States (one target area each).

PrOpCom has facilitated the process through which the two parties have explored their partnership and agreed on using a market-led approach to create demand for a product and thus stimulate growth in a value chain. PrOpCom will continue to engage with Notore and FIPS Africa to measure the success of its contribution, and to ensure that the activities proceed at a feasible pace.



Farmers and village extension agents observe a healthy crop following application of Notore fertiliser (FIPS/Notore training in Kastina State)

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PrOpCom

Making Nigerian Agricultural Markets Work for the Poor

PrOpCom (Promoting Pro-Poor Opportunities through Commodity and Service Markets) is an innovative market-driven programme funded by the United Kingdom's Department for International Development (DFID) that aims to reduce poverty in Nigeria. The programme works with government institutions, private sector organisations and individuals to enable agricultural markets to work better for the poor. PrOpCom started full implementation in April 2008 and will be operational until April 2011.

The overall intention of the programme is to facilitate basic changes to market systems and institutions, to improve how markets operate, and to increase profits and revenue whilst providing benefits to the poor from these market interventions. PrOpCom facilitates and catalyses changes (making them possible and happen faster) through active engagement with businesses, civil society and government, in order to address problems in selected commodity sectors. The programme works along the entire value chain, as appropriate, including production, processing and marketing of agricultural products.

Using this market-led, pro-poor development approach, PrOpCom works through market forces to support the poor to:

- enhance their incomes
- obtain access to jobs
- gain greater access to markets
- have more choice in the markets
- use the market to reduce the economic risks they face.

PrOpCom is currently facilitating activities in five markets (Fertiliser, Rice, Financial Services, Agricultural Mechanisation and Agricultural Policy), within a framework of 12 interventions, in order to promote market development which is beneficial to poor people in Nigeria.

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