Babban Gona: A Business of Social Impact

An Agricultural Transformation

Safiratu Philibus now has access to all the inputs needed for her farm, she no longer has to economise on fertilisers or sow leftover grains from her previous harvests. Safiratu is harvesting 35 – 40 bags of maize on her 0.4 ha, the same land size where she previously harvested 10 bags. Safiratu also no longer worries about finding a market for her produce or incurring wastage. This burden has been lifted from her and is prime motivation for her to expand her farm size. Safiratu has become a voice of encouragement amongst women in her community. She is an inspiration for more women joining the new agricultural revolution.

Halliru Saleh is highly respected in his community, he heads a group of 10 farmers. Being a lead farmer has built Halliru’s leadership skills and agronomic knowledge. He has learnt to apply good agricultural practices and now has access to mechanisation services. Halliru no longer sells off his grains immediately after harvest at low prices to meet his financial needs or for lack of effective storage and anticipated spoilage. Increased yields and higher sales prices have steadily increased his income since 2012, and he has reinvested this in his farm business. In 2014 Halliru made NGN1 million (£4,000) in profit, up from a maximum of NGN100,000 (£400) in the years prior to 2012 when he says he mostly operated at a loss.

Safiratu, Halliru and their group members all belong to an innovative agricultural enterprise which empowers smallholder farmers to optimise productivity and scale up their businesses. They belong to the Babban Gona (BG) franchise.

A ‘Great Farm’

Located 75 kilometres from the city of Zaria in Kaduna state, Babban Gona is the new model of a profit-making enterprise which simultaneously cultivates sustainable social impact. Established in 2012, Babban Gona responds to some of the key challenges which impede smallholder farmers in Nigeria from making a profit from their farm businesses. These include access to credit; extension, quality, quantity and timely agricultural inputs; technology services; storage, and markets; all while making a modest profit. Babban Gona means ‘great farm’ in Hausa, and aims to raise the incomes of 1 million smallholder farmers by 2025 using a franchise model which de-risks farmers and provides smallholder groups with knowledge development, financial, input, and output aggregation services. Babban Gona’s key crop is currently maize.

Investing in Novel Development

In June 2013, UK aid through its Propcom Mai- karfi project invested NGN72 million (£288,000) in development impact bonds with Babban Gona called Raise out of Poverty (ROPO) bonds. The target of the investment was to help BG scale-up its activities, finance business expansion amongst smallholder farmers, increase women’s participation by 25%, and demonstrate to investors and potential start-ups that agriculture in Nigeria can be profitable. UK aid made an additional investment of NGN40 million (£160,000) in the franchise in February 2014, and is reinvesting the total capital and accrued interest from the first ROPO bond into a third bond in June 2015.
Outlining Babban Gona’s Model

Farmers networked under BG’s franchise are harvesting an average of 3.5 metric tonnes per hectare of maize, 2.3 times more than the national average. The starting point of BG’s agricultural model is group formation; BG identifies high-performing smallholder farmers and builds their capacities to form and lead strong groups. The groups called trust groups (TGs) comprise a minimum of 3 and a maximum of 10 members each. BG maps members and plot sizes of any newly formed TGs, and collects a commitment deposit of NGN1,000/ha. BG trains TGs on good agricultural practices and offers members NGN80,000 worth of credit per hectare in the form of seeds, fertilisers, herbicides, Aflasafe (chemical for reducing aflatoxins), pesticides, and tractor and threshing services. At harvest BG provides farmers with sacks and needles for bagging, and transportation to its storage facility where grains are weighed and tested for moisture content. On delivery at its storage facility, BG gives farmers a harvest loan which allows them to hold out for higher prices on their produce. Loan amounts are pegged on the market prices per bag of maize; after deduction of the cost equivalent for input credit. BG stores farmers’ grains in regulated warehouses and cocoons, and sells off at strategic times of the year to various buyers, including Nestle Nigeria Plc. Farmers receive additional profit from Babban Gona; equivalent to what is left after deductions for logistics, initial harvest loan, and a 5% service charge.

BG farmers are now more than doubling their profits, and are incentivised to expand their farm sizes with ready access to ample inputs and a premium market for their harvests.

Farmers are usually pressed for money by harvest, and do not have access to proper storage facilities for their grains. As a result, they sell quickly at low rates immediately after harvest. The BG franchise gives farmers a harvest loan measured on the size of delivered grains, stores farmers’ grains, and remits additional profit to them when the grains are sold at higher prices later in the year.

Looking forward

As the first publicly traded social bond in Nigeria, Babban Gona is breaking new grounds. Consequent to UK aid’s investment in the franchise, other companies and individuals have followed. BG has attracted an additional NGN190million (£760,000) in investment with which it is expanding, impacting, and establishing a viable business in northern Nigeria. Since inception, Babban Gona has expanded from 16 TGs, 100 farmers, and 106ha in 2012 to 450 TGs, 1,800 farmers, and 1,500ha in 2014. Over the next two years BG has big plans! In 2015 Babban Gona is increasing its reach to 600 trust groups of 4,000 farmers cultivating a total of 3,000ha. It will also invest in improving its existing 20% women’s membership. UK aid, in addition to reinvesting in the franchise will facilitate the capacity building of 25 top level managers for BG to enable its area expansion from three to twenty five hubs throughout Kaduna state. The government of Nigeria, through the Central Bank of Nigeria and the Kaduna state government, have also indicated interest in investing in the franchise and fast tracking a wider scale up of the model. Starting in 2015, the franchise’s commodities will include rice, soybeans, cowpeas, and maize, some of which are particularly favoured by women.

“Mun gode’, the Hausa phrase for ‘we thank you’, is the resounding chorus on the lips of Babban Gona’s predominantly Hausa-speaking farmer-members. With Propcom Mai-kañfi’s support, Babban Gona members have gained access to loans that have truly changed their lives”. - BG

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