

MARKET SYSTEMS DEVELOPMENT FOR  
BUYERS OF AGRICULTURAL PRODUCTS AND/OR  
GOAT IN NEPAL

**Pre Application Meeting**

January 18, 2017

Airport Hotel, Kathmandu

**Presentation by:**

**Project Market Systems Team**

# Meeting Objectives

1. Present the Project program and the Project Value Chain/Market Systems Team (VC/MS Team)
2. **Review assessment of the output markets**
3. Present opportunity for buyers of agricultural products and/or goat to collaborate with Project
4. **Review illustrative initiatives that agribusiness companies can undertake *(and that could be supported by the Project VC/MS Unit)***
5. Present application process and eligibility criteria
6. **Questions and discussion**

# Project Project

## Project Project:

Five-year project funded by the U.S. Agency for International Development (USAID) and implemented by a consortia of organizations led by Save the Children. The objective is to promote increased livelihoods, health and resilience of low-income people in Nepal.

## Objective of Outputs Market Component:

To promote greater market access to smallholder farmers in the targeted districts.

## Targeted districts include:

Kavre, Makawanpur, Udayapur, Sindhuli, Ramechhap, Okhaldhunga, Khotang, Nuwakot, Sindhupalchok, Rasuwa and Dolakha

## Project Value Chain/Market Systems Unit (VC/MS Unit)

The Project VC/MS Unit, facilitated by consortia partner Action for Enterprise (AFE), is supporting agribusiness companies to increase their competitiveness as well as the commercial products they source from smallholder farmers in the targeted districts.

## Outputs Market Assessment

- Goat
- Maize
- Vegetables
- Spices

## Interviews & Focus Group Discussions

- Interviews conducted (*including focus groups*)
- Key informants included major market actors, producers, government representatives, and others located both in the targeted districts as well as “economic hubs” that are serving the targeted districts.



# Input Supply Market Assessments

Recent assessments carried out by Project VC/MS Unit in the targeted districts showed that many smallholder farmers/producers lack:

- 1) information about and access to markets (including knowledge of market prices);
- 2) access to agricultural inputs (and information about the correct use of those inputs) that can contribute to improved production;
- 3) appropriate tools, equipment, knowledge and services for post-harvest handling and transportation
- 4) funds for purchasing and adopting new technologies (e.g., plastic culture, drip irrigation, etc.).

This results in reduced opportunities for farmers/producers to sell their produce/livestock and increase income.



# Challenges Facing Buyers of Agricultural Products / Goat

Some of the **challenges** that buyers of agriculture products/goat interviewed face in addressing these and other constraints include:

- ❖ Smallholder farmers/producers yield produce/livestock in small quantities and are widely scattered geographically, making it difficult for buyers to acquire sufficient quantities.
- ❖ Poor infrastructure, long distances to remote markets, and high transportation costs hinder procurement by buyers from many smallholder farmers/producers in remote areas.
- ❖ Many buyers have difficulty sourcing quality produce/livestock, due to improper harvesting and post-harvest handling by producers results in low quality products (such as fresh ginger) that are difficult to sell.
- ❖ Extensive time and expenses are required by buyers to procure products from remote areas.

Continued...

# Challenges Facing Input Supply Companies

- ◆ Many traders face difficulties in creating economies of scale for cost effective procurement and transportation of agriculture and livestock products to end markets.
- ◆ A majority of traders bear high post-harvest losses due to inappropriate timing of harvesting, poor bundling and packaging, bad road conditions and long transportation distances.
- ◆ Many traders are involved in "*informal trust contracting*". These traders provide inputs on credit to contracted farmers and then face difficulties when farmers break agreements and sell to other buyers.
- ◆ Some vegetable traders are unable to access sufficient fertilizer (at affordable prices) and are compelled to pay high prices in order to procure and deliver fertilizer to their contract growers.
- ◆ Traders are confronted with road blockades and other impediments during transportation which results in the loss of perishable vegetables.
- ◆ Traders incur heavy losses in storage due to rhizome rot infected products (ex. with ginger).
- ◆ Many traders are unaware of production pockets in the targeted districts (number of producers, volume of production, type of product etc.).

# Opportunity to Collaborate

The Project VC/MS program invites buyers of agricultural products/goat to propose their own initiatives (activities) that will enable them to:

- overcome the challenges they face
- improve their competitiveness
- expand their commercial procurement networks in rural areas
- develop/introduce new or improved technologies/techniques to smallholder farmers/producers
- increase productivity to meet market demands
- provide useful information and training to farmers and intermediaries

Companies will be responsible for organizing and implementing these initiatives *(with technical and/or financial support from Project)*.

Interested commercial entities must submit an application.



# Types of Collaboration

## Technical Support

- ◇ Coaching and capacity building of successful applicants to develop and implement their proposed initiatives
- ◇ Facilitation of business/strategic plans for proposed initiatives
- ◇ Introduction to companies that have conducted similar initiatives
- ◇ Meetings among firms implementing similar initiatives to exchange experiences

## Financial Support

- ◇ Cost-share ranging from *Rs 500,000 to Rs 1500,000 for the first initiative*
- ◇ Significant investment by the agribusiness (*company must cover at least 30% of the costs of the proposed initiative*)

# Support to Private Sector Initiatives

Companies will propose their own initiatives (activities) and will be fully responsible for implementing those initiatives

Project financial contribution cannot be used for:

- ◇ Working capital (*i.e., day to day recurrent costs for company operations such as salaries, rent, purchases, etc.*)
- ◇ Direct payment or subsidy to producers
- ◇ Fixed assets (*e.g., computers, vehicles, tools, equipment, etc.*)
- ◇ Improving or expanding a company's sales to government or donor programs

Examples of initiatives Project may support follow.

# ILLUSTRATIVE INITIATIVES

## Training, Promotion and Extension

*(for farmers/producers as well as intermediaries who sell the company's products such as retailers, technicians, and mobile vendors)*

### ZAMBIA:

A dairy company organized visits for livestock producers to more advanced dairy farms in the country. The producers learned about improved inputs for feed and hygiene and were able to increase their farm's milk production. The company benefited by having an increased supply of high quality milk to purchase and input supply companies increased sales.



An input supply company developed posters and brochures which disseminated information on correct use of the company's agricultural inputs, such as seed and chemical products.

# ILLUSTRATIVE INITIATIVES

## **Training, Promotion and Extension**

*(for farmers/producers as well as intermediaries who sell the company's products such as retailers, technicians, and mobile vendors)*



*Company-led training program for retailers and rural agents*

### ZAMBIA:

Input Supply Company built the capacity of their retailers and rural agents to advise farmers on use of company products for improved production practices through the safe handling and appropriate use of agrochemicals

Developed handbooks (for distribution to retailers and farmers) providing information on: a) plant protection methods; b) plant pest and disease guide; c) safe use and labeling of pesticides; d) herbicide users guide and calibration process; and, e) product knowledge chart.

# ILLUSTRATIVE INITIATIVES

## Training, Promotion and Extension

### **Project can support companies to:**

- ◆ Develop plans and materials for training/promotion activities
- ◆ Build capacity of company staff to provide training and information to farmers/producers and sales intermediaries
- ◆ Organize Training of Trainers for company staff and agents to prepare them to deliver practical training and promotion activities
- ◆ Develop detailed implementation plans for carrying out training/promotion activities

## ILLUSTRATIVE INITIATIVES

### Develop/expand procurement models

#### ◆ Potential company initiatives to develop/expand procurement models:

- identify farmer/producer/intermediary suppliers
- develop outgrowing operations
- development of collection points
- build capacity of suppliers through training, technical assistance, demonstrations, field days, etc
- develop aggregation models / procurement models (for purchasing in economies of scale)
- develop credit programs for suppliers
- develop seed multiplication programs and introduction of higher yielding varieties (seeds can be provided/sold to suppliers)

## ILLUSTRATIVE INITIATIVES

### Develop/expand procurement models



Baskets for Export



Collecting Potatoes



Seaweed Delivery

# ILLUSTRATIVE INITIATIVES

## **Training, Promotion and Extension**

*(for farmers/producers as well as intermediaries)*

### Example mediums:

- Field days/ demonstration plots
- Training/promotion activities
- Distribution of Brochures/Booklets
- Brochures, posters, etc.

### Possible Audiences:

- Farmers/ producers
- Wholesalers
- Retailers
- Mobile Vendors
- Technicians, etc.

### Illustrative Topics:

- Demonstration of company seeds for off-season vegetable production
- Correct use of tools & equipment sold by company
- Introduction of company's new seed varieties
- Application of fertilizer sold by company
- Advantages of purchasing quality inputs
- Differentiation of company and counterfeit products.

# ILLUSTRATIVE INITIATIVES

## **Training, Promotion and Extension**

*(for farmers/producers as well as intermediaries who sell the company's products such as retailers, technicians, and mobile vendors)*

### BANGLADESH:

A potato factory set up demonstration plots and then organized “field days” where they invited 50-100 farmers to each plot to observe best practices and new potato varieties needed by the factory. This helped the company procure the quantity and quality of potatoes necessary for processing.



# ILLUSTRATIVE INITIATIVES

## **Training, Promotion and Extension**

*(for farmers/producers as well as intermediaries)*

### NEPAL:

A Nepalese agribusiness set out to promote one agriculture input. At the same time, they promoted a new seed variety which had previously not penetrated the market very well. Following several company-hosted trainings for retailers and farmers, the company proceeded to sell a large volume of this less well known seed variety. The demand was so high that they had to increase their imports of the seed beyond expectations. To give thanks to the retailers for their successful sales, the company treated the retailers to a complementary tour of a popular tourist area.



## ILLUSTRATIVE INITIATIVES

### Access to new markets

#### ◇ Potential company initiatives to expand markets:

- participate in trade shows or exhibitions
- visit potential buyers
- receive visits from potential buyers
- gain certifications (organic, ISO, HACCP, Globalgap, etc.)
- develop websites / build online marketing presence
- conduct market assessments and develop marketing strategies

# ILLUSTRATIVE INITIATIVES

## Access to new markets



Intl. Trade Show Participation

Local Trade Show Participation



## ILLUSTRATIVE INITIATIVES

### Access to finance for suppliers

- ◆ **Potential company initiatives to create access to finance for suppliers:**
  - create linkages with financial institutions
  - work with financial institutions to adapt their lending products
  - develop system for mobile payments
  - business plan development
  - develop tripartite arrangements between company, banks and producers/suppliers they source from
  - develop crop insurance schemes with insurance companies

# ILLUSTRATIVE INITIATIVES

## Access to finance for suppliers



Pre-paid Seed

## Mobile Payment



INNOVATIVE MONEY  
TRANSFER



## ILLUSTRATIVE INITIATIVES Technology/Product Development

### ◆ Potential company initiatives related to technology/product development:

- access technical specialists (product design, processing, storage, etc.)
- conduct learning/exposure visits to companies with exemplary operations
- conduct visits to suppliers of needed equipment and inputs
- develop improved IT skills
- optimize product development processes
- conduct strategic review of product portfolios
- develop R&D capacity
- identify sources of finance for new equipment and materials

## ILLUSTRATIVE INITIATIVES Technology/Product Development



Improved Potato Seed



Food Handling & Drying

## ILLUSTRATIVE INITIATIVES

### Improved management and organization of supply chain

- ◆ **Potential company initiatives related to improvement management and organization:**
  - develop improved management information systems
  - develop business and strategic plans (e.g. new investments, integrate latest competitive/technology factors, expand operations, develop direct procurement operations with producers, etc.)
  - develop improved management systems (financial, inventory, HR, administration etc.)
  - develop quality control / quality assurance / traceability systems
  - build capacity of staff

## ILLUSTRATIVE INITIATIVES

### Improved management and organization of supply chain



Farmer Exchange Visits to Learn  
Animal Health Mgt. Systems



Centralized Dyeing to Ensure  
Quality of Raw Materials  
Distributed to Weavers

# ILLUSTRATIVE INITIATIVES

## **Developing New Sales Markets Targeting Smallholder Farmers/ Producers**

- ◇ Visits to new areas where company products could be sold / meet with potential retailers and farmers/producers
- ◇ Identification and training of individuals that can serve as commissioned sales agents or mobile vendors for the company
- ◇ Identifying, testing and/or producing new inputs that better meet the needs and purchasing power of small-scale farmers/producers
- ◇ Exposure to input supply companies in other countries with successful rural sales networks.
- ◇ Business plan to determine the feasibility of selling new products in rural areas

# ILLUSTRATIVE INITIATIVES

## Developing New Sales Markets Targeting Small-Scale Farmers/ Producers



### ZAMBIA:

An agro-inputs company initiated a program to develop its commercial sales network by expanding its rural sales agents and points of sale.. The company toured rural markets to meet with retailers and wholesalers to inform them about their products and services. Later, a program was conducted to train vendors on how to sell the company's products and provide information on the correct use of the products to farmers.

# ILLUSTRATIVE INITIATIVES

## **Developing or Expanding Sales of Improved Products and Services for Farmers/ Producers**

- ◆ Development and testing of new inputs (such as hybrid seed varieties) that are appropriate and affordable for smallholder farmers
- ◆ Improvement of seed packaging for better storage and brand recognition
- ◆ Development and introduction of new methods to preserve quality of inputs (storage, packaging, etc.)
- ◆ Developing, expanding and/or improving contract growing for quality seed multiplication
- ◆ Introduction of improved tools and equipment that can increase farmer productivity

## ILLUSTRATIVE INITIATIVES

### Developing or Expanding Sales of Improved Products and Services for Farmers/ Producers

#### LEBANON:

An input supply company introduced new tomato seed varieties to 120 farmers. They also sent tomato samples to three tomato sauce processors to generate demand for the new processing varieties. The new variety was more cost effective for farmers and easier for processors to process into tomato paste.



A local equipment company introduced new fruit tree pruning and harvesting equipment through 'demonstration days' with farmers. Over 20% of the participants purchased the new equipment and saw a 15% improvement in productivity.

#### ZAMBIA:

An input supply company invited farmers to attend demonstrations/ trainings for a new improved type of crop sprayer. The company sold over \$40,000 USD in sprayers within two weeks after the trainings.



# ILLUSTRATIVE LF INITIATIVES

## Developing or Expanding Sales of Improved Products and Services for Farmers/ Producers

### BANGLADESH:

A seed company developed a business plan (with facilitation support from AFE) for selling hybrid vegetable seed “mini-packets” that would be affordable even to the poorest farmers. Afterwards they invested in new machinery and a marketing program. After two years they had sold more than one million mini packets.



*Note: Technical support from Project can assist with business planning and other strategic planning exercises (to introduce new business models, marketing programs, training/promotion activities with producers and intermediaries, etc.)*

# ILLUSTRATIVE LF INITIATIVES

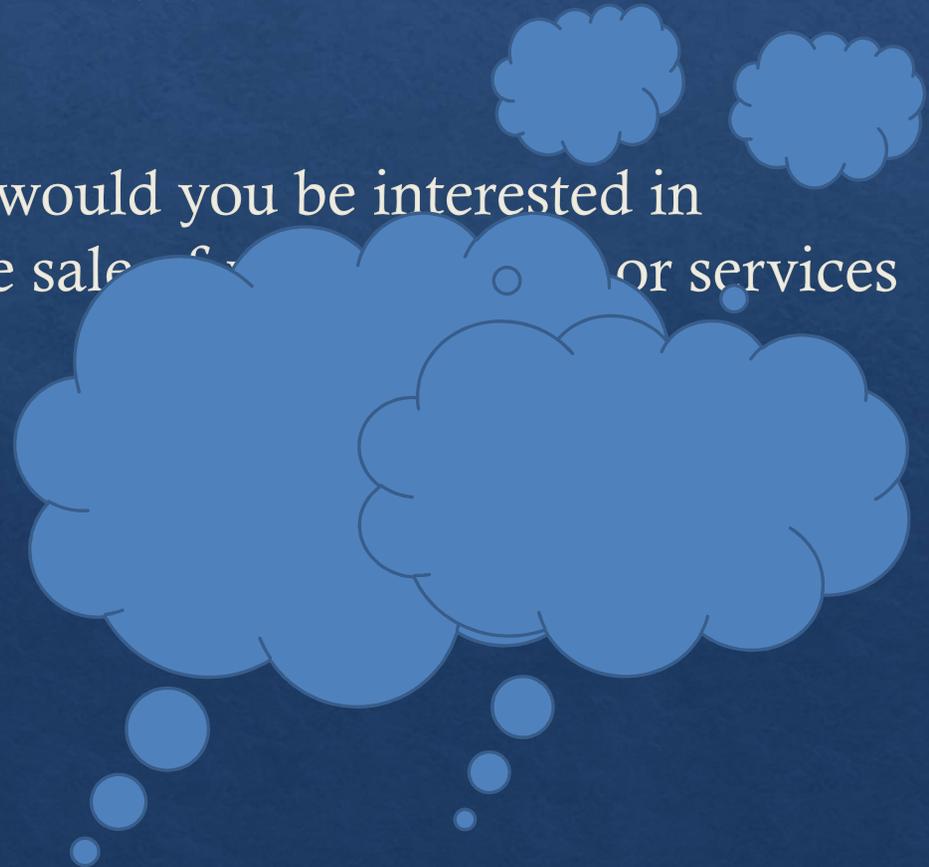
## Developing Commercial Sales Networks to Rural Areas New Product Development

### **Project can support companies to:**

- ◆ Develop business and strategic plans for new products and/or expansion to rural areas
- ◆ Identify international sources of improved inputs or raw materials
- ◆ Learn about successful business operations in other countries
- ◆ Build capacity of company staff to conduct training and demonstrations for farmers/producers and sales intermediaries
- ◆ Organize Training of Trainers for company staff and agents to prepare them to deliver practical training and promotion activities
- ◆ Develop implementation plans for carrying out proposed initiatives
- ◆ Meet and share experiences with other companies

# Questions & Discussion

- ◆ What do you think of **these initiatives**? Would your business be interested in doing any of these?
- ◆ What **additional initiatives** would you be interested in implementing to expand the sale of **products** or services to producers?



# Application Process for Ag Input Suppliers

Eligible applicants must:

- ◆ Have existing commercial procurement activities with at least 100 farmers/ producers (either directly or through their intermediaries).
- ◆ Have been in operation for at least the past two years.
- ◆ Have commercial interest and incentives to invest in the producers they purchase from through the provision of inputs, technical support, procurement systems, etc.
- ◆ Be buying and selling products of acceptable quality to end market consumers.
- ◆ Make an investment of at least 30% of the cost of the initiative
- ◆ Propose initiatives where at least 60% of proposed activities/ budget is for activities that involve direct support to farmers in Project targeted districts (*either directly by the applicant or through their intermediaries*).

*Note: Participation is not eligible for government entities/institutions, NGOs, consulting firms, or associations*

# Application Instructions

## Cover Page

1. Name and address of applicant
2. Date of Submission
3. Lead Person to Contact



# Application Instructions

## Proposed Initiatives and Impact (up to 2 pages)

4. Clearly describe the proposed initiatives including:
  - ◇ Step-by-step details of all activities within the initiative
  - ◇ Number of farmers to be impacted (directly or indirectly through commercial sales networks)
  - ◇ Expected impact of the activities (e.g., increase level of understanding, improved performance, increase access to quality inputs, etc.)
  
5. Provide summary work plan that includes proposed tasks the company will undertake to prepare and implement their initiative.

# Application Instructions

## **Justification for Project Support (up to ½ page)**

6. Brief justification for why the applicant needs Project support to move forward with the proposed initiative. What is preventing the applicant from moving forward on their own?

## **Personnel (up to ½ page)**

7. Name and qualifications of the company staff who will be responsible for implementing the activities

## **Experience (up to ½ page)**

8. Briefly describe past or current initiatives that the company has conducted similar to those proposed or why the company feels it is qualified to successfully conduct the proposed initiative

## **Continuity of Business Model (up to ½ page)**

9. Clearly describe how the proposed initiative will result in increased and sustainable commercial relationships between the company, the intermediaries in their distribution networks (dealers, retailers, etc.) and farmers/producers.

10. Clearly describe how the company will be able to continue these relationships and support once the activities end.

# Application Instructions

## Budget Template

	Line Item	Budget Notes (describes line item in more detail)	Cost/ Unit	Days/ Unit	People/ Number	Total Cost	Company Investment	Project Contribution
1								
2								
3								
5								
6								
7								
8								
9								
10								
11								
	Total Project Contribution (up to 70%)							
	Total Applicant Investment (at least 30%)							

*Note: Budget notes are required for each line item in sufficient detail  
Microsoft Excel digital file is available from the Project VC/MS Unit*

# Additional Instructions

- ◇ Applications are preferred in English. Submissions may be accepted in Nepali. But application submitted in Nepali may take longer to process due to translation times.
- ◇ Application should be no longer than 4 pages in length (*not including the cover page and budget*)
- ◇ Company initiatives must be completed within six to nine months of signing an agreement with Project VC/MS Unit
- ◇ **Additional initiatives can be considered after the first initiatives are complete**
- ◇ Please discuss and work with Project VC/MS Unit staff in formulating initiative ideas

# Submission of Applications

- ◆ Questions: Please submit via email to [nepalapplication@actionforenterprise.org](mailto:nepalapplication@actionforenterprise.org) or contact a member of the Project VC/MS Unit
- ◆ We can assist applicants, at their request, in the application process
- ◆ Submit electronic copies of applications, budget, and other documents to: [nepalapplication@actionforenterprise.org](mailto:nepalapplication@actionforenterprise.org)
- ◆ Deadline for submitting application for this round is: 12<sup>th</sup> February, 2017
- ◆ Applicants that meet criteria will be notified by 25<sup>th</sup> March, 2017

# Additional Information

- ◇ Process is not competitive among applicants - all who meet criteria will be considered for support
- ◇ *Project fully respects confidentiality of all companies involved in the program*
- ◇ Successful applicants must be willing to share information with the project such as:
  - ◇ Increases in sales to producers (either directly or through company distribution networks)
  - ◇ Estimated number of producers impacted, etc.
- ◇ *Some facilitation activities may be “cross-company” – involving several companies (e.g. capacity building activities, guest speaker events, etc.)*

# Additional Information

Before signing an agreement, the Project VC/MS Unit will support companies to carefully think through and plan the implementation of their proposed initiatives. This will include:

- ◆ **A business plan and/or strategic planning exercise related to the proposed initiative**
- ◆ Detailed discussions and agreement on strategy, budget and timing for different activities
- ◆ **Discussions on how technical support from Project VC/MS Unit staff can be provided to support the company in the preparation and implementation of their initiative**
- ◆ Discussions on how “cross-company activities” might be organized with several companies

Memorandums of understanding (and subsequent technical/ financial support agreements for specific activities) will then be signed between Project and the agribusiness company.

Questions?



Thank You!