

## Graduation with Resilience to Achieve Sustainable Development

GRAD is a five-year USAID-funded project designed to help the Government of Ethiopia find sustainable solutions to chronic food insecurity. The project supports households currently enrolled in the government's Productive Safety Net Program (PSNP) so that they may access microfinance, improve on and off-farm productivity, and improve links to markets. In addition, GRAD improves household and community resilience by: increasing women's empowerment; improving nutritional practices; and introducing local climate change adaptation mechanisms. CARE Ethiopia leads a consortium that includes REST, ORDA, CRS, Agri Service Ethiopia, and SNV. The project works in 16 districts in Amhara, Tigray, Oromia and SNNPR.

### Innovation Brief # 2

### Agro Dealers

#### Background/Problem

A lack of affordable, quality inputs in remote farming communities severely limits the quantity and quality of production in the Ethiopian highlands. Agricultural input supply here is largely controlled by government institutions, unions, and primary cooperatives, with limited involvement by the private sector. Most inputs are distributed through a supply-driven model, in which seed or fertilizer is weighed and packaged at source and distributed to farmers by government or cooperative staff. This model does not respond to the diverse needs and resource limitations of smallholder farmers and has particularly excluded women from access to inputs. Private distribution channels, for their part, usually do not extend beyond major cities. At baseline, less than 10% of GRAD households reported satisfactory access to agricultural inputs. To address this problem and facilitate the development of pro-poor value chains, GRAD developed a private agro-dealership model, creating sales hubs for essential inputs at the local level.

#### GRAD's Agro-Dealership Model

GRAD agro-dealers are identified locally based on their experience or aptitude for small business, knowledge of agriculture, and willingness to invest their own resources. These new entrepreneurs are then further trained in technical and business skills needed to be successful selling a diverse range of agricultural inputs relevant to the needs of small-holders and providing technical advice to their customers. These agro-dealers are assisted by the project to establish small retail shops in remote rural towns, near to where smallholder farmers live. GRAD and the agro-dealers work together in identifying products of high demand, usually linked to the value chains promoted by the project. The agro-dealers were supported to create links with input suppliers to diversify the products they sell. A typical agro-dealer can serve up to 1,800 clients per year, enabling farmers to access quality inputs at the appropriate time, in the right packaging, at a reasonable price, and with suitable technical advice.



*Chemere Sisay, an agro-dealer in the Guraghe Zone,*

## What Happened?

GRAD recruited and trained 32 agro-dealers in the 16 project woredas. Between October 2015 and September 2016, these agro-dealers served over 45,000 customers, 27% of whom came from PSNP households, selling more than five million ETB (about \$240,000 USD) worth of inputs, primarily concentrated livestock feed, vegetable seed, and simple tools. Agro-dealers continue to build their client base and strengthen their relationships with suppliers, some of whom began providing credit and/or using agro-dealers as agents. Additionally, agro-dealers are introducing new technologies to farmers including Prudent Improved Crop Storage (PICS) bags, Effective micro-organism (a livestock feed additive), and bio-fertilizer. Our agro-dealer model demonstrates the vital role the private sector can play in the input distribution system, complementing government efforts.

### What have we learned?

GRAD's experience with agro-dealers has shown that it is possible to introduce profitable private sector input sales at the sub-district level in ways permissible to government and useful for the small-holder farming community. These can become profitable businesses and play an essential role in strengthening the agricultural input supply system in Ethiopia. Specific lessons learnt during the process include:

- **Input demand and supply mapping** was essential in supporting agro-dealers to get established quickly with a small amount of working capital by focusing sales on inputs of high local demand.
- **Buying down risks** of investment through the use of a “smart subsidy” encouraged and incentivized new agro-dealers to invest in the business. In the short-term, 1 ETB invested by the project led to 2 ETB in input sales in just one year. The return-on-investment for the project will reach much higher positive returns.
- **Linkages with suppliers** functioned but with challenges. Some insisted on selling to agro-dealers at full retail prices. Others were only interested in supplying large volumes beyond the needs or capacity of most agro-dealers. Going forward, we will consider joining the agro-dealers into a “buyers’ club” that would facilitate bulk purchases at lower prices.
- **Diversifying inputs** sold by agro-dealers allowed them to successfully operate their businesses year-round. Over time, the agro-dealers became more innovative in the types of products they stock and sell.
- **Size matters:** Most PSNP households do not have the need or financial capacity to buy inputs in large packages. The agro-dealers were able to repackage inputs (e.g. mini-packs of vegetable seed) to meet PNSP household requirements. Fears that the authorities would forbid such repackaging were unfounded.
- **Working capital** is a chronic gap for most agro-dealers and is often a limiting factor in their ability to grow. Micro-finance institutions (MFIs) currently lack loan products available to agro-dealers and other rural micro-enterprises. New programs will work with the MFIs to introduce loan products appropriate for agro-dealers.
- **Government engagement** successfully created space for a private sector role in input supply. The project initially feared that suspicious government authorities would forbid these businesses to function. In reality, many agro-dealers are working closely with agricultural offices on tasks of mutual interest.