



Technical Brief

ENHANCING SMALLHOLDER FARMER PRODUCTIVITY AND ACCESS TO VIABLE MARKETS, THROUGH OUT-GROWER SCHEME (OSG) PROMOTION: A CASE OF WORLD VISION ZAMBIA GROUNDNUT VALUE CHAIN IN SOUTHERN PROVINCE OF ZAMBIA.

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Background

The Zambian Government has prioritized advancing the livelihoods of small-scale farmers in rural parts of the country to become commercial farmers and contribute to the national economy. In their pronouncement, the government wants farmers to work in small organized groups called Out Grower Schemes (OGS), where services such as input provision can quickly be supplied to them, and the product can be aggregated and collected from one place. This will enable them to meet the volumes required with an assured market. In addition, Out Grower Schemes also bring technical services such as extension services and buyers (local and international) of agro products to the fore, thereby creating a ready market for smallholder farmers who usually have challenges with production and marketing.

OGS will spell out the clear roles and responsibilities of all the partners in the joint venture and the product to be supported, which is often at a pre-agreed price and grown under specific quality standards. The schemes usually partner with smallholder farmers to produce a particular crop with agreed standards as contract farming to achieve a win-win situation among the partners in the joint venture along the value chain of focus.

Under the Enhanced Livelihood & Resilience Programme, World Vision Zambia improves the lives of the communities by improving their access to agriculture inputs, financial services, agriculture technologies and practices. Further, World Vision Zambia empowers farmers with knowledge of farming as a business and links them to markets. In working

with smallholder groundnut farmers and other partners, World Vision Zambia (WVZ) developed an Out Grower Scheme (OGS) programme as a durable solution to improve groundnuts' profitability and improve prospects for increasing access to income for farmers, thereby contributing to the well-being of children and their families. Developing an Out Grower Scheme (OGS) was critical to supporting the groundnut value chain in World Vision Zambia's operational areas in the Southern Province called Mbeza and Muchila Area Programs (AP).



This technical paper discusses the learnings of a groundnut OGS in a tripartite arrangement. World Vision Zambia initiated a tripartite joint venture by signing a Memorandum of Understanding with Vision Fund Zambia (VF) – a Micro financial arm of World Vision, and Cannon Garth (CG) – a supplier of seed and an off-taker. This technical brief is further developed to highlight how productivity and access to markets are enhanced for smallholder farmers through Out-Grower Schemes. The brief also describes the challenges experienced and opportunities of working with the Out Grower Schemes.

Technical Approaches

The value chain assessment conducted by World Vision Zambia (WVZ) ascertained that Groundnuts were viable and could increase income and enterprise profitability for smallholder farmers in Mbeza and Muchila operational areas in the Southern Province of Zambia. The subsequent paragraphs highlight methodologies used to ensure that the production of groundnuts made economic sense for the smallholder farmers in Mbeza and Muchila APs.

On the Production Side: The OGS engaged agriculture extension officers to train farmers in groundnut production and planting early by preparing the land early. Further, Cannon Garth (CG) was brought on board as a supplier of quality seeds and as an off-taker. CG also provided extension services and trained farmers in the quality control of groundnut fields. Working with partners such as Cannon Garth and the Agriculture Extension Officers allowed farmers to access quality seed and extension services to support agronomic practices in the advent of climate change. Partners also provided affordable credit, storage or bulking facilities, post-harvest technologies (Shelling machines, value addition equipment, moisture meters, aflatoxin diagnostics tool kits etc.) and readily available off-taker / buyer of the produce.

On Markets-Side: Smallholder farmers face constraints that include vulnerability to exploitative off-take pricing by "brief-case buyers", limited access to bulk-buyer and market points and dilapidated supportive infrastructure (accessible feeder roads, communication network, storage facilities, etc.) for agricultural marketing, particularly in rural areas. Cannon Garth was brought on board to ensure the harvested crop had a ready market and produce was sold at the right price. In addition, world Vision Zambia supported the producer groups with funds to build a storage facility in the community for aggregation and bulking. This made it easy for farmers to receive training and learn how to negotiate for better prices.

To enhance marketing activities, different players implemented the following:

- **World Vision Zambia:** World Vision Zambia (WVZ) mobilized farmers on the ground through the establishment of Commercial Producer Groups (CPGs) to

ensure they produced the commodity as a group to meet the required volumes by the market (off-takers). A CPG comprises 20 – 25 members who produce a common crop for easy bulking. Through their respective CPGs, farmers received relevant training such as; Agriculture as a business, production techniques, grading of produce & pricing etc. In addition, setting up storage infrastructure was critical. Therefore, World Vision Zambia supported farmers by constructing storage facilities (bulking centres) at the community level. Further, WVZ provided training in post-harvest handling of produce in the storage facility.

- **Vision Fund Zambia:** The strategy for financing smallholder farmers was through World Vision Zambia's financing wing, Vision Fund Zambia (VFZ). VFZ developed an agriculture loan product to finance the production of groundnuts by ensuring farmers got quality seeds at the right time and in the right quantities at an affordable price. This led to farmers accessing inputs on time and planting early, right at the onset of the rain season.
- **Cannon Garth:** To ensure farmers access good quality groundnut seed, Cannon Garth's role was to deliver the required quantities of seed to farmers on time and as an off-taker of the produce from the farmers at an agreed-upon price. CG as an off-taker has an added advantage, having invested heavily in Lusaka's commodity warehousing capacity and infrastructure to high aggregate volumes of groundnuts from smallholder farmers for the large export market.

The OSG developed a 4-year plan starting in the 2020/21 Agriculture season to distribute 200 Metric Tonnes (MT) of groundnut seed (Wamusanga Variety) by the 2023/24 agriculture season with an expected yield of 3000 Metric Tonnes to be procured by CG. As a result, smallholder farmers are expected to increase hectares under cultivation from 95 to 2,500 in the next 4 years. In the initial year, the OSG built the capacity of 220 Smallholder farmers who World Vision Zambia mobilized in Mbeza and Muchila Area Programs in various agronomic practices through farming God's way (land preparation, crop rotation etc.) to prepare them for the OGS.

Outcomes of the Interventions

The learnings from this OGS have revealed a significant impact on farmers that participated in the scheme. Knowledge and skills in groundnut production increased with more farmers participating in the last 3 agriculture seasons, from 220 farmers in 2019, 360 in 2020 and 400 in 2021 who sold groundnuts valued at K5,250,000.

Table 1: Increase in farmers participating with increased knowledge and skills in groundnut production

OGS Support	Agricultural Cropping Season			
	2019/20	2020/21	2021/22	2022/23
Number of Farmers Mobilized	220	260	400	To be planned

Readily available inputs supplied by Cannon Garth helped smallholder farmers to access inputs on time and plant early enough in the season, thus maximizing the short rain cycle currently being experienced. Vision Fund Zambia loans played a critical role in ensuring that farmers without financial resources could still procure the seed through a loan facility. The OGS ensured farmers increased their yields but also assured readily available market as the off-taker had already entered into a contract with the farmers

Other OGS outcomes can be summarized in a short case story of Chaanda Hanzembwe as an example of many farmers who have progressed through the OGS:

Despite experiencing above-normal rainfall in the 2020/2021 farming season, one farmer Chaanda Hanzembwe, a member of Masekese cooperative, had a bumper harvest of groundnuts. He had planted 200kg of seed, of which 100kg was certified seed (Wamusanga), and 100kg was local seed on 2 hectares (1 hectare for each seed type). His total cost of inputs and labour came to K9,600 (\$533.33). He harvested 18 x 50kg bags of shelled groundnuts, sold to Cannon Garth, and walked away with K23,500 (\$1,305). The money generated was used to pay for his children's school fees (2 girls and 1 boy) and his brother and sisters' college fees. He also bought a water pump at K3,000 (\$166.67), a generator at K11,000 (\$611.11), pipes at K2,000 (\$111) and a tank at K5,000 (\$277.78) to help mechanize his garden where he grows vegetables like tomatoes and cabbages. The water reticulation system has enabled him to expand the area under cultivation for his vegetable garden.



Limitations and Challenges

- Slow loan payback by farmers and verification process by Microfinance institution affect the disbursement of the next agriculture season's loan applications.
- Farmers were affected by notorious weeds affecting some portion of their fields. They requested weed killer to help control the weeds.
- Climate change challenges for OGS farmers dependent on rain-fed crop production adversely affect the performance of crop production. Therefore, in the 2021/22 agriculture season, VFZ has opted not to deliver loan services to farmers participating in groundnut OGS to avoid weather-related lending risks.
- Side-selling by a few farmers on the OGS who have been financed/contracted to grow the crop is demotivating to off-takers.

Opportunities

- Exploring more viable OSG in various Value Chains using this model presents an excellent opportunity to realize the desired goal and outcomes for smallholder farmers participating in the promoted local value chains.
- OGS presents an opportunity for stakeholders such as the private sector to engage and collaborate to deliver technical and business services to smallholder producers for improved production and productivity.
- The creation of linkages to viable markets for primary producers is enhanced through OGS participation

Recommendations

The following are recommendations for improving the OGS from now on;

- More farmers need to participate in a value chain of choice to reduce costs for the off-taker to supply inputs translating into low transport costs for more inputs. As such, farmer mobilization is critical with awareness sessions on the benefits of participating in an OGS.
- Strong governance structures at the community level by CPGs (Commercial Producer Groups) to ensure farmers are well-coordinated and manage the scheme, including access to credit, payments, bulking of the produce, security, marketing and ensuring all members of the CGP get a fair share of their products with a clear understanding of the grading processes being used.

References

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