

VALUE CHAIN PARTICIPANTS IN SMALLHOLDER COMMERCIALISATION IN MVURWI: EMERGING BUSINESS RELATIONS

Vine Mutyasira, Tanaka Murimbarimba and Walter Mushayiwa

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1. Setting the scene

Zimbabwe's agricultural sector has experienced radical transformation following a series of land reform programs and an economic meltdown that started in 2000. The implementation of the Fast Track Land Reform Program (FTLRP) led to widespread disruptions in the sophisticated input supply system, altered agrarian relations and generally caused changes in the functioning of input and commodity markets (Scoones et al., 2018). Severe macroeconomic instability – characterised by high interest rates, shortages of foreign currency and hyperinflation – created an unfavourable environment for private sector participation in the input markets (Mano, Sukume and Rugube, 2003). While the government has attempted to solve problems in the input supply sector through several support and financial packages (Gono, 2008; RBZ 2006), the interventions generally lacked sustainability and the majority of the smallholder farmers still failed to access the critical inputs. Smallholder farmers have often faced challenges in accessing agricultural inputs such as improved seed, chemical fertilisers, veterinary drugs, agricultural mechanisation equipment, as well as agrochemicals such as herbicides and pesticides. These challenges lead to low produce quality, poor yields and general reduction in the area cultivated. Agricultural commodity marketing challenges have also affected the viability of agricultural intensification and limited prospects for agricultural commercialisation among smallholder farmers.

New marketing modalities have emerged in the smallholder sector, helping farmers to access inputs in a timely manner and guaranteeing access to markets for their produce. Rural agro-dealers have played an important role in the input chains, enhancing the availability of essential inputs at the local level. These dealers and informal buyers have become major economic drivers in rural farming communities. However, the emergence of contract farming has seen agribusiness firms entering into contractual arrangements with smallholders, where the firms provide inputs and extension support as well as guaranteed markets for agricultural produce to the farmers (Scoones et al., 2018). These innovations have the potential to effectively lower transaction costs faced by smallholder farmers in both input and commodity markets. Our current work focuses on the business relations and linkages between A1 farmers and several value chain actors. The qualitative studies were carried out in Mvurwi and Concession areas of Mazowe district in Zimbabwe; with Mvurwi around 100 km to the north of Harare. Following the land reform and resettlement programs, the population in the area

has been increasing with large numbers of new farmers having moved into the surrounding farms. As a result, there has been proliferation of businesses to serve the growing clientele.

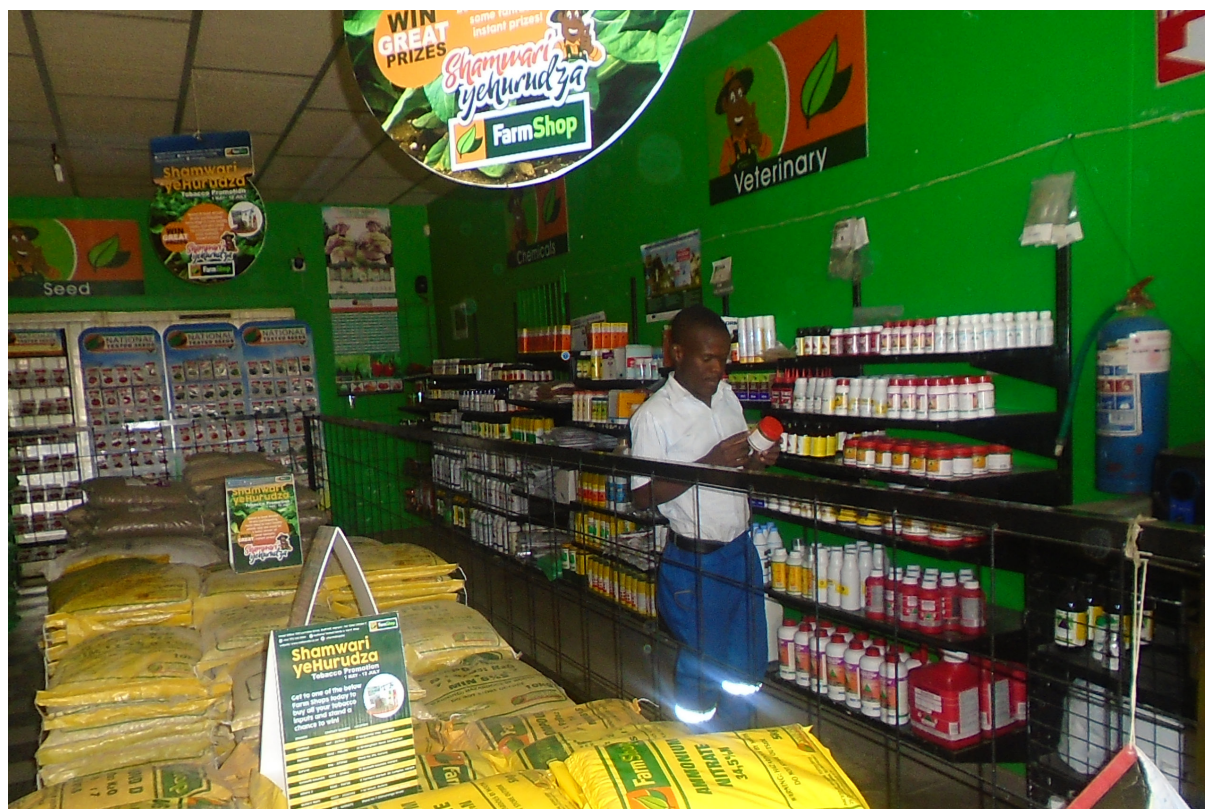
Our qualitative research focuses on agro-dealers, contracting firms, as well as formal and informal buyers. We used a combination of informal interviews, key informant interviews and participant observations, to draw insights on the nature of business relations and operational challenges facing these critical service providers. A total of ten key informant interviews were conducted, including three formal buyers, two informal buyers, two contractors and three agro-dealers. This report combines findings from this qualitative research and seeks to provide insights on the role of value chain actors and business support organisations in shaping agricultural commercialisation processes by smallholder farmers.

2. The key input supply actors and their role in agricultural commercialisation by smallholder farmers in Mazowe district

2.1 Agro-dealers

Agro-dealers are crucial to agricultural production, capital-led agricultural intensification and commercialisation in general since they ensure availability of critical inputs at the local level. While most of the big input suppliers are often based in large cities, agro-dealers are more decentralised and operate within the geographical locality of farmers, thus ensuring that smallholder farmers cut on transaction and transportation costs associated with getting inputs in a timely manner. Mvurwi has a good mix of agro-dealers serving the resettled farmers and the generality of the farming community. The agro-dealers vary in size of business operation and range of products offered, depending on their capital muscle and access to financing. This diversity offers a great deal of flexibility to smallholder farmers. We spoke to three agro-dealers in Mvurwi area, discussing the nature of their business operations, sources of supplies, the product range stocked, general levels of demand for their services and the general operational challenges they encounter.

One of the leading agro-dealer shops in the area is 'Farm and City'. The shop is in Mvurwi's central business district (CBD), with headquarters in Harare. This is quite a big dealership with 33 branches nationwide and stocks a wide variety of inputs and agrochemicals, as well as hardware. The shop sells a variety of crop inputs, such as fertilisers and seeds; livestock inputs, such as veterinary injections, dips and block salts; agrochemicals



A snapshot of Farm Shop in Mvurwi, showing range of products stocked ©Walter Mushaiw

like pesticides and herbicides; production equipment, for example knapsack sprayers, hoes and ox ploughs; as well as hardware, such as door frames and asbestos roofing sheets. The Mvurwi branch has a total staff complement of 12, comprising seven permanent and five contract workers. They get their supplies from Harare and Bulawayo, and their suppliers include Super-Fert Company, National Tested Seeds, Cure Chem, Agricura, Zimbabwe Fertilizer Company and Windmill. The outlet offers a range of payment methods, allowing farmers to pay using the local currency, either as bond notes, mobile money (EcoCash) or through electronic bank cards (Swipe). The shop's management indicated that the business is doing reasonably well, and they serve roughly 50-100 customers per week during the farming season, although the numbers fall during the off-season. The major business challenge was that, due to the unstable macroeconomic environment, most of their suppliers and wholesalers prefer payments in US dollars whilst they are selling to farmers in local bond notes.

'Farm Shop' is another agro-dealer serving farmers in Mvurwi. The owner set up the business in around 2000, using his savings from farming as startup capital. The business has since grown, and now boasts a total of 26 outlets nationwide. The Mvurwi outlet employs a total of 13 workers, comprising three permanent and 10 on contract basis depending on the workloads and service demand. Like Farm and City, the Farm Shop stocks

a wide variety of products, including seeds, fertilisers, hoes, wheelbarrows, doors, all crop chemicals, animal injections, dosages, sacks for packing, dips, work-suits, gumboots and ox-ploughs, among others. Products in demand are seeds for maize and vegetable crops, fertilisers, pesticides, herbicides and veterinary drugs for livestock. Farm Shop's suppliers are National Tested Seeds, Coopers, Graniteside Chemicals, Cure Chem, Acol, Agricura, Zimbabwe Fertilizer Company and Windmill. All these suppliers are based in Harare. The shop also make some of the seeds on their own as a company in Harare. The business operates on a 'cash and carry' basis and does not offer credit terms to farmers to guard against the possibility of bad debts from farmer customers due to the difficult economic environment. Payments are made using cash (bond notes), mobile money (EcoCash), as well as electronic visa cards. The management indicated that Farm Shop offers a range of services to farmers and the community other than just selling the inputs to them. The shop offers over-the-counter advice to their client farmers, conduct field inspection services and actively participate in farmer field days. The business also undertakes community service and social responsibility, contributing towards the building of schools and road maintenance services.

The agro-dealer network in the Mvurwi-Concession (towns) area also includes relatively small, individually owned businesses. One such business is the Tenhedzi

Shop, located in the Concession area. The shop is family owned, run by Mr Tendai Chapotera and his son Fidelis, who is the only worker in the shop. The single-outlet enterprise sells crop seed (maize and vegetable), pesticides, herbicides and fertilisers. Their suppliers are Agricura, Garden seed, Cure-Chem and wholesales such as Farm Supply in Harare. They buy from suppliers in very small quantities. They can bring in four bags of maize seed (10kg each), four bags (50kg each) of fertilisers, 20 packets of garden seed, as well as a few pesticides and herbicides after every month. Business is relatively low, and they serve roughly five to ten people per week. According to Tendai, this is mainly because farmers prefer bigger shops where there is a variety of stock, and that some of the farmers are participating in contract farming where agribusiness firms provide them with the inputs to see them through the season.

2.2 Agribusiness Contractors

Contract farming has been rapidly growing over the past 15 years, providing an important source of inputs and agricultural finance for smallholder farmers. Agribusiness firms have increasingly engaged smallholder farmers to produce agricultural commodities in order to guarantee supplies of their raw materials in the right quantities and quality. The firms provide an input and financial package as well as technical services to support a given hectare of crop. However, the levels of support vary according to the nature of the contract and type of crop involved.

There have been mixed reviews on the successes and effectiveness of the contract farming schemes in the country, but the model has undeniably been a critical component of the input supply sector in the post-land reform era. In Mvurwi, we interviewed members of the management at Vordesale, a firm involved in the tobacco sector. The company, established in 2013, employs 80 workers, including field officers, area managers, administration and general hands. The company, which contracts farmers to produce tobacco, argues that working directly with farmers guarantees good crop quality, which they can resell at a higher price. Vordesale mostly works with A1 and communal farmers because funding them is relatively cheaper compared to A2 farmers. For a hectare of tobacco, the company provides 5g of seed, 400kg of high concentrate, 100kg of ammonium nitrate, as well as pesticides and herbicides. In return, the farmer is to sell their tobacco to them and cover their debt, then they will give the farmer the remaining amount. The company says that they sign seasonal contracts with farmers, and these are subject to regulation by the Tobacco Industry and Marketing Board (TIMB). During the 2018-2019 farming season, the company contracted a total of 4,800 farmers, but they only managed to meet 75% of the targeted crop output because the generally poor season affected the tobacco crop. The management also mentioned problems with incidences of side-selling of the contracted crop.



Part of the product stock in Tenhedzi shop in Concession area ©Walter Mushaiw

In the Concession area, we spoke to management at an agribusiness firm called Pure Oil. The company contracts farmers to produce soya beans, which is further processed into cooking oil. As opposed to Vordesale, Pure Oil targets A2 farmers with at least 20 hectares of land. The company dispatches its trained agronomists to help inspect the crop and provide technical support to farmers. During the 2018/2019 farming season, the company indicated that they only received 70% of their targeted tonnage, as poor rainfall affected the soya bean crop. The management noted that in such cases, the company takes a financial knock since they have limited loan recovery options. In the past, they used sieve properties and assets of the defaulting farmers, but this route was no longer possible since the government moved in to protect farmers.

2.3 Formal and Informal Buyers

Availability of markets is a critical factor in agricultural commercialisation. There is a mixture of both organised and informal marketing channels through which farmers can sell their crops and livestock produce. The more formal channel is via the Grain Marketing Board (GMB) which handles the government specified commodities such as maize and wheat. However, this regulated channel is beset with bureaucratic challenges and steep transaction costs that often result in delays in payments for deliveries. As such, where possible, farmers often explore alternative marketing channels

that offer better prices and acceptable payment arrangements. The land reform has brought about changes in market relations and created opportunities for new entrants in the commodity value chain. Several informal buyers have emerged, offering more flexible arrangements for smallholder farmers. In Mvurwi we spoke to Mr Mavhuramarowa, who is in the informal business of buying vegetables (rape, covo, onions) from farmers around Mvurwi and St Albert Mission in Guruve for resale at local markets. He has managed to strike a good working relationship with farmers, to the extent he tells them what to produce beforehand and then later goes to purchase their produce. Mavhuramarowa buys one huge bundle of vegetables for \$3 from farmers which he later resells in smaller quantities to get \$15. The business has been so good for Mavhuramarowa that he managed to purchase a car of his own and send his children to school. The key advantage of buyers such as Muvhuramarowa and other informal dealers is that they come and transact within the geographical location of farmers, thus cutting transaction and transportation costs.

Agro-industrial firms are also involved in buying produce from farmers. One such company is Pure Oil in Concession, which buys soya beans from farmers. The main advantage of such companies is that they can handle large volumes. For instance, Pure Oil say they can provide transport services for farmers and can



Mr Mavhuramarowa (right) reselling his vegetables ©Walter Mushaiw

handle volumes of 20-25 tonnes per day during the peak marketing season. Payments are made through mobile money (EcoCash) or bank transfers. EcoCash transfers are affected upon delivery while bank transfers can take up to three days. An interesting feature about the private buyer network is the level of competition in the market. Pure Oil management says that they face stiff competition for produce from other companies such as Northern Farming and United Refineries, to the extent that they must adopt innovative approaches such as providing farmers with free packaging and other promotional materials to outdo their competitors. However, one common disadvantage with private buyers is their collusive tendencies that result in them undercutting producer prices to raise profit margins.

3. Emerging Observations

The viability and sustainability of agricultural commercialisation initiatives depends upon the availability and accessibility of agricultural inputs such as improved seeds, fertilisers, agro-chemicals (pesticides, herbicides), veterinary medicines and agricultural mechanisation. Changes in the agrarian landscape following the land reform program brought about changes in the established input supply chains and

distribution networks. There have been new entrants in the form of agro-dealers networks and contract farming initiatives that have offered more opportunities for farmers to access essential agricultural inputs and credit, which is crucial for agricultural productivity. While agro-dealers offer flexibility to farmers, and help them to lower transportation costs, one main challenge is that they mostly operate on a cash and carry basis, and therefore do not extend credit to farmers. Most of the agro-dealers also reported that they have limited financing, hence restricting their stocked product range, in contrast to contracting firms, who offer input packages and credit for farmers to guarantee the production of good quality produce to meet their raw material requirements. Although, the contract farming model has its own set of challenges, as farmers often complain of the unequal power relations, which can leave them vulnerable to contractors. However, contracting firms are wary of financial losses when farmers fail to meet their production target because of unpredictable weather. Most of the smallholder farmers have limited access to irrigation infrastructure and are reliant on rainfed agriculture, which therefore increases their susceptibility to yield losses from recurrent droughts.

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