



Empowering Private Enterprise in the Development of Agriculture

Program Report
(February 2005 to April 2009)



USAID
FROM THE AMERICAN PEOPLE

Funding



TechnoServe
BUSINESS SOLUTIONS TO POVERTY

CLUSA
Cooperative League of the U.S.A.



EMPRENDA implementing partners



Roles

- 1) Manage EMPRENDA activities
- 2) Act as primary contact to USAID
- 3) Provide BDS

Locations

Maputo Nampula
Chimoio Lichinga



Role

(a) Strengthen smallholder capacity and associations in the Nacala Corridor

Location

Nampula



Role

(a) Strengthen smallholder capacity and associations in the Beira Corridor

Location

Chimoio



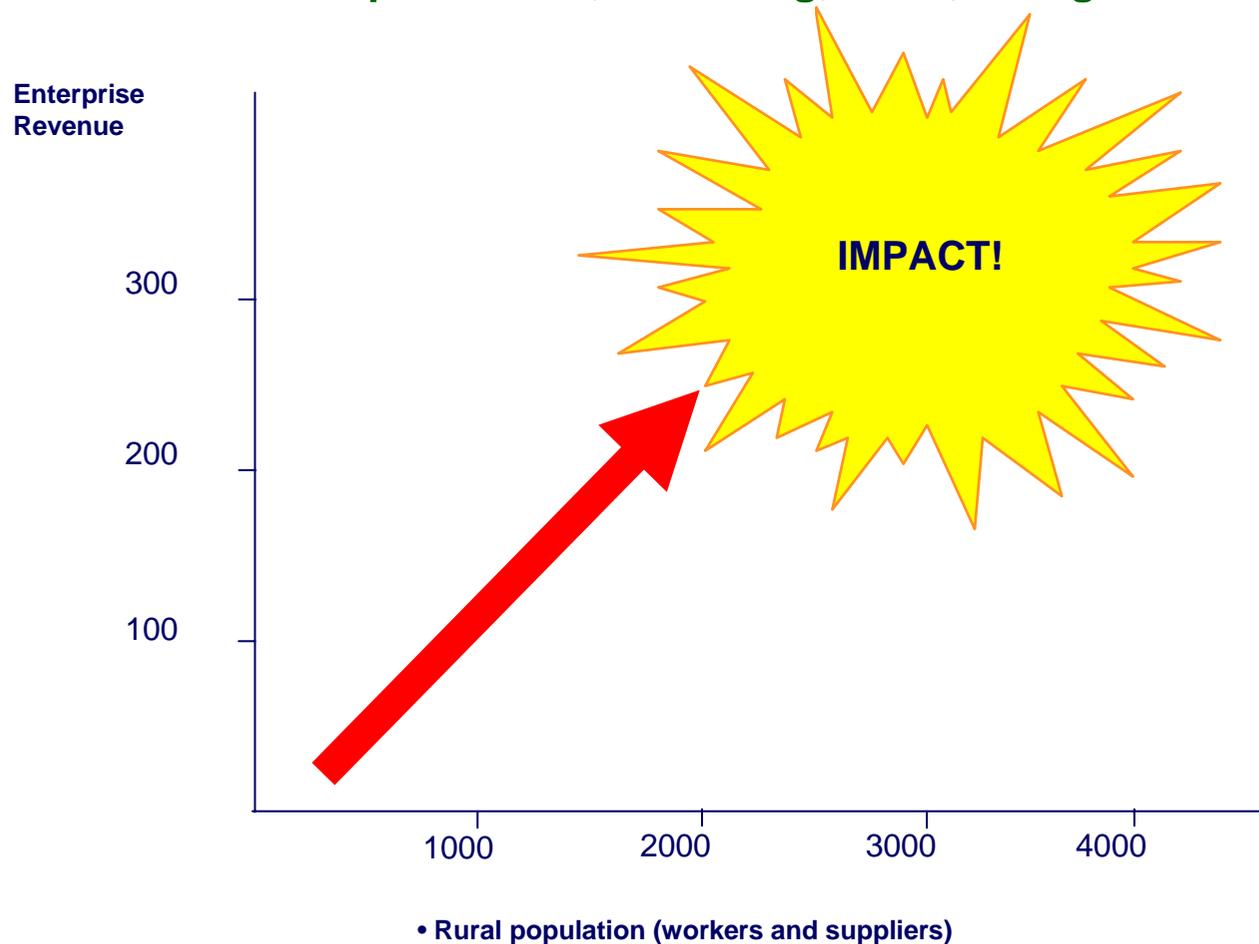
EMPRENDA objective:

To increase rural family incomes

By helping to:

- Build effective, accountable and sustainable farmer associations
- Create profitable rural enterprises across the targeted value chains

To have the best possible impact in the fight against poverty, TechnoServe assisted industries that had potential to provide employment to a large numbers or rural workers or use raw materials produced by a large number or rural people, and ACDIVOCA and CLUSA provided support to smallholder farmers. Assistance and support provided was mainly in association and business development, training, technical assistance to production, marketing, sales, linkages and access to credit.



Enterprise growth in the different industry sectors or value chains varies according to specific conditions. Our approach can be summarized in the following:

Development of a competitive business model

Scale, technology, operational strategy and markets are defined by the industry or value chain strategic plan

Identification of an entrepreneur that is an opinion leader and capable of guiding others

Entrepreneurs and producers that are able to work on the opportunity for several years, despite the fact that they have to face challenges, and with the will to share their experiences for the benefit of others and subsequently the industry

Provide support to the best practices

Support to development will depend on each entrepreneur or producer and on each sector specific needs (capital, linkages and ability to attract operational resources)

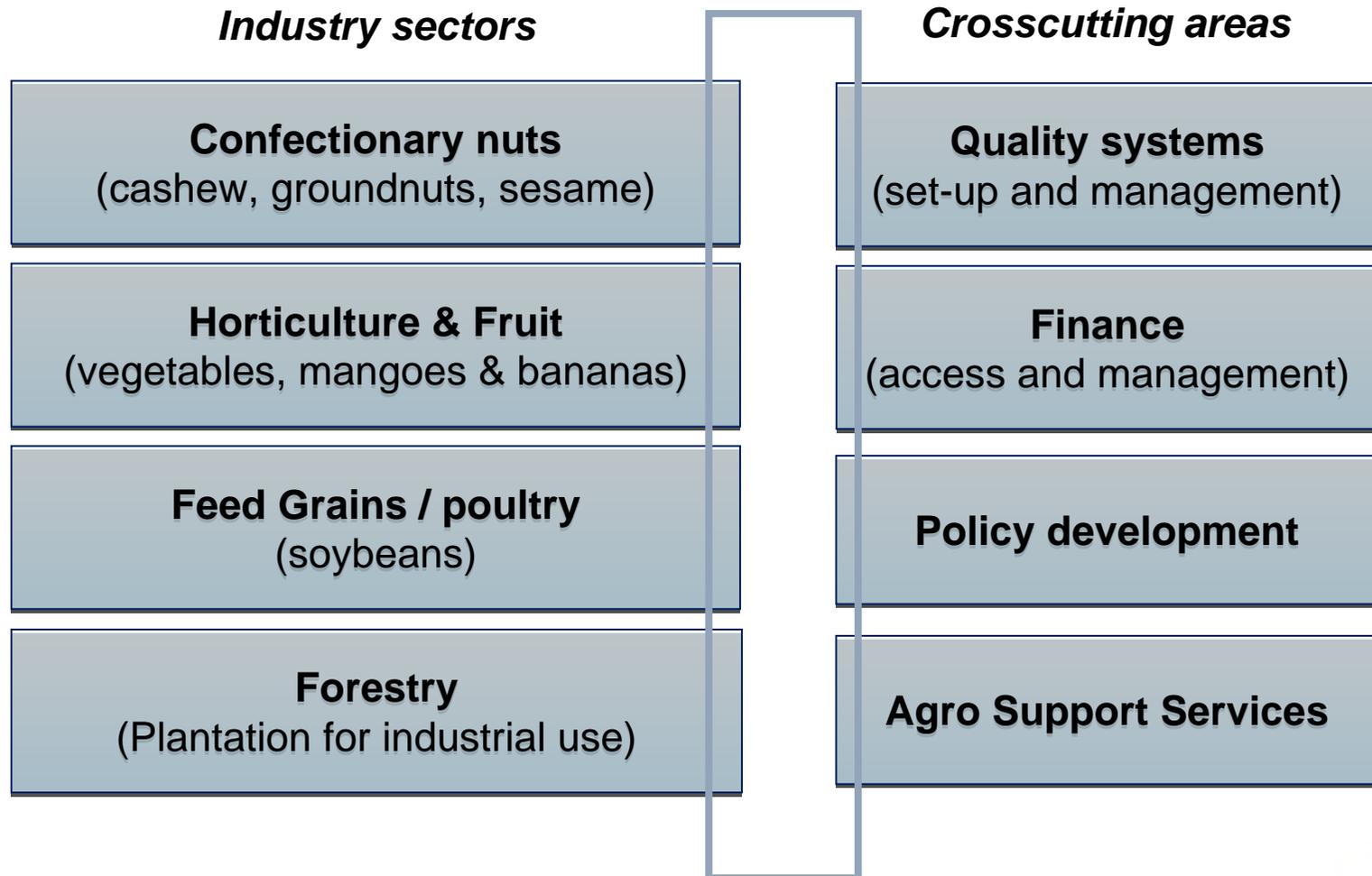
Continuos improvement of business environmenmt

Entrepreneurs or producers should be adequately organized and prepared so that they empowered and able to influence partners to improve access to investment, improve infrastructure or remove policy and regulatory obstacles

Gradually increase scale

To get to scale and improve is essencial that the business model is refined and new participants are attracted

In partnership with enterprises and local institutions, EMPRENDA provided support to four main industry sectors but also to some crosscutting areas that are essential to improve business performance and environment



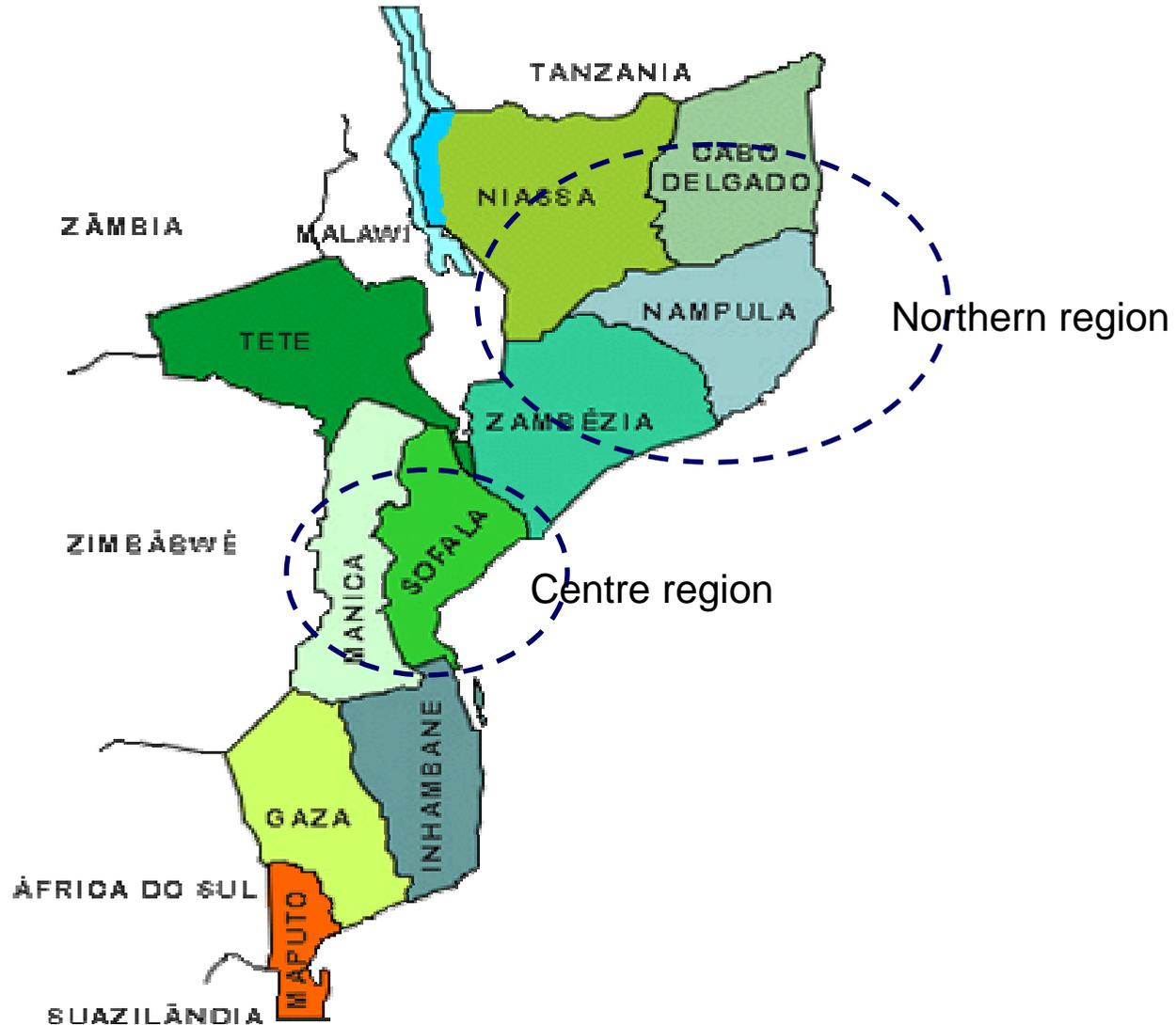
The number of beneficiaries impacted by EMPRENDA technical assistance reached 187,000 rural people. Women represents 40% of the association members and 28% of the employees.

Number of beneficiaries	Met to date
<i>Association members</i>	27,056
- # of women members	10,892
<i>Beneficiaries from enterprises</i>	160,218
- # of producers	154,000
- # of employees	6,218
- # of women employees	1,759
Total # of beneficiaries	187,274

Overview of targets and results

Year I to Year IV (from February 2005 to September 2008)				Feb.05 - Dec.08	
	Target	Achieved		Achieved	
Aggregate:	(USD)	(USD)	(%)	(USD)	(%)
TOTAL EMPRENDA CLIENT SALES	48,550,000	52,798,917	109%	\$76,236,472	157%
Total Association Sales	\$10,050,000	\$11,808,303	117%	\$17,059,862	170%
Total Rural Enterprises Revenues	\$38,500,000	\$40,990,614	106%	\$59,176,610	154%
Total Finance Mobilized	\$32,600,000	\$30,438,874	93%	\$58,717,120	180%
Beira Corridor					
<i>BC Aggregate Sales Revenues</i>	\$9,150,000	\$13,009,769	142%	\$20,698,829	226%
BC Association Sales (AV)	\$3,550,000	\$3,730,621	105%	\$4,511,960	127%
BC Rural Enterprises Revenues (TNS)	\$5,600,000	\$9,279,148	166%	\$16,186,869	289%
BC Finance Mobilized	\$3,800,000	\$1,640,709	43%	\$3,255,735	86%
Nacala Corridor					
<i>NC Aggregate Sales Revenues</i>	\$39,400,000	\$39,789,148	101%	\$55,537,643	141%
NC Association Sales (CLUSA)	\$6,500,000	\$8,077,682	124%	\$12,547,902	193%
NC Rural Enterprises Revenues (TNS)	\$32,900,000	\$31,711,466	96%	\$42,989,741	131%
NC Finance Mobilized	\$28,800,000	\$28,798,165	100%	\$55,461,385	193%

Mozambique can be a leader in some agriculture sectors in Southern Africa. The high potential areas are located in the northern and centre regions, that are already attracting new investments



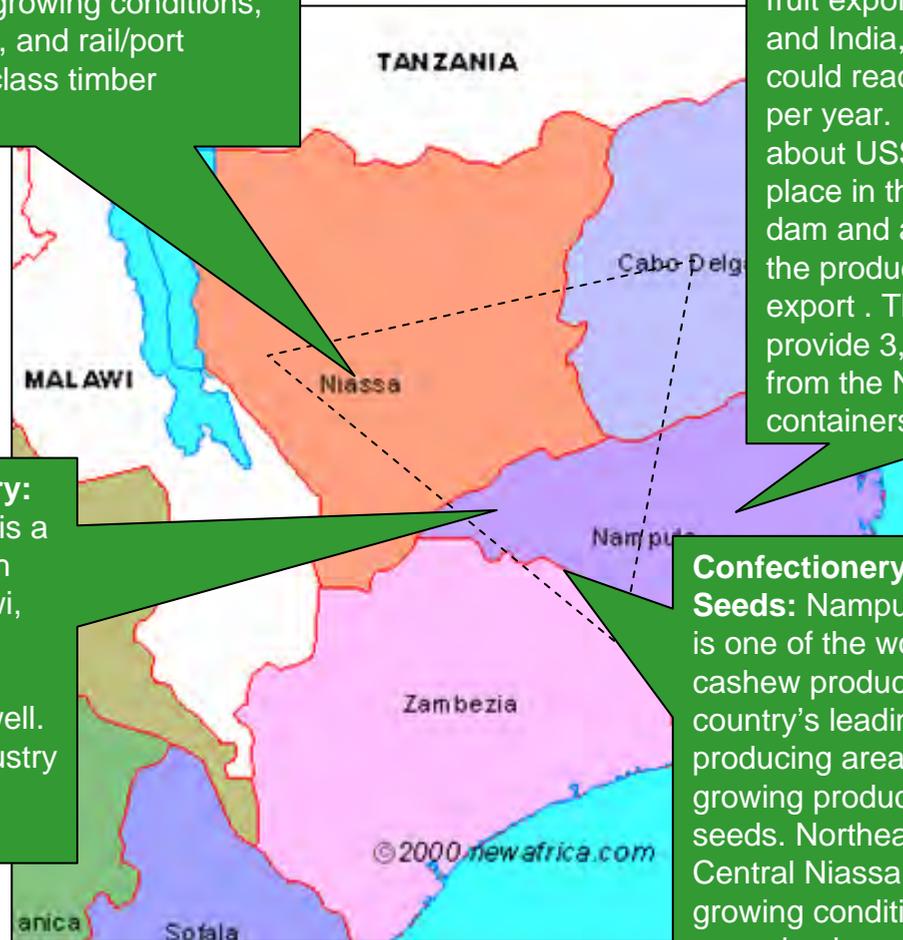
The northern region

Plantation Forestry: Niassa Province combines the natural growing conditions, low density population, and rail/port access to be a world-class timber producer.

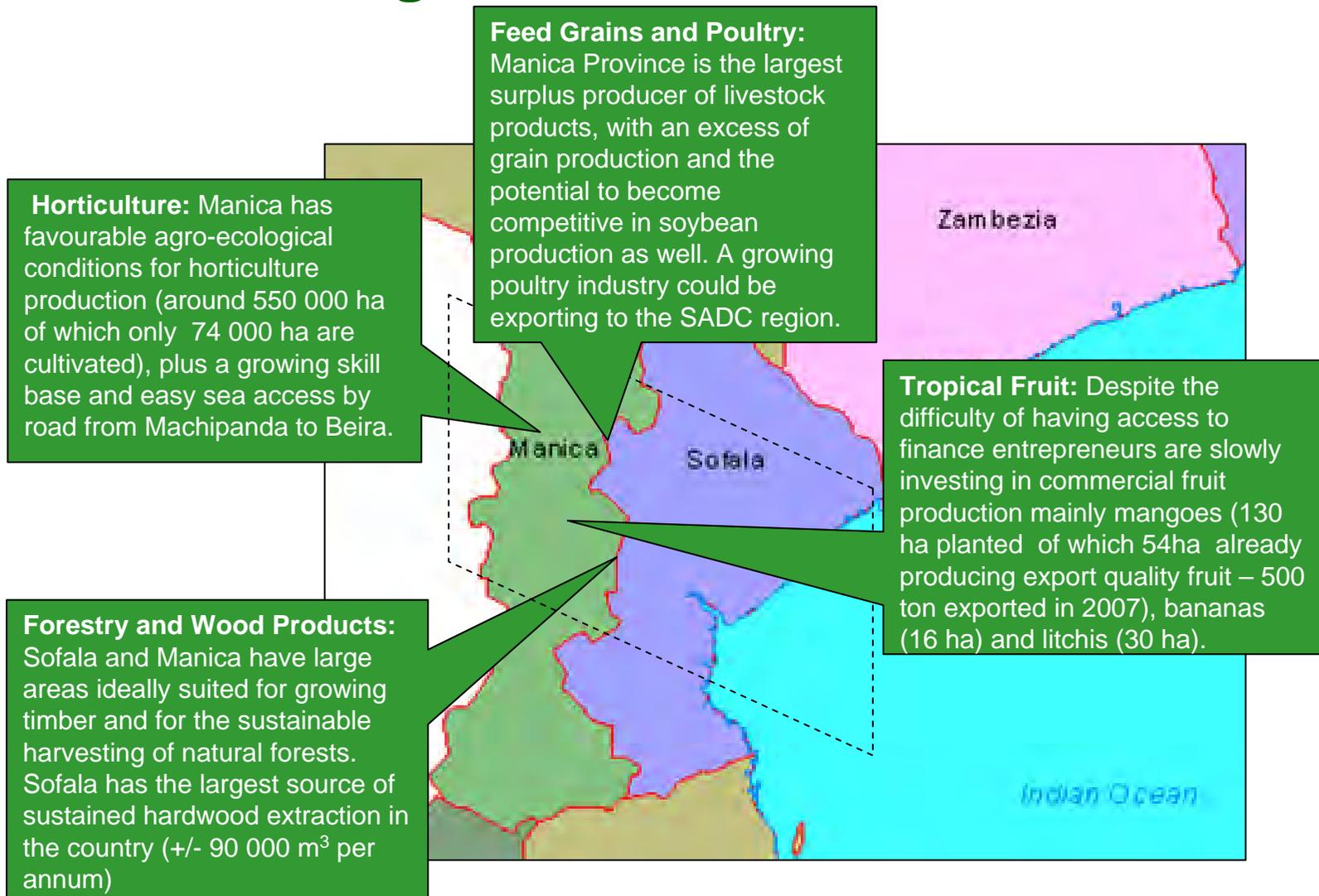
Tropical Fruit: Our research indicates that counter-seasonal fruit exports to the Middle East and India, especially mangos, could reach well over \$1 billion per year. An investment of about US\$50 million is taking place in the establishment of a dam and a 3,000 ha farm for the production of bananas for export. The project could provide 3,000 jobs and move from the Nacala Port about 200 containers a week.

Feed Grains and Poultry: Malema/Cuamba/Lioma is a maize surplus area which already exports to Malawi, and has the potential to become competitive in soybean production as well. An emerging poultry industry could soon be exporting throughout the region.

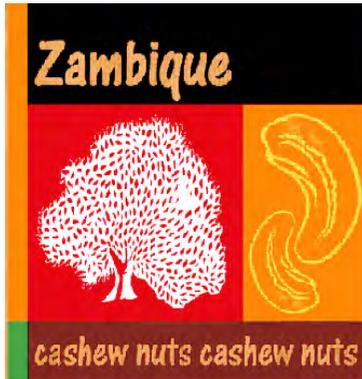
Confectionery Nuts and Seeds: Nampula and Zambezia is one of the world's leading cashew production areas, the country's leading peanut producing area, and a rapidly growing producer of sesame seeds. Northeast Zambezia and Central Niassa have ideal growing conditions to produce macadamia nuts.



The centre region



In the cashew industry sector exports grew from about US\$80,000 in 2001/02 to US\$15 million in 2007. There are new investments in groundnuts and macadamia.



- **Cashew:** From almost none in 2001, more than 12 processing plants are currently in operation in the coastal areas of Nampula and Zambézia. The industry provides currently about 5,000 jobs and US\$15 million in annual revenues. The cashew industry can grow further and revenues could reach US\$70 million and provide employment to about 20,000 workers.
- **Groundnuts:** For the first time association farmers exported 500 ton of groundnuts to Europe in 2007. Blancom a South African company is investing about US\$2 million in a processing plant in Nacala. Some small scale cashew replanting trials by intercropping with groundnuts were experimented with some encouraging productivity increases.
- **Sesame:** It is currently one of the most important crops for the smallholder farmer mainly in the Nacala Corridor where a sesame cleaning and grading plant is in operation in Nacololo.
- **Macadamia:** Tenga and Miranda are the companies that are investing in new plantations in Niassa and Zambézia respectively. Both are the macadamia pioneers in Mozambique having established more than 300 ha of new commercial plantations since 2004 and providing jobs to about 200 workers. As planned the first macadamia processing plant might be established in Gurue in the near future.

Seasonality could determine that Mozambique fruit gets triple of the normal price in the Meadle East and India. If adequately developed the fruit industry could represent revenues of more than one billion USD per annum.



- **Seasonality and Mangoes:** Mozambique and India climates are identical, but with some opposite seasons throughout the year. India is the largest world mango producer and consumer. It is also the largest exporter to the Meadle East. But it does not have mangoes in the Mozambique production period.



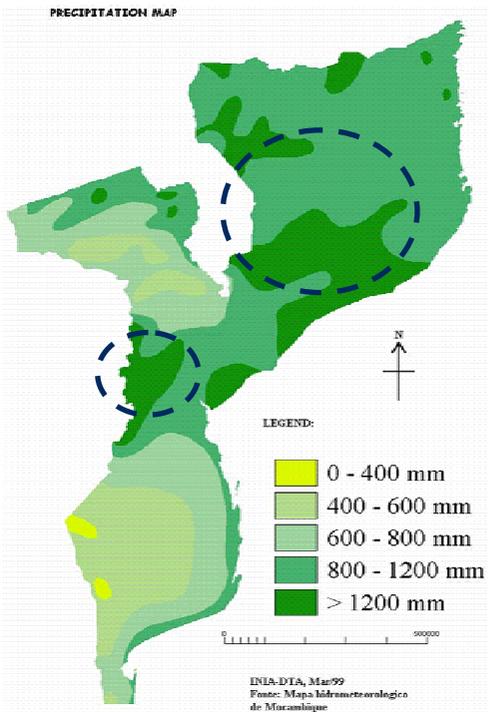
- **Bananas:** Chiquita's market to local produced bananas could bring one boat a week to the Nacala Port and move more than 200 containers. About 6,000 jobs (direct and indirect) could be created.
- **Other tropical fruits (i.e. Pineapples):** With the necessary scale created by bananas and mangoes, new opportunities could be created for the production and marketing of other local produced tropical fruits.

Mozambique poultry industry is being revitalized and its production is growing to compete in the domestic and international markets despite challenges



- **The poultry program:** That started as an EMPRENDA study, it is responsible for the revitalization of the poultry industry in Mozambique. Main activities included (a) capacity building for small and large scale chicken producers and government; (b) bio-security and disease prevention training; (c) marketing services; (d) development of local input industries (promotion of soybean production and new market for maize)
- Since its inception Mozambique internal chicken production increased from 7 million in 2004 to about 25 million birds in 2008 (domestic demand estimated in about 35 million birds) creating new markets for animal feed. This represents currently a market of about US\$65 million for domestic produced maize and soybeans.
- To date a total of about 9,000 smallholders have sold feed components to the assisted poultry enterprises and about 1,300 new jobs have been created.

Soybean and maize low cost production offers a competitive opportunity for poultry production and exports



- **Soybean and maize:** The northern and centre regions are considered as having the highest potential to become the grain belt in Mozambique. The triangle Malema, Cuamba and Lioma in the northern region already regulates maize exports to Malawi. With an internal growing poultry industry local maize markets is also improving.
- Maize that still is farmed basically for subsistence is becoming a commercial crop due to mainly the poultry industry growth and exports to Malawi.
- Soybean is a relatively new but encouraging crop for smallholder farmers. Assisted producers by EMPRENDA in Nacala and Beira Corridors produced about 1,300 ton in 2008 and total domestic produced soybean grew from below 1,000 ton in 2005 to about 8,000 ton in 2008.

Mozambique has favorable conditions for the establishment and development of a successful forest products industry. There is a good combination of natural growth conditions, relative low population density and access to ports.



- In Niassa there are forest plantations being established. From an old plantation of about 1,500 ha in 2004, new initiatives have established about 8,000 ha that are providing jobs to about 3,000 workers. If the adequate support is provided the total area could reach 200,000 ha in the near future.
- In Niassa alone the forest projects combined could employ about 9,000 workers and produce annual revenues of about US\$135 million.
- Exports that could reach 1.5 million cubic metres might require that more than one train a day run from Lichinga to Nacala Port and vice-versa.

- A FAO study estimated that in Mozambique plantation forestry for industrial use can provide about US\$10 billion in annual revenues and provide employment to about 300,000 people.

Crosscutting issues should be treated as factors that can enhance productivity and competitiveness of all agro-business sector and of the country (a few highlights)

Quality systems (set-up and management)

Most of the cashew processing factories and some poultry producers benefitted from assistance for the implementation of quality management systems that could enable them to be internationally certified (HACCP).

Finance (access and management)

Due to absence of a dedicated institution for agriculture credit and lack of reliability of the few existing credit companies in partnership with government, industries and USAID efforts were made by EMPRENDA to establish a new institution dedicated to provide credit to the agro-business sector.

Policy development

EMPRENDA helped the government and the private sector to decentralize the setting of the minimum wage and the regulation for frozen chicken imports into Mozambique. To raise awareness for the existing potential in forest products, EMPRENDA provided the initial assistance for the development of forestry plantations in Niassa that resulted in the establishment of the enterprises currently in operation and the two FAO/Government studies (the forest plantation potential and afforestation strategy).

Agro Support Services

(a) An aflatoxin laboratory at the University Lurio was established (conducted 300 aflatoxin and moisture tests); (b) ICRISAT and the University Lurio signed a Memorandum of Understanding to install a seed testing laboratory; (c) Are operational small plants for groundnut de-shelling at Nametil and sesame cleaning and grading at Nacololo; (d) A program with SADC, IIAM and IKURU was develop to help reduce the sesame flea beetle problem; (e) Mechanized agriculture was introduced in some locations to help increase farmers productivity; (f) Irrigation infrastructure were created in various associations providing to farmers in the Beira Corridor; (g) IKURU in the Nacala Corridor and SIWAMA in the Beira Corridor, respectively 3rd and 2nd Tier associations are contributing to improve agro-services to farmer members; (h) IKURU is already a guaranteed buyer for at least some of the smallholder farmers produce; Fair Trade and Organic; (i) SIWAMA representing 55 associations and in development for the past two years has as objective is to become a fully-fledged agribusiness enterprise by the end of 2010, based on the model of IKURU (sarl) in Nampula

Lessons learned

- ✓ **Focus on high potential areas** and farms with the potential for **irrigation**
- ✓ **Focus on high potential crops**, quality production and scale
- ✓ **Farm infrastructure** development should be given special attention
- ✓ Innovative solutions to the ongoing lack of **credit** issue are required (warehouse receipts , partnerships to target specific crops and regional areas, establish an agro-business dedicated credit institution)
- ✓ **Greater assistance is needed for start-ups** to try to avoid miss-management and potential business failures
- ✓ Development of **skilled labor** by formal and on-the-job training is essential
- ✓ A **cashew tree replanting** approach with the necessary scale in different formats – commercial and family - need to be urgently identified implemented
- ✓ Formation of **Industry Development Groups (IDG)** or **Production Driven Groups (PDG)** is critical for the success of an agro-industry in Mozambique

More impact is achieved by **focusing on high potential areas** and farms with the potential for **irrigation**. Generally the Center and Northern Region more specifically the triangle Cuamba-Alto Molocue-Montepuez and the Gorongosa-Chimoio-Sussundenga-Manica area offer significant potential for grain (maize, soybean and oil seeds) production in terms of agro-climatic conditions and capable producers. However within the agriculture system, crop diversification with focus on high potential products is key to further increase rural income. Such focus and diversification requires tight collaboration between the different interested agencies, government and producers.

Farm infrastructure development should be given special attention namely energy, roads, communication, irrigation, warehouses. This would equip farmers with technological gains, which can improve farming practices and produce increased revenues. This would also provide to the related services sub-sectors the necessary confidence for investment.

Innovative solutions to the ongoing lack of **credit** issue are required. A sustainable and longer term (creative) solution is needed so that this issue does not crop up, season after season. For example:

- (a) a new lending facility, such as, a warehouse receipts program could probably help to solve the working capital constraints for many larger-scale producers including farmer associations and processors;
- (b) partnerships between banks, development agencies, government and donors could be formed to target specific crops and regional areas in pilot agro-commercial development initiatives.

This might attract credit for production because currently most if not all available credit is commercial. Due to absence of a dedicated institution for agriculture credit and lack of reliability of the few existing credit companies, agro-business development partners should work more closely for the creation of necessary conditions for the establishment of a credit institution orientated to investment in the rural areas for the development of agro-businesses in the high priority regions.

Focus in the development of **high potential crops**, quality production and scale can play a key role in getting access to more demanding markets as well as the creation of an agro-service industry dedicated to the supply of agricultural inputs. Starting from primary agro-processing such as cleaning and grading could prove to be the turning point for producers to achieve greater quality in sellable agro-products, hence achieving greater revenues.

Also efforts for the development of an agro-industry that has as primary target high potential crops could be essential for the creation of a reliable agro-service provider sub-sector mainly in quality seed research and supply, agro-chemicals distribution, equipment and after sales services as well as technical assistance and extension.

The development of viable local service providers to agriculture is subject to the development of agriculture as a viable business. Therefore interested agencies should work towards the development of agricultural systems that bring commercial viability and sustainability into the sectors.

To try to avoid miss-management that often creates cash flow problems and potentially business failures, **greater assistance is needed for start-ups**. These also should be managed with extra discipline and focus. Therefore representing industry groups should put in place measures to assist beginners with general business and financial management. Measures could also include monitoring capabilities and provision of managerial mentoring.

It was observed that there is shortage of **skilled labor** in different components of the targeted high potential value chains by the EMPRENDA Alliance. Development of vocational training could be essential to overcome that obstacle. But that training should be complemented with the necessary on-the-job training. This could be achieved in the commercial sized production centers and also within the different farmers groups through practical field days and daily practice in the individual farms assisted by the coop technical personnel.

Cashew tree production still is a seasonal collector activity and not a farming activity. This is because most farmers are not yet getting satisfactory income from their tree production.

The emerging cashew processing industry also faces a workers productivity challenge that has as one of the causes the lower quality of raw material that is currently provided by the existing ageing population of cashew trees.

A new cashew tree replanting approach with the necessary scale in different formats – commercial and family - need to be urgently identified and pilot projects implemented.

Formation of **Industry Development Groups (IDG) or Production Driven Groups (PDG)** is critical for the success of an agro-industry in Mozambique. Through these, different value chains can be developed with the necessary focus and support from different interested partners.

Existing and new facilities, such as for research, can be put at work with real positive impact in the development of the local and national economy, industries can be created having competitiveness as one of the most important aspects for their sustainability and consequently markets can be approached and responded in a more efficient way.

Central and local Governments and large scale service providers, such as the ports, education, export promotion, public works authorities, could best be approached by an IDG than through many individually small enterprises.



Opening of the first Miranda cashew factory in Namige in 2001

New commercial banana farms being established in Manica and Nampula in 2008



Obrigado
Thank You