



Agriterra

Common Sense in

FARMERS' BUSINESS

— *ambitions and approach 2016-2020* —

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This preview of 2016-2020 is part of a trilogy. The other parts are a review of 2011 – 2015 and the annual report of 2015.

COLOFON

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A key role in ECONOMIC DEVELOPMENT

Organised agriculture and cooperatives in the Netherlands have undeniably contributed to a blooming agricultural sector which makes a valuable contribution to the economy. Agriterra believes that farmers and horticulturalists in developing countries can also play a key role, by forming organisations and working together. Through producers' organisations and cooperatives they can improve their productivity and strengthen their position in the chain. In our vision, that ensures not only better food provision but also economic and social development. A flourishing agricultural sector is also better able to develop sustainable production methods and to tackle the effects of climate change.

In this process Agriterra is an advisor and partner, and we are providing a logical follow-up to the development witnessed in recent years. Whereas initially the focus was on demand-driven project financing, in the 2011–2015 period that focus shifted to a more advice-driven approach. *(For more information about our working methods and results, see 'Farmers Fighting Poverty' 2011–2015. Approach and Results.)*

Since 2015, Agriterra has decided to further deepen this approach, prompted by changes in the way that governments and (international) aid organisations think about development cooperation, as well as by developments in the market. Businesses, both local and multinational, are increasingly taking an interest in the agricultural sector in developing countries. New capital flows render the donations of the 'old' development aid model less important.

This means that the availability of money is no longer the biggest problem. In many countries, the limiting factors are now government policy and gaining access to capital. That calls for decisive advocates, organisations which strengthen farmers' entrepreneurship, and creditworthy cooperatives. That is the starting point for Agriterra's corporate strategy in the 2016–2020 period. *(Agriterra's new course is formulated in the 'Common Sense in Business (2016-2020)' programme proposal.)*

Advantages for both sides

Agriterra is keen to play a connecting role as advisor and 'knowledge broker', between producers' organisations and cooperatives in developing countries on one side and, on the other side, companies and organisations in countries such as the Netherlands.

Cooperation brings advantages to both parties. Our clients in developing countries gain access to the knowledge and experience of their foreign partners and the network they bring with them, and for these foreign partners, cooperation can represent an investment in their business. For example, they might work on new or improved raw material flows (see 'Bavaria seeks local malting barley for Ethiopian beer', pages 4–5), or on future export opportunities. Some businesses also use activities in developing countries to fulfil their Corporate Social Responsibility (CSR). This offers the opportunity to gain experience in other countries and cultures.

Agriterra brings the interests of both sides together. On one side we have our network in the Netherlands and in other developed countries, and on the other we have experience in professionalising enterprises in developing countries and in setting up and strengthening producers' groups.



BAVARIA SEEKS LOCAL MALTING BARLEY FOR ETHIOPIAN BEER

IN 2014 BAVARIA OPENED A NEW BREWERY IN ETHIOPIA WHICH PRODUCES THE LOCAL BEER, HABESHA. THE FAMILY BUSINESS FROM BRABANT HAS REQUESTED AGRITERRA'S HELP TO SET UP A FULLY LOCAL CHAIN TO PRODUCE BARLEY TO MAKE THE BEER.

Ethiopia – and indeed Africa as a whole – is a completely new market for Bavaria, and the method of funding is also unique: the new brewery has up to 8,000 local shareholders, mainly small businesses in the hotel and catering industry and the distribution sector. The next step is to reduce imports of raw materials so that in five years' time the brewery will depend entirely on Ethiopian malting barley. That is both Bavaria's wish and a requirement of the Ethiopian government.



- Ethiopia
- Habesha Breweries - Bavaria
- Malting barley

TOO LITTLE LOCAL BARLEY

The problem is that there is still too little barley available locally. In Ethiopia it is mainly small farmers who cultivate this crop, and the quality of the local grain is often too low and the cooperatives lack storage capacity.

"We would like to develop a local raw material chain," says Stijn Swinkels, Bavaria's Chief New Business Development Officer, "but we can't do that on our own. Agriterra has more experience in this area, so we welcome the collaboration." Bavaria and Agriterra have begun a pilot with Admas, a union of farmers' cooperatives. Habesha Breweries trains the farmers in improving the cultivation of better barley, while Agriterra support the professionalisation of the operational management, the cooperatives' financial management and sets up the malting barley supply chain. The farmers receive improved seeds and assured sales of the product.

LATE RAINS

Despite these advantages, the pilot project has had setbacks. In the first year, Habesha only purchased the harvest of 30% of the

barley that had been sown. Due to late and limited rainfall, the harvests were not abundant and the farmers ate a great deal of the product themselves. There was also dissatisfaction with the price, and the quality of the seed on offer was below par. But those setbacks are no reason to discount further cooperation. On the contrary, according to Swinkels: "These sort of obstacle comes with the territory. We will definitely carry on." Agriterra and Admas are extending the test project for another year, and in the meantime Agriterra is looking for other cooperatives which could also contribute to a local malting barley production chain.



'We would like to develop a local raw material chain, but we can't do that on our own.'

Stijn Swinkels, chief new business development officer, Bavaria.

EXPECTED RESULTS:

- Collaboration with a cooperative as partner
- 100 percent local supply of malting barley in 5 years

Agripool: experts from the business world

What makes us distinctive is our Agripool, experts from organised agriculture and agribusiness in the Netherlands and abroad who give professional, tailored business advice to their colleagues from farmer-led businesses and farmers' organisations in developing countries. (see 'Improved Nepalese vegetable seed thanks to a Dutch breeder's expertise', pages 6–7)

In the entire period from 2011 to 2015, a total of 859 Agripoolers were involved in short-term advisory missions, training courses or other events. With our more business-oriented approach, that number will grow to more than 700 in 2020 alone (see table).

Dutch organisations and businesses provide the majority of these experts, but the Agripool also recruits from companies, farmers' organisations and cooperatives in other countries. The Dutch share is expected to be approximately 50% in 2020.

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------|------|
| Advisory missions, training courses, workshops, exchange | | | | | |
| Agripool | 599 | 653 | 711 | 732 | 756 |
| Consultants | 287 | 285 | 288 | 268 | 258 |
| Agriterra employees | 121 | 124 | 135 | 135 | 144 |

IMPROVED NEPALESE VEGETABLE SEED THANKS TO DUTCH BREEDER'S EXPERTISE

THE DUTCH SEED BREEDER, ENZA ZADEN, IS COMMITTED TO IMPROVING THE QUALITY OF LOCAL VEGETABLE SEED IN NEPAL AND IS WORKING CLOSELY WITH AGRITERRA AND THEIR PARTNER, A FEDERATION OF FORTY FARMERS' COOPERATIVES.

Nepalese vegetable growers mainly work with vegetable crops, most of which are local varieties. They could obtain better yields if they used raw materials that are well adapted to the conditions and more resistant to diseases and pests. Good quality vegetable seed is not easy to get hold of, and the local seed growers, who still mainly use traditional methods, have little knowledge of new seed improvement techniques.

TECHNICAL SUPPORT

To change this, Enza Zaden and Agriterra intend to work with three local cooperatives in the Makwanpur district. They have signed a declaration of intent to supply technical support to three farmers' cooperatives associated with the Small Farmers Agricultural Cooperatives federation in the Makwanpur district.

'Supporting Nepalese seed breeders is in line with the socially responsible business practices we are known for'

Joep van Balen, product development manager Asia, Enza Zaden.



- Nepal
- Small Farmers Agricultural Cooperatives federation - Enza Zaden
- Vegetable seeds

IMPROVED STRAINS

Over time, these efforts improve the crop strains. Together with the cooperatives, Agriterra is investigating how they can register the improved seeds under their own names and logos, and how they can sell them as a recognisable premium product. That will take at least two years.

According to van Balen, the project in Nepal is in line with Enza Zaden's efforts to supply good-quality seed for professional small farmers, and with the socially responsible business practices the company is known for. Enza has no direct interest in the collaboration: the local seeds do not feature in their range. "It gives us satisfaction to see the farmers working up their own native strains independently into qualitatively good seed," van Balen says. "With our support for these small seed cultivators, we also support the farmers who will use the seeds and ultimately also the consumers, who get better vegetables."

EXPECTED RESULTS:

- Production of vegetable seed improved and traditional strains stimulated by providing guidance to 45 growers
- The cooperative's marketing efforts are successful

Focus on regions and sectors

Agriterra devotes 80% of its resources to four regions: Ethiopia, East Africa, Southeast Asia and Latin America. Within these regions, we are active in between 16 and 18 countries.

The sectors in which we are active vary between regions. That is partly connected to the activities or particular interest of Dutch companies in the region concerned; we are involved with dairy cooperatives in both Africa and Southeast Asia, for instance. (see: 'Agripoolers set the scene for an Ethiopian dairy cooperative's marketing', pages 8–9)

In the Great Lakes region – Burundi, Congo, Rwanda – for example, we work with various parties in the potato sector; in Ethiopia, vegetable growing and flower cultivation receive a relatively large amount of attention; and in Ethiopia and China, countries with a centrally managed economy, an important role is reserved for advocacy and the forming and strengthening of cooperatives.

AGRIPOOLERS SET THE SCENE FOR AN ETHIOPIAN DAIRY COOPERATIVE'S MARKETING

THE ETHIOPIAN MILK COOPERATIVE ADA'A DAIRY COOPERATIVE IS PROFESSIONALISING ITS MARKETING POLICY THANKS TO THE KNOWLEDGE AND EXPERIENCE OF FRIESLANDCAMPINA AND SUPPORT FROM AGRITERRA.

Ada'A Cooperative was founded in 1998 and is located in Bishoftu, 45 km from the capital, Addis Ababa. The cooperative processes the milk supplied by its members, small-scale dairy cattle farmers, into dairy products for corporate buyers and consumers in the local market. The enterprise has a facility with a capacity of 15,000 litres per day for the processing and packaging of milk and the production of small amounts of yoghurt, butter, cheese and cream.

MARKETING AND SALES STRATEGY

Agriterra has been supporting Ada'A since 2014. Following an extensive company assessment, ambitions were formulated both for a marketing and sales strategy and to ensure the development of the necessary qualities within the organisation. Through the Agripool, two marketing experts from the Dutch dairy cooperative FrieslandCampina carried out an advisory



'We have tried to convey the importance of marketing and market-oriented thinking, and to provide practical tools. Now it's up to the directors and employees of Ada'A to put the action plan into practice.'

Carolien Roseboom, Marketing manager, FrieslandCampina



- Ethiopia
- Ada'A Dairy Cooperative Society - FrieslandCampina
- Dairy

Carolien Roseboom, Marketing Manager at FrieslandCampina, who carried out the advisory service with her colleague, Marlies van der Meulen.

Partly on the recommendation of the Agripoolers, the cooperative hired a marketing manager. Agriterra's team of local business advisors remains in contact with Ada'A.

MEMBER ENGAGEMENT

During their stay, the Agripool experts observed that milk supply is also a bottleneck. If Ada'A can increase their sales volume through successful marketing, a reliable, stable supply of milk will become even more important, but the cooperative's management knows that member engagement can pose a problem. The Agripoolers from FrieslandCampina see a potential follow-up in support from them, because Dutch dairy cooperatives also have a great deal of experience in organising and streamlining the supplies of members' milk and increasing member engagement.

EXPECTED RESULTS:

- Enhanced brand awareness of dairy products
- Sales to consumers increased and B2B strengthened
- Stable supply of milk due to the members' increased engagement

Common Sense IN FARMERS' BUSINESS:

— a better position for 1 million —

FARMERS AND HORTICULTURALISTS

IN THE PERIOD LEADING UP TO 2020, WE ARE CONCENTRATING EVEN MORE ON THE ENTREPRENEURIAL AMBITIONS OF COOPERATIVES AND ORGANISATIONS WHICH OPERATE IN THE INTERESTS OF FARMERS. WE WANT TO MAKE A DIFFERENCE AS A MARKET-ORIENTED ADVISORY ORGANISATION, A KNOWLEDGE BROKER BRINGING CLIENTS IN DEVELOPING COUNTRIES TOGETHER WITH EXPERTS, FARMERS' ORGANISATIONS AND COMPANIES IN THE NETHERLANDS AND BEYOND.

In this period we will work with between 280 and 300 clients on an annual basis, totalling around 410 unique clients over the entire 2016–2020 period. Of these, around 60% are cooperative enterprises, 35% are producers' organisations or federations, and 5% are advocacy organisations. Through these 410 clients we are able to reach 1 million unique producers.

entrepreneurial farmers and horticulturalists are more successful when they collaborate in cooperatives and farmers' organisations. Their success enables them to make an important contribution to employment, the fight against poverty, economic development in their region and the democratisation of their country.

We are committed to the professional operational management and good governance of cooperatives. What we want to achieve with our advisory services is that 'farmer-led businesses' gain access to outside capital, to enable them to invest in the processing or upgrading of their products and ultimately to realise a better price for their members. We also want to contribute to the strengthening of producers' organisations and targeted advocacy, because we believe that

GOALS

2020

50 COOPERATIVES SUCCESSFULLY LINKED TO BANKS, INCLUDING 25 SMOKING CHIMNEYS AND OTHERS WITH INVESTMENTS MADE IN PROCESSING CAPACITY

55 MILLION EUROS
in loans and working capital mobilised

A total of
1 million
(unique) farmers reached

30% of the operational costs of producers' organisations — COVERED BY THEIR — service provisions and private agreements



15% of board members of farmers' organisations and cooperatives are **WOMEN**

50 PERCENT OF THE CLIENTS HAVE A YOUTH COUNCIL; BOARDS MADE UP OF **10 PERCENT** YOUNG MEMBERS

Policy proposals have led to the mobilisation of **100 MILLION** euros in funds

30 % INCREASE IN MEMBERS WHO PAY

Financing

The Dutch government (Directorate-General for International Cooperation, DGIS) continues to be an important partner. In terms of financing, we expect other sources, such as companies, and our clients' own contribution to become more significant. See table.

TABLE: PLANNED PROJECT FINANCING

| | 2011-2015 | 2016-2020 (estimate) |
|----------------------|-----------|----------------------|
| SOURCE | | |
| DGIS | € 53 mln | € 55 mln |
| Other sources | € 11 mln | € 16 mln |
| Client contributions | € 39 mln | € 50 - 80 mln |
| TOTAL | € 103 mln | € 121 - 151 mln |



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