Sector Policy Training
Introduction
BPR Agribusiness Team

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Simple?
Sow a seed and harvest a crop.

OR

Complex system?
Many factors require skilled management
Agribusiness – What Is A Value Chain?

- It is the added value of each step or combination of steps from “Inputs” to final consumable “Product”
- Each step can involve different players
- Each step involves different risks
Agribusiness – Farming Factors

What are the factors of “Production”?

- Soil
- Seeds
- Nutrients
- Water
- Labour
- Climate

Inputs → Growing / Production → Storage → Processing → Own use/Market
Agribusiness – Soil

Soil

- Soil characteristics (texture, drainage, slope, erosion, fertility)
- Farmer can manage fertility (add nutrients and humus or not)
- Producer cannot change texture (sand, loam, clay)
- Slope cannot be changed, but can be managed (contours, terraces, ridges)
- Drainage and erosion can be changed through farming techniques

The difference between a good and poor soil = Cost!
Agribusiness – Seeds

**Seeds**

- Seeds or planting material adapted to local conditions
- Own production or purchased
- Adapted to end user
- Rotation and timing
- Disease resistance
Agribusiness – Nutrients

**Nutrients**

- Crop needs
- Soil natural fertility
- Organic matter
- Artificial fertiliser
- Long-term soil fertility

Organic matter is generally better (if well handled) but more expensive. Are fertilisers subsidised (by the state of the off-taker)?
Agribusiness – Water

Water

- Rain and dry seasons
- Drought resistance of crops
- Irrigation
- Water saving techniques in soil
- Crop cycle
- Availability for pesticide and other applications

Excess and lack of water are problematic, managing it can be costly!
Agribusiness – Labour

**Labour**
- Crop labour intensity
- Type of labour (land preparation, weeding, applications of nutrients or pesticides, harvesting)
- Manual or mechanised
- Availability of labour and cost
- Timing of operations

Own labour is often not quantified and/or costed!
Agribusiness - Climate

**Climate**
- Suitability of climate (full or marginal)
- Factors that can be compensated (shading, cycle length, water)
- Impact on yield potential
- Impact on quality
- Competitiveness with other regions

Growing crops outside their suitable climate is possible, but rarely competitive!
What are the key issues in “Post-Harvest”?
- Storage capacity
- Drying and grading
- Existence of processing
- Production seasonality
- Access to market
Agribusiness – Storage

**Storage**
- Type of storage
- Length of time crop can / must be stored
- Types of degradation (moisture, pests, fermentation)
- Location of storage
- Cost of storage
- Security

Lack of adequate storage leads to an average loss of **30%** of crop!
Agribusiness – Drying & Grading

Drying & Grading
- Moisture content is key for storage & processing
- Drying open (sun, dry season) or covered (shelter, building)
- Drying natural or artificial (heating, fans)
- Grading (foreign matter, colour, size, whole/broken)
- Grading by hand or mechanic
Crop (market) value is directly linked to moisture and quality!
Agribusiness - Processing

**Processing**
- Seasonality of harvest and processing
- Value-added
- Integration with production
- Alternative processors (competition)
- Alternative processes
- Processing capacity vs. Market demand
Agribusiness - Seasonality

Seasonality
- Seasonality factors (climate, region, market)
- Number of production cycles
- Impact on crop prices (price seasonality)
- Competitiveness with neighbouring regions
- Attractiveness of off-season sales
Agribusiness – Access to Market

Access to Market
- Direct from farm to market?
- Cooperative, middle-man or trader?
- Transport cost
- Seasonality of demand
- Competition between producers and/or markets
- Taxes or duties
What about market and or consumption?
- Domestic or Export
- Processed or unprocessed
- Price volatility
- Demand

- Seasonality
- Competition
Agribusiness – Domestic or Export

Domestic or Export market?
- Competitiveness compared to neighbours
- Competitiveness compared to world market
- Domestic competitiveness
- Price difference
- Demand difference
- Managed by farmer, cooperative, union, state organisation, other?
Agribusiness – Processed or Unprocessed

**Processed or unprocessed?**
- Only unprocessed (beans, bananas, Irish potatoes)
- Only processed (tea, coffee, cassava)
- Both processed and unprocessed (maize, rice)
- Process by farmer, cooperative or commercial operator
- Processed product range
- Product quality
- Regulations
Agribusiness – Price Volatility

*Price volatility*

- Historic price volatility
- Regional price differences
- Seasonal price differences
Agribusiness – Demand

**Demand**

- Demand vs. production
- Local, regional, national & international demand distribution
- Distance & cost to market
- Seasonality of demand?
- Rural vs. urban consumption
Agribusiness – Seasonality

**Seasonality**
- How many production seasons?
- Market price fluctuations between harvest seasons
- Quality consistency during seasons
- Season comparison with neighbouring countries
Agribusiness - Competition

**Competition**

- Domestic competitors (national, regional)
- International competition (EAC, world market)
- Competition between different product types (red beans vs. white beans, washed vs. unwashed potatoes)
Conclusion

Agribusiness is **not** simple!
- Many factors
- Many uncertainties
- Many aspects to manage

It is **not** high tech!
- Farmers help each other (cooperatives, minagri, etc.)
- All operators deal with the same uncertainties
- There are no secrets

**But not everybody can be a good farm manager!**
Sector Policy Training Objectives

Which sectors?

- Tea
- Coffee
- Rice
- Maize
- Beans
- Irish Potatoes
- Cassava
- Dairy

- Pyrethrum
- Pineapple
- Tree tomatoes
- Banana
- Sweet potatoes
- Sorghum
- Poultry
- Fisheries