

# A Model for NGO and Private Sector Partnership for Scaling up SAKs

## STORY OF CHANGE

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Photo: Roshan Pudasaini, LI-BIRD.



## KEY MESSAGES

- Untapped business opportunities exist in the agricultural input market in Nepal even in terrace farming systems. But vendors and suppliers have limited information regarding the needs and demand of smallholder terrace farmers for agricultural tools and products.
- Partnership between NGO and private sector actor is a fruitful way to tap into this opportunity. An NGO tests a large menu (a few dozen) of tools and practices with the target community to identify tools and products that have viable demand from the farmers. This new information reduces the risk for private sector partner to enter the market.
- The private sector actors can find the optimum cost-effective ways to procure and supply the products to their customers. Utilizing existing distribution networks, such as snack food dealers and utensil/hardware retailers were promising avenues to market certain tools and products.

## Opportunities in Agricultural Inputs Marketing

Even though farming is the primary or secondary occupation for most households in rural Nepal, marketing of agricultural tools and inputs have not taken off. The market of input and equipment supply has concentrated only in the flatlands of the Terai and near cities. The rural hills, where terrace farming is practiced, remain underserved. Vegetable seeds are among the few agricultural inputs that has wide penetration. Markets in modern tools and machinery are completely lagging for terrace farmers. This is an opportunity that is waiting to be exploited for local and national entrepreneurs.

Agrovets or agro-veterinary shops are retailers that sell agricultural and veterinary products including seeds, fertilizers, insecticides, herbicides, animal feed, vaccines and drugs. They operate in all large markets across the country and are becoming accessible even in relatively rural parts. However, they operate on limited information about farmers' needs and demands and hence are still only scratching the surface of the available opportunities for input marketing in Nepal. Likewise, the number of traders and suppliers that deal with agricultural tools and inputs are few and there is little activity in terms of identifying and importing tools and products from the international market that meet the demand of the domestic farmers.

The current state is characterized by suppliers using limited information to procure and supply a few items that they think are in demand. Suppliers are risk averse and are not willing to step into a field that they are not sure will be profitable. Hence, new opportunities are not really being tapped.

In the process of technology testing and scaling up, the research partner (NGO) and the marketing partner (private company) play a symbiotic role. The research partner, through judicious testing of various tools and practices serves two functions. First it introduces farmers to affordable tools that solve their needs and in the process creates a demand for these products. Second, the process of testing of these tools in specific markets generates confidence among the private sector actors that there is a viable market to capitalize on. Building on this new information, a marketing partner is able to focus on supplying the tools.

## Assessing Demand

The SAK Nepal project is funded by the International Development Research Centre (IDRC) and Global Affairs Canada and implemented by the University of Guelph and LI-BIRD in Dhading and Kaski. LI-BIRD was the NGO research partner while Anamolbiu Private Limited is the private sector marketing partner.

LI-BIRD conducted detailed surveys and used expert knowledge of the productions constraints, needs and farmer interests in the working sites to create a large menu of 21 tools and 25 practices to test with farmers. These tools and practices were evaluated using six criteria: i) relative advantage, ii) compatibility, iii) simplicity, iv) amenability to trial by farmers, v) visibility of effectiveness, and vi) affordability. Fifteen practices and 12 tools were rated favorability in the terrace farming context and are being considered for scaling up (Please see illustrations at right hand side for some examples).

The tools that rated highly were typically simple to use, affordable, had multiple applications and gave visible benefits, while the tools that did not rate highly did not fit their archetype of what an agricultural tool should be, or did not fit in their system of operations or were tool costly and cumbersome.

## PRODUCTS



Hand Held  
Corn Sheller



Farm Rake



Super Grain Bag



Gloves

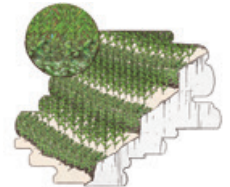


Millet Thresher

## PRACTICES



Yam in Sack



Legumes in Terrace Edge



Maize and Ginger  
Intercropping



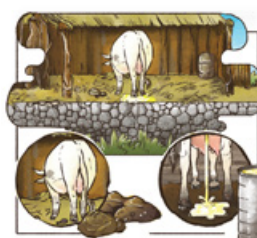
Ginger and Soyabean  
Intercropping



Water Harvest Pond



Drip Irrigation



Improved FYM



Table 1. Status of SAK product distribution and sales through different channels between August 2016 and May 2017. Results presented in the format a/b (c%) where a is the number of items sold, b is the number of items received and c is the proportion of the received items that were sold.

Products	Agrovet shops	Snack food dealers	Utensil/ Hardware shops	Co-operatives	Total
Corn sheller (handheld)	3100/6300 (49%)	485/1400 (35%)	2650/3180 (83%)	435/1580 (28%)	6670/12,460 (54%)
Composite Vegetable Seed Kit	1046/1650 (63%)	95/200 (48%)	-	110/400 (28%)	1251/2250 (56%)
Farm rake	120/230 (52%)	4/30 (13%)	10/50 (20%)	-	134/310 (43%)
Legume seed kit	995/1000 (99%)	-	-	-	995/1000 (99%)
Super grain bag	201/300 (67%)	-	-	150/150 (100%)	351/450 (78%)
Total	5462/9480 (58%)	584/1630 (36%)	2660/3230 (82%)	695/2130 (33%)	9401/16,470 (57%)

## Addressing Supply

Once the innovations are tested and the promising ones identified, the second part of the SAK process is to establish a distribution channel for sustainable supply to the farmers. Anamolbiu, a private seed company in Nepal, is the key private sector partner engaged in marketing the highly rated products. They have built a nationwide network of seed producers, farmer cooperatives and agrovet stores to produce and sell high quality seeds. For the purpose of the SAK project they also looked beyond their existing network of agrovet stores to supply these products. For instance, snack food dealers often have much better distribution networks into rural villages of Nepal. Since the objective of the project is to cheaply supply products to farmers and ensure that the distribution system is sustained after the project closes it makes sense to piggyback on existing distribution networks that have maintained themselves without external support.

The four distribution channels were tested: agrovet stores, snack food dealers, farmer cooperatives, and utensil and hardware stores. So far distribution and sales data have been collected on four products (Table 1) and two more products (farm rake and fruit picker) are in the process of distribution and sales. Anamolbiu directly supplied the products to 15 agrovet dealers and 29 retail stores, 3 snack food dealers and 10 retailers, 11 farmer cooperatives and 4 utensil/hardware retail stores. Hence each of the total 18 dealers of agrovet stores and snack food are supplying SAK products to further six stalls on average. In response to the 2015 mega earthquake, Anamolbiu also collaborated with seven NGOs in Nepal to supply over 215,000 composite vegetable kits and 13,800 farm rakes to earthquake affected families.

## Different Channels, Different Effectiveness

Agrovet stores were effective at selling all five products we have tried so far. These are the default outlets for supplying agricultural inputs and hence it is reassuring that they were able to sell the diversity of products.

Snack food dealers and utensil/hardware shops are the two unconventional marketing channels tested by the project. Snack food dealers did reasonably well in selling corn sheller as well as composite vegetable kits. Both these items are small and light and hence could conceivably fit into this existing distribution channel.

Utensil/hardware shops sell a variety of goods including kitchen utensils, plastic containers as well as traditional agriculture tools such as kodalo (spade) and hasiya (sickle) made by local blacksmiths. They were found to be most effective in selling portable corn sheller and did reasonably well in selling farm rakes too.

Farmers' cooperative were most effective at selling super grain bag but did poorly than other channels in selling corn sheller and composite vegetable seed kits. They were also less keen on selling these items. Cooperatives in Nepal have now shifted their priorities towards saving and credit activities and were not eager in work that would require them to stay open additional days, as their members are typically volunteers. This suggests that for distribution of SAK tools, outlets that stay open regardless, such as agrovet stores, kirana pasal (general purpose corner shops that receive supplies from snack food dealers) and utensil/hardware shops may be the best bet. The virtue of staying open year round means that farmers can buy the items



Photo: Roshan Pudasaini, LI-BIRD.

when they need. In contrast, a cooperative that does not open for business everyday will need to coordinate the date for distribution. Practitioners will need to consider a combination of approaches best suited to their context.

## Collecting Customer Feedback

Since the SAK approach does not presuppose a winning practice or tool but provides a large menu for farmers to test and choose from, collecting feedback on the innovations becomes very important. In addition to the six criteria based assessment of the innovations, Anamolbiu conducted cell phone interviews of the customers who bought the promoted tools to collect feedback. Due to high adoption of cell phones even in rural Nepal, cell phone surveys have now become a viable tool for collecting feedback.

One hundred customers of handheld corn sheller were interviewed by phone. Despite being incredibly successful (98% said they will continue to use it) customers reported that other farmers may not know about this useful tool. Forty two percent of the respondents reported that lack of awareness as the main reason for other farmers not buying it. The survey also showed that the company, i.e., Anamolbiu, was the most effective advertiser of the product as 52% of the respondents learned about it from the company selling it. Capitalizing on cell phone network in this way can help both the NGO and the private company to gather valuable insights to further improve the supply and adoption of innovations.

## Conclusions

Access to technology remains a major bottleneck for smallholder farmers as the opportunity of marketing agricultural inputs and tools remain untapped. NGO and private sector partnership can be fruitful in capitalizing on this opportunity to improve smallholder based terrace farming. In the SAK methodology, a NGO partner plays the role of introducing and assessing a large number of innovations (practices and tools) with farmers. This creates a demand for the innovations that work and reduces the risk for private sector partner to supply them.

Occasionally projects try to establish their own value chains. However, NGOs are less able to negotiate fair prices or sustain the value chains after the project is completed. Instead, we opted to piggyback back on existing distribution networks of agrovets, snack food dealers, utensil/hardware shops and cooperatives through a private sector partner. Private companies can procure and supply these tools in an efficient and affordable manner to farmers such that the distribution channel is sustained by the demand of the farmers alone. Anamolbiu had so far only worked in supplying quality seeds. With the SAK experience, now they have found another set of products to sell and therefore a new market to tap into. Use of cell phone technology to collect customer feedback allows them to further optimize their products and delivery systems and find new avenues to serve the underserved terrace farmers of Nepal.

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