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## CFAI CASE STUDY

### Scaling Up a Gender-Inclusive Supply Chain: AA Nafaka Store Supply Limited

Despite the growth of their agricultural sectors, many countries in Sub-Saharan Africa still import large volumes of dietary staples. Tanzania, for example, imports \$1.16 billion of food annually, including \$400 million of cereals and \$376 million of cooking oils and fats, according to the Food and Agriculture Organization. There is an enormous opportunity to produce more of these staple products locally, creating economic opportunities for local farmers and workers and a more affordable and reliable supply of goods for local consumers.

Doing so, however, will require scaling up local production of raw materials and processing capacity. This case study of AA Nafaka Store Supply Limited, a Tanzanian firm producing a variety of staple food products, highlights how an inclusive business plan can help small- and medium-sized food companies boost local production by investing in smallholder farmers, and particularly women farmers.

#### About the Coalition for Farmer-Allied Intermediaries

In response to COVID-19's impact on vulnerable food systems, a group of pioneering organizations working with 600+ African food companies joined together to launch the Coalition for Farmer-Allied Intermediaries (CFAI). Its mission is to catalyze a movement around vital small- and medium-sized agro-food businesses in order to transform and build more resilient African food systems. In 2021, Visa Foundation provided resiliency grants and enabled provision of technical assistance to eight Sub-Saharan food processing companies to help them navigate the continuing COVID-19 crisis, adapt to shifting market demands, and return to inclusive growth. TechnoServe and Partners in Food Solutions provided technical assistance to these firms through the Alliance for Inclusive and Nutritious Food Processing program, which is funded by USAID's Feed the Future initiative.

## INCLUSIVE BUSINESS PLAN

<b>Challenge</b>	Inadequate local supply of raw materials forces the company to operate its processing lines below capacity, limiting growth
<b>Inclusive Business Plan Solution</b>	Invest in a direct-sourcing model with smallholder farmer groups—comprised principally by women—producing maize and sunflower

### THE CHALLENGE

Established in 2012, AA Nafaka Store Supply Limited (“AA Nafaka”) is a fast-growing processor located in Songwe and Dar es Salaam, Tanzania, with a diversified portfolio of products: fortified maize meal and other flours, sunflower oil, and polished rice. A woman-owned business, AA Nafaka has relied primarily on women farmers to supply it with the necessary grains and seeds: through a mix of direct sourcing and purchasing from aggregators, AA Nafaka provides a market to 222 smallholder farmers, of whom 65% are women.

While the COVID-19 pandemic has hurt AA Nafaka’s sales in the short run, the long-term prospects for the company’s growth remain strong, and the processor has the opportunity to seize market share from imports. Currently, for example, more than half of the sunflower oil consumed in Tanzania is imported from overseas, but the product can be produced competitively within the country.

AA Nafaka has invested in increasing its production capacity to seize upon this opportunity. Without a larger and more stable local supply of high-quality crops, however, the company will be forced to operate its processing lines under capacity, threatening its margins and profits and limiting its growth. Increasing purchases from aggregators is not economically viable, as their prices are significantly higher than farmgate prices.

Instead, the company needs to scale up its direct sourcing of sunflower seed and maize from smallholder farmers. Smallholder farmers in Tanzania—and particularly the women who make up the bulk of sunflower and maize growers—face numerous obstacles to increasing their yields and crop quality, so if AA Nafaka is to grow, it must do so alongside its suppliers.

### WHAT IS AN INCLUSIVE BUSINESS PLAN?

An inclusive business plan is a strategy that enables a business to achieve its commercial objectives while improving conditions for one or more target populations—often smallholder farmers or bottom-of-the-pyramid consumers. As such, these plans must deliver both a strong financial and social return on investment.

As part of the CFAI program, and funded by Visa Foundation, TechnoServe staff worked with two grantee food companies during 2021 to develop strategies for improving the quality, reliability, resilience, and inclusivity of an agro-business’ sourcing model in ways that are both commercially viable for the company and increase incomes of their smallholder farmer suppliers, with emphasis on benefiting women farmers. The grantees will implement these plans in the years to come.

### INCLUSIVE BUSINESS: IDENTIFYING NEEDS

Facing this challenge, AA Nafaka jumped at the opportunity to work with CFAI—supported by a grant from Visa Foundation—to develop an inclusive business plan. Business advisors from CFAI member TechnoServe worked with the company’s management to assess what structures and services would enable farmers to increase their production and supply AA Nafaka.

The farmers highlighted several challenges that prevented them from producing more crops:

- **Access to inputs and credit:** Prices for inputs are high—exacerbated by the pandemic—and with little or no access to credit, farmers are not able to purchase them in sufficient quantities.

- **Agronomy training:** Farmers have received little agricultural training, so they are not able to implement farming techniques that would result in yield and quality improvements.
- **Market access:** Currently, markets for maize and (particularly) sunflower seeds are unpredictable and generally not profitable. Without linkages to other buyers or updated market information, farmers are forced to sell to aggregators at low prices, disincentivizing investment in the crops.
- **Post-harvest loss:** Farmers routinely lose between 25% and 30% of their harvest before it can be sold, due to inefficient markets, lack of training on post-harvest handling, and scarcity of adequate storage facilities.



It is important to note that research has consistently found women farmers—who form the bulk of AA Nafaka’s current and prospective supplier base—to have disproportionately limited access to finance, agronomy training, high-quality inputs, and productive assets.

## DESIGNING AN INCLUSIVE BUSINESS PLAN

Based on this analysis, the business advisors worked with AA Nafaka’s managers to develop an inclusive business plan that would allow the firm to scale up its procurement of affordable, locally grown crops from smallholders.

Under the plan, the company is planning to shift the bulk of its sunflower seed and maize purchases to organized farmer groups. This would represent a cost savings compared to purchases from aggregators, since the firm would avoid paying the margin that aggregators typically add. It would also be less expensive than sourcing from individual farmers, due to the efficiencies of scale in transporting, packing, and storing the crops from multiple farmers.

AA Nafaka would also be able to sign supply contracts with the farmer groups. These contracts would include a guaranteed price, providing a more stable market that encourages farmers to produce the crops that AA Nafaka needs, and an adjustment mechanism if prices rise on the open market. The contracts would also spell out the services that AA Nafaka could provide to the farmer groups, including extension services and warehousing. The farmer groups would be responsible for ensuring crops meet the required quality standards and that farmers are not side-selling to other buyers.

AA Nafaka and the farmer groups would also sign multi-stakeholder agreements with financial institutions and other businesses to improve smallholders’ access to credit and affordable inputs, as well as extension services.

## EXPECTED IMPACT AND PLANS

Based on field research and analysis, implementation of this inclusive business plan could help AA Nafaka increase its maize procurement from 650 MT to 4,000 MT by 2026, and its sourcing of sunflower seeds from 60 MT to 1,800 MT, with 80% of these purchases coming from the smallholder farmer groups. The company would save \$380 on every metric ton of sunflower seeds purchased and \$150 for every metric ton of maize. As a result, the inclusive business plan has the potential to boost the company’s profits by \$912,000 by 2026.

The benefits would extend to smallholder farmers, as well. The number of farmers in the company’s supply chain has the potential to increase 10-fold, from 222 today to approximately 2,000 by 2026. The better prices and yield-enhancing services offered under the inclusive business plan could help sunflower farmers earn an additional \$515 per year, on average, and maize farmers to earn an additional \$125.

At the time of publication, AA Nafaka is working to identify lenders and funders to support the investments required in the inclusive business plan.

### **ADDITIONAL CFAI SUPPORT FOR AA NAFKA STORE SUPPLY LIMITED**

In addition to support in developing the inclusive business plan, AA Nafaka received a \$45,000 grant from Visa Foundation to fund raw material purchases, staff salaries, personal protective equipment, and product adaptation. The company also received technical assistance to improve its sourcing, marketing strategy, and safe operations. This assistance helped the company to weather the impacts of the pandemic and roll out a fortified maize-flour product targeted to bottom-of-the-pyramid consumers.

