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CFAI CASE STUDY

Building a Resilient, Local Peanut Supply Chain: Delish & Nutri

The COVID-19 pandemic underscored the importance of resilient, local supply chains. As shipping across state lines, national borders, and oceans became more difficult and expensive, many firms struggled to acquire the raw materials they needed, to the detriment of the businesses, their workers, and consumers.

What does it take to instead build a local supply chain that is more resilient to disruptions while improving the livelihoods of smallholder farmers? This case study highlights the efforts of Kenya food processing firm Delish & Nutri and the Coalition for Farmer-Allied Intermediaries (CFAI) to develop and pilot an inclusive business plan to promote the local sourcing of peanuts in Kenya.

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

Challenge	High-cost and fragile supply of raw produce, exacerbated by impacts of COVID-19
Inclusive Business Plan Solution	Develop a model to provide a suite of high-quality services to smallholder farmers, helping to ensure a local supply of peanuts while improving farmer livelihoods
Partner	Egerton University

THE CHALLENGE

Registered in 2018, Delish & Nutri is an innovative food company in Kiambu, Kenya, offering the first peanut powder on the national market. This product is an inexpensive source of protein, supporting the nutrition of bottom-of-the-pyramid consumers.

But like many firms, Delish & Nutri was negatively impacted by disruptions to its supply chain caused by COVID-19. The company relied on imported peanuts for more than 90% of its raw material at the onset of the pandemic, and these supply chains were disrupted, with prices increasing 23%. The local sourcing of peanuts also became challenging and expensive due to movement restrictions and the slowdown of imports into the market. As a result, Delish & Nutri was forced to pay 40% more than it had before the pandemic—an untenable situation amid the other economic difficulties caused by the pandemic.

Contributing to the problem was the absence of a strong, smallholder-led supply chain for peanuts locally. While some farmers in the area grew peanuts, the yields were not high enough, or consistent enough, for a firm like Delish & Nutri to depend on locally grown crops. These low and inconsistent yields were the result of poor agronomic practices on the farm, a lack of exposure to agricultural training, and limited access to—and uptake of—high-quality seeds and varieties.

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

Through CFAI, and with the support of a grant from Visa Foundation, TechnoServe business advisors worked with Delish & Nutri's management to develop an inclusive business plan that would benefit both the company and farmers. For Delish & Nutri, the motivation was clear: by supporting smallholder farmers to improve the quality, volume, and consistency of their peanut harvests, the company could reduce its sourcing costs and risks. For farmers, agricultural services would help to improve yields, and a stable market provided by Delish & Nutri offer a more dependable income.

But what kind of arrangement would benefit both the company and the farmers? To find out, the business advisors and Delish & Nutri staff met with three local farmer groups in the region to understand the challenges they faced

and the services that would benefit them. Based on those consultations, the company and advising team identified four priority needs:

- **Access to high-quality seed:** Participating farmers typically lack the ability to purchase high-quality seeds or invest in new, better-performing peanut varieties. This was exacerbated last year by poor weather and crop failures that left farmers with even less capital to invest in their crops.
- **Agronomy training:** Current average yields of 500 kilograms/acre are well below potential and not high enough to reliably supply Delish & Nutri or provide farmers with a decent income. To raise yields, farmers need training on how to adopt good agricultural practices, from land preparation to post-harvest handling of the crops.
- **Weather information:** Climate change has increased the incidence of extreme weather, and farmers in the participating groups have experienced total crop loss in recent years due to the increased number of precipitation-free days and extended drought conditions. Therefore, it is important that farmers have access to accurate, local weather information so that they can make informed decisions to protect their crops.
- **Threshing services:** Farmers currently thresh their peanut crops by hand. Not only is this very labor-intensive, but it has a tendency to cause contamination and breakage in the peanuts, making them unsellable on commercial markets. To participate in a commercial value chain, farmers need access to mechanical threshing machines.



DESIGNING AN INCLUSIVE BUSINESS PLAN

Based on these identified needs, TechnoServe business advisors and Delish & Nutri designed an approach that would deliver the necessary services to farmers while meeting the business's commercial objectives.

The company plans to establish a hub to source peanuts from smallholder farmers. Starting initially with 70 producers, the company plans to offer smallholders a production contract, in conjunction with the farmers' producer organizations.

Part of the contract will stipulate the services that Delish & Nutri will provide to the participating farmers. These include access to high-quality seeds through a grant or loan, agronomy training, weather forecasts delivered via SMS, and the provision of mechanized threshing services.

To deliver these services, Delish & Nutri will partner with Egerton University, located near the participating farmers. Delish & Nutri will acquire the required high-quality seed from the university's seed bank and will work with the university to deliver the agronomy training and weather information to farmers.

It is anticipated that the increased yields may exceed Delish & Nutri's needs for processing, so the company plans to sell the excess crops on the whole-peanut market, a new income stream for the firm.

The company is beginning to implement the inclusive business plan, preparing the high-quality seeds by working with 20 seed multipliers, as well as identifying and contracting with farmers. To fund the full set of activities envisioned in the plan, the firm will need to solicit financing from lenders, but the expected returns from improved sourcing and production will make the initiative a sound investment.



EXPECTED IMPACT AND PLANS

After piloting the business model in one hub, Delish & Nutri plans to expand it to a second one. Once fully rolled out, it is anticipated that this will help the company increase its local sourcing of peanuts from 19 tons in 2021 to 236 tons in 2024. By 2024, participating smallholder farmers are expected to earn an average of \$470 in additional revenue from peanut and seed sales, with their per acre revenues doubling or tripling. For the business, implementing the plan is anticipated to increase annual earnings before taxes by 165% between 2021 and 2024.

It is also hoped that this business plan will serve as a model for how small- and medium-sized food companies can create inclusive supply chains that benefit both themselves and farmers. These businesses are enormously important links in agricultural value chains, and they have the potential to reshape markets to improve the livelihoods of smallholder farmers.

ADDITIONAL CFAI SUPPORT FOR DELISH & NUTRI

The development of the inclusive business plan was implemented alongside other support provided to Delish & Nutri as part of the CFAI initiative. Visa Foundation provided a grant that provided the firm much-needed working capital, which was used to finance purchases of raw material, staff salaries, and the acquisition of PPE, allowing the firm to continue to operate amid the COVID-19 crisis. Business advisors provided additional technical assistance focused on quality assurance and quality control procedures for food products and developing a marketing strategy with guidance of the Business Model Canvas tool. The firm's leadership also attended a BoP marketing boot camp organized by TechnoServe consumers.