THE PROBLEM
Microfinance institutions (MFIs) do not offer appropriate agricultural credit to smallholder farmers, because they are limited in their capacity. Farmers have limited access to appropriate loans and affordable quality inputs like fertilizer and seeds, equipment, and extension services.

Producer organizations (POs) have little access to big buyers, they lack market information and do not have good negotiating skills. POs are challenged to supply the right quantity and quality to buyers and do not properly serve their members.

Due to the lack of access to finance and markets, farmers have low yields and face high post-harvest losses. As a result, they have low resilience, low income and poor food security.

STARS IN ETHIOPIA
In Ethiopia, STARS is working to improve access to finance and markets for 66,000 smallholder farmers, impacting a total of 330,000 household members. To reach this direct and indirect target, STARS works with five microfinance institutions to develop crop specific loans.

By the end 2019, STARS in Ethiopia was on track to reach its target, with 31,136 farmers already benefiting from crop-specific loans.

STARS also works with key value chain actors such as input suppliers and processors, business development service providers, cooperatives and unions, to strengthen the value chain and create access to markets, skills training, farm inputs, storage facilities and agricultural equipment.

SOME KEY FIGURES IN ETHIOPIA
- Malt barley value chain strengthened
- Potatoes value chain strengthened
- 5 loan products developed
- 31,136 farmers received a loan product
STARS 6 CORE INTERVENTIONS IN ETHIOPIA

Access to Finance

1. Agri-loan Product Development
2. Risk Management
3. Capital Mobilization

Value Chain Development

4. Capacity Building POs
5. Strengthening Input Supply Systems
6. Market Access Development

KEY RESULTS PER CORE INTERVENTION

1+2. AGRI-LOAN PRODUCT DEVELOPMENT AND RISK MANAGEMENT
STARS provides support to MFIs to refine and upscale their agri-loan products and lending methodologies to satisfy the financial needs of smallholder farmers. By the end of 2019, malt barley input loan and vegetable loan products were successfully refined and upscaled in many branches of the MFI partners.

As a result, 33,817 clients were able to access the loan products, amounting to a total loan portfolio of USD 1.63 million.

3. CAPITAL MOBILIZATION
STARS supports MFIs through international brokering for the refinancing of MFIs. It also stimulates MFIs to promote savings based on women's agri-groups. The promotion of savings is important for both the sustainability of MFIs involved in agricultural value chains as well as enhancing women's empowerment. More specifically:

STARS is piloting three savings product strategies with three MFIs, supported by the Busara Center for Behavioral Economics:

- Strategy one: support savings mobilization through a referral system where clients attract other clients by getting incentives.
- Strategy two: clients save regularly with a contract with MFI in which MFI meet clients obligation such as paying rent.
- Strategy three: promoting commitment saving, whereby MFI staff regularly move around clients' business to collect pre-determined saving levels.

4. CAPACITY BUILDING PRODUCER ORGANIZATIONS
A capacity building trajectory was developed for each of the 17 POs, focusing on three areas: Improving productivity, coaching in business plan development and improving the position of POs in value chains. More specifically:

STARS supported six POs working in the potato and malt barley value chains to rehabilitate their warehouses. This helps them to maintain the quality of their inputs and outputs.

Eight POs were trained in marketing skills for POs in the malt barley value chain. This helps them to better negotiate prices with potential buyers.

Training members of potato POs in the Jaldua area on potato production techniques and linking them to the Senselet Food Processing Plc, a Dutch-based private investment company involved in processing potato chips. As a result, a total of 106 male and female farmers were able to deliver 204 MT of potatoes to the Senselet factory.

5. STRENGTHENING INPUT SUPPLY SYSTEMS
To help farmers access agricultural training and quality inputs such as fertilizer, pesticides and certified seeds, STARS strengthens input supply systems for both value chains. More specifically:

By linking MFIs to FSCs, STARS aims to create smart market linkages, that will guarantee farmers with access to inputs and finance. In a small pilot, STARS linked three Farm Service Centers (FSC) to 400 MFI clients. Thanks to these linkages, FSCs were able to distribute inputs necessary for malt barley production to 400 farmers of Wasasa MFI clients, who provided the agri-input loan to them.

6. MARKET ACCESS DEVELOPMENT
STARS supports market access development by establishing a market linkage between POs and buyers, by developing business models and by organizing business to business events (B2B).

“Before I planted malt barley, I had a shortage of income. I planted beans, peas and wheat, but that was often not enough. The MFI in our village provided me with a loan and linked me to the Farm Service Center, so this year I was able to get access to high-quality seeds and agro-chemicals. I planted ½ hectare. And the crops look good this year, I expect to be able to reimburse my loan in only three installments. With the profit I’ll make, I’d like to plant more malt barley next year.”

Daba, malt barley farmer in Sagure

STARS CONTRIBUTES TO THE FOLLOWING SUSTAINABLE DEVELOPMENT GOALS:
STARS in Ethiopia works with a total of 17 producer organizations. For the malt barley value chain: Burka Bata Wantasha, Shaldo Jigessa, Garmama, Jema Sardo, Wamegne, Gurmicho, Abdi Boru, Arrabi, Jamo Galama, Burka Abosa, Limmu Waltai, Siltana, Biftu Misoma.

For the potatoes value chain: Chilanko, Kolu Galan, Edensa Galan, Telecho Cooperative.

STARS supports the following five microfinance institutions: BG MFI, WASASA MFI, SFPI, METEMAMEN, HARBU.

Other partners include: Farm Service Centers in Arsi Zone, Senselet Food Processing, Woreda cooperative and agricultural offices, ARARI and Holata research center, Kogaveg seed company, Waginos laboratory, Chemtex chemical distributor, HERSA, Bureau of Finance & Economic Cooperation.

STARS PARTNERS IN ETHIOPIA

Ethiopia has an ever growing malt beverage sector. The crop is highly resilient under conditions of water-scarcity, drought, and extreme temperatures, thereby helping farmers adapt to climate change.

Yet, despite the advantages, conventional varieties tend to be low-yielding – achieving yields of only 2 tons per hectare and susceptible to pests and disease. Farmers face an inadequate availability and use of inputs such as improved seeds, chemicals, fertilizers. They also lack basic knowledge of malt barley production practices. Due to these challenges, the current production only meets 35 percent of domestic demand and breweries are reliant on imported barley.

To help farmers boost their production, STARS partnered with six MFIs to develop more knowledge on how the barley value chain works, and how to best adapt loans to the needs of farmers.

“Since STARS started to train us, we are able to better advise farmers. More farmers find their way towards us,” explains Mr. Bokke, manager of the MFI Wasasa at the Sagure branch. “STARS also linked us to the Farm Service Center in our village, who now sells high-quality barley seeds and agro-chemicals to farmers,” he adds.

“STARS provided us with 200 extra clients this year,” Haile Gebriel, operations manager of the Farm Services Center in Sagure explains. The center is currently developing more fee-based extension services to support farmers to increase their quality. The quality increase of malt barley will help them to get linked to the malt factories and breweries in this region,” Haile adds.

STARS PROGRAM EMBEDDED REFLECTION AND LEARNING (PERL)

STARS has been collecting data since 2017, which is being used to analyze the impact for farmers; to guide program changes and to share lessons learned with the wider audience. Here are a few of the highlights:

In 2018, STARS did a credit pilot deep dive study, investigating differences in farmers’ uptake and impact of newly developed agricultural credit products. The study provided a better understanding of the diverse client base STARS serves: their needs, capacities, attitudes, strengths, weaknesses, barriers and catalysts.

In 2019, STARS performed a study on the rice and maize value chains. The study looked at which price setting mechanisms are in place for farmers and how they affect their position. STARS will use the learning of the study to introduce price mechanisms that are more favorable to farmers.
STARS linked farmers to Senselet Food Processing, a processing factory owned by Dutch investors. STARS partnered with Senselet to work on the issues of market, quality and basic seed availability. Also, STARS worked with farmers to improve their quality and quantity.

106 farmers supplied 204 MT of potatoes to the company for a fair price. They were able to sell their produce at farmgate with proper measurements, which results in a better price for the farmers compared to the traders who weigh in their own favor. Ato Hailu Bayissa is one of the farmers who sold his potatoes. "I am very happy with Senselet, it helps a lot to sell our produce."

After the successful market linkage, farmers visited Senselet to learn more about quality standards required by the company.

The partnership with Senselet is a step in the right direction. The farmers have a new market outlet, and are better aware of the quality demands. Martha Yilma, Gender and Value Chain Development Officer of STARS Ethiopia: STARS and Senselet are co-investing in the production of a new potato seed generation. This will assure the MFIs to step in and to develop financial products that match the need of farmers.

This is why ICCO Terrafina Microfinance and ICCO Cooperation developed the agri-credit assessment tool (A-CAT) which can be used by MFIs to know the economic performance of a certain crop. The tool estimates the expected amount needed to finance inputs, labor costs and other costs, as well as the total net income from agricultural activities (using estimated crop yields).

Based on the expected results, MFIs can see what would be the ideal loan size for the particular crop and whether the client will repay back the loan from the investment. The A-CAT tool also keeps track of the farmers’ cash amount spent on inputs, labor costs, and actual crop yields, so the net income can be calculated after the season.

"Although it is not yet digitized, the MFIs prefer A-CAT over other formats they used before because it is time-saving and easy to get the total cost of production," the A-CAT Satisfaction Report 2019 stated.

Lelisa Chala: "I also received training on farming best practices, because STARS linked me to SNV-Hortilife, they have a farmer field school. I thought that I had ample knowledge in producing vegetables, but after attending the school, I realized that I was producing sub-optimally. For example, I was spraying chemicals without knowing the right type and volume applicable for prevailing pests."

FOR MORE INFORMATION:
Martha Yilma Dakisa
Value Chain Development officer STARS Ethiopia
m.dakisa@icco.nl
Tel: +251 912108049
544 Nifas Silk Lafto S/City,
South African street, Woreda 03, Addis Abeba

https://www.icco-cooperation.org/en/project/stars/