THE CHALLENGE

Microfinance institutions (MFIs), limited in their capacity, do not offer appropriate agricultural credit to smallholder farmers. 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, 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.

ABOUT STARS

The Strengthening African Rural Smallholders (STARS) program is a five-year program (2017-2021) implemented by ICCO Cooperation in partnership with Mastercard Foundation. Adopting the market systems development approach, STARS improves access to finance and markets for over 200,000 smallholder farmers with emphasis on women and youth in Burkina Faso, Ethiopia, Rwanda and Senegal.

STARS IN RWANDA

In Rwanda, STARS is working to improve access to finance and markets for 49,500 smallholder farmers, impacting a total of 250,000 household members.

To reach this direct and indirect target, STARS works with five microfinance institutions (MFIs) and two commercial banks to develop crop specific loans.

At the end of 2019, STARS in Rwanda was well on track to reach its target, with 44,182 farmers already benefiting from crop-specific loans.

STARS also works with key value chain actors (processors, service providers, cooperatives, and unions) to strengthen value chains and create access to markets, skills training, farm inputs, and equipment.

SOME KEY FIGURES IN RWANDA

- Maize VC strengthened
- Rice VC strengthened
- 5 loan products developed
- 44,182 farmers received a loan product
Ten POs received training to improve their production through a training of trainers approach, while four POs received follow up coaching. Some of the topics covered in the training included access to markets, contract negotiation skills, and working with contracts. 40 members of two POs received training in post-harvest handling and aflatoxin control to improve the quality of maize supplied by the Unions and to enhance the management capacities of the Unions for sustainability.

Through linkages to large input suppliers such as YARA, STARS POs buy and sell inputs to their members on credit. Payment is made once farmers have harvested and sold their produce.

8,000 PO members from 10 POs accessed agricultural inputs provided through rice processors.

In 2019, 5,000 smallholders gained access to post-harvest equipment (threshers and winnowers) through a business model developed with five POs.

4. CAPACITY BUILDING PRODUCER ORGANIZATIONS

A capacity building trajectory was developed for each of the 15 POs, focussing on three areas: Improving productivity, coaching in business plan development and finding external finance, and improving the position of POs in value chains. More specifically:

- Ten POs received training to improve their production through a training of trainers approach, while four POs received follow up coaching. Some of the topics covered in the training included access to markets, contract negotiation skills, and working with contracts.
- 40 members of two POs received training in post-harvest handling and aflatoxin control to improve the quality of maize supplied by the Unions and to enhance the management capacities of the Unions for sustainability.

5. STRENGTHENING THE SUPPLY CHAIN

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

- Through linkages to large input suppliers such as YARA, STARS POs buy and sell inputs to their members on credit. Payment is made once farmers have harvested and sold their produce.
- 8,000 PO members from 10 POs accessed agricultural inputs provided through rice processors.

6. PROMOTING SUSTAINABLE BUSINESS DEVELOPMENT SERVICES

STARS supports business development providers in both value chains to provide advisory and coaching services to POs, helping them to professionalize their businesses. More specifically:

- In 2019, 5,000 smallholders gained access to post-harvest equipment (threshers and winnowers) through a business model developed with five POs.

"My savings group set up a joint savings account with the MFI from which we can get a loan. As a group, we determine a fixed amount for a given period that each member should bring to the savings meeting, following a plan agreed by the members. Thanks to STARS, I am not only able to save, I can also access a loan. I used this loan to buy quality inputs which increased my yield from 500kg to one ton."

KOIIKA savings group member Clementine Ukwitegetse.
STARS in Rwanda works with a total of 18 producer organizations.

For the rice value chain:
Cooperative des Riziculteurs du Marais de Kanyonyomba, Cooperative des riziculteurs de Kibaya, Cooperative des riziculteurs de Mirayi, TWIZAMURE, Cooperative des riziculteurs de Mwambu, Cooperative de Promotion des Riziculteurs de Kahi, Cooperative des Riziculteurs de Muvumba, Cooperative de Promotion des Riziculteurs - Akanyaru, CORIMARU-Coooperative des Riziculteurs de Marais de Rutabanza, DUFATANYE –KAGANO.

For the maize value chain:
Koperative Y’ABAHLINZI B’IBIRAYI MUKURA-RUBENGERA, Koperative Y’ABAHLINZI B’BIBIGORI N’IBIBISHYIMBO BA KARONGI, Koperative y’Abahinzi Bahinga Igishanga Yanze Kibuza, Koperative Y’ABAHLINZI B’IBIRAYI KARONGI-RUTSIRO, Koperative Jyambere Muhinzi Gisagara, Cooperative des Agriculteurs des Legumes de Kamonyi (COAMALEKA), Cooperative pour la valorization des marais de Burera (COVMB), IMPABARUTA.

STARS supports eight microfinance institutions and commercial banks:
Duterimbere Microfinance, Umutanguha Finance Ltd, Clecam Ejoheza Ld, Inkunga Finance Ltd, Amasezerano Community Banking, AMIR-Association of Microfinance in Rwanda, Kenya Commercial Bank, Urwego Bank, IGrameen Credit Agricole.

Other partners include:
Rwanda Forum of rice Mill (RFRM), Africa Improved Food (AIF), FUCORIRWA, Maize Federation (FCMR), JAAR, National Cooperatives Confederation of Rwanda (NCCR), Association of Microfinance Institutions in Rwanda (AMIR), Rwanda Agriculture Board (RAB), World Food Program, Farmer to Market Alliance (FTMA).

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.

INTRODUCING EQUIPMENT IN RICE AND MAIZE VALUE CHAIN

Agricultural equipment can reduce yield losses for maize and rice farmers, improve yield quality, provide better drying practices while reducing contamination from fungal diseases and reduce workload for farmers. But most farmers in Rwanda do not have access to equipment.

This is why STARS is currently developing a business model for an asset-financing pilot that will mobilize young entrepreneurs to provide fee-based mechanization and maintenance services to farmers.

By guaranteeing these quality services on demand, STARS expects that MFIs are willing to finance agri-assets and farmers are motivated to buy or lease the machines from an equipment provider, which will improve yield quality since access to post-harvest equipment helps PoS to significantly reduce rice or maize post-harvest losses. The improved yields will result in increased cash flow for the farmer, which will help him/her to repay loans to the MFI.

The pilot, that is being tested in 2020, is a follow up from STARS activities in 2019, where STARS already linked PoS to the post-harvest equipment supplier JAAR.

“Thanks to the partnership, we sold 21 equipment to the PoS, providing access to winnowing and threshing machines to 5,000 rice farmers. We did a lot of learning; we now understand that farmers need after-sale support such as equipment usage and maintenance,” said Vital Ntaganira, CEO of GIAT (a member of JAAR).
Many farmers store their maize produce for months after harvest with the aim to sell it at the market when the price is high. But this practice often leads to deterioration of the grains due to the lack of proper post-harvest management.

Another challenge is an aflatoxin-producing fungus that contaminates and destroys maize (and other crops) during harvest and storage, especially in humid storage facilities.

To help maize farmers affected by these challenges, STARS approached the food processing company African Improved Food (AIF), which processes 30,000 tonnes of maize annually to manufacture food for young babies and pregnant women. AIF imports more than 50% percent of its maize needs per year, mainly from Zambia, because Rwandan maize has high level of aflatoxins. STARS facilitated a contractual agreement between two maize unions (UNICOPROMANYA and UCOMAKI) totalling 41 POs with more than 8,000 farmers, to support them to control aflatoxin.

The POs put measures in place for controlling the aflatoxin, such as rapid drying of harvested maize to a low moisture content (less than 14%) using drying sheds, which reduces the risk of fungus growth.

To help farmers access the necessary equipment for storage management, STARS in partnership with MFIs developed agri-loan products for maize farmers. Thanks to these loans over 15,000 POs were able to access capital and build drying sheds.

Chrystome is a president of UNICOPROMANYA Union in Nyagatare district: “Drying sheds enabled me to reach 95% of aflatoxin control. Our union has now delivered 300MT to AIF and all the tests show that our maize is aflatoxin free and there is no rejection.”

“The collaboration between STARS, AIF and UNICOPROMANYA, has reduced the financial risks, and there is no longer fear to provide loans to maize farmers,” said Mr. Ndateba, branch manager of Duterimbere Microfinance- Nyagatare said.

A-CAT - A TOOL FOR RISK ASSESSMENT IN AGRICULTURE FINANCING

Both farmers and MFIs have an interest in how much it costs to produce a certain crop and whether or not a profitable return can be achieved. If only they all had a tool that could assist them to calculate costs and returns of any crop during its crop-cycle.

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

MFIs can see what would be the ideal loan size for a particular crop and whether the client will repay the loan from the investment. The A-CAT tool also keeps track of the farmers’ spending on inputs, labor costs, other costs, and actual crop yields, so the net income can be calculated after the season. An additional advantage is that the client also builds up an agricultural performance history.

“A-CAT helped us to reduce the risk of giving an agri-loan that is more than needed, as it reduces the risks for farmers to default on their loans,” said Louis Lambert Nzabandora, head of operations in Clecam Ejoheza MFI.