Masvingo Agro Dealers Association: Unsung hero of Rural Economic Development in Zimbabwe

By Charles Dhewa

In the interest of knowledge sharing and enriching its Rural Agriculture Revitalisation Programme (RARP), SNV Zimbabwe is harvesting experiences and lessons from Masvingo Agro – Dealers Association (MADA). RARP is designed to encourage wholesalers to avail inputs to smallholder farmers through placing inputs in large quantities (consignment stock) in agro-dealer stores close to rural farmers and promote contract farming. The programme is operating in all eight rural provinces of Zimbabwe.

Over the past few years, shortages of agricultural inputs and adverse climatic conditions have affected the food security and livelihoods of many Zimbabweans, particularly communal households. Although they do not receive much recognition, Agro-dealers are major economic drivers in rural areas. Masvingo Agro-Dealers Association (MADA) is demonstrating the capacity and potential of agro-dealers in availing inputs and business knowledge to smallholder farmers.

History of MADA

MADA comprises business membership organisations (MBO) from Masvingo Province’s seven districts namely: Bikita, Zaka, Chivi, Masvingo, Gutu, Mwenezi and Chiredzi. Most members are agro-dealers, general dealers, flea market traders and rural artisans (carpenters and welders). MADA came into existence in 2005 as an offshoot from Care Zimbabwe’s Agribusiness Entrepreneur Network & Training (AGENT) programme which aimed to provide smallholder farmers in remote areas with agriculture inputs at affordable prices by establishing a network of agro-input dealers. Inefficiencies in agriculture value chains had excluded smallholder farmers from local trade.

The AGENT programme identified and facilitated market based solutions to handicaps that were preventing farmers from obtaining inputs. Agro-dealer networks were expanded through training rural traders and linking them with private sector suppliers and micro finance institutions to improve affordability and volumes of inputs for smallholder farmers.

Over the years SNV-Zimbabwe and other partners have provided capacity building to MADA members such as Bikita Business Agro-Dealer Agents and Mwenezi Agro-Dealers Association. SNV focused on enhancing leadership and management skills, improving lobbying and advocacy competencies as well as strengthening product and service development capacities. Although MADA was affected by the economic melt down, it was kept alive by activities at district levels where agro-dealers continued to function. They even surmounted economic hardships and record inflation in 2008.

New Impetus

According to the Chairperson, Edward Madzivadondo, MADA’s vision is to be the leading agro-dealers association through the provision of adequate agriculture inputs and services to farmers. Inspite of challenges such as lack of support from local authorities, insufficient sources of finance, lack of security and title deeds, MADA has used lessons learnt during economic hardships in 2008 to cultivate relationships with many organisations such as Micro King finance, Rural Development Organisation (RUDO), CARITAS, SNV, N. Richards wholesalers, GRM, Pannar Seeds, International Relief Development (IRD), Pioneer Seeds, Seed Co (Pvt) Ltd and the Ministry of Small and Medium Enterprises and Cooperative Development (MSMECD), to mention just a few.
MADA assists members to finance their enterprises through: promoting credit & saving schemes at in district associations; linkages to seed houses for consignment and to wholesalers for 14 day accounts. Other member benefits include capacity building and group accountability which enables every member to get a loan from Micro King and wholesalers such as N. Richards.

**Building from the bottom**

One of the secrets to MADA’s success, according to the Chairperson, Edward Madzivadondo, is the focus on strengthening district associations. MADA’s power is based on the performance of business members in districts such as Bikita. As with many networks, there is a core group that steers and keeps everything hanging together. Bikita Business Agro-Dealer Agents (BBAA) from where the chairperson hails, is the wellspring for MADA through leading by example. BBAA has a fully fledged office and board room where meetings are held regularly without fail. Every member adheres to group norms and values. The joining fee for top members is US$216.00 and the monthly contribution for each member is US$10. Late comers to the meeting pay US5 while those absent without communicating pay US$10. Everyone who wants to join has to have a business licence.

Having started way back in 2001, BBAA has many lessons to share with other districts and this could explain why other districts always come to learn from how it conducts its business affairs. It has a strong credit and savings scheme where members can borrow at least US$500.00 at 10% interest per month.

“We have learnt so much from experiences of the 2008 economic turmoil when we regularly converted our cash into goods. During price controls some of us were arrested for allegedly hoarding scarce commodities. However, we were only responding to market demands. I am an agro-dealer based at Chikuku, 40 km from Nyika Growth Point. I always assist farmers in my community to get inputs sometimes through vouchers. I have learnt that training and capacity building are major determinants for securing credit from financial institutions. From manufacturers and wholesalers, agro-dealers receive inputs such as fertiliser, seed, millet, sorghum, ploughs, plough shares and cultivators, among others which we provide to farmers,” said Kenneth Ndadzibaya, BBAA executive member.

**BBAA members at Nyika Business Centre in Bikita**
One of the reasons why agro-dealers have survived economic hardships better than big wholesalers such as Red Star and Jaggers is that they are agile enough to move with trends as compared to big wholesalers and manufactures who tend to be tied down by inertia and other blockages.

“Being organised has been one of our secrets to success. Plans are afoot to see BBAA evolving into a Trust (Bikita Business Development Trust) and this will open doors to many opportunities and new challenges which will give us new lessons and benefits,” said the chairperson, Mr Edward Madzivadondo.

Agro-dealers are the heart of economic activities at rural business centres such as Nyika and Jerera in Masvingo province. At Nyika, Bikita Rural District Council collects US$53 every three months from each general dealer while supermarkets pay US$500 per quarter. In outlying areas such as Chikuku, general dealers pay US$35/quarter while super markets pay US$250.

MADA members have learnt a lot from exchange visits with other provinces such as Midlands and Manicaland where Chipinge Development Trust has inspired BBAA to think of moving towards forming Bikita Business Development Trust.

Some of the major skills agro-dealers have acquired include: merchandising, marketing, record keeping, input handling, business management, conflict management, leadership, farming (crops such as cotton, maize, groundnuts, etc), poultry, handling farmer grievances, cattle fattening, value addition (peanut butter and cooking oil processing), flea marketing, carpentry, welding as well as lobbying and advocacy. Demonstrations through field days are used by agro-dealers to show how their inputs work. A big number of agro-dealers are involved in output marketing such as buying maize, groundnuts and livestock.

**Group accountability**

“Co-guaranteeing has become a major collateral with financial institutions such as Micro King. Through this process, the major asset is a group whose norms, values and business habits enable group members to borrow money collectively and monitor each other to ensure repayment on time. In most cases, it is difficult for one member to raise enough security or collateral. However, collectively, members have enough collateral. We are dispelling the myth that people without collateral cannot pay back loans,” said Edward Madzivadondo.

Some of the assets owned by members include: buildings such as shops, household goods such as sofas, fridges, cold rooms, carpentry machines, welding machines, generators and livestock. Collectively, MADA employs more than 900 employees, benefitting more than 2000 people who depend on income from these employees.
Mr Edward Madzivandodo – MADA Chairperson

New respect and relationships

MADA has earned the respect of wholesalers such as N. Richards. According to N. Richards director, Rodwell Dongo, his organisation has commenced a new relationship with MADA because its members have proved beyond doubt that they are now serious business people.

“Over the years I have acquired intimate knowledge for distinguishing between a good and mediocre business person. MADA members have proved their capability to touch, feel and hear their market. Such acumenship can enable them to craft sound business models with correct costing and a clear vision. That is the heart of business. We are now prepared to deal in big volumes with MADA. Agro-dealers take care of peasants and areas they come from. They meet the interests of small farmers and help in developing areas in which they do business and live. That is why many organisations including NGOs now want to work with them to improve ordinary people’s standard of living,” said Rodwell.

He urged agro-dealers to embrace smart buying by procuring what has a market. “Don’t buy to beautify the shelf. That’s not business. Financial discipline can enable you to use a supplier’s money by leveraging goods that have a fast market. In today’s business you don’t know everything. Things and people’s habits are changing rapidly. Our collaboration with MADA should move us forward toward win – win. N. Richards can never grow more than it is already. We want agro-dealers to grow. A business person of 2008 is different from a business person of 2011. The behaviour has changed. The US$ has engendered a new behaviour,” added Rodwell.

Testimonials

Philis Urayayi: a model agro-dealer at Nyika Business Centre in Bikita: “I have a very good relationship with Micro King finance where I get two week loans which I use to purchase grocery goods and agriculture inputs such as seed and fertiliser for farmers. Membership to BBAA has made it easy for me to cultivate relationships with financial institutions, wholesalers such as N. Richards and a loyal group of farmers who buy from me in spite of the existence of mobile open markets where goods are sometimes cheaper than mine. I sell a 10kg of seed for US$19.00, the same price offered by N. Richards. Working with financial institutions and wholesalers simplifies business. Without finance you can’t progress and sometimes your funds are locked in goods. This is where links with
wholesalers who allow you to get goods on credit becomes very important for you to stay in business. I also extend the same generosity to my trusted farmers whom I give inputs on credit,” said Philis.

Simon Nherera – Nherera Supermarket, Jerera, Zaka:

Simon Nherera is an agro-dealer at Jerera Business Centre in Zaka and treasurer for Zaka Agro-Dealers Association (ZADA) which has 43 members. “As an agro-dealer, I am providing inputs to local farmers who could otherwise be travelling more than 100 km to Masvingo for agriculture inputs. Smallholder farmers are our main market and that is why we are always working with them. I am a stockist for Agriseeds whose maize seed can be replanted for the next season. I get the maize seed at US$10.00 and sell at US$12.00. I also organise agricultural shows and provide prizes for competitions such as field days. As ZADA, we offer advice to farmers on how they can pool their money through village credit & saving schemes – enabling them to buy inputs in bulk,” said Simon.

Ashton Chaora, Chairperson: Masvingo Agro-dealers Association: “You can’t be an agro-dealer without farmers. I am now aware of farmers’ challenges and opportunities. I also organise output markets for farmers and provide advice on treating Red Water, a deadly cattle disease.”

Francis Tizai – Farmer, Masvingo Ward 10: “When I started farming in 2003, I struggled to harvest a tonne of maize but once I started working with agro-dealers, my fortunes have improved. I lead a nutritional garden called Tashinga and I am also the secretary for the local agriculture show society. Agro-dealers should be capacitated to buy our commodities so that we get cash on time rather than waiting for buyers from far away. I produce maize, sorghum, rapoko, groundnuts and horticulture crops”.

Juliet Hunguwedza, Agro-dealer in Chasiyatende, Chivi: I have three shops dealing with all kinds of goods including agriculture inputs, uniforms and food stuff. I fund agriculture shows in the area and support farmers in many ways such as buying their commodities. I also support the guhudza competition for small grains in the ward. I work closely with government extension officers who have assisted me in setting up a piggery project which now has more than 100 pigs.”

Rural finance for economic development

Micro King finance has carved a rich niche with MADA and this is enabling it to meet the business needs of small and medium enterprises such as agro-dealers. “We have discovered that agro-dealers and small businesses in rural and peri urban areas are better to work with because they are not over-borrowed. In Bikita we have worked with 6 groups, four of which are agro-dealers. We are also involved with Agri Trade and KIVA community finance facilities which are extending opportunities to poor people. People need capacity building so that they try to keep up with the rate at which things are changing. Much knowledge is becoming irrelevant and perishable,” said Ellis Dhliwayo, Micro King Branch Manager for Masvingo.

Co-guaranteeing has simplified Micro King’s work with agro-dealers. It has become easier to engage with agro-dealers in a group set up than dealing with them individually. As long as someone is in a group there is a sense of belonging. There is a certain information pool which makes the peri urban and rural market more ideal. While the urban market is too secretive and characterised by many individual decisions, groups perform well due to collective decision making.

Most of the activities supported by Micro King focus on agriculture. For example, Agri Trade is purely agricultural – focusing on output marketing. “While we are comfortable with engaging agro–
businesses, we try to discourage addiction to borrowing because sustainable businesses should not continue to survive on loans. BBAA have awakened to this fact as shown by how they are now evolving into a vibrant credit and savings outfit where members can borrow from each other without resorting to loans from financial institutions,” added Ellis.

**Challenges and opportunities**

One of the biggest threats to agro-dealers and general dealing in Masvingo is the proliferation of mobile open markets which in Zaka have been nicknamed “17” because they are convened on the 17th of every month. Mobile open markets are composed of people who come with goods from all over the country and sell during market days sanctioned by local councils. According to John Munatsi, agro-dealers in Bikita and Zaka lost all income from cotton production to mobile marketers who do not live and invest in the districts. Local consumers have developed a habit of waiting for the mobile market where the prices are lower than local general dealers.

“There is a schedule of the mobile open market. In violation of value chains, some manufacturers send their agents to sell cooking oil and other items at the open market. Last season farmers in Chiremwaremwa area bought fake seed and this caused hunger as farmers failed to harvest anything. As local business people, we value relationships because money does not last but relationships do,” said Joe Marava. Most agro-dealers lamented the role of corruption in weakening agro-dealership as a business model. Local authorities have power to prevent or regulate open markets but they are not doing so.

“Due to de-industrialisation spawned by economic decline in the whole country, manufacturing has been crippled. Mohamed Mussa in Harare is full of groceries and not any other valuable item. On the other hand, groceries do not yield much profit such that in most cases, an item which is procured at US$1.90 is sold for US$2.00 and if you have bought items from as far as Harare, your profit is insignificant. The other problem is that there are no industries in rural areas through which people can earn money on a regular basis. As a result, the little money available has to be used as efficiently as possible. The business model has changed completely as revealed by the emergence of mobile open markets. As agro-dealers we have to acquire knew knowledge for developing viable business models,” said Senzeni Ncube.

In Zaka, the main challenge is that N. Richards wholesaler has an outlet at Jerera Business Centre where it outcompetes agro-dealers because they lack finance to stock abundant goods at lower prices. Through grouping, farmers are now able to pool their money and by-pass agro-dealers to buy straight from N. Richards wholesaler. In some cases, wholesalers are allowing ordinary people to buy single items and this implies the concept of wholesaling is now redundant. Government is no longer helping business people on the assumption that they can help themselves.

**Harnessing ICTs**

MADA and individual agro-dealers are still to fully embrace the benefits of Information and Communication Technologies (ICTs). Although most agro-dealers have mobile phones, they are still to access other ICT tools and platforms such as internet due to lack of infrastructure. However, there are opportunities for collaborating with ICT companies such as Net One and Econet Wireless. ICTs will enable MADA to conduct research and also hook up to KIVA community finance which operates on the web platform. In Africa, KIVA is working with Micro King and a South African women’s organisation only.
Relationships are crucial in micro-finance. MADA has succeeded in cultivating important business relationships and agro-dealers have matured to the extend of realizing that maturity is responsibility. They can perform better than people who read business in books. Repayments are based on trust and respect. According to Micro King Branch Manager for Masvingo, Ellis Dhliswayo, if agro-dealers don’t respect you, they won’t pay even if you sleep at their premises. A combination of Micro King’s years of micro-finance experience and SNV’s expertise in capacity building can produce a unique BDS model. MADA is set to assume the role of championing local business people’s cause. Diverse interests can be fulfilled through organisation. When local authorities craft a budget, they should consult an institution such as MADA.

Output marketing has not worked as expected due to lack of surplus commodities. However, agro-dealers are playing a key role by buying from farmers for aggregating. Some agro-dealers have diversified into poultry and piggery. There are also small components of beekeeping in Chivi and Mwenezi. A Mopani worms (Madora) initiative in Mwenezi district has been threatened by declining Madora habitat due to climate change and deforestation.

Nuggets, lessons and food for thought!

- It is important for NGOs and other development partners in Masvingo to network with MADA in order to avoid duplication or triplication of efforts and over-staying. Building institutions such as MADA is an important strategy because if NGOs over-stay, there is the risk of perpetuating poverty through unintended promotion of dependency syndrome.

- MADA could become a key model for exploring various ways in which not-for-profit organisations can interact with the commercial sector. Agro-dealership has already proved itself as a back-up for financial institutions that otherwise would not be interested in loaning in high risk areas such as agriculture. As compared to other areas where banks stop working with farmers or local businesses as soon as the project phases out, MADA has positively transformed and strengthened relationships between agro-dealers, wholesalers and Micro King towards innovative rural ventures.

- NGOs such as Care Zimbabwe and SNV Zimbabwe can provide the knowledge required by private investors players keen to pick up from where a project such as agro-dealership will have left. NGOs should provide all the knowledge they have gathered over they years to MADA for such knowledge to be tested and commercialised.

- A critical challenge is that interventions by NGOs are recognized by farmers as projects, not as commercial ventures. This messes up the behaviour. In an area where projects have been working for decades partners often learn to interact as project and not as a commercial entity. In this case, there are very strong systemic pressures to keep going in a project mode and avoid going fully commercial as long as possible. SNV Zimbabwe’s emphasis for setting up market-based products and services gains currency in this situation because it aims to inculcate commercial behaviour right from the beginning of engaging with communities.

- Isn’t Business Development Services (BDS) an eminently commercial operation in its own right? How can employed staff in not-for-profit organizations show farmers and agro-dealers how to make a profit? This role can be adequately played by entities like MADA made up of business people with a relevant appreciation of risk. To what extend should agro-dealers and
farmer organisations depend on the quality of BDS provided by not-for-profit organisations? Perhaps NGOs should assist in setting up trade associations, chambers of commerce and similar structures which enable the local economy to function. SNV and other NGOs could probably build the capacity of MADA to be involved in value chain strengthening, lobbying for an enabling business and provision of business information as well as trade association development.

It is increasingly being recognized that private sector (commercial) engagement should be part of development interventions, especially in developing countries such as Zimbabwe. There is need for knowledge management for commercial rural investments (KM4Commerce). NGOs such as SNV with an interest in commercial ventures should leverage their knowledge. Reliable data and knowledge is required to enable investment in the market system to make it more accessible and profitable for farmers.

The idea of group accountability for loans is slowly filtering from agro-dealers to farmers who are part of the value chain. While a great idea in principle, group accountability should be scrutinised to ensure it benefits both agro-dealers and farmers. Some contract companies may invest in group accountability to increase their returns at the expense of farmers. While investing into groups to make sure they are cohesive and viable before lending to them could be a step in the right direction, it tends not to be the core competency of lenders and this is why they need other partners to help.

There is great promise for investing in rural areas through agro-dealers such as MADA, if only somebody could figure out how to efficiently invest. However, there is a complex mix of information and knowledge required to pull this off. On top of the huge diversities between markets, locations and commodities as well as distortions caused by free hand outs in rural areas which tend to promote a dependency syndrome, there are a lot of lessons yet to be learnt that cannot be learnt in the typical not-for-profit or NGO project environment.

Organisations and NGOs such as SNV need to manage the required knowledge for efficient and effective investments in commercially viable rural ventures such as agro-dealers that build on the experience and competence and resources of the people living remote areas. Sometimes NGOs should avoid insisting on formal organization at the local business or farmer level and rather look for suitable functions that need to be there. How those functions are organized is really up to the local business or farmers.

There are some things where agro-dealers or farmers will benefit from grouping and others where they will not benefit. Sometimes it is important to have a more loose form of collaboration where there is a coordination mechanism that allows them to produce and sell in bulk and negotiate the prices accordingly. Everybody gets more but still they earn according to how much they contribute and are not punished for other people's bad performance or bad luck. Other benefits of that kind of organization include buying inputs in bulk and increasing knowledge exchange.

Groups have more clout on the market and can bulk commodities. However, they easily fall apart when things get rough, with a lot of social damage down the road. One should always try to avoid forcing farmers to group themselves. NGOs often under-estimate the social capital that farmers have to spend (and in the case of failure, waste) to satisfy the ideas of some NGOs about organizing farmers. Therefore, rather than asking farmers to group, one should probably invest in services that allow them to make money without the hassle of grouping, if they can.