

Innovative beef value-chain development schemes in Southern Africa

GRANT RESULTS SHEET



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Increasing the quality of livestock and meat products and diversifying farmers' incomes in Eswatini's sugar-cane areas

Goals and objectives

The IFAD-funded SWAZI BEEF project set out to increase the quality of livestock and meat products and to diversify farmers' incomes in the sugar-cane-producing areas of Eswatini (formerly Swaziland) through targeted support to farmers and other value chain actors (livestock producers, butchers/meat processors, financial institutions and input providers). Using a value chain approach, the project focused on: access to finance; knowledge levels of smallholder farmers on beef production; low participation in the beef value chain by women and youth; and linkage to high-value markets.

The International Livestock Research Institute (ILRI) implemented the project in partnership with the Eswatini Water and Agricultural Development Enterprise, the Centre for Financial Inclusion, Nedbank and the University of Eswatini, with support from the Ministry of Agriculture. The project had three main objectives and components:

- Provide smallholders with a viable cattle value-addition mechanism that is coordinated with market requirements responding to low income and smallholder participation in the value chain.
- Design and demonstrate effective financial instruments and suitable products for enabling smallholder value addition in cattle systems.
- Generate and disseminate knowledge, and encourage its uptake, throughout Southern Africa.

Crucial to the success of the project were: the use of low-cost feed rations, fodder production, technical backstopping, the organization of farmers into companies around mini-feedlots, and linkage to finance and high-value markets.

Diversification from sugar-cane production saw farmers from another IFAD-funded project participate, building on existing institutional arrangements and developed capacity.

Organizing farmers into registered private companies able to access finance and support services was of paramount importance. A financial product premised on strong technical support linked to markets with financial institutional participation would prove to be a winner, with scope for extension to other value chains.



Facts at a glance

Name of agency

International Livestock Research Institute (ILRI)

Theme

Smallholder beef value-chain enhancement

Benefiting country

Eswatini

Total programme cost

US\$1,012,737

IFAD contribution: US\$941,905

Cofinancing (other donors):

US\$70,832

Partners

IFAD, Eswatini Water and Agricultural Development Enterprise, Centre for Financial Inclusion, Nedbank, University of Eswatini

Effectiveness and duration

2013-2018

Linkages to IFAD investment projects

Lower Usuthu Smallholder Irrigation Project (now closed), Eswatini
Smallholder Market-led Project, Eswatini
Pro-Poor Value Chain Development in the Maputo and Limpopo, Mozambique

Beneficiaries

To be eligible to participate, farmers/groups needed access to at least 2 ha of land and water to produce fodder. The target group were sugar-cane farmers wishing to diversify their agricultural activities and so reduce risk. Women and young people were specifically targeted for participation, and cattle traders participated as direct beneficiaries. Technical support was extended beyond the direct beneficiaries to include individuals venturing into cattle fattening.

Main results

The project piloted strengthening the smallholder beef value chain through facilitated organization into private companies around feedlots, linking to markets, and access to finance. As sustainability was central to the project, farmers, companies and markets were encouraged to take ownership of their obligations and to strengthen their relationships. The cost of finance agreed with Nedbank was comparable with lending rates for agricultural activities. The capacity-building and empowerment component was instrumental in ensuring sustainability. Feedlot companies built lasting relationships with the different value chain actors and services providers. Farmers now obtain US\$600/animal, compared with US\$250-350/animal previously, with gross margins of about US\$110/animal.

The introduction of fodder production was the project's greatest innovation, as this is a society that largely believes fattening means sourcing commercial feeds. It reduced feed costs and increased incomes for the companies. Moreover, the use of legume forages like velvet bean that require less inorganic fertilizer and fix nitrogen is important for environmental sustainability, as is the use of manure from feedlots to fertilize sugar-cane fields. The companies were trained on breed selection and encouraged to buy animals based on weight and age. They used this training to source mostly young animals, and reaped rewards as markets paid premium prices for their animals.

The primary role of Nedbank was to make credit facilities available to a selected group of farmer companies for cattle fattening, and to provide them with banking services to conduct their operations more effectively. Loans were extended to the companies in two batches for the first and second 90-day cycles. Other key functions managed by the bank included the appraisal and assessments of loan applications submitted by the companies, and the monitoring of their performance by an officer appointed by the bank. This field participation educated the bank on the needs of the companies and opportunities for support to other value chains. Nedbank is continuing to support farmer companies and is open to other value chains. This model has attracted interest from Malawi, Mozambique and Zimbabwe.

Human dimension behind success

The success of the mini-feedlot project is best shown by the story of Zanele Shongwe, a member of one of the feedlots supported by the project. She bought a bull for US\$600 and fed it for 3 months at a cost of US\$150. When Zanele sold the bull, she earned US\$1,900. This is an exceptional success considering that Eswatini's beef value chain is male-dominated. The profitable participation of women in the feedlot business is commendable, and it has unlocked participation in other value chains and given them a voice. Women are now agents for transforming agriculture into agribusiness. The technical support and linkage to financial institutions have been critical in unlocking the potential of hardworking women beef farmers.



“This initiative is on point; it will definitely help address one of the biggest challenges that has for years inhibited smallholder farmers.”

Mark de Souza,
IFAD.

Lessons learned

What set the project apart was the unique collaboration by the stakeholders, together with the commitment, dedication and respect for one another's viewpoints and expertise. Different stakeholders from diverse backgrounds – local authorities, offtakers (markets), implementing partners, producers and input suppliers – all worked together to achieve a common goal. Stakeholder engagement is crucial for this kind of work.

Organizing producers into companies as a model, while important, should be one of many approaches. Facilitating linkages between farmer companies, markets, sources for working capital and technical support helped create the conditions for success in the project. Innovative and passionate individuals should be considered for support, as evidenced by the project's success.

Business development service providers have a major role to play in providing mentoring and coaching to smallholder farmers, preparing them on how to keep financial records and make business plans to increase their participation and likelihood of obtaining finance.

Managing cash flow and inputs and the good timing of marketing efforts are critical for the success of the smallholder beef value chain. Feed remains a critical ingredient to the business. The private sector, especially abattoirs and butcheries, provide a guaranteed market, which is vital for the performance of the value chain.



Steers in an improved mini-feedlot, Singeni Pvt Limited at Tshaneni, Eswatini.
Photo: ILRI/Sikhalazo Dube

Way forward

The project was the first step towards farmers proving commercial viability of smallholder beef production. The model was structured around critical linkages between providers of technical and business support; these partnerships are important in value chain strengthening. There is a need for policies that address issues of access to finance for smallholders, who are considered an elevated risk. Banks and other financial institutions need incentives or assurance to better provide services to the livestock sector.

The innovative beef value chain approach provided valuable experiences for all stakeholders. It also created diverse upscaling opportunities through basic recommendations such as capacity-building, close monitoring of enterprises, coordinated support to smallholder and policy interventions that give banks and financial institutions incentives to lend to the sector.

In Eswatini, the government is looking at supporting a further 20 mini-feedlots across the country and linking them to an abattoir which will be built under a public-private-sector partnership within the area of the Lower Usuthu Smallholder Irrigation Project.

The project provided an opportunity to the financial institution to venture into the livestock sector with limited risks, as well as learn from the project partners. Many financial institutions have since expressed their interest in joining the project and are looking forward to the reports, results, feedback and, more importantly, the lessons learned, in order to develop specific financial products of their own. This is a completely new and unexpected outcome of the project.

Perhaps most significantly of all, IFAD, as the fund provider, has decided to adapt the project to a similar project in Mozambique, while the ILRI is using the model in Malawi and Zimbabwe.

Knowledge generated

Based on its success, the experience gained from the SWAZI BEEF project was also shared with a wide range of researchers, development agencies, NGOs, donors, and value chain actors from other countries during the recent International Conference on Livestock Value Chain Finance and Access to Credit (<https://virtual.ilri.org/conference/livestock-finance/>), with a booklet on proceedings an additional output from the conference (<https://cgspace.cgiar.org/handle/10568/93386>).

Read more

- Read the “Story from the field” that emerged from this grant in IFAD’s 2017 Annual Report, pp. 48-49 (https://www.ifad.org/documents/38714170/40324464/AR2017_fullreport_e_W.pdf/1a9f6c5b-f8dc-4318-98da-4530dd9ca575).
- Innovative beef value chain development schemes in southern Africa (<http://hdl.handle.net/10568/33794>).
- Beef fattening ready for take-off in southern Africa with new financing made available to smallholders (<https://www.ilri.org/node/53439>).

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