

# AgriNews

Bi-monthly newsletter  
Registration no:  
July - August 2012.Vol 9



**USAID | AGRIFUTURO**  
FROM THE AMERICAN PEOPLE | Agribusiness Competitiveness

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**Agribusiness Competitiveness**

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## USAID/AgriFUTURO's New Multifunctional Working Environment

Dear Colleagues and Partners, USAID/AgriFUTURO created this issue of AgriNews at our new center of operations! Strategically located in Maputo, the office is accessible to local partners as well as to the airport.

The new location and layout are maximizing USAID/AgriFUTURO's impact on agribusiness competitiveness. At October's inauguration, Chief of Party Charlene McKoin referred to the space as a tool for facilitating productive and quality interactions among colleagues, partners and beneficiaries. The new, multifunctional office provides an ideal environment for hosting visitors and working groups.

We look forward to welcoming you!



USAID/AgriFUTURO's new office space

## UP COMING EVENTS

- Nampula Business Forum discusses opportunities and challenges for mega investments in December 2011
- Friends of Agribusiness transitions from discussion forum to working group in February 2012
- Quality in Agribusiness (part I)
- Participation in Social Marketing and Behavior Change Communication training lead by (SMBC/Ag/BC) in April 2012
- FruitCentro and FruitNorth as Instruments to Reduce Poverty
- USAID participates on task force GrowAfrica, Agricultural Investment Forum, a joint initiative from NEPAD and the World Economic Forum in February 2012
- Non-economic Barriers to Agribusiness: Aflatoxin and the Fruit Fly

## Senior Executive Staff Assess AgriFUTURO's Impact

Senior staff from Abt Associates, the organization managing USAID/AgriFUTURO, visited the project earlier this month. The team included Jay Knott, Former Mozambique Director of USAID and current Executive Vice President of Abt. Together with Richard Small, Abt's Director of International Economic Growth (IEG) and Rod Carvajal, Project Director of AgriFUTURO, the group visited the principal intervention corridors of Nacala and Beira. Assessing the state of the project and its impact on beneficiaries was the primary objective. Partners they met included CLUSA, The Cooperative League of the United States of America, TechnoServe and the Universidade do Lúrio. A meeting discussing USAID/AgriFUTURO with José Pacheco, Mozambique's Minister of Agriculture concluded their visit.



Vice President Jay Knott and COP Charlene McKoin





## Nacala Port Study Leads to a “One Stop Shop” for Exports



Nacala Development Corridor (CDN) Port Operator with Carlos Moamba, Vina Verma and Tomás Manhicane

A “One Stop Shop” at Nacala Port will soon become a reality for exporters! Streamlining various processes will improve the efficiency of the port and prevent bananas and other perishable produce from rotting as a result of delays. USAID/AgriFUTURO expects the new system to be operational in the second semester of 2012.

The working group driving this effort was formed as a result of October’s workshop on Critical Path Analysis of the Operation of the Nacala Port. The study by USAID/AgriFUTURO and IPEX, the Institute for Export Promotion, includes data from 35 institutions. The Provincial Governor incorporated this information into the strategic plans for Nampula Province as well as for the northern region of Mozambique. The results have also been used as a tool to inform broader agribusiness competitiveness strategies for stakeholders.

Workshop participants included USAID/AgriFUTURO’s Value Chain Leaders, port users, shipping agencies and agribusiness companies as well as port management, government entities and municipal institutions, including IPEX, the Coordinating Agency for Integrated Development of Nampula (UCODIN) and the Center for the Promotion of Agriculture (CEPAGRI). Taking into account previous

experience in organizing representatives with various agendas, this working group developed an action plan and committed to meeting regularly.

### Identified Challenges:

1. Dialogue about specific processes among port management, exporters, shipping and Port users is lacking.
2. A disconnect exists between port plan operations and shipping plans, especially as these plans are often not sent in advance.
3. Productivity of shifting and storing containers is lacking. The ship’s gear is often used as the Port lacks equipment.
4. An information management system to keep a record of users’ portfolios does not exist.
5. A lack of coordination on the part of government authorities results in high transaction costs.
6. The actual number of containers moved on and off ships in Nacala is approximately six each hour. Regional evidence shows it would be possible to move 30-45 containers an hour.
7. Lack of timely assistance in response to port users’ requests for pre-inspections, certifications, Phyto-sanitary inspections and customs clearances contribute to delays and high costs.
8. The absence of economies of scale increases relevant port charges per unit handled. This highlights the need for better usage of forecasting and timely sharing of plans among users and service providers.



Nacala Port

# Plan of Action



Action Number	Activity	Responsible Entities
1	Create a One-Stop-Shop for exports from Nacala, in compliance with the National Exports Strategy. Take advantage of existing support from donors and development agencies.	<b>IPEX, Institute for Export Promotion (focal point)</b> <b>DPIC</b> <b>Municipal institutions from Nampula and Nacala</b>
2	Create a forum among stakeholders focusing of finding solutions and encouraging participation. Promote dialogue with the government about business, fiscal planning, legislation and technical aspects.	<b>IPEX (focal point)</b> <b>ACIANA (Trade and Industrial Association of Nampula)</b> <b>AICAJU (Association of Cashew Industries)</b> <b>FruitNorte</b> <b>ASANTROP (Association of Port Users)</b>
3	Establish the Exporter's Association to serve as a sounding board for addressing logistical constraints in the Nacala Corridor. Address Port operations as well as inland freight. Create a steering committee to mobilize human and technical resources and follow up on the legalities of establishing the Exporter's Association.	<b>IPEX</b> <b>FruitNorte,</b> <b>ACIANA,</b> <b>AICAJU</b>
4	Improve technical and economic efficiency of the Port. Identify clear strategies and create an agenda to promote a more favorable environment for exports and the competitiveness of the Port.	<b>CDN (Company for Development of Nacala)</b>

# USAID Launches Friends of Agribusiness Discussion Forum

The first meeting of the Friends of Agribusiness Discussion Forum included representatives from 30 institutions. Initiated by USAID/AgriFUTURO, stakeholders joined together in October with a mutual goal of leveraging the impact of initiatives intended to increase the productivity and competitiveness of agribusiness in Mozambique. Jointly defining and advancing key policies and sharing experiences of successful approaches and lessons learned will play a role in improving the overall environment of agribusiness in Mozambique.

USAID/AgriFUTURO was joined by other representatives from the donor community, development agencies, agribusiness companies and financing institutions. The Government was represented by the Center for Promotion of Agriculture (CEPAGRI) and the Institute for Export Promotion (IPEX). These stakeholders, supported by USAID/AgriFUTURO, decided to meet regularly to work on action points they developed during this brainstorming meeting.

## Identified Challenges:

1. A lack of recognition by the government of the key roles of agribusiness: food security through the provision of inexpensive food, economic growth, profit from exports, poverty reduction through labor creation and an increase in the household income of small farmers.
2. The disconnect between macroeconomic (crop incentives, selective crop protection and fiscal policies) and microeconomic (productive) objectives. Examples include the current currency exchange rates, inflation and IVA (tax) refunds.
3. Imperfect government interventions. Critical productive infrastructure including water, electricity, markets and roads are often a result of politics and demographics rather than strategic plans to promote investment or productivity.
4. A lack of access to credit for agriculture and associated services.
5. The shortage of production and distribution of quality seeds.
6. Serious need for enforcement of contracts, especially with small and medium farmers.
7. Insufficient technical assistance, service providers and extension services. The fruit fly, an accredited microtoxin lab and aflatoxin are examples.
8. Lack of a structured national program to support small farmers.
9. Lack of a nationwide institution to assist associations in operating as cooperatives with strong management and market linkages.



*First meeting on Friends of Agribusiness Discussion forum*

## Action Points:

1. Select and adopt a working group agenda based on activities and recommendations from the National Agribusiness Strategy and annual agribusiness conferences.
2. Define a Scope of Work for the Friends of Agribusiness. The Center for the Promotion of Agriculture (CEPAGRI) was chosen to coordinate this effort as they are experienced in organizing working groups with several agendas.
3. Promote participation of more representatives from government institutions, industry associates, investors and the financial sector. This will enable Friends of Agribusiness to speak as the voice of agribusiness within Mozambique as well as regionally.
4. Maintain a small working group that represents both technical and policy issues and avoids conflicts of interest. Include decision makers who can make a difference in each economic sector. Take into account value chains and scale of impact.
5. Strengthen holistic dialogue with the government and include fiscal, planning, legislation and technical institutions.
6. Clearly identify strategic issues. Create an action plan for research, dialogue, lobbying and improving the agribusiness environment in Mozambique.
7. Establish an information network to provide accurate and up-to-date information about national and international development in agribusiness.
8. Design a training course or toolkit to develop technical and operational skills. Identify key government agents or agencies who will lead the process of improving agribusiness competitiveness.
9. Take advantage of the experience, methodology and expertise of the fruit fly group.
10. Promote the development of soil and seed quality labs in both the center and north of Mozambique.
11. Maximize the existing window of opportunity of the group of donors funding the Ministry of Agriculture.

# USAID/AgriFUTURO Transforms Associations into Cooperatives

With assistance from USAID/AgriFUTURO, Nsuzumire and Kuchanga Kuguta formed cooperatives in Angónia and Dondo. Forming a cooperative assisted these former associations to become more organized and market-oriented.

USAID/AgriFUTURO assisted each organization in creating a five-year plan and addressing potential challenges. Members defined the identity of their organizations by articulating a vision, mission and values. They then determined the principle activities for the future cooperatives. Prior to this process, USAID/AgriFUTURO assisted the association members in gathering data that would contribute to an analysis of viable crops.

The two associations are structured differently. Nsuzumire collected and analyzed information from 26 members. Kuchanga Kuguta, with 35 groups and 1000 members, worked with a sample. Information gathered contributed towards an analysis of principal crops. Principle members of each association jointly identified services the future cooperatives could offer.

The analysis indicated that the two associations have the potential to offer necessary services to meet the needs of their



*Cooperativa Nsuzumire in Angónia*



*Cooperativa Kuchanga Kuguta in Dombe*

members. Following a SWAT analysis and a constraints matrix, Nsuzumire developed a more advanced structure for recording their production. Also as a result of assistance from USAID/AgriFUTURO, Kuchanga Kuguta improved their infrastructure and reorganized their accounting system.

To improve competitiveness, USAID/AgriFUTURO recommends that ongoing technical support continue to be available. To assist Nsuzumire, Kuchanga Kuguta and other new cooperatives in providing quality and timely services, USAID/AgriFUTURO will also offer training in agricultural services and business management.

## Review of USAID/AgriFUTURO's M&E Indicators



USAID improved AgriFUTURO's impact with a Data Quality Assessment (DQA). Three key indicators were exposed to DQA: Private Sector Investment, Value of Incremental Sales and Value of Agricultural and Rural Loans.

The first stage was an assessment of the general M&E system of the USAID/AgriFUTURO project as implemented by Abt Associates. The second addressed the strengths and weakness of each corridor for three indicators: data collection, recording and storage and analysis procedures. The five USAID standard criteria used to assess data quality are validity, reliability, timeliness, precision and integrity.

Following the DQA, USAID/AgriFUTURO gave a short training for Value Chain Leaders and M&E staff. Additionally, USAID/AgriFUTURO provided a general assessment of the implementation partners, TechnoServe and CLUSA.



### QUESTIONS OR COMMENTS?

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# SUCCESS STORY

## Finding Security in Diversifying Crops

**USAID teaches smallholder farmers the importance of crop diversification for economic stability.**



Photo: Vina Verman/ Abt Associates

*Teotonio Pereira Raice, new owner of OLINOTU, hopes to continue to grow his company and one day become an industrial farmer.*

*USAID is providing assistance to smallholder farmers in agribusiness establishment, contract negotiation, and crop diversification in order to raise incomes and increase food security in Mozambique.*

In 1980, smallholder farmer Teotonio Pereira Raice began farming in Moma, a village in Mozambique's northern province of Nampula. Raice created the ACAFANA farmers association, now FACANA, and together they grew cotton commercially, proving to be a very lucrative cash crop. However, in 2007, the cotton market crashed, resulting in a tremendous fall in prices and demand. Farmers were left struggling to scrape together income. Many of the FACANA farmers selling raw cotton were forced to abandon the crop entirely, as only processed cotton requiring machinery was in demand. Most FACANA farmers could no longer rely on cotton farming.

In late 2009, USAID began working with Raice and discovered he continued to face hardships caused by the cotton crisis. USAID advised that Raice could make a faster recovery by producing non-cotton crops commercially. While Raice produced certain crops for consumption purposes, he previously felt it too risky to produce these commercially as finding buyers to travel the distance to Moma or selling large quantities in small markets would be difficult. USAID introduced Raice to IKURU and CISTER, two agribusiness trading and exporting companies based in Nampula city. USAID helped to build buyer confidence by bringing the companies to Raice's village to show them the farmers' production capabilities. USAID also helped Raice establish his producer trading company, OLINOTU, in October 2010, which assured the buyers that this was a professional company capable of entering into contracts.

USAID trained Raice in contract negotiation, and in January 2011, contracts with IKURU and CISTER were signed to produce groundnuts, sesame, and a variety of seeds. Introducing crop diversification and producing high quality seeds helped Mr Raice and the 255 FACANA farmers with additional source of income. Olinotu earned the equivalent of \$11.220 and FACANA \$47.618. Mr. Teotonio sold 4,600 kg of groundnuts to IKURU at 38.5 Mt/Kg, while the average market price was about 30Mt/kg.

“Starting my own business not only helped me to get contracts for the production of non-cotton crops, it brought me social prestige. I have been able to use my company for the benefit of my community”, says Raice.

# SUCCESS STORY

## Smooth Sailing for Exporters

**USAID is helping to increase the competitiveness of agribusinesses in Mozambique**



Photo: Vina Verman/ Abt Associates

*Inocêncio Horácio, Operations Manager of Nacala Port, said, "Before, exporters didn't know how the port was operating. They were blaming the port for everything and ruining our image. Now, people understand that it's not just the port, but also the shipping agents, customs, etc."*

*USAID's collaboration with Government of Mozambique agencies has enabled port study findings to be incorporated into strategic plans for the development of exports, investments, and infrastructure in the Nacala Corridor.*

Nacala, in Nampula Province, is home to the deepest natural port on the east coast of Africa and serves as an important trading zone for the northern regions of Mozambique as products are exported to countries throughout the world. Despite its economic importance, Nacala Port faces extreme challenges, such as poor infrastructure and limited capacity to process exports. Exporters fear that the high port prices will render their products uncompetitive on international markets and that the lack of capacity at the port will prohibit the growth of their companies as the port is unable to handle increased production of goods for export.

In 2010, USAID conducted a study of the Nacala Port as a part of its efforts to increase the competitiveness of agribusiness exporters and improve the environment for investment in Mozambique. The study followed the path of a banana exporter's products, starting from the farm gate through loading onto the ship. The study provided a clear understanding of the time, costs, and logistics involved in exporting and identified areas of improvement for both the port and port users. USAID involved the Nampula branch of the Institute for Export Promotion (IPEX), a government agency, in each step of the study, building capacity of public servants and equipping them with skills to lead similar activities in the future. Recommendations from the study will be used in the Nampula Governor's strategic plan for development of Nampula and the northern Mozambican region. The Ministry for Industry and Commerce agreed to incorporate the recommendations for a "one-stop-shop" for exporters into the plans of the future Nacala support center for investors, allowing exporters to avoid time-consuming trips around town to complete all shipping paperwork. IPEX intends to include this into their national strategic plan as well.

As a result of the study, communication among port staff, shipping agents and exporters has improved. One exporter shared exporting plans in advance so the port can be prepared to provide services. This type of coordination among parties has never happened before and is necessary to improve the technical and economic efficiency and competitiveness of the port and the export process. Committees have been formed around the various recommendations to ensure progress towards resolving inefficiencies.





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