Scaling and sustainability of C:AVA interventions

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What does this mean??

- **Scaling-up** – is about increasing production to gain economies of scale which will
  - Reduce overheads per unit of production
  - Reduce some transaction costs, eg transport
  - Gain counter-veiling power in negotiations, &
  - Create more beneficiaries
- **Sustainability** – is whether the interventions can be maintained after project support has been withdrawn
  - "what happens after the withdrawal of donors"
  - Also environmentally sustainable
  - As a follow-on, will enterprises be sustainable

Undertake activities to support the scaling and sustainability of the intervention

- **Form National Consultation Groups:** National Consultation Groups (NCG), will be formed in each country, and will provide a forum for interaction and learning on relevant policies, processes and experiences or any other matters relating to the project. They will be of crucial relevance in both project implementation and future sustainability. The NCGs will be made up of influential figures from public and especially private spheres, whose perceptions of issues, causes, implications and solutions can play a key role in public service, commercial and policy decision making. This will include policy makers and implementers with a current or potential interest in development of the cassava sub-sector. The composition of the groups may evolve over time. The NCGs will provide platforms for sharing of project activities and outcomes and influencing project activities. Country Manager/Institutional Contact Points will establish NCGs and develop ongoing linkages with this influential group as part of their coordination role. These semi-formal groups would be encouraged to communicate informally according to their own contexts. The NCGs will provide platforms for learning and action and through the overall project coordinator may potentially contribute towards the development of a cassava learning alliance across the region. Attention will be paid to the make-up of the NCGs to ensure that representation reflects experience of gender and diversity issues and of smallholder farmer priorities and encourages participation of women.
- **Undertake awareness/promotion activities:** Awareness activities will be held in the second half of each intervention period to make potential end users, intermediaries, farmers groups and service providers (such as NGOs) aware of the successes achieved by the project and opportunities for replication. Materials will be produced and events will be held to influence government and donor agencies who could support replication of specific activities in the target countries or other countries and who might wish to take the HQCF scaling up as a model for other agro-enterprise interventions in the cassava sub-sector (e.g. livestock feed) or other sub-sectors.

So two different themes for sustainability

- Economic (environmental) sustainability
  - Have the BDAs done any analysis – remarkable lack of production costs yesterday??
  - Sustainability will be enhanced by innovation and partnerships in the Value Chain
- Formation of NGCs & promotional activities
  - Have NGCs been established in each of the countries
  - Who is participating
  - How is it being funded (by the industry??)
- This discussion will focus mainly on financial sustainability

Scaling-up depends on

- Is there a **market** opportunity to expand into
  - It needs only to be a market segment
  - At a price that you can supply at competitively
  - What are likely threats in the future
    - Eg, traditional fermented cassava flour – eg Ghana, Malawi
    - Imported wheat outcompeting in Ghana
  - Can you move from one market segment to another, especially if buying prices are different eg Uganda, Malawi
- Is there a supply of roots all-year-around to produce competitively priced HQCF
- Are there entrepreneurs to take up the challenge???
- Is there finance to support their expansion????
- Need commitment to innovation & quality

Uganda

- HQCF – selling price
  - Ush1,750kgt ($700/t) for paperboard
  - Ush 1,500 ($600/t) for other uses
- HQCF cost of production
  - Ush 1,100 to 1,200/kg ($460/t)
- Margin
  - $ 140/t as a wheat flour substitute
  - $ 240/t as a maize starch substitute

Uganda - 2

- Current production – 800t/yr, hope to be 1,300/t in 2013
- 177t sold to paperboard at margin of $42,000
- 666t sold to other markets at margin of $80,000
- Total margin made in 2011 - $120,000 … explains the housing boom in Eastern Uganda …..
- What is the cost of running the C:AVA office – say $80,000/year (excluding capex)
- What would be the cost of the Associations putting in their own management to organise marketing/logistics/QC etc …. half the C:AVA cost at $40,000
- Can it be argued that C:AVA Uganda might soon be sustainable?

Uganda - 3

- If all 2011/12 production was sold into the paperboard industry – total margin would have been $192,000
- What is 2013 target for HQCF production – 1,300 t which if sold 50:50 between paperboard and other markets would give a total margin of almost $250,000 – which is something to shout about
- Desperately need to have a biz plan showing how it can become sustainable
  - needs to be done in cooperation with the Associations

Uganda - 4

- What can we do to improve chances of sustainability
  - Focus more on paperboard market segment, by confirming the potential and then securing it with technical support
  - Further understanding of other market opportunities
  - Maybe, try to increase the prices to rural buyers – who will be buying more expensive wheat flour
  - Improve quality (consistency of quality)
    - How?? – teach the paperboard companies how to measure it and reject when there is a problem

Uganda - 5

- Has a NCG been formed – yes/no??
- Who should be members
  - Representatives from paperboard & agri-food industries
  - Biscuit manufacturers?????????
  - Bureau of standards
  - Mins of Ag and Trade
  - Representatives of Association
- What will its mission and objectives???

TZ

- HQCF – selling price Tsh575 to 675/kg ($370 to 433/t)
- Cost of production Tsh300/kg ($190/t) & transport to Dar of Tsh70/kg ($45/t) – makes $235/t delivered
- Margin of $135 to 200/t – which is encouraging … but the farmers must be receiving very little for their roots
- However, Helena's data shows costs of production of $300/t (& for much of last year, it was $375). The only time of the year, you can make money is when it is raining and you cannot sun dry!!!
- & then add in transport costs to Helena's data, there is no margin selling to biscuit manufactures …

TZ - 2

- Current production – about 200t/yr, but not really too sure what is the margin that is being made by the processors
- Based on Helena's data – it appears not sustainable
- The future needs to focus on what can be done to create better margins and some sustainability!!!!

Malawi

- HQCF – selling price
  - MK80/kg ($470/t) to rural bakeries
- HQCF cost of production
  - MK50/kg ($295/t) – but have these prices increased since last April/May
- Margin
  - $ 170/t as a wheat flour substitute in rural areas
  - Should the processors try to negotiate higher selling prices to ensure the margins are maintained???

Malawi – 2

- Total production 125t
  - Therefore margin earned by groups - $21,000
  - Not enough to be sustainable
- Target production in 2012/13 is 300 t
  - Which would generate a margin of $50,000
  - This **may** start to demonstrate sustainability, but it will be after 2014
  - How much throughput is need for it to become sustainable … and how much longer will it take to get to this status
- How long would the groups last without C:AVA??
  - Until equipment breaks down or needs replacing
  - Therefore, how sustainable will all the other projects be

Malawi – 3

- How to become more sustainable
  - Need better and more consistent quality.
  - Need more concentrated production/larger processing areas???
- Flash dryer operation
  - Too early to comment on sustainability – except that it is very dependent on sales to the paperboard industry – and then on regional paperboard sales to enable Universal to earn forex
  - Projections indicate HQCF production costs from Flash dryers to be $ 600 to 625/t – much cheaper than the current prices of wheat … if get $800/t from PIM, starts to look attractive

NCG - Malawi

- Has one been formed – yes
  - Is Universal a member???
- Who should be members
  - Universal and representatives of other processors
  - PIM
  - Representatives of rural end-users
  - Bureau of standards???
  - Min of Ag
- What it seems to act to protect the market???
  - Any conflict between the 2 chains??

Ghana

- Based on 2010 data - main market is for export (700t/yr) and then plywood (4,000t/yr). Export is smaller market size but more lucrative
- HQCF – selling price cedis 60/50kg ($800/t) for export & cedis 35 to 40/50kg ($500/t) for plywood
- Current production costs – from Helena $500/t based on flash dryer … bins dryers are more expensive (AG) or the same (BDA)???
- Ghana imports wheat flour (for biscuits) at $380/t
- Therefore positive margins for export, little or no margin for others – is **this why HQCF production is static????**
    - What chance for sustainability, especially if plywood industry starts to use imported biscuit flour

Ghana - 2

- Can the export opportunity be expanded – achieving about 50% of the opportunity
  - Praise might put in a flash dryer (need a biz plan)
- Future sustainability will have to be based on profitable niche markets – but need to be identified (except exports)
- Can better prices be obtained from plywood industry – but comparisons made with kokonte make this difficult!!!
  - Efforts are being made to ban exports using kokonte – but will be difficult to control
- Can sun drying supply rural markets/schools
  - They are small
  - But the margins should be better (wheat flour in rural areas sells at

Ghana - 3

- But wheat flour market prices are very high at over $ 1,000/t
  - Much higher than imported biscuit wheat flour
  - There must be some opportunities for replacement with HQCF
  - Not as wheat flour substitution in biscuits, maybe cassava biscuits for "social markets"
  - Only low levels in bread because impacts on quality
- Can sun drying supply rural markets/schools
  - They are small
  - But the margins should be better
- There is reportedly a significant paperboard industry which uses pre-mixed adhesives. Could this lead to better margins if premixs made in Ghana???
- Ghana needs some fresh strategies – one for GRATITUDE

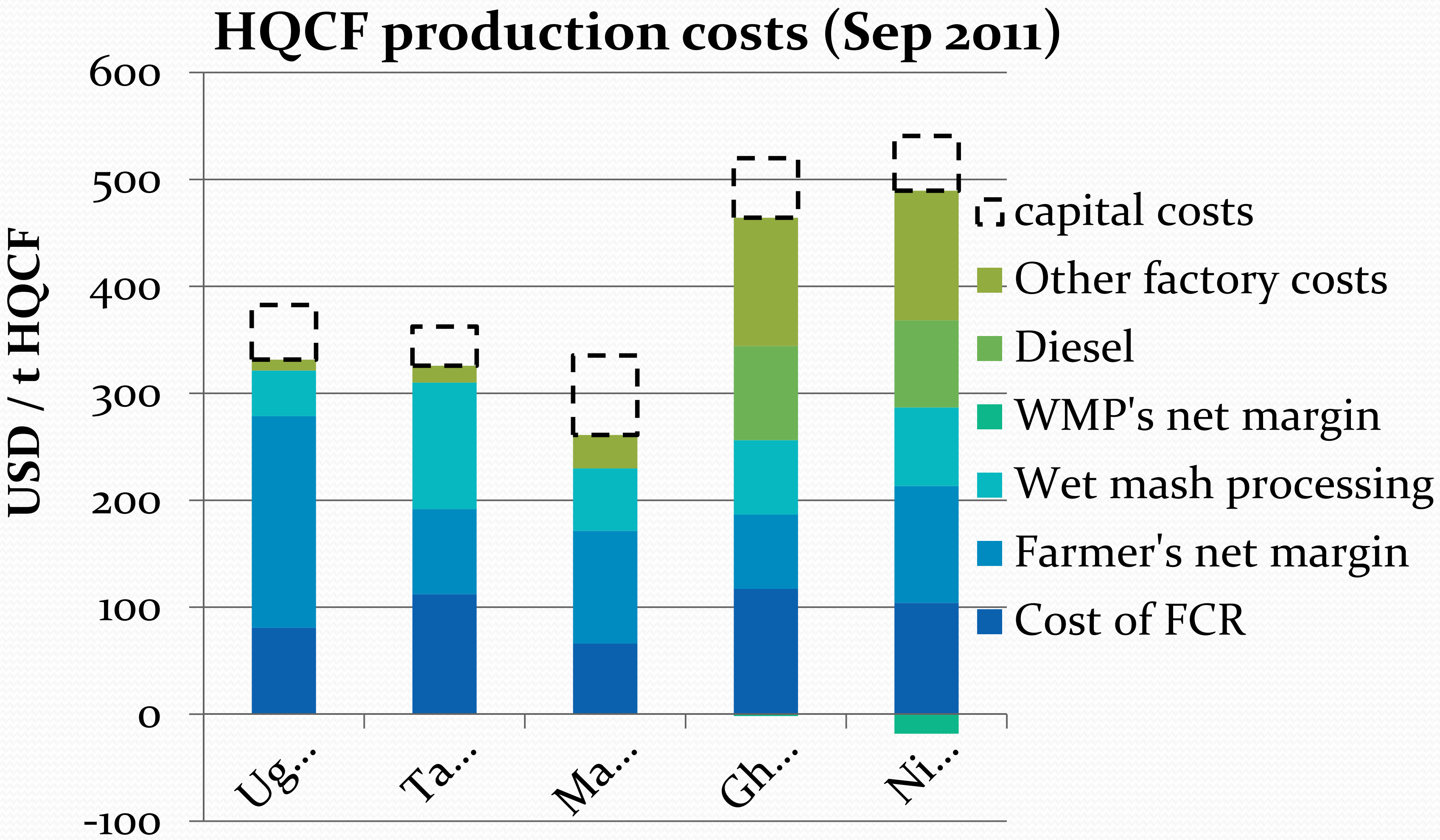
Nigeria

- Flash dryer costs of production – over N100/kg ($625/t) more than the N80/kg ($500/t) being paid by the millers
  - Therefore negative margins when supplying millers – unless only process when root prices are low
- Need to target markets other than millers where wheat flour prices are over $ 750/t (delivered to large-scale urban bakers) & higher for rural bakers
  - There must be some opportunities for replacement with HQCF in these markets
  - Not as wheat flour substitution in biscuits (because of processing difficulties), maybe cassava biscuits for "social markets"

Nigeria - 2

- Need to understand the market segment and choose processing technology to reflect market opportunities greater than N100/kg. Without them, long-term future of flash dryers is uncertain
- Need market training for the SMEs
- Another opportunity for GRATITUDE to strategise

Hot from Helena .....



Thanks