

comes to marketing, and low prices for products. Smallholders complain about low prices, and buyers complain about low volumes and quality. There is hardly any dialogue or information exchanged between the actors in the different segments of the value chain.

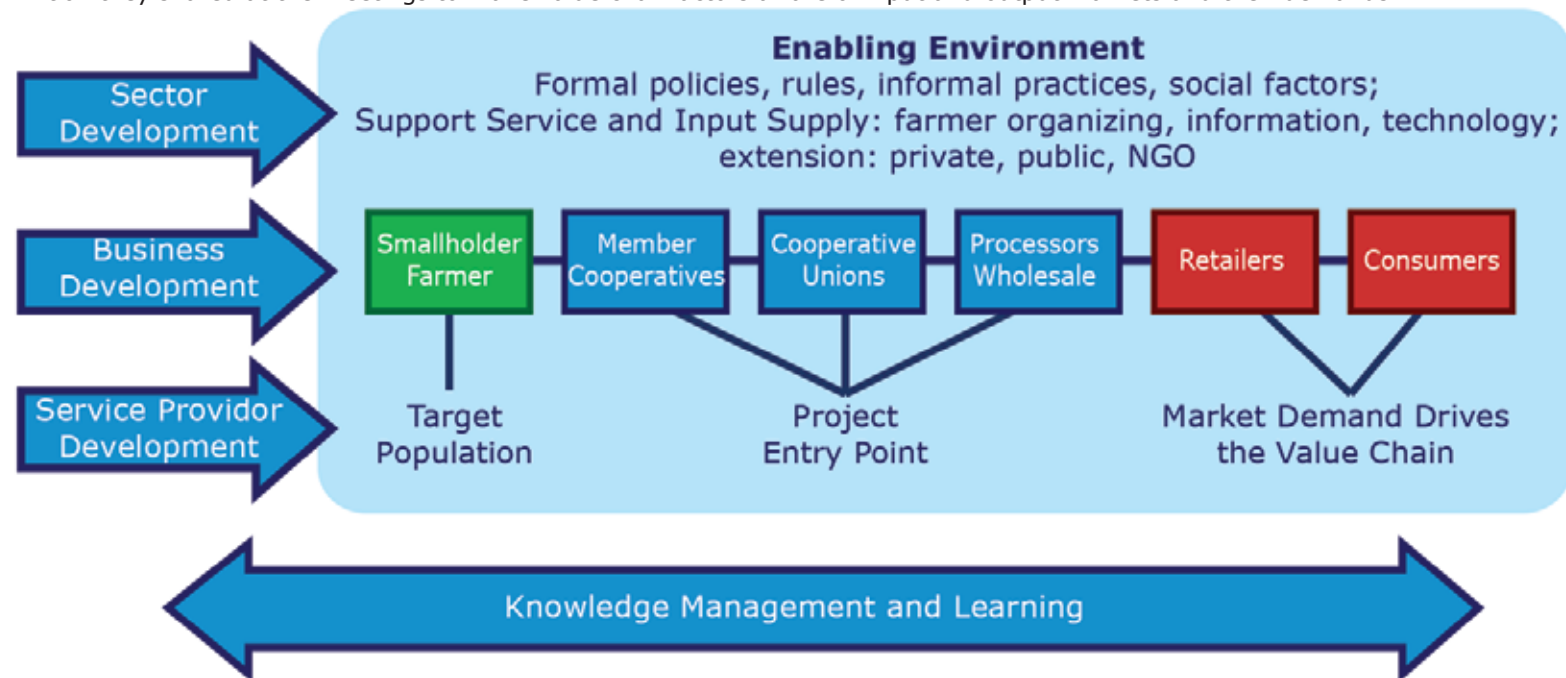
### C4C interventions

C4C took steps to remedy the lack of information exchanged between value chain actors and enablers by coordinating Business Cluster meetings for all stakeholders in the sesame, wheat, chickpea, white pea bean, Niger seed and linseed value chains. Initially C4C took the lead as technical experts and facilitators for these meetings, but gradually unions took on this role, such as Ras Gayint and Tsehay in the white pea bean and Niger seed Business Clusters respectively.

Annual Business Cluster meetings for each value chain included an overview and analysis of the value chain, prioritisation of constraints and solutions, and action planning to jointly address the constraints. In preparation for the Business Cluster meetings, C4C collaborated with unions and cooperatives to gather and analyze national and international market intelligence for a better understanding of value chain dynamics, information they shared at the meetings to make value chain actors aware of input and output markets and their demands.

### The Sesame Business Cluster

C4C, Agriterra, Sesame Business Network and IFDC collaborate to make the sesame value chain more efficient by forming a Business Cluster with Selam and Metema FCUs and other value chain actors. They used the Cluster meetings to discuss Good Agricultural Practices, business to business linkages, financial literacy training, market intelligence, and lobbying for improved credit services.



Business Clusters also served as platforms to discuss issues as well as innovations in production, post-harvest handling, processing, access to finance, and accessing new markets. Some of the issues identified during Cluster meetings were prioritised through action planning sessions that outlined practical steps that participants agreed to work on over time. Other issues were incorporated into the C4C supported union action plans for capacity strengthening at the union level. Subsequent Business Cluster meetings always include a review of the activities conducted since the previous year's meeting to update all stakeholders on efforts to resolve constraints through collaboration.

### Results

The Business Cluster meetings have been instrumental in introducing systems and innovations in cooperative management, improving agricultural technologies, and building better business linkages that have increased access to input and output markets.

Overall, the Business Cluster meetings resulted in:

- Increased access for farmers to improved seed, accompanied by extension support on Good Agricultural Practices
- Improved post-harvest handling, grading and cleaning
- Enhanced knowledge of contract farming among union staff

The Business Clusters developed stronger channels for information to be exchanged along the chain to strengthen specific actors as well as the value chain as a whole. For example:

- Tsehay and Becho Woliso FCUs worked with the Gondar agricultural research center, International Livestock Research Institute (ILRI), and Menagesha Biotech Industry PLC to adapt the ACOS Dube and other chickpea varieties to local conditions.

Business Clusters are multi-actor partnerships of value chain actors based on trust and collaboration working towards a mutual objective. The Clusters can assess the value chain environment, identify obstacles and opportunities for better coordination, and devise means to resolve obstacles to improve the efficiency in the value chain.



## Business Clusters: Connecting Value Chain Actors

Cooperatives for Change (C4C): Value Chain Approach for Cooperative Development in Ethiopia is a four-year project (2012-2016) implemented by SNV in partnership with Agriterra. C4C enhanced the business performance of 16 Farmer Cooperative Unions, reaching out to 160 primary cooperatives, and benefitting 44,000 smallholder farmers raising their productivity and incomes. C4C strengthened unions to adopt innovative business practices for improved service delivery and output marketing. The project is funded by the Bill and Melinda Gates Foundation. Agriterra also invests in the project with own funds.

[www.snv.org/project/cooperatives-change-c4c](http://www.snv.org/project/cooperatives-change-c4c)  
[www.agriterra.org/C4C-project-ethiopia/](http://www.agriterra.org/C4C-project-ethiopia/)



### Background

Agriculture, Ethiopia's biggest economic sector, faces many constraints on its path to inclusive and sustainable growth. The vast majority of Ethiopia's farms are small and rain-fed – farmers use low quantities of inputs and produce food mainly for subsistence. Farmer cooperatives are responsible for distributing inputs but, due to a lack of organisational and business skills, they cannot always provide the full package of services their members need to generate higher yields. These challenges, coupled with the fractured nature of Ethiopia's agricultural value chains, not only limit smallholder farmers' incomes but also prevent the agricultural sector from meeting growing food demand in the country.

Efficient value chains have the potential to produce benefits for all actors, provided that producers, input distributors and buyers are able to create strong and reliable business arrangements and solve crucial constraints. C4C used Business Clusters as platforms to facilitate business relationships by bringing together all relevant actors and stakeholders in a particular value chain for discussions and joint action planning. Participants in Business Clusters included farmers, representatives of primary cooperatives, union board members and managers, staff of the Cooperative Promotion Agency, Bureau of Agriculture, Bureau of Trade, banks, agro-processors, traders, research and financial institutes, seed enterprises, development projects, and NGOs. Business Cluster participants met once or twice a year to discuss and identify the imperfections in the value chain and develop solutions through action plans to overcome them.

This project brief describes how the C4C project supported the organisation of Business Clusters to make value chains more effective and inclusive with increased benefits for smallholder farmers and their organisations. Figure 1 gives an overview of C4C's value chain approach including the actors in the segments of the value chain, from smallholder farmers to consumers, as well as the supporting actors and enabling environment. The figure also shows the project's four components (Sector Development, Business Development, Service Provision and Knowledge Management) and their intervention areas.

### Problem

One of the characteristics of the agricultural sector in Ethiopia is that smallholder farmers produce with limited knowledge of new technologies and market requirements. This often is a result of inefficient value chains, i.e. chains in which value chain actors have none or very little interaction, and in which value chain enablers (providers of services such as seed supply, extension, finance etc.) often are dysfunctional and do not provide the services as expected. The information and service gaps lead to no or incorrect use of the right inputs (seed, fertiliser, pesticides) and sub-optimal practices in crop management and post-harvest handling. This results in low crop productivity, frustrations when it

### Example 1: Wheat Business Cluster Meeting Action Plan

Production and post-harvest handling	
Issues	Actions
Low adoption of Good Agricultural Practices by farmers	Unions started organizing extension services for farmers in collaboration with the Bureau of Agriculture and by hiring agronomists The GIZ Green Innovation Centre in Arsi zone provided support to Galema and Dida unions with mechanisation and improved seed
Lack of access to quality seed	Raya Wakena union and Sinana Research Centre established a relationship to improve the union's access to high quality seed
Limited use of seed varieties that have good market demand	Farmers of Edget Behibret cooperative accessed basic seed for seed multiplication to improve seed access for members Unions and seed enterprises established Business to Business (B2B) relationships so that unions have access to durum and bread wheat seed for specific market demand
Lack of good storage facilities	Unions added activities for proper use of pesticides in storage of wheat to their action plans
No proper grading system	Unions collaborated with Sinana Research Centre for grading technology
Processing and marketing	
Issues	Actions
Lack of understanding of wheat value chain	Raya Wakena conducted a feasibility study on investing in a wheat flour mill
Low volume of wheat supplied to the Merkeb union flour mill	Merkeb union invested in market linkages with other wheat unions and traders to increase the sustainable supply of wheat to its flour mill
Absence of flour branding and marketing	Merkeb union included flour marketing in its union action plan

“ The oilseed Business Cluster meeting continues to be the most important place for meeting the right actors in the value chain, discussing our critical sector challenges, and identifying solutions, ”

**Representative of Burayou Oil Miller Association.**

### Example 2: White Pea Bean and other Common Beans Business Cluster Meeting Action Plan

Production and post-harvest handling	
Issues	Actions
Need for recommendations on crop husbandry (row planting, inter-cropping with maize, crop rotation) and post-harvest handling	Ethiopian Institute of Agricultural Research and Adet Agricultural Research Centre to use outcomes of Business Cluster meeting to inform their research on legumes to increase production and productivity Unions organised Training of Trainers sessions for their extension staff and development agents on crop husbandry
Poor warehouse management	C4C, Cooperative Promotion Agency, and the Ethiopian Commodity Exchange trained cooperatives in warehouse management
Absence of quality control of farmer produce	C4C trained cooperative staff and purchasing committees on how to inspect quality during purchasing



Marketing	
Issues	Actions
Lack of national market for white pea bean	Unions will hire consultants to investigate feasibility of value addition/processing for national markets
New market for organic white pea bean	Unions will hire consultants to analyse organic white pea bean value addition
Unequal distribution of profits between union and cooperative	C4C's business linkage experts analysed the cost and profit margin in different segments of the value chain and presented findings to unions and cooperatives as a basis for contract negotiation
Weak business performance of unions and cooperatives	C4C provided capacity building support to unions and cooperatives on business planning and marketing
The link between unions and the Ethiopian Commodity Exchange not well developed	Unions and the Ethiopian Commodity Exchange established connection and plans for further dialogue and collaboration
Lack of market information at cooperative level	Unions improved the dissemination of market information to their member cooperatives
Lack of coordination in common bean value chain	Regional common bean steering committee established within the Business Cluster to monitor the specific conditions of the common bean value chain

## Results (continued from page 2)

- Gondar, Holeta and Debre Zeit agricultural research institutes shared their recommendations for enhancing productivity by reducing post-harvest losses, using inoculants (bio-fertilisers), and applying seed dressing with the unions.
- Melka Awash, Becho Woliso and Limu Enara unions promoted and distributed the improved ACOS Dube chickpea variety to their members as well as to farmers of other unions and cooperatives. Farmers received 100% higher prices for their produce with the Dube chickpea.
- Tsehay union developed a plan for investing in a Niger seed oil pressing and refinery. The new factory will be operational in 2017.
- Merkeb union created a market linkage with Koga and Motta unions to secure wheat supplies for its flour factory, which increased its smallholder farmer-sourced wheat from 2,100 metric tons to 5,400.
- Lume Adama Union improved its knowledge and understanding of new value chains, such as durum wheat for the pasta industry.

## Lessons Learnt and the way forward

C4C's experience revealed that Business Cluster meetings are an effective platform for value chain actors to discuss and prioritise issues for making commodity value chains more efficient. The project documented an overall increase in the business performance of unions, which will translate into benefits for their members. The Business Cluster meetings were also conducive for building trust, which is necessary for sustainable and inclusive business relationships between producers and companies.

The project recommends that the Business Clusters continue to facilitate the analysis and development of value chains. Unions can take the lead in facilitating future cluster meetings, with the support of the Federal Cooperative Agency and the Cooperative Promotion Agencies in the regions who can offer an effective enabling environment to support the unions. Furthermore, Business Clusters can complement and strengthen the activities of the Agricultural Transformation Agency's Agricultural Commercialisation Clusters, which will build connections across all components of the value chain.