

## RESEARCH BULLETIN

### A Needs Assessment of Rural Agribusinesses in Zambia

Musika and the WFP in Zambia are collaborating on an initiative aimed at enhancing rural farmers' access to agricultural markets. As part of the initiative, agribusinesses and intermediaries were strategically supported as they play a key role in creating commercial linkages in the rural areas through which market services are provided to the smallholder farmers. However, conducting business within the rural market environment has not been without challenges for these businesses. Therefore, the need to understand the prevailing risks and challenges to their commercial viability is essential for the development of sustainable market initiatives. In view of this, a descriptive study of rural agricultural SMEs was conducted in order to understand the factors that characterize successful SMEs, the business challenges they face and opportunities for the provision of business development services. The key findings from the study are highlighted below.

The SMEs that had the following characteristics were found to be relatively more successful than those that did not:

- ⇒ Employed business models that had extra revenue streams from both agricultural and non-agricultural products, out-grower schemes or provided extension services and/or training to farmers.
- ⇒ Received financing from off-takers to supply inputs on credit to the farmers.
- ⇒ Used specific criteria to hire management staff versus hiring based on family and friend ties.
- ⇒ Had a management board in place.
- ⇒ Used information gathering practices that led to detailed business records, that is, at least more than three basic records.
- ⇒ Had business owners (or managers) with experience of more than five years in the business or sector in general.

Some of the Challenges that rural SMEs experienced were found to be as follows:

- ⇒ Difficulties in developing effective approaches for engaging and working with the smallholder farmers
- ⇒ Insufficient capacity or operational systems to effectively coordinate sales outlets (for those SMEs with multiple outlets)
- ⇒ Little record keeping or relevant business information systems
- ⇒ Limited access to finance
- ⇒ Lacked effective strategies to overcome competition and maximize customer lifetime value
- ⇒ Limited staff capacity

The following opportunities for providing business development services were identified:

- ⇒ Promote business models that create linkages with farmers and possess safety nets, such as additional revenue streams, which can help weather external shocks, while also proving the know-how to successfully work with the smallholder farmers.
- ⇒ Provide business development services that focus on enhancing the SMEs capacity in management of information systems, business management skills, business model development and strategy as well as product knowledge.

Rural SMEs are a critical component of the agricultural supply chain for they play a key role in bridging the service provision gap in the rural and underserved areas. Therefore, Musika believes that enhancing the rural SMEs capacity to develop viable and sustainable business models that are able to deliver improved agricultural services will help rural farmers across the country access improved agricultural markets.

For the full report please click [http://www.musika.org.zm/images/Research/A\\_Needs\\_Assessment\\_of\\_Rural\\_Agribusinesses\\_in\\_Zambia\\_Public\\_Report.pdf](http://www.musika.org.zm/images/Research/A_Needs_Assessment_of_Rural_Agribusinesses_in_Zambia_Public_Report.pdf)

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