

COMESA BUSINESS COUNCIL

Democratic Republic of Congo

Kinshasa

Presentation by

Engineer Oswell Chakwanda  
Owner and Chief Executive Officer  
Farm To You (Pvt.) Ltd  
Victory Farm  
Mhangura  
Mashonaland West Province  
Zimbabwe

Contact: Mobile: +263772848509/ +263733594000/+263714595999

Email: ochakwanda@gmail.com

*The dynamics of chains – From product to market – A company perspective*

*An approach to the risk of integrating local business at firm level.*



## *Introduction*

Farm To You (Private) Limited is a young enterprise which is 4 years old and growing in a tough local and global economic environment. We are located on a piece of land measuring 256 hectares in Mashonaland West Province of Zimbabwe. We are beneficiaries of the successful agrarian land reform program in Zimbabwe.

In 2009, we started the project with a bank loan of US\$105,000 secured by my personal assets. Farm To You is a company driven by passion for quality and capacity to deliver first class products to the consumer from the farm to the fork. Hence the name Farm To You.

After we carried out market analysis in 2008, we realised that Zimbabwe had slowly transformed itself from a net exporter of horticulture products to a net importer due various challenges in production, distribution and retail value chains. Most products on the shelves were now coming from South Africa and the quality of the products was not of the same superior quality that Zimbabwe is well known of producing.

Besides the quality issues I realised that we were losing a lot of foreign currency which could be saved to buy essential imports such as fuel and medicines. We then decided to transform our farm to an enterprise which would participate in all levels of the production, distribution and retail of the horticulture products in Zimbabwe.

To date, we now supply the biggest fast food companies, some listed on the Zimbabwe stock exchange, all the major retail outlets and the biggest informal markets throughout the country.

Our annual production of horticulture is 1200 tons of Irish potato, 600 tons of onion, 120 tons of butternut, 150 tons watermelon, 200 tons Soya beans, 100 tons maize.

We are proud to be contributing to the national food security of our country and driving our economy forward, creating employment and reducing the foreign currency import bill.

*Addressing production and supply side constraints – Leaping from Lifestyle SME to Growth SMEs;*

In order to increase the supply side there, there are key policies that need to be put in place by government to support local production of goods. In our sector previously we were being constrained by cheap low quality imports which would land at sub economic prices on our market.

Access to funding at affordable interest rates is critical to any business success. When we started, financing costs were reasonable but in the recent past they have crept upwards due to various liquidity challenges and restricted access to cheap funding constrains due to economic sanctions by the western countries.

The support structure for agriculture in Zimbabwe is still solid and all the major international brands of machinery and locally manufactured high quality implements are available.

However with all this technical and financial support structure it boils down to the entrepreneurial skills of the new African farmers to be able to manage farming as a business. One need to realise that a farm is an enterprise with requirements equal if not more than those of some small to medium companies in town. There is need to realise that one needs to have business planning skills, strategic management capabilities, human capital management skills, financial management skills, technical management skills, production planning and general farm management skills for one to be successful like Farm To You.

*A focus on efficiency and speed for profit*

Our production cost has been closely monitored and every expense is accounted for. Our land use efficiency currently is 90% and we are aiming to reach 100% by end of 2014.

We derive our profits from pushing down costs to the lowest level possible without affecting our key resource, our human capital. For example our cost of production for a 10kg pocket of onion is US\$1.50 yet the retail price ranges from US\$4.00 to as much as

US\$8 for wholesale. Our rotational cycle enable us to reduce our demand for fertilizer and hence the cost of production.

#### *Daily costs to business*

Our production costing is calculated from the fuel used per ha down to all the inputs such as seed, crop chemicals, labour, fertilizer, mechanisation, irrigation cost, maintenance cost and insurance. These costs run daily and are closely managed.

#### *Technical inefficiency*

Due to the scale of our project we are highly mechanised from irrigation to harvesting. We operate an advanced centre pivot irrigation system supplied by a 100 Hp electrical pump, which currently has capacity to irrigate 40ha. It is expandable to 70 ha. This irrigation system is semi-autonomous and we have one employee who manages the whole irrigation system.

#### *Poor trade facilitation*

We have capacity to increase our production to then be able to export to the region the excess produce. However within the COMESA region, information on markets and export procedure is not readily available. This results in reduced intra-COMESA trade and there is need to establish a platform for such trade. With technology and a bit of innovation, trade between member countries can improve. We need to embrace technology especially mobile technology to facilitate trade.

A starting point could be a virtual market for agricultural produce. However the biggest challenge to trade is the logistical support and trade insurance and export credit guarantee systems.

#### *Economic opportunity*

COMESA region is am huge market with over 500 million people a GDP of over US\$200 Billion. Surely this is a huge market is barriers to trade and information are removed.

### *Managing time and resources*

Time management in our business enterprise is the easiest. We have adopted a production based remuneration system and this removes the risk of low productivity and high labour costs. For example if we are grading products, each individual has specific production target based on the quality and complexity of the product being handled.

### *Meeting tender requests from retail outlets and buyers;*

In the supply chain in Zimbabwe we have been supplying the wholesaler who would then distribute to the retailers. However we have started exploring the retail market direct distribution and we are now supplying the leading retailers directly with our products, thus we have climbed up in the value chain ladder. This had been our vision and we have achieved it in 3 years.

We have capacity to process an order request from all retailers and deliver within 4 hours of receiving the request. That's same day delivery.

### *Presence in the market: Market share*

Currently we have national presence on the market, supplying products such as onion throughout Zimbabwe for 3 months in a year. During the period we supply, we will be controlling up to 60% of the market. We have managed to reduce the market price of onion which normally between December and May each year would go up to US\$12, to an average of US\$6 throughout the marketing period.

### *How business is fairing in the trade*

We are growing I must say in a tough economy and we have taken a significant market share in the past three years from the foreign suppliers due to supportive policies from Government through their arm, the Agriculture Marketing Authority, which has developed policies which support local farmers and local food production.

### *Constraints faced by Farm to you*

Farm To You like every other business in Zimbabwe is suffering from high cost of borrowing and some markets in the country still suffer from smuggled products. This has put constraints on our expansion program.

The following are just but a few we can mention;

- Poor post harvesting processing and storage technology
- Limited production capacity to satisfy demand for produce on the local and regional markets
- Lack of capital to expand existing infrastructure and grow our operation into a bigger business entity.

### *Proposed Solutions to address these issues*

Farm To You would like to access lucrative markets in the region such as Democratic Republic of Congo, but the trade barriers, risks associated with the movement of goods and general policy variations from one country to another makes it impossible to access such markets. These would unlock additional revenue generating potential.

### *Focus on production and supply to markets and consumers*

Farm To You would like to expand its production capacity increase output and access new markets but this will require a regional trade facilitation initiative for horticulture products.

### *Conclusion*

With the global food shortages we will continue investing and increasing our capacity in the food value chain to exploit the huge opportunity that still exists. With the World Bank projecting that by 2030 the Agriculture industry in Africa will be worth US\$1 trillion, I would definitely want to be part of that big pie.