



# THE BLOCK FARM MODEL

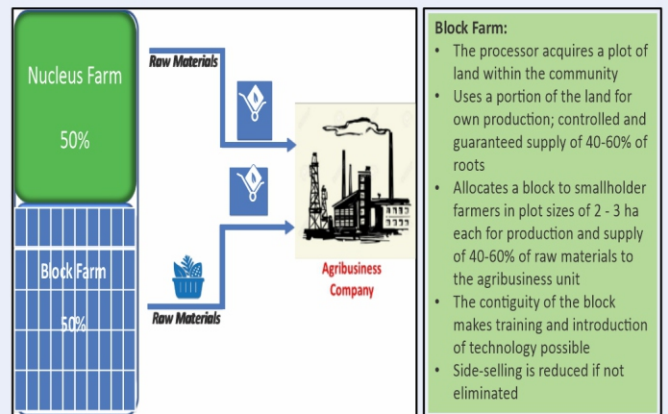
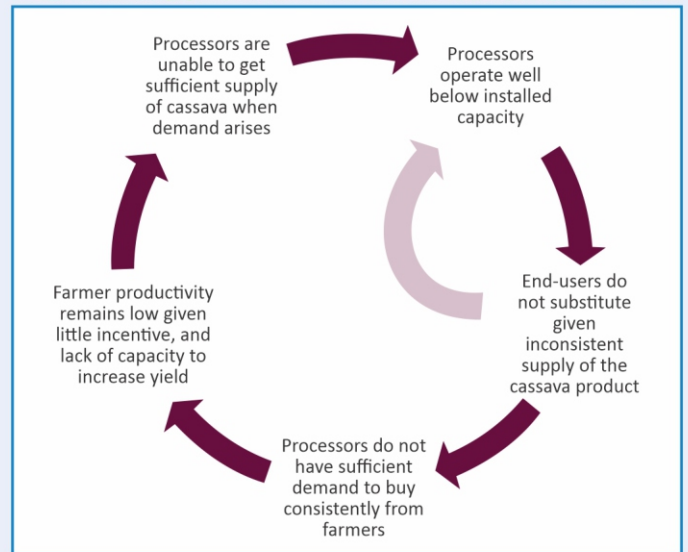
## Confronting the Challenge of Supply Chain Management in Africa

A major challenge facing industrial agribusiness development within the African context is the inability of SMEs to establish inclusive and sustainable mechanisms for consistent sourcing of raw materials in the quality and quantity required to meet industrial end-buyers' demands. This has blocked opportunities for SMEs' growth and market transformation required for commercialization and increased economic activities. The challenge has limited the drive for local sourcing among multinational end-buyers whose sourcing volumes can impact directly on job creation, the livelihood of producers, foreign exchange savings and the overall economic development of the national economies

### The Block Farm Model

IDH introduced the block farming model (BFM) to help agribusiness SMEs have a controlled management over their supply chains. These are companies involved in the purchase of agricultural produce for either processing or outfits involved in aggregation of produce for supply to end users. To secure consistent supply of produce, in a predetermined quantity and quality, both outfits need to build a controlled supply chain, with smallholder inclusion, to sustain sourcing capacity and optimize business strategy.

BFM creates opportunity for SMEs to optimize raw material production and sourcing and to manage supply chains in an inclusive and sustainable way. The block farm, which is the main focal point of production within BFM, is a dedicated and contiguous farmland that is under the control of the agribusiness SME with the aim of achieving increased and consistent supply of quality produce into a supply chain. The block farm also facilitates the integration of smallholder farmers into the supply chain for production, capacity building, and access to finance. The model forms a solid foundation to build an inclusive, long-term partnership with the shared goal of commercializing the value chain without putting the food security needs of local communities at risk. Through the block farm, a company can source at least 40-60% of its full capacity requirements while sourcing the balance from either the company's nucleus farm or open market in surrounding communities



### BFM offers key benefits to the Farmers and Companies

Farmer	Agribusiness Company
<ul style="list-style-type: none"> <li>• Reduced investment in acquiring capital assets such as land, infrastructure, and mechanization equipment in production</li> <li>• Opportunity in accessing credit for input and running farming operations for the production cycle</li> <li>• Access to extension services for training on good agronomical practices</li> <li>• Improved yield</li> <li>• Opportunities for improved product quality</li> </ul>	<ul style="list-style-type: none"> <li>• Control over land and products on the block farm;</li> <li>• Reduced risk of side selling</li> <li>• Agribusiness companies can control both quality and quantity of production as well as timely and organized planting to meet raw material requirement in the factory</li> <li>• Improved access to credit for purchase of inputs, or direct provision of inputs by the buyer</li> <li>• Reduced marginal cost of production</li> </ul>



- Guaranteed market through off-taking agreement
- Food security and improved livelihoods in the community
- Reduced procurement costs via direct-sourcing linkages
- Increased income

- Opportunity for corporate social responsibility through extension services to neighboring communities
- Opportunity for long-term planning based on consistency in supply chain and price
- Increased ability to meet demand requirements from end-buyers

## BFM and Service Delivery

Within BFM, technical services such as training on best practices, access to improved inputs and technology, farm finance and extension services to farmers, to improve their performance, and ultimately their profitability are provided. The system supports farmers to receive modern agricultural knowledge and bundle agricultural inputs to help smallholder farmers grow and harvest produce in the quantity and quality desired by the end-buyer, the market being assured. The service delivery system is a linkage-dependent relationship between three institutional entities:

a. **The agribusiness company/SME (An anchor off-taker):** The agribusiness has a unit that co-ordinates the entire activities of the block farm. The company also serves as the anchor or the off taker who commits to buy the products off the farmers.

b. **A service provider (SP):** The SP provides all the structured services within the supply chain. Some of the services provided include land preparation, inputs, training, extension, transportation, mechanization, and logistic/management among others. The SP could be a unit of the agribusiness company and/or independent private entities engaged to render a bouquet of selected services to the farmers at agreed times and negotiated prices.

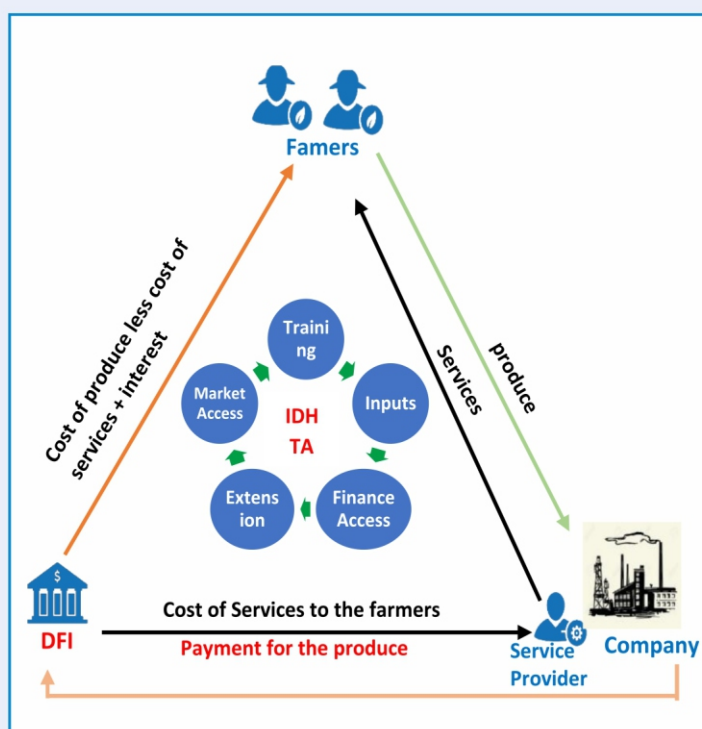
c. **Development finance institution (DFI):** The DFI is involved in this model to provide credit to the farmers by pre-financing the services of the SP at agreed terms. The scheme is structured to pay 50% or more of the costs of the services at point of delivery and the balance at payment for the produce by the company. At the endpoint, the bank deducts cost of services and interest, and credits the farmers' account with the balance. With farming and processing improvement technical assistance from IDH, the loans are further de-risked.

With this intervention, farmers challenge in accessing credit and input services is eradicated particularly for the block farmers who are directly linked to the supply chain of the agribusiness companies. The provision of services leads to increased productivity, stable income, and livelihood of the farmers.

## Success Drivers

The implementation of BFM is without its challenges. These challenges have also become learning points to modify and improve the implementation of the model. Some of the success factors include:

**1. Land availability:** For successful implementation of the model, agribusiness companies would need to have access to large, contiguous land in communities, for use, near their business location. Generally, this is not difficult, since the land is on lease and the community would be supported to farm on it to produce for the company.



**2. Pre-financing:** Access to finance is key in enhancing inclusive agribusiness. Pre-financing of services such as inputs and mechanization enhances off takers' ability in mobilizing farmers for the block farm and for timely operations.

**3. Integrity and transparency:** To continue to earn and retain the loyalty of the farmers, the companies must be transparent in dealing with the farmers and continue to think through other support services.

**4. Security of produce and market:** Operating block farming model comes with the improved security of the farms against cattle invasion, theft, and other external destructions.

For more information, please contact:  
**Cyril Ugwu**, Director, Cassava Program  
 ugwu@idhtrade.org