

# THE LEAD-FIRM MODEL: CONNECTING SMALLHOLDERS TO HIGH-VALUE MARKETS IN TANZANIA

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GENDERED ENTERPRISE AND MARKETS PROGRAMME



## Overview

- In Kishapu district in Tanzania, Oxfam adopted the 'Lead-Firm' Model and partnered with Katani Ltd. to improve smallholder access to markets for sisal.
- Katani agreed to work with Oxfam's Enterprise Development Programme to improve the local market for smallholder sisal producers by setting up small-scale processing businesses to extract the fibre from leaves, and by committing to purchase all quality fibre.
- Both Oxfam and Katani funded training for the farmers and processors, while Oxfam arranged credit for processors via Katani to buy machines and for working capital.
- As a result of the project, more buyers were attracted by the new supply of fibres, farmers and processors gained significant increased income, and the local sisal value chain improved with sustainable connections to high-value markets.
- The Lead-Firm Model provides many advantages, but the selected private-sector actor can monopolise supply and enforce less beneficial conditions of trade. This risk can be avoided by securing more buyers and less exclusive contracts, and providing loans directly to smallholders through an independent agent.

## Background

Connecting smallholder farmers to new, profitable markets often improves livelihoods and increases food security, but it can be a challenge. Smallholders often lack market experience and access to resources and technology, while many require assistance to achieve the level of quality suitable for market requirements, as well as stable demand to justify investment and mitigate risk-taking.

In the dry, remote Kishapu district in the Shinyanga region of Tanzania, opportunities for accessing high-revenue markets have been limited. There is some seasonal trade of cotton, and farmers grow various subsistence crops in order to survive. Sisal is an extremely drought-resistant plant, well-suited to the local climate, which farmers have traditionally used to protect land and demarcate plots, or,

via manual fibre extraction, to make ropes for domestic purposes or village markets. Until recently, sisal was not often harvested for sale due to lack of market demand for bulky, unprocessed sisal leaves and limited processing-capacity to refine the leaves into commercially valuable fibres spun into twine and ropes for national and export markets. Sisal fibre is now also in demand as a sustainable composite material in the car industry and other sectors.



Part of a sisal plantation, owned and managed by a women's group called Neema (Swahili for 'blessing'). Together, the group have bought a plot of land, and are now growing sisal as a cash crop. Credit: Tim Brown/Oxfam.

## Oxfam's approach

The 'Lead-Firm' Model has proved to be a successful tool for connecting smallholders to markets. This model utilises the experience and stable demand of a private-sector actor to overcome many of the problems experienced during start-up. The enterprise agrees to share the required knowledge and technology for production and processing with smallholder farmers, and pledges to purchase the majority of their products.

In Kishapu, Oxfam partnered with the lead firm Katani Ltd. The Tanga-based company was searching for a new source of sisal fibre due to increased market demand. Katani agreed to share knowledge on sisal production and processing, and pledged to brush and sort the supplied sisal fibres. It also committed to purchasing all fibre of sufficient quality at the world market price. With financial assistance from Oxfam, Katani organised visits to its sisal processing factories for farmers and entrepreneurs, and provided training in sisal planting, production and processing.

At the production level, farmers and entrepreneurs were organised into groups to facilitate technology and information sharing. Farmers learned how to plant new sisal farms in double rows, with sufficient space to intercrop sunflower and green grams. They also learned how to raise sisal plants in nurseries before transplanting them to fields. Farmers were provided with improved sisal seedlings and trained in sisal agronomy and nursery establishment.

Processing expertise was also developed at the local level, especially among women. Seven women (as well as eight men) were provided with working capital and one raspadora (fibre-extraction machine) each on a loan basis (see photo below). They now own and operate the machines, which has greatly improved their status in the community. Traditionally, women hand-stripped sisal leaves during the dry season, plaiting the fibres into ropes and selling them at market to supplement their income. Supplying women's



Woman processing sisal leaves using a raspadora (fibre-extracting machine). Credit: Carly Roberts.

groups with machines and training improved this process. In addition, one woman entrepreneur was provided with a loan to buy a brushing machine to increase the quality of sisal fibres.

Oxfam further engaged women in the sisal industry by giving them land to use and training women's groups to raise seedlings in nurseries. They also provided adult literacy classes to the community, where illiteracy is much higher among women, and organised them into Saving and Internal Lending Communities (SILCS). The SILCS have established a culture of saving, provided an entry point for women into sisal cultivation and greatly improved financial literacy among women.

Production of fibres started immediately after the distribution of the machines in early 2011. By June 2011, more than 20 tons of fibres had been sold to Katani. This boosted farmers' confidence and provided revenue to purchase the required tools for establishing plantations and increasing sisal harvesting.

## Introducing more market buyers

Within the first year, the increased production of high-quality sisal fibres in the area attracted rival firms offering better prices and buying conditions. This disrupted trade relations with Katani, which attempted to demand more fibre and threatened to take raspadoras from local processors if they would not comply. It was only following mediation by Oxfam that Katani accepted its position as the primary rather than exclusive buyer. It also agreed to more transparent pricing and grading of fibres, and established a local brushing and buying station to reduce inconvenient and costly transportation. These improvements, along with the introduction of additional buyers, further boosted production and income among local farmers and processors.

## Conclusion

Oxfam's partnership with Katani demonstrates that the Lead-Firm Model can enable the rapid, long-term and sustainable connection of smallholder farmers to high-value markets. The model facilitates information and technology transfer and ensures a secure buyer for smallholder farmers. However, there is also the potential for lock-ins between the lead firm and smallholders, or other value chain actors. In the long-term, development actors should support smallholder farmers to broaden their marketing perspectives, as well as assisting with negotiations with the lead firm where appropriate. Exclusive contracts between lead firms and producers or processors should be avoided, while loans should be given to beneficiaries through a independent reputable agent.

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For further information, please e-mail Ralph Roothaert at [rroothaert@oxfam.org.uk](mailto:rroothaert@oxfam.org.uk) or visit [www.growsellthrive.org](http://www.growsellthrive.org).

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