



DrumNet

An IT-Driven Supply Chain to Mainstream the
Small Holder Farmer in Africa

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Small farm productivity is key to economic growth and wealth creation in Africa

- Agriculture is the most important economic sector in most African countries and remains the greatest opportunity for economic growth.
- Close to 70% of Africa's population live in rural poverty
- Majority of rural farmers operate in full or semi subsistence mode, employing traditional low productivity farming techniques
- The system of finance, production, marketing, and distribution of produce from small farms is inefficient, leeching away income and profits from all participants in the supply chain, but particularly from the farmer herself.
- In Kenya, the key players for vibrant sector are mostly present-large scale buyers, processors, research institutions, input suppliers, transporters, banks and farmers, but no linkage, integration or networking platform.



Attempts to develop the agricultural sector have been largely unsuccessful

- Banks and MFIs have experimented with crop financing and farm input loans and have mostly experienced poor repayment rates, and high transaction costs.
- Exporters have ventured into smallholder group extension activity and out grower credit schemes with mixed results to ensure reliable supplies of produce for their core business of export marketing.
- Smallholder self-help groups and cooperatives - powerful organizations for information sharing and produce aggregation - have proven to be unreliable vehicles for basic financial services such as credit provision, payment distribution, or savings mobilization.



DrumNet

- DrumNet provides the ICT platform through which all financial transactions and the communications take place using mobile phones and SMS and email.
- DrumNet acts as the intermediary between producers and buyers to negotiate contracts and ensures that farmers grow in accordance with the requirements of the buyers.
- All payments from buyers pass through DrumNet accounts at the bank, thus enabling buyers to focus on their core business of field production.
- The DrumNet platform links large-scale buyers, farmers, banks, transporters, and field agents through an integrated marketing and payment system.



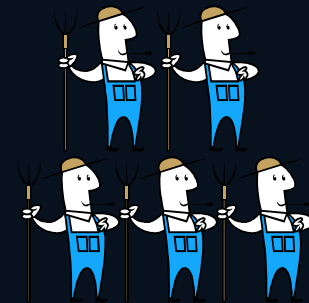
Buyer/Transporter



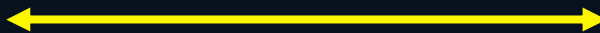
BANK



Stockist



Self Help Groups



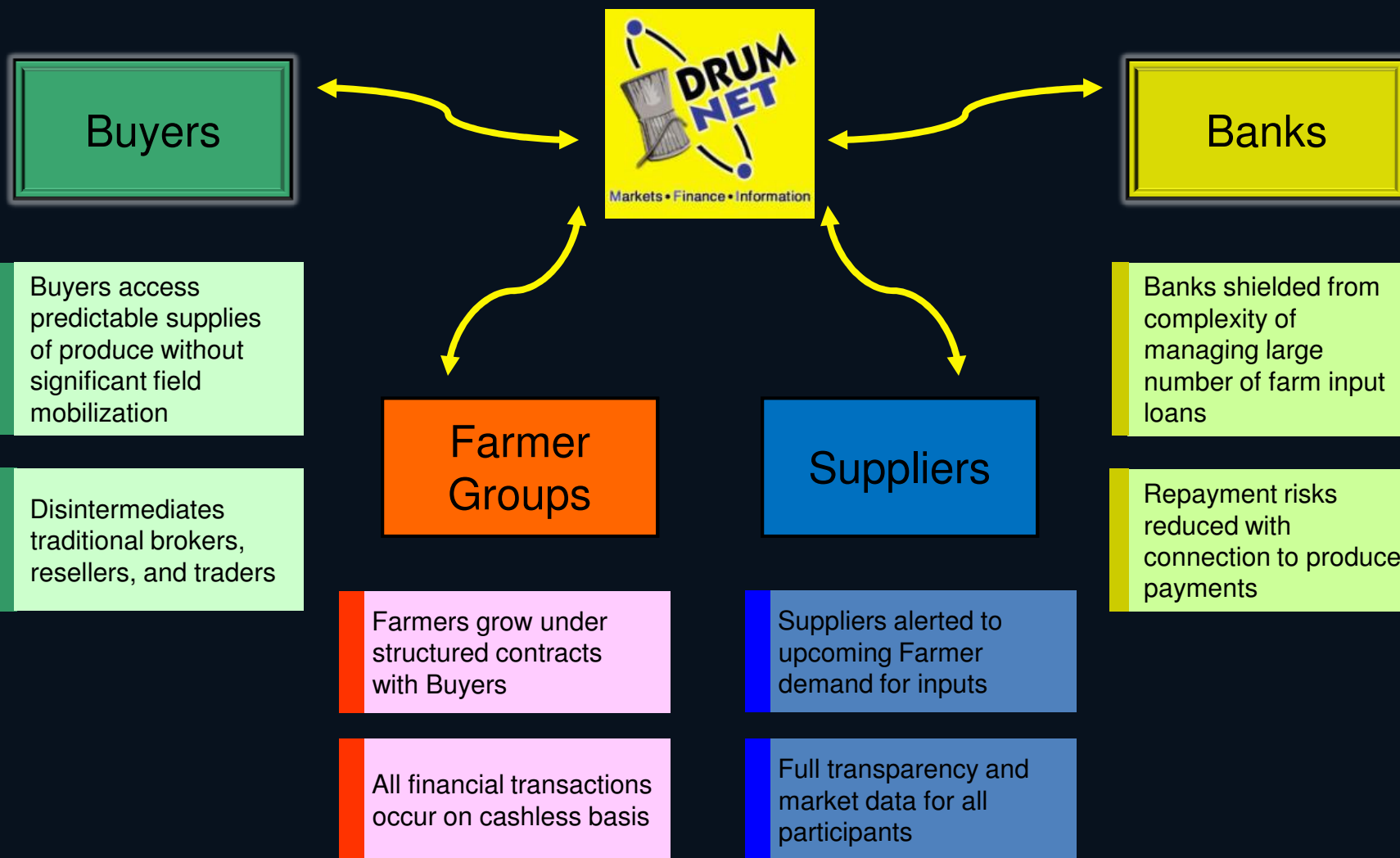


Unique Aspects of the System

- Agro dealers can access new customers without being always obliged to sell on short term credit terms.
- Buyers deal with Agro dealers who are certified to address quality and regulatory requirements rather than incurring the high transaction costs involved with buying from individual smallholders, including management of field operations.
- Buyers can diversify their sources of supply, thus spreading risk.
- Banks can enter this market without incurring high transaction costs and with greater confidence, because in effect their customers are pre-screened by DrumNet.
- Farmers are able to access inputs on credit and new markets for their production, repaying loans with the sales proceeds of their produce and increasing their incomes
- Farmers are able to build up a recognized credit history and service rating that can be used to secure subsequent financial services elsewhere.



The model creates efficiencies and allows participants to enter markets or improve access to partners





The Way Forward

- Creating such a system in rural communities for smallholder farmers with minimal infrastructure support is particularly challenging. The need for quality control and physical presence reduces the possibility of a completely virtual network. However, by leveraging local resources in rural communities, the opportunity for such a network remains viable, replicable and eventually sustainable.
- Currently sponsored by international donor agencies, the vision for DrumNet is a wide-spread, distributed network of partners, sharing and improving the DrumNet platform. The goal is facilitating financial, marketing, and information transactions which directly stimulate wealth creation and economic integration of small farmers, particularly women, in Africa.



Markets • Finance • Information

Thank You