Unsuccessful Scale-Up: Bean Buyback in Western Rwanda

ONE ACRE FUND

Farmers First

PHASE:	Research Station	50 – 500 farmers	1,000 – 20,000 farmers	Full Scale

Introduction

In 2009 and 2010, after observing practices of local bean buyers, One Acre Fund developed a strategy where we offered to purchase beans above market prices from farmers in Nyamasheke District, Rwanda. Field officers mobilized farmers to bring their beans to a buyback point, where weight and moisture levels were determined and a payout made. Farmers also had the option to repay their loan with their harvest on the spot. Beans would then be stored at a central warehouse for 3-9 months until prices rose, at which point One Acre Fund would sell the beans on the farmers' behalf.

A small team was created to monitor prices using a network of farmers and traders. When prices were high, they would market the beans to local traders and schools, sometimes on partial credit.

4.3%	**Farmer participation in the program**	**$5.50**	**Average impact per farmer**
20,000	**Farmers offered the buy-back option**	**$0.07**	**Average price premium offered per kilogram**

Why it Failed

A number of factors contributed to the lack of success of our bean harvest buyback program in Rwanda:

1. **A very small percentage of farmers adopted the program**. When field officers asked their clients if they were interested in participating in the bean buyback program, many clients said yes. However, on the scheduled "bean buyback" days, a very small percentage of farmers actually showed up to sell beans. In practice, the majority of farmers (95.7%) preferred to access the market on their own. This limited the overall dollar impact of our bean buyback program.

2. **The impact of the program was limited**. Because farmer adoption was so low, the overall dollar impact of the program was much smaller than anticipated. While the average dollar impact per farmer was reasonably good ($5.50), the total dollar impact was only $4,730 because less than 5% of clients participated in the program. When compared to other trial programs in Rwanda, the bean buyback program was less impactful.

3. **The program was more resource-intensive than anticipated, which lowered the future prospects for financial sustainability**. It took more staff resources than expected to market the beans to local traders and schools. Traders were often difficult to track down and schools had funding issues, often waiting for government funds or outside funding agencies to come through with money for food purchases. These delays required One Acre Fund to keep the beans in storage for longer than anticipated, which resulted in higher overall costs.

The combination of low farmer adoption with higher costs meant that the program was unlikely to ever reach financial sustainability.

What We Learned

One Acre Fund learned the following from our bean harvest buyback program:

- **Farmer surveys are not a reliable indicator of true demand for a product or service**. When field officers surveyed farmers, many said that they were interested in the bean buyback program. However, at scheduled “bean buyback” days, very few farmers came to sell their beans. Testing farmer demand by running a trial is the only way to truly measure demand. In most cases, surveys will overestimate demand.
- **A product or service should only be scaled up across a country operation if farmer adoption is sufficiently high.** The 4.3% of farmers who participated in the bean buyback program were strongly positive about the program and wanted it to continue, and they realized a good average dollar impact from the program. However, the total dollar impact of the program did not justify the operational cost that One Acre Fund expended to run the bean buyback program. The trial was a critical learning opportunity that led us to focus our future trial efforts on identifying high-impact products that would be adopted by a critical mass of our total clients in any single country operation.
- **Even with extensive market knowledge, the bean buyback program presented more risk than we wanted to bear.** Our local price monitoring system was effective, but it did not mitigate the risk of an unexpected dip in prices caused by either bean from Kigali or the Democratic Republic of Congo. The sudden increase in flow of bean from either location could not be predicted, and presented an ongoing risk. Any financial loss in the bean buyback program would detrimentally affect our ability to grow our operations and lend to more farmers. We calculated that taking on this level of risk was not pragmatic given the relatively small total dollar impact of the program.