

III.
**Business Skills
and Marketing**

Topic 34

The Value Chain

FACT SHEET

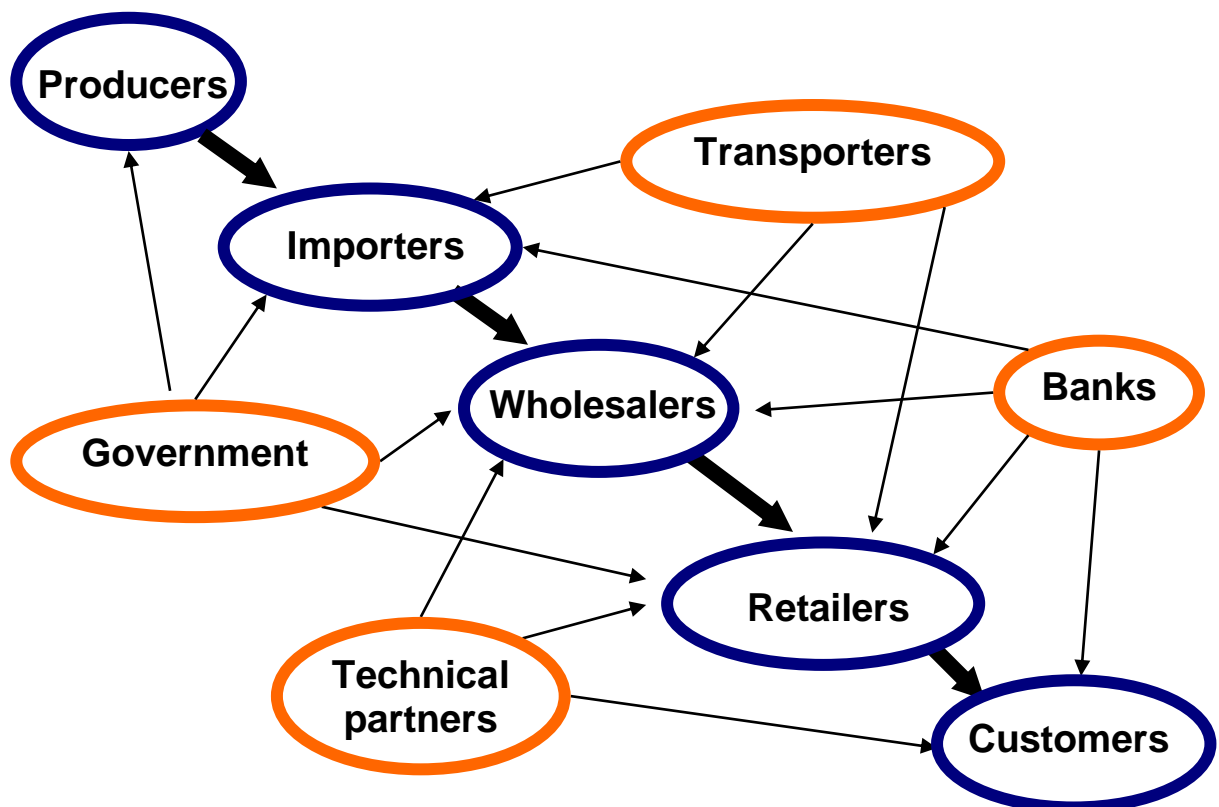
III. Business Skills and Marketing

Topic 34: The Value Chain

What is a value chain?

A **value chain** is a sequence of activities performed by different actors by which value is added during every activity.

A **value chain for agro-inputs** consists of several actors in agribusiness, such as importers, agro-dealers, customers (farmers and others), as well as governmental organizations, service providers, technical partners, etc. A value chain for agro-inputs could be depicted as follows:



In the diagram, agro-input producers, importers, wholesalers, retailers, and customers are **central**. The **producers** manufacture inputs. Most manufacturing plants are based abroad (e.g. in South Africa and Europe). Nigeria has two plants that produce fertilizer: Notore based in Port Harcourt produces urea and NPK, and Federal Superphosphate



Fertilizer Company in Kaduna produces single superphosphate. Seeds are produced by Premier Seeds and Alheri Seeds, both based in Zaria.

The agro-inputs that are produced abroad are brought into Nigeria by **importers**, mainly via sea. Importers, who are mainly based in Lagos, sell the products to **wholesalers** based in bigger cities across the country. Next, the products are sold to **retailers** who are mainly active in smaller cities and rural areas. Finally, the **customers** buy the products from the retailers.

How is value added?

During each step, **value** is added to the product:

1. Producers transform raw materials into a product.
2. Importers transport the goods into the country.
3. Wholesalers transport the bags from the harbor or capital to the state capitals.
4. Retailers transport the bags to rural areas and give advice to their customers.

The other actors in the value chain, such as government, technical partners, transporters, and banks, play a **facilitating role** in this chain. They provide services or assist the producers, importers, wholesalers, and retailers to maximize value creation, such as production and trade.

ADDITIONAL INFORMATION

III. Business Skills and Marketing

Topic 34: The Value Chain

What is a value chain?

A **commodity chain** is a system that involves all stakeholders from producers to consumers for one commodity. For agribusiness, this includes the production, supply, and marketing of agro-inputs and the production, post-harvest processing, and marketing of farm products. A **value chain** is a series of activities that create and accumulate value. The value comes in the form of products and services (tangible goods) as well as knowledge and skills (intangible goods).

Customers sometimes buy **directly** from importers or wholesalers. These are mainly customers that buy large quantities on a regular basis (e.g., plantations).

INSTRUCTIONS

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Topic 34: The Value Chain

Materials needed:

- Flip-sheet board with flip-sheets
- Markers (1 black, 1 blue, 1 green, 1 red)
- Colored cards

Time needed: 1 hour

Preparations:

- Colored cards with the words (1 category per card):
 - *Producers*
 - *Importers*
 - *Wholesalers*
 - *Retailers*
 - *Customers*
 - *Government*
 - *Technical Partners*
 - *Transporters*
 - *Banks*
- Flip-sheets with the words (1 flip-sheet per category, with words written very big and bold):
 - *Producers*
 - *Importers*
 - *Wholesalers*
 - *Retailers*
 - *Customers*
 - *Government*
 - *Technical Partners*
 - *Transporters*
 - *Banks*



- ☑ Paste all flip-sheets on the floor according to the schedule depicted in the fact sheet (you can do this outside).
- ☑ Flip-sheet with the schedule as depicted in the fact sheet. Put the flip-sheet at the side of your schedule on the floor, so it will be visible for everyone.
- ☑ 1 plastic bag with the label *Active Ingredients*
- ☑ 3 large bags (flour bags) with the label *NPK 15-15-15*
- ☑ 2 small plastic bags with the label *NPK 15-15-15*. Put the two bags in one of the larger bags.

Set up

- Attention:** Ask everyone to stand on one of the flip-sheets. Make sure participants are equally divided between flip-sheets (approximately 2-3 participants per sheet).
- Title:** Tell participants the title: *The Value Chain*.
- Credibility:** Explain your experience with value chains.
- Objectives:** To explain the definition of a value chain and the role of each actor.
- Benefits:** If dealers know who is active in the environment, they can easily identify partners to improve their business.
- Direction:** During this session, we will focus on the main actors in the value chain.

Delivery

Explanation, Demonstration, Exercise, and Guidance:

1. Tell participants that a **value chain** is a sequence of activities performed by different actors by which value is added during every activity. We are going to look at the value chain for **agri-inputs**.
2. Give every group a colored card that describes an **actor** of the value chain. Clearly repeat what is on the card when you give it to a group. The group should hold up the card so everyone can clearly see it. Tell participants that they are standing in a diagram or schedule. Refer to the schedule on the flip-sheet and tell them that the schedule looks like this. We call this schedule a value chain.
3. Ask participants what the active ingredients are of NPK 15-15-15 (nitrogen, potassium, and phosphorus). Tell participants that we are going to describe what

happens to NPK 15-15-15. First, the product is produced using nitrogen, potassium, and phosphorus. Give the **producers** the small plastic bags with the label *Active Ingredients*, and tell them that they are holding nitrogen, potassium, and phosphorus in their hands. Ask what the product will be. This will be 50-kg bags of NPK 15-15-15. Give them the three big bags with the label *NPK 15-15-15*. Refer to the schedule on the flip-sheet, and point to the producers.

4. Ask what happens next with the product. The product will be bought by the importers. Let the producers give the three bags to the **importers**. Refer to the schedule on the flip-sheet and point from the producers to the importers. Ask the producers what value they have added to the original small plastic bags. They have transformed the materials into fertilizer.
5. Ask what happens next. The importers will sell the product to the **wholesalers**. Ask the importers what value they have added. They have transported the bags into the country. Ask if the wholesalers will buy all three bags. The wholesalers will buy a smaller quantity. Let the importers give two bags to the wholesalers. The importers will sell the remaining bag to another wholesaler. Refer to the schedule on the flip-sheet and point from the importers to the wholesalers.
6. Ask what happens next. The wholesalers will sell to the **retailers**. Ask the wholesalers what value they have added. They have transported the bags from the harbor or capital to the states. Ask if the retailers will buy all the bags. The retailers will buy a smaller quantity. Let the wholesalers give one bag to the retailers. The wholesalers will sell the remaining bag to another retailer. Refer to the schedule on the flip-sheet and point from the wholesalers to the retailers.
7. Ask what happens next. The retailers will sell to the **customers**. Ask the retailers what value they have added. They have transported the bags to the rural area and they give advice to their customers. Ask if the customer will buy the 50-kg bag. Often, customers will buy smaller quantities. Let the retailer give two small bags with the label *NPK 15-15-15* to the customers. Refer to the schedule on the flip-sheet and point from the retailers to the customers.
8. Ask what the customers are going to do with the product. They will apply it on the field. Ask if they add any value. No, they do not.
9. Now go to the **transporters**, and ask what their function is in the value chain. Their function is to transport the product from abroad into the country, from the capital or harbor to the states, and from the state capital to the rural areas.
10. Go to the **banks**, and ask what their function is. They finance several steps by providing loans to actors in the value chain.
11. Go to the **government**, and ask what its function is. The government creates an enabling environment by establishing and implementing laws and regulations. The government also has a monitoring function, for example, to check if the goods are genuine.
12. Go to the **technical partners**, and ask what their function is. Technical partners have projects that assist mainly retailers and customers, for example, by providing training.



13. Conclude the delivery phase by telling participants that a product goes through several steps from production until it is sold to a customer. During every step, value is added.

Finish

- Summary:** Repeat the function of each actor.
- Questions:** Ask if anyone has a question or comment.
- Evaluation:** Ask participants to define the role of an importer, wholesaler, and retailer. Ask what value a retailer adds to a product.
- Next step:** Now participants understand the role of an agro-dealer in his/her environment. During the rest of the program, we will discuss in detail what happens when the product goes from the retailer to the customer.

Distribute the **fact sheet** to all participants.