

## **Venture proposal form**

### **1. Give your proposal a title**

## **DONA flour from village to BOP outlets in town**

**Version 24. Feb. 2017**

### **2. Describe the new thing you want to try out. This can be a new technology or new procedure or new service you want to test.**

Dona is wholegrain maize flour. It is the traditional village flour "poor" people eat. There is an increasing demand for it in Daressalaam even among low-income consumers due to increasing awareness of its nutritional advantages over white Sembe flour made of maize. Also, urban consumers are increasingly worried about the chemicals they see being used in villages and by traders for storing maize for the market. They are therefore increasingly concerned about pesticide residues in the maize flour that they buy in town from unregulated and uncontrolled sources.

In Msowero village in central Tanzania farmers presently have maize stored in metal silos for which they have been paid an advance of 60'000 tsh per bag when filling in August-September (one bag = 7 debe/buckets = about 115 kg). They have not used any chemicals to store the maize. They intend to see whether the airtight silos can result in oxygen depletion for the insects in the silo. Now, as of end November the price is reported to be climbing to 100'000 per bag. Farmers plan to sell their stored maize in February at high prices and repay the advance and rents for the silo. The balance will be their profit.

The innovative idea here is to add further value in the village on top of storing in metal silos through milling maize in the village, package it there into packets of 1kg-2kg-5kg-20kg, etc. and give it a brand. On the package could be written for instance: "DONA from Msowero village - made from maize stored without chemicals". Then market such dona through the Transaction Security Services of the Tanzanian company Biashara Mapema to BOP outlets in Daressalaam or Dodoma (BOP outlets = Bottom of the pyramid, ie. shops and kiosks catering to the large numbers of low-income consumers in the big cities).

This will result in

- a. even higher value addition in the village itself to the stored maize in the metal silos,
- b. higher income for farmers through mechanisms of Transaction Security Services (eg. bonus coming from additionally achieved values up to the end-point of the distribution chain)
- c. access by low-income urban consumers to TBS-certified safe, healthy and yet affordable dona (TBS: Tanzanian Bureau of Standards)

The roadmap towards this vision is to start with milling a first small batch in Msowero, packaging it into the small retail packages out there in the village, then test-market the product at first in nearby Dumila on the main road and in a second step through a few selected BOP outlets in Daressalaam and/or Dodoma. If demand picks up, the next phase will be to get the TBS certification and branded/printed packages, then expand both the sourcing and the distribution.

Biashara Mapema is a Tanzanian trading company that intends to explore this innovation with the help of FARIP. Biashara Mapema will do these steps for the first phase:

1. Identify who can mill dona in acceptable quality in Msowero
2. Identify small distributor in Dumila and later in Dodoma and/or Daressalaam and identify a number of BOP outlets for testing
3. Purchase packages and sticker-labels
4. Purchase at least one ton of maize in silo in Msowero and process that according to emerging demand.
5. Go through TSS process from maize in village silo to dona in BOP-outlets.
6. Evaluate income streams and costs from silo to BOP sales for then assessing whether this has a chance of increasing farmers' incomes and if so move on to second phase.

### **3. How will you know that the new thing that you are testing will actually work? Or how will you know it isn't working?**

We will know it works when BOP outlets want to pay for the flour at prices that will allow to cover all middle costs and still increase the amount available for sharing between farmers and Biashara Mapema (through TSS mechanisms), i.e. above the amount received from selling maize grains out of the silos.

### **4. If this new thing you are testing will work, what will you do with it?**

We will organize reliable regular delivery to BOP outlets at stable prices. We will then gradually expand purchase and milling operations, also from other locations where silos have been taken up. Care will be taken to ensure regular delivery at more or less stable prices instead of growing too fast.

### **5. When you can use this new thing, what change will it make in how you work? What other changes will it make for other people?**

- Biashara Mapema has already worked with BOP outlets on a trial basis with other products but never regularly. The regularity of the marketing relationship will allow to build the business for Biashara Mapema through increased earnings from commissions on the transactions.
- Farmers will earn an extra surplus from their share of the remaining amount after deducting all middle costs and advances from what the end-buyers paid. The remaining available amount is usually split 90% to farmers and 10% (commission) to Biashara Mapema. From the 90% to farmers the advances already paid to them when filling the metal silos are deducted in addition to the rents for the silos. Whatever is remaining is paid out as "bonus" to farmers. This is transparently communicated when finalizing a deal (TSS rules). ***This means farmers through TSS are in fact selling dona to BOP outlets in town instead of selling maize to middlemen in the village.***
- The village miller will have more business.
- Metal silo artisans will have more business because metal silo storage becomes even more profitable.

### **6. If this new thing works, who will use it, who will implement it?**

It will be the business of Biashara Mapema to supervise all transactions along the chain, paid through a commission on the final result. Of course the millers are also

involved, as well as the distributors to the BOP outlets and the BOP outlets themselves.

**7. What information will you collect on this new thing? How will you report this information?**

1. Price of maize from the silo
2. Price of milling
3. Price of all required materials
4. Price of transport and storage
5. Price of distribution to BOP outlets
6. Prices of dona paid by BOP outlets
7. Feedback from BOP outlets on quality
8. Feedback from miller on quality management

After first BOP sales have been made, a first report will describe any operational challenges that were encountered along with ideas on how to cope with them. A final report will describe the level of operational and commercial proof of concept of this venture and propose details for the way forward, or suggest to break off the effort.

**8. How will you implement this experiment? Describe and explain each type of action one-by-one. For each action indicate what you need to be able to do it, e.g. equipment, tools, materials, transport, expert advice, etc. Then give a budget for each item.**

1.  
Identify miller in Msowero and discuss operational detail, quality issues, and toll-price for milling.  
2 days travel to and from Msowero, 2 days explorations and discussion in Msowero itself. = 4 days local fees @200'000, plus expenses = 800'000 + 200'000 = **1'000'000 TSH (458 USD)**
2.  
Identify test-distributors in Dar and Dodoma, along with 3-4 possible BOP outlets each.  
2 days travels plus 2 days on site, times 2 for both Dar and Dodoma = 8 days local fees @ 200'000 plus expenses = 1'600'000 + 600'000 = **2'400'000 TSH (1'098 USD)**
3.  
Purchase packages and sticker-labels  
Time to search for this is within above 2.  
Lumpsum for materials and printing sticker labels = **300'000 TSH (137 USD)**
4. Purchase two tons of Maize in the silo  
Purchase of maize and transport to mill, etc. Lumpsum **2'940'000 TSH (1346 USD)**
5. TSS from maize in silo to dona in BOP outlet  
Middlecosts incl. milling, transport, storage, commissions, etc. Estimated lumpsum =

**1'000'000 TSH (458 USD)**

6. Monitoring, evaluation and collecting/assembling data

Total 10 days local expertise @ 200'000 =

**2'000'000 TSH (916 USD)**

7. TA organized by FARIP (including scouting efforts to come up with this proposal)

4 days @ 640 USD + 1 flight ticket @ 1'200 USD

**3'760 USD**

8. Operational contingency for unforeseeable costs during testing of innovation

20% of total so far of 8'173 USD

**1'635 USD**

9. Financial management fee and overheads FARIP

5% of total so far of 9'808 USD =

**490 USD**

**Grand total: 10'298 USD**

**9. Who will be accountable to FARIP for correct use of the money and the sharing of information/experiences and of reporting?**

Biashara Mapema in the person of Bahat Tweve for budget items in TSH

Ueli Scheuermeier for budget items in USD

Ueli Scheuermeier for reporting, assisted by Bahat Tweve and Elibariki Tweve