

# Deep Dive Study on Farmer Service Centers (FSCs)

## Presentation for Dissemination Workshop

March 2024



**FARM TO MARKET  
ALLIANCE**  
Making markets work better for farmers



**fsd**  
Kenya



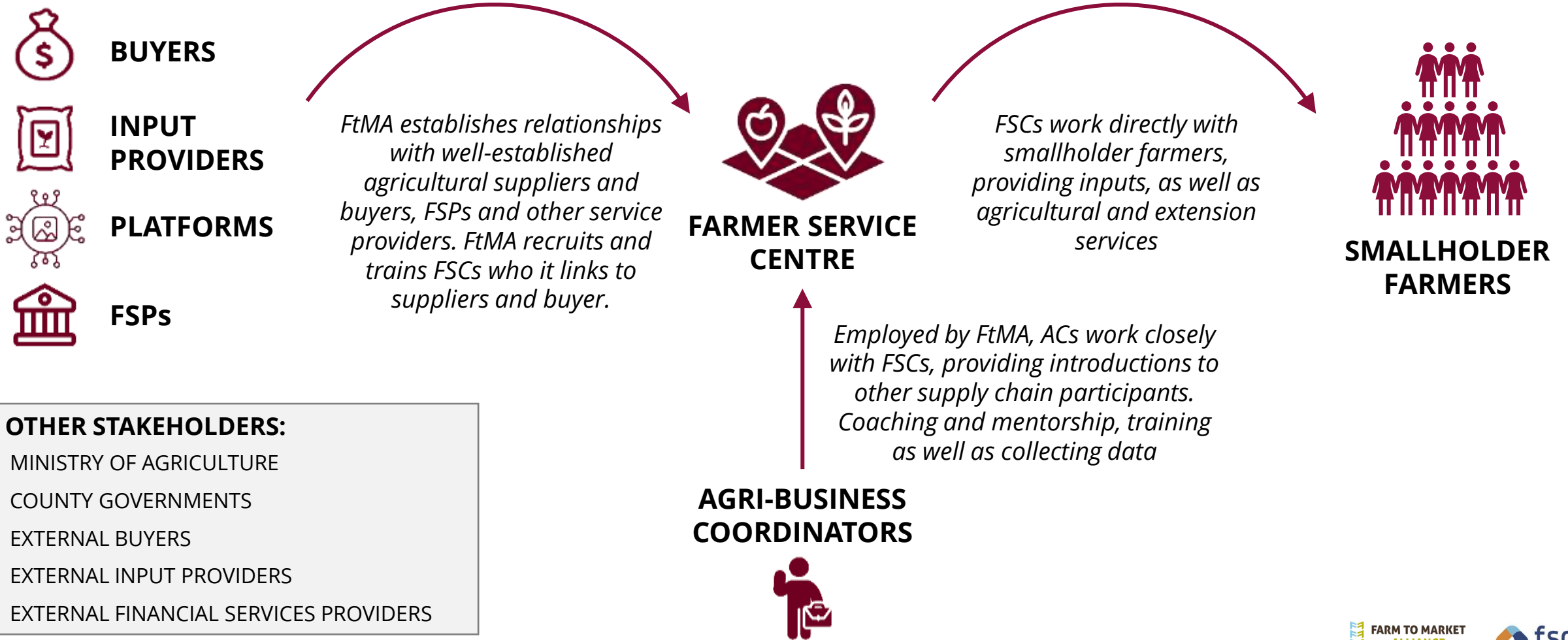
# Outline

1. Overview of FtMA and FSC network
2. FSC segments
3. Financial services and digitisation
4. Gender



# FtMA BUSINESS MODEL

FtMA works with a commission-based structure that should sustain the FSC in supporting the smallholder farmer. The FSC do the last mile linkage of inputs, extension, information and services, so they support the supply chain in that way as well as from the farmer to the market if they organize farmers to aggregate and do quality checks.



**OTHER STAKEHOLDERS:**

- MINISTRY OF AGRICULTURE
- COUNTY GOVERNMENTS
- EXTERNAL BUYERS
- EXTERNAL INPUT PROVIDERS
- EXTERNAL FINANCIAL SERVICES PROVIDERS

# FtMA creates value for various stakeholders. It supports FSCs who serve smallholder farmers, strengthening the agricultural value chain and improving productivity

## STAKEHOLDERS AND THEIR ROLES



### SMALLHOLDER FARMER

Plant and harvest produce to supply to community or other buyers



### FARMER SERVICE CENTER

Enable access to well-priced inputs; Aggregate produce from SHF and link with buyers; Provide access to services (crop protection, mechanisation, etc.)



### INPUT PROVIDER

Provide and deliver inputs to farmers; and provide extension services to farmers to improve know-how



### BUYER

Enter into forward contracts to buy set volumes of offtake at an agreed price floor and no ceiling – prices are set by market prices at time of harvest



### FINANCIAL SERVICE PROVIDER

Provides finance to farmers leveraging data on farm performance

## FtMA'S VALUE PROPOSITION

*Are there opportunities to optimise?*



**Training** on best farming practises, business management, new or improved products to use



**First mile access:** order, delivery, typically no finance, lower cost inputs; **Last mile (market):** better prices for produce



Certifications (inputs, green, etc.)



Grow farming business by generating **additional income** through FSC business through commissions and/ or margins



Build agricultural **knowledge** and business management **skills** of FSC



Negotiate **commission** with suppliers for FSC

The SHF is the **primary customer** for FtMA



**Extend viable market reach** at reduced effort to supplier



**Reduction in dealer financing** through providing direct link between input provider and SHF (through the FSC)



Margin increase from quality and aggregation efficiencies, new sales volume, secure supply



Reduction in buyer financing costs



Certification and quality standards ensured



New farmer and aggregator customers, improved lending margin and transaction fees



Access to trade finance channels

# Research objectives

The study aims to deepen the understanding of the incentives, gender dynamics, and organization of Farmer Service Centers (FSCs) in Kenya, to support digitization and the embedding of finance in selected value chains. The study aims to answer key research questions, including:

1

How are FSCs segmented? How do FSC segments differ in terms of opportunities, challenges and their contribution to the value chains they serve?

2

What roles do different institutions in the FtMA play in digitising FSCs? What potential do they hold in embedding finance in the associated value chains?

3

How can technology be leveraged to increase the operational capacity of FSCs?

4

What is the FSC business model? What are the FSC pathways for growth and sustainability?



# Methodology

A mixed-method approach was followed consisting of:

## UNDERSTANDING THE KENYAN CONTEXT

- Secondary data sources were used to understand the context including the number and profile of farmers in Kenya
- Data sources include:
  - Demographic and Health Survey (2022)
  - Kenya Population and Housing Census (2019)
  - Integrated Household Budget Survey (2015/16)

## INTERNAL DATA ANALYSIS

- The next phase involved an analysis of internal data. FtMA collects a large amount of data on FSC's including:
  - Validation Survey (2022/23)
  - FtMA Tiering Data (2023)
  - Transactions Data (2023)

## QUALITATIVE RESEARCH

- To get a better understanding of the different FSC operation models, Gmaurich Insights ran 15 in-depth interviews with 15 FSC's
- These were used to develop the segmentation model
- Video and photo profiles of five FSC's done by Stephen Ouma Photography
- Additional key informant interviews with FtMA stakeholders and Agri-business Coordinators

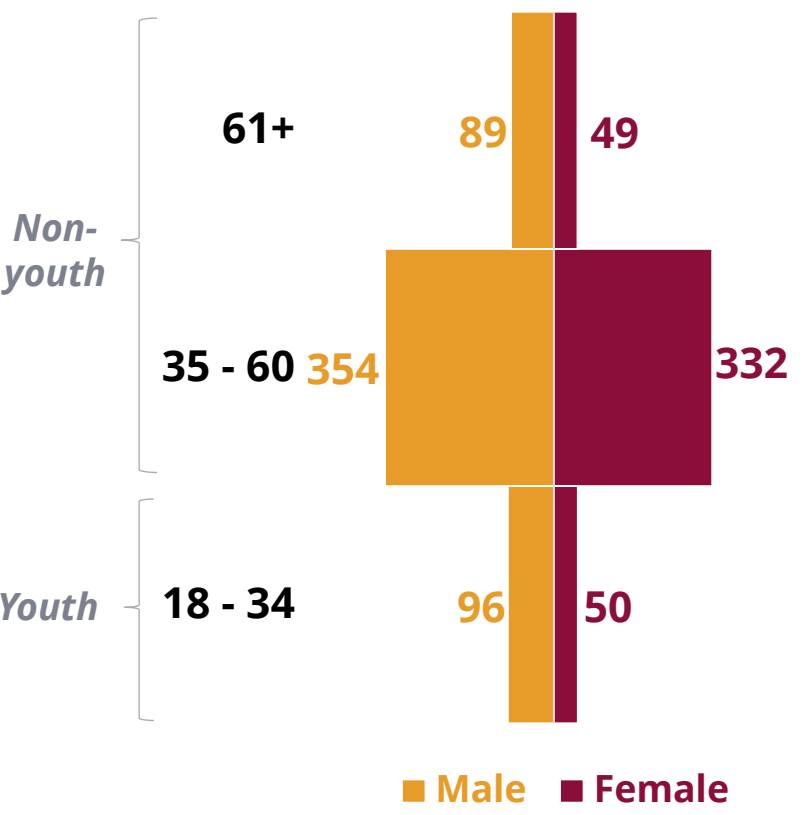
## TELEPHONIC SURVEY

- To quantify the findings from the qualitative research a telephone survey was conducted with 380 FSC's (40% of active FSC's)

FtMA conducts a Validation Survey with FSCs each year. According to the Dec 2023 survey, there are 970 active FSCs in the network. Forty-four percent are women and fifteen percent are youth

### AGE BREAKDOWN

(Number of active FSCs: 970)



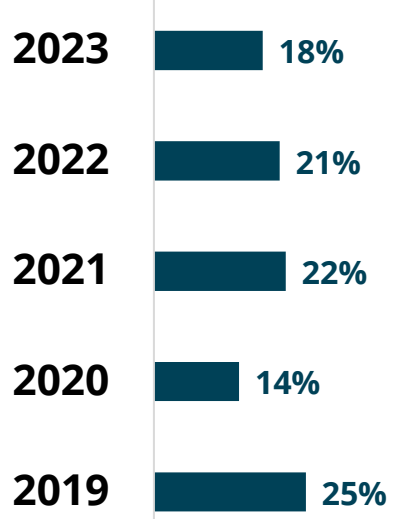
### GENDER

(Number of active FSCs: 970)



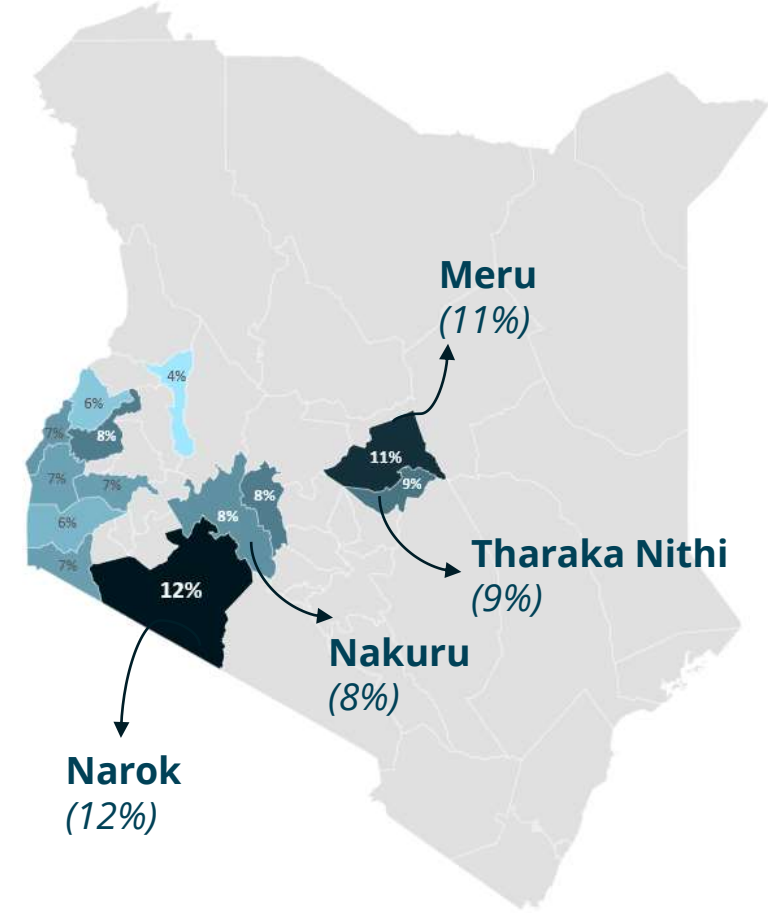
### YEAR OF ONBOARDING

(Number of active FSCs: 970)



### LOCATION

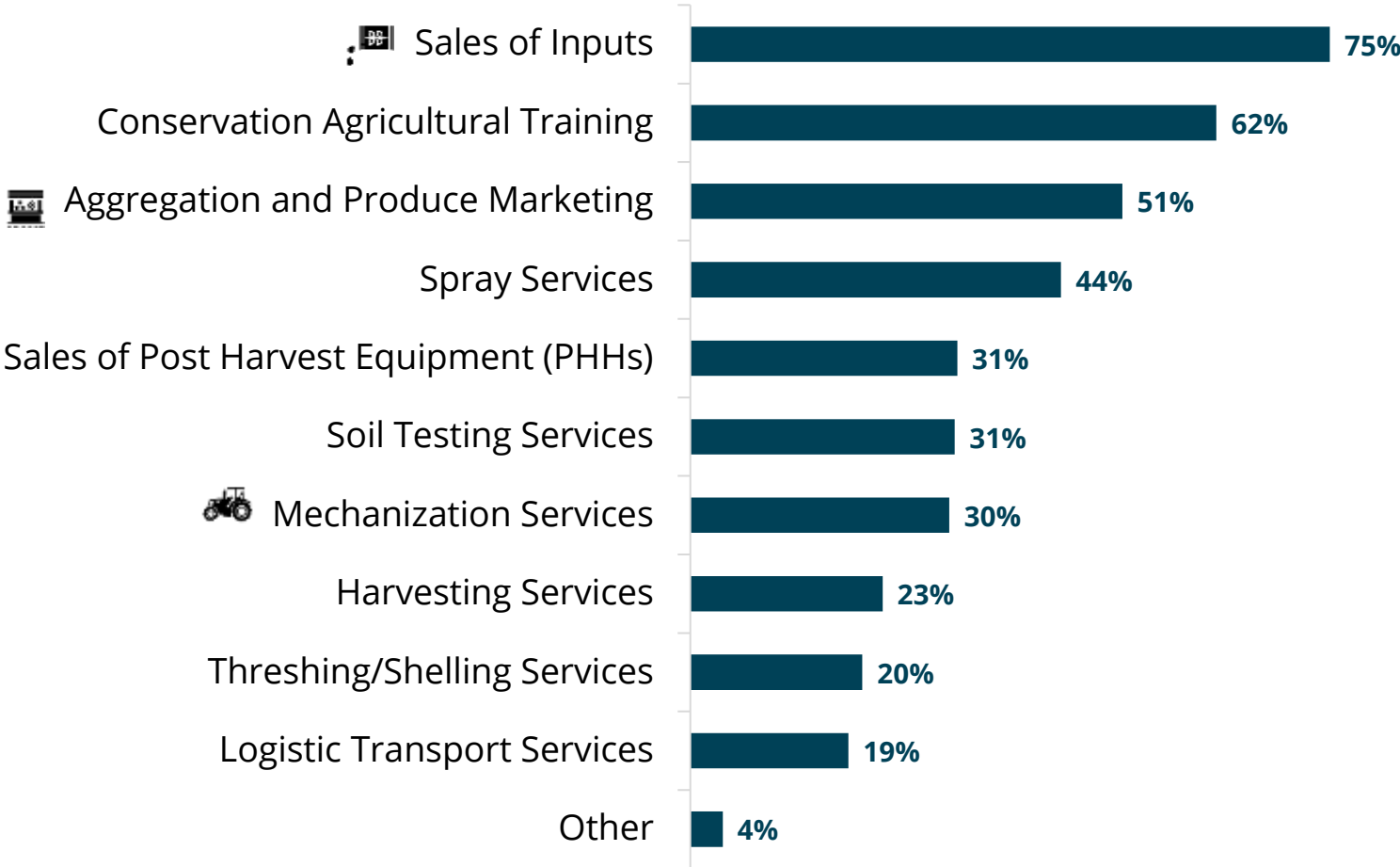
(Number of active FSCs: 970)



According to the Validation Survey, most FSCs sell inputs and roughly half aggregate produce. FSCs typically offer more than one service

### SERVICES OFFERED BY FSCS

(Number of active FSCs: 970)



**Number of services offered**

Mean 3.9

Median 3

# Agenda

1. Overview of FtMA
- 2. FSC segments**
3. Financial services and digitisation
4. Gender





## SUCCESSFUL

- FSC business is their primary income source
- Offer multiple services
- Tend to offer services all year round



## TRANSITIONAL

- FSCs are establishing themselves. While they may not be very successful yet, they have the potential to grow
- Often owned by younger farmers



## SUBSISTENCE

- FSC business is not their primary income source
- Operate only in season
- More mature candidates (35-years-old and above)
- Offer limited services and within a limited geographical area
- Tend to serve fewer farmers

These segments were sized and characterised further using the telephone survey of 380 FSCs. According to that survey, just over half of all FSC could be characterised as subsistence FSCs



11 | Source: Telephone Survey (2024). Note: Segments are based on the number of months that revenue / commission was generated in 2023, how much (KSH) commission / revenue was earned in a typical month, and age (Youth vs. Non-youth)

Subsistence FSCs generally work for fewer months in the year and often earn less than other FSC segments



**SUCCESSFUL**

(n = 73)



**TRANSITIONAL**

(n = 115)



**SUBSISTENCE**

(n = 192)

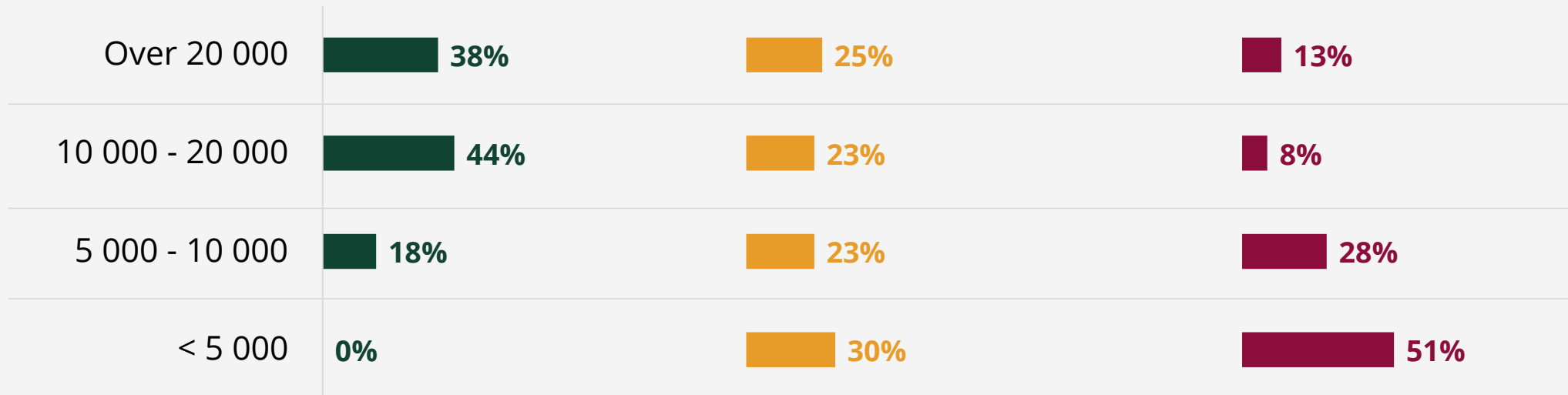
**MEDIAN NUMBER OF MONTHS WORKED**

**12**

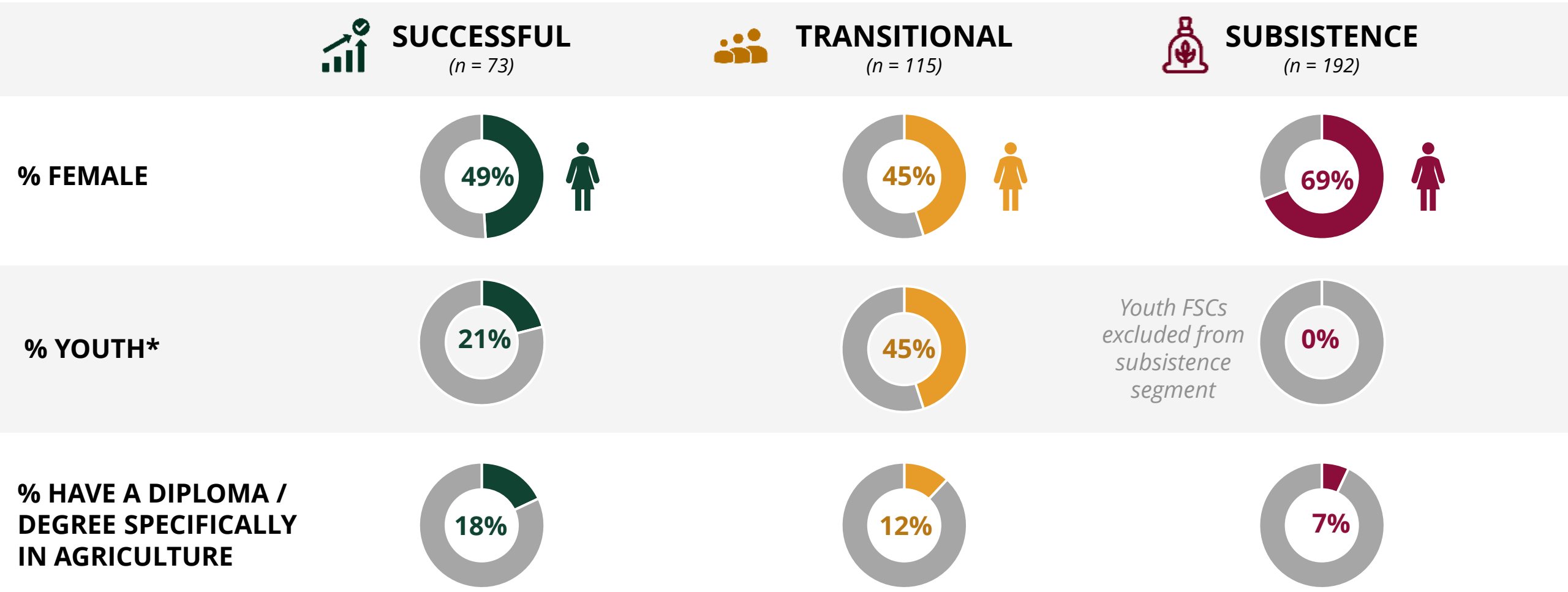
**5**

**3**

**REVENUE / COMMISSION EARNINGS (KSH) IN A TYPICAL MONTH**

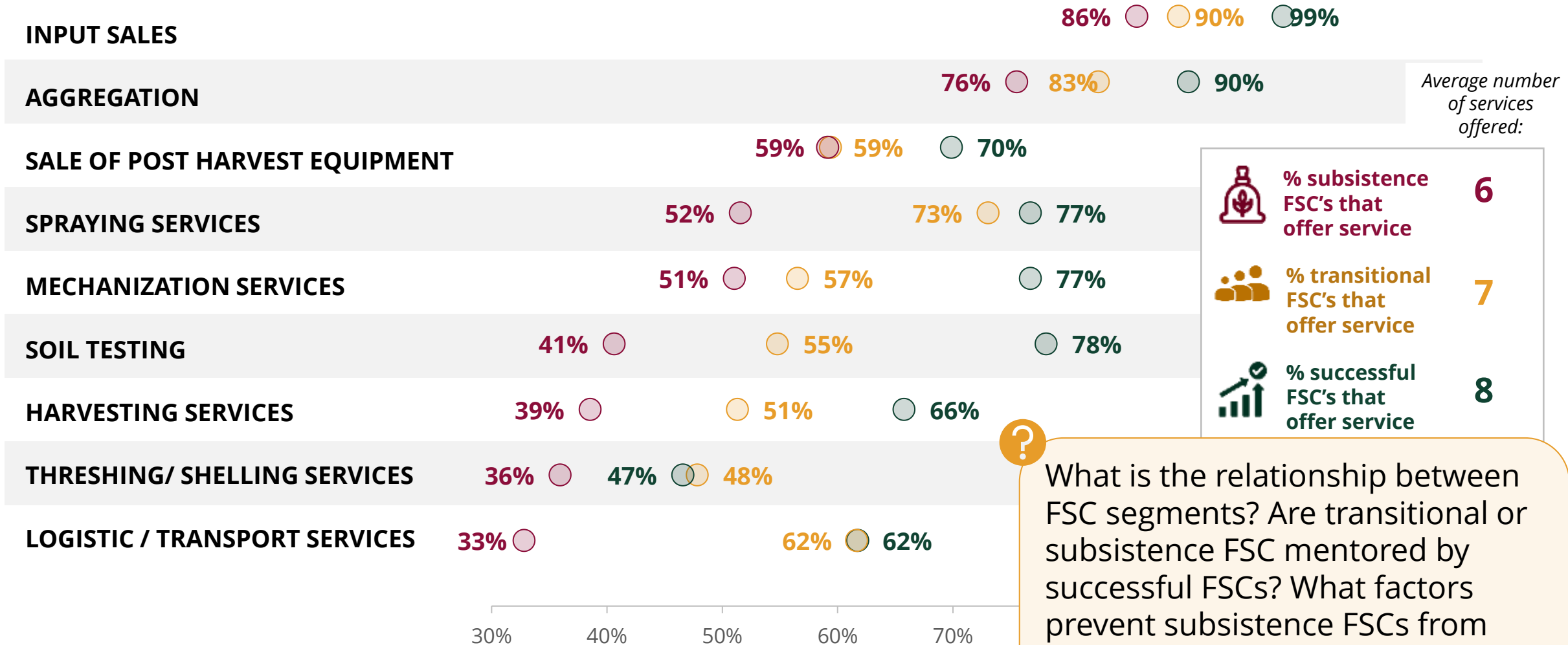


# Women are over-represented in the subsistence segment



Successful FSCs offer more services compared to subsistence and transitional FSCs. There are noticeable gaps in soil testing, harvesting and logistics services

### SERVICE OFFERING BY SEGMENT



Average number of services offered:

- % subsistence FSC's that offer service **6**
- % transitional FSC's that offer service **7**
- % successful FSC's that offer service **8**

What is the relationship between FSC segments? Are transitional or subsistence FSC mentored by successful FSCs? What factors prevent subsistence FSCs from offering more services?

Successful FSCs serve more farmers and are more likely to have larger farmers in their portfolios. They are also more likely to be formal, registered businesses



### SUCCESSFUL

(n = 73)



### TRANSITIONAL

(n = 115)



### SUBSISTENCE

(n = 192)

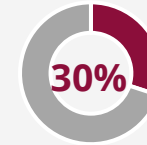
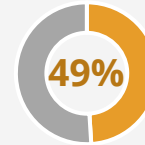
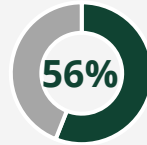
**MEDIAN NUMBER OF FARMERS SERVED IN 2023**

250

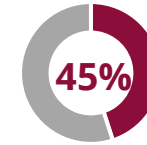
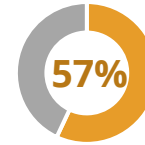
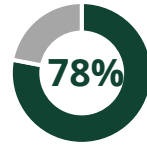
200

148

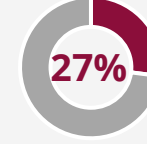
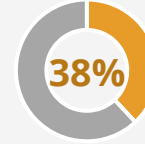
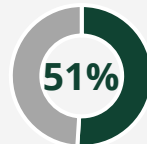
**% SERVE AT LEAST ONE LARGE FARMER\***



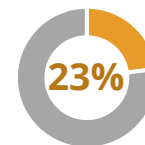
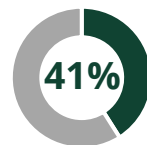
**% HAVE ANY PHYSICAL LOCATION\*\***



**% BUSINESS REGISTERED\*\*\***



**% EMPLOY REGULAR SALARY WORKERS IN FSC BUSINESS\*\*\*\***



?

How do we think about farmer portfolios? Do FSCs need large farmers to cross subsidise smallholders? What is the location of large vs smallholder farms?

Source: Telephone Survey (2024). Note\*: FSC serves large farmers if answer to "What is the land size (acres) of the largest farmer that you greater than or equal to 10 acres. \*\*Questions used to determine whether or not an FSC has a physical location: "Do you have a physical s "How is the ownership of the aggregation store you own?" (if leased or owned). \*\*\* Registered includes any of the following forms of busi for input business in the form of County Government, PCPB or Kephis registration; 2) Business registration with the registrar of companies cooperative, limited company, or partnership; 3) Registered aggregation unit either as a cooperative / company / business name or registere CBO). \*\*\*\*Question asked: "In 2023, did you employ any regular salaried / wage staff to help you in your FSC business?"

# FSC segment personas: **Successful FSCs**



## **SUCCESSFUL**

- FSC business is their primary income source
- Offer multiple services
- Tend to offer services all year round



## **TRANSITIONAL**

- FSCs are establishing themselves. While they may not be very successful yet, they have the potential to grow
- Often owned by younger farmers



## **SUBSISTENCE**

- FSC business is not their primary income source
- Operate only in season
- More mature candidates (35-years-old and above)
- Offer limited services and within a limited geographical area
- Tend to serve fewer farmers

# Expansionist FSC: Lily Chepkwony



# Successful FSCs tend to adopt various strategies to succeed

Number of successful FSCs: 73



## EXPANSIONIST

- Offer multiple services including aggregation to secure farmer loyalty
- Have a growth mindset
- FSC is operational all year round, and often operates beyond their local geography
- Has relationships with numerous buyers



## NICHE

- FSC success driven by depth
- Either focus on a specific segment of farmers (e.g larger farmers) or a specific service (e.g potato propagation)



## COMMUNITY LEADER

- Lead various community groups (savings groups, church groups, etc.)
- Tend to be older - they have proved themselves within the community
- Leverage their networks and trust to drive FSC business



# EXPANSIONIST FSC: LILY

AGE	LOCATION	YEAR STARTED	PRIMARY VALUE CHAIN
42	Kuresoi South, Nakuru	2018	Potatoes

Lily's main business is aggregation. She works with multiple buyers, including Simplified (who work with KFC), Norda, Tropical Heat, and Naivasha Processors. Lily serves 1,500 farmers across multiple counties. Lily also sells inputs, such as seeds and fertilizers, from a shop. Additionally, Lily runs two second-hand clothing stores, and imports and exports products from Tanzania.

*“My ideal would be to be a big agro-shop like Farmers World which sells so much... or an agro-processor, making chips, vacuuming and labelling”*



# NICHE FSC: JULIUS

AGE	LOCATION	YEAR STARTED	PRIMARY VALUE CHAIN
44	Njoro, Nakuru	2020	Maize

Julius is primarily focused on the maize value chain. He sells inputs, as well as maize harvesting equipment from his shop. He has storage space at the back of his shop for aggregating maize. He works with 250 farmers, but most of his business is driven by ten large farmers based in Nairobi:

*“ My core group is the large farmers, inputs are delivered directly to their farms... We basically manage their farms. I organize for ploughing, then I sell them inputs so that he will trust me to aggregate, and I can buy from him*





## COMMUNITY LEADER FSC: PURITY

AGE	LOCATION	YEAR STARTED	PRIMARY VALUE CHAIN
50	Buuri, Meru	2021	Maize

Purity was trained by CGA to be a farm advisor. She leads 18 farmer groups with 30 members each. She is the chairperson of a circuit of seven methodist churches and is currently working with the government and the World Bank to start a SACCO where farmers will be able to access finance to purchase quality seeds. Purity is the chairperson of this SACCO.

*“Through working as an FSC, I could support people in my community as they trust the seeds that are delivered from [my] company”*

# FSC segment personas: **Transitional FSCs**



## **SUCCESSFUL**

- FSC business is their primary income source
- Offer multiple services
- Tend to offer services all year round



## **TRANSITIONAL**

- FSCs are establishing themselves. While they may not be very successful yet, they have the potential to grow
- Often owned by younger farmers



## **SUBSISTENCE**

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# Transitional FSC: Philip Olomunyak

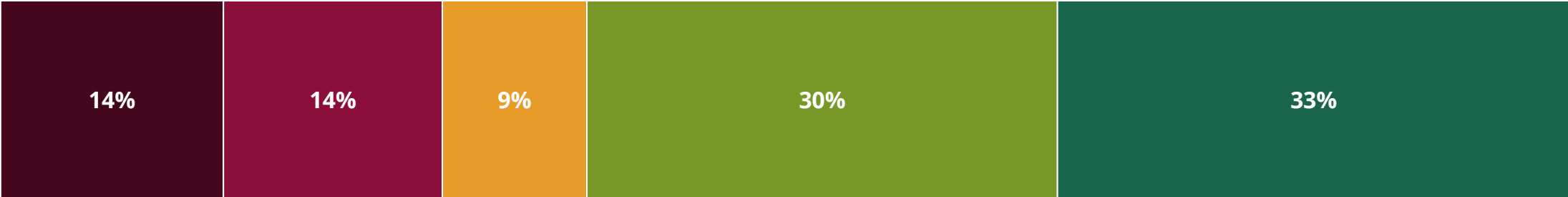


Philip mentions competition as a challenge. This is a common challenge among FSC's - over 60% of FSCs agree that there is too much competition for their FSC business in the area in which they operate



**PLEASE INDICATE YOUR LEVEL OF AGREEMENT WITH THE STATEMENT:  
THERE IS TOO MUCH COMPETITION FOR MY FSC BUSINESS IN MY AREA**

(Number of FSCs: 380)



■ STRONGLY DISAGREE    ■ DISAGREE    ■ NEITHER AGREE OR DISAGREE    ■ AGREE    ■ STRONGLY AGREE

**“ I also face competition from other shops. When I started the FSC business, we were only two. But as of now, we are five FSCs in the same locality, that is since February.**  
– Phillip, age 25, Narok, transitional

Youth FSC's are better educated, over 60% have some form of tertiary education and 27% have a diploma or degree specifically in agriculture. They are also more likely to have additional income sources aside from farming and their FSC business

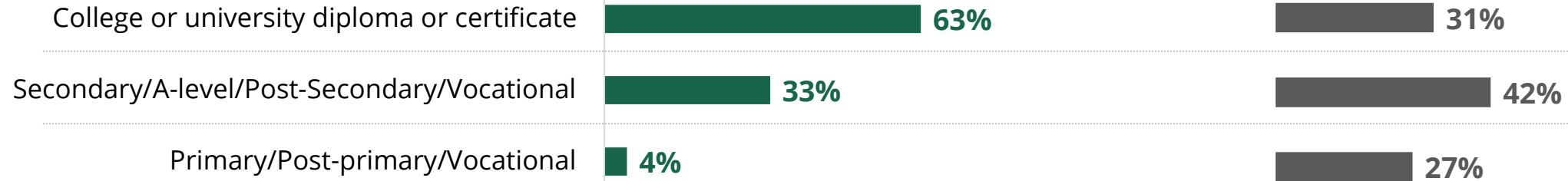
### YOUTH (< 35 YEARS)

(67 FSC's)

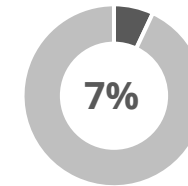
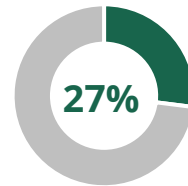
### NON-YOUTH (35 YEARS +)

(313 FSC's)

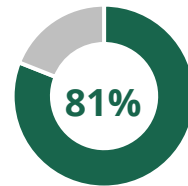
EDUCATION\*



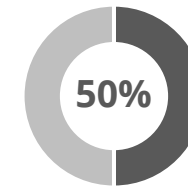
DO YOU HAVE ANY DIPLOMA'S OR DEGREES SPECIFICALLY IN AGRICULTURE?



HAVE ADDITIONAL INCOME SOURCE/S ASIDE FROM FSC AND FARMING



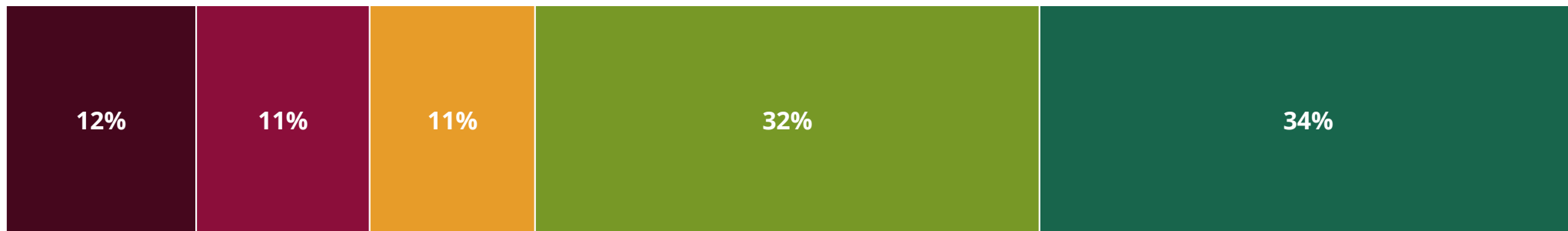
*Mostly casual employment and other business activity*



Two thirds of FSC's agree that most young people in their area do not want to work in agriculture. FSC's below the age of 35 are slightly less likely to agree, but still a majority (58%) agree with the statement

**PLEASE INDICATE YOUR LEVEL OF AGREEMENT WITH THE STATEMENT:  
MOST YOUNG PEOPLE IN MY AREA DO NOT WANT TO WORK IN AGRICULTURE**

(Number of FSCs: 380)



■ STRONGLY DISAGREE ■ DISAGREE ■ NEITHER AGREE OR DISAGREE ■ AGREE ■ STRONGLY AGREE

**“ Government and other organizations have tried to bring youth into agriculture, but this has been a challenge. We mainly work with older FSCs. We have a few young people, but not that many. Young people need to work out if they can make money from being an FSC.**

- TruTrade representative



## **SUCCESSFUL**

- FSC business is their primary income source
- Offer multiple services
- Tend to offer services all year round



## **TRANSITIONAL**

- FSCs are establishing themselves. While they may not be very successful yet, they have the potential to grow
- Often owned by younger farmers



## **SUBSISTENCE**

- FSC business is not their primary income source
- Operate only in season
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- Offer limited services and within a limited geographical area
- Tend to serve fewer farmers



# SUBSISTENCE FSC: GLADYS

AGE	LOCATION	YEAR STARTED	PRIMARY FSC ACTIVITY
51	Kuresoi South, Nakuru	2019	Inputs

Gladys offers limited services as an FSC. She primarily focuses on placing orders for seeds on behalf of farmers. The income she earns in her FSC business is used by her household. Gladys's main income source is from farming. Gladys and her husband farm potatoes, tea leaves and dairy, which has expanded due to her FSC business activities.

***“ I have been looking to purchase a farm, in order to sell and earn money hopefully by January or February. I plan on becoming a big farmer with about 5 acres. As of now I have 1 acre that I lease.***



# Agenda

1. Overview of FtMA
2. FSC segments
- 3. Digitisation and financial services**
4. Gender



Digital apps provide **visibility** on transactions and cash flows to FtMA and other stakeholders without requiring FSCs to record transactions manually

### ORDERING INPUTS

### AGGREGATING PRODUCE

### MECHANISATION

### FARM MANAGEMENT

#### EXTENSION SERVICES

#### RECORD KEEPING

KoboCollect

Google Drive

#### WEATHER

#### CROP MANAGEMENT

Farmweather

Weather Advisory

Boomitra

CROPNUTS

Crop Sprayer

Plantix

#### FINANCE

#### COMMUNICATION/ MARKETING

EQUITY

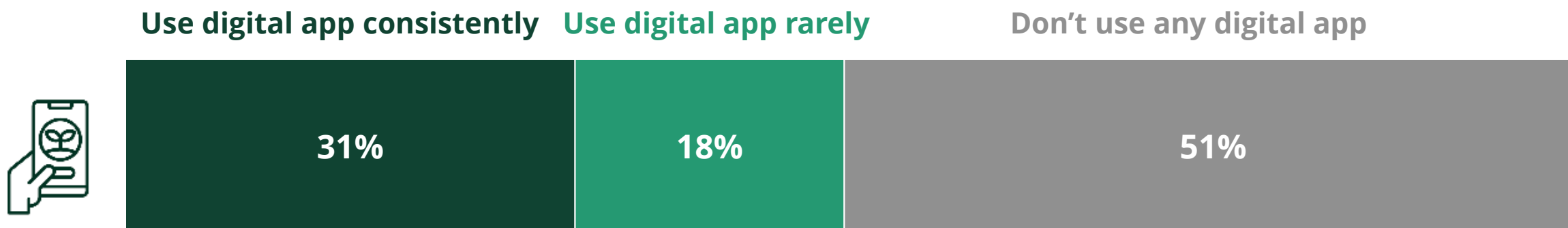
KCB

Which of these apps are likely to reach critical mass? What mechanisms exist to facilitate data sharing?

Half of FSCs report to be using a digital app, and only thirty-one percent of FSCs are using a digital app consistently.

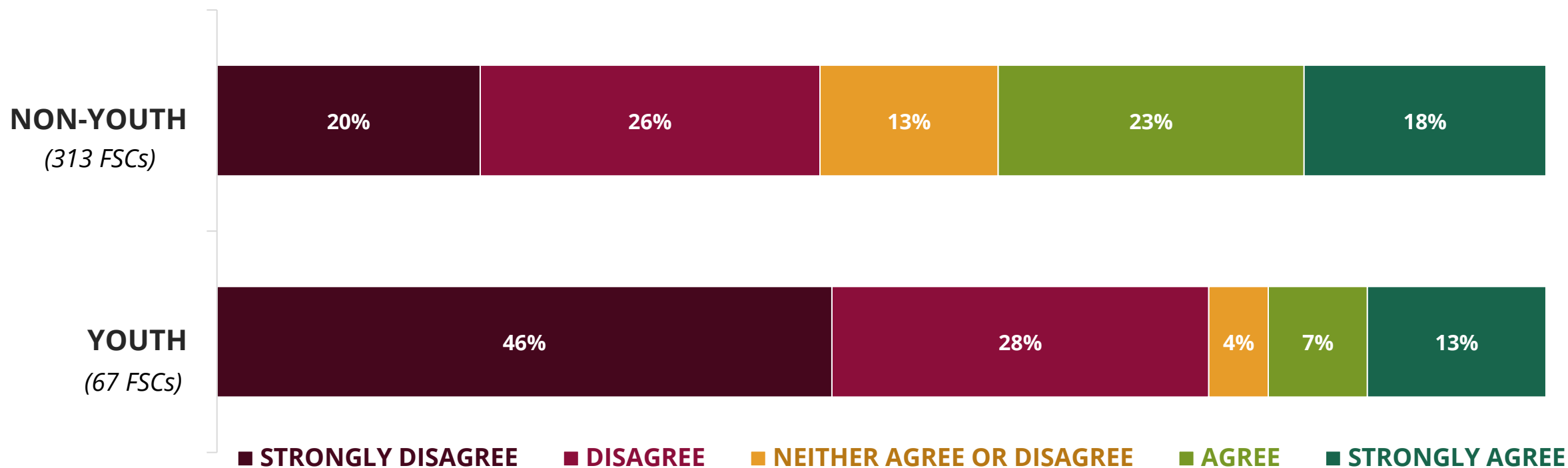
## DO YOU USE ANY DIGITAL APP TO SUPPORT YOU IN YOUR BUSINESS?

*(Number of active FSCs that offer at least one of the following services: Inputs, Aggregation and Mechanisation\*: 839)*



While almost all FSC's say they find it easy to try digital apps, young FSC's are less likely to require support

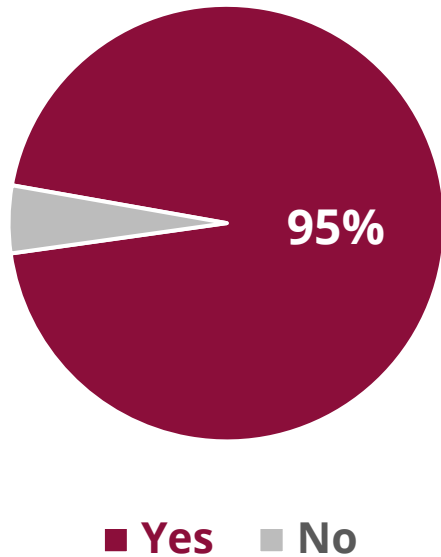
PLEASE INDICATE YOUR LEVEL OF AGREEMENT WITH THE STATEMENT:  
**I OFTEN NEED SOMEONE TO HELP ME WHEN I USE DIGITAL APPS**



While the majority of FSCs say that they keep records of financial transactions in their FSC business, the majority are not digitised

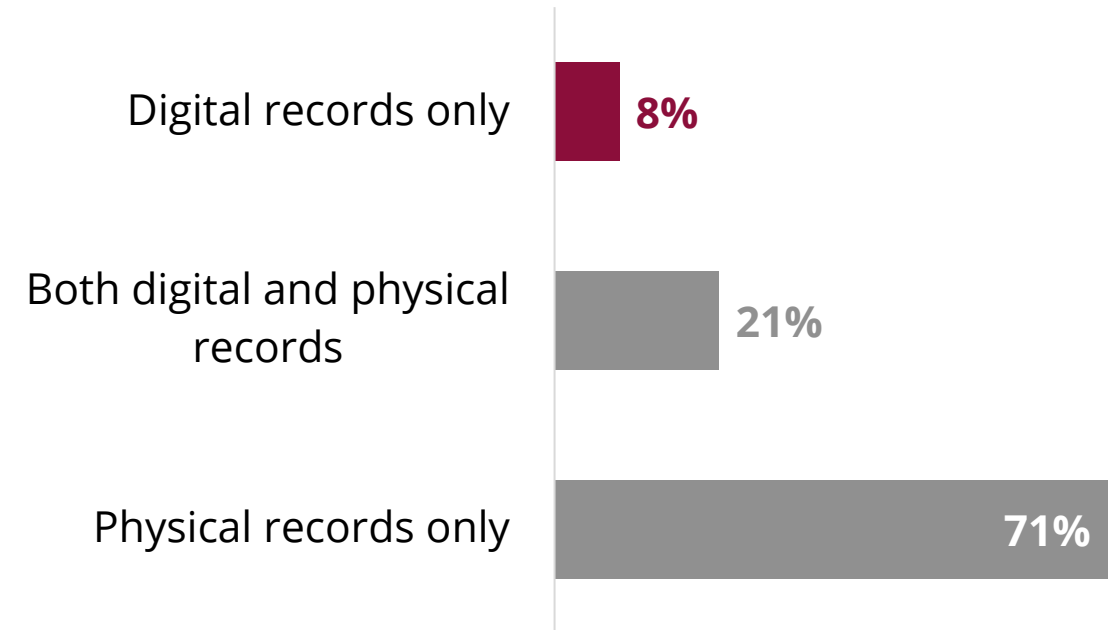
### DO YOU KEEP A RECORD OF FINANCIAL TRANSACTIONS IN YOUR FSC BUSINESS?

(Number of FSCs: 380)



### IF KEEP FINANCIAL TRANSACTION RECORDS, HOW DO YOU KEEP FINANCIAL RECORDS?

(FSC who keep financial records: 361)



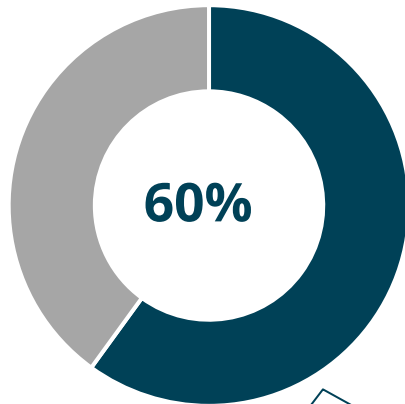
# Digital apps and record keeping



Most FSCs use Mpesa or their bank accounts to receive money, while FSCs are mostly paying farmers for their produce in cash

### **% HAVE A BANK ACCOUNT USED FOR FSC BUSINESS**

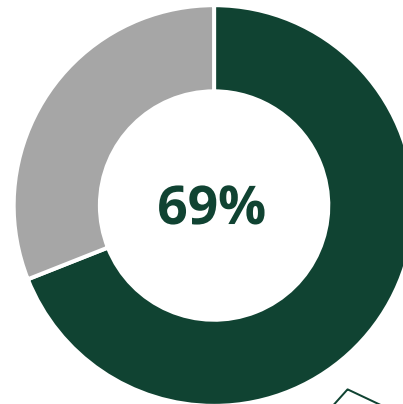
(Number of FSCs: 380)



**79% of successful FSCs** have a bank account compared to **50% of subsistence FSCs**

### **MAIN WAY FSC RECEIVES MONEY IS VIA MPESA OR BANK ACCOUNT\***

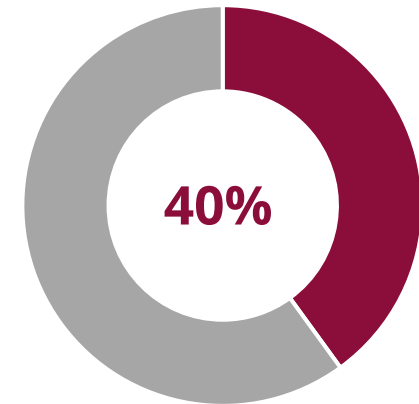
(Number of FSCs: 380)



**89% of successful FSC's** main receipt of money is via Mpesa or Bank account compared to **61% of subsistence FSCs**

### **MAIN WAY FSC PAYS FARMERS IS VIA MPESA OR BANK ACCOUNT**

(Aggregation FSCs that bought produce directly from farmers\*\*: 265)



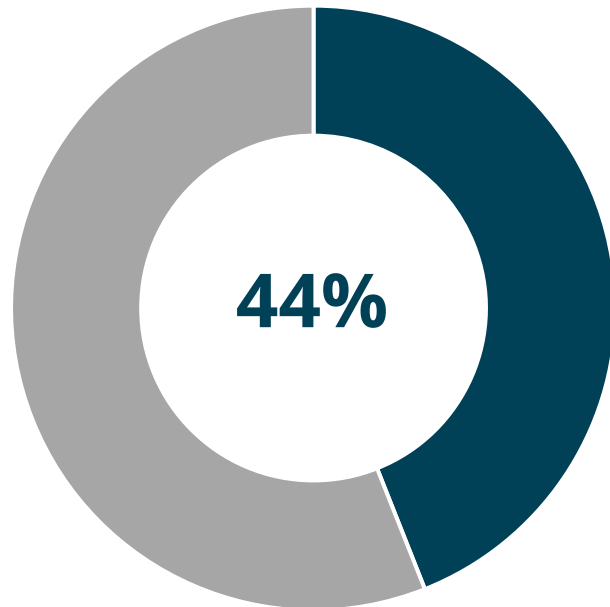
**?** What factors limit use of digital payments, particularly by farmers?

Source: Telephone Survey (2024). Note\*: Question asked in telephone survey: "What is the main way you receive money from Buyers as either payment for produce or commission?" or "What is the main way in which you have received money from farmers OR commissions for inputs in 2023?", where answer is either Mpesa or Bank account. \*\*: Question asked to aggregation FSCs: "In 2023, did you buy produce/harvest directly from farmers? If yes, be money you pay them on behalf of a buyer or your own money you pay them"

Under half of all FSCs have taken a loan, with most FSCs borrowing from a bank or chama / VSLA

### HAVE YOU EVER TAKEN A LOAN FOR YOUR FSC BUSINESS?

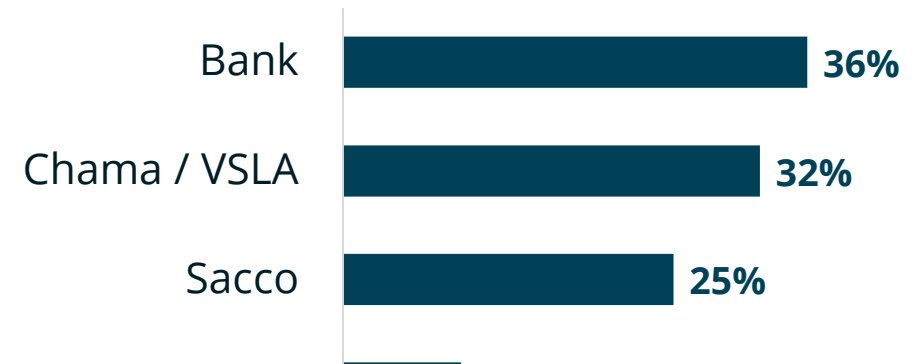
(Number of FSCs: 380)



■ Yes ■ No

### WHERE HAVE YOU BORROWED MONEY FROM FOR YOUR FSC BUSINESS?

(FSCs who have borrowed: 166)

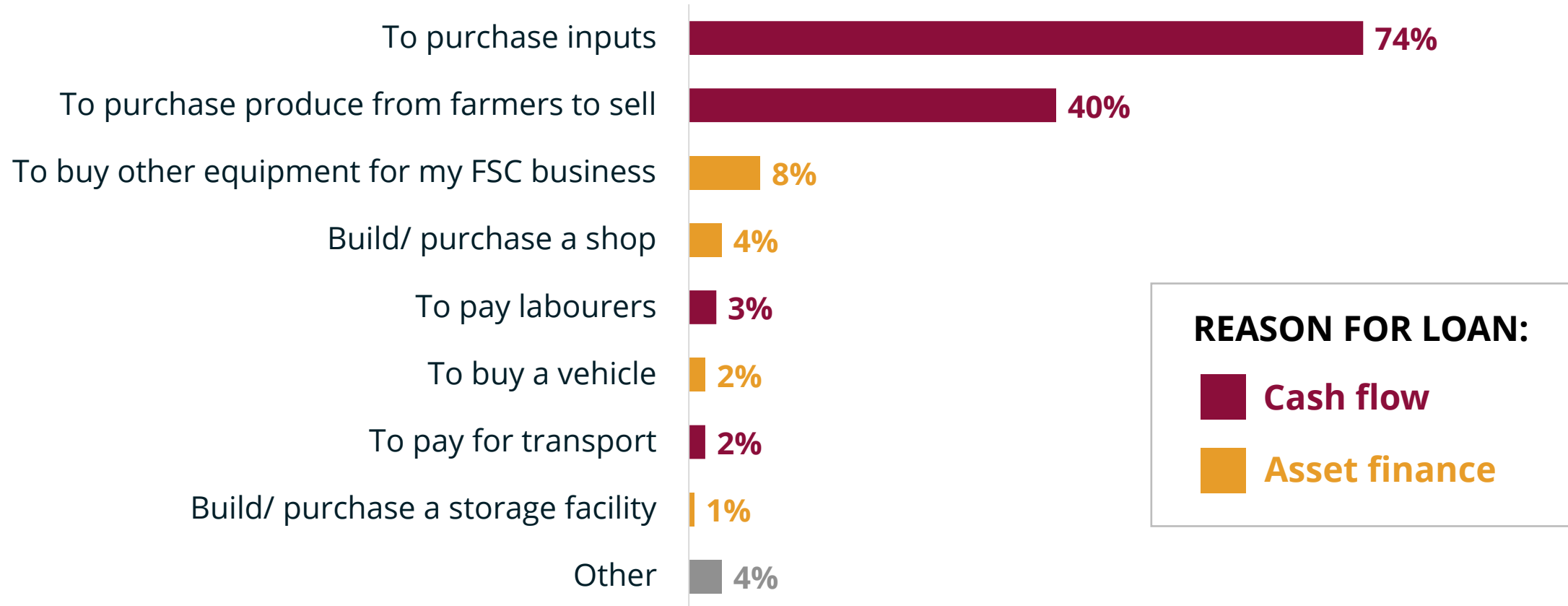


**39% of subsistence FSCs** have accessed credit and are more likely to rely on a *chama / VSLA* to get a loan for business while **51% of successful FSCs** have accessed credit and more likely to rely on *banks* to get a loan for business

FSCs are mainly borrowing for cash flow purposes with very few FSCs using loans to finance the purchasing of assets

## WHAT DID YOU USE THE LOAN FOR?

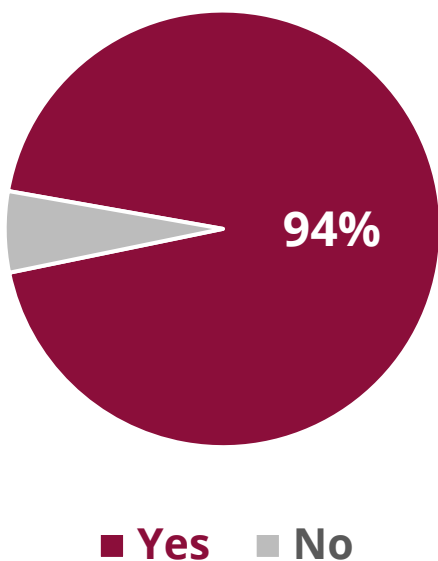
(FSCs who have borrowed: 166)



The vast majority of FSCs want a loan to grow their FSC business; and most FSCs would take a loan from a bank

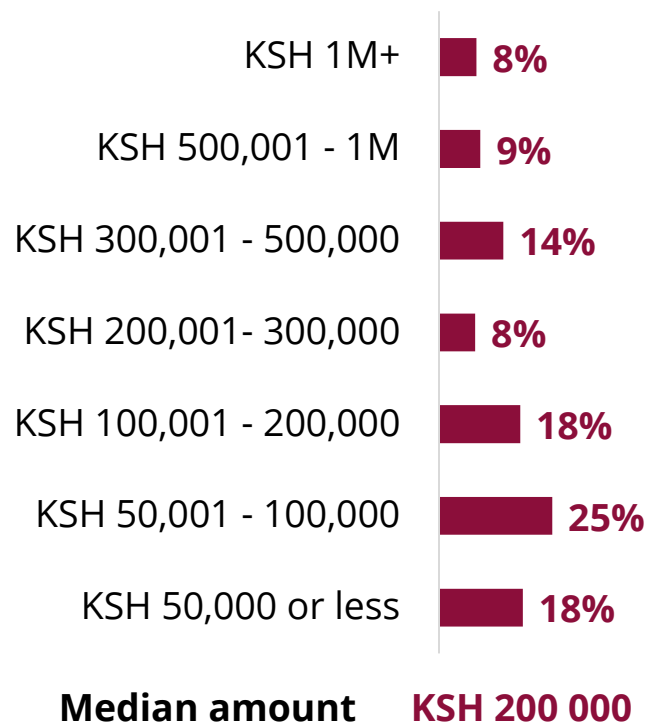
### DO YOU NEED A LOAN TO HELP GROW OR RUN YOUR FSC BUSINESS IN THE FUTURE?

(Number of FSCs: 380)



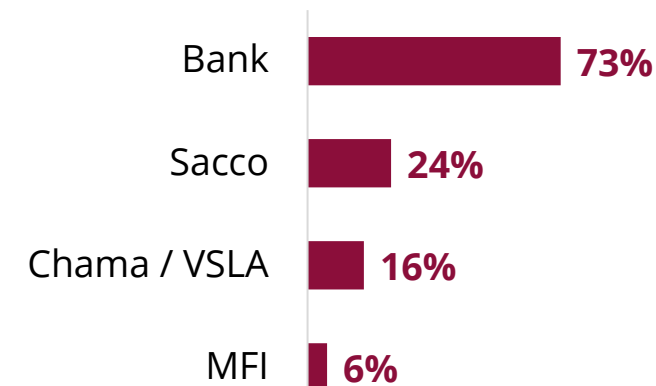
### HOW MUCH DO YOU THINK YOU NEED TO BORROW?

(FSCs say they would need a loan: 358)



### WHERE WOULD YOU BORROW FROM?

(FSCs say they would need a loan: 358)

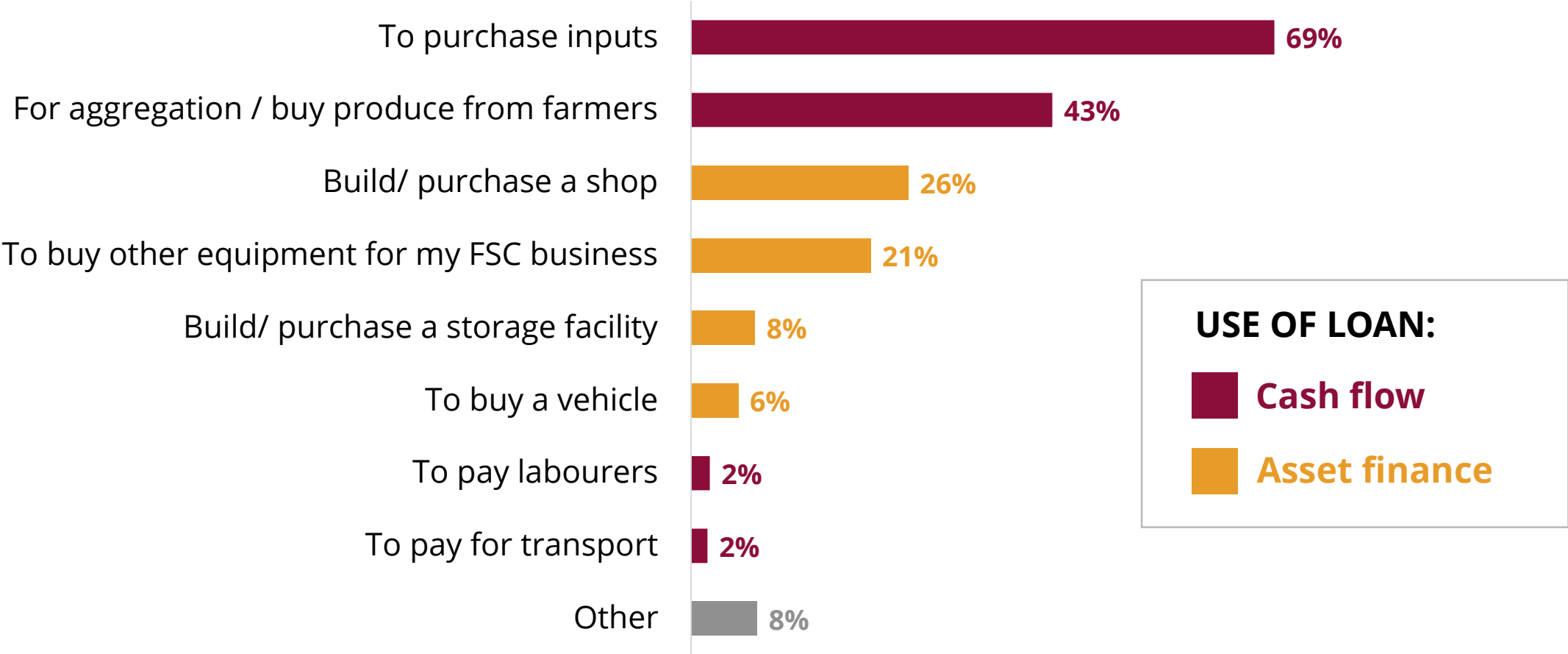


How do lender requirements differ? How do terms and conditions differ across these lenders? How does access to credit impact on the FSC risk profile? How can this be mitigated?

While cash flow needs still dominate, a noticeable proportion of FSCs would like to finance the purchase of assets

### WHAT WOULD YOU USE THIS MONEY FOR?

(FSCs say they would need a loan: 358)



# Access to finance

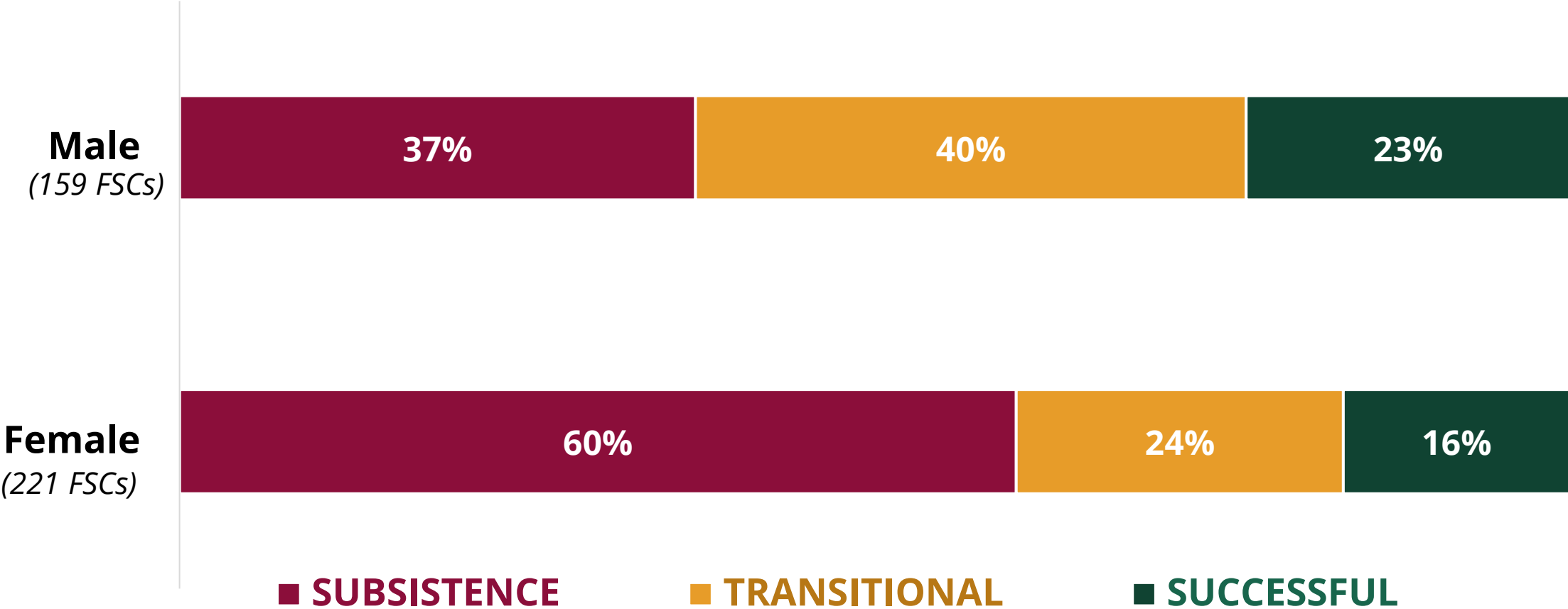


# Agenda

1. Overview of FtMA
2. FSC segments
3. Digitisation and financial services
- 4. Gender**



# Female FSCs are more likely to fall into the subsistence segment compared to male FSC's



# Female FSCs are more likely to disagree with the assertion that farmers think that women do not know as much as men about farming compared to male FSCs

PLEASE INDICATE YOUR LEVEL OF AGREEMENT WITH THESE STATEMENTS

*“Farmers in my area think women do not know as much as men about farming”*

