

# STRENGTHENING MARKET LINKAGES FOR INCREASED COMMODITY SALES

## USAID's ADVANCE project intervention enables Vester Oil Mills Limited to expand domestic distribution channel and increase soymeal sales

One objective of the USAID's ADVANCE project is to increase market access and trade for maize, rice, and soybean farmers in the project's zones of operation. One way the project achieves this is through strengthening the capacity of processors, including Vester Oil Mills Ltd., a Kumasi-based soybean processor, to allow them to participate actively in the value chain.

In Ghana, mechanically processed soymeal has suffered very stiff competition from the predominantly imported, solvent-processed soymeal. This is due to the general perception among poultry farmers, the product's main users, that the quality of the former is inferior.



*Vester Oil Mills Limited, a USAID/Ghana ADVANCE II-supported business, operates a 45 metric tons-per-day mechanical expeller.*

Vester Oil Mills, with its 45 metric tons-per-day mechanical processor, had dedicated poultry farmer customers, who regularly demanded the firm's products, despite the general preference of the market for solvent-extracted soymeal. In 2014, heavy shortages in the soybean supply resulted in Vester Oil Mills losing these customers to the imported product. When the supply improved in 2015, the company found it difficult to reclaim the customers it had lost. Consequently, it turned its attention to the Nigerian market, where the demand for mechanically processed soymeal by the catfish and poultry industry was strong. Vester Oil Mills successfully exported 1,105 metric tons of soymeal to Nigeria from March through December 2015. In July 2016, the Nigerian naira, began depreciating against international currencies, including the Ghanaian cedi. Though Vester Oil Mills' sale prices of soymeal in Nigeria remained unchanged in cedis and dollars, prices increased by 179 percent between July and September 2016 in nairas. Demand in Nigeria declined because of the high price, and sales dropped sharply. Vester Oil Mills exited the Nigerian market in October 2016.

Intervening in the situation, the USAID's ADVANCE project, in October 2016, introduced Vester Oil Mills and its products to the Poultry Farmers Association in Dormaa Ahenkro in the Brong Ahafo Region — the biggest poultry enclave in Ghana. Members of the association, who are all poultry farmers of mostly layer birds, were initially skeptical about the efficacy of the company's mechanically processed product.

The project encouraged members of the association to volunteer some of their birds for a trial using Vester Oil Mills' soymeal. Six farmers volunteered 200 birds with an average laying percentage of 66 percent for the trial, in which they would be fed with Vester Oil Mills' soymeal feed.

Two weeks after the trial, all six farmers recorded a 66 to 87 percent increase in laying among their 200 birds. During the same period, the flock from which the 200 birds originated increased their laying by 73

percent on the imported soymeal. The positive results of this trial led to a higher demand from farmers for Vester Oil Mills' soymeal.

Meanwhile, the project also identified and assisted Vester Oil Mills with securing a premise in the main market of Dormaa Ahenkro to use as a storage and sales outlet. The owner of the premise, Nea Nyame Aye Farms, a USAID's ADVANCE project-supported poultry business, offered the space to Vester Oil Mills at no cost to allow the company to save money and promote its soymeal to poultry farmers in the region.

In less than a week after the trial's results, farmers purchased 75 metric tons of soymeal that was already on the market, compelling Vester Oil Mills to dispatch another 140 metric tons from its factory at Aputuogya Abuontem in the Bosomtwe District of the Ashanti Region to restock the Dormaa Ahenkro sales outlet.

Between November 2016 and December 2017, Vester Oil Mills recorded soymeal sales of 5,760 metric tons in Dormaa Ahenkro. In January 2018, Vester acquired two acres of land in Dormaa Ahenkro to begin construction of a permanent sales distribution depot. From January through September 2018, Vester Oil Mills sold 4,380 metric tons in the Dormaa Ahenkro market. Dormaa Ahenkro is on the Ghana-Cote d'Ivoire border, where the company's soymeal has caught the attention of some Ivorian poultry farmers who became regular customers. Fuani Farms, for instance, one of the biggest poultry farms in Cote d'Ivoire, purchases an average of 85 metric tons of Vester Oil Mills' soymeal per week through KA Unity farms in Dormaa Ahenkro.