

# oikos Case Writing Competition 2018

## Social Entrepreneurship Track

### Runner-up

#### **Babban Gona's Agri-Franchising Model: Scaling up Challenges**

#### **Inspection Copy**

Manish Agarwal (ICFAI Business School Hyderabad),  
and  
D Satish (ICFAI Business School Hyderabad)

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# Babban Gona's Agri-Franchising Model: Scaling up Challenges

## ABSTRACT

Africa's most populous country, Nigeria, is home to millions of smallholder farmers who, due to low economies of scale, have some of the lowest yields in the world, making subsistence farming unsustainable for them. This has led to large-scale unemployment, especially among the youth. Poverty, unemployment, and a rapidly growing population have made Nigeria a breeding ground for extremist organizations like the Boko Haram.

Kola Masha through his for-profit social enterprise, Babban Gona, is taking this challenge head-on by creating an innovative agricultural franchise model which provides professional management and investment for grass-root level farmer groups. Babban Gona's holistic end-to-end service delivery model has resulted in farmers reducing their input costs, increasing their yields, realizing a higher price for their produce, and more than tripling their incomes. Babban Gona also embeds into its model, a risk mitigating model, which helps to reduce risks and increases the confidence of its financiers. The organization has the audacious vision of transforming the lives of 1 million farmers by 2025. But, does the model support such levels of scalability?

The case study brings out the challenges involved in setting up a social enterprise in agriculture and the scope of an agricultural franchise in the developing world. It underlines the need for and importance of a risk mitigating model that is constantly updated. The case allows students to analyze and debate the scope for scalability of Babban Gona and the additional risks and challenges it could face in realizing its vision.

## Case

*"Kola Masha and his team have built a scalable path for smallholder farmers in Nigeria to rise out of subsistence farming and poverty...The model has begun to open up investments in Nigerian smallholder farmers and their produce, has attracted commercial partners across the agricultural supply chain and is co-owned by the farmers it benefits."*<sup>1</sup>

**– Shivani Garg Patel, a principal at the Skoll Foundation,  
March 2017.**

*"Our model is not perfect, as we march to serve in a million farmers by 2025. We will face a million challenges, which we will have to solve...one at a time."*<sup>2</sup>

**Kola Masha, Founder & Managing Director, Babban Gona,  
October 2017.**

## INTRODUCTION

It was the middle of April 2017. Kola Masha (Masha), Founder and Managing Director of Babban Gona; Appolo Goma, Executive Director (Operations), and other employees were celebrating the recent success of the organization, which had won the prestigious 'Skoll Awards for Social Entrepreneurship' for 2017<sup>3</sup>. Babban Gona was the first ever Nigerian organization and the first for-profit organization in the history of the Skoll Foundation to win this award. The organization had won the award for solving one of the world's most challenging problems – getting people out of the clutches of poverty in a sustainable way in Nigeria. Babban Gona had helped thousands of subsistence farmers to double their yield and triple their income through its robust, scalable, and self-sustainable business model. Masha said, *"To end insecurity, we must unlock the potential of agriculture as a job-creation engine for millions of youth across Africa."*<sup>4</sup>

Masha planned to add 1 million small farmers to Babban Gona by 2025 (*Refer to Exhibit I*). According to experts, to fulfill his plan, Masha would need an uninterrupted supply of millions of dollars from external agencies; he would also have to build a more robust risk

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<sup>1</sup> "Babban Gona Helps Subsistence Farmers in Nigeria," <https://bthechange.com>, March 27, 2017.

<sup>2</sup> "SOCAP17 - Kola Masha, Managing Director, Babban Gona," [www.youtube.com](http://www.youtube.com), October 12, 2017.

<sup>3</sup> Skoll Awards for Social Entrepreneurship are given by the Skoll Foundation (SF), a California, US-based private foundation founded by Jeff Skoll, a Canadian entrepreneur. SF gives this award to organizations with the vision to solve the world's most pressing problems. Some experts believe that Skoll award is the Nobel Peace Prize in the field of social entrepreneurship.

<sup>4</sup> Dennis Price, "And a Skoll Award goes to...Babban Gona, for Boosting Incomes of Nigerian Farmers," <http://impactalpha.com>, March 30, 2017.

mitigation model and perhaps bring in major changes in the Babban Gona business model itself. But until that happened, experts felt that achieving that plan would be next to impossible.

## **NIGERIAN ECONOMY**

As of 2017, Nigeria was the largest economy in Africa with a GDP size of more than US\$500 billion (*Refer to Exhibit II*). The Nigerian economy grew at the rate of 7% between 2005 and 2014.<sup>5</sup> The major portion of the GDP was contributed by the services sector (about 54%) followed by agriculture (about 24%) and industries (about 22%) (*Refer to Exhibit III*).<sup>6</sup>

Nigeria was also the most populous country in Africa with a population of about 193.39 million in 2016.<sup>7</sup> Of the total population, 43% was below the age of 14 years, and around 19.5% was in the age group of 15-24 years. So, about 62.5% of the total population was below 24 years, and about 50% of the population was below 20 years (*Refer to Exhibit IV*). Experts stated that the Nigerian economy was unable to generate enough employment opportunities for its young population and this had resulted in the high unemployment and underemployment rate (*Refer to Exhibit V*). The unemployment rate increased from 7.8% in the first quarter of 2014 to 14.2% in the fourth quarter of 2016 (*Refer to Exhibit VI*). Experts pointed out that about 40.54% % of youth in the age group of 15-34 were unemployed in Nigeria (*Refer to Exhibit VII*).

The agriculture sector was the major job provider in the country. Masha stated that about 55-65% of the population of Nigeria was dependent on only the agriculture sector. But the contribution of this sector to the economy had fallen from 64% in the 1960s to around 24% in 2017.<sup>8</sup> Similarly, the percentage of foreign exchange earnings from the agriculture sector had dropped from 80% in the 1960s to less than 10% in 2016.<sup>9</sup> This was because the Nigerian government had abandoned the agriculture sector, especially after the oil boom in the 1970s. The government had increased investment in the oil sector and ignored the agriculture sector, experts opined. Akinwunmi Adeshina, former Minister of Agriculture and Rural Development, Nigeria, said, *"Since 1975, the nation had become a net importer of basic food items. Agricultural productivity had fallen to its lowest ebb, compounding food insecurity, even though there was vast economic potential in the country."*<sup>10</sup>

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<sup>5</sup> "Economy," [www.nigeria.gov.ng](http://www.nigeria.gov.ng).

<sup>6</sup> [www.nigerianstat.gov.ng/](http://www.nigerianstat.gov.ng/).

<sup>7</sup> "Population Estimates," <http://nso.nigeria.opendataforafrica.org>.

<sup>8</sup> S. G. Edoumiekumo and N. P. Audu, "The Impact of Agriculture and Agro-Based Industries on Economic Development in Nigeria: An Econometric Assessment," [www.transcampus.org](http://www.transcampus.org), June, 2009.

<sup>9</sup> "'Nigeria Paying for Years of Agriculture Neglect'," <http://punchng.com>, December 2, 2016.

<sup>10</sup> <http://allafrica.com/stories/201602150963.html>.

The rising global demand for oil helped Nigeria increase oil and gas export significantly and brought a large amount of foreign currency into the country and revenue for the government. However, with the agriculture sector being neglected, the production of foodgrains fell drastically, and the continuous growth in population only widened the gap between demand and supply of foodgrains in the country (*Refer to Exhibit VIII*). This situation turned Nigeria, a predominantly agrarian country, into a net food importer. The Nigerian government imported various food items such as wheat, meslin, sugar, fish, and frozen meat. In 2016, the Nigerian food import bill was as high as 1.3 trillion Nigerian Naira<sup>11</sup> or US\$6.5 billion<sup>12</sup>.

According to experts, apart from the Nigerian government's negligence, there were many other factors which could be blamed for this situation, such as small sized farmlands, poor quality agriculture inputs, low yield per hectare, large number of small farmers with poor agriculture knowledge, high electricity rates, inadequate irrigation facilities, basic infrastructure and amenities, inadequate finance facilities, and unused arable land.<sup>13</sup>

Many experts believed that British rule (1900-1960), the various military coups, the civil war (1967-1970), military rule (1970-1999), and then the Boko Haram insurgency, were also responsible for the situation in Nigeria (*Refer to Exhibit IX*). Additionally, a high level of corruption, tensions between various ethnic groups, religious violence, and a large number of massacres had ruined the business environment and the productivity of all sectors.

Masha pointed out that Nature had gifted Nigeria huge amounts of arable land, water, and labor. He said Nigeria had millions of hectares of arable land and out of the eight massive rivers in Africa, Nigeria had three. In addition to this, the groundwater level was not as low as in other countries. The massive young population presented an opportunity, and it was a huge source of inexpensive but hardworking labor. Masha further said that agriculture could not only solve the problem of unemployment but would also ensure food security in the country.

## **KOLA MASHA**

Masha was born and brought up in Nigeria. His mother was an American, and his father a Nigerian. At the age of 11, he became a national figure when he hosted a weekly TV show "Life with Kola." In 2000, he went to the US where he completed a Master's degree in Business

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<sup>11</sup> The Nigerian Naira is the currency of Nigeria. ₦ is the symbol of the Nigerian Naira and the code of this currency is NGN. As of September-November 2017, US\$1 was approximately equal to 360 Nigerian Naira.

<sup>12</sup> "How big is Nigeria's Food Import Bill?," [www.cnbcfrica.com](http://www.cnbcfrica.com), January 20, 2016.

<sup>13</sup> "Nigeria - Arable Land (% of Land Area)," <https://tradingeconomics.com>.

Administration (Honors) from Harvard University and a Master's in Mechanical Engineering (Distinction) from Massachusetts Institute of Technology. After completing his studies, he worked with General Electric Company<sup>14</sup> and Abiomed Inc.<sup>15</sup>, before coming back to Nigeria in 2007. In Nigeria, he worked as CEO and MD in a major subsidiary of the Notore Group, one of the leading agricultural conglomerates in Nigeria. There, he worked on various projects. He raised an equity fund (US\$130 million), restructured debt (US\$360 million), developed an integrated agriculture trading, production, and processing business, and developed a fertilizer and seed business, among other things.<sup>16</sup>

In an interview, Masha acknowledged that for a long time, he had wanted to become an entrepreneur and when the time came to set up his venture he decided to leverage his experience to fix the various problems in his country. Masha strongly believed that various problems in Nigeria, such as unemployment, arms conflicts, and food security, could be solved by making smallholder farming profitable. He decided to focus on smallholder farming as it was labor intensive and did not require high educational qualifications. Experts opined that if there were enough job opportunities, the younger generation would not join extremist groups like the Boko Haram.

Masha realized that due to the low economies of scale, smallholder farmers were unable to earn much from agriculture and due to this, they were stuck in the cycle of poverty. Masha then started an impact investment firm, Doreo Partners, with the object of investing in a high-scale, high growth, early-stage business which could improve the lives of smallholder farmers in Nigeria. Later, he got the idea of setting up Babban Gona from his maternal grandfather, a poor farmer in South Dakota, US, who had managed to come out of poverty and send Masha's mother to college with the help of a farmers' co-operative group in the US.

To get to know more about farmers' co-operatives, Masha applied for the prestigious Eisenhower Fellowship<sup>17</sup>. In 2012, he secured the seven-week fellowship to study co-operatives in the US. There, he got the chance to visit a number of co-operatives and to learn from them. He learned that to operate on a large scale, any farmers' co-operative needed three basic things – a grassroots level of leadership, professional management, and access to capital for large-scale operations.<sup>18</sup>

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<sup>14</sup> General Electric Company (GE) is well-known global conglomerate based in the US.

<sup>15</sup> Abiomed Inc. is a medical-device maker based in the US.

<sup>16</sup> "Kola Masha - Biography," <http://skoll.org>.

<sup>17</sup> The Eisenhower Fellowship is run by prominent Americans in the memory and honor of the 34<sup>th</sup> US President, Dwight D. Eisenhower.

<sup>18</sup> "Babban Gona Helps Subsistence Farmers in Nigeria," <https://bthechange.com>, March 28, 2017.

## STORY OF BABBAN GONA

After returning from the US, Masha founded Babban Gona in 2012. Its mission was *“to inspire and enable hardworking smallholder farmers to reach their full potential.”*<sup>19</sup> Babban Gona meant ‘Great Farm’ in Hausa, one of the local languages of Nigeria. Babban Gona provided various things to smallholder farmers, such as a working capital loan for farming, low cost but high-quality agriculture inputs, training, and knowledge to optimize per hectare yield; warehouse facilities, and a good price for their harvest.

In the first year of Babban Gona’s operations, Masha’s target was to enroll 200 members. He and his team went from community to community to convince people to join the organization, but they failed to do so. Experts stated that the value offered by Babban Gona to the smallholder farmers was too much for the farmers to digest. To understand the challenges faced by the small farmers, Masha purchased a half-acre piece of land and cultivated it himself. He realized then that farming on a small scale was much harder than he had imagined.

However, Masha continued to try and persuade people and slowly, he built up trust among the small farmers and was able to add about 100 members to Babban Gona. During the crop growing season, Masha got Nestlé<sup>20</sup> as Babban Gona’s first customer. Nestlé was ready to buy all the yield produced by the organization. After that, Babban Gona grew rapidly. Initially, it helped in cultivating only maize, but later, it added other crops such as corn, rice, and soybeans.

By 2016, Babban Gona had become the single largest maize producing entity in Nigeria. Due to its high-quality, healthy produce, it was able to sell half of its produce before the harvest season began, mostly to Nestlé and to large-scale poultry farmers. By 2016, Babban Gona had become so popular among the farmers that 90% of the existing members secured their enrollment for 2017 almost six months before the enrollment fees became due.<sup>21</sup>

## BUSINESS MODEL

Masha developed an agriculture franchise model to help poor smallholder farmers. This model was not only scalable and sustainable, but it also created economies of scale for small

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<sup>19</sup> [www.babbangona.com/mission-vision-and-values/](http://www.babbangona.com/mission-vision-and-values/)

<sup>20</sup> Nestlé is a multinational food and drink company based in Switzerland.

<sup>21</sup> “Babban Gona Helps Subsistence Farmers in Nigeria,” <https://bthechange.com>, March 27, 2017.

farmers. Through its franchise model, Babban Gona provided cost-effective, end-to-end services to a network of farmers groups.<sup>22</sup>

Masha stated that under the agriculture franchise model, Babban Gona identified leaders – also calling them trustees – for the grass-root level farmers’ organization. The process of selecting leaders was rigorous. Masha stated that he conducted among other things, a psychometric test to select leaders. By early 2015, about 9,000 farmers had gone through this test.

Babban Gona gave extensive management training to the selected leaders so they could develop their smallholder farmers group called ‘Trust Groups’ (*Refer to Exhibit X*). Each trust group had a leader and on an average four to six trust members (smallholder farmers). The leader decided on the members of his/her group. Once the trust groups had been deployed, Babban Gona provided various services to them.

### **Service Delivery Model**

Babban Gona provided the following end-to-end services to its farmer members (*Refer to Exhibit XI*).

#### ***Training and Development***

Its training and development system ensured that its members learnt three types of skills – organizational skills, business skills, and agriculture skills. Organizational skills helped to run the farmers’ trust smoothly and effectively whereas business skills inculcated the commercial mentality in the farmers so that they truly thought about their farm as a business. Agricultural skills helped farmers to understand their crops and to use new and effective farming techniques so that they became better farmers. Babban Gona provided classroom training and in-field advice for this purpose (*Refer to Exhibit XII*).<sup>23</sup>

#### ***Financial Services***

Masha stated that typically, small farmers in Nigeria needed US\$1,000 per hectare as working capital which they usually repaid in 18 months at an annual interest rate of about

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<sup>22</sup> “Webinar | A New Approach to Financing Smallholder Farmers: Lessons from Nigeria,” [www.youtube.com](http://www.youtube.com), January 30, 2015.

<sup>23</sup> “Webinar | A New Approach to Financing Smallholder Farmers: Lessons from Nigeria,” [www.youtube.com](http://www.youtube.com), January 30, 2015.

18%. Normally, farmers used 50% of the loan amount at the time of planting the crop and the remaining 50% at the time of harvest.<sup>24</sup>

Financial Services was one of the critical and incredible services provided by Babban Gona to its smallholder framers. These farmers did not have any financial history. Members did not have any land title for security purposes. They did not even have a phone, ID, or a formal address. Experts stated that given the financial profile of the small farmers, any commercial bank or financial institute would see a high degree of risk in providing a loan to them and so, could promptly deny them credit facility.

Masha categorized their risk into three groups – Will Default risk, Diversion of Funds, and Low Productivity (possible two reasons – ‘Farmer Error’ and ‘Act of God’). He had developed the financial services in such a way that Babban Gona was able to provide finance to smallholder farmers but also to maintain a low default risk as the trust members repaid their loans 99.9% on time.<sup>25,26</sup>

The low default rate was possible because of Babban Gona’s seven-level risk mitigation system which Masha had developed over a period of two years before the launch of the organization. The seven levels were *Peer Pressure, Economic Incentive, Guarantees, The Crop in Field as Collateral, 100% in Kind Lending, Finance Standard Systems, and Mitigating Acts of God*<sup>27</sup>.

### ***Full Sets of Agriculture Inputs***

Babban Gona provided high-quality seeds, fertilizers, and other protection products to its member farmers. It also provided on-site guidance to the farmers. The Babban Gona team went to each farm and analyzed the land in terms of size, water facilities, etc. Afterward, it conducted soil analysis to understand what type of inputs were needed and in what quantity. The Babban Gona team then prepared the land for farming for the smallholder farmers. Normally, farmers took ten days to prepare the land whereas the Babban Gona team completed this task in an hour thanks to the use of modern agriculture equipment and techniques. The team provided the tailored inputs required for a particular piece of land. At the time of harvesting, Babban Gona provided bags for the produce, needles, and thread also (*Refer to Exhibit XIII*).

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<sup>24</sup> “Webinar | A New Approach to Financing Smallholder Farmers: Lessons from Nigeria,” [www.youtube.com](http://www.youtube.com), January 30, 2015.

<sup>25</sup> Rick Spence, “Skoll Foundation Gives \$1M Social Entrepreneurship Prize to a For-profit Organization,” <http://business.financialpost.com>, April 11, 2017.

<sup>26</sup> “Innovative Partnerships for Agricultural Finance,” <https://publications.cta.int>, 2017.

<sup>27</sup> To mitigate ‘acts of God’, Babban Gona had developed the first Nigerian weather index insurance products which helped the trust members to secure their harvest from floods, droughts, etc.

## **Marketing Services**

Babban Gona marketed the grains produced by its trust members and helped them to access good markets and get a good price for their yield. It provided warehouse facilities where the farmers could effectively deposit their grains. There, Babban Gona classified the grain according to their quality and size before marketing it to food processing and other companies (*Refer to Exhibit XIV*).

## **Revenue Generation and Sustainability of the Model**

Babban Gona earned revenue in the form of margins and fees. It charged a small margin for the services it provided to smallholder farmers. It also earned a margin on credit, a margin on agriculture inputs, and a commission on sales of yield. In addition to this, Babban Gona charged a fee for the various services it provided such as training and development. It also took yearly enrollment fees from the trust members. On an average, Babban Gona earned US\$70 per hectare (*Refer to Exhibit XV*).

Masha stated that from day one, the business was able to generate a positive operating margin, which showed that the model was sustainable. About amortization of fixed cost, Masha stated that Babban Gona had already amortized its fixed cost when it covered 5,000 hectares under its sustainable cultivation.<sup>28</sup>

## **FUNDING AND PARTNERSHIP**

In 2012, the Alliance for a Green Revolution in Africa<sup>29</sup> (AGRA) provided initial support of US\$300,000 to Babban Gona, which helped it to take the first step toward its vision *“to improve the income and livelihood of one million smallholder farmers by 2025.”*<sup>30</sup> Later, Babban Gona received support from various organizations in the form of grants/donations, loans, guidance, services, and expertise support. These organizations included the Bill and Melinda Gates Foundation<sup>31</sup> (BMGF), FMO<sup>32</sup>, International Institute for Tropical Agriculture<sup>33</sup> (IITA), United States Agency for International Development<sup>34</sup> (USAID), Skoll

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<sup>28</sup> “Webinar | A New Approach to Financing Smallholder Farmers: Lessons from Nigeria,” [www.youtube.com](http://www.youtube.com), January 30, 2015.

<sup>29</sup> Alliance for a Green Revolution in Africa (AGRA) was founded in 2006 to invest in the agriculture sector to reduce poverty and hunger in Africa.

<sup>30</sup> [www.babbangona.com](http://www.babbangona.com).

<sup>31</sup> The Bill and Melinda Gates Foundation (BMGF) or the Gates Foundation is a private foundation founded by Bill and Melinda Gates.

<sup>32</sup> FMO is a Dutch development bank which provides long-term capital for projects mostly in underdeveloped and least developed countries.

<sup>33</sup> International Institute for Tropical Agriculture (IITA) is an Africa-based organization which provides solutions for hunger, poverty etc.

Foundation, and Department for International Development (DfID) (*Refer to Exhibit XVI*).

Babban Gona developed a 'Raise Out of Poverty bond' (ROPO), which was the first such financial product in Nigeria. The ROPO enabled large as well as small investors to invest in bonds that helped Babban Gona in making a difference to smallholder farmers. The ROPO bonds also provided a reasonable return in the form of interest. Babban Gona also partnered with Kiva, a crowded funding internet-based platform ([www.kiva.org](http://www.kiva.org)), where an individual could directly lend to poor farmers for a certain period without worrying about repayment of the loan. On the Kiva platform, the lending amount could be as low as US\$25.

## **IMPACT & ACCOMPLISHMENTS**

Since inception, Babban Gona had helped thousands of mini farmers' cooperatives in northern Nigeria. During the five-year period (2012-2016), the company had grown 250 times and raised US\$10.5 million in debt.

By mid-2017, Babban Gona was providing its services to more than 21,000 smallholder farmers. It had brought 27,000 hectares under sustainable cultivation and improved the yield by two times the national average of Nigeria. Experts stated that the Babban Gona members on an average produced 4 tons per hectare as against the national average of 1.5 ton per hectare, whereas some top performers under Babban Gona even produced 7.5-8 tons per hectare (*Refer to Exhibit XVII (a) and (b)*).

The Babban Gona model enabled farmers to cut input costs by 50% and to sell their produce at 35% higher price. This helped to increase the net income of the smallholder farmers by 2.8 to 3.5 times the national average. On an average, Babban Gona members earned US\$555 per hectare (*Refer to Exhibit XVIII*).

By mid-2017, Babban Gona had provided access to healthy food<sup>35</sup> to 200,000 rural men, women, and children.<sup>36</sup> The company had distributed 46,000 profitable loans which had a 99.9% repayment rate.<sup>37</sup>

Babban Gona also helped smallholder farmers to put their profiles up on the crowdfunding platform [www.kiva.org](http://www.kiva.org). Through this website, many Babban Gona farmers were able to generate funds to build better houses and purchase more land for farming.

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<sup>34</sup> United States Agency for International Development (USAID) is an independent agency of the US government.

<sup>35</sup> The health food produced by Babban Gona farmers included low aflatoxin and bio-fortified maize.

<sup>36</sup> "Head of Shared Services," [www.babbangona.com](http://www.babbangona.com).

<sup>37</sup> Babban Gona- About us," [www.linkedin.com](http://www.linkedin.com).

## Success Stories of Some Farmers

Mary Dauda (Mary) and her husband joined Babban Gona in 2012. Mary said she did not regret her decision as she was able to raise the standard of living of her family and send her children to school. Mary said, *"I am so happy today because all that people were saying to prevent me from joining this organization never worked, and I would have regretted by now."*<sup>38</sup>

Another smallholder farmer, Bala Emmanuel, was satisfied with the service provided by Babban Gona as the yield from his farm had increased significantly. He said, *"Cultivating crop on a hectare of farmland led to a bumper harvest of about 40 bags of grain as against earlier results of between 10 and 20 bags of grain. Now, cultivating a larger expanse of land with the use of technology provided, I produce about 40 bags of grain. I produce a lot more."*<sup>39</sup>

Hanatu Samaila, another smallholder farmer, was able to earn US\$1,800 as net income from her 1.1 hectares of land. Na'omi Michael, Abdullahi Umar, Ibrahim Mustapha, and Jibrin Mohammed, all smallholder farmers, were also able to generate high yield and better income from their land. (Refer to Exhibit XIX).

## CHALLENGES AHEAD

Masha had developed a model which seemed to be working well with growing farmer enrollments, improvement in yields and income, and a high loan repayment rate. But, analysts felt that Masha's vision of adding 1 million farmers by 2025 would certainly test the Babban Gona model.

Scaling up required not only a large pool of skilled workforce to train farmer leaders and farmers but also a good management team at the top and in Nigeria, getting a workforce with the right skills set and the right experience for top management was a big challenge. To address this problem, Babban Gona started Farm University Modules and the Trust Group Leadership Program to train farmers and farmer leaders in the latest techniques that would help them improve their agricultural and business skills. However, the scale and scope of the training needed to be improved phenomenally.

Funding the growth out of internal accruals would not help it reach the target by 2025 – external financing in a big way was the only answer. In order to convince the investors and financial institutions to invest in Babban Gona, Masha pondered on what further changes had to be made in the risk mitigation model to make it more robust and convincing.

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<sup>38</sup> Jimoh Babatunde, "AGRA, Babban Gona Transforming Smallholder Farming," [www.vanguardngr.com](http://www.vanguardngr.com), January 15, 2016.

<sup>39</sup> Jimoh Babatunde, "AGRA, Babban Gona Transforming Smallholder Farming," [www.vanguardngr.com](http://www.vanguardngr.com), January 15, 2016.

Babban Gona was constantly working on increasing the robustness of its risk mitigation model and it added the 8<sup>th</sup> step to hedge commodity price fluctuations, which had a major impact on the incomes and profitability of the farmers. By working with a leading domestic insurance company, it came up with a commodity price insurance product that compensated its farmers if the price dropped below the cost of production.

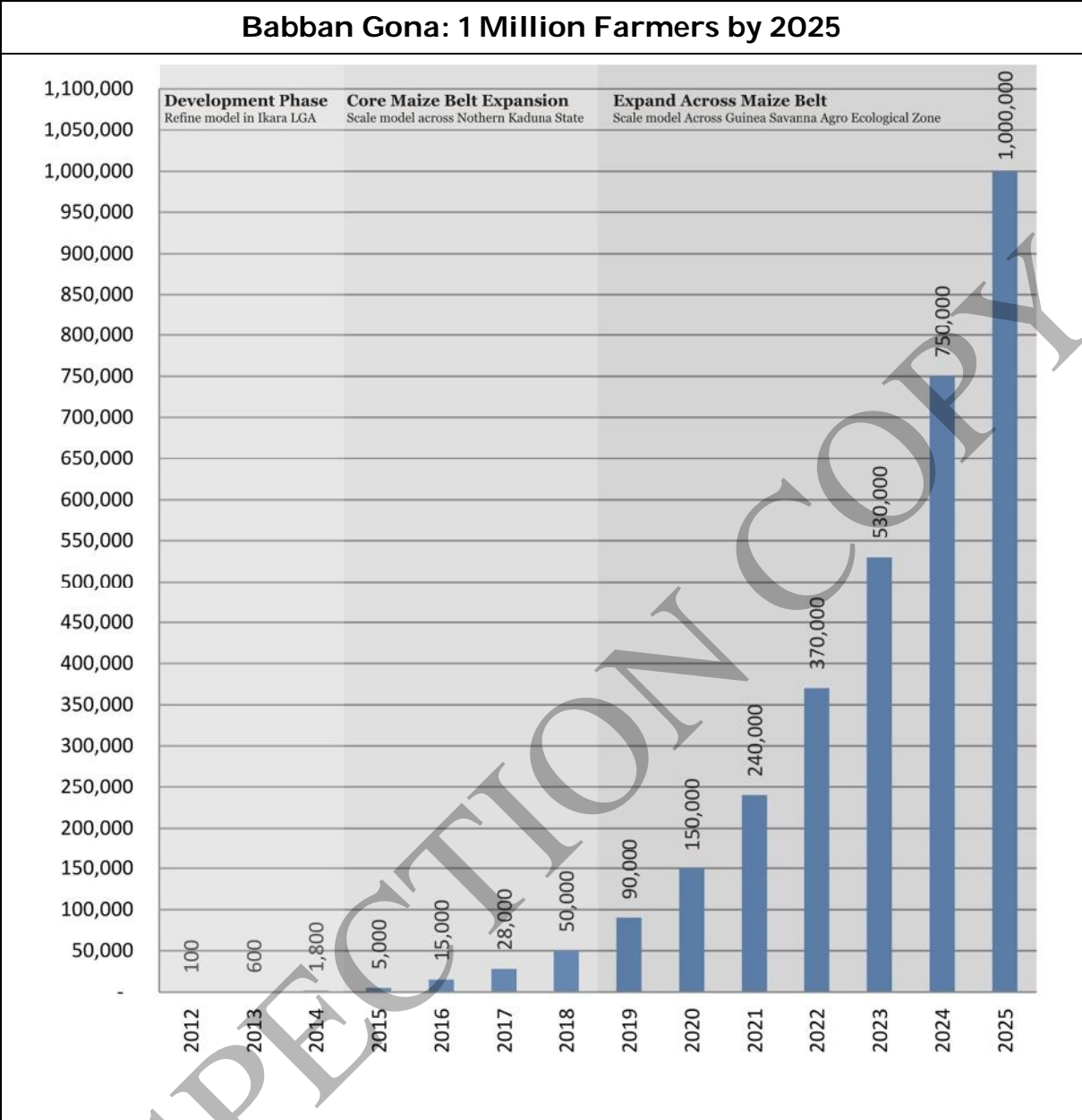
Babban Gona was also leveraging technology. It had partnered with the European satellite analysis organization to develop and execute a pilot of utilizing high-resolution satellite images to monitor members' fields remotely. This Small Holder Agricultural Remote Sensing (SHARES) project also measured the amount of chlorophyll in the leaves which served as an early warning system for farmers to take corrective action at an early stage to safeguard crop yields. This technology was expected to cut the number of operation staff by more than 50%.

But Masha was also thinking about some of the other risks which could not only slow down the speed of scaling up but also have serious repercussions on the model itself. The mitigating risk from looting, especially during times of uncertainty in the political environment, was a challenge. For example, during the postponement of the Nigerian Presidential elections in February– March 2015, Babban Gona had to scale back operations due to the risk of loss of inventory during the riots after the results of the elections.

Also scaling up required Babban Gona to expand into new territories, including certain parts of Nigeria where extremists were active. This increased the risks from terrorism for the organization. Extremist organizations including Boko Haram could target Babban Gona farmers and their stocks and could also prevent others from joining or selling their produce to Babban Gona.

Masha was also giving serious thought to tweaking the Babban Gona model itself. He realized that making the farmers partners was an important and effective way to achieve scale. To strengthen the relationship, Masha was considering giving a share of equity to the farmers Babban Gona served. But he was worried that this move would go against the concept of a franchise model where a franchise and franchisor were supposed to be different entities. Also, if he did decide to do so, would he have to make all farmers eligible for equity or introduce criteria to select farmers as a shareholder.

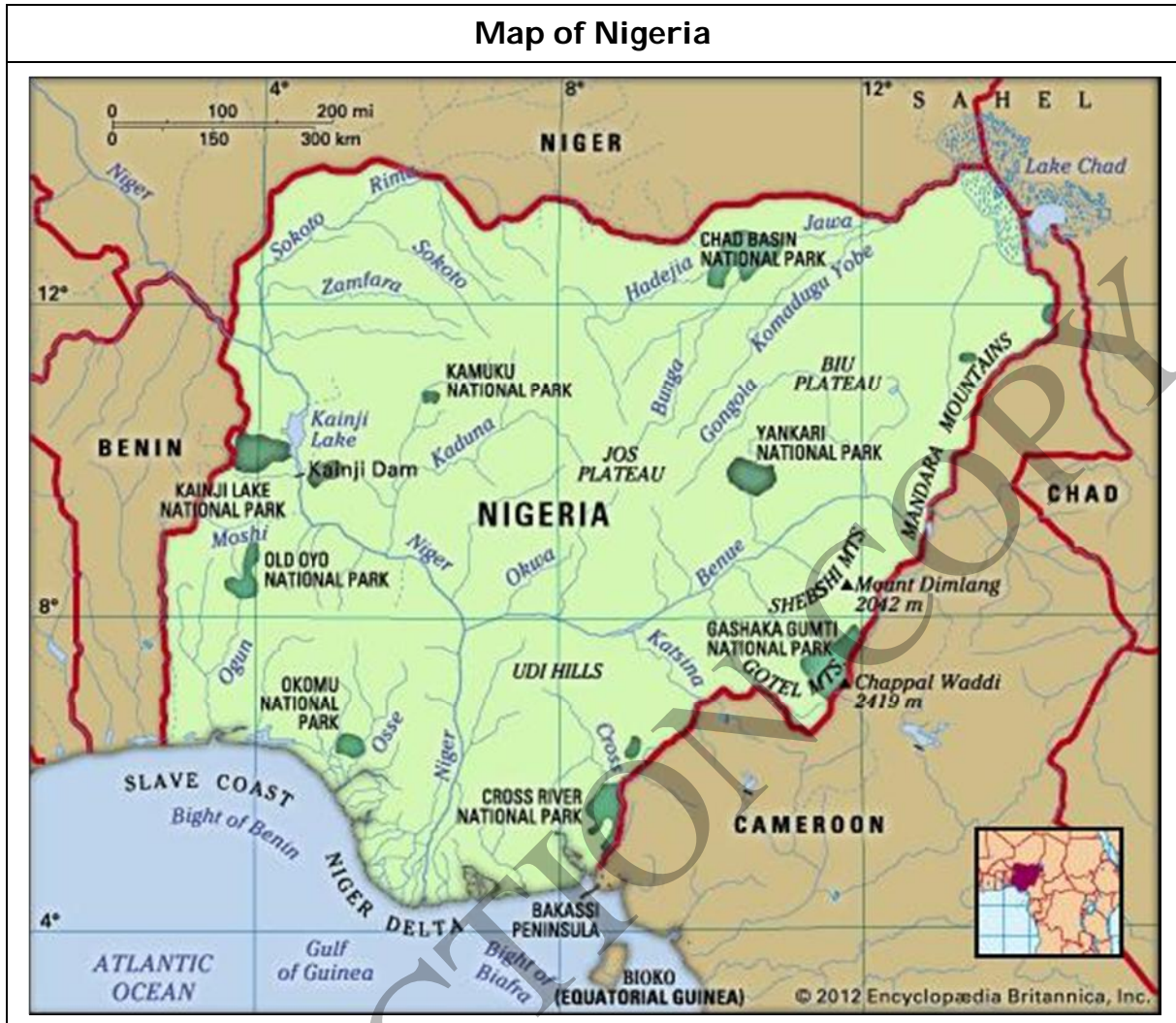
Exhibit I



Adapted from "Webinar | A New Approach to Financing Smallholder Farmers: Lessons from Nigeria," [www.youtube.com](http://www.youtube.com), January 30, 2015.

Exhibit II

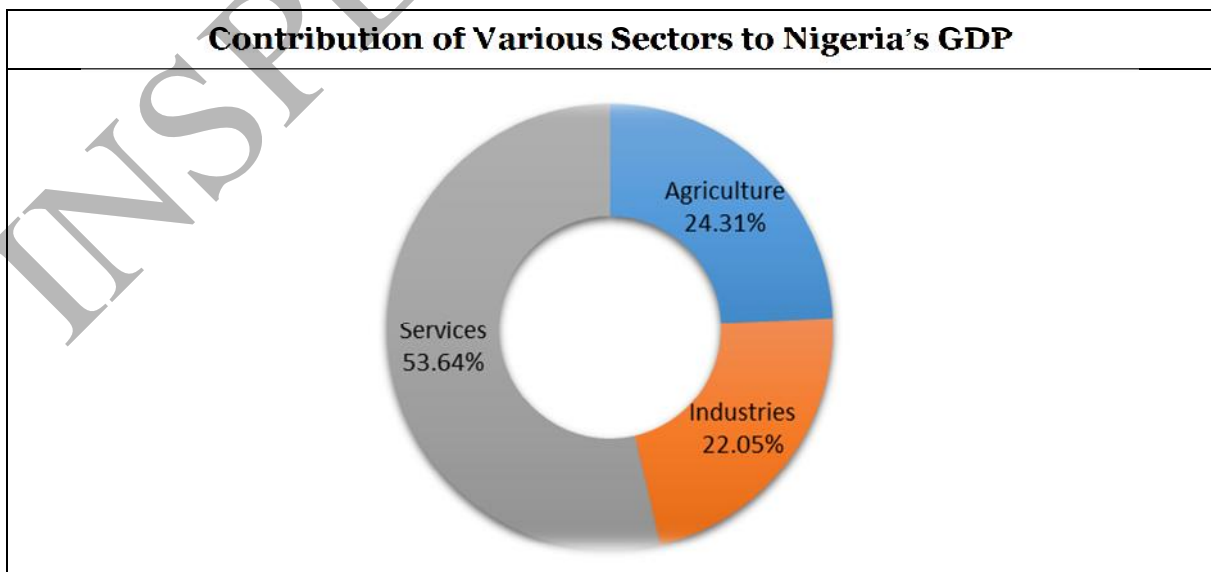
Map of Nigeria



Source: <https://media1.britannica.com/eb-media/98/5098-004-50D27FF0.jpg>.

Exhibit III

Contribution of Various Sectors to Nigeria's GDP



Adapted from [www.nigerianstat.gov.ng/](http://www.nigerianstat.gov.ng/)

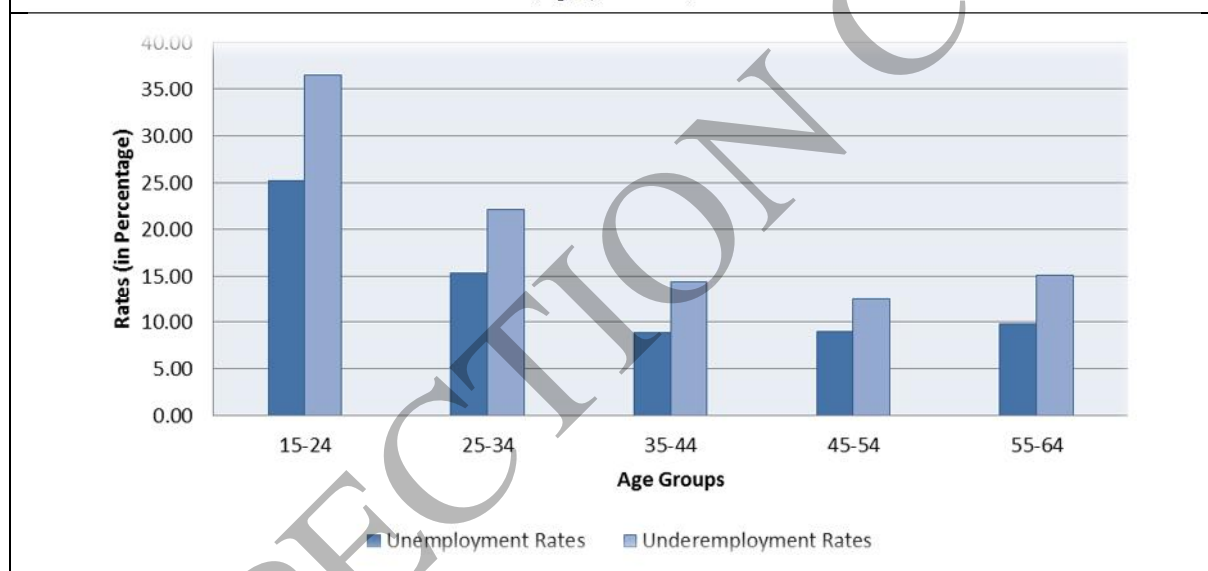
**Exhibit IV**  
**Age structure of Nigerian Population (2016 estimate)**

Age Group	Percentage of Total Population
0-14 years	42.79% (male 40,744,956/female 38,870,303)
15-24 years	19.48% (male 18,514,466/female 17,729,351)
25-54 years	30.65% (male 29,259,621/female 27,768,368)
55-64 years	3.96% (male 3,595,293/female 3,769,986)
65 years and over	3.12% (male 2,754,040/female 3,047,002)

Source: "Nigeria Demographics Profile 2017," [www.indexmundi.com](http://www.indexmundi.com).

**Exhibit V**

**Unemployment and Under-employment Rate in Nigeria by Age-Group (Q4, 2016)**



Adapted from "Unemployment Report Q4 2016," [www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

**Exhibit VI**

**Unemployment Rate in Nigeria (in Percentage)**



Source: "Labor-Market," <http://nso.nigeria.opendataforafrica.org>.

### Exhibit VII

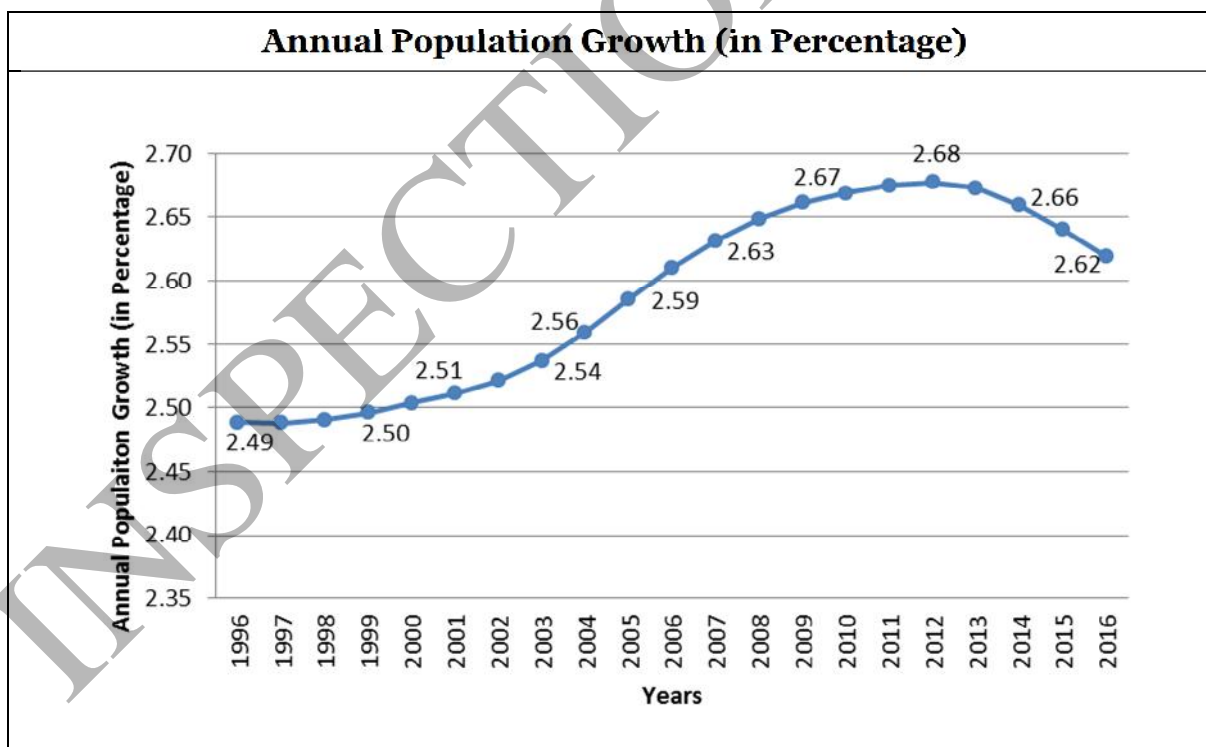
#### Shocking facts about Nigerian Unemployment as of June 2017

*According to a report published by the National Bureau of Statistics (NBS) of Nigeria on Monday, June 5, 2017*

- 7.90 million Nigerian youths in the age group of 15-34 were unemployed
- 40.54% of youths in the age group of 15-34 were unemployed
- 58.59% of youths in the age group of 15-34 were underemployed
- 5.09 million males and 6.46 million females were unemployed
- 24.22% of the employed females and 17.87% of the employed males were underemployed
- 3.44 million uneducated Nigerians found it hard to get a job
- The unemployment rate in rural areas had increased
- In rural areas, 6.85 million people were unemployed
- In urban areas, 4.70 million people were unemployed

Compiled from "Unemployment Report Q4 2016," [www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

### Exhibit VIII



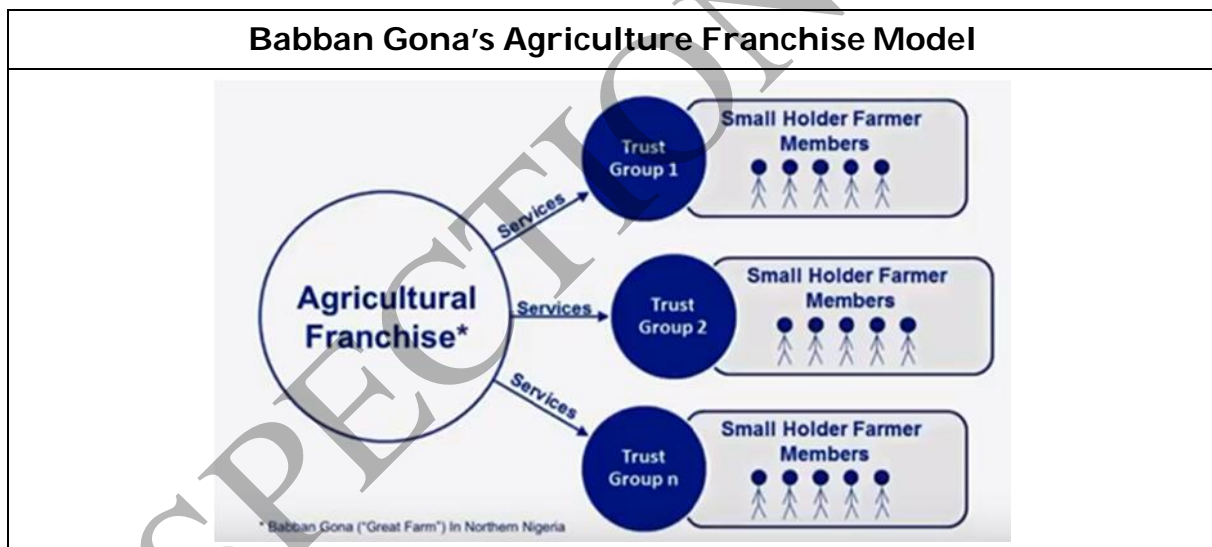
Adapted from <https://data.worldbank.org>.

### Exhibit IX



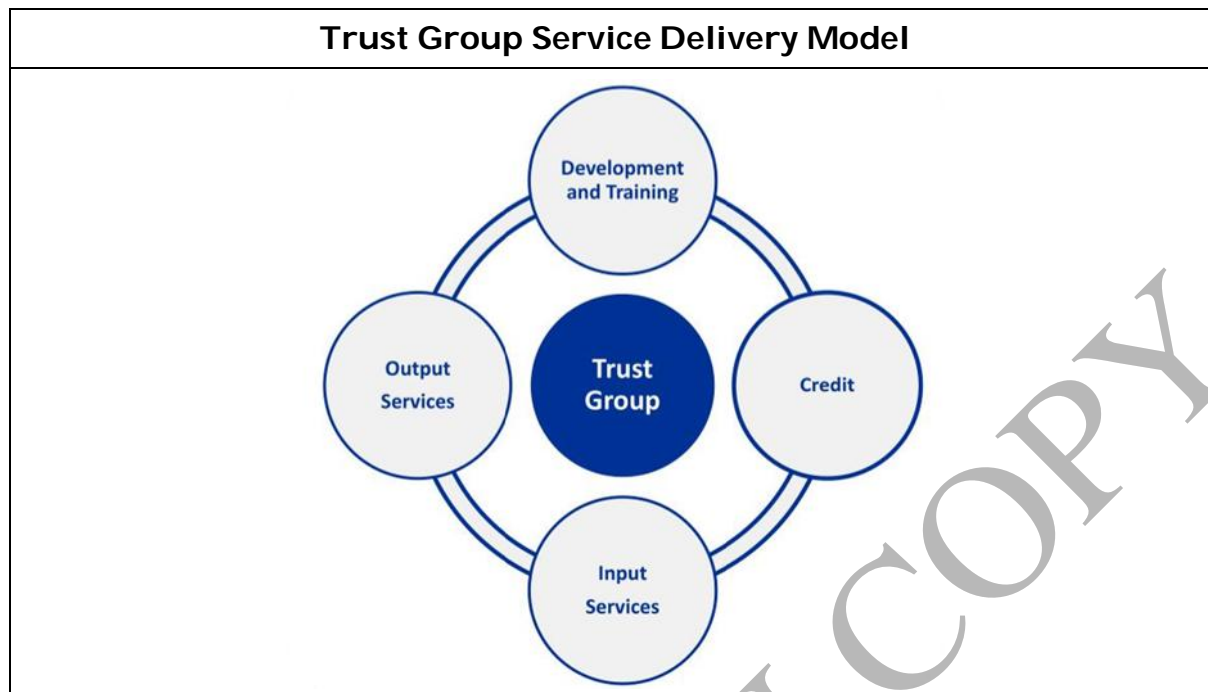
Source: <https://pbs.twimg.com/media/B7MmkASCEAAxwtw.png>.

### Exhibit X



Source: "Webinar | A New Approach to Financing Smallholder Farmers: Lessons from Nigeria," [www.youtube.com](http://www.youtube.com), January 30, 2015.

### Exhibit XI



Source: [www.slideserve.com/shayna/creating-companies-creating-wealth-creating-jobs-october-2012](http://www.slideserve.com/shayna/creating-companies-creating-wealth-creating-jobs-october-2012).

### Exhibit XII Training Smallholder Farmers



Source: [www.winrock.org/volunteer\\_blog/improved-training-and-services-for-small-scale-farmers-in-nigeria/](http://www.winrock.org/volunteer_blog/improved-training-and-services-for-small-scale-farmers-in-nigeria/).

**Exhibit XIII**

**Smallholder Farmer with Tailored Agriculture Inputs**



Source: <https://bthechange.com>.

**Exhibit XIV:  
Marketing Services**

**Yield Packed in Babban Gona Bag**



Source: [http://grainpro.com/gpi/index.php?option=com\\_content&view=article&layout=edit&id=227&Itemid=435](http://grainpro.com/gpi/index.php?option=com_content&view=article&layout=edit&id=227&Itemid=435).

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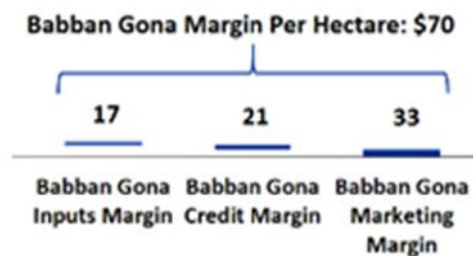
**Packed Yield at Babban Gona's Warehouse**



Source: <https://bthechange.com/sponsored-babban-gona-helps-subsistence-farmers-in-nigeria-c6bdd1450fa3>.

**Exhibit XV**

**Babban Gona Margin Per Hectare**





Source: "Babban Gona - BMGF Grant Annual Report," [www.babbangona.com](http://www.babbangona.com).

**Exhibit XVI  
Funding Details of Babban Gona**

<b>Year</b>	<b>Amount in US\$</b>	<b>Name of the Fund Provider Organization</b>
2012	US\$300,000	Alliance for a Green Revolution in Africa (AGRA)
2015	US\$4 million	Bill and Melinda Gates Foundation (BMGF)
2015	US\$50,000 unrestricted grants; US\$200,000 loan	Mulago
2017	US\$1.25 million	Skoll Foundation
2017	US\$ 4 million loan	FMO, via its Farmer Finance program

*Compiled from various sources.*

**Exhibit XVII (a)  
Impact of Babban Gona: Increased Yield and Income**

<b>Babban Gona Field Expected Yield 4 MT per Hectare</b>	<b>Non Babban Gona Field Expected Yield 1.5 MT per Hectare</b>
	

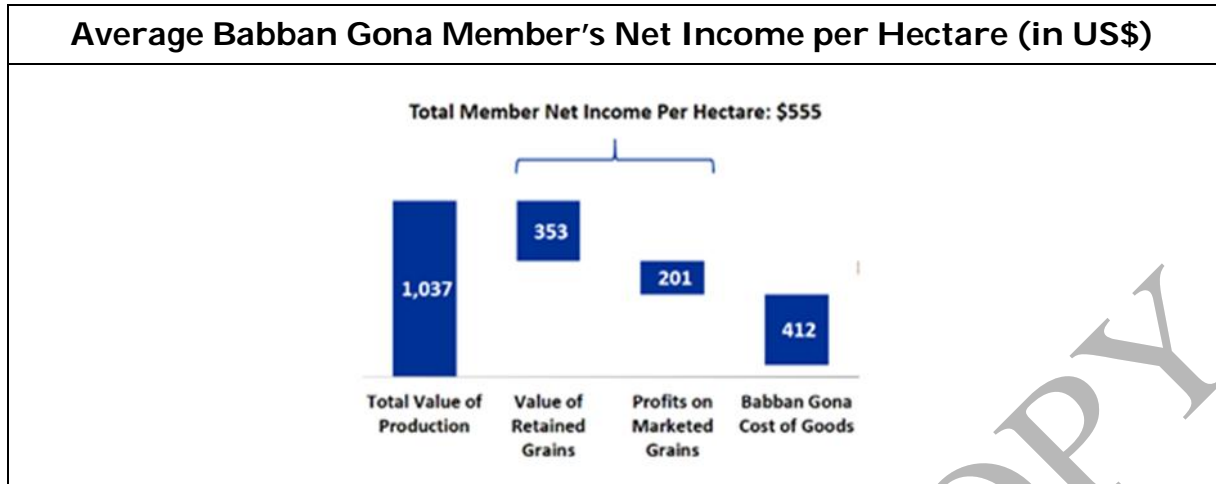
*Source: <https://image1.slideserve.com/3020568/impact-of-babban-gona-doubling-farmer-incomes-n.jpg>.*

**Exhibit XVII (b)  
Happy Smallholder Farmers with High Yield**



*Source: [www.babbangona.com/](http://www.babbangona.com/).*


Exhibit XVIII



Source: "Babban Gona - BMGF Grant Annual Report," [www.babbangona.com](http://www.babbangona.com).


Exhibit XIX

Babban Gona's Satisfied Smallholder Farmers



3x

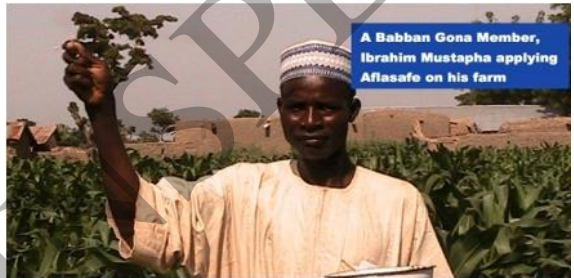
Number of times Na'omi Michael saw her income increase in 2013



6.9

Abdullahi Umar's yield of maize per hectare. 5 times higher than the average maize yield in Nigeria

Based on international standard crop yield estimates of 15% moisture content versus the FAO estimate of average maize yields in Nigeria.



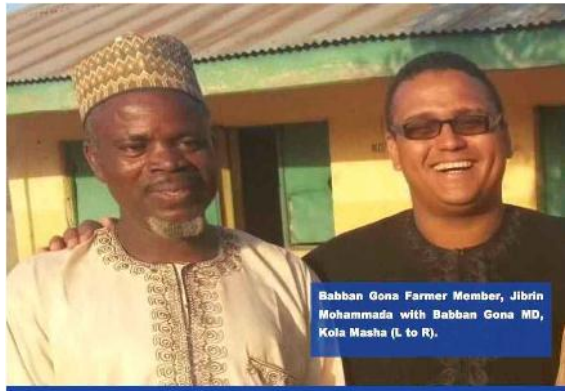
4.6

Ibrahim Mustapha's yield of maize per hectare. 300% higher than the average maize yield in Nigeria

\$1,000

Estimated income, in US Dollars, of Ibrahim Mustapha from his 1.1 Hectare Babban Gona Farm

Based on international standard crop yield estimates of 15% moisture content versus the FAO estimate of average maize yields in Nigeria. Estimate based on sale of his entire production at the local market price at harvest net of his Babban Gona loan.



6.2

Jibrin Mohammad's yield of maize per hectare. 5x higher than the average maize yield in Nigeria

Based on international standard crop yield estimates of 15% moisture content versus the FAO estimate of average maize yields in Nigeria.

Source: [www.babbangona.com/members-stories/](http://www.babbangona.com/members-stories/).