

KA DA TERRA Business Case



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Description of the Businesses



Name:

Ka da Terra Supermercados, Lda



Market Actor Type:

Large-scale produce buyer/ Retailer



Market System:

Supply chain management system



Size of Business:

Large (~100 employees)



Regions Served:

Buys from Central and North to sell in Grande Maputo consumer area

Customer Types

- In-shop customers
- Other large retailers
- Distributors
- Micro-retailers
- CSR Projects

Value Chains

Different types of quality products grown in Mozambique.

Main product tested: **rice**

Implementing the Innovation

Identification of the possibility of Ka Da Terra being an important actor in the process of distributing quality domestic produce

Adoption of a new targeted branding by Ka Da Terra to strengthen its role as a distributor of domestic produce in the market

Ka Da Terra adopted a pilot testing of a model to increase the sourcing and sale of domestic products. KDT acquired 20 metric tons of rice and sold 14,7t in less than 60 days

Ka Da Terra continues to consolidate the tested model and re-stocked by buying additional lot of 15 metric tones to sell for different partner retailers and distributors

Summary of the Opportunity

There was no appreciation of quality domestic produce to meet the country's internal demands, due to a lack of connection between different actors in the supply chain process, as producers, aggregators, retailers and distributors, high costs of transport and lack of quality certification.

Large Retailers with high specifications in terms of quality not finding local suppliers that meet their need (informality of suppliers - associations of smallholder farmers, aggregators) and thus, resorting to imports, especially from South Africa.



Low capacity of local suppliers

Unbranded locally sourced agriculture products leading to low quality perception by consumers of formal retail channels.

High transaction costs for buyers in urban areas when sourcing from rural areas due to lack of transport coordination.

Lack of coordination

Consumers not valuing local goods

Innovation Overview

FTF Inova worked in partnership with Ka Da Terra to co-invest in developing the local supply chain and creating some commercial connections between producers, aggregators and large-scale retailers.

Ka Da Terra's Vision

Developing the brand and investing in demand activation as well as developing a distribution function for supply - mainly increasing the sourcing and sale of domestic produce.

Inova's Support

- Help identify potential suppliers and test backhauling transport system to reduce transaction costs.
- Explore availability of Mozambican-grown products in urban formal retailers and consumer response. Testing alternative sales channels.

Ka Da Terra has now adopted the following 3 tactics:

1

Develop and adopt a target branding and invest in demand activation

2

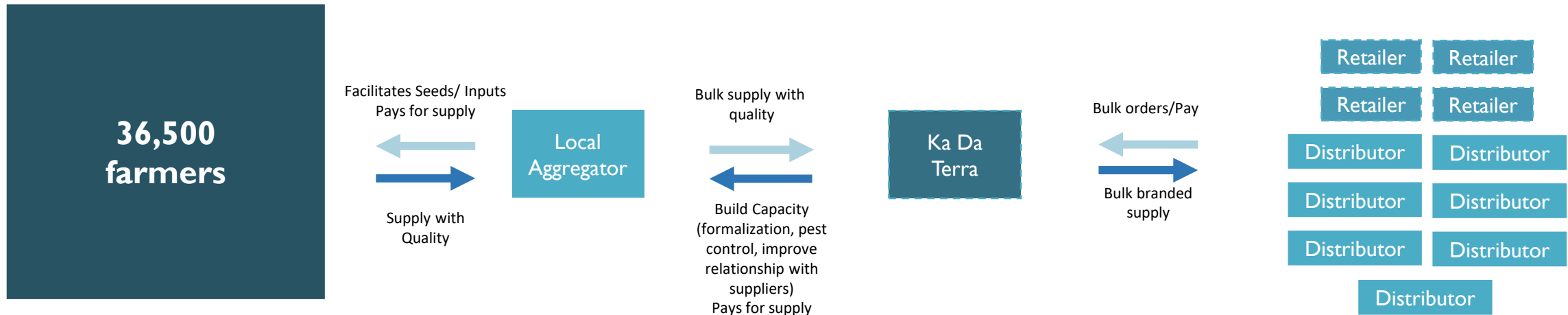
Establish business relationships with a local aggregator, a packaging and a transport service

3

Establish business relationships with other sales points (distributors and micro-retailers)

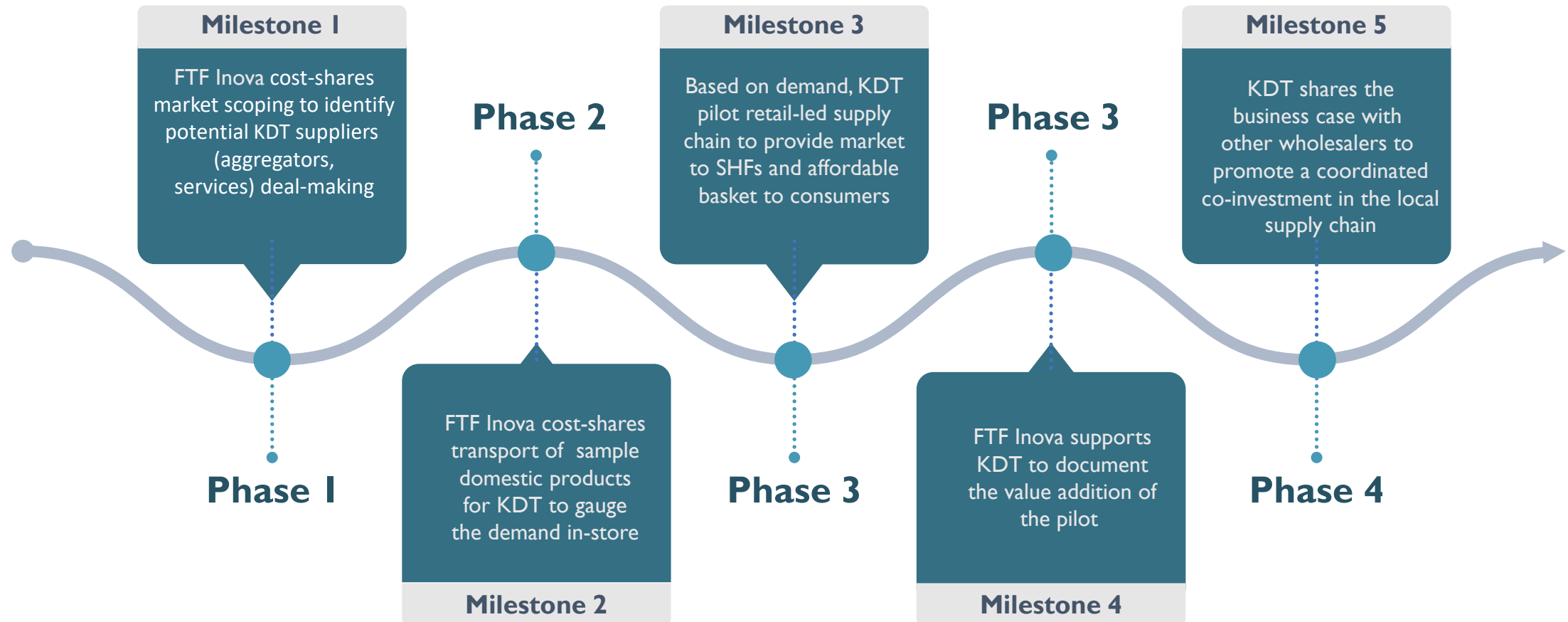
Innovation Overview

FTF Inova worked in partnership with Ka Da Terra to establish a model capable of sustaining minimum quality standards in domestic markets and thus increasing market access and satisfying latent demand.



Innovation Overview

Timeline of implementation



Value Proposition to Customers of the Innovation



Customer Type:

Both quality conscious and low income

Customer Activities:

Distributors, micro-retail, individual consumers

Size of Business:

Varying sizes

Reasons for Buying / Consuming Product or Service

Perception of quality from a nutrition perspective since local goods are fresh and produced mostly with reduced use of chemicals.

Why is this new business practice adding value to the customer?

- Efficiency of service/goods provision
- Increased access to nutritive goods by quality conscious consumers (1st quality)
- Increased access to affordable baskets to low income customers (2nd quality)

1

Higher-value market access

This innovation has allowed access to higher-value market for 36,500 SHFs from Zambézia Province.

2

New commercial relationships

Integration of 4 local business in the market: formalization (Impere Processor, association of 25 women) and deals (packaging and transport).

3

Access to locally produced products

KDT manager said: - "We are Proud to be the first supermarket chain with its own brand of Mozambican quality products in the market"

Financial Overview

Impact of the innovation on the bottom line

Change in Sales



KDT increased its rice sales in 2021, 3 times more than the quantity sold in 2020 (5.172 t); KDT 1st quality rice brand 2nd best sold at a wholesaler' shops.

Change in Type of Customers



KDT had no distribution role before the partnership. Now, it has new supply agreements with 2 wholesalers and 5 micro-retailers.

Operational Costs



Primary investments include incentives to formalize and upgrade performance of suppliers, packaging, transport and marketing services.

Summary of Key Financial Metrics

- Increased rice sales (profit margin 12.5%, represents 33% of general growth of sales)
- General business growth slow (Covid-19 crisis)

Summary of Other Key Metrics

- New network of customers (distributors, micro-retailers and CSR Projects)
- New function: distribution
- New business relationships: packaging and transport services.

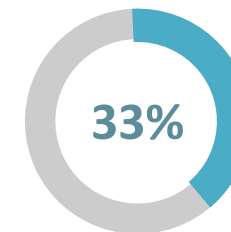
Key Data Points



Increased suppliers: contracts signed with one aggregator and on-going negotiations with four others



3x
increase in rice sales
2021 vs. 2020



of overall sales growth was driven by increase in rice sales

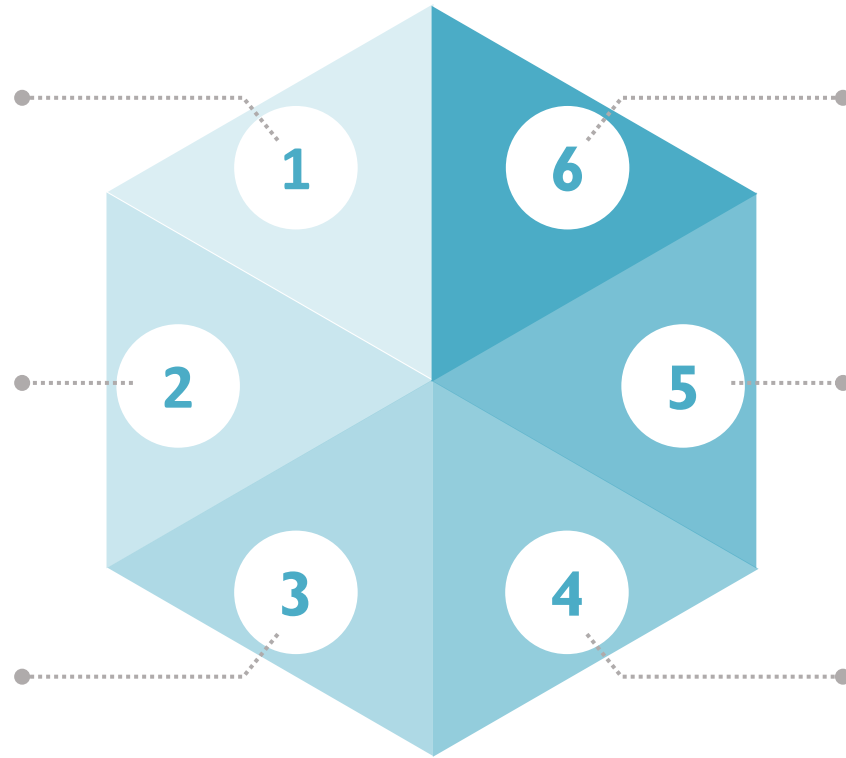
Recommendations and Way Forward

Opportunities

Include in the model other brands of produced in the domestic market in addition to rice

Expand the business to other types of customers - different corporate social responsibility groups

If the demand continues to grow, build more relationships with other aggregators or farmer associations



Use additional business cases to promote a more coordinated procurement of local produce from north and central regions for cost-sharing of operational costs

Document value-proposition of other brands of crops for wholesalers and retailers and value-addition for customers

Continues to expand the business relationship with services (packaging, transport) in central region

Risks

The major risks include Covid-19 crisis limiting KDT investment capacity and other wholesalers not buying into the idea of coordinated procurement.



One way to overcome this risk is to support KDT in expanding proof of concept to other crops and regions and use that evidence to attract different wholesalers and ensure that formal contracts and/or agreements are signed with partner wholesalers.



Methodology

Ka Da Terra is still a partner of FTF Inova and provided information on buying and selling

This type of partnership with FTF Inova normally involves this flow of information, which helps FTF Inova to better understand the development of the activity, as well as the practical results.

Ka Da Terra recently gave a presentation to Inova to talk about the progress of implemented innovation

The main objective of the presentation was to observe the state of the activity and, above all, collect information to understand if the partner can continue to implement this type of innovation in its business, regardless of FTF Inova's support.