

# Miruku – Supplier Clubs Business Case

**Mines Miguel** | [mines\\_miguel@ftf-inova.com](mailto:mines_miguel@ftf-inova.com)

**Jahamo Calima** | [jahamo\\_calima@ftf-inova.com](mailto:jahamo_calima@ftf-inova.com)

**Meghan Bolden** | [mbolden@marketshareassociates.com](mailto:mbolden@marketshareassociates.com)

**Vivekan Jeyagaran** | [vjeyagaran@marketshareassociates.com](mailto:vjeyagaran@marketshareassociates.com)

**Carolina Corrêa** | [ccorrea@marketshareassociates.com](mailto:ccorrea@marketshareassociates.com)



**USAID**  
DO POVO AMERICANO

## Description of the Business



**Name:**

Miruku Agro-Indústria



**Market Actor Type:**

Processor



**Market System:**

Supply chain management



**Size of Business:**

Medium



**Regions Served:**

Monapo [Nampula] and Alto Molócuè  
[Zambézia]

### Customer Types

- Farmers
- VBAs

### Value Chains

Buy, process and sell agricultural products – especially maize and soya beans

## Implementing the Innovation

Presentation of a proposal to improve the relationship with producers in supplier clubs (SCs) to ensure production quality and price agreement.

Establish purchasing terms with SCs and introduce a strategy centered around offering incentives and rewards to club-affiliated producers to improve production quality and increase trust and loyalty.

Offer support and technical assistance to producers who are part of the SC in order to ensure quality production and sustainability of pre-agreed terms (production volume and price).

Collecting feedback from producers at the end of the season. Expansion of the supplier club model in other locations.

## Summary of the Opportunity

The Cooperative and Association Model of supply chain management faced constraints that limited the profitability of the offtaker-producer relationship, and, in turn, presented opportunities for improved quality of production, reliability of production, and ultimately, improved profitability.

Producers frequently engaged in side-selling, given the unreliable buyer-supplier relationship, which further undermined the relationship between the actors involved and hindered the predictability of supply volume

Limited loyalty between the producers and Miruku

Current models of supply chain management featured limited to no incentives for higher performing producers, thus limiting their entrepreneurial growth, and in turn, optimal supply for offtakers like Miruku Agro-Indústria

Limited growth potential among producers

Quality of production was limited by the producers' limited access to higher quality inputs (i.e. improved seeds and fertilizers) and technical assistance for improved agricultural practices

Limited quality & quantity of production from producers

## Innovation Overview

**FTF Inova supported Miruku to develop and implement a transparent performance management mechanism using Supplier Clubs to increase farmer quality production, trust and loyalty, reducing side-selling.**

### Miruku's Vision

Miruku was interested in implementing this innovation due to its potential to: (1) increased producer crop quality and (2) increase producer loyalty and, as a result, reduced side-selling and improved reliability

### Inova's Support

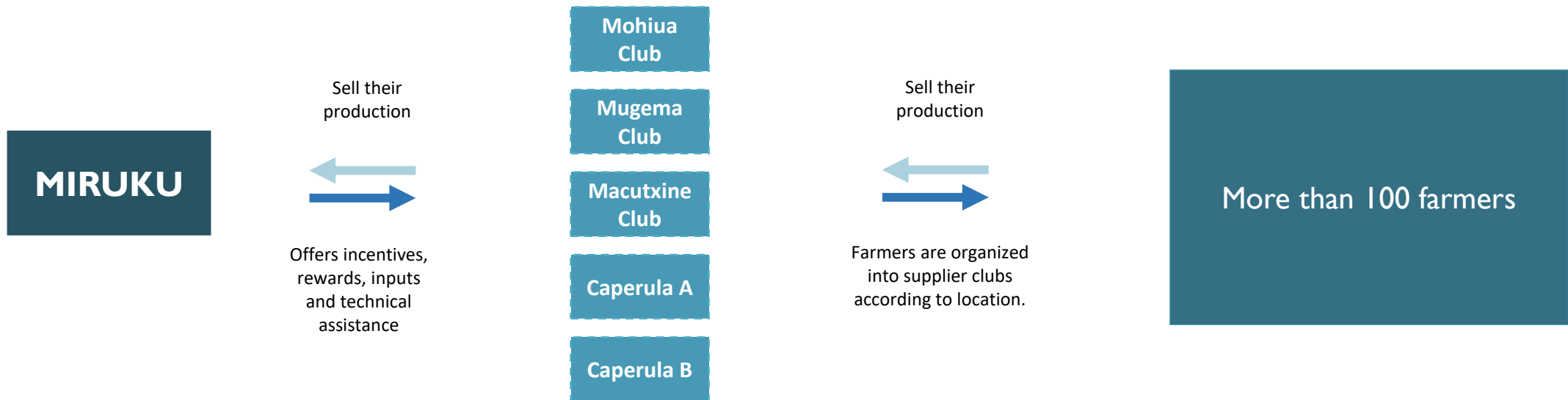
FTF Inova provided technical assistance in designing the new supply chain management mechanism and co-invested in key elements of the model

## Miruku has now adopted the following 4 tactics:

- 1 Establish purchase terms** with producers (supplier clubs) at the beginning of the growing season
- 2 Facilitate access** to quality inputs and technical assistance to producers
- 3 Segment clubs** into different membership levels offering financial and non-financial incentives and rewards
- 4 Improve customer-centricity** by conducting surveys to collect feedback from producers on the functioning of the supplier clubs

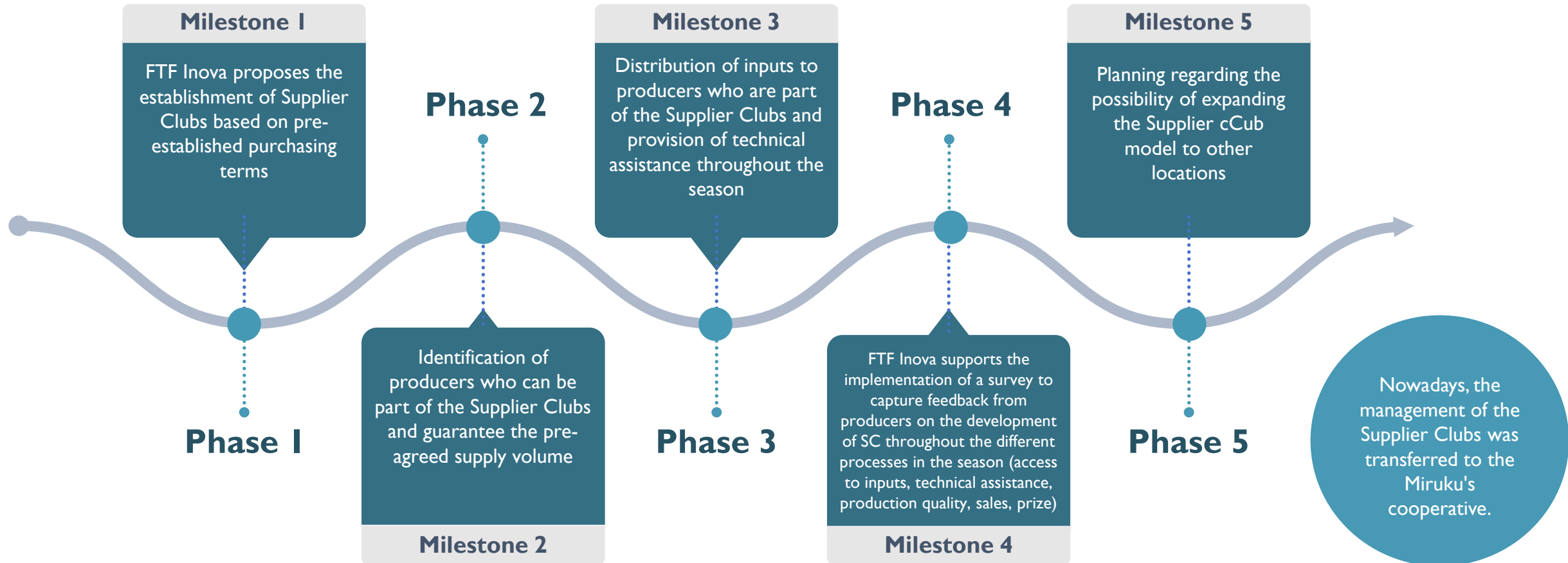
## Innovation Overview

**FTF Inova worked in partnership with Miruku to co-invest in the establishment of Supplier Clubs formed by maize and soybeans producers to sell to Miruku through pre-agreed purchase terms**



## Innovation Overview

### Timeline of implementation



## Value Proposition to Customers of the Innovation - Producers



**Customer Type:** Farmers (producers)

**Customer Activities:** Maize and soybean production

**Size of Business** Small scale  
(national average is around 1.1 ha)

### Reasons for Buying / Consuming Product or Service

The participation of suppliers in the Supplier Clubs gives a guarantee to the producers that they will have access to inputs, some technical assistance and that their production will be purchased.

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

- Efficiency of service/goods provision
- Increased input access
- Increase technical assistance access
- Increased agency
- Improved productivity of their business

1

#### Formal and guaranteed commercial relationships with buyers

*“Since joining the supplier club, he noticed good sales changes in an associative way that is safer, and the production techniques he learned were very important” (Male farmer)*

2

#### Increased access to higher quality inputs and technical assistance

*“There were changes in my agricultural practices, as I received training where I learned production techniques (sowing in line and obeying certain spacing), and then, my productivity increased” (Male farmer)*

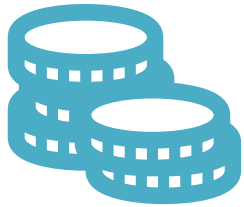
3

#### Stronger cooperation and reputation within their community

*“In the community there has been greater unity. Due to the ease of transportation that Miruku provides, some producers have delivered their product to club members, so club members sell the product at the club and then deliver to producers the corresponding value for the product sold” (Male farmer)*

## Financial Overview

The Supplier Club model improved productivity and quality control, thereby reducing costs and increasing profitability



**\$72.000,00 USD**

Approximate total investment directly related to the set-up, and management of the Supplier Club innovation



**38% Increase in Productivity**

Increased productivity of maize in the Alto Molocue district where the Supplier Clubs model was implemented

### Key Data Points

**Higher quality maize** increases operational efficiencies and reduces quality control costs (i.e., cleaning, drying, and selecting)



**Increased Quality Of Maize**

67% of maize sourced from the Supplier Clubs was of high quality selected for processing compared to 60% sourced outside Supplier Clubs



**16% Higher Prices**

Miruku paid farmers 16% higher for quality maize due to the reduced cost of selecting grains and potential for improved profits

**Pilot started with 5 Supplier Clubs** sourcing from over 100 farmers

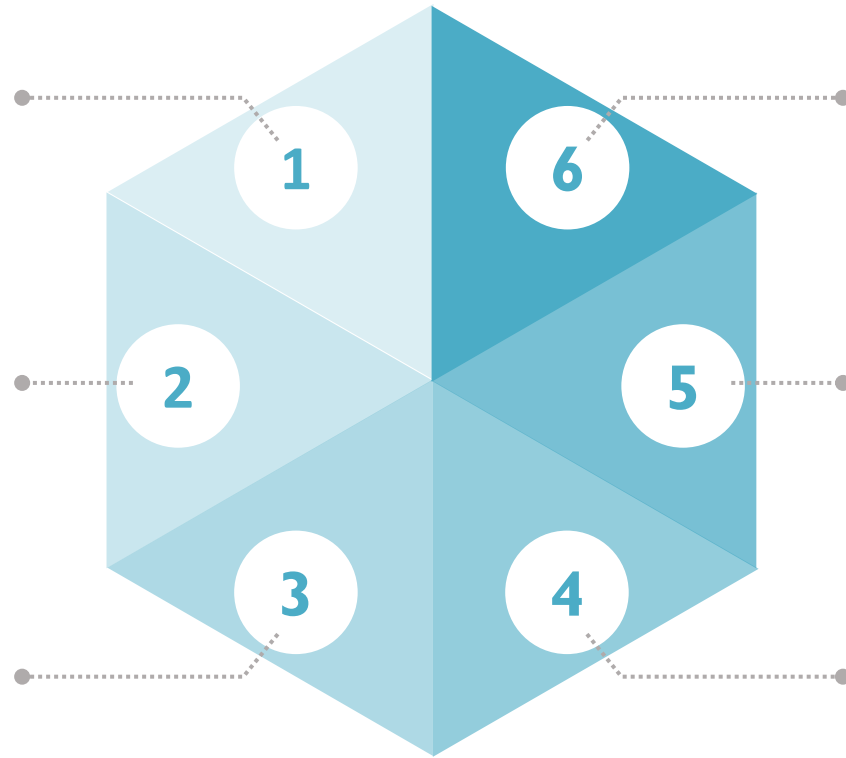


**Recommendations and Way Forward - Considering Miruku's Cooperative that will take over the management of supplier clubs**

Expansion of the SC model to other regions having a third party to manage the relationship with suppliers

Increase Technical Assistance for better results in places that produced less

Improve the consistency and reliability of the rewards and incentives provided to high performing producers



Seed distribution must be sensitive to the planting season (improved customer-centricity)

Develop stronger formal relationships/partnerships with input and agro-chemical providers to ensure timely delivery to farmers

Develop micro-hubs for technicians that are closer to more remote farming areas to ensure the TA reaches them

**Risks**

Phenomena external to the process - climate issues such as extreme weather (drought and/or heavy rain) that can harm agricultural production

Even if an agreement between producers and Miruku (or de Miruku's Cooperative) operates through the supplier club system, some producers may find buyers who pay more for the production and sell all or part of the production to them

## Methodology and Assumptions

### Methodology

