CASA
Commercial Agriculture for Smallholders and Agribusiness

Contract Farming: KUNAP's Strategic Partnership for Sustainable Soybean Production

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CONTEXT

Ethiopia's 10-Year Agricultural Development Plan (2021–2030) prioritizes modernizing agriculture, boosting productivity, and enhancing rural livelihoods. Strategic emphasis is placed on expanding key crops like wheat, soybeans, and rice, alongside promoting irrigation, mechanization, and agro-processing. Within this framework, contract farming plays a pivotal role, linking smallholder farmers with agribusinesses to accelerate transformation. The model enables companies to scale production without major investments in land or infrastructure, while smallholders benefit from reduced market uncertainty, improved access to inputs and services, and increased income and resilience. Despite its potential, contract farming in Ethiopia has remained fragmented—largely limited to small-scale initiatives by development actors in select commodities. A key constraint has been the absence of legal instruments to govern and enforce contractual obligations, resulting in issues like side selling and failure to deliver agreed inputs or support. These challenges have weakened trust and undermined the credibility of contract farming arrangements.

To address this, the government introduced the Agricultural Production Contract Proclamation No. 1289/2023, which allows either party—the contractor or producer—to initiate agreements and outlines comprehensive contract elements, including product types, pricing, delivery terms, input provision, tracking mechanisms, and more. The Proclamation also clearly defines the rights and responsibilities of all parties around input support, farm oversight, produce verification, documentation, and timely payments—fostering fairness, accountability, and shared risk. To support implementation, the Ministry of Agriculture issued the Agricultural Producer-Processor Guide No. 1027/2017, providing detailed guidance on processor responsibilities, managing production and price fluctuations, and navigating force majeure scenarios.

Soybean is a priority commodity due to its potential for domestic value addition, environmental benefits from nitrogen fixation, strong productivity, lower production costs compared to nutrient-intensive crops like maize, and growing market demand. It is also strategically important for the Ethiopian government as a substitute for edible oil imports and a key input for livestock feed. However, the sector faces persistent challenges, including input shortages, pest and disease pressures, weak market coordination, and high post-harvest losses and still, significant barriers remain. Broker interference—offering incentives to union members—has disrupted contract adherence. Previous market failures, where farmers were unable to sell surplus production, have further eroded confidence and contributed to soybean shortages in 2024 and 2025.

CASA'S INTERVENTION IN ETHIOPIA

The Commercial Agriculture for Smallholders and Agribusiness (CASA) Programme, funded by FCDO since October 2022 – and implemented by NIRAS with input from Swisscontact – focuses on building inclusive, climate-resilient agri-food systems that enhance smallholder incomes and attract return-oriented investment into agribusinesses working with smallholder supply chains. In Ethiopia, CASA has identified key actors in the soybean and vegetable value chains to strengthen productivity and incomes. In response to the challenges above, CASA provides technical support and grants to key partners—such as Kunifira Agro-Processing Plc (KUNAP)—to address systemic challenges in the soybean value chain. CASA co-developed a business plan with KUNAP to strengthen contract farming and enable direct sourcing of raw materials, while engaging the private sector to tackle broader constraints.

Through partnerships with agribusinesses, CASA promotes inclusive business models that improve market access, deliver climate-smart advisory services, and facilitate access to inputs and credit. Working with cooperative unions, CASA has co-created climate-smart interventions, particularly with edible oil processors and organic fertilizer producers, to enhance contract farming and strengthen soybean supply for local oil production. In 2024, CASA supported a contract farming agreement between KUNAP and soybean producers in Buno Bedele Zone, Oromia Region. This was facilitated through the Bedele and Chewaka Cooperative Unions and aimed to improve market access for farmers affected by price volatility, production risks, and input shortages, while providing tailored technical support.

KUNIFIRA AGRO-PROCESSING PLC (KUNAP)

Founded in 2011, KUNAP produces edible soya oil and soya meal using mechanical pressing, with processing capacities ranging from 2 to 7 tonnes per hour. Its main raw materials—soybean and maize—are consumed at 13,440 tonnes and 19,220 tonnes annually at full capacity. With 100 staff (30% women), KUNAP is poised to scale up operations and triple raw material use. To secure supply and support smallholders, the company partners with two cooperative unions through contract farming, providing technical assistance to enhance climate resilience and productivity. With support from CASA, KUNAP is implementing its first contract farming agreement in alignment with Ethiopia's Agricultural Production Contract Proclamation. This partnership reflects KUNAP's commitment to building long-term relationships with farmers and cooperative unions as the cooperatives will serve as the key distributor of KUNAP's processed oil. This multifaceted partnership reinforces the long-term vision of a sustainable and integrated business model. As part of the initiative, KUNAP signed formal agreements with the Buno Bedele and Hunde Chewaka Unions in Oromia's Buno Bedele Zone.

The partnership with CASA also helped strengthen KUNAP's internal capacity in contract farming. Three staff members received targeted training at the outset and now lead the effective implementation of these practices within the company. Through short-term technical assistance, CASA engaged a consultant to assess the feasibility of contract farming for KUNAP's business model and tailor the agreement in line with the national proclamation. A localized contract document was developed in the local language, followed by joint consultations to ensure practical implementation.

In collaboration with the Oromia Agriculture Bureau, the national contract farming template was adapted to the regional context. With regional endorsement, KUNAP and CASA initiated stakeholder discussions in major soybean-producing zones, bringing together officials from agriculture, cooperatives, trade, and related sectors. The resulting agreements with Buno Bedele and Hunde Chewaka Unions clearly defined roles, responsibilities, and key contract terms—including legal frameworks, input provision (seed and bio-fertilizer), and a minimum transport batch of 400 quintals to improve logistics and reduce costs.

SOYBEAN CONTRACT FARMING AGREEMENT SIGNING

CASA facilitated the negotiation and signing of the agreements, underscoring mutual commitment and long-term benefits. Relevant stakeholders—including the Agriculture and Trade Zone Departments—participated in the contract signing ceremony to provide oversight and ensure effective implementation. A formal signing ceremony was held for the Soybean Contract Farming Agreement between KUNAP and the Buno Bedele and Hunde Chewaka Farmers' Cooperative Unions. In line with the legal requirement for witnesses and enforcers of contract farming agreements, the event was attended by representatives from the Buno Bedele Zone Bureau of Agriculture, Cooperative Agency, and Bureau of Trade.

Following the contract agreement, KUNAP promptly delivered all agreed agricultural inputs and technical support. It supplied 72 quintals (7.2 tonnes) of soybean seed for multiplication, which 360 farmers—including 29 women—accessed through an in-kind loan. The company also monitored producer activities and provided agronomic training to local experts to enhance technical support for farmers.

Contract farming agreement signing

KEY DISCUSSIONS AND AGREEMENTS

Soybean Quality: Quality and all related aspects have been agreed upon through the contract farming agreement. Within the union, member cooperatives will actively participate in training sessions and field visits to enhance their awareness of quality standards and contract farming practices. Additionally, farmers will receive continuous support and follow-up from agricultural experts/Development Agents (DAs) and other experts to ensure the production of high-quality soybeans.

Harvesting Process: To ensure high-quality soybean production, threshing must take place on clean ground to prevent contamination with soil. Farmers are expected to adopt proper harvesting and threshing techniques to maintain crop integrity, minimizing excessive handling that could lead to damage.

Transportation and Storage: Once harvested, soybeans should be transported using appropriate methods to preserve quality. Proper handling will help prevent physical damage and contamination during transit from the field to storage facilities managed by farmers' unions. These storage locations must adhere to required standards to maintain soybean quality until further processing or distribution.

Expert Oversight and Quality Assurance: Agricultural experts will closely monitor each stage of harvesting and transportation to ensure compliance with best practices. Their guidance will support farmers in maintaining soybean quality, reducing post-harvest losses, and enhancing the overall market value of their products.

Aggregation: Once the harvested soybeans are stored at the unions, KUNAP will work closely with the unions to coordinate collection and ensure the soybeans are properly prepared and delivered for production.

CONTRACT COMMITMENT IN ACTION

KUNAP, in collaboration with CASA, organized a three-day soybean farm field visit and experience-sharing event from 13-16 November 2024 (photos), in the Buno Bedele Zone of Oromia Region, Ethiopia. The visit aimed to raise awareness on the use of improved seed varieties and the adoption of good agronomic practices essential for successful contract farming. Among the 181 participants were zonal government officials, agricultural professionals from various sectors, and managers of farmers' cooperatives and cooperative unions from Buno Bedele and Hunde Chewaka, along with soybean farmers actively involved in production. Participants visited two centrally-located seed multiplication plots designated for wider distribution. Farmers shared their experiences in soybean cultivation, highlighting challenges such as delays in seed and fertilizer delivery due to late contract signing. They also offered suggestions for improving future implementation. Experts provided tailored recommendations based on field observations to help farmers enhance productivity.

Farmers not currently involved in contract farming expressed strong interest in joining the initiative. Local administrative bodies from both districts also voiced their support, recognizing the model's potential to strengthen linkages between producers and processors. Officials extended their appreciation—particularly to CASA and KUNAP—and reaffirmed their commitment to ensuring the success of the initiative.

CAPACITY-BUILDING THROUGH POST-HARVEST TRAINING

KUNAP, in collaboration with CASA Ethiopia, then conducted a two-day post-harvest training from 3-4 January 2025, targeting cooperative union managers, agricultural professionals, and marketing experts. The training formed part of the ongoing technical and advisory support outlined in the contract farming agreement. A total of 42 participants, including 11 women, attended the training, which covered essential topics such as basic marketing principles, customer relationships, pricing strategies, cost management, quality control, product standardization, and storage and transportation methods. Experts from the Buno Bedele Zone Agriculture and Trade Offices, along with an expert from KUNAP, led the sessions, fostering active engagement through discussions, question-and-answer exchanges, and presentations.

The initiative enhanced participants' understanding of the post-harvest value chain, equipping them with practical skills to improve soybean marketing, pricing, and quality management. Strengthened market linkages are expected to boost profitability and contribute to the broader development of the soybean sector. The training also fostered closer collaboration between soybean producers in Buno Bedele Zone—including members of Buno Bedele and Hunde Chewaka Unions—and KUNAP.

Soyabean post-harvest training participants

SOYBEAN COLLECTION AND MARKET CHALLENGES

KUNAP maintained close communication with unions and zonal officials to monitor developments across the zone and support effective implementation of soybean production. The initial target was to collect 14,000 quintals (1,400 tonnes) of soybeans—6,000 quintals from Buno Bedele Union and 8,000 from Hunde Chewaka Union. However, during the current harvest season, only 316.20 quintals were procured through the contract farming arrangement, highlighting persistent challenges in meeting collection targets. Despite the follow-up and support delivered by Kunifira as per the contract agreement, only 2.5% of the committed soybean input supply was delivered. The unions were unable to fulfil their contractual commitments, primarily due to low production from member cooperatives. A key contributing factor was the unions' limited capacity to make data-driven decisions and to effectively communicate the opportunity to their members in a timely manner. Furthermore, the unions were not proactive in recovering seeds distributed to farmers and showed limited collaboration with relevant partners which further hindered their ability to meet their responsibilities.

In the absence of reliable data, the unions based their projections on the previous year's surplus soybean production and significantly overestimated their expected output for the season. This led to unrealistic supply commitments that they were ultimately unable to fulfil. The low production was driven by two key challenges: delayed seed distribution—resulting from the prolonged contract finalization process—and insufficient rainfall during the growing season. To address future supply challenges, KUNAP and the unions have agreed to reserve a portion of this year's soybean harvest for seed distribution. This initiative aims to expand farmer participation and improve soybean production in the upcoming season. With this preparation and the strong relationship now established with the unions, it is expected to have a more successful production cycle next year.

MARKET CONDITIONS AND KUNAP'S RESPONSE

The current spike in soybean prices is a direct result of limited production. Under these conditions, it is not economically viable for KUNAP to purchase soybeans from the open market. For example, producing five litres of soybean oil under current market prices would cost approximately 2,100 ETB, while imported oil of the same volume is available for around 1,700 ETB. To navigate this challenge, KUNAP has adopted two strategic approaches:

1. **Selective Production for High-Value Clients:** KUNAP is producing soybean oil exclusively for clients who pay in foreign currency at premium rates. This allows the company to remain profitable even when sourcing soybeans at higher market prices.
2. **Processing Services for Other Companies:** KUNAP is also offering processing services to companies that supply their own soybeans. For instance, KUNAP is currently working with a company which provides the soybean input and receives the processed oil and soybean cake in return. KUNAP charges a service fee for this arrangement, processing up to 25,000 quintals this season. This strategy has kept operations running and employees engaged during the off-season.

According to Tesema Kelbessa Tufa, Quality Assurance Manager and Special Advisor to the CEO, KUNAP, "Although the unions were unable to fully meet their supply commitments under this season's contract farming agreement, KUNAP remains firmly committed to strengthening and expanding our contract farming model. The investments we've made in seed preparation, along with the valuable lessons learned this season, have laid a strong foundation for future success. We are optimistic about achieving improved results next year and look forward to sourcing a larger share of soybean inputs directly from the unions."

LESSONS LEARNED

Enhancing Market Linkages to Ensure Consistent Supply of Quality Soybean: Strengthening market linkage mechanisms is essential to ensure adequate and consistent supply of high-quality soybean while fulfilling contract farming obligations. Facilitating reliable access to markets—especially for surplus production—encourages farmers to increase output and produce consistently, avoiding sawtooth production patterns. Addressing market bottlenecks and providing targeted support can rebuild farmer confidence and stability and improve the overall marketability of soybean products.

Navigating the Learning Curve: Given the limited experience and awareness around contract farming, this initiative offered valuable insights that have laid a foundation for future improvement. It provided a practical learning platform for KUNAP, the unions, and other stakeholders engaged in similar ventures, aligned with the national contract farming framework.

Building Buy-In Across Stakeholders: Field visits and training sessions were instrumental in raising awareness, clarifying the principles of contract farming, and outlining roles and responsibilities. Achieving behaviour change among agricultural experts, unions, and cooperative leaders will be critical, particularly in the absence of formal accountability mechanisms. For now, trust-building remains the most viable tool for fostering collaboration and commitment to contract farming success.

Streamlining the Contract Signing Process: Since this was a first-time experience for many stakeholders, contract signing delays emerged as a major challenge. In some cases, farmers planted alternative crops before agreements were finalized. Expediting the signing process in future cycles will be vital to align input delivery and planting timelines.

Continuous Capacity Building and Trust Development: Building trust is essential in the success of contract farming, and that trust hinges on the commitment of all parties involved. In the case of KUNAP, the company's dedication was clearly demonstrated when it proceeded with the first batch of procurement despite significant price volatility and the minimal volume delivered. This unwavering commitment played a pivotal role in encouraging the Chewaka Union to honour the contract and proceed with the sale. Additionally, the strong support from the zonal office—who closely monitored the process and acted as key enforcers—was instrumental in bringing both parties to agreement after extensive negotiations over pricing and logistics. This experience underscores how trust, backed by consistent commitment and institutional support, can drive progress even in challenging circumstances.

The initiative went beyond linking farmers and processors—it created space for meaningful engagement and skill-building. Participants enhanced their understanding of good agronomic practices and improved seed use, which can drive higher productivity. Strengthening trust and collaboration remains fundamental to sustaining contract farming models.

Proactive Commitment Amid Time Constraints: The agreement between CASA and KUNAP was finalized just before the end of the soybean planting season, delaying formal contract signing with the unions. Despite this, KUNAP demonstrated flexibility by delivering seeds and bio-fertilizers to selected farmers in advance. This timely intervention ensured planting could proceed as scheduled.

Enforcing the Legal Framework and Implementation Guide: Workshop discussions revealed shortcomings in union commitment and accountability. For example, Buno Bedele Union failed to recover distributed seed, and some grain was reportedly sold. Unions also did not assess member cooperative yield potential before contract signing. These gaps underscore the need for enforceable mechanisms to ensure the proper application of Ethiopia's contract farming legal framework and associated implementation guidelines.

GROWING PROSPERITY AND A NEW BEGINNING: HOW CASA'S SUPPORT IS TRANSFORMING SOYBEAN FARMING IN BUNO BEDELE

In Banshure Kebele of Ethiopia's Buno Bedele Zone, two farmers—46-year-old Tsegaye Abdissa, a father of five (two boys and three girls), and 45-year-old Shitaye Teshome, a mother of five (three boys and two girls)—took a bold step into soybean production. Despite having no prior experience, both committed 300m^2 of land for demonstration trials after receiving improved seeds and technical support.

KUNAP demonstrated bio-fertilizer (rhizobium inoculant) application to the model farmers, whose plots served as practical learning sites for broader peer-to-peer knowledge sharing. Building on this, and with guided support, Tsegaye and Shitaye conducted a validation trial by dividing their fields into three equal plots to compare bio-fertilizer, phosphate fertilizer, and a control with no fertilizer. The results were telling:

- Tsegaye's bio-fertilized plot (A) yielded 22.5 kg, phosphate plot (B) produced 20 kg, and the untreated plot (C) gave 17.5 kg. His bio-fertilized crop outperformed phosphate by 4.2% and untreated by 8.3%.

- Shitaye's bio-fertilized plot (A) produced 18.5 kg, phosphate plot (B) yielded 17 kg, and the untreated plot (C) resulted in 15 kg. She observed a 6.9% increase compared to untreated crops.

These findings confirm that bio-fertilizer not only increases yield but also supports soil health—offering farmers a sustainable, affordable path to improve productivity. Soybean is increasingly recognized for its role in improving soil fertility as a rotational crop following maize. It enhances household nutrition with its high protein content (40%) and serves as a high-demand commercial crop for oil extraction and animal feed, helping farming communities diversify and boost their incomes.

Shitaye and her family proudly showcase the bio-fertilizer used for their soybean crop

The seeds from their harvests positioned Tsegaye and Shetaye for larger-scale production in the next season, increasing potential market supply and income. Motivated by their success, both farmers seek increased access to bio-fertilizers and seed supplies via farmers' cooperative unions. However, their progress is threatened by a devastating termite infestation affecting soybean crops. To secure sustainable production, they call for government and partner intervention, including continuous follow-up and technical support from authorities, and access to pesticides to combat pests.

Tsegaye and his family happily showcase their soybean harvest

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