From subsistence to successful businesses:
Enabling smallholder agribusiness in sub-Saharan Africa

A UK Parliamentary Report exploring how to support and scale up smallholder agribusiness development in sub-Saharan Africa, on behalf of the All-Party Parliamentary Group on Agriculture & Food for Development

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About the APPG on Agriculture & Food for Development

The All-Party Parliamentary Group on Agriculture & Food for Development (APPG AgDev) facilitates informed debate on food, agriculture and nutrition in the UK Parliament and engages with DFID, other donors and national governments on these issues. Chaired by Jeremy Lefroy MP and Lord Cameron of Dillington the APPG AgDev is a cross-party initiative that brings together parliamentarians concerned with enhancing agriculture, nutrition and food security in developing countries. The APPG AgDev’s vision is for the UK government to champion agriculture as a development priority and be a global leader in supporting smallholder farming in developing countries.

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Action Against Hunger-UK, Agriculture for Impact, Bangor University, CABI, Christian Aid, Concern Worldwide, Farm Africa, Hand in Hand International, London International Development Centre, Natural Resources Institute at the University of Greenwich, Oxfam GB, SAB Miller, Save the Children, Small Foundation, Tropical Agriculture Association

Note of interests:
Jeremy Lefroy MP is a Trustee and founding Director of Equity for Africa. Prior to his election to Parliament he had worked in Tanzania in the coffee industry and, on returning to the UK, he worked assisting smallholder farmers in East Africa. He has been involved in companies that have benefited from the Africa Enterprise Challenge Fund.

Photographs in the report have been provided by TechnoServe, Agriculture for Impact, Liz Wilson and the Natural Resources Institute.
Overview

The APPG supports the argument that smallholder agriculture offers new opportunities for growth and economic transformation. Improving agricultural performance and linking farmers to markets is the most powerful tool to end global poverty and hunger and boost shared prosperity. Recognising this untapped potential, the APPG conducted a series of evidence sessions, bringing together experts and practitioners in the field from smallholder entrepreneurs, donors, private sector representatives, NGOs, funders and investors. Participants analysed the role and contribution of these actors, the policy climate and status of financial support, incentives and other measures necessary to enable smallholder agriculture and micro, small and medium-sized enterprises (MSMEs) to flourish, as well as how these measures can be implemented effectively, sustainably and at scale. This report represents a summary of the wide variety of case studies, evidence and learning presented to the APPG.

Smallholder agriculture and the potential for economic transformation

1.3 billion people are engaged in agriculture in developing countries and 70% of all Africans depend on agriculture for their livelihoods. Currently, the world’s estimated 500 million smallholder farmers, who each manage less than 2 hectares of land, produce as much as 80% of the food consumed. Yet, they receive very little support. In Africa, this has resulted in the continent becoming a net importer of food, costing over US $35 billion a year. Smallholder agriculture in developing countries is often seen as a sector in which low incomes, self-employment, low productivity and vulnerability predominate. Indeed, smallholder farming has often been seen as a source of rural poverty and food insecurity, rather than a solution to those challenges.

The agriculture sector in developing countries offers new opportunities for growth and
economic transformation. Empowering small-scale farmers to move from low-productivity subsistence farming to profitable small enterprises will increase incomes, drive employment and kick-start a rural economy. It can also boost nutrition by providing better quality and more diversified food. Ultimately it could drive a culture of economic self-confidence and overall national sustainability, which could in turn lead to a greatly reduced need for external aid – which must be the end goal of any international development programme.

According to the World Bank, agricultural development is an essentially pro-poor source of economic growth – about two to four times more effective in raising incomes among the poorest than growth in any other sector. Agricultural growth reduces poverty both directly, by raising farm incomes, and indirectly, through its positive impact on all other sectors of the economy. Even modest rates of growth in the agricultural sector have a considerable multiplier effect, increasing rural incomes, creating consumer demand, and boosting growth in the larger economy. This has been termed the ‘virtuous circle’ of agricultural development.

The poverty reduction potential of GDP growth originating from agriculture is particularly pertinent in sub-Saharan Africa where agriculture accounts for one-third of GDP and three-quarters of employment. A World Bank report in 2013 indicated that Africa’s farmers and agribusinesses could create a trillion-dollar food market by 2030. There is huge potential for agribusiness growth and development to supply national, regional and international markets.

The barriers: Access to knowledge, finance, technology and markets

In rural Africa, however, small-scale farmers face significant barriers, including limited or no access to agricultural technologies such as affordable high-yielding seeds and fertilisers, knowledge of sustainable production practices, finance, markets or secure land tenure. In addition, they have to adapt to impacts of climate change, which includes shorter growing seasons, higher temperatures, new pests and diseases and less rainfall. Together with poor infrastructure, such as roads, power and irrigation, these barriers put farmers at an overwhelming disadvantage and significantly limit their productivity. This is especially the case for women farmers, who account for the majority of Africa’s smallholder farmers. They face inherent disadvantages due to prevailing gender norms in many societies, which means they have fewer assets and rights – for example to use of land – and greater difficulty in accessing advisory services or entrepreneurial opportunities than men.

Support to increase access to technology, knowledge, finance and markets for MSMEs and agribusinesses, in particular those providing a livelihood to women, is a critical gap in the business ecosystem in sub-Saharan Africa.
Without this support, smallholder farmers remain stuck in a vicious intergenerational cycle where low investment, low productivity and low incomes are the norm.

**Interventions: Enabling the business of smallholder agriculture**

A broad spectrum of interventions is fundamental to unlocking the potential of MSMEs and supporting the scale up of smallholder participation in markets. Reliable financing, strong public sector support and an enabling environment for private sector investment, including the investments by farmers themselves, are all required to underpin the transformation from subsistence farming to successful small enterprises. At the same time, policy reform is required to unlock the latent potential of smallholder farmers. Expanding access to knowledge, finance, technology, infrastructure and markets are crucial in order to improve the business ecosystem for MSMEs.

Throughout the APPG's evidence gathering, it was clear that local organisations, national governments, donors and companies all have a vital and complementary role to play in creating the enabling environment in which smallholders and the private sector can thrive together.

**The role of national governments**

Government and donor support for this agenda is essential. The APPG heard how national governments’ spending on agricultural research, infrastructure, advisory services and other support measures has often decreased, whilst at the same time many governments have promoted large businesses and foreign investment, to the neglect of the MSME sector. Participants stressed that political leadership and commitment is vital, and that public investment must be revitalised and targeted to the needs of smallholder farmers. Governments, with assistance from donors, must act to create the conditions that attract private sector investment to sustain and grow the livelihoods of smallholder farmers. This, by its very nature, needs to be a long-term venture.

The role of governments in kick-starting commercially-viable smallholder agriculture includes adequate investment in public goods and the wider infrastructure that support smallholder agriculture. This will include the provision of training and agricultural courses to improve knowledge sharing and skills development, improved rural roads and other connections to the market place, rural banking services, and irrigation and power supplies. Although private enterprise will drive investment in the agricultural sector, governments have an important role to play in facilitating an enabling business environment, including creating a favourable investment climate for farming, in which farmers can buy inputs, access credit and sell their produce more easily.

Ensuring that there are effective institutions to allocate and protect land rights, especially secure land tenure, is another component of government support for smallholder agriculture. Land tenure security is critical to incentivising productivity-enhancing investments in land. With secure rights to the land they use for their economic activity, smallholder farmers are also more likely to qualify for credit, which can facilitate important productivity-enhancing investments. These rights can involve legally secure long-term tenancies if vacant possession ownerships prove too difficult.

**The role of donor governments and development agencies**

Donor governments have a key role to play in supporting smallholder agribusiness development. The support of the Department
for International Development (DFID) for MSMEs was of particular interest to the APPG.

DFID have a range of programmes and instruments that are focused on commercial agriculture, including grants, concessional finance and policy support to governments. DFID emphasised that work in this area is highly context specific, making it very important to have a range of approaches. Programmes include challenge funds, such as the Africa Enterprise Challenge Fund, which seeks to increase access to inputs for poorest rural farmers, and supporting policy and regulatory improvements and institutional strengthening through DFID support for the Comprehensive Africa Agriculture Development Programme, the New Alliance for Food Security and Nutrition and the World Bank project ‘Benchmarking the Business of Agriculture’. DFID also supports social impact investors and access to finance through financial intermediaries in rural areas that are high-risk. DFID reflected that there is a need to think beyond agriculture and much broader than the farm. Instead they are aiming for a strong rural community of which agriculture is a key component. DFID’s work on the broader enabling environment recognises the need to invest in infrastructure, roads, electrification and irrigation and therefore does not sit with agriculture alone.

The European Commission (EC) emphasised that it is the role of the government to ensure that private sector investment is responsible and benefiting development. Food security and agriculture will remain the main sector of intervention for the European Union, which plans to spend €8 billion in 60 countries over 7 years. EC support for enabling smallholder agribusiness includes working with governments on a country-by-country basis to ensure a regulatory framework and policy coherence, for example on issues relating to nutrition, gender and natural resource management. EC value chain programmes have supported producer and farmer organisations to supply safe food on a sustainable basis in line with market requirements. Such initiatives have included working on country-level market information systems so that farmers are aware of real-time prices, supporting the development of value addition and processing facilities and linking small scale farmers and farmers’ organisations to markets. Both DFID and the EC are supporting improvements in land governance, engaging with countries and business to implement responsible investment principles, predominantly the ‘Voluntary Guidelines for the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of Food Security’.

A risky business: Land-based Public-Private Partnerships

The term Public-Private Partnership (PPP) covers a diverse range of models and the scale, aim and actors involved can differ. Research by Oxfam has found that whilst small-scale partnerships with the private sector and cross-sector collaborations can be usefully deployed, for example for micro-credit, micro-insurance or innovation, large-scale PPPs are qualitatively different and can be more likely to hold much greater risks for local communities. Large scale PPPs, for example the New Alliance for Food Security and Nutrition and GROW Africa, typically aim to change the legal, economic and regulatory policy environment to ensure that the conditions for the private sector to flourish are in place in developing countries, with the ultimate aim to increase investment to improve productivity and create jobs.

The APPG heard that strong governance is required to ensure the fair sharing of risks and benefits resulting from PPPs. There need to be strong institutional and legal frameworks to regulate PPPs, consultation with multiple
stakeholders, as well as sufficient public sector expertise in pricing of assets and liability. However, in many countries of sub-Saharan Africa, there can be low levels of government effectiveness, challenges in regulating markets, and difficulties in including the voices of the poor in policy.

Analysis by Oxfam and the Fairtrade Foundation has found that there are cases where large-scale PPPs can pose acute risks to the participation of smallholder producers and their land rights. In sub-Saharan Africa, incomplete land reform processes have increased the risks to local communities from investment. Furthermore, there are substantial risks that large scale PPPs could bypass the poorest and most marginalised of farmers in favour of the more organised. According to the Fairtrade Foundation, participation and consultation can be very weak in large-scale PPPs resulting in the paradoxical situation where smallholders are not aware of programmes designed to support them. There are huge asymmetries of power between multinational agribusinesses, regional enterprises, and local or national SMEs, which put locally based businesses at risk of being squeezed out of agricultural markets.

It is vital that investment is inclusive and specifically targets the barriers faced by women, who are often the poorest and most marginalised. As the Fairtrade Foundation argued, there must be a fourth P for Participation to ensure that programmes view smallholders as partners and not beneficiaries and that there is transparency and accountability in decision making. Oxfam emphasised that policies to incentivise investment and to support rural development are not necessarily the same thing. A greater understanding of the risks of large-scale PPPs is required by donors and governments, in particular the risks to land rights. The need for all agricultural public private business partnerships to have a clear theory of change, especially objectives to improve smallholder livelihoods and reduce poverty, was repeatedly highlighted in presentations to the APPG. In addition, there
needs to be a culture of honest inquiry and more sophisticated methods of collecting, measuring and utilising results to demonstrate impact.

Whilst more positive examples of PPPs were presented to the APPG – a few of which feature later in this report – evidently, large-scale land-based PPPs pose serious risks. These risks must be mitigated if land-based PPPs are to yield the investments in physical infrastructure, skills development, access to credit and pro-poor market policies that are urgently required to catalyse smallholder agribusiness.

**Sourcing from smallholders: The view from business**

Panellists agreed that smallholder producers have vast potential to supply serious market demand at scale but spoke candidly about the challenges of large-scale agribusiness sourcing from smallholder farmers, and the lessons that have been learnt.

‘Project Sunrise’, a partnership between Oxfam and Unilever, linked the development aims of Oxfam with the sustainable sourcing objectives of Unilever with the goal to learn how to do business with smallholders in a way that improves their livelihoods. Key conclusions included the need for large-scale agribusinesses to have a clear business strategy for inclusive procurement, to increase supplier engagement through a relationship-based procurement model, and to understand their value networks from field to fork in order to better assess the impact of their behaviour and buying decisions in relation to smallholders. The role of other actors in the supply chain as the first point of contact with the smallholder is critical to ensuring that goals on sustainability and livelihood improvements are delivered. The initiative also highlighted the need to measure impact on local communities beyond short-term income to a range of issues that affect inclusivity, such as access to education, healthcare, inputs, nutrition and water.

SAB Miller, Diageo and Mars all talked about similar opportunities and challenges, particularly the critical need to support enabling activities such as affordable finance, infrastructure, training to increase yields and product quality, and the development of business skills. Based on their experience, smallholder farmers, with the right support, are as productive as large-scale commercial growers. However, that support can be difficult to deliver and takes time to achieve. Whilst smallholder farmers can be exceptionally reliable, they need continuity and confidence that only longer-term contract and supply arrangements can provide.

The importance of partnership to provide comprehensive solutions was a recurring theme and was foundational to many of the positive case studies presented to the APPG. The Ethical Tea Partnership (ETP) is one such example that works across the supply chain with tea producers and tea companies from large international brands to small independent labels. It aims to help tea producers improve their livelihoods and to raise the quality of their product to comply with international social and environmental standards. Tea farmers face challenges including a lack of ownership and control of processing facilities, poor organisation and bargaining power, poor understanding of market requirements, difficulties in accessing finance for input materials and poor productivity and leaf quality. The ETP has set up Farmer Field Schools, which cover a wide range of topics selected by the tea producers, such as fertiliser application, soil sampling, business skills and record-keeping, environmental conversation as well as broader social issues such as gender and HIV and AIDS. The ETP acknowledged that Farmer Field Schools alone do not deliver the change required but emphasised their important contribution to significantly improving social and environmental conditions on tea estates and in factories.
A catalytic role: Civil Society Organisations

CSOs have a key role to play to catalyse, build capacity and bridge gaps in the value chain. The APPG heard from a number of CSOs about their contribution. Gorta-Self Help Africa explained that it is very difficult for a non-profit organisation to have the right skills and be able to work in large-scale international supply chains. CSOs are well placed to strengthen individuals to organise into a collective that can negotiate on equitable terms to get a fair price. Consequently, Gorta-Self Help Africa is increasingly working to understand the value chain and to support the development of farmers’ associations and cooperatives to help farmers achieve economies of scale.

In addition, CSOs can facilitate access to different service providers required to enable farmers to produce effectively for the market, such as business skills and financial services. Access to Capital for Rural Enterprises (ACRE), a consortium of Christian Aid, Practical Action, Twin, Traidcraft and Challenges Worldwide, provides small to medium sized enterprises with tailored business support and facilitates their access to networks and finance. By bringing a group of investors and rural enterprises together, ACRE enhances opportunities for businesses to receive patient capital to catalyse opportunities.

Addressing the barriers faced by women requires targeted interventions and is essential to integrating the most marginalised into supply chains. CSOs such as Christian Aid are undertaking market advocacy and playing a brokering role, raising the voices of marginalised producers so that their interests can be expressed to policy-makers, politicians and companies.

The challenges experienced and lessons learned by CSOs overlap with those identified by large-scale agribusiness. Long-term relationships are vital. Equally there is a need for long-term financing. It takes time to change behaviour and build trust amongst smallholders. Sharing risk with farmers is imperative, highlighting a need to explore micro-insurance and crop insurance schemes in greater depth.

Case study: Transformation through partnership with TechnoServe

Collaboration is key. TechnoServe is a non-profit organisation that develops business solutions to poverty by linking people to information, capital and markets. TechnoServe’s programmes work across the market system to develop the capacity of individuals and businesses, promote connections among market participants and improve the business environment. Participants in a market system include direct market players (i.e. producers,
buyers and consumers), suppliers of supporting goods and services (i.e. finance, equipment and business consulting) and entities that influence the business environment (i.e. regulatory agencies, infrastructure providers and business associations). These efforts set in motion a cycle of development that creates thriving market systems, productive and competitive farms, businesses and industries, and ultimately reduces poverty.

In one example Diageo partnered with TechnoServe, the government and input suppliers to build the capacity of 15,000 smallholder farmers to supply a brewery in Ethiopia. Through this partnership the farmers were supported to enable them to access affordable finance, seeds and fertiliser, as well as trained to increase their yields. Training producers in small groups has led to more effective knowledge transfer. As Diageo explained, the support of TechnoServe for these enabling activities was critical to the success of the project.

TechnoServe’s biggest programmatic initiative so far has transformed the lives of more than 250,000 coffee farmers in East Africa. In the context of a fast growing global market for high-quality specialty coffee and East Africa’s ideal topography and agro-climatic conditions, TechnoServe identified an opportunity. Existing farming and processing practices were constraining potential yield and quality and most coffee was traded as a commodity at low prices.

In 2008 TechnoServe, with funding from the Bill and Melinda Gates Foundation, intervened with a $47 million scale-up initiative to assist farmers to increase the quality and quantity of coffee that they were producing. TechnoServe worked with participants in the market system to develop farmer-owned wet mill businesses in order to add value at the community level, assisted the producers in accessing commercial financing for capital expenditure and working capital, delivered field-based agronomy training to improve yields and quality, and supported exporters to provide credit and marketing services and to become
ongoing providers of support services to the farmers, after the program ended.

By 2012, the initiative had reached 195,000 smallholders, established and strengthened 285 wet mill businesses and facilitated $40 million of financing for smallholders. This has resulted in average yield increases of 44% and in an increase of the average price paid directly to farmers by $0.89 per kg. Since 2012, TechnoServe has continued to expand the programme’s reach, bringing in new public and private partners and replicating the model in other coffee markets, TechnoServe has demonstrated a cost effective solution for helping farmers to participate in global supply chains for premium coffee.

**Adding value, increasing jobs and income**

Value-adding services, which include sorting, grading, processing, post-harvest storage and distribution to markets, have been heralded as key to maximising the returns from agricultural activities and thereby raising incomes and employment opportunities. Agro-processing or ‘upgrading’, whereby productivity is increased and value is added through processing and production has enormous potential to create jobs and increase incomes, especially for women and youth, if appropriately targeted. The development of agro-processing enterprises will, to a large extent, depend on the stable supply of raw materials by small-scale producers, who in turn will need access to the necessary technologies, skills, market information and infrastructure.

**Case study: Sylva Food Solutions and Partners in Food Solutions**

The APPG heard from inspirational entrepreneur Sylvia Banda, founder and managing director of Sylva Food Solutions (SFS), a company that works with rural women to aggregate, process and sell vegetables in Zambia. SFS works with farmers in the post-harvest phase and has plugged a substantial gap by increasing farmers’ knowledge of the nutritional value of crops and training them in processing and marketing skills. Sylvia Banda has also founded Sylva University, a training college where courses are developed according to the needs of the local food technology and processing industries. Convinced of the need to increase agribusiness knowledge, Sylvia Banda has partnered with international NGOs to teach entrepreneurship to the women farmers who supply SFS.

Sylva Food Solutions is a client of Partners in Food Solutions (PFS). PFS links the technical and business expertise of volunteer employees from General Mills, Cargill, Bühler and Royal DSM to small and growing food processors and millers. PFS wants to strengthen the capacity of African-based food processing companies to produce and market quality, safe and nutritious foods. PFS provides much of its support virtually, but regularly partners with TechnoServe which identifies entrepreneurs, provides training and helps them to access finance.

**Case study: Doreo Partners and Babban Gona**

Babban Gona, meaning ‘Great Farm’, is an agricultural franchise model developed by the impact investment management company Doreo Partners in Nigeria. Managing director Kola Masha explained how the innovative agribusiness model has cut out the traditional hunger season and increased the profitability of smallholder agriculture by unlocking smallholder farmers’ two main assets: land and labour. By franchising grassroots farmer organisations and cooperatives and delivering a holistic set of services to them, yields have increased five-fold, prices have increased almost four-fold and incomes have increased six-fold. Their services include training, in areas such as business, commercial thinking and farming skills; providing access to credit and agricultural inputs like improved seeds; services
including GPS mapping, land preparation, and harvesting, and value-addition – access to an enhanced warehouse receipts programme and storage and marketing. Notably there has been a 99.9% repayment rate of credit.

In Nigeria, the level of unemployed youth is currently above 60%. The agriculture sector accounts for 40% of GDP and is high growth, labour intensive and low skill. The sector has the potential to be Nigeria’s job creation engine. By creating profitable small commercial farms, Babban Gona is making a contribution to tackling social unrest in Nigeria, increasing incomes and creating jobs for young people in the rural areas.

**Financing a rural revolution**

Access to finance was repeatedly highlighted as a major obstacle to smallholder agribusiness development. The FAO estimates that an additional US $83 billion of financing for rural development will be needed annually in order to help the agriculture sector to transform. Risk, cost and complexity were identified as factors behind the reluctance of financial service providers to meet the needs of smallholders. The APPG heard from a range of different funders and investors about their approach and impact.

One Acre Fund (OAF) underlined the enormity of the challenge. Despite the fact that 70% of the world’s poorest people rely on agriculture as their primary economic activity, only a fraction of the global microfinance portfolio is designed for and directed to smallholders. Yet OAF see smallholder financing as the single biggest opportunity for growth and impact in social and financial inclusion in the next few years.

OAF has sought to plug the gap left by the financial inclusion sector and has developed, in consultation with smallholders, a complete solution that enables them to significantly increase their farm income. This ‘bundle of services’ includes financing for farm inputs, such as seed and fertiliser, distribution to the rural areas where farmers live, providing training on agricultural techniques and market facilitation to maximise profits from harvest sales. OAF offers asset-based financing and loans in the form of farm products and training services. By allowing farmers to repay their loan at any time throughout the growing season, they can fit their payments much more closely to their household cash flow, which avoids the pressure of a weekly repayment schedule. Furthermore, by focusing on storage to avoid post-harvest loss and the suppression of prices at harvest time, incomes are increased. In the experience of OAF, with the improved inputs and knowledge that come with the finance package, farmers on average double their harvest yields, and with improved post-harvest storage, farmers increase again the returns on the sale of their crops. The default rate is low, just 1% in 2014 and projected to be less than 3% in 2015, with the biggest incentive being that farmers can apply for a loan in the next year if
they have repaid in full. Notably, the OAF model is scaling up rapidly and can be repeated, yet is easily tailored to the individual farmer.

EFTA, an initiative set up by Equity for Africa, is an SME leasing company that bridges the financing gap in sub-Saharan Africa. EFTA provides lease finance for equipment, which is repayable over three years. If there is a problem with repayment then the equipment can be repossessed and resold, thereby mitigating the risk to EFTA of losing money. Equity for Africa explained that their key criterion for awarding lease finance is the inability of applicants to get a loan from a bank. EFTA are now working to raise capital from impact investors and are beginning to develop partnerships with banks in order to support expansion of the model. EFTA explained that part of the reason for the gap in capital provision is that banks want collateral before being willing to lend money, which in part explains why their asset-based financing model is effective and in such high demand.

**Case study: Creating incentives to invest with AgDevCo**

AgDevCo is a social impact investor and agribusiness project developer and is one of the leading investors in agribusiness SMEs in Africa. AgDevCo targets early-stage agriculture projects, which typically miss out on mainstream funding, aiming to turn them into commercial enterprises. There are four distinguishing features about the AgDevCo investment approach. Firstly, it invests patient capital to reduce front-end costs and risks so as to attract third party capital to further develop and grow businesses. Secondly, AgDevCo deploy expert agricultural and investment professionals working on the ground as co-investors with their partners. Thirdly, AgDevCo adopts investment evaluation criteria with the dual objectives of securing socially, environmental and financially-sustainable agribusiness and generating quantifiable benefits for rural communities. Finally, AgDevCo seeks to recover patient capital and reinvest it in new early-stage ventures.

The ‘patient capital’ is so called because it is long-term capital that seeks a social as well as a financial return; in this case, the patient capital is mostly sourced from DFID. It has a high tolerance for risk and is willing to accept positive but less than fully commercial short to medium returns in exchange for greater long term development impact. In the African agriculture sector, patient capital is needed to support the growth of early-stage SME businesses that are too large for microfinance
but too small for private equity. Patient capital is also needed to part-fund the capital costs of irrigation and related agriculture-supporting infrastructure, such as electricity connections and feeder roads.

AgDevCo is investing to unlock value chains, working on projects to support farmers with access to quality inputs and improved production, storage, marketing, distribution and processing. Key to the AgDevCo approach is creating the conditions for smallholder farmers to see for themselves that it is worth making changes to their production and marketing. Creating opportunities at the farm gate helps farmers to see a value for the product. This creates incentives and consequently scale and transformation.

AgDevCo’s impact is exemplified by its support for Empresa de Comercialização Agrícola Ltd. (ECA), a trading and food processing business that works with over 2,500 smallholders in central Mozambique. The farmers have received inputs, credit and training and a guaranteed market at a fair price. AgDevCo’s investment has allowed ECA to purchase a state-of-the-art maize mill, designed for use in rural areas. Farmers have seen their yields and incomes increase threefold as a result of ECA’s arrival in their community, allowing them to invest in their farms, buy motorbikes and send their children to school. Significant environmental benefits have been realised through the introduction of sustainable farming techniques. Investments in the supply chain have incentivised farmers to improve their productivity. Other farmers in the neighbourhood have seen the results and have applied to get credit to improve their productivity and the quality of their crop in order to be able to sell. ECA now has a contract with Mozambican breweries, as well as supplying Cargill and packaging and branding maize flour for the domestic market.


Recommendations

All of the APPG’s research and meetings for this inquiry showed that there is a clear consensus that, with the right support, smallholders have enormous potential to be profitable commercial enterprises. Vital work is being done to improve access to knowledge, finance, technology and markets, for agribusiness SMEs in Africa. Yet there is an urgent need to do more. For small and growing businesses, the path to success and scale is not easy. Only with support and investment in all aspects of the business ecosystem will businesses thrive and reach their full economic and developmental potential. The APPG heard many encouraging stories of transformation but there are millions more small-scale farmers and small and micro-agri-entrepreneurs that have yet to see increased opportunities to improve their lives and livelihoods.

Evidently there is no silver bullet to incubating MSMEs. Interventions must be context specific. Nevertheless the APPG’s evidence gathering highlighted the following:

• Public sector investment and government support to create an enabling environment for small agri-enterprise, including market-oriented farmers to flourish is key. Public sector investment should focus on infrastructure, advisory services and research.

• Governments, donors, CSOs and large-scale agri-business all have a critical role, both in helping farmers to access essential services and inputs, but also to help coordinate various market players. To achieve this partnership between these different stakeholders is essential.

• Donor support is vital. DFID must publish a coherent strategy for agriculture, making it explicit how their approach to smallholder agriculture contributes to achieving the Sustainable Development Goals and to the overall goal of poverty eradication.

• Public-Private Partnerships have potential to transform the smallholder farming sector, governments, donors and large-scale agribusiness must also enter into partnerships or consult with smallholder farmers directly to fully understand the reforms, support and innovation needed to integrate them into supply chains and also to find ways in which to mitigate the significant risks they face when producing for supply chains, especially in an era of climate change.

• Incentivising increased access to finance is critical and requires innovation to, for example, support and address risk aversion in local finance institutions.

• Strengthening basic financial literacy and business skills amongst MSMEs is key, as well as strengthening the agronomic skills that are needed specifically for agribusiness.

• Enabling the development of small-scale agri-enterprise is a long-term venture and will only be realised in an inclusive way if women, who represent 70% of farmers in sub-Saharan Africa, are specifically targeted.
The All-Party Parliamentary Group on Agriculture and Food for Development wishes to thank all those who presented to the group on their ‘Smallholder Agribusiness Development’ Seminar Series between March and July 2015. A full list of participants can be found on the APPG website.