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# AGRICULTURAL ENTERPRISE STRENGTHENING

*Agriculture is the primary source of employment for many rural communities in developing economies around the globe, with more than 80% of rural poor relying on agriculture to support their livelihoods. While the strengthening and growth of the agriculture sector has the potential to reduce hunger, increase food security, and contribute to poverty alleviation, smallholder farmers and agriculture SMEs are often not positioned to grow. This can be due to a number of factors including low productivity, unmitigated risks, lack of management experience, and inadequate access to finance. Technical assistance (TA) and grant funding can help smallholders and SMEs address these gaps, building the skills and capacity needed to gain financing and grow, further strengthening agricultural value-chains and economies.*

## OVERVIEW OF AGRICULTURAL ENTERPRISE STRENGTHENING

### THE BASICS

Smallholder farmers and SMEs are the backbone of agriculture value-chains across the developing world. Strengthening agricultural enterprises—the focus of this case study— involves building smallholder and SME readiness to grow, potentially facilitated by financing. There are a multitude of ways that technical assistance (TA) can be designed and deployed to accomplish this, and such TA should be tailored based on development objectives, market context, and the needs of the enterprise. For example, in a market that lacks local processing capacity, TA support could help processing SMEs implement best practices and build financial management capabilities, positioning the organizations to take on financing and grow. Alternately, in a market made up primarily of independent smallholder farmers, TA could be provided to organize cooperatives and train farmers on better input selection and crop management practices, increasing the productivity of individual farmers and positioning cooperatives to grow their operations.

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Though TA can be designed to strengthen different types of agricultural enterprises in a range of market contexts, there are some common elements to such TA interventions. Specifically, training in basic business and financial management skills are often needed when enterprises may be expected to grow with the use of outside financing—financing providers will likely be reticent to provide capital to an enterprise without these skills.

This case study explores the USAID-led Global Development Alliance (GDA) with Partners for Food Solutions (PFS) to demonstrate the effectiveness of leveraging private sector expertise to help strengthen agricultural processors and catalyze investment. Additionally, this case study covers a partnership between TechnoServe and Syngenta focused on strengthening agriculture value chains.

### KEY TAKEAWAYS

- 1. PREPARING TO GROW.** Strengthening and growing the agriculture sector has important development impacts, but smallholders and agriculture SMEs in developing countries are often not prepared to take on financing for growth. Responsible TA should aim to bolster the long-term sustainability of smallholders and SMEs before facilitating access to growth capital.
- 2. POSITIONING TA.** If development objectives involve the growth of the agriculture sector, TA should often be delivered as part of a defined program that involves financing providers. Their upfront involvement will help ensure that their financing requirements are taken into account and that they are at the table when growth capital is required.

## USAID AND PARTNERS IN FOOD SOLUTIONS, STRENGTHENING AGRICULTURAL PROCESSORS

The local processing of agriculture outputs provides a sales channel for smallholder farmers and can be a significant driver of local economies. However, such processors often lack the technical ability to consistently and cost-effectively produce affordable, nutritious, and safe food products, making them risky investments for financiers. And traditionally, the majority of agricultural enterprise strengthening activities have focused on increasing production at the

smallholder level rather than on capacity building for food processing SMEs in the middle of the value chain. To help address the specific challenges facing processors in developing countries, USAID's Bureau of Food Security (BFS) entered into a public-private partnership with Partners in Food Solutions (PFS) and TechnoServe. The partnership aims not only to provide processors with technical and business support services but also to increase their access to finance. PFS is a non-profit consortium comprised of six world-class food companies—including General Mills, Cargill, and Hershey—and TechnoServe is a non-profit specializing in providing TA to support private enterprises end poverty in developing countries.

The partnership, called the Solutions for African Food Enterprises (SAFE), began in 2012 and will run until September 2017, with the goal of expanding a competitive food-processing sector to increase the availability of nutritional foods. Under this public private partnership (PPP), PFS's member companies are matched with African-based food processing companies that could benefit from the PFS member's expertise in areas such as facility design, product development, and business process improvement. PFS mobilizes a team of volunteers to transfer knowledge and TA to processors based on specific challenge areas while TechnoServe provides on-site business advisors to deliver continual support. This type of PPP provides unique value by leveraging the existing skills of each partner: the public sector (USAID) brings resources and a large on-the-ground network, the private sector (PFS) brings technical and operational expertise, and the implementing partner (TechnoServe) brings specialized knowledge of the local processing market.

To date, the partnership has provided training to 600 food processors—creating customized consultancies with PFS partners for 100 of them. These 100 projects have helped create market opportunities for more than 800,000 smallholder farmers and generated over 300 new jobs. In addition, the technical support and business strengthening has led to \$2.6 million in financing for client organizations, like Chamwino.

In addition to providing results on the ground, the success of the SAFE PPP helped lead to the development of the Partners in Food Solutions Global Development Alliance (GDA)—a multi-stakeholder engagement platform formed to solve key business and development challenges in developing countries. Through this GDA, USAID and PFS are seeking applications from organizations to collaborate with PFS and provide a combination of customized TA and training to client processing organizations on quality management, product development, marketing, financial planning, and business management.

## CHAMWINO:

Chamwino is a flour processing company located in Tanzania, with the goal of improving profitably while providing fortified flour to more customers. However, it lacked a business plan and was unqualified to access loans to expand their operations. Through SAFE, PFS and TechnoServe provided tailored TA services, working with Chamwino to conduct a market analysis and to customize a business plan template to Chamwino's specific product. As a result, Chamwino secured a loan of \$250,000 to improve storage and milling infrastructure, allowing them to sell fortified flour in new districts.

## SYNGENTA AND TECHNOSERVE, IMPROVING SMALLHOLDER PRODUCTIVITY AND MITIGATING RISKS

Smallholder farmers manage 80% of Africa's farmland, but it is estimated that there is currently a 76% yield gap between what they produce and their production potential. This is partly due to the fact that smallholder farmers are not always able to upgrade to high-quality inputs or utilize agricultural best practices, resulting in lower incomes, unpredictable harvests, and vulnerability to market volatility.

Syngenta is a leading agricultural company, seeking to grow their Africa business to \$1 billion over a ten year period by investing \$500 million, in collaboration with local partners, to enable 5 million farmers to increase their productivity by 50%. Syngenta and TechnoServe partnered to help farmers in Kenya become more sophisticated producers by overcoming barriers that prevent them from using high quality input materials and farming best practices as well as by overcoming certain risks. To do this, they undertook a multi-pronged TA strategy. First they sought to show the importance of high-quality inputs by setting up plots of land to visually demonstrate the impact of inputs on productivity and quality. Second, they developed and deployed training on agricultural leading practices to 25,000 farmers to demonstrate the correct usage of high quality inputs.

Third, they provided farmer-based organizations with training to set up aggregation and storage sites—including cold storage facilities—allowing farmers to store harvests until they can secure direct procurement contracts with large-volume purchasers. Aggregation storing also helps protect farmers against crop devaluation when yields increase by allowing them to avoid selling at times of peak

market supply. TA support also involved facilitating direct contract purchasing agreements between farmer-based organizations and anchor buyers, where farmer-based organizations purchase from smallholders at a guaranteed price and then sell in bulk to anchor buyers.

As a result of these interventions, farmers were able to increase their yields by up to 185% and increase their incomes by up to 181%. Syngenta is also focused on improving access to financing for smallholders. To date, it has developed partnerships with 13 financial institutions across Kenya. As of February 2017, 500 farmers accessed \$37,000 in credit, on average. Though this is a small portion of farmers in the program, Syngenta remains interested in exploring different types of financing that might meet farmers' needs.

To learn more about the Syngenta and TechnoServe partnership to provide TA to strengthen agricultural enterprises, [read this case study](#) written by TechnoServe.

## SOURCE LIST

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