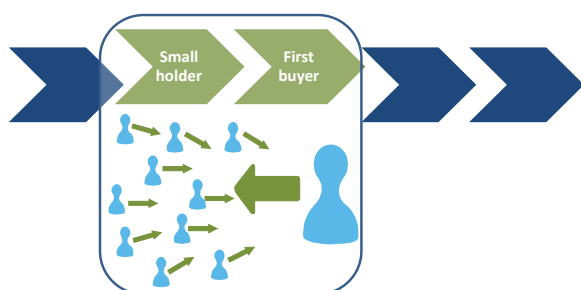




RURAL INFRASTRUCTURE AND  
AGRO-INDUSTRIES DIVISION



**Regional Training on inclusive  
business model- East Africa**  
*Training proceedings*  
*Kampala, Uganda 4-6 February 2014*



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Foremost, thanks to all the participants who actively participated during the training and shared their experiences generously during the discussions, making it a truly interactive workshop.

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## EXECUTIVE SUMMARY

This report summarizes the discussions from a regional training on Inclusive Business Models for the East Africa region which took place in Kampala, Uganda from 4 to 6 February 2014. The meeting was organized by the Rural Infrastructure and Agro-Industries division (AGS) in collaboration with the Subregional Office for Eastern Africa (SFE) in Addis Ababa and the Centre for Development Innovation (CDI) -Wageningen University and contributes to FAO's Strategic Objective 4 on "Enabling inclusive and efficient agricultural food systems." This event falls under the aegis of a Government of Ireland funded project on Upscaling Inclusive Business Models (GCP/GLO/455/IRE).

### Workshop objectives

The overall goal of the training was to foster a change in mind-set on how farmer-market linkage projects should be approached and to move project entry points away from production, producer, or farmer organizations to prioritizing activities that build back from business and to strengthening business relationships between buyers and groups of organized farmers. The overall **objective** of the training was to improve the delivery and quality of results under FAO market-linkage projects. With specific objectives including:

- Familiarize FAO project teams on the concept, objectives and tools related to Inclusive Business Models.
- Promote reflection on assumptions related to linking farmers to markets – including on the respective roles of value chain actors.
- Identify and use practical tools to develop and implement inclusive business models under FAO and partners' projects.

Twenty three professionals (FAO staff and partners) working on market linkages projects from Burundi, Democratic Republic of Congo, Kenya, Rwanda and Uganda participated in the training. Companies to participated on day 1 of the meeting were Kisoro Potato Processors, Nakumatt Supermarkets and Shoprite checkers.

The training sessions were designed to:

- Develop a common language on the topic of Inclusive Business Models among FAO project staff and partners.
- Listen to insights from private sector actors, namely Kisoro Potato Processing Industries, Nakumatt and Uchumi Supermarkets, on the main challenges of working with smallholders.
- Reflect on tried and tested business model approaches, appraising what works and doesn't work in different contexts, with cases from Ghana, Cameroon, Burkina Faso, and Zimbabwe.
- Reflect on the roles of actors in promoting sustainability of business models - from farmer organizations to NGOs and project staff.
- Review and apply business management tools that can help design and reinforce FAO and partner projects working on farmer-market linkage initiatives.

### Good practice project guidelines on IBM

The training sessions were complemented by a number of plenary discussions which highlighted the following good practices when implementing projects related to IBM:

1. The term *inclusive* is not only about the number of actors included in a business model, but also about the type of actors, the conditions for their inclusion, and how this inclusion contributes to empowerment, supports the transition out of poverty and improves food security.
2. The design and implementation of IBM also need to be *inclusive of actors that are already doing business and trading with targeted beneficiaries*, such as Small and Medium sized Agro-Enterprises (SMAEs) and traders.
3. The training also contributed to challenge *the role of project managers, staff and service providers in fostering inclusive business models* and questioning if some interventions and roles undermine the viability and inclusiveness of a model. Projects also need to avoid to doing the job for the target audience or replacing the job of other value chain actors.
4. There is a *gap between project design and implementation*. Even though projects in the region are focused on commercialization, there is too much emphasis on production, technology and post-harvest management without entirely addressing the market challenges from a specific targeted buyer's perspective.
5. There is a need to increase *collaboration with both national and local governments* in order to promote an enabling environment and take to scale local innovations.
6. The *importance of partnerships among actors* is key for successful business models, also for suppliers and buyers.
7. It is important to make *a complete evaluation of the current business models before making any decisions about upgrading or investing in new activities along the value chain*.

## **Recommendations for the public sector**

The participants also discussed the role of the public sector in addressing the issues and challenges raised. Recommendations from those discussions include:

Governments' role in IBM is to foster fair competition with legal frameworks that allow small local businesses to flourish.

The private sector is often willing to increase procurement from smallholders; however, most business models fail or slow down on price mechanisms. The governments' role here is to create the enabling environment, for instance a legal framework for contract farming which protect both the buyer and seller. In the absence of such a system local NGOs can act as a neutral facilitator for negotiations between producers and buyers, without directly intervening.

National standards systems which provide for third party governance mechanisms to certify the origin (national and smallholder procured), can support the private sector to develop appropriate marketing strategies and product development to tap into the growing domestic market for locally smallholder sourced products.

For business models to be both inclusive and competitive, there is a clear need for the involvement of both the public and private sector, without overdependence on any one of the actors.

### **The role of FAO in promoting IBM in the region**

The main areas identified for which support from FAO would be useful were:

- Support in the design and implementation of inclusive policies, so that trade, agricultural and food security policies provide a balance between promoting business and contributing to the poverty reduction of marginalized groups.
- Support the dissemination of good practices on procedures that facilitate small actor registration and legalization.
- Promotion of agro-industrial parks for agro-processing that geographically integrate the key actors in value chains.
- Create partnerships with local training institutions to promote the professionalization of rural service providers.
- Increased support for the development and strengthening of SMEs.
- Promotion of public procurement as a tool to link smallholders to formal markets.

### **Moving forward**

Overall, participants appreciated the participatory approach which allowed them to build on theoretical concepts with an analysis of real life case experiences. The opportunity to talk directly to private sector buyers on smallholder procurement, the challenges they face and how they think it can be improved was also appreciated, in addition the space to share ideas across countries on ways of working. Participants advocated for the need to have follow-up meetings and trainings to ensure the concepts are being applied within countries and that project teams and FAO partners are kept up-to-date on the latest thinking and tools on IBM.

The topic of Inclusive Business Models is an important one under FAO's new Strategic Framework and in particular under Strategic Objective 4 on "Enabling inclusive and efficient agricultural food systems." FAO will collaborate with the partners present at the training and beyond, to ensure that synergies can be capitalized at both the project and policy level, in order to accelerate progress in improving linkages between smallholder suppliers and buyers.

The above findings which emerged from cross-country plenary discussions will contribute to informing FAO's future programme of work on the IBM topic and the adaptation of IBM related activities suitable for the East Africa region. In the meantime, workshop participants are now better equipped to mainstream business thinking into project activities and areas that require prioritization, while at the same time ensuring that business models that link smallholder to agribusiness contribute to poverty reduction and food security in the region.

## ACRONYMS

AADI	Agribusiness and Agroindustries Development Initiative
AGRF	African Green Revolution Forum
AGS	Rural Infrastructure and Agro-Industries
BM	Business Model
BS	Blue Skies
CDI	Centre for Development Innovation
CIAT	<i>Centro Internacional de Agricultura Tropical</i>
COMESA	Common Market for Eastern and Southern Africa
CSF	Critical Success Factors
DRC	Democratic Republic of Congo
EAC	East African Community
FAO	Food and Agriculture Organization
FGS	Full of Grace Organic Services
FO	Farmer Organization
GIZ	German Organisation for Technical Cooperation
GIDA	Ghana Irrigation Development Authority
GP	Gratia Plena
IBM	Inclusive Business Models
NGO	Non-governmental Organization
PESTEL	Political Economic Social Technological Environmental and Legal
PPPs	Public Private Partnerships
P5F	Porter's five Forces
RAF	Regional Office for Africa
SFE	Subregional Office for Eastern Africa
SFL	Sustainable Food Lab
SMEs	Small and Medium Size enterprise
SMAEs	Small and Medium Size Agro-Enterprise
SNV	Netherlands Development Organisation
SO	Strategic Objective
SWOT	Strengths Weaknesses Opportunities and Threats
TFL	Tongu Fruits Ltd
UNDP	United Nations Development Program



## BACKGROUND

Over the past decade there has been an increase in investments aimed at improving linkages between smallholder organizations and buyers of agricultural produce, many of which adopted a value chain approach. The success and failures of many of these initiatives have been well documented. The results confirm that, for most cases, the producer-first buyer point of sale continues to be the most inefficient linkage, impacting on the overall chances of a competitive and inclusive value chain.

Many interventions have been on a pilot basis, isolated to geographic areas and with specific commodity foci which have led to localized innovations, improved local capacity and some changes in policy direction and decision making. There have been very few cases where initiatives have nationally transformed smallholder-based value chains.

To better support the producer-first buyer point of sale, from 2007 to 2011, FAO, with the support of the EU, pilot tested an Inclusive Business Model (IBM) approach in sixteen countries across Africa, the Caribbean and the Pacific region. The approach helps identify critical success factors required for improving farmer-first buyer business relationships under different contexts and commodity market structures.

To mainstream lessons from the EU's initiative and other aspects of FAO's work on IBM, in June 2012 a project funded by the Government of Ireland (GCP/GLO/455/IRE) was launched on upscaling IBM. An output of this project is to improve the quality of FAO project delivery based on the IBM approach and lessons.

Against this background, trainings for FAO project teams and partners were identified, in collaboration with SFE (Ms. Cristina Scarpocchi) and RAF (Ms. Stefanie Gallat). The first training targeted East Africa project teams. The overall goal of the IBM training is to foster a change in mind-set on how farmer-market linkage projects should be approached and to move project entry points away from production, producer, or farmer organization to prioritizing activities that build back from business and strengthen business relationships between buyers and groups of organized farmers. The IBM training will be repeated in Sierra Leone, for the project team and service providers supporting the implementation of the Smallholder Commercialization Programme. In collaboration with the Centre for Development Innovation (CDI), Wageningen and CIAT, the IBM training will be packaged as an electronic downloadable tool for further dissemination.

Related events under the Irish project which have also taken place and which provide inputs for this training are:

- An expert IBM workshop in October 2013, at FAO headquarters in Rome, which brought together 20 professionals from 12 organizations. A main output of this meeting was the development of good practices for the private and public sector and the development of a community of practice for upscaling IBM.
- The Regional IBM workshop in December 2013 in Accra, Ghana which brought together 41 participants from 15 African countries including mid-level policy makers from Ministries of Agriculture and Ministries of Trade and Industry alongside representatives of national and international companies such as Olam, Nestlé and Premium Foods Ghana. The meeting

disseminated the results of the expert workshop and identified regional specific priorities for the topic.

Main findings from these meetings which provided the orientation for this training include:

- Inclusive business is not only about ensuring that more smallholders are included in value chains, but consideration needs to be given to the quality of that inclusion. For instance, ensuring that smaller actors do not become overly dependent on any single market facilitator, market outlet, buyer or crop.
- Micro and macro level policies need to be aligned, with the public sector facilitating and fostering private sector investment in agriculture that is inclusive of smallholders. Examples include moving from trading surpluses on the informal market to engaging with the formal agribusiness sector.
- The role of small and medium sized agricultural enterprises in linking smallholder suppliers to markets and larger buyers is critical, but impeded due their fragmentation

This report summarizes the discussions over the three day regional IBM training for East Africa which took place in Kampala, Uganda from 4 to 6 February 2014. The meeting was organized by the Rural Infrastructure and Agro-Industries division (AGS) in collaboration with the Subregional Office for Eastern Africa (SFE) in Addis Ababa and the Centre for Development Innovation (CDI) - Wageningen University.

The overall **objective** of the training was to improve the delivery and quality of results under FAO market-linkage projects. With specific objectives including:

- Familiarize FAO project teams on the concept, objectives and tools related to Inclusive Business Models.
- Promote reflection on assumptions related to linking farmers to markets – including on the respective roles of value chain actors.
- Identify and use practical tools to develop and implement inclusive business models under FAO and partners' projects.

Twenty three professionals (FAO staff and partners) working on market linkages projects from Burundi, Democratic Republic of Congo, Kenya, Rwanda and Uganda participated in the training<sup>1</sup>. Owners or managing directors of companies in Uganda also attended the first day of the meeting to provide participants with insights into the opportunities and challenges of smallholder procurement. Companies represented at the meeting were Kisoro Potato, Nakumatt Supermarket and Shoprite checkers. The complete list of participants is provided in Annex 1.

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<sup>1</sup> Participants are working on the following projects: i) *Improvement of food security in cross-border districts of Burundi, D.R. Congo, Rwanda and Uganda* – seeking to increase income and living standards for rural households in cross-border districts through more profitable cropping systems and better access to markets and ii) *Food security through commercialization of Agriculture in Kenya and South Sudan* seeking to improve the livelihoods and incomes of small scale producers in targeted districts.

## 1. OPENING

The training was opened by Mr Alhaji M Jallow, FAO country representative in Uganda, who welcomed all participants to Kampala. He highlighted the importance of inclusive business models within FAO's area of work in the region, specifically under SO4 on *enabling more inclusive and efficient food and agricultural systems at local, national and international levels*.

After presenting the background and objective of the training Mr Jallow explained that FAO has been promoting inclusive business models between sellers and buyers of agricultural food commodities over the past decade. Many projects have been on a pilot basis, isolated to geographic areas with a specific commodity focus – interventions have seen positive results with innovations, improved local capacity, and some changes in policy direction and decision making. In spite of the potential however, there have only been a few cases where major progress nationally transformed smallholder-based value chain activities into competitive commodity chains, in which small chain actors can compete with imports, or in export markets, and with the results contributing to a sustainable improvement in the livelihoods of smallholders.

He added that Inclusive Business Models can be defined as *“implying a business case for trade between business of all scales, with mutual benefits for the poor and the business community – based on the objective that people transition out of poverty.”*<sup>2</sup>

Mr Jallow was pleased that the training would offer participants the opportunity to:

- Develop a common language on the topic of Inclusive Business Models.
- Listen to three private sector actors; Kisoro Potato Processing Industries, Nakumatt and Uchumi Supermarkets, provide their insights on the main challenges for buyers of working with smallholders.
- Reflect on tried and tested business model approaches and what works and doesn't work in different contexts, with cases from Ghana, Cameroon, Burkina Faso, and Zimbabwe, among others.
- Reflect on the roles of actors in promoting sustainability of business models - from farmer organizations to NGOs and project staff.
- Review and apply business management tools that can help design and reinforce FAO and partner projects working on farmer-market linkage initiatives. The complete agenda is provided in Annex 2.

He concluded by encouraging participants to share lessons learned and experiences with their colleagues in order to identify areas of innovation that will accelerate the benefits to be derived from inclusive business in the East Africa region. The complete speech is included in Annex 3.

After the speech, there was a round-table presentation of the participants, followed by a group ice breaker activity in which participants analyzed a given statement and discussed if they agree with it and the reasons for agreement or not. Below the statements analyzed by each of the groups and the main points of the discussion:

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<sup>2</sup> This definition was drawn up during the expert meeting on IBM held in Rome 2013.

1. *Traders are by nature only interested in profit without providing any service or adding value.* The group divided the statement in two parts. They indicated that traders are indeed interested in making profit, but that they do provide services for the money they earn including market information, transport, value-addition (such as grading, cleaning and packaging) and training. They also suggested that it is difficult to generalize and that size matters when it comes to the service provided by traders, with small traders usually providing the larger amount of services to farmers (e.g. cash payments, transportation and storage).
2. *Farmers should always try to move closer to customers in the value chain.* Participants suggested that farmers should perform more value-added activities to eliminate links in the value chain that bring them closer to customers and allows for a larger profit, but that there needs to be an assessment of the profitability of the new business activities. To appraise if moving down the chain and performing additional activities is feasible, it is important to evaluate producers' know-how, product quality, willingness to engage in new activities, access to capital, and bargaining power among other factors.
3. *It makes better business sense to link farmers to formal markets through producers' organizations, than through traders.* The group agreed with the statement, they suggested that although in the short term it is possible to work with traders to link farmers to markets, in the long term, producer associations should be preferred as they are more appropriate for organizing small producers to make profit, develop capacity, influence the regulatory and legal environment, access to large market outlets and increase the bargaining power.
4. *Men make better traders than women.* The group suggested that this statement is a generalization and that depending on the crop and type of enterprise men or women can perform a better job. They stated that women are usually better performers when it comes to food crops, processing activities involving product transformation and training. Instead men are stronger when it comes to industrial crops and making price negotiations. However, they also suggested that other factors such as education, culture, customs and social position influence how good a trader can be, regardless of the sex.

## 2. WHAT DOES INCLUSIVE BUSINESS MODELS MEAN?

The objective of session two, led by Siobhan Kelly, Agribusiness Economist – FAO, was to introduce participants to the concept, framework and lessons learnt so far on the topic of IBM. To begin, the session participants were invited to discuss in small groups their interpretation of the respective meanings of “business model” and “inclusive”.

**Business Models:** Participants suggested that a *business model* refers to a business strategy, a vision of a business that should be shared and accepted among stakeholders. It involves arrangements between actors and buyer and sellers. Participants also mentioned the need to minimize cost and maximize profits to be competitive and the principle of win-win solutions as key for a successful business models. It was also proposed that a *business model* could be defined as the process of creating, capturing and delivering value.

**Inclusive:** Participants suggested that the term *inclusive* refers to the involvement of key actors (in some cases all), and implies neutrality, interconnection, agreement among parties, and vertical/horizontal

linkages. It also involves all necessary services, adequate management of resources and fair distribution of benefits.

The discussion on the definition of Inclusive Business Models was followed by a presentation on the concept and framework of IBM developed by FAO and other research institutes.

Besides FAO a number of development organizations, NGOs and private sector actors are working in developing and implementing IBM. Each organization has its own slightly different definition of what is an inclusive business model. According to GIZ IBM is about mutually beneficial business partnerships; for CIAT it is about market integration of low income groups into value chains; UNDP defines it as building bridges between less endowed people/actors and the business community; while SNV believes that IBMs are economically profitable and environmentally and socially responsible.

In spite of the differences in the definition of IBM, there appears to be some common elements and basis for mutual work. During an expert workshop on the topic IBM was defined *“as implying a business case for trade between business of all scales, with mutual benefits for the poor and the business community – based on the objective that people transition out of poverty.”*

When analyzing IBM there are similarities with the value chain concept used in economic development. However, IBM is a narrower concept which focuses on the supplier to buyer first point of sale, which is usually the most inefficient linkage along the chain. A key driver behind the growing importance of the IBM in both research and real-world application is that it is a much more manageable concept than the value chain which includes far more moving parts (all actors, all channels and all environmental elements). Nonetheless, even though the IBM focuses on the components of a specific link in the chain, the approach, in line with the value chain approach, still searches for the root causes of underperformance and for upgrading strategy elements wherever they may be located in the value chain or its environment.

In order to promote IBM, AGS has developed the IBM approach that has been pilot tested across countries in Africa, the Caribbean and the Pacific. Its purpose is to support the design and implementation of interventions that improve the performance and growth of business linkages between small-scale producers and buyers. When doing so *four pillars* need to be considered:

- i. Organized and empowered farmers: it is essential to target an existing group of organized farmers with experience in supplying markets. Other types of approaches should be used to support the poorest of the poor, but IBM should focus on producers with the capability to commercialize their products.
- ii. Receptive buyers: the IBM approach focuses on pre-identified buyers willing to procure from smallholders, instead of trying to respond to the general demand of the broader market.
- iii. Experienced intermediary organizations local service providers and NGOs: these organizations play an important role in facilitating trading relations between smallholders and buyers, without unduly taking over activities that should be carried out by other actors (such as farmers and their organizations).
- iv. Enabling environment: there is a need for a local enabling business environment that promotes or at minimum does not impede small-business activities.

To implement the IBM approach the following four steps are suggested:

1. Characterization of the business model: understanding how the farmer organization and the buyer are doing business, including the organizational structure, resources, product characteristics, costs and revenues, trading relationships and logistics process.
2. Identification of the critical success factors (CSF) that are particularly valued by buyers and end consumers. If the information is not available in existing market studies it can be gathered through round-table forums that bring together farmer organizations, buyers and other relevant stakeholders to rank their priorities.
3. Develop plans for upgrading the business model including a financial plan. The upgraded model should promote innovation and place more importance on the critical success factors prioritized.
4. Identify and implement a sub-set of activities that can be supported by a project without distorting viability, unduly subsidizing or undermining sustainability of the business model.

To identify CSF and activities that will lead to an upgraded business model, it is essential to analyze the current situation with a business mind-set and consider the following:

- Ensuring that there is strategic oversight that covers all of the agribusiness processes (e.g. production, harvesting, processing, marketing, financing and logistics) which should all contribute to reinforcing the business model.
- Co-ordinate business to business relationship, including a better understanding of the decision-making process between producers and buyers and the interdependence between their processes.
- Respond to customer needs. Any successful business model creates and delivers value to customers, hence processes and activities need to be designed with the awareness of customers' needs.

Promoting IBM is a continual process, constant revision and innovations in the business models are crucial for sustainable business partnerships between smallholders and buyers. The IBM approach offers conceptual guidance on how to improve the competitiveness of operations between producers and buyers, however there is no one size fits all solution and an iterative approach is needed according to context and commodity specifics. There is also a need for a structured learning process for actors facilitating project implementation with a focus on smallholder value chains, particularly staples, which includes reshaping the roles of market intermediaries and their exit strategies.

The presentation was followed by a plenary discussion on the main issues and challenges for promoting IBM in the region: Participants reflected on the lack of good contract farming contracts and particularly on the challenges for the enforcement of contracts. This is also related to the enabling environment in which governments play a key role in fostering fair competition and setting the legal framework for business to take place, including procedures for start-up business, formalization of actors and access to services. Another key issue is the market relations between the formal and informal sector.

Governments and development projects are keen to promote formal market interactions, however small actors are not always ready to enter in formal markets and manage aspects such as the financial burdens of tax payments and the compliance with standards and regulations. Still the private sector and development organizations find it hard to work in the informal sector where the rules are unclear. There are no mechanisms for enforcement and there are too many actors to account for. Even if there is a willingness to support market relations within the informal sector there are no clear guidelines on how this can be done. Finally some participants suggested more analysis is needed on the incentives for each

type of actor, including small actors such as small producers, traders and SMEs. The public sector should carefully design incentives according to their needs; examples include tax reliefs, insurance and discounts.

### 3. BUILDING BACK FROM BUSINESS: THE ROLE OF THE BUYER

Session three was led by Monica Sopov, CDI who presented the motivations for private sector involvement in the promotion of IBM. The case for working with smallholders is clear from the development perspective and there seems to be a general belief that it makes good business sense. In the past years there has been an increase in the number of private sector actors (including small companies and large multinational corporations) interested in learning how to do business with smallholders in a way that improves their livelihood while generating profits. There are many questions however on how this can be done - for instance fairer relationships may be more socially sustainable but are they more profitable for actors involved?

CDI in collaboration with the Sustainable Food Lab (SFL) and the International Center for Tropical Agriculture (CIAT) has been working with private sector actors on some of the outstanding issues around IBM. According to them a more inclusive business model is:

- Accessible: to small actors. An IBM includes and uses the experience and knowledge of existing supply chain actors while having the potential to be extended to farmers with less assets, women and minority groups.
- Durable: long-term, stable trading relationships.
- Equitable: increases market access for smallholders with an equitable balance of risk, responsibilities and benefits.
- Efficient: improves financial sustainability.
- Effective: strengthens buyer access to consistent supplies.
- Adaptable: enables flexibility to respond to changing market, social and environmental conditions.
- Credible: offers real benefits in the form of stable commercial relations that can be tracked and reported on.

To assess if any given business model follows the above criteria six IBM principles have been developed, which provide guidance to SMEs and large companies engaged in sourcing from smallholders: i) chain-wide collaboration, ii) effective market linkages, iii) equitable and transparent chain governance, iv) equitable access to services, v) inclusive innovation and vi) measurement of outcomes. The IBM principles also include a scorecard tool with a series of questions to assess the *inclusiveness* of a business model<sup>3</sup>.

Participants worked in groups on two case studies analyzing the inclusiveness of the business models according to the six IBM principles. The first case *Tongu Fruits Ltd (TFL) in Ghana* is about a company processing pineapples for exports to Europe. Initially TFL bought pineapples from local growers, but encountered issues such as poor quality, conflict on price setting and low and irregular supply. As a result of these issues and coupled with changes in the market, the company decided to set-up their own farm producing a new pineapple variety for which there was growing demand. With support from

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<sup>3</sup> For more information on the principles refer to CIAT's link methodology in Additional Reading.

Cordaid<sup>4</sup>, TFL subsequently started an out-grower programme in which it sources from local farmers a proportion of the production.

The second case *Livestock value chain actors in Zimbabwe* described the relationship between livestock farmers, traders and abattoirs. Traders traditionally came to the village and went farm to farm to collect the animals that were transported in a batch to the city close-by and sold to abattoirs. The Lower Gurusu Development Association (a local cooperative) performed a market study which revealed that prices in the city were much higher to those offered by traders. Motivated by the price difference, farmers organized themselves to sell cattle directly to city abattoirs. In spite of the higher price, farmers were making less profit as they had to bear the risk of transporting animals, received delayed payments and had to cover other costs. For the complete case studies see Annex 6.

Table 1 below provides a summary of the IBM principles for each of the cases. The analysis shows that although the models appraised did not seem perfect examples of ‘inclusive’ trading relations there were some positive aspects such as the willingness of buyers to source from smallholders. However, a main impasse for the business model moving forward in both cases was the lack of shared information, particularly concerning pricing mechanisms. In this regard, actors could have benefitted from the support of an intermediary organization acting as a neutral facilitator for negotiations between producers and buyers.

**Table 1:** Analysis of IBM principles

	<b>Tongu Fruits in Ghana</b>	<b>Livestock in Zimbabwe</b>
1. Chain-wide collaboration	No: There is little collaboration between producers and processor.	No: Actors perform transactions to earn profits but no clear collaboration.
2. Efficient market linkages	Yes/No: Out-grower scheme between processors and producers.	Yes: Producers selling directly to abattoirs.
3. Equitable and transparent chain governance	No: Information is not shared among actors and price setting mechanism is not clear.	No: There is no clear criteria for price setting.
4. Equitable access to services	Yes/No: Processor provides transport and can provide planting material to producers.	Yes/No: Only service provided is transportation however the conditions are deficient.
5. Inclusive innovation	Yes: New variety, out-grower scheme.	Yes: Market study performed by cooperative, organization in groups.
6. Measurement of outcomes	No information available	No information available

## 4. PANEL SESSION WITH BUYERS SOURCING FROM SMALLHOLDERS

Session four included a panel with representatives from private sector companies sourcing from smallholders in Uganda: John Bahana from Kisoro potatoes, Bernard Mutua from Nukumat supermarket and Peet Coetzee from Shoprite checkers. Patricia Nsiime, FAO Uganda, led an interview style session in which participants were asked about the challenges and motivations when working with a large number of small suppliers.

<sup>4</sup> Cordaid is Dutch development organization focusing on development and collaboration in vulnerable regions and areas of conflict.



Buyers described how they were interested in sourcing from smallholders as they have the capability of growing different crops in small acreages and sourcing locally makes sense for transportation and logistical issues. Depending on the season, procurement from smallholders can make up to 70 percent of a company's purchases. In addition to the business case, local companies also consider it important to do business with smallholders in order to promote empowerment and share economic benefits.

The panel was asked about the challenges they faced when trying to work with a large number of suppliers. They include location of processing facilities in proximity to farmers, the need to set-up strict quality control mechanisms to ensure product delivery satisfies requirements, working with organized producers' groups and developing logistics mechanisms to facilitate product transportation.

All three actors agreed that in spite of their efforts to maintain good relationships with smallholders they still faced major challenges including inconsistent supply, poor quality and quantity variations according to the season. There are few extension services accessible to smallholders and limited availability of high quality seeds for staples, which together with poor farming management techniques, results in inferior quality produce. There is also little value addition in terms of sorting, grading and packaging and farmers' preference for producing high value crops make it hard for buyers to source the required volume of staple crops – such as potatoes, meaning that cross-border imports need to be relied upon.

Access to financial services is generally the biggest challenge when working with smallholders, and requires a need to design appropriate payment schemes, usually with cash on delivery payments. It is also common practice to provide tractors, equipment and seeds on credit, or to support access to other type of services by acting as a guarantor.

Prices offered to farmers vary during the year depending on supply and demand, so the price offered is often beyond the buyers' control. In addition, buyers have had difficulties in developing marketing strategies to differentiate products sourced from smallholders, for instance currently there is no specific label for smallholder-sourced products and they are sold together with produce sourced from large farmers or importers, which makes it difficult to establish a price mark-up for local produce.

The lack of organization also means that farmers are not able to negotiate prices according to their production costs and the quality delivered; they are often bound to accept the price offered. Market price variations also mean that farmers are discouraged from entering into contracts with fixed prices for fear of losing out when the market price is high.

Formal companies, particularly SMEs, also require support themselves to remain competitive and to continue to procure from smallholders. They require capacity building support in areas such as the latest processing technologies, logistics and business management. They also require a larger voice in debates related to private sector development, as they often struggle with too much red tape on for instance procedures for company registration. Buyers suggest that there is a need for greater stakeholder involvement through meetings and forums<sup>5</sup> where public and private sector actors can meet to set clear roles and responsibilities and identify priorities for agribusiness-led development.

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<sup>5</sup> Examples of mechanisms to facilitate public-private-donor engagement include the market chain assessment developed by the Centre for Potato Research (CIP).

[http://www.rfpp.ethz.ch/fellowships/concluded\\_fellowships/Bernet\\_Participatory\\_market\\_chain\\_approach-Bernet\\_2006](http://www.rfpp.ethz.ch/fellowships/concluded_fellowships/Bernet_Participatory_market_chain_approach-Bernet_2006)

## 5. SMALLHOLDER-BUYER LINKAGE MODELS

Day two began with a recap of day one, the definition of IBM and the FAO principles for inclusive business models and the main issues for their promotion.

Session five included the analysis of different starting points for promoting IBMs: private sector-driven, government-driven and facilitator-driven. Participants carried out a comparative analysis of three cases with different drivers and listed the advantages and disadvantages of each driver model relative to inclusiveness and sustainability.

Case 1: The Afife rice in Ghana describes a government-led programme by the Ghana Irrigation Development Authority (GIDA). Smallholders are given a five year renewable tenant agreement for a land parcel between 0.5 and 1 ha. In order to benefit from the tenant agreement farmers need to become members of a cooperative, responsible for the operation and management of the irrigation scheme. Farmers pay a subsidized price for the irrigation system. The rice variety produced is in high demand on the market, and so farmers have no trouble selling their produce through informal agreements to traders.

Case 2: The NGO Gratia Plena (GP) in Philippines supports the production and commercialization of organic rice. The NGO established an enterprise, Full of Grace Organic Services (FGS), to provide agro-enterprise services and inputs to farmers, including trainings, auditing, credit and bookkeeping. After initially struggling to find a market for organic rice, FGS created a marketing center where farmers delivered their rice and received cash on delivery. FGS was charged with finding a buyer and also bore the cash flow burden of delayed payments.

Case 3: Blue Skies (BS) is a private agro-processor in Ghana that buys fruits from smallholders through a contract farming arrangement. Most produce is procured locally from individual farmers and any gap is filled with imports. Farmers sign a contract typically covering a 6 months period specifying the fruit size, weight range and quality. Blue Skies provides training in good farming practices, technical advice and planting material on credit. Farmers supplying the company join a cooperative which represents them for price negotiations. The cooperative also has quality assurance teams to ensure that quality and certification requirements by Blue Skies are met. For the complete case studies see Annex 6.

Table 2 provides a summary of the analysis carried out by the groups. The analysis shows that each case has its own merits and disadvantages relative to inclusiveness, sustainability and competitiveness. It is difficult to depict a scenario that corresponds to the 'ideal inclusive business model', which would largely be dependent on the specific local context and commodity. The overall consensus was however that a collaborative and proactive role for each of these actors - private, public, and market intermediary - would considerably help to building the ground needed for an ideal IBM. Related to this point, an over dependence on any one of these actors can also have an adverse impact on either the inclusiveness or the business model component. Hence the actors need to know and be sensitive on when to push and use their presence or when to pull back and let the other actors take over. Table 2 provides a summary of the discussion around the three cases.

**Table 2:** Analysis of starting points for smallholder-buyer linkage models

	<b>Government-led Rice Afife, Ghana</b>	<b>Facilitator-led Organic rice Full of Grace, Philippines</b>	<b>Private sector –led Juice Blue Skies, Ghana</b>
<b>Advantages</b>	<ol style="list-style-type: none"> <li>1. Income generation initiative with the purpose of poverty reduction - target less endowed population (no access to land or owning small parcels)</li> <li>2. Availability of market</li> <li>3. Role of government in mobilization of actors and land consolidation</li> <li>4. Infrastructure provision: set-up of irrigation scheme</li> <li>5. Empowerment of cooperatives with government support</li> </ol>	<ol style="list-style-type: none"> <li>1. Service provision to farmers (access to credit, training, extension services, certification)</li> <li>2. Strong linkage between FGS and farmers</li> <li>3. NGO works at grassroots level</li> <li>4. Farmers have no risk in commercializing their produce (reliable buyer and cash payments)</li> </ol>	<ol style="list-style-type: none"> <li>1. Service provision to farmers (trainings on farming practices, technical advice)</li> <li>2. Facilitation of linkage to financial service actors</li> <li>3. Mechanisms for procurement and quality control</li> <li>4. Contracts with profits for both actors</li> <li>5. Clear mechanisms for price negotiation</li> </ol>
<b>Disadvantages</b>	<ol style="list-style-type: none"> <li>1. Government only focus on certain actors (less endowed)</li> <li>2. Limit to landholding which discourages entrepreneurship</li> <li>4. Lack of market focus and promotion of linkages with buyers</li> <li>5. Allocation of land is not transparent</li> <li>6. Subsidies are not sustainable</li> </ol>	<ol style="list-style-type: none"> <li>1. NGO is providing all the services, not enabling actors to perform them</li> <li>2. Private sector actors are not involved</li> <li>4. No proper market research (supply push instead of demand driven)</li> <li>5. Financial risk of FGS due to lack of reliable buyers and delayed payments</li> </ol>	<ol style="list-style-type: none"> <li>1. Risk regarding over-reliance to one buyer</li> <li>2. Collaboration with market intermediary is missing</li> <li>3. Lack of enabling environment (high domestic tax regime, inflation and blackouts)</li> <li>4. Selection of suppliers (only the best farmers)</li> <li>5. Contractual agreements with only the best farmers limits spill-over effect and possibility of engaging with larger number of farmers</li> </ol>
<b>Sustainability</b>	<ol style="list-style-type: none"> <li>1. Business case is not strong, no clear value proposition or profitable activity</li> <li>2. There is no promotion of greater interaction between actors as all services are provided by the government</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of clear strategy on financial sustainability of cooperative</li> <li>2. No exit strategy for the NGO who is performing actions that should be done by other actors</li> <li>3. Farmers only focus on production and haven't strengthen their capabilities for commercialization</li> </ol>	<ol style="list-style-type: none"> <li>1. Risk due to external factors to the company (exchange rate, taxes, inflation and blackouts) that can reduce profits</li> <li>2. Vulnerable to international market trends – impact on small holders.</li> </ol>

## 6. SUCCESS FACTORS AND CHALLENGES FOR THE PROMOTION OF IBM

The objective of session 6 was to give participants the time to reflect on how IBM can be applied to reinforce national programmes and goals and how FAO can support this area of work in each country respectively and across the region.

Participants were allocated two hours, in country groups, to identify the critical success factors and challenges for each of the four IBM *pillars* presented and discussed in session 2: i) organized and empowered farmers ii) willing private sector iii) enabling business environment and iv) experienced intermediary organizations. The groups were also asked to discuss how FAO could contribute to addressing the challenges identified.

Table 3 is a consolidated summary of the points for the region. Annex 4 contains the complete list presented by each country group.

**Table 3:** Success factors, challenges and FAO actions for promoting IBM

<b>Pillars</b>	<b>Success factors</b>	<b>Challenges</b>	<b>Actions FAO</b>
<b>Enabling environment</b>	<ol style="list-style-type: none"> <li>1. Effective organizations supporting agricultural development.</li> <li>2. Incentives for private investment.</li> <li>3. Public procurement from smallholders.</li> <li>4. National policies for agricultural development.</li> <li>5. Tax incentives for local procurement.</li> <li>6. Promotion of regional integration (e.g EAC and COMESA)</li> </ol>	<ol style="list-style-type: none"> <li>1. Poor rural infrastructure.</li> <li>2. Gaps in the implementation of agricultural policies.</li> <li>3. Lack of quality control for agricultural produce and inputs.</li> <li>4. Inconsistency between regulations.</li> <li>5. Limited access to finance.</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthen capabilities of national institutions.</li> <li>2. Support development of systems for agricultural quality control.</li> <li>3. Promote knowledge platforms to share best practices, market information and norms.</li> <li>4. Support the development of agricultural policies with incentives to private actors.</li> </ol>
<b>Willing private sector</b>	<ol style="list-style-type: none"> <li>1. Increased private investment in agricultural value chains.</li> <li>2. Increased number of PPPs.</li> <li>3. Establishment of private sector federations.</li> <li>4. Companies providing services (e.g. training, inputs, credits) to smallholders.</li> <li>5. Increased access to financial services tailored for agriculture.</li> </ol>	<ol style="list-style-type: none"> <li>1. High costs of models involving procurement from smallholders.</li> <li>2. Risk of foreign investment and large companies crowding out local business.</li> <li>3. Risk of private companies taking advantage of smallholders.</li> <li>4. Private companies are mainly interested in cash crops which can affect the production of crops for food security.</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthen capabilities of local agribusiness in particular SMAEs.</li> <li>2. Knowledge dissemination on PPPs (good examples, lessons learned).</li> <li>3. Knowledge dissemination on good examples of IBMs to promote greater participation from private companies.</li> <li>4. Knowledge dissemination on contract farming and how to address the gap between design and implementation.</li> <li>5. Development of guidelines for engaging with the private sector at local level.</li> </ol>

Pillars	Success factors	Challenges	Actions FAO
<b>Organized small actors</b>	<ol style="list-style-type: none"> <li>1. Business oriented organizations.</li> <li>2. Facilitated procedures for legalization of organizations (e.g. decentralized procedures in Burundi and development of criteria for registration of small groups in Uganda).</li> <li>3. Tax exemptions for cooperatives activities in order to compete with informal actors.</li> <li>4. Access to infrastructure for storage and processing.</li> <li>5. Projects and government interventions through organized smallholders.</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of medium-long term planning.</li> <li>2. Weak governance and management within organizations.</li> <li>3. Overreliance on external support and subsidies which challenges the financial sustainability.</li> <li>4. Lack of activities generating profits.</li> <li>5. Limited access to market information concerning agricultural products.</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthen business and technical capabilities of institutions at grassroots level.</li> <li>2. Knowledge dissemination on good business models for financially viable producer organizations.</li> <li>3. Strengthen managerial capacities of organizations at national (apex) level.</li> </ol>
<b>Intermediary organizations</b>	<ol style="list-style-type: none"> <li>1. Experience working at grassroots level in direct contact with the target group.</li> <li>2. Experience in engaging with private sector actors.</li> <li>3. Access to funds from donors.</li> <li>4. Design smart interventions without taking on activities that should be performed by others in the chain.</li> </ol>	<ol style="list-style-type: none"> <li>1. Creation of market distortions with certain activities.</li> <li>2. Lack of exit strategy</li> <li>3. Limited business capabilities to support development of producer organizations and SMEs</li> </ol>	<ol style="list-style-type: none"> <li>1. Support the transfer of knowledge.</li> <li>2. Design smart projects with a clear role for the facilitator organizations and exit strategy.</li> <li>3. Disseminate knowledge on best practices when working with smallholders and private actors.</li> </ol>

After a plenary discussion, participants went back to the country groups and identified five key areas that FAO should work on to address both the inclusiveness and competitiveness of business models involving smallholders.

Main areas identified were:

- Support in the design and implementation of inclusive policies.
- Promotion of a free market environment to facilitate the entry of new actors and simplify the procedures for setting-up business activities.
- Promotion of regional parks for agro-processing that integrate key actors.
- Greater partnerships with local training institutions to promote the professionalization of rural actors.
- Increased support for the development and strengthening of SMEs.
- Promotion of public procurement as a tool to link smallholders to formal markets
- Support designing and implementing procedures to facilitate the creation of small business and legalization of rural organization.

Table 4 provides the outputs for each country discussion.

**Table 4:** Areas to focus on for inclusiveness and competitiveness

Country	Areas for inclusiveness & competitiveness
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Uganda	<ol style="list-style-type: none"> <li>1. Policies that are more inclusive (support of key actors)</li> <li>2. Support to facilitators and NGOs</li> <li>3. Free market environment to promote entry of new actors and start-up business activities</li> <li>4. Industrial parks at regional centres to promote agroprocessing</li> <li>5. Education: new institutions for rural professionalization</li> </ol>
Kenya	<ol style="list-style-type: none"> <li>1. Increased public procurement from smallholders</li> <li>2. Private sector development, particularly SMEs</li> <li>3. Increased investment by private sector in chain development (supermarkets, intermediaries, processors ) Large companies procuring from smallholders</li> <li>4. Support organized small actors (cooperatives, associations)</li> <li>5. Role of intermediaries in promoting BM</li> </ol>
Burundi	<ol style="list-style-type: none"> <li>1. Access to strategic documents</li> <li>2. Increase public and private partnerships working on IBMs</li> <li>3. Decentralization of power: legalization at different levels (local, district, national)</li> <li>4. Chamber of commerce: association of agricultural companies: promotes partnerships among actors, advocacy and training. Access only to registered organizations. Structure available at district level for small actors</li> </ol>
DRC	<ol style="list-style-type: none"> <li>1. Access to credit for smallholders</li> <li>2. Innovations for smallholder's products (storage, post-harvest management, processing machinery)</li> <li>3. Implementation of the PDDA programme i) programme for ag support in Africa –improved technologies (drying cassava with solar energy)</li> <li>4. Improved technology for the transportation of agricultural products</li> <li>5. Water management programmes for farmers</li> </ol>
Rwanda	<ol style="list-style-type: none"> <li>1. Evaluate possibilities of value-added products by smallholders</li> <li>2. Work closely with interested buyers in the agricultural sector</li> <li>3. Support the professionalization of producers organizations</li> </ol>

## 7. TOOLS FOR SUPPORTING IBMs

Session 7 was led by Monica Sopov, CDI, on business management tools that are useful for understanding business models and identifying areas for improvement. The objective of the session was to introduce practical tools that can support the implementation of the IBM approach. Tools reviewed were i) the concept of the value proposition, ii) application of the SWOT for IBM, iii) Porter's Five Forces, and iv) the ANSOFF matrix.

**i) The Value Proposition:** The value proposition of a product or service is what is being offered to the market. The process of understanding the value proposition of a product is to help the seller appreciate what he or she is offering to the market in its entirety. For instance, a farmer organization (FO) selling corn to an agro-processor is not just selling a product but offering: organization of individual farmers to deliver corn to the FO, a grading and cleaning process, the possibility for the buyer to engage with one seller rather than various individual sellers, interim storage, a product that can be processed into various food stuffs for human and animal consumption etc. The FO needs to be aware of the value of their product, in this way it is possible to have a better bargaining power to negotiate prices or attract new buyers.

To develop a strong value proposition the following elements need to be appraised:

- Who are the targeted customers?

- What is their current alternative?
- What type of products/services are they currently purchasing?
- What are the characteristics of product/service offered?
- What is the key problem the product/service solves?
- What differentiates the product/service from alternatives (uniqueness)?

Participants were asked to work in their country groups and select a product that a project they are working with is selling to the market and develop the value proposition. Groups were asked to reflect on possible criteria for winning business models including: providing value to the final customer, understanding customers' motives for its purchase and offering something unique to the market that is different from other similar products.

The value propositions presented by each country group were:

Rwanda -> *Akanoze Cassava flour*. Target consumers are medium-high income consumers. The current problem is poor quality of products and low price of raw material. To address it a new product is being developed; packed cassava flour which is cleaner and safer than traditional flour.

Uganda -> *UHT milk*. The customers are the regional market which is dissatisfied with raw milk because of hygiene and shelf-life issues. UHT milk, unlike raw milk, is delivered through a highly organized distribution network, has longer shelf-life, is more hygienic and also very tasty compared to competitors.

Burundi -> *Acarenzo*. Post-harvest losses and fruit shortage reduction through stabilized maracuya juice products from small growers and fresh fruits supplier.

Kenya -> *Honey*. To process organic, high quality, refined, well packaged and branded honey to nutritious and health conscious consumers in the local and regional markets around west pokot all year round.

DRC -> *Nerica 4*. White, long grain and aromatized rice which is currently low in supply.

**ii) The components of a business model** Participants also reviewed the main components of a business model:

1. *Mission/vision*: the mission and vision statement of an organization should clearly and concisely convey the direction of the organization. The mission defines the organization's purpose and primary objectives. The vision also defines the organization purpose, but it includes how things should be done.
2. *Marketing strategy*: the marketing strategy is how a company will deliver value to their customers and can be described through the 4 Ps:
  - *Product*: products and services sold, value proposition, what needs does it satisfy? What features does it have to meet these needs? How is it branded? How is it differentiated from competitors?
  - *People/Place*: Who are the clients, why they purchase the product? What is the product flow and distribution? How products reach customers? How is the relationship with customers? Where are the products sold?
  - *Price*: How the organization captures value? (pricing mechanisms, income generation, payment mechanisms) How does price compare with competitors?

- *Promotion*: How to reach targeted buyers?
3. *Activities*: what needs to be done to deliver products and services (production, processing, marketing, logistics, quality control).
  4. *Resources*: assets needed to deliver products (physical, intellectual, financial and human resources)
  5. *Cost structure*: cost of the value proposition (fixed-variable costs, economies of scale).
  6. *Partners*: Who are the collaborators? (suppliers, transporters, financial institutions).

**iii) The SWOT analysis** helps to better understand a business model by analyzing its strengths and weaknesses and identifying opportunities and threats. An identification of strengths helps actors understand what is working for their business model and what to continue doing. An identification of weaknesses helps to focus attention on areas that need to be dropped or improved. Specifying opportunities open to the business model will also help to make sure that resources are allocated to new areas that can help a business model grow, while acknowledging threats so that strategies can overcome the risks that could affect the business model's performance.

The SWOT may also be accompanied by a PESTEL analysis which looks at a business model's environment relative to: political, economic, social, technological, environmental and legal factors. The SWOT and PESTEL analysis can be done regularly to keep an update on the business model's internal and external environment and if changes need to be carried out to its strategy.

**Figure 1: SWOT analysis**



**Figure 2: PESTEL analysis**



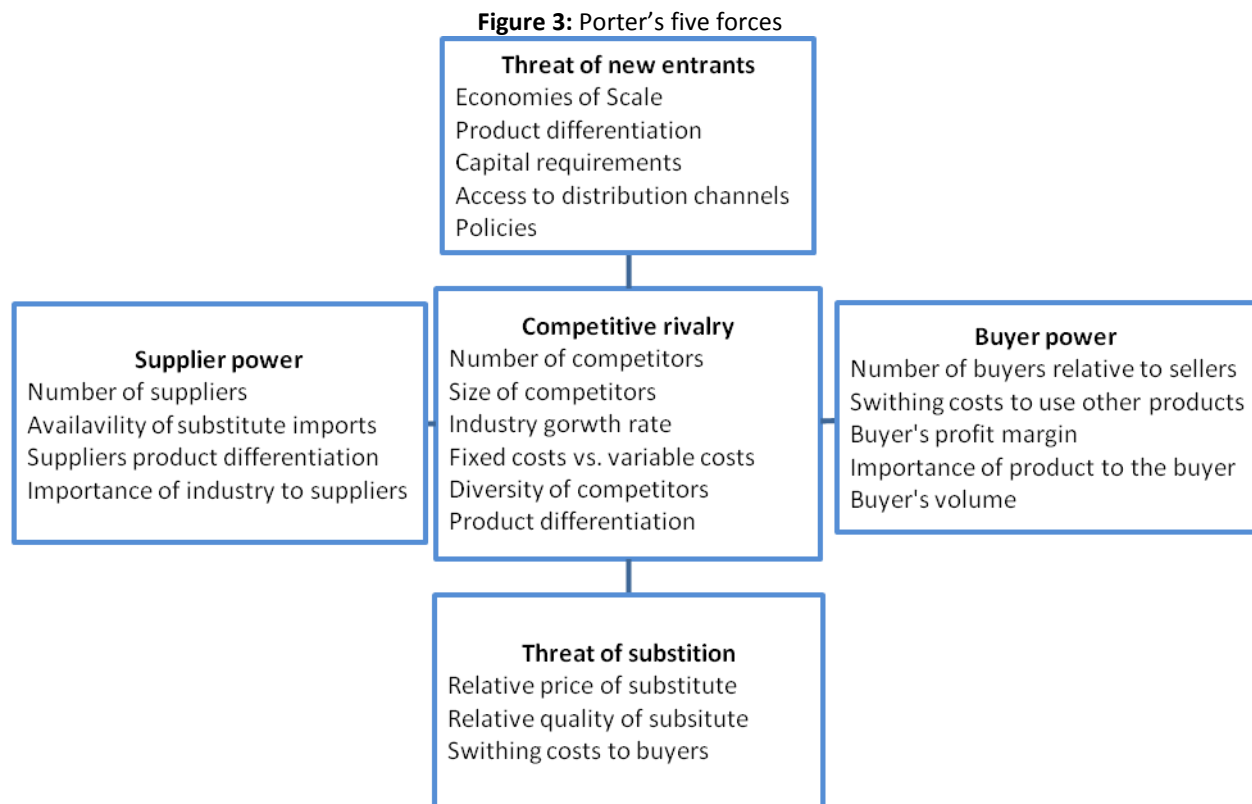
**iv) Porter's five forces** (P5F) is a tool to carry out a competitive analysis of a business model. It analyzes the strength of a current position to support strategic decisions. The five forces that help determine a business models' competitive position are:

- Threat of new entry: How easy will it be for competitors to enter the same market within which the business model is operating?
- Threat of substitution: How easy will it be for buyers to find an alternative product that substitutes yours in order to satisfy their needs?



- The power of buyers: How easy is it for your buyers to drive prices down? If there are few powerful buyers it is easier for them to dictate contract terms. If there are many similar buyers then their bargaining power will be low and you will have more market options.
- The power of suppliers: How easy is it for people and companies who provide supplies to drive up prices? Fewer suppliers mean higher dependency on them, hence they are more powerful.
- Competitive rivalry: Rivals are the similar companies/organizations offering a similar product to the same customer group. If there are many competitors and they offer similar products and services, suppliers and buyers can go elsewhere. On the contrary, if few actors can offer a similar product/service they have greater power.

See Figure 3 for a list of items to analyze for each force.

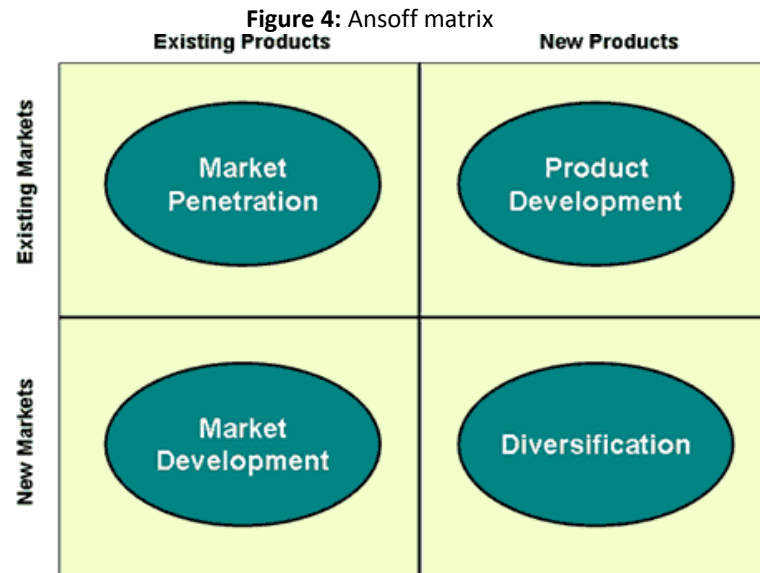


**v) The Ansoff matrix** is a useful tool for planning future strategic direction for the business model and supporting the choice of the most appropriate strategy to pursue in a changing environment. The matrix provides a quick and simple way of thinking about growth, and the associated risks with each option, which are market penetration, product development, market development and diversification.

There are some general actions for each of the four approaches:

- Market penetration: selling more of the same product to the same group of people. Examples of activities include advertisements, increase loyalty from buyers and offering discounts.

- Product development: selling different products to the same people. Examples of activities include making changes in the product offered, improving the quality and changing channels for delivery.
- Market development: selling more products to different people. Examples of activities include approaching new buyers and entering markets in a new geographical area.
- Diversification: selling different products to different people. It needs to be analyzed carefully due to the large risk from uncertainty.



Participants were asked to apply a tool to a specific business model they were familiar with under their respective projects. See Annex 5 for the results of the exercise.

Session findings: Participants were asked to compare the tools and reflect on their advantages and disadvantages which are listed in Table 5.

**Table 5:** Positive and negative aspects of the business tools

Tool	Positive Aspects	Negative Aspects
SWOT	<ul style="list-style-type: none"><li>- High level assessments</li><li>- First point for brainstorming</li><li>- Awareness of internal-external situation</li><li>- Useful for small and large business</li><li>- Starting point for open discussion with stakeholders</li></ul>	<ul style="list-style-type: none"><li>- Need to have a clear focus area of business to analyse. Time should be spent on analyzing a specific product, or a service, or at most an organization but not the entire sector.</li><li>- Strategic plan doesn't follow off the SWOT</li></ul>
Porter's five forces	<ul style="list-style-type: none"><li>- Broad analysis of situation</li><li>- Multiple actors: buyers, sellers, competitors</li><li>- Help develop action plan to gain competitiveness</li><li>- Identify actions to be taken</li><li>- Analysis for decision making</li><li>- Quick and dirty</li><li>- Identify balance of power</li></ul>	<ul style="list-style-type: none"><li>- Lots of information</li><li>- Repeat it many times</li><li>- Not sharp enough to develop action plan</li></ul>
Ansoff matrix	<ul style="list-style-type: none"><li>- Opens mind: what can be done?</li><li>- Generates new ideas</li><li>- Easy and quick to implement</li><li>- Make decisions of where to go</li><li>- Good for starting point</li></ul>	<ul style="list-style-type: none"><li>- Lack of details: too general</li><li>- Does not include external environment (market, product and customer assessments)</li></ul>

After the application of the tools, a discussion took place around the topic of upgrading a business model and how to determine when/if it is appropriate to upgrade in the value chain? The following points were raised on this important topic:

- Before designing or implementing any activity that will generate changes in the business model it is important to assess certain criteria. The first one is the core competences: have farmers mastered the core production and post-harvesting competences? Are products of high quality? Are the production practices efficient? Do producers possess the capacity to manage current activities and technologies?
- While it may appear to make business sense to invest in a value chain activity further down the chain – such as a farmer organization moving from collective markets to investing in agro-processing, the return on investment needs to be clearly understood as it may make more strategic sense to concentrate on the core business of collective marketing and maybe improve the business linkage with an agro-processor. The following questions need to be asked: what is the cost of the new activities? Is there funding available? Will additional income cover additional costs? Finally it is important to assess the managerial capacities: Do producers possess the skills to perform the new activities? Do they need extra support?
- Developing new business activities requires a set of new assets and skills including: technology for value-added activities, access to finance in the form of credit, investments or working capital, human resources with managerial capabilities and key competences and an organizational structure to support activities. Thus it is important to make a complete evaluation of the current situation and capabilities before making any decision about upgrading or investing down the value chain.

The tools presented are just a sample of strategic business tools that can be used to design and implement business models and to mainstream business thinking in development projects. The tools do

not have to be strictly applied in all project designs but, their application will promote reflection on business oriented actions that need to be supported in order to ensure the sustainability and growth of a business model.

## 8. ROUND THE TABLE FEEDBACK AND POST-TRAINING EVALUATION

To conclude the workshop participants were asked to highlight the most and least preferred aspects of the trainings. The participatory approach was highly appreciated, as opposed to the chalk and talk method, and the use of a combination of relevant cases, small group work, focused country group discussion, plenary, and tools such as a world café for reviewing cases. This approach allowed participants to build on theoretical concepts from the analysis of real life case experiences. The opportunity to review different driver models (public, private, NGO) and to compare the advantages and disadvantages of each model was also highlighted. The possibility to learn about business tools (Porter's five forces, Ansoff matrix, SWOT, value proposition) and apply these tools to their own project settings was also particularly welcomed.

Participants also highlighted the opportunity to talk directly to private sector buyers on smallholder procurement, the challenges they face and how they think it can be improved. The training was also appreciated as a good setting to network with colleagues from the region and the space for cross-country fertilization of ideas.

There was a sense however that training was too short to fully assimilate the concepts and apply them to project activities, with the general feeling that an extra day or two days would have provided more time to investigate in more depth the theoretical concepts to generate more dynamic discussions on specific projects, country and regional issues. The training could also be combined with a field trip and for instance have structured meetings with buyers – traders, retailers, wholesalers and SMEs in their own environment. Finally participants advocated for the need to have follow-up meetings and trainings to ensure the concepts are being applied within countries. Annex 7 contains the details of the post-training evaluation.

## 9. CONCLUSIONS

The objective of the training was to improve the delivery and quality of results under FAO market-linkage projects. This objective was met by familiarizing project staff and partners with the concept, objectives and principles related to Inclusive Business Models, reflection on assumptions related to linking farmers to markets including the roles of value chain actors and presenting business tools to assist in the design and implementation of inclusive business models.

Participants gained knowledge on the concept of inclusive business models as an approach to facilitate better and more inclusive trading relations between buyers and small farmers. Different types of methods and tools to facilitate the implementation of the approach developed by a range of research institutes were also reviewed. A session reviewing different driver models allowed a very useful comparative analysis of the costs and benefits of each model in promoting the viability of a business model and its inclusivity. Interview with buyers promoted a reflection on the role of private actors including large companies and SMEs, the government and NGOs in promoting profitable business models that benefit less endowed actors such as smallholders. Participants also had the opportunity to

apply business tools to their project contexts which was useful for identifying different types of actions that can be applied for upgrading the business models.

### **Good practice project guidelines on IBM**

The training sessions were complemented by a number of plenary discussions which highlighted the following points for working on IBM.

- The term *inclusive* is not only about the number of actors included in a business model, but also about the type of actors, the conditions for their inclusion, and how participation in a business model can contribute to empowerment, support the transition out of poverty and improve food security. However, special attention needs to be given to the selection of more market-oriented smallholder groups and those that produce surpluses. This is important to give the business model a head-start so that progress will be accelerated. Further into project implementation outreach can be extended to less endowed groups, who will be more likely to participate after witnessing the progress of other participating farmers.
- The design and implementation of IBM also need to be *inclusive of actors that are already doing business with targeted beneficiaries*, such as Small and Medium sized Agro-Enterprises (SMAEs) and traders. These actors play key roles in value chains and often are the only market outlet and hub for linking smallholders to bigger buyers. These actors should not be unduly pushed out of the system and projects and interventions should acknowledge and build on their skills, know-how and existing linkages.
- The training also contributed to challenge *the role of project managers, staff and service providers in fostering inclusive business models* and questioning if some interventions and roles undermine both the viability and inclusiveness of a model. It was emphasized that project managers require the skills to mainstream a business mind-set among project beneficiaries and that service providers involved in the execution of project activities also need to possess business-oriented skills and qualifications. Projects also need to avoid the habit of actually performing the job for the target audience or of other private actors in the chain. The role of the service providers should be to guide and support project beneficiaries, bring in appropriate partners, public and private, to carry out activities that contribute to both viability and inclusiveness.
- There is a *gap between project design and implementation*. Even though projects in the region are designed to focus on commercialization of agricultural produce, yet in the implementation there is too much emphasis on production, technology and post-harvest management without entirely addressing the market challenges, from a specific targeted buyer's perspective. There needs to be more business and market oriented assessments, that are inclusive, not only of the needs of smallholder groups, but also of SMEs involved in the business model and the requirements and capacity gaps of buyers which may be impeding a business model. It is essential to perform greater analysis of smallholder-based agricultural activities with a business lens to ensure project supported activities are economically profitable.
- There is a need to increase *collaboration with both national and local governments* in order to promote an enabling environment and taking to scale local innovations. It is often the case that projects are designed and implemented without bringing on board local institutions. FAO plays a crucial role in working with governments and sharing good practice policies that promote the integration of smallholders in markets. Examples of customized policies for the poor are increasing

and are more effective than subsidies, for instance competition policies that prevent abuse of market power, particularly for staples, the development of grades and standards customized to small actors' abilities and tax systems which bring small informal actors into the formal sector rather than excluding them through complicated registration and high fees.

- The *importance of partnerships among actors*, at various levels is key for successful business models – not only the need to bring in the public sector as described above, but also for suppliers and buyers, typically rivals in business, to collaborate in order to maintain individual and chain competitiveness.
- It is important to make *a complete evaluation of the current business models before making any decisions about upgrading or investing in new activities along the value chain*. Developing additional business activities requires new assets and skills including: technology for value-adding activities, access to finance in the form of credit, investments or working capital, human resources with managerial capabilities and an organizational structure to support activities. While it may appear to make business sense to invest in a value chain activity further down the chain– such as a farmer organization moving from collective marketing to investing in agro-processing, the return on investment needs to be clearly understood as it may make more strategic sense to concentrate on the core business of collective marketing and maybe as a first step develop a closer business partnership with a local processor.

### **Recommendations for the public sector**

The participants also discussed the role of the public sector in addressing the issues and challenges raised. Recommendations from those discussions include:

#### ***Including small actors in the formal market***

Governments' role in IBM is to foster fair competition with legal frameworks that allow small local businesses to flourish. Due to existing regulatory frameworks however it makes more sense for small actors to remain informal due to aspects such as the financial burdens of tax payments and complicated procedures. This acts as a barrier for the promotion of public and private sector procurement from smallholders. Some clear policies do exist, but their implementation can be hampered by lack of enforcement mechanisms, particularly in staples markets where value chains are long and complicated with numerous small actors acting informally. Participants recommended further analysis to identify customized incentives for groups (small farmer, agroprocessors, traders, transporters) that typically work informally and to develop guidelines on how smallholder agriculture can operate and grow within a formal environment.

#### ***Unblocking the impasse on price transparency***

There is a clear willingness with many proactive interventions on the part of the private sector to increase procurement from smallholders. However, most business models fail or slow down on price mechanisms, which often suffer from a lack of shared information sourced from credible and neutral market information brokers. There is a clear role here for the government to create the necessary enabling environment, for instance on good practices for contract farming which protect both the buyer and seller. In the absence of such a system however, participants believe that this is an important role which local NGOs play in acting as a neutral facilitator for negotiations between producers and buyers. However, it is important that they limit their role as infomediaries supporting price negotiations instead of directly intervening.

### ***Supporting the development of labels of origin for smallholder procured produce***

Buyers believe that there is a domestic market within the middle-classes for locally procured produce, particularly for food procured from smallholders. However, buyers struggle to develop marketing strategies that differentiate products sourced from smallholders, with for instance a specific label indicating ‘smallholder-sourced product.’ As such smallholder produce is sold together with produce sourced from large farmers or importers, making it difficult to establish a price mark-up for local produce. National standards systems which provide for third party governance mechanisms to certify the origin (national and smallholder procured), can support the private sector to develop appropriate marketing strategies and product development to tap into this growing domestic market.

There are many standards and certification systems which could be used as templates for lessons and for designing national standard systems which demonstrate domestic smallholder procurement. Examples of standards for smallholder produce include social standards (e.g. Fairtrade<sup>6</sup>), food safety and quality standards (e.g. HACCP<sup>7</sup>), environmental standards (e.g. Organic<sup>8</sup>) and geographical indication (GI) or other origin-labelled seals where origin is synonymous of specific quality, meaning the label is associated to a product standard (or code of practice) describing the traditional production methods that make the product specific in relation with local resources and know how involved<sup>9</sup>.

Labelling and protection allows for market differentiation and fight against counterfeiting as well as contribute to food diversity, biodiversity and cultural preservation. The public sector plays a key role in this area for ensuring a sound legal and institutional framework (registration and certification) and for supporting the private sector, especially the value chain stakeholders, in the definition and management of each standard product system.

### ***Promoting a balance in the roles of drivers leading inclusive business models***

Participants’ analysis of cases shows that, for business models to be both inclusive and competitive, there is a clear need for the involvement of both the public and private sector. In the absence of a sound enabling environment, a local neutral marketing intermediary, usually a NGO is also needed. The extent of the roles of these actors is difficult to predetermine and should be guided by the local context and the maturity of the business model. The overall consensus is however, that there should not be overdependence on any one of the actors as this can have an adverse impact on either the inclusive or the viability components of the business model. As such, the actors need to know and be sensitive on when to push and use their presence or when to pull back and let the other actors take over.

### **The role of FAO in promoting IBM in the region**

The findings which emerged from cross-country plenary discussions will contribute to informing FAO’s future programme of work on the IBM topic and the adaptation of IBM related activities suitable for the East Africa region. In the meantime workshop participants are now better equipped to mainstream

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<sup>6</sup> Fairtrade refers to the concept and diverse initiatives that try “to provide better market access and better trading conditions for small-scale farmers”. Fairtrade refers specifically to the standard owned by Fairtrade international <http://www.fairtrade.net>

<sup>7</sup> The Hazard analysis and critical control points (HACCP) is a systematic preventive approach to food safety from biological, chemical, and physical hazards. The standard is meant for food service companies and food manufacturers. Certification is performed by accredited certification bodies (Loconto and Dankers, 2014).

<sup>8</sup> Organic agriculture refers to “a holistic production management system which promotes and enhances agro-system health, including bio-diversity, biological cycles and soil biological activity” (Codex Alimentarius Commission, 1999). Organic certifications are governed by public regulations and private standards (Loconto and Dankers, 2014).

<sup>9</sup> In Africa, the Western Africa Intellectual Property Organization (OAPI) and the Eastern Africa Intellectual Property Organization (ARIPO) are in charge intellectual Property rights at regional level and can support their member countries in identifying and protecting GIs at national level.

business thinking into project activities and areas that require prioritization, while at the same time ensuring that business models that link smallholder to agribusiness contribute to poverty reduction and food security in the region.

During the workshop country groups identified the critical success factors and challenges that contribute to the building of the four IBM *pillars*: i) enabling business environment: ii) willing private sector iii) organized and empowered farmers, iii) experienced intermediary organizations. During this exercise participants also reflected on how IBM can be applied to reinforce national programmes and goals in inclusive agribusiness- led development and how FAO can support this area of work in each country and across the region. Main areas identified for FAO support were:

- Support in the design and implementation of inclusive policies, so that trade, agricultural and food security policies provide a balance between promoting business between domestic actors on one hand, while also ensuring that business is contributing to the poverty reduction of marginalized groups<sup>10</sup>.
- Promotion of a market environment that facilitates the entry of new actors and takes down barriers to entry to formal market for small actors. FAO can for instance, support the dissemination of good practices on procedures that facilitate small actor registration and legalization.
- Promotion of agro-industrial parks for agro-processing that geographically integrate the key actors in value chains<sup>11</sup>.
- Greater partnerships with local training institutions to promote the professionalization of rural service providers, professionals working in the agricultural sector, and leaders of farmer organizations, agro-enterprise and traders associations.
- Increased support for the development and strengthening of SMEs with for instance, training of representatives of SME associations on technical and management topics, governance, negotiation and advocacy, storage practices etc. and promoting the role of national apex organizations in public debates on private sector development.
- Promotion of public procurement as a tool to link smallholders to formal markets, with the dissemination of good practices for inclusive local procurement and provision of policy guidance on changes required in public procurement policies<sup>12</sup>.

## Moving forward

Overall participants appreciated the participatory approach which allowed them to build on theoretical concepts with an analysis of real life case experiences. The opportunity to talk directly to private sector buyers on smallholder procurement, the challenges they face and how they think it can be improved was also appreciated, in addition to the space to share ideas across countries on ways of working. Participants advocated for the need to have follow-up meetings and trainings to ensure the concepts are being applied within countries and that project teams and FAO partners are kept up-to-date on the latest thinking and tools on IBM.

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<sup>10</sup> Examples of policies that support inclusive business are presented in Edeva's publication: Business Policies - How Governments Can Engage Companies in Meeting Development Goals, Endeava, October 2013  
[http://www.endeva.org/building/current\\_projects/policy\\_instruments\\_for\\_inclusive\\_business/](http://www.endeva.org/building/current_projects/policy_instruments_for_inclusive_business/)

<sup>11</sup> An agro-industrial park can be seen as a community of production, processing and service agribusinesses located together on a common property centrally managed (Lowe, 2001).

<sup>12</sup> Brazil's institutional procurement programmes (*Programa de Aquisição de Alimentos –PAA* and *Programa Nacional de Alimentação escolar –PNAE* provide a good example of joining a structured demand for smallholder farmers and a food safety strategy. (Swensson, to be published)



The topic of Inclusive Business Models is an important one under FAO's new Strategic Framework and in particular under Strategic Objective 4 on "Enabling inclusive and efficient agricultural food systems." The above findings will contribute to informing FAO's future programme of work on the IBM topic and the adaptation of IBM related activities suitable for the East Africa region. In moving forward in the region, FAO will do so in collaboration with the partners present at the training and beyond, to ensure that synergies can be capitalized at both the project and policy level in order to accelerate progress in improving linkages between smallholder suppliers and buyers.

In the meantime workshop participants are now better equipped to mainstream business thinking into project activities and areas that require prioritization, while at the same time ensuring that business models that link smallholder to agribusiness contribute to poverty reduction and food security in the region.

## 10. ADDITIONAL READING

1. Rural Infrastructure and Agro-Industries Division (AGS) website  
<http://www.fao.org/ag/ags/ags-division/en/>
2. Course on agribusiness management for producers associations. Training materials for agricultural management, marketing and finance.  
<http://www.fao.org/docrep/011/i0499e/i0499e00.htm>
3. IRR and Royal tropical Institute. 2008. Trading up. Building cooperation between farmers and traders in Africa.  
[https://www.kit.nl/net/KIT\\_Publicaties\\_output/ShowFile2.aspx?e=1441](https://www.kit.nl/net/KIT_Publicaties_output/ShowFile2.aspx?e=1441)
4. IRR, KIT and FAIDA. 2006. Chain empowerment. Supporting African farmers to develop markets.  
[http://www.kitpublishers.nl/net/KIT\\_Publicaties\\_output/ShowFile2.aspx?e=1647](http://www.kitpublishers.nl/net/KIT_Publicaties_output/ShowFile2.aspx?e=1647)
5. Lundy, M. 2012. LINK Methodology: a participatory guide to business models that link smallholders to markets. Lundy, M., Becx, G., Zamierowski, N., Amrein, A., Hurtado, J.H., Mosquera, E.E., and Rodriguez, F.  
<http://dapa.ciat.cgiar.org/linking-smallholders-a-guide-on-inclusive-business-models/>
6. Paglietti, L. and Sabrie, R. 2013. Review of smallholder linkages for inclusive agribusiness development. FAO Investment Centre.  
<http://www.fao.org/docrep/019/i3404e/i3404e.pdf>
7. Wongtschowski, M., Belt, J., Heemskerk, W. and Kahan, D. 2013. The business of agricultural business services, working with smallholders in Africa.  
[http://www.kit.nl/net/KIT\\_Publicaties\\_output/ShowFile2.aspx?e=2080](http://www.kit.nl/net/KIT_Publicaties_output/ShowFile2.aspx?e=2080)

## Annex 1: List of participants

Num	Name	Country	Organization
1	Floribert Mbolela	R.D. Congo	FAO
2	Adrien Kambale Malemo	R.D. Congo	COOPANKI Organization
3	Lambert Lutete Diankenda	R.D. Congo	FAO
4	Mamie Talamaku	R.D. Congo	Groupe d'appui aux projets
5	Patricia Nsiime	Uganda	FAO
6	Winfred Nalyongo	Uganda	FAO
7	Paul Emuria	Uganda	FAO
8	David Ogwang	Uganda	FAO
9	Andrew Atingi	Uganda	FAO
10	Moses Oremo	Uganda	FAO
11	Andrew Ocen	Uganda	Agency for Rural Transformation
12	Byron Peter Okot	Uganda	International Institute of Rural Reconstruction
13	Elizabeth Kamau	Kenya	FAO
14	Tito Arunga	Kenya	FAO
15	Jane Sirma	Kenya	KENFAP
16	Agnes Chebet Lokukai	Kenya	World Vision
17	Juvenal Kabiligi	Rwanda	FAO
18	Alexis Ntaganira	Rwanda	CARITAS BYUMBA
19	Jean Pierre Akimana	Rwanda	IMBARAGA
20	Njinginya Pie	Burundi	FAO
21	Nabor Barancira	Burundi	FAO
22	Renovat Ngendakuriyo	Burundi	IFAD
23	Prosper Ruberintwari	Burundi	FAO
24	John Bahana	Uganda	Kisoro Potato (Buyer panel)
25	Bernard Mutua	Uganda	Nakumatt Supermarket (Buyer panel)
26	Peet Coetzee	Uganda	Shoprite checkers (Buyer panel)

## Annex 2: Training Agenda

Day 1 – February 4 2014			
Session	Time	Theme	What will we explore?
	08:30-09:00	Registration	
1	09:00-10:30	Opening session	<ul style="list-style-type: none"> <li>- Opening remarks FAO Rep</li> <li>- Objective and agenda</li> <li>- Round-table presentation of participants</li> <li>- Ice-breaker group activity</li> </ul>
Break			
2	11:00-12:30	What does Inclusive Business Model means?	<ul style="list-style-type: none"> <li>- Participants perception of meaning of inclusive and Business model</li> <li>- Overview of definitions and approaches that promote inclusive business models</li> <li>- Guided discussion</li> </ul>
Lunch			
3	13:30-15:00	Building back from Business: the role of the buyer	<ul style="list-style-type: none"> <li>- Introduction on how companies look at inclusive business</li> <li>- Inclusive business model principles</li> <li>- Group activity on the role of buyers through the supply chain: Analyzing if the case is an inclusive business model?</li> </ul>
Break			
4	15:30-17:00	Buyers sourcing from smallholders	<ul style="list-style-type: none"> <li>- Panel session with private sector actors sourcing from smallholders</li> <li>- Question and answer session: description of business, their motivations to source from smallholders and the risks and challenges they face when doing so</li> </ul>

Day 2 - February 5 2014			
Session	Time	Theme	What will we explore?
	8:30 – 10:00	Recap Day 1	<ul style="list-style-type: none"> <li>- Agenda for the day</li> <li>- Wrapping of session3</li> <li>- Recap FAO principles of IBM -3 pillars</li> <li>- Plenary discussion with participants inputs</li> </ul>
<b>Break</b>			
5	10:15-12:30	Smallholder-Buyer linkage models	<ul style="list-style-type: none"> <li>- Group analysis on the advantages/disadvantages and sustainability of different type of models (world caffè)</li> <li>Buyer driven, Government driven, Intermediary driven</li> </ul>
<b>Lunch</b>			
6	13:30-15:00	FAO IBM principles 1	Country group discussions on success factors, challenges and actions that FAO could perform on the four pillars of IBM
<b>Break</b>			
6 (cont)	15:30-17:00	FAO IBM principles 2	Group presentations and general discussion

Day 3 – February 6 2014			
Session	Time	Theme	What will we explore?
	08:30-10:00	Recap Day2	Plenary: Presentation of groups smallholder organization and intermediaries  Review your country appraisal to identify the factors that contribute to inclusiveness and competitiveness
Break			
7	10:30-12:30	Tools to promote IBMS	Presentation of BM tools Analyzing the value proposition SWOT, porter's five forces, Ansof matrix  Tools in flipchart. Ask participants
Lunch			
7 (cont.)	14:00-13:30	Application of the IBM to specific project	Group work: Apply IBM tools to specific projects and context
Break			
8	15:30-16:30	Closure	- Wrap up - Participants final comments and evaluations

### Annex 3: Opening Statement by Alhaji M. Jallow - Country Representative

Distinguished participants and guests

I understand that this group includes partner professionals working in the agriculture sector from FAO, Burundi, Democratic Republic of Congo, Kenya, Rwanda and Uganda. It is my pleasure to welcome you to Uganda and to this three-day regional training on Inclusive Business Models (IBM).

This training has been organized by the Rural Infrastructure and Agro-Industries Division (AGS) of FAO Headquarters, Rome and FAO's Subregional Office for Eastern Africa (SFE) in Addis Ababa, with funding from the Government of Ireland. It will contribute to Strategic Objective 4 – enabling more inclusive and efficient food and agricultural systems at local, national and international levels of FAO's new strategic framework (2014-2018).

This workshop is a response to the surge in programmes and projects across the region aimed at linking smallholders to different types of buyers and markets and what is being increasingly referred to as “Inclusive Business Models”, which can be defined as “implying a business case for trade between business of all scales, with mutual benefits for the poor and the business community – based on the objective of people transition out of poverty.”

FAO implemented many projects and pilot tested some that promoted inclusive business models between sellers and buyers of agricultural food commodities. Many of these pilot interventions were isolated in geographic areas with specific commodity focus. They led to localized innovations, improved local capacity, and identification of good practices and policies with some changes in policy direction and decision making.

However, in spite of the potential, there have only been few cases where major progress nationally transformed smallholder-based value chain activities into competitive commodity chains – where small chain actors can compete with imports, or in export markets – and with the results contributing to a sustainable improvement in the livelihoods of smallholders.

FAO has been working with its partners to address this impasse with the following findings:

- Inclusive business is not only about ensuring that more smallholders are included in value chains, but consideration needs to be given to the quality of the inclusion – for instance, ensuring that smaller actors do not become overly dependent on any single market facilitator, market outlet, buyer or crop.
- Micro and macro level policies need to be aligned with the public sector, facilitating and urging the private sector to invest in agriculture, which results in smallholders transitioning up in the agricultural market system – for instance, moving from trading surpluses on the informal market to engaging with the formal agribusiness sector.
- The role of small and medium sized agricultural enterprises in linking smallholder suppliers to markets and larger buyers is critical, but impeded due to their fragmentation and the lack of a collective voice in policy dialogue between the public and private sectors.

It is against this background that FAO convened this training to work with its professionals and partners who are at the frontline in forging inclusive business models between actors in agricultural value chains. The training will offer us an opportunity to:

- Develop a common language on the topic of IBM.
- Listen to private sector actors, such as Nandos, Kisoro Potato Processing Industries, Birunga Dairy industries, Shoprite Checkers, Nakumatt and Uchumi Supermarkets, who have been invited to provide their insights on the main challenges of working with smallholders.
- Reflect on tried and tested business model approaches and what works and doesn't work in different contexts, with cases from Ghana, Cameroon, Burkina Faso, and Zimbabwe, among others.
- Reflect on the roles of actors in promoting sustainability of business models - from farmer organizations to NGOs and project staff.
- Review and apply some tools that can help design and reinforce FAO and partner projects working on farmer-market linkage initiatives.

Dear colleagues and partners, I wish you fruitful deliberations over the next three days. Take advantage of the opportunity to share and reflect with your colleagues to identify areas of innovation that will accelerate the benefits to be derived from inclusive business in the East Africa region.

I look forward to learning about the outcomes from this meeting, which contributes to a key area of work for FAO in the Africa region.



## Annex 4: Group discussion on pillars for IBM in the region

### Burundi

**Table 6:** Success factors, challenges and FAO actions - Burundi

Pillars	Success factors	Challenges	Actions FAO
<b>Enabling environment</b>	<ol style="list-style-type: none"> <li>1. Favourable policies, the country is one of the top ten reformers in the world: strategic plans, changes in business procedures, public institutions dealing with business improvement (API, BBN , BBIN)</li> <li>2. Existence of private institutions (Chambers of commerce which provides support at different levels, community, local, regional and national)</li> <li>3. Adhesion to EAC, COMESA with related incentives</li> <li>4. PTFs engaged in supporting agribusiness</li> <li>5. Subsidies on inputs</li> <li>6. Improvement in infrastructures ( roads, storage</li> </ol>	<ol style="list-style-type: none"> <li>1. Inconsistency in exportation regulation</li> <li>2. Even validated regulations are not implemented for many reasons (skills, willingness)</li> <li>3. Corruption</li> <li>4. Lack in support and protection of local producers</li> <li>5. Humanitarian and development interventions still mixed in the field (conflict message)</li> </ol>	<ol style="list-style-type: none"> <li>1. Sharing best practices on fostering an enabling environment</li> <li>2. Promote systems for market information, training and information exchanges on standards, norms</li> <li>3. Capacity building in regulation, standards</li> <li>4. Advocacy and lobbying</li> </ol>
<b>Willing private sector</b>	<ol style="list-style-type: none"> <li>1. More financial institutions (credits)</li> <li>2. facilities, irrigation) and communication (IT and telephones)</li> <li>3. Transfer of technologies (joint ventures –Amanda drinks, milk,)</li> <li>4. PTFs involved in private sector (IFAD, BTC, GIZ)</li> </ol>	<ol style="list-style-type: none"> <li>1. Production still organized on individual basis (versus organized OPA) / Farmers escape from commitment</li> <li>2. Power shortages</li> <li>3. Fear of investors/ to engage in agriculture which is considered a risk sector</li> </ol>	<ol style="list-style-type: none"> <li>1. Introduce and develop the IBM principles</li> <li>2. Sharing best practices for private sector actors</li> <li>3. Transfer of knowledge (quality, standards, agroprocessing, business capabilities)</li> <li>4. Discuss and initiate projects aimed at improving capacity of private sector actors (specially SMEs)</li> <li>5. Increase partnership with small farmers (pilot projects with smart subsidies</li> </ol>
<b>Organized small actors</b>	<ol style="list-style-type: none"> <li>1. More farmers' organizations ready to engage in agribusiness and with more professional skills</li> <li>2. Decentralized procedures for legalization of organizations</li> <li>3. Tax exemption for</li> </ol>	<ol style="list-style-type: none"> <li>1. Weakness in governance and management</li> <li>2. Opposite approaches in the field, actors not ready to engage in self sufficiency in financing</li> <li>3. Opportunists OPA</li> </ol>	<ol style="list-style-type: none"> <li>1. Structuration of OP</li> <li>2. Managerial capacity building of producers' organizations</li> <li>3. Develop models for viable OPA (financing system, ownership and</li> </ol>

Pillars	Success factors	Challenges	Actions FAO
	cooperatives activities 4. Services oriented to organized actors 5. More available infrastructure (storage and equipment)	encouraged by PTFs operating un humanitarian projects (post conflict situation)	sustainability for inputs access)
<b>Intermediary</b>	1. Open market facilitating entrance of new actors 2. Credit line for small actors (inputs suppliers and collector) play a significant role in the chain	1. Bad image on both sides: producers /consumers and speculators / parasites operators 2. Short term vision focused on immediate profit, no long VC development or IBM promotion	1. Introduce and develop the IBM principles 2. Support transfer of knowledge (quality, standards...) 3. Discuss and initiate projects aimed at improving capacity of intermediaries and increase partnership with small farmers (pilot projects with smart subsidies)

## Democratic Republic of Congo

**Table 7:** Success factors, challenges and FAO actions - DRC

	Success factors	Challenges	Actions FAO
<b>Enabling environment</b>	<ol style="list-style-type: none"> <li>1. Favourable climate, available land, large number of small producers</li> <li>2. Existing organizations in support of agricultural development</li> <li>3. Legislative framework with incentives to the private sector</li> </ol>	<ol style="list-style-type: none"> <li>1. Poor infrastructure, specially roads linking farmers to markets, processing facilities and post- harvest storage</li> <li>2. Poor coordination in the distribution network for agricultural products</li> <li>3. Multiplicity of taxes</li> <li>4. Limited access to financial services</li> </ol>	<ol style="list-style-type: none"> <li>1. Analysis and evaluations of needs and advocacy</li> <li>2. Support government on initiatives targeted at smallholders</li> </ol>
<b>Willing private sector</b>	<ol style="list-style-type: none"> <li>1. Private sector in favour of the Agricultural Value Chain Development</li> <li>2. Legislative framework favourable to private sector</li> </ol>	<ol style="list-style-type: none"> <li>1. Difficulties in access to agricultural credit and equipment</li> <li>2. Private sector needs to develop an inclusive vision for sustainable results</li> </ol>	<ol style="list-style-type: none"> <li>1. Technical support for inclusive private sector development</li> </ol>
<b>Organized small actors</b>	<ol style="list-style-type: none"> <li>1. Agricultural sector is highly influenced by small actors (more than 80%)</li> <li>2. Actors are interested in engaging profitable business activities</li> </ol>	<ol style="list-style-type: none"> <li>1. Limit support to means of production</li> <li>2. Isolated and disjointed actions that do not support the development of inclusive business models</li> <li>3. Lack of information on the real prices of agricultural products</li> </ol>	<ol style="list-style-type: none"> <li>1. Support in developing an inclusive business vision</li> </ol>
<b>Intermediaries</b>	<ol style="list-style-type: none"> <li>1. Provide minimum service to small isolated producers including production, post-harvesting and marketing without performing activities</li> <li>2. In some cases intermediaries also engage in financial activities</li> </ol>	<ol style="list-style-type: none"> <li>1. Actors taking a large profit margin at the expense of small producers (not the principle of win-win)</li> <li>2. Demotivation of small producers due to low profits</li> <li>3. Some organizations have a negative image in the context of agribusiness</li> </ol>	<ol style="list-style-type: none"> <li>1. Support intermediate organizations in the role of promoting win-win solutions between producers and buyers</li> </ol>

## Kenya

**Table 8:** Success factors, challenges and FAO actions - Kenya

Pillar	Success factors	Challenges	Recommendations for FAO
<b>Enabling environment</b>	<ol style="list-style-type: none"> <li>1. Public procurement – 30% from youth and women</li> <li>2. Tax rebate on local procurement from smallholder farmers</li> <li>3. National Agribusiness Strategy</li> <li>4. Regulatory environment on associations / organizations is enabling eg. KENAFF, Cooperative Act, Kenya Association of Manufacturers, Micro and Small Enterprises Authority,</li> <li>5. Location- Ports</li> </ol>	<ol style="list-style-type: none"> <li>1. Difficulties in doing business</li> <li>2. Non coherent interrelated policies and strategies</li> <li>3. Lack of a “champion” in agribusiness development</li> <li>4. Reinforcement of the policies</li> <li>5. Multiplicity of projects and activities</li> </ol>	<ol style="list-style-type: none"> <li>1. Institutional strengthening</li> <li>2. Support establishment of a champion / platform</li> <li>3. Integrate into county government related strategies</li> </ol>
<b>Willing private sectors</b>	<ol style="list-style-type: none"> <li>1. Enabling environment on Private sector development (policy 2012) and Micro and Small Enterprises (policy - 2013)</li> <li>2. Buying Kenyan raw materials</li> <li>3. Increased investment in the chain</li> </ol>	<ol style="list-style-type: none"> <li>1. Cost of production is high</li> <li>2. Reinforcement of the policies</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthen Agribusiness including SMAEs</li> <li>2. PPP in Agriculture - sensitization, dissemination and follow-up on studies</li> </ol>
<b>Organized small actors</b>	<ol style="list-style-type: none"> <li>1. Political will to support smallholder organizations</li> <li>2. Room for graduation e.g. from non-formal to formal, self-help group to cooperative society</li> </ol>	<ol style="list-style-type: none"> <li>1. Poor Governance</li> </ol>	<ol style="list-style-type: none"> <li>1. Policy issues particularly with enabling business environment e.g. buying only from members for the cooperatives</li> <li>2. Capacity building of investors on potential financial products particularly for the small actors</li> </ol>
<b>Intermediary</b>	<ol style="list-style-type: none"> <li>1. Working at grassroots which makes it in direct contact with the target groups</li> <li>2. Have the capacity and resources</li> <li>3. Advocacy power to influence government</li> </ol>	<ol style="list-style-type: none"> <li>1. Conflict of interest: no clear line between actions performed by enablers/ facilitators and supporting actors.</li> </ol>	<ol style="list-style-type: none"> <li>1. Best practices on the role of intermediaries in business models</li> </ol>

## Rwanda

**Table 9:** Success factors, challenges and FAO actions - Rwanda

	<b>Success factors</b>	<b>Challenges</b>	<b>FAO role</b>
<b>Enabling environment</b>	<ol style="list-style-type: none"> <li>1. Investment policies promoted by Rwanda Development Board</li> <li>2. Well-developed credit network (commercial banks)</li> <li>3. Regional integration (EAC)</li> <li>4. Better rural infrastructure and utilities</li> </ol>	<ol style="list-style-type: none"> <li>1. Access to credit loans</li> <li>2. Population density</li> <li>3. Size of plots</li> <li>4. Limited productivity and production</li> <li>5. Seeds quality and availability</li> </ol>	<ol style="list-style-type: none"> <li>1. Training on access to finance (traditional credit)</li> <li>2. Promote intensification and diversification of agric. production</li> </ol>
<b>Willing private sector</b>	<ol style="list-style-type: none"> <li>1. Policies for privatisation</li> <li>2. Tax exoneration for agricultural inputs, machinery, etc.</li> <li>3. Success of the private sector federation</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited guarantee fund</li> <li>2. Lack of agricultural insurance</li> </ol>	<ol style="list-style-type: none"> <li>1. Support the development of agricultural policies with incentives to private sector actors</li> </ol>
<b>Organised small actors</b>	<ol style="list-style-type: none"> <li>1. Effective and business oriented organizations (small number)</li> <li>2. Rwanda Cooperative Authority</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of medium- long-term planning/vision</li> <li>2. Low organizational and management capacities</li> <li>3. Over-reliance on external support and subsidies</li> <li>4. Not enough profit to ensure sustainability</li> <li>5. Limited collective actions among organizations</li> <li>6.</li> </ol>	<ol style="list-style-type: none"> <li>1. Training and technical assistance</li> <li>2. Build leadership capacity</li> </ol>
<b>Intermediary</b>	<ol style="list-style-type: none"> <li>1. Close to beneficiaries and small actors</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack or low business knowledge to support farmers (value chain development and IBMs)</li> </ol>	<ol style="list-style-type: none"> <li>1. Capacity building to local agents (business planning, technical aspects, registration process, access to market)</li> </ol>

## Uganda

**Table 10:** Success factors, challenges and FAO actions - Uganda

	Success factors	Challenges	FAO Actions
<b>Enabling environment</b>	<ol style="list-style-type: none"> <li>1. Available policy and framework for operations</li> <li>2. Tax waiver on critical agricultural inputs</li> <li>3. Tax holidays (waiver) for investments that meet a certain target (large investments)</li> </ol>	<ol style="list-style-type: none"> <li>1. Weak enforcement of policies</li> <li>2. Quality control of agricultural products and inputs</li> <li>3. Policies favouring foreign investors</li> <li>4. Poor infrastructure</li> </ol>	<ol style="list-style-type: none"> <li>1. Support systems for quality control</li> <li>2. Building capacity of local investors and institutions to manage policies</li> <li>3. Support infrastructure development</li> </ol>
<b>Willing private sectors</b>	<ol style="list-style-type: none"> <li>1. High level of private investments in agriculture Ex. Nakumatt Supermarket, Mukwano industries, Mt Meru, Britania Industries, Nile breweries, etc.</li> <li>2. Business service provision to smallholders</li> <li>3. Easy access of financial services tailored for agriculture (Ex. DFCU, Housing finance, microfinance)</li> </ol>	<ol style="list-style-type: none"> <li>1. Foreigners are crowding locals out of business</li> <li>2. Buyers taking advantage of small farmers</li> <li>3. Promotion of cash crops for exports challenges national food security</li> <li>4. Capacity of financial institutions (market transparency, tailored products)</li> </ol>	<ol style="list-style-type: none"> <li>1. Building capacity of farmers to access financial services (village centers schemes)</li> <li>2. Dissemination of contract farming guidelines with the private sector, addressing gap between design and implementation</li> <li>3. Knowledge sharing (vertical and horizontal) on practices with engaging the private sector (private sector guidelines)</li> </ol>
<b>Organized small actors</b>	<ol style="list-style-type: none"> <li>1. Registration of small groups: criteria for registration</li> <li>2. Willingness of organizations for business development</li> <li>3. Government interventions promoted through organized farmers</li> <li>4. Population density - proximity of people facilitates forming groups</li> <li>5. Enterprise selection</li> </ol>	<ol style="list-style-type: none"> <li>1. Managerial capacities of cooperatives (people without necessary know-how)</li> <li>2. Political interference</li> <li>3. Insufficient capacities of actors</li> <li>4. Lack of continuity on business enterprises</li> <li>5. Dependency to free services</li> </ol>	<ol style="list-style-type: none"> <li>1. Promotion of non-farm activities</li> <li>2. Capacity building at national level (apex) tailored to value chains</li> <li>3. Building capacities of institutions working at grassroots level</li> </ol>
<b>Intermediaries</b>	<ol style="list-style-type: none"> <li>1. Large number of NGOs covering national territory</li> <li>2. Availability of funds (donors)</li> <li>3. Key role in linking grassroots actors to services</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited capacities of NGOs</li> <li>2. Duplication of services</li> <li>3. Market distortions</li> </ol>	<ol style="list-style-type: none"> <li>1. Support coordination structures from national to grassroots</li> <li>2. Follow national priorities</li> <li>3. Encourage proposals from agricultural sector (local proposals)</li> </ol>

## Annex 5: Application of tools to project

### SWOT Analysis for rice sector in DRC

<b>Strengths</b> <ul style="list-style-type: none"><li>• Many varieties in the market</li><li>• Different sizes</li><li>• Consumer demand for product</li><li>• Market availability</li><li>• Willingness to pay for high quality product</li><li>• Easiness of production (conditions: soil, irrigation)</li><li>• Priority crop for government</li><li>• High number of producers</li><li>• Technology availability</li><li>• Tax exemptions</li></ul>	<b>Opportunities</b> <ul style="list-style-type: none"><li>• Trading in provinces and neighboring countries</li><li>• Irrigated production areas</li><li>• Increase production volumes</li><li>• Programmes supporting the sector</li></ul>
<b>Weakness</b> <ul style="list-style-type: none"><li>• Insufficient infrastructure (storage, processing, energy)</li><li>• Limited agricultural finance services</li><li>• Individual actions</li><li>• Bureaucracy (tax regime)</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Changes in the sector</li><li>• Competitors</li><li>• Insecure regions of the country</li></ul>

### Ansoff Matrix for UHT milk in Uganda

Marketing strategy	Prioritized actions	Why
Market penetration	Increase the volume/quantity produced to existing markets	To increase sales To meet surplus demand
Product development	Add new products, including cheese and yoghurt Introduce new package styles and sizes	To provide variety to our customers To improve competitiveness
Upgrading options	Install more equipment and machinery Organize more farmers into cooperative to increase number of milk suppliers Introduce new package sizes to suit customers demands Build capacity of the processors and suppliers (farmer cooperative) Improve the efficiency of distribution Build new partnerships	To cope with the changing market trends



**Ansoff Matrix for Cassava flour in Uganda**

	Existing product	New product
Existing market		Product development 1
New market	Market development 2	

The diagram shows an Ansoff Matrix for Cassava flour in Uganda. The matrix has two columns: 'Existing product' and 'New product', and two rows: 'Existing market' and 'New market'. The cell for 'Existing market' and 'New product' is labeled 'Product development' and contains a circled number '1'. The cell for 'New market' and 'Existing product' is labeled 'Market development' and contains a circled number '2'. A blue arrow points from the '1' in the 'Product development' cell to the '2' in the 'Market development' cell, indicating a strategic path.

To upgrade the business model, the following actions were proposed:

- Increase quantity of production
- Larger facilities for processing
- Access to finance to cover costs for investment
- Strengthen distribution network
- Use marketing agents
- Begin certification process

## Annex 6: Case studies

### Session3 - Case1: Tongu Fruits in Ghana

Case adapted from Setting up an outgrower scheme for pineapples in Ghana. In Chain empowerment: supporting African farmers to develop markets. Manual prepared by Royal Tropical Institute (KIT), Netherlands, Faida Market Link Company Ltd. and the International Institute of Rural Reconstruction.

#### Introduction

Aad den Heijer is a business man from the Netherlands with experience in the flower trading business. In 1999, he was invited to Ghana to assess the possibility of growing flowers. After travelling around for seven days, it became clear that the average temperature was too high to grow flowers on a commercial basis. He spent the last two days of his visit in a hotel in Accra where fresh sliced pineapple was served for breakfast on an irregular basis. An idea was born: if it is not possible to grow flowers, then why not to try pineapples?

His next step was a tour. He visited several large fresh-fruit-salad producers in Europe. They all gave the same response: "If there is fresh sliced pineapple available for a decent price we are certainly interested." The next move was to learn as much as possible about the pineapple market in Ghana. It seemed that 65 per cent of the pineapple is of high quality and could be exported, while 35 per cent was sold for a very low price on the local market. Information was available about slicing yields, the price of packaging, duties on sliced pineapples and airfreight prices as well as on the availability of the product in Ghana and the level of market demand in Europe.

#### Testing the market

The findings were so positive that he decided to start a small trial. He brought several small shipments of fresh sliced pineapples from Ghana to Holland. At least five fruit-salad processors checked the quality and taste, giving an indication of the price they would pay. The trial was so successful that the next step was to invest in a small slicery. He found a good location in Accra and a manager who knew a lot about logistics and agricultural products. After two months of work, Tongu Fruits Ltd (TFL) started operation in February 2000, employing 40 people in the business of slicing pineapple for exports.

#### Supply issues

The company was interested in contracting local pineapple growers close to Accra for supply of the fruit. TFL wanted to buy Ghanaian Smooth Cayenne pineapple, which made part of the 35% that was sold at the local market for a discount price. This variety did not comply with export standards, but was good enough for the requirements of the slicery. However, after three months it became clear that there were many issues when trying to work with a large number of small suppliers.

- TFL agreed on a price with the farmers – who suddenly raised the price, claiming that the pineapple was used for export, so TFL should pay the export price instead of the domestic price.
- TFL agreed to collect the fruit, but when the lorry arrived to the farms in many cases the fruit had already been sold to someone else.
- The quality of the fruit was often poor.

In order to secure a regular supply of pineapple according to the standards required by the customers in Europe, TFL started a pineapple farm which employed 120 people.

### **Responding to market challenges**

The first year (2001) was not profitable for TFL. Turnover grew in 2002, but higher fuel prices still resulted in a small loss. In 2003 TGF started generating a small profit. But in October 2003, there were some changes in the market. The variety of pineapple grown on the farm was Smooth Cayenne. This variety competed on the market with the Del Monte variety Gold Sweet (MD2), which has a very high quality: bright yellow outside and inside, with good taste, and always available. After the licence for this variety expired in 2002, many suppliers from South America and Hawaii started planting MD2, entering the market in 2003. At the same time, there was a dramatic drop in the quality of the Ghanaian Smooth Cayenne, affecting its reputation in the market. The result was that customers preferred to buy only MD2 and the Smooth Cayenne was kicked out of the European market. So TGF decided to change its variety from Smooth Cayenne to MD2.

TGF found suppliers of MD2 planting materials and started an in-vitro laboratory in Ghana to multiply the MD2 variety. The lab employs 40 young women. In 2004 and 2005, the TGF lab produced more than three million MD2 plantlets. TGF uses some of these plantlets on its own shoot farm (by doing so, shoots are always the same size, thus assuring a uniform, high-quality crop) and sells the rest locally in Ghana.

In 2005 TGF was approached by Cordaid which was interested in developing an out-grower programme with local farmers. TGF was interested in trying again sourcing from local farmers and started a jointly-financed project with Cordaid. However the company only buys from farmers half of their market-demand as they do not want to rely entirely on external procurement.

### **Session3 – Case2: Livestock value chain actors in Zimbabwe**

Case adapted from Learning from experience: Livestock trading in Mbire District, Zimbabwe. In Trading up, Building cooperation between farmers and traders in Africa. Royal Tropical Institute, IIRR 2008

#### **General description**

Mbire is a dry district in the far northeastern corner of Zimbabwe, some 282 kilometres from Harare. Farmers grow cotton and sorghum on rain-feed systems. They also keep cattle, sheep and goats which are seen as a symbol of wealth and prosperity. Still, farmers sell their animals for cash to livestock traders.

There are few traders in the district – only 8 men and 3 women who might be regarded as professionals, buying around a dozen animals at a time. In addition, there are perhaps 30 traders who occasionally buy individual animals. Traders will come to the village to buy the animals directly at the farms. There are no livestock markets in the district, so traders transport animals to the cities where demand for meat is high. In cities like Harare, traders sell the animals to abattoirs.

Farmers believed the price being offered by traders was too low for their animals. They perceived “traders as nothing but a group of manipulative, opportunistic, money hungry swindlers who rip them off”, and made a fortune for their animals in cities.

Various farmers are members of the cooperative Lower Guruve Development Association, which has various development programmes including food security and livestock production. The association encourages farmers to raise livestock, as well as growing grain. It has a livestock officer who advises farmer on animal production and health. Encouraged by farmers complains on low prices, the cooperative performed a market study which showed that indeed, prices offered in Harare were much higher than the ones farmers got for their animals at farm gate.

Based on the results of the market study and the desire to earn a higher profit, farmers were motivated to organize themselves and take the marketing of livestock on their own hands. A large number of farmers decided to take their animals into town and sell them directly to abattoirs. In Harare, they negotiated with agents which were local people hired by abattoirs to source livestock.

The agents organized farmers into groups according to their farm location in order to transport the animals from the village to Harare. Transport was provided by the abattoir, however farmers were owners of the livestock until it reached the abattoir, so they had to bear the full risk of accidents (animal getting killed or injured while travelling) and delays in transportation and payment.

By negotiating directly with abattoirs farmers received a “higher” price than the one being offered by traders. But in spite of this, things did not turn out as well as farmers had hoped. The new marketing arrangements turned out to include too many risks and factors to handle for farmers. Also abattoirs had some issues in dealing directly with farmers, even if by doing so they could negotiate a lower price than the one they got from traders. On the other hand, traders were being cut out of their business and were having issues in finding animals to commercialize. Below a summary of the main problems encountered by farmers and abattoirs when trying to negotiate directly:

#### **Farmers**

- Transport: The abattoir provided transportation, but the journey to Harare was hard. Farmers had to travel along with their animals on trucks sitting on top of cages as the lorry bumped along the road. Some farmers and their animals were seriously injured. Besides, as farmers were still owners of the animals, they had to ensure animals got to their destination safely and quickly and cover the expenses of taking care of the animals until they were delivered to abattoirs.
- Late payments: Abattoirs paid only 4 to 5 days after receiving the animals, forcing farmers to stay in the city longer than they had anticipated for collecting their income (in some cases even more than 2 weeks). This caused farmers to miss work back in their farms and to rely on their savings or loans to cover their expenses in town which resulted expensive.
- Product requirements: Farmers were not familiar with the meat grading system. Most of their animals were classified in the economy grade, which fetches the lower price. However, the abattoir would sell the meat at high prices. This meant farmers will get low prices for their high-quality animals.
- Hidden costs: Farmers received nothing for the hides and offal as abattoir claimed this was used to cover transportation costs. Most of the farmers had the impression the abattoir was doing them a favor by providing free transportation, especially considering the difficult journey.
- Other risks: Several farmers unfamiliar with Harare were robbed in the city. Also some fell in scams of people offering cheap inputs which they never delivered.

#### **Abattoirs**

- Number of suppliers: Abattoirs were used to deal with a couple of traders who brought in batches of 10-20 animals. Now they had to negotiate with a dozen farmers offering each one 1-3 animals. Besides, as farmers were not so familiar with the city the abattoir had to support them to arrange for accommodation and other logistical manners.
- Payment mode: Abattoirs usually paid traders in bank checks or money transfers, but farmers demanded cash which is short in supply in Zimbabwe.
- Business interruption: Farmers complained about delayed payments and sometimes disrupted business at abattoirs shops filled with clients.

- Quality: Abattoirs received from traders only good-looking quality animals, but farmers just transported animals they no longer wanted which meant lower quality. In some cases abattoirs even had to reject animals after they had made the journey to Harare. This caused further problems because neither farmers nor the abattoirs were prepared to transport animals back to the farms.
- Consistency: Abattoirs could not secure their supply of animals as farmers kept constantly changing their mind about selling their livestock.

## **Session5 - Case1: Afife rice in Ghana**

Case adapted from Afife Rice Irrigation Project Case study in Review of smallholder linkages for inclusive agribusiness development. FAO Investment Centre.

The Afife Rice Irrigation Project is part of a larger programme of the Ghana Irrigation Development Authority (GIDA), which manages around 50 public irrigation schemes in the country. This is done on government land acquired in the past from local communities. These schemes were developed as a community development programme for assisting poor farmers, financed by the Government of Ghana (GoG) and the Canadian International Development Agency (CIDA).

The Afife Rice Irrigation Project is organized into five cooperatives located in the Volta Region and covers and irrigated area of 880 ha (potential of 960 ha) served by two main dams. Cooperative formation was initiated by GIDA, while the Department of Cooperatives provided the farmers with training. The umbrella Afife Rice-Vegetable Irrigation Cooperative Farmers and Marketing Society (ARVICOFAMS) was formed in 1996. The society's steering committee is made up of two representatives from each cooperative together with GIDA management. The overall number of farms engaged are 1024 (229) women, harvesting twice a year with an average yield per ha (per season) of four tones at a current price of GHS 720 per tonne.

Smallholders are tenants on public land. The farmers have a five year renewable tenant agreement with the GIDA authority. They own on average one ha, ranging between minimum of 0.4 ha and a maximum of 1,8 ha. The tenant farming scheme is divided into 12 sections of about 80 ha each, on which work around 70-80 farmers. The sections are further divided into blocks of 20 ha. However due to the cap on the landholding, established at 2ha per farmer, this scheme depresses the entrepreneurial willingness of the best performing farmers.

The farmers are part of a cooperative which deals with the GIDA scheme management. The cooperative has three levels of leadership: block-section-core. A committee which deals with transversal matters such as: disciplinary, financial and marketing matters, and maintenance machinery and land allocation. The farmers' cooperative is responsible for the operations and maintenance of the irrigation scheme under a joint management system with GIDA.

The farmers pay an irrigation service charge of GHS100 per ha per season, which is barely sufficient to maintain the irrigation scheme. Land fees were never paid even if it is a possibility that they will be introduced in the future, as in other irrigation schemes farmers are requested to pay.

The GIDA authority pays the salary of its staff (currently five in the scheme) and provides extension and some inputs at a subsidized price (at a range of 40-50% under the national subsidy programme): NPK, Urea and Sulphur Ammoniac which are paid on the spot by farmers. GIDA does not provide any support in terms of seed supply.

This project aims at assisting deprived farmers raise from poverty by the sale of their rice. However the project has no specific activities aiming at commercialization of the rice. The project counts on the fact that the rice produced is highly appreciated perfumed basmati. Furthermore this scheme is heavily subsidized. Consequently it is being assumed that smallholders will be able to easily commercialize the product and can offer competitive prices due to the subsidies.

Currently farmers sell their produce individually without any formal contract at a minimum price set in advance by the cooperative's committee each season. So far farmers are not struggling to find buyers. But once the project will finish it is not certain that farmers will still be financially viable with such a limited land size and without the subsidies.

There are other main challenges that would need to be address as water efficiency, water management, soil analysis, environmental issues. Also the use of the land is not transparent and leads to conflict: the project would benefit from registering and mapping out the land.

## **Session5 - Case2: Gratia Plena in Philippines**

Case adapted from linking farmers to markets case studies. AGS, FAO

<http://www.fao.org/ag/ags/agricultural-marketing-linkages/linking-farmers-to-markets/case-studies/en/>

An NGO named Gratia Plena Social Action Center (GP) started promoting organic rice production among farmers in 1995 but soon realized that the whole organic sector had to be developed. They helped a group of 25 organic smallholder farmers in Nueva Ecija (Philippines) to organize and register as a cooperative (called Llanera). The group has a total of 78 ha of community-certified organic rice and a further 42 ha of land is currently under conversion to organic agriculture. The farmers use organic fertilizers and pesticide botanical extracts.

Afterwards GP created Full of Grace Organic Services (FGS), which specializes in providing organic agroenterprise services and inputs to farmers and cooperatives. FGS trained the farmers of the group and new farmers entering the cooperative to use organic inputs. It also provides support services in enterprise development and diversification, credit, and bookkeeping. FGS has also devised a community certification scheme whereby rice growers from another cooperative can audit the practices of the Llanera rice growers. A simple preformatted record keeping form has been created to help farmers keep the records needed for better traceability of their farming practices.

The organic rice is sold to niche markets in the Philippines. Organic sales are growing in the Philippines among higher-income consumers who are worried about food safety. But FGS was struggling to identify and access these markets and there was no local organic market for the organic rice produced.

To address the marketing issues GP provided US\$20 000 to build two central marketing centers managed by FGS: one for organic rice and another for organic vegetables. The marketing centre receives all the organic production from farmers and pays the farmers in cash through their cooperative, following the rules of an informal supply contract. It then finds markets for the produce while bearing the cash flow burden of supermarkets' delayed payment conditions. FGS processes and sells produce of farmers under the brand "Full of Grace". All staff members of FGS are paid by GP.

Halved yields and a limited 30 percent farmgate price premium over conventional paddy production does not make organic rice production profitable compared with conventional production methods.

However, farmers are satisfied as the quality of their plots and of their paddy has improved. More importantly, organic paddy farmers also grow organic vegetables on their rice plots during the dry season. As the price premium for organic okra or aubergine is double the price of the conventional produce, the combined cropping system of irrigated organic rice and organic vegetables can produce a net income of at least US\$860 more per ha than an equivalent conventional system.

To repay the US\$ 20.000 investment by GP, 25 Philippine centavos are deducted per kg of produce sold. In the long term, farmers are meant to become co-owners of these marketing centres.

Currently “Full of Grace” products are sold in supermarkets and consumers recognize the brand name and trust it although its suppliers have not yet obtained independent organic certification. The aim of GP is that producers will soon become independent through a profit-making business venture. FGS is run more as an enterprise than an NGO and the marketing arm is meant to become the shared property of the farmers who are using its services.

### **Session 5 - Case 3: Blue Skies (BS) in Ghana**

Case adapted from Blue Skies Agro-processing Company Ltd (fruit) case study in Review of smallholder linkages for inclusive agribusiness development. FAO Investment Centre.

Blue Skies Agro-processing Company Ltd (BS) is a privately-owned fruit processing company that procures from smallholders and has successfully implemented a contract farming arrangement with them. The company was established in 1998 by a private investor 25km away from the capital of Ghana, Accra. It processes 18tonnes/day of fresh fruits into juice that is sold nationally and exported to Europe. The present workforce has 1600 staff members and operates on a 24-hour shift, 7days a week.

Most produce is procured in Ghana all year round, though seasonal supply gaps are filled through imports. BS procures 70% of its supply base from individual farmers and the remaining 30% comes from local export companies (large-scale farmers). BS selects farmers on the basis of their acreage (2-3 ha), their potential to operate as commercial enterprises and their ability to meet expected yields and standard requirements among others.

The company does not have a plantation, so to ensure a steady supply of production and to make sure that the fruits have the quality and certifications required (GlobalGAP, fair trade standards, ethical standards) BS developed the following scheme: The outgrowers sign a seasonal contract, typically covering a 6 months period. The contract specifies the fruit size, weight range and quality. It also spells out the quality assurance checks and the rejection of fruits. The contract includes a sanction scheme, however, the company reports that breaching is not common.

BS technical team educates farmers in good farming practices and follows them closely, providing interactive technical advice on inputs and providing seed on credit. The team is also responsible for quality assurance. For instance it monitors closely during the rainy season to avoid fruits getting watery and ensures that farmers use the correct fertilizers.

Farmers are organized into cooperatives. One of the main tasks of the cooperatives is to represent farmers in the yearly price negotiations. The price is set by BS although it is negotiated with the outgrowers, particularly when a price modification is deemed necessary. Prompt payments to farmers and fair prices have ensured regular supplies to the company and a steady market for the outgrowers.

This has decreased side-selling: currently 80-85% of farmers are loyal. At the same time farmers are encouraged to save and invest in their farms.

The farmers' key motivations to enter an outgrower scheme are to improve their market access and to receive financial and technical services and training free of charge. Every quarter the processing company organizes training for all farmers on topics like accounting, hygiene, soil fertility or technology. Within the cooperatives there are also quality assurance teams to ensure that quality and certification requirements are met. On top of this BS crates, collects and transports the product: this reduces the burden on farmers. Also BS ensures prompt payments are provided to farmers.

BS also used to provide credit through Standard Charters, Barclays and Ecobank providing interest free loans to loyal farmers. But due to the international financial crisis and exchange depreciation the company stopped the service. Currently only banks provide financial services. On some occasions BS borrows the capital on behalf of outgrowers and on-lends it to them at a subsidized interest rate.

BS has established a close and thriving relationship with its outgrowers, promoting loyalty, fairness and trust. The contracts and the free training provided by the company have contributed to strengthening the linkages between the two business actors. The actions implemented have ensured regular supplies to the company and a steady market for outgrowers. The BS juices are a successful product very much appreciated by consumers by its freshness and quality. However, BS profitable and inclusive model is being hampered by high domestic tax regime, inflation, exchange rate volatility and blackouts. The current main constraints for outgrowers are the rejection of fruits (5-10%), lack of production skills, the burden of certification costs, seasonal shortage of inputs and delays in subsidies.



## Annex 7: Results from training's evaluation

Participants were asked to evaluate various aspects of the training with a score from one to five (one being the lowest and five the highest). The overall rating for the training was 4,2.

<b>Objectives</b>	Average
The training met the specific objectives of:	
Familiarize with concepts and tools for IBM	4.1
Reflect on the role of different actors in promoting sustainable IBM	4.1
Identify and apply specific IBM tools to existing projects	3.8
<b>Content</b>	
Training content met my expectations	3.9
Content was consistent with stated objectives	4.3
Content was appropriate for intended audience	4.2
Information could be applied to practice	4.2
Information can contribute to ameliorating projects	3.8
<b>Training sessions</b>	
Day1	
Session1: Opening session	4.3
Session2: What does IBM mean?	4.3
Session 3: The role of buyers (group case studies)	4.4
Session4: Panel session with commercial buyers	3.9
Day2	
Recap Day1	4.2
Session 5: Comparing IBM models (group work)	4.3
Session 6: Country group discussion on success factors and challenges for IBM	4.1
Session 6 (cont1): Plenary discussion on success factors and challenges for IBM	3.9
Day3	
Session 6 (cont2): Key factors for inclusiveness and competitiveness	3.8
Session7: Tools for IBM (presentation and group work)	3.9
Closing session	4.4
<b>Teaching methods</b>	
Speakers were knowledgeable in content areas	4.1
Speakers were consistent throughout sessions	4.3
Speakers were clear in the presentations and guidance on group work	4.2
Handouts, case studies and presentations clarified content	4.4
Teaching methods were appropriate	4.4
Length of training was adequate	3.2
<b>Logistics</b>	
Meeting rooms were appropriate	4.4
Translation was adequate	4.4
Lodging and food were satisfactory	4.4
Travel arrangements were clear	4.3

