VALUE CHAIN & INNOVATION IN THE GLOBAL FOOD SYSTEM

Conference Report
3–5 June 2007, Rome, Italy

AgriBusiness Forum 2007

EMRC

FAO
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Preface

Objective of the Agribusiness Forum

The objective of the Agribusiness Forum 2007 was to promote Public-Private Partnerships by offering EMRC’s international platform for the exchange of ideas for local and global agri-food chain players. By bringing people together, EMRC and the Food and Agriculture Organization of the United Nations (FAO) aimed to encourage collaboration across continents between entrepreneurs and agribusinesses from Africa, Europe and the United States of America. The Forum also aimed to contribute to the discussion of how African economies can move from subsistence to commercial farming, and how integration can take place into fast growing value chains through innovative entrepreneurship.

EMRC’s goal and mission

EMRC is an international association composed of entrepreneurs, manufacturers, financiers, consultants and government officials from 98 countries spanning over four continents. The core of EMRC’s mission is to act as a catalyst for the promotion of economic and trade relations between business leaders from around the world with a specific focus on Africa. International business networking and global partnerships for development are used to build bridges between entrepreneurs and investors (based on synergies).

The Agribusiness Forum programme

Day 1, the “Innovation Workshop”, opened with giving space to each participating organization for a brief presentation on its activities and projects centred on agri-food chains. Day 2 focused on “A higher value chain in agriculture,” emphasizing the need for careful business and market
Introduction

Value Chains in Agribusiness: Trends, Impacts, Challenges and Opportunities

Agribusiness and agri-food systems, global drivers of employment and income, are crucial in adding value to agricultural raw materials, bringing benefits to the economy, inducing economic transformation and setting the foundation for non-agriculture based industries. As the main drivers of the economy in many developing countries, agribusiness and food systems are undergoing profound changes, significantly impacting on growth, poverty and food security.

Trends and Impacts

Changes in the agrifood systems are being driven by rising per capita incomes, technological advances, trade liberalization, urbanization and sophisticated agrifood chains with complex contractual arrangements. Food retailers and manufacturers are increasingly using specialized procurement channels and enforcing new standards for food quality and safety to satisfy increased consumer awareness for safe and healthy foods. All of these changes are affecting the way in which food is produced, processed and delivered. On the one hand, this creates new opportunities for commercial farmers and agribusinesses, which, through value chains, access domestic, regional and international markets. These markets are mainly driven by demand for high-value, non-traditional products, especially in horticulture, poultry, fish and dairy (World Bank, 2007). On the other hand, these new changes also create challenges and risks for agribusiness, which have to be tackled before the benefits can be harvested.
A common trend in developing regions is the move towards market-driven systems, with a greater reliance on input markets and growth of post-production enterprises. As the private sector expands, smallholder farming in developing countries is becoming increasingly commercialized. Ministries of Agriculture have recognized the importance that agribusiness and agro-industry play in economic development and poverty reduction in developing regions (FAO, 2007).

**Higher value chain in agriculture**

**Session I: Successful value chain origins: inputs, production and protection**

Preparing farmers to be reliable suppliers: Kenya

By Doyle Baker, Chief of Agricultural Management, Marketing and Finance Service, FAO, Italy (www.fao.org)

It should be stressed that production-support activities must be linked to market demand and farm-level activities and agribusiness interventions have to be looked at within the context of the whole value chain and the linkages within each chain. To help transform the agricultural sector and accelerate productivity, FAO’s programmes aim at strengthening farm-agribusiness linkages.

As successful examples of farm-agribusiness linkages, he presented case studies from Kenya including Homegrown, a leading vegetable exporter, and Brookside Dairy, a milk processor. Brookside Dairies Ltd. had an initial processing capacity of 5,000 litres of milk per day in 1991. By 2001, the firm had increased processing capacity to 200,000 litres per day, involving 15,000 smallholder farmers. Homegrown Company Ltd. exports vegetables to the United Kingdom. The provision of advisory services by the company to 900 small-scale and 30 medium-scale farmers has played a key role in ensuring that farmers deliver high quality and timely supply of fresh produce.
The lessons learned from these case studies highlighted that the traditional approach of extension services aimed at production are insufficient and that there is an increasing need to include management, value addition, and marketing and business advisory services at the farmer level. Farmers and agribusiness alike are still facing the challenges of accessing capital and being able to profit from economies of scale.

**Sustainable cocoa economy**

By Alain Fredericq, World Cocoa Foundation (WCF), West Africa Chair, United States/the Netherlands (www.worldcocoafoundation.org)

WCF, formed in 2000, plays a leading role in helping cocoa farming families by developing and managing effective, on-the-ground programmes, raising funds and acting as a forum for broad discussion of the cocoa farming sector’s needs. Through public private partnerships and the expertise from international private companies, WCF supports farmers in improving cocoa growing methods to enhance the quality and improve overall the cocoa value chain.

In 2003, the Sustainable Tree Crops Program was started, piloting an innovation platform that aims to improve the economic and social well-being of tree crop farmers and the environmental conservation of cocoa communities in Central and West Africa. Public and private partners jointly strengthen local capacities through the introduction of new tools, methods, approaches and policies. During the pilot phase (2003–06), WCF supported 16 000 cocoa farm families whose income rose by 15 to 55 percent. For Phase two, participating countries are Cameroon, Côte d’Ivoire, Ghana, Liberia and Nigeria.

**A value chain approach to economic growth: United Republic of Tanzania**

By William Grant, Practice Manager, Agriculture and Agribusiness, Development Alternatives Inc. (DAI), United States (www.dai.com)

William Grant presented a successful case study on paprika growing in the United Republic of Tanzania, illustrating that the promotion of a profitable cash crop through contract farming and training can rapidly involve a large number of farmers and improve their livelihoods.

In 2001, a Spanish processor of spices created Tanzania Spices Ltd. (TSL) to increase supplies of raw paprika for its factory in Spain and established this new cash crop for small farmers in the Iringa and Songea communities of the United Republic of Tanzania. In partnership with TSL and several farmer associations, DAI boosted the sustainable production of smallholder and large paprika contract growers from 500 to 2 000 tonnes through training in successfully growing paprika, and business and management advice. High profitability for farmers and the purchase of all paprika output is guaranteed.

The wild harvesting and farming of indigenous silk moths and apiculture (beekeeping) have great potential to create increased income for forest communities.

**Development of sericulture and apiculture enterprises for the poor in fragile ecosystems using the value-chain approach**

By Prof. Suresh Kumar Raina, Principal Research Scientist, The International Centre of Insect Physiology and Ecology (ICIPE) (www.icipe.org), Programme Leader, Commercial Insects Project, International Fund for Agricultural Development IFAD/ OPEC Fund for International Development (OFID), National Project Coordinator, United Nations Development Programme (UNDP)-Environment Facility (GEF), Kenya

Prof. Raina explained how trends towards biodiversity decline and forest degradation are reversible in selected ecosystems when using the sericulture and apiculture value-chain approach. The wild harvesting and farming of indigenous silk moths and apiculture (beekeeping) have great potential...
Value chain & innovation in the global food system

accurate use of water and nutrients; reduced evaporation rate; prevention of runoff, deep percolation and leaching; and decreased weed and insect control costs, which allows farmers to comply more easily with health standards.

Figure 2. Regional comparison of irrigated agriculture, 1960–90

By 2025, 67 percent of the world’s population will face water shortages unless significant changes are introduced in water resource management. By 2030, global food production will have to increase by 54 percent to meet increasing demand (FAO, 2003).

To sustain vital water resources globally while raising the yield and quality of crops, cost-effective irrigation solutions are required, which are customized to suit varying climates and terrains. While crop productivity under rainfed conditions averages 1.0–2.0 tonnes/ha, using irrigation it can increase to 3.0–5.0 tonnes/ha. However, only around 3 percent of land is irrigated in sub-Saharan Africa, compared with 37 percent in Southeast Asia (Figure 2).

Netafim, an agribusiness pioneer and global leader, provides cutting-edge drip irrigation technologies, advanced crop management technologies and agronomic expertise. The benefits of drip irrigation systems are: increased crop yields with more efficient, accurate use of water and nutrients; reduced evaporation rate; prevention of runoff, deep percolation and leaching; and decreased weed and insect control costs, which allows farmers to comply more easily with health standards.

Figure 2. Regional comparison of irrigated agriculture, 1960–90

Session II: Agro-processing: towards higher excellence in food and safety

Agro-processing: towards higher food excellence through food technology

By Gavin Wall, Chief, Agricultural and Food Engineering Technologies Service, FAO, Italy (www.fao.org)

Technologies and technical services specific to agro-processing are needed to improve its quality, safety, cost-efficiency and productivity in developing countries. The engineering and technology variables intrinsic to the food industry, their associated value chains, and their environment once identified can be improved, thus contributing positively to the overall sector performance. The contributions of food engineering to quality and competitiveness in small food industry systems have been systematically analyzed as part of FAO’s programmes (FAO, 2004).

Particular attention needs to be given to compliance with increasingly demanding health and safety standards, industry guidelines and process specifications, which are requested by the market and governments.
The value chain: towards higher excellence in food and safety
By Idwin Bouman, Manager Safety, QA & ESH, Friesland, Western Europe, The Netherlands (www.saiplatform.org)

The Sustainable Agricultural Initiative (SAI) Platform is a food industry platform and competence centre on sustainable agriculture, involving all stakeholders in the food chain.

Supporting specific global value chains is at the centre of the SAI Platform. By developing flexible approaches on sustainable food practices, the linkage, coordination and cooperation within the chain are improved, creating “win-win” situations for all. Its global business members support and promote good practices on cereals, coffee, dairy, fruit, potatoes and vegetables through pilot projects and public private partnerships. For example, the income-generating capacity of Ugandan farmers growing shade Robusta green coffee has increased by partnering with the Sara Lee Corporation – a global manufacturer and marketer of high-quality, brand-name products (Case Study 1).

Sustainable Organic Production
By Markus Stern, Managing Director, Swiss Import Promotion Programme, Switzerland (SIPPO) (www.sippo.ch)

To support suppliers from emerging markets and countries in transition in accessing the European and Swiss organic markets, SIPPO provides advisory services and business market information on market potential and specific entry conditions. The challenges for accessing this highly specialized market are manifold: demanding sanitary, phytosanitary and food quality standards; stringent safety controls; appropriate certification; and restrictive import licensing, among others. By providing relevant market information to strengthen the skills of business associations and companies, SIPPO aims to enhance trade contacts.

Agro-processing and quality control
By Joop Menkveld, Procurement Officer, World Food Programme (WFP) of the United Nations, Italy (www.wfp.org)

As the food aid arm of the United Nations, WFP uses its purchased food to meet emergency needs and to support economic and social development. WFP also provides the logistics support necessary to get food aid to the right people at the right time and in the right place.

Operations aim to: save lives in refugee crises and other emergencies; improve nutrition and quality of life of the world’s most vulnerable people at critical times in their lives; and enable development by helping people to build assets that benefit them directly and promoting self-reliance of poor people and their communities.

Session III: Consumer-driven value chains

Consumers, buyers and sellers: high value for suppliers
By Myriam Vander Stichele, Centre for Research on Multinational Corporations (SOMO), the Netherlands (www.somo.nl)

SOMO investigates the consequences of multinational enterprises’ policies and the consequences of the internationalization of business particularly for developing countries.

In 2004, SOMO started exploring the specific characteristics of the international market for fruit and vegetables, focusing on the influence of trade on the production process and on labour conditions. Clearly, supermarkets dominate the entire agricultural chain from the farmer level up. This means there has been a power shift in the distribution chain from suppliers and wholesalers towards retailers, the latter setting and enforcing increasingly stringent standards that create market barriers for small producers and processors.

Facilitating trade through safe and sustainable agriculture
By Nigel Garbutt, Chairman, GlobalGAP, formerly known as EurepGAP, Germany (www.globalgap.org)

GlobalGAP facilitates trade through safe and sustainable agriculture.

It sets standards for the certification of agricultural products around the globe with the aim to establish a single standard for Good Agricultural Practice (GAP), based on international codes such as ISO 65.

To facilitate compliance with these standards and thus ease the integration of small-
Increasing private financing is important, but the risk factors must be addressed. When linking finance with value chains, the risk in the financing process can be reduced by mitigation tools such as hedging through forward contracts and insurance on crops against weather, or inventory risks.

"From bank to stomach"
By Mary Nandazi, Secretary General, African Rural and Agricultural Credit Association (AFRACA), Kenya (www.afraca.org)

“From bank to stomach” is how AFRACA’s Secretary-General Mary Nandazi described what their work achieves through fostering cooperation and training among members and planning rural finance development activities in Africa. AFRACA’s mission is to improve the rural finance environment through the promotion of appropriate policy frameworks, which enables sustainable financial institutions to increase their outreach, improve their provision of financial services and disseminate innovative practices.

Risk management: an application of value-chain financing to mitigate systemic, market and credit risk in NACRDB Ltd., Nigeria
By Umaru Girei, Managing Director/CEO, Bable, Nigerian Agricultural Cooperative and Rural Development Bank Ltd. (NACRDB), Nigeria (www.nacrdb.com)

NACRDB is dedicated primarily to agricultural financing at micro, small and medium (MSME) levels. It has 201 branches nationwide. The bank reaches its grass roots clientele through: direct deposit or lending and through the collaboration with third party agencies that fund or link MSMEs with businesses in the value chain.

Reducing poverty and gaining food security in Africa
By Rosebud Kurwijila, Commissioner, Rural Economy and Agriculture, African Union Commission (AUC), Ethiopia (www.africa-union.org)

Progress has been made by the AUC in the following areas:
- a strategy and action plan finalized for the establishment of an Africa common market;
- background document prepared on major options and issues related to the establishment of a common market;

Agricultural turnkey solutions
By Rafael Dayan, General Manager, Green 2000 Ltd., Israel

Green 2000 specializes in agricultural turnkey solutions, e.g. the planning and execution of agricultural projects, sales of agricultural supplies, marketing and exporting vegetables and fruits.

The Israeli company Green 2000 is a major force in changing the daily lives and diets of Angolans. In 2002, together with the Angolan company Copinol SARL, it set up an 11-acre farm called Terra Verde, outside the capital city. Based in Caesarea, Green 2000 Ltd. consists of agronomists who represent several seed companies both in Israel and abroad, and sets up agricultural projects globally, carrying out planning, management and consultancy in Argentina, Chile, Kenya, Kazakhstan, Jordan, Turkey and the United States. It produces Israeli varieties of products such as eggplant, tomato, cucumber and lettuce.

Financial service needs
By Calvin Miller, Senior Officer, Agricultural Management, Marketing and Finance Service, FAO, Italy (www.fao.org)

Funds for rural and agricultural finance come from both public and private sources. The principle public sources are the national budget, public-private partnerships and funds from international financing institutions – World Bank, United States Agency for International Development (USAID), IFAD – and bilateral agencies. Private sources can be family equity, remittances, private foreign direct investment or banks.

When linking finance with value chains, the risk in the financing process can be reduced.
Public-Private Partnership

Session I: Resource Mobilization and Investment

Migration for development in Africa (MIDA)
By Tana Anglana, Project Manager, International Organization for Migration (IOM), Italy (www.iom.int/mida/)

IOM promotes the innovative concept of “migrants as entrepreneurs in the agricultural sector.” The programme aims to promote the participation of African expatriates in the development of their countries of origin. Tana Anglana presented the MIDA Ghana-Senegal in 2006–07 example (Case Study 3).

Mobilization of local funding for the agribusiness sector in Africa
By Skander Sayadi, Investment Manager in Agribusiness and Food Industry, German Investment and Development Company (DEG), Germany (www.deginvest.de)

The German development finance institution for the promotion of private companies in developing and emerging-market countries uses long-term investment capital for private enterprises under market-oriented conditions, and financing projects that maintain the principles of sustainable development in agribusiness, the manufacturing industry, services, infrastructure and the finance sector.
DEG provides guaranteed short-term financing, for example, for a dairy company in Senegal, and long-term financing for a 2,600 ha oil palm plantation of smallholders in Cameroon by a private palm oil company (Case Study 4). The company also provides extension services to smallholders (partly financed by PPP) and commits itself to buying the entire oil palm fresh fruit bunch (FFB) production for the duration of the DEG guarantee. The combination of PPP funds and commercial financing gives high leverage and ensures the implementation of the project.

**Session II: Public-Private Partnership (PPP) in Agriculture**

**Strengthening the agricultural sector through the creation of a positive climate for foreign investment and the promotion of mechanization**

By Seydou Traore, Minister of Agriculture, Mali

The Africa regional vision is to provide tractors able to improve agricultural added value in order to meet the demands of a market of 300 million consumers. The creation of this new PPP involved both the Malian and Indian public and private sectors, and governments of eight other West African countries. The resources were allocated to finance, for example, goods and services for rural electrification and the setting up of an agro-machinery and tractor assembly plant in Mali (Case Study 5).

**Public-Private Partnerships in agriculture that work for the poor: IFAD**

By Karim Hussein, Regional Economist, Western and Central Africa Division, International Fund for Agricultural Development (IFAD), Italy (www.ifad.org)

Through its private sector development and partnership strategy (April 2005), IFAD is forging local, national, regional and global partnerships with the private sector that will benefit IFAD’s target groups and enable them to overcome poverty. IFAD focuses on strengthening value chains and establishing effective collaboration between actors from the private and public sectors and donor agencies. It has concentrated on individual projects that have good potential to achieve significant impact, using replicable approaches.

In March 2007, IFAD started the Regional Cassava Processing and Marketing Initiative (RCPMI) for Western and Central Africa as a response to the call by African leaders to give priority to cassava in regional agricultural development strategies. Activities that will be implemented include the integration of cassava growers into value chains, building new partnerships and identifying good practices and processing technologies.

Another example of a new programme financed by IFAD is MUVI (Connecting Village Entrepreneurs) in the United Republic of Tanzania. Its objective is to improve access to markets for small entrepreneurs by boosting their business skills and providing them with relevant information on market conditions. It aims at increasing incomes and improving food security. This programme contributes to the government’s National Strategy for Growth and Poverty Reduction.

**Business Linkages Challenge Fund**

By Zlatina Loudjeva, Senior Development Specialist, Emerging Markets Group (EMG), United Kingdom (www.emergingmarketsgroup.com); (www.businesslinkageschallengefund.com)

EMG’s Business Linkages Challenge Fund provides private companies in target developing countries with grants for sharing risks. Companies receive funding to increase access to markets, transfer technology, improve competitiveness and address policy and regulatory issues for business.

The Malawi Cotton Seed Treatment Programme, for example, supported by the Challenge Fund, is designed to improve commercial opportunities for small-scale farmers and to support the development of higher yielding and higher quality cotton (Case Study 7).

**Agriculture – forestry – ecology – rural area- and risk-management**

By Walter H. Mayer, PROGIS, Austria (www.progis.com)

Progis develops and disseminates Geographic Information System (GIS) mapping solutions. Its software can be applied for soil management, business calculations, precision farming, ecological evaluation, land management and forest inventory to produce thematic maps. It can be integrated with Google and mobile solutions (Figure 3).

**PUBLIC-PRIVATE PARTNERSHIP**
Implementing the “moshav”, the Israeli agricultural settlement model in Angola
By Eytan Stibbe, President, LR Group, Israel
Serafim Maria do Prado, Governor of Province of Kwanza Sul, Angola
José Amaro Tati, Governor of Province of Bié, Angola

LR Group specializes in agribusiness turnkey projects based on the Israeli “moshav” concept. A “moshav” is a type of cooperative agricultural community of farms, which are individually owned but of fixed and equal size. In the Province of Bié, Angola, several hundred people who were formerly enemies, decided to cooperate and to create a common moshav.

Bio-energy for poverty alleviation
By Gustavo Best, Senior Energy Coordinator, Bio Energy and Climate Change Unit, FAO, Italy (www.fao.org)

Bio-energy is the dominant source of energy for most of the world’s population who are living in extreme poverty. The availability of more bio-energy in its two main forms – wood energy and agro-energy – can help provide cleaner energy services to meet basic energy requirements.

To cooperate closely on bio-energy issues, the international initiative Global Bioenergy Partnership (GBEP) was created, with FAO serving as its secretariat. It brings together public, private and civil society stakeholders in a joint commitment to promote bioenergy for sustainable development. The Partnership builds its activities on three strategic pillars: energy security, food security and sustainable development.
Conclusions

The AgriBusiness Forum 2007 has stimulated creative reflections on what issues are important for the development of agriculture, in particular, for accelerating the pace of agribusiness development in developing countries. With a focus on Africa, the main conclusions that can be drawn from the discussions and session inputs are:

- Innovation at all levels is essential for Africa to progress from poverty and subsistence agriculture to development and the achievement of Millennium Development Goal (MDG) 1.
- In order to propel African economies towards higher added value types of production, a strategy driven by African markets (local, domestic and international) is crucial since they are most likely to be the main generators of innovation.
- This conference was a milestone in achieving an African-owned and innovation-driven strategy that can be implemented at each stage in the agricultural value chain.
- Regional or cross-border constraints need to be given more attention to tap into the huge potential of food markets in Africa.
- Once there are substantial private investments in a particular value chain, the major actors in that chain may well take the lead in pushing for policy reforms that will support their activities. Such lobbying may be aimed at industry-specific policies such as tariffs or subsidies, or target broader changes such as more liberal foreign exchange management.
- In the future, the focus of such conferences will need to be on disseminating approaches to innovation, driven by the needs of African markets in different sectors, regions and countries.

“In Business against poverty”: bio-diesel in Mali

By Lucian Peppelenbos, Senior Adviser of Sustainable Development, Royal Tropical Institute (KIT), The Netherlands (www.kit.nl)

KIT aims to improve the livelihoods of vulnerable producers in developing countries. The primary focus is on stimulating pro-poor growth in rural areas while pursuing economic development that is socially and environmentally sustainable.

KIT’s project in Mali, the Joint Venture Mali Bio Carburant S.A., involves small-scale farmers who grow jatropha and sell the nuts to Mali Bio Carburant, which makes biodiesel for the local fuel market (Case Study 8).
Conclusions

• An African market- and innovation-driven strategy has the potential to achieve MDG1 and ultimately eliminate Africa’s poverty. Energy, a critical constraint in Africa where 80 percent of the population do not yet have electricity, is crucial for economic development. Solar energy and bio-energy, which can be based on Africa’s main natural resources, must be developed in order to provide villages with enhanced capacity to develop their education and their economy.

• Participants proposed starting the development of regional African agro-industries clusters with meat, fish and cassava production and processing innovation.

Annex 1

Conference Programme

AGRIBUSINESS FORUM 2007
VALUE CHAIN & INNOVATION IN THE GLOBAL FOOD SYSTEM
3-5 JUNE 2007
ROME, ITALY

DAY 1 – SUNDAY, 3 JUNE 2007 AT SHERATON ROMA HOTEL

10:00    Registration to Forum includes pick-up of conference catalogue.

13:00    Brief Presentations & Innovation Workshop:
• Each organization has 3-5 minutes to present in a targeted elevator pitch style.
• Workshop: From economy of subsistence to policy sustained by innovative entrepreneurship in agriculture and food. Why an innovation policy in Africa and how: the cluster model; entrepreneurial staff, the innovation process and case studies.

Ilan Bijaoui, Managing Director, International Business & Innovation Institute, Ashkelon College, Israel

16:30    One-to-One Business Meetings.

18:30    Welcome Reception-buffet.
DAY 2 – MONDAY, 4 JUNE 2007 AT FAO HEADQUARTERS

A higher value chain in agriculture

08:45 Opening Remarks on the Value Chain Approach & Welcome Address.

Pierre Mathijsen, President EMRC, Lawyer & Former Director. General European Commission
Mauro Ghiretti, Development Officer, Italian Ministry of Foreign Affairs, Director General for Development Cooperation, Italy
David Harcharik, Deputy Director General, FAO, Italy

Session I: Successful Value Chain Origins: Inputs, Production & Protection
- What to grow? The importance of diversification and linking farmers and agribusiness companies.
- Productivity Improvement – inputs (seeds, fertilizers), equipment, irrigation, veterinarian inputs.
- Crop protection & animal health.
- Training of farmers on management skills, standards, best practices.

Moderator: Henk Knipscheer, Sr. Managing Director – Global Operations, Winrock International, United States of America
Doyle Baker, Chief of Agricultural Management, Marketing & Financial Service, FAO, Italy
Alain Freendon, ADM Cocoa, World Cocoa Foundation – West Africa Chair, United States/the Netherlands
William Grant, Practice Manager for Agriculture & Agribusiness Development, Development Alternatives Inc. (DAI), United States
Suresh Kumar Raina, Programme Leader, The International Centre of Insect Physiology and Ecology (IClPE) Centre, Kenya
Natan Barak, Commercial Director, Netafim Irrigation, Israel

Session II: Agro-Processing: Towards Higher Excellence in Food & Safety
- Sourcing of quality raw material in sufficient quantities
- Sustainable organic production.
- Agro-processing facilities, cold stores, transportation issues.
- Technologies and modernisation of equipment & machinery.
- Traceability and quality control.

Gavin Wall, Chief Agricultural and Food Engineering Technologies Service, FAO, Italy
Idwin W. Bouman, Manager Food Safety, QA & ESH, Friesland Foods

Western Europe, the Netherlands
Markus Stern, CEO, Swiss Import Promotion Programme (SIPPO), Switzerland
Joop Menkveld, Procurement Officer, World Food Programme (WFP), Italy

Special Presentation: “Strategic Alliances for Agricultural Transformation in Africa”
Rosebud Kurwijila, Commissioner for Rural Economy and Agriculture, African Union, Ethiopia

13:00 Business Lunch.

Session III: Consumer-Driven Value Chain
- Standards & labelling.
- Market access – critical success factors, the buyers’ perspective.
- Social & environmental responsibility: “People, planet and profit”.
- Gaining the competitive edge – Product development & innovation and intangible attributes.

Myriam Vander Stichele, Sr. Research Fellow, Centre for Research on Multinational Corporations, the Netherlands
Nigel Garbutt, Chairman, EUREPGAP/ FoodPLUS GmbH, Germany
Rafael Dayan, General Manager, Green 2000, Israel

Presentation of the EMRC AgriBusiness Awards 2007 and Certificates of Honour to selected business executives worldwide.
In the presence of Ministers, Ambassadors, dignitaries and high officials.
Day 3 – TUESDAY, 5 JUNE 2007 AT FAO HEADQUARTERS

Public Private Partnership Trends & Innovations in Agriculture

9:00 Special Presentation by: Seydou Traore, Minister of Agriculture, Ministry of Agriculture, Mali.

Session I: Resource Mobilization & Investment
- Enabling environments for business investment.
- Public private cooperation and technical support in promoting and supporting value chains – discussion with development agencies, foundations, corporations and major agricultural research institutions.
- Remittances capital flow – the new development finance.

Ides de Willebois, Director Eastern & Southern Africa, IFAD, Italy
Skander Sayadi, Investment Manager, Agribusiness & Food Industry, DEG-German Invest. & Dev. Company, Germany
Babgana Ahmadu, Director, Dept. of Rural Economy and Agriculture, African Union Commission, Ethiopia
Tana Anglana, Project Manager, International Organization for Migration (IOM), Italy

Session II: Public-Private Partnerships (PPP) in Agriculture
- What are the main achievements and challenges according to already-successful case studies?
- Presentations of selected PPP success stories among the EMRC network.
- The goal is to share best practices and to share the wealth of opportunities.

Karim Hussein, Regional Economist, Western Africa Division, International Fund for Agricultural Development (IFAD), Italy
Walter Mayer, CEO, Progis Software AG, Austria
Simon Ashby, Principal Consultant, Infoterra, United Kingdom
Zlatina Loudjeva, Senior Development Specialist, Emerging Markets Group, United Kingdom

13:00 Business Lunch.

Session III: PPP in Angola: Lessons Learned & Future Opportunities
- Projection of the film Aldeia Nova: renewing the population and agricultural production in the Waku Kungo valley after 30 years of civil war.
- Presentation of the potential for partnerships in the Provinces of Kwanza Sul, Bié and Huambo.

Sponsors
Supporting Organisations
Annex 2
Models and approaches for agribusiness development

Background

Micro- and small-sized enterprises, mostly agribusiness, outgrowers and a few industrial businesses form the backbone of the African economy, making up more than 90 percent of African businesses. Most of them remain informal and do not undergo the generally cumbersome and costly formalization process. Only a few develop into medium-sized businesses that register formally.

The bulk of micro- and small-sized businesses, growers and service providers supply or service the local consumers or manufacturers with basic products. Only a few of them, mainly growers and processors, export their product to regional markets and have tapped into lucrative export markets and become part of fast growing agricultural high-value chains. Flower and vegetable production in Zambia, Kenya, Uganda, Ethiopia and Senegal are examples of successful attempts to compete in these high-value niche markets. They generate a considerable number of jobs in production, processing, packaging, and marketing. However, the value addition through processing has generally remained very low throughout the continent.

As depicted in Figure 5, there are distinct forms of economic activity in Africa: (i) the informal economy, which is the largest in terms of employment and volume of output but about which least is known; (ii) the local formal economy, which is mostly urban-based and receives the most attention from policy-makers; and (iii) the multinational enterprises, which have only limited links to the local economy, but which have substantial leverage in terms of influencing policy. Although formal economic enterprises may have
The business incubator

The business incubator is perhaps one approach that could be adapted to different circumstances in support of business creation. They have been extensively established in the Republic of Korea and are recognized as an effective economic development tool used by governments. The objective of incubators is to produce successful firms that will, through the provision of business support resources and services, eventually leave the incubator programme in a financially viable state. The basic concept consists of maintaining controlled conditions such as support systems and external business networks that are conducive to the growth and development of start-up companies.

Typically, incubators provide infrastructure (e.g. office facilities and equipment), managerial, financial and accounting advice as well as legal services (Kim, and Ames, 2006). The United Nations Industrial Development Organization (UNIDO) has adopted the incubator concept order to “create a favourable environment for entrepreneurship and the expansion of SMEs” in developing countries (UNIDO, 2002).

Production cluster

Production clusters created by governments in Malaysia and Chile provide interesting lessons on the role that governments can play in the development of agro-industries. Clusters can considerably increase productivity and contribute to enhanced competitiveness of companies. Building on comparative advantages in agricultural commodities through investments in value-added innovation, successful natural resource-based growth and dynamic agro-based industries have emerged in both countries.

Public policy interventions and coordinated actions with the private sector have substantially increased product differentiation and the exploration of new activities. Areas in which public intervention has played a key role include, inter alia, promoting targeted research & development and technology transfer towards new products, upgrading of logistics infrastructure, and building organizational capacity by supporting the linkages of agricultural producers with global value chains. Once new activities reach a certain maturity, private sector associations become important actors in maintaining the leadership in international markets and complementing the public interventions (United Nations Department of Economic and Social Affairs, 2007).

The way forward

It becomes apparent that the agricultural sector must dramatically improve its attractiveness to investors in terms of profitability and sustainability if it
is to secure a larger share of domestic public and private resources, including foreign direct investment? (FDI) (Humphrey, 2005, p.49). In an increasingly connected global economy, the role of the state will be crucial. Public policy and associated investment will ultimately be most effective if it is targeted to forming partnerships with private and civil society actors (e.g. producer organizations, NGOs and inter-professional institutions).

To achieve this, the state will need greater capacity to coordinate across sectors and to support the adoption of structured finance and risk mitigation instruments, including a supportive legal environment, innovation promotion, capacity-building support, infrastructure investment in Information & Communications Technology (ICT) and transport systems, and customs reform. Governments must be alert to the opportunities of modern technology – for example, the way that mobile phones have revolutionized the way of doing business even for small farmers.

Annex 3
Case studies

Case Study 1
Towards higher excellence in food and safety: Kraft in Ethiopia
The Sustainable Agriculture Initiative (SAI) Platform

The SAI Platform is a food industry initiative aimed at actively supporting the development of sustainable agriculture through crop-specific working groups. SAI supports increased purchases of products by food manufacturers. The founders are Nestlé, Unilever and The Danone Group.

An illustration of the SAI Platform’s impact is the Working Group on Coffee, in which the member companies are Ecom, Efico (Chair), Kraft, Nestlé (Vice-Chair), Neumann Kaffee Gruppe, SaraLee, Tchibo and Volcafé. The following is a description of this programme as implemented in Ethiopia by Kraft.

Coffee, representing 60 percent of Ethiopia’s total exports, is critical to the country’s economy and its people. The decline in world coffee prices overall has had detrimental effects on the lives of Ethiopian farmers. The drop in revenues had led some of them to neglect the quality of coffee beans, thus generating a downward vicious circle. As a result of lower incomes, many people have started to harvest the country’s highly biodiverse rainforests for firewood. Hence, building greater sustainability into its agricultural practices will help support the long-term recovery of country’s rainforests. Activities performed under the umbrella of the pilot project include:

Economic: Training for farmers in good agricultural practices and post-harvest treatment to improve the quality of coffee and ensure better returns for farmers, while protecting the environment.
Case Study 2

KenyaGAP: A private-public initiative; EurepGAP

The objectives of the programme were to:
- Minimize costs.
- Provide retailers with greater confidence in food safety.
- Help to meet EU legal requirements e.g. pesticide minimum residue limits (MRL).
- Support growers in soil and water analysis.
- Encourage a focus on internal auditing and monitoring.
- Ensure professional support in order to reach international standards.

The impact of KenyaGAP activities were:
- The increase of free-on-board (FOB) value of Kenya exports by 16.6 percent in 2005 – a case of “Trade not Aid”.
- In 2005, the highest smallholder incomes ever recorded.
- Up to 40 percent savings on pesticide costs.

Social: Social assessments followed by funding of social projects based on assessed needs, in particular, development of health programmes including HIV/AIDS prevention and family planning.

Environment: Capacity building with regard to the environmental aspects of coffee farming and development of a participatory forest management plan.

The project started as a round table sponsored by the German Development Agency (GTZ), which was attended by 23 parties. It then evolved into a project involving Kraft Foods, Original Food, Geo Saves the Rainforest, the University of Bonn, the German Foundation for Population Growth (DSW), the Amber Foundation and the Rotary Deutschland Gemeindienst.

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**Case Study 3**

Creation of new businesses by former expatriates: Migration for Development in Africa (MIDA) Ghana-Senegal (2006/07)

The general objective was to contribute to the socio-economic development of Ghana and Senegal through the mobilization of human, financial and social resources (entrepreneurial capacities) of migrants residing in Italy, and to promote partnerships between origin and host communities.

The programme had three main components:
- Business development services (BDS) to support the start-up of small and medium-sized enterprises (SMEs) in the country of origin.
- Decentralized cooperation initiatives (co-development projects).
- Innovative mechanisms for microfinance and money transfer.

Eighty-two project proposals have been received (56 from Senegal and 26 from Ghana):
- Senegal: 49 percent agriculture and animal breeding; 11 percent agro-processing.
- Ghana: 77 percent agriculture and animal breeding; 15 percent agro-processing.

The main results are as follow:
- 12 co-development projects selected and initiated (7 in Senegal and 5 in Ghana) in agricultural production/processing/export and sustainable tourism.
- 40 people trained in enterprise creation and management, and orientation on credit.
- A public-private partnership established.
- An innovative mechanism for remittance transfer identified and promoted (prepaid cards).

**Case Study 4**

Mobilization of local currency funds for the agribusiness sector in Africa

German Investment and Development Company (DEG)

Guarantee for short-term financing – a dairy company in Senegal

A dairy company in Senegal had recently invested in increasing capacity and needed additional working capital financing. The company’s sales were only denominated in local currency. Local banks wanted to limit their client exposure.

Transaction: DEG guaranteed part of the increased local currency working capital loan (50 percent; revolving yearly). Securities were taken pari passu with local banks including a stock monitoring scheme; the company paid a guarantee fee. It received short-term financing in local currency, and DEG reduced its risk by adapting the currency to cash flow generation.

Guarantee for long-term financing: sale to smallholders of a 2 600 ha palm oil plantation in Cameroon

DEG guaranteed 80 percent of the long-term local-currency loans granted by a local commercial bank to the farmers who wished to buy the plantation.

The problem: Small farmer risks (transaction costs) are difficult to finance on a purely commercial basis.

The solution: The guarantee helped to overcome the financial obstacles. The funds are used to set up a microfinance village bank for the monitoring of the loans to the farmers and deposit handling/repayment flows. The company provided extension services to smallholders (partly financed by PPP) and committed itself to buying the entire oil palm fresh fruit bunch (FFB) production for the duration of the DEG guarantee.

The combination of PPP funds and commercial financing has given high leverage and enabled the implementation of the project.
**Case Study 6**

ECOCERT International for Organic Certification: IFAD

IFAD focuses on value chain strengthening and establishing effective collaboration between the private sector, government and donors. It provides grants and loans to institutions and organizations in support of activities to strengthen the technical and institutional capacities linked to agricultural and rural development.

Outlined below is a typical project supported by IFAD in Africa:

A project on the organic certification of cocoa aromatic quality and origin in São Tomé and Principe is funded by IFAD as part of an ongoing United Nations Capital Development Fund (UNCDF)-funded project – Programa de Apoio Participativo a Agricultura Familiar e da Pesca Artesanal (PAPAFPA, Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme).

PAPAFPA is in charge of the financial management of the pilot project. KAOKA, an organic branch of the largest French chocolate producer, supervises production and purchase. The budget of the pilot programme is US$180 000 over a 3.5 year period. As of September 2006, 33 communities (1 130 producers) have been participating in the project. A minimum purchase price is guaranteed to producers. The Canadian Environmental Certification Approvals Board (CECAB) controls the quality of organic cocoa production according to pre-defined quality/bio standards. KAOKA purchases all of the cocoa produced and pays premium prices, on the condition that the standards are met. In April 2005, the internal rate of return was 17 percent. Yearly revenues for smallholder family participants increased from 25 percent to 8 percent below the poverty line.

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**Case Study 5**

The India-Mali Tractor Production Plant
Ministry of Agriculture, Mali

The Africa regional vision is to provide tractors able to improve agricultural added value in order to meet the demands of a market of 300 million consumers.

The creation of this project to establish a tractor factory in Mali entailed the following pre-requisites:
- An agricultural orientation law and commercial law.
- A framework of cooperation: “Team 9”.
- A dynamic local private sector.
- A private Indian sector ready to invest in Mali.

The “TEAM 9” programme intends to produce 400 tractors. The partnership is between India and eight West African countries: Burkina Faso, Côte d’Ivoire, Ghana, Guinea Bissau, Equatorial Guinea, Senegal, Chad and Mali.

The following are the various stages of the implementation of the partnership:
- The Indian Government provided a loan of US$500 million for the private and public sectors.
- The Malian government received a loan of US$27 million for projects in agriculture.
- The Indian partner constructed a plant with a production capacity of 8-16 tractors per day.
- Malian technicians were trained.
- A joint company was established, 51 percent of the shares held by the Indian company Angelique International.
Value chain & innovation in the global food system

Case study 8

Biodiesel in Mali
Sustainable Development, Royal Tropical Institute (KIT), The Netherlands

Small-scale farmers grow jatropha and sell the nuts to Mali Bio Carburant, which makes biodiesel for the local fuel market. There are 4 000 farmers involved in the project. The initial investment is of EUR800 000, and the annual production of oil is 500 000 litres. Supply agents buy the nuts in the villages on market days, paying in cash. The farmers upgrade stock and plant new shrubs (live fences/intercropping). Mobile presses extract the oil at the farmer’s location and trucks transport it to the processing unit – adjacent to production areas – which processes biodiesel. The biodiesel is sold on the local market.

JV Consortium ownership and roles:
- Holding KIT B.V. (40 percent): management, capacity-building, monitoring and evaluation.
- State Pension Fund (SPF) (25 percent): capital for upscaling.
- ULSPP Farmers’ Union (20 percent): nut supply chain.
- Flower Machines B.V. (10 percent): processing technology.
- Interagro S.A. (5 percent): purchaser.

Financial forecasts
- Cost price EUR0.56 per litre (sales of carbon credits and press cake not included).
- Sales price EUR0.70 per litre (ordinary diesel: EUR0.84 per litre).
- Estimated result before tax of EUR95 000 per year per unit; return on equity estimated at 29 percent after five years.
- Additional income for smallholders estimated at euro/unit 150 000, or 960 FCFA/day, which is 25 percent above opportunity cost).

Macro impact
- Food security: no large-scale plantations, but live fences and intercropping.
- National sovereignty: substitutes for diesel imports.
- Economic empowerment: farmers’ union as equity partner and board member, local future CEO.
- Business against poverty: formalized in company statutes, value chain strategy (one-third of investment), gender inclusion (female collectors).

Case study 7

Malawi Cotton Seed Treatment Programme (MCSTP)
In cooperation with the Emerging Markets Group (EMG), UK
EMG’s Business Linkages Challenge Fund (BLCF)

EMG’s Business Linkages Challenge Fund supports private companies through risk-sharing grants. Applications are handled in a two-stage process: short concept notes and a detailed business plan. Grants are in the range EUR50 000 to EUR 1 000,000 – with a 1:1 match from the private sector.

An example of EMG’s Business Linkages Challenge Fund grant is given to the Malawi Cotton Seed Treatment Programme (MCSTP), which aimed to improve commercial opportunities for small-scale cotton farmers and business people. It comprises:
- Pre-treatment of the seed and its distribution.
- Upgrading farmers’ skills and knowledge.
- Financial and physical infrastructure for cotton.

MCSTP actions are:
- The establishment of the Cotton Development Association (CDA) nationally as a private-public forum.
- Extension support and local markets: recruitment and training of over 500 staff (buyers, sellers, extension workers).
- Smallholders’ registration.
- New cotton varieties: CDA helped streamline the approval process for new varieties.
- Procurement and distribution of subsidized chemicals.
- A national dissemination campaign: knowledge, information and informal farmer networks.
- A seed multiplication scheme in 2003/04, which yielded sufficient seed to meet the national planting needs for the 2004/05 season.
- Procurement and installation of two local seed treatment plants.

MCSTP impact:
- The national crop increased by almost 265 percent.
- Seed replanting was reduced during the 2004/05 season.
- National need for planting seed reduced from 4 000 mt to about 2 000 mt.
- Yield per ha increased by 200–300 kg.
- In 2003, ginners throughput increased from 16 600 mt to almost 46 000 mt.
- Smallholders were able to produce more cotton with the treated seed and increased their income.
- In 2006, over EUR10 000 000 were allocated to farmers.
- The number of involved cotton farmers reached 250 000 (from 50 000) in 2006.

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- **United States National Business Incubation Association (NBIA)**: www.nbia.org