



**TECHNOSERVE**  
BUSINESS SOLUTIONS TO POVERTY

**AB InBev**



## TechnoServe Initiative for Inclusive Agricultural Business Models

*Enhancing the commercial and social value of local sourcing in  
Africa for SABMiller / AB InBev*



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# EXECUTIVE SUMMARY

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**This case study documents TechnoServe's experience in identifying ways of enhancing commercial and social value through local sourcing in Africa for SABMiller and AB InBev.** It is one of four projects supported by TechnoServe, through a grant from the Ford Foundation and matching company investment, to help multinational corporations achieve their sustainability commitments.

**TechnoServe initiated this project with SABMiller PLC in May 2016 as the company saw an opportunity to review and strengthen its local supply chains in Africa to create more value for the business and for smallholders.** Sourcing locally from smallholder farmers was a critical component of SABMiller Africa's business strategy. Many of SABMiller's subsidiaries in Africa not only procured from domestic markets, but had developed new brands and brewing processes to adapt to locally-available crops grown by smallholders. **Nile Breweries Limited (NBL)** in Uganda and **Cervejas de Mocambique (CDM)** in Mozambique are two such examples, working with local sorghum and cassava smallholders to create local brands "Eagle" and "Impala." The development of these new, affordable beers was made possible by favorable excise rates that resulted in significant sales growth for the businesses, secure markets, and increased incomes for smallholder farmers, while increasing overall tax revenues for the local government. On October 10, 2016, the business combination of SABMiller PLC with Anheuser-Busch InBev was completed. SABMiller's subsidiaries, including the businesses which participated in this project (Nile Breweries and Cervejas de Mocambique) are now part of AB InBev.

**Nile Breweries and Cervejas de Mocambique were already generating significant value through local smallholder sourcing, however it came with its challenges.** Smallholder yields are often significantly lower than attainable levels and achieving quality standards is a challenge. Smallholder farmers and supply chain actors lack information and resources compared to commercial farms in developed markets. Finally, the operating environment adds to these challenges, for example with weak availability of agribusiness services, poor infrastructure and lack of basic public services such as health and education in farming communities. TechnoServe helped these businesses apply a five-step process to review the state of local sourcing and build a commercial case for investment.

**In Uganda, NBL's well-established sorghum and barley supply chains still showed potential to improve productivity and professionalism.** NBL and TechnoServe drew up a comprehensive intervention model to up-skill actors at every level of the local value chain and improve communications and governance. Underpinning the intervention model is an automated data collection system to facilitate improved supply chain management, highlight areas of risk, and communicate social and commercial impact.

**In Mozambique, CDM's cassava and maize supply chains highlighted opportunities for the business to improve productivity and increase supply chain transparency.** CDM and TechnoServe designed initiatives to improve smallholder yields and incomes by working through its suppliers. CDM also found ways to reduce smallholder risk in cassava, where it is the only commercial buyer, through improved communications and the development of alternative markets (creating opportunities for both smallholders and its own production facility).

**This case highlights a number of important learnings for other companies sourcing locally from smallholders:**

- There is significant commercial and social value to be generated by integrating local smallholder sourcing into a company's long-term business strategy;
- Once established, local sourcing can be further enhanced to generate additional value to both smallholders and the commercial business;
- Integrating local smallholder sourcing as a core part of emerging market business strategy requires strong leadership and cross-functional engagement;
- Developing a concrete business case for local smallholder sourcing initiatives helps to bring in internal stakeholders and facilitate required investments;
- Systematic data collection from local supply chains is key to enhancing value;
- Initiatives to improve smallholder livelihoods should aim to reduce farmers' risk, as well as increase their incomes; and
- Improvements to local supply chains can be made by corporates even when they do not source directly from smallholders by adopting an "ecosystem approach."

# BACKGROUND

**In recent years, an increasing number of multinational companies have made bold sustainability commitments with the potential to effect substantial poverty reduction.** In recognition of this great potential, the Ford Foundation and TechnoServe have partnered to support multinational companies in achieving their sustainability commitments related to smallholder farmers. Through a grant from the Ford Foundation and matching company investment, TechnoServe supported four multinational companies in developing inclusive and sustainable business models that could improve farmer livelihoods and reduce their vulnerability, while creating commercial value for the company. The report discusses the experience of one of these four companies, SABMiller, including the company's specific opportunity, the model designed to capture this opportunity, and key takeaways for consideration by other industry players.

**SABMiller PLC was a leading global brewer with around 70,000 employees across more than 80 countries, including a very strong presence in Africa.** On October 10, 2016, SABMiller combined with AB InBev, the world's leading global brewer with over 400 brands and 200,000 employees. SABMiller's subsidiaries, including the businesses which participated in this project (Nile Breweries and Cervejas de Mocambique) are now part of AB InBev.

**Given the local nature of brewing businesses, sourcing locally was central to the company's model in Africa.** The company sourced brewing crops such as barley, sorghum, cassava and maize from smallholder farmers. Its approach to local sourcing in Africa had three key objectives: establish sustainable local supply chains, improve livelihoods for smallholder farmers in the supply chain, and help drive local economic growth.

**SABMiller's local sourcing strategy was based on a "win-win-win" model** that created value for the commercial business, smallholder farmers and local stakeholders. As a result:

- **Local business** can source quality local raw materials and has also benefited from favorable excise rates recognizing its investment in the local economy. This helps drive growth through the creation of new, affordable beer brands for new customer segments;
- **Smallholder farmers** can access a secure market for their crops and benefit from support to enhance productivity and improve their livelihoods. This creates a broader positive impact on the development of local rural communities;
- **Local stakeholders**, such as the government, benefit from greater economic development in agricultural communities and increased overall tax revenues (as new, affordable beer brands made with local materials can displace consumption of untaxed, illicit alcohols).

**Sourcing from smallholders in Africa presents numerous challenges compared with sourcing in developed markets.** This project focused on analyzing these challenges and finding ways to optimize SABMiller's supply chains to realize the full potential of the local sourcing program. AB InBev has a similar approach to farmer training and development and will draw on the insights from this project to inform its future farmer development activities in Africa.



*Cassava farmers in a rural area north of Maputo, Mozambique.*

# CHALLENGE

*ENSURING LOCAL SUPPLY CHAINS ARE OPTIMIZED TO DELIVER VALUE FOR THE COMPANY AND FOR SMALLHOLDERS*

**SABMiller businesses have had to overcome a number of challenges in order to derive continued value from their local supply chains.** We identified eight types of challenges that are common to smallholder supply chains in Africa under three broad themes: supply chain actors, supply chain structure and the external environment (see *Exhibit 1*).

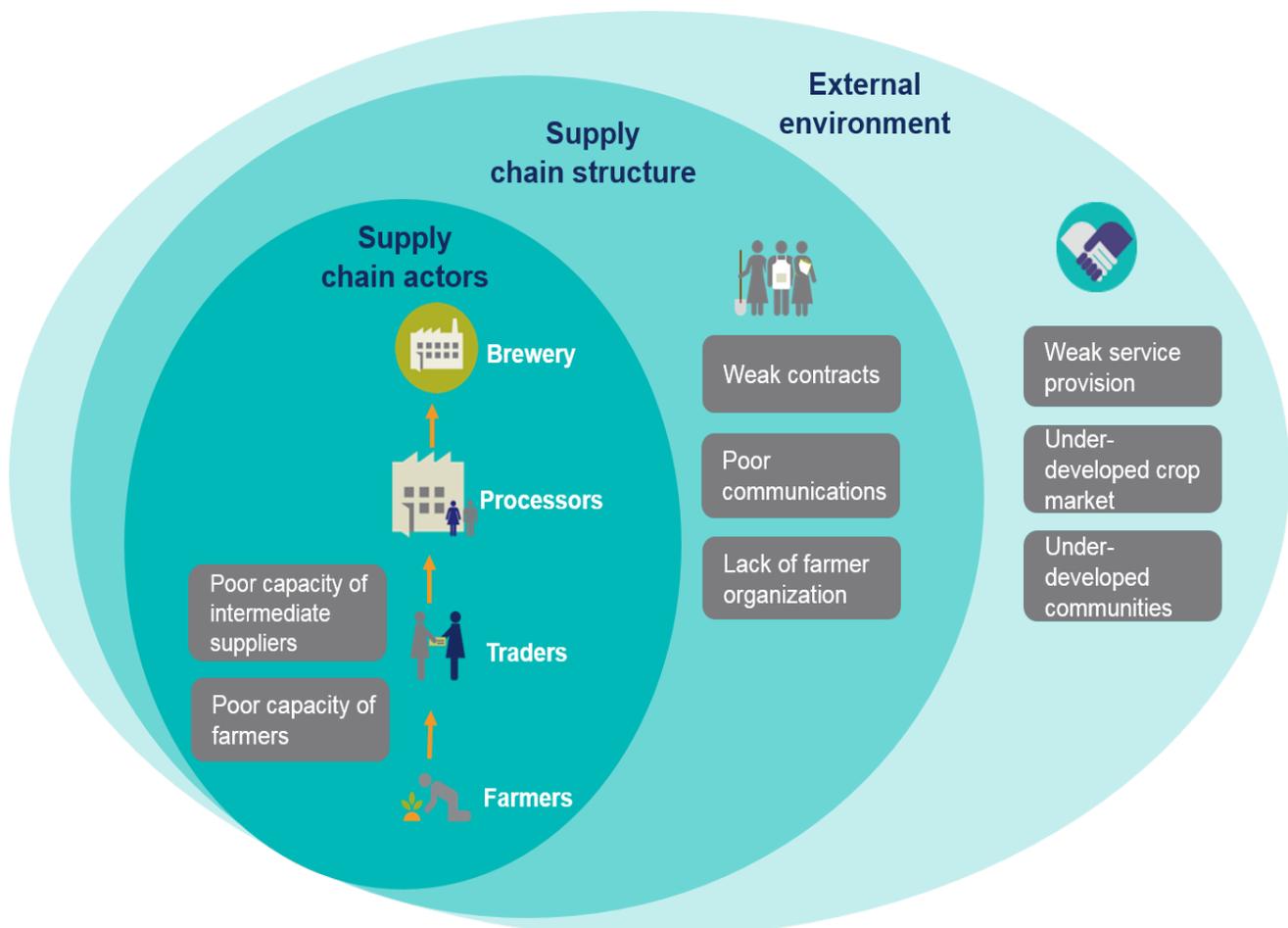
**Capacity within Africa's smallholder supply chains can be limited in various ways:**

- **Poor capacity of farmers:** Most smallholder farmers in Africa live below the poverty line and have limited access to knowledge, inputs or finance. Farmers therefore often struggle to

produce the required quantity and quality for commercial buyers, and achieve their income potential. Even when smallholder farmers adopt good practices, a lack of technology and insurance makes them particularly vulnerable to risks such as drought and crop disease.

- **Poor capacity of intermediate suppliers:** Other players in smallholder value chains (e.g., local traders and aggregators) can lack capacity in processing skills, business acumen and governance. For commercial buyers, this can increase procurement costs for raw materials at the required quality levels.

Exhibit 1: Range of challenges faced by companies when sourcing from smallholder farmers



### Supply chain structures for smallholder sourcing can also be deficient due to:

- **Weak contracts:** Smallholder supply chains are typically complex. Multinational companies often do not have direct contracts with smallholder farmers or co-operatives. Instead, there are several supply chain intermediaries involved and contractual arrangements between these intermediaries may be unclear or lack practical enforcement mechanisms.
- **Poor communications:** In Africa's smallholder supply chains, record-keeping practices can be rudimentary, especially at farmer level. Businesses like Nile Breweries and Cervejas de Mocambique have had to make extra effort to understand smallholder needs, to communicate the businesses' sourcing requirements and to measure the impact of local sourcing on smallholders.
- **Lack of farmer organization:** Often smallholders are not well-organized (for example, into co-operatives), and when they are, these organizations may not be commercially-oriented. As a result, farmers have poor negotiating power, and commercial buyers can find it harder to trace the origins of their raw material to farm level.

### The external environment can also exacerbate difficulties within supply chains, through:

- **Weak service provision:** Farmers rely on quality inputs, tools and finance to produce crops for commercial buyers. However, the reach and sophistication of local agri-businesses to service these needs are often limited. Many commercial financial institutions do not service smallholder communities due to the high levels of risk involved or cost required.
- **Under-developed rural communities:** Poor community services such as schools, health centers and infrastructure may prevent farmers from achieving their productive potential. Women in particular lack access to training and tools even though they are heavily involved in on-farm labor. Many young people in rural communities do not view farming as a lucrative occupation and may prefer to migrate to cities for better jobs.
- **Under-developed market for crops:** When farmers have few alternatives they can become dependent on a single or a few buyers, thereby reducing their negotiating power. Smallholder farmers also risk not being able to sell their crop if buyers' needs change. In some cases, it is necessary to work with other stakeholders to help create a wider market for smallholder crops and mitigate the risk of dependence.



*Agroways processing and storing facility for NBL sorghum in Jinja, Uganda.*

# OPPORTUNITY

## ENHANCING THE COMMERCIAL AND SOCIAL VALUE OF LOCAL SMALLHOLDER SOURCING IN AFRICA

**Local sourcing challenges can in fact represent opportunities to improve commercial and social value.** The different levers of commercial value of strengthening existing supply chains are shown below in *Exhibit 2*, while the resulting outcomes for smallholder farmers and agricultural communities are shown as social levers in *Exhibit 3*.

**In practice, increasing the commercial and social value of local sourcing requires interventions tailored to the local market.** Many businesses have a wide range of supply chain structures, from

sourcing via third party traders to fully integrated value chains established by the business to procure specific raw materials. Each country’s agricultural sector is subject to a specific economic, social and cultural context, as well as unique climatic and environmental considerations that weigh on the yield potential for different commodities. The aim of this project was to develop a single approach to identifying opportunities within local supply chains, which could be applied in different contexts.

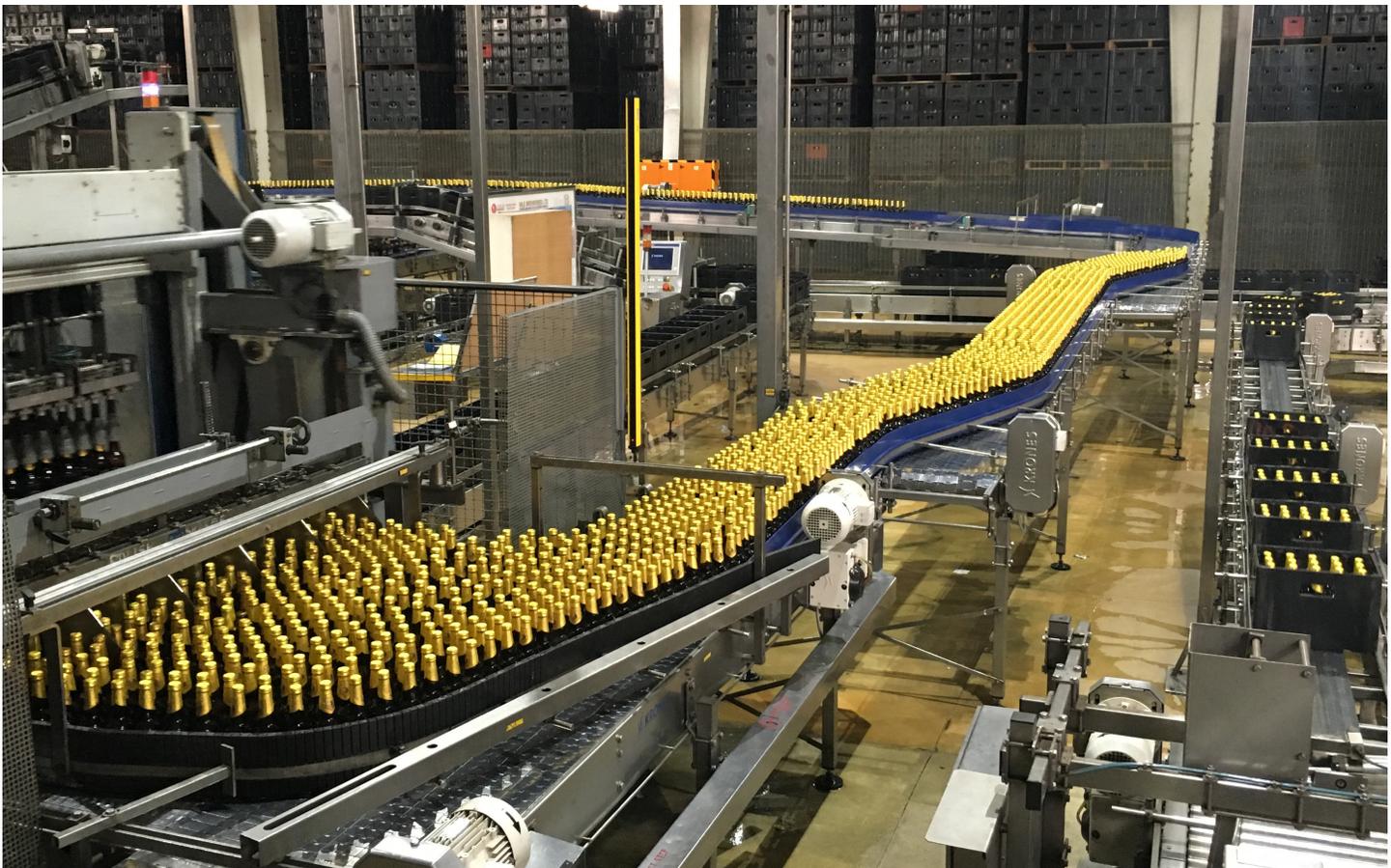
Exhibit 2: Commercial business levers applicable to local smallholder supply chains

	Lever	Description	How quantifiable?
Sourcing cost	1. Security of supply	Increasing productivity of smallholder farmers reduces the risk that the brewery loses invested inputs or has to find additional raw material.	● ●
	2. Reduced side selling	Increasing loyalty of supply chain actors can reduce the risk that the brewery loses invested inputs or has to find additional raw material.	● ●
	3. Re-balancing costs between buyer and supplier	Increasing productivity and business acumen of smallholder farmers may allow the brewery to transfer cost of inputs over time.	● ● ●
	4. Reducing processing costs	Improving quality can reduce processing or manufacturing costs to the brewery.	●
	5. Reconciling prices	Increasing productivity and business acumen of smallholder farmers may allow the brewery to reduce the price paid over time.	● ● ●
	6. More efficient supply chain management	Increasing the proportion of local sourcing helps to decrease logistics costs and exchange rate risk that comes with importing raw materials.	●
Reputational levers	7. Maintaining favorable excise	Reducing the risk that the government raises excise based on lack of evidence of generating shared value – or, increasing the likelihood of further tax breaks.	●
	8. Moving brands into favorable excise category	Increasing the quantity of locally-sourced produce for use in more production cycles can move more brands into lower excise categories.	● ●
	9. Brand equity	Sustainability/local sourcing story can drive brand recognition and sales growth.	●
	10. Regulatory burden	Improving and communicating farmer outcomes strengthens license to operate and government goodwill, lowering the risk of harsher distribution regulation, and possibly increasing government willingness to tax illicit brands.	●

Exhibit 3: Social levers applicable to local smallholder supply chains

Lever	Description	How quantifiable?
1. Increasing farmer incomes	Increasing farmer incomes through productivity improvements directly addresses rural poverty.	● ● ●
2. Reducing food insecurity	Increasing farmer productivity reduces food insecurity, as grains can also be used for food.	● ●
3. Empowering women	Empowering women increases the impact of higher productivity and incomes. Women typically provide most labor but have lower access to training and inputs, and have lower on-farm decision making power. Women also invest more in their families, creating a multiplier effect.	●
4. Engaging youth	Youth represent the next generation of farming and the future prosperity of rural communities. They also have high potential to adopt new practices and technology.	●
5. Increasing access to services	Increasing access to services such as health, education, and water and sanitation raises quality of life in farming communities and allows farming families to focus on improving their production.	● ●

● Not quantifiable    ● ● Quantifiable with several assumptions    ● ● ● Quantifiable with few assumptions



Thousands of bottles of Nile Gold travel through NBL’s production line in Jinja, Uganda. This beer is brewed using locally-sourced barley.

# CAPTURING THE OPPORTUNITY

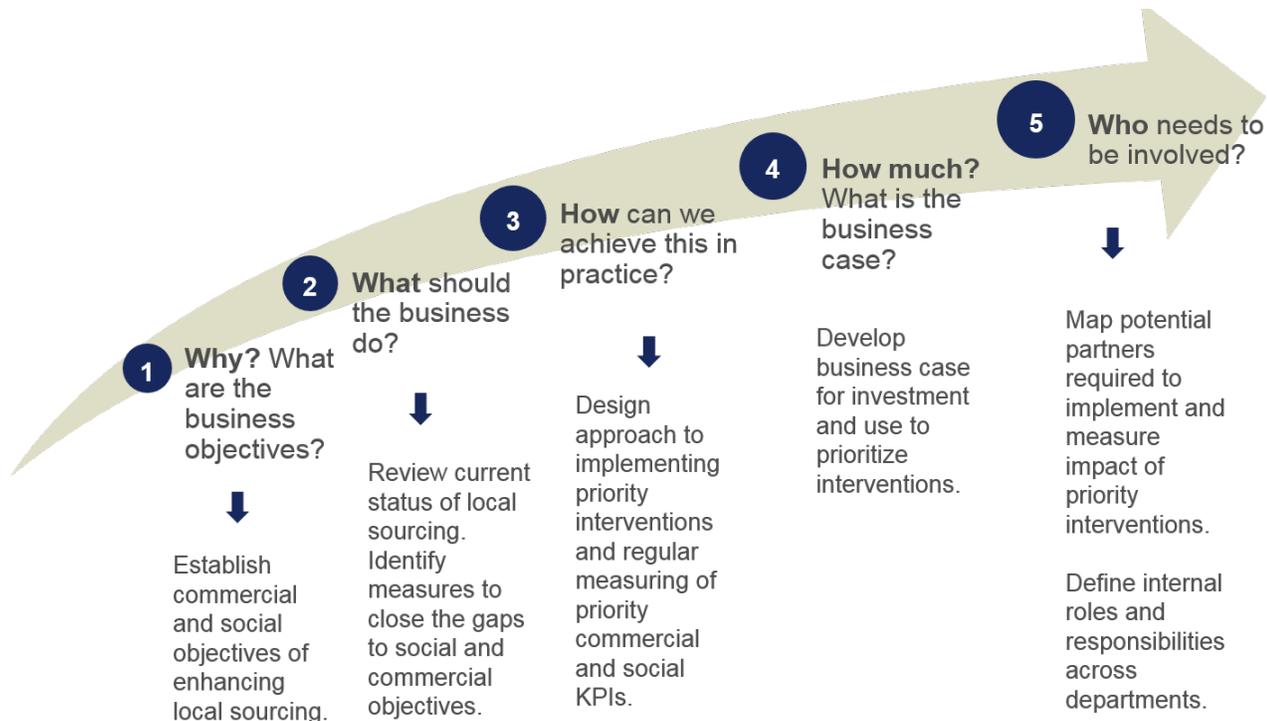
## DEVELOPING THE BUSINESS CASE AND APPROACH TO ENHANCING THE COMMERCIAL VALUE AND SOCIAL IMPACT OF LOCAL SOURCING IN AFRICA

### TechnoServe's five-step approach for identifying opportunities to enhance local sourcing value

(see Exhibit 4) was piloted with Nile Breweries and Cervejas de Mocambique. A steering committee was established to guide the initiative, with repre-

sentation from procurement, agriculture and corporate affairs teams – the key functions responsible for implementing an effective local sourcing strategy.

Exhibit 4: The five-step approach to building a case for enhancing value from local sourcing



### Application of the Approach to Nile Breweries

Instituting productivity and professionalism in a developed supply chain.

**Nile Breweries Limited (NBL) has a mature approach to procuring local materials.** NBL was a pioneer in this space when it began sourcing sorghum to develop Eagle beer in 2003. In 2009, NBL also established barley sourcing programs in three areas of Uganda to supply barley for its mainstream brands.

**NBL has had a very positive impact on local rural communities through its supply chain.** An independent report by the International Institute of Tropical Agriculture (IITA) in 2016 showed that sorghum farmers supplying to NBL were

### Uganda: Sorghum and Barley Sourcing



#### 15,000 sorghum farmers

- Structured in 2003 specifically to produce Eagle beer
- Eagle now occupies the largest market share in Uganda



#### 4,500 barley farmers

- Established direct, local sourcing structures in 2009
- Barley used in flagship local brews including Nile Special

achieving yields that were 24 percent higher, and total household incomes that were twice as large, compared to sorghum farmers outside the supply chain. In barley, a successful project with IFDC recently enabled farmers in eastern Uganda to increase incomes by 80 percent. Overall, the IITA survey showed that 89 percent of sorghum farmers and 74 percent of barley farmers in NBL supply chains believe their livelihoods and welfare had improved compared with being outside the supply chain.

**However there were also a number of challenges within the supply chain:**

- Although there had been significant improvements since 2003, some sorghum farmers were still achieving only between 50 and 70 percent of attainable yields.
- Some of NBL’s suppliers were not fulfilling all their contractual commitments.
- Lack of supply chain transparency was creating incentives for farmers to side sell, affecting NBL’s return on invested inputs and services. Implementing initiatives to improve transparency, capacity and productivity in the supply

chain would address these challenges and unlock greater commercial and social value.

- There were opportunities to further empower some cohorts within the supply chain, such as women and youth. For instance, for around 60 percent of households, only men were accessing training, despite women providing most labor. Women were also not fully involved in revenue decisions. Finally, the average age of farmers in the company’s supply chains was over 40. Under-representation of youth poses a potential threat to future agricultural production.

**NBL and TechnoServe drew up six key areas of intervention to mutually benefit the business and actors in its supply chain (see Exhibit 6):**

**1. Improve communications:** The business can use a digital platform to systematically collect information on transactions – seed distribution, input sale, grain collection – all the way to the farmer level. With this information, the business can better understand how different parts of the supply chain are operating, and use this information to improve operations and to communicate its impact to key stakeholders. The platform could also enable communication of relevant information

Exhibit 5: Outcomes of the five-step process in Uganda

Process	Uganda Example
<b>Why?</b> Business Objectives	<ul style="list-style-type: none"> <li>• Increase quantity and quality at a fair price</li> <li>• Strengthen license to operate</li> <li>• Increase transparency in the supply chain</li> <li>• Improve farmer incomes with a focus on women and youth</li> </ul>
<b>What?</b> Focus Areas	<ul style="list-style-type: none"> <li>• Increase farmer access to information, inputs and finance</li> <li>• Re-affirm supplier incentives through better monitoring</li> <li>• Increase business acumen of key value chain players</li> </ul>
<b>How?</b> Priority Interventions	<ul style="list-style-type: none"> <li>• Install communications and transactions database</li> <li>• Build capacity of aggregators (training and mentoring)</li> <li>• Build capacity of agents (training)</li> <li>• Deliver farmer extension services</li> <li>• Enhance access to finance for inputs (partnership with financial institutions)</li> <li>• Support women and youth</li> </ul>
<b>How much?</b> Business Case	<ul style="list-style-type: none"> <li>• Increasing productivity improves security of supply</li> <li>• Reducing side selling curbs lost investment in supply chain</li> <li>• Improving quality reduces processing costs</li> <li>• Improving farmer livelihoods enhances license to operate</li> </ul>
<b>Who?</b> Partners to Deliver	<ul style="list-style-type: none"> <li>• Combined internal team from NBL technical and corporate affairs</li> <li>• Business service providers</li> <li>• Farmer extension service providers</li> <li>• Financial institutions</li> </ul>

(such as pricing and business requirements) to each level of the supply chain, including messages direct to farmers.

**2. Improve aggregator capacity:** NBL can help aggregators improve their business skills, governance, and agent and farmer management through standard training and individual mentoring of aggregator officials.

**3. Improve agent capacity:** NBL has an opportunity to train agents to better meet NBL requirements so that farmer and agent incomes will increase, and NBL will have a more secure source of supply.

**4. Farmer extension services:** Two potential extension models were explored with NBL: either using existing agents to reach farmers with improved training, or hiring and equipping farmer trainers from the local community to demonstrate best practices.

**5. Enhance access to finance:** By partnering with a financial institution, NBL could help farmers finance purchases of inputs and/or mechanization, which would then be deducted from crop payment upon delivery. NBL can also include training on financial literacy and introducing farmers to formal

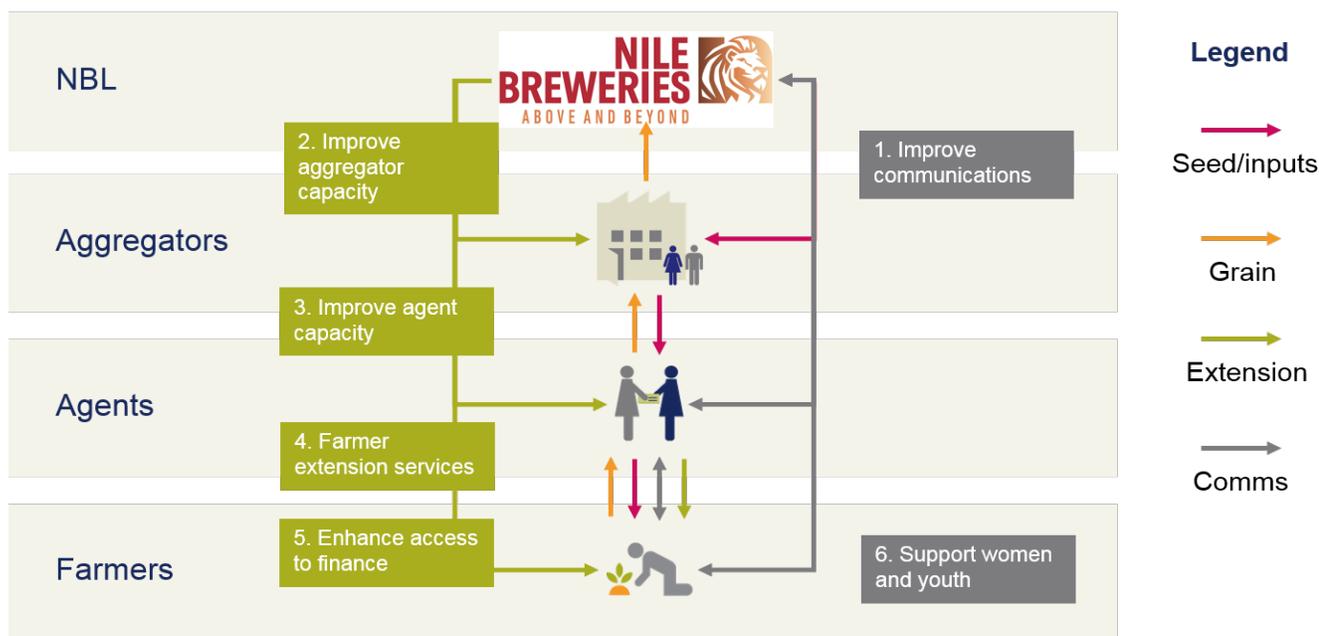


*Farmer Alex in Bukedea in the Eastern Region of Uganda achieves high yields using best practices.*

services including savings, loans and insurance to reduce their risk.

**6. Support women and youth:** NBL can deliver specific programs to help women and youth achieve their entrepreneurial ambitions in local communities, due to the challenges highlighted above.

Exhibit 6: Priority interventions mapped to NBL's supply chain



## Cervejas de Moçambique

A market systems approach for cassava and maize sourcing

**Cervejas de Moçambique (CDM) relies on intermediaries to source cassava and maize from local smallholders.** CDM launched Impala – the world’s first commercial-scale, cassava-based beer – in 2011. Impala is now the third largest brand in CDM’s portfolio. In both cassava and maize, CDM has partnered with a first-tier supplier to help organize farmers, arrange for inputs and aggregate the product to CDM.

**CDM’s cassava and maize sourcing already generates impact for local smallholders in Mozambique.**

Impala marks the first meaningful opportunity for cassava growers in Mozambique to enter a commercial supply chain, and as a result, these farmers now have a guaranteed market for their crops and have generated a combined \$1 million in income. In maize, through CDM’s partnership with Empresa de Comercializacao Agricola (ECA), farmer incomes have increased by an average of 90 percent since 2011.

**However, there were four overarching challenges in CDM’s cassava supply chain.**

- Farmer productivity was at least 20 percent below potential in cassava, although data limitations meant that the extent of the challenge could be much greater.
- CDM and its supply partners were sometimes unclear about one another’s expectations in terms of the quantity and quality required by the business.
- All supply chain actors – from the cassava farmers to CDM itself – were carrying extra risk by participating in a value chain with a single off-taker.
- In maize, CDM’s core local supplier, ECA, was already achieving remarkable improvements for smallholder livelihoods; however CDM did not have full visibility into this impact. CDM saw an opportunity to support ECA to expand its impact by providing long-term supply contracts and sharing SABMiller’s own best practices.

## Mozambique: Cassava and Maize Sourcing



### Local cassava supply chain

- Established local sourcing structures in 2011 specifically to produce Impala beer
- Impala is the third largest of CDM’s ten beer brands



### Local maize supply chain

- Established local sourcing via ECA
- Maize is used in Chibuku, an opaque beer, as well as Laurentina Clara and Super Maheu

**TechnoServe helped CDM to develop four key areas of intervention to mutually benefit the business and its supply chain (see Exhibit 8):**

- 1. Create and train farmer groups:** CDM can work with its supplier to support the creation of formal cassava farmer groups. Formal farmer groups can enable improved access to training and inputs, and facilitate the management of sourcing logistics and communications.
- 2. Enterprise farming model for cassava:** CDM can support its cassava supplier to develop high performing smallholders into more commercial enterprises, providing them with access to land and inputs and guaranteeing a minimum volume of supply for CDM. By demonstrating best practices, these farmers will also help lift up productivity of other farmers.
- 3. Increasing supply chain transparency:** CDM has identified key KPIs to collect from the supply chain via its intermediate suppliers. This will enable farmers and suppliers to better understand and meet CDM’s expectations for quality, quantity and smallholder impact, and provide an evidence base of CDM’s impact.

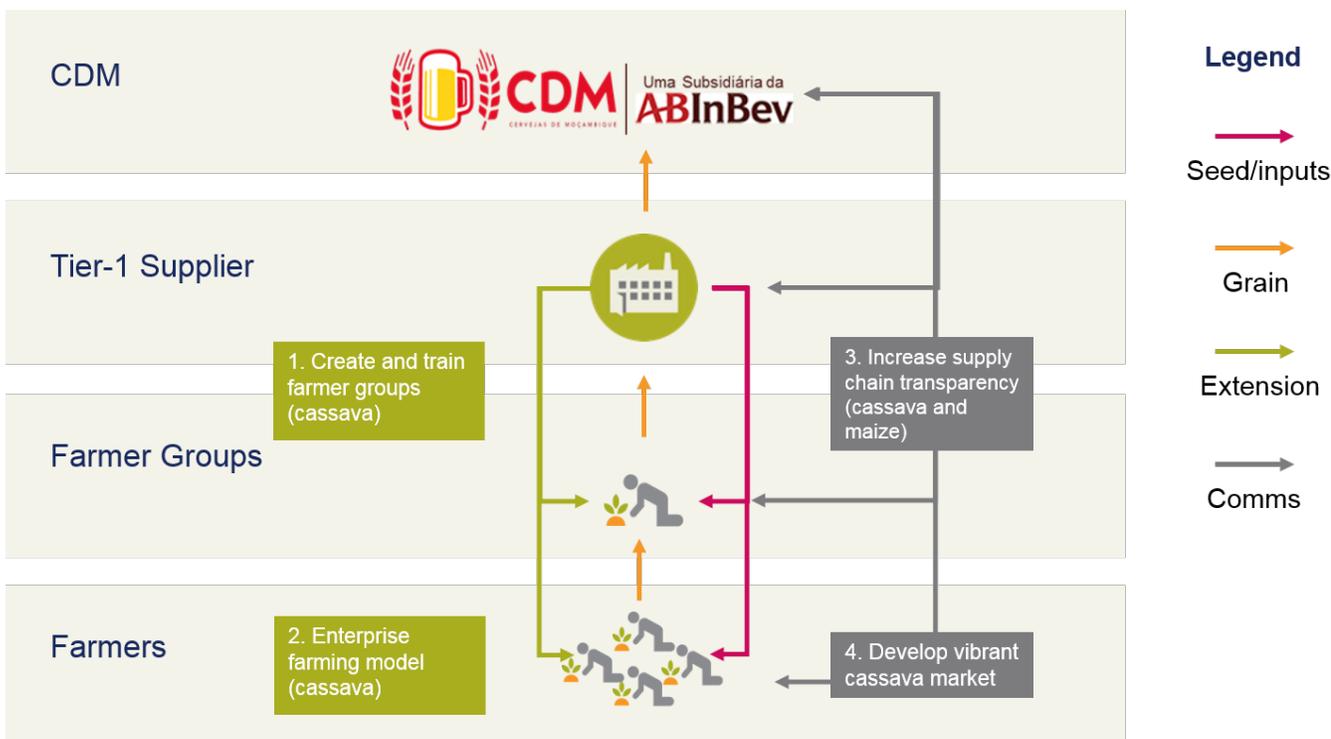
**4. Develop vibrant cassava market:** CDM can support the creation of additional cassava markets by contributing to industry platforms. This will increase opportunities for cassava farmers, reduce

the risk of farmer dependency on CDM, and provide CDM with additional buyers for starch produced in its new plant (which it shares with Ilovo, an African sugar producer).

Exhibit 7: The five-step process in Mozambique

Process	Mozambique Example
<b>Why?</b> Business Objectives	<ul style="list-style-type: none"> <li>• Meet CDM sourcing requirements at achievable cost</li> <li>• Strengthen license to operate</li> <li>• Improve farmer incomes and social impact</li> </ul>
<b>What?</b> Focus Areas	<ul style="list-style-type: none"> <li>• Increase farmer access to information, inputs and finance</li> <li>• Increase farmer opportunity to produce at scale</li> <li>• Improve transparency and governance in supply chain</li> <li>• Reduce risk of single-buyer relationships for farmers</li> </ul>
<b>How?</b> Priority Interventions	<ul style="list-style-type: none"> <li>• Create and train farmer groups</li> <li>• Enterprise farming model for cassava farmers</li> <li>• Increase supply chain transparency, clearly define supplier expectations</li> <li>• Develop vibrant cassava market with additional off-takers</li> </ul>
<b>How much?</b> Business Case	<ul style="list-style-type: none"> <li>• Increasing productivity improves security of supply</li> <li>• Improving farmer livelihoods (and better communicating this impact) enhances license to operate</li> <li>• Reducing monopsony power improves license to operate and creates sales opportunities for starch plants</li> </ul>
<b>Who?</b> Partners to deliver	<ul style="list-style-type: none"> <li>• Combined internal team from NBL technical and corporate affairs</li> <li>• Business service providers</li> <li>• Farmer extension service providers</li> <li>• Financial institutions</li> </ul>

Exhibit 8: Intervention areas in CDM’s cassava and maize value chain



# KEY TAKEAWAYS

**This case demonstrates the significant commercial and social value that can be generated by integrating local smallholder sourcing in emerging markets into a company's long-term business strategy.** Locally-sourced materials in emerging markets are not always cheaper than importing when considered at face value – especially when the supply chain must be established from scratch. Both sorghum and cassava beers were new ventures and the investment – and risk – in creating new production processes and in setting up a supply chain required creativity and courage. In each case, the company was able to work with the government to make the business case viable through favorable excise rates, recognizing the “win-win-win” approach of improved farmer livelihoods and reduced risk, enhanced commercial value, and reduced illicit alcohol consumption. Once the initial investment has been made, local sourcing can become cheaper than alternatives as supply chain structures become more efficient and the business benefits from reduced risk of fluctuations in exchange rates and international commodity prices.

**Once established, local sourcing can be further enhanced to generate additional value to both smallholders and the commercial business.** Both NBL and CDM were already generating significant commercial value from sales of products made possible through local sourcing. They were also having an impact on smallholders through yield and income improvements since joining the commercial supply chain. However, local sourcing can be challenging, and regular review is required for continuous improvement and to ensure that the system is delivering its potential.

**Integrating local smallholder sourcing as a core part of emerging market business strategy requires strong leadership and cross-functional engagement.** The involvement of procurement and supply chain teams is critical for setting clear expectations with suppliers and managing supply chains efficiently. Involving the sales and marketing teams is key to increasing brand equity. Corporate affairs teams can help ensure that the sourcing system is a part of corporate outreach and is integrated with initiatives of other buyers and external stakeholders. Finally, business leadership brings together these different functions to prioritize activities and oversee required investments.

**Developing a concrete business case for local smallholder sourcing initiatives helps to bring in internal stakeholders and facilitate required investments.** Where possible, the commercial benefits of enhancing local supply chains should be quantified, such as increasing security of supply or lowering procurement costs, and assessed against the estimated costs of implementing necessary interventions. However, non-quantifiable “levers,” such as strengthening license to operate, maintaining strong relationships with governments and generating brand equity, should also be considered. In addition to enabling mobilization of resources, the business case can help in prioritizing activities and determining the depth of investment against its return.

**This case highlights the importance of systematic data collection in local supply chains.** In both Uganda and Mozambique, the five-step process resulted in specific opportunities to enhance social and commercial value of local sourcing. In the future, more comprehensive reporting systems will allow each business to regularly track its performance against its stated objectives. This will enable the business to see how local sourcing is impacting all three stakeholders – business, smallholders and governments – in terms of value and risk. Where the “win-win-win” strategy is being met, the business will have concrete data to quantify its value and impact and share this with government and other stakeholders. Where it is not, data collection can help point to measures to course correct.

**Initiatives to improve smallholder livelihoods should help to reduce farmers' risk, as well as increase incomes.** In moving from what is typically subsistence farming into a commercial supply chain, smallholders often take on additional investment costs and new risks, such as failing to meet quality requirements and receiving lower-than-expected prices. Even when smallholders apply best practices, they are vulnerable to factors outside of their control, such as climatic events, pests or crop disease. Corporate buyers can help share this risk – for example, by improving transparency and communications, facilitating access to technologies (e.g., drought-resistant seed) and partnering with financial institutions to increase access to financial services, such as crop insurance.

**Improvements to local supply chains can be made by corporates even when they do not source directly from smallholders, by adopting an “eco-system approach.”** The corporate buyer is not responsible for everything. It is, however, in a unique position to define its objectives for commercial and social value, and to align the incentives of its supply chain partners to those objectives. Corporates can also look beyond their immediate supply chains and engage with external stakeholders, such as other buyers, government institutions, finance providers and NGOs, to further develop market ecosystems that work for the benefit of smallholders.

## ABOUT TECHNOSERVE

TechnoServe works with enterprising people in the developing world to build competitive farms, businesses and industries. We are a nonprofit organization that develops business solutions to poverty by linking people to information, capital and markets. Our work is rooted in the idea that given the opportunity, hardworking men and women in even the poorest places can generate income, jobs, and wealth for their families and communities. With nearly five decades of proven results, we believe in the power of private enterprise to transform lives. the opportunity, hardworking men and women in even the poorest places can generate income, jobs, and wealth for their families and communities. With more than four decades of proven results, we believe in the power of private enterprise to transform lives.

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