



Commercial Agriculture for Smallholders and Agribusiness

The FCDO-funded Commercial Agriculture for Smallholders and Agribusiness Technical Assistance Facility (CASA TAF) partners with investors with development interests to increase the smallholder impact of their portfolio companies. We design, co-fund, and manage delivery of inclusive technical assistance (TA) projects that drive commercial and social impact by strengthening, deepening, or broadening inclusive supply chains at partnered agribusinesses.

Over its five-year life cycle, the CASA TAF is collecting data on the impact of inclusive technical assistance, not only at the farmer-level, but also at the shareholder level. We are generating evidence and learning from closely tracking commercial and development impact metrics, thus demonstrating the return on investment from inclusive TA.

Ultimately, we hope to make the commercial and development case for investing in agribusinesses that source from smallholder farmers; increasing investment in this type of TA as well as capitalisation of these types of businesses. Over 5 years, the CASA-TAF aims to reach 35 businesses and benefit over 100,000 smallholder suppliers.

The Inclusive Business Plan

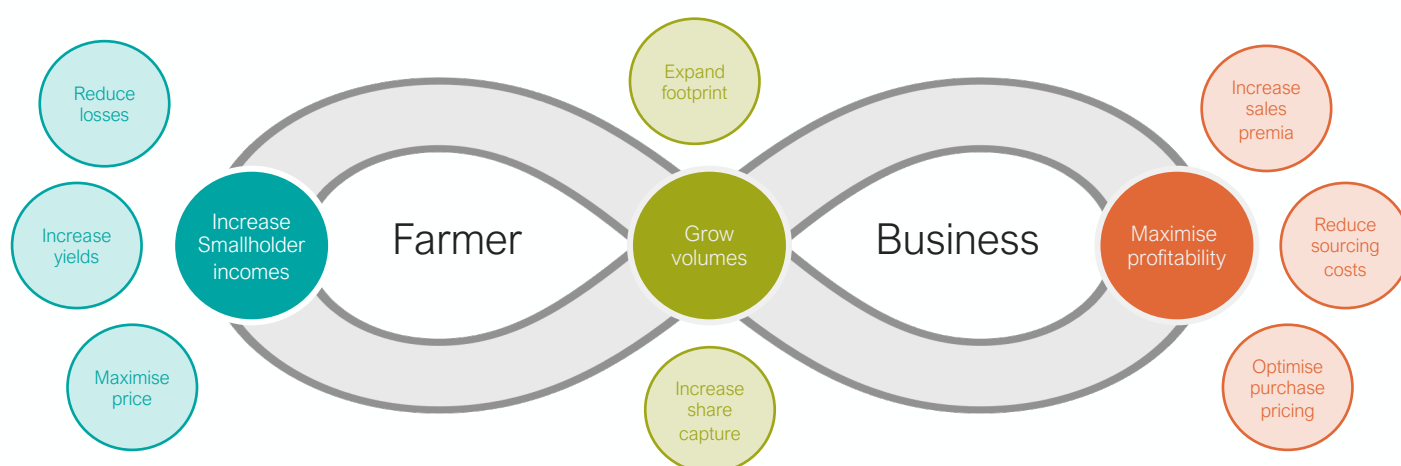
TechnoServe is testing its Inclusive Business Plan (IBP) methodology in the [CASA](#) TAF. Our approach involves working closely with agribusiness management teams to create a roadmap to deepen, broaden and/or strengthen supply chains in a way that delivers value to both smallholders and shareholders. We then work with management to operationalise the IBP by deploying inclusive technical assistance. An IBP is a thorough analysis produced over 3-6 months that:

- Diagnoses smallholder supply chain challenges;
- Identifies or validates the inclusive business growth opportunity, aligned to commercial objectives, identifying opportunities for greater commercial and smallholder impact;
- Quantifies the opportunity in terms of commercial value for the business and impact for smallholder farmers;
- Lays out a strategy to access the opportunity including investment and any partners required; and,
- Maps out an implementation plan; a linked package of technical assistance and blended finance.

The IBP process involves field visits and regular touch-points with company management to identify key growth levers and ensure that the plan is grounded in the 'business' reality. IBPs are co-created with agribusiness partners to ensure stakeholder alignment, ownership and buy-in. To ensure viability, all recommended inclusive growth initiatives are linked to a robust business case. The IBP is action-oriented and lays out a clear, pragmatic strategy to support the business to access the opportunity.

IBPs – and the associated TA – typically represent just a fraction of the size of an investment, but can have significant impact for investors, businesses, and suppliers; addressing fundamental barriers to inclusive and sustainable growth through careful analysis, the right combination of business, strategy and agronomic expertise and hands-on problem solving.

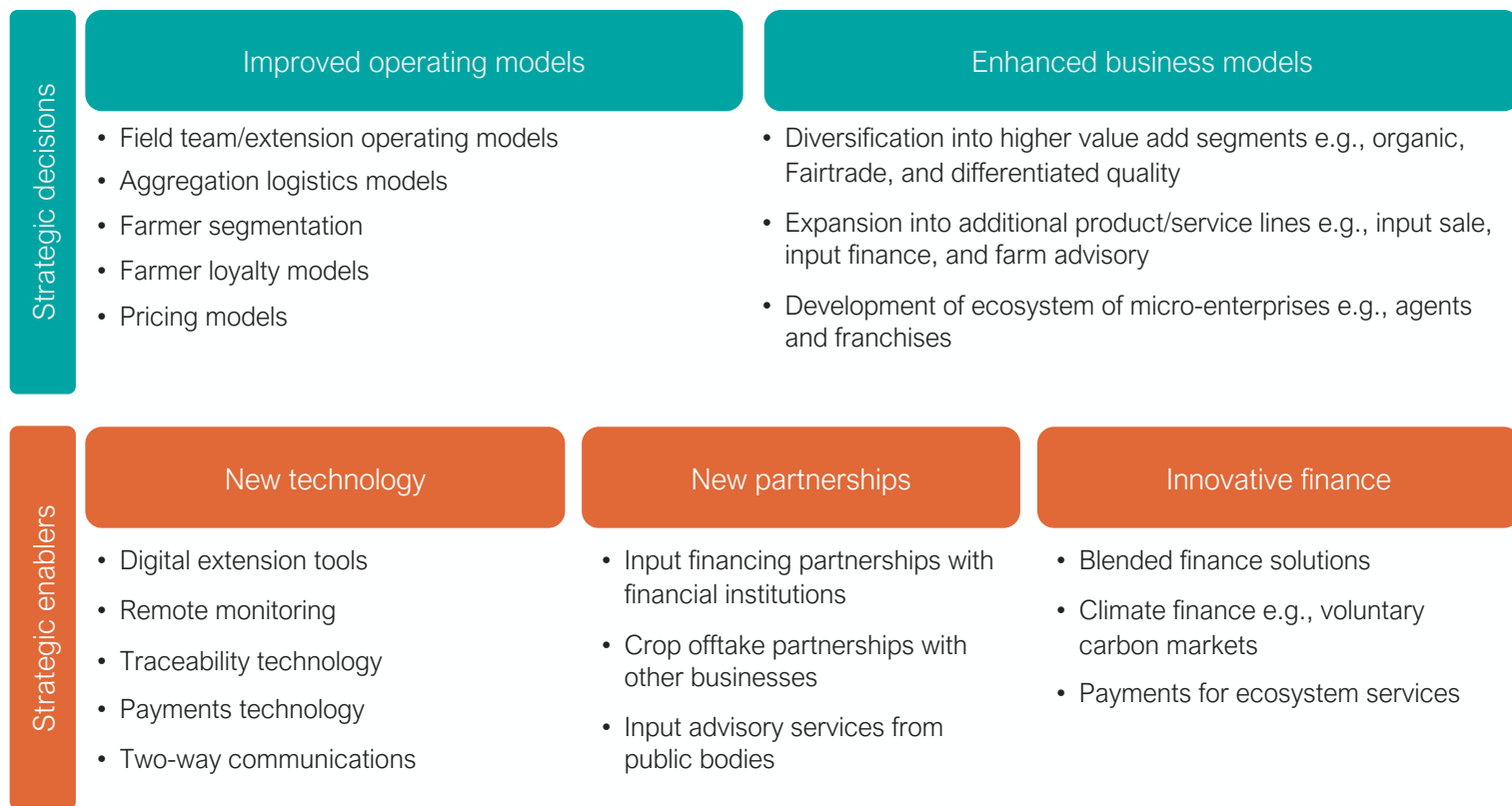
The IBP acts as a diagnostic to identify and build consensus around shared value opportunities in the business



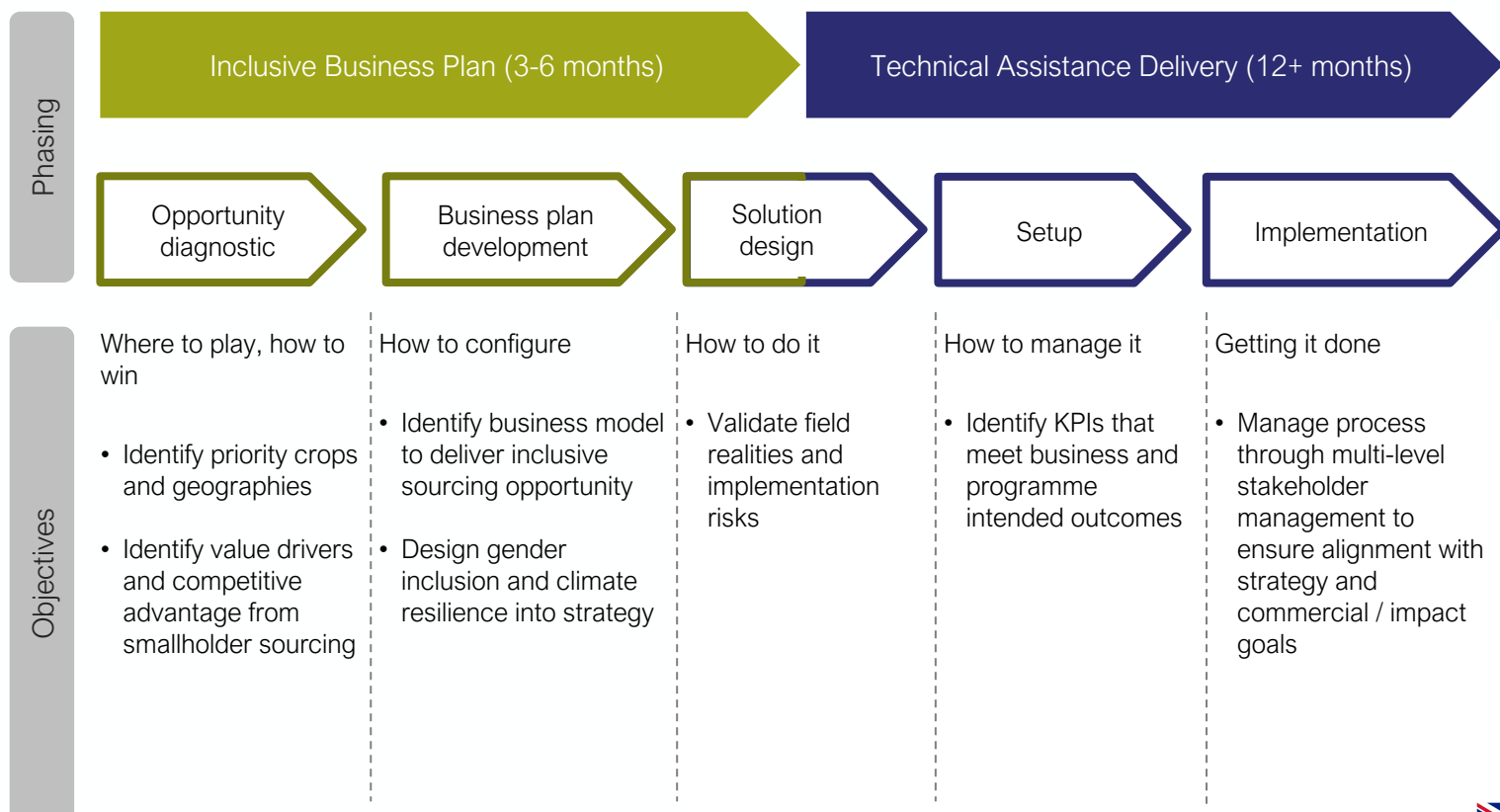
The IBP approach

Breaking down how we co-create an IBP

The IBP is flexible in scope, and can consider a wide range of strategic, operational and financial levers of shared value



We can support clients from diagnostic through to delivery of inclusive sourcing initiatives based on their needs



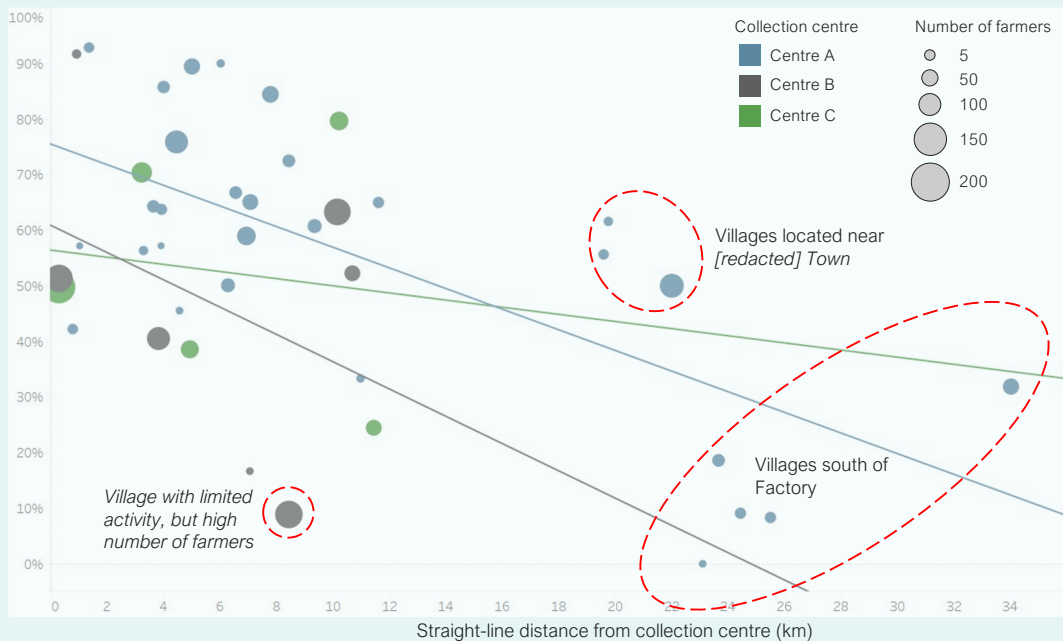
Example of a real-life IBP (1 of 2)

1

A detailed diagnostic allows us to create an objective view of business challenges and opportunities, and identify common ground with smallholder impact opportunities

Example insight: disengaged farmers further from aggregation hubs

Proportion of active farmers per village vs. distance from the aggregation hubs



Business opportunity
to increase share capture and reduce sourcing costs

Smallholder opportunity
to improve prices through access to *Kitamu Ltd** price premium

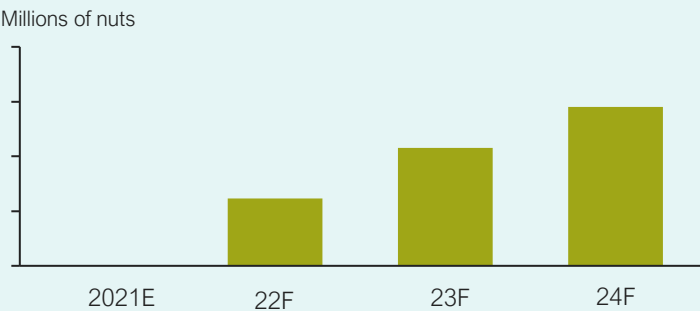
* Name of company has been changed for anonymity

2

Commercial benefits are assessed in parallel to impact on smallholder livelihoods in order to ensure that the model creates meaningful incentives for all parties

Commercial impact: increase volumes

Estimated supply of nuts

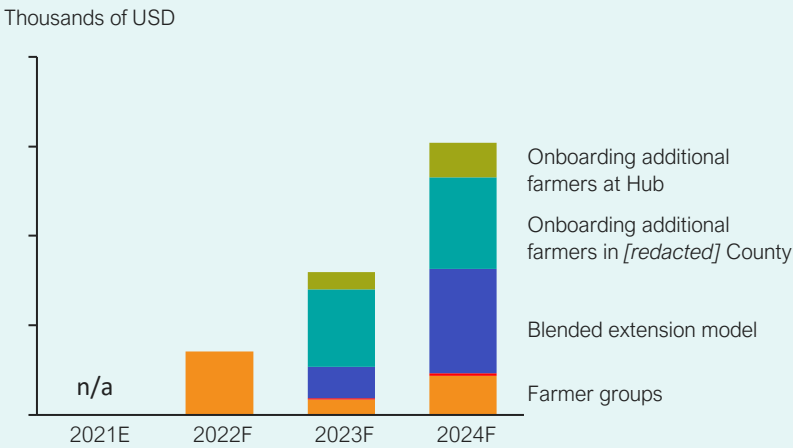


Assumptions

Growth lever	2022F	2023F	2024F
Estimated number of farmer groups	c.75	c.110	c.130
Share capture	Increased to 70%		
Production increase	Average yields by village increase by: Year 1 (after group formation): 15%; Year 2: 20%		

Smallholder impact: net income gains of ~\$150 p.a.

Total net income gains to smallholder farmers



-	3.0k	3.5k	4.0k	Number of farmers benefitting
-	\$48	\$92	\$151	Average benefit per farmer

Example of a real-life IBP (2 of 2)

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Close collaboration with management allows creation of practical solutions underpinned by detailed implementation plans and realistic cost estimates

Output: detailed joint implementation plan

Farmer group implementation can commence at the end of 2021 with an estimated completion date by the end of 2024 for the initial 10 villages

Project name	Farmer groups	Proposed project lead	[Redacted]	Start date`	Q4 2021	End date	Q4 2024
Objectives	<ul style="list-style-type: none">Facilitate the scheduling of harvesting and collection activities to reduce logistic costs and increase share captureReduce workload and improve efficiency of extension and sourcing teams by delegating functional roles to the farmer groups						
Proposed project mgmt. team	[Redacted]						
Forecast OPEX	2022	2023	2024				
One-off OPEX	\$40k	-	-				
Recurring OPEX	\$10k	\$20k	\$30k				
Total OPEX	\$50k	\$20k	\$30k				
Forecast CAPEX	2022	2023	2024				
Investment required	\$10k	-	-				
					Key tasks / deliverables		Timing
				Setup	Train extension team on farmer group formation and management		202X to 202X
					Determine number and location of potential farmer groups based on spatial clustering of farmers		...
					Establish roles & responsibilities of farmer groups and lead farmers. Refine lead farmer incentives		...
					Set up standard operating procedures (SOPs) for farmer group management		...
				Launch	Form initial farmer groups from 10 villages (large-scale pilot)		...
					Allocate groups to field officers and buying clerks		...
					Register farmer groups with the government		...
					Post-implement.	Monitor and review performance of farmer groups and adjust as required	
Identify additional villages which could form farmer groups		...					

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Risks and mitigations are assessed with personnel responsible for implementation to allow objective judgements on commercial viability and therefore technical assistance needs

Output: detailed risks assessed with client management

Consideration	Description	Likelihood	Mitigation
Selling nuts to another buyer	Farmer groups supply another buyer with nuts instead of <i>Kitamu Ltd</i> due to the offer of cash-in-hand or a higher price leading to share loss	Medium	<ul style="list-style-type: none"><i>Kitamu Ltd</i> should ensure buying clerks maintain close relationships with the lead farmers to ensure loyalty to <i>Kitamu Ltd</i><i>Kitamu Ltd's</i> service to farmer groups should be prioritised to ensure farmer loyaltyFinancial incentives for lead farmers could also be considered
Leveraging negotiating power to increase price with <i>Kitamu Ltd</i>	Farmer groups leverage their increased selling power to request higher prices from <i>Kitamu Ltd</i>	Low	<ul style="list-style-type: none"><i>Kitamu Ltd</i> ensures that it is consistently offering a price above the market through utilising its variable pricing model, which limits the negotiating power of farmer groups
Inputs are not used appropriately and / or for other crops	Farmers either do not know how to use inputs effectively or prioritise its use on other crops leading to limited improvements in yields in farmer groups	Medium	<ul style="list-style-type: none">Farmer groups receive dedicated training on how to use inputs (e.g., ash or biochar)Instructing farmers on how to use inputs effectively for nuts is integrated into lead farmer responsibilities
Harvests are not coordinated resulting in limited aggregation benefits	Harvests are uncoordinated which result in limited efficiency gains from serving farmer groups	Low	<ul style="list-style-type: none">Lead farmers receive dedicated training on how to coordinate harvesting and collection schedules and its importance to <i>Kitamu Ltd</i>

Challenges and opportunities for inclusive TA to agribusinesses

Insights gained through our experience

Short-term cost, long-term value: Identifying viable inclusive sourcing initiatives requires sustained engagement and a mix of strong commercial, operational and agronomic expertise. Resourcing these projects is often perceived to be beyond the capacity and means of an SME agribusiness. At the same time, the real value of an IBP is often delivered in the longer term as new initiatives scale and benefits are banked. It can therefore be difficult for investors and agribusinesses to justify funding an IBP before they have experienced concrete results, while public donors may have expectations on short-term targets that sit in tension with the model of viable private sector development: slower to show 'results' in the short term but where success can lead to sustained investment and substantial multiplier effects in the longer term. CASA TAF is working to develop tangible examples of successful smallholder-sourcing businesses that have benefited from this approach in order to stimulate investment into the sector. However, public funders will need to continue to play a role for the time being both in de-risking private investment, and in supporting better decision making around deployment of public funds into inclusive sourcing. Crucially, public funders may need to shift their perception of what success looks like in the short term to unlock more meaningful and sustainable impact in the future.

Analytical challenge vs. creative solution: IBPs inherently contain the risk that the opportunity is not viable or impactful. Analysis leading to a No-Go decision can be highly valuable, avoiding poor investment and TA funding decisions. However, to maximise the impact of IBP support it is important to find ways to enhance the “conversion rate” without simply backing winners or excluding smaller and riskier businesses that would benefit most from the support and may have the greatest potential to generate bottom of the pyramid impact. CASA TAF aims to mitigate this through systematic pipeline development and screening; and through an adaptive approach to delivering IBPs that emphasises creative solution design in addition to thorough analysis.

...the detailed analysis can be helpful to make that decision. For example, the... IBP informed a [Board] decision to not invest in a macadamia scheme where the full IBP was ultimately a worthwhile investment. Sometimes an outcome not to proceed is laudable.. and that is a good development-aligned risk to take.

CDC Group, Director

Increased private sector leverage based on clear risk-reward ratio: An IBP aims to provide agribusinesses with the clarity they need to assess the cost-benefit of inclusive business opportunities: how much they would need to invest in deeper relationships with smallholder suppliers, what the reward should be, and what the risks are. A collaborative approach to developing IBPs allows for early alignment on shared commercial and impact opportunities and drives company management buy-in. Objective assessment of impact potential ensures the model creates meaningful incentives for participation and loyalty by driving tangible financial benefits for smallholder farmers. CASA TAF is finding that the process of developing IBPs leads to mobilisation of private capital at a much earlier stage and helps to target public funding where it is really needed, considering the commercial risk and opportunity.

