



# **Promoting multi-actor ‘innovation’ platforms for agribusiness value chain models in Great Lakes of E. Africa**

Daniel Nyamai

Chair Africa Rural Development Centre &  
Head of Department – Agriculture, NRs & Environment

Rongo University College

September 2015



# Outline.....

- **Background & introduction**
- **Agribusiness Environment & Capacity Challenges**
- **What does the private sector require?**
- **Farmers/Producers – challenges**
- **What the public sector (government) needs to do?**
- **Strategy for agribusiness value chain entrepreneurship**
  - Knowledge of opportunities
  - Creating Youth and Women Entrepreneurship Platform
  - Strategic partnerships and linkages for production-market continuum
  - Access to extension, production and marketing advice
- **Roles, expectations & responsibilities of key players**
  - What does the private sector require?
  - Farmers/Producers – challenges
  - What the public sector (government) needs to do?
  - What prevents improved linkages between role players?
  - How can the linkages be improved?



# Background & Introduction

- The agribusiness sector comprises of **business activities** performed from **farm to food on the table**
- Principal **source of value addition** for primary agricultural products
- A catalyst for the development of **efficient value chain**
- A contributor to improved **product quality & safety**
- A **provider of services** that allow food to flow from production to consumption
- A major generator of **employment** & income
- Success of agribusiness is embedded on **successful food chain** coordination, value creation, & institutions enhancing a conducive business climate
- It is subject to severe **public sector regulations**, political & economic stability

# ....Introduction

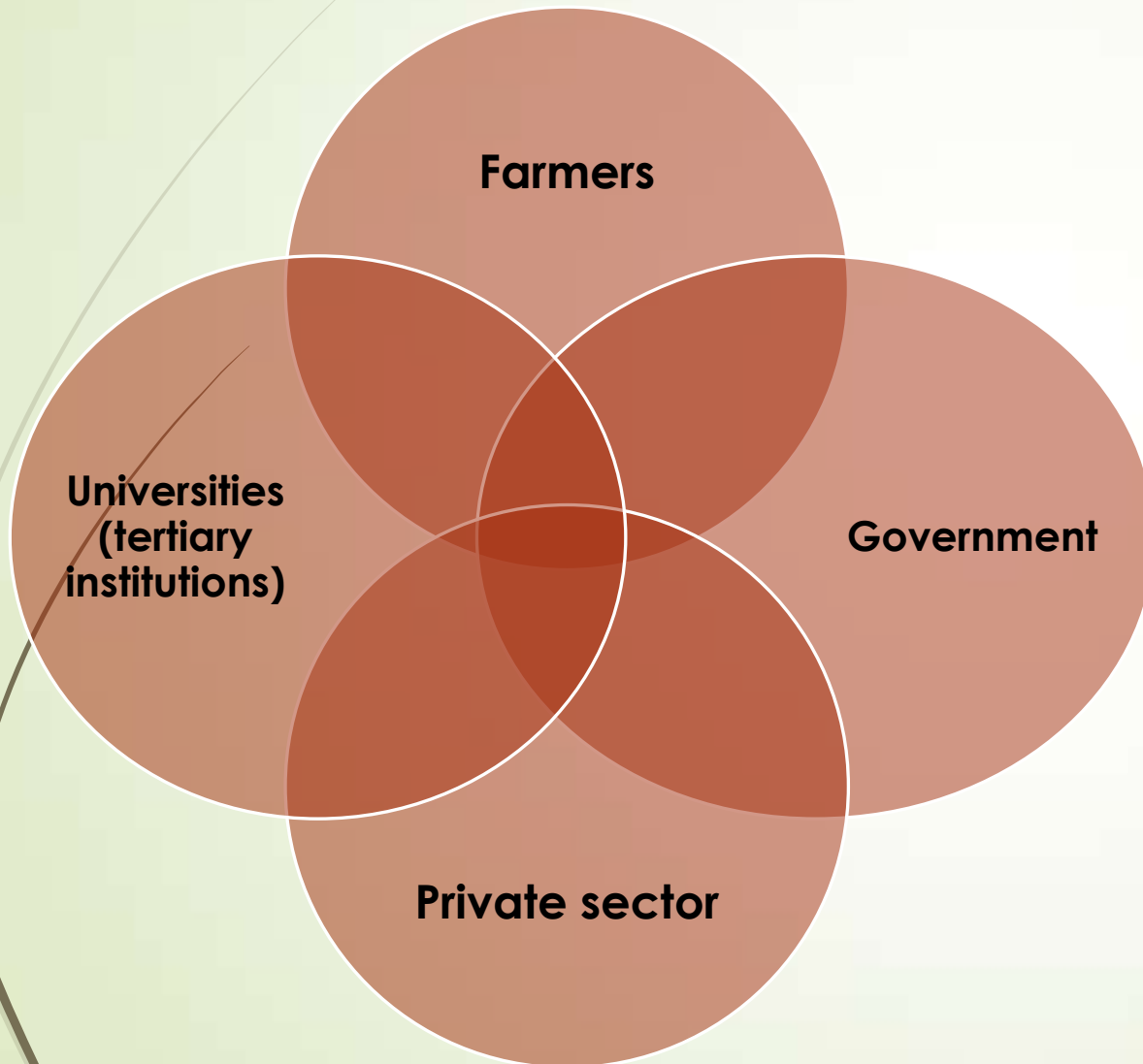
- Agribusiness is characterised by **diversity** and
- High level of **interdependence** with various other sectors & disciplines of the agro-food industry
- Characterised as a **dynamic, complex business** with various challenges.
- **'The farm to fork'** agribusiness management business includes:
  - development issues
  - strategic management explanations of the firm
  - issues of marketing management & product differentiation
  - operating competitively in a globalised world
  - hunger & poverty, risk, policy & L
  - value chain issues
  - technological advance



# Business Environment & Capacity Challenges

- Agribusinesses & agriculture operate in a **complex global, changing business environment**
- Needs to **respond to changes** at different levels (e.g. agri-infrastructure, policy level, supply chains, investments in food processing, cold chains, markets, consumer preferences, etc.)
- **Unique set of risks and uncertainties** which increases level of **complexity** (weather, diseases and pests, price volatility, shortages, climate change, oversupply due to changing trade flows, oil prices, exchange rates, etc.)
- Managers and stakeholders need to learn to manage these issues effectively - **develop talents and skills**
- Requires **dynamic training & curriculum development responsive to** these challenges & needs of agribusinesses.

# Major Players in the Agribusiness Sector



**Farmers:** - Producers of food

**Government:** - Provide enabling environment; as it is a major regulator, deregulator, provides support, employer, & customer

**Private Sector:** - Brings investments, creates jobs, markets, & operates the value chain

**Universities:** - Influences & educates people through teaching & research

# Agricultural Value Chain: Categorization

- Fertilizers
- Seeds
- Fuel
- Herbicides, etc.

Input providers



- Smallholder (commercial & subsistence) farmers
- Large scale commercial farmers
- Household farmers

Producer groups



- Agents
- Fresh produce markets
- Processors
- Packers
- Retail outlets

Intermediaries



- Insurance companies
- Financial companies
- Extension (Govt., NGO) & research institutions (Universities)

Service providers

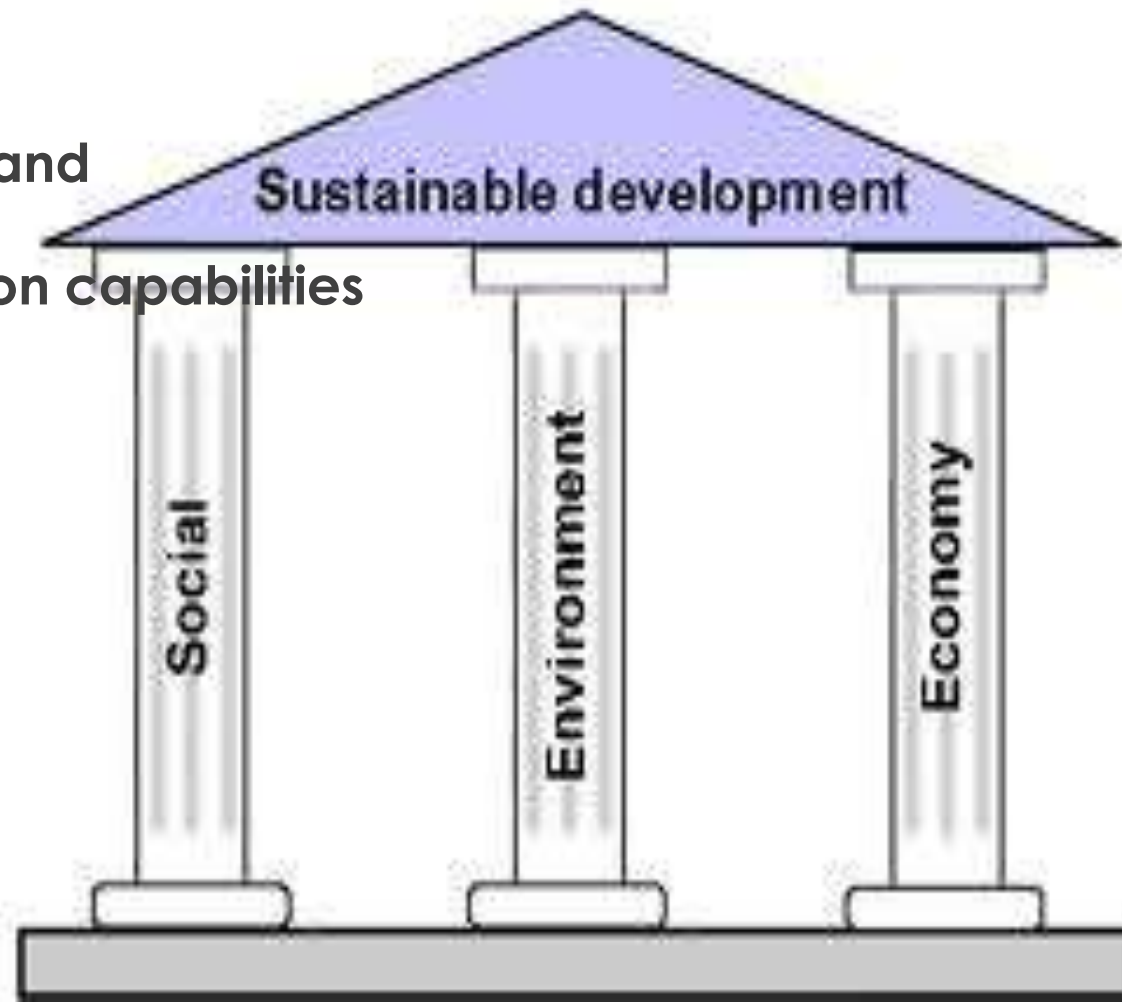


Multinationals are large suppliers of inputs, farm equipment, & machinery

# Pillars for Agribusiness Development in Africa

(UNIDO, 2011),

- Enhancing **agricultural productivity & sustainability**
- Upgrading **value chains**
- Exploiting local, regional & international **demand**
- Strengthening **technological effort & innovation capabilities**
- Promoting **effective & innovative financing**
- Stimulating **private participation**
- Improving **infrastructure & energy access**







# Strategy for agribusiness value chain entrepreneurship

## ➤ The business case and role of ARDC

- Business case is a rationale leveraging a combination of enabling economic environment and policy framework in Africa.
- Sub-Saharan Africa is becoming a competitive market place offering a dynamic business environment
- ARDC therefore creates, delivers and captures values to foster an all inclusive agribusiness value chain development models driven by smallholders.
- ARDC is engaging African entrepreneurship in expanding their footprints in agribusiness opportunities
- ARDC is vying for a share of the growing continents' and the world's consumer market for agribusiness commodities
- ARDC is enhancing knowledge of agribusiness opportunities in Sub-Saharan Africa through ICT to investment companies.
- ARDC innovation is modelled on ICT empowerment to entrench best practices in agribusiness value chain. It is aimed at changing how Africa's Smallholder Farmers, Women and Youth interact with private sector, government and the public
- ARDC is also considering initiating a complementary programme in education and economic opportunities targeting youth, marginalized and under-privileged communities, disenfranchised and economically disadvantaged people using agribusiness value chain window for development



# Knowledge of opportunities

- Different agribusiness value chain stakeholders need to be provided with information on the various opportunities that exist to support their active participation in the value chain and rural development
- An information broker or central point could ensure that agribusiness value chain actors and farming communities are aware of all the opportunities available.
- ARDC plans to **build capacity of champions and mentors** to encourage women to consider agribusiness investments that have the potential to unleash their potential to make money.
- ARDC as an Organisation working with agribusiness value chain actors will broker information on agribusiness value chains-related opportunities available , lobby government ministries, the private sectors, NGOs and development agencies and projects to ensure that their activities are extended to these targeted agribusiness actors



# Creating Youth and Women Entrepreneurship Platform

- ARDC is designing entrepreneurial agribusiness models for Africa.
- This platform focuses on how smallholder-farmers, youth and women can be trained to use value chain data to sharpen their innovation skills and develop products that solve local challenges:
  - Entrepreneurs to get insights on identifying high – growth agribusiness opportunities.
  - How to create strong, e-agribusiness innovation – based best practice models
  - How to leverage cutting-edge agribusiness technologies to create unique value and secure competitive advantage.
  - ARDC to assist agribusiness entrepreneurs to understand the concept of scaling up and how to access global markets.
  - How to assist entrepreneur's partner with multinationals to open up opportunities.
  - How agribusiness entrepreneurs will be assisted to access cutting-edge technology platforms worldwide.
- ARDC hopes that CTO, leading entrepreneurs, top scholars, investors, ventures capitalists, executives of multi-national companies, among others with their wide network of partners, will assist us to think through a number of business models so that we enter into a dialogue with potential strategic partners

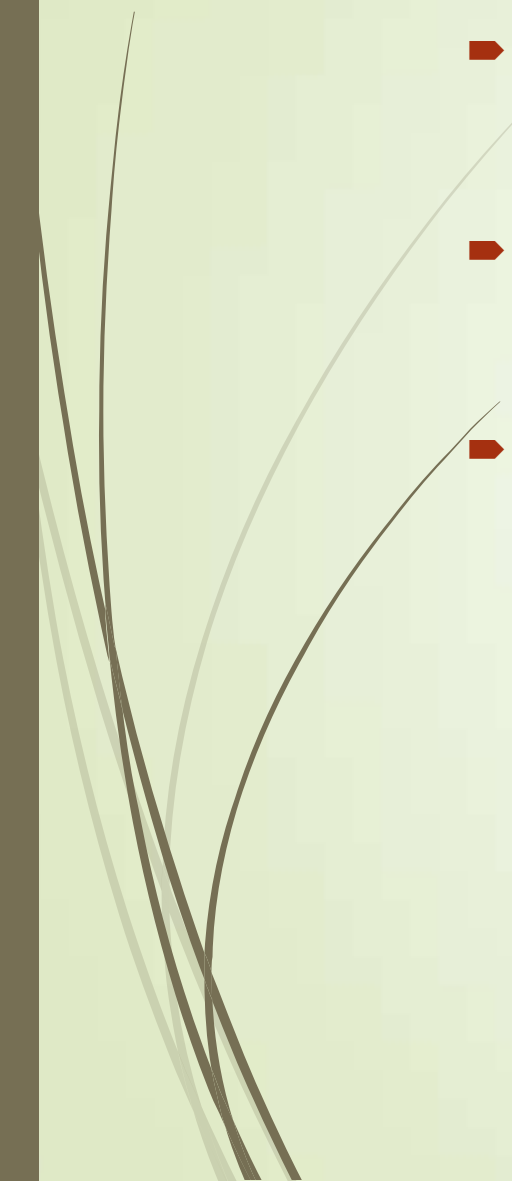


# .....Creating Youth and Women Entrepreneurship Platform

- ▶ ARDC is partnering with CTO, leading entrepreneurs, top scholars, investors, ventures capitalists, executives of multi-national companies and others to transform processes such as smallholder agriculture to market oriented agriculture through agribusiness as part of effort to improve income, environment conservation
- ▶ An East African agribusiness industry fora will be created to discuss logistics, infrastructure and investment options in the sector among other issues, e.g. ;
  - ▶ Transportation routes
  - ▶ Access to ports
  - ▶ Warehousing capacity
  - ▶ Cost of moving goods from farm to destination markets and processing point
  - ▶ Raw materials vs cost of doing business
  - ▶ Bagging, loading and off-loading
  - ▶ Agricultural raw materials aggregators / collection systems
  - ▶ Bulk buying vs buying in bags



# Linkages for market production

- ▶ Agribusiness' organisations can provide a conducive entry point for linkage with markets especially those requiring assurances that volumes of commodities required will be supplied in the required qualities
  - ▶ The legal but personality of the organisation provides extra security to the agribusiness actors that their interest will be secured either between them and their organisation or with any other third party
  - ▶ ARDC seeks relevant market intelligence and negotiate commodity prices on behalf of the members. For example, the brewing companies in the region which are seeking to contact farmers for cereals such as sorghum who use farmers' organisation as entry point.
- 

# Farmers/Producers – challenges

- Smallholder – **not organised, lack logistics, market access & finance**
- Far from markets
- In most cases they are subsistence farmers
- **Lack economies of scale**, poverty issues
- Reliance on **limited technical & financial** support
- Indifference among the **youth** to farming
- **Availability & quality** of Government support in a specific area
- Reliance on other livelihood sources such as formal employment & social grants





# What does the private sector require?


- **Stable** political & enabling economic/ business environment
- Fair **tax regime**
- **Provide employment** to the local people
- **Free movement** of capital & people
- **Sound relationships** & open door policy with government
- A Government that **listens & acts wisely**
- Facilitate **cross border trade**
- **Sound strategies, innovation, competitiveness**
- Create economic **growth opportunities**



# What the public sector (government) needs to do

- Government should provide a **positive & conducive investment climate**
- Provide an **enabling business** environment
- A conducive environment is dependent on **proper** strategies & policies
- Provide quality **support services**
- Provide **input, credit & market** support services
- Policies that address the many **challenges** in the value chain
- Be **accessible, predictable, reliable**
  
- Academic & private sector can assist





# Access to extension, production and marketing advice

- ARDC has set up plans to address the current limited access to information on agribusiness value chains, for instance, niche crops, processing techniques and marketing opportunities as a particular problem.
- Already, some agribusiness actors have access to good information via radio, TV and text messages but many have expressed the need for capacity building and demonstrations to show them the benefits
- There are massive needs for capacity building and networking/linking agribusiness actors to the markets
- ARDC will develop strategic resource centres in partnership with other organizations to address issues such capacity building.

# How can the linkages be improved?

- Formulation of policies encouraging PPP's to develop **internship programmes** to assist students & build capacity & expertise in the private sector's
- The **government** should address economic, social & environmental **challenges**
- Establishment of **forums** where the government relates with the academic (universities), agribusiness (private sector), & producers
- Increasing the role of **private sector in rural economics, & PPP investment** in the agricultural sector



Source: OECD, 2012



# Way Forward

- ▶ Companies are needed to integrate from export all the way back to the farm.
- ▶ Deregulate licensing systems in agribusiness.
- ▶ Cost of production is high BUT there are holes in the marketing.
- ▶ Move away from licensing control environment for agribusiness to succeed.
- ▶ There is too much government and too much interference in agriculture/ agribusiness and yet it should be private-sector driven
- ▶ Horticulture, oil crops - sunflower, soya production and farming, among others hold key opportunity for agribusiness in East Africa – owing to private sector involvement.
- ▶ Factor into agribusiness the Private Equity Funds in E. Africa.
- ▶ So where is the business development opportunity for Agribusiness?
  - ▶ Definitely in processing
  - ▶ Primary production is difficult unless you go the plantation route



Concluding remark:

“Knowing is not enough: we must apply.  
Willing is not enough: we must do.”  
(Goethe)