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## **Agribusiness as the Anchor: The Role of KijaniAgro**

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### **Abstract**

KijaniAgro is a Tanzanian-registered agribusiness that operates on the simple principle and model that Africa can benefit from professional, commercial, successful agribusinesses that are committed to sharing know-how with the farmers, providing access to technology, and creating a network of outgrowers interested in developing an integrated agricultural food producer value chain. The model has evolved into a successful framework. This case reviews the evolution and improvement of this integrative model – Tanzania is the focus of the successful implementation.

**Keywords:** integrated model, technology transfer, innovation

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## Company Background

Currently KijaniAgro has holdings in dairy, honey, and grape investments in Tanzania, and has land for horticulture, and is finalizing financing on a poultry project. Both will be operational by the end of 2014. For the past seven years, the founder and CEO has been working in Tanzania providing agricultural consulting services or turn-key operations in a range of services such as irrigation scheme development and installation, plantation design, farm planning, production management in coffee, wheat, dairy, honey, and horticulture. This experience has allowed the KijaniAgro team to learn about agriculture in Tanzania, identify suitable areas for investment, and build the necessary network.

The founder of KijaniAgro, Mr. Ronen Almog, learned scarce resource farming from observing Israeli agriculture and studying in Israeli educational institutions. He was schooled at Ben Shemen Youth Village and Agricultural Boarding School. From an early age saw his father and extended family produce high quality products in the desert climate. He also witnessed innovation and financial success in the agribusiness sector. After earning a degree in finance in Europe, Almog arrived in Tanzania in 2006 to explore opportunities to expand the Israeli agricultural production and marketing model designed to address strict resource management, particularly with respect to soil and water. He observed Tanzania had far more water resources and better soils for agriculture than Israel. Almog saw this as an opportunity to bring agricultural technology and innovation to Tanzania, which had the potential to be an important supplier of agricultural products to the region. He sees himself as a “practical pioneer”. The following paragraph is attributed to Almog in KijaniAgro company documents:

*KijaniAgro considers itself to be practical pioneers. With natural resources becoming scarce and demand for food constantly on the rise, they seek to develop vertical integrated solutions. The focus is always on smart, fair and sustainable agriculture, as well as advanced food production and processing methods. The company also works to empower women and farmers in Africa. All of our solutions encompass cutting-edge Israeli know-how and technology proven over the last six decades. Based in Tanzania, we initiate and carry out agro projects across Eastern Africa.*

To execute this vision, KijaniAgro has judiciously selected and attracted an experienced professional team. The philosophy of the company is to use a global approach with local expertise. The governance of KijaniAgro consists of a team of Israeli and international advisors together with local experts. Ronen Almog was originally supported by the late Prof. Bruno John Ndunguru who assisted in assembling this team compiled with the intention of achieving long term and mutually supportive relationships capable of carrying out highly advanced projects, best suited for sustainable agriculture production in Tanzania and East Africa. All projects aim to achieve minimum environmental impacts and maximize profitability for farmers and investors.



KijaniAgro's smart approach to agriculture includes using proven agricultural techniques, drawing largely from the founder's agricultural experience in Israel as a third generation farmer. The model is simple; a strong agricultural business as the anchor, for example the dairy business will include modern milking parlor, careful and intentional breeding and herd management. Corners are not cut. Many development projects focus on creating a going concern that will be handed over to a local farmer or group after the three or five year project. This model often results in a mediocre business since the model does not provide the necessary value proposition to the outgrowers to effectively engage the local farmers in a complementary network. KijaniAgro wants to show what successful, sustainable business is – using the most appropriate technology for local conditions. Maybe the local farmers will not be installing milking parlors, but they will, as partners of the KijaniAgro dairy, have access to great breeding services, have access to information about fodder systems, animal care, and other information that will give the farmer better returns on their dairy activity. KijaniAgro develops an anchor farm which is then connected with local farmers who coordinate with the anchor, creating a transparent value chain. Together, scale and scope economies are reached, benefiting the partners of this production model.

## Key Success Factors

KijaniAgro has achieved organizational success because of four key factors; its strong culture, its familiarity with the most advanced technology, a unique proposed value chain model, and the professionalism of its team.

The most important success factor is the organization's corporate culture which is embedded into every decision and action taken by firm employees. Perceiving agriculture as a means of fighting poverty and hunger, KijaniAgro aims to improve life in Tanzania and East Africa by providing training and professional tools to local community partners and growers, in addition to improving infrastructures, water accessibility, education and services by attracting foreign and local investors to well-designed projects.



The KijaniAgro “nothing is impossible” and “can do” culture, permeates the work environment within and among the employees of KijaniAgro. This culture emanates from successes the leaders

have previously experienced. Drawing on work knowledge in Israel, the leaders observed that Israeli agriculture developed against all odds. Israel achieved remarkable results in agriculture including high yielding varieties of tomatoes, grapes, olives, and more. In the livestock sector, the Israelis have the highest producing dairy cattle in the world in spite of very poor soil and a scarcity of water.

A second KijaniAgro success factor is utilization of advanced technology. The team operates with the concept of smarter technology yielding better results and includes advanced drip-irrigation, greenhouses, and precision-farming experts that follow quality driven principles. By utilizing highly sophisticated technologies such as GPS based geographical information systems, the team is able to gather and analyze information and optimize results in the most remote areas.



A third key success factor is the unique KijaniAgro supply chain design. KijaniAgro has introduced a new standard in supply chain transparency. The new standard for supply chain transparency that KijaniAgro is applying in Tanzania is one that better connects the outgrowers to the anchor farm. The model requires information to be shared, available, and explained to all of the relevant parties. This is based on an Israeli model that has proven that more transparent systems result in higher accountability as all of the actors can see what is happening along the chain. Quality assurance is key to differentiating KijaniAgro investments from other agricultural projects that connect with outgrowers thru contracting mechanisms but also commits to financial reward such as a royalty. It is this financial partnership coupled with a very transparent supply chain that will incent the outgrowers to stay committed. Modern Tanzanian farmers face severe lack of resources and growing hunger on the one hand and harsh competition with ever-changing technology and climate conditions on the other. To keep up with the competition and the rising demand for food, KijaniAgro provides agricultural communities, governments, growers, and supporting organizations with well-reasoned, beginning-to-end options that include holistic agricultural solutions from project planning, business strategy, professional management, technology advising and training, new product development and introduction, marketing, sales, and logistics. KijaniAgro is transparent in its profit sharing policies. For example, 2% of company profits for horticulture projects are returned to the growers and 5% of profits on apiculture projects are distributed to the producers. The model has evolved into a successful framework that includes strong focus on extension and other features of Israeli agriculture applicable in Tanzania.

The fourth key success factor is the professionalism of their team. The team brings proven commercial expertise to Tanzania in terms of field crops and grains, fruit growing and processing, practical agriculture (tunnels, greenhouses, etc.), horticulture, honey, dairy, livestock, poultry, aquaculture, and drip irrigation and water infrastructure and solutions.

KijaniAgro has completed a range of agricultural consulting projects, turn-key projects, and are creating a network of KijaniAgro commercial farms in the country with the intent of utilizing them as model demonstration farms. After seven years evolving through multiple stages of development, operationalization of the model commenced in late 2013. Financials will not be available until the end of 2014. To date, execution is proceeding as planned. All KijaniAgro investments are new within the last six months and no sales have been made, nor profits realized.

## **Strategic Issues**

The strategy of KijaniAgro is to bring proven technology with partners that will bring specific value addition to agribusiness in Tanzania. This approach aims to first focus on establishing a strong, profitable agribusiness as the anchor, and then cascading the technology to growers in the surrounding areas with the focus on building supply chain partners. The model was established with the spirit of the kibbutz tradition in Israel with a unique application for Tanzania that includes a partnership model that has well-defined criteria for participation coupled with shared reward. This modified collective organizational model is designed to provide efficient value from seed to consumer. According to Mr. Almog,

*“The KijaniAgro team is mostly field people who stick to what they know best; agricultural technology that can make a difference in terms of product, profit, and planet.”*

Partnership is also a critical part of KijaniAgro's strategy. Supply and input partners provide technology transfer to growers and include companies such as Afimilk, HAPACH, AGI-AG Growth International, Agrigro, TESSA, and others. Investors such as Surya Capital provide a critical bridge between investors and KijaniAgro.

## Looking Ahead

The business environment in Tanzania remains challenging as outlined in World Bank annual reports and other international publications. Even though cumbersome bureaucracy processes around land tenure and other important elements of business are improving, there are still many complex challenges. The Government of Tanzania has created a number of initiatives in recent years such as Kilimo Kwanza, Big Results Now, the Southern Agricultural Growth Corridor for Tanzania, and other initiatives designed to incent private sector investment in agriculture. These programs have ignited interest in agribusiness investment in Tanzania, although, as of yet, not yielded the expected level of investment. KijaniAgro, in constructing a viable platform to launch major progress, has been learning the complexities of operating in the institutional environments in Tanzania and is well-positioned to grow.

Another challenge; farming professionals are scarce in Tanzania, as are successful commercial farms that serve as resources for others. The KijaniAgro model is designed to showcase successful agriculture in Tanzania including innovative and profitable partnerships with the community. The leadership is well aware of the challenges facing sustainable success; the ability to develop an integrated value chain, the difficulties of minimizing collective decision making costs, the hurdles of developing unique risk management tools, and the willingness to maintain transparency even in complex financial times.

## Learning Themes

This case offers the instructor/facilitator various platforms upon which to emphasize certain lessons depending on the objective of the exercise. If the facilitator wants to take an institutional view of agribusiness emergence in a developing environment, he/she could compare Douglas North's (1990) argument that institutions are formal and inform a system of interrelated rules, beliefs, norms, and organizations each of which are man-made, nonphysical social factors with their enforcement mechanisms, with Greif's (1998) more behavioral approach which places motivation to follow rules as the center of analysis; that is discussion of why some rules are followed and others are not. This case lends itself to enlightened discussion of embedding well-defined rules and consequences into a culture where incentives have been misaligned or solely private good seeking.

Complementing this more academic debate the facilitator might prefer a more pragmatic real-world sampling of motivation to adapt more formal and sophisticated means of food systems. Roger Thurow's (2012) description of his year in the farming communities of Western Kenya offers an insightful and emotional journey through a complete growing season of smallholder farm families. Lessons learned from what might motivate them to participate in a KijaniAgro relationship would lead to another interesting and fruitful discussion.

If the facilitator's intention is to engage his participants in a debate on the merits of the KijaniAgro model he/she might want to use the framework proposed by Foss and Klein (2012). They address the dilemmas of producer decision making under uncertainty with entrepreneurial options. The Foss and Klein approach connects the growing entrepreneurial literature with rich theories of organization, laying the groundwork for insights into development-oriented case studies and managerial decision making.



**Adapting practices and technology from Israel to local conditions in Dodoma. Ladies place a cylinder to protect each young table grape vine until the roots are stronger, while the sophisticated netting in the background offers protection from birds, as part of establishing a 2 million seedling nursery.**

And finally, if an instructor prefers to emphasize discussions of performance and ownership rights of different collective organization forms and the participating supply chains, reading Cook and Chaddad's (2004) piece generates a set of frameworks that assist in examining alternative organizational decisions.

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