AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

International Food and Agribusiness Management Review
Volume 17 Special Issue B

Inclusive Agribusiness Models for Africa: The Case of an Innovative Initiative by TechnoServe in Zimbabwe

Maxwell Mutema[Φa] and Pamela Chiromo[b]

[a]*Founding Director, Agro Initiative Zimbabwe, TechnoServe, 9 Rowland St., Harare, Zimbabwe*

[b]*Director, Agro Initiative Zimbabwe, TechnoServe, 9 Rowland St., Harare, Zimbabwe*

Abstract

Despite the fact that agriculture has immense potential to contribute towards the developmental agenda in rural Africa it is often neglected by governments as evidenced by unclear land and agricultural policies and under-investment. The Maputo Declaration in 2003 sanctioned that agriculture must become the economic engine driving development, and governments should consistently invest at least 10% of their total budget to this sector. However, not many African countries have achieved this target or have even gotten near it, as most countries have only obtained 5% of the target.

Based on TechnoServe Zimbabwe's work with *Better Agriculture Private Limited*, a private Zimbabwe agribusiness company, this case study provides a clear testimony of how the private sector, can play a pivotal role in changing the lives of those who in desperate need.

Keywords: private sector, value chain, Inclusive agribusiness, innovation, fighting poverty

[Φ]Corresponding author: Tel: +263 712754598 or +44 7572052916
Email: M. Mutema:mmutema@tns.org
P. Chiromo: pchiromo@tns.org

© 2014 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

Company Background

Better Agriculture Private Limited (BA), is one of the inaugural beneficiaries of an innovative initiative in Zimbabwe by TechnoServe dubbed Agro Initiative Zimbabwe (AIZ).

Established in 2009, Better Agriculture is a leading agricultural consultancy and technical services business with extensive knowledge of agricultural business in Southern and East Africa. It aims to address poverty-related challenges and environmental issues while simultaneously delivering commercial returns. Specifically, it provides access to stable markets. Access to free and transparent markets is vital to many farmers in the developing world and yet these markets are not easy to come by.

BA specializes in horticultural production and marketing in Zimbabwe and the region is backed by an experienced team with a diverse range of agricultural and agribusiness skills. It has an integrated marketing partner called The Better Trading Company, a dynamic company that connects businesses to leading retailers and markets with exceptional horticultural and agricultural entrepreneurs and producers in Southern and Eastern Africa. They have a unique partnership with Stockford Africa a marketing company based in the UK, which sources solid credible markets before committing to projects. This market advantage means that they can guarantee a farmer's revenue at a pre-agreed price, and that they have a viable enterprise. Important market linkages have been established with Nandos; the Chili Pepper Company; UK Multiples and Mara Fresh in Europe.

Better Agriculture is a 'for profit' company which sustains its business by building effective value chains, with marginal, transparent profits. Its long-term goal is to only engage in rural agricultural production where there is long-term, sustainable, and commercial potential. BA seeks to deliver the same opportunities for competitive access to markets, expertise and eventually, finance, to small holder farmers as it offers its larger commercial farmers. The ultimate goal is to also add value to the crops wherever possible and improve quality management and traceability.

In 2014, it registered 880 small scale chili growers in seven locations to mitigate supply risk. It exports 800 tons of fresh chili equivalent per annum which includes both chili mash and dry chili. BA is currently investigating the markets for growing other crops, such as cayenne, paprika and ginger.

Founding member and current Managing Director, Michael Bailey, has been a leading figure in agriculture for over 30 years pioneering the development of the horticultural industry in Zimbabwe, Kenya, Tanzania, Ethiopia and South Africa through leading a number of start-up projects. As such he has vast experience.

As Managing Director of Claremont Orchards (Pvt) Ltd. from 1981- 2000, Mike developed this project into one of the leading mixed agricultural estates in Zimbabwe. Activities included deciduous fruit production; nurseries; production of seed and ware potatoes; 30 hectares of export flowers; a trout farm; mobile saw milling of plantation pine; ostrich and livestock production; a business center and butchery.

One notable challenge, currently facing BA, is access to adequate financing. Additional funds would go a long way in achieving the much needed economies of scale for significant operational growth. The business is at a critical stage in scale up, where working capital is needed for inputs to engage additional small holder farmers. Aligned with an increase in farmer numbers are the costs of an extension service provision and logistics. Furthermore, BA requires internationally acceptable receiving depots and packing sheds constructed, combined

© 2014 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

PRODUCT	ACTUAL 2010/11	ACTUAL 2011/12	ACTUAL 2012/13	BUDGET 2013/14
CHILLIES – Kgs Wet	46,470	156,700	426,000	800,000
PEAS- Kgs exported	281,830	350,130	430,000	600,000

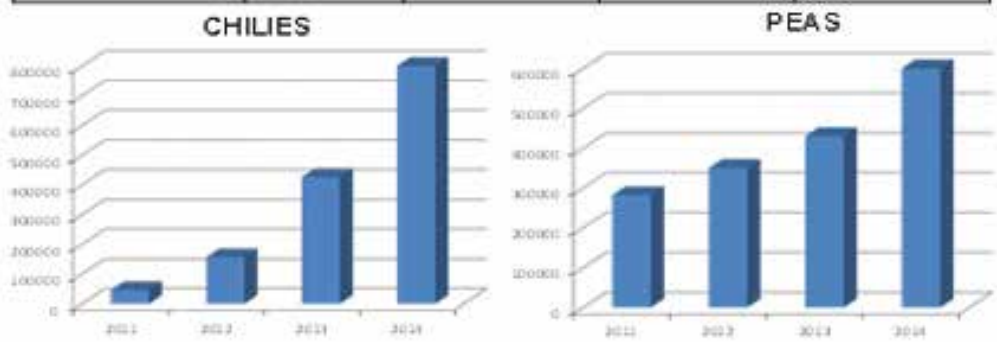

Figure 1. Project Production

with the procurement of suitable handling equipment. BA is presently exploring various options, but many scenarios require collateral on debt financing and even if one where in a position to provide the security, current interest rates at 20% are prohibitive for a sustainable business model.

The Role of Private Businesses in the Fight Against Poverty and Under- development in Rural Areas in Africa

Recently, there has been a heated debate concerning whether private businesses can be a part of the solution in addressing Africa's myriad of development challenges in the advent of what has been sensationally called "land grabs" or the "Second Scramble for Africa". In the same vain, questions are being asked: What are the best business and investment models that will produce win-win outcomes between the investors and the communities where the investments occur?

Why not private sector or private businesses? They have the capacity, resources and expertise to make a significant difference. Private sector businesses have the potential to be the future engine of progress and social change in rural Africa. They have the capability to tackle the enormous challenges that Africa currently faces.

It is predicted (or speculated) that within the next 20 years the private sector is going to be the key driver of economic development as international help organizations move away from mainstream development interventions to focus more on humanitarian work.

Fortunately, the rest of the world is now recognizing what TechnoServe founder, Ed Bullard, envisioned in 1968. Ed realized that only private sector businesses in the hands of creative, innovative, inspired, and motivated women and men, can sustain economic development and the wealth creation needed to alleviate poverty; hence TechnoServe's superbly crafted tagline: "*Business Solutions to Poverty*." He was a visionary with a passion to see the private sector playing a leading role in fighting one of humanity's greatest challenges—poverty.
In this spirit, TechnoServe in Zimbabwe came up with an equally refreshing idea called *Agro Initiative*

© 2014 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

Zimbabwe (AIZ). AIZ, is basically a pipeline to support private businesses whose ideas demonstrate strong, positive, financial, economic, social and environmental impacts for both the business and the community in which they operate.

Ed Bullard (1985) visits farmers who are working with TechnoServe in Drumvale, Kenya
Source. TechnoServe Website, 2013.

The Zimbabwe Economic Scenario

Agriculture is the mainstay of the Zimbabwean economy: though recently contributing only 20% of total GDP, it accounts for 66% of national employment[1], more in rural communities. Zimbabwe's past agro-industrial strength was based on large commercial farms and large modern processors, the latter supported by efficient finance, transport and distribution systems and a broad robust service economy. Economic collapse and land reform drastically altered this landscape.

Although recovery began in 2008, it proceeds slowly and key economic actors continue to struggle. This is particularly true in agro-processing, where generally large and outdated factories operate well below capacity. The status quo presents an opportunity for small and medium-scale production and processing units sourcing directly from, and selling to, local farmers, empowering smallholder farmers as main suppliers within agricultural value chains. Agro Initiative Zimbabwe (AIZ) - a business plan competition providing seed capital and technical assistance to small and medium sized businesses targeting small farmers – seeks to address many of these issues.

[1] Central Intelligence Agency, The World Fact book: Zimbabwe, 2013

© 2014 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

About Agro Initiative Zimbabwe and its Involvement with BA

In early 2011, TechnoServe began implementing Agro Initiative Zimbabwe (AIZ). This competition provides promising agri-businesses with seed capital of up to $50,000 to commercialize business ideas and then nurtures these businesses through a period of tailored, hands-on technical assistance. Through this assistance, businesses emerge strong enough to scale up ideas, refinance their businesses and the now proven models that can be replicated across the industry.

AIZ is designed to support new and existing small and medium agribusinesses in Zimbabwe that have exciting, ready-to-go ideas which remain hidden, or un-executed due to lack of capital or required business and technical knowledge. By mitigating the risk of testing new ideas, AIZ encourages companies to invest in innovative ideas that are inclusive of smallholder farmers as suppliers or consumers.

To date, AIZ has supported 12 businesses, transforming the lives of more than 7,700 smallholder farmers and rural families by increasing their household incomes and creating employment. Within three years, the 12 businesses are forecasted to realize incremental revenue of up to $13.5 million, create new 242 jobs and provide 70,000 small-scale farmers with access to markets, information and technology.

AIZ supports Better Agriculture to implement a business model that integrates smallholder farmers in the Honde Valley and the Mutasa district of Manicaland, Zimbabwe into the international tabasco chili value-chain through the Chili Pepper Company. In so doing, the business demonstrates smallholder capacity to produce top quality horticulture, supplying up to 1000 tones per annum. The model provides input financing and extension training to smallholders, providing seedlings, fertilizers, chemicals and training as well as guaranteed off-take for all quality grades. The majority of households in the Mutasa area cultivate between 0.5 ha to 1.0 ha. Better Agriculture teaches farmers how to grow tabasco chili on 0.25 ha as an optimal land allocation, enabling families to better manage the manual requirements for growing and harvesting chilies on a small scale. Farmers are then able to use their remaining land for food crops and livestock, balancing household nutrition, food security and income. In the 2012/2013 season, Better Agriculture worked with 155 farmers yielding an average 452 kgs per 0.25 ha plot, which translates to each household earning an average of $260 while the business revenue was $60,900 from 70 tones produced by the smallholder farmers.

TechnoServe provided the seed capital to purchase agricultural inputs and motor bikes for Better Agriculture's extension workers. The company oversees the semi processing of the harvested chilies into paste that is sold in bulk and processed into hot sauce brands. TechnoServe's Business Advisors provided Better Agriculture with technical assistance, working with the business to refine the operating model and develop an expansion plan. Through the AIZ pilot, Better Agriculture successfully market-tested its chili out-grower model, enabling the business to replicate the model in four more sites, subsequently working with 621 small scale farmers.

© 2014 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

Table 1. Better Agriculture's Value Chain

	Inputs	Production	Collecting & Processing	Distribution & Retailing
Better Agriculture	Provides input (fertilizer, seeds) and demo	Provides ongoing training, site visits, consultations	Weighs and provides receipts and collection points	Processes raw chili pepper into paste
Contract Famers	Provides land and husbandry	Grows chili pepper plants	Harvests an packages chili peppers	Transports to retailer; bottles and retails Tabasco hot sauce

Testimony from a small scale farmer who benefitted through working with AIZ supported Better Agriculture

Gibson Bvute is a 55 year old small scale farmer in Honde Valley, retired from working on the tea estates. He is married with 5 children. Gibson mainly sustained his family through agriculture on his 0.5ha plot where he grows various crops such as green mealies, sugar cane, bananas and oranges. Gibson joined Better Agriculture's chilli out-grower scheme in 2010 and, despite the many crops that he grows, the Tabasco chili scheme has been his most consistent source of income.

Gibson is one of Better Agriculture best performing growers due to his commitment and investment in his plot after receiving any income. Part of his field is now gravity irrigated from proceeds he has saved. The 2011/2012 season saw Gibson harvesting 2,133 tonnes of tabasco chili from 0.3 ha. After paying off his input loan to Better Agriculture, Gibson was left with $936.75. He has reinvested his profit in purchasing 7 x 100m rolls of polypipe so he can extend gravity irrigation. He has also indicated a willingness to increase his area planted to at least 0.4 ha in the coming season.

Gibson's wife mentioned how their family now takes their farming business seriously since they attended a training workshop on Farming As a Business facilitated by Better Agriculture. Things have changed greatly in the family and each year the Bvute household look forward to planting another plot of chilies.

© 2014 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

Lessons and Concluding Remarks

This Better Agriculture case echoes the words of John Miller and Lucy Parker (2013), in their book titled *Everybody's Business: The Unlikely Story of How Big Businesses Can Fix the World,* that businesses: "can create the fabric of the local economy that people live and work in. Businesses can also have a symbiotic relationship with tens of thousands of smaller companies (or communities) for whom they provide a route to market and a source of opportunity." This is what Better Agriculture has been able to do by providing a ready market and opportunity for people in the remote rural community of Mutasa District in Manicaland Province of Zimbabwe. Another quote from the same book by Dominic Barton, the Managing Director of McKinsey underscores the importance of companies to consider genuine win-win partnerships in the communities in which they operate, as not doing so demonstrates that the company has only one narrow responsibility: to increase its profit. This kind of narrowness, he laments, "is suicidal and self-defeating." Futher, "If you don't, as a business leader, think about stakeholders, not just shareholders, think about the stakeholders-and that is not just employees and customers, but also the communities in which you are operating-if you don't think of those stakeholders as core to what you do, you will not maximise your value. The two go well together: shareholder value and stakeholder value are synergistic, they are not trade-offs", as demonstrated by Better Agriculture in this case study.

So as the debate on ideal business models for the transformation of the rural African economy rages on, the Better Agriculture "proto type" case study is worth reflecting on as a true option. This has the potential to be replicated in other countries and even beyond Africa. There is also a possibility for this to be adopted and adapted by other organizations as they also increasingly realize that supporting private sector businesses and entrepreneurs is the way to go.

Acknowledgement

The authors acknowledge and thank the owners of Better Agriculture for giving them permission to write on this case and allowing it's publication in this Special Issue. Whilst the work is based on TechnoServe's work in Zimbabwe, the views in this Case Study are entirely those of the authors and not TechnoServe.

© 2014 International Food and Agribusiness Management Association (IFAMA). All rights reserved.