

SMALLHOLDER OUTGROWER SCHEMES: PRINCIPLES OF SUCCESS

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EXECUTIVE SUMMARY

More than any other part of the world, Africa has the most under-exploited potential for agricultural production. Smallholder farmers have a key role to play in the global agricultural value chain, especially in Sub Saharan Africa (SSA), where they provide up to 80 percent of the food supply.¹ However, with limited access to markets, inputs and finance, they are frequently caught in a cycle of producing low-yielding, low-quality crops.

AgDevCo, in collaboration with The MasterCard Foundation, has launched the Smallholder Development Unit (SDU), a five-year programme to be implemented in seven African countries: Zambia, Mozambique, Malawi, Tanzania, Uganda, Ghana, and Senegal. The SDU will work with rural agricultural enterprises to develop equitable outgrower schemes that will boost productivity and incomes for half a million smallholder farmers.

This case study investigates the practical lessons and underlying principles of success of six smallholder outgrower schemes. The schemes featured here represent a cross-section of value chains, from high-value horticulture (bananas) to commodity crops (maize and sugarcane), small livestock (broilers), and seed (flowers).

Outgrower schemes come in various forms, but generally involve linking smallholder farmers to national and international buyers and receiving financial and technical support to improve yields and the quality of their crops. What does it take for both companies and growers to reap the benefits, and what are the challenges of these partnerships?

This case study looks at nine principles of success:

- 1 A market-driven approach**
Providing smallholder farmers with access to consistent and reliable markets drives economic activity in rural areas.
- 2 Input support**
Providing appropriate agricultural inputs to smallholder farmers on credit overcomes the barrier of high initial cost outlay.
- 3 Commercial and financial viability**
Both the commercial partner and smallholder farmer need to make a profit for outgrower schemes to succeed.
- 4 Long-term sustainability and scaling up**
Outgrower schemes need to be environmentally and economically sustainable.
- 5 Creating an enabling environment**
Building networks of diverse stakeholders provides outgrower schemes with valuable local logistical support.
- 6 Farmer selection**
Selecting suitable farmers to participate can be critical to the success of the scheme.
- 7 Farmer training**
Training in farming practices, business skills, social issues, and other areas is at the core of a sustainable outgrower scheme.
- 8 Management tools**
Close monitoring and innovative new technologies help management make better-informed decisions more quickly.
- 9 Risk mitigation**
Judicious use of donor funds in the early stages reduces risk over the long term.

Although a cookie cutter approach is not recommended when developing outgrower models, understanding the lessons of these six schemes and why they have been successful will help to inform the design of new outgrower schemes, minimise mistakes, and ensure they have every chance of success.



1 Food and Agriculture Organization of the United Nations (FAO), 2012, "Smallholders and Family Farmers", http://www.fao.org/fileadmin/templates/nr/sustainability_pathways/docs/Factsheet_smallholders.pdf.

CONTEXT AND PURPOSE OF THIS STUDY

According to The World Bank, economic growth from agriculture is two to four times more effective at reducing poverty than growth from any other sector.² Developing agribusinesses and investing in smallholder farmers have the potential to transform agriculture in Africa by creating jobs, increasing incomes, and boosting crop yields and productivity.

These investments will be critical as the world needs to double food production by 2050 to meet the needs of a growing population and the changing food habits of an expanding middle class. Demand for food is rising especially quickly in Africa, where the population is expected to double to two billion within 40 years. It therefore stands to reason that both regional and global buyers will increasingly look to smallholder farmers to provide a stable supply of agricultural commodities.³

Over the years, commodity buyers have invested in developing mechanisms to work with smallholder farmers. This allows them to expand their supplier base and, together with donors, to increase smallholder productivity. Unfortunately, even with millions of dollars spent on farmer training programmes and providing inputs, many schemes have proven to be unsustainable.

This case study showcases six outgrower schemes that are getting it right:

- > Empresa de Comercializacao Agricola (ECA) and Novos Horizontes in Mozambique
- > Matanuska, Brands Fresh and Farways Flowers in Zimbabwe
- > AgriWiz in South Africa.

This collection of case studies is the result of field visits and extensive research into each operation, consultation with the companies, field interviews with smallholder farmers, and desk research.



The MasterCard Foundation

Recently, AgDevCo partnered with The MasterCard Foundation to establish the Smallholder Development Unit (SDU), which will work with rural agricultural enterprises to develop equitable and economically viable outgrower schemes benefiting half a million smallholder farmers.

This work aligns with AgDevCo's aim to:

“support the development of projects and businesses that link smallholders to markets as key for raising rural incomes, encouraging entrepreneurship and improving food security”.

It also meets the Foundation's objectives to extend financial inclusion to smallholder farmers by incorporating mobile phones, cashless payments, and microinsurance products into the agricultural value chain.



2 The World Bank, 2 April 2014, “Agriculture: Sector Results Profile”, <http://www.worldbank.org/en/results/2013/04/15/agriculture-results-profile>.

3 Dalberg Global Development Advisors, September 2012, “Catalyzing Smallholder Agricultural Finance”, http://dalberg.com/documents/Catalyzing_Smallholder_Ag_Finance.pdf

A SNAPSHOT OF SMALLHOLDER OUTGROWER SCHEMES

Across Africa and in other parts of the world, smallholder farmers are receiving technical and financial support from various types of outgrower schemes that link them to domestic and international markets and improve crop yields, quality, and supply. What do these schemes look like and how do they operate?

Contract farming, in conjunction with capacity building and training, are the most common types of outgrower schemes in Southern and East Africa, though this is not the case in West Africa.

TYPES OF SCHEMES



CONTRACT FARMING

The partner company links farmers to a secure market and pays a fair market price for their products. They may supply inputs on credit or provide assistance with microfinancing, extension services, training, transport, and packaging.



CAPACITY BUILDING AND TRAINING

Typically donor-funded, these schemes invest exclusively in farmers themselves, who may attend skill-building workshops or set up and run demonstration plots.



COMMODITY AGGREGATION

This can be a formal or informal arrangement. The company sets a price for a commodity that smallholder farmers can grow, such as nuts, fruit, wild mushrooms, or plants for essential oils, and may also provide assistance with transport to a processing facility.

STRUCTURES OF SCHEMES



NUCLEUS FARM HUB

A commercial farm hub produces its own crops and sources products from contracted local outgrowers as well, typically providing inputs, training, and support with post-harvest logistics.



LAND OWNERSHIP & MANAGEMENT

Smallholder farmers rarely own the land they till. With outgrower schemes, land ownership is often based on residence. Land is managed by individuals, associations (or co-operatives) or, in some cases, the partner companies themselves.



PROCESSING OR MARKETING FACILITY

This could be a maize or rice mill, citrus juicing plant, cashew processing plant, canning factory, cold rooms, or other facility that may rely entirely on outgrowers to supply products.



INGROWERS & OUTGROWERS

While outgrowers are the primary participants in most schemes, ingrowers sometimes produce crops on privately owned land, too. In some cases, this is on the hub farm and is frequently a way for employees to supplement their monthly wage.



IRRIGATION & DRYLAND

Most outgrower schemes are dryland (reliant on rainfall), but partner companies are always keen to connect with growers who have access to irrigation. This helps to ensure consistent production across all seasons and weather conditions.

CASE STUDIES: SIX SUCCESSFUL AND SUSTAINABLE OUTGROWER SCHEMES

EMPRESA DE COMERCIALIZAÇÃO AGRÍCOLA (ECA)



Location	Mozambique
Crop	Maize
Year established	2012
Type of scheme	Contract farming
Structure	Processing facility
Input support	Yes
Irrigated	No
Farmers in scheme	6,000 (50% contracted)
Annual income	\$245/ha (+78%)
Yield	1,337 t/ha (+80% on basic package)
Key features	<ul style="list-style-type: none"> > Milling business sources maize from smallholder farmers to sell to the brewing industry and under its own retail brand. > Contracted farmers receive inputs on credit and training in good farming practices.



NOVOS HORIZONTES (NEW HORIZONS)



Location	Mozambique
Crop	Broilers
Year established	2005
Type of scheme	Contract farming
Structure	Processing facility
Input support	Yes
Irrigated	Not applicable
Farmers in scheme	150–190
Annual income	\$1,750 (+1,000%)
Yield	Not applicable
Key features	<ul style="list-style-type: none"> > Poultry business sources 98% of its broiler volumes from smallholder farmers to sell to the local market. > Contracted farmers receive a full input package on credit.



MATANUSKA



Location	Zimbabwe
Crop	Bananas
Year established	2011
Type of scheme	Contract farming
Structure	Marketing facility/Ingrower
Input support	Yes
Irrigated	Yes
Farmers in scheme	441
Annual income	\$1,500/ ¼ ha (+900%)
Yield	60 t/ha (+500%)
Key features	<ul style="list-style-type: none"> > Marketing company sells bananas produced through its smallholder ingrower scheme. > Plants and irrigation supplied on credit.



Annual income = gross revenue per year per hectare less total input and financing costs. This income does not include any estimated labour costs.

CASE STUDIES: SIX SUCCESSFUL AND SUSTAINABLE OUTGROWER SCHEMES CONTINUED

BRANDS FRESH

Location	Zimbabwe
Crop	Bananas
Year established	2011
Type of scheme	Contract farming
Structure	Marketing facility
Input support	Yes
Irrigated	Yes
Farmers in scheme	5,000 (12% contracted)
Annual income	\$3,500/ ½ ha (+1,750%)
Yield	40 t/ha (+1,000%)
Key features	<ul style="list-style-type: none"> > Marketing company sources bananas from contracted smallholder farmers. > Plants, irrigation, and fertiliser supplied on credit. > Training and logistical support.



AGRIWIZ

Location	South Africa
Crop	Sugarcane
Year established	2007
Type of scheme	Capacity building and training
Structure	Land ownership
Input support	No
Irrigated	Yes
Farmers in scheme	75–100
Annual income	\$3,000–3,600/ha (+75%)
Yield	110–200 t/ha (+32%)
Key features	<ul style="list-style-type: none"> > Small business incubator scheme for sugarcane growers provides hands-on training and mentorship.



FARWAYS FLOWERS

Location	Zimbabwe
Crop	Seed flowers
Year established	2003
Type of scheme	Commodity aggregation (informal)
Structure	Nucleus farm hub
Input support	No
Irrigated	No
Farmers in scheme	1,200
Annual income	\$600–900/ha
Yield	150kg/ha (Marigolds) +500%
Key features	<ul style="list-style-type: none"> > Marketing company sources 95% of its flower seed from smallholder farmers for export. > Farmer selection and training in good agricultural practices have improved yields.



PRINCIPLES OF SUCCESS

Based on an analysis of the six outgrower schemes, the SDU has identified nine principles of success.

1. A MARKET-DRIVEN APPROACH

Many outgrower schemes are launched as corporate social responsibility (CSR) initiatives, donor-driven projects, or commercial efforts to enter rural markets. However, those initiated by buyers seeking to meet a strong market demand have a greater chance of success, and a strong market pull was evident in all six schemes.



Shareholders of New Horizons travelled throughout Mozambique looking for the right place to set up an abattoir and stock feed business. They eventually found a market opportunity for poultry products in northern Mozambique, and worked with the local community to establish smallholder production.



In Zimbabwe, bananas are a staple of the diet and there is strong local demand. However, when large-scale commercial producers were unable to supply bananas to buyers after the land reforms of 2000, Brands Fresh and Matanuska pursued opportunities to source them from smallholder farmers in key geographic regions and worked with them to ensure a sustainable, consistent, and top-quality supply.



At ECA, the Managing Director secured a large order for grits (coarsely milled maize) from an international brewery based in Maputo. With a secure market in place, ECA made a strategic move to establish a state-of-the-art mill in a well-known maize-producing region where there were no other agricultural processing businesses. ECA has also recently introduced a new brand of maize meal to increase volumes. ECA aims to increase orders from their outgrowers and plans to expand their supplier base from 3,000 to 8,000 contracted farmers over the next three years.

2. INPUT SUPPORT

Even when farmers understand the value of adding fertiliser or using high-yielding hybrid maize seed, the initial cost outlay is too high to adopt these growing practices. Providing agricultural inputs along with training support is key to the success of outgrower schemes, although this support varies from one scheme to another depending on the value chain and smallholder commitment.

Buyers often have to finance input packages themselves if there are no microfinance institutions (MFIs) willing to work with smallholder farmers. As this is not their core business, they do so reluctantly, if at all, and may rely on donors to step in. Liquidity constraints usually restrict the number of smallholder farmers that can be included in these schemes.

Both of the following approaches have been effective:



New Horizons and Matanuska provide complete high-level support on credit at a value of \$4,000 per farmer. At Matanuska, high-quality plant tissue, irrigation, and fertiliser were funded upfront by donors, but it was able to bring in financial institutions once it had established proof of concept.



ECA provides graduated support, starting with a basic package of good quality open-pollinated seed and progressing to full packages that include fertiliser. Inputs are offered on credit and recovered at harvest when ECA buys the maize from the farmers.

3. COMMERCIAL AND FINANCIAL VIABILITY

For contract outgrower schemes to succeed, both sides need to make a profit. The commercial partner has capital costs and overhead, and focuses on generating profits to develop and expand the company. Smallholder farmers living above a basic subsistence level also want to expand their business and ultimately become small-scale commercial farmers. The poorest smallholder farmers, meanwhile, live day to day, working to put food on the table, pay school fees, and cope with other family expenses.

Price and quality

For smallholder farmers, the price they receive for their product takes priority over yields and inputs. Despite efforts by the commercial partner to develop a culture of loyalty, farmers still sometimes go outside their contract and sell some (or all) of their harvest to a third party—either an individual trader or buying organisation that offers a better price and immediate payment in cash.

Ideally, a portion of the profits from adding value to products or keeping them in storage until prices rise should be passed on to growers. Where possible, the company may consider offering a price incentive to growers to secure supply and minimise side marketing. This often makes commercial sense if superior quality products net a higher price.



ECA has been more than competitive in the marketplace and has seen good credit recovery from the inputs it has supplied to growers.

Yield

Improving yields is a win-win for both sides and immediately boosts grower profits. Higher yields may be due to the company offering training and valuable extension support, such as information about conservation agriculture, or they may be the result of supplying inputs like improved (hybrid) seed, fertiliser, lime, and chemicals.



All six of the agricultural operations featured here have succeeded (in part) by attaining higher and more profitable yields. Most notably, banana yields increased by 500–1000% to 40–60 t/ha and sugarcane yields are up by 32% to 200 t/ha.

PRINCIPLES OF SUCCESS CONTINUED

Variable costs and input support

A glaring weakness in smallholder agriculture is that records are rarely kept of the number of labour days a family spends growing the crop. So, even if the price and yields are good, they may be working at a loss when they factor in their time. They may also have to repay the company for inputs they received at the beginning of the growing season.



Growers for ECA are intimidated by the (perceived) high costs of inputs and elect to use minimal inputs. Providing business training alongside agronomic training is recommended, and demonstration plots help growers understand that higher yields are achievable and commensurate with input costs.

Gross margin

This is a priority for smallholder farmers (assuming suitable records are kept) and an indirect concern for companies as well. If farmers do not make sufficient profits from their crops, they do not put their heart into growing them and are tempted to divert inputs and their products. Ideally, gross margins of at least \$300/ha should be the goal for traditional crops like maize and about \$1,000/ha for more intensive horticultural crops.



Farways Flowers has seen very good gross margins of up to \$900/ha for low-input crops. Little wonder that growers are queuing up to join the programme!

Transparency, fairness, and timeliness

These are crucial to building relationships and trust between the company and growers. Timely delivery of inputs is especially important, as is payment for crops delivered within the specified timeframe and at the agreed price. It is also critical to follow a clear and negotiated process when drawing up the contract so it is not skewed in favour of the commercial partner.

4. LONG-TERM SUSTAINABILITY AND SCALING UP

With smallholder agricultural projects, it is a sad fact that they are rarely able to continue after a donor or private sector partner departs. Scaling up smallholder outgrower schemes is clearly desirable and a way to reduce poverty. This requires an enabling environment:

- 1 Good governance:** Countries in Africa with good governance almost always have an environment conducive to agricultural investment. Transparency, lack of corruption, private sector investment (including tax incentives), and the trust of donor communities are key.
- 2 Market and price controls:** Liberalisation of agricultural markets, including the removal of price controls, is essential as it allows private sector investment in a free market, an enabling environment for crop exports, and realistic control over food imports (legislation and duties). Ideally, governments should avoid interfering in the market and favouring certain segments of society, e.g., consumers over smallholder farmers.
- 3 Infrastructure:** Agricultural development should be pursued alongside improvements to essential infrastructure, including roads, power (both electrical and renewable), water (domestic and irrigation), and sanitation.

Environmental sustainability

This is proving to be a game changer, and there is no doubt that the sustainable management of natural resources drives greater agricultural productivity. At the forefront is the FAO-inspired concept of conservation agriculture (reduced or zero tillage, mulching to build up organic matter, crop rotation, and responsible use of chemicals), and adoption of these practices will really make a difference.



Both ECA and Farways Flowers strongly promote conservation agriculture and are already reaping the benefits in the form of improved yields and better quality crops.

Project design and execution

Scaling up smallholder outgrower schemes depends on the local market and its ability to absorb increased production. In many cases, this means pursuing value-added products and marketing (export) opportunities outside the country. Schemes that are sustainable over the long term have strong and binding relationships between growers and their business partners, and are not only able to continue operations, but expand after donor support ends. This means building long-term relationships with MFIs and banks, which need to embrace partnerships with smallholder farmers rather than shutting them out. For growers, this means running a commercially viable operation that meets buyers' needs and putting a halt to the perennial issues of input diversion and side marketing.

5. CREATING AN ENABLING ENVIRONMENT

One notable attribute of all six outgrower schemes was the effort they put into networking with local stakeholders and creating an environment in which they could flourish.

Local government leadership

Before each organisation set up its operation, they ensured they had buy-in from local government leaders, either verbal confirmation or a Memorandum of Understanding authorising activities and investments in areas under their jurisdiction. Each country has different requirements, and it is critical to understand them and respect the importance of local government leadership in community affairs (such as sending management to meetings rather than lower level staff) at an early stage.



Matanuska included the Department of Irrigation (DOI), Agritex, Agricultural Marketing Authority (AMA), Rural Development Council (RDC), the President's Office, local police officers, and the Ward Councillor at their field days.

Traditional leadership

In most rural areas, there are influential leaders who will be crucial to the success of the scheme. Traditional leaders may provide an avenue for arbitration, invaluable historical information on households in the area, and can often convince farmers to either abide by—or defy—contractual agreements. With any new outgrower scheme, it is essential to research junior leaders, such as village heads, before credit for inputs is extended. If they are a recipient and default, this can create a precedent for other family members to do the same.

PRINCIPLES OF SUCCESS CONTINUED

Other stakeholders

Opening markets to smallholder farmers stimulates rural economies, providing business opportunities for local agro dealers, input and irrigation suppliers, and MFIs. Successful outgrower schemes engage with these stakeholders where possible, but the company must be the one to initiate the dialogue and encourage them to venture beyond their urban comfort zones.



In places like Honde Valley in Zimbabwe, higher household incomes from bananas have prompted more input suppliers and microfinance institutions to become involved.

By contrast, in Mozambique, there has been little back-up support as the industry is still in its infancy and there are very few large operators in the provincial capital (most are in Maputo or Beira).

6. FARMER SELECTION

Selecting suitable farmers can be critical to the success of an outgrower scheme. The choice is often left to local leaders and government extension services, and local NGOs and input suppliers also sometimes contribute. Unfortunately, nepotism and political pressure may influence the selection procedure, and extreme care needs to be taken. Decisions should be based on the number of growers needed, the ability to expand and scale up the scheme, and the geography of the area (including proximity to the farm hub, logistics, and communications). There are a number of options:

Individual farmers

Dealing one-on-one with growers has advantages and can be easier for project supervisors to control.



Farways Flowers has found this to be a successful method as it allows growers to be selected based on their track record and the suitability of their land for production.

Lead farmers

Typically selected by the community in conjunction with local extension officers, lead farmers should be actively farming, have leadership potential, and the ability to act as mentors for other farmers in their communities. Lead farmers provide an important link between growers and the staff running the scheme.



Brands Fresh has had success with this approach. Extension officers have worked closely with lead farmers, transferring important knowledge about banana cultivation and general agronomy.

Associations and cooperatives

These groups can be major players in selecting farmers for outgrower schemes because they usually have management and finance committees, monitoring and evaluation responsibilities, and can group large numbers of farmers together. However, transparent governance is critical.

Club system

This system is becoming more popular with commercial partners. Growers are required to form a 'club' (typically 5-15 members), elect a chair as spokesperson, and assume collective responsibility to repay inputs and services in full. Club members need to be comfortable working together as the entire group will be penalised if one or more members default.



This system has been particularly successful at ECA. The clubs themselves have been able to identify and manage poor performers early.

7. FARMER TRAINING

Effective farmer training is at the core of sustainable outgrower schemes, and begins with the selection and training of supervisors, extension officers, and (club) chairs who will oversee the schemes. Ideally, these individuals have considerable practical experience in agriculture and the ability to pass on their skills to growers.

Demonstration sites

These can be a very effective way to disseminate information to growers, provide hands-on training, and give them an opportunity to make important management and agronomic decisions in the field. Demonstration plots are typically 0.5 ha and compare different tillage techniques, crop varieties, fertiliser applications, and weed, pest, and disease controls side by side. Invariably, demonstration sites are at the home of a prominent (successful) grower or lead farmer, but ideally they should be situated along a main road to attract the interest of the general public.

Workshops

Held in local communities and typically lasting one day, growers receive training on the business side of agriculture, farming techniques, and relevant health and family issues.

On-site training

It is particularly important for scheme supervisors to visit individual growers on their farm or plot and provide hands-on, one-on-one training and problem solving.



Brands Fresh provides comprehensive training on forming grower clubs, leadership skills and qualities, technical (agronomy and irrigation) and basic business skills (budgeting, marketing, contract negotiations, and record keeping). The use of demonstration plots and field days assisted significantly with this training.



Growers in the Agriwiz incubator participate in a weekly training programme covering all technical aspects of sugarcane farming. Hands-on training and mentorship for carefully selected participants has helped to create small businesses with profits of of \$20,000 per annum.

PRINCIPLES OF SUCCESS CONTINUED

8. MANAGEMENT TOOLS

The success of an outgrower scheme hinges on the full participation and commitment of senior management. Finding a team with local knowledge and experience working with outgrowers, and then equipping management with the right tools increases the likelihood that the scheme will benefit all stakeholders.

Across all six outgrower schemes, we found that technology is often difficult to embrace but, if used well, can improve management practices, including monitoring and evaluation. Access to regular, real-time data and continuous monitoring and evaluation are key to improving the efficiency and effectiveness of outgrower schemes and identifying problems before they escalate. However, this is an expensive undertaking due to the manpower required.



At current volumes and number of farmers in their scheme, ECA currently spends \$64 per farmer on management and training and estimates they break even at around \$30.

Both quantitative and qualitative data are generated regularly, but the data itself is less important than the quick management decisions and actions it supports.



New Horizons and AgriWiz sugarcane plantations generate data on a daily basis. At ECA and Matanuska, meetings are held with field teams on a weekly basis.

Strong company-outgrower relationships are supported by data, information, and communication, including:

Biometric data

It is helpful to obtain biometric data on each farmer, such as potential GIS coordinates of their field, particularly when inputs are provided under contract. This information is useful for establishing a credit history for farmers and can be done relatively quickly using mobile technology.



In general, technology was vastly underutilised in all of the outgrower schemes. For example, ECA relies on signed hard copies and issues their own grower identification numbers to farmers without any form of official identification.

Technology is making rapid advances in monitoring outgrower schemes. Field technicians can use a smartphone app to map the location of growers and their fields (including land area), and instantly upload details of their visit to the grower (such as inputs supplied and potential yield and quality) to a data collection centre. Satellite imagery can then confirm the exact size of the field and estimate the quality of the crop using infrared technology. The data generated by these new technologies can be particularly valuable when growing high-value specialist crops.

Technical communication

Farmers are given vital and timely information to ensure the highest possible yields, while the company can identify major issues as they occur. For example, weather events like isolated hail storms or pest outbreaks like armyworms can be devastating and, in some cases, require early intervention.

Market information

Expected prices and yield estimates are shared with farmers (based on current weather conditions) and inform the company's buying decisions.

Social and cultural issues

This could include information on illness, death, divorce, the impact of electioneering, or other issues that affect a farmer's ability to pay back input loans. Default rates may drop if this information is provided in advance, but data should be treated sensitively.

9. RISK MITIGATION

Every outgrower scheme in this case study received a notable amount of initial grant funding from various donors.



Most donors were international aid agencies, but the AgriWiz sugarcane scheme received financial support from the South African Government to mentor smallholder farmers, followed by a donation from an external aid agency to fund irrigation upgrades.

Working with large numbers of smallholder farmers is generally perceived to be high risk due to the number of outgrower initiatives that have failed in the past. Finding the best outgrower model is never easy and there are no quick "cut and paste" solutions. However, using donor funds judiciously is one way to minimise risk in any start-up scheme, as it takes time to find a model that is economically viable and benefits the commercial partner and farmers alike. Schemes are more successful when costs are shared and the company has a greater stake in the deal, and when a transition period is built in to allow the outgrower scheme to become sustainable.

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