

AgDevCo Update Event: Global Food Security and Poverty  
Reduction in Africa

## **The Role of AgDevCo**

**Keith Palmer, Executive Chairman AgDevCo**

London, 8<sup>th</sup> June, 2010

# Global Food Security and Agricultural Productivity

## G20:

- Pledge of >\$20 billion in aid for agriculture over three years (July 2009)
- “We support public-private partnerships . . . aimed at increasing resources for agriculture”

## Global Agriculture and Food Security Programme (GAFSP):

- New World Bank Trust Fund launched in April 2010: US, Canada, Spain, S. Korea, and others to follow
- Total commitments to date approx \$US 900 million; public and private sector windows

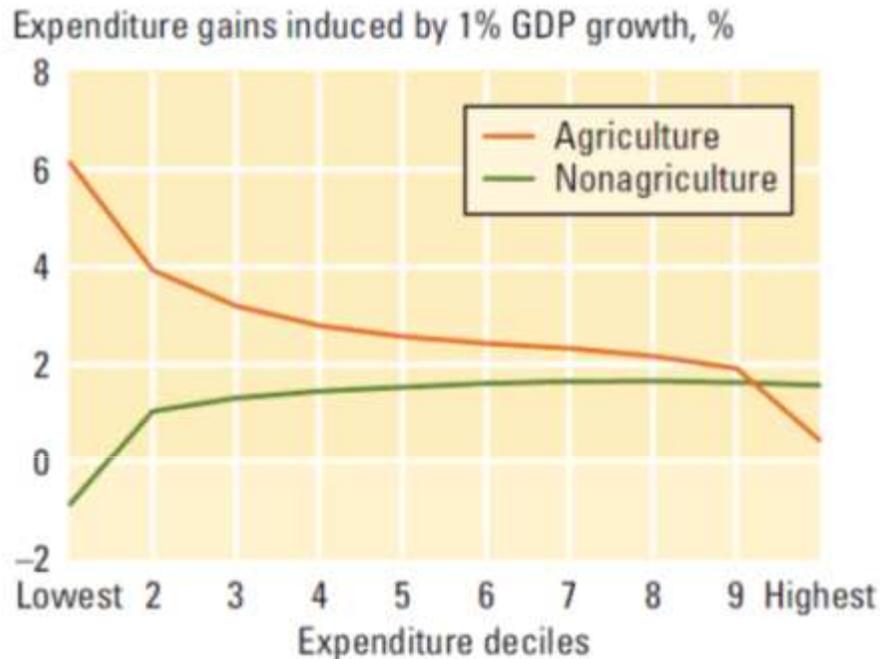
## Comprehensive Africa Agriculture Development Programme (CAADP):

- African leaders' collective vision for agriculture in Africa. Aims for average annual growth of 6 percent in agriculture by 2015.

## Alliance for a Green Revolution in Africa (AGRA):

- AGRA aims to ensure that smallholders have what they need to succeed: improved inputs; access to markets, and credit
- Financed by Rockefeller and Gates Foundations.

## Agricultural Growth is the Best Way to Reduce Poverty



Source: Ligon and Sadoulet 2007.

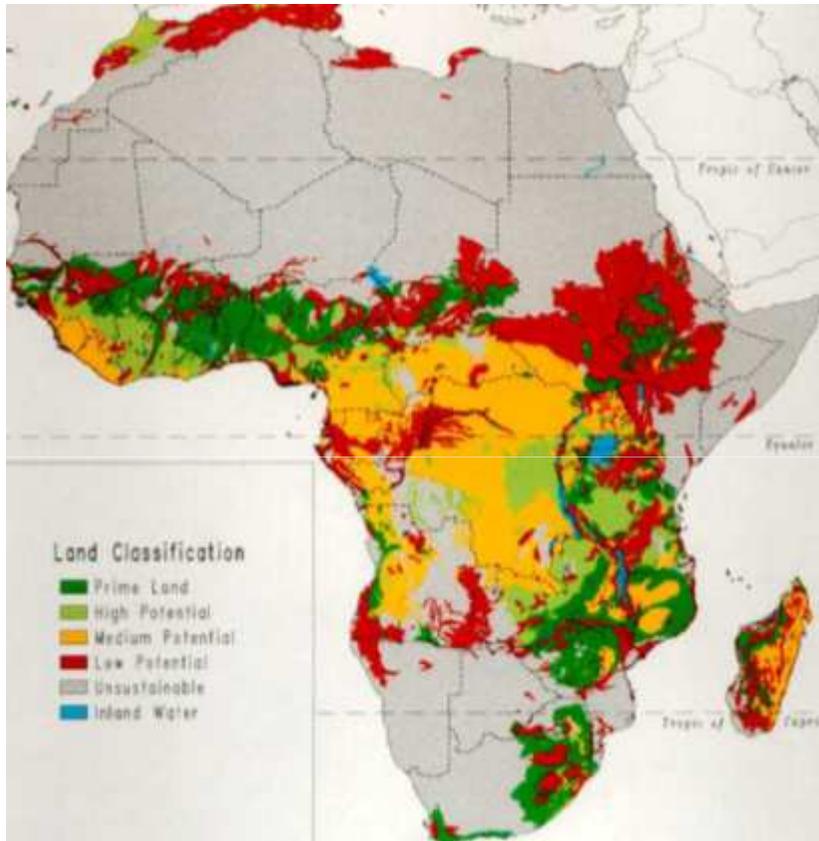
GDP growth in agriculture => income growth among poorest is **3 times larger** than growth originating in rest of the economy (World Bank research)

Profitable agriculture with strong links to markets is the best route out of poverty for the majority of Africa's rural poor

# What is AgDevCo?

- AgDevCo: an **agricultural development company** operating in African agriculture and agribusiness sectors
- **Working on the ground** alongside local entrepreneurs and smallholder farmers
- **Uses private sector approach** to develop profitable agricultural businesses that integrate farmers (including smallholder farmers) into modern value chains
- **Assumes 'front end' costs and risks** acting as principal to catalyse inflows of debt and equity from private sector and DFIs
- **Exits** by sale of interests when no longer needed

# Africa has major unrealised agricultural potential



- <5% suitable agricultural land in production
- Only 4% land in production irrigated (30% in S Asia)
- Low fertiliser use/high depletion of soil nutrients
- Agricultural productivity 25% of global average

# Overcoming the Constraints on Growth of Sustainable Agriculture

## Constraints

High front-end costs & risks

Coordination failure along the value chain

Economies of scale/scope

Financing constraints

Entrepreneurship/ knowledge deficit



## AgDevCo Responses

Develops early stage projects at own cost & risk

Takes coordinated approach along value chain

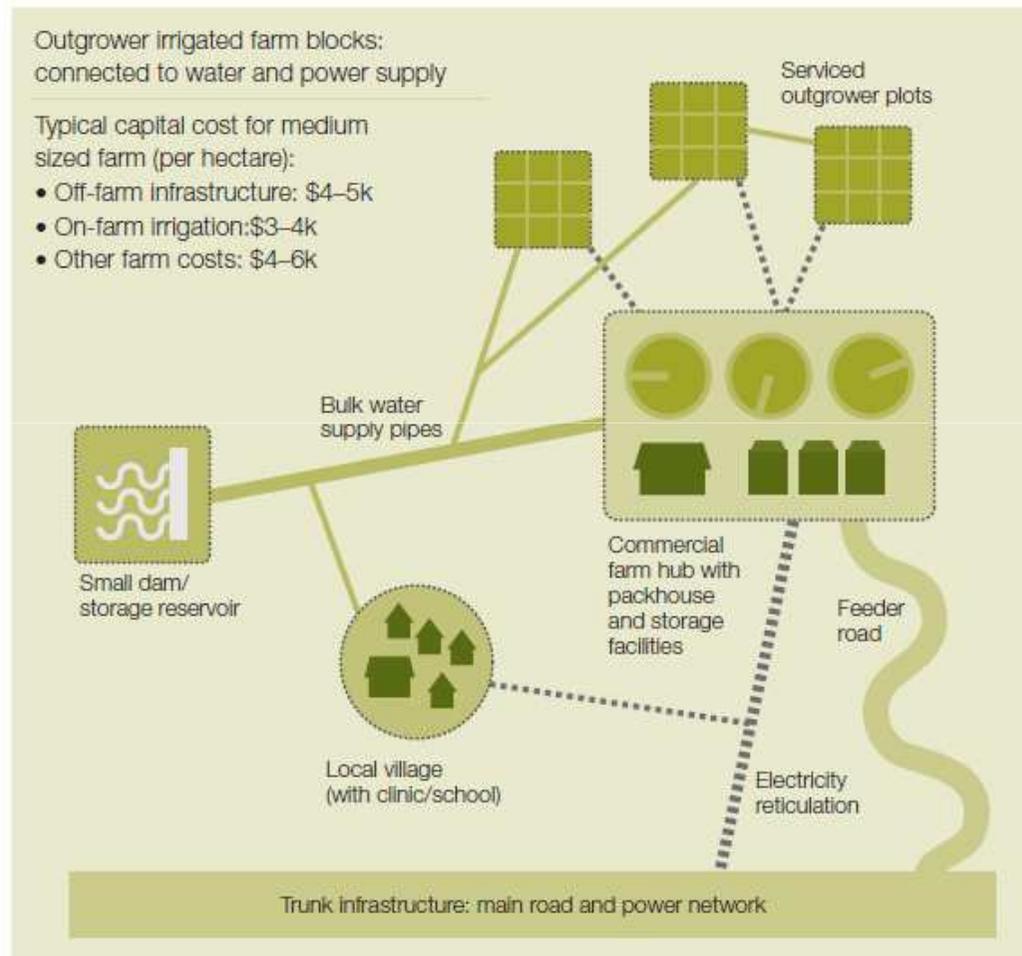
Invests 'patient capital' to overcome entry barriers

Facilitates access to finance

Builds local farm management/ commercial capacity

# AgDevCo Business Model: Five Strategic Concepts

## 1. Commercial farm hubs/ smallholder farm linkages

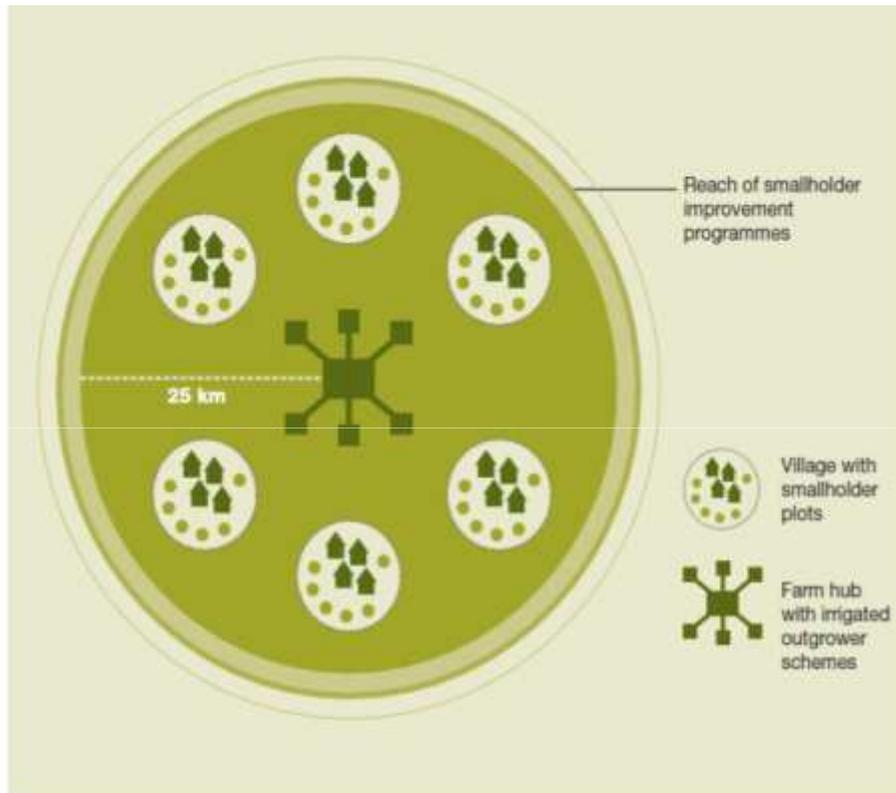


Infrastructure services to the “nucleus” farm hub can be extended to smallholder farmers and local communities at low marginal cost

Example: Chiansi Irrigation Project

# AgDevCo Business Model

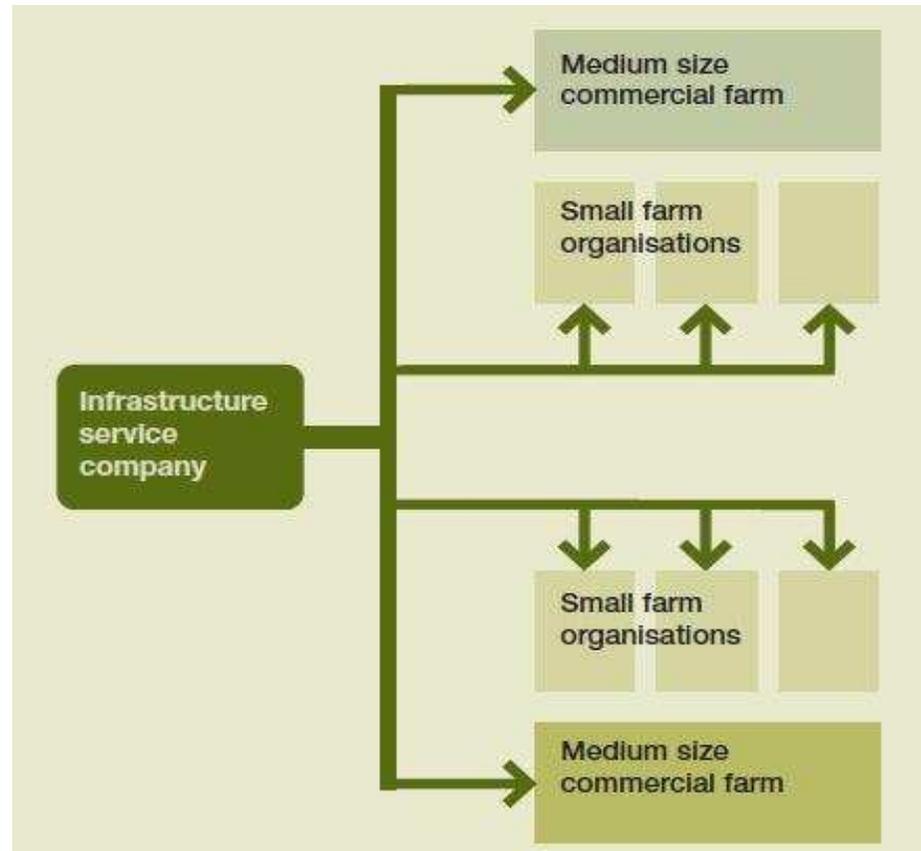
## 2. Smallholder commercialisation models: extending the benefits



- AgDevCo approach to smallholder farmer linkages involves:
  - i. providing irrigation and utility services to farmers and local communities in the immediate vicinity
  - ii. lower-cost access to agricultural inputs, storage services, credit and markets for smallholder farmers over a much greater area (typically in a radius of 25km<sup>2</sup> from the nucleus farm)

# AgDevCo Business Model

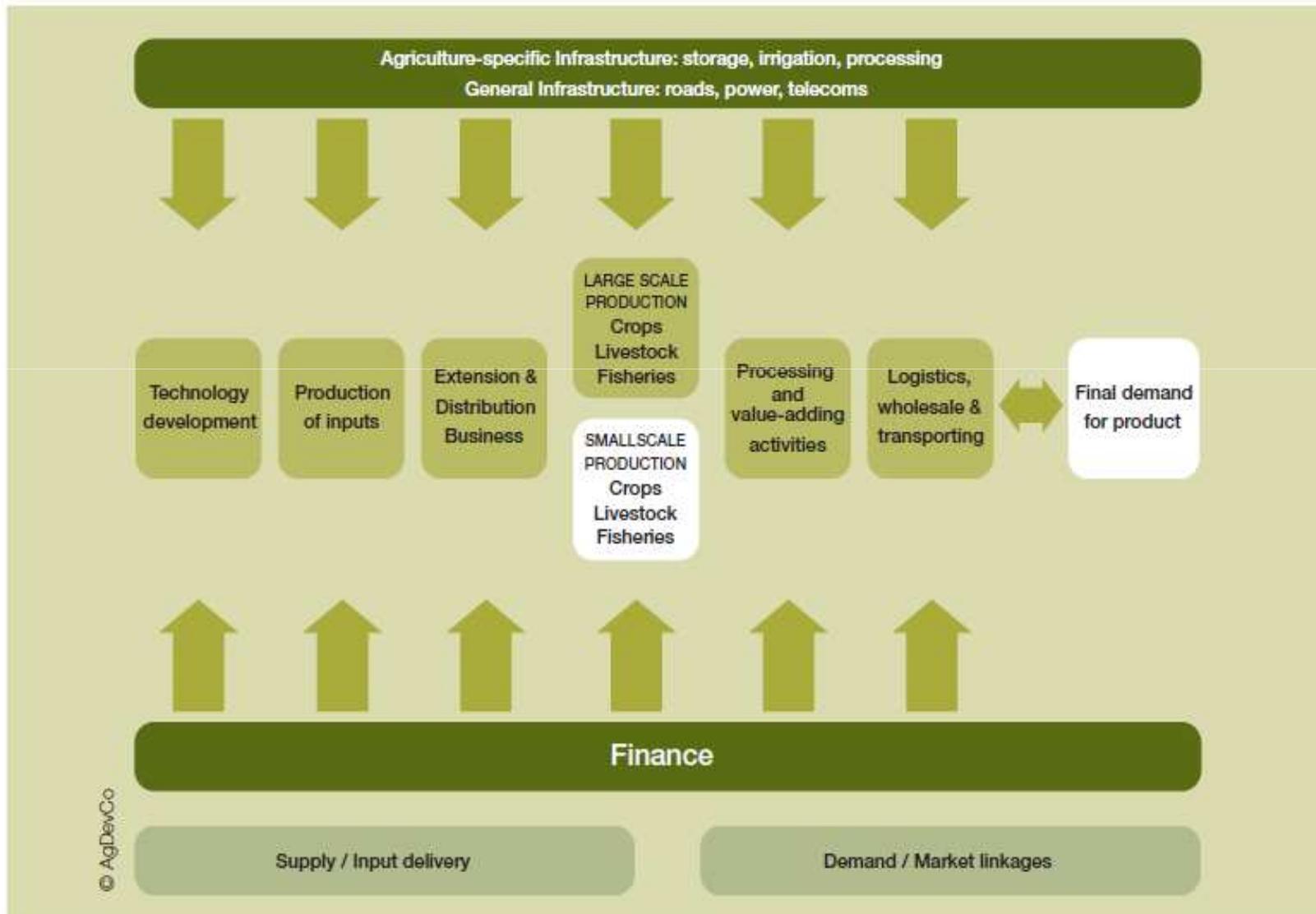
## 3. Irrigation Service Companies



ISC leases 'on' and 'off-farm' infrastructure to medium sized commercial farms and small farmer organisations

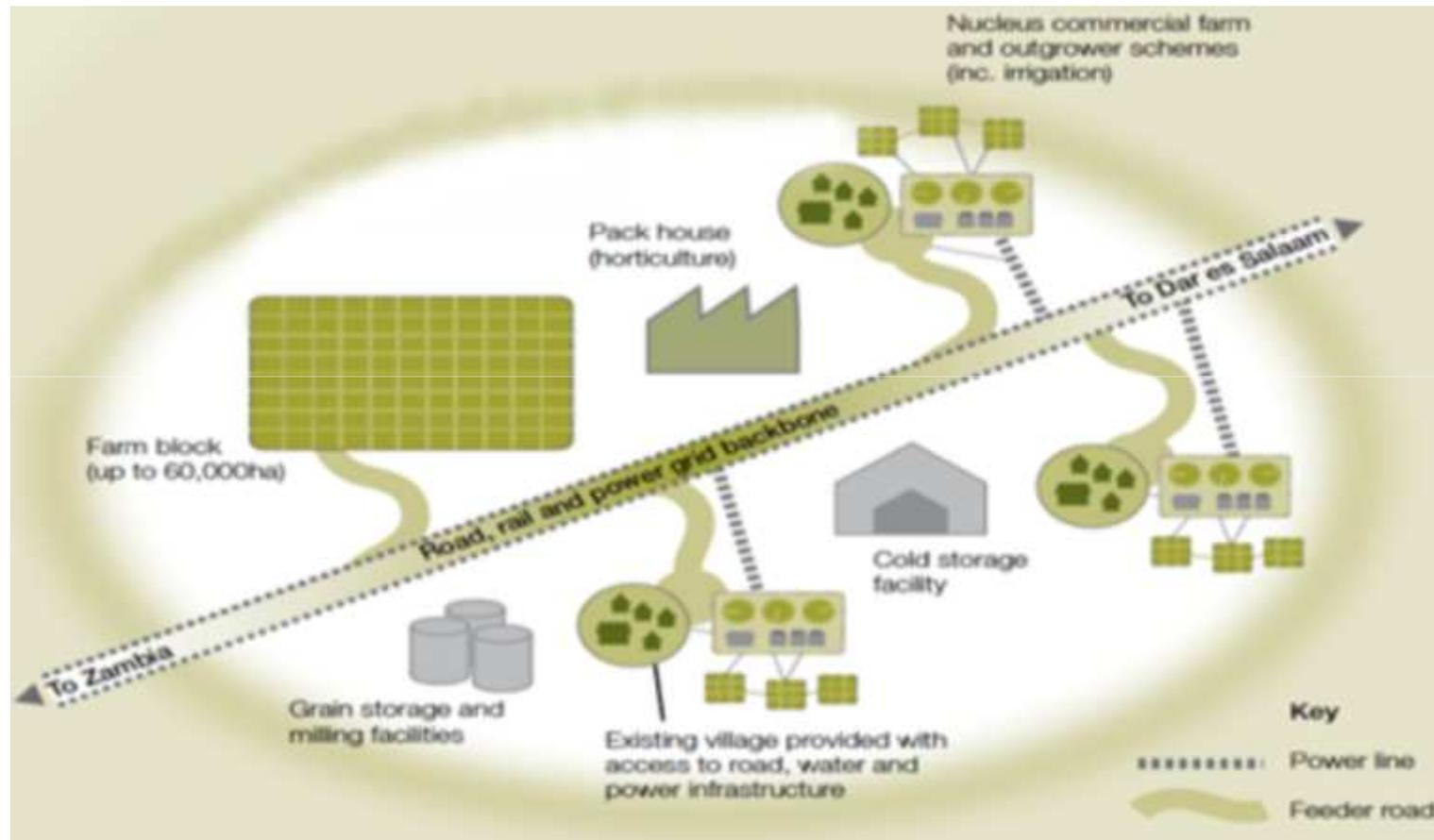
# AgDevCo Business Model

## 4. Development of whole value chain

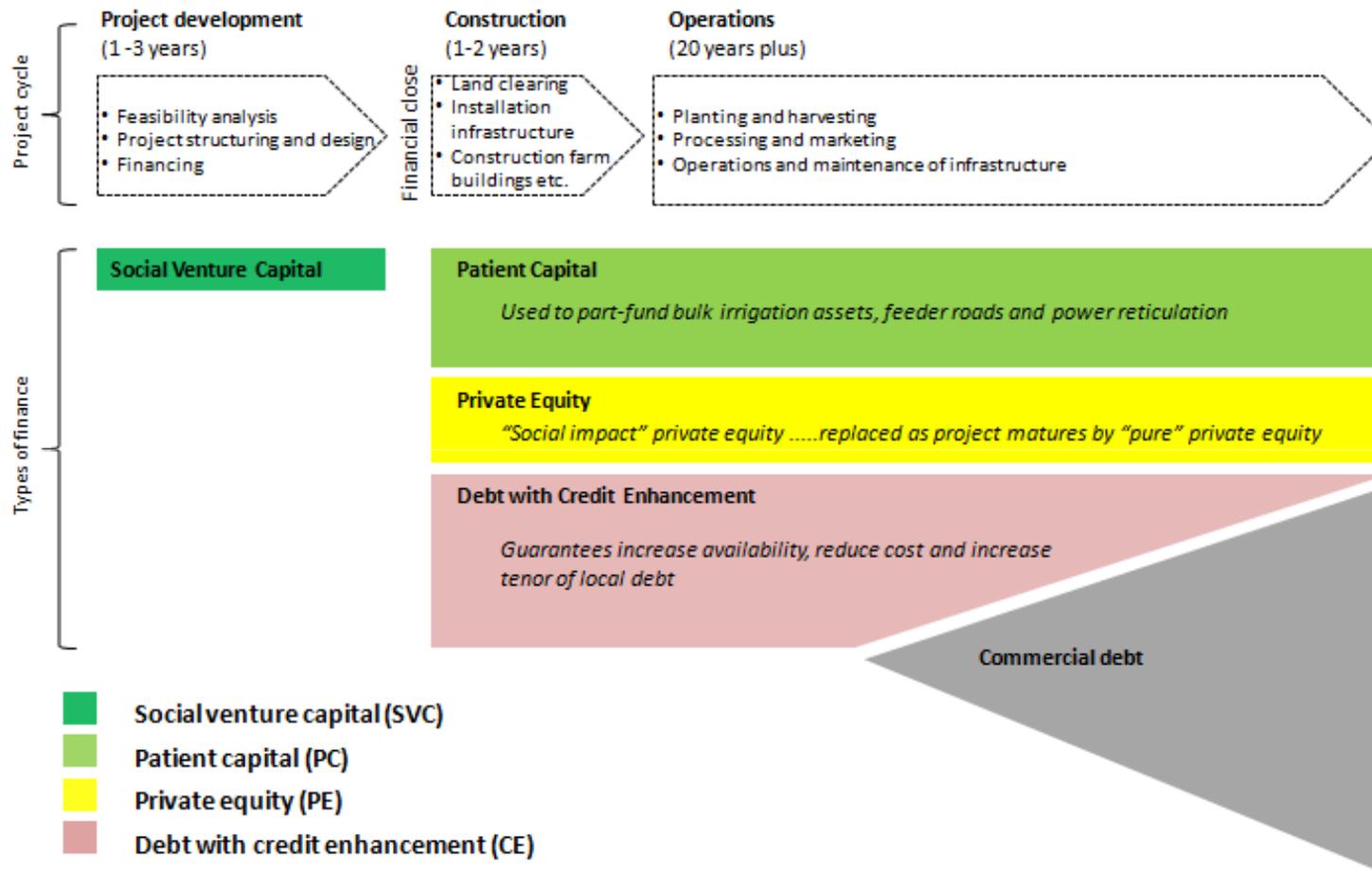


# AgDevCo Business Model

## 5. Agricultural Growth Corridors and Clusters



# AgDevCo Financial Strategy



# AgDevCo Business Plan (I)

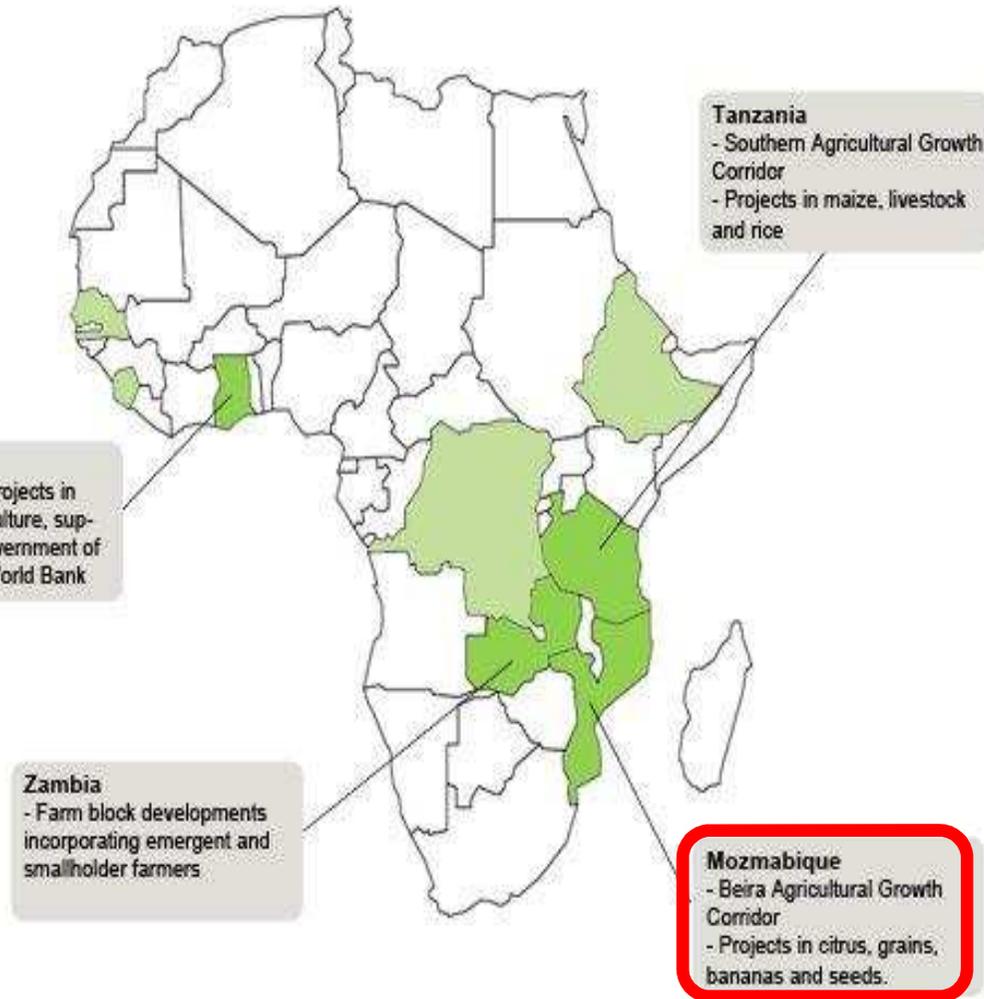
## Programme 1: Beira Agricultural Growth Corridor

### Programme deliverables:

- 4 fast track opportunities financed within 2-3 years
- 10,000 ha irrigated agriculture within 4 years
- 3-4 value chain businesses (e.g. storage services, processing) within 4 years

### Project Opportunities:

- Improved seed production/ distribution
- Smallholder maize commercialisation
- Horticulture production and processing
- Chemez Valley irrigated farming
- Benga irrigated farming



# AgDevCo Business Plan (II)

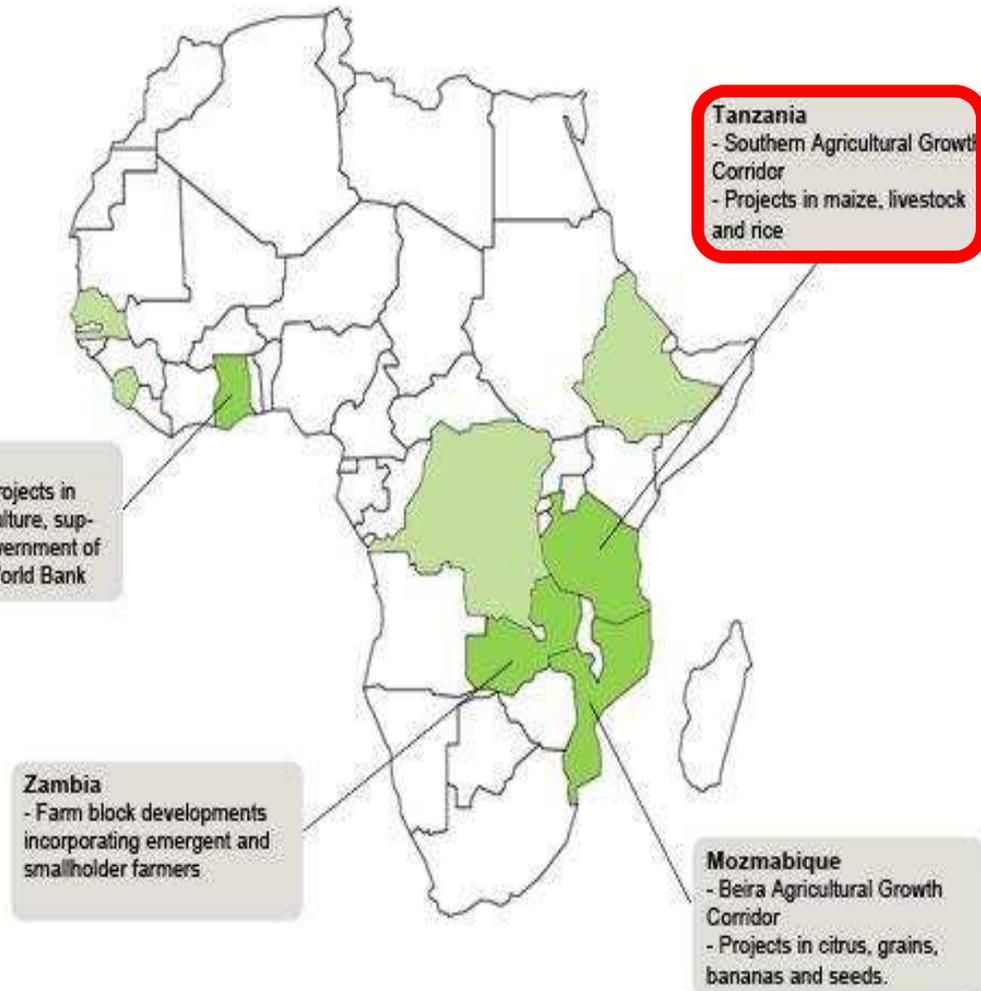
## Programme 2: Southern Agricultural Growth Corridor of Tanzania

### Programme deliverables:

- 3-4 fast track opportunities within 3 years
- 10,000 ha irrigated farming within 3-4 years
- 3-4 value chain businesses within 3 years

### Project Opportunities:

- Mixed crop commercial farm/processing with outgrower support programme
- Seed potato production/distribution
- 7,000 ha irrigated rice estate
- 36,000 ha rainfed maize, wheat and soya



# AgDevCo Business Plan (III)

## Programme 3: Zambia Irrigated Food Production

### Programme deliverables:

- 10,000 ha irrigated farming within 3 years – 3 schemes

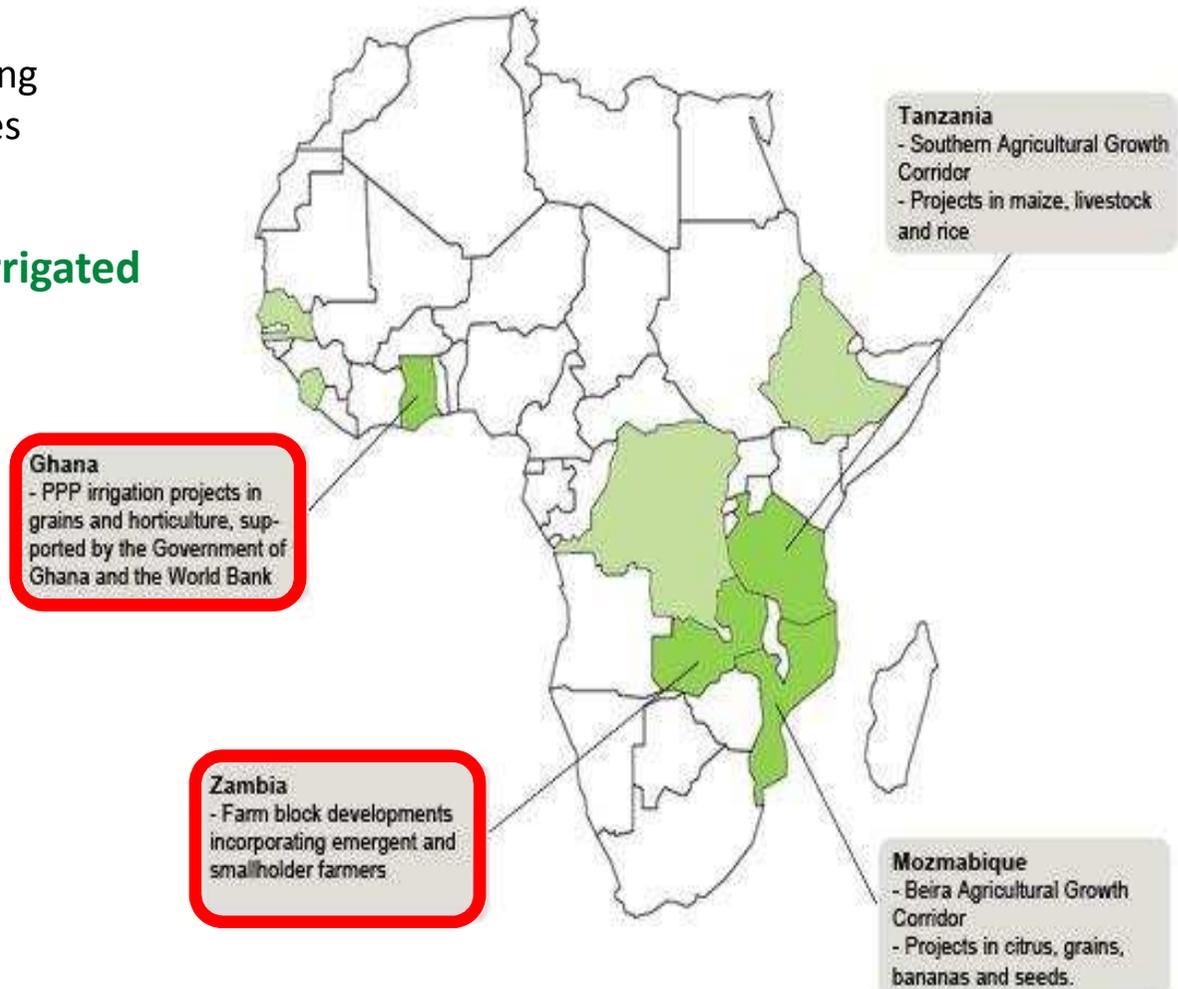
## Programme 4: Ghana Irrigated Food Production

### Programme deliverables:

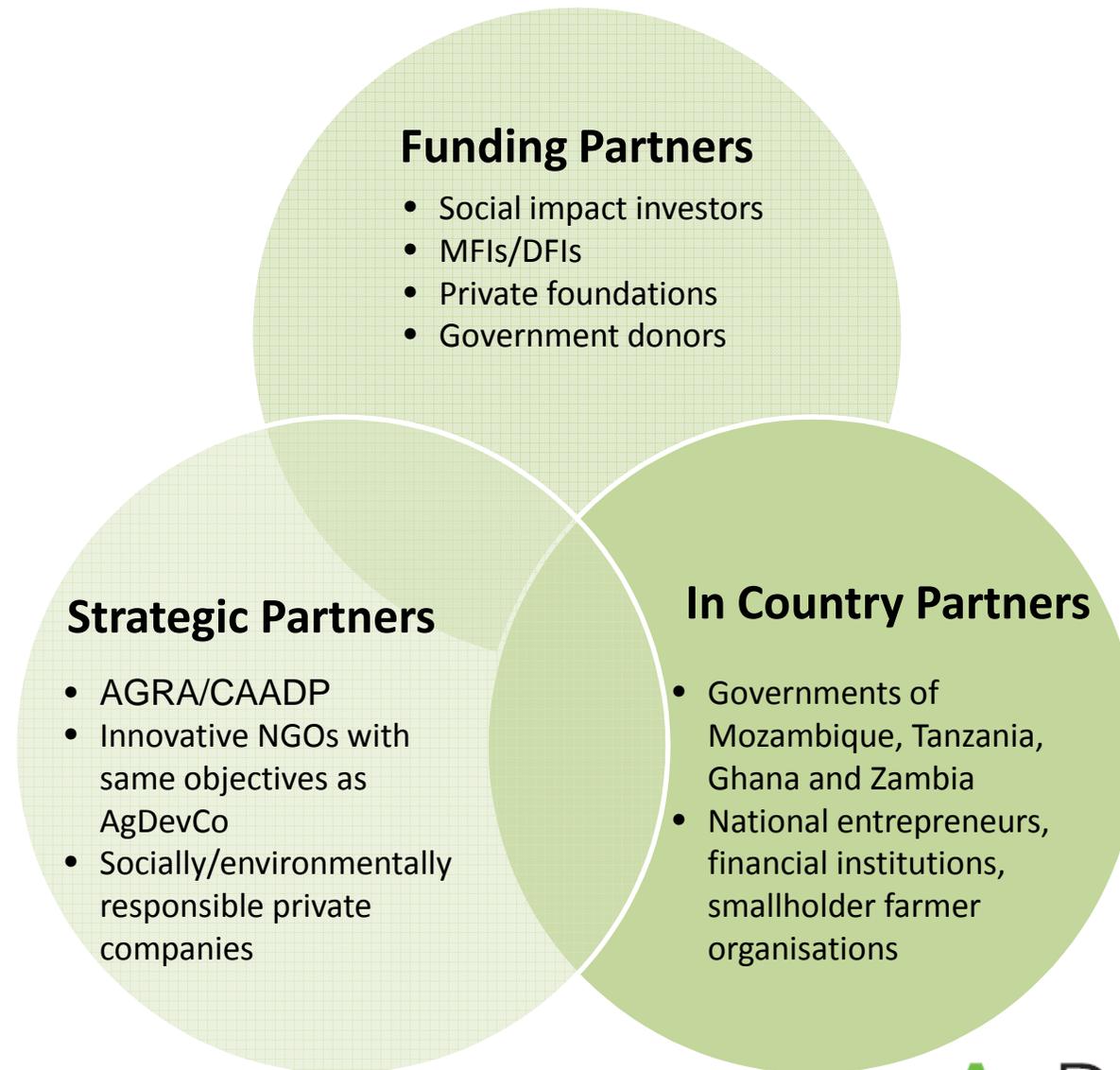
- 3-4 commercial farm hub/ outgrower schemes within 3 years

### Pipeline development:

- DRC
- Senegal
- Ethiopia
- Sierra Leone



# AgDevCo Partnerships



# AgDevCo Development Impact

## Direct benefits in first five years:

- Significant portfolio of **sustainable SME agriculture and agri-business** enterprises owned and managed by Africans
- Creation of at least **35,000 additional permanent jobs** in commercial agriculture
- At least **500,000 smallholders** direct beneficiaries – **substantial, sustainable income increases**
- Proceeds from successful exit used to further expand project portfolio. Over ten years, sustainable benefits for at least **1 million smallholder farmers** and at least **70,000 additional permanent jobs**

## Indirect benefits:

- **Induced economic activity** from increased incomes/demand for intermediate agricultural goods and services
- **Induced investment and further growth** of commercial agriculture and agri-business without need for any additional AgDevCo support
- **Improved productivity and incomes of smallholders** improves food security, nutrition and health of rural communities
- **Empowerment of rural communities** to direct future development of their area (e.g. providing village electrification, health and social facilities etc, as at Chiansi)

# Conclusions

- UK Government pledge to “focus now on finding ways to improve agricultural productivity in poor countries”
- Importance of committing resources to kick-start sustainable agriculture and agribusiness if serious about food security and poverty reduction in Africa
- Importance of ensuring smallholder farmers/rural communities share substantially in the benefits
- The ‘old’ aid models in agriculture have not worked
- But the AgDevCo business model really does work!