



VIEWS FOR THE G8



**BUSINESS SOLUTIONS FOR AFRICAN
SMALLHOLDER FARMERS TO ADDRESS
FOOD SECURITY AND NUTRITION**



**AGRICULTURE
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Expanding Opportunities World



**END HUNGER >>> GROW FARMING
FARM AFRICA**



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BUSINESS SOLUTIONS TO POVERTY



8 VIEWS FOR THE G8

BUSINESS SOLUTIONS FOR AFRICAN
SMALLHOLDER FARMERS TO ADDRESS
FOOD SECURITY AND NUTRITION

EDITED BY AGRICULTURE FOR IMPACT

WITH CONTRIBUTIONS FROM:

ACDI/VOCA

Farm Africa

Food, Agriculture and Natural Resources
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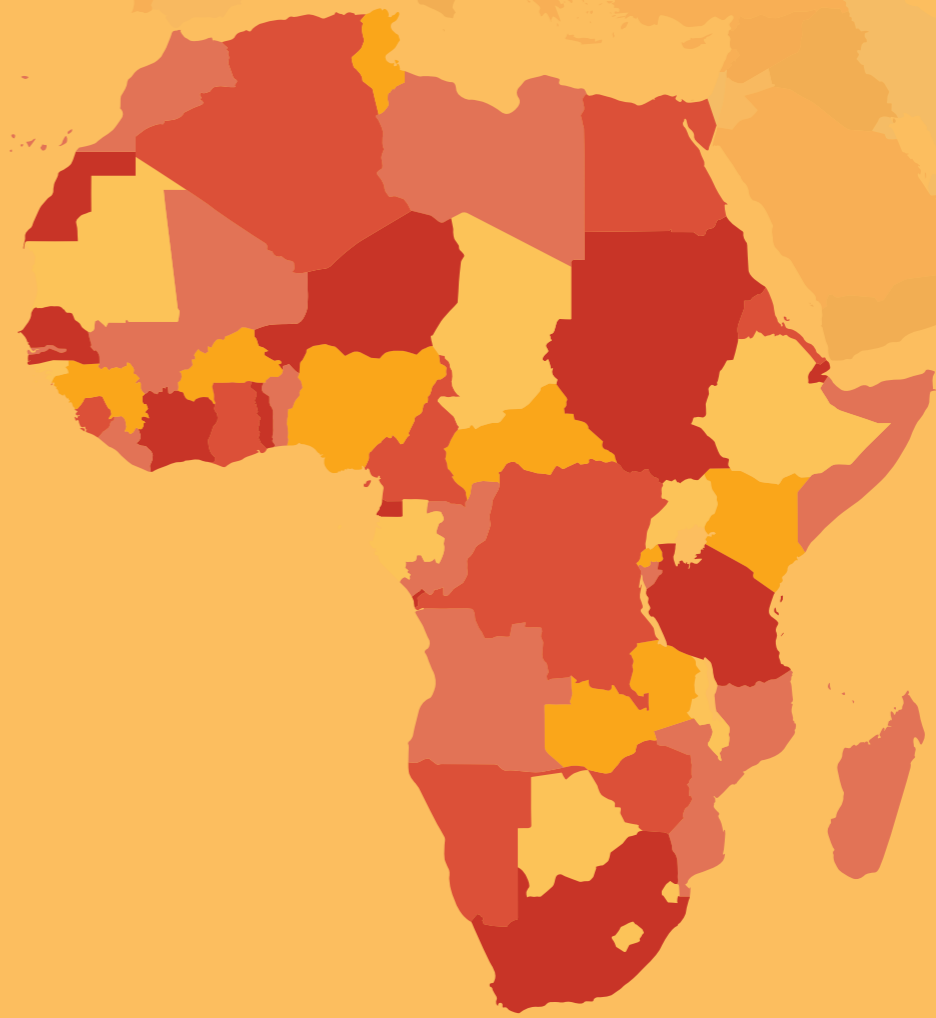
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Twin and Twin Trading



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RAY JORDAN | Chief Executive, Self Help Africa



An engineer by training, Mr Jordan lived and worked in Uganda for six years in the 1990s and subsequently was head of operations with GOAL, where he managed the logistics for all aspects of major relief missions following Hurricane Mitch in Central America and in post-Tsunami Indonesia. He oversaw the creation of Self Help Africa from the merger of Self Help Development Intl

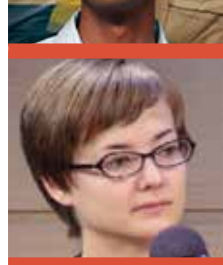
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DR MARTIN EVANS | Chair, Farm Africa



Dr Martin Evans is an agricultural economist with wide experience of agricultural and agribusiness management throughout the world. He was formerly a senior executive with Booker Tate Ltd. and non-executive Chair of Oxford Policy Management Ltd. He joined Farm Africa as a trustee in 2007 and became Chair in 2009.

BRUCE MCNAMER | President and CEO, TechnoServe



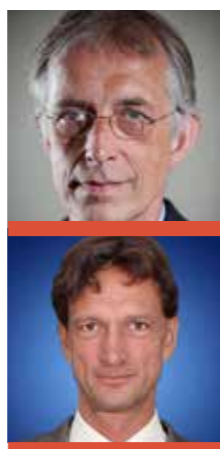
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INTRODUCTION

Finding business solutions to tackle hunger and undernutrition in sub-Saharan Africa continues to sit at the top of the global political agenda. We have seen firsthand the power that providing enterprise skills and market access can have in empowering smallholder farmers to boost their production, improve their nutrition and increase their incomes – when managed effectively and coupled with appropriate safety nets.

As the Millennium Development Goals (MDGs) expire in 2015, it will be important to set new goals that prioritise poverty and hunger eradication. Governments, donors, businesses, scientists and development practitioners alike should work together to help African smallholder farmers better access markets, as a way of increasing productivity, nutrition and incomes, and to ensure that they are sufficiently safeguarded from the risks of doing so. This joint action will need to be supported by a new set of policy and financial commitments.

In sub-Saharan Africa today, over 200 million people go hungry and 40% of children under age five are stunted due to malnutrition. By 2050, the population is set to almost double to two billion people, yet current food production systems would only be able to meet 13% of this increased demand. But, under the surface lies an agricultural sector full of promise: potentially enough land and water resources, a young rural workforce and booming trade opportunities intra-regionally and beyond.

To better link smallholders to markets, we must address:



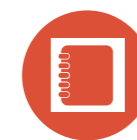
Access to such things as high-quality seed, fertilizer and other inputs, to agribusiness finance and credit tailored to smallholder farmers, to storage materials that are practical and low-cost, and to professional advice.



Public sector investment in rural infrastructure, research and extension to improve physical access to inputs, services and markets and virtual access to information, for example on agro-climatic risks. National agricultural research and extension services, traditionally used to disseminate information to farmers, are also underfunded.



Institutional capacity of farmers to self-organise at sufficient scale and complexity and thus benefit from collectively accessing credit, input and output markets.



A stable policy environment to avoid unpredictable policy shifts, non-transparent regulation enforcement, weak contract enforcement mechanisms, restrictive policy environments and discordant regional policies which hinder trade across countries.



Market information on quality standards, prices and risks as well as support and advice to assist fledgling SMEs and farmer enterprises to increase in size, impact and competitiveness.

This briefing paper is designed to complement another report entitled Leaping and Learning: Linking Smallholders to Markets in Africa, commissioned by Agriculture for Impact and researched by the Overseas Development Institute. Here, we aim to capture the views of eight leading agricultural development organisations, which are on the ground linking smallholder African farmers to markets every day. They share their organisations' perspectives on the role of enterprise in future food security and nutrition, their experiences, and lastly their recommendations to G8 leaders for how to embed enterprise development and solutions more effectively into the post-2015 agenda.



Gordon Conway

Professor Sir Gordon Conway
Director,
Agriculture for Impact



Michael Hoevel

Michael Hoevel
Deputy Director,
Agriculture for Impact

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HELPING SMALLHOLDERS ACCESS INPUTS, KNOWLEDGE AND CREDIT

BY MARTIN EVANS, CHAIR, FARM AFRICA

Over the last 25 years, Farm Africa has provided essential field-level support for improved yields on smallholder farms in Africa. However, it is very clear that without parallel support for market linkages and value addition, smallholders will not reap the full benefit of this increased productivity.

Farm Africa's particular role is to act as an effective bridge between smallholders and the private sector and government to create an enabling economic and political environment that will drive change at scale. Our experience indicates that among the effective approaches to linking smallholders into value chains are:

- **Improved seed production and distribution** with closer links to national and international research institutions
- **Improved business environments** for agricultural producer groups, including the reduction of red tape and improved access to finance and professional advice
- **'Last Mile' distribution and marketing** through commercial quality-assured franchises to address market failures
- **Appropriate funding** frameworks to help corporations work with smallholder farmers

■ CASE STUDY | SESAME PRODUCTION AND MARKETING IN TANZANIA

Sesame's market potential in Tanzania is triple the current production level; there is huge scope for farmers to rapidly increase production and access lucrative markets, provided farmers can use improved seeds and farming techniques. Sesame is particularly suitable for the Babati district in northern Tanzania as it is a crop with which local farmers are familiar; it is drought-resistant; it has multiple uses (cooking, cosmetic, industrial); and there is significant demand on the local and global markets.

“I have had training from Farm Africa to show me how to see sesame as a business. I know now how to work out production costs, how to set prices and keep records as well as how to access loans to build up my business.”

Theresa Wilbrod, a smallholder farmer who has increased her sesame yields from 4 bags to 20 bags per season due to the project. She now sells each bag for £59 rather than £15 in previous years and has increased her income from only £60 per harvest to an almost unbelievable £1180.



In the first phase of the project, Farm Africa focused on organising nearly 1,000 smallholder farmers into Farmer Producer Groups, enabling them to gain access to market information and credit facilities. Farm Africa also helped farmers test different sesame

varieties against the locally-grown variety. A value chain analysis indicated a significant potential gross margin per acre.

In phase two, Farm Africa is linking farmers to profitable markets, facilitating the formation of a sesame cooperative society and training farmers in contract management, so enabling them to secure

more profitable orders. The establishment of a warehouse with an associated receipt system means that farmers are able to use their harvests as collateral for credit. Farm Africa is also working with the farmers to help them improve sesame purity and introduce processing facilities for high value sesame oil.

■ CASE STUDY | A NEW MODEL OF LIVESTOCK SERVICE DELIVERY IN KENYA

The rearing of livestock underpins the livelihoods of millions of rural households in East Africa. Livestock are families' main asset and source of income. However, the vast majority of livestock keepers struggle to secure good quality care for their animals – with counterfeit or under-strength products, lack of access to vaccinations and unqualified input stockists making it difficult for farmers to find reliable products and technical advice particularly in remote locations. In addition, the agricultural input supply chain is inefficient and unfair to farmers and rural input suppliers. Importers and distributors receive disproportionately high net profit margins, and input manufacturers invest very little in growing and developing the market.

Farm Africa is taking a revolutionary approach to this problem. Starting in Kenya, it has set up a company called Sidai (or 'good' in the Maasai language) that is developing a network of franchised and branded Livestock Care Centres. Owned and run by qualified veterinarians, livestock technicians and other livestock professionals, each franchise provides high quality agricultural inputs, including vaccines, as well as on-farm training and advice to farmers and pastoralists.

Although operating for barely two years, Sidai has already established an excellent reputation and the Sidai brand and has 32 franchises in business and three company-run stores that act as supply and support hubs for the franchises. An estimated 60,000 households are directly benefiting, and this number is expected to reach around 300,000 within another three years.

Sidai adopted the franchising model because this is widely recognised as being an efficient way of growing a quality-based business quickly and successfully. Sidai is already the biggest buyer of livestock inputs in the Kenyan market and is driving through efficiencies in the fragmented input supply market. A key part of the value proposition to franchisees is the on-going business training and support they receive to grow these small rural businesses.

By deliberately seeking to balance its service activities between more productive, better-off areas of Kenya and more challenging, remoter and generally poorer areas, Sidai creates a new kind of private sector farmer support service for the livestock sector that can be self-sustaining yet far-reaching – without being dependent on development aid and hand-outs.

IN THE POST-2015 AGENDA, G8 LEADERS SHOULD:

- **In aid programmes, recognise** (a) the critical importance of agricultural Research and Development (R&D) in emerging market economies to developing improved varieties of crops and livestock that can help smallholder farmers combat climate change, manage their resources sustainably and raise productivity, and (b) the key role that NGOs can play in getting these improved varieties out to farmers.
- **In designing investment support programmes, ensure** that the economic and social interests of smallholder farming communities, as both stakeholders in the resources and as producers who can contribute to the wider economy, are fully recognised and incorporated.
- **Stop subsidies that undermine the local private sector** and distort local agricultural input and output markets.
- **Invest in the growth of local businesses** that provide services to smallholder farmers through impact investment funds and business development services.
- **Invest in infrastructure** (roads, electricity and water) to lower production and marketing costs from rural locations.

ADOPTING A SCALABLE OPERATING MODEL TAILORED TO AFRICAN SMALLHOLDERS

BY ANDREW YOUN, EXECUTIVE DIRECTOR, AND STEPHANIE HANSON, DIRECTOR OF POLICY AND OUTREACH, ONE ACRE FUND

Sub-Saharan Africa is one of the world's six major crop regions, and it is the only one that has the potential for significant yield improvements. Farmers in sub-Saharan Africa use 15 times less fertilizer than every other region of the world (FAO) and plant less than 20% of arable land with improved seed varieties (Brookings, 2011).

Within Africa, the majority of farmers are smallholders with less than five hectares of land. They present a tremendous opportunity for increased food production. But for any productivity gains to be sustainable, they must be driven by the private sector.

One Acre Fund is an agriculture organization that has developed a private-sector-style operating model enabling African smallholder farmers to double their income per planted acre. We currently serve over 130,000 farmers in Kenya, Rwanda, and Burundi. Our operating model is simple:

- **Distribution of seed and fertilizer**, purchasing in bulk from private-sector actors and distributing within two kilometers of where our clients live.
- **Financing**, providing up-front credit for seed and fertilizer so that farmers can repay in cash over the course of the agriculture season, with final repayment a few weeks after harvest.
- **Training**, via a network of over 1,000 full-time field staff who train farmers on best agriculture practices in the fields where they live and work. The trainings are interactive and easy to adopt.
- **Market Facilitation**, offering extensive training on post-harvest handling and storage, so that farmers can store their surplus and sell when market prices are highest.

CURRENT CHALLENGES IN LINKING SMALLHOLDER FARMERS TO VALUE CHAINS

One Acre Fund designed its operating model to address the biggest obstacle that smallholder farmers face: access. Farmers need access to high-quality seed and fertilizer at a place close to their farms; seed and fertilizer companies struggle to distribute their inputs to extremely rural farmers in a cost-effective way. Though fertilizer was invented a century ago, and is responsible for nearly half of global yield gains, it is still virtually unknown to African smallholder farmers.

A secondary obstacle that the private sector faces is right-sizing. Tools and technologies to increase agriculture productivity already exist. But many of them are not designed for a smallholder farmer. For instance, farmers need access to credit to purchase the technologies that will make their land more productive. Yet most commercial banks do not offer loans that are tailored to agricultural seasons. Farmers need storage materials that are practical and low-cost; large warehouses are expensive to reach and not practical for storing small surpluses.

“Capacity building along value chains will continue to be a challenge and assistance from our private sector partners such as One Acre Fund is welcome. We are beginning to see an increase in agricultural credit and small scale farmers are taking advantage of increased access to certified seed and fertilizers to enhance food security.”

Dr. Wilson Songa, agriculture secretary, Ministry of Agriculture in Kenya

One Acre Fund primarily distributes seed and fertilizer, but we also aim to innovate and develop new products and services to deliver to our customers. In 2010, we started pairing weather-indexed crop insurance with all our loans in Kenya. In 2011, we started distributing solar lights on credit. Both products have now expanded to our Rwanda operation.

When smallholder farmers have access to technologies that are tailored to their needs, within walking distance of their homes, they can double their productivity per acre.

“One Acre Fund makes a tremendous impact on the value for improved seed technologies by disseminating good agricultural practices among Kenya’s smallholder farmers.”

Saleem Esmail, head of Western Seed

PROFILE | BETTY SANGURA, SMALLHOLDER MAIZE FARMER IN WESTERN KENYA



Betty Sangura sits in the modest living room of her home in Mukwa, western Kenya, propping her infant son Isaac on her lap. Isaac is only seven months old, but he looks as if he's approaching 18 months. Every part of his body that is visible is chubby.

“If I were not a One Acre Fund farmer, my life could be very, very poor because I wouldn't have food in my home,” she says. “Before One Acre Fund, I could not purchase food or fertilizer.” During that time, Betty would plant two acres of land and only produce five bags (1/3 ton) of maize. That was not enough to feed her family, so they would experience a “hunger season” for several months of the year.

In 2008, Betty joined One Acre Fund as a farmer group leader and enrolled half an acre of land. She harvested eight bags of maize, and since that

year, she has steadily increased the amount of land she plants with One Acre Fund. Her harvests have increased accordingly, and she has not had a single hunger season.

Now, Betty can afford to buy beans, chapatti (Indian flatbread), tea, and sweet potatoes for her family of seven, as well as to pay school fees for all her children. Betty holds up Isaac, as if to illustrate that his plumpness is proof of her family's life improvement.



IN THE POST-2015 AGENDA, G8 LEADERS SHOULD:

- **Prioritize smallholder-farmer-led agricultural development** as a viable means of helping feed the world.
- **Fund agriculture organizations** that have a revenue model, as these are focused on developing products and services that their clients—smallholder farmers—want. Farmers are the best people to evaluate what they need to increase their land's productivity. Organizations with a revenue model are also more likely to be sustainable.
- **Create a fund that invests in the most innovative methods** of distributing improved seed and fertilizer to smallholder farmers. Improved seed and fertilizer are necessary to jump-start yields increases in Africa. We must invest in innovative ways to distribute these basic technologies to farmers.

LINKING RURAL SMALLHOLDER ENTERPRISE WITH INTERNATIONAL MARKETS

BY RAY JORDAN, CEO, SELF HELP AFRICA

For almost 30 years, Self Help Africa has been working with smallholders across sub-Saharan Africa to increase productivity through sustainable agricultural intensification, diversification and greater integration into markets.

At the core of the organisation is a belief that encouraging rural enterprise will enable smallholder communities to achieve a better quality of life, through diversified farming systems that lead to increased incomes and improved nutrition. Our work is not just about growing food but also views farming as a livelihood strategy and business. Key to delivering on this potential is to support farmer-led organisations - including agriculture cooperatives, savings and credit cooperatives and commodity-orientated producer groups.

Working together enables smallholders to get greater returns from their agricultural activities and to diversify into non-farm enterprises. A key aspect of our support to smallholders is to strengthen their position and rights in agricultural value chains by helping them develop financially and institutionally sustainable organisations.

We provide training and create sustainable extension services so that smallholder farmers have better access to quality inputs, business skills and current market information, thus enabling them to make informed decisions about their farming practices. To enable the move beyond subsistence, we promote 'farming as a business' by helping smallholders to engage with the private sector through contact farming, outgrower schemes and agribusiness development.

CURRENT CHALLENGES IN LINKING SMALLHOLDER FARMERS TO VALUE CHAINS

Cooperatives, farmer producer groups, aspiring entrepreneurs in the agribusiness sector - all of these entities, if they operated in the developed world, would have access to a range of public and private-sector services designed to assist them grow and link to new markets.

In Africa, there is a vacuum of support and advice to assist these fledgling Micro, Small and Medium Enterprises (MSMEs) to increase in size and impact. Farmer organisations and cooperatives in particular are very often limited in scope and capacity and, without structured supports, will continue to struggle.

As a result, these businesses often fail to benefit local communities or nations, but exist simply as a conduit for transferring agricultural produce to another area. Product development is stifled and there are few mechanisms, if any, to disseminate information to farming communities on growing for particular markets.

Access to agribusiness finance is a key sticking point. There is a lack of support to small-scale agribusinesses at a pre-competitive stage, to enable them not only to purchase at harvest time (i.e. when purchasing harvested crops from farmers), but also to compete in the open regional or international market on volume, price, quality and delivery.

Building 'investor-ready' agribusinesses is the challenge, since it is through these businesses that a sustainable impact on rural poverty can be achieved. Meeting this challenge will require a coordinated response from across the public, private and 'impact' sectors.

Cooperatives, farmer producer groups, aspiring entrepreneurs in the agribusiness sector - all of these entities, if they operated in the developed world, would have access to a range of public and private-sector services designed to assist them grow and link to new markets.

■ CASE STUDY | MANGO PRODUCTION IN MALAWI

In Malawi, in 2012, we partnered with a private sector entity, Malawi Mangoes Ltd., to support the supply of mangoes for juicing and subsequent export.

Mangoes have short seasonality of around one month, and while smallholder farmers, particularly women, are increasingly picking the fruit to sell locally in Malawi, markets are informal and prices are low. There is significant potential for farmers to increase returns from mangoes through value-addition and processing. This would also make mango and mango products available throughout the year with a positive effect on household nutrition.

By introducing improved mango varieties and other agronomic supports, training farmer groups and linking this activity to the facility operated by Malawi Mangoes Ltd. (which is negotiating contracts with major buyers in the region, as well as in the Middle East and Europe), our work is helping smallholder farmers to access the valuable mango value chain and boost household income and food security. Our work in mango value chain development is supported by the UK Department for International Development (DFID) and through the African Enterprise Challenge Fund.

■ CASE STUDY | CASHEW PRODUCTION IN BENIN

In Benin, we joined with two private sector partners - PepsiCo and Tolaro Global, a Benin-based processing facility - to support the increased supply of cashew nuts from smallholder farmers to the international market.

Small cashew farms in the region are characterised by low productivity and poor access to markets, with much of the crop's value being captured by a network of buyers linked to processing facilities located outside the region.

The PEPSICA project aims to increase farm productivity through the promotion of better agronomic practices and by increasing access to better varieties. As part of this work, farmers are being encouraged to join more formal cooperative-type groups, through which extension can be channelled and which serves as a foundation for long-term development of cashew enterprise.

The local processor, Tolaro, is supporting the initiative by contributing to farmer training on quality and through the development of model farms, while PepsiCo and its affiliates provide a potential route to European and U.S. markets. The initiative is being supported by PepsiCo and by the African Cashew Initiative.



IN THE POST-2015 AGENDA, G8 LEADERS SHOULD:

- Support initiatives designed to increase the business capacity of MSMEs - including farmer groups and cooperatives - in the agribusiness sector across Africa;
- Promote initiatives designed to support the transfer of research findings into practice, such as improved seed technology to African smallholders;
- Support increased financing initiatives for African agribusiness MSMEs, for whom the commercial lending sector is very often out of reach.

FOOD SAFETY IN THE GROUNDNUT VALUE CHAIN IN MALAWI

BY NICOLAS MOUNARD, MANAGING DIRECTOR, TWIN AND TWIN TRADING

Facilitation of smallholder value chains in collaboration with likeminded businesses and local partners is central to Twin's approach to development. We are working to redress some of the imbalance in trade by unlocking value in the chain for marginalised producers, often pushed to the brink by factors beyond their control, including commodity speculation, climate change and conflict. Twin connects smallholder organisations to new markets by supporting certification, including Fairtrade and organic; improving quality through technical training; and forging long-term relationships with brands invested in the story of their suppliers.

We are making the business case to industry and smallholder cooperatives alike to sustainably shape production systems that are equitable and support local food and ecological systems as a prerequisite rather than a consequence of successful international trade.

Twin faces many barriers in linking smallholders to value-added markets, not least because we engage some of the most marginalised farming communities where poverty, poor local infrastructure and services and a precarious climate converge. In a world where 90% of the global grain trade is dominated by five multinationals, trading with big business in developed countries with commodity market know-how can be understandably overwhelming. Disseminating information on nuanced concepts such as quality and price risk to hard to reach smallholders often with low education levels is a challenge, which is why supporting smallholder organisations and the cooperative movement is essential to overcoming these barriers.

■ CASE STUDY | GROUNDNUT VALUE CHAIN IN MALAWI

Twin is engaged across the smallholder nut supply chain: supporting producers in Malawi in improving farming practices; adding value to products in-country; accessing new markets; trading and marketing products; as well as reaching out to consumers in partnership with Liberation CIC, a UK-based company set up by Twin with 44% farmer ownership.

Food safety is a key challenge in linking farmers to local and international food markets. In the 1960s, sub-Saharan Africa was responsible for 90% of global groundnut exports and today this figure has fallen to less than 5%, largely due to strict import regulations on levels of aflatoxin in food. Aflatoxin is a carcinogen caused by a mould which grows on a variety of staple crops, including groundnuts. Unlike Twin's other main product categories of coffee and cocoa, groundnuts are not just a cash crop; they are a great source of protein and nutrition in the countries where they are grown. Twin recognises that we have an equal duty to ensure the quality and safety of nuts consumed locally as those sold onto international markets.

As well as costing Africa \$750 million in export losses to the EU each year, the consumption of contaminated food leaves 4.5 billion people chronically exposed to aflatoxin, contributing to immune disorders, childhood

stunting and 28% of liver cancers globally. Twin is seeking to address these serious public health impacts through education programmes, proper storage, infrastructure investment and simple technologies. These measures not only make food safer to eat, they improve nutrition and health, reduce waste, create efficiencies and can generate income.



Critical contamination points are identified from production to consumption. At the pre-harvest level, awareness raising combined with media work is used to communicate the health risks to smallholder communities. Gender-sensitive training on control and management best practice is also being rolled out on farms to enhance quality and safety and secure more reliable access to markets as well as increasing productivity by creating efficiencies, reducing loss and promoting new practices.

In response to the lack of post-harvest infrastructure and equipment to support appropriate drying, shelling and storage, Twin has identified a cluster of interventions. A simple example is the promotion of mechanical hand shellers, which create efficiencies, prevent contamination and reduce waste. This results in greater volumes for smallholders, contributing to food security and sustainable livelihoods through trade.

“From what we learned, we now know that aflatoxin is associated with careless methods of harvesting and drying the groundnuts and even storage. The simple act of planting my groundnuts late into the rainy season can also put my harvest at risk of aflatoxin contamination. This is why today, I am working hard to ensure my one acre of groundnuts grown is planted at the right spacing and with first planting rains; is kept weed free; and harvested at the right time.” With the training received in aflatoxin, I am now making sure I dry and store my groundnuts the appropriate way and have them ready for the market.”

Consolata Mkowa, groundnut producer in Malawi

Afri-Nut, a groundbreaking nut processing business in Malawi set up by Twin in partnership with national organisations to add value in-country, can separate out contaminated and safe nuts. The best quality nuts are sold to Fairtrade markets that offer a premium for smallholders and for Ready to Use Therapeutic Foods (RUTF) to treat the severely malnourished.

For any contaminated nuts, investment in new product development such as nut oil, a product in high-demand, establishes an income generating use for nuts that otherwise might be wasted (as nut oil from unsafe nuts can be filtered to remove the toxin while the by-product, groundnut cake, can also be processed into safe animal feed). Without this element of income generation, there is a significant threat that desperate communities will consume rather than dispose of unsafe products in the face of hunger.

Liberation Foods CIC works to create demand for Fairtrade nut products in Europe and to improve quality management practices along the value chain with the goal of raising safety standards. Farmers learn about trading and the UK marketplace and gain a platform to tell their story to consumers, adding further value to their product.



IN THE POST-2015 AGENDA, G8 LEADERS SHOULD:

- **Recognise and invest in smallholder cooperatives** and associations to enhance food security.
- **Ring fence resources for smallholders** – essential for global food security – to share the burden of climate adaptation. Investment should be delivered via smallholder organisations and NGOs, not only via national governments.
- **Finance innovative gender initiatives in agriculture**, which deliver transformative change with scale and long-lasting impact.
- **Include food safety issues**, including mycotoxin control, across areas relevant to food security, nutrition and health.
- **Invest in crop drying, storage and primary processing** at the household and smallholder level and within the private sector.

TECHNICAL AND BUSINESS SUPPORT TO ENHANCE MARKET OPPORTUNITIES FOR ETHIOPIAN COFFEE PRODUCERS

BY BRUCE MCNAMER, PRESIDENT AND CEO, TECHNOSERVE

It is a cruel irony that the two billion people who live and work on small farms face the greatest struggle to provide enough food for their families. The only way to increase food security and improve lives at scale is through the power of markets and free enterprise.

TechnoServe believes that a successful farm should be an integrated and diversified system, where multiple crops help to ensure food security and manage risk. Cash crops such as coffee or cocoa can help increase incomes and build resilience. Higher incomes from cash crops can be leveraged to boost productivity of food crops such as maize or rice, which in turn can offer a new market opportunity.

Markets are critical on the supply side as well. Farmers need sustainable access to agricultural inputs, advice, finance, storage and transport. These goods and services offer a business opportunity for local entrepreneurs or agribusinesses that is relevant to both food and cash crops. And information and communication technologies are opening up new possibilities for providing farmers with vital information.

Above all, smallholders benefit from viewing farming as a business. This often requires training in basic business and financial literacy. Value chains also benefit from well-governed and transparent farmer business groups.

CURRENT CHALLENGES IN LINKING SMALLHOLDERS TO VALUE CHAINS

Smallholder farmers in developing countries face a number of challenges. Access to agronomy and market information is limited. Many farmers lack basic business skills. Value chains are fragmented and farmers find it difficult to access markets that pay a fair price. Poor infrastructure makes it difficult to get crops from the field to the buyer.

Even when obstacles such as these are overcome, the challenge remains scaling successes up to the point where they become commercially sustainable across the value chain. Often, agricultural development initiatives are pilots or small-scale efforts. When a critical mass of a value chain is operating efficiently, the market will step in to fill support roles. But there is a cost to transforming smallholders into commercial farmers. Who will invest in training farmers, supporting rural enterprises and improving the business environment? Sustainable change requires a sustained commitment from donors

■ CASE STUDY | QUALITY IMPROVEMENTS HELP ETHIOPIAN COFFEE COOPERATIVE CONNECT TO SPECIALTY MARKET

Duromina is a coffee cooperative located in southwestern Ethiopia. Coffee has grown in this area for generations but was always processed using the dry, or natural, method. Farmers typically paid little attention to quality, resulting in low farm-gate prices and coffee incomes.

In 2010, more than 100 coffee farmers banded together to form Duromina. With technical support and business advice from TechnoServe, the members constructed a wet mill and started processing fully washed coffee for the first time.

Two years later, an international panel of professional judges gave Duromina's coffee the highest score in



a regional cupping competition. Duromina's top-quality coffee brought in more than \$600,000 in sales that year, with four major international roasters purchasing 71 metric tons of green coffee and paying premium prices. The cooperative's 133 members earned prices that were 50% higher than what they received from local traders.



With their new income, Duromina's members collectively invested in building a bridge for their remote community, which used to be inaccessible during the rainy season. They have improved their homes, and more farmers can afford to send their children to secondary school and even beyond to university.

Duromina is just one example of a business that has benefited from a programme, supported by the Bill & Melinda Gates Foundation, to develop the coffee value chain in four East African countries. TechnoServe helped farmer cooperatives to install wet mill factories that improved the quality of their coffee while also training farmers in best agronomy practices to boost their yields. This effort has supported the creation of 285 sustainable rural businesses that are generating income and

jobs in their communities. We reached 195,000 farmers, helping them to earn on average 37% more income from their coffee. Industry partners, such as coffee exporting companies, commercial banks and international roasters are also being linked to TechnoServe clients to address their financing and marketing needs.

Peet's is constantly searching for distinctive coffee that meets our rigorous standards of quality. Through our collaboration with TechnoServe, a win-win was created. We were able to secure distinctive coffee from East African smallholder farmers and market it as a new blend, "Uzuri." Farmers could earn a higher price for their product, and Peet's customers could discover the distinctive taste of East African coffee, the birthplace of coffee.

Doug Welsh, Vice President of Coffee, Peet's Coffee & Tea

IN THE POST-2015 AGENDA, G8 LEADERS SHOULD:

- **Invest in scaling emerging successes.** Donors often want to invest in innovation, but it may be more effective to bring proven solutions to scale. The UK Department for International Development in particular has shown a willingness to commit to follow-on funding for successful programs.
- **Invest in country public-private partnership platforms** that work in high-impact value chains and ensure they have strong, autonomous management teams that are accountable for results.
- **Provide integrated funding for monitoring and evaluation,** knowledge generation, research and implementation in an iterative learning cycle. Knowledge functions should be closely tied to implementation in order to achieve programmatic excellence.
- **Push for common principles for engaging the private sector** in public-private partnerships. Setting standards of practice for aspects such as transparency, measurement and community engagement can bring clarity to programs and mitigate against negative perceptions of participating companies.

INTEGRATING SMALLHOLDERS INTO INCLUSIVE MARKET SYSTEMS

BY CARL H. LEONARD, PRESIDENT AND CEO, ACDI/VOCA

ACDI/VOCA works to make market systems more inclusive and competitive in ways that benefit the poor. Working through a mix of private and public sector actors, we facilitate the provision of technical assistance that is largely embedded in business operations to make it more sustainable.

Higher yields resulting from improved access to appropriate technologies and services, as well as increased storage, processing and marketing efficiencies, allow smallholders to more effectively contribute to, and benefit from, competitive food chains. Nevertheless, scale limitations can make food production a poverty trap for many smallholders. ACDI/VOCA therefore applies a **push/pull strategy** to support smallholders' entry into increasingly profitable value chains. "Push" interventions directly address socioeconomic constraints to market engagement; "pull" strategies foster increased profits through upgrading and higher-value crop mixes.



CURRENT CHALLENGES IN LINKING SMALLHOLDERS TO VALUE CHAINS

Farmer groups generally lack the institutional capacity for effective advocacy and have limited access to finance, technical services and inputs. A lack of member trust further reduces the potential for aggregate sales. Administrative regulations create disincentives to group registration, which in turn limits group engagement in formal market transactions.

Insufficient public sector investment in rural infrastructure and agricultural research and extension services limits farmers' access to timely and adequate inputs, services and markets. Unpredictable policy shifts, non-transparent regulation enforcement and competition from poorly designed government- and donor-funded projects stifle the willingness of the private sector to invest in critical food enterprise services, storage, processing and transport. Weak contract enforcement mechanisms lead to ad hoc and under-developed business relationships.

With limited access to knowledge, market information and technology, product quality is variable, reducing marketing options and price margins for smallholders. A lack of improved on-farm and community-based storage and scarce financial services make harvest-time sales inevitable, decreasing returns to farmers and reducing their willingness and ability to invest in agriculture.

■ CASE STUDY | KENYA MAIZE DEVELOPMENT PROGRAMME (KMDP)

ACDI/VOCA implemented the USAID-funded **Kenya Maize Development Programme (KMDP)** with the Cereal Growers Association of Kenya, Farm Input Promotions Africa Ltd. and the Kenya Agricultural Commodity Exchange. In collaboration with the Ministry of Agriculture, KMDP established a network of 160,000 private-sector-sponsored demonstration plots and helped mobile phone companies see the business case for disseminating market price information, weather alerts and extension messages via SMS for the price of a local call.

KMDP facilitated linkages between farmer organizations and agribusinesses through agricultural



fairs and promotional events, and stimulated incentives for farmer organizations to provide improved services to members. From 2002 to 2011,

KMDP quadrupled smallholder farmer maize yields from 720 kg to 2,880 kg per acre while reducing harmful environmental practices. The increase in

marketable surplus resulted in increased earnings of \$208 million for 370,000 smallholder farmers, a third of them women.

■ CASE STUDY | SUSTAINABLE COCOA ENTERPRISE SOLUTIONS FOR SMALLHOLDERS (SUCCESS) ALLIANCE

Recognizing the economic importance of cocoa to smallholder farmers, and the international cocoa industry's need for diversified sources, the **Sustainable CoCocoa Enterprise Solutions for Smallholders (SUCCESS) Alliance** operates in eight countries, including Liberia and Ghana, to address constraints

Mars and SUCCESS Alliance have had an "uncommon collaboration" for many years. The key to a tractable relationship has been our ability to rethink our programs when needed, realizing that it is hard to make decisions in changing circumstances but that this is the key to real success. In those circumstances we restructured our projects with improved criteria for deliverable measures for the benefit of the smallholder cacao farmer. The ability to fulfill the expectations of the farmers to improve their lives through the growing of cacao has been the true measure of our success.

Howard Shapiro, Chief Agricultural Officer, Mars Inc

to cocoa production and marketing to increase the competitiveness and sustainability of the sector. Mars, Inc., Armajaro, Askinosie, Cargill, Hershey, Kraft, Nestlé, Olam, Ristocacao, Touton, Transmar and other commercial allies work, under the auspices of the World Cocoa Foundation, with USAID, USDA and ACDI/VOCA.

The SUCCESS Alliance focuses on farmer education and productivity gains, product improvement and market transaction efficiencies with impressive results. In Liberia, for example, farmers have seen their returns from cocoa multiply from \$0.36/kg in 2007 to \$1.50/kg today (representing an increase from 22% of the Free on Board (FOB) price to over 60%). The Alliance leverages significant private industry resources through financing and technical support for production and processing improvements, and it builds relationships between industry stakeholders and farming communities through face-to-face meetings and volunteer placements.



IN THE POST-2015 AGENDA, G8 LEADERS SHOULD:

- **Invest in public infrastructure**, gender-sensitive agricultural research and extension services to transfer technologies appropriate for one-hectare farms. Invest also in public health, water and sanitation, and education that will enable a productive workforce to move out of agriculture to alternative employment as the rural economy develops.
- **Promote a socially inclusive, business-friendly policy environment** for the food and agriculture industry, with transparent, non-bureaucratic import/export and business licensing, simplified farmer group registration, and free food-product movement across domestic and external borders. Encourage the adoption of predictable, rules-based forms of state operations in food markets to promote private sector food and agriculture investments.
- **Facilitate coordination between donors and investors** to enable female and male farmers to increase productivity, shift from low-value staples to higher-value commercial crops, and reduce post-harvest losses through improved food storage and processing. Facilitate private sector investment in agricultural infrastructure and services that meet the needs of smallholder farmers, such as storage, commercial milling, food processing and transport.

REGIONAL SEED SECURITY FOR SOUTHERN AFRICA

BY LINDIWE MAJELE SIBANDA, CEO, FOOD, AGRICULTURE AND NATURAL RESOURCES POLICY ANALYSIS NETWORK (FANRPAN)

As an Africa-wide network of public, private and civil society organisations, FANRPAN uses its convening power to organize policy engagement platforms at the national and regional level where a diverse group of actors can have a dialogue and negotiate their interest in a neutral setting. FANRPAN members align with the conviction that enterprise development is one of the key drivers for enhancing agricultural productivity and food security, especially in the developing countries. We understand food security as a complex and multidimensional phenomenon that includes availability, access, utilization, stability as well as socio-economic and environmental aspects.

FANRPAN's integrated approach to policy engagement involves mobilizing strategic partnerships across Africa to build capacity across the value chain and generate evidence to influence decision-making and promote further learning through various forms of written, electronic and social media.

But enterprise development must be shaped and implemented in such a way that a majority of smallholder farmers are able to realize these gains. With their weak technical capacities, these farmers are often not able to produce the quality and quantity required to satisfy market demands. Their inability to self-organize also prevents them from collectively accessing both input and output markets and to benefit from economies of scale. A restrictive policy environment also impedes the creation and growth of agricultural enterprises of any scale and scope while the lack of harmonized regional policies hinders trade across countries. These challenges and other systemic blockages have to be addressed if enterprise development is to enhance food security in sub-Saharan Africa.

■ CASE STUDY | THE HARMONISED SEED SECURITY PROGRAM (HASSP)

Launched as a pilot study in four countries (Malawi, Swaziland, Zambia and Zimbabwe), the Harmonised Seed Security Programme (HaSSP) aims to address the complexity of the seed challenges smallholder farmers in Africa face. The HaSSP program reviews policy environments at regional and national levels and analyses how they can be streamlined to encourage enterprise development as a driver of food security. The areas of focus are to:

1. Align national seed policies with the seed regulatory system of the Southern African Development Community (SADC) region in order to increase the flow of good quality seeds across national borders and thus increase seed availability and access for farmers.
2. Develop the technical and organisational capacity of smallholder farmers to produce good quality seed, develop their seed enterprise and create access to information and markets – especially for women farmers and for resource-poor farmers.
3. Coordinate strategic partnerships and develop partners' capacities to understand, support and be more responsive to the demands of the smallholder seed production system and to sit at the interface between regional

and international bodies. Partners include government, private sector, civil society organisations, farmer organisations and research institutions.

4. Create and facilitate engagement platforms, providing a "safe space" for various stakeholders to have a dialogue, share experiences and negotiate around specific issues of common interest.
5. Develop the advocacy capacity of champions to represent and amplify the voices of farmers at national, regional and global events, as well as equipping 'elders' (e.g. former ministers, former Permanent secretaries and other respected and influential persons) with evidence and tools to strategically navigate and deal with systemic blockages in the seed system and to create linkages with high-level people in each country.
6. Generate the Seed Systems Knowledge Base, which holds valuable data about the status of seed development in the four pilot countries and which can be accessed online.



The HaSSP program has conducted a series of study reports, field trips, vision workshops as well as training workshops and manuals, with 405 people participating in the HaSSP regional workshop over the three-year period, 62 % of whom were women. Each of the four pilot countries has also drafted legislation to align to the SADC seed regulatory systems, including the seed variety release system, seed quarantine and phytosanitary measures as well as certification and quality controls.

The number of community seed grower enterprises grew from 189 to 316 farmers in one season (2010/11 - 2011/12) and the number of seed types also expanded from ground maize, ground nuts and beans in the first season to include soyabeans and rice seeds in the second season. Farmers from Zaka District in Zimbabwe have also begun to export their seeds to neighboring Zambia. Seed analysts and seed inspectors were also trained in each of the four countries.

“Regional collaboration is always beneficial because you are harnessing resources from across borders and increasing the market base. The benefits that accrue to individual countries will depend on their competitive advantage and the capacity of actors to take advantage of opportunities.”

Mr. Munhamo Chisvo, Zimbabwe HaSSP participant



IN THE POST-2015 AGENDA, G8 LEADERS SHOULD:

- **Harmonize seed service delivery systems** to support smallholder farmers in producing good quality seeds that meet certification standards and to provide appropriate training, regulatory process and an enabling environment.
- **Develop an integrated approach and comprehensive funding mechanisms** for agricultural enterprise development to address emerging challenges systemically and flexibly.
- **Support strategic partnerships** between individual farmers, farmer organisations, researchers and technicians, the private sector, government, development agencies, CSOs, to harness their respective expertise and build efficiencies in working toward shared goals at the local, national and regional levels.
- **Create “safe platforms”** for dialogue where actors can negotiate their interest.
- **Select and invest strategically** in developing the capacities of policy advocates such as 'elders' who can open the doors to relevant decision makers, and also amplify the voices of farmers.

DELIVERING SCALE AND SYSTEMIC SOLUTIONS TO SMALLHOLDERS

BY ALLERT VAN DEN HAM, CEO AND EELCO BAAN, SENIOR STRATEGY OFFICER AGRICULTURE, SNV NETHERLANDS DEVELOPMENT ORGANISATION

Agriculture contributes significantly to economic growth in Africa; it accounts for 65% of total employment and 32% of GDP. Small-scale family farmers, pastoralists and forestry people, or “smallholders”, have proven to be viable economic agents if they receive the necessary support. They can contribute significantly to food chains and feed rapidly growing populations. Smallholders are competitive in strategic sub-sectors, mainly through lower costs in managing labour, superior local knowledge and resilience. Good examples include the adoption of hybrid maize in much of Southern Africa; tea and the dairy revolution of East Africa; and cotton, cacao, grains and meat production in West Africa.

Functioning markets are key to addressing the multiple facets of agricultural development. Globalising markets create unprecedented production and trade, offering numerous economic opportunities for farmers and processors, yet, at the same time, many African countries have become dependent on imports. Africa’s supermarket revolution is reaching out to a quickly expanding urban consumer market while also competing with traditional farming and food cultures. Demand for agricultural and livestock products is increasing by 2.5% per year, yet over 85% of all food consumed still comes from domestic markets and short supply chains, often through well performing, local trade networks.

CURRENT CHALLENGES IN LINKING SMALLHOLDERS TO VALUE CHAINS

Challenges in linking farmers to markets can broadly be grouped into three categories:

- 1. Supply and value chain primary process (‘from farm to fork’):** input supply, production, post-harvest handling and storage, processing, transport and trade;
- 2. Service provision in chains (‘adding value’):** both public and private, such as financial services, business services, technology and product development, extension, vocational training and infrastructure; and
- 3. Enabling environment and policy dialogue (‘getting the basics right’):** rules and regulations, legal framework, sector policies on trade, prices, finance and natural resource access.

The agro-processing sector mainly comprises Small and Medium Enterprises (SMEs), which are considered the backbone and the engine of economic growth. A vibrant SME sector is instrumental in linking smallholders to market opportunities and in developing an efficient and competitive agro-food sector. Nevertheless, SMEs in low-income countries face difficulties in getting access to equity investment or loans for their business, compared to SMEs in high-income countries.

The key response of SNV to these challenges is to provide smart and scalable market-based solutions throughout the value chain linking innovative business initiatives to smallholders to take advantage of emerging market opportunities. The aim of SNV is to increase smallholders’ income and employment opportunities while improving the food security and livelihoods of poor and vulnerable groups and strengthening the environmental sustainability of agricultural production to meet the challenges of a changing climate.

■ CASE STUDY | INCREASING FOOD STOCKS AND SALES THROUGH FARM MANAGEMENT SYSTEMS IN BURKINA FASO AND MALI

In Burkina Faso and Mali, crop prices are volatile, farm production costs are rising and maintaining crop productivity is a challenge. In response, farmers have organised themselves into associations with the support of SNV to provide members with agricultural advisory services (“Family Farm Management System”) for more balanced technical and financial management of their farms.

Over 85,000 people have directly benefited from this system, improving their food security and boosting

their incomes through better storage of grains and increased cotton and maize sales. For example, through SNV support (training, business planning, and bank guarantees) an association in the Béléco area of Mali began to specialise in seed production and maize commercialisation (in addition to cotton). Production has tripled for its 2,000 members, and turnover has doubled to €87,000 per year over a four year period with 10% of maize production sold to state food agencies and to the World Food Programme.

■ CASE STUDY | SCALING INPUT PROVISION TO SMALLHOLDER FARMERS VIA AGRO-DEALERS IN ZIMBABWE

The Rural Agro-dealers Restocking Programme (RARP) in Zimbabwe, coordinated by SNV, is a market-led approach to revitalising agricultural production after it collapsed in the wake of a political crisis. Addressing key needs and risks for smallholders, the programme focuses on restocking agro-dealers with agricultural inputs to help farmers obtain sustainable returns on their agricultural enterprises. To achieve this, SNV partners with wholesalers, agro-dealers, and development agencies DANIDA, the Food and Agriculture Organisation of the United Nations (FAO), and HELP (Germany) as well as local capacity builders to improve the performance of dealers and others.

A relatively simple model, RARP required only a small investment (a total amount of \$112,000) to insure the financial risks of linking agro-dealers to



“We have learned a great lot in the past one year; this has been a wonderful experience (working with agro-dealers). They have enabled us to increase our market penetration by almost 60% since we started working with them. Our aim is to have an agro-dealer in every ward, especially to increase availability of our organic fertiliser to farmers.”

Nico Orgo (PvT) Ltd. Fertilisers, Zimbabwe Inc

wholesalers to receive agricultural inputs. In all, 659 agro-dealers participated, of which some 500 were also trained in retail business management. The agro-dealers distributed inputs worth over \$9 million through voucher and cash sales. An estimated 113,800 farmers accessed inputs in this way. Now in the programme’s third phase, a further link has been made to the marketing of agricultural produce, ensuring markets for farmers who saw increased productivity due to the programme.

IN THE POST-2015 AGENDA, G8 LEADERS SHOULD:

- **Ensure that targets for food security and environmental sustainability** are included (in addition to income and employment metrics) in order to enhance more sustainable and inclusive growth.
- **Support the development of local sourcing**, local markets and local entrepreneurship, including SMEs in combination with services adapted to local contexts and preferences.
- **Promote inclusive and sustainable investment** by the public sector, private sector and in blended models and adapt existing global frameworks to reflect this (e.g. ‘Principles of Responsible Investment in Agriculture and Farmland’ and ‘Guidelines on Responsible Governance of Tenure of Land and Natural Resources’ as elaborated by African Union, FAO and World Bank).
- **Facilitate joint agenda setting and implementation** between private sector, public sector, civil society, farmer organisations and knowledge institutes to align their efforts and amplify their unique competencies.
- **Promote joint and transparent public policy development** including governments, farmer organisations and agri-business representatives (at the country and regional levels), especially related to trade agreements, price instability management schemes and land tenure security.

OUR CALL TO ACTION

G8 leaders have a unique opportunity this year to make a sustained and significant step forward in tackling food and nutrition security. By linking smallholder farmers to markets, their programmatic work can have greater reach and impact. In order to support business solutions to hunger and undernutrition now and in the post-2015 agenda, G8 leaders should focus their efforts around the following priorities:

RECOGNISE:

- Smallholder-farmer-led agriculture development as a viable means of helping feed the world
- The economic and social interests of smallholder farming communities, as both stakeholders in the resources and as producers who can contribute to the wider economy.
- The key role that NGOs can play in facilitating and making transparent the links between smallholders and markets.
- Monitoring, evaluation and knowledge generation should inform implementation.

PROMOTE:

- A socially inclusive, business-friendly policy environment for the food and agriculture industry.
- The adoption of predictable, rules-based forms of state operations and trade in food markets to promote private sector food and agriculture investments.
- Initiatives designed to facilitate enterprise development in Africa, including simplification of legal requirements and regional trading regulations.
- Local sourcing, local markets and local entrepreneurship.

SUPPORT:

- Strategic partnerships between individual farmers, farmer organisations, researchers and technicians, the private sector, government, development agencies, and CSOs.
- Initiatives designed to increase the business capacity of SMEs - including farmer groups and cooperatives - in the agribusiness sector across Africa.
- Common principles for engaging the private sector in public-private partnerships.
- Seed service delivery systems to collectively support smallholder farmers to produce good quality seeds.
- The incorporation of food safety issues across areas relevant to food security, nutrition and health.

FACILITATE:

- Coordination between donors and investors to enable female and male farmers to increase productivity and reduce post-harvest losses.
- Private sector investment in agricultural infrastructure and services that meet the needs of smallholder farmers.
- Inclusive and transparent investment by both public and private sector.
- Joint agenda setting and implementation between private sector, public sector, civil society and knowledge institutes
- Forums for dialogue where actors can negotiate their interests.
- An integrated approach and comprehensive funding mechanism for agricultural enterprise development with the potential to address emerging challenges systemically and flexibly.

INVEST:

- In public infrastructure, gender-sensitive agricultural research and extension services.
- In public health, water and sanitation, and education.
- Strategically in developing the capacities of policy advocates.
- In national public-private partnership platforms that are accountable for results.
- In innovative gender initiatives.
- In agriculture organisations that have a revenue model.
- In scaling emerging and proven successes.
- In smallholders who are essential for global food security.