ISF

Argidius Foundation Food Systems Framework

July 2021

This document provides a food systems framework to guide Argidius Foundation's engagements with food system SMEs

Background and objectives

- Argidius Foundation has as its core focus driving sustainable development by supporting small, and medium-sized enterprises (SMEs) in order to improve the lives of the poor through increased income generation. SMEs in developing markets are currently underserved, limiting their access to funding, knowledge, tools, partnership opportunities, and more, and thus limiting the potential of SMEs to driving sustainable economic development in these markets
- By supporting SMEs, Argidius Foundation aims to create employment opportunities and alleviate poverty. The geographic focus of the Argidius Foundation is currently East Africa and Latin America
- While much of the work that Argidius Foundation does and has done is directly related to food systems – around one third of the SMEs supported are active in food systems – Argidius Foundation did not yet have a specific framework to think about food systems. To this end, ISF Advisors was commissioned to develop a framework to help Argidius Foundation decide if, where and how to engage with food systems
- Given the strategic objectives and the geographic focus of the Argidius Foundation, most of the insights in this Framework and the two accompanying country studies relate to smallholder-anchored food systems
- This document provides an overview of these high level findings, and is meant as a high level view of food systems, rather than a detailed and technical assessment

Document structure

This framework is organized into 5 sections

Introduction

Evolution

Role of SMEs

Needs of SMEs

Support ecosystem

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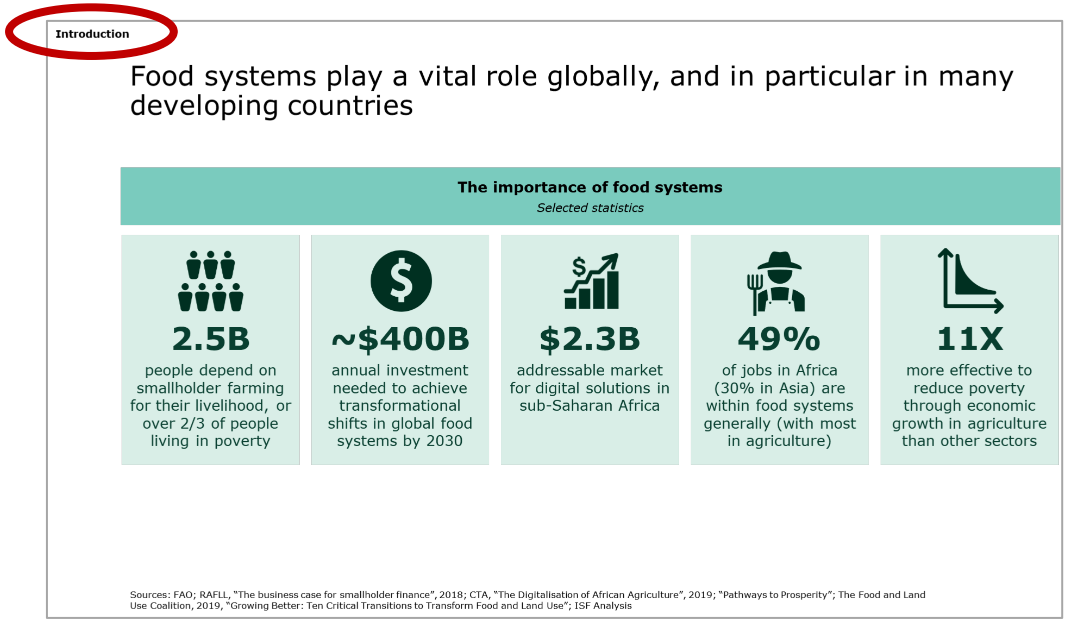
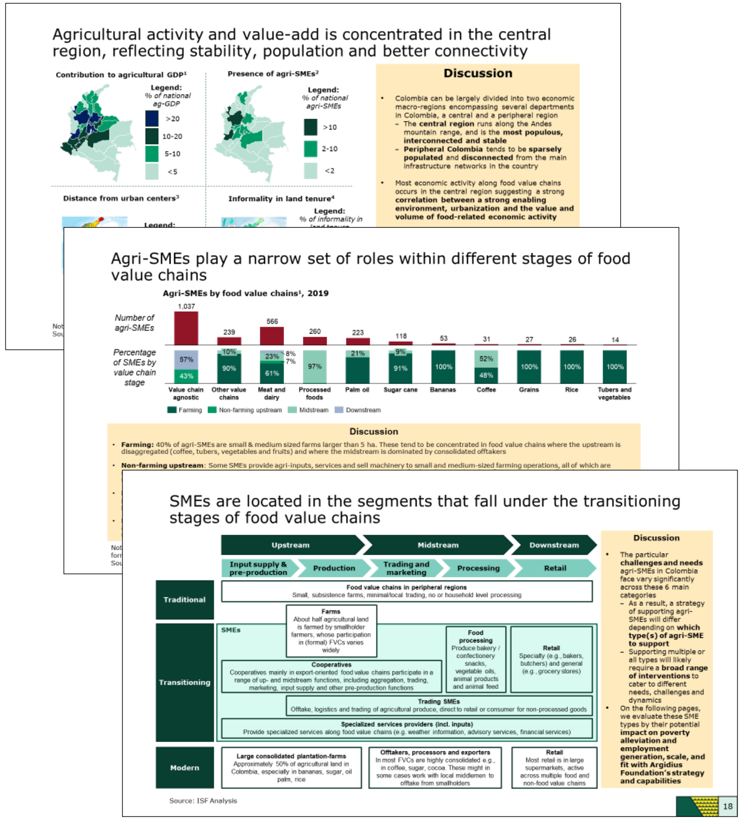


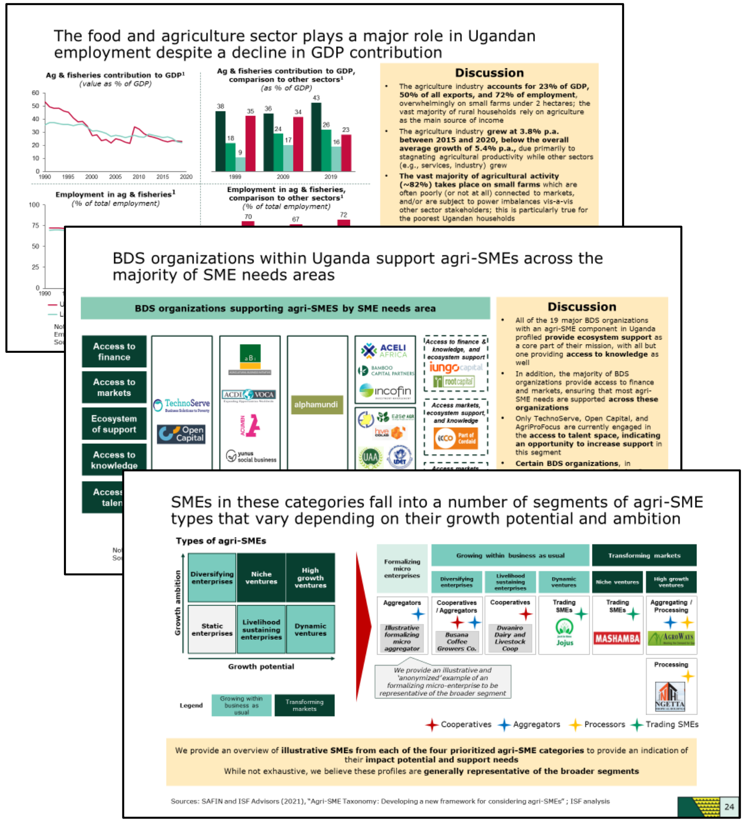
This Framework has been applied and validated 2 country studies in Colombia and Uganda

Food system framework country studies

Colombia



Uganda



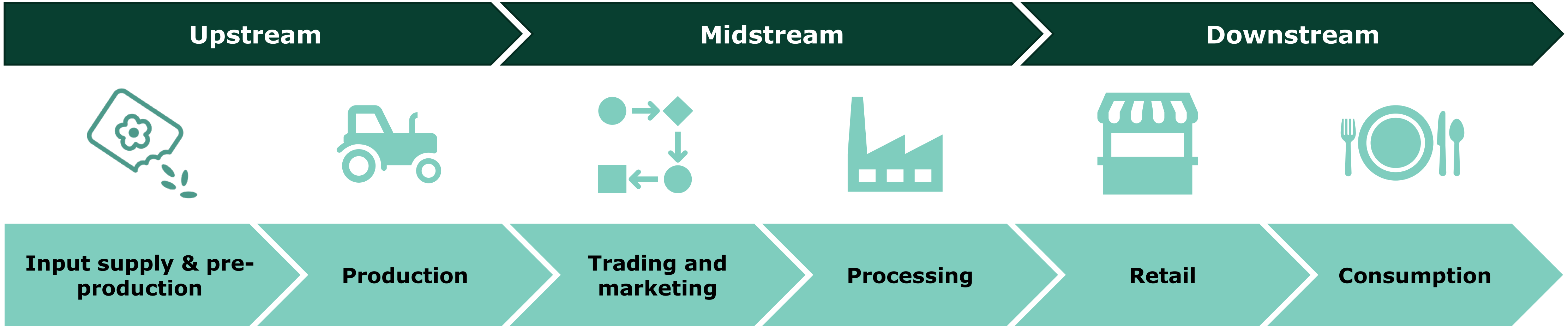
The framework was applied in these countries to:

- Understand the broader **food systems** in a given country
- Identify key food **value chains**
- Evaluate **where agri-SMEs** play a role in food systems
- Assess **what kind of role** agri-SMEs are playing in the food systems (e.g., connecting vs. transforming markets)
- Assess what **needs** they may have

Ultimately the country studies can inform the Argidius Foundation on **whether and how to engage** in the country

The country studies are available separately through the Argidius Foundation's website

Food systems are generally defined as the stages from production to consumption



- Food systems are commonly known as food and agriculture systems, food value chains, and food systems in academic literature. **In our work, we will use the term "food systems"**
- **The definition of food systems always includes activities in upstream, midstream, and downstream** parts of the food value chain
- The role of actors in supporting and enabling these activities change across markets, but generally include **government, private sector (farmers, micro-enterprises, SMEs, and large enterprises), NGOs, and capital providers**
- Food value chains (as above) are often viewed within specific crops, although many functions (such as pre-production, processing, retail) are crop-agnostic (i.e., not focused on a specific crop)

We use the term 'food systems' to encompass activities in the **upstream, midstream, and downstream** parts of food value chains

Sources: Woodhill, Jim, Hasnain, Saher, Griffith, Alison (2020), "Farmers and food systems: What future for small-scale agriculture?", Environmental Change Institute, University of Oxford, Oxford; FAO, "Sustainable food systems: concept and framework"; Berkum, Siemen van, Dengerink, Just, Ruben, Ruerd (2018); ISF analysis

Food systems play a vital role globally, and in particular in many developing countries

The importance of food systems

Selected statistics

2.5B
people depend on smallholder farming for their livelihood

~$400B
annual investment needed to achieve transformational shifts in global food systems by 2030

$2.3B
addressable market for digital solutions in sub-Saharan Africa

80%
of the food supply in Asia and sub-Saharan Africa is produced by smallholder farmers

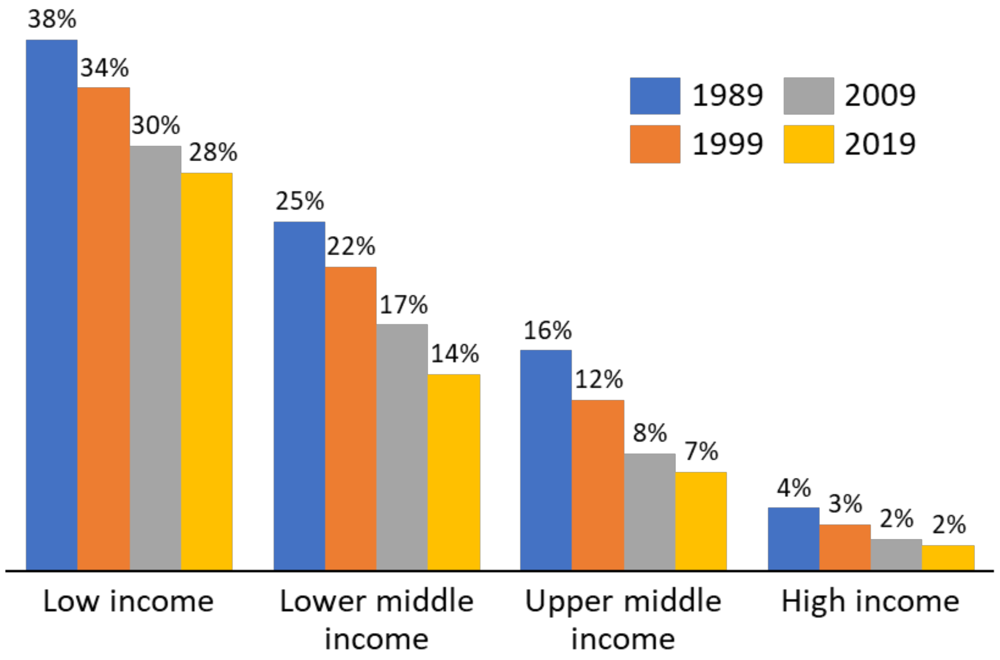
2-4X
more effective to reduce poverty through economic growth in agriculture than other sectors[1]

Food systems in developing countries represent both a very large opportunity, as a **source of employment, livelihoods, and food security**, and as the base for a thriving **market for goods, services and financing**

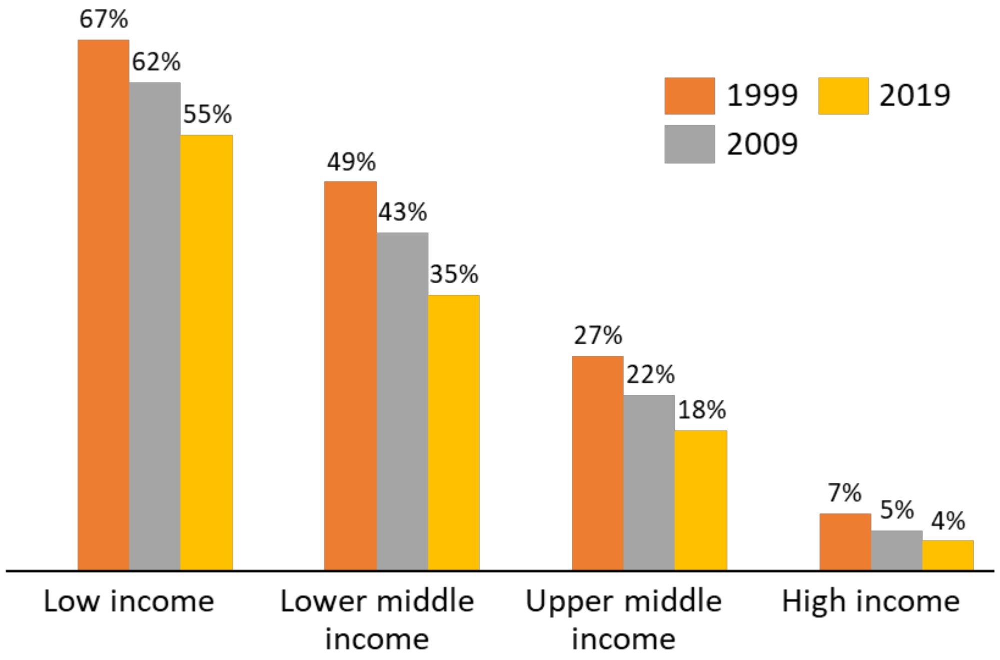
Note: 1) Estimates on the impact of interventions and economic growth in food systems compared to other sectors range widely, with estimates up to 11x seen in the literature. Page 8 provides additional insights on the potential of intervening in and growth of the food systems sector
Sources: FAO; RAFLL, "The business case for smallholder finance", 2018; CTA, "The Digitalisation of African Agriculture", 2019; "Pathways to Prosperity"; ISF Analysis

In particular the production (farming) side of food systems is a major contributor to GDP and employment in low income countries

Agriculture contribution to GDP



Agriculture contribution to employment



Primary production remains a **major source of economic activity**, and **agricultural development can drive broader economic development in low income countries**. Transformation of primary production creates opportunities for additional value added activities further downstream

Note: data likely underestimates figures for low income countries as informal economic activity is often not captured in GDP or employment statistics. Employment data not available prior to 1991. Disaggregated (from broader economic indicators) mid- and downstream food systems data typically not available
Sources: World Bank Indicators, "Agriculture, value added (% of GDP)" and "Employment in agriculture (% of total employment)"; ISF Analysis

Compared to other sectors, investing in food systems can have significantly higher direct and indirect positive impact

Direct and indirect impact of food systems investment

Direct poverty reduction

2x – 4x more effective

- Agricultural economic growth can be two to four times **more effective at reducing poverty** than other sectors[1], due mainly to:
  - Higher **incidence of poverty** in agriculturally based areas[2]
  - **Share of labor force** in agriculture is higher than the share of economic output of sector, so its role in reducing poverty is greater than role in driving economy[3]

Impact on the most vulnerable demographics and geographies

$1 trillion

- Africa's food markets could triple to **$1 trillion by 2030** if Africa's farmers and agribusinesses expand their access to more finance, technology, infrastructure and markets[3]

60%

- 60% of **employed women in sub-Saharan Africa** work in agriculture, therefore targeted investment in the sector offers potential for women economic empowerment[3]

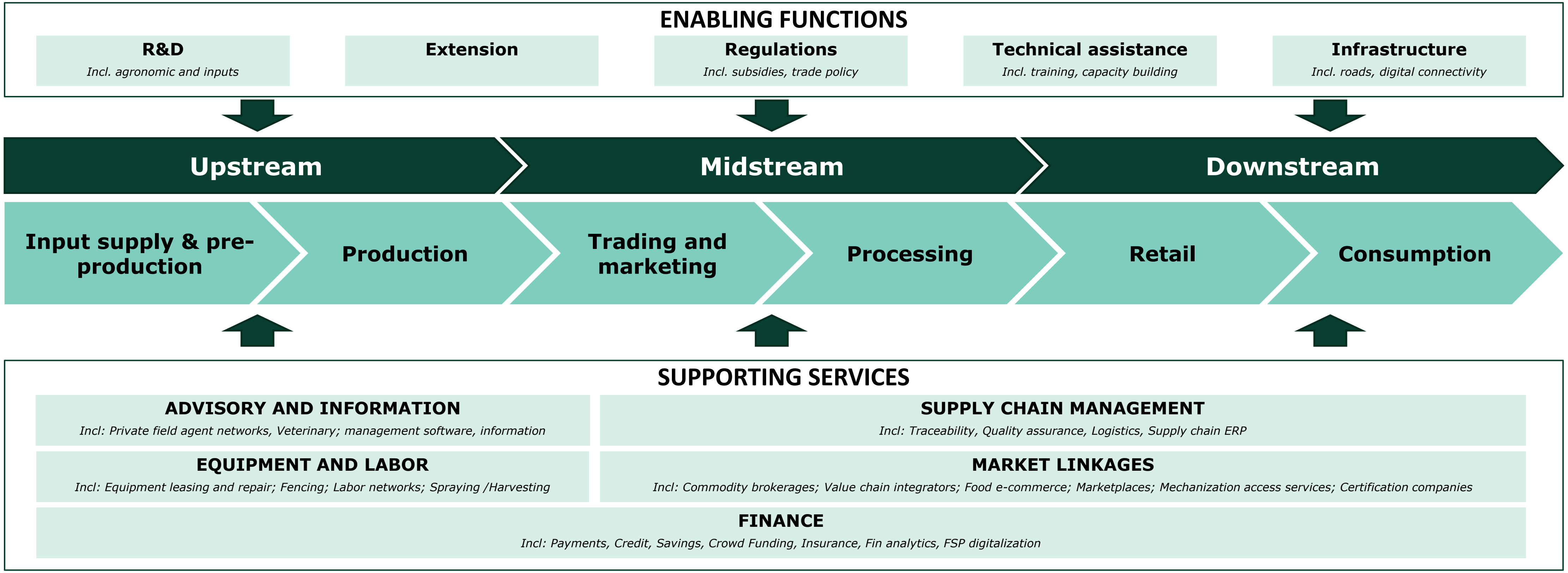
Stimulating the broader economy

1.3 – 1.8 growth multiplier

- **Stimulates other sectors**, including input supplies, transport, processing, logistics, and financial services
- Agricultural **growth multipliers** on the broader economy are estimated between **1.3 - 1.8**[4]
- In Jordan, $1 invested in agriculture adds close to **$4 value to the economy**, compared to a return of $1.3 in industry and $0.5 in service sectors[5]

Sources: 1) World Bank (2015), "Ending poverty and hunger by 2030: an agenda for the global food system"; 2) Cervantes-Godoy, D. and J. Dewbre (2010), "Economic Importance of Agriculture for Poverty Reduction". *Note that this paper does caution to not read too much into these conclusions. Context- and country-specific situations differ and additional investment into agriculture does not always lead to higher broader economic growth and poverty reduction*; 3) World Bank (2013), "Agriculture: Sector Results Profile"; 4) Haggblade, Hazell, and Dorosh (2007), "Sectoral Growth Linkages Between Agriculture and the Rural Nonfarm Economy"; 5) World Bank (2021), "Digital Revitalization of the Agri-food Sector in Mashreq"

A variety of (cross-cutting) enabling and supporting functions are part of the broader the food system



The core activities in the food system benefit from **supporting services** that provide needed goods, services, information, and capital and from **enabling activities** that influence the way the system functions. **SMEs are active mainly in the core and supporting services segments**

Sources: SAFIN and ISF Advisors (2021), "Agri-SME Taxonomy: Developing a new framework for considering agri-SMEs"; Woodhill, Jim, Hasnain, Saher, Griffith, Alison (2020), "Farmers and food systems: What future for small-scale agriculture?", Environmental Change Institute, University of Oxford, Oxford; ISF analysis

NOT EXHAUSTIVE

Food systems are characterized by a set of unique characteristics and challenges

Distinct food system characteristics

Macro	**Weak enabling environment**
	Highly regulated and subsidized
	Social and environmental issues
Meso	**Imbalance between actors**
	Volatile markets
Micro	**Challenging economics**
	Lack of complementary services

Implications and challenges for SMEs

- Difficulty building **commercially viable business models**
- Reliance on **public or grant money**
- Tendency towards **consolidation** (economies of scale, cross-subsidization)
- Micro- (or project-)based rather than **systemic solutions** are the norm
- Need for **building partnerships / coalitions** with other SMEs or other value chain actors
- Difficulty **accessing finance** due to real and perceived risks of the sector

Food system SMEs operate in a broader context that presents **unique dynamics and challenges** that are often fundamentally different than those of many other sectors

An **extensive and ever-growing literature** exists on the opportunities of challenges of food systems. While some of these challenges and opportunities are recurring, most are highly context-specific and **require a context-specific analysis**

Source(s): Africa Development Bank Group (2016), "Feed Africa: Strategy for agricultural transformation in Africa 2016-2025"; Berkum, Siemen van, Dengerink, Just, Ruben, Ruerd (2018), "The food systems approach: sustainable solutions for a sufficient supply of healthy food," *Wageningen University and Research;* Aceli Africa (2020), "Bridging the Financing Gap: Unlocking the Impact Potential of Agricultural SMEs in Africa"; ISF analysis

Research on food systems has evolved in line with dominant trends and related to associated outcome areas

	1950/60s	1980/90s	2000/10s
Key trends	Emergence of agricultural economics	Globalization, changing diets, and urbanization	Recognition of the broader positive and negative impacts of the food system
Research focus	Food system as an economic sector (e.g., margins, vertical integration, distribution of value)	Impacts of these trends on the food system, emergence of governance of the sector	Transformation pathways of food value chains, participation of actors in transforming value chains, impacts of market stages on actors, SDGs
Associated outcomes	Cost, efficiency, production volumes and availability →	→	→
		Farmer incomes, employment, trade →	→
			Poverty reduction, environmental sustainability, ag transformation →

The way a well-functioning system is viewed and measured has changed over time. Today, there is an increasing trend to see food systems as complex systems **contributing to broader social, environmental and economic outcomes**

Sources: Reardon, Thomas and Bart Minten, (2021), "Food Value Chain Transformation in Developing Regions," *Agricultural Development: New Perspectives in a Changing World*. Keijiro Otsuka and Shenggen Fan, IFPRI; ISF analysis

The configuration of food systems is dynamic in nature, ranging across three broad stages of development

	Traditional	Transitioning	Modern
Features of food value chain	• Short value chains • Limited value-add beyond farms • Large role for governments	• Urbanization and diets • Longer value chains • Emergence of SMEs • Value-addition beyond farming	• Value chains further lengthen • Pressure for consolidation • Most value addition beyond farming
Urban share in food market	Low	Medium	High
Share of grains and staples	High	Medium	Low
Seasonality	High	Medium	Low
Food service sector	Small	Modest	Large
Reach of food value chain	Local	National	Global

The evolution of markets is often driven by increasing **urbanization, diversifying diets, and liberalization**, and the accompanying trends on **value chain lengthening, value addition distribution and consolidation**

Sources: Reardon, Thomas and Bart Minten, (2021), "Food Value Chain Transformation in Developing Regions," *Agricultural Development: New Perspectives in a Changing World*. Keijiro Otsuka and Shenggen Fan, IFPRI; ISF analysis

The role of the actors involved in food systems tends to shift as markets move through these stages

Roles of actors across market maturity stages

		Market maturity stages		
Actors		**Traditional**	**Transitioning**	**Modern**
Governments		Services, financing, offtake	Funding and regulatory reforms	Facilitation and smart interventions
Capital Providers		Grant-based, as commercial capital is inaccessible	Concessional and commercial capital supplement grants	Mainly commercial, markets price in smallholder ag risks and incentives
Private sector	**Large enterprises**	Limited or no presence	Limited presence	Often dominant in downstream and midstream; upstream often fragmented
Private sector	**SMEs**	Limited or no presence	Emergent and dominant throughout upstream, midstream, and downstream	Limited presence as often displaced by larger businesses
Private sector	**Smallholder producers**	Subsistence, no trade or only within local area	Intensifying and commercializing, begin to be connected with markets	Commercialized and professional farms
NGOs, academia and civil society		Social protection programs and research	Social enterprise support, research and social protection	Advocacy, social enterprise support, research, and social protection

Farmers can be considered SMEs once they are large enough to meet the definition of an SME, typically when they begin employing labor and serving other farmers (e.g., services, aggregation)

As markets mature, the role of the private sector typically grows. SMEs are **most present in transitioning markets** before **consolidation occurs in more modern markets**

Source(s): IDH Farmfit (2021), "Overview of the IDH Farmfit Private Sector Development Strategies"; AGRA (2019), "The Hidden Middle: A quiet Revolution in the Private Sector Driving Agricultural Transformation", *Africa Agriculture Status Report 2019*; IFAD (2016), "Chapter 6: Agrifood markets and value chains"; ISF analysis

Over time, the types of actors participating in food systems have expanded

1980/90s — 2000 — 2010 — 2020

Increasing uptake of digital technology

Government era: Service delivery through state banks and extension. Today, public extension remains the largest part of advisory services market and direct public involvement in other services (e.g., input subsidies) remains strong in many countries

Pivot to MFIs and NGOs: MFIs retreated from rural areas and then re-entered with tech-enabled solutions; NGOs entered to implement on behalf of public funders or fully donor-subsidized models. Many have since evolved toward partial sustainability

Private sector entrants: Traders deepening CSR and sustainability initiatives embed service delivery into models including advisory and finance

Early-entrant social enterprises: Pioneering enterprises with narrow services testing new solutions; some evolved to scaled, multi-service networks

Digital tech integration into business models: Specific functions within business models digitized, starting with payments and communications with customers

Business- and digital tech-driven business models: Commercial, tech-driven and multi-stakeholder models

Opportunities for SMEs

In the last ~30 years, SMEs have become **increasingly present** in food systems as social and, increasingly, digital enterprises

Sources: ISF and RAFLL (2021), "Agricultural 'Platforms' in a Digital Era: Defining the Landscape"; ISF analysis

SMEs and micro enterprises play a role across many of the parts of food systems

Input supply & pre-production → Production → Trading and marketing → Processing → Retail → Consumption

Small and Medium Enterprises

1) SUPPORTING SERVICES

- *Private field agent networks*
- *Logistics companies*
- *Traceability companies*
- *Equipment leasing and repair companies*
- *Supply chain ERP suppliers*
- *Food e-commerce*
- *Fencing*
- *Information services*
- *Commodity brokerages*
- *Value chain integrators*
- *Marketplaces*
- *Spraying/harvesting*
- *Management software*
- *Quality assurance*
- *Certification companies*

2) INPUT AND OFFTAKE[2]

- *INPUT MANUFACTURERS*
- *DISTRIBUTORS*

3) FARMING[1]

- Medium farms
- Consolidated commercializing
- Intensified commercializing
- Traditional commercializing

- *Traders & exporters*
- *Mills/ Canneries*
- *Retailers*
- *Warehouse and storage managers*
- *Slaughterhouses*
- *Hospitality venues*
- *Quality controllers/ Lab testing*
- *Food manufacturers*
- *Transport companies*
- *Commodity exchanges*
- *Packaging companies*
- *Cooperatives*

Micro Enterprises[3]

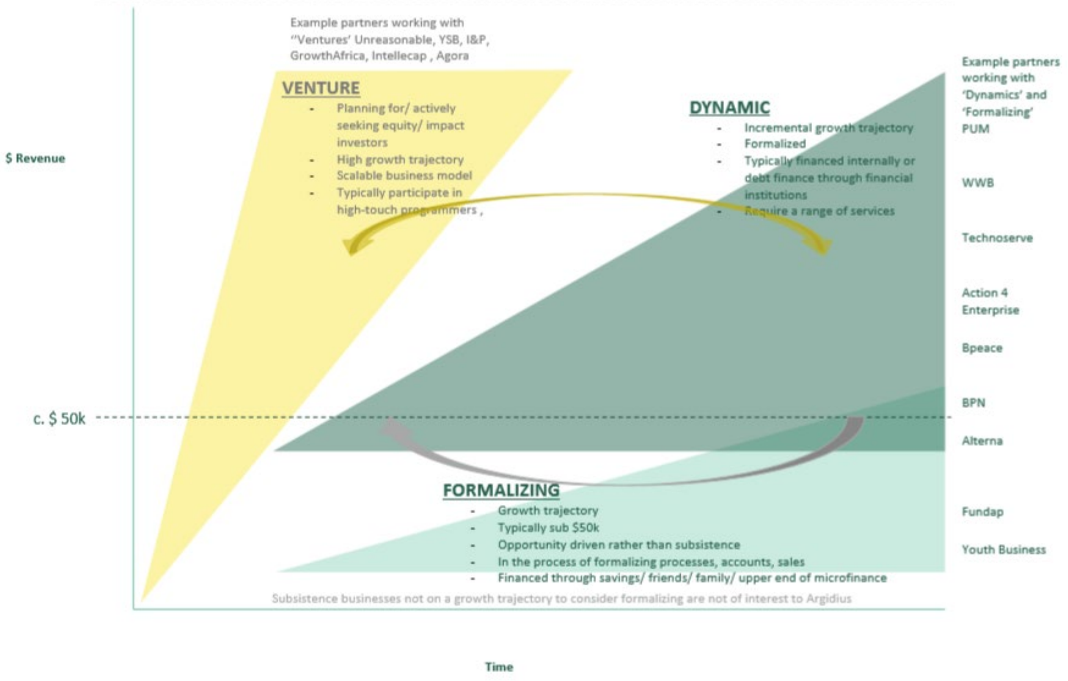
- *Individual agro-dealers*
- *Individual farm laborers*
- *Individual traders*
- *Home dryers*
- *Village market sellers*
- *Village market sellers*
- *Subsistence SHFs*
- *Individual transporters*
- *Micro processors*
- *Street food vendors*
- *Technical field agents*

Notes: Some enterprises combine sub-segments into a single business model; 1) See Pathways to Prosperity report for full overview of sub-segments; 2) Some enterprises will combine sub-segments into a single business model; 3) Micro-enterprises listed are illustrative only, as these are out of scope of Argidius Foundation (with the exception of high-potential growth micro-enterprises

Sources: SAFIN and ISF Advisors (2021), "Agri-SME Taxonomy: Developing a new framework for considering agri-SMEs"; ISF analysis

However, there is no clear definition of SMEs active in this sector nor a clear connection to the broader discourse on SMEs

Argidius segmentation of SMEs



- **Argidius Foundation definition:** <$15m revenue, <300 employees, and seeking <$2m investment
- **Argidius Foundation segmentation**: venture, dynamic, and formalizing
- There is currently **no widely accepted definition and comprehensive taxonomy** around which to understand the different types and underlying needs of agri-SMEs
- However through our work with SAFIN, **we have refined a definition of agri-SMEs**

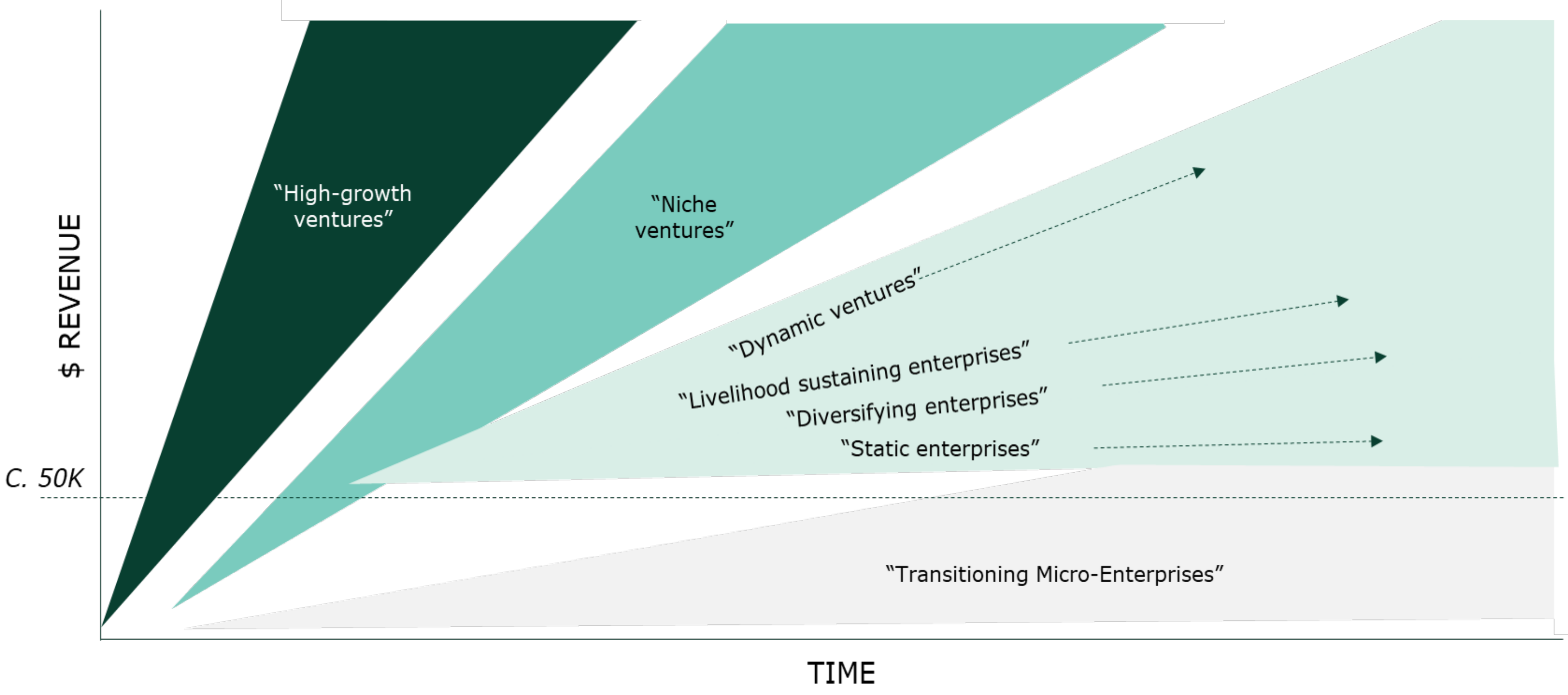
We use the term "agri-SMEs" to refer to **profit-oriented enterprises[1] engaged in primary production, as well as agricultural businesses engaged in activities all along the food value chain**. Farms and farmer organizations at a certain level of size and maturity should be considered as agri-SMEs

1) In ISF's work with SAFIN, we propose SMEs as having between 5-250 employees, $100k-$5mn in annual turnover, and total assets of at least $20k

Sources: Eda Dokle and Johanna Farrell (2021), "Mobilizing Agricultural Finance: Toward a Common Language Between Lenders and Agri-SMEs in Sub-Saharan Africa," AGRA; SAFIN and ISF Advisors (2021), "Agri-SME Taxonomy: Developing a new framework for considering agri-SMEs"

We view SMEs in the food sector as falling into 6 categories – similar to the categorization used by Argidius Foundation

Growth trajectories of different SMEs in the food sector



This segmentation uses the same Argidius-funded report[1] as a starting point. Compared to Argidius Foundation's segmentation there are several differences:

- **Niche ventures** is an additional segment
- "Dynamic" SMEs are **split into 4 segments** (dynamic, livelihood sustaining, diversifying, and static)
- "Formalizing" SMEs are called "**transitioning micro-enterprises**"

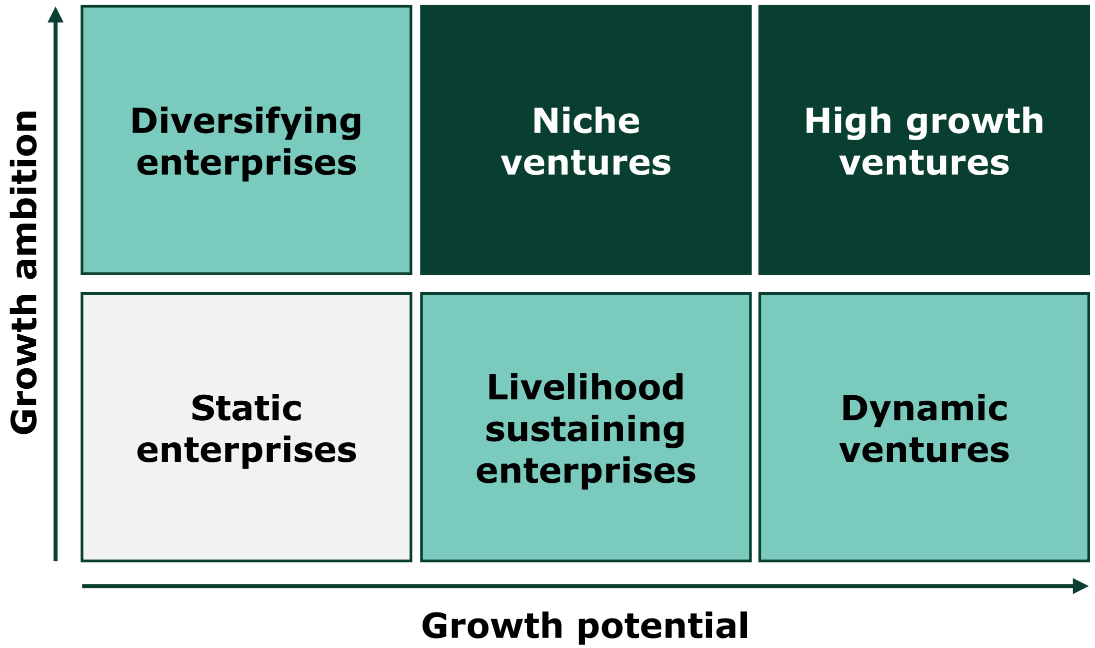
In food systems, SMEs require additional segmentation, each of which corresponds to **different growth profiles and support needs**

Note: 1) The report "Addressing constraints to small and growing business," published by International Growth Centre (IGC), Argidius Foundation, Aspen Network of Development Entrepreneurs; This is preliminary material from as yet unpublished ISF work with SAFIN and is not for sharing externally

Sources: SAFIN and ISF Advisors (2021), "Agri-SME Taxonomy: Developing a new framework for considering agri-SMEs"

Generally speaking, niche and high growth ventures tend to be more transformative of markets and are often digital in nature

Growth profile segments



Enabling markets – Traditional business models focused on growing within the current system, often as part of a broader evolution of a market

Transforming markets – Innovative business models that have potential to change market dynamics

These six segments of SMEs are expected to grow in different ways and have unique needs based on their trajectory. Transformative SMEs – especially digital solution providers – are receiving a lot of attention and support

Note: This is preliminary material from as yet unpublished ISF work with SAFIN and is not for sharing externally

Sources: SAFIN and ISF Advisors (2021), "Agri-SME Taxonomy: Developing a new framework for considering agri-SMEs"

Agri-SMEs engage in various kinds of trading, with domestic, regional, and niche global trade offering most opportunities

Food value chain categorization

Relation with trade	Processing
Domestic The entirety of the value chain from the upstream to the downstream is contained within an economy	**No processing** Food products that require no significant processing and are consumed in their original state (e.g. cassava)
Export-oriented Where upstream and/or midstream activities are mainly oriented towards exporting a food product (both regionally and globally)	
Import-oriented Food products where no significant upstream production is taking place and where local demand is met through imports	**Processed products** Refers to food products that undergo processing to be refined/transformed to be fit for consumption (e.g. tea and coffee) and those that require the mixing of inputs to create processed foods (e.g. cookies and sausages)
Mixed Refers to food products where there is an almost even split mix of imported, exported and domestic food products	

Key trading opportunities for agri-SMEs

Domestic	In many transitioning economies, domestic markets are developing and lengthening (e.g., due to urbanization and more and more complex consumer demand), and SMEs are better placed than larger businesses to fill these gaps
Regional	Regional trade ensures value additive activities – including in the midstream – remain in the region, creating opportunities for agri-SMEs in both producing and consuming countries, and economies of scale are less likely or quick to appear than in globally-traded FVCs
Niche global	Smaller and more specialized value chains reduce the potential economies of scale advantages of larger firms, and the relatively higher value of these FVCs create opportunities for SMEs to

The paradigm of the 'missing middle' of agri-SMEs is shifting to a 'hidden middle' narrative

Agri-SMEs are vital to food systems in many developing countries

- The **private sector** plays a major and growing role in food systems
- Especially in spatially shorter (national and regional as opposed to global) value chains, **agri-SMEs play a major role**
    - **95% of SHFs** in SSA access processing through SME processors or wholesalers
    - This framework was tested in Colombia and Uganda, and in both countries MSMEs made up 90+% of firms and accounted for the majority of employment
- Agri-SMEs are mainly active in **midstream activities**: wholesale, logistics, processing, but have sometimes been seen as a **Missing Middle** and are not seen as present, active or beneficial, with policy or development agendas feeling a need to 'fill' this perceived gap
- High **excess rural labor** can be employed by SMEs, and these in turn respond to increasing farm production on the one side and (urban) food demand on the other

However, they are not sufficiently supported

- The paradigm of the **'missing middle'**, an assumption that SMEs are lacking and/or do not invest, is being challenged
- **Instead agri-SMEs are now sometimes called the 'hidden middle'** because, although they are present and often thriving, they are often excluded from policy, development, and investment priorities – in part drias a result of the missing middle paradigm
- As a result, the challenge is not that there is an absent or inactive agri-SME sector, but rather than policy and support ecosystems are not sufficient to support them
- Key constraints are not a **lack of SMEs or insufficient quality and quantity of rural labor**, but rather lack of a **supportive infrastructure and policy environment** for these SMEs to thrive

Sources: AGRA (2019), "The Hidden Middle: A quiet Revolution in the Private Sector Driving Agricultural Transformation", *Africa Agriculture Status Report 2019*; CASA (2020), "The Underserved Middle: Defining excluded enterprises in agricultural value chains"

SMEs are mainly present in the transitioning stage, helping connect disparate parts of lengthening food value chains

Food value chain	Relevance in different stages of market maturity: Traditional	Transitioning	Modern
Farming *Production*	• No presence	• Dependent on crop (labor-intensity, potential for mechanization) and regulatory environment (esp. land regulations)	
Upstream *Inputs, farm services*	• Limited or no presence	• Emergent and often dominant	• Often displaced by large service providers
Midstream *Aggregation, wholesale, logistics, and processing*	• Limited or no presence	• Emergent and often dominant	• Often displaced by large buyers and processors
Downstream *Retail and consumption*	• Limited or no presence	• Emergent and often dominant	• Often displaced by larger supermarkets

SMEs most prevalent

- The move to transitional stages is driven by diet changes, urbanization and policy liberalization
- In transitional markets, **value chains lengthen and SMEs emerge**, particularly in the midstream
- **Differences** across crops, geographies and parts of FVSs, for instance modern and consolidated midstream co-existing with transitional-stage production
- **Markets are interconnected and often influence one another**. For instance, when retailers modernize and consolidate, they often put pressure on the midstream to also consolidate

SMEs are an important contributor to the economy and for driving (positive and negative) social and environmental outcomes, especially during the **transitional market stage**

Source(s): Reardon, Thomas and Bart Minten, (2021), "Food Value Chain Transformation in Developing Regions," *Agricultural Development: New Perspectives in a Changing World*. Keijiro Otsuka and Shenggen Fan, IFPRI; AGRA (2019), "The Hidden Middle: A quiet Revolution in the Private Sector Driving Agricultural Transformation", *Africa Agriculture Status Report 2019*; IFAD (2016), "Chapter 6: Agrifood markets and value chains"

The types of support required by agri-SMEs span five areas, and a number of Argidius partners already provide such support

Key enablers of SME growth in the food sector

SMEs

Access to talent
Attracting and retaining qualified employees

Examples: AgDevCo, Shortlist Professionals, Millar Cameron

Access to finance
Appropriate and accessible form of finance for the different stage of growth

Examples: AgDevCo, Aceli Africa, Root Capital, IFC, Oikocredit, AECF, **SCOPEInsight**

Ecosystem of support
Support and collaboration between public, private and financial players

Examples: AGRA, USAID, Agribusiness Market Ecosystem Alliance, Syngenta Foundation, CASA

Access to markets
Information and connections with suppliers and clients

Examples: **TechnoServe**, BOP Inc, SNV, IDH, Agriterra, ACDI/VOCA

Access to knowledge
Strategic support for the development of the sector integration of M&E systems

Examples: AGRA, CrossBoundary, CIAT, **TechnoServe**

Green text indicates current Argidius Foundation partners

Argidius Foundation's food systems country studies of Colombia and Uganda profile the types of needs and support provided by BDs providers and other support organizations, across the five categories listed on this page

Sources: SAFIN and ISF Advisors (2021), "Agri-SME Taxonomy: Developing a new framework for considering agri-SMEs"

NOT EXHAUSTIVE

Each of the segments tends to have different support needs

Less common → More common

Segment	Access to finance	Access to talent	Ecosystem of support	Access to knowledge	Access to markets
High growth ventures	• Need for large scale patient capital for growth • Often venture equity investments	• Highly experienced leadership team • Strong HR function to recruit and retain staff	• Link to high-level mentors • Connections to potential investors • Sometimes policy changes	• Business planning skills and financial modelling • Market dynamics • Competitive analysis	• Understanding of new market dynamics • Strategic partnerships for expansion
Niche ventures	• Need funding for product/service development and R&D • Mostly local equity investments, patient capital	• Highly experienced leadership team • Strong HR function to recruit and retain staff	• Link to high-level mentors • Connections to potential investors • Sometimes policy changes	• Business planning skills and financial modelling • Market dynamics • Competitive analysis	• Understanding of new market dynamics • Strategic partnerships for expansion
Diversifying enterprises	• Short-term working capital and trade finance • Occasionally, patient CAPEX to expand to a new business	• Development of lead entrepreneur • Ability to identify low/mid level talent and recruit	• Exposure to new sectors • Start-up support from government • Connection to new partners	• Business planning skills and financial modelling • Business ideas	• Understand different business line markets • Strategic partnerships for expansion
Dynamic ventures	• Working capital to expand to new markets or facilities	• Development of leadership skills • Ability to identify low/mid level talent and recruit	• Connections to new partners • Advocacy for sector changes • Connections to potential investors	• Business planning skills and financial modelling • Technology adoption	• Incremental market expansion options • Expansion of existing partnerships
Livelihood sustaining enterprises	• Short-term working capital to buy new supplies • Financial track record	• Strengthen management skills • Ability to hire at lower levels	• Connection to capacity development resources • Network/associations dev.	• Financing options and criteria • Basic business planning	• Marketing to expand in current market
Static enterprises	• Smaller short-term working capital to restock supplies, often personal loans	• Strengthen management skills	• Connection to capacity development resources • Network/associations dev.	• Financing options and criteria	• Marketing to expand in current market

These support needs also differ based on the market stage, value chain, and policy environment

Sources: SAFIN and ISF Advisors (2021), “Agri-SME Taxonomy: Developing a new framework for considering agri-SMEs”

With niche and high growth enterprises tending to require deeper content support …

Area	Key types of support	Static	Livelihood sustaining	Dynamic	Diversifying	Niche	High Growth
Access to finance	Investment readiness	✓ Low	✓ Medium	✓ High	✓ Medium	✓ High	✓ High
	Business planning	✓ Low	✓ Medium	✓ High	✓ Medium	✓ High	✓ High
	Financial management	✓ Low	✓ Medium	✓ High	✓ Medium	✓ High	✓ High
Access to talent	Staff recruitment and training			✓ High	✓ Medium	✓ High	✓ High
	Leadership training	✓ Low	✓ Medium	✓ High	✓ High	✓ High	✓ High
Ecosystem of support	Networking			✓ Medium	✓ Medium	✓ High	✓ High
	Mentoring			✓ Medium	✓ Medium	✓ High	✓ High
Access to knowledge	Product development			✓ Low	✓ Medium	✓ High	✓ High
	Regulatory compliance			✓ Medium	✓ Medium	✓ High	✓ High
	Technology adoption	✓ Low	✓ High	✓ High	✓ High	✓ High	✓ High
Access to markets	Partnership brokerage			✓ Medium	✓ Medium	✓ High	✓ High

Legend (level of content depth needed): ✓ **High** ✓ **Medium** ✓ **Low**

These support needs also differ based on the market stage, value chain, and policy environment

Note: This is preliminary material from as yet unpublished ISF work with SAFIN and is not for sharing externally

Sources: SAFIN and ISF Advisors (2021), "Agri-SME Taxonomy: Developing a new framework for considering agri-SMEs"

… as well as requiring more support on inclusive, climate-smart, and nutrition-related themes

Other areas	Types of support	Static	Livelihood sustaining	Dynamic	Diversifying	Niche	High Growth
Inclusive	Last mile distribution		✓ (Low)	✓ (Medium)	✓ (Low)	✓ (High)	✓ (High)
	Gender mainstreaming	✓ (Low)	✓ (Low)	✓ (High)	✓ (Medium)	✓ (High)	✓ (High)
	Smallholder farmer linkage	✓ (Low)	✓ (Low)	✓ (Medium)	✓ (Medium)	✓ (High)	✓ (High)
Climate smart	Energy efficiency	✓ (Low)	✓ (Low)	✓ (High)	✓ (Medium)	✓ (High)	✓ (High)
	Carbon emissions	✓ (Low)	✓ (Low)	✓ (High)	✓ (Medium)	✓ (High)	✓ (High)
	Water efficiency	✓ (Low)	✓ (Low)	✓ (High)	✓ (Medium)	✓ (High)	✓ (High)
Quality and nutrition	Nutrition focus	✓ (Low)	✓ (Low)	✓ (Medium)	✓ (Medium)	✓ (High)	✓ (High)
	Health and safety standards			✓ (High)	✓ (Medium)		

Legend (level of content depth needed): ✓ **High** ✓ **Medium** ✓ **Low**

These support needs also differ based on the market stage, value chain, and policy environment

Note: This is preliminary material from as yet unpublished ISF work with SAFIN and is not for sharing externally

Sources: SAFIN and ISF Advisors (2021), "Agri-SME Taxonomy: Developing a new framework for considering agri-SMEs"

While agri-SME support systems vary across countries/regions, organizations typically can be segmented into broad categories

- The actors, actions, and goals of the any agri-SME support ecosystem **varies significantly from country to country (and sub-country)** due to factors ranging from climate to government policy
- There are typically **categories of organizations** whose support of agri-SMEs form the basis of a **broader support ecosystem**
- Below is a **non-exhaustive** and **non-country-specific** overview of the **types of organizations** that typically support agri-SMEs. This should not be taken as comprehensive, but rather representative

Non-exhaustive segmentation of representative agri-SME support system actors

Domestic Public

Representative examples:
- Domestic governments (e.g., agencies, ministries)
- Government-backed organizations (e.g., development banks)

Foreign Public

Representative examples:
- Multilateral Development Institutions
- Bilateral Development Agencies

Philanthropic

Representative examples:
- Foundations
- Alliances
- Implementers (e.g., BDS providers)
- MFIs

Private sector

Representative examples:
- Private financial institutions
- Foreign direct investment
- Domestic private enterprises

In the course of applying this framework to two countries (Colombia and Uganda) we mapped the ecosystem of support organizations in those countries across these 4 categories, identifying what kind of agri-SMEs they work with and the types of support they provide in order to identify potential opportunities to offer additional impact/support

While many organizations must be understood on a country-specific level, it is valuable to view some global actors in a broader context. We have thus provided high level profiles (on the following 3 pages) of organizations that support food systems and/or agri-SMEs on a global level

We evaluated 22 organizations working globally on supporting food systems and/or agri-SMEs (1/3)

	Overview of food systems / agri-SME work	Type of organization
AGRA Growing Africa's Agriculture	• Aims to catalyze agricultural market transformation to achieve food security in Africa, coined the term "hidden middle" and is particularly interested in informal or transitioning SMEs	*Alliance*
Bill & Melinda Gates foundation	• Provides significant support to nutrition and agricultural development. Works with agri-SMEs to help them scale up innovative ways of serving the needs of SHFs	*Private foundation*
CGAP	• Produces research to test, learn and share knowledge intended to build inclusive financial systems for the most marginalized populations, with a past focus on smallholders	*Alliance*
CGIAR	• A global research network that produces research contributing to increased food security, reduced poverty, and improved nutrition. Has published extensively on agri-SMEs	*Alliance*
Coalition for Farmer-Allied Intermediaries	• A nascent group that aims to scale profitable enterprises that enhance smallholder famer livelihoods, food security, socio economic development, and environmental sustainability through more effective collaborative action	*Alliance*
CASA	• Aims to make the commercial & development case for investing in agribusinesses that source produce from smallholders, with a strong focus on agri-SMEs across FVCs	*Program (Funded by FCDO)*
The Food and Land Use Coalition	• Produces research and thoughts leadership in support of a mission to ensure food and land use systems play a role in delivering the SDGs and Paris Agreement outcomes	*Alliance*

Sources: ISF analysis

We evaluated 22 organizations working globally on supporting food systems and/or agri-SMEs (2/3)

	Overview of food systems / agri-SME work	Type of organization
gain Global Alliance for Improved Nutrition	• Focused on improving global nutrition outcomes, rather than systems transformation. Conducts extensive implementation work with agri-SMEs	*Alliance*
GATSBY	• Works towards market transformation across sectors, with agriculture and food systems a core emphasis	*Private foundation*
GLOBAL ALLIANCE FOR THE FUTURE OF FOOD	• Strategic alliance of foundations that aims to transform food systems towards greater sustainability, security, and equity through convening system actors, producing research, and stimulating local and global action	*Alliance*
TIFS TRANSFORMATIONAL INVESTING IN FOOD SYSTEMS	• A three year (2020-2022) allied initiative of Global Alliance for the Future of Food that aims to transform food systems through investing in agri-businesses that will deliver sustainable impact, including SMEs	*Alliance*
idh Farmfit	• Provides a range of interventions to smallholder-focused business models, including technical assistance and catalytic financing, and has created a common approach for analyzing these business models with its Service Delivery Model methodology. Creates and disseminates sector-leading insights	*Program*
IKEA Foundation	• Works towards improving agricultural livelihoods in East Africa and India as well as supporting green entrepreneurs who provide employment and meaningful livelihoods	*Private foundation*
mastercard foundation	• Historically supported agri-finance, but has pivoted its strategy for the next decade to youth employment in Africa, within which support for agri-SMEs is a key pillar	*Private foundation*

Sources: ISF analysis

We evaluated 22 organizations working globally on supporting food systems and/or agri-SMEs (3/3)

	Overview of food systems / agri-SME work	Type of organization
MERCY CORPS | AGRIFIN ACCELERATE	• Develops digital products and services with government and private sector partners that smallholder farmers can use to increase productivity, incomes, and resilience	*Program*
PARTNERS IN FOOD SOLUTIONS	• Provides volunteers from large multinational food companies to offer expert technical support to food processors in developing countries	*Alliance*
SAFIN	• Partnership of actors focused on scaling up access to financial services for agri-SMEs and small commercial farms through convening, influencing, and co-designing implementation	*Alliance*
Schweizerische Eidgenossenschaft Confédération suisse Confederazione Svizzera Confederaziun svizra	• Recently launched the Smallholder Safety Net Upscaling Program to align TA expertise with agri-lenders to implement systemic agricultural value chain development	*International Development Organization*
FOUNDATION SMALL	• Focused on impacting poverty by expanding MSME access to knowledge, human resources, finance, and markets; particularly interested in building the business case for BDS services	*Private Foundation*
SUSTAINABLE FOOD LAB	• Uses a systems thinking approach to achieve goals such as addressing climate change and farmer poverty through practical market-based solutions and implementations	*NGO*
syngenta foundation for sustainable agriculture	• Facilitates the business models of participants in the eco-system of services around farming (e.g., agri-services, insurance, seeds, etc.) including SMEs providing such services	*Private Foundation*
USAID FROM THE AMERICAN PEOPLE	• Major funder of food systems, with current priorities based on a market systems approach and private sector engagement. Agenda tends to drive priorates of many implementers who depend on funding	*International Development Organization*

Sources: ISF analysis

Annex

Growth profile segments: Overview

Classification	Description	Growth ambition (based on risk tolerance, problem solving, mindset)	Growth potential (based on market potential and product innovation)
High growth ventures	Highly innovative business models serving large addressable markets with a rapid growth trajectory, though the pace of growth is impacted by industry, market, and asset intensity. High-growth ventures are expected to scale beyond SME status	High	High
Niche ventures	Business models creating innovative products and services that target niche markets or customer segments, such as high-end premium markets or, conversely, small customer bases at the bottom of the pyramid. Typically have steady growth over time	High	Medium
Diversifying enterprises	Small family run enterprise that have seen minimal growth but are run by an entrepreneur that wants to grow. Unlikely to see desired growth through existing enterprise, so looks to diversify into new business lines to expand growth potential	High	Low
Dynamic ventures	Enterprises in stable 'bread and butter' industries deploying established business models for producing goods and services, with moderate growth paths over sustained periods of time	Medium	High
Livelihood sustaining enterprises	Small, family-run enterprises that are opportunity driven and on the path to increased formalization. These enterprises operate to maintain an income for an individual family and have slow and steady growth as they incrementally prove their product or service through traditional models.	Medium	Medium
Static enterprises	Small, family enterprise with no ambition to grow beyond their current status. Looking to maintain current income level for family, but not to grow the business or to innovate. Typically, informal and primarily employ only family members	Low	Low

Source: ISF Analysis; ANDE/ Collaborative for Frontier Finance

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