



## DELIVERING ON REGIONAL AGRICULTURAL TRADE: CONSIDERATIONS FOR INVESTORS ON INCLUSIVE SUPPLY CHAINS



### THE LINK BETWEEN INCLUSIVE AGRICULTURE AND REGIONAL AGRICULTURAL TRADE: WHAT ARE THE ROLES AND OPPORTUNITIES FOR INVESTORS?

CASA's 4th Breakthrough Webinar discussed three considerations for capital providers to promote the inclusion of smallholder farmers in value chains in the African continent: 1) Opportunities for the investor community to influence and capitalise on emergent intraregional trade policies; 2) The use of technical assistance for increasing sustainable smallholder farmer inclusion in value chains; and 3) The role of contractual relationships throughout the value chain for balancing risk and reward whilst ensuring inclusiveness and fairness.

#### Consideration #1: How can investors influence and capitalise on emergent intraregional trade policies?

**Debisi Araba - Malabo Montpellier Panel**

There are six key areas that investors should explore to capitalise on the trillion dollar agrifood sector in Africa while promoting inclusivity in regionally traded commodities: 1) Investment in improving data and information collection to enable measurement and management, 2) New communication and technology systems to reduce non-tariff barriers, 3) Investment in hard and soft infrastructure - the arteries through which trade is accelerated and facilitated, 4) Better alignment in national and regional priorities with international agriculture investment plans acts as a catalyst for stimulating productivity, 5) Prioritize investment in the design of technologies that improve the productivity and competitiveness of the agri-food sector, and 6) Investment in preparedness and improved response capacity for resilience-building to shocks and stresses.

#### Consideration #2: How can investors incorporate technical assistance to support sustainable smallholder farmer inclusion in value chains?

**Jonathan Barnow - CASA Technical Assistance Facility**

Global production of commodities is overwhelmingly dominated by smallholders where they can be more efficient and competitive against plantation models. The problem is that investors and businesses working with smallholders face real problems getting their product from the farm to either the factory or to the port. Many supply chains are characterised by informality or transactional buyer/seller relationships. Inefficient supply chains push prices up for the buyer and down for the seller, driving differentiation via quality or sustainability. This kind of informal, multi-stage supply chain is exceptionally challenging. The market stays commodified and the opacity of the supply chain disincentivizes investment and local value addition. These problems are thorny, but solvable and this is what CASA technical assistance facility works on. Inclusive technical assistance that sits alongside investors investing in agribusinesses across Africa can focus specifically on this issue of how to get the product efficiently from the farm to the factory or to the exporter. To do this well, it almost always requires inclusive business models, which benefit both the business and the farmer.

#### Consideration #3: How can contracts throughout the value chain be used to balance risk and reward whilst ensuring inclusiveness and fairness?

**Lorenzo Cotula - EPIC**

Producer agency (the ability of small-scale producers to make choices and effect changes according to their own priorities) is the key concept for understanding and promoting inclusiveness. An agency perspective affects the type of trading arrangements to consider. The contracts that control these trading relationships cannot be viewed in isolation but in the context of the entire chain of contracts across the value chain. Beyond the price agreements, the wide range of provisions in contracts can affect how farmers fare in a particular value chain relationship. Investors and businesses shouldn't assume that they know what producers and rural communities need or want and should facilitate flexible arrangements, so that they can be more responsive to the priorities that farmers have identified themselves. Practical intervention, such as investments in storage in rural infrastructure, can help open up options for farmers that would enable them to negotiate from a position of greater strength when they are considering the different options they have for engagement with markets.

**INFO@CASAPROGRAMME.COM**

#### CASA Research Highlights: "Delivering on Regional Agricultural Trade in Africa: Considerations for Investors on Inclusive Supply Chains"

- The newly created **African Continental Free Trade Area** offers a unique opportunity for capital providers to invest in the design and development of technologies that improve the quantity and quality of food traded, as a way for **contributing to sustainable and inclusive development on the continent**. Investments in good quality, accessible trade infrastructure will drive agricultural trade in Africa if they are made in tandem with investments into strengthening logistics, service provision, and other market integration mechanisms. Engaging investors throughout the processes of trade facilitation, as well as jointly developed investment plans, can ensure that risks and rewards are shared and that investments are viable and sustainable over the long-term.
- **Inclusive technical assistance is critical** to ensure that enterprises deliver both return on investment and a positive impact at the producer level. Balancing business imperatives with impact expectations is based on engendering the understanding that **inclusivity is not a threat to business processes but fundamental to sustainable enterprise**. However, for that to happen, there needs to be a consistent measurement of impact at the farmer, portfolio company, and investment fund level. This can serve to demonstrate the value of inclusive TA; and also specific factors that support viable and sustainable inclusive sourcing models to inform future TA deployment and investment decisions.
- **Contracts distribute risks and rewards**, as well as determine standards, making them **critical for achieving market compliance and returns on investment**. They also intersect with public regulation, including national legislation and international treaties like cross-border trade, which reinforces their importance for promoting inclusive regional supply chains. The crafting of fair contracts, by ensuring producer agency in the process, is a key component for promoting sustainable growth and producer inclusiveness in regionally traded value chains.

#### RELEVANT LINKS:

- [Research Brief on Delivering on Regional Agricultural Trade in Africa](#)
- [Sign up for the Newsletter](#)
- [Watch the recording](#)