

Info Note

Small and medium-sized enterprise champions promoting climate resilient agriculture in Eastern Africa

Business cases update from the Climate Resilient Agribusiness for Tomorrow project

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Key messages

- By the end of December 2020, the Climate Resilient Agribusiness for Tomorrow (CRAFT) project had approved and awarded co-investment grants to 36 business cases targeting 237,250 smallholder farmers.
- The contract farming between the business cases and smallholder farmers will revitalize and facilitate access to input and output markets for agricultural services and products, thereby providing multiple benefits to all actors along the value chains.
- The agricultural services through the business cases are designed to advise, support and guide farmers from pre-planting to post-harvest handling.

Background information

Sub-Saharan Africa (SSA) is one of the poorest regions in the world, where an estimated 386 million people (48% of the region's total population) live on less than USD 1.25 per day (Ravallion 2012). This group of people are considered the most vulnerable to climate change as they possess minimum financial and technical resources to cope with climate change (Wheeler and von Braun 2013). In SSA, meteorological disasters, especially droughts and floods, are the most common forms of natural disasters. As such, drought and floods represent 70% of economic losses related to natural hazards in SSA (Bhavnani et al. 2008). Because of climate change, the frequency and intensity of floods and droughts are projected to increase in the future (Bernstein et al. 2008) which negatively affects agriculture.

Agriculture is a major contributor to the national economies of Kenya, Tanzania and Uganda. It is dominated by smallholder farmers who contribute up to 90% of agricultural production and must increase food production significantly to feed the growing population. The use of climate smart agriculture (CSA) is key to improving productivity of the existing farming systems. This requires joint investments from partners through the supply chain, as well as support agencies in the different value chains.

The CRAFT project was designed to address these climate change related challenges. This is done by leveraged investments in CSA practices that promote market-driven adoption and scaling of inclusive climate-smart business developments along the selected agricultural value chains. The CRAFT investments focus on financing commercially viable business cases that companies and financial institutions cannot finance. There is co-investment between business champions, commercial sector finance and CRAFT project support. Since 2019, the CRAFT project has partnered with business champions to facilitate market linkages for CSA products and services among rural growers. For the respective value chains, climate risk assessments were done and shared with stakeholders that assisted in identifying appropriate CSA practices. The CRAFT project's strategic objectives are:

- Increased income for smallholder farmers and small and medium-sized enterprises (SMEs)
- Increased business performance for agribusiness SMEs and cooperatives due to climate-smart investments
- Improved enabling environments favorable for large scale rollout of CSA



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Summary of CRAFT business cases

By December 2020, CRAFT had approved and awarded co-investment grants to 36 business cases targeting 237,250 smallholder farmers. The business cases are distributed among the project countries (Table 1) and are categorized as follows:

- Kenya: SMEs = 6; Cooperatives = 2
- Tanzania: SMEs = 14; Cooperatives = 0
- Uganda: SMEs = 9; Cooperatives = 5
- Total: SMEs = 29; Cooperatives = 7

The promising value that agribusiness SMEs bring to assist farmers overcome the challenges are several, including overcoming market barriers, and accessing appropriate CSA technologies and practices. The benefits cut across three main categories as shown in Table 2.

Activities preceding the roll-out included undertaking climate risk assessments, developing CSA training materials and facilitating training workshops to strengthen business champions capacity for the interventions.

CRAFT will monitor how the private sector can address adaptation through the implementation of the business cases, looking at scalability and sustainability, through different business models. Integration of service providers of critical climate services will boost adaptation and decrease the costs of doing business. CRAFT will actively seek to integrate more innovative services, monitor the adoption of CSA practices, and generate lessons that will guide future interventions.

Table 1: Summary of crops per country

Country	Business cases by country								Total	
	Potato	Cereals		Pulses			Oil Crops			Service provider (inputs, agroadvisories)
		Sorghum	G. grams	Beans	Soybean	Sesame	Sunflower			
Kenya	2	3	1	1				1	8	
Tanzania	2	2		2				8	14	
Uganda	1				9	2	2		14	
Total	5	5	1	3	9	2	10	1	36	

The benefits identified through the business cases are presented in Table 2.

Table 2: Benefits of the climate informed business cases

Benefit category	Benefits details
1. Access to reliable markets through contract farming	<ul style="list-style-type: none"> • Contract agreements with farmers for assured market. • Quality control (testing/grading kits, aggregation, bulking, storage, warehousing, receiving system). • Contract agreements with buyers; grain bulking and/or flour blending for resale across scales; product differentiation for the different market segments; and predictability.
2. Access to extension and business development services; affordable CSA products and services; land preparation up to post-harvest handling.	<ul style="list-style-type: none"> • Better input quality, adequate input quantities, seed production and multiplication. • Improvement of input supply and access. • Institutional arrangements for community-based extension agent networks and aggregation centers (services closer to farmers). • Digital profiling of farmers, farmer groups and other actors • Bundled/digitized services.
3. Incentives to commercialize agricultural production	<ul style="list-style-type: none"> • Sale of seeds/inputs on credit (upfront pre-financing model) • Cost of inputs (cost sharing) • Prices of outputs (fair through contract farming) • Eliminating exploitative brokers

The climate-smartness of business cases

Table 3: CSA aspects in CRAFT funded business cases

Crop and target small-holder farmers	Business case champion	Actions that achieve different CSA synergies and trade-offs		
		Productivity	Adaptation/resilience	Mitigation
Potato (14,300 small-holder farmers)	<ul style="list-style-type: none"> EA Fruits Farm & Company Ltd Sai Energy & Logistic Services Company Ltd Sereni Fries Ltd Kisoro District Potato Coop Starlight Coop 	Improved, high yielding potato varieties; expansion of agricultural land under CSA; increased mechanization; soil testing and fertilizer use efficiency; market linkage; greater use of refrigeration.	Cold chain/storage facilities; irrigation; index-based crop insurance; better matching potato varieties to local climates; better weather forecasting to farmers; improved pest and disease management; more efficient water storage and management.	Reduced deforestation coupled with intensified farming; more energy efficient technologies for pre-production and post-production (solar, refrigeration, processing, transport); soil and land management that conserves soil carbon and improves soil health.
Sorghum (60,500 small-holder farmers)	<ul style="list-style-type: none"> Farmers Pride Africa Ltd Kibaigwa Flour Supplies limited Quinam Inv. Ltd Musoma F. Ltd Stawi Ltd Shallem Ltd 	Improved, high yielding (15-30% yield increase) sorghum varieties; expansion of agricultural land under CSA; increased mechanization; soil testing and fertilizer use efficiency; market linkage.	More drought tolerant and early maturing varieties; index-based crop insurance; better weather forecasting to farmers; improved pest and disease management; more efficient water storage and management; credit access; grain storage facilities.	Conservation agriculture, reduced deforestation coupled with intensified farming; more energy efficient technologies for pre-production and post-production; soil management that conserves soil carbon and improves soil health
Green grams (10,700 small-holder farmers)	<ul style="list-style-type: none"> Igambang'ombe Multipurpose Co-operative Society (IMCOS) Farmers Pride Africa Ltd 	Improved, high yielding (20% yield increase) green gram varieties; expansion of agricultural land under CSA; increased mechanization; soil testing and fertilizer use efficiency; market linkage.	Drought tolerant varieties; minimum tillage/ripping; index-based crop insurance; better weather forecasting to farmers; improved pest and disease management; more efficient water storage and management; credit access; grain storage facilities.	Conservation agriculture, reduced deforestation coupled with intensified farming; more energy efficient technologies for pre-production and post-production; soil management that conserves soil carbon and improves soil health.
Common beans (12,750 small-holder farmers)	<ul style="list-style-type: none"> Rogimwa Agro Company Ltd Smart Logistics Ltd Ikuwo General Enterprises Ltd 	Improved, high yielding (25-35% yield increase) bean varieties; expansion of agricultural land under CSA; increased mechanization; soil testing and fertilizer use efficiency; market linkage.	Early maturing bean varieties; minimum tillage; index-based crop insurance; better weather forecasting to farmers; improved pest and disease management; more efficient water storage and management; credit access; grain storage facilities.	Conservation agriculture, reduced deforestation coupled with intensified farming; more energy efficient technologies for pre-production and post-production; soil management that conserves soil carbon and improves soil health.
Soybean (60,000 small-holder farmers)	<ul style="list-style-type: none"> Acila Enterprises Ltd Alito Joint Coop Masindi Seed Ltd Okeba Ug. Ltd RECO Industries Transformation Rural Dev. Ltd SESACO Ltd Panyimur Coop AgriNet Ltd 	Improved, high yielding (15-35% yield increase) soybean varieties; expansion of agricultural land under CSA; increased mechanization; soil testing and fertilizer use efficiency; market linkage.	Early maturing soybean varieties; minimum tillage; index-based crop insurance; better weather forecasting to farmers, improved pest and disease management, more efficient water storage and management; credit access; grain storage facilities.	Conservation agriculture, reduced deforestation coupled with intensified farming; more energy efficient technologies for pre-production and post-production; soil and land management that conserves soil carbon and improves soil health
Sesame (36,000 small-holder farmers)	<ul style="list-style-type: none"> Equator Seeds Ltd Nyekorac Community Farmers' Coop. Society Ltd 	Improved, high yielding (15-23% yield increase) sesame varieties with high (42-47%) oil in its seeds; expansion of agricultural land under CSA; increased mechanization; soil testing and fertilizer use efficiency; market linkage.	Early maturing sesame varieties; index-based crop insurance; better weather forecasting to farmers, improved pest and disease management, more efficient water storage and management; credit access; grain storage facilities.	Reduced deforestation coupled with intensified farming; more energy efficient technologies for pre-production and post-production; soil and land management that conserves soil carbon and improves soil health.
Sunflower (43,000 small-holder farmers)	<ul style="list-style-type: none"> Mwenge Sflower Nondo Inv Co. Ltd Three Sisters Ltd Jackma Enter. Ltd Sebei F. SACCO Global Trade Ltd Kimolo Sup. Rice Khebhandza Ltd Temnar Co. Ltd Magin Ltd. 	Improved, high yielding (14-26% yield increase) sunflower varieties with high (43-50%) oil in its seeds; expansion of agricultural land under CSA; increased mechanization; soil testing and fertilizer use efficiency; market linkage.	Early maturing sunflower varieties; index-based crop insurance; better weather forecasting to farmers, improved pest and disease management, more efficient water storage and management; credit access; grain storage facilities.	Conservation agriculture, reduced deforestation coupled with intensified farming; more energy efficient technologies for pre-production and post-production; soil and land management that conserves soil carbon and improves soil health.

Farming contracts and service delivery for CRAFT business cases

The contract farming between the business cases and smallholder farmers will revitalize and facilitate access to input and output markets for the seven value chains. This model is a positive institutional innovation in marketing, by filling gaps which would otherwise cause market failure and incentivize the adoption of climate services. The agricultural services through the business cases are designed to advise, support and guide farmers right from pre-planting to post-harvesting. The services may include, but are not limited to, information and actions regarding research, climate information, enterprise selection, input selection, access to credit, land development, planting, crop protection, harvesting and post-harvest management and market linkages.

Further reading

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This Info Note presents a summary of business cases of the Climate Resilient Agribusiness for Tomorrow (CRAFT) project. CRAFT is funded by the Netherlands Ministry of Foreign Affairs and aims to increase the availability and accessibility of climate-resilient food for the growing populations in Kenya, Tanzania, and Uganda. The project is implemented by SNV (lead) in partnership with the CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS), Wageningen

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