



FEED^{THE}**FUTURE**

The U.S. Government's Global Hunger & Food Security Initiative

Partnering for Innovation



Feed the Future Partnering for Innovation

Business Models for
Smallholder Farmers



USAID
FROM THE AMERICAN PEOPLE



Smallholder Farmers: A Valuable, Viable, Vast Market



500 Million
Potential Customers

Partnering for Innovation

- **We build partnerships with agribusinesses** to help them sell new products and services to a market comprising more than 500 million smallholder farmers.
- **We provide the investment assistance, expert guidance, and technical support** that businesses need to expand in emerging markets and create a growing and lasting customer base.
- **The result:**
 - ✓ Agribusinesses reinvest in their businesses.
 - ✓ Smallholder farmers increase their production and incomes.
 - ✓ Countries with emerging markets boost food security and economic opportunity.



Partnering for Innovation's Results



6 Years
of partnerships

94

*new agricultural products
and services commercially
available to smallholder farmers*



50
partners

More than
1 million
*smallholder
farmer customers*



\$65 million
in sales

17 countries

Supporting Business, Not Technology

Instead of focusing on the next big technology, we should be addressing the gaps that are keeping private sector companies from getting existing technologies into the market:

- US-based companies may not have the international experience
- multi-national companies may not have the local networks
- locally-based companies may not have the enabling environment



Purdue Improved Crop Storage Bags

- **Purpose:** Reduce smallholder grain producers' postharvest losses
- **Approach:** Purdue used local manufacturer Bell industries to market PICS bags to smallholder customers. The bags provide small-scale hermetic grain storage to reduce postharvest pest damage, and can be used by smallholder farmers to store either a few kilograms or a full 50 to 100 kilograms of grain.
- **Results:** Bell Industries has sold more than 1.2 million PICS bags to 300,000 smallholder farmers in Kenya.

Country: Kenya
Sector: Postharvest
Processing & Storage



Marketing Strategy > Business Model

A company's business model is not particularly predictive of their success in selling technology and services to smallholder farmers. Rather, it's more important to look at other factors such as:

- marketing strategy
- manufacturing or distribution partners
- long-term commitment
- leadership strength



Donors Offer More Than Funding

Donors can fill commercial financing gaps that are preventing agribusinesses from scaling up operations, moving into new regions, or introducing new products and services into the smallholder market.

They can also help address service gaps by crowding in companies providing services that support the agricultural sector such as building distribution networks, finding marketing channels, or addressing regulatory challenges.



Store It Cold

- **Purpose:** Provide low-cost cold storage alternatives to exporters who source from smallholder farmers.
- **Approach:** the CoolBot attaches to a standard air conditioner to control the temperature of an insulated room, extending shelf life, maintaining quality, and reducing rejection rates for horticultural crops. Store It Cold is opening operations in Honduras and Guatemala to sell its cold room kits and refrigerated trucks.
- **Results:** Store It Cold will sell cold storage kits impacting up to 50,000 smallholder horticulture outgrowers.

Country: Honduras and Guatemala

Sector: Postharvest Processing & Storage



Different Paths to the Same Goal

- In **Honduras**, Store It Cold is working with PartnerHero, a locally-based consulting business, to establish in-country operations and hire knowledgeable and well-trained local staff with an understanding of the market and customers.
- In **Guatemala**, Store It Cold signed a distribution agreement with Industrias Servin, a Guatemalan business, to handle its sales of cold store room kits and refrigerated trucks directly.



Where Are They Now?

- 80 full cold room kits sold throughout Guatemala and Honduras impacting 43,000 smallholder farmers selling to horticulture aggregators and exporters
- marketing through distribution and retail partners likely the ongoing strategy due to lower overhead and fewer regional offices (although the dedicated workforce worked well!)



EthioChicken

- **Purpose:** Introduced improved chicken breeds that, compared to local breeds, annually produce more than four times as many eggs, more efficiently convert feed, and grow to be 150 percent larger.
- **Approach:** Sell improved poultry breed and affordable, nutritious feed to smallholder farmers in rural, hard-to-reach areas through a network of local sales agents.
- **Results:** EthioChicken sold 3.2M day-old chicks and 3,073 MT of high-quality poultry feed to smallholder farmers in its first two years of operation. Sales continued to increase after the partnership ended, with countrywide sales now totaling 10M day-old chicks and almost 10,000 MT of feed.

Country: Ethiopia

Sector: Animal
Health and
Productivity



One Last Thing Before We Go

After investing in more than 50 private sector partnerships, Partnering for Innovation has learned a couple of key lessons around what makes for a successful private sector partner:

- strong, committed leadership
- allows for more flexibility
- focuses on long-term strategies
- counts on external complications
- knows what they don't know
- keeps track of progress



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