

# I&P and the agri-food industry

*Supporting SMEs that feed Africa*



April 2023

## 01. The challenges of the agri-food sector in Africa

SMEs in the agri-food sector account for more than 60% of the continent's agricultural production and trade<sup>1</sup> and already play a key role in feeding Africa. However, in a context of climate change and tensions that could affect the continent's food security, food imports could increase from 14% in 2015 to 25% in 2025<sup>2</sup>. It is therefore essential to support these companies.

### Opportunities and challenges along the value chain



#### Products in increasing demand

The demand for agricultural products is constantly increasing due to population growth, rising living standards and urbanization. The market that opens up to SMEs in the agri-food sector is constantly growing.



#### Markets to conquer

It is essential that the continent's agri-food SMEs develop on a large scale to conquer international markets. At the national level, they must differentiate themselves from imported products that often benefit from subsidies from exporting countries.



#### The need for adapted financing

Three out of four SMEs in the agribusiness sector do not have access to commercial bank loans in sub-Saharan Africa<sup>5</sup>. Considered riskier, the sector has more difficulty accessing financing. There is a mismatch between the financing needs and means of agricultural SMEs: a constant need for working capital and seasonal campaigns



#### Multiplied difficulties for women

Women have more difficulty accessing property and inputs. They are also overrepresented at the processing level and often carry younger projects that are considered even riskier by financiers.



#### Sectors to be structured

When scaling up, it is difficult for SMEs in the agri-food sector to know who to turn to in order to purchase raw materials in large quantities. The structuring and professionalization of these sectors are essential to enable producers to finance their inputs and to train themselves. The formalization of the relationship between SMEs and producers must ensure the price and quality of products. Today, African SMEs are making a real effort to structure these sectors and have a very important potential impact on producers.



#### Sources of supply exposed to multiple shocks

The African agri-food sector is highly vulnerable to climate change. By 2030, the continent risks losing two-thirds of its arable land<sup>4</sup>. The supply of raw materials is exposed to multiple conflicts on the territory, but also to international conflicts that can increase the price of fertilizers linked to that of oil. These multiple shocks leading to volatility in the price of raw materials may cause difficulties for SMEs in the sector.



#### Limited agricultural productivity

Today, Africa is estimated to have 60% of the world's arable land, but its exploitation is not yet sufficient to meet the demand. Nevertheless, the continent produces only 10% of the world's agricultural output<sup>3</sup>. There are several reasons for this low productivity: poor access to inputs, improved seeds, new technologies, under-investment in infrastructure for rural populations (health, water, energy), but also a lack of training and a lack of qualified human resources.

## 02. Our impact in the sector

I&P and its partner teams invest in promising African agribusiness SMEs for the future of the continent across different regions and sectors.



**10** countries from different regions of Africa



**44** funded companies



**€21,4 M** funded in the sector



**23,000+** small producers supported



**2,400+** employees



### Sustainable Development Goals

The companies in I&P's portfolios and those of its partner teams in the agri-food sector mainly contribute to development goals 2 (Zero Hunger) and 3 (Good health and well-being).



### Some of the agri-food SMEs in our portfolios\*

#### Fruits and vegetables



Ghana



Senegal



Niger



Côte d'Ivoire



Burkina Faso



Senegal



Burkina Faso



Senegal

#### Dairy products



Senegal



Niger



Burkina Faso



Madagascar



Madagascar

#### Inputs



Burkina Faso



Kenya

#### Cosmetics



Mali

### Focus on two companies

#### La Laiterie du Berger

Senegal • Dairy Products

La Laiterie du Berger is the only Senegalese company to manufacture dairy products from fresh local milk collected from more than 900 farmers. Laiterie du Berger's products are distributed throughout Senegal through more than 10,000 points of sale.



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#### Rose Éclat

Burkina Faso • Fruits and vegetables

Rose Eclat is a Burkinabe family business created in 1999 that transforms certified organic fruits and vegetables such as mango, banana, okra, strawberry or onion.

Rose Eclat works in partnership with more than 500 small producers that it supports technically and financially.



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# Testimonials

## Aïcha Zio SAVADOGO

Investment Director at Sinergi Burkina



*Aïcha Zio Savadogo is Investment Director at Sinergi Burkina. She has financed several companies in the agri-food sector and shares with us her experience as an impact investor.*

### What role do agribusiness issues play in your career?

I studied financial engineering, but I also benefitted from additional training on financial analysis applied to agricultural issues. This was very beneficial during my career at SOFIGIB and then at Sinergi Burkina, as deals in the sector represent an important part of my work.

### How do SMEs in the agri-food sector create impact?

In Burkina Faso, the sector employs 80% of the population. But we are still at the stage where food imports are too important. The transformation of what we produce is at an embryonic stage. Given the difficulties the sector faces, but also its potential impact in terms of employment and added value, it represents a key target for impact investors.

### Can you tell us about a partnership with an SME in the sector?

Agroserv Industrie was the first company I supported. The promoter succeeded in becoming a leader in corn processing. With Agroserv Industrie, we worked a lot on the formalization of the company and the diversification of the client portfolio, which required support towards HACCP certification at first and ISO 9001 later. Another challenge was to secure the raw material through the structuring of a network of small producers with more than 6000 members.

“ *When we support a company in its transition to scale, we must also support its network of producers to enable it to follow this increase in supply.* ”

## Siaka SANON

Founder and CEO of AgroServ Industrie

*Agroserv Industrie is a company specialized in the processing and marketing of corn in Burkina Faso. The expertise developed by the promoter has enabled him since the creation of the plant in 2013 to conquer a significant share of the national grits market. Agroserv Industrie invests in the organization and structuring of a network of more than 6,000 small corn producers (at least 30% of whom are women and youth) to secure and improve the quality of its raw material.*



### Do the current crises, namely the security situation in Burkina Faso and the war in Ukraine, also have an impact on your activities?

The security matters in Burkina Faso are having a strong impact on our business, particularly in terms of the supply of corn, our raw material. Because we are unable to grow sorghum and millet, the demand for corn is rising sharply among the population in the north of the country. Some farmers now refuse to sell their production to us, as they find it easier to sell it to local traders and peddlers than to their cooperative which contracts with Agroserv. At the same time, the war in Ukraine is coupled with an increase in prices, especially of metals. The price of the equipment that we wish to acquire is thus higher than expected, to which is added the increase in transport costs. Our budget is therefore very tight...

### In the face of these difficulties, what are the driving forces behind your projects?

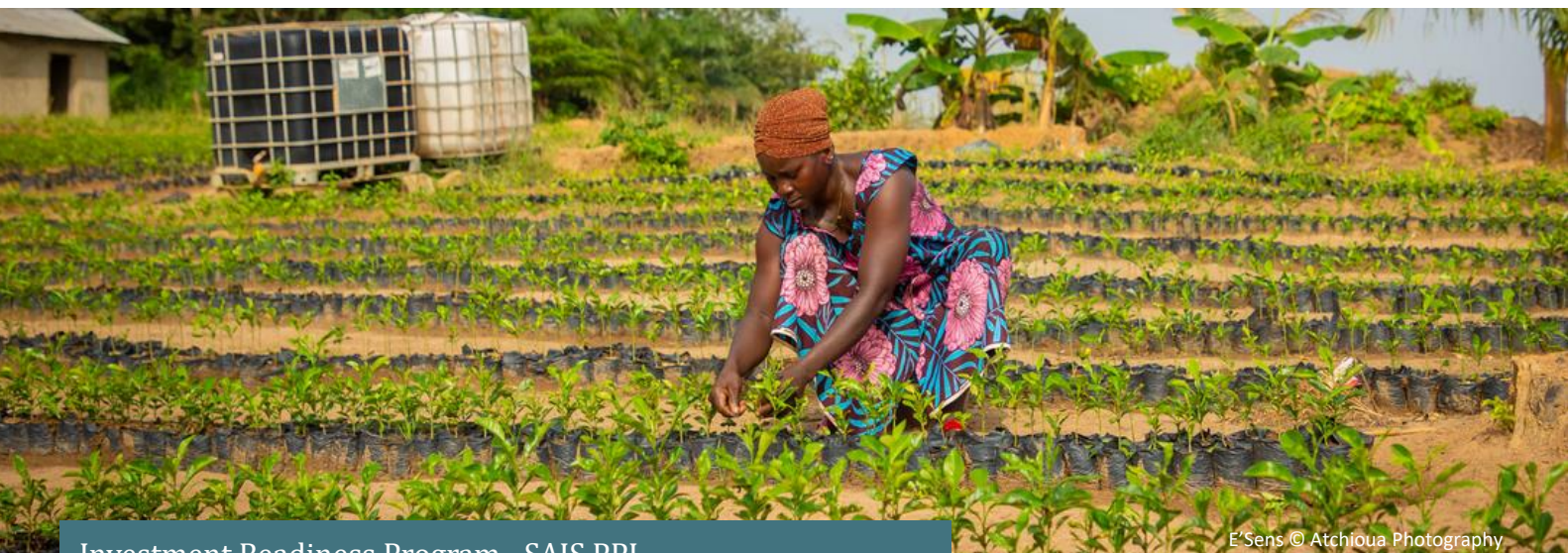
We are involved in feeding Africa, which is a real challenge because the conditions on the ground are difficult. While some people find it easier to import agricultural products from large European multinationals, I am convinced that Africa must feed itself. And this also requires financing, and the possibility of identifying serious partners who understand these issues to support us.

[Read more](#)

“ *Producing in Africa for Africans is certainly a challenge, but it is also an opportunity.* ”



### 03. Our programs in the sector



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#### Investment Readiness Program– SAIS PPI

##### Acceleration Program



Launch of SAIS PPI in Abidjan (March 2022)

The Investment Readiness Program for Digital Start-ups in the Agribusiness Sector (SAIS PPI) was initiated by the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and implemented by I&P Conseil and Comoé Capital.

The SAIS PPI program aims to prepare agritech start-ups to raise the funds necessary for their development. They benefit from the expertise of investor mentors and sector experts, e-learning, technical assistance, regional workshops and access to a network of financial and commercial partners.



#### Mitsiry

##### Miarakap & USAID

Since 2022, Miarakap, I&P's partner team, in partnership with USAID, has launched the MITSIRY project aimed at financing and supporting Malagasy startups and SMEs with a positive impact on biodiversity conservation and local communities.

It is a 5-year program that will finance through matching grants and repayable advances 7 or 8 SMEs and up to 24 startups with a budget of US\$5M.

The program targets several sectors including agriculture, beekeeping, aquaculture and agroforestry. The support to local farmers and the improvement of practices towards more sustainability are strong impacts of the program.



Launch of Mitsiry (May 2022)

## 04. Key lessons from I&P on agribusiness

What are the 5 key lessons to remember about impact investing in the agricultural sector in Africa? We asked our investment teams, here are their answers!

### 1 Management of supply is essential

SMEs in the agri-food sector must control their supply, and develop it by strengthening the structuring of supply chains. They must insist on contractualization and professionalization, in particular by creating producer networks.

### 2 A clear sales and marketing strategy helps to meet the challenge of competition

An SME in the agri-food sector is exposed to competition from imported products, often cheaper and seen as being of better quality, but also from products from the informal sector. Adopting a differentiating sales and marketing strategy allows to stand out and to build its market in the long term.

### 3 Technical assistance is key to enabling entrepreneurs and their teams to strengthen their skills

SMEs in the agri-food sector must constantly reinforce their technical skills and develop their products. Recruitment and training of personnel in production, management and finance, and certification are necessary for the development of the company and can be financed by technical assistance.



### 4 It is necessary to propose financial solutions adapted to the seasonality of the agricultural activity.

Given the seasonality of certain activities in the agri-food sector, it is essential to provide an adapted solution to finance the working capital needs of these SMEs. One solution would be to partner with banks so that they can provide this liquidity.

### 5 Climate issues must take a central place in investor-entrepreneur discussions

Given the increasingly unstable climate, the agri-food sector must strive to adapt to this new reality. This adaptation involves, for example, better water management, better management of climatic risks or better cultivation methods. It is essential and must be addressed from the beginning and throughout the investor-entrepreneur relationship.



## 05. They are also active in the sector



## 06. Contributors



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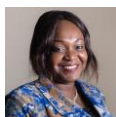
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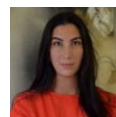
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### I&P partner companies



## Sources

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## About Investisseurs & Partenaires (I&P)

**Investisseurs & Partenaires** is an impact investment group entirely dedicated to African SMEs.

Since its creation in 2002, I&P has supported more than 250 SMEs in 15 African countries, providing long-term financing as well as strategic, managerial and technical support. As an impact investor, I&P's mission is to maximize the societal impact of its partner companies and contribute to dynamic and inclusive growth in Africa.

I&P has **more than 160 experienced and committed staff** based in 10 African offices (Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Kenya, Madagascar, Mali, Niger, Senegal and Uganda), in Paris and in Washington D.C.

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