



AGRI-SME TAXONOMY



Agri-SME Taxonomy

Developing a new framework for considering agri-SMEs



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2. A comprehensive agri-SME definition and taxonomy

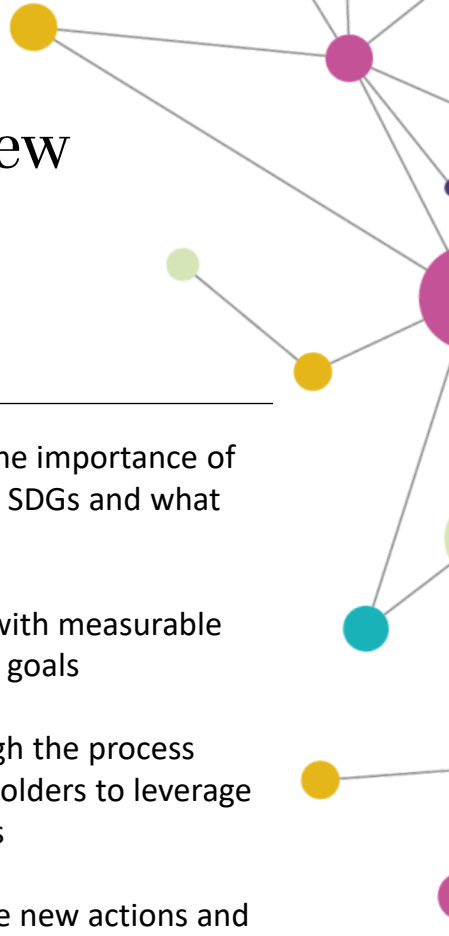
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In 2021 the UN Food Systems Summit (FSS) is working to develop a new vision for sustainable food systems to achieve the SDGs

The Food System Summit Imperative

- The world is **falling short in achieving SDGs**, with only 10 years remaining, many of the 17 SDGs remain far out of reach
- There is a growing recognition that **food systems can play an important role** in achieving these, as food systems touch every aspect of human existence
- Yet today, many of the **world's current food systems are failing, as:**
 - Hundreds of millions of people are hungry, even as **one-third of all food is either lost or wasted**
 - Malnutrition is now the **number one factor contributing to the global burden of disease** and reduced life expectancy
 - Food systems contribute up to **29% of all GHG emissions**
 - Agriculture is also responsible for up to **80% of biodiversity loss; 70% of all freshwater use and 80% of all deforestation**

Anticipated outcomes

- **Dramatically elevated public discourse** about the importance of food systems leading to the achievement of the SDGs and what to do to get them working
- **Significant action and commitment to action**, with measurable outcomes that enable achievement of the 2030 goals
- **A high-level set of principles** established through the process that will guide Member States and other stakeholders to leverage their food systems capacity to support the SDGs
- **A system of follow-up and review** that will drive new actions and results, allow for sharing of experiences, lessons, and knowledge, and incorporate new metrics for impact analysis

The way in which specific actors and solutions are integrated into this new narrative, principles and actions will shape how major food system initiatives are identified and prioritized going forward

Within the UN FSS process, five action tracks and a series of cross-cutting themes are being used to frame the need and opportunities

FSS Action Tracks



FSS levers of change



Within these established frameworks, UN FSS aims bring together diverse actors to transform the way the world produces, consumes and thinks about food and to spur bold actions in transforming the food systems together

In the agricultural sector, Agri-SMEs play a critical role in the growth and development of inclusive and sustainable food systems




1



Sale of inputs

Agri-SMEs, such as agro-dealers, play an important role in getting quality inputs to farmers

2



Food production

A significant portion of farmers are profit-oriented and run their farms as enterprises, producing higher yields of food crops

3



Collection & distribution

Transporters, traders and other SMEs play a majority role in collecting from farmers and distributing to markets, creating market access to farmers and food access.

4



Processing and retail

SMEs are transforming domestic production, supporting in diversification of diets, reducing food waste and creating higher value for farmers

Agri-SMEs are critical actors in any sustainable, inclusive and equitable food system

However, the absence of a widely shared and comprehensive framework for agri-SMEs risks an under-inclusion in the UN FSS process

THE CORE ISSUE

- **There is currently no widely accepted definition and comprehensive taxonomy around which to understand the different types and underlying needs of agri-SMEs**
 - Agri-SMEs are classified in a variety of ways (i.e. by size, value chain, role, financing needs etc.), depending on the interests of different institutions
 - Agri-SMEs are also largely disconnected from the global discourse on Small and Growing Businesses (SGBs) and the movement to create ecosystems of support around their unique challenges and needs
- **This lack of a clear definition and comprehensive taxonomy makes it very difficult to:**
 - Comprehensively consider the role of different types of agri-SMEs in foods systems
 - Specifically consider the support needs of different types of agri-SMEs to unlock their growth
- **In the context of the food systems summit, this could result in:**
 1. The role and importance of agri-SMEs being under-represented in global discourse and narrative
 2. A narrow pigeon-holing of Agri-SMEs into Action Track 4 around equitable livelihoods
 3. Cross-cutting working groups such as finance not adequately considering the right range of agri-SME needs to better enable their contribution to the Action Tracks

Through the FSS there is an opportunity to establish a stronger, shared understanding of agri-SMEs within sustainable, inclusive and equitable food systems

Against the backdrop of the FSS, this work aims to create a new foundation for considering agri-SMEs in global food systems

Objectives for work

- Foster a **shared understanding** among actors concerned with agri-SMEs – notably but not exclusively from a financial perspective – about the shared features of different types of enterprises that fall under this label
- Propose a **new taxonomy and language** to establish agri-SME segments, drawing upon existing case studies and the literature to illustrate how these may apply in different markets and geographies, with relevance to the different components of the FSS agenda as articulated in five Action Tracks (ATs)
- Provide a **solid grounding for the assessment of different financial needs** of agri-SMEs, which can be used to inform SAFIN’s work in the first instance and then also other relevant initiatives in the agri-SME finance space

Scope of research

- 1. Context and problem statement**
 - Importance of agri-SMEs to the FS
 - Current classifications of agri-SMEs
- 2. A comprehensive agri-SME definition and taxonomy**
 - Presentation of a definition and taxonomy for agri-SMEs
 - Identification of key segments and profiling dimensions
- 3. Variation across value-chains and countries**
 - Rapid application of taxonomy to example markets
- 4. Considering the growth profile of agri-SMEs**
 - Profiling of segments and dimensions
- 5. Possible food system and capital market implications**
 - Mapping taxonomy to UN FSS action tracks
- 6. Suggested ongoing research and sector alignment**
 - Key research questions for further consideration

It is envisaged that a new way of considering agri-SMEs can make an important contribution to the UN FSS process and support the development of new “game changing” ideas through SAFIN and others

We propose 4 inter-related elements of a new model that come together to inform the Food Systems dialogue on the role of SMEs

ELEMENT	PURPOSE
1. A clear definition	<ul style="list-style-type: none"> • A clear definition helps to enable: <ul style="list-style-type: none"> • More precisely considerations of types of enterprises (micro, transitioning-micro, small and medium, large) • Consistent consideration of different needs and roles of different sized enterprises • More clear comparison of priorities and actions of different network partners in relation to different agri-SME segments
2. A comprehensive taxonomy of agri-SMEs	<ul style="list-style-type: none"> • There are a broad range of agri-SMEs involved in the food system. To support a systems-view and holistic consideration of the role of different agri-SME segments this taxonomy seeks to establish a more comprehensive taxonomy of agri-SMEs to support FSS discussions. This taxonomy brings together traditionally separate consideration of farmers, input and output market agri-SMEs and more general agri-services SMEs into a comprehensive landscape view.
3. A value chain mapping view	<ul style="list-style-type: none"> • Agri-SMEs emerge in different ways depending on the nature of value chains, with certain SMEs present for only some value chains and others prevalent across but in varying numbers. By filtering the comprehensive taxonomy through the value chains lens, it shows archetypes of certain markets and allows for a blueprint of the expected agri-SME landscape and business models. This will help to identify which agri-SMEs are most relevant to different discussions at the FSS
4. A cross-cutting growth profile taxonomy	<ul style="list-style-type: none"> • Agri-SMEs are diverse not only their role, but also their growth orientation. While investors use various filters to prioritize pipeline, growth profiles offer a way of quickly understanding the growth orientation and potential of different agri-SMEs. This lens can create a useful set of distinctions in considering: i) the different ways in which agri-SMEs may grow; ii) their likely differences in needs; and, iii) the potential impact they can have on different food systems outcomes. It is hoped that considering agri-SMEs in terms of their growth profile, the FSS working groups can have more specific discussions about how agri-SMEs can drive change in different ways.

These 4 elements are combined to identify which agri-SME segments are most important for each action track and frame the discussion for what game changing ideas are possible

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Defining agri-SMEs: Before segmenting agri-SMEs it is important to create a clear definition of what qualifies as an agri-SME and what does not



GOAL:

- Develop a clear definition of agri-SMEs that allows consistent and specific consideration of agri-SMEs within food systems and beyond

KEY ISSUES TO RESOLVE:

- Make clear distinctions between micro vs. small as well as medium vs. large enterprises
- Ensure definition works across markets and country contexts
- Clarify which level of farmers are considered SMEs
- Distinguish between SMEs and SGBs

APPROACH:

- Benchmark against existing definitions and thresholds
- Detail options for a definition
- Propose options for review by SAFIN

Benchmarking: Looking at how others have defined SMEs, it is clear that there are very different approaches to defining SMEs that are used in different ways

Approach	Example	How definition is used
Global SME development initiative definition	ANDE's SGB Definition <ul style="list-style-type: none"> Between 5 and 250 employees Seeking growth capital between \$20,000 to \$2 million Significant potential, and ambition, for growth 	<ul style="list-style-type: none"> Used to create a clear focus on a sub-set of SMEs (SGBs) that are positioned for growth and seeking specific capital ANDE maintains this clear global focus across countries with a wide enough range to catch most enterprises above the micro level that want to grow
Global finance institution definition	IFC SME Definition <ul style="list-style-type: none"> <u>Micro</u>: Less than 10 employees and revenue less than \$100,000 <u>Small</u>: Less than 50 employees and revenue less than \$3 million <u>Medium</u>: Less than 300 employees and revenue less than \$15 million 	<ul style="list-style-type: none"> Used for reporting purposes across IFC sectors to create clear investment numbers at a portfolio level However, the IFC and World Bank tend to only invest in micro and small enterprises through intermediaries and have a policy of adopting the definitions of the country of operation when considering pipeline
National SME reference points ¹	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> Indian Ministry of MSME Definition <ul style="list-style-type: none"> <u>Micro</u>: investment <Rs1 crore and annual turnover <Rs5 crore <u>Small</u>: investment <Rs10 crore and annual turnover <Rs50 crore <u>Medium</u>: investment <Rs50 crore and annual turnover <Rs250 crore </div> <div style="width: 45%;"> European Commission SME Definition <ul style="list-style-type: none"> <u>Employees</u>: between 10- 250 and <u>Annual turnover</u>: between €2 million- €50 million OR <u>Annual balance sheet</u>: €2 million- €43 million; </div> </div>	<ul style="list-style-type: none"> Each country will have nationally relevant definitions for SMEs that account for the size and nature of the economy Some countries, such as South Africa, vary metrics to further account for differences between sectors These national definitions are used for national statistics, planning and in some cases setting portfolio investment requirements for banks (e.g. X% of portfolio in primary production, agro processing etc.)

Benchmarking suggests that there are no Agri-SME specific definitions at a global or country level

National thresholds: Even at a national level different sectors often have separate thresholds for SME classifications

Example

US Department of Agriculture Farm Definition

- Family-farms: any farm organized as a sole proprietorship, partnership, or family corporation.
 - Very large family farms: gross over \$500,000
 - Large family farms: gross between \$250,000 and \$500,000
 - Small family farms: gross under \$250,000

Malaysia SME Definition

Divided into two categories

- Manufacturing: 5-150 employees + annual turnover of RM 250k-25M
- Agriculture and Services: 5-50 employees + annual turnover of RM 200k- 5M

South Africa SME Definition

- Divided into 11 categories: Agriculture, Mining /Quarrying, Manufacturing, Electricity/Gas/Water, Construction, Retail/Motor Trade/Repairs, Wholesale trade/Commercial agents, Catering/Accommodation, Transport/Storage/Communications, Finance/Business Services, and Community/Social
- Each category has specific thresholds for: Employees, Annual Turnover and Total gross assets

Government support for agri-SMES

- Farm Storage Facility Loan Program to help SME fruit/vegetable producers access the program for cold storage and related equipment like wash/pack stations.
 - Microloan Program to lend up to \$50,000 via government lending
 - Cost share support is also available for farmers pursuing organic certification
 - Market linkages through Farm to School Program, connecting SME farms to schools
-
- Loan facilities for working capital in agriculture provided by the Agrofood Facility
 - Funds for the development of agro-storage and distribution infrastructure
 - Specifics funds for investments in food security as well as association infrastructure
 - (Covid-19 support in terms of loan repayments, employee wage subsidies, etc.
 - MoUs with various international partners with the objective of exchanging best practices, experiences and information i.e. India, Japan, Vietnam, Mexico
-
- Cooperatives Incentives Scheme offers cash grants so that their cooperative can obtain good quality services that will help them to grow their business
 - Various programs to support with business planning and loan applications to support access to finance
 - Technology for Sustainable Livelihoods focuses on supporting community businesses in doing value add in aquaculture, essential oils and indigenous medicinal plants

Separating out specific agriculture thresholds typically allows smaller agri-SMEs to qualify for overarching SME services (loan guarantees, business planning support, etc.) as well as to receive sector-specific support developed by governments

Reference: Considering metric options for thresholds

Metric	Pros	Cons
# of employees	<ul style="list-style-type: none"> The most consistently used metric across current definitions Least variation across current definitions Helps to differentiate between family enterprise and those that employ outside staff 	<ul style="list-style-type: none"> Between regions, great variation between the potential of a 5-employee enterprise, for example, in terms of revenue size in US/ Africa/ Latin America Employment tends to be more formally recognized and often cannot count family members
Annual turnover	<ul style="list-style-type: none"> Ensures a profit-oriented enterprise Generally, ensures an enterprise of a certain size 	<ul style="list-style-type: none"> Size is relative to the market, so difficult to set universal thresholds across countries or even industries in the same country
Assets	<ul style="list-style-type: none"> Generally, ensures an enterprise of a certain size 	<ul style="list-style-type: none"> Certain business models are low in assets Formality of ownership impacts this, particularly for farmer land assets
Investment amounts	<ul style="list-style-type: none"> Given the challenges translating revenue and assets across contexts, investment amounts can identify a similar class of enterprise 	<ul style="list-style-type: none"> Not 100% accurate in predicting size of enterprise, so could have micro or large that are included
Formality	<ul style="list-style-type: none"> Being formally registered is an indicator of ambition Formality is typically linked to employment Makes them more investable 	<ul style="list-style-type: none"> In some contexts, it is difficult/expensive to get formal license On the lower end of SMEs, there are a number of enterprises that would like to be formal, but do not know how or are in process
Legal structure	<ul style="list-style-type: none"> Can ensure it is a profit-making entity 	<ul style="list-style-type: none"> Linked closely to formality challenges Certain structure, like cooperatives, may not qualify but still play the role of and agri-SME

Reference: Threshold complications and approaches

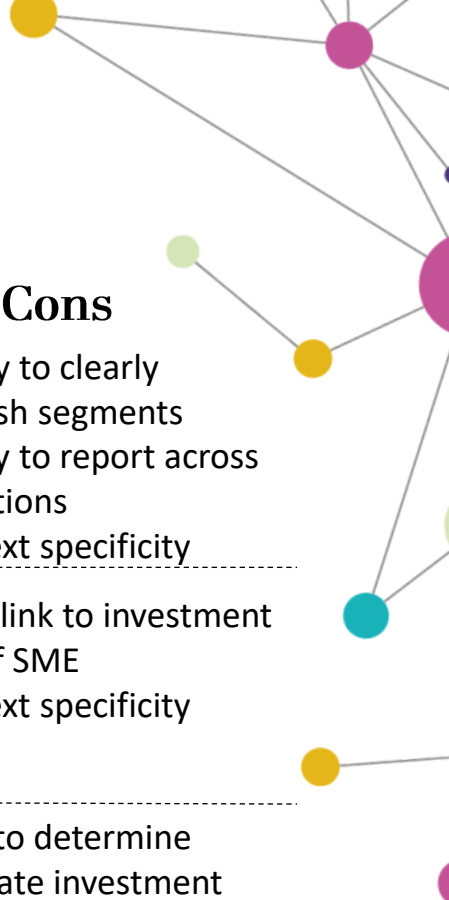
Threshold complications

- **Country context matters:** Each country has a specific macro-economic setting in which agri-SMEs are functioning. Some may have a large government role via subsidies and others may be free market. Some are low-income countries with different purchasing power of parity than high-income countries. Thus, setting one threshold that holds true for all contexts, for example on total assets or revenues, is quite complicated
- **Market size matters:** Some markets have large potential, be it a specific value chain or geographic area, while others have smaller market potential. This means, relatively in that market, what counts as a medium sized enterprise in one market, such as Togo, may be large actor in another, such as Indonesia
- **New models disrupt thresholds:** As new business models come out, particularly those that adopt new technologies, traditional thresholds can be disrupted. With automation, for example, an enterprise can have much fewer employees and still be larger based on assets than more traditional models with more employees

Definition options

- **Wide thresholds:** One possibility to is to have thresholds that are set based on the extremes at each end. This would mean, for example for total assets, minimum would be based on the context where the lowest amount was needed to qualify as an SME, given the country/market contexts. This inclusive approach allows all SMEs in, but may also allow certain enterprises that would be considered micro or large in as well, given their contexts
- **Relative thresholds:** Thresholds could be set instead of as set numbers, more as percentages or ratios, allowing for the absolute numbers to adjust based on the market. While this is easy to translate across contexts, coming up with a consensus on these ratios requires research to fully understand and disruptive models may still not fit
- **Threshold options:** Giving multiple ways to qualify (# of employees, assets, or revenues) rather than requiring all criteria to be met is another way to make the definition more flexible
- **Country specific thresholds:** Using country specific definitions

For this exercise, we have considered a range of options that SAFIN could adopt and refine over time



SAFIN options: We have defined 4 different categorical options for SAFIN to consider which support different use cases for the network

	Options ¹	Description	Pros	Cons
<p>BROAD</p> <p>NARROW</p>	<p>1</p> <p>Broad, global definition with no thresholds</p>	<p>Descriptive overview of ag-SMEs created with room for individual organizations to create their own interpretation of SMEs vs Micro</p>	<ul style="list-style-type: none"> Inclusive approach that accommodates specific interests and objectives of different organizations 	<ul style="list-style-type: none"> No ability to clearly distinguish segments No ability to report across organizations No context specificity
	<p>2</p> <p>Global definition with specific business metric thresholds</p>	<p>Descriptive overview of ag-SMEs complemented by a universal employee, revenue and/or assets range to distinguish from micro /large</p>	<ul style="list-style-type: none"> Allows for consistency, specificity & comparability across organizations 	<ul style="list-style-type: none"> No clear link to investment profile of SME No context specificity
	<p>3</p> <p>Global definition with specific business and investment metric thresholds</p>	<p>Descriptive overview of ag-SMEs complemented by a universal employee, revenue and/or assets range as well as investment range</p>	<ul style="list-style-type: none"> Allows for consistency, specificity & comparability across organizations with specific link to finance needs and orientation 	<ul style="list-style-type: none"> Difficult to determine appropriate investment ranges No context specificity
	<p>4</p> <p>Broad, global definition with country specific reference points</p>	<p>Descriptive overview of ag-SMEs to specifically reference national definitions of micro, small and medium enterprises (to be collated by SAFIN)</p>	<ul style="list-style-type: none"> Specifically accounts for national differences Links to national statistics and registrars 	<ul style="list-style-type: none"> Difficult to compare across countries



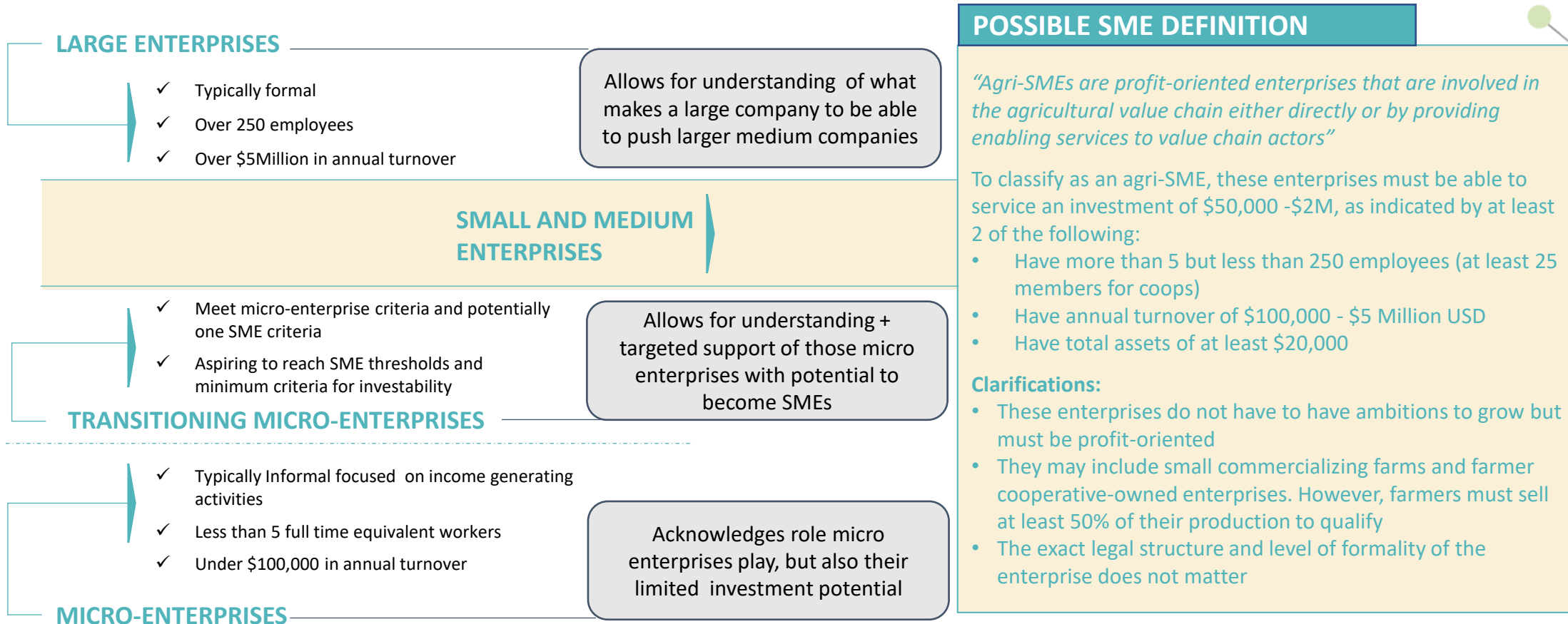
Source: ISF Analysis
 Notes: 1. See Appendix for illustrative examples of each option

Defining agri-SMEs: ISF reflections on options

- There is general agreement that there are fundamental differences between micro, small, medium and large enterprises that have a direct bearing on both what support each segment needs and their role in the food system
- However, developing a globally applicable set of thresholds to define cut-off points between categories is difficult to establish and apply in a way that accounts for company and national differences
- Yet, for SAFIN having the ability to consistently consider the NEEDS and ROLES of different sized enterprises would be useful in being able to:
 1. **More precisely define segments** of enterprises
 2. **Consistently consider different needs and roles** of different sized enterprises
 3. **Compare priorities and actions of different network partners** in response to these needs and roles
- ISF would suggest that the network accepts the limits and imprecise nature of this exercise, and:
 1. Establishes **four clear, conceptual size segments** of enterprises (Micro, Transitioning Micro, Small and Medium and Large) to consistently refer to as a network
 2. Establishes clear, best-possible-fit global business and investment thresholds for each segment **purely for the purposes of global alignment, coalition building and prioritization of action** (acknowledging the limitations)
 3. Establish and **encourage the more specific use of country definitions** in localized programming and financing activities of partners with the establishment of a SAFIN database of these definitions

A visual representation of this recommendation is included on the next slide

Defining agri-SMEs: Base proposal for SAFIN



This definition includes a broad definition complemented by specific thresholds linked to investability - the number ranges within the definition are illustrative and open for debate by SAFIN members.

Comprehensive agri-SME taxonomy: With a clear definition of what is included, the next important step is to segment agri-SMEs to better understand the role they play

GOAL:

- Develop a comprehensive taxonomy of agri-SMEs to enable a complete view of all agri-SMEs in the context of food systems
- Initiate a more specific language around references to different types for the sector
- Form the basis for discussions about the different roles that agri-SMEs play in food systems as well as differences in their support needs

KEY ISSUES TO RESOLVE:

- Select dimensions to prioritize in establishing a comprehensive segmentation
- Establish segment and sub-segments on a similar and consistent level
- Acknowledge underlying sub-segments and leading sector thinking around specific segments
- Acknowledge the positioning and importance of adjacent micro-enterprises and large companies

APPROACH:

- Benchmark against existing agri-SME segmentation work
- Identify most relevant dimensions
- Map out a comprehensive taxonomy

Comprehensive agri-SME taxonomy: A rapid review of agri-SMEs taxonomies yielded the following insights as context for the development of a comprehensive taxonomy

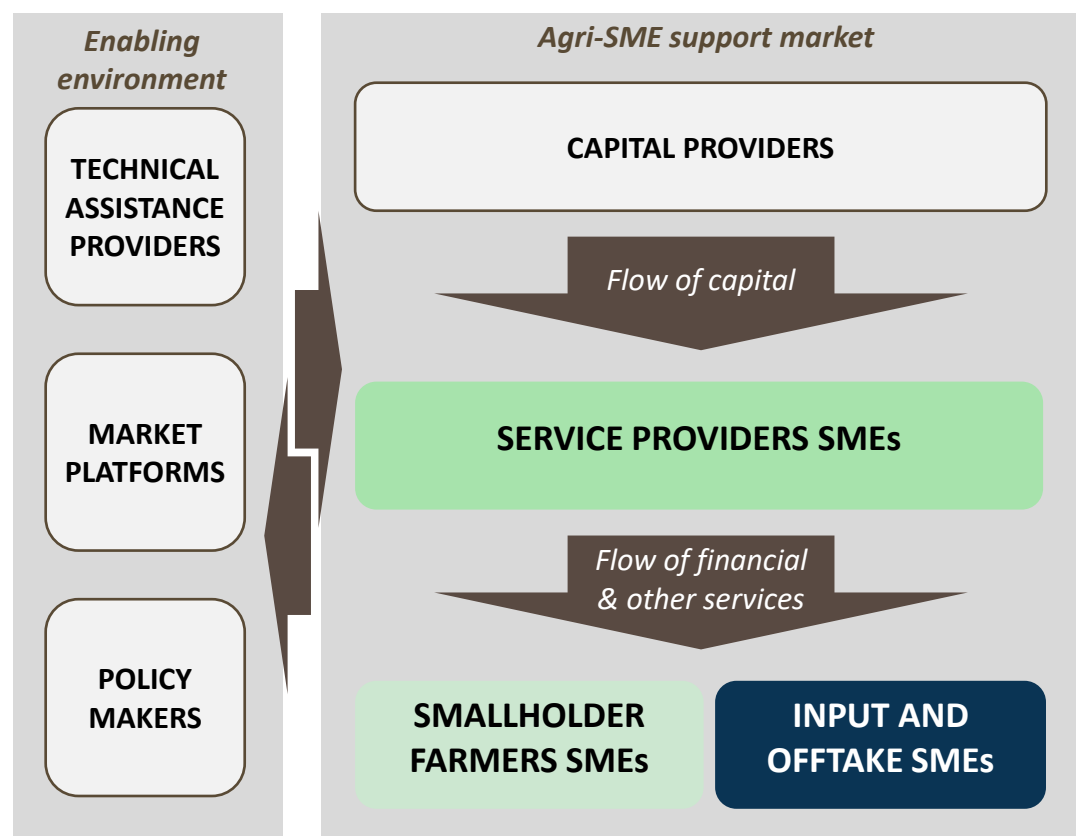
KEY INSIGHTS FROM RAPID REVIEW

- **Size matters:** At all stages of the value chain, private sector actors ranging from informal, micro-enterprises to large companies can play a role. However, there are no clear or consistently applied definitions that distinguish micro from small, medium and large enterprises. This often creates a “catch-all” situation when the term agri-SME is used
- **Role of farmers:** There is not a clear consensus within the sector on whether farmers should be considered as agri-SMEs. For those that do consider them SMEs, it is unclear what size farms are included or how to consistently segment different types of smallholder farmers
- **Focus on the “middle market”:** While agri-SMEs exist in all stages of the value chain, funders tend to focus most on the post-harvest phase on the “middle market” agri-SMEs involved in trade, transport, storage and processing
- **Sub-sector focus:** While there are a number of existing taxonomies that exist, they tend to be very specific to a certain type of company or function
- **New digital service providers:** There is broad awareness of the rapidly emerging set of digitally enabled agri-services SMEs. Many believe these have the potential to grow to larger companies, but it is unclear how many will continue to grow beyond the start up/seed stages
- **Government intervention:** Relative to other sectors, Governments often play a significant role in the agriculture sector, not simply through regulation and subsidies, but also through parastatal companies that can directly affect the business models of agri-SMEs

As part of their rapid review of how agri-SMEs are considered in food systems the ISF team reviewed over 80 reports and 20 organizations providing active support to agri-SMEs

Comprehensive agri-SME taxonomy: Looking more closely at some of the leading organizations and research revealed a siloed view of agri-SMEs

Agriculture ecosystem model



Silos of work on agri-SMEs

SERVICES SMEs: Agri-SMEs in this part of the market have primarily been considered by the donors, funds, technical assistance providers and think-tanks that have been focused on the new set of digital services providers

- **Important taxonomies:** CTA Digital Agriculture taxonomy, GSMA Agri-Maps, ISF/RAF Pathways to Prosperity

INPUT AND OFFTAKE SMEs: Agri-SMEs in this part of the market have largely been the focus of impact investors, FSPs, development programs and think tanks working on developing commodity markets and value chains

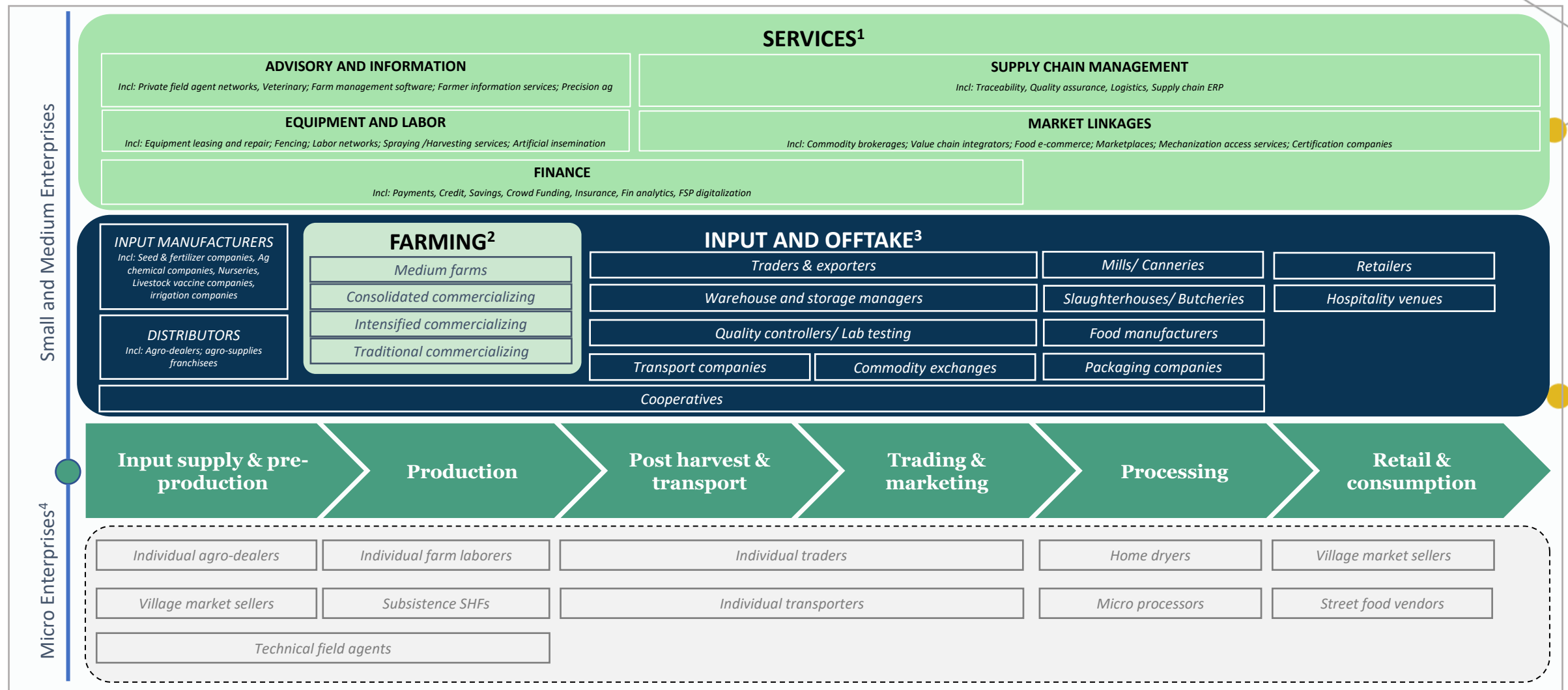
- **Important taxonomies:** IDH SDMs, CASA Hidden Middle taxonomy, AGRA "Missing middle" report

SMALLHOLDER FARMING SMEs: Smallholder farmers as agri-SMEs have been extensively studied in recent years by CGAP, the RAF Learning Lab and ISF Advisors, creating a stronger basis for segmentation

- **Important taxonomies:** CGAP smallholder farmer typology, DfID rural livelihoods model, CGAP financial diaries and national surveys, ISF/RAF Rural pathways model

INSIGHT: Important work has been completed over the past 5-8 years to further understand agri-SMEs, however, this work has been largely siloed in the scope of its' consideration

Comprehensive agri-SME taxonomy: Visual representation



NOTES

1. Some enterprises will combine sub-segments into a single business model
2. See Pathways to Prosperity report for full overview of sub-segments; Cooperatives and Farmer Organizations included in Farming category but provide services beyond production
3. Some enterprises will combine sub-segments into a single business model
4. Micro-enterprises listed are illustrative only and not meant to be collectively exhaustive



Comprehensive agri-SME taxonomy: Explanatory notes 1/2

- **Is this taxonomy meant to be static?** No, new actors and business models will emerge and the taxonomy will need to evolve over time. As SAFIN members identify new taxonomy segments or sub-segments, the comprehensive taxonomy should continue be adapted and improved.
- **Should cooperatives be included as agri-SMEs?** We have included cooperatives because many are profit-oriented, have a large number of members/employees, and are often a target enterprise-type for investors. We acknowledge that their legal structure does not necessary classify them as a corporate enterprise and that there is a wide range of cooperatives in terms of size and the services they provide to members.
- **Should farmers be included as agri-SMEs?** We have included farmers because there are commercial farmers that are profit-oriented who employ staff and are run as businesses. We recognize that not all farmers have these attributes and would qualify as agri-SMEs. While emergent farmers play a critical role, they are in a different asset class, with the potential to move into the agri-SME category as they grow.
- **What should the cut-off be for farmers to be included?** We used the Pathways to Prosperity classifications to clearly differentiate between the different types of farmers. We have included all categories as agri-SMEs, except for subsistence farmers, as they are not profit-oriented and do not sell produce. While the other categories were included, we recognize that not all farmers in each would classify as SMEs, but a portion will. We hesitated from setting specific farmer limits as the land size, annual sales or % of produce sold may differ across country contexts varies greatly.
- **Should retail and consumption be included as agri-SMEs?** We have taken a full value chain approach and follow the food from farm to table, thus include retail and consumption. This helps to understand the role that the private sector plays in all steps along the food system and allows for more comprehensive thinking around interventions.

Comprehensive agri-SME taxonomy: Explanatory notes 2/2

- **What is the role of transitioning micro-enterprises?** We recognize that there is a category of micro-enterprises with the potential and/or ambition to become SMEs. These enterprises represent an important part of the ecosystem and require support to reach SME status, however their needs are different than SMEs and thus are considered separate and not part of the agri-SME definition.
- **Why are the SMEs organized based on value chain stage?** We believe that this is the best way to understand the functional role and positioning of these enterprises in the first instance, highlighting how different agri-SMEs are positioned within the Food System.
- **Why are services separated out?** The agri-SMEs in the input/offtake section are seen as more embedded in particular value chains, where services are more regularly provided across different value chains. We acknowledge that inputs are often considered an enabling service but for the purposes of this taxonomy we have associated them with the core production-output market rather than the enabling services market.
- **Why are the services heavily digitally focused?** The service categorizations are based on an intelligent way to categorize services. These sub-categories include both traditional and digital services and will likely evolve over time as business models continue to be refined. Thus, the categories are meant to be categorizations for all types of services. As many services of them are increasingly moving towards digital, as that is the how these enterprises can reach scale profitably, this trend may continue to dominate the services sector.
- **Should SACCOs be included?** SACCOs play an important role in the ecosystem but are not in themselves agri-SMEs. Thus, while they should be considered in thinking about strengthening the agri-SME ecosystem, they are not included.

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Appendix



Considering market variations: Applying the comprehensive taxonomy to value chains allows for practical application and further understanding

GOAL:

- Demonstrate how different types of value chains have inherent market characteristics that impact the types and number of agri-SMEs that work in those markets, establishing comparative “SME landscape blueprints” that can shape our understanding

KEY ISSUES TO RESOLVE:

- Recognize that value chains have different market dynamics
- Appreciate size of a country also impacts number of agri-SMEs
- Availability of data across value chains and countries is not uniform

APPROACH:

- Classify value chains
- Identify most common market characteristics
- Apply to case studies in different value chains



Source: ISF Analysis

Considering variation in markets: The number and type of SMEs in value chains are primarily determined by the value chain and national context in which they function

Value Chains



Cash tree crops
e.g. cocoa, coffee, tea, cashew



Cereals
e.g. rice, maize, sorghum, wheat



Fruits & Vegetables
e.g., bananas, mango,, tomatoes, onions,



Legumes & Oils
e.g. cow peas, beans, soy, groundnuts, sesame



Roots & tubers
e.g. cassava, yams, potatoes



Dairy
e.g. eggs and milk

Geographies

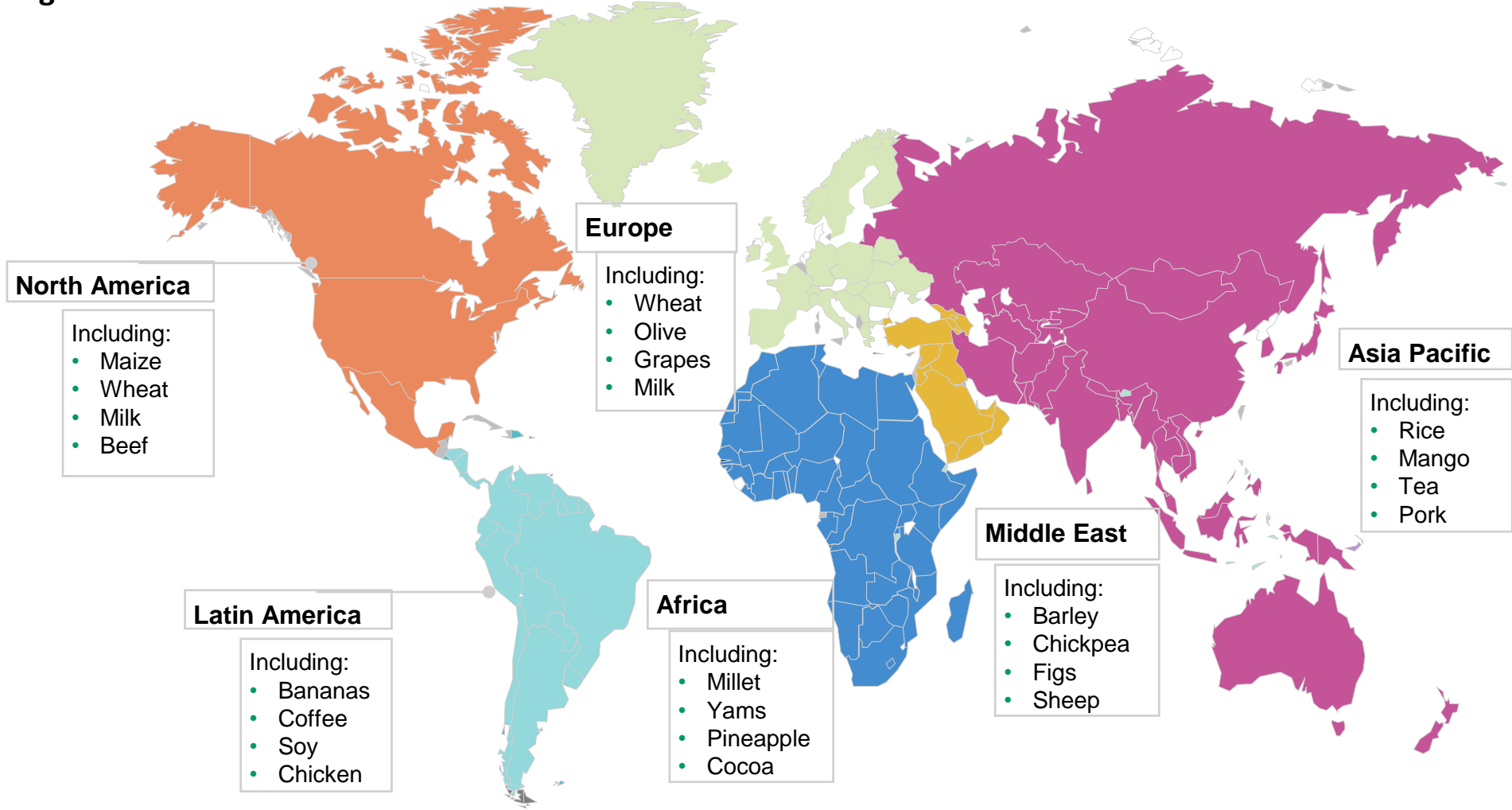
Geographies impact what crops can grow and the structure of the value chain due to the enabling environment. Some examples are:

- **Local level**
 - Soil/climate
 - Access to inputs
- **Country level**
 - Agriculture regulations
 - Agricultural subsidies
 - Government run enterprises
- **Regional level**
 - Regional trade agreements



Considering variation across markets: Value chains differ by geography

Regional value chain differences



Considering variation in markets: Different value chains have different characteristics

	Structure	Volatility	Production Type	Offtake structure	Gov. Intervention	End market
Cash tree crops	Tight	High	Commercial	Coop/ Exporter agents	High	Global export
Cereals	Loose	High	Subsistence	Informal traders	High	Local/ Regional export
Fruits & Vegetables	Loose	Medium	Semi-Commercial	Informal traders	Moderate	Local/ Global export
Legumes & Oils	Semi-tight	Medium	Semi-Commercial	Processor agents	Moderate	Local/ Regional export
Roots & tubers	Loose	High	Subsistence	Informal traders	Low	Local
Dairy	Semi-tight	Medium	Semi-Commercial	Coop/ Processor agents	Low	Local

INSIGHT: Fundamental differences in value chains lead to different types and configurations of Agri-SMEs that we are seeking to characterize in order to consider what types of agri-SMEs to expect across markets



Source: IDH Farmfit
 Note: These are general characteristics and exceptions do exist; Fisheries has been excluded from this analysis given its limited reach

Cereals Example: Rice in the Philippines

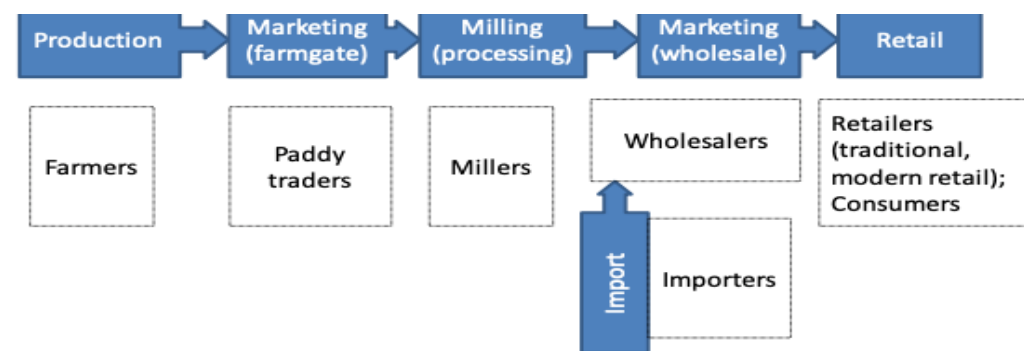
KEY STATISTICS

- World production: 8th largest producer of rice
- Annual production: 18.81M mt
- Land area cultivated: 4.2M ha.
- Farm size: 54% are <1 ha
- Consumption: Net importer (~10%)
- GDP contribution: 3.5%

VALUE CHAIN CHARACTERISTICS:

- Value chain type:** Cereal
- Structure:** Loose
- Production:** Subsistence
- Gov. intervention:** High
- Offtake structure:** Informal traders
- End market:** Local

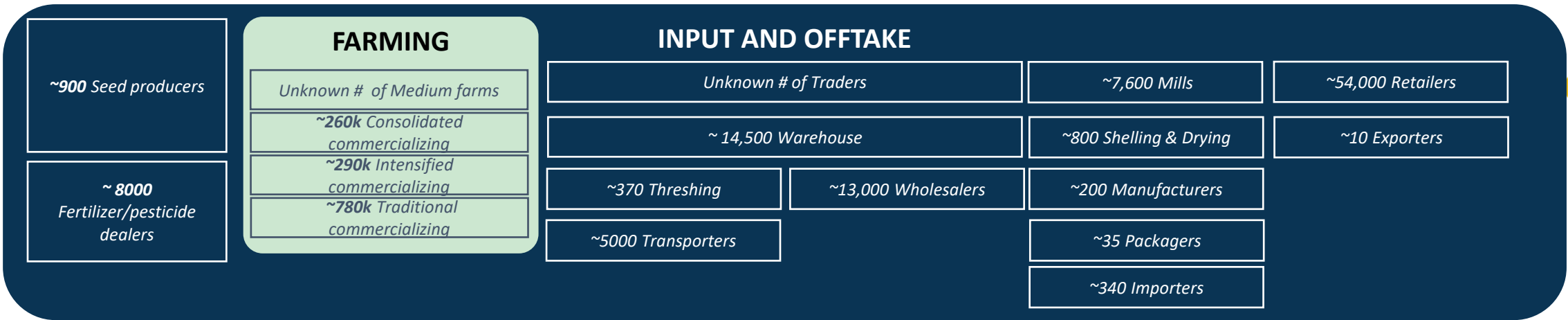
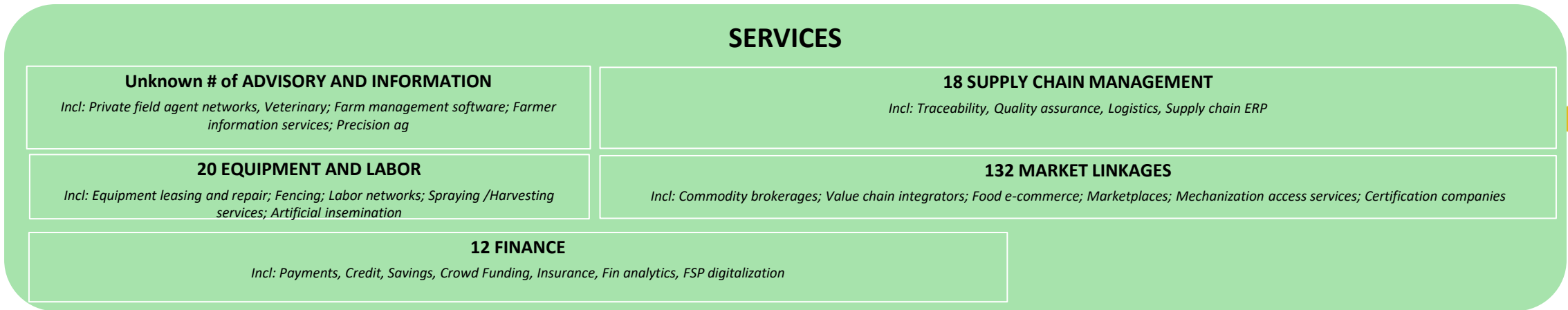
HIGH LEVEL VALUE CHAIN MAP



POSITIONING AND TYPES OF AGRI-SMEs:

The Philippines rice sector represents a staple cereal crop and as with most cereals, there are many farmer producers and traders and few processors. Given the large number of consumers, there are also many millers and retailers, though most are on the smaller end. Despite being a large producer, Philippines is a net importer of rice due to high demand, often common for staple cereals, thus making importers an important actor as well. Service providers are generally limited with more market linkage focus, again given the large number of consumers transactions.

Cereals Example: Rice in the Philippines – Agri-SME Landscape



Source: Philippine Rice Research Institute, Philippine Competition Commission, Philippine Institute for Development Studies, Philippine Fertilizer and Pesticide Authority
 Note: The numbers are based on those businesses that have received licenses and thus are deemed to be SMEs, as micro enterprises would not qualify for a license.

Cash Tree Crop Example: Coffee in Uganda

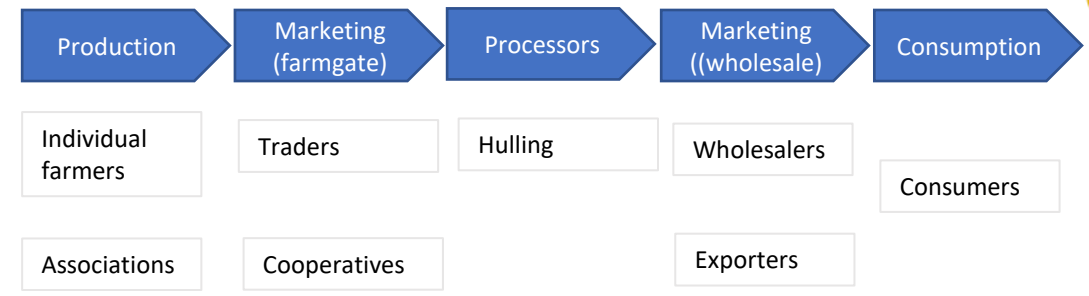
KEY STATISTICS

- World production: 12th largest coffee producer
- Annual production: 200k mt
- Land area cultivated: 120k ha.
- Farm size: average of 0.18 ha.
- Consumption: Net exporter (~95%)
- GDP contribution: 7%

VALUE CHAIN CHARACTERISTICS:

- Value chain type:** Cash tree crop
- Structure:** Tight
- Production:** Commercial
- Gov. intervention:** Moderate
- Offtake structure:** Cooperatives
- End market:** Global

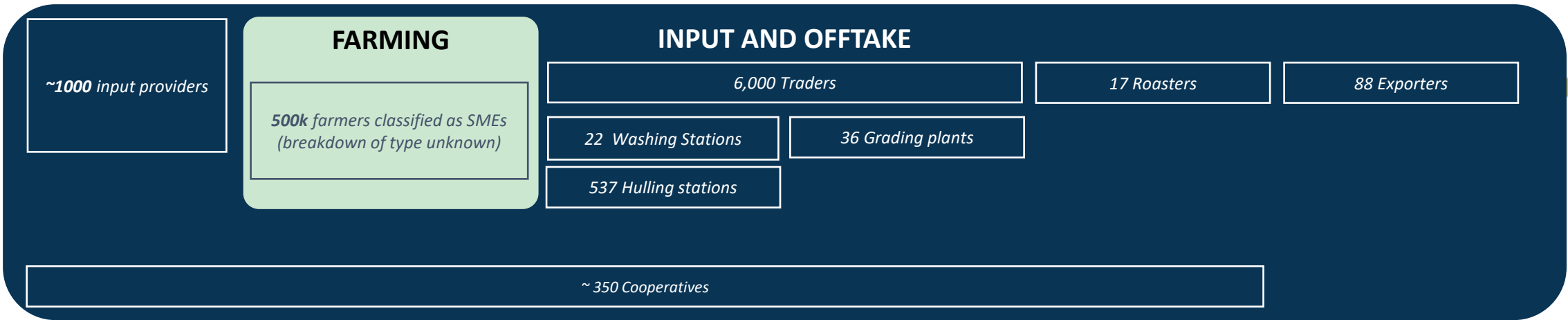
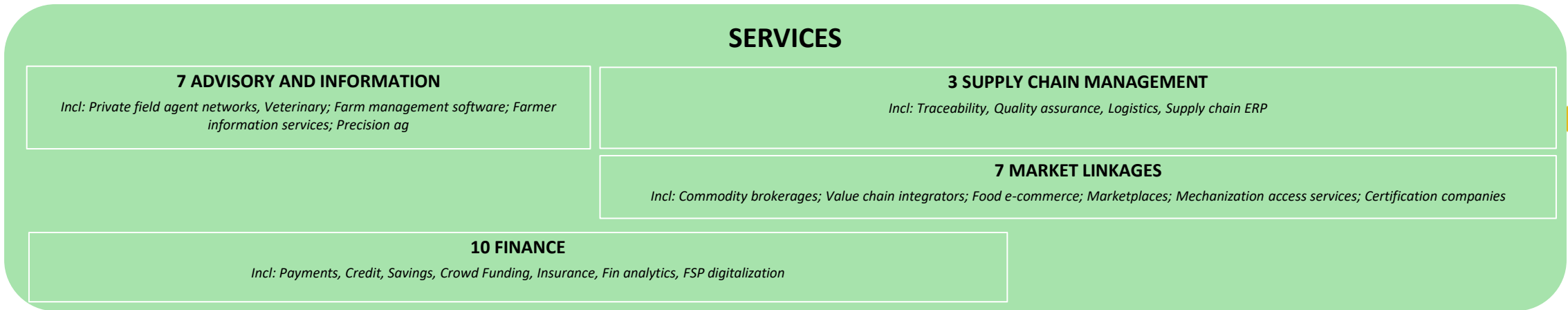
HIGH LEVEL VALUE CHAIN MAP



POSITIONING AND TYPES OF AGRI-SMEs:

The Uganda coffee sector represents a cash tree crop with some government intervention. As with most cash crops, there are less farmer producers than staple crops, but more traders and exporters. Also, cooperatives play a much more important role, acting as SMEs. Given the small number of consumers, there are few local retailers. Value added processing SMEs are limited more to cleaning than final processes such as roasting, as these are done typically after export. Service providers are present, but often coops and buyers play this role.

Cash Tree Crop Example: Coffee in Uganda– Agri-SME Landscape



Source: Uganda Coffee Development Authority, GSMA

Fruits and Vegetables Example: Horticulture (fruit and vegetable) in Rwanda

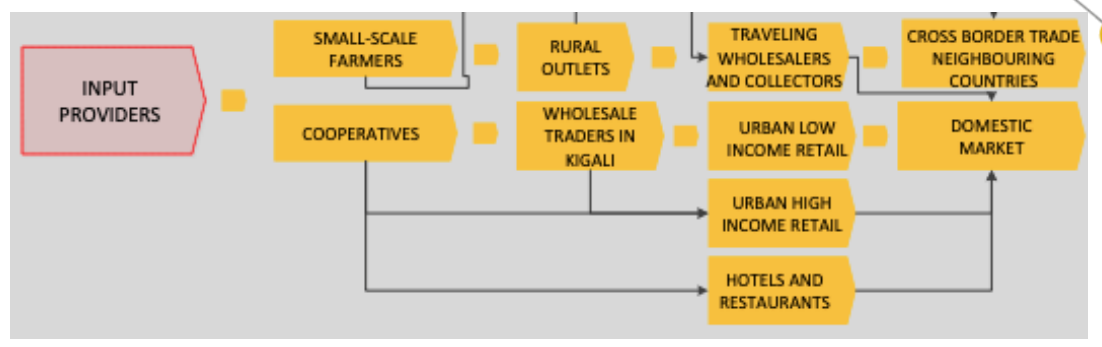
KEY STATISTICS

- World production: Variable but small for all
- Annual production: 1M mt
- Land area cultivated: 140k ha.
- Farm size: average of 0.5 ha.
- Consumption: Net importer (~72k mt)
- GDP contribution: 3.2%

VALUE CHAIN CHARACTERISTICS:

- **Value chain type:** Fruit and vegetable
- **Structure:** Loose
- **Production:** Semi-commercial
- **Gov. intervention:** Low
- **Offtake structure:** Informal traders
- **End market:** Local

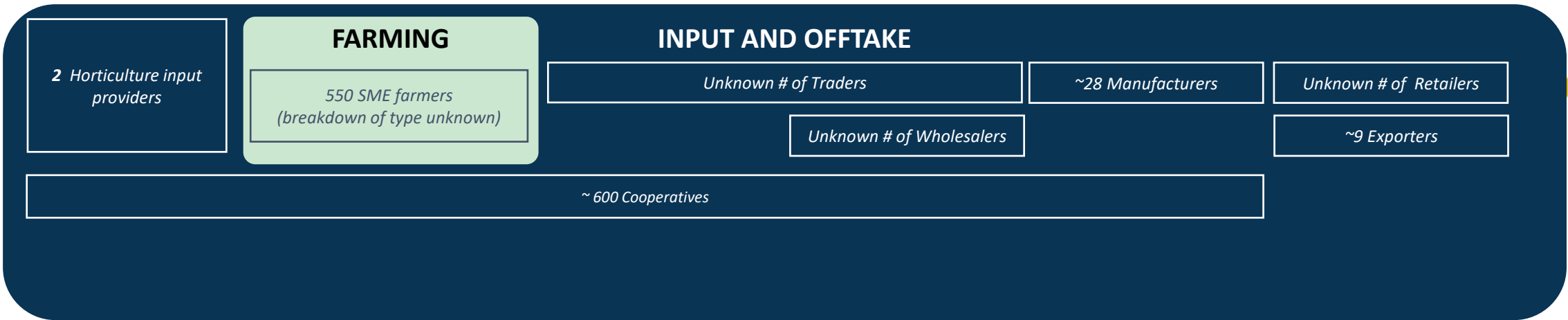
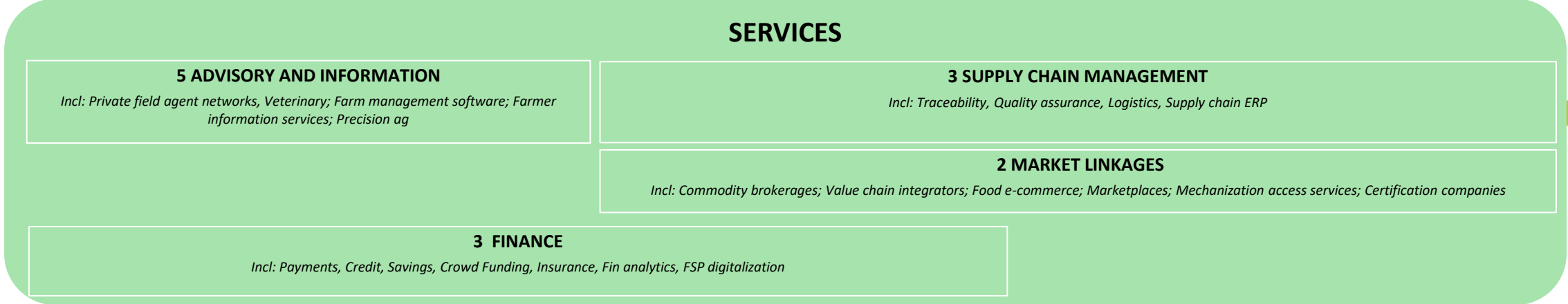
HIGH LEVEL VALUE CHAIN MAP



POSITIONING AND TYPES OF AGRI-SMEs:

The Rwandan horticulture sector represents the fruits & vegetable value chain with minimal government intervention. As with most vegetables, production is dominated by home gardens with a portion of farmers reaching higher levels of production or working through cooperatives, to meet SME status. 75% of production is consumed at the district level, limiting the processing and transport SMEs. Export is small but growing and one of the areas SMEs are seeing the biggest growth.

Fruits and Vegetables Example: Horticulture in Rwanda– Agri-SME Landscape



Source: Wageningen, National Agricultural Export Development Board of Rwanda, European Union, GSMA

Table of contents

1. Context for this work
2. A comprehensive agri-SME definition and taxonomy
3. Variation across value-chains and countries
4. Considering the growth profile of agri-SMEs
5. Possible food system and capital market implications
6. Suggested ongoing research and sector alignment

Appendix

Growth profile of agri-SMEs: Segmenting agri-SMEs by growth profile helps investors to understand the role that they can play to support each type

GOAL:

- Develop a cross-cutting growth profile that allows SAFIN members to identify: i) the growth trajectory of different agri-SMEs; ii) their needs; and, iii) their potential to shape food systems in different ways

KEY ISSUES TO RESOLVE:

- Acknowledge that the majority of agri-SMEs are not growing
- Ensure that there is no bias towards a particular type of agri-SME

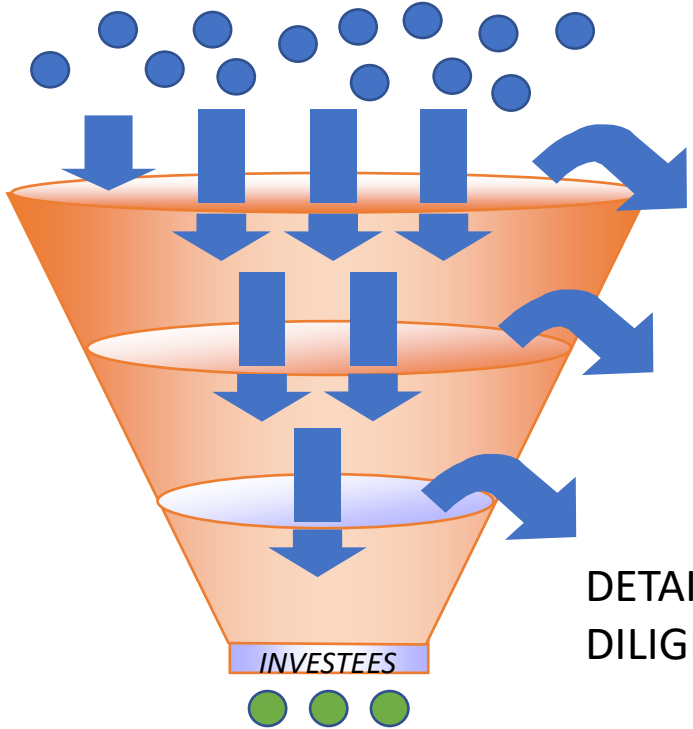
APPROACH:

- Create categories for growth profiles
- Identify key characteristics of each profile
- Map profile to the comprehensive taxonomy
- Present common needs of growth profiles



Considering a cross-cutting way of understanding agri-SME profiles

INVESTMENT PIPELINE STAGES



ALIGNMENT FILTERS:

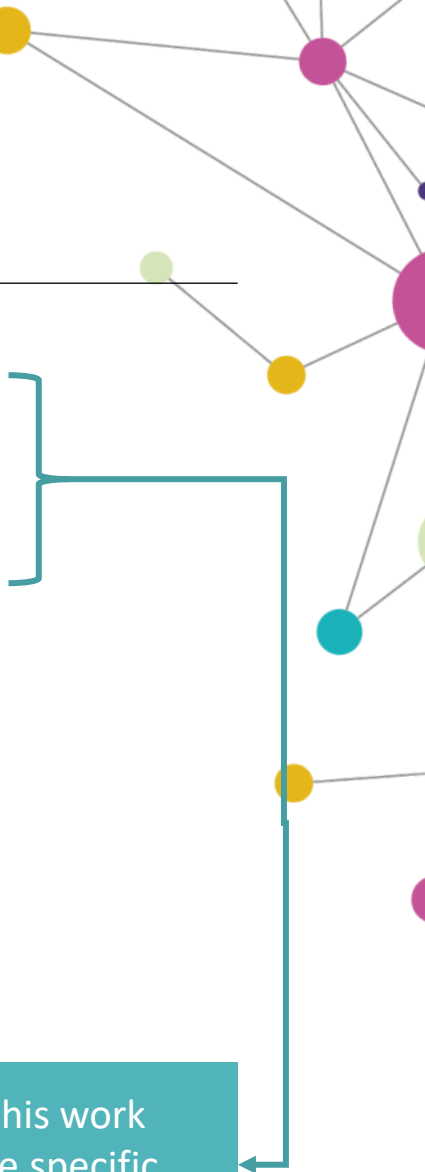
- Stage of growth
- Type of investment
- Type of company
- Thematic area
- Investment thesis
- Geography

PRELIMINARY DUE DILIGENCE:

- Business plan review
- Financial model review
- Investment readiness assessment (e.g. ScopeInsight [Agri-SME assessments](#))

DETAILED DUE DILIGENCE:

- ESG compliance
- Legal review
- Audited financial review



While there are always going to be different investor approaches to prioritizing and assessing their pipeline this work considers establishing a **NEW CROSS-CUTTING TAXONOMY** based on their **GROWTH PROFILE** to enable a more specific consideration of the needs and roles of Agri-SMEs beyond their functional type (from the comprehensive taxonomy)

NEW TAXONOMY OVERVIEW: Growth profile

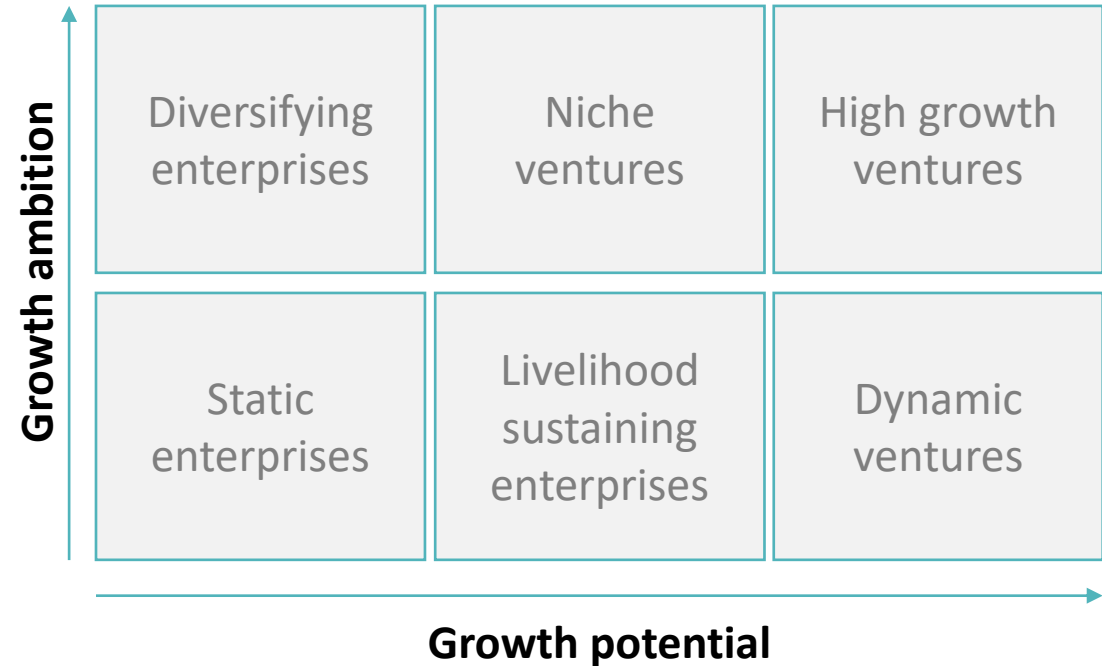
Context

Not all enterprises have the POTENTIAL or DESIRE to grow. In considering: i) how different types of agri-SMEs can help drive food-system development; and, ii) the support different agri-SMEs require, it is important to be able to distinguish between agri-SMEs in terms of their GROWTH PROFILE.

The proposed taxonomy builds on the experience of ANDE in working with SGBs to establish growth profile segments based on:

- 1. Growth ambition:** Refers to the desire of the enterprise owner to grow the enterprise
- 2. Growth potential:** Refers to the market potential for growth of the enterprise

Growth profile segments

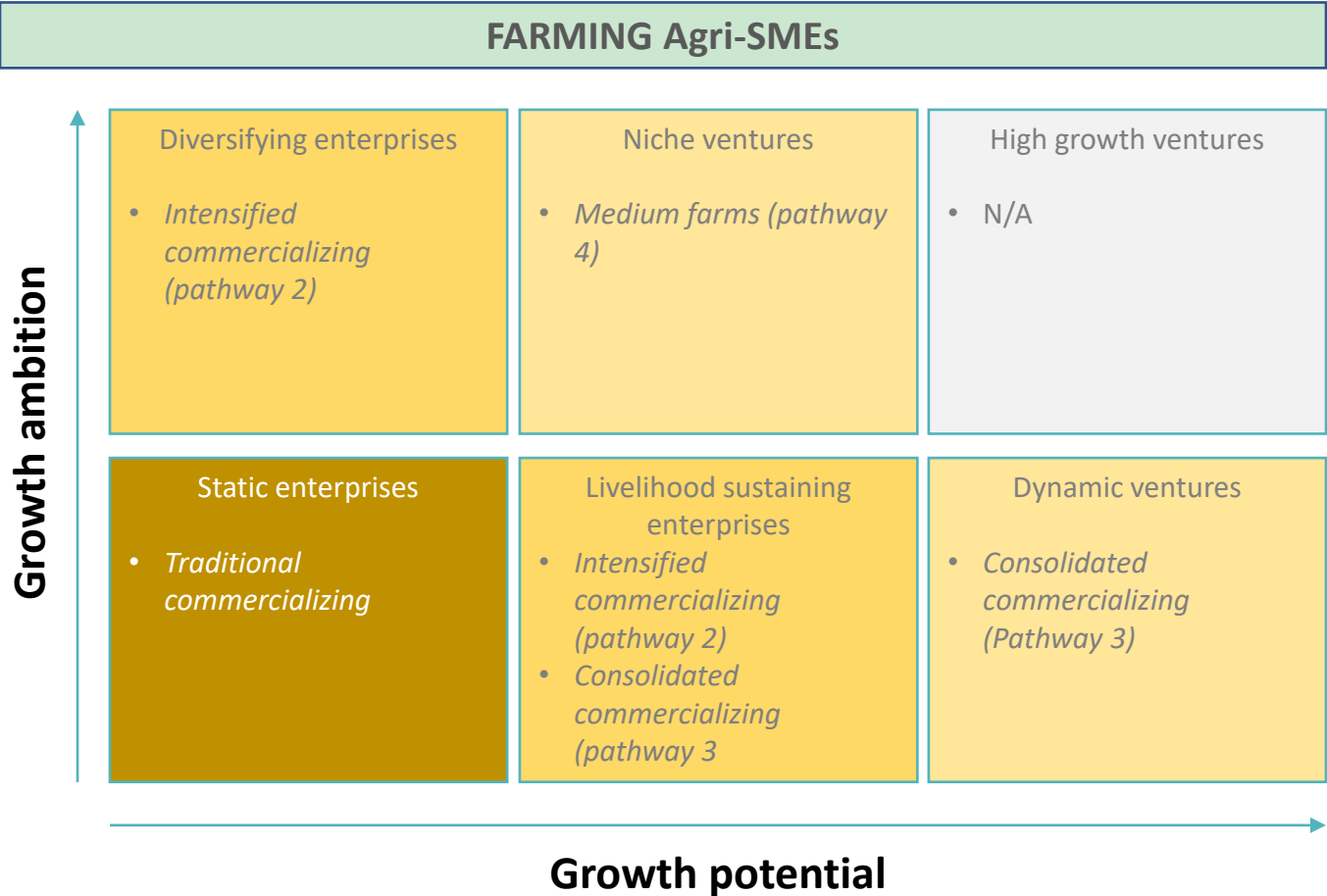


This work does not seek to fully develop this model as a tool but as an illustrative framework to understand fundamental differences between agri-SMEs for sector discussion and alignment

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

Agri-SME Growth Profile: Understanding profiles of farming SMEs



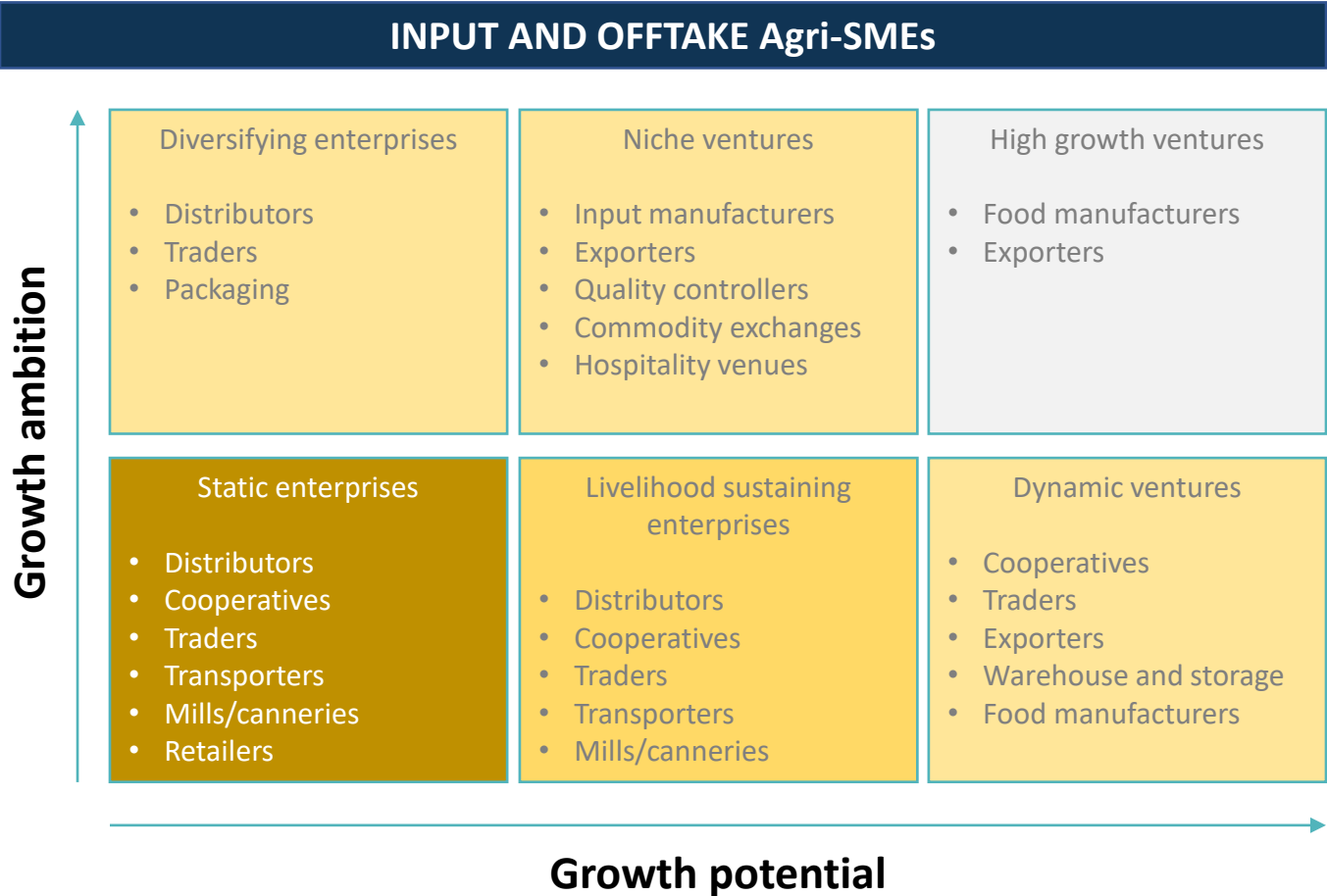
OVERVIEW

Globally there are an estimated 450 million smallholder farmers, with the vast majority in South and South East Asia (179M) and sub-Saharan Africa (61M). The exact figures are unknown but estimates suggest that:

- Between 40-50% of these farmers are subsistence only, and not considered SMEs
- A further 15-20% of these farmers would be considered traditional commercializing with limited will or opportunity to expand
- 15-25% of farmers may be actively diversifying or growing their businesses to become Diversified or Livelihood Sustaining enterprises
- Less than 10% of farmers would grow to become Niche or Dynamic ventures. New research also suggests that urban-rural investment in niche commodities and larger farms is increasing and driving consolidation of land and the emergence of more rapidly developing professional farms (Jayne, 2019)

This sort of relative assessment can be used as a way of more comprehensively aligning on where different emerging asset classes of agri-SME exist and where different financing and BDS support programs are focused

Agri-SME Growth Profile: Understanding profiles of input/offtake SMEs

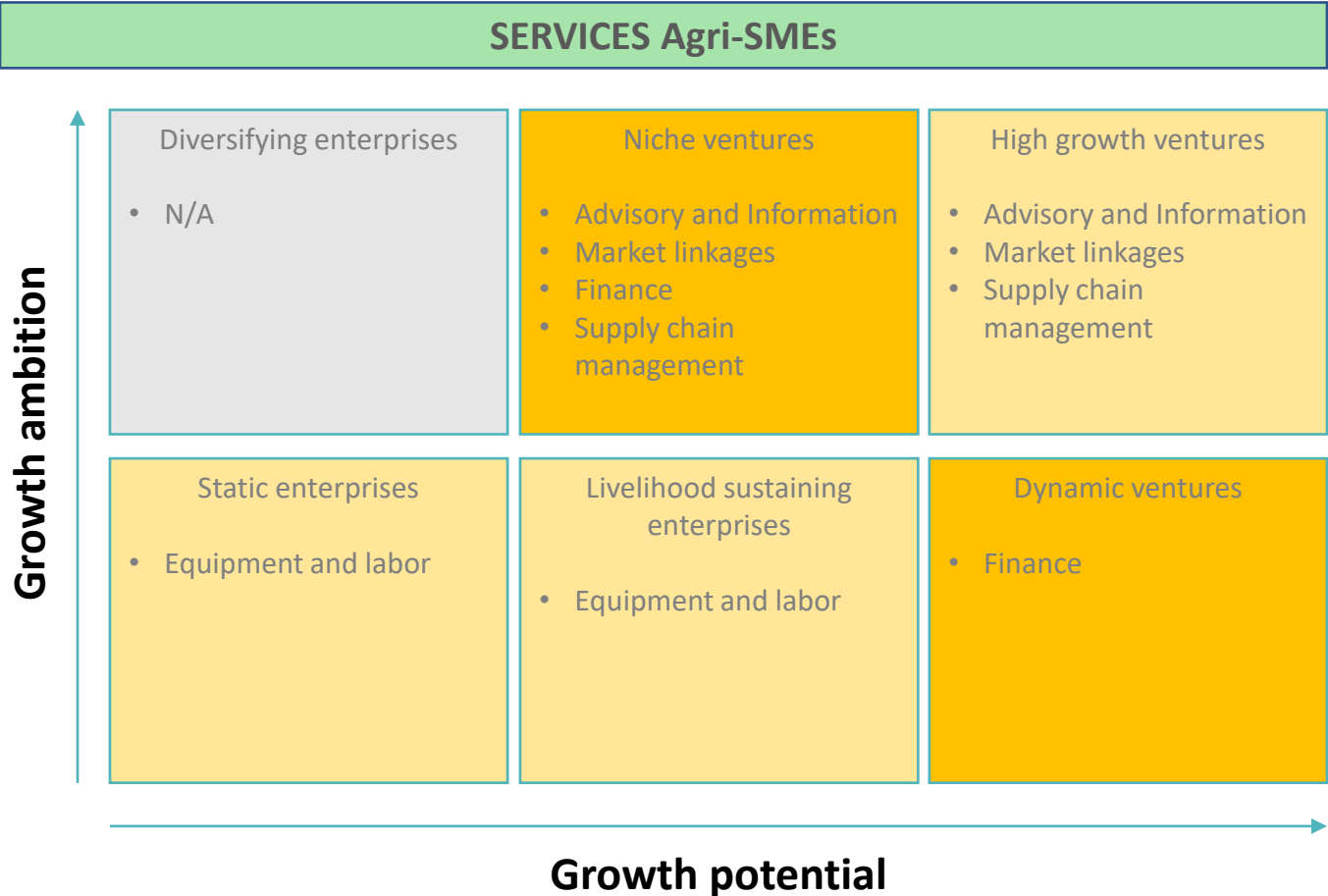


OVERVIEW

- The vast majority of small businesses in agricultural value chains are estimated to be static enterprises which support a small operation with limited scale and scope. A large number of cooperatives, traders, small transporters and retailers fall into this category
- However, some enterprises grow to become more Livelihood Sustaining enterprises and a smaller number to become Dynamic ventures with greater revenue and scale. For example the larger networked input distributors and traders as well as larger cooperatives and millers would fall into this category
- For traditional input and offtake market Agri-SMEs there can also be a move to diversify or specialize in a niche based on entrepreneurial ambition to grow that distinguishes them from Static and Livelihood Sustaining enterprises

This sort of relative assessment can be used as a way of more comprehensively aligning on where different emerging asset classes of agri-SME exist and where different financing and BDS support programs are focused

Agri-SME Growth Profile: Understanding profiles of services SMEs



OVERVIEW

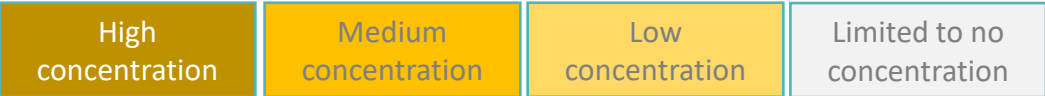
- Over the past 10 years there has been rapid growth in the number and diversity of agricultural services enterprises. With many leveraging technology (over 700 according to GSMA) the vast majority of these agri-SMEs operate across different value chains and are designed to grow
- While a small subset of these traditional services businesses (agronomy support; equipment suppliers etc.) may be family-owned businesses the vast majority are seeking to become either:
 - Profitable niche players providing specialized software or services (often B2B)
 - Dynamic ventures that build out significant operations and scale around their offerings
 - Breakout, high-growth ventures that can reorganize and transform the market
- It is important to note that the vast majority of these services are run by start ups and may fail over time

This sort of relative assessment can be used as a way of more comprehensively aligning on where different emerging asset classes of agri-SME exist and where different financing and BDS support programs are focused



Source: ISF Analysis

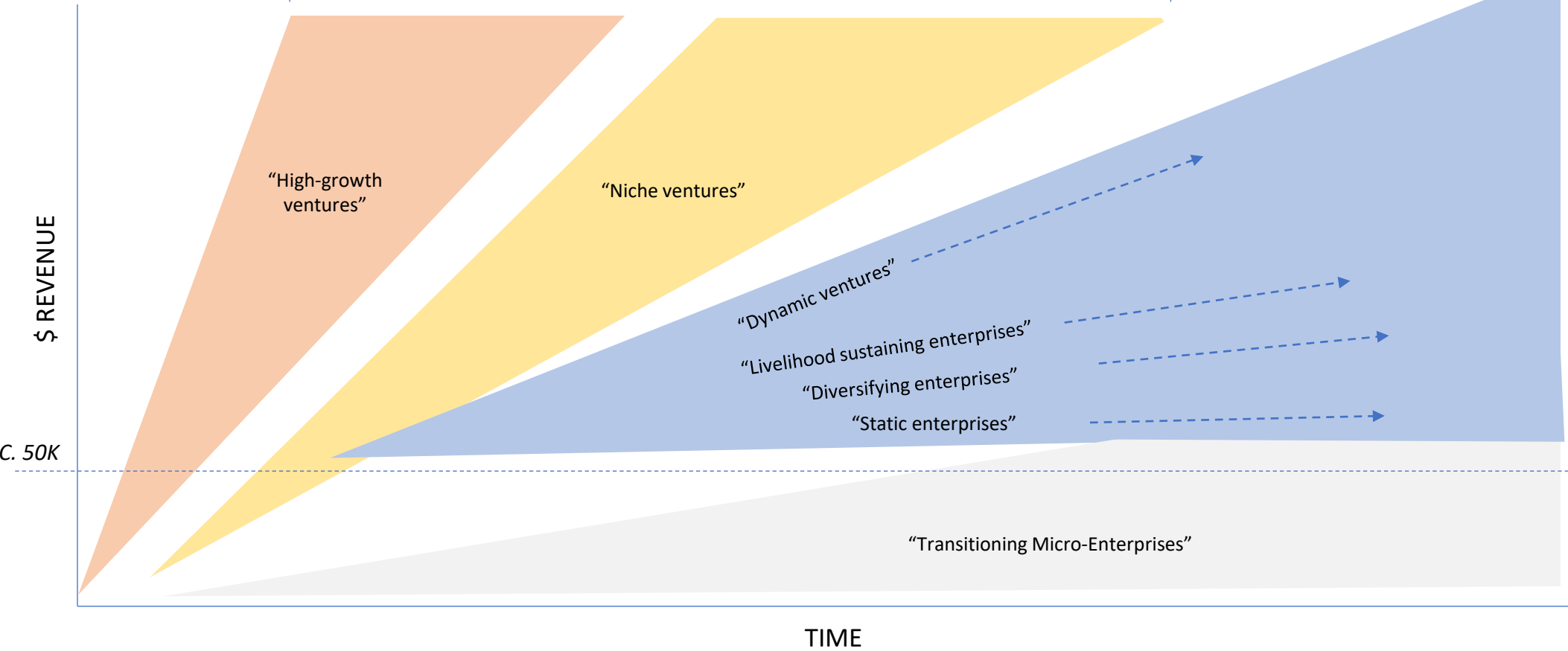
Legend:



The growth trajectories of different SMEs can also be understood in terms of the relative speed and extent of growth

Growth trajectories framework

Example support partners: Unreasonable, Growth Africa, Intellectap, Agora, AgriFin Accelerate, Acumen Fund, AgDevCo, CDC, AlphaMundi



Example support partners

- Syngenta Foundation
- Grassroots Business Fund
- BOP Inc
- TechnoServe
- BPI
- CASA
- iDE
- IFAD
- AGRA
- CGAP
- Youth Business
- Spark



Source: ISF Analysis, Argidius Foundation



CONSIDERING GROWTH SUPPORT NEEDS

It is broadly understood that SMEs need a number of things to grow which are being supported by a range of programs and organizations in the agri space

KEY ENABLERS OF AGRISME GROWTH

Access to talent
Attracting and retaining qualified employees

Examples: AgDevCo, Shortlist Professionals, Growth Africa, 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



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

Examples: AGRA, Argidius, 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 (capacity development) integration of M&E systems

Examples: AGRA, CrossBoundary, Growth Africa, CIAT, TechnoServe

Agri-SME segments have different support needs in each area

Segment	Access to finance	Access to talent	Ecosystem of support	Access to knowledge	Access to markets
High growth ventures	<ul style="list-style-type: none"> Need for large scale patient capital for growth Often venture equity investments 	<ul style="list-style-type: none"> Highly experienced leadership team Strong HR function to recruit and retain staff 	<ul style="list-style-type: none"> Link to high-level mentors Connections to potential investors Sometimes policy changes 	<ul style="list-style-type: none"> Business planning skills and financial modelling Market dynamics Competitive analysis 	<ul style="list-style-type: none"> Understanding of new market dynamics Strategic partnerships for expansion
Niche ventures	<ul style="list-style-type: none"> Need funding for product/service development and R&D Mostly local equity investments, patient capital 	<ul style="list-style-type: none"> Highly experienced leadership team Strong HR function to recruit and retain staff 	<ul style="list-style-type: none"> Link to high-level mentors Connections to potential investors Sometimes policy changes 	<ul style="list-style-type: none"> Business planning skills and financial modelling Market dynamics Competitive analysis 	<ul style="list-style-type: none"> Understanding of new market dynamics Strategic partnerships for expansion
Diversifying enterprises	<ul style="list-style-type: none"> Short-term working capital and trade finance Occasionally, patient CAPEX to expand to a new business 	<ul style="list-style-type: none"> Development of lead entrepreneur Ability to identify low/mid level talent and recruit 	<ul style="list-style-type: none"> Exposure to new sectors Start-up support from government Connection to new partners 	<ul style="list-style-type: none"> Business planning skills and financial modelling Business ideas 	<ul style="list-style-type: none"> Understand different business line markets Strategic partnerships for expansion
Dynamic ventures	<ul style="list-style-type: none"> Working capital to expand to new markets or facilities 	<ul style="list-style-type: none"> Development of leadership skills Ability to identify low/mid level talent and recruit 	<ul style="list-style-type: none"> Connections to new partners Advocacy for sector changes Connections to potential investors 	<ul style="list-style-type: none"> Business planning skills and financial modelling Technology adoption 	<ul style="list-style-type: none"> Incremental market expansion options Expansion of existing partnerships
Livelihood sustaining enterprises	<ul style="list-style-type: none"> Short-term working capital to buy new supplies Financial track record 	<ul style="list-style-type: none"> Strengthen management skills Ability to hire at lower levels 	<ul style="list-style-type: none"> Connection to capacity development resources Network/associations dev. 	<ul style="list-style-type: none"> Financing options and criteria Basic business planning 	<ul style="list-style-type: none"> Marketing to expand in current market
Static enterprises	<ul style="list-style-type: none"> Smaller short-term working capital to restock supplies, often personal loans 	<ul style="list-style-type: none"> Strengthen management skills 	<ul style="list-style-type: none"> Connection to capacity development resources Network/associations dev. 	<ul style="list-style-type: none"> Financing options and criteria 	<ul style="list-style-type: none"> Marketing to expand in current market

Less common

More common



Source: ISF Analysis; ANDE/ Collaborative for Frontier Finance

Many types of support are applicable to agri-SME segments at different levels of depth

Area	Key types of support ¹	Static	Livelihood sustaining	Dynamic	Diversifying	Niche	High Growth
Access to finance	Investment readiness	✓	✓	✓	✓	✓	✓
	Business planning	✓	✓	✓	✓	✓	✓
	Financial management	✓	✓	✓	✓	✓	✓
Access to talent	Staff recruitment and training			✓	✓	✓	✓
	Leadership training	✓	✓	✓	✓	✓	✓
Ecosystem of support	Networking			✓	✓	✓	✓
	Mentoring			✓	✓	✓	✓
Access to knowledge	Product development			✓	✓	✓	✓
	Regulatory compliance			✓	✓	✓	✓
	Technology adoption	✓	✓	✓	✓	✓	✓
Access to markets	Partnership brokerage			✓	✓	✓	✓

NOTE: The provision of growth support to SMEs is typically termed “Business Development Support” or BDS



Source: ISF Analysis; World Bank; IFC; ANDE; Growth Africa; SNV; CASA
 Note 1: Types of support illustrative only; not comprehensive

Legend (level of content depth needed):
 High (pink checkmark), Medium (blue checkmark), Low (yellow checkmark)

Additional support is increasingly being offered to agri-SMEs to support broader objectives including being inclusive, climate-smart and supportive of nutrition

Other areas	Types of support ¹	Static	Livelihood sustaining	Dynamic	Diversifying	Niche	High Growth
Inclusive	Last mile distribution		✓	✓	✓	✓	✓
	Gender mainstreaming	✓	✓	✓	✓	✓	✓
	Smallholder farmer linkage	✓	✓	✓	✓	✓	✓
Climate smart	Energy efficiency	✓	✓	✓	✓	✓	✓
	Carbon emissions	✓	✓	✓	✓	✓	✓
	Water efficiency	✓	✓	✓	✓	✓	✓
Quality and nutrition	Nutrition focus	✓	✓	✓	✓	✓	✓
	Health and safety standards	✓	✓	✓	✓	✓	✓

Support on these more non-traditional business needs not only help to transform the food system but also create agri-SMEs that are more resilient in the long-term



Source: ISF Analysis; World Bank; IFC; ANDE; Growth Africa; SNV; CASA
 Note 1: Types of support illustrative only; not comprehensive

Legend (level of content depth needed):
 High (pink checkmark), Medium (blue checkmark), Low (yellow checkmark)

Considering “Transitioning micro-enterprises”: These enterprises are important, but have some different needs than the agri-SME sector

Needs of Transitioning micro-enterprise

- **Formal registration:** Typically it is the transition from micro to SME when businesses become formally registered. This process and paperwork can be confusing and overwhelming, particularly for entrepreneurs with lower education levels. Support in this process is often necessary.
- **Commercial investment readiness:** As enterprises transition, they often grow beyond microfinance. This means new investment criteria must be met, including formally registered collateral, development of a business plan, and clear financial documents. As many of these things are new to micro enterprises, a basic 101 versions of training in the following areas are typically needed.
 - Basic accounting
 - Cash-flow management
 - Formal business planning basics
- **Brokering and support accessing markets:** While all enterprises need some level of ecosystem support, transitioning micro-enterprises are smaller and often need support getting in front of the right value chain partners and positioning their products/services with key customers

Case Study: BeniBiz

TechnoServe is leading BeniBiz, a business accelerator that provides skills to food and agribusiness. By providing business training and technical assistance to burgeoning agri-preneurs and nutrition sales agents, BeniBiz will help these businesses to increase sales and job opportunities within the local community.

- Training on management, strategic planning, or marketing via classroom plus one-on-one advisory to develop growth plans.
- Through segmentation, provides training that is tailored to each group's current capacity, business maturity, and unique technical support needs.
- Access to finance through : cash grants, matching grants and loan guarantees

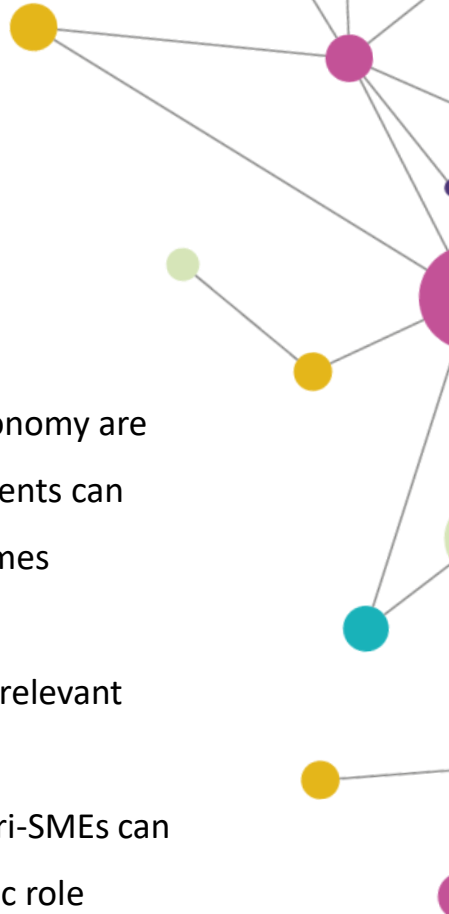
Results: 1st cohort demonstrated increased revenues of 101% and 85% for females and males respectively

Transitioning micro-enterprises are considered in this work as growing towards a SME threshold and typically need to be supported in unique ways that match their level of development as an enterprise

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Appendix



The role of agri-SMEs in food system transformation: Applying the taxonomies

Agri-SMEs can play an important role in helping achieve food system outcomes associated with each action track

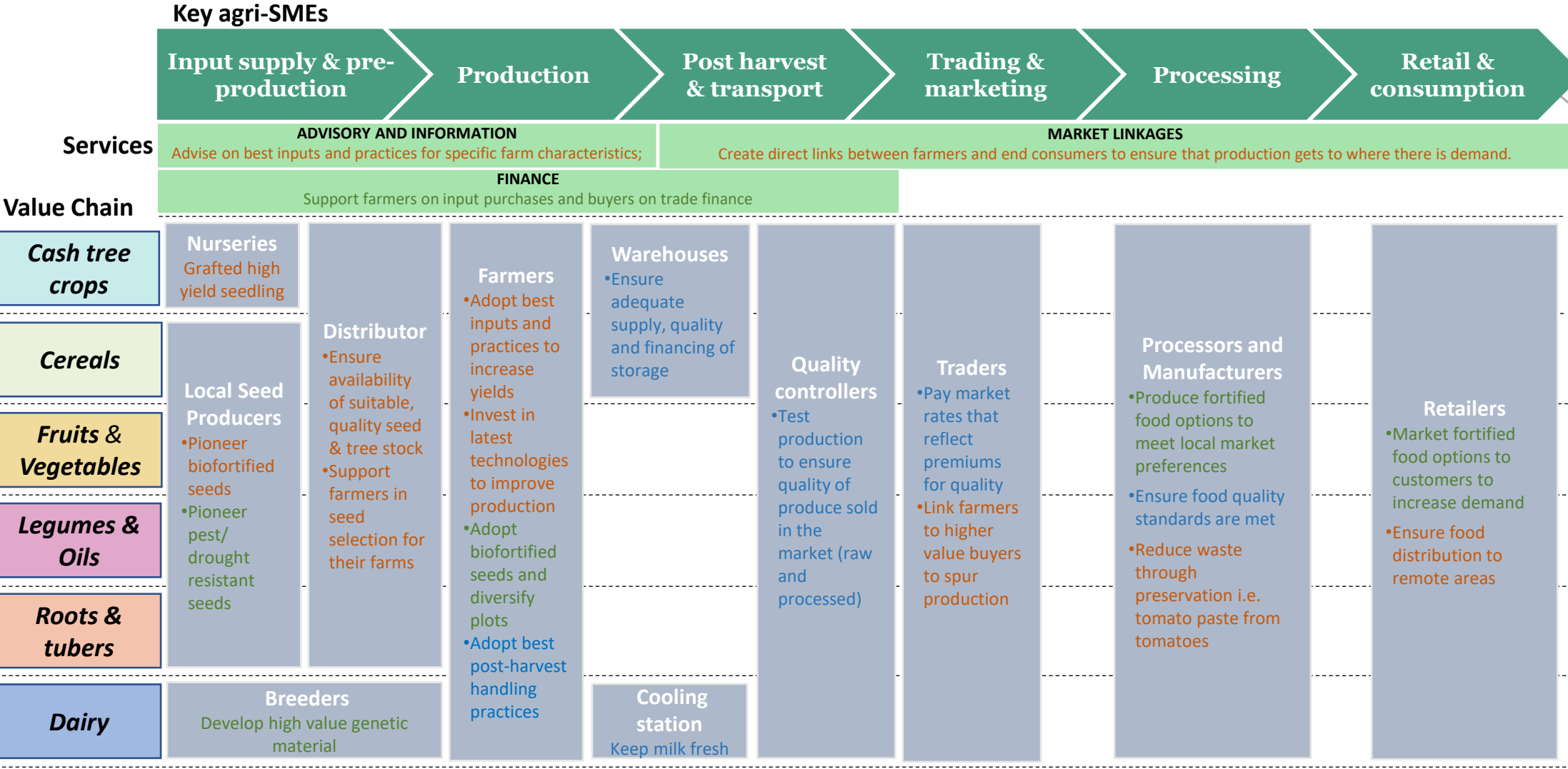
- 1 ENSURE ACCESS TO SAFE AND NUTRITIOUS FOOD FOR ALL
- 2 SHIFT TO SUSTAINABLE CONSUMPTION PATTERNS
- 3 BOOST NATURE POSITIVE PRODUCTION
- 4 ADVANCE EQUITABLE LIVELIHOODS
- 5 BUILD RESILLIENCE TO VULNERABILITY, SHOCKS AND STRESS

Using this work, each action track will be considered in terms of:

- 1. Which segments of the comprehensive taxonomy are most relevant and what role different segments can play in helping achieve food systems outcomes
- 2. Which types of value chains are likely most relevant
- 3. How different growth profiles of specific agri-SMEs can be supported to play an outsized or strategic role (particularly through financing)

It is hoped that (re-) considering agri-SMEs in this way can create a more holistic view of their contributions in the food system but also help the SAFIN network generate more “game-changing ideas”

1. ENSURE ACCESS TO SAFE AND NUTRITIOUS FOOD FOR ALL: Key agri-SMEs and potential role



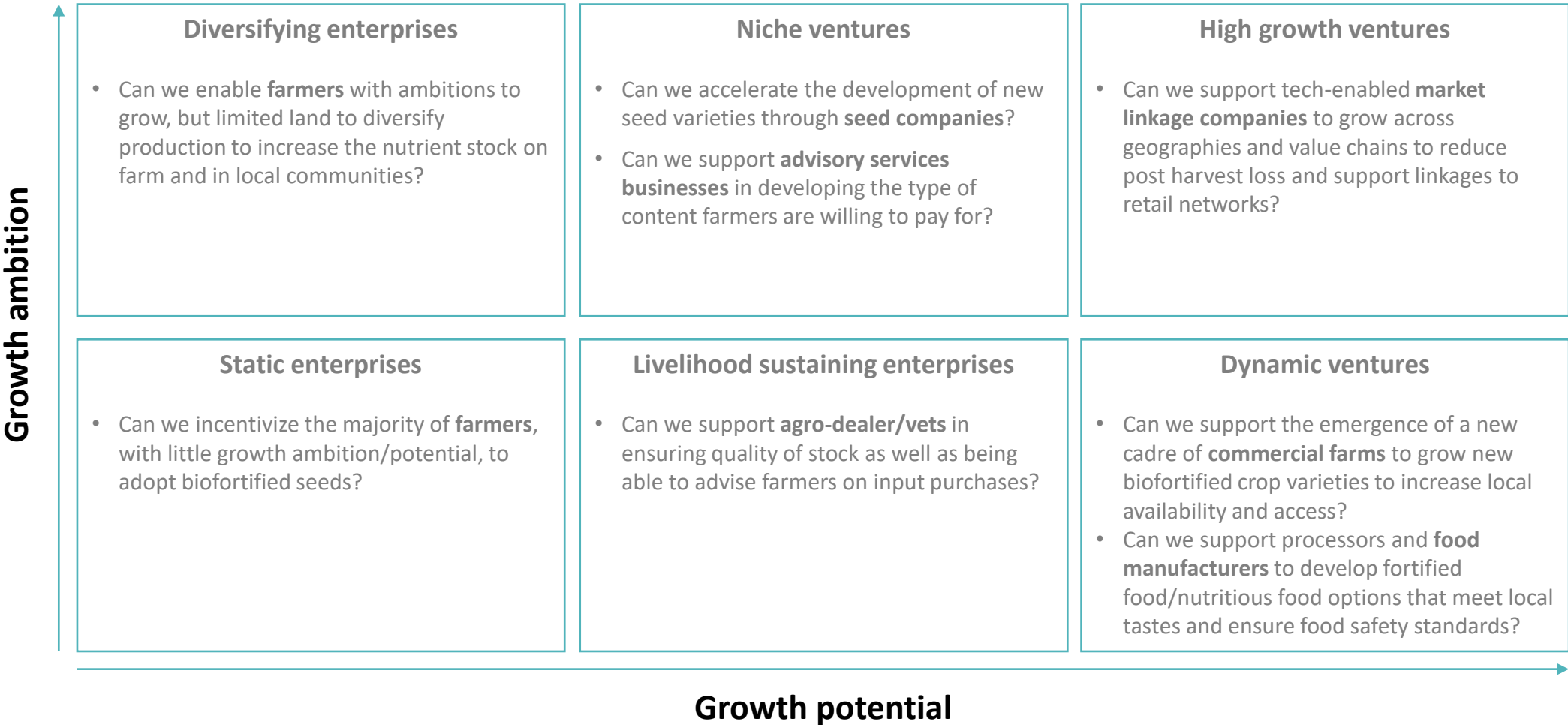
Source: ISF Analysis

LEGEND (FSS priority area):
 Zero Hunger Affordable, nutritious food Food Safety

1. ENSURE ACCESS TO SAFE AND NUTRITIOUS FOOD FOR ALL: Top intervention ideas

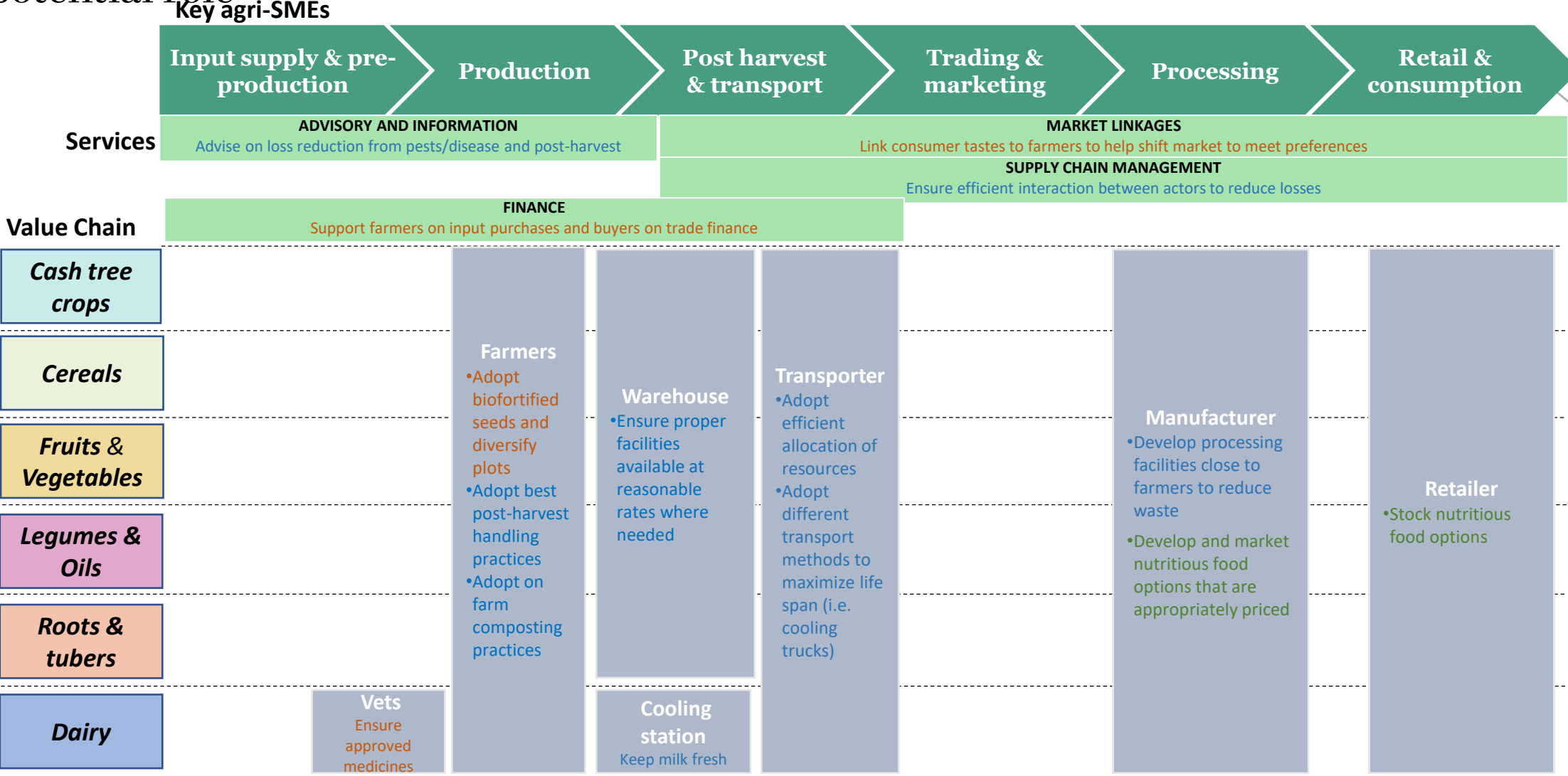
NETWORK REFLECTION

Reflecting on the landscape of agri-SMEs that support outcomes in the Action Track what are the top 6-10 intervention points around which to build game changing ideas?



Source: ISF Analysis

2. SHIFT TO SUSTAINABLE CONSUMPTION PATTERNS: Key agri-SMEs and potential role



Source: ISF Analysis

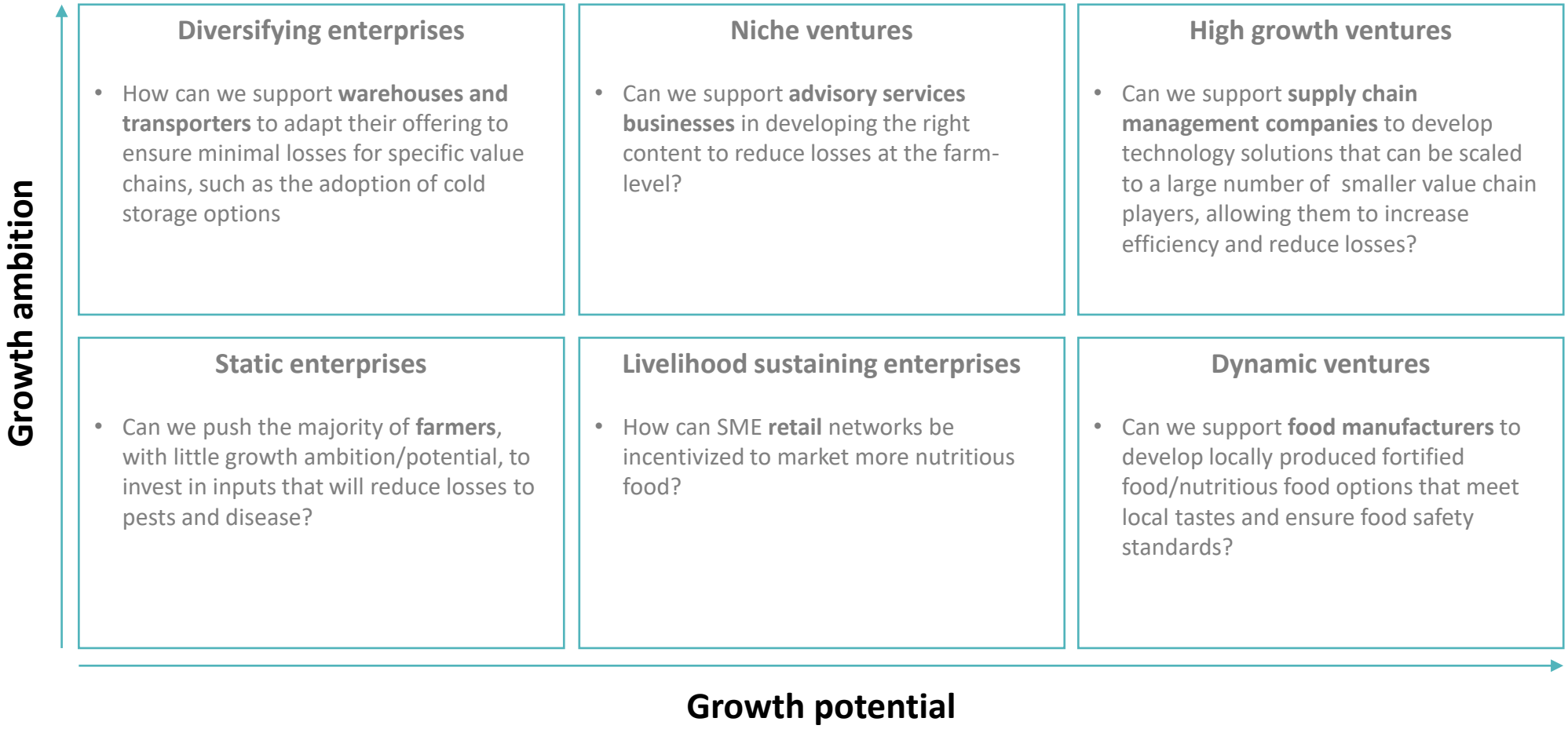
LEGEND (FSS priority area):

- Food Environment
- Food Demand
- Food Waste

2. SHIFT TO SUSTAINABLE CONSUMPTION PATTERNS: Top intervention ideas

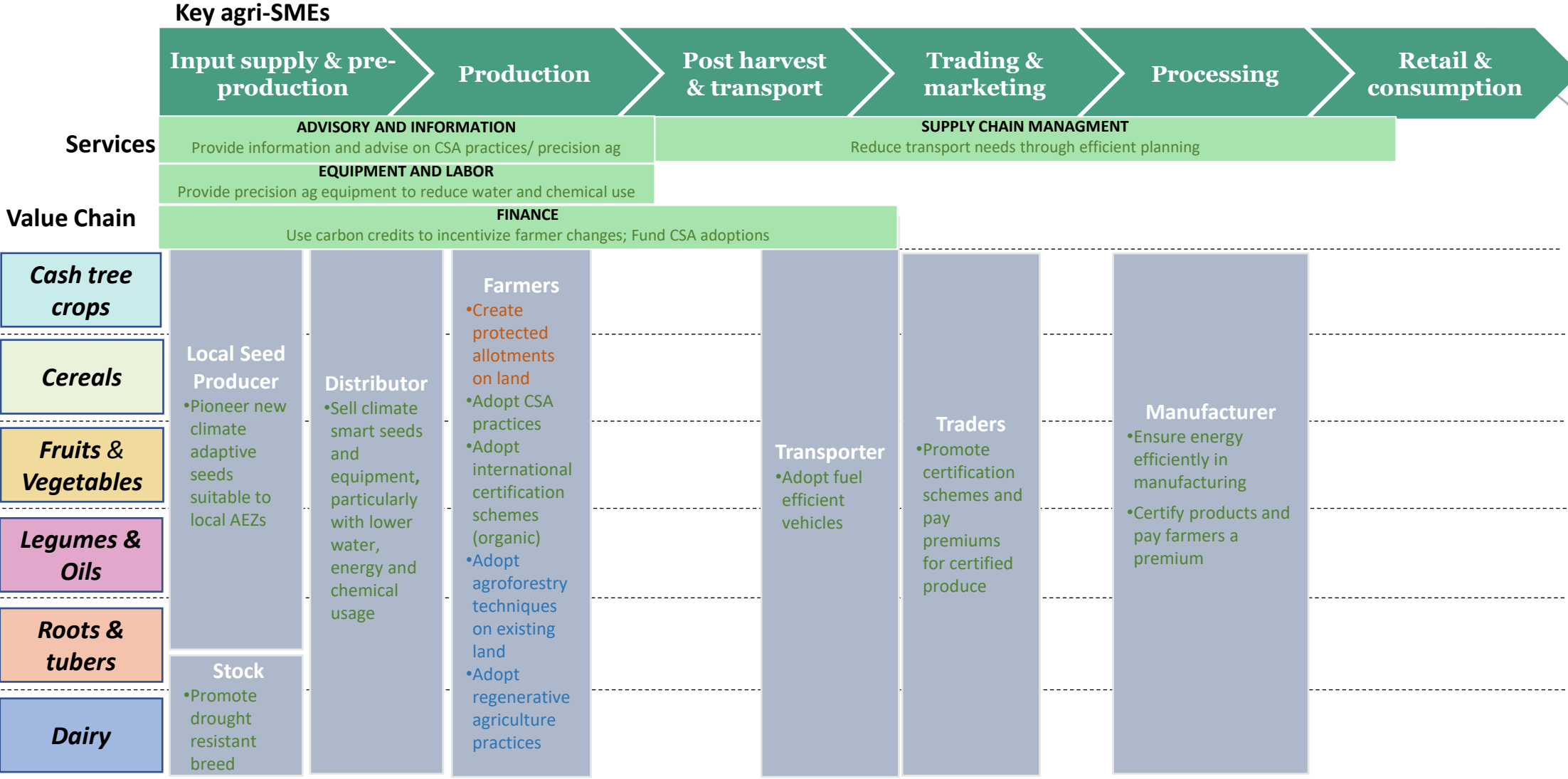
NETWORK REFLECTION

Reflecting on the landscape of agri-SMEs that support outcomes in the Action Track what are the top 6-10 intervention points around which to build game changing ideas?



Source: ISF Analysis

3. BOOST NATURE POSITIVE PRODUCTION: Key agri-SMEs and potential role



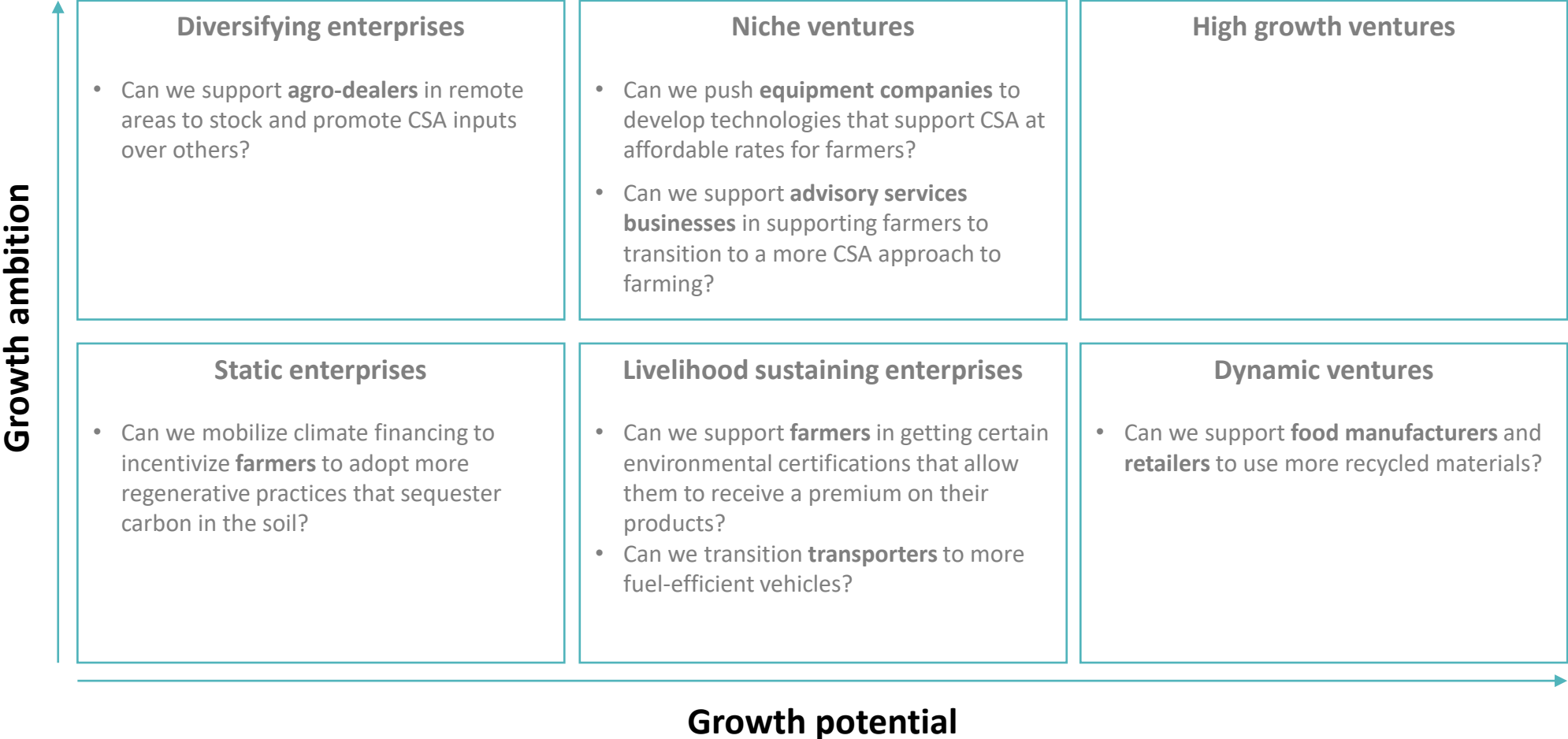
Source: ISF Analysis

LEGEND (FSS priority area):
 Protect Manage Restore

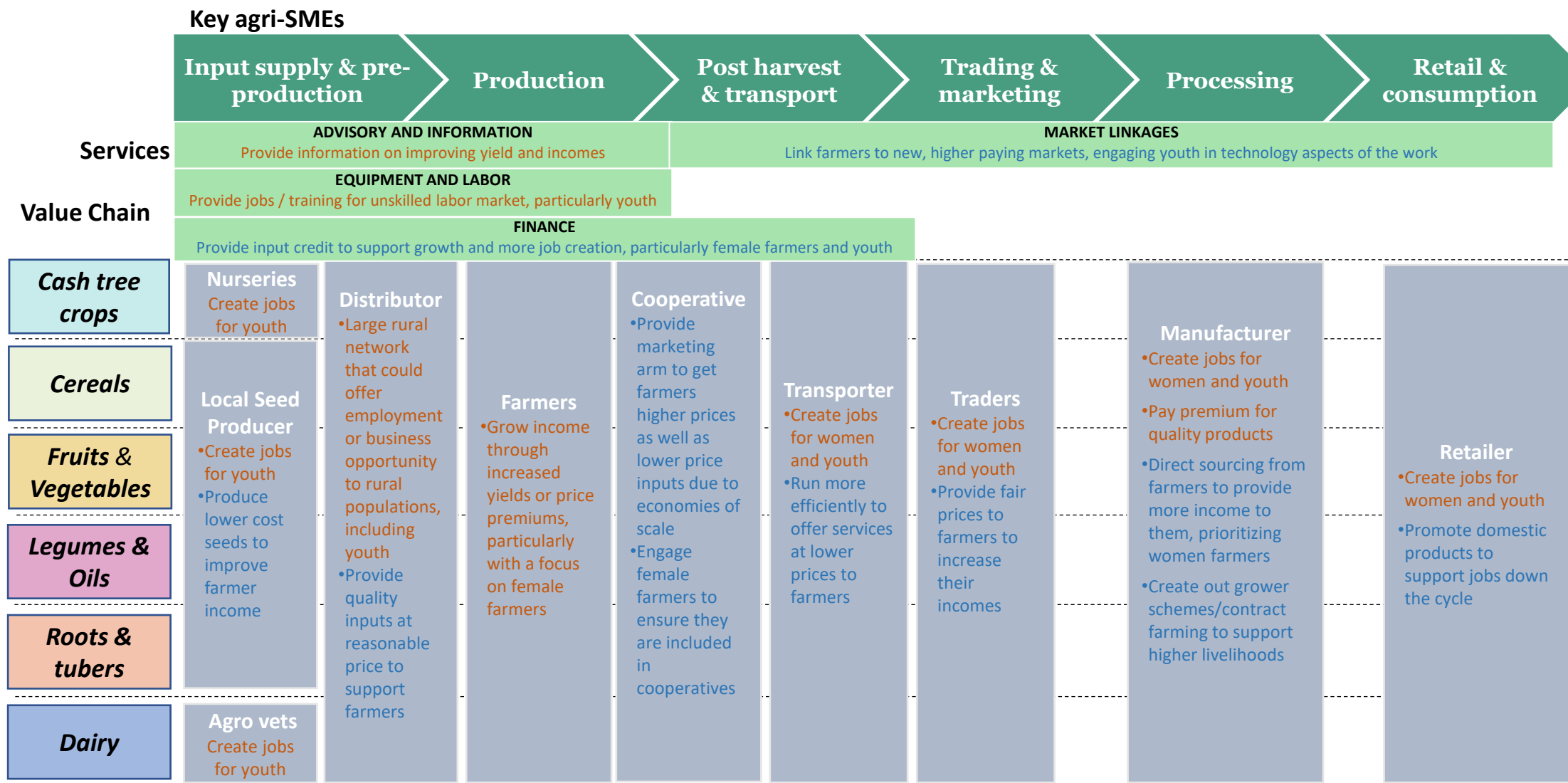
3. BOOST NATURE POSITIVE PRODUCTION: Top intervention ideas

NETWORK REFLECTION

Reflecting on the landscape of agri-SMEs that support outcomes in the Action Track what are the top 6-10 intervention points around which to build game changing ideas?



4. ADVANCE EQUITABLE LIVELIHOODS: Key agri-SMEs and potential role



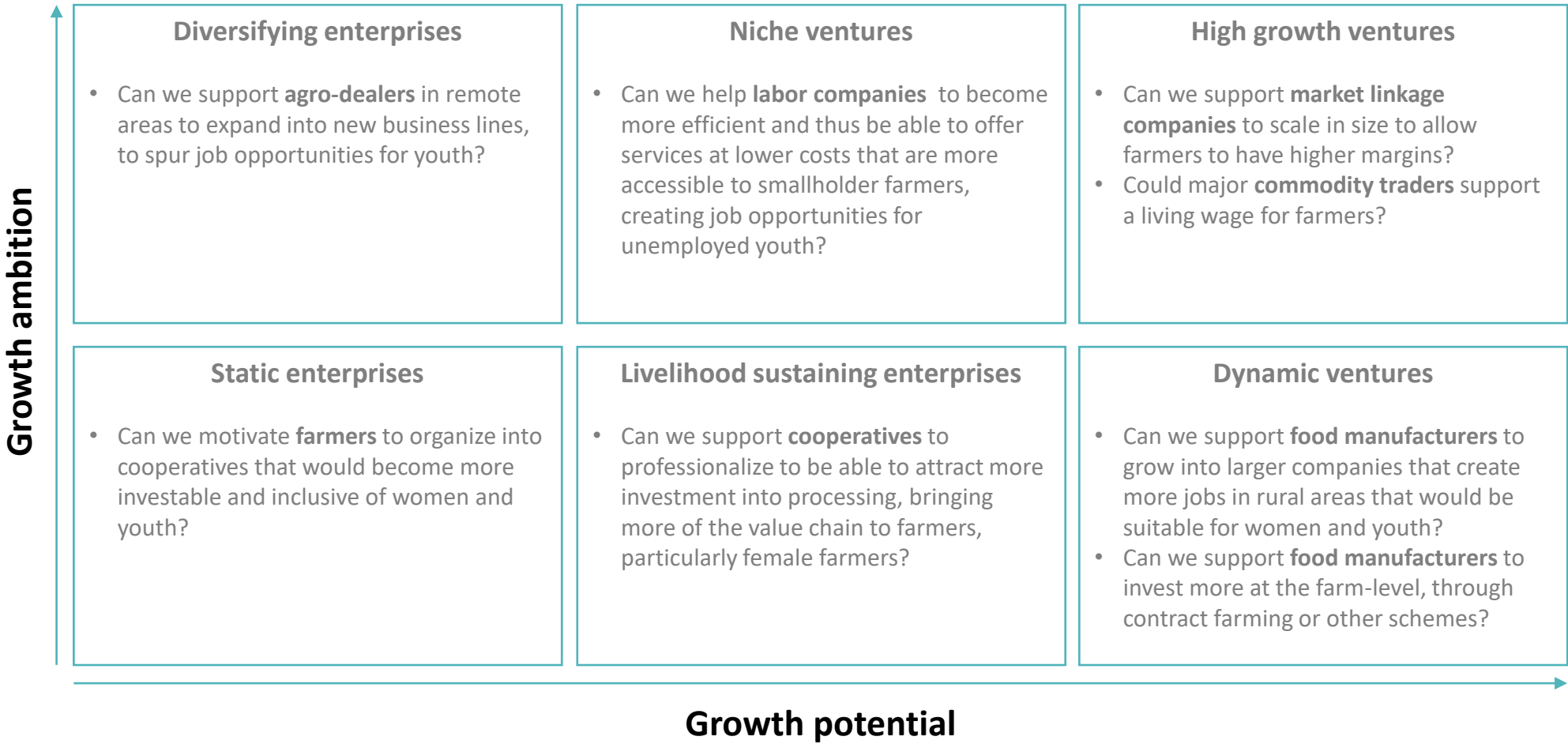
Source: ISF Analysis

LEGEND (FSS priority area):
Strengthen Agency Inclusive policy Multi-dimensional welfare and access

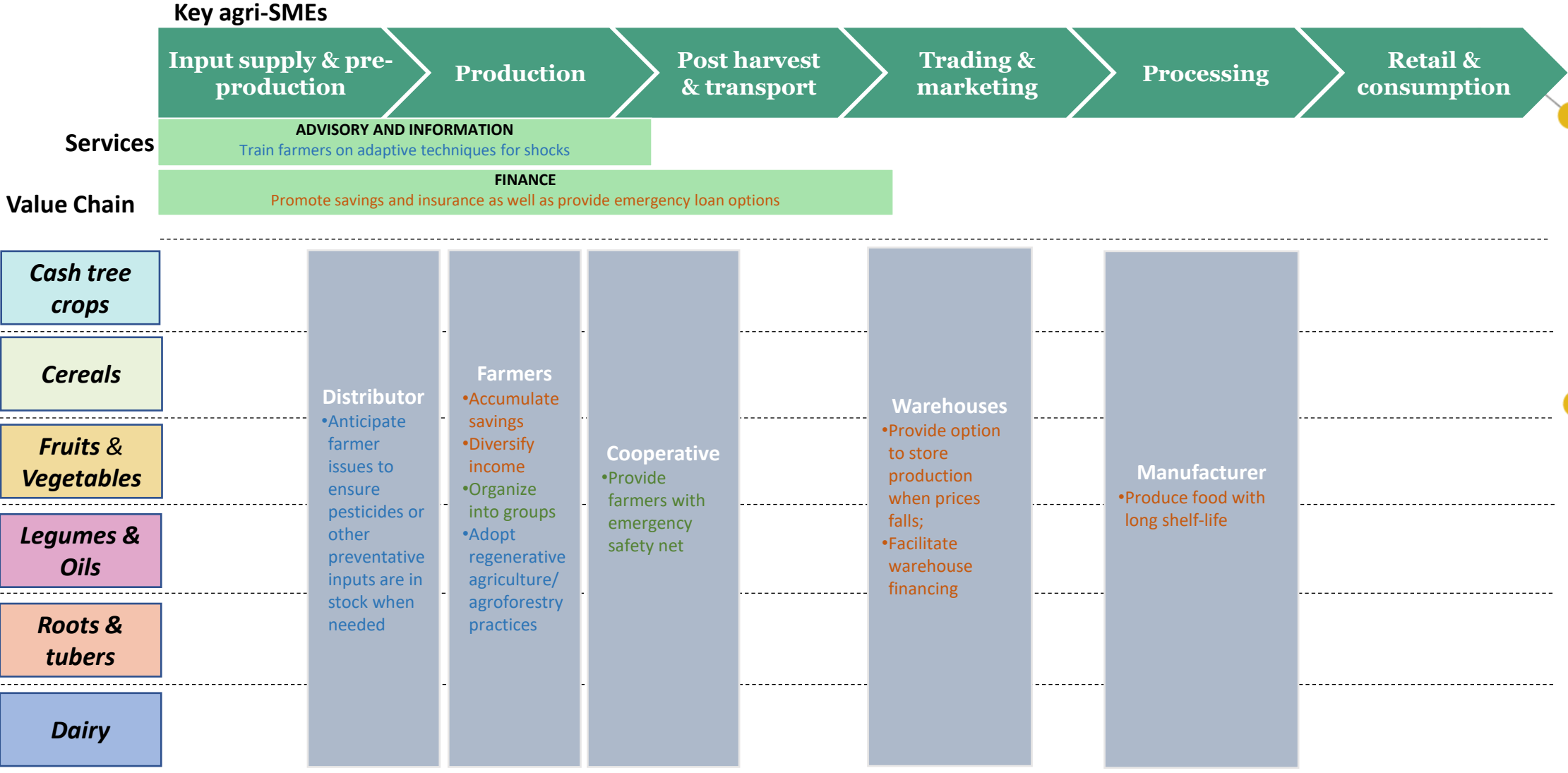
4. ADVANCE EQUITABLE LIVELIHOODS: Top intervention ideas

NETWORK REFLECTION

Reflecting on the landscape of agri-SMEs that support outcomes in the Action Track what are the top 6-10 intervention points around which to build game changing ideas?



5. BUILD RESILLIENCE TO VULNERABILITY, SHOCKS AND STRESS: Key agri-SMEs and potential role



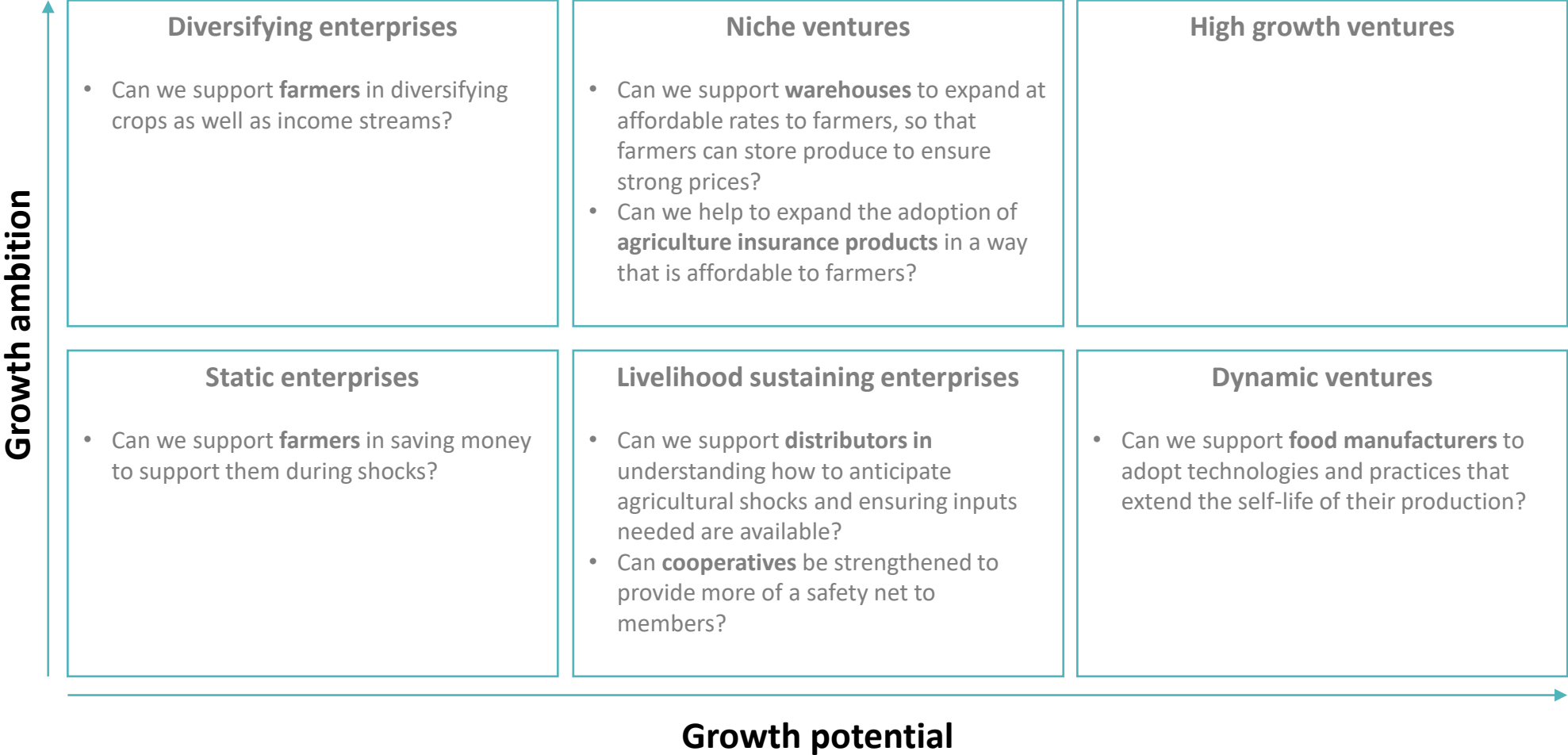
Source: ISF Analysis

LEGEND (FSS priority area):
 Economic resilience Social Resilience Environmental Resilience

5. BUILD RESILLIENCE TO VULNERABILITY, SHOCKS AND STRESS: Top intervention ideas

NETWORK REFLECTION

Reflecting on the landscape of agri-SMEs that support outcomes in the Action Track what are the top 6-10 intervention points around which to build game changing ideas?



Youth Lens: Agri-SMEs can offer a number of opportunities for youth, but youth also face specific constraints that need to be considered

Constraints	Description	Potential interventions
Mindset/perception	One of the biggest barriers to getting youth getting involved in agri-SMEs is that they perceive agri-businesses only as farming that provides subsistence level of income with limited growth potential and long, seasonal payment cycles	<ul style="list-style-type: none"> • Show youth that agri-SMEs are more than just farming By promoting the agri-SME taxonomy and increasing the recognition of the role these enterprises play as well as their potential to grow, youth will be more open to staying in the agriculture space. • Demonstrate how farming can be a business By showing economic opportunity from farming, more youth will be attracted to it
Land	For youth involved in farming, access to land becomes one of their biggest limiting factors to participation. Land is passed down within families, making the initial land ownership largely out of their control	<ul style="list-style-type: none"> • Promote land independent agri-SMEs Similar to the mindset shift, youth need to expand their idea of what agri-SMEs are to go beyond farming • Explore alternative land access structures This could include contract farming or block farming, which youth could learn how to run professional farms without needing their own land
Upfront capital	Particularly for farming, purchase of land and inputs requires start-up capital that youth are not able to secure given their lack of experience and track record. This applies to non-farming businesses as well	<ul style="list-style-type: none"> • Promote agri-SMEs with low initial CAPEX requirements These are often tech-enabled services that do not require purchase of land or equipment. While funding is still required the financial barrier to entry is much lower • Provide special funding facilities for youth agri-SMEs Government and other organizations can provide direct funding facilities for youth in agri-SMEs or mechanisms to incentivize other investors to invest, such as guarantee funds
Skills/ Track record	Youth often have limited experience meaning their skillset limits them to certain types of agri-SMEs and their lack of track record limits their ability to secure funding	<ul style="list-style-type: none"> • Train on specific agri-SMEs skills By training youth in the skills needed to success in specific taxonomy segments, they are more likely to engage and succeed. These can be separate trainings or even integrated into more traditional education • Train on generic business skills As these skills are transferable, it will allow youth to critically explore opportunities in their market and select the opportunity that is best for them

Gender Lens: Women-led agri-SMEs face specific challenges that their male counterparts do not

Constraints	Description	Potential interventions
Education	On average, women have less education than men and higher illiteracy rates. Studies have found that every year of education is directly related to income potential, meaning women owned agri-SMEs are likely to be smaller and have less income-generating potential.	<ul style="list-style-type: none"> • Adapt trainings to education levels Training can be adapted to be more intuitive and less book learning, to be able to include women and other with lower levels of education. • Create women specific training modules If only women are included in the training, women are more likely to ask questions and participate, learning more.
Land	Access to land becomes one of their biggest limiting factors to participation in the agriculture space. Land is passed down typically to males within families, making the initial land ownership largely out of their control	<ul style="list-style-type: none"> • Promote land independent agri-SMEs Women need to expand their idea of what agri-SMEs are to go beyond farming, to allow them to participate without land • Explore alternative land access structures This could include contract farming or block farming, which women could learn how to run professional farms without needing their own land
Socio-cultural norms	Socio-cultural norms dictate what appropriate behavior is for women and men. This impacts the economic opportunities they can pursue, the resources available to them, and the possible interactions with other value chain players. Many women, thus, are unable to participate in marketing activities and growth is limited	<ul style="list-style-type: none"> • Engage couples jointly By ensuring family-owned businesses have a role for women and they are also trained, women's agency will grow • Create gender sensitive trainings While there are traditional roles for women in agriculture, trainings could first build on developing those skills and then slowly introduce the benefits of women being engaged in other aspects, once their benefit is recognized in more traditional areas
Regulations	Most legal systems tend to favor men. This includes land inheritance, but also ownership and control of married couple assets. Financing typically requires proof of assets, which are rarely in a women's name, limiting her ability to borrow. Identification is also an issue.	<ul style="list-style-type: none"> • Support women's groups Groups offer alternative collateral for loans as well as internal financing mechanisms to support women • Provide gender specific subsidy programs To support women in accessing capital, provide specific financial tools to promote lending to women.

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1. Context for this work
2. A comprehensive agri-SME taxonomy
3. Variation across value-chains and countries
4. Considering the growth profile of agri-SMEs
5. Possible food system and capital market implications
6. Suggested ongoing research and sector alignment

Appendix

Next steps: This document is just the first step in creating a common language off which SAFIN members can build

Sector Alignment

- **Agri-SME Definition Thresholds:** SAFIN members should iterate internally to develop approved thresholds at high level definition as well as methodology for marry national level thresholds to this
- **Link to bankability metrics:** Ensure that thresholds and definition compliment the AGRA supported bankability metrics work
- **Taxonomy subcategory evolution:** SAFIN members should periodically review the comprehensive taxonomy to identify any new business models that emerge and need to be added
- **Adoption and dissemination:** After further refinement, SAFIN members adopt the taxonomy in all future publications/ discussions to push the rest of the sector to align.

Applications

- **SAFIN member heatmaps:** Have SAFIN members identify which types of agri-SMEs and growth profiles they work with to see which segments are being served and where there are gaps
- **Growth profile segmentation on BDS:** Based on SAFIN member experience, understand which types of BDS support are most effective for each type of growth profile company to provide broader learning for the sector
- **Growth profile segmentation on finance:** Based on SAFIN member experience, understand which financing mechanisms are more appropriate for which growth profiles, including when blended finance is most impactful

Additional research

- **Youth and gender mapping:** Map the comprehensive taxonomy to age groups and gender to understand which agri-SMEs currently have the biggest impact on youth and women, as well as those that could have the potential impact
- **Medium to large transition:** Understand more about the needs of companies as they transition out of SME to Large companies and what SAFIN members can do to push companies in that direction
- **National value chain agri-SME study:** Quantify the number of each agri-SME type present in a specific context as well as their growth profiles to allow investors to understand investment market potential

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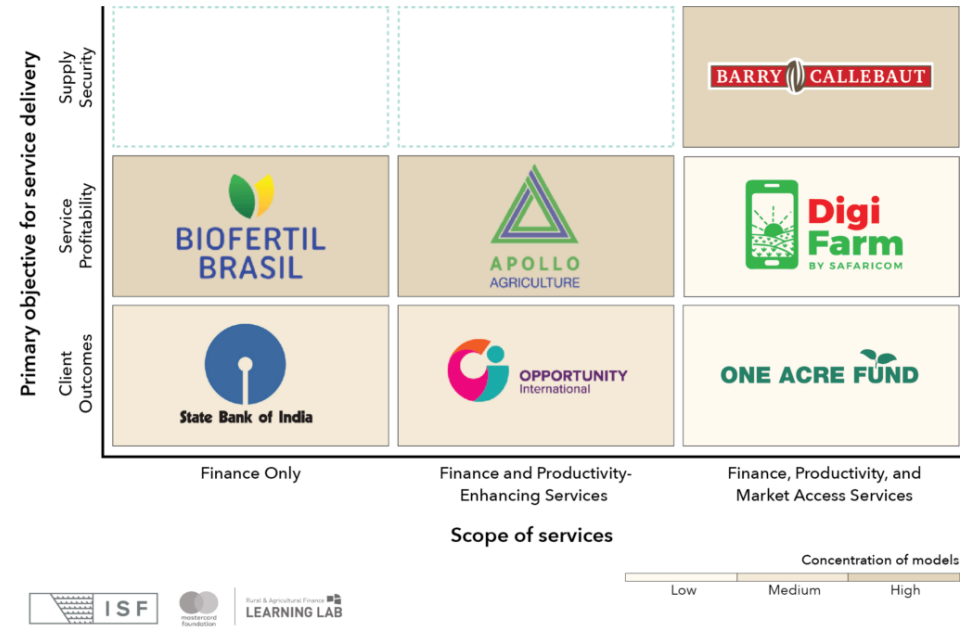
Appendix

Appendix: Reference ag-services taxonomies

CTA – Digital agriculture report



ISF/RAF: Pathways to prosperity



GSMA – agri-maps

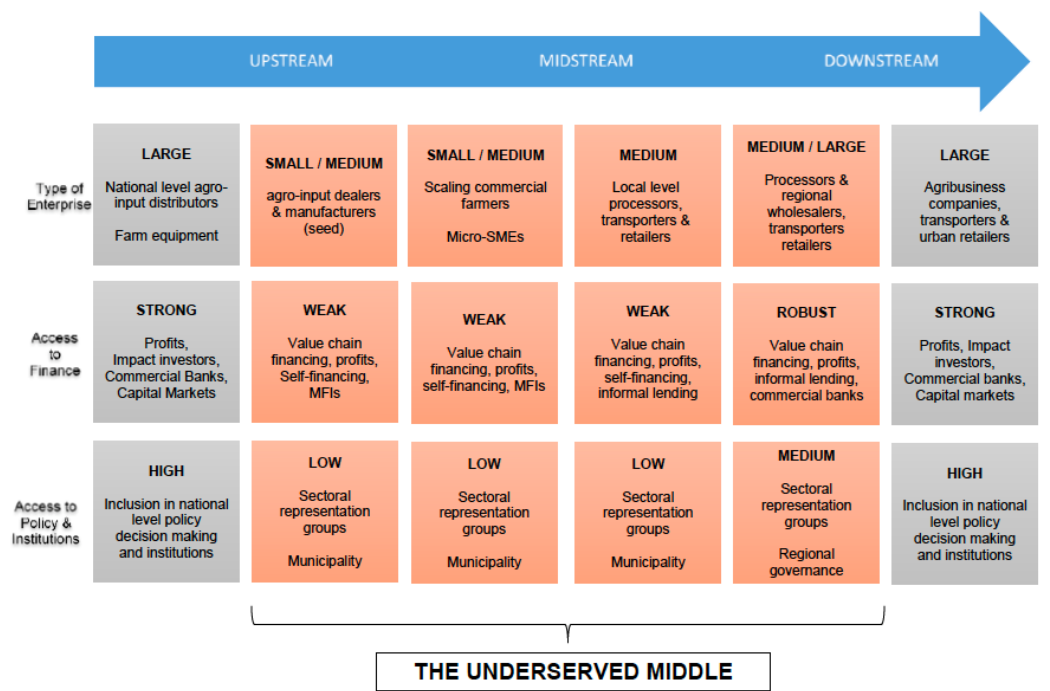
Digital advisory	Agri digital financial services	Digital procurement	Agri e-commerce	Smart farming
ThirdEye – Mozambique, Kenya	Agri360 – Zambia	TaroWorks – Kenya, Nigeria	eMiska – Zambia	AcquahMeyer Agricultural Drone Services – Ghana
Vodacom 4502 (3-2-1) – Democratic of Congo	Agri PME – Togo	mFarmer – Uganda, Rwanda	FarmFresh – The Gambia	Kóbiri – Guinea Conakry
CowTribe – Ghana	CashCard – Nigeria	WeightCapture – Côte D'Ivoire, Kenya, Nigeria, Tanzania	IzyShop – Mozambique	HelloTractor – Nigeria
EzyAgric – Uganda	FarmDrive – Kenya	AgroMall – Nigeria	Jinukun – Benin	WeFlyAgri – Côte D'Ivoire
mAgri – Botswana	Bayseddo – Senegal	Metajua – Uganda, Tanzania, Rwanda, Burundi, DRC, Madagascar	HeheMart – Rwanda	EcoFarmer Vaya Tractor – Zimbabwe

Appendix: Reference input and output market taxonomies

CASA: Underserved Middle

AGRA: Hidden Middle

Figure 2: Characteristics of agricultural SMEs in the underserved middle



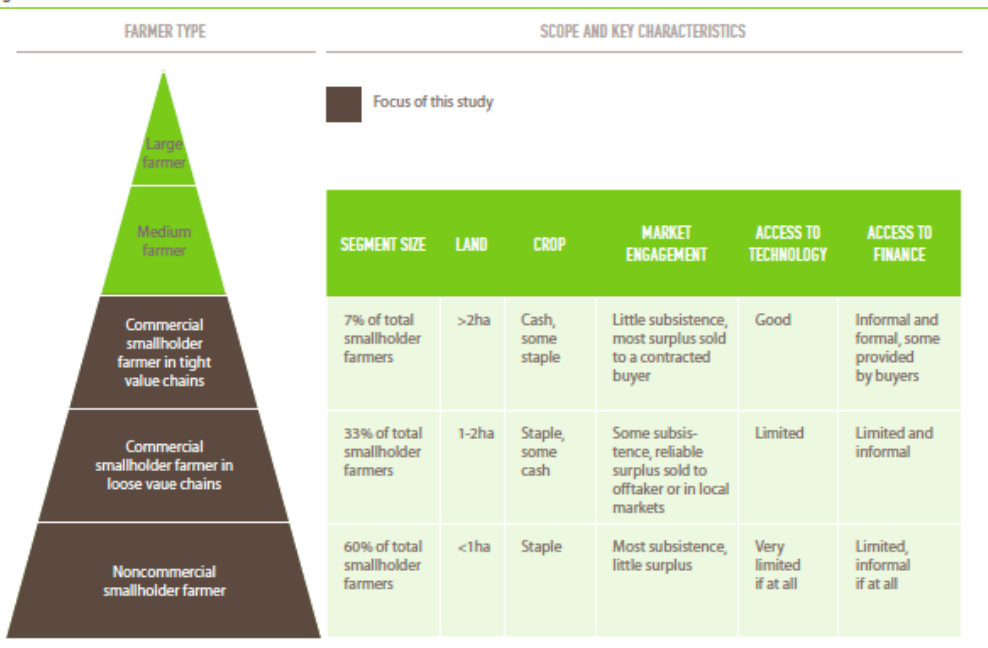
1. Midstream input supply chain firms which produce midstream goods and services, which comprise three sub-categories:
 1. Input retail and wholesale (fertilizer, seeds, and equipment)
 2. Mechanization services and other mobile outsource services like fruit tree spraying firms
 3. Complementary upstream services like private extension services often linked to input retail and wholesale, providing financial services to farms and other actors

2. Midstream output supply chain firms which provide goods and services, and found within four sub-categories:
 1. Wholesale/brokerage in both domestic and international trade
 2. Logistics (transport and warehousing, and cold chain)
 3. Processing
 4. Complementary downstream services such as finance, digital services for all of the above

Appendix: Reference smallholder farmer taxonomies

CGAP: Smallholder farmer typology

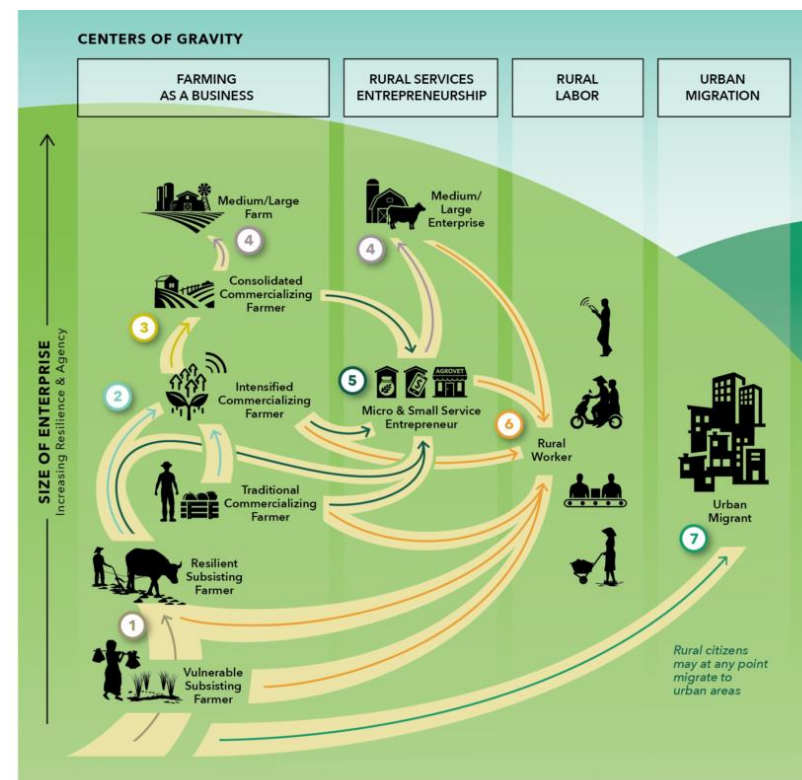
Figure 2: CHARACTERISTICS OF SMALLHOLDER FARMER SEGMENTS



Source: CGAP. Segmentation of Smallholder Households, 2013

Initial CGAP work on farmer segmentation was then used as a basis for deeper financial diaries and nationally representative survey work that resulted in a more refined model [HERE](#)

ISF/RAF Learning Lab: Pathways to Prosperity model



PATHWAYS

- 1 Developing a Resilience Buffer**
Smallholder farmer continues to farm primarily for subsistence—has little or no surplus—but is able to improve farming practices and build assets to strengthen its resilience to external shocks.
- 2 Farm Intensification**
Smallholder farmer takes a business-oriented approach to farming, and is able to generate a surplus and increase production value through improved inputs, better farming practices, and regular sales to buyers and traders.
- 3 Land Consolidation**
Farmer takes a business-oriented approach to farming and is able to consolidate multiple plots of land for more efficient, cost-effective, and competitive commercial production.
- 4 Transition to Formal Enterprise**
Farmer or service entrepreneur consolidates its activities into a formal enterprise that is fully integrated into the value chain and relies primarily on hired labor and mechanization.
- 5 Transition to Service Provision**
Smallholder farmer shifts away from agricultural production and instead pursues an entrepreneurship livelihood strategy in rural services, either related to agriculture (e.g., agro-vet) or not (e.g., mobile money agent).
- 6 Conversion to Rural Employment**
Smallholder farmer remains in rural areas but shifts away from self-production or entrepreneurship to become labor for on-farm or off-farm activities.
- 7 Migration to Urban Areas**
Smallholder farmer migrates to urban centers, transitioning to non-agricultural activities.

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