

## Social Capital Conference

**Conference:** SoCap Europe

**Panel Topic:** Financing Small Farms and Food

**Panel Description:** Practitioners and investors in agricultural development involving smallholder farmers, with a focus on Africa, discussing their work and the challenges they face.

**Moderator & Panelists:**

Al Doerksen, IDE – CEO of organization with longstanding role creating technologies relevant to the poor, including small-holder farmers.

Nate Schaffren, Root Capital – Head of Africa for organization that lends to agricultural cooperatives to finance high quality exports and otherwise improve member livelihoods

Hedwig Siewertsen, DOB Foundation – Director of foundation that makes equity investments in social enterprises, with a focus on Africa and including innovative agribusinesses.

Josh Ruxin, Rwanda Ventures – Leading venture raising capital to process dairy locally for local consumption as opposed to distribution to urban centers.

Lucas Simons, Fore Finance – Investment in middle-income farmers in developing markets – not poorest, but still facing large investment gap.

Pål Dale, Voxtra – Norwegian fund that invests equity in social enterprises, with a focus on agribusiness in East Africa.

**Design, Methodology, Approach:** Reports and expert opinions from panelists about their work and the challenges of financing farms.

**Main Panel Discussion Points:** This was a large panel, with little time for each person to do more than explain their work and their observations about the key challenges facing smallholder farmers. Notably, almost all of these panelists approached small-farmers through the agribusinesses and value chains to which they were linked, leading to a session that was focused on the flow of capital into the agribusiness sector and down to smallholder farmers, rather than the income and investment challenges faced by smallholder farmers themselves.

Al Doerksen noted at the outset that there was an agribusiness present on the panel – Josh Ruxin of Rwanda Ventures – along with funders all along the spectrum of debt and equity. Therefore, Josh gave an in-depth explanation of the work of Rwanda Ventures in the dairy industry in Rwanda, after which other panelists commented on the financing challenges they encountered in similar situations, through the lens that they specifically work. Rwanda Ventures is exploring setting up an agribusiness focused on dairy in response to the fact that a focus on making value

chains efficient has led to a dairy sector that successfully sells milk products into urban centers, but where the farming communities themselves lack access to these products at affordable prices. Rwanda Ventures intends to raise money to process and market locally a yogurt product that will be packaged and priced to be affordable for rural buyers, all coming from a central facility that ships products across the small country on a daily basis.

Fore Finance represented a different context, seeing huge opportunity in the investment gap that exists in Africa for farmers who are not the absolute poorest, but whose incomes could still be improved through new productivity that is possible to finance more easily than smallholder farmers.

**Outcomes & Analysis:** While the intricacies of agriculture financing were explored by the panelists and audience members who asked questions, the larger picture painted by the panelists was one of a maturing agribusiness financing ecosystem, at least for the region in focus, East Africa. When these panelists were lined up next to each other, it appeared that a variety of capital would be available for a new venture such as the one that Rwanda Ventures is pursuing, or more standard agribusiness improvement.

It was only Fore Finance that raised, a bit implicitly, questions of scale in the financing needs of the sector, being as it makes up the majority of the economies in many of the countries that the investors present place their capital. A question would be how socially-oriented capital interacts with standard commercial capital and financing mechanisms for existing, agribusiness chains where the benefits largely accrue to the sophisticated organizations that sit atop the chain and perform much of the value-added processing for products that come from smallholder farmers.

The business model proposed by Rwanda Ventures also raises a question of whether a more farmer-centered approach is needed – more efficient value chains that raise farmer incomes might still have the effect of reducing food security if food availability runs entirely through urban distribution routes and is priced by international markets, which can shift dramatically. A community that produces cashews for export could suddenly find itself unable to afford maize. The steps that Rwanda Ventures propose are an astute recognition that smallholder farmers are not simply producers, but consumers as well.

**Keywords:** Agribusiness, smallholders, agriculture investment, dairy, Africa, East Africa.

**Paper type:** Review of conference panel.

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