Agribusiness Incubation
Component 5 – Challenges and Solutions with Agribusiness Incubation
Component 5

CHALLENGES AND SOLUTIONS FOR THE FUTURE
Learning Objectives

**You will be able to:**

♦ Explain how to use the current and emerging agribusiness context to achieve gains for your incubatees

♦ Plan a strategy for moving your incubator toward the next level of development

♦ Improve the plan by incorporating global good practices and collaborative feedback
WARM-UP Activity – ILLUSIONS (15 minutes)

Review the Illusions hand out. Work with the people at your table until you can see all the illusions (5 minutes)

When invited, share insights with trainer (5 minutes)
Key Challenges for Agribusiness Incubation and Strategies to Meet the Challenges

♦ What is your unique contribution to the agribusiness ecosystem in which you will be operating?

♦ What is your strategy for coping with your primary challenges?

♦ What are the core competencies of your incubator and how does your incubator propose to strengthen and sharpen these core competencies?

♦ How does your incubator build active networks and collaborations among expert groups outside itself whose support is essential for enterprise development?

♦ How does an incubator create unique value or competitive advantage?
Phases of Incubator Development

New Agribusiness Entrants

Advanced Development Pathways

1. Innovation Commercialization (Incubate diverse SMEs)
   - Install Basic Business Infrastructure
   - Prove Ability to Add Value and to Graduate Incubatees
   - Insert Incubatees into Business Ecosystem

2. Focus on Specific VC or Serial Expansion of Multiple VCs
   - Prove Ability to Add Value and to Graduate Incubatees
   - Insert Incubatees into Business Ecosystem

3. Enhance Whole Sector Competitiveness
   - Prove Ability to Add Value and to Graduate Incubatees
   - Insert Incubatees into Business Ecosystem

4. Replicate Incubators
   - Prove Ability to Add Value and to Graduate Incubatees
   - Insert Incubatees into Business Ecosystem

5. Make Way & Collaborate in the Incubation Eco-System
   - Prove Ability to Add Value and to Graduate Incubatees
   - Insert Incubatees into Business Ecosystem

Business Ecosystem Development

Early Stage Development

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**Fundación Chile: Phases of Incubator Development**

**Stage 1** Building an Organization for Innovation (1976-1980)

**Stage 2** Value Chain Development and Strategic Investments in Pioneering Enterprises, The “Big Bets” Era (1980-1990)

**Stage 3** Continuous Reinvention and Adaptation (1990-2000)

**Stage 4** Strategic Interventions in Value Chain and Continued Reinvention (2000-2007)

**Stage 5** Finding New Niches in the Innovation and Incubation “Eco-System” (2008-2011)
Fundación Chile: Value Chain Incubator

WHO

Fundación Chile is a non-profit, **privately owned corporation**, created in 1976 by an agreement between the Chilean Government (US$25m) and **ITT Corporation** (U.S.A.) (US$25m). In 2005 BHP Billiton became a co-founder.

MISSION

To increase the competitiveness of human resources and productive sectors and services, by promoting and developing **high impact innovations**, technology transfer and management for the country.

Business of Fundación Chile

We are in the business of innovation

♦ We believe innovation realises its value in the market

♦ Creating new companies is the most effective way to bring this value to the market

Sectors

• Marine Resources
• Agribusiness
• Forestry
• Human Capital
• Environment
• ICTs

Technologies

• Biotechnology
• Environmental Technologies
• Fine chemistry
• ICTs
• Financial engineering
• Food technology
Main Projects and Companies Developed

Incubator of Multiple Agribusiness Value Chains

**REGION I**
Introduction of hirame

Esmeralda Subsidiary
(citrus fruits)

**REGION IV**
Agronova subsidiary
(citrus fruits)

M.R.
Asparagus Program

**REGION V**
Ignisterra Subsidiary
(lenga furniture)

Granjanova Subsidiary
Punto Verde (vegetables)

**REGION VIII**
Tecnoplant Subsidiary
(Radiata pine nursery)

Carpe Diem Subsidiary
(premium wines)

**REGION X**
Berries La Unión Subsidiary

Procarne Subsidiary

Granjasur Subsidiary
(apples)

Salmones Antártica Subsidiary

Salmones Huilinco Subsidiary

Cultivos Achao Subsidiary (oysters)

**REGION XII**
Salmotec Subsidiary

Introduction of halibut

Asparagus
Berries
Fruits
Salmon
Oysters
Olive oil
Wine
Canola Oil
Forestry
Cheese
Development of the Canola Supply Chain

**Investment in “pioneer” company**

- **Crops**
- **Ingredients**
  - Produce Canola Oil
- **Agribusiness**
- **Foods**
- **Feed Processing**
  - Salmon Feed
  - Pioneer Company
  - “incubatee” technical and financial support
- **Farmers**
  - CANOL
CASE STUDY - Oleotop (3)
MINI-ACTIVITY - Phases of Development (5 min)

♦ Identify the level of development of your incubator. (1 min)

♦ Think about what it will take to move to the next level of development & make a few notes. (2 min)

♦ When invited by trainer, be prepared to offer comments. (3 min)
How to move up the Incubator Value Chain?

Example: Incubator for Agribusiness and Agro-industry (IAA)

- Background
- Where are they now?
- Where do they want to be?
- What key actions are needed?
Background

Background for IAA-IPB
Bogor Agriculture University

♦ Started in 1995
♦ Affiliated with Agricultural University of Bogor, the premier agriculture university in Indonesia
♦ Funded by a Faculty who has been the leading force from the beginning until 2010. Currently acting as Advisor to the new leadership
♦ Lean staff
♦ Recently obtained new center facilities (to host 15 clients) and new processing equipment.
♦ Recently asked by local government to offer incubating services also to handicrafts, IT, and textile (70% of clients will remain agribusiness)
Where are we now?

- **Graduates** since 1995 = 38
- Current **total sales** of incubatees = about $8 million
- Average sales per enterprise = $210,000
- Initial **Investment** in the incubator in 1995 = $300,000
- Able to **sustain itself** and create sustainable agribusiness SMEs
- Able to mobilize funding and make investment in new infrastructure and equipment (about $1 million in 2009-2010)
- **Innovations**: technologies (packaging, fermentation, distillation), intermediation between coops and supermarket
Where do we want to be?

**Goals for the Next 5 Years**

- Graduate 20 enterprises
- Ensure at least 40% of these become sustainable medium size enterprises (sales more than $2 million/year)
- Increase Revenues of Incubator to $200,000/year
What key actions are needed?

Goals for the Next 5 Years

- Adopt value chain approach. Identify 1 value chain to support, not just heterogeneous startup enterprises. At least 50% of our incubatees in this value chain.
- Network and pursue support of key policy makers to sponsor program for supporting creation/strengthening of value chain
- Invite potential funders/sponsors of the investment, both from Indonesia and abroad. They could be enterprises part of the value chain, or finance sources.
- Ensure that your senior leadership in the university is backing you up.
- Aim at a governing board or a Standing Advisory Committee (SAC) that can give you serious and useful advice, eg. key people who have commitment to the success of the incubator.
- Select the new leadership carefully: competent, charismatic, dedicated.
- Provide incentives.
- Strengthen your incubator brand.
- Elicit all help from your graduates.
Agribusiness incubators can act as agents of change in the context of the larger business ecosystems in which they operate by:

♦ Developing competitively robust agribusiness spaces
♦ Assist management teams refine their competencies
♦ Provide information through market research and product testing
♦ Help agribusiness identify and absorb new technologies
♦ Assist with the development of value chain structures
To help join the agribusiness ecosystem, startups need to be familiar with:

- **vertical linkages** between incubatees and their suppliers, vendors and customers
- **horizontal linkages** among incubatees and with specialized businesses that support incubator activities
Business Risks

- Market risks
- Competition
- Technology
- Finance

Plus....
Key Agribusiness Risks

♦ Climate

♦ Bio-safety

♦ Pests and diseases

♦ High commodity price volatility

♦ Strong policy interference (food is highly political everywhere)

♦ Coordination with many smallholder suppliers in developing countries.
1. Successful incubators help clients to reduce these risks through a combination of technology, institutional, and networking strategies.

2. Technology-based strategies to reduce risks include seed technologies: drought tolerant seeds or pest-resistant biotechnology innovations like BT cotton.

3. Institution-based strategies include franchising to ensure market and price.

4. Networking-based strategies include improved access to finance and facilitation in obtaining licenses and permissions.
Added Risk Management Tips

1. Become comfortable with an ownership stake of 20-50%.

2. Leverage your investment with other sources of equity.

3. Find good partners to share risks.

4. Listen to your partners – for example, investment partners worth having will say “let’s close this business” when risks outweigh opportunities.
5. Insist on a board of directors which is independent of the management, knowledgeable and mature.

6. Ensure that your entrepreneurs have high levels of skills, commitment, and flexibility.

7. Be prepared to adapt the business plan to changing conditions.

8. Know your “value at risk”, that is, be clear about the initial investment amount that is being made both in-kind and monetary.

9. Set specific development milestones and be clear about how much can be gained or lost depending on how things go.
Pause for Reflection...

Think about which risks and mitigation strategies are most relevant for your incubator (2 minutes)
ACTION PLANNING

Stretch into New Territory....
Activity Overview

Step 1  The Context – Collective Review of Trends (20 min)

Step 2  Action Planning (20 min)

Step 3  Reviewing Good Practices & Revising Plans (20 min)

Step 4  Key Action Review Checklist (20 min)

Step 5  Selected Brief Reports (20 min)
Think about current trends in agribusiness affecting you most strongly and offer observations about what you see in such areas as education, marketing, technology, agro-ecology, food-security, agribusiness opportunities, etc.

Exchange initial observations with a partner or trio (3 min)

Contribute to the impactful trends list generated by the entire group (7 min)
ACTION PLANNING

Action Plan

MISSION

Current Situation

Goal

Step 1
Step 2
Step 3
Step 4
ACTION PLANNING: STEP TWO  (20 minutes)

Look at the worksheet

♦ Pause to reflect on what you learned in the training & make notes on the worksheet of things you want to remember or integrate (2 min)

♦ Make notes to record the steps you want to take to bring your incubator to the next level of effectiveness. You may work on your own or with a partner (15 min)

♦ Be prepared to offer brief examples of actions that you have identified when invited by trainer (3 min)
Reviewing Good Practices

1. Incubator Design Basics
2. Learning by Doing
3. Applying Value Chain Concepts
4. Strong Capital Structures
5. Strong Brands
6. Dense Network Structures
Revising Plans

♦ Revise your draft plan to include relevant good practices (7 min)

♦ Be prepared to offer brief comments when invited by trainer (3 min)
♦ Adopt value chain approach. Identify 1 value chain to support, not just heterogeneous startup enterprises. At least 50% of our incubatees in this value chain.

♦ Network and pursue support of key policy makers to sponsor program for supporting creation/strengthening of value chain.

♦ Invite potential funders/sponsors of the investment, both from Indonesia and abroad. They could be enterprises part of the value chain, or finance sources.

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♦ Provide incentives.

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Key Action Review Checklist (20 minutes)

- Use the checklist to make further revisions and improvements to your action plans. This is a good time to review your plan with a colleague (15 min)

- Be prepared to offer brief comments if invited by trainer (5 min)
ACTIVITY - Make Brief Reports (20 minutes)

*Share briefly the highlights of your plan*
Remember the learning objectives

♦ Explain how to use the current and emerging agribusiness context to achieve gains for your incubatees

♦ Plan a strategy for moving your incubator toward the next level of development

♦ Improve the plan by incorporating global good practices and collaborative feedback
Agribusiness Incubation
Closing the Training
Closing the Training

1. Review training highlights
2. Review learning objectives
3. Invite feedback
4. Evaluation
5. “Una Palabra” (one word)
Una Palabra (10 Minutes)

♦ Form a circle.

♦ Think of something you learned in the training you want to take away with you.

♦ Be prepared to share in one or two words with the group when trainer asks for your take away learning.

Thank you for your contributions!!
Stay Tuned!

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