Agribusiness Incubator Assessment: Impact and Lessons Learned.

4th Global Forum for Innovation and Entrepreneurship
Helsinki, 31 May 2011

Agrifood Consulting International (ACI)
Economic Transformation Group (ETG)
In most of the developing world, agriculture is a business of $2/day.

In many cases agriculture is not sustainable.

How to make agriculture in developing countries more productive and sustainable?

Develop Sustainable Agribusiness
Outline

- **Paths**
  - Incubators are one path for agribusiness development

- **Types**
  - There are different types of incubators and they evolve over time.

- **Business Models**
  - Successful incubators learn how to fund themselves as they mature.

- **Impact**
  - Incubators have a significant impact in growing sustainable agribusiness SMEs.

- **Lessons**
  - What have we learned?
10 Case Studies ...
Differing in many dimensions

(normalized indicators Max = 100)
They **fill a gap among alternative approaches** that pursue growth of commercial agriculture.
3 Approaches for Growth of Commercial Agriculture

Starting Point
- Inefficient Farm-to-Market linkages
- Slow Technology Absorption
- Very limited Incentives to Invest

Facilitate Large-scale Agribusiness Investment

Agribusiness Incubators

Target Point
- Efficient Farm-to-Market linkages
- Rapid Technology Absorption
- Incentives to Invest

Invest in Farm-level Organizations
Several Types of Agribusiness Incubators

5 Types observed

| “One Stop” Agribusiness Sector Developer (eg Fundacion Chile) | University And Research-based Agribusiness Incubators (eg IAA-IPB) | Agribusiness ValueChain Integrators (eg Timbali) | Grass Roots Agribusiness Innovation Incubators (eg Villgro) | Transnational Strategic Alliance Incubators (eg MLSVCF) |
Providing Many Services but....

Two Services Specific to Agribusiness

Many Services

- Infrastructure and facilities
- Business development services
- Access to finance
- Access to government programs
- Training and Capacity Building
- Strategic advice
- Technology advice
- Investment
- Linkages and networking
- Consulting services
- Matchmaking
- Product development

Agribusiness Incubators are Different

1. Reduce risks for their clients
2. Help build the value chain
• Successful agribusiness incubators self-finance an increasing share of their operation budget as they mature.
% Operation Budget funded by Fees, Consulting Services, Profit Sharing, Capital Gains
Advanced incubators replicate and scale up through:

**incubation of new incubators**

- **Fundación Chile incubating:**
  - Fundación Jalisco, Fundación Sonora, Fundación Peru

- **ABI-ICRISAT incubating:**
  - 10 incubators in India
## Impact

**Creation of sustainable agro-enterprises generating value added and profits**

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<tr>
<th>Facilitate commercialization and modernization of agricultural system</th>
<th>High social return on investment</th>
<th>Diffusion of innovation</th>
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Impact – 3 examples

- Subsector level and medium large companies (Fundación Chile)
- Small and medium enterprises (IAA-IPB)
- Small farm enterprises headed by poor women (Timbali)
Incubator of Multiple Agribusiness Value Chains

Main Projects and Companies Developed

**REGION I**
- Introduction of hirame
- Esmeralda Subsidiary (citrus fruits)

**REGION IV**
- Agronova subsidiary (citrus fruits)
- Olive oil
- Asparagus Program
- American Subsidiary American Impressions (USA)
- Constructora e Inmobiliaria 2000 Subsidiary

**REGION V**
- Ignisterra Subsidiary (lenga furniture)
- Granjanova Subsidiary Punto Verde (vegetables)

**REGION IX**
- Centec Subsidiary (furniture parts and pieces)
- Tecnagro Tecnofrío (berries)

**REGION X**
- Berries La Unión Subsidiary
- Procarne Subsidiary
- Granjasur Subsidiary (apples)
- Salmones Antártica Subsidiary
- Salmones Huilinco Subsidiary
- Cultivos Achao Subsidiary (oysters)

**REGION VIII**
- Tecnoplant Subsidiary (Radiata pine nursery)
- Carpe Diem Subsidiary (premium wines)

**REGION XII**
- Salmotec Subsidiary
- Introduction of halibut

**Asparagus**
- Berries
- Fruits
- Salmon
- Oysters

**Olive Oil**
- Wine
- Canola Oil
- Forestry
- Cheese
**Fundación Chile’s Salmon Program**

### Industry Production

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<th>Year</th>
<th>Tons</th>
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<tr>
<td>1983</td>
<td>347</td>
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<tr>
<td>2005</td>
<td>383,000</td>
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- US$ 2.2 billion in exports for 2006
- 23.6% of Chile’s total food exports
- +35,000 direct and indirect jobs created
• Primary focus on startup small enterprises
• Help them to grow into sustainable medium enterprises
Fresh Vegetables Coops Selling to Supermarkets and Fast Food Chains

Production
Sorting
Cool Storage
Packaging
Transporting
Coconut-based Drink

- **Starting from scratch**: initial investment of Ms. Aprisusi in 1995 = $1,200, manual filling.

- **To Success**: Ms. Aprisusi Sales in 2010 = over $2.4 million, employing 32 people, selling all over Indonesia, 8 automatic filling lines.
Impact of Timbali (South Africa): Working with Women Farmers

- **Graduates** since 2004 = 140 small farm enterprises
- Creating **franchises** and full integration with cut flower value chain
- Poor women becoming assertive and economically independent small entrepreneurs
Intervening in the Cut Flower Value Chain

- Creation of Brand Products
- Markets
- Line of Credit
- Training & TA
- Investment in Nursery
- Nursery
- FARMERS
- Crops
- Inputs
- Packaging
- TIMBALI TECHNOLOGY INCUBATOR
Lessons Learned

My Success is the Success of My Clients.

Incubators breed success, success meaning growth of sustainable agribusiness enterprises.

1. Risk Management
   The most effective agribusiness incubators help mitigate risk.

2. Value Chain Integration
   Successful agribusiness incubators integrate actors along the value chain.

3. Demonstration Effect
   Successful agribusiness incubators show ways to do innovations.

4. Adaptive Scaling up
   Advanced agribusiness incubators move towards replicability.
Successful incubators help clients to reduce these risks through a combination of technology, institutional, and networking strategies.
Risk Mitigation

Technology
(eg. Drought tolerant seed at ABI-ICRISAT)

Institutions
(eg. Franchising to ensure price and market at Timbali or Fundación Jalisco)

Policy Networking
(eg. Improving access to finance and government programs at IAA-IPB; changing sector policy at TnsMz or Fundación Chile)
Successful agribusiness incubators overcome coordination failures within a value chain and by doing so they are more likely to achieve industry or sector impact.

Successful integration implies finding incentives for collaborating and linking previously disconnected farmers and consumers in urban and global markets.
Successful Agribusiness incubators have a powerful demonstration effect:

previously untried ventures become possible and a positive energy for change becomes diffused.
Key Message 4: Adaptive Scaling up

Scaling up and replicability are the real test of the efficacy of the incubating approach to agribusiness development.

The evidence reviewed so far shows promise.

Equally important, the evidence shows adaptive replicability through the incubation of incubators.
Agribusiness Incubators are the New Path for Agribusiness Development in the developing world.

Their success will require a concerted effort of global institutions and strong policy support of national governments.