AICO AFRICA LIMITED // ACHIEVING GROWTH THROUGH SMALLHOLDER FARMER ENGAGEMENT

More than 70 percent of Africa’s poor live in rural areas, the majority of whom depend on smallholder agriculture for their livelihoods. Agriculture represents 15 percent of Africa’s total GDP—more than $100 billion annually. In Zimbabwe, roughly 15 percent of the population, or 250,000 households, depend on cotton for their cash income. According to the World Bank, investment in the agriculture sector is approximately three times more effective in raising incomes among the very poor than investment in other sectors.

BUSINESS MODEL

AICO is a vertically integrated agro-industrial company whose strategy focuses on smallholders; Seed Co and Cottco are its principal subsidiaries. Seed Co is Africa’s largest seed production company, selling over 67,000 tons of high-quality seed inputs designed to increase crop yields for over 360 million smallholders in 15 countries. Its success is based on early-mover advantages in new markets, six state-of-the-art seed research and production facilities, an extensive distribution network, and highly trained agronomists.

Cottco contracts with smallholders to grow high-quality cotton to sell back to the company, which then gins the final lint product and sells it to international markets. Through Cottco’s Inputs Credit Scheme, established in 1992, seasonal financing and quality inputs such as pest control, fertilizer, and equipment are provided to farmers at appropriate points in the growing cycle. Extension services and information technology-based guidance on planting and harvesting are also provided. This business model adds value to the supply chain and provides a market for smallholders, as well as the missing link between local growers and international markets.

KEY IMPACTS

• In 2011, Seed Co’s $4 million investment in research and development and sale of 67,240 tons of seeds resulted in enhanced crop yields for 3.7 million smallholder farmers.

• Seed Co’s products help countries transform from net grain importers to net grain exporters.

• Cottco’s $15.1 million input financing, cotton buy-back, and agronomy programs enhanced the livelihoods of 156,673 smallholders.

PERFORMANCE AGAINST FRAMEWORK METRICS

ACHIEVING GROWTH

Seed Co achieves growth by developing high-quality, disease- and drought-resistant seeds, which it sells to smallholders in small packages. These improved inputs contribute to a significant increase in yields across Sub-Saharan Africa. In Malawi, for example, farmers using Seed Co seeds produced 3.6 tons of maize per hectare in 2010—twice the amount...
of previous years. Smallholder demand for these inputs has steadily increased, leading to a dramatic expansion of supply and subsequent profits for Seed Co, which the company has used to fund further research and development. In 2012, Seed Co increased seed sales by 22 percent and earned $19.1 million in profits.

Seed Co also offers a range of value-added products, services, and initiatives to enhance smallholder productivity and reduce vulnerability to shocks. The company has sponsored 1,100 field days to teach farmers how to use its products more effectively. Geographical information systems, local agronomic education, and farming insurance further support enhanced crop production. In Kenya, Seed Co reduced the risk of devastating crop loss by partnering with Kilimo Salama and the Syngenta Foundation to provide smallholders with cost-effective farming insurance. The program insured 11,000 smallholders through a matching scheme in which Seed Co contributed to the cost of the insurance.

Cottco generates growth by contracting with more smallholders each season. During the 2011-12 growing season, Cottco expanded its Inputs Credit Scheme by 30 percent, and invested $15.1 million in high-quality inputs that were sold to 156,673 contracted smallholders. The farmers sold 103,225 tons of cotton back to Cottco at an average of $0.90 per kilogram, well above Zimbabwe’s 10-year average price of $0.30 per kilogram. This reflects the higher-quality crop achieved from the superior inputs and agronomy guidance provided by the company. After receiving the cotton from smallholders, Cottco processes it and sells the lint product in international markets, effectively linking its contracted farmers to the global economy.

AICO is committed to hiring and cultivating local talent, spending $24.5 million in 2012 on employee costs, benefit packages, and training. Seed Co maintains a 500-member staff, 30 of whom are highly-trained seed breeders and researchers. Cottco’s local employees undergo rigorous training to support grading, processing, classifying, and packaging operations in 29 facilities throughout Zimbabwe.

AICO upholds high standards of governance throughout its operations. The company’s Board of Directors is governed by four separate committees, and its processes for external reporting of financial performance meet international best practice standards. Additional transparency is achieved through online audio recordings of company meetings. AICO’s Works Council provides a forum for employees to engage in collective bargaining and present grievances. The wealth generated by AICO’s operations is redistributed through payments to employees, contracted farmers, and suppliers. Last year, the company indirectly supported Zimbabwean citizens by paying $1.4 million in taxes.

Partnerships with the National Cotton Council, the West Africa Centre for Crop Improvement, and the West Africa Seed Alliance help to support seed research; facilitate knowledge-sharing, networking, and collective action; and provide platforms for discussing policy reforms and regulation.