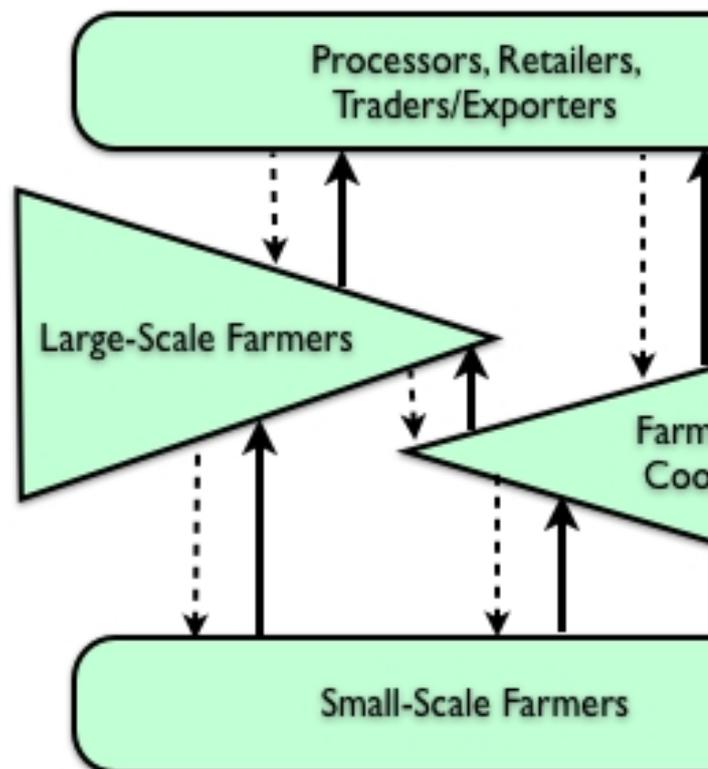


Outgrower schemes provide firms with the opportunity to control supply while helping farmers improve production standards. Both sides stand to gain and under the current smallholder production system, contract farming appears to be the main road towards making African agriculture more market-oriented.

- Outgrower schemes in the agricultural supply chain present opportunities for globally active firms and local smallholder farmers alike.
- Outgrower schemes are attractive models for agro-food companies: they ensure control over sourced supply while at the same time granting access to local markets.
- Key ingredients for success are a long-term business interest and the development of mutual trust.

Africa is reappearing on the radar screen of international investors but so far they are concentrating on extractive industries, especially minerals and oil. For sure, despite its immense potential, Africa's agricultural sector does not lend itself easily to investment. Next to classic constraints such as insufficient infrastructure or insecure property rights, the production structure itself provides one of the most severe impediments to commercial development. African agriculture remains dominated by smallholder



farmers working on fields of less than three hectares and it is not obvious for a foreign multinational to engage with small-scale farmers. However, companies have actually found

ways to effectively deal with this challenge through outgrower schemes.

Outgrower schemes, also known as contract farming, are broadly defined as binding arrangements through which a firm ensures its supply of agricultural products by individual or groups of farmers. In other words, ad hoc trade agreements are being replaced by co-ordinated commercial relations between producers, processors, and traders leading to a vertical integration of the agricultural value chain. Under this umbrella, a variety of arrangements exist which differ in each partner's input and management.

Outgrower schemes offer improved control over supply. Thus, large private companies demonstrate an interest in these partnerships if the desired produce is not easily available or quality standards insufficient.