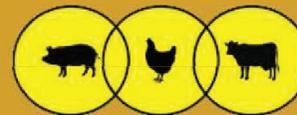




A series by the African  
Private Equity and Venture  
Capital Association

# Achieving the SDGs through African Private Equity and Venture Capital

SDG 2: End hunger, achieve food security and improved  
nutrition and promote sustainable





ZERO HUNGER

# Executive Summary

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Over the past 20 years, AVCA has remained committed to tracking, monitoring, and reporting on the wide-reaching positive impact of private equity and venture capital across the continent. The objective of this case study series, **Achieving the SDGs through African Private Equity and Venture Capital**, is to encourage greater collaboration between fund managers, institutional investors, and entrepreneurs to **drive sustainable growth in Africa**.

It is now six years since the United Nations (UN) launched a global call to institutions and individuals to commit to creating a future of prosperity and peace

for all by 2030, through the Sustainable Development Goals (“SDGs”). The 2030 Agenda for Sustainable Development (“the 2030 Agenda”) established 17 SDGs with 169 targets and 232 indicators to enable progress tracking as key global actors, including investors, businesses, civil society, and governments, implement the 2030 Agenda.

According to the United Nations Conference on Trade and Development (UNCTAD), meeting the SDGs in emerging markets will require investment up to the value of US\$4.5 trillion annually, primarily for infrastructure, education, healthcare, and agricultural development. Globally, the private sector is responsible for most investments and has played a historic role in addressing structural, social, and environmental challenges in Africa.



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The SDGs provide a practical framework to achieve inclusive growth on the continent, and the private sector has a vital part to play in mobilising African countries to achieve the 2030 Agenda while strengthening the economy. Africa-focused fund managers and institutional investors have risen to the challenge as they continue to deploy and allocate capital to support the businesses driving long-term economic growth across the continent.

Recognising the importance of businesses and investors in realising the 2030 Agenda, the UN Development Programme (UNDP) launched the SDG Impact Standards for Private Equity Funds to outline a clear system to support private equity (PE), venture capital (VC) and other private market funds to achieve impact and contribute toward sustainable development through their investments.





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Where Africa is concerned, responsible investing has always been at the heart of private equity due to the origins of the asset class. As Environmental, Social, and Governance (ESG) principles became more prominent in the global investment landscape, AVCA set out to tell the story of impact in Africa.

In 2018, we published our first special report, *An Untold Story: The Evolution of Responsible Investing in Africa*, to highlight the role of development finance institutions (DFIs) and private equity fund managers in creating sustainable growth on the continent.

DFIs have demonstrated how investments in the private sector in emerging markets can have significant positive effects on job creation and economic growth. Furthermore, with the majority of private investors in Africa promoting and achieving both impact objectives and commercial returns, Africa-focused fund managers are uniquely positioned to contribute to achieving the 2030 Agenda by investing in companies that advance the SDGs.



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# Sustainable Development

## Goal 2: Zero Hunger

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This case study focuses on Injaro Investments Limited, a fund manager who is unlocking the potential of agricultural SMEs in West Africa and its commitment to tackling hunger in Africa through the investment in Agricare Limited, a Ghanaian owned and operated company that manufactures and sells poultry feed.





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# Investor & Company Profile



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Portfolio Company Name:

**Agricare Limited**

Country:

**Ghana**

Year of Investment:

**2015**

PE Investor:

**Injaro Investments Limited**

Sector:

**Agriculture (poultry & animal feed)**

Total Investment Amount (US\$):

**Approx. US\$4 million**



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# Investor Engagement with the SDGs



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Injaro Agricultural Capital Holding Limited (IACHL) had a fund investment strategy of increasing the supply and affordability of improved (high-yielding and certified) seeds for smallholder farmers, exploiting value creation opportunities along agricultural value chains, and supplying essential products and services to the growing local market while capitalizing on export opportunities. The goal of driving this investment approach was to create sustainable socio-economic development impact. As an impact-oriented fund, contributions towards the Sustainable Development Goals (SDGs) are integrated into our value creation efforts.





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As a result of climate change, and rapid population growth, the issue of food security remains paramount. For IACHL, food security means supporting agricultural production and improving incomes of small-holder farmers. Agricare, our animal feed production investment, does this through the production of affordable poultry feed. Broiler meat remains the cheapest animal protein source for the region and therefore, the poultry value chain is a key sector for social impact investment. With the Feed sub-sector being the most important driver of poultry production, specifically investing in a feed mill was congruent with the fund's investment and impact thesis. For Sub-Saharan African, the productivity of the poultry value chain impacts nutrition in the population and with feed making up 82% of the variable production cost of poultry farming, providing affordable feed to poultry farmers is essential to ensuring that broiler meat remains affordable. In the face of frequent price fluctuations in maize, which typically forms 50-60 percent of total feed formulation, Agricare has developed an out-grower scheme of

small-holder farmers which does not only help secure maize at a good price, but also provides decent incomes to farmers.

Agricare's value proposition is centred around providing consistent high quality and affordable feed to small-holder poultry and livestock farmers, to enhance productivity and ultimately to reduce the importation of meat. Therefore, the investment strategy is hinged on ensuring that the feed remains affordable without compromising on quality. IACHL integrated SDG 2 into its investment strategy by deploying technical assistance (TA) that supported the company to improve its product offering. Through a feed formulation and R&D TA intervention, Agricare developed and included new mashes and concentrates to its product portfolio.

The company also integrates SDG 2 into its procurement policy by actively identifying, onboarding, and supporting local suppliers of substitutes such as fish meal, coconut cake, palm kernel cake and palm oil among others. The scale of off-take provided by Agricare invariably means enhanced productivity of suppliers for inputs that are also food sources for communities.

As part of value creation and unlocking social impact, Injaro worked with the investee management team to pilot and scale a maize out-grower scheme that utilized high yielding disease and drought tolerant seed varieties, that remain productive irrespective of changing weather conditions, to produce about 45% of the company's input maize requirement. This enabled a more consistent supply of feed to over 4,000 small-holder poultry farmers in rural communities and provided smallholder maize farmers excess harvest from which a portion is used for sustenance after selling part of harvest to Agricare for income.



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Also, small-holder suppliers received support to formalise their operations to be more productive in raw material supply; many of these raw materials are also food crops so invariably these improved operations led to enhanced local food security in communities in which these suppliers are based. As a result, the company has been able to increase the percentage of locally sourced maize and has enhanced the livelihoods of smallholder farmers.

Agricare's pursuit of social impact in the poultry value chain has faced some challenges. Internally, the company has had to learn how to better measure impact and to collect baseline impact data. Data collection and analysis is key to measuring and improving impact; often, this is not seamless when the business wants to focus on more "operationally- relevant" data typically those are directly linked to costs. It has therefore taken the deployment of IACHL technical assistance to support the collection of impact data on beneficiary customers and suppliers for the business to understand that impact has multi-uses

(demand forecasting, production planning, and enhanced customer management) and better appreciate the value of ensuring that this data is routinely collected, and that metrics are tracked.

The biggest external challenge Agricare continues to face is the high volatility in maize prices. With Covid-19 exacerbating these price fluctuations, the working capital needs of the business has deepened. In such an environment it is not uncommon for businesses to refocus on core operations to ensure survival. This has meant an inability to continue scaling up the out-grower scheme to onboard even more farmers. The current business climate has also increasingly affected the ability of smaller-scale poultry farmers to maintain their farms. With maize being the main component in poultry feed (~60%), and with a YTD price escalation of over 300%, price escalation has made it significantly expensive for farmers to purchase feed.

In Ghana, with the outbreak of Covid-19 and its attendant disruption of supply chains, some inputs which are typically imported have escalated in price and are increasingly only available to a few market actors; this would ordinarily make it difficult to serve the needs of the Bottom of the Pyramid (BOP) in the company's product offering because they typically have the weakest purchasing power. This problem presented an opportunity for food and animal producers to scale to meet the demand gap caused by reduced imports. Companies like Agricare, capitalized on this and have achieved their best financial and social performance to date. This was largely done by accelerating the testing and adoption of many local substitutes and analogues for more expensive imported inputs. This has meant the development of new supply chains which are most driven by local small businesses and that are more competitive in pricing.



# Investment Impact Profile



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\*The Food and Agriculture Organisation of the United Nations define undernourishment as proportion of the population whose dietary energy consumption is less than a pre-determined, country specific threshold (measured in terms of the number of kilocalories required to conduct sedentary or light activities)

No	SDG Goals		IACHL/Agricare’s Contribution
	Target	Indicator	
1	By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious, and sufficient food all year round.	Prevalence of undernourishment*.	Being the second largest feed producer in the country, Agricare is a significant player in ensuring the availability of both eggs and broiler meat for consumers through the provision of high quality and affordable feed.  Egg production, in particular, is thriving in Ghana given the low to non-existent egg imports. The egg market is larger as eggs are cheap and easily accessible; Boiled eggs are sold on the street, in lorry parks etc. as a snack. The success in local egg production has enabled Ghana to start exporting eggs to other West African countries such as Benin, Burkina Faso, and Niger
	By 2030, double the agricultural productivity and incomes of small- scale food producers, in particular women, indigenous peoples, family farmers, pastoralists, and fishers.	<ul style="list-style-type: none"> <li>a. Volume of production per labour unit by classes of farming/pastoral/forestry enterprise size.</li> <li>b. Average income of small- scale food producers, by sex and indigenous status.</li> </ul>	<p>Agricare implemented a pilot outgrower scheme that increased local sourcing of maize and impacted the livelihood of smallholder farmers with the support of Injaro. The scheme was launched in 2016 with 250 Ha under cultivation by 210 farmers. After a successful pilot, the scheme was scaled up ten times to over 2,588 Ha as at the end of 2017, directly impacting 1,199 smallholder farmers and indirectly benefitting 4,033 persons.</p> <p>As a result, Agricare increased its sourcing of maize from local smallholder farmers from 2,500MT in 2015 to 6,100MT in 2017. In 2020, 3,031 Ha was cultivated which translated to 4,850MT of maize. The company expects to cultivate over 6,000 Ha</p>



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No	SDG Goals		IACHL/Agricare's Contribution
	Target	Indicator	
2			Also, as part of Agricare's activities, the company works with partners across the country to develop and support small communities with poultry schemes during the program financing stage of the projects. The company partners with Rearing for Food & Jobs and the Savannah Agricultural Sector Improvement Program under the government of Ghana to provide feed under the implementing partner, CR72, to poultry farmers. The company also provides feed to poultry and pig farming programs for refugee farmers under the Adventist Relief and Development Agency and United Nations Human High Commissioner for Refugees respectively. In the self-financing stage of these programs, Agricare records a customer retention rate of ~70% under each batch rollout for the various schemes.
3	By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.	Proportion of agricultural area under productive and sustainable agriculture.	<p>Agricare is committed to ensuring that smallholder farmers in its outgrower scheme are exposed to good agronomic practices.</p> <p>Agricare provides the smallholder farmers with resilient high yielding seeds, adequate fertiliser, and agrochemical as well as extension support through the Ministry of Food and Agriculture (MoFA) on good agricultural practices that factor in climate change and extreme weather conditions.</p>
4	By 2020, maintain the genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species, including through soundly managed and diversified seed and plant banks at the national, regional, and international levels, and promote access to and fair and equitable sharing of benefits arising from the utilization of genetic resources and associated traditional knowledge, as internationally agreed.	Proportion of local breeds classified as being at risk, not-at-risk or at unknown level of risk of extinction	Through Agricare's partnership with MoFA, the outgrower scheme adheres to all the criteria outlined in Ghana's seed policy which ensures the genetic diversity of seeds and all other target indicators in place to protect and preserve the environment



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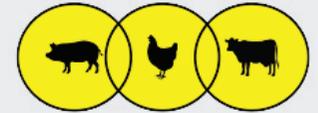
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# Company View



Agricare has been a resilient company over the years, overcoming working capital challenges, managerial modifications, and a volatile raw materials market to improve the lives of poultry farmers through the provision of high quality yet affordable feed in contribution to SDG 2.

**Eric Manteau**  
CEO of Agricare

Since Injaro came on board in 2015, we have supported Agricare to improve the livelihoods of 63,559 beneficiaries and counting. Though Agricare still requires working capital injection, the company has improved its cash management by selling more to customers on a cash basis. We have gone through a tough period of transition to address our inefficiencies, and profitably collaborated with farmers and industry players to overcome price fluctuations.

Agricare is currently on an exponential growth trend that was catalysed by these changes initiated by Injaro, and with the improved framework and structure currently in place, we are well positioned to create more socio-economic value in the poultry space and contribute to greater feats in accomplishing zero hunger in Ghana and West Africa.