



GIZ AND MERCY CORPS AGRIFIN DIGITAL PLATFORM BLUEPRINT SERIES

CAN AGRIBUSINESSES SUCCESSFULLY PIVOT TO DIGITAL AGRICULTURAL PLATFORMS?

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Digital Agriculture Platforms (DAPs) are emerging as a scale vehicle for technology innovators across agriculture ecosystems to tie together the wide array of actors needed to drive sustainable productivity and inclusion for the world's smallholders at the end of the last mile. While there are different types of platforms, GIZ and Mercy Corps AgriFin present four types of common DAPs characterized by the type of organization leading the platform, including agribusinesses, TELCOS, banks, and government institutions.

Agribusiness contributes about 25 percent of Africa's GDP and a staggering 70 percent of its employment.¹ It goes without saying that the potential for digital platform development by agribusinesses is a no brainer as they seek to secure their supply chains. Recent examples such as Twiga Foods and Olam portend positive movement towards increased digitization in the agribusiness space and the formation of nascent digital platforms that not only provide the agribusinesses with increased 'contact' with farmers but also bringing them closer to actors in the value chain, forming symbiotic relationships with a number of win-win propositions.

However, similar to observed phenomena in the transport and retail verticals, it has been noted that agribusinesses have been slower to the ball in executing large scale platforms that encompass multiple actors in the value chain. Instead, technology companies such as the e-commerce giants Alibaba and Amazon and Mobile Network Operators are beginning to shape the agenda of digital agricultural platforms.

Our recent study on agribusiness operated platforms can shed some light as to why they have not yet emerged as the leading pathway to digitization of agricultural value chains. Below are some of the main takeaways.

- **Agribusinesses in most cases especially the significantly large corporations have been in the business of off-taking and providing inputs for long periods of time, cementing cultures that are resistant to change or adoption of new transformational technologies and business models.** In a sense their success in the current business model has led to a lethargy in pursuing new ways of working. This is not unique to agribusinesses, with similar observations being made in the retail business where large retail chains have been unable to successfully pivot to platform models and are now facing increasing competition from digital-first incumbents.
- **Due to the heavy investments made in the traditional models of off-taking and input provision, large agribusinesses that have directly invested in a number of value-added services find it difficult to partner with new agri-techs that provide similar services at a more affordable cost due to efficiencies brought about by technology and agile models.**

1. https://www.ifc.org/wps/wcm/connect/REGION__EXT_Content/IFC_External_Corporate_Site/Sub-Saharan+Africa/Priorities/Agribusiness/

- **Agribusinesses often deploy heavy capital outlay to continue to produce, manufacture, and provide services to their customers, leaving little funds for innovation and technological transformation.** The opportunity cost in availing working capital to off-take from farmers vis-à-vis purchasing the state of the art technology platform often is unquestionable. In addition to acquiring the technology, the requisite people to manage digital platform design, development and coherent and consistent user experience for the farmers and other stakeholders is equally critical and often lacking. Hiring a technology team with members that go beyond the conventional IT department roles and understands how technology can be leveraged to better engage smallholder farmers is usually not a top priority as there are more competing roles to be filled such as agriculture experts, commercial planning, sales, and other business-related roles.
- **Competitive pressures in the demand and supply side of the current business lines to meet operational and strategic goals also takes resources away from transformational activities.** In some cases this may be the motive to move towards a digital platform approach; however, in the above context, the agribusinesses are reluctant to commit resources to this endeavor.

There are a number of other factors that have led to a lower adoption of platform models by large agribusinesses; however, many of these obstacles can be overcome. The early successes we have observed in the space include agribusinesses that are open to partnerships with value chain actors and innovators and actively seek close relationships with platform technology companies, making the investment in hiring forward-thinking technology-oriented staff with the prerequisite authority to drive change initiatives.

To find out more, please refer to our White Paper on Digital Platform Blueprints, found [here](#).

MERCY CORPS AGRIFIN

Mercy Corps' AgriFin programming (MCAF) represents USD 35 million in innovation funding from the Mastercard Foundation, Bill and Melinda Gates Foundation and the Swiss Development Corporation to support development, testing and scale of digitally-enabled services for smallholder farmers. With this support, AgriFin now reaches more than 8 million smallholders.

GIZ

The Tech Entrepreneurship Initiative 'Make-IT in Africa' promotes digital innovation for sustainable and inclusive development in Africa. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) implements this project on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), as part of BMZ's Digital Africa Initiative. In close collaboration with more than 30 corporate and finance partners, social enterprises, hubs, and networks, 'Make-IT in Africa' supports an enabling environment for young entrepreneurs – to enable better access to finance, markets and skills.

For AgTech start-ups Make-IT in Africa has recognized digital platforms as a viable path to improve market access, drive financial sustainability and increase impact. The D4Ag Initiative therefore aims to improve conditions to help AgTech start-ups scale their digital solutions via platforms. D4Ag supports AgTech Start-ups to integrate their solutions into digital platforms through expanding opportunities, building capacities and facilitating partnerships.

To learn more, please get in touch with us!



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