



## KWARA STATE

### FRAMEWORK FOR RESPONSIBLE AND INCLUSIVE LAND INTENSIVE AGRICULTURE

(FRILIA)

### OUT-GROWERS AND FOOD SECURITY TOOLKIT

Issued in accordance with the Executive Order No. 008 of 2023, “FOR DEVELOPMENT, ADOPTION AND IMPLEMENTATION OF A FRAMEWORK FOR RESPONSIBLE AND INCLUSIVE LAND INTENSIVE INVESTMENT IN AGRICULTURE (FRILIA) IN KWARA STATE” on 23<sup>RD</sup> Day of November 2023.

#### 1.1 Introduction to the toolkit

The Out-growers and Food Security toolkit presents a series of process models that would support the growth of investors and economically empower local communities to participate in large-scale agribusiness development. Additionally, it includes a food security strategy for participating communities.

#### 1.2 Purpose of Toolkit

This Toolkit enables investors and other investment stakeholders to understand and implement effective engagement, support, and contracting strategies with Out-growers.

#### 1.3 FRILIA Principles applicable to Out-growers and Food Security

- Investments should be consistent with and contribute to policy objectives,

including poverty eradication, food security, sustainable land use, employment creation, and support to local communities (FRILIA principle 1.1);

- Investments should occur transparently (FRILIA principle 1.2);
- Land acquisition and related adverse impacts will as much as possible be minimised or avoided (FRILIA principle 1.3);
- Investments should be subject to consultation and participation, including the disadvantaged and vulnerable, informed of their rights and assisted in their capacity to negotiate (FRILIA principle 1.5);
- Communities have the opportunity and responsibility to decide whether or not to make land available, based on informed choices (FRILIA principle 1.6);
- Investments should be monitored (FRILIA principle 1.7);
- Safeguard against environmental damage unless adequately mitigated (FRILIA principle 4.1);
- Investments preceded by independent assessments of potential positive and negative impacts on tenure rights, food security, livelihoods, and environment (FRILIA principle 4.2).

## **2 IMPORTANCE OF OUT-GROWERS IN THE KWARA STATE TRANSFORMATION PROGRAM**

FRILIA is, by design, aimed at supporting "large scale agribusiness investments". These are projects that would require substantial state support, oversight, approvals, and access to international funding. It is essential to underscore that FRILIA is not designed to support small or medium scale agribusiness investments —*typically having less stringent planning and less onerous investment requirements*. By design, FRILIA also aims to support land-intensive agricultural investments, requiring the introduction of intensive agricultural production models, systems, and technologies. FRILIA is not aimed at scaling up low yield, low profit, and often exploitative extensive agricultural practices.

The above two qualifications, "large scale" and "land-intensive", set the scene for the design of the FRILIA within the Kwara State Transformation Program. In operationalising the FRILIA framework, out-growers participation is essential. Large scale agribusiness investments in Africa would typically have an annual turnover of more than USD 10 million and rely on out-growers to supply between 30% and 70% of the agriculture input. In contrast, in economies where agriculture value chains are fully developed, producers do not process, and processors do not produce.

Experience in Africa is different, and investors cannot rely on a reliable feedstock supply unless they grow a significant portion themselves. Therefore, the out-grower component remains essential to large scale agri-business investments, not only to secure sufficient feedstock for a large-scale operation but also because of the following advantages to the investor:

1. The investor can obtain turnover with no capital expense where out-grower projects are supported with external funding
2. The investor can maintain harmonious, mutually beneficial relationships with host and neighbouring communities. As a minimum, the investor must receive the Communities Free and Informed Consent to proceed with his investment, but the out-grower strategy enables him to go beyond obtaining consent.

## **2.1 The Role of Food Security in Out-grower Projects**

Out-grower development can bring about significant changes in household food security. This is because land and other resources traditionally allocated to household food security are now redirected to income-earning commercial production. If not managed effectively, the following challenges can arise:

- Time-lapse between joining an out-grower scheme and earning income causes food shortage for the out-grower.
- Land re-allocation causes food insecurity for communities reliant on their farmers to grow food for local consumption.

Increased income could and should improve the long-term food security of households,

INVESTOR	COMMUNITY	Government
<p>Investor's purpose</p> <ul style="list-style-type: none"> <li>• Land for farming and factory</li> <li>• Feedback Supply without using own Capital</li> </ul> <p>Investor role</p> <ul style="list-style-type: none"> <li>• Proponent and Designer of Investment</li> <li>• Contracting Partner &amp; Purchaser</li> </ul> <p>Investor Activities</p> <ul style="list-style-type: none"> <li>• Design Project</li> <li>• Get Consent from Communities</li> <li>• Organise Arrange and Operate</li> </ul>	<p>Community Needs</p> <ul style="list-style-type: none"> <li>• Human Development</li> <li>• Economic Upliftment: BUSINESS AND JOBS</li> <li>• Minimize Land-take: OUTGROWERS</li> <li>• Food Security IMPROVEMENTS</li> </ul> <p>COMMUNITY ROLE:</p> <ul style="list-style-type: none"> <li>• Giver of consent</li> <li>• Partner in all OG training and selection</li> <li>• Partner in food security strategy</li> </ul> <p>COMMUNITY ACTIVITIES</p> <ul style="list-style-type: none"> <li>• Maintain a cooperative environment</li> <li>• Participate in investment design</li> <li>• Monitor and evaluate</li> </ul>	<p>GOVT PURPOSE</p> <ul style="list-style-type: none"> <li>• Human Development</li> <li>• Economic upliftment</li> <li>• Environment Protection</li> </ul> <p>Govt Role</p> <ul style="list-style-type: none"> <li>• Policy Maker</li> <li>• Regulator and Auditor</li> <li>• Mobiliser of Development Funds</li> <li>• Director of Investment Flows</li> </ul> <p>Govt Activities</p> <ul style="list-style-type: none"> <li>• Create Conductive Policies</li> <li>• Maintain Regulatory Framework</li> <li>• Procedure Funding for Public Infrastructure</li> <li>• Monitor, Evaluate</li> </ul>
<b>OUT GROWER</b>		
<p><b>OUTGROWER ACTIVITIES</b></p> <ul style="list-style-type: none"> <li>• Learn and Do Modern Business</li> <li>• Supply produces as contracted</li> </ul>		

provided that the income earned is well spent and there is no time lapse between income earned to buy food and the need for food. Thus, ensuring household food security, therefore, becomes part of the design of out-grower projects.

## 2.2 Roles of Investor, Communities and Government

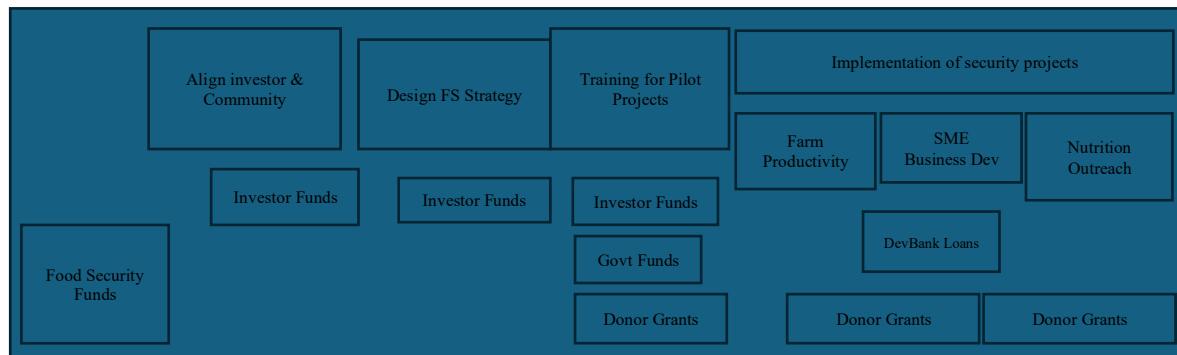
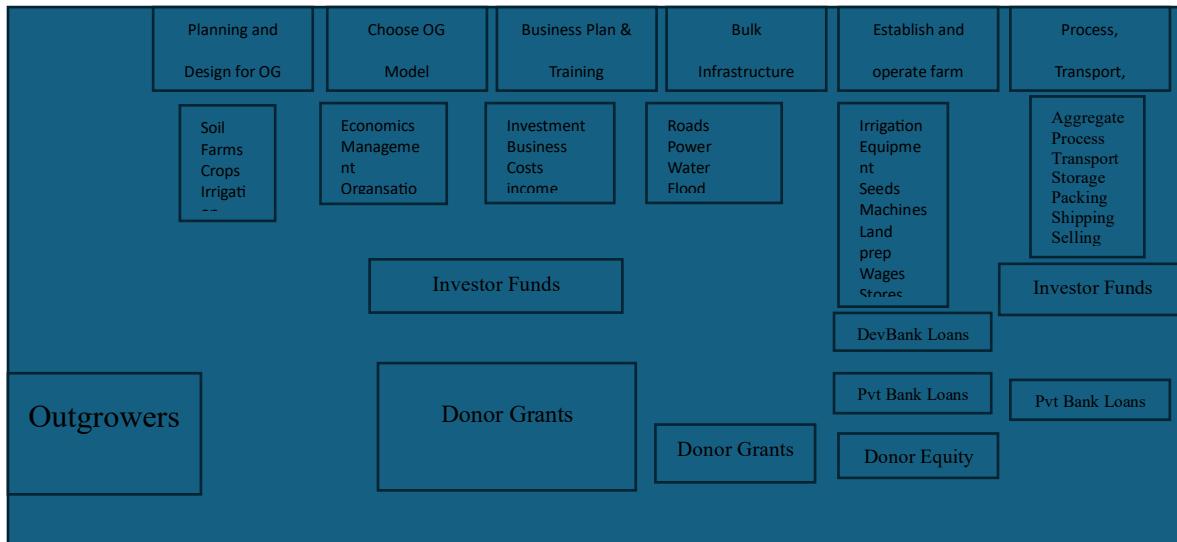
The Purpose, Roles, and key Activities of the principal partners to the Investment is given below. Some important features:

- Outgrowers are considered to be Investors. They invest their time, effort and opportunity.
- Communities are both Hosts and co-Investors.
- Government are partners and mobilisers of Development funds for Communities.
- Investors are Project Proponents and Designers, not financiers

## 2.3 Financing Out-growers and Food Security

Recommendations for financing Out-growers and Food Security are given here in the Diagram. More information is given in the Specific Templates

Figure 1: Recommendations for financing out-growers and food security



### 3 SCOPE OF THE OUT GROWERS AND FOOD SECURITY TOOLKIT

The toolkit is made up of three Templates:

1. The Investor Out-grower Plan
2. The Out-grower Models
3. The Food Security Template

Each template is designed to be used on its own; however, each is better used together.

### 3.1 How to use the Out growers and Food Security Templates

#### 3.1.1 *The Investor Outgrower Planning Template (OG Template 1)*

This is made up of three sections:

1. Investor/Out-grower Relationships
2. A generic flow chart that illustrates the steps a well-designed project will go through from conception to operation
3. Detailed narrative descriptions at each in the flow chart step. Linkages with other activities are also explained.

#### 3.1.2 The Out-grower Models (OG Template 2)

Three Generic models are introduced and explained in the Out-grower model selection matrix **OG Template 2**.

1. **Model 1 Individual Farmers** in which individuals, and often their families, farm small pieces of land, up to 1 ha, using traditional methods.
2. **Model 2 Co-operative** in which individual farmers are members of a cooperative. Farming is undertaken individually on small pieces of land, up to 1 ha, using improved methods.
3. **Model 3 Farmers Corporate** in which individual farmers exchange land use rights for a share in their own, properly registered and incorporated company.

The models are accompanied by feature sets. These comprise operational, organisational and monetary aspects which reflect the degree of sophistication desired within a model.

These features include:

- Acquiring Critical Resources – Land, Water and Money
- Systems for Operations – Farming Systems
- Money and Contract – Methods of Contracting and Paying
- Organisation – Different Structures for different Strategies
- Risks – the Financial, Quality, Social and Food Security Risks intrinsic to each model

#### 3.1.3 *The Food Security Template (OG Template 3)*

This template can be adopted by communities involved in investor-led projects that take land away from food production. The strategy has four (4) clear objectives which ensure that communities' access to adequate and nutritious food year-round is not negatively

impacted and is improved.

Objective 1	Replace Threat of Fewer Physical Resources with Higher Productivity leading to higher food production
Objective 2	Replace Threat of Fewer Economic Resources with More Economic Activity within the Community leading to more money for food expenditure
Objective 3	Replace Threat of Increased Competition with Increased Collaboration leading to more effective use of all resources particularly Human
Objective 4	Replace poor knowledge of diet with Increased nutrition knowledge leading to improved Nutrition

Procedures for achieving these objectives are laid down. An important feature is the proposal that ensures compliance with the Food Security Strategy becomes mandatory; failure on the part of an investor to comply would attract penalties from the Government.

#### *3.1.4 Other templates*

Templates have been developed as part of the other Toolkits that will be used for contracting and engaging with stakeholders as specified in the Investor – Out-grower planning template.