Private-Sector Engagement in Food Security and Agricultural Development

Author
Johanna Nesseth Tuttle

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ISBN 978-0-89206-709-1

Center for Strategic and International Studies
1800 K Street, NW, Washington, DC 20006
Tel: (202) 887-0200
Fax: (202) 775-3199
Web: www.csis.org
With the introduction of Feed the Future (FTF)—the U.S. government’s program to refocus foreign assistance on agricultural development—the private sector has been named a priority partner. President Barack Obama made a bold statement in his 2009 inaugural address, pledging that the United States would work with countries to support and promote food security. Private companies are enthusiastic about engaging in development efforts, and FTF may provide that avenue. The food and agriculture sector has significant capabilities, and market opportunities in developing countries are large and growing. Many companies have engaged in discussions with FTF leadership, and a number of partnerships have been launched. These are important efforts, and more are under way. The fact remains, however, that funding for agricultural development is relatively small—a three-year, $3.5 billion budget, compared to a six-year, $63 billion budget for health—and the investments needed in agriculture are massive: it would take $88.7 billion to meet U.S. global agricultural development goals.¹

Although U.S. development assistance is often targeted toward the world’s poorest countries, slightly more prosperous countries that have established market-friendly policy environments can offer attractive private investment opportunities in the agriculture sector. While fears of recession and budget reductions abound throughout the developed world, the food and agriculture sector is thriving. Unemployment in U.S. farm states, for example, is among the lowest in the country, and the food and agriculture sector makes up a great deal more of the U.S. economy than many realize. One of every 12 U.S. jobs today is directly related to agriculture, and that number is increasing.² Rising global demand and increasing innovation in food production, storage, packaging, and marketing have created tremendous opportunities for the sector. Many food and agriculture companies look to developing and emerging economies for their futures.

U.S. development priorities intersect with corporate strategies in countries where demand is rising, such as China and India, and where supply can increase, in particular Sub-Saharan Africa, South and Southeast Asia, and Latin America. Growing populations, rising incomes, and increased access to global markets will all continue to provide opportunity and growth for the sector and mean that companies have a business interest in investing where they can have an impact, either by growing new markets or by learning about potential markets that may one day rely on newer, more advanced products. Government dollars will never be enough—nor should they be—

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to meet all the needs of infrastructure, agricultural inputs, and food storage and processing. The challenge then is to seek ways to accomplish several specific goals:

- To increase and promote greater private-sector investment in FTF countries
- To encourage and facilitate greater investment and engagement in countries that are not targeted by FTF but that view agriculture as a key area of economic growth
- To invest in and focus on regulatory assistance for countries where increased trade and investment are possible
- To encourage companies outside the food and agriculture industry, such as mobile communications, to actively pursue investments and support for this sector.

What the Private Sector Brings to Agricultural Development

The U.S. food and agriculture sector is a thriving, complex industry that has benefited from a legacy of exceptionally strong partnership with the public sector. Land grant universities, extension services, and the U.S. Department of Agriculture (USDA) all support a network of producers, marketers, packagers, and grocers in their efforts to improve food quality and safety, increase productivity, protect the environment, provide greater convenience, and keep food costs low for consumers.

International markets have expanded dramatically over the past 30 years, in large part due to trade liberalization and increasing demand driven by a growing global population and rising incomes. Between 1980 and 2008, the value of world food exports increased at an annual rate of 6.2 percent, in nominal terms and expressed in U.S. dollars. Furthermore, the intensity of agricultural trade has increased in the past 30 years as the volume of agricultural trade is growing at a faster rate than total agricultural output. Current world trade in agricultural products is over $1 trillion annually. In 2011, U.S. agricultural trade was 11 percent of total trade and ran a $42 billion trade surplus. The developed world continues to make up the majority of total world trade in agriculture. Agricultural products moving between high-income countries accounts for a little less than half of all agricultural trade. South-South trade has steadily increased, though, and is currently about one-fifth of global agricultural trade, about three times larger than 30 years ago.

Given the complexity of the food and agricultural sector in the United States and the developing world, it is difficult to simplify the key areas of focus. But the subsectors of expertise and

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experiences in the U.S. food and agriculture sector that apply to development break down roughly along the following lines:

- **Research and extension.** Developing new crops and methods and training farmers in their use are generally the remit of public sector entities, such as universities and departments or ministries of agriculture. Universities have been home to basic research in the United States, while private companies further develop technologies for commercialization. In addition, for the distribution of knowledge and technology, some companies, such as Syngenta, are working to develop pay-for-service information models to be applied in developing countries to improve productivity and farming techniques. This type of approach will be particularly important in Africa, as there has been a distinct disconnect between research in African universities and the need for experts to produce the innovation and technology to drive Africa’s agricultural development.

- **Inputs.** Companies that develop the seeds, fertilizers, pesticides and other items used to grow more and better food include DuPont/Pioneer, Syngenta, and Monsanto, among others. These companies invest billions of dollars in research and development annually and create massive amounts of information in the process. Monsanto, for example, invested $980 million in its 2010 fiscal year in researching tools for farmers. Key genomes and traits that will never be developed for rich-country markets may be shared, transferred, or donated for use in crops that have a limited commercial market, such as cassava, or in crops that are easy to reproduce and therefore are less attractive for patent protection, such as rice.

- **Farm equipment.** American farmers use large and very expensive equipment like tractors, combines, and storage bins, but developing-country farmers are still using limited mechanized equipment, if any. Companies such as John Deere are able to use simple, less expensive machinery (in some cases, models that are obsolete for use on large farms) to increase and ease production in developing countries.

- **Infrastructure.** Roads, storage facilities, transportation, and bins and containers for fragile crops such as vegetables all play a significant role in helping farmers capitalize on their investments and efforts. With losses postharvest surpassing 30 percent in some areas, even small investments in infrastructure can reap important gains. Infrastructure is largely a public good, and host governments, along with the Millennium Challenge Corporation (MCC) and other donors, make the bulk of investments and decisions in this area. However, an occasional opportunity for private investment in partnership with public investment does arise. The World Bank plays a major role in infrastructure investment. China has also made significant investments in roads and other infrastructure, which can ultimately spur private investment.

- **Food processing and marketing.** Once food has been grown and moved off the farm, a great deal more happens to it. Processing food—anything from drying grains to roasting nuts to processing fruit into products or juice—adds a great deal of value, as it creates a more easily shipped, longer-lasting product that can be used in grocery stores or, in some cases, for export. New approaches to processing, packaging, and marketing foods can greatly enhance retail value and export potential. Some companies, such as PepsiCo and Walmart, are working to connect smallholder farmers with their processing capacities and stores to improve the quality of goods produced, so that farmers have better incomes and stores have better varieties and qualities of goods.

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7. Ibid.
Given all these areas of engagement, private companies may become involved with agricultural development, and support development goals at the same time, in a myriad of ways: for example, by sharing technical and financial expertise with farmers to improve food security, raise incomes, and promote better nutrition. Many commercial goals are also open to them. As companies learn how to operate in key emerging markets, they gain insights, credibility, and goodwill for future investments. Furthermore, in an increasing number of cases, local sourcing is the only way companies can meet demand in some markets. For example, USAID’s Improving Livelihoods and Enterprise Development program, in partnership with the Hazara Potato Research Institute, provided Pakistani farmers with high-quality potato seeds from Holland and training in the production, harvesting, storage, grading, and marketing of seed potatoes. PepsiCo and Cash-and-Carry are now sourcing from these farmers and willing to pay more for these seed potatoes. The graded potatoes bring 33 percent more in profits per unit weight than ungraded table potatoes, especially in the spring when potato farmers all over the country are looking for seed.

With a wide range of corporate priorities and capabilities, companies have a number of opportunities to collaborate with U.S. government programs. However, matching up with FTF priorities and target countries can be a challenge, and it can be difficult to find the right connection between FTF and a company’s specific skills and goals. Going forward, maintaining and supporting the focus of FTF priorities are important, but ways must also be found to encourage investment and work in countries that, while not FTF countries, could generate strong results from private investment in the agriculture sector.

### Priorities for Feed the Future

Prioritizing agricultural goals is a challenge: from seed developers to grocers, the chain is long and complex; and there are many needs, including better inputs, improved science and education, new approaches to building markets and infrastructure, and better food processing, storage, and marketing. FTF has focused on three important priorities: raising smallholder productivity, developing markets, and improving nutrition. The program engages with a select set of countries that have well-developed agriculture plans, a commitment to agricultural development, and focused arrangements with USAID and other donors: Bangladesh, Cambodia, Ethiopia, Ghana, Guatemala, Honduras, Kenya, Liberia, Malawi, Mali, Mozambique, Nepal, Nicaragua Rwanda, Senegal, Tajikistan, Tanzania, Uganda, and Zambia, as well as the Economic Community of West African States (ECOWAS).8

Feed the Future was a major step forward. Agriculture had largely been abandoned over the past decades, and a renewed focus on smallholder farmers is an important step for U.S. development efforts. The program has been smart to set priorities and focus on key issues that will improve livelihoods. In addition to the three priority areas, FTF has a special focus on smallholder farmers, especially on creating gender equality within farming communities. According to widely accepted belief, one of the best ways to improve livelihoods is to focus on smallholders, many of whom are women. FTF also aims to help farmers mitigate the environmental impact of climate change. In fragile environments, especially in many countries in Africa and South Asia, farmers face degraded soils and require much more complex techniques and approaches to land stewardship; FTF makes every attempt to meet this challenge.

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Private-sector engagement is a key priority for FTF. Through the program, USAID seeks to leverage up to $70 million in private investment to create sustainable market links and opportunities with smallholder farmers. Two specific mechanisms—the Global Development Alliance (GDA) and the Development Credit Authority (DCA)—provide entry points for public-private partnerships and project financing. A recent report by the Center for Strategic and International Studies on the future of partnerships points out some of the challenges in instituting these arrangements, such as aligning timing, goals, indicators, and leadership. But partnerships have the potential to be transformative if these challenges are met. The GDA can partner as a cofinancier for projects such as the Certified Sustainable Products Alliance, which leveraged $8.6 million in public sector funding and $486 million from 12 major corporations to significantly expand sustainable forestry businesses in Central America and Mexico. Another example is Brazil's Responsible Sourcing Program, which has used the expertise of three major food companies and local nongovernmental organizations (NGOs) to boost Brazilian fair-trade coffee exports by almost 400 percent. The GDA can also provide grants directly to companies under certain conditions, if they achieve key development goals.

The DCA helps leverage capital for small and medium enterprises by agreeing to cover up to 50 percent of the loss on a loan. Since many banks in developing countries adopt safe, yet restrictive lending practices, it can be difficult for small businesses to get access to the credit they need to expand. The Development Credit Authority, therefore, helps leverage the credit in developing countries that can be instrumental in building a stronger agricultural sector. For example, in September 2011, USAID and six partners announced a joint investment of $25 million in the African Agricultural Capital Fund. The fund will give loans to small farmers and support related infrastructure projects and agricultural products. In addition, in November 2011, the Development Credit Authority announced a partnership with the Bank of Abyssinia and NIB Bank to help smallholder farmers purchase agricultural equipment through lease financing.

Many companies are in discussion with FTF about projects and investments in target countries, and some have developed plans and partnerships. For example, DSM, the world's largest producer of micronutrients and vitamins, has signed a partnership with USAID to improve access to micronutrients by fortifying staple crops, primarily rice. It will also support the goals of USAID's Global Health Initiative, to improve health and wellness in the "first 1,000 days" of a baby's life. Combating early childhood malnutrition is also a priority for the United Nations, and the project

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will help advance the World Food Programme’s project called Scaling Up Nutrition, which aims to reduce malnutrition for 1,000 days—from pregnancy until the child is two years old.\textsuperscript{15}

FTF has placed a major emphasis on the Southern Agricultural Growth Corridor of Tanzania in an effort to create a corridor of investment and productivity linking Dar es Salaam, the capital port city of Tanzania, to the Democratic Republic of Congo, Malawi, and Zambia.\textsuperscript{16} Agriculture in this fertile region has strong commercial potential; investments in infrastructure could help connect farmers with markets, storage facilities, and agribusinesses. USAID has invested $50 million in a catalytic fund devoted to mitigating the start-up cost for agribusinesses that incorporate small farmers into their operations along the corridor. In addition to bilateral and multilateral support, multinational corporations and agribusinesses are essential to both financing and operationalizing the growth corridor. Currently, the Tanzanian government is working to attract local and international private investment from companies interested in growing, sourcing, and exporting from southeast Africa.

Since the announcement of FTF, a few notable public-private partnerships have already been formed. In September 2011, USAID, PepsiCo, and the World Food Programme launched an initiative called Enterprise EthioPEA to dramatically ramp up chickpea production in Ethiopia and improve nutritional and economic security in the country.\textsuperscript{17} The program, which supports the Ethiopian government’s development plans for the agricultural sector, seeks to double farmers’ chickpea production, develop ready-to-use supplementary food to address malnutrition, and improve the Ethiopian chickpea supply chain for both domestic use and export. PepsiCo envisions using these chickpeas to help build its global nutrition business to a $30 billion venture by 2020.

In another project announced in March 2011, USAID and Walmart’s Global Sustainable Agriculture Goals are partnering on a three-year project that supports small rural farmers in Central America and aims to connect them with the company’s regional and international supply chains. This project attempts to meet the twin goals of supporting local farmers and sustainably sourcing agriculture and producing more food with less waste.\textsuperscript{18}

Most of these partnerships are still in the early stages, as FTF was launched in 2010. Many more private companies are interested in partnerships, but, as with all development partnerships, taking an idea to implementation and then “scaling up” once the agreement is struck and the project begins are challenging. FTF encourages companies to invest in the countries and priorities it has agreed on with the host country, while companies seek to invest in future markets, in the commodities central to their business, or in the technology they can bring to bear on a particular project. FTF’s website enables companies to interface with the program and has plans for a new

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version that will direct individuals and companies toward specific projects or areas where FTF is working and could take on new partners.

For companies with an interest in investing in its target countries, FTF faces the challenge of matching its priorities with the capabilities of the companies. Because the program has been designed to fit with U.S. development priorities, as well as countries’ plans for developing their agricultural sectors, companies often struggle to find the right fit for their interests and capabilities. For programming related to FTF priorities, FTF and the private sector must work together from the beginning of the planning process to ensure that the development priorities of USAID and the interests of the private sector. The new Food Security Bureau at USAID is working to establish the program and engage closely with countries. At the same time, knitting together partnerships that meet the needs of all three interested parties—the country, FTF, and the private company—is not easy. It requires both ongoing conversation and deliberate discovery, allowing mutual priorities to emerge. These demands make it difficult to bring such partnerships to fruition. Companies interested in collaborating on agricultural development must maintain open dialogue and regular contact with USAID about upcoming events, programs, and travel, so that real partnerships can emerge.

FTF is looking for companies to embark on true partnerships, in particular those that emphasize projects with long-term impacts on a country’s poverty and food security. Strong partnerships will therefore need to embrace priority sectors and country-specific plans and move beyond simply cofunding. The program avoids infrastructure and capital requests, as well as partnerships that are essentially market-assurance projects. The World Food Programme’s Purchase for Progress, for example, is better positioned to guarantee markets.

The list of 20 priority FTF countries and ECOWAS was initially determined by a formula based on a set of criteria for identifying the countries with the greatest need. The criteria included the percentage of the population living on $1.25 a day or less and the percentage of the population that is undernourished, the greatest government commitment to agricultural development, the opportunity for stakeholder participation, and the country’s potential for agricultural growth. All countries, however, that receive USAID funds have been encouraged to conform to FTF guidelines and objectives if they are not FTF priority countries. These countries fall into two broad categories: missions in countries receiving agriculture funding above a certain threshold are expected to align programmatically with FTF’s goals and results framework; and missions in countries receiving less than the threshold are encouraged, but not required, to align as much as possible with FTF objectives.

Many companies in the agricultural sector are interested in food security and agricultural development and bring strong capabilities and expertise to the issue. They are able to provide training and support, pathways to markets, or intellectual property and research that can be applied to develop better and more productive seeds, for example, for specific environments. The key is to look for areas of cooperation that can be enhanced by each company’s skills and capabilities. In some cases, their expertise will be in crops that are not priorities for a particular country or in providing training and experience in packaging or in meeting food safety and sanitation requirements.

In navigating the U.S. government, companies have a desire for more strategic, “one-stop shopping”; they want help from someone who can serve as an account executive and provide a window into the government bureaucracy, or at least into a key agency such as USAID. The trans-
action time and the challenges of developing projects and ideas that are mutually beneficial are prohibitive for some companies and for the NGOs that may be their partners. Creating a toolkit of approaches and providing guidance to embassies on ways to assist corporate engagement with the agricultural ministry and agribusiness sectors within countries could be very helpful. The private-sector division of the Bureau of Food Security in Washington and the USAID missions overseas should provide clear guidance, particularly to ambassadors and the economic and commercial sections of embassies, and should encourage cooperation within these guidelines. Companies and individuals may need assistance in reaching the appropriate experts in the government, and embassies can aid them in their efforts.

FTF is to be applauded for its efforts to leverage U.S. government funding with private funding. And given FTF’s limited funds, it is vital that focused priorities drive U.S. investments. Leveraging U.S. government funds for food security must be an important part of these efforts. However, private companies participating in these discussions face some challenges. In interviews with roughly a dozen major U.S. food and agriculture companies, a set of themes emerged:

- Some companies work in Africa but are not interested in investing in the Feed the Future countries.
- Some companies do not work in Africa.
- Some companies do not work in any of the Feed the Future countries and are not interested in investing in them but have a lot of interest in investing in other high-potential countries.
- The capabilities of some countries do not match the FTF priority areas; the crops and projects they work on are not represented in the country plan.
- Other companies have tried to engage but could not successfully navigate the logistical intricacies beyond initial conversations.
- By the time some companies entered into discussions, the plans were so far along that they could not find a way to engage.

Partnerships always present cultural and operational challenges. No partnerships are ever easy and smooth; they require early and constant communication. FTF and the Global Development Alliance are important partners for facilitating these partnerships. Some of the possible approaches to raising the number of partnerships and strengthening the role of food and agriculture companies, especially within FTF priorities, include the following:

- **Early dialogue with the U.S. government.** Open and frank dialogue early in the process is critical to understanding what priorities the U.S. government has set and what capabilities and resources a company brings. It may take several conversations, but this exploration can lead to strong matches in goals and capabilities.

- **Dialogue with the host governments.** Open dialogue with the host government, facilitated by the U.S. government, is important from the beginning.

- **A view of companies as partners in the process.** Not just suppliers of finance, companies are able to mobilize serious scientific and management resources to tackle problems.

- **A dedicated relationship manager.** A relationship manager who understands the company's
interests and look across the U.S. government and across the world to help think of creative ways to approach development challenges is essential.

・ **NGOs and development contractors.** NGOs and contractors, who often carry out the development activities with companies on the ground, should also be included in USAID’s internal planning processes from the beginning. FTF should not be viewed as just a whole-of-government endeavor but as a whole-of-partnership initiative.

Some challenges will arise, in part, because of a concern about classified or exclusive information that should not be shared outside of government. For companies to be truly effective partners, though, departments and agencies in the government will have to shift the mindset and share information as much as possible.

FTF countries represent important U.S. priorities—for example, strong commitment and vision (Bangladesh), strategic or moral priorities (Nicaragua), and good governance (Tanzania). All these countries offer an important opportunity for increased efficacy and decreased poverty. Because a country’s strategic priorities may not match a company’s, it is important to find ways for USAID and other government agencies to support private-sector efforts in other countries in ways that will be most productive. USAID and the U.S. government have the convening authority that can help build a policy environment in the host countries conducive to the requirements of private-sector partners for successful operations.

It is important to emphasize, bolster, and strengthen alliances with FTF. But FTF’s initial list focuses by design on a limited number of countries, and its priorities are country driven. For private companies to be truly engaged in food security and agricultural development, there need to be additional, complementary, and relatively low-cost ways to meet the challenge—and to harness the potential—of agriculture around the world.

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**A “Whole-of-Government Approach” to Food Security**

The key technical agency for U.S. agriculture—the USDA—has a strong capacity for assisting in research and development, training, and regulatory structures. USDA, however, is fundamentally a domestic agency. Severe challenges emerged early in the development of FTF as USDA attempted to become more involved in USAID’s agricultural programming. Development is the jurisdiction of the House and Senate foreign relations committees, while agriculture is the purview of the agriculture committees. Although the two agencies do cooperate, the control and funding of agricultural development programming lie squarely within USAID, with some technical training and support operating out of USDA, with USAID funding.

Feed the Future has developed under a “whole-of-government” approach, meaning that USAID, USDA, the U.S. Trade Representative, the Department of State, the Treasury, the Peace Corps, and several other agencies have worked together to develop a common approach to the overall agenda. The challenge for companies is how to utilize the capabilities of each agency but to have the ease of “one-stop-shopping” in which one agency can speak for all the food security and agricultural development efforts of the entire government. The new Food Security Bureau in USAID is focused on the private sector, and that should be the Washington window into FTF. In the field, the USAID mission should be the first point of contact.
Beyond Feed the Future

Many companies view emerging markets as key development opportunities. From inputs to food production, companies look to countries such as Indonesia, South Africa, and Vietnam as places where investments can be successful, where demand is rising, and where farmers have the ability to produce in greater quantity and quality. Many farmers in these countries are poor, have limited access to technology and markets, but have a real capacity to increase production if supported through better seeds, methods, processing, and storage operations. The challenge is that these countries are often not among FTF’s priority countries. Developing productive conversations and programs in partnership with the U.S. government in these countries will benefit from a different type of approach from that used in FTF countries.

Companies look to these markets because they have real commercial opportunity. Places with faster-growing economies or more developed agriculture offer several appealing factors for investment:

- **Growing markets.** In places where incomes are rising or where households are making the decision to buy meat once a week or to purchase more expensive processed foods—rather than buying plain, unprocessed grains—there is the opportunity to expand sales of more expensive foods. As incomes rise to $10 per day, people consume more dairy, meat, fruits, and vegetables; when incomes surpass $10 per day, people tend to consume more processed foods, services, packaging, and luxury forms of food, but not additional agricultural commodities.19

- **Better infrastructure.** Improved roads and more motorization, via motorbike or truck, can ensure that increased productivity allows commodities to reach local markets faster while preserving quality. In Sub-Saharan Africa, due to infrastructure limitations and inefficient transportation, transport costs can be as high as 77 percent of the value of exports. Only 40 percent of rural Africans live within two kilometers of an all-season road compared with 65 percent in other developing regions.20

- **More advanced farming techniques.** Better farming techniques can lead farmers to adopt improved varieties of rice or grain or may enable them to move from subsistence farming—that is, the production of grains and few vegetables—to cooperative production of coffee, flowers, or vegetables and then to production of export crops. Done well, these crops can lead to higher incomes and increased exports.

- **Sanitary and phytosanitary measures.** Regulations enacted by governments to protect human, animal, and plant health in importing countries can be designed in a manner that makes it difficult for foreign countries to export the agricultural goods it produces. Countries that have in place standards and regulations for food safety and handling have a better structure for safely and for successfully exporting produce.

- **Stronger governance.** Stronger governance, including less corruption and better customs procedures and regulations, can give a multinational company much greater confidence that it will be able to produce, process, and export foods quickly and efficiently.

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In many countries, companies are expanding their operations and would benefit from working with small farmers to increase and improve production. For example, when introduced, new crop varieties and better farming techniques have a significant impact on reducing poverty.

Because FTF is limited to a select group of countries and priorities, it will be important to find ways to assist private companies in investing in food security and agricultural development in other countries as well. Without watering down FTF efforts or diverting it from its priorities, development efforts in other countries where U.S. government agencies are actively working in the agricultural sector could be bolstered, harmonized, or complemented through increased dialogue and creative approaches. The list of potential countries is long, but following are a few examples.

**Indonesia**

The Green Revolution had a significant impact on Indonesia, and it moved into food self-sufficiency in the 1980s. Since that time, while it has struggled with political and economic challenges, the country has the potential to be a much stronger producer as well as a large market. In Indonesia, 43 percent of the population is employed in the agriculture sector, and 172 million people live in rural areas. Sixty percent of the poorest Indonesians live on small farms.

The country faces low production and a poor regulatory environment, but it is making investments in research and development, with significant engagement with donors such as USAID, the World Bank, and the Asian Development Bank to expand the adoption of appropriate agricultural biotechnologies. Indonesia USAID, for example, currently spends $6.7 million annually on development efforts.21

As many donors recognize, Indonesia has potential and capacity, although it is not an FTF country. A number of efforts are under way through USAID; two are quite large, including a $20 million project to grow agribusiness markets for high-value horticulture products and a project with a specific focus on New Guinea.22 Others that are fairly small but could be strengthened through investment and support from private entities include a program to improve bio-safety and an effort to develop high-value, high-yielding, disease-resistant rice.

**Vietnam**

In Vietnam, development has progressed rapidly. Having joined the World Trade Organization in 2007, the country has demonstrated a commitment to reforming its trade regime and steadily opening its market to foreign investment and competition. The government still has many hurdles, as animal and plant health and safety are poor and research is very limited. Yet there are important market opportunities for increased production through better care of plants and animals, as well as with specialty crops.

Vietnam is a major exporter of rice and tropical products such as coffee, cashews, and pepper. Rice accounts for 45 percent of agricultural production—60 percent of cultivated land. Vietnam also has a sophisticated aquaculture system and a rapidly growing exports market. In the first six months of 2011, for example, its seafood exports totaled $2.6 billion, a 27 percent increase from

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22. Ibid.
the previous year. Its challenges are to increase productivity and diversity and to improve access to markets, especially through institutions and infrastructure.

Currently, U.S. agricultural development activity in Vietnam is limited to a few wildlife management and food safety projects. For example, a project to improve the cleanliness of poultry markets is intended to reduce the risk of avian influenza. Vietnam has recently joined the Trans-Pacific Partnership (TPP) negotiations, in which nine countries in the Asia-Pacific are working to establish a “21st century trade agreement,” with new regulations on sanitary and phytosanitary procedures, new trade and investment provisions and protocols, and more uniform rules of origin across the region. The TPP negotiations will seek to create standards based on sound science and reduce cost of getting products to market, ensuring reliable access to food for Asia-Pacific consumers, and food security in the region. Food and agricultural companies could play an important role in promoting better techniques for increasing productivity, in conducting training in food safety and handling, and in helping farmers increase their incomes through higher-value foods, including foods that undergo more baking, roasting, or processing.

Egypt

Egypt is a unique case at this point in time. Although it is a promising market and producer for many companies, the Arab Spring has disrupted commercial activity and raised companies’ concerns about maintaining existing operations and initiating new projects. However, the country is a major priority for the United States and has a large population, of which 30 percent is employed in agriculture. Twenty percent of Egypt’s exports are agricultural products. Products such as sugar cane, tomatoes, wheat, rice maize, sugar beets, and potatoes make up the bulk of Egypt’s agricultural production.

Although not an FTF country, Egypt has a number of projects for improving its food value chains, for responding creatively and profitably to consumer demands, and for better managing the country’s scarce water resources. Heinz Company, USAID, and ACDI/VOCA have a Global Development Alliance under way for processing tomatoes into higher-value products. Egypt has a strong potential for adopting new technologies effectively and for improving farming practices by increasing production and conservation. It also has a thriving private sector that can engage in projects and invest in income-generating efforts.

Officials from Egypt and the United States are developing an action plan designed to enhance the bilateral trade and investment relationship, and this effort could create opportunities for cooperation and growth for agriculture and food companies. In higher-value areas such as food processing (dried fruits and nuts, nut pastes, and packaged goods for export, for example), partnerships between U.S. companies and domestic companies could lead to leaps in technology and

income; but U.S. companies will require help and assistance. They may need assistance from agencies that are not traditional development agencies, such as the Trade and Development Agency (TDA) to work with the government to create partnerships and joint ventures. Building on existing programs and personnel and taking advantage of market desires by companies could result in better results, production, and incomes.

Some of the specific goals in these countries include creating additional markets, learning how to operate in new environments, building the capacity and workforce for sourcing food locally, and creating strong and efficient supply chains.

**Trade and Investment**

Many companies, including members of the U.S.-Egypt Business Council, are urging the United States and Egypt to begin negotiations to establish a bilateral free trade agreement (FTA). Trade protocols can provide important opportunities for improving food security in those countries that are engaged in them. Significant markets are missing between FTF countries and Millennium Challenge Corporation (MCC) countries. Nontraditional tools of development—including trade structures, capacity building, and financing—can facilitate and strengthen efforts for both the government and the companies. USAID and MCC conduct assessments in the priority countries that tend to focus on macrolevel problems and solutions like infrastructure or energy development. While those areas are important, NGOs, individuals, and private companies can home in on specific obstacles and needs facing smallholders and local entrepreneurs and help provide more specific, microlevel responses that are well suited for working with individuals or smaller communities.

While the Doha Round negotiations, which sought to open markets for developing countries, have essentially been suspended, some of the new and proposed FTAs provide important ways to increase trade and investment and should be harnessed for promoting factors that will improve food security and investments in agriculture. Some constituencies may view them suspiciously, as strong provisions are normally included to provide security for U.S. financial, legal, and intellectual property protection that may appear to threaten indigenous industry; but having a mechanism to work through those issues and address barriers to trade and investment can provide beneficial opportunities for development and technical assistance.

**Investment**

Farming with improved inputs and information can be a capital-intensive business. For farmers to take advantage of improved seeds and fertilizers and for them to purchase small machinery to build storage and processing facilities, they need access to loans and advice, either individually or as part of a farmers’ cooperative. Farmers who invest in equipment or inputs in developing countries need technical and financial advice to ensure that their investments pay off with increased productivity and income. Pairing loans with technical assistance, weather and crop advice, or marketing guidance helps improve outcomes, increases yields and success, and ultimately drives farmers and cooperatives to make more and better investments and raise their incomes.

In 2008, the John Deere Foundation began a partnership with Opportunity International, a microfinance and microlending NGO. Opportunity International, which has a unique business model, uses the money from clients’ savings and loan repayments to fund another person’s loan. The John Deere foundation made an initial contribution of $1.26 million that provided micro-
finance services to farmers and employees of the food industry in Malawi and Mozambique. In 2011, the grant leveraged $10.6 million in economic impact, helping thousands of farmers, food processors, and retailers.27

The U.S. government has extensive tools available for facilitating investment in the developing world. The Overseas Private Investment Corporation, the most prominent of these, offers direct loans, investment guarantees, political risk insurance, and support for private equity investment funds. Currently, it is not heavily involved in the agricultural sector in the developing world, but it could possibly partner with USAID and others to create new funds or loan facilities that would encourage investment. In 2010, the Millennium Challenge Corporation created the Agricultural Guarantee Fund to improve access to finance for smallholders and farmers in small and medium

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**The Trans-Pacific Partnership**

The Trans-Pacific Partnership (TPP), an organizational effort to create a standing trade agreement among a group of nine nations (Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, the United States, and Vietnam) helps the poorer countries, such as Vietnam, benefit from being part of a trading group with larger markets.1

A boost to the effort was Japan’s decision to engage with the TPP, which greatly increased the size of the overall market and indicated that Japan would commit to tackling some of the challenges presented by its strong domestic farm lobby, where imported rice is charged a tariff of 700 percent.

None of the TPP countries are FTF countries. However, many of the less-developed TPP countries have grown their agriculture sectors substantially and have a strong potential for raising productivity. The recent thaw in relations between the United States and Burma is a further reason to focus on this area. With 60 million citizens and a sizable new market, Burma’s capacity for agriculture is significant. If the thaw continues, Burma will no doubt be the target for development cooperation, and agriculture is a natural place to begin.

The other significant reason to focus on trade relations among key countries in the Asia-Pacific is China’s rapidly growing agricultural demand. Chinese food imports more than doubled from 2004 to 2009, and this trend is intensifying as the country’s population continues to grow. In particular, the demand for staple crops has been growing exponentially. In 2009, China imported more soybeans than any other commodity, and maize was the country’s third-largest import.2 The U.S. food trade surplus with China topped $10 billion in 2008 for the first time, and it has almost doubled since 2007. This demand will continue to grow, the need for production will rise, and the opportunity to raise production and trade within Asia will expand. U.S. engagement in the TPP will be an important cornerstone for the agreement and will help bind the United States to these important Pacific markets.

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enterprises in Ghana, Mozambique, Tanzania, and Uganda. MCC partnered with Standard Bank to offer first-loss guarantees for qualifying loans.

Challenges Ahead

Some of the strongest barriers to private investment in developing economies are legal and regulatory. U.S. engagement—through USAID and MCC but also through the Department of State and embassies—is the only way to ensure easier investment and greater economic growth. Promoting and protecting a strong legal system are priorities for companies interested in investing in the private sector in developing countries. Facilitating an easier customs process makes many transactions faster, more efficient, and more desirable.

The goal of all these efforts should be better livelihoods through growing markets and the creation of strong development outcomes. Whether it is achieved in partnership with USAID, accomplished through the MCC, facilitated by the State Department, or encouraged through exchanges with the USDA’s Foreign Agriculture Service or the Department of Commerce’s Foreign Commercial Service, robust engagement with the private sector will promote and advance U.S. goals of making food security and agricultural development a pillar of development policy.

Recommendations

A great deal of opportunity to expand and improve private investment in developing-country agriculture lies both within the Feed the Future program and beyond it. Following are several approaches to increasing investment and engagement:

- **Remain focused on Feed the Future.** Broadening the approach or adding countries at this stage will water down efforts. If funding levels shrink, FTF should consider reducing the number of priority countries and focusing on those that remain.

- **Support private companies interested in countries and sectors beyond Feed the Future.** Through coordination and communication with embassies, the Foreign Commercial Service, and USDA/Foreign Agriculture Service, the U.S. government can facilitate investment in areas that are commercially viable and have the potential for strong development outcomes.

- **Develop a toolkit of approaches.** A wide range of approaches is available for increasing investment. Each has its place and can be used to the benefit of both the company and the country. From facilitation of meetings to partnerships with U.S. agencies, a broad toolkit can be developed and applied, based on the country’s plan and the company’s priorities. Some elements could include the following:
  
  - Embassies and missions can use the Feed the Future model and priorities, whether or not there is a program in a given country.
  
  - As U.S. and international companies move through national capitals, they often meet with key U.S. embassy staff. Most often, they meet with economic officers or the Foreign Commercial Service, but they should also be encouraged to meet with the USAID mission.
  
  - Alliances and partnerships with USAID should be just one goal of engagement. Linking companies to key ministries and NGOs can help facilitate investment, which in turn can
help farmers and producers have access to the necessary inputs to increase yields and grow economically.

- To whatever degree possible, large foundations and multilateral projects should be connected to other efforts. Although this approach cannot be codified, the U.S. government can provide focus and cohesion to connect projects. For example, local-purchase efforts that the World Food Programme has under way can be connected to farmer training so that the food produced is of high enough quality to be used, rather than rejected.

- Encourage the World Bank and regional development banks to pick up pieces that are different but complementary to U.S. approaches. The United States has significant influence on what these entities do through U.S. directors in the banks and through USAID missions in the field.

- Develop new thinking on the policy and institutional architectures that can promote food security through new authorities and directives.

- The role of mobile communications technology is increasingly allowing information to be shared in real time, linking smallholders and cooperatives to local, national, and international business and markets in ways that have not previously been possible. These tools allow farmers to make better planting decisions, reducing postharvest loss and crop damage due to weather while increasing access to markets. Wherever it is affordable and applicable, mobile technology should be used to improve communication and simplify logistics.

  - Use trade and investment mechanisms to promote food security. The Trans-Pacific Partnership is a prime example of a trade agreement that can be shaped and used to promote better and more secure investment. It can also create an institutional space for dealing with issues of food and agriculture, from development to exports.

  - Explore trade capacity building with Egypt. Deeper capacity will promote better negotiations with key U.S. companies over investments in agriculture.

  - Encourage the reorientation of research, training, and extension efforts. Such activities will develop science, technologies, and a workforce that is more oriented toward private-sector activity, such as food processing, storage, and the development of products with greater commercial value.

  - Include management training in research and extension efforts. This effort would improve processes and systems for product development, food safety, and marketing.
Johanna Nesseth Tuttle has been at CSIS since 2000. She currently serves as vice president for strategic planning, director of the Global Food Security Project, and codirector of the Project on U.S. Leadership in Development, an initiative focused on leveraging all U.S. assets—the private sector in particular—to promote economic development, improve livelihoods, and reduce poverty worldwide.

She founded and directs the CSIS Global Food Security Project, which puts forward policy approaches that can effectively enhance global food security and deepen U.S. engagement in agricultural development. She authored the project’s most recent report, *Strategic Partnerships to Build African Scientific Capacity for Agriculture* (CSIS, December 2011), and *Cultivating Global Food Security: A Strategy for U.S. Leadership on Productivity, Agricultural Research, and Trade* (CSIS, April 2010). Earlier she codirected the task force that produced *A Call for a Strategic U.S. Approach to the Global Food Crisis* (CSIS, July 2008). Ms. Nesseth Tuttle regularly participates on panels and speaks to audiences on the subjects of global hunger and food security. She is also an associate with the CSIS Seven Revolutions Initiative, a broad-based effort to forecast key trends, including the global resource challenges around food, water, and energy, to the year 2025 and beyond.

She serves as a member of the Advisory Committee of AGree, a national, collaborative initiative to address U.S. food and agriculture policy, with a focus on improving productivity and environmental performance, enhancing access to nutritious food, and promoting healthy rural communities.

Ms. Nesseth Tuttle was raised on a family farm in southeastern Minnesota and holds an MA in international affairs from the George Washington University, a BA in English literature from the University of Minnesota, and a degree in Portuguese studies from the University of Lisbon.
The Project on U.S. Leadership in Development is a partnership with Chevron Corporation focused on leveraging all U.S. assets—the private sector in particular—to promote economic development, improve livelihoods, and reduce poverty worldwide. The project seeks to renew the discourse in Washington and develop a fresh, actionable set of policy recommendations for 2012 and beyond. The project builds on the ongoing work of CSIS in global health, water, trade, food security, governance, and economic development in the areas of conflict and post conflict.
Private Sector Engagement in Food Security and Agricultural Development

Author
Johanna Nesseth Tuttle

March 2012