EKITI STATE

FRAMEWORKFOR RESPONSIBLE AND INCLUSIVE LAND INTENSIVE AGRICULTURE (FRILIA)

OUTGROWERS SCHEME TOOLKIT

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FOREWORD

I am pleased to introduce the Ekiti State Framework for Responsible and Inclusive Land-Intensive Agriculture (FRILIA). This crucial initiative is aimed at establishing a strong and sustainable road map for the State to ensure the development of a legacy for enabling business reforms on holistic agribusiness and attract more investment opportunities into Ekiti State.

Ekiti State is an agrarian society with comparative advantage in terms of implementation of various developmental interventions aimed at positioning the State as a first choice investment destination to agro-investors and Foreign Direct Investment (FDI). This had attracted both local and international investors into Agro-revolution and industrialization of the State on the Agricultural Growth Corridor. FRILIA harnesses with the commitment of the State Government towards improving the investment climate. Hence, the establishment, adoption and implementation of FRILIA project would help deepen the State's agribusiness reforms including delivering a win-win approach to all the relevant stakeholders on agricultural land matters and investment opportunities in host communities.

The purpose of these FRILIA is to develop working documents which include Investment Approval Process and eight (8) toolkits to provide guidelines critical to addressing challenges in land administration for agricultural purposes with relevant procedures, processes, and organizational arrangements to govern large-scale agribusiness investments based on internationally agreed upon principles and guidelines. The framework ensures that land acquisition, allocation and resettlement for large-scale agribusiness investment are undertaken in line with established international good practices and guarantee shared benefits amongst State actors, private investors, host and surrounding communities.

The establishment, adoption and implementation of FRILIA in Ekiti State adopts guiding principles covering overarching investment, recognition and protection of land rights, state land acquisition, allocation and resettlement, environmental and social responsibility. The FRILIA guidelines shall guide investors and relevant stakeholders throughout the development of land-intensive agricultural projects in Ekiti State. Also, the guidelines would provide comprehensive information for all stakeholders and the responsible MDAs on engaging in consultations with communities/local land rights holders.

Adherence to core principles that mainstream international best practices, such as those based on the Principles for Responsible Investment in Agriculture and Food Systems and related principles and guidance, into the development of agribusiness in the State for sustainable economic growth and development. By aligning ourselves with these principles, we aim to ensure that overarching investment will be consistent with and contribute to the policy objective of the government for shared prosperity.

Secondly, we are committed towards ensuring that the investment will be conducted transparently, minimize adverse effects from land acquisition, ensure a range of inclusive investment and production models are considered, subject the investment to consultation and participation with all potentially affected communities, ensure the affected communities have opportunity and responsibility to make informed decisions regarding land acquisition, foster gender equality and empowerment of women and youth

Thirdly, we recognize and protect land rights by safeguarding against dispossession of legitimate tenure rights holders and ensure transparent and fair land acquisition with resulting resettlement plan. This includes supplementation livelihood restoration; and a robust and effective grievance redress mechanism that provides accessible and affordable procedures for settlement of disputes.

Fourth, we ensure environmental and social sustainability by observing safeguards against social and environmental impacts. Prior to approval or any final decision to proceed, investments will be subjected to independent assessments of potential positive and negative impacts on tenure rights, food security, livelihood, environment, the rights and/or status of women and youth and physical cultural property. Community, individual and workers safety will be protected as well as ensuring their fair treatment, non-discriminatory and equal treatment.

The Ekiti State FRILIA is a dynamic framework while the implementation would deepen the State's agribusiness reforms, create an enabling business environment, enhance easy access to land for large-scale investment opportunities, bridging the gap between investors and communities, improve human capital development, develop the agricultural value chain as well as deliver a win-win approach to all the relevant stakeholders on investment opportunities.

I want to appreciate all stakeholders for their immeasurable contributions in the establishment of FRILA. I invite everyone to actively engage with the Ekiti State FRILIA implementation team, fostering collaboration and commitment as we work towards a future where agriculture drives with remarkable change the socio-economic wheels of our dear State with shared prosperity and sustainable food security for all.

Sincerely,

Hon. Ebenezer Boluwade
Commissioner for Agriculture and Food Security
Ekiti State

Contents

Acronyms and Abbreviations

CFS RAI–Committee on World Food Security on Responsible Investment in Agriculture

ESIA- Environmental and Social Impact Assessment

FPIC– Free, Prior and Informed Consent

FRILIA- Framework for Responsible and Inclusive Land Intensive Agriculture

GMoU -Global Memorandum of Understanding

GRM-Grievance Redress Mechanism

NGOs-Non-governmental organizations

OG-Out-grower

VGGT-Voluntary Guidelines on the Responsible Governance of Tenure

1.0 INTRODUCTION

Agriculture is the mainstay of Ekiti State economy, largely agrarian with its fertile lands and diverse agro-ecological zones which confer growth opportunities. Knowing the need for sustainable agricultural practices and inclusive economic development, the introduction of the Out growers Program in Ekiti State marks a decisive initiative to empower smallholder farmers and enhance the overall agricultural landscape of the State.

An out grower program typically involves a contractual agreement between agribusiness and local smallholder farmers and the aim is to foster synergies between smallholder farmers and agribusinesses, creating a mutually beneficial ecosystem. This ingenious approach seeks to address challenges faced by local farmers, ranging from limited access to resources such as seed, fertilizers and markets to gaps in technological adoption and financial constraints.

This initiative aligns with Ekiti State's commitment to sustainable development, social inclusion, and economic resilience. Through the Out growers Program, the state aims to uplift the livelihoods of its farming communities, promote environmental friendly agricultural practices, and contribute to the region's overall prosperity. This introduction sets the stage for a comprehensive exploration of the Out growers Program Toolkits, designed to provide stakeholders with the necessary resources and guidance to navigate the complexities of implementing successful out grower scheme. As we embark on this transformative journey, the Out growers Program in Ekiti State stands as a confirmation to the state's dedication to creating a robust and equitable agricultural sector for the benefit of its citizens at large.

The Out-grower and Food Security Toolkit is aimed at encouraging and supporting large-scale agribusiness investments to engage smallholder farmers to participate as out-growers in the investment. It is intended to support both the investor and the out-growers and their communities. It also includes a focus on the potential impact of out-grower schemes on household food security and nutrition.

In this arrangement, the investor provides essential support to smallholder farmers, who agree to produce specific crops that meet certain standards, typically for supply to the agribusiness. The main goal is to promote sustainable agriculture and inclusive economic growth by integrating small-scale farmers into larger, more structured supply chains.

More specifically, this toolkit guides investors and out-growers on how to:

Ensure compliance with all applicable FRILIA principles.
Structure the investor-out-grower relationship so it enables parties to sustainably contract with each other, and others in their value chain.
Ensure the investor's quality and production requirements are met.
Ensure that the out-growers are properly compensated for their produce and are continuously up skilled by learning and extension

- improving productivity by adopting modern techniques and equipment
- reducing impact on climate and environment
- Continuously growing income.

As such the toolkit and supporting templates include recommendations for organizing, contracting and operating a modern value chain in agriculture.

1.1 Out-grower Schemes

Broadly defined, out-grower schemes are contractual agreements between small scale farmers and buyers of farm products in which:

Farmers agree to supply a buyer (sometimes called an "off-taker") with agricultural produce that meets stated requirements of quantity, quality, timing and price. The off-taker agrees to buy the produce, often at a prior agreed price. Usually, the off-taker also provides some incentives such as pre-finance; seeds and fertilisers and other inputs; creditworthy contracts with the farmers; and knowledge of modern business farming.

Investors can obtain more produce without the need for acquiring more land, and without using additional capital.

Outgrowing ensures involvement of local farmers, introduces modern farming techniques, contributes significantly to economic upliftment and social harmony of the surrounding communities.

Outgrowing keeps land and other natural resources in the hands of the community.

Outgrowers refer to smallholder farmers who produce crops or livestock under a contractual agreement with a larger company, organization, or buyer. This arrangement is also known as an "outgrower". Its scope includes improved productivity and livelihoods for small farmers, increased market access and stable prices, empowerment of women and youth in Agriculture, sustainable agricultural practices and environmental stewardship, capacity building and access to technology, inputs and credit, reduced post-harvest losses and improved quality control, job creation and economic growth in rural areas; and improved resilience and adaptability to climate change.

1.2 Background of out growers Programs

In Ekiti, out grower programs have been implemented in various sectors, notably in agriculture. These programs typically involve partnerships between agribusiness companies and smallholder farmers. The goal is to increase agricultural productivity, improve livelihoods, and strengthen supply food chains.

These programs often provide farmers with access to resources such as seeds, fertilizers, equipment and training, while also guaranteeing a market for their produce. In return, farmers commit to growing specific crops or meeting certain quality standards.

Out grower programs have been particularly important in Ekiti due to the prevalence of smallholder farming and the need to boost agricultural output to meet domestic demand and

reduce reliance on food imports. Additionally, these programs have the potential to alleviate poverty, empower rural communities, and promote sustainable agricultural practices. However, challenges such as access to finance, infrastructure limitations, and market fluctuations remain significant hurdles to the widespread success of outgrower schemes in Ekiti.

1.3Elements of Successful Out-grower Scheme

For investors, the elements of a successful out-grower scheme are well-recognized:

Build strong relationships with out-growers based on trust and communication by engaging in initial and ongoing consultations so out-growers understand the company's business development plan. Conduct an ongoing dialogue. (**See Stakeholder Engagement Toolkit.**)

Utilize and abide by fair contracts without-growers and ensure all parties clearly understand their roles and responsibilities.

Negotiate and abide by fair and transparent pricing and quality assessment mechanisms and ensure out-growers understand and agree with them. Prices should be subject to change based on market conditions and ideally contain a price floor to ensure financial viability for the out-growers.

Provide technical support to out-growers along with high quality inputs at reasonable cost to ensure improved quality, output and incomes. In some cases, provide access to finance.

Consider implementing programs to improve participation of women, youth and marginalized groups in the out-grower program.

Avoid negative impacts on the environment.

Establish and utilize in a participatory manner fair and accessible monitoring and grievance redress mechanisms. (**See GRM Toolkit.**)

Box 1-Key Requirements for Successful Out-grower Schemes

Careful pre-investment evaluations of the business plan, sustainability, and benefits for participating farmers and communities
Early-stage community consultation, particularly with respect to community impacts and access to land
Written and signed contracts, with effective monitoring and grievance procedures
Efforts at multiple levels to improve the productivity and quality achieved by smallholders
Processes for managing risk in responding to changing circumstances
Support for community engagement and capacity to engage

Source: UNCTAD; World Bank. 2018. Out-grower Schemes. Responsible Agricultural Investment (RAI) Knowledge Into Action Note, no. 4. World Bank, Washington, DC.http://hdl.handle.net/10986/29466.

2.0 OBJECTIVES OF OUT-GROWER SCHEMES

Out-grower arrangements have gained prominence due to their potential to create mutually beneficial relationships between agribusiness investors and affected communities, especially smallholder farmers. But not all such schemes result in this "win-win" outcome.

The objectives of an out-grower scheme typically focus on fostering sustainable agricultural practices, empowering smallholder farmers, and securing reliable, quality supplies for agribusinesses. Here are some key objectives:

a. **To Secure Supply Chain for Agribusinesses**: Ensure a reliable, high-quality supply of agricultural produce for the agribusiness, reducing dependency on external markets and ensuring consistency.
b. **To Enhance Productivity and Quality Assurance**: Improve the yield and quality of crops produced by smallholder farmers through the provision of inputs, technical support, and training.

c. **To Create Economic Empowerment for Smallholder Farmers**: Provide smallholder farmers with access to inputs, credit, and stable markets, helping to improve their incomes and livelihoods.

d. **To provide Market Access for Farmers**: Guarantee market access for smallholder farmers, reducing the risks associated with fluctuating market prices and helping them secure fair prices for their crops.

e. **To promote Sustainable Agricultural Practices**: Encourage the adoption of environmentally friendly and sustainable farming practices, including soil management, pest control, climate-smart techniques, and efficient resource use.

f. **To ensure Rural Development and Poverty Alleviation**: Drive rural development by creating jobs, increasing income stability, and improving access to infrastructure and services in farming communities.

g. **To Mitigate Risks in the agricultural Value Chain**: Distribute risks between the agribusiness and farmers, with agribusinesses supporting farmers to withstand market fluctuations, crop failures, and other production challenges.

h. **To Build Long-Term Partnerships**: Establish mutually beneficial, long-term relationships between agribusinesses and farmers, fostering trust, collaboration, and resilience in the agricultural sector.

i. **To Enhance Food Security**: Contribute to national and regional food security by boosting agricultural output, stabilizing supplies, and making food products more accessible and affordable.

j. **To encourage Social Responsibility and Community Engagement**: Strengthen the social license of agribusinesses by supporting local economies, respecting land rights, and actively engaging with communities and other stakeholders.

These objectives align agribusiness goals with those of smallholder farmers, promoting a model that is economically viable, socially inclusive, and environmentally responsible.

2.1 Objectives of Outgrower's Scheme

The objectives of an outgrowers toolkit are to promote inclusive and sustainable agricultural development, improve the livelihoods of smallholder farmers, and contribute to broader food security and economic growth objectives. Some common objectives include:

2.2 Increase Agricultural Productivity: One of the primary objectives is to increase agricultural productivity among smallholder farmers by providing them with access to improved seeds, fertilizers, and other inputs, as well as training and technical assistance in modern farming techniques.

2.3 Improve Livelihoods: The toolkit aims to improve the livelihoods of smallholder farmers by helping them increase their income and productivity, thereby reducing poverty and enhancing food security for themselves and their families.

2.4 Enhance Market Access: Another objective is to enhance market access for smallholder farmers by facilitating linkages with buyers, processors, exporters, and other market actors. This helps farmers secure reliable markets for their produce and obtain better prices for their crops.

2.5 Strengthen Supply Chains: The toolkit seeks to strengthen agricultural supply chains by promoting collaboration and coordination between farmers, agribusiness companies, input suppliers, and other stakeholders. This helps streamline the production and distribution process, reduce post-harvest losses, and improve efficiency.

2.6 Promote Sustainable Agriculture: An objective of the toolkit is to promote sustainable agricultural practices among smallholder farmers, including soil conservation, water management, integrated pest management, and climate-smart agriculture. This helps protect natural resources, preserve the environment, and build resilience to climate change.

2.7 Empower Farmers: The toolkit aim to empower smallholder farmers by providing them with the knowledge, skills, resources, and support they need to make informed decisions, manage risks, and take advantage of opportunities in the agricultural sector.

2.8 Enhance Program Effectiveness: The toolkit also aim to enhance the effectiveness of outgrower programs by providing tools, guidelines, and resources for program design, implementation, monitoring, and evaluation. This helps ensure that outgrower programs are well-planned, well-managed, and deliver positive outcomes for farmers and other stakeholders.

2.9 Key Features of Out-grower Schemes

1. **Input Support**: Agribusinesses often supply farmers with inputs like seeds, fertilizers, pesticides, and sometimes financial assistance. This helps to improve crop quality and productivity.

2. **Technical Training and Extension Services:** Farmers receive training on best farming practices, pest and disease control, and post-harvest management. This support ensures consistent and high-quality output that meets market demands.

3. **Guaranteed Market Access:** One of the most attractive features of out-grower schemes is the assurance of a market. Farmers have a pre-arranged buyer (the agribusiness) for their produce, which reduces the risks of fluctuating market prices and helps stabilize farmers' income.

4. **Income Stability and Rural Development:** By integrating smallholders into structured agricultural supply chains, out-grower schemes help boost rural economies, improve income stability for farmers, and increase food security at the local level.

5. **Shared Risks and Costs:** Both the farmers and the agribusinesses share the risks and costs involved in the production process, which encourages joint responsibility for yield and quality of the produce

Box 2: Characteristics of successful outgrower projects

A successful outgrower project is typically characterized by profitability for the company, improved household income for the outgrower, and sustainability. Common attributes of successful outgrower schemes include:

1. **Crop Type**:

   Cash crops that require large-scale processing and are complex to cultivate benefit from the outgrower model as smallholders depend on companies for inputs, technology, and training. With such crops, side-selling is almost impossible as smallholders rely on the investor for market access.
   Crops that are highly perishable are particularly well-suited for outgrower projects.
   Outgrower schemes are less common for staple crops.

2. **Company Size**: Successful outgrower schemes are often managed by large companies with:

   Financial reserves to build long-term relationships with farmers, which are critical for project sustainability.
   Supply chain integration: This vertical integration helps companies control market access and reduce side-selling, as they often hold a monopoly in the supply chain.
   Market Access: Larger investors are more capable of reaching urban supermarkets and international markets.

3. **Level of Interaction**: Effective outgrower schemes usually involve extensive engagement between the investors and farmers, often including:

   Extension services: Essential for training and education, extension services are a hallmark of successful outgrower programs.
   Provision of inputs and credit: A “deep” relationship where the company supplies inputs, credit, and education, though it involves higher risk and cost for the company if the scheme fails.

3.0 APPLICABLE FRILIA PRINCIPLES

The following FRILIA principles relate to food security and outgrower arrangements:

> 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)
> Range of investment and production models should be considered including alternatives to large scale transfer of land (FRILIA principle 1.4)
> 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)
> Investments should safeguard against dispossession of legitimate tenure rights (FRILIA principle 2.1)
> 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)

The FRILIA principles apply to all stakeholders acting in the agri-investment environment, including all stakeholders involved in out-grower arrangements.

Overall, outgrower programs play a crucial role in driving agricultural development, economic growth, and poverty reduction in Ekiti, making them an important component of the State's agricultural sector

3.1 Roles of Outgrowers Programme

Outgrower programs play a significant role in Ekiti for several reasons:

3.1.1Rural Development: These programs provide opportunities for rural development by engaging smallholder farmers, who make up a significant portion of Ekiti State population. By providing them with access to resources and markets, outgrower programs contribute to poverty reduction and economic empowerment in rural areas.

3.1.2 Increased Agricultural Productivity**:** Outgrower programs help to increase agricultural productivity by introducing modern farming techniques, improved seeds, and better agronomic practices to smallholder farmers. This leads to higher yields and improved incomes for farmers.

3.1.3 Food Security**:** By boosting agricultural production, outgrower programs contribute to food security in Ekiti. They help to ensure a steady and reliable supply of food to meet the needs of the growing population, reducing the State dependence on food imports.

3.1.4 Supply Chain Strengthening**:** These programs often involve partnerships between agribusiness companies and smallholder farmers, which helps to strengthen agricultural supply chains. By linking farmers directly to markets, outgrower programs streamline the production and distribution process, reducing post-harvest losses and improving efficiency.

3.1.5 Sustainable Agriculture: Many outgrower programs promote sustainable agricultural practices, such as conservation farming and organic farming methods. By promoting environmental stewardship and resource efficiency, these programs help to preserve natural resources and mitigate the impact of climate change on agriculture.

3.2Roles and Responsibilities of Key Stakeholders

a. Investor/Buyer: The investor is the lead partner and off-taker who is the:

Proponent of the investment
Lead researcher and analyst
Provider of credit and inputs and technical expertise
Contracting partner and purchaser

b. Out-grower: The out-grower is a contracting partner and supplier who:

Provides local knowledge
Farms and delivers product that meets agreed standards

c. Ekiti State government: The Ministry of Agriculture and Food Security is the enabler and regulator that:

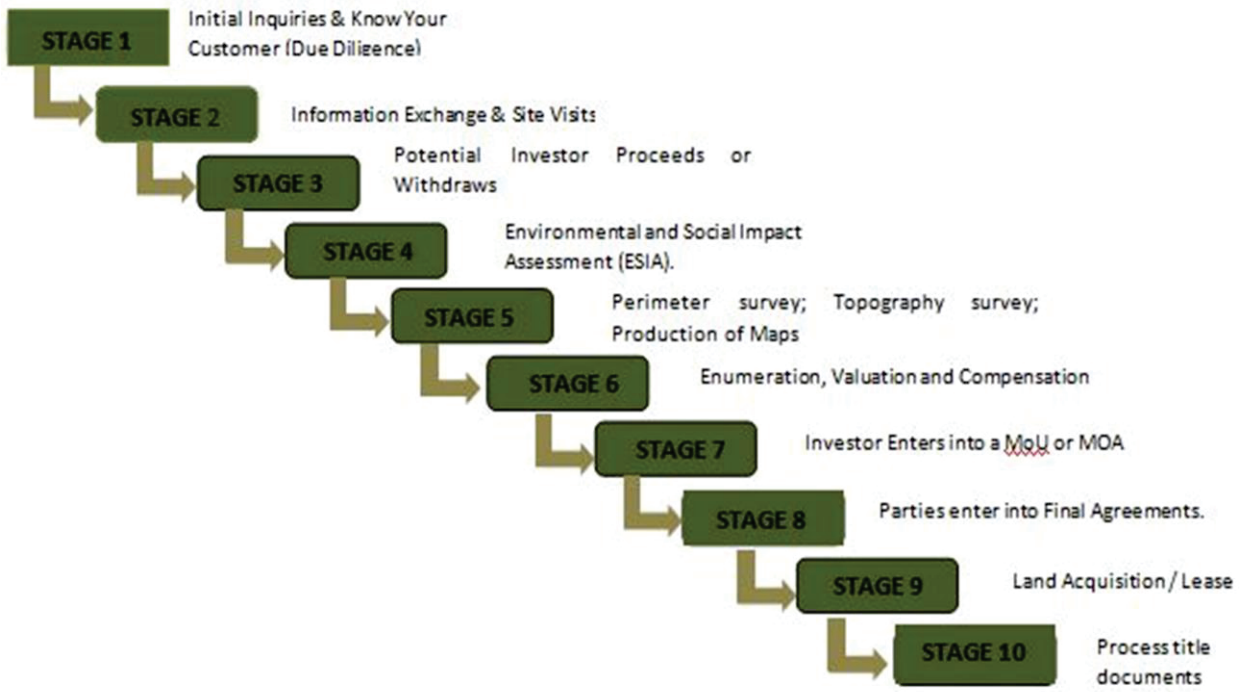
Makes policy and in some cases provides incentives
Monitors to ensure compliance with FRILIA principles and other applicable laws and policies.

3.3Optimizing Out-grower Scheme Benefits

Governments can also take steps to maximize the likelihood that an out-grower scheme will benefit both the investor, the out-growers and their communities:

Where an investor includes an out-grower component in a proposed investment that is subject to screening by the government, the responsible agency should assess the agricultural experience, financial capacity and technical expertise of the investor with regard to working with out-growers and local communities more broadly. In Ekitistate, this screening activity would occur in Stageone(1) of the state's Investment Approval Process. (See Box 4 for a description of the basic steps in that IAP.)

Box 4: Ekiti State Investment Approval Process



In some cases, it may be appropriate to include the out-grower agreement in the overall investment agreement between the investor and the government in order to firmly establish the investor's obligation to include out-growers in the project. (See GMoUToolkit Template 8)

The Ministry of Agriculture and Food Security can help to develop the capacity of out-growers and the broader community to engage with investors. This should include encouraging farmers' associations and other civil society organizations to provide support.

Develop and implement strategies to help women, youth and marginalized groups to participate in out-grower schemes.

Ensure that environmental and social impact laws and international standards are followed so as to avoid negative impacts on local communities and their environment. This activity would occur in Stage 5 of the state's Investment Approval Process

Regularly monitor investors and out-grower schemes against agreed metrics and support the establishment and operation of fair grievance redress mechanisms.

3.4 Out-grower Organisation Models

There are three basic organisation models for out-growers as described briefly in this section.

3.5 Model 1: Individual Farmers

Individuals, and often their families, farm small pieces of land using traditional methods. The supply contract is between the investor and the farmer. Experience shows that these

contracts are often difficult to enforce because it is unseemly for an investor to pursue a smallholder farmer through the courts for a relatively small amount of money. Significant problems arise for credit providers when thousands of small debts are not paid.

3.5.1 Model 2: Cooperative

Individual farmers are members of a cooperative. Farming is undertaken individually on small pieces of land using improved traditional methods. The cooperative arranges for technical support and supply of modern fertilizers and improved seeds, usually on credit[1] from the investor. The supply contract is between the cooperative and the investor.

3.5.2 Model 3: Farmer's Corporate Entity

Here, individual farmers exchange land use rights for a share in their own, properly registered and incorporated, company. The share entitles each shareholder to a dividend, and an opportunity for wage employment. The corporation is a modern business with an organization structure, business management and farm operations to match.

3.6 Investor Out-grower Models

Three common business models for investors in out-grower schemes in Ekiti State are described in Table1.

Table1-Investor Out-grower Models

Investor Model 1: Aggregate, Process, Market Collects from individual small holders, transport, and aggregates. Processes, packs and ships, sells to Market.	Suited to OG Model 1: Individual Farmers	Rice, Maize, Cassava, Fresh Vegetables, Small Dairies, Poultry eggs and Broilers, Aquaculture
Investor Model 2: Process, Market Investor buys produce already aggregated by the Out growers either through their own organization or a cooperative. The Investor processes, packs and ships, and sells to market.	Suited to OG Models 2 & 3: Cooperatives and Farmers Corporate	Rice, Maize, Cassava, Fresh Vegetables, Small Dairies, Poultry for eggs and Broilers, Aquaculture Oil Palm, Cashew, Cacao

[1] Either the Investor supplies inputs or provides credit to the cooperative or gives a guarantee to the cooperative lenders.

Investor Model 3: Final Process & Market Produce is processed by the Out-growers and sold to an investor who finishes the process, packs and sells to final market.	Suited to OG Models 2 & 3: Cooperatives and Farmers Corporate	Medium Dairies, Poultry for day old chicks, eggs and Broilers, Aquaculture Oil Palm, Cashew, Cacao

Box 4

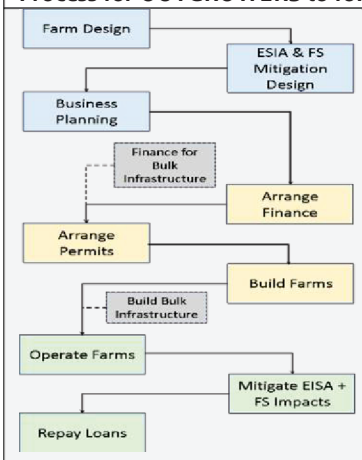
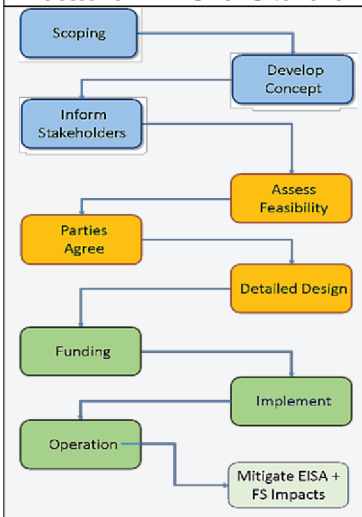
Investor/Buyer's Out-grower Scheme Development Process

Investors considering establishing an out-grower arrangement can consider the process flow shown below.

Purpose: To enable investors and out-growers to follow clear and parallel processes as they move together from Concept to Operation.

Generic Out-grower and Investor Processes

Below are the steps to be followed by out-growers and investors in setting up their businesses:

Process for OUTGROWERS to follow	Matters for OUTGROWERS to consider	
	Design Farm + Organization	Technical: Soils, Crops, Water, Nutrients
		Organization: Groups, Governance, Sharing
	ESIA + Food Security	Impact: Assessment and Mitigation Plan Environment, Food Security Mitigation
	Business Planning	Business: Income, Cost, Management
		Finance: Loans, Interest, Collateral, Repayment
	Funding:	Sources, Conditions, Repayment; Donors, Dev Banks, Pvt Banks, Govt
	Permits:	Land, water, environment as Govt Requires
	Construction:	Building of Farms and Infrastructure
	Operate Farms	Farm Operations and Business Management
	Mitigation	Environmental Impacts and Food Security Mitigations
	Repay Loans	Funders Loans and Contributions Repaid
Process for INVESTORS to follow	**Matters for INVESTORS to consider**	
	Scoping	Objectives & Land Requirements Defined.
	Develop Concept	Preliminary Assessments & Concept Designs:
	Inform Stakeholders	Introduction to Local Govt& Community
	Assess Feasibility	Technical Design for Out-growers
	Parties Agree	Model Selection and OG Selection
	Detailed Design	Business Plans; ESIA& Food Security Plan; Funding Application
	Funding	Funding Approved and OG Contracts Signed
	Implement and operate	Final Design & Construction of Farms and Infrastructure Training for Operations and Management
	Mitigate Impacts	ESIA and Food Security Implemented

4. OUT-GROWERSSELECTION AND MANAGEMENT

The selection of farmers in an out-grower scheme is a critical step that ensures the right participants are chosen for a successful partnership. This process typically involves evaluating farmers' capacity, resources, and commitment to meeting the scheme's requirements. Developing selection criteria in relation to production standards will assist in assessing what level of support is required to facilitate further development.

4.1.1 Selection criteria for out-growers

Farm Size and Land Suitability: Farmers should have access to land with appropriate soil and climatic conditions for the crops in the scheme. Land size requirements may vary depending on the target production volume.

Experience and Skill Level: Preference should be given to farmers with experience in growing similar crops, as this reduces the learning curve and enhances productivity.

Access to Water and Infrastructure: Ensuring that farmers have adequate water sources and basic infrastructure (e.g., storage, transport access) helps improve crop quality and reduces logistical challenges.

4.1.2 Assessing Farmer Capacity and Resources

Availability of Labor: Farmers should have enough family or hired labour to manage their plots effectively and meet production targets.

Financial Capability: Although some schemes provide inputs on credit, it's essential to assess whether farmers have basic financial stability to cover incidental costs or repay input credits if required.

Willingness to invest in new Practices: Farmers open to adopting improved practices, such as new seeds or cultivation methods, are often more successful in out-grower schemes.

Agricultural Knowledge and Experience: Preference should be given to farmers with deep knowledge of farming and who have had experience in out-growers scheme operation.

Basic Business-Awareness: Farmers to be selected should be able to keep simple records and should be able to fully understand contractual terms, including expectations, pricing, quality standards, and delivery obligations.

4.1.3 Farmers' Commitment and Reliability

History of Engagement: Farmers with a proven track record in previous out-grower schemes or similar contractual arrangements may be more reliable and committed.

Willingness to Adhere to Scheme Guidelines: Farmers must commit to quality standards, delivery schedules, and use of the inputs provided by the agribusiness.

4.2Engaging Stakeholders

Stakeholder engagement begins early in the investment process and should continue for the entire life of the investment project. It is one of the essential elements of a responsible and successful investment in agriculture. The principles of free, prior and informed consent (FPIC) (as described above and pursuant to FRILIA principle 1.5) should be followed at all times. (**Refer to Stakeholder Engagement Toolkit**)

4.3Pre-Selection Interviews and Field Assessments

By carefully selecting farmers based on these criteria and involving community leaders, investors can improve the scheme's efficiency, ensure high-quality production, and foster long-term partnerships. This approach helps ensure that selected farmers are well-prepared and positioned to succeed in the scheme, benefiting both the investors and the farmers themselves.

Field Visits: Investors' representatives should conduct field assessments to evaluate the farm conditions, soil quality, and farmers' existing practices.

Interviews and Screening: There should be Interviews or orientation sessions for intending out-growers. This provides an opportunity to assess farmers' understanding of the scheme and answer questions, ensuring clarity and alignment on expectations.

4.4 Registration of Out-growers and Management Information

To ensure good and transparent management practices it is imperative that clear, detailed information is recorded for individual farmers. These include:

Basic Personal data of individual farmers

Farmers' Performance Monitoring Data

4.4.1Basic Personal Data Capturing

Personal details of the individual should be obtained including location, National Identification Number and others (**see Template 7)**

4.4.2 Farmers' Performance Monitoring Data

Computerprogrammesshouldbedesignedtofacilitatemonitoringtheperformanceofindividual smallholder farmers, providing a basis for assessing the eligibility of farmers for higher or follow-up/next-step input packages through tracking their performances and

general management decisions.
Reporting formats to be used by individual farmers, farmer groups and/or field officers should be developed to capture the required data in a consistent manner and allow for easy use by the farmer and processing by the investor (see Template 8).
It is equally important that the activities of any field or Extension Officers are properly monitored from farmer mobilization and contracting to the efficient delivery of extension messages (see Template 3)

4.5 Input Supply and Loan Recovery

Input Provision

Seeds, Fertilizers, and Pesticides: Investors may provide farmers with high-quality seeds, fertilizers, and pesticides to ensure consistent yield and quality.

Credit Facilities: Some schemes provide inputs on credit, which farmers can repay after harvest, making participation more accessible.

Management Information Systems: Investors should embrace digital information system for proper recording of all inputs supplied on credit against the producers' number, as well as deductions made against crop delivery. The same applies to every other activity and transactions with the out-growers.

Timeliness: There should be timely delivery of inputs and other services, and these must be properly planned and to respond to farmers' needs, creating incentives for farmers to honour contracts.

The better and wider the range of services offered, the closer the relationship between farmers/out-growers and the investor, and the more the farmer will lose by breaking the relationship.

4.6 Extension Services and Field Monitoring

Technical Training and Extension Services

Training: Farmers should be trained on best agricultural practices, crop management, pest control, and post-harvest handling to improve productivity and crop quality.

Extension Support: Regular visits by extension officers help monitor crop progress, address issues, and support farmers with guidance.

There may be a need for investors to perform full training and extension needs analysis to establish a baseline to enable them to plan the implementation or expansion of extension services to their out-grower farmers, who should be involved in the process to ensure that their needs are being addressed where feasible.

The delivery of extension services should be properly planned to ensure timely delivery.

The number of extension officers required should be dictated by, among others, the geographical spread of the farmers or farmer groups, and the effective coverage a single extension officer can provide.

Extension Officers should monitor crop growth stages, input use, pest management, and overall progress which is essential in tracking the scheme's performance.
Record keeping of yield, input usage, harvest, produce sales and quality data allow for better analysis, decision making and improvement over time.

Extension services are often a major expenditure in an out-grower scheme, and ultimately the cost of the extension services should be commensurate with the volumes and value of the commodity in question. The cost must be reasonable and sustainable.

Community Engagement and Social Responsibility: This involves Community Integration and Social responsibility.

Community Integration: Investors should engage and interact with the local community, including traditional leaders and local authorities. This builds trust and supports smooth operation.

Social Initiatives: Investors should essentially invest in social projects as responsibility to local development.

4.7 Marketing Arrangements

Out-grower schemes usually involve hundreds or even thousands of small-holder farmers, therefore, a network of depots and buying centers should be set up to facilitate delivery of produce by farmers, either throughout the marketingperiod or at designated times. It is important that staff positioned at these depots are well trained in grading procedures, and closely monitored to ensure adherence to such grading procedures.

Quality Standards should be set to help ensure that the produce meets the investor's requirements.

Regular Inspection and Grading of produce should be made to verify quality and grade, with clear criteria for rejections, bonuses, or penalties.

Grading standards should be clear and transparent to the farmers. When possible, visual grading aids should be made available. Farmers should be well trained in grading of the produce.

When there is a differentiation in pricespaid at the factory gate or at the depots/buying centres (farm-gate price), farmers should have a free choice in where to deliver their produce.

Bulk produce supply should be encouraged by the investor's payment of premium price for such bulk supply. This in addition encourages group formation processes.

Investors should coordinate harvesting and transportation from farms to central processing or storage locations in order to preserve quality during transit.

4.8 Market Linkages Available to Out-growers in Ekiti State

Market linkage refers to the connections of and relationships between farmers, suppliers, processors, traders, and burs that enable the production and delivery of agricultural produce to the final users. It involves facilitating agreement between farmers and buyers, providing resources and support to enhance productivity, quality and ensuring fair price and transparent transactions. This linkage is crucial for rural development, poverty alleviation and improving agricultural value chain in the state. Here are key market linkages and platforms that play a role in connecting farmers with buyers, processors, and consumers:

4.8.1 Ekiti State Agricultural Development Program (ADP): The Ekiti State Agricultural Development Program (ADP) is a key government agency that is saddled with the responsibility of supporting, training, and disseminating market information to farmers. It also provides an extension service which provides farmers with information on quality standards, and agricultural best practices.

Role: Facilitator between farmers and markets, providing extension services and gathering of market intelligence.

4.8.2 Ekiti State Ministry of Agriculture and Food Security: The Ministry of Agriculture and Food Security is involved in policy making and implementation in the State.
Role: Implements programs to link farmers with markets, including through cooperatives and value chain development. The Ministry also helps to facilitate any Federal Government intervention programme in food production in the State.

4.8.3 Farmers' Cooperative Societies: There are various agricultural cooperatives and commodities' group that exist in Ekiti State. They help in bringing farmers together for collective marketing and fair bargaining.
Role: Enhances farmers' market access, negotiation power, and ability to participate in larger value chains.

4.8.4 Fountain Agricultural Marketing Agency (FAMA): This is a state-owned Agency focusing on promoting farm inputs, agricultural markets and processing.
Role: Provides infrastructure, support, and coordination to enhance market linkages for agricultural inputs and products.

4.8.5 Federal Government Agricultural Programs: National agricultural programs and initiatives that may be initiated by the Federal Government and extended to Ekiti State.
Role: Provision of funds, technical support, and market linkages to farmers through federal initiatives.

4.8.6 Processing Industries and Agribusinesses**:** There are several companies/factories that are involved in processing agricultural products.
Role: They help adding value to farm produce. They also create market linkages for farmers by providing a market for raw materials

4.8.7 Transportation and Logistics Services**:** These include those who are involved in logistics and transportation.
Role: Facilitates the movement of agricultural products from farms to markets and other areas where the products are needed reducing post-harvest losses.

4.9 Pricing Mechanisms and Payment Modalities

There should pre-agreed or market-based prices by investors and out-growers in order for farmers to have guaranteed market and predictable income.

Pricing structures should be clearly defined to protect farmers from fluctuating market prices and ensure fair compensation.

Payment to farmers should be as prompt as possible. This should be when the produce changes hands, but at least no later than the pre-planting agreed period after the transfer of produce has taken place.

All transactions should be properly recorded, indicating grades, corresponding weights and prices, total value of the delivery, and any deductions for inputs or, if applicable, other services provided.

Box 5: Price Mechanism in Out-growers Scheme

Pricing mechanisms in out-grower schemes are crucial as they directly impact the sustainability of the scheme, farmer livelihoods, and the investor's profitability. Effective pricing structures aim to balance fair compensation for farmers with the competitive needs of investors.

Types of pricing mechanism

1. **Fixed Price Mechanism:** Under a fixed price mechanism, the agribusiness and the farmer agree on a predetermined price at the beginning of the season, regardless of market fluctuations.
2. **Market-Linked or Floating Price Mechanism:** Prices are set based on prevailing market rates at the time of harvest or delivery, often referencing a local, national, or international market index.
3. **Cost-Plus Pricing:** The price is calculated based on the actual cost of production (seeds, labor, inputs) plus a margin to ensure profitability for the farmer.
4. **Guaranteed Minimum Price with Market Adjustment:** The agribusiness offers a guaranteed minimum price, ensuring that farmers earn at least a certain amount, even if market prices fall. If market prices are higher, farmers are compensated at the market rate.
5. **Profit-Sharing Mechanism:** Agribusinesses and farmers agree on a profit-sharing model, where a portion of profits from the final product sales is shared with the farmers, sometimes based on yield or quality.
6. **Quality-Based Pricing:** Prices are determined based on the quality of the produce, with higher-quality yields earning premium prices.
7. **Input Deduction Model:** Agribusinesses provide inputs (seeds, fertilizers, pesticides) on credit and deduct the cost of inputs from the payment at harvest, sometimes with interest.
8. **Hybrid Pricing Models:** A combination of mechanisms, such as guaranteed minimum price with quality-based bonuses, is used to ensure fair compensation while maintaining flexibility for both farmers and agribusinesses.

Each pricing mechanism offers different levels of income stability, market exposure, and incentives for quality, which impact the overall success and sustainability of an out-grower scheme. Selecting the right pricing model requires balancing market dynamics, farmer welfare, and the agribusiness's operational goals.

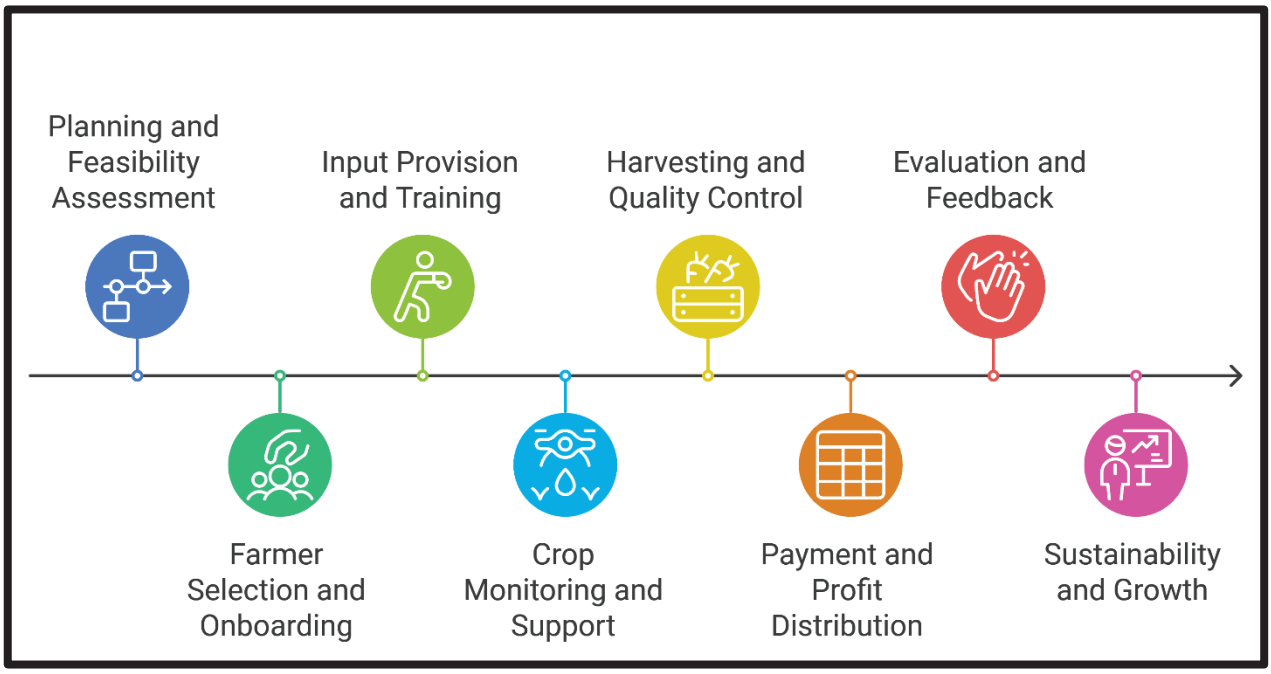
4.10 Group Development Facilitation

- It should be noted that in most cases Group or Association leaders, sometimes also referred to as farmer facilitators or lead/contact farmers, are the link with the investor.
- Group leaders must be approved by the investor, they must be literate and have a minimum of administrative skill.
- The Group leader must be accepted, approved and trusted by the farmers.
- Group leaders and members must be trained in group dynamics and development.
- Group size is often determined by the nature of the commodity.
- Larger groups are the norm for annual crops, but for perennial crops where longer-term partnerships are at the core of the relationship, with a relatively high level of investment by the supporting investor, smaller groups of 10-15 farmers are more effective.

5. OUT-GROWERS SCHEME PROCESS

The out-grower process typically involves several stages that ensure a structured and mutually beneficial relationship between agribusinesses and smallholder farmers. Here's an outline of the general process:

Figure 1: Out-growers Scheme Process Flow Chart



1. Planning and Feasibility Assessment

Define Objectives: Establish the purpose of the out-grower scheme, whether to increase production, support smallholder farmers, or ensure consistent supply.

Identify Crops and Regions: Select crops suited to the agribusiness needs and regions where these crops can thrive.

Stakeholder Engagement: Involve relevant stakeholders, including government agencies, NGOs, local leaders, and financial institutions, to secure support and partnerships.

Feasibility Study: Assess the economic, social, and environmental impact of the scheme, considering potential challenges like climate, land availability, and market demand.

2. Farmers Selection and Onboarding

Farmers Recruitment: Identify eligible smallholder farmers based on set criteria, such as land size, experience, and location.

Screening and Selection: Screen farmers for their willingness to participate, their capacity to meet quality standards, and their history with similar schemes (if any).

Agreement Formation: Develop and sign an out-grower agreement detailing inputs provided, expected outputs, payment terms, and other responsibilities.

3. Input Provision and Training

Input Distribution: Provide selected farmers with inputs such as seeds, fertilizers, and pesticides, either at subsidized rates or on credit.

Technical Training: Conduct training sessions on sustainable farming practices, pest management, quality control, and post-harvest handling.

Extension Support: Assign extension officers or agronomists to regularly visit farmers, monitor crop progress, and offer on-ground support.

4. Crop Monitoring and Support

Field Monitoring: Regular field visits to assess crop growth, identify potential issues (pests, diseases), and track input usage.

Data Collection: Record crop development stages, yields, and other data for performance analysis.

Feedback Mechanism: Maintain open communication with farmers, allowing them to report challenges and receive prompt support from agribusiness representatives.

5. Harvesting and Quality Control

Harvest Scheduling: Organize a harvesting plan to ensure crops are collected at optimal times for quality preservation.

Quality Assessment: Inspect harvested crops against pre-set quality standards. Grade the produce and document any discrepancies or rejections.

Transport Arrangements: Arrange transportation from farms to processing centres or storage facilities, maintaining quality during transit.

6. Payment and Profit Distribution

Payment Processing: Based on the agreed terms, process payments to farmers, either at delivery or after quality verification.

Bonus and Penalties: Implement any performance-based bonuses or deductions as outlined in the agreement.

Documentation: Maintain detailed records of each transaction, including quantities delivered, payment amounts, and dates, for transparency.

7. Evaluation and Feedback

Annual Review: Conduct a thorough review of the scheme's outcomes, including yields, financial performance, and areas for improvement.

Stakeholder Feedback: Gather insights from farmers, extension officers, and other stakeholders to refine processes and address any recurring issues.

Plan Adjustments: Based on evaluation findings, adjust the strategy, improve training, or amend agreements for future cycles.

8. Sustainability and Growth

Continuous Improvement: Implement new technologies, improve training, and enhance input distribution based on lessons learned.

Scaling Up: If successful, consider expanding the scheme to include more farmers, additional crops, or even new regions.

Social and Environmental Responsibility: Continuously monitor the social and environmental impacts of the scheme and apply sustainable practices to maintain a positive impact on communities and ecosystems.

This structured process is essential to ensure that all parties benefit, fostering a stable and sustainable partnership between agribusinesses and smallholder farmers

Box 7: Main Challenges Facing Out-grower Schemes

1. **Quality and Yield Issues**: Out-grower schemes often struggle with farmers failing to deliver produce of the required quality and or quantity. Contributing factors include insufficient training, slow adoption of best practices, inadequate incentives, side-selling, and limited access to essential inputs. These challenges can lead to farmers producing insufficient yields, undermining the initial investment by investors, which may incur losses, especially when large capital investments are involved.
2. **Side-Selling**: Farmers may sell part of their crop to local buyers instead of the contracting investor, often due to higher prices offered by these buyers or the impact of input costs factored into contract prices. This practice reduces the investor's return on input and training investments and can complicate cost recovery for inputs provided on credit. Side-selling is especially prevalent with staple crops that are easy to sell locally or consume within the household.
3. **Recruitment Issues**: Attracting farmers to participate in outgrower schemes can be challenging, especially when they are reluctant to shift from traditional staples to new crops, which may have long maturation times or require substantial upfront investments. Since these projects often require scale to offset high initial costs, recruitment challenges can significantly impact the scheme's viability.

6.0 CONTRACTS OR PRODUCTION AGREEMENTS

The Investor and Out-grower agreement should be governed by a formal, legally enforceable contract. The terms of the contract should be fair to both parties.

Formal contracts specify the terms of engagement, covering responsibilities, inputs, pricing, delivery schedules, and quality standards.

Agreements establish expectations, outline obligations for both parties, and help minimize misunderstandings.

Contracts or production agreements between investors and farmers should be transparent and comprehensive.

Farmers should understand the contract or production agreement, and how these affect them. The contract or production agreement can be translated into the local language and be fully explained to the farmers to ensure that they understand and accept the terms of the contract.

6.1 The out-grower contract should cover at least the following key issues:

Personal details of the farmer, including identification and registration number
Description of the area contracted
The term of the agreement
Product bought by the Investor: Specifications of Quantity, Quality, Timing and Price
Support offered by the Investor: Extension Service, Credit Supply, Machinery Loan
Obligations of both Parties: Implementation of ESIA, Food Security, Repayment of Debts
Non-performance and disputes: Remedies for non-performance; Arbitration or other method of dispute resolution (refer to GMoU Toolkit)

Box 8: Key Components of an Out-grower Scheme Contract or Production Agreement

The contracts or production agreements should stipulate in the minimum:

- Quality requirements
- Grades and their descriptions
- Details on all inputs, tools and/or equipment to be provided by the investor and their costs, and the conditions under which these are to be provided (credit, cash, part-payment)
- Details of any loans to be provided by the company (if applicable)
- Provision of extension(type and frequency) and its cost
- Loan recovery/repayment modalities (interest, grace period, instalments and payment period)
- Pricing mechanisms/formulas for the produce(if feasible)
- Payment modalities for the produce
- Obligations and responsibilities of the two parties to the contractor agreement
- Enforcement mechanisms

Apart from stipulating which inputs and services are to be provided by the investor, farmers' contributions should also be prescribed in details.

Box 9: Out-grower Contract Principles

Clear documentation. Contracts should be in writing.
Readability. Contracts should be written in clear and coherent language, using a language and vocabulary that is understandable to a farmer of average education and experience.
Time to Understand and Review. Farmers should have a sufficient period of time, depending on the case, to review the draft contract and seek legal or other advice before signing.
Transparency on Pricing. Prices and payment constitute a key element of any contract, and these points need to be clearly understood and agreed upon by farmer and buyer. Contracts should ensure transparency in price determination and payment procedures. It is advisable that a contract should allow provision for prices to be renegotiated in the event of unforeseen circumstances, such as substantial changes in market conditions leading to large differences in price with respect to the contracted terms.
Transparency on Quantity and Quality. Contracts should clearly indicate the quantity of the commodity to be supplied by the farmer over a period of time, the quality standards required and the means of assessing these on delivery. They should avoid complex formulas or measurements of quantity and quality unlikely to be fully understood by farmers. The agreement should clearly state whether farmers are allowed to sell to other buyers and, if so, under what circumstances.
Transparency on Inputs. The contract should stipulate which party will be responsible for supplying and applying farming inputs. More specifically, contracts should also clearly state the costs of any inputs and services the buyer will supply to the farmers.
Dispute Resolution. Farmers and buyers should agree in the contract on a neutral third party to assist them in the event of disputes.

Source: Guiding Principles for Successful Contract Farming Operations" at 1; FAO 2012 (https://openknowledge.fao.org/server/api/core/bitstreams/c495eff5-7acc-4e9f-8af5-aedbda402757/content).

7. FOOD SECURITY

Food security refers to the condition in which all people always have physical, social, and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life. It's a multi-dimensional concept that encompasses four main pillars:

1. **Availability:** Food must be available in sufficient quantities and on a consistent basis, whether through domestic production, imports, or reserves. It also depends on a stable supply, free from disruptions caused by conflicts, economic downturns, or environmental factors.
2. **Access:** Individuals must have sufficient resources and purchasing power to acquire appropriate foods for a nutritious diet. This includes physical access (proximity to food markets) and economic access (affordability).
3. **Utilization:** Proper biological use of food, requiring a diet with adequate variety and nutrition, as well as proper food preparation, storage, and sanitary conditions.
4. **Stability:** Stability implies that all pillars of food security—availability, access, and utilization—are consistently met over time. It addresses resilience against risks, such as economic or environmental shocks, that could disrupt food security.

7.1 Food Security Objectives

To achieve food security for all, international best practices suggest seeking to achieve the following four "SMART"[2] objectives:

Table 2:

Objective 1	Higher Productivity that leads to Higher Total Food Production	Indicators to measure success: +Baseline and Current Food Crop Total Production. +Baseline and Current Food Crop Productivity
Objective 2	More Economic Activity within the Community leads to decreased poverty levels and increased food expenditure	Indicators to Measure success: +Poverty levels among Vulnerable People +Baseline and Current Expenditure on Food Products +Female participation in economy

[2] SMART objectives are "Specific Measurable Achievable Realistic Time Bound."

Objective 3	Increased Collaboration leads to more effective use of Human Resources	Indicators to Measure success: +Number of conflict reports and referrals to the Grievance System. +Number of new jobs available within the Community
Objective 4	Increased nutrition knowledge and gender equity in household decision making leads to increased food nutrition	Indicators to Measure success: +Level of Stunting among under 5s +Bodyweight mass index (BMI) +Female participation in household decision making

7.2Challenges to Achieving Food Security

1. **Climate Change**: Extreme weather events, temperature changes, and shifting precipitation patterns and other natural disasters affect crop yields and food availability.
2. **Population Growth**: Rising populations increase the demand for food, putting pressure on land, water, and other resources and often leading to poor health, inadequate sanitation, lack of clean water, and insufficient knowledge about nutrition. This can impair food utilization and thus lead to malnutrition and poor health.
3. **Conflict and Displacement**: Wars and conflicts disrupt food production, distribution, and access, often leading to severe food insecurity in affected regions.
4. **Economic Inequality**: Disparities in income and access to resources and poverty create unequal access to food especially in vulnerable or marginalized communities.
5. **Food Waste**: Significant amounts of food are lost or wasted in supply chains, reducing overall food availability and contributing to hunger and malnutrition.

7.3Strategies to Improve Food Security

1. **Sustainable Agricultural Practices**: Enhancing productivity while preserving natural resources and reducing environmental impact.
2. **Strengthening Food Systems**: Improving infrastructure, storage facilities, and transport networks to reduce food loss and waste.
3. **Social Protection Programs**: Providing safety nets, such as cash transfers or food assistance, to support vulnerable populations.
4. **Climate Adaptation and Resilience**: Supporting farmers with climate-resilient seeds, water conservation techniques, and other adaptive practices.
5. **Improving Market Access**: Enhancing local and international trade opportunities to stabilize food prices and improve access.
6. **Educational Programs**: Raising awareness about nutrition, food preparation, and health to improve food utilization.

7.4Out-growers scheme relationship with Food Security

Out-grower schemes have a significant relationship with food security, especially in regions where smallholder farmers make up a large portion of the agricultural workforce. Here's how out-grower schemes contribute to food security:

1. Increased Agricultural Production

Out-grower schemes boost production by providing farmers with high-quality inputs, technical training, and ongoing support, resulting in higher yields. Increased production of staple or cash crops contributes to local and national food availability, a key pillar of food security.

2. Enhanced Access to Markets

Out-grower schemes guarantee farmers a stable market for their produce, encouraging them to invest more in agriculture and expand production. This reliable market access reduces post-harvest losses and ensures that more food reaches consumers, enhancing food distribution and availability.

3. Improved Farmer Income and Livelihoods

By providing a stable income source, out-grower schemes help farmers earn more consistent and higher income, which can be invested in improved food, healthcare, and education for their families. This economic stability enables households to purchase diverse and nutritious foods, supporting food access and dietary quality.

4. Introduction of Sustainable Farming Practices

Many out-grower schemes incorporate training on sustainable agricultural practices, such as soil conservation, water management, and integrated pest management. These practices improve soil health and long-term agricultural productivity, contributing to a resilient food system that can withstand climate-related or other production shocks.

5. Support for Local and Rural Economies

Out-grower schemes foster rural economic development by creating jobs, boosting local economies, and improving infrastructure such as transportation and storage. This localized economic boost increases overall food access within communities and enhances rural food security.

6. Diversification of Crop Production

Out-grower schemes often promote the cultivation of a mix of staple and cash crops, diversifying production. Crop diversification can reduce dependency on a

single food source, making communities less vulnerable to price shocks and supply disruptions, which strengthens resilience and food security.

7. Building Agricultural Resilience

By providing training, support, and insurance options, out-grower schemes help smallholders develop skills and resilience that make them better equipped to handle challenges like climate change, pest outbreaks, and fluctuating markets. Resilient farmers contribute to a more stable food supply chain.

In these ways, out-grower schemes promote food security by increasing food availability, improving economic access to food, and supporting a sustainable and resilient agricultural system. Through these initiatives, out-grower schemes help secure not only short-term food needs but also long-term food system stability.

Out-grower schemes can positively impact food security by increasing production, supporting farmer incomes, and improving access to resources. However, these schemes can also have negative impacts if they prioritize cash crops over food crops, lead to environmental degradation, or create economic dependencies. To enhance their positive impact on food security, out-grower schemes should:

Incorporate mechanisms that support food crop production alongside cash crops.
Provide education on sustainable practices to preserve soil health and productivity.
Promote income stability through fair pricing models and market diversification.
Ensure inclusivity to empower marginalized farmers and gender equality.

Ultimately, well-designed out-grower schemes that consider both economic and environmental factors can significantly contribute to local and regional food security.

Food insecurity and poor nutrition are caused by reduced access to physical, economic and social resources. The impact of each is classified below (Table 3) in terms of positive and negative impacts:

Table 3:

	Impact Potential	Impact Potential
Physical	↓ **Fewer Physical resources:** Land reallocation to investors: less land for community agriculture means less food. Water re-allocated to investors: less water for community agriculture means less food.	↑ **Higher productivity** ▪ New knowledge and skills bring better farming. ▪ New improved seeds give greater yield potential. ▪ Higher level of mechanisation increases productivity ▪ Improved post-harvest processes and facilities can reduce losses
Economic	↓ **Fewer Economic Resources:** People engaged in investment activities means fewer people engaged in food production. Actual Income from wages less than envisaged means less money for food. Time lapse between starting and earning income means temporary food shortage.	↑ **More Economic Activity** ▪ More economic activity means profits and wages which means more money for food purchases. ▪ Move away from subsistence economy means better allocation and more efficient use of economic resources[3].
Social	↓ **Increased Competition** Investors become competitors over land. Conflicts arise, food production declines. Inflows of people from outside the community on the news of work, wages, money available, causes food shortages.	↑ **<u>Effective Collaboration between Investor and Communities</u>** ▪ The Investor becomes a partner in development: food productivity increases, knowledge around nutrition increases. ▪ Better Community

[3] For example, savings kept "under the mattress" are used for investment in business.

	Commercialisation of production usually transfers control over income and food resources from women to men who are less inclined to spend on food[4].	Organization enables more people working together leading to higher production and better distribution.

The text in **bold** indicates categories that must be included in the investors' strategy. The list of causes provides guidance to the investor which should be followed while engaging with the community.

Investors can avoid harm to food security and nutrition and even improve them by adopting the following practices:[5]

> Do no harm. Ensure that existing sources of food security are not compromised by the investment.
> Include food security in community consultations and agreements. This is an essential topic for negotiations with communities and farmers.
> Consider impacts on nutrition. An adequate supply of food is not enough; the food must be sufficiently nutritious.
> Ensure out-grower schemes improve food security. Design schemes that have fairly priced crop purchase agreements and provide training so out-growers can improve productivity.
> Be wary of diverting food crops to cash crops. If this occurs, ensure that the community has alternative land to grow food crops, or that out-grower income is sufficient to purchase sufficient amounts of healthy food.
> ESIA. Consider the food security impacts of the out-grower program as part of an environmental and social impact assessment.
> Gender. Consider the impacts of the investment on women. Increasing women's incomes through employment or participation in an out-grower scheme could improve food security but may also have negative impacts through women's double burden of work and household commitments.

Ekiti State should consider utilizing the following practices in relation to out-grower schemes:

> National/state food security strategy. The state should have a coherent food security strategy that aligns with the national strategy. The plan should specify the types of investment and business models most needed, including out-grower schemes where appropriate, and reflect food production and distribution needs and networks.

[4] Studies suggest that increases in income from out-grower systems were typically controlled by males, and so did not translate to increases in the percentage of income spent on food, which was typically purchased by women - https://www.landgovernance.org/themes/foodsecurity/

[5] This list and the following list aimed at governments are derived from "UNCTAD; World Bank. 2018. Introduction to Responsible Agricultural Investment. Responsible Agricultural Investment (RAI) Knowledge Into Action Note, no. 22; World Bank, Washington, DC. (https://openknowledge.worldbank.org/entities/publication/52b913a1-6ab7-589c-a929-f51116d0ac50).

Give food insecure areas special attention. Promote well-organized and inclusive out-grower schemes in areas that are food insecure.

Consider food security implications of proposed out-grower schemes. The Ministry of Agriculture and Food Security should consider potential impacts on local food security at the 5thstage of the State's investment approval process(IAP) when assessing proposed investments in Ekiti state. This includes ensuring that food security protections are contained in the out-grower contract.

Monitor food security impacts. The Ministry of Agriculture and Food Security should include actual impacts on food security in its investment monitoring activities.

8. EXTENSION SERVICES AND FIELD MONITORING

8.1 Technical Training and Extension Services

Training: Farmers should be trained on best agricultural practices, crop management, pest control, and post-harvest handling to improve productivity and crop quality.

Extension Support: Regular visits by extension officers help monitor crop progress, address issues, and support farmers with guidance.

There may be a need for investors to perform full training and extension needs analysis to establish a baseline to enable them to plan the implementation or expansion of extension services to their out-grower farmers, who should be involved in the process to ensure that their needs are being addressed where feasible.

The delivery of extension services should be properly planned to ensure timely delivery.

The number of extension officers required should be dictated by, among other things, the geographical spread of the farmers or farmer groups, and the effective coverage a single extension officer can provide.

Extension Officers should monitor crop growth stages, input use, pest management, and overall progress which is essential in tracking the scheme's performance.
Record keeping of yield, input usage, harvest, produce sales and quality data allow for better analysis, decision making and improvement over time.

Extension services are often a major expenditure in an out-grower scheme, and ultimately the cost of the extension services should be commensurate with the volumes and value of the commodity in question. The cost must be reasonable and sustainable.

8.2 Access to Resources in Ekiti State

8.2.1 Credit facilities

Access to credit facilities is important for empowering farmers and investors to enhance the agricultural landscape in Ekiti State. Several credit facilities and financial support programs are available to support agricultural activities in the state.

8.2.2 Technological Resources:

Adoption of Modern Technologies: Access to cutting-edge agricultural technologies is crucial for enhancing productivity. Out-growers in Ekiti State can benefit from:

a. **Technology Subsidies**: Collaborate with technology service providers to offer subsidies on agricultural land preparation, such as tractorization and farm inputs. Government initiatives can support out-growers in adopting modern technologies by making equipment more affordable.
b. **Training Programs**: Establish training programs in partnership with technology companies to educate out-growers on the effective use of modern tools. These programs should cover precision farming, drone technology, and other innovations that can optimize resource use.

8.2.3Human Resources:

Skill Development: Empowering out-growers through skill development is critical. Specific programs include:

a. **Agricultural Vocational Training**: provides hand-on skills in farming techniques, crop management , and animal husbandry.
b. **Extension Services**: are vital for providing farmers with information, advice and resources to improve their practices and productivity. They offer expertise in areas like crop management, pest control, soil health and technology adoption, helping farmers stay updated with the latest developments and best practices in the industry.

8.2.4Infrastructure:

Farming Equipment: Enhancing access to farming equipment is essential for smallholder farmers. Specific initiatives include:

a. Community-Based Equipment Ownership: Ekiti State Encourage the formation of community-based cooperatives for joint ownership of farming equipment. This approach reduces the financial burden on individual farmers.

b. Government-Sponsored Equipment Programs: Ekiti State had embark on government-sponsored programs subsidizing access to tractors, plough, and other essential machinery. These programs were administered through agricultural agencies and cooperatives.

8.2.5 Training and Capacity Building:

Workshops and Seminars**:** Continuous training and capacity building are integral. Specific initiatives include:

a. Annual Agricultural Workshops: Host annual workshops and seminars on emerging agricultural trends, market oriented farming, and sustainable practices. Engage experts and practitioners to share insights with out-growers.

b. Mobile Extension Units: Establish mobile extension units that can reach remote farming communities. These units can provide on-site training, address specific challenges, and disseminate relevant information.

Addressing financial, technological, human, and infrastructural resources, Ekiti State agriculture toolkit aims to create an enabling environment for outgrowers, nurturing sustainable and prosperous farming practices. The identified initiatives and credit facilities are designed to enhance resource access and contribute to the overall development of the agricultural sector in the state.

8.3Community Engagement and Social Responsibility

This involves Community Integration and Social responsibility.

Community Integration: Investors should engage and interact with the local community, including traditional leaders and local authorities. This builds trust and supports smooth operation.

Social Initiatives: Investors should essentially invest in social projects as part of their responsibility to local development.

Box 11: Phases for Provision of Extension Services in Out-grower Schemes

Provision of extension services should take place at distinct periods that can be distinguished in the crop cycle, for example:

mobilization and registration/contracting of farmers including input distribution,
nursery preparation and establishment (if applicable),
fieldpreparationandcropestablishment/transplanting(ifapplicable),
field management including control of pests and diseases,
pre-harvest preparations, harvesting and post-harvest handling including storage hygiene, and marketing arrangements.

9.0 Risk Management in Ekiti State Agriculture

Ekiti State likely involves identifying potential hazards and vulnerabilities, assessing their likelihood, impact and developing strategies to mitigate or respond to them. This could include natural disasters like flooding and drought. In Ekiti State, several risk factors may influence agricultural activities. Here are key considerations and strategies for risk management in Ekiti State agriculture:

9.1 Climate Risks:

Consideration: Ekiti State has been faced by climate-related risks, including unpredictable rainfall patterns and drought weather events.

Risk Management:

Practicing soil conservation technique practices.
Selecting drought-resistant crop varieties
Encourage water management and conservation techniques by using irrigation system.

9.2 Market Risks:

Consideration: this can include fluctuations in commodity prices and change in demand for agricultural products can impact farmers' income.

Risk Management:

Diversification: planting a variety of crops to reduce dependence on the performance of any single commodity.
Forward Contracts: Entering into agreements to sell agricultural products at predetermined price and quantities.
Market Analysis: Stay informed about market trends, demand and pricing dynamics.

1. **Financial Risks:**

Consideration: This is crucial for individuals, businesses, and investors because limited access to credit and financial services can hinder agricultural development.

Risk Management:

Application of resources to minimize, monitors, and control the probability or impact of unfortunate events. This encompasses various strategies such as diversification, hedging, insurance and setting risk tolerance levels which is essential to ensure the stability and suitability of financial activities.

2. **Infrastructure Risks:**
   Consideration: consider evaluating the potential challenges associated with the infrastructure that support out-grower scheme. This includes assessing factors like

transportation networks, access to water resources, storage facilities and communication system. Risk may arise from inadequate infrastructure leading to disruption in supply chain.

Risk Management:

Risk identification: identify potential risks related to infrastructure that could impact outgrower scheme, such as inadequate transportation, unreliable water sources or insufficient storage facility.

Risk Assessment: Evaluate the likelihood and potential impact of each identified risk on the outgrower operations.

Risk mitigation: develop strategies to mitigate or reduce the impact of the identified risks. This may involve improving infrastructure, diversifying water sources, investing in backup systems or establish alternative transportation routes.

9.3 Pest and Disease Risks:

Consideration: factors like Crop type, climate, surrounding vegetation, and previous disease history should be assessed.

Risk Management:

Education and Training: given training on pest and disease identification, monitoring and management techniques.

Monitoring and Early detection: regular monitoring of crops for sign of pests and diseases to detect issues early when they are easier to manage.

Integrated pest Management: implementing these practices using biological controls, crop rotation, and selective pesticides to minimize pest and diseases pressure.

9.4 Policy and Regulatory Risks:

Consideration: proactively managing policy and regulatory risks, outgrower schemes can operates more effectively and sustainably so as to benefit both the outgrowers and the agribusinesses they supply.

Risk Management:

Compliance Monitoring: Regularly monitor changes in laws and regulations relevant to agriculture and ensure out-growers comply with them.

Legal Advisory Support: Provide out-growers with access to legal advisory services to interpret and navigate complex regulatory requirements.

Contractual Clarity: Ensure that contractual agreements between out-growers and agribusinesses clearly outline rights, responsibilities, and compliance obligations regarding regulatory requirements.

Government Relations: Foster constructive relationships with government authorities and policymakers to advocate for policies that support out-grower schemes and address regulatory challenges.

Risk Assessment and Mitigation: Conduct regular risk assessments to identify potential policy and regulatory risks and develop mitigation strategies, such as diversifying markets or advocating for regulatory reforms.

9.5 Social Risks:

Consideration: Outgrower schemes often involve small-scale farmers or producers supplying goods to larger companies. Social risk considerations include ensuring fair treatment, preventing exploitation, providing adequate support and training, and promoting community involvement and benefits. These measures help mitigate conflicts, promote sustainability, and enhance the overall well-being of the community.

Risk Management:

Community Engagement: Engage with local communities to understand their needs, concerns, and aspirations. Involve them in decision-making processes and ensure their voices are heard.

Fair Contracts: Develop clear and fair contracts that outline the terms of engagement, including pricing, quality standards, and responsibilities of both parties. Ensure transparency and fairness in negotiations.

Capacity Building: Provide training and capacity-building programs to outgrowers to enhance their skills in agricultural practices, business management, and financial literacy. This empowers them to negotiate better terms and improve productivity.

9.6 Technology Risks:

Consideration: this involves potential challenges related to the use of technology in agricultural production, supply chain management, and market access. By addressing technological risk considerations, out-grower schemes can harness the potential of technology to improve productivity, efficiency, and resilience in agriculture while minimizing associated challenges and disruptions.

Risk Management:

Identify potential technological risk such as system failure, cyber security threats, data breaches, and compatibility issues.

9.7 Human Resource Risks:

Consideration: Assess the availability of skilled labour in the target area and anticipate potential turnover rates. Develop strategies to attract and retain qualified personnel and ensure the out-growers receive adequate training and capacity building support to perform their roles effectively.

Risk Management:

Recruitment and Selection: Implement rigorous recruitment and selection processes to attract qualified candidates who are a good fit for the job and the organization's culture

Training and Development: Provide ongoing training and development opportunities to enhance the skills and capabilities of out-growers and their employees. This includes technical training in agriculture practices, as well as soft skills training in communication, leadership, and problem-solving.

9.8 Research and Extension Risks:

Consideration: these require careful planning, stakeholder engagement, monitoring, and adaptation throughout the research and extension process. These require comprehensive risk management strategies, including diversification, insurance, capacity building, and collaborative partnership with stakeholders.

Risk Management:

Integrating the risk management strategies into out-grower research and extension programs, stakeholders in Ekiti can contribute to enhance the resilience and sustainability of Agricultural value chains, benefiting both out-growers and the broader agricultural sector in the state.

10. TEMPLATES

Templates for out-grower schemes help to establish clear frameworks for agreements, monitoring, and implementation, ensuring all parties involved understand their roles, responsibilities, and expectations. Below are some key templates commonly used in out-grower schemes:

OUT-GROWER TEMPLATE 1: AGREEMENT TEMPLATE

This template outlines the contractual relationship between the investor and the farmers, covering expectations, terms, and obligations.

Category	Party	Name	Contact Details
Parties Involved	**Investor**		
	Farmer(s)		
Scope of Agreement	**Description**	**Details**	
	Types of Crops		
	Quantity		
	Quality Standards		

Agreement Form

Input Provisions Form	Description	Type	Quantity
	Seeds Provided	[Specify type of seeds]	[Specify quantity]
	Fertilizers Provided	[Specify type of fertilizer]	[Specify quantity]
	Pesticides Provided	[Specify type of pesticide]	[Specify quantity]

	Financial Support	[Specify type of support]	[Specify amount]
	Other Inputs	[Specify type of input]	[Specify quantity/amount]
		Item Description	**Details**
Pricing and Payment Terms		Pricing structure and conditions	[e.g., Pricing formula, payment schedule, penalties/bonuses based on yield and quality]
		Payment schedule	[e.g., Payment timeline, instalments, final payment]
		Penalties/Bonuses	[e.g., Penalties for late delivery or bonuses for exceeding quality targets]
Delivery Schedule		Timeframes for delivery of crops	[e.g., Date of first delivery, frequency of deliveries]
		Consequences for delays	[e.g., Penalties for missed deadlines or failure to meet quality expectations]
Technical Assistance		Type of training or extension services provided	[e.g., Crop management training, on-site technical support]
		Support provided for crop management	[e.g., On-the-ground technical assistance, field visits]
Dispute Resolution		Mechanism for resolving conflicts	[e.g., GRM, Mediation, conflict resolution through local councils or legal support]
		Dispute resolution	[e.g., Steps to follow if a

	steps	dispute arises, timeframe for resolution]
Termination Clause	Conditions for termination of the agreement	[e.g., Breach of contract, non-performance, mutual agreement]

OUT-GROWER TEMPLATE 2: MONITORING AND REPORTING TEMPLATE

This template is used to track crop growth, input use, yield, and challenges faced by farmers. It provides ongoing insight into the scheme's performance.

Monitoring and Reporting Form

Farmer Identification			
Farmer ID			
Location			
Plot Size			
Input Utilization			
Input Type	**Quantity Received**	**Quantity Used**	**Date Used**
Seeds			
Fertilizers			
Pesticides			
Other Inputs			
Crop Development Stages			
Stage	**Date Observed**	**Notes (e.g., pests, diseases)**	
Planting			
Flowering			
Harvest			
Yield Data			
Estimated Yield			
Actual Yield			
Challenges and Recommendations			
Challenges Observed			
Recommended Actions			
Extension Officer Comments			
Comments			

OUT-GROWERTEMPLATE 3: TRAINING AND EXTENSION SERVICES TEMPLATE

A structured guide for recording training sessions and other extension services provided to farmers.

Training Session Report Form

Training Schedule		
Date		
Time		
Training Content		
Topics Covered		
Trainer/Extension Officer		
Name		
Contact Information		
Farmers Attendance		
Farmers Names	**Farmer ID**	**Contact**
_____	_____	_____
_____	_____	_____
_____	_____	_____
Outcome and Feedback		
Evaluation of Training Session		
Feedback from Farmers		

OUT-GROWERTEMPLATE 4: PAYMENT AND DELIVERY LOG TEMPLATE

This template helps in recording details of crop deliveries and payments to ensure transparency in the transaction process.

Delivery and Payment Record Form

Delivery Details		
Date of Delivery		
Quantity Delivered		
Quality Rating		
Payment Details		
Amount Paid		
Payment Method		
Date Payment Received		
Receipt Confirmation		
Farmer's Name		
Signature		
Date		
Penalty or Bonus Application		
Type	**Description**	**Amount**
Penalty (if applicable)		
Bonus (if applicable)		

OUT-GROWERTEMPLATE 5: ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT (ESIA) TEMPLATE

This template is used to evaluate the scheme's social and environmental impacts, especially in cases where sustainability is a key focus.

Environmental and Social Impact Assessment Form

Environmental Impact Assessment	
Aspect	**Assessment Details**
Soil Quality	
Water Usage	
Deforestation	
Biodiversity	
Social Impact Assessment	
Aspect	**Evaluation Details**
Local Employment	
Income Levels	
Community Well-being	
Mitigation Measures	
Adverse Effect	**Mitigation Strategy**
Community Feedback	
Feedback Mechanism	
Summary of Concerns	
Actions Taken	

OUT-GROWERTEMPLATE 6: ANNUAL REVIEW AND EVALUATION TEMPLATE

An end-of-year assessment of the outgrower scheme's overall performance and areas for improvement.

Scheme Performance Review Form

Performance Against Targets			
Performance Metric	**Target**	**Actual**	**Variance**
Crop Yield (tons/ha)			
Farmer Participation (No.)			
Income per Farmer (₦)			
Training Sessions Delivered			

Financial Summary	
Item	**Amount (₦)**
Total Expenses	
Total Revenues	
Profitability	

Challenges and Lessons Learned	
Challenge	**Lesson Learned**
Low Crop Yield	Adjust input distribution or improve training on techniques.
High Side-Selling Rate	Strengthen market linkages and communication with farmers.

Improvement Plan	
Weakness Identified	**Proposed Action**
Inconsistent Attendance at Training	Introduce incentives or schedule sessions flexibly.
Soil Degradation	Introduce soil conservation practices and crop rotation.

Stakeholder Feedback	
Stakeholder Group	**Feedback Summary**
Farmers	More timely provision of input is needed.
Extension Officers	Increase training resources for effective delivery.
Other Stakeholders	Improved collaboration with local authorities is recommended.

OUT-GROWER TEMPLATE 7: OUT-GROWERS REGISTRATION FORM/MANAGEMENT INFORMATION

Out=grower Registration Form

1. Personal Details	
First Name(s)	
Family Name	
Date of Birth / Age	
Gender (Male/Female)	
2. Identification Information	
National Identify Number (NIN)	
Other Unique Identification (if any)	
Date of Registration	
3. Location Details	
Village	
Chief	
Zone	
District	
4. Support and Cultivation Details	
Credit Provided (e.g., Inputs, Tools, Extension Support, Financial Assistance)	
Area Under Cultivation (for Outgrower Crop)	
5. Contact Information	
Mobile Telephone Number	

Notes:

Ensure all fields are completed accurately for effective record-keeping.
Attach copies of identification where applicable.

The above management information could be linked to GIS aerial mapping systems in moredevelopedout-growerschemes.

OUT-GROWER TEMPLATE 8: INDIVIDUAL FARMER'S PERFORMANCE MONITORING TEMPLATE

Outgrower Scheme Monitoring Form

1. Contract and Inputs	
Name of Farmer	
Farmer's ID	
Location	
Contracted Area	
Distribution of Inputs	
2. Nursery and Land Preparation	
Nursery Management (if	

applicable)	
Land Preparation	
3. Planting and Crop Development	
Time of Planting / Transplanting (if applicable)	
Crop Emergence / Seedling Survival Rate (if applicable)	
Spacing and Plant/Tree Density	
Timely Weeding and Adherence to Agronomic Practices	
4. Risk Mitigation and Pest Control	
Establishment of Fire Breaks/Guards (if applicable)	
Implementation of Pest and Disease Control Practices	
5. Crop Monitoring and Harvesting	
Crop Establishment / Status at Intervals	
Timely Harvesting and Techniques	
Post-Harvest Technology	
6. Production and Data Management	
Production Data	
Formulation of Group Constitution (By-laws)	
Group Record Keeping	

Reporting formats to be used by individual farmers, farmer groups and/or field officers should be developed to capture the required data in a consistent manner and allow for easy processing.