

## **FARMERS AND INVESTORS' BUSINESS MODEL FOR MUTUAL BENEFIT AND PROFIT**



*"A successful investment occurs when you recognize a gap between the Current and Desirable state, which you can bridge. "*

\*in my articles, I address general phenomena. Mention of a country/continent is for illustration purposes only.

### **THE OPPORTUNITY LAY WHERE THERE IS A PROBLEM**

It is clear that to improve and accelerate the agriculture of emerging economies and convert them into a successful agri-business, there is a need for significant investments.

Based on economic analysis and my personal experience, it is visible that Africa and Asia's agro-business potential is inexhaustible.

So why are only a few investors ready to invest in those continents, harboring most of the world's farmers?

## CURRENT INVESTMENT MODEL

It is quite apparent why farmers need investments; they need to bridge an extended period (from one harvest to the next) before seeing the results of their investment, their effort, and labor, which is when the produce is ready to sell.

Farmers growing fruits need to wait a whole year before selling their fruits and getting money (ROI). Until that takes place, they desperately need financial support.

It is less understood why investors would like to do business with farmers. The current reality is that in most cases, investors do not interact or invest in farmers.

Maybe because it is not aligned with their business model, the field of expertise, or fear of investing in something located far away, exposed to the elements, offering high risk and low ROI potential.



The current investing model is based on partial payment, e.g., trader, well before the season, for future production. Consequently, the trader owns the produce and will pay the farmer after selling the fruits, dedicating what already paid and his costs and share.

Is this the fate of farmers in the emerging economies, to continue in the current path without developing and without economic well-being?

**Is it possible to change that situation and attitude by bringing confidence to investors to invest in the agro-sector of Africa, Asia, etc.?**

To answer that question, we need to study and learn **the reasons and motivations of investors that already invest in farming** in those markets.

When I say "investors," I relate to – parties or agents like importers, distributors, produce traders, exporters, and even financial services (like short term bank loans).

Why are those investors ready to invest in some farmers?

Their strategy is simple and based on minimizing risks and increasing confidence in the positive result. They invest small amounts, for short terms, in farmers which they know.

Then they are **passively waiting** until harvest, hoping the produce is of the required quality and quantity so it can be sold with a profit. Then they get their investment, plus a certain upside, back.

Such investors often protect themselves by having some collateral, e.g., the farm or the future produce, or some other guarantee.

However, due to tiny margins, sometimes even negative, most farmers will find it hard to get any investment. This is because their business is too risky for any investor to deal with.

Below is an example presenting the high risk for African farmers when marketing their MANGOES in the local market.

Try to view that example through the eyes of an investor and think, "*would I be ready to invest under such conditions?*"

## **EXAMPLE**

The economics of African mango growers selling in LOCAL markets. In parentheses is the typical range.

**Current fruit loss due to fruit fly infestation** – 50% (30% to 80%).

**Cost of fruit fly control** – 700 €/hectare (500 to 1000 €/Ha.). May rise up to 2,000 €/hectare if bags or SIT are used.

**Yield:** 10 tons/Ha. (5 to 15 T/Ha.).

**Price for farmer:** 0.30 €/kg (0.1 to 0.5 €/kg).

**Potential income in the LOCAL market** is, therefore - 3,000 €/Ha. But due to 50% fruit fly fruit loss, costly control, and low yield, the actual income is ONLY - 800 €/Ha.

In reality, the situation among mango growers is so bad that most growers abandoned their plantations in Togo, and in neighboring Ghana, about 40% abandoned their farms. Unfortunately, this reflects the situation across Africa.

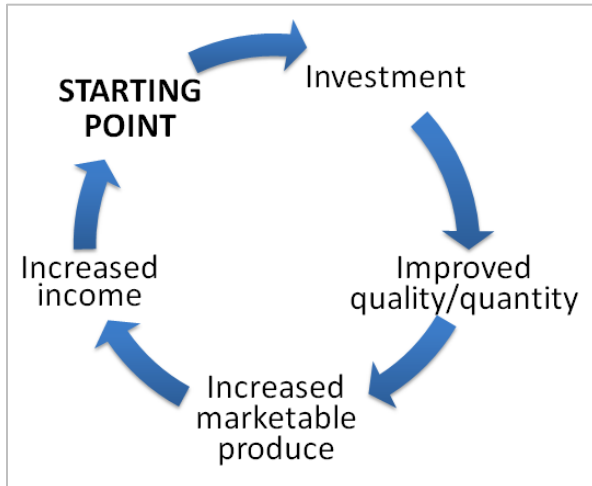
Therefore, the existing investment model is intended to enable the **continuation** of the current (unfortunate) reality of the farmers' status, based on the same produce quality, quantity, and income results.

To convince investors to put their money into agriculture, we need to create a new model, which offers a business environment with lower risk and higher confidence.

The way to do so is by improving the agricultural and business results!

Improved results are tightly coupled with farmers' needs for more significant investments and sometimes also for more extended periods, not just for a single season?

For such tasks, the current investment model is unsuitable. To jump-start Africa's agriculture, we need a different kind of business and investment model.



A successful business model creates that cycle. Export markets almost always enable reaching the highest price per kg.

It has to be pure Africa agri-business-oriented, strategic, and competitive with investment options other than agriculture.

## **PARTIES OF THE AGRI-BUSINESS DEVELOPMENT MODEL**

A successful model to enhance the agro-industry is one where all involved parties benefit more by applying it.

Let us take a moment to define the parties, understand their position (point of view) and motivations. When needed, I will use examples from the mango agro-industry.

**FARMER** – Need to finance his expenses throughout the year. His business relies on income from the harvest. Currently, he is limited on the capitalization of his property (i.e., farm) and produces. He has a limited field size, and therefore he must increase his income per hectare.

**INVESTOR/ INVESTMENT**– In the context of the required model, an entity that allows a farmer access to financial resources or resources with monetary value (like services or products) without requiring immediate payment will be considered an investor is doing an agro-investment. Such entities include; distributors, banking loan providers, pre-payments by traders or exporters before harvest, service providers (e.g., packing house), products supply (e.g., crop protection), etc.

We are all aware that any investor compares investment options and is interested in a higher and faster, free of risks, return on investment (ROI).

An investor will give up a potential investment if the risks seem too great.

Therefore, investors are looking for trusted partners and increasing chances of seeing their investment back by making sure (when possible, **actively**) that the suggested investment plan is realistic and adequately and professionally executed. Investors will look for collateral to ensure their investment.

**EXPORTER/TRADER** – Looking to get from the farmer the produce at the required quantity at the right quality and at the right time.

Those to maximize the deal's potential by selling the produce at the highest market price. Export markets are often the best option.

Under some circumstances, they may serve as investors through pre-harvest payments.

**TRUSTED PARTNER (TP)** – TP is the financial arm of *Green Valley*. TP is trusted by everybody involved in the agri-business process. TP is responsible for enabling the mutual business or goods (and money) exchanges between parties.

TP is THE one responsible for ensuring that the professional plan is appropriately executed.

TP is eligible to fill up additional rolls, such as investor or exporter or others to be defined among the business partners if needed.

Main tasks within the TP responsibility include:

- \* TP is the party which in practice obtaining the investment and managing the finance to maximize the usage of invested funds, including purchasing goods and services.
- \* TP is managing the 'flow' of the produce within the value chain, from field to the shelf.
- \* TP is responsible for Post Sale Profit distribution among the partners, as pre-agreed.



The Agri-Development Investment model (ADI) goods and money flow. ADI model is designed for increasing investments for fruit export from less developed countries.

## **GREEN VALLEY AGRI-DEVELOPMENT INVESTMENT (ADI) MODEL**

There is little chance of attracting business-oriented investors based on the current marginal profit in the agro-industry, local market-oriented.

We can significantly increase the income per kg., when we sell our produce to premium export markets, often offering **higher** prices by tens of percent.

If we use the mango industry example, as we did above, we can see that an average income is about 800 €/Ha.

Due to the devastating impact of the fruit fly infestation, in practice, the income varies from rarely 2,500 €/Ha., to practically nothing!

However, **when the same mango is intended for high-value export markets, we need to have zero fruit fly infestation**, meaning there is no more fruit fly damage, although there are still expenses for its management.

When exporting, farmers can expect a higher price per kg., say 0.75 €/kg (ranging from 0.4 to 1.0 €/kg), which translate to a potential income of 7,500 €/Ha., which is about 300% more than the rare income when currently selling to the local market.

By the way, even if we deduct 30% from the current 7,500 €/Ha. income, we remain over 5,000 €/Ha, which is well above the current African or Asian situation. Clearly, leading farmers will do much, much better.

**That difference is the potential gap of value and profit for any involved party.**

When selling the mangoes to premium markets, typically export markets, we can increase the income per hectare from tens or hundreds of Euros to thousands or tens of thousands of Euros per hectare.

This is achievable using the ADI model, which makes the most advanced professional services, connections, know-how, and technologies available to the farmer and a simple way of financing everything he needs.

Using the ADI model, a farmer, with the support of the other parties, can overtime increase his produce's value, e.g., mangoes (quality and quantity), from 1,000 €/Ha. to 40,000 €/Ha.

**That is the GAP for the value chain partners to be closed and profit from.**

More importantly, business-oriented investors can finally see the prospect of sizable profit margins, which at last make investing in agro-industry an attractive long term profitable and attractive investment option.

Based on information from countries already exporting mangoes, we see that exports and sales to premium markets allow investors to see a handsome profit while reducing business risks.

Hence, export is a condition and a cornerstone for the success of the model.

## **THE CORNERSTONES TO THE ADI MODEL**

*Agro-Development Investment* (ADI) model results from understanding the involved parties, what each can give versus wishes to gain.

We concluded that everybody could benefit more through cooperation than the current state of no or little collaboration.

We also understood that we need to strengthen or add some critical features, which the ADI model couldn't do without, including:

**1. TRUST** - Increase the level of trust between parties, which will enable transactions of money, goods, services, and produce between the parties.

**2. QUALITY** - Increased quality through professionalism to deliver the promised and expected improved results, aligned with desired financial results.

**3. CONFIDENCE** – Limitation of 'surprises' (risks) through close monitoring of the farmers' actions throughout the year and all stages along the value chain.

## HOW DOES THE MODEL WORK?

The ADI model is based on the assumption that each of the parties will benefit from increased *Trust*, *Quality* of produce, and *Confidence* in the results.

Hence, these are the cornerstones of the model.

Each of the involved parties needs to get something from one or more of the other parties to perform their duty on the best side.

Here is where the *Trusted Partner*, an arm of the *Green Valley* operation, comes in handy in overlooking, watching the alignment of interests, and coordinating exchanges between parties.

PARTY	PROVIDE (through TP)	GET (through TP)
<b>Farmer</b>	Exclusivity to trade with his produce	* Access to resources to improve and accelerate his business to get higher income per Ha.* Working with professional service providers.
<b>Investor</b>	Access to agreed budget	* Agreed model of ROI and profit. * Working with and coordinated by TP. * Clear path of doing business assuring "no surprises" operation.
<b>Fruit trader</b>	Access to premium markets	* Access to high-quality produce, suitable for premium export markets. * Ability to export the full potential and available fruits from places where they couldn't export before. * Working with trusted partners. No surprises in timing, quantity, and quality. * Model of higher performance – higher profit
<b>Trusted Party</b>	* Choosing and connecting partners. * Signing cooperation agreements. * Managing the whole setup operation. * Making sure each party will get its agreed share.	* Payments and Profit as agreed * Growing business by recruiting additional Farmers.

Alignment of interests – from experience, we know that when parties are not aligned in their interests, the results will be sub-optimal. For example, a provider of a spray or trap



for fruit fly control is unaffected by the farmer's income once he sold the products and received his money for it.

To overcome the problem of misalignment, we have designed the ADI model to increase parties' income and ROI whenever the received payment for the produce is increased.

It means that by selling more produce, at higher quality, for a higher price per kg., **all parties** will benefit more.

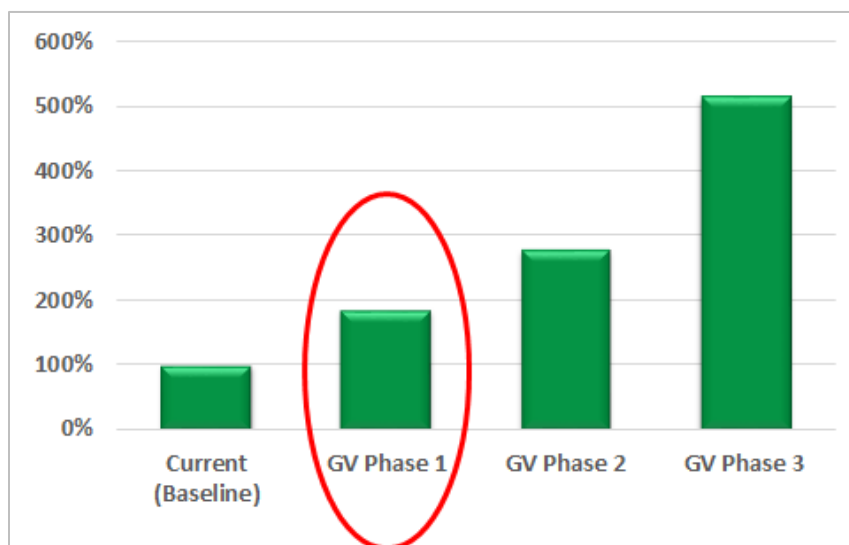
Now we can be confident and assured that all parties have a common goal; **act to increase revenue from the sale of produce.**

## PUTTING THE MODEL TO WORK

We developed the ADI model to support farmers, exporters, and providers (of goods, services, etc.) to enhance their business activities based on the *Green Valley* business and value foundations.

In the coming mango season, for the first time, *Green Valley* will implement the above business model with selected farmers and business partners.

Accordingly, in the 2021 season, *Green Valley* will offer its farmers a financial investment that can reach 50% to 70% of Phase 1, basic-package expenses, as detailed below.



Expected income % increase for farmers acting in the frame of the *Green Valley* ADI model. Current farmer income is the baseline, marked as 100%.

## **Phase 1: Green Valley basic package, partial content:**

\* **Financing** – 50% to 70% of approved activities in the frame of the FFCTZ (described below).

\* **Peace of mind** – ADI model is bringing-connecting-linking together the different parties combining the supply chain. Hence, providing confidence, saving time, effort, and redundant expenses from its partners.

\* **Fruit Fly Certified Trade Zone** (FFCTZ) system-approach full package which includes:

- Project design.
- Project approval.
- *FreeDome* units (panels and dispensers) for the entire project/farm.
- Monitoring U-traps (special).
- Applying and service the control and monitoring units.
- Year-round (12 months) project monitoring and management.
- Technical support and on-site learning.
- Professional supervision and personal advice from Dr. Nimrod, Biofeed's CEO.
- Professional relations with regulators in the country and export markets.
- Quality assurance year around and during the harvest.
- A signed certificate of compliance with the required FFCTZ standard.

\* **Post-harvest support** - by professional experts.

\* **Branding (optional)** – to increase income.

\* **Export** of produce through leading exporters to premium markets.

\* **Collecting payments** and dividing the receivables to partners as set by the agreements.

The basic package's target is to establish a long-term relationship between the parties and to see **an income increase** by a minimum of 25% for the farmer, already within the first year of the *Green Valley* activity.

After Phase 1 is established, *Green Valley* will act together with the involved parties to conduct the ADI model Phases 2 and 3 (not described herein) for further investments and income increase.

The ADI model is a breakthrough for farmers' benefit in emerging economies, marking a historic turning point by providing a financial model for supporting farmers turn their production to export markets, hence improving their business.

## **Green Valley was made by a farmer for farmers.**

*Green Valley* remains committed to farmers' and value chain partners' well-being by increasing exports from Africa and emerging markets to premium markets.

Starting today, your path to export is made easy for a bright and prosperous future.

Contact me if you would like to invest or participate in the mango value chain in Africa's agro-industry.

My way of keep improving is by getting your feedback and advice. Thanks

**If you find this article interesting, share it with someone who should see it and benefit from it!**

Contact me: [nisraely@biofeed.co.il](mailto:nisraely@biofeed.co.il) or text +972-5423425 (WhatsApp).

Let's talk and see how we can make one plus one much more than two and create a win-win agri-business state.

For web translation and sharing with friends - [press here](#).

*For a greener world  
Free of sprays  
Full of joy*

See you soon,  
Nimrod



**P.S.**

Note, I plan a trip to Africa during December. The date is not final yet, but it could be an excellent opportunity to meet face-to-face and get things moving. I will update you as soon as I have more info.

**P.P.S.**

COVID-19 changes people's eating habits and raises awareness of health, chemical usage, and quarantine pests. *Green Valley* is here to support your effort to overcome those challenges and take advantage of the open opportunities for those who seize the moment [ >><< ]. Please send me an email and state your challenge and goal. Biofeed team and I will take it from there.

**P.P.P.S.**

*Green Valley* customized Package concept - containing Technology, Protocol, Methodologies, Models, and Qualified Support Services. [ >><< ]

The key elements of *Green Valley* are:

- 1) **FreeDome** – the **core technology** for fruit fly control, which enables export quality. It is used as part of the FFCTZ (see below).
- 2) **Fruit Fly Certified Trade Zone (FFCTZ)** – is a **model** of a protocol and action to enable regulators, exporters, importers, and farmers to export produce from designated regions.
- 3) **Green Valley National Export Project** – this **protocol** is based on an Israeli model. It is designed for governments interested in adapting their country's agriculture to the 21st Century.
- 4) **Green Valley Fruits** – designated fruit certification label of **quality assurance**.

**P.P.P.P.S.**

Who is qualified to use the FFCTZ?

It can be a proper local partner with a particular focus on mangoes, e.g., fruit growers' organizations, fruit traders, exporters/importers, governments, businesspersons, food chains, etc.

IMPORTANT!

Our investment in each project is enormous. Thus, we must carefully select the most likely projects to bring about the desired results for all involved.

***Change Begins With A Decision That The Existing Reality Is A  
Choice  
And Not A Decree Of Fate***