

The Underserved Middle: Defining excluded enterprises in agricultural value chains

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Commercial Agriculture for Smallholders and Agribusiness

The CASA programme is a flagship programme of the UK Foreign, Commonwealth & Development Office (FCDO) and is intended to increase global investment in agribusinesses which trade with smallholders in equitable commercial relationships, increasing smallholders' incomes and climate resilience. The programme aims to help agribusinesses to scale up and trade in larger commercial markets. As part of its work CASA generates new evidence and analysis that supports a stronger, fairer and greener agribusiness sector.

CASA is a consortium of organizations (CABI, NIRAS and Swisscontact) working with associate partners (IIED, Malabo Montpellier Panel and TechnoServe).

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Executive Summary

This brief is intended to establish the concept and quantify the size of the “underserved middle” in the agricultural value chains of sub-Saharan Africa, Latin America and Asia; this is the sector underserved by financial, policy and market-making institutions. The aim is to build on existing concepts and published information to provide clarity to the investor community and their financing partners on the definition and size of the underserved middle, as well as on existing opportunities for investment, as identified by the Commercial Agriculture for Smallholders and Agribusiness (CASA) programme.

The underserved middle represents a diverse range of small and medium-sized enterprises (SMEs) at all stages of the value chain¹ – though predominantly downstream of production – characterized as being unable to exploit the potential to scale up that exists in the market due to their effective exclusion from normal market-supporting policies, financing and institutions. This exclusion is largely due to the size of the enterprises: they are typically larger than micro enterprises, which can self-finance and operate successfully within their local social, political and economic ecosystem, but are smaller than large companies, which are attractive to external financiers and have the capacity to engage with and influence decision makers and institutions.

Although figures are not available for the number of agricultural SMEs or their specific financing needs, very rough estimates of the financing gap range from \$170 billion annually for all smallholder financing needs in sub-Saharan Africa, Latin America and Asia to \$100 billion for agricultural SMEs in sub-Saharan Africa alone.² More recent thinking is currently being done by Reardon and Jayne, and by institutions such as the World Bank on the complexity of the underserved middle, particularly in terms of access to finance, institutions and policymakers. Whilst formal financing remains difficult to obtain and is expensive, informal sources are likely to be more important than previously thought. Both the demand and supply of formal and informal financing vary considerably by type of enterprise and funding need. However, investors and other stakeholders also need to consider how changes to policy, regulation and infrastructure will unshackle excluded SMEs and release their ability to scale themselves up.

To access the full report, please go to: <https://www.casaprogramme.com/wp-content/uploads/The-Underserved-Middle.pdf>

¹ This includes the collaborative bodies that bring private sector actors together, such as producer marketing organisations, cooperatives and interbranch associations.

² Including in ISF Advisors, 2019. [Pathways to Prosperity 2019: Rural and Agricultural Finance State of the Sector Report](#).



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