



# Building an Integrated Impact Investment Platform to Support Food Processing

*Challenges and  
Lessons from East  
and Southern Africa*

INSIGHTS PAPER BY:



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# Africa's Food Demand is Rising, but Agri-food SMEs Remain Chronically Underfunded

Agriculture accounts for 20–30% of GDP and is the primary livelihood for up to 70–80% of Africans. With the population projected to grow by ~60% by 2050, Africa has the potential to be a major food producer for regional and global markets.

Yet agri-food small and medium enterprises (SMEs) - particularly post-farm processors requiring USD 100,000–500,000 in growth capital - sit in a structural “missing middle,” too large for microfinance and often unattractive to commercial banks. This has resulted in an estimated USD 65–

100 billion credit gap<sup>1</sup> in the segment where employment, value addition, and farmer linkages are concentrated.

Post-farm food processing SMEs act as important engines of local value creation and strong impact multipliers in the agri-food value chain. They provide reliable off-take markets for smallholder farmers, reduce post-harvest losses, create rural employment and strengthen local value addition. Their relevance is increasing as climate volatility and food system pressures intensify, in particular for Eastern and Southern Africa, a region highly vulnerable to the effects of climate change. Climate volatility increases raw material variability, making local processing capacity and storage even more critical for food system resilience.



## Food Flourish Ventures and Partners in Food Solutions Took an Integrated Approach

In 2025, Food Flourish Ventures (FFV) was established as an integrated impact investment and business-building platform focused on small- and medium-sized agri-food enterprises in East and Southern Africa, with a particular emphasis on post-farm food processing and businesses led by women and youth.

Africa's rapidly growing food industry underscores the urgent need to strengthen the technical, operational, and financial capabilities of local food processors. Many small and medium-sized processors require advanced industry know-how to operate safe, efficient, and profitable facilities that consistently transform locally sourced raw materials into high-quality finished products. For more than 15 years, Partners in Food Solutions (PFS) has been a trusted technical assistance partner, connecting the expertise of leading global food companies with emerging African processors. Through tailored consulting engagements, PFS delivers specialized technical solutions alongside practical business and financial management tools that enable companies to improve performance, meet food safety standards, and scale sustainably.

Recognizing that technical improvements alone are insufficient without access to capital, PFS has also pioneered innovative approaches to unlock financing for its client companies. By integrating investment readiness support, strengthening financial systems, and building strategic partnerships, PFS helps processors access the capital required to implement improvements and accelerate growth. PFS seeks to combine technical excellence with pragmatic financial solutions to drive long-term competitiveness in the food sector. And yet, many clients still lacked access to the capital they needed to implement projects.

Food Flourish Venture's ambition was to partner with PFS to address a structural gap: the lack of appropriately structured capital and operational support available to growing agri-SMEs. Food Flourish Ventures – in collaboration with Partners in Food Solutions – combined three mutually reinforcing elements: capital (debt USD 100,000-500,000 ticket sizes), market connections, and strong food-tech capabilities.



### Capital

Providing financing to support business expansion



### Market Connections

Facilitating access to new distribution channels



### Food-Tech Expertise

Delivering technical assistance and industry insights

## Case Study 1

# GRACECO LTD. NIGERIA



Nigeria's Food Processing Sector Holds Immense Promise, Yet Persistent Barriers Prevent Many Indigenous Firms From Reaching Institutional And Export Markets.

## How blended finance and technical assistance drove organic growth, market access, and value chain deepening

Graceco Limited, incorporated in 1999 and over 50% female-owned, set out to overcome these constraints. Based in Lagos, the company produces baking ingredients, flours, cereals, baked goods, and snacks. By 2019, Graceco employed 170 people and had strong domestic traction, but certification gaps, product inefficiencies, and processing limitations were holding back its next stage of growth.

Between 2019 and 2025, Partners in Food Solutions (PFS) delivered targeted technical assistance engagements that strengthened Graceco's foundations. Support included HACCP and FSSC 22000 v5 certifications, baby food formulation, cupcake recipe optimization and shelf-life extension, 15 leadership apprenticeships, and equipment advisory. These interventions improved quality systems, sharpened innovation capacity, and built the leadership depth required for sustainable expansion.

In 2024, a \$50,000 concessional investment from PFS was made to upgrade Graceco's maize wet-milling line, alongside an \$83,000 co-investment from the company. New milling, de-watering, and flash-drying equipment improved throughput and quality consistency while reducing waste and energy costs. Most importantly, the upgrade enabled compliance with institutional standards, unlocking a supply contract with FrieslandCampina, a global dairy player, and advancing discussions toward longer-term supply to the World Food Programme. The loan was fully repaid by December 2025, demonstrating both discipline and commercial viability.

Graceco generated \$5M in 2022, with revenues declining to \$1.9M in 2024 following the sharp devaluation of the Naira. In 2025, the business has rebounded to \$2.5M in revenue, signaling a clear return to growth despite continued currency headwinds.

Although the Naira has lost 69% of its value since devaluation, Graceco has achieved 30% revenue growth, expanded its workforce from 170 to 221 employees, and increased sourcing to 100 local farmers - strengthening its supply base and deepening impact across the value chain.

Graceco's journey shows how sequenced technical assistance and catalytic capital can unlock market access, strengthen local value chains, and convert potential into inclusive, commercially validated growth.



## Strengthening Investment Readiness

While the potential agri-food SME pipeline is sizable, investment readiness varies significantly. Targeted technical assistance has been shown to materially improve investability across multiple dimensions, including governance structures, financial reporting quality, food safety and certification compliance, and operational efficiency, thereby directly de-risking underwriting processes and improving future investor returns.

Integrated approaches such as the one pursued by Food Flourish Ventures and Partners in Food Solutions therefore not only support SME growth directly, but also strengthen and expand the pipeline for larger impact investors over time by building more investment-ready businesses.

## Blended capital approaches for the “missing middle” are highly relevant, but are difficult to execute

Much has been written about the “missing middle” and the USD 100,000–500,000 financing gap continues to persist. It is driven by high transaction costs, risk premiums, structurally lower returns to investors in this segment and the limited availability of concessional buffers.

Due diligence requirements, legal and contractual structuring, and fund governance overheads result in transaction costs per dollar invested that remain disproportionately high at this ticket size.

In addition, a significant share of development-linked finance is denominated in foreign currency and is therefore often not suitable for agri-food SMEs that primarily serve domestic markets. In many cases, FX exposure, rather than underlying credit fundamentals, becomes the significant repayment risk.

In response to these structural challenges, several impact funds have moved upstream towards larger ticket sizes to improve fund economics, for example this is as reflected in

PE/VC BIAS	AGRI-FOOD PROCESSING REALITY
Asset-light	Capex-heavy
Rapid scale	Gradual capacity build
High margins	Thin margins
Digital scalability	Physical throughput
Low vulnerability to external shocks	High vulnerability to external shocks (e.g., raw material availability, pricing)

learnings from the first five years of the IDH Farmfit Fund<sup>2</sup>. Both real and perceived risk premiums, as also highlighted by institutions such as the World Bank and IMF, remain difficult to mitigate. Yet it is precisely this segment of companies that holds strong potential to drive regional development, strengthen food systems, and contribute to food security.

It is clear that “cookie-cutter approaches” adapted from the private equity and venture capital space, which favor asset-light investments, are not suited to the realities of food processing SMEs. Food processors scale through physical throughput, infrastructure investment, and supply chain build-out, rather than software-like marginal economics.

FFV set out to deliberately target this well-known financing gap of USD 100,000–500,000 – leveraging blended finance. Our approach included raising investment into the fund (for deploying debt to SMEs) alongside (non-repayable) grant capital for the TA facility providing support in access to markets and food-tech capabilities. Even under a deliberately lean operating model and organizational structure, including pro bono agreements with professional service providers, dedicated TA facility funding, and a concessional base layer, overall fund economics remained highly challenging.

While the critical role of blended finance in unlocking investment into sectors such as agri-food is widely reiterated across the ecosystem, the effective availability of concessional and first-loss capital remains limited. Initiatives such as the FASA Fund (“Catalyzing Capital for Agri-SMEs in Africa”) are actively working to provide first-loss capital for Africa-focused agri-food funds, but large-scale capital deployment is still in early stages.

Designing blended finance vehicles is further complicated by the structural limitations of combining differing and often highly specific institutional mandate whilst the higher return expectations of impact-oriented family offices, private investors, and DFIs severely limit the potential pool of available investor finance. Positioning an initiative such as Food Flourish Ventures with positive but only moderate return expectations of mid-single digit target net IRR for investors – as attainable in this segment – proved insufficiently attractive to many private capital providers.

While food processing is highly relevant from both an economic and food systems perspective, it is also not always perceived as sufficiently “innovative” in business model or digital enablement terms to qualify for certain frontier or innovation-oriented funding pools.





## Sector and portfolio risk realities need to be explicitly understood and actively managed

Agri-food value chains in emerging markets are structurally exposed to climate risk, price volatility, fragmented production systems, and raw material quality variability. Recent data on capacity utilization across certain processing segments, for example grains, dairy, and fruit in Kenya, often described as “overbuilt and undersupplied”, underscores the importance of carefully understanding structural capacity developments as well as underlying supply and demand dynamics when targeting post-farmgate investments.

Any investment approach pursued by an impact lender such as FFV must therefore explicitly account for these risk realities. This requires deliberate diversification across multiple dimensions, including types of SME investments (traditional growth-stage versus start-up), processing verticals, geographic markets, seasonal cycles, Capex intensity, and loan tenure structures. These portfolio construction levers need to be complemented by conservative underwriting assumptions and strong operational diligence to ensure resilience across economic and climate cycles.

## Strong locally anchored partnerships are foundational to success

Deep local insights and trusted partnerships on the ground are a prerequisite for success in this segment. The collaboration between FFV and PFS brought significant technical depth across pipeline sourcing, investment diligence, and post-investment value creation.

With operational presence on the continent, food technologists based across 11 African countries, and access to a global network of several hundred industry experts with highly relevant food sector expertise, PFS provided meaningful leverage across multiple dimensions. This included pipeline identification, pre-investment technical assistance to strengthen investment readiness, specialized technical input as part of due diligence processes, and hands-on post-investment operational support.

The organization’s strong track record of delivering tangible impact to approximately 2,000 food processing SME clients resonated clearly with both investors and prospective investees, reinforcing credibility and execution confidence across the platform.

## Case Study 2

# EXOTIC EPZ KENYA



Kenya's macadamia sector holds strong global demand potential, yet many processors remain trapped below scale.

Kenya's macadamia nut sector often demonstrates market traction but lack the operational maturity, compliance readiness, and efficiency required to attract commercial capital.

Exotic EPZ, a women-led macadamia processor established in 2012, faced this exact constraint. When Partners in Food Solutions (PFS) began working with the company in 2019, operational bottlenecks and export compliance were limiting growth and access to premium international markets.

PFS implemented a sequenced blended model combining technical assistance (TA) with targeted concessional finance.

Technical assistance de-risked and professionalized operations through quality and process assessments, factory layout redesign, processing line setup, occupational health and safety improvements, FDA audit preparation, export readiness support, product and packaging development for value-added retail markets.

This was reinforced with catalytic capital from PFS: USD 30,000 in 2020 to purchase and install a macadamia roaster and USD 50,000 in 2024 to acquire conveyor belts to increase processing efficiency.

The concessional financing absorbed early operational risk and funded high-impact equipment that commercial lenders would not support at the time. Crucially, TA ensured that these investments translated into measurable productivity, compliance, and market access gains. The combination bridged the gap between upfront capital expenditure and delayed export revenues.

Within four years, the results were transformative. Revenue and EBITDA increased 3.5x. Product quality met stringent international moisture and food safety standards. Exotic EPZ secured and sustained exports to the USA which now accounts for 50% of production as well as Europe, Canada, and Asia.

Commercial growth translated directly into inclusive impact: 162 full-time jobs were created and secured, 101 held by women. More than 10,000 macadamia farmers were integrated into a formal supply chain, 34% of them women, strengthening smallholder incomes and resilience.

Exotic EPZ's trajectory demonstrates that concessional finance, tightly coupled with technical expertise, does not substitute for commercial discipline; it builds it. By crowding in future capital and unlocking export markets, this model converts high-potential agribusinesses into competitive, inclusive enterprises capable of sustained growth.

## Our Lessons

1

### **If you want to generate economic opportunity and broader systemic impact target agri-food SMEs, particularly post-farm processors.**

They anchor local value chains, create off-take markets for smallholder farmers, reduce post-harvest losses, and contribute to food security and regional industrialization. It is therefore in the shared interest of public and private stakeholders to identify more effective ways to support their sustainable and profitable growth.

2

### **An integrated value proposition is critical to unlocking SME growth.**

Our experience reinforces that capital alone is necessary but not sufficient. Technical assistance and sector-specific operational support can materially improve investment readiness, strengthen governance and financial management, and de-risk businesses post-investment. Integrated models combining capital, market access, and technical capabilities create more resilient enterprises and stronger portfolio performance over time.

3

### **Capital readiness and availability, not pipeline quality, is the binding constraint.**

The limiting factor was not the absence of promising SMEs or demand for support, but the difficulty of securing sufficiently aligned, risk-tolerant capital at the right ticket size and time horizon. Investment pipeline development outpaced fundraising of deployable capital throughout the platform build-out.

4

### **The type of capital required by agri-SMEs remains misaligned with market expectations.**

Businesses require smaller ticket sizes, appropriately structured debt, and ideally limited FX exposure given their domestic revenue base. Many funding sources, however, operate with return expectations, currency structures, and deployment models that are not compatible with these realities. This structural misalignment is a core reason why the “missing middle” continues to persist.

5

### **Local currency solutions and (affordable) risk-sharing instruments need to expand.**

Given the FX exposure constraints faced by domestically oriented SMEs, scaling local currency lending facilities, guarantee mechanisms, and affordable hedging solutions would materially improve capital accessibility and repayment sustainability.

## Our Lessons

6

### Blended finance structures are highly relevant but difficult to operationalize.

In principle, blended capital approaches are well suited to this segment. In practice, they are complex to structure and slow to execute. The mandates, requirements, and return expectations of philanthropic funders, concessional capital providers, fund-of-fund vehicles, DFIs, and private investors differ significantly and are often difficult to reconcile within one vehicle. Concessional and first-loss capital remains scarce relative to stated ecosystem ambition.

7

### Greater standardization and investor mandate flexibility would materially improve execution feasibility.

Sharper alignment around impact metrics, return corridors, and risk-sharing frameworks could accelerate fund formation.

8

### New and emerging fund managers require time, institutional backing, and ecosystem anchoring.

Building investment platforms in complex sectors such as agri-food processing requires long development timelines, significant ecosystem relationship building, and patient anchor capital. Leveraging existing institutional platforms, partnerships, and technical networks where possible can reduce execution risk and improve speed to scale.



## Call to Action

We continue to believe strongly in the mission and objectives of Food Flourish Ventures and Partners in Food Solutions and in the value of an integrated proposition combining capital, market access, and food technology capabilities for agri-food SMEs, particularly post-farm processors.

- We call on deployers of capital to review their investment approaches and commercial return expectations in light of the structural realities of the agri-food SME segment. Return on investment frameworks need to more explicitly recognize and “price in” the broader societal value / impact created across the value chain, from smallholder farmers to processors to end consumers.
- More coordinated action is required from donors, DFIs, fund managers, and ecosystem builders to unlock Agri-SME growth at scale. Agri-SMEs remain central actors in Africa’s food system transformation. Integrated investment and capability-building models hold significant promise, but require structural ecosystem shifts, risk-sharing mechanisms, and long-term commitment to reach scale and deliver their full impact potential.

Footnotes:

1. Source - Aceli Africa, ISF Advisors
2. Source- [Five years of the IDH Farmfit Fund](#)



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