CONTENTS

1 Letter from the President and CEO

2 Who We Are

2 Map/Where We Work

4 Productivity, Food Security, and Nutrition

6 Input Supply and Farm Services

9 Economic Resilience and Rapid Recovery

11 Access to Finance

13 Volunteer Technical Assistance

15 Financial Highlights of 2012

17 Board of Directors
2012 Marked Significant Changes for CNFA. This year, we successfully completed programs in Georgia, Ghana, Sierra Leone and Zimbabwe, having helped thousands of smallholder farmers overcome development challenges by teaching sustainable agriculture practices, facilitating access to finance and credit, and building networks of input retailers all around the world. By using market-driven solutions to achieve food security, CNFA builds the competitiveness of rural entrepreneurs by providing assistance at all steps along value chains.

In Georgia, we addressed the country’s severe shortage of agricultural machinery by using a combination of matching grants and private sector investment to establish 21 machinery service centers. This network generated almost $2 million in sales, increased annual incomes of small-scale farmers by more than $6 million and created 195 jobs. We improved smallholder productivity, incomes and livelihoods by building an enterprise-based network of agrodealers that serve as a one-stop shop for agricultural inputs and supplies in Sierra Leone and Zimbabwe. In Africa alone, CNFA has supported the development of more than 7,000 agrodealers, who have sold more than $170 million in goods and services to 3.2 million small scale rural producers over the last five years. In Ghana, we built the local capacity for smallholder cocoa producers by developing business centers to link cocoa producers to cocoa purchasers resulting in 12,000 farmers doubling both their yields and incomes.

2012 also marked the awarding of four new programs valued at $56 million in three new countries—Bangladesh, Ethiopia and South Sudan. In Ethiopia, we are applying our proven track record of market-driven value chain development to increase the competitiveness of selected livestock, meat and dairy value chains. CNFA’s second new program in Ethiopia is employing its Farm Service Center model as a platform for larger-scale, public-private partnerships to expand Ethiopian smallholders’ access to inputs, trainings and services. In Bangladesh, we are starting to build an agro-inputs retailer network which will serve 1 million smallholders and generate more than $100 million in sales. To help mitigate local conflicts in South Sudan, CNFA is developing a cattle identification and livestock ownership/registration system to help reduce both cattle raiding and sale of stolen cattle.

While 2012 may have been the year of change for CNFA, our priority of supporting the smallholder farmer remains constant. For 28 years, CNFA has actively engaged rural farmers and entrepreneurs in new income-generating activities of their own—enabling them to build brighter futures for themselves and their children. Though new development challenges continue to evolve, I am confident CNFA will remain at the forefront of helping rural farmers improve their livelihoods and in ultimately achieving global food security.

JOHN H. COSTELLO
President and Chief Executive Officer, CNFA
CNFA's mission is to stimulate economic growth and improve rural livelihoods in the developing world by empowering the private sector.

Established in 1985 and based in Washington, D.C., CNFA increases and sustains rural incomes by empowering farmers and rural entrepreneurs. Over the last 28 years, CNFA has managed more than $315 million in donor-funded, enterprise-based agricultural development initiatives across 38 countries.
Our 6 Core Capabilities

- Productivity, food security and nutrition
- Input supply and farm services
- Economic resilience and rapid recovery
- Access to finance
- Value chain development
- Volunteer technical assistance
Productivity, Food Security, & Nutrition

WE SUPPORT SMALLHOLDERS TO IMPROVE PRODUCTION PRACTICES, household-level food security and nutrition through training, adoption of quality inputs, diversification of crop production, and development of farmer based organizations. We employ a market-led approach which focuses on commercial demand to drive production, leading directly to increased incomes. Nutritious food crops, such as leafy green vegetables, legumes, meat and dairy and major staples such as corn, are priorities for our smallholder development programs, with the initial goal of satisfying household food needs, and then expanding sales of surplus harvest for cash and improved standards of living.

PROGRAM HIGHLIGHT

Strengthening Ethiopia’s Livestock Sector

With a population of over 80 million, Ethiopia is one of the fastest growing economies in Africa. Agriculture accounts for 45 percent of Ethiopia’s GDP and 90 percent of its exports. However, Ethiopia’s livestock sector remains underdeveloped. The Agricultural Growth Program-Livestock Market Development (AGP-LMD) is a new five-year CNFA program awarded in 2012 and funded by the United States Agency for International Development (USAID). As part of USAID’s Feed the Future (FTF) Initiative, AGP-Livestock Market Development is fostering growth, creating jobs for rural households, and reducing hunger and malnutrition through increased competitiveness of selected value chains: meat and live animals, dairy, and hides, skins and leather.

The project is a key USAID contribution to the Government of Ethiopia’s Agricultural Growth Program (AGP), whose objective is to increase agricultural productivity and market access for key crop and livestock products in targeted woredas with increased participation of women and youth. It operates in the AGP targeted Woredas of Oromia, Amhara, Tigray and Southern Nations, Nationalities, and Peoples’ Region (SNNPR).

In keeping with the principles of the U.S. Feed the Future Initiative, CNFA is drawing upon a skilled consortium of leading Ethiopian and international development organizations to combine proven livestock and dairy value chain development experience with expertise in health, nutrition, gender, equality, and information
The project will self-propel the value chains actors, capable of taking ownership of their own future development, by addressing systemic bottlenecks and facilitating participants’ own engagement and investment.

and communication technologies. By joining international expertise and worldwide best practices with a leading role by seasoned local partner organizations, CNFA is supporting local partners to lead interventions through existing cooperatives, associations, government agencies and private firms to spur sustainable economic growth in Ethiopia.

The AGP-Livestock Market Development project addresses USAID’s Strategic Objective of improving smallholder incomes and nutritional status through the achievement of the following three key USAID intermediate results:

■ Increased Productivity and Competitiveness of Selected Livestock Value Chains
■ Improved Enabling Environment for Livestock Value Chains
■ Improved Quality and Diversity of Household Diet through Intake of Livestock Products

By the end, the program will generate an estimated 2,600 new on and off-farm jobs and improve the livelihoods for more than 200,000 households.
One of the most difficult challenges for smallholder farmers is finding a reliable source of high quality agricultural inputs such as seed, fertilizer, crop protection products, farm equipment, sustainable extension services, and veterinary supplies and services. CNFA has developed a series of retail input supply models, all of which are driven by and adapted to local production, markets, entrepreneurs and context. In all cases, CNFA’s input supply and farm service retailers are designed to serve smallholder demand for agricultural inputs and services. These “one-stop-shops” for local smallholder farmers demonstrate a profitable business model that is based on a large volume of individually small transactions with small farmer clients.

We have built networks of input retailers in Afghanistan, Georgia, Ghana, Kenya, Malawi, Mali, Moldova, Romania, Sierra Leone, Tanzania and Zimbabwe, which serve as a key link in the value chain by offering smallholder farmers access to agricultural inputs, services, financing and output marketing. As a result of this model, 16 million people are benefitting from improved access to inputs and services.
Improving Zimbabweans Access to High Quality Agricultural Inputs

At the request of USAID, CNFA designed the Agrodealer Strengthening Program-Zimbabwe (ASP-Z) with the intention of restoring private sector dominance of the input supply sector to smallholder farmers. ASP-Z provided smallholder farmers in the dry areas of Zimbabwe with the inputs, technology and information needed to improve their livelihoods and increase agricultural production. By the close of the program in September 2012, 274 agrodealers completed business management training and were certified by the project, of which 117 (46 percent) were women. The agrodealers hosted 285 demonstration plots and 21 field days, leading to the training of 17,664 farmers in best practice planting, cultivation and harvesting techniques. This resulted in improving 82,921 households’ access to high-quality agricultural inputs; decreasing resources spent sourcing these products and increasing productivity and farm incomes.

Farmers’ Paradise, a woman-owned agrodealer business established in 1997, provides one-stop shopping for farmers in the Kwekwe District of Zimbabwe. Unfortunately, hyperinflation, low buying power, and free and subsidized inputs hindered the store’s success. When the organization’s directors Tsungayi Mpofu and Catherine Mundava heard about the USAID-funded Agrodealer Strengthening Program (ASP-Zimbabwe), they signed up immediately for the Business Management and Technical training.

Farmers’ Paradise saw a drastic improvement in their sales after receiving the CNFA-led training. “We increased our daily sales from $250 to $750 due to the diversity of our stock,” Ms. Mpofu said. “Our knowledge of the products improved tremendously and we now stock not only grain protectants and veterinary products, but also vegetable seeds and stock feed, which help satisfy a larger customer base.”

In Africa alone, CNFA has supported the development of more than 7,000 agrodealers, who have sold more than $170 million in goods and services to 3.2 million small scale rural producers over the last five years.
Access to Mechanization in Georgia, 2009–2012
Funded by USAID and implemented by CNFA

• Opened 21 Machinery Service Centers (MSCs)
• Awarded grants worth $2.7 million, leveraging more than $1.3 million in private sector investment
• Generated $1,783,092 sales
• Created 195 new jobs within the agricultural sector
• Served 31,190 ha of agricultural land

PROGRAM HIGHLIGHT
Building Farm Service Centers in Ethiopia

In Ethiopia, smallholder farmers suffer from perennial shortages of all types of crop seed, with local production fragmented and coordinated by local farmers’ cooperatives, which are unable to manage national-scale supply and demand dynamics. The new two-year Commercial Farm Service Program (CFSP), awarded in 2012 and funded by USAID, addresses these challenges by developing a pilot network of six private, retail input supply and farm service centers (FSCs).

CFSP will adapt CNFA’s proven Farm Service Center (FSC) model to the Ethiopian context for the first time. FSCs established through this pilot program will provide a complete range of inputs, services, information and output marketing linkages. By the end of the program, the FSCs will generate $600,000 in sales, impact 30,000 smallholders in the Oromia region and leverage $350,000 in private investment.

PROGRAM HIGHLIGHT
Helping Food Security for Bangladeshis

In Bangladesh, CNFA is implementing the new Agro-Inputs Project (AIP), a five-year program awarded in 2012 and funded by USAID, which aims to help vulnerable Bangladeshi farmers escape hunger and poverty by increasing smallholders’ production and productivity through improved access to quality agricultural inputs. As a flagship U.S. Feed the Future program, AIP is improving the supply of safe, high-quality inputs available to farmers in southern Bangladesh by delivering training to and strengthening the services of an expanding network of agro-input retailers. AIP will serve more than 1 million smallholders, impacting more than 5 million individuals across 20 southern districts and generate more than $100 million in sales.
Economic Resilience & Rapid Recovery

CNFA UTILIZES PRIVATE SECTOR SYSTEMS TO ADDRESS ECONOMIC RECOVERY needs following natural or man-made disasters, and to mitigate the economic impact of disasters before they occur. Through grant facilities, voucher-based assistance, business and technical training, as well as community and association development, CNFA helps strengthen vulnerable communities and reduce donor dependency.

As one of the first projects implemented in Africa under USAID’s Feed the Future program, the Kenya Drylands Livestock Development Program (KDLDP) is improving incomes and food security for 50,000 households by focusing on all aspects of the value chain. Working with local partners, KDLDP is enhancing livestock trade and marketing, helping producers and processors add value to livestock products, increasing livestock productivity and competitiveness through better feed and veterinary services, supporting a more favorable policy environment for the industry, and helping pastoralists withstand the effects of climate change.
Providing Kenya’s Waldena Community with Training to Mitigate the Effects of Climate Change

The Waldena Community, a group of pastoralists residing in the Northeastern Kenyan county of Tana River, relies heavily on their surrounding resources, specifically the Galole River. However, this is becoming increasingly difficult due to harsh climatic changes. To combat these challenges, a group of 24 men and women formed the Waldena Disaster Management Organization whose main objective is to purchase land for fodder production.

In February 2012, through USAID’s Kenya Drylands Livestock Development Program (KDLDP), the Waldena Community received invaluable trainings in Community Managed Disaster Risk Reduction (CMDRR). The trainings focused on how to implement mitigating measures to deal with disasters such as drought and flash floods, in addition to conducting interactive conflict resolution exercises.

Yussuf Bagaj Galole, secretary of the organization, praised the training. “With the skills that we have learned through the CMDRR from USAID’s KDLDP, we are much more confident in dealing with various issues relating to our environment. In fact, we have now started on planning how to best utilize the Galole seasonal river so that all may benefit, including visiting pastoralists from neighboring communities. Our community harvests rain water to grow more fodder and pastures for our livestock, which helps reduce conflict over grazing resources and also the number of deaths of our livestock.”

PROGRAM HIGHLIGHT

Reducing Conflict in South Sudan

In 2012, the U.S. Department of State (DOS) awarded CNFA the South Sudan Cattle Program (SSCP). Building upon CNFA’s experience implementing livestock-related programs in conflict and post-conflict regions, the two-year project will mitigate local conflicts through the development of a cattle identification and livestock ownership/registration system. The project expects to reach at least 10,000 pastoralist households representing about 60,000 people in the Northern Bahr el Ghazal (NBeG) State of South Sudan. In addition, at least 150,000 cattle will be identified, reducing at least 25 percent in the level of cattle theft for the identified/registered animals.
ONE OF THE MOST DIFFICULT CHALLENGES FOR ENTREPRENEURS is accessing appropriate and affordable financing. CNFA engages both supply and demand side stakeholders to address the constraints which limit agricultural financing.

We work with commercial banks, non-bank lending institutions and policymakers to improve their ability to design and market appropriate agricultural lending products and with agricultural borrowers to develop business plans and manage credit. CNFA also provides entrepreneurs with training in business planning and loan application development to generate viable business opportunities for banks and lending institutions. By providing technical assistance to financial intermediaries and increasing access to finance for entrepreneurs, CNFA improves production, market access and incomes.
In November 2012, CNFA Ghana hosted a two-day Agricultural Finance Forum attended by more than 20 organizations. The participants developed a list of following actions that must be taken to strengthen the agricultural value chain and help farmers become more creditworthy.

This forum was held as part of the Commercial Strengthening of Smallholder Cocoa Production Program (2009–2012) funded by the Bill & Melinda Gates Foundation.

**PROGRAM HIGHLIGHT**

**Establishing the First Sharia-Compliant Savings and Credit Cooperative in Kenya**

Recognizing a void in financial products and services to Kenya’s pastoralist Muslims, CNFA developed the Community Owned Financial Initiative (COFI), Kenya’s first Sharia compliant savings and credit cooperative organization (SACCO). The model, developed by the Kenya Livestock Marketing Council with support from the USAID-funded Kenya Drylands Livestock Development Program (KDLDP), provides pastoralists and rural entrepreneurs with an innovative savings and credit mechanism that enables them to engage and further invest in livestock production and trade activities. It addresses key challenges faced by pastoralists including limited access to finance, lack of collateral, low entrepreneurial capacity and the absence of risk management strategies. As the first culturally appropriate lending and savings vehicle for Muslim pastoralists, COFI extends credit and an avenue to mobilize savings to a previously underserved population.

**PROGRAM HIGHLIGHT**

**Volunteer Technical Assistance Delivers Financial Guidance for Smallholders**

CNFA uses targeted volunteer technical assistance to improve entrepreneurs’ access to affordable financing. Through the five-year USAID funded John Ogonowski & Doug Bereuter Farmer-to-Farmer Program (F2F), CNFA has fielded over 150 assignments (out of c. 900 to date) to address the financing needs of over 100 companies and organizations in sub-Saharan Africa, Eastern Europe and Central Asia. CNFA selects volunteer experts to advise rural finance institutions on the nuances of agricultural lending and administer tailored trainings on evaluating agriculture loan applications. Concurrently, CNFA deploys volunteers to assist entrepreneurs in developing credible business plans and loan applications. As a result of CNFA’s trainings, more than $24 million in new agriculture loans have been issued to beneficiaries, improving their productivity, market access, and incomes.
VALUE CHAINS WITH INCOME GENERATION AND MARKET POTENTIAL drive CNFA programs. In building these value chains, we work to improve post-harvest handling, storage and marketing in order to extend the sales season and help farmers obtain optimum returns on their investments, while enterprises benefit from improved raw material to deliver to consumers.

Our market-driven approach emphasizes the demands of processors, traders and ultimately consumers, in guiding production improvements. Post-harvest handling practices, traceability and quality standards are essential to ensuring market access whether they are local, national or international. Additionally, we provide training in business planning, including strategic sales and marketing plans.
By its completion, the Zaytun Project will:
- Create 600 new jobs
- Impact 2,500 farmers
- Increase smallholder incomes by at least 30 percent

SUCCESS STORY: Building New International Markets for Egypt’s Olive Sector

Although global demand for olive products is on the rise, Egyptian olive processors struggle to capitalize on export market demand primarily due to a supply shortage of raw olives. Many of Egypt’s rural olive farmers are disconnected from the commercial supply chain and often their olive production practices do not meet export quality standards. Further, though Egypt’s ongoing political transition offers potential promise for increased investment, there has been decreased investment, increased unemployment and financial difficulty for Egyptian farmers and processors alike.

The USAID-funded two-year Zaytun Project aims to strengthen Egypt’s competitiveness across the olive oil and table olive value chains. The program, implemented by CNFA, promotes best practices in production and processing, strengthens farmer associations, and helps connect the Egyptian olive industry to expanding international and domestic markets.

Alaa El Helw, a beneficiary farmer of the Zaytun Project has several years of experience in olive farming. Yet, the common practice of over-growing olive trees has resulted in poor production and an abundance of dry branches on his trees. Through the Zaytun Project’s farm trainings, El Helw learned how to prune, irrigate and fertilize his farmland. By opening the center of his trees and using organic fertilizer, he has significantly increased the production and quality of his olives. As a result of the training, Helw’s production has more than doubled from producing 10 tons in 2010, to producing 25 tons in 2012 on his 13-feddan farm.
Volunteer Technical Assistance

CNFA USES TARGETED VOLUNTEER TECHNICAL ASSISTANCE to foster sustained and broad-based economic growth in the agricultural sector. As the largest implementer of the USAID-funded Farmer-to-Farmer (F2F) program, we manage three programs in East Africa, Southern Africa, Europe, and Caucasus and Central Asia to strengthen rural economies by providing expert volunteer technical assistance. Volunteer assignments are provided along targeted value chains in order to identify needs at every level. From production to marketing, the volunteers work among a variety of stakeholders including farms and farmer cooperatives, agro-processors, financial institutions, industry associations and government institutions.
Mzuzu’s Green Shop in Malawi Recognized Beyond Borders

In 2002, a local entrepreneur, Mr. Bobby Mlongoti, opened a fresh fruit and vegetable store in Mzuzu, Malawi. Locally known as Green Shop, the store supplies hotels with spices, herbs, and indigenous—as well as exotic—vegetables.

In 2009, Green Shop faced several challenges including the inability to meet product demand. This prompted Green Shop to seek volunteer technical assistance to help guide the company in applying for a bank loan to increase their base capital.

Through the CNFA Farmer-to-Farmer (F2F) program, Green Shop received business management training in a variety of aspects including financial management, marketing and development. Additionally, the assistance led to the creation of a business plan that enabled Green Shop to secure a small loan in order to procure a water pump and pipes for irrigation.

Green Shop continues to gain credibility and in 2012 was awarded the SMME award in the Trade Sector category at the Africagrowth Institute awards. Mr. Mlongoti attributes the success of his business to CNFA and has improved the supply capacity of his business by almost tripling gross annual sales to $15,000 in just three years.

F2F Program Strengthens Georgian Fruit and Vegetable Sector

Despite its success of offering an impressive variety of fruits and vegetables to consumers in Georgia’s capital, Kalata Services decided to take the next step in order to engage in the full marketing chain of fruits and vegetables—from sorting and packing to distributing and selling produce in stores. As a newcomer to the agribusiness sector, Kalata Services needed assistance with its marketing and business strategy in order to increase revenue during its period of growth and transition.

Over several years, CNFA provided three rounds of progressively more advanced training and assistance, from sales techniques and promotional strategy, to operational planning and standardizing business procedures. As a result of CNFA training, Kalata has nearly doubled its sales to over $212,000 annually in addition to increasing its net income by $60,000 annually (a 320 percent increase).
FINANCIAL HIGHLIGHTS OF 2012

STATEMENT OF ACTIVITIES

- Federal and non-federal grant income: $19,417,623
- Other income: $828,811
- In-kind contributions: $2,495,193
- Subcontractor matching contributions: $12,951,083
- Total revenue: $35,692,710
- Total expenses: $34,823,385
- Increase/(decrease) in net assets: $869,325
- Net assets at the beginning of the year: $2,067,856
- Net assets at end of the year: $2,937,181

REVENUES BY REGION

- Africa
- Europe, Caucasus and Central Asia
- South Asia

BOARD OF DIRECTORS

- Lucy Wilson Benson
  Amherst, MA
- John R. Block
  Olsson Frank Weeda Terman Bode Matz PC
- Frank C. Carlucci
  Chairman Emeritus
  The Carlyle Group
- John J. Cavanaugh
  Attorney
- John H. Costello
  CNFA
- A. Michael Espy
  Mike Espy PLLC
- Richard P. Reising
  Senior Vice President (Retired)
  Archer Daniels Midland Company (ADM)