

Instaveg Ltd 'Retooling for Sustainability'

COVID-19 response and resilience building through AgriFI Kenya Challenge Fund



In July 2020 AgriFI Kenya Challenge Fund (AgriFI) issued a call for proposals inviting small and medium sized agri-enterprises (agri-SMEs) to apply for match funding to support effective responses to and recovery from the challenges caused by the COVID-19 pandemic. With support from AgriFI, Instaveg Ltd – a horticultural processor operating in Kirinyaga county – has been able to secure and enhance the support it offers to over 300 contracted outgrowers, retain its staff, resume processing operations with greater efficiency, and reach new high value export markets; all within the space of a year.

Instaveg Ltd was founded in 2014 by Managing Director Mr Ashibon Mwangi. By January 2020 the company was aggregating and packing a range of horticultural produce – including French beans, baby corn and sugar snap peas – for onward sale to exporters and for the local retail market. Instaveg was sourcing from around 300 smallholder farmers (SHF), employing 53 full time staff in management, admin & finance, processing and agronomy roles. The company was operating from a packhouse managed by Kenya's Horticultural Crops Directorate (HCD) where inefficiencies and a lack of adequate infrastructure were contributing to high overheads and limiting the quality of final produce.

When the COVID-19 pandemic hit and export opportunities dried up, Instaveg experienced a dramatic decline in demand from its key customers. No longer able to absorb the high overheads associated with the HCD facility, Instaveg was forced to cease processing and significantly scale down its operations. By the time Instaveg applied for funding from AgriFI, it was running on a skeleton staff of 9 and was sourcing from just 69 SHF, grading and packing produce at farm-based collection centres to supply the local market. Instaveg's annual revenue was €503,510 before the pandemic (Dec 2019). In 2020 this declined to €197,382 demonstrating the severe impact of the pandemic on the business.

AgriFI's COVID-19 response & recovery call sought to address both the challenges and opportunities which arose due to the changing business environment brought about by the pandemic, including business models providing opportunities for laid-off / under-utilised labour and those working in the informal economy.

The call focused on innovations around food, employee and smallholder safety, and innovations around market and value addition in light of changing market demand. Grants were available for between €150,000 and €350,000, with the expected match funding ratio reduced to 70:30 (from 50:50). Applicants were supported in the development of project proposals and budgets.

Instaveg's COVID-19 response & recovery project aimed to:

- Mobilize 273 farmers, renovating and constructing accessible collection centres
- Construct a new packhouse and improve cold chain facilities to reduce post-harvest losses
- Improve compliance and traceability
- Increase competitiveness and productivity, improving forward market integration
- Train farmers on GAP and post-harvest technologies
- Implement new software for improved traceability
- Revive the input store, nursery and a demo plot within the packhouse site



In spite of some challenges, Instaveg has been able to achieve – and in some cases exceed – most of these targets. Project implementation began in October 2020, since which time the company has installed a new packhouse and supporting units. Processing operations commenced at the new facility in June 2021; Instaveg is now employing 50 full time members of staff and directly supplying high value export markets for the first time. Annual revenue for 2021 is expected to reach €398,300; this is almost 80% of pre-Covid revenue.

Instaveg is currently processing 40 to 50MT of fresh produce per month, operating 3 or 4 days a week. The new packhouse has a maximum practical processing capacity of around 120MT per month, with 70 people operating on two shifts. The facility is equipped with handwashing stations, a nursing room and a first aid room. Whilst these are yet to be fully equipped, the company’s prioritisation of these spaces when margins are tight and the company is still operating at modest scale demonstrates commitment to inclusive and responsible business. Development of Instaveg’s cold chain with the addition of a refrigerated truck and a new efficient cold room (6MT capacity) has enabled the company to find new efficiencies. Wastage rates have reduced from a peak of 40% to an average of 17% as a result of on-farm grading, farmer training and cold chain improvements. A seedling nursery is partially equipped and the company plans to develop this, supplying quality seedlings to SHF and buying back their produce.

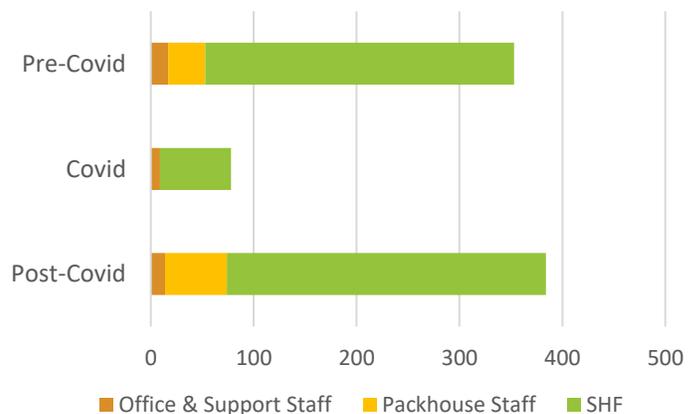
Having obtained BRC and SMETA certification through the project, Instaveg is realising expanded market opportunities and diversifying its customer base. The company is exceeding its monthly revenue projection of Ksh. 7 million due to increased capacity to supply export markets, realising a turnover of Ksh. 8 million in September 2021. Mr Mwangi is pleased with this performance, but is also committed to ensuring the company is not overly reliant on exports, and is developing products and marketing strategies for the local wholesale and retail market to further build resilience to future shocks.

Instaveg is now sourcing from 310 outgrower SHF who are contracted through farmer groups and has expanded the areas it sources from to increase business sustainability and reduce the level of risk associated with variable weather and pests and diseases.



Prior to the project, Instaveg sourced from Kirinyaga and Meru counties (indicated in orange on the above map), including the areas surrounding its headquarters and packhouse in Kangu, Kirinyaga. The company has now expanded to source from producers in Nanyuki and Rumuruti towns situated within Laikipia county (green).

The company uses a training of trainers (ToT) approach to provide Global GAP training and extension support to its SHF suppliers through its team of 4 agronomists and one technical manager. This team also coordinates collections and communicates input needs, providing the linkage between Instaveg and farmer groups. The company sources quality inputs at wholesale prices and ensures these are available at the right times to optimise production, adding a small markup (5%) to cover distribution costs. Instaveg supplies inputs on credit to SHF with a good track record. 9 farm-based collection centres have been constructed or refurbished for efficient aggregation and grading. The farm-based collection centres reduce transport costs for Instaveg and the additional layer of quality control means that there is less wastage during processing.





Meet Instaveg’s Smallholder Suppliers: Ngonde Fresh Farmers

Ngonde Fresh Farmers group have been supplying Instaveg with French beans since October 2020, with an initial membership of 20 SHF, of which 15 were women. Prior to the project, group members primarily practiced subsistence farming, growing staple food crops for own consumption, and selling some surplus produce at local markets. French beans can be planted year-round; between them the group plants an average of 10kg of seed every 2 weeks ensuring regular harvest and continuity of supply to Instaveg. Each farmer plants an average of 2kg of seed at a time on 1/8 of an acre, which is harvested after 2 months and yields approximately 500kg of French beans. These are sold to Instaveg at Ksh. 50/kg resulting in an income of Ksh. 25,000 per harvest, or Ksh. 12,500 per month. Prior to the project, farmers received Ksh. 20/kg for their beans at the local market, with an average monthly income of Ksh. 5,000 per month.

Members of Ngonde Fresh Farmers group report that the income gains realised through the project – as outlined in the graphic and table below – have resulted in significant livelihoods improvements, including being able to send their children to school and meet other household needs.

The group has grown through the project period and now has 34 members. They are very satisfied with the agronomy training delivered by the Instaveg team and aspire to continue improving production through a range of measures including soil testing to optimise soil health, and the use of solar irrigation systems. It is expected that further income gains will be realised as these improvements result in increased yields (up to 500kg per 1kg of seed / double current yield) and quality.



- ❖ 1/8 acre
- ❖ 2kg seed
- ❖ 2 months to harvest
- ❖ 500kg yield



	Pre-project	Post-project
Market	Local informal	Instaveg → export
Price	Ksh. 20 / kg	Ksh. 50 / kg
Monthly income	Ksh. 5,000	Ksh. 12,500



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This case study was compiled by the Imani Development team – technical implementation partners for AgriFI Kenya Challenge Fund.