FRILIA OUT-GROWERS AND FOOD SECURITY TOOLKIT

LAGOS STATE GOVERNMENT

OUT-GROWERS AND FOOD SECURITY TOOLKIT

7.1 Introduction to the Toolkit

The *Out-growers and Food Security Toolkit* provides a structured set of process models to guide inclusive and commercially viable agribusiness investments in Lagos State. The toolkit supports the growth of responsible investors while enabling local communities particularly smallholder farmers to participate meaningfully in large-scale agricultural value chains.

Aligned with the Lagos State Agricultural and Food Systems Roadmap, this toolkit also integrates food security strategies aimed at ensuring community resilience, urban food availability, and economic inclusion.

Purpose of the Toolkit

This toolkit is developed to enable investors, government agencies, cooperatives, and agribusiness stakeholders to:

- Understand and apply effective out-grower engagement models;
- Structure fair and transparent contracting arrangements;
- Support inclusive participation of smallholders in commercial agriculture;
- Promote sustainable food production systems and rural-urban supply chain integration.

The toolkit serves as a practical guide to operationalising inclusive agribusiness models that align with the vision of Lagos State as a resilient, food-secure megacity.

FRILIA Principles Applicable to Out-growers and Food Security

The *Framework for Responsible and Inclusive Land-Intensive Agriculture* (FRILIA), as adopted and adapted in Lagos State, outlines core principles that guide responsible investment and ensure equity and sustainability in land-based agricultural ventures:

- **Policy Alignment:** Investments must support Lagos State's strategic objectives, including poverty reduction, food security, youth employment, environmental sustainability, and inclusive rural development (FRILIA Principle 1.1).
- **Transparency:** All stages of investment including land access, benefit-sharing, and contracting must be transparent and accountable (FRILIA Principle 1.2).

- **Minimisation of Adverse Impacts:** Potential negative impacts on land users, food systems, and vulnerable populations must be avoided or minimised (FRILIA Principle 1.3).
- **Inclusive Participation:** Communities, especially women, youth, and vulnerable groups, must be actively consulted and supported in negotiation processes (FRILIA Principle 1.5).
- **Voluntary Land Contributions:** Communities must have the informed right to decide whether or not to contribute land to agricultural investments (FRILIA Principle 1.6).
- **Ongoing Monitoring:** Agribusiness investments must be monitored for social, environmental, and economic impacts (FRILIA Principle 1.7).
- **Environmental Safeguards:** Projects must include measures to prevent or mitigate environmental degradation (FRILIA Principle 4.1).
- **Impact Assessments:** Independent assessments of potential impacts on tenure, food systems, livelihoods, and the environment must precede any investment decision (FRILIA Principle 4.2).

Importance of Out-growers in Lagos State's Agricultural Transformation

In the context of Lagos State, FRILIA supports high-impact, market-linked agribusiness investments, especially those that align with the state's strategic efforts to:

- Boost food self-sufficiency;
- Expand agro-processing zones;
- Promote climate-smart agriculture;
- Reduce dependence on food imports;
- Strengthen rural-urban agricultural linkages.

FRILIA is primarily applicable to large-scale, land-intensive investments typically requiring coordinated state support, regulatory oversight, and access to public or blended finance. It is not targeted at small-scale subsistence farming, but rather at inclusive models that integrate smallholders into commercially viable value chains.

Out-growers are essential to this vision, serving as critical partners in producing consistent supply of raw agricultural inputs, particularly in crops such as rice, cassava, vegetables, and poultry. They help ensure:

- **Input Reliability**: Investors can secure quality feedstock for processing without owning extensive farmland.
- **Shared Value**: Economic benefits are distributed across communities, improving social stability and support.
- **Capital Efficiency**: Investors can leverage out-grower networks supported by external or public funding, reducing their upfront capital investment.

The Strategic Role of Out-growers in Agribusiness Development

Large-scale agribusiness investments in Lagos State often operate under models that combine commercial production with smallholder engagement. These typically rely on out-growers for between 30% and 70% of total input supply — particularly in value chains linked to the Lagos Food Logistics Hub, the Rice Mill in Imota, and urban food markets.

Key advantages of the out-grower model for investors include:

1. **Lower Capital Requirements:** Out-grower schemes financed through government programs, donor funds, or development partners can reduce the investor's direct cost of production.
2. **Social License to Operate:** By engaging host communities as business partners rather than competitors, investors build trust and secure the community's Free, Prior, and Informed Consent (FPIC).
3. **Improved Food System Resilience:** Out-growers help diversify production across regions, contributing to a more robust and distributed food system that supports Lagos's urban population.

Financing Out-growers and Food Security

Recommendations for financing Out-growers and Food Security are presented in the diagram below. More detailed guidance is provided in the Specific Templates.

INVESTOR COMMUNITY	COMMUNITY	GOVERNMENT (LAGOS STATE)	OUTGROWERS
Investor's Purpose • Access to land for farming and processing facilities • Develop supply chains without deploying excessive own capital	**Community Needs** • Human development • Economic upliftment through business and job opportunities • Minimized land-take through inclusive Outgrower models • Improved household and community-level food security	**Government Purpose** • Promote human development • Drive economic empowerment and livelihood sustainability • Ensure environmental protection and social inclusion	**Outgrower Purpose** • Build sustainable livelihoods through inclusive participation in commercial agriculture • Strengthen household income and food supply
Investor Role • Proponent and designer of investment initiative • Contracting partner and purchaser	**Community Role** • Grant Free, Prior and Informed Consent (FPIC) • Partner in Outgrower training and selection • Partner in food security strategy development	**Government Role** • Policy maker and regulator • Auditor and monitor of compliance with FRILIA safeguards • Mobiliser of development and catalytic funds • Director of investment and resource flows in the agricultural value chain	**Outgrower Role** • Implementer and key partner in production activities
Investor Activities • Design project concept and investment structure • Obtain community consent (aligned with FRILIA	**Community Activities** • Maintain cooperative and inclusive structures • Participate in project design and	**Government Activities** • Create conducive agricultural and investment policies • Strengthen regulatory frameworks for land use and environmental	**Outgrower Activities** • Learn and adopt modern, climate-smart farming practices • Supply produce as contracted • Participate in

principles) • Organize, manage, and operate production systems • Maintain long-term partnership with communities	decision-making • Monitor and evaluate Outgrower performance and livelihood outcomes	protection • Facilitate funding for enabling public infrastructure (e.g., feeder roads, irrigation, storage, market access) • Support coordination among MDAs (e.g., Ministry of Agriculture, Ministry of Economic Planning and Budget, LASRERA, LASCODA)	cooperative meetings and investment reviews • Monitor and evaluate farming outcomes for continuous improvement

SCOPE OF THE OUT-GROWERS AND FOOD SECURITY TOOLKIT (LAGOS STATE CONTEXT)

The toolkit is composed of three interrelated templates designed to strengthen inclusive agricultural investment, enhance food security, and ensure community participation in line with the **SABER FRILIA** principles.

Each template can be applied independently; however, their combined use ensures a more integrated and effective approach to project planning, implementation, and monitoring.

How to Use the Out-growers and Food Security Templates

The Investor Out-grower Planning Template (OG Template 1)

This template provides a structured framework for planning and managing investor–outgrower relationships within agricultural investment projects.

It comprises three main sections:

1. **Investor–Outgrower Relationships:**

   Defines the linkages, rights, and responsibilities between investors and participating farmers or communities.

2. **Generic Project Flow Chart:**

   Illustrates the logical steps that a well-designed investment project will undergo—from concept development and stakeholder engagement to operationalization and monitoring.

3. **Detailed Narrative Descriptions:**

   Provides explanations for each stage of the flow chart, including the interlinkages with other activities such as community engagement, land acquisition, livelihood support, and regulatory compliance.

The Out-grower Models (OG Template 2)

This section introduces three generic Out-grower models tailored for different community structures and levels of capacity. These are presented in the **Out-grower Model Selection Matrix** (OG Template 2):

1. **Model 1 – Individual Farmers:**

   Individual farmers or family members cultivate small plots of land (typically up to 1 hectare) using traditional or semi-improved methods.

2. **Model 2 – Cooperative Model:**

   Individual farmers are members of a cooperative society. Farming activities are carried out individually on small plots (up to 1 hectare) but coordinated through shared access to inputs, training, and markets, using improved farming methods.

3. **Model 3 – Farmers' Corporate Model:**

   Individual farmers contribute land-use rights in exchange for equity or ownership in a formally registered and incorporated farming enterprise. Operations are collectively managed with a higher level of technical and financial sophistication.

   Each model is supported by a **feature set** that defines the operational, organizational, and financial dimensions suited to the desired level of investment maturity.

   These features include:

   - **Acquisition of Critical Resources:** Land, water, and financing
   - **Operational Systems:** Farming systems, mechanization, and input management
   - **Monetary Systems:** Methods of contracting, pricing, and payment
   - **Organizational Structures:** Varying institutional setups for cooperatives and corporate models
   - **Risk Management:** Identification and mitigation of financial, quality, social, and food security risks inherent in each model

The Food Security Template (OG Template 3)

This template can be adopted by communities involved in investor-led projects that take land away from food production. The strategy has four (4) clear objectives which ensure that communities' access to adequate and nutritious food year-round is not negatively impacted and is improved.

Objective	Objective Statement
1	Replace the threat of fewer physical resources with higher productivity, leading to higher food production.
2	Replace the threat of fewer economic resources with more economic activity within the community, leading to more money available for food expenditure.
3	Replace the threat of increased competition with increased collaboration, leading to more effective use of all resources, particularly human resources.
4	Replace poor knowledge of diet with increased nutrition knowledge, leading to improved nutrition.

Procedures for Achieving the Objectives

Procedures for achieving these objectives are laid down. An important feature is the proposal that ensures compliance with the Food Security Strategy becomes mandatory; failure on the part of an investor to comply would attract penalties from the Government of Lagos State.