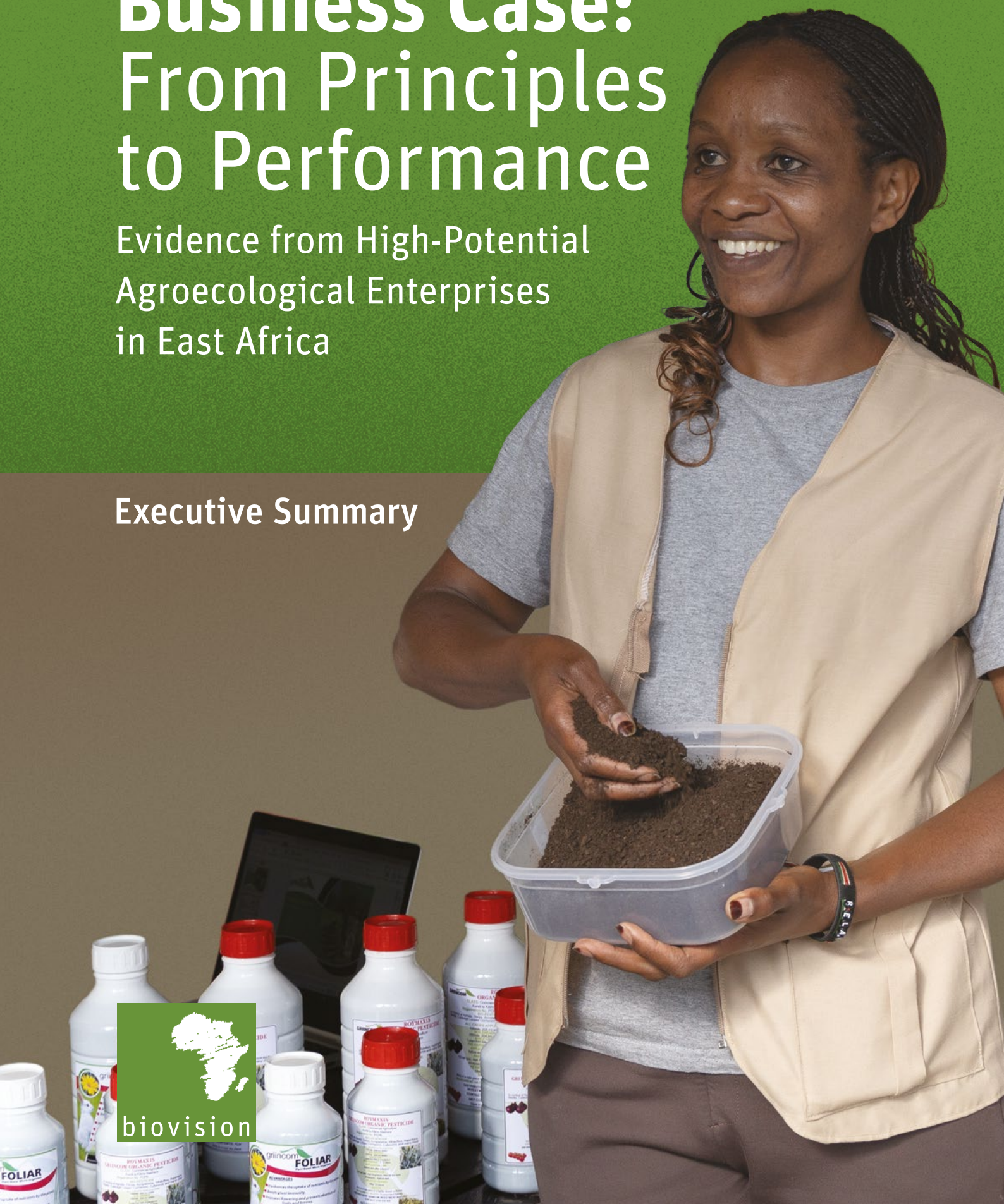
The Agroecological Business Case: From Principles to Performance

Evidence from High-Potential Agroecological Enterprises in East Africa

Executive Summary



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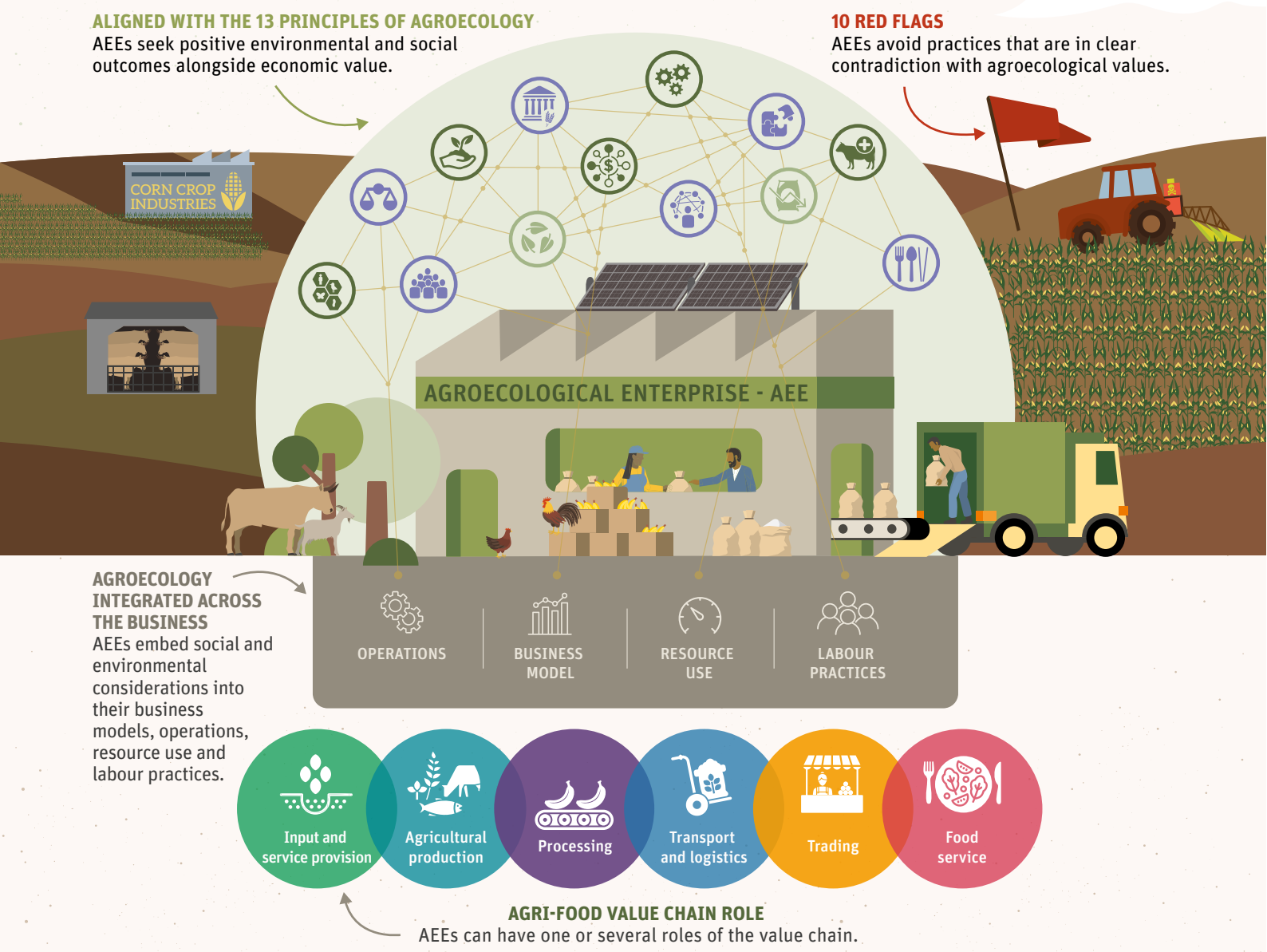


What is an agroecological enterprise (AEE).

Agroecological enterprises (AEEs) have the potential to combine commercial viability with environmental and social value creation and have a key role to play in building resilient and inclusive food systems. In this report, we examine how this potential translates into practice, drawing on a sample of 68 high-potential, growth-oriented AEEs in East Africa. The sample is not representative of the wider AEE ecosystem but provides insights into a commercially oriented segment with demonstrated agroecological alignment and growth potential. A sub-sample of 45 enterprises was analysed in greater depth through an investor lens.

Agroecological principles can reinforce business models when they are translated into products, services, relationships, and operating models that create tangible value for farmers, customers, and enterprises. At the same time, agroecological alignment alone does not guarantee commercial success. The ability of AEEs to grow and scale their impact depends on how effectively they retain the value they create, manage increasingly complex operations, and access suitable finance, as well as the extent to which they are supported and rewarded by the markets and policy environments around them.

Key findings

Agroecology can reinforce the business model of emerging enterprises. The principles most widely taken up across the sample — economic diversification, input reduction, co-creation of knowledge, and connectivity — can translate relatively directly into business value. They can support diversified revenues, lower input dependency, stronger farmer and market relationships, resource efficiency, and greater resilience. The analysis found no simple relationship between overall agroecological alignment and financial performance: what matters is how agroecological principles are translated into a commercially viable business models.

AEEs frequently create value by connecting functions across the value chain. Almost two-thirds (63%) of enterprises combine significant activities across multiple value chain roles. Input and service providers may also train farmers, aggregate produce, and facilitate market access, while processors may combine sourcing, farmer support, aggregation, and distribution. These integrated models can address persistent value-chain bottlenecks and strengthen value addition, supply chain reliability, and market access. However, they also increase working capital requirements, coordination needs, and operational complexity.

Innovation is predominantly systems-oriented rather than technology-driven. Agroecological enterprises innovate by combining existing technologies, services, market relationships, and local knowledge to address interconnected constraints. Circular business models are particularly prominent, alongside innovations in market access, farmer engagement, and integrated service delivery.

Strong farmer relationships are a strategic business asset and appear particularly important in more integrated business models**.** More than four in five enterprises demonstrate farmer-supportive (31%) or partnership-based (53%) engagement. Training, advisory services, market linkages, co-creation, and longer-term collaboration can strengthen farmer livelihoods while improving product quality, supply reliability, innovation, adoption, and enterprise resilience. These functions, however, also carry costs that need to be sustainably financed as enterprises grow.

Local markets represent an important growth opportunity. Most enterprises in the sample (80%) primarily serve domestic markets. Certification and export markets can create opportunities, but they also involve additional costs and organisational requirements. Certification should therefore respond to a clear market opportunity rather than be pursued as an objective in itself; locally and regionally focused strategies can provide equally compelling pathways for growth.

AEEs demonstrate market traction, but converting value creation into sustained profitability remains a key challenge. Revenue growth and gross margins were generally positive across all revenue brackets, indicating that many enterprises successfully create value through their products and services. Yet operating profitability was considerably lower than gross margins across every revenue bracket. The central commercial challenge for many AEEs is therefore not simply to grow revenues, but to convert value creation into sustained profitability through stronger operational efficiency, cost management, capacity utilisation, and margin improvement.

The sampled enterprises are clearly commercially viable and investment-ready, but their financing needs vary greatly. Most are still at relatively early stages of commercial development, with 78% of the enterprises generating less than USD 250k in annual revenues and few taking on significant financial leverage. Nonetheless, the analysis shows positive revenue growth and value creation across enterprises of different sizes, suggesting strong potential to absorb more external finance and continue growing. The opportunity is not simply to provide more capital, but to match finance and business support to enterprises' specific growth pathways — whether this involves expanding productive capacity, financing seasonal working capital, strengthening market access, increasing capacity utilisation, or improving operational and management systems.

Some of the value generated by agroecological enterprises is 'externalised', accruing to society more broadly. Benefits such as improved soil health, biodiversity, reduced pollution, climate resilience, farmer inclusion, and stronger local food systems may accrue to farmers, communities, ecosystems, and society without being fully reflected in enterprise revenues. It is therefore in the public interest to ensure that enterprises can scale sustainably and continue to create this value, underlining the importance of an enabling environment - from markets and financial incentives to policies and institutions.

Key recommendations

The findings point to a central conclusion: **scaling agroecological entrepreneurship requires both stronger enterprises and stronger ecosystems around them.** Enterprise-level investment and business support remain essential, but many of the barriers facing AEEs cannot be addressed by enterprises alone. Five interconnected areas of action emerge.

1. Build, support, and invest in resilient and commercially viable agroecological business models

Agroecological principles should be translated into tangible value for customers, farmers, and enterprises. Entrepreneurs should focus on business models in which agroecology strengthens the core commercial proposition—for example through differentiated products, lower input dependency, circular resource use, diversified revenues, stronger supply relationships, or increased production resilience.

Innovation should be understood broadly. Rather than focusing primarily on technological novelty, support should enable entrepreneurs to experiment with locally appropriate combinations of farmer support, inputs and services, aggregation, processing, and market access. Additional functions should be pursued only where they strengthen the economics and resilience of the core business rather than adding complexity.

Investors should assess business-model quality, resilience, and future value-creation potential alongside current profitability. Donors and technical assistance providers should help AEEs translate value creation into sustained profitability through stronger capabilities in areas such as pricing, cost control, capacity utilisation, procurement, inventory and working capital management, and margin improvement.

2. Build, support, and invest in strong farmer relationships

Farmer relationships should be treated as a core business capability rather than solely as a development or impact function. Entrepreneurs should move beyond transactional relationships where possible and build longer-term partnerships through training, advisory services, market linkages, feedback mechanisms, knowledge co-creation, and more inclusive decision-making.

Investors should assess the quality and sustainability of farmer relationships as part of the enterprise's underlying business model, recognising their contribution to supply security, product quality, customer or supplier loyalty, innovation, and resilience.

Donors and technical assistance providers can strengthen these relationships while helping enterprises to translate commitments to women, youth, and other groups into concrete and measurable practices.

3. Match finance and business support to specific growth constraints

There is no single financing or scaling pathway for AEEs. Funders and investors should diagnose the enterprise's specific growth constraints before determining the appropriate response. Productive-capacity constraints may require longer-term asset finance; seasonal procurement may require appropriately-structured working capital; underutilised capacity may call for stronger sales and market development; and weak margins or management systems may require operational or organisational support rather than additional capital.

Financing structures, repayment schedules, and accompanying technical assistance should reflect the enterprise's business model, maturity, cash-flow cycle, and capacity to deploy capital effectively. Current profitability should be considered alongside underlying business economics and trajectory, particularly where enterprises are investing in farmer networks, supply systems, quality assurance, market development, and organisational capabilities.

Technical assistance should similarly move away from generic training and towards support targeted at the enterprise's greatest constraints. For smaller AEEs, shared or fractional services in finance, marketing, HR, compliance, certification, or investment readiness can provide expertise without requiring enterprises to internalise these functions prematurely.

4. Create markets and incentives that reward agroecological value

AEEs generate different forms of value. Some can be internalised into the business model, while other forms of value accrue more broadly to farmers, communities, ecosystems, and society. Where entrepreneurs are unable to internalise the full value that they generate, it is critical for investors, donors, and policymakers to fill the gap by creating more enabling environments and rewarding the provision of these public goods and services.

Catalytic finance, grants, and technical assistance can support activities whose benefits materialise over longer periods or extend beyond the individual enterprise. Policymakers can further strengthen incentives through mechanisms such as support for biodiversity and ecosystem services, preferential procurement, and targeted subsidies that incentivise and reward wider societal benefits.

At the same time, existing subsidies, regulations, and public support mechanisms should be reviewed where they disadvantage agroecological enterprises or favour conventional, input-intensive models. Administrative and regulatory barriers around product registration, testing, certification, and licensing should be reduced. Improved market infrastructures, public procurement systems, and quality-assurance mechanisms — integrated within territorial food systems — can help to create more stable demand for agroecological products and services.

5. Build enabling ecosystems for agroecological entrepreneurship and food system transformation

Individual enterprises cannot transform food systems alone. Their long-term success depends on interconnected financial, market, policy, institutional, and knowledge systems.

Investors should therefore complement enterprise-level investments with an ecosystem perspective, including coordination with donors, technical assistance providers, and other financiers to address constraints that individual investments cannot solve. Entrepreneurs can strengthen their collective voice and capabilities through producer organisations, sector associations, peer networks, and communities of practice.

Policymakers should recognise AEEs as strategic actors in food system transformation and integrate agroecological entrepreneurship into agricultural, environmental, and rural development strategies. Multi-stakeholder platforms and participatory governance mechanisms can strengthen coordination around challenges such as natural resource management, knowledge exchange, market development, and farmer inclusion.

Finally, continued learning and stronger evidence are essential. Longitudinal research is needed to understand how AEE business models, financial performance, and agroecological alignment evolve over time, which financing and support mechanisms are most effective at different stages, and under what conditions agroecological value translates into commercial performance and wider food system impact.

The Agroecological Business Case

Evidence from high-potential agroecological enterprises in East Africa

What is an Agroecological Enterprise (AEE)?

A business that creates value in the agri-food value chain, while regenerating natural ecosystems and sharing benefits fairly with farmers, workers and communities.

Aligned with the 13 principles of agroecology
AEEs embed these principles into their business models, operations, resource use, and labor practices.

Avoid the 10 agroecology red flags
AEEs avoid practices that clearly contradict agroecological values.

Value chain roles
AEEs are performing different roles in agri-food value chains.

Diverse legal and organisational forms
Including private companies, state-owned enterprises, cooperatives or informal businesses.

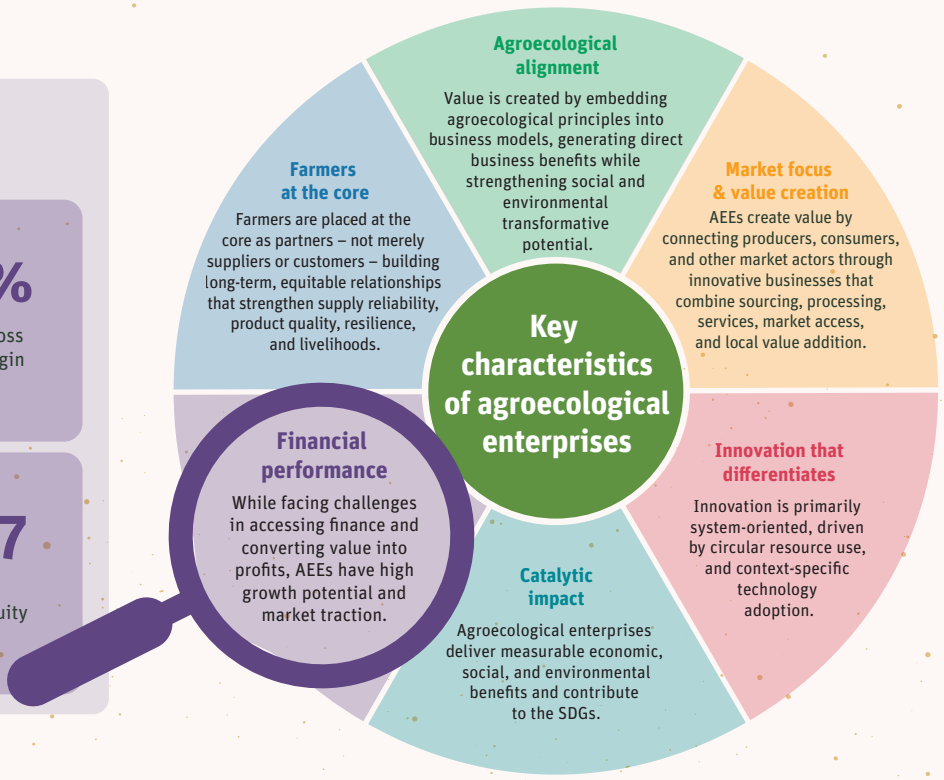
Key financial performance figures

17%
Median year-on-year revenue growth

44%
Median gross profit margin

14%
Median EBIT margin

0.17
Median debt-to-equity ratio



Enabling the scale of AEEs

Deploy suitable, tailored finance that matches cash-conversion cycles and helps overcome specific growth constraints.

Provide business support services that help AEEs address growth constraints and utilise finance effectively.

Establish an enabling policy and regulatory environment that supports and facilitates market entry of agroecological products.

Establish mechanisms that reward AEEs for positive externalities benefiting natural ecosystems, communities, and food systems.

Key recommendations

- Build, support, and invest in commercially viable agroecological business models
- Build, support and invest in strong farmer relationships
- Match finance and business support to specific growth constraints
- Create markets and incentives that reward agroecological value
- Build enabling ecosystems for agroecological enterprises

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