



## White Paper: Cheetah Development's Investment Strategy Overview

### *Broken Value Chains*

A common problem in most industries in Africa and the developing world is that the value chains are broken. If you trace products from raw materials to consumption, you find many places where there is dysfunctional or broken links. This is true of the food value chain, as well. For example, 40% of the food that is grown in Tanzania is left to rot and is never consumed. Meanwhile, hunger persists. The problem is that the value chain is not functioning well.

The reason for the broken value chain is the lack of small businesses – that is businesses that hire people and have between 5 and 250 employees. Businesses like this are real operations having substantial infrastructure. This might be contrasted with a typical “trader” that buys and sells within value chains, having no real organization, structure, or reliable continuity. That is by definition a weak link in the chain. Weak or broken links are great place to consider investing.

It is worthy of note that the investment process itself forces a value chain approach. Business planning by its very nature must answer the basic supply chain and market analysis questions. In contrast, aid only looks to solve a spot problem. For example, consider a typical aid project such as teaching people to keep bees and harvest honey. In the aid approach rarely is there consideration for the rest of the business issues like food-standard sanitation, packaging, marketing, transportation, or distribution. Investments are forced to think differently because they are looking for returns and hence will follow the value chain far enough to ensure a profit. Aid doesn't have to meet this test; therefore it usually won't. In contrast, business forces certain disciplines and comes with built in success metrics.

### *Agriculture*

The key industry in developing nations is invariably agriculture. This is because 70-90% of people are subsistence farmers. Cheetah's agribusiness investment strategy is to identify these weak or broken links in the food value chain and invest in them. This is the highest value place to invest because it serves segments of the value chain. As a result thousands of farmers or tens of thousands of people can be served with even small investments.

In the food value chain Cheetah has identified three strategies to bring results:

1. Unite Farmers: Bring farm production from many farmers together to increase value and provide reliable, consistent food processing inputs
2. Preserve Food: including in large volumes and not just flavoring sauces and jams
3. Add Value: move food production from base commodities to value-added products through improved quality, unique characteristics, processing, etc.

906 First Street East  
Hastings, MN 55033  
USA



[info@CheetahDevelopment.org](mailto:info@CheetahDevelopment.org)  
[www.CheetahDevelopment.org](http://www.CheetahDevelopment.org)  
+1 (612) 386-4481

Investments that target these results have the impact of bringing increased value to food production, increasing incomes, reducing hunger, and providing incentives for continued growth.

What is needed is economic development with the “heart” of aid; that is, development that also pays attention to the needs and opportunities of the poor and occasionally kick-starts the development effort with a little aid around the edges. The poor are a good financial risk. That’s been demonstrated by microfinance worldwide. Now it’s time to invest among them with real businesses.