RIMISP
Centro Latinoamericano
para el Desarrollo Rural

THE HIDDEN MIDDLE AT WORK: AGRIFOOD MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES), EMPLOYMENT AND INCLUSION IN AFRICA AND LATIN AMERICA

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Agrifood MSMEs and the hidden middle as engines of jobs and inclusion
Evidence from Ethiopia, Malawi, Tanzania, Uganda, Ghana, Nigeria, Chile, Peru, El Salvador, and Mexico

Key messages

⮞ Agrifood MSMEs in the hidden middle are not a marginal part of food systems. Across the ten-country sample, agrifood midstream and downstream firms account for roughly two fifths of all non-farm MSMEs and about one third of non-farm wage jobs.

⮞ Most enterprises are micro and a key portion of large set of hidden middle MSMEs (in absolute terms). In several countries it comprises hundreds of thousands of firms and workers, and growth has been especially fast in lower-income African economies.

⮞ Agrifood MSMEs are strongly linked to inclusion. Women own a large share of these firms, especially in food retail, catering, and many food-processing activities, while midstream enterprises are more rural and often owned by households that also farm.

⮞ Job quality differs sharply across segments. Midstream firms stand out as the main suppliers of better jobs within agrifood systems: they are more likely to hire wage workers, use written contracts, and pay wages close to those in non-agrifood MSMEs.

⮞ Inclusion remains unequal. Women are highly present as owners and workers, yet in the African data female-owned firms earn lower profits than male-owned firms, and women remain underrepresented in transport and other better-paid segments.

⮞ The policy challenge is therefore dual: expand the hidden middle because it creates jobs and connects farms to markets, while also improving finance, infrastructure, competition, formalization, and women's and youths' access to higher-return roles.

WHY THIS STUDY MATTERS

Agrifood systems employ a very large share of workers in low- and middle-income countries, but standard statistics still focus heavily on farming and miss much of what happens after the farm gate. The "hidden middle" of processors, wholesalers, transporters, retailers, and food service providers is where structural transformation becomes visible in practice: workers leave farming, but many remain in food systems through new non-farm jobs.

This brief summarizes a working document that uses harmonized micro data to show who owns agrifood MSMEs, where they operate, how fast they are growing, what kinds of jobs they create, and which workers depend on them. The central message is that hidden-middle firms already matter enormously for employment, especially for women, rural households, and households that combine farming with non-farm business activity. At the same time, not all hidden-middle jobs are alike. The study shows a clear divide between a broad base of micro-enterprises that generate income but remain informal and a thinner set of midstream firms that provide the best-quality jobs inside agrifood systems.

DATA AND APPROACH

The report brings together harmonized household survey microdata from ten countries in Africa and Latin America. The African sample includes Ethiopia, Malawi, Tanzania, Uganda, Ghana, and Nigeria. The Latin American sample includes Chile, Peru, El Salvador, and Mexico. Using household enterprise modules and labor data, the study classifies firms and workers along the agrifood value chain.

Non-farm enterprises are grouped into four segments: agrifood midstream, agrifood downstream, freight transport and logistics, and other non-agrifood MSMEs. For broader comparisons, the study also identifies agricultural producers. On the worker side, main jobs are classified into agriculture and livestock, agrifood midstream, agrifood downstream, transport and logistics, and other non-agrifood activities. Ethiopia and Nigeria could be included in the MSME analysis, but not in the worker-by-segment only analysis, because the labor module only reports broad two-digit activity codes.

The analysis is descriptive and comparative rather than causal. It examines firm counts, growth over time, size, producer ownership, gender of owners, rural location, profits, formalization, access to credit, use of hired labor, worker demographics, written contracts, and hourly wages. Monetary indicators are converted to 2021 PPP dollars to improve cross-country comparability.

MAIN FINDINGS

THE HIDDEN MIDDLE IS ALREADY LARGE

Once agricultural producers are excluded, agrifood MSMEs still account for about 40 percent of all non-farm MSMEs in the ten-country sample (Figure 1). In absolute terms, these are not small numbers: several countries have hundreds of thousands of agrifood midstream and downstream firms, and total counts reach into the millions in larger economies. The hidden middle is especially prominent in Sub-Saharan Africa, where agrifood activities account for a larger share of enterprise landscapes than in Latin America. Across countries, virtually all these firms are microenterprises, indicating both the scale and fragmentation of the sector.

OWNERSHIP PATTERNS SHOW WHY THE HIDDEN MIDDLE MATTERS FOR INCLUSION

Women own a large share of non-farm MSMEs across much of the sample, and agrifood segments are often more female-dominated than other non-agrifood businesses. Food retail and catering are especially important for women, but women also own a large share of agrifood midstream firms in countries such as Ghana, Malawi, Nigeria, and Peru. The hidden middle also has a strong rural footprint. Agrifood midstream firms are, on average, more rural than other non-farm MSMEs, and in several African countries, many agrifood firms are owned by households that also produce crops. This means the hidden middle is not separate from farming households. It is often the way they diversify risk, smooth income, and connect production to markets.

MIDSTREAM FIRMS SUPPLY THE BEST JOBS WITHIN AGRIFOOD SYSTEMS

A key result of the study is that not all agrifood MSMEs contribute in the same way. Downstream enterprises, such as food retail and catering, are numerous and absorb many workers, especially women, but midstream firms stand out for job quality. They are more likely to hire paid workers, offer written contracts, and generally pay higher hourly wages than downstream firms and farm workers. In many cases midstream wages are close to those observed in non-agrifood MSMEs. This makes the midstream the part of the hidden middle most closely associated with "more and better" jobs, not just more jobs.

REGIONAL PATTERNS DIFFER, BUT THE TRANSFORMATIONAL PATH IS CLEAR

The contrast between Africa and Latin America shows different stages of structural transformation. In African countries, self-employment remains dominant, unpaid family work remains important, and youth employment remains heavily concentrated in farming. In Latin America, salaried work is much more common, rural workers are less concentrated in agriculture, and young workers are more likely to be found in non-agrifood services and downstream activities. Yet agrifood MSMEs remain important in both regions. Latin America can be seen as offering a picture of what can occur in some of the African countries as they move to a more advanced transition: fewer workers in farming, more wage employment overall, but continuing importance of agrifood midstream and downstream firms.

INCLUSION DOES NOT AUTOMATICALLY MEAN EQUALITY

The hidden middle is inclusive in the sense that it creates many opportunities for women and rural households, but the returns are not equal. In the African countries with profit data, female-owned firms consistently earn lower median profits than male-owned firms. Women workers are heavily represented in downstream activities and have a strong presence in midstream, but they remain almost absent from freight transport and logistics, one of the more male-dominated and sometimes better-remunerated segments. The study also finds that formalization and access to credit remain limited across all non-farm MSMEs, particularly in Sub-Saharan Africa. These gaps help explain why the hidden middle can expand rapidly without automatically delivering equal productivity gains or equal job quality.

LIMITS TO INTERPRETATION

The report relies on household surveys rather than specialized enterprise surveys, so some business details are limited. In several countries, enterprise and labor activities are only available with broad industry codes, which require text-based classification methods or restrict the worker analysis. Enterprise size is measured using the number of employees because asset data are often missing. Most importantly, the study is descriptive. It is powerful for mapping structure, inclusion, and job quality across countries, but it is not designed to identify causal effects of specific policies or shocks.

RECOMMENDATIONS

➤ **Treat the hidden middle in agrifood value chains as a core sector in the jobs agenda.** Agrifood strategies should track firms, workers, wages, contracts, and job quality in processing, wholesale, logistics, food retail, and services, not just farm output.

➤ **Prioritize midstream upgrading.** Investments that lower transaction costs and strengthen coordination, such as wholesale markets, storage, transport, digital payments, and working capital finance, are likely to matter because the midstream is where better-quality agrifood jobs cluster.

➤ **Build inclusion into upgrading policies.** Since women already own many agrifood firms, the priority is not only access to economic opportunities but also the returns to those opportunities: better access to finance, assets, technical training, and managerial roles, plus stronger pathways for women and youth into processing, logistics, and other higher-paying segments.

➤ **Differentiate support by segment and territory.** Downstream enterprises matter for mass employment and women's participation, but they often remain low-margin and informal. Midstream firms merit targeted attention because they connect farms to markets and offer better jobs.

FIGURE 1. DISTRIBUTION OF NON-FARM MSMES BY SECTOR (%).

Distribution of non-farm MSMEs by sector (%). Period Average.
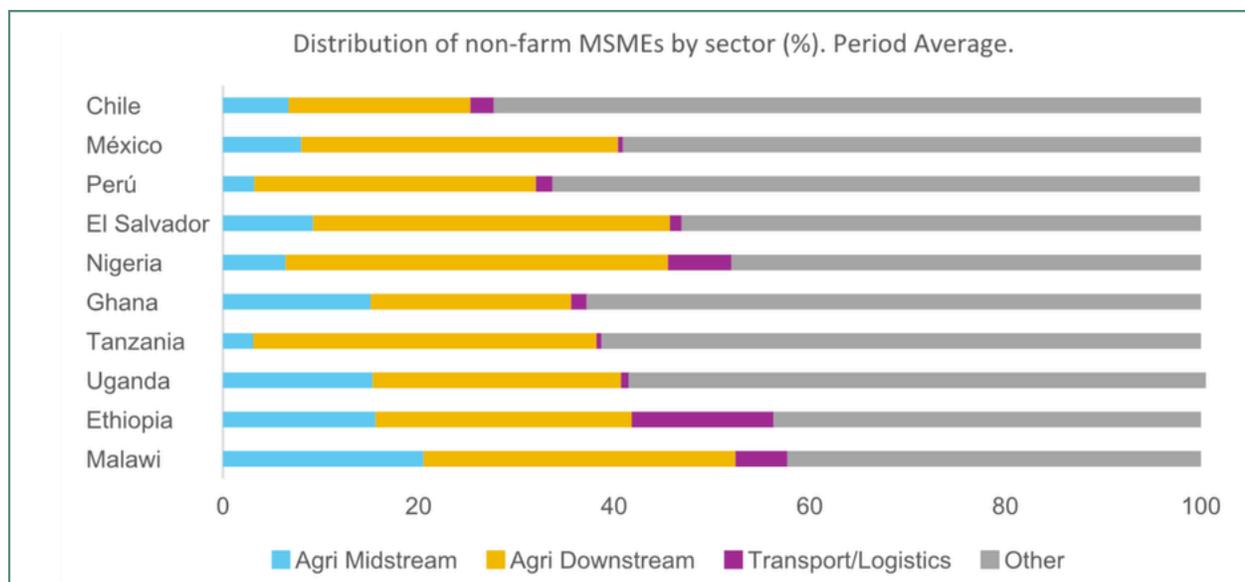
Note: Source: Authors' calculations based on LSMS-ISA panel data (rounds 1–4) for SSA countries (GLSS cross-section for Ghana) and CASEN 2015–2022 (Chile), ENAHO 2015–2023 (Peru), EHPM 2015–2022 (El Salvador) and ENIGH 2016–2022 (Mexico).