

SPOTLIGHT



on Inclusive Business

How does inclusive agribusiness benefit companies and farmers?

Agribusiness companies are using diverse inclusive business strategies to productively engage smallholder farmers at various stages in the value chain, as summarised below. The aim is to deliver long term return for the company – often by improving quality, traceability, volume and reliability of supply – while also benefiting farmers. The farmer gain may not be simply via improved price, but may be realised through changes in yield, security, market access or farm planning.

Value Chain	Inclusive Business Strategy	Company Can Gain	Farmer Can Gain
Production	<ul style="list-style-type: none"> Facilitate access to seeds, input supplies and other production needs and extension services Provide support services to smallholders such as formalisation, access to information and financing Provide advanced written commitments to purchase crops Use company leverage to bring in other service providers 	<ul style="list-style-type: none"> Working at the production level helps guarantee the volume and quality of produce available to the buyer, increasing the potential for higher profit margins and reducing risk Working directly with smallholders allows the purchasing company to exert a degree of control over production. Produce is more likely to match the specifications of the company allowing them to deliver a higher quality product that meets the market demands 	<ul style="list-style-type: none"> Access to inputs is essential for increasing yield Access to support services improves the long term competitiveness of the smallholder Meeting quality specifications opens up new markets for higher margin produce Purchase agreements improve resource planning and may enable farmer to access credit Improved opportunities for value addition activities
Trading	<ul style="list-style-type: none"> Make the purchasing system transparent and clear Ensure premium prices for premium produce Improve trading services & infrastructure: fair scales, transport, finance and information Formalise the trading system 	<ul style="list-style-type: none"> Building trust and transparency will reduce side selling and develop supplier loyalty More efficient trading lowers transaction costs and reduces wastage Improved flow of services helps deliver better quality produce 	<ul style="list-style-type: none"> A formal trading system gives equity to producer-trader relationships, improving producer bargaining power and helping to ensure fair prices for produce by minimising corruption Improved trading and information services increase the marketability and value of smallholder's produce
Processing	<ul style="list-style-type: none"> Integrate smallholders, either fully or partially, at the processing stage of the value chain 	<ul style="list-style-type: none"> Integrating smallholders in processing activities or aligning strategies with production characteristics can be a cost-effective approach to improving the quality of the final product 	<ul style="list-style-type: none"> Selling processed products gives greater economic returns to the smallholder Processing activities improve the smallholder's skill base, and can remove market dependence
Export / Retail	<ul style="list-style-type: none"> Work closely with smallholders to target niche markets such as Fair Trade Exploit potential sales to local base of pyramid (BOP) market 	<ul style="list-style-type: none"> Selling to a niche market can improve exporter profits and boost brand image BOP offers new market possibilities that can improve sales volumes 	<ul style="list-style-type: none"> Smallholders receive a 'premium' that can boost both economic and social wellbeing BOP marketing can extend product range and add value

A potential benefit to farmers is not the same as an actual benefit. Reality for marginal farmers is more complex. For example, higher quality or 'certified' crops may not improve farmer income if: **1)** their lower-grade output can no longer be sold; **2)** the cost of certification is too high; or **3)** the market for higher value crops slumps. Likewise, access to agri inputs (e.g. seeds, fertilizer) or credit may put the farmer in debt if their crops fail. If farmer benefit is one business objective, assess the detail rather than assume the gain.

Inclusive Business Spotlights shed light on specific topics concerned with the development of inclusive business. They are generated from the project and advisory work of the Business Innovation Facility.

The Business Innovation Facility has a range of projects in the food and agriculture sectors which engage farmers. Some projects are focused on sourcing specific crops from farmers, or helping them to supply their produce into higher value markets. Others involve selling services to farmers to boost their production, including weather forecasts and agronomic advice. A third group are focused on the processing and retail of products originating with producers down the value chain.

More information on these projects and the agribusiness projects of a similar programme, Innovations Against Poverty, can be found on the Practitioner Hub on inclusive business.



➔ For further information and more resources on inclusive business visit the: www.inclusivebusinesshub.org



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