

# INCLUSIVE BUSINESS MODELS IN AGRICULTURE

Aspirational issues and priorities for collaboration

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## 1 SUMMARY OF ISSUES

Inclusive agribusiness is about deliberately shaping core business processes in the agri/food sector so that they address the needs of low-income disempowered parties, such as smallholder farmers and migrant workers and create value for these groups as well as the company. It is not easy: in all initiatives the question is how can business models and relationships be modified to ensure that risks, resources and rewards are shared to create enticing value propositions for all engaged? But it is essential: the agriculture and food sector underpins global food and nutrition security, provides livelihoods for many of the poorest and is key to creating prosperity in rural areas. Currently one billion people are dependent on farming, yet for many agriculture does not offer a prospect for decent, stable livelihoods. So how can it become a sector of choice, rather than default?

Building an inclusive model is about moving along a gradient to become more inclusive. There is no such thing as a fully inclusive or exclusive agribusiness model. Key dimensions of a more inclusive agribusiness model are captured in the New Business Principles (see LINK methodology reference on page 5). This includes: the degree of collaboration along the value chain, whether agricultural market access is improved or not, whether there is shared innovation that increases value generated for everyone in the model, and whether there are shared goals that are clearly tracked for progress.

Inclusive agribusiness models can target all aspects and levels of the agri-food sector. Some focus on increasing productivity of smallholder farming, by improving the access to inputs, finance, information or extension. Others focus on sourcing from farmers and providing them with better market access or more stable and equitable trading conditions. There are models that work along an entire value chain, and increasing attention to creating sector models for inclusive agribusiness.

There is now a vast array of initiatives that target more inclusive ways of doing agribusiness, driven variously by the private sector, donors, NGOs and international organisations. They include value chain development programmes, public private partnerships, company sustainability initiatives, sector roundtables, knowledge networks and standard setting.

Just as there are a multitude of dimensions and scales of operations, there are equally many context specific models. Investments, performance and benefits are highly dependent on the specific context. A major issue therefore is to demonstrate and understand the business case for different actors. Evidence is either limited, anecdotal or not properly synthesised for the following:

- What are benefits for farmers? Greater sales, better prices, more volume, improved stability?
- What are benefits for companies? Efficiency, quality, less transaction costs, trust, flexibility and ability to respond to market demand, social licence to operate?
- What are typical investment levels, and returns on investment? How fast, risky, predictable are such returns?
- What is the impact on broader agenda's such as women's equality, youth opportunity, food security and rural poverty?

Another challenge of inclusive business models is working with large number of fragmented producers. The lack of uniformity and scattered locations require creative solutions to aggregate production and benefit from economies of scale. Organisation of producers is preferred through, for example, formal producer organizations but also other networks such as trading chains, agronomic improvement initiatives, communications networks. All the work to date has been focussed mostly on the formal/modern markets, but the majority of the world's poor producers and consumers is located in informal/less organised market systems.

## 2 ASPIRATIONAL ISSUES FOR A COMMON AGENDA

- Pull together, synthesise and analyse the evidence available to prove the business case for inclusive business in a range of sectors and contexts.
- Clarify the trade-off between greater inclusion versus business performance. Where do they contradict each other, where do they reinforce each other?
- Clarify the trade-off between increasing incomes and environmental sustainability.
- Establish common metrics and ways of gathering and sharing so that better comparison and cross-initiative sharing is possible.
- Identify effective scaling strategies and system change approaches across sectors and countries.

## 3 POTENTIAL RESEARCH AND LEARNING QUESTIONS

### 3.1 Research questions

- How to design IAB models that are different from business as usual?
- What is the evidence base for the return on investment in inclusive agribusiness? How can this be pulled together and synthesised in an effective manner to create usable benchmarks?
- What do we know about necessary investments to make an IAB model work?
- What should greater inclusion aim to achieve, what not?
- What scale of impact has inclusive agribusiness had, or is it likely to have on poverty and sustainability, and what are the implications for future investment strategies by business, governments and donors?
- How can you adapt and apply approaches of inclusive business for informal/less organized market systems?

### 3.2 Learning questions

- What are the types of business model options for working in an inclusive way with the different sectors in different contexts and how can the best model be optimised for a specific market situation?
- How to build effective business relationships with large numbers of producers that are not formally organised?
- What are the options for working efficiently, effectively and fairly with small-scale entrepreneurs and micro-enterprises, in terms of product aggregation, provision of input and financial services and adoption of commercially viable and sustainable farming practices?
- What is the evidence of the commercial and social ROI for different business models in different contexts?
- How to measure reach of impact? There is evidence about uptake of approaches at the organizational level but the challenge remains to measure actual impact on household level, which is what a lot of donors want to see.
- How to leverage what is being learned to influence the choices and decisions of others?



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## 4 POTENTIAL PRIORITY AREAS

- More cases and evidence must be collected in a coherent manner to draw lessons learned from setting up and operating inclusive business models.
- Round tables should be organized with policy and decision-makers could increase impact.
- Help higher educational institutes give more attention to inclusive business in their research and courses they offer.
- “Responsible and inclusive investment” must be defined better.
  - Gathering knowledge.
  - Creating a level of awareness around it and promote it.
  - Find a response to companies that decide not to operate in a responsible and inclusive way.
- Common standards and metrics are needed so that we speak the same language and initiatives can be benchmarked against each other. Even if there is data available, the challenge for interpretation remains.
- Share lessons learnt in a common language, but make it appealing and applicable to a wider audience: no reports, but videos, clear 2-pagers, other communication media. Use technologies in smart ways to communicate messages.

## 5 ONGOING WORK

### Seas of Change

Seas of Change is a long-term applied research, innovation and exchange program that helps businesses, governments and NGOs tackle operational challenges and share innovative practices. The program focuses on the question of “what works when scaling inclusive agri-food markets?”.

### Practitioner Hub for Inclusive Business

The Practitioner Hub is an online platform that provides practical information plus good practice insight and analysis to help practitioners and facilitators more effectively design, adapt and implement inclusive business models.

### Inclusive Business Action Network (IBAN)

Providing a pivotal point for the global inclusive business community, the Inclusive Business Action Network (IBAN) promotes the scale and replication of inclusive business models. IBAN connects the dots between the vast number of businesses, existing initiatives, networks and other stakeholders around the world and triggers collective action. As a global multi-stakeholder platform, IBAN raises awareness on the positive impact of inclusive business, provides knowledge and capacity on inclusive business through peer learning, and facilitates effective partnerships.

### FAO

*IBM Approach:* complements value chain thinking with a specific emphasis on the producer to first-buyer linkages in the chain.

*Upscaling Inclusive Business Models:* to identify good practices that can be brought to scale.

### Sustainable Food Lab

A global network of organizations accelerating progress toward a more sustainable food system through sustainability strategy and procurement programs, design and management of pre-competitive collaboration, and leadership development.

### Grow Africa and Grow Asia

Work to increase private sector investment in agriculture, and accelerate the execution and impact of investment commitments. The aim is to enable countries to realise the potential of the agriculture sector for economic growth and job creation, particularly among farmers, women and youth.

### Dutch Ministry of Foreign Affairs

*Food & Business Knowledge Platform (F&BKP):* gives international networks and organizations the tools to share and discuss new insights, approaches, lessons and best practices.

### Business Call to Action (BCTA)

Aims to accelerate progress towards the SDGs by challenging companies to develop inclusive business models that offer the potential for both commercial success and development impact.

## 6 RESOURCES AND PREVIOUS WORK

<p>1. <b>Practitioner Hub and Seas of Change.</b> <a href="http://www.inclusivebusinesshub.org/inclusive-agribusiness-know-how/">http://www.inclusivebusinesshub.org/inclusive-agribusiness-know-how/</a></p>	<p>An online portal providing curated, useful insight and practical information for inclusive agribusiness practitioners</p>
<p>2. <b>BCtA.</b> 2015. <i>Implementing Inclusive Business Models</i>, Retrieved from: <a href="http://www.business-calltoaction.org/wp-content/uploads/2015/11/BCtA-UNGC-IB-Primer-Web-Final.pdf">http://www.business-calltoaction.org/wp-content/uploads/2015/11/BCtA-UNGC-IB-Primer-Web-Final.pdf</a></p>	<p>A know-how guide for implementing inclusive business models</p>
<p>3. <b>CIAT.</b> 2014. <i>LINK methodology: a participatory guide to business models that link smallholders to markets</i>, by Lundy, M., Amrein, Al. Hurtado, J.J., Becx, G., Zamierowski, N., Rodríguez, F. &amp; Mosquera, E.E.</p>	<p>Second edition of the toolkit to build inclusive and sustainable trading relationships linking small scale producers to modern markets.</p>
<p>4. <b>Endeva.</b> 2014. <i>Multiplying Impact: Supporting the Replication of Inclusive Business Models</i>, by Menden, A., Perón, C. &amp; Pasipanodya, T.</p>	<p>This publication provides 12 recommendations for companies, development partners, investors, research organizations, and other intermediaries to engage in the replication of inclusive business models, helping support businesses to expand, disseminate, and reproduce both models and impact.</p>
<p>5. <b>Hystra.</b> 2015. ‘Smallholder farmers and business. 15 pioneering collaborations for improved productivity and sustainability’.</p>	<p>A study about how pioneering companies and organizations have succeeded in enrolling smallholder farmers in productivity-enhancing schemes, sustainably and at scale.</p>
<p>6. <b>SEED.</b> 2016. ‘Replicating Eco-Inclusive Business Models: A Contribution to Sustainable Low-Carbon Economies’, by Tewes-Gradl, C., Pasipanodya, T., van Gaalen, M. &amp; Uba, A.</p>	<p>This paper provides recommendations to donors, funders, governments, and other support institutions on how to enable replication of proven models as a strategy for the transition to a low-carbon economy.</p>
<p>7. <b>FAO.</b> 2015. <i>Inclusive business models – Guidelines for improving linkages between producer groups and buyers of agricultural producers</i>, by Kelly, S., Vergara, N. &amp; Bammann, H. Rome, Italy.</p>	<p>This report contains guidelines to support the growth of inclusive business models that integrate smallholders into agricultural value chains.</p>
<p>8. <b>Omidyar Network.</b> 2016. <i>Frontier Capital: Early stage investing for financial returns and social impact in emerging markets</i>, by Bannick, M., Goldman, P. &amp; Kubzansky, M.</p>	<p>This report outlines the potential of “Frontier Capital”, investing in the low- to lower-middle-income market segments in emerging markets and the challenges that can be addressed by innovative business models.</p>
<p>9. <b>SABMiller, CARE International, the Corporate Responsibility Initiative at the Harvard Kennedy School and Business Fight Poverty.</b> 2016. <i>Growing Together: Strengthening micro-enterprises in value chains.</i></p>	<p>A Guide intended for large companies, and their development partners, to enable them to help micro-enterprises in their value chains to thrive, with a view to unlocking greater commercial and social value for all.</p>

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This paper is part of a set of six that explore the six themes covered in the design workshop “Towards a Global Research and Learning Agenda for Inclusive Agribusiness”. Over two days 40 senior practitioners looked at how to deepen understanding and improve practice through more structured collaboration. While the themes do not cover all that is important in inclusive agribusiness, they are part of the potential for structural and systemic change inherent in many initiatives.

Each paper aims to trigger thinking on what could be done through collective action. It does not provide a complete picture of the theme but indicates the bandwidth of possibilities that could be worked on. We hope it will help you think where working with others can make your work easier, more interesting or more useful. For more information or if you have ideas please get in touch with [joost.guijt@wur.nl](mailto:joost.guijt@wur.nl).

The workshop was a good example of the value of combining skills and resources, and came out of joint thinking, time and funding from Wageningen University & Research, Global Donor Platform for Rural Development, Food & Business Knowledge Platform and BEAM Exchange.

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This paper is part of a series of papers on inclusive agribusiness written for the “Towards a Global Research and Learning Agenda for Inclusive Agribusiness” workshop in March 2017. Read all the papers as well as a series of blogs on ‘What’s new in inclusive agribusiness’ here: <http://www.inclusivebusinesshub.org/inclusive-agribusiness/>