

SPOTLIGHT

on Inclusive Business

Emerging results: How is inclusive agribusiness benefiting companies and farmers?

This Spotlight reviews the Business Innovation Facility (BIF) agribusiness portfolio and explores the benefits being sought or realised by both the farmers and the company. Quantitative data from these early stage agribusinesses are only just beginning to emerge. Meanwhile, this Spotlight aims to categorise the types of impact, map them across the BIF agribusiness portfolio, and draw out key talking points.



Universal Industries, Malawi

How do farmers benefit?

The benefits that farmers can realise from engagement with an inclusive agribusiness are not simple, nor uniform. Inclusive agribusiness does not simply mean that the buyer pays a higher price per unit, farmers earn more and income rises. Inputs and returns on both sides are complex. A variety of farmer gains were mapped out in a Spotlight two years ago. Now, with the benefit of direct experience in 20 agribusiness ventures supported by BIF, we have reviewed the benefits these businesses are aiming for, and mapped them out.

These main types of farmer gain are summarised with examples from the BIF portfolio in Figure 1.

- Increased income from
 - improved yields and output
 - access to premium prices for improved products
 - production of new crops
- Improved security due to
 - more secure access to market
 - less risky production techniques
- Expansion of diversification options
 - a new crop type
- Upgraded skills/capacity
 - access to information or training

Each of these can be achieved via several routes, and each can lead to further improvements. Some lead to empowerment, whereby farmers have more choice and control in their relationships with others in the value chain.

Inclusive agribusiness does not simply mean that the buyer pays a higher price per unit, farmers earn more and income rises.

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 and Innovations Against Poverty.

Impact	Driving factor	Relevant projects	Example(s) of farmer benefit
Increasing incomes	Yield improvements	mKRISHI (India), Stanbic (Nigeria), Malawi Mangoes (Malawi)	Farmers using mKRISHI mobile services in India apply the correct fertiliser leading to yield increases.
	Market access/availability	Stanbic (Nigeria), Terago (Nigeria), Abira (Nigeria), AACE (Nigeria), Afri-Nut (Malawi), Malawi Mangoes (Malawi), Universal Industries (Malawi), Sun Hotels (Zambia), CEC (Zambia), Pran (Bangladesh), Sylva Foods (Zambia)	Malawi Mangoes are the only commercial buyers and processors of mangoes in Malawi, creating a new income stream for rural farmers.
	Access to information	MCX (India), Eras (Bangladesh)	ERAS soil testing allows farmers to plan their use of inputs more accurately, lowering costs and improving margins.
	Quality/premium prices	Afri-Nut (Malawi), Malawi Mangoes, Pabna Meat (Bangladesh)	In the Pabna Meat project, quality of beef is improved by utilising improved feed and veterinary care - possible high premiums in future is organic certification is achieved.
	Value Addition	Universal Industries (Malawi), Sylva Foods (Zambia)	In the Universal Industries venture, there is potential for future village processing units, which will give value added product delivering higher margins.
Income security	Agricultural Management Strategies	mKRISHI (India)	In both the Terago and Abira projects, contract farming gives security to producers.
	WRS	Stanbic (Nigeria)	
	Contract marketing	Terago (Nigeria), Abira (Nigeria)	
Increasing skills/capacity	Extension and training	Stanbic (Nigeria), Pabna Meat (Bangladesh)	Pabna Meat offer access to substantial extension services across a range of crops information will be engrained for impact beyond the project lifespan.
	Infrastructure	Sylva Foods (Zambia)	For farmers engaged with Sylva Foods, understanding and owning a solar dryer means that their capacity is enhanced for the long term.

Table 1: Types of benefits accruing to farmers from agribusiness initiatives in the BIF portfolio

Increased income via access to new markets

The most common intended benefit for farmers across the BIF portfolio is increased income. The main driver for this is the access to a market, which is critical to the logic of improved incomes in 11 projects. In cases such as Terago and Abira in Nigeria, the farmers are growing the same crop as before, but are better able to sell it and generate income. In cases such as Malawi Mangoes and Universal Industries in Malawi, the farmers are selling a quite different version of a traditional crop (new mango variety, fresh not dried cassava) and accessing a new market as a result.

Income gains are also intended to be driven via improving yield and quality in several projects. Access to information and value addition are less important drivers of increased incomes.

More secure income

In some cases, it is security of income rather than (or as well as)

growth of income that counts. This a potential benefit of the contract farming models. In other cases, the risk of crop failure or crop loss should be reduced: by accessing farm management information from mKRISHI, or via secure warehousing planned in the Stanbic initiative.

Diversification options

Within rural livelihoods dependent on rain-fed agriculture and a patchwork of income sources, an additional livelihood option tends to be a 'good thing' even if aggregate income does not immediately change. Around five of the BIF agribusinesses are providing new income stream that farmers integrate into their other activities, including indigenous vegetables, commercial mangoes, cassava, and fish.

Capacity development

Some projects are developing farmer skills in way that should extend beyond the life of the project and be relevant to other crops. For example, women producing cows for Pabna

Across the projects, the farmers who benefit tend to be traditionally dependent on a combination of subsistence production (food consumed at home) and agricultural marketing.

Meat are developing skills in organic feed management, while those selling to Sylva Foods in Zambia are gaining ownership and management skills in a solar dryer. In India, MCX and mKRISHI both increase farmers' access to information which can in turn unlock other changes in farm management and sales.

Who gains?

Across the projects, the farmers who benefit tend to be traditionally dependent on a combination of subsistence production (food consumed at home) and agricultural marketing. They are generally reliant on local, informal markets, which can leave them vulnerable to highly



Malawi Mangoes, Malawi, which has specific benefits for women

seasonal prices and reduce their access to credit and inputs. Some (working with ACI in Bangladesh) do not even have their own small plot and rely on casual labour for others. They probably count as the most vulnerable of all the groups.

These broad brush characterisations are sufficient to identify the farmers as low-income and therefore an important beneficiary group of inclusive business. However, there appear to be few projects in which the majority of farmers are women. Two clear examples are Afri-Nut

(because women tend to farm groundnuts in Malawi) and Pabna Meat (because the cattle-rearing initiative is targeted at women). It is not clear that any of the initiatives are specifically reaching rural youth. From a vulnerability perspective, this may not be a problem. But from a commercial perspective, there is a strong argument that sustainability of the supply chain ultimately rests on giving young farmers better prospects in agriculture.

How do companies benefit?

Companies are seeking, and beginning to reap, a number of commercial gains from their inclusive approach. These benefits are explained further with examples from the BIF portfolio in Figure 2.

- Robust supply chain
 - securing the right volume consistently (at the right time) with the right specification (quality)
 - building in incentives and mechanisms for continued investment and supply
- Developing markets
 - markets for service provision to farming household (information and finance)
 - new/expanding urban/export markets (organic meat, unadulterated fish, low aflatoxin nuts, dextrose)

Impact	Driving factor	Relevant projects	Examples of benefits to companies
Market Development	Consumer Markets	mKRISHI (India), MCX (India), Eras (Bangladesh), Stanbic (Nigeria)	Stanbic aims to reach more customers, new markets and more bankable populations.
	New product markets	Pabna Meat (Bangladesh), Universal Industries (Malawi), Afri-Nut (Malawi), Pran (Bangladesh), Sylva Foods (Zambia)	For both Universal Industries and Pran, a new product - High Quality Cassava Flour and Dextrose respectively – can be made available to the market.
Supply Chain	Securing supply	Terago (Nigeria), Abira (Nigeria), AACE (Nigeria), Afri-Nut (Malawi), Malawi Mangoes (Malawi), Universal Industries (Malawi), Sun Hotels (Zambia), CEC (Zambia), ACI (Bangladesh), Pran (Bangladesh)	For Malawi Mangoes, there is an increased and substantial supply of specific variety of mangoes.
	Securing quality/specifications	Abira (Nigeria), Afri-Nut (Malawi), Sylva Foods (Zambia)	Sylva Foods can access vegetables dried to the correct moisture levels and at the right quality standards.
	Improving efficiency	Terago (Nigeria)	For Terago, contracting farmers directly and facilitating aggregation and delivery means there is less wastage in the supply chain.
Mission	Achieving ethical objectives	AACE (Nigeria), Afri-Nut (Malawi), Sun Hotels (Zambia)	For Sun Hotels, sourcing directly from low-income farmers boosts their economic gains.

Table 2: Types of benefits accruing to companies from agribusiness initiatives in the BIF portfolio

Robust supply chain

By far the most common intended commercial gain is a more robust supply chain, through securing crop supply and crop quality/specifications. By achieving this, the company has a secure base from which to expand and/or make higher margins in its agribusiness. The volume and timing of supply are critical. In some cases, the company has to run a processing plant (spice grinding, fruit-processing) needing year-round volumes so as to operate at capacity. In most cases, the specification also matters: cassava should be processed within 48 hours of harvest for Universal, meat should qualify as organic for Pabna and dried vegetables should have the right moisture content for Sylva. Ideally, the inclusive arrangement with farmers will generate better quality, quantity and timeliness compared to ad hoc cash trading at the market.



Pabna Meat, Bangladesh

Product development

Specifications are particularly important for those agribusinesses that are developing new products aimed at urban or export markets. Companies that are developing new products market include Pabna Meat (organic beef) and Shiblee Fisheries (unadulterated fish) in Bangladesh, and two cassava-based businesses, Pran in Bangladesh and Universal Industries in Malawi. The inclusive arrangement with smallholders provides a way to secure the inputs needed for these specific product market.

Market expansion

Expanding the consumer market amongst farmers is a quite different objective, strong for around four companies in the portfolio. MCX and mKRISHI, both in India, are developing the market for information-based services aimed at farmers, ACI aims for its agri-input division to increase its sales, while Stanbic's engagement in the agricultural value chain in Nigeria should ultimately result in an extension of the bankable population.

Social impact

Finally there are a minority of companies for which tangible realisation of social returns amongst farmers is an objective itself, either for assurance to the Board that the company is delivering its stated mission and principles (such as for AfriNut , AACE, Malawi Mangoes) or to the wider stakeholder community (such as for Sun Hotels in Zambia).

Additional Resources:

Further information on the projects highlighted in this document can be found on the Practitioner Hub on Inclusive Business at:

<http://businessinnovationfacility.org/page/all-business-innovation-facility>

Case studies with additional detail will be forthcoming on ACI, Stanbic and Universal Industries, and will be available here:

<http://businessinnovationfacility.org/page/bif-case-studies>

Visit our 'know-how' section on 'farmers as suppliers and clients' at:

<http://businessinnovationfacility.org/page/know-how-farmers-as-suppliers-and-clients>

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For further information and to view other Spotlights, go to:

Practitioner Hub on Inclusive Business: www.businessinnovationfacility.org

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