INCLUSIVE AGRI-BUSINESS

WHAT IS INCLUSIVE AGRI-BUSINESS?

Inclusive agribusiness refers to business models, activities or initiatives within agri-food market systems that seek to achieve pro-poor outcomes through the inclusion of low income communities, while being commercially profitable for the business entities involved (GDPRD, 2016).

MEDA’s programs have demonstrated that inclusive agri-business practices can lead to increased incomes for women and men smallholder farmers through improvement in their productivity and increased access to products and services like inputs, financial products, extension services, business planning/management.

Women play an essential role in driving agricultural and rural economies that is often unseen, unrecognized and undervalued (ILO, 2018). Women grow agricultural crops, tend animals, process and prepare food, collect fuel and water, engage in trade and marketing, care for family members and maintain their homes (FAO, 2011).

WHY INCLUSIVE AGRI-BUSINESS?

Promoting inclusion of women and men smallholder farmers in agri-value chains is associated with more reliable, high quality and high-volume supply for agri-businesses. Consequently, investment funds and portfolio companies can realize the following impacts through inclusive agri-business practices:

- Growth of investee companies and improved loan repayments – a more secure supply chain boosts revenues and ability for loan repayment.
- New investee company acquisition and retention – new agri-business clients may choose to access finance from a fund that understands inclusive and sustainable practices.
- Positive investor relations and market reputation – a financial intermediary that has knowledge of, and promotes inclusive agri-business, has a more socially responsible brand.
- Mitigating and managing risk – inclusive agri-business reduces both financial and social risk by diversifying the supplier base and including marginalized groups, reducing the likelihood of community backlash (MEDA, 2019).
HOW CAN INVESTMENT FUNDS APPLY INCLUSIVE AGRI-BUSINESS?

Investment funds can conduct assessments of existing or potential agri-businesses to determine if there is an opportunity to promote inclusive practices using the questions below:

1. Do we have exposure to agri-business in our portfolio? If not, is there potential to invest in this sector, considering the high potential for impact?
2. If yes to the previous question, what proportion of the fund’s portfolio is invested in agri-businesses, disaggregated by women and men owners?
3. Are these companies operating at full capacity or do they wish to increase procurement volumes?
4. Is the quality of procured goods/commodities for the companies satisfactory?
5. Do these companies have value chain linkages with youth, women and men smallholder farmers and those from other marginalized communities?
6. Is there room to improve impact indicators like gender equality, human rights, working conditions, out-grower contract terms, environmental impact, etc.?

WHAT FIRST STEPS CAN INVESTMENT FUNDS TAKE?

1. Start a conversation with relevant investees about inclusive agri-business using this Tip Sheet and the questions above.
2. Support the prospective and current agri-business investees to develop an Issue-Risk-Action Matrix for inclusive practices (see below for example).

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<thead>
<tr>
<th>Issue</th>
<th>Risk</th>
<th>Action</th>
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<tbody>
<tr>
<td>Processing plant is operating under capacity.</td>
<td>Sustained under-capacity could affect financial health and cash flows.</td>
<td>Can we increase the number of women and men smallholder farmers in our catchment area and help existing smallholders increase their output?</td>
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<td>Over-dependency on large farmer suppliers.</td>
<td>The large farmer suppliers could collude and raise prices in an exploitative manner. Similarly, climate risk could pose a problem.</td>
<td>Can we increase sourcing from new smallholder farmers to diversify risk and reduce dependency? Can we offer training in climate-smart agriculture techniques and environmentally sustainable inputs?</td>
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<td>Reputational risk around unfair/ unjust dealings with smallholder farmers.</td>
<td>Smallholder farmers could raise allegations with legal system or media about unjust dealings.</td>
<td>What can we do to improve fair practices with smallholder farmer suppliers and strengthen relationships and goodwill (e.g., improve out-grower contract terms, increase wages paid, provide gender-sensitive extension services, etc.)?</td>
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COMPANY SPOTLIGHT ON INCLUSIVE AGRI-BUSINESS: KHYATI FOODS

Khyati Foods, based in Bhopal, India, procures, certifies and trains farmers in organic soy and cotton farming, as well as processes and distributes the agricultural products for export. For the past 10 years, it has been Khyati’s mission to facilitate a relationship between farmers and customers, ensuring the production of high-quality, organic agricultural products.

In August 2014, Khyati received technical assistance from MEDA in inclusive practices and environmental, social and governance. Khyati invested a portion of their own funds to strengthen organic value chains and worked with several local partners who were critical in providing relevant training programs to women and men farmers. As a result of the technical assistance, Khyati achieved the following results:

- 18% increase in the number of farmers registered.
- The proportion of women farmers registered increased by almost 88%.
- Productivity increases for many products including wheat productivity, which increased by 20%.
- Decline in adverse environmental impacts through improved organic farming practices, such as the elimination of pesticide use and reduction in non-organic waste.
- Adoption of better company-level monitoring practices and research into the feasibility of storing farmer profiles and data electronically.
ADDITIONAL RESOURCES

- Firm to Farm Toolkit (IDE)
- Sustainable and Inclusive Supply Chains (IFC)
- Creating Gender Responsive Agricultural Development Programs (Gates Foundation)