



Is Finance the Primary Binding Constraint for Smallholder Farmers?



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THE INITIATIVE FOR
SMALLHOLDER FINANCE

This report is based upon discussions that took place during the webinar “Farmer and finance: The widening gap”, which focused on the challenges and opportunities smallholder farmers face in accessing finance. The event was a virtual roundtable discussion with the participation of companies that work with smallholder farmers. Beyond financing, this report examines other challenges in working with smallholders who are part of large-scale agricultural value chains, based on the outcomes of the event and individual interviews with Business Call to Action member companies.

This report is based upon discussions that took place during the webinar *Farmer and Finance: The Widening Gap*, which focused on the challenges and opportunities smallholder farmers face in accessing finance in order to improve productivity and strengthen livelihoods and supply chains. The event was a virtual roundtable discussion with the participation of companies that work with smallholder farmers. Beyond financing, this report examines other challenges in working with smallholders who are part of large-scale agricultural value chains, based on the outcomes of the event and individual interviews with Business Call to Action member companies.

Introduction

Why are agricultural smallholders important? Why are so many of them still earning subsistence wages? What can be done to strengthen their incomes and livelihoods while strengthening the world's food supply? And how can businesses ensure that their food supply chains are robust and inclusive? These are some of the questions that the event and our report seek to address.

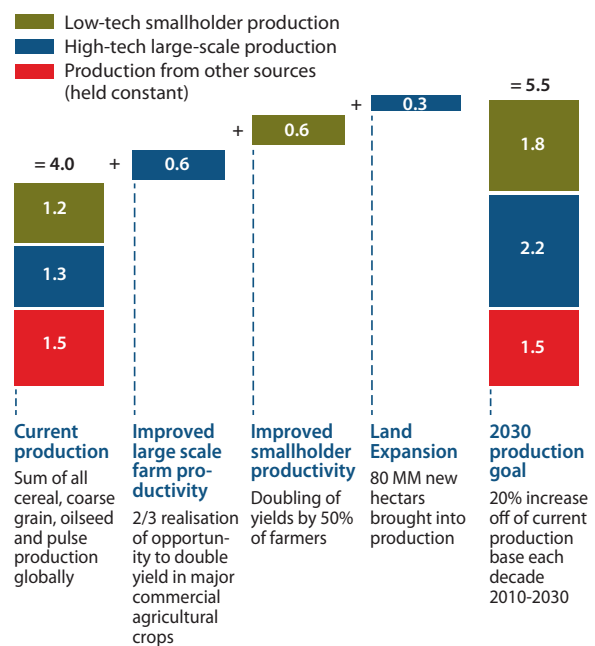
Agriculture is an important source of livelihoods for many low-income rural and semi-rural communities around the world. More than 2.5 billion people depend on agriculture for their livelihoods,¹ and smallholder farmers play a major role in food security and reducing poverty in these communities. Smallholders manage approximately 500 million small farms and provide over 80 percent of the food consumed in many parts of the developing world, particularly Southern Asia and sub-Saharan Africa.² Yet smallholder farmers are among the poorest and most food-insecure people in the world. The United Nations Millennium Project has determined that despite their importance in food production, small-

holder farmers comprise the majority of the world's undernourished people and most of those living in absolute poverty.³ Improving their incomes would not only be a great advance towards meeting the Millennium Development Goal of eradicating hunger and poverty,⁴ but would be a huge step towards meeting the unprecedented global demand for food.

Smallholder farmers produce about half of the world's current food requirements, yet agricultural production in developing countries is characterized by low productivity.⁵ The Food and Agriculture Organization of the United Nations (FAO) estimates that agricultural production must increase by 70 percent in order to meet the demands of a

Estimated production improvement potential

by driver (projected through 2030)
Billions of mt of production



Source: WEF (2011). *Putting the New Vision for Agriculture into Action: A Transformation is Happening*. Geneva. Based on data from FAO, FAOSTAT, McKinsey, and design by Endeavor.

1 <http://www.ifad.org>.

2 International Fund for Agricultural Development (IFAD). 2013. Smallholders, food security and the environment. Available at: www.ifad.org/climate/resources/smallholders_report.pdf.

3 Ibid.

4 <http://www.un.org/millenniumgoals/poverty.shtml>.

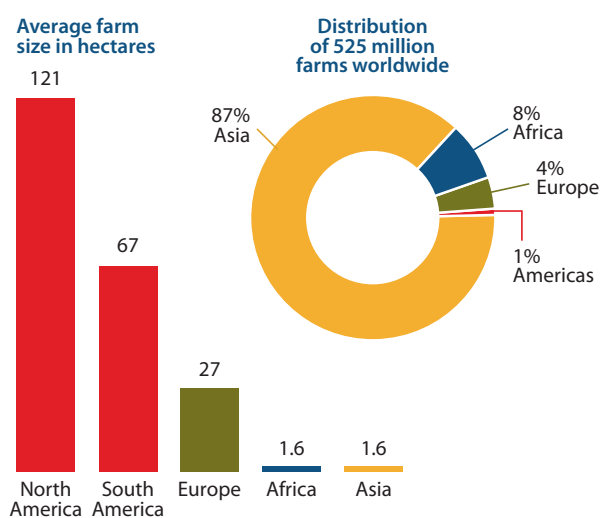
5 Scaling up access to finance for agricultural SMEs: Policy review and recommendations. Available at: http://www.ifc.org/wps/wcm/connect/04da89804a02e2e19ce0fdd1a5d13d27/G20_Agrifinance_Report.pdf?MOD=AJPERES.

growing world population, which is projected to rise to 9 billion by 2050. Increasing production will in turn require a substantial increase in annual agricultural investment (from \$142 billion per year in 2009 to \$209 billion by 2050) by both the public and private sectors.⁶

Increasing agricultural productivity is essential for global food security, poverty reduction, job creation and economic growth. Many companies in the agribusiness sector are using pro-poor, inclusive business strategies to productively engage smallholder farmers at various stages in the value chain.

Investing in smallholder farming has the potential to yield massive gains in terms of poverty reduction and increasing availability and access to food.

Global farm size and distribution of small farms



Source: Aksana Nagayets (2005). *Small Farms: Current Status and Key Trends*. Wye College; GIZ (2012). *Growing sustainable business with smallholders: A guide to inclusive agribusiness*.

Research cited by the International Fund for Agricultural Development (IFAD) showed that a 1 percent increase in agricultural per capita Gross Domestic Product (GDP) reduced the poverty gap five times more than a 1 percent increase in GDP in other sectors, especially among the poorest communities.⁷ Another study demonstrated that for every 10 percent increase in farm yields, there was a 7 percent reduction in poverty in Africa, and a 5 percent reduction in Asia.⁸

Defining smallholders

Smallholder farming has been defined in a variety of ways. According to the World Bank's Rural Development Strategy, smallholders are defined by their low asset base and operate on less than two hectares of cropland.⁹ Smallholder farmers are also defined as having limited resources in relation to other farmers in the agricultural sector.¹⁰ The various definitions agree that smallholders cultivate both food and non-food products – including field and tree crops as well as livestock, fish and sea products – with limited resources such as land, capital, skills and labour.

Over 80 percent of the world's 500 million small farms are located in the Asia and Pacific region.¹¹ The majority of smallholders live in rural areas, although urban and semi-urban smallholdings are increasingly important sources of supply and income for developing communities. Women play a vital role within smallholder agricultural production systems, whether they involve subsistence or commercial farming.¹²

- 6 FAO. 2009. How to Feed the World in 2050. Background document. High-Level Expert Forum 12-13 October 2009. FAO, Rome. Accessible at: http://www.fao.org/fileadmin/templates/wsfs/docs/expert_paper/How_to_Feed_the_World_in_2050.pdf
- 7 Christiaensen, L., Demery, L. and Kuhl, J. 2011. The (evolving) role of agriculture in poverty reduction – An empirical perspective. *Journal of Development Economics* 96: 239-254.
- 8 Irz, X., Lin, L., Thirtle, C. and Wiggins, S. 2001. Agricultural growth and poverty alleviation. *Development Policy Review* 19: 449-466.
- 9 The World Bank. 2003. *Reaching the rural poor: A renewed strategy for rural development*. Washington, DC. Available at: <http://goo.gl/25MqVI>.
- 10 Dixon, J., K. Taniguchi and H. Wattenbach. (eds). 2003. *Approaches to assessing the impact of globalization on African smallholders: Household and village economy modelling*. Proceedings of a working session on globalization and the African smallholder study. Rome: FAO.
- 11 Hazell, P., Poulton, C., Wiggins, S. and Dorward, A. 2007. *The Future of small farms for poverty reduction and growth*. International Food Policy Research Institute (IFPRI) 2020 Discussion Paper 42, May 2007. Washington D.C.: IFPRI.
- 12 Ibid.



Taze&Kuru Inc., an innovative company in promoting healthy foods, sources its products from small farmers in rural areas of Turkey. (Photo: Taze&Kuru Inc.)

Common roadblocks

Smallholders face a number of challenges in increasing agricultural yields and transitioning from subsistence to commercial farming. Faced with a lack of human capital and limited access to infrastructure, markets, and technologies, most smallholder farmers barely subsist. Access to financing, markets for their products, information about pricing and weather patterns is hard to come by, and national policies rarely support smallholders' interests. In recent years, the list of challenges has grown to include emerging climatic, health and financial risks that have the potential to drastically disrupt yields and income. These shocks compromise already fragile food-production systems and prevent smallholders from making the investments required to expand their incomes. As a result, smallholders' production is constrained and poverty persists.

Access to finance

One of the biggest – and largely unaddressed – challenges for smallholder farmers is access to finance. Lack of finance reduces the efficiency of agricultural production by preventing farmers

from adopting better technologies. According to a recent study by Dalberg Global Advisers, although the world's 450 million smallholder farmers represent an important segment of the global agricultural value chain, the formal bank financing provided to these farmers barely meets 3 percent of demand.¹³

Financing institutions need both investment funds and technical assistance in order to increase their smallholder-banking capabilities. It is estimated that by increasing their capacity to serve smallholders, financial institutions would support over 2 billion of the world's poorest people who depend on agriculture for their livelihoods.¹⁴

Because smallholders generally lack productive assets, adequate savings and credit, it is difficult for them to improve their already poor resource base. Smallholders are often perceived by financial institutions as too risky and often fall into the category of 'the missing middle', unable to obtain financing from either microfinance institutions or commercial banks. In addition to being simply too far away or too expensive, formal financial services are not aligned with the business strategies of small producers.

¹³ Dalberg Global Development Advisers, 2012. Catalyzing smallholder agricultural finance. Available at: http://dalberg.com/documents/Catalyzing_Smallholder_Ag_Finance.pdf.

¹⁴ Ibid.



Asset financing allows Juhudi Kilimo to work in Kenya's poorest rural communities, where little business activity or collateral exists, improving farmers' incomes and food security. (Photo: Juhudi Kilimo)

Taze&Kuru Inc., a Turkish company active in the food and retail industries – and an innovator in promoting healthy foods – has demonstrated the importance of supplier finance to working with smallholder farmers. The company sources its products from small farmers in rural areas of Turkey. In its efforts to support smallholder farmers, Taze&Kuru has plans to build suppliers' production capacity according to European Union standards. As such, Taze&Kuru's traceability system enables the company to track the product from the farms to the shelves of the European and U.S. stores. Traceability is a mechanism which can be used to not only achieve a withdrawal of food products from the market, if necessary, but also to track the sustainability and impact of production. Having achieved a sustainable and traceable value chain, Taze&Kuru's business model represents an innovative and sustainable model for developing countries. The company has been successful in reaching low-income farmers who lack access to finance for innovative farming methods and equipment, including drying equipment and food-storage techniques that can improve vegetable production and harvest yields. Because most smallholder farmers in Turkey lack cash flow and are unable to receive credit from formal institutions, Taze&Kuru provides financing to its suppliers.

Similar insights shared by **Noha Nyamedjo**, an influential cocoa trader in Cameroon with over 20 years of trading experience in the sector, demonstrate how a lack of adequate financial resources

prevents its smallholder suppliers from acquiring essential machinery, which impedes quality and productivity. Noha Nyamedjo has undertaken a major initiative to build a cocoa-processing plant in Cameroon, which could process 25,000 tons per year; it would be only the second plant in the country with this level of capacity. This large project has the support of the Government to develop the sector in terms of quantity and quality. There is pressure on farmers to improve the quality of their crops. The company wants to grow its market, but Cameroon does not have an international reputation for quality cocoa. The quality issue stems in part from the fact that the crop is harvested during the rainy season and farmers do not have enough cash on hand to invest in proper drying equipment. To keep their crops dry, farmers use ovens, which reduce quality and productivity. To resolve the issue of quantity and quality, Noha Nyamedjo has signed an agreement with the Government for assistance with financing, and will also work with international and national organizations to train farmers in meeting international quality standards and developing new cocoa plantation. The company's ultimate goal is to create an added value in the sector.

Although microfinance has expanded in the last decade, most institutions offering microfinance services are focused on providing short-term loans for non-agricultural purposes, and usually offer no savings, money transfer or insurance products. The lack of access to agricultural credit is also tied

to a lack of formal property title, which can serve as collateral. Smallholders often invest all of their resources in their land, but few have an official documentation verifying the land's legal title and its value. These legal and/or capital constraints makes it difficult for smallholder farmers to make investments that do not yield immediate returns, such as in technology or long-term crops. Even purchasing inputs for a single cultivation and harvest period can be challenging.

Juhudi Kilimo, a Kenyan social enterprise, provides financing that allows Kenyan smallholder farmers to access high-quality agricultural assets that enhance the productivity of their farms. The company provides rural smallholder farmers with micro-financing to purchase agricultural assets such as dairy cows, poultry, greenhouses and biogas digesters. These assets generate income for farmers and act as collateral for loans. Asset financing allows Juhudi Kilimo to work in Kenya's poorest rural communities, where little business activity or collateral exists, improving farmers' incomes and food security. For example, a farmer can take a loan for a high-yield dairy cow, which will generate enough milk in 12 months to pay for the cow, the interest on the loan and training, and still leave the farmer with enough extra income and milk to sustain a family. Once the loan has been repaid, the

“There are big needs for information, knowledge and training — everything from how to be an effective farmer to using modern technologies, pricing and access to markets.”

-- Nat Robinson, CEO, Juhudi Kilimo

farmer owns the asset. After several loans, farmers can build an asset base, which can double or triple their income.¹⁵

Research conducted by IFAD has indicated that for farmers in sub-Saharan Africa, credit for input

purchases is a major requirement.¹⁶ Indeed, the experiences of Business Call to Action member companies working with smallholder farmers confirms that financing is a desired precondition for partnering with suppliers that can invest in order to meet demand, as well as for customers to finance purchases and investments. Companies — such as Turkey's Taze&Kuru, BASF India, Cameroon's Noha Nyamedjo, and Kenya's Juhudi Kilimo — find it difficult to provide financing for infrastructure that their potential partners lack, such as storage facilities or machinery. They also agree that although access to finance is important, it cannot address all the challenges faced by smallholders. A more holistic approach is needed to not only address smallholders' lack of financial resources, but to improve their access to market information and address gaps in skills, legal frameworks and physical infrastructure.

Inadequate infrastructure

Rural infrastructure plays a crucial role not only in ensuring access to markets, but also in having control over prices. The remoteness of farm villages and lack of adequate roads increases farmers' vulnerability. For example, in the Asia and Pacific region, the roads where most smallholder farmers operate are in poor condition and unevenly distributed; many villages lack roads connecting them to other villages.¹⁷ The main roads are often accessible only during the dry season. This isolation has significant implications for farmers' livelihoods, as farmers have difficulties getting their products to markets and obtaining agricultural inputs. In addition, farmers in remote areas generally have to pay higher prices for agricultural inputs, reducing their profits.

For companies sourcing from and selling to smallholders, infrastructure is a major challenge since farms are often widely dispersed in remote areas; long transport times affect the quality

15 Juhudi Kilimo, Application for membership, Business Call to Action.

16 Livingston G. Schonberger, S. and Delaney S. 2011. Sub-Saharan Africa: The state of smallholders in agriculture, Paper presented at the IFAD Conference on New Directions for Smallholder Agriculture, January 2011, Rome: IFAD. Available at <http://www.ifad.org/events/agriculture/doc/papers/livingston.pdf>.

17 The World Bank. 2014. Roads: total network data. <http://data.worldbank.org/indicator/IS.ROD.TOTL.KM>.

Financial products for smallholder farmers¹⁸

Savings: Smallholder financing needs to be linked to savings, as this enables producers to save for lean times and future investments.

Credit: Contractual arrangements should take smallholders' agriculture-related cash-flow patterns and investment needs into account. Repayment conditions need to consider each smallholder household as a single unit, and should not specify the loan's use. This type of lending is typically based on a personal relationship between the financial institution and the client, but can be complemented by technical criteria for selecting borrowers, designing loan contracts and enforcing repayment.

Agricultural insurance: Insurance helps farmers to deal with the high risk related to specialized agricultural production. The interlinking of credit with insurance enables smallholders to move into higher-risk crops and cultivation methods, which provide corresponding opportunities to achieve higher yields and incomes. Micro-insurance contracts for agricultural customers often make use of index-based approaches. Rather than measuring the actual loss incurred, payout is triggered by an index benchmark.

Indices can be based on area-wide yield, satellite images, weather data or whatever mix is best suited to the risk.¹⁹

Microfinance: Microfinance institutions typically provide financial services to low-income customers. With relatively small transactions, unsecured loans and limited formality, micro-finance institutions and cooperative banks have developed a relationship-based approach to banking that maintains low transaction costs. While microfinance services are offered in rural and urban areas, providers typically focus on serving non-agricultural clients. Agriculture is generally based on longer business cycles than trade activities, and carries sector-specific risks related to shocks that are largely unforeseeable. For this reason, the general approach to micro-finance has often proven a poor fit for the needs of smallholder farmers.

Agricultural microfinance: This emerging model for providing targeted financial services to smallholders combines the most promising features of traditional microfinance with agricultural finance, establishing links to existing agricultural intermediaries and businesses.

of fresh products. Ports in these areas are often outdated and have limited capacity, and railway lines are poorly maintained. The lack of electricity in rural areas also imposes challenges. Worldwide, about 1.3 billion people lack access to electricity and have to rely on kerosene and diesel fuel for income-generating activities. These communities are mainly in the rural areas of Asia and sub-Saharan Africa. The high cost of energy for tasks such as processing is a serious disadvantage in highly competitive markets.²⁰

Physical infrastructure with the potential to improve smallholder productivity is also lacking – this includes training facilities, sanitation and water supply infrastructure, and health care services.


Access to market information

For companies aiming to work with smallholders, accessing vital information on their markets presents major challenges. On the one hand, companies selling to smallholders do not know what kind of products and features smallholders demand,

18 GiZ. 2012. Growing sustainable business with smallholders: A guide to inclusive agribusiness. Accessible at: http://www.agribusiness-with-smallholders.net/fileadmin/user_upload/publications/Guide-Growing_Business_with_Smallholders_large.pdf.

19 Carter, M. 2012. Designed for development impact: Next-generation index insurance for smallholder farmers. International Labour Organization (ILO) and Munich Re Foundation.

20 The International Energy Agency (IEA) and the Organization for Economic Co-Operation and Development (OECD). 2010. Energy poverty: How to make modern energy access universal? Paris: OECD/IEA.



Noha Nyamedjo has undertaken a major initiative to build a cocoa-processing plant in Cameroon, which could process 25,000 tons per year; it would be only the second plant in the country, with this level of capacity.

what they are willing to pay or how best to market their products. On the other hand, companies sourcing from smallholders do not know who offers what products, in what quantities and qualities, their prices or where they are located. Smallholders also face difficulties accessing up-to-date information on market prices for their products, weather forecasts, potential business partners, available inputs, modern production and marketing technologies, and agricultural practices. In India for example, approximately 250 million people – the vast majority of whom live in rural areas – are engaged in agricultural production. Many of these farmers rely on other farmers or third parties to pass along advice about crops, but they do not have access to consistent, reliable sources of agricultural and pricing information. As a result, farmers produce lower crop yields and endure higher levels of crop wastage and spoilage. These farmers are also charged high transaction fees because they lack knowledge about current commodity prices.²¹

The world's leading chemical company, **BASF**, is addressing the challenges of access to market information and crop yields through its SAMRUDDHI programme in India. The growing

global demand for soybeans has resulted in more land being dedicated to production, but productivity has remained low because of inappropriate fertilization, excess seeding, inappropriate use of crop-protection products, and lack of knowledge about good farming practices. BASF saw this gap as an opportunity to develop a new programme, SAMRUDDHI, which addresses the needs of farmers in a holistic way to enhance soybean productivity. Through SAMRUDDHI, BASF not only educates farmers about the timely use of crop-protection inputs, but also about correct fertilization, seed rate and spacing to enable higher yields. SAMRUDDHI represents a significant change for BASF from a focus on dealers to a focus on farmers; from selling crop-protection products to selling a crop solution; and from solving specific pest problems to helping customers to grow better crops and reap higher returns.

Farmers participating in the programme receive direct support and training for two years. This support ranges from selecting the right seeds to educating farmers about when to apply crop-protection products and advice on sales and cost-control measures. After the initial training is complete, farmers are connected to a call center

21 Business Call to Action. 2011. Thomson Reuters: Removing barriers to growth in agriculture. Accessible at: http://www.businesscalltoaction.org/wp-content/files_mf/bctareutersmarketlightcasestudyforweb47.pdf



Through SAMRUDDHI, BASF not only educates farmers about the timely use of crop-protection inputs, but also about correct fertilization, seed rate and spacing to enable higher yields. (Photo: BASF)

where they can receive ongoing support. The objective of SAMRUDDHI is two-fold: improve yields thereby enhancing prosperity of the farmer and in the process increase revenue for BASF resulting from the use of crop protection products. The underlying principle of SAMRUDDHI is ‘BASF will prosper when the farmers prosper’.

“BASF is keen to continue to build trust with our consumers and provide innovative solutions so that local farmers and their families can have increased yields, revenues and greater livelihoods.”

— Thilo Bischoff, Vice President, Functional Materials and Agriculture South Asia, BASF

Lack of training and skills

Smallholders tend to practice subsistence agriculture in the way it was done for generations. In order to participate in larger value chains however, they must meet specific standards in

terms of agricultural practices and management. In addition to lacking awareness of up-to-date cultivation and post-harvest management techniques, they often lack basic business skills such as accounting, cash-flow management and medium-term strategy development. In most cases, the skills and knowledge needed to meet these standards are not readily available.²² Most smallholders have little formal education (many complete just two to four years of schooling),²³ and as a result, companies struggle with their smallholder business partners’ lack of capacities. However, many companies lack the resources to provide the required training themselves.

One company that is working to overcome the challenge of building smallholder capacity is **JKH Naturals**, which manufactures and distributes natural speciality product ingredients around the globe. Its products include fruits and botanicals for health, food, beverages, cosmetics and personal care products. Partnerships with small farmers are crucial to advance JKH’s strategy of accelerating the discovery of new sources of ingredients, and providing new sources of income for small

22 GIZ. 2012. Growing sustainable business with smallholders: A guide to inclusive agribusiness. Accessible at: http://www.agribusiness-with-smallholders.net/fileadmin/user_upload/publications/Guide-Growing_Business_with_Smallholders_large.pdf.

23 Ibid.

farmers and local communities. The company has begun sourcing ingredients from Senegal, Malawi, Zambia and Brazil. JKH has not explored the option of local financing for its newer commodities because these markets are not yet mature. Farmers' production of these commodities is too small even for micro-loans, so JKH took the initiative of linking these farmers with financing sources.

JKH's goal has been not only to discover, source and commercialize exceptional natural raw materials in terms of function and efficacy, often from indigenous plants in rural communities, but also, to carry on a mission of a social impact in the often impoverished zones in which they are inhabited.

Since it is often difficult to obtain financing for small farmers, JKH is looking for new financiers, with a focus on novel sources of funding like social financing. The company aims to supply its small farmer partners with contractual agreements of purchase in order to increase their chances of obtaining financing. In addition to financing, the company provides farmers with start-up capital, training and support to develop their capacity. To address the skills gap, JKH has plans to establish training in quality control and to develop knowledge-sharing and capacity-building activities within its processing centres. Finally, the company is looking for internal trade finance funds, which can be distributed quickly to enhance capacity-building activities.

Similarly, Juhudi Kilimo maximizes the benefit of asset financing by providing both technical assistance and business training. The company administers asset financing loans to rural clients through a network of field offices throughout Kenya. Juhudi Kilimo's clients must be active members of farmers' organizations and participate in completing loan applications. Juhudi trains each organization for two months on governance and financial management of its loans. Most of the company's clients have never used a formal loan product before and require significant training in bookkeeping as well as

“We have made it our role to provide access to national and international markets through fair-trade partnerships in a sustained way to the communities we source indigenous plant materials from. This serves not only to give us access to outstanding natural raw materials, but also promotes economic growth within these areas and strengthens the economic interdependence between people and their resources. This approach, in turn, encourages communities to manage these resources sustainably. The cumulative effect espouses our triple bottom line value framework. It also allows us to become a trusted supplying partner to brand holders and natural product manufacturers looking to establish a transparent, traceable supply chain, and to have an evident social impact through their sourcing choices.”

— Marieme Haynes,
Managing Director, JKH Naturals

the risks and benefits of finance. Juhudi works through partners including the Government and local NGOs to provide a high level of technical training and avoid the conflicts of interest with its clients. The company is currently enhancing its training with innovative technology that is also cost effective. Loan officers are now equipped with tablets to provide training videos and presentations specific to agriculture.

Regulatory environment and gaps in legal infrastructure

Being a small producer or doing business with one often means working in an insecure market environment. Because markets in developing countries tend to be informal, business regulations are often inconsistent, administrative systems under-developed and the legal infrastructure weak. This often means that contract-enforcement support systems such as police and courts are out of reach. Contracts tend to be based on trust and subject to social enforcement.²⁴ In addition, in



Photo: Neil Palmer/CIAT

“After learning that most of the farms are too small for micro-loans, in addition to having difficulty obtaining adequate financing to fulfill trade volume requirements, while also lacking some of the technical development knowledge required to grow, JKH realized that including training for smallholders and participating in building access to more significant growth capital is necessary in order to build their capacity.”

— *Marieme Haynes,*
Managing Director, JKH Naturals

most developing countries, there is little access to social safety nets or insurance coverage, which can absorb losses if harvests fail or prices are unexpectedly low. Less than 5 percent of people with low incomes have access to general insurance coverage, and even fewer to agriculture-related policies.²⁵

Conclusion

The urgency of improving the security and sustainability of smallholder farmers’ livelihoods is clear. For the world’s population, improved quality and sustainability of food supply is critical for economic growth and poverty reduction. Corporations working with smallholders at the base of the pyramid face many challenges in including them in their supply chains; which are context specific. In addition to financing constraints, infrastructural constraints, lack of market information such as pricing and gaps in the regulatory environment pose significant obstacles in strengthening smallholder farmers’ livelihoods. But equally, companies at the base of the pyramid are creating innovative solutions that overcome these challenges and are working together with policymakers and development agencies in order to improve smallholders’ productivity. The Business Call to Action looks forward to the coming advances in technology, risk mitigation processes and innovative collaborations to strengthen these efforts even more.

24 Cunningham, S. and Wegmann, M. 2011. Reducing red tape. Johannesburg: Mesopartner.

25 The World Bank. 2001). World Development Report 2000/2001: Attacking poverty: Opportunity, empowerment, and security. Accessible at: http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2007/07/12/000310607_20070712141534/Rendered/PDF/226840CHINESE015005150001601PUBLIC1.pdf.

Micro Insurance Centre. 2012. Insurance in developing countries: Exploring opportunities in microinsurance, Lloyd’s 360° Risk Insight. Accessible at: <http://www.microfinancegateway.org/gm/document-1.9.40798/Insurance%20in%20developing.pdf>.

Annex

Special thanks to the following individuals for providing valuable inputs that serve as the basis for this report:

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Business Call to Action member companies implementing inclusive business models in the agriculture sector:

[Ajinomoto](#) seeks to improve the nutrition of 200,000 children ages 6-24 months in Ghana by 2017 through the sale of a nutritional supplement. The company will also deliver nutritional products to pregnant and lactating women, and school-aged children.

[Asda](#) is significantly increasing the amount of fresh flowers and plants sourced from Africa. This initiative will create more jobs and opportunities for farmers and trading partners from South Africa, Kenya, Cameroon, Cote d'Ivoire, Ghana and Burkina Faso.

[Ballarpur Industries Ltd.](#) (BILT) is integrating smallholder farmers in India into its pulpwood supply chain, increasing the incomes of 5,000 farmers. This is helping the company to secure

a sustainable sourcing model while generating cost savings.

[Diageo](#) is working with farmers to develop the sorghum agricultural value chain in Cameroon by strengthening farmers' skills and agronomic practices, establishing collectives and providing farmers with access to credit. Through this initiative, Diageo will ensure a sustainable source of local grains for use in its products.

[Ericsson](#) has expanded mobile coverage for approximately 400,000 people in sub-Saharan Africa and has developed mobile applications that provide solutions in health, education, agriculture and small business investments.

[Global Easy Water Products](#) seeks to provide 300,000 smallholder farmers in India with its low-cost drip irrigation technology by 2018.

[Grupo Orsa](#) will train 3,000 low-income Brazilian Amazon farmers in sustainable growing practices to boost the production and quality of Brazil nuts for global markets, and protect rainforests.

[Honey Care Africa](#) will engage 40,000 smallholder households in rural Kenya in honey production by 2017. Beehives generate additional income for households and increase crop yields by 15 to 30 percent as a result of increased pollination from healthy bee colonies.

[IKEA](#) has committed to reach 40,500 farmers in Pakistan with assistance in producing Better Cotton as well as to founding a knowledge resource center for cotton in India. These projects contribute to IKEA's goal to source 100 percent Better Cotton by 2015.

[ITOCHU](#) and [kurkku](#) are scaling up their Pre Organic Cotton Programme, supporting nearly 30,000 farmers in India to switch to organic cotton production, which will increase farmer incomes by 30 percent.

[Juhudi Kilimo](#) is providing asset financing and technical assistance to smallholder farmers throughout rural Kenya. The target is to reach 100,000 farmers by 2015, of which over 50

percent will be women. Farmers supported by the company will increase their incomes by 50 percent. Overall, 500,000 rural Kenyans will benefit.

Kraft/Mondelez works with 40,000 cocoa farmers in Ghana to increase cocoa farming productivity. Kraft commits to improve cocoa farming yields from 40 percent to 100 percent by 2018.

L'Occitane works with woman shea nut harvesting and processing cooperatives in Burkina Faso to preserve the traditional skills required to process shea butter, while reducing manual labor requirements and environmental impact.

Multi Commodity Exchange (MCX) of India is developing 50 rural information service centers throughout India. About 60,000 farmers will be able to keep abreast of market data, crop prices and crop protection products, and weather reports will allow growers to boost productivity and income. This initiative has the potential to create a new competitive sector that will increase MCX's membership and business.

Noha Nyamedjo Company is building a high-tech processing plant that will turn cocoa beans into high-quality butter, powder and liquor. This initiative will source an additional 20,000 tons of cocoa from local farmers in Cameroon, providing 60,000 farmers with sustainable livelihoods. By strengthening local industry, the company will benefit by adding value to the crops and increasing its margins.

Royohin Keikaku Co., popularly known by its brand name MUJI, commits to source eco-friendly artisanal products from three least-developed countries: Cambodia, Kenya, and Kyrgyzstan.

SABMiller is working to improve its supply chain of barley in Rajasthan in India through an initiative to promote sustainable livelihoods for 8,000 smallholder barley farmers. The company is promoting barley production as part of its effort to secure high-quality grain for its products while reducing the cost of beer production.

Sambazon will train 7,000 açai harvesters on organic environmental-management principles,

which will enable them to double current yields of the berry and increase their earning potential by 40 percent.

Taze&Kuru seeks to employ 100 low-income farmers in Turkey by 2018 in the production of healthy dried fruit snacks for school-aged children. The fruit is dried using an environmentally friendly geothermal drying technology.

The Cadbury Cocoa Partnership is developing sustainable cocoa communities throughout the world. In Ghana, the Partnership is creating new sources of income in 100 cocoa-farming communities, benefiting 65,000 farmers. This initiative will increase productivity per hectare by 150 percent by 2018, ensuring a consistent, high-quality source of cocoa for its confectionary products while generating as much as \$350 million per year in additional revenues.

The Co-operative Group is creating a unique cooperative-to-cooperative supply chain, which will strengthen the trading position of 11,000 smallholder tea farmers in Kenya. This initiative will improve The Co-operative Group's marketing advantage in the fair trade market while securing its future commodity supply. The incomes of participating tea farmers will increase by as much as 30 percent.

Thomson Reuters, through Reuters Market Light's (RML) subscription service, is providing farmers with accurate and timely local information on more than 150 crops from 1,000 markets in India. This initiative will reach an estimated 1.5 million farmers across 15,000 villages, with nearly 200,000 farmers already subscribing to the service. With 250 million agricultural producers in India, the company sees great potential for increasing its subscribers.

Yara International is building fertilizer warehouses at the Dar es Salaam port in Tanzania and the Beira port in Mozambique. Research shows that with better access to fertilizer, Africa's food production could be tripled by 2015, with positive impacts on food security. This initiative will make fertilizer available to farmers year round, increasing the company's fertilizer sales in the region.

About event collaborators



BUSINESS CALL TO ACTION

Launched in 2008, the **Business Call to Action** (BCTA) aims to accelerate progress towards the Millennium Development Goals (MDGs) by challenging companies to develop inclusive business models that offer the potential for both commercial success and development impact.

The initiative is the result of a partnership between the Australian Department of Foreign Affairs and Trade, the Dutch Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, United Kingdom Department for International Development, United States Agency for International Development, United Nations Development Programme, the United Nations Global Compact, and the Clinton Global Initiative.

BCTA members are market leaders and innovators committed to developing commercially viable, inclusive business ventures that engage people living at the base of the pyramid as consumers, producers, suppliers, and distributors.

Dalberg

Dalberg is a strategic advisory firm specializing in international development and global challenges. The company has completed more than 400 projects in more than 80 countries for both public and private institutions. Dalberg takes a holistic approach to global issues, supported by expertise from a wide range of fields. The company was founded in 2001 and has rapidly grown to 11 offices and a strategic presence around the world.



THE INITIATIVE FOR SMALLHOLDER FINANCE

The Initiative for Smallholder Finance

is a multi-donor effort housed in the Global Development Incubator, designed to demonstrate how specific

products and services can expand the reach of financing for smallholder farmers. Initiative activities include targeted market research, product development and testing, and investment facilitation in the smallholder finance market.

Further Resources:

Business Call to Action Case Studies

Business Call to Action Publications and Selected Resources

Food and Agriculture Organization of the United Nations (FAO) Publications

International Fund for Agricultural Development (IFAD) Publications

UNDP Growing Inclusive Markets Case Studies

Dalberg Global Development Advisors Catalyzing Smallholder Agricultural Finance

Global Development Incubator Initiative for Smallholder Finance



This report was prepared by Tatiana Bessarabova and edited by Suba Sivakumaran on behalf of the Business Call to Action, in collaboration with Dan Zook of Dalberg Global Development Advisors and Tom Carroll of the Initiative for Smallholder Finance, Global Development Incubator, Inc. (GDI). It can be downloaded from www.businesscalltoaction.org/resources/publications

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Please send feedback to the Business Call to Action Secretariat at Secretariat@businesscalltoaction.org



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Cover photo: Separating rice in Cebu, the Philippines. Updated irrigation techniques helped improve the harvest. Photo credit: Victor Diaz Kintanar, The Philippines