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How inclusive businesses can contribute to local food security

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The concept of inclusive business has gained a central place in development policy and practice. that the underlying premise is that by making small scale farmers part of their business model, companies can increase their profitability and at the same time contribute to farmers' livelihoods. Despite a wealth of positive anecdotal evidence, it remains unclear whether and how a company can do this. This paper examines how agri-business should become (more) inclusive in contributing to food security. Based on literature on pro-poor market linkages, I draw a list of lessons for companies to consider when investing. I plea for approaches that take into account the diverse livelihood strategies of farm households, the diversity in farm types at community level and the longer term effects of a companies' activities.

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Introduction

In January 2017 the World Economic Forum (WEF) presented its first *inclusive development index*. Besides GPD, the metric indicates progress in human and environmental capital. A remarkable move for an institute that for years has focused on economic growth as the sole designation for progress [1]. The WEF however is not the only institution embracing the concept of inclusion. Since the United Nations formulated its' Sustainable Development Goals under the umbrella adage 'leaving no one behind' [2] the concept has gained an increasing popularity. Originating in the social policy domain, 'inclusiveness' has now been taken over in the pro-poor and private sector-oriented narratives of governments and international donors [3]. In this context, specifically the concept of inclusive business (IB) has been receiving substantial policy and scholarly attention, or rather becoming normalized. IB largely refers to a private sector approach to providing goods, services and a livelihood on a commercially viable basis to people at the base of the economic pyramid by making them a part of a company's core business value chain as suppliers, distributors, retailers, or customers [4] It is exactly this 'making them part' that distinguishes IB from any other corporate social responsibility strategy in which a company aims for profit while positively contributing to the social and ecological environment [5]. The IB concept promises everyone to win through involvement in the global market economy.

Nevertheless, the central position IB is now taking in development policy and practice, evidence regarding the impact of these models remains scant. Whereas global development institutions such as UNDP, IFC, FAO herald the potential of inclusive business to contribute to poverty alleviation, a number of scholars critically remarks that inclusion is being equalized with market participation, which in itself is not necessarily positive. Uncertainty about the effects and on how these are triggered hinders the development of (more) inclusive business models.

The article focusses specifically on agri-businesses that aim to contribute to inclusive local food security. Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life [6]. In this review I pay attention to physical access, implying the means to produce own food (subsistence farming) and economic access, the ability to purchase food on the market.

Starting from the idea that any inclusive business model intends to benefit the bottom of the pyramid, I review how companies can contribute to food security for all. I draw learnings from a broad strand of literature on linkages between small scale farmers and larger economic operators.

Assessing inclusive business

Up till now there is no global policy instrument that embodies international consensus on what inclusive business means, let alone, how companies could achieve inclusiveness.

The Committee on World Food Security elaborated a number of Principles for Responsible Investment in Agriculture and Food Systems to ensure agri-business

investments foster 'inclusive economic development' and 'contribute to food security and nutrition, particularly for the most vulnerable, at the household, local, national, regional, or global level', however it is left to the particular investor to 'involve all relevant stakeholder groups to defining baseline data and indicators for monitoring and measuring impacts' [7]

A great number of pro-claimed inclusive agri-business investments are evaluated at the level of outcomes, using indicators such as how much did the income and productivity of farmers increase and have diets become more diverse? [8,9] This way of assessing sheds little light on whether or not sustainable livelihood changes are achieved and to what extent a company has contributed to food security of the poor.

Development oriented institutions have encouraged a broadening of the scope of inclusive business by elaborating guidelines that go beyond merely output or outcome measurement. For example, IIED and FAO developed a conceptual framework to assess the way a business model shares value [10]. Four criteria are used: • Ownership, referring to the distribution of equity and key assets such as land and processing facilities among the stakeholders involved. • Voice, denoting the ability smallholders are given to influence key business decisions • Risk: How commercial, political and reputational risks are shared. • Reward: Referring to the sharing of economic costs and benefits, including price setting negotiations and financial arrangements. This framework considers the set-up of the business models significant for its impact at community level.

German *et al.* [11••] introduced a framework that takes into account the specific community context of an investment and is grounded in the perceptions, concerns and aspirations of those most directly affected by agribusiness investments. They identified the following pillars of inclusion: 1. Effective arrangements for voice and representation of rural actors at different stages of the investment process. 2. Inclusive and fair value chain relations. 3. Respect for land rights and inclusive tenure arrangements. 4. Employment creation and respect for labour rights. 5. Contribution to food security within affected communities.

Even though this last framework applies a broader lens by taking into account the specific context of an agribusiness investment, by distinguishing between different social groups in a community and by studying the the food security effects at community scale, a deeper dive into the farm community is necessary to ensure improved food security for all.

Gaps in the assessment frameworks

Literature on pro-poor market linkages between small scale farmers and companies e.a. case studies of contract farming, cooperatives and social enterprises, reveal a number of characteristics of farming communities for companies to take into account when aiming to be inclusive.

Livelihood diversification

In most cases the relationship between an agri-businesses and small scale farmers concerns only one product. Companies are often specialized, for example in mango processing, French bean canning or cocoa sourcing. Farmers on the other hand engage in a multitude of crops and activities. Expansion or intensification of one crop might come at the cost of land or time assigned to other crops or other activities [12–14] Also, farmers can move in and out of farming and realize other livelihood activities aside, such as petty-trade or off-season jobs. It is this constellation of activities that is of influence for whether or not a company contributes to household food security by engaging small scale farmers in its business model. Wendimu *et al.* [15•] show that contracted sugar cane out growers achieve a higher productivity than other sugarcane farmers in Ethiopia. However, they would have been better off, income wise, if they had used their irrigated land for other crops.

Any investment assessment should take into account the trade-offs for a farm household of engaging in an agribusiness value chain, to make sure not.

to render the small scale farmer dependent on the company for credit, market access and inputs [16–19]. In such situation, IB easily transfers into what Hickey *et al.* [20] call "adverse incorporation" by which poverty or other disadvantages result not from exclusion, but from inclusion on disadvantageous terms, into a system that in itself is exploitative.

This also goes up for cases where farmers shift from producing food crops to cash crops. Negative correlations were found between small scale farmer cash crop production of cassava and food security in Ecuador [21], cacao and sugarcane production in Mexico [22] and cold-weather vegetable production in Guatemala [23]. However other studies found positive food security effects [24]. In similar vein, the involvement of women as employees in agribusiness companies can come at cost of spending time in preparing food for the household [25], but the opposite has also been shown; employment opportunities for women increased the household food budget [26].

These studies reveal that much depends on the opportunities farmers have to invest the income gained by cash-crop production in food. In the absence of local food markets, a reduction in food production diversity negatively affects food security. For instance, female-headed households in Malawi had increased dietary

diversity in the presence of high levels of crop and livestock diversity [27].

Farm diversity

In both the set-up and assessment of agribusiness models farmers in a community are in generally lumped into two groups, a group of farmers that is able to respond to the requirements of the company and a group that is not. Such distinction obscures the diversity of farming types in a community and the distinct impacts an investment might have with regard to household food security. Literature on contract farming and cooperatives shows that even though there is an aim to engage small scale farmers the poorest households are often excluded [23,28–36]. Applying a gendered-lens to commercial agriculture projects in Ghana, Tsikata and Yaro [37], conclude that a business model that includes local communities in production and profit sharing, is not sufficient to protect women's livelihood prospects if it ignores pre-existing gender inequalities and biases. However, implications reach beyond a mere distinction between the potential and the excluded households. Farming systems literature teaches us that the differentiating characteristics of farming systems are driven by site-specific opportunities and constraints that are shaped by factors at the level of the household, the community, the landscape or the region. These differences influence the livelihood strategies of farmers as well as their capacity to take advantage of potential market opportunities [38]. Vicol [39] finds that "The implications of contract farming for accumulation and differentiation are shaped by the historical structures of existing agrarian landscapes (social, economic, political, and institutional), local livelihood patterns, *and* the dynamics of the contract scheme". Xu [40] in her study on the impact of inclusive tea plantations on local communities in China shows how villagers were differently affected by the expansion of the plantations. When overlooking the diversity within a community there is not only a risk that agri-business excludes the poorest and most vulnerable households, including in many cases female headed households, but also aggravates existing inequalities. Several case studies on contract farming found that people not participating were confronted with higher prices for food or for farm inputs as a consequence of a company's intervention in their area [41–44]. A review by Barrett *et al.* [45] finds that business models engaging smallholders can reinforce geographic disadvantages within countries.

In order to contribute to a development trajectory that positively impacts food security of the poorest in a community it is important to understand farm diversity and the barriers different farm types experience. The construction of a farm typology might be insightful in this regard [46•] Insight into the drivers of diversity and its consequences might be gained through the participation of farmers themselves in typology construction [47].

Long term dynamics

When it comes to designing and assessing business models, there is still tendency to narrowly focus on the actors involved and bottlenecks they encounter. Such narrow focus obscures the range of effects an investment might trigger, specifically in the long run. Mangnus and van Westen [48] observed in North Ghana that even though the engagement of smallholders in a maize exported oriented business contributed positively to income and productivity of the farmers, the longer term effect on household food security was expected to be negative. As a consequence of the positive income effects, farming systems were increasingly maize-based, with negative effects on soil fertility and biodiversity and an increasing vulnerable of farming households to price shocks and pests as a consequence. Also the diversity of food available in the local market was decreasing. In similar vein McCarthy *et al.* [49••] show in their study on the global oil palm value chain how one intervention sparks distinct development pathways in different contexts.

Business models are contoured by an agro-ecological context that influences its 'impact on food security in the long run. In order to acquire insight in the possible long term dynamics a food system approach could help to map the relationships between the activities of the business model, e.a. production, processing, distribution and consumption and the possible socio-economic and environmental outcomes of these activities [50]. The business model should be adapted as such to avoid potential negative effects.

Conclusion: approaches towards inclusive food security

Improving food security by means of inclusive agribusinesses is an increasingly promoted development strategy. This review shows that current design-frameworks and assessment-frameworks provide little insight in how agribusiness can actually contribute to local food security for the poorest. The paper identified tree elements that should be taken into account:

1) The diversity of livelihood strategies employed at household level: Companies should aim to understand the trade-off between different activities and how engagement of a household in a company's business model influences its own food production and its' ability to buy food, so that they can make sure their investment contributes positively to the food security status.
2) Diversity of farm types at community level: Investors should identify the different types of farms and their specific limitations and opportunities to achieve food security at household level and adapt the terms of engagement as such that they contribute positively to the food security status to each of these farm types.
3) The long-term agro-ecological effects of a companies' activities: Companies should gain insight in the

potential negative effects of their investment on food production and availability in the community in the long run so that they can adopt their business model as such that it will not cause harm.

Both the farming systems literature and food systems approaches teach us that participatory mapping with a diverse set of farming households in a community is a helpful means to gain insights in the strategies households deploy to avail of food, the challenges they are confronted with and agro-ecological dynamics that are of influence on food production A.

Conflict of interest statement

Nothing declared.

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