

Inclusive Business in Agriculture:

Questions, Leverage Points and State of the Debate

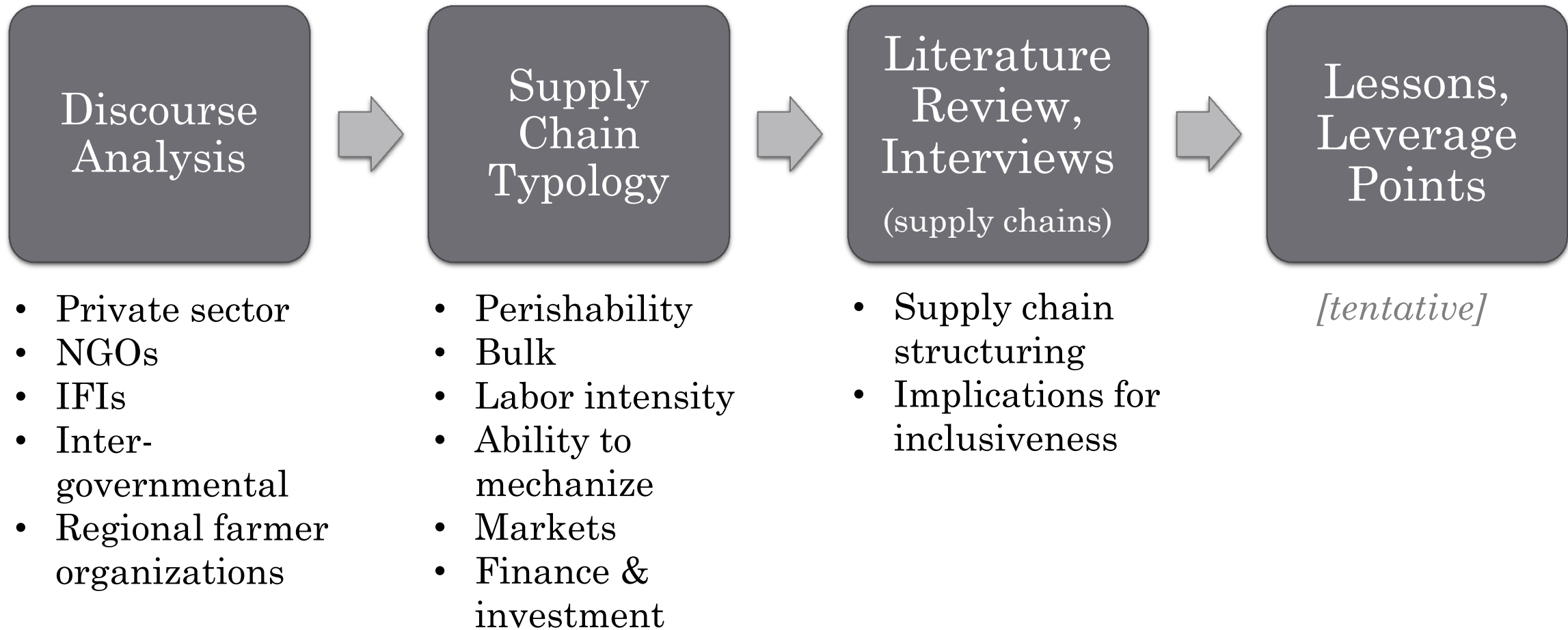
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Background

- Growing commercial interest in land, concerns over “land grabs” & the search for solutions
- Key ideas that have emerged to frame ambitions:
 - “Good Land Governance”
 - “Inclusive Business”
- LEGEND Annual State of the Debate reports
 - 2016: land governance (VGGT implementation)
 - 2017: inclusive business (*a work in progress*)
- *Under what conditions can private investment foster inclusive growth in agriculture?*
 - Growing recognition that the answer must link to land governance



Methodology



Stakeholder Perspectives: *Discourse Analysis*



“Inclusive Business”

- Unlike VGGT, no global consensus on what this means
- Sought to understand how issues are framed across key actor groups
- Identification of differences under *common language* allows us to identify, and debate, *alternative visions* of the future

Stakeholder Perspectives: *Discourse Analysis*

Common Language:

1. Local representation, participation and voice
 2. Inclusive supply chain relations
 3. Respect for land rights
 4. Respect for labor rights
 5. Food security
-
6. Social and environmental impact management
 7. Wider governance, legal and market conditions

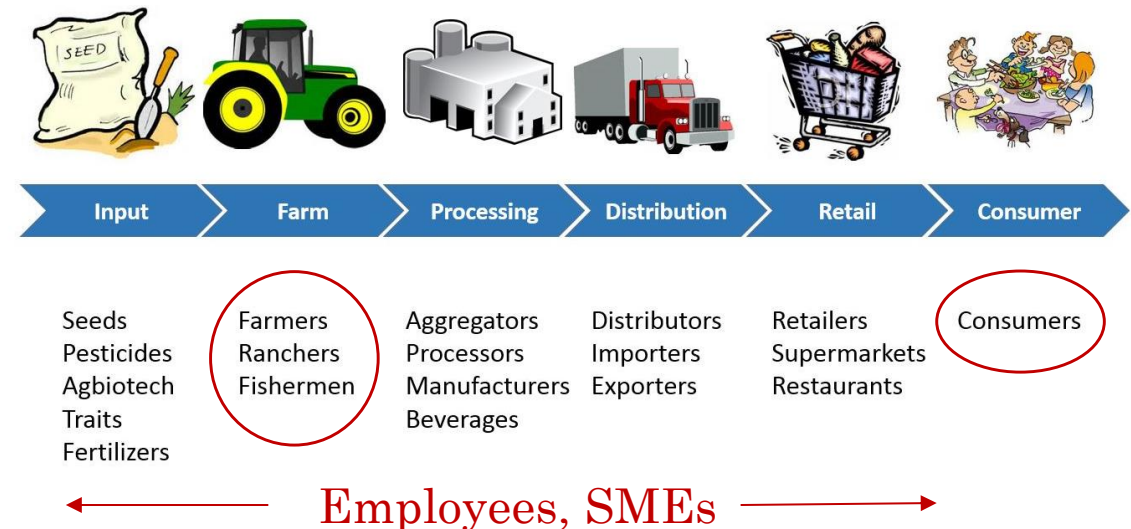
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Diverse Visions:

1. Targeted beneficiaries



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Diverse Visions:

1. Targeted beneficiaries
2. **Which “smallholders” to include:** *The poorest of the poor vs. those with potential to succeed as commercial farmers*

Stakeholder Perspectives: *Discourse Analysis*

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Diverse Visions:

**Safeguarding land for use by
customary rights holders**

vs.

Responsible transactions
*(adherence to key procedural elements
for “responsible” land acquisition,
consultation, resettlement, compensation)*

Stakeholder Perspectives:

Discourse Analysis

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Diverse Visions:

Smallholders underpin global food security
(diverse & resilient farming systems)

vs.

Agribusiness-driven productivity increases to 'feed the world'
(growing more, bringing prices down, industrially-fortified foods)

Stakeholder Perspectives:

Discourse Analysis

- Common language
- Some convergence around what this means, but also important differences
- Some of these differences suggest *distinct visions* for the sector
- Discourses do not break down along specified stakeholder groupings, but vary by actor and theme

Supply Chain Analysis: *Staple crops with local and national markets*

- *Unique advantages & disadvantages for inclusiveness*: embeddedness in local farming and food systems & flexible end use; market gluts
- *Number of small-scale producers & marketing options* a disincentive to contractual relations (ease of side-selling, reliability of supply)
 - Investments in increasing smallholder bargaining power (farmer organizing, product quality, meeting market demands)
- *For fully mechanizable crops*, there may be *trade-offs between local and national food security* and benefits (smallholder production vs. commercial farms)
 - Investments to help smallholders, SMEs overcome barriers faced in meeting national food security aims, while safeguarding customary tenure?
 - Depends on the specific vision of “food security” to be pursued*

Supply Chain Analysis: *Fresh vegetables & flowers for export market*

- *Tight integration in the value chain* due to perishability, stringent quality standards, chain of custody requirements
- *Exporter-owned farms and commercial outgrowers*: high levels of female employment, yet poor labor standards and occupational hazards:
 - *Mandatory contracts, minimum wage, occupational health & safety standards (e.g. Colombia)*
- *Small-scale farmers* who manage to enter *tend to reap rewards*; yet *market restructuring* around stringent quality standards is *causing many smallholders to exit*
 - *Support small-scale growers to overcome constraints to market entry; focus on crop- and market-specific factors driving exodus (e.g. electricity)*

Supply Chain Analysis: *Oil palm*

Perishability & bulk:

- Mills close to plantations (< 50 km)
- Need for continuous throughput; incentivizes vertical integration

Supply chain structuring:

1. **Early stages:** Large, nucleus estates; variable smallholder engagement
 - High social & environmental disruption
 - Target already converted landscapes (*ongoing*)
 - Focus smallholder integration on sedentary communities
 - Monopsony reduces smallholder bargaining power/benefits; “adverse incorporation” common
 - Minimize social disruption through voluntary engagement; low-risk entry (*land, debt*)
 - Poor employment conditions on nucleus estates
 - *Job quality interventions?*



Supply Chain Analysis: *Oil palm*

Perishability & bulk:

- Mills close to plantations (< 50 km)
- Need for continuous throughput; incentivizes vertical integration

Supply chain structuring:

1. Early stages: Large, nucleus estates; variable smallholder engagement
2. Advanced stages (only some locations): Smallholders growing independently for multiple mills
 - Significant livelihood gains
 - High barriers to entry without state/PS support
 - Accelerate the transition to independent smallholder production & processing (*but how?*)
 - Low-risk forms of support to smallholders
 - Safeguards against “adverse incorporation”
 - Land markets displace other land uses



Supply Chain Analysis: *Sugarcane*

Perishability & bulk:

- Sucrose content susceptible to management, transport
- Mills close to (< 15-30 km) / integrated with plantations

Supply chain structuring:

1. **Large, irrigated estates with mills**

- Employment benefits undermined for the majority (cane cutters) by ***poor employment conditions***
 - Address migrant workforce, employment contractors, performance-based pay (*mechanized harvest - Brazil*)

2. **Nucleus estate – outgrower (SSA)**

- Trade-off between livelihood benefits (irrigated block farms) and scalability (rainfed)
 - Concentrated support to smallholder expansion in rain-fed areas: primary supply base; address factors undermining benefits (monopsony, risk, associations)
 - Support independent smallholders? (*e.g. S. Africa*)



Lessons, Leverage Points

1. Discourse Analysis:

- Appearance of consensus masks importance differences in perspective
- Need to bring alternative visions to the surface; understand trade-offs involved; and pursue a deeper level of dialogue centered on values

2. Value Chain Analysis:

- *Barriers to entry* and *permanence* are ubiquitous, and have grown with market liberalization and good governance agenda (e.g. certification)
 - “Enabling environment” for smallholders (address specific barriers, support alternative market outlets, identify niche crops, secure land rights, ...??)
- “Adverse incorporation” linked to coerced participation, monopsony, excess risk:
 - Need for greater discretionary space (terms of engagement of land, labor)
 - Regulatory safeguards for smallholders under conditions of monopsony
 - Low-risk forms of support (insurance, contract terms)
- Better spatial & social planning of commercial scale investments (context matters in shaping social and environmental outcomes)