

# TRANSFORMING AGRICULTURE BUSINESS MODELS TO IMPROVE PROFITABILITY AND LIVELIHOODS

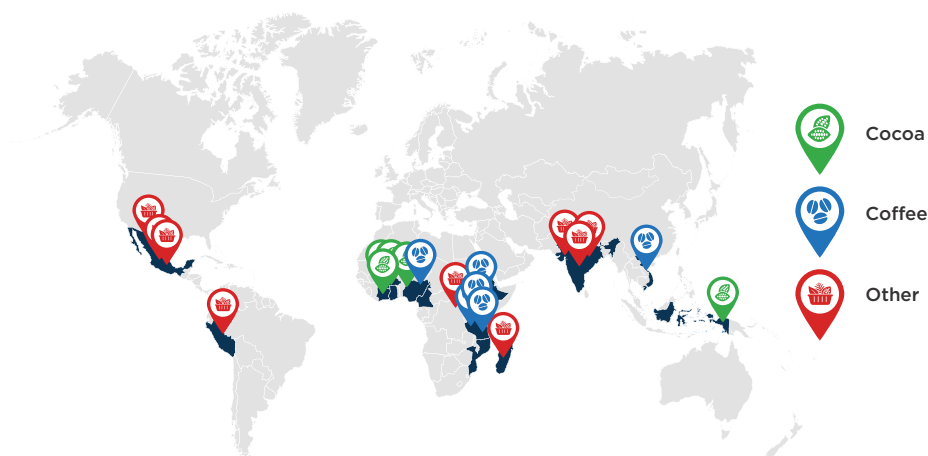
A breakthrough in smallholder engagement

## WHAT IF WE COULD INCREASE IMPACT AT FARM LEVEL, WHILE REDUCING COSTS AND RISKS?

450 million people, or 70% of the rural poor in developing countries, rely on agriculture as a main source of income. Many of these are smallholder farmers, suffering from low productivity and low incomes. Companies and NGOs have models to provide services and inputs to these farmers, and banks and donors are keen to take these models to scale, however there are challenges that everyone investing in smallholder value chains suffers from. These challenges range from unclear impact and return on investment, to limited learning and innovation, to lack of a systematic data-driven assessment, to little influence on the (local) enabling environment. We all need to become savvier.

IDH can help transform these pain points into better business. We apply a data driven approach to help service providers to set up financially sustainable business models. We have studied 30 cases of companies who are innovating how they work with smallholder farmers. From our growing portfolio, spanning different crops, countries, and types of service providers, we have been able to identify and systematize the critical ingredients to successfully and sustainably reach and serve smallholder farmers.

### MODELS ANALYZED



**This new analytical tool will help unlock opportunities for more innovative business models and sustainable financing that can reach smallholders at scale.**

## Pain points in the current approach:



### Companies

Develop their programs in isolation, programs are fragmented, in silos, with disconnects between the field and headquarters, and between sustainability and commercial interests.



### Banks

There is a lack of insight into field realities and levers to mitigate risk. This results in perception of high risk and limited finance to farmers.



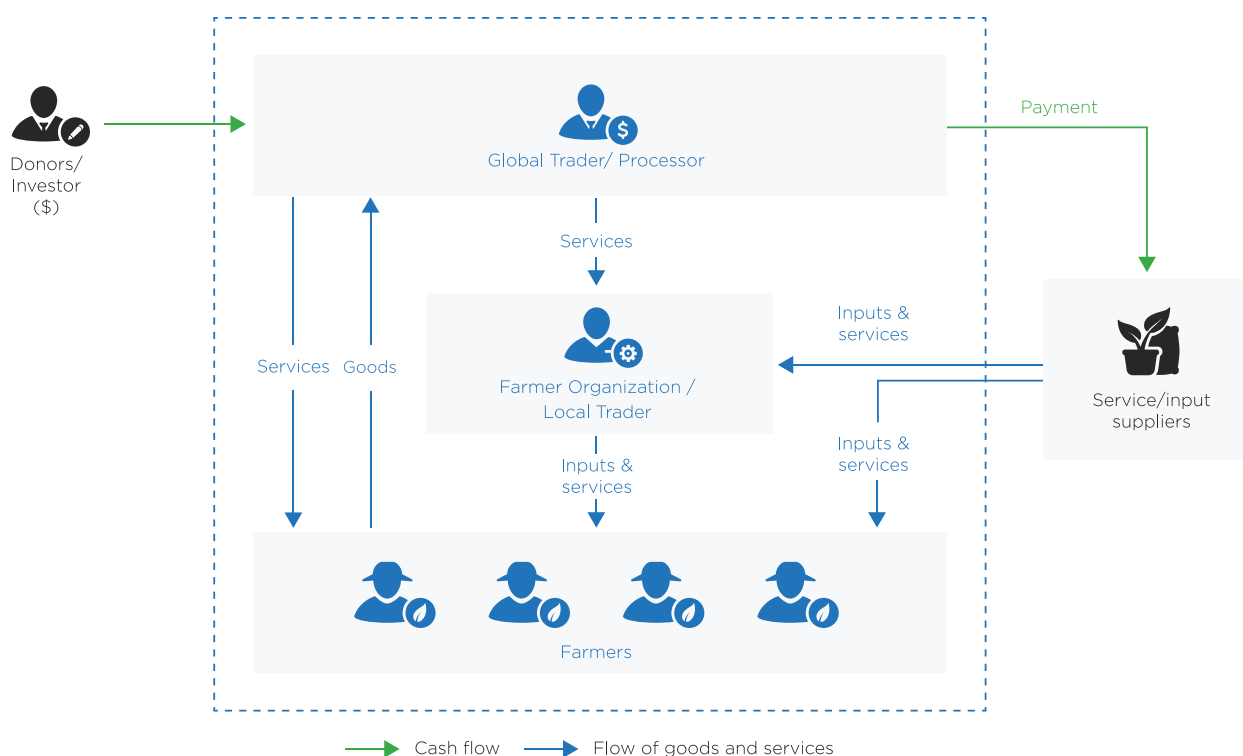
### Donors

There is a lack of clarity about the effectiveness and additionally of investments.

## IDH'S BUSINESS SOLUTION FOR SMALLHOLDER ENGAGEMENT

We assess the performance of your model by collecting data using a proven standardized methodology capturing 120+ KPIs. This allows for benchmarking against other models, providing insight into profitability at the farm and service delivery level and reveals levers to drive improvement.

### A BASIC SERVICE DELIVERY MODEL



## WE USE A STRUCTURED METHODOLOGY TO LEVERAGE DATA, DRIVE INNOVATION AND SCALE



Analyze outcomes  
(e.g. cost versus  
impact)



Identify key success  
drivers (e.g. scale,  
segmentation,  
organization)



Identify enabling  
environment  
challenges



Evaluate funding  
needs (e.g. over time,  
by SDM type)



Identify  
opportunities for  
innovation



Scale with tailored  
blended finance

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## WHAT BECOMES POSSIBLE WHEN WE TAKE THIS MODEL TO SCALE?

### Elements of the Smallholder Innovation Platform

#### Data-driven business models

The expertise starts with our analytical model and enables you to benchmark against a growing database of others also engaging with smallholders. The database considers key performance indicators, such as farmer profitability, costs, financial sustainability, and enabling environments. Both IDH experts and external trained experts guide you towards lower cost, lower risk models and increased effectiveness. We work with you to ensure that at scale, your business model will be self-sustaining, creating profit for both you and the farmers.

#### EXPERTISE CENTER FOR SERVICE DELIVERY MODEL ANALYTICS

Data-driven systemic approach  
Growing database of SDM cases  
Access to value chain, country and sector wide learning

#### Innovation in service delivery models supported by a technical assistance (TA) facility

Building on the insights provided by the analytical modeling, we help you drive innovation in farmer engagement and service delivery through a TA facility. IDH has a track record in providing TA to help partners stretch and innovative their business models. We provide expert advice on cross cutting themes to address blind spots and help introduce state-of-the-art technologies and approaches.

#### SDM INNOVATION SERVICE

Co-funding to innovate new solutions and new business models  
Curator of state-of-the-art practices and technologies

#### Scaling with lower risk, lower cost financing

Scaling business models requires innovative finance. The Smallholder Innovation Platform will be a “connector” to sources of capital, and in its most extensive form will have its own derisking/cost-reducing funds. The existence of pre-approved and pre-arranged funding facilities and matchmaking reduces the cost and time involved in developing deals, making it easier to scale quickly.

#### BLENDED FINANCE

Broker between private and financial sector  
Risk-sharing and cost reduction  
Supports deal flow and pipeline development

#### Systematically reducing costs and risks through convening, advocating and collective problem solving

By creating a unified and constructive voice in local settings, we help solve systemic problems and develop their potential solutions with experts on the ground. With our partners, we develop and catalyze new innovations that serve all farmer-focused service providers, driving down costs and risks for all stakeholders.

#### CONVENING FOR ENABLING ENVIRONMENT

Unconventional PPPs  
Enabling data systems  
Create systemic solutions around SDM for improved performance

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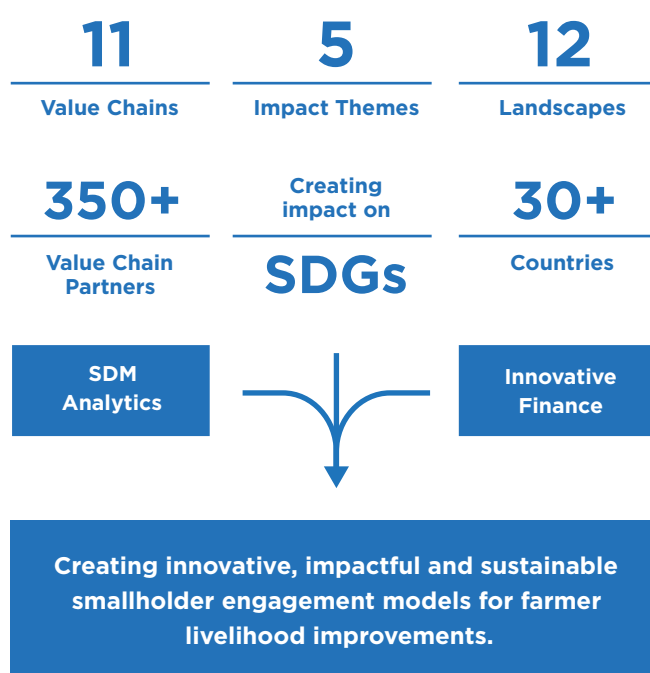
## UPSCALING

Together we can make professional smallholder farming good business for all stakeholders. Join us in taking the first steps.

### Our ideal partner:

- ✓ Is committed to positive farmer-level impact
- ✓ Is willing and able to invest long term
- ✓ Is willing and able to share and collaborate
- ✓ Believes in commercial farming
- ✓ Is willing to take a role in the larger agricultural transformation
- ✓ Sees agricultural improvement as core strategy
- ✓ Values data-driven evidence
- ✓ Sees innovation as key driver

## IDH IS UNIQUELY POSITIONED TO HOST THIS PLATFORM



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