

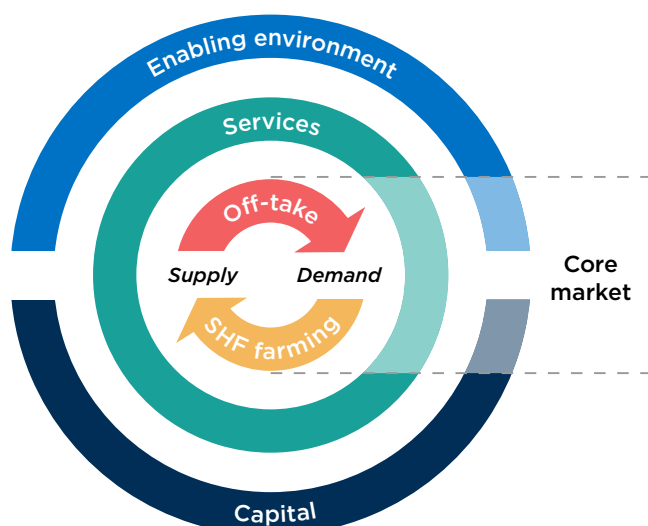
SMALLHOLDER AGRICULTURAL MARKET TRANSFORMATION: FROM INCLUSIVE SERVICE DELIVERY MODELS TO INCLUSIVE MARKETS

THE PROBLEM & NEED FOR CHANGE

Smallholder agricultural markets are critical for food security, livelihood development, climate protection, gender equity and economic development in many developing countries, but these markets often **struggle to deliver outcomes** across these areas.

It is estimated that over 2 billion people do not have regular access to safe, nutritious and sufficient food. Population increases and the shift in diets presented by a growing middle-class create a huge **need and opportunity for a production boost in smallholder agriculture**. At the same time, **smallholder farming does not provide the level of income needed** for the farmers themselves to sustain a dignified livelihood with many of those dependent on it comprising a significant proportion of the world's rural poor.

Today, agriculture remains an engine of growth for many countries and holds **huge potential for poverty reduction**. However, the pace of change is slow, with many countries failing to generate sustained improvements. There is a global imperative for smallholder agricultural markets to transform. However, **challenges are systemic in nature**, meaning a systemic approach – one which **changes the configuration of actors, norms, relationships and incentives within a market** – is warranted. Furthermore, the complexity of agriculture means that any transformation requires improving multiple interrelated functions and the variety of actors engaging across those functions which comprise the **agricultural ecosystem**:



A SHARED TRANSFORMATION AGENDA

Agricultural market transformation refers to the process of creating lasting change in market outcomes making them more sustainable inclusive and viable, by impacting actors, norms, relationships and/or incentives in a market

IDH Farmfit works towards transforming smallholder agricultural markets that are more:



INCLUSIVE

Markets effectively broaden participation and increase equitability of outcomes, particularly for marginalised groups



SUSTAINABLE

Farming and business practices become increasingly environmentally sustainable, climate resilient and regenerative



COMMERCIALLY VIABLE

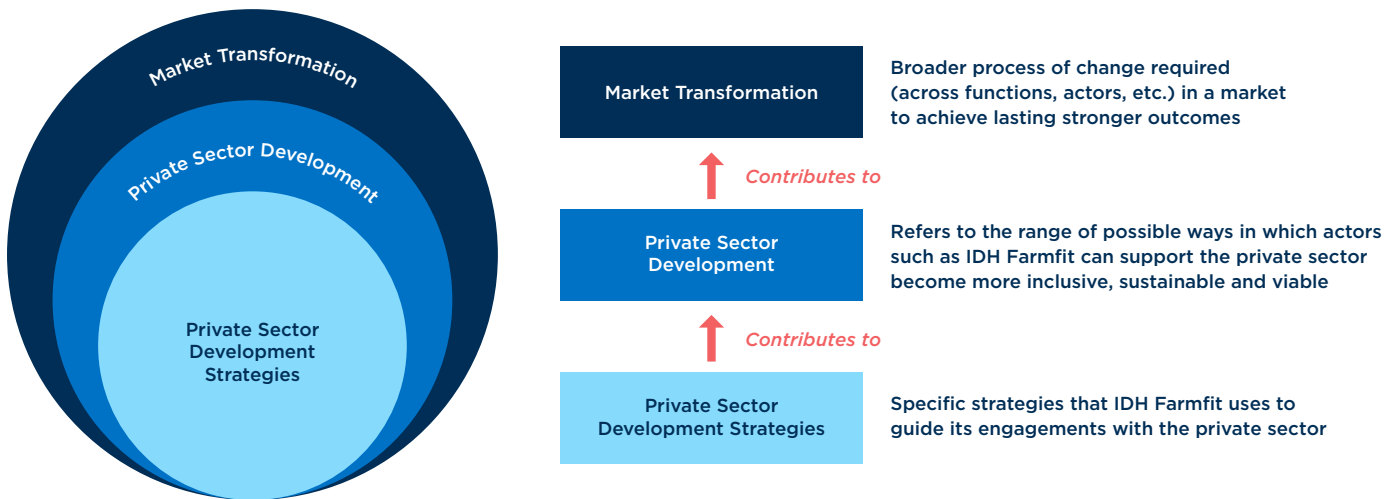
Market participation should be commercially attractive and viable over the long-term for the entire ecosystem

IDH FARMFIT'S APPROACH:

WORKING TOWARDS MARKET TRANSFORMATION

IDH Farmfit, like any organization, is a **single actor working in a complex sector** – we are unable to carry out all the elements needed to transform markets. Our approach to contributing to market transformation is based on **developing the private**

sector. In this brief we elaborate on **our contribution to market transformation** and **invite collaboration** with other organizations working on other aspects of market transformation



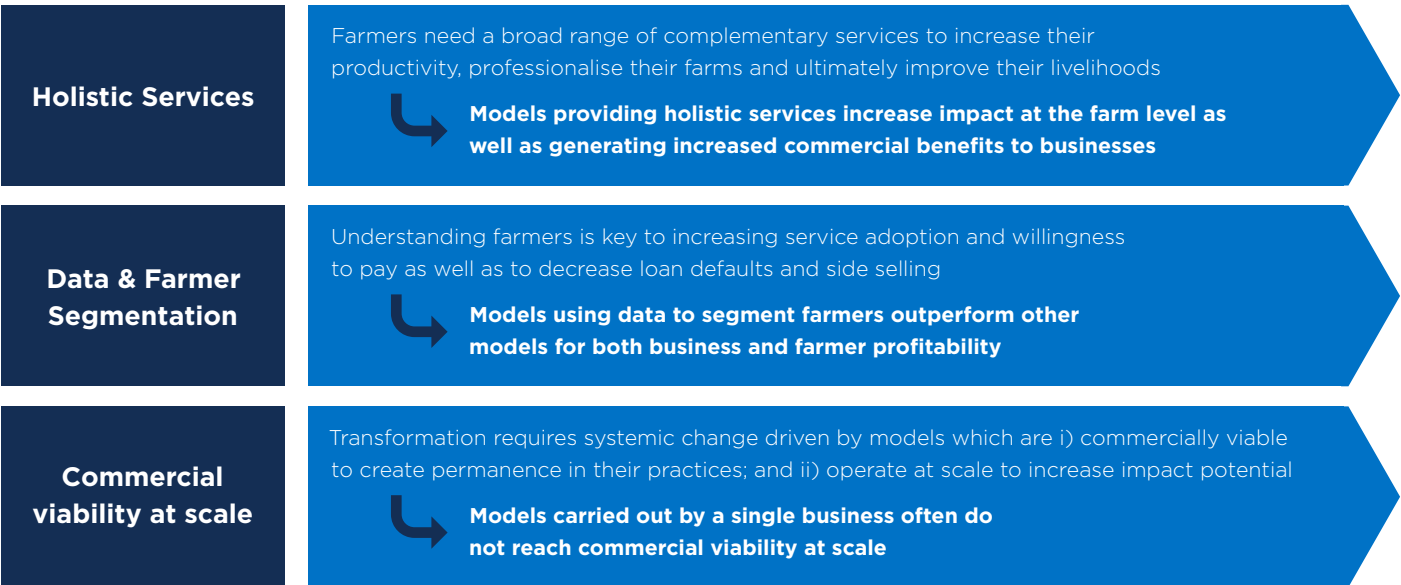
IDH FARMFIT'S APPROACH:

LEARNINGS FROM PRIVATE SECTOR DEVELOPMENT

From working with over 90+ inclusive business models (SDMs/ Service Delivery models), IDH Farmfit has observed key success factors and key limitations in how inclusive business models can create transformational impact.

The first two learnings highlight central ingredients to IDH Farmfit's private sector approach while the final learning highlights the need for approaches that better engage the

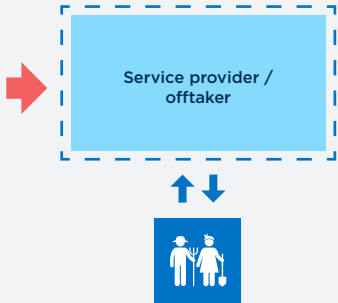
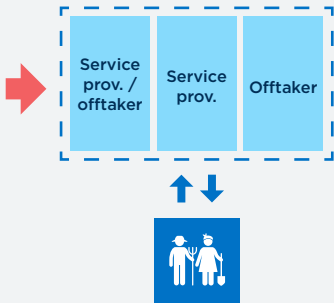
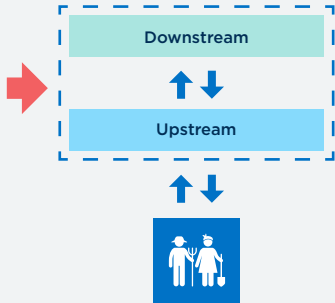
broader agricultural ecosystem. However, rather than trying to influence the entire market at once, IDH Farmfit's approach seeks to identify the key **leverage points** in a market: the **(groups of) actors and/or (sets of) relationships between the actors** within a market where relatively small changes are most likely to have systemic transformational impact



IDH'S FARMFIT'S APPROACH:

PRIVATE SECTOR DEVELOPMENT STRATEGIES

IDH Farmfit has identified 3 such leverage points that it sees as high-potential ways of contributing to the transformation of smallholder agricultural markets:

Strategy	1. Holistic Provider	2. Service Coalition	3. Value Chain Driven
Leverage point	 <p>Single organization offering one-stop shop services and often sourcing from the farmers it serves</p>	 <p>Horizontal coalition of small, medium, or large organizations performing different, complementary roles</p>	 <p>Vertical relationship between upstream (directly interacting with farmers) and downstream players</p>
What are the critical elements for them to function?	<ul style="list-style-type: none"> • Sufficient resources and ability to provide broad range of services • Strong relationships with farmers • Sufficient market influence or opportunity for replication 	<ul style="list-style-type: none"> • Alignment across partners with clear roles and responsibilities • Shared data and/or infrastructure to leverage synergies • Mechanisms to appropriately distribute cost, risk and value 	<ul style="list-style-type: none"> • Significant market and financial leverage downstream • Predictable demand to incentivize investment throughout chain • Strong relationships between upstream and downstream actors
What key challenges can they resolve?	<ul style="list-style-type: none"> • Providing initial access to agronomic information (e.g., GAP and climate smart agriculture) • Creating access to key services such as access to inputs and finance • Expanding produce markets to excluded/marginalized farmers 	<ul style="list-style-type: none"> • Creating markets for more complex and specialized complimentary services (e.g., insurance) • Improving access to market information, such as prices, buyers and sellers, creditworthiness • Mobilizing investment in digital and physical infrastructure to facilitate running of coalition 	<ul style="list-style-type: none"> • Creating new markets to meet the priorities of end-consumers (e.g., new products, organic etc.) • Facilitating access to long-term finance for upstream actors • Improving access to information around product safety, quality, social and environmental standards
What contexts are they best suited to?	<ul style="list-style-type: none"> • Tight value chains or those that benefit significantly from being tighter (e.g., perishables) • Less mature markets with no/limited service provision and off-take • Markets (or segments of farmers) with limited potential for commercial viability 	<ul style="list-style-type: none"> • Markets where farmers are active in many crops • Complex markets and where service needs are broader • More mature markets with stronger legal and digital enabling environments 	<ul style="list-style-type: none"> • Markets with more professional farmer groups or aggregators • Value chains where downstream actors are consolidated and wield sufficient leverage • Markets with well established demand, locally, regionally and/or internationally