



# Food and Beverage

Engage the BOP as suppliers of agricultural products or as customers for agricultural goods or services

<p><b>The Opportunity</b></p>	<p>Food production must increase 50% by 2030 to <b>meet the needs of the world's growing population</b>.<sup>i</sup> Dramatically accelerating global food requirements offer companies an opportunity to meet this demand.</p> <p>Food production growth must come primarily from emerging economies given <b>that industrialized nations have little ability to dedicate more land to agricultural production</b> or further improve agricultural productivity.<sup>ii</sup> Engaging smallholder farmers will help enable companies to meet growing food demand.</p> <p>2.5 billion <b>smallholder farmers and their families produce almost 70% of all food</b> consumed worldwide on 60% of the planet's arable land.<sup>iii</sup> Improving supply chain relationships with smallholder farmers has the potential to reduce poverty and move towards fairer treatment of billions of individuals.</p> <p>Globally, about <b>795 million people are undernourished</b>.<sup>iv</sup> Addressing the need for increased quantity and quality of accessible food offers business an opportunity to engage nearly a billion individuals.</p> <p>More than one-third of <b>global consumers consider sustainably sourced ingredients as very important</b> in their purchasing decisions.<sup>v</sup> Particularly in developed economies, consumers are increasingly interested in the sustainability of the food they purchase. Making investments in sustainable food and beverage sourcing is a useful way to build a company's brand with this segment.</p>
<p><b>Primary Business Models Employed</b></p> <p>(note that businesses may employ components from multiple models or entirely different models)</p>	<p><b>Contract production / contract farming:</b> The business directly sources products from large numbers of small-scale producers or farmers, providing critical inputs, training, and credit to the suppliers. In turn, the suppliers provide the business with assured quantities of product at a fair and guaranteed price.<sup>vi</sup></p> <p><b>Deep procurement:</b> The business bypasses middlemen to reach into the BOP and directly purchase products from large networks of low-income producers or farmers. The business often provides training to enhance quality.<sup>vii</sup></p> <p><b>Distribution and sales through improved informal shops:</b> The business uses (and upgrades) existing informal distribution and sales channels, typically working through multiple shops, to access customers through multiple shops.<sup>viii</sup></p> <p><b>Mobile-enabled non-financial services:</b> The business leverages the fact that many in the low-income segment own mobile devices in order to provide essential information or transactions.<sup>ix</sup></p> <p><b>Smallholder farmer aggregators:</b> The business collects crops from small-scale producers and supplies them to large, top-of-the-supply-chain buyers. Many aggregators provide the farmers with credit, storage, transport, and critical inputs (e.g., such as seeds) to help the farmers improve their yields and to guarantee more stable supply.<sup>x</sup></p>
<p><b>Company Examples</b></p>	<p><b>Juan Valdez:</b> Sources coffee from BOP Colombian farmers, many of whom are also shareholders; the coffee is sold in more than 270 domestic and international coffee shops.</p> <p><b>Unilever:</b> Works with suppliers to engage smallholder farmers across the world and help those farmers grow their businesses.</p>
<p><b>Key Considerations / Risks</b></p>	<p>The provision of credit, staff on the ground, and the development of trust over time have been important strategic elements for companies engaging with smallholder farmers.<sup>xi</sup></p> <p>Agronomic technical assistance can enable significantly greater productivity, and these technologies bring the biggest income gains for farmers as compared to removing value chain inefficiencies, improving market access, or capturing a price premium.<sup>xii</sup></p> <p>Aggregating products from many smallholder farmers can pose a challenge for businesses. Potential solutions include local "agricultural leaders" who are responsible for identifying and managing smallholder farmers as well as central collection points.<sup>xiii</sup></p>
<p><b>Potential SDG Alignment</b></p>	

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<sup>i</sup> GIZ (2012). *Growing Business with Smallholders: A Guide to Inclusive Agribusiness*, November 2012. Available from [http://www.endeva.org/wp-content/uploads/2014/11/Guide-Growing\\_Business\\_with\\_Smallholders\\_large-2.pdf](http://www.endeva.org/wp-content/uploads/2014/11/Guide-Growing_Business_with_Smallholders_large-2.pdf)

<sup>ii</sup> Ibid.

<sup>iii</sup> [http://www.huffingtonpost.com/hugh-locke/smallholder-farmers-are-t\\_b\\_7865848.html?ir=India&adsSiteOverride=in](http://www.huffingtonpost.com/hugh-locke/smallholder-farmers-are-t_b_7865848.html?ir=India&adsSiteOverride=in)

<sup>iv</sup> FAO (2015). *The State of Food Security in the World*. Available from <http://www.fao.org/3/a4ef2d16-70a7-460a-a9ac-2a65a533269a/i4646e.pdf>

<sup>v</sup> Nielsen (2015). *We Are What We Eat: Healthy Eating Trends Around the World*, January 2015. Available from

<http://www.nielsen.com/content/dam/nielsen-global/eu/nielseninsights/pdfs/Nielsen%20Global%20Health%20and%20Wellness%20Report%20-%20January%202015.pdf>

<sup>vi</sup> Monitor Group (2011). *Promise and Progress: Market-Based Solutions to Poverty in Africa*, May 2011. Available from <http://web.mit.edu/idi/idi/Africa-%20PromiseAndProgress-MIM.pdf>

<sup>vii</sup> Ibid.

<sup>viii</sup> Ibid.

<sup>ix</sup> Ibid.

<sup>x</sup> Ibid.

<sup>xi</sup> Ibid.

<sup>xii</sup>

[http://static1.squarespace.com/static/51bef39fe4b010d205f84a92/t/564e05e3e4b05df51b225442/1447953891584/Small+Holder+Farmers+and+Business\\_2015\\_.pdf](http://static1.squarespace.com/static/51bef39fe4b010d205f84a92/t/564e05e3e4b05df51b225442/1447953891584/Small+Holder+Farmers+and+Business_2015_.pdf)

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<sup>xiii</sup> Inclusive Business – Creating Value in Latin America