



Building Viable Small Farmer Supply Chains

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SUSTAINABLE
FOOD LAB

What is the Sustainable Food Lab?

A consortium of business, non profit and public organizations from food, beverage and agriculture. Our mission is to accelerate market-driven progress toward a sustainable mainstream food system by supporting diverse and influential leaders and providing a high leverage innovation space.





Dominant market trends are towards..



- Narrowing of supply base
- Assurance – safety, integrity, standards
- More competitive supply chain relationships
- Larger, more professional suppliers
- Sustainability in core business not only CSR
- Risk Mitigation / Hedging



A man wearing a blue cap and a yellow and purple striped shirt is carrying a large, heavy, woven basket on his back. He is walking through a field of green plants. The basket is made of light-colored woven material and is secured with black straps. The man is looking down and to the left. The background is a lush green field with some plants in the foreground.

**And yet...Corporate commitments
to sustainability and smallholders
are increasing**

Syngenta

- ✓ Increase average productivity of the world's major crops by 20% without using more land, water or inputs;
- ✓ Improve the fertility of 10 million hectares of farmland (particularly on degraded lands)
- ✓ Enhance biodiversity on 5 million hectares of farmland;
- ✓ **Reach 20 million smallholders and enable them to increase productivity by 50%;**
- ✓ Train 20 million farm workers on labor safety, especially in developing countries;

Unilever

- ✓ Half environmental footprint by 2020 – carbon, water, waste.
- ✓ 100% of raw materials sourced sustainably by 2020.
- ✓ **Link 500,000 smallholders into our supply chains by 2020**

Others..

- ✓ OLAM's Livelihood charter – reaching **315,000 small farmers**
- ✓ Nestle's Cocoa plan includes vision of profitable family farms and commits to training 20,000 farmers in 2013
- ✓ Ben and Jerry's Fairtrade Producer Development Initiative
- ✓ Keurig Green Mountain Food Security Work



Engaging small-scale producers requires....



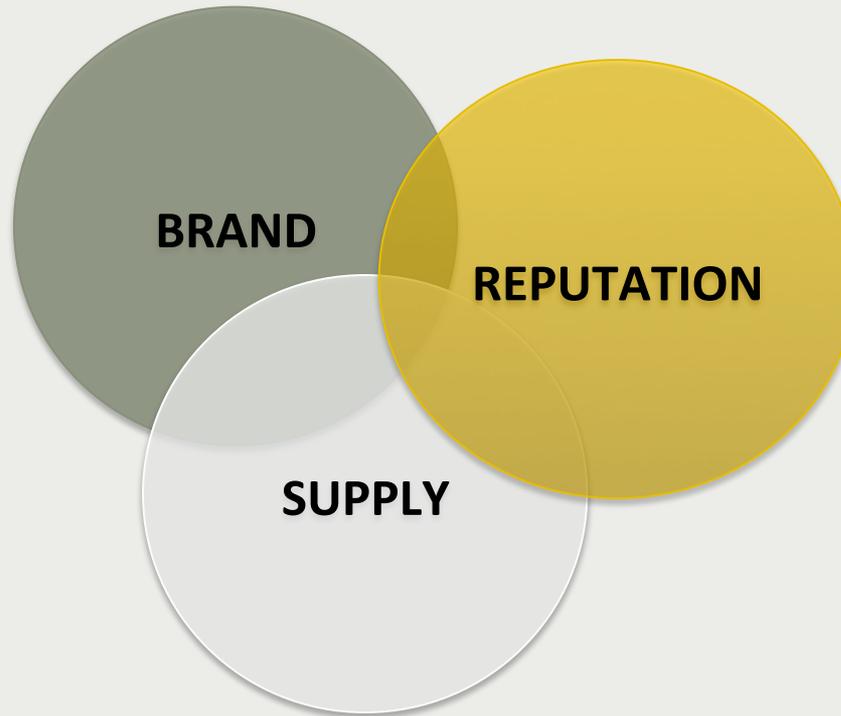
- Widening the supply base
- Efficient intermediaries
- Long term and collaborative supply chain relationships
- No trade-offs *re. food security, environment, labour and gender relations*
- Measurement of impact



Motivations for sustainability and smallholder investments

BRAND

- New “ethical product”
- Revitalize sales
- Serve key BtB customers



REPUTATION

- Responsible image
- Risk mitigation
- Improved image in national market for better gov't relations
- Obey laws...

SUPPLY

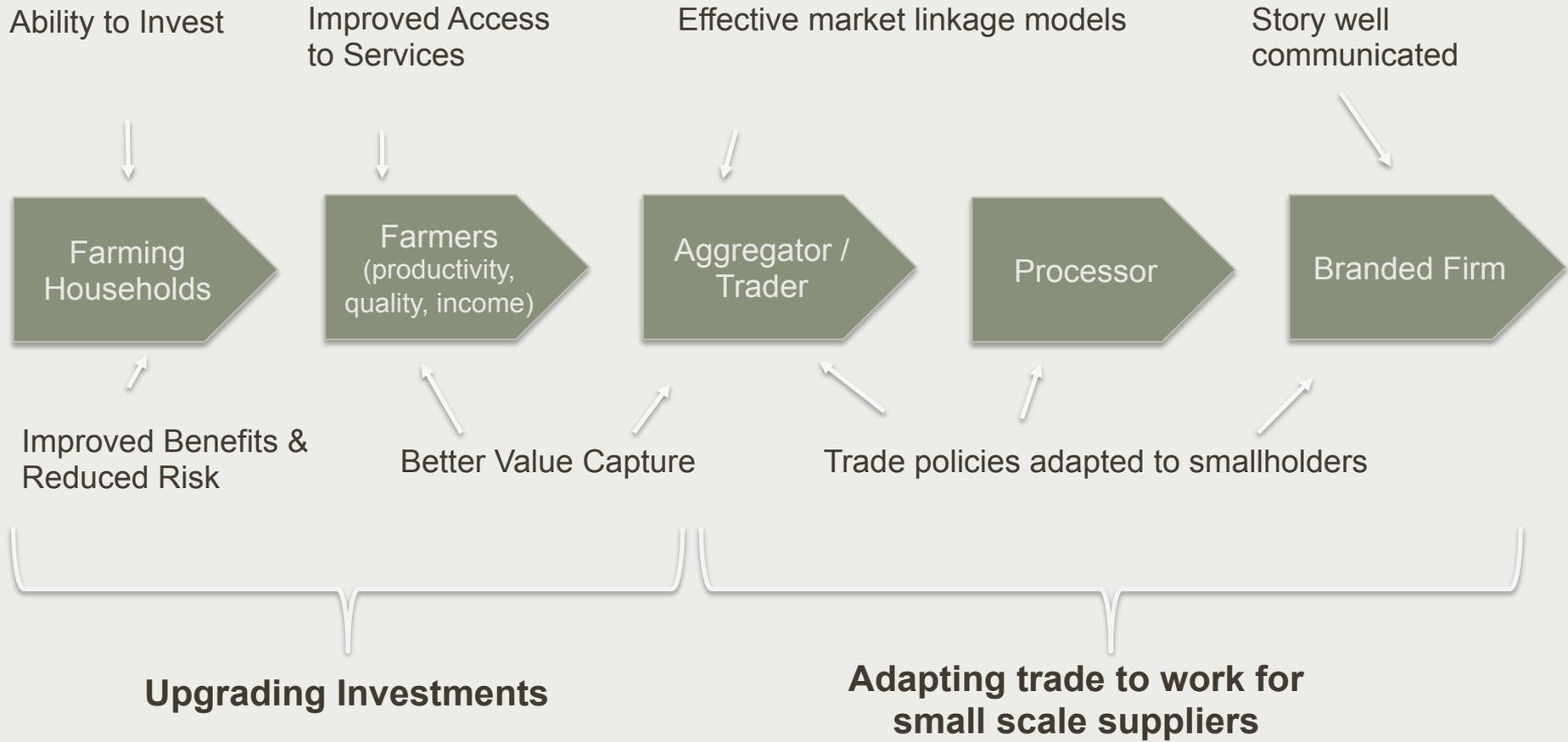
- Build more productive, higher quality, and loyal supply base
- Develop new sources to:
 - meet future demand and secure future supply
 - lower costs

So where do I start?



Where is your risk?

Where is your opportunity?



Farming
Households

Farmers
(productivity,
quality, income)

Aggregator /
Trader

Processor

Branded Firm

**Bring processing
closer to the farm**



What does it take for small suppliers to succeed?



- Stable and transparent market
- Effective leaders with local savvy
- Diversified markets
- Value addition
- Access to affordable credit
- Business skills and orientation
- Trusted relationships up and down the chain



Farming Households

Farmers
(productivity, quality, income)

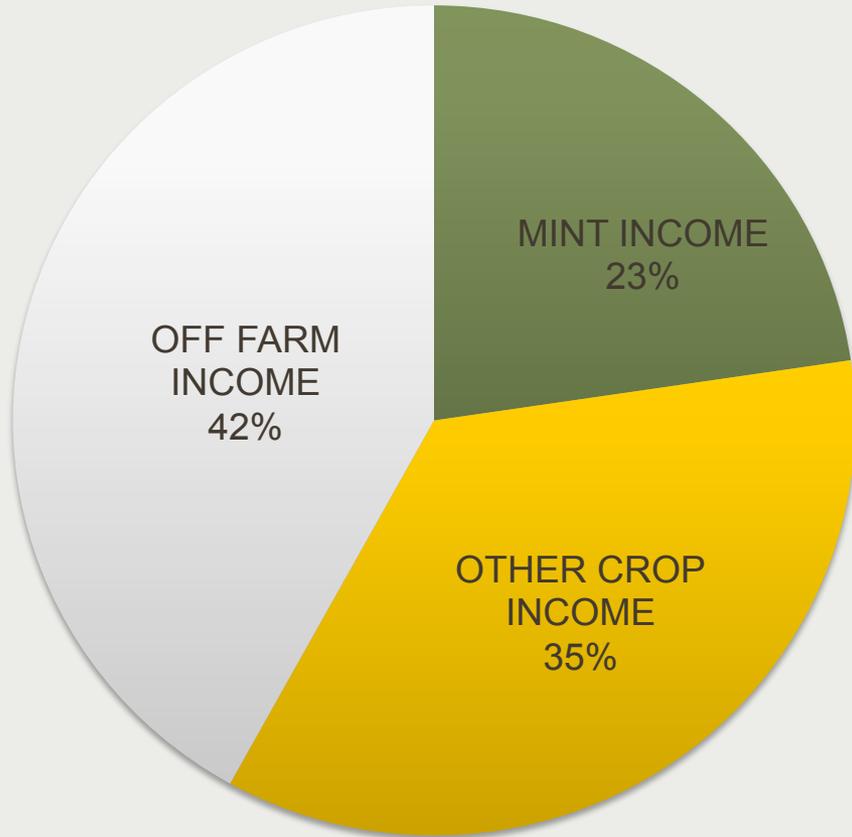
Aggregator / Trader

Processor

Branded Firm

Your ingredient as part of a whole farm approach

Mint 23% of HH income but critical for dry season and savings



Risk

- Poor quality and declining yields
- Impact of mint-only program limited

Opportunity

- Brand value
- Secure Supply
- Partnership approach

Partnerships Critical

Mint buyer used market leverage to convene local government, supplier, and other buyers to develop a holistic approach



Lessons learned

It isn't simple...

- productivity rarely changed through agronomic interventions alone
- intermediaries and processors are critical but struggle to make the business case
- environmental sustainability must be integrated

Align Investment with overall strategy and business

- needs a good commercial AND a good development case.
- procurement incentives and structures align with “social impact” goals (payment speed, contracting, transparency, willingness to take risks, flexibility)
- the organization serving farmers directly is often the “critical node” for success
- Patience, partners + resources (establishing a successful model takes years not months—these are cropping cycles).

Do your homework on the context and farm / market system

- take the time for a good assessment and local stakeholder engagement
 - needs to be a good investment for the farmers
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Final thoughts

- Stay focused on value to your business and value to customer
- Sustainability doesn't always mean niche markets – brand, supply and reputational benefits exist
- Use your leverage – that doesn't always mean \$ \$!





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