

New Business Models for Sustainable Trade



Improving market access for farmers in sub-Saharan Africa

Millions of farmers in Africa depend on export markets for their livelihoods.

But recent market trends, including increasingly stringent standards, continued concentration of the retail sector, volatile prices, and poor access to credit have led to declining small farmer participation and income in these markets. Yet, these are farmers with the skill and soil to provide the high-quality products the food industry seeks. This four-year project will bring leading food companies, respected NGOs, and effective farmers' associations together to develop new business models that build the enduring relationships that benefit all.



The increased global demand for a wide range of higher-value food products has opened up new opportunities for farmers in sub-Saharan Africa, whose strengths include suitable soils and

climate, low labor costs, and proximity to European markets.

In Kenya, for example, the private sector—including smallholders, supermarkets, and traders—along with donor and government investment, has created a strong green bean export. Incomes among farmers growing green beans for UK supermarkets are \$800-1,300 per year per 0.2 acre in areas where an annual household income of approximately \$180 is more typical.

Many smallholders, even those with quite modest levels of output, can be at least as efficient as larger farms. But the formalized markets require higher levels of capitalization, supply chain management around product scheduling, higher quality, and closer supply chain collaboration. Helping farms access these opportunities requires early and active participation of buyers. As one

industry veteran observed, “Developing smallholder horticulture without a sustainable, stable marketplace and logistics partner is pointless.”

A new approach

The New Business Models for Sustainable Trade project is a collaboration among the Sustainable Food Laboratory, Rainforest Alliance, the International Institute for Environment and Development, Counterpart International, the International Center for Tropical Agriculture, Ecoagriculture Partners, and Catholic Relief Services. Our goal is to engage civil society, farmers, and private sector partners to develop and implement new business models that enable small farmers to participate in durable and stable trading relationships with food companies and thereby improve their livelihoods.

We envision new business models that will include practical mechanisms for smallholders—such as longer and more direct relationships, better payment terms and information flow, and fair implementation of standards—while delivering the better quality and more consistent volumes needed by business. The result will be more certainty for all actors. We will begin this work in four strategic product areas—cocoa, bananas, vegetables, and dried beans—which will provide opportunities for food companies and farmers at a significant scale.

Seeing the value in smallholder value chains

Small-scale farmers need durable trading relationships in order to invest in equipment and techniques that help them meet market specifications. Food buyers need to know that small farmers can deliver the quantities and quality they need. We are bringing farmers and buyers together to develop new business models while at the same time supporting improved efficiency through the supply chain and higher quality at the farm level. We aim to build equitable, long-term business relationships that can be brought to scale by large food companies—thereby providing poor smallholders with greater market opportunity and buyers with better quality at competitive prices. Our initial focus is on the following four product areas.



Bananas

Export-quality bananas represent an attractive rural development investment because they are highly labor-intensive and require a year-round harvest, and because the largest buyers typically make long-term (often multi-generational) commitments to growing areas with stable prices. We are partnering with a major banana buyer to field test two new models for providing smallholders in West Africa with access to the certified banana market.



Cocoa

Market demand is shifting toward chocolate with more intense, pure flavor. In addition, there is growing consumer concern about sustainable growing practices and poverty among growers. Our work will be on two fronts: the development of high quality varieties of cocoa in Ghana that will be recognized worldwide for superior flavor characteristics and return much of the premium to farmers; and expansion of certified cocoa in West Africa that improves farm practices and productivity and gives buyers assurance that a robust social and environmental standard is being met.



Fresh Vegetables

In recent years, the fresh produce export industry in Africa has grown significantly and is described as a development success story. But commercial demands of the modern food industry supply chain make participation in this market increasingly problematic for small-scale producers. Our team will focus on developing fresh vegetable markets in East Africa which are more inclusive of smallholders and their organizations, working with suppliers and retailers to balance company commitments to development with market pressures.



Dried Beans

In eastern Africa, the dried bean is second only to maize in commercial value. Ethiopia's estimated 450,000 smallholder growers are supplying a growing domestic and export market. We will work with a major wholesale company, with government, and with other local partners to increase the export market for growers of the white bean, providing greater and more stable income to a larger number of growers.

To learn more about how to support or participate in this work, please contact:

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