

# UK Land Policy Forum VI

Inclusive Agribusiness

July 2018

This report was produced by the Knowledge Management team under the DFID-funded Land: Enhancing Governance for Economic Development programme (LEGEND)



# 1 Introduction

The sixth meeting of the UK Land policy forum was held on 12<sup>th</sup> July 2018 at KPMG. The Forum is an initiative under DFID's LEGEND programme, convened by ODI as part of DFID's core land support team (CLST) secretariat.

The purpose of the forum is to provide a focus for debate, information and lesson sharing amongst UK stakeholders to inform DFID and wider UK policy and programming for strengthening of land governance and land rights protection. Participants included CSOs, practitioners, academic researchers, professional and private sector organisations concerned with land, including the Knowledge Management alliance and other consortium members that make up CLST,<sup>1</sup> and DFID representatives.

## 2 Summary of the discussion

### Background

There has been heightened interest and engagement with outgrower models of production by large companies that previously relied on a “nucleus” or plantation-based production model. Does this suggest that the tide is turning? The LEGEND Core Land Support Team has been thinking about these questions for some time and recently produced a State of the Debate Report on Land Governance and Inclusive Business in Agriculture, which is being presented to DFID in September 2018.

### State of the Debate Report on Land Governance and Inclusive Business in Agriculture

There are four main findings from the report that are relevant to the UKLPF discussion:

- a) While a focus on inclusive business models is good and important, there are significant differences in the conditions within each model that can lead to very different outcomes. The relationships between stakeholders along the value chains involved under each model are equally – or more – important than the model itself. Within those value chains, the land governance relationships are a key factor, based on respect for land rights and inclusive tenure arrangements;
- b) Other key pillars of inclusive business in agriculture include:
  - Effective arrangements for voice and representation
  - Inclusive and fair value chain relations
  - Employment creation and respect for labour rights
  - Contribution to food security
- c) Structural factors across the different value chains determine the opportunities for inclusiveness over time. For example, labour-intensive crops present greater potential for progress on the pillar related to smallholders getting involved as suppliers in supply chain relations (inclusive and fair value chain relations);

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<sup>1</sup> The CLST comprises KPMG as programme manager, the Land KM Alliance members including ODI, NRI and IIED.

- d) We need a solid understanding of the real-life challenges and realities on the ground beyond conceptual models which are dictated by the structural characteristics of the value chains.

The State of the Debate Report aims to advance the debate on how to make land-based agricultural investment more inclusive. The session today is about doing that, concentrating especially on how outgrower-based models can be used to achieve inclusive agribusiness.

### **Key messages from presentations**

After a brief introduction by DFID, the headline results of the State of the Debate report were presented by CLST. A panel of private sector representatives (including producers and development finance), and experts from Landesa and IIED then discussed the implications of the report's findings.

- **Business models are not fixed.** Business models should be malleable and readjusted throughout the investment process. Companies need to understand this and public policy can help them do so. Models need to evolve as people and the circumstances evolve, which is one of the strengths of the successful Phata model in Malawi. Where projects fail, it is common for communities to express that they *wanted* the project to happen, but not under the terms under which the project was operated.
- **Opportunities exist for including land in inclusive processes.** There are opportunities to use tenure security to get outgrowers more involved and thereby tackle issues such as food security and help increase household incomes. Tenure security provides communities with negotiating power and encourages landholders and -users to be more willing to invest and work on their land. Land plays a key role in this process and is a condition for outgrower schemes to be effective in reducing poverty.
- **Exclusive business models can result in multiple, detrimental outcomes:**
  - By creating unequal outcomes and indirect land use change (ILUC) as land becomes more valuable;
  - By encouraging *ingrower* schemes, which are associated with tenure *insecurity*;
  - By reducing women's and other vulnerable groups' access to both outgrower and ingrower schemes.
- **Respecting land rights and ensuring that people hold onto them requires a tremendous amount of effort.** Companies need to be aware of what they are letting themselves into. This includes civic education and engagement so people affected really understand the implications of the project. The feeling of owning land, even if it is pooled, is essential (as the Phata Scheme in Malawi demonstrates). That requires mapping to clarify land rights with communities, discussion with farmers about which route they want to take, security of access to dividends (in the Phata case), secure offtake and professional management with transparent, independent oversight. These demands require sufficient time and resources in the investment process, which is often underestimated by companies.
- **The distinction between outgrower and estate is not binary.** Each can have multiple impacts on land rights. Outgrower schemes can be as detrimental to land rights as estate models, if they are operated poorly (e.g. by empowering elites). There is a need to understand how outgrower models need to be structured to produce more equitable

land rights. There is a need to concentrate on *how* companies implement and operate models rather than *which* models they use.

- **Bringing capacity up across the board is important.** We tend to focus on the role of companies, but what about the structure of communities and the role of traditional authorities? The role of traditional authorities is interesting, since these do not always operate in favour of the community. They can be great allies, but can also cause a lot of trouble. Either way, they have a lot of authority and power over land.

### **Key points of discussion from Q&A**

Audience were given an opportunity to ask questions and discuss the topic with the panellists.

- **Is the shift towards outgrower models actually occurring?** If the shift is happening, how can the land community support communities to engage and companies to build skills needed to engage productively with communities? However, audience also expressed opinion that it is not changing, and that outgrower models will never fully replace the estate model, especially for infrastructure-intensive crops such as sugar cane.
- **How to scale up successful approaches?** For instance, land pooling has proved very successful, as the Phata Outgrower Scheme in Malawi has demonstrated. However, there is very little guidance on scaling up such approaches. At the same time, broad guidelines will never exist as models are contextual.
- **What incentives does the private sector have for adopting outgrower models?** In particular, how can more patient capital be incentivised? Or can this only be provided by development finance institutions? Why have some producers adopted inclusive models while others have not?
- **What are the fundamental characteristics of the “models” we are talking about?** Are they primarily concerned with infrastructure developments (e.g. installing irrigation) or achieving economies of scaling (e.g. for producing cash crops for export market)? What are the key factors that need to be considered that affect outcomes?