

INCLUSIVE BUSINESS IN AGRICULTURE: COMMUNITY OPPORTUNITY OR PRIVATE CONTROL OVER THE COMMONS?

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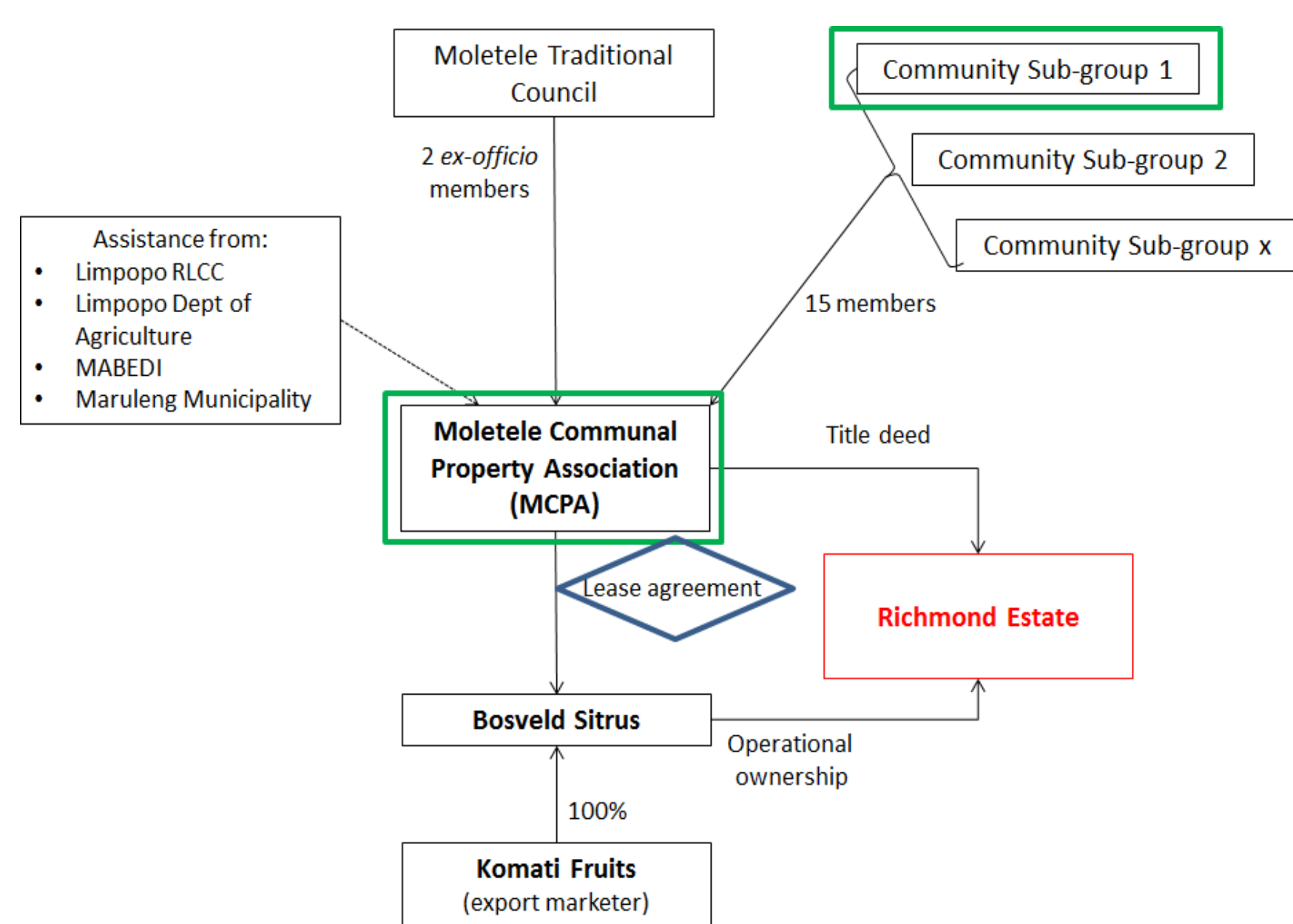
THE RESEARCH

Inclusive businesses (IBs) have been hailed as a way to integrate small-scale farmers and rural communities into commercial value chains and subsequently stimulate rural development (Rösler, Hollmann, Naguib, Oppermann, & Rosendahl, 2013). They are therefore promoted by numerous organisations including the IFC and the UNDP (Gaertner & Ishikawa, 2014; Gradl, Sivakumaran, & Sobhani, 2010). In the context of this research, IBs are partnerships between a commercial agri-business and low-income communities for primary production. These partnerships implement different instruments, ranging from simple lease agreements to complex structures combining a joint venture with additional sub-contracting and mentorship agreements (Chamberlain & Anseeuw, 2017). Regardless of the structure, the drivers behind such partnerships are similar: the agri-business searches land and produce, the community needs knowledge and funds to develop its land into a profitable asset. Often, the land on which IBs are implemented belong to a community of landholders. This leads to our central question:

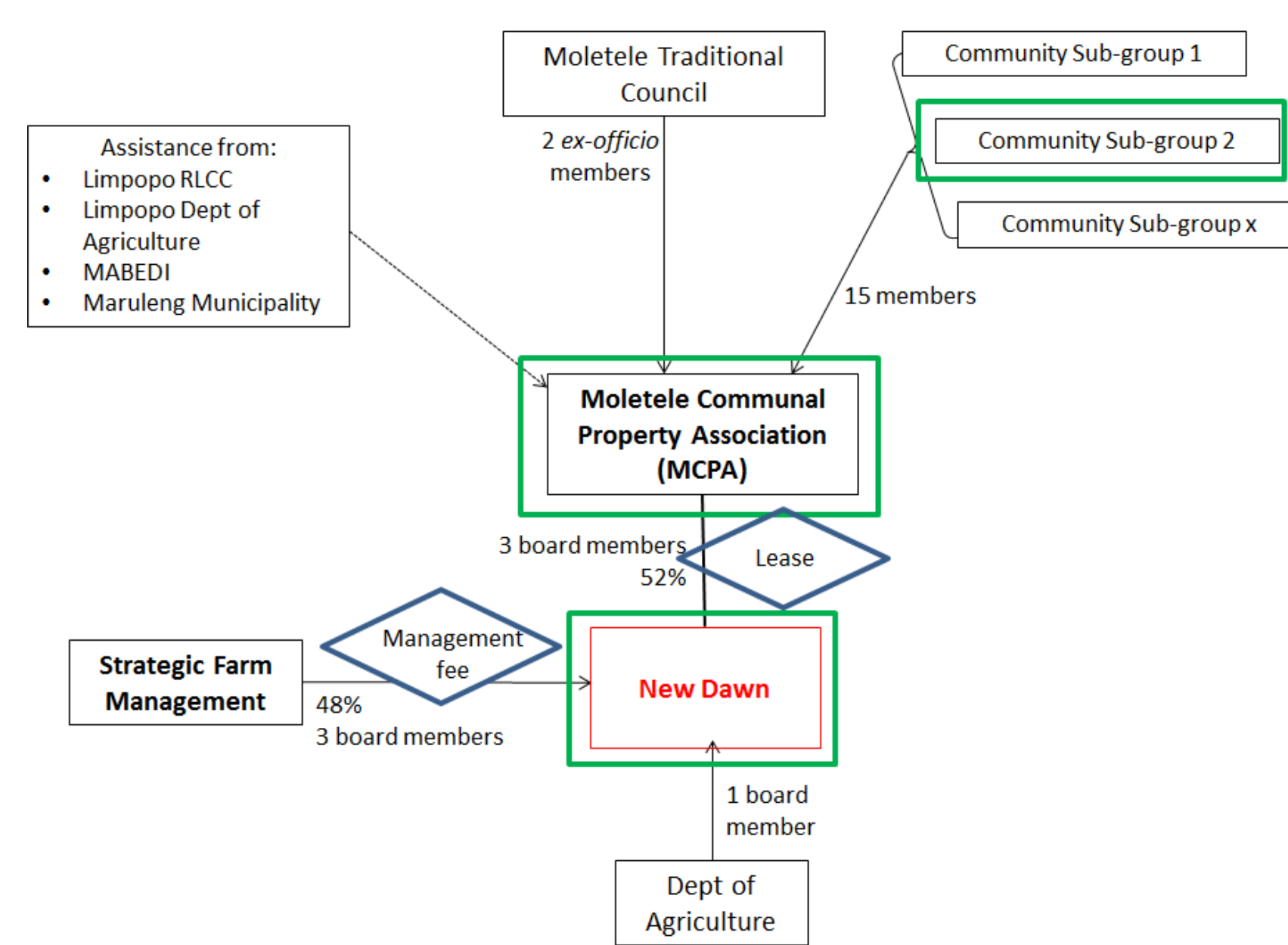
Does a partnership with a commercial entity allow for development opportunities for the land owning communities, or are IBs merely a way for agri-businesses to gain private control over the commons?

THE CASES

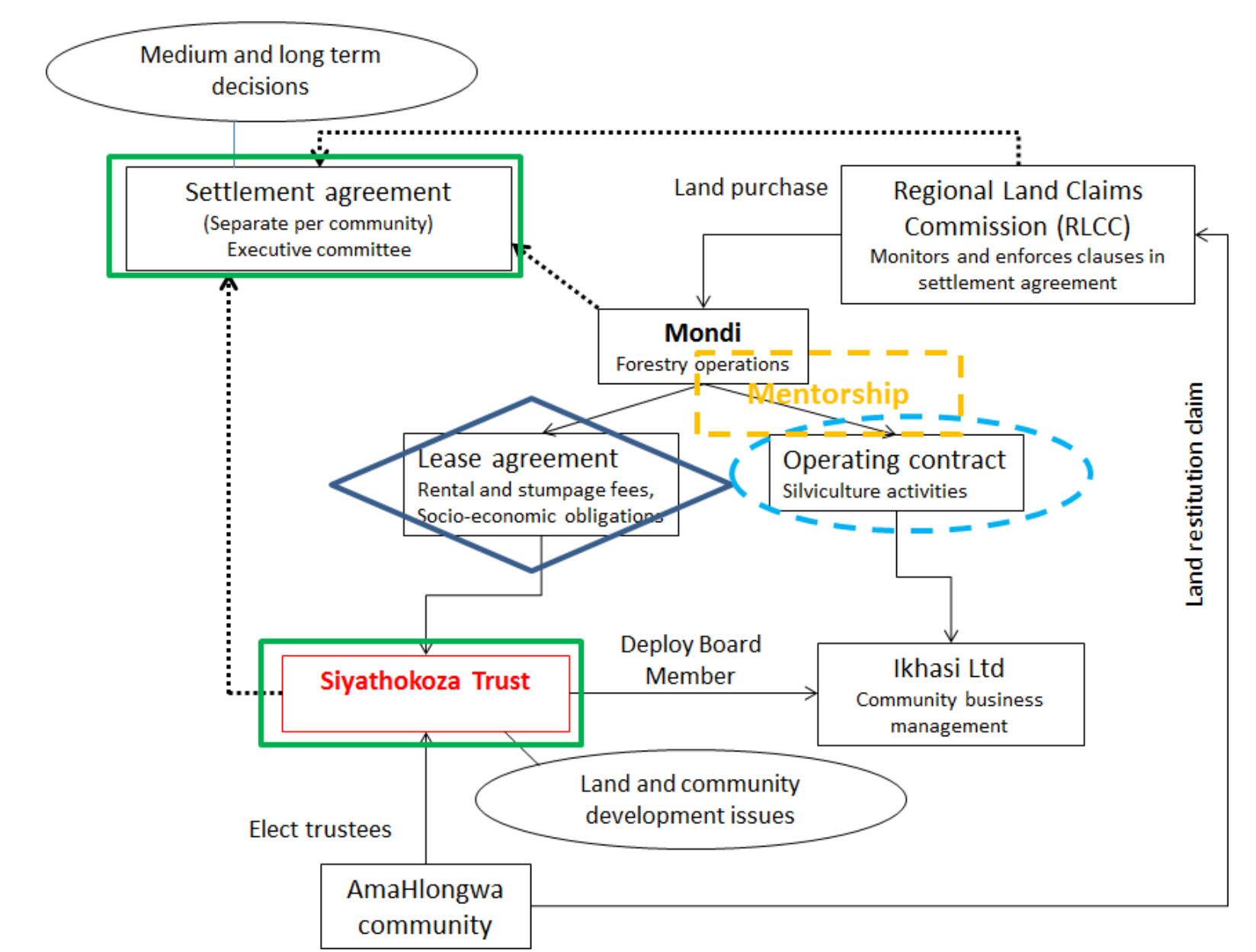
The results presented here are based on three case studies located in South Africa. Each of these cases has implemented a different organisational structure for their IB. The common feature of the IBs is that they are operated on land owned by a community body, either a community trust or a community property association (CPA).



Case A: Community Property Association (CPA) who leases a large tropical fruit farm to a commercial operator. CPA receives a fixed rental amount as well as an increasing profit share profit. The lease transfers full control of the land, and produce, to the commercial farmer. The community represents 1,615 households. The CPA leadership consists of 15 representatives of different residential areas and 2 ex-officio representatives of the Traditional Council.

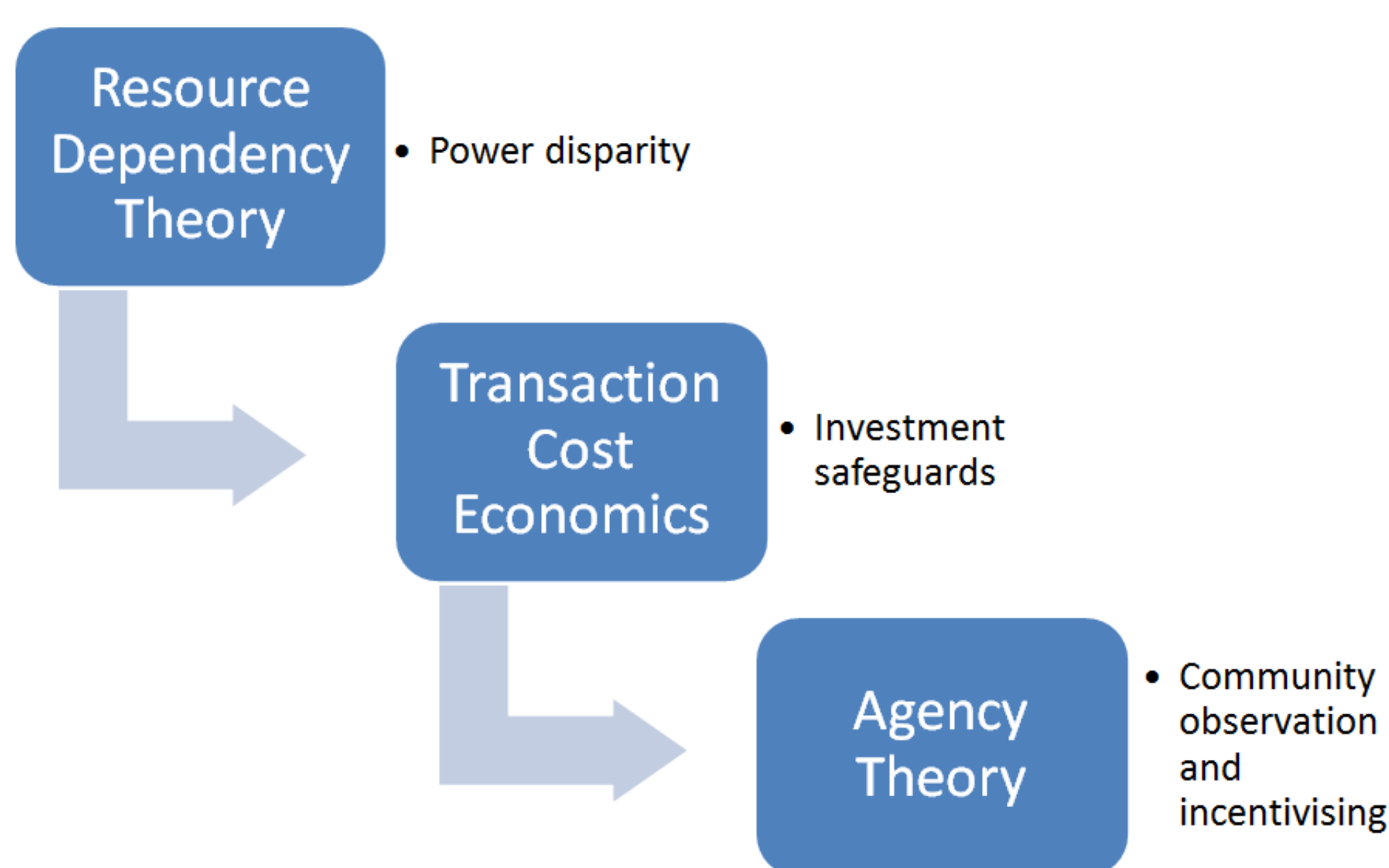


Case B: JV between CPA as land owner, and a commercial operator. The community as a collective receives rental income as well as a profit share. As equity partner it gains exposure to the management of a commercial farm. Control over the land is only partially transferred. But, a management contract transfers operational control to the commercial partner, with control over the produce lying with the export company fully owned by the commercial partner.



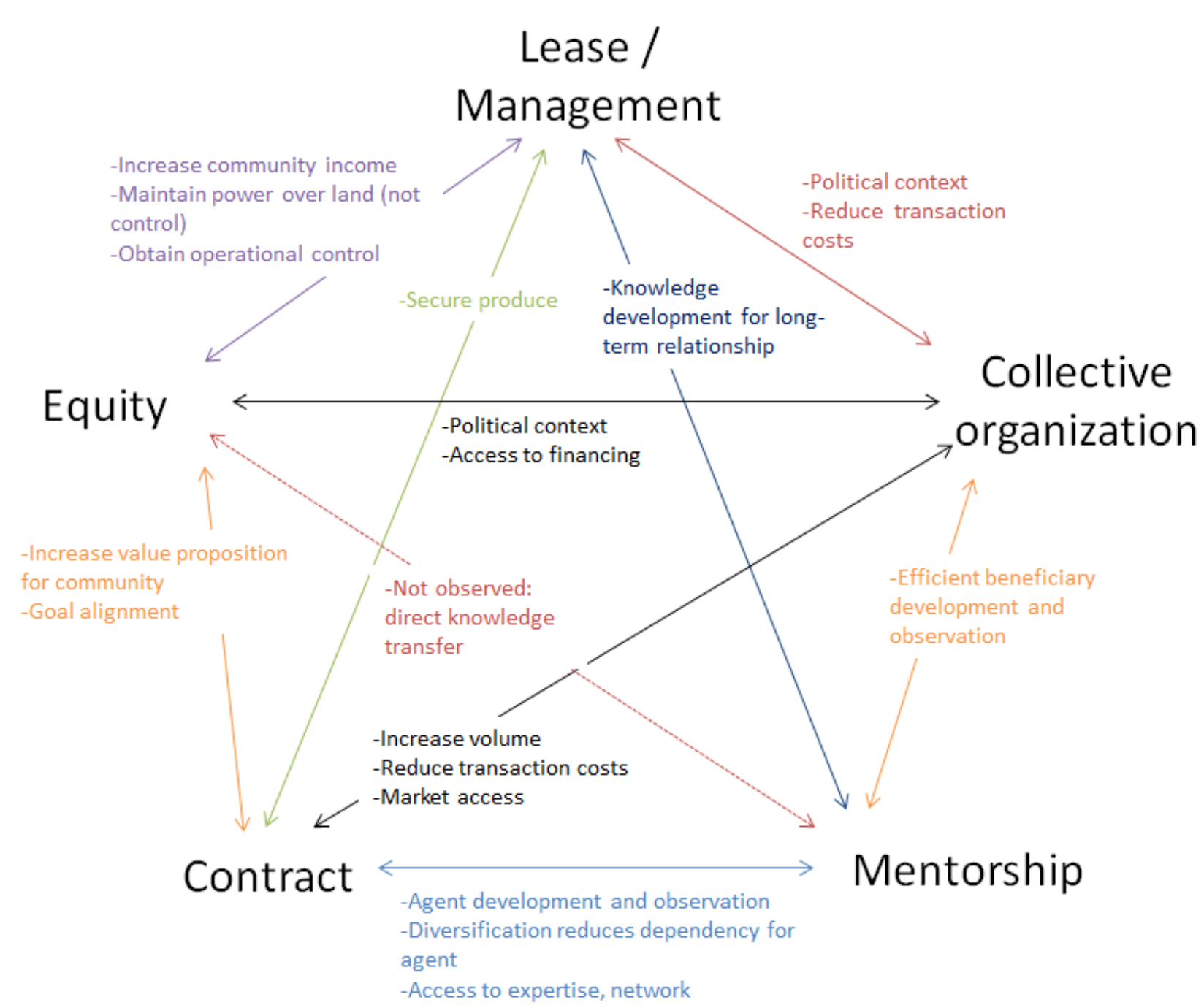
Case C: The community trust owns the land, the forestry company owns the trees on the land which it leases from the trust. The forestry company mentors a community-owned business in silviculture activities. The community benefits through land rental, fees related to harvested trees, and contract activities performed for the forestry company, as well as through skills development. Control over the land and forestry plantation remains with the commercial operator. The community consists of 840 households who elect trustees. The community trust is the sole owner of the community business.

THE THEORY



A holistic framework with three steps:

1. Dependency identification - powerful commercial partner dictates control over community asset;
2. Commercial partner aims to limit transaction costs and safeguard IB specific investment
3. Commercial partner implements measures to incentivise and observe community



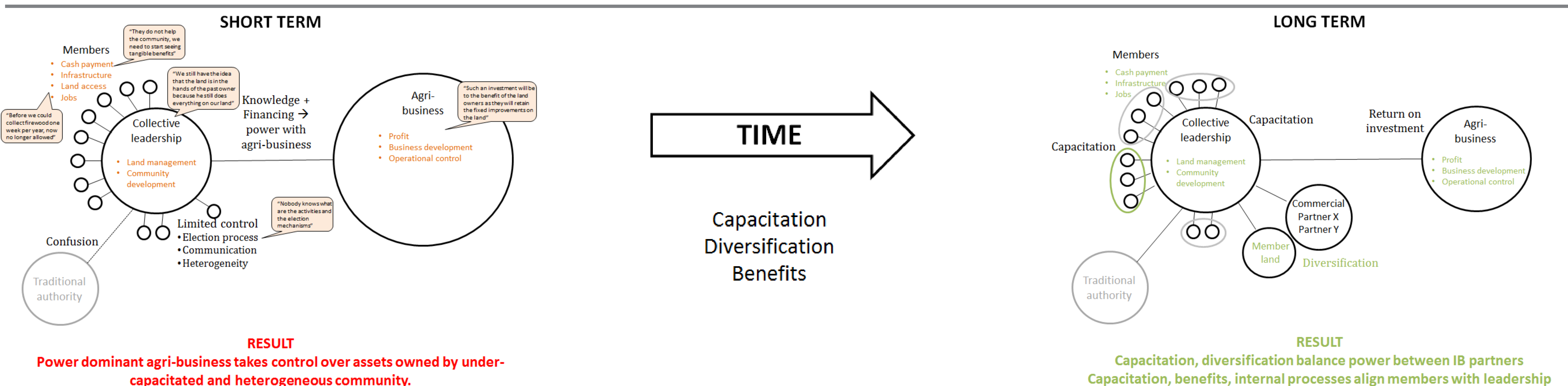
Standard instruments are combined to establish unique organizational structures. These instruments interact to achieve control over community-owned resources, in a cost-effective manner, whilst minimising risks to the commercial partner.

Core instruments:

- Lease / management contract to gain control over land;
- Supply contract to gain control over produce;
- Equity to gain access to favorable financing;
- Collective organization to efficiently organise community and gain scale;
- Mentorship to observe community and develop skills.

Unique, complex, dynamic organisational set-ups as combination of standard instruments

FINDINGS



Power imbalance leads to initial corporate control over community assets.

Capacitation of community members and leadership, combined with diversification of land use, can equalise the relationship and result in higher levels of control and inclusion for the community in the long term.

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