

Promotion of inclusive business in agriculture and food systems in India

India is the “largest producer of milk, pulses, banana, mango, pomegranate, papaya, lemon, okra, ginger and non-food crops like cotton and jute; the second-largest producer of rice, wheat, fruits and vegetables, tea and one of the leading producers of eggs and meat”¹, in the world. Despite the record levels of production, the agricultural sector has faced important challenges that have resulted in low levels of long-term sectoral growth, a declining sectoral contribution to the GDP and stagnating farmers’ incomes, that account for for around 50 percent of employment. Pressure on food prices due to recent global events are also having important food security and nutritional consequences for low-income groups at the base of the pyramid. Today, India is home to 25% of all undernourished people worldwide².

The Central Government of India had set a goal of doubling real incomes of farmers between 2016-2022. This target required a real sectoral growth rate of 10.4 percent per year, driven by improvements in productivity, increased efficiency, increased cropping intensity and diversification, and improving the terms of trade for farmers through higher real prices.

Currently, 16-point agenda has been outlined by the Prime Minister to stimulate rapid growth in agriculture, with a focus on organizing supply chains and linking farmers to the market. Within this context, the private sector can play a key role in supporting this transformation through innovative business models that can help connect farmers to markets, develop value chains, improve technical capabilities around climate-resilient farming practices, digitization and strengthening of agricultural value chains, and thus enhance farmer incomes and livelihood opportunities.

Inclusive businesses models are specific innovative business models that explicitly seek to address the needs of low-income groups by “providing goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers”

Inclusive business models in agriculture particularly seek to support smallholder farmers and create value for these groups. For this, inclusive agri-business models to be inclusive and remain commercially viable, an innovative mindset and partnerships are needed, and a conducive ecosystem can be created to support such models.

Given the critical importance of inclusive business for supporting social impact at scale, ASEAN member states adopted in 2017 the ASEAN Inclusive Business Framework and in 2020 adopted the Guidelines for Promoting Inclusive Businesses in ASEAN (this is the first sub-region to do so). In addition, a number of ASEAN countries - in particular Cambodia, Malaysia and Viet Nam - are in the process of adopting strategies to promote inclusive businesses. There are opportunities to support the implementation of such strategies, learn from these efforts, and replicate best practices in India.

The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), in collaboration with the Bill & Melinda Gates Foundation, have launched the “Regional Inclusive Business Models in Agriculture and Food Systems” initiative to accelerate the adoption of and promote at the institutional level, innovative business models that support inclusive agricultural transformation by improving access to technologies, services, and platforms in India and South Asia.

¹ Gulati, A. Ganguly, K and Wardhan, H. (2022) *Agricultural Value Chains in India: Ensuring Competitiveness, Inclusiveness, Sustainability, Scalability, and Improved Finance*, Springer (New Delhi) – pg 1

² <https://www.wfp.org/countries/india>