

CASE STUDY

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IDH Farmfit: Supporting Businesses to Support Farmers

*Delivering a **just rural transition** by accelerating business models that provide smallholders with inputs from training to finance*



supported by



Supporting Investment in Producers with IDH Farmfit

Accelerating initiatives that benefit smallholders through a blended EUR €100 million fund

Location

Africa, Latin America, Asia

Context

Processors, input suppliers, financial service providers and agritech companies all engage with some of the 525 million smallholder farmers worldwide, who produce around 30% of the world's food supply.

Challenge

The perceived risk for investing in smallholder farmers is high and acts as an active disincentive to potential investment in food systems transformation.



This has led to an estimated USD 170bn capital shortfall in agricultural systems, a gap limiting producers' access to inputs from finance to fertilisers, while preventing their equitable integration into supply chains across Asia, Africa, and South America. This holds back productivity and has a direct impact on both rural livelihoods and company bottom lines.

“ There is a clear business case to enable farmers to invest in their farms, thereby increasing their yields and profitability. The ultimate investment in feeding the world's growing population. ”

Marc Engel, Chief Supply Chain Officer, Unilever (IDH Annual Report 2020)

Solution

To tackle smallholder financing gaps, IDH Sustainable Trade Initiative launched the Farmfit approach in 2018, to address the unfavourable commercial and investment environment for investing in smallholder supply chains.

Through this approach, IDH supports companies (from input suppliers to financial institutions) that engage with smallholder farmers by improving and innovating their business models and creating access to finance, in order to increase affordable and suitable inputs (e.g. training, agro-inputs and finance) available to smallholder farmers, and improve their incomes.

In 2020, the IDH Farmfit Fund was launched, which is a EUR €100 million de-risking blended finance fund representing a joint investment from the Dutch Government, Unilever, Mondelez, FMO², Rabobank and JDE Peet's.

The Fund uses a number of de-risking tools such as first loss guarantees and subordinated loans to catalyse commercial investors to invest into smallholders and other actors in the value chain. An additional second loss guarantee facility from US International Development Finance Corporation offers protection to lenders co-investing with the IDH Farmfit Fund, helping to increase the flow of private capital into agricultural value chains.

1. <https://www.idhsustainabletrade.com/uploaded/2021/06/2020-Annual-Report-RGB-18.4-Low-Res.pdf>

2. Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (the Dutch entrepreneurial development bank)

The Fund aims to be a catalyst for establishing farmer financing as an asset class.

Alongside the Farmfit Fund, IDH provides business support and insight to companies working with smallholders through IDH Farmfit Business Support and IDH Farmfit Intelligence.

Impact

The IDH Farmfit Fund made its first investments in 2021 in sectors including aquaculture, coffee and fintech.

Examples include an equity ownership stake in LendXS BV – a fintech company expected to unlock access to credit for 280,000 smallholder farmers – and a convertible loan provided to Chicoa Fish Farm in Mozambique.

This is enabling Chicoa to train and provide supplies for smallholders raising Tilapia fish in cages and ponds, providing 350 direct job opportunities and creating a blueprint for the African aquaculture industry.

“ With this deal we see the ecosystem approach of IDH Farmfit at work. First our IDH Farmfit team analysed the opportunities for a smallholder program with Chicoa. Then the IDH Aquaculture team supported Chicoa in implementing its recommendations, and now the IDH Farmfit Fund is investing in the smallholder program. ”

Roel Messie, CEO of IDH Farmfit Fund³



3. <https://www.idhsustainabletrade.com/news/idh-farmfit-fund-invests-in-smallholder-tilapia-farmers-in-mozambique/in-mozambique/>

