

4 ■ Future Opportunities

The companies and case studies in this report are tangible manifestations of the power of business to contribute to gains in prosperity, while progressively diminishing the adverse impacts of economic growth on the environment. A fundamental question remains, however, when considering the vast number of people living in poverty and the rate at which humanity is consuming natural resources: how quickly can success stories be scaled up across regions and industries? In the spirit of expanding best practices in the food & beverage sector, we offer five ingredients, among others certainly, which can be considered:

“Because expanding economic opportunity is not only about access to education, technologies, and finance, but also about awareness of opportunities and belief in the possibility of change, companies have much to gain from non-profits and public institutions.”

1 The “must” of collaboration. A knee-jerk reaction to the topic of “expanding economic opportunity” is that the private sector must provide the answer. Clearly, growing and operating business activities is a central component of the cases featured – even the dominant one, as in the case of Danone Grameen. But when dealing with poor communities, it is evident that cross-sector partners are essential as well. Even Danone Grameen relies on the legitimacy of the Global Alliance for Improved Nutrition (GAIN) to research and validate the nutritional benefits of its products to children. Because expanding economic opportunity is not only about access to education, technologies, and finance, but also about awareness of opportunities and belief in the possibility of change, companies have much to gain by partnering with non-profits and public institutions. The need for parallel interventions to design and grow businesses, build communities’ assets and capabilities, and improve enabling environments suggests that collaborative approaches are in fact optimal.

2 Patient capital. The ability of governments and foundations to provide patient capital (not seeking competitive market returns in the short term or at all), directly or as providers of credit to local businesses, plays a central role in a number of cases. This funding allows for the progressive scale-up of business models which may only yield competitive returns to participating companies in the long term. Because the food & beverage sector can address both economic development and environmental agendas, their initiatives can tap into a range of budgets among public and private donors. When confronting the long-term economic realities of many of these projects, companies should take comfort in the fact that significant amounts of patient capital appear to be available for those willing to take the lead and collaborate.

3 Planning for sustainability. There are two facets involved in sustaining “wins.” First, economic gains can be made more sustainable. Among the cases reviewed, different levels of guarantees are provided: some companies pay premiums over market prices, period. This raises the question of what would happen should market prices plummet. As there is not yet a wider market for AB oil, Unilever goes further by guaranteeing a price until 2012 while looking for other buyers for the crop. ECOM invests some resources to reduce growers’ dependency on coffee (for example, by assisting them to diversify into fish and poultry), while Nestlé focuses on a model – livestock care – that is likely to be of long-term value, regardless of market dynamics, as long as

women are equipped and trained to serve farmers. Danone Grameen is building a self-sustaining model from the outset, knowing that the economics of the venture will be challenging at least until some level of scale and experience is achieved.

Second, because the food & beverage sector is so deeply connected to the state of natural resources, expanding economic opportunity goes hand in hand with environmental sustainability. These two agendas will be increasingly interrelated in terms of scaling up food production and achieving good “values” prices in international markets. The number of case studies which rely on environmental research and guidelines to set the conditions for creating economic opportunity is striking. This duality should be explored in planning new initiatives.

4 The choice between global and local approaches. The case studies in this report reflect two distinct ways of creating new value for poor communities. The first is to raise the quantity and quality of food products for sale in markets with high purchasing power, such as urban centers or other countries. The second is to build local value chains within rural and low-income communities themselves. Especially if combined with a unique branding strategy around “pro-poor” produce, significant premiums can be paid via the first strategy to poor producers, which can invest the additional income in business growth and diversification. When local models are developed, more jobs might be supported, but only in the context of local prices and wages which leaves little room for income redistribution along the value chain. The depth of research of this paper cannot point to the supremacy of one approach in terms of total economic opportunity potential; it simply suggests a choice for companies seeking to expand economic opportunity. Are communities best off depending on significant short-term, but perhaps volatile, income gains, or building local businesses for local consumers that may offer enhanced long-term potential?

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5 Designing for scale and replication. The initiatives documented here share an important theme: their ambition is to reach vast numbers of people with their asset- and capability-building interventions. Starbucks has already increased its supply base in Chiapas from two to six cooperatives and grown the number of participating farmers from 300 to 1,000. The program has also expanded to Peru, Columbia, Costa Rica, and Panama. Over a year into its program with UNDP in Pakistan, Nestlé has already trained 800 women, and will increase that number to 4,000 within three years. Each woman is already earning an average of \$42 a month, an income that will continue to

be tracked over time. SABMiller and Cargill’s program currently works with over 2,400 farmers growing higher-grade barley and aims to reach 3,000. ECOM certified over 500 coffee producers by mid-2007 and targets another 750 for the coming year. Coca-Cola Sabco’s MDC model started in Kenya is now being rolled out across East Africa and Asia. The flexibility of the MDC model makes it easily scalable and adaptable to local conditions. Four years since it was conceptualized and implemented, nine other countries (Uganda, Tanzania, Mozambique, Namibia, Ethiopia, Sri Lanka, Nepal, Cambodia, and Vietnam) have successfully implemented it. In replication lies a vital ingredient to create economic opportunity on a vast scale, and one that should resonate with large companies’ traditional approaches to testing what works in one market and then sharing the learning on a global scale.