



From disconnected projects to mutual benefit: a **commercially-viable approach** for companies to **drive transformation** in agriculture

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# Introduction

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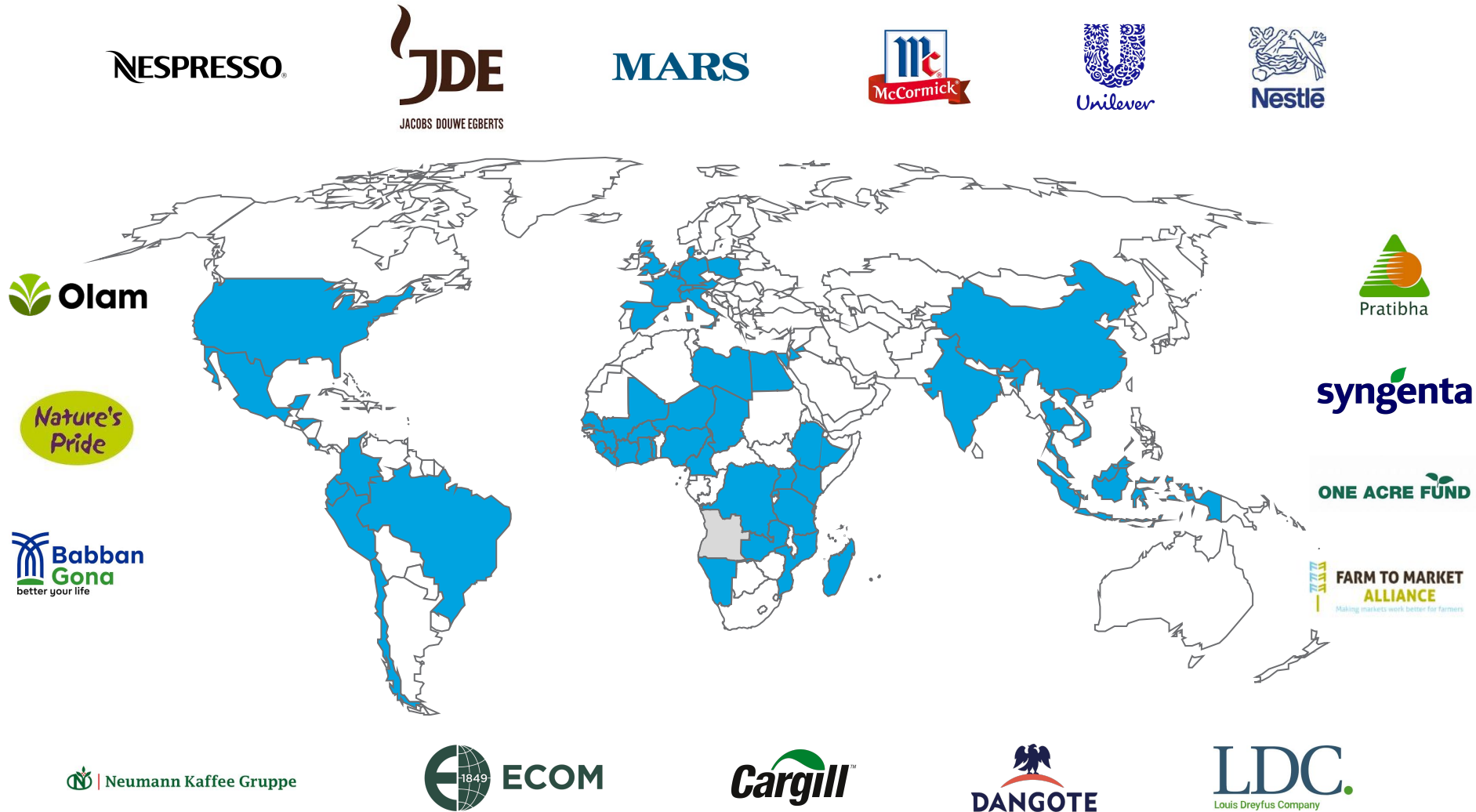
- Agricultural Economist by training, from University of Copenhagen and University of California Davis
- Setting up new South African branch
- Lead on supply chain sustainability and sustainable procurement



NewForesight is a **strategy advisory** with a mission to drive transitions towards a **sustainable economy**



We have designed and delivered more than 75 programs covering millions of farmers across a wide range of geographies and commodities



## Commodities covered

- **Staple food crops** (Rice, Wheat, Maize, Cassava, Potatoes)
- **Veggies** (Tomatoes, Onions, Beans)
- Legumes, Sugarpeas
- **Fruits** (Pineapples, Watermelon)
- **Cash crops** (Coffee, Cocoa, Tea, Cotton, Cashews, Vanilla)
- **Spices** (Black pepper, Cloves)
- And more....

Working with smallscale farmers – while  
**making an impact** – is possible in a  
**commercially-viable way**



Most sustainability programs are just considered a cost center

## Net income of interventions



**Expense**  
**s**



# Working with smallholder farmers – while making an impact – is possible in a commercially-viable way

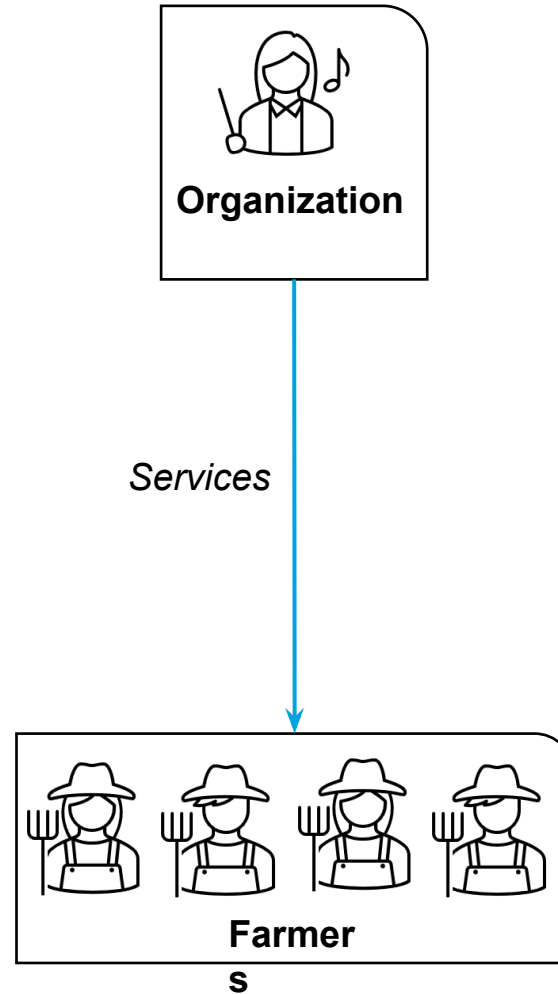
## How to make this happen

1. Sustainability needs to be integrated in sourcing
2. We need to look at smallholders as clients, not beneficiaries
3. Programs can only be commercially-viable if farmers are commercially-viable
4. We need to create an ecosystem of companies bringing in services, expertise and tools to de-risk

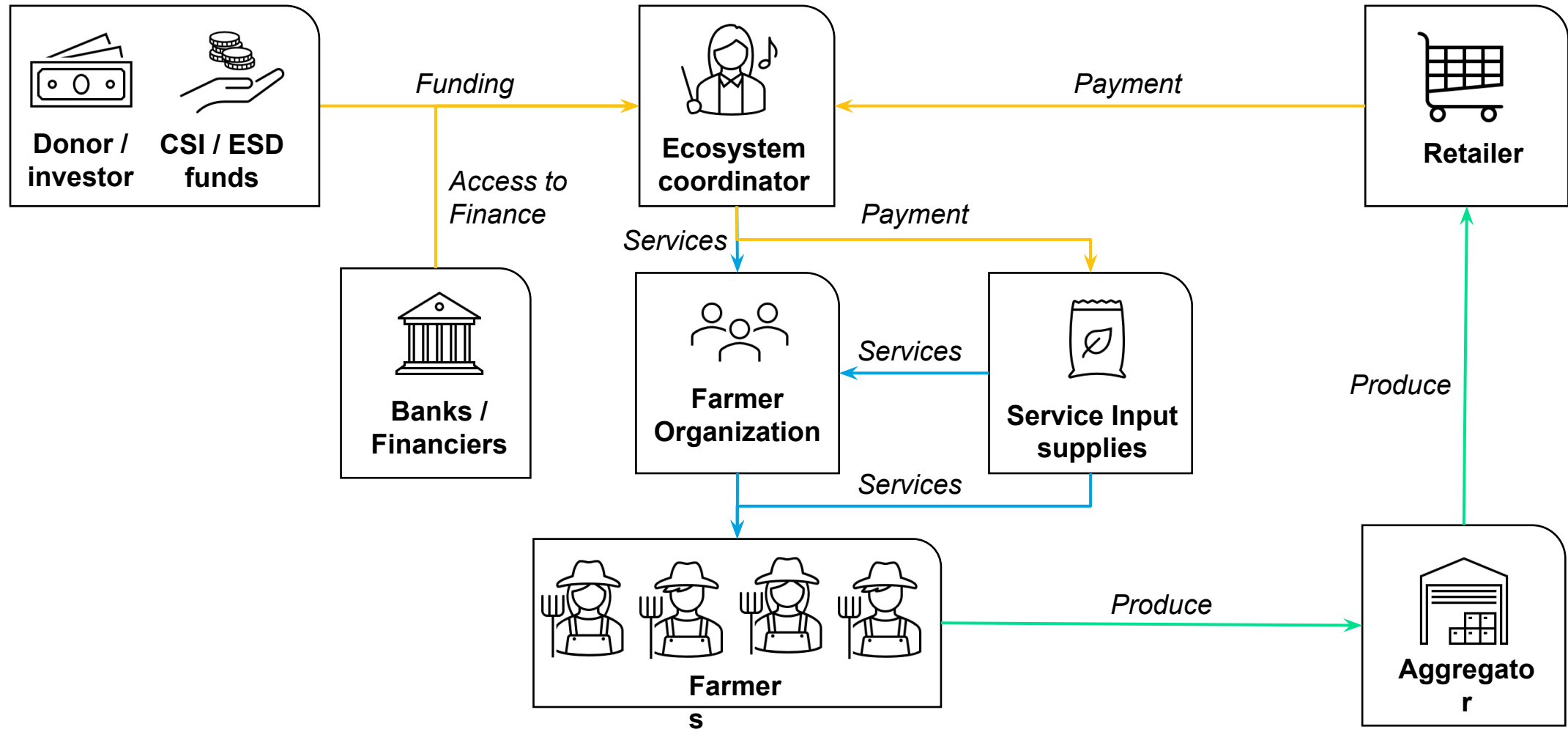
## Net income of interventions



# Existing practice | Many sustainability programs are a one-way interaction, considered a cost center



# Inclusive Growth Ecosystems | We design supply chain structures that are effective at delivering impact and provide a return on the investment



“It always seems impossible until it’s  
done.”

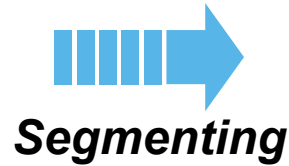
- Nelson Mandela



# Overcoming the challenges | It is challenging working with emerging farmers, but a lot of the risks can be accounted for in the design

## Boardroom concerns

Farmers are not able to adopt the practices correctly



## Solutions

Consider farmers as clients and deliver service packages that fit capabilities and needs



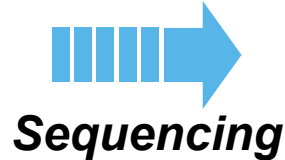
Farmers are not motivated



Organize farmers into service groups to create accountability (while creating rural jobs)



Farmers are high-risk borrowers



Adopt a graduation model sequentially offering more services after proven adoption



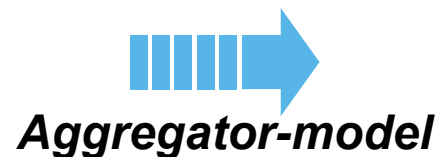
Farmers are misusing the funds and not re-investing in their farms



Offer in-kind support; link (some) payment to voucher systems to ensure correct input use



Farmers cannot deliver at scale or adhere to quality specs



Introduce anchor-based model linking farmers to reliable aggregators who ensure quality



We need to understand what drives costs to design **effective** and **cost-efficient** models



# Case study: cost-efficiency | We need to understand what drives costs to improve the business case for all

The 3.78 mill USD investment is only leading to an impact of 2.23 USD per dollar invest

  
Farmer training

  
Seed provision and pre-financing

  
Access to inputs

  
Local offtake

Yield increase of **6.24 million USD**

+

Price increase of **6.4 million USD**

-

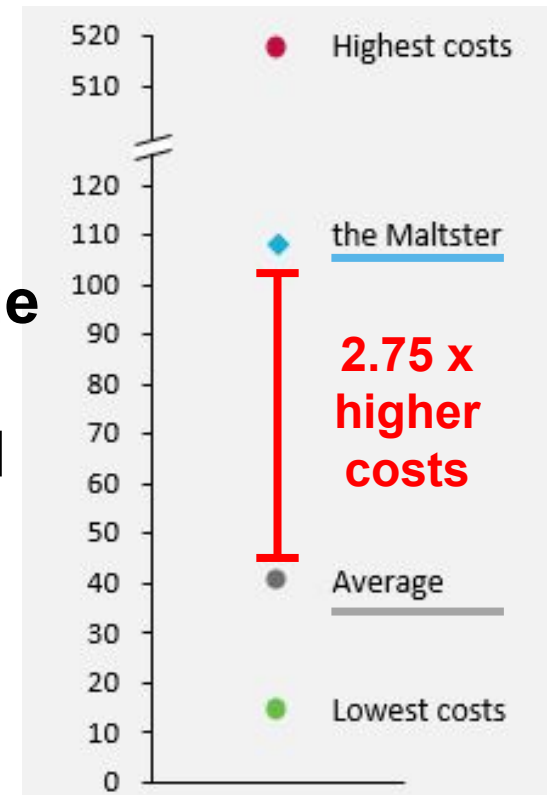
**4.2 million USD** farmer cost of production

**2.23 USD value** created per USD invested

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**3.78 million USD** company costs

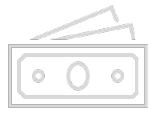
Cost per farmer per year (USD)



It is possible to create **business value**



# The business case | Some traders have managed to build an entire business case around service payments



Increased premiums



Increased quality



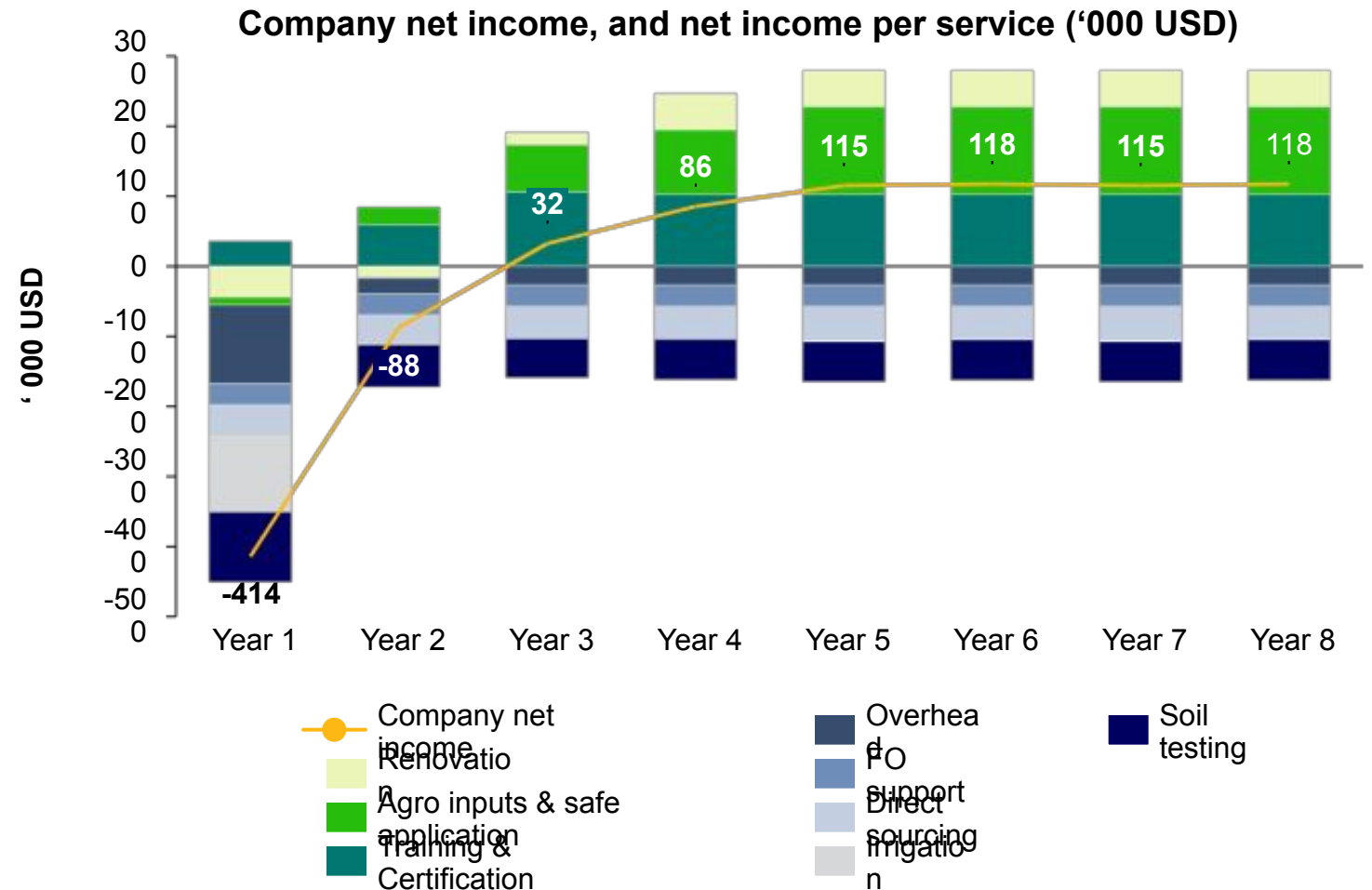
Increased volume



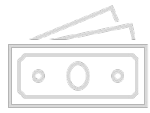
Reduced side-selling



**Service payments**



# The business case | Increased volume and reduced side-selling can improve sourcing to an extent that it recovers the costs involved with service provision



Increased premiums



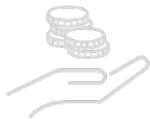
Increased quality



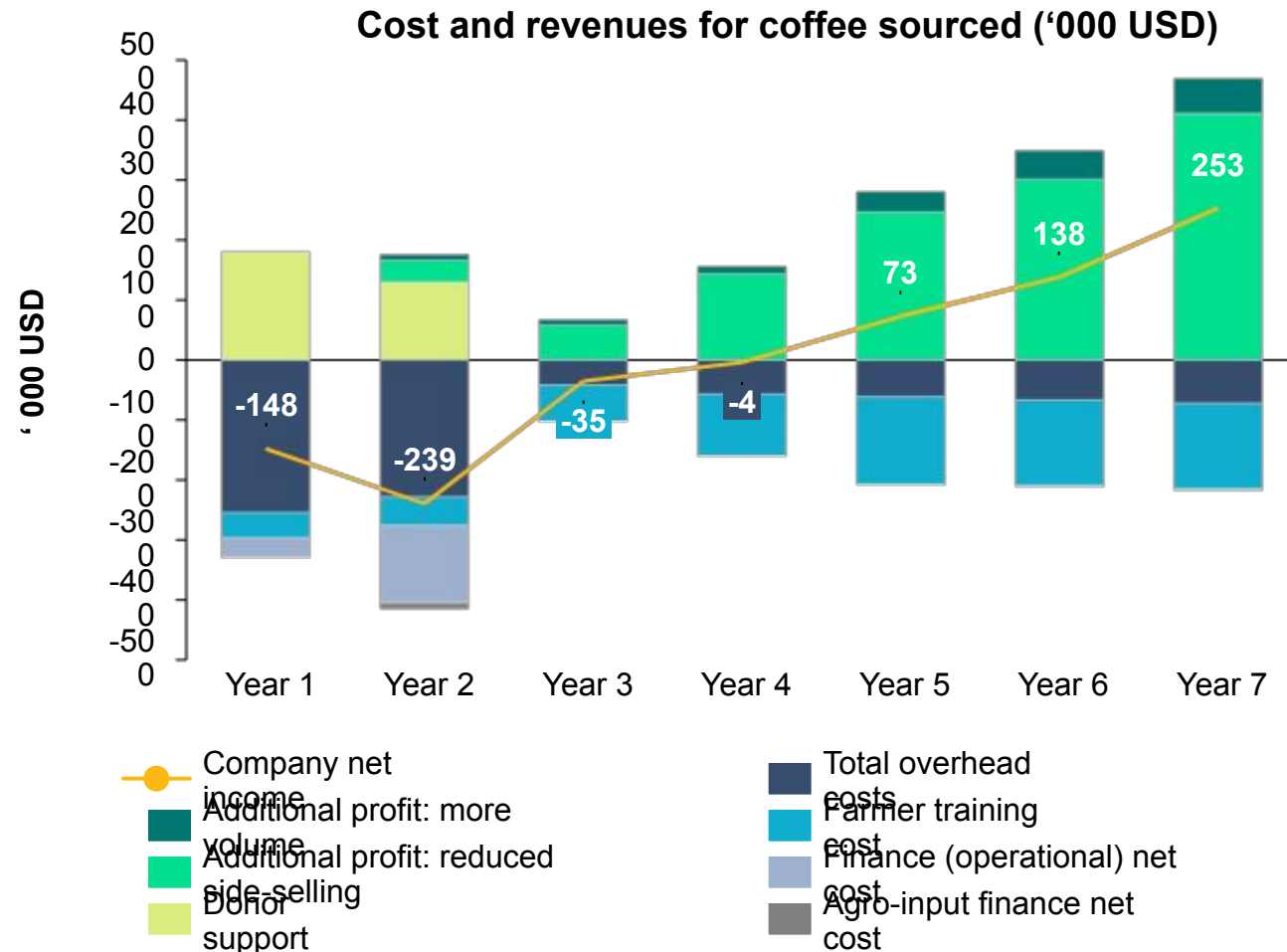
Increased volume



Reduced side-selling



Service payments



If we align procurement, finance, and catalytic capital, transformation is not just possible – it's profitable



# Key success drivers | There is a role for everyone to play in the ecosystem



- Coordinates input providers, financial institutions, and extension agents
- Introduce credible M&E



- Guarantee off-take (assuming product specs are met)
- Create a conducive environment via sustainable procurement



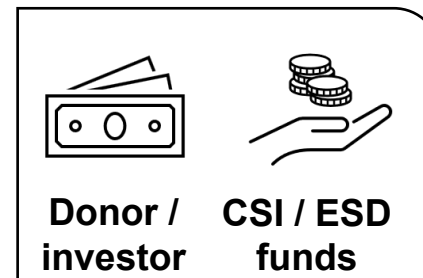
- Bundling and distribution efficiencies
- Introduce input financing models
- Provide technical expertise



- Enable access to finance, e.g., leveraging off-taker contracts as collateral
- Absorb part of the liquidity risk



- Secure market access
- Introduce assurance system



- Provide catalytic funding for high-risk phases
- Innovation and system-building

This is not a philanthropic enterprise. It is  
business sense.

However, philanthropic spending can be  
a catalyst and **help transition to a  
commercially-viable model.**



Want to discuss what this mean for your organization?

**Contact us!**

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