Enhancing impact performance in agriculture through non-financial support and sustainable practices

Insights based on impact data have the potential to drive capital to address the world’s most significant challenges. As the body of available data on impact results grows, impact performance analysis can unlock opportunities and allow investors to gain increasingly comprehensive, robust insight into the relationships between their capital, their actions and their real-world impact.

Impact investors in agriculture are increasingly pursuing both social and environmental impact. This brief explores the relationship between sustainable agriculture practices, non-financial support and the number of farmers served. Findings highlight the role that non-financial support can play in strengthening the impact performance of investments, improving sustainable agricultural practices and increasing the number of farmers served. Impact investments analyzed in this brief aim to target smallholder farmers (96%), with 57% of investments made through private debt into companies providing outgrower schemes or offtake agreements, followed by 30% private debt investments in processing companies. Across the analyzed sample, 87% of annualized investments have certifications such as Fairtrade, organic certification or Rainforest Alliance. Investments in the sample vary based on stage of business, geography and investee size.

Sustainable practices include improving soil health, conserving soil, diversifying farming, using pesticides and herbicides responsibly, assessing biodiversity, preserving water and water quality, maintaining Indigenous rights and implementing stewardship practices. When implemented well, sustainable farming can support jobs, empower women and mitigate rural poverty, all while improving climate adaptation and resilience. However, adoption and transitions can be especially challenging for smallholder farmers given the costs and long-term horizon often needed to generate profit and increase agricultural yields. Impact investors can leverage non-financial support to deepen impact in sustainable agriculture. Non-financial support, sometimes referred to as technical assistance or capacity building support, can include financial literacy training for end stakeholders, guidance from local partners, support with impact measurement and management, and other ad hoc consulting. Often used as a tool by investors, non-financial support can enable greater uptake of sustainable practices, improve service quality and encourage innovative product development.

1 “Farmers served” refers to farmers accessing responsible agriculture products, services and/or trainings.
2 “Offtake agreements” refers to agreements between producers and buyers to purchase agricultural products.
3 The analysis in this brief offers insight into the sample of investors represented in the GIIN’s agriculture impact performance benchmark, and cannot yet be generalized across the agriculture sector.
4 See the benchmark key performance indicators and “IRIS+ metrics used in this brief” on page 4 for more information.
Sustainable land practices led to fewer farmers served, but investments providing non-financial support demonstrated stronger impact results

When investors allocate capital toward investees employing sustainable practices, but do not provide non-financial support, their annualized investments serve 807 fewer farmers, on average, than agriculture investments without sustainable practices in place. Unsurprisingly perhaps, sustainable farms often face high costs, limited initial crop yield and other constraints in accessing the market. When investors provide non-financial support to investees with sustainable practices in place, they served 179 more farmers, on average, than those sustainable investments without non-financial assistance. Interestingly, investments with non-financial support in place also served, on average, 121 more women farmers than those investments without non-financial support in place. This positive interaction demonstrated the pronounced benefit of having non-financial support alongside sustainable land practices.

Average additional number of farmers served in sustainable investments when non-financial support is in place

![Diagram showing the comparison between conventional and sustainable practices with or without non-financial support](image)

Note: This graph illustrates the net effect of implementing sustainable land practices and non-financial support as compared to sustainable investments that do not provide non-financial support. The arrows represent the average change in the number of farmers or women farmers served in an annualized investment.

Source: Global Impact Investing Network (GIIN), 2023

Provision of additional mechanisms to support farmers led to an increase in the number of farmers served

While non-financial support can be leveraged by investors, there are also several additional mechanisms that investees can use to protect and support farmers. For example, investees that provided direct guidance on how to use products, services and trainings to farmers served, on average, 2,157 more farmers than those who did not provide such guidance, and an additional 592 women farmers. Similarly, investments where companies monitored stakeholder satisfaction and labor conditions, or addressed stakeholder needs and vulnerabilities in their supply chains, demonstrated a consistent trend in increasing the average number of farmers served in this sample.

### Net effect of additional mechanisms to support farmers alongside implementing sustainable land practices

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Average change in number of farmers served (n=229)</th>
<th>Average change in number of women farmers served (n=209)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance to end stakeholders on how to best use products, services and trainings</td>
<td>2,157*</td>
<td>592**</td>
</tr>
<tr>
<td>Identifying and addressing end stakeholder needs and proactively addressing vulnerabilities in supply chain</td>
<td>438***</td>
<td>Not significant</td>
</tr>
<tr>
<td>Assessing stakeholder satisfaction and monitoring the supply chain to ensure appropriate labor conditions</td>
<td>487***</td>
<td>Not significant</td>
</tr>
</tbody>
</table>

Significance levels: *10% **5% ***1%

Note: Additional practices to protect and support farmers include mechanisms taken by the investee to ensure the quality of the products, goods and services delivered. Across each of these investments, sustainable practices such as certifications, soil conservation mechanisms and farming diversification are also in place.

Source: Global Impact Investing Network (GIIN), 2023

As greenhouse gas emissions driven by agricultural activities continue to rise in 2023, sustainable practices have the potential to generate significant impact. These findings present an opportunity for investors to leverage non-financial support, strengthen impact performance in sustainable agriculture and engage more deeply with their investees — during the life cycle of the investment and beyond.

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Implications for investors

1. **Non-financial support and other protection mechanisms can strengthen impact results.** By providing non-financial support and other engagement mechanisms, investors can deepen their impact in sustainable agriculture. For example, in 2018, Incofin’s Technical Assistance Project (co-financed by SSNUP and agTAF) provided cashew nut farmers in Burkina Faso with a Fairtrade certification and advance payments to access education and healthcare for their children. This resulted in 416 farmers trained in Fairtrade practices, two newly certified Fairtrade cooperatives, and 99% of program participants increasing their cashew nut income attributable to higher sales volumes from the Fairtrade label.

2. **Embedding sustainable agricultural practices can help facilitate responsible investment exits and safeguard the continuity of impact.** Responsible exit considerations are a critical component for any impact investment process and for ensuring continuity of impact beyond a single investment life cycle. Investors might expect long-term investment horizons to align best with the gradual nature of implementing sustainable agricultural practices, as the benefits from these practices often take time. Short-term investors also have an opportunity to set up their investees for the social and environmental impact to endure well beyond the investment period. For example, Beartooth Capital, an investor focused on achieving market-rate returns while delivering conservation benefits, invested in the rehabilitation of a ranch in Montana, U.S., with a vision to find the right buyer and ensure continuity in its investee’s conservation impact. Beartooth Capital’s commitment extended beyond their initial plans, as they held the land for a longer period to find a mission-aligned family willing to preserve the wetland reservation while meeting their financial goals. This case illustrates the role an investor can play in implementing sustainable practices and driving toward responsible exits to foster long-lasting impact beyond the investment horizon.

3. **There is a strong long-term business case for investing in sustainable agriculture.** Given the benefits of sustainable agriculture and the potential growth of the market, investing into sustainable agriculture goes beyond just environmental impact; it also makes business sense. Non-financial support and other support mechanisms have the potential to add value to smallholder agriculture businesses and enhance their long-term profitability, while reducing environmental risks and operational costs. With this approach, investors have a strong opportunity to contribute to a more resilient, equitable food system while also positioning themselves for long-term financial returns.

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References


AGRICULTURE IMPACT BENCHMARK KPIs AND IRIS+ METRICS USED IN THIS BRIEF:

**FARMERS ACCESSING RESPONSIBLE AGRICULTURAL PRODUCTS, SERVICES AND TRAININGS**

Access to quality agricultural products, services and trainings for farmers can lead to increased farmer assets and greater opportunity for business investment by farmers. With improved knowledge and skills, individuals can improve their farm management skills, increase their profitability and reinvest into their farms for more profitable and sustainable production.

Client Individuals: Smallholder (PI6372)
Client Individuals: Female (PI8330)
Non-financial Support Offered (PD9681)

**SUSTAINABLY MANAGED LAND**

Sustainable land practices and soil protection mitigate the impacts of climate change, protect biodiversity, facilitate nutritious food production and improve agricultural yields.

Soil Health Practice (OI1047)
Soil Conservation Practices (OI6381)
Pesticide Use (OI9891)
Water Conservation Strategy (OI9326)
Biodiversity Assessment (OI5929)
Indigenous Rights and Stewardship Practice (OI6482)
Product/Service Certifications (PD2756)
Operational Certifications (OI1120)

**ADDITIONAL METHODS TO PROTECT/SUPPORT FARMERS**

Provision of guidance to end stakeholders on how to best utilize products, services and/or trainings.

Identifying and addressing vulnerabilities in supply chain (USDA)

Monitoring the supply chain to ensure minimal risk of forced labor (OECD/FAO)

Stakeholder Engagement (O17914)

Find more insights on the impact performance of investments in agriculture, sample characteristics and methodological choices in the agriculture impact performance benchmark. To join the impact performance benchmark, contribute your impact data to IRIS+.
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