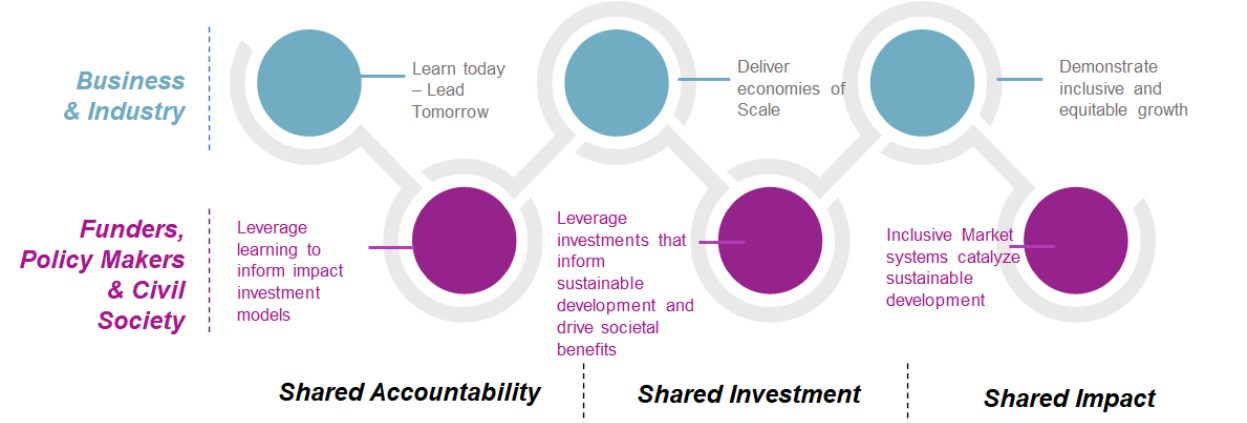
Farmer Income Lab Learning Framework Overview

CHALLENGE: Despite billions of dollars of investment[1], there is limited evidence of what works[2] to meaningfully improve incomes across global supply chains. **The Farmer Income Lab's work has highlighted that the private sector approaches to address poverty being deployed today are too often failing to deliver meaningful results. As such, a new procurement and development paradigm needs to emerge if we are to demonstrably reduce poverty and create resilient supply chains for global business.** Realizing that business as usual is no longer an option, the Farmer Income Lab seeks to accelerate innovation and action across global supply chains by:

- **Pivoting** away from uncoordinated, short term pilot projects to sourcing strategies that promote durable solutions that contribute to meaningful improvements in farming household income and rural economic development.
- **Mobilizing** commitments and investments from private sector, civil society and government to identify successful approaches that can be adapted and scaled.
- **Accelerating** collective action across supply chain ecosystems in support of SDG 1.

STRATEGIC DIRECTION: The Farmer Income Lab's objective is to identify and test the optimal ways to drive meaningful improvements in smallholder farmer incomes. We envision a future in which agricultural commodities are sourced from profitable, sustainable farming enterprises that contribute to local economic growth and poverty reduction. The Lab's **Lighthouse Programs** will integrate insights into action, designing and deploying programs that advance evidence informed decision-making, integrate bundles of interventions that influence systems change and improve smallholder profitability and resilience.

In order to deliver collective impact, the Lab will develop a **shared accountability and shared investment for shared impact framework**.



SHARED ACCOUNTABILITY: The Lab will deploy a lean and adaptive **Learning Framework** to inform business decisions and enable continuous learning. This Learning Framework enables a shared approach to identifying and incorporating key success factors in the deployment of programs. It consists of the following:

- ***Learning Questions*** to ensure that sustainability investments are focused on critical categories of change that will enable the Lab to achieve its objective.

[1] Examples of investments include Livelihood Ventures' $141m 10-year investment to support smallholder farmers in Africa, Asia and Latin America and Mondelez's $400m investment into a 10-year supplier sustainability program. Hepler, L. "Inside the big business of investing in supply chains". GreenBiz (13 March 2017), https://www.greenbiz.com/article/inside-big-business-investing-supply-chains.

[2] See "What Works," https://www.farmerincomelab.com/insights-and-publications, "Boosting Farmer Incomes in Agricultural Supply Chains", SSIR https://ssir.org/articles/entry/boosting_farmer_incomes_in_agricultural_supply_chains#

- ***Common Core Metrics***, a shared set of indicators to be used by all Lighthouse Programs to evaluate performance, enable adaptive management, and serve as a basis for deeper impact assessment and learning.
- ***Learning Guidance*** on a methodology and process for deployment to strengthen the timely flow of accurate, validated data necessary for business to learn today in order to lead tomorrow.

Together, the Learning Questions and the Common Core Metrics allow the Lab to determine how sustainability investments enable the following **categories of change,** at the farm, across business and for the industry. Sample Learning Questions for each category include *(see Appendix for full list of Common Core Metrics and Learning Questions)*:

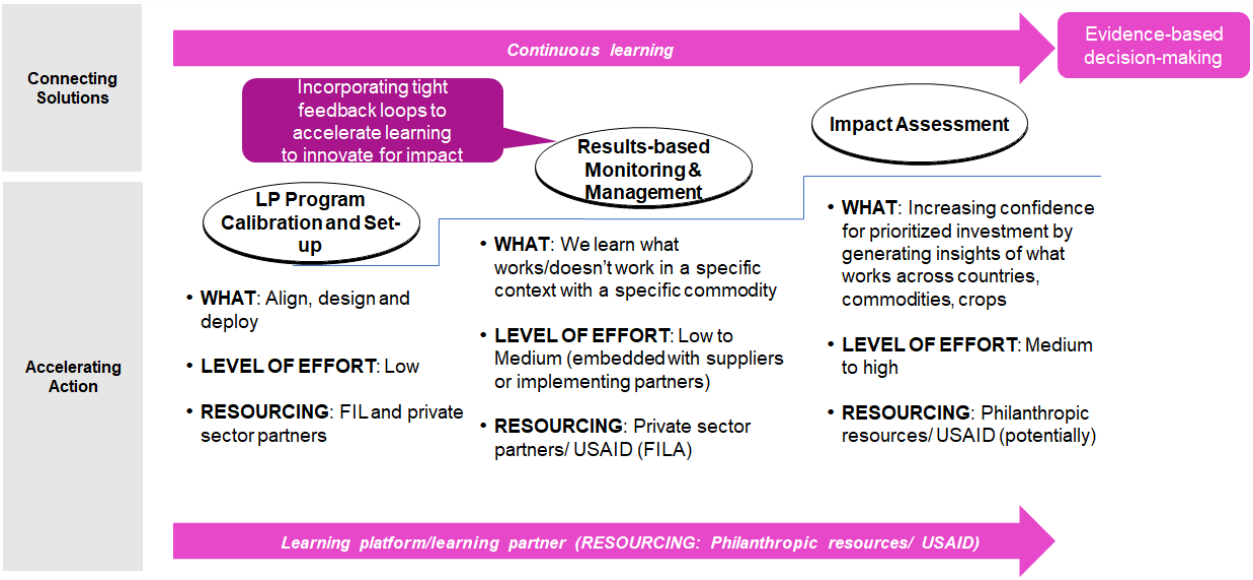
- ***Sustainable growth*** (*"Which bundles of interventions meaningfully improve farmer profitability, cash flow, and food security?"*)
- ***Value creation*** (*"What investments and actions deliver an equitable distribution of value so as to build resilience?"*)
- ***Risk management*** (*"What are the most effective supply chain/procurement strategies that minimize income and cash flow volatility as well as risk of economic loss for farm enterprises?*")
- ***Adaptive management*** *("What skills (e.g., financial literacy) and support systems (technical & advisory services) enable farmers to make effective decisions about their farms?")*

The Farmer Income Lab will deploy a **transparent improvement and innovation** process to enable our teams to identify success and fail factors early on in the deployment process. We will deploy tight feedback loops to ensure continual improvement, incorporating learnings emerging from performance monitoring to innovate for impact.

SHARED INVESTMENT: For shared investment to become a reality, all key actors within a supply eco-system need to align on vision and action. Only then can the private sector effectively prioritize and deploy resources to drive change, leveraging its combined purchasing power to shift supply chain norms. **Mars and other businesses** will act to develop sourcing strategies that generate further evidence on what works to improve incomes and de-risk supply chains; test, adapt and scale promising models; and identify public and private resources to activate multiple stakeholders to amplify impact.

Other partners (NGOs, foundations and development institutions) will act by using their insights and innovation to build evidence, which business can then leverage to accelerate action in their supply chains. Together, the Lab and its partners will endeavor to deliver the step change in action needed to transform global supply chains across raw materials and industries. The Lab's approach to adaptive learning requires shared investment of time, talent and funding. This will be provided through the **Farmer Income Learning Alliance (FILA)**, an industry-led initiative catalyzed by the Lab that brings together business, philanthropy, and NGO partners to deploy and test innovations in procurement practices and sourcing models to drive meaningful improvements to farmer incomes, reduce business risk, and build resiliency of agricultural systems.

SHARED IMPACT: Shared impact will **accelerate action** through strategic prioritization and industry collaboration across supply chain eco-systems, building on shared investment to allow business to **learn today in order to lead tomorrow**. Regular performance monitoring, based on Common Core Metrics and rooted in a continual improvement and innovation process, will generate responses to the Learning Questions, **developing insights for innovation.** As The Lab provides insights within the country and crop contexts of the Lighthouse Programs, this enables the opportunity to scale within a specific context or commodity/raw material (allowing for sharing of lessons learned within that context).



Developing deeper-level learning that identifies success factors and underlying enablers across a broader context, building an **evidence base on "what works"** that is comparable across commodities/raw materials, countries and crops, will require additional investment, provided by FILA and other philanthropic partners. These deeper insights will be relevant for different actors (from business and industry to funders, policy makers, and civil society), accelerating **collective impact,** allowing funding of programs that have high impact potential, and leading to economies of scale. Specifically, FILA will deploy **impact assessment for decision-making**, focusing on the effects of the Lighthouse Programs, looking at design effectiveness, cost and efficiency of deployment, and how to use the experience for future interventions. Deeper impact evaluations[3] can provide further insights into transformative solutions to develop scalable sourcing models, tools and procurement practices, further catalyzing supply chain transformation.

[3] Such as Randomized Control Trials (RCTs)

Appendix – Learning Questions and Common Core Metrics

Farmer Enterprise Level

Category of change	Learning questions	Common core indicators	
Sustainable Growth	Which **bundles of agricultural and supply chain interventions**, and under what conditions, meaningfully improve: a. Costs & profitability	• Net Income from Target Crops: Revenue (yield x price) – Costs of Production	
	b. Cash flow	• Cash Flow and stable contracting; storage capacity; diversification of income sources	
	c. Financial resilience and food security	• Poverty Status • Days without Sufficient Food • Seasonality of Food Access	• Net Assets • Access to Credit • Access to Other Safety Nets (e.g., risk insurance, cooperatives, women's groups)
Value Creation	How can farming enterprises **add more value to commodities** and/or capture a greater share of the FOB or market price?	• Farmgate Price (relation to FOB) • Quality • Storage Capacity	
	What investments and actions deliver an **equitable distribution of value** so as to build resilience?	• Quality • Farm Level Processing • Storage Capacity	
	What pre-conditions enable farmers to **invest in innovation or value creation**?	• Farmgate Price • Stable Contracting • Access to Credit	
Risk Management	What are the **most effective supply chain/procurement strategies** that minimize income and cash flow volatility as well as risk of economic loss for farm enterprises?	• Stable Contracting • Cash Flow • Storage Capacity	• Post Harvest Losses • Access to Credit and Other Safety Nets (risk insurance, cooperatives, women's groups)
	What **climate change mitigation-adaptation** practices offer notable risk benefits?	• Climate Adaptation Practices • Income Stability	• Yield
	What approaches to **diversification** can mitigate both crop and income risks?	• Target Crop Dependency (diversification of crops) • HH Net Income (diversification of other income sources) • Income Stability (volatility)	
Adaptive Management	What **skills** (e.g., financial literacy) and **support systems** (technical & advisory services) enable farmers to make effective decisions about their farms?	• Yield • Quality	• Income • Training Attendance & Practice Adoption
	What **tools** enable farmers to analyze their farms and finances, troubleshoot issues, and receive actionable technical and financial recommendations?	• Availability of support and tools • Yield • Cash Flow	• Income • Getting data democracy to farmers • Satisfaction of support and tools

Business Level

Category of change	Learning questions	Common core indicators	
Sustainable Growth	Do sustainability investments create **economies of scale** and improve **operational efficiencies** for business to thrive in current and future markets?	• Procurement Cost Effectiveness • Efficiency of Sourcing System	• Inventory Management
	What **level of investment** is needed to ensure long-term access to key agricultural commodities at reasonable prices as the business grows?	• NPV • Innovative Contracting • Training Attendance & Practice Adoption	• Gender and Next Generation • Access to Other Safety Nets
Value Creation	How and to what extent do SHF and sustainability investments (e.g., certification) **drive business values** in terms of: a. Brand value	• Brand Value	
	b. Profits and Market Share	• Contribution to Market Growth • Procurement Cost Effectiveness	• Efficiency of Sourcing System • Commodity Price Volatility
	c. Non-Financial Capitals	• Climate Resilience	• Capacity Building (next generation, gender)
	d. Procurement relationships that give the business priority and reduce volatility	• Innovative Contracting • Inventory Management	• Reputational Risk
	What agricultural and supply chain investments supporting farmers are most effective for **improving supply chain and manufacturing efficiency, quality, and cost effectiveness** for the business?	• Procurement Cost Effectiveness • NPV	• Efficiency of Sourcing System • Quality & Food Safety
Risk Management	What are the **most effective procurement strategies** and bundles of interventions for farmers that de-risk supply chains for business (e.g. long-term contracts, simplified supply chains, regional sourcing)?	• Diversity of Supply • Commodity Price Volatility • Innovative Contracting • Climate Resilience	• Capacity Building (next generation, gender) • Access to Credit • Access to Other Safety Nets • Reputational Risk
	How do investments that embed sustainability strategies into supply chains affect **business's license to operate** (regulatory and reputational), and its ability to respond to customer and stakeholder interests?	• Traceability • Climate Resilience • Capacity Building (next generation, gender)	• Reputational Risk (e.g., compliance) • Regulatory Risk
Adaptive Management	Does the partnership model motivate **engagement from relevant business function** (procurement, corporate affairs, quality and food safety, marketing) to collaborate on solutions?	• Scale & Influence--Estimate of farmers directly affected by application of learning from FIL related efforts that result in those efforts being multiplied in other company efforts (internal) and among the industry (can include no. of firms adopting new practices)	
	How do business **feedback mechanisms and technology investments** improve our understanding and management of supply chains, farming systems, and support services?	• Technology related improvements in: o % of supply traceable to farm o Performance Monitoring of supply chains engaged by relevant managers at least biannually (twice a year)	