



Agribusiness and value chains

Agribusiness, value chains and the rapid transformation of agrifood systems

Agri-food systems are currently undergoing a rapid transformation driven by urbanization, globalization, diet diversification, concentration, and expansion of food markets and trade, among other underlying trends. Coping with these changes requires a broader systems perspective that emphasizes agrifood value chain coordination, value creation and the institutional setting in which value chains operate. This cannot be done without embracing agribusiness development.

The agribusiness sector, which comprises the business activities performed from farm to fork, is a major generator of employment and income worldwide and contributes to food security and nutrition. It covers the entire value chain, including the supply of agricultural inputs, the production and transformation of agricultural products, and their distribution to final consumers. The relevance of agribusinesses is underlined by the fact that they:

- are often the main source of off-farm employment in rural areas of poor countries;
- have positive effects on poverty reduction and women's empowerment in countries where high-value agrifood exports are produced;
- create off-farm employment opportunities in agro-industrial firms located in rural areas, improving the income of rural households through wage employment and spillover effects that can increase on-farm agricultural productivity through greater liquidity to purchase inputs and increased capacity to adopt technologies; and
- help to forge the necessary link between the agriculture and manufacturing sectors, which in turn can catalyse the development of broader manufacturing industries by providing material inputs for food processing, textiles and biofuels.



Seen as an engine for growth, agribusiness and its related industries are receiving increased attention in policies and strategies that aim to promote investments in agro-enterprises and agrobased value chain development. This has prompted a need for deeper understanding of the elements that form a conducive business climate, or enabling environment, for the development of agribusinesses.

The agribusiness and sustainable food value chain (SFVC) work involves the collection and analysis of information and experiences in order to understand changing realities and trends. Based on this, support is provided to member countries' governments by advising them on policies and strategies to improve agribusiness competitiveness and food value chain and food system performance, including fostering greater public-private collaboration and linkages among business partners. It also produces training materials, in particular for policy-makers, development practitioners and small and medium agricultural enterprises (SMAEs).

FAO role in agribusiness and value chain development

In support of agribusiness and food value chains, FAO focuses on enabling environment aspects and on building the capacities of ministries of agriculture to effectively engage with private sector partners, especially on the following public objectives: inclusion of farmers and SMAEs, investment promotion and increased efficiency.

FAO agribusiness work includes the development and dissemination of a series of tools and policies used to stimulate agrifood industry and food value chain development and support the inclusion of smallholder farmers and small rural food enterprises in rapidly transforming agrifood systems in developing countries. The main policy issues addressed include:

- **Responsible contract farming for inclusive market access** providing capacity building, technical and legal support to field projects, advocacy, and dissemination of knowledge.
- Developing **sustainable food value chains (SFVCs)** as a holistic approach to structural transformation, integrating multidimensional value-added and sustainability concepts and applying them in the measurement, analysis and improvement of food system performance.
- **Public-private partnerships or public-private-producer partnerships**, which are innovative partnerships that bring together producers, agribusiness, government and civil society actors. They are increasingly being promoted as a mechanism for pooling much-needed financing while mitigating some of the risks of doing business in the agriculture sector.
- Fostering a **territorial approach as a means to attract transformative investments in agribusiness** and coordinate cross-sectoral objectives. Particular attention is paid to agro-industrial parks and agrobased clusters, economic corridors, and Special Economic Zones.
- **Encouraging small and medium enterprise development**, entrepreneurship, agribusiness start-ups and innovation through inclusive business models and agribusiness incubators.
- **Institutional procurement programmes**, by which governments award public tenders not only to respond to the state's procurement needs but also to simultaneously address social, environmental or economic concerns.

FAO collaborates on this topic with external institutions, such as the International Food Policy Research Institute (IFPRI), International Fund for Agricultural Development (IFAD), Inter-American Development Bank (IDB), Organisation for Economic Co-operation and Development (OECD), International Institute for the Unification of Private Law (UNIDROIT) and the World Bank.

How agribusiness and value chain work contributes to the FAO Strategic Framework

The agribusiness and value chain work directly contributes to the following FAO Strategic Programmes: *Help eliminate hunger, food insecurity and malnutrition (SP1); Reduce rural poverty (SP3); and Enable inclusive and efficient agricultural and food systems (SP4).*

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FURTHER INFORMATION

Agribusiness and value chains is part of the work stream on *Sustainable markets, agribusinesses and rural transformations*. Find out more:

- Website - www.fao.org/sustainable-food-value-chains

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