

JULY 2021

# A SMALL BUSINESS AGENDA



UNITED NATIONS  
FOOD SYSTEMS  
SUMMIT 2021



## **A Small Business Agenda**

for the UN Food Systems Summit

**United Nations Food Systems Summit**

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[www.un.org/en/food-systems-summit](http://www.un.org/en/food-systems-summit)

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All around the globe, thousands of food small- and medium-sized enterprises (SMEs) and their expert supporters were asked, “**How to boost the role of SMEs in providing good food for all?**” This report shares their compelling response.



UNITED NATIONS  
FOOD SYSTEMS  
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## EXECUTIVE SUMMARY

# A small business agenda for the UN Food Systems Summit

Our food systems must become more nourishing, sustainable, equitable and resilient. This is the imperative set by the 2021 United Nations Food Systems Summit. Small- and medium-sized enterprises (SMEs) constitute at least half the food system, so are fundamental in efforts to transform the ways we produce and consume our food. The Summit has undertaken a global consultation exercise to ask thousands of food SMEs and their expert supporters, “**How to boost the role of SMEs in providing good food for all?**”

Food SMEs are **quiet revolutionaries**, working tirelessly to transform food systems in every corner of the planet. Listen carefully, and you will hear their shared vision for **re-balanced food systems** that sustain past efficiency gains, whilst no longer compromising nutrition, natural capital, equity and resilience. These SME stories tell of their **collective commitment to drive positive change** in multiple ways:

- Integrating markets to reduce poverty and hunger.
- Creating opportunities that improve equity.
- Innovating and scaling solutions for nutrition and sustainability.
- Elevating resilience to shocks, through embedded yet agile business models.
- Influencing to passionately shape the future of food.

There is a **new generation** of passionate, values-driven, innovative entrepreneurs in the ascendency, many of them **women and youth**. They are ready to reshape our food sys-



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tems for the better, but this is a formidable challenge. They will only fulfil their potential when support systems, market incentives, power dynamics, and cultural norms shift in their favour. The **ask by SMEs** is for cross-sector actors to **create conditions for purpose-driven SMEs to flourish**.

Every country and value chain is different, and so are the constraints they present to SMEs. Hence SMEs need the Food System Summit to catalyse **action by coalitions working at national-level** or within specific value chains. Listening to the SMEs in each discrete context will highlight priority actions to boost their contribution as change agents. This report offers three pathways to consider when integrating food SMEs into the prioritisation, design, and governance of efforts to transform food systems.

### Pathway 1: Create a business ecosystem in which food SMEs thrive

The food sector is often burdensome for SMEs. Running a food SME is hard, and market elements are frequently wrong-sized for them. When food entrepreneurs have a business environment which gives them a fair chance to compete in the market, they then thrive to the benefit of consumers, producers, communities, nature, and investors.

#### Opportunities to act:

- Reduce the cost of doing business by improving physical and digital infrastructure, regulations, and the rule of law.
- Improve access to finance.
- Ease SME graduation from the informal to formal sector.
- Leverage the power of large market actors.
- Target business support at food SMEs.



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### Pathway 2: Incentivise businesses to provide “Good Food for All”

The best businesses are not always the most competitive, so they struggle to scale up. Most consumers currently prioritise price above all other factors, and good businesses cannot out-compete those who deliver their products whilst externalising their cost to public health, natural capital, or social equity. The food system will continue to fail us until these incentives change.

#### Opportunities to act:

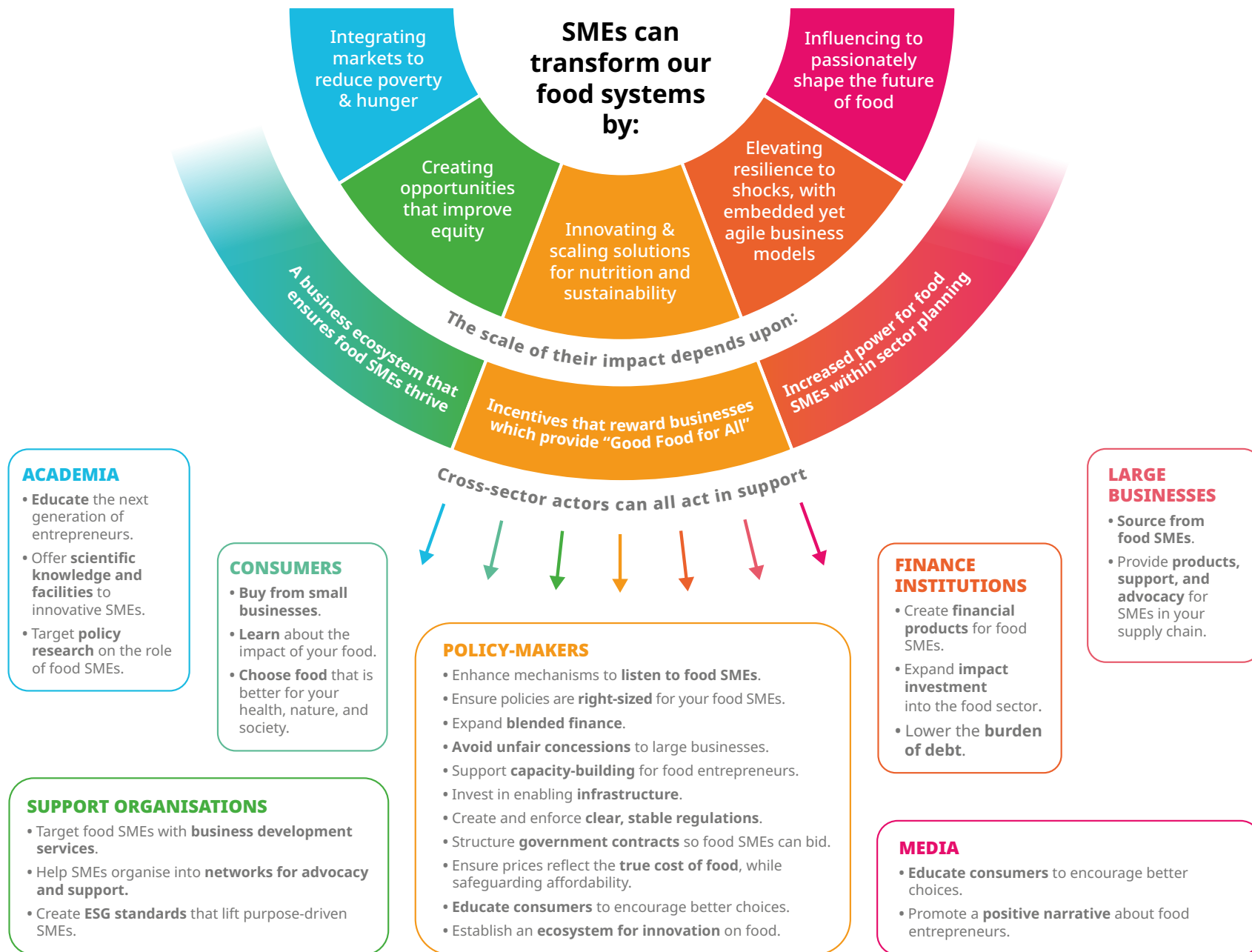
- Ensure prices reflect the true cost of food, while safeguarding affordability.
- Create consumer demand for “good food”.
- Fast-track innovative entrepreneurs.

### Pathway 3: Increase the power of food SMEs within sector planning

Small businesses have quiet and isolated voices. Compared to government or large businesses, they are relatively under-powered in their ability to collectively influence decision-making, regulations, resource allocation, and cultural values within food systems. Only once power dynamics change can we expect to make progress on rebalancing food systems in favour of the SMEs pioneering good food for all.

#### Opportunities to act:

- Elevate the voice of SMEs.
- Structure SMEs into dynamic networks.
- Plan and invest according to context-specific priorities.



## FOREWORD

# We entrepreneurs can deliver the future of food

We are both Food Systems Champions, but first and foremost we are food entrepreneurs. Bonolo co-founded Maungo Craft, which makes delicious preserves and sauces from fruits indigenous to Botswana; and Cherrie founded AGREA, a Filipino model-farm training people in sustainable production.

Food is so much more than a business. It is the health of our customers. It is jobs for our community. It is a celebration of our culture. It is the natural beauty of our landscape. This is a creed we share with food entrepreneurs all around the world.

Dr. Agnes Kalibata, the UN Special Envoy for the Food Systems Summit, asked what commitments each constituency can make to improve the food system. This report catalogues the fervent commitment of entrepreneurs to make food better in every corner of the planet. Collectively, small businesses are the vanguard of food system transformation.

We entrepreneurs are working long hours growing, harvesting, cooking, serving, hustling, innovating, influencing... doing whatever it takes. But our progress is thwarted by challenges beyond our control. Hence, this report presents a compelling ask to food system leaders: please create a business environment conducive to purpose-driven food SMEs. In return, entrepreneurs will deliver good food for all.

Let's go!



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**Bonolo Monthe**  
Managing Director, Maungo Craft  
Food Systems Champion



© AGREA

**Cherrie Atilano**  
Founding Farmer & President, AGREA  
Food Systems Champion



INTRODUCTION

# HOW TO REALISE THE POTENTIAL OF SMES FOR FOOD SYSTEM TRANSFORMATION?





## INTRODUCTION

# How to realise the potential of SMEs for food system transformation?

### Why a Small Business Agenda is vital to the Summit

Our food systems must become more nourishing, sustainable, equitable and resilient. This is the imperative set by the 2021 United Nations Food Systems Summit. Food systems<sup>1</sup> touch every aspect of human existence, affecting the health of our bodies, our environment, our economies, and our cultures. Every day, each person on the planet plays their part in nourishing humanity; and, within decades, we must feed nine billion people. This endeavour is a miracle of human collaboration, and yet, in critical ways, we are failing. Too many are underfed, overfed, or poorly fed. We are degrading vital natural capital and biodiversity. We are ill-prepared for shocks such as pandemics and a changing climate. Poverty is a daily burden for so many who labour to provide our food. The 2021 UN Food Systems Summit is bringing the world together to ask how we must collectively act to transform the way we produce, consume, and think about food.

**Small- and medium-sized enterprises constitute at least half the food system.** Each country is different, but SMEs usually make up over 90% of businesses in the agri-food sector, create half the sector's economic value, provide more than half its jobs, and handle more than half the food consumed.<sup>2</sup> They are incredibly diverse, from bakeries to farm suppliers, coffee co-ops to digital start-ups. Some will grow exponentially to become renowned giants, but the vast majority are hidden heroes labouring to provide food from their niche in the food system.



Figure 1

**SMEs must be at the heart of efforts to provide “Good Food for All”.** Lift the lid on the food system, and SMEs are everywhere. Sector transformation is simply unimaginable without them. At the centre of SMEs are entrepreneurs, who together make billions of decisions that shape the future of food. They are pioneers, innovators, and influencers. On a daily basis, they acutely feel the global tensions: how do we provide our end-consumers with affordable food, whilst ensuring it is nutritious, paying fair wages, maintaining our natural capital, and being ready for shocks? The Summit will only achieve its goals if it listens deeply to SMEs and integrates them into every aspect of the next decade of action.

### **This report: Sharing insights from SMEs and their expert supporters globally**

**This report is the culmination of a global consultation exercise.** Through an SME survey, regional dialogues<sup>3</sup>, expert input, and a literature review, diverse views and experiences have contributed to the report from every region of the world, and every corner of the food system. (see Figure 2). Consultation privileged the voice and experience of established SMEs that are demonstrating a positive impact within their sphere of influence. Micro-enterprises play a critical role in many informal food markets, but our consultation process required digital engagement so this report cannot claim to articulate their needs or interests.

**Food entrepreneurs and their expert supporters were asked three questions.** How are SMEs having a positive impact on the food system? What constrains that contribution? How might we boost the role of SMEs in providing good food for all? Discussion and analysis probed deeper, asking why, despite best efforts, is it hard to make

change happen. Beneath each constraint felt by SMEs are market incentives, power structures, and cultural norms that sustain the status quo. Only in unpacking these system dynamics did ideas emerge that promise impact at a meaningful scale.

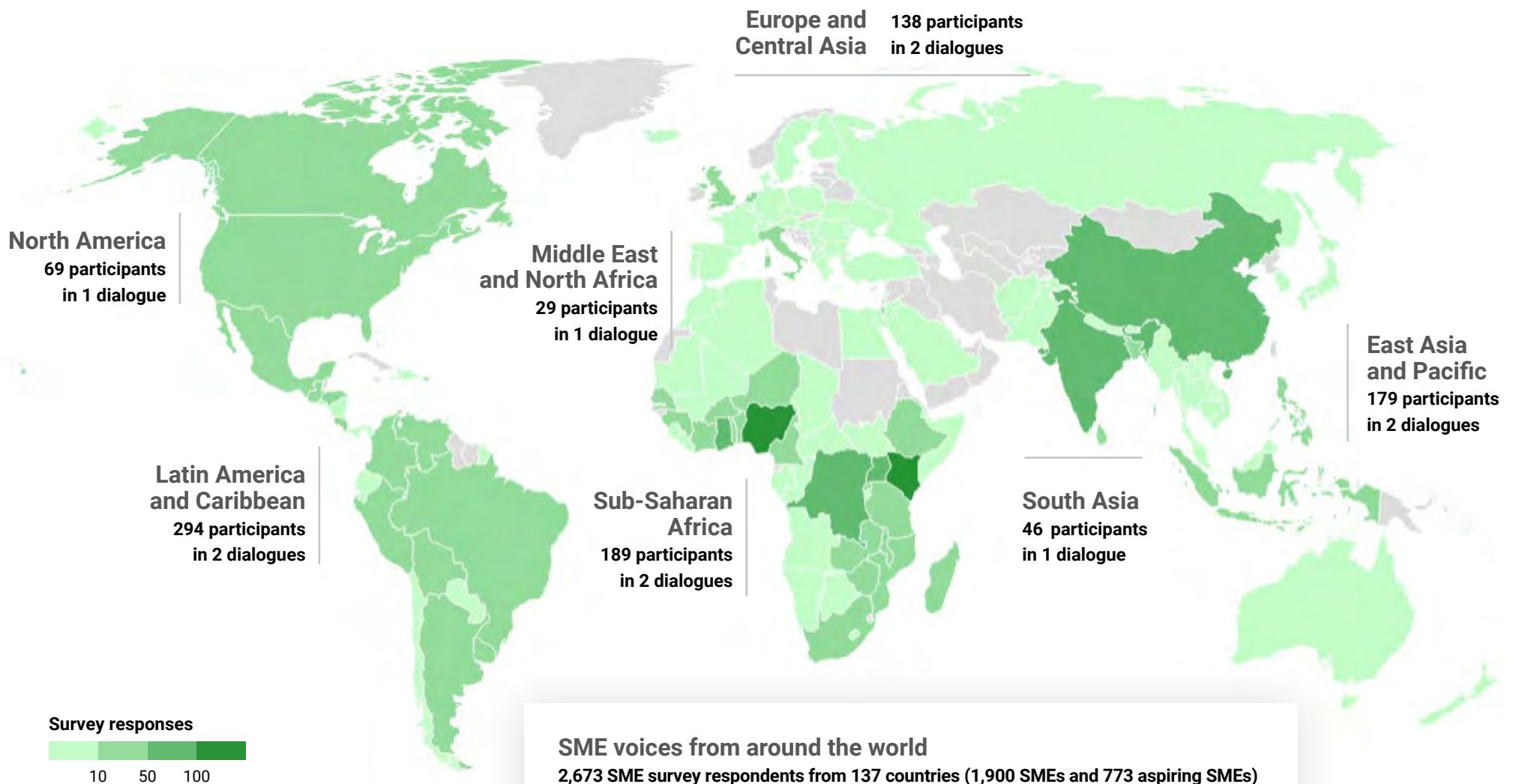
## **What is an SME?**

Definitions vary across nations and regions. Adapting the SAFIN taxonomy,<sup>4</sup> this report’s qualitative survey data includes registered companies that have six to 250 employees, or fewer than six employees but over \$100,000 in annual revenue. Our qualitative data also includes input from aspiring SMEs who aim to cross those thresholds but have not yet.



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### SME voices from around the world

2,673 SME survey respondents from 137 countries (1,900 SMEs and 773 aspiring SMEs)

38% of survey respondents were women and 52% were youth (under 35)

945 participants in 11 dialogues across 7 regions

58 expert survey respondents and 14 expert interviews

Figure 2



THE OPPORTUNITY

# SMES AS THE VANGUARD OF A FOOD REVOLUTION



## THE OPPORTUNITY

# SMEs as the vanguard of a food revolution

### Food SMEs: The quiet revolutionaries

**How do SMEs transform food systems?** In 2019, the Africa Agriculture Status Report<sup>5</sup> noted a “quiet revolution” underway, with SMEs as the motors of value chain transformation across the continent.<sup>6</sup> The consultations for this report highlight that, across the globe, SMEs are quiet revolutionaries, with the survey identifying their contributions across the Summit’s five Action Tracks (see Figure 3). If you want to foresee the future of a natural ecosystem, do not look at the large established trees; instead, look for which smaller plants are flourishing under the current conditions. Similarly, it is smaller businesses that are pioneers of emerging trends within market ecosystems.<sup>7</sup> Their revolutionary tactics vary by business and context, but some common themes emerge.

**Food SMEs integrate markets, reducing poverty and hunger.** Countries with high rates of poverty and hunger are characterised by low agricultural productivity, small-scale farming, and rapid urbanisation. Research across Asia, Africa, and Latin America highlights the vital role of SMEs in strengthening such food systems.<sup>8</sup> In such contexts, “small-scale farms are ‘sandwiched’ between small-scale en-

terprise driven output and input value chains.” These SMEs “address idiosyncratic market failures and asset shortfalls of small-scale producers by providing them, through informal arrangements, with complementary services such as input provision, credit, information, and logistics.”<sup>9</sup> In Latin America especially, cooperatives have provided an important SME structure for producers to access input and output markets.<sup>10</sup> SMEs proliferate in the midstream of output value chains, with wholesale, logistics, and processing SMEs driving market integration from farmgate to urban consumers.<sup>11</sup> Often absent from policy debate, these SMEs are a dynamic and inclusive force for food system transformation in emerging markets.

### In which Action Track do you primarily have impact?

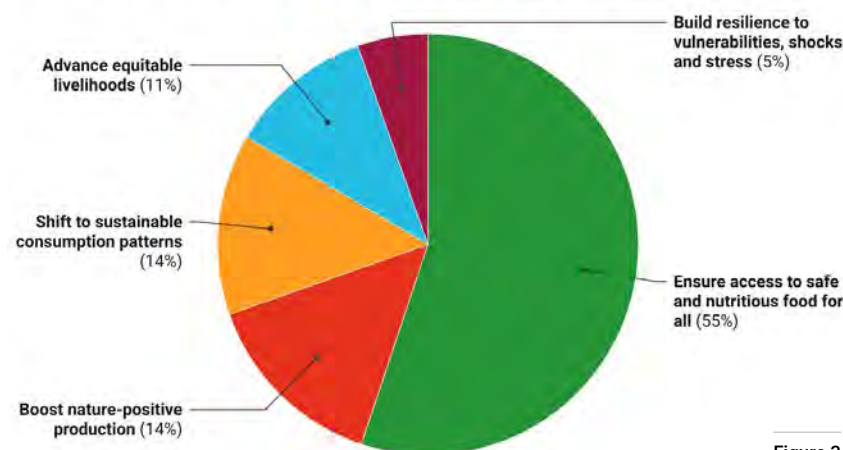


Figure 3

### SME IMPACT STORY

#### Integrating markets

*“We are building an inclusive digitised agriculture economy, changing the story one farmer at a time. AFEX links farming communities and staple crop processing zones to a network of storage facilities, with a warehouse receipt system that is linked to a centralised trading platform. A key characteristic of our model is our outreach strategy, which includes affordable credit and advisory services, along with financial instruments that unlock funds for smallholder farmers. We have helped over 200,000 farmers directly by improving their productivity and ensuring fair value at harvest.”*

AFEX Commodities Exchange (Nigeria) is a digital platform integrating smallholder farmers into input and output markets



**Food SMEs create opportunity, improving equity.** Our dialogues and the SME survey highlighted the significance of food SMEs as an economic gateway for women and youth.<sup>12</sup> Whilst the survey showed significant regional difference in female proprietorship of SMEs, from 28% in South Asia to 52% in North America, one trend is universal – food SMEs are about 50% more likely to have female owners than other businesses in their region. Anecdotally, indigenous and minority groups also seem more likely to harness food traditions as the basis for entrepreneurship. About half the survey's proprietors were under 35 years old, with higher numbers in South Asia and Africa where economic opportunities for youth are a high priority. Similarly, about half of employees were women, and half were youth. Multiple studies affirm the importance of food SMEs in job creation, especially in rural areas and from groups with lower chances of finding employment.<sup>13</sup> For anyone pursuing an equity agenda, food SMEs demonstrate significant potential for a fairer distribution of economic and cultural power.<sup>14</sup>

## ***"SMEs should be at the centre of building a sustainable food culture"***

Andy Zynga, CEO, EIT Food

**Food SMEs innovate, pioneering solutions for nutrition and sustainability.** Many food system challenges cannot be solved by existing technology or business models. Innovation is essential, and SMEs are pioneering solutions across our food systems – from alternative proteins to a circular economy for food waste, from solar-powered cold rooms to satellite data for monitoring soil carbon sequestration. Some of these ideas promise positive disruption at a global scale, but many SMEs are simply the vehicle for ensuring locally-appropriate adoption of emerging technologies.<sup>15, 16</sup>

### SME IMPACT STORY

## **Creating opportunity**

*"At Indiegrow, we connect two worlds that share the same passion: coffee. We are driven by the purpose of transforming people's lives by increasing women producers' income. We work hand-in-hand with women coffee producers from post-armed conflict territories in Colombia to bring them closer to consumers, making agriculture more attractive, profitable, and transparent. We track the positive impact that purchases have on women producers' lives to share with consumers. This is a new way of doing business in the coffee industry."*

Indiegrow (Colombia) works with women coffee growers who co-create their own brand and deliver it direct to consumers.

**Food SMEs are embedded and agile, elevating resilience to shocks.** The fortunes of many small businesses are intertwined with the fortunes of their communities, landscapes and value chains. They have deep contextual knowledge, often taking a long-view on stewarding the places and people they care about. Out of necessity, when economic, social or environmental shocks strike, they carry a significant leadership burden to swiftly evolve their operations. COVID-19 has demonstrated the agility of food SMEs everywhere.<sup>17</sup> As supply chains were disrupted, it was SMEs that ensured food continued to move from farm to table.<sup>18</sup>

**Food SMEs influence, passionately shaping the future.** Our current food system is held in place by consumers' values, preferences, and choices. Massive behavioural and policy shifts are required, such as for more plant-based diets. Food

SMEs and their entrepreneurs represent a hidden army of influencers, everyday passionately cajoling their customers, staff, suppliers, and communities to embrace new, more sustainable and more equitable options. The Ugly Pickle Company is persuading Americans to adopt quirky-looking fruit. Gourmet Grubb espouses insect-based dairy by offering samples of their ice cream in Cape Town malls. Singing together, these voices can rally humanity to the food revolution required.

## **The vision: A balanced food system, shaped by entrepreneurs**

**Listen carefully to SMEs, and you will hear a vision for a rebalanced food system.** Our dominant mind-set assumes that countries journey from traditional to modern food systems; with modernity implying well-structured, integrated

### SME IMPACT STORY

## **Innovating solutions**

*"Huacheng is a leading enterprise in the whole monk fruit industry chain, innovating natural sugar substitution solutions. By 2020, we had helped more than 10,000 families to increase their income and escape poverty. Our farming operations are environmentally-friendly and sustainable. We practise wasteland reclamation and use natural fertilisers. Monk fruit sweetener is natural and contains no chemical additives. New sugar reduction programmes have boosted the product's impact which, along with technology innovations, have enabled the business to develop balanced with social interests."*

Hunan Huacheng Biotech, Inc. (China) develops and sells monk fruit sweetener as a sugar substitute



supply chains supplying burgeoning urban populations with affordable calories. Yet the UN Food Systems Summit marks a moment when the world recognises the limits of the paradigm that prizes efficiency over nutrition, natural capital, equity, and resilience. Throughout our consultations, SMEs evoked the possibility of a new paradigm that moves beyond improving efficiency at all costs, and instead forges a fundamentally more balanced food system.

**SMEs embody this more nourishing, sustainable, equitable, and resilient food system.** Their fortunes are tightly interwoven with their customers, employees, suppliers, and land, so they notice when this web of relationships gets out of balance; and they adapt or perish. Visions of our future food system portray more resilient, transparent, agile, direct-sourced supply chains; less processed, more seasonal, diverse diets; more distributed, equitable economic opportunities, especially for women and youth; zero-waste and regenerative practices; and the innovation of game-changing solutions. This is a food system that SMEs are primed to deliver.

**How can the world get behind SMEs as agents of change?** For a long time, food and agriculture was uncool. Not anymore. Around the world, a new generation of passionate, values-driven, innovative entrepreneurs is in the ascendency. Bear witness to the winners of the UNFSS Best Small Business competition. SMEs are ready to reshape our food systems for the better, but this is a formidable challenge. They will only succeed at scale when support systems, market incentives, power dynamics, and cultural norms shift in favour of rebalanced food systems with SMEs at their heart. The next sections of the report propose a suite of pathways through which to rally behind SMEs as the quiet vanguard of a food revolution.



© Indiegrow

***"I would love to tell world leaders that they must bet on entrepreneurs who are thirsty for change and who are willing to give everything to bring innovation to the systems as we know them today; that it is possible to think of profitable ventures that create impact models with a global vision; that this definitely motivates younger generations; that it is time to think big, working with others no matter their background, race, or ethnicity."***

Alejandro Vizcaino, Indiegrow Coffee, Colombia

#### SME IMPACT STORY

### Elevating resilience

*"By using the latest weather and satellite technology, we improve food distribution. We build up stores and processing plants in surplus areas and store food. The sales channels are agile, adjusted according to our cutting-edge forecasts so that food reaches the most drought-hit areas. By using 'machine learning', we anticipate crop surplus and deficit before they can be observed, applying storage and distribution strategies to ensure food availability even during crises and adverse weather conditions."*

Flamingoo Foods (Tanzania) uses technology to ensure food supply resilience in East and Southern Africa.

#### SME IMPACT STORY

### Influencing the future

*"We are showing that a food business can be entirely zero waste. Our restaurant food is 95% locally grown and we not only compost everything from it, but we have the whole neighbourhood composting with us in a 1000-litre composter. We train others on how to live a zero-waste life and how to start a zero-waste business. Our methodology is spreading the message to other restaurants, to students, companies and their employees, with the aim of more and more people in Bulgaria acting on zero waste."*

Blagichka (Bulgaria) is a restaurant owned by an 'influencer' who champions zero-waste

PATHWAY 1

# CREATE A BUSINESS ECOSYSTEM IN WHICH FOOD SMES THRIVE





## PATHWAY 1

# Create a business ecosystem in which food SMEs thrive

### The challenge: A sector often burdensome for SMEs

**Running a food SME is hard!** Entrepreneurs must maintain a profitable and liquid business, while balancing the interests of their customers, staff, investors, suppliers, community, and natural resources. Although some factors are within their control, many are not. Unless the wider business ecosystem is conducive, the SME will struggle. Do they have the right skills? Is working capital available? Is basic infrastructure in place? Is regulation clear and easy to navigate? Have larger incumbent businesses secured unfair concessions? Do consumers trust your product? Are there security threats? What natural or economic crises might unfold?<sup>19</sup>

***"SMEs are like a swiss army knife. They have to do everything!"***

Nic Courant, Fevia, Belgium Food and Drink Federation

**Market elements are often wrong-sized for SMEs.** Whilst the details are different in each context, every SME articulates that critical aspects of their business system are poorly designed for their needs. SMEs find themselves too small for available financial products, and especially access to working capital. On food safety, in some places like South Africa, the standards are so high that SMEs cannot comply, and in others, like Myanmar, standards do not exist, so undermine consumer trust. In Brazil, SMEs complain that public re-

search prioritises industrial scale technology. Furthermore, tax is complex and expensive for formal SMEs, so they can neither compete with the informal sector that avoids this burden, nor the larger businesses who can navigate loopholes.

**How to create fertile ground for food SMEs?** If the context enables them to thrive, SMEs can make an exceptionally positive contribution to the food system. When asked, SMEs are clear and vocal in their needs within a specific context. The survey highlighted common requests (see Figure 4), although experts and the dialogues often diagnosed the superficial pain points as symptoms of more systemic malaises. Most notably, SMEs everywhere suffer the headache of accessing appropriate and affordable finance. In part, the high cost of finance corresponds to commercial lenders pricing in their perception of underlying risks for SMEs in the sector. Finally, it is important to note that SMEs led by women, youth, indigenous, or other marginalised people are vital to progressing equity and justice, but they face additional barriers that warrant consideration when re-shaping the business ecosystem.

### Opportunities to act

**Reduce the cost of doing business.** Food SMEs thrive when the enabling conditions are right. Across developing regions, the same story repeats itself. When governments and donors stop providing supply chain services themselves and focus on infrastructure and regulations

### What are the top three supports you need to expand your impact?

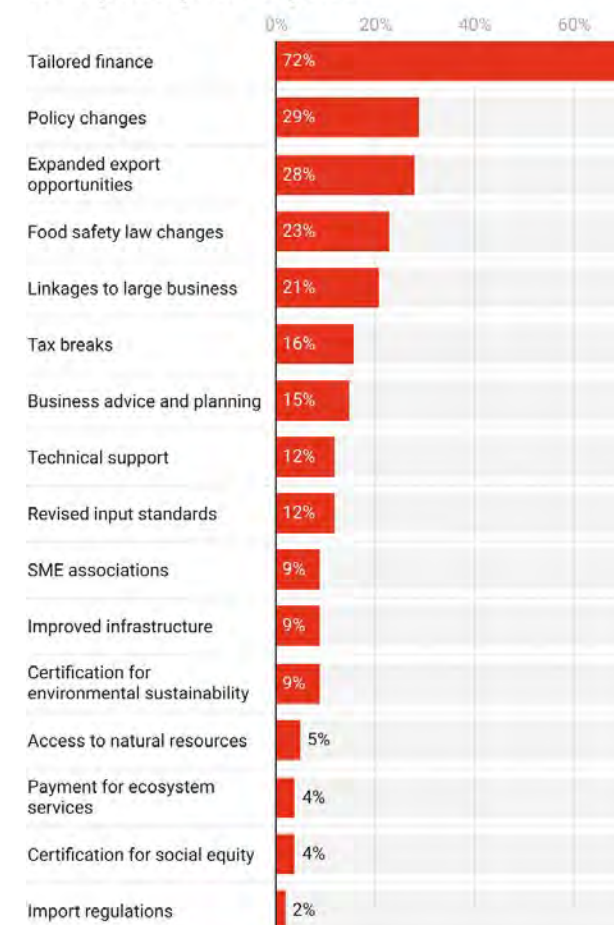


Figure 4



to reduce transaction costs, then agri-food SMEs proliferate, connecting small-scale farmers to markets.<sup>20</sup> Whilst gaps are less apparent in high-income countries, the fundamental needs are the same in all economies and include:

- **Physical infrastructure:** Power, water, and roads are all vital to rural economies. Fishing communities have their specific needs. Effective public investment and management for infrastructure is the most basic requirement for the viability of food SMEs.
- **Digital infrastructure:** The ability to operate via online markets is a new imperative for food SMEs.<sup>21</sup> Rural SMEs everywhere are asking for better connectivity. The COVID-19 pandemic induced a fast-tracked transition to e-commerce, and food markets with established digital infrastructure were better able to pivot their business models.<sup>22</sup>
- **Supportive regulations:** Regulations are essential to facilitate market transactions and ensure quality food. However, too often, they are designed and enforced in ways that add significant transaction costs and are prohibitively burdensome for SMEs. Policy changes were the second most common support requested by SMEs via the survey.<sup>23</sup>
- **Rule of law:** In Latin America, rural businesses reported both fear and additional costs as they navigate insecurity from the drugs trade. In many regions, corruption adds delays and costs, particularly to gain permits or during transportation. In middle-income countries, poor enforcement of food safety regulations makes consumers distrustful of food from SMEs without strong brands. In all contexts, laws are only as effective as the quality and fairness with which they are enforced.



© North Lanka Family Foods

***“We plan to attract investments from venture capital funds that will allow us to increase the production capacity. We have long-term and short-term business plans. It will help me if the government creates supportive financial conditions for the development of small and medium-sized enterprises.”***

Митлесс/Meatless, Russian Federation

**Improve access to finance.** Finance was cited as an issue by 72% of surveyed SMEs. The cost, fit, and availability of capital is limiting to both growth and resilience, especially for liquidity to manage seasonal production and long gestation periods, and to endure shocks like COVID-19.<sup>24</sup> Partially, the high cost of capital reflects lenders’ pricing in genuine sectoral risks or weak business plans, and finding other sectors more attractive. However, where lenders build a deeper understanding of the sector and embrace innovative products, there are great models to structure and distribute financial and risk management services for food SMEs.<sup>25</sup> The best lenders work collaboratively with entrepreneurs to ensure their SME business plans are commercially robust. Invest-

tors, and especially impact investors, could similarly adjust their requirements to be a better fit for food SMEs. Governments and Development Finance Institutions can encourage such innovations through partnerships that de-risk the lender through blended finance.<sup>26</sup> Finally, food businesses do fail, and whilst entrepreneurs must bear some risk, the burden of debt can be so brutal as to impoverish families or even lead to suicide. Legal and financial measures must mitigate against such debt entrapment, both as a matter of justice and to encourage entrepreneurship.

***“Demand is increasing for healthy food that is grown locally and sustainably. We need the support of the government and big corporations who share the same vision, for us to be able to expand ensuring food security for all.”***

Red Sea Farms, Saudi Arabia

**Ease graduation from informal to formal.** Our consultations focussed on formal registered businesses. The public and private benefits of formality are clear – access to finance, buyer contracts, food safety standards, labour rights, tax base, etc. Yet, in low-income countries, over 75% of people are employed in the informal sector, and this remains over 25% in most middle-income countries. Many aspiring food SMEs limit their growth and remain informal because the step up to formality adds unwelcome costs and scrutiny. For governments, easing this transition offers an undemanding policy lever to boost food SMEs. The International Labour Organization (ILO) recommends the following approach to enterprise formalisation:<sup>27</sup>

1. **Simplify:** make it easier to register and comply.
2. **Incentivise:** make it more attractive to formalise.
3. **Enhance:** make it more feasible to formalise.
4. **Enforce:** make it less attractive to be informal.

**Leverage the power of large actors.** SMEs in high-income countries were especially interested in working with larger businesses, which they saw as a pathway to growth. Whereas, in low-income countries, large businesses were both seen as a threat to nascent SMEs within domestic markets, but also a potential channel to access larger export markets. At their best, larger businesses and governments can use their buying power and market influence to create a hospitable environment for SMEs.<sup>28</sup> Sainsbury's, the UK supermarket, Shoprite in South Africa, and Pinduoduo, the massive Asian e-commerce platform, all claim mutual self-interest in supporting SMEs in their supply chain; for example, offering training, shelf space, better payment terms, and compliance advice.<sup>29</sup> During UNFSS Dialogues in several regions, SMEs asked governments to redesign procurement rules, for example encouraging schools to source fresh produce from local markets instead of buying highly-processed foods from large-scale wholesalers. SMEs also shared frustrations about multinationals using their scale and influence to overshadow SMEs, crowding them out like the understorey of a plantation. Governments were often also implicated, granting privileges to big business such as tax breaks or large public contracts.

**Target business support at food SMEs.** Start-ups simply benefit from help and advice. How to write a business plan? How to sell online in the digital age? How to manage cash flow? Financial literacy, digital literacy,

and innovation support are consistent needs for entrepreneurs, but are felt most acutely in emerging economies. Programmes abound, such as accelerators, incubators, business development services, and innovation hubs. They all experience a tension between providing hands-on support to individual entrepreneurs and operating at a meaningful scale. Whilst programmes are often sector agnostic, funders should consider expanding support to those that target food businesses due to the enhanced returns for public goods. They can also help advance entrepreneurs that face additional barriers, such as women, youth,<sup>30</sup> and those from rural or marginalised communities.<sup>31</sup>

***“The next generations will drive Sri Lanka's potential to be one of the worlds boutique destinations for good food. The education system must change from creating vast numbers of job seekers and followers to innovators and wealth creators.”***

North Lanka Family Foods, Sri Lanka

**Create a level playing field for SMEs.** Overall, food entrepreneurs simply want a business environment which gives them a fair chance to compete in the market. From digital markets to food safety regulations, from research grants to trade rules, from rural roads to credit-scoring, when markets are designed with SMEs in mind, they then thrive.



PATHWAY 2

# INCENTIVISE BUSINESSES TO PROVIDE “GOOD FOOD FOR ALL”

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## PATHWAY 2

# Incentivise businesses to provide “Good Food for All”

### The challenge: The best businesses are not always the most competitive

SMEs can deliver positive impacts, but only at scale when the incentives are right. Our SME survey captured inspiring stories from pioneering businesses around the world whose products and services are improving nutrition, sustainability, equity, and resilience. They are operating commercially, but the scale of market adoption hits a limit. Most consumers currently prioritise price above all other factors,<sup>32</sup> and other less socially or environmentally desirable options are cheaper. Good businesses cannot out-compete those who deliver their products without pricing in the cost to public health, natural capital, or social equity. Bringing progressive innovations to market is also costly, slow, and high-risk; and many regions could benefit from nurturing entrepreneurship as a valued career path. The food system will continue to fail us until these incentives change.

*“One of our needs is for people to appreciate where their food comes from and be willing to value and pay for their food. Farmers have to be able to make a living and producing pasture-raised animals can be quite labour-intensive and therefore expensive in comparison to confinement systems.”*

Woolley Lamb, Canada



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### Opportunities to act

**Ensure prices reflect the true cost of food, while safeguarding affordability.** The UN Food Systems Summit Scientific Group estimates that whilst consumers pay US\$9 trillion per year for food, this hides an additional burden of US\$11 trillion in “externalised” social, health and environmental costs.<sup>33</sup> Companies offering products

that are healthier and more sustainable will inevitably be more expensive. The UNFSS Dialogues and survey highlighted that purpose-driven SMEs are endlessly frustrated that they simply cannot compete with more harmful food practices, and are calling for smart policy interventions to address these market failures. The Scientific Group concludes, “food system transformation requires a redesign

of the economics of food through true pricing - the integration of externalities in prices” whilst recognising that “a major challenge is putting theory into practice”. Pragmatic, if imperfect, policy options include: 1) subsidising healthy and sustainable food products for consumers, financed by eliminating distorting or inefficient subsidies or a carbon tax on carbon emissions by businesses; 2) stimulating true pricing through public procurement, prioritising foods with low external costs; and 3) integrating true pricing in risk and capital regulation by central banks. All these interventions will add costs to consumers, so need to be accompanied by policies that ensure people have sufficient income to buy healthy diets. The complexity of true pricing policies will require careful thinking to ensure they are right-sized for SMEs. Such financial incentives were most often raised as a priority by SMEs in higher-income countries.

**Create consumer demand for “good food”.** For decades, the food system has been valued for its efficiency in feeding billions of additional mouths. This era witnessed the rise of industrial agriculture. Consumers have internalised a culture that prioritises price and convenience. The Sum-

*“We believe that legal issues related to plant-based sphere have very poor regulation. We are already working with our colleagues to create plant-based standards and terminology, to provide high level of food safety, transparency and earn trust of the society, which might be sceptical about the plant-based revolution.”*

Greenwise, Russian Federation

mit marks an inflection point: food systems must now also be valued for nourishing people, regenerating nature, improving equity, and resilience to shocks. Progressive SMEs are championing this culture change. Their storytelling connects consumers with producers, and builds understanding of food’s journey from farm to fork. The digital revolution makes supply chains more transparent, so consumers can trace food back to its source, whether locally or globally. Environmental, Social & Governance (ESG) business standards and certifications help consumers differentiate the best SMEs, especially in high-income markets, but they also add a complex reporting burden that is not always feasible for smaller companies.<sup>34</sup> Through the dialogues and survey, SMEs asked for help with consumer education. This cultural renaissance will not happen by accident. From celebrity chefs to public health bodies, from food journalists to teachers, the world needs to signal that “good food” matters.

**Fast-track innovative entrepreneurs.** SMEs demonstrate a remarkable ability to innovate market-based solutions for food system issues. Pioneering examples include labs making milk from mammary cells, and the use of artificial intelligence to reduce food waste in restaurants. Demonstrating proof of concept and taking such ideas to market is immensely difficult. For each transformative project, many others will inevitably fail. Governments and support organisations can help create an ecosystem that supports such risk-taking and innovation. Education needs to nurture and train the next generation of entrepreneurs. Research grants, challenge prizes, and innovation hubs can help entrepreneurs focus their efforts on critical issues facing the food system. As with the renewable energy transition, impact investors could influence the vast flows of capital into food and agriculture to privilege companies that are forging a future-fit food system.<sup>35</sup> Government



© North Lanka Family Foods

*“We need support. It’s common knowledge that Fiji is grappling with Non-Communicable Diseases and that we need to make a lifestyle change. We need more support and endorsement that this lifestyle of clean eating and healthy living is chic.”*

The Propolis Cafe, Fiji

must ensure policy keeps pace with innovation. New technology can take years to get regulatory approval, stymieing the pace of change.<sup>36</sup> Singapore and Israel are lauded for their supportive ecosystem for agri-food innovation.<sup>37</sup>



PATHWAY 3

# INCREASE THE POWER OF FOOD SMES WITHIN SECTOR PLANNING



## PATHWAY 3

# Increase the power of food SMEs within sector planning

### The challenge: Small businesses have quiet and isolated voices

Food systems are not always designed in the interest of SMEs. The structure of human systems emerges in response to underlying power dynamics. The food system is no exception. Whilst they represent at least half the economic value of food markets, SMEs are individually weak and isolated actors. Compared to government or large businesses, SMEs are relatively under-powered in their ability to collectively influence decision-making, regulations, resource allocation, and cultural values within food systems. Similarly, vested interests large and small will seek to maintain the dominant modes of food production, and they will resist the positive disruption being wrought by upstart entrepreneurs. Only once power dynamics change can we expect to make progress on re-balancing food systems in favour of the SMEs pioneering good food for all.

### Opportunities to act

**Elevate the voice of SMEs.** From national sectoral planning to the development of new financial products by banks, anyone acting to change the food system should intentionally integrate SMEs into the design and governance of their interventions. This increases the likelihood that they end up being the right size and shape for SMEs in your context, and overall contribute to a rebalanced food system.<sup>38</sup> Such efforts should tap into channels that engage entrepreneurs from historically marginalised groups, such as women, youth, or indigenous people.



© Aliet Greens



*“Food waste is an extremely complex problem involving a great variety of branches, organizations and individuals. It would be impossible to solve this problem alone. So, what we need from others to achieve our vision, is the unity and support of people and organisations who have a say in the fresh food supply chain.”*

Contronics Dry Misting, The Netherlands

**Structure SMEs into dynamic networks.** Food entrepreneurs have their heads down running their businesses and are rarely active participants in associations with their peers. Yet this is a missed opportunity individually and collectively. Well-managed SME networks promote peer support, create serendipitous commercial opportunities, improve flows of market information, and leverage their influence. Such networks may require government or philanthropic support, because SMEs are unlikely to bear the cost themselves. SME networks are most effective when anchored around a particular geography, commodity, or value chain, so that members share a common interest in collaboration and communication. The 12,000 Chambers of Commerce around the world offer a valuable structure which, when adequately resourced, have a track record of advocacy and support for food SMEs.<sup>39</sup>

**Plan and invest according to context-specific priorities** This report has highlighted the common challenges faced by food SMEs around the world. However, in

### Heat map of priorities for action to boost the role of food SMEs

Through the survey, interviews and dialogues, SMEs and their supporters called for action on priorities that varied depending on their context. The below diagram offers a subjective representation of these, mapped against country income levels. What are the priorities in your unique context?



Figure 5

reality, these manifest differently in every single context (see Figure 5). Anyone planning a programme of support for food SMEs must listen deeply to understand the particular challenges in that territory or value chain. In partnership with SMEs, governments or other support organisations can orchestrate dynamic system change efforts that unlock the transformative potential of food SMEs. Belgium offers an example of best practice, where food businesses of all sizes work togeth-

er supported by Fevia, a dynamic eco-system organisation which facilitates cross-sector collaboration to drive the direction of the country’s food systems.<sup>40</sup> The Food System Summit is itself catalysing historic new levels of collaboration for food system transformation. The national pathways and solution clusters offer focussed opportunities to include SMEs into strengthening the elements of our food systems that are relevant to their business interests.

CONCLUSION

# INTEGRATE SMEs INTO THE SUMMIT'S COALITIONS FOR ACTION





## CONCLUSION

# Integrate SMEs into the Summit's coalitions for action

### The promise: SMEs can make “Good Food for All” a reality

Small businesses have the potential to transform food. There are probably over a hundred million food SMEs in the world. Each is led by one or more entrepreneurs who are highly motivated to ensure their business provides consumers with great food, creates jobs, innovates and scales solutions, and influences the market. Together, these SMEs represent a vast army of courageous agents of change, striving to improve every corner of the global food system.

**Over the next decade, SMEs will drive change in the following ways:**

- Integrating markets to reduce poverty and hunger.
- Creating opportunities that improve equity.
- Innovating and scaling solutions for nutrition and sustainability.
- Elevating resilience to shocks, through embedded yet agile business models.
- Influencing to passionately shape the future of food.



© Fresh.Land

## The ask: Create conditions for purpose-driven SMEs to flourish

**The scale of impact is dependent on other actors.** SMEs are too small and manifold to act in concert. Their full promise will only manifest if their wider operating environment is made conducive, as per the three pathways:

- Create a business ecosystem in which food SMEs thrive.
- Incentivise businesses to provide “Good Food for All”.
- Increase the power of food SMEs within sector planning.

**Cross-sector actors all have opportunities to act.** Together, they can significantly boost the role of SMEs in providing good food for all.<sup>41</sup> The following table summarises actions that different stakeholders can take. Individually none of these actions will be transformative, but linked together into a concerted effort, they promise to unlock systemic change. Additionally, every action needs considering through an equity lens, asking how to work with marginalised groups to dismantle the additional barriers they face.

## What next for SMEs and the Food Systems Summit?

**This report is a call for action at national level.** SMEs will judge the Food Systems Summit on whether it leads to meaningful action to improve their business ecosystem. Individually, they are each niche players, creating value and demanding change in their very specific contexts. Progress will be felt when it occurs at national or sub-national level, through policy reform, public investments, SME networks, new business linkages, or changing consumer preferences. The Food Systems Summit is expected to catalyse member states to explore national pathways for food systems transformation. The pragmatism of many of the proposed ‘game-changing’ ideas will get tested at country-level, too.

### Support organisations

- Target food SMEs with business development services.
- Help SMEs organise into networks for advocacy and support.
- Create ESG standards that lift purpose-driven SMEs.

### Finance institutions

- Create financial products for food SMEs.
- Expand impact investment into the food sector.

### Media

- Educate consumers to encourage better choices.
- Promote a positive narrative about food entrepreneurs.

**Integrate SMEs into the coalitions carrying forward Summit outcomes.** This Small Business Agenda makes a powerful case for the role of food SMEs, but it refuses to segregate out an SME ‘solution’. Rather, it asks that the SME cause becomes infused across all solution clusters at national and global levels. While a few solution clusters already explicitly target SMEs (e.g., “Provide catalytic financing for agri-food SMEs in Africa”), the vast majority simply implicate an essential role for SMEs if their goals are to be achieved. For example, consider the importance of SMEs to the solution clusters, “Enhance local production for local consumption” and “Innovation for alternative proteins”. The Summit must integrate SMEs into the prioritisation, design, and governance of all coalitions carrying forward actions, especially as national processes get traction. Only then can we expect action that responds to the wonderfully impatient demands of food entrepreneurs.

### Consumers

- Buy from small businesses.
- Learn about the impact of your food.
- Choose food that is better for your health, nature, and society.

### Large businesses

- Source from food SMEs.
- Provide products, support, and advocacy for SMEs in your supply chain.
- Lower the burden of debt.

### Academia

- Educate the next generation of entrepreneurs.
- Offer scientific knowledge and facilities to innovative SMEs.
- Target policy research on the role of food SMEs.

### Policy-makers

- Enhance mechanisms to listen to food SMEs.
- Ensure policies are right-sized for your food SMEs.
- Expand blended finance.
- Avoid unfair concessions to large businesses.
- Support capacity-building for food entrepreneurs.
- Invest in enabling infrastructure.
- Create and enforce clear, stable regulations.
- Structure government contracts so food SMEs can bid.
- Ensure prices reflect the true cost of food, while safeguarding affordability.
- Educate consumers to encourage better choices.
- Establish an ecosystem for innovation on food.



ANNEX

# SUMMARY OF SME SURVEY DATA

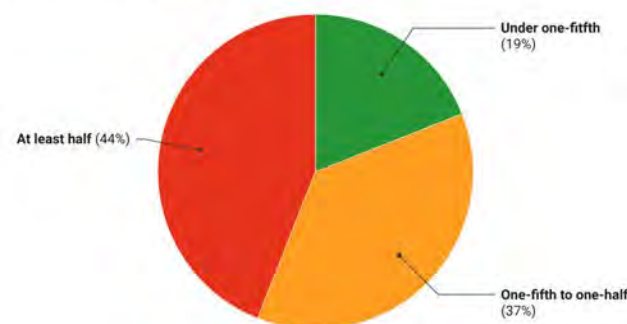


# Summary of SME survey data

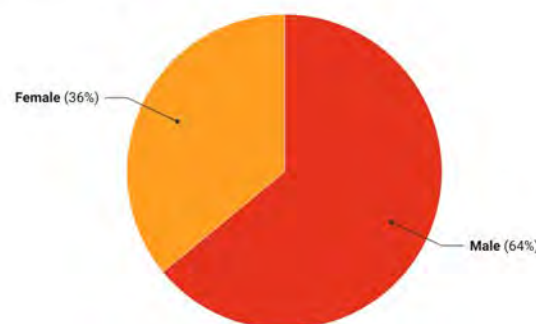
A global survey of SMEs was conducted in May and June 2021. The survey was translated into seven languages – Arabic, Chinese, English, French, Italian, Spanish, and Russian. The SME survey was completed by 2,673 entrepreneurs – 1,900 SMEs and 773 aspiring SMEs. This report considers SMEs have six to 250 employees or revenue of US\$ 100,000 to US\$ 5 million. Aspiring SMEs are respondents with fewer than six employees AND revenue of less than US\$ 100,000. The results presented here reflect characteristics and responses of the 1,900 SME respondents. The input of aspiring SMEs was only included in qualitative analysis.

SME priorities and needs vary based on some characteristics, including geographic region and country income-level. There are few differences by gender or by age in needs identified by SMEs. For figures on overall priorities and needs, refer to the diagrams in the body of the report.

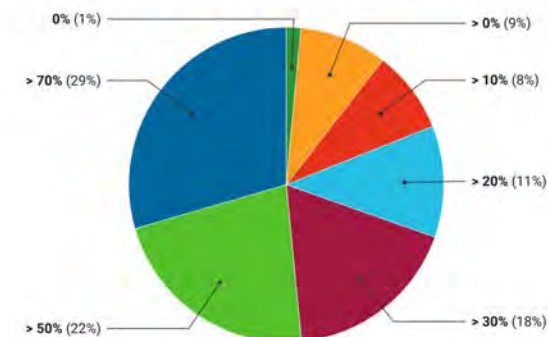
**Proportion of employees who are female**



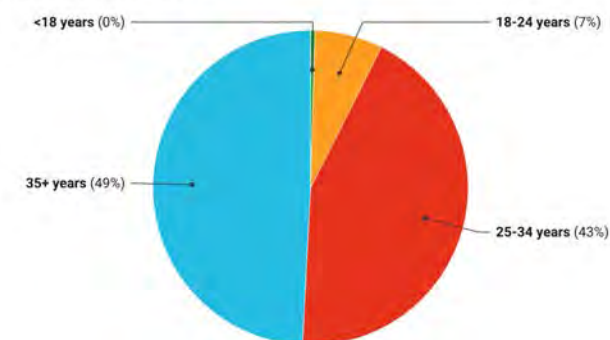
**Respondents gender**



**Proportion of employees who are youth (under 30)**

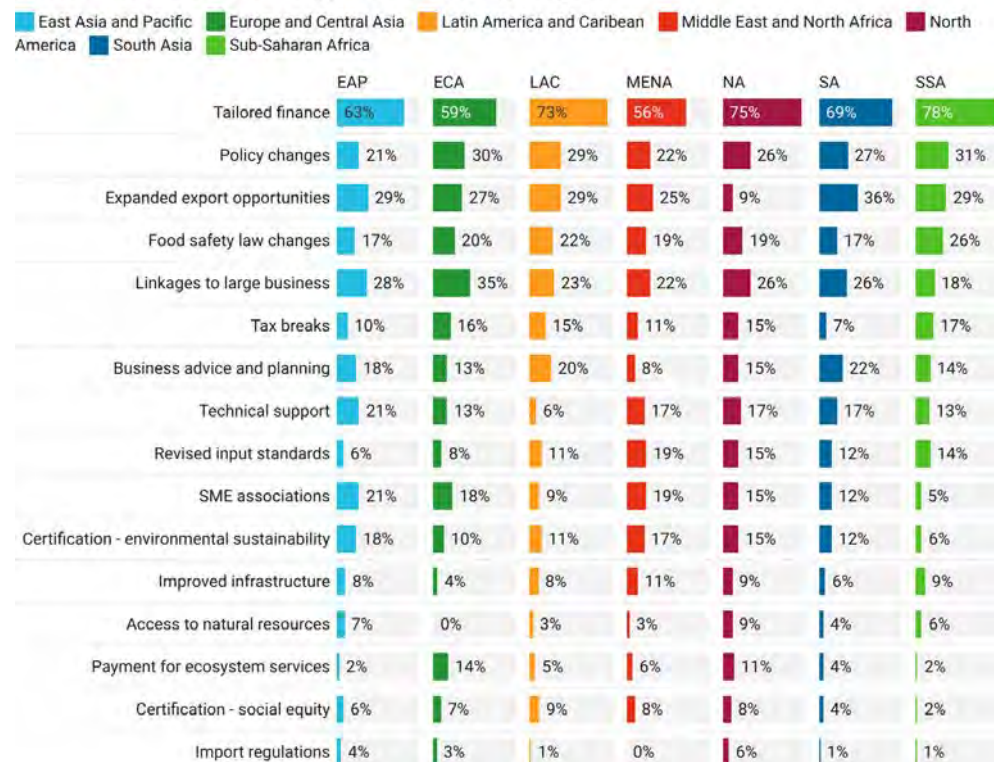


**Respondents age**

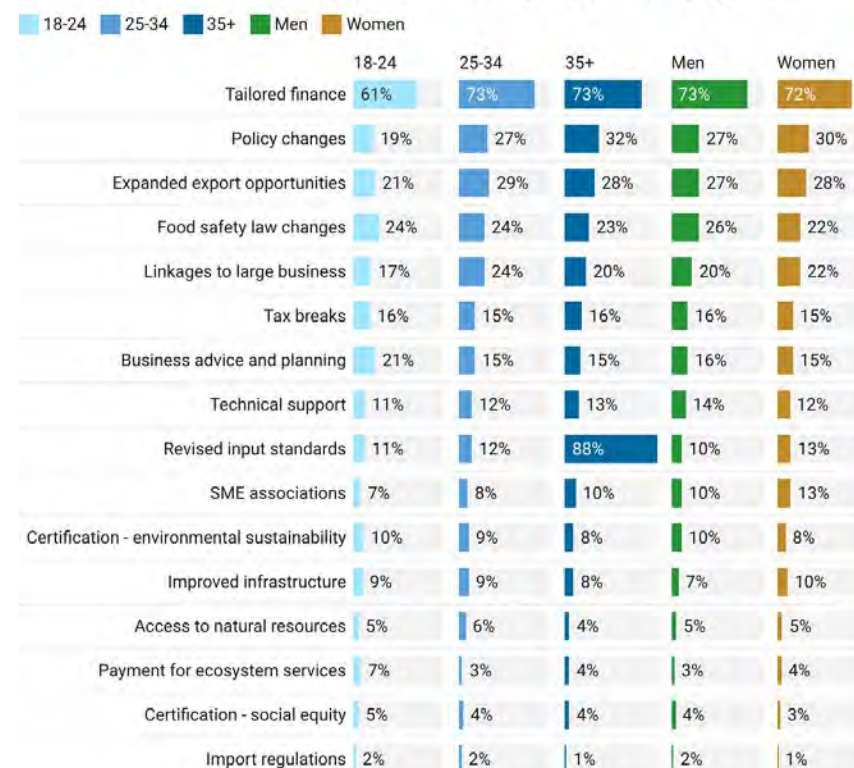




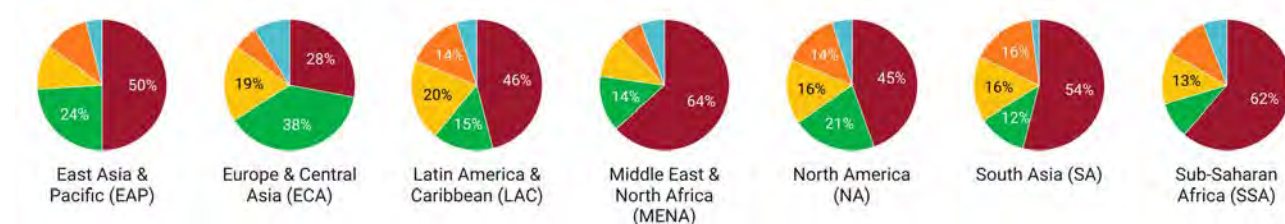
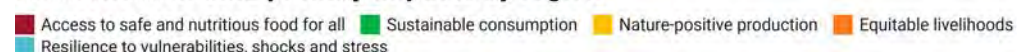
## Differences in SME support needs by region



## Differences in SME support needs by age and by gender



## Differences in SME primary impacts by region



## ACKNOWLEDGEMENTS

# Thank you to the thousands that contributed

This report owes its existence to:

The 2,673 SMEs from 137 countries across the globe who completed the survey and generously shared their experiences, insights, and ambitions with the Summit.

The 945 SMEs and their expert supporters across seven regions who actively engaged in the 11 Dialogues.

The 36 organisations that hosted the Dialogues as conveners and facilitators: Africa Agribusiness Incubator Network, African Union Commission, Agripreneurship Alliance, Big Idea Ventures, Bountifield International, Canadian Canola Growers Association, Canadian Cattlemen's Association, Canadian Chamber of Commerce, Centro de Promoción de la MIPYME (CENPROMYPE), China Action Hub, Comunidade dos Países de Língua Portuguesa (CPLP), Consumare and Proteste Brasil, Counterpart International, CTA Mozambique Chamber of Business Women and Entrepreneurship, CURAD Incubator, Dairy Management Inc., Department for Environment Food and Rural Affairs (DEFRA), EIT Food, Emerging Ag, Food and Agriculture Organization (FAO), FoodDrinkEurope, Good Food Fund China, Grow Asia, Inter-American Institute for Cooperation on Agriculture (IICA), Inter-Réseaux Développement Rural, International Agri-Food Network (IAFN), International Chamber of Commerce Mexico, International Chamber of Commerce Nigeria, International Chamber of Commerce Qatar, Network of African Entrepreneurs, Nourishing Africa, Partnership for Sustainable Agriculture in Viet Nam

(PSAV), Pinduoduo, Smallholder and Agri-SME Finance and Investment Network (SAFIN), Third Way Africa and U.S. Farmers and Ranchers in Action (USFRA).

The 14 organisations whose experts made time for deep dive conversations to share their insights: Agripreneurship Alliance, Big Ideas Ventures, Bright Green Partners, Emerging Ag, Fevia, Food and Drink Federation Europe, Grow Asia, ISF Advisors, SAFIN, Small Foundation, Uganda Agri-business Alliance, UNDP Moldova, World Business Council for Sustainable Development (WBCSD), and the World Food Program.

The 47 organisations whose experts completed the Expert Survey: Ag-connectors, Agripreneurship Alliance, AI Talentum, Alliance for a Green Revolution in Africa (AGRA), Big Idea Ventures, Central American Agricultural Council (SECAC), Centre for Sustainable Food Studies Padjadjaran University, Co-operatives UK, Crover Ltd, FAO (Niger), Femme et enfant, Food System 6, Freggies Agribusiness Ventures, FUNDES, Glovent Fiber Resource, GoMicro, Grow Africa, Grow Asia, HarvestPlus, House of Agroveterinary Consultation Plaine de la Ruzizi, IICA (Chile), IICA (Panama), Klivu Agro Business SARL, Ministry of the Environment and the Fight against Desertification, Mosa Meat, Nasylo, Network of African Entrepreneurs, Nigerian Stored Products Research Institute, Oceane-Group, Orbisk, Ovo Farm Pvt Ltd, OZFARM, Pinduoduo, PUM Netherlands, Raise A Farmer Initiative (RAFI), RAY One Agri Consulting LLP, SafetyNet Technologies, S.G DR-RDC, Smallholder and

Agri-SME Finance and Investment Network, Société African Foods Nutrition SARL, Solutions auto entrepreneurs, Ultra Indonesia, Venture Café Tokyo, Viva Idea, Wasteless, Woura's Feeds SARL, and Ypsicon Advanced Technologies S.L.

Filippo Artuso and Erika Fani (FAO) for their support in providing background literature, and Vanessa Adams (AGRA) for developing the original scope.

### **The Reference Group who guided and funded the final report:**

- UNFSS: Alison Cairns and Yixuan Shao.
- Convenors & Donors: Barbaros Corekoglu (EIT Food), Stephanie Gallatova (FAO), Athifa Ali (FAO), Robynne Anderson (IAFN), Sabrina Klayman (ICC), Brian Baldwin (PSM).
- SMEs: Bonolo Monthe (Maungo Craft) and Cherrie Atilano (Agrea Agricultural Systems).

The Wasafiri team who managed the consultation, research, and writing: Ian Randall, Alison Griffith, Kristal Jones, Lorin Fries, Alice Lee, Nadia Martinez, Viliana Dzhartova, Hrishabh Sandilya, Susanna Cartmell, Caroline de La Maisonneuve, Bhabra Mburu, Scott Hinkle, Inna Chilik, Dina Hassanein, Nada Tarek, and Liberal Seburikoko; with assistance from Katia dos Santos Dias of Counterpart International and Yujing Jin of China Action Hub.

The VC4A team who supported SME engagement: Bertil van Vugt, Mathilde Schmidt-Rhen, and Daniela Bolivar.



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suppliers.' <https://www.about.sainsburys.co.uk/sustainability/plan-for-better/our-stories/2018/12-06-18-suppliers>; The Grocer (2019); Shoprite Holdings (n.d.) 'We give SMEs access to market.' <https://www.shopriteholdings.co.za/suppliers/we-give-smes-access-to-market.html>; Liang, H., & Mei, CS. (2020) 'Pinduoduo: Empowering Farmers With An E-Commerce Platform.' *Case In Point*, volume 2, issue 7. <https://cmp.smu.edu.sg/ami/article/20201118/pinduoduo-empowering-farmers-e-commerce-platform>

30 Advice for governments to support entrepreneurship in education to boost an entrepreneurial culture from: The Organisation for Economic Co-operation and Development (OECD)/European Commission (2020) *Policy brief on recent developments in youth entrepreneurship*. Paris: OECD Publishing. <https://www.oecd.org/publications/policy-brief-on-recent-developments-in-youth-entrepreneurship-5f5c9b4e-en.htm>

31 ILO (2019) Infostories, Ibid.

32 Expert interview with Fevia, Belgium's Food and Drink Federation, June 2021. Their consumer research consistently sees price selected as the main determination of product choice.

33 UNFSS Scientific Group (2021). [https://sc-fss2021.org/wp-content/uploads/2021/06/UNFSS\\_true\\_cost\\_of\\_food.pdf](https://sc-fss2021.org/wp-content/uploads/2021/06/UNFSS_true_cost_of_food.pdf)

34 U.S. Farmers and Ranchers In Action. Feb 2021. Transformative Investment in Climate-Smart Agriculture Unlocking the potential of our soils to help the U.S. achieve a net-zero economy <https://usfarmersandranchers.org/wp-content/uploads/2021/02/USFRA-Transformative-Investment-Report.pdf>

35 U.S. Farmers and Ranchers In Action (2021) Ibid.

36 This comment piece highlights that Europe is lagging behind on cultured meat regulation: Neslen, A. (2020) 'Europe lags behind in lab-grown meat race.' *Politico*, December 27. <https://www.politico.eu/article/as-cultured-nuggets-go-on-sale-in-singapore-industry-fears-that-eu-will-chicken-out-of-global-tech-race/>; An Expert interview with Protein Directory and Bright Green Partners (June 2021) described the regulation of novel foods in Europe as expensive and lengthy, at least three years; whereas Singapore has made it possible for SMEs to apply together. Barriers in Europe persist, for example, mung beans are not approved for alternative protein use. They believe there is an opportunity and need to share information between committees to accelerate approval.

37 Expert interview with Big Idea Ventures, Singapore, June 2021; Expert interview with Bright Green Partners, May 2021.

38 Mastercard Policy Center for the Digital Economy and Kearney (2021) 'Reimagining support for small businesses: The path to creating stronger and more resilient small businesses through and beyond COVID-19.' <https://www.mastercard.com/news/research-reports/2021/reimagining-SME-support/>

39 For example, Ireland's Chamber of Commerce has a well-regarded Climate Ready scheme that helps businesses prepare for climate change, including those operating in the food system.

40 Fevia ensures that SMEs of all sizes can engage in advocacy. Together, they have made progress with governments on helping consumers to make healthy choices, including salt reduction in food. Source: Expert interview with Fevia, June 2021.

41 International Agri-Food Network (2021) '2021 Food Systems Summit PSM Position Paper.' <https://agrifood.net/position-papers/414-food-systems-summit-psm-position-paper/file>





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