



Agriculture investments reveal link between company revenue growth and positive impact results for farmers

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ABOUT THIS BRIEF

This report analyzes investment-level, annualized impact performance data contributed by investors to the GIIN's agriculture impact performance benchmark. The brief forms part of a family of GIINsight briefs on impact results, offering deep-dive findings using benchmark data to enhance actionable insights for investors. Data pertain to direct impact investments – or investments made directly into companies or projects with the intent to create a positive, measurable social or environmental impact alongside a financial return – in agriculture. Several findings in this brief are based on regression analysis to establish clear relationships using controls. Findings presented in this brief may be welcome insight as investors begin to explore what is driving patterns in impact results.

Insights based on impact data have the potential to drive capital toward solving the globe'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 investments strive to create value for all stakeholders – investors, investee companies and end stakeholders alike – as investors not only measure but also actively manage both financial return and impact performance. This brief demonstrates that as *investee company revenue* grows, so do both *farmer incomes* and the *number of farmers served with responsible products and services* in the agriculture sector.¹ Critically, this brief also demonstrates that this relationship strengthens when investors actively engage with their investees, underscoring the critical role that investors can play in influencing financial and impact performance.

The sample of agriculture impact investments analyzed in this brief includes primarily private debt investments in companies providing outgrower schemes or offtake agreements² (57%), followed by private debt investments in processing companies (29%). Nonetheless, the investments in the sample do vary by stage of business, geography of operations and stage in the agricultural value chain.³

Investee revenue and impact performance in agriculture grow together

Across the agriculture investee companies included in the sample, farmer income grows as yearly revenue increases, indicating a strong, positive relationship. After controlling for factors including geographic region, time horizon and reporting year, the analysis finds that a 10% yearly increase in investee company revenue correlates with a 5% increase in the income of farmers served. Analysis indicates equal likelihood that either indicator could be causing the other to grow; in other words, growth in farmer income may lead to increased investee revenues or investee revenue growth may lead to higher farmer incomes. However, regardless of sequencing, the symbiotic relationship between investees and their end stakeholders is undeniable.

Similarly, as investee revenue grows, so too does the number of farmers accessing responsible agricultural products and services. In fact, a 10% yearly increase in investee revenue correlates with a 2% yearly increase in the number of farmers served. These links demonstrate how strong investee revenue growth and impact performance can mutually reinforce one another, increasing value for all stakeholders.

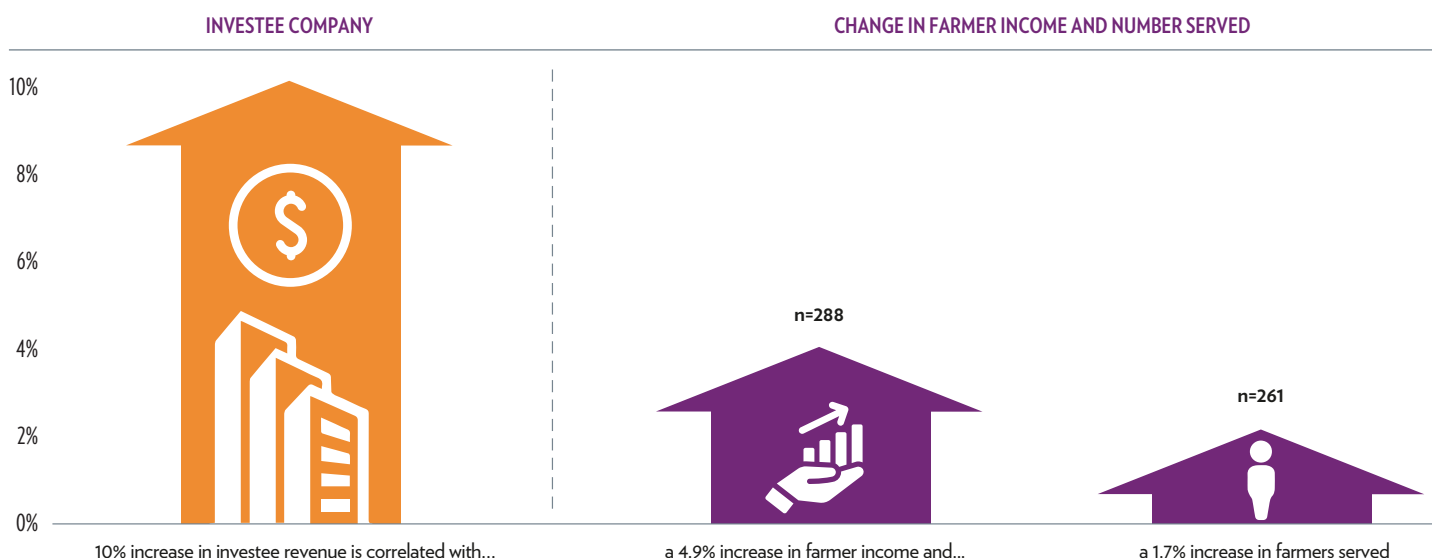
This positive relationship persists across geographic regions and investee stages of business, showing a consistent trend in the relationship between investee revenue growth and impact results.

¹ *Investee revenue growth and farmer income* represent two key performance indicators featured in the GIIN's agriculture benchmark. See "Benchmark KPIs and IRIS+ metrics used in this brief" on page 4 for more information.

² 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, but cannot yet be generalized across the agriculture sector.

Positive relationship between revenue growth and impact indicators for agriculture impact investments



Source: Global Impact Investing Network (GIIN), 2023

Relationship between investee revenue growth and impact indicators by market segment

Market segments		For each 10% increase in investee revenue...	
		Farmer income increased by:	Number of farmers served increased by:
Geographic region	Sub-Saharan Africa	4.9% (142)	1.3%* (116)
	Latin America and the Caribbean	6.1% (132)	4.5% (134)
Investee stage of business	Seed/start-up	14.2% (18)	No significant findings (11)
	Venture	4.5% (147)	4.9% (111)
	Mature	10.1% (46)	No significant findings (69)
All numbers shown significant at 99%, except* which is significant at 90%.			

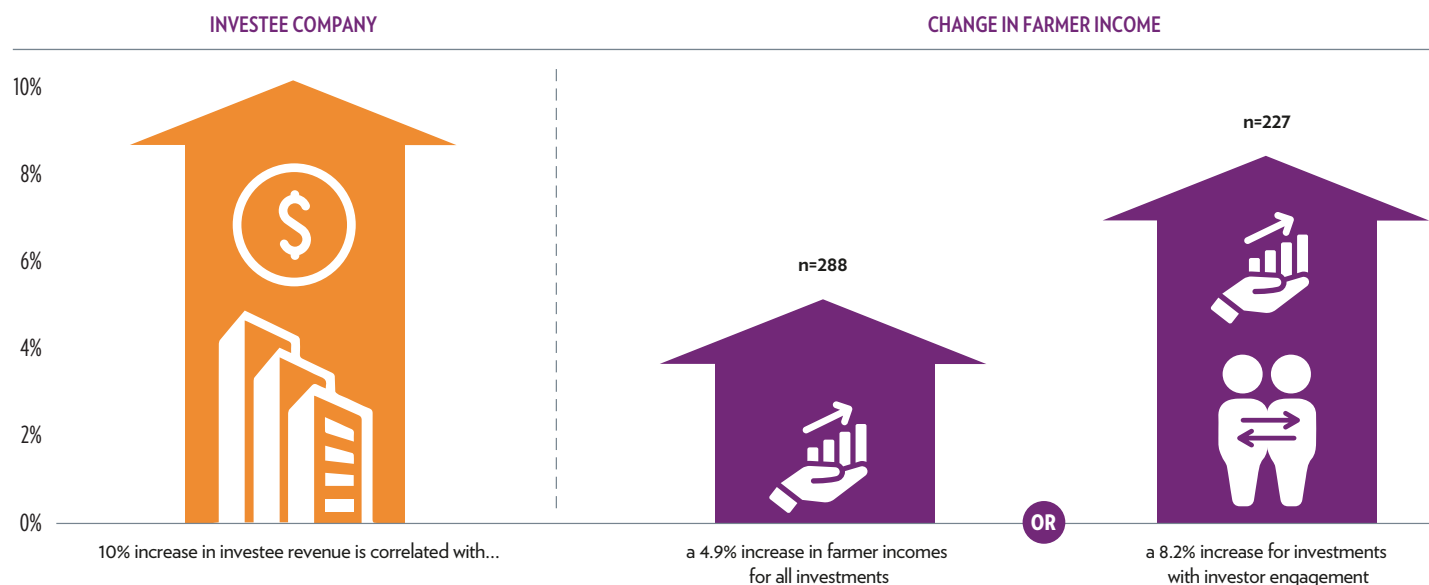
Note: Number of annualized investments (n) represented in parentheses for each market segment.

Source: Global Impact Investing Network (GIIN), 2023

Investor engagement strengthens the correlation between investee revenue and farmer income

Investor engagement with investees improves the relationship between investee revenue growth and farmer income growth by 60%.⁴ For example, a 10% increase in investee revenue correlates with an 8% increase in farmer income. The relationship between company revenue and farmer income also strengthens with other forms of engagement, such as when investors engage with end stakeholders and/or embed impact factors into investment agreement terms.

⁴ Due to a lack of variance in investor contribution mechanisms used across this set of investments, the relationship between investee revenue and the number of farmers served yielded inconclusive results.



Note: Investor engagement with an investee includes one or more of the following mechanisms: sitting on the Board of Directors, providing non-financial support and/or technical assistance, discussing opportunities to improve impact performance, discussing opportunities to improve financial performance, engaging in shareholder advocacy and engaging in proxy voting.

Source: Global Impact Investing Network (GIIN), 2023

Global research findings on shared value creation similarly reflect the notion of a strong link between community benefit and financial performance. Communities typically benefit when the financial performance of companies and the quality of life for end stakeholders depend on one another. Economic research has demonstrated company-stakeholder interdependence creates mutually beneficial scenarios, refuting earlier preconceived notions that companies should only seek profit above all else.⁵ For example, agricultural companies that have engaged with communities to develop key infrastructure like agro-processing plants and ports as well as establish farmer cooperatives to facilitate the uptake of agriculture products have led to shared value propositions in which farmers and companies both benefit.⁶ As made evident by this brief, impact investments in agriculture can lead to shared value creation instead of just value extraction.

Implications for investors:

1. **Investee financial performance and end stakeholder impact can grow in tandem.** No evidence indicates that strong impact performance in agriculture leads to lower revenue growth. In this sample, investees' financial strength grows alongside impact results. While impact investors have typically recognized that measuring and managing impact holds important business value, data demonstrating a positive relationship between investee revenue growth and impact results reflects the inherent link between the two.⁷ Investors have a strong opportunity to not only focus on their investee companies' financial performance but also the impact performance and implications on end stakeholders with potential to foster mutual benefit. Investors can indeed achieve both strong financial performance for their investees and impact results.
2. **Investors can engage directly with their investee companies and end stakeholders to influence financial and impact results to create more more shared value.** Investors play a critical role in shaping the financial return and impact performance of their investments. The data demonstrates that when investors engage deeply and actively with investees and/or end stakeholders, it results in an even stronger relationship between investee revenues and impact results in the agriculture sector.
3. **Emphasizing impact factors in investment agreements terms can strengthen the link between financial and impact performance.** Investors have a powerful opportunity to embed mechanisms into the contractual terms of investments for achieving impact results and may see stronger investor financial performance through greater investee company revenue growth. For example, aligning carried interest with impact has gained momentum and credibility in the industry.⁸ Impact-linked carry structures create an incentive for investees to achieve desired impact, reinforcing the inherent link between investees and investors. Investors may want to consider incentive structures as they continue to manage investments toward greater performance.

⁵ Forsström, Birgitta. "Value co-creation in industrial buyer-seller partnerships-creating and exploiting interdependencies: an empirical case study." (2005).

⁶ Mark R. Kramer and Marc W. Pfitzer, "The Ecosystem of Shared Value," Harvard Business Review, October 2016, <https://hbr.org/2016/10/the-ecosystem-of-shared-value>.

⁷ Rachel Bass et al., "State of Impact Measurement and Management Practice, Second Edition" (Global Impact Investing Network, 2020).

⁸ Vicky Meek, "The GPs Tying Carried Interest to Impact," Private Funds CFO, January 6, 2022, <https://www.privatefundscfo.com/the-gps-tying-carried-interest-to-impact/>.

References

Bass, Rachel, Hannah Dithrich, Sophia Sunderji, and Noshin Nova. "State of Impact Measurement and Management Practice, Second Edition." Global Impact Investing Network, 2020.

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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)

Individuals Trained: Total (PI2998)

Operational Certifications (OI1120)

Product/Service Certifications (PD2756)

Client Protection Policy (OI4753)

Product Lifecycle Management Practices (OI6209)

Non-financial Support Offered (PD9681)

CHANGE IN FARMER INCOME

Improved incomes and greater diverse and sustainable production can allow farmers to adopt high-yield crops and technologies, increase profitability, improve financial security and allow for improvements in farmer quality of life.

Client Individuals (PI4060)

Client Income (P9409)

Payments to Supplier Individuals: Total (PI1492)

Client Individuals: Female (PI8330)

Client Individuals: Historically Marginalized (PI4237)

Average Agricultural Yield (PI5935)

INVESTEE REVENUE GROWTH

Growth of investee organizations, particularly those operating in underserved markets and those led by women and people from historically marginalized populations, is associated with fostering inclusive economic development.

Revenue Growth (FP4761)

Percent Ownership by Historically Marginalized Groups (OI7194)

Percent Female/Gender Non-Binary Ownership (OI2840)



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 the [IRIS+ System](#).

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