

# African Cannabis Agriculture and Shared Value



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## **African cannabis agriculture and shared value: developing inclusive, sustainable businesses**

For entrepreneurs and investors to ensure that their African cannabis businesses are sustainable from a social, environmental and financial perspective, community engagement isn't optional.

African cannabis presents a unique opportunity to rectify the wrongs of the past and set an example for how to link together a fair, sustainable, and truly empowering value chain. Although much of the world sees the African continent as an underdeveloped area consumed by insurmountable challenges, it is in fact this lack of mainstream development that presents an opportunity for sustainable, regenerative growth and the furthering of a circular economy.

African decision-makers can freely choose to accept only the most innovative sustainable technologies, such as the Israeli solar technology shared by [Innovation: Africa](#) to bring solar power and clean water to villages across the continent. New projects can, from their very onset, incorporate best practices from the realm of impact investing and conscious management based on the [Sustainable Development Goals](#) and [ESG \(Environment, Social and Governance\)](#) policies.



# Inclusive Business

Members of the global investment and finance community that are currently competing for positioning and influence need to realize that new sustainable agriculture initiatives need to benefit local communities across the African continent.

Since the 2011 publication of the iconic [Creating Shared Value article](#)<sup>1</sup> in the Harvard Business Review, which introduced a framework for creating economic value while simultaneously addressing societal needs and challenges, a range of multinational corporations (MNCs) have jumped on the bandwagon.

How does a global community of conscious entrepreneurs, investors, scientists and researchers focused on accelerating cannabis innovation ensure that shared value becomes more than just fancy terminology utilised by MNCs and a handful of consultants throughout the world?

How do we, together, integrate inclusivity, shared value, and impact management, to drive global change, without neglecting any of the essential elements that form the complete picture of sustainable cannabis agriculture?

To try and answer some of these questions, we can explore a range of research on [inclusive business models](#)<sup>2</sup>, [agricultural value chains](#)<sup>3</sup>, and [growing farming businesses with smallholders](#)<sup>4</sup>. In relation to South Africa in particular, Genesis [recommendations](#)<sup>5</sup> for the German Development Organisation (GIZ) aimed to determine what works in order to lead to replication and scaling. [The study](#)<sup>5</sup> focused on, “*strengthening the commercial viability of the inclusive business model through improving smallholder farmers’ productivity.*”

The United Nations Food and Agriculture Organization published its [Inclusive Business Models guide](#)<sup>2</sup> in 2015 to support the growth of inclusive business models (IBMs) that integrate smallholders into agricultural value chains, and the guide shares that, *the “inclusive” element of the IBM concept relates to the constraints of linking commodity-dependent smallholders and small enterprises to markets. The “business” element relates to mainstreaming business tools and private sector approaches into agricultural development. The inclusive and business elements of an IBM often involve competing forces.*



A 2017 [case study by Technoserve](#)<sup>3</sup>, a US-based nonprofit organisation that aspires to create business solutions to poverty, was supported by the Ford Foundation due to the fact that although multinational corporations, *“had made bold commitments to advance their investment into sustainable supply chain engagement with smallholders...there seemed to be challenges in driving traction at scale across the estimated 200 million smallholder farmers participating in commercial supply chains around the world.”* Lessons learned from the study included that, *companies must recognize and take an active role in mitigating risks that smallholders could face in adopting sustainable sourcing standards. Smallholder farmers face tremendous risk. Any practices that smallholders are encouraged to adopt should promote environmental and social sustainability while also improving farmer livelihoods and resilience.”* Based on TechnoServe Zimbabwe’s work with Better Agriculture Private Limited, a private Zimbabwe agribusiness company, a [2014 case study by Maxwell Mutema and Pamela Ciromo](#)<sup>6</sup>, *“provides a clear testimony of how the private sector, can play a pivotal role in changing the lives of those who are in desperate need.”*

What does sustainability truly mean for cannabis agriculture? It involves ensuring genuine long-term financial sustainability by incorporating [shared value](#)<sup>7</sup> as both a development model and also a competitive strategy across a burgeoning global cannabis industry. However, stopping at business strategy will be insufficient in a global market that is increasingly being led by belief-driven buyers. The [2018 Edelman Earned Brand study](#)<sup>8</sup> found that, *“nearly two-thirds (64 percent) of consumers around the world now buy on belief, a remarkable increase of 13 points since 2017. These Belief-Driven buyers will choose, switch, avoid or boycott a brand based on where it stands on the political or social issues they care about.”* To compete across this changing international landscape, especially within the cannabis industry that is already viewed as being conscious, eco-friendly and sustainable, entrepreneurs need to have a range of tools at their disposal, including [research about the circular economy model](#)<sup>9</sup>, and they need to stay informed about new concepts including the emerging idea of the [regenerative business](#)<sup>10</sup>.



The “big idea” really is, in the words of the father of business strategy, Harvard Professor Emeritus Michael E. Porter, *“about competing to be unique.”* The best way to showcase that uniqueness is through our own commitments as entrepreneurs to ensure our values take root within the ventures we lead. In practice, that means implementing ESG, impact measurement and management, and more globally-recognized methods, towards practically and efficiently creating inclusive business models.

An [article in South Africa’s Daily Maverick](#)<sup>11</sup> from 19 September 2019 shared that, *“when considering strategies to develop farming sustainability, it is doubtful that the notion of ‘profit above all’ will work over the long term. The sector requires strategies that shift towards broader community inclusion and social value creation...According to the partners (Project CHANGE), shared value, in this case, begins by giving dignity to workers and community members involved in the project, and this was done by addressing three specific social needs: providing employment for people living in the Loskop Valley and surrounds; supporting worker and wider community health by providing primary healthcare facilities and services; and unlocking human capability and breaking the systemic cycle of poverty through the provision of education and training opportunities to the farm’s workers, their children and budding entrepreneurs in the surrounding communities.”* Aspiring cannabis entrepreneurs certainly can build from the model developed by Project CHANGE in South Africa, and invest more financial and knowledge-based resources into developing sustainable agriculture initiatives based on shared value.

There are many agricultural business models that can be explored; however, one thing is clear from experiences all across Africa and emerging markets globally: sufficient attention needs to be given to creating genuine win-win partnerships. Investors and entrepreneurs need to structure their ventures, very early on in the business development process, to realize the potential within the triple bottom-line approach. Leveraging business as a force for good that impacts people, purpose and profit potential in a meaningful way can effectively manage risk and prevent huge losses down the line.



**With relation to community engagement, some action steps that can support the realization of inclusive business models include:**

Commencing outgrower and/or contract farming: Larger companies can extend inputs by providing credit to smaller-scale growers alongside technical training and skills development. Agreements are entered into for product to be purchased back from those contractors.

Fair employment on larger farms, in accordance with [Sustainable Development Goal 8: Decent Work and Economic Growth](#)<sup>12</sup>, and as managed by the global [Impact Reporting and Investment Standards](#)<sup>13</sup> (IRIS metrics).

The establishment of Stakeholder Boards which offer representation to Community Members, Employees, Farmers, Suppliers and Customers on Boards that are involved in shaping company policy and influencing executive decisions through active feedback and reporting.

Certification, including [Fair Trade](#)<sup>14</sup>, [B Corporation](#)<sup>15</sup> and many others, with some being industry-specific. Because obtaining certification requires policy development, the process of certification itself can also become a catalyst for the establishment of policies that take into account a venture's social and environmental impact. Certification further builds consumer trust.

Sales agent models – working with Small and Medium Enterprises (SMEs) to sell products locally both within underprivileged markets and also to regional consumers who value the economic development and inclusion initiatives realised by the existing partnerships between SMEs and larger corporate farmers.

Establishing processing in rural locations – for both reduced environmental footprint and cost-savings on transportation and the purchase of agricultural produce. Localization leads to job creation in rural areas, and with efficient ESG (Environment, Social and Governance) and impact management policy, it can further advance a company's overall shared value approach.

“Block farming” models where farmers collectively farm larger tracts of land and share the proceeds. In South Africa, community-based agriculture models have been successful across large areas of restitution land.

Farmer organizations forming cooperatives or similar groups – often linked to other models such as outgrower models, purchase agreements, and certification-based projects (Fair Trade, B Corporation certified).

Corporate ESG policies that invest in local communities – including infrastructure investments, entrepreneurship training and more.



**In order for sustainable agriculture initiatives to become successful, some of the following steps are crucial for their realisation:**

(1) Buy-in from the top levels of corporate leadership is essential. Tasking an individual such as a production or outgrower manager with making sustainable agriculture models work without support and engagement from the entire company generally doesn't lead to positive outcomes.

(2) Sufficient investment is essential. Long term, there is an evidence-based business case for the potential of sustainable agriculture to lead to increased revenues and overall financial sustainability as well. However, in the short-term, investment in human capital and relationships is key. Understanding specific community needs is an important foundational building block in this process.

(3) Strong, aligned incentives need to be in place for all parties to ensure that the model is workable. If it is an outgrower model – are there sufficient incentives for the farmers to remain engaged? Are there sufficient business incentives for the company to invest in the model and see it through the first few, usually challenging, seasons? Details are important! Test all assumptions carefully and make sure the model you choose works in the early years and throughout potentially challenging years. Remember, farmer assessment of risk vs. return often weighs risk more heavily than presumed by the development sector or large businesses. For farmers, avoiding risk often takes priority over maximizing profits.

(4) Both technical training and business training for farmers can be important and can leverage larger companies' expertise for the benefit of the community. However, without incentives, training alone won't achieve transformational change. Market access and access to finance are usually important too: a holistic approach is needed to drive real change.

(5) "Small commercial farmers" can be key change agents linking large companies to larger groups of smaller farmers. These are entrepreneurial individuals with good-standing and trust in the community and can be aggregators of produce, suppliers of inputs such as genetics and seed, and this is especially important for both medical and commercial cannabis or hemp production. Often a three-tiered structure is more effective than a two-tier structure from 1 large business to many thousands of farmers.

(6) Development sector support, and in some cases concessionary finance and technical assistance, can facilitate the process of large firms being able to establish strong and lasting business relationships. However, financing and subsidies must be carefully structured to ensure a solid exit plan. Any NGOs involved need to ensure facilitation is light-touch so that it does not get in the way of the direct relationship between a company and the farmers it works with.

(7) Setting clear and measurable impact indicators and tracking against these. Implementation can be adapted in response to learning experiences and challenges. Simultaneously, leaders and initiatives must stay the course and not lose sight of their purpose-based objectives.



Cannabis entrepreneurs need to recognise their limitations with regards to the divide between policy and research on paper, and real-life implementation. That's why community and stakeholder engagement is a great place to start. By actively liaising with local stakeholder groups impacted by our cannabis agriculture projects, we can gain community trust, share our own resources and capacities, while also benefit from first-hand knowledge and experience.

In South Africa, cannabis entrepreneurs can start out by reaching out to activist organizations including the [Cannabis Development Council of South Africa](#)<sup>16</sup>, and the [Cannabis Industry Development Cooperative](#)<sup>17</sup>. Communication that values the contributions of indigenous farmers, and their indigenous knowledge systems (IKS), can go a long way in ensuring that the cannabis economy is shared equitably among all the people of South Africa.

There is space for shared value to truly represent sharing knowledge and experience related to sustainable business models that lead to fair employment, economic growth, and provide all stakeholders with opportunity for advancement.

Within our modern South African, and increasingly globalized, society, we are seeing frustrations and challenges reach the surface much faster than ever before. If not adequately addressed, community concerns can reach a boiling point and spill over into protests and civil unrest at an unprecedented level. We can see the extensive reach of global Extinction Rebellion activists believing that, *"to survive, it's going to take everything we've got."* An increasing number of local South African activists believe that foreign investors and financial forces are continuing the colonial narrative whilst taking advantage of ongoing, externally-imposed, indigenous disadvantage. There is a common thread here. People all across the world, whether they are youth climate activists or indigenous farmers have had enough of their voices, needs, and concerns being dismissed by people in positions of power. Now is the time to show all of the stakeholders affected by our business ventures that we are ready and willing to engage in constructive dialogue. Now is the time to tell our Executive Boards that we have nothing to lose and everything to gain by furthering a stakeholder engagement agenda.



Tremendous investments are still made into conventional marketing and advertising globally, and yet global trends are showing us that new generations of consumers care more about our own personal values than they do about our campaign imagery. The [2018 Edelman Trust Barometer](#)<sup>18</sup> found that, *“business is more trusted than government and that 64% of people believe CEOs should take the lead on change rather than waiting for government to impose it.”* What we do with this level of trust is up to us.

It is time for all of us conscious entrepreneurs, impact investors, consultants and global leaders in the cannabis industry, to focus on much more meaningful priorities. It’s time for us to create shared value by funding and developing solutions that will benefit our venture partners, employees, customers, suppliers, farmers and the communities impacted by our initiatives.

New generations are expecting us to take the lead and heal our planet. There is no better opportunity for healing than that presented by cannabis, especially African cannabis, if we can effectively include and engage African stakeholders.

Miriam Davidovic  
*with recommendations and action steps by Margaret Rose*





## Miriam Davidovic

Miriam is a mother of four, organic farmer, rural innovator, and Partner at Roshem Ventures in Israel. She Co-Founded the Roshem Strategic Communications and Impact management firms and leads projects across Serbia, South Africa, Canada and the United States that are focused on stakeholder benefit. Along with a team of mission-driven women, she Co-Founded the Roshem Foundation where she is currently an educator developing and teaching impact investing, financing impact, and blended finance courses. She is proud of her 10 years as a sustainability consultant, shared value strategy expert, and 5 years as an impact investing and regenerative economy advocate. Miriam coaches CEOs, executives, investors, entrepreneurs, farmers, and nonprofit organizations through the processes of developing mission-driven business strategy, realizing meaningful impact outcomes, and accessing patient, aligned capital for their initiatives. Her time is shared between Israel, South Africa and rural villages in Serbia. Miriam is a Fellow with the Impact Investing Institute of Denver, Colorado, and completed a Certificate in Impact Investing in Africa through the University of Cape Town's Graduate School of Business. Her workdays are dedicated to the development of rural innovation center initiatives for the regenerative economy, rooted within village centers in Serbia, and connected globally through the Roshem Network. Miriam is inspired by the mountains, forest, ocean and wild spaces to ensure nature and technology merge responsibly and sustainably. Along with her team, she builds networks of stakeholder-driven, trading and social platforms that facilitate impact verification and distribute products that solve the world's most significant challenges.

## Margaret Rose

Margaret is a mother of two, entrepreneur, consultant, traveller and writer. Her love of wild places began many years ago as she lived and worked as a sustainable development consultant in some of the most remote areas of Africa, as well as in Dubai and London.

As an Oxford-educated professional, she has a decade of on-the-ground experience designing and managing business development programmes across Southern Africa that support farmers, entrepreneurs, SMEs and commercial industries. Margaret was the Country Director in Zimbabwe for USA-based NGO TechnoServe, and she continues to support their initiatives as a consultant. She believes there is an urgent need for our global community to seek more equitable and sustainable models of living for the future; via establishing open dialogue, re-affirming values and - as individuals - living our lives more consciously. Today, she is passionately committed to creating beautiful spaces at her Eco Retreats centre in the Dyfi Forest of Wales, allowing people to slow down and reconnect with nature and their inner selves. She is a firm believer in the power of the thousands of tiny choices we all make every day that can and do change the world.

## Roshem Ventures

The Roshem team is a group of mission-driven individuals working to realize sustainable rural innovation, organic agriculture development, fair and inclusive employment, and meaningful impact outcomes as part of a regenerative business approach. Roshem Ventures supports early and growth-stage sustainable companies and develops an expanding network of rural innovation centers. The Roshem Network is a technological platform that brings together impact investors, rural innovators, sustainability consultants, impact educators, sustainable farmer and regenerative businesses. Roshem Impact works to ensure nature and technology merge sustainably and responsibly. The Roshem Impact team manages the cultivation, B2C and B2B marketing of sustainable products, impact-verified products, hemp, and authentic natural foods, all while nurturing a social and environmental impact-focused company culture.

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