KNOWLEDGE AND IMPACT BRIEF

Unlocking Inclusive Growth, Traceability, and Decent Youth Employment Through Inclusive Contract Farming (iCF) in Western Kenya

1. Executive Summary & Context

Smallholder farmers across Western Kenya face persistent structural bottlenecks, including fragmented land sizes averaging under one hectare, limited access to formal credit, weak integration with lucrative consumer markets, and acute youth unemployment rates reaching 12.8% for ages 20–35 and 20.1% for ages 15–24.

To address these challenges comprehensively, the GIZ Agri-Jobs **4 Youth** initative designated **Inclusive Contract Farming (iCF)** as a core **lighthouse product,** a proven, scalable model bridging the gap between smallholder production systems and agribusiness procurement needs.

Under the Agri-Jobs **4 Youth** initiative, GIZ in partnership with GFA Consulting Group, has implemented the Inclusive Contract Farming (iCF). The approach strengthens inclusive, commercially viable partnerships between agribusinesses and smallholder farmers through structured market linkages, capacity building, and investor readiness support.

Headquartered in Nairobi, with a regional office in Kisumu, Afriscope Research Limited is an enterprise support organization offering tailored business development services and fundraising solutions to SMEs. With over 70 years of combined experience, the team has worked with a diverse range of organizations, from start-ups to established businesses, providing advisory services that drive strategic and financial success. Their focus is on fostering Structure, Sustainability, and Scalability for their clients.

Duration: March to October 2026

What is Inclusive Contract Farming (iCF)?

Inclusive Contract Farming (iCF) is a formalized commercial agreement between an agricultural buyer (such as a processor, aggregator, or lead firm) and a smallholder farmer or farmer organization before the production season begins. It acts as a vital bridge between the buyer's procurement requirements and the smallholder's production system. What makes contract farming **"inclusive"** rather than purely commercial is that it pairs market certainty with real social benefits—ensuring that commercial viability supports smallholder livelihoods, youth employment, and gender equality.



Agricultural service providers demonstrating the use of mechanised farm equipment to support land preparation and improve production efficiency



Collaboration between agricultural producers and value chain actors in strengthening market-oriented production

PORTFOLIO REACH

10
Total Active Schemes Assessed: Commercial enterprises across 4 counties

2,373
Total number of smallholder farmers engaged

1,072
Sustainable jobs created

30% - 87%
Span of youth representation of contracted bases

45% - 65%
Span of women representation of contracted bases

Operating across ten active enterprise schemes in Bungoma, Kakamega, Kisumu, and Siaya, the iCF framework successfully engaged **2,373 smallholder farmers**, established robust supply linkages, created **1,072 sustainable jobs** (with strong youth and women participation), and catalyzed over **USD 1.5 million** in patient capital.

2. Core Implementation Principles & the Four Pillars

The iCF model operates on the foundational principle that commercial viability must precede sustainability, and sustainability must precede inclusiveness. Four core pillars hold the framework together:

1. **Trust & Prompt Payment:** Built on fair give-and-take relations where price mechanisms and grading rules are transparent. Empirical evidence confirms that **91% of farmers trust their buyer**, and **79% are paid at delivery or within 48 hours**, making payment speed the single strongest correlate of farmer retention.
2. **Scope of Negotiations:** Treating farmers as equal business partners—usually through organised groups, cooperatives, or Common Interest Clusters—rather than isolated price-takers. Giving farmers a voice in price setting doubles loyalty from **33%** to **63%**.
3. **Incentives (Win-Win):** Supplying relevant, pre-priced embedded services (such as certified seeds, fertilisers, extension training, mechanisation, and market information) that are recovered when the harvest is delivered.
4. **Shared Risk:** Distributing production, market, and price risks according to each party's capacity, ensuring the entire burden does not sit on the smallholder alone. Lead firms absorb significant liquidity gaps by pre-financing inputs and waiting 30 to 90 days for downstream buyer settlement.

3. Impact, Tangible Outcomes & Empirical Evidence

Post-implementation assessments, a farmer survey (n=33), and stakeholder focus group discussions verified profound behavioral, social, and economic transformations across the target regions:

FARMER-REPORTED OUTCOMES



91%

Reported Higher Household Income

Direct result of assured pre-season markets, eliminated middlemen exploitation, and reduced post-harvest losses.



85%

Reported Higher Crop Yields

Driven by embedded extension services, high-quality inputs, and good agricultural practices (GAP).



94%

Re-Contracting Intent

Expressed willingness to continue farming under the same iCF buyer next season.



Institutional Integration

Successfully anchored iCF principles and cooperative aggregation models into an established Community of Practice.

Published by

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Registered offices Bonn and Eschborn, Germany

Agri-Jobs **4 Youth**
P.O. Box 2968
40100 Kisumu
Kenya
Email: agri-jobs4youth@giz.de
www.giz.de
www.gfa-group.de

As at November 2026

Text Karen Asinza, Eunice Kandia and Anthony Nyandiek

Design Lugaka Eric, Nairobi

Photo credits © GIZ/Stephen Kariuki

GIZ is responsible for the content of this publication.

On behalf of Federal Ministry for Economic Cooperation and Development (BMZ)