



International Center for Tropical Agriculture
Since 1967 / *Science to cultivate change*



RESEARCH
PROGRAM ON
Policies,
Institutions
and Markets

Assessing equity in value chains through a business model approach

13 December 2017
Montpellier, France

Matthias Jäger
Mark Lundy

m.jager@cigar.org



OUTLINE

- 1. Where does LINK come from?**
2. What do we mean by business models, inclusive business and how we attempt to measure inclusion?
3. Where has LINK been used?
4. What cases did we look at in a comparative fashion and what were the results?
5. Conclusions and next steps



- LINK's heart "the principles for inclusive business models" arose from expert discussions between CIAT, IIED and the Sustainable Food Lab and were tested in a study 24-case study carried out in Latin America, Asia and Africa and distilled into the current six themes.
- The base on which these principles built up on are drawn from Alexander Osterwalder's Business Model Generation which has been adapted to rural and agricultural purposes.
- LINK is a Prototype itself and currently in its third revision (since 2012), thus constantly evolving constructing upon new insights and lessons learnt

What is LINK's value proposition?

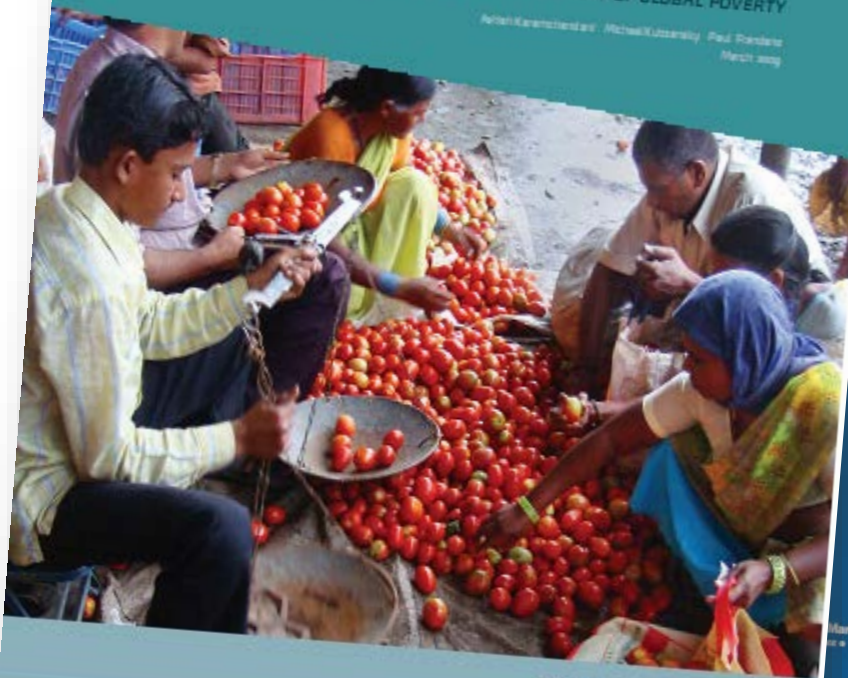


- Nailing down inclusive business: *Despite its increasing popularity there is a lack of practical and concrete approaches on how to operationalize and monitor inclusive business. The diversity of conceptual frameworks further complicates this issue.*
- Provide a methodology attractive to both producer organizations and private sector partners by simple and accessible language and novel business tools.
- Offer concrete entry points for private sector actors to make supplier relationships more inclusive and increase systemic long-term competitiveness of the commercial alliance.
- Facilitate exchange and mutual understanding between business partners.

Emerging Markets, Emerging Models

MARKET-BASED SOLUTIONS TO THE CHALLENGES OF GLOBAL POVERTY

Arash Karamchandani / Michael Kuzarski / Paul Randori
March 2013



MONITOR GROUP



BRINGING VALUE FOR ALL: STRATEGIES FOR DOING BUSINESS WITH THE POOR



Markets
for a Decent World for All

United Nations Development Programme

CIAT

Ambitious destinations **Few ways**

There are **few practical toolkits...**



LINK's (simplified) Theory of Change

Output



LINK METHODOLOGY

Outcome (s)

Use by NGOs, public
sector actors and
companies.

Intended Impacts

Trading relationships with:

- Increased stability
- Mutual satisfaction
- Durability
- Resilience
- Frequent and effective communication
- Transparent governance
- Joint innovation
- Stable and profitable returns

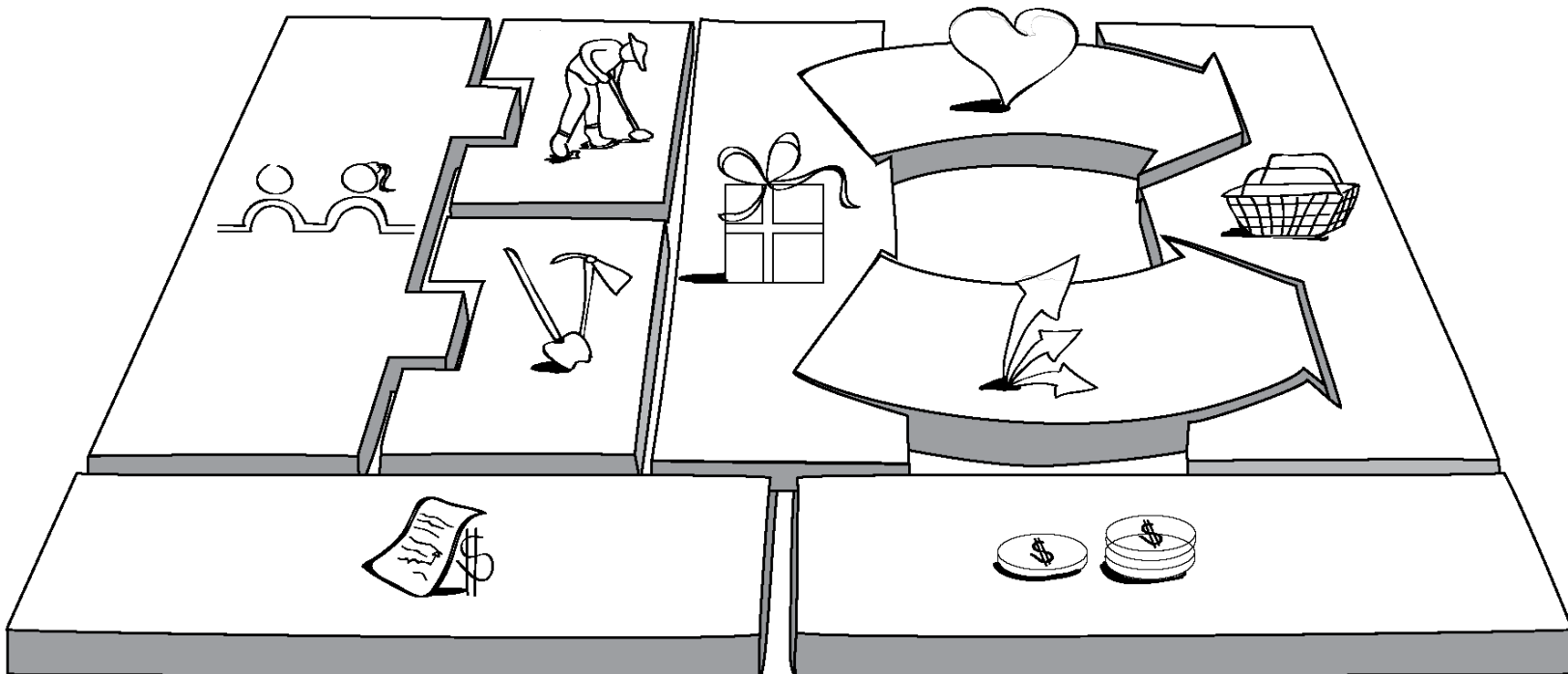
Increased
mutual understanding
(PO: business orientation,
Buyer: Smallholder
Farmer context)

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Business Model*

*A schematic description of a system or complex reality that is used to promote understanding and study of its behaviour.





"Inclusive business models include the poor on the demand side as clients and customers, and on the supply side as employees, producers and business owners at various points in the value chain."

(UNDP 2008)

"Engage the poor as employees, suppliers, distributors or consumers and expand their economic opportunities in a wide variety of ways."

(BIF 2011)

"A profitable core business activity that also tangibly expands opportunities for the poor and disadvantaged in developing countries."

(WBCSD, SNV 2011)

"A profitable core business activity that also tangibly expands opportunities for the poor and disadvantaged in developing countries."

(BIF 2011)

Inclusive* Business

A commercial relationship between a private company and a formal or informal group of producers through which both the buyer and seller generate social, economic and environmental value in order to sustain long-term profitable interdependence.

***Which includes or is designed to include someone or something.**



A toolkit

to build inclusive commercial relationships which link rural producers with markets.



The value chain map



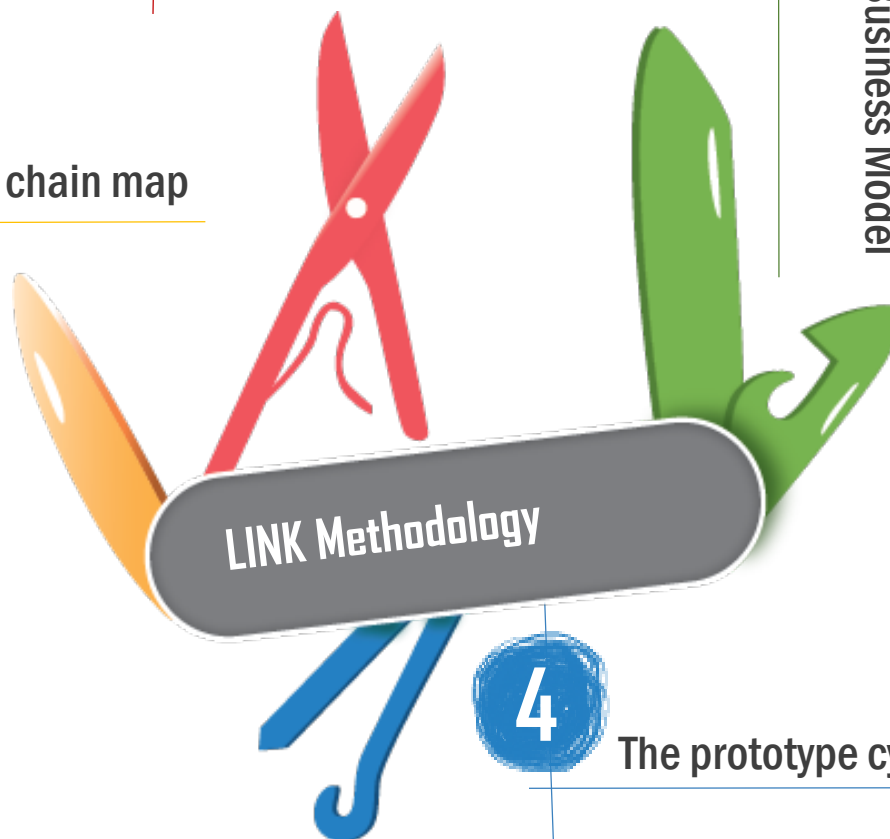
The business model canvas



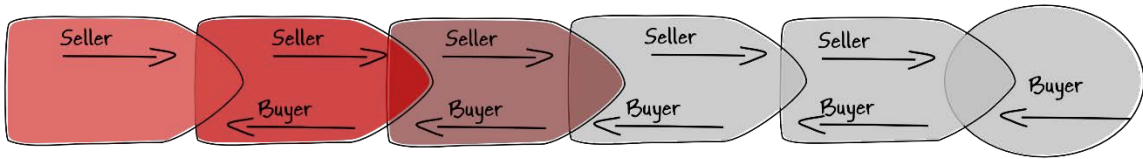
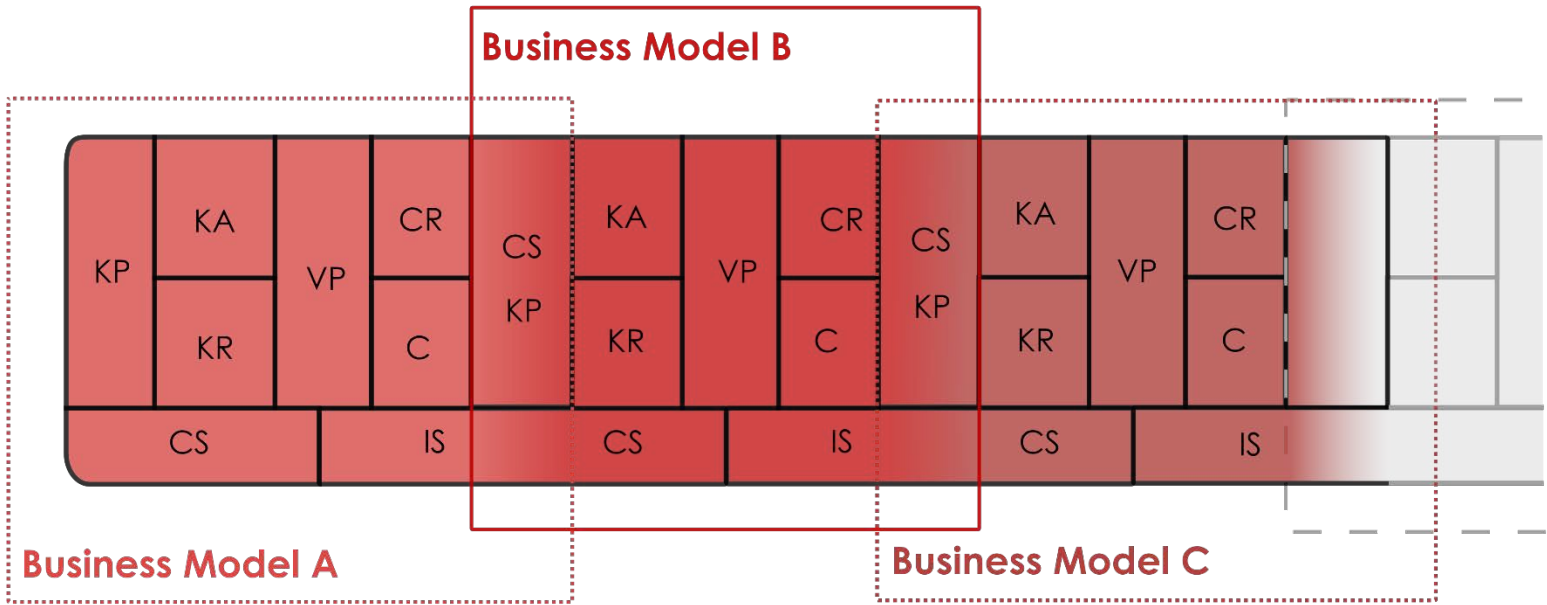
The New Business Model principles



The prototype cycle



Deconstructing the value chain












How does each business model adapt to the needs of its neighbouring link?

BUYER OR SELLER? A QUESTION OF PERSPECTIVE

In a value chain, each actor is both seller and buyer to their neighbouring links. A solid value chain needs strongly connected links in order to face internal and external stress factors. Understanding how to strengthen these links is crucial to the quality of the business relationships.

Endline: Business Model of COOSMPROJIN Final

<div><div>Key Partners</div><div></div><div><ul style="list-style-type: none">Producers working with WalmartFIDERCRSVECOMA</div></div>	<div><div>Key Activities</div><div></div><div><ul style="list-style-type: none">Technical support (planning and delivery of products)Ensure bulking in JinotegaSorting and packing in COOSMPROJIN packing facilityEnsure delivery to WalmartPayment to producers.</div></div> <div><div>Key Resources</div><div></div><div><ul style="list-style-type: none">Management, technical staff, administrative council, technical assistant for pilotOffice space and physical infrastructurePacking shed</div></div>	<div><div>Value Proposition</div><div></div><div><div>Product portfolio:</div><div><ul style="list-style-type: none">LettuceCabbageCarrotsBeets.Tomato</div></div><div><div>Product characteristics:</div><div><ul style="list-style-type: none">Freshness.Uniform color and size.Firm consistencyFollowing GAP standardsSorted and packed productCapacity to meet volume demands agreed to with buyers</div></div></div>	<div><div>Customer relations</div><div></div><div><ul style="list-style-type: none">Phone calls / 1 per week.Formal written communications (e-mail)Meeting with Walmart to set prices and volumes (Technical staff).Farm visits by Walmart 10 days prior to harvestMeetings COOSPROJIN Manager – Walmart (analyze costs, price bands, planting schedules & harvest days and delivery details)</div></div> <div><div>Channels</div><div></div><div><ul style="list-style-type: none">Lettuce, cabbage & beets packing & processing shed CoosmprojinTomatoes at Walmart Plant in Sebaco.Carrots at Jinotega packing shedUp to 3 deliveries per week</div></div>	<div><div>Customer segments</div><div></div><div><div>WALMART</div><div><div>Client needs:</div><div><ul style="list-style-type: none">VolumeQualityDiversityContinuous supply</div></div></div></div>	
<div><div></div><div>Cost Structure</div><div><ul style="list-style-type: none">Administrative personnel: C\$ 64,133.27Office: C\$ 7,097.43Public utilities: C\$ 4,048.21Input purchases: C\$ 717,732.27Greenhouse costs: C\$ 100,512.00Depreciation: C\$ 22,153.12</div></div>			<div><div></div><div>Income Stream</div><div><ul style="list-style-type: none">Income from input sales : C\$ 306,155.13 +10XIncome from sales of seedlings: C\$ 110,590.11 +9.6XCredit interest 18 % : C\$ 27,178.55 +1.7XArrears: C\$ 1,971.69 +7.1X2% commission: C\$ 27,254.02 +3.18XSales to Walmart C\$2, 748,219 (January – July 2015) 87% of total 2014 sales in 7 months / 48% growth year on year</div></div>		



1. Chain-wide collaboration

Do actors share the same goals?

Do actors exchange information regularly?

Are there structures in place to motivate collaboration or shared problem solving?

Is there one or more “champions” who will lead the process of co-innovation?

Do all actors understand and acknowledge the interdependence of the trading relationship?



2. Effective market linkages

Are trading relations stable?

Are trading relations profitable?

Do actors take advantage of market opportunities?

Do actors respond quickly enough to the changing needs of clients?



3. Fair and transparent governance

Are sale/purchase volumes and prices communicated clearly?

Are quality standards clear and consistent across the chain?

Are risks understood and shared proportionately along the chain?

Are trading relationships based on formal contracts or clear informal agreements?



4. Equitable access to services

Do producers have access to technical support services provided by the buyer or an indirect actor?

Do producers have timely access to market information provided by the buyer or an indirect actor?

Do producers have access to financial services provided by the buyer or an indirect actor?



5. Inclusive innovation

Are innovation processes carried out collaboratively?

Who participates and why?

If innovation is evident, who gains from the results?

Are there profit-sharing mechanisms in place?

Are small-scale producers encouraged to participate in inclusive innovation?



6. Measurement of outcomes

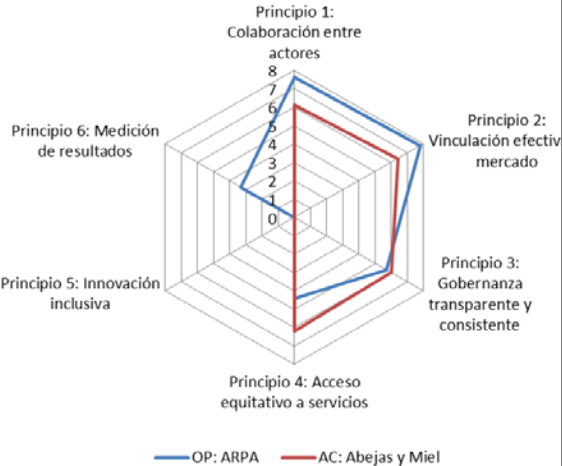
Have indicators been established that will measure the success of the business relationship?

Are the results of the business relationship measured frequently?

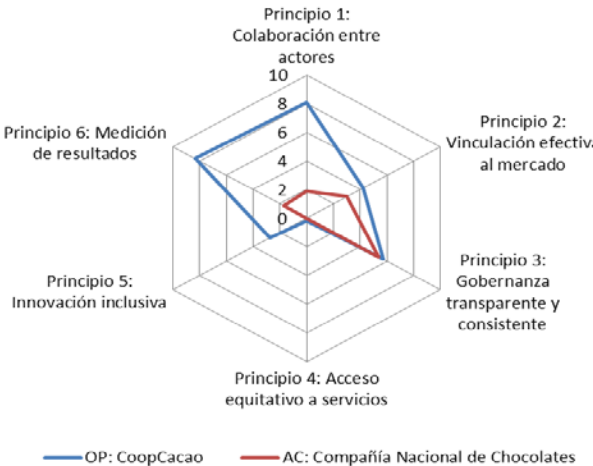
Are there feedback loops in place to guarantee effective chain-wide management and decision-making?



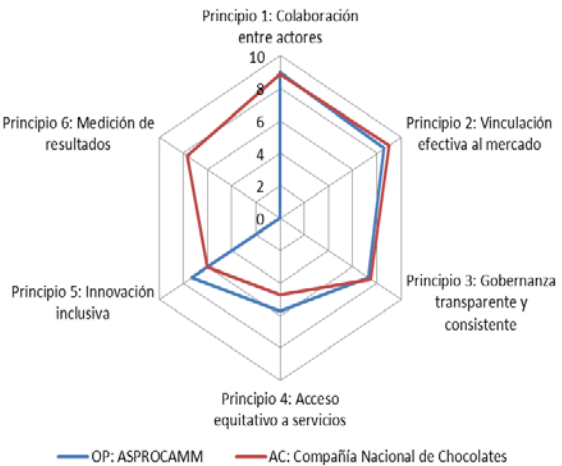
MIEL - ARPA



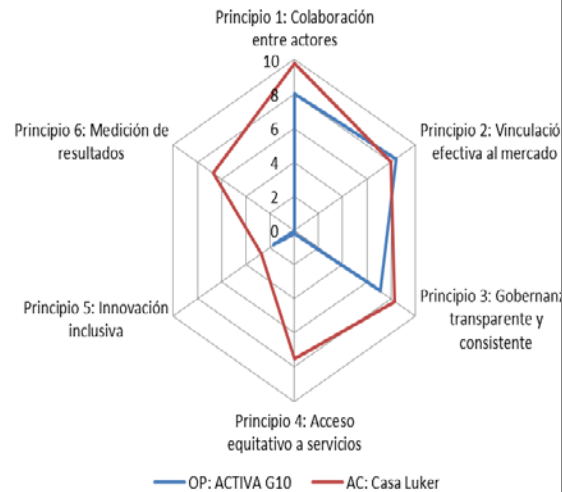
CACAO - COOPCACAO



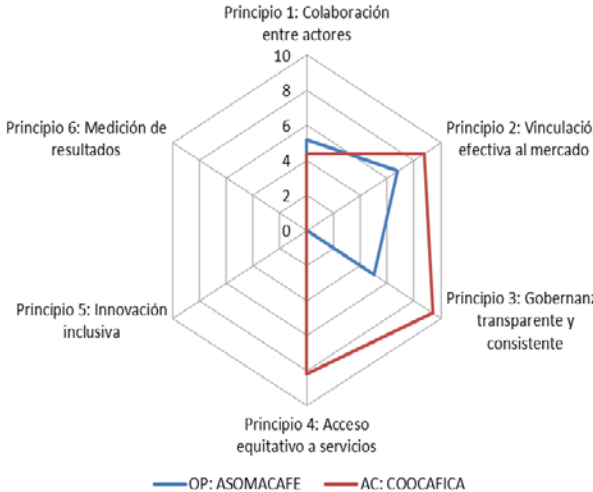
CACAO - ASPROCAMM



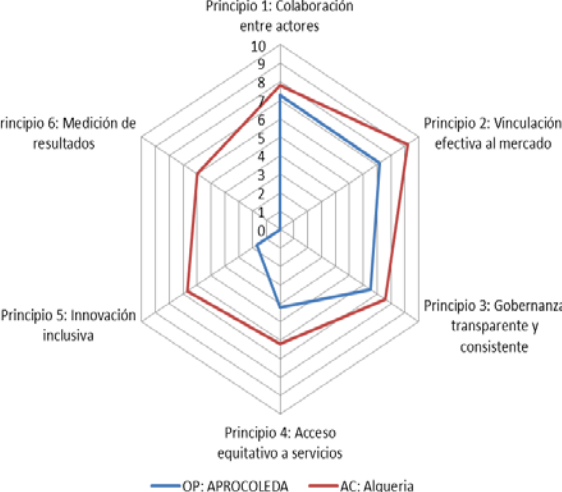
CACAO - ACTIVA G10



CAFÉ - ASOMACAFE



LECHE - APROCOLEDA



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Alianza de Aprendizaje

Desarrollo Rural Sostenible

[Inicio](#) | [LinkeAdA](#) | [Contáctanos](#)

Alianza Regional

Metodologías

Temáticas de Aprendizaje

Ciclos de Aprendizaje

Alianzas Nacionales

Expertos



Introductory Training session to the LINK methodology in Vietnam

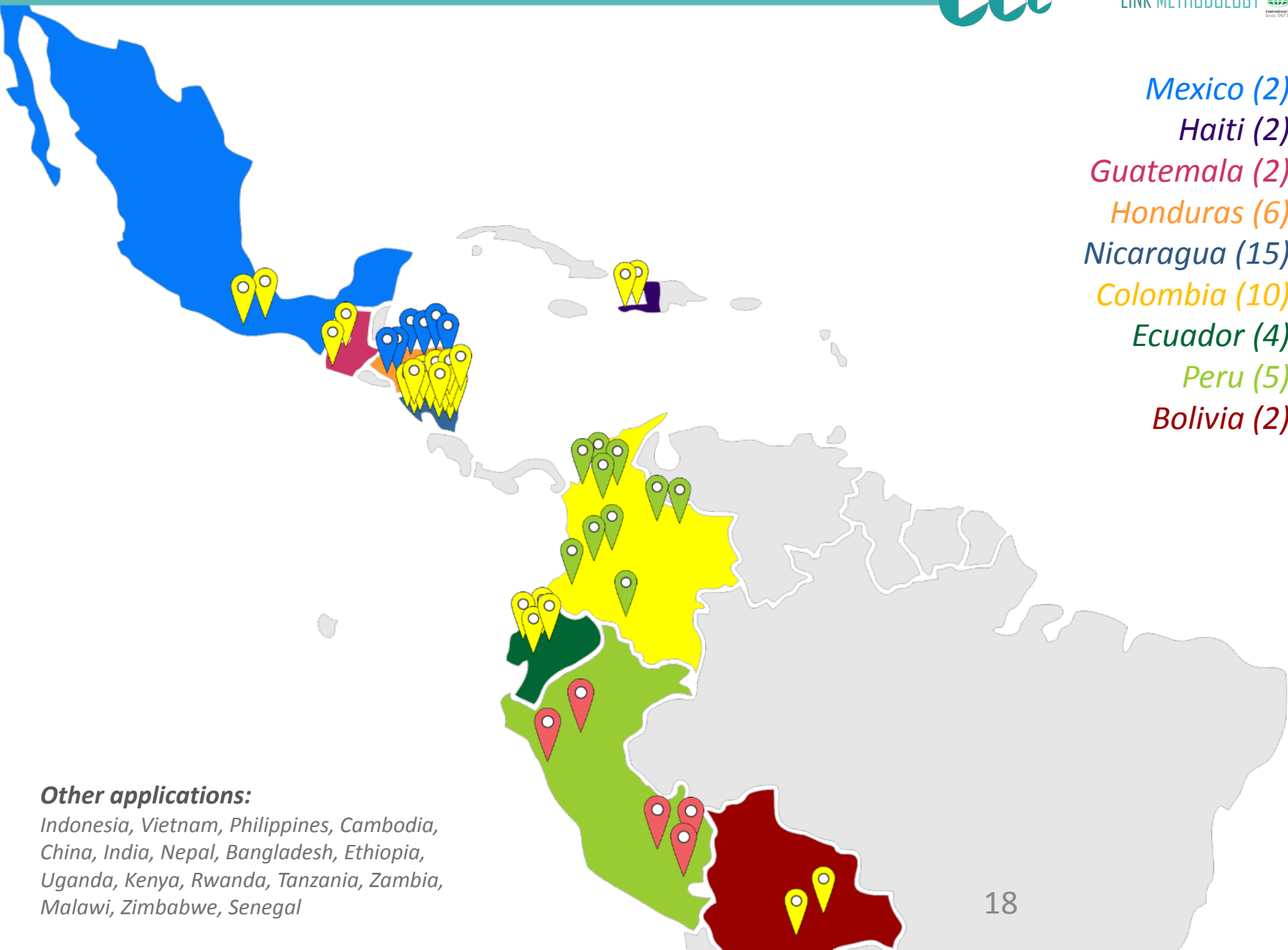
On 17 and 18 of September, an introductory training session to the LINK methodology was held at...

-  Introductory Training session to the LINK methodology in Vietnam
-  Alianza de Aprendizaje Perú inicia Ciclo de Aprendizaje sobre modelos de negocio...
-  Relatos de la evaluación del impacto de plataformas de innovación
-  Nuevo Desafío global de innovación social



Un trato justo con el campo





Other applications:

Indonesia, Vietnam, Philippines, Cambodia,
China, India, Nepal, Bangladesh, Ethiopia,
Uganda, Kenya, Rwanda, Tanzania, Zambia,
Malawi, Zimbabwe, Senegal

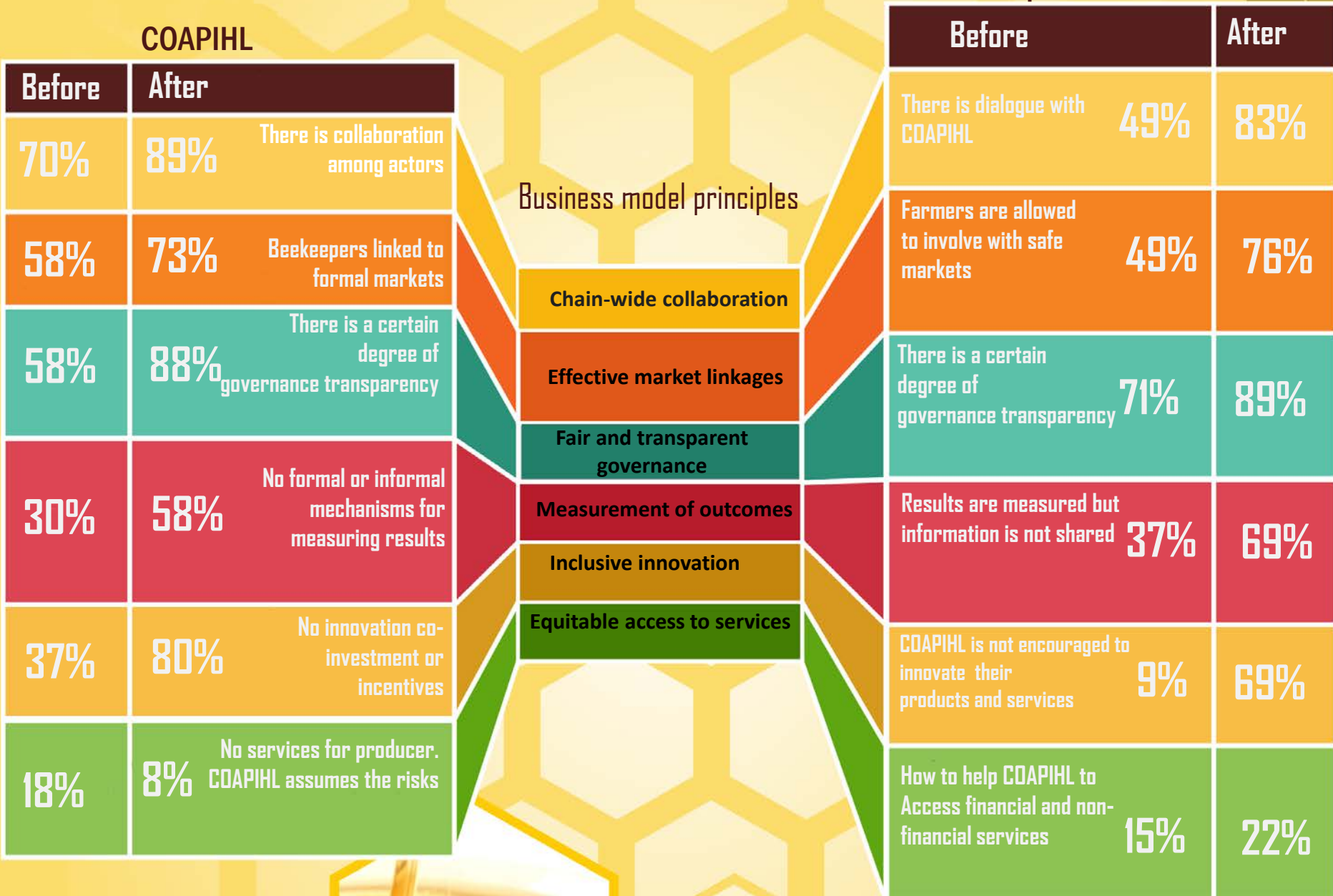
Product	External forces	Market	Type of seller	Type of buyer	Length of commercial relationship	Level of formality	Level of dependency
Vegetables	Rainfall results in one or two harvests/year	Formal (domestic supermarkets) and informal (local markets)	Producers organization ASOFAIL; independent producers (small/medium farmers)	Supermarkets (HORTIFRUTI - Walmart) and intermediaries (wholesalers and retailers)	Since 2011	Informal between producers and ASOFAIL; informal between ASOFAIL and HORTIFRUTI - Walmart	HORTIFRUTI - Walmart is ASOFAIL's main customer.
Cocoa	Lack of good genetic material and plantation management	Formal export market; limited amount to national market	Producers organization CACAONICA	RITTER SPORT, an international enterprise	Since 2006	Formal between producers and CACAONICA; informal between non-registrered producers and CACAONICA; formal agreement between CACAONICA and RITTERSPORT	RITTER SPORT is CACAONICA's main customer.
Corn	No regulatory framework present for quality corn, and very little support for research and credit	Formal domestic market	Producers organization CCAJ	CSSA, a private national enterprise	Since 1992	Informal between CCAJ and CSSA: no trade agreement	CCAJ is a permanent supplier of CSSA.
Vegetables	Varying rainfall	Formal domestic market	Producers organization COOSMPROJIN	ICI - Walmart, a multinational	Since 2013	Formal between COOSMPROJIN and ICI - Walmart	ICI - Walmart is COOSMPROJIN's main customer.
Passion fruit	Low production in summer months	Formal export market; national informal market	Producers organization COMANOR	Majority is sold to Ms Lorena Amaya, El Salvador. The rest is sold to intermediaries of the informal market.	Since 2011	Informal between COMANOR and Lorena Amaya; informal between intermediaries and producers/COMANOR	COMANOR sells 92% of produce to Lorena Amaya.
Bean	Production depends on the agro-climatic conditions of the planting area.	Formal export market	Producers organizaton ECOVEGETALES	ESPERANZACOOP, a national cooperative for crops, active as intermediary	Since 2012	Formal between ESPERANZACOOP and ECOVEGETALES; formal between ECOVEGETALES and producers	Relatively high dependence on ESPERANZACOOP, informal market offers lower prices.

Product	External forces	Market	Type of seller	Type of buyer	Length of commercial relationship	Level of formality	Level of dependency
Honey	Seasonal product that is harvested only in the summer, 3 harvests	Formal export market	Producers organization UCA San Juan	INGEMANN, a private national company	Since 2013	Informal between UCA San Juan and INGEMANN	
Milk	Limited access to financial and technical assistance, low adoption of technologies, limited access to alternative markets, climate change.	Formal and informal national market, and formal export market	Producers organization Renacer	Vilchez Tinoco, a national family business selling donuts.	Since 2013	Informal between producers and Renacer; informal between Renacer and Vilchez Tinoco.	High
Meat	Low income caused by poor marketing mechanisms, scattered production, individual sales. Severe droughts and variable rainfall.	Formal export market; formal domestic market	Producers organization Santiago	San Martin Meat, a private national company; UCOSEMUN as intermediary between Santiago and San Martin.	Since 2008	Informal between producers and Santiago; informal between Santiago and UCOSEMUN.	UCOSEMUN also markets through other meat companies.
Peanut	Climate change, drought, migration, family breakdown, drug trafficking, smuggling and poor land tenure.	Formal and informal domestic market	Grupo de Mujeres Unión Esperanza	Dulces típicos Delicias Huehuetecas, national private company.	Since 2013	Informal between Grupo de Mujeres en Dulces típicos.	Moderate, Grupo de Mujeres sells to several other formal and informal actors. The Grupo is Dulces típicos's only supplier.
Honey	Lack of access to financing, technical assistance, inputs and new technologies, limited availability of markets, climate change: droughts and heavy rains.	Informal domestic market	Producers organization COAPIHL	Supermercados Del Corral, a national supermarket chain	Since 2005	Informal between COAPIHL and Supermercados Del Corral.	COAPIHL has become Del Corral's main honey supplier.
Honey	Prices are set based on prices in Europe; changes in rainfall lead to lack of water and food for bees; lack of governing bodies.	Informal domestic and international market	Producers organization Cooperativa Multiservicios Tierra de Nutrias	Unión de Cooperativas de Servicios Agropecuarios Tierra Nueva (COSATIN)	Since 2015	Informal between Tierra de Nutrias and COSATIN.	



Level of inclusiveness

Supermercados Del Corral



ENHANCING THE LIVELIHOODS OF SMALLHOLDER FARMERS

ENGAGING OUR SUPPLIERS
A GUIDE FOR PROCUREMENT TEAMS



ENHANCING THE LIVELIHOODS OF SMALLHOLDER FARMERS TOOLKIT

ACKNOWLEDGMENTS

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Acknowledgements and contact details for CIAT are:

Centro Internacional de Agricultura Tropical
International Center for Tropical Agriculture
Apartado Aéreo 6713
Cali, Colombia
Phone: 57 2 4450000
Fax: 57 2 4450073
E-mail: m.lundy@cgiar.org
Website: www.ciat.cgiar.org

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November 2012

LINK methodology: A participatory guide to business models that link smallholders to markets / Mark Lundy, Gertjan Beck, Nancy Zamierowski, Alexandra Amrein, Jhon Jairo Hurtado, Erika Eliana Mosquera, Fernando Rodríguez. – Cali, CO : Centro Internacional de Agricultura Tropical (CIAT), 2012.
171 p. -- (CIAT Publication No. 380) ISBN 978-958-694-114-3 (PDF)

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TOGETHER WITH SUPPLIERS AND PARTNERS WE HAVE PROVIDED HELP AND TRAINING TO **570,000** SMALLHOLDER FARMERS

WE CONTINUOUSLY LOOK AT MORE SUPPLY CHAINS TO HAVE POSITIVE SOCIAL AND ECONOMIC IMPACT ON SMALLHOLDERS

We are either directly in business with smallholder farmers or via suppliers in the examples here



We have been directly involved in agronomic support activities targeted at the farmers



We have contributed cash to programmes of farmer training



We pay for technical solutions that create environmental savings and yield improvements



We pay premiums to suppliers for investment in farmer replanting/agronomy programmes



We have provided planting material (high yielding seed) to farmers



We have provided resource directly to a project of farmer training



We link expert organisations to our suppliers/farmers to build, for example, pest management programmes



TOMATOES FROM INDIA

As a result of a partnership between the Maharashtra government and Hindustan Unilever, a woman entrepreneur was able to invest in a tomato processing plant, contracting supplies which contributed to high-quality tomatoes for our Kissan Ketchup brand from

2,600
SMALLHOLDER
FARMERS



VETIVER
PALM OIL
DAIRY

ALLANBLACKIA
COCOA
PALM OIL
TEA

OREGANO
TEA

GREEN GHERKINS

TOMATO
CHICORY
TEA

VANILLA

TOMATO
VEGETABLES
FRUITS

PALM SUGAR
PALM OIL
COCONUT SUGAR
BLACK SOYBEAN

OVER **500,000** FARMERS HAVE BEEN TRAINED OR ENGAGED IN AFRICA

VANILLA FROM MADAGASCAR



Working with Symrise and international NGO GIZ to deliver livelihood improvement for farmers. This impacts 4,000 smallholders and families, 32 vanilla communities and 44 schools and colleges

24,000
PEOPLE



WORKING WITH TEA FARMERS

An agreement with the Tanzanian government, aims to positively impact the local community in Mufindi through the development of

6,000
HECTARES
OF SMALLHOLDER
TEA FARMS



The Kenya Tea Development Agency (KTDA) launched a new phase of its Sustainable Agriculture Programme to see 96,000 farmers trained by 2015

Unilever and Vodafone technology connects smallholder farmers directly on agronomical best practices to ultimately improve livelihoods. And Lipton continues to inform consumers about this



PALM OIL FROM INDONESIA

A close cooperation between smallholders, the RSPO and WWF achieved the first certified oil palm smallholders from Indonesia to comply with the sustainable oil palm management standard

763
HECTARES OF
PLANTATIONS

BLACK SOY BEANS FROM INDONESIA

Working with farmers to develop a high-quality sustainable supply for Bango sauce. In 2000, we started working with a local university to engage local farmers, providing technical assistance and financing to help them improve productivity and boost incomes

7,000
FARMERS ENGAGED
IN THE PROGRAMME



Find out more at www.unilever.com/sustainable-living-2014/enhancing-livelihoods/

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Changes in business models:

- *Product diversification* in line with market demands
 - Product mix – introduction of new products based on demands
 - New product development – i.e. new Fairtrade and UTZ certified chocolate products
- *Improved relationships*
 - Formalization of contracts with clear volume and quality parameters
 - Commitments for future operations
 - More frequent communications and feedback loops established
 - Improved payment terms and time
- *Product quality* and *stable supply* of agreed volume of products
 - Training provided by buyers on quality
 - Access to high quality planting materials
 - Improved packaging and labeling, compliance with sanitary norms
 - Better post-harvest management and packing facilities
- *Consolidation* of farmer-owned businesses
 - Improved management structures
 - Implementation of accounting systems



Changes in business performance:

- *Increased production volumes*
- *Improved product quality*
- *Increased prices*
- *Frequency of collection and sales*
- *Increased annual turn-over*
- *Improvement in services* to producers
 - Technical assistance
 - Access to packing facilities
 - Tailored fertilization plans



1. Chain-wide collaboration

- Alignment around social, environmental and gender goals
- Improved communication



2. Effective market linkages

- Strengthened producer organization management and financial systems



3. Fair and transparent governance

- Formal contracts with clear and commonly agreed volume and quality parameters
- Role of women became more visible to all actors



4. Equitable access to services

- Training and technical support on integrated crop management, good manufacturing processes and safety
- Access to improved technologies
- Improved planting materials
- Better access to credit



5. Inclusive innovation

- New product development
- Expansion of production lines in alignment with commercial needs



6. Measurement of outcomes

- Regular dialogue for monitoring and adjustments in trading conditions
- Quarterly meetings

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- Results indicate that an inclusive business model lens assists in the identification of strategies that deliver improved alignment between value chain actors and, in some cases, greater inclusion of women in decision-making processes.
- Commercial gains include increased volume, consistency, quality, prices which translate into greater income for producers and producer organizations. These can all be quantified.
- Producer organizations report improved management practices as well as access to and provision of additional services to members indicating a move towards professionalization.
- Some commercial actors replicated LINK with other producer organizations (i.e. Ritter Sport in Nicaragua with 12 additional coops)
- Need to track the gains of more inclusive business models over time to assess household impacts and longer-term business and value chain influences.



Challenges:

- Previous gains, while important, remain intermediate outcomes. How will they evolve over time?
- To track the gains of more inclusive business models next steps include measuring household impacts and longer-term business and value chain influences.
- A business model focus complements a broader market systems approach. Can these tools work equally well in the larger and arguably more important traditional and informal food systems?
- How can gains in individual cases translate into momentum for broader adoption by the private sector? How can inclusive business become the rule rather than the exception in trading relationships?



RESEARCH
PROGRAM ON
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and Markets



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CGIAR Consortium

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www.cgiar.org



CGIAR

Science for a food secure future