



Food and Agriculture
Organization of the
United Nations



INCLUSIVE BUSINESS MODELS

TRAINING MODULES



INCLUSIVE BUSINESS MODELS

TRAINING MODULES

Food and Agriculture Organization of the United Nations
Rome, 2017

The designations employed and the presentation of material in this information product do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations (FAO) concerning the legal or development status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The mention of specific companies or products of manufacturers, whether or not these have been patented, does not imply that these have been endorsed or recommended by FAO in preference to others of a similar nature that are not mentioned.

The views expressed in this information product are those of the author(s) and do not necessarily reflect the views or policies of FAO.

ISBN 978-92-5-109982-7

© FAO, 2017

FAO encourages the use, reproduction and dissemination of material in this information product. Except where otherwise indicated, material may be copied, downloaded and printed for private study, research and teaching purposes, or for use in non-commercial products or services, provided that appropriate acknowledgement of FAO as the source and copyright holder is given and that FAO's endorsement of users' views, products or services is not implied in any way.

All requests for translation and adaptation rights, and for resale and other commercial use rights should be made via www.fao.org/contact-us/licence-request or addressed to copyright@fao.org.

FAO information products are available on the FAO website (www.fao.org/publications) and can be purchased through publications-sales@fao.org.

Contents

Acknowledgements	iv
Abstract	v
Acronyms	vi
INTRODUCTION	1
OVERVIEW	3
SESSION 1 Opening session	7
SESSION 2 What does inclusive business models mean?	9
SESSION 3 Buyers' perspective on procurement from smallholders	11
SESSION 4 Principles for inclusive and competitive business models	15
SESSION 5 Facilitating inclusive business models – entry points	27
SESSION 6 IBM approach – A methodology for implementation	37
SESSION 7A Business model analysis	39
SESSION 7B Visit to a market or an agribusiness	47
SESSION 8 BM tools: SWOT, Ansoff Matrix and Porters' Five Forces	53
SESSION 9A Identifying common priorities	65
SESSION 9B Designing upgrading activities	67
SESSION 10 Closing session	71

Acknowledgements

This training package is the result of a participatory process involving a broad range of experts under the leadership of Siobhan Kelly (Agribusiness Economist, FAO). Special recognition is owed to Cora Dankers (Agribusiness Officer, TCIB, FAO), Natalie Vergara (Consultant, FAO), Moussa Djagoudi (Agribusiness Officer, FAO, Ghana) and Florence Tartanac (Senior Officer, ESN, FAO) for their guidance and feedback in the development of these materials. Acknowledgements are also given to Shane Hamill (Consultant, ESA, FAO) and Elena Ilie (Consultant, ESA, FAO) for providing a final review. Sincere thanks are due to Simone Morini (Publishing Expert, ESN, FAO) and Daniela Verona (Publishing Consultant, ESA, FAO) for design and publishing coordination.

Abstract

Various types of inclusive business models (IBMs) can connect small producers to agricultural value chains. These include traders, agrifood processors, retailers and contract farming arrangements with large buyers. Supporting these business models and strengthening the linkages that connect smallholders to markets can improve the overall competitiveness of a value chain and reduce poverty. The training targets designers and implementers of farmer-market linkage projects including ministries, development organizations and NGOs, and can add value not only to smallholder-based development initiatives but also to the business activities of other actors involved in agricultural value chains including processors and buyers of agricultural produce. The IBM training package consists in a facilitator's manual accompanied by a series of PowerPoint presentations. The manual provides guidance to the facilitator on how the sessions should be organized as well as on expected outputs, preparatory activities, reference notes, description of suggested activities and additional tools such as case studies or templates for group work.

Acronyms

AABM	Macenta Banana Merchants Association
BIF	Business Innovation Facility
BM	business model
BS	Blue Skies Ltd.
CIAT	International Center for Tropical Agriculture
CTA	Technical Centre for Agricultural and Rural Cooperation
EU	European Union
FAO	Food and Agriculture Organization
FCI	Farm Concern International
FO	Farmers Organization
GIDA	Ghana Irrigation Development Authority
GIZ	German Agency for International Cooperation
HQCF	High Quality Cassava Flour
HR	human resources
IBLF	International Business Leaders Forum
IBM	inclusive business model
IFAD	International Fund for Agricultural Development
LEAF	Linking Environment and Farming
MBPU	Macenta Banana Producers Union
MV	Millennium Village
NGO	non-governmental organization
SFL	sustainable food lab
SMAE	small and medium agro-enterprise
SME	small and medium-sized enterprise
SNV	Netherlands Development Organization
TSS	Transaction Security Service
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WBCSD	World Business Council for Sustainable Development

Introduction

Various types of inclusive business models (IBMs) can connect small producers to agricultural value chains. These include traders, agrifood processors, retailers and contract farming arrangements with large buyers. The IBM concept is based on the underlying idea that both the business community and poor farmers benefit from integrating smallholders into markets. The 'inclusive' and 'business' elements of IBMs often involve trade-offs if enterprises are expected to make profits and address smallholder constraints at the same time. However, when the needs and concerns of both small producers and buyers who constitute the main linkage of farmers to markets are considered, IBMs have the potential to contribute to poverty reduction, improved food and nutrition security, as well as to more competitive agricultural value chains.

This IBM training package has been developed to support the design and implementation of smallholder-based market linkage initiatives and is the result of a participatory process involving a broad range of experts. Targeting designers and implementers of farmer-market linkage projects including ministries, development organizations and NGOs, these training materials have been developed to serve as guidance in training field practitioners on the IBM concept and approach. The training can add value not only to smallholder-based development initiatives but also to the business activities of other actors involved in agricultural value chains including processors and buyers of agricultural produce.

These training materials represent one instrument by which FAO aims to fulfil its vision under Strategic Programme 4 on "enabling more inclusive and efficient agricultural and food systems" and Strategic Programme 3 on "poverty reduction".

General guidelines

The IBM training package consists in a facilitator's manual accompanied by a series of PowerPoint presentations. The manual provides guidance to the facilitator on how the sessions should be organized as well as on expected outputs, preparatory activities, reference notes, description of suggested activities and additional tools such as case studies or templates for group work. With the exception of the first and the last, each Module is accompanied by a PowerPoint presentation to be delivered by the trainer in a face-to-face setting. Additionally, detailed comments to guide the facilitator on the content that should be covered in each session can be found in the notes section of the presentation.

It is expected that the facilitator is knowledgeable on market approaches for smallholder-based development such as the value chain approach. Depending on the targeted audience and its needs, the trainer can deliver the whole programme or select appropriate sessions as needed.

To use the material in the most effective way, it is advisable for the trainer to consider the following:

- ▶ Assess the target audience's level of expertise on market approaches to design the training based on their needs. When possible, participants should have more or less the same level of expertise, which will allow for higher level of participation and dynamic discussions.
- ▶ Prepare the final agenda considering available budget and time.
- ▶ Review in detail the suggested cases to decide if they are appropriate for the target audience. Choose cases and examples that are most relevant taking into account the interests of the target audience.
- ▶ When developing new cases, keep them short (1 page) and ensure all relevant information regarding the session's objective is included.
- ▶ Plan the training ahead in time (minimum one month) in order to take care of all the logistical and administrative activities.

Throughout the training, reference is made to the document *Inclusive Business Models: Guidelines for improving linkages between producer groups and buyers of agricultural produce*. This publication provides a number of tools to complement the training.

At the end of the training participants should be able to:

- ▶ Understand the Inclusive Business Model concept and approach.
- ▶ Reflect on assumptions related to linking farmers to markets – including the roles of value chain actors.
- ▶ Identify trade-offs between competitiveness and inclusiveness to promote win-win situations.
- ▶ Identify and use practical tools to promote inclusive business models within market linkage projects.

Overview

The training is divided in two parts. The first part covers the IBM concept and principles. The second part introduces several implementation tools which illustrate the steps of the IBM methodology as applied by FAO. The training encompasses 10 Modules as follows.

Part 1. IBM concept and principles

Module 1: Opening session

This introductory session presents the training objective, agenda and expectations. The Module does not have a PowerPoint presentation as this session is aimed at organizing various activities to allow participants to get to know each other and prepare for upcoming discussions.

Module 2: The IBM concept

[GO TO POWERPOINT PRESENTATION](#)

This session explains the IBM concept. Participants are asked to define the IBM concept by breaking it down into its two components: *business models* and *inclusive*. The existing definitions of IBM as well as the development and business rationale behind the concept are presented.

Module 3: Building back from business – the role of buyers

[GO TO POWERPOINT PRESENTATION](#)

Buyers of agricultural products are a major component of inclusive business models and should be adequately consulted during the implementation of value chain projects. To highlight the importance of working closely with buyers, this session includes a panel interview with diverse types of buyers procuring from smallholders. Buyers are asked to provide insights on their motivation for working with smallholders, the challenges faced and the support they need. Additionally, this session provides participants with a relaxed, open setting for interacting with buyers.

Module 4: IBM principles

[GO TO POWERPOINT PRESENTATION](#)

This session introduces principles to be used as reference for analysing various types of business models. Trade-offs often have to be made if a business model that is inclusive of smaller, inexperienced actors is expected to generate profits and grow. The principles presented in this session support the analysis of the inclusiveness and competitiveness of a business model and brings these trade-offs to the surface for more informed decisions.

Module 5: IBM drivers

[GO TO POWERPOINT PRESENTATION](#)

This session presents the drivers or starting points of IBMs. Inclusive models can be producer-driven, buyer-driven, public sector-driven or intermediary-driven. Using a *world café*¹ methodology, participants analyse the advantages and disadvantages of each IBM driver.

¹ Detailed explanation of the methodology is provided in session 5 material.

Part 2. IBM implementation

Module 6: Implementing the IBM Approach

[GO TO POWERPOINT PRESENTATION](#)

This session introduces the IBM approach developed by FAO to support the design and implementation of interventions that strengthen market linkages between small-scale producers and buyers. The session describes the rationale behind the IBM approach and the four basic steps for its implementation: understanding the business model, identifying common upgrading priorities, developing a plan for upgrading and measuring progress. The following sessions (six to nine) go in detail on each of these steps and provide tools for their implementation.

Module 7: Step 1 - Understanding the business model

[GO TO POWERPOINT PRESENTATION](#)

This session goes in detail on the first step of the IBM approach: understanding the business model. In order to identify opportunities for improvement, it is important to understand how actors are doing business. The trainer has the opportunity to choose a business model analysis tool from two options – FAO checklist or the Business Model Canvas. Additionally, it is possible to organize a visit to a market or an agribusiness to allow participants to analyze a business model in a real life situation.

Module 8: Business analysis tools

[GO TO POWERPOINT PRESENTATION](#)

This session presents various tools including the SWOT (strengths, weaknesses, opportunities and threats) analysis, Porter's five forces and the Ansoff matrix. The objective is to familiarize participants with tools which facilitate a better understanding of business models and which can be used to identify improvement opportunities.

Module 9: Step 2 – Identifying common priorities

[GO TO POWERPOINT PRESENTATION](#)

Step 3 – Designing upgrading activities

[GO TO POWERPOINT PRESENTATION](#)

This Module is divided in 2 sessions and presents steps 2 and 3 in the IBM approach. Common upgrading priorities are those action-areas which are common to both the seller and the buyer (step 2). Once the common upgrading priorities have been identified, activities and interventions to address them can be designed and implemented (step 3).

Module 10: Closing session

This session provides participants with the opportunity to reflect on the knowledge acquired and the practical tools that could be used for implementing the IBM approach. Asking participants for their feedback is important in order to ensure the continuous improvement of the training.

Proposed agenda²

½ day session	Activities and training topics	Module
Day 1 Morning	Registration of participants Opening session Ice-breaker activity	Module 1
	What does Inclusive Business Models mean?	Module 2
Day 1 Afternoon	Building back from business; panel session with buyers And plenary discussion or group work	Module 3
Day 2 Morning	Assessing inclusiveness and viability of business models	Module 4
Day 2 Afternoon	Entry points for facilitating Inclusive Business Models	Module 5
	Implementing IBM initiatives - the steps to follow	Module 6
Day 3 Morning	Analyzing business models of suppliers and buyers	Module 7a
Day 3 Afternoon	Market / Agribusiness visit	Module 7b Optional
Day 4 Morning	Other business analysis tools	Module 8 Optional
Day 4 Afternoon	Identifying common upgrading priorities and designing upgrading activities that a project may support	Module 9a
Day 5 Morning	Presentation of group work: BM analysis, common upgrading priorities and proposed project support	Module 9b
Day 5 Afternoon	Workshop closure: Participant feedback, written evaluation, issuing of training certificates and closure	Module 10

² Use the proposed agenda when preparing for the training and to send in first communications to participants.

SESSION 1

Opening session

Description

This introductory session presents the training objective, agenda and expectations. It is important to organize activities that allow participants to get to know each other and prepare for upcoming discussions.

Outputs

Participants will be able to:

- ▶ Understand the objective of the training
- ▶ List their expectations for the training
- ▶ Reflect on assumptions related to linking farmers to markets

Summary notes

The training's objective is to improve the delivery and quality of results under market-linkage projects. At the end of the training, participants should be able to:

- ▶ Understand the Inclusive Business Models concept and approach.
- ▶ Reflect on assumptions related to linking farmers to markets, including the roles of value chain actors.
- ▶ Identify and use practical tools to promote inclusive business models within market linkage projects.

Timing

08.30 – 10.45	2 hrs 15 min	Opening session
08.30 – 09.00	30 minutes	1. Registration of participants
09.00 – 09.10	10 minutes	2. Welcome to participants, training objective and agenda
09.10 – 09.20	10 minutes	3. Opening remarks
09.20 – 09.30	10 minutes	4. Keynote address from a government representative (optional)
09.30 – 10.00	30 minutes	5. Round-table presentation of participants
10.00 – 10.15	15 minutes	6. Group photo
10.15 – 10.45	30 minutes	7. Icebreaker activity

Item 1: Welcome. The session facilitator (preferably someone who already knows participants) will welcome participants, provide an overview of the training objective and run through the agenda for the three/five-day training. Then s/he will introduce the panel for the opening session and pass the floor to the representative of the host organization for opening remarks and official welcome. If appropriate, the floor will then be passed to the representative of the host country (e.g. Ministry of Agriculture/Trade) to present a keynote speech.

Item 2: Introductions. Ask participants to state their name, organization, work location and expectations for the training. Introductions should be kept short, around one minute per person.

Item 3: Group photo. It is common practice to have a group photo after the official opening which can be used for the workshop report. After the group photo the opening session can be concluded and dignitaries can leave.

Item 4: Icebreaker group activity. The objective is for participants to break the ice by discussing “contentious” statements related to the content that will be covered during the training. See Annex 1.

Annex 1: Icebreaker activity

After the group photo, divide participants in four groups of five to seven people, hand each group a card and ask them if they agree with the statement, and why or why not.

15-minute group discussion.

2 minutes per group to report back on consensus.

Preparation

Write/print on different coloured cards each of the following statements:

1. Traders are only interested in making profit without providing any service or adding value.
2. Farmer organizations should always try to take on more value, adding activities in the value chain.
3. It makes better business sense to link farmers to markets through producer organizations rather than through traders.
4. All private sector actors (farmers, farmer organizations, traders, processors, retailers, wholesalers) in the chain carry equal responsibility for delivering to customers the required product/services at the right price.

From experience it can be expected that participants will tend to agree with statement 2 and 3, without mentioning arguments against them. If important counter-arguments are not brought up during the opening session, a statement can be chosen to be brought up again at the end of day 1 or at the start of day 2 as an energizer activity.

Energizer activity with one of the icebreaker statements

Write down the chosen statement so that participants can easily see it, and read it out loud. Ask participants who completely agree with the statement to stand on one side of the room, participants who do not agree at the other side of the room, and participants who only partially agree or are undecided in the middle of the room.

Ask the minority group(s) to explain to the majority group why they have a different opinion.

Then ask the majority group to defend its point of view.

Continue the discussion back and forth and explain to participants that they may change groups if they have been convinced of another group’s arguments. Wrap up the discussion if all the arguments have been discussed.

SESSION 2

What does inclusive business models mean?

Description

This session explains the IBM concept. Participants are asked to define the IBM concept by breaking it down into its two components: *business models* and *inclusive*. The presentation covers existing definitions by diverse organizations and the development and business rationale behind the concept.

Outputs

Participants will be able to:

- ▶ Describe the main concepts of inclusive business models
- ▶ Understand that various organizations have developed their own IBM definition, with many similarities but some differences
- ▶ Agree on a definition for inclusive business models

Summary notes

A business model describes how any given enterprise – large or small, informal or formal – does business, markets its products and sources inputs and finance. The *inclusive* element addresses the challenge of linking commodity-dependent smallholders and small actors to markets by stimulating local business model partnerships which include benefits for smallholder groups and small value chain actors. There are many available definitions for IBM, and each organization has its own definition according to its vision. Ultimately IBM implies an economic, social and environmental value with mutual benefits for poor households and the business community.

Reference material

FAO. 2015. *Inclusive Business Models: Guidelines for improving linkages between producer groups and buyers of agricultural produce* (Chapter 1, pp. 15–18).

Timing

11.00 – 12.20	1 hr 20 min	What does inclusive business models mean?
11.00 – 11.30	30 minutes	1. Group work: participants' perception of "inclusive" and "business model"
11.30 – 11.50	20 minutes	2. Presentation: Overview of definitions
11.50 – 12.20	30 minutes	3. Plenary discussion on meaning of IBM

Preparation

- Item 1
- Prepare blank cardboards in two different colours
 - Arrange for two flipcharts or large sticky sheets in which cards can be moved

Item 1: Group work on IBM definition (30 min)

- ▶ See PowerPoint M2.
- ▶ Introduce the topic by grouping participants in pairs to discuss for five minutes what they understand by the term “inclusive”.
- ▶ Hand three cards (same colour) to each pair and ask them to write down on the cards key words or terms (not sentences) which for them define the term.
- ▶ Ask them to stick the cards on the sticky board provided.
- ▶ When all pairs have finished, a resource person puts the same/similar key words into groups on the board.
- ▶ Review the grouped key words on the boards for “inclusive” to see if anything is missing.
- ▶ Repeat the exercise for the term “business model” with a different sticky board.
- ▶ Move the two sticky boards close together. In plenary review, use the grouped key words for “inclusive” and then for “business models” to determine what the participants understand “inclusive business models” to mean.

Item 2: Presentation on the inclusive business model definition (20 min)**Item 3: Plenary discussion (30 min)**

- ▶ Allow for questions and answers for the presenter.
- ▶ Go back to the same groups of two/three and ask them to discuss whether they would like to add/remove anything to/from the term “inclusive” and “business model” on the sticky board.
- ▶ Discuss in plenary if there is anything additional to add to the definition.
- ▶ Write down the final definition and place it in a visible area of the room.

SESSION 3

Buyers' perspective on procurement from smallholders**Description**

Buyers of agricultural products are a major component of inclusive business models. One of the main reasons for failure in value chain projects is the lack of proper consideration of buyers' needs and requirements. To highlight the importance of working closely with buyers, this session includes a panel interview with diverse type of buyers procuring from smallholders. Buyers will be asked to provide insights on their motivations to work with smallholders, the challenges faced and the support they need. This session will also provide participants with a relaxed setting to allow for open interaction with buyers.

Outputs

Participants will be able to:

- ▶ Understand the role of buyers in developing value chains
- ▶ List the main challenges buyers face when procuring from smallholders
- ▶ Reflect on how buyers may also need support to develop a viable business when working with smallholders

Summary notes

For an IBM to be sustainable, it is important that buyers are fully committed to the model and actively engaged. It is vital to work closely with buyers, as they provide market outlets for farmers, generate jobs, transfer knowledge on product and market requirements, and can influence the business enabling environment.

In the same way as there are many types of farmers with diverse levels of access to productive resources, there are many types of buyers, including formal and informal buyers, small/medium/large enterprises and retailers/wholesalers/processing companies. Each type of buyer also has a different set of requirements and challenges. Therefore, it is important to know each buyer in detail in order to provide appropriate support services.

Timing

13.30 – 17.00		Building back from business
13.30 – 13.45	15 minutes	1. Introduction on buyers' perspective on procurement from smallholders
13.45 – 14.45	1 hour	2. Panel interview session with buyers
14.45 – 15.15	30 minutes	3. Plenary discussion with buyers
15.15 – 15.30	15 minutes	<i>Tea & coffee break</i>
15.30 – 17.00	1 ½ hour	4. Option 1: continue plenary discussion 4. Option 2: group discussion with 1 buyer per group 4. Option 3: role play 4. Option 4: Re-discuss some of the icebreaker statements (see Module 1)

Preparation

Item 2	<p>Invite at least three buyers to be a part of the panel session. Send letter of invitation to buyers, attaching concept note</p> <p>Review the interview guide in Annex 1 and 2 and adapt it to the context of buyers and participants</p> <p>Inform buyers on the purpose of the session and send short introduction to interview questions at least one week before the training (Annex 1)</p> <p>Prepare name cards for the panel (name & organization)</p> <p>Prepare the interviewer on how to manage the buyers – ask general questions and when necessary follow up with detailed questions (Annex 2)</p> <p>Arrange for a “small gift” to be given to buyers at the end of the session in appreciation of their time (e.g. dinner coupon)</p>
Item 3	<p>Review alternative options and choose preferred one</p> <p>If using role play, print out lay-out for participants (Annex 3)</p>

Item 1: See PowerPoint M3. Considerations: The presentation is a good way to structure the discussion for the buyers, but since it might repeat what the buyers will say during the panel, keep it short. Just provide the general structure and let the buyers in the panel go into the details of their business and provide concrete examples.

Item 2: Panel session with buyers (1h 30min). Considerations: Invite buyers who fit the specific objectives of the training and projects in the country. Often it will be most interesting to invite a variety of buyers such as retailers, processors, exporters and institutional buyers - including both large and small companies covering a variety of commodities.

Include informal buyers on the panel if possible. Try to create the space to reflect on how projects need to work with buyers in the formal and informal sectors and on how strategies for each may differ. Usually buyers in the informal sector also need support.

Item 3: It is advisable to make full use of the presence of the buyers. There are several options for the second part of the afternoon.

Option 1: Continue the discussion with the panelists in plenary. If the discussion is interesting and participants do not show any signs of getting bored, there is no reason to cut the discussion off. Open up the floor to participants and let them ask the questions and engage directly with buyers.

Option 2: Divide the participants into groups and assign one buyer to each group. Ask each group to discuss with the buyer risks, challenges and benefits of sourcing from smallholders.

Option 3: Role play. Some participants are asked to volunteer to play the role of representatives of a group of smallholders who have a contract with one of the buyers. An outline of a possible role play situation is presented in Annex 3.

Alternatively, roles can be inverted, with the buyers playing the group of smallholders and the participants playing the buyers. This would force the participants to think as a buyer and would give them the opportunity to create challenges for the buyers whom they regularly face.

Option 4: If buyers have to leave early, the time could be used to re-discuss some of the icebreaker statements in light of what was learned from the buyers (see Annex in Module 1).

Annex 1: Interview introduction for panelists

Information to be provided to panelists about one week before the training.

The session facilitator will ask the panelists interview style questions on the following subjects:

1. A brief description of your business and product being sourced.
2. The business case motivations for buying from smallholders.
3. Specific procurement arrangements to facilitate buying from smallholders.
4. Smallholder organizations.
5. What are the main challenges when procuring from smallholders?
6. The company's role in access to finance for its smallholder suppliers.
7. Which policies and actions could promote greater engagement from the private sector with smallholder producers?

Annex 2: Buyers' panel – interview guide

The idea of the panel session is to create a television type of group interview. The first two questions are to be answered by all panel members. After that, the interviewer can ask the third question to only two panelists and direct the follow-up question to another panelist to avoid repetition.

During the interview the interviewer should gradually move from a question-and-answer format to a more interactive discussion. This can be achieved by inviting the panelists to react to each other – for example, "*and Ms... , do you agree with that last remark or do you have different experiences in your company?*"

Potential questions to ask:

1. Please provide a brief description of your business
 - ▶ Product being sourced (or interested in sourcing) from smallholders.
 - ▶ What type of product: staples, high value, cash crop, food crop?
 - ▶ Any specific characteristics or product requirements?
2. Why are you buying from smallholders? What are the business-case motivations for buying from smallholders?
 - ▶ Probing possibilities: Lack of other available suppliers for the product? Price? Location? Transportation costs? Quality? Specific product requirements? Laws limiting large-scale commercial farming? Brand name? Contribute to local social and economic development? Create social value? Difficulty to get volume required?
3. What are specific measures in your company to make buying from smallholders possible?
 - ▶ Probing possibilities: Forecasting demand? Payment mechanisms? Logistics and other post-harvest activities/facilities systems? Organizational structure (intermediaries to link to smallholders)? Bulk selling? Better organization/planning of the production?
4. Do you buy from individual smallholders or should they be organized? If so, what are your requirements for the smallholders' organization?
 - ▶ Probing: Democratic structure? Record-keeping and accountability? Minimum production potential? Storage and processing facilities?

5. a) What are the main challenges when procuring from smallholders?
 - ▶ Probing: Product quality and quantity? Supply reliability? Logistics mechanisms? Infrastructure? Side-selling? Contract enforcement? Informality? Smallholders' organization?
 b) Are there any particular differences in the challenges faced by a small/medium-size company in comparison with a large business?
6. Has the company offered credit or other types of pre-financing, or has there been any assistance for the smallholder to access finance, e.g. agreements with financial institutions (banks, microfinance)?
7. Policies and actions to promote greater engagement from the private sector
 - a) Are there any examples of policies or concrete actions that motivated your company to engage in trading relations with smallholders, such as tax exemption?
 - b) What types of actions could motivate a larger number of companies to engage in business with smallholders? Are there any particular differences between actions to motivate small, medium or large companies? Or are there particular differences depending on the sector, such as staples compared to high value crops?

Annex 3: Role playing

Developing a procurement model between a farmer organization and large processing company

Role 1: Representative of large processing company ABC, with demand for cassava to produce flour for biscuits.

Role 2: Representative of farmer organization XYZ, with members producing cassava generally for home consumption and with surpluses sold in nearby markets.

General situation

ABC is a large agro-processor that manufactures and sells biscuits and snacks in most supermarkets around the country. The agro-processor wants to source raw cassava directly from smallholders for large-scale production of High Quality Cassava Flour (HQCF) that is used as a substitute for wheat flour for snacks and biscuits.

There is a large number of cassava producers in the area close to ABC. However, farmers are not used to commercializing cassava as a cash crop. Smallholders grow cassava for home consumption, occasionally selling their surpluses in local markets close to their farms. Smallholders have a low production yield for cassava, close to 5 tonnes/hectare. However, with more intensive production and the use of improved varieties (disease-free and higher yielding) it is possible to increase yields. Average yield in Africa is 10 tonnes/hectare and countries, like Malawi, have been able to increase it up to 21 tonnes/hectare.

ABC has initiated conversations with XYZ to develop a procurement model in order to procure 32 tonnes of raw cassava per day (around half of the company's demand) from approximately 4 000 smallholders.

After performing a detailed analysis, ABC came to the conclusion that the price it can offer to farmers in order for the model to be sustainable in the long run is 30 percent lower than the market price.

Question: Is it possible to design a business model that can be beneficial for both the company and farmers given the above situation? What would that model look like?

Role 1: As the representative of ABC, present your position and propose a business model considering the required quantity and price restriction.

Role 2: As the representative of the XYZ farmer organization, discuss with the company what type of strategy could enable the procurement of cassava from smallholders. Consider what types of services and support smallholders need in order to produce and deliver the required quantity at a price below market average.

SESSION 4

Principles for inclusive and competitive business models

Description

This session introduces principles to be used as reference when analysing diverse types of business models. Trade-offs sometimes have to be made if a business model that is inclusive of smaller, inexperienced actors is expected to generate profits and grow. The principles presented in this session allow for an analysis to be made on the inclusiveness and competitiveness of a business model, bringing these trade-offs to the surface for more informed decisions.

Outputs

Participants will be able to:

- ▶ Understand that there are trade-offs between inclusiveness and competitiveness
- ▶ Analyse business models based on their degree of inclusiveness and competitiveness
- ▶ Reflect on how there is no standard ideal business model. Each business has to adapt to specific circumstances, but there are some characteristics that make business models more inclusive and competitive

Summary notes

The “inclusive” and “business” elements of an inclusive business model can be competing forces. The “inclusive” element of a business model relates to the constraints of linking smallholders and vulnerable groups to buyers. The “business” element relates to an enterprise’s way of doing business and its viability. The inclusive and competitive principles provide a framework to analyse business models and reflect on how they could be improved.

Reference material

FAO. 2015. *Inclusive Business Models: Guidelines for improving linkages between producer groups and buyers of agricultural produce* (Chapter 3, pp. 24–27).

Timing

09.00 – 12.30	2 ½ hours	Principles for inclusive business models
09.00 – 09.10	10 minutes	Recap of Day 1
09.10 – 09.20	10 minutes	1. Video on TSS Potato, Tanzania
09.20 – 09.40	20 minutes	2. Presentation on inclusive and competitive principles
09.40 – 09.50	10 minutes	3. Video on TSS Potato, Tanzania, to analyse it
09.50 – 10.20	30 minutes	4. Plenary discussion of the TSS case according to the principles
10.20 – 10.40	15 minutes	<i>Tea & coffee break</i>
10.40 – 11.55	1 hour, 15 minutes	5. Group work: each group to analyse the same case Alternatives include: <ul style="list-style-type: none"> ▶ Palm Oil, Pamol – MANAFACOP, Cameroon ▶ Maize, Premium Foods Ltd, Ghana ▶ Cassava, Universal Industries, Malawi
11.55 – 12.30	35 minutes	6. Plenary discussion of group work results

Preparation

Item 1	<ul style="list-style-type: none"> Arrange for speakers to show the video Test the video to make sure it displays Print templates with IBM principles (2 copies per participant)
Item 5	<ul style="list-style-type: none"> Review cases and select one that is appropriate for project and country context Print copies of cases
Recap	<ul style="list-style-type: none"> Confirm participant who will perform recap of day 1

Recap Day 1 (10 min). At the end of day 1, arrange for one participant to prepare a five-minute recap of the main points from the first day of the training.

Item 1: Video Case. Without giving any detailed explanation, tell participants we will start the day watching a video that describes a business model. The first showing is to allow participants to get a general understanding of how the Transaction Security Service (TSS) works. It may also be the first activity in the morning and allows participants to wake up and get interested in the work of the day. See link to video: <http://www.youtube.com/watch?v=grKlmiLHyjl>

Item 2: Explain the principles using PowerPoint presentation M4.

Item 3: Show the video again, but this time with the task of analysing the case according to the inclusive and competitive principles that were presented.

Item 4: Hand out the IBM principles template (Annex 1) and put the template on screen. For each principle, discuss in plenary the performance of the TSS case. Identify someone to type in the results on screen. See Annex 2 for an example of the potential result.

Consideration: Explain to participants that principles provide a framework for analysis and discussion; the objective is not to reach yes/no answers but to analyse various aspects of the model.

Item 5: Preparation. Select a case that is relevant to the participants. Use a case with a commodity and a type of buyer that are close to the commodities and types of buyers that participants normally work with. Potential case studies are provided in Annex 3. Have enough copies printed of the IBM principles template and of the selected case.

Consideration: Make all groups analyse the same case so that discussion in plenary has further analysis and all participants are attentive (when groups analyse different cases, participants will not participate in the discussion of the case they did not work on).

If using a case not provided here, make sure to write the case on maximum one page and provide the minimum information necessary to perform the analysis of inclusiveness and competitiveness principles. Leave out any information that is not strictly necessary for a basic understanding of the case or for the principles analysis, as additional information may distract the participants from the task at hand.

Item 6: Facilitator asks in plenary what the various groups filled in for each principle. Somebody types the results on screen. Discuss if there is a difference of opinion between groups.

Wrap-up the discussion observing that there is no ideal business model and that each organization has its own way of carrying out business, influenced by the product it handles, the productive resources available, the business environment and the history of the company. Also note that it is hard for a business model to excel in all the principles. However, there are some characteristics that make business models more inclusive and competitive that could be promoted.

Option: It may be useful to present the accompanying questionnaire created to assess the IBM principles. It provides a visual representation of a particular business model based on the IBM principles. In practice, the questions are posed to both producers and buyers, after which results are compared and plotted on a spider-like diagram. Participants in the IBM training could be invited to see how the tool functions and how it can be applied to their own work in linking small value chain actors to buyers. The tool is referenced on slide 12 of the Module 4 PowerPoint and can be found here: http://www.fao.org/fileadmin/templates/esa/doc/IBM_tool.xlsx

Annex 1: Template for case analysis on inclusiveness and competitiveness principles

IBM Principles – Inclusiveness

1. Inclusion of actors

- 1.1 Who are the actors included in the BM?
What are their characteristics (e.g. size of land, type of agriculture – subsistence, commercial)?
-
- 1.2 What experience and knowledge of existing supply chain actors does the business model use?

2. Inclusion of market opportunities

- 2.1 What type of business linkage has been established between actors (e.g. contract farming, outgrower scheme, informal transactions)?
-
- 2.2 Are small actors mostly dependent on one market outlet? If yes, which one? If no, how does the business model ensure that there are a range of market outlets available for small actors?

3. Inclusion of the right partners

- 3.1 With which partners does the BM works with? What are their roles?
-
- 3.2 Do any of the actors dominate the business model? Or is there shared decision making?

4. Managing a business strategically

- 4.1 How does the business model encourage efficiency (e.g. timely delivery, quality, timely payments)?
-
- 4.2 How does the business model allow the actor to earn enough to ensure his/her participation in the business model?

5. Business-to-business collaboration

- 5.1 In which way do the main actors (buyers/sellers) in the business model collaborate when doing business, or do they act independently?
-
- 5.2 Are there mechanisms to improve collaboration between actors?

6. Responding to customers' demands

- 6.1 Do the main actors have the business and technical skills to respond to customers' needs? How does the business model or partners support capacity building to respond to customers' needs?
-

Annex 2: Potential result of analysis of TSS case

This example is not meant to provide correct answers, but it may be used by the facilitator as a checklist to use for probing or to start a discussion on potential different points of view. The objective is to have a thorough analysis of the principles.

Potential results for TSS case	
Inclusiveness	Competitiveness
<p>1. Inclusion of actors</p> <p>1.1 The BM includes existing supply chain actors. One of the participants familiar with the case confirmed that TSS agents were selected from a base of successful traders. The BM takes advantage of traders' familiarity with the product and relation with buyers and producers. The model includes farmers and takes advantage of their knowledge to produce potatoes.</p> <p>1.2 The BM encourages the participation of the most committed farmers who are capable of producing potatoes according to quality requirements.</p> <p>1.3 It is not clear if the BM has led to the exclusion of any actors. There is no information about farmer's organizations that could have been included in the model.</p>	<p>4. Business competitiveness</p> <p>4.1 The model encourages efficiency, cost and waste reduction, timely delivery of products, consistent quality and timely payments.</p> <p>4.2 There is a transparent pricing mechanism accounting for all of the costs, from production to delivery. There is also payment of bonuses, which allows actors involved to earn enough.</p>
<p>2. Inclusion of market opportunities</p> <p>2.1 The BM supports informal linkages between farmers and buyers in urban markets, through the TSS agent.</p> <p>2.2 The BM links farmers with only one market.</p>	<p>5. Business-to-business collaboration</p> <p>5.1 Actors in the model collaborate to do business through the use of cell phones and meetings to facilitate collaboration among actors.</p> <p>5.2 The use of the spreadsheet to calculate costs, prices and commissions allows for transparency and increased collaboration.</p>
<p>3. Inclusion of partners</p> <p>3.1 The model is private sector-driven and does not seem to include the local government. It includes local banks and cell phone companies to make payments to farmers and agents. It also probably receives support from development project (IFAD logo).</p> <p>3.2 There is a clear process for transactions between producers and agents. No actor seems to dominate the model.</p>	<p>6. Business capacity and skills</p> <p>6.1 TSS agents have the market knowledge (information on prices) and financial management (calculation of costs and bonuses with the established form on an Excel spread sheet).</p> <p>6.2 The model works with farmers to improve their production skills and to inform them about market price movements.</p>

Annex 3: Potential cases for analysing IBM principles

Case 1: Pamol and MANAFACOO, Cameroon¹

Pamol Plantations Plc is the third largest company in Cameroon's palm oil sector. The Pamol mill produces crude palm oil for direct sales in the local and regional markets. Also, some of this oil is sold to refineries for soap making. Pamol owns large plantations but the production is not enough to satisfy demand for crude palm oil. Because of recent laws, Pamol cannot increase the plantation and therefore it regularly buys fresh fruit bunches from small-scale oil palm growers.

The small-scale growers own on average two hectares of land. The relationship between the smallholders and Pamol is semi-formal. Smallholders are only able to sell to Pamol if they are a member of a cooperative, but there are no formal sales contracts signed.

Many of the smallholders in the area around Pamol are members of a cooperative, MANAFACOO. As part of an EU-funded project, a local NGO acted as an intermediary between MANAFACOO and Pamol. The first step was to organize producer-buyer meetings in which smallholders and staff from Pamol came together to discuss long-standing issues.

After several meetings, MANAFACOO and Pamol agreed on specifications for good-quality fresh fruit bunches. To be able to reach this quality, both Pamol and MAFACOO made some investments. Pamol offers certified seeds to farmers for a discount price, and the farmers can make use of the Pamol nursery facilities. MANAFACOO established a quality control brigade which provides production and harvesting advice and makes spot-checks at harvest to control if the quality corresponds to the agreed specifications.

MANAFACOO and Pamol also established six collection points. Each farmer has been allocated a collection point within 3 miles from the farm. In each zone, farmers harvest at the same period. Dates are agreed beforehand with Pamol so that Pamol comes to collect all the harvest within a two- to three-day period. This decreases time between harvest and processing, which ensures higher-quality oil and prevents the product from rotting.

MANAFACOO also held negotiations with Pamol regarding the price paid to producers. Pamol usually paid a higher price than local traders, but delayed payments caused farmers to not sell their entire production to the company. To resolve this issue, MANAFACOO opened an account with a local community bank. Pamol pays every first week of the month into the account for all the fresh fruit bunches received. The cooperative pays the farmers according to the amount each of them supplied and signed for at the collection points. In this way, the farmers know when they will be paid and the company does not have to deal with individual payments.

¹ FAO. 2015. *Inclusive business models – Guidelines for improving linkages between producer groups and buyers of agricultural produce.*

Case 1: Pamol and MANAFACOO in Cameroon

Inclusiveness	Competitiveness
<p>1. Inclusion of actors</p> <p>1.1 The BM includes various actors: farmers, cooperatives, Pamol (processing company).</p> <p>1.2 The BM encourages the participation of farmers who are able to produce according to Pamol product requirements. Farmers are already experienced in producing palm oil.</p> <p>1.3 MANAFACOO is playing the intermediary role between Pamol and the farmers; this excludes traders.</p>	<p>4. Business competitiveness</p> <p>4.1 The BM encourages efficiency through the use of quality seedlings, collection points, offering advice to farmers on production techniques, and having a quality control brigade and a pricing mechanism to ensure prompt payments.</p> <p>4.2 Pamol buys regularly from MANAFACOO at an attractive price.</p>
<p>2. Inclusion of market opportunities</p> <p>2.1 Farmers are linked to Pamol through MANAFACOO. However the relation is still informal.</p> <p>2.2 Smallholders have access to one buyer (Pamol), although since there is no formal agreement they can sell part of their production to other buyers.</p>	<p>5. Business-to-business collaboration</p> <p>5.1 Actors collaborate with each other, and the roles and responsibilities are clear.</p> <p>5.2 There are mechanisms such as the collection points, payment mechanisms, negotiations and frequent meetings to facilitate collaboration among actors.</p>
<p>3. Inclusion of partners</p> <p>3.1 The model includes other partners such as NGOs, donor (EU), financial institutions, and the government (which passed a law to impede large plantations and encourage smallholder production).</p> <p>3.2 There is a shared decision-making process encouraged by meetings between Pamol and MANAFACOO.</p>	<p>6. Responding to customer needs</p> <p>6.1 Farmers receive advice on production techniques and have the support of the nursery facility and quality brigade to ensure products meet customers' requirements.</p>

Case 2: Premium Foods Ltd and nucleus farmers, Ghana²

Premium Foods Ltd is a large processing company in Ghana. It has a processing facility close to Kumasi with a capacity to handle 50 000 tonnes per year. The company is currently operating at 20 000 tonnes per year, with projections to increase production to 50 000 tonnes within three years. To reach this goal, the company needs to increase its procurement of good-quality raw materials. Currently it sources maize, soybeans, sorghum and rice from smallholders.

The company wants to increase the number of outgrowers and to improve their productivity through the *Go Farming* project. The *Go Farming* project works with large commercial farmers who are also managing smallholder outgrowers.

Each larger lead farmer manages an average of 500 farmers and coordinates service delivery according to the Good Agricultural Practices.

- i. Provision of input credit: the lead farmers provide input credit directly to the outgrower farmers, or they pay the agro-dealers and add an incentive for the inputs to be delivered to the farmers.
- ii. Provision of mechanization services with tractors.
 - a. Premium Foods provides its own tractors to lead farmers for service delivery to smallholder outgrowers.
 - b. Lead farmers who own tractors have agreements with Premium Foods to provide services to smallholder outgrowers.

To assist lead farmers to buy tractors, the USAID/ADVANCE project provided 70 percent of the cost of the tractor and Premium Foods advances the remaining 30 percent, which the lead farmer pays back to the company over two years with grains.

Under an existing Memorandum of Agreement with the Ministry of Agriculture, ministry extension officers provide technical support to the smallholder farmers.

The main challenges of the *Go Farming* project are the unwillingness of farmers to adopt new techniques, the lack of proper documentation by lead farmers, and the unwillingness of some farmers to pay back input credits, to pay service charges and product adulterations.

Furthermore, Premium Foods initiated a partnership with the Crop Research Institute in Kumasi to develop high-yielding maize varieties to boost production levels of smallholder farmers. On the marketing side, Premium Foods has a partnership with the Ghana Grains Council. This involves developing grades and standards as well as conducting warehousing regulations and implementation of the warehouse receipts system in Ghana. It also has partnerships with the Food Science Departments of two universities in Ghana to facilitate new product research in consumer maize and rice products.

² <http://premiumfoodsgn.com> and G8 Cooperation Framework to support The New Alliance for Food Security and Nutrition in Ghana.

Case 2: Premium Foods Ltd and nucleus farmers, Ghana

Inclusiveness	Competitiveness
<p>1. Inclusion of actors</p> <p>1.1 The BM includes various actors: farmers, lead farmers, Premium Foods.</p> <p>1.2 The BM encourages the participation of the most committed farmers (lead farmers) and takes advantage of their capabilities.</p> <p>1.3 The BM leads to the exclusion of transporters as Premium Foods provides tractors for transportation.</p>	<p>4. Business competitiveness</p> <p>4.1 The model promotes good agricultural practices, but farmers need to adopt new techniques restraining them from using their traditional ones. There have been gains in efficiency with the trucks provided for transport. But the BM could improve in time management and record keeping.</p> <p>4.2 Actors in the BM do not earn enough and are unable to pay back their loans.</p>
<p>2. Inclusion of market opportunities</p> <p>2.1 The BM links farmers to an outgrower scheme</p> <p>2.2 Smallholders are bound to one buyer (Premium Foods), but can supply different types of products (sorghum, maize). Also, smallholders are bound to work with nucleus farmers in order to sell to Premium Foods.</p>	<p>5. Business-to-business collaboration</p> <p>5.1 Actors in the model have limited agreements on how to work together. There are mechanisms such as the Memorandum of Agreement to facilitate collaboration among actors, but actors do not adhere to them.</p>
<p>3. Inclusion of partners</p> <p>3.1 The BM includes partners such as universities, ministry of agriculture, national research institutions and Ghana Grains Council. However, it does not include financial institutions.</p> <p>3.2 There is no information about the decision-making process between Premium Foods and nucleus farmers or between nucleus farmers and smallholders.</p>	<p>6. Responding to customer needs</p> <p>6.1 Farmers are trained in new techniques, but they are struggling to incorporate them in their daily activities; they were not using the acquired skills for production and post-harvesting.</p>

Case 3: Universal Industries and smallholders, Malawi³

Malawian biscuit manufacturer, Universal Industries, is a large business with over 1 200 employees. The company has positioned itself as a leading food, beverage and agro-processing industry with an established brand, selling biscuits and snacks in most supermarkets across the country.

Universal launched an initiative to source raw cassava directly from smallholders for large-scale production of High Quality Cassava Flour (HQCF), which is used as a substitute for wheat flour for snacks and biscuits. The objective is to source 32 tonnes of raw cassava per day (around half of the company's demand) from approximately 4 000 smallholders. Universal also sources from larger commercial farmers and independent traders.

The type of smallholders Universal is working with were not used to formal transactions. Farmers hadn't commercialized cassava as a cash crop before and grew cassava for home consumption, occasionally selling their surpluses in local markets close to their farms. Universal explored a variety of options to engage with smallholders such as partnering with organizations including: the Millenium Village (MV) project, supporting the organization of smallholder clusters and providing training; Farm Concern International (FCI), working with a network of 3 000 farmers growing cassava; and the Ministry of Agriculture, which provided extension support.

However, results from NGO-led smallholder farmers have not been as expected. Relationships have taken significant time to develop and there are still no formal contracts with smallholders. The company is currently developing a parallel procurement structure that has direct engagement with the more commercially minded and entrepreneurial farmers and relies less on NGOs and traders.

Finding a correct pricing model that works for both sellers and buyers has been one of the main challenges. The market price of raw cassava per kg is 30 percent higher than the price that Universal can offer in order for the model to be sustainable in the long run. Universal expects that by offering a stable market outlet, farmers will be motivated to invest in scaling up production and increase volumes. Cassava can have a higher yield per hectare than other crops such as maize and pigeon pea, so even with the lower price offered by Universal, smallholders can get a higher revenue per hectare if production is increased.

To intensify smallholder cassava production and make aggregation of cassava at farm gate feasible, Universal provides smallholders access to training in farming techniques and business skills. It also received a grant from CAVA for the provision of cassava cuttings to smallholder farmers.

³ BIF, 2013. *Commercializing cassava – New opportunities for Universal Industries and Malawian smallholders.*

Case 3: Universal Industries and Malawian smallholders

Inclusiveness

Competitiveness

1. Inclusion of actors

- 1.1 Actors included in the model are:
Small cassava producers (4 000) – the BM is working with smallholders who grew cassava for home consumption, but is trying to work with the more commercially minded and entrepreneurial farmers.
Universal Industries – large agro-enterprise with solid experience in producing, selling biscuits.
- 1.2 The model uses the experience of smallholders in producing cassava.
- 1.3 The model excludes producers who are not commercially minded. It also will exclude traders.

2. Inclusion of market opportunities

- 2.1 Smallholders established informal business relationships with Universal. There are no legal contracts.
- 2.2 Smallholders are not obliged to sell all of their produce to the buyer, but the model doesn't facilitate linkages with other types of buyers.

3. Inclusion of partners

- 3.1 The BM works with local NGOs to facilitate the business linkages, and with the Ministry of Agriculture for the provision of extension services.
- 3.2 The BM is dominated by Universal Industries, which seems to have all of the power in decision-making. There doesn't seem to be any indication of shared decision-making mechanisms.

4. Business competitiveness

- 4.1 Universal sources cassava at farm gate after harvest and takes it to processing plant where root is processed.
- 4.2 Price being offered by Universal is lower than market price; but due to cassava's higher yield, if smallholders intensify their production, their incomes can increase.

5. Business-to-business collaboration

- 5.1 There is no explicit description of mechanisms to increase collaboration between smallholders and Universal. The search for a price model that works for both producers and sellers can be a good example.

6. Business capacity and skills

- 6.1 Training to smallholders in farming techniques and business skills, provision of cassava cuttings.

SESSION 5

Facilitating inclusive business models – entry points

Description

This session presents the drivers or starting points of inclusive business models. IBMs can be producer-driven, buyer-driven, public sector-driven or intermediary-driven. Using a world café methodology, participants will analyse the advantages and disadvantages of each driver to promote IBM.

Outputs

Participants will be able to:

- ▶ List the advantages and disadvantages for the different entry points of inclusive business models
- ▶ Reflect on how inclusive business models require collaboration among a wide range of actors, with each one contributing based on its comparative advantage

Summary notes

Smallholders that produce a surplus and take market risks beyond the farm gate or local spot markets are typically linked to the market by one or a combination of main drivers – producer-driven, buyer-driven, public sector-driven or intermediary-driven. Organizations that promote IBM will have different driver entry points depending on their skills, networks and mandate. There is no ideal driver. Each driver has its own comparative advantage, and hence there is no need to push for a particular driver. Optimal results can be achieved when the different actors collaborate to develop a business model that is both inclusive and competitive.

FAO's entry point is to work with governments on policy design and best practices based on normative learning, complemented with intermediary-driven models in which non-governmental organizations (NGOs) and service providers implement projects to support smallholder-based value chains.

Reference material

FAO. 2015. *Inclusive Business Models: Guidelines for improving linkages between producer groups and buyers of agricultural produce* (Chapter 2, pp. 19–23).

Timing

13.30 – 16.00	2 ½ hours	Facilitating IBM – entry points
13.30 – 13.45	15 minutes	1. Introduction to entry points and world café methodology
13.45 – 15.15	1 ½ hours	2. World café, 3 tables with cases e.g.: <ul style="list-style-type: none"> ▶ Buyer-led: juice Blue Skies, Ghana ▶ Facilitator-led: Elreco, Kenya ▶ Government-led: Rice Afife, Ghana ▶ Farmer organization-led: Macenta Banana Producers Union
15.15 – 15.30	15 minutes	<i>Tea & coffee break</i>
15.30 – 16.30	1 hour	3. Plenary discussion on world café results

Preparation

- | | |
|--------|--|
| Item 2 | <p>Select three cases to be used for the world café</p> <p>Select three hosts for the world café. Hosts should be able to direct the discussion among various participants</p> <p>Arrange for a note taker/support person in each table</p> <p>Instruct the hosts on their role and give them the case in advance so that they are ready to guide the discussion. It is possible to do this during the morning break</p> <p>Arrange room with three tables placed apart from each other so that groups can have discussions</p> <p>Print copies of cases and template for the world café (Annex 2)</p> |
| Item 3 | <p>Select note taker to consolidate results in plenary discussion</p> |

Item 1: See PowerPoint presentation M5. Preparation: Review potential cases in Annex 1 and see whether they can be used or if it would be better to develop other cases more relevant for the participants. When developing new cases, make sure they are maximum of one page and contain only the most essential information necessary for the analysis.

Consideration: while in theory there are four types of drivers, it will be too much to have four tables for *world café*, because this would mean four recaps by the host, which will take too much time. Therefore, it is recommended that only the three drivers most relevant for the participants' daily work be used. Always include a buyer-led case.

Item 2: World Café. Divide participants into three groups. It is easier if each participant calls out a number 1-2-3. See PowerPoint for explanation of world café dynamics.

Item 3: See template PowerPoint presentation to be used to consolidate the results for each driver. Test table for presentation on screen to see legibility and facilitate comparison.

Consideration: As all participants have participated in the analysis of all the cases, everyone can contribute to the plenary discussion. Therefore, ask participants first to volunteer answers. When no more advantages or disadvantages for a particular case are being brought up, ask the table host to complete the information.

Final conclusions: When all advantages and disadvantages of each driver are listed, ask participants to select the strong and weak aspects of each driver. Try to draw out the participants' conclusions about the different drivers. The objective is to illustrate that there is no ideal driver and that each driver has its own comparative advantage, and hence there is no need to push for a particular driver. Optimal results can be achieved when the different actors collaborate to develop a business model that is both inclusive and competitive.

Annex 1: Potential cases for IBM driver analysis

Case 1: BLUE SKIES juices¹ – Private sector-driven

Blue Skies Ltd (BS) is a privately owned fruit-processing company that procures from smallholders and has successfully implemented a contract farming arrangement. The company is located close to Accra. It processes 18 tonnes/day of fresh fruit into juice and packaged fruits sold nationally and exported to Europe. The present workforce includes 1 600 workers operating on a 24-hour shift, seven days a week.

The company does not have a plantation. BS procures 70 percent of its supply base from smallholders; the remaining 30 percent comes from large-scale farmers and import companies. BS selects farmers on the basis of their acreage (2–3 hectares), their potential to operate as commercial enterprises, and their ability to meet expected yields and standard requirements. Currently BS works with around 150 farmers.

To ensure a steady supply and to make sure fruits have the quality and certifications required, BS developed an outgrower scheme. Producers sign a seasonal contract (normally a six-month period). The contract specifies the fruit size, weight range and quality, including quality assurance checks and the rejection of fruits. The contract includes a sanction scheme. However, the company reports that breaching is not common.

BS works to the highest technical, social and environmental standards to ensure all of its fruit comes from a sustainable source. The standards it expects its suppliers to meet include GlobalGAP for food safety, SEDEX and Fairtrade for ethical compliance, and organic and LEAF for environmental sustainability.²

LEAF's approach is built around the whole-farm principles of Integrated Farm Management, which achieves a balance between the best of modern technology and sound traditional methods, while enriching the environment.³ The LEAF standard focuses on soil management and fertility, crop health and protection, pollution control, animal husbandry, energy efficiency, water management, nature conservation and community engagement.⁴

Farmers are organized into cooperatives (currently two cooperatives: *Fotobi* Cooperative and *Bisease Amanfro* Cooperative). One of the main tasks of the cooperatives is to provide assistance in contract negotiation and amount to be purchased. The price is set yearly by BS although it is negotiated with the cooperatives representing the outgrowers, particularly when a price modification is deemed necessary.

BS set up a technical team which is responsible for training farmers, in coordination with the cooperatives, on good farming practices. Periodically, trainings are also organized on topics such as accounting, hygiene, soil fertility and technology. The technical team is also responsible for quality assurance. For instance, it closely monitors during the rainy season to prevent the fruit from getting watery and to ensure that farmers use the correct fertilizers. In addition to the BS technical team, within the cooperatives there are also quality assurance teams to ensure that quality and certification requirements are met.

BS provides crates, and collects and transports the product. Prompt payments to farmers and fair prices have ensured regular supplies to the company and a steady market for the outgrowers. This has decreased side-selling: currently 80-85 percent of the farmers are loyal.

BS also used to provide credit through Standard Charters, Barclays and Ecobank, providing interest-free loans to loyal farmers. However, due to the international financial crisis and exchange depreciation, the company stopped the service. Currently only banks provide financial services. On some occasions BS borrows the capital on behalf of outgrowers and on-lends it to them at a subsidized interest rate.



¹ <http://www.fao.org/3/a-i3404e.pdf>

² <http://www.blueskies.com/farmers>

³ <http://www.leafuk.org/leaf/about.eb>

⁴ http://www.leafuk.org/resources/001/220/618/Global_Impacts_Report_2016_Web.pdf

The BS juices are a successful product that is highly appreciated by consumers for its freshness and quality. However, BS's profitable business model still has room to improve. The main constraints for outgrowers are the rejection of fruits (5-10 percent), limited production skills, the burden of certification costs, seasonal shortage of inputs, and capacity to increase production.

Case 2: ELRECO DAIRY FARMERS⁵ – Facilitator-driven

Eldoret Christian Community Services (Elreco) is a development organization working with communities in the North Rift region in Kenya. As part of an economic livelihoods project, in 2006 Elreco studied the milk marketing situation in Chepkorio (a district in the region). It found that farmers lacked bargaining power and organization to efficiently market their product and that there were buyers interested in purchasing milk.

As a result of the study, Elreco mobilized 400 farmers from 16 self-help groups to form the Kong's Asis Farmers' Cooperative Society. The objective of the cooperative is to organize the marketing of milk. Membership is restricted to dairy farmers residing in the area. Members pay a membership fee of KSH 100 and elect a committee of nine people that manages the cooperative.

With support from Elreco, the cooperative identified a milk processor Brookside Dairies interested in buying its product. They negotiated a contract to supply 5 000 litres of milk per day and set a floor price.

With a secure buyer, the cooperative arranged seven collection points around the villages in Chepkorio. Farmers deliver their milk to the collection points, and the cooperative arranges for a vehicle to pick up the milk and take it to the processor.

Brookside Dairies pays KSH 16 per litre of milk to the cooperative, which deducts KSH 2.70 to cover for transportation and administrative expenses. The cooperative pays farmers promptly at the end of each month. The cooperative can also give cash advances in special circumstances.

The cooperative introduced standard measures for the milk and keeps records of the amounts bought and sold. It weighs and checks the quality of the milk at the collection points. It also checks for possible disease and adulteration before pouring the milk into a common container. Additionally, an extension worker tours the farms to check the animals' health. With support from Elreco, the cooperative has also organized trainings for farmers on dairy management.

The cooperative has made arrangements with financial institutions. Members can access loans from commercial banks. One bank has developed a tailor-made credit facility for dairy farmers with 12–13 percent interest a year (lower than the commercial rate). The cooperative provides the contract with Brookside Dairies as a bank guarantee. The bank checks the cooperative's records for deliveries from the farmers who apply for the loan. The cooperative has also made credit arrangements with local stores for farmers to obtain dairy meal, drugs, seeds and fertilizers on credit.



©FAO/Simon Maina

⁵ KIT (Royal Tropical Institute) & IIRR (International Institute of Rural Reconstruction). 2008. *Trading up: Building cooperation between farmers and traders in Africa*.

Case 3: AFIFE RICE⁶ – Government-driven

The Ghana Irrigation Development Authority (GIDA) manages around 50 public irrigation schemes on government land acquired in the past from local communities. One of those schemes, the Afife Rice Irrigation Project, is located in the Volta Region and covers an irrigated area of 880 hectares served by two dams.

In its earlier stages there were around 800 farmers, but this has increased to 1 024 farmers who cultivate between 0.4 and 1.8 hectares each. The farmers have a five-year renewable tenant agreement with GIDA.

The farmers were organized in cooperatives by GIDA, and the Department of Cooperatives provided the farmers with training. The umbrella Afife Rice-Vegetable Irrigation Cooperative Farmers and Marketing Society was formed in 1996. The society's steering committee is made up of two representatives from each cooperative, together with GIDA management.

The farmers' cooperative is responsible for the operations and maintenance of the irrigation scheme under a joint management system with GIDA. The farmers pay an irrigation service charge of GHS 100 per hectare per season, which is barely sufficient to maintain the irrigation scheme. Land fees have never been paid by farmers, although they may be introduced in the future (similar to other irrigation schemes).

The GIDA authority provides extension and some fertilizers at a subsidized price, which are paid on the spot by farmers. GIDA does not provide any support in terms of seed supply. Farmers cultivate rice twice a year with an average yield of 4 tonnes per hectare (per season).

Originally, GIDA and the cooperatives were not involved in marketing activities. However in 2001, farmers' marketing problems were addressed when GIDA facilitated a linkage between the cooperatives and House of Remma, a processing and marketing company. They developed an arrangement in which farmers who received loans from the Agricultural Development Bank had to deliver the equivalent in terms of paddy to the House of Remma, which paid back the bank. The price of paddy was agreed between the cooperatives and the processing company at the beginning of the planting season. In November 2007, CCTV signed a contract with the House of Remma for delivery of the now famous Afife naturally perfumed rice. By 2009, CCTV and the House of Remma were still the main buyers of rice from Afife, but according to an interview with GIDA staff in 2013, GIDA no longer had any facilitation role in marketing.

The main challenges of the project are with the maintenance of the infrastructure and the small size of the farms. By 2010, the two dams were silted and one of the dams had to be closed. This limited the water supply to the farms. New external funding for the rehabilitation of the dams was needed. To be able to keep the required level of maintenance, the farmers should pay higher irrigation and land rental fees.

The small farm sizes and difficulties in accessing tractor-hiring services make the rate of mechanization low, which lowers the quality of the rice and increases production costs for farmers. Also, the use of the land is not transparent and leads to conflicts; the project would benefit from registering and mapping out the land.



⁶ <http://www.fao.org/3/a-y5785e.pdf> – <http://www.fao.org/3/a-i3404e.pdf>

Case 4: Macenta Banana Producers Union⁷ – Producer-driven

Macenta is located in the forest region of Guinea-Conakry, where climatic conditions are favourable for banana cultivation. Most small farmers produced their bananas in isolation, selling to collectors travelling from village to village who only purchased by the heap in small quantities at highly variable prices. This prompted producers to begin to work together to increase their bargaining power and facilitate the flow of products to the market.

In 1995, the first informal groups were created. The objective of the groups was to develop a system to facilitate the marketing of bananas. In 2001, the Macenta Banana Producers Union (MBPU) was officially created to represent all the producer groups. The union represents 129 producer groups, including between 10 and 40 farmers who are located nearby. The total number of producers represented by the union is 2 750 (1 938 men and 612 women). Self-organization of producers prompted traders to also work together and establish the Macenta Banana Merchants Association (AABM).

After many trials and errors, the MBU works together with AABM to establish an effective marketing system. The marketing system has resulted in a kind of regular mini commodities exchange for the marketing of bananas from Macenta in which there is price negotiation and a sales schedule agreed between producers and traders. MBOU and AABM representatives meet to negotiate a fixed price that can be periodically revised depending on market conditions and transportation costs (two or three times per year).

The marketing system includes a harvest programming commission and weighing stations. There are 55 weighing station, each managed by a leader selected by the producer groups. The weighing station manager informs the union when producers are about to harvest so that their crop can be programmed for sale. Every Thursday, traders of AABM, come to MBPU's headquarters to meet with the harvest programming commission to indicate the purchase volume. Traders pay a harvest ticket of 1 FG/kg that indicates the assigned weighing station.

Traders contact the weighing station directly to agree on the loading date. The station distributes the quantity ordered among its group members whose bananas are mature, based on each member's production capacity and according to the urgency of their financial needs. On the agreed date, traders inspect the volume scheduled to be supplied. At the station, bananas are controlled for maturity and size, weighed and loaded onto trucks to be transported to Conakry. Traders pay cash to the group leader, who distributes payment among producers according to volume delivered. At the time of payment, 1 FG/kg is deducted by the weighing station on behalf of the group.

Producers have benefited from the marketing system, with higher prices and larger volumes of sales. MBPU's yearly sales average close to 7 000 tonnes of bananas. Traders also benefit from negotiating with only one organization; this has reduced conflicts in price negotiation and reduced price volatility. Also, traders can buy large quantities at one time, reducing transportation costs as two to three trucks can be filled at a single point. However, issues still remain. Currently the main problems relate to buyers in Conakry who refuse to use the weighing system, creating tension and impeding fair negotiations. Also, MBPU lacks a stocking area or ventilated warehouse to keep products in reserve to sell at a later date. Finally, there is limited financial capacity to deliver products to alternative market outlets that are not able to pay cash.

⁷ The Commercialization Experience of the Macenta Banana Producers Union (MBPU).

Annex 2: Template for consolidation of World Café results

Inclusive	Government-driven (+)	Private sector-driven (-)	Facilitator-driven (+)	Producer-driven (+)
-----------	-----------------------	---------------------------	------------------------	---------------------

Advantages
for
inclusiveness

Disadvantages
for
inclusiveness

Competitive	Government-driven (+)	Private sector-driven (-)	Facilitator-driven (+)	Producer-driven (+)
-------------	-----------------------	---------------------------	------------------------	---------------------

Advantages
for
competitiveness

Disadvantages
for
competitiveness

Annex 3: Reference World Café results

Inclusive	Government-driven (+)	Private sector-driven (-)	Facilitator-driven (+)	Producer-driven (+)
Advantages for inclusiveness	<ul style="list-style-type: none"> • Transparency in decision making (with the consultation of actors through steering committee). • Can facilitate access to valuable resources such as land. • Support for capacity building of farmers (extension officers). • Ability to influence policy. • Can support incentives and policy for responsible environmental management / climate-smart agriculture. • Can include large number of beneficiaries. • Can offer services at a subsidized price, therefore attract more smallholders to the programme. 	<ul style="list-style-type: none"> • Development of outgrower scheme to supply raw material by smallholders. • Capacity building of farmers. • Access to loans through banks, with no interest rates for farmers. • Signing of contracts (business security). • Access to transport. 	<ul style="list-style-type: none"> • Mobilize farmers to form a cooperative. • Democratic committee to manage the network (contract negotiation). • NGO supports farmers to access services such as loans and transportation. • Support capacity building for farmers. 	<ul style="list-style-type: none"> • Any producer can initially join the groups. • Work to include in the model not only producers, but also traders. • Variety of buyers (merchants, members of the association) who are organized in one group.
Disadvantages for inclusiveness	<ul style="list-style-type: none"> • Only one buyer. • No transparency for land use, which leads to conflict. • Can discourage participation of most capable-commercial farmers. • Government can step over the role of other actors (buyers). 	<ul style="list-style-type: none"> • Limits to the type of farmers who can be part of the scheme (only farmers with more than 2 hectares). • Smallholders linked through lead farmers who might not represent all of their interests. • There don't appear to be any mechanisms for farmers to negotiate better terms and resolve conflicts. 	<ul style="list-style-type: none"> • Membership restricted to milk farmers residing in a specific area. • Only one market outlet, one product. 	<ul style="list-style-type: none"> • Doesn't include partnerships with other actors (e.g. financial institutions). • Lack of mechanisms to enforce agreements; merchants not willing to weight products.

Competitive	Government-driven (+)	Private sector-driven (-)	Facilitator-driven (+)	Producer-driven (+)
Advantages for competitiveness	<ul style="list-style-type: none"> • Availability of land for irrigation scheme to increase competitiveness. • Provision of subsidy – makes farmers competitive because they have reduced cost. • Production intensification as a result of irrigation. • Facilitation of initial contact with buyer. 	<ul style="list-style-type: none"> • Efficient and effective delivery of services. • Opportunity for expansion. • Quality of products. • Flexibility in contract negotiations. • Price incentive (attract farmers to sell to Blue Skies). • Certification of products gives access to markets. 	<ul style="list-style-type: none"> • High-quality products as a result of quality checks. • Collection points to prevent spoilage. • Contract negotiations. • Prompt payments by buyer. • Member contribution (member fee). • Advance payments. 	<ul style="list-style-type: none"> • Price negotiations between producer organization and merchant association. • System is profitable for both producers and traders. • Weighing of products to pay fair price. • Increased sales volumes. • Payment of fees to cover operational costs makes system sustainable. • Efficient organization of harvesting, product delivery and transportation.
Disadvantages for competitiveness	<ul style="list-style-type: none"> • Provision of subsidy creates market distortions and creates culture of “free” stuff. • Not enough money to cover the cost of irrigation maintenance. • Increasing number of farmers on limited area of land. • Non-payment of land fee by farmers. • Political interference. 	<ul style="list-style-type: none"> • Exposure to external shocks (inflation, high taxes). • Burden of certification process. • Interest-free loans are high risk for company. 	<ul style="list-style-type: none"> • High risk of specializing in one product only. • Facilitator has limited time to support the business model. • Rely on external financial support (donors). • Cooperative can rely on NGO to perform certain activities. 	<ul style="list-style-type: none"> • Limited ability to engage with other clients due to the requirement of advance payments. • Lack of storage facilities to store products and sell a later date can limit profits. • Lack of enforcement of weighing mechanisms with buyers in Conakry.

SESSION 6

IBM approach – A methodology for implementation

Description

This session introduces the IBM approach, which has been developed by FAO to support the design and implementation of interventions that strengthen market linkages between small-scale producers and buyers. The session describes the rationale behind the IBM approach and the four basic steps for implementing it: understanding the business model, identifying common upgrading priorities, developing a plan for upgrading, and measuring progress.

Outputs

Participants will be able to:

- ▶ Understand the rationale of FAO's IBM approach
- ▶ List the steps for implementing the IBM approach
- ▶ Identify a business case for implementing the IBM approach

Summary notes

The IBM approach complements value-chain thinking with a specific emphasis and lens on the producer-to-first-buyer linkage in the chain. By focusing on the relationship between producers and their first buyer – often the weakest link in the chain – it is possible to improve the competitiveness of the whole chain.

The IBM approach has adapted business tools to facilitate understanding of inter-business linkages and to identify context- and commodity-specific solutions to local market obstacles. A cornerstone of the approach is to maintain a focus on improving competitiveness through win-win solutions for the smallholder-to-buyer linkage, rather than addressing the individual needs or concerns of either actor in isolation.

The IBM approach is a methodology for designing and implementing interventions that improve small actors' business models as well as the linkages between business models. The IBM approach is made up of four steps. The process is basic and flexible to allow for adaptation to local contexts, commodity characteristics, market structures and evolving progress and constraints.

Reference material

FAO. 2015. *Inclusive Business Models: Guidelines for improving linkages between producer groups and buyers of agricultural produce* (Chapter 4, pp. 29–34).

Timing

16.30 – 17.30	30 minutes	Implementing the IBM approach
16.30 – 17.00	30 minutes	1. Presentation on implementation steps
17.00 – 17.30	30 minutes	2. Preparatory work for group formation and case selection for BM analysis the next day

Preparation

- Item 2 | Select cases for group work on the implementation of the IBM approach. Cases should represent situations that participants are working with in their projects. It is also possible to ask participants to suggest cases

Item 1: See PowerPoint M6. After two days of getting acquainted with the new concept and doing some rather academic analysis of cases, it is important that participants see that the training will lead to practical approaches they can use in their work.

Modules 6 to 9 go into detail on the steps for implementing FAO's IBM approach. Participants will be divided into groups to work on real-life cases with which they are familiar. In this way, participants can immediately put the theory into practice and learn by doing.

Item 2: See slide on group formation. It is important that groups are assigned a concrete business case that they know, in order to avoid participants analysing whole sectors. It may be most useful for them to analyse a business case that they are actually working with. However, participants tend to want to present that case in better light than the actual situation may be for fear of being criticized for not having done a good job. Therefore, when discussing with participants the choice of the case to analyse, it should be made clear that the case should have a couple of problems; otherwise participants cannot learn from it.

Even if only for a short period of time, it is beneficial to get participants to think about the case they are going to work on to implement the IBM approach. In this way, it is possible to go straight to the details of each case during the next days. The exercise on the offer to the market is to get participants to start thinking about the case in practical terms.

Consideration: In the Modules on IBM implementation (6-9), the PowerPoint presentations include the Blue Skies case (used in Module 5 – IBM drivers). The objective is for the facilitator to provide practical guidance on what is expected with the implementation of each of the steps.

SESSION 7A

Business model analysis

Description

This session goes in detail on the first step of the IBM approach – understanding the business model. In order to identify opportunities for improvement, it is important to clearly understand the current situation and how actors are doing business. This section will provide practical tools for analysing a business model.

To perform a business model analysis, two tools are included:

Option 1: FAO checklist

Option 2: Business Model Canvas

The facilitator can choose which tool to use based on which would be more useful and easy to use for the participants.

Outputs

Participants will be able to:

- ▶ List the different business model components
- ▶ Perform a general business model analysis

Summary notes

Strengthening business models begins with an appraisal of how target farmers and buyers are doing business. The analysis looks first at the farmers' groups to understand their organizational structure, members, resources, capacities, suppliers and buyers, commodity characteristics and marketable surpluses of members. The buyers' business models are similarly analysed to understand their management structure, resources, capacities, product description, operational capacity and clients. In order to identify areas of improvement, the business model analysis should be a reflection of the business reality on the ground, not a desired or ideal situation.

Reference material

FAO. 2015. *Inclusive Business Models: Guidelines for improving linkages between producer groups and buyers of agricultural produce* (Chapter 4, pp. 29–31).

CIAT. 2012. *LINK methodology: A participatory guide to business models that link smallholders to markets* (Key tool #2: The Business Model Canvas, pp. 37–60).

Timing

09.00 – 11.00	2 hours	Business model analysis
09.00 – 09.30	30 minutes	1. Presentation on business model analysis: <ul style="list-style-type: none"> ▶ FAO checklist ▶ Business model canvas
09.30 – 10.00	30 minutes	2. In plenary apply the checklist/canvas to one of the previously discussed cases
10.00 – 10.15	15 minutes	<i>Tea & coffee break</i>
10.15 – 10.30	15 minutes	3. Explain group work
10.30 – 12.00	1 ½ hours	4. Group work: apply the business model analysis to a known business case (4 groups)

Preparation

- 1 Select which tool to use: FAO checklist or BM canvas.
- 2 Print templates of the tool for group work.
- 3 Prepare a flipchart or large paper glued to the wall with the template chosen for the business model analysis.

Item 1: Option 1 FAO checklist: See PowerPoint M7a

Option 2 BM canvas: See PowerPoint M7b

Depending on the objective of the workshop, options 1 and 2 may also be combined.

Templates for analysis: See Annex 1 for the BM components template. See Annex 2 for the canvas template.

Item 2: To allow the participants to internalize the business model components and/or canvas, and analyse one of the previously discussed cases in plenary with the participants. As you go through each of the components, provide concrete examples so that participants can get a practical idea of what a business model appraisal is. See Annex 3 for a business model analysis of the Blue Skies case.

Consideration (when using Option 1 FAO checklist):

- ▶ It is necessary to analyse the activities and resources of both producers and buyers.
- ▶ The logistics mechanisms refer to how products are delivered from producers to buyers.
- ▶ The Suppliers/Partners refer to those actors that facilitate the delivery of products from producers to buyers.

Item 3: Give very clear instructions to the groups. Remind them that the business appraisal is an analysis of the actual situation, not of how it should be in an ideal version. Explain that when doing a business model analysis for real, the analysis will go much deeper and will not be limited to desk work but will involve interviews with company managers, suppliers, buyers and other actors in the chain. Since it is not possible to perform interviews during the training, information will be limited participants' familiarity with the chosen case. It is possible to make small assumptions, but always while considering the current situation.

Item 4: There needs to be a permanent facilitator at each table to guide the discussion and lead participants to ask the appropriate questions. The facilitator should take care that the group analyses a business and not a sector and that the group sticks to reality when formulating the answers.

Annex 1: Template for business model component analysis

Business Model Components	
1. Product	
1.1	What products are sold?
1.2	Do they have any special characteristics that differentiate them?
1.3	How are sales performed (individual/ aggregated, formal/ informal contracts, organizational mechanisms)?
1.4	What volumes are traded?
1.5	How are products packaged?
2. Producers	
2.1	How are the farmers organized?
2.2	Who are the producers: men and/or women?
2.3	Where are they located?
2.4	What is the size of the land to grow crops?
2.5	Is land owned or rented?
3. Buyers	
3.1	Who buys the products: traders, wholesalers, supermarkets, hotels, exporters?
3.2	What amount of product do they buy?
3.3	Why are they interested in procuring from smallholders?
3.4	Who do they sell the product to (final clients)?
4. Key activities	
4.1 Producer Group	
4.1.1	What activities generate income for the producer organization?
4.1.2	What services does the producer group provide to producers/buyers? (e.g. processing, marketing, payment, quality control)
4.2 Buyer	
4.2.1	What are the activities that generate income for the buyer?
4.2.2	What types of services do buyers offer to farmers/producer organization?

5. Resources

5.1 Resources – Producers

5.1.1 What is the infrastructure (machinery, equipment, technology) needed by the producer organization to perform activities?

5.1.2 What is the knowledge (production, processing, logistics) needed to perform activities?

5.2 Resources – Buyers

5.2.1 What is the infrastructure (machinery, equipment, technology) needed by buyers to perform activities?

5.2.2 What is the knowledge (production, processing, logistics) needed by buyers to perform activities?

6. Logistics

6.1 How are products collected from the farmers?

6.2 How are products transported to buyers?

6.3 Where are products stored?

6.4 For how long products can be stored?

7. Suppliers and partners

7.1 Who are the direct partners that make part of the BM transporters, suppliers (inputs, seeds)? What services do they provide?

7.2 Are there any indirect partners that support the BM (financial institutions, research centers, NGOs, public organizations)?

7.3 How is the relationship with partners?

8. Cost and revenue

8.1 What are the pricing mechanisms?

8.2 How does the buyer pay?

8.3 How stable are sales between producers and buyers?

8.4 Is the price fair according to the production costs?

Annex 2: Business model canvas template*

Partners ▶ Who? ▶ Suppliers? ▶ Partners' activities?	Key activities ▶ What? ▶ Who is responsible for them?	Value proposition ▶ What is the product? ▶ Why do customers buy it? ▶ What is the problem the product solves?	Customer relationships ▶ How is communication with customers? ▶ Type of relationship?	Customers ▶ For whom is value created? ▶ Who are the customers? ▶ Who is paying?
	Key resources ▶ What is needed? ▶ Are they available? ▶ How are they allocated?		Channels ▶ How products get from the producer to the customer? ▶ Are there more ways?	
Cost structure ▶ Fixed costs ▶ Variable costs ▶ Economies of scale ▶ Economies of scope		Revenue stream ▶ What is the selling price and how is it determined? ▶ How do customers pay, and how long does it take to receive the payment? ▶ How stable is the income?		

* Adapted from: Osterwalder&Pigneur, 2010 in CIAT, 2012.

Annex 3: Example business model analysis for Blue skies case

Business Model Components	
1. Product	
1.1 What products are sold?	Fruits for the production of juices
1.2 Do they have any special characteristics that differentiate them?	Agreed size, weight range and criteria for quality assurance checks. Certifications: GlobalGAP, fair trade standards, ethical standards.
1.3 How are sales performed (individual/ aggregated, formal/ informal contracts, organizational mechanisms)?	Farmers are organized in an outgrower scheme and sales are performed collectively. Seasonal contract (normally 6 months) specifies the fruit size, weight range and quality. Contract includes a sanction scheme.
1.4 What volumes are traded?	Around 12 tonnes/day (70% of 18 tonnes) from smallholders.
1.5 How are products packaged?	Fruits are delivered in crates to BS.
2. Producers	
2.1 How are the farmers organized?	Farmers are organized in a cooperative that represents producers in yearly price negotiations.
2.2 Who are the producers: men and/or women?	No information.
2.3 Where are they located?	Close to Accra.
2.4 What is the size of the land to grow crops?	2–3 hectares.
2.5 Is land owned or rented?	No information.
3. Buyers	
3.1 Who buys the products: traders, wholesalers, supermarkets, hotels, exporters?	Blue skies. Privately owned agro-processing company that sells natural fruit juices. Company has 1 600 staff members and operates on a 24-hour shift, 7 days a week.
3.2 What amount of product do they buy?	18 tonnes/day. 70% from smallholders and 30% from large farmers and import companies.
3.3 Why are they interested in procuring from smallholders?	Lack of own plantation. Works with farmers based on their ability to operate as commercial enterprises and their potential to meet expected yields and standard requirements.
3.4 Who do they sell the product to (final clients)?	National and export market (Europe).
4. Key activities	
4.1 Producer Group	
4.1.1 What activities generate income for the producer organization?	Cooperative supports farmers in contract negotiation (price and quantity). No information on how this generates income for the cooperative.
4.1.2 What services does the producer group provide to producers/buyers? (e.g. processing, marketing, payment, quality control)	Support with quality control. Training to increase farmer skills. Supports BS technical team with training to farmers. Support to ensure quality and certification requirements.

4.2 Buyer	
4.2.1 What are the activities that generate income for the buyer?	Processing of fruits into packages and fruits to sell in local and export market.
4.2.2 What types of services do buyers offer to farmers/producer organization?	Training in good production practices. Interactive technical advice on inputs. Sporadic trainings on accounting, hygiene, soil fertility and technology. Monitors quality assurance. Provides crates, collects and transports the product Occasional loans to farmers at subsidized interest rate.
5. Resources	
5.1 Resources – Producers	
5.1.1 What is the infrastructure (machinery, equipment, technology) needed by the producer organization to perform activities?	No information. Farmers deliver product directly. Cooperative not involved in marketing.
5.1.2 What is the knowledge (production, processing, logistics) needed to perform activities?	Knowledge on production techniques and certification schemes.
5.2 Resources – Buyers	
5.2.1 What is the infrastructure (machinery, equipment, technology) needed by buyers to perform activities?	Trucks to transport products. Machines to process fruit.
5.2.2 What is the knowledge (production, processing, logistics) needed by buyers to perform activities?	Production techniques. Financing. Certification scheme requirements.
6. Logistics	
6.1 How are products collected from the farmers?	No information on details of logistics.
6.2 How are products transported to buyers?	Blue Skies provides crates, and collects and transports products.
6.3 Where are products stored?	Products are collected from farms and transported directly to Blue Skies.
6.4 For how long products can be stored?	No information, but since related to fresh fruits should be short.
7. Suppliers and partners	
7.1 Who are the direct partners that make part of the BM transporters, suppliers (inputs, seeds)? What services do they provide?	Banks and financial institutions (Standard Charters, Barclays and Ecobank). Provide interest-free loans to farmers.
7.2 Are there any indirect partners that support the BM (financial institutions, research centers, NGOs, public organizations)?	No information.
7.3 How is the relationship with partners?	No information.

8. Cost and revenue

8.1 What are the pricing mechanisms?	Seasonal contract (6 months). Price is set by BS although it is negotiated with the outgrowers. Sanctions scheme to avoid side-selling.
8.2 How does the buyer pay?	Prompt payments.
8.3 How stable are sales between producers and buyers?	No information.
8.4 Is the price fair according to the production costs?	

SESSION 7B

Visit to a market or an agribusiness

Description

The objective of this session is to allow participants to practice the business model analysis in a real- life situation in which they have to interact with diverse actors and information is generally incomplete. Depending on available time, budget and local context, it could be possible to:

- Option 1: Visit a market
- Option 2: Visit an agribusiness

Outputs

Participants will be able to:

- ▶ Apply concepts and tools learned during the training.
- ▶ Connect training theory to a real business situation.

Timing

13.00 – 16.00	3 hours	Option 1: Visit to a market Option 2: Visit to an agribusiness
13.00 – 13.20	20 minutes	1. Preparations during plenary
13.20 – 14.00	40 minutes	2. Transport
14.00 – 15.30	30 minutes	3. Actual visit with group work
15.30 – 16.10	40 minutes	4. Transport back
16.10 – 17.00	50 minutes	5. Plenary analysis of group work result

Preparation

- 1 | Arrange visit to market or agribusiness. A week before this session, you will need to locate a market or a supermarket or contact an agribusiness near to where the training is being held.
- 2 | Alert relevant people of visit and objective.
- 3 | Arrange transportation.
- 4 | Prepare and print templates for participants.

Market

If it is a periodic market, make sure you know the market day and organize the session on that day.

Visit the market to note which products are for sale. Inform important actors (e.g. the wholesalers, the manager) of the visit you are organizing and ask them if the participants may interview them.

Company

If possible, arrange a tour of the company.

Organize short meetings with key actors (general manager, financial manager, sales manager, procurement manager).

Explain objective of visit.

Review the questions for the group work in Annex 4.

Option 1: Visit to a market

Objective: perform a business model analysis for a specific product.

Item 1: Preparation with the participants during plenary

- i. Provide general information on the market.
- ii. Provide logistical details (transport, schedule, any rules, safety procedures).
- iii. Organize the participants into small groups of two or three.
- iv. Ask each group to choose two products to investigate at the market. The idea is to ensure that each product is covered by at least two small groups. This will promote greater learning after visiting the market. It is better if the groups have only one product in common. (For example, group 1 has rice and onions, group 2 onions and gari, group 3 gari and cabbage, group 4 cabbage and sweet potato).
- v. Give each group two printouts of the template (see Annex 4 – a template based on the BM checklist) and ask them to write their products on top.
- vi. Explain that they have to answer all the questions for the two products. Some questions can be answered by looking carefully at the product and at what is going on. For other questions they will need to talk with the sellers or the buyers.

Item 2: The time schedule for this session needs to be finalized based on travel time from the venue to the visit site.

Item 3: Visit the market

- i. If necessary, help the participants to get started.
- ii. Check on them as required.

Item 4: Discussion after the market visit

- i. After visiting the market, ask the participants to return to their small groups.
- ii. Choose one of the products and ask the two groups that studied that product to share what they have learned. Someone can type the answers in the template on the screen.
- iii. Encourage those who did not research the product to ask questions, but do not spend too much time on small details. The aim is to get a picture of how the market works.
- iv. When finished with one product, choose the next product to discuss. This should be one covered by two other groups and completely different (e.g. one staple with a long shelf life and one fresh).
- v. Discuss the differences in the answers for the products – why are the sales organized differently?
- vi. If there is time, discuss more products.

Option 2: Visit to an agribusiness company

Objective: perform a general business model analysis of the agribusiness company.

Preparation with the participants during plenary

- i. Provide general information on the company.
- ii. Provide logistical details (transport, schedule, any rules, safety procedures, etc.).
- iii. Participants should fill information based on what they observe during the agribusiness tour.
- iv. Depending on setting, it could be possible to ask more detailed questions.
- v. Creating groups could be too difficult as there are a limited number of company resources to answer participants' questions. Better to work individually.
- vi. Objective is to perform a Business Model analysis using the guideline questions in the checklist.

Annex 4: Potential template to use for market visit

PRODUCT	
Questions	Observations and answers from key people the participants have interviewed
1. Product	
1.1 Does the product have any special characteristics (e.g. colour, size, ripeness)?	
1.2 What kind of packaging is used, if any?	
1.3 What is the physical condition of the product? Does it change over time? How? Why?	
1.4 What happens to products that are not sold?	
2. Producers/Suppliers	
2.1 Who are the suppliers (small-medium-large farmers, traders, etc.)?	
2.2 Where are suppliers located?	
2.3 How are they organized? Sales individually or collectively?	
3. Buyers/Customers	
3.1 Who are the main buyers of the products? Are there different types of buyers?	
3.2 What are the selection criteria of customers?	
3.4 What amount of product does an average customer buy per day?	
4. Key activities	
4.1 Any activities to maintain the product (storage, transportation)?	
5. Resources	
5.1 Any resources needed to maintain product (e.g. refrigeration, storage bins)?	
6. Logistics	
6.1 How is the product transported to the market?	
6.2 How is the product handled and who handles it?	
6.3 What is the shelf life of the product?	
6.4 What is the average percentage of volume lost/ wasted during logistics?	

7. Partners

7.1 Any actor supporting the market?
Or producers?

7.2 What services do partners provide?

8. Pricing and revenue

8.1 What is the total volume sold per day?

8.2 How are prices determined?

8.3 How stable are sales? Any high/low
periods?

8.4 How are products paid for? How is the
money handled?

8.5 Are there any volume or repetitive customer
discounts?

SESSION 8

BM tools: SWOT, Ansoff Matrix and Porters' Five Forces**Description**

This session presents various tools, including the SWOT (strengths, weaknesses, opportunities and threats) analysis, the Ansoff Matrix, and Porter's Five Forces. The objective is for participants to get familiar with tools that facilitate a better understanding of business models and help identify opportunities for improvement.

Outputs

Participants will be able to:

- ▶ Identify various analysis tools that can be useful for their work
- ▶ Describe SWOT, Ansoff Matrix and Porters' Five Forces
- ▶ Apply tools to a concrete business case

Timing

09.00 – 12.30	3 ½ hours	Other business model analysis tools
09.00 – 09.30	30 minutes	1. Presentation of SWOT and in plenary apply the SWOT to one of the previously discussed cases
09.30 – 10.00	30 minutes	2. Presentation of Ansoff Matrix and in plenary apply the Ansoff Matrix to one of the previously discussed cases
10.00 – 10.15	15 minutes	<i>Tea & coffee break</i>
10.15 – 11.00	45 minutes	3. Presentation of Porter's Five Forces and in plenary apply Porter's Five Forces to one of the previously discussed cases
11.00 – 12.00	45 minutes	4. Group work: apply one or two of the explained tools to the same business case as for the business model analysis

Preparation

- 1 | Select tools to present.
- 2 | Print layouts with tools' description and template.
- 3 | Prepare examples of how to apply the tools to previous cases.

Consideration: When preparing the training, you may use other tools in addition to or instead of the tools listed here. Other tools include the Boston Consulting Group Matrix (product portfolio: stars, questions marks, cash cows and pets) and the Business Motivation Model. However, it is important not to overload the participants with too many new concepts and tools. Choose the ones that are most likely going to be of use to them in their daily work and that fit within the overall training programme.

Item 1: See PowerPoint M8, first part. Background on the SWOT in Annex 1 is to use as a handout, and the template in Annex 2 for the plenary exercise and the group work.

Consideration: As the SWOT is probably already known by participants, not much time will be needed to present the tool. However, participants will be more used to applying it for their own organization or for sector analysis, and less used to applying it to a business case. Therefore, the time should be used to apply it to a business case in the plenary.

Item 2: See PowerPoint M8, second part, information for handout in Annex 3 and template in Annex 4.

Item 3: See PowerPoint M8, third part, information for handout in Annex 5 and template in Annex 6.

Item 4: Groups and cases are the same as for the business model component analysis. The facilitator can assign the tools to be applied by each group or let them choose themselves.

Item 5: After each presentation, invite the other groups to ask questions and make suggestions for improvement.

Annex 1: Introduction to the SWOT

For handout

From Mind tools http://www.mindtools.com/pages/article/newTMC_05.htm

Often a tool such as the SWOT analysis is thought to be applicable only for large businesses, yet small businesses certainly benefit from the SWOT analysis as well.

When you apply the SWOT analysis, you are doing an internal and external audit of possible effects to your business.

- ▶ Internal: Strengths and Weaknesses.
- ▶ External: Opportunities and Threats.

Focus on the business model being analysed, not the whole chain or the sector. You are able to create a better business strategy when you are aware of your internal and external situations.

The SWOT analysis allows you to explore your business closely, and to see what is and what is not working. It also allows you to see environmental threats that you can prepare for or opportunities you can seize. SWOT analysis gives you a bird's-eye view of all possibilities.

Your **strengths** should be nurtured. When you figure out what your business strengths are, improve upon them and make them your core focus. They are where you are doing best and may be leading in the market. While this does not mean that you should throw everything else away, it does mean that you should realize where you are most capable; this is your businesses signature. Focusing on your businesses strengths will be the catalyst in setting you apart from your competition.

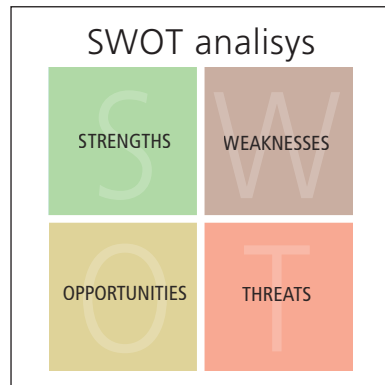
Once you have assessed your strengths, you want to address your **weaknesses**. It is equally as important to focus on your weaknesses. By knowing where your weaknesses are, you can strengthen them.

The strengths and weaknesses of your business are certainly something that can be managed because they are internal and in your control. But then there are the **external dynamics** that we will now analyse.

There should be continuous vigilance about what **external opportunities** are available that may expand your business. It is no secret that the world is changing rapidly. Therefore, looking for new opportunities to take the lead on is critical. It is important to understand what is new in your industry, what is changing, what is being phased out and how you can capitalize on these opportunities.

Threats are also external and out of your control. There are always threats in any business and in any industry. Knowing what these threats are and where they are brewing is key. External threats come in different forms: social, technological, economic, environmental and political. These are all threats that can impact your business.

The SWOT analysis needs to be done regularly to keep you as the business owner perceptive to internal and external happenings. However, to make a good SWOT, it is really important to choose your unit of analysis carefully.



Advantages	Disadvantages
<ul style="list-style-type: none">▶ High-level assessments▶ First point for brainstorming▶ Awareness of internal-external situation▶ Useful for small and large businesses▶ Useful to start open discussion with stakeholders	<ul style="list-style-type: none">▶ Need to have a clear <u>unit of analysis</u>. Spend time on the unit of analysis; otherwise SWOT is not useful (analyse the business itself, not the sector)▶ A strategic plan doesn't follow the SWOT. It only provides a description of the general scenario.

Annex 2: Template for SWOT analysis

UNIT OF ANALYSIS:

<p>Strengths</p> <ul style="list-style-type: none">▶ ...▶ ...	<p>Opportunities</p> <ul style="list-style-type: none">▶ ...▶ ...
<p>Weakness</p> <ul style="list-style-type: none">▶ ...▶ ...	<p>Threats</p> <ul style="list-style-type: none">▶ ...▶ ...

Annex 3: Background information on the Ansoff Matrix

For handout

From Mind tools http://www.mindtools.com/pages/article/newTMC_90.htm

Understanding the risks of different options

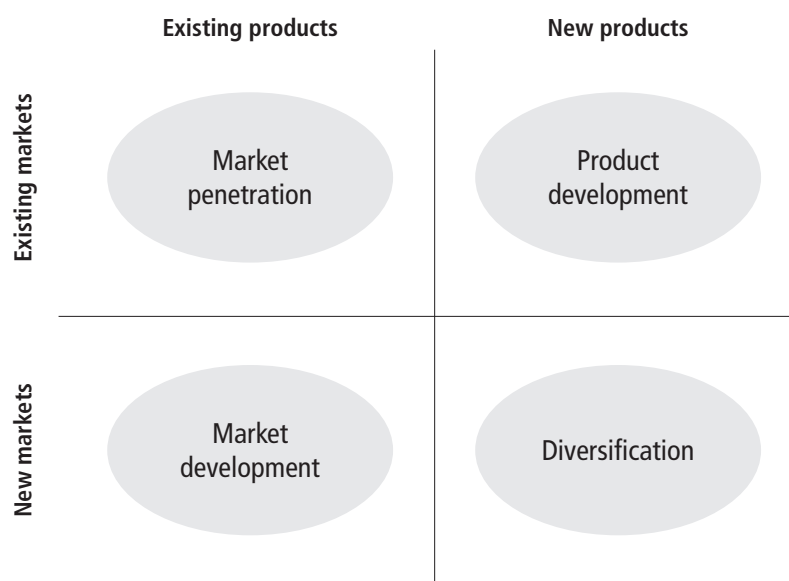
Successful businesspeople spend a lot of time thinking about how they can increase profits. They typically have hundreds of ideas about things they could do, including developing new products, opening up new markets and new channels, and launching new marketing campaigns. That's great! But which of these ideas should you choose? And why?

This is where you can use a strategic approach, such as the Ansoff Matrix, to start screening your options, so that you can narrow them down and choose the ones that best suit your situation.

Understanding the tool

The Ansoff Matrix was first published in the Harvard Business Review in 1957, and has given generations of business people a quick and simple way of thinking about growth.

Sometimes called the Product/Market Expansion Grid, the matrix (see Figure 1 below) shows four ways that businesses can grow, and helps people think about the risks associated with each option.



The Matrix essentially shows the risk that a particular strategy will expose you to, the idea being that each time you move into a new quadrant (horizontally or vertically) you increase risk.

The Corporate Ansoff Matrix

From a business perspective, the low-risk option is to stay with your existing product in your existing market: you know the product works, and the market is familiar.

However, you expose yourself to a whole new level of risk by either moving into a new market with an existing product, or developing a new product for an existing market. The new market may turn out to have radically different needs and dynamics than you thought, and the new product may just not be commercially successful.

And by moving two quadrants and targeting a new market with a new product, you increase your risk to yet another level.

How to use the tool

Use of the tool is straightforward:

1. Plot the approaches you're considering on the matrix. The table below helps you think about how you might classify different approaches.

Market penetration	Product development
<p>You are trying to sell more of the same things to the same people. Here you might:</p> <ul style="list-style-type: none"> ▶ Advertise, to encourage more people within your existing market to choose your product, or to use more of it. ▶ Introduce a loyalty scheme. ▶ Launch price or other special offer promotions. ▶ Increase your sales force activities. ▶ Buy a competitor company (particularly in mature markets). 	<p>Here, you are selling more things to the same people. Here you might:</p> <ul style="list-style-type: none"> ▶ Extend your product by producing variants, or packaging existing products in new ways. ▶ Develop related products or services (e.g. varieties of cassava products, dried cassava) ▶ Improve customer service or quality.
Market development	Diversification
<p>You are targeting new markets, or new areas of the market. You are trying to sell the same things to different people. Here you might:</p> <ul style="list-style-type: none"> ▶ Target different geographical markets (e.g. other communities, cities). ▶ Use different sales channels (e.g. traders, transporters, cooperatives) ▶ Target different groups of people, perhaps with different age, gender or demographic profiles from your normal customers. 	<p>This strategy is risky: there's often little scope for using existing expertise or for achieving economies of scale, because you are trying to sell completely different products or services to different customers.</p> <p>The main advantage of diversification is that, should one business suffer from adverse circumstances, the other may not be affected.</p>

2. Manage risk appropriately. If you're switching from one quadrant to another, make sure that:
 - ▶ You research the move carefully.
 - ▶ You build the capabilities needed to succeed in the new quadrant.
 - ▶ You have plenty of resources to cover a possible lean period while you are learning how to sell the new product or about what makes the new market "tick".
 - ▶ You have firstly thought through what you have to do if things don't work out, and that failure won't "break" you.

Advantages	Disadvantages
<ul style="list-style-type: none"> ▶ Open mind to what can be done and new ideas ▶ Easy and quick to implement ▶ Make decisions on where to go ▶ Good as a starting point 	<ul style="list-style-type: none"> ▶ Lack of details: too general ▶ Does not include external environment (market, product and customer assessments)

Annex 4: Template to use for Ansoff Matrix analysis

Consider the best approach for the next business development phase and fill the quadrant. Explain in the other quadrants why that approach is not appropriate or too risky.

Market penetration	Product development
How?:	How?:
What research is needed?:	What research is needed?:
Investments to make:	Investments to make:
What to do if results are disappointing?:	What to do if results are disappointing?:
Or: Why not?	Or: Why not?
Market development	Diversification
How?:	How?:
What research is needed?:	What research is needed?:
Investments to make:	Investments to make:
What to do if results are disappointing?:	What to do if results are disappointing?:
Or: Why not?	Or: Why not?

Annex 5: Porter's Five Forces

For handout

From Mind tools http://www.mindtools.com/pages/article/newTMC_08.htm

Assessing the Balance of Power in a Business Situation

The tool was created by Harvard Business School professor, Michael Porter, to analyse the attractiveness and likely profitability of an industry. Since publication, it has become one of the most important business strategy tools. The classic article which introduces it is "How Competitive Forces Shape Strategy" in Harvard Business Review 57, March – April 1979, pp. 86–93.

The Porter's Five Forces tool is a simple but powerful tool for understanding where power lies in a business situation. This is useful because it helps you understand both the strength of your current competitive position, and the strength of a position you're considering moving into.

With a clear understanding of where power lies, you can take fair advantage of a situation of strength, improve a situation of weakness, and avoid taking wrong steps. This makes it an important part of your planning toolkit.

Conventionally, the tool is used to identify whether new products, services or businesses have the potential to be profitable. However, it can be very illuminating when used to understand the balance of power in other situations.

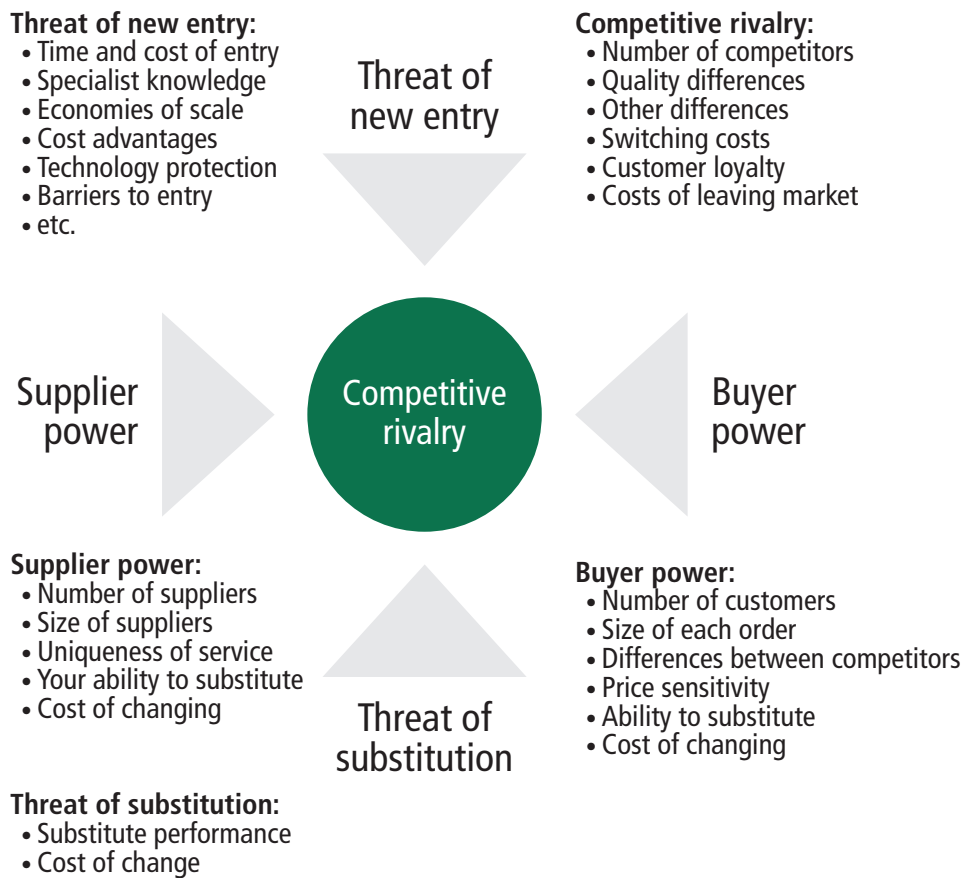
Understanding the tool

Five Forces Analysis assumes that there are five important forces that determine competitive power in a business situation. These are:

- 1. Supplier Power:** Here you assess how easy it is for suppliers to drive up prices. This is driven by the number of suppliers of each key input, the uniqueness of their product or service, their strength and control over you, the cost of switching from one to another, and so on. The fewer the supplier choices you have, and the more you need suppliers' help, the more powerful your suppliers are.
- 2. Buyer Power:** Here you ask yourself how easy it is for buyers to drive prices down. Again, this is driven by the number of buyers, the importance of each individual buyer to your business, the cost to them of switching from your products and services to those of someone else, and so on. If you deal with few, powerful buyers, then they are often able to dictate terms to you.
- 3. Competitive Rivalry:** What is important here is the number and capability of your competitors. If you have many competitors, and they offer equally attractive products and services, then you'll most likely have little power in the situation, because suppliers and buyers will go elsewhere if they don't get a good deal from you. On the other hand, if no one else can do what you do, then you can often have tremendous strength.
- 4. Threat of Substitution:** This is affected by the ability of your customers to find a different way of doing what you do – for example, if you supply a unique software product that automates an important process, people may substitute by doing the process manually or by outsourcing it. If substitution is easy and substitution is viable, then this weakens your power.
- 5. Threat of New Entry:** Power is also affected by the ability of people to enter your market. If it costs little in time or money to enter your market and compete effectively, if there are few economies of scale in place, or if you have little protection for your key technologies, then new competitors can quickly enter your market and weaken your position. If you have strong and durable barriers to entry, then you can preserve a favourable position and take fair advantage of it.

These forces can be neatly brought together in a diagram like the one in Figure 1 below:

Figure 1 – Porter’s Five Forces



Using the tool

To use the tool to understand your situation, look at each of these forces one by one and write your observations. Brainstorm the relevant factors for your market or situation, and then check against the factors listed for the force in the diagram above.

Then, mark the key factors on the diagram, and summarize the size and scale of the force on the diagram. An easy way of doing this is to use, for example, a single “+” sign for a force moderately in your favour, or “--” for a force strongly against you (you can see this in the example below).

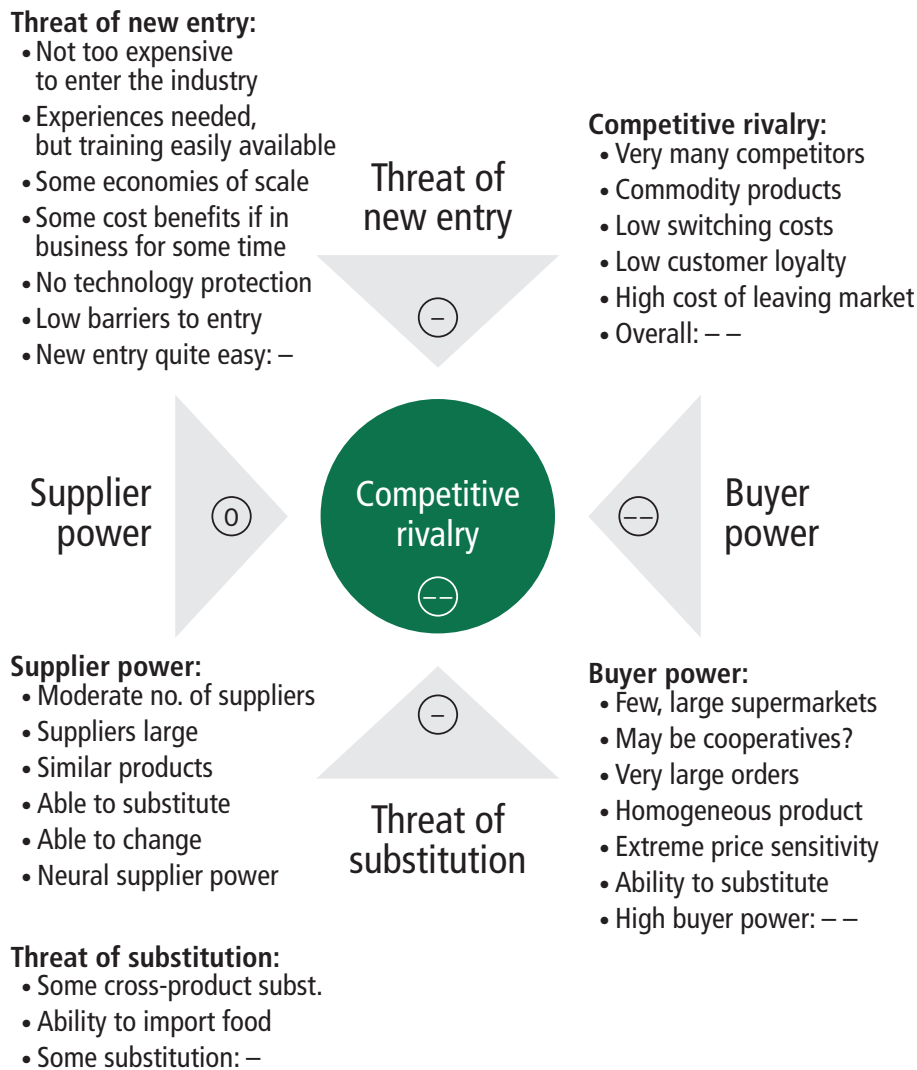
Then look at the situation you find using this analysis and think through how it affects you. Bear in mind that few situations are perfect; however, looking at things in this way helps you think through what you could change to increase your power with respect to each force. What’s more, if you find yourself in a structurally weak position, this tool helps you think about what you can do to move into a stronger one.

Advantages	Disadvantages
<ul style="list-style-type: none"> ▶ Broad analysis of situation ▶ Multiple actors buyer-seller-competitors ▶ Helps develop action plan to be more competitive ▶ Identifies actions to be taken ▶ Helps make decisions ▶ Identifies balance of power 	<ul style="list-style-type: none"> ▶ Requires a great deal of information ▶ Need to repeat it many times ▶ Not sharp enough to develop action plan

Example

Martin Johnson is deciding whether to switch careers and become a farmer – he’s always loved the countryside and wants to switch to a career where he’s his own boss. He creates the following Five Forces Analysis as he thinks the situation through:

Figure 2 – Porter’s Five Forces Example: buying a farm



This worries him:

- ▶ The **threat of new entry** is quite high: if anyone looks as if they’re making a sustained profit, new competitors can come into the industry easily, reducing profits.
- ▶ **Competitive rivalry** is extremely high: if someone raises prices, they’ll be quickly undercut. Intense competition puts strong downward pressure on prices.
- ▶ **Buyer Power** is strong, again implying strong downward pressure on prices.
- ▶ There is some **threat of substitution**.

Unless he is able to find some way of changing this situation, this looks like a very tough industry to survive in. Maybe he’ll need to specialize in a sector of the market that’s protected from some of these forces, or find a related business that’s in a stronger position.

Annex 6: Template to apply Porter's Five Forces

	Threat of new entry	
Supplier power	Competitive rivalry	Buyer power
	Threat of substitution	

SESSION 9A

Identifying common priorities

Description

This session presents steps two and three of the IBM approach. Common upgrading priorities are those action-areas common to both the seller and a buyer (step two). Once the common upgrading priorities have been identified, activities and interventions to address them can be designed and implemented (step three).

Outputs

Participants will be able to:

- ▶ Analyse a business model in terms of producer and buyer priorities
- ▶ Identify common priorities to push the business forward

Reference material

Option 1: FAO. 2015. *Inclusive Business Models: Guidelines for improving linkages between producer groups and buyers of agricultural produce* (Chapter 4, pp. 31–32).

Timing

13.30 – 15.00	1 ½ hours	Identify common upgrading priorities
13.30 – 14.00	30 minutes	Recap of BM analysis and presentation of common upgrading priorities and ranking tool
14.00 – 14.20	20 minutes	Group work: identify upgrading priorities from buyer perspective
14.20 – 14.40	20 minutes	Group work: identify upgrading priorities from seller perspective
14.40 – 15.00	20 minutes	Group work: Identify and rank common upgrading priorities

Preparation

- 1 | Print template for common priorities.
- 2 | Print template for upgrading activities.
- 3 | Test template for projecting results.

Item 1: If the session directly follows the business model analysis (session 7), a recap may not be necessary. However, if a visit to a market or agribusiness and/or a session on other business tools has been included, then recap the business model analysis.

SEE POWERPOINT M9

Consideration: After the last training, it was suggested in the presentation that examples be provided of critical common priorities to better explain the concept. However, care should be taken not to condition the participants too much, as the priorities should really come from the producers and their buyers.

In the plenary, ask participants to try to identify buyers' and sellers' priorities for a case already studied. The presentation contains guidelines for the Blue Skies case, but this should really come from participants so that they reflect on what a priority is. Write them down on a flipchart. Guide them to come up with the priorities so that they understand what they are expected to do in the group exercise.

Items 2, 3 and 4: At the introduction of the exercise, remind the participants that normally this should not be a desk exercise, but based on conversations with the producers and the buyers, possibly through a roundtable.

Alternative approach to this group work – instead of asking the groups to identify buyer and producer priorities one after the other, the group work could more closely simulate a roundtable:

- i. Divide each group into two subgroups. One subgroup will play the producers, one subgroup the buyers, and one participant will take the role of neutral facilitator.
- ii. The neutral facilitator will give the recap of the previous business model analysis, after which the subgroups will work on their respective priorities.
- iii. They will then present them (within the group only), and the neutral facilitator will try to help them find consensus on their common upgrading priorities.

SESSION 9B

Designing upgrading activities

Outputs

Participants will be able to:

- ▶ Reflect on ways to improve the current project situation.
- ▶ Apply concepts learned during the training.

Reference material

Option 1: FAO. 2015. *Inclusive Business Models: Guidelines for improving linkages between producer groups and buyers of agricultural produce* (Chapter 4, pp. 32–33).

Timing

15.15 – 17.00	1 hr 45 min	Designing upgrading activities
15.15 – 15.30	15 minutes	1. Presentation on designing upgrading activities
15.30 – 17.00	1 ½ hours	2. Group work: For each common priority identify upgrading activities: <ul style="list-style-type: none"> ▶ To be implemented by the buyer and seller ▶ Possible support participants could provide

Item 1: See PowerPoint M9b.

Consideration: Provide examples of upgrading activities.

Items 2: Instruct participants to identify activities that the business partners can implement themselves and those that the participants can support within their current job/project without additional funding.

The presentation includes examples of activities from the Blue Skies case. Again ask participants to come up with activities and write them on the flipchart. The slide should only be used as reference.

Consideration: If not enough time is left to have a proper discussion on potential activities, it is better to stop at the identification of priorities, rather than let the participants leave with erroneous ideas of potential activities.

Annex 1: Template for common priorities

Priorities	
Buyer priorities	Seller priorities

Annex 2: Template for common priorities

Priority 1

Producer:

Buyer:

Activities to address them:

Responsible:

Priority 2

Producer:

Buyer:

Activities to address them:

Responsible:

Priority 3

Producer:

Buyer:

Activities to address them:

Responsible:

SESSION 10

Closing session

Description

This session is the training wrap-up. It provides a space for participants to reflect on the knowledge acquired and the practical tools to implement the IBM approach. Additionally, it is important to get participants' feedback for continuous improvement of the training.

Outputs

Participants will be able to:

- ▶ Provide an evaluation of the training
- ▶ State main learnings from the training
- ▶ Identify follow-up actions

Timing

11.45 – 13.00	1hr 15 min	Workshop closure
11.45 – 12.00	15 minutes	1. Facilitator asks participants to list main learning points and recaps key lessons
12.00 – 12.15	15 minutes	2. Written evaluation
12.15 – 12.30	15 minutes	3. Round-table of participants' feedback
12.30 – 13.00	30 minutes	4. Closing speech and handing out of training certificates

Preparation

- 1 Prepare list of key lessons you want participants to take away.
- 2 Print copies of written evaluation.
- 3 Print copies of certificate with each of the participants' name.
- 4 Arrange for FAORep or other officer to give a key note and hand over certificates.

Item 1: Prepare beforehand a list of key lessons you want participants to remember when they leave. Review the list the evening before the last day to see if any changes need to be made given the participants' level of understanding during the training.

Ask participants to list what they will take away from the training. After everyone has spoken, if any of the important lessons were not mentioned, follow up to ensure they are brought up. Close the session by recapping the key lessons and follow-up activities.

List lessons: The following are overall lessons that participants should have learned from the training:

- ▶ There is no “ideal” business model. All models have advantages and disadvantages.
- ▶ A strong business model requires the collaboration of different actors.
- ▶ Improving a business model is a continuous process. There will always be something that can be improved; continuous innovation is needed to keep the model competitive.
- ▶ It is important to support actors, but not perform activities on their behalf – that can threaten sustainability.
- ▶ Every actor should focus on what they do best; there is no need to try to push activities that they are not good at.
- ▶ Buyers also need support to improve their business models, particularly small traders and processors. Improving their business model can result in direct benefits for smallholders.
- ▶ Support to smallholders and buyers should be case-specific, according to their capabilities and needs.
- ▶ Informal and semi-formal markets can be an important transitioning ground for more formal markets.
- ▶ Mainstreaming business thinking can generate important benefits for smallholders and improve competitiveness of the chain as a whole.
- ▶ There are both financial and social motivations for businesses to work with smallholders.

Item 2: See Annex 1 for written evaluation form.

Item 3: Ask participants to identify what they liked most and least about the training.

Item 4: See sample certificate in the training material.

Reporting

See Annex 2 for a suggested reporting outline.

See Annex 3 for a list with further reading to be included in the report.

Annex 1: Evaluation form

IBM TRAINING EVALUATION FORM

[date and venue]

We appreciate your help in evaluating this training. Please indicate your rating in the categories below by using a scale of 1 (low) through 5 (high):

Objective

The training met the **specific objectives** of:

Becoming familiar with concepts and tools for IBM	1	2	3	4	5
Reflecting on the role of different actors in promoting sustainable IBM	1	2	3	4	5
Identifying and applying tools to improve quality of results of existing projects	1	2	3	4	5

Content

Training content met my expectations	1	2	3	4	5
Content was consistent with stated objectives	1	2	3	4	5
Content was easily understood	1	2	3	4	5
Knowledge gained can contribute to improve everyday work	1	2	3	4	5

What did you like most about the training:

What did you like least about the training:

Training sessions

Please evaluate the usefulness of each session:

1. Opening session	1	2	3	4	5
2. The IBM concept	1	2	3	4	5
3. Building back from business –the role of buyers	1	2	3	4	5
4. Inclusive business model principles	1	2	3	4	5
5. IBM drivers	1	2	3	4	5
6. Implementing IBM – Steps to follow	1	2	3	4	5
7. Appraising a business model	1	2	3	4	5
8. Business analysis tools	1	2	3	4	5
9. Common priorities and upgrading activities	1	2	3	4	5

Teaching methods

Speakers were knowledgeable of content areas	1	2	3	4	5
Speakers were consistent throughout sessions	1	2	3	4	5
Speakers were clear in the presentations and guidance on group work	1	2	3	4	5
Handouts, case studies and presentations clarified content	1	2	3	4	5
Teaching methods were appropriate	1	2	3	4	5
Length of training was adequate	1	2	3	4	5

Logistics

Meeting rooms were appropriate 1 2 3 4 5

Lodging and food were satisfactory 1 2 3 4 5

Overall I would rate this training 1 2 3 4 5

Other comments and suggestions for improvement

Annex 2: Outline of training proceedings

Content

Acknowledgements: Mention people who helped organize the training.

Executive Summary: Maximum four pages summarizing main findings from the training.

Acronyms

Background: Describe projects or initiatives that led to the organization of the training.

1. Opening

Include main remarks from opening speech, mention the organizations that participants represent, summarize participants' expectations and main conclusions from icebreaker activity.

2. What does inclusive business models mean? The IBM concept

Include main conclusions from participants' definition of inclusive and business model. If possible, take photos of flipcharts to include in the report. Also include session findings with inputs from participants' to build the IBM concept and any particular issues to consider in the country and/or projects.

3. Building back from business: the role of the buyer

Summarize buyers' interviews, including: general description of business, product requirements, services provided to smallholders, challenges when procuring from smallholders, and suggested policy actions to facilitate procuring from smallholders.

Also include a part with session findings, with any suggestions to strengthen smallholder-based business models in the country/project.

4. Principles for inclusive business models

Include principles and questions to assess the inclusiveness and competitiveness of a business model.

Include summary of case description and findings from the analysis of the principles.

5. Facilitating inclusive business models: IBM drivers

Include short background on the drivers of BMs, short description of cases and a comparative analysis of the advantages and disadvantages of each driver relative to inclusiveness and competitiveness.

6. Implementing FAO's IBM approach

6.1 Theoretical concepts: List the steps to implement the IBM approach and describe how to do it.

6.2 Group work on business models: Include main results from the group to implement the IBM approach when considering a particular business model.

7. Other business tools

Description of business tools, main findings from the application of the business tools, advantages and disadvantages of each tool.

8. Visit to ...

Description of the business model visited, suggestions to improve it.

9. Closing

Key points from closing speech, main lessons by participants.

10. Conclusions

Main findings on how to build on the IBM concept or how it could be applied in the country/project.

11. Additional reading

12. Annexes

Annex 1: List of participants

Annex 2: Training agenda

Annex 3: Opening statement

Annex 4: Case studies

Annex 5: Evaluation results

Annex 3: Additional reading

This list is to be included in the training report.

Other methodologies

CIAT (International Center for Tropical Agriculture). 2014. LINK Methodology: a participatory guide to business models that link smallholders to markets.

CTA (Technical Centre for Agricultural and Rural Cooperation). 2013. Guides for value chain development: a comparative review.

GIZ (German Agency for International Cooperation). 2012. Guide to inclusive agribusiness.

GIZ. 2012. Value Links Manual: the methodology of value chain promotion.

IBLF (International Business Leaders Forum). no year. A framework for practical action in inclusive business.

Oxfam & SFL (sustainable food lab). 2010. Think big go small.

UNDP (United Nations Development Programme). 2010. Brokering inclusive business models.

Rabobank. 2012. Framework for an inclusive food strategy.

Case studies on smallholder-based business models

KIT (Royal Tropical Institute), FAIDA (Market Link Company Ltd.) & IRR (International Institute of Rural Reconstruction). 2006. Chain empowerment. Supporting African farmers to develop markets.
http://www.kit.nl/sed/wp-content/uploads/publications/885_00frontmatter.pdf

IRR & KIT. 2008. Trading up. Building cooperation between farmers and traders in Africa.
http://www.kit.nl/sed/wp-content/uploads/publications/1441_TradingUp.pdf

Paglietti, L. & Sabrie, R. 2013. Review of smallholder linkages for inclusive agribusiness development. FAO Investment Centre.
<http://www.fao.org/3/a-i3404e.pdf>

Wongtschwski, M., Belt, J., Heemskerk, W. & Kahan, D. 2013. The business of agricultural business services, working with smallholders in Africa.
http://www.kit.nl/sed/wp-content/uploads/publications/2080_the_business_of_agricultural_business_services.pdf



INCLUSIVE BUSINESS MODELS

TRAINING MODULES

Various types of inclusive business models (IBMs) can connect small producers to agricultural value chains. Supporting these business models and strengthening the linkages that connect smallholders to markets can improve the overall competitiveness of a value chain and reduce poverty. The training targets designers and implementers of farmer-market linkage projects including ministries, development organizations and NGOs, and can add value not only to smallholder-based development initiatives but also to the business activities of other actors involved in agricultural value chains including processors and buyers of agricultural produce. The IBM training package consists in a facilitator's manual accompanied by a series of PowerPoint presentations. The manual provides guidance to the facilitator on how the sessions should be organized as well as on expected outputs, preparatory activities, reference notes, description of suggested activities and additional tools such as case studies or templates for group work.

**Food and Agriculture Organization
of the United Nations (FAO)**
Viale delle Terme di Caracalla
00153 Rome, Italy
www.fao.org

ISBN 978-92-5-109982-7



9 789251 099827

I7968EN/1/10.17