

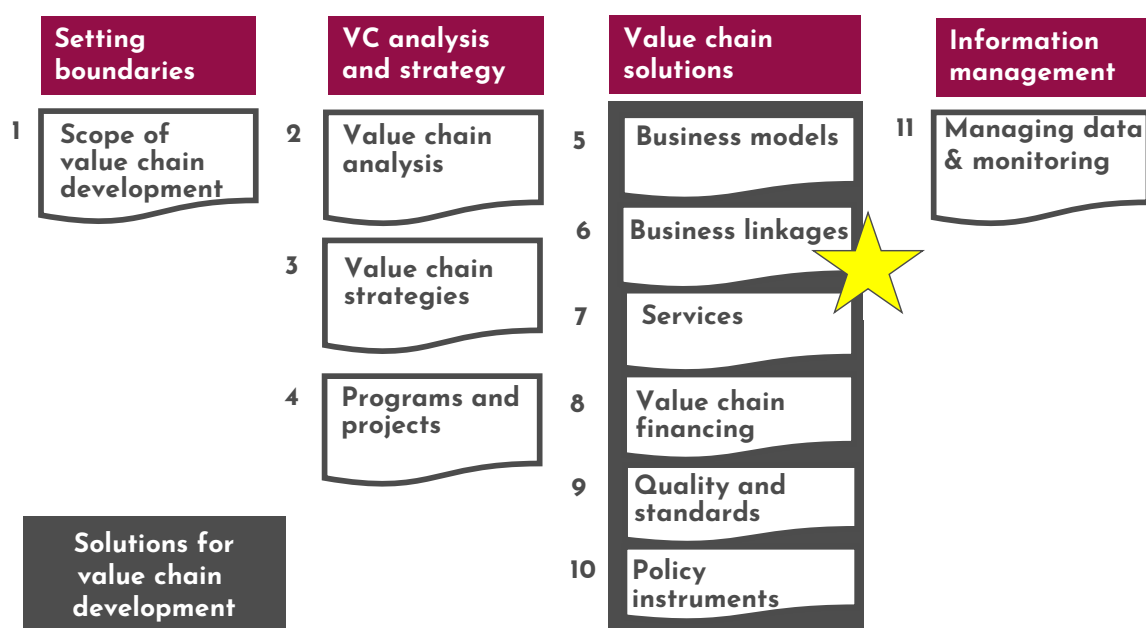


ValueLinks Module 6

BUSINESS LINKAGES



STRUCTURE OF VALUELINKS 2.0





MODULE 6

01

FOSTERING HORIZONTAL
LINKAGES

02

BROKERING VERTICAL
LINKAGES



03

BUSINESS MATCHMAKING AT THE
MESO LEVEL

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BUSINESS LINKAGES

HORIZONTAL COOPERATION
between operators working
at the same stage

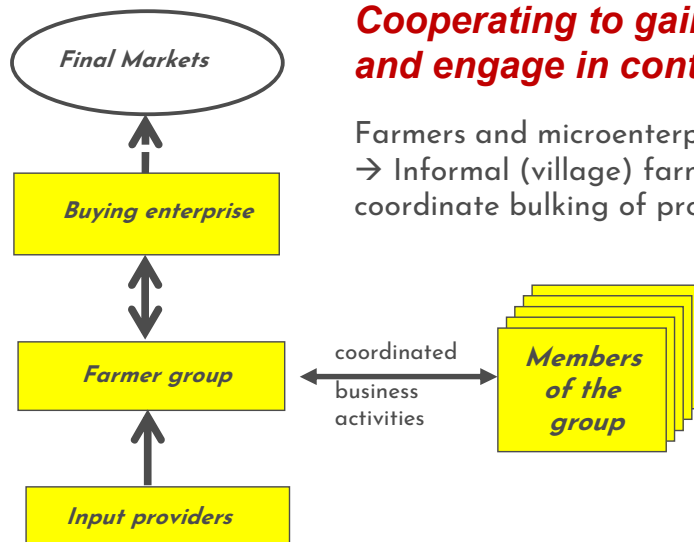


VERTICAL BUSINESS LINKAGES
between operators of various
stages of the value chain

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INFORMAL COOPERATION



Cooperating to gain commercial advantages and engage in contract farming

Farmers and microenterprises no longer operate independently
→ Informal (village) farmer groups through which farmers coordinate bulking of produce and selling transactions.

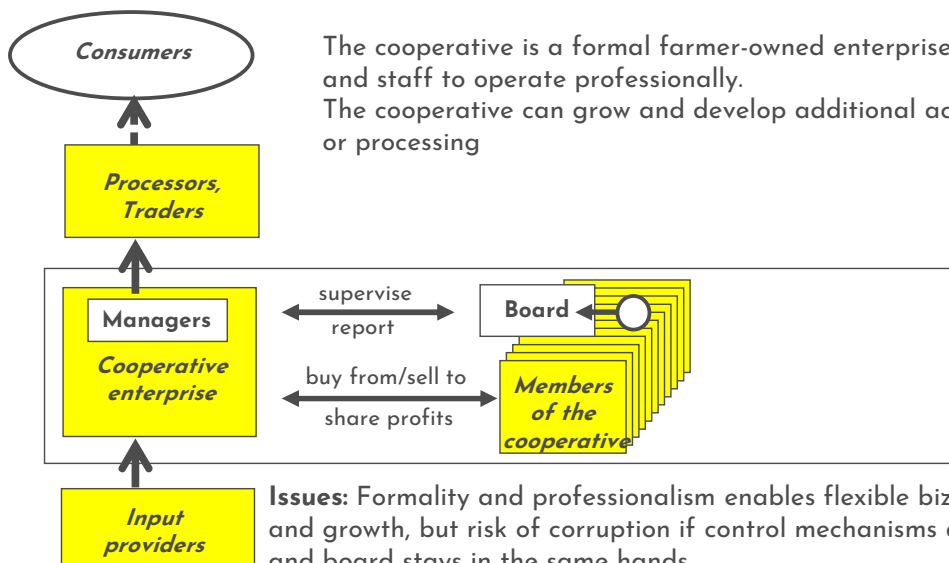
Issues: Unstable, informal structure with undefined governance and weak management capacity, strong dependence on buyers

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FORMAL HORIZONTAL COOPERATION

Cooperating to build a farmer-owned business



The cooperative is a formal farmer-owned enterprise that hires managers and staff to operate professionally.
The cooperative can grow and develop additional activities like storage or processing

Issues: Formality and professionalism enables flexible biz linkages and growth, but risk of corruption if control mechanisms don't work and board stays in the same hands.

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ADVANTAGES OF HORIZONTAL COOPERATION

Economies of scale and lower costs

- Economies of scale in production, processing, marketing
- Sharing resources and equipment
- Better prices for supplies and improved sales prices
- Easier access to supplies, information and services

Improved business models

- Access to buyers and ability to comply with buyer requirements
- Possibility to specialize in particular business activities
- Balancing different capacities and competences within the cooperative

Countervailing market power

- Better bargaining power negotiating terms with buyers and suppliers

Social benefits

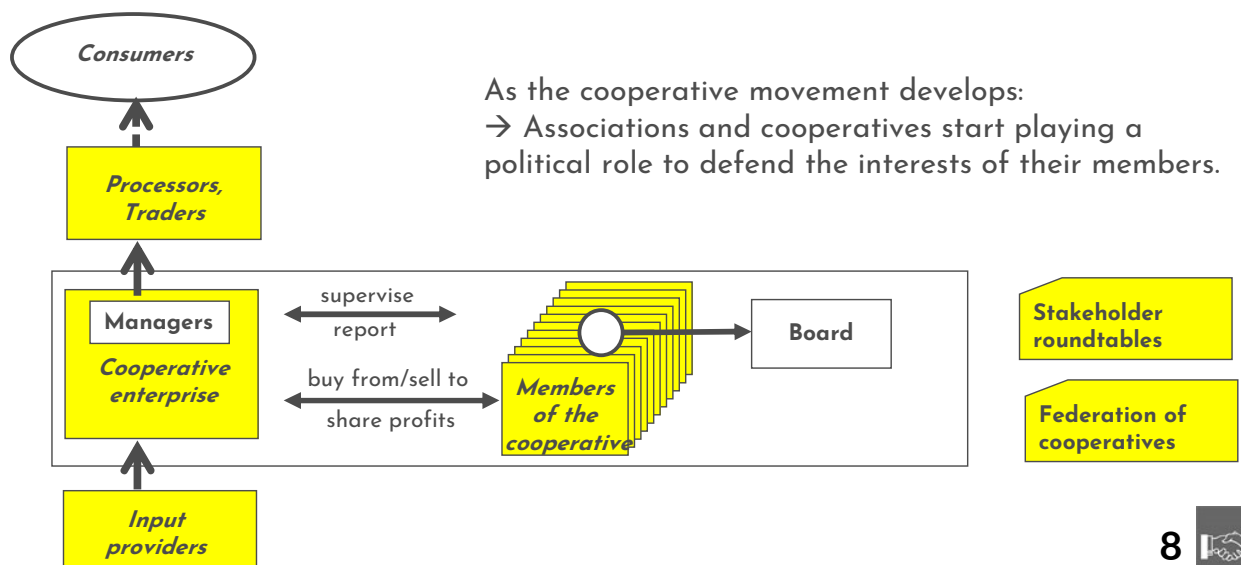
- Social exchange and learning
- Reducing uncertainty and reassuring decision-making

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FORMAL HORIZONTAL COOPERATION

Cooperating to build a farmer-owned business



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PRECONDITIONS FOR PROMOTING ASSOCIATIONS

- Principle: **A net benefit from cooperating!!**
- Economies of scale by cooperating should be feasible
- Tangible benefits and visible success in relatively short time
- A clear requirement from the buyer side is helpful
- Coherence with existing social structures and traditions is important
- Members should have common interests, similar resources and needs



SUPPORTING COOPERATIVES

Business operations

- Market information and support to contracting
- Internal operations with profitability for purchase of inputs and/or product sales
- Organizing access to services

Managerial capacity

- Professional training on technical and management issues

Organisational and social development

- Legal advice for institutionalization
- Internal and external communication
- Coordination and networking



Cooperatives should best not be promoted in an isolated way. Better if they are part of an association/network of of cooperative with multi-layer control, regulation and support structures





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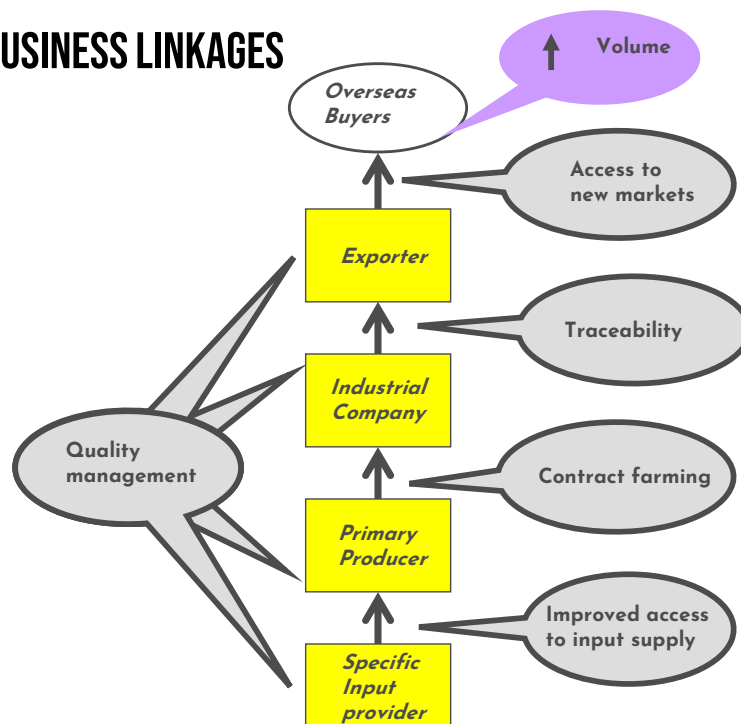
BROKERING VERTICAL
LINKAGES



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VERTICAL BUSINESS LINKAGES



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CLIMATE-SMART INPUT SUPPLY BUSINESS LINKAGES

Introduction of climate-smart seeds & varieties

| | |
|------------------------------|---|
| Key interventions | <ul style="list-style-type: none"> ▪ Supporting public research ▪ Developing input supply capacity ▪ Creating awareness and training for use of adapted varieties |
| Important to consider | <ul style="list-style-type: none"> ▪ Private sector-based input supply with 3 layers: <ul style="list-style-type: none"> ➤ Research ➤ Breeding new varieties ➤ Multiplication of seeds |
| Impact | <ul style="list-style-type: none"> ▪ Can be key for CC adaptation and VC competitiveness ▪ High potential impact |

➤ High potential for Development Partnerships with the Private Sector

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CLIMATE-SMART MARKET LINKAGES

Sustainable Deforestation-free supply chains

| | |
|------------------------------|--|
| Key interventions | <ul style="list-style-type: none"> ▪ EU importers become responsible for zero deforestation and environmental practices along their entire supply chain ▪ Ensure and control traceability at all stages of the value chain ▪ Train farmers on good practices ▪ Marketing and consumer awareness campaigns |
| Important to consider | <ul style="list-style-type: none"> ▪ Implement agreements in cooperation with local communities ▪ Link VC promotion with reliable land use, GPS-based data ▪ Use additional funding sources |
| Impact | <ul style="list-style-type: none"> ▪ Protect natural forests |

- INATrace/GIZ: Tool to collect information on production conditions along the supply chain, retrieve data entered in real time and evaluate it, <https://www.nachhaltige-agrarlieferketten.org/en/about-ina/>
- High potential for Development Partnerships with the Private Sector

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CONTRACTUAL ARRANGEMENTS

Different forms of contractual arrangements

*Degree of
coordination
increases*



Contract production/contract farming

Mutually agreed terms (ABS)

Outgrower schemes

*Regular order placement to suppliers/
Preferred supplier arrangements*

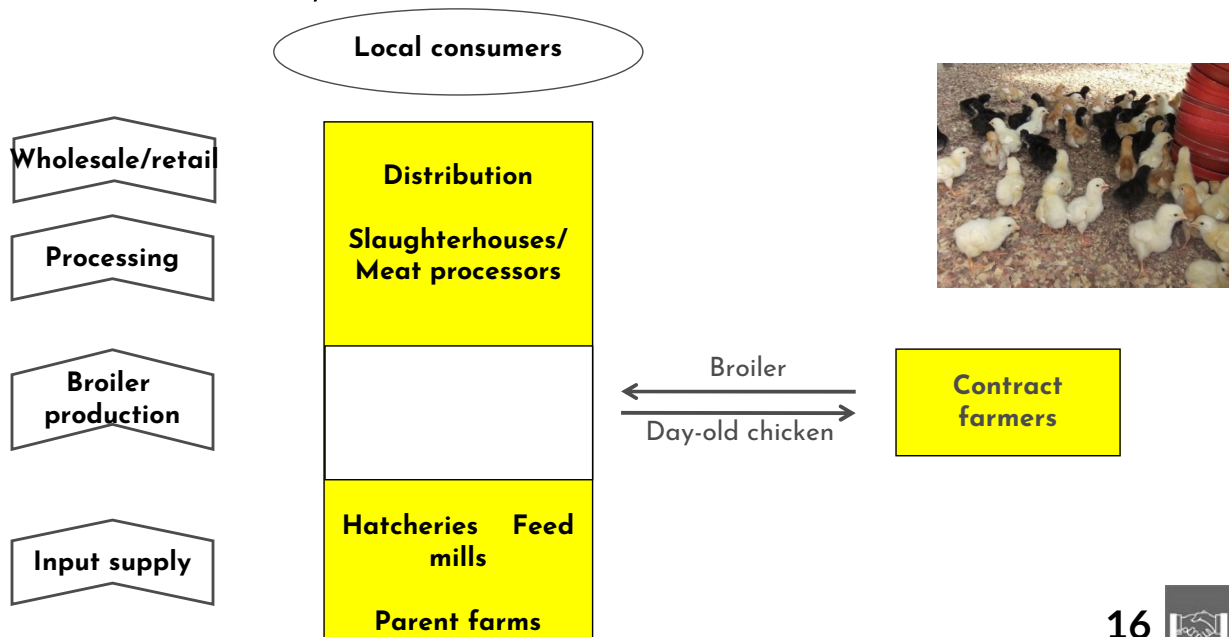
Forward contracting

Arms-length transactions

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CONTRACT FARMING, VERTICALLY INTEGRATED VC



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COOPERATION BETWEEN BIG AND SMALL ENTERPRISES

Big firms cooperate because...

- it enhances their flexibility and reduces the time for responding to orders
- it reduces their costs (lower inventories, better possibilities for adjusting to different scales of production)

Small firms cooperate because...

- it's often their main buyer
- it provides access to bigger markets and thus facilitates growth (e.g. for exporting)
- it allows them to specialize in particular activities
- it facilitates learning and growth

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FACILITATING LINKAGES FOR BUSINESS GROUPS

Major instruments of business matchmaking:

- Facilitating participation in trade fairs
- Organising exhibitions
- Organizing business delegations
- Organizing buyer/seller meetings
- Operating electronic B2B platforms



Capacity development instead of doing!

Facilitators should focus on promoting matchmaking services provided by meso level actors like business associations or other organisations.



TRADE FAIRS



Facilitating participation in trade fairs

- Joint national booths comprising several exhibitors, organised by one organisation
- Cost share with exhibitors 2/3 - 1/3
- Embedded in pre-fair and post-fair promotion activities



Organising trade fairs and exhibitions

- Organisation of international trade fairs
- Organisation of local exhibitions

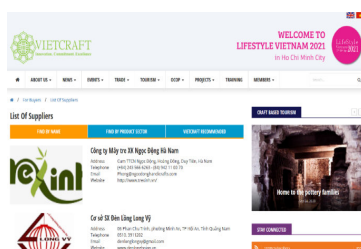


CAPACITY BUILDING OF ASSOCIATIONS



B-2-B delegations

- Visits of key importers
- Invitation of buyers to visit supply countries
- Before/after trade fair participations



Web portals

- Information about producers and traders
- Links to member websites
- Provision of information

