



for

Agrifood Systems

Module 5

Reliable & fair business linkages



ValueLinks for Agrifood Systems

Framework

1 Scope of transformation

Analysis & Strategy

2 Agrifood system analysis

3 Transformative strategy

Transformative Actions Menu

4 Green & social business models

5 Reliable & fair business linkages

6 Services for innovation

7 Financing and insurance

8 Nutritious food and standards

9 Policies for AFS transformation



Business linkages ... a fundamental difference

Horizontal business linkages & cooperation between operators working at the same stage of one or various VC



Vertical business linkages between operators of various stages of the VC ... along the VC



Importance of functioning business linkages for AFS

Vertical and horizontal linkages between operators

- Horizontal linkages – Cooperatives, Farmer based Organisations
- Vertical linkages contracts between suppliers and off-takers (incl. reconnected missing or broken links)

Linkages along the entire value chain

- Efficient logistics (lower cost of transport, storage and retailing per product unit, less food waste, coordinated risk management)
- Steady supply in line with buyers' consumers' demand
- Compliance with standards and supply chain laws, due diligence along the VC



Module 5 Reliable & fair business linkages

01 Horizontal linkages

02 Vertical linkages

03 Business matchmaking at the meso level



Pro's and Con's of promoting Farmer Based Organisations

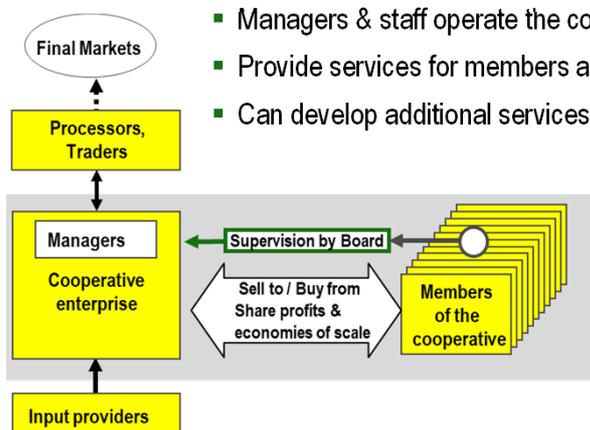
Creation of 2 groups:

- Who thinks, cooperatives are a good solution ... for what?
- Who thinks, cooperatives are mostly difficult ?
- Discuss in your group the arguments why you think cooperatives are a good or rather difficult solution and what may be needed to strengthen their performance.
- Debate pro's and con's with the other group.



Horizontal business linkages: Cooperatives serve members

Member-owned formal business entities



- Managers & staff operate the cooperative for members in line with statutes and by-laws
- Provide services for members according to common interests and market opportunities
- Can develop additional services e.g. storage or processing to grow



Ideas and practice of organizing shared interests in cooperatives are intangible cultural heritage



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Desired outcomes of horizontal cooperation

Economies of scale from lower costs in production, processing, marketing

- Sharing resources and equipment
- Better prices for supplies and higher sales prices
- Easier access to supplies, information and services

Improved business models

- Access to buyers and ability to comply with buyer requirements up to traceability
- Specialized business activities and investment in innovation
- 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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Preconditions of promoting cooperatives

- **Reality-check before involvement:** transparency, leadership, implementation of by-laws, membership basis & representation, reports, financial situation & bank account etc.
- **Clear requirements from buyers / consumers**
- **Members should have common interests, similar resources and needs**
- **Compatibility** with social structures, history and traditions
- **Comparative advantage of cooperative solutions:** quick aggregation e.g. fresh products from fragmented supply basis, primary processing/handling etc.
- **Economies of scale** by cooperating should be feasible
- **Tangible benefits & success in short time** to gain momentum for more complex issues

→ A net benefit from cooperating for involved parties!



Supporting Cooperatives

Business operations

- Market information
- Support to contracting
- Brokering access to services

Managerial capacity

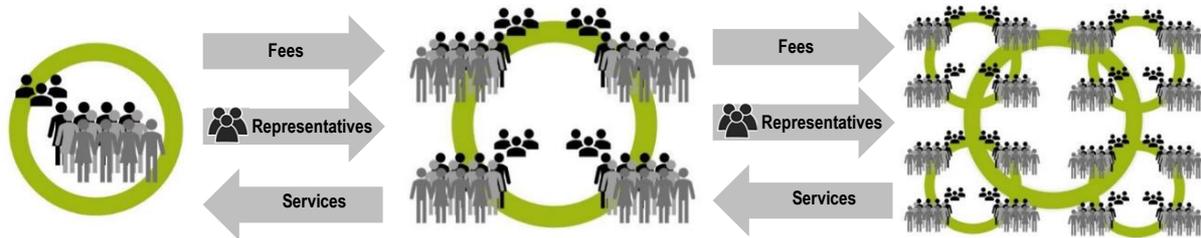
- Professional training on technical, administrative, legal, management, policy issues
- Entrepreneurship trainings for members & management
- Support to plan & budget internal services & business operations

Organisational and social development

- Legal advice for institutionalization
- Internal and external communication
- Coordination and networking
- Strengthening links between cooperative financial institutions and cooperatives of the AFS
- **Digitalization:** daily admin. & mgt., sales of goods & services, Governance & members communication/participation, Transparency & communication with clients / suppliers, traceability ...)
- Youth in Cooperative programs



Promoting cooperatives as part of multi-layer networks



Primary cooperatives

- Provide services to members
- Internal control & regulations
- Run business operations on their behalf
- Broker more complex services (e.g. training, financial services)

Cooperative unions

- Provide or broker technical, financial, training & audit services to members
- Run joint infrastructure
- Represent their members in local / regional policy dialogue

Cooperative federations

- Represent members in policy dialogue regional, national up to international
- Provide control & audit services
- Can provide legal and financial services

Based on GIZ-ABF 2021. Cooperative Business School Master Training



Module 5 Reliable & fair business linkages

01

Horizontal linkages

02

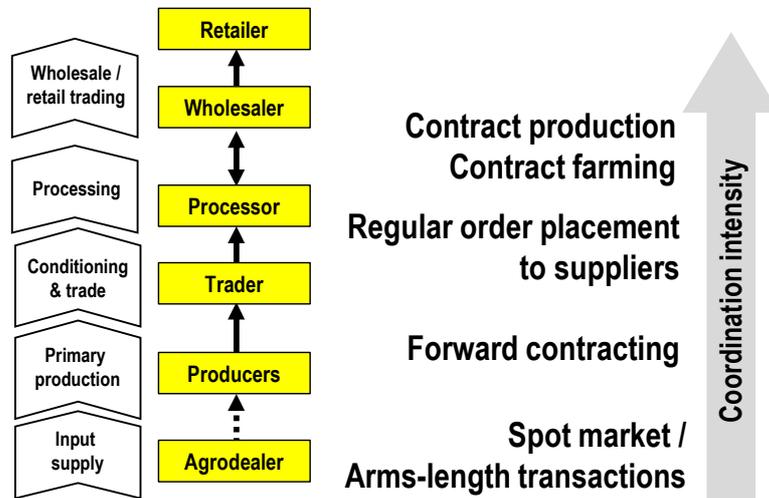
Vertical linkages

03

Business matchmaking at the meso level



Vertical business linkages along the VC

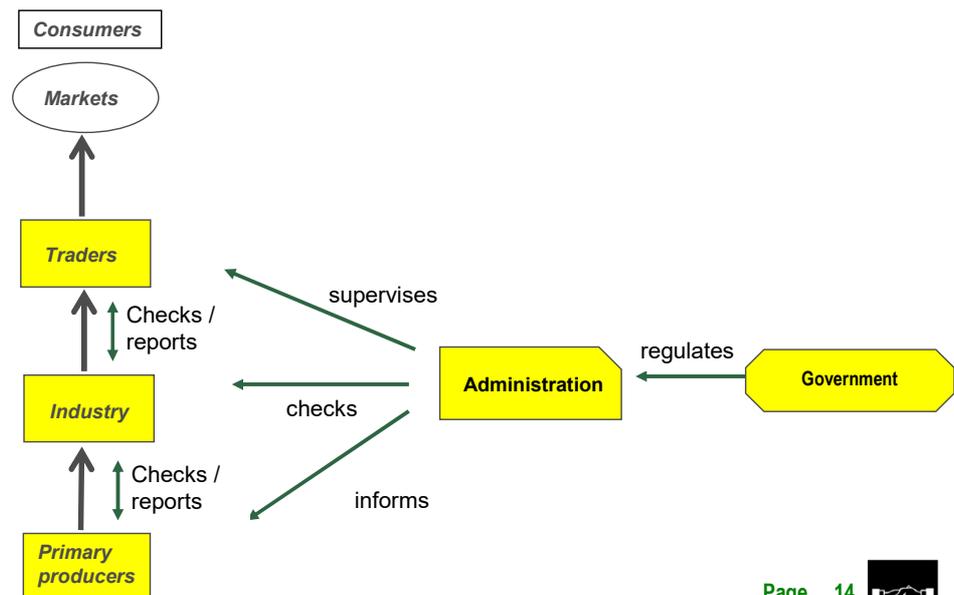


Key issues in AFS:

- Reliable / affordable supply of safe, quality & nutritious food
- Improve, develop new vertical linkages
- Just growth
- Ensure traceability



Supply chain traceability



EU Regulation on Deforestation-free products since 06/2023

- Applies to palm oil, cattle, soy, coffee, cocoa, cashew, timber and rubber as well as some of their derived products such as leather, chocolate, tires or furniture.
- All companies have to conduct strict due diligence if they place such products on the EU market.
- EU importers become responsible for deforestation-free supply chains
→ ensure and control traceability at all stages of the supply chain.
- Application of the regulation has been postponed. The transitional phase will end on 30 December 2025 for large and medium-sized enterprises and on 30 June 2026 for small and micro-enterprises.

High potential for Development Partnerships with the Private Sector

✦ [INAttrace open-source tool](#) to collect information on production conditions along the supply chain, retrieve data entered in real time and evaluate it, so far for coffee, macadamia in process, fresh pineapple

✦ [GIZ INAttrace code is freely accessible via GitHub](#)

[GIZ. 2025. Expert talk: The EU Regulation on Deforestation-free products](#)

[GIZ.2025. Digital Skills for Cocoa Traceability in the Dominican Republic](#)



Traceability is key

EU Corporate Sustainability Due Diligence Directive (EU-CSDDD)

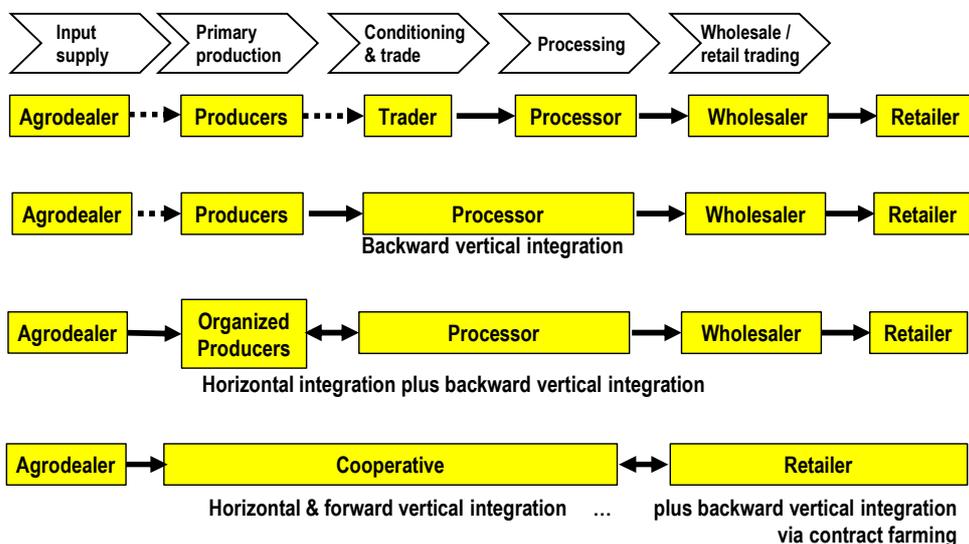
- Approved by the EU Parliament in April 2024
- Will enter into force 2027/2029 (depending on the size of companies)
- Obligation of companies to ensure respect of human rights and environment protection
- Firms with +1000 employees and +450 million € have to integrate due diligence into their policies, make climate protection plans, seek contractual assurances from their partners, improve their business plan or provide support to business partners to ensure they comply with new obligations.
- Requires **traceability** at all stages of the value chain

Undergoing major changes and simplifications in 2025. Likely to apply only to EU companies with more than 1,000 employees and their direct suppliers, and will not come into force until June 2028/2029.

The Commission has prepared a package of simplified regulations called 'OMNIBUS', which should replace the CSDD, the CSRD (Corporate Sustainability Reporting Directive) and the SFDR (Sustainable Finance Disclosure Regulation).



Forward & backward vertical integration: more control, more benefits



What advantages do you perceive?
Which models would provide advantages for the AFS?



Inclusive Contract Farming for win-win partnerships

Business model of supplying producers or producer organisations



Business model of the off-taker (trader or processor)



**Contract farming :
Inclusive Business Model at
the interface between
supplying producers / POs
and off-takers**

Advantages for the transformation of AFS

- Steady supply / standard quality
- Traceability can be integrated

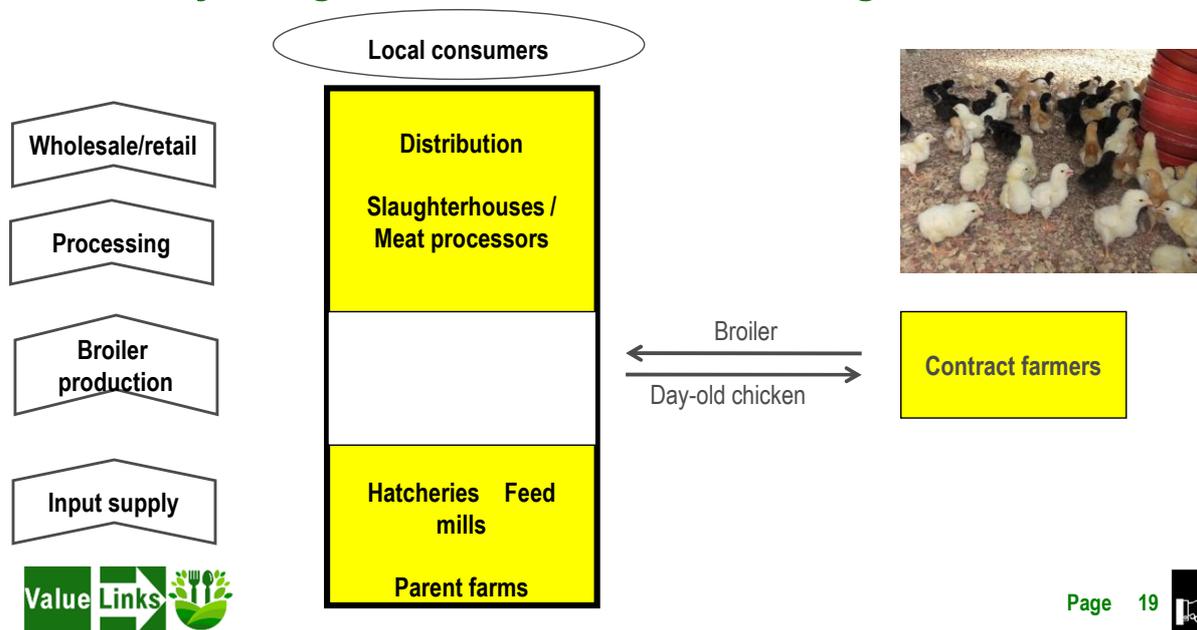
Producers and off-takers do business jointly in mutual interdependency and by sharing of resources, risks and benefits

Based on Will, Margret (2013). Contract Farming Handbook: A Practical Guide for linking small-scale producers and buyers through Business Model Innovation.

Update under >> [GIZ-ABF. 2025. Inclusive Contract Farming Training](#)



Vertically integrated VC with outsourcing



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Transparency → Trust → Success of contract farming

Clarify terms of supply & production

- Product, quantity, quality, packing units/material, timing & frequency of supply
- Modalities of production e.g. conventional, organic/bio
- Input quantities & types (varieties, chemical input formula)

Clarify operations & responsibilities

Linear Responsibility Chart (LRC) for

- Negotiations
- Operational planning
- Specific responsibilities
- Monitoring
- Part of contracts (optional)

Clarify cost, benefits and sharing

Standard Excel tool building on operational plan, mutual responsibilities (LRC) for

- Financial negotiations
- Budgeting of contract production & cost/benefit sharing

Based on Will, Margret (2013). Contract Farming Handbook: A Practical Guide for linking small-scale producers and buyers through Business Model Innovation. GIZ-ABF (2022). Review of of contract farming curriculum for business partners



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Business matchmaking : Facilitating market linkages



Capacity development instead of doing!

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

Major instruments :

- Facilitating participation in trade fairs
- Supporting the organisation of exhibitions
- Organizing business delegations and B2B meetings
- Promoting electronic B2B platforms



Trade fairs

Facilitating participation in trade fairs

- Joint national booths comprising several exhibitors
- Cost share with exhibitors
- Embedded in pre-fair and post-fair promotion
- Important player for GIZ: Import Promotion Desk (IPD)

Organising trade fairs and exhibitions

- Organisation of international trade fairs
- Organisation of local exhibitions



B-2-B Meetings and Electronic Platforms

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

[OneFarm | Driving Agricultural Growth in Africa](#)



Matchmaking to drive inclusive Agricultural Growth

OneFarm Grow
OneFarm Trade
OneFarm Impact

**Kenya, Uganda,
 Angola, South Africa**

Farmers
 Direct access to markets, information, services & additional trading opportunities



Buyers
 Increased supplier choice with comprehensive quality control & supply chain transparency



Service providers
 Effective partnerships in the provision of services and inputs



Offtakers
 Digital solution built around optimizing the supply chain and enhancing outgrower programs



Smallholder farmers
 Market access, logistical support, market-related pricing and favourable payment terms for accelerated growth



CSI/ESG donors
 Smallholder agri-enterprise development, reducing food waste & addressing food insecurity through impactful deployment of funds



Partners



[OneFarm | Driving Agricultural Growth in Africa](#)

