



MODULE

SUSTAINABILITY BUSINESS MODELS FOR AGRIPRENEURS

Unit 1 | Activity 1 Is my business sustainable?



45min



• Pen and blank paper

DESCRIPTION

This activity will guide you in identifying if your business is sustainable by using Porter's value chain model. It will allow you to identify sustainability gaps in your business so that you can work on them to increase your business's environmental, social, and economic sustainability.

THE ACTIVITY

Here is an example of Porter's value chain model. Analyse it carefully to make sure you understand what is requested in each field. Porter's value chain model is a useful strategic management tool that will help you break down your business activities into two strategic relevant pieces: on the one hand, those primary activities which directly contribute to the development of your agricultural product or service and, on the other hand, those support activities that enable the proper functioning of your farm and business. The focus, in this case, is not placed on your business profit margin, but on the activities that have a direct or indirect impact on sustainability issues, exploring how each of them could contribute to the improvement of the whole.

IS MY BUSINESS SUSTAINABLE?

Support or secondary company activities

Company infrastructure

MANAGEMENT, FINANCE, LEGAL PLANNING



Activities with direct or indirect impact on sustainable issues



Human resources management

PROFESSIONAL DEVELOPMENT, EMPLOYEE RELATIONS, PERFORMANCE APPRAISALS, RECRUITING, COMPETITIVE WAGES, TRAINING PROGRAMMES



Technology development

INTEGRATED SUPPLY CHAIN SYSTEM, REAL-TIME SALES INFORMATION



Procurement

REAL-TIME INVENTORY, COMMUNICATION WITH SUPPLIERS, PURCHASE SUPPLIES AND MATERIALS



Primary company activities

Inbound logistics



REAL-TIME INBOUND INVENTORY DATA, LOCATION OF DISTRIBUTION FACILITIES, TRUCKS, MATERIAL HANDLING, WAREHOUSE

Operations



STANDARDISED MODEL, ACCESS TO REAL-TIME SALES AND INVENTORY SYSTEM

Outbound logistics



ORDER PROCESSING, FULL DELIVERY TRUCKS

Marketing and sales



PRICING, COMMUNICATION, PROMOTION, PRODUCTS BASED ON COMMUNITY NEEDS, LOW PRICES

Service



DELIVERY INSTALLATION, REPAIR, GREETERS, CUSTOMER SERVICE FOCUS

Adapted from www.smartsheet.com/value-chain-model



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THE THEORY

Globalisation, digital transformation, technologies, climate change and government policies brought significant change to businesses, particularly in the agricultural sector. Although some of these developments have had positive effects and reduced many risks and losses in farming, others have come with significant costs. The highlight goes to agriculture's extreme vulnerability to globalisation and market instability, particularly small farmers that struggle with food availability and prices fluctuation, and climate changes, that by increasing pressure on natural scarce resources, threaten farmers' livelihood and result in the decline of family farms and neglect of their living and working conditions.

These challenges are estimated to persist, and small farmers need to be more initiative-taking, identifying long-term sustainable solutions at market, policy, science & technology, and land management levels that prepare them for the future while they deal with present issues. Hence, a growing movement has emerged during the past decades that question agricultural practices that harm the environment and advocates for alternative solutions. Today this movement is known as sustainable agriculture and is gathering increasing support and acceptance within our food production systems.

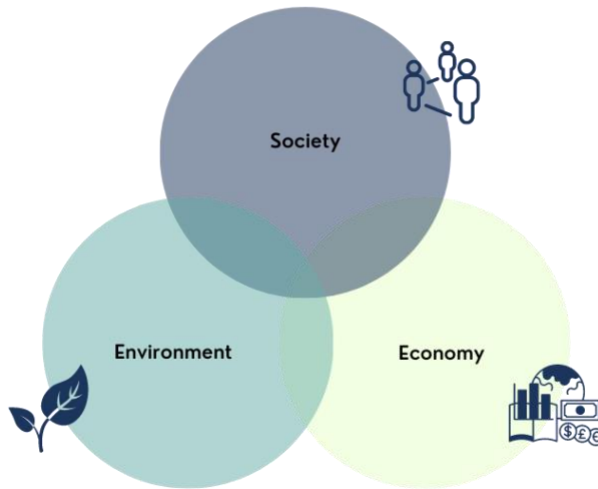
Sustainable agriculture rests on the principle that society must meet its needs without compromising the ability of future generations to meet their own needs. For small farmers, this translates into a sustainably focused mindset on how to conduct their businesses' daily operations and strategic orientation.

So, what does it mean to be a sustainable business?


A sustainable business is based on an integrated management and coordination approach that combines three main sustainability pillars – economic, environmental, and social – that ensure a company follows a responsible, ethical, and financially viable path. By combining these three elements and giving them equal weight within corporate strategy, companies are expected to adapt to current ecological and social challenges while, at the same time, being able to grow in a sustainable way.

THE THREE PILLARS OF A SUSTAINABLE BUSINESS

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Adapted from www.sustrainy.erasmus.site/3-pillars-sustainable-economy

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Let us take a closer look at each sustainability pillar:

Sustainability pillars acorn

ENVIRONMENT

it relates to the fight against climate change and companies' dedication to environmental-friendly practices such as reducing waste, their carbon footprint and water usage, and improving energy efficiency. It is also often more cost effective, meaning that it can be difficult for a business to fully account for its environmental impact.



SOCIETY

It focuses on social responsibility and intends to support consumers, the community and employees associated with the business. Companies practising social sustainability are advised to invest in long-term community relationships by giving back to the local community and promoting the well-being of employees through an equitable and safe working environment, fair play, and the fight against child labour.



ECONOMY

It is the financial aspect of the business itself, i.e., focuses on business profitability as any company must be profitable to be sustainable. The main factors associated with this pillar are corporate governance, supply chain sustainability, sustainability risk management, compliance, and accounting transparency of the company.



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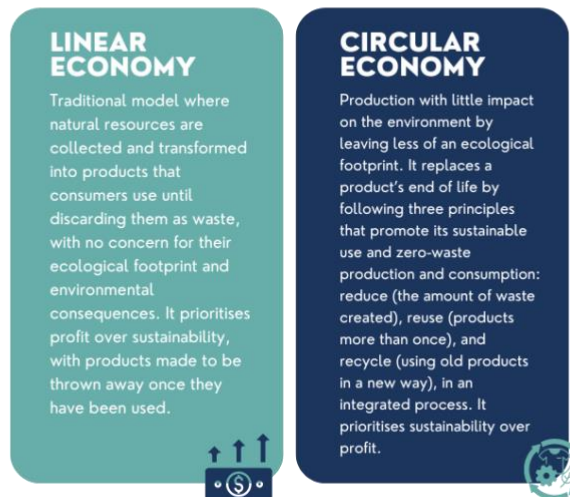
These three sustainability pillars are known by their acronym ESG which stands for environmental, social and governance.


Overall, starting or turning into a sustainable agricultural business means that small farmers need to **position and adopt differentiation strategies** in the food production systems to increase productivity, enhance resilience (adaptation) to climate change, reduce/remove harmful environmental practices where possible, and enhance food security and development goals that meet society's increasing demands.

This new business differentiation paradigm based on sustainability and particularly environmental sustainability, is based on the shift **from a linear economy to a circular economy model** to make sure that small farmers progress towards environmental-friendly practices.

Linear economy vs. circular economy

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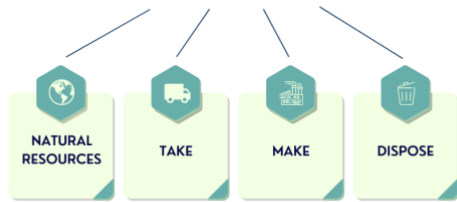
Agriculture, being an activity based on natural resources, is currently facing a lot of challenges due to climate and societal changes while being pressured to produce quality and sustainable products with fewer resources to reduce its carbon footprint on the environment. Therefore, it is urgent that small farmers start changing their business model towards a circular economy to support local, national, European, and global efforts towards environmental change.



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acorn LINEAR ECONOMY MODEL



Adapted from www.aestander.com/en/stories/linear-and-circular-economies-what-are-they-and-what-is-the-difference

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To make products fit for a climate-neutral, resource efficient and circular economy, reduce waste and ensure that the performance of front-runners in sustainability progressively becomes the norm, the European Commission has developed and implemented a set of initiatives that cover all economic sectors.

What EU sustainability strategies are being adopted in the agri-food sector?

In 2015, the European Commission adopted the **Circular Economy Package** which consisted of an Action Plan in the form of a Communication, an Annex with a list of over 50 measures that the European Commission intended to adopt in the coming years and four legislative proposals on waste. The measures identified in the Action Plan focused on measures at EU level with added value to bring about a circular economy model in all sectors, including agriculture. Priority sectors were plastics, food waste, critical raw materials, construction and demolition and biomass and bio-based products, based on the United Nations SDGs.

Some concrete examples of actions taken were as follows:

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CONCRETE EXAMPLES OF EU ACTIONS
TOWARDS CIRCULAR ECONOMY
IN AGRICULTURE



Encourage links

Between chemicals,
products, and waste
legislation



Make use

Of available
EU funding



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Promote eco-design

Reparability, durability and
recyclability of products



Spread best practices

On waste
management /
resources
efficiency in
companies



Review legislation

On EU waste and fertilisers
and include organic fertilisers

Develop minimum requirements

For the reuse of wastewater

Develop quality standards

For secondary raw materials

Create a strategy

On plastics, including marine
litter



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This Action Plan was reviewed in 2020 and is currently one of the main building blocks of the **European Green Deal**, a set of proposals to make the EU's climate, environment, energy, agriculture, industry, transport, research and development, finances and regional development policies fit for reducing greenhouse gas emissions (GHG) by at least 55% by 2030, and ultimately to enable Europe to become a climate-neutral and resource efficient economy by 2050.

The Green Deal is implemented, i.e., provides a policy framework and funding via other policy initiatives, such as the Circular Economy Package, that directly impact agriculture and farmers' contribution to a low-carbon sustainable economy. The most relevant is the **Common Agricultural Policy (CAP)**, a partnership between Europe and farmers launched in 1962 to enable food security, improve agricultural productivity, tackle climate change, sustainably manage natural resources, maintain rural areas, and strengthen the economy. As a common policy for all EU countries, it provides funding for farmers to produce food, as well as support to regional and national rural development plans. It is through these plans that farmers can address resource efficiency, low-carbon and climate resilience and ecosystem preservation and, ultimately, follow a differentiation strategy based on a circular economy business model.

As each rural area and agribusiness is unique, farmers and particularly small farmers need to consider what are the best policy alternatives and available financial instruments that better reflect their business, surrounding ecosystem, and willingness to transition to sustainable practices and support a low-carbon economy.



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