



## MODULE

# SUSTAINABILITY BUSINESS MODELS FOR AGRIPRENEURS

### Unit 2 | Activity 1

What are the key elements of my sustainable business model?



45min



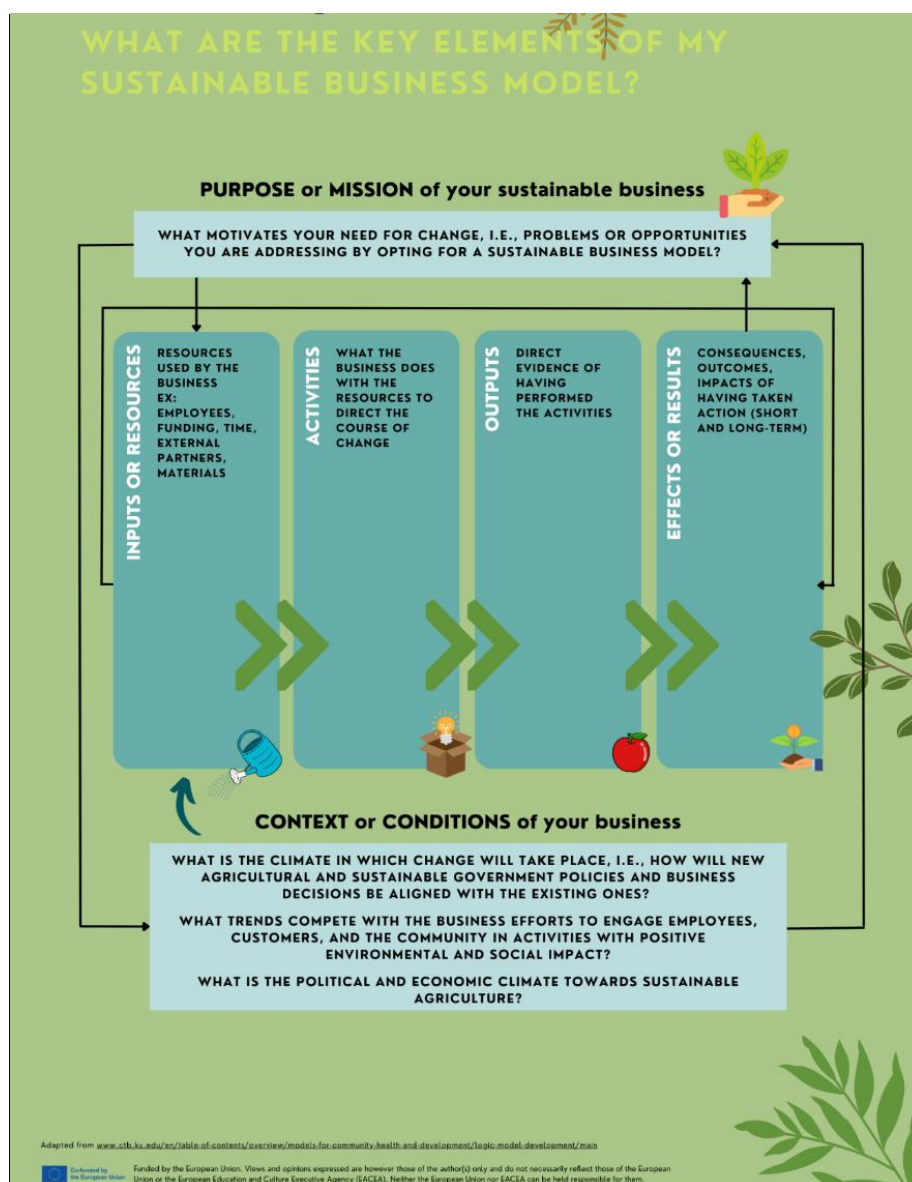
- Pen and blank paper
- To have completed Unit 1, Activity 2

## DESCRIPTION

This activity will guide you in validating the key elements of your sustainable business model by using the logic model. It will allow you to identify sustainable solutions for your business so that you can define strategic short and long-term priorities based on them.

# THE ACTIVITY

Here is an example of a logic model. A logic model presents a picture of how your effort or initiative – in this case, a sustainable business model – is supposed to work. It explains why your strategy is a good solution to the problem at hand, i.e., why your business model has the needed elements for you to pursue sustainable practices. By defining the problem or opportunity and showing how intervention activities will respond to it, the logic model makes the small agribusiness owner’s assumptions on sustainable practices explicit. Analyse this logic model carefully to make sure you understand what is requested in each field.



# THE THEORY

Paying attention to environmental, social and governance, i.e., ESG issues are becoming increasingly critical for all companies across all sectors, including agriculture (see **Unit 1: Sustainable business**). As the expectations of companies, consumers and governments increase, companies recognise the need to act on sustainability. Intentions are no longer enough and effective change in daily operations and strategy are needed. Companies from all sectors, particularly agriculture, are being encouraged to pursue **sustainable business models**.

A sustainable business model is a company's plan to turn its business approach from profit to sustainability – from a linear to a circular economy business model (see **Unit 1: Sustainable business**) –, creating long-term value and impact at environmental and societal levels. Sustainability is, thus, built on the assumption that developing economic, environmental, and societal strategic business decisions fosters the company's longevity and create a positive impact. Businesses should monitor the impact of their operations at these levels to ensure their decisions also benefit long-term goals for resilience and sustainability.

However, there is no right approach towards sustainability and often the best solution for businesses very much depends on their ambition and how much they are willing or can invest in more environmentally-friendly practices and social responsibility, while not compromising the company's economic viability.

In the case of **small farmers**, why is it important to consider transitioning or creating a sustainable business model? Because agriculture can play a relevant role in countries' efforts to address climate change, helping them to transition to a low-carbon economy while pursuing economic growth and continuing to meet society's needs. Additionally, small farmers are usually more well equipped to make this transition, as their businesses are of smaller size and their agricultural practices are of lower environmental impact in comparison with large or medium-sized agricultural businesses. In fact, with agriculture being one of the major sources of GHG emissions in the world – with the direct emissions of GHG from agriculture accounting for approximately 10% of the total emissions of the EU –, agripreneurs should act as managers of the countryside and make sure their sector grows sustainable to help shape a low-carbon economy in rural areas.

Therefore, it is important for small farmers to understand what the **key elements of a sustainable business model** are to adopt more sustainable business decisions. Thus, a sustainable business model should:



# Key elements of a sustainable business model

A sustainable business model should:

## BE COMMERCIALY PROFITABLE WHILE ALIGNING STRATEGY WITH SUSTAINABILITY

As a small farmer, you must be able to balance environmental and social sustainability with the economic viability of your business. Your business strategy and sustainability efforts should be aligned. You must be able to foresee how far you are willing to compromise to adopt more sustainable practices in a way that does not jeopardise your business and livelihood.



## BE ABLE TO SUCCEED IN THE LONG-TERM WHILE COMPLYING WITH SHORT-TERM REGULATIONS

A trendy business or one that relies on limited resources may be profitable for some time, but how will it continue in the future? Resources' availability and pricing are never guaranteed or fixed, particularly in the agricultural sector where farmers deal with natural scarce resources, changing weather conditions and market instability. Additionally, farmers also need to comply with existing regulations on waste management, pollution, and energy efficiency. Therefore, for small farmers, it is important to understand how to mitigate the effects of climate change on their business while complying with environmental legislation and reducing their negative impact on the environment.



## USE RESOURCES THAT CAN BE REUSED. BE PROACTIVE AND NOT REACTIVE

You cannot have a sustainable business model without using sustainable resources, particularly in agriculture which is limited by finite resources or high prices. On the other hand, some resources may be easily available and quite cheap yet environmentally harmful. Cheap resources may be tempting for agricultural businesses but think about the big picture and if you are not able to implement large-scale changes, consider in which business areas of you can make small strategic sustainable options. A small step for farmers, a giant step for humanity!



## GIVE BACK

One theory is that a truly sustainable business model is one that gives as much as it takes from the environment and society. This concept is called the circular economy business model. Rather than taking from the earth, a small farming business should borrow natural resources such as water, soil, and air with the intent of making sustainable use of them. This concept of responsible consumption is one that small farmers can promote, particularly to their consumers and practice.

Adapted from [www.business.com/articles/how-to-create-a-sustainable-business-model/](https://www.business.com/articles/how-to-create-a-sustainable-business-model/).



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However, all businesses struggle with quantifying the return on their sustainability investments. This is also true for small farmers, so there is a need to help them link sustainability to a business case that would provide them a competitive advantage in their sector. So, **how can you as a small farmer validate your sustainable business model** and be sure you are in the right direction?

The most used and well-known method is the **sustainable business model canvas** (see **Unit 3: Sustainable business model canvas**), but before that small farmers should brainstorm about the following sustainable aspects of their business:

- **Think about the resources you are using.** Make a list of the raw materials you need for your agricultural business and where and how these are sourced, sold, and then transported to you. How can you increase your productivity while also lessening your dependence on them? And, if not possible, how can you make more sustainable use of them while maintaining their quality?
- **Outline your manufacturing and business processes.** Which manufacturing processes are the most wasteful and how can you mitigate the negative effects of those processes? How are you packaging your agricultural products and how might you replace them with more sustainable solutions? What are the end products of your agricultural processes, i.e., how can you reuse waste material? Does it have to be thrown away or can the waste be used again? How are the labour conditions?

**Consider how to engage your employees and customers.** Including everyone in your business sustainability goals can help you keep your business on track, particularly if your employees share the same goals as you. Stimulating relevant ideas to turn your business more sustainable is one way of engaging your employees in sustainable decision-making. Additionally, by involving customers you might also reach niche markets (e.g., bioproducts, free trade products) in which the price of products is higher, but customers know they are paying more for your products' environmental and/or social responsibility. You might choose to engage them by pledging a percentage of revenue to a certain charity or organisation or by offering different shipping or packaging options.



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