AGRICULTURE VALUE CHAIN – BUSINESS MODELS

(Appendix to Sec. 313 on Agricultural Value Chain Financing Framework)

The agriculture value chain business models are characterized by the main driver of the value chain, and its rationale or objectives. The following are the typical organizational models for smallholder production:

Model	Driver of organization	Rationale
Producer-driven (Association)	– small-scale producers, especially when formed into groups such as associations or cooperatives; – large scale farmers	– access to new markets; – obtain higher market price; – stabilize and secure market position
Buyer-driven	– processors; – exporters; – retailers; – traders, wholesalers and other traditional market actors	– assure supply; – increase supply volumes; – supply more discerning customers – meeting market niches and interests
Facilitator-driven	– NGOs and other support agencies; – National and local governments	– 'make markets work for the poor'; – Regional and local development
Integrated	lead firms; – supermarkets; – multi-nationals	– new and higher value markets; – low prices for good quality; – market monopolies;

Reference:

Miller, C. and Jones, L. 'Agricultural Value Chain Finance, Tools and Lessons'. Published by FAO and Practical Action Publishing, 2010.

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