



Learning lessons for inclusive business models with Colruyt

A case study on canned green asparagus from smallholders in Peru

1. Introduction: Inclusive businesses in modern markets

The case study presented in this document is in line with VECO's mission and strategies: The Development of Sustainable Agricultural Chains. In this case the economic, social and ecological assets are emphasized. This means that attention is paid to better prices and higher market stability for the producers, improved livelihoods, farmer practices and processing in a more ecological and sustainable way. VECO has engaged in the field of sustainable agricultural chain development from the conviction that an increased inclusion of smallholders in modern markets will improve their livelihoods and food security. VECO is not alone in this approach. On a global scale, individuals, businesses and leaders from all kinds of sectors look for new business models that include smallholders in order to ensure sustainability of today's agricultural production and allow to nourish 9 billion people by the year 2050. Processing companies and retailers are engaging in inclusive sourcing to secure their supply, respond to the growing consumer demand for traceability, include sustainability as a core value in their business, etc. For example, Unilever wants to source 100% of its products from sustainable agriculture by 2020. Likewise, Mars aims at sourcing 100% of its cocoa from certified sources by 2020. In Indonesia, VECO supports cocoa farmers in their cooperation with Armajaro, one of the main cocoa traders, to sell to Mars.

Since a few years ago, VECO is collaborating with the Belgian retailer Colruyt to explore possibilities for sourcing from smallholders in its reflection process 'sustainability in food chains and inclusiveness for family farmers'. A first collaboration was a co-financing structure, first in support of the VECO program in Indonesia and later of the VECO program in Benin. Over time, this has resulted in an operational cooperation. In 2009, a collaboration was set up to

explore a pilot project with canned asparagus from Peru. Together, the actors decided to take a closer look at this product on Colruyt's shelf: Where is it procured from; are small-scale farmers involved in the production; are quality requirements a limitation for small-scale farmers to participate in this chain?

The reasons for participating in such a pilot project are manifold. In the first place, experience from the canned asparagus case, described in the following pages, will contribute insights on inclusive business models and, within VECO, to the knowledge on this issue and strategies in cooperation with the private sector. Second, it serves as a learning case towards more inclusive purchasing policies. Third, the export of high-value products such as fruits and vegetables is very important for the development of rural communities. Opportunities for export have increased incredibly in the last decade. Many poor countries were able to shift from heavy reliance on a few tropical export commodities (cocoa, coffee, etc.) to a higher diversification in food export and export of higher value produce. High value production has known an unbelievable boom during the last decade, with a visible shift from traditional tropical products towards high-value crops. However, the question remains whether the poor can benefit in proportion to these changes.



Jef Colruyt, CEO Colruyt:

"Colruyt is focusing on sustainable sourcing because of necessity. We need to consider the economical, social and ecological aspects of our company, and try to bring them into balance. This is not a question of competitive advantage; it could be if we were the first to do this. But in the long term, it's just the obvious way to go, and a necessity."

Box 1: About Vredeseilanden/Veco

Vredeseilanden is a Belgium-based, international NGO with 40 years of experience in sustainable agricultural development. It is renowned for its expertise on sustainable farming practices and its efforts to strengthen farmer organisations. The partner organisations are supported through 8 VredesEilanden Country Offices (VECOs). Which is why, outside Belgium, the organisation is mainly known as VECO.

VECO's main focus today is on developing sustainable agricultural chains, locally and up to international level, in partnership

with organized farmer groups, private sector actors (traders, processors, retailers) and NGOs, research institutions, government agencies, ... in 16 different countries.

VECO plays a facilitating role among the relevant stakeholders to develop common strategies for inclusive business models aiming at economic, social and ecological sustainability. The aim is to increase benefits to all parties within each chain – especially to improve the livelihoods of smallholder farmers.



foto: ©Paola Mercado

Mieke Lateir, Sustainable Agricultural Chain Development Specialist, VECO:

“Now is the time to take this project outward. The objective is that the companies involved (Colruyt, Scana Noliko, Gandules) will share this experience with other interested actors, and mobilize their networks to find new products, but also companies. We want to put our experiences at disposal of other actors interested in setting up inclusive business models .” [Click here to see the video](#)



2. The asparagus sector in Peru

At the beginning of the collaboration in 2009, when canned asparagus was identified as a possible product to source from smallholder farmers, a profound analysis of the chain was needed. Because of Colruyt sources its canned asparagus both from Peru and China. Two studies were conducted: one on the asparagus chain in Peru

(by PhD-student Benny Van De Velde) and the other on the chain in China (by Dai Peeters). Both sectors are under a lot of pressure. After comparison, Colruyt decided to assess the feasibility of investing in the inclusion of small-scale farmers in Peru, as Peru seemed to offer the best conditions to start an inclusive chain. The main reason not to intervene in the chain in China, was the difficulty of tracing the smallholders, due to an abundance of intermediaries.

Box 2: To compare: Asparagus in China

The asparagus sector in China boomed until 5 – 6 years ago. It was a key crop for the farmers in the 80s and 90s; nowadays the sector is in decline, for various reasons. The combination of central government policies on agriculture, overall economic development in China, increasing labour forces, decreasing international purchasing prices, inflated currency value and the intense labour requirements have caused farmers to re-consider the future of asparagus production in this area in the long term. The government is strongly subsidizing wheat and maize production, so that prices in these sectors are more stable, rendering asparagus production unprofitable. While in Peru there are only five or six large asparagus processing factories, there are approximately 60 smaller factories in China, each occupying a relatively small portion of the market. In China, smallholder farmers are really dispersed. In the Shandong Province it involves 20.000 households of farmers, each owning/ renting 0,2 ha of land. Their produce is bought by a collector and then sold to the processing company. Only one fourth of the produce processed in these processing units is asparagus.



foto: ©Laura Zuallaert

2.1. Overview of the Peruvian asparagus sector: production, export and employment

2.1.1. Asparagus production

The production of asparagus started in the 1950s along the coast and stayed relatively low until the 1980s when production suddenly boomed (Shimizu 2006), with the cultivated area increasing from 2,000 to 20,000 hectare between 1985 and 1995. The area stabilized at that level, however, production continued to increase. Currently, asparagus yields average 12 – 13 tons per hectare per year, making it the highest yield in the world. This is due to the favourable Peruvian climate, which allows two harvests per year.

Asparagus is cultivated exclusively in the coastal area of Peru. La Libertad and Ica (see map) are the major production areas (Van De

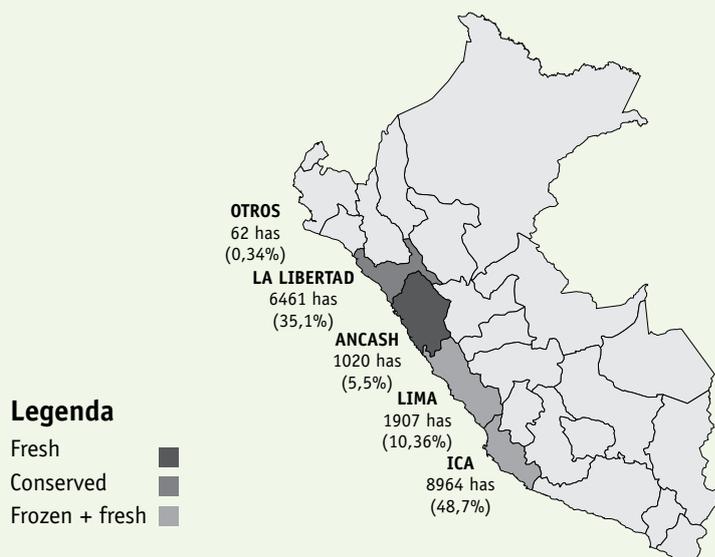
Velde 2009). The prices for asparagus fluctuated during the periods of 1997 and 2008, with one increase in 2000 due to overproduction, and another peak in 2008 due to the economic crisis.

2.1.2. Asparagus export

The asparagus sector is of great importance for the Peruvian economy. Asparagus is ranked second in the Peruvian agro-exports, representing 17,3 % of the total export value (ADEX 2008). The country also takes an important position in asparagus production worldwide; it is the world leading exporter for asparagus products (COMTRADE 2009; ADEX 2008), with China as the major competitor. It evolved from nothing in the 1980s to a half a billion dollar business in 2008, for fresh and canned asparagus together. The fresh asparagus market is still growing, especially in the US. Both the fresh and the preserved asparagus are destined to US and EU

Roberto Ramirez, asparagus specialist:

“Peru has almost all different climates of the world and a 3000 km coastline, the majority of which is desert. The coast has important characteristics regarding to the hours and intensity of solar radiation. During the day, there are extremely high temperatures, which drop significantly at night; this has converted the coast into a natural greenhouse. The asparagus is not originally from Peru, however it has adapted wonderfully to the country’s climate and soil. Because of this, large areas were dedicated to cultivation. These areas have the highest production of asparagus worldwide. Thanks to the favourable climate, asparagus cultivation is possible in Peru throughout the year.”



Map 1: The major asparagus production regions of Peru. (Source: IPEH, 2008)

La Libertad:

- 30% of cultivated area
- 48% of total produced volume
- average yield: 14 tons/ha
- mainly white asparagus for canning

Ica:

- 49% of cultivated area
- 41% of total produced volume
- average yield: 9 tons/ha
- mainly green asparagus for fresh and frozen

Lima and Ancash:

- 16% of cultivated area
- 10% of total produced volume
- average yield: 5,5 tons/ha
- mainly green asparagus for fresh and frozen

markets: 50% of the fresh produce is exported to the US and 40% to the EU; 20% of the preserved asparagus is exported to the US and 75% to the EU. Amongst the most popular destination countries in the EU are France, Germany, UK, Spain, Italy, The Netherlands and Belgium (Van De Velde 2009).

The export of asparagus to US and EU is, obviously, high during the low seasons of these destination countries. Preserved asparagus is exported more or less equally throughout the year.

2.1.3. Employment

Apart from export value, asparagus production is important for the creation of jobs. 65000 workers are employed in asparagus production during harvest seasons (USAID 2007). An important share of employment is therefore temporary, especially in the field labour part of production, where 75% of the workers are employed with monthly, quarterly or half-year contracts. In the processing and packing units, 50% of the workers are permanently employed.

Companies perform other processing and packing activities besides asparagus, enabling them to be operational year-round. Companies

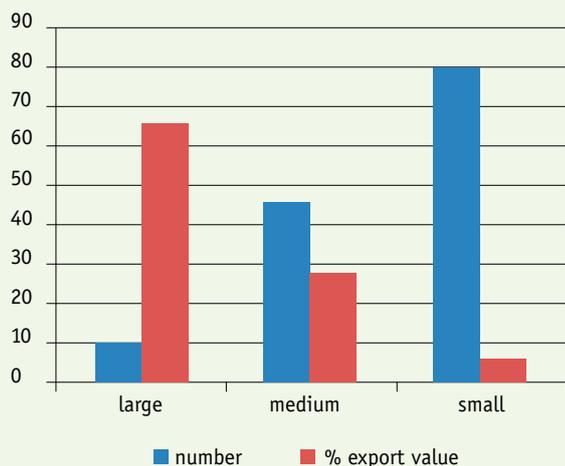
are obliged to apply Peruvian labour regulations for agro-industrial workers, which include contract-based employment, a minimum wage of 203 USD, a maximum of 48 working hours per week, safe and healthy working environment, appropriate equipment, 18 years minimum age, holidays and social services. The Peruvian Ministry of Labour monitors these conditions twice a year.

In the large plantations, tractors are used for fumigation, harvesting and ploughing. Labourers harvest in rows, cutting the asparagus that is ploughed from the soil with a knife.

In the processing unit, working conditions are often very poor. labourers may not be allowed to leave the line to go to the toilet, which often causes infections in women.

On the contrary, on smallholders' fields, hand labour predominates, with ploughing by horses and transport sometimes still done by donkeys. An interesting video at <http://www.mo.be/video/asparagos> shows production and processing conditions on both large-scale plantations and smallholder plots (movie Laura Zuallaert).





Graph 2: Asparagus exporters and their corresponding share in export values (Source PROMPERU 2008, ADEX 2008)

2.2. The asparagus supply chain in Peru

Exporters

The chart below illustrates the number of exporters in the Peruvian asparagus sector, with the corresponding share in export value. There are approximately 140 exporters for asparagus. Asparagus cultivation occurs on large-scale plantations, with 500ha or more for big companies, 100ha for medium-scale companies.

From the chart it is clear that the biggest share of the asparagus export lies with the smallest number of exporters. These are the **11 large exporters**, which account for 66% of the total Peruvian asparagus export value. All of them have vertically integrated at least part of their asparagus activities, which means that they perform all the activities from the field to the airport or seaport, including cultivation, processing, packing, transport and trading. The **46 medium-scale exporters** of asparagus represent 28% of the total

export value. **The small-scale asparagus exporters**, estimated around 1500 farmers, sharply outnumbering the other exporters, only represent 6% of the export value. They are often occasional players in the fresh asparagus export market; they enter and quit according to the market situation.

Government investments

Asparagus is cultivated in the sandy soils of the Peruvian desert. These desert lands have become available to private companies through changing land policies: in the late 1980s, the Peruvian government started to sell its desert land for an affordable price to agro-industrials. In this way, big companies could buy land for only 220 dollar per hectare, now owning large-scale plantations. Today, land is sold at 6000 dollars per hectare.

Furthermore, the CHAVIMOCHIC project in La Libertad, initiated by the government, one of the world's largest inter-canal systems connecting five rivers in the valleys made it possible to cultivate the desert. Finally, the introduction of new technologies such as drip irrigation made it possible to increase productivity of asparagus under desert conditions. The most important ecological challenge is still the regulation of water, including the use of technified irrigation systems for asparagus production in the desert region.

Despite the investments in land and water usage, small-scale farmers are generally excluded from the high export values due to their limited access to export markets. This is caused by their small scale of production, weak organization and limited competence capacity compared to large companies. Exact data on asparagus producers are not available, however Valcárcel (2002) estimated there must be approximately 2000 producers, two thirds of them smallholders. Shimizu (2006) states that the majority of smallholder farmers is situated in the Northern department La Libertad. The emergence of green asparagus originated in Ica, established exclusively by large-scale producers. Recently, however, smallholder farmers are also participating in the production of green asparagus.



foto: ©Laura Zuallaert



foto: ©Laura Zuallaert

Structure of the Peruvian asparagus supply chain

Large-scale producers mainly source from their own farmland and from large-scale farmers; medium-scale companies have a more scattered pattern of primary produce procurement, but never source more than 50% from their own farmland. Three quarters of the companies studied by Van De Velde (2009) source half of their produce from small-scale farmers. REOPA, the farmer organization, sources 100% of its primary produce from small-scale farmers. It is this farmer organization that is included in Colruyt's canned asparagus supply chain.

In general, companies source their produce on a contractual basis; they consider this necessary to ensure quantity and quality, as well as the revenues of high investments made in smallholder sourcing.

The companies generally provide extra services to their small-scale suppliers in order to guarantee high quality produce: this can take the form of pesticides or fertilizers, or technical support. Some companies employ their own technical assistants. Companies want to maintain a good mutual relationship with their suppliers and avoid side-selling to other companies or intermediaries.

All of the companies interviewed in Van De Velde's study consider contracting smallholder farmers important, but the incentives to engage with smallholders differ. It is sometimes viewed as a diversification strategy to ensure constant supply when demand surpasses supply. Or a company may also engage in Corporate Social Responsibility.

The main constraints to work with smallholder farmers include the

lack of scale advantages, transport issues (bad roads), high investments and quality issues.

3. Colruyt sources canned green asparagus from smallholder cooperation REOPA

3.1. Setting the scene

VECO and Colruyt initiated their collaboration in 2006 to carry out projects on sustainability with a focus on inclusiveness for small-scale farmers. Colruyt started to co-finance the running VECO programme in Indonesia and Benin. From 2009 on they co-managed a rice project in Benin, aiming at improved income and well-being of farmers by exporting a symbolic amount of rice, so as to improve product quality in order to develop the local rice market. In contrast with its collaboration in Benin, where it set up a new chain, the idea with the asparagus chain was to make an existing chain more sustainable by sourcing a product already on Colruyt's shelves from smallholders. The experience from this chain as a pilot project contributes lessons for inclusive business models to Colruyt's sourcing policy.



foto: ©Jos Coenen

Canned asparagus was chosen, because it was identified as an important product within canned foods. At that moment, Colruyt had 8 references of asparagus on its shelves. Colruyt sources its asparagus from China and Peru. They have 4 private labels, one of which is a 'price article'.

In September 2011, Scana Noliko, the importer of canned asparagus and business partner of Colruyt, organized a field trip to Peru. The goal of this visit was to achieve a better understanding of the asparagus sector in Peru and then to identify a farmer organization interested in cooperating within the chain. Scana Noliko had already defined a possible processing and exporting company, named Gandules. Herman Strobbe from Colruyt, Yves Roucourt and Jos Coenen from Scana Noliko and Johanna Renckens, Paola Mercado and Mieke Lateir from VECO participated in the trip to Peru. Based mainly on Gandules' suggestion, the results of Van de Velde's study and the contacts made in Peru, the chain actors decided to work with the former farmers association REOPA.

3.2. The chain partners

The set-up of the inclusive chain was demand-driven. The first partner, at the end of the supply chain, is Colruyt, the biggest Belgian retail company. Within Colruyt, the case is monitored by the purchaser for import of canned produce, Herman Strobbe; the responsible

person for sustainable sourcing, Philippe Toussaint and the responsible person for sustainable development, Mieke Vercaeren. Colruyt's role in the chain is to ensure efficient logistics of the product to all of its stores in Belgium, market the product and promote it towards its consumers.

For REOPA (La Red de Organizaciones Productivas Agropecuarias), the Peruvian farmer organization, cooperation with Gandules, Scana Noliko and Colruyt facilitated by VECO is a promising opportunity. Up to 38% of their production does not meet the quality requirements to be exported as fresh produce. This produce is excellent for frozen or canned asparagus. The cooperation with Gandules is especially beneficial in the months January to March, during local summer, because quality is poorer in those months. Furthermore, this is exactly the period when Mexico is harvesting, which makes competition with the Mexican asparagus production for export to the US very difficult. A cooperation with Gandules for canned asparagus towards the European market during this period is a highly desirable possibility, which prompted them to take part in the pilot project. The vice-president and manager Juan Manuel Miranda is personally involved in the project.

Thus far, REOPA has been able to pay its members relatively good prices, better than others, which prevents members from side-selling. REOPA pays its members by quality grades. In REOPA, the members

all contribute to the association for services rendered, depending on capacities. 50% of the benefits are returned to the members in the form of fertilizers. 50% is reinvested at the level of the association.

Scana Noliko is the importer in the chain: Yves Roucourt (Business Development Manager) and Jos Coenen (Quality Manager) from Scana Noliko entered the pilot project from its early beginnings. At Scana Noliko, there is great involvement in the case, partly because of the weight of their commercial partnership with Colruyt, but especially thanks to their own interest in sourcing from smallholders. Scana Noliko is attempting to make socio-economic sustainability part of the company, as they see it as the only way forward in order to secure their supply. Yves Roucourt is personally involved with the case and wants to implement the best possible strategy to support REOPA. It is a strategic choice for Scana Noliko to source from smallholder farmers. Long-term relationships are at the base of their trade policies. However, Scana Noliko does not yet have a policy on social standards.

Scana Noliko already has a commercial partnership with Gandules Inc, a processing and export company, located in Peru. Their partnership mainly involves canned (bell) peppers. It was Scana Noliko's idea to work with Gandules. Although Gandules owns about 4000 ha of land and rents some, until now it does not have its own asparagus and is therefore willing to engage with small-scale farmers in a sustainable sourcing project with Colruyt.



Colruyt is a Belgian family-owned supermarket chain, one of the major chains in Belgium with 217 supermarkets, and also 47 supermarkets in France. They employ 25.000 persons. Colruyt has been showing interest in sustainable sourcing for many years. 20 years ago, the company started its CSR (Corporate Social Responsibility) efforts launching its Green Line Program, an environmental program resulting in – among others – investments in renewable energy programs. Colruyt is well-known for its efforts to increase ecological sustainability. It has energy-saving facilities that reach beyond what most supermarket chains do. For example, they have effective light- and heat-saving facilities in all of their supermarkets and an advanced distribution service with efficient logistics to save costs. Within Colruyt, payment is done before the goods arrive (CAD – cash against documents system). Important in the negotiations for Colruyt is that a product has to fit in the 'European' taste conditions. A new product must always pass a consumer panel to determine whether it suits the assortment.

REOPA constitutes the start of the supply chain. It is an association of small-scale farmers founded in 1998 and formally established as a second grade organization in 2005. The farmers of REOPA are situated in the Peruvian region La Libertad, in the province of Ascope, the three districts Pajjan, Razure and Chocope. The association brings together 11 organisations of 1st level members. These have 15 to 27 members each.¹

In 2006 they formally became REOPA. They received funding from the European Committee, among others, to start their first processing plant for fresh asparagus. In 2007, they first started exporting. Then, in 2010, they built a second plant for frozen asparagus. However, anno 2013 it is not yet operational. In 2011, REOPA joined the international Food Fair Fruit Logistica in Berlin. They are very interested in working with fair trade labels as well and set up an initial investigation with Max Havelaar. The last few years, they have received support from various international organizations. By the year 2020 they want to be Peru's most competitive asparagus export company. They employ 3 people for support and technical assistance from seed to harvest, to guarantee high levels of productivity and good quality produce. In the processing plants more than 40 people, predominantly women, wash, select weigh and package the produce.

In the meantime, they have become a well-known brand for good quality product. REOPA's knowledge is important, for it gives the surrounding farmers access to market price information. The organization is a great reference for the market prices and keeps farmers up to date.

¹ Average households of the members of REOPA consist of 4,6 persons. Children help very little with asparagus production, because they go to school. Women help mainly during harvest time, yet they are not paid for this labour.

Scana Noliko is a processor of preserved produce and ready-to-eat meals. It grew out of a farmers cooperative, and there are still Belgian farmers on its Board of Directors. Their focus lies on local products, and it is a private label producer. Apart from its own processing, Scana Noliko also imports preserved produce from other countries. It is one of the top 5 companies in Europe in this segment of the value chain, with a turnover of 184 million euros. It is a daughter company of Pinguin Lutoso, a very important group in the field of frozen vegetables and other foods. For a huge company like this, the implementation and monitoring of quality systems plays a major role. Food safety is the central pillar in this quality control. Its focus lies on products produced in its own factories in Belgium, import is important for it to complete the offer. In the last decades, more and more attention has gone to environmental issues, and recently also to reflection on how to incorporate social aspects within quality systems. It was one of the first Belgian companies changing from carbon to gas fuel; they are currently installing a windmill system. Scana Noliko sources its conserved asparagus exclusively in Peru, from TALSAs and now REOPA via Gandules. Talsa has its own production of asparagus and is not interested in sourcing externally because of quality issues. For Scana Noliko, green asparagus makes up about 10% of the total sale of asparagus in Belgium and France. This comes to a total of 200.000 – 300.000 pieces of conserved green asparagus.

Gandules

Then, on the Peruvian side, there is Gandules Inc., a private corporation, one of the most important Peruvian agribusiness companies. It is an export company which wholly integrates production processes and export in more than 40 countries. Gandules Inc employs nearly 4,000 workers, in all stages of the production chain. The company has its own processing plant for preserved produce. With a range of products such as pigeon peas, jalapeños, sweet peppers, chilli peppers, asparagus, sweet corn, beets and pineapple. Its factory is located just next to its fields (irrigated by drip irrigation), ensuring optimal processing.

VECO (Vredeseilanden) in Peru is called VECO Andino. This regional office works mainly with quinoa and coffee farmers. The asparagus project was not included in its programme until 2013, but it made an innovation fund available to that end. It supports the collaboration dialogue and process since 2011. VECO facilitates and watches over the commercial agreements within the chain and improves the inclusiveness of the canned asparagus chain through a multi stakeholder dialogue. One of their roles is to facilitate communication between chain actors; in the initial phase, to coach REOPA in its position towards Gandules and to support REOPA with information from further up the chain; also to reach an agreement on what is understood by 'inclusiveness' in the chain by all actors involved. Another role is to create spaces of reflection, analysis and learning with REOPA and all other actors. VECO will develop further strategies to broaden this cooperation with Scana Noliko and Colruyt. The involvement of their partners will contribute to improve the strategies of VECO's program in Belgium.

3.3. The green canned asparagus pilot

The objective of the pilot phase was to learn from it in order to develop a green asparagus chain that is sustainable in economic, social and ecologic terms. In general, market prices are low for 'florido' produce (21% of the production), suited for industrial processing. The pilot with Scana Noliko and Colruyt, therefore, can be an interesting market opportunity for REOPA to value this type of produce.

The agreement during the field trip in September 2011 was that a first pilot project would run from January to March 2012, sourcing green asparagus from REOPA, over Gandules for processing and Scana Noliko for labelling to Colruyt, the final destination. The volumes needed by Colruyt were 150.000 jars of natural green asparagus and 20.000 jars of marinated green asparagus. The specs were sent by Scana Noliko to Gandules and further communicated to REOPA. The primary material would be green asparagus, 6 – 12 mm thick. Assuming a processing return of 28%, it was agreed that REOPA would supply 60 Tonnes of primary material to Gandules.



3.3.1. Conditions of the first pilot in 2012

Obviously, for REOPA, economic sustainability is very important, and the question is how much it needs to earn from industrial asparagus in order to establish a sustainable business. Céline De Backere (agricultural engineer, as a consultant) conducted a study on basic price for the farmers, calculating their production costs and desired profitability for the farmers.

During the first delivery, from the 15th of January through the 15th of March, the conditions in the pilot project were a base price of 0,40 USD/kg paid within a week and a premium of 0,46 USD/kg, paid within 45 days, if 28% processing return was reached for 60 Ton of asparagus 6 to 12mm. So the price for the asparagus between 6 to 12mm was 0,85 USD and for asparagus bigger than 12 mm, there was a base price of 0,35 USD. This minimum price was discussed with the farmers, resulting from the study on SA8000 by Céline De Backere.

It was estimated that 75% of the delivery is between 6 to 12 mm

and 25% is thicker, so that the total price would be 0,73 USD/kg. The supply of produce to Gandules was very fluent the first month, but slowed down after that.

Delivery failed due to several reasons. Unexpectedly, a lot more asparagus suited for the fresh market was available from the producers, and less for industry. In the mean time, the market price for asparagus rose to 1,10 dollar, rendering REOPA's price very low. In order to meet the project conditions set for the pilot chain, REOPA decided to buy the first quality asparagus at the full price (0,86 USD/ Kg), to avoid side-selling and contract breach. REOPA assumed it could get the premium price for the asparagus. However, a large part of the asparagus was thicker than 12mm and the processing return was also lower than estimated (22% on average). The result was that REOPA only received 0,61 USD per kg, a lot lower than the 0,73 hoped for. The communication flow between REOPA and Gandules has been very poor and REOPA was only informed about the low return after delivery of the 60 ton.

As an emergency solution to this problem, Gandules sourced raw material from another provider to supply the shops with the new reserved reference, marinated green asparagus during summer. With the help of VECO, in August 2012, a second supply of produce was delivered in order to obtain the agreed volume to send to Scana Noliko, and from there to Colruyt. By the end of August, both references were on the shelves in the Colruyt stores.

There were no contractual agreements for the rest of the asparagus processed. So REOPA didn't get any return for this. There was a discussion on drawback, and insufficient communication flow. In conclusion, for REOPA this situation led to a big loss.



REOPA: production and sales

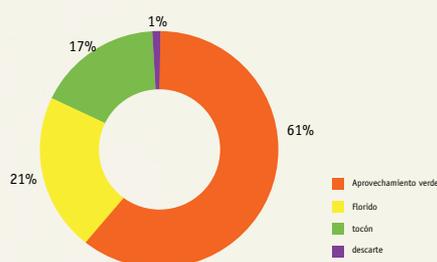
REOPA has 168 hectares of green asparagus cultivated for export and 250 ha of total production. The average farm size is 3 hectares. Per ha 25.000 to 30.000 plants are planted. Plantations are on average 6 years old. One hectare yields 8 tons per year using gravity, yield increases to 12 tons per ha with drip irrigation. 66 of its members deliver produce, representing 50% of the total volume of the plant. The other 50% comes from commercial partners. In the processing plant, the green asparagus is processed and packed at a rate of 1 ton per day in the 'low season', up to 10 tons a day during harvest season, resulting in 700 tons of asparagus exported each year. REOPA is exporting its fresh asparagus directly to the USA, as the only farmers association in the region with the capacity to export. REOPA is loved by the processors because it delivers good quality. Its plant is HACCP certified. Furthermore, REOPA respects the weight requested by the client.

The price of fresh asparagus has fluctuated a lot during the last years in La Libertad, the region where REOPA is situated. Prices have been on the rise since 2000, with a peak in 2007, a fallback from 2008, slightly rising again up till now. The price in 2010 was more or less 1,32 dollar per kilo.

REOPA pays its farmers 2,00 dollar for a kilo of asparagus, buying their total production. When return from processing reaches 70%, they pay the market price. When return is higher than 70%, they pay a surplus.

Below, the relation between fresh (61%), canned (21%), tocon (17%) and waste (1%) asparagus is illustrated. This 61%, appropriate for the fresh market, offers the best conditions for the farmers.

Clasificación de aprovechamiento del espárrago REOPA



From its total production, 38% is not suited for the fresh market (21% florido and 17% tocón. New market linkages are necessary for processing of this asparagus, suited for the industry. The project with Colruyt can thus be of importance, for it allows to value produce it is currently forced to discard. The impact will also lie in market diversification. Market prices are way higher for industrial asparagus, up to 0,30 to 0,40 dollar per kg (the last 2 years it has been 0,40 dollar). In the past, REOPA sold this fraction of its production as 'waste', at 0,12 – 0,15 dollar per kilo.



foto: ©Yves Roucourt

3.3.2 The pilot in 2013

A second delivery of produce from REOPA took place beginning mid-January through mid-March 2013. In May 2013, VECO organized a meeting with Gandules and REOPA to evaluate this second delivery. Both Gandules and REOPA are happy with the present collaboration. They made clear arrangements about desired standards and price, allowing the desired profit. REOPA has now recovered the debt from the first delivery. The basic price for the farmers was 0.45 USD/kg; and 0.40 USD/kg was the premium price. This is an interesting deal for REOPA and its members; the producers have a fixed base price.

Trust between both parties has increased significantly during the second delivery.

Most of the time, someone from REOPA accompanies delivery to Gandules in order to verify which markets the asparagus goes to. Gandules assures feedback on the rate of return with every delivery. These transparency measures have contributed to trust and loyalty.

REOPA prefers to invest in this pilot chain even when market prices offer better conditions because the project offers them security of payment and market opportunity, whereas market prices are volatile.

3.4. Achievements and impact

Product commercialization

The most important achievement on the level of the pilot is the actual delivery of asparagus and the 2 references of green asparagus sourced by smallholders on Colruyt's shelves. The 150.000 cans requested by Colruyt were eventually delivered, and were also the right quality.

Valorisation of a new product

REOPA only exports fresh asparagus to the US; it is finalizing funding for the last stage of its processing plant for frozen asparagus, however this is still not optimized. In the project, REOPA is now able to commercialize 21% of their total produce, which is asparagus not suitable for the fresh market.

Network building

REOPA has been focused on preserving their autonomy in the chain. Although they see it as an opportunity, they remain reluctant to engage with large industrial companies because of bad experiences in the past. Different future scenarios regarding vertical integration or co-management are being evaluated. Horizontal integration or co-management involving all actual actors and reaching a common agreement on how to implement 'inclusiveness' was a first option discussed. A second option looks at a higher grade of vertical integration, in which the commercial relationship is established between REOPA and Colruyt. A third option is a co-owner scenario of REOPA and Scana Noliko, with a first scenario where REOPA rents the processing infrastructure from a large processing company, or the second, where REOPA installs a processing plant for canned asparagus with co-investment from other actors. So far, REOPA has opted to stick to vertical integration, possibly a higher grade but focusing on the relationship with Scana Noliko and Colruyt and establishing transparent contracts contributing to fair governance. This is mainly because their processing plant for frozen produce is not operational yet.

In the pilot project, REOPA has been able to build its network worldwide. It made a lot of contacts at the SIAL fair in Paris, looking for importers of frozen asparagus, for example Pinguin Lutosa. Thus, it established possible contacts for new market opportunities. This way, it will be able to valorise the whole product.

SUSTAINABILITY

Issues such as the environmental impact of production, processing and transport; the economical impact and well-being of the farmers involved, the sector under pressure and food security are often raised in the Peruvian asparagus sector. The next stages of the evaluation will focus more on the social and ecological aspects of sustainability.

Economical

Asparagus is the most important high value crop the farmers can grow in this region (other export crops are bell peppers and sugar cane), with diverse market opportunities.

REOPA paid the total price of 0,86 USD/kg to its members, a very attractive price considering the market price for industrial asparagus lied around 0,40 cents.

21% of their total asparagus production was sold through the pilot project with REOPA

7% of REOPA's total income was thanks to the pilot project. Calculating the loss of 2012, this is a huge achievement.

Furthermore, REOPA delivers services to its members in order to improve their production for sales. The services REOPA offers, are, among others, cheaper rental of machinery, training for farmers, technical assistance, offering a fair price, support with cooperation projects, irrigation system installation, and a secure export market.

Social

In the asparagus sector, labour conditions are an important social issue. It is worth noticing that REOPA is the only association of small-scale farmers in direct contact with foreign importers. It won a prize for associativitism. As such it is an example in its region; all employees are from the region. 28 producers are women, and 88 producers are men. In the packaging plant, 60% of the employees are female. Women are positively involved in running the affairs of

supported enterprises. Within REOPA's Board of Directors 2 women are involved, responsible for project management.

A future challenge is the implementation of SA8000. A study on its social sustainability, based on the base price study by Celine Debackere, was conducted by a consultancy company, CapConseil, financed by Colruyt. For social sustainability, some assessments still need to be done. Various social assets need to be investigated. One important indicator in this aspect is the number of services farmers have access to (such as inputs, extension, finance, veterinary, transport, storage, other, market information).

Ecological

Asparagus thrives in the sandy soils of the Peruvian coastal region, with enough hours of sun allowing production year-round. However, some ecological issues can be raised. The first is water management. Ica, an area where large-scale white asparagus plantations are located is much more critical concerning water use than La Libertad, where REOPA is situated. 40% of REOPA's producers still uses gravity irrigation, but the others already work with drip irrigation.

Second, transport issues are important. Most of the exports by REOPA are done by airplane, to get the produce to the consumer as freshly as possible. By boat, transport to US takes 15-21 days, and one month to Europe. In the future, REOPA wants to look at the option of maritime transport for entering the Belgian/ European market, using the ESTEPAC system.

Quality standards

REOPA is in the process of fair trade certification with Max Havelaar and FLO. Asparagus became part of FLO, so that it is a recognized fair trade product. REOPA can now try and get the fair trade label.

They recently received their HACPP – label and are still working on the GlobalGAP certificate. They ask for quality standards on the production level, not only on the processing level. Supermarket chains usually have their own quality standards; it is a private label.



3.5. Future perspectives and remaining challenges in the canned asparagus chain

Communication

There were some communication difficulties during the first delivery, especially between REOPA and Gandules. Scana Noliko and VECO did not hear about these problems until May, when delivery had already happened. Then in July a meeting between the different parties was organized after the first season of delivery. VECO has an important role in clarifying things between all the parties from the beginning, and transparency is important. So it is important that an NGO in this kind of inclusive business is very closely involved with the project from the start. It is a neutral actor and has to work immediately on the trust relations between the different actors to ensure transparency. In the first pilot, the failed delivery of March was complemented by a second delivery in August, which went a lot better. VECO, as a neutral actor, should act by improving transparency and setting trust issues right.

A few points for improvement have been identified:

- Payment from Gandules often comes too late. The agreement is to pay a week after delivery (REOPA also pays its members within a week), but sometimes payment does not occur until after several weeks, causing REOPA cash flow problems. This is due to administrative complications within Gandules, but it needs to be improved nevertheless.
- Payment of the premium price also comes in late; the agreement here was that it would be paid after the product is delivered in Belgium and paid by Scana Noliko. Because transport doesn't occur immediately after production this is often delayed. Better planning can prevent this.

Continuity

Gandules needs a prospection/planning from REOPA regarding production.

An internal problem within REOPA is the loyalty of its members towards the organization. REOPA therefore needs to work on its social base and to find ways to make its farmers compromise. VECO Andino will support REOPA in this process, amongst other types of support.

Volume and quality

REOPA delivered 15mm asparagus, which does not meet the requested quality (thinner than 12mm). A large part of the volume was best AIB quality asparagus, suited for the fresh market. However no fresh market was available and thus production was not as wished for the canned asparagus. Produce for canned asparagus is different in size and quality than for fresh asparagus. REOPA still has problems with performance, only half of the production was reached within the first months. REOPA was left with a debt of about 12.000 USD as it had paid its suppliers immediately.

Currently, REOPA is in the process of GlobalGAP certification. Colruyt is willing to invest in an assessment for the certification process. VECO will further support REOPA in its production process.

Valorisation of production through new markets

REOPA sees an opportunity to export frozen and canned food themselves, also, directly to the US or Europe. Colruyt is looking into other possible opportunities: canned, frozen, fresh. To this end, Colruyt has contacted its European partners. Scana Noliko is looking into other possibilities with other clients, possibly in other countries, and a possibility for frozen asparagus through Pinguin, its 'mother' organization.

REOPA can be an important example for others; it has an important role to play in attracting other farmers who are not yet able to export their production, and include them in this chain.

REOPA needs its frozen asparagus plant to become operational so it can do its own processing. At the moment, REOPA is in the final stage of installing equipment for frozen asparagus, which will be the only plant for frozen asparagus between Trujillo and Chiclayo. REOPA is also active in the extension of their organization to more members and other regions, supported by funds from the Belgian Technical Cooperation (BTC). By this extension, REOPA not only wants to increase its volume of asparagus available for export, but also wants to diversify to other crops, such as peppers, tomatoes, artichokes, mango, avocado, etc. and to be able to have a continuous supply of produce. Currently, members are producing asparagus, peppers, maize and artichokes.





Philippe Toussaint, Sustainable Sourcing, Colruyt:

“We really want to go further in this chain experience. The price setting is something we need to make more transparent and know the price in all of the steps. It would be a great opportunity to come to a good closure of the project.” [Click here to see the video](#)

4. Lessons learned for inclusive business models

In October 2012 a meeting took place in Paris where input on the LINK-evaluation was given, focusing on issues of 2 sorts: commercial (including volume and price) and social (employment and sustainability) issues. VECO also organized a workshop in Colruyt with different actors from Colruyt present, representing different buyer functions. The importance of strengthening relationships for future collaboration was discussed, and specific arrangements for the next delivery were made. Resulting from the pilot project, the partners have learned lessons for inclusive business models

4.1. How to link small-scale farmers with modern markets?

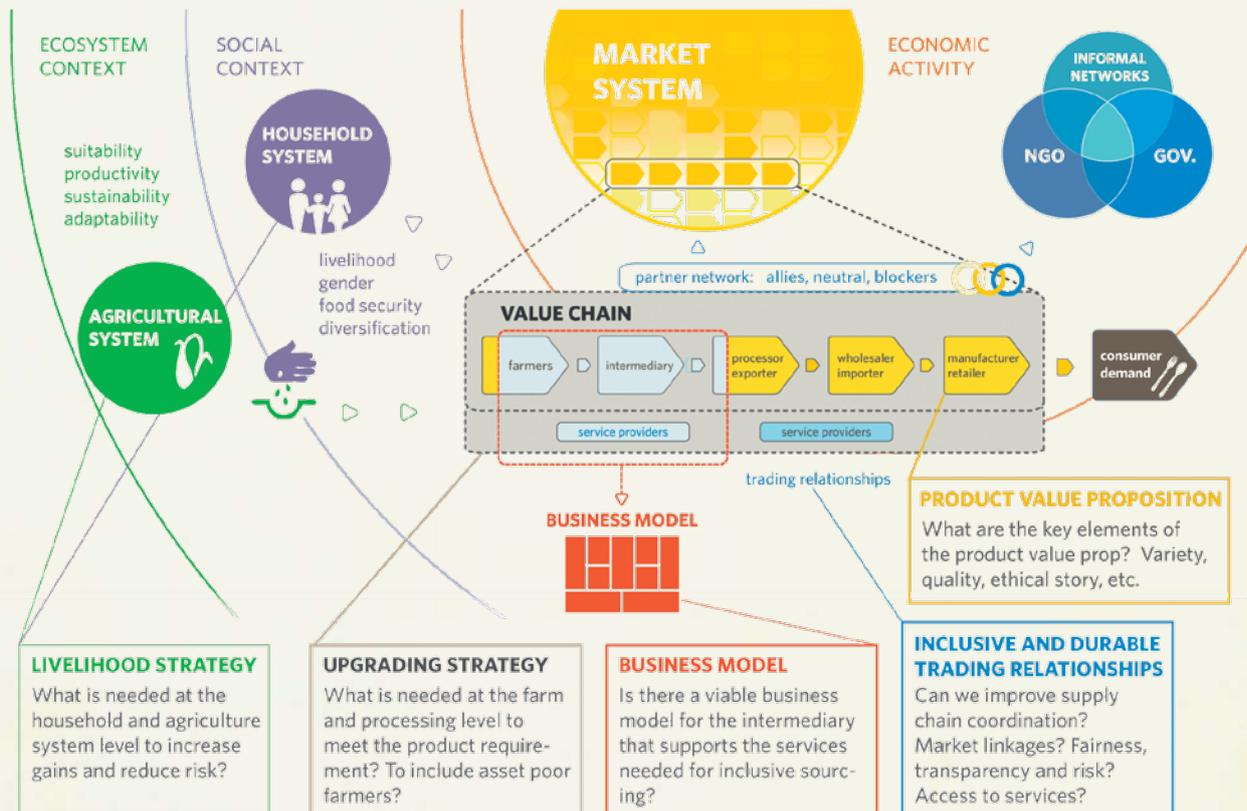
The pilot experience of canned asparagus between REOPA – Gandules – Scana Noliko – Colruyt and VECO involves an inclusive business model, aiming at social and economic sustainability by including small-scale farmers in the supply chain of green asparagus. By linking smallholders to dynamic markets, opportunities for rapid poverty

reduction exist, however ensuring that investment delivers both commercially viable products and value to smallholder farmers presents structural challenges.

When mapping business models, one needs a holistic view of the value chain, incorporating the economic activity, the ecosystem and the social context, in order to address the three aspects of sustainability. This is shown in the figure below:

For the purposes of this pilot project, the LINK-methodology, a framework developed by Lund et al. at CIAT, The International Centre for Tropical Agriculture was chosen. The LINK- methodology was developed as part of the New Business Models for Sustainable Trading Relationships Project managed by the Sustainable Food Lab, in collaboration with various other research centres. The LINK-methodology is a toolkit developed to build inclusive and sustainable trading relationships linking small-scale farmers to modern markets. The advantage of this method is its focus on mapping the entire value chain, and the way it scrutinizes the business model used to assess inclusivity and sustainability. This is part of the market system in the figure. At the moment, the pilot project

Figure: Mapping business models and other development approaches



is being evaluated by VECO, using the LINK methodology in order to draw lessons from it. It offers a particular method that can be used when trying to create inclusive business models.

The VECO Andino team worked together with REOPA on the LINK-methodology, trying to evaluate the project and establish a basis on which to work, regarding inclusive business. The objectives were to promote sustainable and innovatory commercial transactions between the chain actors, where REOPA promotes its market based on an inclusive business model. A second objective was to generate a space for profound reflection, proactive and self-critical, with the

objective of improving its asparagus export business strategy. The VECO team in Belgium used the instrument to evaluate the experience with Colruyt and Scana Noliko. The analysis with Gandules has not been done yet.

VECO has put three stages of the method in practice. It applied the first tool of the methodology (mapping the chain), the second (canvas of the business model) and the third (looking for relevant business principles). The fourth step, the monitoring tool to come to a prototype cycle, will be finished in the second half of 2013. The results of the evaluation through LINK are described in the following section.

Box: The Link-methodology in steps

The Link-methodology is based on 4 key steps: 1) mapping the value chain, 2) building the business model canvas, 3) assessing the New Business Model Principles and 4) walking through a Prototype Cycle.



In the first step, the value chain mapping, the interconnections between the actors are defined. From the chain map, it is important to understand the flow of products, services, information and payment, enhance communication between different actors and identify entry points or key leverage points to improve the value chain.

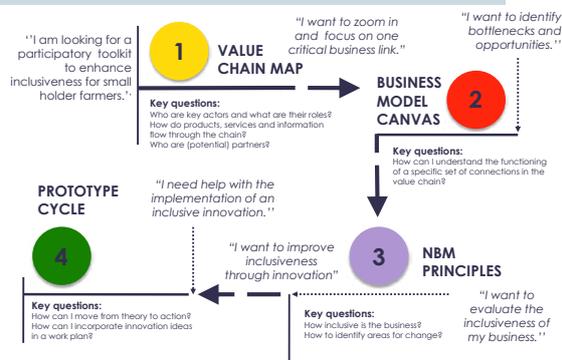
A second step is to develop a canvas of the business model and assess how a key business in the value chain functions,

develop a shared language to describe and assess the model and create a baseline for the development of innovations in the model.

In the third step, one provides a set of design and evaluation principles for business models that promote the sustained participation of smallholder farmers. The business-model principles are chain-wide collaboration, market linkages, fair and transparent governance, equitable access to services, inclusive innovation and measurement of outcomes.

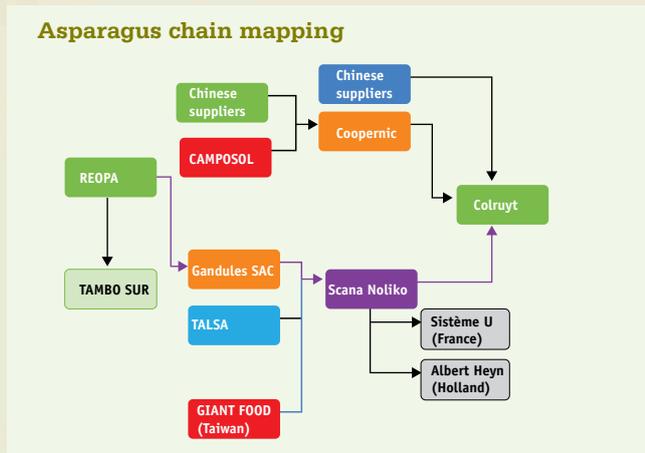
The fourth step, then, is the prototype cycle, in which improvements are designed, tested and evaluated, based on previous assessments of the business model using the canvas and new business model principles. From this step, one can learn what works and what doesn't, and then scale up what works through innovation.

ROADMAP: GUIDING QUESTIONS



Step 1: Chain map

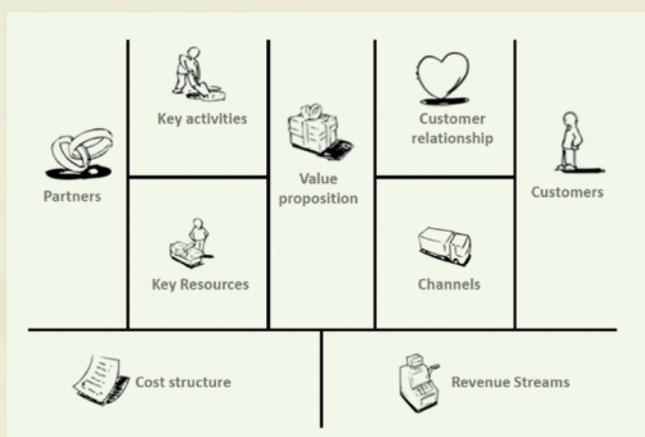
The following (preliminary) chain map is a result of the first exercise of the LINK-methodology:



Within REOPA, one of the challenges is to improve the collection of the produce in order to increase the infrastructure's used capacity to reach a point of equilibrium. Another challenge is to diversify its clients for the export of fresh asparagus beyond Tambo Sur. A third challenge is to identify other opportunities for conserved and frozen asparagus. Its last challenge is to consolidate a stable market for these new sales opportunities in the long term.

Step 2: Business model

In this step, one of the key actors' business model is assessed. It is important to develop a shared language to describe and assess the model, and create a baseline for the development of innovations in this model. 9 parts of the business model are identified. The cost structure and revenue streams are determined. On one side there are the partners, key activities and key resources that contribute to the value proposition. On the other side customer relationships, the channels and the customers themselves that belong to the revenue streams. Relevant positive aspects of REOPA's business model include the association and representation of smallholder farmers. They also have international market experience supplying a recognized quality product and are in the process of HACCP, FLO, IMO and GlobalGap certification. Their processes are very well documented and registered. REOPA can potentially diversify its offer of fresh asparagus to include frozen; it is operationalizing its processing plant for frozen asparagus. Finally, it has technical personnel and workers with relevant competences and experience that operate within a well-functioning infrastructure.



A first relevant negative aspect then is the high percentage of their supply that comes from commercial suppliers or non-members, up to 50% of its processed volume, to deal with little engagement and interest of members to offer their product to the organization. It also runs a high commercial risk because it concentrates its sales on only one client (98% goes to Tambo Sur). Finally, there are some deficiencies in maintaining its point of equilibrium: there is a relatively low primary production capacity versus a high infrastructure capacity.

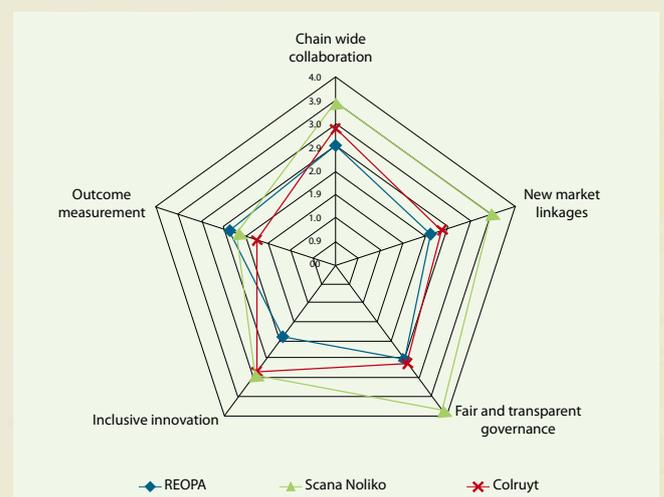
Step 3: New Business Principles and the issues identified

The objectives identified regarding the principles are: establishing a system that consolidates sustainable sourcing (social, ecological and economical) and identify the criteria to monitor this. Second, the objective within this chain is to obtain a product with guaranteed quality, food safety, continuity of supply, growth perspective within a long-term-relationship, where all the actors earn a living.

To ensure this, 6 new business principles are evaluated. The criteria to evaluate these can be picked from the methodology or adapted according to the case. These are chain wide collaboration, new market linkages, fair and transparent governance, equitable access to services, inclusive innovation and measurement of outcomes.



So far, these principles were evaluated by Scana Noliko, Colruyt and REOPA. The evaluation, looking for both strengths and issues to elaborate further, is illustrated by the figure below. It is clear from the graph that responses are not at all contradictory and lie within the same line for all of the partners; they merely vary in intensity.



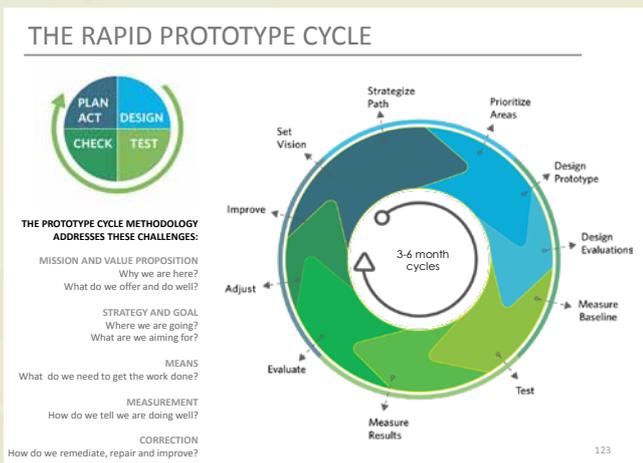


Strengths

Every actor has a clear role and added value in the chain. The will to look for solutions for tackling problems is present and there is a strong commitment of the actors. A win-win situation is created. The chain can contribute to a stable income for REOPA, a surplus to income generation from its main product, fresh asparagus. A stable supply was maintained during the pilot, although the 'processing return' was not as estimated. Also positive is that quality specifications are clear. Clearly, there has been innovation; mainly, through the valorisation of 'discards'. Also, the leading role of VECO in generating reflection and safeguarding principles for inclusiveness in the chain is recognized and appreciated. New opportunities to consolidate the current business model will certainly be identified in the future.

Issues to elaborate further

Transparency of information in the chain and transparent conditions for all actors should be facilitated by mechanisms for fluent information exchange and communications, along with mechanisms for problem solving. Very important also is that the price along the whole chain should be correct and known by the other actors; there is a need for a price referencing system to find the right price. Risks need to be better identified and risk management must be improved. A smaller problem at the moment is that the social objectives are not shared by all actors. Now that the buyers are familiar with the production side, the farmers should also become acquainted to the consumer side. Equally important is the need for a long term vision on the importance and valorization of the canned asparagus chain in the totality of incomes, towards long term commitments from all actors. Finally, in the second stage there will be a need for measurement systems.



Colruyt includes the consolidation of sustainable sourcing (social, ecological, economical) in its business principles, and wants to agree on criteria to monitor this. Scana Noliko wants to achieve a product with a quality guarantee, food safety, supply continuity and a growth perspective in a long term relationship, where all actors can earn their living.

Step 4: Prototype cycle

The prototype cycle, the fourth central tool in the LINK-methodology has not yet been designed. Out of the previous assessments of the business model one or more improvements will be designed, tested and evaluated to learn more about what works and what doesn't.

4.2. Lessons learned for Inclusive Business Models

Chain-wide collaboration

Colruyt believes that the economy and value generation is a 'motor' for more welfare and wellbeing. From that created value it can generate means to help invest further in the sustainability of its products. This means that it also aims for everyone in the supply chain to be able to benefit from this generated value. Together with its business partners it wants to take an active role to make this possible. A lesson learned is that when everyone is willing to commit you really achieve results and can reach a win-win situation.

Philippe Toussaint, Sustainable Sourcing, Colruyt:

"Veco has opened our eyes and enabled us to gain knowledge about the whole supply chain, and the greatest role of VECO was to coordinate this and manage the whole project in terms of everyone's interest." [Click here to see the video](#)

For Colruyt, VECO is the champion to coordinate the process and to take up the role of coordinator, facilitator and negotiator.

For Colruyt, Scana Noliko and VECO are the coordinators of the project. Scana Noliko on a technical level, and VECO on a human interest / social level. Colruyt recognizes them as the glue between REOPA and Gandules, both from the other side. Colruyt offers the possibility but doesn't consider itself as the driving force of the project. Colruyt believes in the project and in the possibility to sell the project and to build specific communication on it towards the consumer.

Scana Noliko sees VECO as the 'guardian' of principles of sustainability and the realization of a fair price for all the actors. They think they have a role in convincing Gandules about the project. They say Colruyt can organize communication towards the consumers.

Important lessons concern the communication and trust between the different parties. There was not really a solid relationship between all of the four players in the first pilot. It was a relatively bad

experience, where some deficiencies were discovered. REOPA experienced an economic loss in the first phase of the pilot.

New market linkages

Colruyt sees shortcomings in its limited knowledge of the full supply chain and of the situation of all actors. Also, it lacks knowledge on technical and production problems nor does it have people active in the field. So for Colruyt, guidance from external partners is absolutely necessary and a surplus.

Its added value is its position as a vehicle to the customer. Logistically, it is about efficient marketing, to place products at disposal in the stores and customer contact. They have a lot of market knowledge, which is important to make sure the product gets accepted and that people are interested in the product.

Fair and transparent governance

What concerns the roles of the actors, all of them have a clear role in the chain. The role of VECO consists of 2 important tasks: 1) link all the actors in the chain and 2) effectively support the farmer organization. They want to link the actors through multi-stakeholder processes that define the role of each actor and look for how to optimize the collaboration. The support of the farmer organization ensures that the chain is also technically competitive.



Juan Manuel Miranda, Manager and vice- president REOPA:

"It is a great experience for us to have this market with Scana Noliko and Colruyt. And we can sit together to make business more inclusive, transparent and just. Another positive experience is that we have this opportunity of negotiation which was our first experience with canned produce." [Click here to see the video](#)





Equitable access to services

Obviously, this is a point that needs to be worked on. Commercially and technically, access to services is not equitable comparing REOPA to the other three actors. Especially Colruyt and Scana Noliko are big market players with decades of experience, whereas REOPA, a farmer organization which has been exporting produce for only 5 years is less competitive. Access to services for the farmers is also very different for REOPA's farmers and Scana Noliko's producers, for example.

Inclusive innovation

It is important that there is effectively inclusive innovation; the delivery of asparagus by smallholders is possible. The two references of green asparagus are on Colruyt's shelves, so the farmers from REOPA have delivered the requested quality and volume. This is a very important achievement.

Measurement of outcomes

They see maximum valorisation for everyone in this own role. For asparagus, production should be oriented towards fresh frozen and canned asparagus. In order to obtain maximum valorisation the best quality produce should go to fresh and then canned, and the leftovers towards industry. Colruyt is not, however, the main value-creator, but it can help.

The building of trust is another important feature, and the long-term engagement of the different partners. For Colruyt, this is about the buying of volumes and prices according to the possibilities of the market. For REOPA, this is about continuity in the production and being faithful to the created chain. It is important to get to know everyone well and understand the situation of every partner. The mission in 2011, the meeting in Sial, Paris and the visit to Colruyt in October 2012 enabled trust to grow.



Philippe Toussaint, Sustainable Sourcing, Colruyt:

“Put positively, we have really focused ‘à fond’ on this chain and scrutinized it very well. But on the other side, it is a great challenge, because if you look at all of the effort made to put up just one chain, you realize the enormous challenge to do this for all of the other products Colruyt sources.”

Herman Strobbe, Importer Canned Goods, Colruyt:

“If we buy as we do now, it will be an ending story. Production will have to be shifted to other products, or the product will simply not be available anymore, because of the soil erosion and the water management problem. So we believe we need to be very careful with this and anticipate. And hopefully others will follow our example.” [Click here to see the video](#)



One point to elaborate further for Colruyt is price setting. It still has questions concerning what the price will be based on, who will determine the price, the transparency and agreement of all actors. Its proposal was to visualize the whole price-setting and encourage joint learning. Its own price politics are quite known in Belgium as a guarantee of the lowest prices. It adapts its prices according to its competitors. That is its position on the market and its first priority. Important about this price structure is that the other supermarkets determine their prices, and not they themselves. For Colruyt there is no price to compare, since this is the first green asparagus on the shelves.

There is still a lot of work to do in valorisation towards the consumers. Until now, there has not been any specific communication about the project. The question remains if the customer is ready to pay more for the surplus value of sustainability? For this, they need an explanation about the surplus.

Then, another point is to evaluate other ecological impact as well. It is necessary to verify the use of pesticides, erosion, water use and management, the carbon footprint, ... The challenge is to make the chain sustainable in the long term.

5. Future perspectives and challenges

In this chain, several challenges for economic, social and ecological sustainability are discussed, based on the experiences in the pilot. In the next phase of the project, it will be important to work out these main issues regarding price, communication and trust.

What is an inclusive business model?

The objective of this pilot project is more than including more products to the experience. The collaboration is also designed to draw lessons and look for possibilities within the inclusion of smallholder

farmers in the general sourcing policy of Colruyt; and more specifically possibilities for broadening the experience. The objectives identified are the following:

- Accelerating the learning process
- Pilot towards mainstreaming
- Sustainable food chains inclusive for smallholder farmers
- Instruments for embedding in mainstream and for monitoring
- Part of broader program on sustainable sourcing

How to collaborate in this process?

The challenge is to make sure the chain is inclusive according to the 6 principles. Transparency and shared governance between all of the actors is the most important and fundamental principle. It is very important for VECO to include lessons learned from this case. The conception that some actors have of other actors in the chain must be guarded and guided. At times, interests between the different actors vary, or are even contradictory.

A challenge for example is strengthening the relationship between all actors. Until now, the communication between VECO Andino and Gandules, for example, has been limited. The difficulties which arose during the first pilot project also made communication and collaboration between REOPA and Gandules somewhat difficult. The challenge is to ensure all actors get to know each other, understand each other and each others' role in the chain. [Click here to see the video](#)

These processes of inclusive business are to be carried out in multi-stakeholder processes where all actors join. It is about literally linking the different parts of the chain to one another.

A win-win situation is crucial for long-term commitment. Another important lesson is the need to get to know the business better. It is important to position yourself according to the other actors. Yet another lesson involves the role and service pocket of VECO in working with the private sector. It is different to working with farmer organizations. Roles and services still need to be defined more clearly, but facilitating communication along the chain and following up compliance with the agreements set out in the contracts are among the most important. It is essential to go beyond merely facilitating as an NGO. When working with the private sector,

Paola Mercado, Sustainable Agricultural Chain Development Specialist, VECO Andino:



“We need to work actively with this conception that farmer organisations have: this certain critic they have about national companies.

This is really something we need to be careful with, because in the end they do represent a market opportunity that is very important. You just need to establish very well the rules of the game.”



foto: ©Herman Strobbe

Herman Strobbe, Importer Canned Goods, Colruyt:

“Colruyt is always ‘à la pointe’ of the sustainability, with initiatives enhancing sustainability born in the ‘80s. We were working already with energy-efficient systems, such as wind mills, the efficient distribution system, trucks on gas and electricity, ... So actually sustainable sourcing is a very logical step, it follows the other steps in the process”

time and priority need to be divided very well. You need another working ‘rhythm’, and other ways of working. Often, when entering a market, it is a now-or-never situation. You need to adopt business language. Therefore, also market knowledge is a competence to be acquired by NGOs.

As for the part of VECO, it is important to stay neutral and guarantee confidentiality. This neutrality towards other actors is imperative to build in trusting relationships and better coordinate the different actors. The role of VECO also involves information and communication management. Language issues are already an obstacle in the chain described, and VECO can help to overcome these. Furthermore, there is also some training left to do, for information management within REOPA, for example. Communication between the four actors should flow fluently, so that an eventual exit strategy of VECO doesn’t stop the chain from functioning.

VECO positioning: An important lesson concerning positioning is the need to define and express the services the organization can offer to the private sector. The question remains if the cooperation between VECO and the private sector can be formalized, and how. Lessons for VECO itself are that the South-North case gives more synergies between different VECO programs, and helps to connect different realities. The concrete export project facilitates the exchange of knowledge and capacities between VECO and other actors involved.

The positive aspects are, therefore, that they have articulated themselves in this project, everyone is willing to work together and to co-operate towards this valorisation of their entire asparagus production. Additionally, it is very interesting for an NGO to collaborate with a company in a multi-stakeholder approach.

The role of VECO in this collaboration is to undertake the process of reflection and to support the farmer organization. In the process, it

Paola Mercado, Sustainable Agricultural Chain Development Specialist, VECO Andino:

“What is special about this chain approach, is that we go beyond the commercial relations and articulate the work of all the actors. As an organization you need to be able to negotiate in the process in order to make it a win-win situation. This goes much further than just buying and selling. The experience can be applied to other markets as well. This work of sustainable sourcing policies is the perspective for the future’. [Click here to see the video](#)

The future of the pilot project is clear; all actors agreed on pursuing the project and engaging in a long-term collaboration. The efforts made to establish the chain were often very important, so it would be a pity to lose the experience. In any case, the actors would like some continuity and to work with REOPA year after year.

Colruyt wants to make sure its customers know the story behind the product they are buying, so it has started communicating about the canned green asparagus in its info brochure. However, it is not clear in what way these products will be communicated, through labels or through product information. This is exactly Colruyt's role in the project, to ensure that the product is well marketed through a clear communication strategy. [Click here to see the video](#)

Herman Strobbe and Philippe Toussaint from Colruyt also see opportunities for mainstreaming, for example to purchase a certain percentage of their fruits and vegetables from smallholder farmers. In any case, together with VECO it wants to start exploring some new chains and products. A pilot project with high impact for smallholders will be the set up of an inclusive banana chain in Senegal.

Yves Roucourt from Scana Noliko sees perspectives for the future in searching for other sale opportunities, at a fair price. They also see possibilities in opening the market towards white asparagus, because there is a bigger market. New pilot projects in collaboration with VECO will be set up, starting with artichoke from the Peruvian Andes and palm hearts from the Ecuadorian Amazon. VECO will start an internal reflection process with Scana Noliko and other processing companies towards sustainable sourcing policies. The experience gained from the case will eventually lead to more sustainable sourcing policies at the level of Colruyt, but also at the level of Scana Noliko's purchasing policies.



David Salazar, project manager at REOPA

"I believe there are big possibilities in the commercial development of canned food. We also see it as a possibility towards better living conditions towards the producers." [Click here to see the video](#)

Mieke Lateir, Sustainable Agricultural Chain Development Specialist, VECO:

"Now is the time to take this project outward. The objective is that the companies involved (Colruyt, Scana Noliko, Gandules) will share this experience with other interested actors, and mobilize their networks to find new products, but also companies. We want to put our experiences at disposal of other actors interested in setting up inclusive business models." [Click here to see the video](#)

Box 3: Appreciation of the methodology

After establishing contact with CIAT, VECO decided to work with the LINK-methodology and to evaluate the entire process. First, because it is the first consolidated methodology to work on inclusive chains. Second, it gives a good understanding of what 'inclusive' means (versus 'sustainable'). Third, there is the possibility for actors involved to reflect on the criteria established within the business principles and adapt where necessary. In other words, the methodology is flexible. Fourth, it also generates reflection at individual actor level and in multi stakeholder perspective, improving the inclusivity in the chain.

The methodology objectifies sentiments and corrects data and information that had been taken for granted. It is also

helpful for VECO staff to obtain a better understanding of business and support in mediating in the chain. Another advantage is that the tool is easy to implement and is affordable. Besides that, it is flexible in terms of the time required, about three months are sufficient.

Some disadvantages of the methodology is that social analysis (of gender, diversification, livelihood impact, etc.) and environmental analysis are lacking, when they should be complementary to the economic study. Furthermore, any criteria for fair treatment of the workers are lacking. Also, the link between the different steps, especially between the business model canvas and the principles, is not always easy to understand.



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