

# Sandwich of the day: farmers revolutionize their business inclusively

Case study of the business relations between  
the alliance of Nicaraguan horticultural  
cooperatives and Subway



# CREDITS

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[www.rikolto.org](http://www.rikolto.org)

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## I. ACRONYMS

APEN	Association of Nicaraguan Producers and Exporters
ANIFODA	Nicaraguan Association of Formulators and Distributors of Agrochemicals
GAP	Good Agricultural Practices
GMP	Good Manufacturing Practices
COSECHO	Sectoral Vegetable Commission
TOMATOYA	Agriculture Service Cooperative Tomatoya Chagüite Grande R.L.
SACACLI	Multi-Service Cooperative Sacaclí R.L.
COOSEMPODA	Multi-Service Cooperative Padre Odórico De Andrea R. L.
COOSMPROJIN	Multi-Service Cooperative Jinotega Producers R.L.
ECA	Field Schools
IICA	Inter-American Institute for Cooperation on Agriculture
IPSA	Institute of Agricultural Protection and Health
MAGFOR	Ministry of Agriculture and Forestry

## II. INTRODUCTION

In 2016, **four vegetable cooperatives**, located in Jinotega Department, Nicaragua began a pilot initiative to supply healthy, quality food to supermarkets.

The cooperatives – composed of 639 small producers – were facing serious difficulties in marketing their products at fair prices. Some of the causes identified were a lack of business experience, low productivity and the absence of public policies in the sector to encourage their development.

In this context, the four organizations, with Rikolto as an ally, initiated a consultation to define a strategy that would allow them access to stable prices and markets. It was decided that the next step was to expand their business relationships. This is where Subway made its entrance.

In 2017, Subway was one of the most important companies in Rikolto's network in Nicaragua, as **the largest restaurant**

**chain in the world, with more than 40,000 locations.** They were contacted by Rikolto which wanted to introduce them to a direct supplier capable of achieving and meeting with volumes, quality and food safety standards. This was the beginning of a commercial relationship that led to the consolidation of an alliance.

This experience allowed the four cooperatives to increase their production, product safety, transport, distribution, marketing, certification, and infrastructure. It also introduced them to their greatest challenge to date: to work together. From the beginning of this relationship, Rikolto formed part of the equation as a facilitator and technical advisor for the cooperatives in an **inclusive business model**, where commercial agreements aim to generate “win-win” relationships. This was made possible by the integration of small-scale farmers on the market, with the implicit principle that there are mutual benefits for both producers and the

business community.

After two years of liaison, strengthening business, and investments in infrastructure and certification, the cooperatives met the challenges posed by a customer with high, international quality and safety standards. This resulted in the achievement of fixed and differential prices up to 240% higher than the value achieved by sales on traditional markets.

The lessons learned in this case study allow us to visualise how a business model that applies inclusive principles could be crucial in converting the semi-abandoned but important Nicaraguan horticultural sector into an engine of change for the country's entire food system.

## III. CONTEXT

### Horticultural sector performance

It is estimated that there are 350,000 farmers in Nicaragua, of whom 15,000 produce vegetables and 90% are small producers (0.5 to 3.5 hectares). Of these, 60% are in Jinotega Department.

Annually, the country produces roughly 213,000 tonnes of vegetables – mainly onions, peppers, tomatoes, potatoes, carrots and cabbages. National consumption of these items is approximately 230,000 tonnes, creating a deficit of 17,000 tonnes.

On average, vegetables barely occupy a planted area of 15,050 hectares, which only accounts for 2% of Nicaragua's cultivable land<sup>1</sup>.

### Structure of the sector

Horticulture is an important subsector because it covers the nutritional needs of the Nicaraguan population. However, it has been characterized by a lack of policy and regulation at an institutional level to oversee product quality and price and to promote the regulation of a formal market which has been distorted since the 1980s<sup>2</sup>.

Since then, in the absence of regulatory policies in the market or policies to support the horticultural sector, the number of intermediaries between producer and consumer has increased.<sup>3</sup> According to a study of the Vegetable Value Chain prepared by IICA in 2004, the formal market in the country is currently comprised of buyers such as HORTIFRUTI, La Colonia Supermarkets, traders, and wholesalers and retailers, including Dos Robles and POYMAS.

1 "Analysis of the Vegetable Value Chain with an Emphasis on Food and Nutritional Security" (USAID/FAO: Nicaragua, 2012).

2 Period of civil war in Nicaragua.

3 "Study of the Agroindustrial Vegetable Chain" (Inter-American Institute for Cooperation on Agriculture/MAGFOR/ JICA: Nicaragua, 2004).



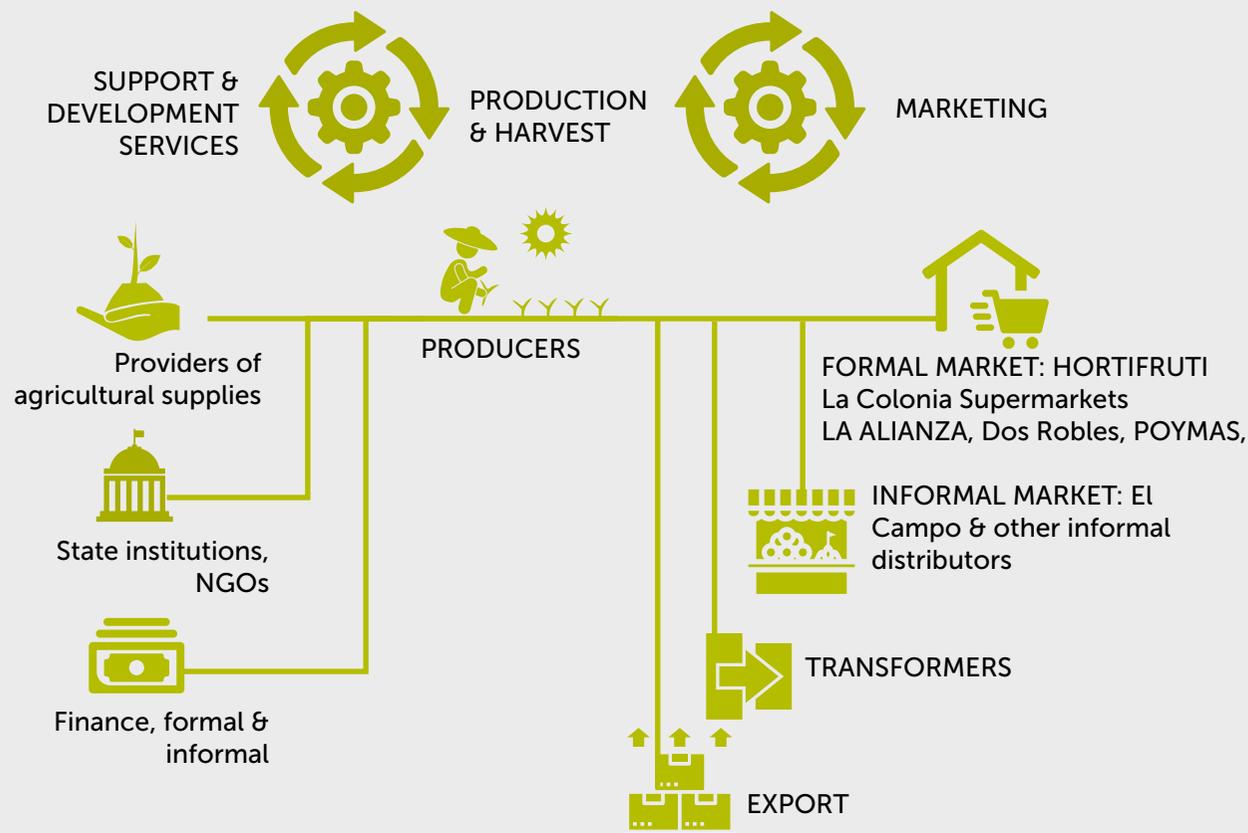
Mercado Roberto Huembes in Managua.

Frequently, buyers from the formal market cancel their orders without prior notification, because their purchases vary according to their sales, and consequently, the cooperatives also fail to maintain stable agreements with its members. In addition, since the products are perishable, producers are often forced to sell abruptly so as not to lose their investment, which often derives from credits from their own cooperatives or from microfinance institutions.

There is also the additional problem of perishable imports, which are exempt from tax and form a lucrative business for some traders: they import surpluses from producing countries such as the United States, China, Mexico, Honduras and Costa Rica.

In 2017, 20,000 tonnes of onions were imported, and similar behaviour can be seen with other items such as potatoes. These types of decisions by the National System of Production, Consumption and Trade are opposed by producer organisations such as the Sectoral Vegetable Commission (COSECHO), since the consequence is frequently to saturate the market without taking into account crop planning<sup>4</sup>.

## Behavior of the Value Chain



Source: Rikolto staff.

As a result, the market often experiences serious losses due to the price of the imported items, causing significant

economic losses and, above all, a slowdown in domestic production.

<sup>4</sup> "Study of the Agroindustrial Vegetable Chain" (Inter-American Institute for Cooperation on Agriculture/MAGFOR/JICA: Nicaragua, 2004).



## Dynamics, trends and market demands

As we noted above, **98% of vegetable production is consumed domestically, and this consumption might well increase in tandem with population growth.** However, there are limiting

factors, such as the lack of public policies to stimulate production and credit and incentives, both institutional and from the national financial system, which are still focused on financing traditional crops such as sugar cane, coffee, rice, corn, beans and other grains.

Likewise, a lack of investment in technology, infrastructure and transportation means that the Nicaraguan horticultural sector is currently less developed than those in other Central American countries.

Producers' lack of organisation directly affects their ability to negotiate with an extensive network of intermediaries at all levels. Currently, there is no reliable record of the number of organised horticultural producers. COSECHO and the Association of Nicaraguan Exporters (APEN) serve 20 horticultural cooperatives in the north of the country. Other organisations, such as the Organisation of Multi-Service Cooperatives (PRODECOOP) and R.L. National Council of Cooperatives (CONACCOOP), do not have a specific record of the number of horticultural cooperatives they have assisted or of

the activities that benefit the subsector. One might assume that one reason for this is that these organisations work with exporters, which most horticultural cooperatives are not.

The increase in population and the nature of its activities and eating habits are factors that have influenced the vegetable market worldwide and regionally. In this sense, the dynamics of commercial relationships are evolving to meet demand.<sup>5</sup> At national level, the trends are as follows:

- 🌍 Increase in the role of supermarkets as retail distributors of fresh vegetables. These companies are keener on establishing formal and semi-formal relationships with cooperatives and small producers.
- 🌍 Due to the population's accelerated pace of life, greater demand for vegetables with added value (cut and packed).
- 🌍 Greater acceptance and appreciation of vegetables produced following organic models in the national and international market

<sup>5</sup> "Analysis of the Vegetable Value Chain with an Emphasis on Food and Nutritional Security " (USAID/FAO: Nicaragua, 2012).

## Informal market

Watch: the informal market in Nicaragua  
(in Spanish)



### Behaviour of the informal market

Cooperatives and/or independent vegetable producers sell into the informal market

**Intermediary 1**  
Purchase and collection.  
Collector: Takes crop products to the wholesale markets and sells to Intermediary 2 with profit % depending on the market

**Intermediary 2**  
Wholesaler: Buys and transports products to departmental and municipal markets to sell to Intermediary 3

**Intermediary 3**  
Market stalls: Sells to end consumer: domestic consumption, food businesses, grocery stores, ambulant vendors

End consumer

Purchase on each producer's plot at low prices.  
Price determined by intermediary.  
Trucks without climate control.  
No regard for GAP.  
No GMP monitoring.  
No win-win deal.  
Minimal ROI for producer.

Throughout the chain of intermediaries, agricultural products are transported and handled without sanitary controls and price regulation.  
The profit margin for intermediaries depends on the position of their link in the chain.  
Intermediary 1: Generous margins that may range from 50 to 100%, depending on season and producer needs.  
Intermediary 2: Margins 20-25%.  
Intermediary 3: Increase may be between 10 and 15%.

The consumer pays high prices, up to ca. 150% of value, and consumes products without sanitary monitoring.

For example, a lettuce in the field costs C\$ 4.00 (four córdobas). In the informal market the same lettuce costs around C\$ 18.00 (eighteen córdobas).

This example applies to all types of vegetables.



Producer sells at C\$ 4.00

Intermediary 1  
+75%



Intermediary 2  
+20%



Intermediary 3  
10%



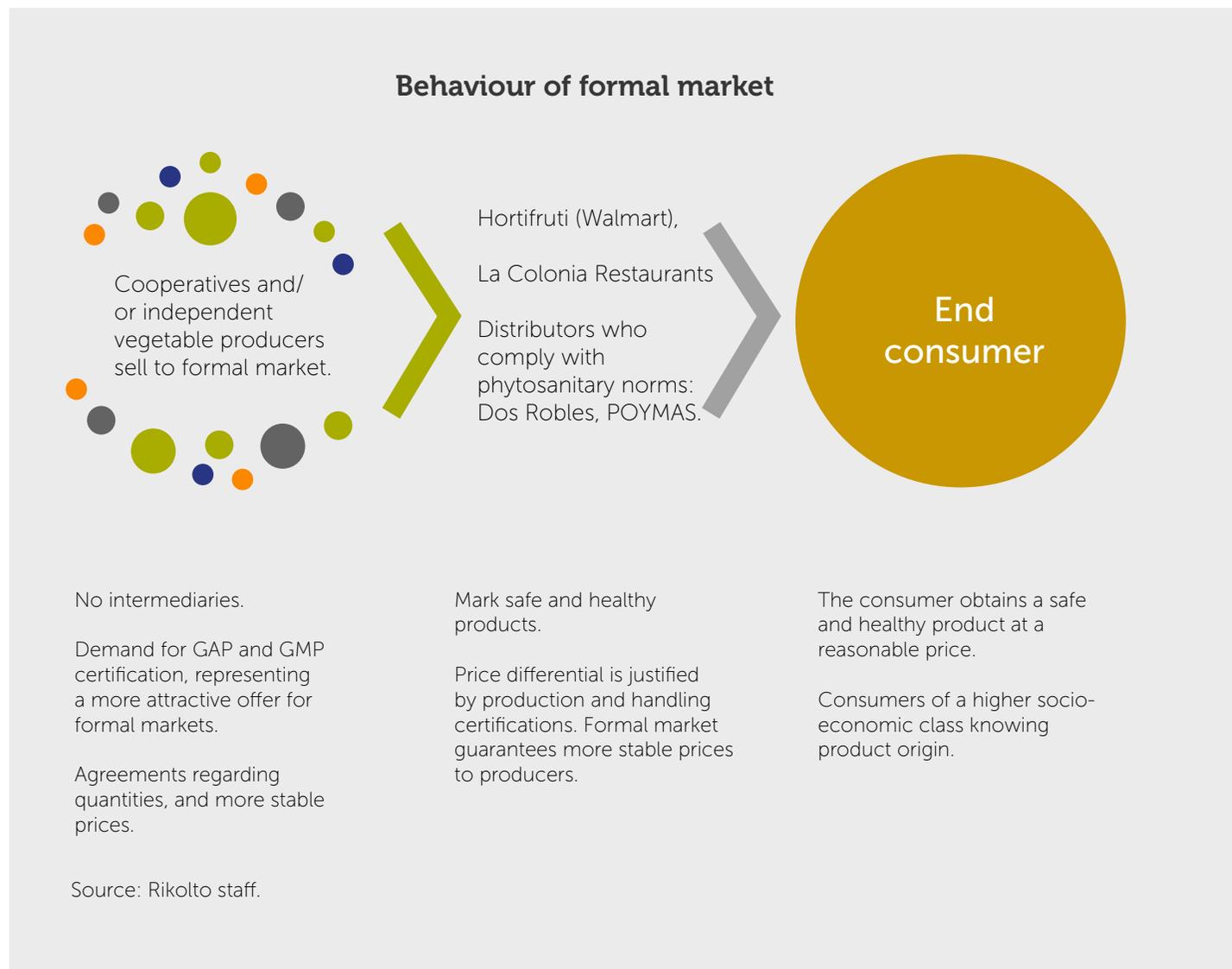
Consumer buys at C\$ 18.00

Source: Rikolto staff

## Formal market

The formal market is served by independent producers, cooperatives and importers. Before forming their alliance, the four cooperatives supplied markets such as Hortifruti, La Colonia Supermarkets, Dos Robles and POYMAS, where the commercial advantage consisted of the negotiating a sowing calendar and price differentials.

GAP and GMP certification are indispensable for these markets. However, despite the agreements the buyer continues to control prices and volumes according to their sales trends.



## IV. THE PROJECT

Objective				
Promote access to a formal market for the four cooperatives, TOMATOYA, SACACLI, COOSMPROJIM and COOSEMPODA, market healthy, quality products via an inclusive business model.				
Participants				
<b>Finance:</b> Belgian Development Cooperation - Rikolto. <b>Farmers' organisations:</b> TOMATOYA, SACACLI, COOSEMPODA and COOSMPROJIN				
Purchaser				
Subway - Nicaragua (24 stores)				
Duration of the program				
2017-2021				
Beneficiaries				
639 producers   <b>81%</b> men and <b>19%</b> women.				
Budget				
U\$ 240,000.00				
Farmer members of the cooperatives				
Cooperative	Total	Men	Women	Products
TOMATOYA R.L.	43	40	3	Lettuce, carrot, beet and radish
COOSEMPODA R.L.	114	102	12	Tomato, pepper, potato and cabbage
SACACLI R.L.	402	312	90	Onion, tomato, pepper, jalapeño and cucumber
COOSMPROJIN	80	66	14	Tomato, pepper, potato and cabbage
<b>Total</b>	<b>639</b>	<b>520</b>	<b>119</b>	

### Strategies

- Strengthen the business and organisational management of cooperatives.
- Facilitate the creation of a commercial alliance between the four cooperatives.
- Improve the cooperatives' horticultural production systems through technical support and training initiatives aimed at farmers, partners, technicians and managers.
- Support the cooperatives' implementation and certification of Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP).

### Anticipated results

- Increase the likelihood that the 639 producer-members of the four cooperatives will access the formal market.
- Increase the number of farms that implement GAP and GMP.
- Increase the organisational level of cooperatives and their bargaining power at an institutional level.
- Increase the number of formal buyers collectively accessing the cooperatives.



Stand of the cooperative alliance at EXPOAPEN 2017

## Milestones

### Before 2016

The cooperatives, with the support of some production development projects, increased their productivity with the use of technologies such as protected agriculture, crop diversification and better conditions for collection. However, they lacked marketing strategies for their products that would have enabled sustainable growth. They sold their products independently to the informal market and some supplied formal

customers, in various cases without formal contracts or price agreements. The behaviour of the latter clients did not differ much from the informal market.

### September 2016

[Watch the alliance between the cooperatives \(in Spanish\)](#)



Rikolto ran a pilot to enable cooperatives to form a commercial alliance that would give them the opportunity to increase their competitiveness and marketing capacities.

As part of this, they contacted distributors dedicated to the purchase of vegetables. However, these companies distributed the products under their own brands and kept the profits from the sales.

Under such conditions, the cooperatives would become mere vegetable suppliers, and this would not work. On the positive side, the four cooperatives began to work as an alliance and to imagine other alternatives for the national market.

## November – December 2016

At the end of the year, Subway was hoping to get away from brokers and intermediaries and was looking for a commercial partner to supply fresh, safe products directly to its 28 outlets in the country.

[Watch: We start supplying to Subway \(in Spanish\)](#)



### **Rikolto contacted Subway with a view to establishing a relationship between the restaurant chain and the cooperatives.**

The fact that this involved direct sales meant that it was immediately viewed as a good opportunity, but new requirements and specifications such as delivery of packaged, clean and GAP -certified products to each of their outlets increased costs. Therefore, several alternative ways of delivering products to the different outlets were analysed, but the costs were found to be unsustainable.

At this point a decision was made for the TOMATOYA cooperative to lead the project: they had a collection point and a processing plant, facilitating fulfilment of the requirements for GMP certification. At their own initiative, they purchased a truck with air conditioning to make deliveries, while the other three

cooperatives were to pay the cost of collection, processing and distribution of each product, and the surplus would go to the producer of each item.

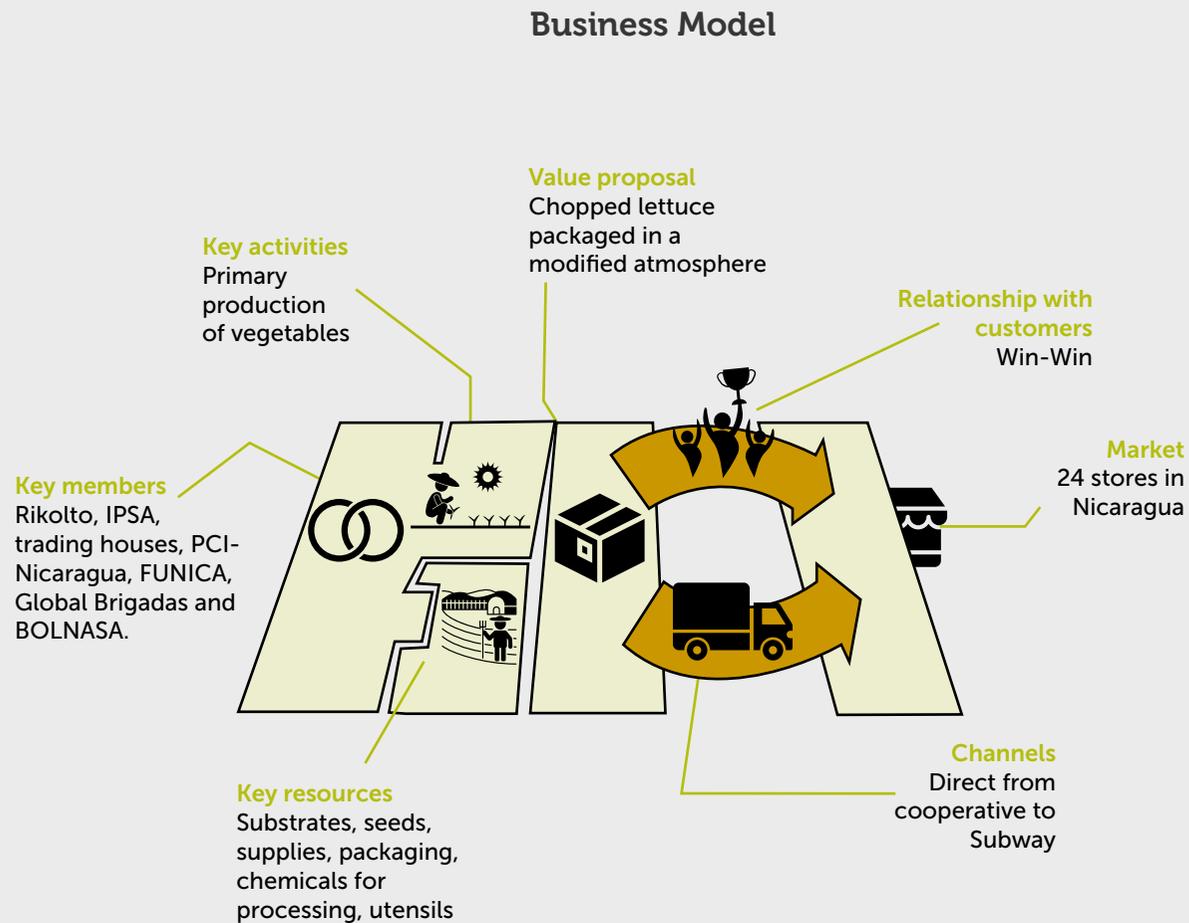
Rikolto facilitated the creation of a business plan, the determination of costs and pricing of the products, processing and delivery, planting plans, and the

establishment of agreements with each cooperative to specify the items and volume of participation.

Tomatoya started deliveries to five outlets twice a week. As deliveries progressed, the number of outlets increased until they reached 24 (out of 28) stores.



## V. BUSINESS MODEL



### Farmers

The 639 members of the commercial alliance - via the four cooperatives - are small vegetable producers. It is important to point out that, as with other agricultural items, small vegetable producers do not usually keep records of their production costs and, therefore, it is difficult to understand if at the time of sale they have made a profit or loss.<sup>6</sup> GAP certification means that the producers have started keeping records and monitoring costs and have more knowledge when it comes to pricing their products.

### Expectations of the cooperatives for the medium- and long-term:

- Fair prices and conditions.
- Guaranteeing long-term order supply
- Traceability and quality control with the implementation of GAP and GMP .
- Shared risks.
- Ability to negotiate with state institutions.
- Job creation.
- Training and technical assistance.
- Transfer of knowledge and technology.
- Transfer of knowledge and technology.
- Access to finance.

<sup>6</sup> "Analysis of the Vegetable Value Chain with an Emphasis on Food and Nutritional Security " (USAID/FAO: Nicaragua, 2012).

- Participation in a business and investment environment.

## Subway

Currently, SUBWAY® is the largest restaurant chain in the world, with more than 40,000 locations. In Nicaragua, as in the rest of the world, its menu and offering to the consumer consists of fresh food, with delicious sandwiches made to order, hence the importance of finding commercial partners to guarantee high-quality, fresh vegetables. The chain is growing in the country, with now 28 points of sale, of which 24 are supplied by the farmers' alliance.

For Nicaragua, the chain is managed by the franchisees' regional purchasing group. This purchasing group provides contractual supply agreements relating to forecasts of volumes, prices and distribution twice a week. Agreements are based on product quality specifications and food safety standards determined by Subway.<sup>7</sup>

Subway specifies to the alliance the condition and dimensions of each

product, quality, safety and delivery times. This is quite a small market in terms of the product volume that it buys, but the prices it pays for each item make it attractive for

producers, who receive the benefit of a differentiated price.

### Price comparison: informal market vs Subway

PRODUCTS	Unit (pounds)	Price informal market	Price alliance / Subway	Price advantage formal vs informal market	Percentage price difference formal vs informal market
Lettuce	1	C\$8.00	C\$12.00	C\$4.00	50%
Tomato	1	C\$8.00	C\$26.00	C\$18.00	225%
Chiltoma (sweet pepper)	1	C\$12.00	C\$24.00	C\$12.00	100%
Onion	1	C\$9.00	C\$28.00	C\$19.00	211%
Cucumber	1	C\$5.00	C\$17.00	C\$12.00	240%

### Business development

	2016	2017	2018
Pounds	8,518	52,6793	46,1906
Sale in dollars	187,401.00	10,753,447.07	9,161,951.00
Percentage in pounds		6,084%	-12%
Percentage in dollars		5,638%	-15%

<sup>7</sup> Interview with Alfredo Villalta. Food Safety Manager, Latin America & the Caribbean.

## Value proposal

To create new opportunities for horticultural organisations to participate on the market, from a business perspective, with tangible benefits in the short, medium and long term.

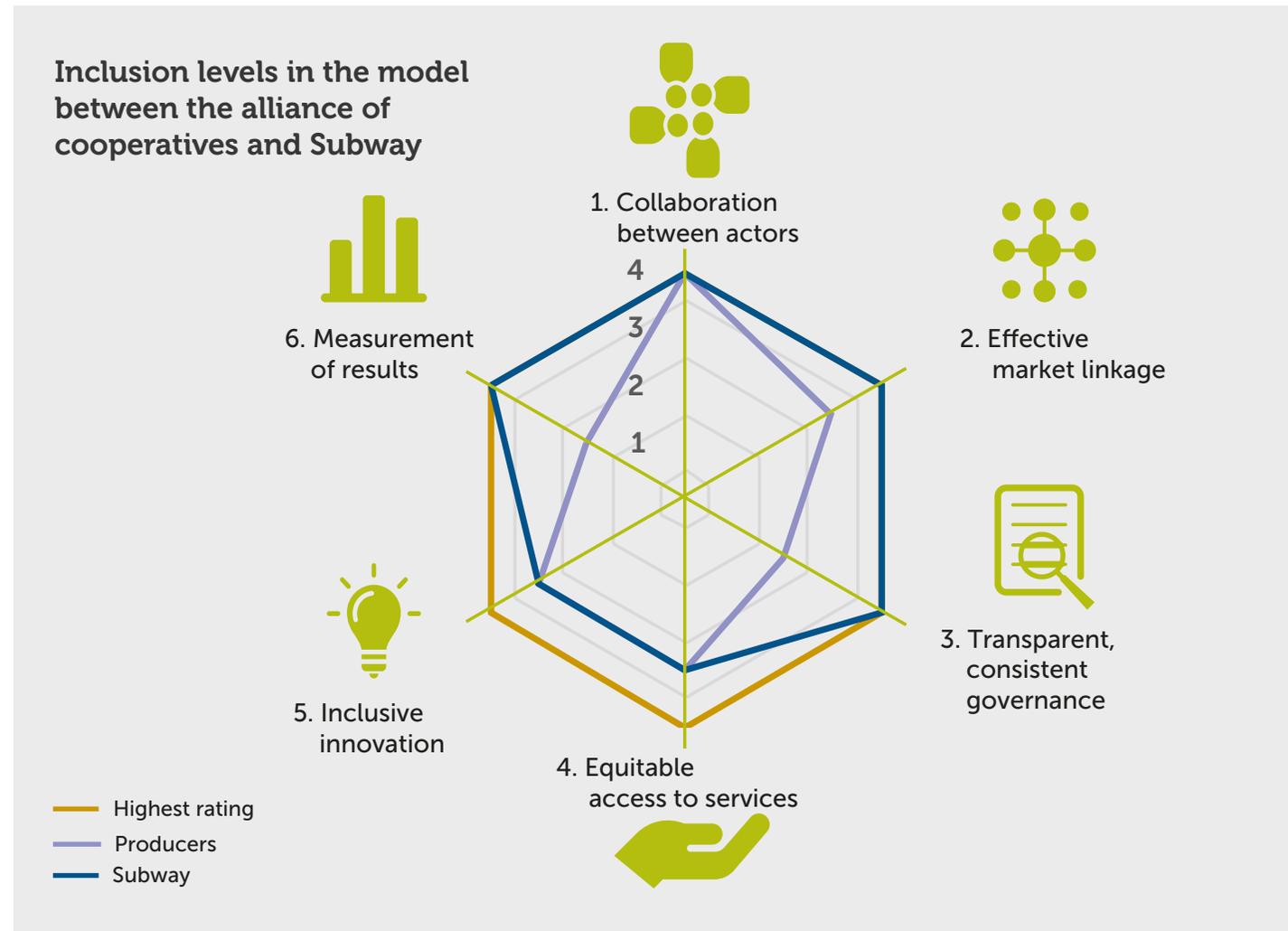
## Inclusion between the alliance and Subway

In order to create an attractive offer for Subway, the cooperatives carried out several adjustment processes dedicated to improving production and manufacturing: farm certification, processing plant certification, design of staggered planting and item-based price design, storage and packaging logistics, and, above all, the increased producer participation in decision-making.

Subway, for its part, monitored and checked the quality and timeliness of deliveries and invested in an agronomist, who provides technical support and verifies the quality of the GAP via scheduled visits to plots. To date, both parties are keen to continue collaborating and to extend the product line, and so it is time to start measuring the degree of inclusiveness of the business model and reassess the process in both directions.

To evaluate the level of inclusion we used the **LINK Methodology** developed by the International Center for Tropical Agriculture (CIAT). The application of **Tool #3** allowed us to evaluate the state of the commercial relationship between the four cooperatives and Subway: the 6 principles

in the image enabled us to identify successful actions and those that still need to be strengthened, as well as to identify areas of innovation with the potential to increase the benefits of the commercial relationship.



The interviews were conducted with producers from the cooperatives and, on the Subway side, with the Food Safety Manager, Latin America and the Caribbean, who is in charge of monitoring quality control in the agreements with the alliance, as well as with the Subway regional representative in charge of evaluating each of the principles.

We may observe that most producers agreed on the questions asked for principles 1, 2, 4 and 5, but disagreed on principles 3 and 6. Subway was more positive: they gave a maximum score for principles 1, 2, 3 and 6 and found opportunities to improve on principles 4 and 5.

**Producers** | With Subway, the commercial relationship is stable and coordinated. Additionally, the creation of the alliance has given them greater bargaining power, for example in the Sectoral Vegetable Commission (COSECHO) and with the Government, in adapting plans and import volumes for some products, such as onions and potatoes, a situation that has affected the prices of domestic producers.

The four cooperatives have collaborated to supply orders from other markets and get better deals for the purchase of seeds, fertilizers and materials, in addition to supporting each other in the provision of services, transportation, sale of seedlings, etc. However, there is still a lack of knowledge among the producers about the buyer's social and environmental objectives, perhaps due to the nature of the franchise structure or to a lack of internal communication within the alliance on these issues.



### Principle 1: Collaboration between actors

Do the parties share common goals in both economic and social fields?



*"This project is very important as it has shown that small farmers, with some support, can be integrated into a global supply chain with global quality and food safety standards."*

Alfredo Villalta. Food Safety Manager, Latin America & the Caribbean



## Principle 2: Effective market linkage

Are the producers and their organisations linked to a stable market with clear rules in terms of quality, volume and price standards?



*"We receive a good price from Subway, and we have changed the way we work: at Tomatoya, we now have 23 more farms certified for Good Agricultural Practices than two years ago; now we have control over harvesting, we use good products, and we know that our vegetables are healthy and good for the consumer."*

Nelson Vidal, Marketing Manager at Tomatoya

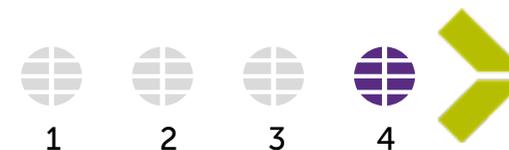


**Producers** | The producers have faith in the relationship with Subway because fixed and stable prices are negotiated annually that are above the value that they traditionally received from both informal intermediaries and from the still incipient formal market. In addition, they recognise the benefit of selling to Subway, with fixed and differentiated prices of up to 240% of their value in traditional markets.

The business relationship has been effective and positive with Subway, and this is opening up options to serve similar customers, such as Pizza Hut and McDonald's. They have also strengthened their negotiating position with traditional formal market customers such as Walmart, La Colonia Supermarkets and other smaller distributors.

The quality and requirements of GAP and GMP are monitored periodically by Subway, and both cooperatives and producers know the results of these

evaluations. Subway receives fresh products from the producer in its stores on a timely basis, with safety and traceability guarantees. On the other hand, stability has motivated organisations to invest in protected agriculture and infrastructure to process and distribute more products with greater added value and transformation.



**Subway** | There are many advantages. One is freshness – the product arrives at the restaurants on the day of, or the day after, harvest. Subway has said that its food security is of the utmost importance and, in this sense, the cooperatives with the support of Rikolto have strengthened their compliance.

Another advantage, according to Subway, is the availability and consistency of the supply obtained by working with cooperatives, since numerous small farmers grow the product instead of production being consolidated on a large farm. This provides integrated security and contingency of supply.<sup>8</sup>

<sup>8</sup> Interview with Alfredo Villalta, Food Safety Manager, Latin America & the Caribbean



### Principle 3: Transparent, consistent governance

Do both parties share information regarding the agreements established? Are there clear contracts, quality standards and commitment to orders and delivery times? Is there compliance with phytosanitary norms and all those related to the business?



**Producers** | The agreements and details of the deal are known to the managers of the alliance. However, the producers need more information about the agreements and contracts that constitute the deal, Tomatoya, as the leading cooperative and Subway's counterparty in the deal should present monthly reports and accounts regarding the various processes, but this has not always been the case. For example, there was an increase of 7 to 12 córdobas in outsourcing and distribution costs without any justification for this drastic increase at the time.



**Subway** | Two years after the first deliveries, Subway is totally satisfied with the service provided by the alliance. The cooperatives have complied with volumes, quality, prices and distribution frequency, while continuing to improve their food safety standards to meet the company's requirements.



*"We are aware that the closer we are as producers, the better. We still face weaknesses, but we understand that the success of the business relies on respect for the agreements reached in meetings with the cooperatives' representatives."*

Alexander Cruz, General Manager,  
Sacacli Cooperative



## Principle 4: Equitable access to services

A stable and long-term deal makes it easier for small producers to obtain access to credit, training, technology, etc. These are incentives that encourage them to invest in their production with a new vision of their participation in the market.



**Producers** | GAP certification of farms is one of the alliance's most important achievements. In the 2017-2018 cycle, 28 TOMATOYA cooperative farms, 5 COOSMPROJIM farms, 10 SACACLI farms and 5 COOSEMPODA farms were certified. It is expected that in the 2019-2020 cycle, around 5 more producers will be added per cooperative. Certification has been a positive experience with respect to crop management, increased productivity and the development of knowledge around safe production.



*"In tomato planting, I learned to deliver according to size and maturity standards, and to make a selection in the field so that there wasn't much rejection at collection."*

Felipe Neris Gadea. Producer from Tomate Cooperative COOSMPROJIM

At the same time, each cooperative manages the capital to grant credits to its members. This money is used to purchase supplies, tools, and/or to provide specialised technical assistance to each member. The cooperatives guarantee technical assistance to all their members, and a technician works on behalf of



the alliance to supervise the plots that comprise delivery schedules.

**Subway** | For the brand, it is important to have access to safe, quality, local products produced by local farmers. Subway also strives to be a good neighbour in the communities where it operates. Helping to develop small farmers is very important for the company as a way to give back to these communities.<sup>9</sup>

<sup>9</sup> Interview with Alfredo Villalta. Food Safety Manager, Latin America & the Caribbean



## Principle 5: Inclusive innovation

Inclusive business models promote innovation in products, services and processes by various stakeholders in the chain.



**Producers** | Driven by the profitability and security of the deal with Subway, the producers have invested in the construction of polytunnels to obtain greater volumes of production for items such as pepper, tomato and cucumber. They are also improving irrigation systems and crop rotation.

Methods have been implemented in the packaging process to guarantee product safety, including water conditioning with chlorine and handling techniques such as



mopping the vegetables to prolong their useful life. The cooperatives are adopting staggered crops to work according to the demand of the markets they supply.

Subway wants the cooperatives to continue to evolve by acquiring new customers and innovating to remain competitive. The company has expressed interest in expanding the product line to include pickled cucumbers and peppers among other products.

*“Because we formed an alliance to supply Subway, we have received training and improved our infrastructure, both in the fields with the producer and in the facilities. We have also improved staff training in GAP and GMP which is mainly focused on food safety.”*

Lisbeth Lorena Rodríguez. Head of Accounting, Tomatoya Cooperative





## Principle 6: Measuring the results

Monitoring the health of business relationships reduces the risk of other minor problems destroying the business.



**Producers** | Although a lot of information is available – such as collection volumes per producer, orders per store, delivery referrals, tax deduction for providing transport and other services to producers – this information is neither sufficiently clear on analysed, nor is it openly shared. It is therefore not used for decision-making, which also affects the transparency of the relationship between the cooperatives. **Tomatoya has discretion in regards to the metrics** because it is the cooperative that handles all the processes and cost monitoring. In the future, this situation must be overcome in order to grow in this and other markets.



**Subway** | There is permanent monitoring by the regional purchasing group, involving several checks which they perform regularly with the alliance. Of primary importance is everything related to the product safety and hygiene guarantees, the GAP and guaranteed availability throughout the year. **The 24 stores supplied by the alliance maintain a system of orders and receipt of products that are reported** to the administration of each local, regional and national organisation associated with the alliance.



Meeting between representatives of Subway, managers of the cooperatives and Rikolto staff in Nicaragua.

## VI. OPPORTUNITIES

[Watch opportunities](#)  
(in Spanish)



The creation of the alliance and the development of an inclusive business model have created new perspectives for regulating the performance of the vegetable subsector in Nicaragua:

- With this business model, these four organisations together have made a breakthrough in a situation where for years, the informal market has prevailed, limiting the development of a formal, self-sustainable market.
- By marketing via this alliance, the members of the cooperatives have found a new way of relating to one another and offering their products in a safe and reliable way through the organisations that represent them.
- The experience of working with this business model and the constant analysis of compliance with the 6 principles of inclusiveness may represent an important alternative for productivity growth, fair marketing and the advancement of farmers'

organisations to new levels of business development. If more private sector companies follow this model, it will be an important contribution to overcoming the poverty rates currently experienced in rural areas of Nicaragua.

- Many new opportunities may arise from the alliance's progress in supplying the Subway market and

future customers in the same category. Including other members of the value chain in this business model may generate greater stability in the sector and economic benefits for the entire chain, and in particular for the most vulnerable. In addition, organisations are strengthened, and new options can be created to market products with added value.





- **The experience of creating a distribution system for the 24 restaurants is a potential competitive difference** that will allow them to offer their products directly to new markets where profitability may be more attractive.
- By strengthening the alliance as a business model and as a company, the producers plan to cultivate their products according to demand, and they have greater negotiating power with other actors in the value chain, including the state.
- The alliance is capable of creating a brand and positioning itself in the market with distribution points that allow them to boost their direct sales to the final consumer by promoting the safety of their products, environmental protection and fair prices.
- Subway used the Nicaraguan experience to successfully expand the same concept in larger markets. Now they are analysing replication of the model in markets around the world that share similar economic and developmental conditions.<sup>10</sup>

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<sup>10</sup> Interview with Alfredo Villalta. Food Safety Manager, Latin America & the Caribbean

## VII. CHALLENGES

- For the cooperatives, their leaders and members to continue to see the potential to work together and share common objectives.
- To create of an administrative and managerial structure that looks after the global interests of the alliance and manages to project itself into new markets with equitable benefits for each member.
- To raise awareness in the formal market to the importance of creating new, fairer marketing rules for the producer and the consumer.
- To ensure that the experience of this inclusive model has an impact on encouraging public policies, market regulation and educational communication campaigns that promote the production and consumption of products certified with GAP and GMP.
- To appreciate that the operation of the alliance as a marketing company sets the tone for development in the sector and strengthens horticultural organisations.





Staff at Tomatoya's storage plant

of toxic containers that were previously abandoned on the plots themselves or thrown into rivers, causing contamination in the microbasin of Lake Apanas.

- For **producers**, the implementation of GAP on farms and GMP in their collection centres has acquired real value because it delivers a market that recognises this effort in the price of their vegetables.
- **The cooperatives** can now visualize their participation in the market as a company, transforming their production and marketing processes in order to generate profitability and benefits and reinvesting in GMP certification and equipment that provides them with more competitive advantages for market participation.
- **Market dynamics** change when producers and end consumers opt for products certified with GAP and GMP. The **marketers**, as intermediaries of supply and demand, opt for safe products to ensure their participation in the formal market.

## VIII. PROSPECTS

- The creation of the alliance and the business model generated with Subway creates new prospects for stakeholders in the value chain. For the **Nicaraguan Association of Formulators and Distributors of Agrochemicals (ANIFODA)**, which represents the crop protection and nutrition industry, and which has supported the four cooperatives through training to obtain certifications for the correct use of protection

products in crops, the creation of the alliance has meant a change in the producers' mentality. This is reflected in a greater sense of responsibility for the environment, the production of healthy products for the consumer, the recycling of containers and the protection of water sources.

- In agreement with the Tomatoya cooperative, a collection and packing centre was installed for the thousands

## IX. LESSONS LEARNED

🌱 **It is indeed possible to develop inclusive and profitable commercial relationships as long as the deal is attractive to both parties.** By being served by a single supplier for all its stores, Subway obtains greater control over product quality guarantees and delivery fulfillment.

Whenever decision-making, agreements and commitments with respect to production and collection plans, as well as investments in the acquisition of transportation and manufacturing equipment, are clear and equitable, farmers' organisations will be able to maintain a healthy business environment and can thus concentrate on growing their business.

🌱 **In order to maintain a stable business model with fixed and profitable prices, a management team is required among the cooperatives to develop this market.**

An alternative that emerged within the cooperatives was the idea of forming such a team, which would work concretely in planning and making decisions that benefit all the cooperatives equitably.

🌱 **It is necessary to establish specific goals, with realistic and achievable deadlines.** This might also be implemented via the management team for negotiating prices, volumes, etc.; and part of this team's role would also be to establish communication channels between the stakeholders.

🌱 **Finally, the stability generated by formal negotiation allows the creation of short-, medium- and long-term development projections.**

Both the producers and the organizations have seen productive capacity develop. Now producers are more oriented towards planning their production according to market demand with planned crops or sowing techniques, enabling them to guarantee delivery of a certified product on a stable market.

The producers are more open to investment in technology, trying new crops and implementing techniques that contribute to improving the environment, because they understand that this is also the basis for improving their quality of life.

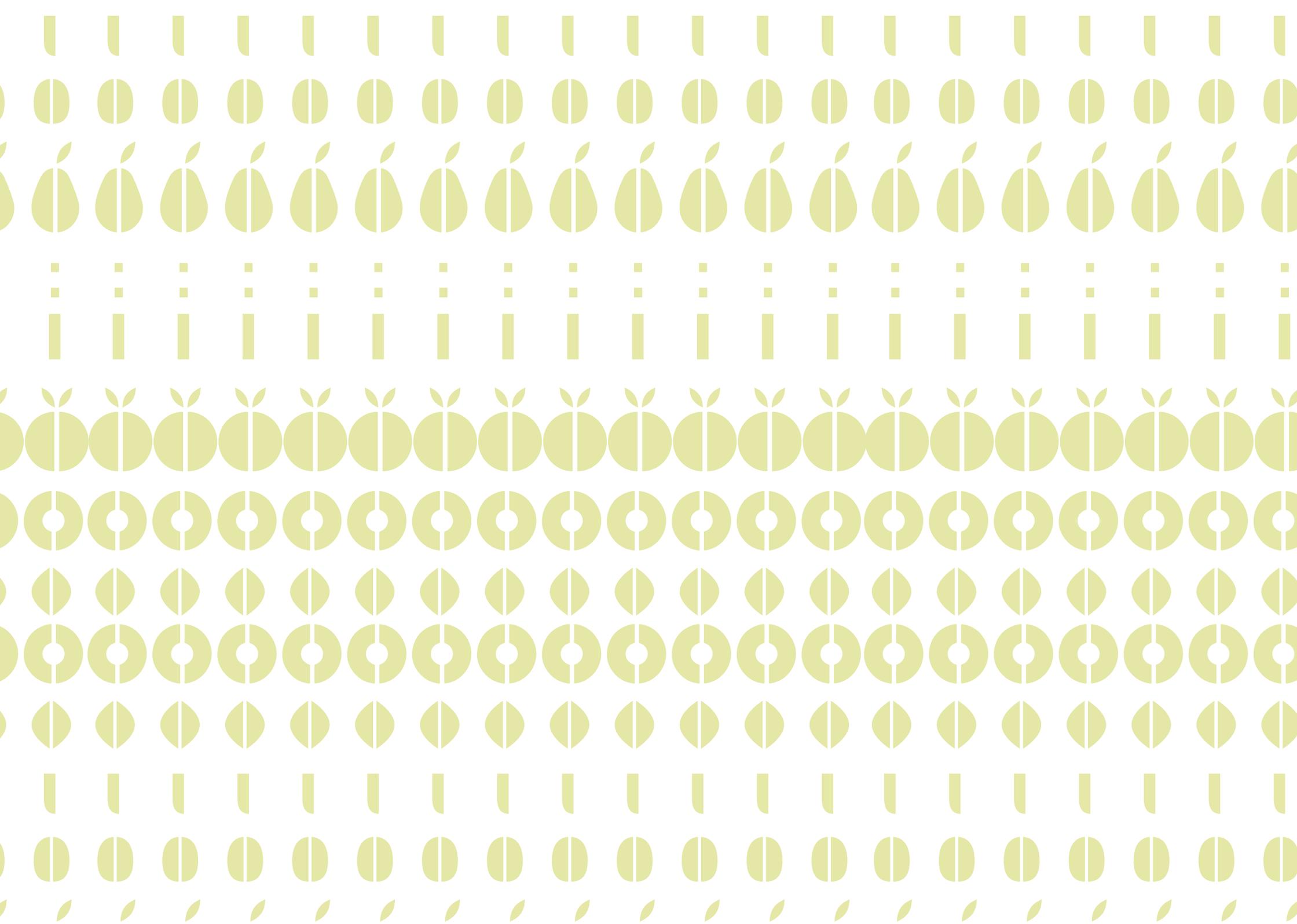


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