

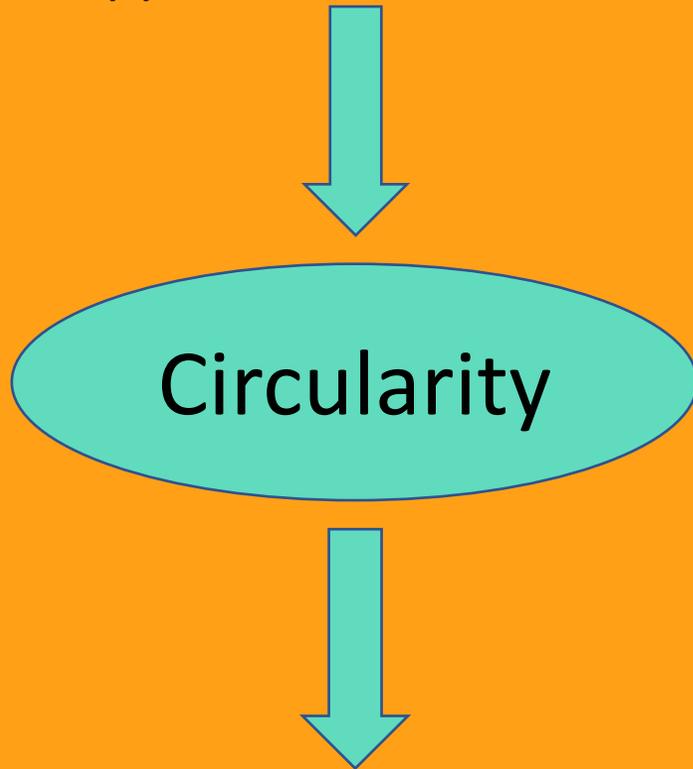
1.2. Circular economy business models in food supply chain

1.2.1 Key characteristics of circular economy business models in food supply chain

e-module 1 Circular economy and food supply chain
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The rapid development of technology, economy, entrepreneurship and society in general requires the need to adapt to new cyclical processes and approaches.



Businesses work towards creating new innovative business models in order to apply the circularity to their activities to enhance their competitiveness and sustainability.



The forces and contributors that determine the adaptation of business models to the circular economy:



- Female entrepreneurs,
- Social movements,
- Urban conditions,
- New technologies,
- Environmental factors,
- Digitalization,
- E-commerce models and Internet-of-Things
- Consumption demand, and
- Product quality.



Main actors of the food supply chain

Farmers

Processors

Distributors

Retailers

Consumers

- The characteristics and needs of the above five actors play a very important role:
 - In the development of business models of the food supply chain
 - They show how innovative cyclical business models will help businesses
 - They bridge the gap between food supply and demand
- “Business model innovation (BMI) is the adoption of novel approaches to commercialize underlying assets”.
- When traditional business models do not work and cyclical models are required, business innovation will be accomplished if we combine current business activities with new practices.

Thus, the businesses belonging to the food supply sector should consider the following steps to innovate their business models based on their position within the sector:

1. Innovate the value proposition
2. Reconsider the value-delivering mechanisms
3. Innovate the value creation processes
4. Provide new value capturing models
5. Propose a new business model



Recommendations for business models according to each actor (1)

A. FARMERS

Green business models in which rural women play critical role in the sector as producers, educators/advisors, and buyers and three business models for urban farming called differentiation, diversification, and low-cost specialization.

B. PROCESSORS

To design a sustainable business model for processors, tradition and innovation should be combined. The new sustainable business model will be based on tradition, which focuses on the representative's values and experiences in the sector, and on innovation, which is the creation of new methods and opportunities by developing new ideas.

06 Recommendations for business models according to each actor (2)

C. DISTRIBUTORS

A new business model that strengthens the digital food hub and / or online marketplace that aims to increase demand for local products. Also, two new business models, namely *business model for the focused service offering* and *business model for the full-service offering*, are proposed for this actor, differing in the market they are targeting; the first concentrates on upstream producers and processors, while the latter covers downstream operators' needs.

D. RETAILERS

The core of the business models for these actors is the acquisition of competitive advantage. The re-innovation in this business model concerns social and environmental benefits in addition to the economic profit.

E. CONSUMERS

Handling customers' issues and studying their behavior will lead to the development of customer-centric business models with the appropriate value proposition.

Aspects of circular economy in agriculture:

- The production of agricultural products with the least amount of external input possible.
- Closing nutrient loops and decreasing negative environmental discharges.
- Adding value to agri-food waste.
- The exploitation of the agri-food industry to the fullest

The Circular Economy was mainly linked with agriculture and primary sector production where materials and equipment can be reused many times and in many ways.



- ❑ Agriculture has become more resource independent in the last 50 years, relying heavily on the availability of fossil inputs such as synthetic nitrogen and phosphorus fertilizers, oil derived agrochemicals, and fossil fuels.
- ❑ The more intense transition towards circular economy for agricultural resources is widely believed to provide economic, social, and environmental benefits to EU industry.
- ❑ This assumption should be carefully considered because 'circularization' has the potential to produce economic and social stress, if it is not thoroughly examined before adoption.
- ❑ Also, it would be useful to wonder if 'circular economy' always respects its principles for less waste and resources exploitation or it is finally about using different ones.

Are enterprises established on the 'circulation' of agricultural waste long-term if the waste comes from an inefficient system that will have to be decreased eventually?



- ✓ Recycling to reusing for the creation of products
- ✓ The creation of durable goods from recycled and reused parts as inputs for circular business models
- ✓ The creation of alternative value in the parts that make a product whole, and
- ✓ The closing of the material life-cycle loop by creating products that can be upcycled, repurposed, and re-sold

A suggested implementation of procedures which might as well include these actions or a combination of them could be characterized as fundamental for the transition towards more circular business models for a universal change in entrepreneurship.





TRAIN-CE-FOOD project

<https://trancefood.si/en/home-english>

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