ECONOMIST ENTERPRISE

Collaborating to unlock new business models in the food system



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Introduction

The food system's next wave of innovation is unlikely to come from new technologies alone. It will depend equally on new business models that enable organisations across the value chain to share risk more equitably, align incentives and invest in long-term resilience.

Global food systems are entering a harsher commercial environment. Climate volatility, geopolitical uncertainty, evolving regulation and tighter margins are making disruption more frequent and investment harder. Yet, many commercial relationships were designed for stability. Procurement models built around annual price, volume and efficiency are poorly suited to transitions that require coordinated investment over several years, particularly when costs arise upstream and benefits accrue downstream.

The imbalance is clearest at farm level. Producers may be asked to adopt new practices, technology or infrastructure while facing uncertain demand, delayed returns and limited finance. Buyers may gain more secure supply, traceability or progress against sustainability targets, but the commercial link between those benefits and producer investment often remains weak. Manufacturers, retailers, lenders and technology providers each hold part of the solution; the challenge is to combine those capabilities around a shared commercial objective.

The next phase of food-system innovation will therefore be commercial as well as technological. Competitive advantage will depend less on the number of partnerships a business announces than on whether those partnerships alter incentives, distribute risk and make long-term investment viable.



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What "new business models" mean in practice

Collaboration becomes business-model innovation only when it changes the economics of the relationship: how value is created and shared, who bears risk, how performance is rewarded and how long participants commit. Many initiatives sit on top of conventional procurement. They may produce useful pilots, but rarely scale because the underlying incentives remain unchanged.

Durable models usually combine mechanisms. Multi-year purchasing commitments provide demand certainty; finance addresses upfront costs; technical support reduces execution risk; traceability enables coordination; and outcome-linked payments reward performance. The appropriate mix depends on the supply chain and the constraint being addressed.

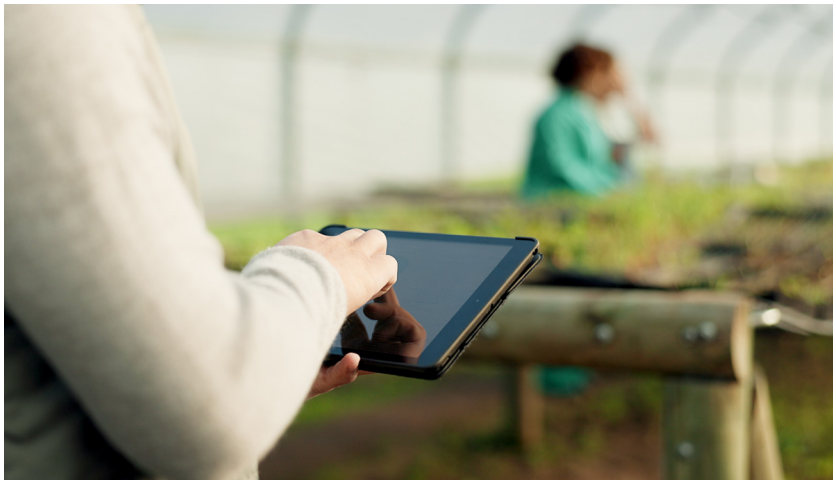
Example business model	How it works	Commercial value
Long-term offtake agreements[1]	Buyers commit to purchasing products over a longer period, providing greater certainty for producers.	Reduces market uncertainty and encourages long-term investment.
Contract farming[2]	Purchasing agreements are combined with inputs, finance, technical assistance or extension services.	Shares implementation risk while improving productivity and quality.
Shared-investment models[3]	Two or more organisations jointly fund infrastructure, technology or transition activities.	Spreads costs and risks across partners while enabling investments that may not be viable independently.
Outcomes-based models[4]	Financial incentives or commercial terms are linked to agreed environmental, productivity or social outcomes.	Aligns commercial incentives with long-term performance and measurable results.
Platform and landscape-scale models[5]	Multiple organisations collaborate around shared resources or regional challenges, often through a neutral convenor.	Coordinates investment where no single organisation can capture the full value of the intervention.

1 Long-term Offtake Agreements for a Lasting Natural Climate Solution. American Forest Foundation. September 2021. Available at: https://www.forestfoundation.org/why-we-do-it/family-forest-blog/long-term-offtake-agreements-for-a-lasting-natural-climate-solution/
2 Contract Farming. Food and Agriculture Organisation (FAO) of the UN. Available at: https://www.fao.org/in-action/contract-farming
3 Enabling Private Sector Finance at Scale for the Transition to Sustainable Agriculture and Food Systems. World Business Council for Sustainable Development (WBCSD). November 2024. Available at: https://www.wbcsd.org/resources/enabling-private-sector-finance-at-scale-for-the-transition-to-sustainable-agriculture-and-food-systems/
4 Reaping the Rewards of Sustainable Land Use. World Bank Group. August 2020. Available at: https://www.worldbank.org/en/news/feature/2020/08/26/reaping-the-rewards-of-sustainable-land-use
5 Integrated landscape management. FAO. Available at: https://www.fao.org/land-water/Land/sustainable-land-management/integrated-landscape-management/en

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Where collaborative business models are gaining traction

Collaborative models take different forms because supply chains have different points of leverage. Traceable, repeated relationships support longer contracts; commingled commodities require processors and farmer organisations; while shared resources require several buyers to pool finance. In each case, traction depends on removing a commercial constraint, not simply creating another forum for dialogue.



Relational supply chains: changing the investment horizon

Some of the most developed models change the underlying purchasing relationship. Danone's Cost Performance Model, for example, uses contracts with an average duration of three to five years, and takes production costs into account when setting milk prices.[6] McCarty Family Farms, Danone North America's first cost-plus supplier,[7] has worked with the company for more than a decade. The model does not eliminate volatility, but reallocates some of it: farmers gain greater visibility over future revenues, while Danone gains more predictable access to milk, closer supplier relationships and a stronger foundation for long-term investment in quality, productivity and environmental performance.[8] Such arrangements are most viable where continuity and product specifications make suppliers costly to replace.

Driscoll's employs a related but distinct model. Rather than owning most of the farms that produce its berries, the company develops patented varieties, operates nurseries, builds the consumer brand and works with independent growers that provide production capital and local expertise.

6 2026 Shareholders' Meeting: Answers to Written Questions from Shareholders. Danone. April 2026. Available at: https://www.danone.com/content/dam/corp/global/danonecom/investors/en-all-publications/2026/shareholdersmeeting/answerstowrittenquestionsdanone2026.pdf

7 McCarty Family Farms: The Model for Danone North America Farmer Partnerships. Danone. September 2023. Available at: https://www.danonenorthamerica.com/newsroom/details/mccarty-family-farms-the-model-for-danone-north-america-farmer-partnerships.html

8 2026 Shareholders' Meeting: Answers to Written Questions from Shareholders. Danone. April 2026. Available at: https://www.danone.com/content/dam/corp/global/danonecom/investors/en-all-publications/2026/shareholdersmeeting/answerstowrittenquestionsdanone2026.pdf

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Driscoll's notes that about 85% of its revenue flows back to independent farms.[9] The shared asset is therefore not simply demand: it is a combination of proprietary innovation, market access, quality standards and brand value. The model creates mutual dependence, with each side contributing capabilities the other would struggle to replicate alone.[10]

Commodity supply sheds: aggregation rather than direct contracting

In grain supply chains, manufacturers often buy through processors rather than directly from thousands of farmers. The seven-year partnership between PepsiCo and ADM uses ADM's origination network to provide financial, agronomic and measurement support across up to 2m North American acres. ADM reported 675,000 acres in the latest crop year.

More interestingly, the partners adjusted the programme after farmer feedback, adding a per-bushel premium for corn alongside an existing payment for adopting cover crops.[11] This adjustment illustrates an important feature of successful collaboration. The objective can be long-term, but the mechanism cannot be static. Incentives that are attractive at one point in the commodity cycle may become inadequate as crop prices, input costs and alternative market opportunities change. An enduring model therefore needs both commitment and the ability to revise its terms without making participation unpredictable.

Scale also depends on organisations that are already trusted by farmers. PepsiCo has separately committed $216m to multi-year agreements with Practical Farmers of Iowa, the Soil and Water Outcomes Fund and the Illinois Corn Growers Association. The programmes combine education, upfront investment in environmental outcomes, cost-sharing, technical assistance and farmer-to-farmer learning. Such intermediaries do more than deliver training. They reduce the cost of reaching dispersed producers, provide locally credible advice and give farmers a route to influence programme design.[12]

Finance and outcome-linked payments: bringing future value forward

Another cluster of models addresses a timing problem. The potential benefits of agricultural transition—lower input use, healthier soil or more resilient yields—may take years to emerge, while the cost of equipment, seed, advice and reduced short-term output arrives immediately. A recent survey of UK farmers highlights that 93% of respondents agreed that transitioning to regenerative agriculture increases short-term business risk.[13] Another European analysis estimated initial investment needs of roughly €2,000–5,000 per hectare and a payback period of about nine years before existing incentives were taken into account.[14] The figures vary by crop and farm, but the implication is consistent: technical advice alone will rarely make a capital-intensive transition investable.[15] Some businesses are responding by embedding environmental incentives in the price paid for the product. Arla's FarmAhead Incentive model awards points for 19 types of on-farm action and translates those points into the milk price. Farmers can receive up to €0.03 per kilogram of milk through the incentive model, in addition to €0.01 per kilogram for completing the company's annual climate assessment. The important distinction is that the reward is part of the recurring commercial transaction, rather than a grant sitting outside it.[16]

9 One Family, One Earth. Driscoll's. Available at: https://www.driscolls.com/one-family-one-earth
10 How We Grow Our Berries. Driscoll's. Available at: https://www.driscolls.com/about/our-practices/how-we-grow
11 PepsiCo, ADM Announce Groundbreaking Agreement Aiming to Reduce Carbon Intensity by Supporting Regenerative Agriculture Practices on Up to 2 Million Acres of Farmland. ADM. September 2022. Available at: https://www.adm.com/en-us/news/news-releases/2022/9/pepsico-adm-announce-groundbreaking-agreement-aiming-to-reduce-carbon-intensity-by-supporting-regenerative-agriculture-practices-on-up-to-2-million-acres-of-farmland/
12 PepsiCo Announces $216 Million Investment in Long-term Partnerships with Three Major Farmer-facing Organisations to Support Regenerative Agriculture Transformation on More than Three Million Acres of U.S. Farmland. PepsiCo. March 2023. Available at: https://www.pepsico.com/newsroom/press-releases/2023/pepsico-announces-216-million-investment-in-long-term-partnerships
13 From Risk to Reward: Modelling the cost of the regenerative transition. Game & Wildlife Conservation Trust. September 2026. Available at: https://gwct.org.uk/blogs/news/2026/september/from-risk-to-reward-modelling-the-cost-of-the-regenerative-transition/
14 Closing the gap: An analysis of the costs and incentives for regenerative agriculture in Europe. Deloitte, March 2025. Available at: https://www.deloitte.com/content/dam/assets-shared/docs/industries/consumer/2025/closing-the-gap-report.pdf
15 Farmers stand to see increased crop yields and profits with 15-25% return on investment by transitioning to regenerative farming practices. WBCSD. May 2023. Available at: https://www.wbcsd.org/news/farmers-stand-to-see-increase-crop-yields-and-profits/
16 How Arla farmers are rewarded for on-farm climate and environmental improvements. Arla. Available at: https://www.arla.com/sustainability/the-farms/arlas-incentive-model-qa/

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Others are using the purchasing relationship to improve access to capital. Tesco and NatWest have created a financing scheme for 1,500 of Tesco's beef, lamb and dairy farmers. It offers preferential asset finance, repayment structures tailored to the borrower and potential volume discounts from Tesco-approved suppliers for equipment such as solar panels, battery storage and heat pumps. The model divides responsibilities: the retailer convenes a known supplier base; the bank assesses and provides finance; equipment providers contribute purchasing efficiencies; and farmers select investments suited to their operations.[17]

This is more sustainable than asking a retailer to become a lender or expecting a bank to originate agricultural-transition projects without a route to the underlying suppliers. It also shows how a commercial relationship can reduce the information and transaction costs that otherwise make relatively small farm investments difficult to finance.

Landscape-scale models: pooling demand for shared assets

Bilateral contracts are least effective where the benefit does not remain within a single supply chain. Improved soil structure may reduce flood risk for a local authority, improve water quality for a utility, protect yields for a food manufacturer and support biodiversity commitments for several businesses. Yet, no single participant may capture enough of the return to finance the intervention alone.

Landscape Enterprise Networks (LENs) offer one response. The model aggregates demand from companies and public bodies with a commercial interest in a particular landscape, then uses multi-party contracts to direct funding and technical support to farmers. Una Hrnjak, international sustainability group director at ALDI SÜD Group, highlights that many supply-chain challenges cannot be addressed through individual buyer–supplier relationships alone. In one example she shares, financial assistance is combined with tailored technical guidance, farm-management tools and measurement support for cattle producers. The example reinforces the point that collaboration at scale needs shared investment, credible measurement and a clear value proposition for farmers.

The Green Finance Institute estimates that LENs mobilised €15m in 2024. In the east of England, eight participating organisations—including food, beverage and water businesses and a local authority—co-funded 51% of measures in 2024, compared with 29% the previous year. By stacking several sources of demand on the same field or farm, the model can lower the cost per participant while supporting several environmental outcomes at once.[18]

The role of the intermediary is central. A neutral broker identifies overlapping commercial needs, translates them into interventions that land managers can deliver and negotiates the division of costs and claims. This makes LENs a more concrete business model than a broad corporate coalition: money moves through negotiated contracts and participating organisations procure identifiable services from a shared landscape.

Across these models, sustainability becomes a commercial term, embedded in contract duration, pricing, finance or payment for shared services. A partnership that leaves cash flows, risk allocation and decision rights unchanged may still produce a useful pilot, but it is not yet a new business model.

17 Tesco and NatWest join forces to help farmers reduce costs and decarbonise. NatWest Group. March 2024. Available at: https://www.natwestgroup.com/news-and-insights/news-room/press-releases/enterprise/2024/mar/tesco-and-natwest-join-forces-to-help-farmers-reduce-costs-and-d.html
18 Landscape Enterprise Networks (LENs). Green Finance Institute. Available at: https://www.greenfinanceinstitute.com/hive/revenues-for-nature/case-studies/landscape-enterprise-networks-lens/

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What it takes to collaborate successfully

The examples above suggest a more demanding test of collaboration than a willingness to work together. Effective models make the underlying economics investable, allocate risk purposefully, establish clear governance and create the operating capacity to deliver at scale.

Make the economics investable

Each participant must be able to see a credible economic return. For producers, the relevant calculation is the effect on margin and cash flow after equipment, labour, yield risk and reporting costs. Buyers may benefit from more reliable supply or improved quality, while lenders need sufficiently predictable cash flow to support repayment. As a senior representative of a national farming organisation explains, *"Farming is a long-term business. Farmers want to make multigenerational investments. We cannot create certainty, but we can create models that help manage uncertainty, with access to finance and a supply chain that stands behind the investment."*

The duration of the arrangement should therefore reflect the economics of the investment. A one-year pilot cannot provide a credible basis for equipment with a five-to-nine-year payback period. Where the investment is large or the agronomic transition uncertain, the strongest models are likely to combine demand commitments with cost-sharing, finance, technical support and, where appropriate, insurance or guarantees.[19]

Allocate risk and decision rights

Risk-sharing does not mean dividing every risk equally. It means placing each risk, as far as possible, with the participant best able to control or absorb it. Buyers can provide demand certainty and stable specifications; farmers can manage on-farm implementation; banks can assess credit; and insurers or public bodies may be better placed to absorb systemic weather risks.

Contracts should specify pricing, quality, delivery, technical support, data rights, force majeure, renewal and dispute resolution.[20] Such clarity matters most where bargaining power is uneven. Contract farming can improve access to markets and finance, but may also leave producers dependent on a single buyer or exposed to opaque assessments and unilateral changes in terms. These imbalances can prevent viable partnerships from getting off the ground. As an expert specialising in collaborative business models notes, *"Organisations often agree on the economics of revenue-sharing arrangements but hesitate when asked to make the first meaningful commitment. Previous experiences, different investment horizons and perceived power imbalances frequently prevent otherwise viable partnerships from progressing."*

19 Farmers stand to see increased crop yields and profits with 15-25% return on investment by transitioning to regenerative farming practices. WBCSD. May 2023. Available at: https://www.wbcsd.org/news/farmers-stand-to-see-increase-crop-yields-and-profits/

20 Contract farming analysis. FAO. Available at: https://www.fao.org/in-action/contract-farming/toolkit/contract-analysis/en/

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Producers or their representatives also need a formal role in deciding how programme terms change and how disagreements are resolved, rather than being consulted only after the principal commercial terms have been established.

Build delivery and data infrastructure

Finance and purchasing commitments are of little use without trusted delivery networks. Practices must be adapted to local soils, climate, rotations and management systems, making peer learning and locally credible advice especially important. An executive at a global fresh-produce company describes investing in demonstration farms where producers can observe new practices under local conditions before adopting them commercially. The company also brings growers together through communities of practice, recognising that farmers are often more willing to adopt new approaches after seeing neighbouring producers succeed.

Data is another form of shared infrastructure, and a potential hidden cost. Partners must agree what will be measured, who will pay for collection and verification, who owns farm-level data and who may claim the resulting outcomes.[21] Common standards can reduce the need for repeated questionnaires and audits. Several senior sustainability executives highlight that suppliers are increasingly asked to respond to multiple reporting requests from different customers, creating unnecessary duplication and cost. Greater alignment around common data standards and reporting frameworks can reduce this burden while giving organisations a shared basis for measuring progress.



Measurement should distinguish activity from impact. Rather than relying on acres enrolled or money committed, partners should track a smaller set of commercial outcomes, such as producer margins, yield variability, supplier retention and whether practices continue after payments end.

Align internal incentives

External collaboration is unlikely to sustain if a company's own functions work towards incompatible objectives. Procurement may be rewarded for annual price reductions, finance for limiting long-term commitments and sustainability for increasing programme participation. Effective models therefore need a common business case, an accountable commercial owner and agreed performance measures across procurement, operations, finance, legal and sustainability. As Una Hrnjak explains, *"We have embedded sustainability objectives across procurement, finance, legal, buying and commercial functions, with each team expected to report regularly on progress. This shifts accountability for long-term partnerships from the sustainability function to the wider business."*

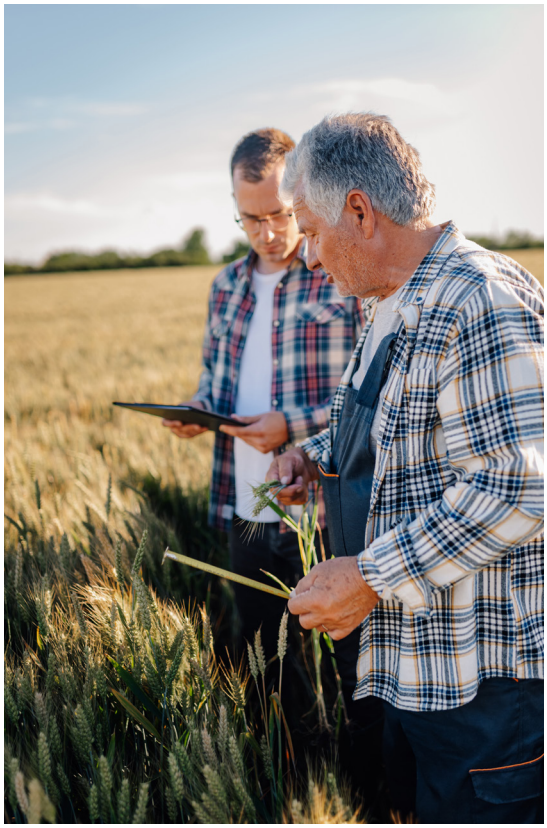
Multi-year commitments should be reflected in category strategies, budgets and supplier-management systems rather than funded only through a temporary sustainability allocation. Senior sponsorship is useful, but operational incentives determine whether the relationship survives changes in personnel, market conditions or corporate priorities.

Durable collaboration does not depend on trust alone; it creates commercial interdependence that gives each participant an interest in the others' success. As an executive from the same global fresh-produce company referred to earlier, observes, "*Trust is not treated as the starting point of collaboration. Instead, our organisation deliberately structures commercial relationships around shared dependency through transparent commission-based revenue sharing, quality-linked incentives and shared investment in genetics, technical support and market access, ensuring every participant has a direct commercial stake in the success of the others.*"

21 Driving Convergence and Action on Regenerative Agriculture Outcomes. WBCSD. Available at: https://www.wbcsd.org/actions/driving-convergence-and-action-on-regenerative-agriculture-outcomes/

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What leaders should do next



Successful business models begin with a specific commercial constraint, such as insecure supply, weak productivity or an investment that producers cannot finance alone. Leaders should identify where costs and risks sit, which participant is best able to manage them and what must change in the commercial relationship. The test is not whether a partnership attracts participants, but whether it makes the required change economically rational for them.

That requires matching the duration of demand commitments and financial support to the investment's payback period, specifying pricing, data rights, performance measures and dispute resolution and aligning procurement, finance, operations and sustainability teams behind the same business case. Where external capital is required, greater standardisation of contracts, due diligence and reporting can reduce transaction costs, while aggregating smaller projects can create the scale needed to attract larger pools of investment. Measurement should distinguish activity—money committed, farmers enrolled or acres covered—from additional changes in farm economics, resilience and behaviour.

Before proceeding, organisations should be able to answer four questions. Does the model leave producers and suppliers better off on a risk-adjusted basis? Does the commitment last long enough to justify the investment? Are decision rights, data ownership and claims to outcomes clear? And can the model continue once initial incentives or concessional funding expire? Without clear answers, an initiative may be a useful pilot, but not yet a durable business model.

The organisations most likely to gain an advantage will be those that can combine demand, capital, technical capability and market access around a shared commercial objective. They will not remove uncertainty from the food system, but they can distribute it more deliberately and create stronger incentives to invest in resilience.

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