Leaping and Learning: Strategies for Taking Agricultural Successes to Scale in Sub-Saharan Africa

Workshop on linking farmers to markets in Southern Africa
Johannesburg, Monday 9 July 2012
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Introduction

Leaping and Learning: Strategies for Taking Agricultural Successes to Scale

Agriculture for Impact (A4I), the Overseas Development Institute (ODI), Firetail, and the Glasshouse Partnership are working together on the project ‘Leaping and Learning: Strategies for Taking Agricultural Successes to Scale’ funded by the Bill & Melinda Gates Foundation and the UK’s Department for International Development.

The aim of the programme is to provide development partners with access to independent, evidence-based recommendations that set out practical policy options and approaches for scaling up smallholder agricultural development in sub-Saharan Africa to ensure food and nutrition security and poverty reduction.

Our approach

A key challenge for agricultural development is how to link small-scale, family farmers to providers of financial services, inputs, technical advice and marketing; thereby allowing smallholders to innovate, invest and enjoy better livelihoods. Many government agencies, non-governmental organisations, or private firms are working to facilitate such links. But there is much to learn. This programme is reviewing such experiences, to distil good practice.

Stakeholder Evaluation

At the start of the project A4I commissioned Firetail to interview stakeholders who represented the intended users of the Leaping and Learning project outputs both in OECD countries and Sub-Saharan Africa. The purpose of these discussions was to explore how the materials could be developed to ensure they were of maximum value to stakeholders and the sector as a whole. 25 interviews were conducted between 2nd February and 9th March 2012. The Firetail report findings have influenced our approach; you can read them at www.ag4impact.org.

Consultation

A4I and ODI are working with Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) to hold regional workshops in Johannesburg (9th July), Nairobi (11th July) and Accra (13th July) to gather more evidence and seek feedback from agricultural development practitioners in sub-Saharan Africa.

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Funded by
Presentation from distinguished guest: Dr Lindiwe Majele Sibanda
CEO and Head of Diplomatic Mission of FANRPAN

FANRPAN is the Food, Agriculture and Natural Resources Policy Analysis Network.

- We are not investing enough in smallholder farmers. About 80% of the population is rural versus 20% urban at the moment. There is a need to invest now in smallholder farmers. In 2050 it is predicted there may be 60% of the population in urban areas – but at the moment there are large rural populations.
- Dyborn Chibonga, who heads NASFAM, recently said: ‘The hand hoe is the weapon of mass urbanisation.’
- There is a great need to modernize agriculture and produce more. This needs investment. Infrastructure is key.

Showcase example—Marracune Village, Mozambique

- Dr. Akin Adesina, Nigeria’s Minister of Agriculture and Rural Development, says the first weapon he’s going to employ is to reduce imports of wheat – to help reduce reliance on imports and encourage local bread makers to substitute cassava or combine wheat with cassava to achieve a palatable output; switching to local alternatives to help boost markets for local producers.
- Take the example of women in Mozambique selling vegetables at a market that is about 2km away. The women try to sell about 1$ worth per day – that’s only 20% of what they bring to the market. Then they lose much by waste, having to bring the vegetables back and forth every day 2km. Much is also lost to waste in the fields because it isn’t being harvested as the women spend time travelling / selling at the market.
• The markets where they achieve a better price are maybe 10km away, and that might be prohibitive.

• Take the example of Farmer Nevalisi Maliseni in Tidi Village Malawi. She sells tobacco to middlemen because the market is 70km away, but she gets only maybe 50% of the price. We need to align markets to women’s livelihoods. There is a project with FANRPAN and NASFAM to achieve this.

• Identifying, learning from and rewarding success stories is key, and FANRPAN is involved in this work.

• Examples of people who have won awards include Madam Celina Cossa: Founder/President of General Union of Coops in Maputo Mozambique; as well as Mrs Happy Shongwe, a smallholder seed farmer from Swaziland involved in outgrower schemes for seed farming. She was awarded the FANRPAN policy mover & shaker of the year.

• FANRPAN is going to a different country in the network each year and awarding a prize.

• The question of ‘scaling up’ is about how to multiply the success stories.

  ‘We put so many resources into pilots, but we never think about life after the pilot’

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**Success Stories**

**Madam Celina Cossa**
Founder and President of the General Union of Cooperatives of Maputo, Mozambique

Organized a network of women cooperatives around Maputo to more than 224. Beginning with vegetable farming and expanding into a wide range of productive enterprises, such as poultry production and marketing, credit, insurance, industry, and construction.

**Mrs Happy Shongwe**
Smallholder Seed Farmer, Swaziland

A small holder farmer that started producing seed right after Swaziland was hard hit by drought in 2002. Mrs Shongwe planted crops that are drought resistant, moving away from planting maize that could not cope in the changing climate and started planting leguminous plants that have proved to be drought resistant. Her move has yielded the best results and this motivated her to become a business woman by registering a company as a seed producer. Currently, she is a certified seed producer.
• Sometimes although there is demand at the village level, the supply cannot meet it: need for better coordination, more resources, more listening, especially to women farmers.

**Bottom Up meets Top Down**

Also in Malawi, Evelyn Machinga asked: 
"we no longer have agricultural extension service workers in our communities and visiting us everyday, so how do you expect smallholder farmers like us to learn new farming technologies or to learn how to improve our agricultural enterprises?"

In response, Mrs. Alice Chisombe, the Agriculture gender roles and Extension Support Services Officer (AGRSSO) says the “Government has a shortage of Extension workers and hence no officers are assigned to villages. Extension services were provided on a demand basis”.

• There are some alternative ways of communicating, for example the **Theatre for Policy Advocacy**:

**Theatre for Policy Advocacy**

- 6 theatre performances conducted in Malawi
  - an average of 3000 people per performance

- 24 performances in Mozambique
  - an average of 700 per performance
Some things are crucially needed:
- We need evidence: the research community has not got enough evidence.
- We need more household panel data. Also university researchers need to come down to the practical challenges facing the farmers instead of having their heads in the clouds.

What has worked? Document it.
What has not worked? Better still, document that, and then what has worked will stand out.
What did we do wrong in our attempt to help farmers access markets?

We need to define roles for different players.
A framework for linking smallholders to market, Steve Wiggins, ODI

Powerpoint slides. Annex B gives a more detailed and revised account of the framework.

Development Aims

- Reduce poverty & hunger, MDG #1
- Smallholder development: highly effective [in Low Income C]

No secrets for agricultural development!

- Rural Investment Climate
  - Doesn’t have to be perfect!
- Rural Public Goods
  - Roads, power, irrigation, etc.
  - Education, Health, Water
  - Research & Extension
- Link SF to markets for Produce, Inputs, Tech Assist, Finance
  - [Overcome failures in rural markets]

Linking SF to Market

- Then: Parastatals
  - Too often: High Cost, Inefficient, Politicised
- Now: Market
  - Farmer groups & associations
  - Private firms, agri-business
  - NGOs
  - Private foundations
  - Gov’t agencies

So much learn from the diversity of experiences

Leaping & Learning

- Review Lit.
- Consult Stakeholders
- Synthesise cases

[Report: Nov 2012]

Cases & Lit: Working Propositions

5 Key Issues

1. Right Environment
Private action struggles when:
   (a) state failings
   (b) shocks from outside world — example of the collapse of
cashew prices on world markets in 2004 that hit Mozambique processors
Opportunities can arise with reforms — see case of Rwanda: coffee when it was possible from the mid-1990s to operate coffee as a business again without undue political appropriation of profits

Policy implications?
- Scan environment
- Advocacy, but how to make case?

2. Right Markets
Demand: critical ... moving target
Exports: great ... here is the case of Rwanda and the recovery of its exports, with rising unit value as more coffee is sold as a premium, from former position of producing low quality coffee.

![Rwanda's coffee exports](chart)

BUT
Domestic markets > Exports
- Larger
- Growing Faster
- Less Demanding & Less Risky
  - Certification: is this a high cost trap?! Examples of smallholders being squeezed out of export markets by GlobalGap requirements in Kenya, Senegal
  - Ghana pineapples: growers hit hard when European market switched to MD2 variety that began to arrive from Costa Rica

But all is not necessarily lost. Coming Home: Kenya’s Green Beans — where an increasing fraction of produce is destined for Nairobi and other domestic markets.
How to keep track of demand?

When?

- To change focus?
- To diversify markets?
- To move up from basics to higher value?

3. Right Focus
Important to focus on critical limits in the system: may be in production or marketing; may be about trying to maximise output, quality or price; or about reducing risks in production and marketing.

<table>
<thead>
<tr>
<th>Maximise Output, Quality</th>
<th>Limit Risk</th>
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<tbody>
<tr>
<td>Produce</td>
<td>Risks from weather, pests, disease</td>
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<td></td>
<td>Diversify production</td>
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<td>[may limit commercial prod’n]</td>
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<td>Versatile varieties</td>
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<td>Crop protection</td>
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<tr>
<td>Selling</td>
<td>Risks from fluctuating prices, quality required, traceability</td>
</tr>
<tr>
<td></td>
<td>Diversify markets, channels</td>
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<td>[Hedge]</td>
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Produce
- Produce more
- Lower unit costs

Sell for higher price
- Higher quality that can access premium markets

Right focus: questions
How to decide on what to focus?
When to reconsider, re-plan?
Sequences?
4. Right Grouping of smallholders
Information costs real & high
Aggregators essential, many models possible
- Zambia: Dunavant cotton distributors: 65 SF each
- Uganda: Mukwanooilseed industry farmer groups = 54k SF
- Uganda: Kabale potato farmer association

What works? Why
But: few self-sustaining co-operatives!
Why not more?

Groups: social dilemma
Large firms work 1st with better-off SF
Dilemma: functioning groups, collectives may exclude poorest
A: Jobs on & off farm
- Kenya SF green bean 15 jobs/ha
- Burkina Fasoshea factory: 1,500 workers
- Mozambique cashew factories, jobs in an area of high unemployment, with links to rest of local economy, etc.

5. Right Approach
Build capacity, competence, change behaviour
Facilitate, Enable ...
... Don’t substitute for private or collective action
But how to
- pass learning thresholds?
- Meet donor demands for visible results, next year, targets ticked?
Case study 1: NASFAM’s work in Malawi

Dyborn Chibonga, CEO of NASFAM

Introduction to NASFAM

- National Smallholder Farmers’ Association of Malawi (NASFAM) started in 1994 as a USAID-funded Smallholder Agribusiness Development Project (SADP) implemented by Agricultural Cooperative Development International (ACDI/VOCA).

- The project supported smallholder agribusiness development by
  ✓ improving smallholder access to agricultural inputs and better returns on agricultural sales;
  ✓ supporting smallholder self-reliance and self-sufficiency through improved business knowhow; and
  ✓ promoting collective action through commercially sound, farmer-owned associations

- Member owned and democratically governed, non-partisan, non-religious

- Exists to develop and build a commercially viable network of smallholder directed business organizations

- Largest farmer organisation with 108,000 members in 43 Associations

Rejuvenating Malawi Groundnuts Exports. A value chain approach is used. The intervention is Aflatoxin management. From the seeds, planting, harvest, buying, warehouse, lab testing, grading, processing before – sales to export / local / retail markets.
The Challenges
- The need to diversify from Tobacco and Maize
- Limited supply of quality seed
- Farmer organization
- Post harvest losses
- Standards & Aflatoxin control

The Opportunity
- Regional markets
- International markets including Fair Trade

**Partnerships & linkages** very important.
- Smallholder Farmers & Researchers
- Buyers
- Consumers – Demands/Traceability/SPS
- Policy makers
Case study 2: Rural agro-dealers in Zimbabwe
Sithembile Maunze, Senior Economic Development Advisor, SNV
Systemic solutions to systemic problems in Agriculture

The case of Rural Agro-dealers Restocking Programme (RARP), The Zimbabwe Agricultural Development Trust (ZADT), a revolving credit facility, and Local Capacity Builders (LCBs) in Zimbabwe.

SNV coordinates The Rural Agro-dealers Restocking Programme (RARP) in Zimbabwe, a market-led approach to revitalizing agricultural production. The programme, now in its third phase, addresses systemic issues in agriculture with a focus on restocking of agro-dealers with agricultural inputs. In this way key needs and risks of smallholder farmers are addressed, allowing them to obtain sustainable returns to their agricultural enterprises. To achieve this, SNV partnered with wholesalers, agro-dealers, and development agencies DANIDA, FAO, and HELP (Germany) as well as LCBs to improve the performance of dealers and others. RARP contributed significantly to farmer access to agricultural inputs. Through a relatively simple and small investment (a total amount of US$112,000) in insurance of financial risks, in total 659 agro-dealers were linked to wholesalers to receive agricultural inputs. Some 500 agro-dealers were also trained in retail business management. The agro-dealers distributed inputs worth over US$9 million through voucher and cash sales. An estimated 113,800 farmers accessed inputs in this way. In the third phase a further link is made to output marketing (i.e. agricultural produce) as well, ensuring markets for farmers who saw increased productivity due to the programme. [Thembi Maunze’s text]

SNV, with support from Hivos, established ZADT as a vehicle to provide soft capital for the benefit of smallholder farmers in agricultural value chains in the country on a market, revolving and sustainable bases. The set-up and operation of the ZADT has involved a partnership of many development and commercial actors united in the pursuit of their common objective of providing sustainable financial support to value chain actors, in particular, smallholder farmers in Zimbabwe. They include SNV and Hivos (settlers and facilitators of the Trust), DANIDA, DFID and Ford Foundation (donors to the Trust), First Banking Corporation

(FBC) and National Merchant Bank (NMB), the two implementing financial institutions providing the interface between the ZADT and the target value chain actors. The ZADT lends its funds to the two financial institutions for on-lending to value chain actors whose main qualifications for access to the funds include operations in a particular value chain in an inclusive, environmentally-sensitive and gender-friendly manner. Currently the beneficiaries of the ZADT’s funds include contracting companies, wholesalers, agro-input and output dealers, processors, traders, transporters, small and medium enterprises active in agricultural value chains and smallholder farmers. SNV provides capacity building to the beneficiaries of ZADT funds and enablers of value chains in which they participate. This is done through a large number of LCBs countrywide, who provide training, coaching and mentoring on a myriad of business development and improvement subjects including, for the smallholders, farming as a business.
What works in linking smallholders to markets? Summary of feedback and discussion from the first round of café tables

Broad issues that set the frame for making links

Enabling environment

- **Legal framework** – as long as this isn’t sorted out, there is a blame game about who to put the blame on when things don’t work out.

- Agricultural programmes might not reach everybody, particularly the poorest, so for these people there should be social programmes in place.

- Reality check – promoting agribusiness is fine, but need something for smallholders who don’t want to be kicked off their land which is a danger – political economy / land issues.

Linking across different players

- Issue of **building trust** among the partners.

- The benefit of having retailers, private sector, farmers etc **together in the room**. Discussions between all the stakeholders.

Making the links to market: approach, groups, arrangements

Approach & principles

- Need correct business model

  - Push to improve **profitability** – need to get farmers to produce crops profitably. This may involve moving into areas where there is better profit.

  - Question: Are they getting a better price for producing organic product? The answer was that they are not.

  - Businesses need to be taken through what it takes to work with smallholder farmers – shown that the relationship can work.

  - New players—Public Private Partnerships. 10 years ago this workshop would have been talking about agricultural sector-wide programmes and why they aren’t working.

  - Need for proper targeting – there are those who are business-minded and those who are not.

  - Started talking about the **value chain** – sorghum, animal feed production, soy – Mozambique, Zambia, Swaziland, South Africa, and how you can make smallholder farmers bankable. Simple things like financial literacy – underinvestment – on the Human Resources side; these things need to be built on.

  - Look at the market first – **production has to be demand-driven** – and assessed for profitability / viability. For example there are cases where smallholder farmers have been producing without having a market. (Ex Paprika case from Zimbabwe)

  - On one side of the continuum, they talk about the inputs – outputs. Too many times people talk about inputs, but not about suppliers!

  - Extension / training/monitoring to achieve correct quality / volumes

  - Monitoring system – the failures etc need to be studied very carefully.

  - Development of rural processing.

- Example from Zambia where **market oriented rural enterprise** is the game; helping with skills, technologies, information – future forecasting and intelligence— helping farmers to grow crops that they know will be marketed
– even limiting numbers growing a certain crop so are not flooding the market.

Not everyone wants to do things that are commercial – ‘hanging in’ – risk averse (want handouts etc) (maybe 25%) Next group – stepping out – they can take a bit more risk to get to a higher level, they have seen some of the benefits (maybe 50%). Another 25% are the high-flyers – No one-size fits all – need to tailor to individual types / groups. Example – cotton giners.

**Need to sustain efforts:**

Donors do too many programmes for 3 years between impacts and output. Development that is more sustainable needs to be more long-term, and so need to have projects that last before 3 years has elapsed: big constraint.

Very hard for NGOs to go in and do programmes for only 3 years, but funding is only for 3 years so can’t be helped. Have to find ways to develop exit strategies. Need a much more comprehensive discussion.

(in Mozambique) It takes **5 or 10 years** to get there: but increasingly donors’ patience becomes shorter.

**Differences between crops**

Horticulture’s difference from grains and the implications. This brings new challenges and opportunities... some impacts on short-term capital / cash flow for farmers. But also interesting to link horticulture / livestock as cropping systems.

On sorghum specifically – emphasis on how research can bring you closer to the market – example from Zambia. Adoption rate – need for patience somewhere within the chain / development industry. Sorghum, can they create new markets for new products?—Want to make sure that by the time technology reaches the farmer, they already have a market for it – eg Sorghum can be developed to do many things (feed/ fuel /food) – but they need to have the domestic taste for it.

Also discussed about the feedmarket, the role of smallholder farmer specialization – feed for chickens / other **products that are growing rapidly** represent clear opportunities because the domestic market is there and growing. It’s important to get the detail right – if you get major bits of it wrong the whole thing can collapse.

**Groups**

Have we then got the right groupings of smallholder farmers?  CLUSA prefer youth-led.

Promote entrepreneurs, lead farmers

**Farmer groups** in Swaziland – Sugar production – limited in terms of upscaling — but can the farmer groups move to something else and maintain their groups? Or is there something special about sugar?

In Eastern province, Zambia, production of livestock products for Wal-Mart – helping farmers to grow Lucerne; management, market intelligence, small stock

**Farmer associations** form around a crop. Once those groups are formed, they also help as a way for industry to penetrate.

Farmer field schools may be too expensive. They’ve worked in some different contexts, but can they be delivered cost effectively? And maybe to expand on that issue – where you need intensive work with farmers – that makes it ‘not
scaleable’ as donors say, then how can problems be overcome to make this happen at scale? Or is it too expensive?

**Farmer field schools** – depends on the approach – cheapest means of exchanging knowledge.

Whichever village you go to in Africa, there is a good farmer – one or two. The neighbours will claim that the good farmer poisoned them, but it is all down to how the lead farmers managed their own farm so well.

**Lead farmers** – already have the skills – do not need to find / found a farmer field school – it’s a more simple concept, this knowledge can be passed to the neighbours. Simplest way of running extension services.

Then there is need for clarification on what is termed ‘farmer field school’ under what conditions. For example, 3rd party demonstration plots vs. separate example fields.

**Capacity & extension**

Community based extension – farmer field schools, lead farmer concepts, and so forth

Appropriate **technologies** need to be extended to farmers. Where this has worked we’ve seen some good improvements. Farmers look for simple technologies, simple solution – this helps smallholder farmers to embrace the new technology (for example, treadle pump).


**Organising links**

Access to **markets**

Warehouse receipt systems: Tanzania warehouse receipt for sun flower (possibly incorporate agrodealer trading hubs)

Lead farmers consolidate and make small margin (PELUM)

Linking smallholder groups to traders: CLUSA example; 3,600 sunflower growers with 57 contracts. Group incentives for repayment

Development of rural processing factories: e.g. Potential of green Fuels in Zimbabwe. Small outgrower base.

Coops become involved in commercial transactions. But ICURU experience important – trading with staple commodities did not work. Now seed production.

Open market systems - Access to **inputs**

Agrodealers [rural shops, dealing with seeds and fertilizer but also things beyond]. BUT, how to make it sustainable? They don’t stay (Zambia). Not enough business, not profitable. Need to treat them as holistic business.

Coops and associations access inputs on bulk discounts for members

Lead farmers become commissioned agents for agrodealers receiving consignment.

Individuals represent farmer groups and do deals with agrodealers [Ghana]

Open market systems - Access to **know-how**

Sometimes training essential for farmers to enter markets e.g. NERPO lobbies for livestock farmer training and certification:
Promote entrepreneurs to provide services to farmers e.g. Paravets [But need market demand for services]

ICT to empower farmers with MIS and other information – e.g. Esoko, Mobile Transactions in Zambia

Mass media: radio stations/government/companies/input supply companies

**Contracting**

Contract farming can also be a vehicle. Much debate, but in some cases it has been very effective. Look at the possibility of aggregating a particular product/quality that is required for the market.

The **right approach**? Talked about contract farming, outgrower schemes, but need to be clear/honest about objectives in outgrower group, and it's not a model for everyone. Solidaridad reminded them – not everyone wants to be a commercial farmer—they want food and sustainability.

Contract farming

Markets

Inputs

Finance

Know-how

Services

BUT! Companies need capacity building; Success/failure of the scheme depends on the capacity of the company to implement. For example

Business model (risks/transaction costs)

Extension/training/monitoring farmers to achieve the correct quality/volumes

Monitoring systems

More than just whether or not contract farming works, look at changing the way private sector works with smallholder farmers. For example, embedding programmes within public and private sector to enable smallholder farmers to move away from traditional contract farming model – generally speaking the farmers aren’t making what they should be out of it.

**Role of NGOs** like SNV seen as a stepping stone. This changes farmers **contract arrangements** after a while, so it’s like a stage that moves them on to being independent. Example of banana farmers in Zimbabwe – contract farming building the farmers to operate in open markets. When they start to give the contractors a run for their money, then they are independent.

Do we know enough to say that the contract farming model is just a step towards a better position for farmers?

**Certification**

How best to make sure all the private sector players understand the issue of certification – some private sector players feel like ethical certification is cutting their profits, but it’s a sustainable way of doing business.

They should not be obsessed with product – have to make sure that they’re producing ethically.

**Traditional distrust.** Need more nuanced discussion about role of standards – how to change them and make them work better for smallholder farmers. A good example is the Better Cotton Initiative – learning from the worst
practices. This is all about yield improvement & smallholder development.

**Learning lessons**

Experience not always communicated well enough to form part of the evidence base

**Evidence** – monitoring systems also needed.

**Catalysts, Value-chain enablers**

Enabling / facilitating role is crucial.

Honest broker role – there is a need for honest broker middle-men/ middle women.

Issues of side-selling. For instance, market liberalisation has allowed private traders to buy tobacco leaf in Malawi, and some are buying poor-quality leaf (farmers may sell the crop too early to middle-men because they need the money), leading to Malawi’s reputation being undermined.

‘Last mile’ distribution of input etc, (Prefers the term last 15km, that’s more accurate). How do we get to the farmers what they need in order to allow them to develop their farming enterprises.

**Specific technical and other issues that arise in linking**

**Information**

Market information systems. Experience from Ghana being moved to Mozambique - mobile and web-based technologies to help with market information. BEFORE that – do they even have a broader kind of information – special intelligence — links to point about choosing appropriate markets – holy grail of advising farmers ahead of the game of what prices might be: Example, CLUSA Mozambique

**Info technology**

ICT very important. For example, use of cell phones has proven to be critical.

Mass media can be used to disseminate information

**Financing**

Access to finance

Savings and Lending schemes. Working well in Ethiopia [Big membership, fees being paid, borrowing and repaying working]. Self help. BUT evidence that while this helps meeting with basic household needs, it does not build assets or lift people out of poverty.

Direct loans from NGO: works but unsustainable

Self-help: insurance/credit guarantee is used to provide bank with assurance. Capacity building and monitor.

Weather Index Insurance: potential to reduce risk and increase investments by private sector

Also discussion about microfinance, now available for smallholder farmers. There are success stories in different countries, and in some cases the collateral is chickens / goats etc, but it is working in some cases.

**Warehouse receipts**

Warehouse receipt systems-- Tanzania sunflower – possibly incorporating agro dealer trading hubs could be useful.
What needs to be done to promote links from smallholders to markets? Summary of feedback and discussion from the second round of café tables

Broad issues that set the frame for making links

**Context**  
**Government** investment in rural roads etc.

- Need a **level playing field** – Government to provide basics, Government and others to ensure fair situation
- Land tenure and land issues – what systems are in place?

**Business case**  
**Price difference in Indonesian coffee value chain** – if he’s **not making money** he shouldn’t be doing it.

Making the links to market: approach, groups, arrangements

**Approach**  
Full participation of the beneficiaries is needed. Don’t go there to translate what you have already decided for them.

- Involve members of **government** from the start
- **Including social aspects** in project work – this hasn’t been touched on enough.
- Develop **higher levels of trust** across value chain. Need to create platform for transparency (financial) along the value chain. This will help create a positive incentive for actors not to cheat the system (i.e. if people know what the middle man is earning, they will be able to get a fair price)
- **Reduce mistrust** that exists (for farmers working with NGOs etc).

Linked to this is the need to emphasise that it’s not sustainable for NGOs to keep paying.

- Need to **coordinate and map out what’s going on** in the field to avoid duplication.
- Lots of **lobbying**, cajoling, arm twisting etc necessary to get there

Continue to place emphasis on the private sector — including commercial enterprises. Need to recognise that we can see the private sector as the engine of the economy. Smallholder farmers are also the private sector.

Leverage the **private sector** for impact – NGOs and similar organisations have a place here – not to make farmers and programmes too reliant on donors.

Private sector needs to take the lead, and the public sector should play a supporting or facilitative role. It’s like being a dentist and pulling teeth — to try to get governments to understand they need to release, facilitate and not control everything, **the insecurity is terrifying to behold** – that they should be so insecure in themselves and the people around them.

Sustainable business models – not that you apply a sustainable model initially, but ultimately, after priming and supporting. One example to share – one of the 12 poorest areas in South Africa, a business development organisation initially targeted 350 and ended up with 15 being viable – some people would say that’s a terrible figure, that’s a terrible way to do business – but that means that 15 essentially have made a contribution and are viable. 15 is better than none? Is 15 better than none? It’s a question. Key issues under this area
are inputs, finance, and markets.

**Need for sustained efforts in medium and long term**

**Donors** shouldn’t leave projects that are not finished.

Systemic problems that last a **long time** need to be overcome

**Short-term** solutions for long-term strategies. It’s not good enough to be too short-termist

**Scaling up**

Now the issue of scalability. A book was published years ago that looked at 35 ‘islands of excellence’ – former director of research at ICRASAT – Peter wrote that all these case studies were lovely islands of excellence, we’re talking about **scalability** not replicability.

This is the big issue that hasn’t been tackled by any community – basically scalability is what we need to define – outscaling, upscaling, taking to scale, replicability, multiplicability. So many different words for it.

Linked to design and ex-post evaluation. Things are designed in ‘failed project mode’, not in replicability mode, and that has to be changed.

**Value-chain focus**

Invest in **value chain studies**, market issues. Check demand pool – all other environment issues that came out of Steve’s powerpoint.

Sustainable linkages in the value chain.

Understanding the **entire value chain** is important. Think we do not understand fully how a value chain works – example cornflakes – value for farmers of corn in a box of corn flakes less than 2% -- ‘how did that happen?’

Share success stories. NASFAM etc—adopting these stories to suit different value chains.

In seed provision, microfinance etc., make sure everybody plays their part.

**Catalysts**

Identify champions – find their experiences— give them recognition & rewards for being champions. In general, completing this area of innovation.

**Champion** farmers might not want to be seen as champion farmers, because they’re pretending to be lagging on purpose just to fit into the community.

Along with focusing on **business mindset**, we (especially CLUSA) need to develop a methodology whereby we can identify the **champions** in a group. Not everyone has entrepreneurial skills... 75% of businesses globally fail in a year – what makes us think we can do better? So we need to identify champions when we are working in developing business mindset.

**Grouping small-scale farmers**

Continuing the conversation about contract farming – do you need legal frameworks, or is it a matter of creating legal frameworks etc?

Recognize and reorganize the middle man—help people engage with the middle men

Work with different **partners** at different stages, don’t be constrained in partnerships

Traders – intermediaries – middle men /women — talking about how to improve the working of these people in the chain.
An overall view

One group wanted to take up the challenge handed down by Gordon Conway to look at 4 or 5 areas to converge on. The diagram came up with is below:

![Diagram](image)

Specific technical and other issues that arise in linking

**Research technology & innovation**

Leapfrogging technologies.

We need some fast-tracking of technological innovation – leapfrogging technology. As soon as cell phones came out, farmers had all their buddies in municipal markets in Mbeya, etc checking prices – systems are already there – technology plays a roll role without any instigation from outside. Need to come up with innovations like this that help people to make their decisions.

**Research** – will facilitate effective and informed diversification

Innovation systems. Example CIMMYT showed a tool for making planting pits: – so difficult before, and then a technology comes in that does it really easily – was this info available – stakeholder forums.

**Sharing info and learning**

Face-to-face sharing of experiences is always the most powerful — but can we compliment this with technology to use more remote systems?

Somebody said, *we need frameworks by which we can identify best practice when we see it.*

Case studies are central. Properly documented case studies are weak – a lot of articles written about them, but can’t take much out of them in terms of business success and so on. These should reflect weaknesses and strengths.

There is a Donor Alzheimer disease – want to talk about plusses but not minuses. Need to take all this on board.

M&E and impact evaluation. In many cases, no one had evaluated things 2 or 3 years later. Lessons learned need to be written up more candidly; less use of slick, good vocabulary all the time.

Reiterating the need for effective documentation and sharing – don’t be afraid
to document failures.

Also spoke of issues of awareness creation – making the right decisions based on good information.

**Farmer services, Finance**

**Farmer services** – where does the farmer go if they want to be a businessman / want to borrow?

**Extension** services – need to reorganize so that expertise is available where needed in adequate quantities. Example, 1 worker to 300 farmers.

People are competing with international trading companies. Top minds in the world borrowing at 4%, while they have to borrow at 20% — where’s the justice in that? Signs of life – warehouse receipts, microfinance – bancopportunidades, bancoterra, and other cheaper capital

**Capacity building**

Much more investment in training/capacity building necessary. We’ve seen ‘capacity building’ where all that happens is a new computer and a new jeep for the government office. They are sat in the office playing solitaire. Power goes out they have to use real cards.

Capacity building needs to be targeted to farmers.

Capacity development in agribusiness and farmer business development. Value chains not well understood... Good teacher/bad teacher. Completely agree with Pine. After all these years, people don’t understand these things. It must be critical, central, and professionally done.

**Youth**

Focus on the youth to create a business mind-set.

Rate of adoption of a technology is inversely related to age of person. Example of 8-year-old girl understanding and demonstrating the conservation farming methods – her plot obviously very different – *here’s an extension agent and the future president of a coop.*

**Standards & certification**

Example, grade 1 maize from Malawi to Zambia – problem with exports rejected – lack of harmonization. If we can harmonize across the region, we can reduce transactions costs and encourage a vibrant intraregional trade.

Smallholder farmers shouldn’t see certification as a barrier.
Summarising the day

Dyborn Chibonga, NASFAM
One take-away from the day is not to use one-size-fits-all methods
Agribusiness is not just a business but a way of life
Including the youth is key; can be a key advantage
Case studies are good – but we must find ways of documenting what we’re doing and sharing with people who have control over budgets

Sekai Mudonhi, ACDI/VOCA
A lot of exchange of ideas – at any workshop you learn something new. ACDI VOCA network delighted to find out more about NASFAM for instance.

One major take away from this workshop is an issue of sustainability – a lot of money poured in to Southern Africa – a lot of market linkages have been done. Today we should be talking about almost every farmer in Zimbabwe being a business person, but they are at square one.
ACDI/VOCA in their work will go to the drawing board, implementing more market linkages, selecting the business-minded.

About rewarding success – should have positive benefits; if the rewards are visible, everyone will want to also receive a reward.

One other take away is to get all the stakeholders around a table – address policy issues and other issues so market linkages can move forward. ACDI VOCA is well known for value chain development. I hear people say the value chain approach is not fully understood; so I will do my best to engage with the value chain experts at the head office and send some information.

Need for continuous capacity building with smallholder farmers – learning never ends – even as we run capacity building programmes.

Theatre learning instead of classroom approach – also important to understand culture dynamics in the communities.

Steve Wiggins, ODI
Would like to talk about challenges that apply to academics & researchers:

Twin challenges of knowledge management and policy influence. For example, people say we don’t know enough about contract farming. There is a stack of documents to get through, and if full time researchers don’t have time or this, what hope for a field manager taking on new knowledge when they have so many other things to do?

Policy influence – making sure you can use knowledge in ways that change people’s minds... make sure you can get short, yet cogent analysis that avoids things being reduced to over-simplistic messages..

Evaluation deficit exists. Not all cases are necessarily written up. To some extent this comes down to knowledge management because there are actually quite good write ups of many cases.

So where does this thinking lead? Some might listen to these debates and conclude, ‘Oh my goodness the reality of life is vibrant, multiple, complicated and complex.’ Two comments need to be made.
One is about managing knowledge. If reality is complicated, then we need broad frameworks to help us see which information is important, and what isn’t necessarily central; those cases that confirm general propositions, and those which are exceptions — much can be learned from these.

Two, a point not for academics, but for politicians and practitioners. Some say that reality is complex; therefore our programmes have to be complicated, multifaceted, holistic – but this isn’t necessarily the case, as economic history shows. Blunt instruments can be extraordinarily effective. Think, for example, of the good, both economic and social, that can come from a rural road. People don’t necessarily need to have government sort out every small problem; but if government can do the major things that communities and households cannot, then people have the chance to do the rest. We can’t expect policy to be totally differentiated: blunt instruments are feasible and can be effective.

Gordon Conway, A4I
I am struck by the discussion of failure as well as success. One of the problems is that published papers don’t have anecdotal evidence.

Other key questions include:

- What is the role of advocates?
- When you go down to a provincial level – what are the barriers, geographically and otherwise?

And then there are a set of opportunities in the value chains.

Look at case studies in these environments and then look at how to get out ‘cudgel’ recommendations – in line with the blunt instruments mentioned just before.

Comparison to Asian green revolution experience: for instance, Indonesia from the late 1960s. New leader Suharto made some strong policy decisions and put into place all the apparatus and people to do it. The same happened in Malaysia, the Philippines, Thailand & more recently also in Bangladesh.

Need to get a green revolution for Africa too. In the short term there are things that will bear fruit too.
Annex A: List of participants

<table>
<thead>
<tr>
<th>Surname</th>
<th>First Name</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alfred</td>
<td>Sharon</td>
<td>Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN)</td>
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<tr>
<td>Chibonga</td>
<td>Dyborn</td>
<td>National Smallholder Farmers’ Association of Malawi</td>
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<tr>
<td>Chitengi</td>
<td>Kalongo</td>
<td>Self Help Africa - Zambia</td>
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<tr>
<td>Colon</td>
<td>Johnny</td>
<td>ACDI/VOCA</td>
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<tr>
<td>Connolly</td>
<td>Michael</td>
<td>FAO Adviser, Swaziland Ministry of Agriculture</td>
</tr>
<tr>
<td>Conway</td>
<td>Gordon</td>
<td>Agriculture for Impact (A4I)</td>
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<tr>
<td>Dawes</td>
<td>Michael</td>
<td>Agricultural Partnerships Trust</td>
</tr>
<tr>
<td>Hawkridge</td>
<td>Claire</td>
<td>Heifer International, South Africa</td>
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<tr>
<td>Keats</td>
<td>Sharada</td>
<td>Overseas Development Institute</td>
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<tr>
<td>Krebber</td>
<td>Iris</td>
<td>UK Department for International Development (DFID)</td>
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<tr>
<td>Lehrer</td>
<td>Michelle</td>
<td>Solidaridad network</td>
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<tr>
<td>Luo Laima</td>
<td>Agnes</td>
<td>ZANAMACA</td>
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<tr>
<td>Sibanda</td>
<td>Lindiwe Majele</td>
<td>FANRPAN</td>
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<td>Maunze</td>
<td>Sithemile</td>
<td>SNV Netherlands Development Organisation, Zimbabwe</td>
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<tr>
<td>Mbulwe</td>
<td>Lloyd</td>
<td>Sorghum and Millets Improvement Programme [SMIP]</td>
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<tr>
<td>Mhene</td>
<td>Nokutula</td>
<td>Solidaridad network</td>
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<tr>
<td>Moeletsi</td>
<td>Mokhele E</td>
<td>Agricultural Research Council, South Africa</td>
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<tr>
<td>Mudonhi</td>
<td>Sekai</td>
<td>ACDI/VOCA Zimbabwe</td>
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<td>Mwamakamba</td>
<td>Lufingo</td>
<td>FANRPAN</td>
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<tr>
<td>Madzivhandila</td>
<td>Tshilidzi</td>
<td>FANRPAN</td>
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<tr>
<td>Pienaar</td>
<td>Pine</td>
<td>CLUSA International Program Mozambique</td>
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<tr>
<td>Rhind</td>
<td>Duncan</td>
<td>IDE Zambia</td>
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<tr>
<td>Moller</td>
<td>E</td>
<td>National Emergent Red Meat Producers Organisation (NERPO)</td>
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<tr>
<td>Phillip</td>
<td>Siphokazi</td>
<td>Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN)</td>
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<td>Stubblefield</td>
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<td>Sugrue</td>
<td>Annie</td>
<td>Solidaridad Network Southern Africa</td>
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<tr>
<td>Swart</td>
<td>Retief</td>
<td>Dalberg - Global Development Advisors</td>
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<tr>
<td>Vuningoma</td>
<td>Faustin</td>
<td>Participatory Ecological Land Use Management (PELUM)</td>
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<tr>
<td>Wiggins</td>
<td>Steve</td>
<td>Overseas Development Institute</td>
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<tr>
<td>Wilson</td>
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<td>Zaindi</td>
<td>Amos</td>
<td>Self Help Africa - Malawi</td>
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Annex B: Linking smallholders to markets: the issues

No secrets for agricultural development
In truth, government does not need to do much most of the time. Farming, and most of the supporting industry upstream and downstream in input supply, marketing, storage, processing and so on, is largely private enterprise. Most of the investment and innovation will be private. Government, however, has to make that possible, and encourage it. In broad terms governments need to do three things:

Establish an encouraging rural investment climate: law and order; macro-economic stability, including inflation under control, a competitive exchange rate, relatively low interest rates; business regulations that do not deter investors; taxes modest in impact but broadly shared; and clear property rights, etc.;

Provide public goods in rural areas: physical infrastructure — rural roads, electricity, perhaps large-scale irrigation and drainage where applicable; human development — education, water and sanitation, health; and, public knowledge through agricultural research and extension;

The first two sets of policies are overwhelmingly important: get these broadly right, and government has largely done its job. It is not important that the rural investment climate be ideal, that investments in rural public goods be optimal — nice though these would be. No, the important point is to remove the more egregious obstacles to investment, such as rampant inflation, insecurity, threats of expropriation, red tape, or very high taxation.

Similarly, investments have to be made so that rural roads are not impassable thereby pushing transport costs sky high; so that rural populations can read and carry out simple sums, that they do not suffer from repeated bouts of illness, or that rural women have to bear many children because too many die in infancy; so that improved technologies for local farming systems are developed and disseminated.

Why are these so important? Simply this: that when developing country governments pay attention to these fundamentals, farming prospers. Look at Ghana after 1983, China after 1978, where agricultural growth accelerated: policies were not perfect, but reforms had corrected the really big mistakes of previous regimes.

The good news is that these policies are generally straightforward and well understood. The third challenge is more difficult:

Remedy failures in rural markets. Farmers and rural businesses often face difficulty in obtaining inputs and credit from commercial providers, since transactions costs can be high. Some intermediaries in rural areas also have monopoly power by which they extract undue returns. Each of these can mean that investment and innovation does not take place, even when it would be profitable. Remediing these failures may involve promotion of institutions such as contract farming; co-operation by farmers to reduce transactions costs; or even direct state action to replace the market where it does not function.

Framework for thinking about links from smallholders to market
What has to happen so that small-scale farmers can be linked to markets for produce, inputs, finance and know-how? How can such links be made effective, efficient, fair and inclusive?

Reviews of existing literature and studies of documented cases, suggest that success involves three interacting elements: formulating an appropriate² business case; taking an appropriate approach to intervention; and getting an appropriate organisation.

² In earlier drafts ‘appropriate’ was replaced by ‘right’. While the latter term makes for a compelling message, it oversimplifies and can deceive: the aim is to get a good fit, not some optimal solution.
Three elements in linking smallholders to markets

So what are these elements, and what are the implications for those setting policy and those working with smallholders to make the links?

Formulating an appropriate business case

It should go without saying, but unless there are returns to capital, labour and land that justify investment and innovation, then there is no case to link small-scale farmers to market. Three things influence whether there is a business case that promises returns to both farmers and those they work with in supply chain: working within a conductive economic environment and rural public goods; producing for the most appropriate market; and, focusing on the most critical elements for farmers, be they in production or marketing, in maximising returns or reducing risks.

First, the economic environment or investment climate has to be adequate. There has to be peace and security; respect for property rights — especially those of poor farmers; a stable macro-economy without undue inflation; a competitive exchange rate; reasonable and fair levels of tax; and government policies that are predictable, without sudden shifts that dramatically and unforeseeably change prices, trading rules, property rights, and so on. When these conditions do not apply, private enterprise will struggle: and especially enterprises that are small and therefore highly exposed to changes in the economic environment.

This should not be taken to imply that the rural investment climate needs to be perfect. No: experience suggests that avoiding the worst failings, providing an adequate environment is all that is needed to allow private actors, including small farmers, to get on with their livelihoods and businesses. The reforms China made in 1978 were far from ideal, but they remedied some gross failings and liberated private endeavour remarkably. [Bromley & Yang 2006, China-DAC Study Group 2010, Rodrik 2003, 2004] These are not only matters for domestic policy: external shocks can be equally if not more significant. When cashew prices fell by 40% in Mozambique in 2001, processing plants rapidly went into the red and closed down.

When poor business environments improve, of course, there can be new opportunities. Rwanda is a case in point. When in 1996 peace was restored, the coffee sector that previously had been taxed heavily and treated as a cash cow to generate funds for politics, was allowed to develop as a normal business so that returns to exporting became once again an incentive to produce and raise quality.

Similarly, government has to supply rural public goods: those goods and services that will not be provided by private firms since they cannot recoup their investments. These include

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1. **Business Case**
   - Check economic environment
   - Think about market for produce
   - Select focus for working with SF; production or marketing; maximising returns or reducing risk

2. **Approach**
   - Enable, Facilitate: don’t replace
   - Considering inclusiveness
   - Exit strategy
   - Learning & overcoming unforeseen obstacles

3. **Organisation**
   - Grouping SF to overcome diseconomies of small-scale units
   - Find champions, catalysts
physical infrastructure — rural roads, electricity, perhaps large-scale irrigation and drainage where applicable; human development — education, water and sanitation, health care; and public knowledge through agricultural research and extension.

What do these considerations imply for policy makers and agricultural development programme managers? Two things stand out. One, since the environment changes, especially external conditions, the environment needs to be scanned and key changes detected as early as possible. It may not be possible to change external conditions, but recognising what may affect a business is better than being unaware.

Two, some domestic policies may unwittingly undermine the business environment. In such cases, advocacy may be effective in correcting such policies.

Second, since linking smallholders to markets almost always concerns selling produce, then the question of what to produce and for which market becomes central. Smallholders have to understand what output markets demand from them, what possibilities exist, and what standards are necessary to gain access to particular markets.

The questions raised over markets are most striking when considering the advantages and drawbacks of producing for export markets. Exporting allows smallholders to serve markets that are much larger than domestic markets, where prices are often far higher than those possible at home. Moreover, some of the more specialised export markets for high-value produce, or for organic or fairly-traded items, promise premium prices. It would be foolish to overlook these possibilities. Many thousands of farmers in Africa produce for traditional export markets in beverages (cocoa, coffee, and tea), cotton, sugar, groundnuts, rubber and so on: a smaller but growing number supply non-traditional exports of fruit, vegetables, flowers, fish and even wine. Markets in Asia are opening up for exports of oilseeds and pulses.

But the potential of export markets should not be overstated, for three reasons. One, export markets can be highly demanding in quality, consistency, traceability and certification. The last can be highly costly for smallholders: meeting GlobalGap certification that allows export to leading European supermarket chains can cost US$580 [Ashraf et al. 2008, for Kenya] a farm — an enormous overhead for a small farm. This is why in some sectors, such as horticulture, increasingly exports from Africa come from large farms and not smallholdings. [Ashraf et al. 2008, Maertens & Swinnen 2009] Some donors and non-governmental agencies may be guilty of having encouraged small farmers to achieve standards at high cost. [Jaffee et al. 2011]

Two, export markets can be more risky than domestic markets. Competition exists for premium export markets. Innovations by barely perceived competitors can suddenly change prospects for other exporters. During the 1990s, for example, Ghana developed exports of fresh pineapple from smallholdings to Europe. At the time, it seemed the main competition came from neighbours such as Côte d’Ivoire. Given the turmoil in that country, Ghanaian exporters felt little competition. In 2005, however, an unexpected change undermined Ghana’s position. Del Monte developed a pineapple variety in Costa Rica called MD2 that was suitable for long-range shipping, presenting an attractive fruit on delivery in distant Europe. Ghana’s Smooth Cayenne variety might have competed, but producers and exporters failed to get the quality and consistency in shipped pineapple to match the MD2.

Markets were thus lost. After few years, Ghana reacted, but in so doing the industry restructured as production shifted heavily to plantations owned by large companies. Some smallholders still grow on contract, but conditions are stringent and few are able to take advantage. [Barrett et al. 2012, Whitfield 2008]

Three, domestic and regional markets are large and growing rapidly with urbanisation and rising incomes. In Africa it is expected that agricultural exports may be worth US$20 billion in 2030, up from US$11 billion in 2000; while domestic and regional agricultural markets will expand from US$50 to 150 billion. Kenya green beans are a case in point. During the 1990s and early 2000s, export production increased with contracted smallholdings supplying a good share of the exports. But when GlobalGap came into effect in the mid-2000s, many smallholders found themselves unable to export. But this was not the end of the story. Nairobi
has a booming demand for fresh vegetables, so today the overwhelming amount of green beans and other vegetables grown on smallholdings in central Kenya are destined for the capital city. Most exports, on the one other hand, now come from larger holdings that can afford the costs of certification and traceability.

**Figure A: Green beans exports from Kenya**

![Graph showing green beans exports from Kenya from 1990 to 2009.](image)

Source: Constructed using FAOSTAT data

Third, those working with small farmers need focus on the critical issues for those farmers: they need an **appropriate focus, between production and marketing, between maximising and reducing risks** — see Figure B. This presents choices along these two dimensions to produce the four quadrants shown.

**Figure B: Different emphases when working with smallholders**

<table>
<thead>
<tr>
<th>Maximise Returns</th>
<th>Reduce Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production</strong></td>
<td></td>
</tr>
<tr>
<td>Produce more</td>
<td>\textit{Reduce risks from weather, pests, disease}</td>
</tr>
<tr>
<td>Lower unit costs</td>
<td>\textit{Diversify production [may limit commercial production]}</td>
</tr>
<tr>
<td></td>
<td>\textit{Use versatile and resilient varieties and methods}</td>
</tr>
<tr>
<td></td>
<td>\textit{Crop protection}</td>
</tr>
<tr>
<td></td>
<td>\textit{Crop insurance}</td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
<td></td>
</tr>
<tr>
<td>Sell for higher price — better information for negotiation with traders, using more direct channels that cut out intermediaries, etc.</td>
<td>\textit{Reduce risks from fluctuating prices, changing market demands}</td>
</tr>
<tr>
<td>Higher quality, more consistency, certification with norms that can access premium markets</td>
<td>\textit{Diversify production}</td>
</tr>
<tr>
<td></td>
<td>\textit{Seek alternative markets}</td>
</tr>
<tr>
<td></td>
<td>\textit{Contracting}</td>
</tr>
<tr>
<td></td>
<td>\textit{Hedge on commodity exchanges [future option]}</td>
</tr>
</tbody>
</table>

The top-left quadrant is about improving production on farm: raising yields, increasing productivity and reducing unit costs. The top-right sector concerns combating risks in production arising from weather, pests and disease. It comprises diversification of production — that may limit specialisation in crops for sale; adopting varieties and methods that are resilient to physical challenges — again, this may trade off against maximising production; protecting crops using chemicals or biological defences; and insureing crops against loss. This last is rarely an option for smallholders in Africa, but there are pilot schemes offering insurance against indices of weather, so it may become more of an option in the future.
Marketing occupies the lower half of the table. The bottom-left cell includes strategies to sell for higher prices — through better informed negotiation, or by using more direct channels; as well as raising quality, improving consistency, and certifying production that may allow access to premium markets. The lower-right quadrant depicts ways to reduce risks in marketing from variations in prices or rapid changes in product specifications that may exclude current production. Responses to these may lie in diversifying production, or seeking additional and alternative markets so that exposure to any one product and market is reduced. Contracting where prices and specifications are agreed before production is another way to reduce risk. In the future there may be opportunities to hedge against price risks on the commodity exchanges that are gradually emerging across the continent.

The point here is to be aware that the most effective actions may lie in any of the four quadrants, or some combination of them. The points of emphasis, moreover, may shift through time as external conditions move, or as programmes move sequentially from dealing with the most pressing issues to the next most pressing. Value chain analyses can be helpful in identifying critical points for intervention, especially when they have the participation of key stakeholders.

Finding an appropriate approach

The principles for appropriate and effective intervention are not hard to state. The starting point considers the diversity of circumstances, the private or collective nature of enterprise; and the need to create links that are sustainable without external support.

The range of circumstances that define what may be effective is immense: varying by physical location and connections to market; agro-ecological conditions; the nature of the crops and farm enterprises; and the economic and social conditions of the smallholders. Making links, moreover, involves the actions of multiple private or collective actors who cannot be directed, since they are free and independent actors who can accept or reject whatever advice or support is offered. Lastly, whatever links are created, the mechanisms have at some point to be sustained without external support, if they are to persist and if the model is to be replicated or scaled up.

Progress will thus rarely be made by intervening with a ready-made solution: effective links will more likely be built by careful adaptation to circumstances and the capacities of the key players, reinforced by learning and adjustment. For these reasons, interventions need to facilitate and enable rather than to intervene with ready-made, planned solutions. Commercial relations between private firms and collectives — including, of course, smallholders individually or in groups — should not be replaced by project activities by those agencies trying to make the links.

Furthermore, enabling processes of working with smallholders and other actors in the supply chain will involve some learning on the job; indeed, they will encounter unforeseen and unforeseeable obstacles. Learning and overcoming such hurdles imply additional and unplanned efforts: there has to be flexibility in operating systems in time, staff and budgets to allow for such learning and responding.

Some efforts, moreover, will be frustrated, they will fail. The rate of failure of new businesses, especially small ones, is high. Interveners need to be prepared, then, to abandon some endeavours. In business, this is painful; but less painful than piling up losses as the business fails. In public agencies, both government and non-governmental, it may be possible to persist pointlessly; especially when admission of failure is seen, as it often is in hierarchical organisations, as tantamount to an admission of professional incompetence.

While it is easy to state these conditions for an appropriate approach, three challenges arise in practice: the dilemma of offering support but not creating dependency; the need to work within the norms dictated by most funding agencies; and the extent to which initiatives are inclusive.
Dilemma: supporting but not replacing

Although a principle of facilitation is that interveners should not take the place of commercial actors and should not provide unsustainable support, in the early stages smallholders may need temporary support to allow them to learn or to underwrite new initiatives. Such support may take the form of training, advice and technical information, facilitating meetings between farmers and buyers who have not done business before, provision of capital grants to allow initial investments in production, storage, processing or transport, or underwriting novel schemes with the intervener guaranteeing to buy back unsold inventory, to cover (some) bad debt, to support prices should they prove lower than expected, and so on.

The danger is that any such support creates expectation and dependence; that it becomes tempting for well-funded and well-meaning interveners to argue for another year of support, since they fear that to leave at this point would mean all the efforts to date being lost. Hence it is not surprising that practitioners stress the need for a clear strategy at the outset, and exit strategy, for when the intervener will withdraw.

Programming facilitation with learning

These principles for effective intervention may not, moreover, fit easily with many organisations need for programming, budgeting and monitoring. Enabling and facilitation are processes that are not readily programmed in advance. It is hard to be sure just what the needs will be in a year’s time. It is also difficult to be confident about how much progress will be made. Those engaged in such processes are unanimous that one or two year’s actions will rarely be enough: that thinking of five to ten years may be more realistic. Fitting these requirements to the typical operating systems of most formal agencies is thus a challenge, since these agencies have to prepare quite precise budgets and plans detailed to within one year — sometimes to half-years or quarters, to specify short-term objectives and to define targets against which progress can be monitored. How can this be done in a way that does not lock the process into a straitjacket?

Intervening agencies may be able to cope with these issues by having a diverse portfolio of initiatives, proceeding at different speeds; with these jointly programmed so that staff time and resources can be switched from one initiative to another as and when needed. A diverse portfolio also allows some endeavours to be dropped, in the reasonable expectation that other initiatives will bear fruit and justify the overall effort made.

How inclusive can interventions be?

A repeated observation from cases is that when large firms link to small-scale farmers, or when smallholders combine to make the links, that links work best with those smallholders who have above average land, capital, equipment and education. There may well then be a trade-off between having effective farmer groups and having inclusive ones: at least for the purposes of production and marketing.

Organisational models for linking smallholders to market in practice may not always be inclusive: they may leave marginal farmers out, without access to contracts, unable to participate in farmer associations.

If that is so, then what is the fate of the more marginal smallholders? For them, better options than direct participation may arise in jobs created within more successful supply chains. Small-scale growers of green beans in Kenya generate the equivalent of fifteen jobs for every hectare they plant. A shea butter processing factory in southern Burkina Faso employs 1,500 staff. Cashew nut processing plants in coastal Mozambique, in zones where there is very little work to be had, provide employment — and as people gain incomes from this, their spending generates additional jobs in local services. [Paul 2008]

Finding an organisational model

Last but not least, there is the organisation that forms the links between smallholders and other actors in the supply chain.

Much has been written about the various ways in which farmers may deal with those buying their produce, supplying inputs, providing financial services or technical advice. At one end of
the spectrum is the free market with multiple actors in competition, where deals are mainly spot transactions. At the other end are integrated relations, with contracts tightly specifying in advance quantity, quality and price of goods and services exchanged. In between are all manner of combinations.

This is not the place to review the possibilities, their advantages and disadvantages. The key point is that are several possibilities; that no model is ideal in all conditions, since each needs tailoring to contexts that include the nature of the crop — perishability, quality variations, needs for processing; the frequency of transactions; the extent to which undertaking an activity means investing in assets that have no other use; the experience of farmers; the strength of existing institutions including weights and measures, respect for contracts; and existing social capital that may help underpin new commercial relations.

Two insights repeatedly apply in most situations, however. One is that rarely can large-scale firms in supply chains — manufacturers of inputs, processors, large wholesalers, retail chains, banks, etc. — deal directly with individual small-scale farmers. The costs are usually too high, not just in administering many small deals, but also, and often more important, in ensuring that farmers who are party to deals are competent and trustworthy. Hence there has to be some point in the organisation of the chain where the farmers are aggregated, either directly as in a farmer group, association or co-operative; or indirectly through the intermediation of local input dealers or appointed distributors, lead farmers, bank agents, and so on.

The other is that the acid test of functioning links is not the model itself, but whether the model respects and works with the capacity and competence of the different actors, and whether sufficient trust can be developed in the relations between actors. It is this that probably explains why so often farmer co-operatives have functioned badly or failed outright. Co-operatives have too often taken on functions beyond their capacity and competence, involving relations that have strained existing levels of trust.

Of course, if capacity, competence and trust are the defining characteristics of any model, then these will not necessarily be static, since with time and repeated experience, capacity, competence and trust can develop and deepen and hence arrangements can evolve as well.

Finally, there is the matter who takes the initiative to form links. For simple spot transactions there may be no other requirement than traders and farmers meeting. But for more complex arrangements, especially when there are deferred transactions, in almost cases there is a champion or a catalyst who takes the initiative. But who are these actors, and what is their incentive?

Two sets of actors stand out. In deals arranged within the supply chains, it is usually a large firm — a processor, exporter, or retail chain — who takes the initiative to set up the links. Rarely does this come from a smaller operator, still less from farmers themselves. The incentive in these cases is commercial gain; more specifically, the large firm looking to get a source of supply for a profitable outlet. They turn to smallholders when there is no other convenient supply or when it seems smallholders may be able to supply at lower cost than the alternative. In practice, this last criterion translates to comparing supply from local small-scale farmers to that from imports. Occasionally it may be that smallholders can deliver better quality than larger operations, as applies with crops that require hand-picking.

The other set of actors comprises public agencies, government, NGOs, foundations, who have a mandate to promote links. Their incentive is simply that this is what they have entrusted to do. In many cases, the public agency operates by facilitating arrangements between smallholders and larger firms, ultimately handing over the operation of the links created to private operators. Hence in these cases they effectively replace the private firm as the temporary champion of the links.

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3 These latter costs are those of information: they can be very high when the formal, large-scale provider has little experience of rural areas, when some or many farmers may be illiterate or innumerate, and when language and culture differ. In technical terms the costs are called ‘transactions costs’: the costs of doing business with confidence. These may not matter much for spot deals, but they do for any deferred transaction, such as credit.
There are other possibilities for catalysts and champions. In some cases, often after prodding by a public agency, a stakeholder forum for a particular chain may be formed and encouraged to initiate changes. The forum itself may then become the champion.

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