

SPORE

The magazine
for agricultural and
rural development
in ACP countries

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SPECIAL ISSUE - JULY 2012



MAKING THE CONNECTION

The rise of agricultural value chains



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Stronger links



After decades of underinvestment there is now global consensus on improving agricultural productivity and increasing

farmers' incomes. Today, agricultural growth is seen as essential to achieve food and nutritional security and increase prosperity.

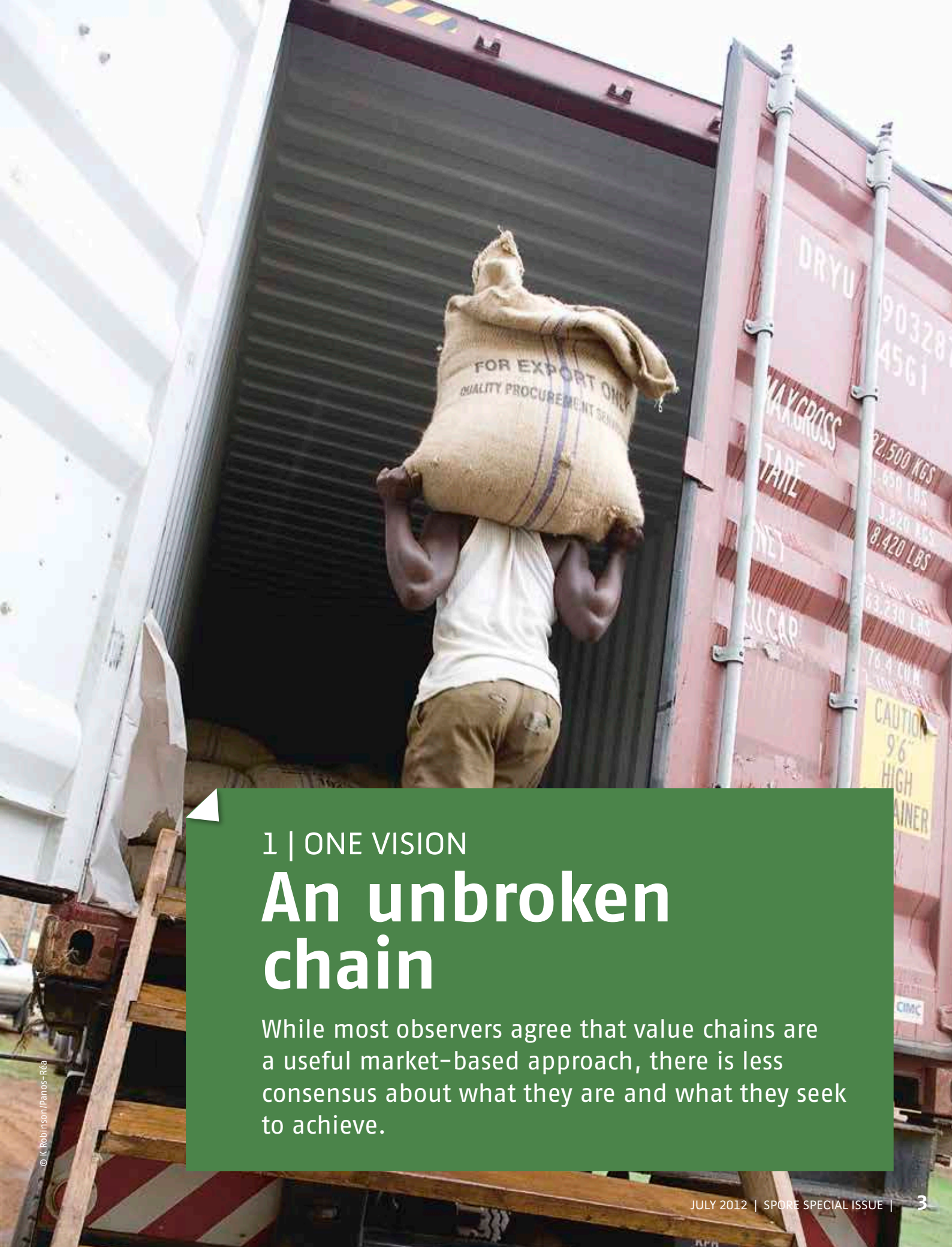
But increasing productivity is only part of the solution. Farmers, herders and fisherfolk must have a market for what they produce. Moreover, producing and then looking for a market is not the best path to growth. Producers must adjust their production to supply what consumers need. Value chains, which link consumer demand back to the farmer, are arguably the best way for smallholder farmers to become integrated in modern markets.

With this in mind CTA has identified improving agricultural value chains as a top priority in its new strategy for 2011–2015.

This Special Issue of *Spore* introduces 'value chains' to our wide readership in ACP countries. 'Value chain' is often used in different ways, even by experts on the subject. The Special Issue tries to clear some of the confusion but, more importantly, aims to provide a broad picture of interesting value chain innovations in ACP countries.

A major activity in 2012 is our international conference, 'Making the connection: value chains for transforming smallholder agriculture', to be held in Addis Ababa, Ethiopia, from 6–9 November. We hope the conference will provide an excellent opportunity for those involved in value chains to meet and share experiences. Topics that will be discussed include world market trends, ways of including small farmers in value chains, contract farming, agro-industries, value chain finance, sustainable chains, ICTs, farmer organisations and many more.

Michael Hailu
Director – CTA



1 | ONE VISION

An unbroken chain

While most observers agree that value chains are a useful market-based approach, there is less consensus about what they are and what they seek to achieve.



1 | ONE VISION

In agricultural circles, the value chain concept is increasingly used to describe approaches aimed at improving market prospects for producers and scaling up profit margins. But what exactly is a value chain? Defining a term originally coined for the manufacturing sector is no easy task and, to some extent, it is simpler to start by saying what a value chain is not. A value chain is not merely a case of a farmer selling his produce to a buyer, however solid that market linkage may be. Nor is it the production and marketing sequence of one particular commodity such as coffee or cocoa. For many observers the distinguishing feature of a value chain is that all the links are coordinated, with value added at each stage and the final market fixed firmly in the sights. So if a buyer works with a farmer, agreeing in advance on what kind of product is needed to supply a certain type of consumer or processor, that is a value chain. In the Caribbean, a number of initiatives have linked farmers directly with resort owners, defining in advance what kind of fresh fruit and vegetables are required for tourists and, in some cases supplying help to growers. For the purposes of this issue, a definition might go something like this: a value chain is a sequence marked by value growth and coordination at each stage of production, processing and distribution, driven by consumer demand. It carries with it a range of support functions, such as input supply, financial services, transport, packaging, market research and advertising. The nodes in an agricultural value chain may consist of input providers, farmers, processors, packagers, distributors and retailers – all the links in the sequence ►

Links in the value chain for peppers from Diffa (Niger)



Glossary

The meaning of many of the terms used in this issue, particularly value chains, is the subject of much discussion. This glossary is to help readers understand the issues raised, but please note that there are often alternative definitions.

Supply chain

Producing and delivering a final product or service from the supplier's supplier to the customer's customer. Emphasis is on the flow of produce from source to destination.

Value chain

Actors connected along a chain to

produce and deliver goods and services to consumers through a sequenced and coordinated set of activities that adds value at all stages (production, processing, distribution). The concept places emphasis on product innovation and on meeting consumer needs.

Vertical integration

Taking on additional activities in the chain other than the core operation of the company. For example, a vegetable processor may start farming or buy a fleet of trucks.

Value chain mapping

Analysing a value chain to identify

who the key players are, how the sequence works and factors influencing the chain's performance. This can be helpful to pinpoint constraints at all stages of the chain and identify possible solutions.

Value chain finance

Financial services and products flowing to and/or through value chain participants.

Contract farming

Agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of farm products.



► between the genesis of a product and its journey to the consumer.

Effective value chains generate profits

Value chain development is being actively pushed as the answer to problems of low producer incomes, poor market access and even food security. But it is important to remember that whatever the benefits, the guiding principle of a value chain is to make a profit. Coordinated value chains still cover only a fraction of total agricultural output in ACP countries. The bulk of produce is still produced speculatively by farmers who cannot be sure that they will be able to sell it at harvest time for a rewarding price. Agricultural value chains are not restricted to crops. A fodder value chain developed in Ethiopia has not just led to better quality livestock for farmers; it has also produced an extra source of income, with producers selling surplus feedstock to other herders.

Value chains come in all shapes and sizes. At its

most basic level, a chain might involve a lead farmer coordinating supplies for a buyer such as a supermarket and acting as the focal point with the other links in the production and marketing process. Large chains may also have good potential for smallholder producers. Kenya's Brookside Dairies sources 750,000 litres of milk per day from a network of 100,000 dairy farmers. The way the chain is organised, with each link solidly welded to the next, means it offers interesting opportunities to small-scale producers at the very far end of the chain.

Domestic and regional markets

Although often talked about in the context of European supermarket chains, value chain development is not just export-oriented. Regional and domestic markets are crucial, fuelled by rapid urbanisation and a growing middle class. The African Development Bank forecasts that there will be one billion middle-class Africans by 2060. In Uganda, urbanisation has had a massive impact on the dairy sector, trebling the market for small-scale farmers. Middle classes in developing countries want more meat and dairy products, as well as ready-to-eat foods, prepared salads and fresh fruit juices. Sophisticated export value chains often have more barriers to entry than domestic markets, not least in terms of standards.

Successful value chains are driven by information about consumer requirements, often through market research. In South Africa's Kwazulu Natal region, this strategy paid off when it emerged there was strong demand in Durban's Indian community for plum tomatoes. A plan was drawn up and once the chain was established, producers saw an average rise in revenues of 400%.

The three main features of a value chain are:

- coordination of all links in the chain,
- added value at each stage, and
- a market-led approach, responding to local, national and international consumer demand.

Value may be conferred or increased by improving the quality of a product, through better seed, inputs and post-harvest management in the case of crops, or higher quality forage for livestock. Higher ►



► quality fetches higher prices. Value addition may also be achieved through greater efficiency, with better logistics, especially transport. It may simply be a question of moving a product from one location to another, perhaps to a place where that product is not easily available, for example moving traditional leafy vegetables to an urban setting or tropical fruit to consumers in Europe. Other ways of adding value include improving presentation and preparation and introducing grading.

Planning ahead

Value chains offer a strategy for income generation which has important repercussions for extending

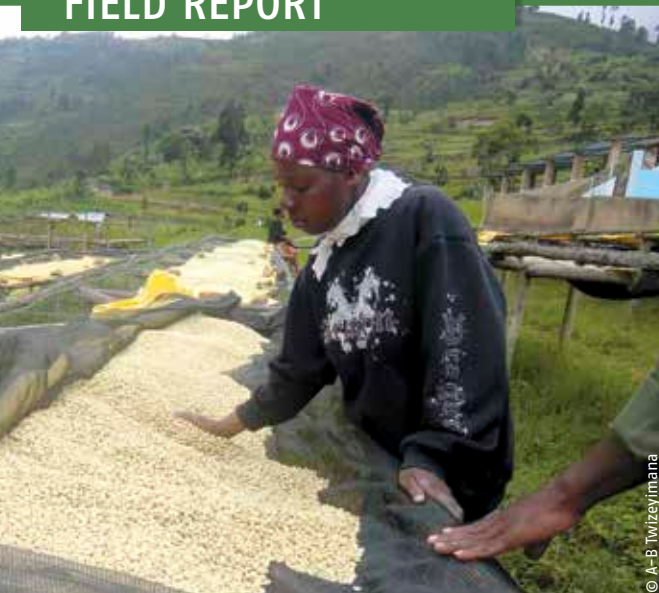
the reach of agriculture, but also for attracting young people to the rural sector – or dissuading them from leaving it. This approach may have a role to play in improving working and social conditions, addressing

“Adding value can benefit all the links in the chain”

unemployment, low salaries and food security. Regional value chains may have a special contribution to make in combating the need for massive imports.

The fact that value chains are market-driven ►

FIELD REPORT



© A-B Twizeyimana

RWANDA

Coffee the way customers like it

Rwanda is staking everything on improving the quality of its coffee. The idea is to satisfy demanding companies such as Starbucks, along with their customers, and sell for higher prices. The gamble is paying off.

A coffee grower in northern Rwanda spends his days lavishing care on his 8,000 plants. The sums that they earn him in return are, he believes, little short of a miracle: “For the past 5 years, with the help of Starbucks, I have managed to expand and improve the maintenance of my plantation, and today I earn between 600,000 and 800,000 FRW (between €800 and

€1,000) a season,” he says. Not so long ago, he was so discouraged by the low market price that he was ready to pull up his coffee plants! Since 2004, the US-based Starbucks Coffee Company, which now has nearly 20,000 coffee bars worldwide, has had agreements with the Rwandan government and producers at the Dukunde Kawa cooperative. It undertakes to buy high quality coffee at a ‘fair trade price’ and helps farmers to improve and increase their output. It offers loans to the cooperative, which supplies fertiliser and pesticides to the coffee farmers, which they repay when they sell their harvests. Using the proceeds of a collection among company staff, producers have even purchased cows which supply manure for their coffee plants. The farmers have also learned techniques for hand-picking cherry when they are perfectly ripe. The Rwandan government has encouraged almost all the country’s coffee producers to make significant

improvements to the quality of their produce. Nowadays, almost the entire output of the country’s 500,000 coffee farmers is handled at washing stations built by public-private partnerships. Pulping, sorting, fermentation, drying and packaging are now all carried out at these stations, rather than at producers’ plantations. “These coffee washing stations have not only helped to improve the quality of coffee and increase selling prices on the global market. They have also created about 4,000 jobs,” calculates an agronomist at the Ministry of Agriculture and Livestock Resources. Each year, national and international tasters test the coffee and give awards to the best of them. The prizes help to promote the quality of Rwandan coffee at international level. In 2011, the five leading producers received awards in kind – such as hoes – as well as advice on how to better market their coffee. For its part, every 3 months, Starbucks stages a special promotion in its stores, based on the best Rwandan coffee. To its British customers, the company recently extolled the virtues of ‘a nectar waiting to be discovered’.

Albert-Baudouin Twizeyimana



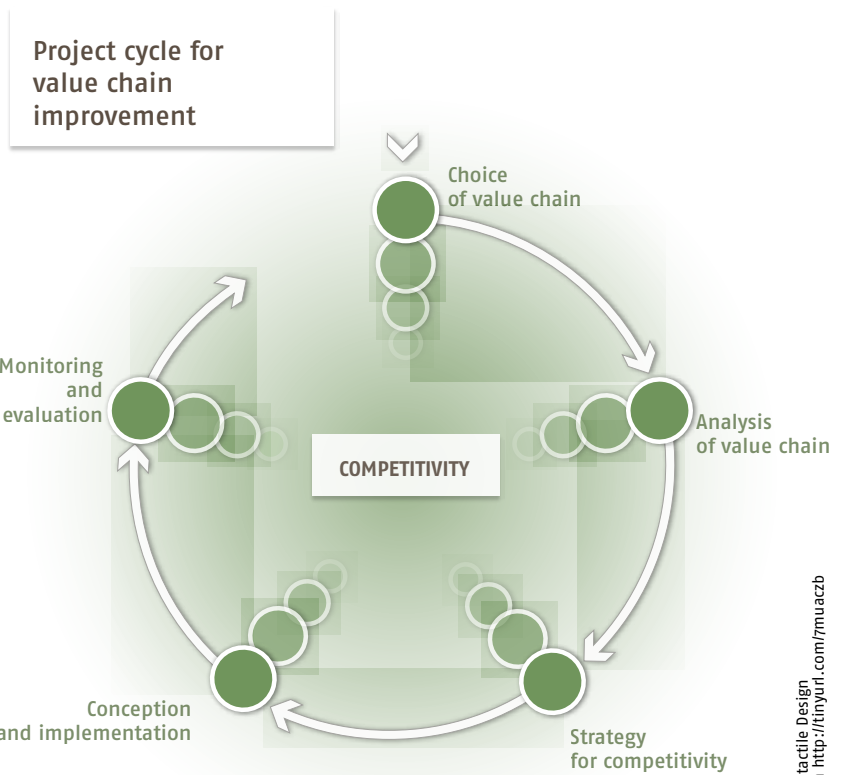
► means that the end use dictates all the other phases. If fruit is being grown for export it is important that it is a variety popular with consumers in the country where it will be sold. That might affect the taste, the colour and the juiciness of the variety planted. The fruit will have to be harvested earlier than for domestic markets since travel times are longer. Processing techniques may also be different. The packaging will need to be tailored to the final destination, and so too will the quality standards that the product has to satisfy.

Planning is the key, with careful attention to detail. Communication with other links in the chain is essential, since the whole chain will be affected if one link fails. Project managers for International Labour Organization value chain initiatives in Madagascar realised that some players had never met each other before, so brought them together to discuss common problems and find solutions.

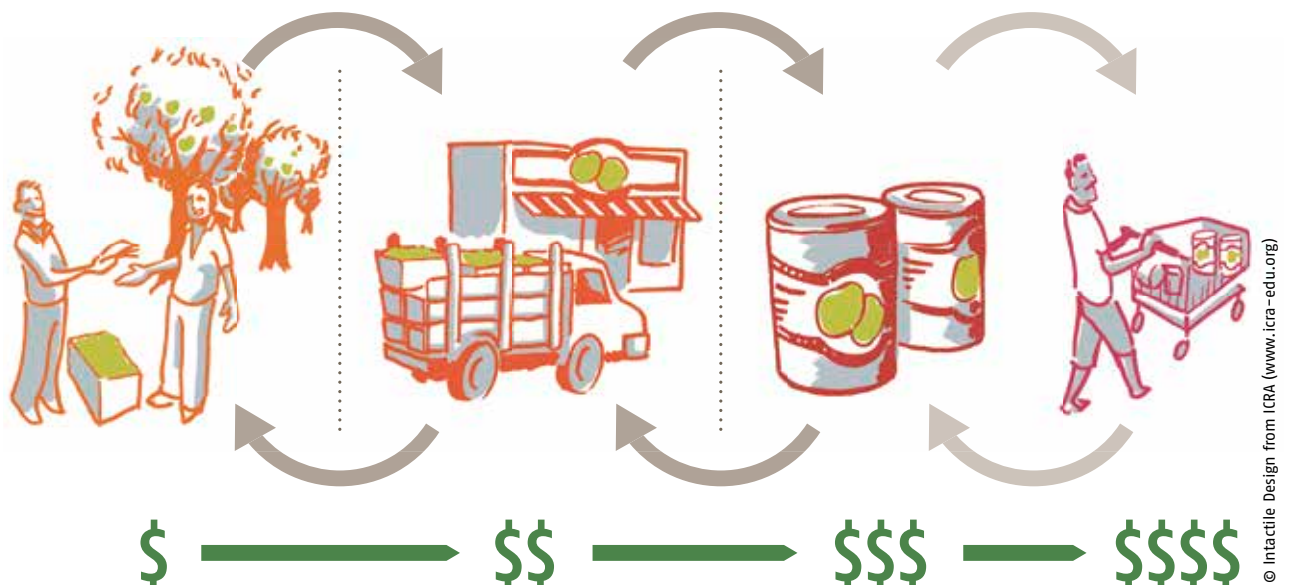
The major stages in a value chain

Although some value chains are launched with external help, it is important that they

are ultimately able to move ahead on their own. Lead firms can be a driving force as Malawi's Maldeco Fisheries showed when it developed a business plan for producing whole and filleted chambo fish, involving small fishermen. As well as setting up aquaculture facilities and creating new value through product differentiation, Maldeco invested in foreign technical training to promote sustainable fish farming. ■



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Andrew Shepherd has spent most of his career in agricultural marketing and value chain development. After working in Papua New Guinea and Tonga he joined FAO, retiring in 2011 before joining CTA.

ANDREW SHEPHERD

Communication and coordination

Value chains are commercial ventures and the poorest farmers may find it hard to take part without outside help. Trust and coordination are key for all links in the chain, but building solid business relationships takes time and hard work.

Can value chains be made pro-poor?

That really depends on your definition of 'poor'. It is clear that modern value chains are not an answer for the poorest. People who are not already actively involved in producing for sale are unlikely to meet the requirements of commercial chains. They may be too far away from major roads, have too little land, have insufficient education to be able to appreciate the requirements of buyers and have limited or no financial resources to upgrade production.

So how can poor farmers be included?

Value chains are not charities. If they are to be sustainable they must be profitable: their decision about which farmers to work with must be based on commercial criteria. So including the very poor in value chains requires government support. This should not involve subsidising farmers, but upgrading their commercial viability. Improving education, providing greater access to extension services and better infrastructure, particularly roads, can, over time, make poorer farmers more attractive to commercial companies. Guaranteeing an environment in which rural businesses can succeed is also essential. Companies such as input suppliers will not want to work in rural areas if there is corruption or too much bureaucracy. Some of the weaknesses of poor farmers can often be addressed by organising contract farming arrangements

On that subject, you co-authored a book on contract farming¹.

Why do you think this business model is valuable?

By entering into agreements with companies, farmers can avoid some of the problems I mentioned. Companies may provide inputs and extension advice, and even carry out land preparation. They often provide transport for produce. The advantage for companies is that they can get a more reliable supply and specify the varieties they require. But contract farming is not for everyone. It requires willingness to honour agreements, deliver products at the right time, and resist the temptation to sell to other buyers. It is important that trust is built up between farmers and businesses, and this can take time and hard work. Contract farming is sometimes criticised on the grounds that farmers can become labourers on their own land. But the evidence points to the fact that those involved do better than most other farmers.

Do value chains fail?

Frequently! But the private sector is very resilient. If something doesn't work, it learns from its failures and seeks alternatives. For example, a cotton company I visited in Uganda changed the way it linked up with farmers three times before it found an approach that succeeded.

What are some of the causes of failure?

A major cause is change in market conditions. Value chains supplying export markets are particularly vulnerable. The competition to supply European supermarkets is intense. Supermarkets are continually trying to reduce the prices they pay, and if they can find cheaper suppliers they will

use them. To stay competitive, existing value chains will have to reduce their costs, which is likely to include paying farmers less. As real incomes decline in the West, the pressure to reduce prices will become even greater. Fortunately for many ACP farmers, new chains are developing to supply the growing middle classes in domestic and regional markets.

Is certification a problem for ACP farmers?

It can be extremely expensive to become certified to meet Western standards. To a certain extent, these costs have been masked by donor support to help farmers become accredited, but certification is not a one-off activity. Recertification is necessary every few years. There is evidence that the number of small farmers supplying markets governed by certification is declining. But not all international markets require certification and nor do domestic markets.

What are some of the key prerequisites for success?

Successful value chains involve collaboration between all stages of the chain. Farmers and produce buyers need to work together to ensure the right products are produced in the right quantities at the right time. Similarly, those buying from farmers need to collaborate with their customers to ensure that they are meeting consumer needs and minimise costs. The more everyone in the chain talks to each other, the more likely this collaboration is. ■

¹ *Contract Farming: Partnerships for Growth*
By C Eaton & A W Shepherd, FAO
<http://tinyurl.com/d8aotca>



SENEGAL

Local milk: from gourds to cartons

A partnership with *Laiterie du Berger* (Shepherd's Dairy) is giving hope to herders in Richard Toll by guaranteeing them a market for their milk. In Saint-Louis and Dakar, consumers are enjoying dairy products that carry the label: 'Good for me, good for my country'.

It is early April and the air is filled with dust at Richard Toll (375 km north of Dakar, Senegal), a sugar growing and agro-pastoral area of the Rivera Valley. It was here, in the Thiabakh neighbourhood, that the factory of the *Laiterie du Berger* (LDB) (Shepherd's Dairy) opened in 2005. In order to produce its 'Dolima' ('give me more' in Wolof) milk, the company signs purchasing agreements with herders who supply fresh milk from their cows. In return, LDB guarantees livestock feed through another partner, Richard Toll's giant sugar company the *Compagnie Sucrière Sénégalaise* (CSS). In this relationship, everyone wins and the herders are well satisfied.

One of them is Silèye Mbaye Bâ. He lives in the village of Yéeyri, (25 km from Richard Toll), and owns 45 cows, which are monitored by LDB: "I've come to fetch my three tonnes of feed [groundnut cake, sugar cane straw, rice bran and alfalfa]. That's the share put aside by the factory in the contract signed after negotiations." Throughout the year and up until the dry season – when feed prices are at their peak – the herder pays neither fodder costs nor fees for preventive monitoring of his cows. In exchange, he sells fresh milk to LDB for 200 FCFA/l throughout the year, compared with an average price of 700 FCFA on the local informal market. "Every day, I supply the factory with five pails of milk [editor's note: each containing 18 litres] from my cows," he says.

Like Silèye, 200 other herders are under contract to LDB, which undertakes to

buy their milk. While most are satisfied, a few of the herders meeting at the factory complain about the price. "I am happy with the factory which feeds our cows, since these represent our wealth, but the purchasing price is low and we would like it to rise to 500 FCFA a litre year-round," says a young herder. An LDB official acknowledges that prices are low, but explains to herders that the company contributes to the cost of transport, travelling to remote villages to fetch the white gold.

In Senegal, milk production is about 120 million litres/year, from 3.1 million head of cattle, according to Senegalese agricultural research institute ISRA. But the great majority of people consume powdered milk imported from Europe (the equivalent of 240,000 t of milk) and processed on a small-scale into curd, which is sold loose. "These herders supply us with fresh milk produced in Senegal, which we then process in order to meet consumer demand," explains industrial manager Bruno Lobry in his sparsely furnished office. He adds: "We organise field days with them so that we can discuss value chain problems such as animal health, milk prices, training in stall management and literacy, etc." Each day, refrigerated pick-ups from the small factory – which employs 40 people – travel to villages in a 100 km radius to collect milk. "The milk that we collect undergoes rigorous checks for hygiene and sanitary standards. Then it is fermented and pasteurised. We put it into cartons of 90, 225 and

400 g, which sell, respectively, for 100, 250 and 400 FCFA," says Lobry. As well as cartons of milk, particularly popular with children, the company markets other products, including thiackry, a blend of curd and couscous – which is proving a hit with consumers – and plain or vanilla yoghurt. It is LDB's aim to develop a streamlined supply line to rapidly growing urban areas. Production manager Malick Cissé believes that the company is becoming increasingly well placed on the markets of Dakar and Saint-Louis, where its products are bought by urban consumers who are receptive to the idea of consuming local products: 'Good for me, good for my country'. The slogan is widely relayed through an effective marketing strategy developed with the support of 'Social Business' specialist Danone Communities. The campaign uses advertising commercials featuring a well known female television personality, the music of Ismael Lo and packaging in the national colours of Senegal. There is also a 'school milk' project developed with a number of schools in Dakar and aimed at helping to combat infant malnutrition. At the entrance to LDB, in the green painted factory shop decorated with a jovial shepherd, a new young sales assistant, Pap' Diaio, is delighted with his contract for a monthly salary of about 90,000 FCFA (nearly €150). "I hope to keep my job so that I can support my family," he says. The company recently hired two new staff members: a Senegalese vet and an expatriate engineer.

Madieng Seck



INTERVIEW



© M. Seck

Unassuming and hardworking, **Aïssatou Diagne** – better known as Madame Dème – has, since 1998, headed the association of local cereal processors in Senegal.

Local strength

The association of local cereal processors in Senegal (ATCL) supplies most of the local cereals processed in the country, with a volume of more than 100,000 t per year. After years of difficulties, it is now a booming value chain. Having

learnt to adapt to new consumer demands, the association is tapping international markets.

What does ATCL seek to achieve for the value chain for local cereals in Senegal?

ATCL's aim is to solve processing and marketing problems for local cereals in order to improve food security and combat poverty through job creation, especially for women, who dominate this sector. ATCL responds to calls for tender and combines the forces of its members to access markets. It now accounts for the major share of processing for local cereals sold in Senegal, and has chalked up some impressive results: from 10,000 t processed at the outset (in 1998), it now handles more than 100,000 t.

How are you organised and who are your main partners?

The association has 24 members, who are professionals when it comes to processing local cereals (millet, maize, sorghum, local rice and fonio) into flour, semolina and granules that are packaged in boxes or sachets and sold at market. Each member has his own processing unit and works for him- or herself. Our main partners are cereal producers, with whom ATCL signs contracts to purchase millet or maize harvests, and distributors, including Europeans doing business in Africa. Contracts with producers are drawn up as part of the IFAD-funded Millet and Sorghum Project, with bonuses paid for the quality of cereals and the regularity with which they are delivered to ATCL headquarters in Dakar. Other partners include NGOs and development agencies such as USAID.

How is ATCL contributing to the country's food security and economic development?

ATCL has made a significant contribution to the increase in consumption of local cereals by giving Senegalese consumers access to flour made from local cereals, in the right quantities and with sufficient quality to make local dishes that are increasingly popular, such as couscous, pap and fritters. It has also

helped to promote the introduction of local cereals in bread-making, in an effort to lower the cost of making bread using imported wheat (450,000 t/year). We have won contracts with bakers looking for quality millet or maize. 'Doolée' bread ('strength' in Wolof) has helped place millet and maize in second and third position in the table of most frequently consumed cereals in Senegal (according to a USAID/PCE study in 2011). With the value chain approach, we are building on the synergies between our members to help them develop quality and competitiveness in their enterprises. The results are clear: in February 2012, the association sold a container of 30 t of processed local cereals to an Italian distributor for export, for a price of 10 million FCFA (more than €15,000). A similar transaction was organised in 2011, involving a Senegalese trader who had set up in France. That was worth 17.5 million FCFA (about €26,000). In both cases, ATCL members worked together as a team. This sense of solidarity has enabled us to achieve good results, even though it must be admitted that there have been difficulties. Indeed, in spite of our determination to remain within the value chain, it can happen that the sequence is broken if it emerges that millet is not good quality or that producers are not respecting the terms of their contract.

Interview by Madieng Seck

To find out more

FAO

[www.fao.org/ag/ags/ivcl/en/Linking Farmers to Markets](http://www.fao.org/ag/ags/ivcl/en/LinkingFarmersToMarkets)
<http://tinyurl.com/7j97z4a>

ILO

International Labour Organisation Value Chain Development
<http://tinyurl.com/7jnkxh>

Value Chain Development for Decent Work
<http://tinyurl.com/7qr2cjd>

Regoverning Markets

www.regoverningmarkets.org

Chain-Wide Learning for Inclusive Agrifood Market Development

A Guide to Multi-Stakeholder Processes for Linking Small-Scale Producers to Modern Markets.

<http://tinyurl.com/55dnfe>

Technoserve

www.technoserve.org

UNIDO

Accelerated Agribusiness and Agro-Industry Development Initiative

<http://tinyurl.com/787wycf>

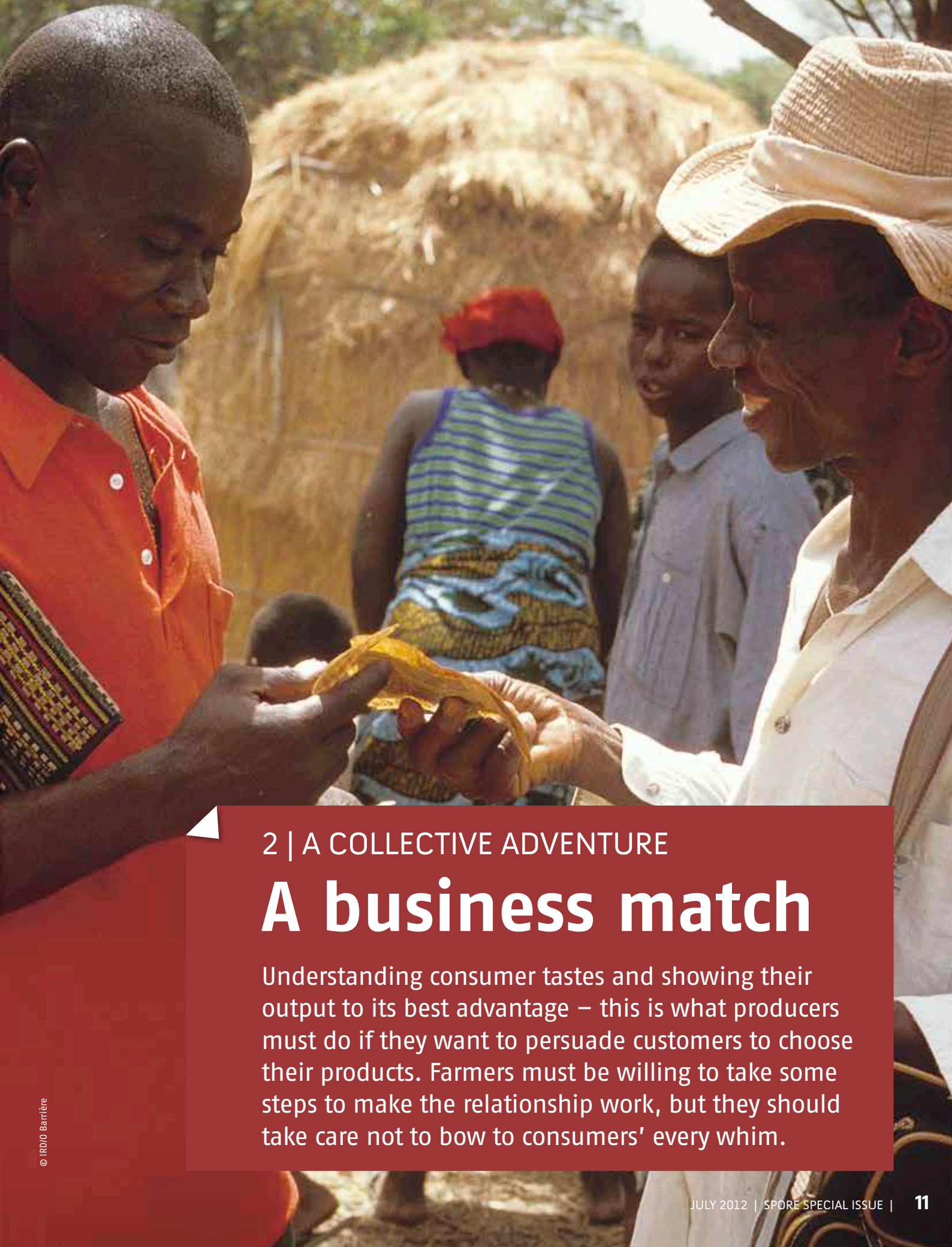
The Value Chain Approach to Poverty Reduction and Development of Livelihoods

Website exploring agricultural value chains.
<http://goo.gl/3UVBv>

World Bank

Building Competitiveness in Africa's Agriculture: A Guide to Value Chain Concepts and Applications
<http://tinyurl.com/7gu2hfj>

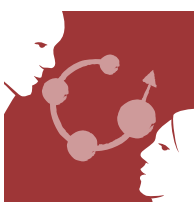
Using Value Chain Approaches in Agribusiness and Agriculture
<http://tinyurl.com/868epxd>



2 | A COLLECTIVE ADVENTURE

A business match

Understanding consumer tastes and showing their output to its best advantage – this is what producers must do if they want to persuade customers to choose their products. Farmers must be willing to take some steps to make the relationship work, but they should take care not to bow to consumers' every whim.



2 | A COLLECTIVE ADVENTURE

The avocados look so succulent. Big and shiny, they are perfectly ripe. And yet, no European buyer would ever take them. For an African country used to selling its fruit at the nearby market, where it is highly prized, this comes as something of a shock. That is because they are not familiar with the requirements and tastes of European consumers, who like small avocados that can be eaten by just one person. Ideally, the flesh should not be too oily and they should keep well for several days. These are the prerequisites that have to be satisfied if producers want to tap into export markets. And this is just one example of how farmers cannot afford to simply offer what they grow. They must also adapt to the tastes of those who, at the far end of the chain, will consume their products, whether fresh or processed, at home or abroad.

Finding the right niche

When it comes to developing a value chain, it is important to have sound market knowledge so as to offer the right product – one for which there will be sufficient demand. For example, small-scale producers aiming at export markets need to understand that, because of their size, they would do better to target specific niche markets, where their products will stand out and generally command higher prices: fair trade, organic fruit and vegetables, products of origin. European buyers are also highly demanding on issues of standards, such as size, quality, taste, treatments, traceability and reliability of supply. Not to mention the importance of presentation, which is key to attracting the attention of a consumer who is shopping in a store or a supermarket. Items that are attractively packaged and well labelled will always sell better. Mango producers in Tanzania, who have made considerable efforts to improve the quality of their fruit, have been frustrated by the disappointing results. The reason is the poor packaging. They have now asked the government to set up a packaging factory.

Grenada, a small-scale cocoa producer, was no match for the giants present in the market. But one entrepreneur decided to use the product's origin and quality as a selling point. By adding attractive packaging, the company has been able to sell its chocolate for a premium price in some of the best stores in Europe.

The same logic can be applied to local, national or regional markets, especially in towns where supermarkets are emerging and where consumers have less time for cooking. In Rwanda, potato farmers in Koabiki had the bright idea of selling their



harvests to supermarkets and restaurants in Kigali, meticulously sorted, washed and packaged in attractive baskets made out of banana leaves. Their strategy proved a winning one, and in 2010 they managed to sell their potatoes at a price one-third higher than that of other producers.

Production of cucumber seeds for European vegetable producers (Tanzania)

Farmers working on their own, or even in groups, can find it hard to understand market requirements and come up with innovative solutions. Often, they are at the far end of the chain, with big or small distribution companies analysing the market and explaining it to the farmers and processors. In Uganda, with support from the Bill & Melinda Gates Foundation, Coca-Cola is training and organising 50,000 mango and passion fruit producers, who will sell their fruit.

Information is essential in bringing actors in the chain closer together and matching up the expectations of some links with the output of others. ►



© S Torfinni/Panos-Réa

► Market information systems (MISs) have emerged, supplying data on prices and demand in certain towns or regions. But other more qualitative information on regional opportunities can prove elusive, unless costly market research is carried out. In Kenya, SMS Sokini provides information via SMS at a charge, supplying prices of agricultural products to farmers, buyers and exporters through a partnership between the Kenyan Agricultural Commodities Exchange and mobile phone operator Safaricom. But not everyone can

access the service and the initiative remains an isolated one.

Vertical or horizontal integration

There are a number of solutions for producers wanting to profit from value chains. They may try to increase the value of their output by reducing the number of intermediaries and taking on the tasks of other links such as processing, packaging and even sales – producing cassava flour or chips, and ►

FIELD REPORT

TRINIDAD AND TOBAGO

A cut above the rest

In Trinidad and Tobago, a sheep farmers' association is breaking the cycle of insecure markets and erratic prices. Its winning strategy lies in helping livestock farmers to market better cuts of meat.

The Trinidad and Tobago Goat and Sheep Society (TTGSS) has good reason to be proud. After a few false starts, the livestock

producers' association has succeeded in setting up a highly efficient value chain, linking sheep farmers to suppliers of products and services, and a profitable market for meat.

The path to success has not always been smooth. The association's first attempt to build a value chain involved dairy goat farmers. That was in 2009 and the idea was to pasteurise, bottle and brand milk. "But each farmer was producing only a small amount so, although the project received critical acclaim, it required too much support to run around collecting milk and was halted until later," said TTGSS President John Borely.

A master butcher

The focus switched to supporting lamb

and mutton producers. A member of the association, a master butcher, had the idea of turning lamb carcasses into higher-grade cuts of meat. "Now, the problem was too much success," said Borely. "We couldn't supply all the buyers who came on board." The problem was solved when the Super Quality Supermarket in Endeavour agreed to take all the meat, contracting the master butcher to do the processing. The next link needed was an abattoir. The Sugar Feeds Centre owned the only modern abattoir that was regularly inspected by the public health authorities. But here too, there were hitches. Farmers who took their animals for slaughter paid an up-front fee and were responsible for getting the product to the outlet. Payment would follow some time later, causing cash-flow difficulties for many. TTGSS's response was to set up a float fund, facilitated by the Trinidad and Tobago Agribusiness Association, to ensure prompt payment to farmers.

Quality selection

Help in meeting quality standards has proved key. TTGSS representatives visit producers to inspect flocks and advise on feeding. Working at both ends of the chain, the association has donated

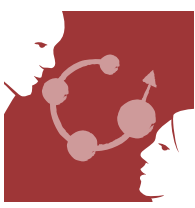


© A Taitt

carcasses to top hotels in an attempt to get customer feedback. "The response, that the meat tended to be too lean, was taken back to farmers and used to help them upgrade feeding programmes to match the quality of imported meats," said Borely.

TTGSS has helped to ensure that farmers get higher prices year-round. Now it is planning to rebuild the value chain for goat's milk and launch a separate one for breed-stock certification.

Andy Taitt



2 | A COLLECTIVE ADVENTURE

► washing and pre-cooking fonio. Such approaches are known as vertical integration. Although this strategy may be tempting, it requires the right technologies for marketing agrifood products that make the grade, as well as financial resources and rigorous organisation. The longer the chain, the higher the risks for those moving into areas where they have little experience. When the chains are short, and it is just a question of grinding maize and putting it in a sack, this option can prove effective. It also enables producers to keep in contact with consumers and to adapt their products to user tastes as far as possible. These chains are generally organised and managed by commodity association cooperatives or producer groups. They bring together the products, package them and perhaps carry out preliminary processing

before selling them. In the Dominican Republic, the son of a large-scale farmer who returned from the USA, launched a delivery service for perfectly ripe –

“Farmers are increasingly working together with firms who market their harvests”

as opposed to green – bananas for restaurants, supermarkets and the many cruise ships that stop in the country. Why didn't someone think of it before?

Farmers can also stay in their role as producers, forming part of a chain made up of different actors – producers, processors, traders and distributors. ►



SENEGAL

Concentrated organisation

Senegalese tomato concentrate, a popular consumer product made from local tomatoes, is the result of a well organised value chain that benefits from an effective institutional arrangement linking producers, processors and lenders. But the arrival of a new company raised fears for farmers. Nearly 12,000 producers make a living from tomatoes in the Senegal River Valley, with an annual output of around 80,000 t and revenues estimated at

5 billion FCFA (€7.6 M). Since the 1970s, fresh tomatoes have been processed into double concentrated tomato puree, a key ingredient for a number of dishes in Senegal. The tomato processing commodity association CNCFTI, launched in 1999, is a model for its kind. It brings together producers, processors, credit providers and public institutions. The tomato processing sector is governed by contracts: until recently, Senegalese food company Société de Conserves Alimentaires du Sénégal (SOCAS) was the only buyer. It produces concentrate under the 'Dieg Bou Dar' label ('what you always need' in Wolof). Farmers have access to seasonal credit and investments from Senegalese bank the Caisse Nationale de Crédit Agricole du Sénégal (CNCAS) on the basis of their contracts with the company. Repayments are directly deducted from the farmers' pay packets by SOCAS. The Senegalese

5 billion FCFA (€7.6 M). Since the 1970s, fresh tomatoes have been processed into double concentrated tomato puree, a key ingredient for a number of dishes in Senegal. The tomato processing commodity association CNCFTI,

government supports the tomato processing sector, most notably by taxing imports.

However, recent seasons have been marred by various incidents. Since SOCAS's output only covers two-thirds of the country's requirements, Senegal has to import triple concentrated tomato paste. In 2005, the agrifood company Agroline went into business launching a tomato puree based on imported triple concentrated tomato paste under the label 'La Linguere'. In 2011, SOCAS felt that the competition was making it difficult to sell its output, raising fears that it would not be able to draw up contracts with farmers for the 2011-2012 season. The government – which gave authorisation to Agroline go into business – was approached by the CNCFTI, which questioned the coherence of its agricultural policies and its commitment to a local sector. A ministerial committee was set up to regulate the tomato processing industry. At the end of 2011, Agroline – which plans to open a processing factory – and SOCAS finally agreed to buy, respectively, 30,000 and 20,000 t of tomatoes from producers. The farmers may benefit from the situation. So too should consumers, since competition is keeping prices low.



► The farmers are the first link, but most often the chain is organised by the last link, the one selling the final product. To benefit from this model, producers or their associations need to have good organisation and management skills: they must know how to calculate production costs, be able to guarantee quality and a regular supply – two key points – as well as traceability. They must also be familiar with the markets and market prices. Only then will they be in a suitably strong position to negotiate good selling prices with buyers and make sure that the fruits of their labour are well rewarded. If not, they risk ending up selling their goods for unprofitable prices. Producers also need to improve their production processes so as to lower costs and increase their competitive edge. A number of NGOs are working to do just that in Africa, so as to avoid farmers being unfairly exploited by international companies.

Increasingly, and especially for export products, farmers or their organisations work under contract with companies that process or market their output. Such firms guarantee to buy their harvests so long as the products meet certain specifications. They may also supply or facilitate inputs and other production resources.

Logistics and financing

If value chains are to work well, they must involve other actors who are not directly involved in the sequence. These include financial services and transport, packaging and distribution companies. Mali's mango exports grew twelvefold between 2005 and 2010 after it developed a refrigerated transport chain using road, rail and boat links so that large quantities of ripe fruit reached Europe. The system is less expensive than air transport. Previously, difficulties with air freight meant that the flavoursome mangoes of Mali had only arrived in Europe in small quantities, even though market demand was increasing rapidly.

Having access to credit is often the most serious obstacle for small agricultural organisations, who need good cash flow to be able to operate, and loans so as to be able to invest in materials for crop cultivation or processing. Yet credit is rarely available from the traditional banking

The links are interdependent, the balance can be fragile.

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sector. In the Oromia region of Ethiopia, producers' organisations, input suppliers, financiers, processors and buyers have joined to form a soya milk value chain, a new crop developed with support from two Belgian and Ethiopian NGOs to supply urban consumers in Jimma and Addis Ababa. The initiative benefits from an innovative finance scheme offered by local microfinance institution Harbu, which provides a range of services to different actors in the chain.

When finance requirements are present in a well structured value chain, some banks such as the Commercial Bank of Africa or Equity Bank in Kenya may be willing to make the investment.

A large degree of the success of any value chain comes down to the farmers who supply the raw material. But producers depend on the downstream members of the chain to make the most of their output. All the links rely on each other, making it essential that they work hand in hand so that everyone receives a fair share. ■



© G Kamadi

Dr Stephen Mbithi is Chief Executive of the Fresh Produce Exporters Association of Kenya (FPEAK). The association brings together 150 companies that export fruit, flowers and vegetables.

STEPHEN MBITHI

The customer is always right

Adapting production, harvesting and packaging methods to consumer tastes is the key to earning higher prices for Kenya's thriving horticulture sector.

To what extent do small-scale farmers in Kenya understand the worth of adding value to their produce?

Small-scale farmers do understand the meaning of value addition. On the other hand, value addition is

often equated with processing. But in many sectors, like fresh produce, it is not necessarily true that you add value during processing. In some instances, you may actually lose value. For example, green beans will fetch the highest price per kilo when they are fresh. The price per kilo may drop by more than 50% when they are canned because consumers do not consider canned beans to be fresh.

How else can a small-scale fresh produce farmer add value?

We train small-scale farmers to be very quality conscious, to harvest at the right stage and by so doing, they get a higher price. Therefore, harvesting and delivering the produce in good time is obviously key. However, value addition will also happen when the farmer does what we call mixing. A farmer can mix green beans with baby carrots and baby corn and put them in ready-to-eat packs, thereby increasing the price per kilo. We train farmers to handle produce the right way and preserve it for transportation, so that we can meet the market requirement of delivering the produce within 24 hours of harvesting from Kenya to European supermarkets.

How is FPEAK helping farmers to maintain high standards?

The FPEAK secretariat is tasked with the responsibility of coordinating farm activities and capacity building at smallholder level, so that farmers can produce to the required international standards. We organise them in such a way that they can participate in the global value chain. We do this by training farmers in the required quality standards, both on official control systems and government standards, whether products are for Kenya or the European Union.

Has this approach brought success?

This capacity to meet international market standards is the biggest selling ticket for Kenyan fresh produce. Fresh produce can be grown anywhere across the world, even in many African countries. However, here there is the capacity of farmers to prove to the market or to consumers in Europe that they can meticulously stick to the rules and regulations required – that is why Kenyan horticulture succeeds.

Another thing that FPEAK has done is to cluster farmers together in what we call viable units: units that are economically viable. We do not have a single farmer owning two hectares of land some 200 km from the next one. This will never work because the logistics of transporting produce from just two hectares does not make economic sense. So we like to cluster farmers together, who operate as individuals but within a group. Farming activities are therefore conducted uniformly even though farmers have independent farms.

What about hands-on training?

In the last 2 years, we have established the Practical Training Centre (PTC) in Thika

town, about 50 km from Nairobi, whose purpose is to centralise capacity building activities for value addition, standards and business skills, especially for small-scale farmers. Farmers are introduced to technologies important in farming, such as drip irrigation systems, and good pest control practices, as well as processing techniques for value addition.

How are farmers helped to access international markets?

We work with a network of exporters, who are very familiar with international markets in Europe, where we sell 82% of our produce. The US and the Middle East buys 5% each of our produce. We organise small-scale farmers to export as groups to these markets directly.

Are small-scale farmers receiving sufficient support?

I can say with confidence that a lot is being done for fruits and vegetables by the private sector. The horticulture sector is strongly private-driven. I am not so sure that the government needs to do much besides creating an enabling environment, which to some extent is happening. I don't think that the government should be involved in value addition. Value addition changes so rapidly everyday that even the government will be playing catch-up.

But Kenya has some of the poorest logistics compared to other countries. For example, the cost of packaging material in Kenya is 25-20% more than in Asian countries or mainland Europe, where similar value addition is taking place. Energy is a big issue. Energy in Kenya is at least five times the price in most efficient countries and at least three times the price of the average BRIC countries.

Interview by Geoffrey Kamadi



BURKINA FASO

Agribusiness clusters, joining together

The maize producers' union in Koubri, Burkina Faso, has joined an agribusiness cluster that groups together different actors in the value chain. This leads to better organised production and guaranteed markets – so long as everyone respects their commitments.

It is early April in the village of Sensenguené, 50 km south of Ouagadougou. Seated in a shed and surrounded by a few members of the executive board, Soumaïla Ouédraogo, President of the maize producers' union, is preparing a plan of action for the next farming season. The first rains are not expected for two months and the fields, burnt by a blazing sun and swept by the burning Harmattan desert wind, have yet to be prepared. Nevertheless, it is time to start getting things ready. "The plan of action contains forecasts for the coming season, specifically how much land to cultivate, the inputs and the phytosanitary products needed," says Ouédraogo. "It will be put for approval to the member producers during a general meeting." The key to success is planning ahead to organise production so as to be able to supply the clients. The maize producers' union is part of an agribusiness cluster set up with the support of IFDC. The maize branch of the cluster brings together various actors in the value chain: producers' groups, cereal collectors, wholesalers, input suppliers, women processors and a microfinance institution, the credit union of Koubri. It links up the different actors to ensure the development of this chain. It also offers farmers training in the technical processes involved in maize production and introduces them to keeping and managing farm accounts and to marketing techniques. The launch of these agribusiness clusters is part of the policy to organise

agricultural sectors in Burkina Faso. There are now about thirty of them, involving more than a dozen products.

Smooth organisation

"Agribusiness clusters are not formal institutions like farmers organisations," says Kouka Kaboré, who is in charge of agribusiness clusters at IFDC. "On the other hand, it is important to have a leader who brings in the business. The other actors gravitate towards this figure." In Koubri, this leader is Soumaïla Ouédraogo. He has managed to bring together 12 groups from four villages in the municipality to create the maize producers' union. The organisation encourages traders to group together as an association. The producers commit to supplying them with the quantity of cereals that they have available. The union also signs contracts with fertiliser suppliers who advance them inputs, and most importantly, with the credit union of Koubri, which provides loans for the purchase of phytosanitary products. The money and the inputs are shared between the different group members, according to the needs outlined in the plan of action. Each group must keep to its commitment to supplying the quantity of maize promised. After the crop is sold, the union pays off the debts and distributes the earnings between the groups according to their contribution.

Consolidating the structure

With this organisation, every actor benefits. "With the agribusiness cluster, I no longer have problems of access to

inputs and credit. The union takes care of it for me," says farmer Lassané Zagré. Madi Sini, who heads the group of cereal buyers, is equally enthusiastic. Gone are the days when one had to go round all the small villages to buy maize. "We no longer have to hire a truck to collect the cereal because the union does it for us. That lowers our costs. And what's more, we are sure of getting the amount of cereals that we want," he says. But this strong dynamic is not without its faults. The loans granted are not enough to cover all the needs. Without adequate security, the union has to make do with small loans. "The previous farming season, we were only allowed to borrow 500,000 FCFA (€763). That forced us to lower our targets," says union treasurer Abdoul Karim Sawadogo. But the greatest risk in an agribusiness cluster is failure to respect commitments. It damages the organisation's credibility and tempts clients to go elsewhere. "A big maize processing company terminated its contract with us due to a delay in delivery. Our collectors took too long to carry out their task. We ended up losing an important client," recalls the treasurer, with obvious regret. Soumaïla Ouédraogo believes that the weak cooperative spirit should be kept in proportion. "The agribusiness cluster has not been running for long. It will take a bit of time for all the actors to fully understand their role," he says. "I am sure that in the future, we will be more efficient."

Nourou-Dhine Salouka



INTERVIEW

BENIN LABEL CENTRE

Giving a market value to local products



© J. Saizonou

Trained as an economist, from 1998 to 2006 **Bruno Gnidehoué** promoted the Benin Label Week. In 2009, he launched the Benin Label Centre, which supports associations and cooperatives in processing local products.

As well as finding outlets for local products, the Benin Label Centre trains producers to improve manufacturing processes and ensure product quality and effective marketing. The aim is to improve sales of products – precooked vegetables,

instant flour, fruit juice, etc. – to an increasingly demanding urban clientele.

What is the idea behind the Benin Label Centre?

The aim is to give value to traditional knowledge, time-honoured processing methods for local products, just as we had started to do with the Benin Label Week. We have provided training in good practices to modernise products whose market value seems very evident to us, and to adapt them to the taste of urban consumers who have purchasing power. The Benin Label Centre now works with more than 150 partners, including

individual processors, associations, cooperatives and even companies.

In what respect is the Centre innovative?

The Centre is a concentration of innovations, for it is not a classic minimarket. It does not stop at simply selling products processed in Benin, but assists guardians of local knowledge in the manufacturing process and quality measures: hygiene, compliance with standards and marketing of products – packaging, promotion and sales. The first step towards adding value at the Centre is to rid a product of its anonymity and give it a market value. The three criteria that guide product choice are: originality, valuing local resources and quality. Failure to comply with the third criterion, which requires our expertise, does not mean disqualification. It is we who decide which products to add value to for the marketplace. Our choices do not always receive the wholehearted support of consumers. Our job consists of stimulating their interest in a product that we believe will be good for them. We are reassured by the fact that successful products maintain high sales volumes in the long term. One product has currently beaten all sales records. It is puréed baobab. It is served like yoghurt in a pot. Unlike yoghurt made

from cow's milk, it can be eaten by people of any age. Our main targets are urban consumers in Benin and people from this country living abroad. When they come back to Benin, they stock up with us. The Centre has no shortage of customers.

What difficulties have you encountered?

We have ourselves defined certain quality standards that we impose on our partners. But as a country, we would have liked to have had a laboratory as a point of reference to certify our products. The second difficulty lies in getting supplies of raw materials. Our partners do not always have the resources to obtain supplies and respond effectively to demand. And their poor standard of equipment does not allow them to respond promptly to pressing demand. The Centre also suffers from a lack of packaging facilities. To solve these problems, we, together with our partners, are currently launching the Mutual Benin Label. It involves setting up a guarantee fund with a local bank to facilitate access to credit at a relatively low interest rate. These loans will pay for equipment and serve as working capital for members, so that they can increase their capacity to respond to demand.

Interview by Joachim Saizonou

To find out more

CTA

Second Regional Briefing in the Caribbean on "Strengthening the Caribbean agri-food private sector: challenges for SMEs in the agri-food sector in the Caribbean" on 18-19th October 2010 on the occasion of the Caribbean Agricultural Week.
<http://tinyurl.com/8x8dgb6>

FAO

Guidelines for Rapid Appraisals of Agrifood Chain Performance in Developing Countries
<http://tinyurl.com/73clfft>

Assessment and Finance in the Fruit and Vegetable Value Chain. Evidence from Small Island Developing States in the Caribbean and the Pacific
<http://tinyurl.com/6t7trme>

KIT

Chain Empowerment – Supporting African

Farmers to Develop Markets
<http://tinyurl.com/7jovgrz>

Valuechains4poor

Making Value Chains Work Better for the Poor
<http://www.valuechains4poor.org/>

KIT-IRDC-Agriterra

Farmers' Organisations Innovate to Position into Value Chains
<http://www.cdi.wur.nl/UK/>



3 | STRATEGIC CHOICES

Opportunities and risks

In today's highly competitive agrifood market, there is growing pressure to raise quality and lower costs. This can open new doors, but also present challenges for producers and processors in ACP countries.



When it runs smoothly, the value chain system can work to the advantage of all parties, providing buyers with a reliable supply and farmers with a secure market. From a farmer's perspective, being part of a value chain may mean more money. But even if prices are sometimes lower than at local markets, the arrangement generally means a more stable income. Participation in value chains can lead to new skills and improved practices. Even cleaning and grading produce can make a difference. Instead of piling vegetables in a crate and trucking them to a trader or market, producers can make more of a profit by doing basic processing on-farm. Supplying lettuce or tomatoes that are washed and packaged for a local store or supermarket may earn a higher price. Peeling and cutting fruit can be an effective way of tapping the growing market for ready-to-eat food products. In Kenya, rural dwellers organised into producers' groups are grading and packaging fruit and vegetables at dedicated centres. In East New Britain province, Papua New Guinea, growers are upgrading to become processors, with training to meet market demands and quarantine requirements.

A farmer transports heart-of-palm to the factory for processing (Guyana).



© AMCAR

Women, with their aptitudes for organisation and intrinsic market knowledge, are particularly well suited to running services likely to prove useful in value chains, so new production systems may provide openings for them, though value chain involvement may also involve extra work. Some initiatives are turning female participation into a marketing tool. In South America,

the Café Femenino label showcases specialist coffee produced by women. Including women in product and market development can pay dividends. The market queens of Ghana, who run many of the country's markets for fresh vegetables, liaise with farmers and commercial organisations to ensure that products meet the price, quantities and standards required. ►



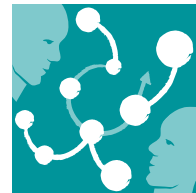
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GRENADA More muscle for nutmeg

Efforts are moving ahead to restore Grenada's nutmeg sector and develop the value chain to make it more competitive. Nutmeg, once a key export crop for Grenada, suffered a major setback after hurricanes Ivan and Emily

devastated the island in 2004 and 2005. From being the world's second largest exporter of nutmeg in 2001, Grenada has since slipped to 9th place. Now the sector is being overhauled, with special focus on improving value chain finance. The strategy is led by the International Trade Centre and involves the main players in the nutmeg value chain, including farmers, agro-processors, the Grenada Co-operative Nutmeg Association, financial institutions and retailers. The aim is to kick-start innovation in marketing and product development

and improve access to finance throughout the value chain. Adding value is a cornerstone of the plan, including producing essential oils, nutmeg powder for culinary uses, using the shell for skin and beauty products and developing nutmeg's medicinal properties. A recent visit to India, where the nutmeg value chain is well developed, enabled Grenadian value chain players to witness the making of nutmeg oils and oleoresins, view equipment for processing and study techniques for quality testing and assurance.



► Costs and premiums

Increasing consumer demand to know how food has been produced and by whom has brought new opportunities for small-scale farmer participation in value chains through organic, fair trade and other certification schemes. But producers need to weigh the extra expense of complying with requirements against the premiums they are likely to pocket. Some of the best schemes involve company support. Blue Skies Company in Ghana, which processes fresh chilled tropical fruit for European supermarkets, has taken on the technical and financial responsibility of GLOBALGAP, organic and Fairtrade certification for its suppliers.

Value chains are not for everyone and the smallest producers are likely to be excluded due to physical location, poor access to technology such as irrigation or mechanisation and lack of organisation. Inadequate access to land, water and quality inputs are other limiting factors.

Some multinational companies, such as Unilever and Walmart, are making it an active part of their policy to include small-scale producers as suppliers, moving away from straightforward Corporate Social Responsibility to an approach based on sustainable partnerships that secure reliable supplies for the companies and more stable revenues for producers. In South Africa's Limpopo Province, two rural ►

FIELD REPORT

GUYANA

More value for traditional products

Two ventures in rural Guyana are enabling indigenous people to add value to local products. But though the enterprises are profitable, they now face stiff competition from cheaper suppliers.

Some 600 rural dwellers, mainly women in remote settlements of Guyana, are working for the private Guyanese company Amazon Caribbean Ltd. (AMCAR), which harvests, processes and exports canned organic pineapples and heart-of-palm (*Euterpe oleracea*). The products, increasingly popular with European consumers, are shipped to supermarket giants Carrefour and Auchan in France and other EU countries.

Entirely self-sufficient, the venture has introduced communities to the idea of adding value to traditional products. Local farmers supply the fresh produce and women are trained to process and package them for export. Others transport and label the products,

integrating a chain of players from communities across Guyana.

Women processors

Pineapple farmer Yvonne Pearson has been involved since 2003. Her village of Mainstay has more than 40 pineapple farmers, while 30 more local people, mainly women, do processing and packaging. Joel Fredericks manages the processing plant. "I see a bright future with this pineapple project for the people in Mainstay," he said. As he talks, the factory is buzzing with women who wash the fresh produce, peel and slice it into chunks and extract juices from the peel to preserve the canned fruit.

The heart-of-palm venture started back in 1987, with one factory at Drum Hill, way up river in Guyana's far-flung North West region. "We built the factory there because that's where the forests are and that's where the manicole palms come from," explains AMCAR's Chief Executive Officer Jean-François Gerin. This opened opportunities for 300 indigenous harvesters, who supply the factory daily, and an additional 30 processing workers, mostly women, who peel, wash, cut and preserve the produce before putting it in cans and glass jars.

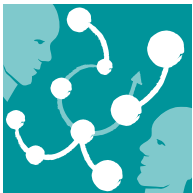


More than 30 communities are involved in the heart-of-palm chain.

Strong competition

The two businesses are not without challenges. Logistics and market competition are both major constraints. Since the factories are located in remote areas, transporting the produce to the city for labelling and export is expensive. At export level, both products now face stiff competition from Costa Rica and Sri Lanka. Last year, the main buyer demanded that the company lower its price for pineapples or face losing the market. "We couldn't come to an agreement for a long time. We were back and forth with discussions until finally we came to a settlement," Gerin recalls. "We are big in one sense but small in terms of business operation, and it's hard for us to compete with cheaper supplies."

Ravena Gildharie



► supermarkets make a point of sourcing vegetables from local growers. The stores, franchises of the SPAR group, also benefit since they are geographically distant from wholesale markets.

Transparency and communication

Contract farming has emerged as one of the most common models of integrating smallholder farmers into value chains. Though the system has its critics, the approach can be effective, offering support to farmers with inputs, standards and even risk management. Success relies to a large extent on companies developing contracts in full consultation with farmers and discussing difficulties faced by suppliers.

Contracts should clearly stipulate responsibilities and timeframes for land preparation, farming practices, delivery and quality of inputs, credit and extension advice, as well as the key issues of product quality, prices and payment. Lecofruit in Madagascar has rigorous requirements for its suppliers, but it also offers an attractive array of benefits, all clearly laid out in micro-contracts drawn up with its 9,000 small-scale producers.

If contract farming is to prove sustainable and grow, it is crucial that all players in the sequence obtain profits, though smaller producers are likely to have less bargaining power within a chain. If farmers suspect they are not getting a fair price, the chain ►

FIELD REPORT



© V Prasad

FIJI

Floods fail to beat florist

Running a highly successful cut flower outgrower scheme is not without its challenges. But a Fijian enterprise is determined not to let catastrophic weather get in the way of its expansion plans.

The biggest risk facing cut flower company South Seas Orchards (SSO) is one that no one can control. This year, the Fijian enterprise has been hit particularly hard, with massive flooding wiping out much of its stock and planting material. Unbowed by

the colossal damage, owner Aileen Burness is fighting back, determined to save the highly successful floriculture outgrower programme that she launched in 1996. Aside from her own income, she feels a duty towards the many small florists and flower arranging

businesses who are part of the value chain that she has built up. The system has created an opportunity for rural and peri-urban women to become involved in the SSO outgrower scheme that provides quality planting material, extension advice and an assured market. The chain now includes a total of 40 women across Fiji.

Loans for outgrowers

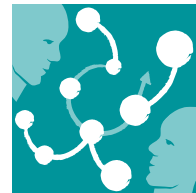
SSO has been able to secure loans so that rural women suppliers can fund their own nurseries. Such has been the success of this outgrower programme that SSO now supplies orchids and anthuriums to all the florists on Viti Levu, Fiji's main island.

The chain is highly organised. SSO supplies outgrowers with quality planting materials and other support. Extension advice is part of the SSO package and in 2004 CTA funded a training manual for outgrowers and has since helped organise various training workshops. Grower members of SSO bring their cut flowers to SSO's premises on a designated day and, at the end of the month, the women are paid for the previous month at predetermined prices. "Grading and packaging of all cut flowers are done by us and then supplied to the florists," said Burness.

The risk of side-selling

As with every business, there are challenges. "The main risk is of course the weather and natural disasters," said Burness, mopping up after the dramatic floods in April. "But a major problem is the practice of side-selling." This involves outgrowers breaking their exclusive contract with SSO to sell to other clients for higher prices. Not at all daunted, Burness is looking ahead to the future. She is planning to expand to the markets of other Pacific Island countries and has yet tap the high-potential tourism sector. The company conducts its own marketing research. "Fortunately, we have such a huge demand in Fiji that everything is easily sold," she said.

Vinesh Prasad



► is likely to break down. Farmers not accompanying their produce to the buyer need to be promptly informed of the quantities they have supplied and reasons for any deductions. Prompt payment is another important issue.

Participation in formal value chains may increase risk and vulnerability. Higher standards of production often mean more waste and added-value niche products tend to pose greater risks, since consumer demand can change rapidly, leaving producers trapped. Since every node in the chain is inter-dependent, repercussions further down the line can spark a domino effect. So each link needs to be ready if things go wrong. Insurance is one possibility, to hedge against the risk of crops failing due to weather conditions or livestock dying from drought or disease, although it may not always be applicable for small farmers. It is important that the risks, as well as the profits, are shared throughout the chain and some of the best systems build insurance into the chain for all players.

Supermarkets – an opportunity for some value chains

Other strategies have also been developed, including risk management funds designed specifically for value chains and extended to all links in the sequence.

Reliable supplies

It is not just the farmers who face difficulties. Running a successful processing operation requires a steady supply of raw material, and processing time needs to be maximised so that expensive equipment is used to maximum effect. Farmers may be tempted to sell produce to other higher-priced markets, causing supply problems. A tomato processing factory in Côte d'Ivoire solved the problem of irregular supplies by providing training, technical support, hybrid seeds and credit to 12 farmers. Crop harvests almost doubled, with the farmers free to sell the surplus where they chose.

Trust is a key component on all sides. Guinness in Nigeria ran an outgrower scheme for 4 years, but the arrangement foundered partly as a result of farmers diverting fertiliser supplied for sorghum to other crops. By contrast, in Guinea, the Macenta Banana Producers Union set up a partnership with the association of banana merchants to promote trust and transparency. Both parties meet to agree on prices and a weekly meeting is held to discuss quantities. Once the advance is paid and the bananas are ready, the producers weigh them in front of the merchants and collect the remaining balance from the buyers. ■



© DR



PETER BATT

From bean to cup

Low prices, poor quality and rudimentary on-farm processing techniques are some of the hurdles facing PNG coffee growers. Efforts to organise them into a value chain are helping producers to access more profitable markets.

Peter Batt is a professor in food and agribusiness marketing at Curtin University, Australia. He has recently completed a 3-year research project to improve returns to smallholder coffee farmers in Papua New Guinea (PNG).

How is the PNG coffee value chain experience producing benefits?

In the first instance, where smallholder producers are close

enough to a wet mill, rather than producing parchment (editor's note: wet-processed coffee shipped with the dried parchment skin still adhering to the bean), they can sell cherry (editor's note: the raw fruit of the coffee tree) direct to a wet mill. Providing that only red ripe cherry is harvested, the mills process the smallholder cherry to produce high quality plantation coffee for which premium prices are paid. For smallholder producers, selling cherry results in a 35-38% increase in the net return on a parchment equivalent price. By teaching smallholder producers how to correctly harvest and process the coffee, it is possible to reduce much of the variance in quality. The third and final mechanism for extracting a price premium is to pursue accreditation under either or both organic and Fairtrade certification.

Is everyone in this value chain benefiting?

Yes. Consumers benefit from a superior experience – a better taste in the cup. Traders benefit because they get to sell superior quality coffee at a higher price, thereby making a better margin. Farmers benefit from the higher prices they receive which have not only improved their standard of living but now ensure that more children are going to school.

In addition, direct linkages with traders and processors have improved access to inputs, technology and market information. At the community level, working together as a collaborative marketing group has greatly facilitated access to government grants and essential infrastructures such as running water and electricity.

How important is it that all links in the chain see a positive impact?

If the value chain concept is to be applied successfully, everyone in the chain must benefit. More importantly, everyone in the chain must perceive that they are being treated fairly and equitably. This requires traders to reveal price information and to be open in terms of their costs.

What have been the main hurdles?

Overcoming decades of distrust between smallholder farmers and market intermediaries. As smallholder farmers do not understand the dynamics of the international coffee market, they have struggled to understand why prices are so volatile. Cultural differences have also been a factor, since the majority of traders are expatriates.

How have you tried to overcome these?

Education and training – capacity building – has had the greatest impact in overcoming most of the impediments. Traders have willingly invited producer groups to visit the factory and to see for themselves the processes that are involved in preparing coffee for export. Perhaps the most influential of these has been the introductory marketing course, exposing smallholder farmers to the

international coffee market and the dynamics of the New York Coffee Exchange and international currency markets. As few farmers actually drink coffee, they do not understand how the way in which they have handled the coffee impacts on the taste. Traders have organised structured tastings, demonstrating how the most prevalent faults impact directly on taste, aroma and texture.

How important is trust and communication in a business relationship?

Both communication and trust are paramount in building enduring long-term relationships. When information is exchanged between partners in the chain, farmers come to realise the tasks that the processors, traders and exporters perform. Only where there is trust are farmers willing to make the changes to their production practices and only where there is trust are the traders and exporters willing to invest in transferring technologies and facilitating the adoption of quality assurance systems.

What about value chain finance mechanisms?

Traditionally, extending finance to the coffee industry has been fraught with difficulty. As world coffee prices are so volatile, there is no guarantee that banks will get their money back and especially for smallholder farmers, with little or no collateral, there is nothing to borrow against. The situation in PNG is made all the more difficult by tribal conflicts and disputes over land ownership. In the informal market, most traders and exporters are reluctant to extend credit to farmers. ■



UGANDA

Quality pays dividends

With support from a local private enterprise, Ugandan coffee farmers are improving quality. As a result, they are reaping the rewards of being part of a streamlined value chain linked to export markets.

More than 5,000 coffee farmers in Uganda's Mbale and Masaka districts have teamed up with a local private enterprise to tap into the lucrative export market. Spurred by a guaranteed market, and support with inputs and quality production, they have joined other farmers in clearing extensive areas of previously unproductive land for coffee cultivation. Steven Wokou, a producer from Buteza Sub County in Mbale district, now has 30,000 coffee trees, covering 17 hectares. He is enthusiastic about his decision to join the value chain. "No more worries about getting good buyers," he said. Steering the value chain is local entrepreneur Daniel Kizito. He launched his company, Anderson Investments, after working for six years as a representative for European coffee traders on quality standards. Caught up in constant disagreements between Ugandan coffee exporters and European coffee buyers over quality, Daniel spotted the opportunity for launching an efficient value chain. Exporters often shipped a product that differed from the sample supplied. "The sample was premium compared to what they loaded as the final product. This created problems between the traders and the roasters in Europe," said Kizito. "I saw a gap in the market due to lack of communication between the buyers and the producers. The buyers always thought that since they had the money, that was enough."

A consumer-led approach

Kizito's experience with quality analysis and his contacts with

European traders stood him in good stead. Flanked by four relatives, he set up a network of suppliers and taught them how to produce a better product. "It is not about volumes or equipment, it is all about quality. In this business, I always think of myself as the final consumer," said Kizito. As testimony to his high standards, Kizito's company was awarded the 2012 Century International Gold Quality Era Award earlier this year by local business organisation Business Initiative Directions.

With growing demand for quality beans, Kizito has established linkages with farmers in Eastern Uganda's Mbale district for Arabica coffee. He sources Robusta coffee beans from producers in Central Uganda's Masaka district. He makes sure his suppliers are paid a fair price. At present, they receive Ug. Shs. 7,500 (€2.41) for a kg of Arabica coffee and Ug. Shs. 4,500 (€1.44) for a kg of Robusta. Farmers who grow coffee for Anderson Investments also receive a bonus at the end of the season. This usually ranges between Ug. Shs. 200 and 500 (€0.06 and 0.15) per kg, depending on the total volume delivered by the farmer. The company exports an average 420 tonnes a month, most of it to European markets.

The bonus is an incentive to dissuade farmers from selling their coffee to other buyers. Kizito keeps a careful watch on the entire value chain, paying the collectors a commission and demanding meticulous record keeping. "I insist on good documentation to

make sure that collectors pay the farmers," he said.

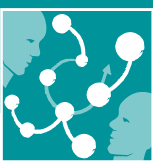
Supporting farmers

Farmer Daniel Wogogo has seen the unit price of his coffee beans more than double since he became part of the value chain. "In the past, I would sell my coffee beans to anyone who appeared and the price was really low," he said. "I have now increased my coffee trees to 25,000, covering 35 acres (14 ha) of land."

Anderson Investments provides free advisory services on crop management techniques to smallholder suppliers, to help them increase their yields. Farmers also receive support in post-harvest handling to ensure that they meet quality standards. Interest-free credit is available to help producers pay for essential inputs such as fertiliser and spray pumps. A flexible repayment system deducts the loans from producers' earnings, at a rate that they can afford. Farmers are also supplied with free tarpaulins to dry their coffee beans.

Since coffee is a seasonal crop, the company supports its smallholder suppliers in diversifying and tapping into other income generating activities. Most producers have now taken up beekeeping and dairy farming to earn extra income. This supplementary revenue helps prevent farmers from being tempted to sell off their coffee to other buyers.

Angella Nabwowe



INTERVIEW



© Seville

Don Seville is Co-Director of the Sustainable Food Laboratory, an American consortium of business, non profit and public organisations working together to accelerate the shift toward sustainability. His work involves developing partnerships between companies and NGOs to pilot trading models that connect small-scale producers to modern markets.

Weighing the odds

Understanding the opportunities and the risks inherent in value chain participation is crucial. There is a range of markets to consider, but it is important to select the right one.

How can value chains help small-scale producers and processors?

Value chains have great potential for small scale producers to access high

value markets. Formal market value chains are often more technically difficult than informal markets, but when producers do succeed, they offer a chance to accelerate their professionalisation and competitiveness.

How does your work improve their chances?

Of course, we all want to avoid the risks inherent in linking the weakest producers to the most demanding markets. Our work centres on

supporting companies to reach down to smaller-scale farmers and developing appropriate investment and trading structures, and on working with farmers to upgrade so as to access more challenging but more beneficial markets. This is not to say that formal markets are for all farmers.

Are some markets better than others for value chains?

Markets are different – some offer higher barriers to entry. Fresh vegetables and fruits are among the most technically demanding, but they can generate high value on small parcels of land. On the flipside, staple commodities are the often the most technically accessible markets, with high local demand, but it is difficult to realise sufficient value on small parcels of land. There is more opportunity these days to form value chain relationships with the growing tendency for more formal local and regional markets – beer production, poultry, etc.

What type of person is most likely to benefit from a value chain?

The processors and producers most likely to succeed are those with an entrepreneurial spirit, a willingness to communicate, and the farm, financial

and knowledge assets to invest in accessing these new markets.

Who is most likely to be excluded?

Those with smaller land bases, who are more remote, have fewer assets, suffer from language barriers, no irrigation and ineffective farmer organisations. Public co-investment is often needed to build the assets of the producers, address infrastructure barriers and build the capacity of the intermediary organisation that can link small producers to markets.

What are the most probable risks in value chain participation and what is the best strategy for managing them?

Risks include entering a market with few buyers, technical difficulties relating to some crops – leading to higher wastage rates – changes in markets causing buyers to withdraw, price pressures reducing profitability, farmers not realising the productivity required to be profitable and weather variability. Risk management includes formal contracts that ensure clear knowledge and terms of trade, longer-term pricing and contracting, insurance funds, irrigation to reduce weather risk, climate adaptation investments and market diversification. ■

To find out more

CTA

Making the Connection: Value Chains for Transforming Smallholder Agriculture. International conference, 6–9 November 2012 Addis Ababa, Ethiopia
<http://makingtheconnection.cta.int>

DFID

Value chains for poor wiki toolbook
<http://tinyurl.com/c4toue5>

Eat Caribbean

Communications portal designed to strengthen Caribbean agrifood value chains

www.eatcaribbean.net

eRAILS

Electronic advisory service linking farmers with experts in value chain development
<http://goo.gl/9L6nu>

GIZ

German development agency information on value chains
<http://tinyurl.com/82mjb93>

The Methodology of Value Chain Promotion
<http://tinyurl.com/7hgnlqs>

IIED

www.iied.org

Under what Conditions Are Value Chains Effective Tools for Pro-Poor Development?
<http://tinyurl.com/3d34hjz>

KIT

Royal Tropical Institute value chain portal
<http://tinyurl.com/7oab5kt>
Value Chains for Development: An Introduction to Pro-Poor Value Chain Development
<http://tinyurl.com/6n2x28y>

Linking Worlds

Online platform connecting farmers to markets
www.linkingworlds.org



4 | A FAVOURABLE ENVIRONMENT

Political will

A number of elements have contributed to the development and viability of value chains. A favourable environment will bring together policies, training suitable for all actors, targeted research and dynamic regional economic communities.



4 | A FAVOURABLE ENVIRONMENT

No consumer is going to buy agricultural products at the farm gate in ACP countries. This shows the extent to which state intervention is crucial for the development of value chains. Roads, electricity, etc. as well as infrastructures – all of which are the government’s responsibility – are absolutely essential. And these are not the only important factors. Adequate policies are also a prerequisite of value chain development. Agricultural, land tenure, trade, industrial, fiscal and monetary policies are all affected by government choices and actions, whatever the sector. The more the government extends protection – to land tenure, access to financing, etc. – and the greater its efforts to ensure transparency (of market prices) and set in place favourable economic and trade policies (stable and balanced interest and exchange rates, fiscal policies, favourable banking regulations for business and trading tax, employment legislation, implementation of contracts, etc.), the more it encourages value chain development. Government choices and options often have far-reaching consequences for the competitiveness of value chains. A recent study on cereals in Zimbabwe recommends that the government find a fair balance between protection for local industry and promotion of regional trade, for the sake of food security. ▶



SAINT-VINCENT AND THE GRENADINES

A helping hand

A community centre made available by the government of St Vincent & the Grenadines is the focal point of post harvest management activities for local dasheen (*Colocasia esculenta*) farmers. These facilities, together with support from a local farmers’ organisation, the Eastern Caribbean Trading Agriculture and Development Organisation (ECTAD), have enabled producers to add quality and value, command

higher prices and secure a reliable export market.

With the collapse of the regional banana industry, many farmers in St Vincent turned to dasheen, resulting in low prices. Looking for solutions, farmers from three of the main dasheen producing areas came together to develop the value chain, with backing from the Caribbean Farmers Network (CaFAN), which hosts ECTAD.

CaFAN provided training in the value chain approach. Farmers learned to increase spacing of plants so as to grow bigger crops. They also learned to improve packaging. CaFAN secured an arrangement with Solcaribbean, a supplier to the UK market; and local

producers, organised into clusters, have now been an integral part of the chain for the past 4 years. The farmers’ group handles all packaging and delivery and ECTAD also coordinates shipping.

Producers have secured good prices by maintaining quality standards. Dasheen that previously sold for as little as €0.18 per kg can now earn up to €1 per kg. Success has drawn other farmers to the group, which now numbers 400 producers. Plans are in hand to expand into a similar approach with sweet potatoes and ginger.



Maize at the Kibaigwa market, Tanzania's biggest maize market

► Zimbabwean producers and millers are in competition with South Africa, where access to GMOs is free. For

them, it is a form of unfair competition, since access to GMOs is strictly controlled in Zimbabwe. South African millers would therefore have access to cereals that are 47% cheaper than those available to their Zimbabwean counterparts.

Governments as drivers – and partners

In some countries, governments have taken the initiative in giving a boost to a number of value chains. A case in point is Cameroon, where, with the help of the International Trade Centre, the government has linked up with producers to give fresh impetus to the coffee sector. Once one of the country's most dynamic export sectors, coffee was experiencing serious difficulties due to unregulated liberalisation. The

goal was to create a professional and durable commodity chain that would be financially profitable for all actors, and to reposition Cameroon in the expanding global marketplace.

Public-private cooperation can be highly beneficial to value chains. In Tanzania and Uganda, for example, public, private and industrial sectors have worked together to develop Nile perch breeding. Increasingly demanding sanitary standards required by the European Union, a major importer, have posed a threat to this activity. The authorities in both countries have established quality standards and criteria, set up control systems and brought in legislation. Several ministries have worked together on the issue: Agriculture, Fisheries, Industry, Trade and the Environment. The value chain now provides a livelihood for a number of fishing communities.

More services, more values

Services such as extension, training and research are also important for the setting up and strengthening of effective value chains. Service hubs offering loans, inputs, information and market opportunities can play a significant role in creating a favourable environment, whether they are organised by the State, by cooperatives or by private enterprises, and they are likely to help improve value chain access to small-scale producers and other actors.

The International Food Policy Research Institute (IFPRI), together with a number of partner institutions from the Consultative Group on International Agricultural Research (CGIAR), have launched two projects which will explore, amongst other things, how value chains can be set up to benefit poor communities, not just in terms of revenue, but also concerning health and food. ►

Beans produced in Kenya ready for export





4 | A FAVOURABLE ENVIRONMENT

► Within the Caribbean Community (CARICOM), the Caribbean Agricultural Research and Development Institute (CARDI) is working on the value chain model – coordination between actors, added value at each stage, a market-led approach – to develop regional industry.

Regions are the spearheads

Value chain development is an important facet of NEPAD's Comprehensive Africa Agriculture Development Programme (CAADP), within Pillar II: Framework for Improving Rural Infrastructure and Trade Related Capacities for Market Access. It falls ►

FIELD REPORT



A Nekwa Makwala

A Nekwa Makwala

or fish. Training involves some practice with management so that the students can learn to work on their own. The presence of ISTACHA in Kimpese – a market town – is a valuable boost for farmers. "With this institution here, I am safe in the knowledge that I can sell my peppers," says Alain Lukebana. Like him, many farmers have found an outlet for their produce. Increasingly, consumers of products from ISTACHA are urban dwellers. "Some people only trust these products, especially

DEMOCRATIC REPUBLIC OF CONGO Training, a crucial link

Several food stores and supermarkets in Kinshasa (DRC) and the province of Bas Congo (in the south-west), sell agrifood products stamped with 'Kimpese Agrifood Information and Extension Centre (CIVAK)'. Among them is *chickwague* (cassava bread), jam and pots of chilli pepper. These well packaged products are the work of students from the Higher Institute of Applied Techniques for Agrifood Chemistry (ISTACHA), DR Congo's leading agrifood university institution, launched in 2005. In this country, where agrifood industries are in acute

short supply, a large share of common consumer products are imported at sky-high prices. But there is no shortage of raw materials. On the contrary, kilos of fruit and vegetables are left to rot, due to lack of conservation facilities.

At ISTACHA, students process products in modern workshops. "Building a collective future for food in DR Congo is possible if you create your own jobs," says Father Charles Kusita, the school's founder and director general. In this establishment, the programme puts more emphasis on practice than on theory. After 3 years of studies, the students only get their diplomas when they have set up a prosperous agrifood processing unit. They can choose between processing flour and substitutes, fruit, milk, vegetables, meat products, poultry

the *chickwague*, because they are natural and well packaged," explains a salesman for Didier Chic at Matadi, 365 km from Kinshasa. One such customer is Hérítier Lusadisú. "I have more faith in the quality of these products and I buy them to support the farmers," he says. Not content with merely developing links between producers and consumers, Charles Kusita is encouraging cooperation at national level. At the beginning of April, he received a visit from the Industry Minister who said he was impressed by the agrifood products. The agrifood sector can feed Bas-Congo and Kinshasa, with their 15 million inhabitants, claims the head of ISTACHA. "It's all a question of training, of networks and of policies," he says.

Alphonse Nekwa Makwala



► under Strategic Area C: Developing Value-Chains and Financial Services – Core Program Components.

The Economic Commission for Africa (ECA) has launched an initiative to create and promote regional value chains for strategic agricultural food products in Africa. Two regional economic communities, the Common Market for Eastern and Southern Africa (COMESA) and the Economic Community of West African States (ECOWAS), have been running a pilot project based on three products – livestock, maize and rice – since 2006. The initiative is carried out in partnership with the African Union Commission (AUC) and FAO. The



A conference speaker explains how the shea value chain works.

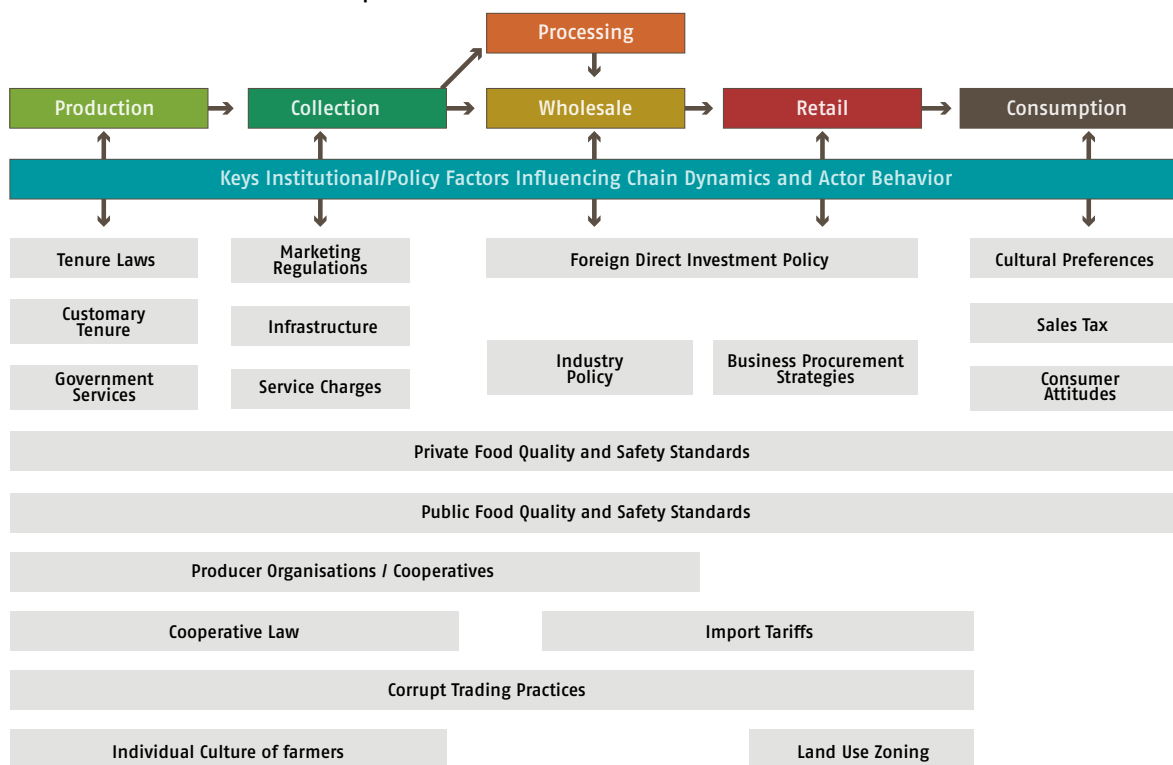
products, strengthen African capacities so that the continent becomes a major player in the global agricultural economy, limit the new trend for grabbing Africa's land and water resources, and help manage climate change.

In the Caribbean, where food security relies on imports, governments are focusing on strengthening regional agriculture through the CARICOM Regional Transformation Programme for Agriculture. Sweet potatoes, chillies and coconuts are the value chains being targeted for special attention at regional level. ■

"It's a question of finding a solution to the fragmentation of the African regional market"

involvement of other development partners and national and international research centres is facilitating the process. The aim is to find solutions for the fragmentation of the regional agricultural market in Africa, create a dynamic agrifood and agro-industrial sector so as to link farmers to both production methods and markets for agricultural

A schematic outline of a value chain and policy and institutional factors which impact on outcomes



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Dr Josué Dioné, Director, Food Security and Sustainable Development Division, UN Economic Commission for Africa (UNECA)

JOSUÉ DIONÉ

Jobs for the future

What is the role of governments and policies for value chain (VC) development?

States have to set and lead the vision. In

an increasingly globalised and competitive economic environment driven by markets, there is a need to embrace a comprehensive approach to agricultural development and transformation and to focus on the entire food and agriculture system rather than agriculture narrowly limited to farming. There must be a shift from strategies and programmes (farming, agro-industry, marketing, etc.) focusing on different stages of the value chain separately and in a piecemeal way, to an integrated approach to developing all stages of the full value chains.

States have the responsibility to create a conducive institutional and regulatory environment for investment and provide for the necessary public goods and services (especially R&D, infrastructure, trade facilitation, etc.) to stimulate private-sector investment and ensure its profitability.

Policies should aim at removing all barriers to investment and to trade. Policies should also create incentives for investment in increasing efficiency at all stages of the value chain. Of particular importance in this regard are investment codes, fiscal policies, land policies, etc. that provide for the security and profitability of private investment.

What is the importance of regional integration for value chain development?

One of the main constraints to the development of agribusiness and industry

on the continent is the extreme level of fragmentation of the markets. Regional integration should address market fragmentation (among 54 countries and more than a dozen sub-regional groupings) with a view to realising intra-African trade potential in food.

First, regional integration should allow the realisation of economies of complementarity among the different sub-regions, especially through regional cooperation to develop strategic food and agricultural commodity belts (e.g. maize, rice, dairy, livestock/meat, etc.) based on agro-ecological comparative advantages.

Second, regional integration should help realise economies of scale at all stages of the value chains, especially the agro-industry and agribusiness stages which often require a minimum scale to be viable and profitable.

Third, regional integration would also result in economies of vertical coordination, by reducing transaction costs among key actors of the productive and services sectors involved in value chains.

Fourth, linking up the farm to the market at both national and regional levels can also be a source of significant job creation and income generation.

What is the role of public authorities to promote inclusiveness, and the participation of small producers in agricultural value chains?

It is obvious that all the actors of the VC do not have the same negotiation and operative power. Helping small farmers get involved in VCs implies facilitating and supporting farmers' organisation and cooperatives to enhance their capacity to participate. It also calls for ensuring that smallholders have secured access to productive assets (especially land) and for facilitating smallholders' access to a

reliable and affordable supply of inputs. Africa has experienced over the last few years increasing foreign direct investment (FDI) in agricultural land which, in itself, is good provided it brings significant and effective investment in African agriculture.

However, many cases of large-scale acquisitions of land through these FDI deals have led the concerned local communities and small farmers who have not been involved or consulted being deprived of rights and assets. It is also important to promote and enforce innovative contractual arrangements (such as contract farming, outgrower schemes and commodity exchanges) to help integrate smallholder farmers in VC development by linking them to agribusiness enterprises.

What is the role of UNECA for VC development?

Since 2003, UNECA has successfully supported the African Union Commission in advocating for and helping operationalise regionally-coordinated VC development for strategic food and agricultural commodities within the framework of the NEPAD Comprehensive Africa Agriculture Development Programme (CAADP). We are now working in a broadening multi-institutional partnership with COMESA and ECOWAS (including FAO, CTA and strong interest from UNCTAD and UNIDO) to operationalise this shift in paradigm through an integrated approach from farming to market for developing the value chains of maize, rice and livestock products. Learning from the experience of these pilot efforts, we plan to extend this work to other strategic food and agricultural commodities and sub-regions of Africa. ■



FIJI

Private sector meets public sector

Situated thousands of kilometres from target markets, transport costs and logistics have proved a significant hurdle for Fiji's burgeoning papaya industry. But a public-private partnership has found a way of almost halving freight costs – and doubling exports.

Like all Pacific Island countries, Fiji's remote location is a major drawback when it comes to exports, with transport costs posing a significant market barrier. To counter this, and other challenges facing Fiji's papaya sector, a cooperative is spearheading a dynamic public-private initiative aimed at improving the value chain, reducing costs and ensuring a high quality product is delivered to the market.

The development of the Fiji Papaya Fresh export industry, badly needed in the wake of the demise of the sugar industry, has been driven by Nature's Way Cooperative (Fiji) Ltd. (NWC). This industry-owned cooperative, formed in 1995 to undertake mandatory quarantine treatment of fruit fly host products, is now a thriving agribusiness providing packaging, marketing and technical services to growers. The company has more than 140 shareholders, most of them small farmers.

Fiji's papaya exports began in 1996 with just 33 tonnes exported to New Zealand. Over the past 15 years the industry has grown and it now exports around 800 tonnes annually to four major overseas markets – Australia, Hong Kong, Japan and New Zealand.

NWC has made a point of working in partnership with the public and private sectors to achieve results. Papaya now has a complex but thriving value chain, involving a large number of actors, with public involvement, especially on the research and quarantine inspection side, and private involvement at almost every stage in the chain. To develop

the papaya chain further, and iron out some of the remaining problems, the industry teamed up with the public sector in 2009 to launch the Fiji Papaya Project, led by NWC, with core funding from the Australian Centre for International Agricultural Research (ACIAR).

Soaring costs

A major challenge over the past 3 years has been rising costs. Exporters have had to deal with increasing freight charges, soaring electricity prices, an almost 30% increase in quarantine treatment and packing rates, and a 25% increase in biosecurity charges. The project is working to alleviate the economic pressure by using sea freight for transport and newspaper as a packing material instead of foam, for potential savings of 80%.

For years papaya growers in Fiji relied on the aeroplanes that brought tourists to the islands to freight produce to buyers, but costs were exorbitant. In 2011, a decision to trial a sea freight option to New Zealand found that transportation costs could be reduced by nearly 60%. For the shipping trial, the project accessed international expertise through partnerships with research organisations and industry. Prime issues were how best to stall ripening during the longer sea route and the need for cartons that protect the fruit while promoting cooling. Partners included the Secretariat of the Pacific Community, the Queensland Department of Employment, Economic Development and Innovation,

NWC and Fiji-based agribusiness firm Koko Siga Fiji.

Testing the market

Fiji papaya producing and exporting company Produce Specialities Ltd. was selected as the exporter for the sea freight trial and contributed fruit, cartons and packing material for the 6.5-tonne trial shipment. The Fiji Papaya Project covered freight costs and provided technical support and monitoring equipment. "Aside from the technical treatments, the trial also let us test market uptake of Fijian papaya," said Kyle Stice, a tropical horticulturist and value chain specialist who coordinated the project. "Up to this stage, Fiji had air-freighted about 700 cartons per week to New Zealand. But with sea-freight it was 1,300 cartons in a single week." The trial proved a commercial success. In New Zealand, the project worked closely with the importer, Fresh Direct, which ran in-store promotions for Fijian papayas and sold the entire trial container in one week. The Fiji Papaya Project is now working with local carton manufacturers on the design of a more appropriate sea freight carton that allows for cooling in transit and ripening once the fruit is at its destination.

"This successful private-public partnership could serve as a model for other fruits and vegetables and help to raise standards and expectations across the board," said Dr Richard Markham of ACIAR.

Dionisia Tabureguci



INTERVIEW



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Patrick Ravoararison is director general of the Madagascar Office of Standards (BNM). The BNM is a member of the International Organization for Standardization (ISO) and a permanent member of the African Organisation for Standardisation (ARSO).

Standards, the key to new markets

In 2007, the Madagascar Office of Standards (BNM) upgraded standards for Malagasy export products, using a 'client approach'. The goal: improved capabilities for meeting consumer requirements.

What are the goals of the Madagascar Office of Standards (BNM)?
The Madagascar Office of Standards, which

was launched in 1999 and is hosted by the Ministry of Trade, has the task of implementing national policies on standards, certification and quality. It serves as the guarantor for product quality, and is also the channel for the voluntary application of standards by different actors.

In 2007, Madagascar decided to upgrade its standards with support from the EU so as to promote the export of cash crops such as lychees, coffee, cloves, cocoa, pepper and vanilla. The idea has been to focus on the client approach in order to promote the country's trade policy. There is one key reason for this: in 1988, the liberalisation of the economy disrupted the country's trade regime, which was

the result of 20 years of state intervention and the effects of the grip of the Socialist revolution. Everyone has jumped on the bandwagon, without the slightest respect for product quality, and less still for standards. Exports have suffered as a result: tonnes of containers of products have been refused by European, American and Canadian importers. I remember seeing badly packaged lychees rotting at the port and metal fragments were discovered among vanilla pods. Madagascar nearly lost its place as the global leader for vanilla production. Previously, documents on standards dealt mainly with the packaging of products, rather than the quality. Today, things are far stricter, and the test laboratories (the Pasteur Institute of Madagascar and the Horticultural Technical Centre of Toamasina, etc.) carry out regular checks.

How has the BNM contributed to value chain development and export promotion?

It is important that stakeholders agree to standards and accept them. To ensure that norms are respected, the BNM created a technical standards committee for each product, made up of stakeholders at all levels: producers, consumers, the economic, scientific and public sectors. We also train stakeholders in standards. In order to boost exports, the bureau wants to promote niche markets: developing brands, so as to stand out

in the market (cocoa, coffee, vanilla, etc.). There was a time when farmers would cut their coffee to grow maize or rice. It is up to the BNM to encourage them and persuade them that it is worth growing cash crops, if they comply with standards. In Madagascar, the ECOCERT group – a private control body that also handles organic certification – provides certification for the European market. There are a number of farmers in the country whose products – especially cocoa, coffee, spices and essential oils like ylang ylang – have organic certification.

What are the main constraints that you encounter at the BNM and how do you deal with them?

In Madagascar, we don't have a culture of standards and quality. That may be because the country has gone through 20 years of Socialist revolution and state intervention. The state system has made people less responsible. The important thing is that all the stakeholders involved become aware of the issues, especially the government. Madagascar needs infrastructures and a favourable environment in terms of legislation, transparency and good governance. Then, it's up to the producers to play the game, since applying these requirements is not obligatory for the time being. It's a question of whether or not they want to upgrade the quality of their products and develop exports.

Interview by Mamy Andriatiana

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FAO

Value Chain Training
<http://tinyurl.com/c7zslvh>

IFPRI

<http://tinyurl.com/chndawr>

ILO

Value Chain Development for Decent Work: A Guide for Development Practitioners, Government and Private Sector Initiatives
<http://tinyurl.com/cpdrbkq>

NEPAD

www.nepad-caadp.net

OECD

Aid for Trade
<http://tinyurl.com/ce9kx4b>

SOS Faim

The Role of Harbu Microfinance in the Development of the Soybean Value-Chain (Oromia Region, Ethiopia).
Zoom microfinance, issue 33, September 2011.
<http://tinyurl.com/csvady7>

UNECA

Report on The Development and Promotion of Regional Strategic Food and Agricultural Commodities Value Chains in Africa
<http://tinyurl.com/bor5zgy>

UNIDO

'Upgrading Value Chains' by Stefano Ponte in *Agribusiness for Africa's Prosperity* K K Yumkella, P M Kormawa, T M Roepstorff, A M Hawkins.
pp. 87 to 134
<http://tinyurl.com/3uly4dd>



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