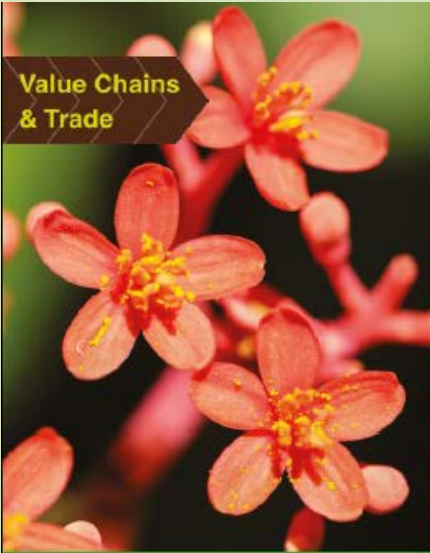


Value Chains
& Trade



**INCLUDING SMALL-SCALE
FARMERS IN PROFITABLE
VALUE CHAINS**



Factors influencing successful inclusion of small farmers in modern value chains in ACP countries

by

Andrew W. Shepherd



The Case Studies





**L'inclusion des agriculteurs dans les chaines de valeur
Jatropha et les facteurs de succes de leur développement
au Mali et au Burkina Faso**

***Stéphane de Noray, Célia Coronel and Laure Steer,
together with Moussa Yacouba Maïga and Minata
Coulibaly***

Jatropha in the Sahel

- The *Institut de recherches et d'application des méthodes de développement* (IRAM) and *JatroREF* looked at efforts by around 15 different projects to develop smallholder value chains for jatropha in Burkina Faso and Mali.
- Early promotional efforts were often based on assumption of export potential but this was found to be uneconomic.
- Emphasis moved to using the crop for vegetable oil fuel (l'huile végétale pure, or HVP), which can be used as a substitute for diesel.



Case study on factors determining the successful inclusion of smallholders in the Cashew value chain in Benin under the PEPSICA project

by Patrice Ygué Adegbola

Cashew in Benin

- Self Help Africa studied the PEPSICO Initiative for Cashew in Africa (PEPSICA), which received funding from PEPSICO.
- Cashew processing facilities had not been working to capacity because many of the nuts were being exported raw.
- The project worked with one processing company, Tolaro Global, and with the African Cashew Alliance to increase the production of 1,200 farmers and to link them more effectively with Tolaro Global.



Etude des facteurs de succès dans l'intégration des petits producteurs au sein de la filière litchi à Madagascar : le cas de la coopérative Fanohana

by
Adrien Brondel



litchi in Madagascar

- *Agronomes et vétérinaires sans frontières (AVSF)* prepared a study of the Madagascar litchi industry.
- Specifically addressed the Fanohana cooperative, which had succeeded in developing a profitable fair-trade market for its members.
- This was achieved in spite of the fact that, nationally, the litchi industry was providing poor returns for farmers.

Small farmers and large processors: challenges to vertical coordination in Ugandan oilseeds



SNV

by Els Lecoutere, Bill Vorley, Sarah Mubiru, Bernard Conilh de Beyssac and Jan Ubels

iied International Institute
for Environment
and Development

Oilseeds in Uganda

- The *Netherlands Development Organisation (SNV)*, in partnership with the *International Institute for Environment and Development (IIED)*, prepared a paper on linkages between farmers and the country's largest oilseed processor, Mukwano.
- Primarily addressed sunflower development in areas of the country recovering from rebel activities in the '80s and '90s.
- Study described the business model adopted by Mukwano, in which farmers were supported with provision of specific seeds, technical assistance and guaranteed markets.
- Support provided by government programmes, IFAD, and agencies such as SNV.



Research into factors influencing successful inclusion of smallholder farmers in pig, banana and fish value chains in Uganda

Charles Ntale, Ndahura Sulaiman, Firminus Mugumya, Etwoma Alfred, Jo Cadilhon and Emily Ouma

Pigs, bananas and aquaculture in Uganda

- Study by *Shoreline Services*, in association with the *International Livestock Research Institute (ILRI)*.
- Based on interviews with 300 farmers working in value chains for cooking bananas, pigs and fish from aquaculture.
- Case study concentrated on identifying the factors influencing the successful inclusion of smallholders in those value chains

Mobiliser les services nutritionnels pour renforcer l'agriculture contractuelle



Fourniture de *cakry* fortifié aux éleveurs fournisseurs de la Laiterie du Berger dans le département de Dagana

by Marjolaine Blanc



Nutrition and dairy in Senegal

- A study carried out in Senegal by the *Groupe de recherches et d'échanges technologiques (GRET)*, the *International Food Policy Research Institute (IFPRI)* and *Jokkolabs* looked at the interaction between a dairy value chain and nutrition in Senegal.
- Reviewed a pilot project to assess the impact of providing *cakry* (a traditional dairy product of Senegal), which had been fortified with iron, to families who supplied milk to the Laiterie du Berger (LdB) dairy.
- Aimed to use LdB's value chain to improve nutrition while increasing deliveries of milk to that dairy.

The role of donors and NGOs in the cases studied

- Inevitably, the cases studied benefited from considerable external support, such as:
 - Group formation (Benin, Uganda)
 - Capacity building (all)
 - Linkage development and communication enhancement (all)
 - Market identification and linkages (Madagascar)
- However, there may be a reluctance by private sector to take over such activities and costs at end of project (Uganda)

The “inclusive value chain” concept

- CTA Call for Proposals considered ‘inclusive value chains’ to be those that obtain supply from smaller farmers, including those actively involving small and medium-sized enterprises.
- Definition of ‘inclusion’ usually refers to poverty rather than to size. However, the definition of ‘poor’ is often imprecise.
- GIZ (2012) defines inclusive business as any business that interacts with smallholders.

The “inclusive value chain” concept (2)

- SNV study (2012) defines an inclusive business as a socially responsible entrepreneurial initiative, which integrates low-income communities in its value chain for the mutual benefit of both the company and the community.
- Haggblade *et al.* (2012) see inclusiveness as a response to chains that provide opportunities for some smallholders, but expose others to threats due to inability to meet market requirements.

The “inclusive value chain” concept (3)

- Harper, Belt and Roy (2015) aim to show that it is possible and profitable for businesses to build and maintain such value inclusive chains without hampering competitiveness.
- 2013 FAO workshop considered that inclusive businesses should be accessible to farmers with fewer assets, follow trading practices that provide benefits for smallholders, shared risks and access to services and finance, build capacity of farmers and farmer groups and use transparent platforms to identify and solve problems.

Richer farmers are still the main beneficiaries of “inclusion”

- Companies want to make a profit!
- Location and scale economies
- Education and farmer skills
- Capacity to meet certification requirements
- Land size and quality, water and other agro-environmental features
- Capital and willingness to accept risk

Factors leading to success with inclusion

- Provision of inputs and technical support
- Appropriate methods of delivering training
- Guaranteed purchase and price as long as crop meets quality requirements
- Good planning and logistics
- Timely payments and clear understanding of price calculation and production and quality requirements
- Clear contracts
- Few competing buyers
- NGO support.

Implications for those developing inclusive value chains

- Ensure farmers will be better off with no greater risk
- Ensure that new products fit in with the farming system
- Understand the socio-economic structure
- Ensure that farmers do have potential to take advantage of opportunities presented
- Ensure that farmers understand and support buyer's requirements for cultivation, input use, harvesting and delivery
- Ensure that all farmers understand and endorse agreements
- Aim to identify markets offering higher returns

Implications for those developing inclusive value chains (2)

- Ensure a full understanding of quality requirements and pricing arrangements
- Maximise consultation on contractual terms, the parties' obligations, logistics, etc.
- Develop contractual and other mechanisms to avoid side-selling (e.g. ensure timely payment)
- Work with local authorities
- Encourage development of industry associations.



Agricultural risks

- Agriculture is always a risky business, whether or not farmers are involved in inclusive chains. Risks identified by case studies included:
 - Pests and diseases
 - Soil exhaustion
 - Other production risks
 - Weather and climate change
 - Praedial larceny and other malicious activities
 - Damage from roaming animals
 - Marketing and price risks
 - Post-harvest and processing problems

Inclusive chains can both increase and reduce risks

- **Additional risks**

- Yields fail to meet expectations
- Buyers fail to honour commitments regarding input supply, service provision, product purchase or payment
- Labour constraints for new crops
- Monocropping and impact on food production

- **Reducing risks**

- Possibility of risk-sharing mechanisms
- Addresses risk of being unable to obtain credit or inputs
- More reliable market outlets
- Encouragement of diversification

Gender considerations

- Case studies verified previous evidence of potential problems with value chain development:
 - Payment and training to men when women do the work (Senegal dairy; Benin cashew; Mali jatropha)
 - Women lack land rights (Benin cashew)
 - Possible consequences for food production (Uganda oilseeds)
 - Additional workload for women



Implications of gender issues for inclusive chain developers

- Maximise consultation and information sharing with both women and men throughout the contract
- Assess possible family food implications and discuss these with farmers
- Assess workload implications of new value chain activities for both women and men. Is hired labour available and do farmers have cash flow to pay labourers?
- Where culturally acceptable, ensure that contracts are signed by and payment made to the family members who do the work
- Identify income-earning or food production opportunities for women (Benin Cashew)

The role of cooperatives, producer organisations, farmer groups, etc.

- Can facilitate greater inclusion
- Can play the lead role in developing and supplying markets (Madagascar)
- Or, can play service delivery, aggregation and logistics role (Benin, Uganda, Mali), working with commercial buyers
- Potential to develop fair trade markets and facilitate certification (Madagascar)

Approaches to working with farmer organisations



- Ensure that producer organisations are financially sound and able to finance their activities
- Develop a detailed business plan to ensure sustainability
- Encourage organisations to have professional management. This requires sufficient scale to make employment of managers viable.

Alternatives to working with farmer organisations

- Some companies prefer to work with farmers individually
- Willingness to experiment required, without jeopardising farmer livelihoods
- Uganda oilseeds study considered that agencies needed to critically reflect on advantages of producer organisations
- Don't ignore the “evil middleman”

Alternatives to including farmer organisations (2)

Depending on the product, traditional traders have numerous strengths:

- Transport capacity and willingness to go to remote areas
- Willingness to buy small quantities and (usually) pay cash
- Access to a variety of markets
- Year-round activities
- Trust-based relationships
- Some limited extension capacity



The importance of finance

- Finance required both to fund inputs for farmers and to ensure timely payments
- Farmers must not become too indebted. LdB in Senegal had to forgive debts incurred from supplying fodder
- Cashew farmers in Benin faced cash flow problems that led them to sell to other buyers. The processor resolved this by making advance payments to farmer groups.
- Advance payment also reported by fish farmers in Uganda.
- Very limited pre-financing reported by the jatropha sector but this ended when processor was, in turn, unable to get bank financing.

The importance of finance (2)

- Few farmer organisations have sufficient capital to pay farmers before they themselves are paid by buyers
- In Madagascar, pre-financing to the cooperative was made available by fair-trade importer, a French “solidarity” bank and the local processor. Sales contracts were used as loan guarantees

In conclusion...

- “Inclusion” of all farmers is unrealistic given location, assets, natural resources, skills and aversion to risk, together with requirements of companies to make a profit
- Successful chain development thus requires a full assessment of socio-economic factors, including gender issues
- Farmer organisations can play an important role but their weaknesses need to be recognised and alternatives explored
- Value chain linkages cannot maximise benefit for farmers if the buyers (and suppliers of inputs) face credit constraints. Value chain finance is an essential issue to address
- Donors and NGOs often give insufficient attention to sustainability.

Thank you!

<https://publications.cta.int/en/publications/publication/1942/>

Andrew W. Shepherd

Agricmarketing@gmail.com

CTA Contact:

Vincent Fautrel

Fautrel@cta.int

