Reviews and resources

Chain Empowerment: Supporting African Farmers to Develop Markets

Royal Tropical Institute (KIT); Faida Market Link; and International Institute of Rural Reconstruction (IIRR)
2006, Amsterdam, Arusha and Nairobi; 211pp. ISBN: 9966-754-00-8

Globalization has dramatically changed how products are sourced and to whom they are sold. African farmers are at a disadvantage with their lack of information regarding standards and markets as well as their lack of capital, skills and assured quality and consistency of their product. In order for smallholder farmers to take advantage of the opportunities provided by market liberalization and the global arm of retailers for sourcing, they must be competitive. This book entitled *Chain Empowerment*, with the sub-title *Supporting African Farmers to Develop Markets* describes how 'intermediary organizations can work with farmers' groups and other actors to convert supply chains into value chains'.

From the experience of the authors, farmers usually participate in supply chains where they sell directly to a buyer for the best price they can get, which is usually a low price to the farm-gate trader. Whereas if a farmer participates in a value chain each of the actors in the chain usually invest in their chain activity to improve competitiveness and support other actors in the chain to ensure that the chain is more efficient. Developing value chains with a pro-poor focus can improve the livelihoods of farmers. The intended audience is the wide range of actors and organizations who are working with farmers to alleviate poverty: extension workers, NGOs, training institutions, ministries of agriculture, private sector actors, research organizations and policy makers at the multinational level.

This book draws upon the lessons learned and innovations from 38 organizations that have extensive experience in assisting farmers to develop links with higher value markets. These representatives spent six days together in a 'writeshop' to share their case studies, which described how a group of farmers, with the assistance of an intermediary organization, developed a value chain or strengthened their position in one. Through peer review, their case studies were allocated to one of four typologies that defined the ways in which the farmers participated in the

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chain – as 'chain actor', 'chain activity integrator', 'chain partner' or 'chain co-owner'.

Chapter 1 describes the process of how the book was compiled. Chapter 2 describes the value chain and articulates the difference between a supply chain and value chain. Chapters 3 to 6 present case studies that illustrate each of the typologies that describe what position the farmers hold in the chain. There are 19 case studies presented throughout these chapters, each with a description of the chain, the intervention, lessons learned, challenges and future possibilities. Chapter 7 pulls it all together by articulating what each typology represents, refers to case studies that reflect the typology, how to monitor the progress of an intervention that is attempting to assist farmers to have more power in the chain, and the skills and assets farmers need to participate as a 'chain actor', 'chain partner', 'chain activity integrator' or as a 'co-owner' of the chain. The final chapter elaborates how to facilitate the process of improving the participation of farmers in value chains.

The value chain approach is a means to identify end market possibilities, how the interfirm relations prohibit or facilitate the involvement of the poor, the informal and formal rules that regulate the chain and the upgrading needs of firms to improve the efficiency of the chain. This approach is a means to analyse ALL actors' roles in the chain and how each of the actors influences the chain. Opportunities and constraints can then be identified, which interventions then address.

The typology classifications are intended to assist readers to be farmer centred in their interventions in order to promote pro-poor value chains. What the typology classifications do is change the value chain lexicon in an attempt to reach their intended readership. By focusing on one set of actors, the farmers, readers could be convinced of only focusing on the farmers and not analysing the entire value chain. The value chain approach is intended to address the entire value chain, which is a market system. The typologies disregard the power dynamics between farmers and the other actors along the chain and assume that with supports farmers can achieve a level playing field. To illustrate this let's look at three of the typology classifications.

'Chain activity integrator' is a description of farmers as value chain actors who through an intervention upgrade their function in the chain and vertically integrate several transformative activities. In value chain lexicon this is functional upgrading and vertical integration. When a firm enters into a new level of the value chain they change their function, and by so doing eliminate other actors such as intermediaries. This usually includes product upgrading – where the product quality is improved, and process upgrading, which reduces transaction and production costs.

'Chain partner' refers to farmers positioning themselves to be 'business partners' with the buyers so that the 'buyer will be willing to pay better prices, listen to their demands, and invest in them'. An intervention then would focus on developing the management capabilities and technical skills of farmers within an association who then bring their product, skills and knowledge to the table and the buyer brings capital and market information. Both parties then negotiate and listen to each other. This does not acknowledge unequal power relations. In value chain lexicon this typology classification reflects improving interfirm linkages. By strengthening the horizontal linkages there is more leverage to negotiate with vertical links.

'Chain co-owner' refers to when farmers are well organized and insert themselves in the chain and have contact with end consumers who communicate directly to the farmers what they want. The authors do acknowledge that it may be difficult for African farmers' groups to communicate directly with European consumers, but they can communicate with importers. Yet even with importers, would farmers be 'co-owners' of the chain? Pretending that interventions can lead to farmers being 'co-owners' of the chain disregards any of the literature regarding governance of value chains and assumes that a level playing field can be attained despite the evidence that real markets do not operate in this reality. In value chain lexicon this type of intervention would be responding to improving vertical linkages and channel upgrading, which is shifting to a new end market of higher value.

The strength of the book lies in the case studies that illustrate various innovations of connecting farmers to markets. There are examples of lead firms providing technical assistance to farmers to grow high-value products, and of strengthening farmers' associations, which enables them to have a stronger negotiating capacity with buyers.

Organizations and institutions attempting to support pro-poor value chain development are in need of a road map that illustrates how to achieve this. It seems that the three institutions that published the outcome of the 'writeshop' are attempting to create a framework that brands their institutional preference for working with farmers. For the field as a whole, this new perspective can lead new comers to the field to believe that the chain evolves solely around the farmers. It is a delicate balance for the field to ensure that the marginalized are included, yet at the same time, inclusion and benefiting from economic growth requires a broader analysis of how value chains operate and a grounding in real markets where the power dynamics of vertical and horizontal linkages affect the participation of the poor.

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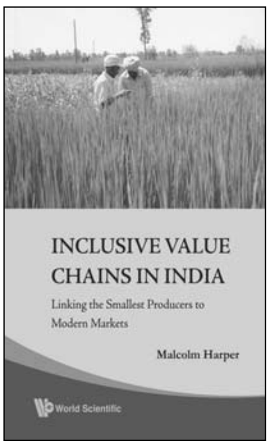

Inclusive Value Chains in India: Linking the smallest producers to modern markets
Edited by Malcolm Harper
2008, World Scientific Publishing, 9 789812 837974, 595pp, Rs595

'The bottom line...is that the smallest marginal producers can be included in modern value chains, if the main participants can mobilize the necessary infrastructure and expertise, and, above all, the will to succeed.' (Barua, Case Study No. 8) Indeed, this wonderful collection of 14 case studies from all over the Indian subcontinent illustrates that small producers have the capacity and drive to participate in building effective value chains if they have the right opportunities. The questions are no longer 'Can small producers contribute to modernizing value chains?' or 'Is it possible for small producers to be competitive in a global economy?' but 'What are the optimal contributions of small producers (so they are not eliminated by competition)?' and 'How can economic integration of small producers be achieved?'

The case studies cover agricultural value chains – fruits and vegetables, commodities, and other miscellaneous sub-sectors – as well as two non-agricultural industries – incense and leather shoes. Further, the models for the structure and functioning of the inclusive value chains described here range from purely commercial through social enterprise and programme facilitation. As Harper observes in the insightful concluding chapter, the value chains developed by for-profit entities grew faster and became larger than their not-for-profit counterparts; not surprising that a commercial entity would be better able to respond to market demand. Most of the value chains, regardless of how launched and managed, centre around a lead firm model – an upstream exporter or consolidator who provides the leadership for the development of the market channel.

Each case offers learning on not only the potential for success, but the challenges that are inherent in working with a broad foundation of traditional or new producers with the aim of building a competitive value chain in a globalized economy: capacity-building, supplies of suitable inputs, access to market nodes or collection points, appropriate technologies, reasonable financial products, business relationships, risk mitigation strategies for disease, weather, price fluctuations and changing market dynamics. The case studies offer analysis of how such challenges can be overcome. One firm, Agrocel (Case Study No. 7) was formed 20 years ago to specifically address these barriers through the profitable delivery of input supplies, support services and market linkages – and today has 18 centres serving 25,000 farmers.

As these cases illustrate, the greatest opportunity for small-scale operators lies in labour-intensive products that have the best results in distributed situations. For example, certain disease-prone crops and livestock realize better yields on a consistent basis when they receive focused attention on separated holdings. Competitive assets of small – often household-level – operations are the low cost of labour, ownership of outcomes and return on investment expectations. Harper discusses the labour issue in his somewhat polemic introductory chapter – underlining the ability of small-scale producers to keep costs low. It should be further noted, that in order for these operations to be successful, the income expectations have to be reasonable (competitive) and the need to succeed must drive all activities. The Falcon Marine's shrimp farming case (Case Study No.9) shows that a business opportunity can run amok if staff do not 'own' the outcome, and if fast profits are the main incentive.

A brief review cannot do justice to the richness of the case studies collected here. Congratulations are due to the editor and the various authors for bringing this volume forward. It proves the usefulness of the value chain approach in general, and offers both evidence and optimism that 'A large company and unorganized producers can work together to transform the landscape of a particular sector, and to create an inclusive win–win situation for major stakeholders in the value chain' (ITC Ltd, Case Study No. 13).

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