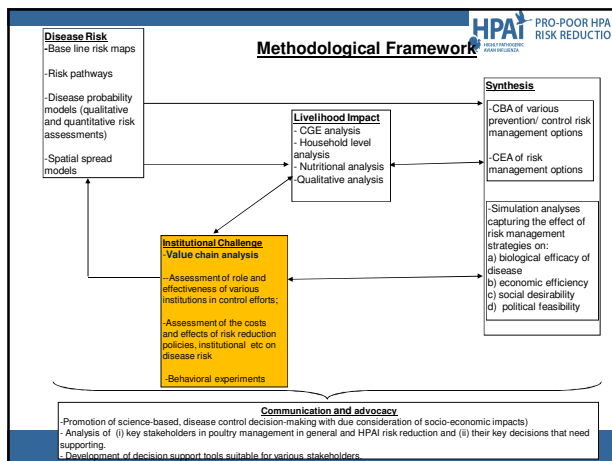


**PRO-POOR HPAI RISK REDUCTION**  
 Controlling Avian Flu and Protecting People's Livelihoods in the Mekong Region, Africa and Indonesia  
  

## Value Chain Analysis: Key Concepts and Ideas

  
  
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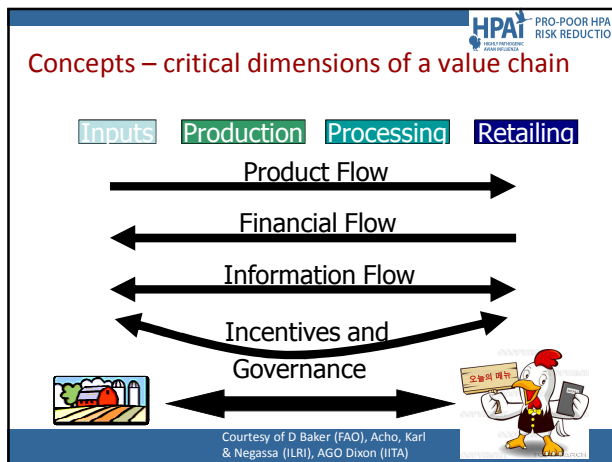
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**PRO-POOR HPAI RISK REDUCTION**  
**Value chain analysis**

- Value chain analysis is an analytical tool that helps to understand the way in which firms (large and small) are integrated and linked in the value chain. The value chain describes a full range of activities which are required to bring a product or service from the time the product is only an idea to the time when it is produced, processed, delivered to final consumers, and disposed of after use (Kaplinsky and Morris 2000).

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**Key issues in value chain (concepts) analysis**

- Issue 1: Mapping the value chain
- Issue 2: Governance in the value chain
- Issue 3: Identify opportunities for *upgrading* in the value chain
- Issue 4: Distributional issues

Courtesy of D Baker (FAO), Acho, Karl & Negassa (ILRI), AGO Dixon (IITA)

**PRO-POOR HPAI RISK REDUCTION**  
**Issue 1 : Mapping the value chain**

- **Idea:** identify actors, assess the characteristics of actors, profit, and cost structures; flows of products throughout the chain, employment characteristics; and the destination and volumes of domestic and foreign sales
- **Key constructs:** barriers to entry in the chain; economic rents; typologies of chain actors based on income; multiplicity of different chains based on relationships, etc.

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## Issue 2: Governance in the value chain



**Idea:** identify the structure of relationships and coordination mechanisms that exist between actors in the value-chain.

- **Key constructs:**
  - Who decides what is produced (buyer vs. producer chains)
  - How the rules of trade are determined
  - The nature of relationships between the participants
  - Coordination mechanisms (contracts, market sales, etc)
  - The extent of chain “power,” based on the relative size of a particular actor, share of chain profits, or control over a key technology

Courtesy of D Baker (FAO), Acho, Karl & Negassa (ILRI), AGO Dixon

## Issue 3: Identify opportunities for upgrading in the value chain



- **Idea:** What are the prospects for adding value for specific actors in the chain? (innovation and value creation)

- **Key constructs:**
  - **Process upgrading:** improving efficiency through new processes
  - **Product upgrading:** introducing higher-value products
  - **Functional upgrading:** changing the mix of products or activities within a firm to add value
  - **Chain upgrading:** moving into new chains altogether

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## Issue 4: Distributional issues



- **Idea:** Who gains and who loses in value chains? How is value-added distributed among chain participants?

- **Key constructs:** Analysis of margins and value-added, identification of ways to improve shares
- What was the general perception of the impact on AI on different stakeholders in the poultry value chain, including the impact on prices, volumes sold, etc. of competing value chains (e.g., poultry), and on consumers?

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## How a value chain approach helps



- Effective in tracing product flows, showing the value adding stages, identifying key actors and the relationships with other actors in the chain
- Helps to identify all the enterprises that contribute to the production of a good or service and shows what institutions are needed to support the enterprises

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## How a value chain approach helps



- Helps to identify all the enterprises that contribute to the production of a good or service and shows what institutions are needed to support the enterprises
- Helps policymakers and entrepreneurs find out which parts of the chain are holding up progress – which bottlenecks deserve priority attention

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## How a value chain approach helps



- Identifies strategies to help local enterprises compete and to improve earning opportunities
- Helps to identify and select relevant stakeholders for programme planning and provides a framework for sector-specific action
- Helps develop and strengthen effective disease prevention and control policies and interventions

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### Five Typical Action Areas in a Value Chain

- Selection of sector and value chains
- Value chain mapping
- Consultation with lead firms and other chain participants
- Participatory value chain analysis
- Stakeholder validation and planning workshops

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### Mapping the Chain

- In most cases there are several maps
  - Initial map (straw dog map?)
  - Refining the map
  - Detailed maps
- Researchers need to make decisions on what to map in charting a path through complex value chains

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### Mapping the Chain

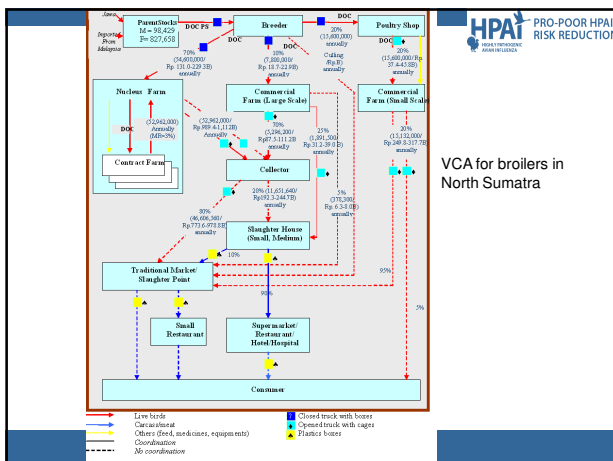
- Drawing the first maps and identifying risk factors
  - In most cases there are several maps; Researchers need to make decisions on what to map in charting a path through complex value chains
- Collecting data
- Describing the industry structure, refining and completing the maps
- Conducting analyses (qualitative and quantitative)

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### Value of Mapping

- Gives a visual representation of the basic relationships between value chain actors, and the flow of goods from raw material supply to the end consumer market
- Helps to get a grasp of complicated realities
- Helps to identify bottlenecks and control points
- Helps to address disease (HPAI) policy issues
- Can start with a generic qualitative VC analysis
  - identify structure of flows, markets, networks, and relative importance/interactions between sectors 1-4

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### Major VCA activities linked to Risk Assessment and CBA

- Map the value chain for poultry and poultry products including their formal and informal trade routes
- Identify risk factors, potential transmission mechanisms and entry points for mitigating HPAI risk
- Assessment of the market interactions, linkages, and incentives in poultry markets with potential economic/public health effects
- Estimate the cost of control and prevention measures used by key actors to mitigate the risk of HPAI (for example, cost of biosecurity measures).

### Expected outputs of VCA

- Simple budgeting-type excel models of costs and margins at each stage of the chain
- VC map that characterizes the structure of the value chain
  - relative importance of specific flows (including trade flows), different actors, and linkages
  - Disease transmission mechanisms
  - Possible entry points for intervention in the value chain
- Final Report

### Timelines?

- Identify/finalize teams
- Finalize TORs
- Refine instruments for data collection
- Qualitative data collection and analysis
- Report writing