

The role of small scale producers' organizations to address market access

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Introduction:

Marketing through rural producers' organisations can be a means to overcome the constraints faced by individual small scale farmers. Farming systems around the world are very diverse, yet dominated by small-scale family farming. About 75% of the 1,300 billion people working in the farming sector worldwide (3 billions with their families) still practice a manual agriculture. Half of them do not use any inputs (fertilizers, seeds, etc) because they lack the means (Mazoyer and Roudart, 2002). Only 2 % of world farmers have a tractor and produce more than 1,000 tons/worker/year; 66 % of the world farmers produce less than 10 tons of grains equivalent/worker/year (Mazoyer, 2001). In addition to the generally low incomes and lack of capital of farmers, marketing agricultural products, especially from rural areas, tends to be hampered by market imperfections, such as imperfect information reinforced by the geographic dispersion of agents and by poor infrastructure and communications. These characteristics are particularly vivid with the withdrawal of the State from productive and economic functions when the private sector is still under developed. Collective action can therefore be a way in which to address these obstacles and mitigate transaction costs. In the context of globalization, characterised by more instability and competition, small scale farmers are confronted with an increased need to enhance their competitiveness, and hence their productivity and ability to take advantage of economies of scale. Organization can enable them to do this.

New constraints are also arising for small scale farmers from the rapid changes in the organization of marketing channels in the developing world. Public marketing boards are dismantled, wholesale markets are losing space; and supermarkets chains are spreading in Latin America, East and Southeast Asia, Central Europe and Eastern and Southern Africa (Reardon et al., 2003). Food product characteristics tend to be no longer determined by producers, but by traders, supermarkets and agro-industries who set their own standards. These private standards often substitute for missing or inadequate public enforcement of safety norms, and are used in the competition with the informal sector, to claim superior food product quality (Reardon and Berdegue, 2002; Balsevich et al., 2003). Furthermore, the rise of supermarkets tends to result in most countries in the establishment of centralized buying and distribution centres, with: (i) concomitant shifts from traditional brokers to new specialized/dedicated wholesalers and (ii) a decline of traditional wholesale systems (Dries et al., 2004).

Small scale producers generally lack the knowledge, information and resources to meet quality standards and formal markets specifications. And the usual lack of formal contractual arrangements may disincentive them to invest to meet these requirements. Furthermore, these requirements (quality, respect of standards and sanitary norms) are often over the technical

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and organizational capacities of these organizations. Support is then needed but it has to be well thought out.

Part I: How to achieve competitiveness for small-scale farmers : the existence of different association and co-ordination patterns and strategies

One of the main questions in addressing farmers' market access capability is how to improve their competitiveness. Competitiveness can be defined as the capacity to improve a market position (Bourdanove, 1991). It rests on one hand on cost reduction strategies which can be achieved through economies of scale, either in terms of input provision, technical assistance or commercial logistics and hence, through farmers' organizations. On the other hand, competitiveness also relies on non-price factors such as reputation, commercial efficiency, or on specific quality attributes. These aspects too, may be enhanced through farmers' co-ordination.

A second important issue is the lack of power and of negotiation capacity of most small scale farmers in their relationship with down-stream agents. Negotiation skills, power and political representation are also critical for small farmers to participate in the improvement of their institutional environment and the setting up of a realistic regulatory framework. Without a strong environment, producers and producers' organizations alone may lack the capacity to anticipate market trends and changes.

All these issues can be dealt with through farmers' organizations and collaborations. These can take very diverse forms.

Indeed, several pathways exist towards achieving economies of scale between smallholders. Aggregation of production, processing or marketing activities into bigger economic units is but one of them. It does not always lead to better performance, as is clearly established by the failure of numbers of over-dimensioned or badly run production or processing units, such as under-utilized industrial milling units in Western Africa. Williamson (1985) gained wide academic recognition for his demonstration that economic organization and governance depend on those structures that reduce transaction costs. The firm (unified governance) tends to substitute the market in those cases when transactions are frequent and a high level of uncertainties makes external contracts hazardous. Richardson (1972) actually identified three co-ordination mechanisms for economic activities: hierarchy (direction), market (prices), and co-operation.

Horizontal co-operation as a strategy for achieving economies of scale, includes producers' formal associations. But other collaborative configurations are worth taking into account. A significant example is the application of the industrial cluster approach to agro-food activities.

1.1. Local agri-food systems

An array of recent theoretical approaches such as endogenous growth analysis, economic geography or global value chain analysis, have stressed the idea that competitiveness on world markets rests on specific national or local conditions (Requier-Desjardins et al., 2003). These conditions do not amount only to the availability of cheap labour or natural resources. They also include human capital, externalities linked to branch specialisation, and the competitive advantage stemming from the clustering of specific activities (Krugman, 1991; Porter, 1990). This remarks may be transferred at the local level.

The theoretical framework of cluster analysis (or Local Productive System dynamics) is rooted in Alfred Marshall's work which highlights the part played by geographical proximity as a diffusion factor of specific technological externalities (qualified workforce, innovation diffusion, etc.). In the 1970's, "Neo-Marshallians" economists, focusing on localized networks of Small and Medium Enterprises in Central Italy – the so-called 'Italian industrial districts'- (Beccatini, 1979), gave further insights about these externalities by stressing the importance of the sharing of common values, habits, historical experience, which accounts for a common identity and social basis by local entrepreneurs.

Within local productive systems, proximity of values and behaviours may allow for a lowering of transaction costs, thus fostering a better efficiency of market transactions and a greater productive flexibility. The existence of a tight network of relationships also sets a favourable background for collective action, with positive impacts on knowledge diffusion and innovation.

Clustering is a significant feature of the industrialisation process of developing countries (Nadvi and Schmitz, 1999). Clustering allows small businesses to challenge some constraints hampering their development : lack of financing, lack of economies of scale, inability to take risky steps, etc. This is due to the fact that collective action capacity can be an endogenous "specific asset" of clusters, which goes beyond the mere existence of agglomeration externalities (Requier-Desjardins et al., 2003). Nevertheless, while clustering can be a path to industrialisation in developing countries, it is not a necessary outcome.

Clusters exist in agri-food commodity chains as in electronics, textile or other sectors. However, cluster analysis up to now has hardly been applied to the agricultural or agribusiness sector. It could prove to be a very useful approach for small and medium enterprises (SME's), such as for example rural food-processing industries in Latin America, which are embedded in rural areas and contributing to rural livelihoods (see Box 1).

Box 1

Cheese-processing units are concentrated in some dairy cattle-breeding areas throughout Latin-American countries, for example, in the areas of Ibaté in Cundinamarca (Colombia), the hills of Santa Cruz de Turrialba in Costa-Rica, the department of Cajamarca in Peru, or some specific areas in Brazil. In Peru, the department of Cajamarca hosts 12% of total national bovine cattle and produces 16% of milk. 30 % of this milk is processed as cheese by thousand of small units located in the south of the department around the city of Cajamarca. A significant part of cheese production is marketed outside the region (coastal cities mainly), through a cluster of some eighty shops localised in the same area of the city of Cajamarca (Boucher, 2004). Similarly in the north-eastern State of Sergipe in Brazil, a geographical concentration of 147 "fabriquetas" (small commercial cheese-processing units), along with traders, can be identified in the area of Nossa Senhora da Gloria, while surroundings "municipios" have very few of these units (Cerdan, Sautier, 2000); they market their product in neighbouring cities and states such as Bahia and Pernambuco. This cluster consists not only of cheese producing plants, processing the milk bought from cattle-breeders, but also of road carriers specialised in milk or in cheese transport, various input and equipment suppliers (ferments, molds, etc.) : a manufacturer of recipients for water-boiling who adapted the equipments to the specific needs of the "fabriquetas" ; and various specialised traders. As a result, the number of products have expanded, from

original “queijo de coalho” to new varieties such as “precozido” and “mussarella” ; and a large number of small and medium scale cattle-breeders have managed to maintain their access to markets, in spite of the delocalization of an industrial fresh milk facility.

Many other clusters of rural agro-industries can be identified throughout Latin America, and in other parts of the world, for the processing and marketing of products such as fruits, sugarcane or cassava, directed mostly to urban markets (SYAL, 2002; ARTE, 2004). The insertion in social and local networks can give producers flexibility and original know-how. It facilitates learning-by-doing and learning-by-using and hence, the emergence of innovations. Sharing the same historical experience and local identity of the relevant territory, and building on local social capital, these local agri-food systems can under some conditions generate economies of scale, minimize transaction costs and trigger collective action, resulting in more sustainable market access for small producers.

1.2. Farmers' organizations as a means to achieve economies of scale and access to markets

The development of producers' organizations (POs) enables the pooling of different resources such as credit, information, labour force, transportation means for selling products or buying inputs and thus, it usually leads to economies of scale. These organizations can assume several functions in the commodity chain, such as collection, grading, post-harvest and storage. They include a large range of organisations, such as self-help groups, farmers' associations, cooperative-type organisations (Bosc et al., 2003; Perret and Mercoiret, 2003). Through bulk purchase or selling, they increase individual farmers' bargaining power.

The search for economies of scale may lead to promote large groups. Indeed, large groups enable economies of scale with limited mobilization of capital per member and greater scope for pooling risks. Yet as group size increases, so will transaction costs. And larger groups are likely to encompass more divergent interests and asymmetric information and power (Jaffee and Morton, 1995). Moreover, in small groups, members are likely to receive a higher share of total benefits and to more easily promote member commitment and knowledge of each other. As pointed out by Stringfellow et al. (1997), "there is often a trade-off between economies of scale and group cohesion, and group cohesion is a critical factor for sustained success". The efficiency of developing farmers' groups for reaching economies of scale can be counterbalanced by farmers' lack of cohesion and the associated risks of free-riding behaviours. As noted by Stringfellow et al. (1997), small size and homogeneity which favour group cohesion are much more important for activities which imply the management of shared assets than for those consisting in securing transactions with a buyer or a supplier. Indeed, the ability to undertake complex activities by farmer organizations such as operating jointly owned assets requires higher commitment as well as skills and experience than just coordinating marketing or procurement activities. For strict marketing activities, larger groups can be set up to benefit from economies of scale. Selection of members is often a key element in creating necessary trust among members. But organizations with restrictive membership conditions tend to create more unfavourable and unstable market conditions for non member farmers.

In addition to size issues, other key elements enter in the building of an efficient economic organization oriented towards market purpose. Elements to discuss the keys for success of

POs in accessing markets can be drawn from the San Francisco de Axis cooperative in Nicaragua, as an example of successful development of commercial relationships between a producers' organization and a formal market (supermarket channel) (based on Mendoza Vidaurre, cited by Rondot et al., 2004). In 1992, it began with 25 members, selling fresh milk to Prolacsa-Nestle y La Perfecta. Today, with 141 small and medium producers as members, the cooperative diversified its products, with 30% of its revenues coming from the sale of various types of cheese to supermarkets, 10% from cheese exports to El Salvador and Honduras, with the remaining 60% still coming from selling fresh milk. Milk purchase prices may be lower than those of other cooperatives, but for the members, the main advantage is stable prices and a guarantee that the cooperative will buy all their production.

To become a supermarket supplier, this cooperative overcame a number of obstacles that can be regrouped into three categories:

- (i) entry barriers to process milk: legal status and sanitary certification, environmental compliance certification; commercial registration;
- (ii) entry barriers to become a supermarket supplier: a registered brand for the cooperative products; proper packaging with bar code, nutrient data, and optimum purchase date for the product; renting of supermarket shelf space;
- (iii) requirements to remain a supermarket supplier: regular product supplying; product advertising; 15 to 30 days delayed payments; obligation to lower prices (10 to 15%) at special times during the year such as Christmas (while the supermarket margin remains the same: 32%); one month notice before a price increase.

The success of this small-scale producers' cooperative in becoming supermarket supplier relies on three major elements:

- (i) **the performance of their cooperative:** the governing bodies are well functioning and they provide accountability and transparency. There is a strong leadership and a clear division of functions between the president of the cooperative and the chairperson of the audit committee. Instead of redistributing gains, the cooperative provides social services which are not available otherwise and which promote a positive image of the cooperative. There is a clear separation of functions between the leadership of the cooperative and the management of the processing factory. Finally, coordination need is higher and collective action works best when dealing with a product with high perishability and high added value.
- (ii) **their ability as a group to identify market opportunities and exploit them.** They were also able to recognize when some of their initial products were not doing well, and quickly made a decision to drop them.
- (iii) **their commercial portfolio strategy:** they remained in the traditional market of supplying fresh milk, while diversifying their products and their buyers.

Not only was the organization able to answer to technical and financial requirements for supplying supermarkets but it could also identify market opportunities and draw efficient marketing strategies. It stands out from this example that successful market access development can be reached provided that there exists an efficient management as well as clear marketing strategies.

1.3. Search for quality as a driver for an efficient organization and sustained commercial relations

Competitiveness in food production can also be achieved through product differentiation. Small scale farmers can have comparative advantage for supplying differentiated supply chains based on specific quality, be it in terms of specific location, traditional know how or low production costs. According to Moustier (cited by Rondot et al., 2004), as regards vegetables, the ability to deliver safe labelled vegetables was determinant in the choice of supermarkets in Hanoi to get their supply from cooperatives of small scale farmers. Restrictions to the reliance on local production supply arise from the absence of an independent quality control system which puts the stress on the importance of an enabling institutional environment.

Developing a partnership with well organized small producers can be more efficient for downstream specific quality supply chain actors, than to work with bigger producers whose commitment to enforce all required standards may be lower (Roche et al., 2004).

Relying on his experience in setting up a differentiated cocoa supply chain in Ecuador, under the label "Bio Equitable" (which mixes principles from fair trade and organic agriculture), Roche et al. (2004) put forward that a complete and efficient process of involvement in a quality oriented supply chain for a producer organization may last about 10 years, from the starting of the information exchange with PO leaders and local technical staffs up to a sustained commercialization of the product. The learning process for all actors (producers, collectors, exporters, technical assistance staff and buyers) is rather slow. Hence, for high quality to be reached and given the length of the initial steps, it is essential that long term mutual agreements be agreed upon.

A key for success is to ensure that all supply chain actors' expectations are communicated to, and understood by, the other actors. Furthermore, the objective of getting a high quality product has to be shared by all actors and to be kept in mind. There is a need for repeated and frequent communications and negotiations for trust to be established. Quality requirements must be understood and remembered by all supply chain agents at any time. Bosc (cited by Rondot et al., 2004) reports that the building of a sustainable commercial relationship between the SA4R, an French anonymous society specialized in labelled Aveyron veal and of which the producers are the shareholders, and a huge French supermarket chain, "Auchan" was permitted by repeated exchanges which supported the adjustment and finalization of the concrete rules and conditions of the commercial relation: meat appearance, the quality of the cut out and of the packaging. This led to the involvement of a slaughterhouse, Bigard, in the partnership and to the definition of a tripartite charter between Auchan, SA4R and Bigard. Periodic meetings are still organized to supervise the organization of the relations between the 3 partners, define a joint promotion policy and monitor the activities: demands planning, development actions and pricing forecasting. And visits from Auchan department managers to the SA4R as well as from producers to the stores for promotional activities are regularly organized.

These principles of intense communication and fine-tuning of co-operation rules and relations remain valid for quality products, whichever be the local context. It is really important for the producer to clearly understand what are his responsibility and tasks within the supply chain and to receive fair remuneration for that. The same way, support to the PO quality control manager must be a priority for the PO.

To support the construction of a relation of trust with downstream actors, selection devices to the entrance of new producers may be necessary. In the SA4R case, the entrance of a new breeder as a SA4R supplier is conditioned to a probationary period of 6 months before the breeder is given a delivery reference. This delivery reference is revised each year to account for producers' behaviours and guarantee the reliability of their engagement.

For developing a quality oriented supply chain, necessary technical and organizational changes have to be devised and adopted. Nevertheless, to be successful and cost-effective, care is to be put on designing a processing scheme that minimizes the technical and social changes linked to producers' current practices (Roche et al., 2004).

1.4. Producers' organizations and negotiation processes

POs responsible for marketing functions need to be efficient economic organizations and external stakeholders often argue that specialization is a good means to promote efficacy and efficiency. Support to POs may therefore be tailored to induce this type of evolution.

But actually a PO usually performs a wide range of activities. POs can fulfil five types of functions: economic, social, representation (advocacy and voice), information sharing / capacity building, and coordination¹. Co-ordination is a key function since POs are in a position to establish linkages both at local and global level and to integrate the functions cited above.

The need for negotiation capacities to re-equilibrate the relations of power with downstream actors and favour mutual trust and more transparency in the exchanges is real, and calls for the reinforcement of the advocacy function of POs. A balance has thus to be struck in the organisations between economic specialization and non-economic roles, which can be seen as means to secure the economic one.

In most cases, the economic and advocacy functions cannot be thought out separately. The grouping of economic operations by POs might be a good start. Nevertheless, it remains necessary for local farmer groups to structure up at larger scale to gain real bargaining power. Indeed, they need to attain a critical mass if they are to negotiate with traders and the authorities for better prices and a more favourable environment. However, it is worth mentioning that bargaining power does not rely exclusively on production scale. A higher quality also enhances producers' voice, since buyers on specialty markets are much more supplier-dependent than for commoditized products.

POs can play a role in negotiating with other stakeholders changes in institutional environment according to small farmers' interests. Stockbridge (2003) argues that POs are a good candidate for solving coordination problems since they may build up internal and external relationships of trust that are required to secure credible commitment forms and to cooperate in order to realize mutually beneficial actions and investments.

Inversely, the control of economic functions by the POs is an indispensable step in their capacity building process to assume advocacy functions. Basically POs can defend farmers' interests and improve their participation in three domains: in decision making processes over programs and projects, in policy making processes regarding their market access reinforcement and market environment enhancement (formal recognition of specific product quality, negotiation about tariffs to encourage the development of the national production...) and finally in a prospective reflection about the role of family agriculture in a liberalised and global environment, the challenge being to propose and defend general policy orientations

¹ Economic functions include supply, production, processing, and marketing of goods and services, management of factors of production, e.g. water, land, labour, agricultural equipment. These economic functions correspond to the following lines (i) Natural resource management, (ii) Supporting agricultural production, (iii) Marketing. Social functions, benefiting members and/or the local community can include cultural, education, training, health, drinking water and mutual support. Representation, including defence of group interests and advocacy at the local, and sometimes regional and national levels (before government, firms etc.). Information sharing includes communication both internal and towards other actors and capacity building can be undertaken either directly by POs or through contractual arrangements.

which would be more consistent with small farmers' objectives, strategies and specific constraints.

Linkages between economic and advocacy roles may be internal to a multipurpose organization, or be developed through co-ordination between several organizations. They remain in any case, an important strategy in order to combine shorter and longer term competitiveness for small farmers.

Part II: How to support and promote successful small scale producers' cooperation?

Integrating organisation with empowerment through flexible capacity building is key to successful support. This can be translated into 5 basic orientations for governments, NGOs and the private sector.

2.1 Taking on board the diversity of organisations :

First of all, it is now widely recognized that provision of outside support should be aimed at supporting small farmers in implementing their own strategies. Real care is to be put on the way to support farmers' organizations as this may weaken the existing organizational pattern and induce a too high dependency of the organizations to external aid. The creation of externally driven farmer groups induced by project developers may be harmful to their viability. It generally does not take enough into account the underlying patterns of social and economic organization. Delion (2000) points out the need to involve social specialists in project preparation to analyze the different layers of local organizations (small informal groups, large professional groups...) and to identify clearly the role of different kinds of rural organizations at different levels. Biénabe et al. (2004) report the case of the "Programme de Professionnalisation de l'Agriculture" (PPDA) in Madagascar which intended in 1994 to create a new organization aimed at representing farmers' organizations at the national level but failed because this organization did not have any legitimacy among existing grassroots farmer groups. On the other hand, local productive arrangements such as clustering of rural SME's, which have legitimacy based on shared values and social networks but are not always represented by a formal economic organization, deserve to be better recognized and supported.

Different types of training and capacity building may be required to strengthen POs (ODI-CIRAD, 2001), according to their different needs and opportunities. Capacity building can aim at improving the internal structure and functioning of the organizations (decision making processes, membership rules, internal circulation of information, member compensation for services) in order to facilitate mechanisms of internal consultation and representation. It can focus on access to information such as market functioning (price fluctuation, operators' power, consumers' requirements...) so that POs can develop well thought-out points of view and informed strategies. Another important field for capacity building is improving management capacities, particularly in relation to implementation processes and control over products. And finally, capacity to negotiate and develop proposals is crucial to build new coordination modes and contractual relations.

In remote rural areas, producers' co-operation and organization needs are likely to differ from peri-urban contexts where market connections and opportunities are more diversified. Producers' organizations in remote areas tend to assume a multifunctional role integrating

several economic, representation and advocacy activities, with a stronger cohesion and a stronger link to local development issues.

Obviously, taking seriously on board the need to adapt support strategies to the diversity of organizations, implies the development of participatory approaches. For instance the AVAL project, aimed at the promotion of women's food processing and catering activities in Western African cities, promoted a new training concept called "Ecoles pratiques" (practical schools). Instead of having standard business support modules delivered by instructors in a dedicated building and over a short period, these schools negotiate the training contents, place, frequency and schedules with each women beneficiaries group and focus on their dominant economic or commercial activity, ensuring a follow-up during and after training periods through a networking of instructors with experienced local practitioners (Devautour et al., 2001). As a whole, training programs for groups and entrepreneurs, which are traditionally based on codified knowledge, should open space for apprenticeship in order to build on tacit knowledge also, since innovation processes generally spring out from a combination of both types of knowledge.

2.2 Adapting capacity-building to Producers' Organizations structuring stage :

A regional development project, undertaken also in Madagascar since 1994 by the French Ministry of foreign Affairs, CIRAD and AFDI, reached to impulse the creation of a regional farmers' organization, the "Maison des Paysans" (MdP), through an extensive work on rural animation in the villages, together with literacy trainings, information and farmer exchanges. This fostered the emergence of a network of farmers able to participate to public debates and then, the creation of MdP. Ten years later, the MdP and its local representatives consist of a network of 250 elected small farmers, representing 29 districts. It takes on two functions: representing the producers and supplying services for them (advice/information, on-farm experimentation, experience-sharing, etc.).

Especially in the early stages of a PO development, external aid can thus play a facilitative role. But although at the beginning, an external agency may help producer organizations identify markets opportunities, this capacity should rapidly be acquired by the POs. Particular focus is to be put on developing the organizational capacities of farmer groups in order to ensure producer organizations' autonomy and sustainability.

The experience of the NGO FERT in Madagascar gives key insights on how to accompany organizational processes with adapted capacity-building programs. This NGO started to work with unorganized farmers at community level. It set up small, informal groups to organize input bulk purchase or credit supply through small village banks, storage or trading, etc. The primary purpose was to guarantee the availability of the inputs and the quality of the products, to reduce the operational costs (transport, storage, collecting) and finally increase farmers' bargaining power. Once this activity performed efficiently, each small specialized group, with technical assistance from FERT, was formalized into an association that took up new activities and grew in size. It then structured up into regional unions and later on, into a national federation.

This gradual support was stretched over more than 15 years. An operational "learning by doing" approach was adopted to ensure the viability of the promoted changes. Farmers were given responsibilities from the beginning within small informal groups, while at the same time being given support to assess their needs of training, assistance, etc. Hence, FERT's ongoing support to the capacity-building process adjusted to the expressed needs of the organizations. FERT gave support to productive activities with local groups, advocacy

training and market studies with organization leaders, through study trips inside and outside the country in collaboration with local and international institutions. Farmers groups were also entrusted with some funds to strengthen their abilities to take responsibilities.

It stands out from this project that an operational learning process is a key element in fostering farmer-driven initiatives and that the creation of an effective farmers' organization setting is a long and difficult process. Reasoning the learning-by-doing approach over a long period and adapting it gradually to evolving needs appears to be successful. This project also shows the relevance for a support project to articulate a continuum from farmers' grassroots technical activities up to POs' institutional and policy level capacities, thus reinforcing the farmers' representatives' legitimacy.

This raises the key question as to what sort of "support" is needed to establish POs. If it takes such a long commitment to ensure that the POs are sustainable, it may be a role that only an NGO or a government can play. To what extent can the private sector oversee a similar role to that of FERT in Madagascar ? Some outstanding support and training work has been done through the private sector for empowering POs through participation in cash crops supply chains, for example for cotton in Mozambique (Bonnal & Sautier, 1998) or in Mali. However, these actions generally still rely on public or international funding; they logically restrict their focus on those associations which have a direct functional role for the supply chain considered; finally, they are in jeopardy when markets are low or when firms are merged or reengineered.

2.3 Building capacity to efficiently take on economic functions :

Ensuring efficiently an economic function through collective action - such as efficient access to inputs for farmers - is highly demanding in terms of PO skills and capacities. Support has to be carefully designed, as shown by the PCPS project (Projet de Centres de Prestation de Services) for business development services developed in Mali. This project assisted the federation of service centers, which counts a total of 157 PO members, to call for tenders with the main input traders and obtain cheaper inputs for its members. Farmers groups received support to access to market information and to understand the characteristics of markets (price fluctuations, control exerted by larger operators etc.). But the federation still cannot ensure input supply satisfactorily, due to problems of delayed delivery and of input quality. Indeed, insufficient stress was put on finance management, stock management and punctuality of delivery, respect of quality norms, transparency etc. Supporting collective organizational capacities is a key factor for POs to effectively and efficiently take on economic functions.

When producers join an organization, they usually expect to benefit rapidly from their participation into the collective action. Members' immediate payment when deliver their production (that is with no delay) can help producers' organizations tackle the potential free-riding problem. But it supposes that financial capacities are planned ahead of marketing activities, and that downstream contractual arrangements are developed. This points out the need of training for developing and piloting new institutional arrangements between companies, banks and smallholders which are mutually acceptable in terms of risk sharing and the distribution of benefits.

Planning and risk assessment must then precede the choice and implementation of economic functions by producers' organizations. As pointed out by Stringfellow et al., (1997), "donors wishing to promote farmer cooperation should refrain from rushing the process of group formation or from overburdening groups with too many or too complex functions". Hence,

Lucey and Pesche (1995) urge to the construction of new relations arising from step by step approaches and the use by government and NGOs of clear fixed term contracts drawn up in conjunction with Farmer Organizations.

2.4 Reasoning support according to different market linkages types :

Following Stringfellow et al. (1997), linkage-dependent and linkage-independent groups can be distinguished according to their relationships to the private sector. This distinction is meaningful both for conceiving support to improve farmers' access to new market opportunities and for devising capacity building to strengthen existing farmers' linkages to markets.

Linkage-dependent groups are characterized by a strong arrangement between the group and an "outside agency" which has a central role in market access and can take on supervision activities regarding the group commitment to deliver its production under predetermined terms and conditions. This type of farmers' organization has a lower bargaining power but it benefits from much lower needs of managerial and entrepreneurial skills. On the other hand, linkage-independent groups have much more freedom of action to define their conditions of access to markets. But support to these groups is usually more demanding in terms of training and capacity building. Indeed, linkage-independent groups face a managerial challenge since they have to make quicker and more frequent decisions in relation to investments (who to do business with, under what terms and conditions) while achieving participation and be accountable to their members. Finally, reasoning the most appropriate arrangement for POs clearly depends on the conditions under which they operate. When they have relatively little experience with formal cooperation and where markets are thin, linkage dependent approaches seem to offer considerable advantages.

Entering into new commercial relationships and marketing activities necessarily entails more complex and intense learning processes. Linkage-dependent groups may then benefit from the external agency which can facilitate technical compliance of contract in contract farming schemes, or play the role of commercial intermediary between local partners and international market. This is the case of the BIODESA project in Bolivia, funded by the French Ministry of Foreign Affairs. In this project, farmer cooperatives in rural areas extract oil from aromatic plants like eucalyptus and rosemary and sell their production to the University of Cochabamba which refines it and exports the final products to international buyers. Small processing units based on technology innovation from the University are operated by farmer cooperatives. The identification of the marketable products and potential buyers required a partnership between an international NGO who provided its commercial network and the University. A long term commitment of donors has been necessary for the appropriate technology and the commercialization to be developed simultaneously. A frequent difficulty lies in developing the right technologies without a commitment of a buyer to buy regular volumes. The establishment of partnerships between farmers' cooperatives - University and NGO presently offers new opportunities to enter niche markets (organic and fair trade).

2.5 Promoting deliberative institutions and inter-professional bodies

State deficiencies are usually high in less developed countries, i.e. lack of reliable statistical data, difficulties in organizing internal negotiation with the stakeholders and pressure of foreign aid (Félix, 2003). However, negotiation processes between the State and POs are really important in creating a more enabling institutional environment for farmers' access to markets. These negotiations can lead to State decisions which foster producers'

competitiveness, as reflected in Guinea by the example of the Foutah Jalon potato growers. These producers successfully succeeded to compete with European farmers after a negotiation between the Federation of Foutah Jalon farmers and the government who agreed to limit potato imports from Europe during the period when Foutah Jalon potatoes are marketed. Thus Foutah Jalon farmers could develop their production through improvements in productivity, storage, and marketing. In four years, yields per hectare increased from 3 to 20 tons and protection measures have now been lifted ².

Proposals are made to promote new institutions – called quaternary or deliberative institutions - that could facilitate a more participative process in changing the institutional environment and establish new institutional arrangements (Kydd et al., 2002; Bourgeois, 1998). Within these institutions collective discussions lead to create common knowledge over the different actors' available strategies and then, to elaborate common diagnoses and plans of action. Hence, they foster the ability of the actors to cooperate. By facilitating effective non-market coordination they can enhance investment of supply chain actors in specific assets (Kydd et al., 2002). Information and training of POs, and the strengthening of leaders' legitimacy through progressive structuring of POs are essential for establishing effective deliberative institutions.

Among these are the national negotiation platforms between representatives of POs, other stakeholders (representatives of the processing and trade sectors...) and state representatives. These mediating institutions should not depend on the State, but it should act as a guarantor of efficiency (Bourgeois, 1998). Inter-professional bodies represent another type of deliberative institutions which operate at the supply chain level. They are private organizations grouping various stakeholders involved in the different functions of the supply chain (producers, traders, carriers, exporters...) and possibly State representatives (Gitz and al. 1998). They are aimed at resolving in a concerted way the constraints that hinder the competitiveness of a specific sub-sector, creating more value and sharing this value.

The efficiency of an inter-profession leans on its legitimacy (effective participation of all members, legitimacy of each group representative, transparent mechanisms of decision, funding, etc). The establishment of such a body is a long and complex process, which requires capacity building, information provision and participative analysis to elaborate a concerted diagnosis of the situation and to identify the common interests and the collective margins of progress. Although inter-professional bodies are part of the private sector, Gitz et al. (1998) show the important role of the State in the emergence of inter-profession bodies through the creation of an enabling legal framework. They can lead to the establishment of contractual relations between the different operators and to debate with the authorities to influence the policy making process. They are particularly useful for quality oriented products where standards and enforcement rules are to be negotiated.

Nevertheless, inter-professional bodies are not usual in developing countries. They are emerging preferentially in short supply chains with few well identified actors, or where a dominant group of actors takes the lead of the process, that is in chains where coordination problems are reduced. Examples of inter-profession bodies also exist for export goods, such as cotton in Benin, where POs are nationally organized after a process of transfer of responsibilities from semi-state enterprise to POs as part of the liberalization process of the

² This Federation has 13,500 members who produce approximately 4,000 tons of potatoes every year. The Federation markets an additional yearly 3,000 tons of non-member production. Besides support to marketing, the Federation provides members with technical advice and inputs (imported potato seeds and bags). Marketing of potatoes is managed by a group of women called "*Dioulamoussous*" who collect produce from 21 Federation warehouses and resell it in the capital city of Conakry. Farmers and women traders agree upon the producer price as well as the trading margin. Source: <http://www.paysansdufouta.org/>

sector. If this type of organization facilitates coordination and exchange of information among stakeholders, inter-professional organizations seems to benefit more to the most powerful actors of the sector, e.g. inputs suppliers or cotton ginneries in Benin (Cadot, 2003).

Conclusion

This short review of strategies and concrete experiences aimed at pro-poor competitiveness policies for local, national and international markets makes clear that horizontal co-operation is an asset which cannot be ignored, nor underestimated. The potential of horizontal co-operation for sustaining market access pathways for small-holder producers is not just a matter of cost-sharing mechanisms or economies of scale. It also deals with the dynamics of innovation and learning-by-doing, and with the stakeholders' legitimacy and capacity for priority setting, negotiation and voice. Horizontal co-operation deserves high priority by donors, governments and NGOs and involvement from the private sector in order to develop a large array of innovative support strategies.

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