

# Discussions



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The workshop that was held on 28 February and 1 March 2005 in Westminster, London was based on five key papers that were commissioned and prepared in advance, i.e., the four thematic issues papers and an overview. These, together with the keynote perspectives, formed the starting point for the discussions that followed. The aim was to present a broad summary of the state of research knowledge in the area of access to markets, but more importantly, to build upon it to gain some sense of the priorities that future researchers and policy makers should attach to the constraints that need to be addressed.

A series of discussions were held following the thematic presentations, and resulting from this, a series of 'leading questions' were formulated with the aim of defining these priorities. A further set of discussions examined the questions in order to define some guiding principles for further work in priority areas, in a form that could be taken up and acted upon by various parties: donors, the private-sector, governments, research agencies and other related organisations. The commentary that follows is therefore a synthesis based on the extensive contributions made, in plenary discussions and in separate working groups, followed by some bulleted points that make practical suggestions for policy makers and practitioners.

**Q1 Focus of interventions.** Where should resources be focussed? On supporting the most marginalised majority to take the first steps up from subsistence farming, or on graduating a select minority into mature, commercially viable agro-enterprises?

This question had two underlying components. The first was whether a reduction in rural poverty was indeed best approached by attempting to upgrade smallholder agriculture; and secondly, if a more active commercial agro-enterprise sector is desired, are smallholder farmers the best starting point? And at the heart of this lies the familiar dilemma of whether poverty-focussed approaches can be reconciled with commercial, private-sector methods; a debate that is led by donor beliefs and partners' values as much as by informed evidence. There was also a clear sense of urgency; that the steady rise in poverty indicators (in Africa) allows only a limited window of opportunity, felt to be of the order of a decade, to demonstrate whether large-scale access to markets is a realistic option for drawing smallholder farmers out of poverty.

An agreement on the strategic approach is necessary if the best use of resources is to be achieved, since the challenges of engaging smallholder farmers

in market systems are many and varied, but the resources available to apply to them are limited, as is the capacity to absorb and apply donor investment. The theme papers, especially those on creating linkages and on the role of producer organisations drew comments on these points. There is relevant research in other disciplines to be taken into account (the work of Jonathan Riggs at the Durham University Geography Department was cited). Such research questions the intuitive assumption that since most of the poor are rural small-scale farmers, improved smallholder agriculture is the preferred route for addressing rural poverty reduction, as opposed to non-farm rural income generation. Smallholder farmers can gain some resilience when organised into producer groups, but even these groups can prove fragile when investments in their strengthening are attempted, and experience shows that donor-funded producer organisations find it hard to shift their focus from food security concerns to more commercial approaches. Or as many put it; “Can we turn smallholder farmers into small-scale business people?”

The main characteristic of the workshop’s conclusions was to avoid hard prescriptions and unhelpful labels, but to recognise the varied and shifting nature of small farm enterprises, and to favour flexible and responsive solutions.

- Since the majority of smallholders are poor, it is important to work directly with them in order to reduce poverty. The poor are not a homogeneous group, however, people move in and out of poverty and innovations and enterprise development will catch on unevenly amongst those of the poor who are better equipped or better able to adopt them. Differentiating between ‘winners’ and ‘losers’ is unhelpful and can serve to perpetuate poverty. To some extent the dilemma can be tackled by using different organisations to work with different groups of producers.
- Conversely, not all of the rural poor are farmers, and strategies are needed to help non-farmers to become agro-entrepreneurs.
- Smallholders should be encouraged and assisted to expand their enterprises, not to stay small. Whilst the focus must remain on overall benefits to the poor, strategies will need to target – initially at least – those who show entrepreneurial potential. Successful local role-models are known to be a strong influence on others in their community.
- Similarly, an ability to innovate may only be found in a small minority of producers, and project interventions may need to work with this sub-set, but mixed approaches are probably of most benefit.
- Over the long term, some sections of the poor community may be more risk-averse than others. A process approach, including differentiated strategies that address risks to which the very poor are extremely averse, is most appropriate. Producer organisations also need ways of buffering risks, particularly financial risks, to assist the long-term sustainability of production.

**Q2 Private sector involvement.** How can the private sector be interested and engaged in working with small-scale producers; that is, how can ‘champions’ (as Best et al., describe them) be fostered, and business with smallholders be made attractive?

Given that markets are strongly populated by private-sector players, the discussions rapidly moved on to considerations of how the resources, knowledge and skills of the private sector could be harnessed in enabling smallholder farmers to connect with the market. Existing market chains and actors are already in place, and can prove to be more efficient than they seem, so one obvious strategy is to direct investment to them, rather than trying to establish new or parallel structures. In particular, much could be learned from the experience of the branded commodity sector, where strong links with buyers and commercial agents seem to be a success factor.

Evidence seems to indicate that increasing transparency between the actors in the market chain confers increased trust and strengthens the relationships in the chain. More consideration needs to be given to the challenge of creating that increased transparency; often not an easy concept for commercial partners, whilst maintaining a poverty-focussed approach. Again, a poverty-focussed approach requires giving attention to how the primary producers – small-scale farmers – can be given a voice in deciding how services are delivered, and the converse question of ensuring that information providers gain an accurate understanding of clients' needs, based on competent market analysis. These are all part of the particular issues of how to move to demand-led services in weak and remote markets.

- One set of precepts was cited from a recent DFID private-sector partner meeting:
  - Only work with partners who put something at risk
  - Don't get academics to do market surveys – get people who really know the business
  - Avoid workshops – real businesses can't afford the time to attend!
  - Incentivise business development service suppliers.
- Private enterprise will only act in concert with small-scale producers when there is a profit to be made, but engaging with a multiplicity of smallholders entails high transaction costs. To reduce this deterrent, growers need to be helped by development agencies and programmes to organise themselves. Farmers and small-scale producers who enter the market are of course private-sector workers, but need to be organised in a form that other members of the sector can deal with in terms that make sense.
- The possibilities of linking venture capital to smaller producers need exploring. Contract farming is one way to make the links, as is understanding consumers' needs as they develop.
- A change is needed in the general attitude of the public, NGOs and the public sector towards private traders and entrepreneurs. Similarly, the private sector needs to discard a prevailing negative view, and understand that the poor are also discerning consumers, and that with trust and a willingness to share risk, there is profitability in working with them.
- Governments need to address the importance of creating a positive enabling environment. This can lead to wider benefits of capital and business development in-country, retained added value, and possible political benefit.

- The private sector will need incentives to engage more strongly with the poor both as consumers and producers. Ethical trading attributes may provide this in export markets (for example the current interest in 'organics'), but in domestic markets consumers are seeking quality, low costs, reliability and assured supply. Informal markets need to be taken into consideration as a part of the market chain.
- The benefits of group organisation are many. They include the reduction of transaction costs, bulking, quality assurance, certainty of supply, access to guarantee funds, easier market entry, and support from government. While the main attraction is the opportunity for profit, there are also gains in social responsibility reflecting the mutual benefits of building trust and dependency, and ensuring contract performance within the commercial relationship.

**Q3 Government.** What legitimate role should governments realistically assume in supporting or delivering human and social capital development?

Various new skills, knowledge, capabilities and social institutions are needed for farmers and agro-entrepreneurs to participate and compete successfully in market systems. Much of this can be facilitated by governments providing the appropriate enabling and supporting environment. At many points, the discussions threw up examples of these opportunities: Removing the bureaucratic obstacles to supplying the minor ingredients, packaging and presentation materials that otherwise inhibit the development of food-processing businesses. Ensuring donor policy coherence that, for example, allows imported food aid to undermine local markets. Enabling special-interest groups to become effective commodity associations. The creation of more-appropriate information exchange mechanisms in market intelligence, beyond the traditional provision of written information. And generally, that governments should focus more on facilitating the development of human and social capacity rather than taking on the implementation role.

- Governments need to plan strategically, and be prepared to offer sustained and integrated support to market development initiatives. An example of the success of this approach was cited in the case of the 'Operation Flood' milk scheme of India's National Dairy Development Board in Gujarat, which integrated infrastructure development, market regulation, and the establishment of milk-collection centres.
- Governments should promote a bottom-up leadership approach that ensures that knowledge from the grass roots is integrated into policy development.
- More diagnostic work on systems and supply chains is required.
- Governments can play a key role in funding training and education programmes and in ensuring their delivery to those who need them the most. They must support access to local education and training programmes led both by themselves and by private-sector organisations. Such programmes should include vocational training.

- The Comprehensive Africa Agriculture Development Programme (CAADP) is production-oriented. A market- and demand-oriented element would enhance its plans and directly benefit all stakeholders.
- In order to aid the development and viability of small-scale businesses, and thus to reduce the tendency for small business people to shift in and out of poverty, governments need to reduce the excessive regulation and to provide stronger incentives for business start-up.
- Governments should ensure that they have the infrastructure in place to aid the delivery of social capital. This includes the infrastructures for information and communications technologies (ICT), mobile networks, regulation of chains, monopolies and financial services. The private sector should be seen as an essential investor in developing these infrastructures.
- In order to strengthen partnerships between the private sector and smallholder producers, governments should address ways in which contracts can be stronger and more robust in rural settings.
- Government can empower development in some of the poorest areas by providing economic support – for example by reducing local taxation and promoting rural infrastructure – and by fighting corruption.
- Whilst governments might be moving to a more facilitative role in private industry, smallholders still need extension support and financial service regulation. State agents are ill-informed about local markets and often cannot provide the level of service that well trained extension agents might. Governments should therefore invest in providing marketing training for field-based extension agents. Agricultural training curricula need revision to incorporate the new skills needed today.

#### **Q4 Market literacy.** How can agricultural research institutions and rural development programmes transform themselves to become market-literate?

A major contention from the discussions was the need for more understanding of the functioning of commercial market systems; and that this need for market literacy (a ‘paradigm shift’) was most acute among those actors and stakeholders who are traditionally out of contact with private-sector workings. Typically, this would be traditional research institutions, government agencies and many NGOs. Market literacy demands a new range of staff skills, capabilities and operational processes from all agencies that aim to facilitate rural development.

Not only research institutions, but agricultural extension services were also noted as needing to be re-oriented away from production concerns towards a greater focus on value-addition and marketing. The challenge is to identify for policy makers the directions and interventions that will lead to the right enhancements in the enabling policy environment. Useful tools do exist, and the Michigan State University experience in Mozambique was cited, where a typology of agro-enterprises (processors) capable of distinguishing those that had the right linkages and potential for enhancing poverty-focussed growth has been developed.

- Collaborative partnerships need to be formed between the private sector and research institutions to allow the private sector a role in leading the research agenda. This should include commercial representation on research boards at council, institutional and national levels. In many countries an agricultural research council determines the research agenda, but farmer/market concerns indicate there should be representation from private trade and not just government on the boards of such councils.
- Research institutions can often appear to be out of touch with the reality of the private sector. Marketing specialists should be contracted or added to research station staff to aid a research agenda that includes the concerns of key market players. Research bodies should undertake market intelligence and work in multi-disciplinary teams to give them a stronger understanding of their market place. That said, it is recognised that such surveys are not the distinctive competence of agricultural research centres. Concerns of market players should influence the agenda of research institutions and rural development organisations
- It is important to acknowledge that it is a very difficult process to go from being a facilitator to a provider in the market. Transformation happens when there is pressure and incentive to make changes. For example, setting commercial objectives and targets for researchers would directly link research to the private sector. And incentives should be designed to encourage problem solving.
- Whilst research should be of commercial use, care needs to be taken to ensure that producers influence but do not control research bodies and create conflicts of interest. One way to do this is to set the targets for researchers in terms that are related to commercial objectives. Another option is to give producers some control over research bodies (as in the case of the banana industry in Jamaica, where the research centre is funded by a producer group). But it is important to avoid distorting research outcomes through an unbalanced or inappropriate incentivising of agricultural research.
- A stronger emphasis on contract research and the role of applied research is needed to enable rural development programmes and research institutions to directly benefit from the private sector.

**Q5 Future research priorities.** What are priority researchable issues at national and international levels? How important is new research, compared to building on existing knowledge and capabilities?

There are clearly still gaps in current knowledge of the issues that matter most in making market systems work for smallholder agriculture. Future research providers will still be concerned with targeting research to ensure its greatest effectiveness.

One perpetual concern is the need to achieve a balance between strategic or 'blue sky' research that may generate knowledge capable of making profound

differences in widespread application over the long term, and applied research aimed at mobilising knowledge closer to the market with more immediate benefits to poor communities.

Whatever the balance, two principles were apparent from the discussions: firstly, that all research (including strategic research) must ultimately be action-oriented, and must produce outputs whose relevance can be understood by farmers. Secondly, that research to date has created a large body of useful knowledge on post-harvest management, and there is considerable potential still unrealised for transforming that knowledge into more applicable forms, and setting up the tools, techniques and intermediaries by which it can be delivered to users.

- Research at national and regional levels and below is important in order to 'ground truth' existing knowledge, mobilise it, and generate lessons on how research outputs can be effectively delivered to poor users in the field. This needs to be complemented by research at an international level that can focus on longer-term strategies, and policy constraints that prevent agricultural and post-harvest knowledge being put to use in ways that reduce poverty. Long-term international trends (the example of the importance of the super-markets' importance in the demand chain was cited) also require decision tools and methods to be researched and developed in order to improve small-scale farmers' integration into the market system.
- There is a need to understand how to add value at community level, how partnerships and supply chains work, and how NGOs are dealing with marketing issues.
- Research to gain an understanding of the future for smallholder agriculture is needed, and to determine the directions for development that are realistic in different contexts. Such research needs to be set in a livelihoods approach, in order to be informed by an understanding of the needs and priorities of beneficiary groups.
- Domestic mass markets for agricultural produce are large and growing and they are, moreover, more readily accessible to smallholders than export markets. More surveys of such markets are needed to determine their requirements, and to understand the behaviour of such key players as commission agents.
- Work needs to be done on standards appropriate to poor consumers, and consumers need to understand the impact of standards they set on producers. With the focus on consumers should come an understanding of how partnerships of various types work and can be replicated.
- There is need to understand what are the blockages that prevent better use of existing knowledge within the supply chain; transparency and accountability are vital components of this.
- What is already working should be identified and the knowledge shared, particularly on marketing and market access for low-value, high-volume crops. A practical step would be to resource the development of 'How To' guides, and to provide national repositories of information extracted from projects, government, private sector, etc.



- A methodology for involving local stakeholders in carrying out market research and market information surveys is needed, together with funding for process-oriented projects.
- The Market Map framework merits careful consideration.